PRUDENTIAL

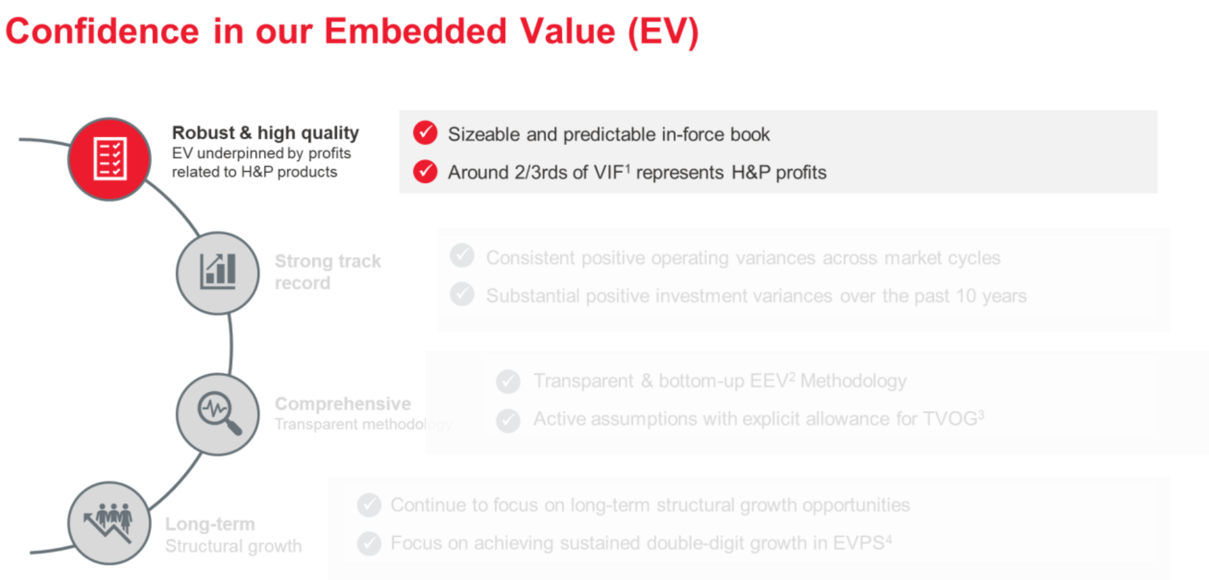
Prudential Investor Day Video
Embedded Value

Ben Bulmer
Acting Chief Financial Officer, Prudential Corporation Asia

At Prudential, we are confident in the future profits we have generated for our shareholders measured by our Embedded value.

I want to demonstrate that confidence to you by; focusing on the features and quality of the products we write; looking at our track record of resilient experience and outperformance; and affirming how this aligns with the methodology we employ to measure our Embedded Value.

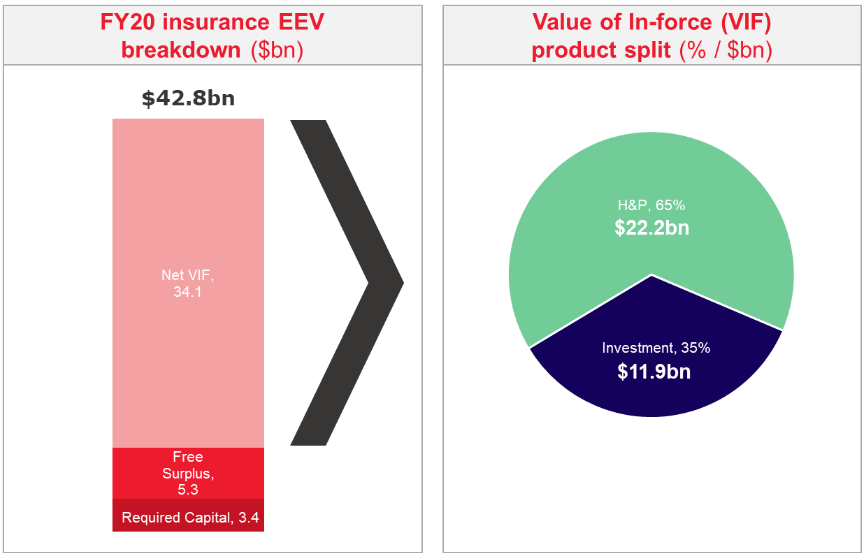
As we focus on the long-term structural growth opportunities in Asia and Africa, we have set ourselves the objective of growing our embedded value per share at a double-digit rate.



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*

Robust & high quality
EV underpinned by profits related to H&P products

Around 2/3rd of VIF represents health & protection profits



Our long-standing focus on regular premium health insurance and protection sales means that two thirds of Prudential's expected future profit is primarily driven by underwriting profits. These profits are not sensitive to market movements. The remaining one third represents profits from sales of investment products.

When we write investment products, we have typically done so either in UK style with profit funds backed by a sizeable inherited estate or using a linked savings chassis. Both product structures shield shareholders from direct market risk and in doing so, dampen the potential volatility of future shareholder profits.

In the following slides, I will illustrate the product design, premium utilisation, cash flow pattern and experience of 4 key product groups which directly cover 56% of our VIF; products with similar features to these account for a further 41% of our VIF.

Prudential Investor Day Video
Embedded Value

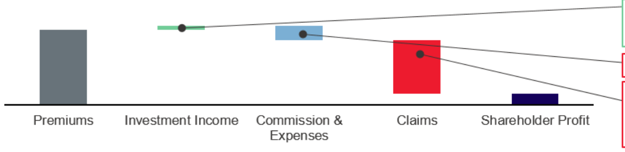
Robust & high quality
EV underpinned by profits related to H&P products

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
✓ Insurance margin within premiums	✓ Government Bonds	✓ Mortality	✓ Very Low
✓ Insurance & Capital Charge	✓ Corporate Bonds	✓ Morbidity	✓ Low, majority of shareholder profit uncorrelated to market mvmt
✓ Asset Share Charge	✓ Equities	✓ Persistency	✓ Low, policyholder bears the investment risk
✓ Fund Management Charges	✓ Fund selected by Policyholders	✓ Investment	✓ Controlled by bonus mechanism & inherited estate
✓ Bonus declarations	✓ Properties & Alternatives		

Premium utilisation[1] illustration



Conservative portfolio mix with c.**100%** assets invested in government bonds and high-quality corporate bonds.

Controllable expense base.

- PRUPanel Connect to manage claims cost
- Inner limits, deductibles & coinsurance to align interest
- First in the market to launch claims-based pricing supporting stable shareholder profit

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

FY20 In-force free surplus generation over the next 25 years

Mortality & morbidity experience

Past 10 Years' Positive Experience = **14%** of Singapore opening EV[1]

Strong customer retention[2]

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

Let's start these product illustrations by looking at health and protection products, providing hospitalization and surgical cover to policyholders. In this case, from our Singapore business.

For medical reimbursement products, shareholder returns are loaded into premiums targeting an underwriting loss ratio. Backing assets are typically government bonds. Profits, after expense allowables, are then driven by mortality, morbidity and persistency experience, rather than market risk.

Product features, active claims management and claims based pricing further stabilize shareholder profits, as evidenced by the stable free surplus generation profile from the in-force book.

Historic mortality, morbidity and persistency experience has been strong across these product groups.

Prudential Investor Day Video
Embedded Value

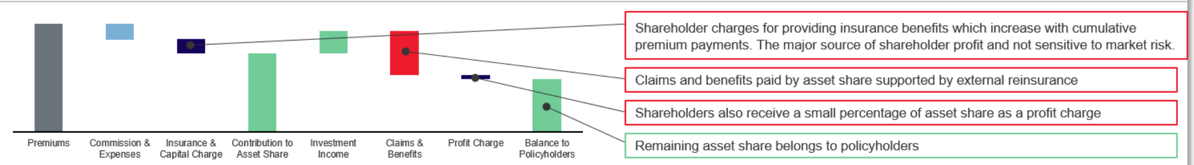
Robust & high quality
EV underpinned by profits related to H&P products

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

Shareholder Profit Emergence

Primary profit carriers	Backing assets	Key risks	Market risk sensitivity
✓ Insurance margin within premiums	✓ Government Bonds	✓ Mortality	✓ Very Low
✓ Insurance & Capital Charge	✓ Corporate Bonds	✓ Morbidity	✓ Low, majority of shareholder profit uncorrelated to market mvmt
✓ Asset Share Charge	✓ Equities	✓ Persistency	✓ Low, policyholder bears the investment risk
✓ Fund Management Charges	✓ Fund selected by Policyholders	✓ Investment	✓ Controlled by bonus mechanism & inherited estate
✓ Bonus declarations	✓ Properties & Alternatives		

Premium utilisation illustration



Turning to a Critical Illness product example, this time from Hong Kong. These plans provide both comprehensive protection and long-term savings opportunities.

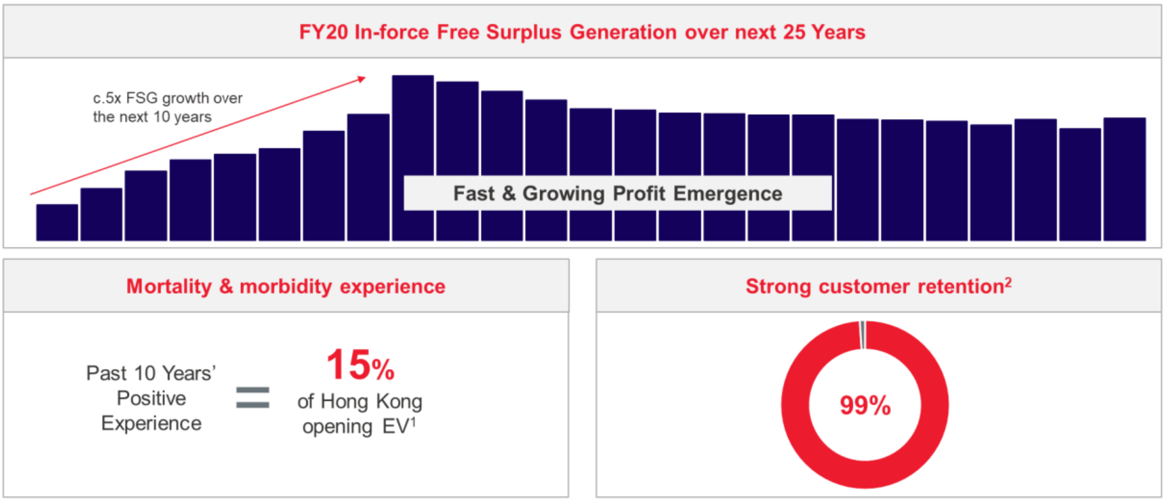
Premiums, less expenses and shareholder charges, are pooled into a participating fund in which each policyholder has a share. The fund grows with investment returns and pays claims and benefits.

Most of the shareholder profits shown in blue relate to a charge for the provision of insurance benefits in the absence of sufficient asset shares. This is supplemented by a small maintenance charge against asset shares. Once again, the key risks relate to mortality, morbidity and persistency.

Prudential Investor Day Video
Embedded Value

Robust & high quality
EV underpinned by profits related to H&P products

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

The in-force book alone provides strong cash generation growing five-fold over the next 10 years supported by growth of renewal premiums, the accumulation of asset shares and the release of capital & reserves. Amounts remain fairly constant from year 11 onwards given the long-term value of the contracts.

In addition it's worth noting our positive mortality and morbidity experience and high persistency.

Prudential Investor Day Video
Embedded Value

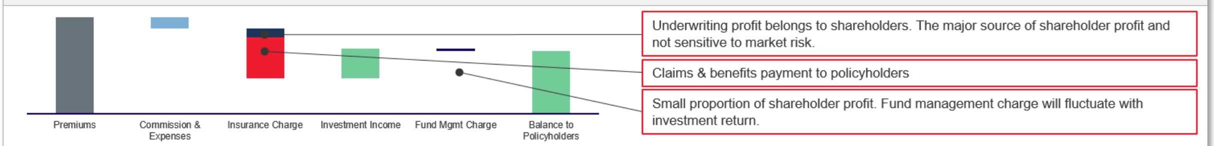
Robust & high quality
EV underpinned by profits related to H&P products

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
✓ Insurance margin within premiums	✓ Government Bonds	✓ Mortality	✓ Very Low
✓ Insurance Charge	✓ Corporate Bonds	✓ Morbidity	✓ Low, majority of shareholder profit uncorrelated to market mvmt
✓ Asset Share Charge	✓ Equities	✓ Persistency	✓ Low, policyholder bears the investment risk
✓ Fund Management Charges	✓ Fund selected by Policyholders	✓ Investment	✓ Controlled by bonus mechanism & inherited estate
✓ Bonus declarations	✓ Properties & Alternatives		

Premium utilisation[1] illustration



1. Illustration based on main Linked + H&P products (PruWithYou) written by PAMB during 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

FY20 In-force Free Surplus Generation over next 25 Years

Mortality & morbidity experience

Past 10 Years' Positive Experience = **13%** of Malaysia opening EV[1]

Strong customer retention[2]

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

Linked Savings with H&P Riders are products that have proven to be very successful in many of our markets such as Malaysia, Indonesia and The Philippines.

The majority of shareholder profits are driven by underwriting profit in the form of an insurance charge. We closely monitor claims experience and reprice if claims experience deteriorates, creating profit stability over time.

Fund management charges are a smaller, secondary source of profits, and contribute less than one quarter of shareholder profits. Fund performance ensures ongoing coverage sustainability for the policyholder. The complementary nature of asset management charges, cost-of-insurance charges and strong retention means that free surplus generation is stable.

Again, operating experience has been favourable.

Prudential Investor Day Video
Embedded Value

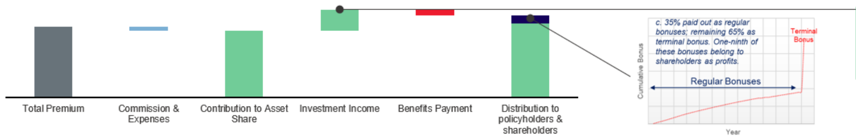
Robust & high quality
EV underpinned by profits related to H&P products

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
✓ Insurance margin within premiums	✓ Government Bonds	✓ Mortality	✓ Very Low
✓ Insurance & Capital Charge	✓ Corporate Bonds	✓ Morbidity	✓ Low, majority of shareholder profit uncorrelated to market mvmt
✓ Asset Share Charge	✓ Equities	✓ Persistency	✓ Low, policyholder bears the investment risk
✓ Fund Management Charges	✓ Fund selected by Policyholders	✓ Investment	✓ Controlled by bonus mechanism & inherited estate
✓ Bonus declarations	✓ Properties & Alternatives		

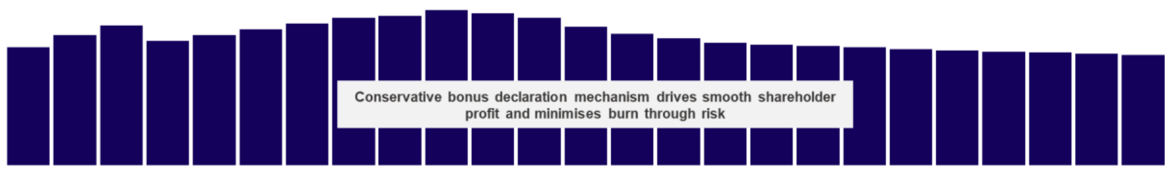
Premium utilisation illustration



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[1]	Strong customer retention[2]
Actual Investment Return 9%	99%

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

The last of the product illustrations is a UK style Participating Savings product. These are longer term savings vehicles with an emphasis on total rather than guaranteed returns. The products are written in a ring-fenced fund akin to a separate account. Shareholders participate in the surplus generated by the fund by up to 1/9th, however, these profits are only recognised when bonuses to policyholders are declared.

Sizable working capital within the fund, known as 'the inherited estate' and a bonus distribution philosophy that is heavily weighted towards the end of the policy allows us to take market risk on behalf of the policyholder, whilst simultaneously managing levels of guarantees.

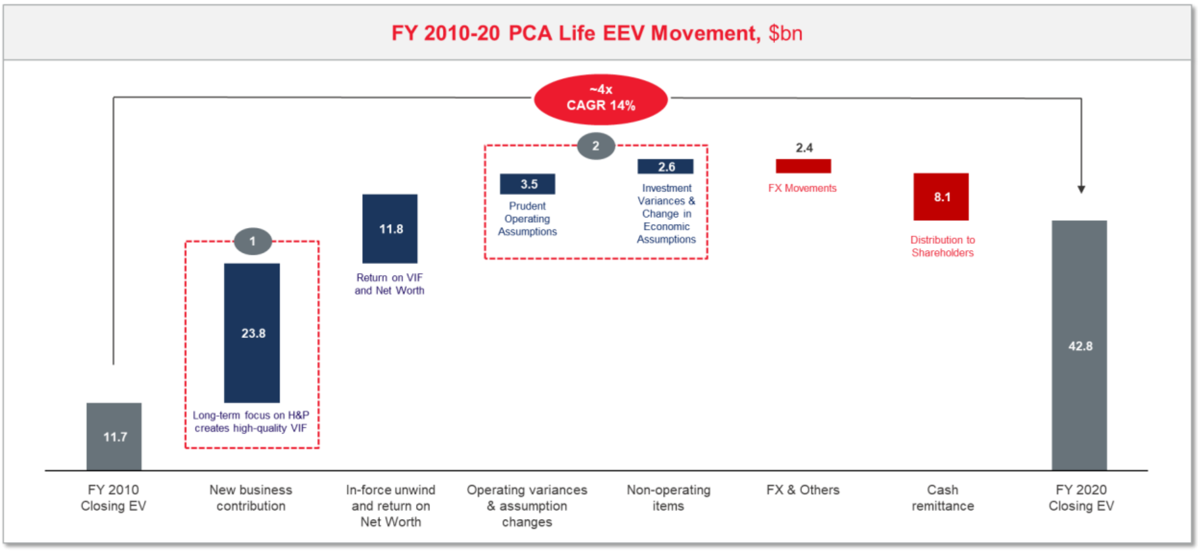
Because we tie the timing of our profit recognition to the declaration of policyholders' bonuses and pay the majority of the bonus at the end of the policy, this means profits are expected to be very stable and back-ended for decades.

We have been conservative in setting projected return assumptions, with actual investment performance consistently & significantly exceeding our expected investment return which in combination with other product features, supports a high persistency ratio.

Strong track record

Let me now turn to talk a bit about our track record.

PCA's EV has quadrupled in ten years

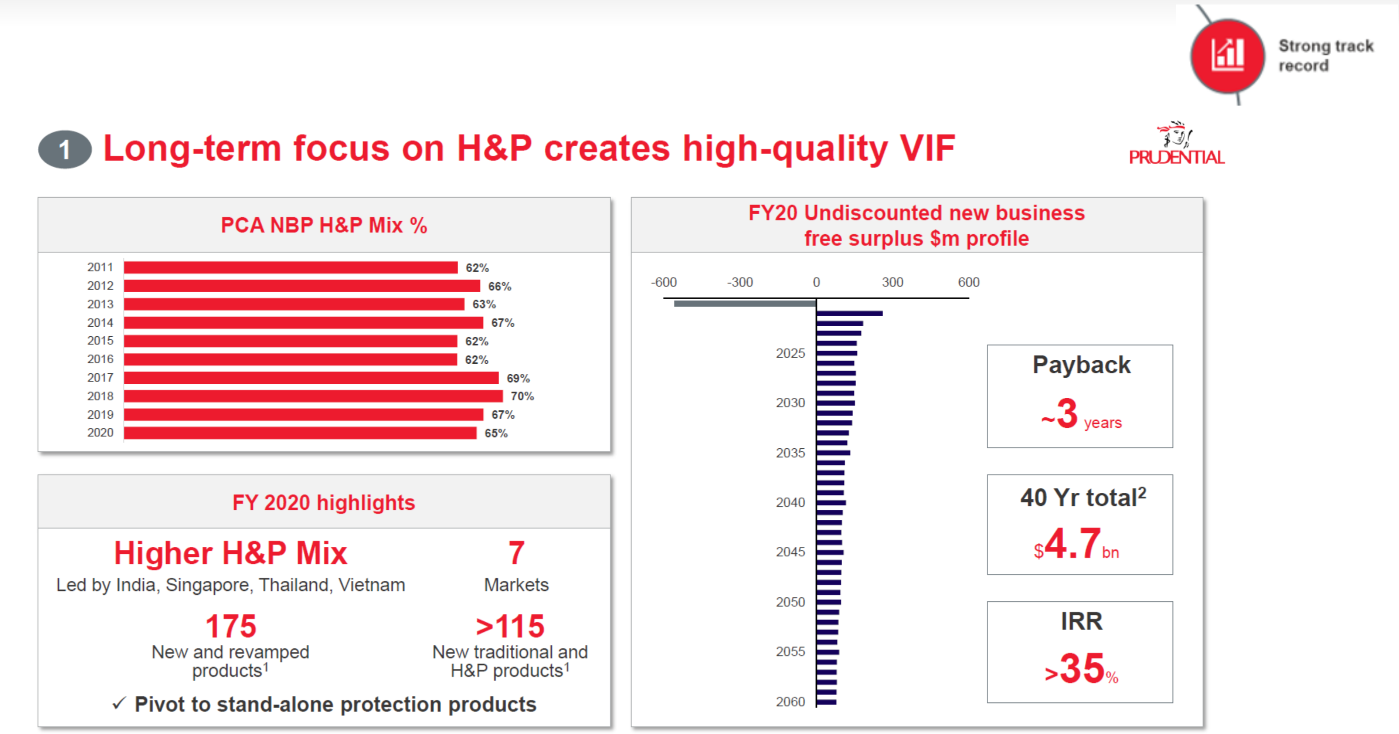


Over the past 10 years, Prudential Asia has quadrupled its Embedded Value, underpinned by new business profits; the unwind of the VIF and positive operating and investment variances.

The unwind, clearly, is mechanical. What I'd like to do is spend a moment looking at:

1) the quality of new business; and
2) our experience versus assumptions.

Prudential Investor Day Video
Embedded Value



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

Firstly, our quality of new business has been consistently high. H&P products have contributed a minimum of 60% of new business profits annually over the last 10 years.

Enhancing the customer proposition is at the heart of everything we do, and we continue to broaden our offerings. Last year we launched 175 products of which over 115 were traditional health and protection products.

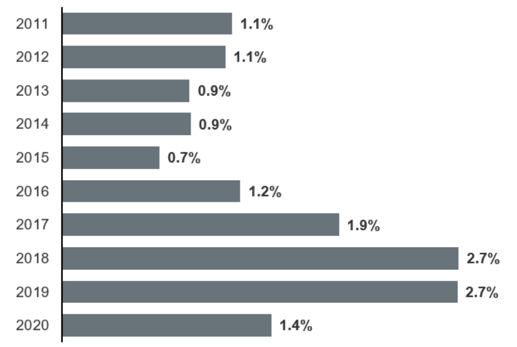
Our organic new business continues to generate internal rates of return in excess of 35 per cent, with an average payback period of three years.

Prudential Investor Day Video
Embedded Value

Strong track record

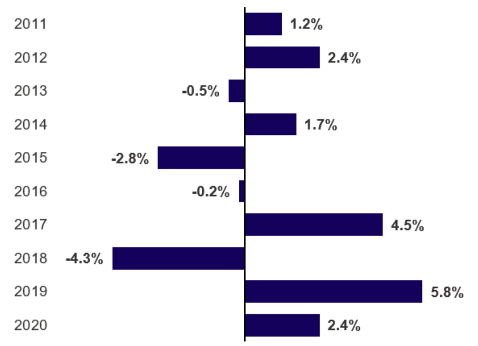
2 PCA EV is built on prudent assumptions as demonstrated by our track record

PCA Operating experience[1] as % of opening EV



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

PCA Economic Experience[2] as % of Opening EV



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

1. Includes both operating variances and assumption changes
2. Includes short-term fluctuations in investment returns and the effect of changes in economic assumptions

Secondly, our expected returns have been consistently enhanced by experience versus our assumptions. Aggregate mortality, morbidity and persistency experience has been positive in each of the past 10 years and has contributed $3.5bn to EV growth.

Additionally, despite volatile capital markets in recent years, we continued to generate positive investment variance supported by the in-house Asian investment expertise of Eastspring and prudent investment return assumptions. Investment variances and economic assumption changes added c. $2.6bn over the past 10 years.

Prudential Investor Day Video
Embedded Value

Comprehensive
Transparent methodology

But it is not just the quality of new business and our track record, we believe the methodology we employ to calculate Embedded Value is appropriate for our business.

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.

The prevalence of EV continues to grow in Asia with over 50 Asian insurers providing EV disclosures. The methodologies being employed however differ: outside of Japan and India, international and regional insurers typically use either Traditional Embedded Value ("TEV") or European Embedded Value ("EEV") methodologies.

Prudential adopts published European Embedded Value ("EEV") principles, developed in 2004 by the European Insurance CFO Forum, to address the perceived shortfalls in Traditional Embedded Value. We believe EEV employs transparent methodologies, includes prudent allowances for risk and better reflects risks inherent in the business.

Our valuation approach uses active risk-free rates held constant through the projection period. We do not assume mean reversion. We do include an explicit allowance for the time value of options and guarantees. Additionally, we capture market and credit risk through both RDRs & FERs.

And finally, our bottom-up approach means that the volatility of shareholder cash flows to changes in expected returns is calculated at product group level.

So, what does this all mean?

Well, in short, 2/3 of our VIF represents profits from underwriting health & protection business. These profits are not sensitive to market risk. This combined with our conservative asset strategy of investing in government bonds leads to a lower FER, a lower Beta and hence a lower RDR, akin to an MCEV approach.

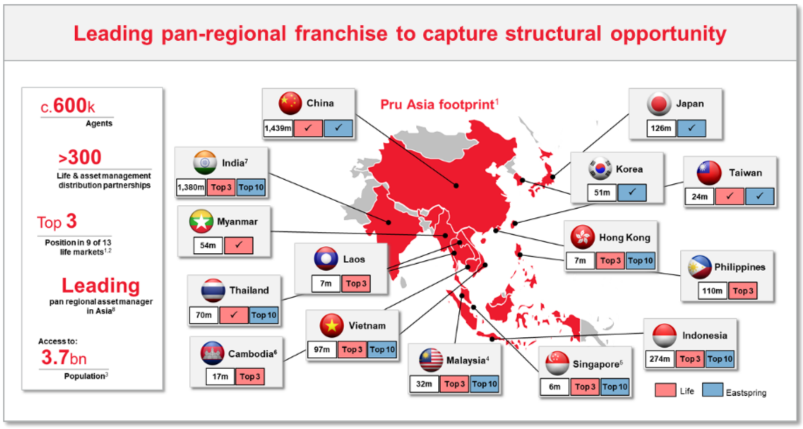
Our investment VIF is correlated to market risk, albeit mostly indirectly through unit linked and with-profit policies. As we have shown in the product illustrations and our past 10 years' track record; the actual investment returns we achieved are much higher than the assumed FERs. And our EV would increase significantly if we shifted FERs towards actual experience.

Prudential Investor Day Video
Embedded Value

Long-term
Structural growth

As you have heard from other sessions, Prudential will continue to focus on long-term structural growth opportunities driven by increasing consumer demand for H&P and savings products in Asia and Africa.

Well positioned to capture long term structural growth opportunities



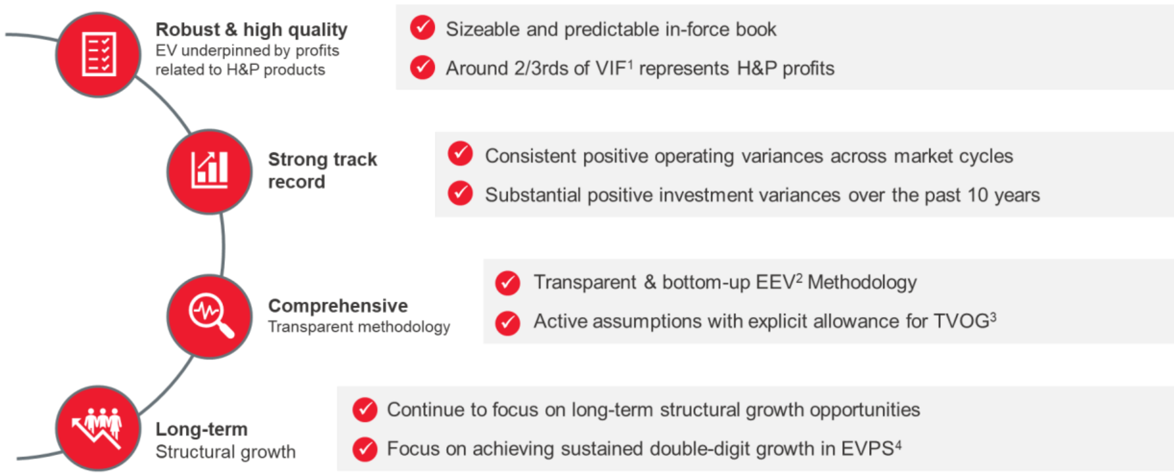
- Resilient results and strong sequential momentum from diverse **high-quality platform**
- Structural **opportunities intact** and reinforced by global pandemic
- Scaling our **digital health** and **wellness** platform and digital fulfilment model
- Enhanced capabilities in place to meet customer demand, 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

We see scope for further compounding growth with high risk-adjusted returns for our shareholders, as we continue to execute our strategy with discipline and enhance our platform.

To that end, we have announced our long-standing focus to grow our Embedded Value Per Share at a double-digit rate, underpinned by the quality and quantity of new business.

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

In summary, during this presentation I have shown:

- That the unique features of our product design and our strategic focus on health and protection products have resulted in robust and high-quality sales that underpin our future profit generation;
- That we have delivered sustained outperformance over a 10-year period, despite experiencing a global pandemic, volatile market conditions and various other disruptive external events;
- That the methodology we use to value our future profits appropriately captures the inherent underlying risks of our business; and
- That we aspire to grow our EVPS at a double-digit rate through the quality and quantity of new business, supported by structural drivers in our markets.
