

The background features the Prudential logo, which consists of a stylized face with a red headband and grey facial features. The face is composed of thick, flowing lines. The text is overlaid on the left side of the image.

# Prudential plc

## 2018 Full Year Results

13 March 2019

This document may contain 'forward-looking statements' with respect to certain of Prudential's plans and its goals and expectations relating to its 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 actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. Such factors include, but are not limited to, the timing, costs and successful implementation of the demerger of the M&GPrudential business; the future trading value of the shares of Prudential plc and the trading value and liquidity of the shares of the to-be-listed M&GPrudential business following such demerger; future market conditions, including fluctuations in interest rates and exchange rates the potential for a sustained low-interest rate environment, and the performance of financial markets generally; the policies and actions of regulatory authorities, including, for example, new government initiatives; the political, legal and economic effects of the UK's decision to leave the European Union; the impact of continuing designation as a Global Systemically Important Insurer or 'G-SII'; the impact of competition, economic uncertainty, inflation and deflation; the effect on Prudential's business and results from, in particular, mortality and morbidity trends, lapse rates and policy renewal rates, the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; the impact of internal projects and other strategic actions failing to meet their objectives; disruption to the availability, confidentiality or integrity of Prudential's IT systems (or those of its suppliers); 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; and the impact of legal and regulatory actions, investigations and disputes. 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 actual future financial condition or performance or other indicated results to differ, possibly materially, from those anticipated in Prudential's forward-looking statements can be found under the 'Risk Factors' heading in Prudential's most recent Full Year Results Regulatory News Release and the 'Risk Factors' heading in its most recent 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, as well as under the 'Risk Factors' heading of any subsequent Prudential Half Year Financial Report. Prudential's most recent Annual Report, Form 20-F and any subsequent Half Year Financial Report are available on its website at [www.prudential.co.uk](http://www.prudential.co.uk).

Any forward-looking statements contained in this document speak only as of the date on which they are made. Prudential expressly disclaims any obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to the UK Prospectus Rules, the UK Listing Rules, the UK Disclosure and Transparency Rules, the Hong Kong Listing Rules, the SGX-ST listing rules or other applicable laws and regulations.

# Mike Wells

Group Chief Executive

# Group

## Key highlights

### Growth

**+11%**

FY2018 New business profit vs  
FY2017 CER<sup>1</sup>

### Cash

**£4.0bn**

FY2018 Operating free surplus  
generation

### Embedded value

**£50bn**

FY2018 Embedded value +11% vs  
FY2017 AER<sup>2</sup>

### Earnings

**£4.8bn**

FY2018 IFRS operating profit

### Dividend

**+5%**

Growth on prior year to  
49.35 pence per share

### Capital

**232%**

FY2018 Solvency II ratio

<sup>1</sup> Defined as constant exchange rate  
<sup>2</sup> Defined as actual exchange rate

# Group

## Enhancing our capabilities and extending our reach

**Enhancing capabilities to accelerate growth**

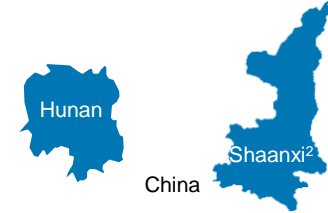


**Building on leading multi-channel capabilities**

**TMBAM**



**Broadening asset management**



**Expansion of our footprint**



**Expansion of distribution platforms**



**Leveraging health ecosystem partnerships**



**Digital capabilities**

1 Wholly Foreign Owned Enterprise (WFOE)  
2 Shaanxi: Received regulatory approval for preparation work in January 2019

# Group

## Progress towards demerger



- ✓ Completed the legal transfer of the HK business
- ✓ Completed reinsurance of £12bn UK annuity book to Rothesay Life
- ✓ Good progress with Part VII transfer
- ✓ HKIA announced as future Group-wide supervisor
- ✓ Raised £1.6bn of new subordinated debt



- ✓ Established new holding company & Group
- ✓ Appointed Mike Evans as Chairman
- ✓ Well progressed in appointing independent NEDs
- ✓ Integrating support services
- ✓ Merger and transformation on track

# Prudential plc post demerger

## Ambition and operating principles



### Capturing structural opportunity

- Long-term positioning in growing target markets
- Creating financial solutions to meet distinct customer needs
- Growing and diversifying distribution

### Operating with discipline

- Long-term strategic decision making
- Capital allocation to highest value opportunities
- Rigorous risk management

### Enhancing capabilities

- Enhancing customer service and deepening customer engagement
- Adapting to market dynamics
- Sharing success across local business units

### High quality resilient outcomes

- Great customer outcomes
- Recurring revenue streams
- Resilience and scale

# M&G Prudential

## Leveraging a broad range of capabilities to deliver outstanding solutions

### Delivering superior investment performance

**88%**

PruFund performance<sup>1</sup> (ABI comparator +45%)

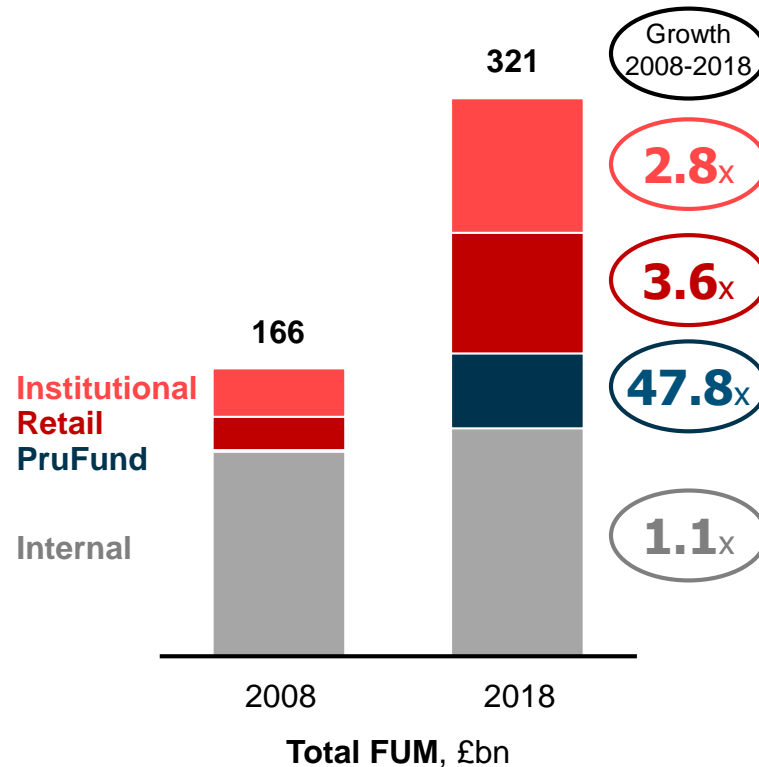
**74%**

of M&G retail funds above median<sup>2</sup>

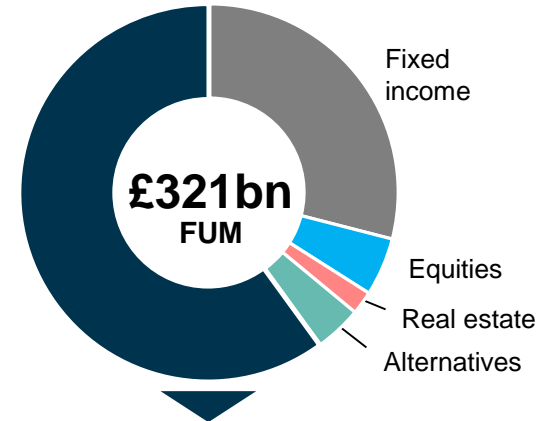
**93%**

of M&G institutional funds outperforming benchmark<sup>3</sup>

### Successfully diversified



### Broad range of established investment capabilities



- Differentiated investment capabilities in hard to replicate segments
- Track record of seeding asset management capabilities
- Transformation will further enhance and broaden existing capabilities

### Multi-asset funds

#### With-profits fund

- Unique asset delivering long-term performance
- FUM of £131bn, including a 20% YoY rise in PruFund FUM to £43bn

#### Dynamic and Conservative Allocation funds

- FY2018 net inflows of £1.6bn
- FUM has grown 3.8x in last 3 years to £9.1bn

<sup>1</sup> Performance of PruFund Growth from September 2006 to 31 December 2018. ABI Mixed Investment 20 per cent – 60 per cent shares (performance is net of charge). PruFund returns are also net of charge (0.65 per cent)

<sup>2</sup> On a 3 year view to December 2018. Quartile ranking based on ranking of the funds' representative share class, net of fees, within their respective Investment Association (IA) or Morningstar sectors. Closed funds excluded. M&G total wholesale and direct FUM was £69.5bn as at 31 December 2018, representing 22 per cent of the total M&G Prudential FUM. Three year figures represent £67.5bn FUM. Performance figures in GBP, bid to bid, net income reinvested. Source: M&G Prudential, December 2018. IA and Morningstar Inc. combined UK and Pan-European peer groups as at end December 2018

<sup>3</sup> Institutional mandates actively managed against a benchmark, on a gross of fees basis. Represents £41bn (21%) of total institutional FUM, including internal FUM, as at end of December 2018



### Structural trends

#### Domestic

Ageing population<sup>1</sup>

43 Av. in 2015 → 52 Av. in 2050

Significant Protection gap<sup>2</sup>

\$23bn

Gov't initiatives

- VHIS<sup>3</sup>
- HKMC<sup>4</sup> tax-deferred annuity scheme

#### Mainland

Infrastructure



51m Mainland visitors pa<sup>5</sup>



\$1.5tn GDP<sup>6</sup>

Gov't initiatives

- Greater Bay Area
- Insurance Connect

### Platform

#### Agency

Unrivalled agency capabilities

Ranked #1 with >30% market share<sup>7</sup>  
>20k agents

One of the largest MDRT<sup>8</sup> agency forces in HK



#### Bancassurance

Successful partnership continuing to deliver substantial benefits



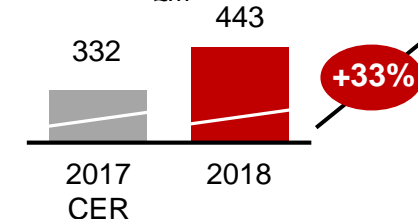
### Execution

Continuous product upgrades & innovation PRU<sup>9</sup> health critical illness multi-care

Focus on quality 72% Insurance income as % of total<sup>9</sup>

Strong persistency >95% Retention rate

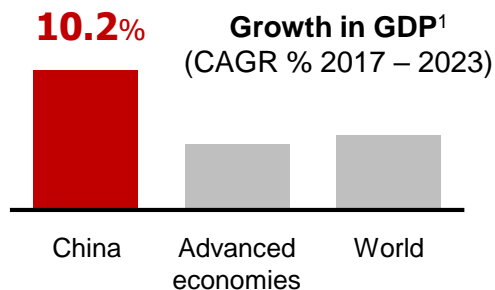
IFRS operating profit, £m



1 UN population forecast by age. Medium variant forecast  
2 Swiss Re Asia's health protection gap: insights for building greater resilience  
3 Voluntary Health Insurance Scheme (VHIS)  
4 Hong Kong Mortgage Corporation (HKMC)  
5 Hong Kong Tourist Board. For year ended 31 December 2018

6 Hong Kong Trade Development Council  
7 As at 30 September 2018  
8 Million Dollar Round Table  
9 Total income includes insurance income, spread income, fee income, with-profits income and expected returns on shareholder assets and excludes margin on revenues

### Structural trends



Significant Protection gap<sup>2</sup> us\$ **805bn**

HNW financial wealth<sup>3</sup> us\$ **5.8tn**

c. **35%** of next billion entrants into the middle class will be in China<sup>4</sup>

### Platform

#### Expansion into footprint

Access to:  
**75%**  
of population

Access to:  
**78%**  
China GDP

**19** Branches  
(+1 from FY17)

**87** Cities  
(+10 from FY17)

✓ Approval for 20<sup>th</sup> branch

2018 contribution:  
8% NBP  
6% APE

#### Agency

**48k** Agents<sup>5</sup>  
**32%** Increase in MDRTs<sup>6</sup>

#### Bancassurance

c. **40** Bank partners<sup>5</sup>

### Execution

#### Strategic opportunity

- ✓ Approval for tax deferred pension
- ✓ Application for pension company
- ✓ Established WFOE<sup>7</sup>
- ✓ Approval for QDLP<sup>8</sup>

#### Risk management



**SARMRA<sup>9</sup>** (85.75%)  
**#1** in industry

#### Leveraging technology



> **90%**

Agency E-submission

**99%**

WeChat utilisation for claims

1 Source: IMF. 2017 GDP at September 2018 current prices  
2 Swiss Re Asia's health protection gap: insights for building greater resilience  
3 Capgemini Financial Services Analysis 2017  
4 Brookings Institution  
5 As at 31 December 2018

6 Million Dollar Round Table. Data as at July 2018  
7 Wholly Foreign Owned Enterprise (WFOE)  
8 Qualified Domestic Limited Partnership (QDLP)  
9 2017 Solvency Aligned Risk Management Requirements and Assessment (SARMRA) issued by the China Insurance Regulatory Commission (CIRC)

### Structural trends

Population of<sup>1</sup>

**267**<sub>m</sub>

Insurance penetration<sup>2</sup>

**1.9**%

Protection gap<sup>3</sup>

us\$ **82**<sub>bn</sub> 

Expanding middle class

**9**<sub>m</sub> 

To enter the middle-class each year 2015-2020

### Platform

#### Enhancing distribution capabilities

##### Agency initiatives

✓ Segmentation

+ **19**%

'Elite' agents APE of total



6% increase in MDRTs<sup>4</sup>

✓ Recruitment activation

**PRU** university Launched in July

✓ Transformation of training

**50**% reduction in licencing & onboarding time

##### Bancassurance

**11**%

of APE mix



Strong start since launch (May'18). By 4Q, 6% of banca sales

### Execution

#### Broadening product range

##### New launches

✓ Revamped flagship RP unit linked product

- New product features led to:

> **90**%  
E-submission

> **50**%  
Auto-debit

##### Strong pipeline

✓ Stand-alone CI product with ROP<sup>5</sup> element launched in 1Q19



➤ Planned next:

- Launch of SME group offering
- Revamp of HNW medical
- Revamp of mass affluent version of RP unit linked product

<sup>1</sup> United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects: The 2017 Revision

<sup>2</sup> Market penetration: Swiss Re (Sigma) – based on insurance premiums as a percentage of GDP in 2017 (estimated)

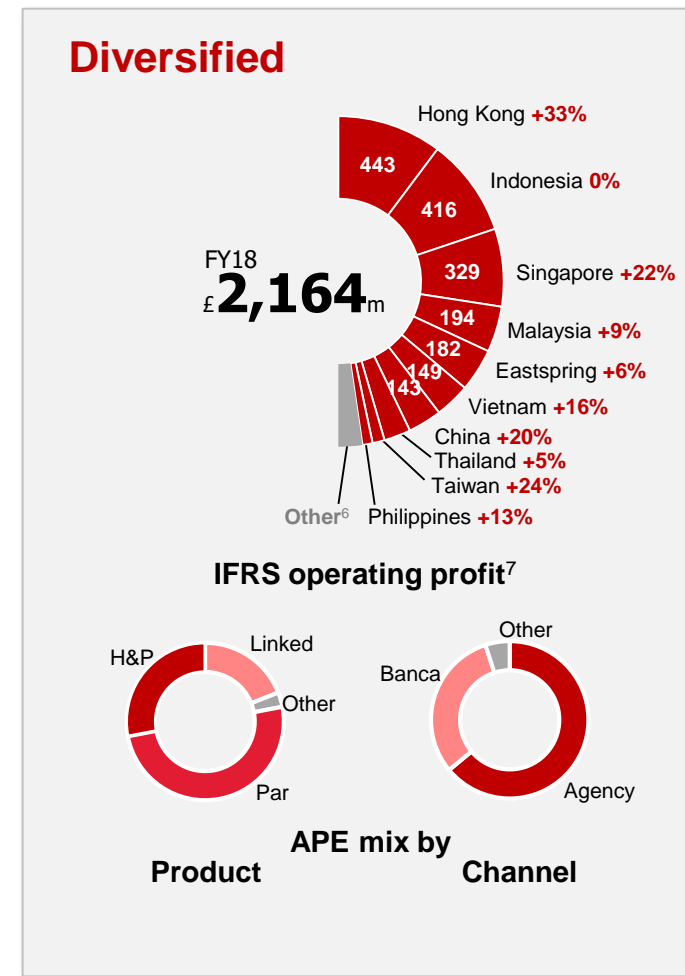
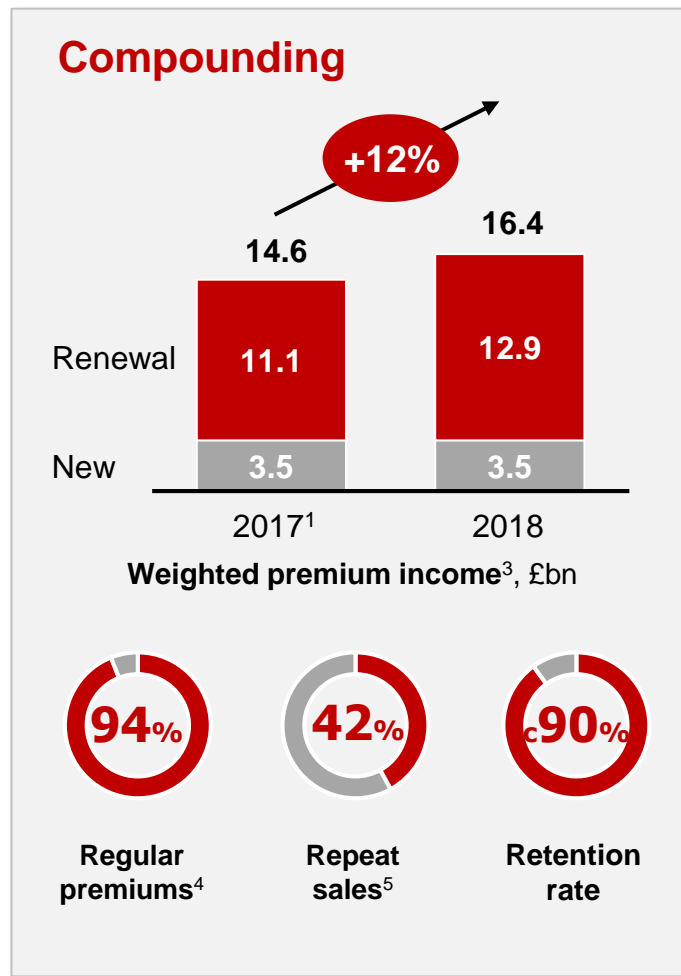
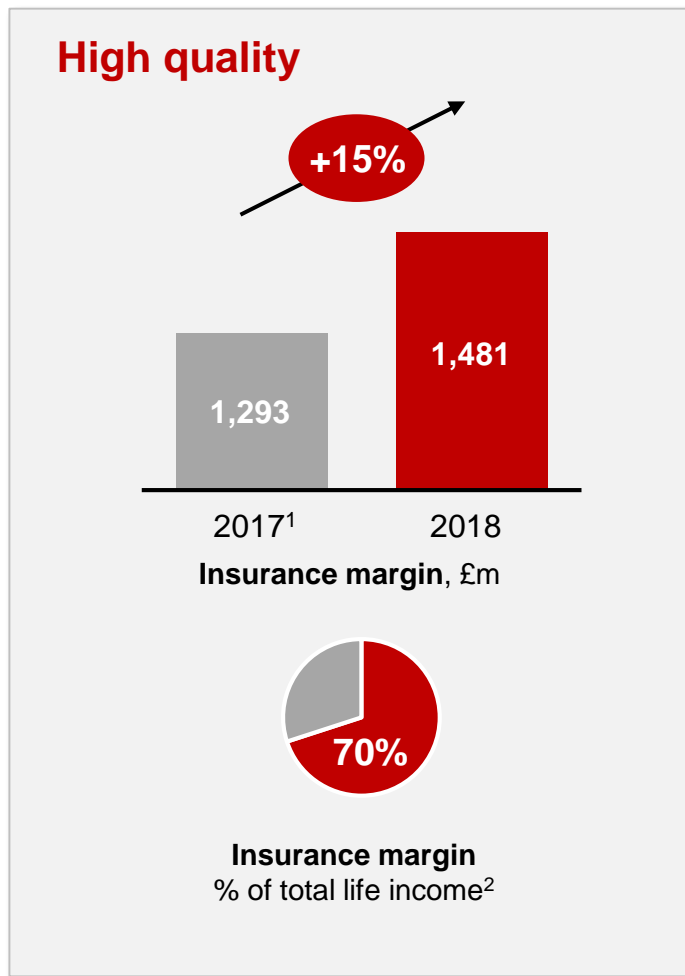
<sup>3</sup> Swiss Re Asia's health protection gap: insights for building greater resilience

<sup>4</sup> Million Dollar Round Table

<sup>5</sup> Return of premium

# Asia

## High quality portfolio



<sup>1</sup> On a constant exchange rate basis

<sup>2</sup> Total life income includes insurance income, spread income, fee income, with-profits income and expected return on shareholder assets and excludes margin on revenue

<sup>3</sup> Weighted premium income comprises gross earned premiums at 100% of renewal premium, 100% of first year premiums and 10% of single premiums

<sup>4</sup> Represented by regular premiums as a percentage of APE

<sup>5</sup> Repeat sales as a percentage of APE

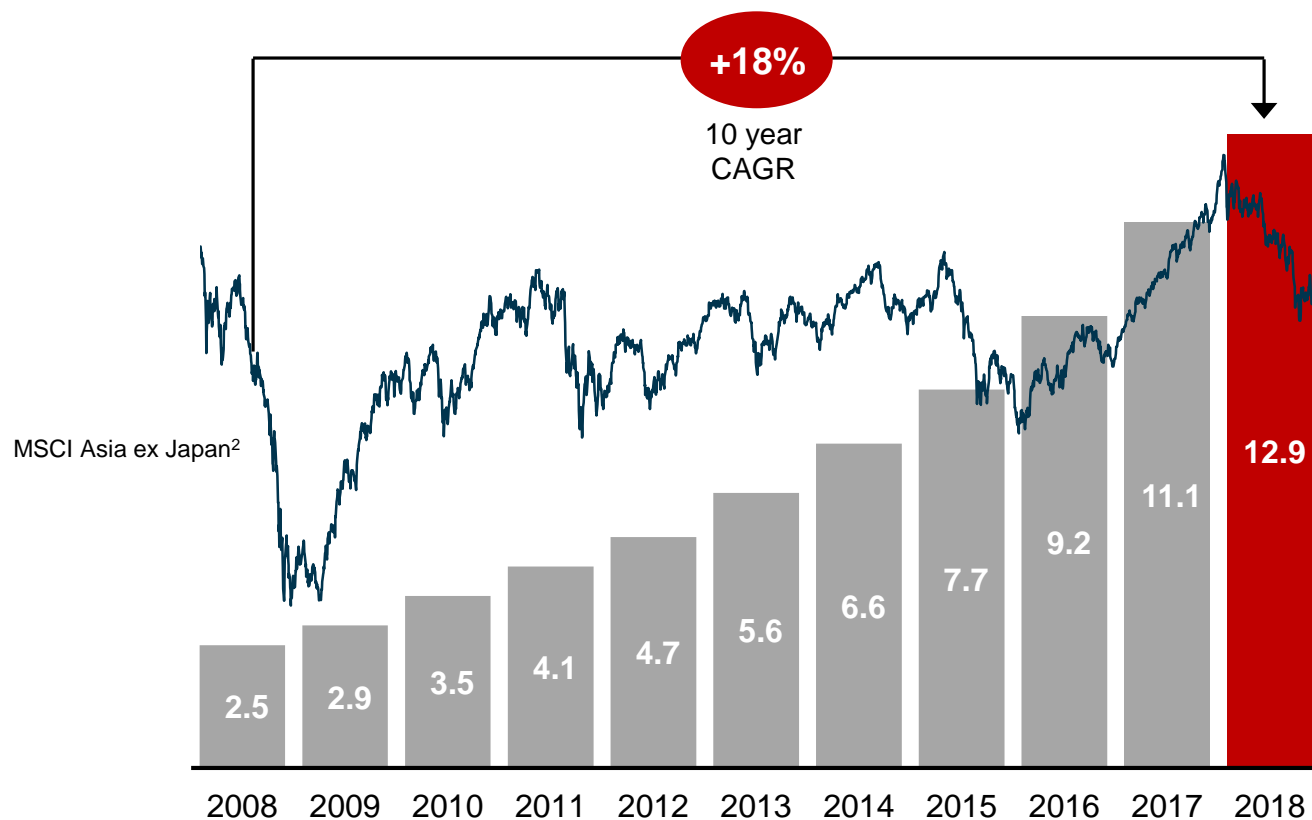
<sup>6</sup> Other includes India, Cambodia, Laos and non-recurrent items

<sup>7</sup> Growth rates on a constant exchange rate basis

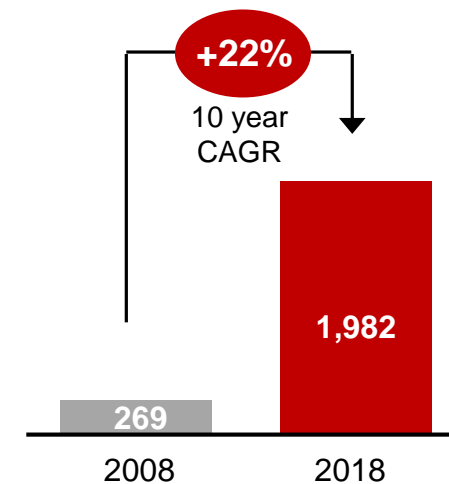
# Asia

## Compounding growth driving a growing earnings base

### Renewal premium income<sup>1</sup>, £bn



### Life IFRS operating profit<sup>1,3</sup>, £m



- Scale and diversification of portfolio driving value across the cycle
- Compounding effect of strong persistency & new business value growth underpins earnings
- Double digit growth in key metrics underlines multiple performance levers

1 On a constant exchange rate basis

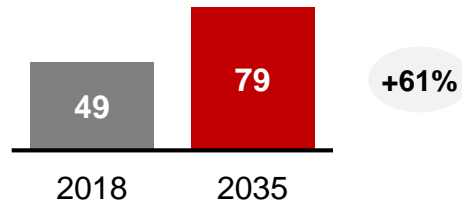
2 Source: Datastream

3 The comparator has been adjusted for new and amended accounting standards and excludes Korea Life, Japan and Taiwan agency

### Structural trends

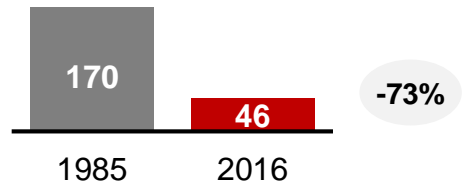
#### Ageing population<sup>1</sup>

Population over 65 (millions)



#### Declining pensions<sup>2</sup>

# of defined benefit plans (thousands)



### Platform

#### Market leading distribution footprint

- Largest & most productive wholesaling force
- Top VA seller in independent B/D, bank and wirehouse channels
- 726 selling agreements covering 74% of total US advisors



#### Superior customer proposition

- Investment freedom
- Over 100 fund choices



#### Leading cost efficient player

#### Strategic diversification



### Execution

#### Growing in advisory channel

- Partnership with DPL Financial Partners - access opportunity in independent RIA<sup>3</sup> channel
- Launch of advisory products on Morgan Stanley platform targeted for May 2019
- Selling agreements up to 170 (FY17: 113)
- 32% of advisory VA sales from new advisors



#### Innovative tailored solutions

PERSPECTIVE ADVISORY II<sup>SM</sup> MARKET PROTECTOR ADVISORY<sup>SM</sup>

#### Expansion of distribution

- Partnership with State Farm



#### Connectivity to platforms

- Collaboration with Envestnet



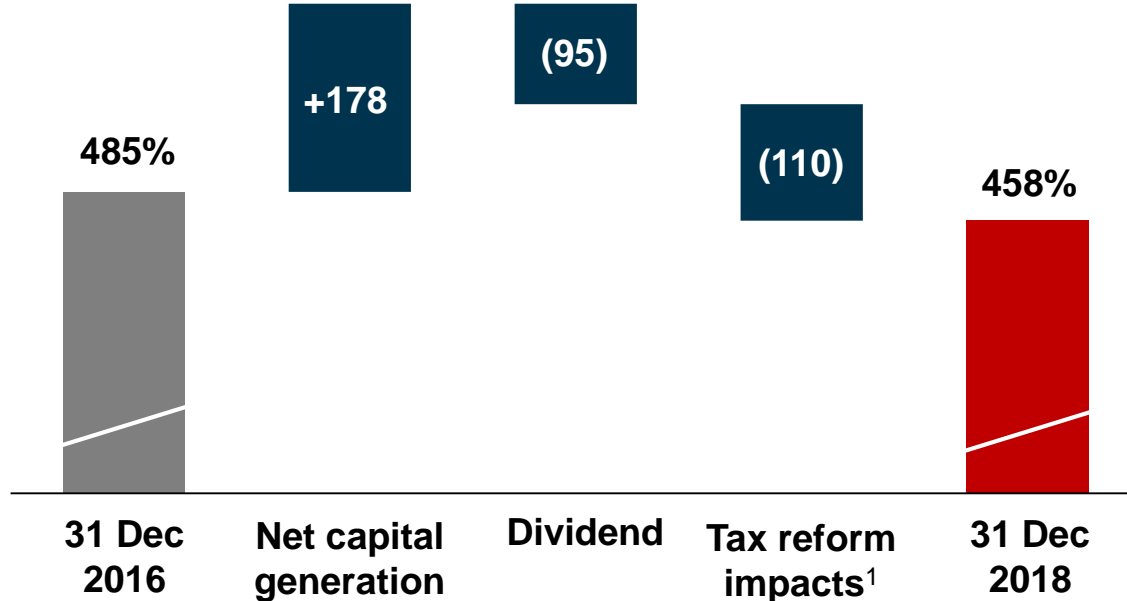
<sup>1</sup> Social Security Administration

<sup>2</sup> U.S department of Labor, "Private Pension Plan Bulletin Historical Tables and Graphs 1975 – 2016". December 2018

<sup>3</sup> Registered Investment Adviser (RIA)

## Well protected through 4Q market volatility

Movement in RBC ratio, %  
(31 Dec 2016 – 31 Dec 2018)



### Long track record of

- RBC >400%
- Strong capital formation

### Strong capital formation

- Paid remittances of \$1,050m since 2016
- Absorbed 110ppts impact of tax reform since 2016

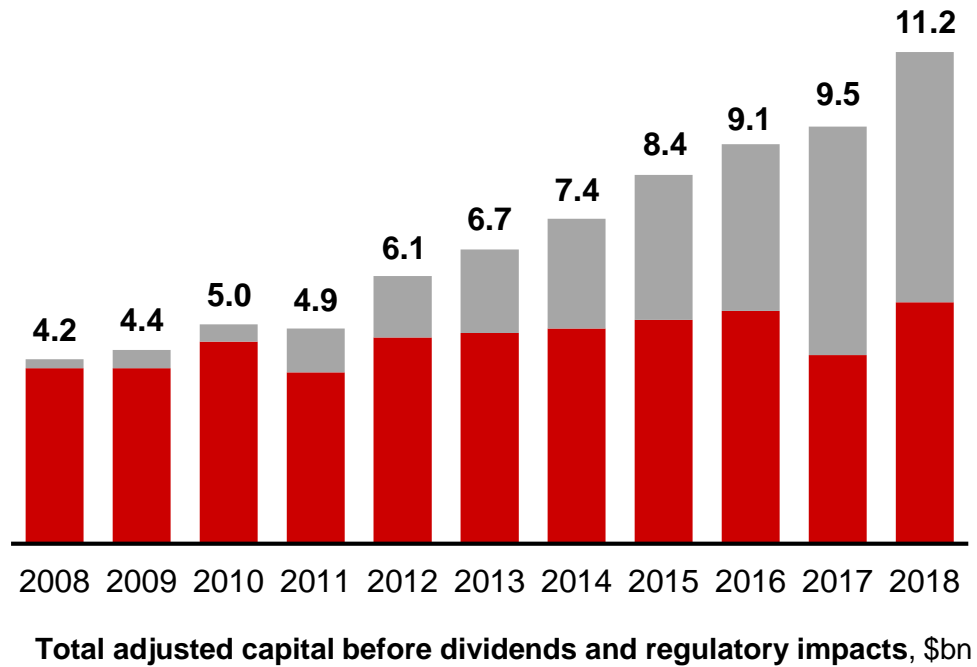
### 4Q18 capital generation of \$0.9bn with S&P500 down 14%

- Hedging performed as expected
- Latent capital buffer partially absorbed adverse movement in reserves

<sup>1</sup> As reported at HY18: in June 2018, the National Association of Insurance Commissioners (NAIC) formally approved changes to RBC capital factors that reflect the December 2017 US tax reform, increasing the level of required risk-based capital, with no impact on total adjusted capital

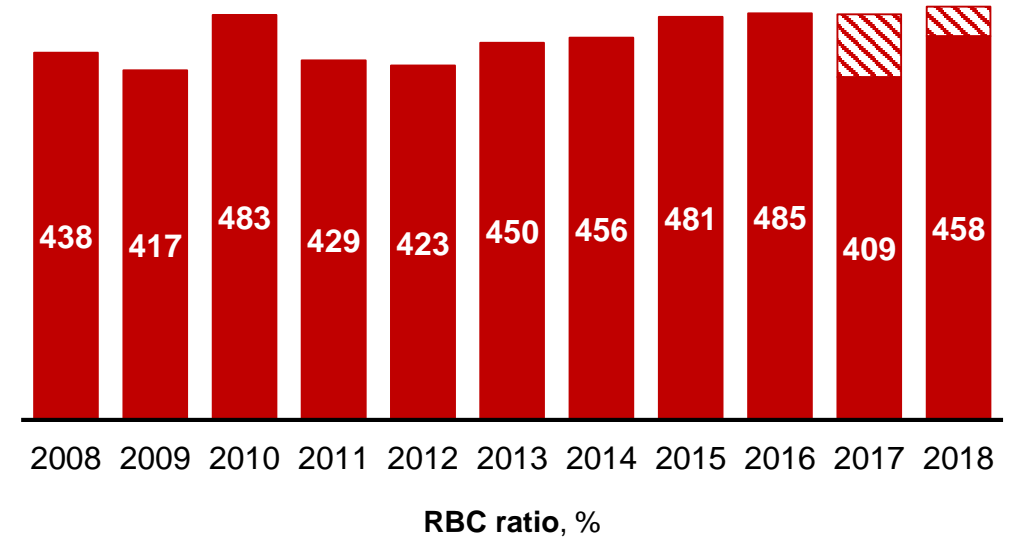
## Resilient statutory capital position

### Sustained capital generation



■ Reported TAC
 ■ Adjustment for cumulative dividends and regulatory impacts

### Well-capitalised, resilient solvency position



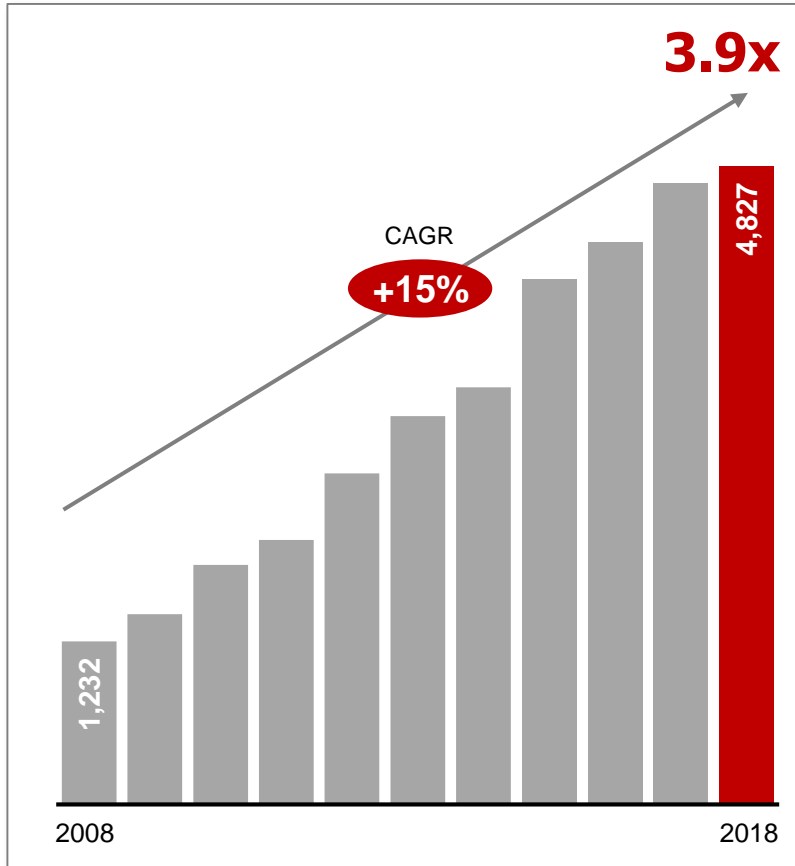
▨ Impact of US tax reform (FY18: 35 RBC pts; FY17: 75 RBC pts)



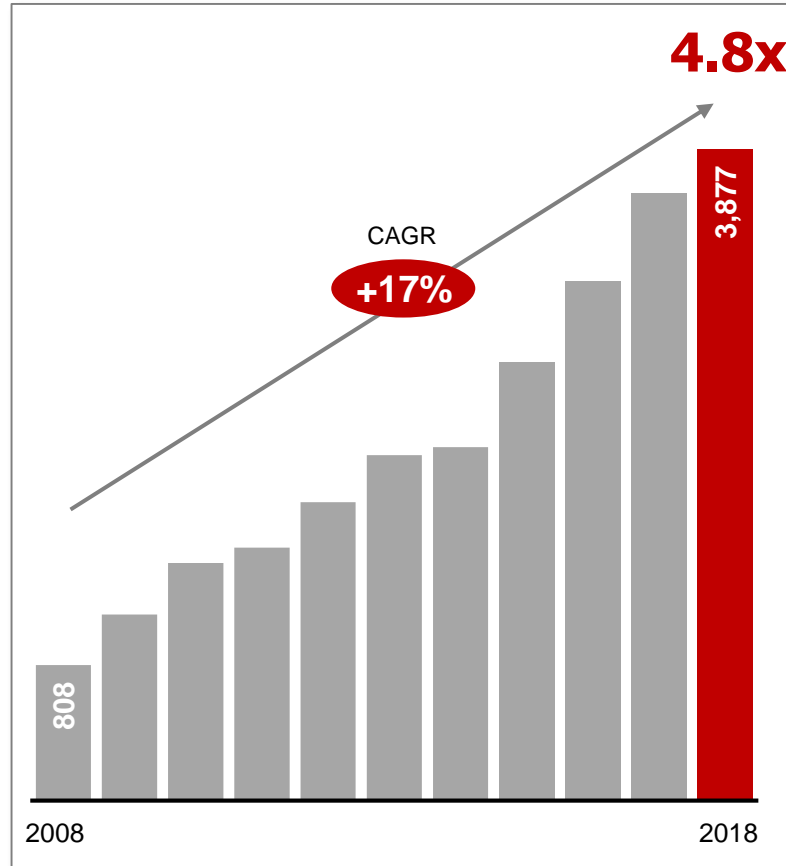
# Group

## Long-term track record

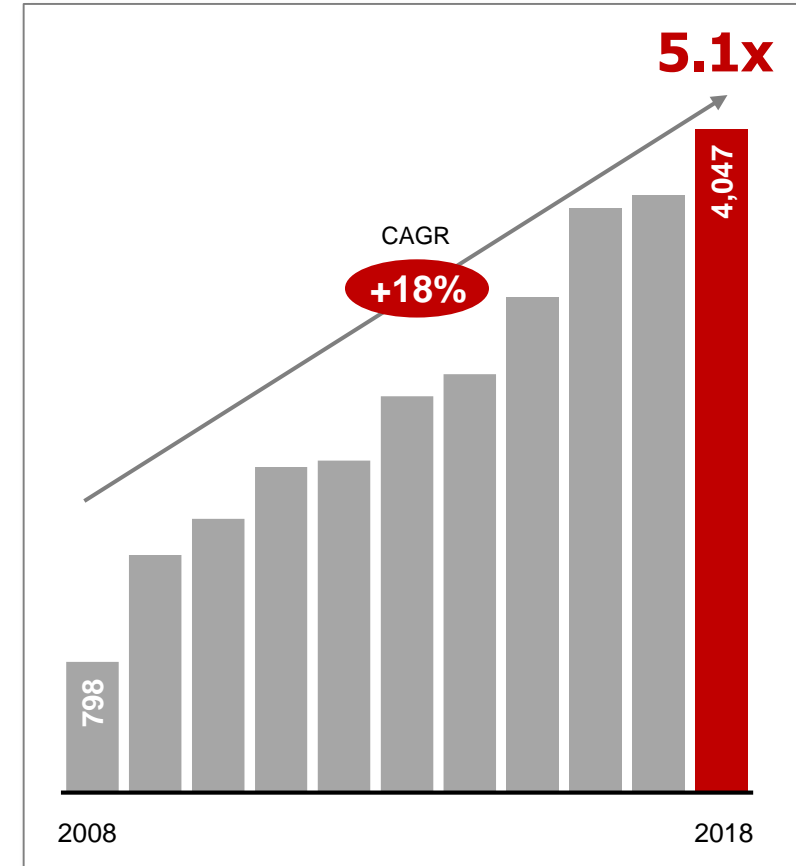
### IFRS operating profit<sup>1,2</sup>, £m



### New business profit<sup>1,2</sup>, £m



### Free surplus generation<sup>1,2,3,4</sup>, £m



1 Comparatives have been stated on an actual exchange rate basis

2 Comparatives are adjusted for new and amended accounting standards and excludes Korea Life, Japan and Taiwan agency

3 2012 includes £51m gain from sale of China Life of Taiwan

4 Note 2012 – 2017 excludes contribution from Prudential Capital. 2011 and prior includes contribution from Prudential Capital

# Group

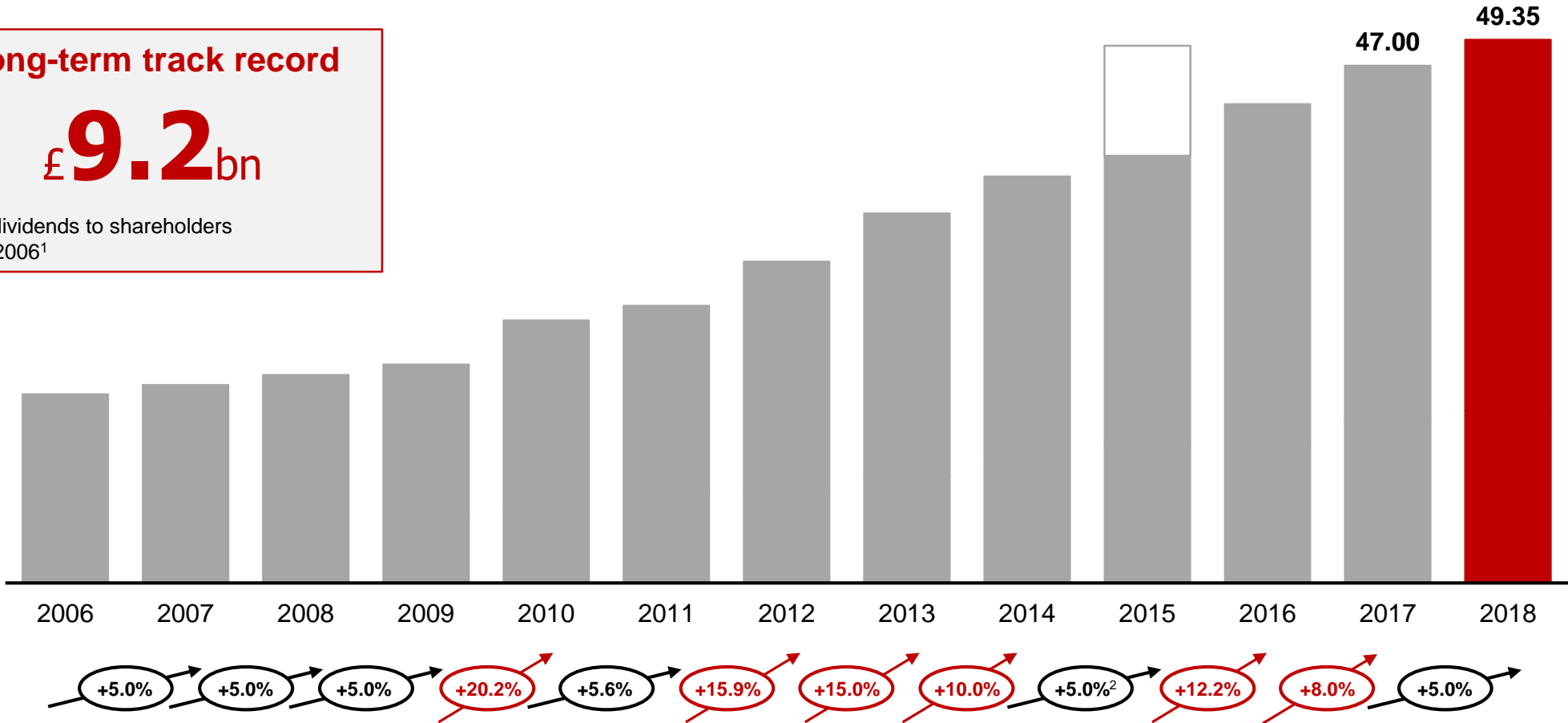
## Delivering cash

### Dividend, pence per share

**Long-term track record**

**£9.2bn**

Total dividends to shareholders since 2006<sup>1</sup>



<sup>1</sup> Amounts paid between 2006 and 2010 are net of scrip dividends  
<sup>2</sup> Growth rate of ordinary dividend. Excludes impact of special dividend

Special dividend

# Group

## Wrap up

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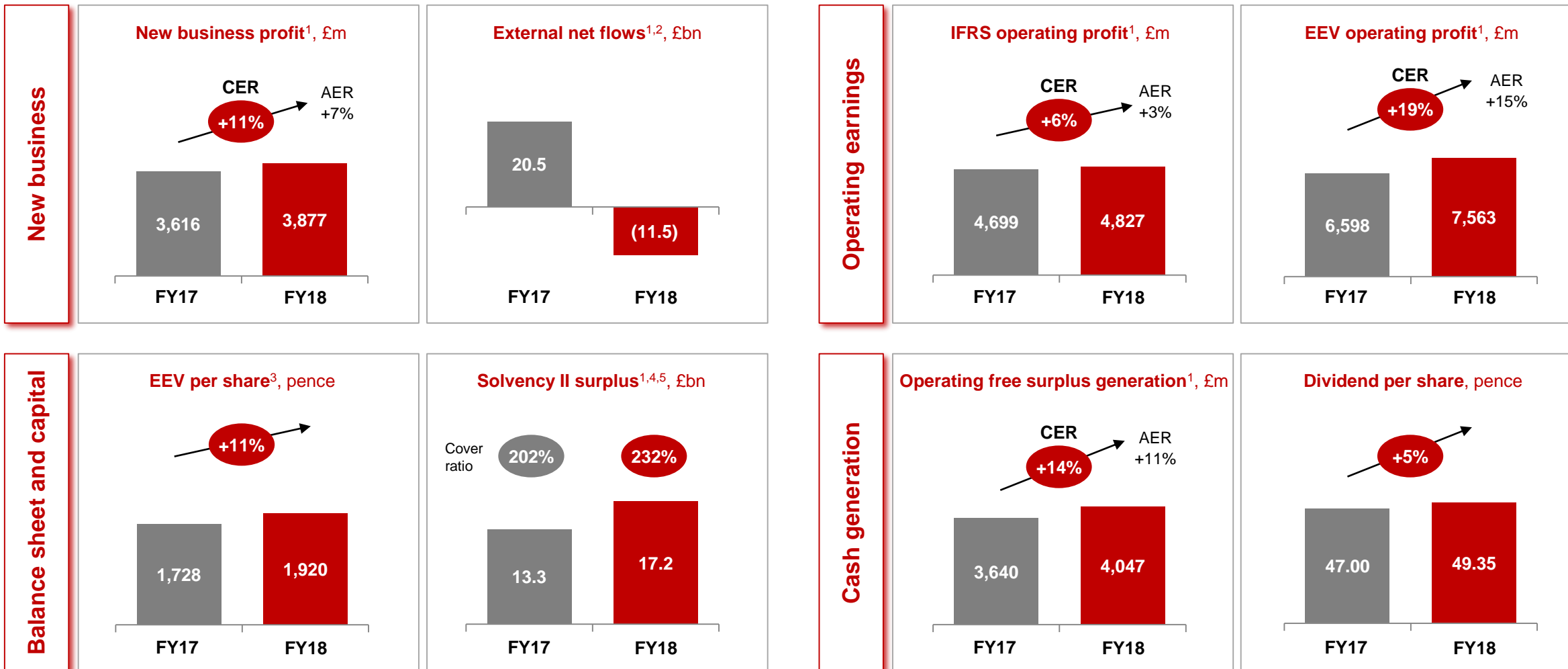
- Delivery of high quality profitable growth
- Building capabilities to better benefit the outlook for shareholders
- M&GP delivering balanced earnings growth, while executing on merger, transformation & demerger
- PCA delivering double digit growth, together with enhancing capabilities
- Jackson demonstrating resilience, capital generation & success in building advisory capability

**Mark FitzPatrick**

Chief Financial Officer

# Group

## FY18 financial highlights



1 FY17 comparatives stated on AER basis. AER: Actual exchange rates. CER: Constant exchange rates.

2 Excludes money market funds.

3 Includes goodwill.

4 Before allowing for the 2018 second interim ordinary dividend (FY17: before allowing for the 2017 second interim ordinary dividend).

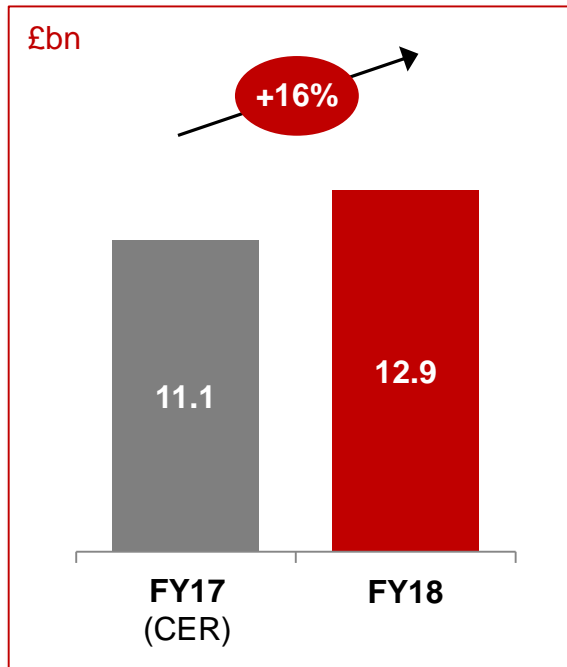
5 The Group shareholder position excludes the contribution to the Group Own Funds and the Solvency Capital Requirement of ring-fenced with-profit funds and staff pension schemes in surplus. The solvency positions include management's calculation of UK transitional measures reflecting operating and market conditions at each valuation date, for which both 2018 and 2017 reflects the approved regulatory position.

# Group

## Key drivers of Group financial performance

### Asia

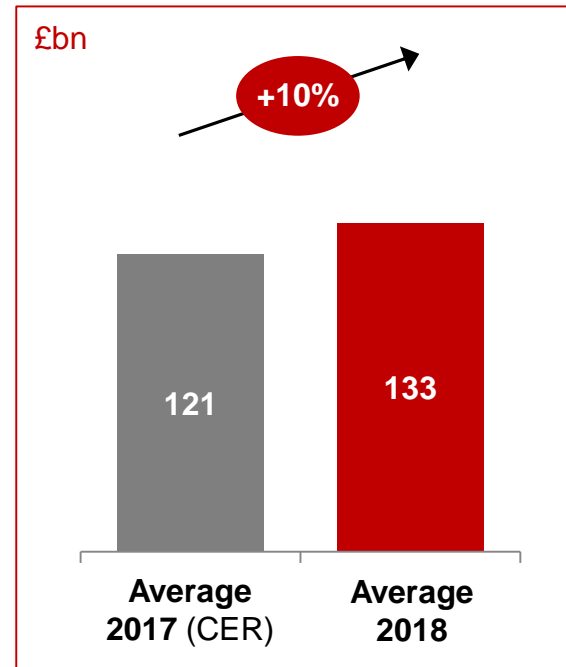
Renewal premium income<sup>1</sup>



Compounding high quality revenue

### US

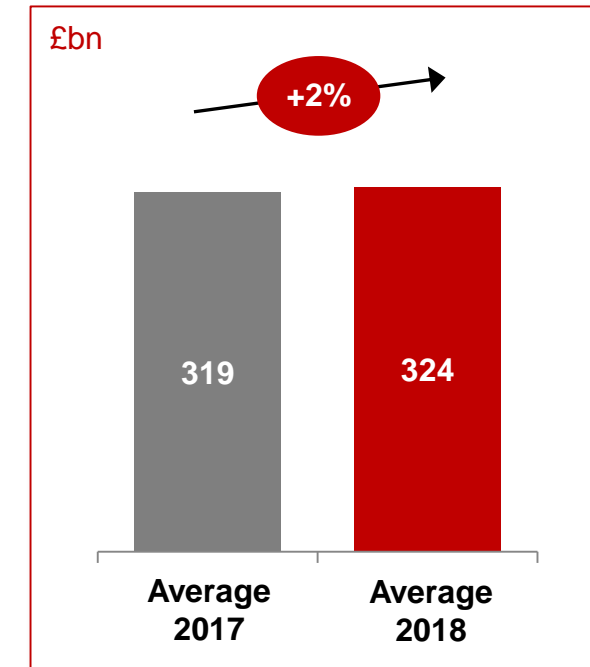
Separate account assets



Drives fee income

### M&GP

Funds under management<sup>2</sup>



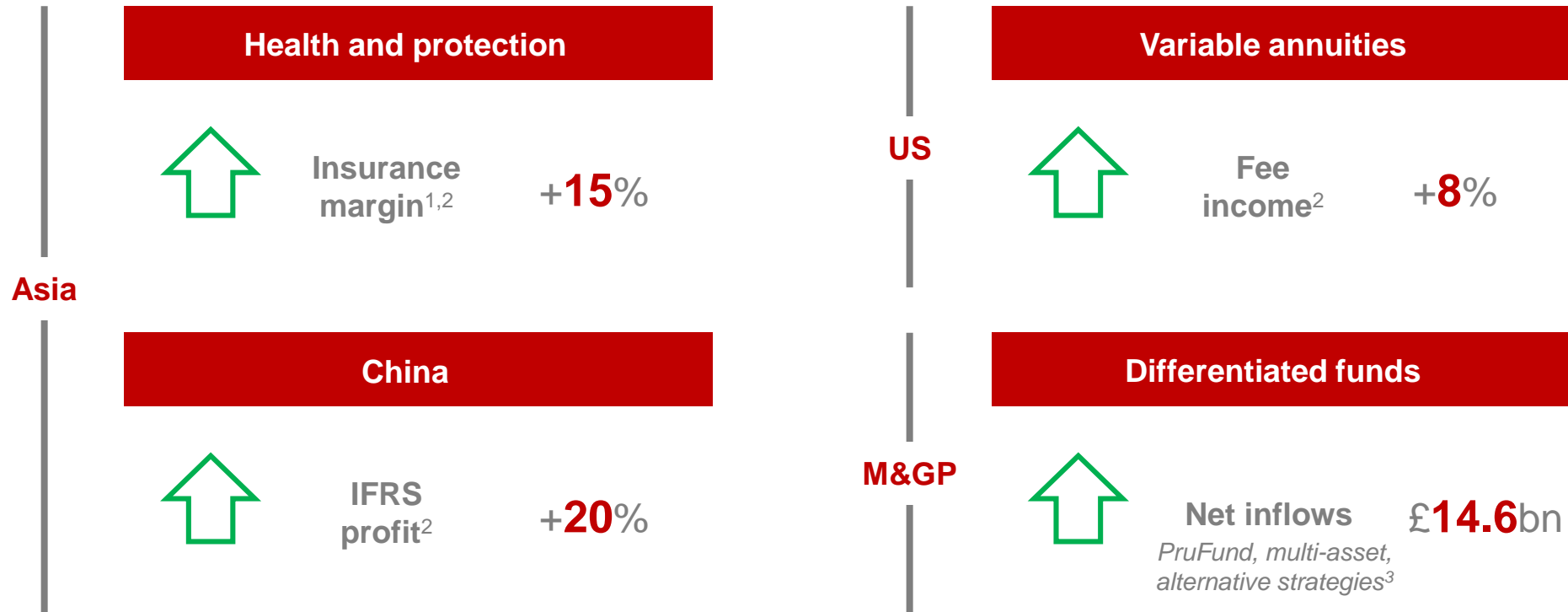
Underpins diverse revenue streams

<sup>1</sup> Includes renewal premiums from joint ventures.

<sup>2</sup> Adjusted to exclude £12 billion of assets related to the annuity liabilities reinsured to Rothesay Life in March 2018.

# Group

## Growth aligned to areas of strategic focus

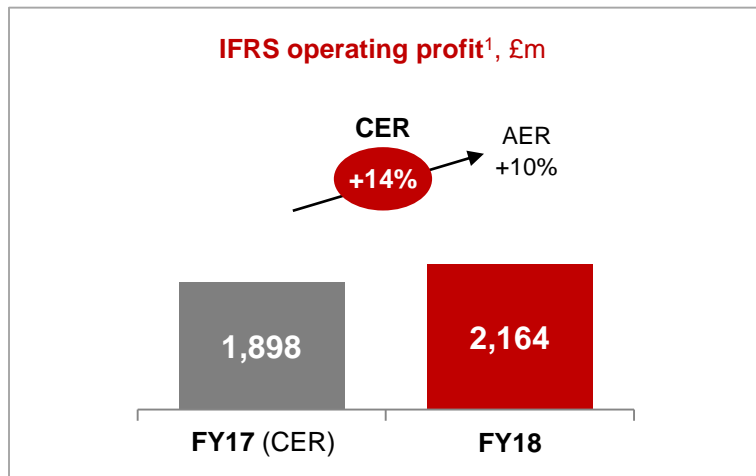


1 Comprises profits derived from insurance risks of mortality and morbidity, primarily related to health and protection business.

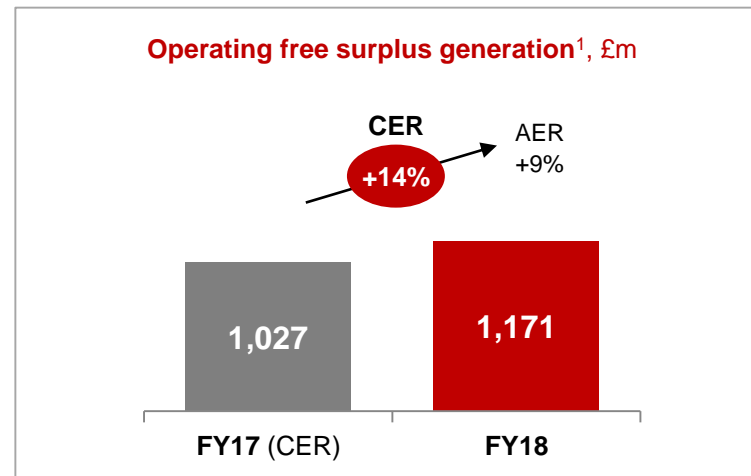
2 IFRS operating profit. Percentage increase stated on a constant exchange rate basis.

3 Includes PruFund net inflows of £8.5 billion, Wholesale and Direct multi-asset net inflows of £1.9 billion and Institutional net inflows from public debt, infrastructure, property and illiquid strategies of £4.2 billion. M&GPrudential had total outflows of £(8.9) billion.

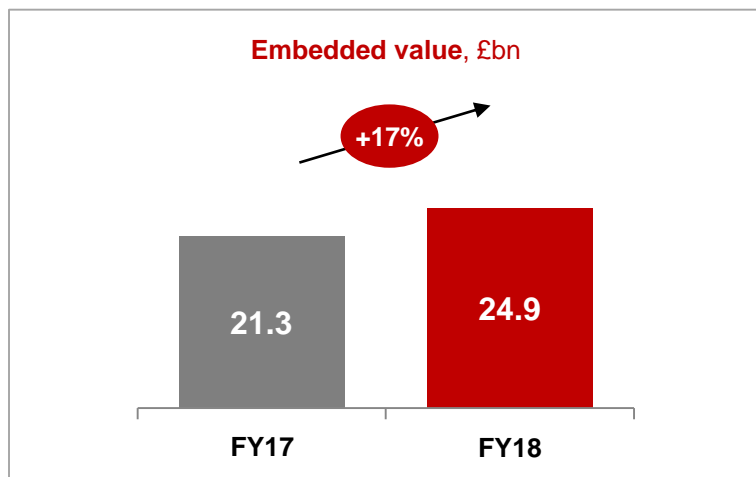
### IFRS operating profit



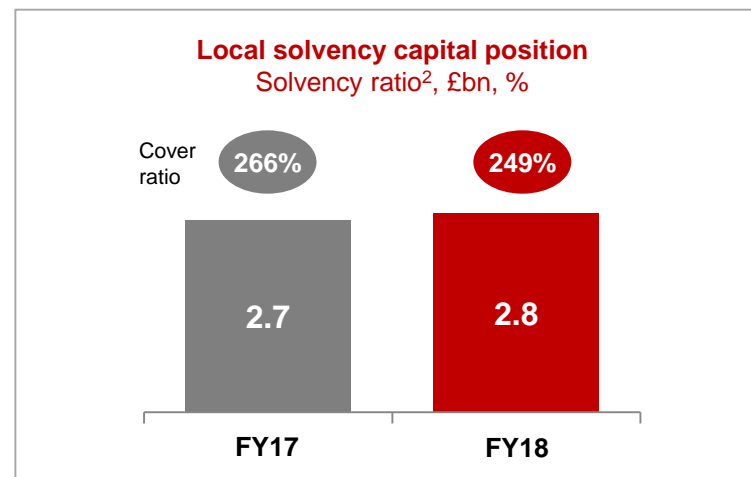
### Cash generation



### Embedded value



### Solvency capital

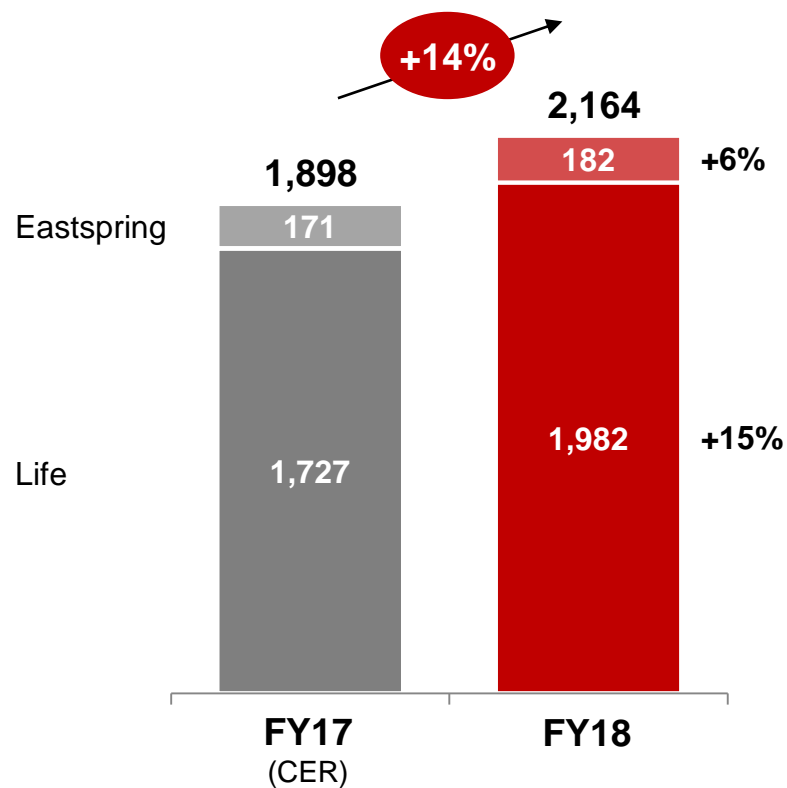


<sup>1</sup> AER: Actual exchange rates. CER: Constant exchange rates

<sup>2</sup> Local solvency surplus is calculated as the aggregate of available regulatory capital in excess of regulatory minimum capital requirements across all insurance business units. The 2017 cover ratio has been restated, primarily to reflect updates to the calculation of the regulatory minimum capital requirement.

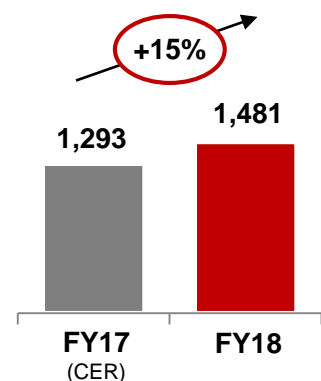


### IFRS operating profit, £m



### Life: continued high quality growth

#### Insurance margin, £m



Strategic focus on H&P

#### Strong country contributions

Growth in IFRS operating profit

Hong Kong	+33%
Taiwan	+24%
Singapore	+22%
China	+20%
Vietnam	+16%
Philippines	+13%

7 markets with IFRS >£100m

8 markets with insurance margin growing as % of total

### Eastspring: positive operating jaws with revenue growth of 4% and flat costs

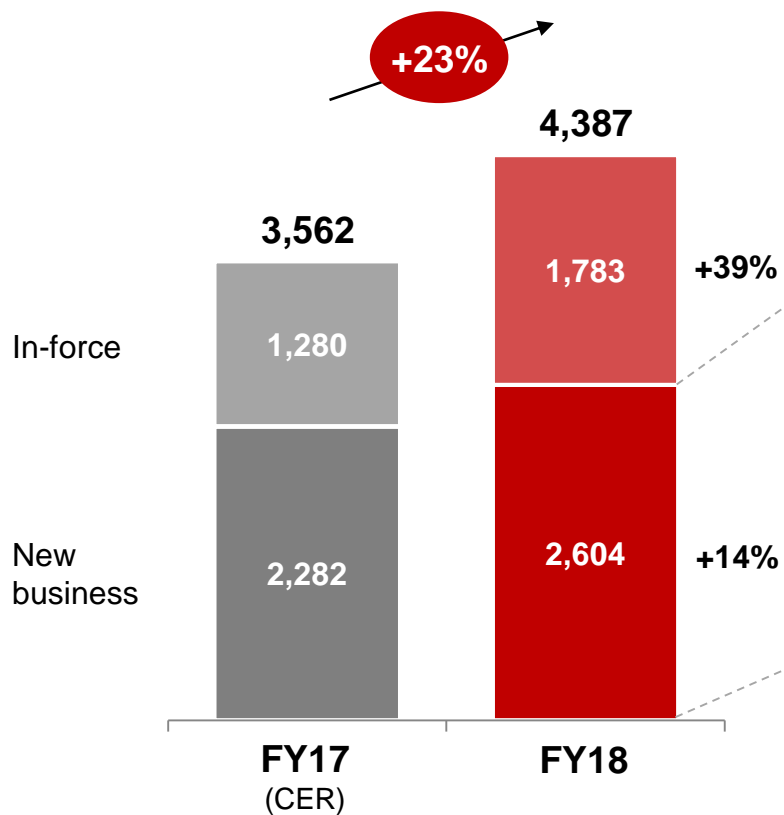
- Revenue increase driven by higher average FUM up +10%
- Revenue margin 2bp lower at 29bp<sup>1</sup> as a result of lower equity mix
- 2ppt improvement in cost/income ratio to 55%<sup>2</sup>, reflecting flat costs vs FY17
- YE18 FUM of £151.3bn<sup>3</sup> (YE17 £138.9bn), up on life inflows and acquisition of TMBAM

<sup>1</sup> Revenue margin represents operating income before performance related fees as a proportion of the related funds under management. Monthly closing internal and external funds managed by the respective entity have been used to derive the average. Any funds held by the Group's insurance operations that are managed by third parties outside of the Prudential group are excluded from these amounts. FY17 is stated on a constant exchange rate basis.

<sup>2</sup> Cost/income ratio represents cost as a percentage of operating income before performance related fees. FY17 is stated on a constant exchange rate basis.

<sup>3</sup> Includes external funds under management, internal life insurance funds under management and money market funds.

EEV life operating profit, £m



New business profit

Double digit growth across 10 markets

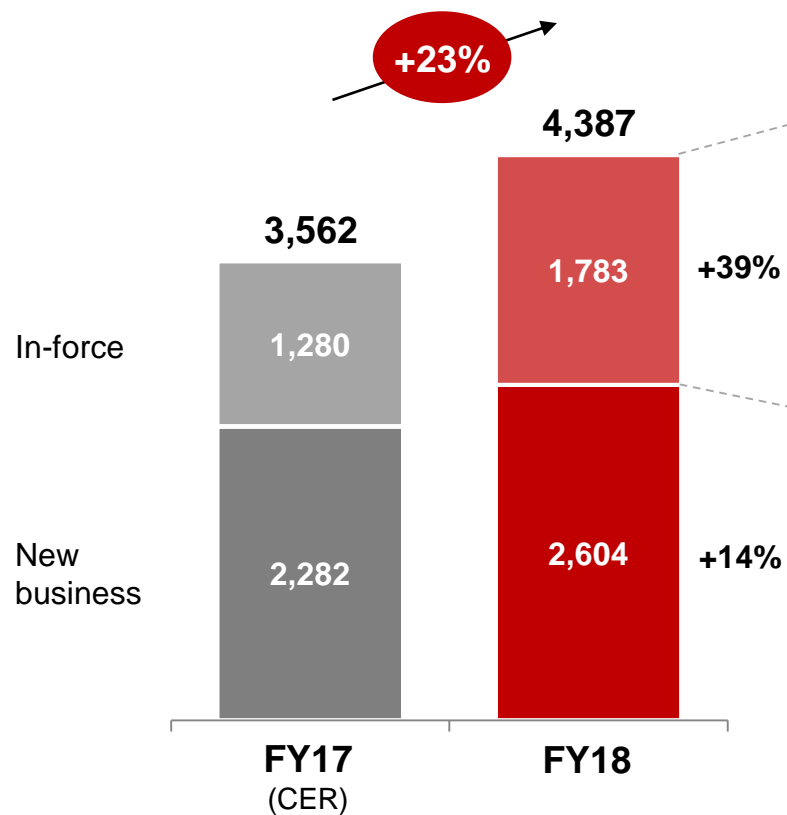
Hong Kong	+17%	Philippines	+14%
China	+14%	Vietnam	+29%
Singapore	+15%	Thailand	+75%
Malaysia	+13%	Cambodia	+73%
India <sup>1</sup>	+17%	Laos	+29%

- Focus on higher margin H&P<sup>2</sup>:
  - NBP from H&P up +15%
  - H&P accounted for 70% of total NBP
- Double digit NBP growth in 10 markets in the year; and in both agency and bancassurance channels
- Recovery in APE growth through the year:
  - 3 consecutive quarters of YoY growth after slower start to the year
  - Second half growth of +8% vs first half down (4)%

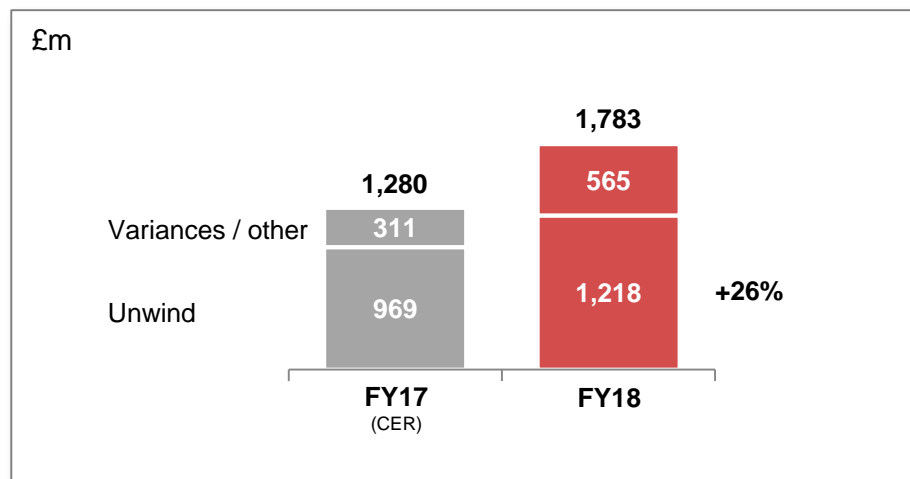
<sup>1</sup> India NBP based on Prudential's share of ICICI Prudential's new business profits over the period 1 January 2018 to 31 December 2018, based on operating and economic assumptions as at 31 December 2018.

<sup>2</sup> H&P: Health and Protection business.

EEV life operating profit, £m



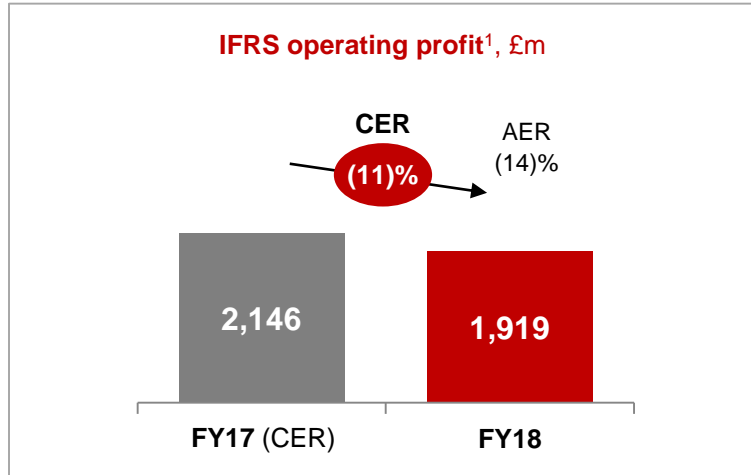
In-force profit



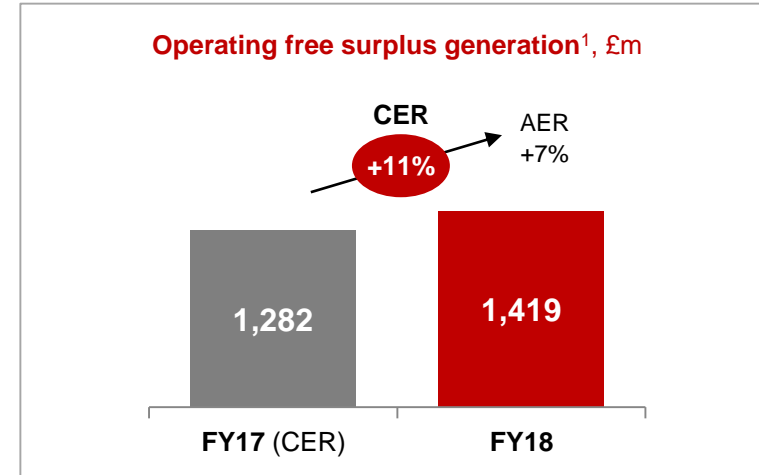
- Growth in unwind driven by:
  - Increased scale of the life book
  - Positive overall effects of higher interest rates
- Variances and other reflects:
  - Repricing of in-force business, beneficial tax changes
  - Positive persistency, claims and expense variances and assumption changes

## FY18 financial highlights

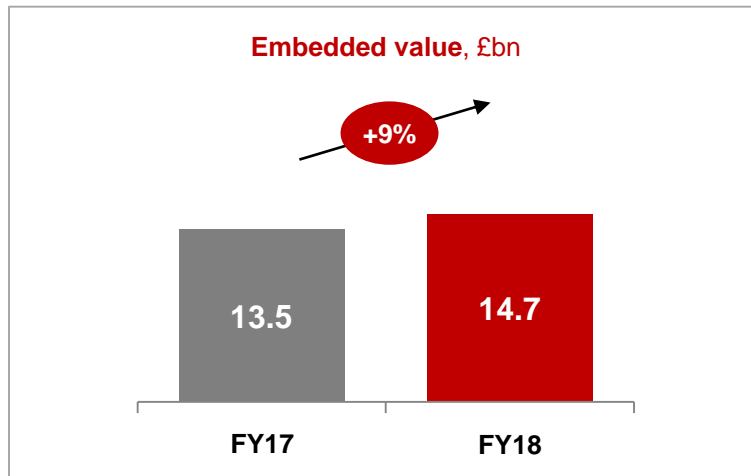
### IFRS operating profit



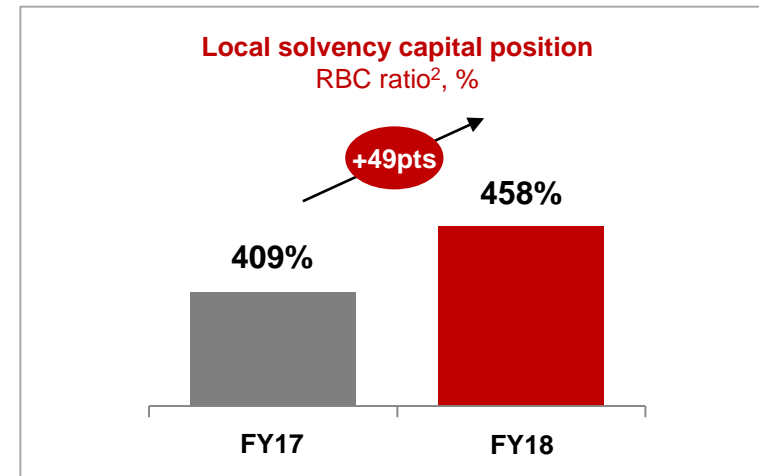
### Cash generation



### Embedded value



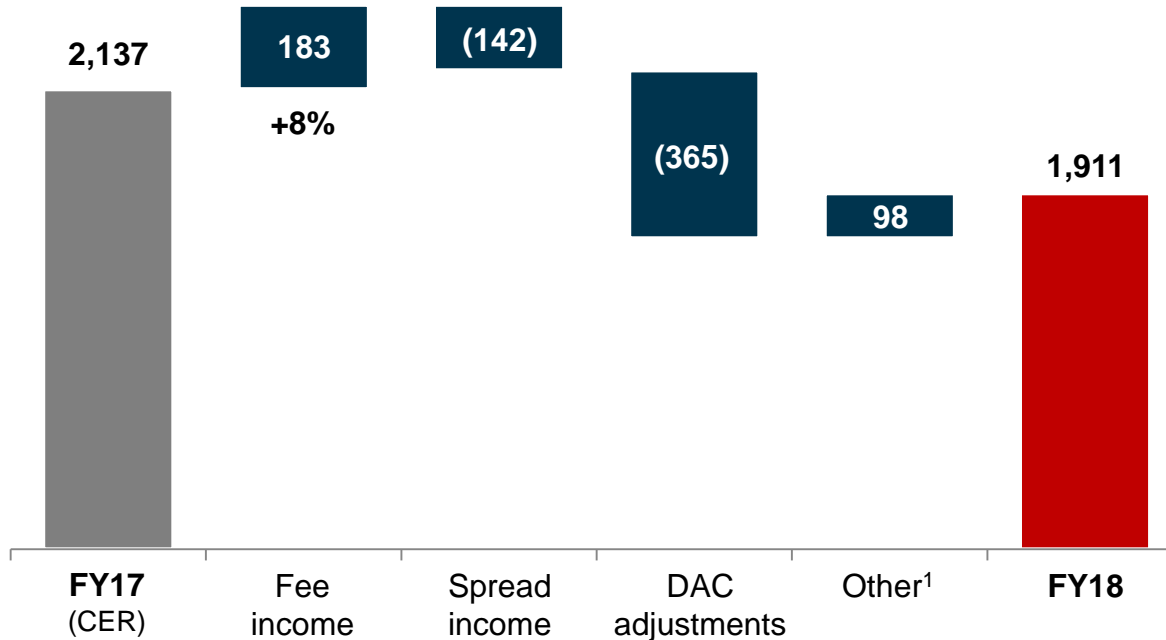
### Solvency capital



<sup>1</sup> AER: Actual exchange rates. CER: Constant exchange rates.  
<sup>2</sup> Jackson National Life Statutory Risk Based Capital ratio.

## Life IFRS operating profit

Jackson life IFRS operating profit, £m



### Fee income

- Average separate account assets up +10%
- Stable fee margin of 183bp (FY17 187bp)
- YE18 separate account assets of \$163bn (YE17 \$177bn)

### Spread income

- Spread margin decline of (38)bp to 155bp
  - Reduced contribution from swaps accounted for (24)bp
  - Lower underlying portfolio yield of 130bp (FY17 144bp)
- Reduction in spread margin is moderating

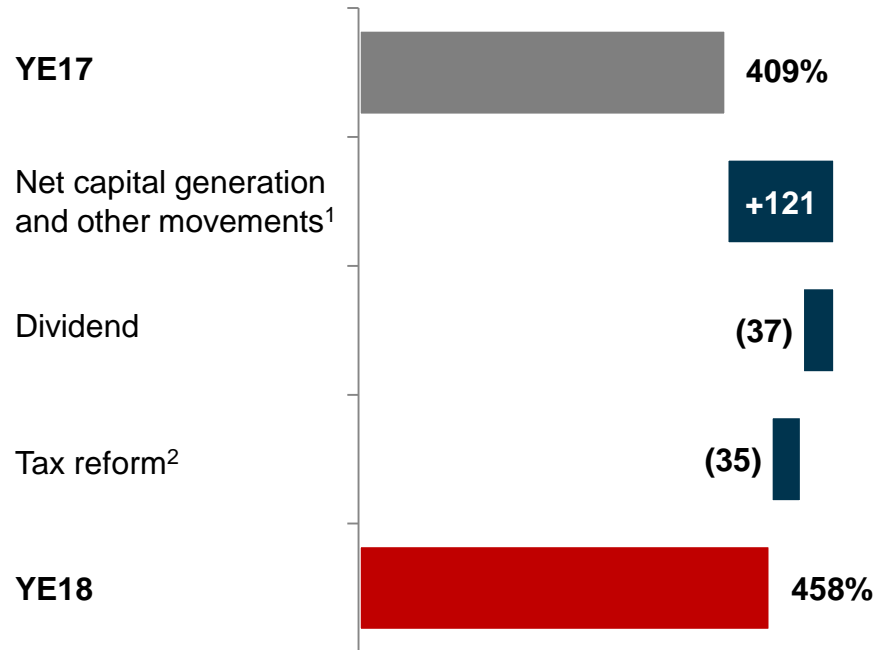
### DAC adjustments

- FY18 DAC mean reversion of £(194)m (FY17 £83m)
  - Elimination of weak 2015 separate account return
  - Lower FY18 separate account return than projected
- Expected impact of US\$15.5m de/(ac)celeration in DAC amortisation for every percentage point of out/under performance vs projected separate account return of 7.6%<sup>2</sup>

<sup>1</sup> Includes insurance margin, expected return on shareholder assets, acquisition costs and administration costs

<sup>2</sup> Projected separate account return of 7.6% represents the calculated forward return for the 5 years 2019 to 2023 under mean reversion approach, given actual separate account returns in 2016, 2017 and 2018

### Jackson RBC solvency capital ratio, %



<sup>1</sup> For 2018, includes receipt of \$100m from Brooke Life relating to the sale of NPH.

<sup>2</sup> As reported at HY18: in June 2018, the National Association of Insurance Commissioners (NAIC) formally approved changes to RBC capital factors that reflect the December 2017 US tax reform, increasing the level of required risk-based capital, with no impact on total adjusted capital.

### Resilient performance through 4Q18 market decline – net capital formation

#### Investor conference messages

- Reserves floored out: ‘Statutory reserves will not be required until equity markets have fallen 5-10% from 30 September 2018 levels’
- Rigorous fund selection: Jackson’s platform funds ‘tend to be defensive in down markets’
- Hedge strategy: ‘defensively positioned for equity market downturn’

#### 4Q18 experience

- Capital buffer of floored reserves mitigated impact of market decline
- 4Q SA performance of -11% vs S&P500 decline of -14%
- Hedge portfolio performed as expected, with material gains outweighing reserve movement

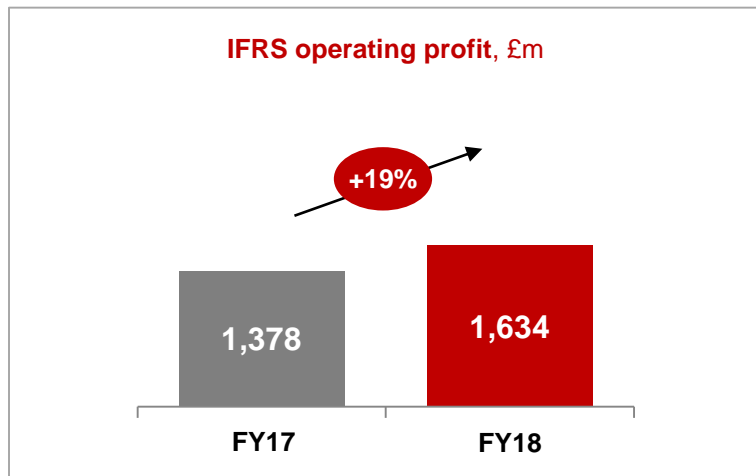
#### Regulatory change

- Tax reform
  - FY17: 75 RBC point reduction from impact of tax reform on DTA
  - FY18: 35 RBC point reduction from impact of tax factors
- C-1 factor update: 30-40 RBC point impact expected in FY20
- NAIC changes to VA framework: 40-50 RBC impact expected from FY20

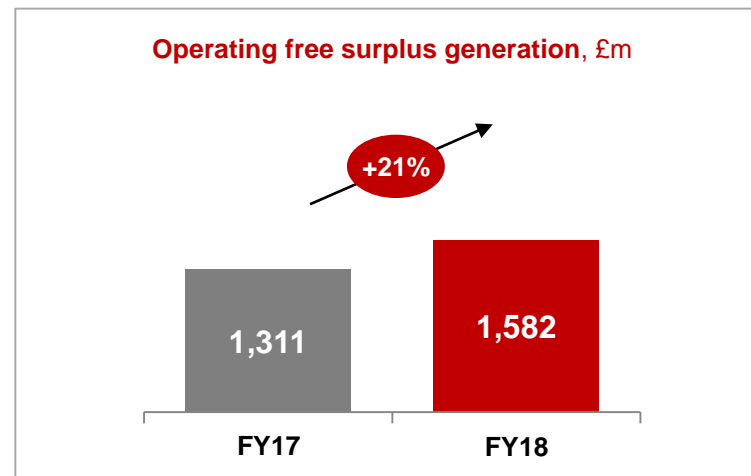
# M&G Prudential

## FY18 financial highlights

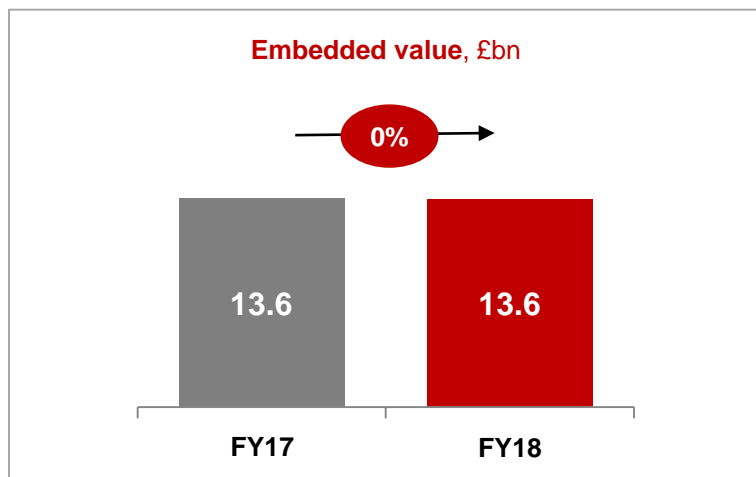
### IFRS operating profit



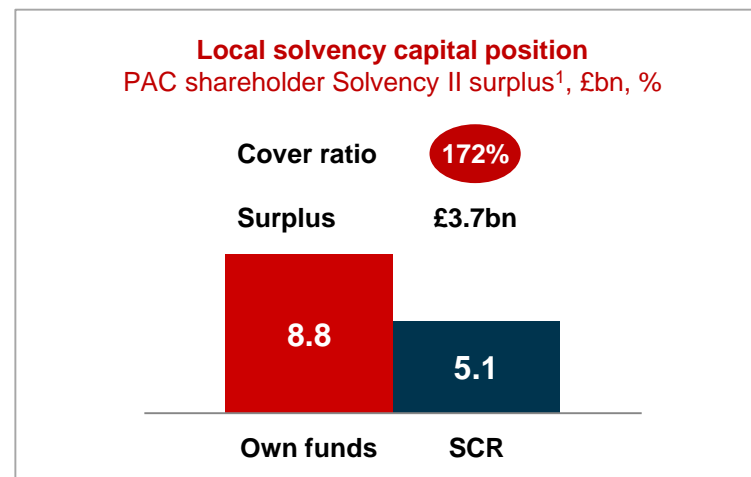
### Cash generation



### Embedded value



### Solvency capital

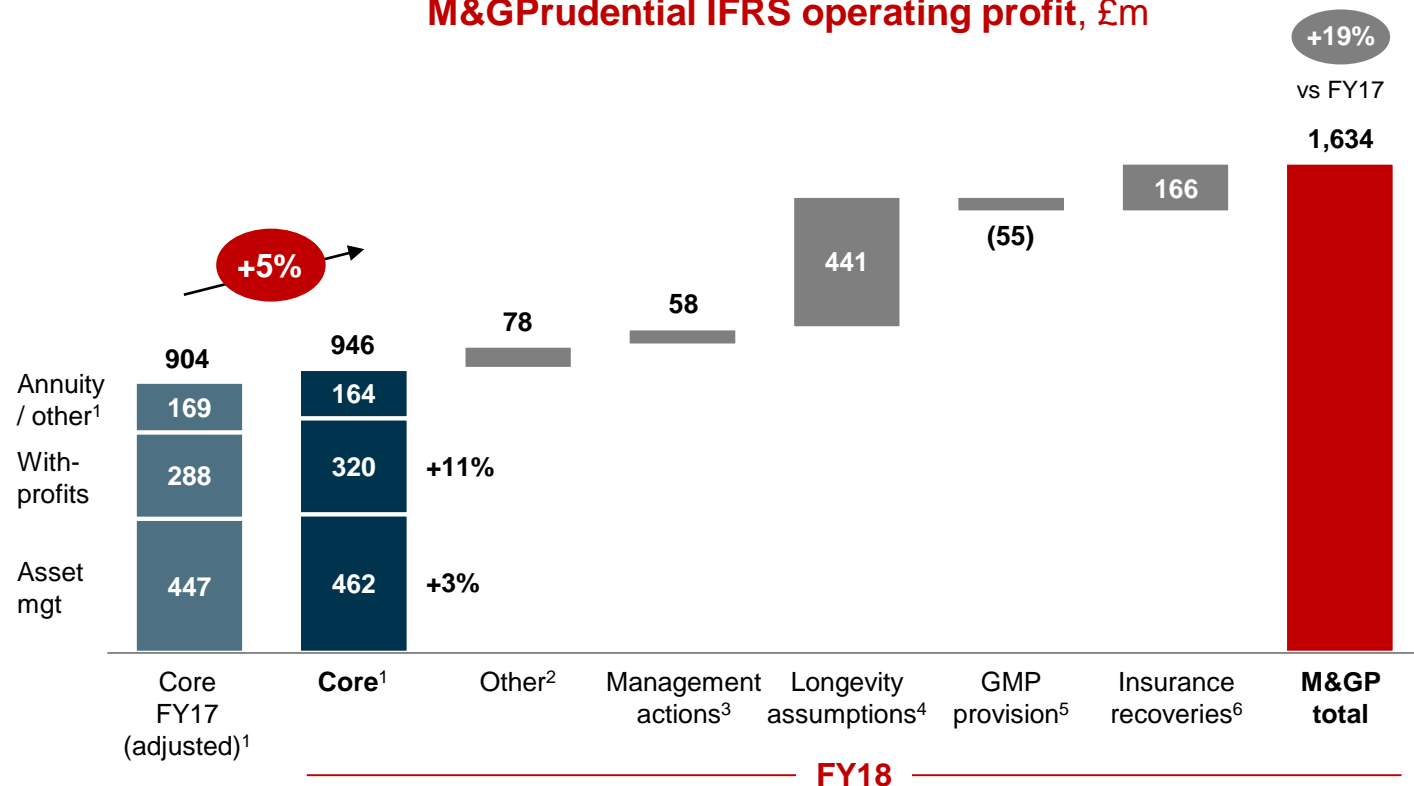


<sup>1</sup> The PAC shareholder position excludes the contribution to the Own Funds and the Solvency Capital Requirement of ring-fenced with-profit funds and staff pension schemes in surplus. The solvency positions include management's calculation of UK transitional measures reflecting operating and market conditions at each valuation date, for which both 2018 and 2017 reflects the approved regulatory position.

# M&G Prudential

## IFRS operating profit

### M&G Prudential IFRS operating profit, £m



#### Life: underlying growth

- PruFund contribution of £55m, up +30%
- Reduction in annuity earnings in line with expectations following reinsurance of £12bn annuity liabilities
- Longevity release reflects updated actuarial mortality projections and adoption of CMI 2016<sup>4</sup>

#### Asset management: margin improvement

- Underlying revenue growth of 6% driven by improvement in revenue margin to 40bp (FY17 37bp)<sup>7</sup>
- Lower level of performance fees £15m (FY17 £53m)
- Cost income ratio 59% (FY17 58%)<sup>8</sup>
- Average total FUM flat at £277bn, reflecting weaker market conditions in 2018

<sup>1</sup> In March 2018, M&G Prudential announced the sale of £12.0 billion (as at 31 December 2017) of its shareholder annuity portfolio to Rothesay Life, with the liabilities reinsured to Rothesay Life on 14 March 2018. As previously disclosed, the UK annuity business sold contributed around £140 million towards UK life insurance core IFRS operating profit before tax in 2017. To provide a meaningful comparison between FY18 and FY17, FY18 has been adjusted down by £35 million on a pro-rata basis to represent a 1Q18 contribution and FY17 has been adjusted down by £140 million to represent a like-for-like contribution from this source.

<sup>2</sup> Other includes M&G performance-related fees of £15 million (FY17 £53 million), profits from new individual annuities of £9 million (FY17 £9 million), a pro-rata 1Q18 contribution of £35 million from the UK annuity business reinsured to Rothesay Life, and general insurance commission of £19 million (FY17 £17 million).

<sup>3</sup> Management actions relate to asset and liability management actions of £58 million (FY17 £245 million) to improve the solvency position of our UK life business and further mitigate market risk, with nil longevity reinsurance transactions (FY17 £31 million).

<sup>4</sup> Relating to changes to annuitant mortality assumptions to reflect current mortality experience, which has shown a slowdown in life expectancy improvements in recent periods, and the adoption of the Continuous Mortality Investigation (CMI) 2016 model (2017: adoption of CMI 2015 model).

<sup>5</sup> Provision for guaranteed minimum pension equalisation.

<sup>6</sup> Insurance recoveries of costs associated with undertaking a review of past annuity sales (FY17 nil).

<sup>7</sup> Revenue margin represents operating income before performance related fees as a proportion of the related funds under management. Monthly closing internal and external funds managed by the respective entity have been used to derive the average. Any funds held by the Group's insurance operations that are managed by third parties outside the Prudential Group are excluded from these amounts.

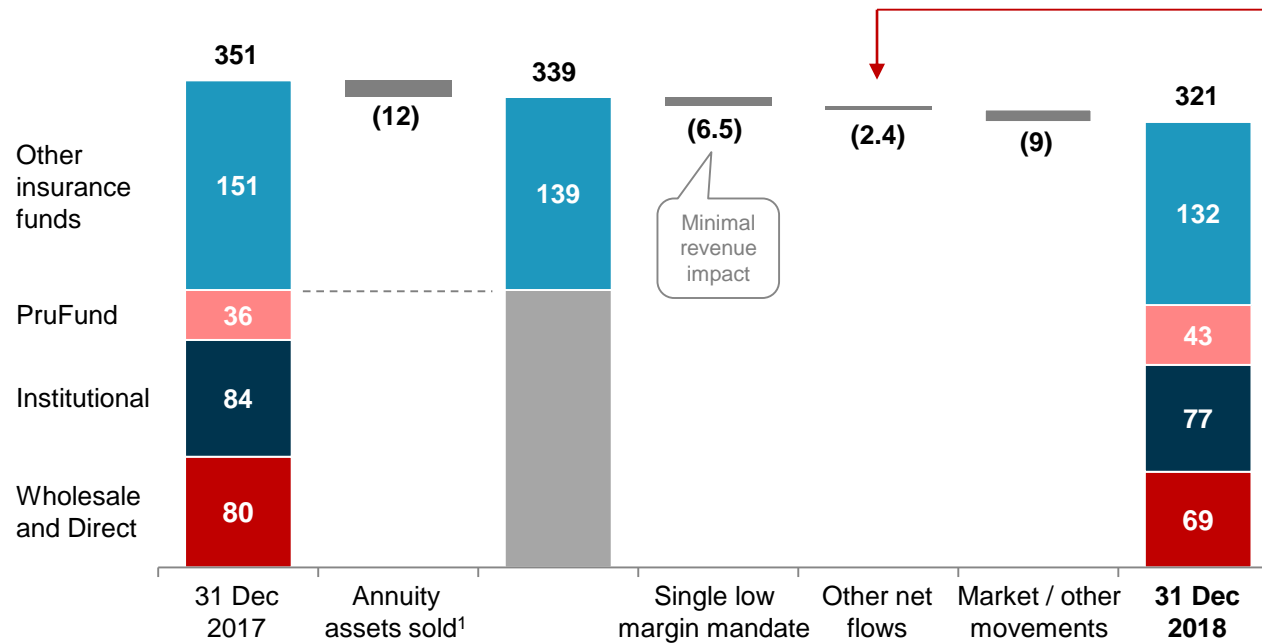
<sup>8</sup> Cost/income ratio represents cost as a percentage of operating income before performance related fees and profit from associate.



# M&G Prudential

## Asset flows

M&G Prudential total FUM, £bn



### Institutional

- Net inflows in infrastructure, public debt, illiquid credit and real estate products
- Strong capital queue

### PruFund

- £8.5bn net inflows ~24% of opening FUM

### Wholesale & Direct

- Net inflows in multi-asset funds
- Net outflows in equity and fixed income

### Other insurance funds

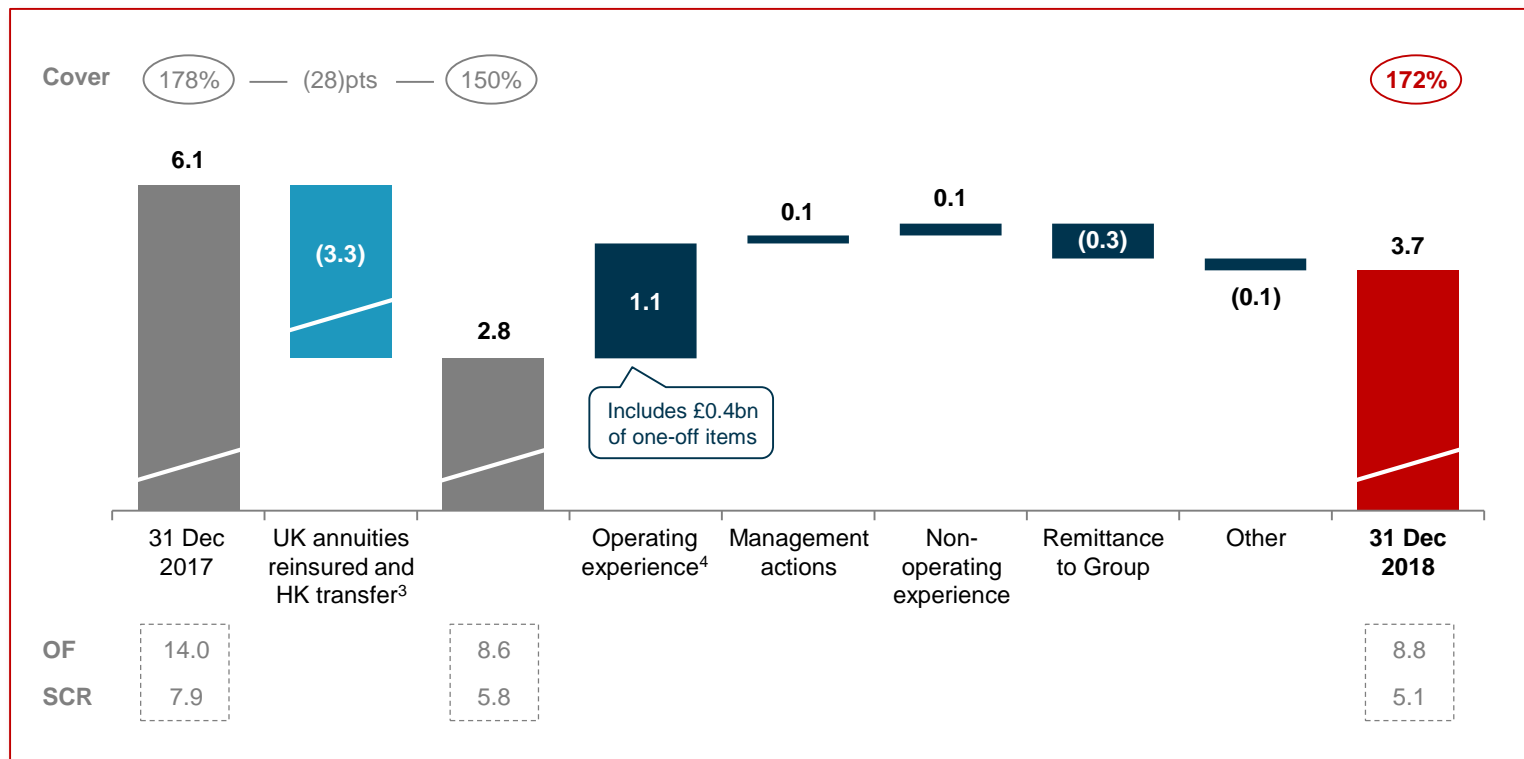
- Net outflows from maturing annuity and with-profits policies

<sup>1</sup> In March 2018, M&G Prudential announced the sale of £12.0 billion (as at 31 December 2017) of its shareholder annuity portfolio to Rothesay Life, with the liabilities reinsured to Rothesay Life on 14 March 2018.

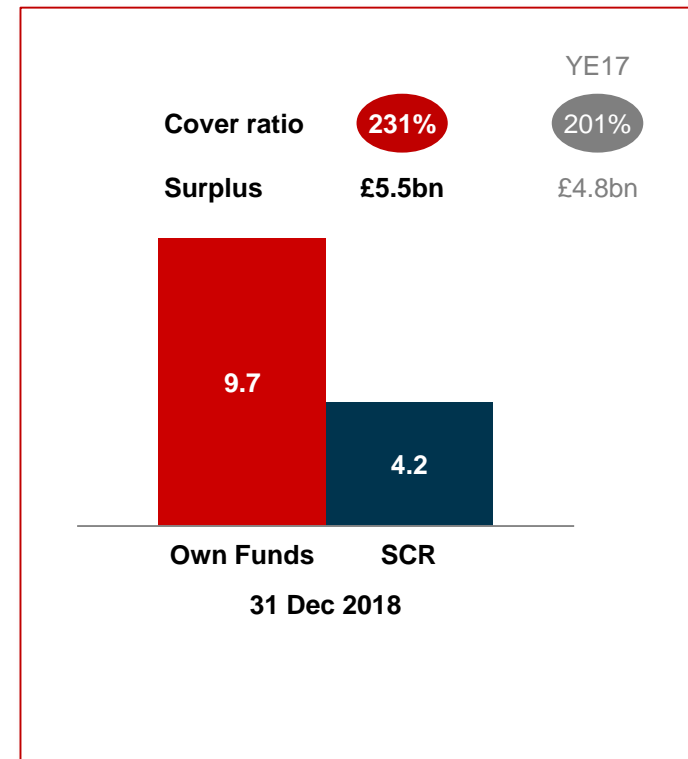
# M&G Prudential

## Solvency II capital surplus

### Shareholder Solvency II capital surplus<sup>1,2</sup>, £bn



### Policyholder Solvency II capital<sup>2</sup>, £bn



<sup>1</sup> Shareholder Solvency II capital position for Prudential Assurance Company Limited. The UK shareholder capital position excludes the contribution to Own Funds and the Solvency Capital Requirement from ring-fenced with-profit funds and staff pension schemes in surplus.

<sup>2</sup> The solvency positions include management's calculation of UK transitional measures reflecting operating and market conditions at each valuation date, for which both 2018 and 2017 reflects the approved regulatory position.

<sup>3</sup> In March 2018, the Group announced the intention to demerge M&G Prudential from the rest of the Group. In preparation for the demerger, the Group completed the transfer of the legal ownership of its Hong Kong insurance subsidiaries from Prudential Assurance Company Limited to Prudential Corporation Asia Limited in December 2018. In addition, in March 2018, M&G Prudential reinsured £12.0 billion (as at 31 December 2017) of its shareholder-backed annuity portfolio to Rothesay Life.

<sup>4</sup> Operating experience includes one-off contributions totalling £0.4 billion, comprising longevity assumption changes of £0.4 billion and insurance recoveries of £0.1 billion, partially offset by a provision for guaranteed minimum pension equalisation of £0.1 billion.

# Equity shareholders' funds

## Operating profit remains key driver of growth

<b>FY18, £m</b>	<b>IFRS</b>	<b>EEV</b>
<b>Operating profit after tax</b>	<b>4,032</b>	<b>7,563</b>
Loss on corporate actions	(480)	(451)
Investment variance and other	(542)	(2,527)
<b>Net income</b>	<b>3,010</b>	<b>4,585</b>
Unrealised loss on AFS	(1,083)	n/a
Currency movements	348	1,706
Dividend	(1,244)	(1,244)
Other movements	131	37
<b>Change in shareholders' equity</b>	<b>1,162</b>	<b>5,084</b>
Opening shareholders' equity	16,087	44,698
<b>Closing shareholders' equity</b>	<b>17,249</b>	<b>49,782</b>

### IFRS

#### Operating profit

- Includes M&G Prudential merger and transformation costs of £99m

#### Corporate actions

- Primarily reflects loss arising on reinsurance of the UK annuity portfolio sold to Rothesay Life (loss of £508m pre-tax)

#### Investment variance and other

- Investment variance represents unrealised negative marks on fixed income securities, following the rise in bond yields in the year

#### Available-for-sale securities

- Higher yields resulted in US AFS securities moving from a net unrealised gain to a net unrealised loss position of £414m

### EEV

#### Investment variance and other

- Investment variance reflects unrealised negative marks on fixed income securities, following the rise in bond yields in the year, together with a reduction in the level of expected future fees on lower US VA asset values following the decline in equity markets in 2018

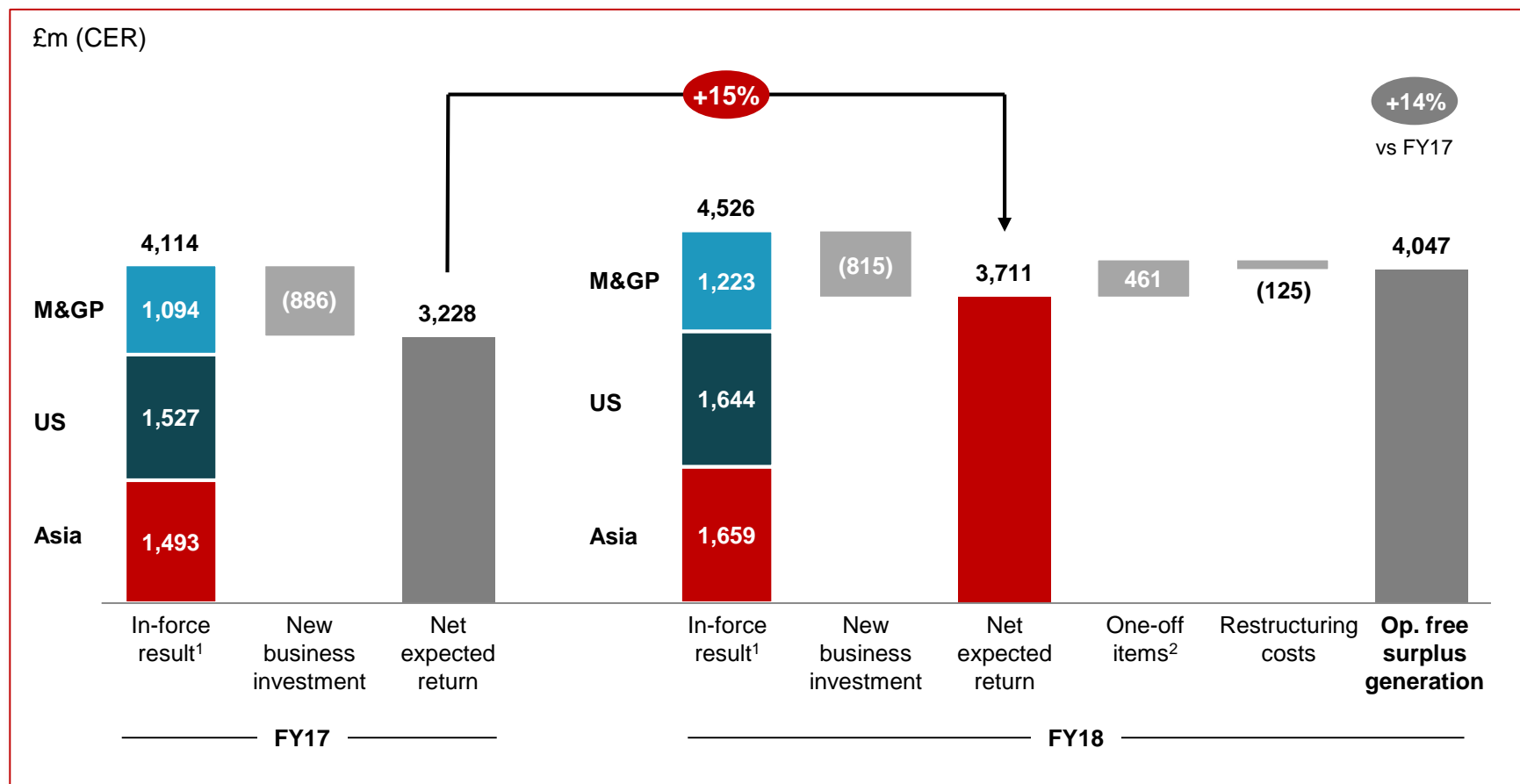
#### Currency movements

- FX gains mainly resulting from USD movements on Hong Kong and US shareholders' funds

# Group free surplus generation

Growing contributions from in-force life portfolios and asset management

## Operating free surplus generation



### New business profit / new business investment

2018	4.8x
2017	3.9x

### Other free surplus movements, £m

Operating result	4,047
Non-operating result	(763)
Cash remitted to Group	(1,732)
FX, timing differences, other	(236)
<b>Total net movement</b>	<b>1,316</b>
Opening free surplus	7,578
<b>Closing free surplus</b>	<b>8,894</b>

<sup>1</sup> For life: expected transfer from in-force to free surplus and expected return on opening free surplus; for asset management and other: post-tax IFRS profit for the period; for UK, also includes post-tax IFRS profit for the period relating to general insurance.

<sup>2</sup> Relates to UK one-off items stated on a post-tax basis (FY17 £392 million). FY18 includes change in longevity assumptions of £364 million, management actions of £54m, insurance recoveries of £138 million and a provision of £(95) million for guaranteed minimum pension equalisation.

# Holding company cash

## Strong liquidity position

### Movement in holding company cash

£m	FY17	FY18
<b>1 January</b>	<b>2,626</b>	<b>2,264</b>
<b>Remittances to Group</b>	<b>1,788</b>	<b>1,732</b>
Asia	645	699
US	475	342
UK	643	654
Other	25	37
Central outflows	(470)	(430)
Dividends paid	(1,159)	(1,244)
Other movements <sup>1</sup>	(521)	914
<b>31 December</b>	<b>2,264</b>	<b>3,236</b>

<sup>1</sup> Includes net debt issuance, corporate activities and payments for distribution rights.

#### Diversified sources of Group liquidity

- Holding company cash at YE18 of £3.2bn
- MTN programme of £10bn
- Access to £2.6bn of undrawn credit facilities

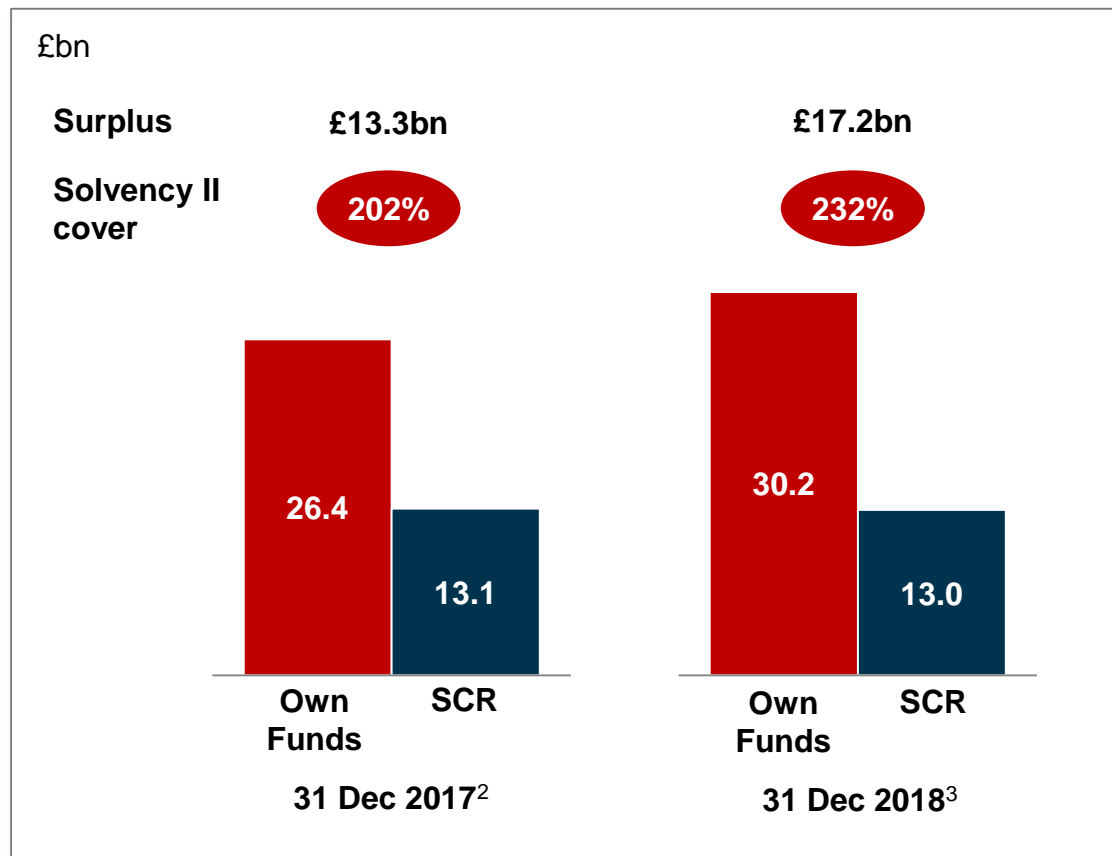
#### Core borrowings

- YE18 core structural debt increased to £7.7bn (YE17 £6.3bn) to support M&GPrudential demerger debt rebalancing
- Reflects £1.6bn equivalent sub-debt raised in October 2018 and redemption of \$550m sub-debt in December 2018 (net increase of £1.2bn)

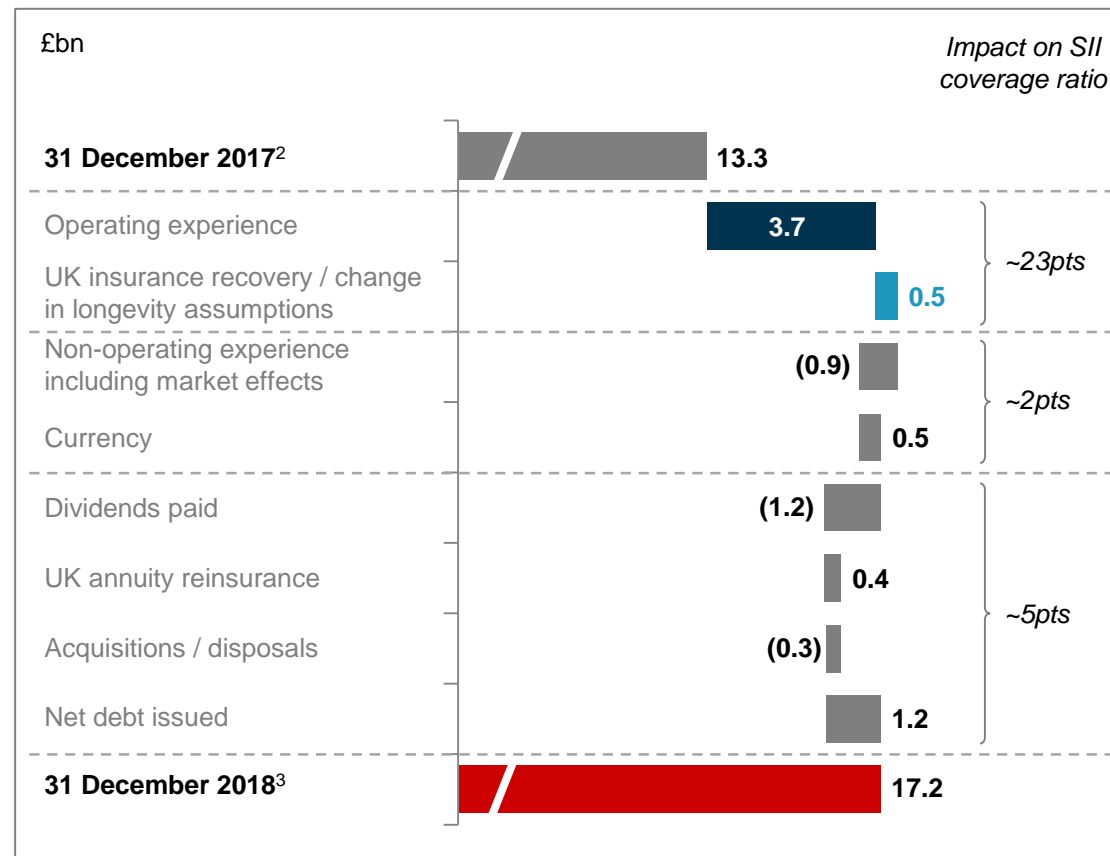
# Solvency II

## Robust solvency capital position

### Group shareholder Solvency II capital position<sup>1</sup>



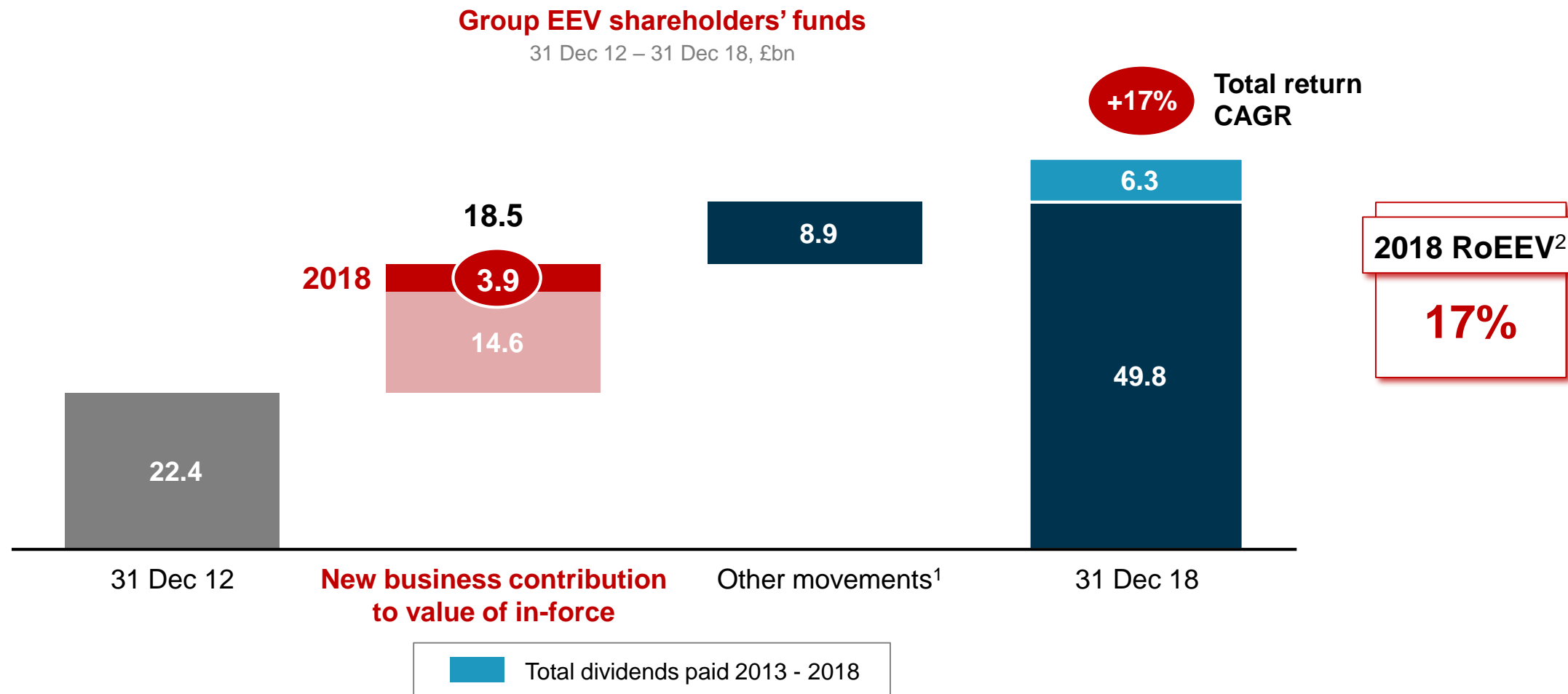
### FY18 movement in Solvency II capital surplus<sup>1</sup>



<sup>1</sup> The Group shareholder position excludes the contribution to the Group Own Funds and the Solvency Capital Requirement of ring-fenced with-profit funds and staff pension schemes in surplus. The solvency positions include management's calculation of UK transitional measures reflecting operating and market conditions at each valuation date, for which both 2018 and 2017 reflects the approved regulatory position.  
<sup>2</sup> Before allowing for the 2017 second interim ordinary dividend  
<sup>3</sup> Before allowing for the 2018 second interim ordinary dividend

# Group embedded value

Growth in value and cash, driven by new business



<sup>1</sup> Includes expected return on existing business, investment in new business, changes in operating assumptions and experience variances, restructuring costs, currency effects and other non-operating items after dividend payments.  
<sup>2</sup> ROEEV: Return on European Embedded Value is calculated as the EEV post-tax operating profit based on longer-term investment returns, as a percentage of opening EEV basis shareholders' funds.

# Appendix

## 2018 Full Year Results

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# Prudential

## Share information and contact details

### Share information

<b>London Stock Exchange:</b>	PRU.L
<b>Hong Kong Stock Exchange:</b>	2378
<b>New York Stock Exchange – American Depositary Receipt (ADR)</b>	PUK.N
<b>Singapore Stock Exchange:</b>	K65
<b>Number of issued ordinary shares of five pence each fully paid-up at 31 Dec 2018</b>	2,593,044,409

### Trading information

<b>Country Code</b>	GB
<b>Country of Register</b>	Great Britain (UK)
<b>ISIN</b>	GB0007099541
<b>SEDOL</b>	0709954
<b>Segment</b>	SET1
<b>Normal market size</b>	150000
<b>Sub-sector</b>	Life Assurance

### Dividend information

#### Second interim dividend of 33.68 pence per share

##### Ex-dividend date:

- 28 March 2019 (UK, Ireland, Singapore and Hong Kong)

##### Record date:

- 29 March 2019

##### Payment of dividend:

- 17 May 2019 (UK, Ireland and Hong Kong)
- On or about 24 May 2019 (Singapore and ADR holders)

### Contact information

#### Shareholder enquiries

For enquiries about shareholdings, including dividends and lost share certificates, please contact the Company Registrars:

#### By post

Equiniti Limited, Aspect House  
Spencer Road, Lancing  
West Sussex BN99 6DA

#### By telephone

Tel 0871 384 2035  
Fax 0871 384 2100  
Textel 0871 384 2255  
(for hard of hearing)

#### Prudential plc

Laurence Pountney Hill  
London EC4R 0HH  
Tel +44 (0)20 7220 7588

#### Institutional Analyst and Investor enquiries

Tel +44 (0)20 7548 3300  
E-mail [investor.relations@prudential.co.uk](mailto:investor.relations@prudential.co.uk)

#### Media enquiries

Tel +44 (0)20 7548 2776  
E-mail [media.relations@prudential.co.uk](mailto:media.relations@prudential.co.uk)

#### UK Register Private Shareholder enquiries

Tel 0871 384 2035  
International shareholders  
Tel +44 (0) 371 384 2035

#### Irish Branch Register Private Shareholder enquiries

Tel +353 1 553 0050

#### Hong Kong Branch Register Private Shareholder enquiries

Tel +852 2862 8555

#### US American Depositary Receipts Holder enquiries

Tel +1 651 453 2128

#### The Central Depository (Pte) Limited Shareholder enquiries

Tel +65 6535 7511

# Prudential plc

## Group history

Providing financial security since

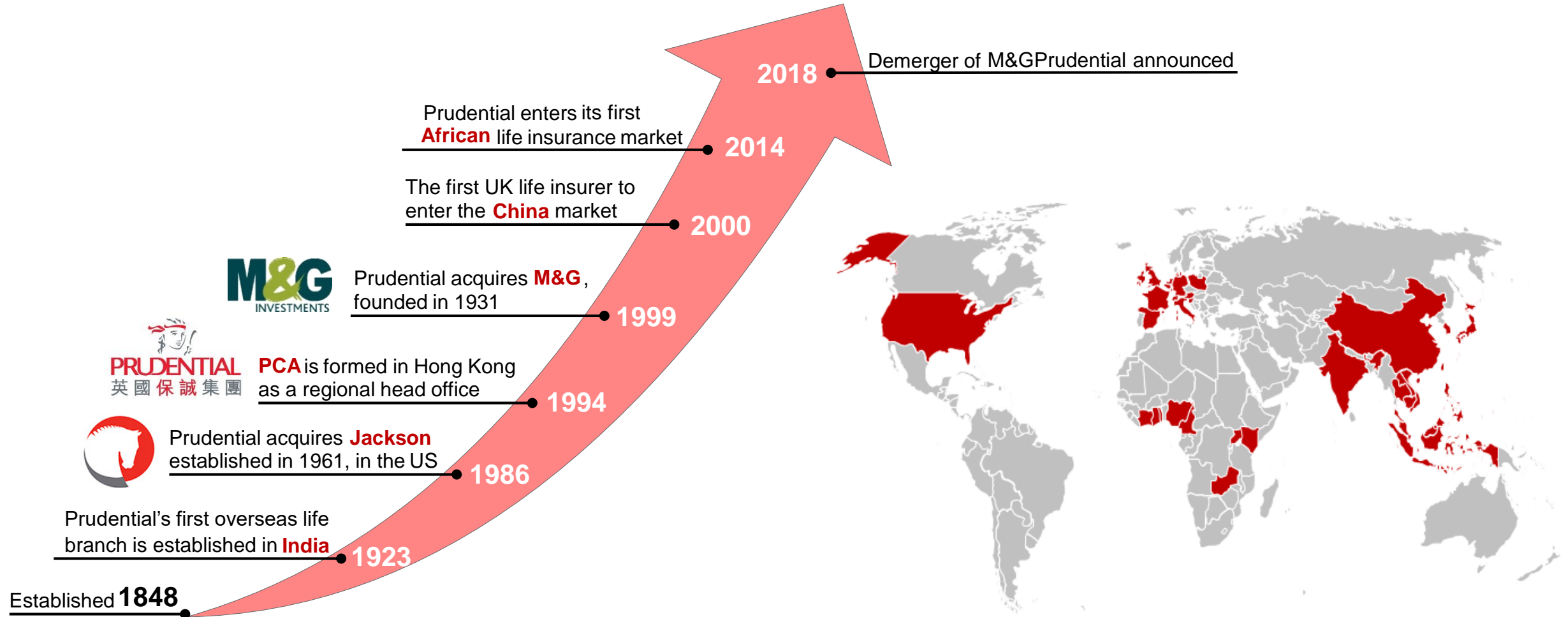
**1848**

Life insurance customers worldwide

**26<sub>m</sub>**

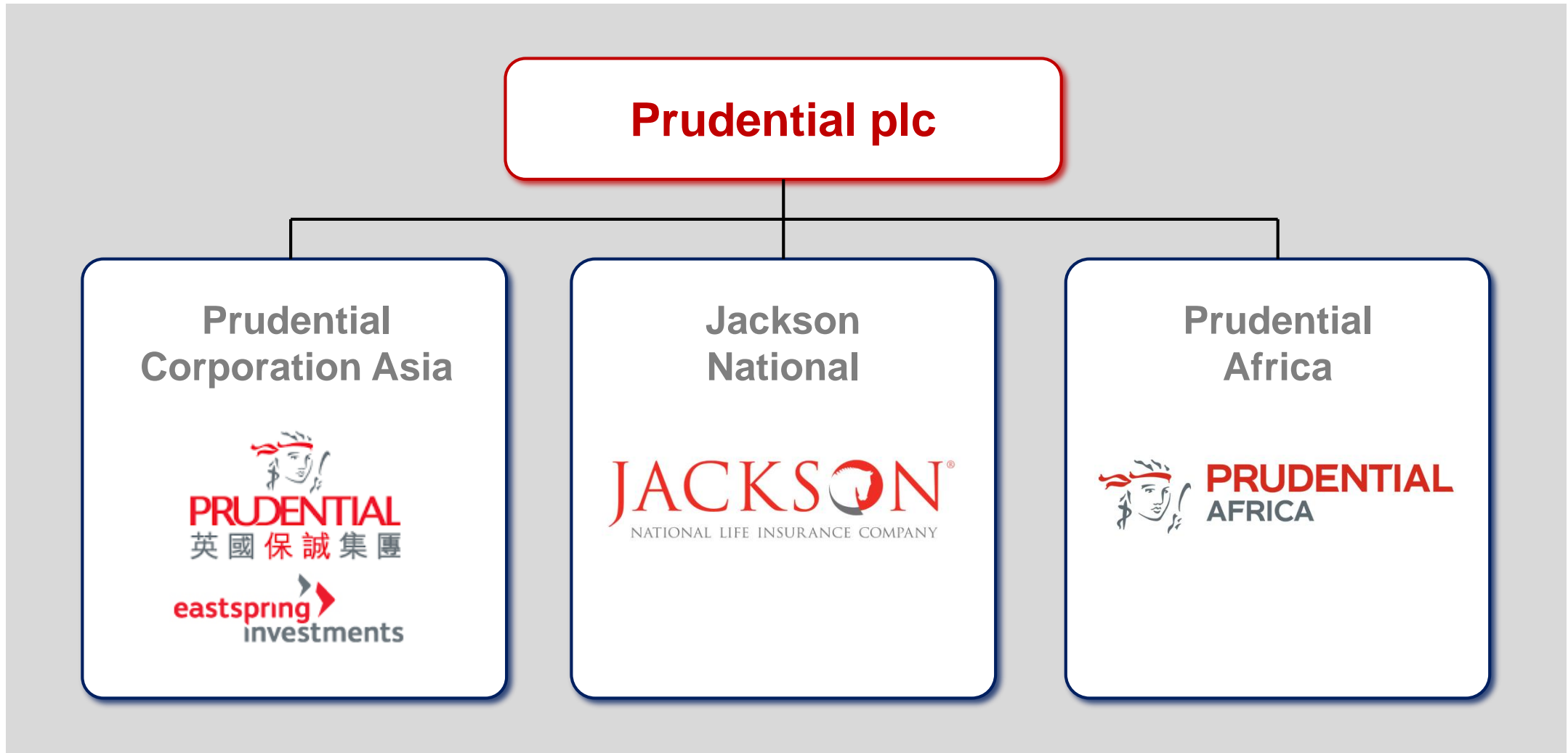
Total funds under management

**£657<sub>bn</sub>**



# Prudential plc post demerger

Group



# Prudential plc post demerger: structural opportunity

## Prudential's positioning in world's largest and fastest growing markets

**JACKSON**  
NATIONAL LIFE INSURANCE COMPANY

**US wealth**

**\$17.4 trillion**

Total advisor distributed assets<sup>1</sup>

Leading provider of retirement products

**PRUDENTIAL AFRICA**

**1.3 billion**

Population of Africa<sup>2</sup>

Building presence in one of the world's most under penetrated markets

**PRUDENTIAL**  
英國保誠集團

**Asian growth**

**+1 million**

People entering the working population every month<sup>2,3</sup>

Leading Pan Asian business

Total FUM<sup>4</sup> **£334bn**

Markets' share of global GDP<sup>5</sup> **48%**

Access to population<sup>2</sup> **4.2bn**

Life insurance customers **20m**

1. The Cerulli report, The State of U.S. Retail and Institutional Asset Management, 2018, IRI Retirement Fact Book 2018 and Jackson analysis. Net of existing annuity assets.

2. United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 revision.

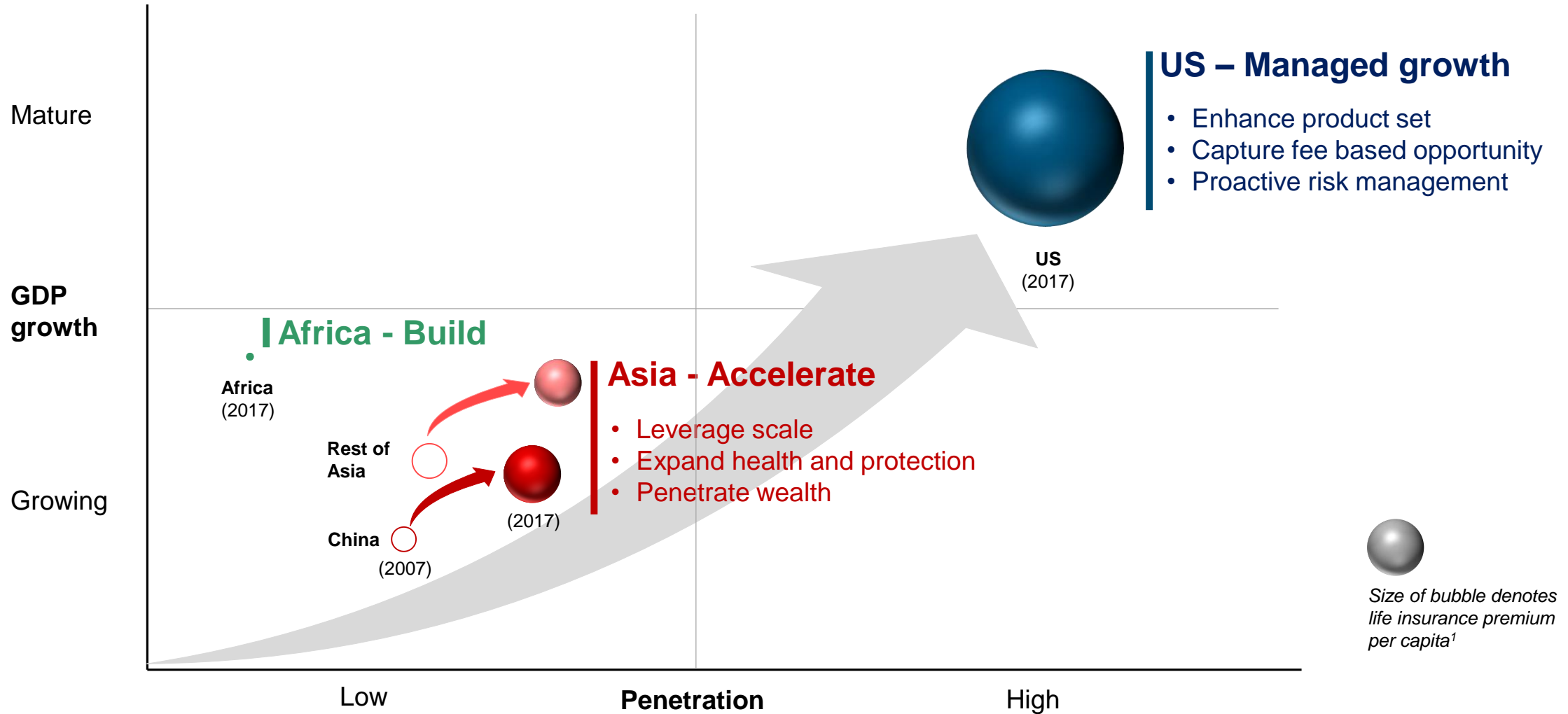
3. Working age population: 15-64 years.

4. As at 31 December 2018.

5. Source: IMF. 2017 GDP at October 2018 current prices.

# Prudential plc post demerger: structural opportunity

## Global growth markets

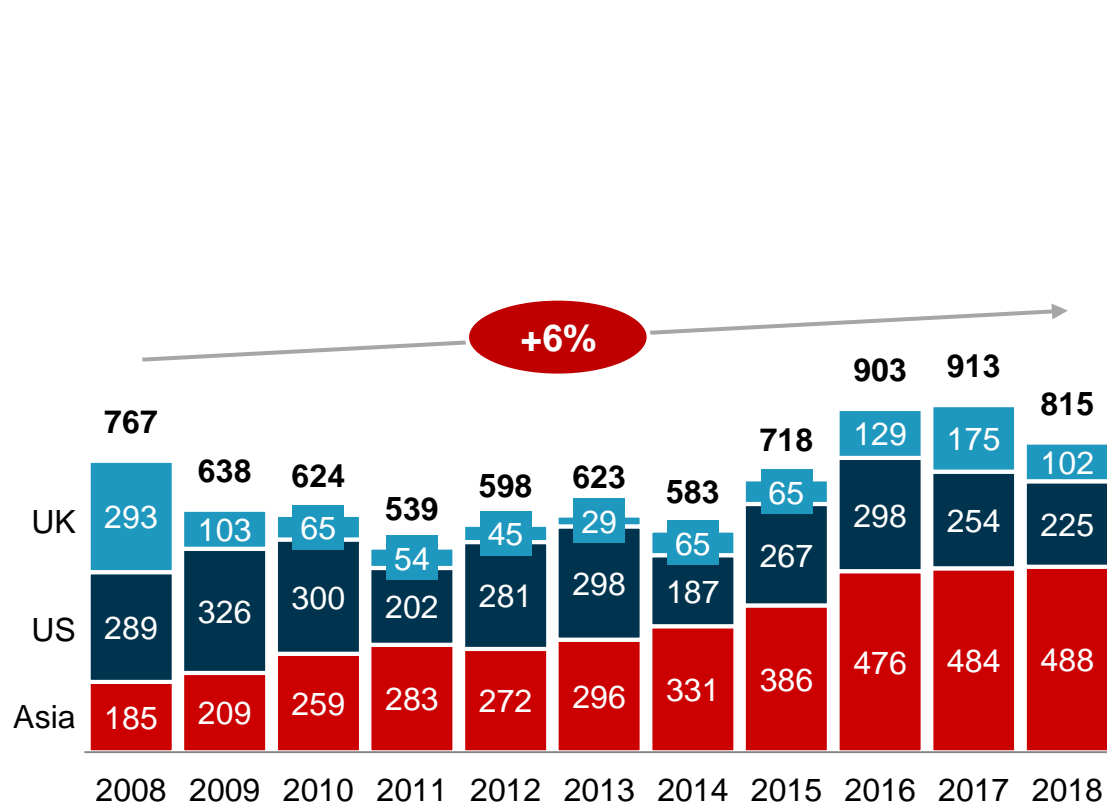


1. Source: Swiss Re. 2017: Sigma no 3/2018. 2007: Sigma no 3/2008.

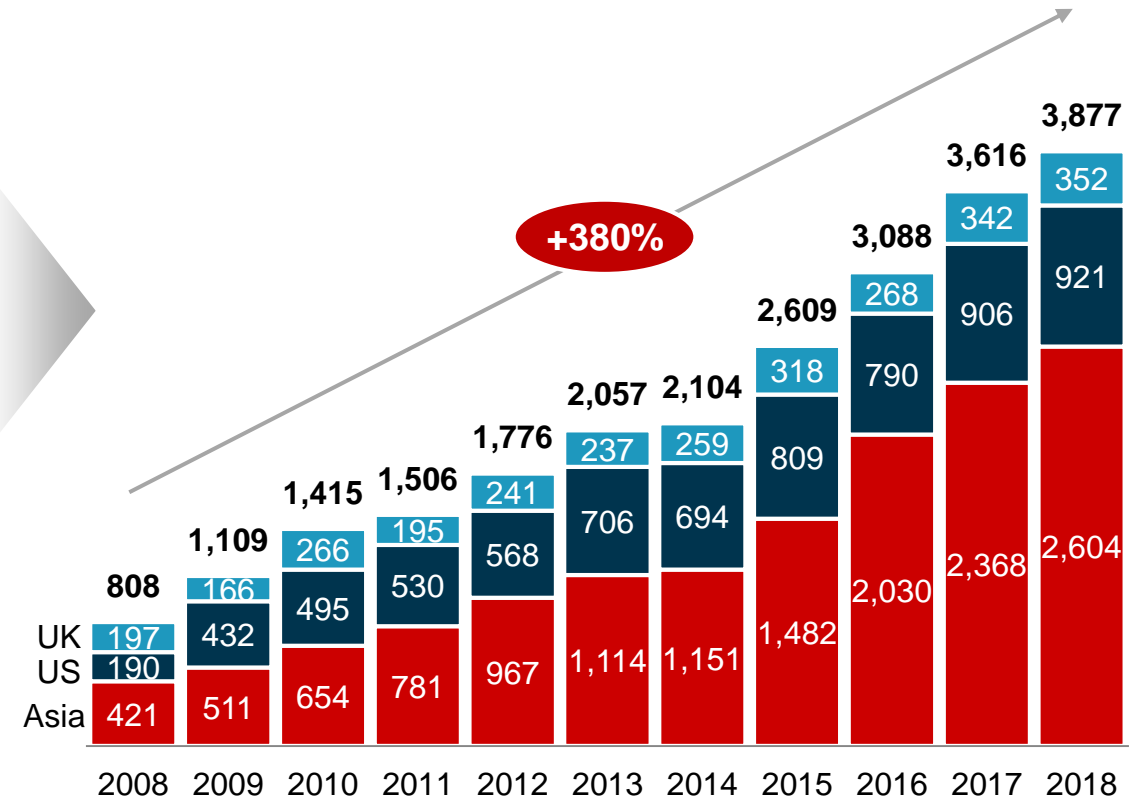
# Group

## New business capital allocation and returns

**New business strain<sup>1,2,3</sup>, £m**



**New business profit<sup>2,3</sup>, £m**

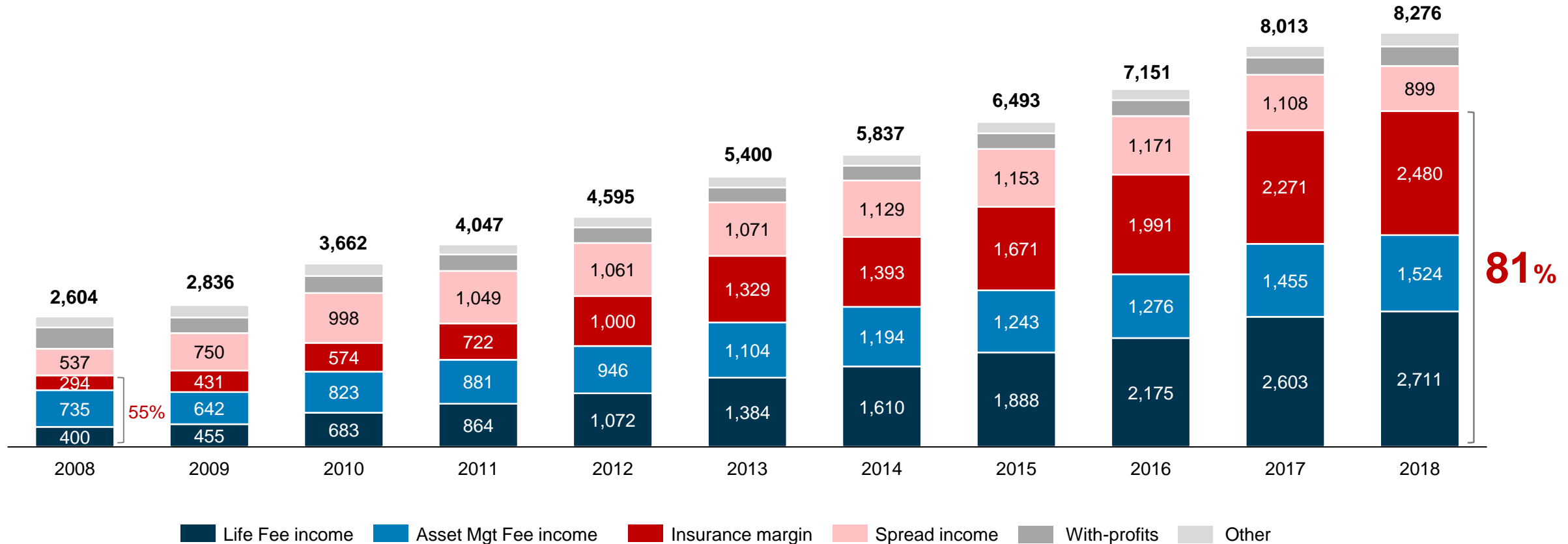


1. Free surplus invested in new business.  
 2. On a post tax basis.  
 3. As reported AER. Comparatives back to 2008 have been restated to exclude the contribution from the Korea Life, Japan Life and Taiwan Agency insurance businesses. FY2014 comparatives have been restated to exclude the contribution from the sold PruHealth and PruProtect businesses. FY2008 to FY2013 comparatives include the results of PruHealth and PruProtect.

# Group

## Growth in high quality earnings

Sources of IFRS operating income<sup>1,2,3,4,5</sup>, £m



1. Comparatives adjusted for new and amended accounting standards.

2. Comparatives have been stated on an actual exchange rate basis.

3. Excludes Japan Life, Taiwan agency, Korea Life and NPH Holdings. FY14 comparatives have been restated to exclude the contribution from the sold PruHealth and PruProtect businesses. FY08 to FY13 comparatives include the results of PruHealth and PruProtect.

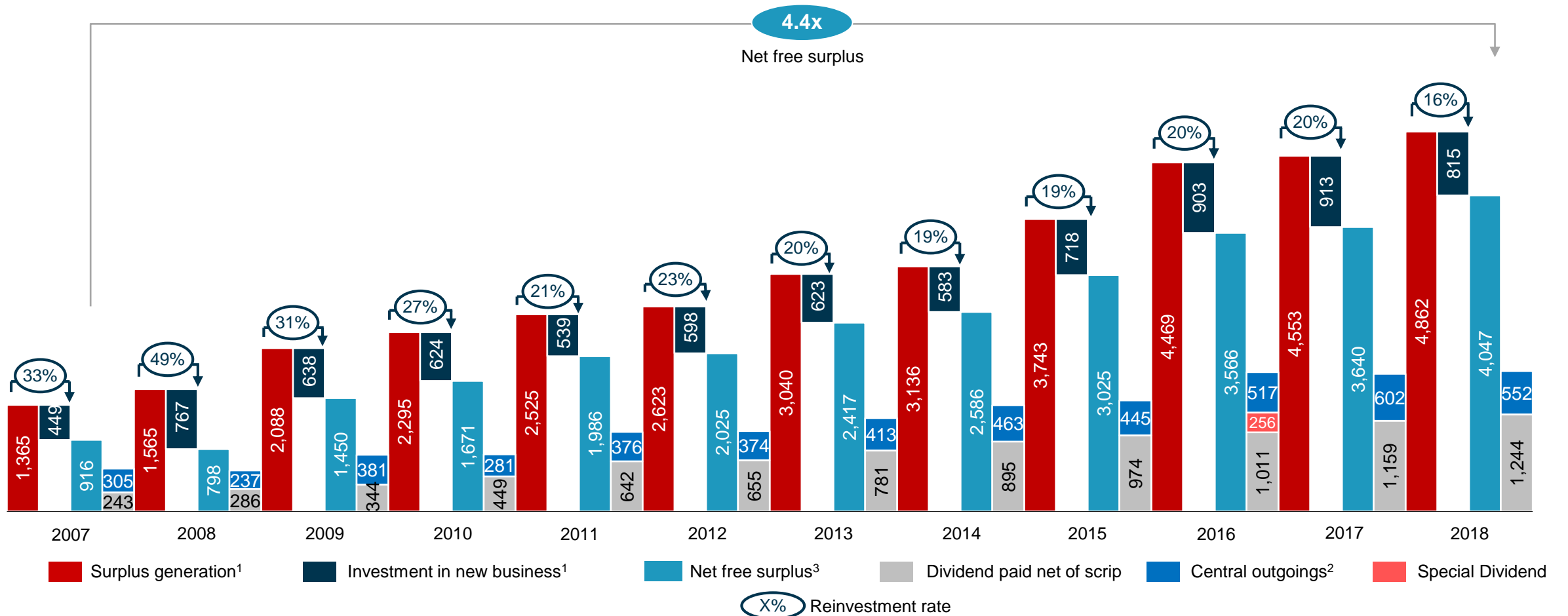
4. Excludes longevity reinsurance transactions of FY18: nil (FY17: £31m); other management actions to improve solvency of FY18: £58m (FY17: £245m); longevity assumption changes of FY18: £441m (FY17: £204m); insurance recoveries of costs associated with review of past annuity sales of FY18: £166m (FY17:nil); a provision for the review of past annuity sales of FY18: nil (FY17: -£225m); and provision for guaranteed minimum pension equalisation of £55m (FY17: nil).

5. Excludes contribution from Prudential Capital. All historic comparatives have been restated to exclude the contribution from Prudential Capital.

# Group

## Free surplus generation

### Free surplus and dividend, £m



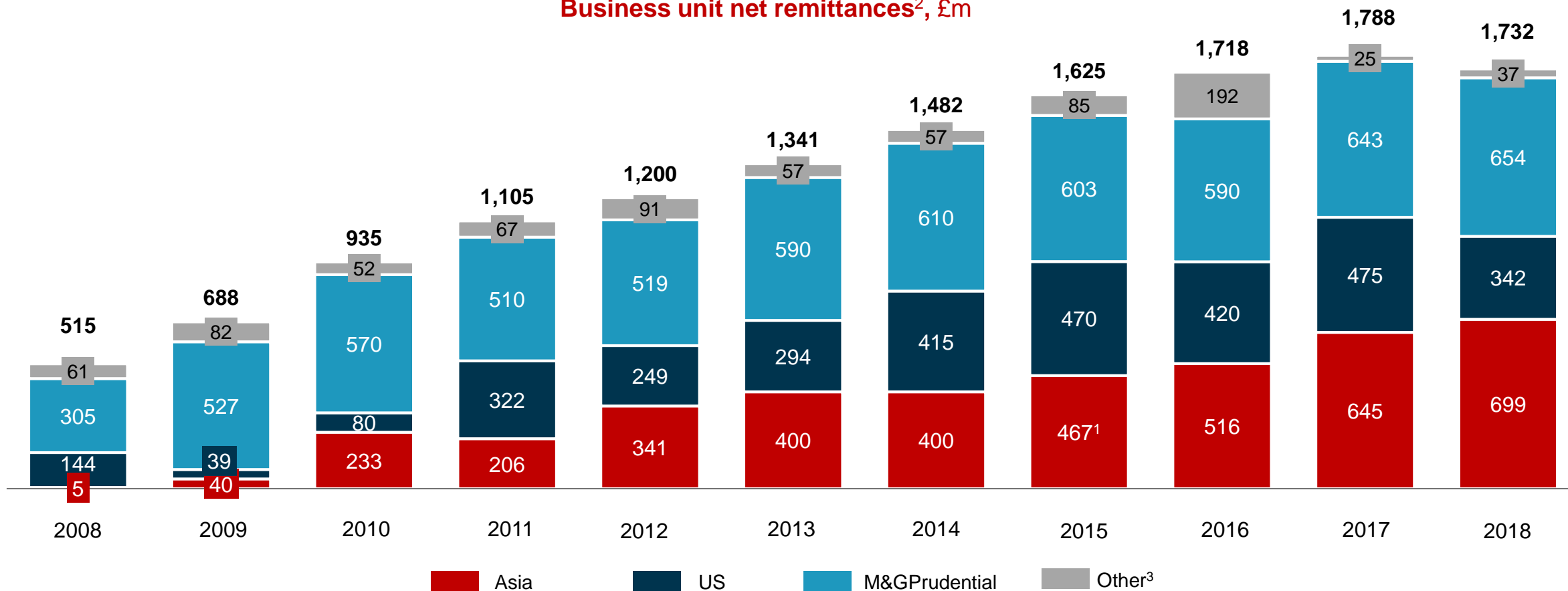
1. Excludes Japan Life and Taiwan agency. All comparative surplus generation and investment in new business figures have been adjusted to exclude the contribution from the sold Korea life. FY2014 comparatives have been restated to exclude the contribution from the sold PruHealth and PruProtect businesses. FY2007 to FY2013 comparatives include the results of PruHealth and PruProtect. As reported (AER).  
 2. Central outgoings include Asia RHO costs.  
 3. 2012 to 2016 restated to exclude contribution from PruCap. 2011 and prior includes contribution from PruCap.



# Group

## Cash remittances to Group

Business unit net remittances<sup>2</sup>, £m



1. Includes £42 million of proceeds from the sale of Japan.

2. As reported AER.

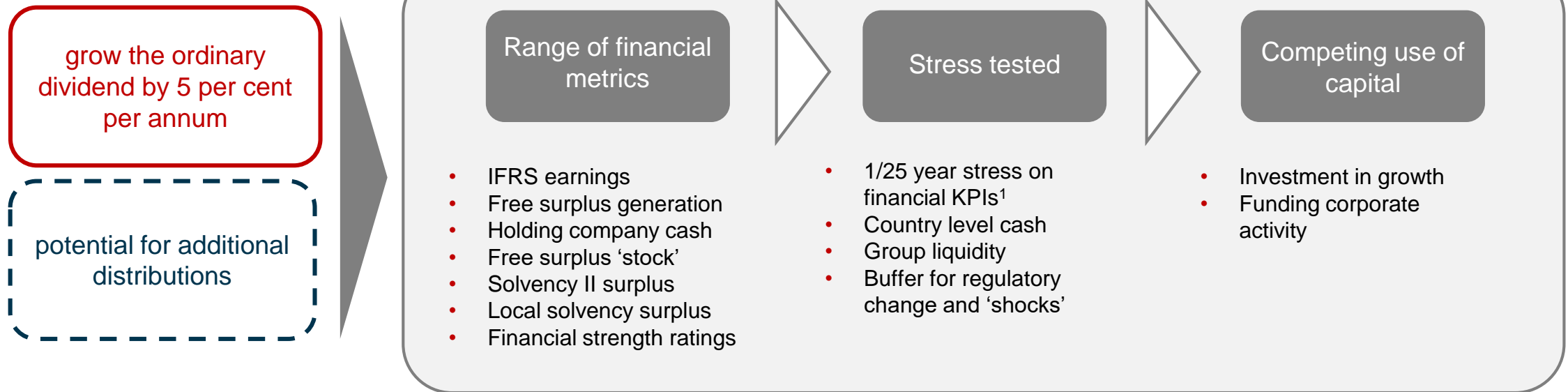
3. Includes remittances from Prudential Capital.

# Group

## Dividend policy

The Board will maintain its focus on delivering a growing ordinary dividend. In line with this policy, Prudential aims to grow the ordinary dividend by 5 per cent per annum. The potential for additional distributions will continue to be determined after taking into account the Group's financial flexibility across a broad range of financial metrics and our assessment of opportunities to generate attractive returns by investing in specific areas of the business.

### Assessment of dividend affordability unchanged

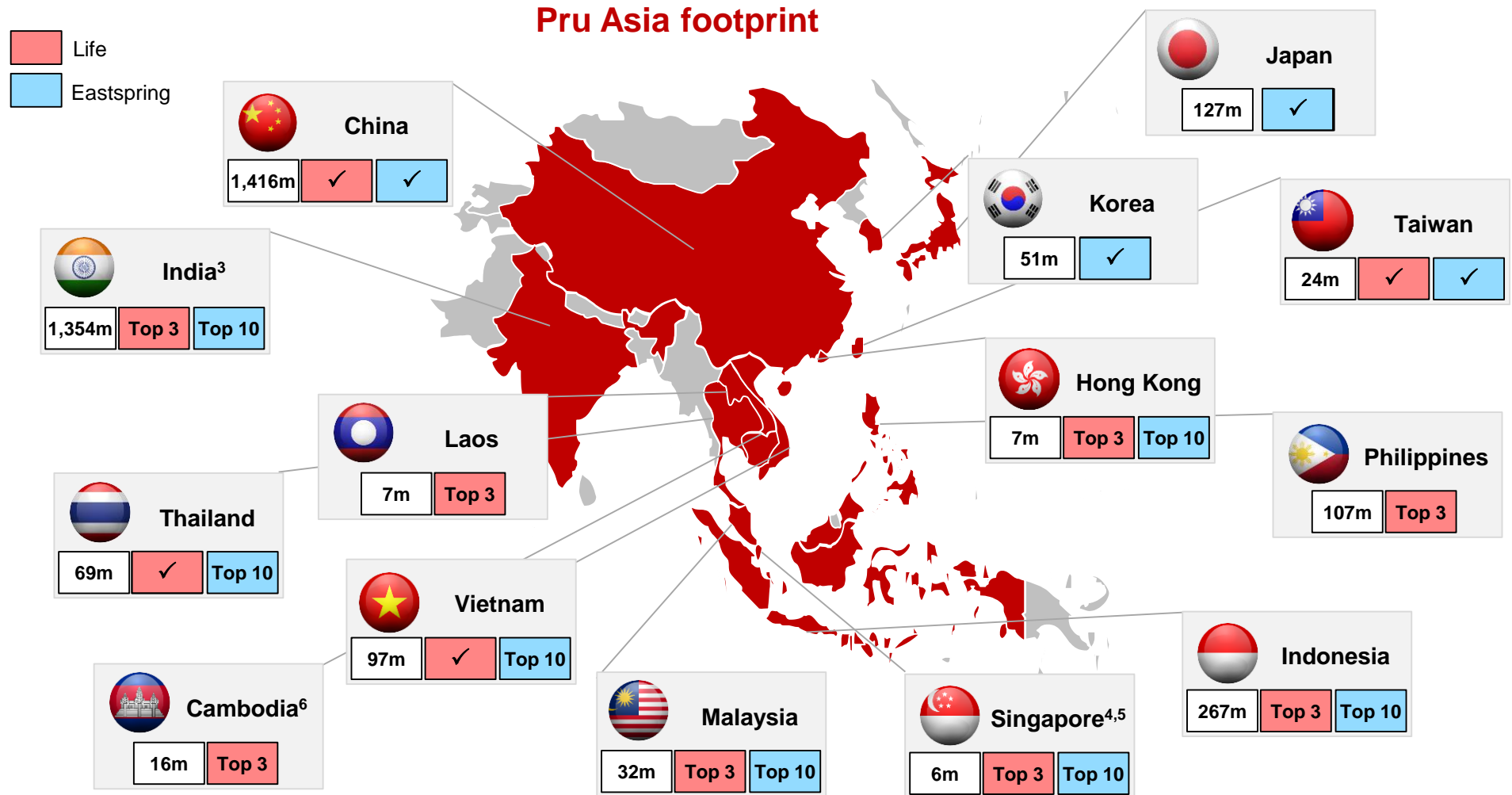


1. 1/25 year stress is equivalent to a Group-wide scenario with movements in all risks including a fall in equity levels, a fall in long-term interest rates and spreads widening in both A-rated and BBB-rated credit.

# Asia

## Leading pan-regional franchise

- >600k**  
Agents
- >300**  
Life & asset management distribution partnerships
- 1.4m**  
New Pru life customers<sup>8</sup>
- Top 3**  
Position in 8 of 12 markets<sup>1</sup>
- Market leading** pan regional Asian Retail Fund Manager<sup>7</sup>
- Access to:  
**3.6bn**  
Population<sup>2</sup>



Note: As at December 2018, unless stated otherwise.

1. Top 3 in 8 of 12 countries. Source: Based on formal (Competitors' results release, local regulators and insurance associations) and informal (industry exchange) market share data. Ranking based on new business (APE or weighted FYP depending on the availability of data).

2. United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects 2017 Revision.

3. Ranking amongst private players, share among all players on a fiscal year basis excluding Group business.

4. Excludes Group business.

5. Singapore includes onshore only, excluding Eldersfield and DPS.













6. First year gross premiums.

7. Source: Asia Asset Management – Fund Manager Surveys. Based on assets sourced in Asia ex-Japan, Australia and New Zealand. Ranked according to participating firms only.

8. Excludes India

# Asia

## Favourable dynamics

	Population <sup>2</sup> (m)	Market penetration <sup>3</sup> (%)	GDP <sup>1</sup> (\$bn)	GDP growth <sup>1</sup> (%)
 Cambodia (2013)	16	0.1%	24	7.0%
 China (2000)	1,416	2.7%	13,457	6.6%
 Hong Kong (1964)	7	14.6%	360	3.8%
 India (2000)	1,354	2.8%	2,690	7.3%
 Indonesia (1995)	267	1.9%	1,005	5.1%
 Laos (2015)	7	0%	18	6.8%
 Malaysia (1924)	32	3.3%	347	4.7%
 Philippines (1996)	107	1.2%	332	6.5%
 Singapore (1931)	6	6.6%	347	2.9%
 Taiwan (1999)	24	17.9%	603	2.7%
 Thailand (1995)	69	3.6%	490	4.6%
 Vietnam (1999)	97	1.3%	241	6.6%

1. Source: IMF 2018 forecast data. Published October 2018.

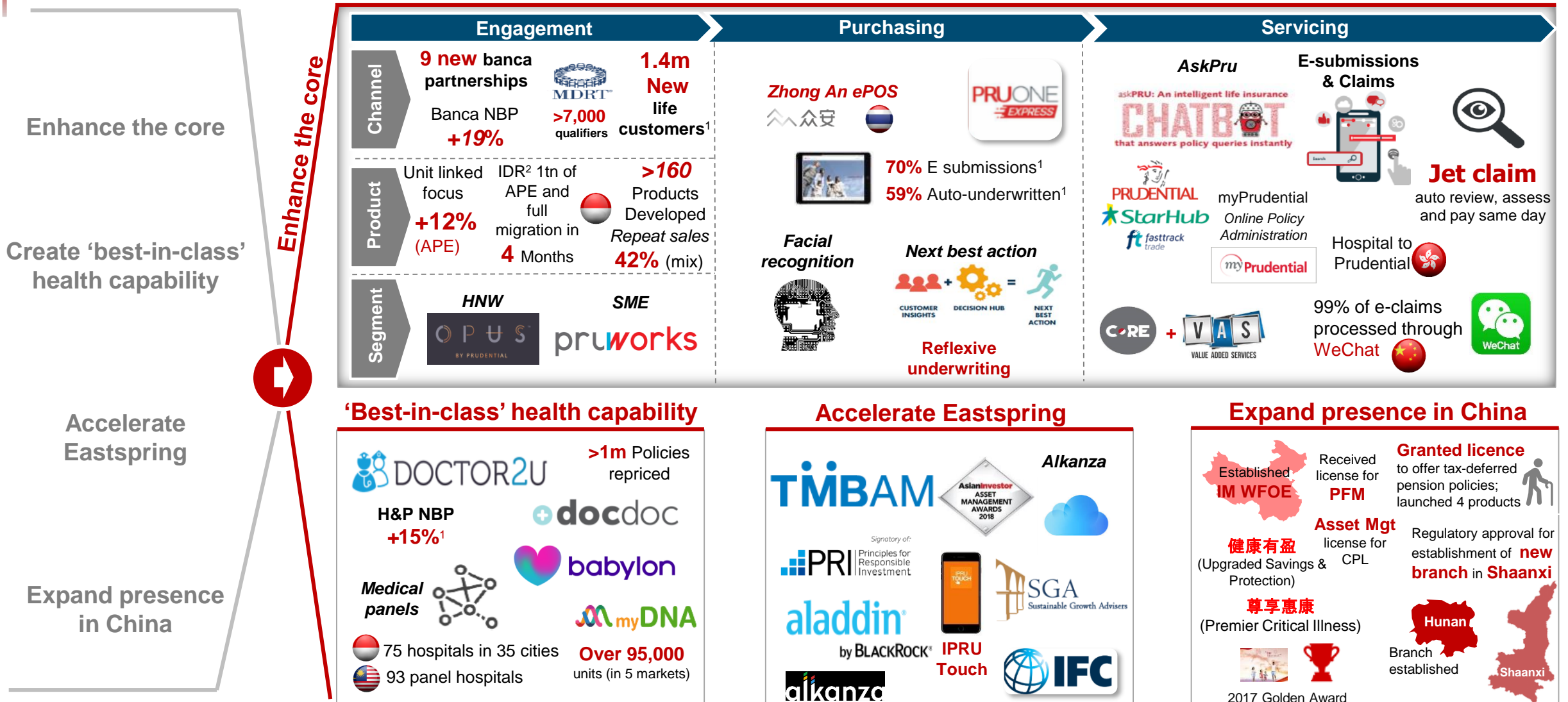
2. United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects – 2017 Revision.

3. Market penetration: Swiss Re (Sigma) – based on insurance premiums as a percentage of GDP in 2017 (estimated).

(YYYY) Operation's start date

# Asia

## Execution of strategic priorities



Enhance the core

Create 'best-in-class' health capability

Accelerate Eastspring

Expand presence in China

Enhance the core

	Engagement	Purchasing	Servicing
<b>Channel</b>	<b>9 new banca partnerships</b> Banca NBP <b>+19%</b> MDRT <b>&gt;7,000</b> qualifiers <b>1.4m New life customers</b> <sup>1</sup>	Zhong An ePOS PRUONE EXPRESS	AskPru CHATBOT E-submissions & Claims Jet claim
<b>Product</b>	Unit linked focus <b>+12%</b> (APE) IDR <sup>2</sup> 1tn of APE and full migration in <b>4 Months</b> <b>&gt;160</b> Products Developed Repeat sales <b>42%</b> (mix)	70% E submissions <sup>1</sup> 59% Auto-underwritten <sup>1</sup> Facial recognition Next best action Reflexive underwriting	myPrudential Online Policy Administration Hospital to Prudential 99% of e-claims processed through WeChat
<b>Segment</b>	HNW SME pruworks	CORE + VAS VALUE ADDED SERVICES	WeChat

### 'Best-in-class' health capability

**DOCTOR2U** **>1m** Policies repriced

**H&P NBP +15%**<sup>1</sup>

**docdoc**

**babylon**

**myDNA**

75 hospitals in 35 cities  
 93 panel hospitals

**Over 95,000** units (in 5 markets)

### Accelerate Eastspring

**TMBAM** **Alkanza**

Asian Investor ASSET MANAGEMENT AWARDS 2018

PRU Principles for Responsible Investment

**aladdin** by BLACKROCK

**IPRU Touch**

**SGA** Sustainable Growth Advisers

**IFC**

### Expand presence in China

Established **IM WFOE**

Received licence for **PFM**

**健康有盈** (Upgraded Savings & Protection)

**尊享惠康** (Premier Critical Illness)

2017 Golden Award

Granted licence to offer tax-deferred pension policies; launched 4 products

Regulatory approval for establishment of **new branch** in **Shaanxi**

**Hunan** Branch established

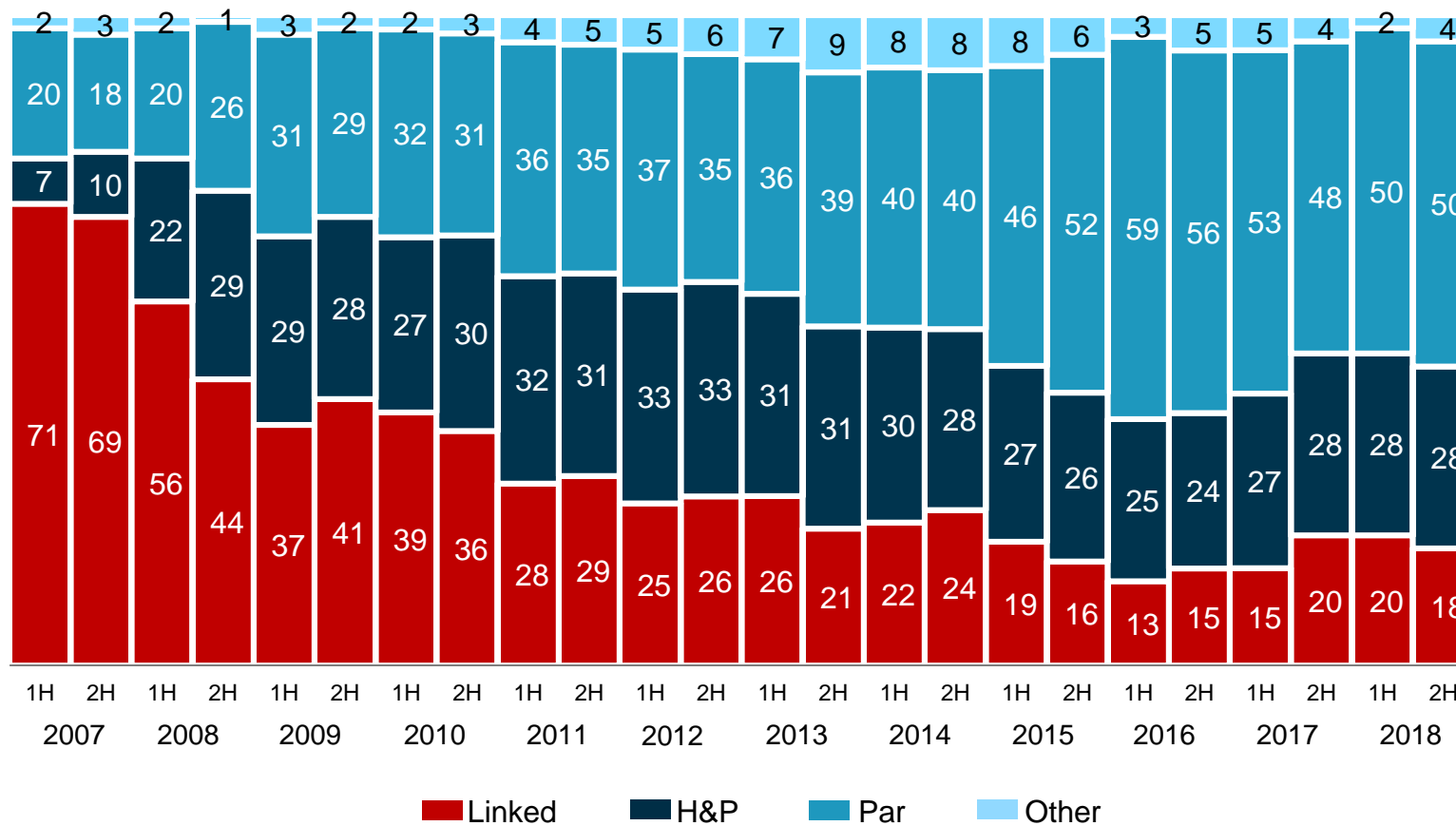
**Shaanxi**

1. As of FY 2018. Customer number excludes India.  
 2. Indonesian Rupiah. Relates to the relaunch of PGB in September 2018.

# Asia

## Product mix

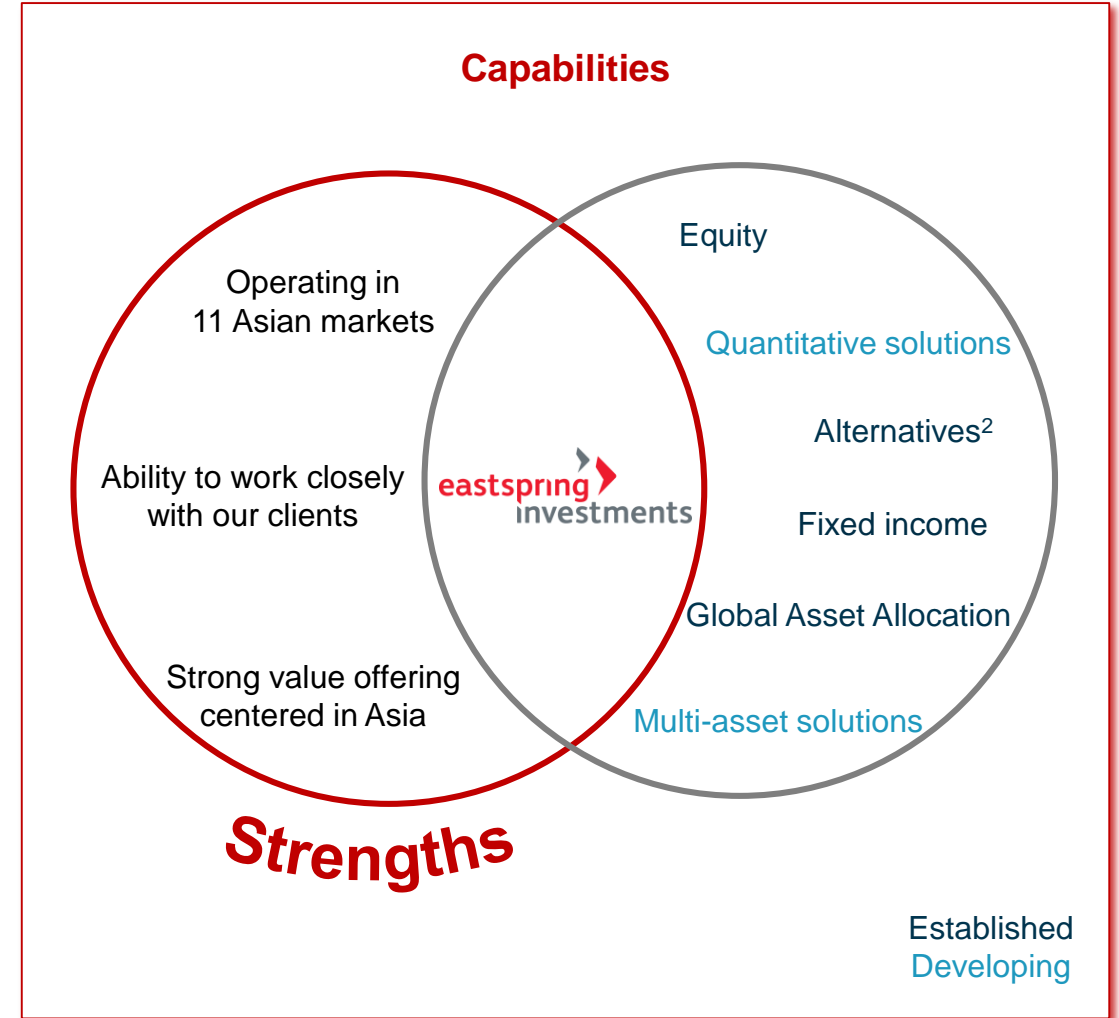
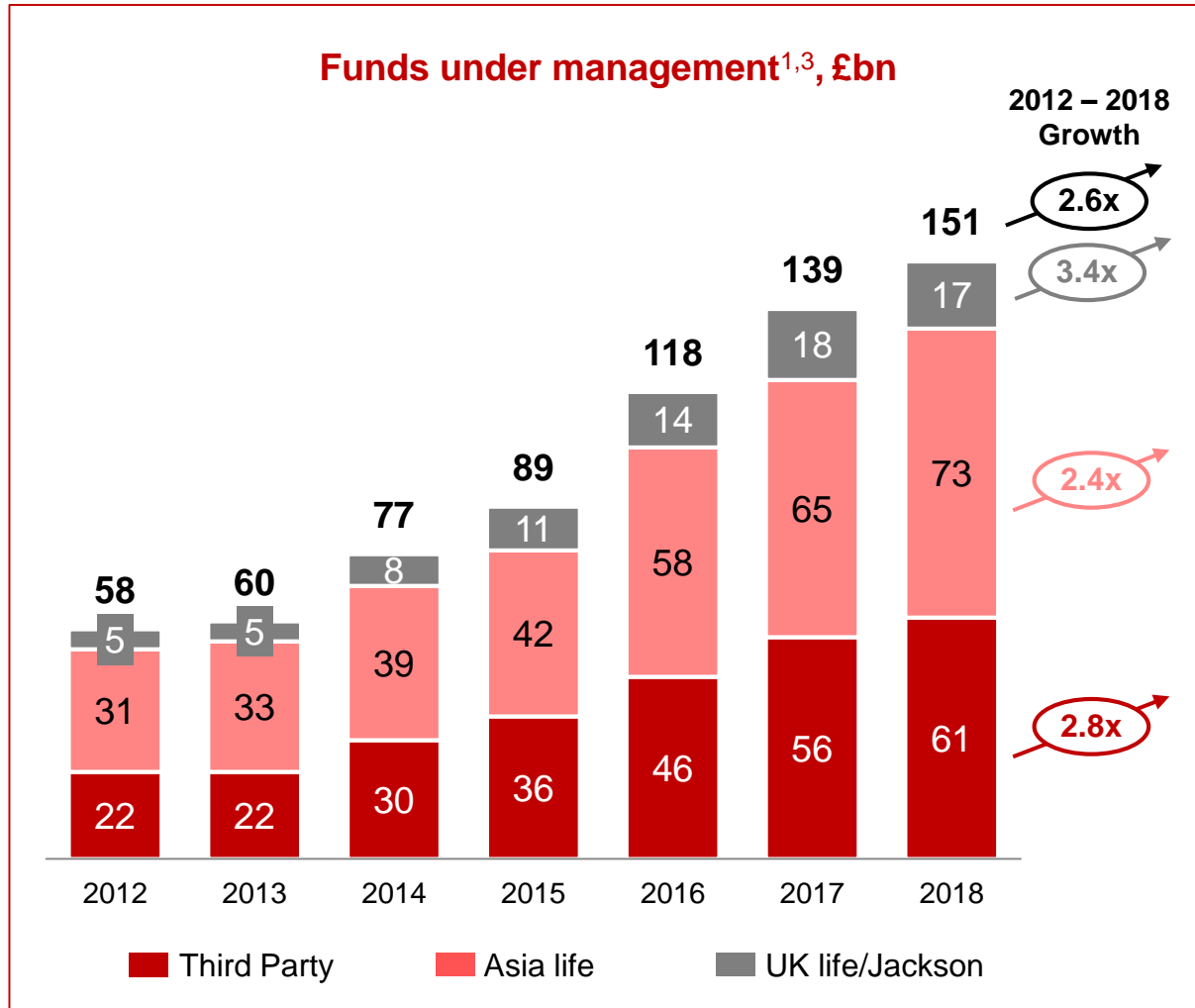
Asia Life APE sales by product<sup>1</sup>, %



1. All comparatives restated to exclude Korea life and Japan life.

# Asia

## Eastspring Investments



1. As reported (AER).

2. Infrastructure, private equity, syndicated loans.

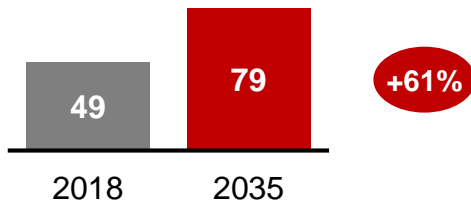
3. Eastspring funds under management presented includes Money Market Funds (MMF).

### Structural opportunity

#### Demographic shifts

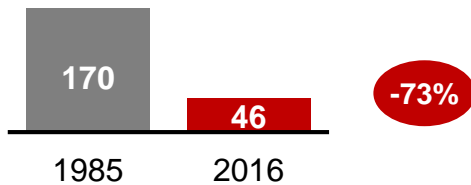
##### Ageing population<sup>1</sup>

Population over 65, millions

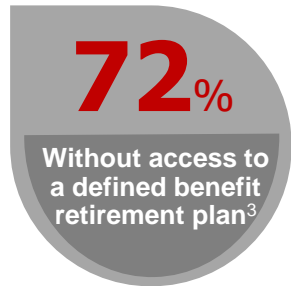


##### Declining pensions<sup>2</sup>

# of defined benefit plans, thousands

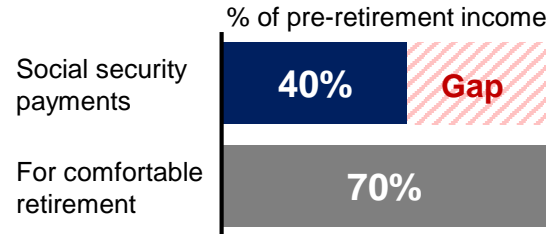


#### Significant and growing gap



##### Coverage gap

Not enough American workers have access to a defined benefit retirement plan.



##### Savings gap<sup>4</sup>

Inadequate savings for comfortable retirement

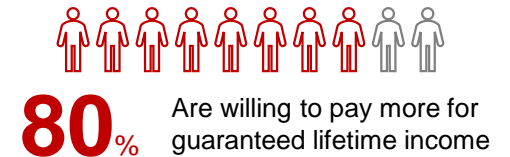


##### Guarantee gap

Small proportion of 401(k) plans offer a retirement income guarantee product

#### Consumer needs

Survey outcomes<sup>6</sup>



1. Social Security Administration  
 2. U.S. Department of Labor, "Private Pension Plan Bulletin Historical Tables and Graphs 1975 – 2016", December 2018.  
 3. U.S. Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in the United States, March 2017.  
 4. Social Security Administration. Based on average earnings.  
 5. PSCA. Plan Sponsor Council of America.

6. The Language of Retirement 2017 – study conducted on behalf of the Insured Retirement Institute and Jackson.



## Jackson positioning in US retirement markets

### Jackson positioning

#### Enhance

Our market-leading VA position in the **brokerage** market

#### Brokerage

Industry

**19%** VA market share

Jackson

**726** selling agreements

**>30%** market share in VA<sup>1</sup>

#### Grow

In the **advisory** retirement solutions market

#### Advisory

Industry

**10%** VA market share

Jackson

**170** selling agreements

**>50%** market share in VA<sup>1</sup>

**\$17.4<sup>tn</sup>** of US advisor distributed assets<sup>3</sup>

**Largest and most productive variable annuity wholesaling force<sup>2</sup>**

**VA wholesalers at 30 September 2018**  
(Closest peer rebased to 100)

Jackson

167

Next closest company

100

**3Q18 YTD VA sales per wholesaler**  
(Closest peer rebased to 100)

Jackson

118

Next closest company

100

1. Market share data only includes firms that have selling agreements with Jackson.

2. Independent Research and Market Metrics, a Strategic Insight Business.

3. The Cerulli report, The State of U.S. Retail and Institutional Asset Management, 2018, IRI Retirement Fact Book 2018 and Jackson analysis. Net of existing annuity assets.

## Variable annuity volumes

Jackson VA sales volumes by quarter, US\$bn

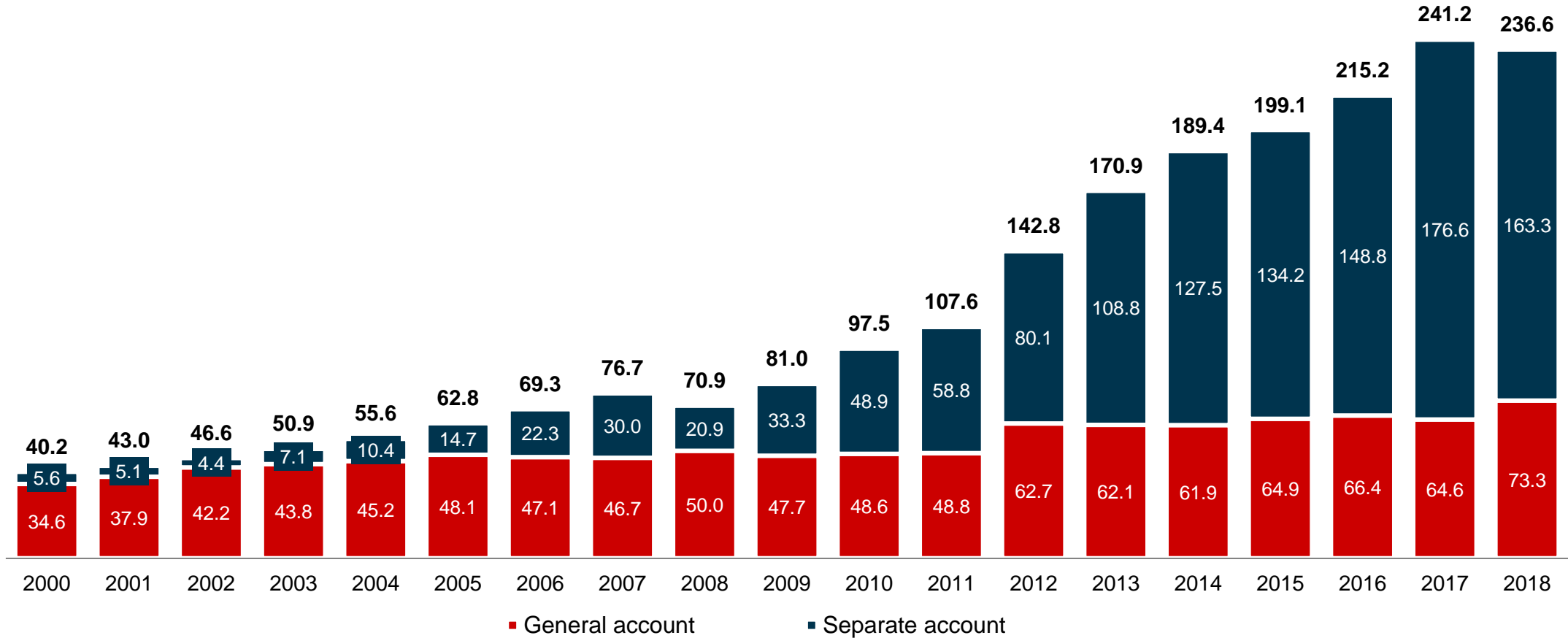
← 'Features War' →



1. Industry data not available for Q4 2018.  
2. Morningstar Annuity Research Center.

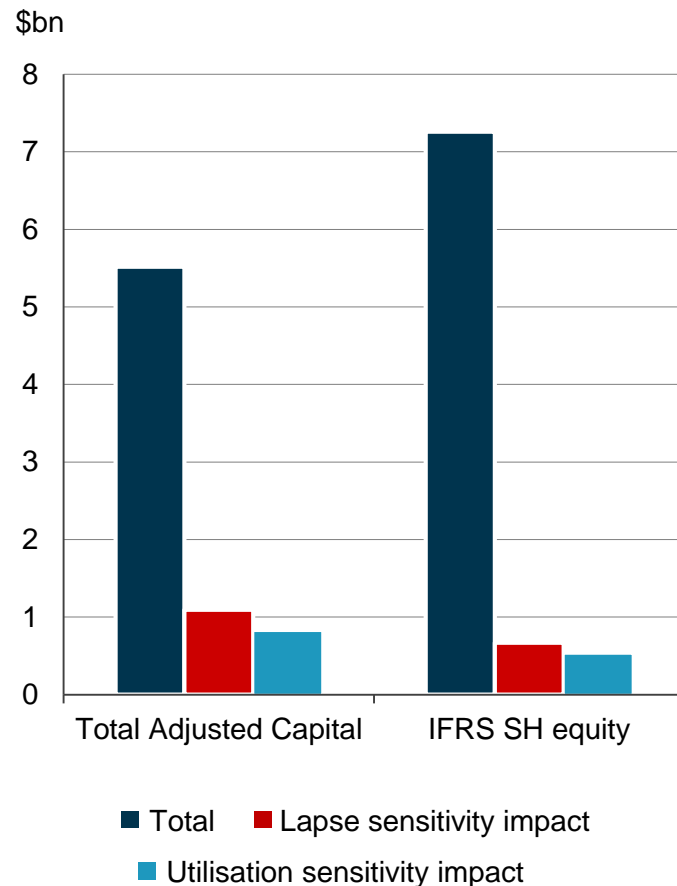
## Statutory admitted assets

Jackson growth in statutory admitted assets, US\$bn



## GMWB policyholder behaviour sensitivities

### Jackson GMWB policyholder behaviour sensitivities, 31 December 2018



- Policyholder behaviour experience is continuously monitored and a comprehensive study is conducted on an annual basis.
- For IFRS and Statutory accounting purposes, assumptions are set at the conservative end of the plausible range (i.e. best estimate with an explicit margin for conservatism). For example;
  - Lapse - Lifetime GMWB<sup>1</sup> ultimate lapse assumptions at significantly ITM<sup>2</sup> levels are less than 2.3% for utilising policyholder (subject to lapse cap of 1.5% when funds are significantly depleted)
  - Utilisation – Lifetime GMWB<sup>1</sup> utilisation assumptions at attained ages 65+ are 53-92% (with special provisions for benefits with incentives to delay withdrawals)
- To measure the sensitivity to these assumptions, IFRS Equity and Statutory Total Adjusted Capital (TAC) were computed under severe shocks to these already conservative assumptions. The shocks were as follows:
  - Lapse - lapse rates for ITM<sup>2</sup> policies were reduced to two-thirds of the assumed levels, resulting in ultimate lapse rates of approximately 1.5% for utilising policyholders
  - Utilisation - utilisation rates beyond the bonus period, if applicable, were increased by 10% (i.e. 110% of the best estimate assumption).

1. GMWB Guaranteed minimum withdrawal benefits.  
2. ITM In the money

### 31 December 2017

Operating profit

Reserves net of hedging and other effects

Other market-related movements<sup>1</sup>

Dividend

Change in DTA / other<sup>2</sup>

### 31 December 2018

#### Jackson total adjusted capital

US\$bn

**4.3**

1.0

0.5

(0.2)

(0.5)

0.4

**5.5**

- ▶ Continued strong operating profit
- ▶ Hedging program continues to effectively mitigate risks
- ▶ Significant remittance despite tax reform impact
- ▶ Higher capital levels led to increased recognition of deferred tax assets
- ▶ Well-capitalised with RBC ratio of 458% at YE18

1. Relates to impact of market movements on CARVM balance and realised/unrealised movements on non-VA related business.

2. For 2018, includes receipt of \$100m from Brooke Life relating to the sale of NPH.

## Unhedged economic profile of GMWB guarantees

### Jackson unhedged GMWB cash flow exposure, as at 31 December 2018

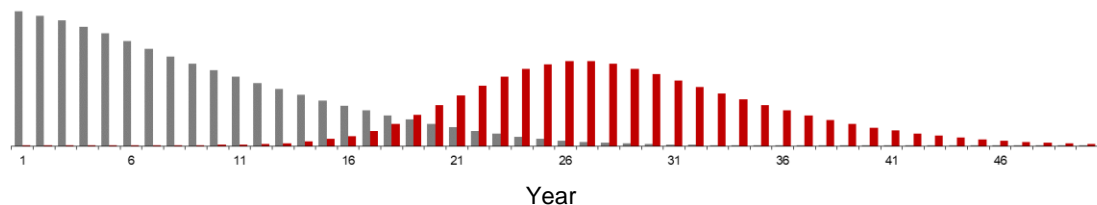
\$millions

■ Guarantee Fees  
■ Benefits

**S&P @ 12/31 = 2,507**

**Base, 5% Gross Return**

PV Future Guarantee Fees	13,175
PV Benefits	(5,155)
PV Fees Less Benefits	<u>8,020</u>



- Includes guarantee fees only
- Uses prudent best estimate assumptions (AG43/VM-21, C3P2)
- 5% gross return is well below historical average market return
- Ignores guarantee fees collected to date and reserves (total VA reserves increased over 2018 by ~\$2.7bn)
- PV of future GMWB fees exceeds PV of benefits over a wide range of market shocks
- Negative cash flow is far into future even in bad scenarios
- No material strain on liquidity in any given year
- Down 40% S&P shock scenario ignores total VA equity hedge payoff of ~\$19bn

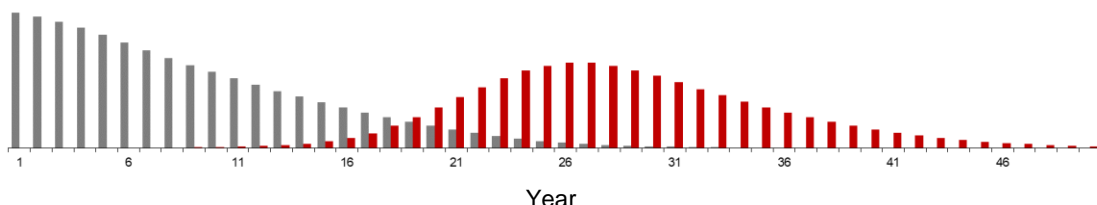
\$millions

■ Guarantee Fees  
■ Benefits

**-100 bps Rate Shock**

**Base, 5% Gross Return**

PV Future Guarantee Fees	14,085
PV Benefits	(6,655)
PV Fees Less Benefits	<u>7,431</u>



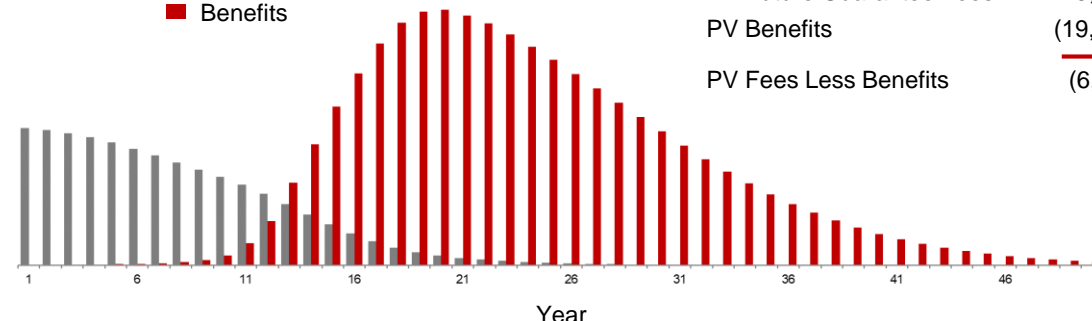
\$millions

■ Guarantee Fees  
■ Benefits

**Down 40% S&P Shock (S&P = 1,504)**

**Base, 5% Gross Return**

PV Future Guarantee Fees	13,383
PV Benefits	(19,788)
PV Fees Less Benefits	<u>(6,405)</u>



## Variable annuity DAC mean reversion

- For annuity products, DAC<sup>1</sup> amortisation for GAAP & IFRS reporting purposes is largely determined by historical and projected spread or fee income. For variable annuities, market movements can displace the account balance underlying the determination of fee income, distorting the account balance pattern resulting in acceleration or deceleration of DAC amortisation. Mean reversion is an industry accepted approach used to partially normalise this pattern.
- The parameters used by Jackson are in line with practice:
  - Returns normalised over an 8-year period: 3-year look back (historical), 5-year look forward (mean reversion rate)
  - Long-term gross return assumption of 7.4% (net of external fund management fees)
  - Mean reversion cap of 15% and floor of 0% for the 5-year forward period

### Impact on results of DAC amortisation, £m

	2017 <sup>4</sup>	2018
Gross profits <sup>2</sup>	2,830	2,784
New business strain <sup>3</sup>	(213)	(190)
DAC amortisation		
-Core	(489)	(489)
-(Acceleration)/deceleration- from drop of T-3 return	(5)	(67)
-(Acceleration)/deceleration- from current year return	91	(127)
Operating result	2,214	1,911
Core as % of gross profits	17.3%	17.6%

1. DAC Deferred acquisition costs

2. Gross profits equal IFRS operating profit pre acquisition costs and pre-DAC. Includes REALIC.

3. Represents acquisition costs not deferrable under US GAAP principles for deferred acquisition costs

4. As reported AER.

### Drivers of VA DAC acceleration/deceleration

#### Current period market return

Market growth < MR	Market growth > MR
↓ In current period AGP and future EGP	↑ In current period AGP and future EGP
↑ In MR rate, subject to 15% cap	↓ In MR rate, subject to 0% floor
↓ In current period AGP and future EGP	↑ In current period AGP and future EGP

Rule of thumb: Acceleration/deceleration is \$15.5m per 1% SA growth under/over MR

#### Return from 3 Years Ago-dropping out of MR window

Market growth < MR	Market growth > MR
↓ In MR rate, subject to 0% floor	↑ In MR rate, subject to 15% cap
↓ In future EGPs	↑ In future EGPs

AGP= Actual (historical) gross profits  
EGP= Expected (projected future) gross profits  
MR= Mean reversion rate

# Africa

## Regional footprint

Population of Africa<sup>1</sup>

**1.3 bn** → **2.3 bn**  
2017                      2045

**500,000+** customers

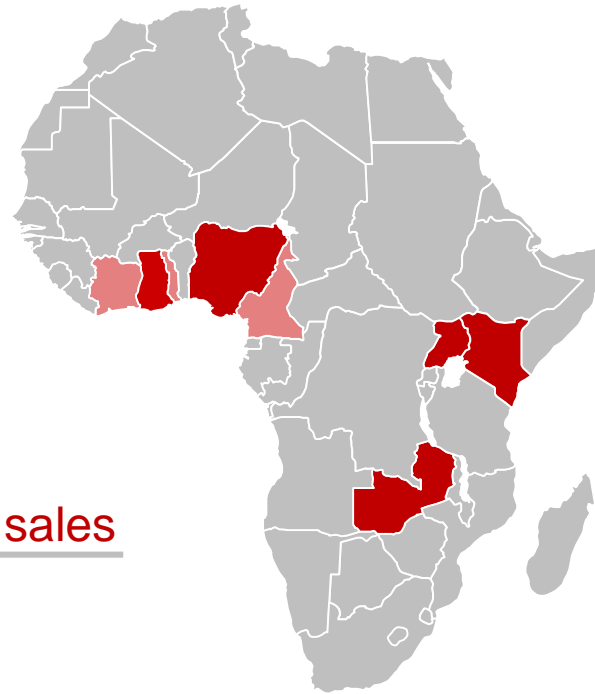
Across the existing 5 countries<sup>2</sup>

**£38 million** of APE sales

**4,000+** agents

Access to **>600** branches

**2** mobile telecommunications partners



Existing countries  
New countries<sup>3</sup>

Ghana 2014

- Acquisition of Express Life
- 2015: Distribution partnership with Société Générale
- 2015: Distribution partnership with Fidelity Bank
- 2016: Distribution partnership with CAL Bank
- 2018: Distribution partnership with Standard Chartered

Kenya 2014

- Acquisition of Shield Assurance

Uganda 2015

- Acquisition of Goldstar Life Assurance

Zambia 2016

- Acquisition of Professional Life Assurance
- 2018: Distribution partnership with Zanaco

Nigeria 2017

- Acquisition of majority stake in Zenith Life of Nigeria
- 2017: Distribution partnership with Zenith Bank

Cameroon  
Côte d'Ivoire  
Togo 2019<sup>3</sup>

- Acquisition of majority stake in Group Beneficial

Note: Data as at 31 December 2018, unless stated otherwise.

1. United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 revision.

2. Excludes micro insurance customers.

3. Represents Cameroon, Côte d'Ivoire and Togo, where Prudential plc has agreed to acquire a majority stake in Group Beneficial, subject to various conditions and regulatory approvals.







Established  
**1931**

International asset manager with more than 85 years' experience

Acquired  
**1999**

Offer funds across diverse geographies, asset classes and investment strategies

Provides investment strategies to meet Institutional clients' long-term needs

## M&G Prudential



Established  
**1848**

Leading provider of savings and retirement income products

Core strengths in with-profits and retirement

Expertise in areas such as longevity, risk management and multi-asset investment

## Market trends

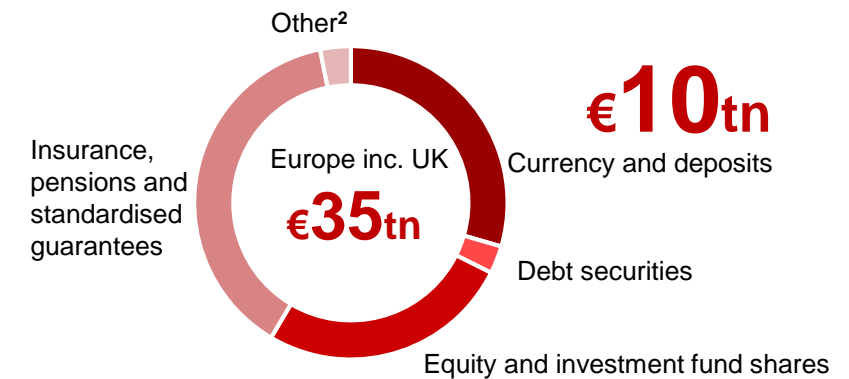
Self-reliance for savings, investment and retirement

Substantial household assets still held in cash

Convergent insurance and asset management business models

Customer demand for one stop shop solutions from trusted, scale players

## Market context<sup>1</sup>



1. Source: www.Europa.eu- Eurostat financial balance sheets: household sector, 2017.  
2. Other includes loans, financial derivatives and employee stock options.

# M&G Prudential Products



## FUM (FY18)

£**32**bn

- Top 5 in UK retail funds<sup>1</sup>
- Distributed through wholesale channels

£**43**bn

- Range of consumer-focused retirement/savings wrappers
- Distributed through intermediaries and direct channels

£**132**bn

- Large, individual and corporate closed book
- Meeting customers' retirement needs

£**37**bn<sup>2</sup>

- Establishment of the Luxembourg HQ and SICAV range
- Complemented by M&G Prudential's European businesses

£**77**bn

- High quality clients
- Differentiated investment capabilities

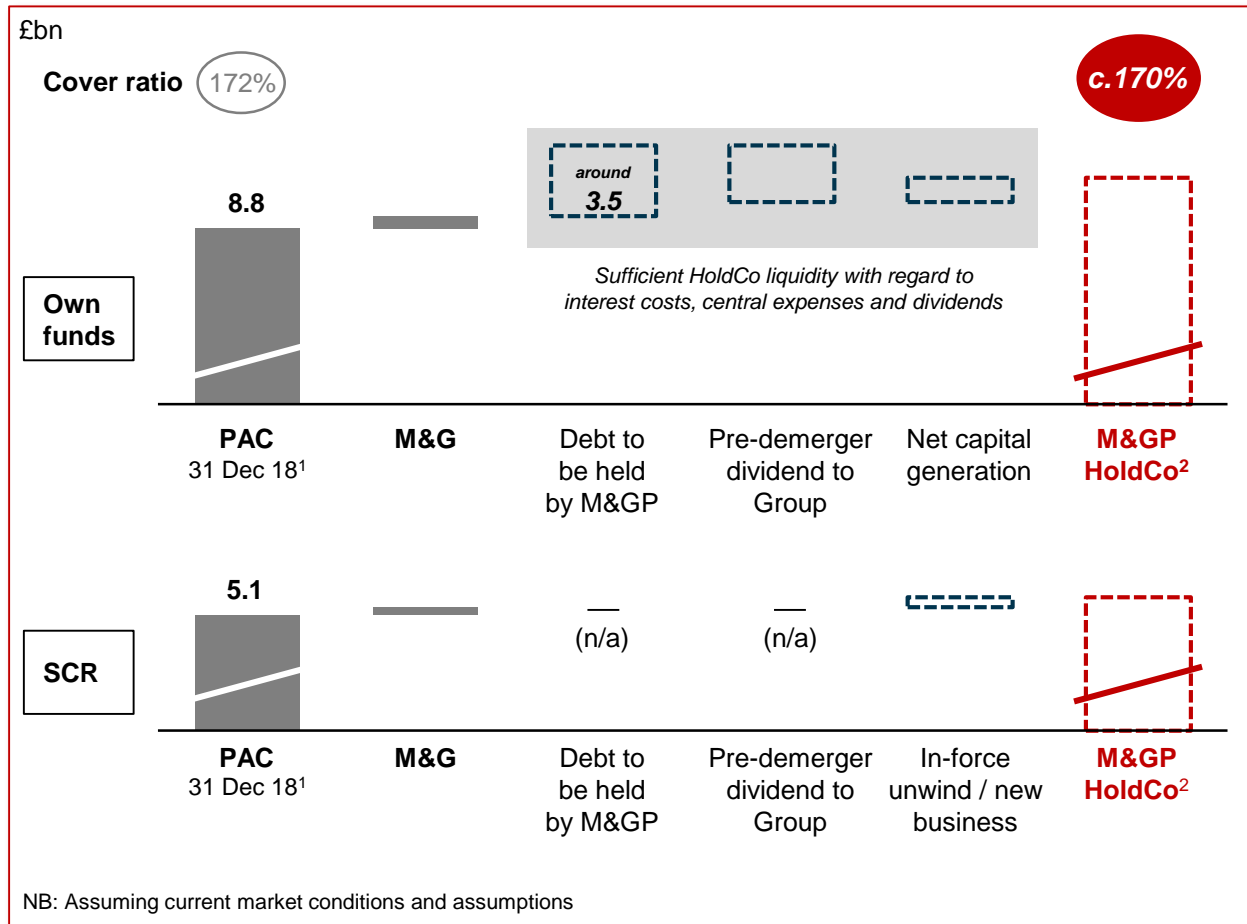
**£321bn**

1. Source: The Investment Association, September 2018.  
2. Europe includes FUM in Asia and South Africa.

# M&GPrudential

## Expected capital position at demerger

### M&GPrudential Solvency II capital position, pro-forma at demerger



- M&GPrudential expected to hold c£3.5bn of sub-debt
- M&GPrudential SII cover expected to be c170% at demerger
- M&GPrudential Group ratings all on Stable outlook

### M&GPrudential Group ratings

Very strong insurance financial strength rating			
	Moody's	S&P	Fitch
PAC	Aa3	A+	AA-
Comments on capitalisation	"excellent capitalisation" <sup>3</sup>	"very well capitalized" <sup>4</sup>	"very strong capitalisation" <sup>5</sup>
Strongly rated credit			
	Moody's	S&P	Fitch
M&GPrudential	A2 <sup>6</sup>	A- <sup>6</sup>	N/A <sup>7</sup>

1. Includes the impact of reinsuring £12 billion of annuity liabilities and the transfer of Prudential plc's Hong Kong subsidiaries to Asia.

2. At the time of the demerger, Prudential expects the shareholder Solvency II ratio of M&GPrudential to be around 170 per cent, with M&GPrudential holding around £3.5 billion of subordinated debt. This expectation is subject to the M&GPrudential capital risk appetite being approved by the Board of the ultimate holding company of M&GPrudential, once fully constituted to include independent non-executive directors, and reflects the current operating environment and economic conditions, material changes in which may lead to a different outcome.

3. Moody's Credit Opinion Prudential Assurance Company 20 March 2018.

4. S&P report on Prudential Assurance Company 25 September 2018.

5. Fitch Prudential Assurance Company Ratings Affirmation 5 November 2018.

6. Indicative long-term senior credit rating of M&GPrudential holding company disclosed in S&P and Moody's published rating actions in respect of Prudential plc's 3 substitutable hybrid debt instruments issued in October 2018.

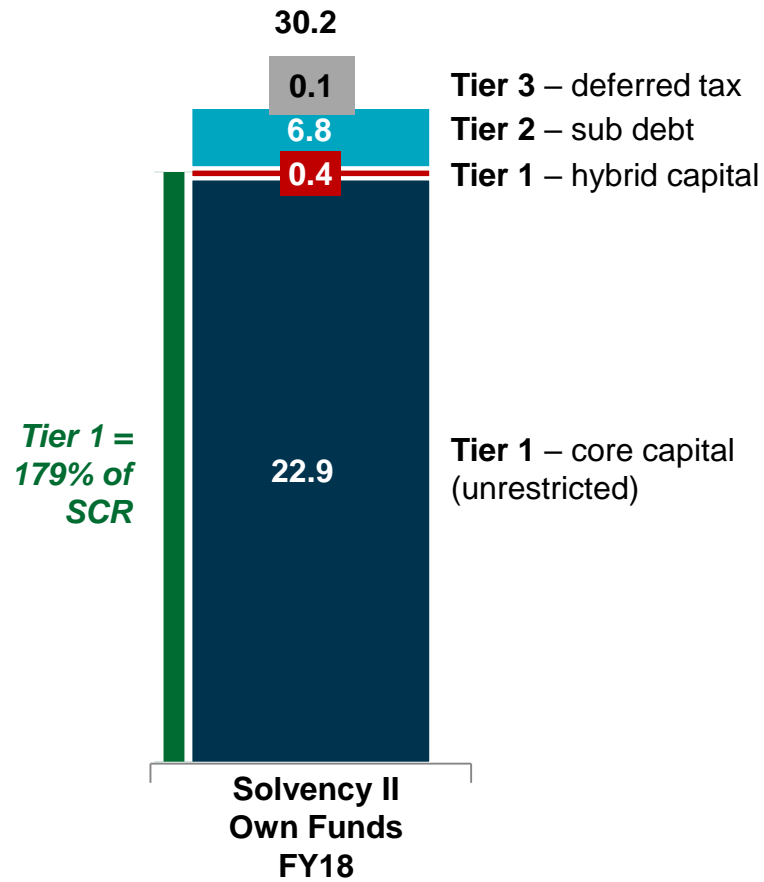
7. Fitch rated Prudential plc substitutable hybrids applying standard notching methodology for such instruments to Prudential plc credit, although Fitch note these substitutable hybrids "would be upgraded if the new M&GPrudential holding company becomes the sole obligor in respect of these substitutable notes" Prudential plc ratings update 8 November 2018.



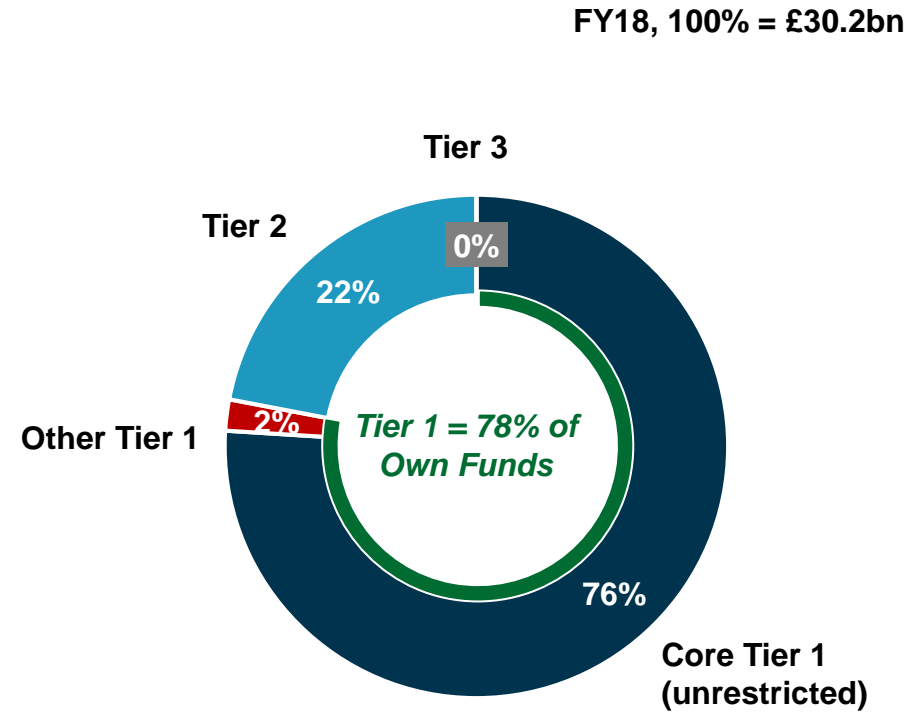
# Solvency II

## Capital quality

Solvency II Own Funds by capital tier<sup>1,2,3</sup>



Share of Solvency II Own Funds by capital tier<sup>1,2,3</sup>



1. The Group shareholder position excludes the contribution to the Group Own Funds and the Solvency Capital Requirement of ring fenced With-Profit Funds and staff pension schemes in surplus.  
 2. The Group shareholder position includes management's estimate of transitional measures reflecting operating and market conditions at the valuation date.  
 3. Before allowing for the 2018 second interim dividend.

# Group Solvency II

## Solvency II classification of hybrid capital

### Hybrid capital outstanding, 31 December 2018

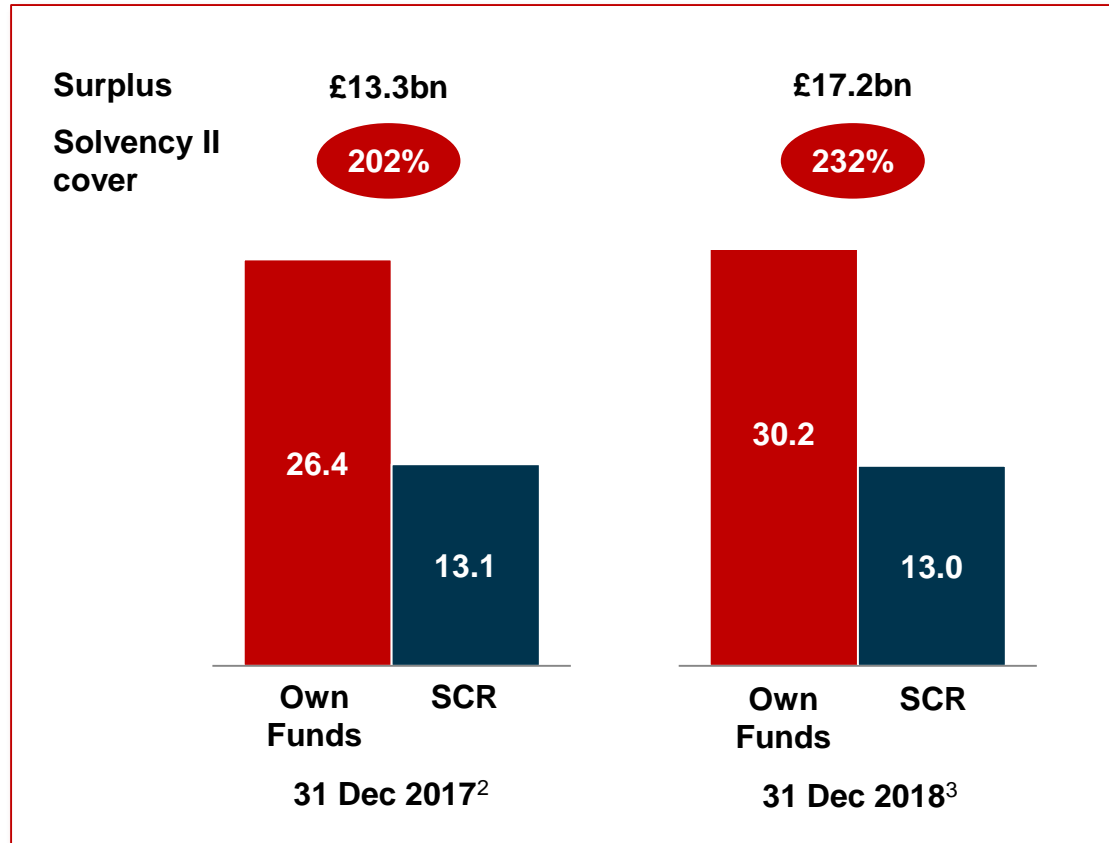
Issue Date	Amount	Coupon	Maturity Date	1st Call Date	SII Classification
19-Dec-01	GBP 435m	6.125%	19-Dec-31	None	Tier 2*
10-Jul-03	EUR 20m	20 yr CMS rate	10-Jul-23	None	Tier 2*
30-Jul-04	USD 250m	6.75%	Perp	23-Sep-09	Tier 1*
12-Jul-05	USD 300m	6.50%	Perp	23-Sep-10	Tier 1*
29-May-09	GBP 400m	11.375%	29-May-39	29-May-19	Tier 2*
15-Jan-13	USD 700m	5.25%	Perp	23-Mar-18	Tier 2
16-Dec-13	GBP 700m	5.70%	19-Dec-63	19-Dec-43	Tier 2*
09-Jun-15	GBP 600m	5.00%	20-Jul-55	20-Jul-35	Tier 2
07-Jun-16	USD 1,000m	5.25%	Perp	20-Jul-21	Tier 2
13-Sep-16	USD 725m	4.375%	Perp	20-Oct-21	Tier 2
24-Oct-17	USD 750m	4.875%	Perp	20-Jan-23	Tier 2
03-Oct-18 <sup>1</sup>	GBP 750m	5.625%	20-Oct-51	20-Dec-31	Tier 2
03-Oct-18 <sup>1</sup>	GBP 500m	6.25%	20-Oct-68	20-Oct-48	Tier 2
03-Oct-18 <sup>1</sup>	USD 500m	6.50%	20-Oct-48	20-Oct-28	Tier 2

\*Grandfathered under Solvency II transitional provisions until 31 December 2025.  
1. Substitutable subordinated debt.

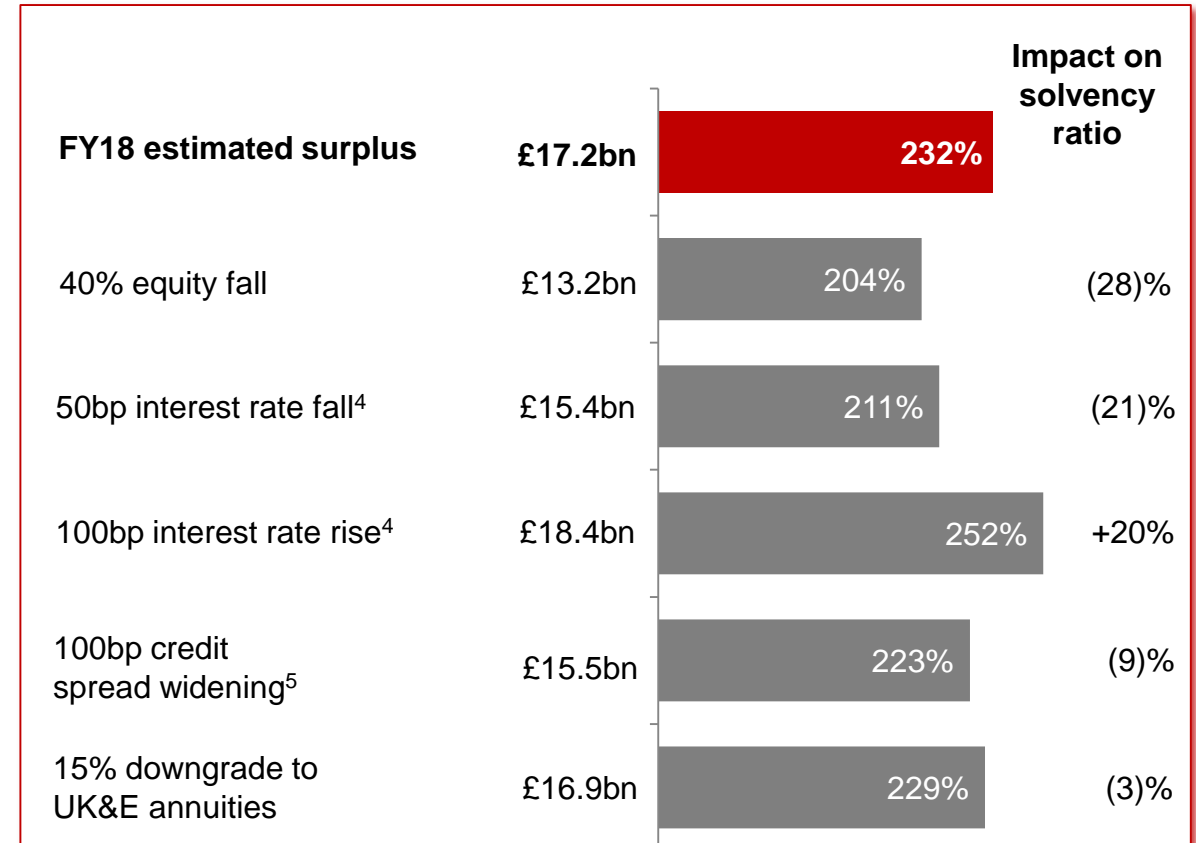
# Group Solvency II

## Solvency II estimated sensitivities

### Group Shareholder Solvency II capital position<sup>1</sup>, £bn



### Solvency II surplus estimated sensitivities<sup>1</sup>



1. The Group shareholder position excludes the contribution to the Group Own Funds and the Solvency Capital Requirement of ring-fenced With-Profit Funds and staff pension schemes in surplus. The estimated solvency positions include management's calculation of UK transitional measures reflecting operating and market conditions at each valuation date, which for both 2018 and 2017 reflects the approved regulatory position.

2. Before allowing for the 2017 second interim ordinary dividend.

3. Before allowing for the 2018 second interim ordinary dividend.

4. Allowing for further transitional recalculation after the interest rate stress.

5. For Jackson, includes credit defaults of 10 times the expected level.

# Group invested assets

## Group asset portfolio

Breakdown of invested assets<sup>1</sup>, FY18, £bn

	Total Group	PAR funds	Unit linked	Shareholder-backed				Total
				Asia Life	US Life	UK Life	Other	
Debt	175.4	81.0	14.5	14.6	41.6	21.6	2.1	79.9
Equity	214.7	58.3	153.5	2.1	0.4	0.0	0.5	3.0
Property	17.9	15.6	0.6	0.0	0.0	1.7	0.0	1.7
Mortgage	11.7	2.5	0.0	0.2	7.4	1.7	(0.1)	9.2
Deposits	11.8	8.8	1.5	0.5	0.0	0.7	0.3	1.5
Other loans	6.4	2.2	0.1	0.4	3.7	0.1	(0.1)	4.1
Other	11.7	8.4	0.0	0.9	1.5	0.6	0.3	3.3
<b>Total</b>	<b>449.6</b>	<b>176.8</b>	<b>170.2</b>	<b>18.7</b>	<b>54.6</b>	<b>26.4</b>	<b>3.0</b>	<b>102.7</b>

Shareholder debt portfolio, FY18 £bn

	Portfolio £bn	No. issuers	Holding by issuer		High yield % debt portfolio
			Av. £m	Max £m	
Sovereign debt	14.4	41	351	3,517	2.4%
Other debt					
Investment grade	62.9	1,873	34	475	n/a
High yield	2.6	69	38	100	3.3%
	<b>65.5</b>	<b>1,942</b>	<b>71</b>	<b>575</b>	<b>n/a</b>

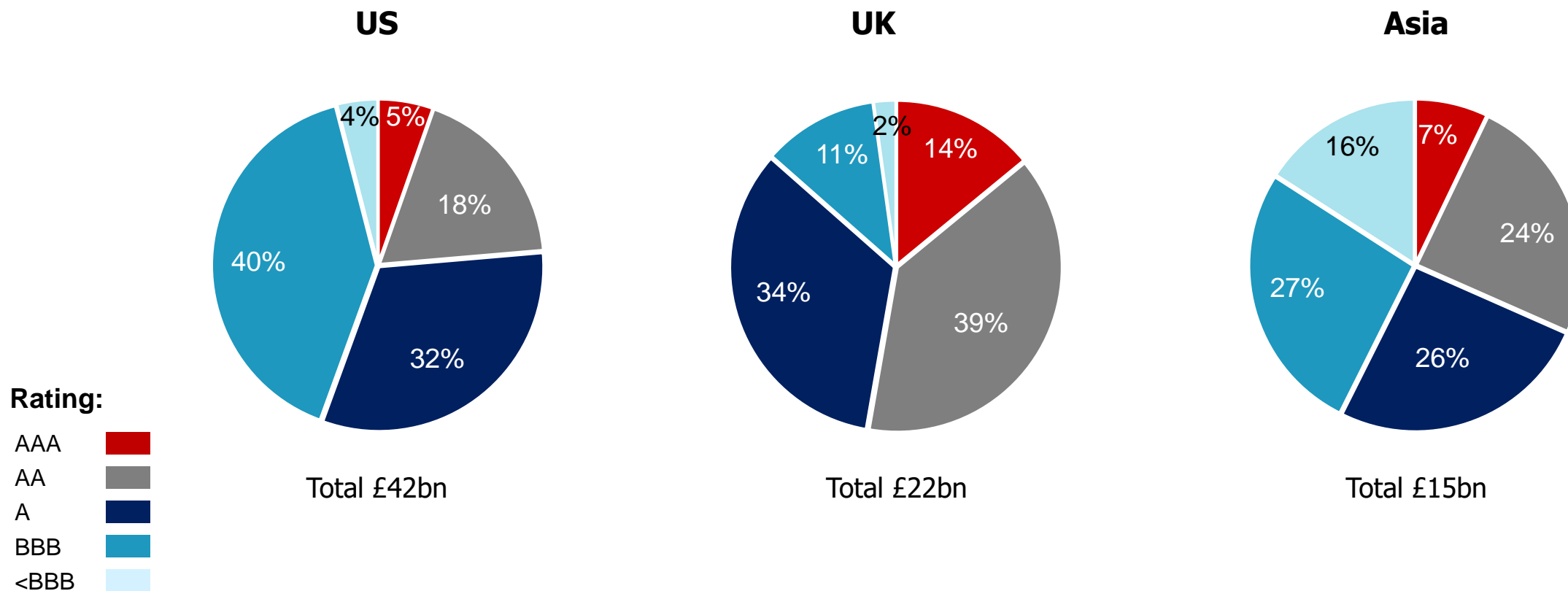
- Conservative asset mix: ~97% debt portfolio is rated investment grade or sovereign
- Minimal default losses, and minimal impairments across all credit portfolios
- Additional cash and equivalents of £12.1bn, of which shareholder exposure is £7.2bn

<sup>1</sup>. Includes £2.1bn of investments in joint ventures and associates accounted for using the equity method.

# Group invested assets

## Shareholder total debt securities

By credit rating<sup>1,2,3</sup>, 31 December 2018



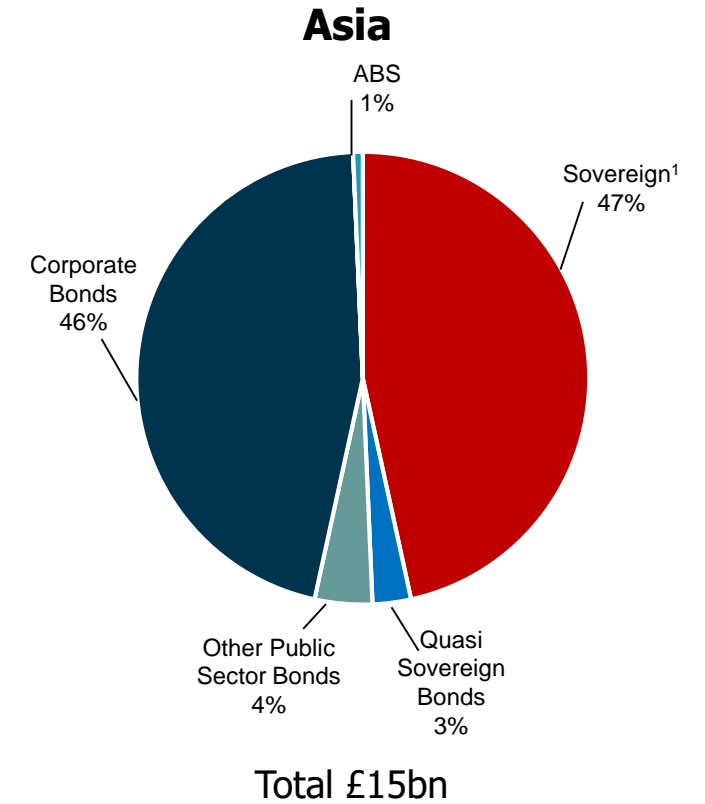
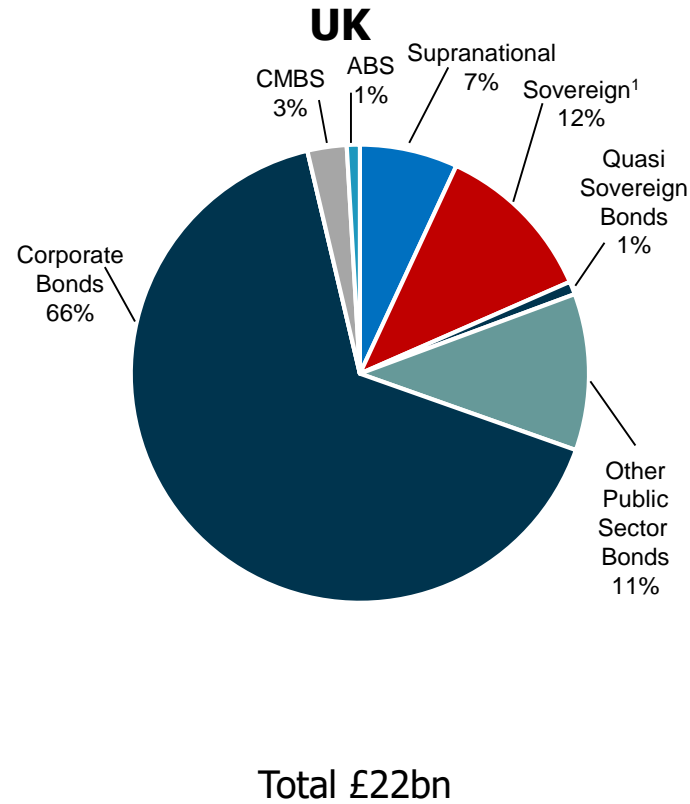
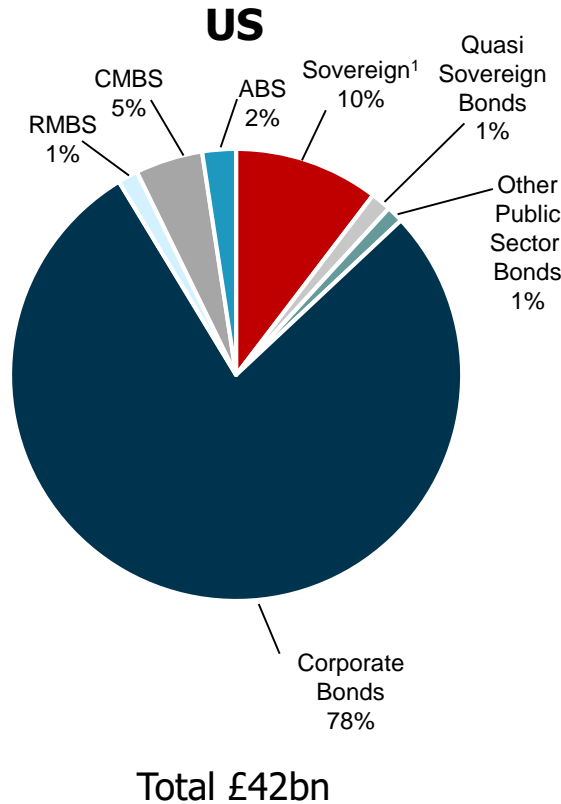
1. Pie charts exclude other operations totalling £2bn, of which 32% AAA, 55% AA, 8% A, 2% BBB and 3% BB or below.  
2. Based on hierarchy of Standard and Poor's, Moody's and Fitch, where available and if unavailable, internal ratings have been used.  
3. Totals may not cast as a result of rounding.



# Group invested assets

## Shareholder total debt securities

By asset type<sup>1,2</sup>, 31 December 2018

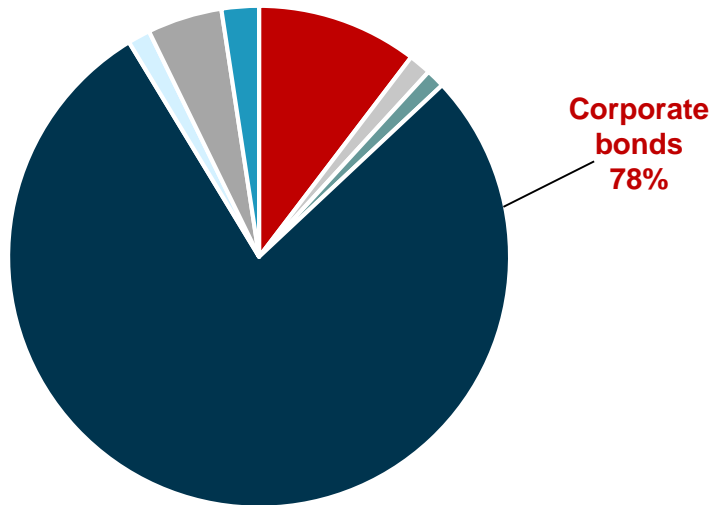


1. Sovereign includes OEICS. Pie charts exclude £2bn of debt securities within other operations.  
 2. Totals may not cast as a result of rounding.

# Group invested assets

## US corporate debt portfolio

### US total debt portfolio<sup>1</sup> 31 December 2018



Total £42bn

### Corporate debt portfolio

#### Investment grade

- Significant weighting towards investment grade
  - Investment grade is 96% of corporate bond portfolio
  - Corporate debt investment grade is 58% of total US investment portfolio (2007:52%)
- BBB exposure weighted to upper bands
  - BBB+ and BBB account for 82% of BBB exposure
  - BBB- only 5.9% of total investment portfolio
  - BBB- average holding of \$33m across 120 issuers (corporate bond portfolio average: \$48m)
  - Stress test: 10% of BBB- migrates to BB, which is 2.75x the long term average and 30% higher than the worst experience since 2000. Impact on RBC ratio of (12) percentage points

#### High Yield

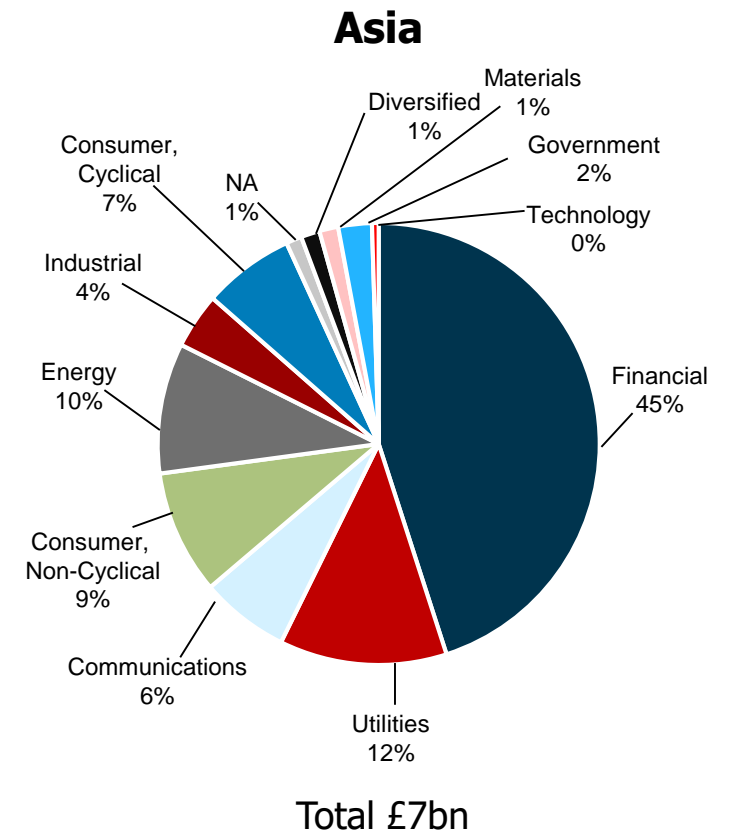
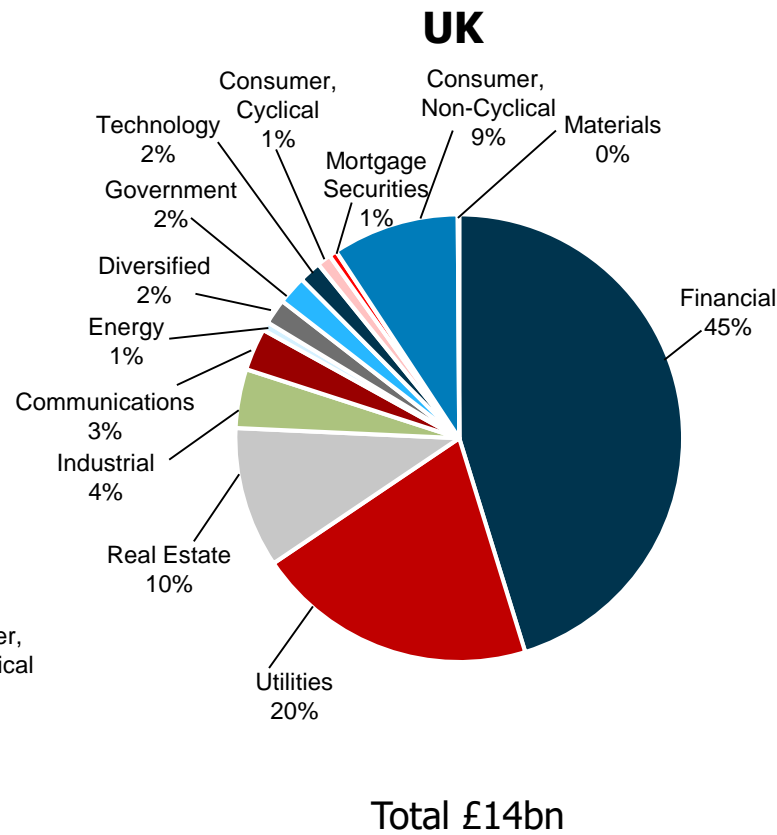
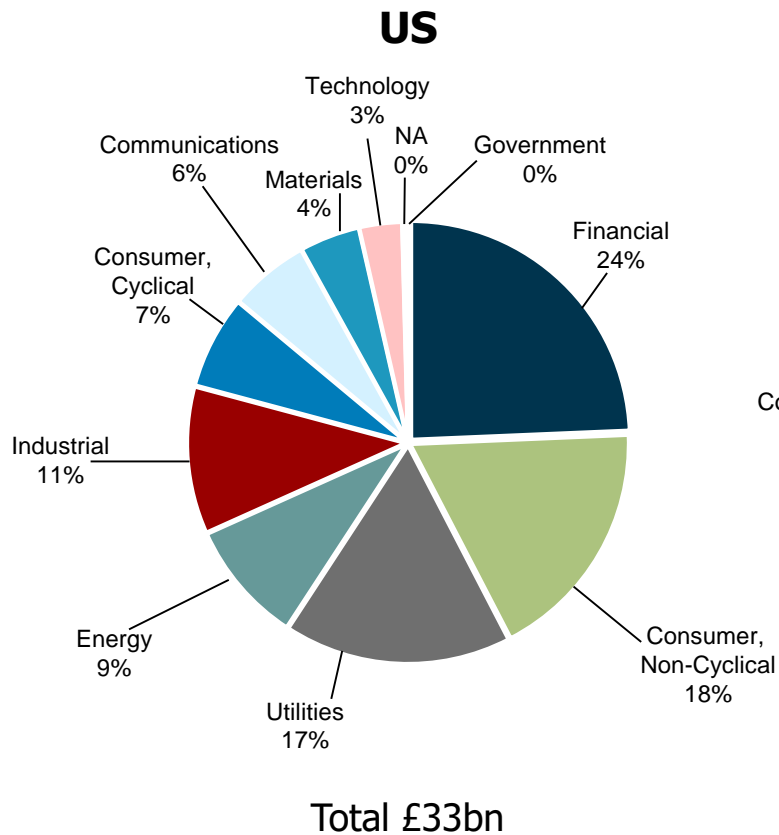
- High yield corporate debt equivalent to <2% of total US investment portfolio
  - Significant reduction in exposure (2007: >5%)
  - Average holding of \$8m

1. Total may not cast as a result of rounding.

# Group invested assets

## Shareholder backed corporate debt exposures

By sector<sup>1</sup>, 31 December 2018



Note: Source of segmentation Bloomberg Sector, Bloomberg Group and Merrill Lynch. Anything that cannot be identified from the three sources noted is classified as other. Pie charts exclude debt securities from other operations.  
 1. Totals may not cast as a result of rounding.

# Currency mix

## Translation sensitivities

