

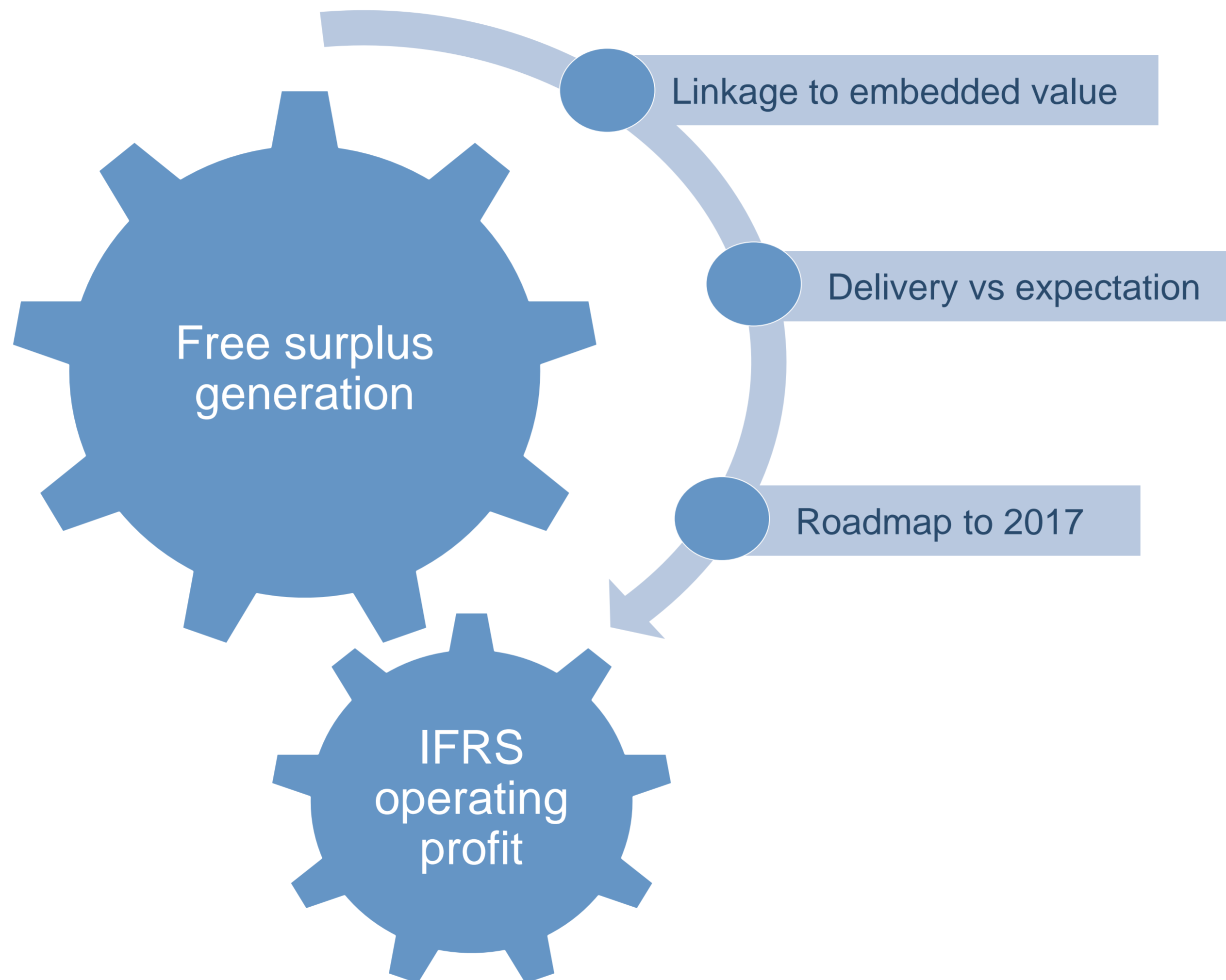
# Delivering Shareholder Value

Adrian O'Connor

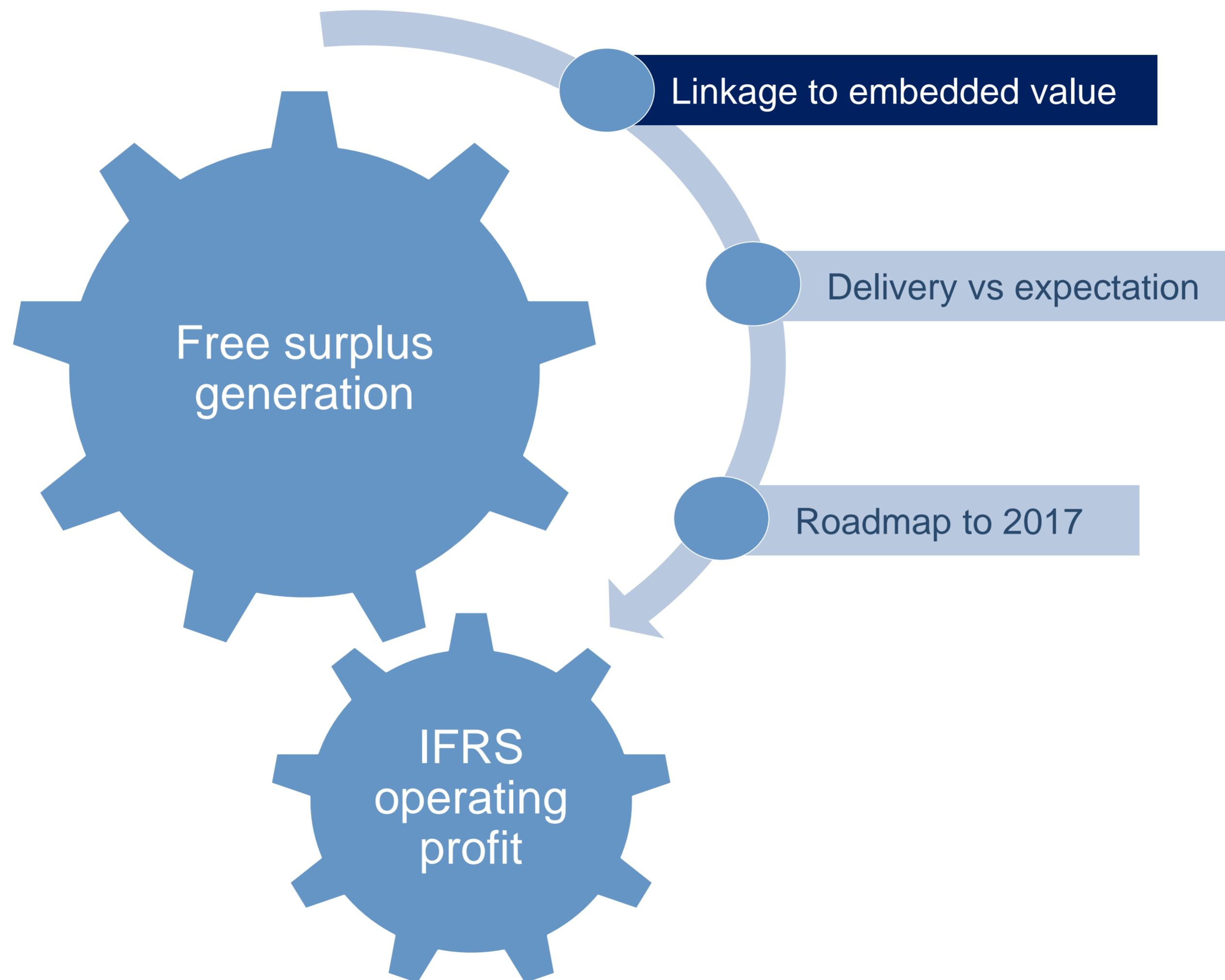
Brad Harris

Prudential Corporation Asia

# Agenda



# Agenda

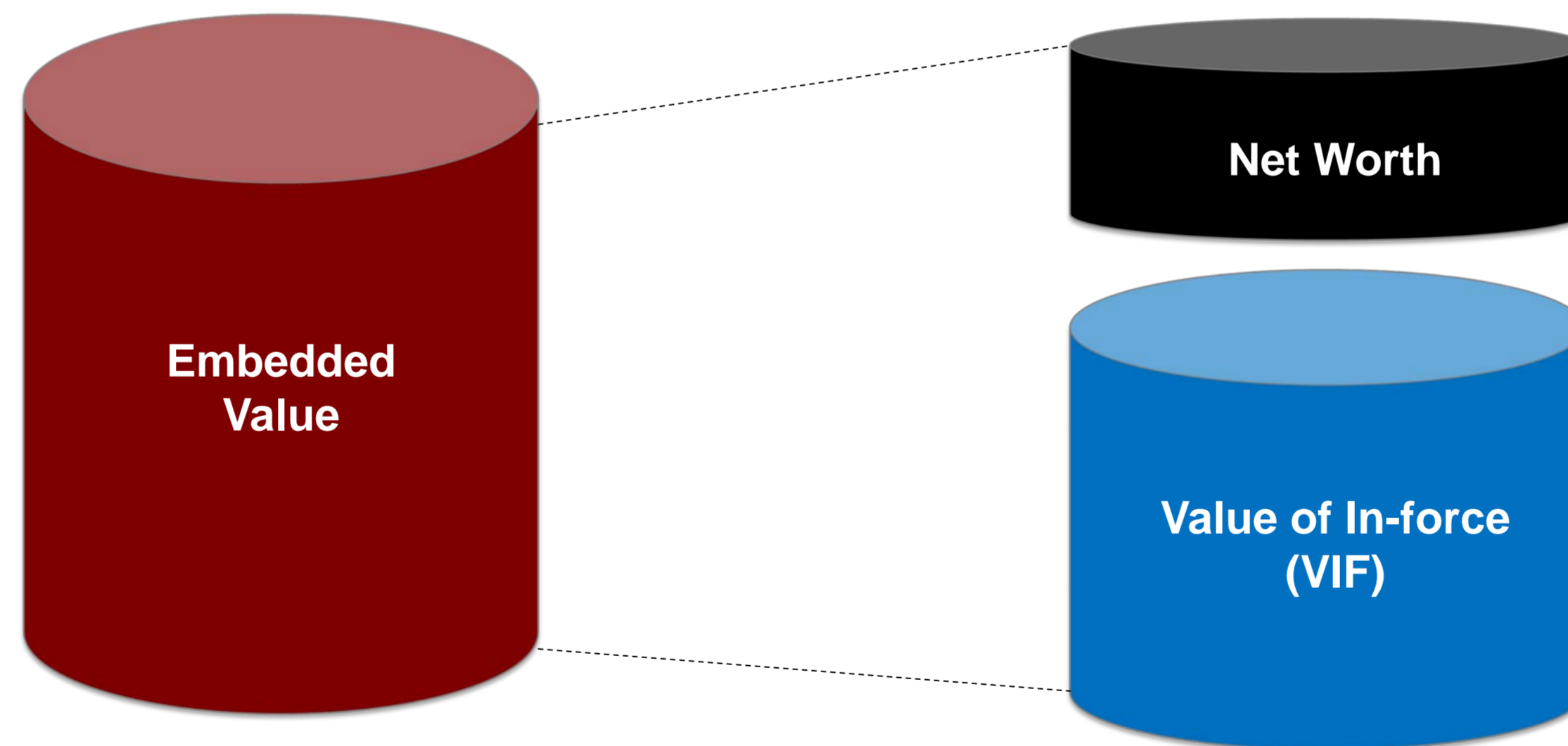


# Embedded value

## Defining embedded value

Embedded value, £'m

Traditional definition

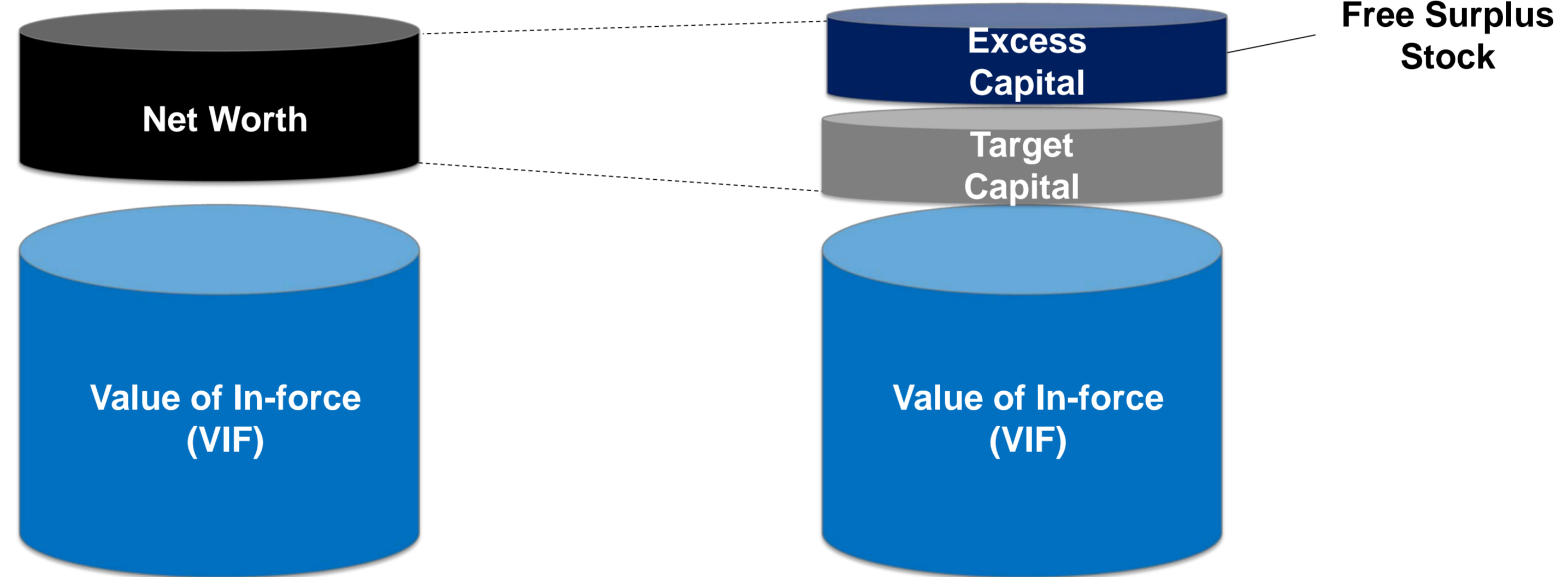


# Embedded value

## Defining embedded value

Embedded value, £'m

Traditional definition

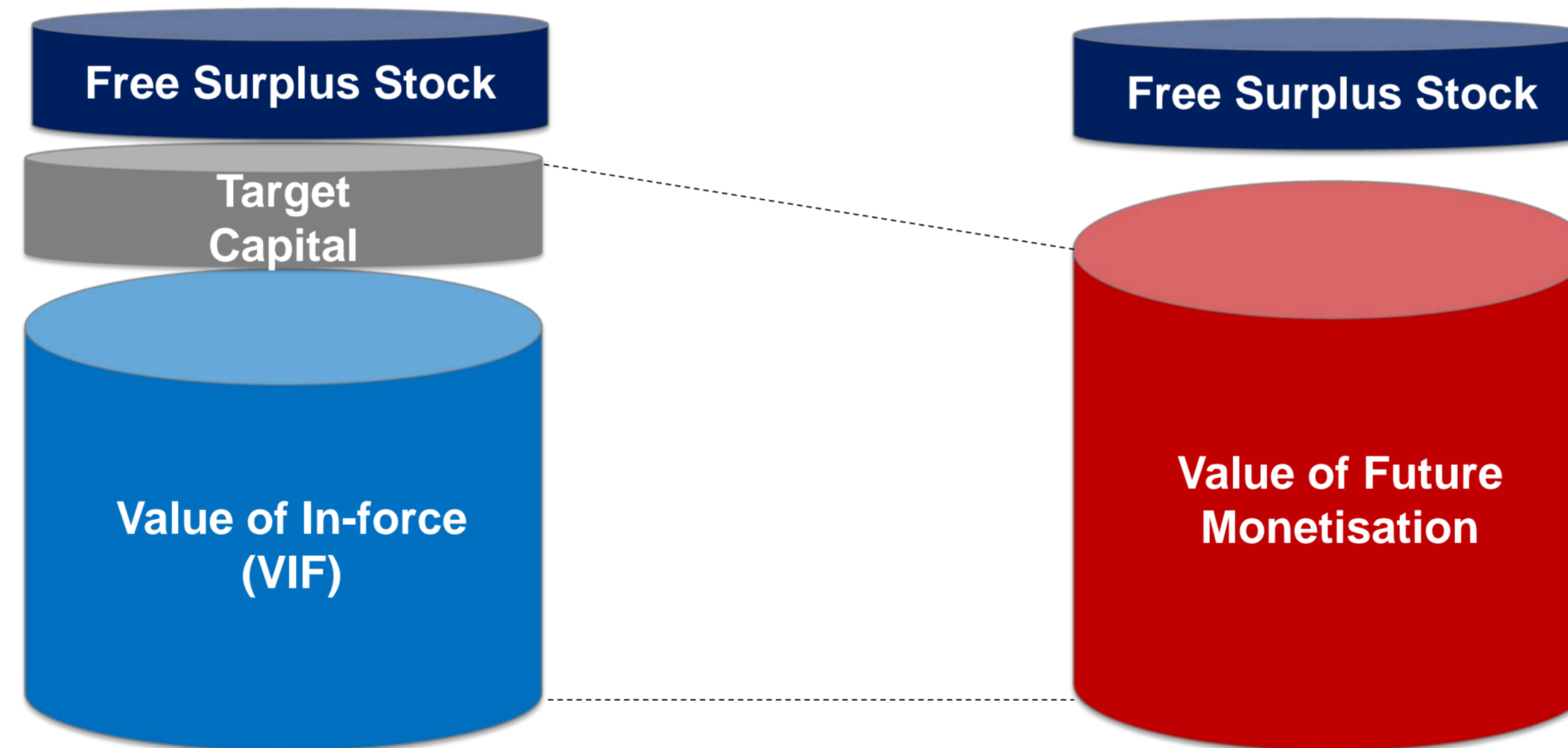


# Embedded value

## Defining embedded value

Embedded value, £'m

Traditional definition

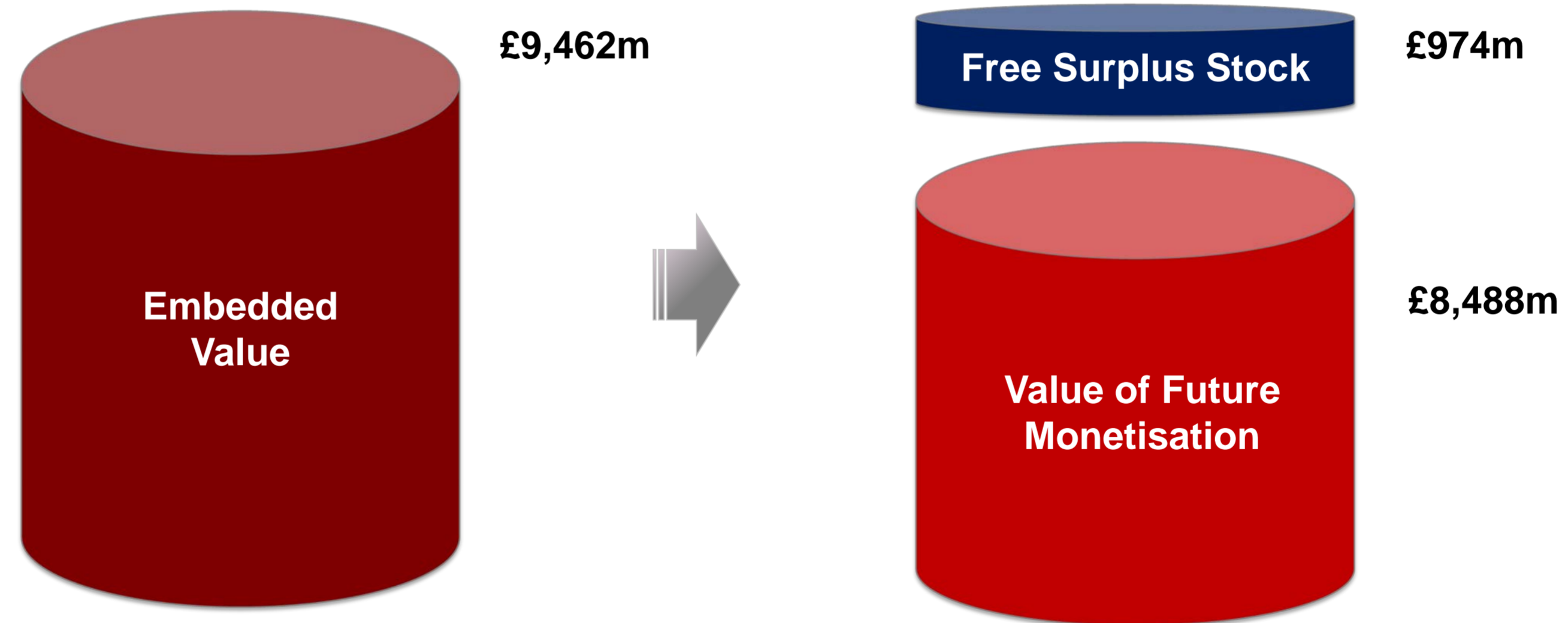


# Embedded value at end of 2012

## Defining embedded value

Embedded value, £'m

At 31/12/2012

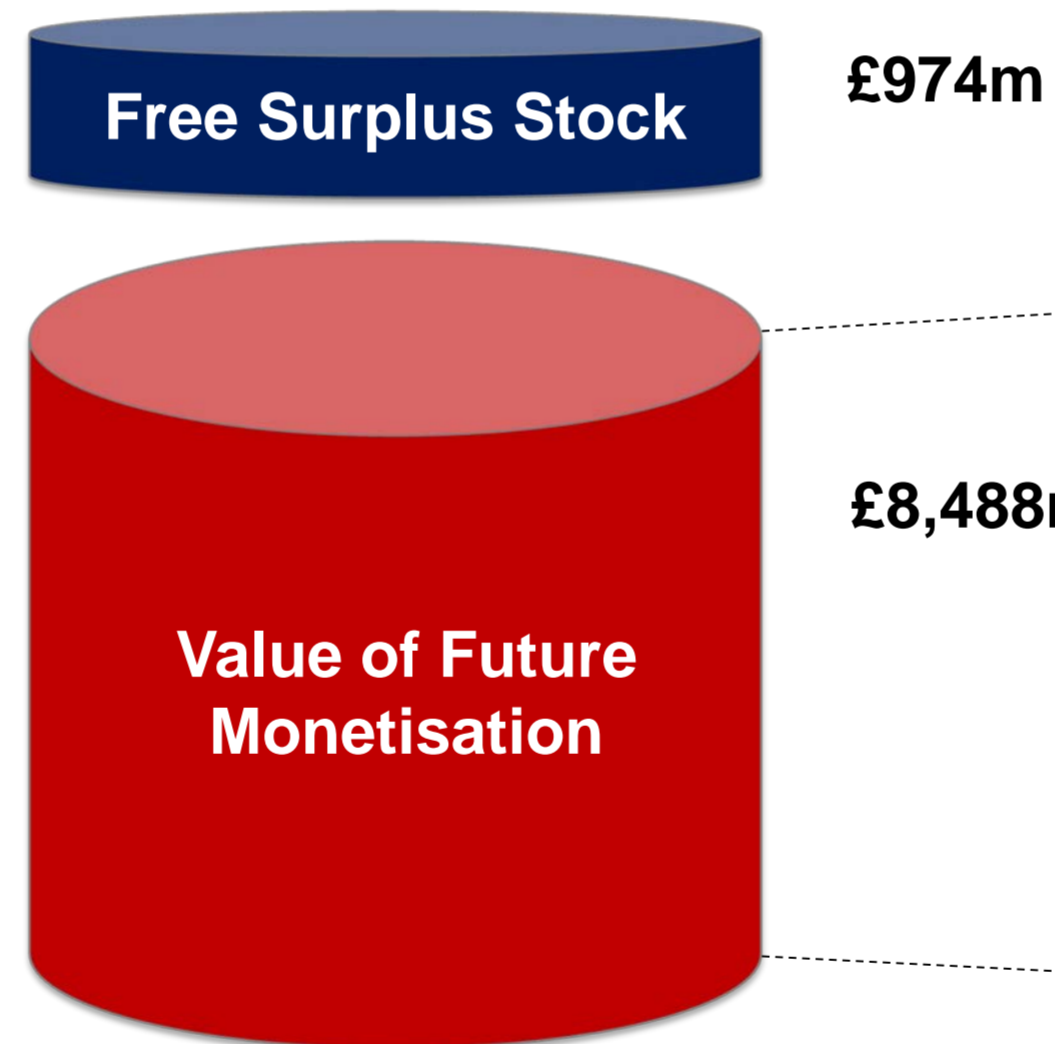
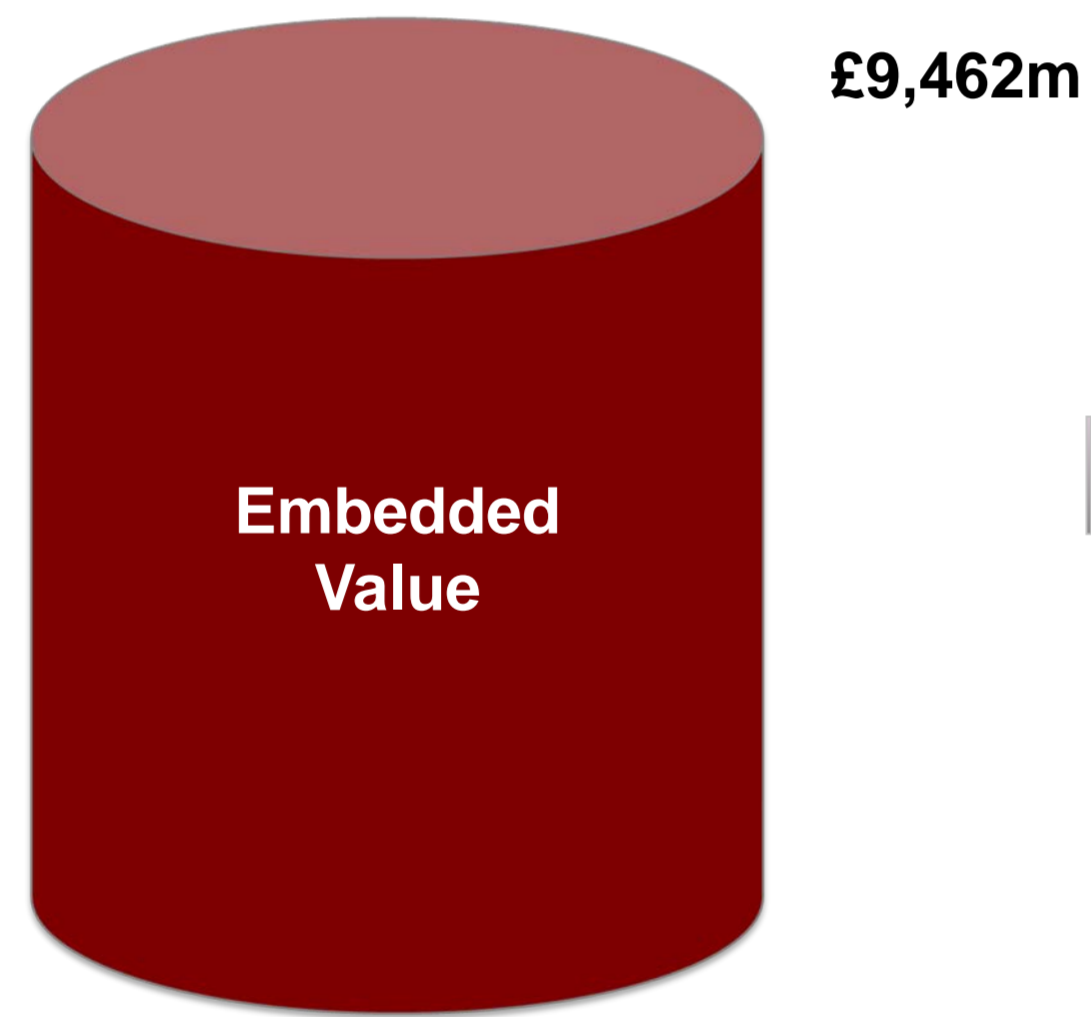


# Embedded value at end of 2012

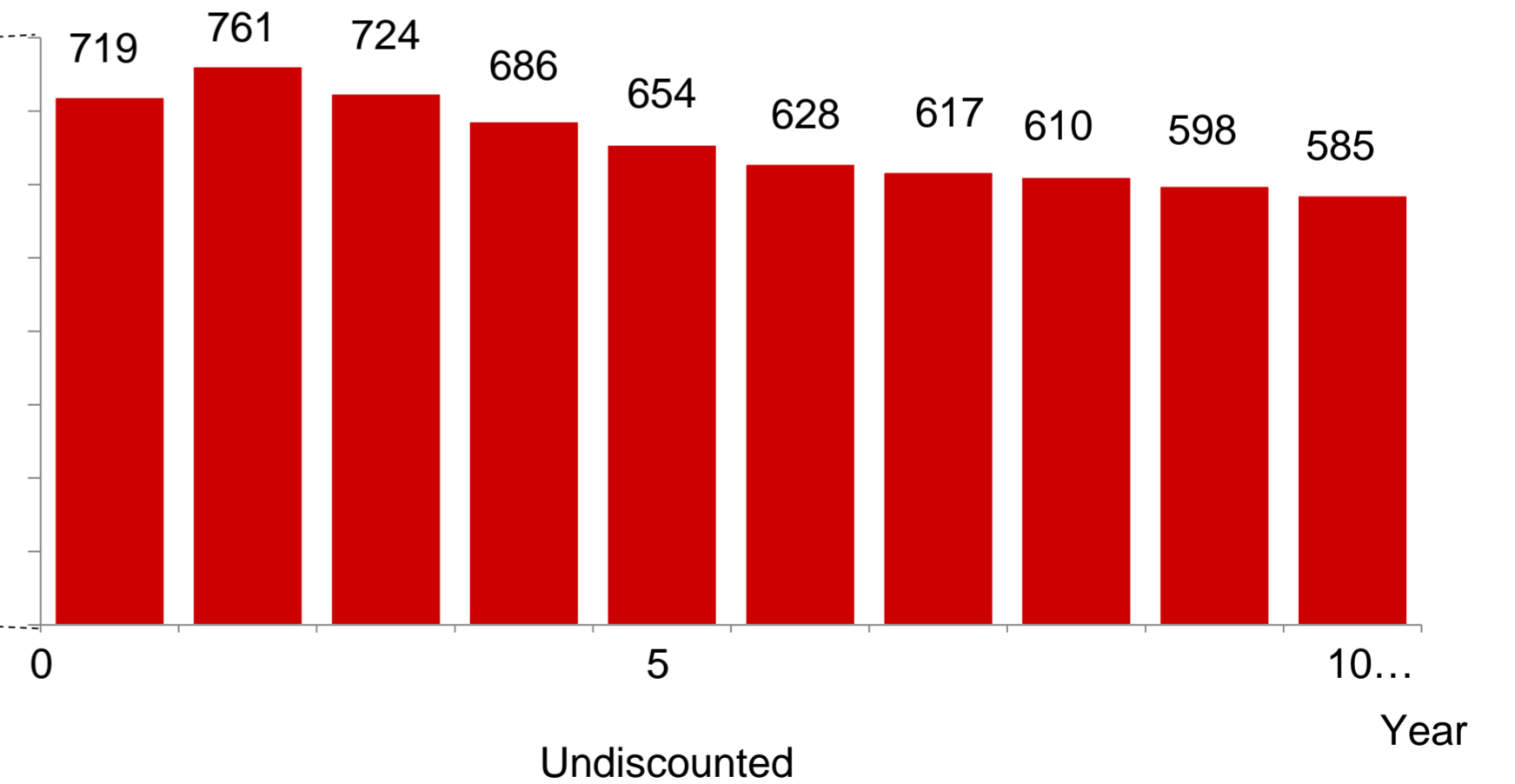
## Defining embedded value

Embedded value, £'m

At 31/12/2012



### Expected Monetisation Profile





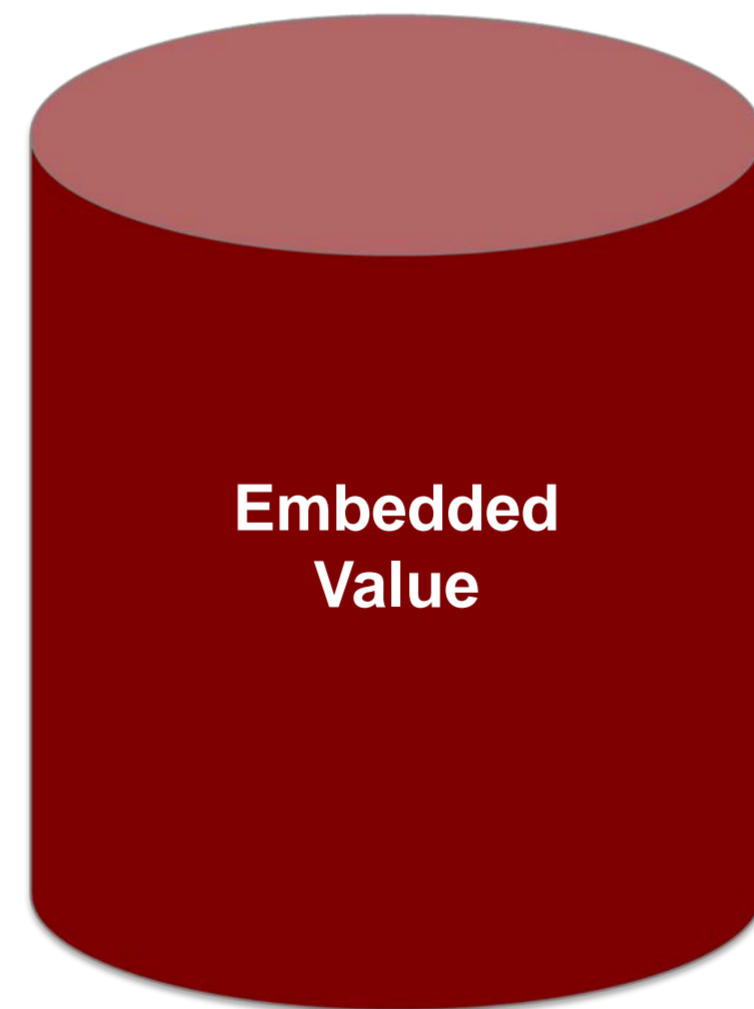
# Growth in embedded value

## Components of embedded value growth

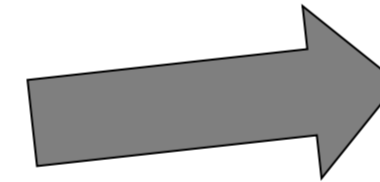
Embedded value, £'m

At 31/12/2012

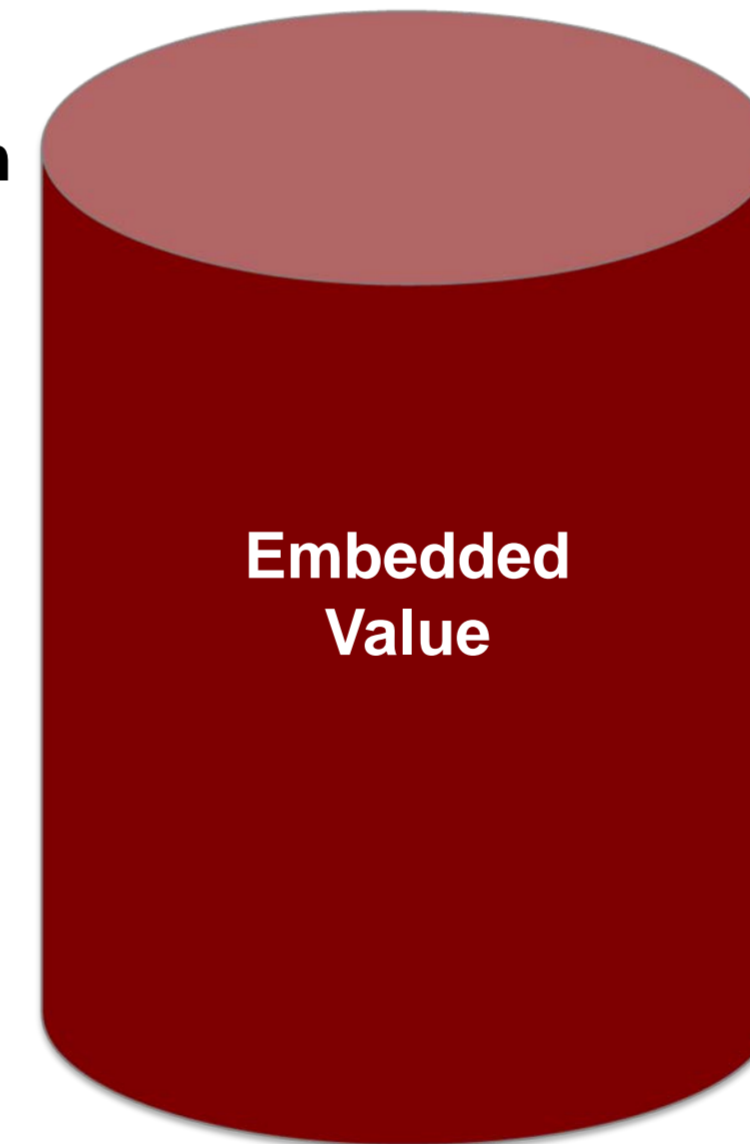
At 31/12/2013



£9,462m



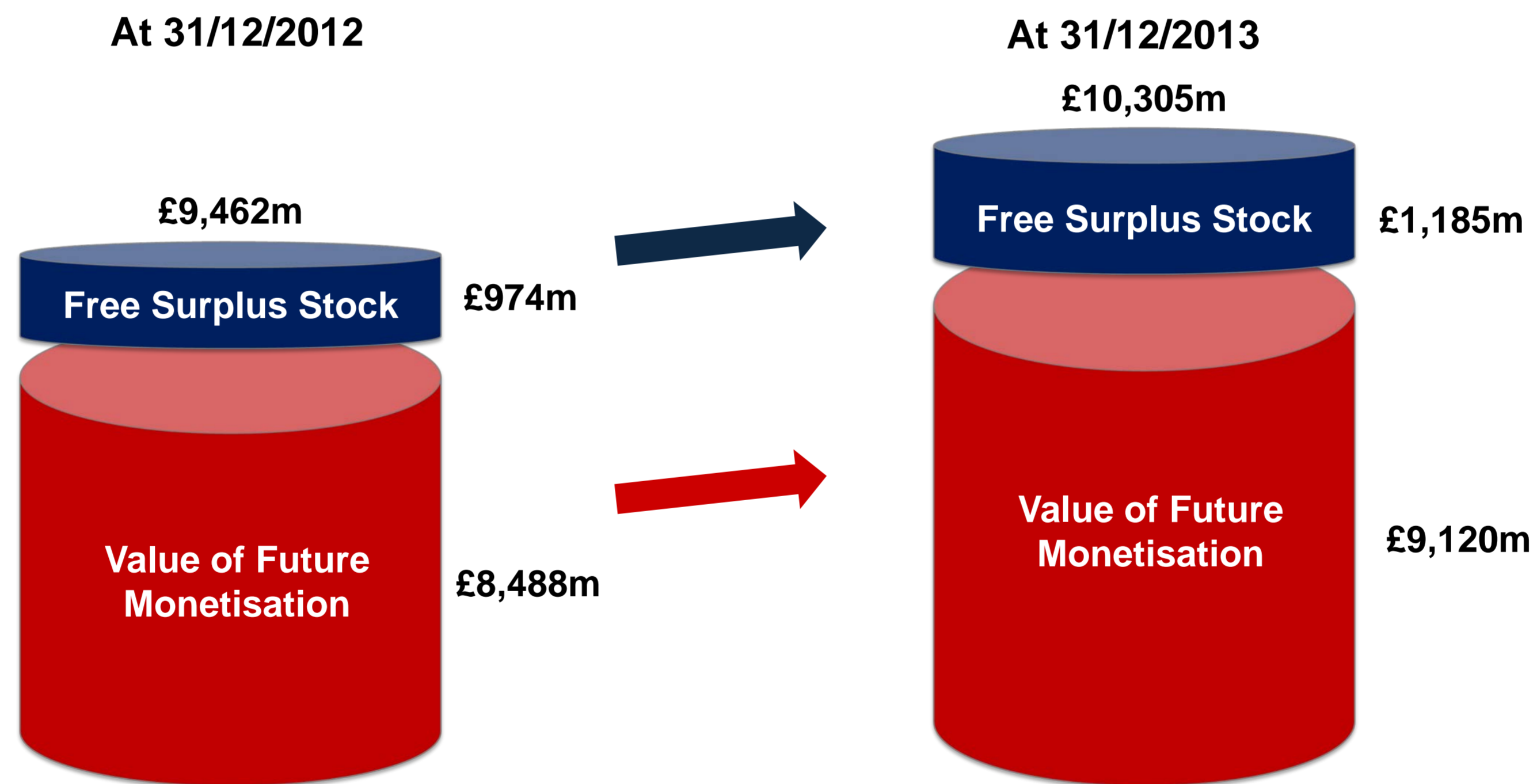
£10,305m



# Growth in embedded value

## Components of embedded value growth

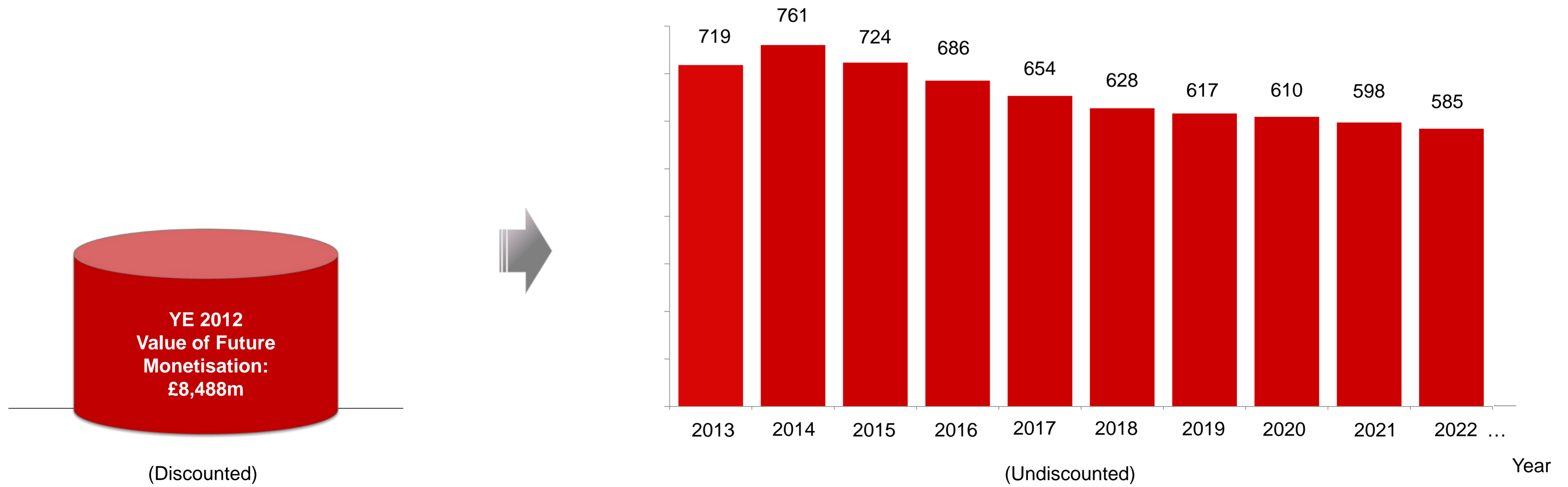
Embedded value, £'m



# Value of future monetisation at end of 2012

Present value of expected monetisation stood at £8.5bn at end of 2012

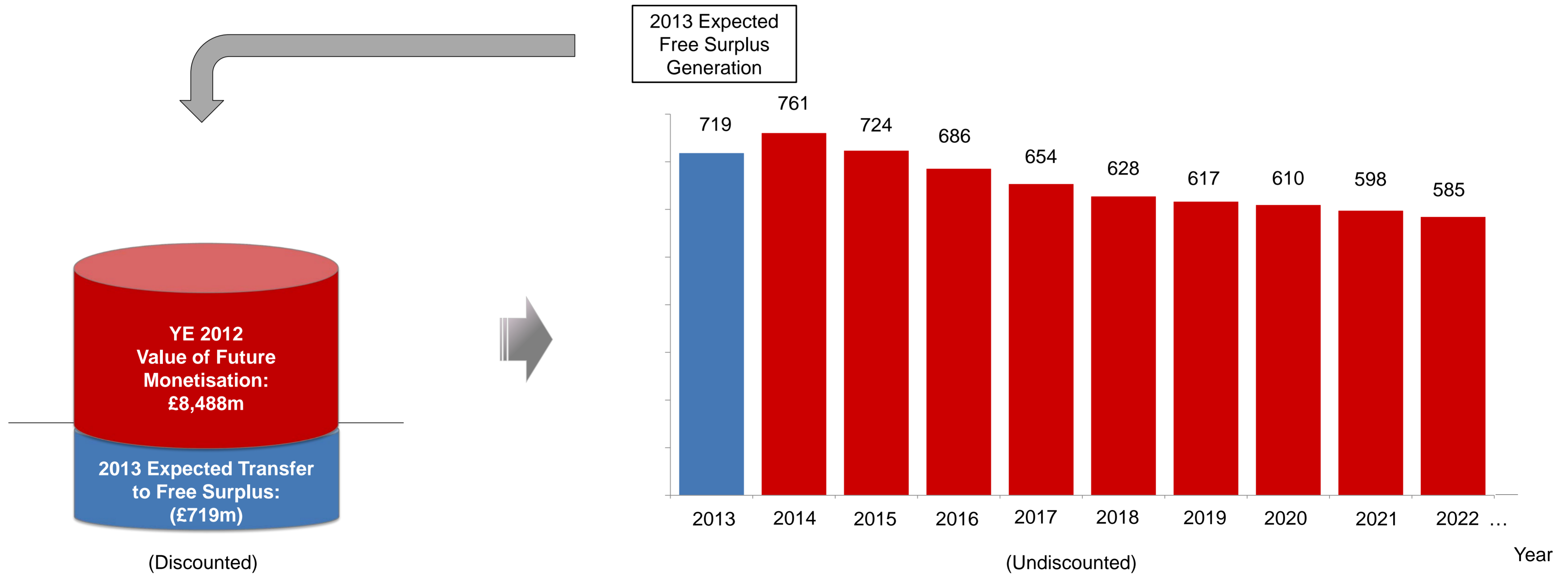
Expected monetisation profile from YE 2012 in-force book, £'m



# As 2013 unfolds...

## Future monetisation converts into free surplus over time

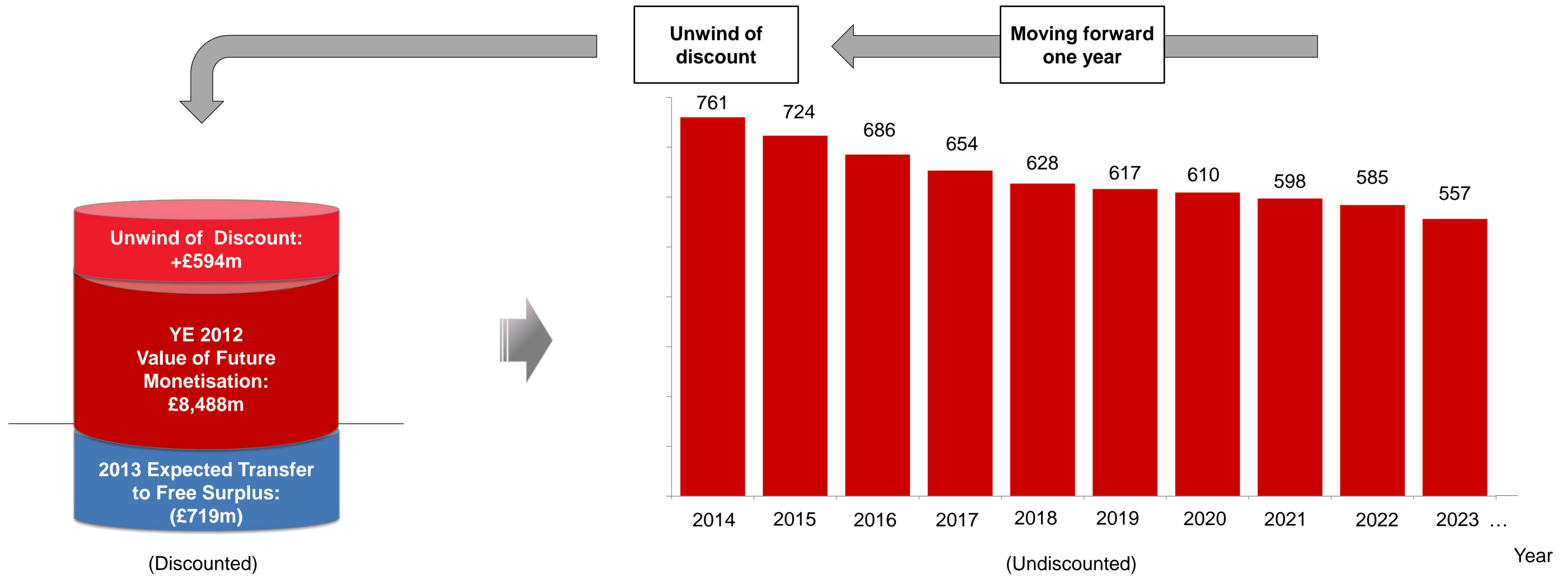
Expected monetisation profile from in-force book, £'m



# As 2013 unfolds...

## Unwind of discount brings forward the remaining expected monetisation by one year

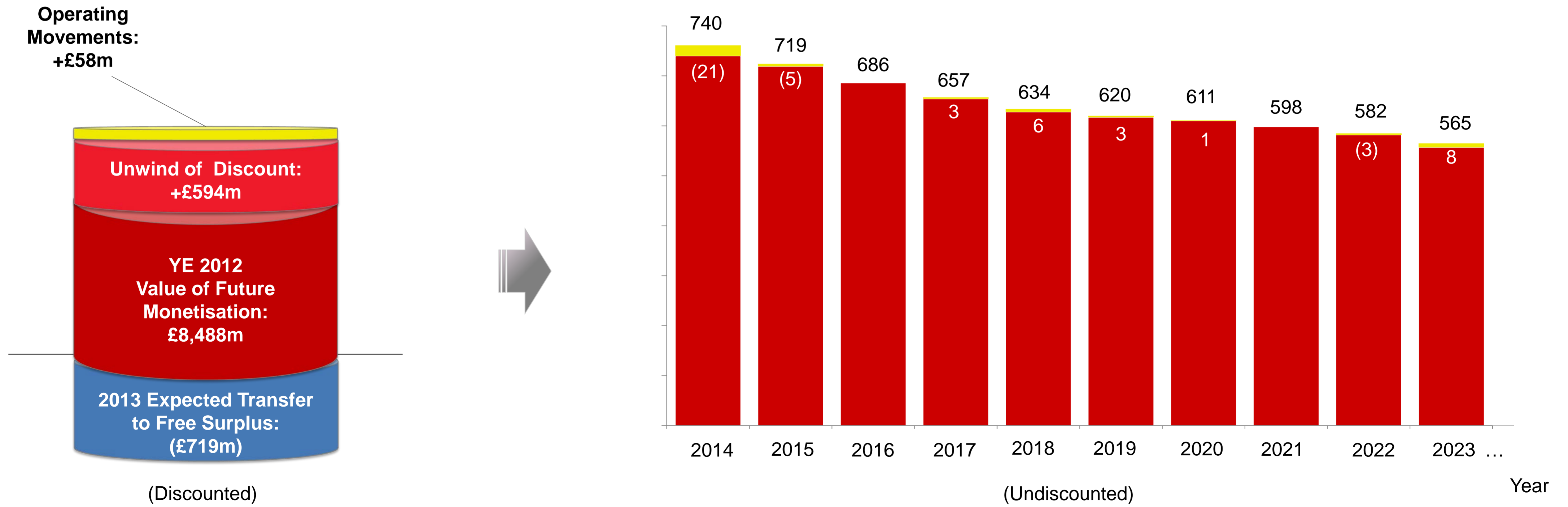
Expected monetisation profile from in-force book, £'m



# As 2013 unfolds...

## Minimal impact from operating movements

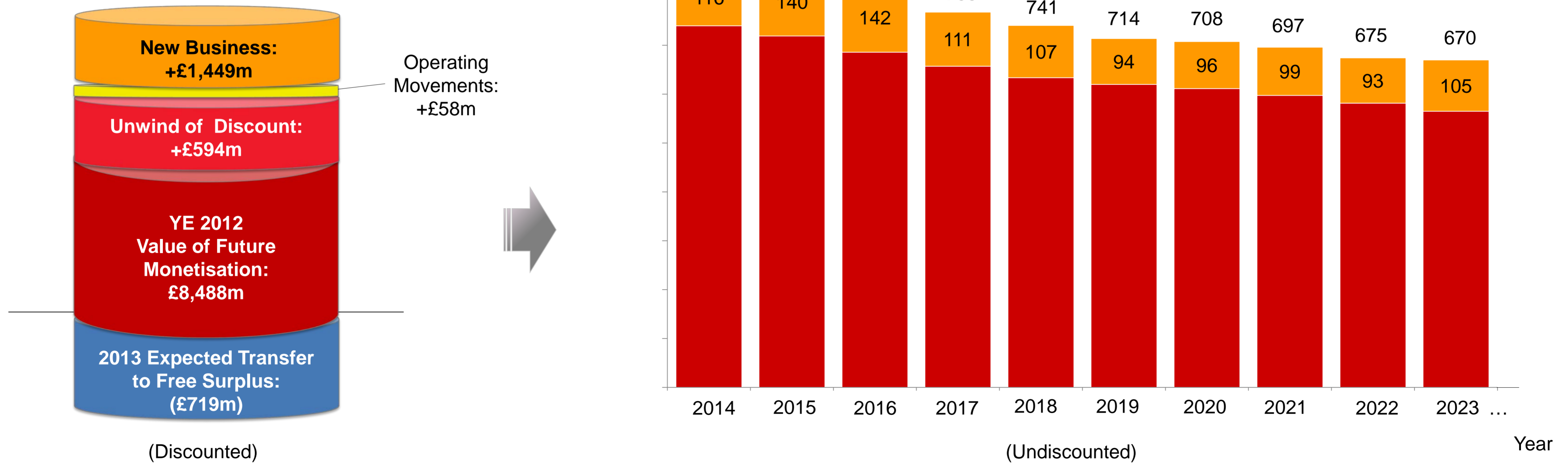
Expected monetisation profile from in-force book, £'m



# As 2013 unfolds...

## New business enhances future monetisation

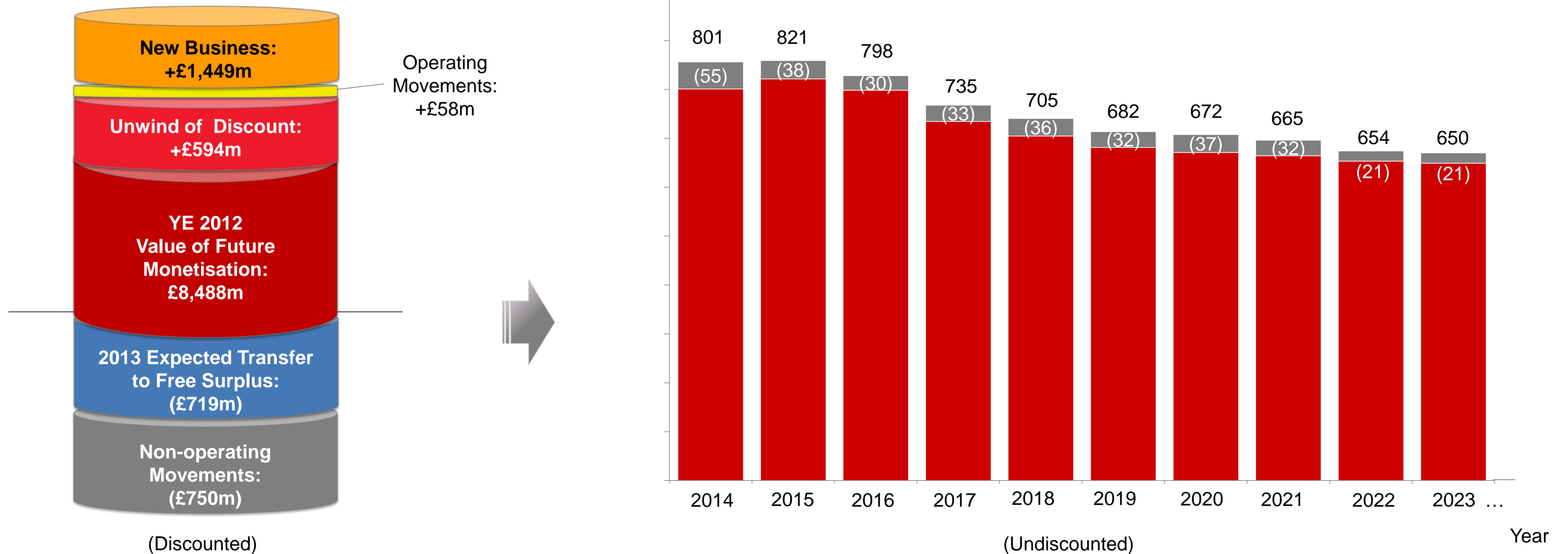
Expected monetisation profile from in-force book, £'m



# As 2013 unfolds...

## Significant headwind from exchange rate movements in the non-operating category

Expected monetisation profile from in-force book, £'m

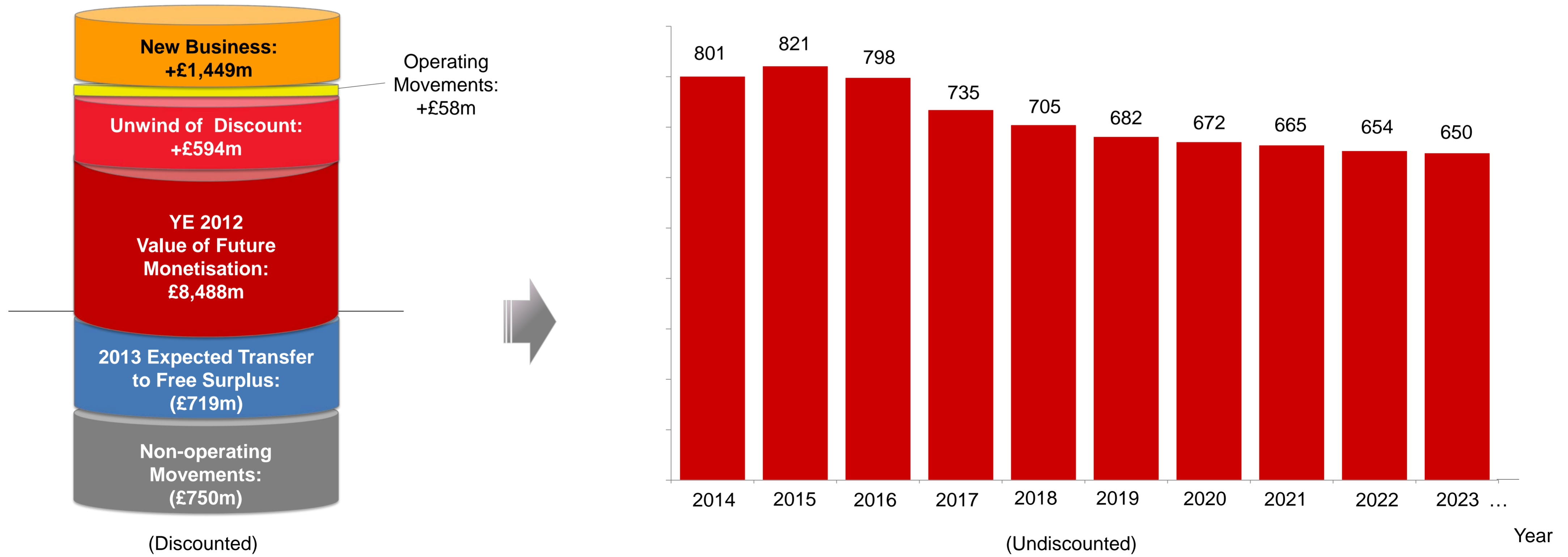




# Value of future monetisation at end of 2013

Present value of expected monetisation stood at £9.1bn at end of 2013

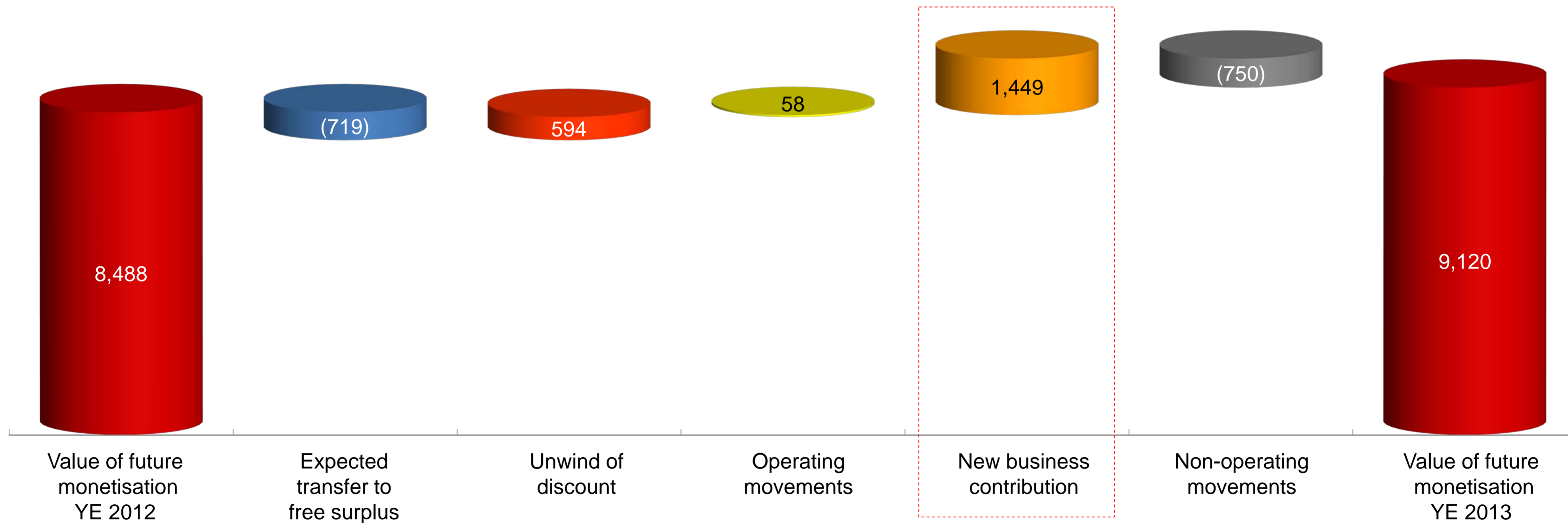
Expected monetisation profile from YE 2013 in-force book, £'m



# Summary – Growth in value of future monetisation

## New business is the key growth driver

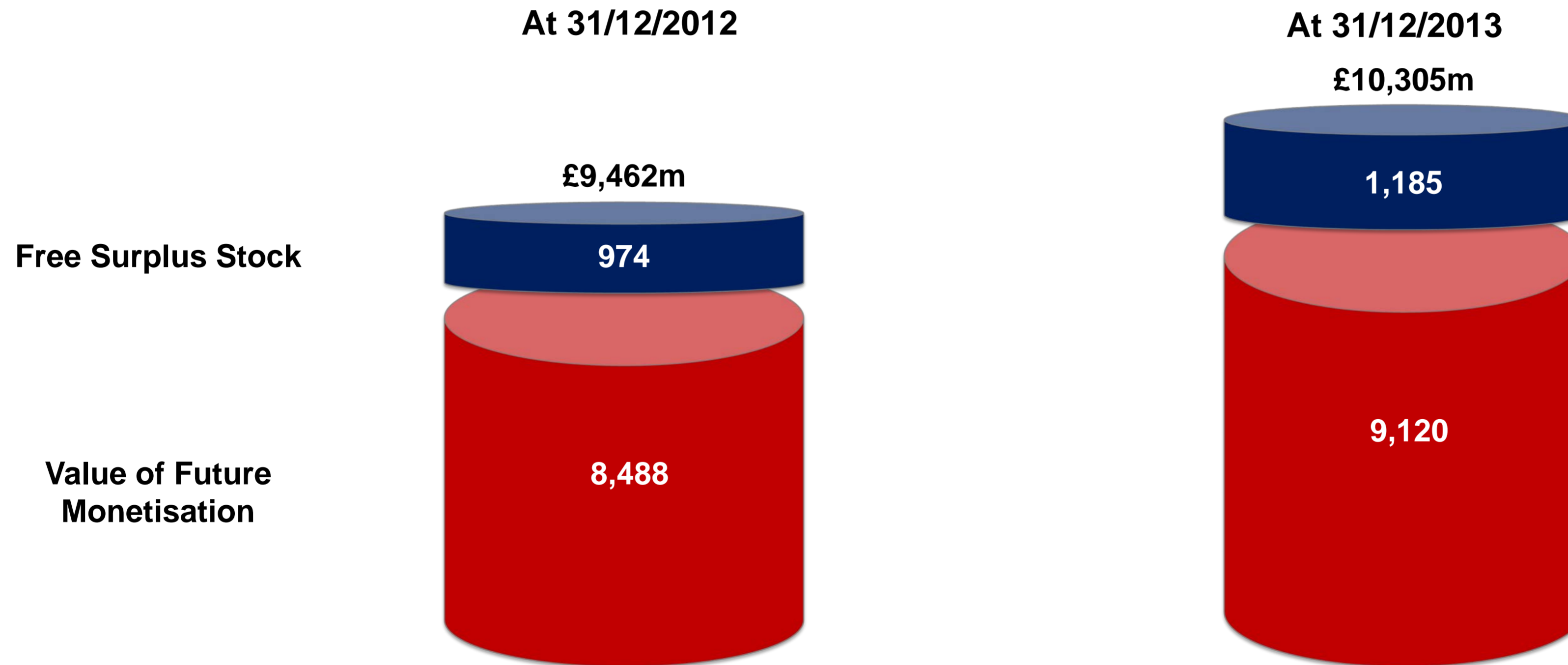
Value of future monetisation growth analysis (2013), £m



# Growth in embedded value

## Components of embedded value growth

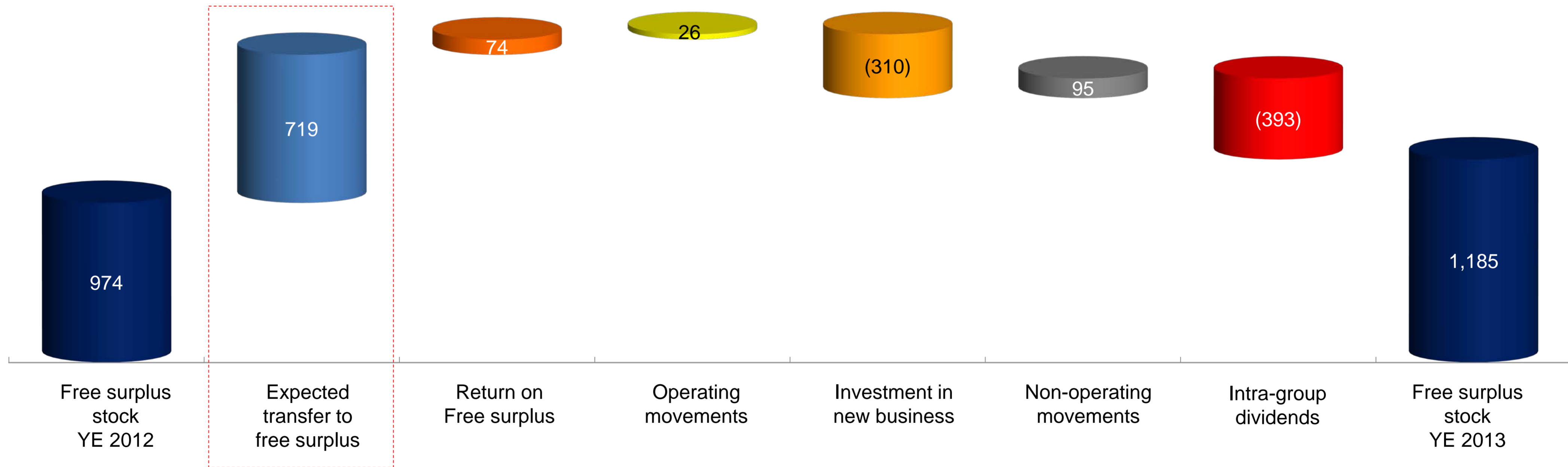
Embedded value, £'m



# Growth in free surplus stock

## Expected monetisation drives free surplus generation

Free surplus movement analysis (2013), £m



# Embedded value summary

Embedded value is all about free surplus and free surplus generation

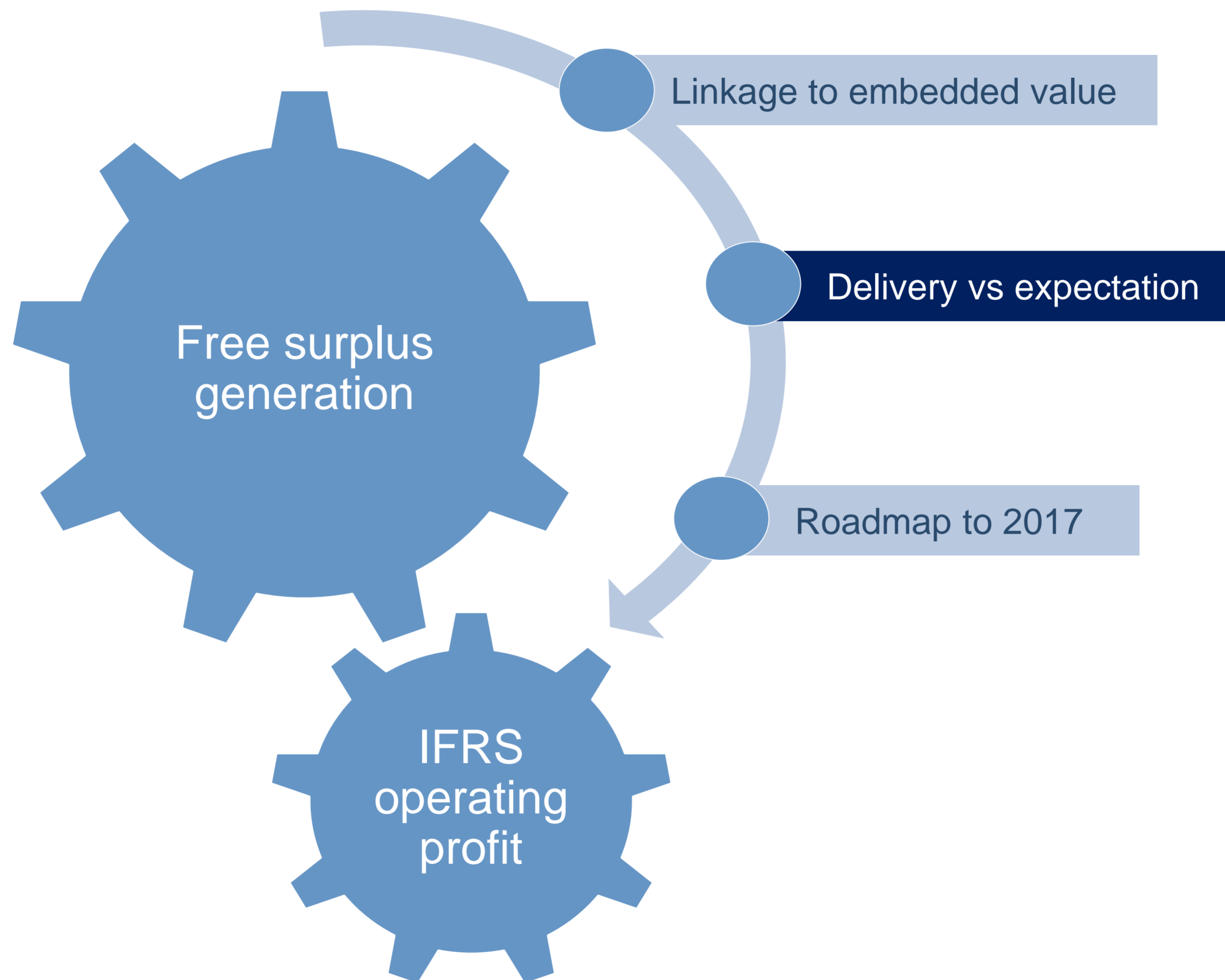
£m	Value of Future Monetisation	Free Surplus	Embedded Value
At YE 2012	8,488	974	9,462
Transfer to free surplus	(719)	719	-
Expected return on existing business	594	74	668
Operating movements	58	26	84
New business contribution	1,449	(310)	1,139
Non-operating movements	(750)	95	(655)
Intra-group dividends	-	(393)	(393)
At YE 2013	9,120	1,185	10,305

Operating free surplus generation  
£509m

EEV operating profit  
£1,891m

In respect of long-term business only. Includes development costs.

# Agenda

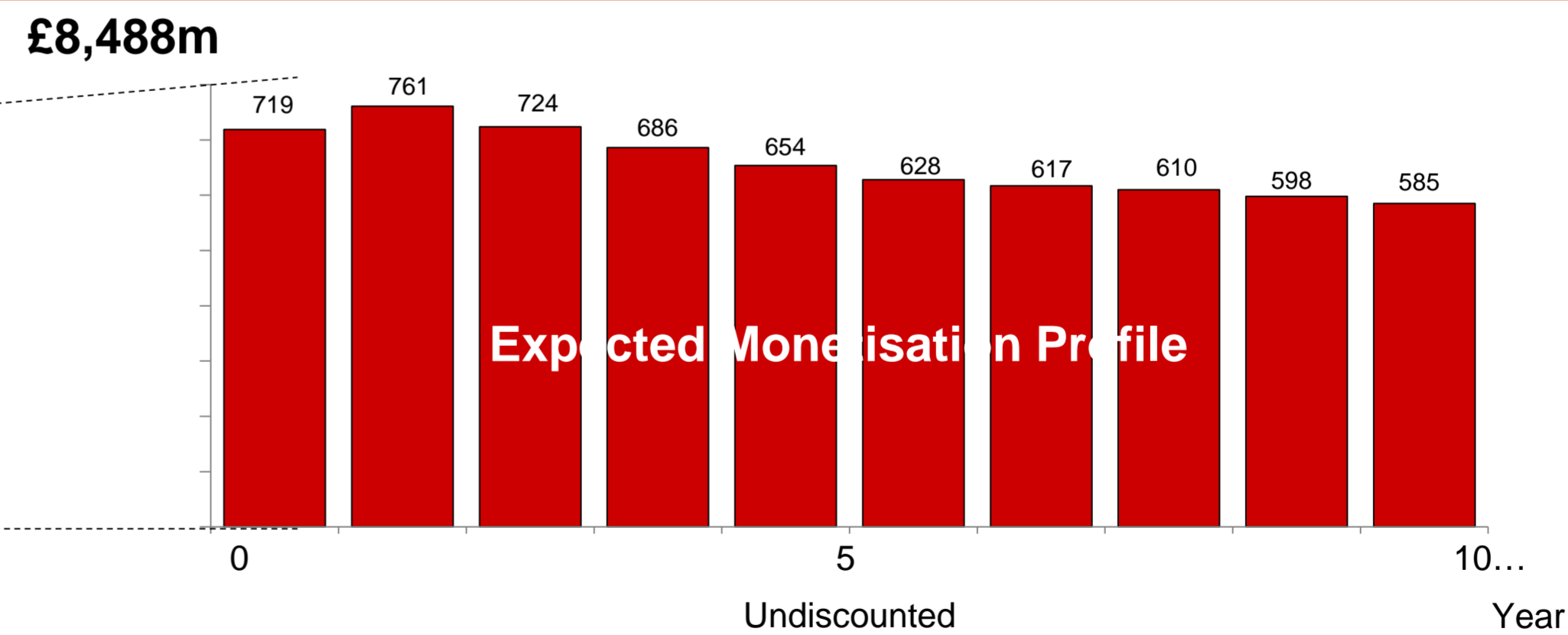
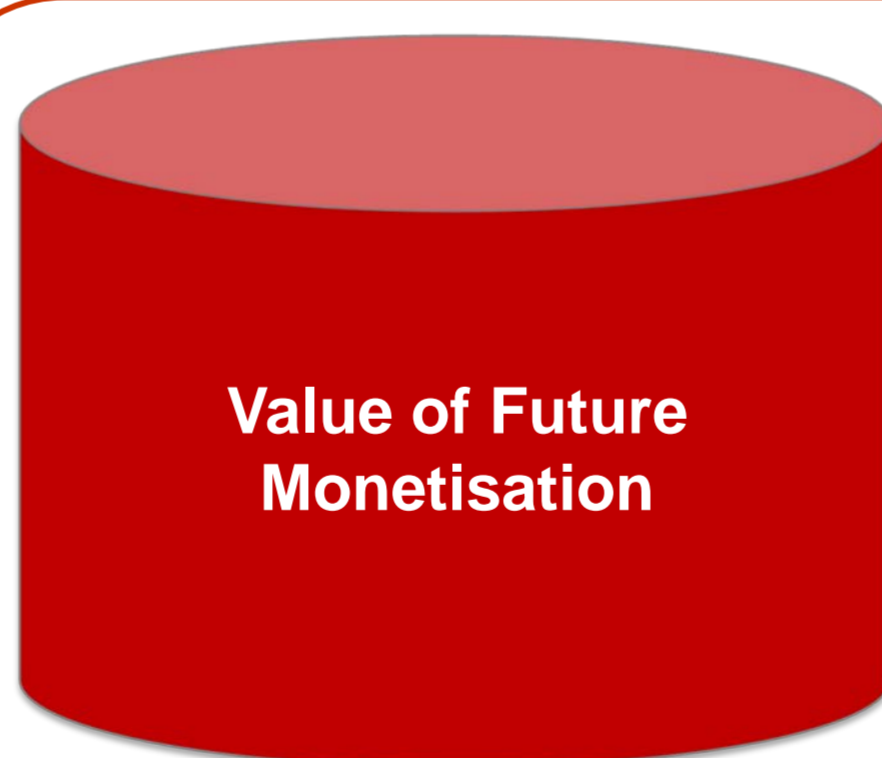
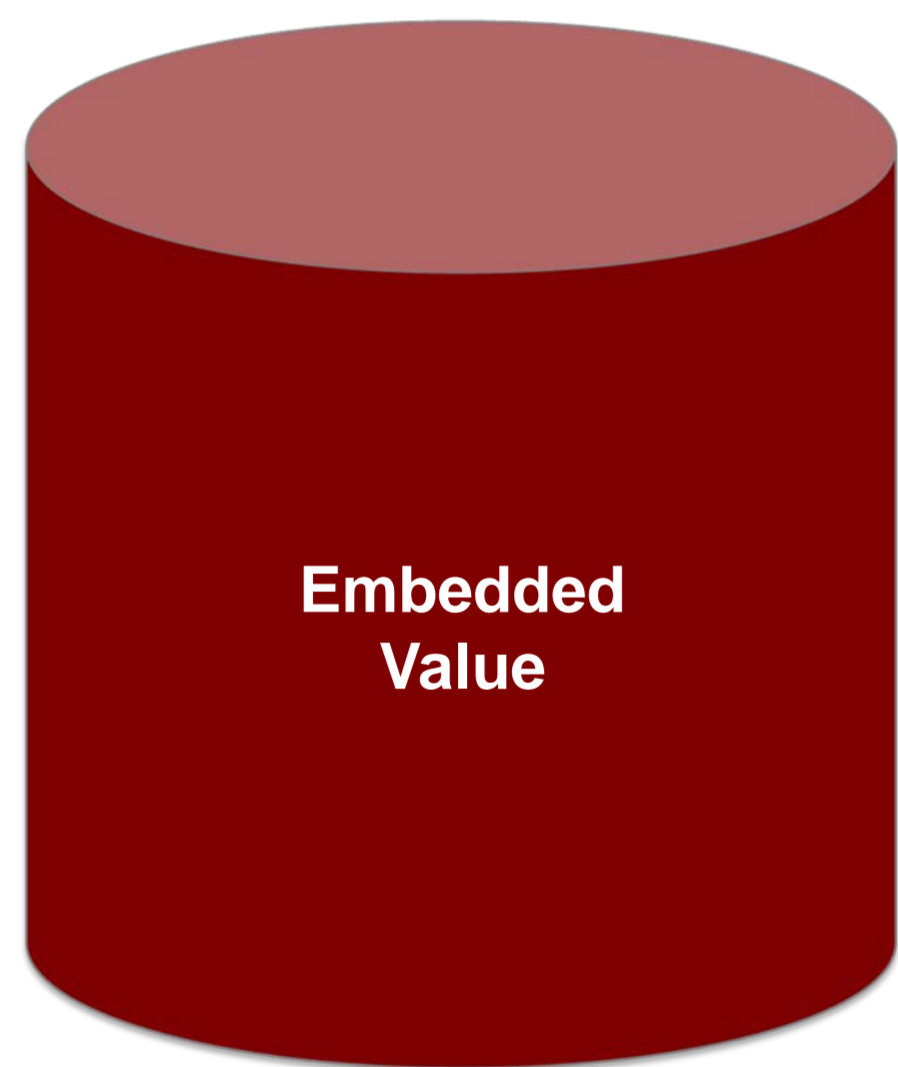


# Embedded value

Embedded value is all about free surplus and free surplus generation

Present value of expected monetisation stood at £8.5bn at end of 2012

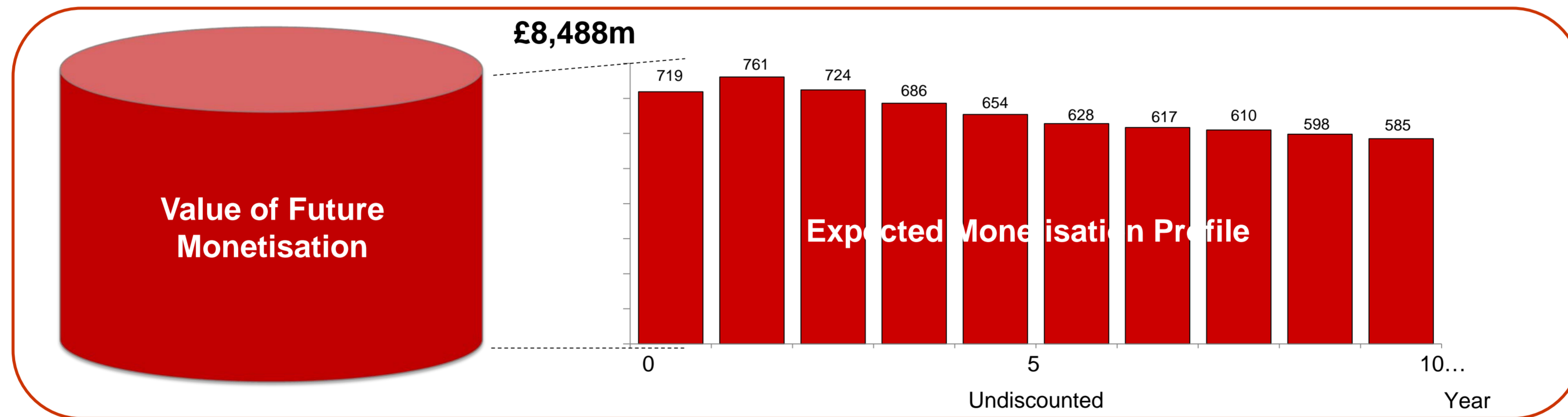
At 31/12/2012



# Embedded value

Embedded value is all about free surplus and free surplus generation

Present value of expected monetisation stood at £8.5bn at end of 2012

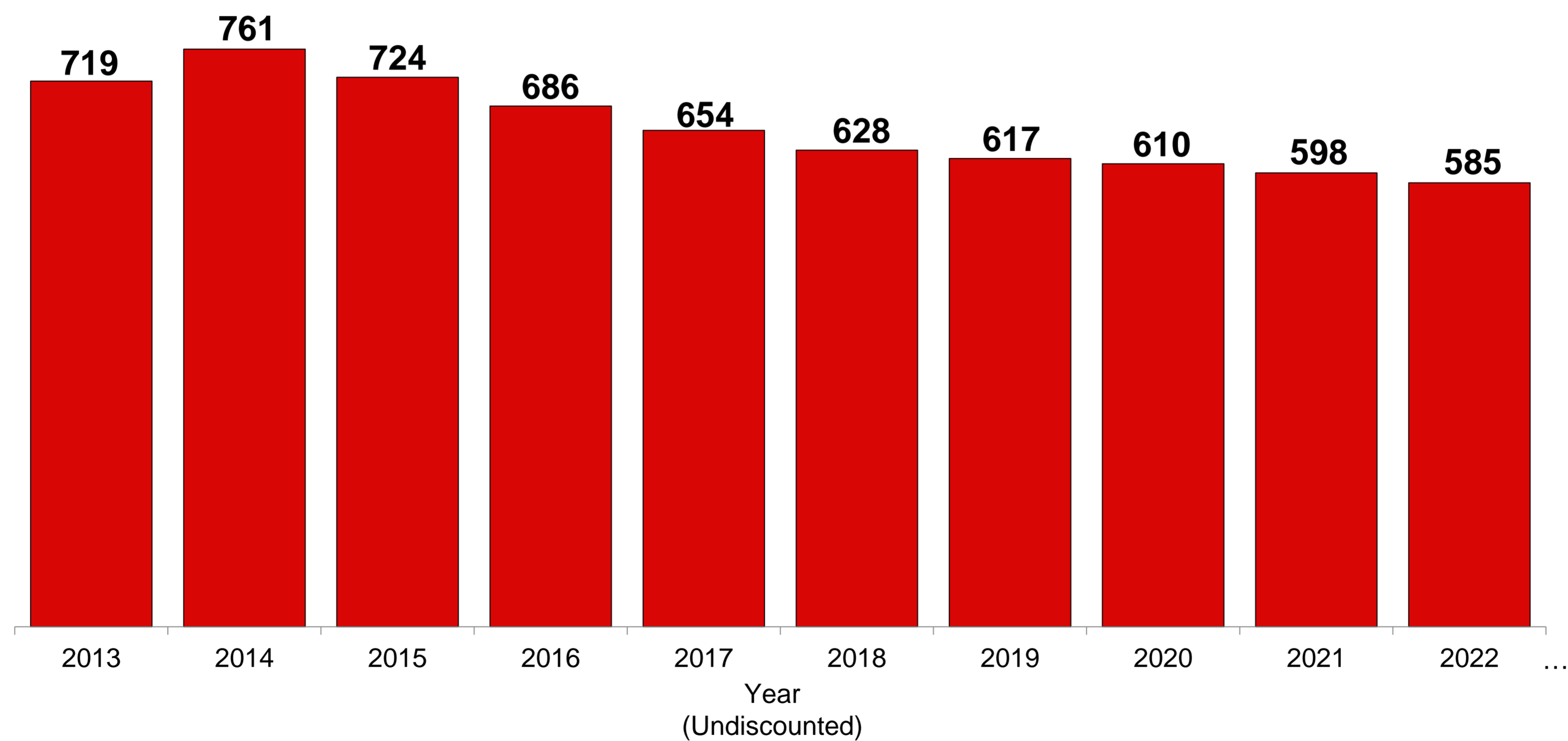




# Embedded value

Embedded value is all about free surplus and free surplus generation

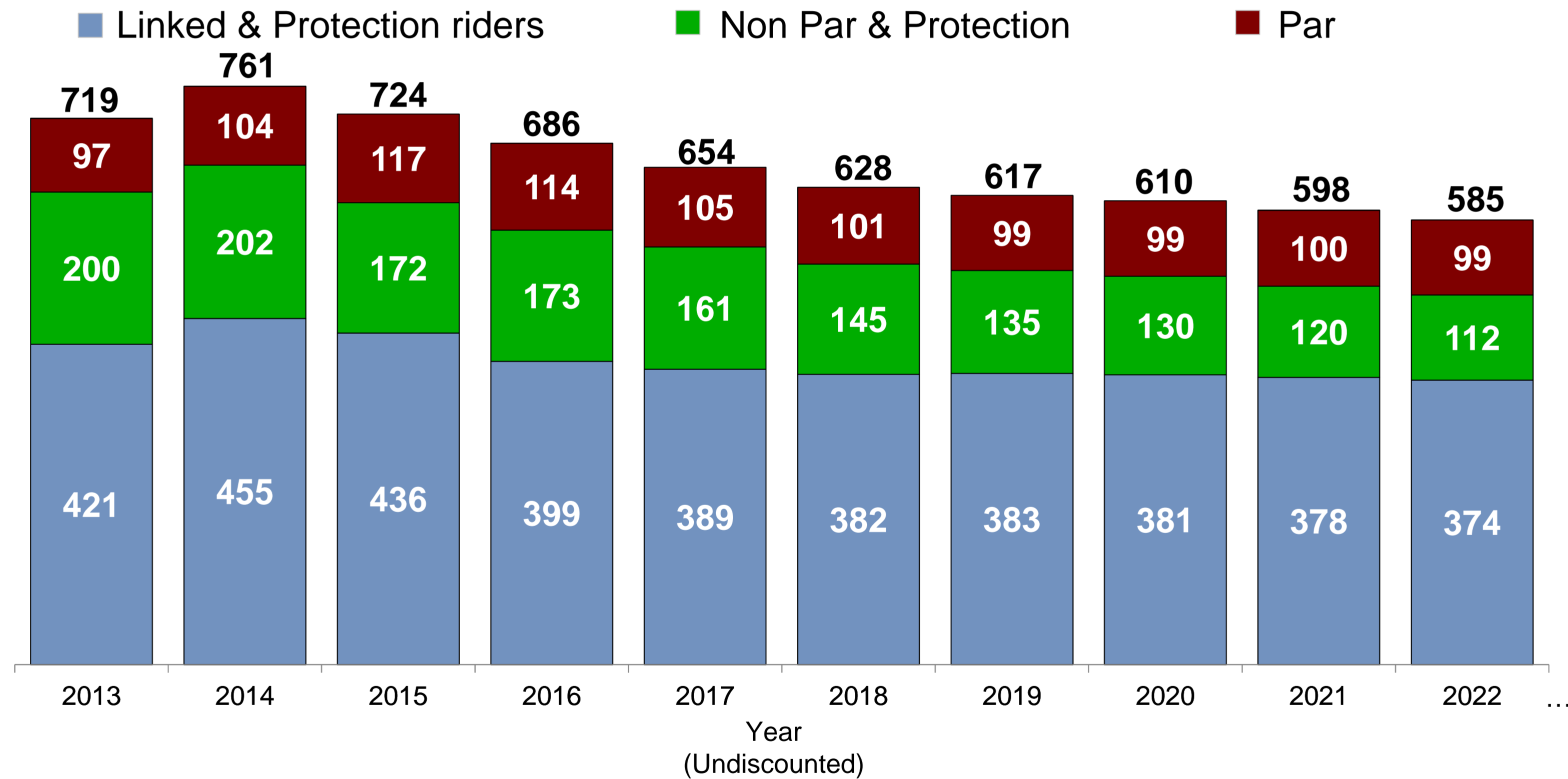
Present value of expected monetisation stood at £8.5bn at end of 2012



# Value of future monetisation at end of 2012 by product groups

60% contributed by Linked & Protection riders, 25% by Non Par and 15% by Par

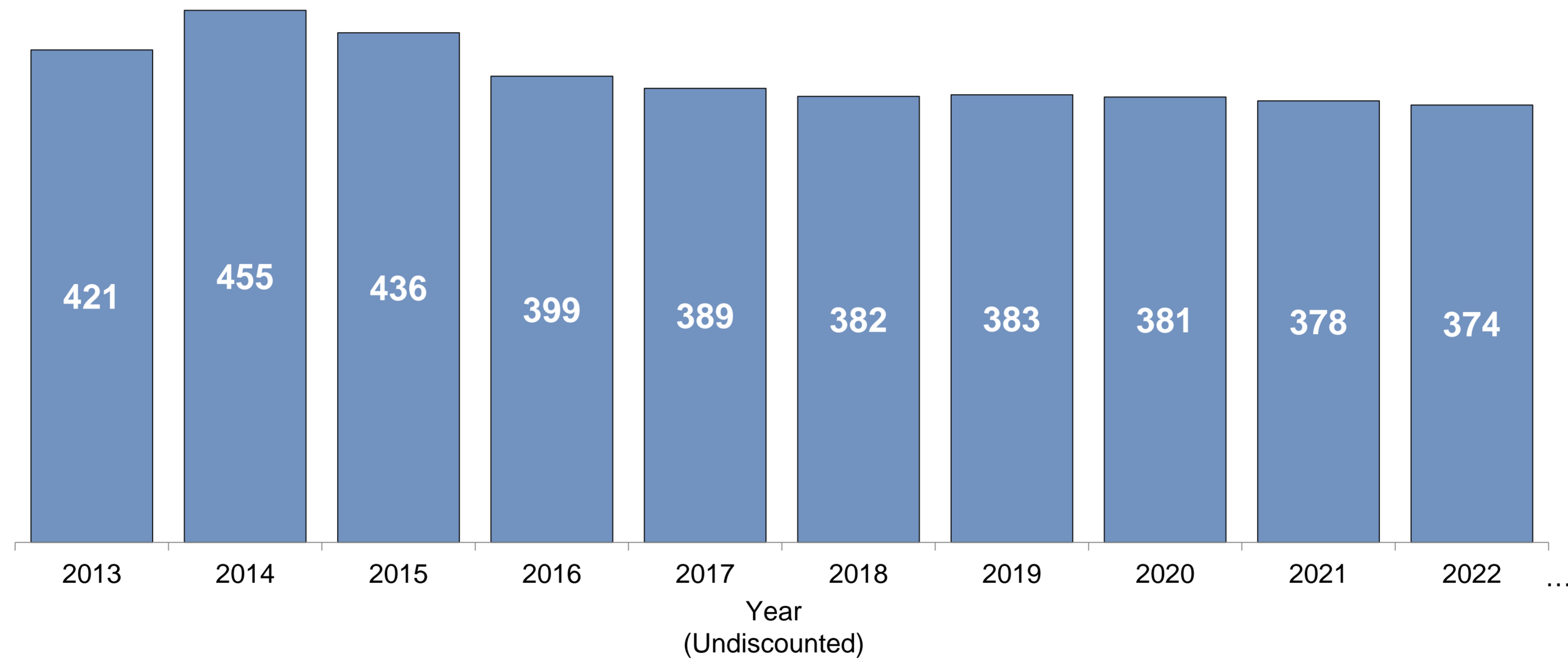
Expected monetisation profile from YE 2012 in-force book, £'m



# Value of future monetisation at end of 2012 by product groups

**Linked & Protection riders contributed 60% of future monetisation**

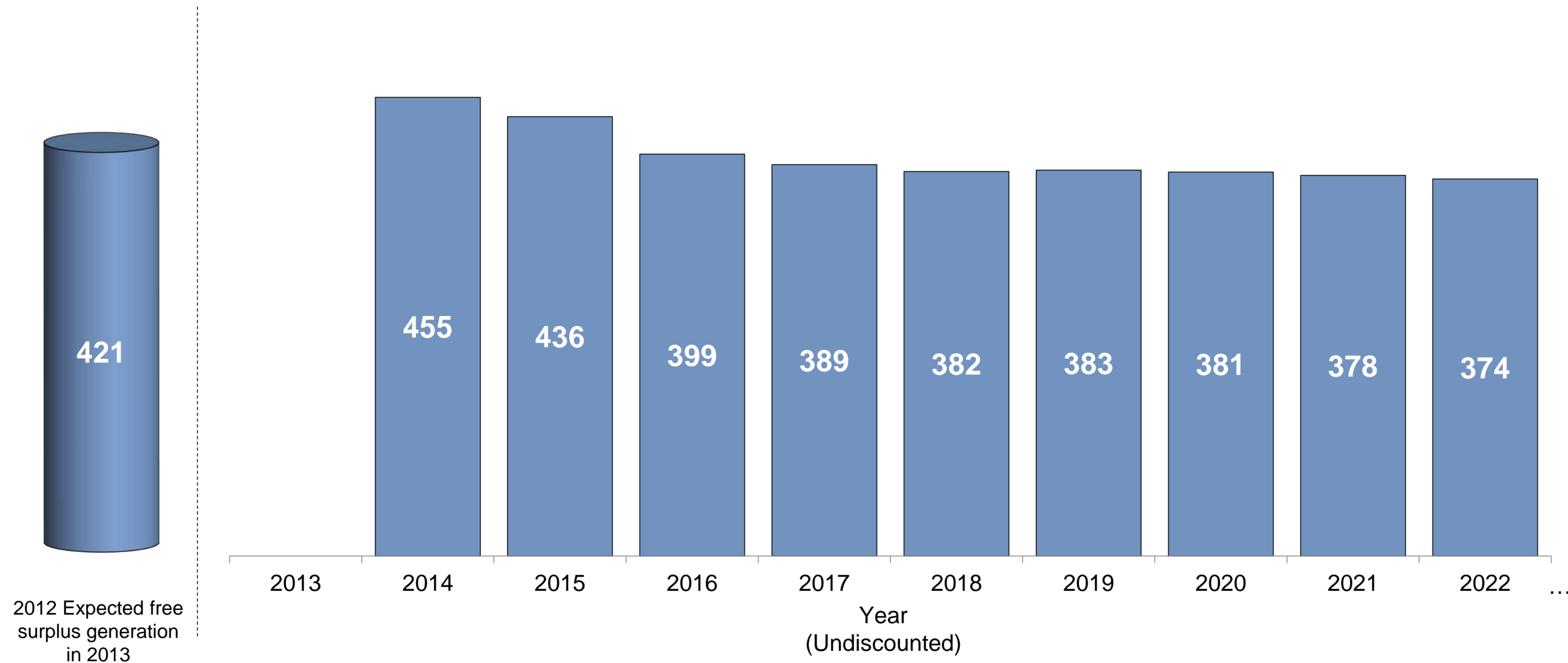
Expected monetisation profile from YE 2012 in-force book, £'m



# Value of future monetisation at end of 2012 – Linked & Protection Riders

## Realising 2012 expected free surplus generation in 2013

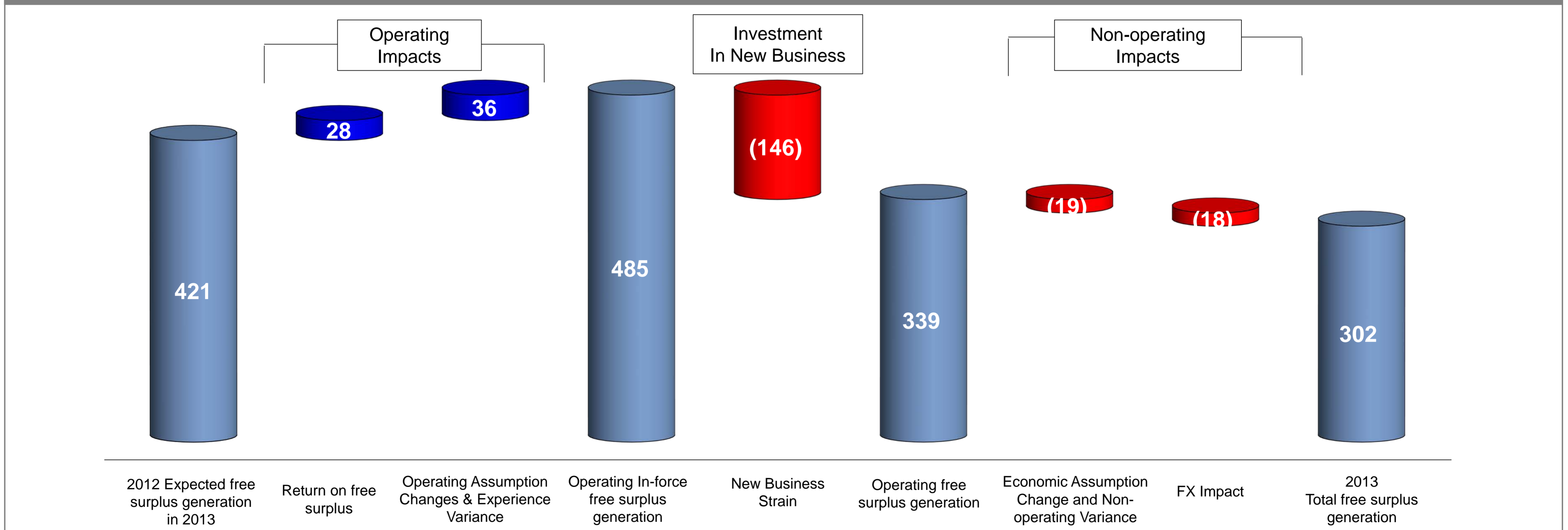
Expected monetisation profile from YE 2012 in-force book, £'m



# 2013 Free Surplus Movement – Linked & Protection Riders

## Delivering the operating free surplus as expected

Actual vs Expected Free Surplus Generation in 2013, £'m

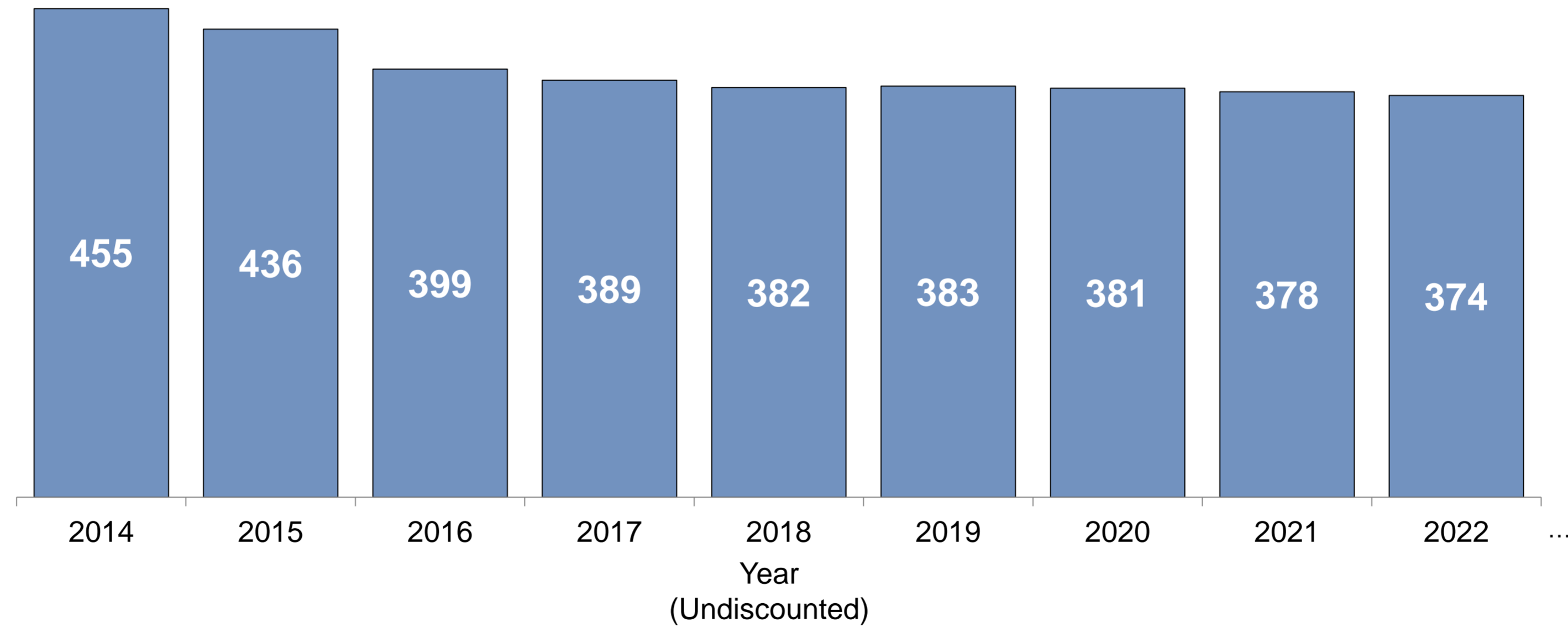


Note: Reflected Life Operations only

# Value of future monetisation movement – Linked & Protection Riders

## New Business is the key growth driver

Impacts of operating assumption changes and variance on value of future monetisation

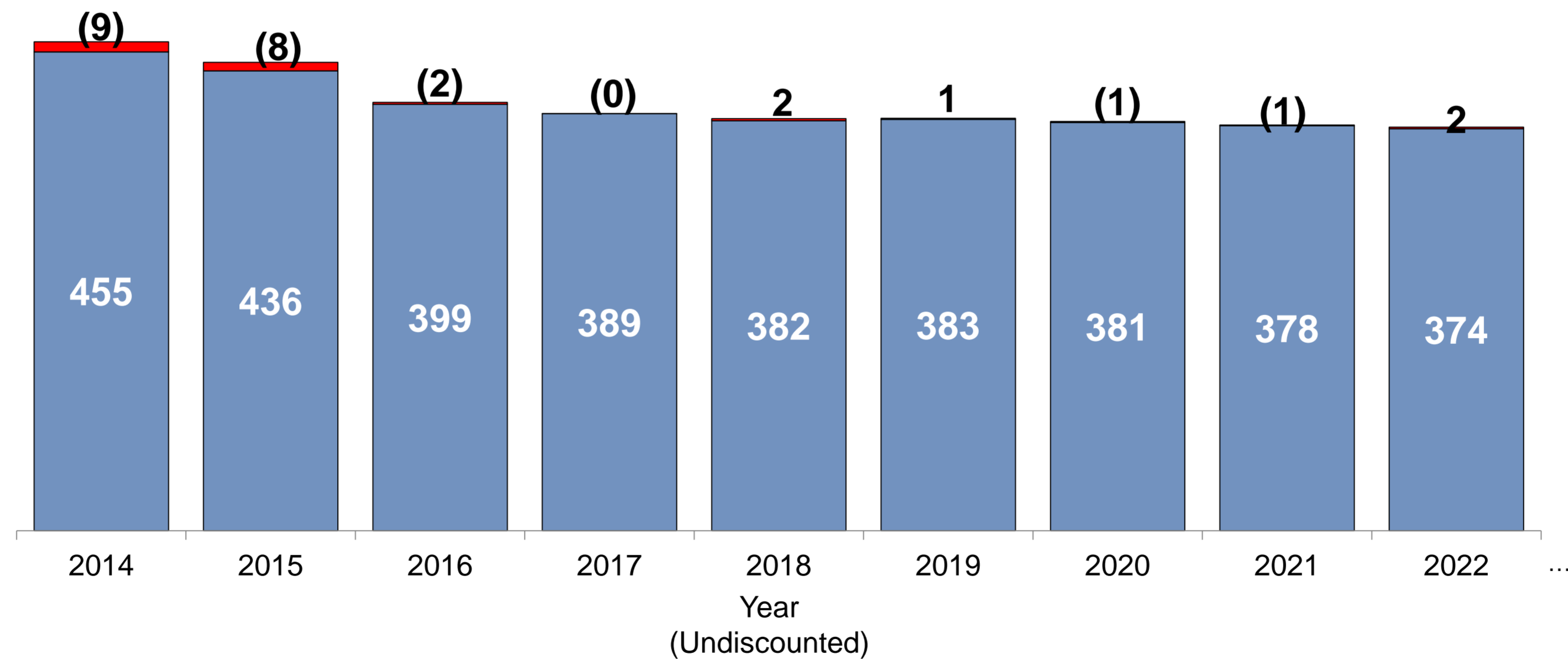


# Value of future monetisation movement – Linked & Protection Riders

## New Business is the key growth driver

Impact of operating assumption changes and variance on value of future monetisation

### Impacts of operating items

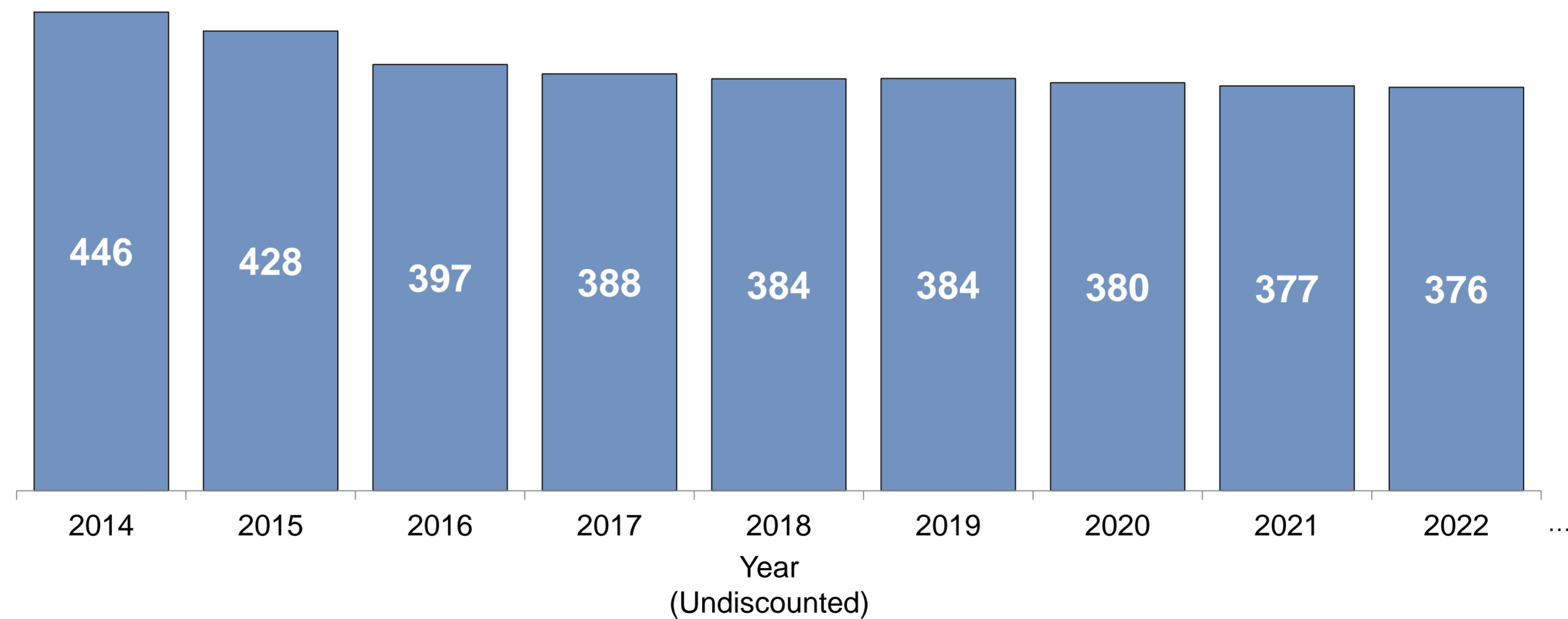


# Value of future monetisation movement – Linked & Protection Riders

## New Business is the key growth driver

Impact of operating assumption changes and variance on value of future monetisation

### Adjusted for operating impacts



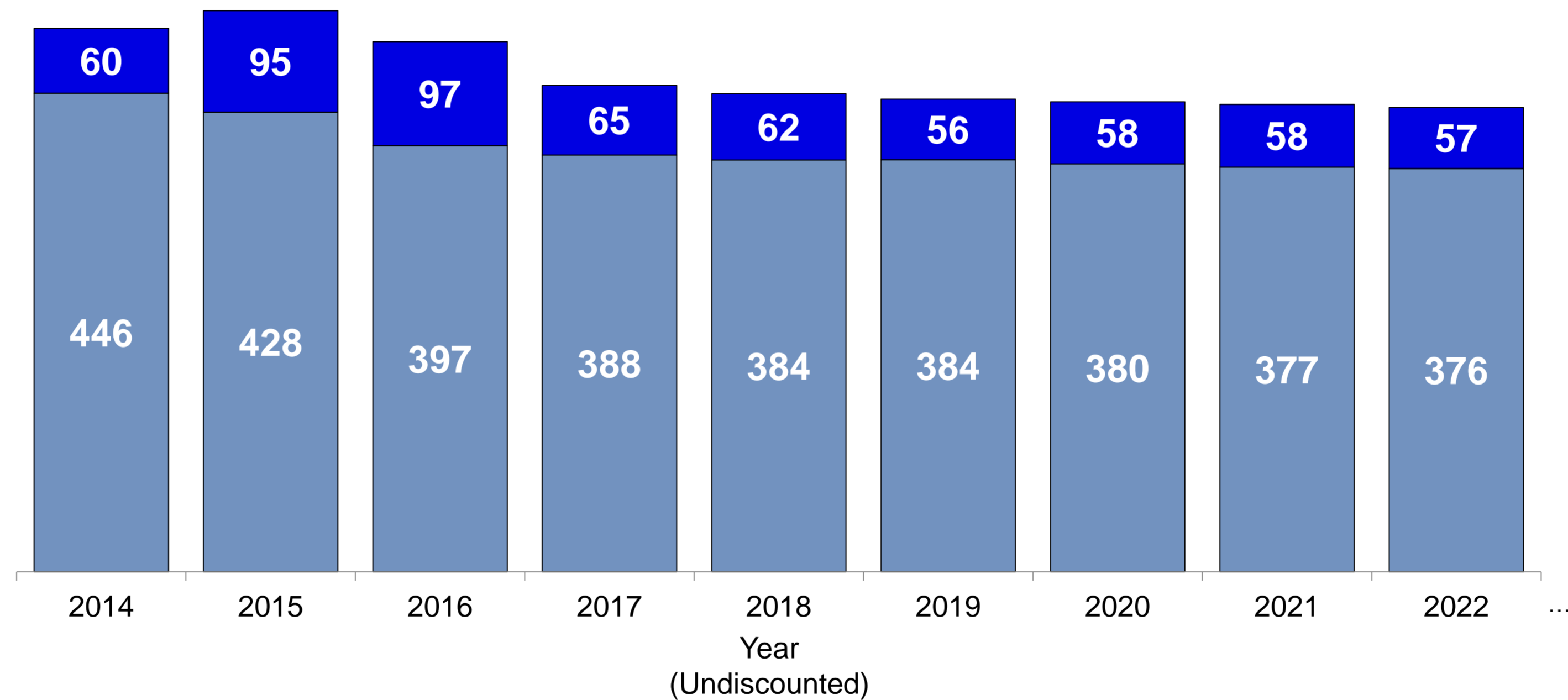


# Value of future monetisation movement – Linked & Protection Riders

## New Business is the key growth driver

Impacts of 2013 new business on value of future monetisation

### Impacts of new business

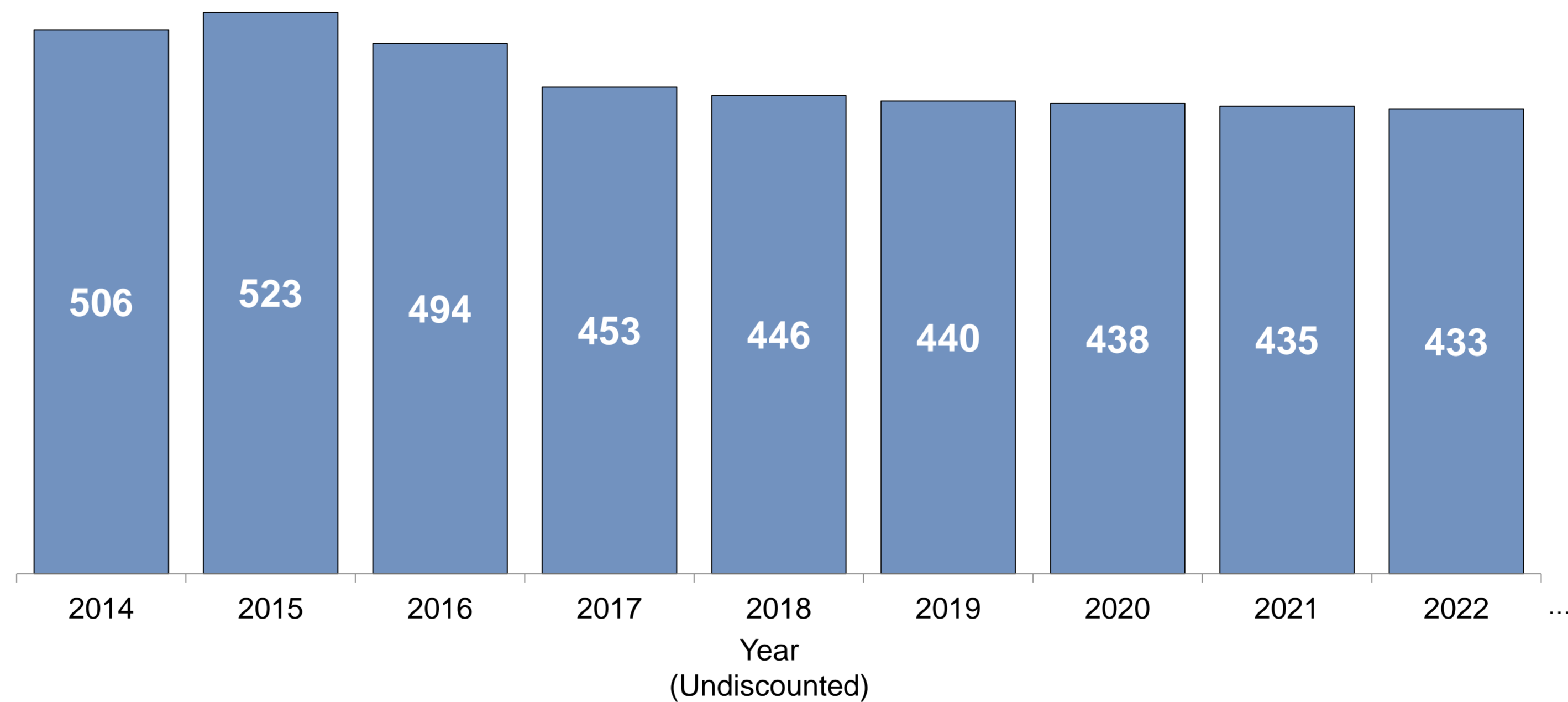


# Value of future monetisation movement – Linked & Protection Riders

## New Business is the key growth driver

Impacts of 2013 new business on value of future monetisation

Adjusted for operating impacts & new business

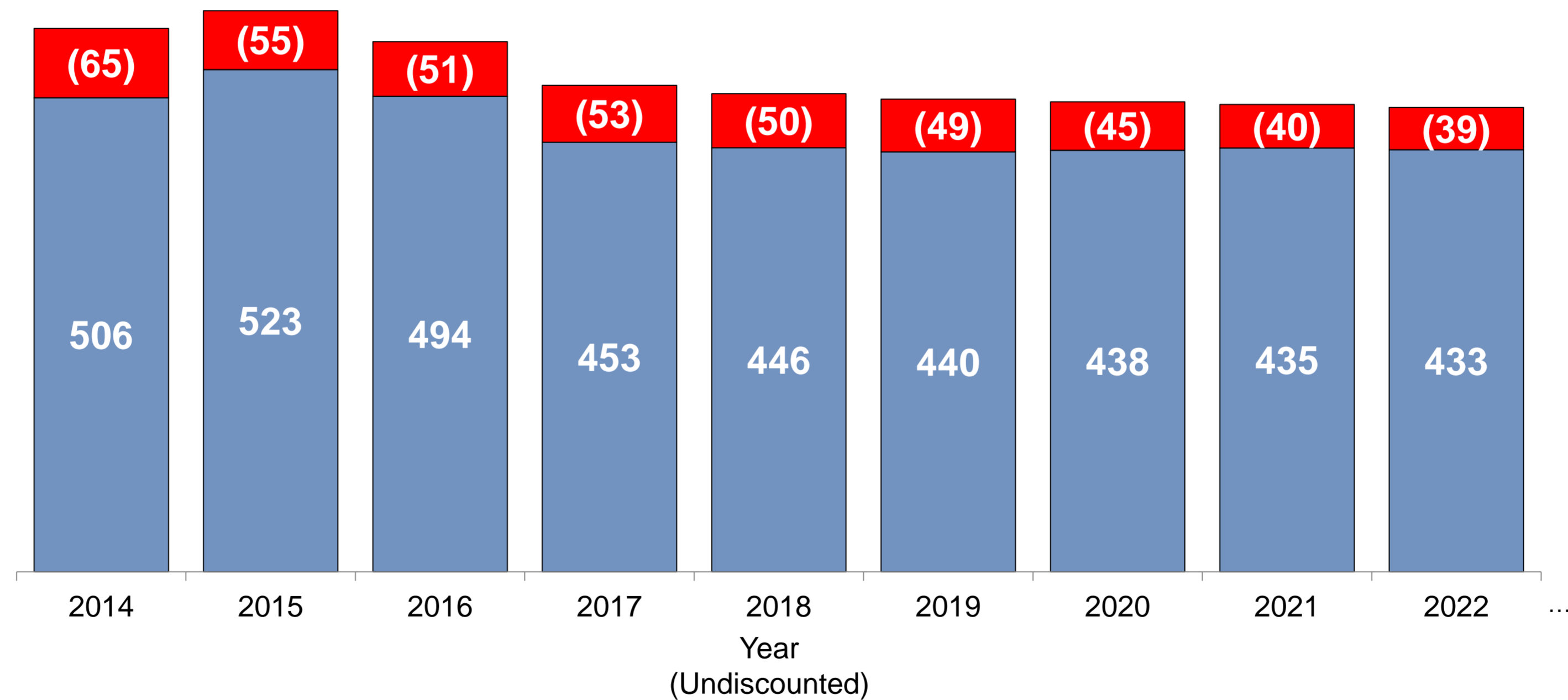


# Value of future monetisation movement – Linked & Protection Riders

## New Business is the key growth driver

Impacts of non-operating assumption changes and variance on value of future monetisation

### Impacts of non-operating items

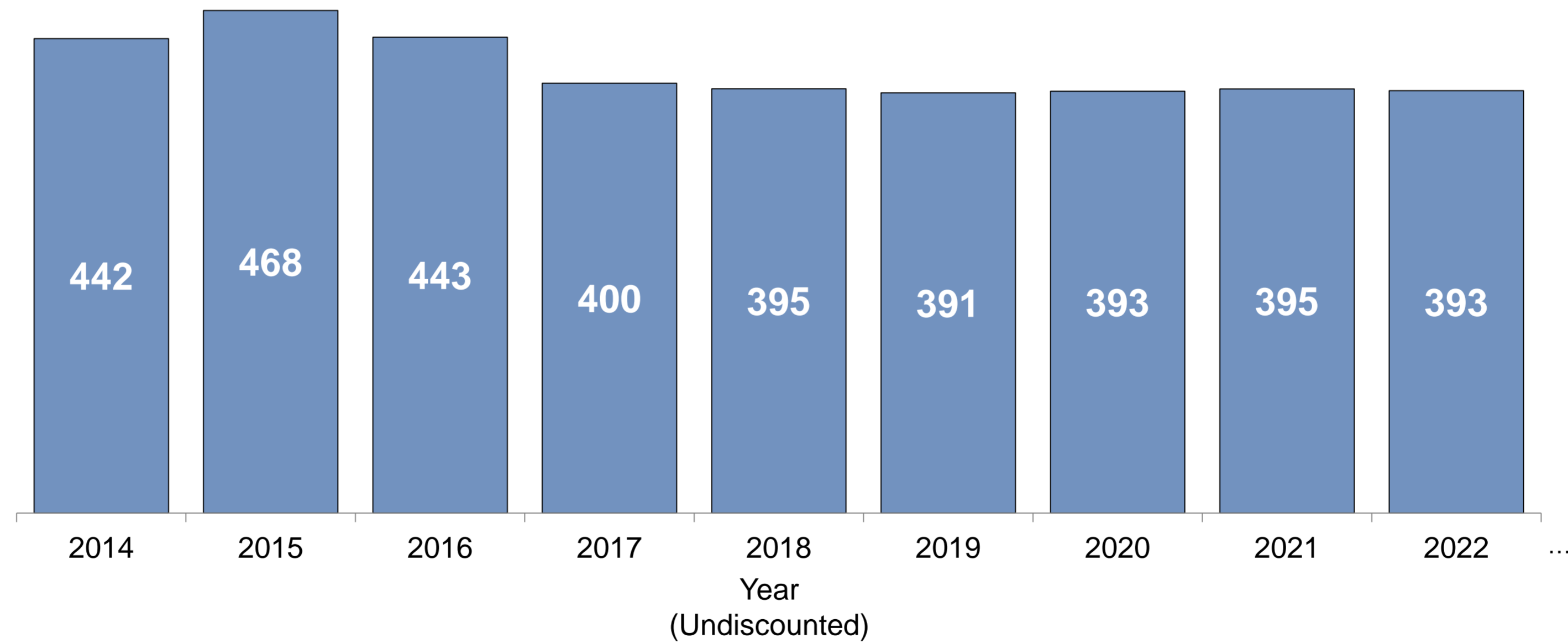


# Value of future monetisation movement – Linked & Protection Riders

## New Business is the key growth driver

Impacts of non-operating assumption changes and variance on value of future monetisation

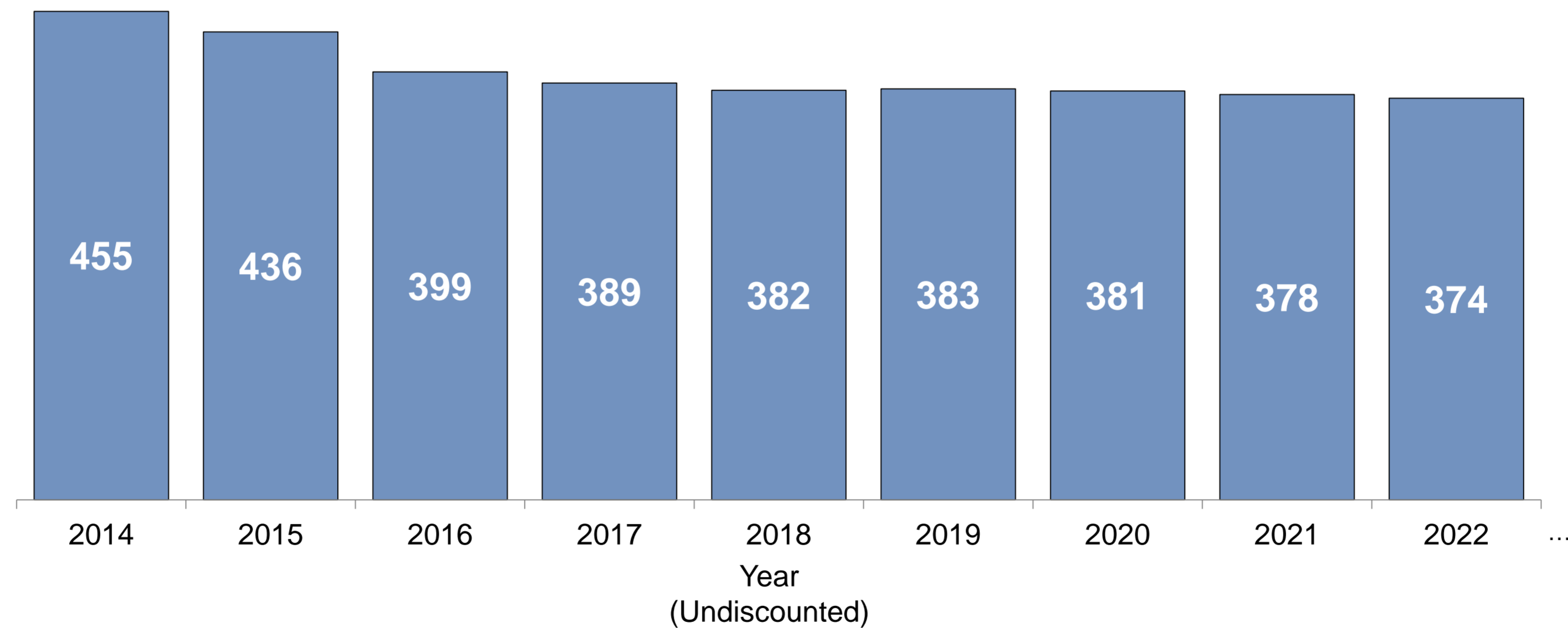
### Adjusted for operating & non-operating impacts and new business



# Value of future monetisation movement – Linked & Protection Riders

## New Business is the key growth driver

Impacts of 2013 movement on value of future monetisation

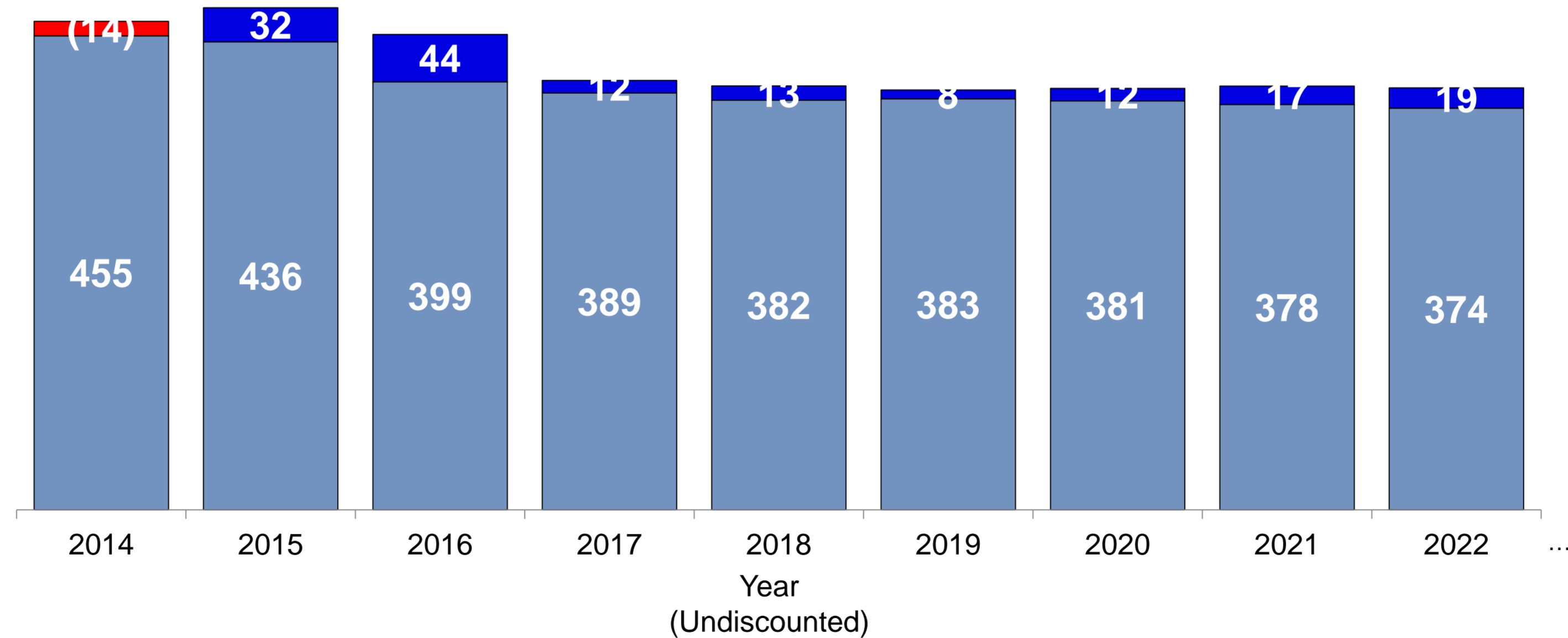


# Value of future monetisation movement – Linked & Protection Riders

## New Business is the key growth driver

Impacts of 2013 movement on value of future monetisation

### Change in value of future monetisation expectation from 2012 to 2013

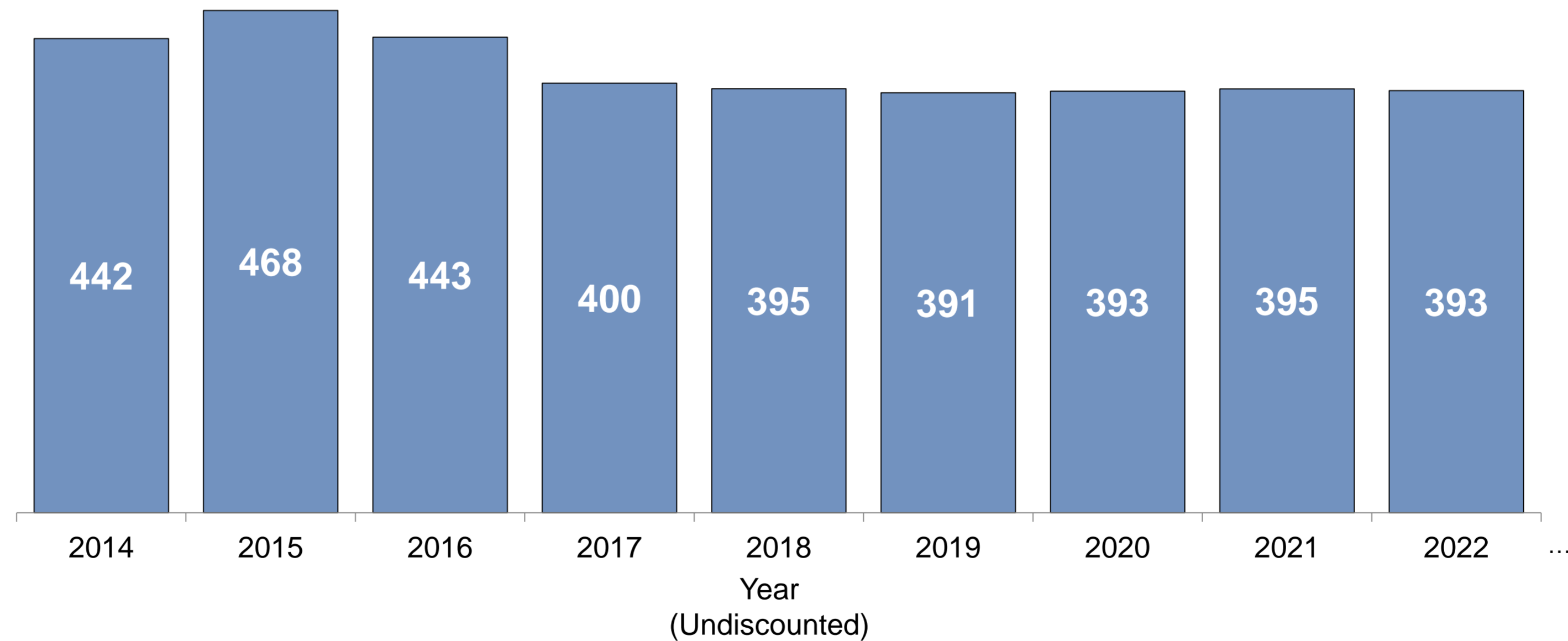


# Value of future monetisation movement – Linked & Protection Riders

## New Business is the key growth driver

Impacts of 2013 movement on value of future monetisation

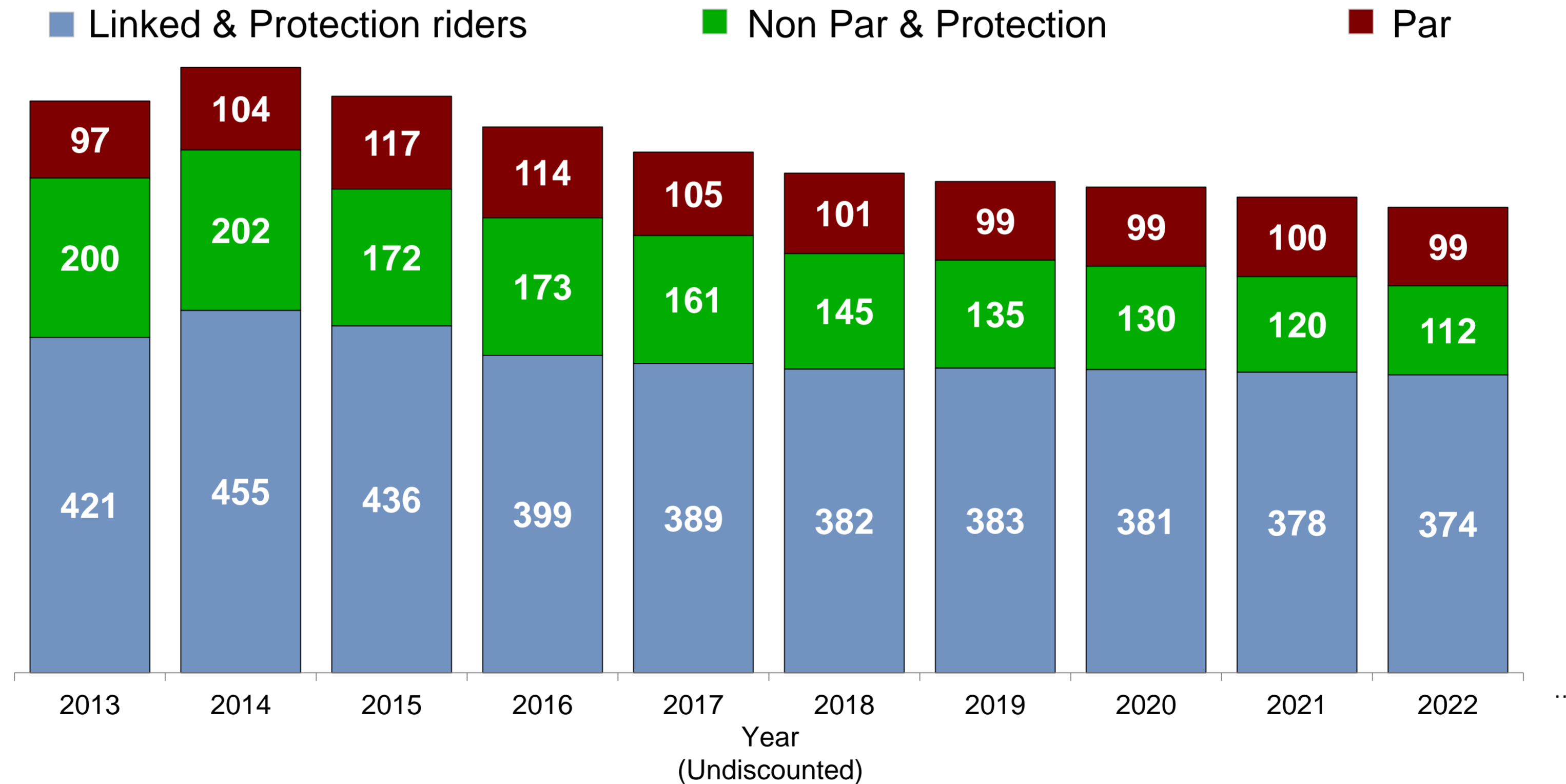
Expected value of future monetisation at the end of 2013



# Value of future monetisation at end of 2012 by product groups

## Recapping value of future monetisation at end of 2012 by product groups

Expected monetisation profile from YE 2012 in-force book, £'m

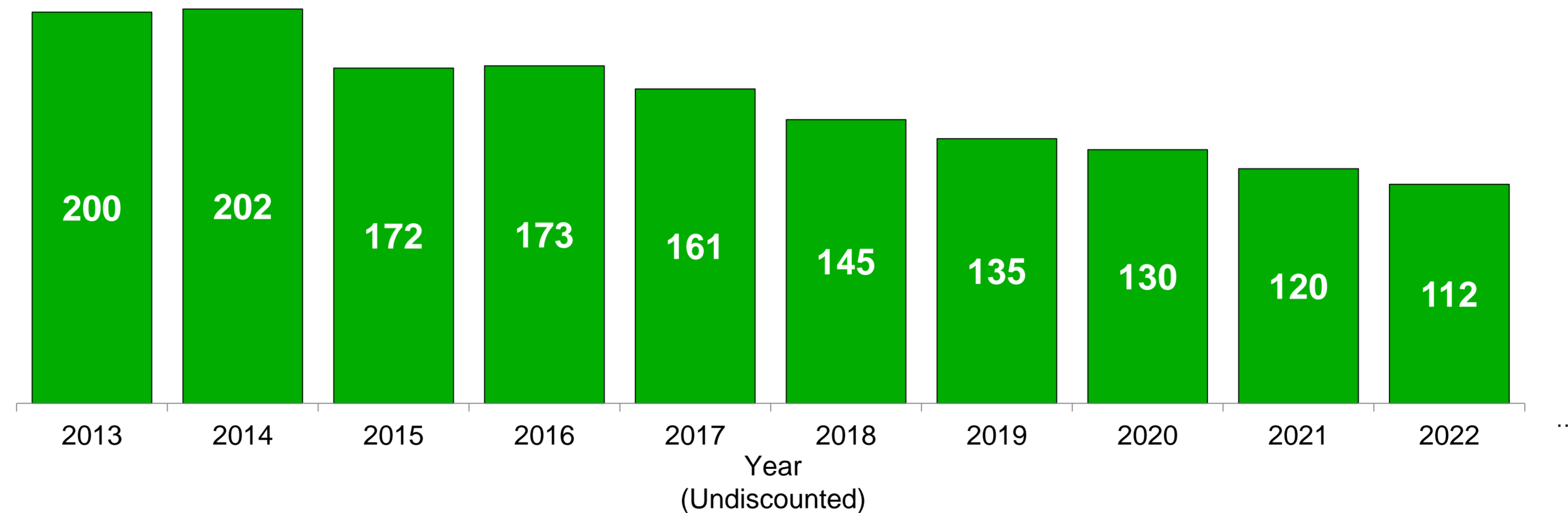




# Value of future monetisation at end of 2012 by product groups

**Non Par & Protection riders contributed 25% of future monetisation**

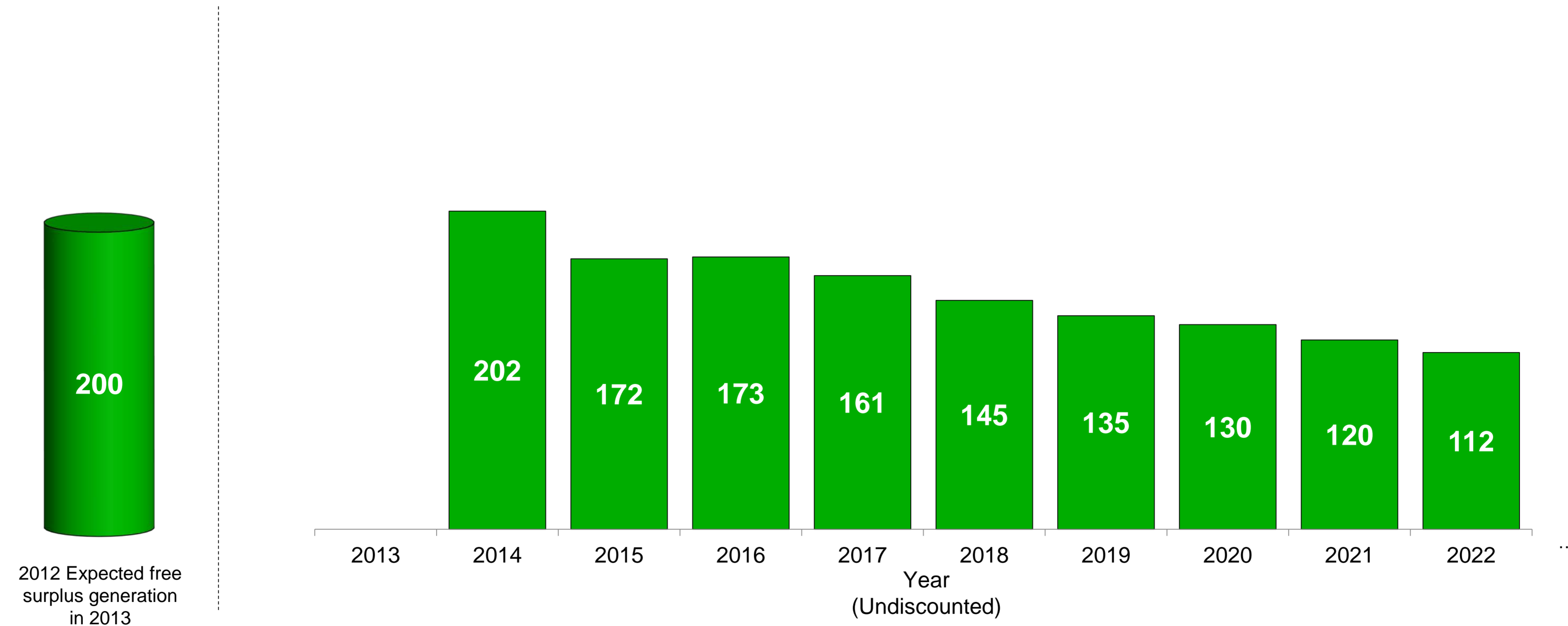
Expected monetisation profile from YE 2012 in-force book, £'m



# Value of future monetisation at end of 2012 – Non-Par & Protection

## Realising 2012 expected free surplus generation in 2013

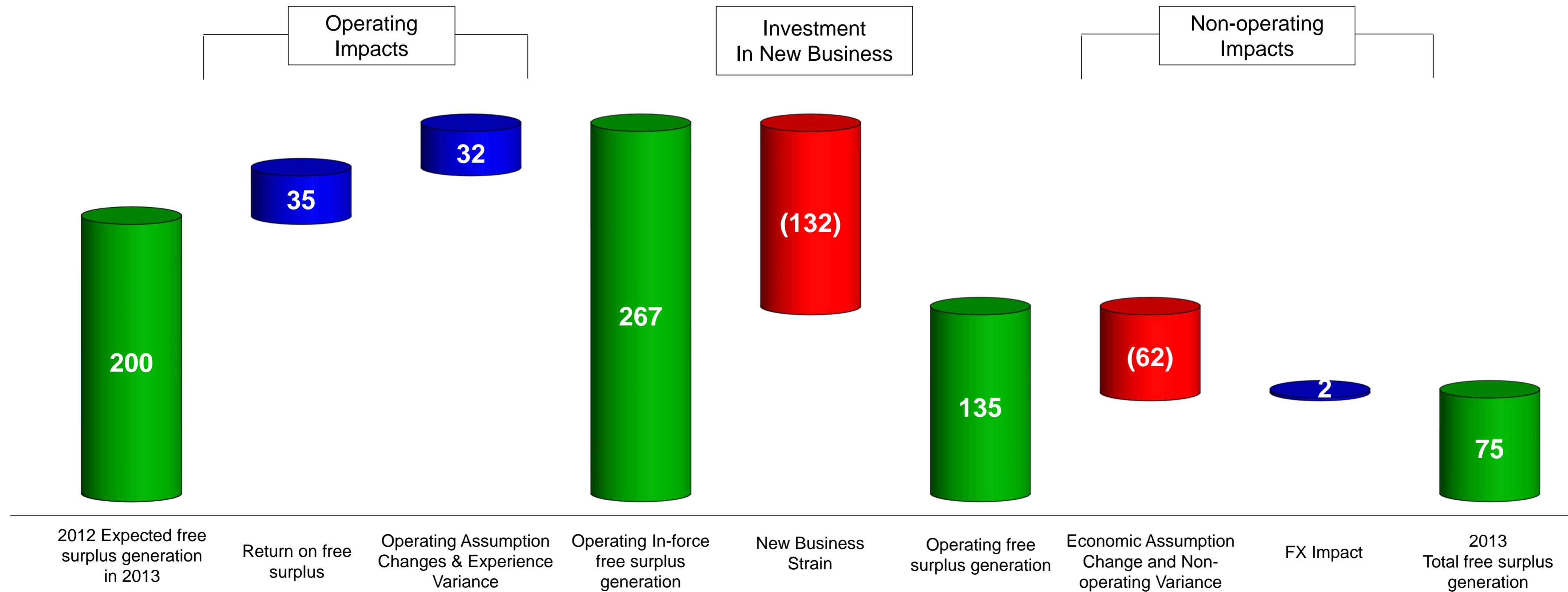
Expected monetisation profile from in-force book, £'m



# 2013 Free Surplus Movement – Non-Par & Protection

## Delivering the operating free surplus as expected

Actual vs Expected Free Surplus Generation in 2013, £'m

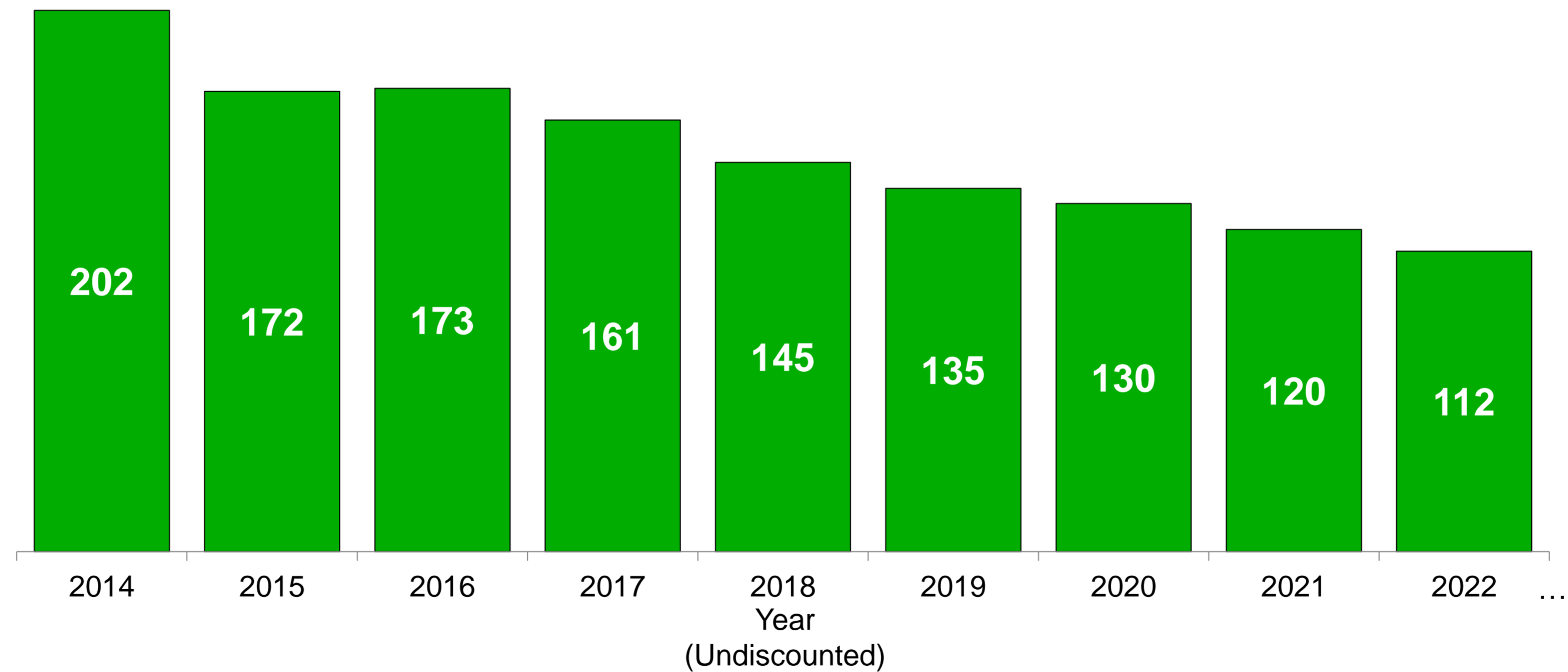


Note: Reflected Life Operations only

# Value of future monetisation movement – Non-Par & Protection

## New Business is the key growth driver

Impacts of operating assumption changes and variance on value of future monetisation

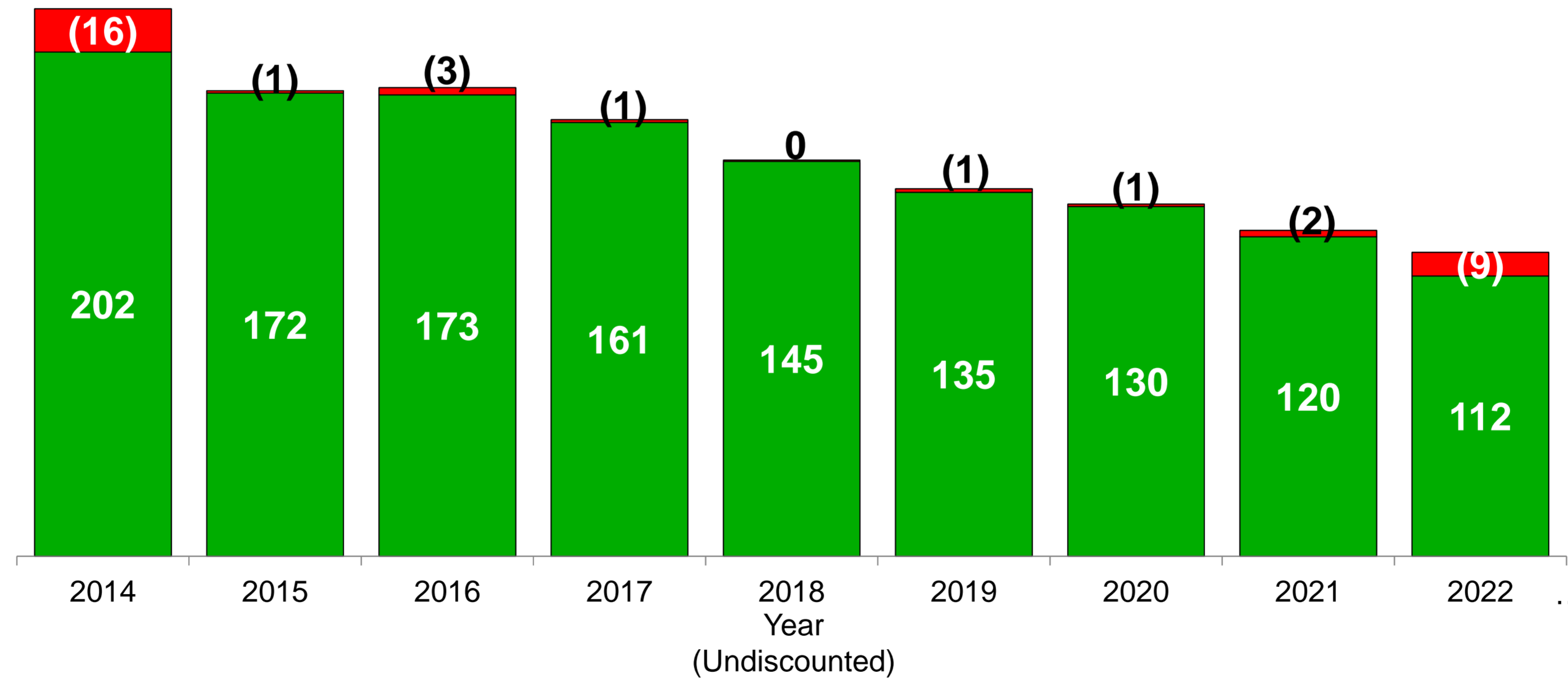


# Value of future monetisation movement – Non-Par & Protection

## New Business is the key growth driver

Impacts of operating assumption changes and variance on value of future monetisation

### Impacts of operating items

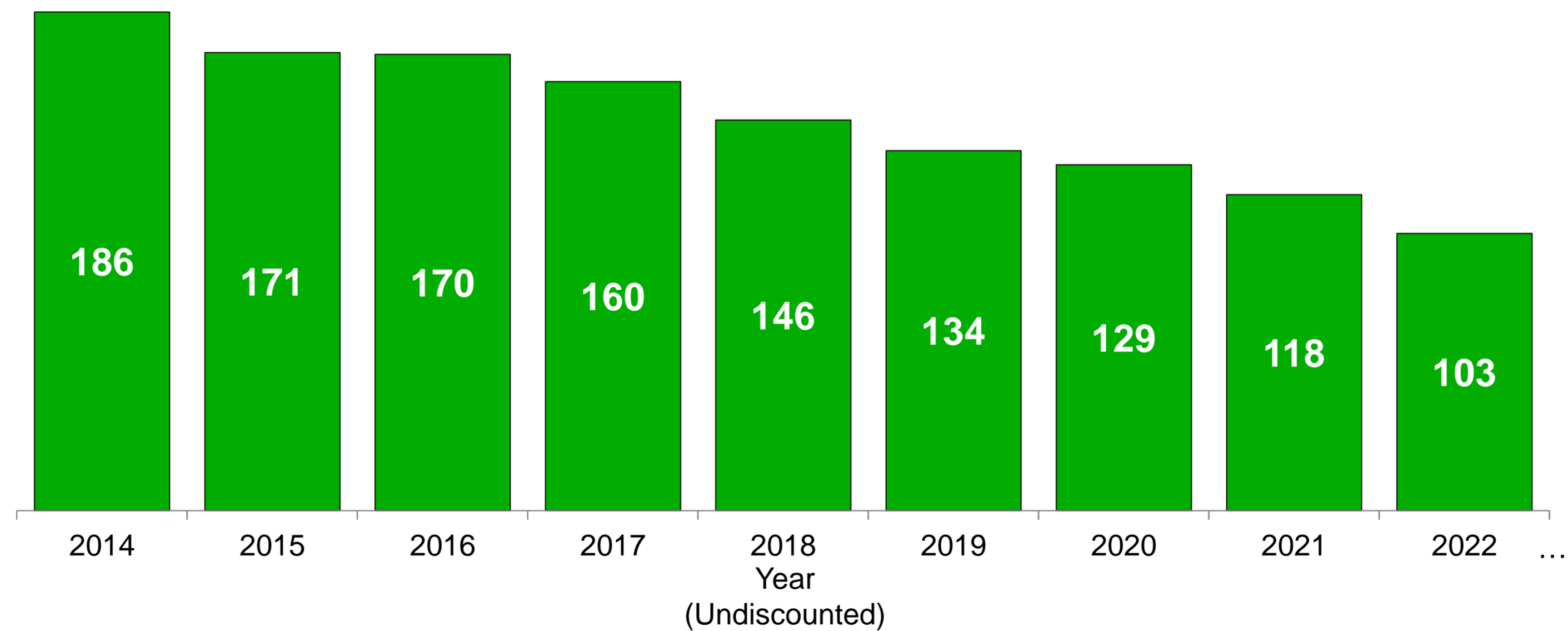


# Value of future monetisation movement – Non-Par & Protection

## New Business is the key growth driver

Impacts of operating assumption changes and variance on value of future monetisation

### Adjusted for operating impacts

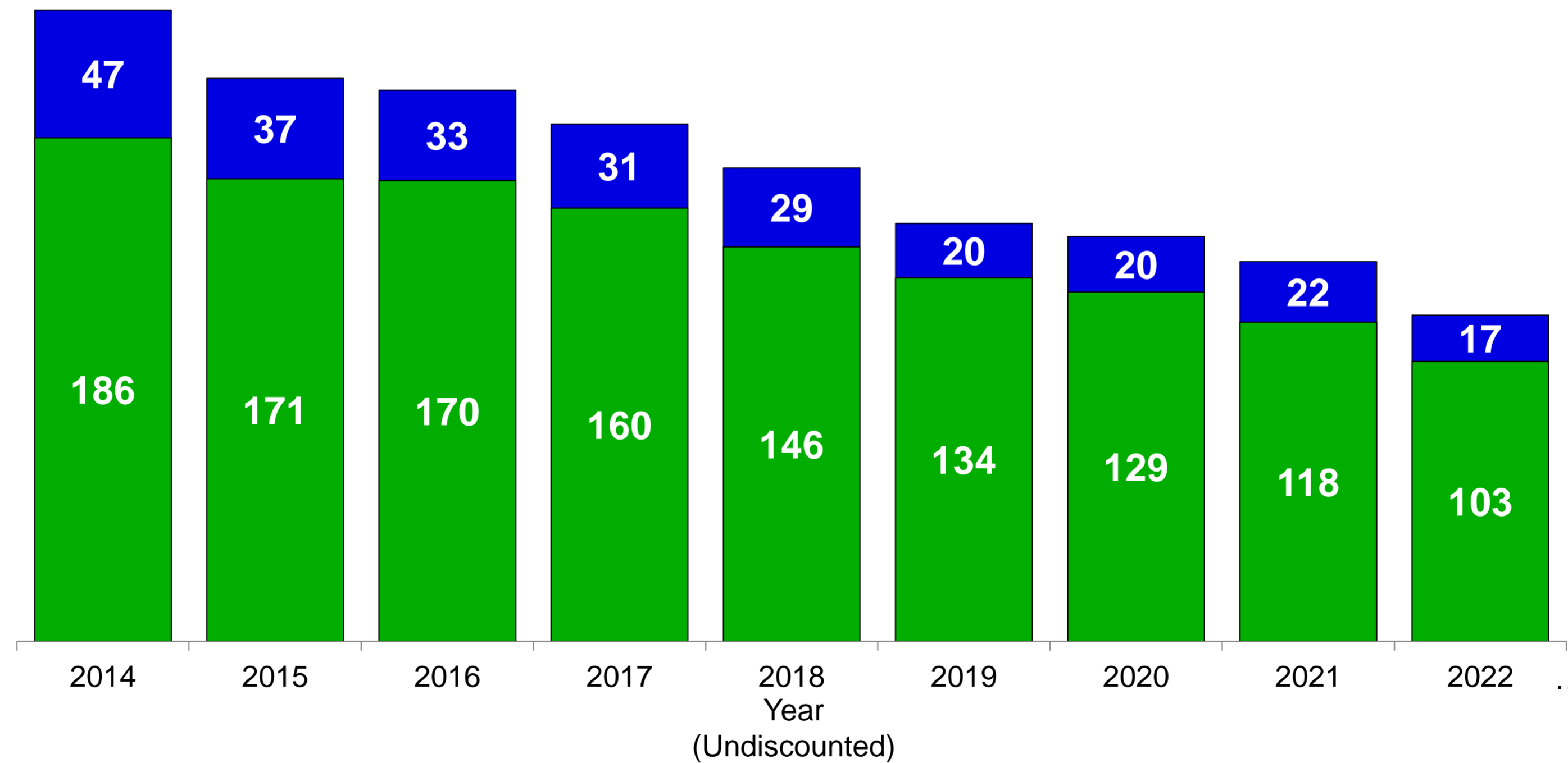


# Value of future monetisation movement – Non-Par & Protection

## New Business is the key growth driver

Impacts of 2013 new business on value of future monetisation

### Impacts of new business

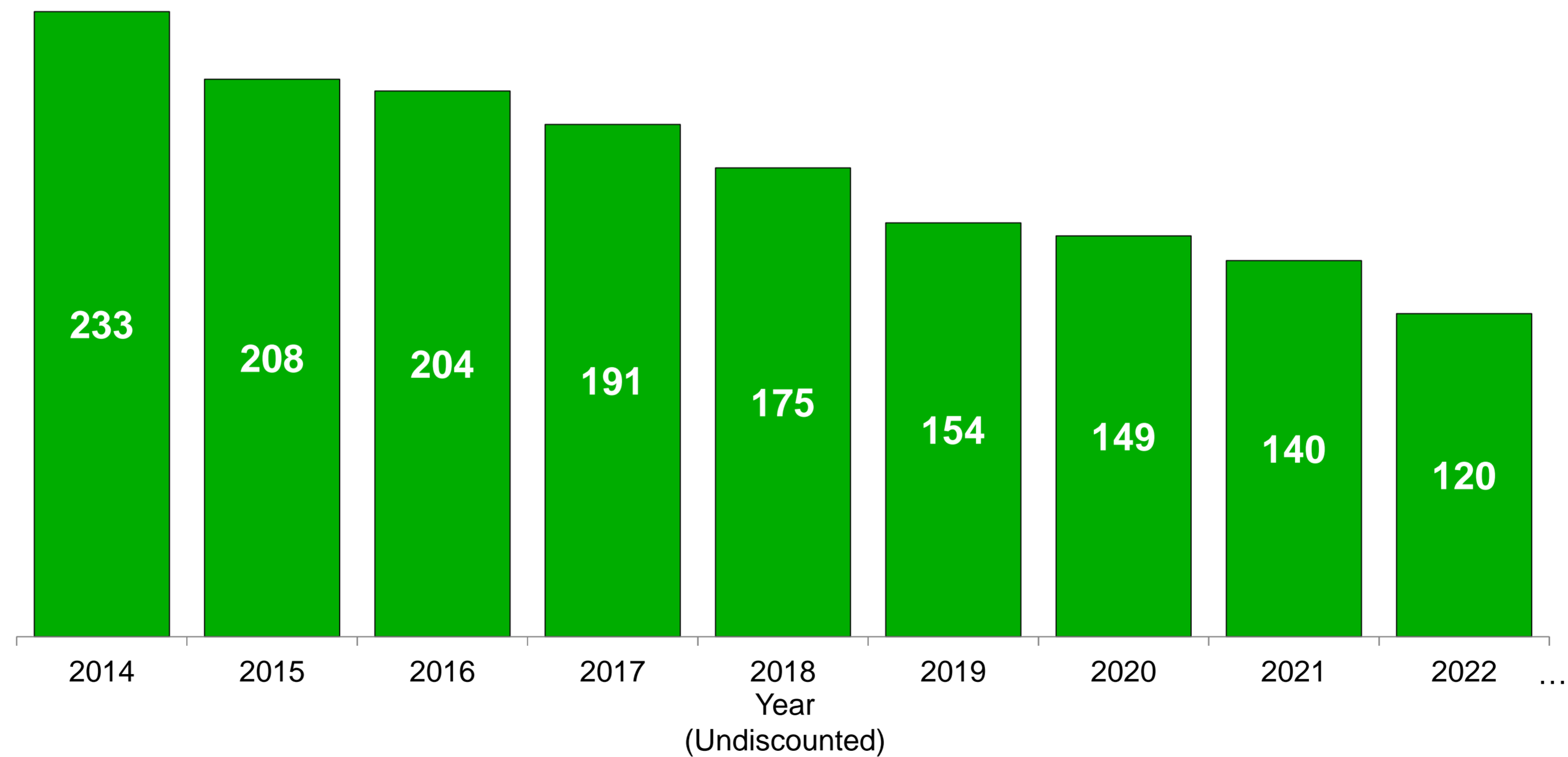


# Value of future monetisation movement – Non-Par & Protection

## New Business is the key growth driver

Impacts of 2013 new business on value of future monetisation

Adjusted for operating impacts and new business



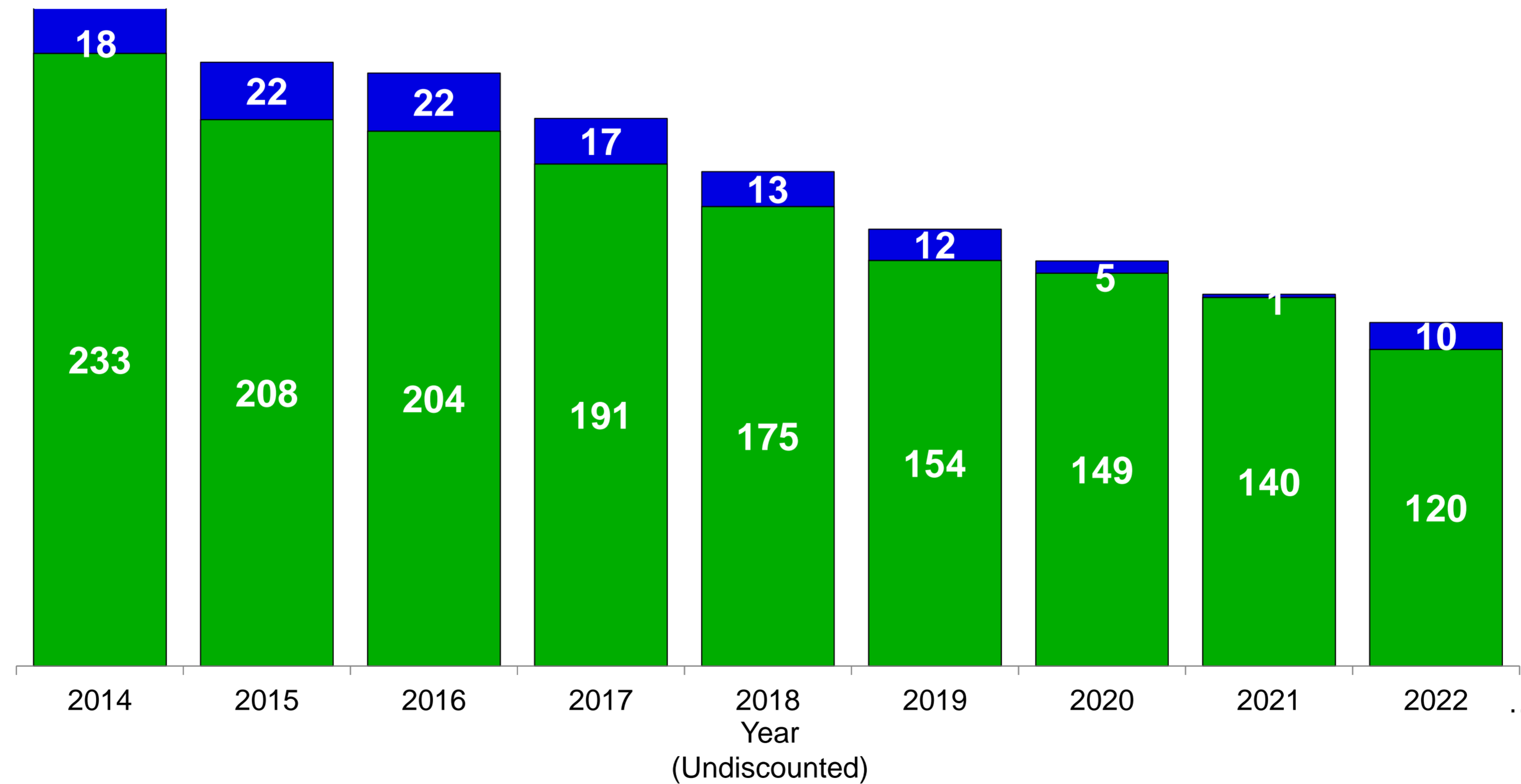


# Value of future monetisation movement – Non-Par & Protection

## New Business is the key growth driver

Impacts of non-operating assumption changes and variance on value of future monetisation

### Impacts of non-operating items

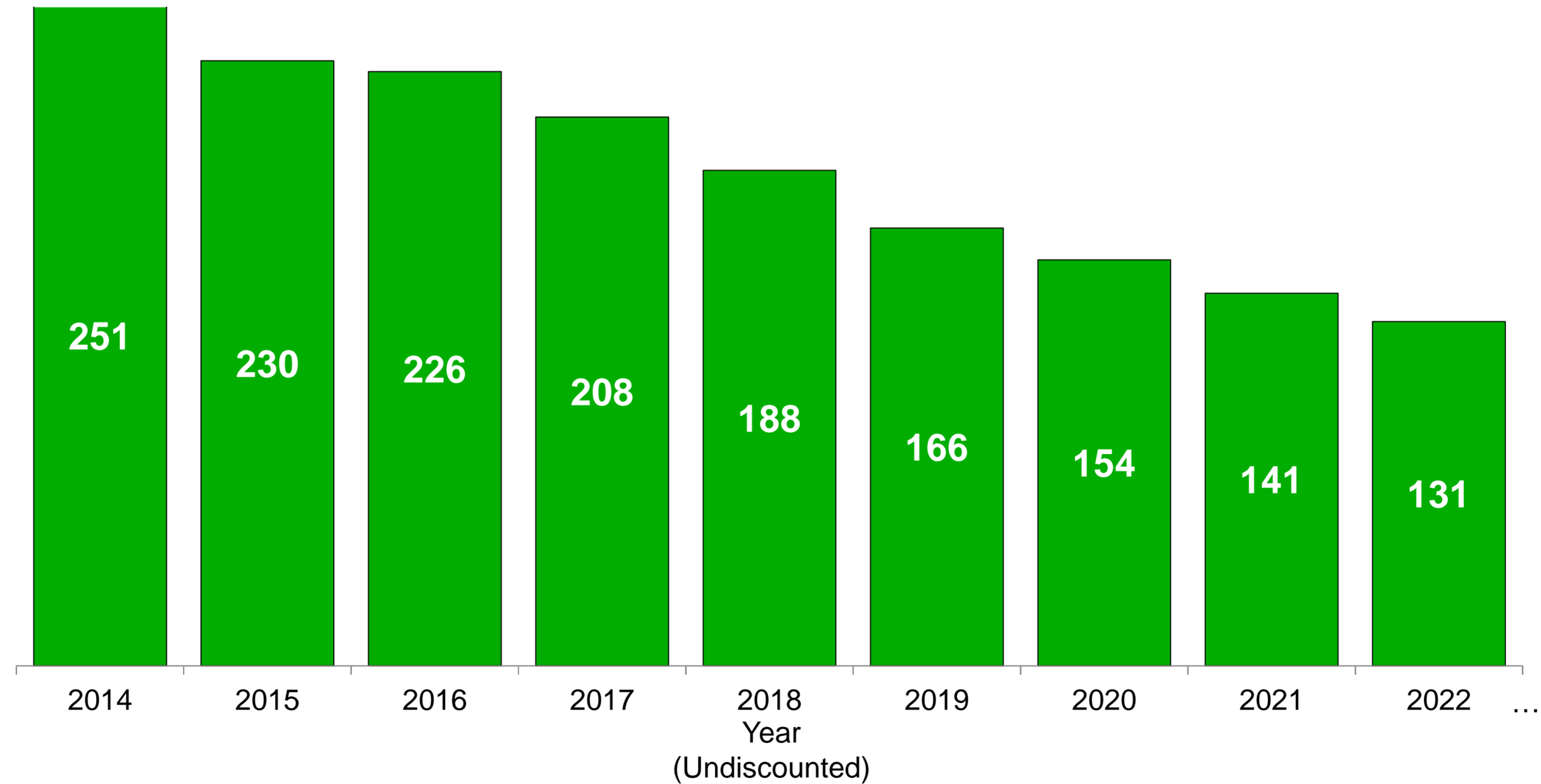


# Value of future monetisation movement – Non-Par & Protection

## New Business is the key growth driver

Impacts of non-operating assumption changes and variance on value of future monetisation

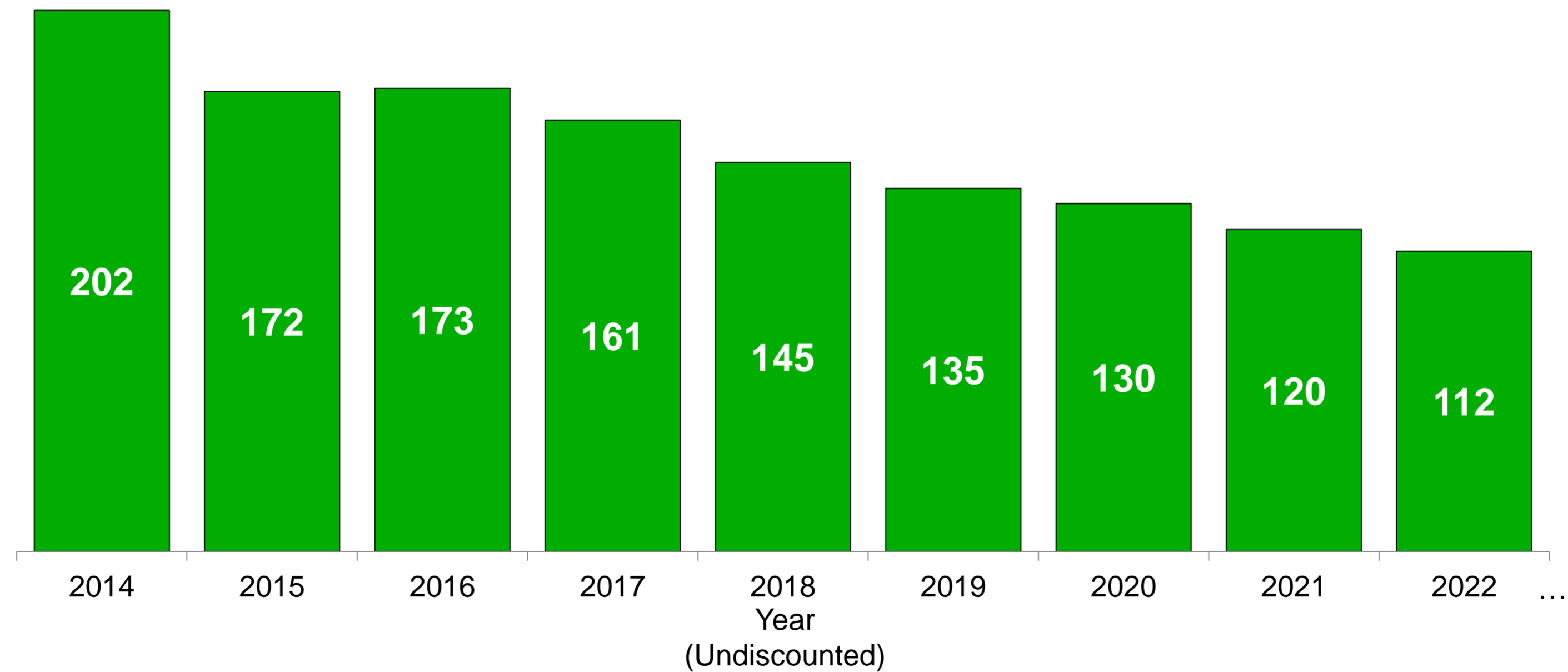
### Adjusted for operating and non-operating impacts & new business



# Value of future monetisation movement – Non-Par & Protection

## New Business is the key growth driver

Impacts of 2013 movement on future value of monetisation

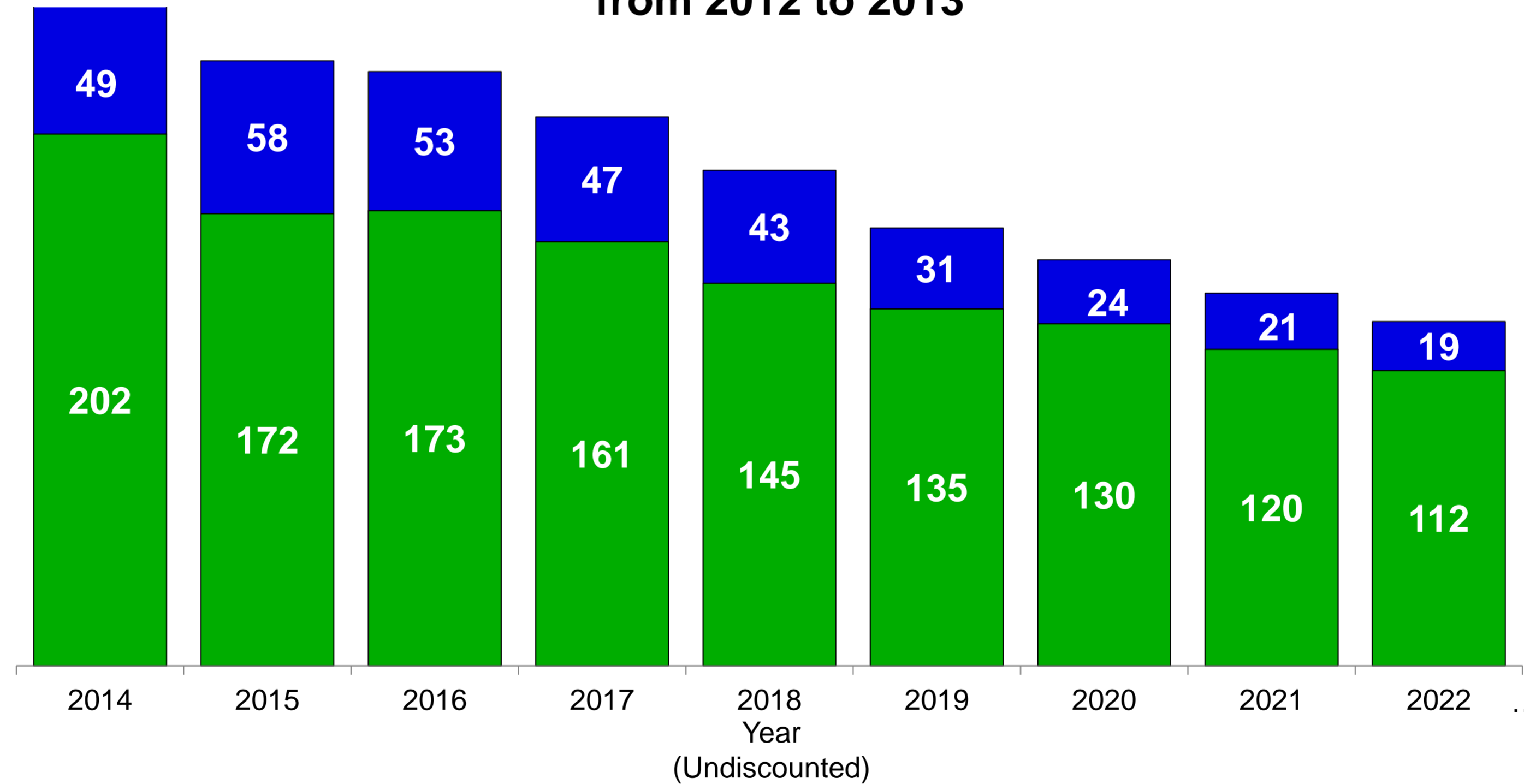


# Value of future monetisation movement – Non-Par & Protection

## New Business is the key growth driver

Impacts of 2013 movement on future value of monetisation

Change in expected future value of monetisation from 2012 to 2013

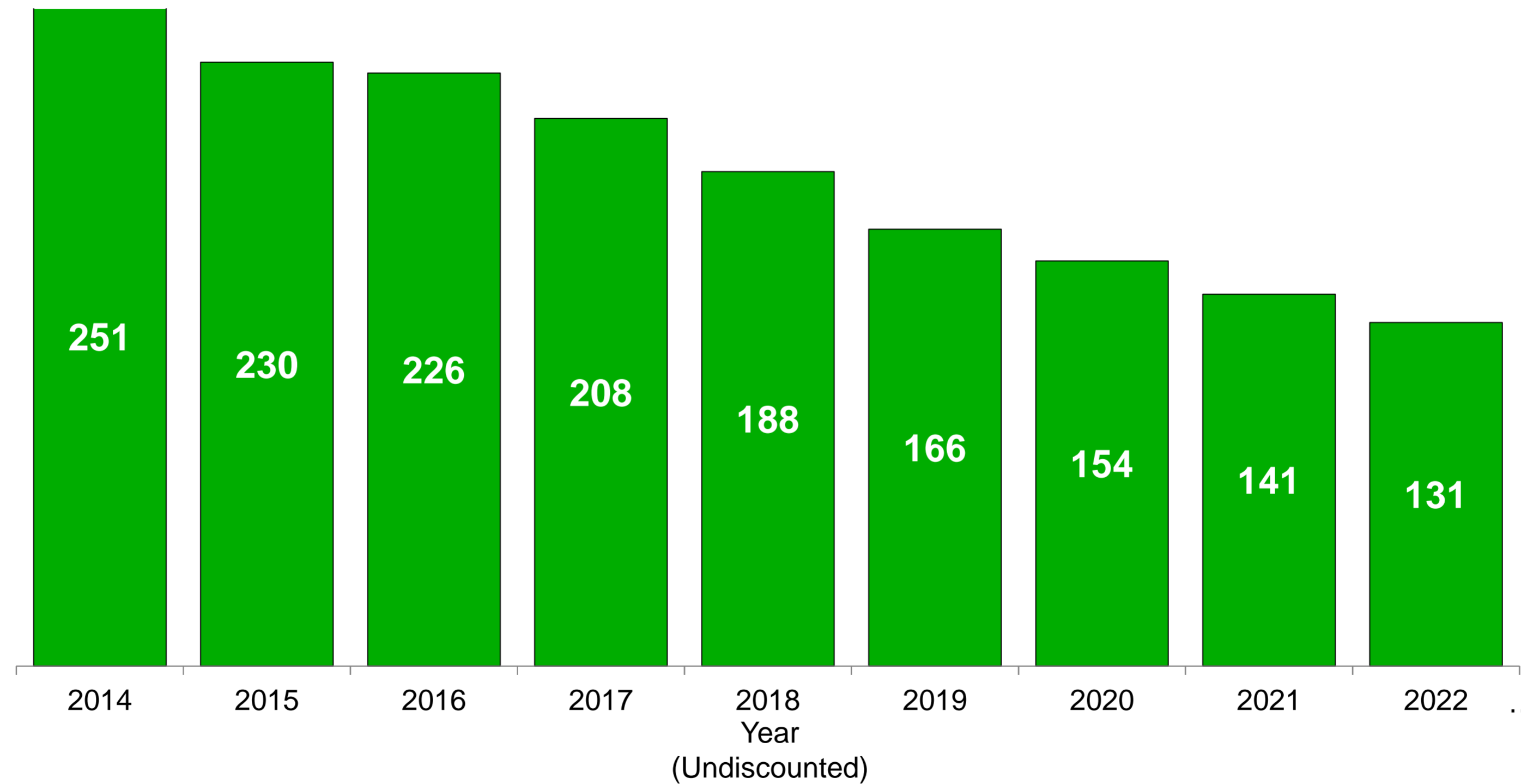


# Value of future monetisation movement – Non-Par & Protection

## New Business is the key growth driver

Impacts of 2013 movement on future value of monetisation

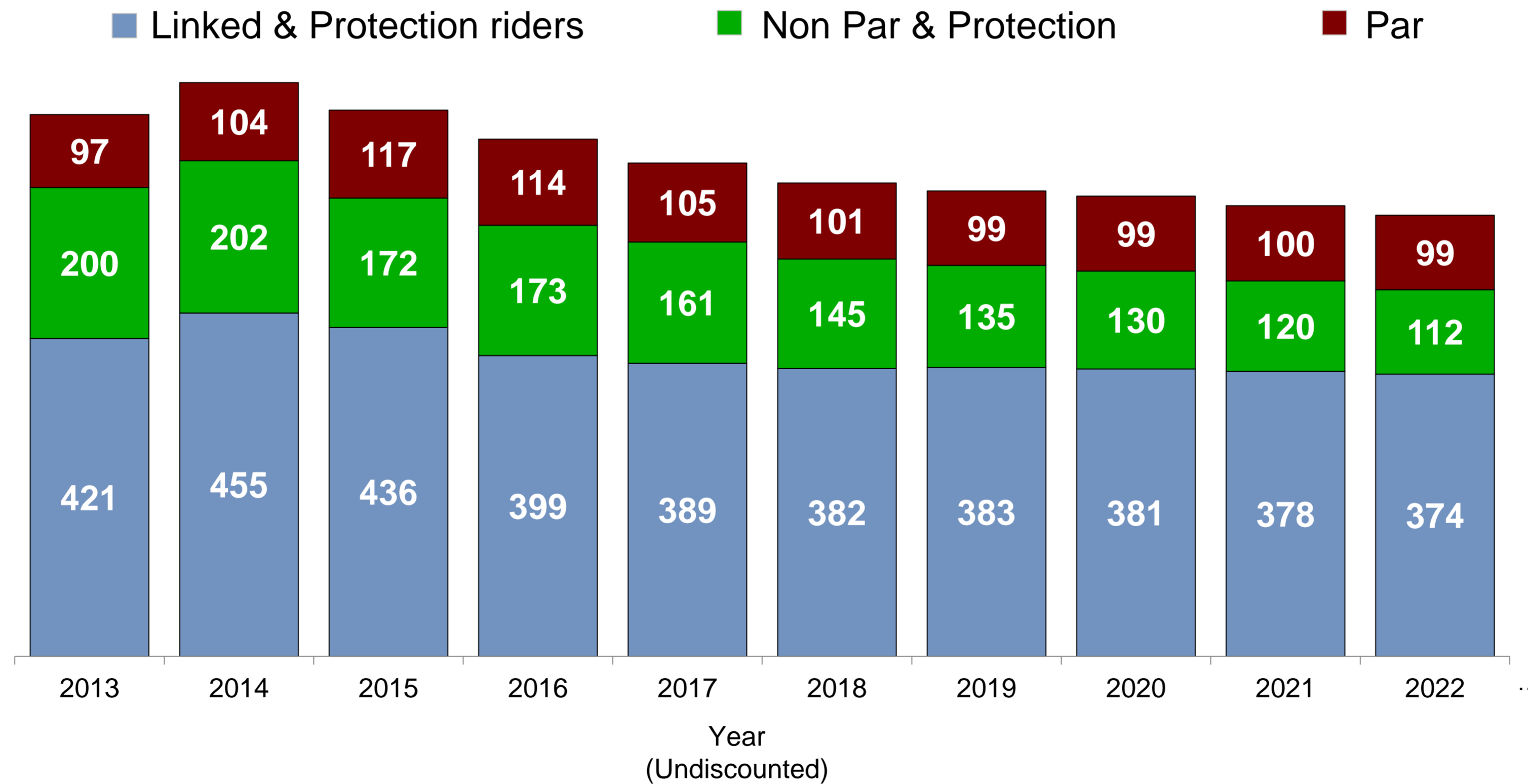
### Expected value of monetisation at the end of 2013



# Value of future monetisation at end of 2012 by product groups

## Recapping the value of future monetisation at end of 2012 by product groups

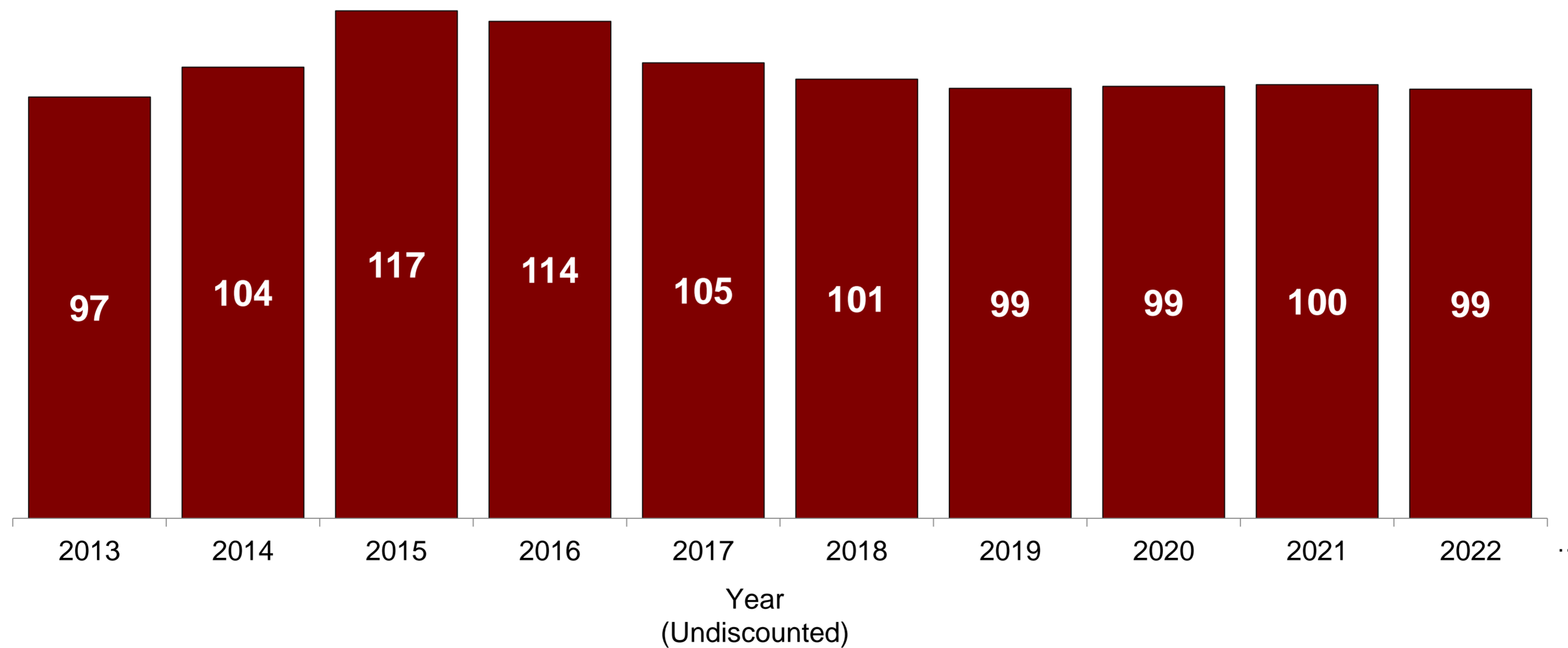
Expected monetisation profile from YE 2012 in-force book, £'m



# Value of future monetisation at end of 2012 by product groups

Par products contributed 15% of future monetisation

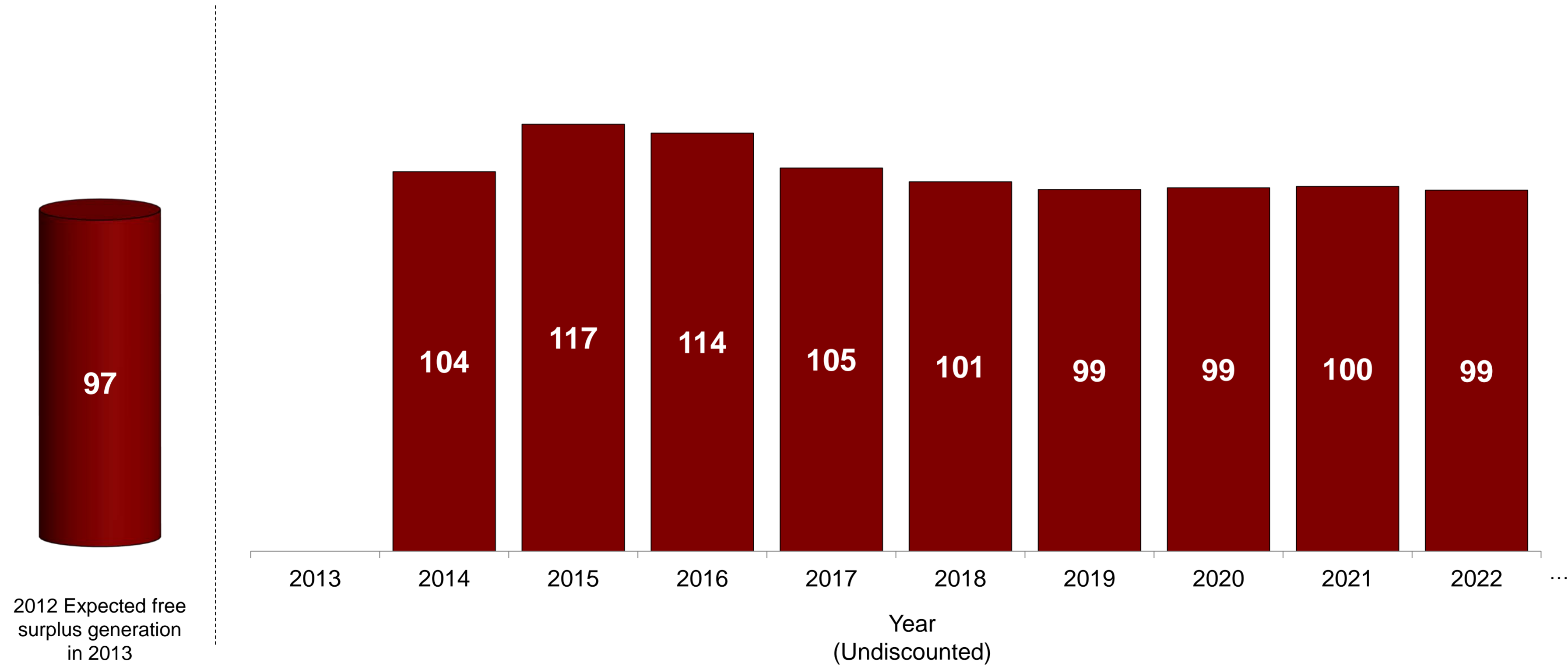
Expected monetisation profile from YE 2012 in-force book, £'m



# Value of future monetisation at end of 2012 - Par

## Realising 2012 expected free surplus generation in 2013

Expected monetisation profile from YE 2012 in-force book, £'m

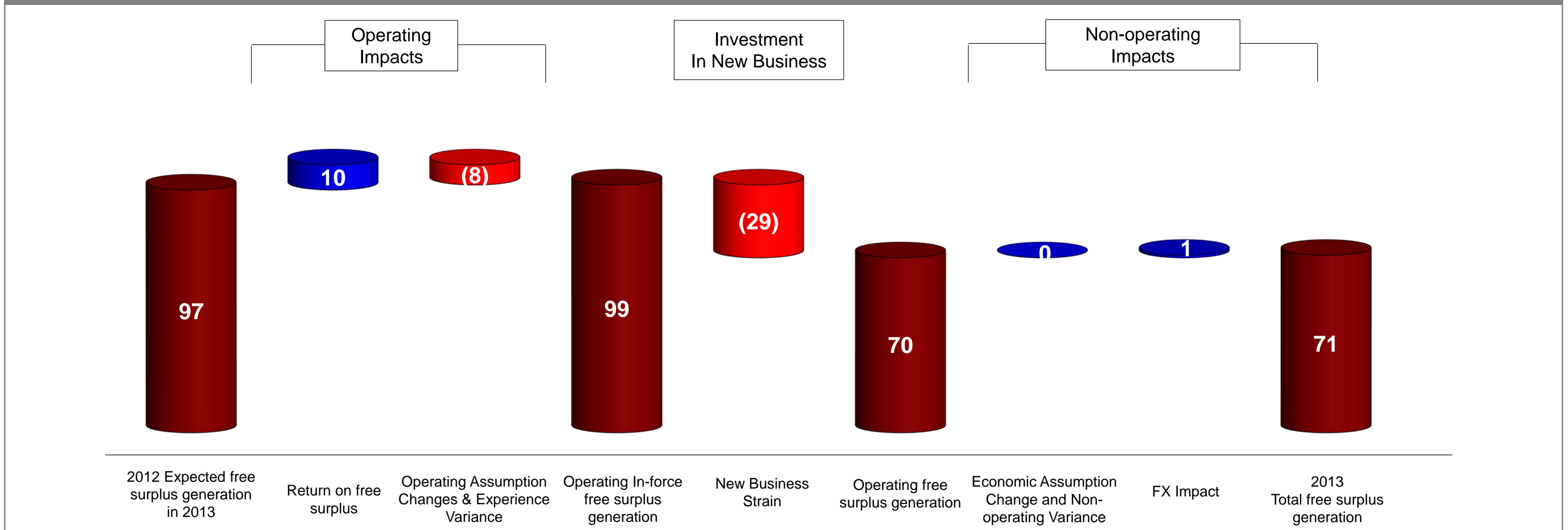




# 2013 Free Surplus Movement - Par

## Delivering the operating free surplus as expected

Actual vs Expected Free Surplus Generation in 2013, £'m

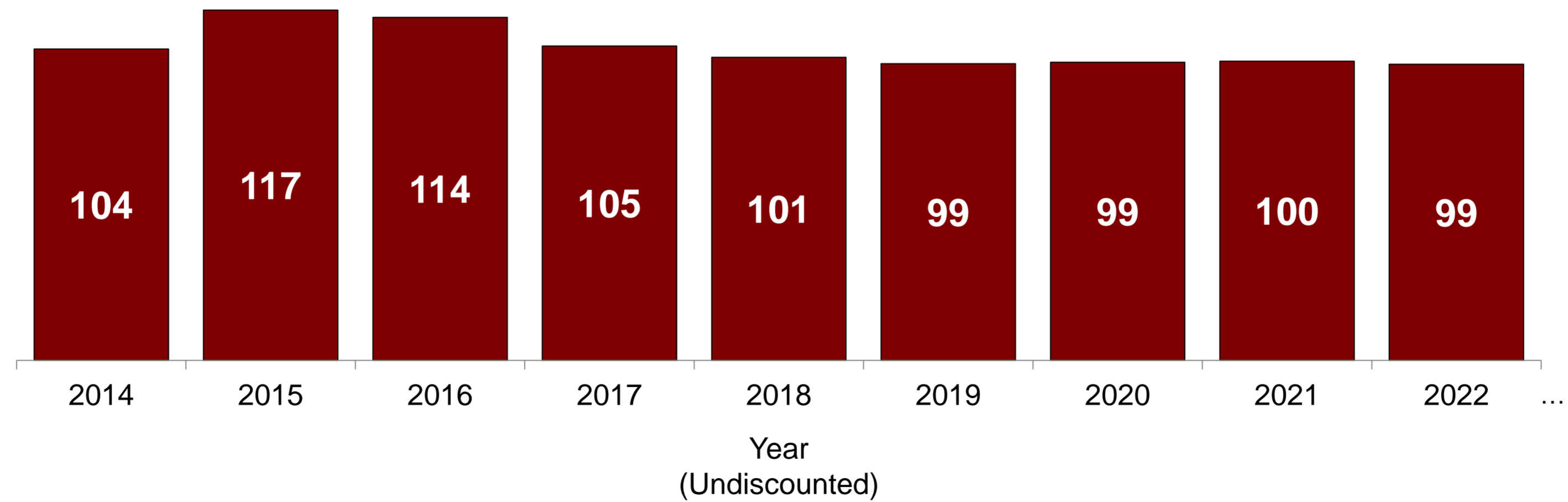


Note: Reflected Life Operations only

# Value of future monetisation movement – Par

## New Business is the key growth driver

Impact of operating assumption changes and variance on value of future monetisation

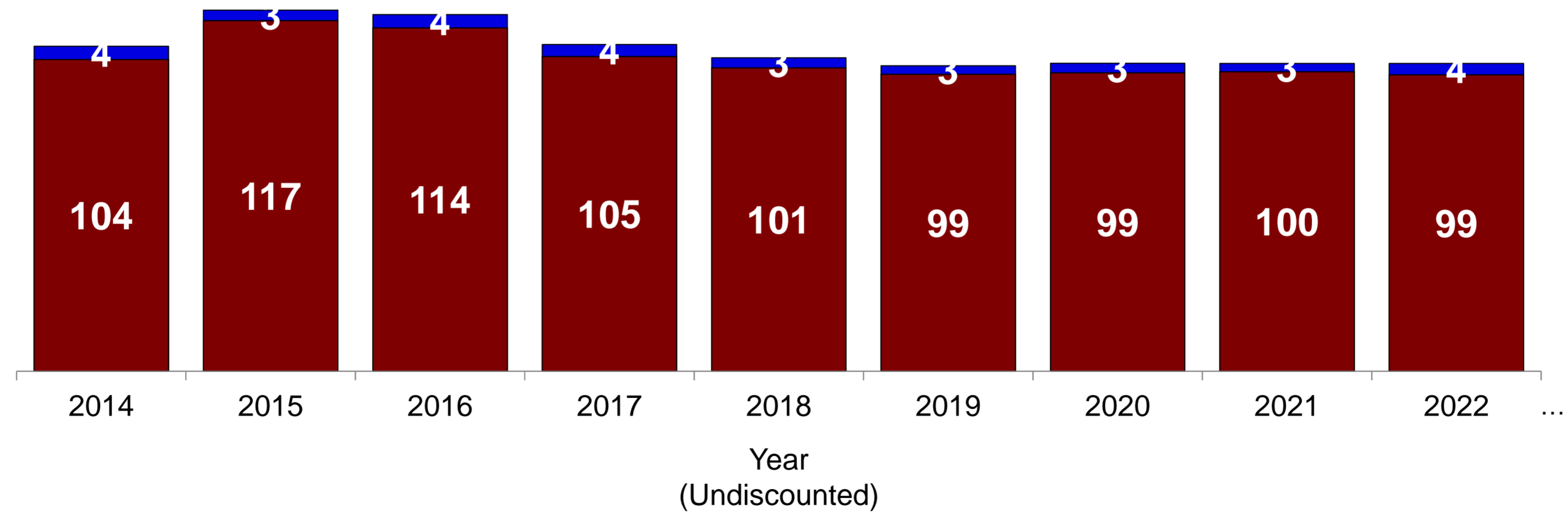


# Value of future monetisation movement – Par

## New Business is the key growth driver

Impacts of operating assumption changes and variance on value of future monetisation

### Impact of operating items

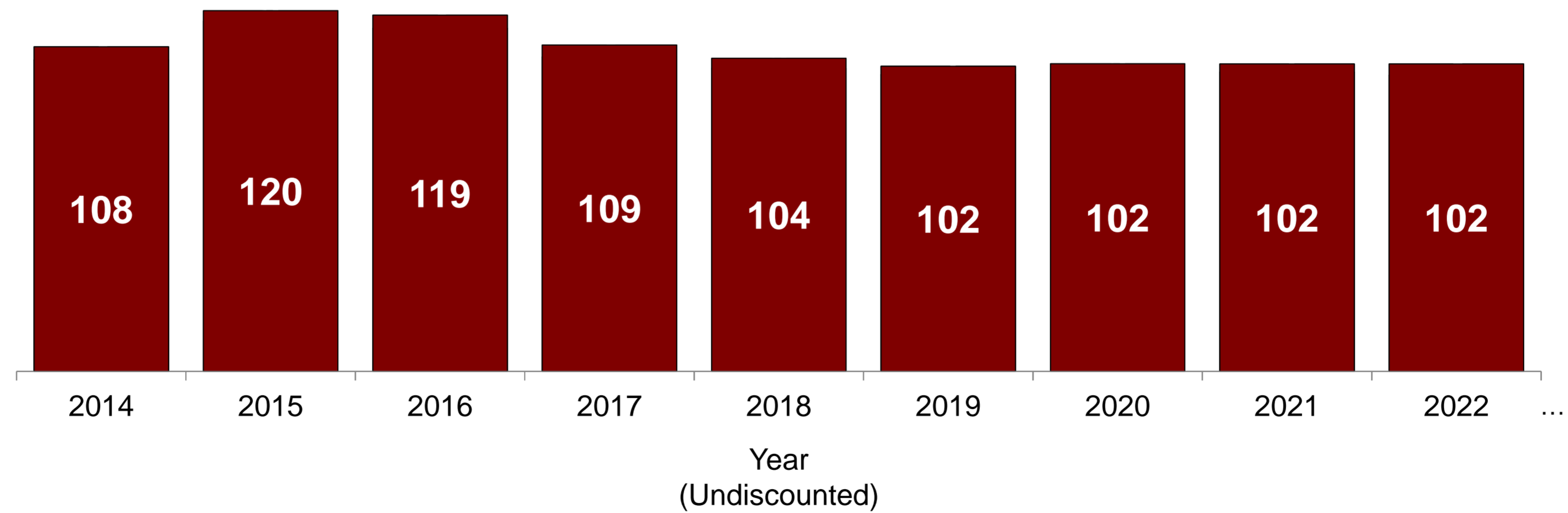


# Value of future monetisation movement – Par

## New Business is the key growth driver

Impacts of operating assumption changes and variance on value of future monetisation

### Adjusted for operating impacts

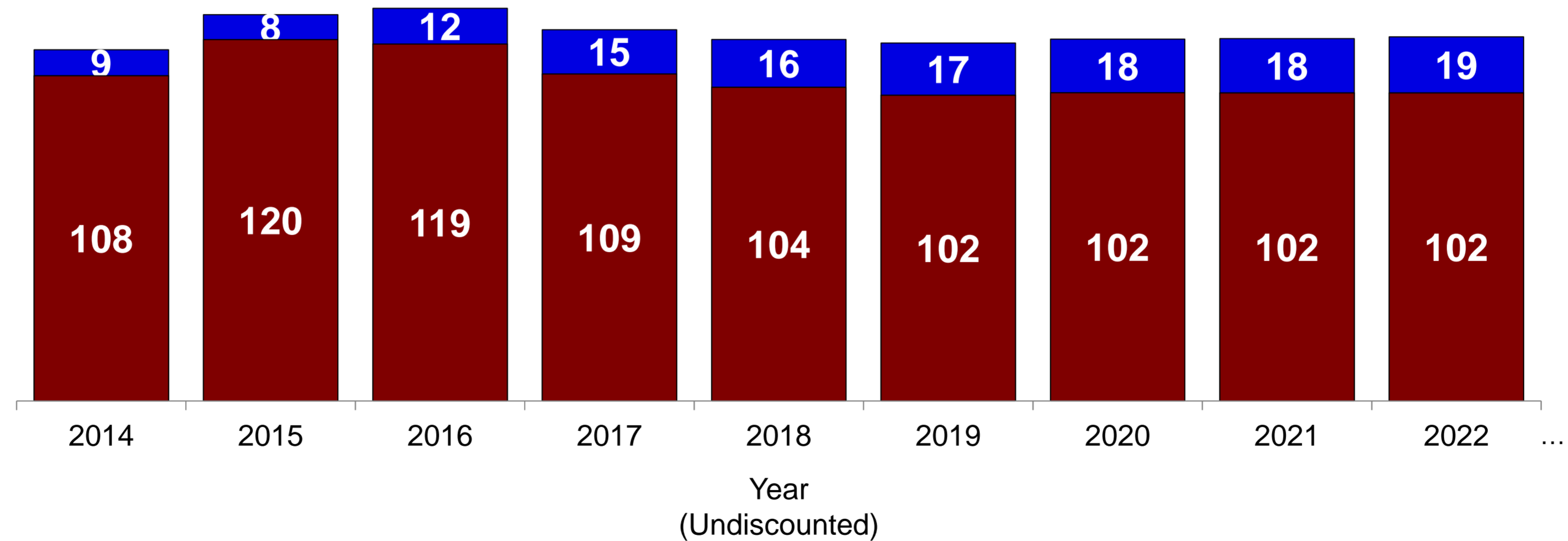


# Value of future monetisation movement – Par

## New Business is the key growth driver

Impacts of 2013 new business on value of future monetisation

### Impacts of new business

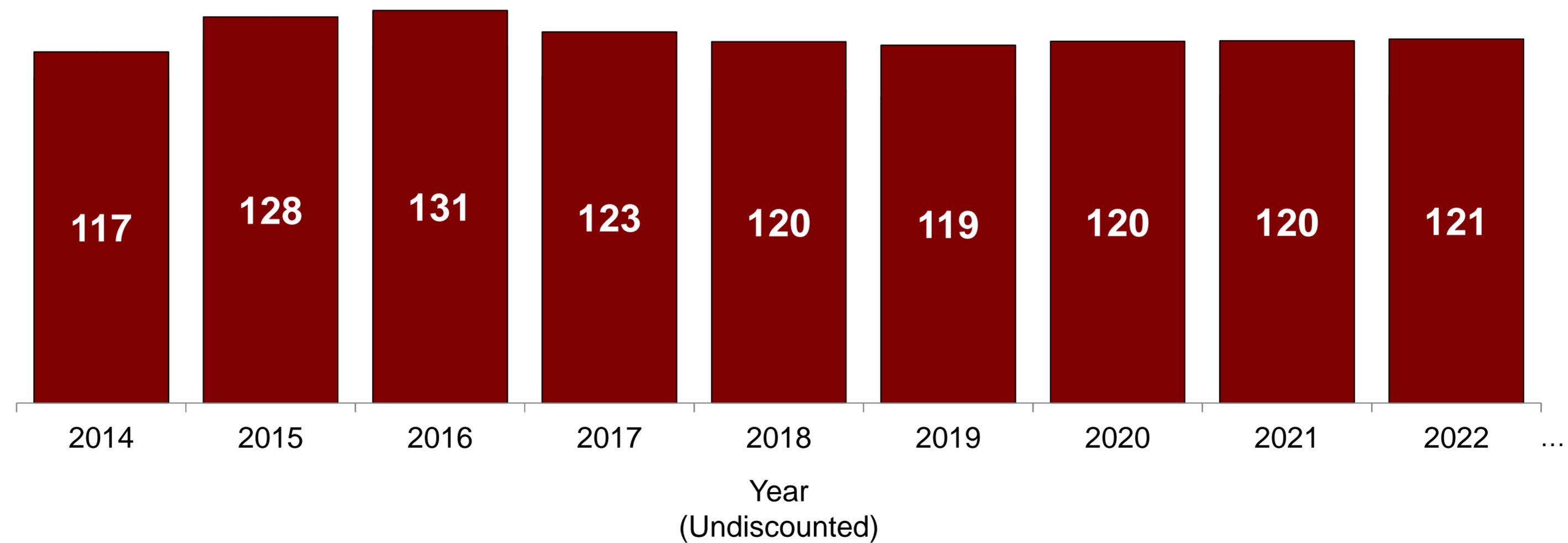


# Value of future monetisation movement – Par

## New Business is the key growth driver

Impacts of 2013 new business on value of future monetisation

Adjusted for operating impacts and new business

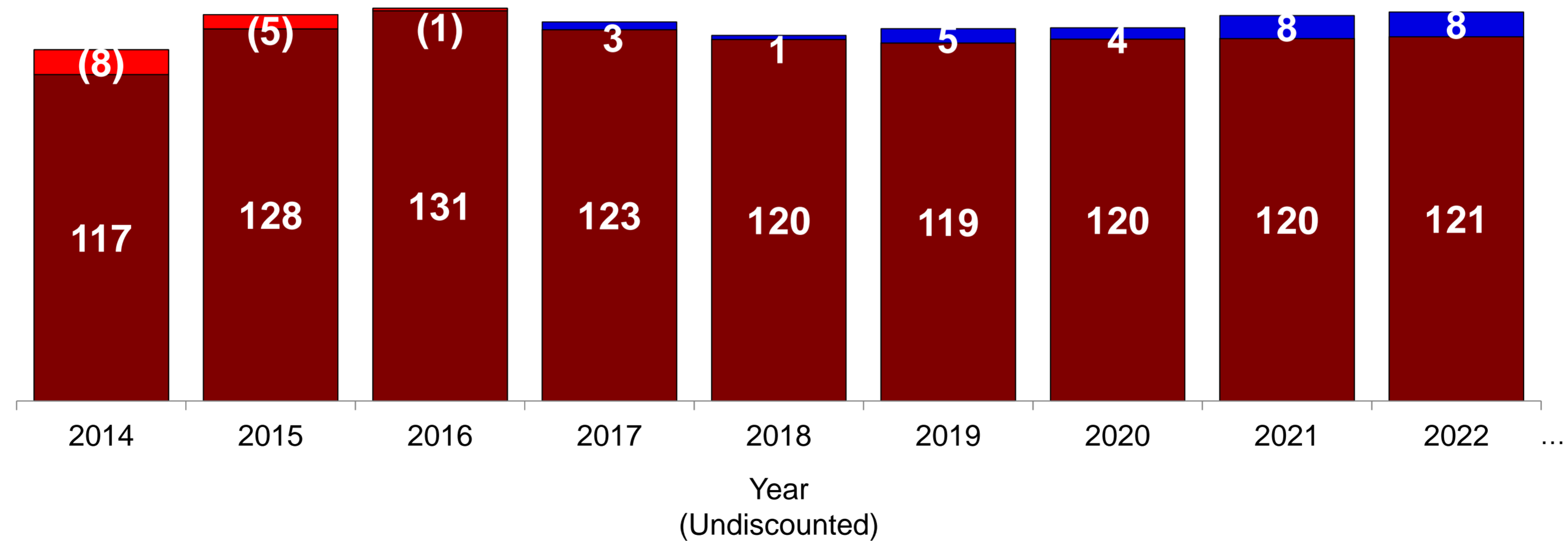


# Value of future monetisation movement – Par

## New Business is the key growth driver

Impacts of 2013 non operating on value of future monetisation

### Impacts of non-operating items

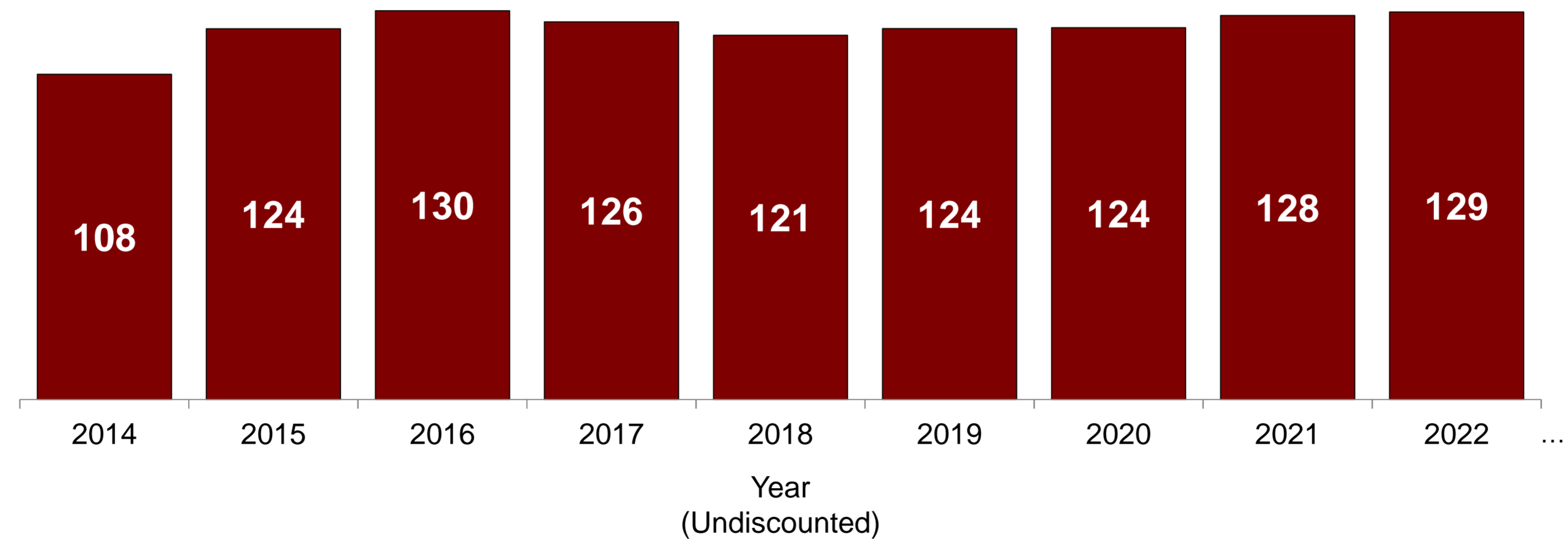


# Value of future monetisation movement – Par

## New Business is the key growth driver

Impacts of 2013 non operating on value of future monetisation

Adjusted for operating & non-operating impacts and new business

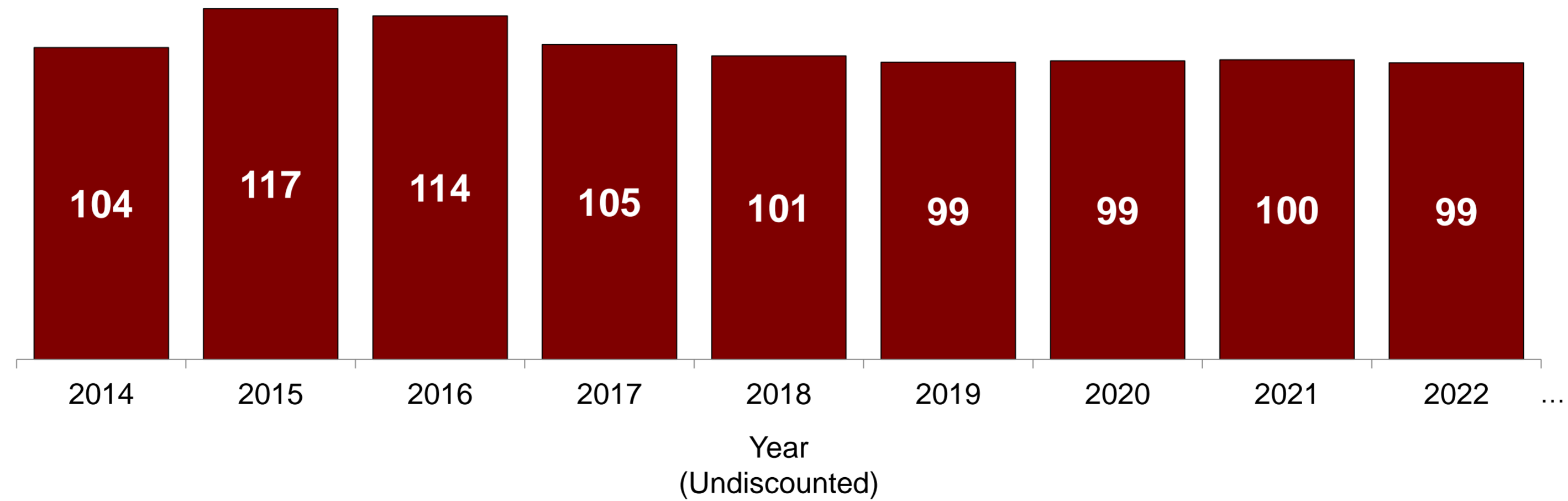




# Value of future monetisation movement – Par

## New Business is the key growth driver

Impact of 2013 movement on value of future monetisation

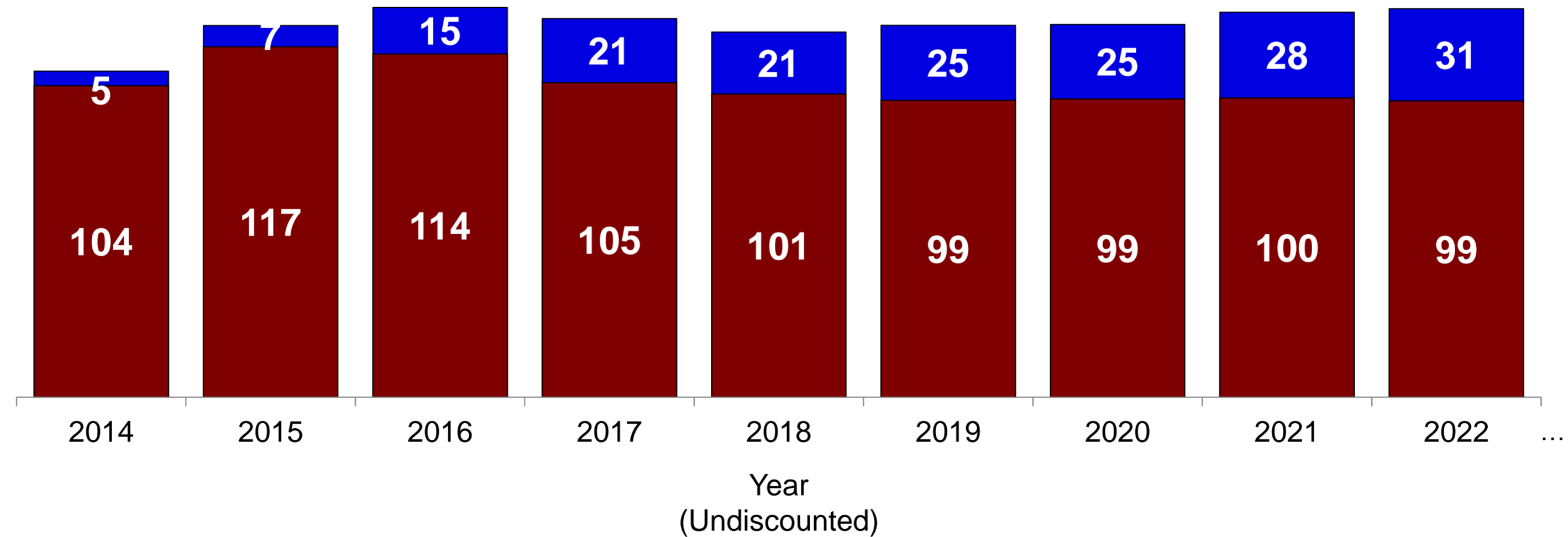


# Value of future monetisation movement – Par

## New Business is the key growth driver

Impacts of 2013 movement on value of future monetisation

### Change in value of future monetisation expectation from 2012 to 2013

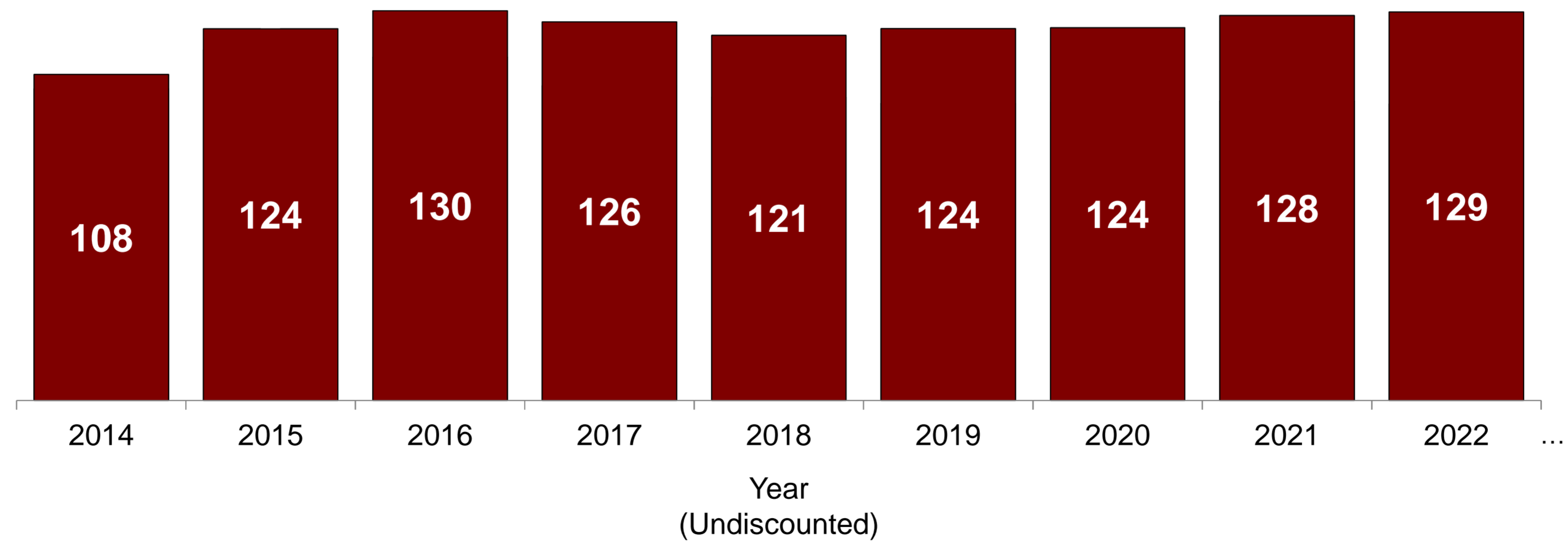


# Value of future monetisation movement – Par

## New Business is the key growth driver

Impacts of 2013 movement on value of future monetisation

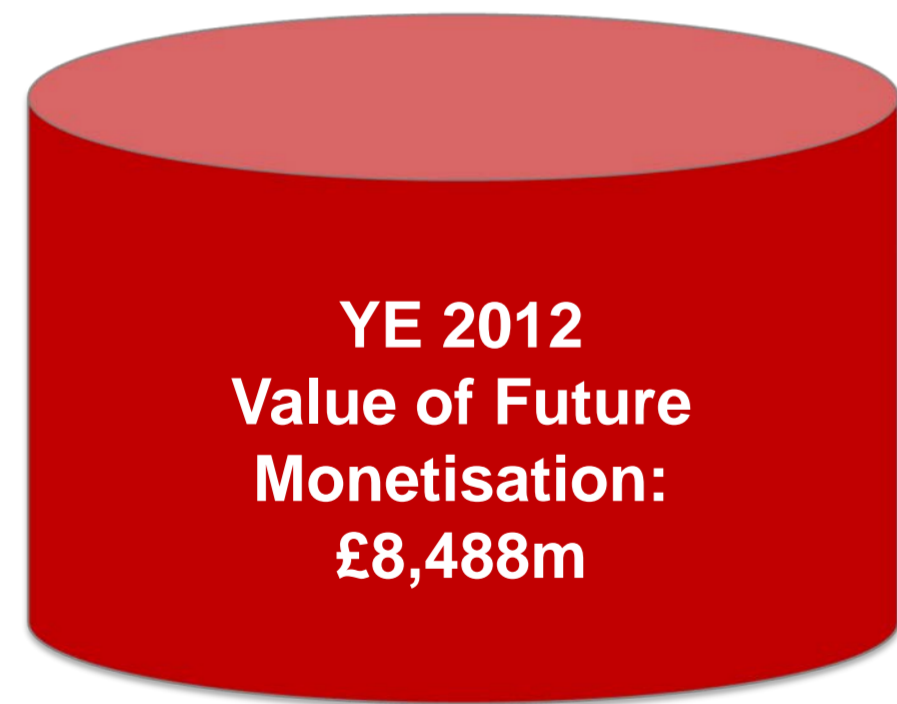
Expected value of future monetisation at the end of 2013



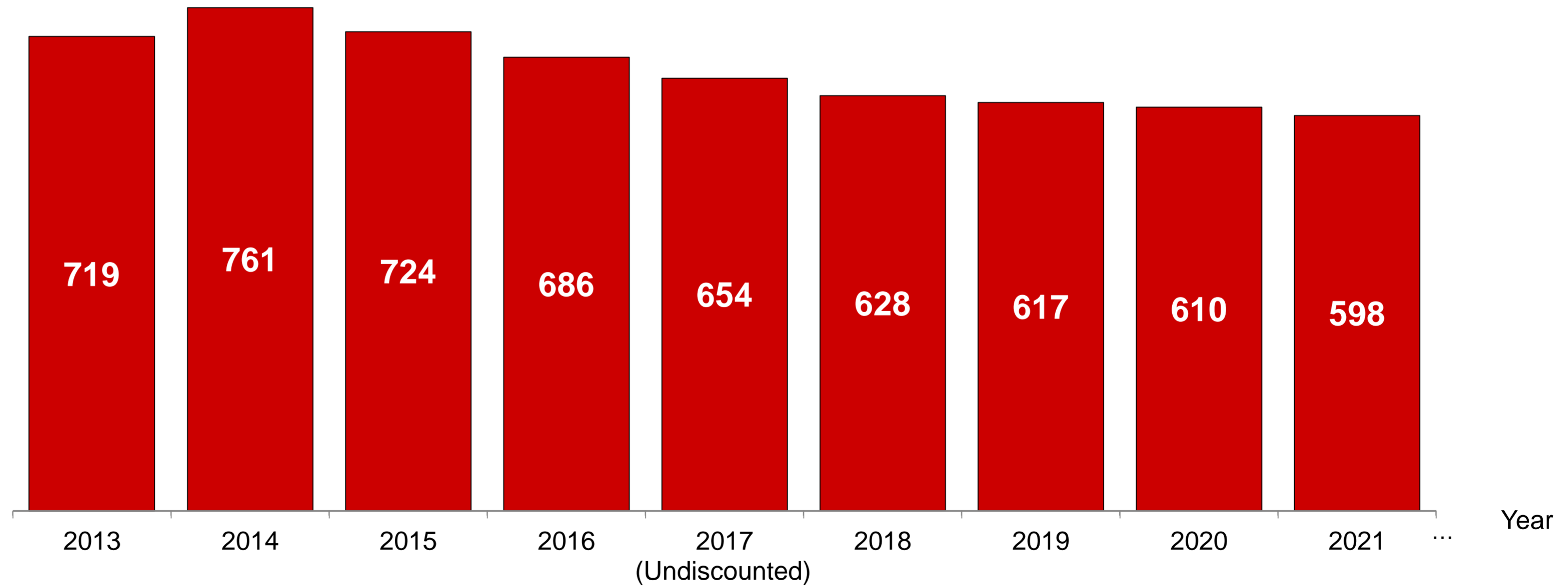
# Value of future monetisation at end of 2012

## Growth in expected value of future monetisation from 2012 to 2013

Expected monetisation profile from YE 2012 in-force book, £'m



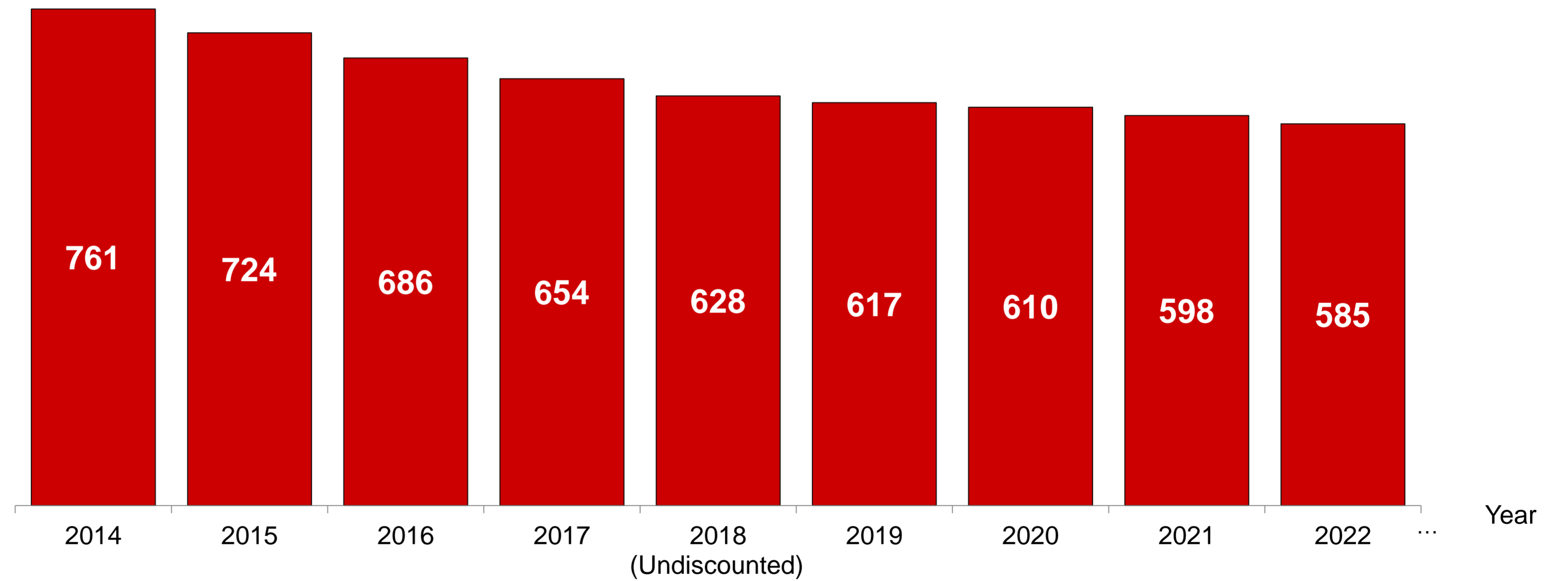
(Discounted)



# Value of future monetisation at end of 2012

## Growth in expected value of future monetisation from 2012 to 2013

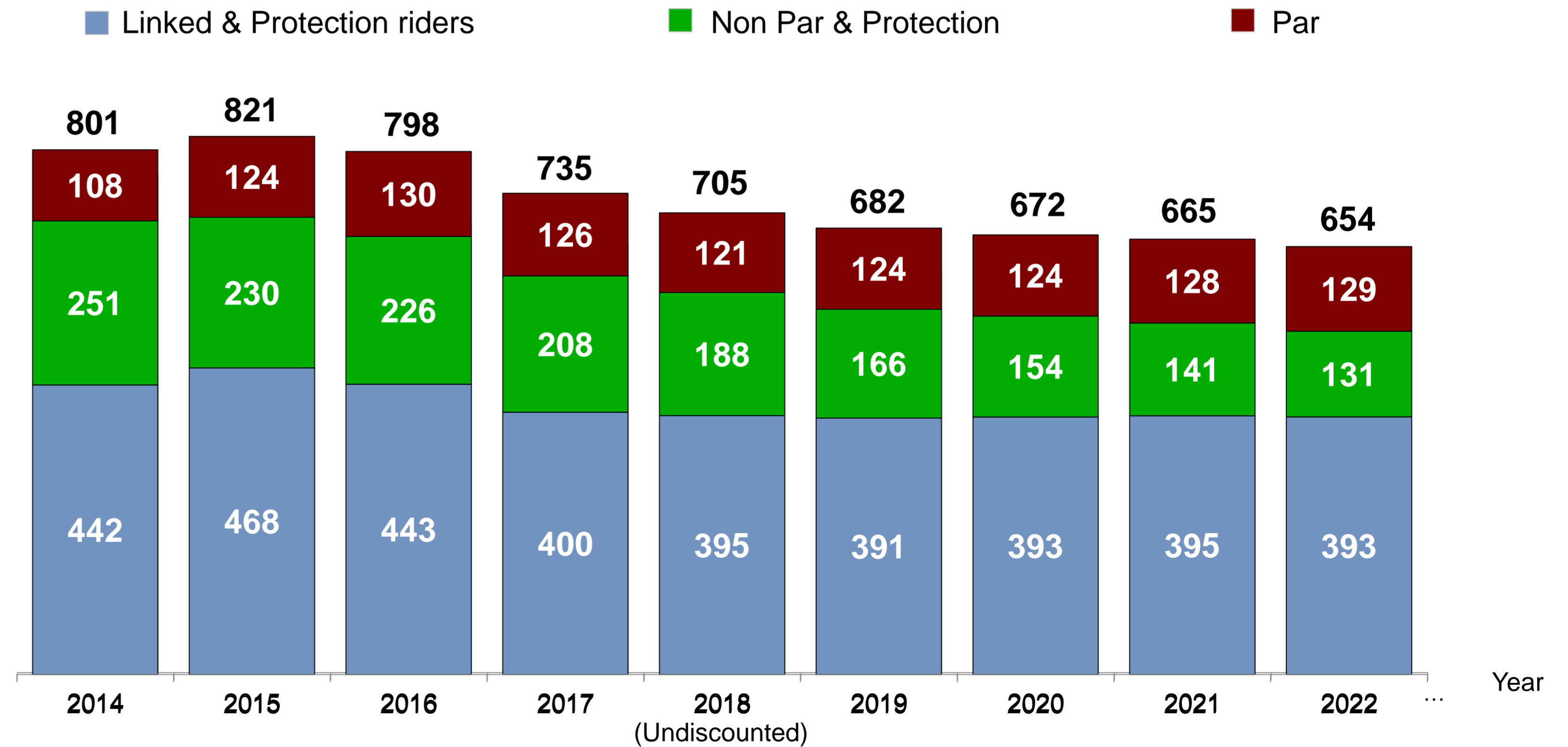
Expected monetisation profile from YE 2012 in-force book, £'m



# Value of future monetisation at end of 2013

## Growth in expected value of future monetisation from 2012 to 2013

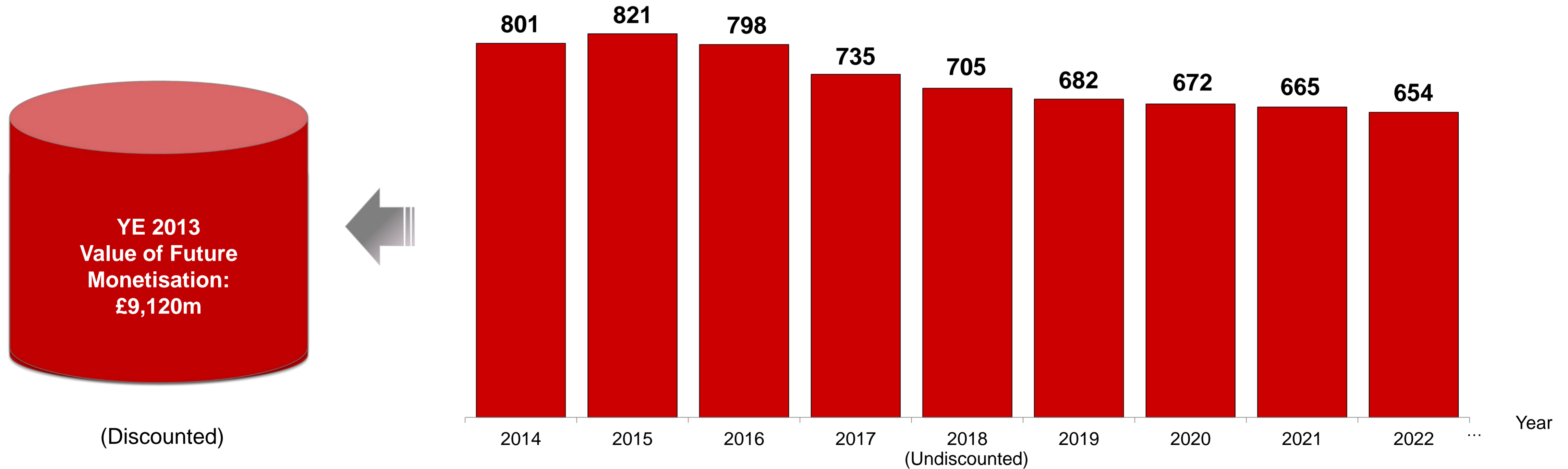
Expected monetisation profile from YE 2012 in-force book, £'m



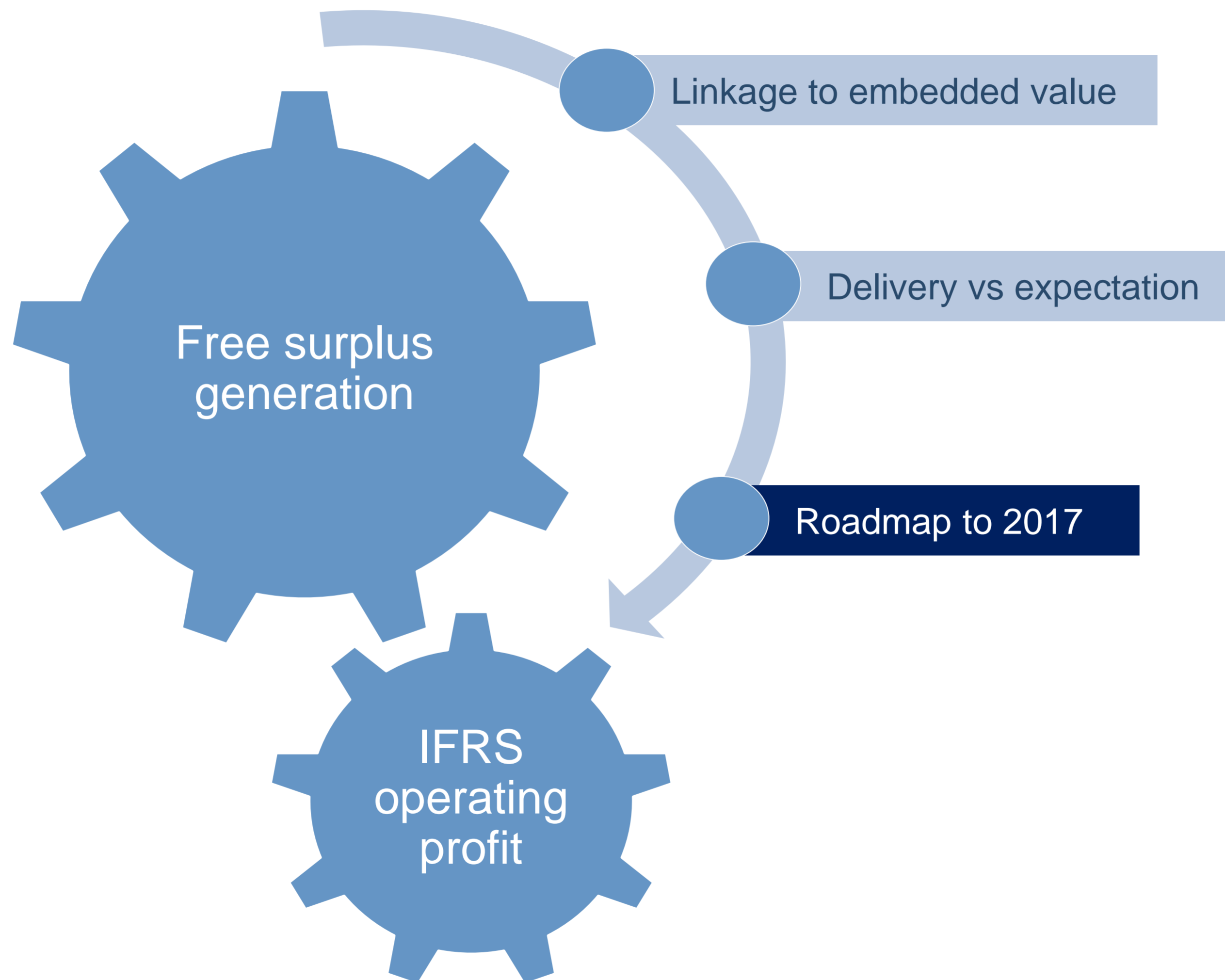
# Value of future monetisation at end of 2013

Present value of expected monetisation stood at £9.1bn at end of 2013

Expected monetisation profile from YE 2013 in-force book, £'m



# Agenda

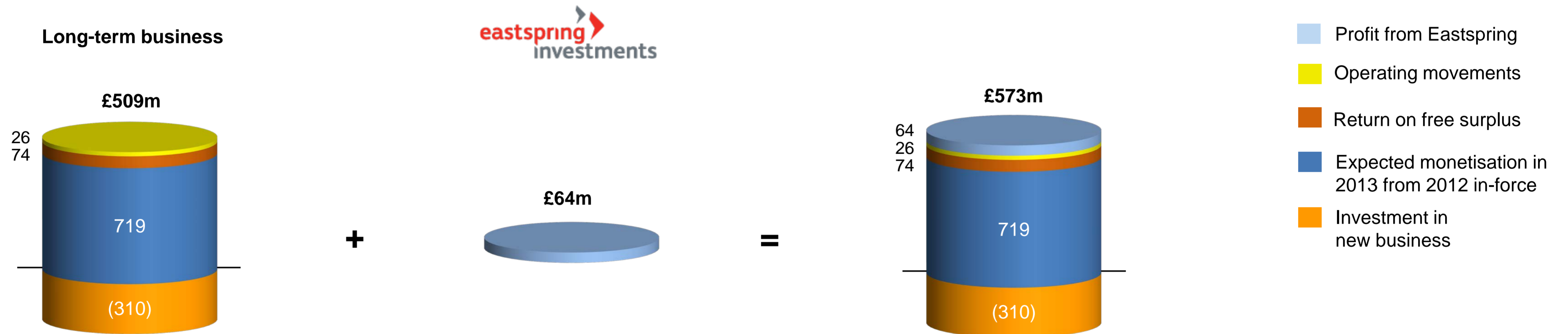




# Free surplus generation roadmap to 2017

Definition includes post-tax profits from Eastspring Investments

Operating free surplus generation (2013), £m

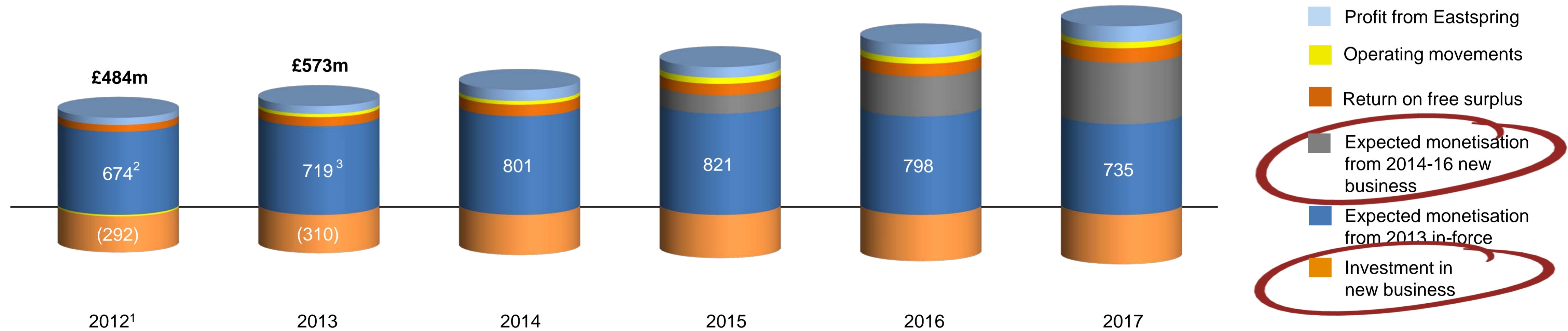


# Free surplus generation roadmap to 2017

## Quantity and quality of new business are key to delivery

Operating free surplus generation (2012 – 2017), £m

2017 Objective: £0.9bn – £1.1bn in 2017



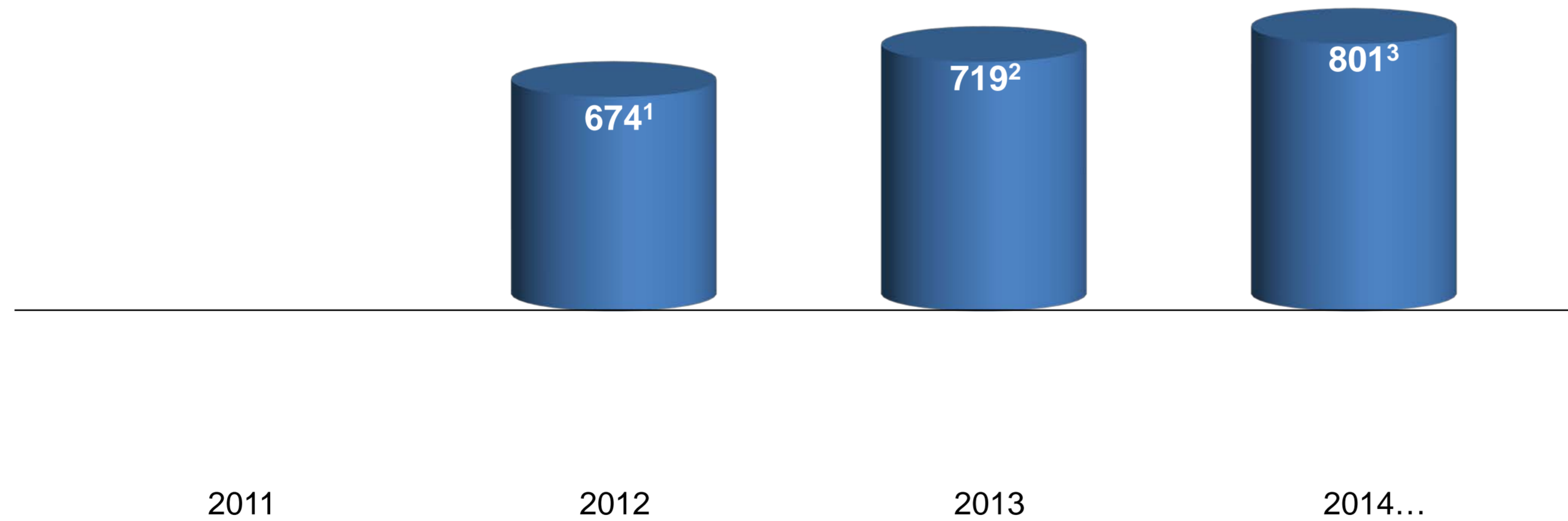
Notes:

1. The 2012 comparative results have been adjusted retrospectively for new and amended accounting standards in 2013, and exclude the one-off gain on sale of the Group's holding in China Life Insurance Company in Taiwan of £51m.
2. Expected monetisation in 2012 from 2011 in-force.
3. Expected monetisation in 2013 from 2012 in-force.

# Contribution from past new business vintages

## How expected monetisation has been enhanced

Expected monetisation profile, £m



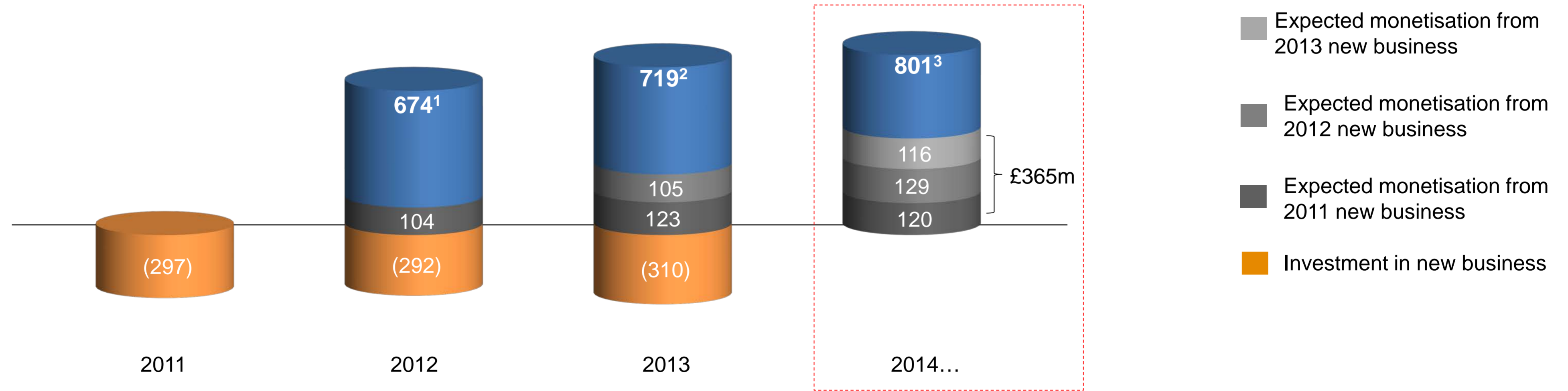
Notes:

1. Expected monetisation in 2012 from 2011 in-force.
2. Expected monetisation in 2013 from 2012 in-force.
3. Expected monetisation from 2013 in-force.

# How expected monetisation has been enhanced

Last 3 vintages were expected to deliver £365m in 2014

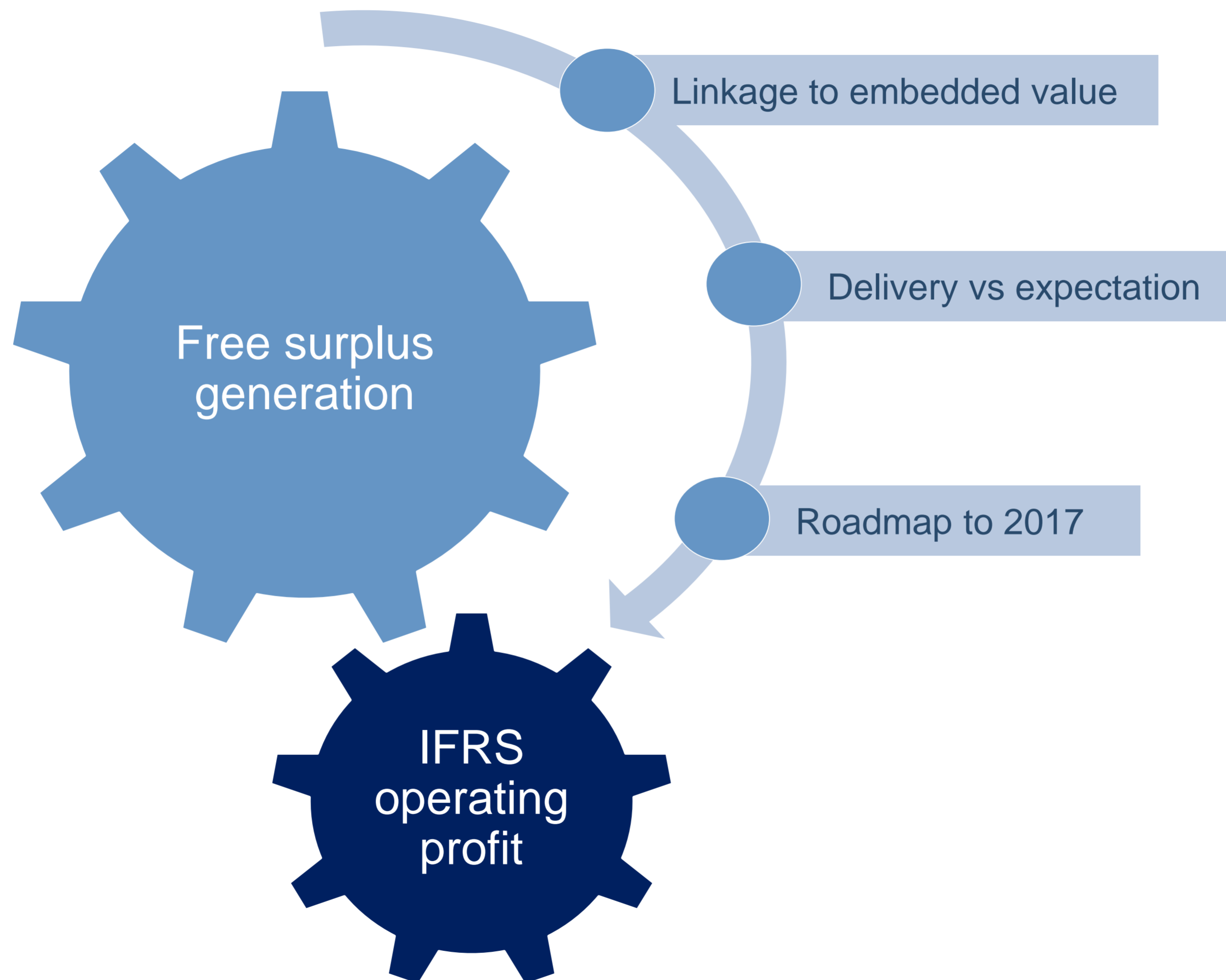
Expected monetisation profile, £m



Notes:

1. Expected monetisation in 2012 from 2011 in-force.
2. Expected monetisation in 2013 from 2012 in-force.
3. Expected monetisation from 2013 in-force.

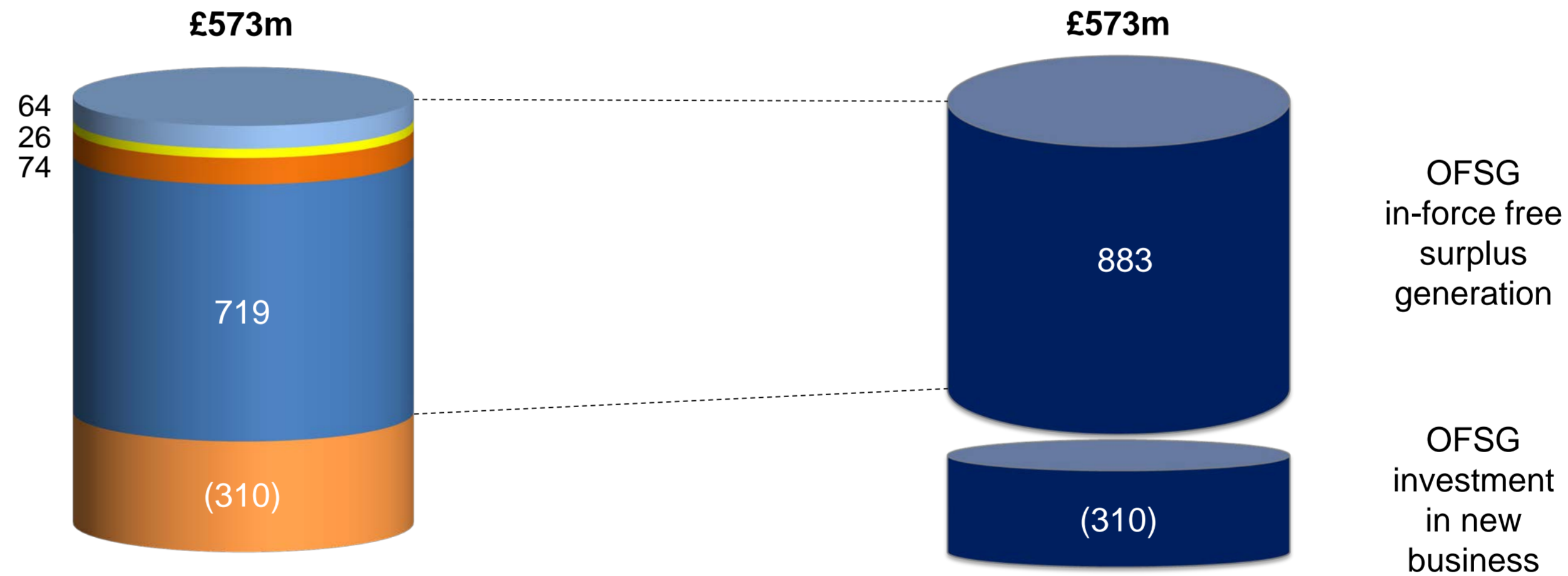
# Agenda



# IFRS linkage to free surplus generation

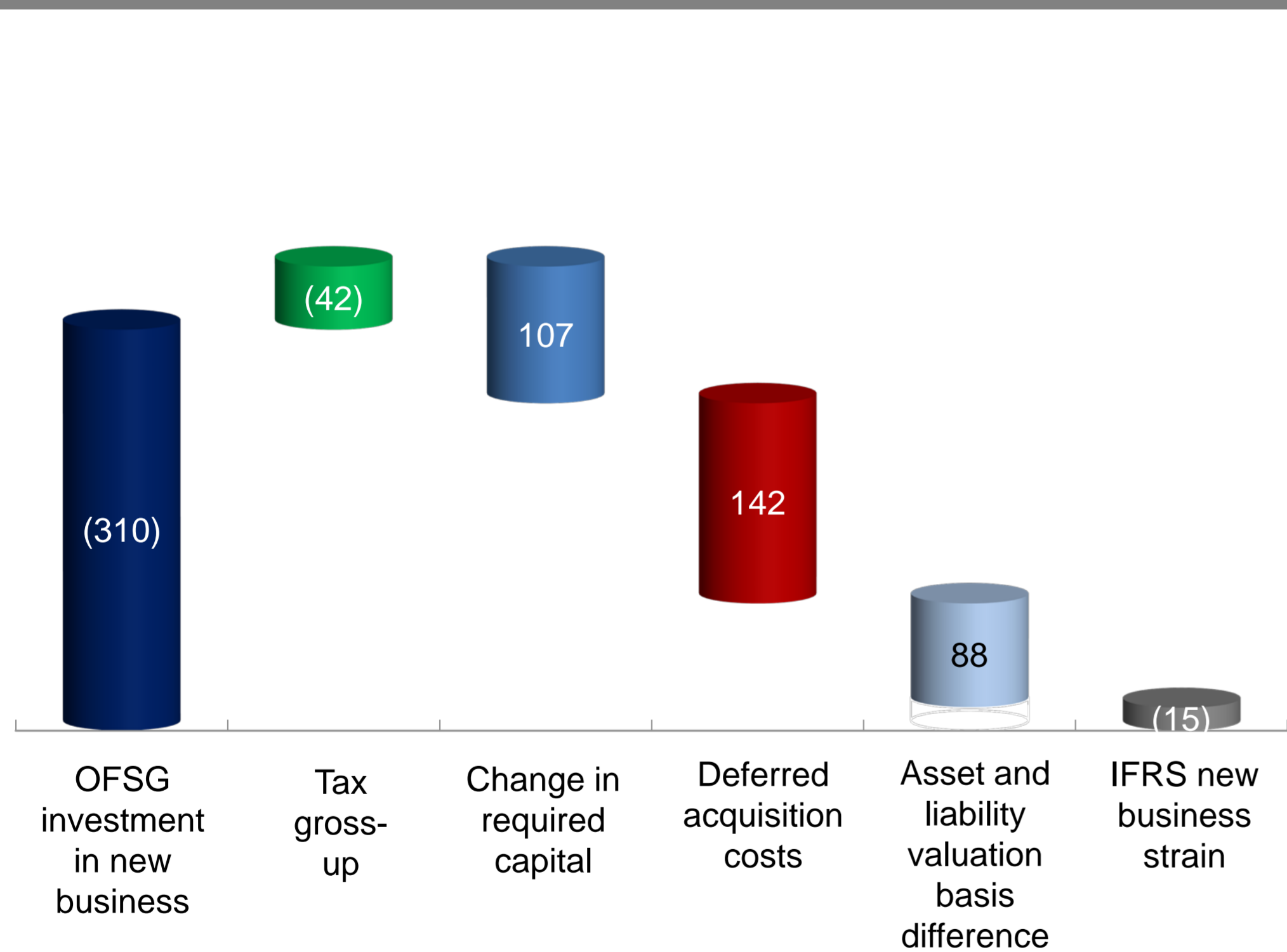
Operating free surplus generation (2013), £m

- Profit from Eastspring
- Operating movements
- Return on free surplus
- Expected monetisation from 2013 in-force
- Investment in new business

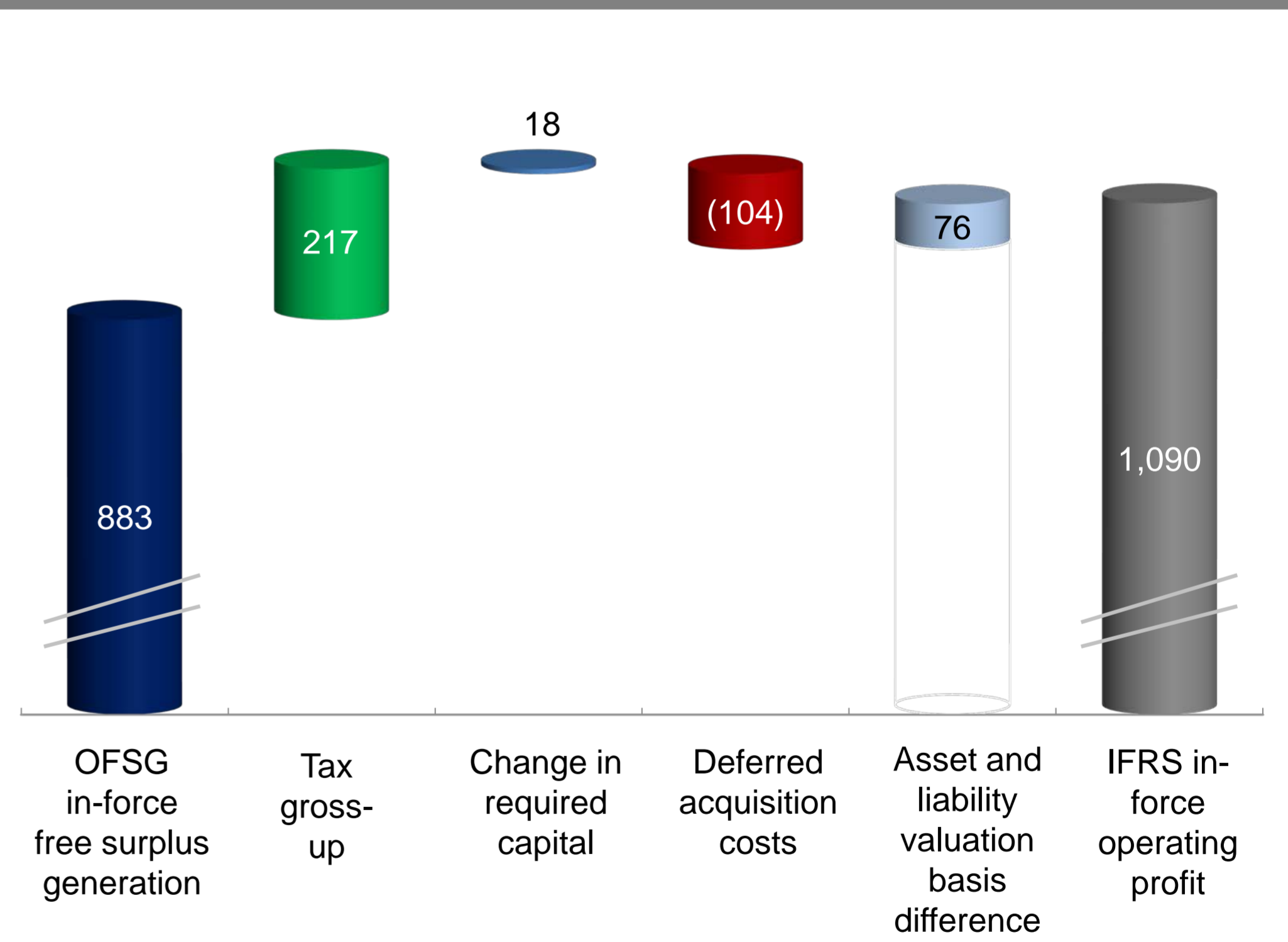


# Bridges between free surplus generation and IFRS profit

Investment in new business (2013), £m



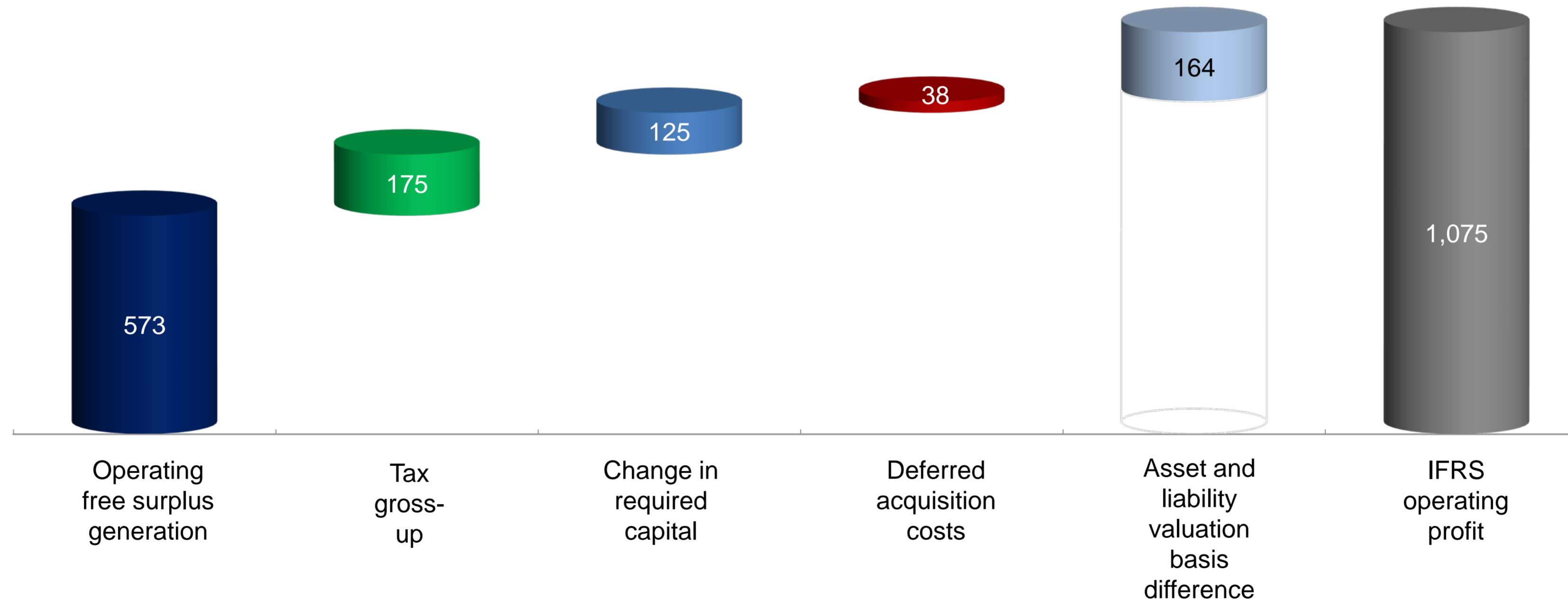
In-force profit (2013), £m



# Bridges between free surplus generation and IFRS profit

## IFRS profit emerges more quickly

Operating profit (2013), £m





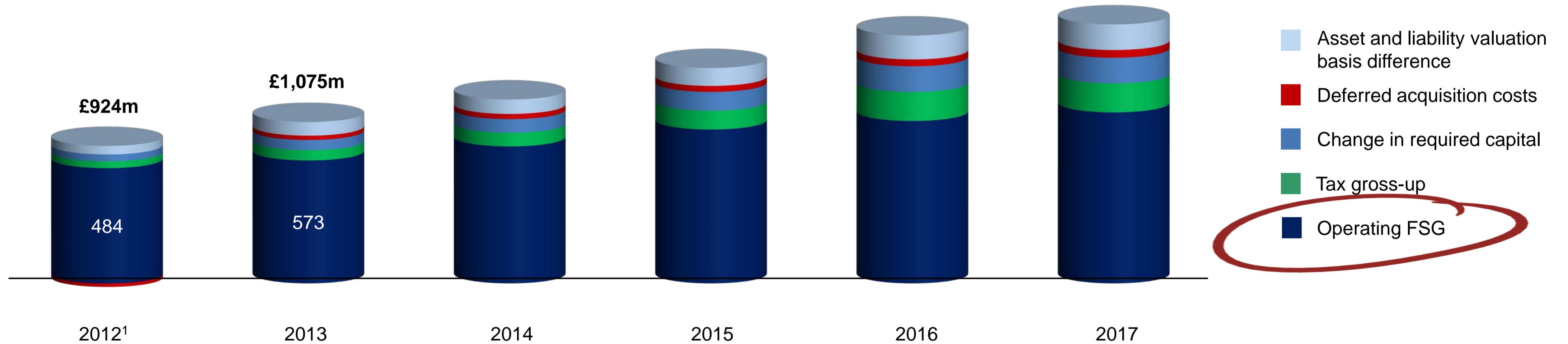
# IFRS operating profit roadmap to 2017

## Delivery built on free surplus generation

IFRS operating profit (2012 – 2017), £m

2017 Objective: Grow at least 15% p.a. over the period 2012 – 2017

ILLUSTRATIVE  
NOT TO SCALE



Note:

1. The 2012 comparative results have been adjusted retrospectively for new and amended accounting standards in 2013, and exclude the one-off gain on sale of the Group's holding in China Life Insurance Company in Taiwan of £51m.

# Key messages

