

2021 JUNE  
**INVESTOR DAY**



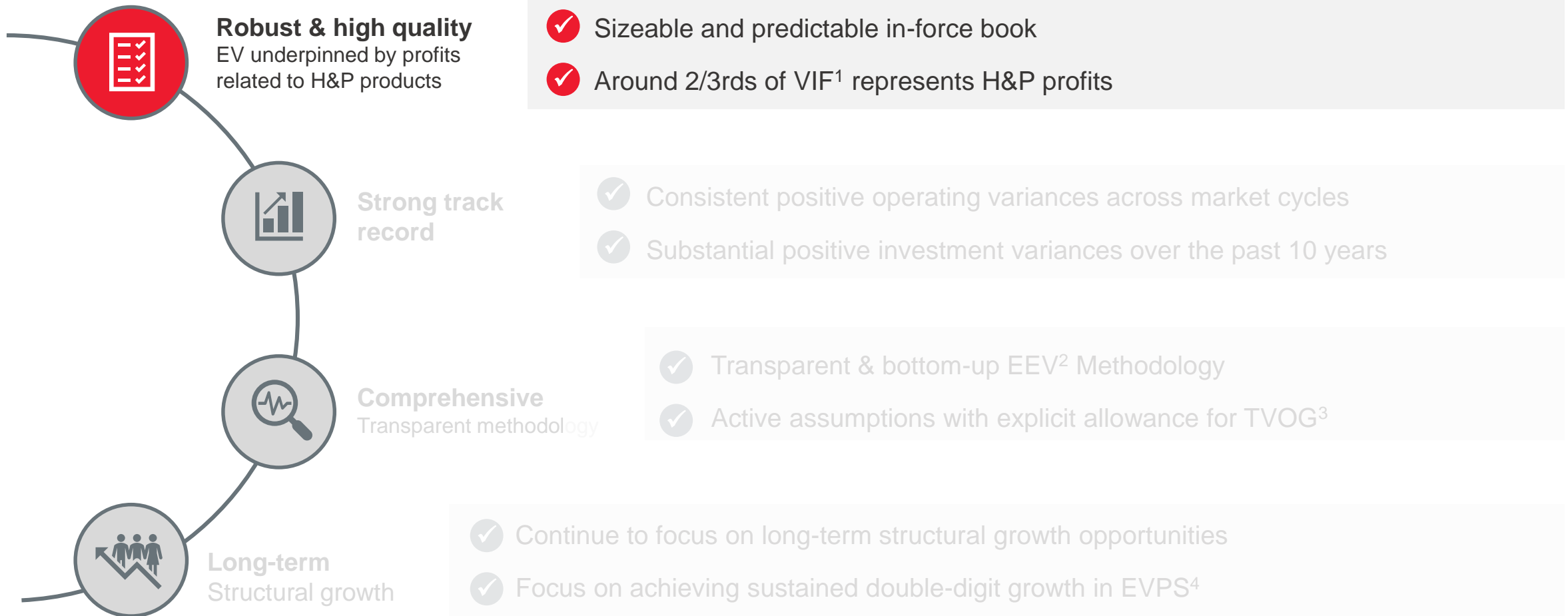
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# 2021 Investor Day: Embedded Value

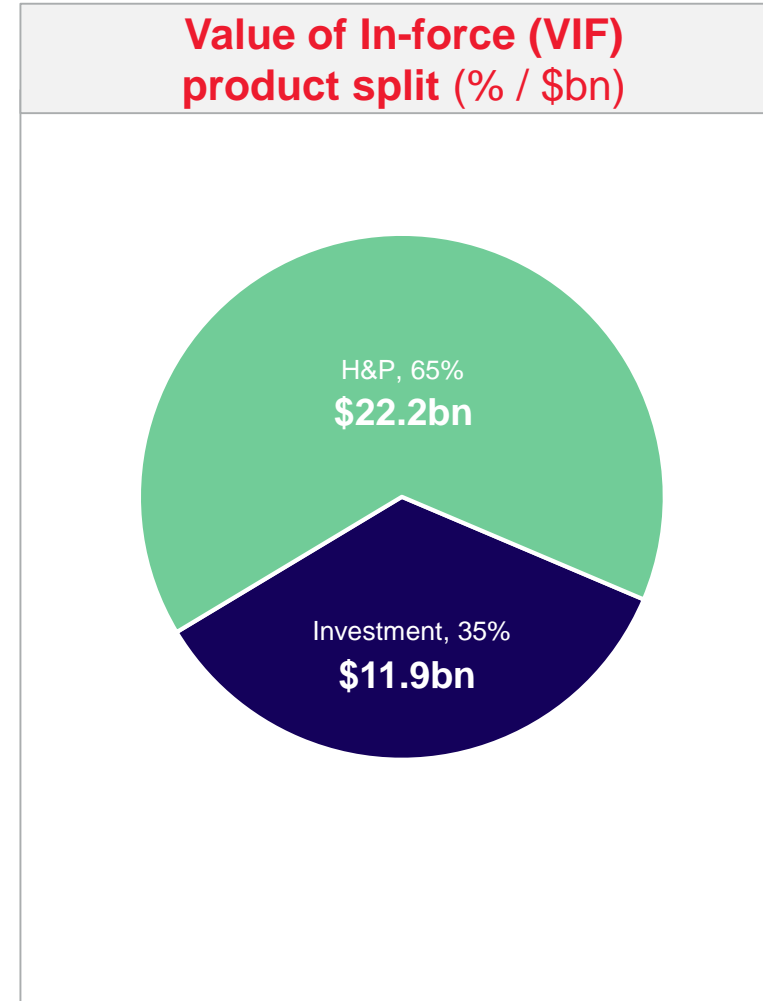
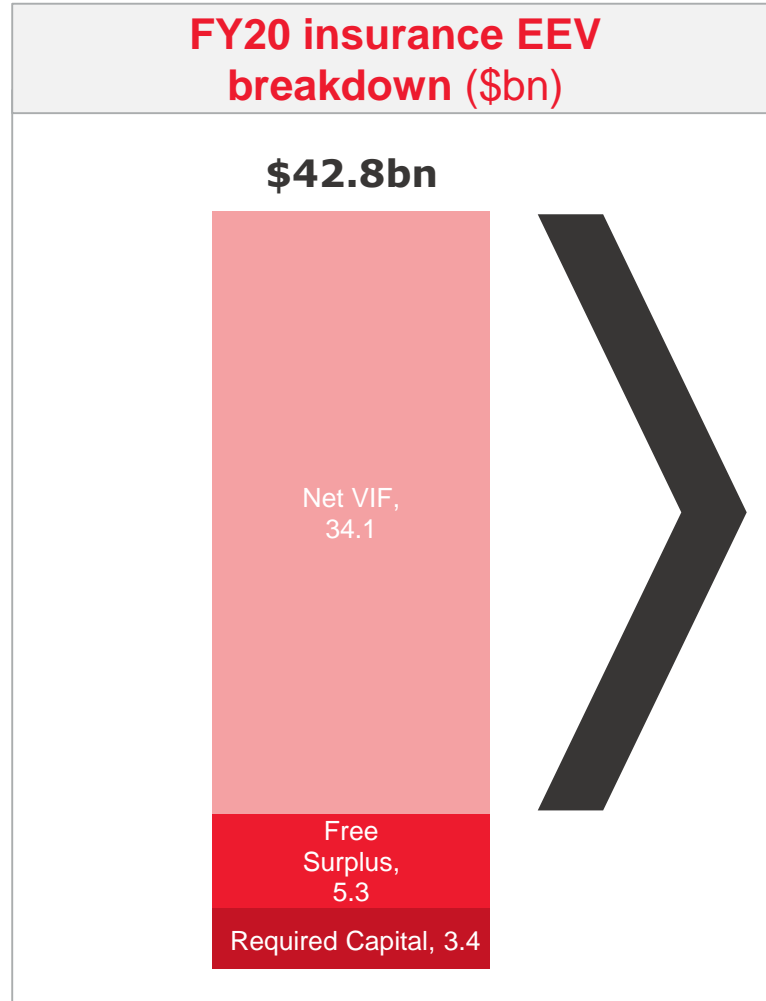


# Confidence in our Embedded Value (EV)



1. Value of in-force on a discounted basis  
2. European embedded value  
3. Time value of options and guarantees  
4. Embedded value per share

# Around 2/3<sup>rd</sup> of VIF represents health & protection profits

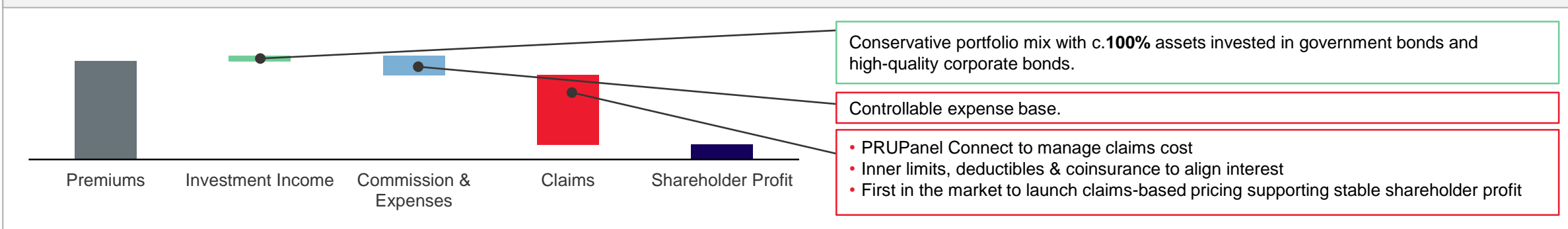


# Illustration 1: Singapore H&P Products – Shareholder backed H&P products providing hospitalisation and surgical cover

## Shareholder Profit Emergence

Primary profit carriers	Backing assets	Key risks	Market risk sensitivity
<ul style="list-style-type: none"> <li>✓ Insurance margin within premiums</li> <li>✓ Insurance &amp; Capital Charge</li> <li>✓ Asset Share Charge</li> <li>✓ Fund Management Charges</li> <li>✓ Bonus declarations</li> </ul>	<ul style="list-style-type: none"> <li>✓ Government Bonds</li> <li>✓ Corporate Bonds</li> <li>✓ Equities</li> <li>✓ Fund selected by Policyholders</li> <li>✓ Properties &amp; Alternatives</li> </ul>	<ul style="list-style-type: none"> <li>✓ Mortality</li> <li>✓ Morbidity</li> <li>✓ Persistency</li> <li>✓ Investment</li> </ul>	<ul style="list-style-type: none"> <li>✓ Very Low</li> <li>✓ Low, majority of shareholder profit uncorrelated to market mvmt</li> <li>✓ Low, policyholder bears the investment risk</li> <li>✓ Controlled by bonus mechanism &amp; inherited estate</li> </ul>

## Premium utilisation<sup>1</sup> illustration



1. Illustration based on main H&P products written by PACS during 2020 including PruShield, PruActive Protect, PruPAC, PruActiveLife, Early Crisis Care and PruTriple Protect



# Illustration 1: Singapore H&P Products – Shareholder backed H&P products providing hospitalisation and surgical cover



1. EV balance as at beginning of 2011  
2. 12 months Customer Retention ratio % in 2020



# Illustration 2: Hong Kong Critical Illness Products – Shareholder backed participating plans providing comprehensive protection & long-term savings

## Shareholder Profit Emergence

### Primary profit carriers

- ✓ Insurance margin within premiums
- ✓ Insurance & Capital Charge
- ✓ Asset Share Charge
- ✓ Fund Management Charges
- ✓ Bonus declarations

### Backing assets

- ✓ Government Bonds
- ✓ Corporate Bonds
- ✓ Equities
- ✓ Fund selected by Policyholders
- ✓ Properties & Alternatives

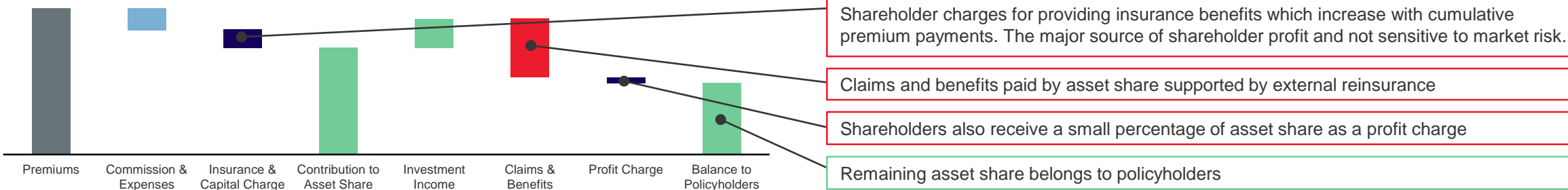
### Key risks

- ✓ Mortality
- ✓ Morbidity
- ✓ Persistency
- ✓ Investment

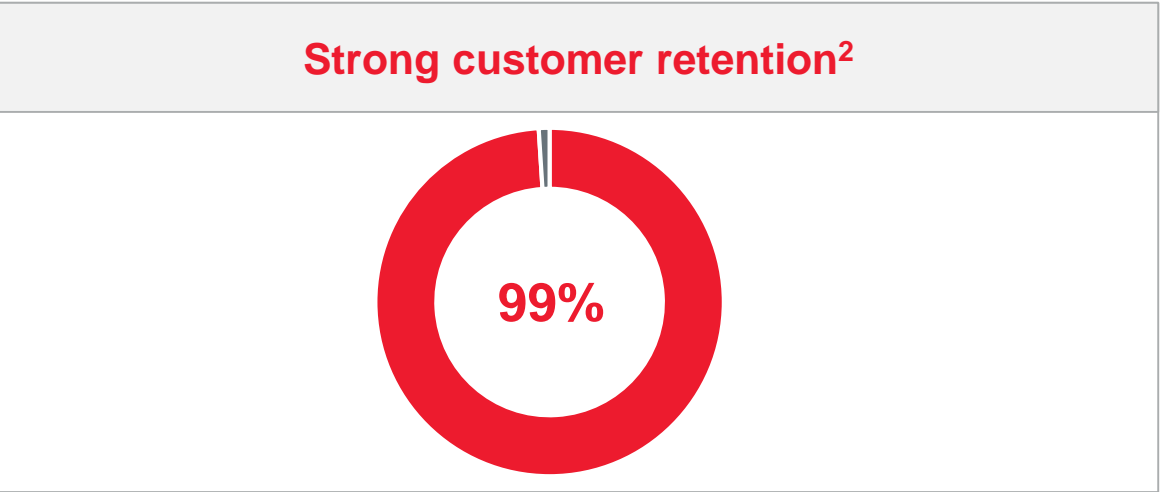
### Market risk sensitivity

- ✓ Very Low
- ✓ Low, majority of shareholder profit uncorrelated to market mvmt
- ✓ Low, policyholder bears the investment risk
- ✓ Controlled by bonus mechanism & inherited estate

## Premium utilisation illustration



# Illustration 2: Hong Kong Critical Illness Products – Shareholder backed participating plans providing comprehensive protection & long-term savings



1. EV balance as at beginning of 2011  
2. 12 months Customer Retention ratio % in 2020



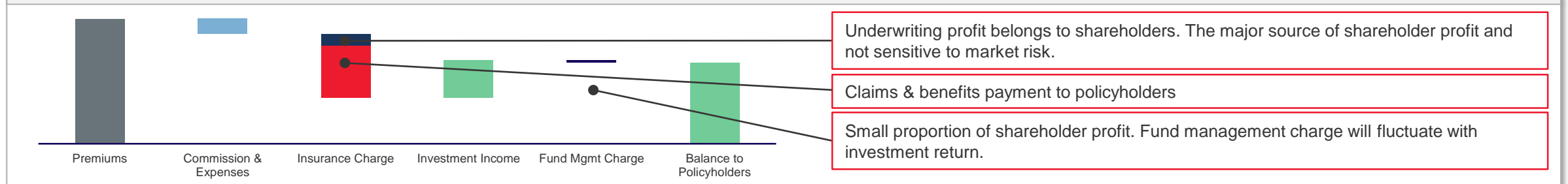


# Illustration 3: Malaysia Linked Savings with H&P Riders – Savings Plan with wide range of H&P riders offering flexibility over investment, insurance coverage & premium

## Shareholder Profit Emergence

Primary profit carriers	Backing assets	Key risks	Market risk sensitivity
<ul style="list-style-type: none"> <li>✓ Insurance margin within premiums</li> <li>✓ Insurance Charge</li> <li>✓ Asset Share Charge</li> <li>✓ Fund Management Charges</li> <li>✓ Bonus declarations</li> </ul>	<ul style="list-style-type: none"> <li>✓ Government Bonds</li> <li>✓ Corporate Bonds</li> <li>✓ Equities</li> <li>✓ Fund selected by Policyholders</li> <li>✓ Properties &amp; Alternatives</li> </ul>	<ul style="list-style-type: none"> <li>✓ Mortality</li> <li>✓ Morbidity</li> <li>✓ Persistency</li> <li>✓ Investment</li> </ul>	<ul style="list-style-type: none"> <li>✓ Very Low</li> <li>✓ Low, majority of shareholder profit uncorrelated to market mvmt</li> <li>✓ Low, policyholder bears the investment risk</li> <li>✓ Controlled by bonus mechanism &amp; inherited estate</li> </ul>

## Premium utilisation<sup>1</sup> illustration



# Illustration 3: Malaysia Linked Savings with H&P Riders – Savings Plan with wide range of H&P riders offering flexibility over investment, insurance coverage & premium

FY20 In-force Free Surplus Generation over next 25 Years



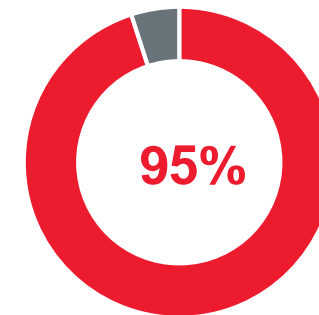
## Mortality & morbidity experience

Past 10 Years' Positive Experience

=

**13%** of Malaysia opening EV<sup>1</sup>

## Strong customer retention<sup>2</sup>

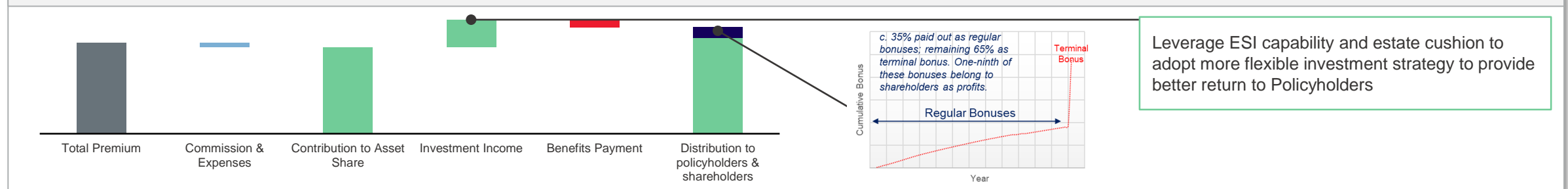


# Illustration 4: Hong Kong With Profits Par Savings Product – written in ring-fenced funds, backed by inherited estate with no shareholder strain

## Shareholder Profit Emergence

Primary profit carriers	Backing assets	Key risks	Market risk sensitivity
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## Premium utilisation illustration



Leverage ESI capability and estate cushion to adopt more flexible investment strategy to provide better return to Policyholders

# Illustration 4: Hong Kong With Profits Par Savings Product – written in ring-fenced funds, backed by inherited estate with no shareholder strain

FY20 In-force Free Surplus Generation over next 25 Years

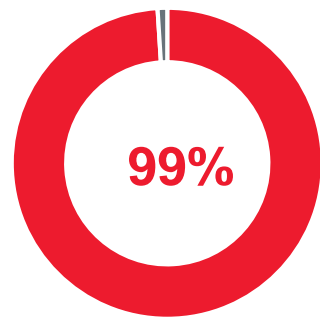


Investment return<sup>1</sup>

Actual Investment Return

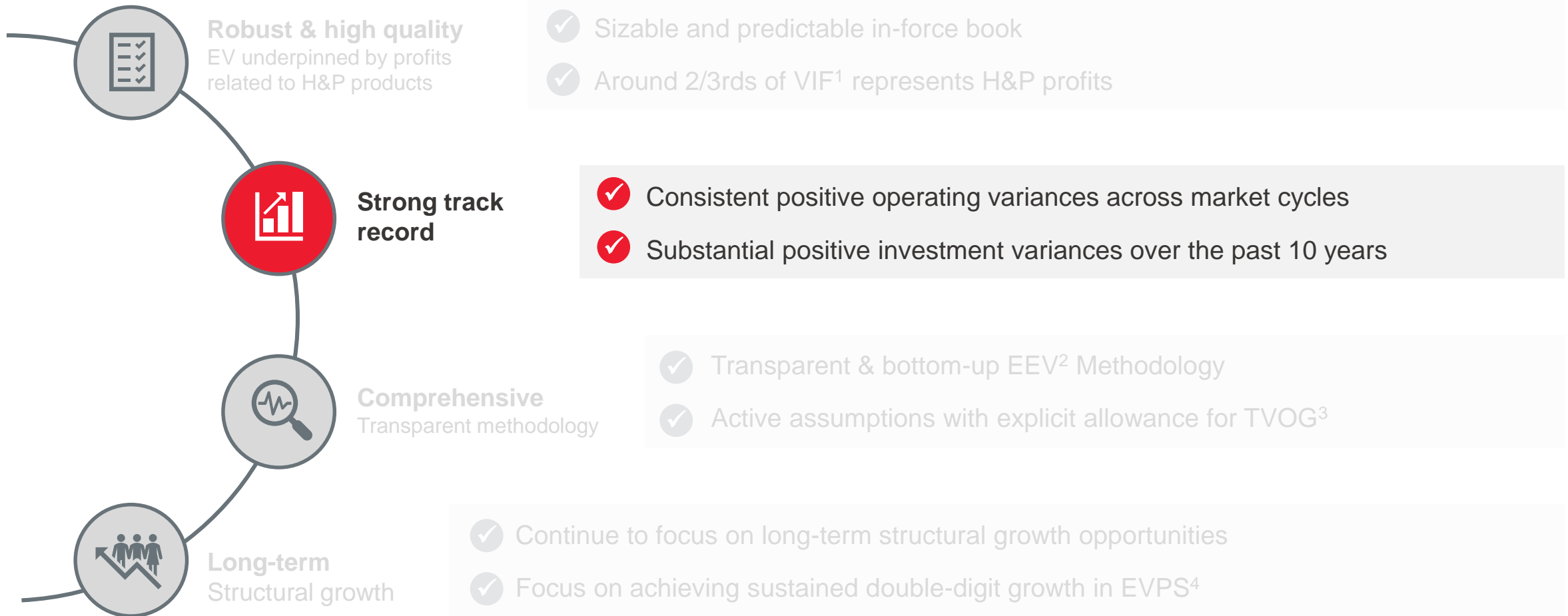
9%

Strong customer retention<sup>2</sup>



1. 5Y Annualized Returns for two largest USD Par Funds.  
2. 12 months Customer Retention ratio % in 2020

# Confidence in our Embedded Value (EV)

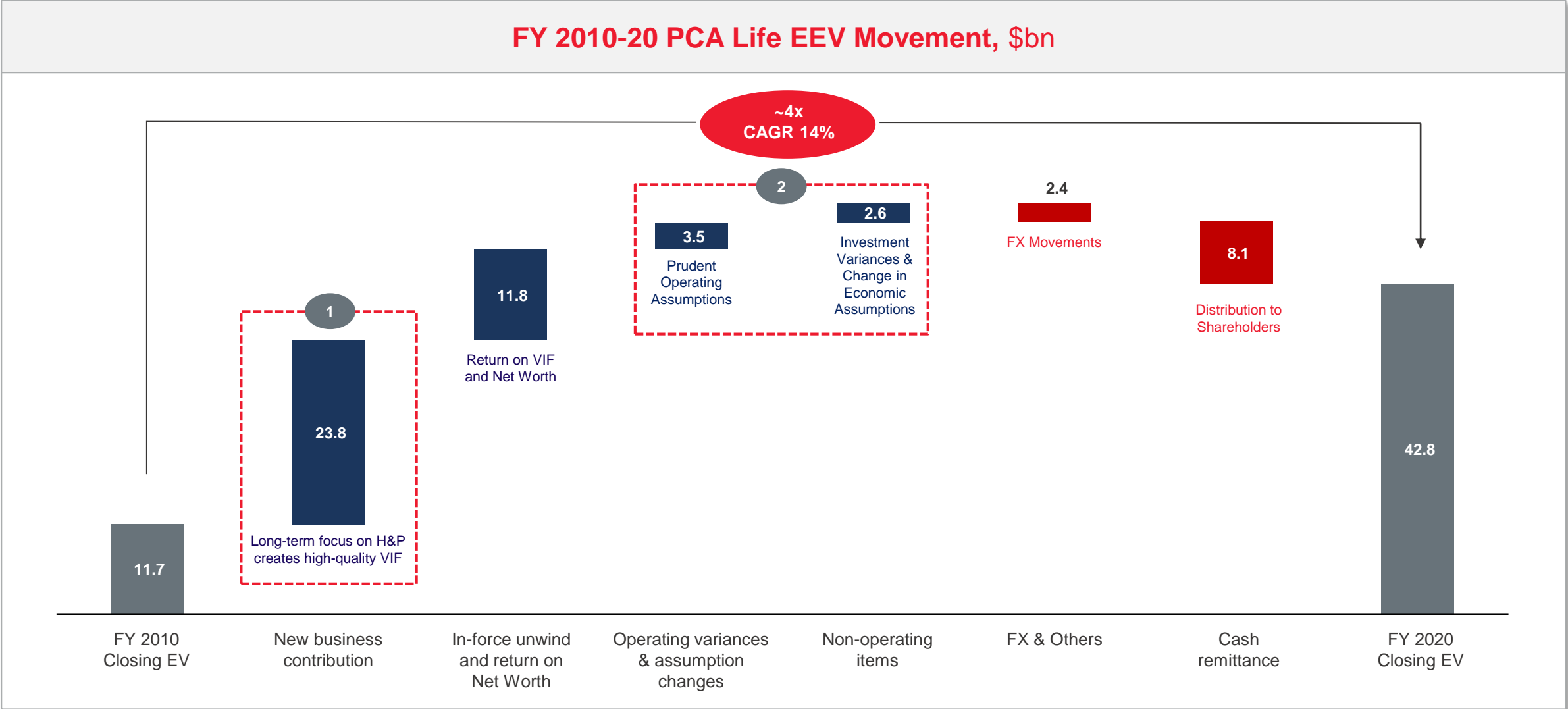


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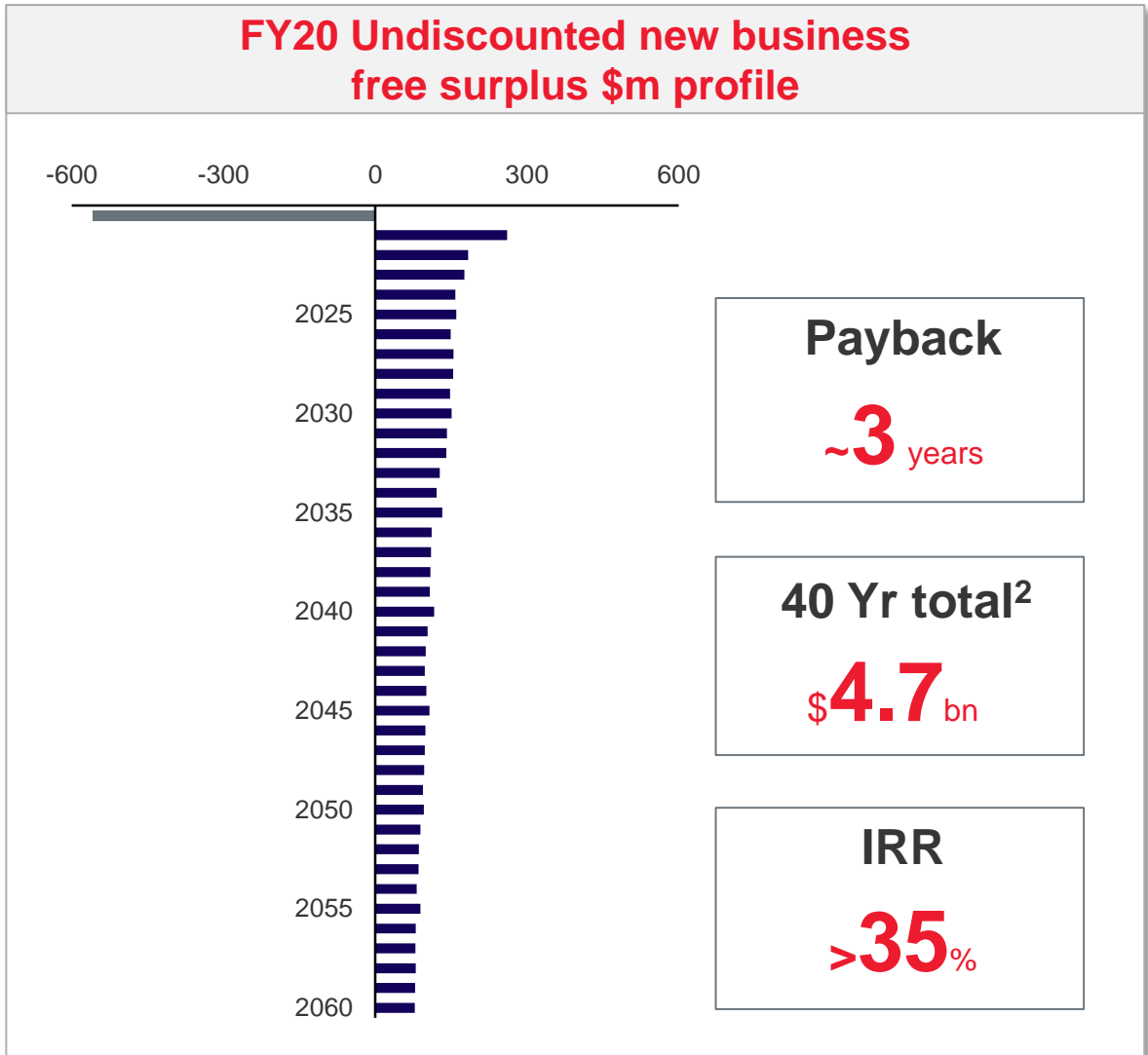
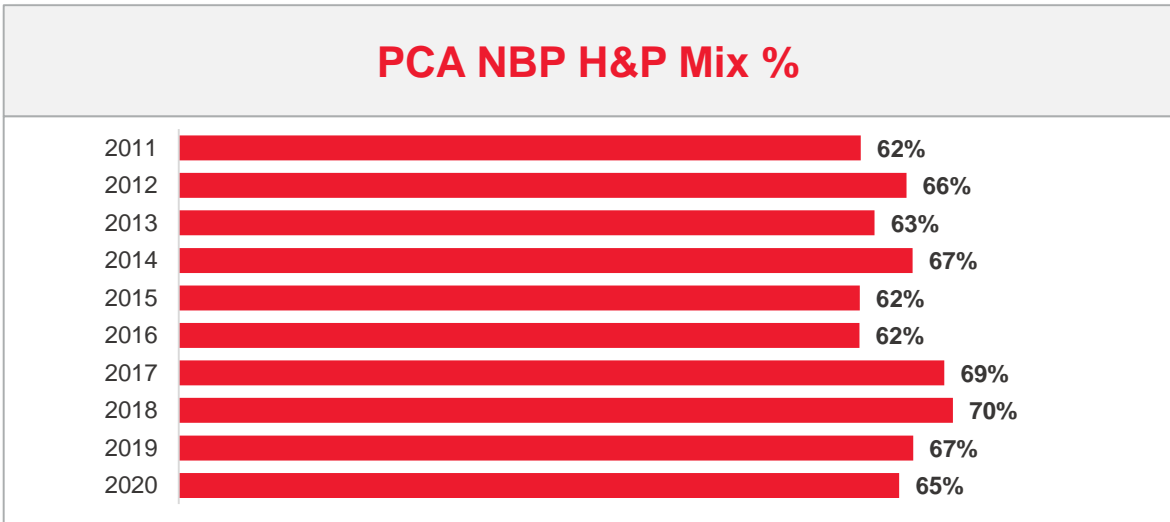
# PCA's EV has quadrupled in ten years



FY 2010-20 PCA Life EEV Movement, \$bn



# 1 Long-term focus on H&P creates high-quality VIF



### FY 2020 highlights

**Higher H&P Mix**

Led by India, Singapore, Thailand, Vietnam

**7**

Markets

**175**

New and revamped products<sup>1</sup>

**>115**

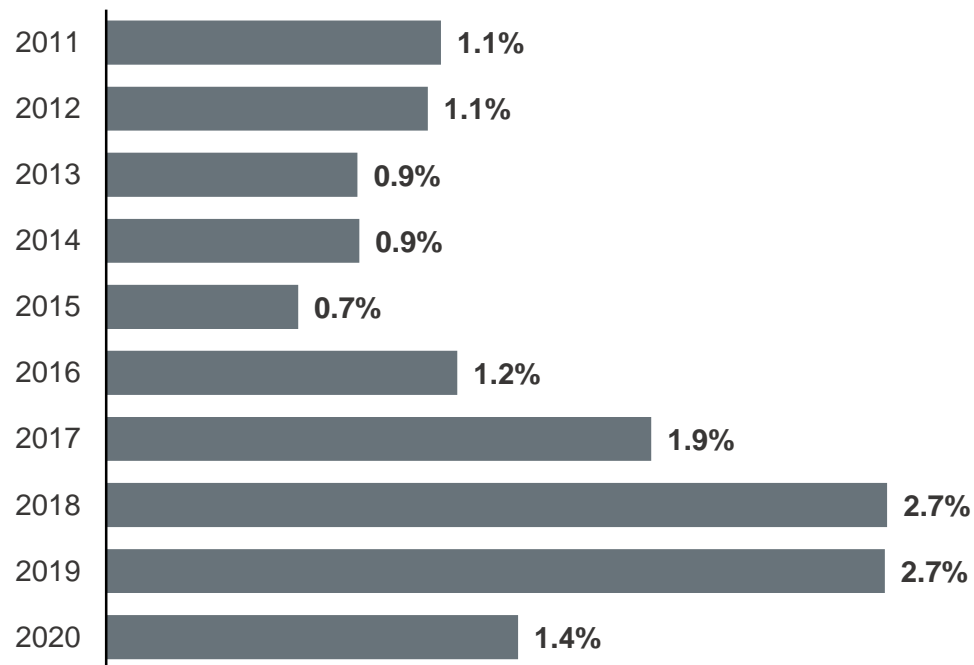
New traditional and H&P products<sup>1</sup>

✓ **Pivot to stand-alone protection products**

1. Includes 37 bite sized digital products  
2. Excludes investment in new business

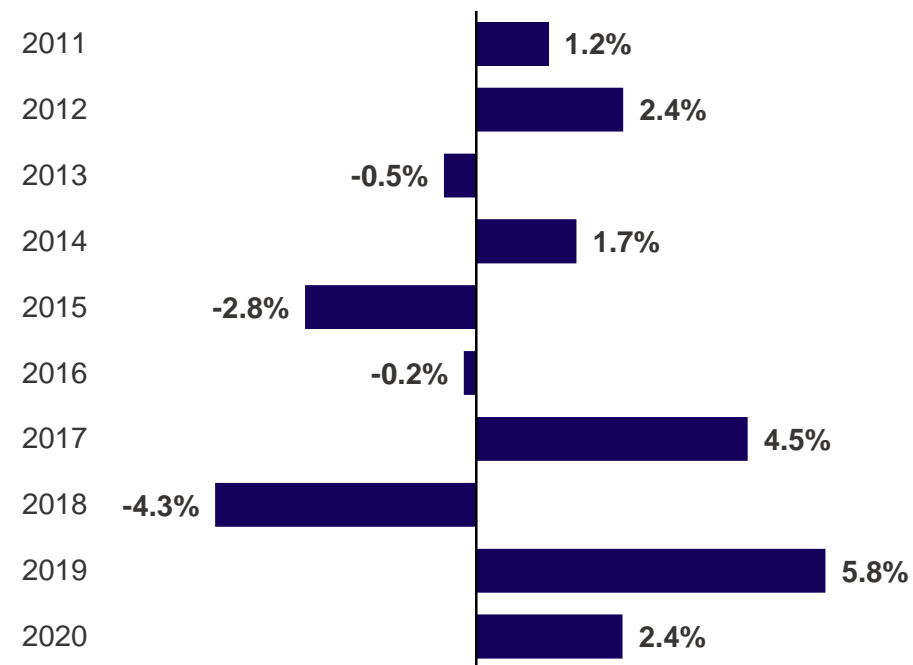
## 2 PCA EV is built on prudent assumptions as demonstrated by our track record

### PCA Operating experience<sup>1</sup> as % of opening EV



**c.\$3.5bn** EV contribution from positive mortality, morbidity and persistency experience over past 10 years

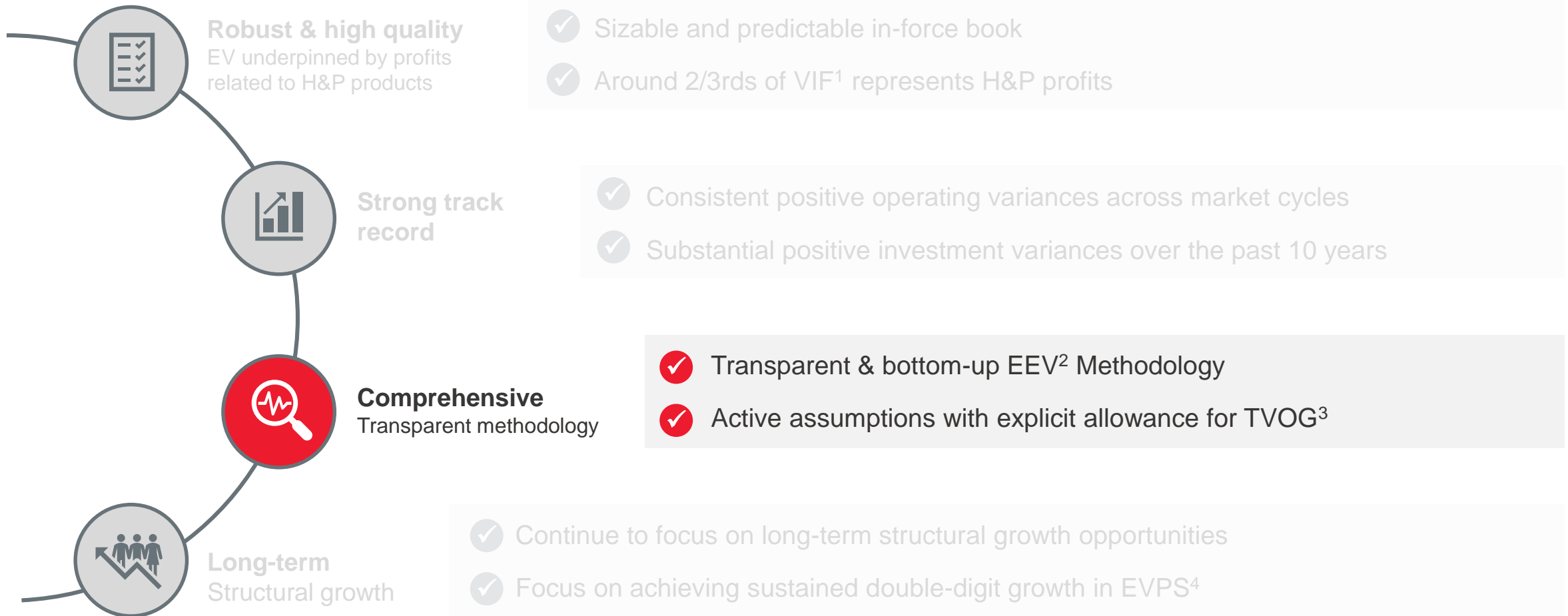
### PCA Economic Experience<sup>2</sup> as % of Opening EV



**c.\$2.6bn** EV contribution from positive investment variances and economic assumption changes over the past 10 years



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# Prudential EV methodology

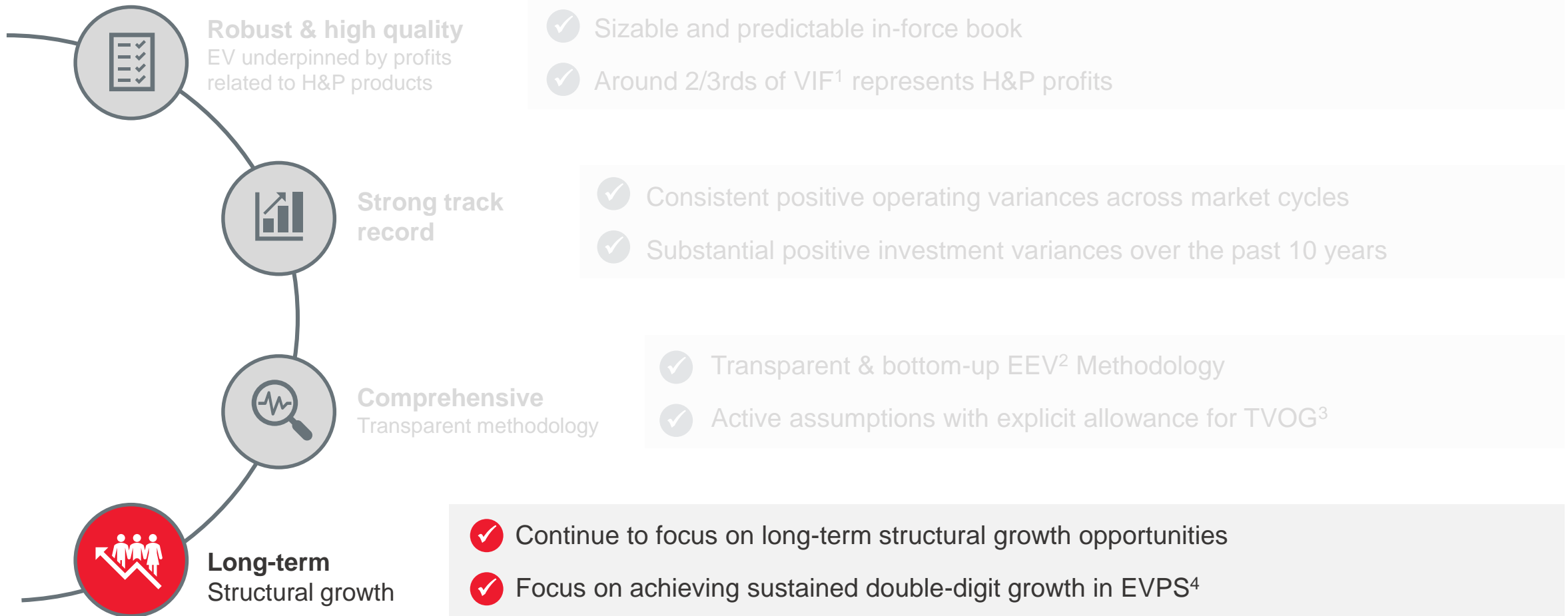
## EEV vs. TEV approach

### Prudential adopts EEV principles which:

- Include prudent allowances for risk;
- Increase the transparency and consistency of reporting;
- Measure the risk at product group level to better reflect the inherent market risk associated with products; and
- Improve disclosure around the degree of risk inherent in the business

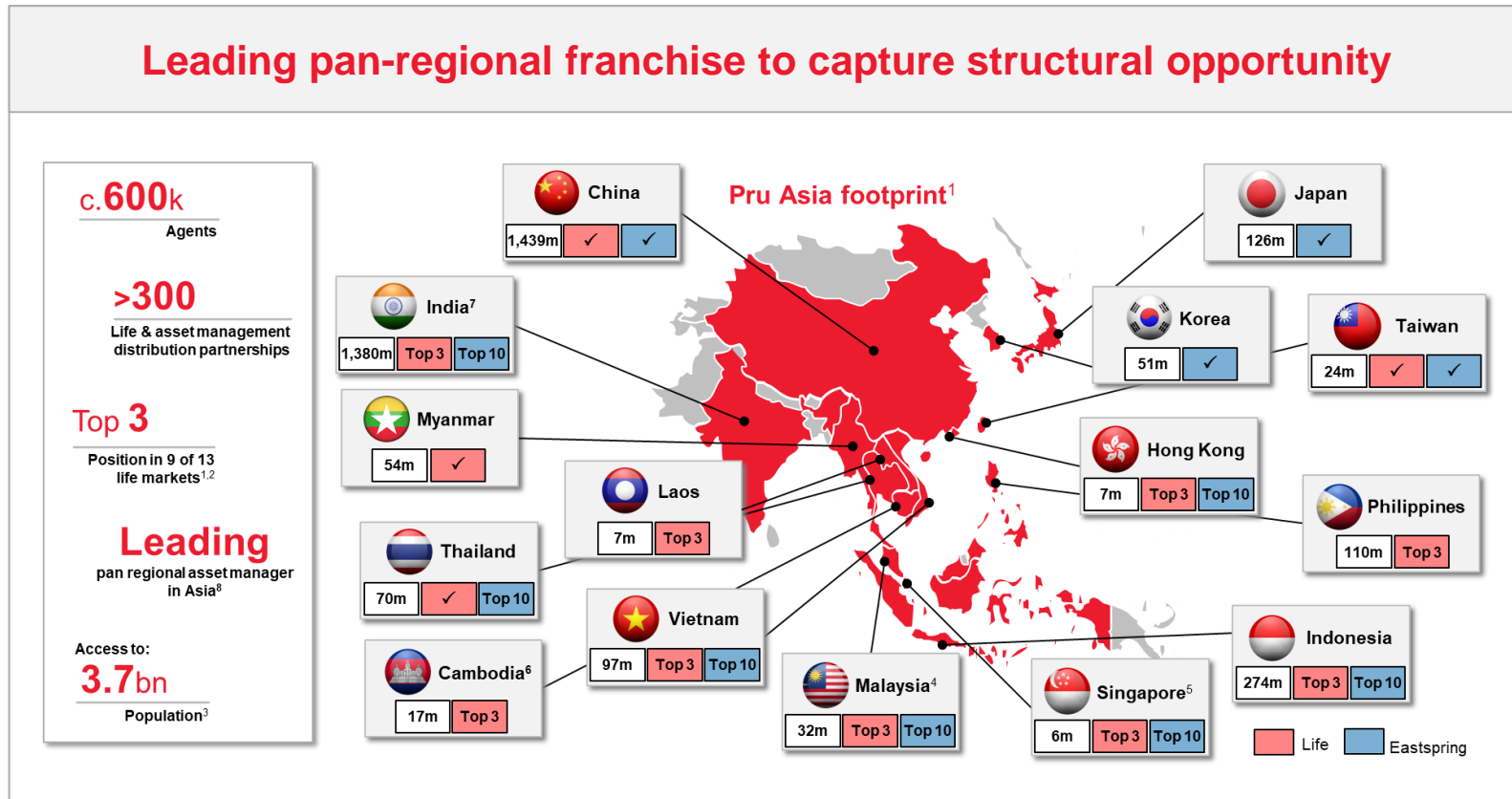
TEV vs. EEV Differences	TEV	EEV (PCA)
Government bond yields	Passive approach which uses a long-term view of forward yield	Active approach, based on current market yields, assumed to remain constant through the projection.
Time Value of Options and Guarantees	Implicit through uplift to RDR (i.e. no stochastic modelling)	Explicit separate quantification of time value of options and guarantees
Credit Risk Allowance	Credit risk is captured through use of RDR	Reflected in FER Assumptions, not in RDR
RDR Approach	Top-down approach; single RDR calculated using a risk-free rate plus an overall risk margin	Bottom up CAPM Approach: $RDR = Risk\ Free\ Rate + Beta * Equity\ Risk\ Premium + Allowance\ for\ non-diversifiable\ non-market\ risk$  Beta is calculated at product group level to reflect the inherent market risk in each product group.

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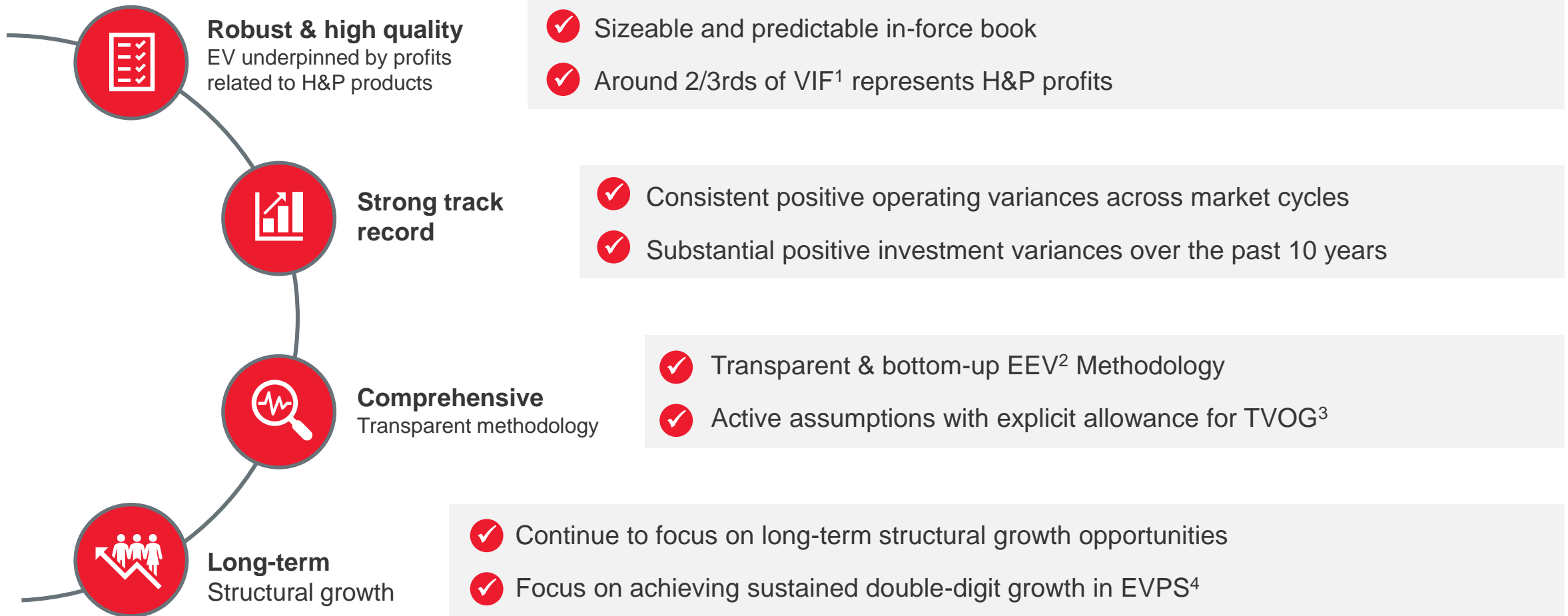
# Well positioned to capture long term structural growth opportunities



- Resilient results and strong sequential momentum from diverse **high-quality platform**
- Structural **opportunities intact** and reinforced by global pandemic
- Scaling our **digital health** and **wellness** platform and digital fulfilment model
- Enhanced capabilities in place to meet customer demand, supported by **broader access** points, entry into **new customer segments** and expanded offering
- Clear strategy and quality of execution to deliver **long-term profitable growth**

Focus on achieving sustained double-digit growth in embedded value per share

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This document may contain 'forward-looking statements' with respect to certain of Prudential's plans and its goals and expectations relating to its and Jackson's future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including statements about Prudential's beliefs and expectations and including, without limitation, statements containing the words 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning, are forward-looking statements. These statements are based on plans, estimates and projections as at the time they are made, and therefore undue reliance should not be placed on them. By their nature, all forward-looking statements involve risk and uncertainty.

A number of important factors could cause Prudential's and Jackson's actual future financial condition or performance or other indicated results of the entity referred to in any forward-looking statement to differ materially from those indicated in such forward-looking statement. Such factors include, but are not limited to, the ability to complete the proposed demerger of Jackson Financial Inc. on the anticipated timeframe or at all; the ability of the management of Jackson Financial Inc. and its group to deliver on its business plan post-separation; the impact of the current Covid-19 pandemic, including adverse financial market and liquidity impacts, responses and actions taken by regulators and supervisors, the impact to sales, claims and assumptions and increased product lapses, disruption to Prudential's operations (and those of its suppliers and partners), risks associated with new sales processes and information security risks; future market conditions, including fluctuations in interest rates and exchange rates, the potential for a sustained low-interest rate environment, and the impact of economic uncertainty, asset valuation impacts from the transition to a lower carbon economy, derivative instruments not effectively hedging exposures arising from product guarantees, inflation and deflation and the performance of financial markets generally; global political uncertainties, including the potential for increased friction in cross-border trade and the exercise of executive powers to restrict trade, financial transactions, capital movements and/or investment; the policies and actions of regulatory authorities, including, in particular, the policies and actions of the Hong Kong Insurance Authority, as Prudential's Group-wide supervisor, as well as new government initiatives generally; given its designation as an Internationally Active Insurance Group, the impact on Prudential of systemic risk and other group supervision policy standards adopted by the International Association of Insurance Supervisors; the impact of competition and fast-paced technological change; the effect on Prudential's business and results from, in particular, mortality and morbidity trends, lapse rates and policy renewal rates; the physical, social and financial impacts of climate change and global health crises on Prudential's business and operations; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; the impact of internal transformation projects and other strategic actions failing to meet their objectives; the effectiveness of reinsurance for Prudential's businesses; the risk that Prudential's operational resilience (or that of its suppliers and partners) may prove to be inadequate, including in relation to operational disruption due to external events; disruption to the availability, confidentiality or integrity of Prudential's information technology, digital systems and data (or those of its suppliers and partners); any ongoing impact on Prudential of the demerger of M&G plc and, if and when completed, the demerger of Jackson Financial Inc.; the impact of changes in capital, solvency standards, accounting standards or relevant regulatory frameworks, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate; the impact of legal and regulatory actions, investigations and disputes; and the impact of not adequately responding to environmental, social and governance issues. These and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. Further discussion of these and other important factors that could cause Prudential's or Jackson's actual future financial condition or performance or other indicated results of the entity referred to in any forward-looking statements to differ, possibly materially, from those anticipated in Prudential's forward-looking statements can be found under the 'Risk Factors' heading in Prudential's 2020 Annual Report and the 'Risk Factors' heading of Prudential's most recent annual report on Form 20-F filed with the U.S. Securities and Exchange Commission ("SEC"). Prudential's most recent Annual Report and Form 20-F are available on its website at [www.prudentialplc.com](http://www.prudentialplc.com).

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