



# Prudential plc

## Business update for 2020 AGM

14 May 2020

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# Business update for 2020 AGM - Group

## Highlights

- Accelerated innovation to meet consumer needs
- Strong financial performance in volatile and uncertain environment
- Asia in-force resilient with IFRS operating profit up +14%
- Conservatively positioned balance sheet; solvency resilient

# Business update for 2020 AGM - Group

Accelerated innovation to meet consumer needs



'Pulse by Prudential' app downloaded on 4m devices<sup>1</sup>



1.2m policies sold through digital ecosystem, majority of which were to new customers<sup>2</sup>



Products equivalent to c. 2/3 of APE can now be sold virtually<sup>3</sup>



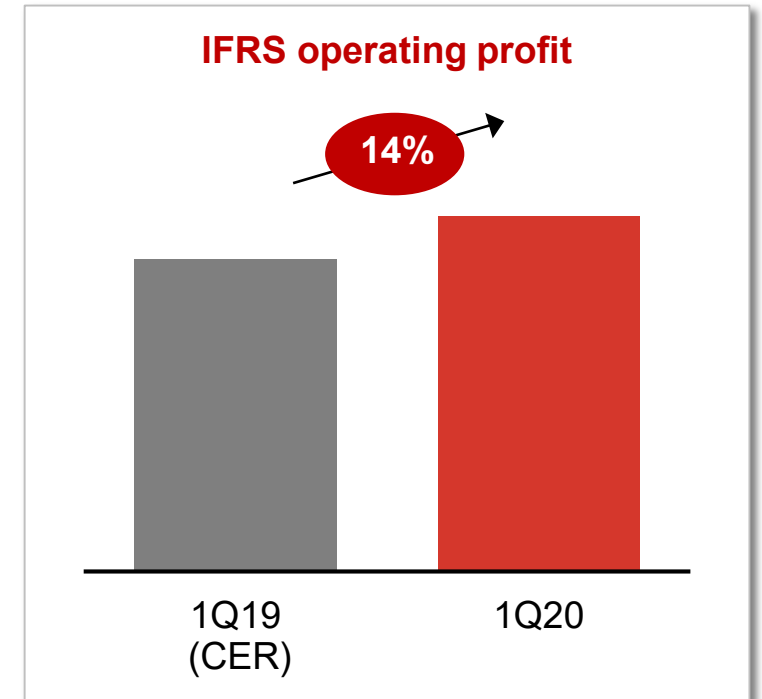
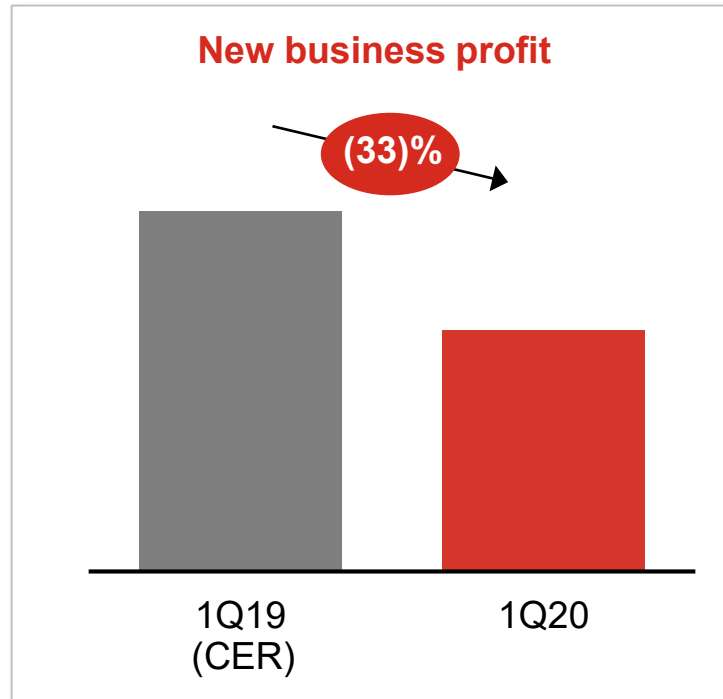
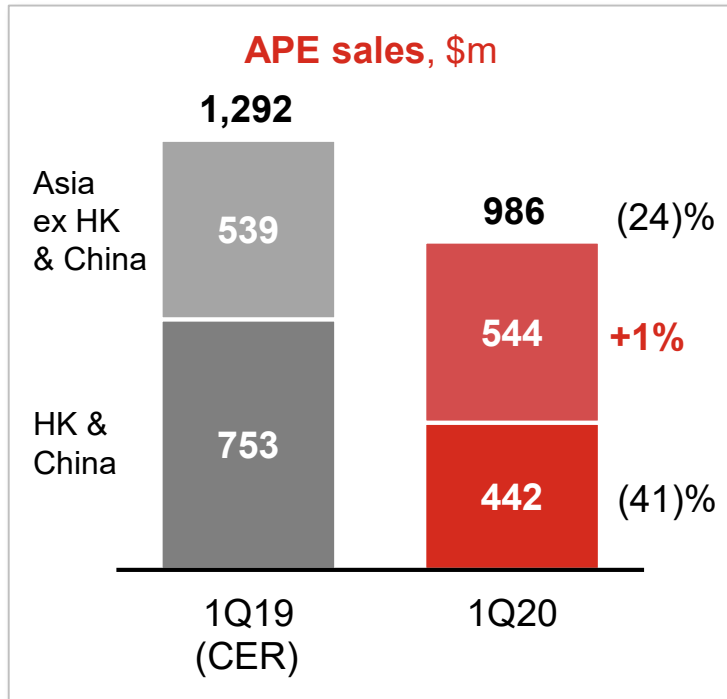
Recruitment, selection, training & where possible licensing of agency force moved online



Working closely with distributors to help them serve new and existing clients through virtual platforms

# Business update for 2020 AGM - Asia

High quality, diverse portfolio underpins resilient performance



- Outside HK & China sales up +1% reflecting
  - Structural demand for products & Covid-19 social restrictions imposed mid-March
  - 4 markets increased sales, 3 with double-digit growth
- HK & China impacted by Covid-19 social restrictions

- Outside HK & China, NBP grew by +23%, supported by strong protection sales
  - 5 markets with double-digit growth
- Overall decline reflects lower volumes and interest rates, and the substantially reduced contribution from the MLC business in HK

- In-force resilient underpinned by recurring premiums, strong customer retention & focus on protection products
- 9 markets increased earnings, 8 with double-digit growth
- Eastspring: AUM declined -13% reflecting net 3<sup>rd</sup> party outflows and lower equity markets

# Accelerating digital buildout - Asia

## Attractive services in current environment

### Pulse: First-of-its-kind, all-in-one & AI-powered app

Dual Language Options		Hospital Navigator	
Digital Twin		Dengue Alerts	
Symptom Checker		Prayer Times	
Selfie BMI		Health Updates	
Telemedicine & Online Doctor Consultation		Health & Wellness Challenges	
Facial & Biometric Login		Wrinkle Index	

### Pulse: Access & adoption

- 4m installs<sup>1</sup>, up from 1.3m reported at FY19 results in March 2020
- 19 new digital partnerships secured<sup>2</sup>



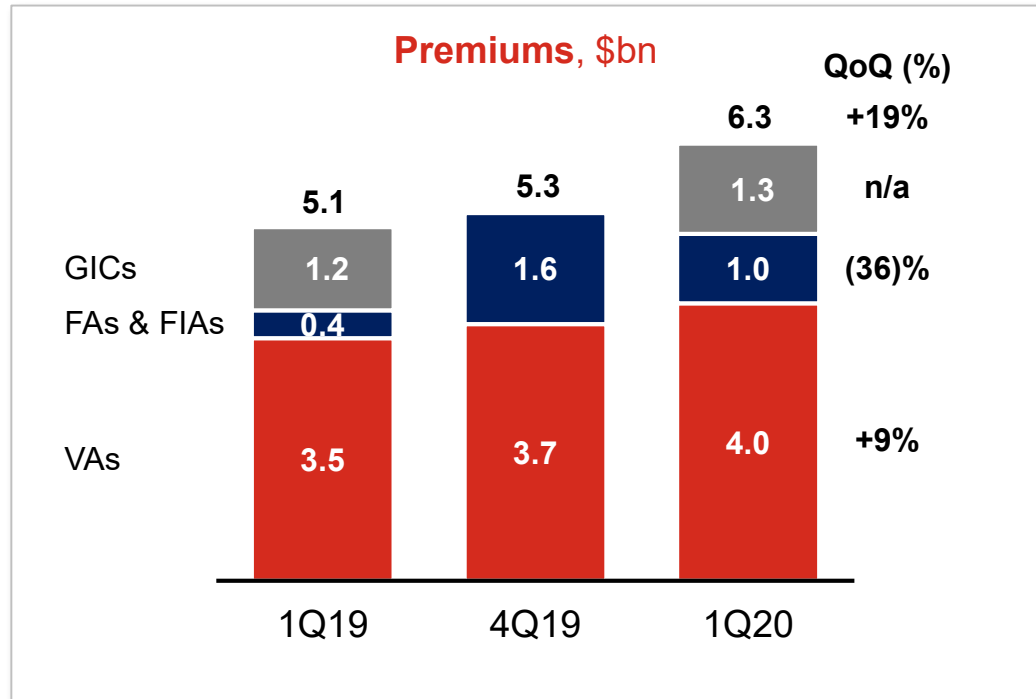
- Launched **online products**: Covid-19 cover, Dengue Fever, Credit Shield, Personal Accident
- 1.2m policies sold and majority are new customers acquired through the digital channels<sup>1</sup>

### Pulse: Integration with life value chain

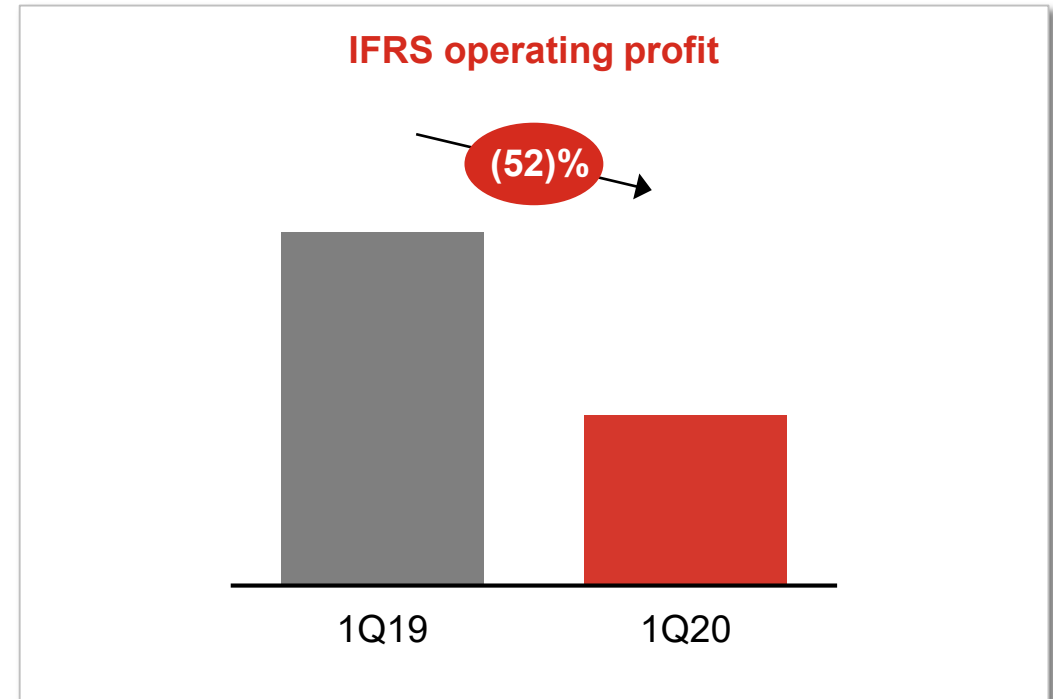
Customer onboarding & referral	24/7 online customer servicing/claims	Hospital Navigator	In-app seamless mobile payment

# Business update for 2020 AGM - US

## New business sales and IFRS operating profit



- QoQ decline in FAs and FIAs reflecting material re-pricing actions
- Repricing actions and Covid-19 restrictions likely to materially reduce sales in the short-term



- Unfavourable DAC acceleration as a result of 20% decline in S&P500 YTD (1Q19: favourable DAC deceleration)
- No significant changes to policyholder behaviour have been observed to date
- Non-operating profit was positive as gains on derivatives outpaced increases in policyholder liabilities

# US 1Q2020 update

## RBC statutory solvency position

### Jackson Statutory RBC ratio



- Operational capital generation remains in line with our expectations
- Non-operating experience includes:
  - Increase in TAC reflecting positive hedge gains & favourable changes in US corporate tax
  - Higher required capital driven by lower equity markets & interest rates, increasing the cost of guarantees
- Whilst TAC & absolute level of surplus increased substantially during 1Q2020, the required capital increase resulted in a reduction in the estimated RBC ratio



# Group solvency

## Robust LCSM capital position

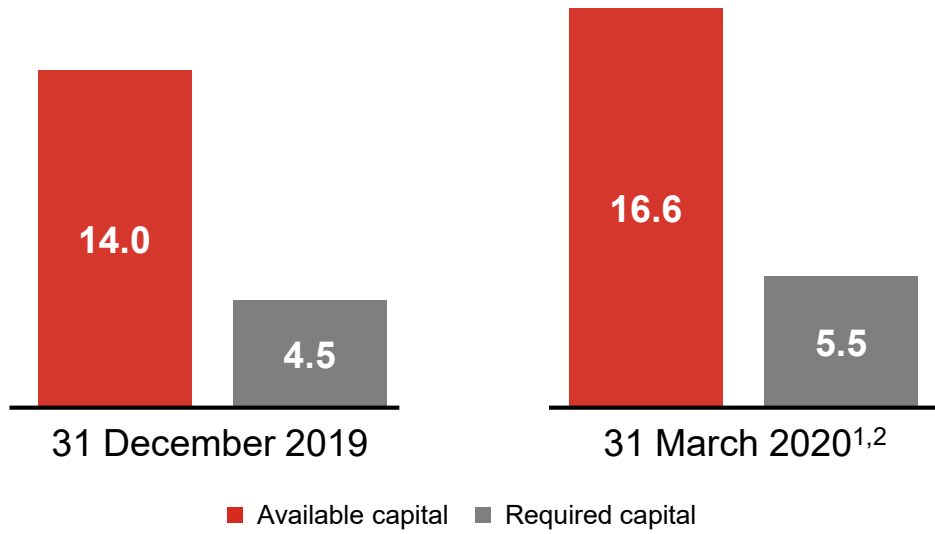
### Estimated Group shareholder LCSM capital position, \$bn

Surplus: \$9.5bn

Cover: 309%

\$11.1bn

302%

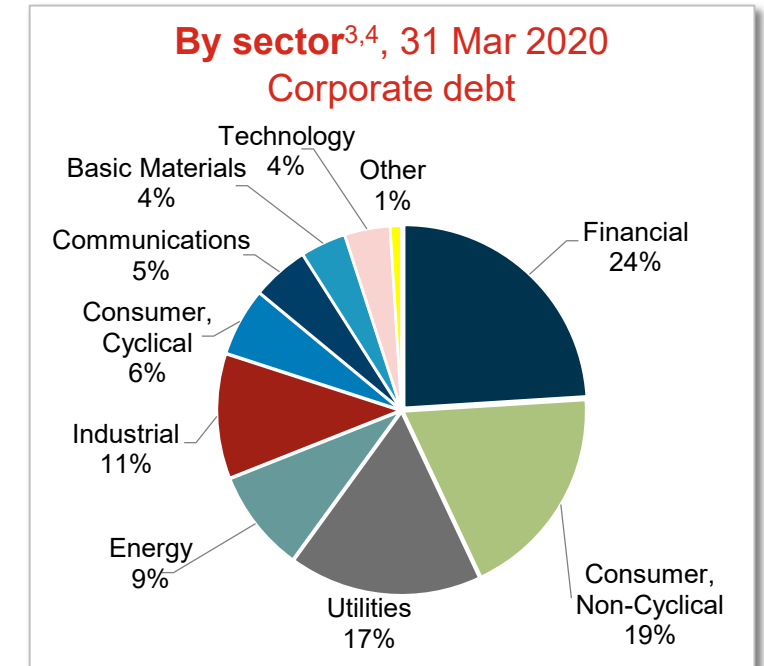
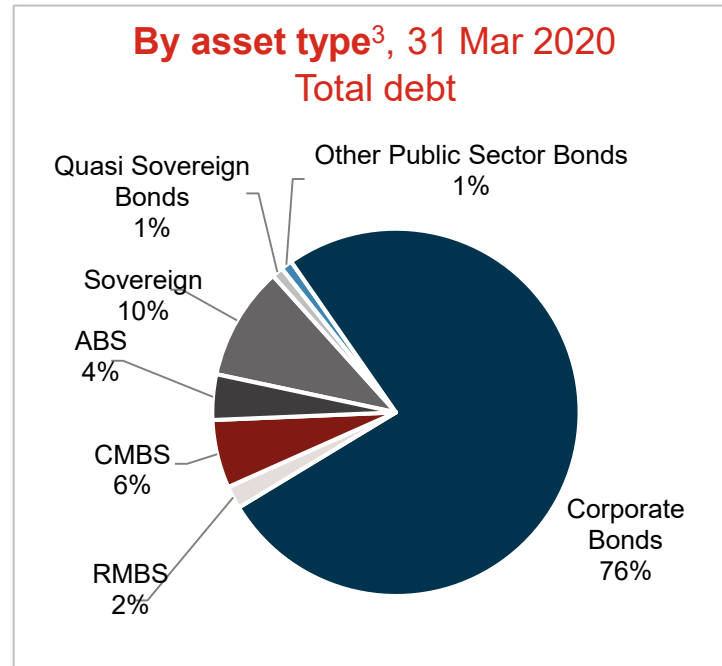
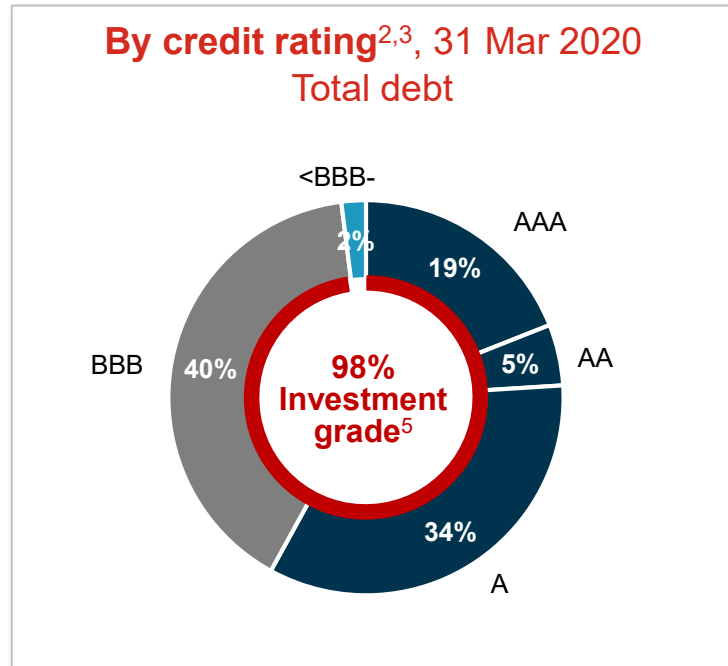


### 1Q2020 movement in LCSM capital position

- \$0.5bn of operating capital generation (net of new business strain)
- Non-operating movements includes:
  - \$2.2bn benefit from implementation of new Singapore RBC framework
  - \$(0.8)bn effect of banca partnership with TMB
  - effects of lower equity market and interest rates on policyholder reserves and required capital broadly offset by favourable impact of hedge gains, other management actions and changes in US corporate tax
- Second interim dividend to be paid in May of \$(0.7)bn

# Group credit exposures

## Jackson<sup>1</sup> shareholder exposure – local statutory basis



- Conservative and defensively positioned balance sheet, traded yield for quality
- Level of defaults and impairments are minimal
- Highly diversified portfolio; any ratings migration mitigated by managing exposure on individual names
- BBB exposure weighted to upper bands: BBB+ and BBB account for 85%
- Average holding<sup>6</sup>: BBB- portfolio of \$30m; high yield portfolio of \$6m
- As a sensitivity, as at 31 March 2020, if 20% of the general account credit assets were to be instantaneously downgraded by 1 whole letter, the RBC cover ratio is estimated to fall by c.16 ppts (6 ppts impact to Group's LCSM shareholder cover ratio)