



# ‘Growth and Cash’

Tidjane Thiam

10 December 2013

# Strategy

Three long-term opportunities at the core of our strategy



Significant protection gap in Asia

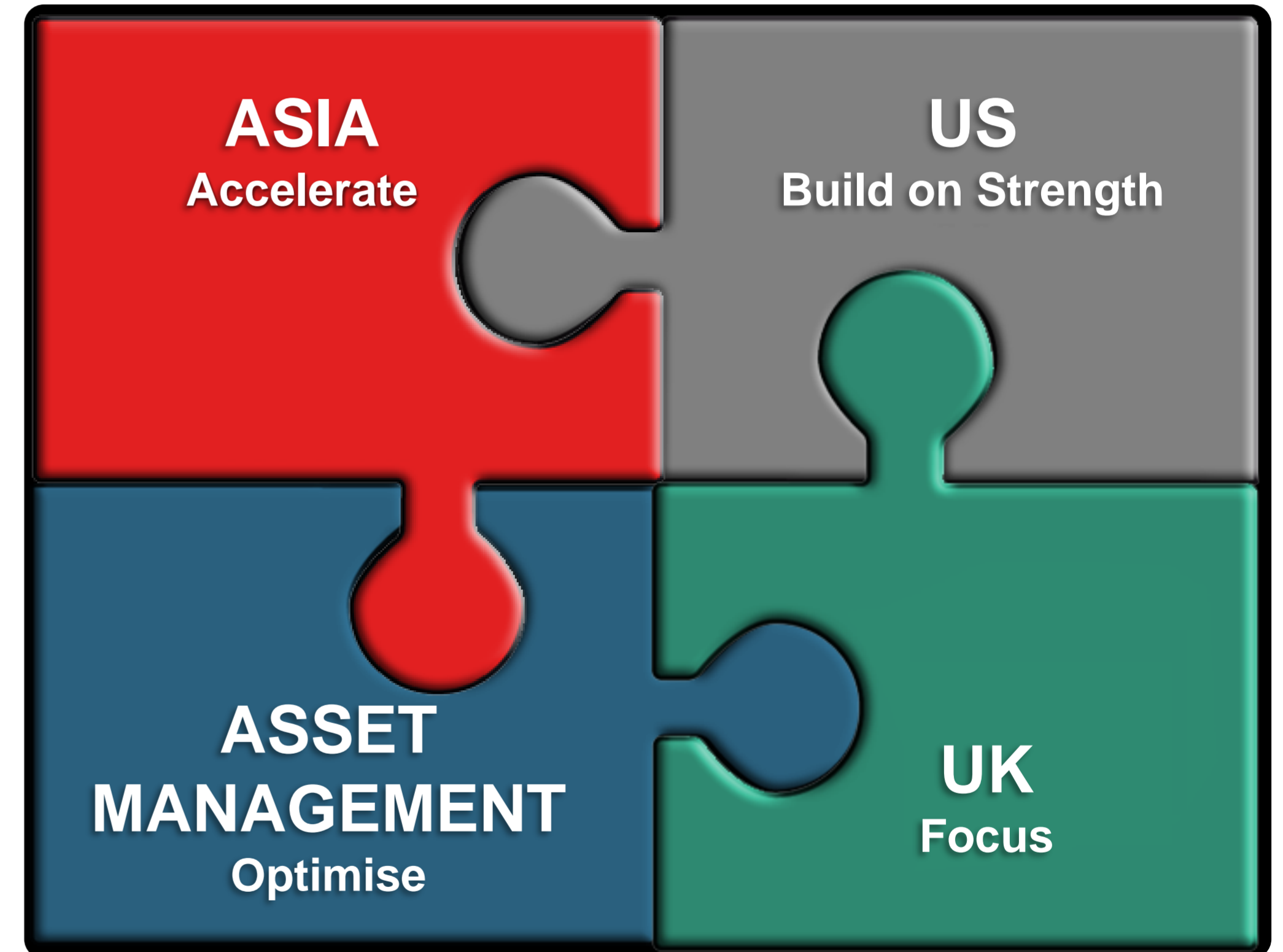


Transition of US 'baby-boomers' into retirement



UK 'savings gap' and ageing population in need of returns / income

## Strategy



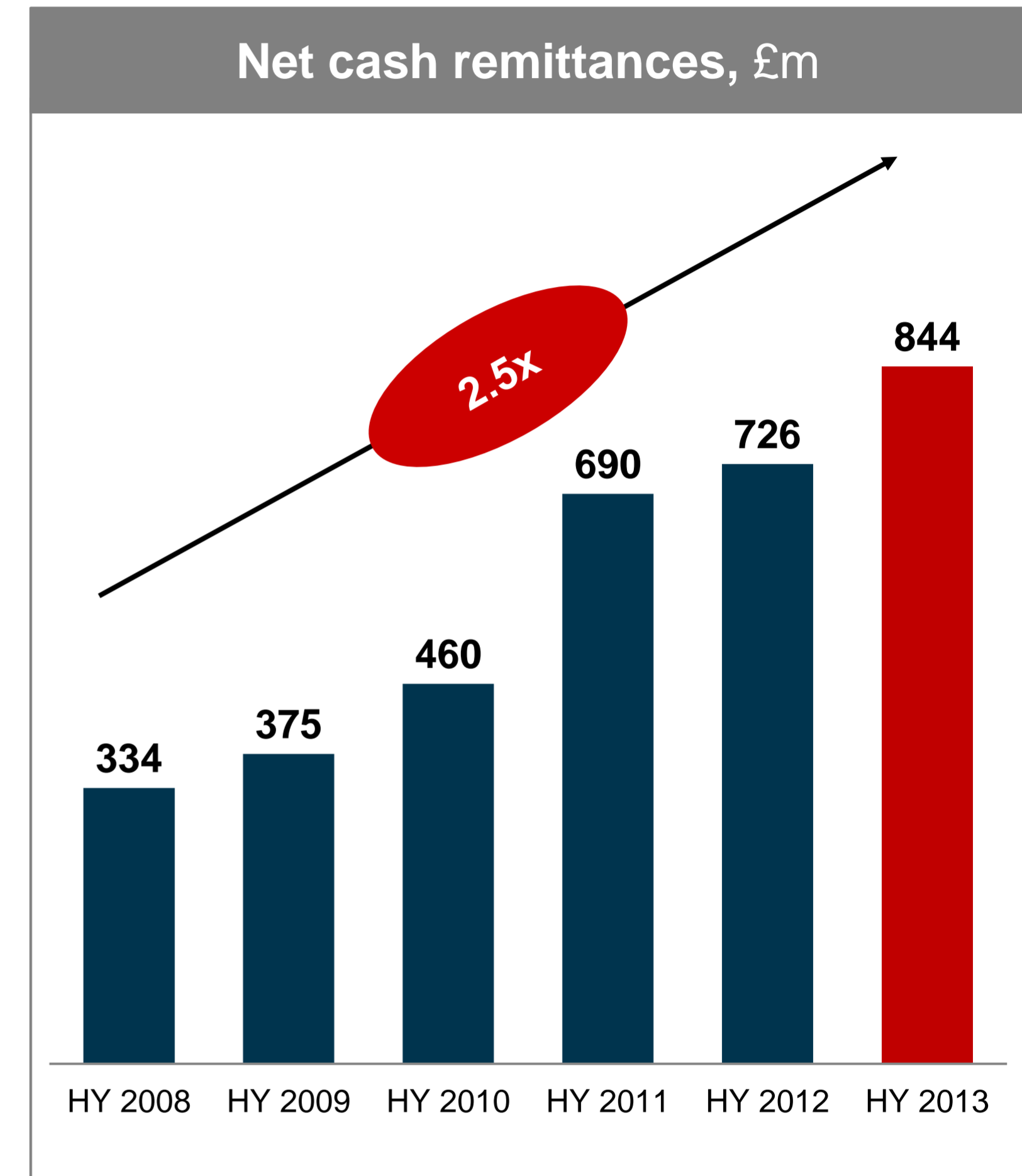
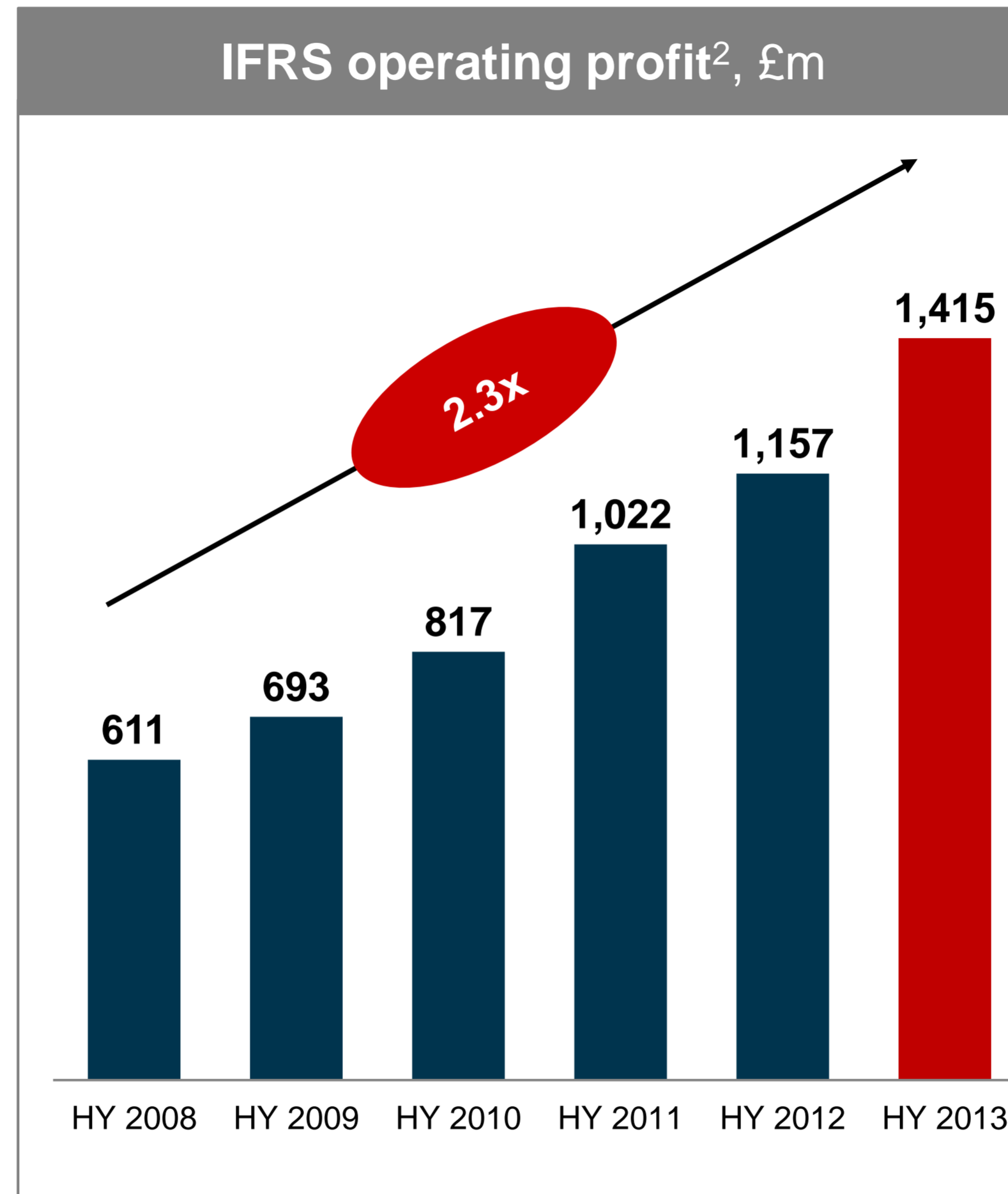
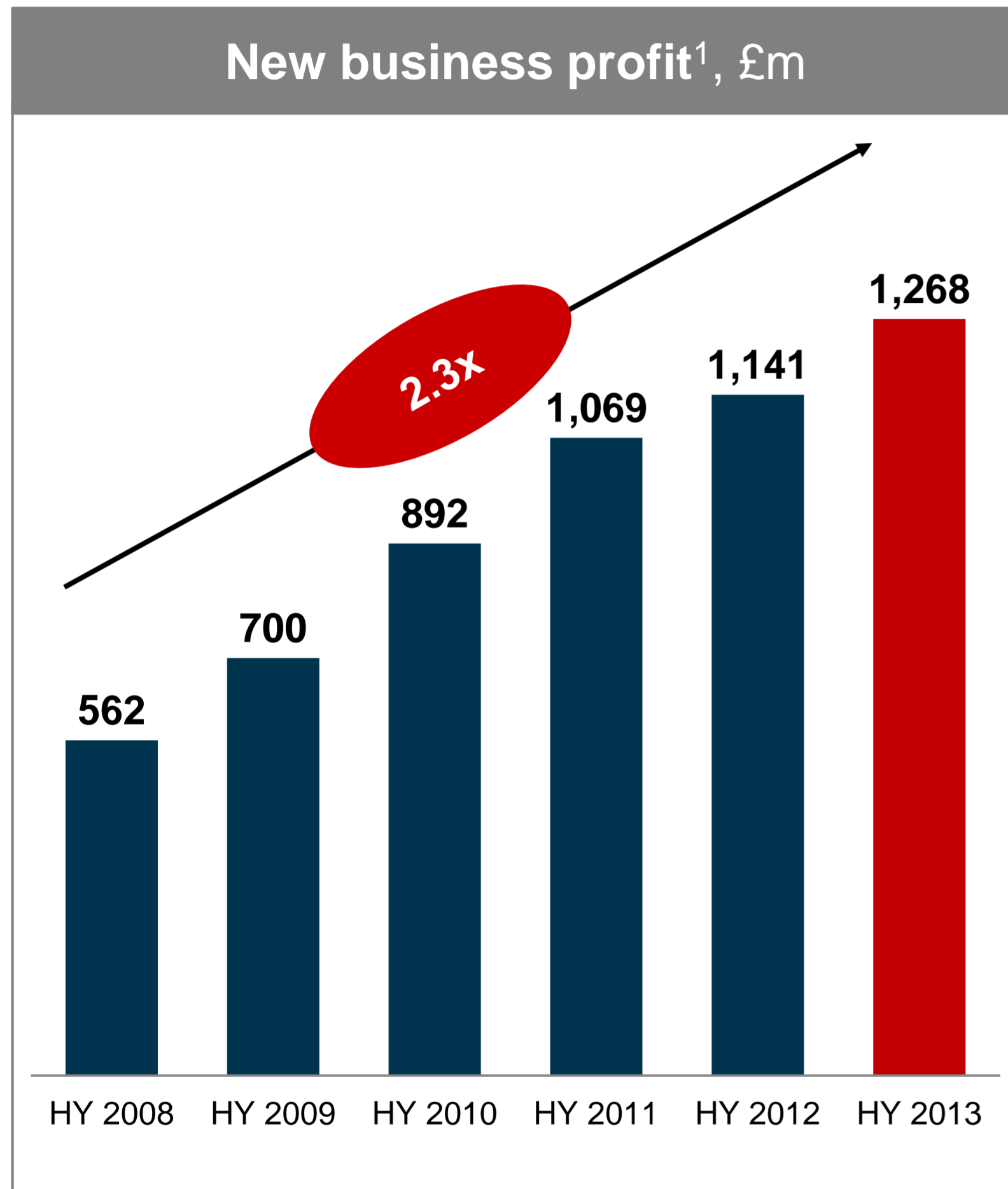
# Operating principles

Execution is key



# Performance

Strong and sustained track record



1. Excludes Japan Life and Taiwan agency.

2. HY 2008 – HY 2013 adjusted for new and amended accounting standards and excludes Japan Life.

# 2013 objectives

Five out of six objectives achieved to date

## 2013 Growth and Cash objectives<sup>1</sup>, £m

	£m	2009	2012	2013 Objective <sup>1</sup>	Latest Position <sup>5</sup>	Status	
<b>Growth</b>	<b>Asia new business profit</b>	713	1,266	1,426	990	On-track	1
	<b>Asia IFRS operating profit<sup>2</sup></b>	465	988	930	512	✓ 2012	2
<b>Cash</b>	<b>Asia Net Remittance</b>	40	341	300	190	✓ 2012	3
	<b>Jackson Net Remittance</b>	39	249	260 <sup>3</sup>	294	✓ HY 2013	4
	<b>UK Net Remittance</b>	434 <sup>4</sup>	313	350	351	✓ Dec 2013	5
	<b>Group Net Remittance (cumulative)</b>	-	3,240	3,800	4,084	✓ HY 2013	6

<sup>1</sup> The objectives assume current exchange rates and a normalised economic environment consistent with the economic assumptions made by Prudential in calculating the EEV basis supplementary information for the half-year ended 30 June 2010. They have been prepared using current solvency rules and do not pre-judge the outcome of Solvency II, which remains uncertain. The comparatives represent results as reported in respective periods.

<sup>2</sup> Total Asia operating profit from long-term business and Eastspring Investments after development costs.

<sup>3</sup> Jackson net remittance objective increased from £200m to £260m on completion of REALIC acquisition.

<sup>4</sup> The net remittances from UK include £150m in 2009 arising from the pro-active financing techniques used to bring forward cash emergence of the in-force book during the financial crisis.

<sup>5</sup> Asia NBP is as at 9M 2013, UK net remittance is as of Dec 2013, all other figures are as at HY 2013.

# Regulation

## Solvency II

- Agreement is good news and consistent with our own long held position
- Final calibrations to be determined
- Internal Solvency II capital position to be published along with FY13 results

## GSII

- Announced in July this year
- Implications under discussion
- Capital impact, if any, not before 2019

# Overview

## Macroeconomic context

Asia

US

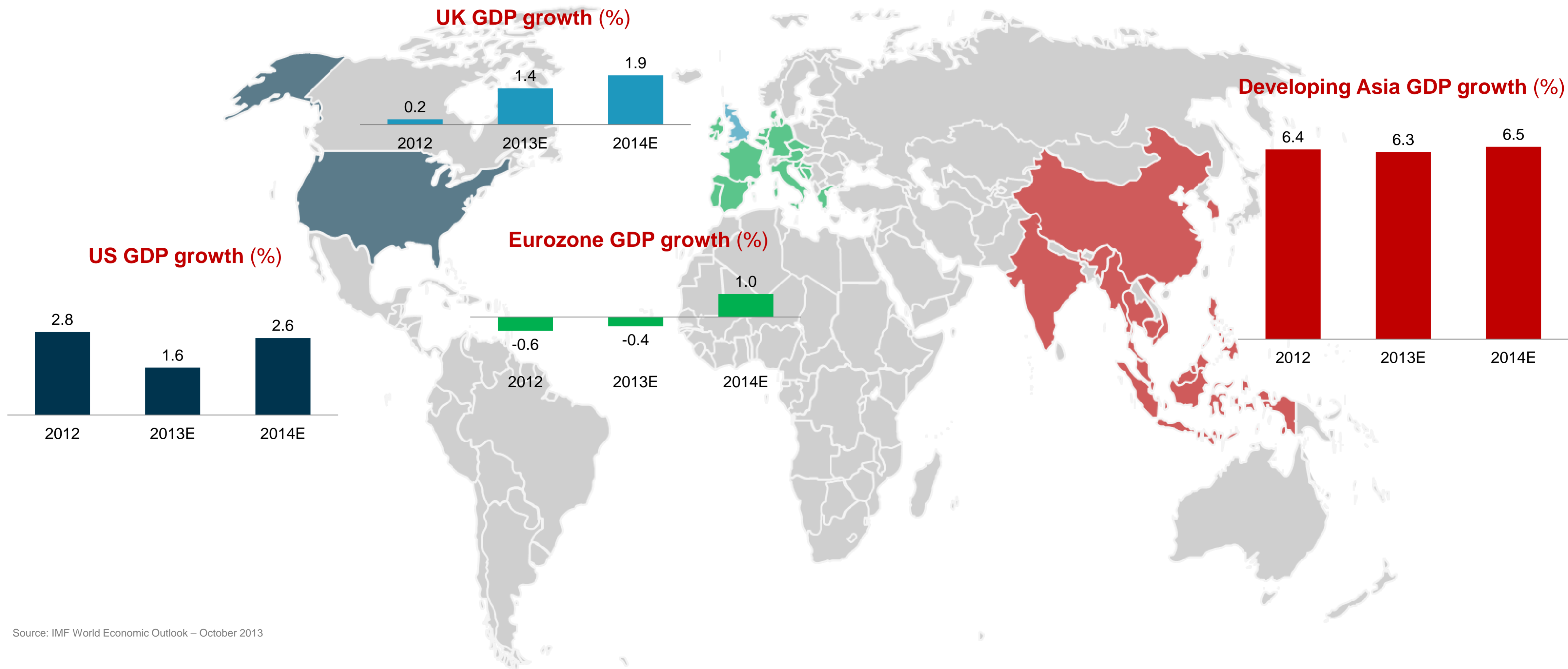
UK

Value creation

2017 objectives

# Looking beyond 2013

## Macroeconomic backdrop



Source: IMF World Economic Outlook – October 2013



# Looking beyond 2013

## Macroeconomic challenges

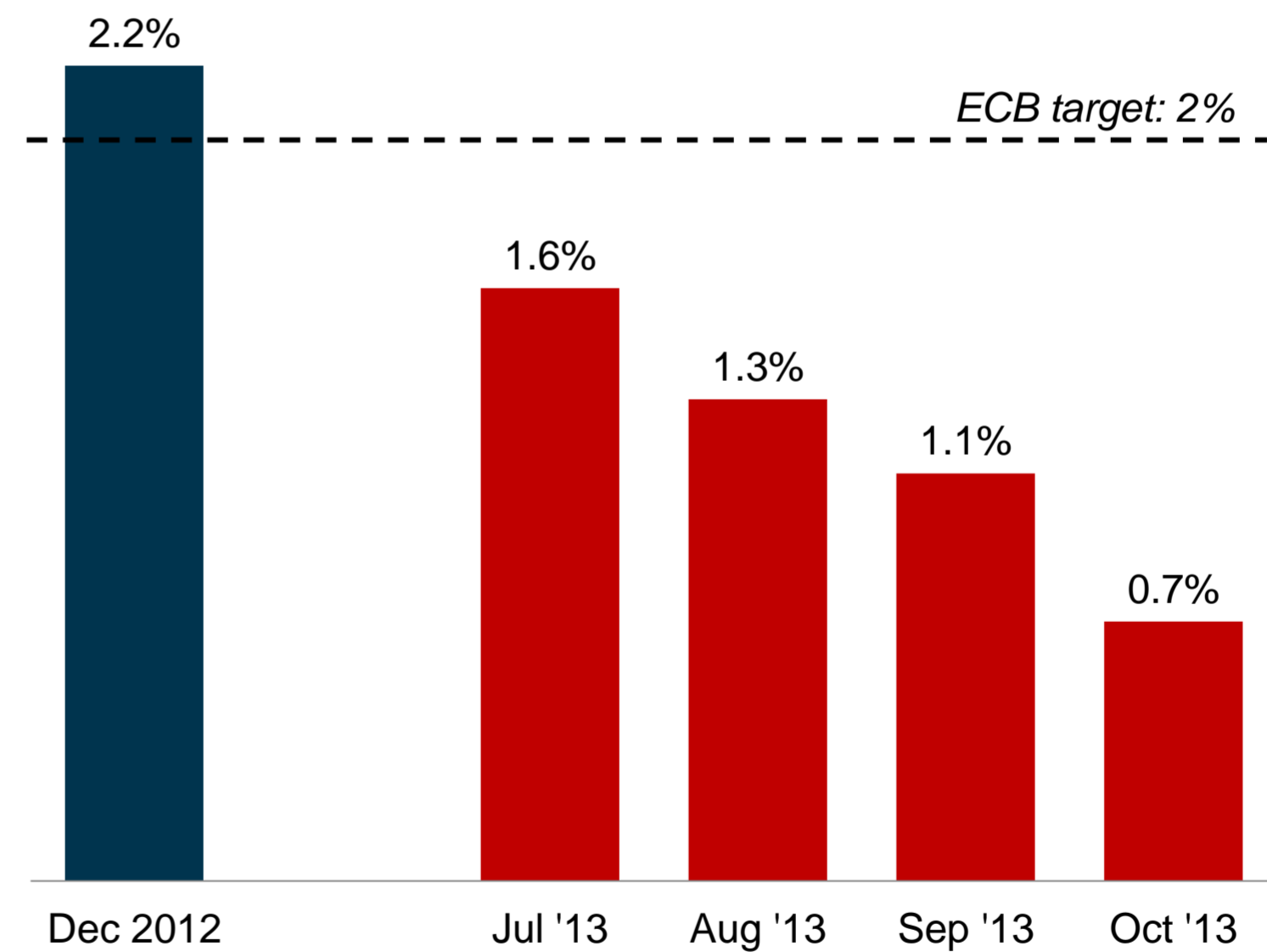
### Central bank exit strategies<sup>1</sup>

US 10 year treasury yield, %



### Eurozone deflation<sup>2</sup>

Eurozone inflation rates, %

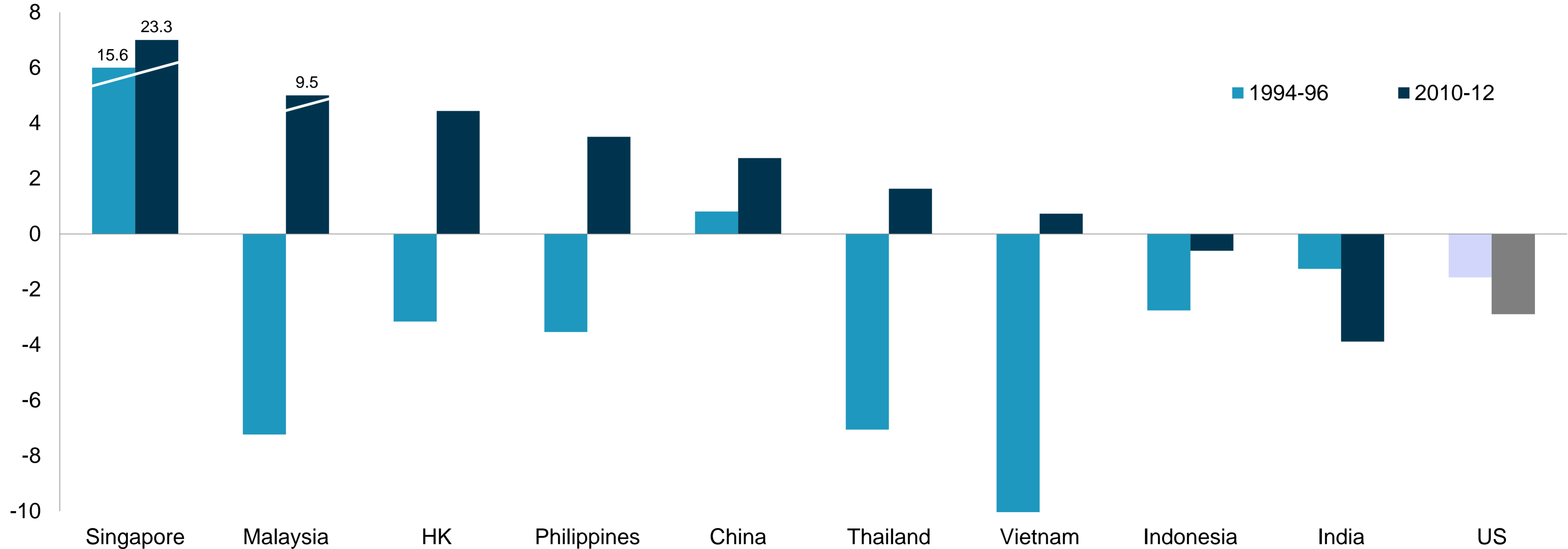


1. Source: Datastream  
2. European Commission (Eurostat)

# Looking beyond 2013

## Lessons learned from the 1997 – 1998 Asian crisis

Average current account balance<sup>1</sup>, as % of GDP

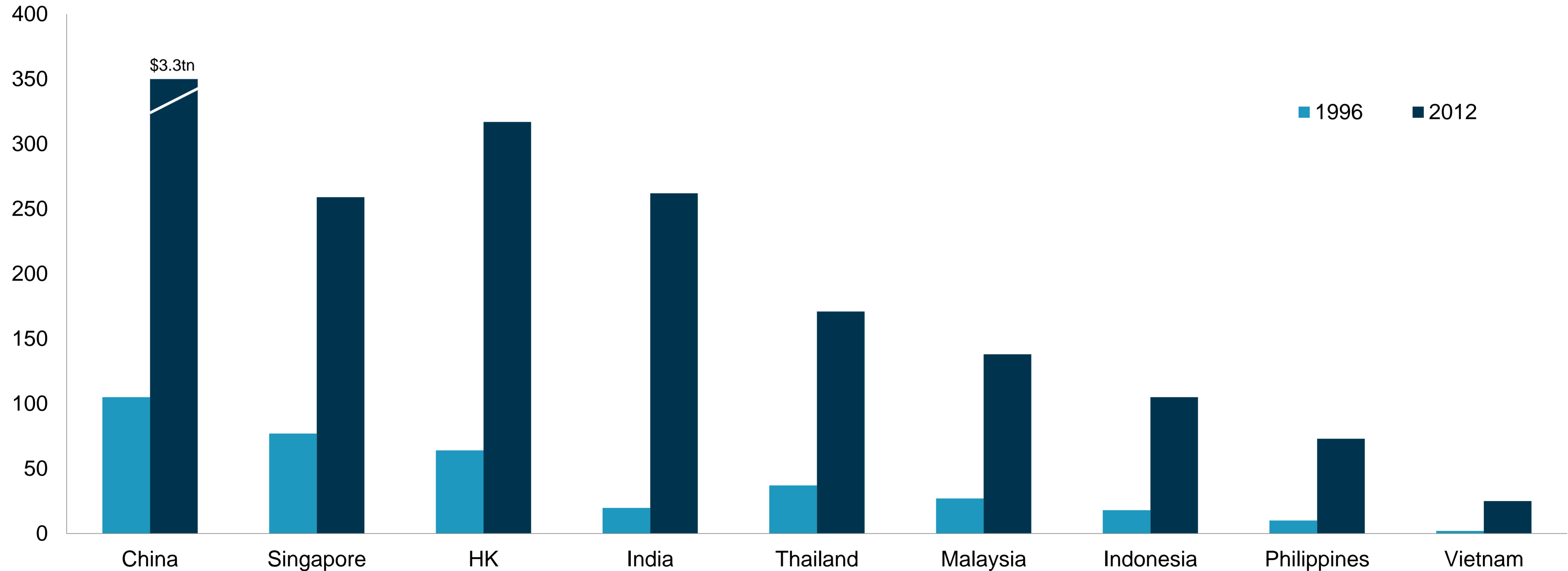


1. Source: IMF

# Looking beyond 2013

## Lessons learned from the 1997 – 1998 Asian crisis

Foreign exchange reserves<sup>1</sup>, US\$bn

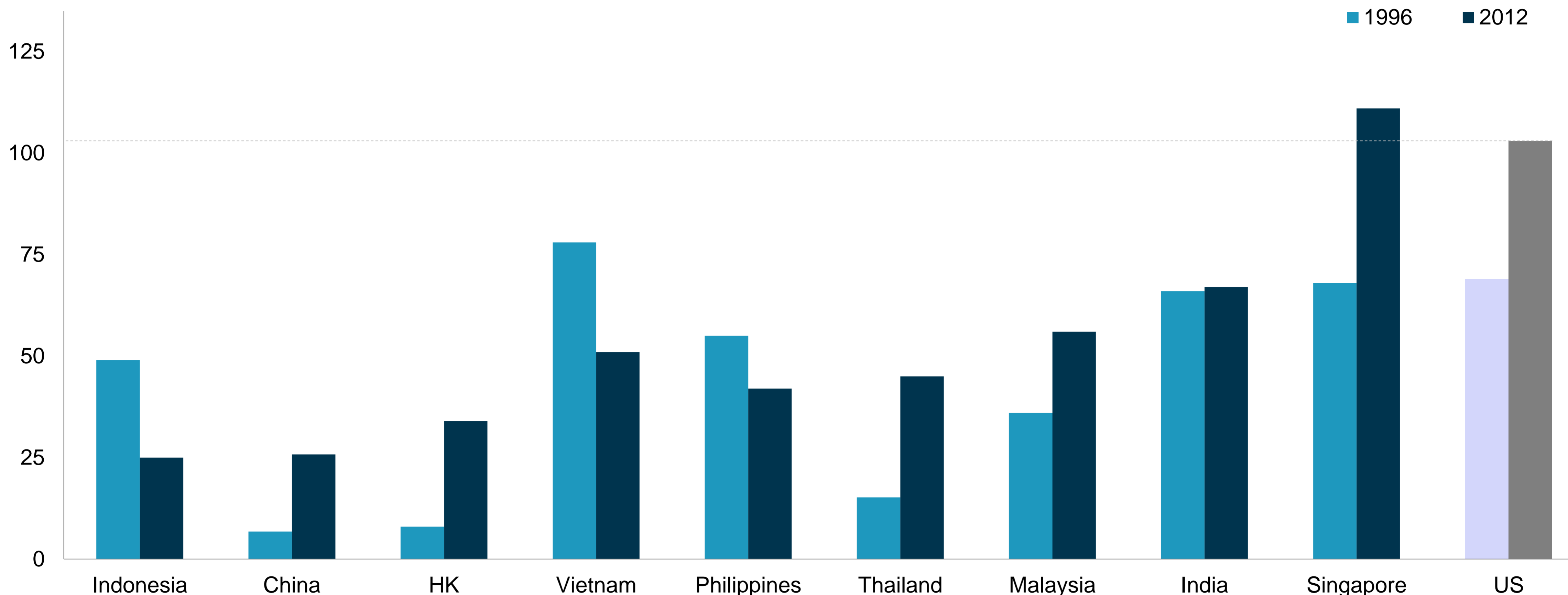


1. Source: Datastream

# Looking beyond 2013

## Lessons learned from the 1997 – 1998 Asian crisis

Government debt to GDP ratio<sup>1</sup>, %

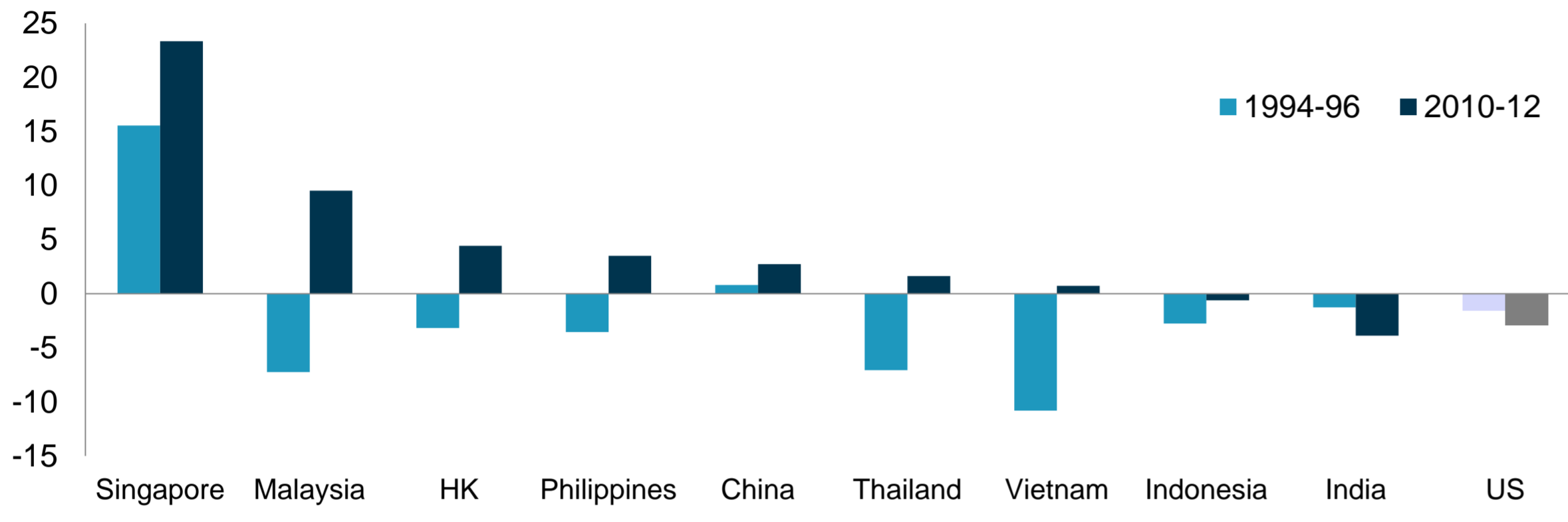


1. Source: IMF, EIU, Central Bank websites, Prudential estimates. General government gross debt expressed as % of GDP.

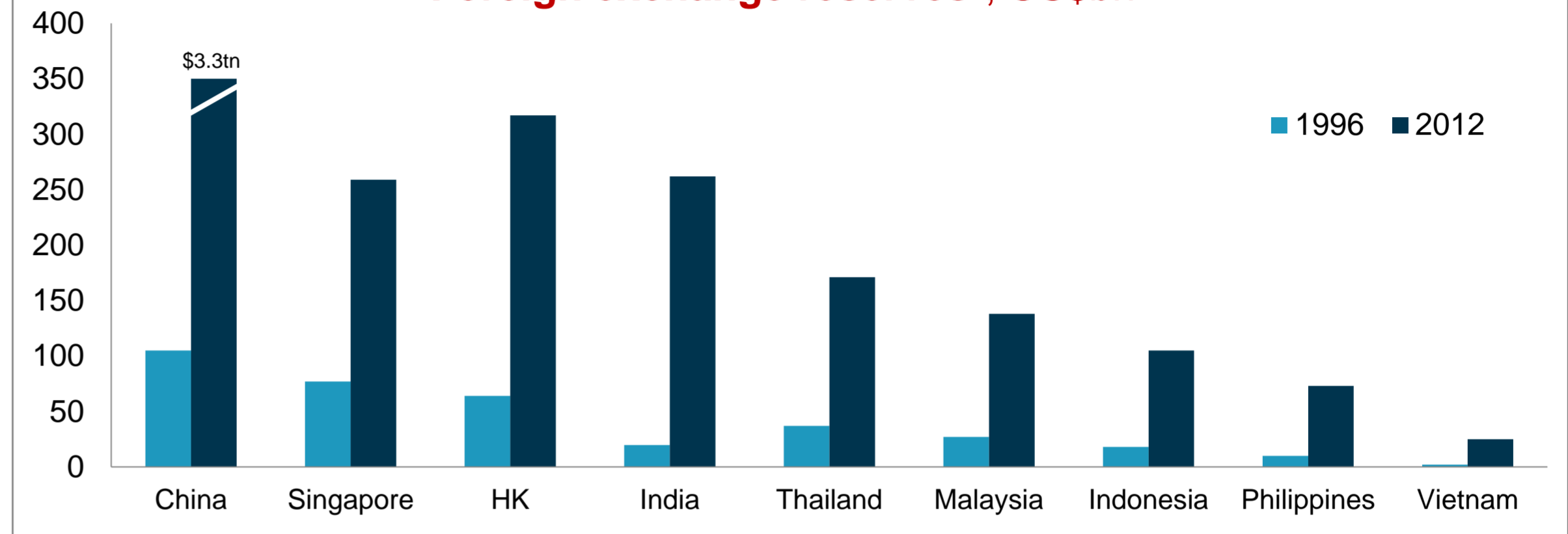
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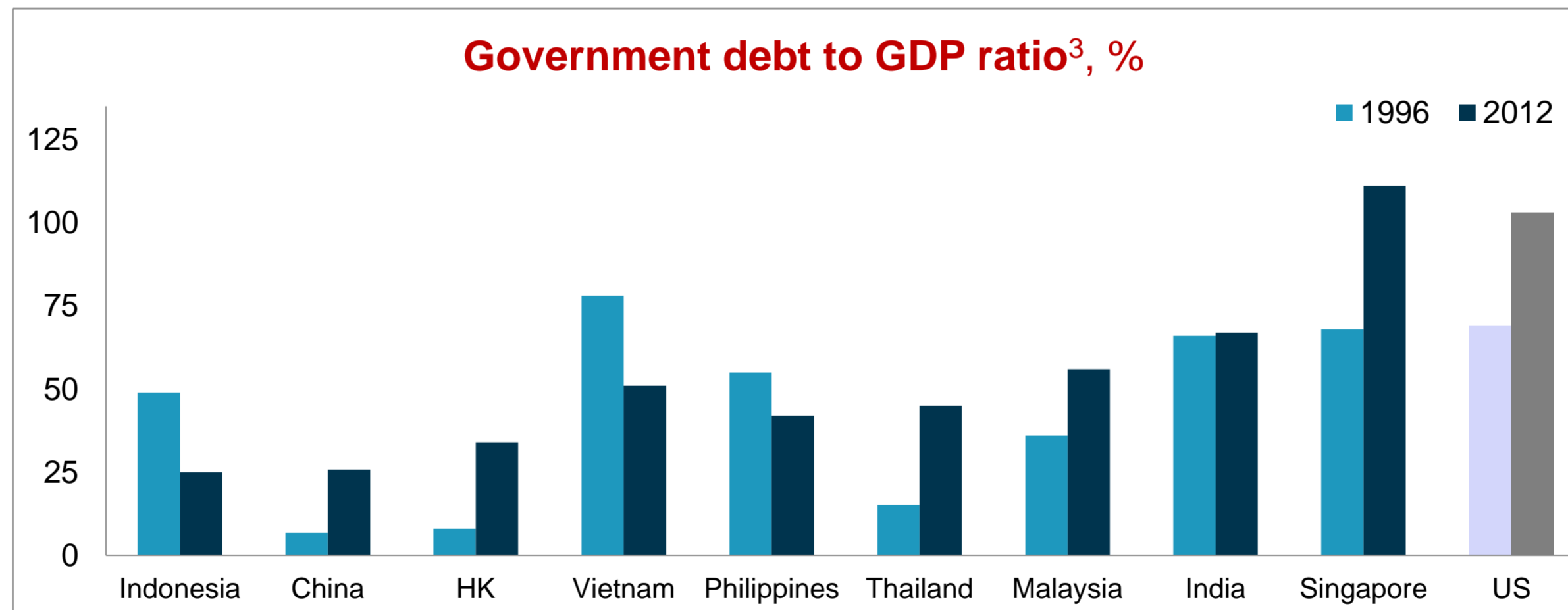
**Average current account balance<sup>1</sup>, as % of GDP**



**Foreign exchange reserves<sup>2</sup>, US\$bn**



**Government debt to GDP ratio<sup>3</sup>, %**

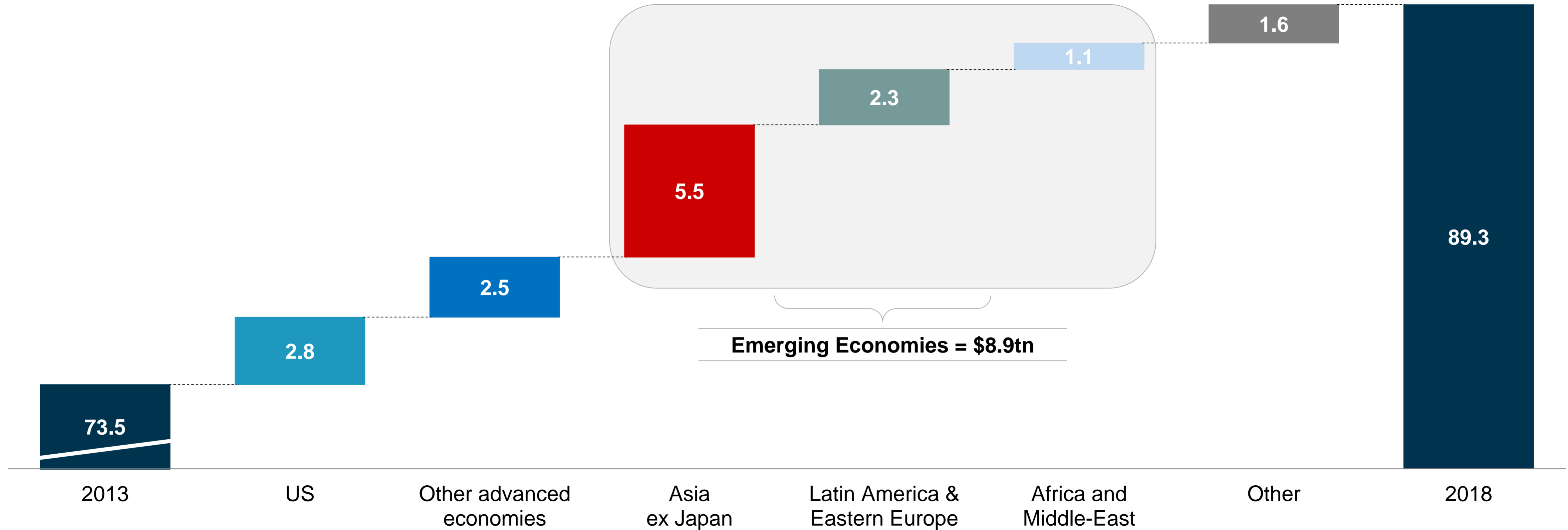


1. Source: IMF  
 2. Source: Datastream  
 3. Source: IMF, EIU, Central Bank websites, Prudential estimates. General government gross debt expressed as % of GDP.

# Looking beyond 2013

## Asia to continue driving global growth

World real GDP growth from 2013 to 2018<sup>1</sup>, US\$tn



1. Source: IMF – October 2013, Prudential estimates.  
 Other advanced economies includes advanced EU countries, Japan, Australia, NZ and Canada. Singapore, Hong Kong, Korea and Taiwan are included in Asia ex Japan.  
 East Europe includes CEE and CIS countries.

# Overview

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Macroeconomic context

**Asia**

US

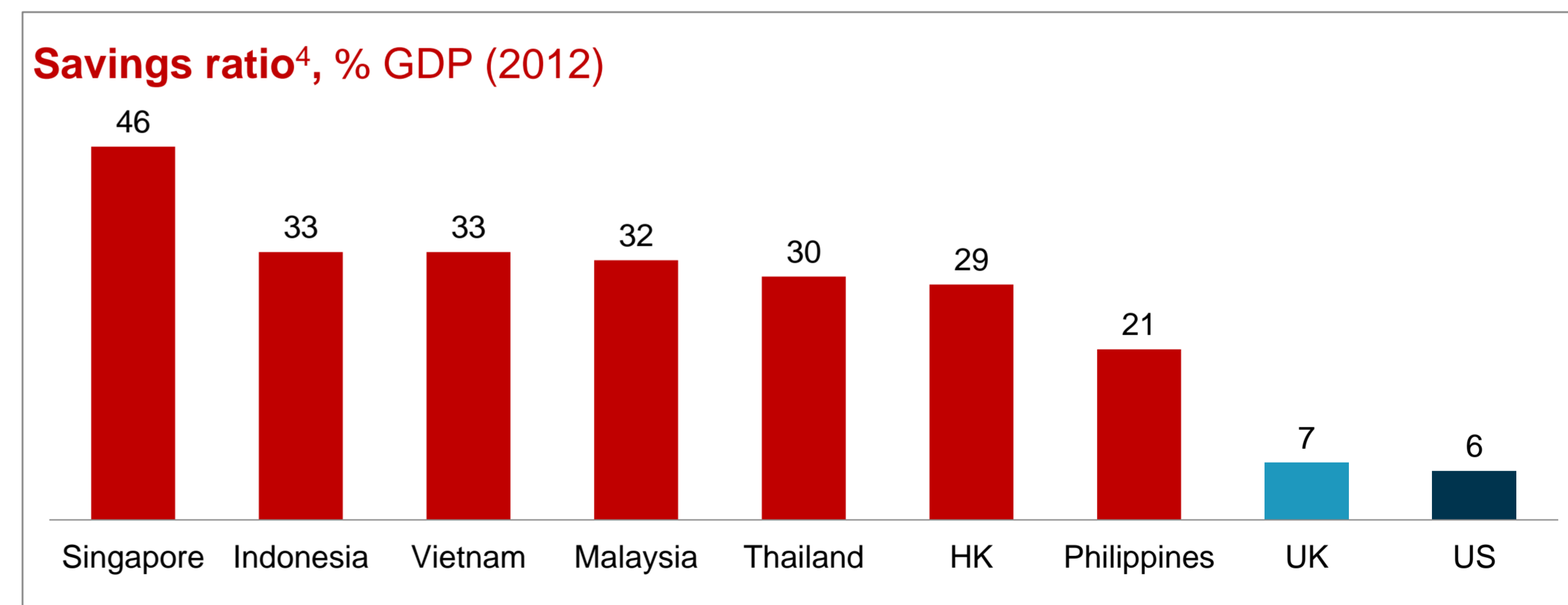
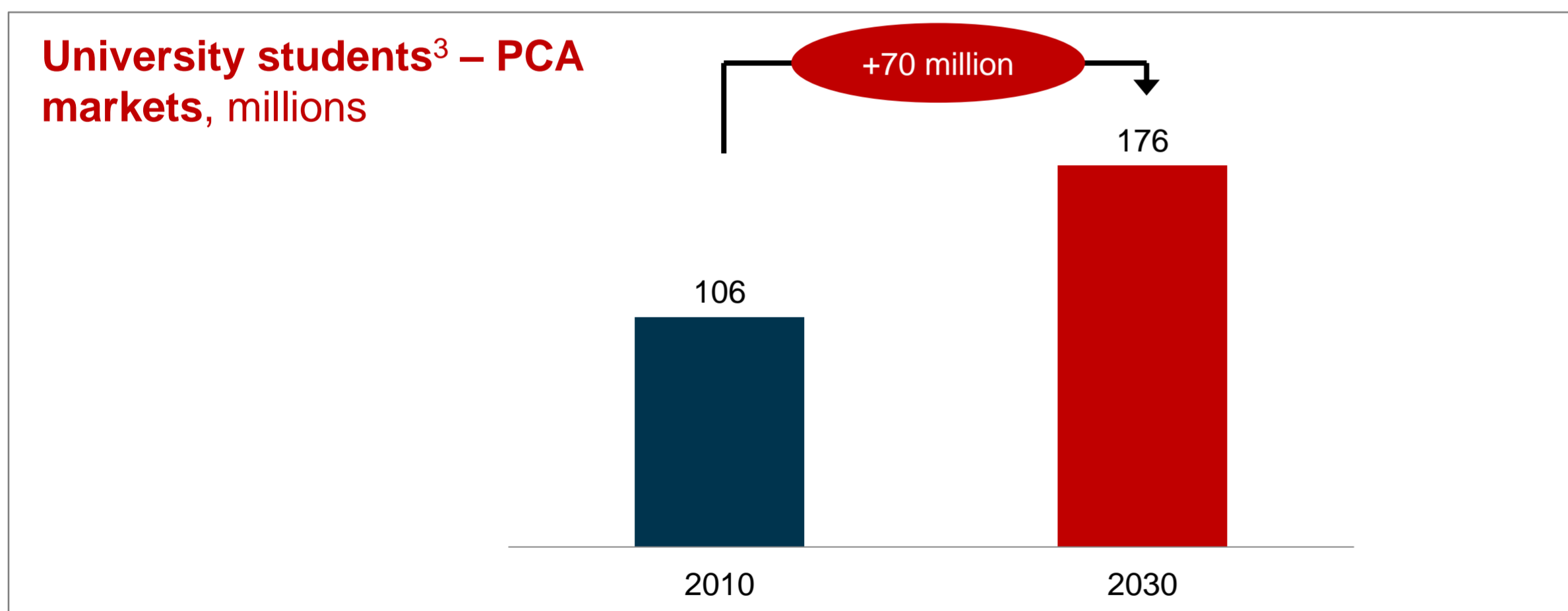
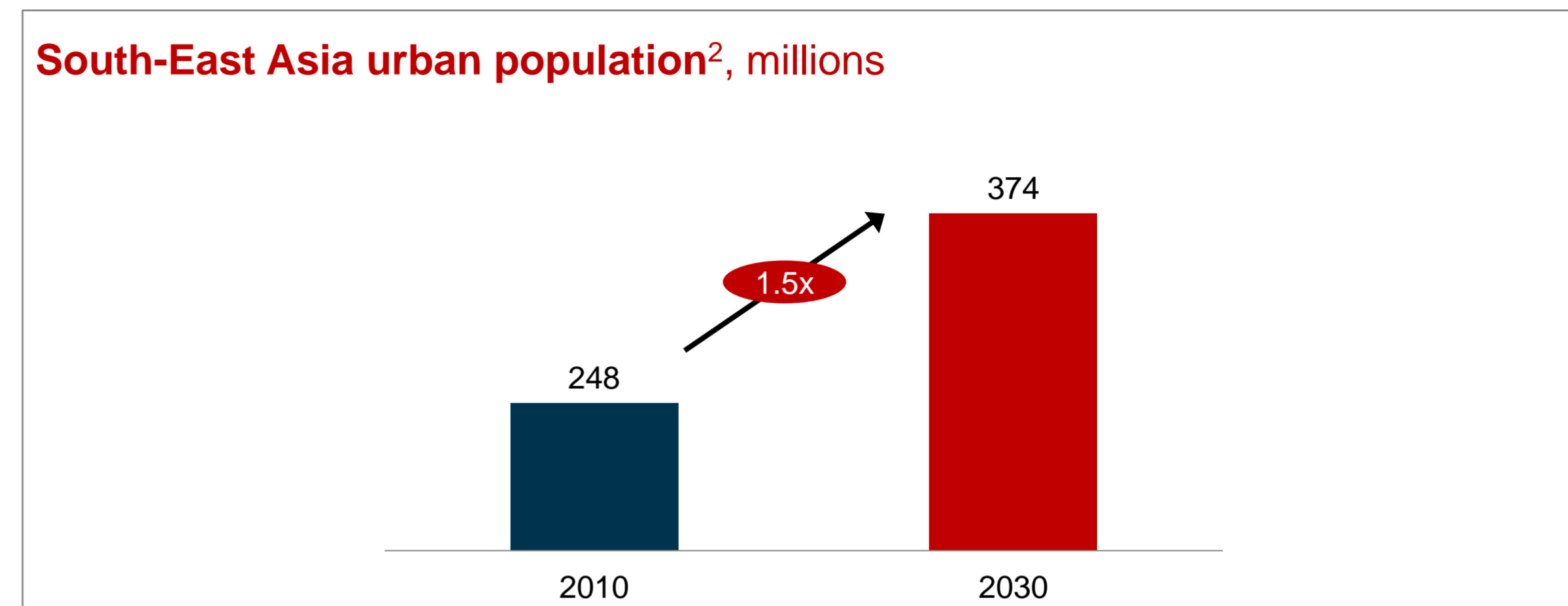
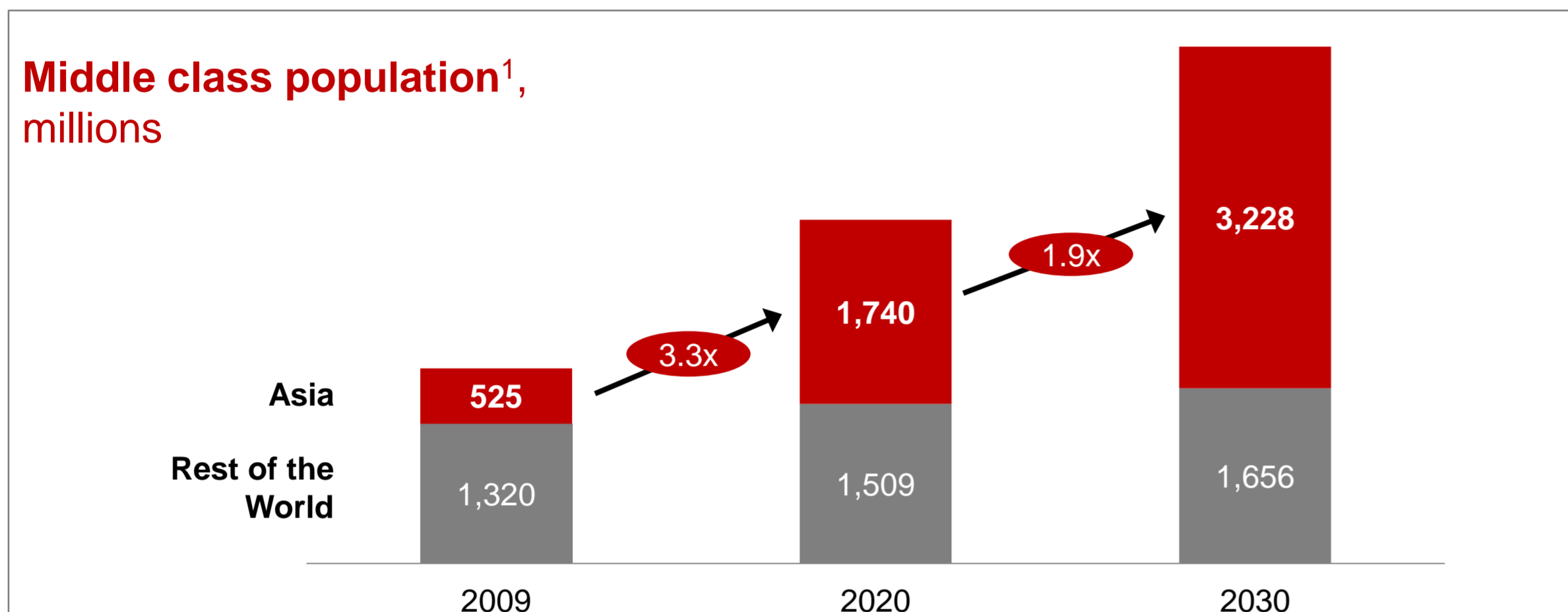
UK

Value creation

2017 objectives

# Looking beyond 2013

## Long-term fundamentals underpin Asian growth

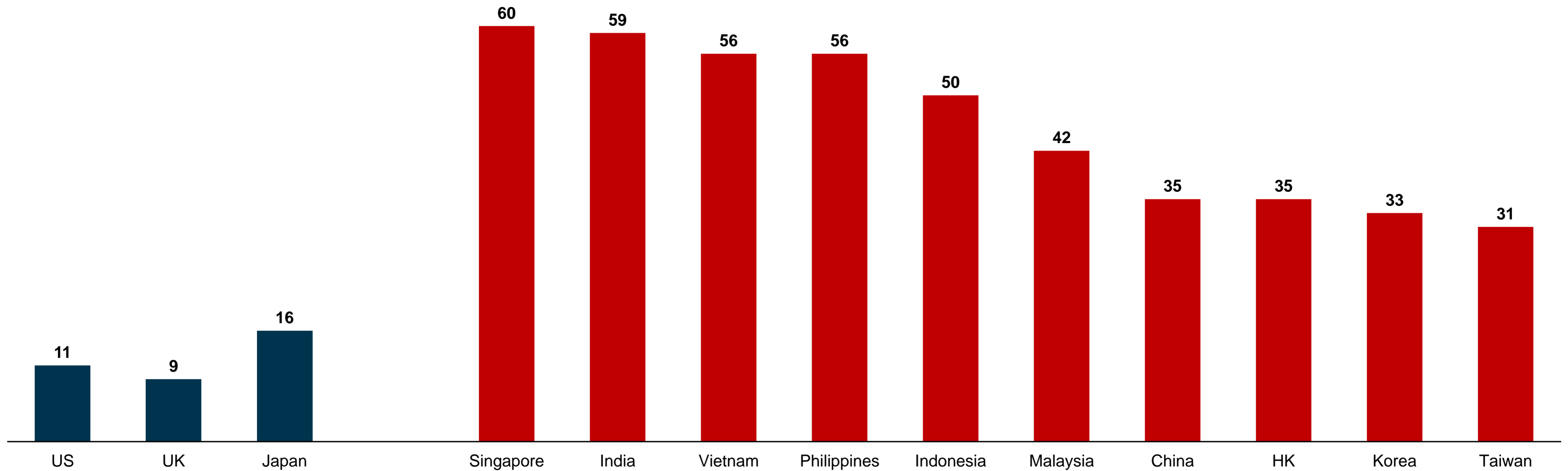


1. Source: The emerging middle class in developing countries, Homi Kharas –Brookings Institute (Mar 2010)  
 2. Source: Asian Research Institute, Prudential estimates.  
 3. Source: ADB – Human Capital Accumulation in Emerging Asia, 1970–2030. Excludes overseas students  
 4. Source: IMF – October 2013



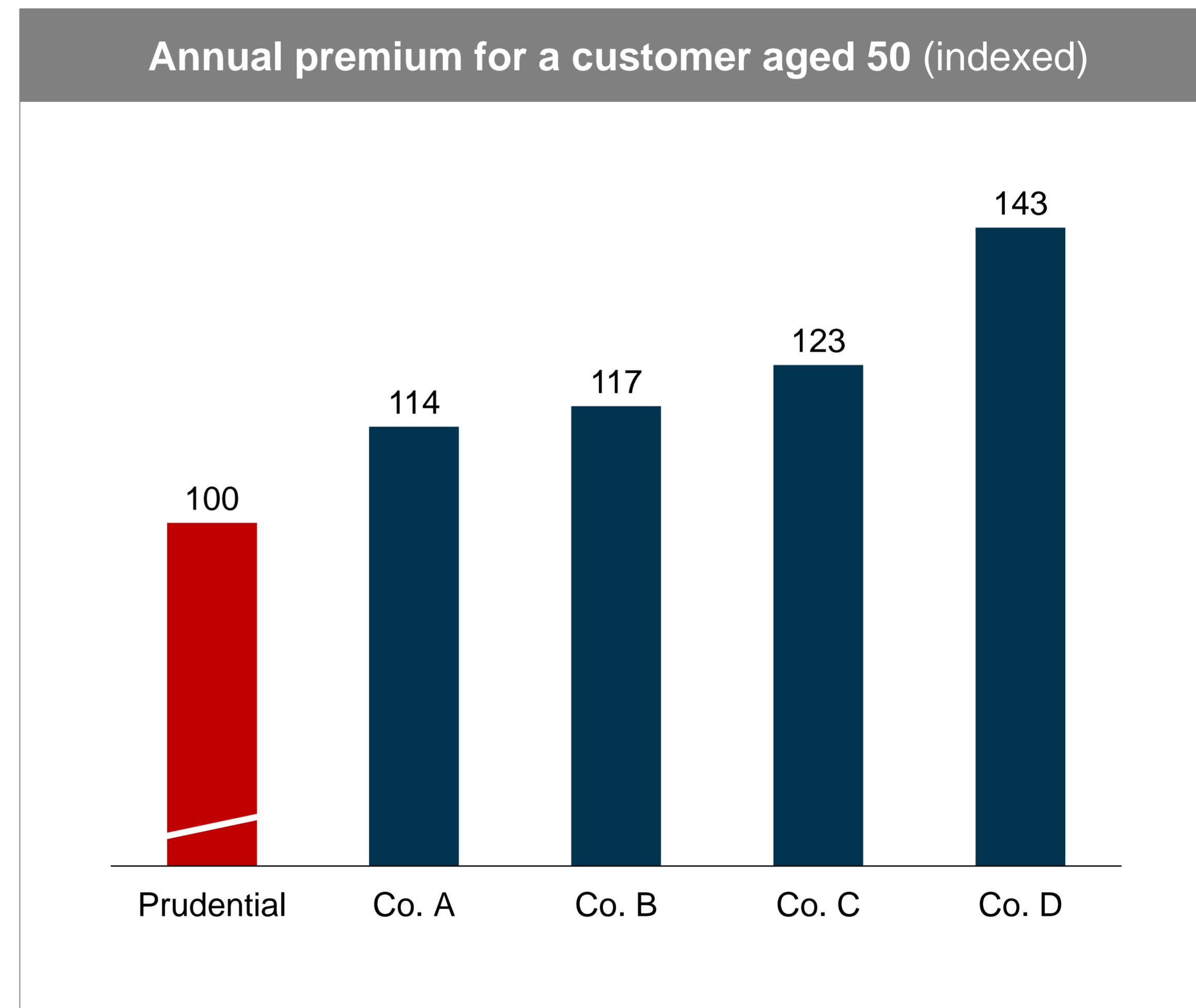
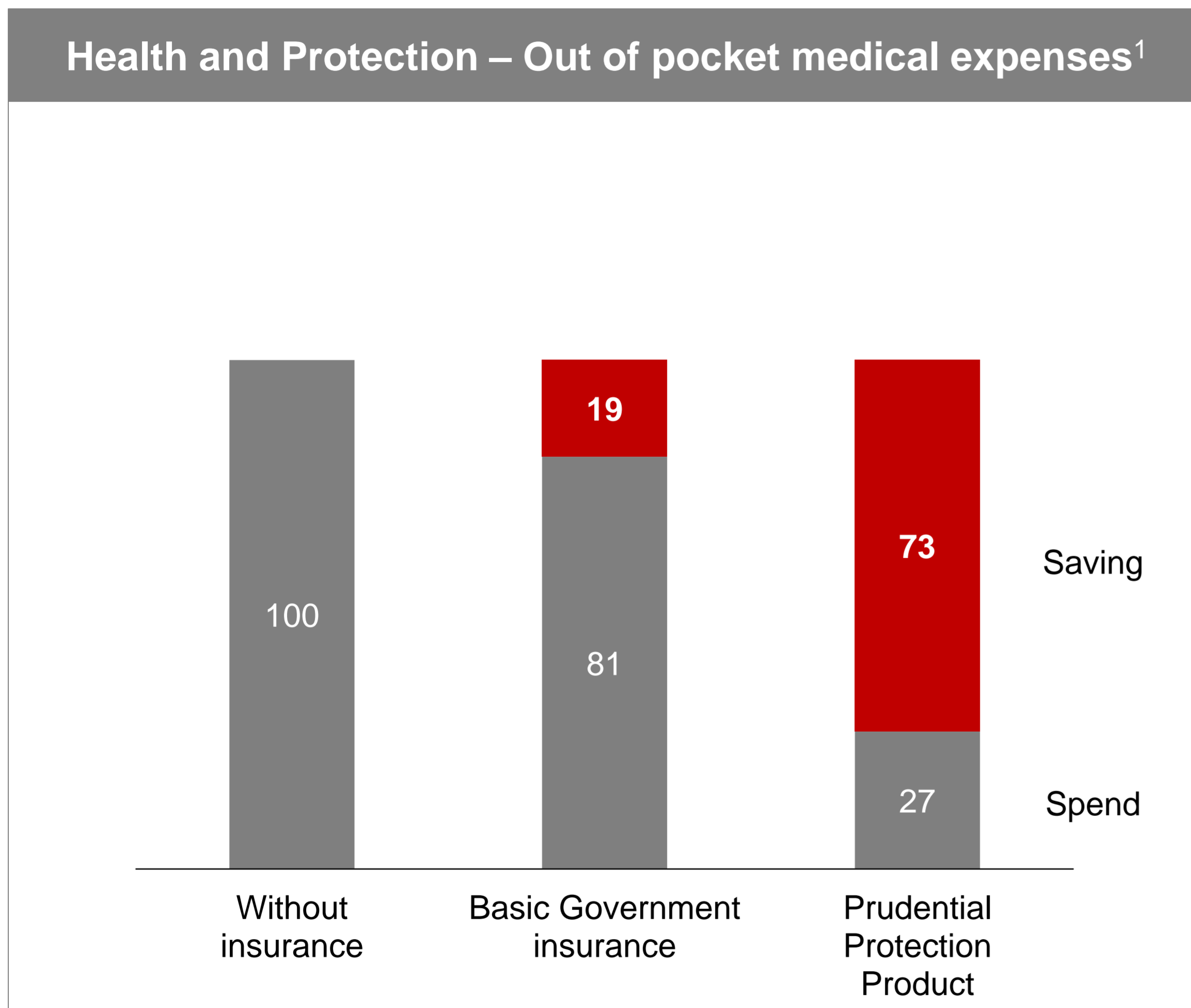
## Significant protection gap in PCA markets

Share of medical expenses paid out-of-pocket (2011)<sup>1</sup>, %



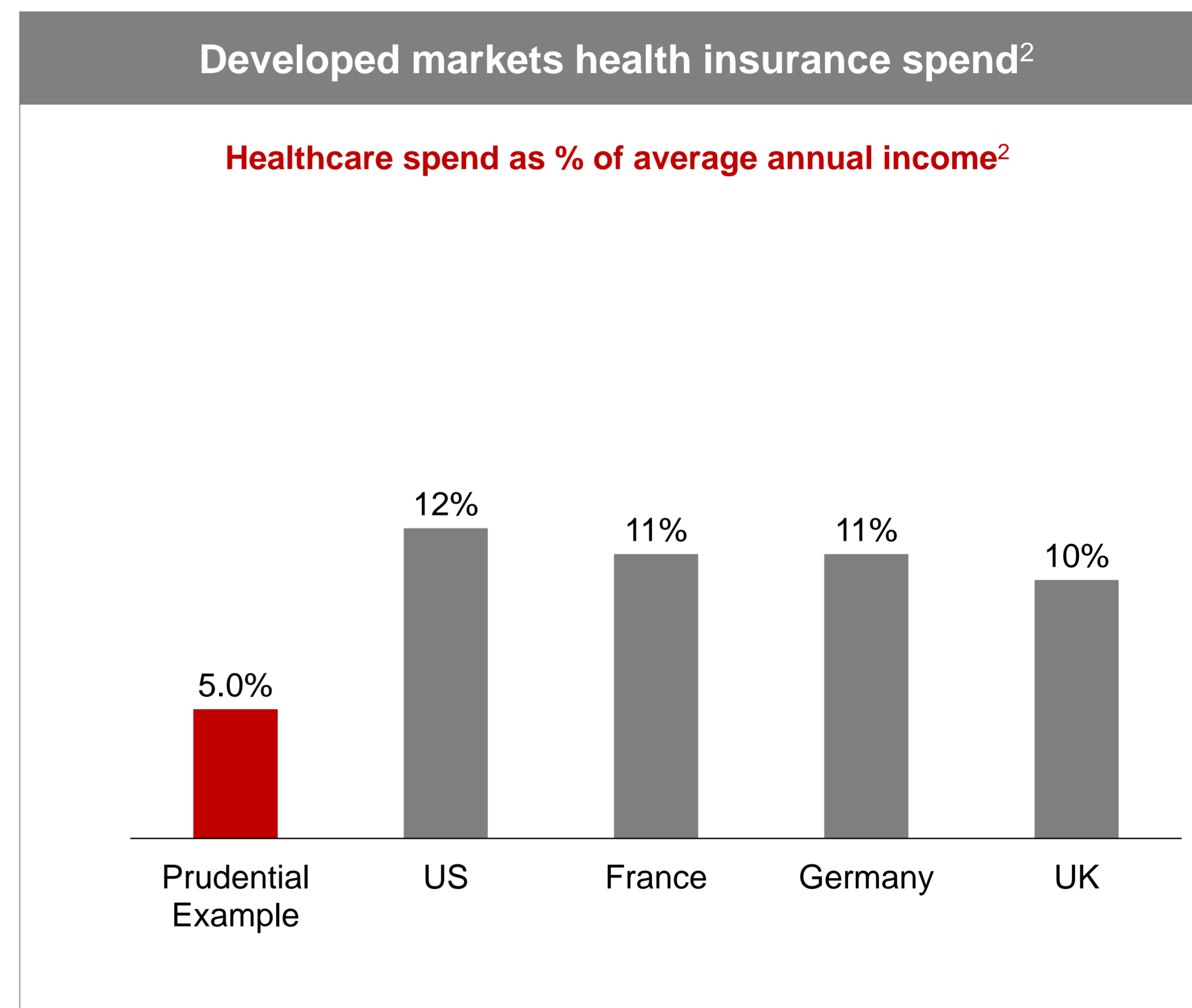
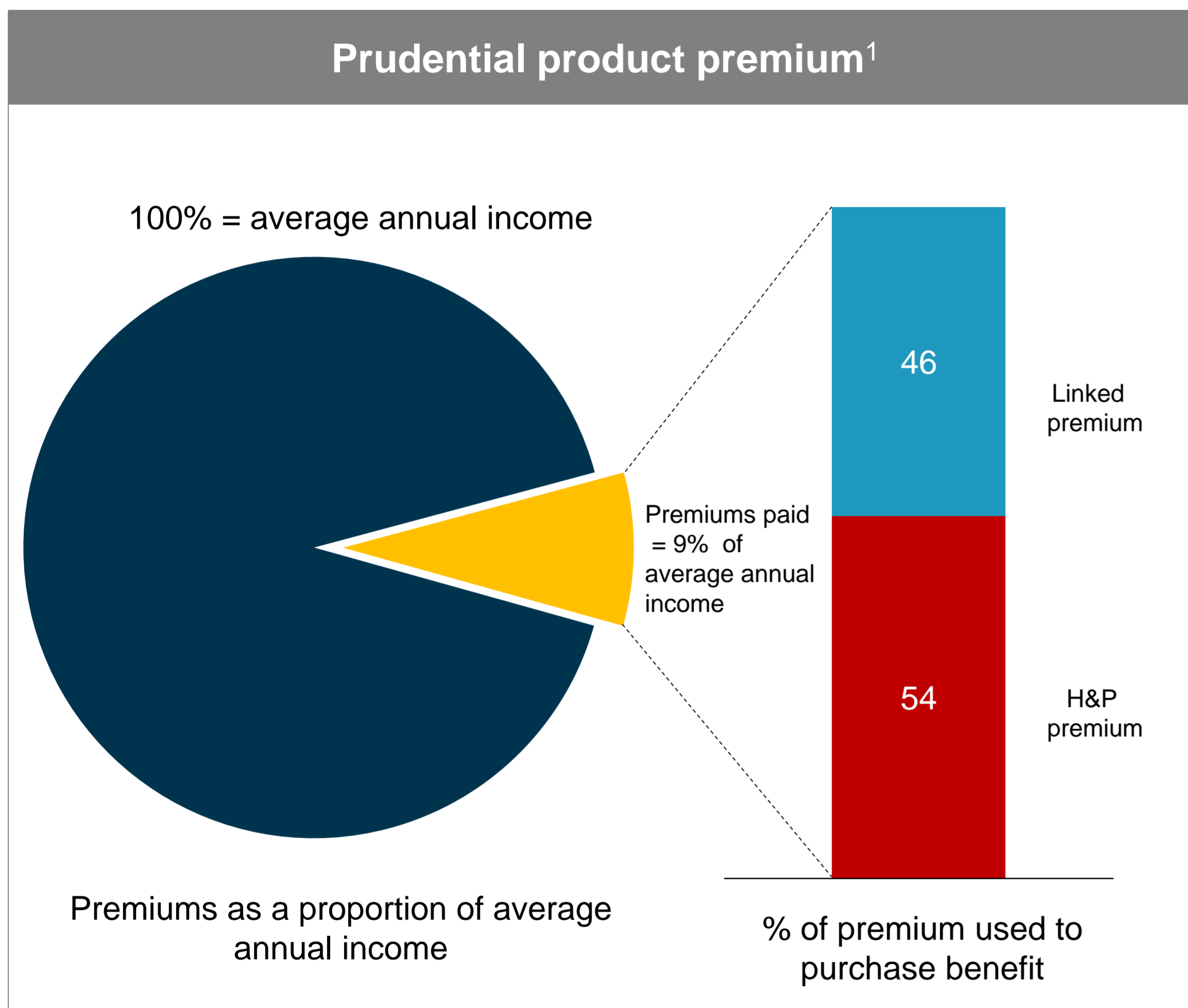
1. World Health Organisation – Global Health Expenditure Database (2011). For Hong Kong – Food and Health Bureau, Government of Hong Kong (2010). For Taiwan data is for the year 2006.

## Products meet customer needs and create shareholder value



1. Expenses for a male aged 50 for heart diseases and heart surgery treatment

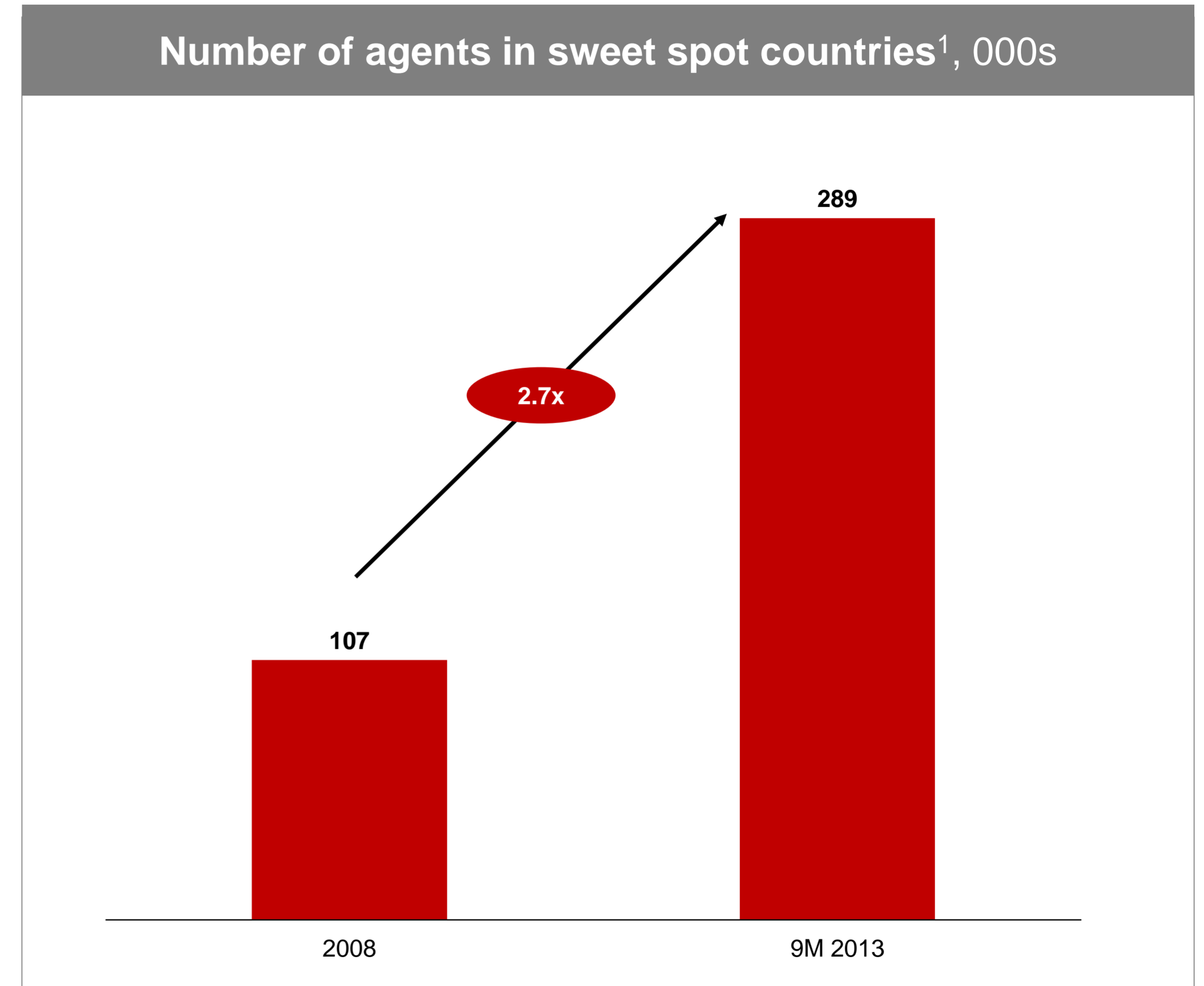
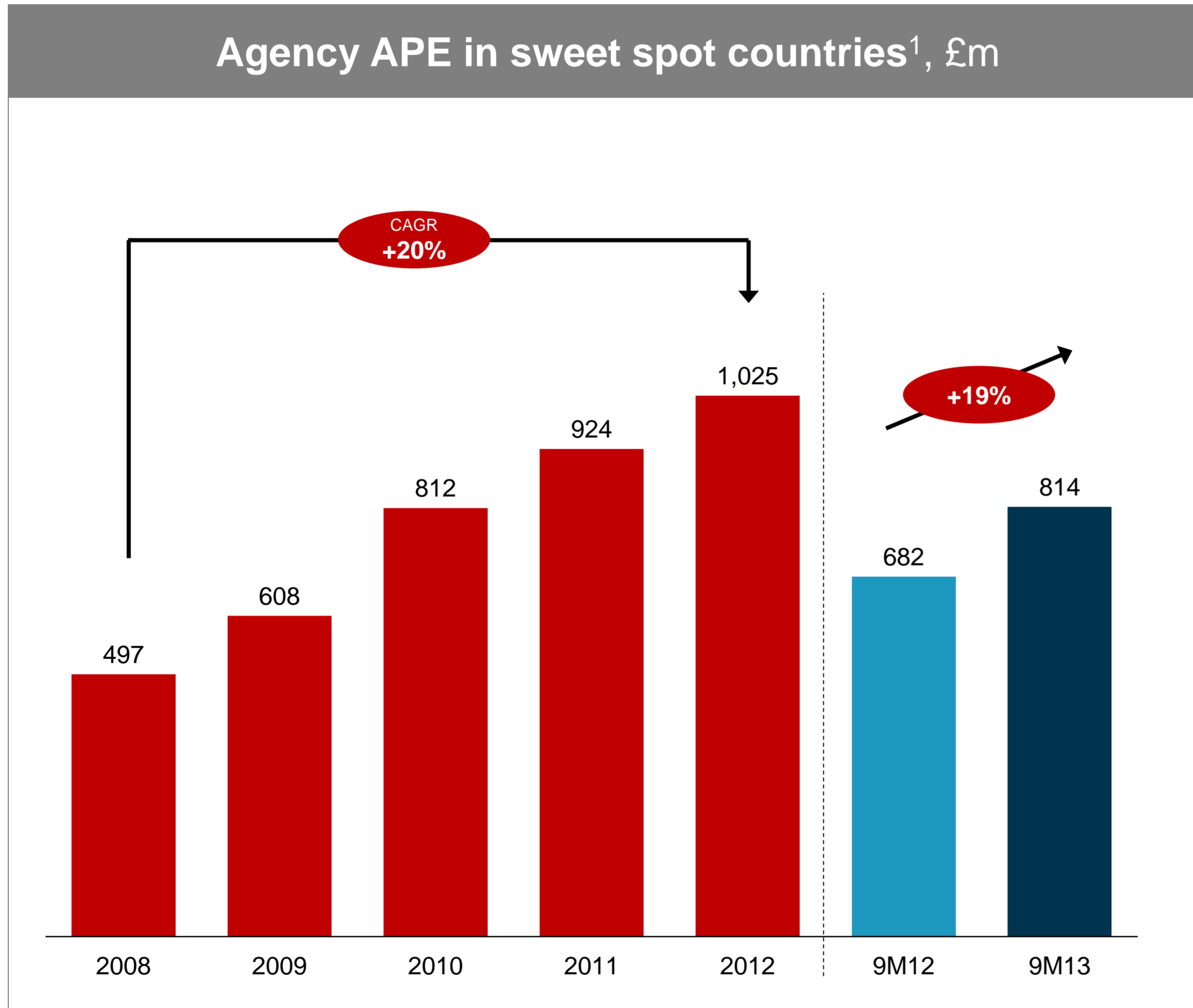
## Affordable products underpin growing consumer demand



1. Average Prudential customer spend on insurance products

2. Source: OECD, UN population stats, Prudential estimates. Premium spend includes healthcare expenditure by private and public sources except for the US. Healthcare spend data adjusted for working age population and unemployment rates.

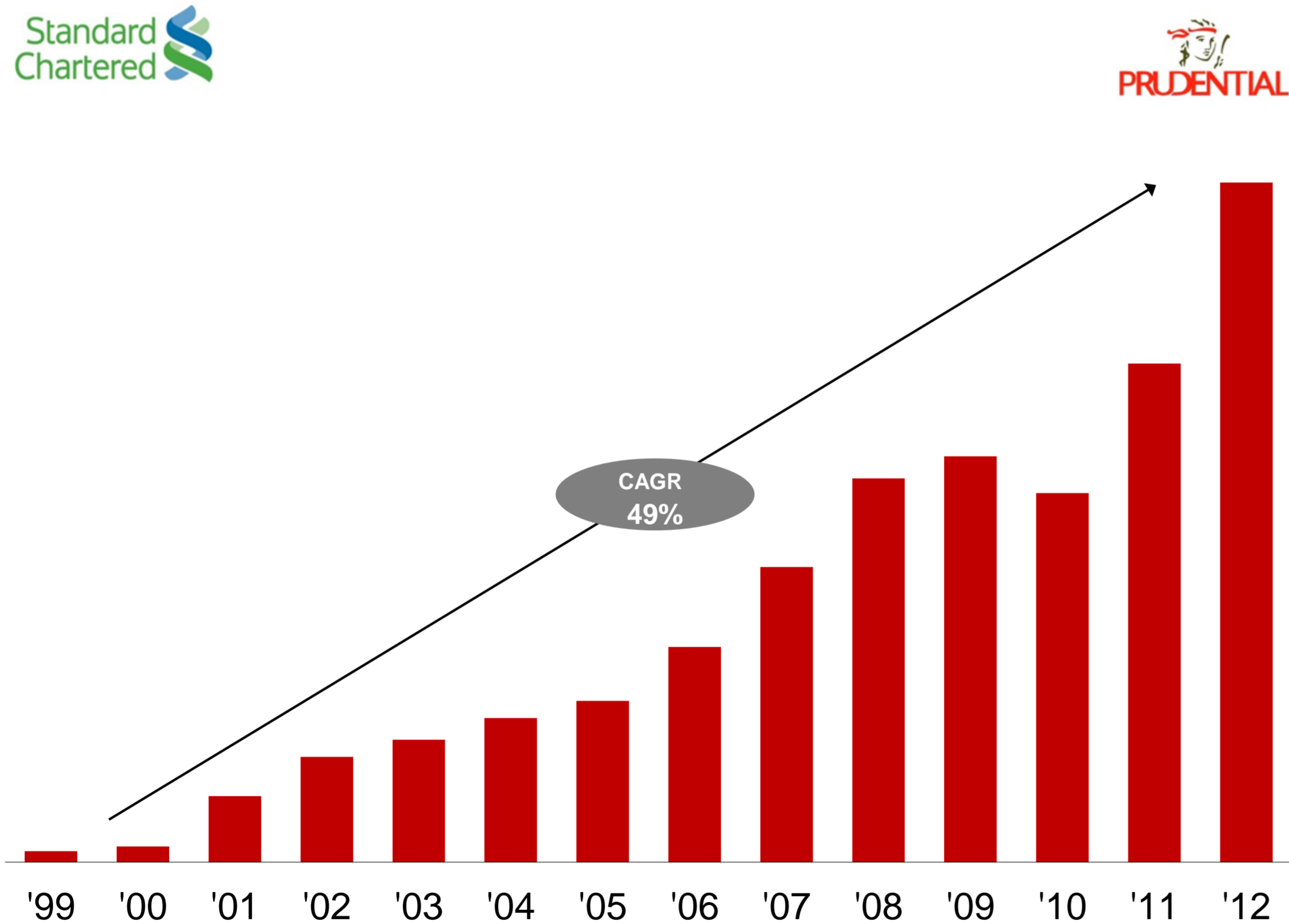
## Scale distribution platform drives expanding reach



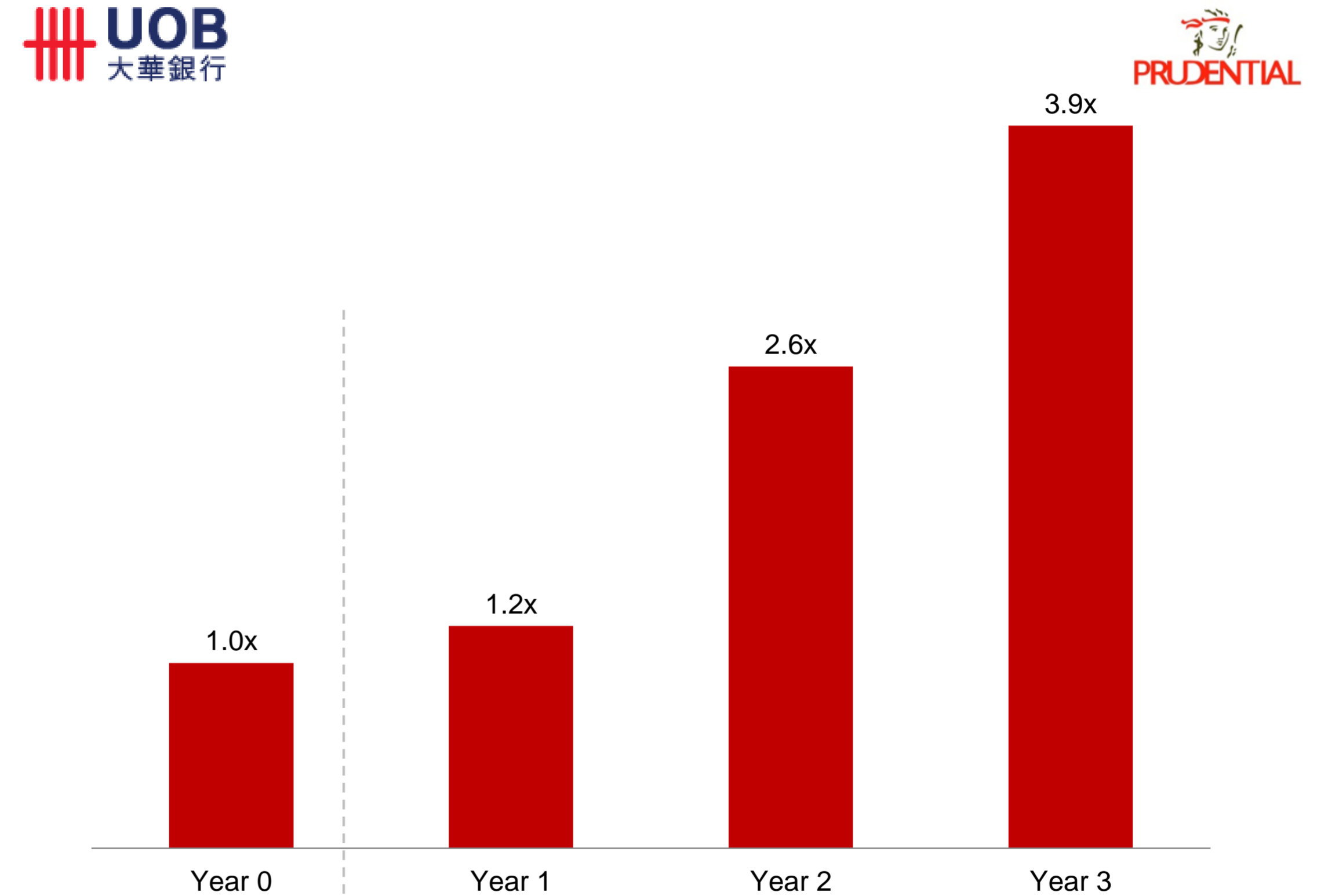
<sup>1</sup> Sweet spot markets include Indonesia, Malaysia, Singapore, Hong Kong, Thailand, Vietnam and Philippines.

## Scale distribution platform drives expanding reach

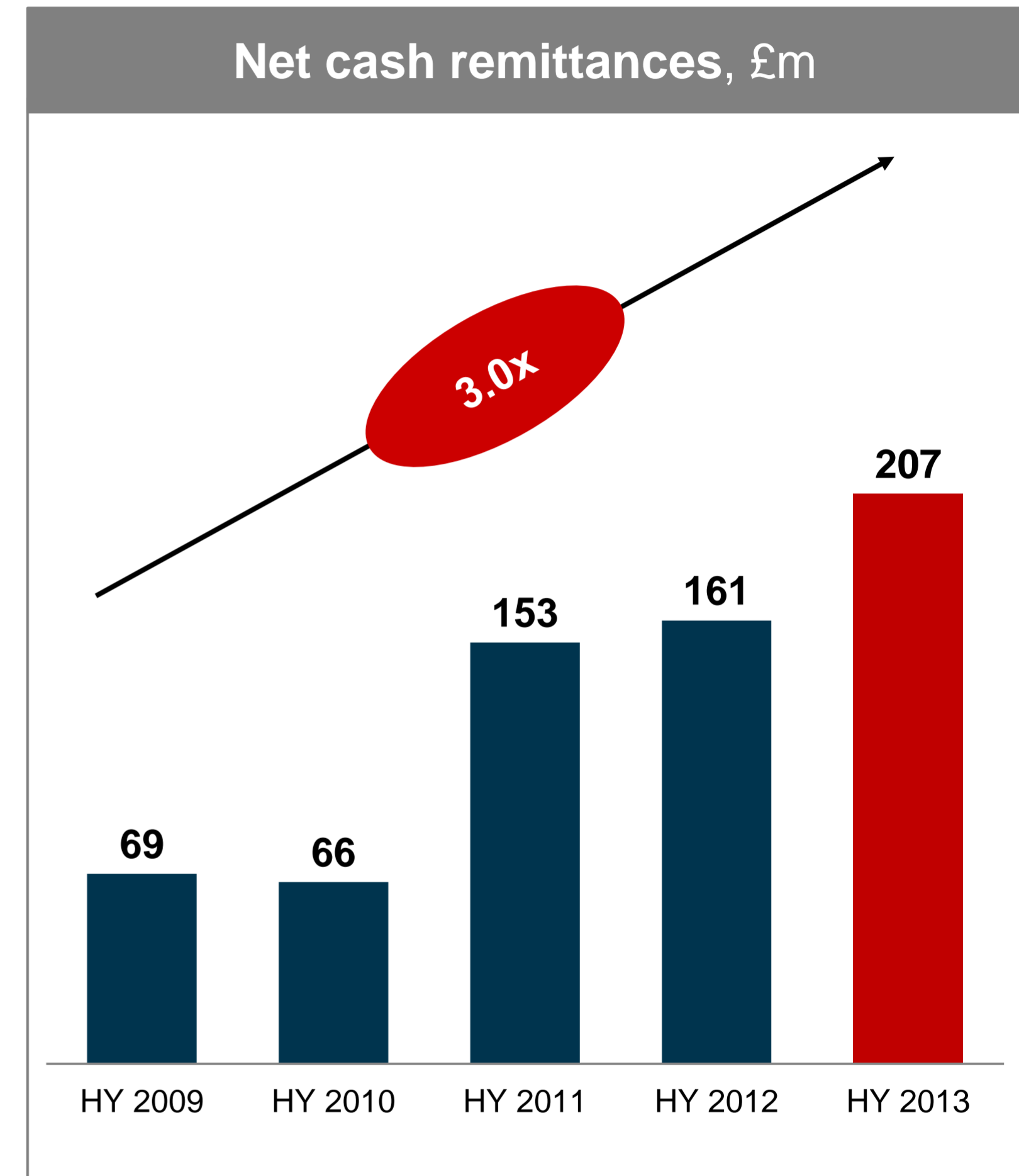
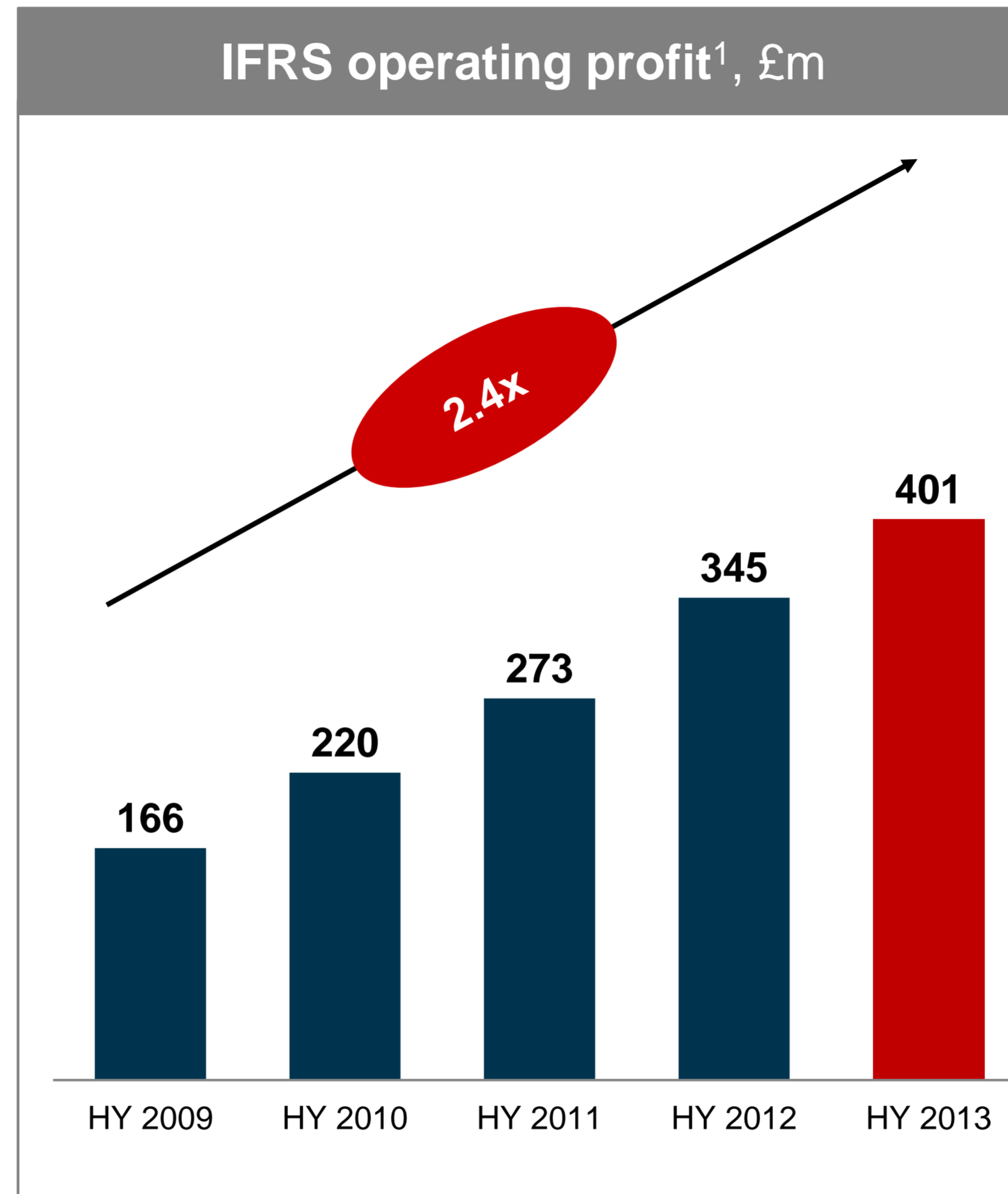
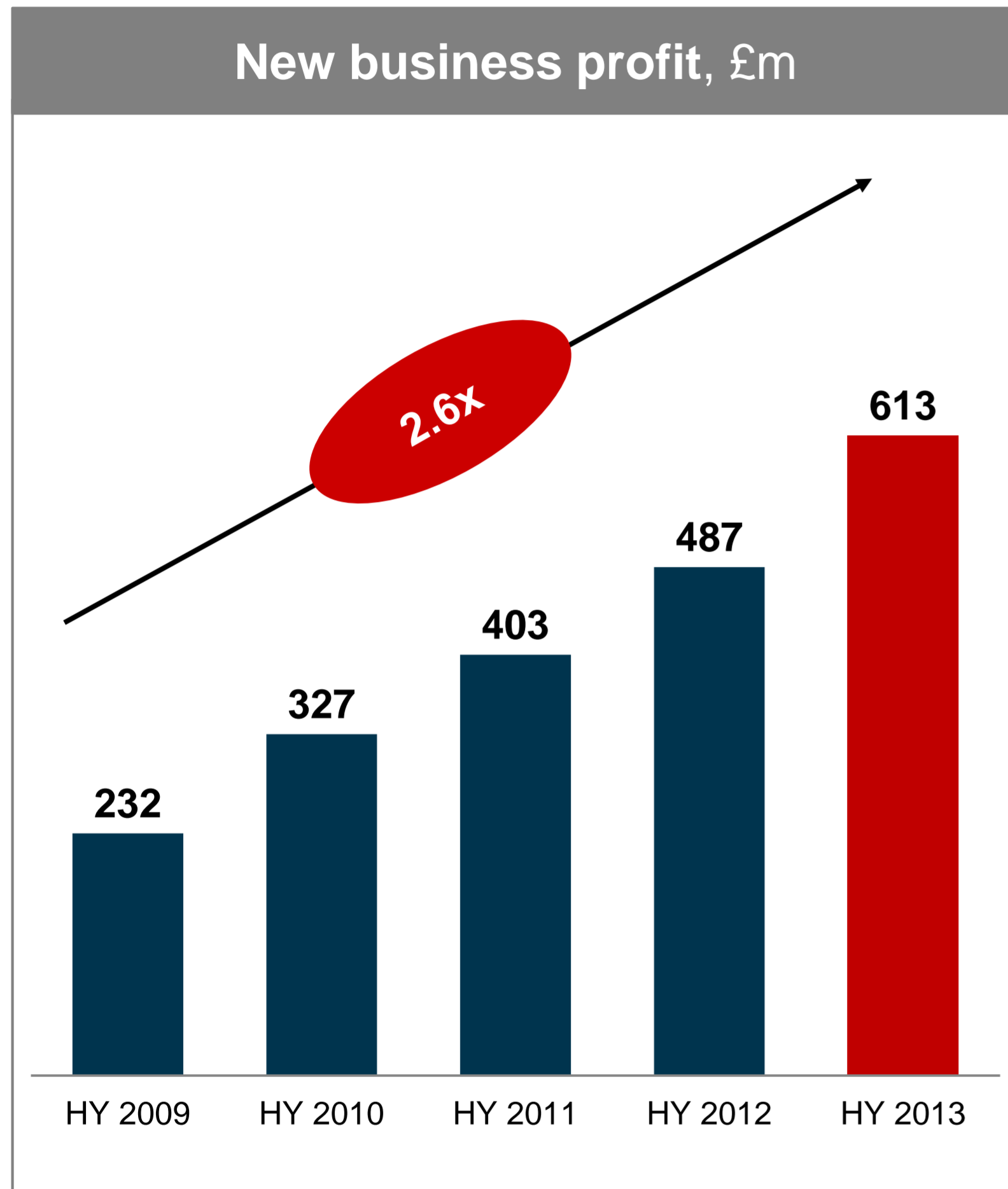
SCB bancassurance relationship – APE growth since inception



UOB bancassurance relationship – APE growth since inception



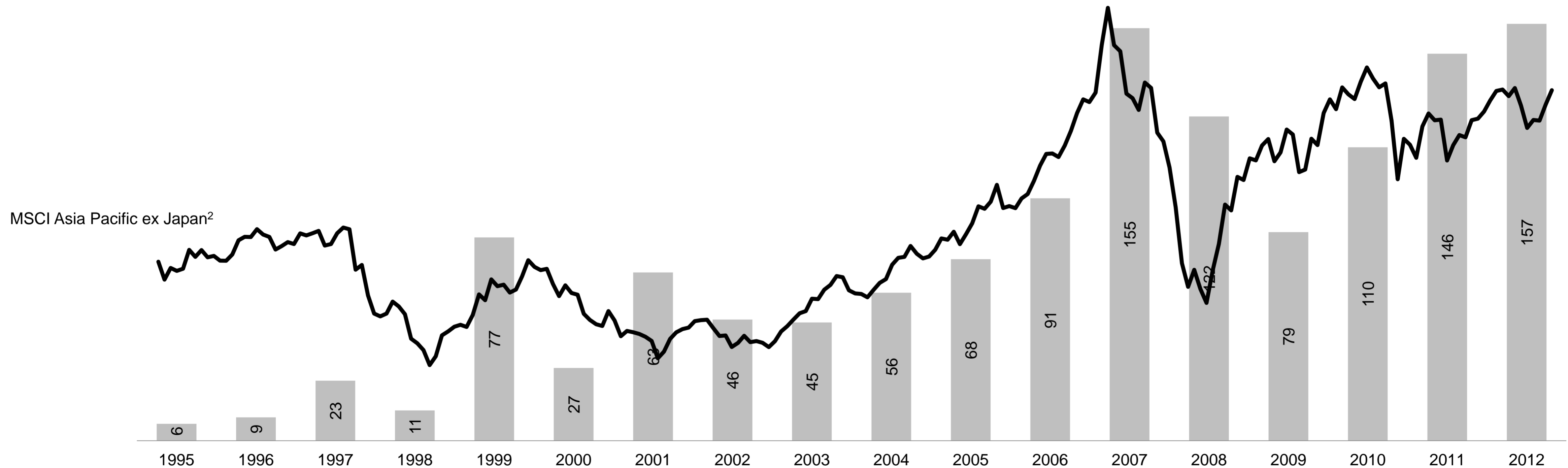
## Sweet spot markets drive performance



<sup>1</sup> Adjusted for new and amended accounting standards. Sweet spot markets include Indonesia, Malaysia, Singapore, Hong Kong, Thailand, Vietnam and Philippines.

## Single premium sales are sentiment led and volatile

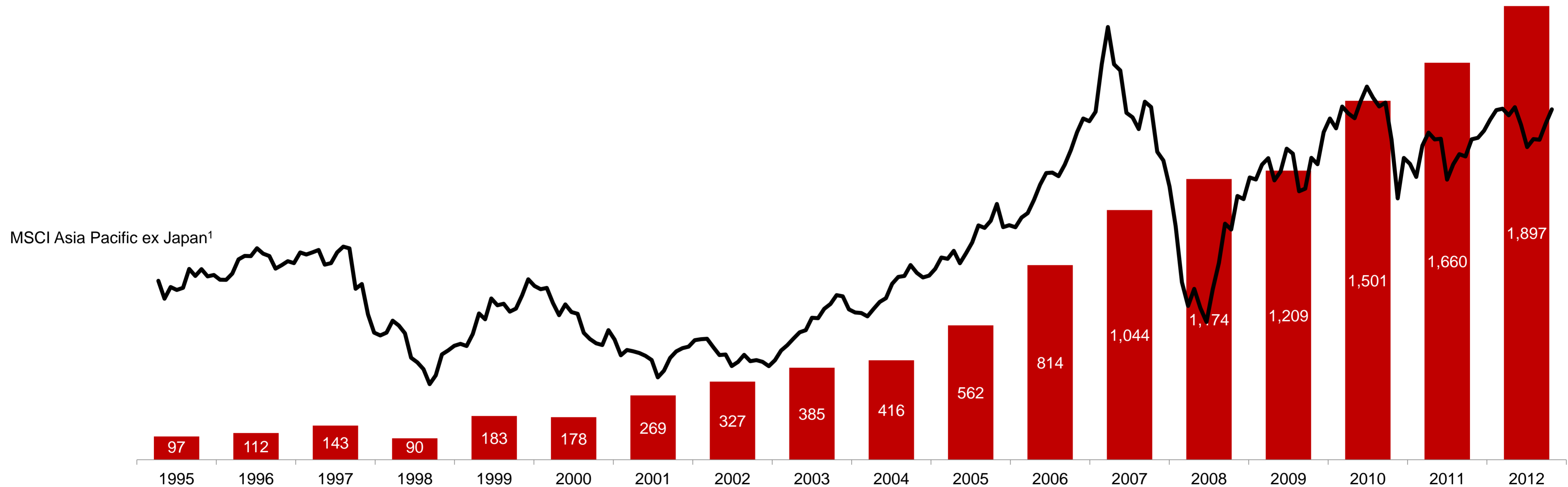
Asia – Single Premium APE<sup>1</sup>, £m



1. 1/10<sup>th</sup> of Single premium  
2. Source: Datastream

## PCA has grown consistently across several economic cycles because...

Asia APE, £m

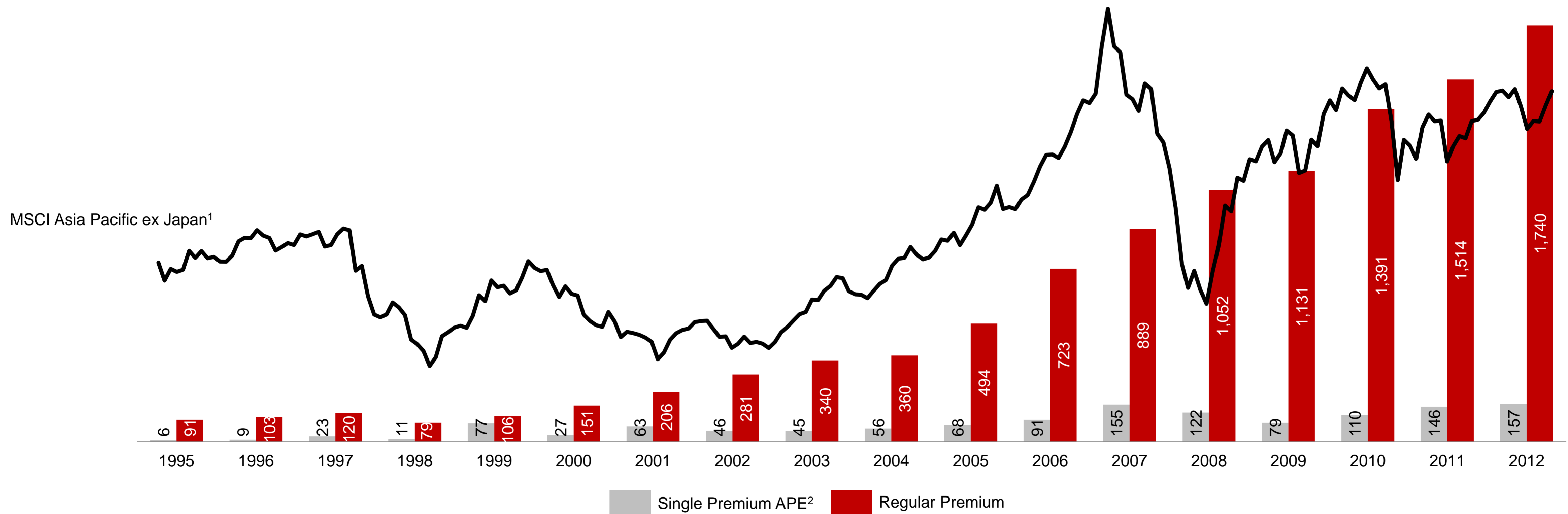


<sup>1</sup> Source: Datastream



## ...of low proportion of single premiums

Asia – Regular and Single Premium APE, £m



1. Source: Datastream  
2. 1/10<sup>th</sup> of Single premium

## Achieving high quality growth...

### Regular Premiums



<sup>1</sup> Average for the period 2008 – 2012

### H&P APE, £m

H&P as % of APE

22%

32%

262

600

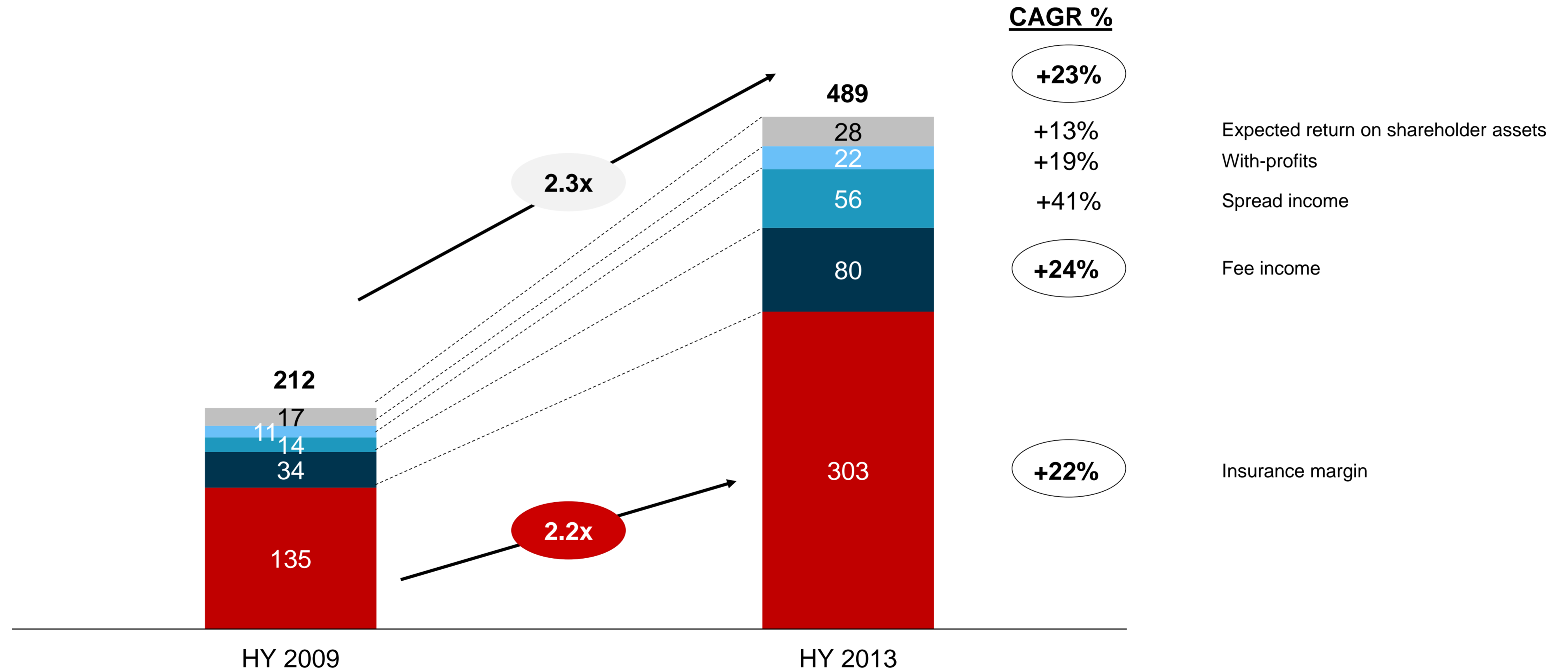
2008

2012

2.3x

## Leading to resilient and growing earnings

### Asia IFRS operating income<sup>1</sup>, £m



1. Excludes margin on revenues, acquisition and administration expenses, DAC amortisation. Excludes Japan.

### Customers

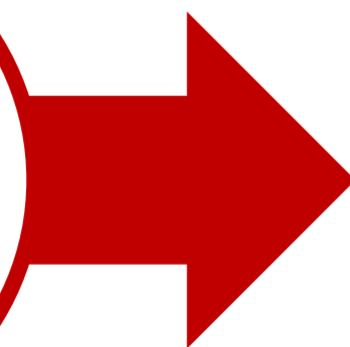


2012

2017

12 million

Over 17 million



### Policies

#### PRU hospital friend

Like a friend who is ready to help in difficult times in hospital.

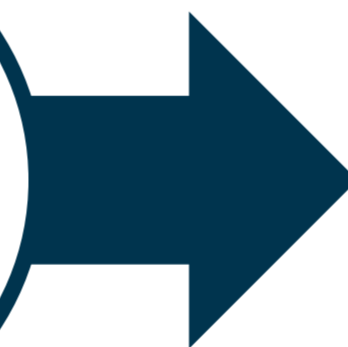


2012

2017

18 million

Over 30 million



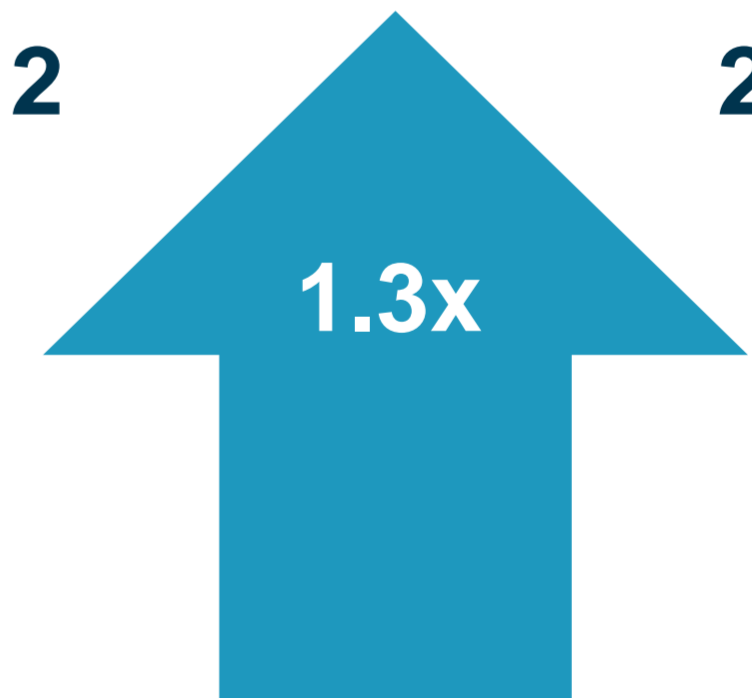
### Distribution



2012

2017

1.3x



## Sustainable performance for the long-term

- Compelling long-term fundamentals
- Significant demand from a growing middle class for savings and protection products
- Right markets, right products, scale distribution
- Sustainable financial performance

# Overview

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Macroeconomic context

Asia

**US**

UK

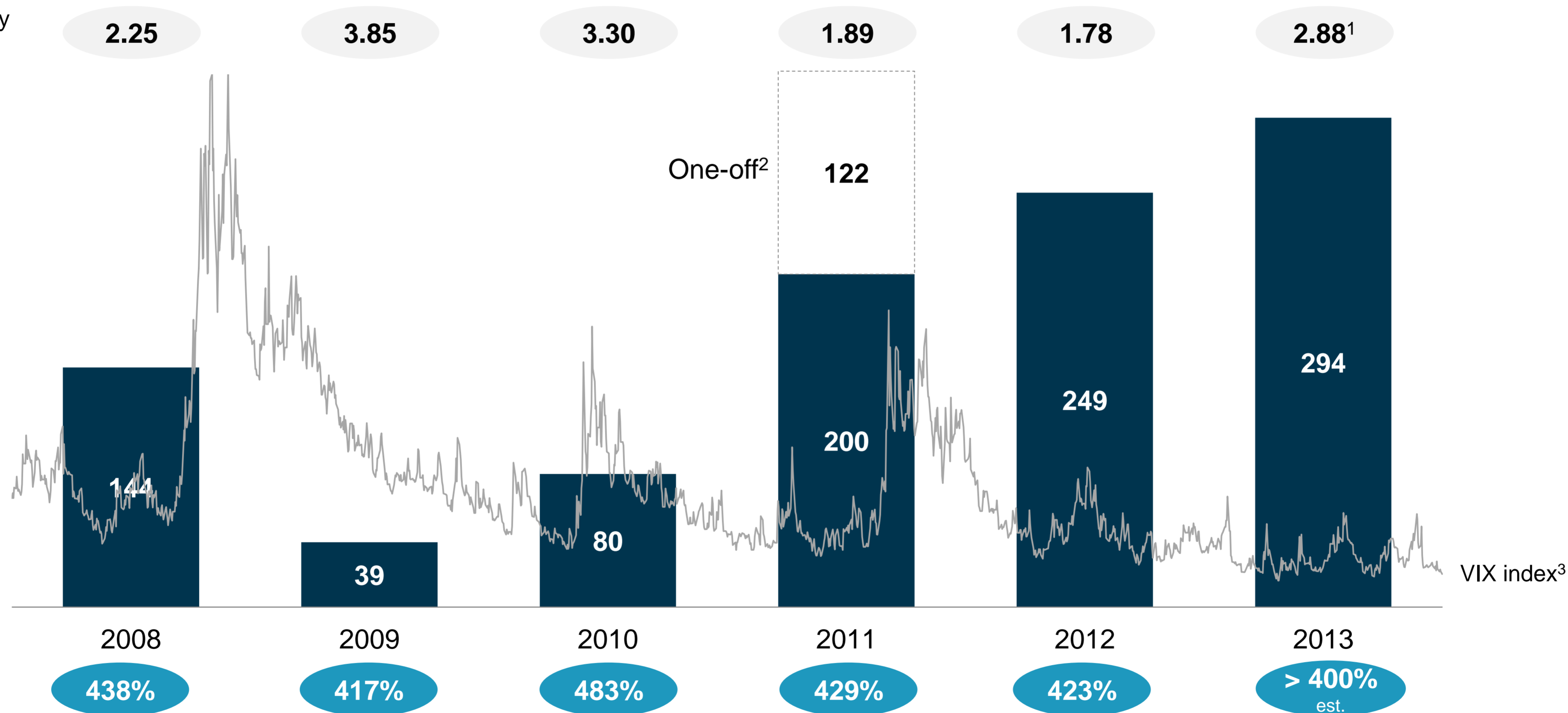
Value creation

2017 objectives

# Successfully navigated the toughest part of the cycle

Jackson net cash remittances, £m

US 10-year treasury yield (year end)



<sup>1</sup> As at 06 Dec 2013. Source: Datastream

<sup>2</sup> Net remittances from Jackson include £122m in 2011 representing release of excess surplus to the Group

<sup>3</sup> Source: Datastream

# Overview

Macroeconomic context

Asia

US

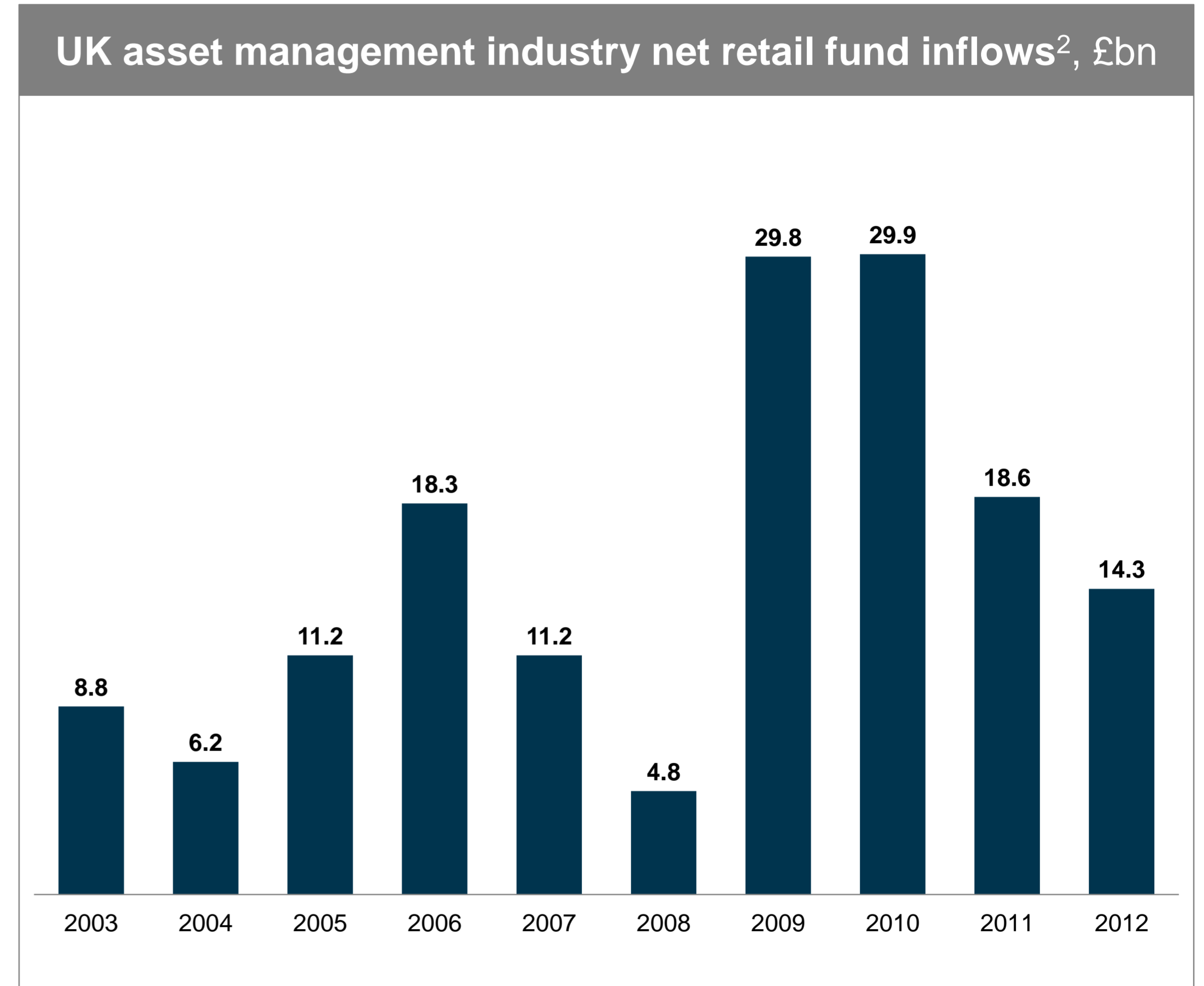
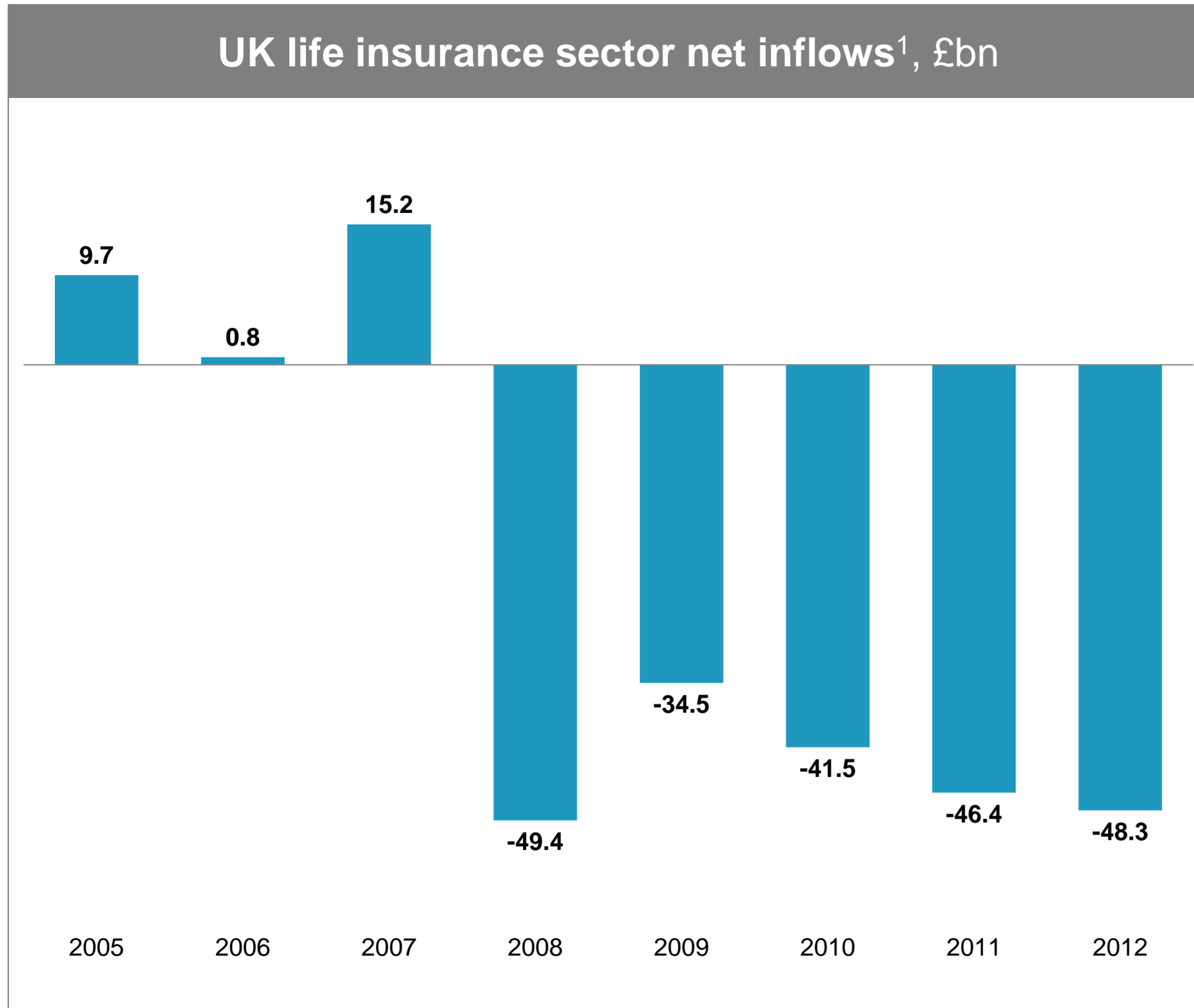
**UK**

Value creation

2017 objectives

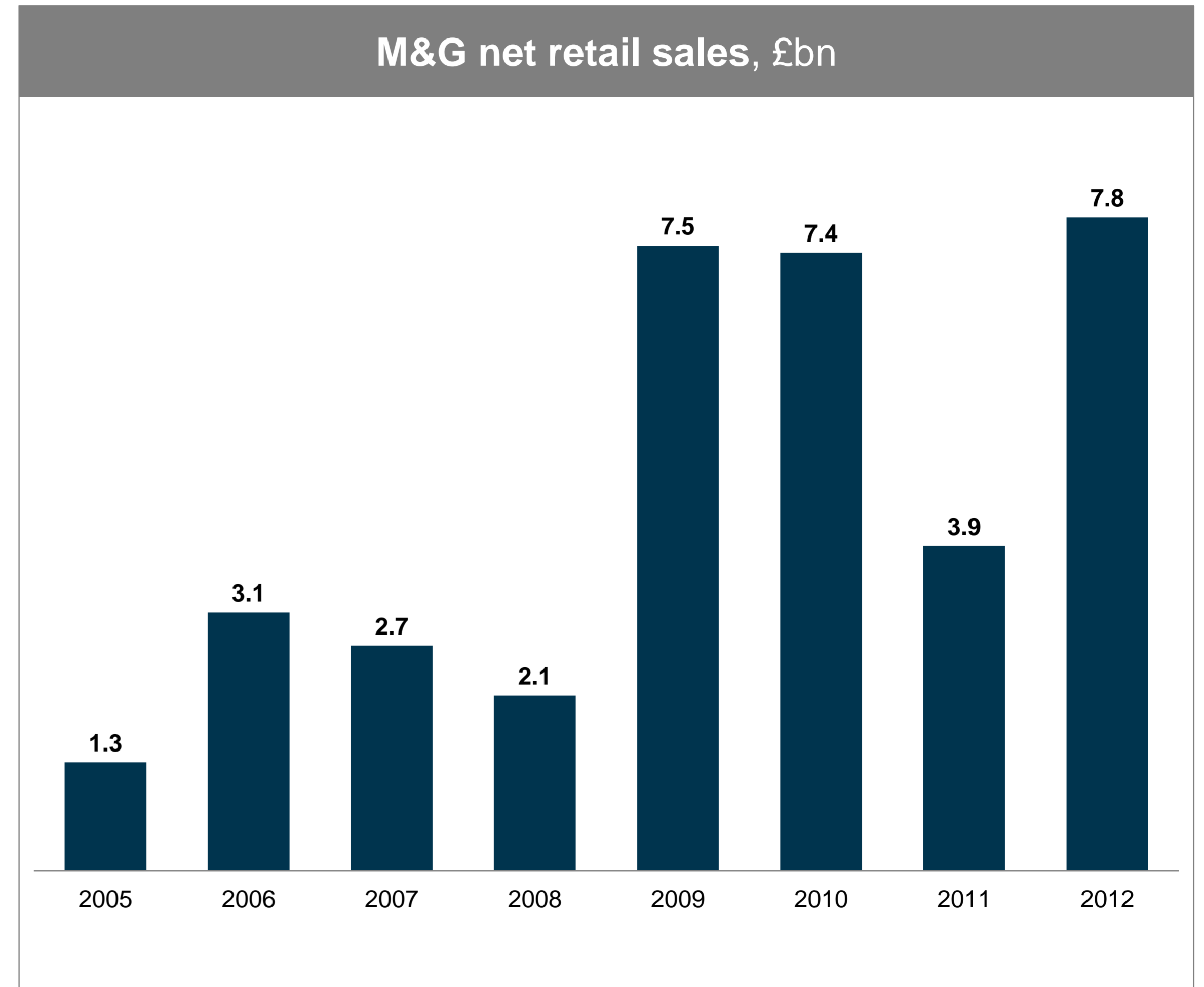
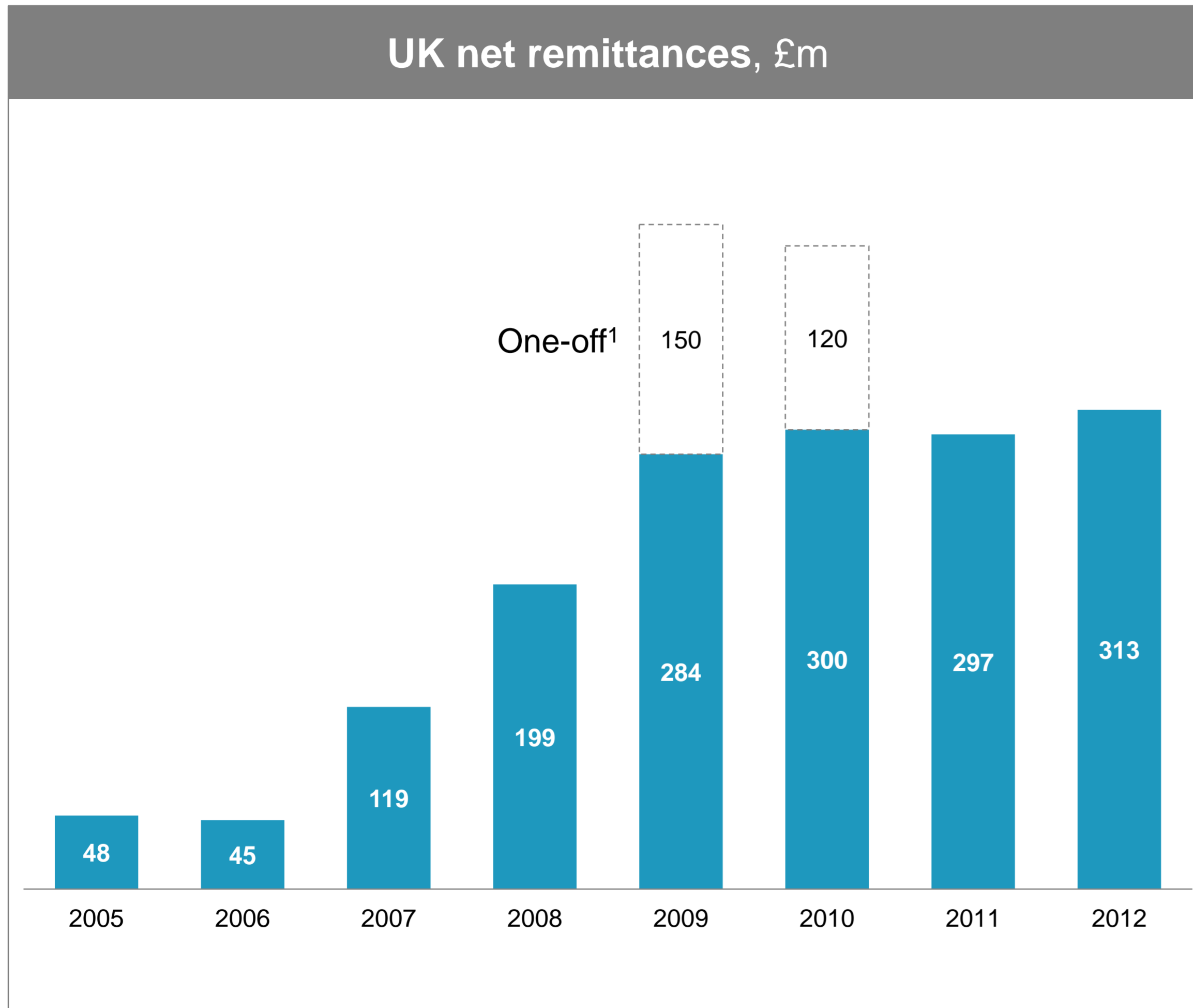


# Capturing savings flows in asset management



1. Source: ABI  
2. Source: IMA

# Capturing savings flows in asset management



<sup>1</sup> The net remittances from the UK include the £150m in 2009 arising from the pro-active financing techniques used to bring forward cash emergence of the in-force book during the financial crisis. The 2010 net remittances include an amount of £120m representing the release of surplus and net financing repayments

# Overview

Macroeconomic context

Asia

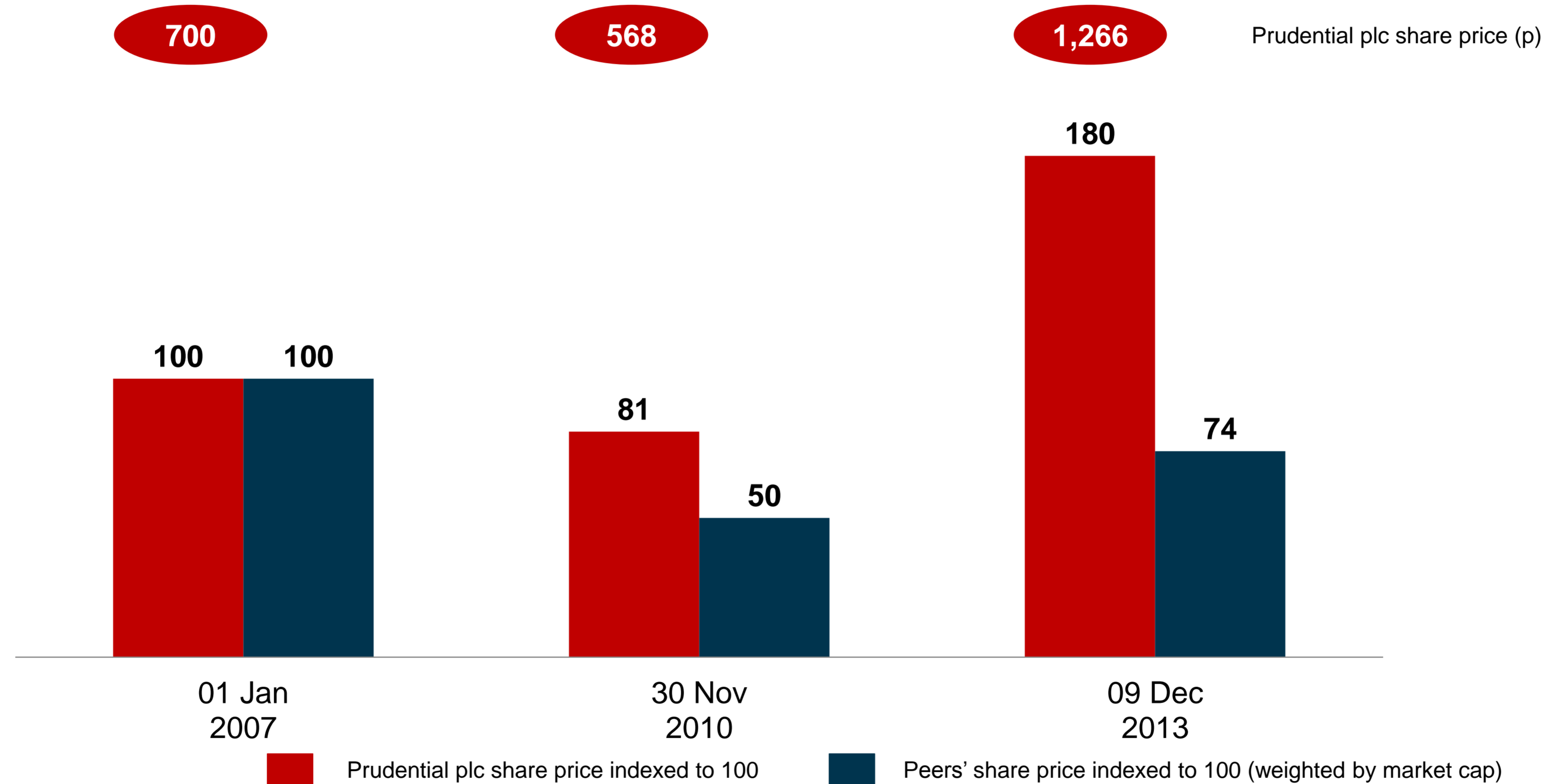
US

UK

**Value creation**

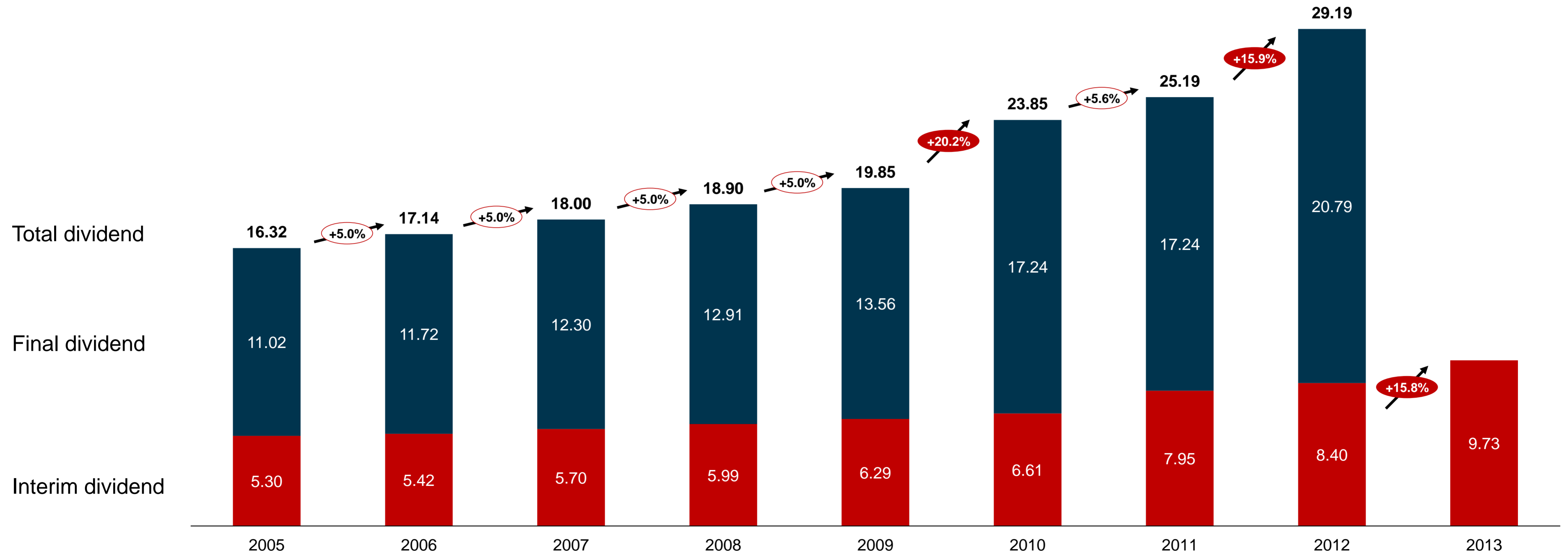
2017 objectives

### Share price performance<sup>1</sup>

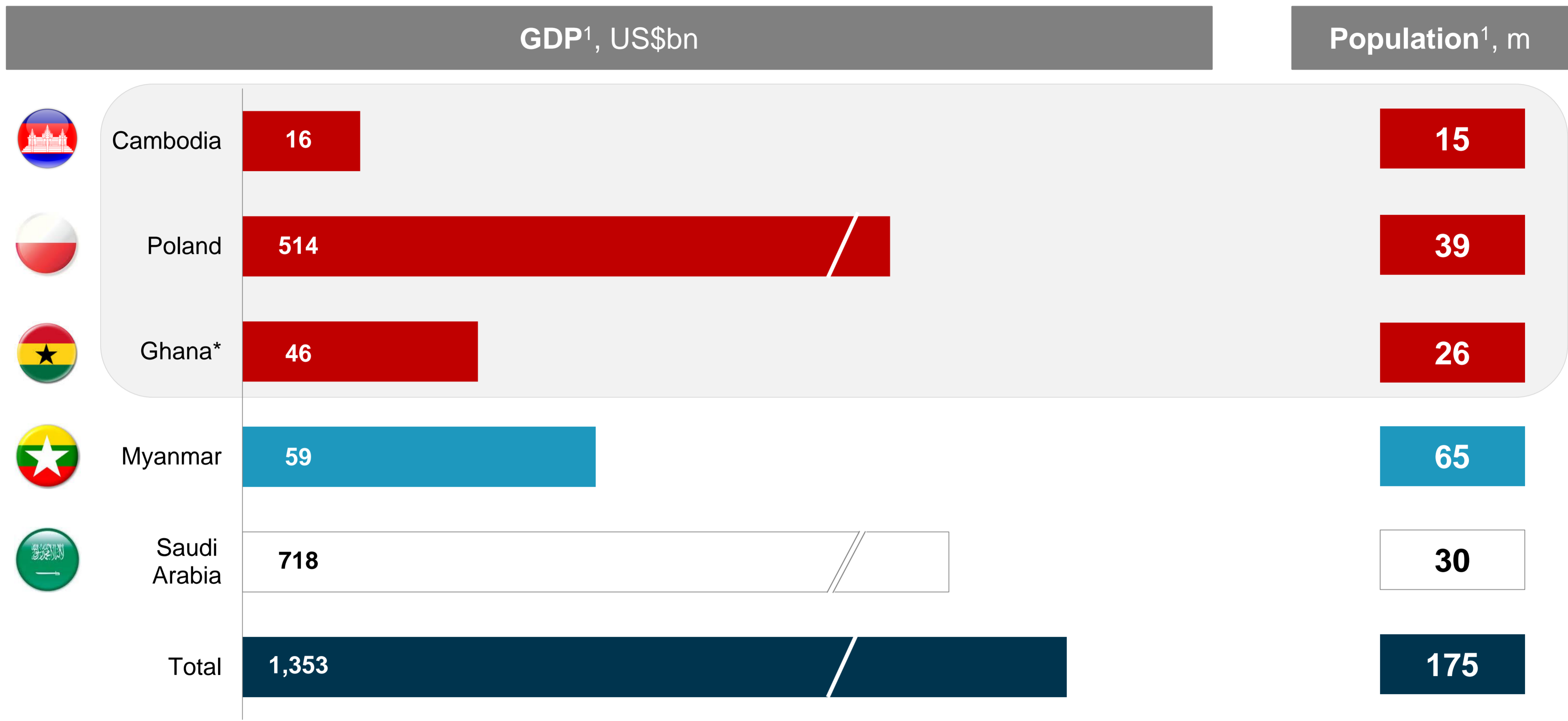


1. Source: Datastream  
Peers include Axa, Generali, Allianz, Aegon, Aviva, L&G, Standard Life, Old Mutual, ING, ManuLife

Dividend, pence per share



# Investing for the future



■ Active operations   ■ Representative Office   □ Exploring

<sup>1</sup> Source: IMF – October 2013

\* On 5 December 2013 Prudential agreed to acquire 100% of Express Life Insurance of Ghana. Completion of the sale is subject to the approval of the Ghanaian insurance regulator.

# Overview

Macroeconomic context

Asia

US

UK

Value creation

**2017 objectives**

# 2017 Objectives

We are introducing new objectives for Asia and for the Group

- Asia Underlying Free Surplus Generation<sup>1</sup> of £0.9bn – £1.1bn in 2017 (2012: £484m)
- Asia life and asset management pre-tax IFRS operating profit to grow at a compound annual rate of at least 15 per cent over the period 2012 – 2017 (2012: £924m)<sup>2</sup>
- Cumulative Group Underlying Free Surplus Generation of at least £10bn over the four-year period from 2014 to end-2017

Note: The objectives assume current exchange rates and economic assumptions made by Prudential in calculating the EEV basis supplementary information for the half year ended 30 June 2013, and are based on current regulatory and solvency regimes applicable across the Group. The objectives assume that the current EEV, IFRS and Free Surplus methodology will be applicable over the period

1. Underlying free surplus generated comprises underlying free surplus generated from long-term business (net of investment in new business) and that generated from asset management operations. The 2012 comparative is based on the retrospective application of new and amended accounting standards and excludes the one-off gain on sale of our stake in China Life of Taiwan of £51 million

2. Asia 2012 IFRS operating profit of £924 million, as reported at HY 2013, is based on the retrospective application of new and amended accounting standards, and excludes the one-off gain on sale of our stake in China Life of Taiwan of £51 million



# Key Messages

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- Three long-term structural growth opportunities
- Strong execution capability and track record
- Strict financial discipline
- More of the same... 'Growth and Cash'

# Agenda for Today

<b>08:30 – 09:30</b>	<b>Growth and Cash</b>	Tidjane Thiam
<b>09:30 – 09:50</b>	<b>Cash, Capital and Earnings</b>	Nic Nicandrou
09:50 – 10:10	Break	
<b>10:10 – 11:00</b>	<b>Asia: Overview</b> <b>Asia: Financials</b>	Barry Stowe Adrian O'Connor
<b>11:00 – 13:00</b>	<b>Asia: Eastspring Update</b> <b>Asia: Operational Update</b>	Guy Strapp Tony Wilkey, Lilian Ng
13:00 – 14:00	Lunch	
<b>14:00 – 15:00</b>	<b>US</b>	Mike Wells, Chad Myers
<b>15:00 – 16:00</b>	<b>M&amp;G</b>	Michael McLintock, Grant Speirs
16:00 – 16:15	Break	
<b>16:15 – 17:15</b>	<b>UK</b>	Jackie Hunt
<b>17:15 – 18:15</b>	<b>Final Group Q&amp;A</b>	



# ‘Growth and Cash’

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10 December 2013

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