



# Prudential plc 2012 Full Year Results

## Delivering 'Growth and Cash'

13 March 2013

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# Prudential plc 2012 full year results

## Agenda

**Business Review**

**Tidjane Thiam**

**Financial Review**

Nic Nicandrou

**Outlook**

Tidjane Thiam

# 2012 financial headlines

## Strong performance on all key metrics

### Growth

£m

**New business profit**

**2012**

**2011**

**Change (%)**

**2,452**

2,151

+14%

**IFRS operating profit<sup>1</sup>**

**2,533**

2,027

+25%

**EEV operating profit**

**4,321**

3,978

+9%

### Cash

**Free surplus generation**

**2,082**

1,983

+5%

**Net remittance**

**1,200**

1,105

+9%

**Dividend per share (pence)**

**29.19**

25.19

+15.9%

### Capital

**IGD**

**5.1**

4.0

NA

**EEV per share (pence)**

**878**

771

+14%

<sup>1</sup> 2011 adjusted for the retrospective application of the new DAC policy.

# 2013 Growth and Cash objectives

On track

	£m	2009	2012	Objective <sup>1</sup> 2013	% Progress <sup>2</sup>	
<b>Asia</b>	<b>IFRS operating profit</b>	465	<b>988</b>	930	112%	1
	<b>New business profit<sup>1</sup></b>	713	<b>1,266</b>	1,426	78%	2
	<b>Net Remittance</b>	40	<b>341</b>	300	114%	3
<b>Jackson</b>	<b>Net Remittance</b>	39	<b>249</b>	260 <sup>3</sup>	96%	4
<b>UK</b>	<b>Net Remittance</b>	434 <sup>4</sup>	<b>313</b>	350	89%	5
<b>Group</b>	<b>Net Remittance (Cumulative)</b>	-	<b>3,240</b>	3,800	85%	6

<sup>1</sup> The 2013 objectives assume current exchange rates and normalised economic environment consistent with the economic assumptions made by Prudential in calculating the EEV basis supplementary information for the half year ended 30 June 2010, are based on the current solvency regime and do not pre judge the outcome of Solvency II, which remains uncertain

<sup>2</sup> % Achieved for Asia IFRS and new business profit is the % of the uplift achieved at the end of 2012 from the 2009 level

<sup>3</sup> The net remittance objective for Jackson was increased from £200m to £260m to reflect the positive impact of the acquisition of REALIC

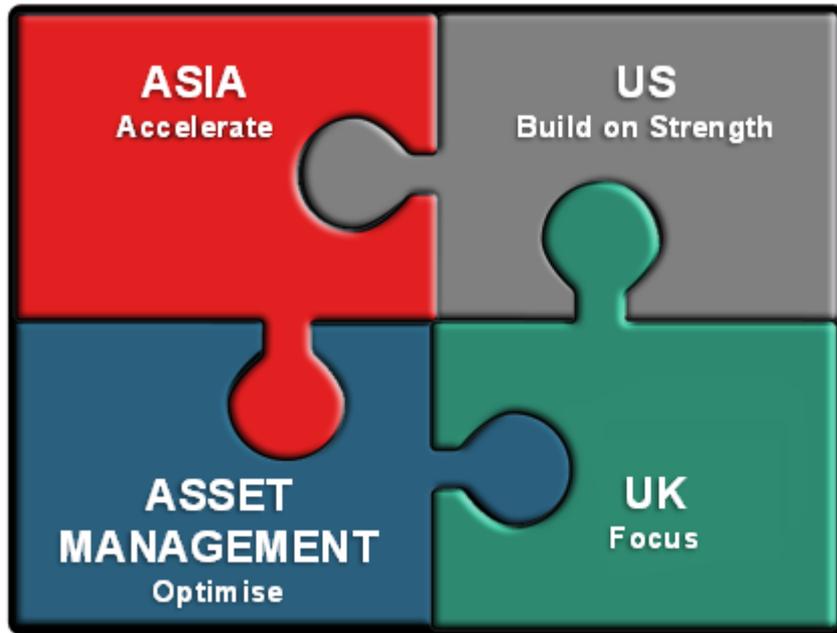
<sup>4</sup> The net remittances from the UK include the £150m in 2009 arising from the pro-active financing techniques used to bring forward cash emergence of the in-force book during the financial crisis



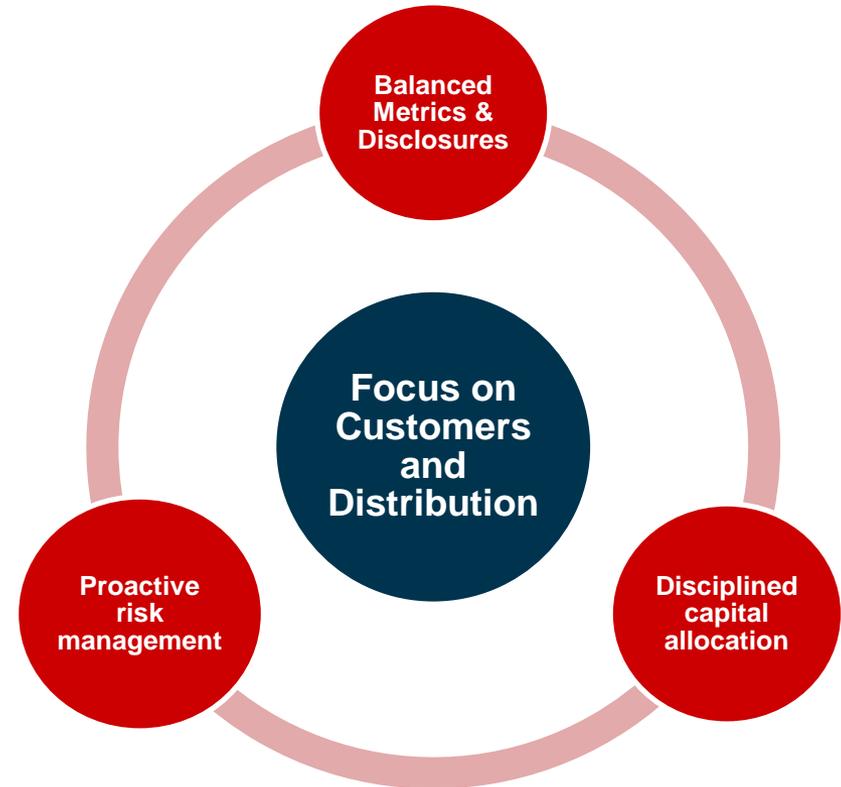
# Strategy

We have a clear strategy underpinned by clear operating principles

## Strategy



## Operating Principles





**Asia**  
**13 million**  
**customers**

- Over 400,000 Agents
- Over 15,250 Bank branches



**Jackson**  
**4 million**  
**customers**

- Largest field force in the market



**UK**  
**7 million**  
**customers**

- Factory gate pricing
- Prudential Financial Planning

# Transparency & disclosures

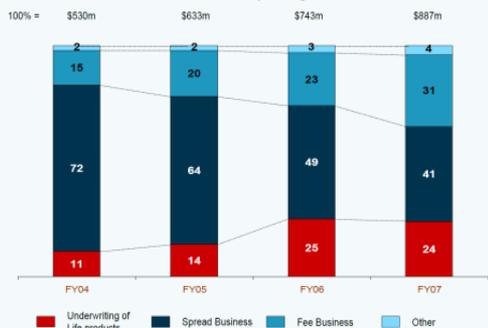
## Measuring the right things



### Sources of Earnings

IFRS Operating Income – Analysis of Drivers  
Earning streams of different nature

Breakdown of Jackson IFRS Pre-Tax Operating Income (in %)

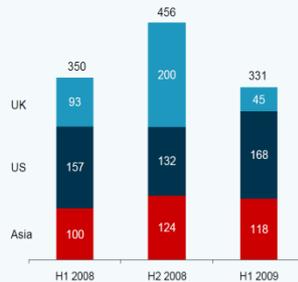


HY2008 results, 31 July 2008

### New business strain

Focusing on value over volume (2/2)  
Controlling investment in new business

EEV New business investment\* – at AER, £m

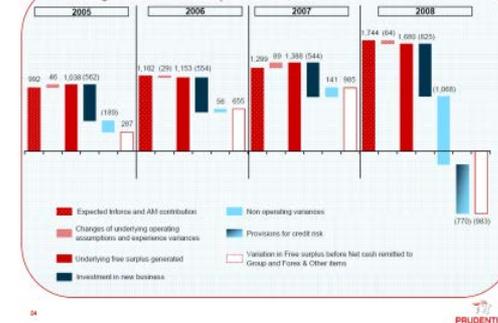


HY2009 results, 13 August 2009

### Free Surplus

Free Surplus Generation - Life and AM

Annual generation of free surplus – at AER, £m



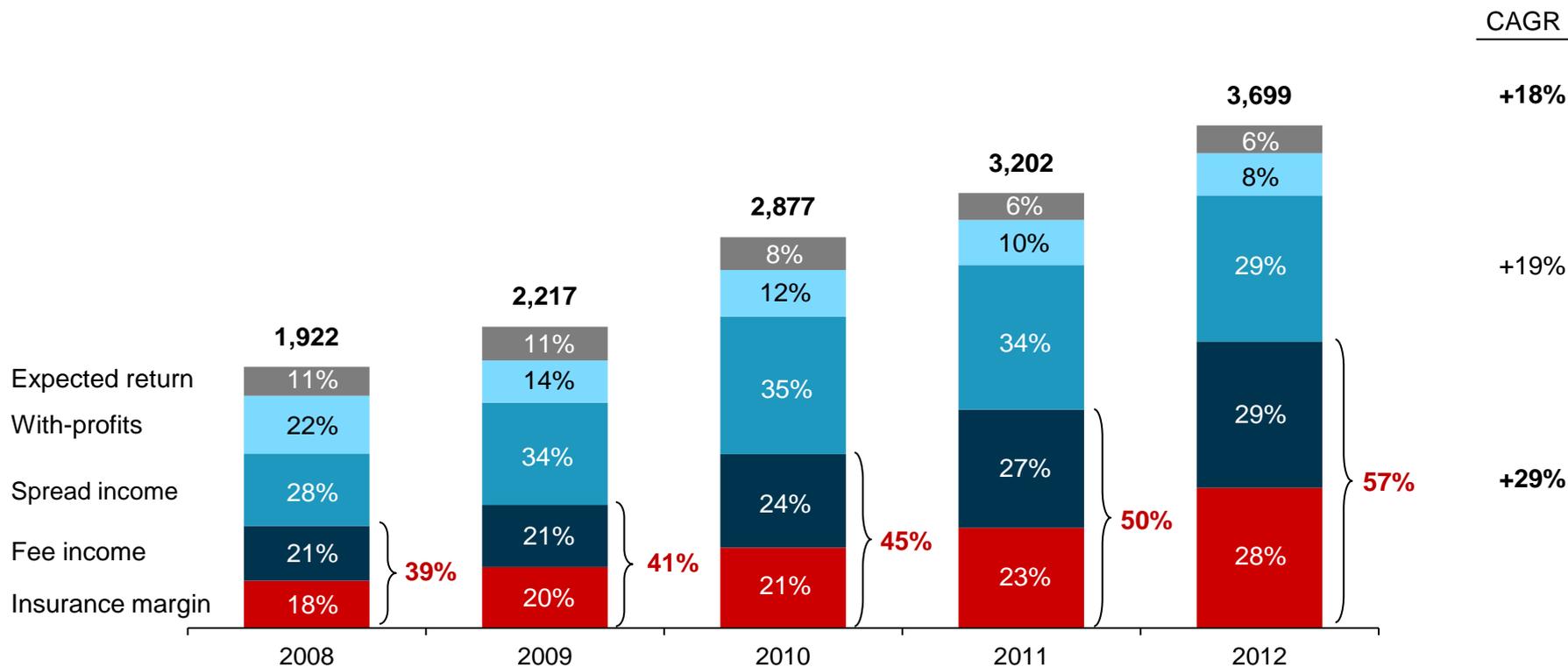
FY2008 results, 19 March 2009

# Focusing on higher earnings quality

## Sources of earnings



Sources of IFRS operating income<sup>1</sup>, £m

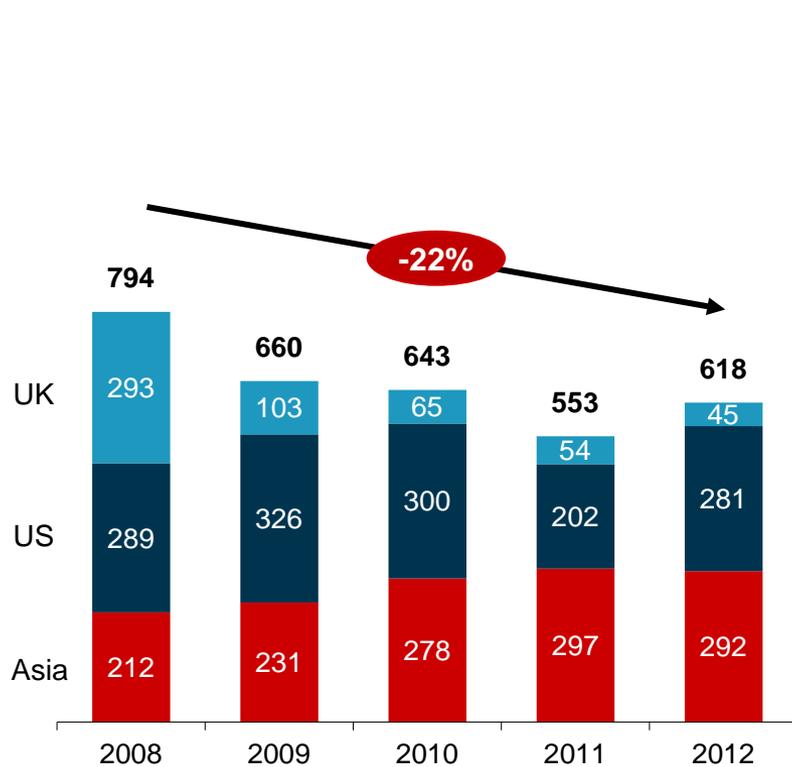


<sup>1</sup> 2011 adjusted for the retrospective application of the new DAC policy. Excludes margin on revenues and other income.

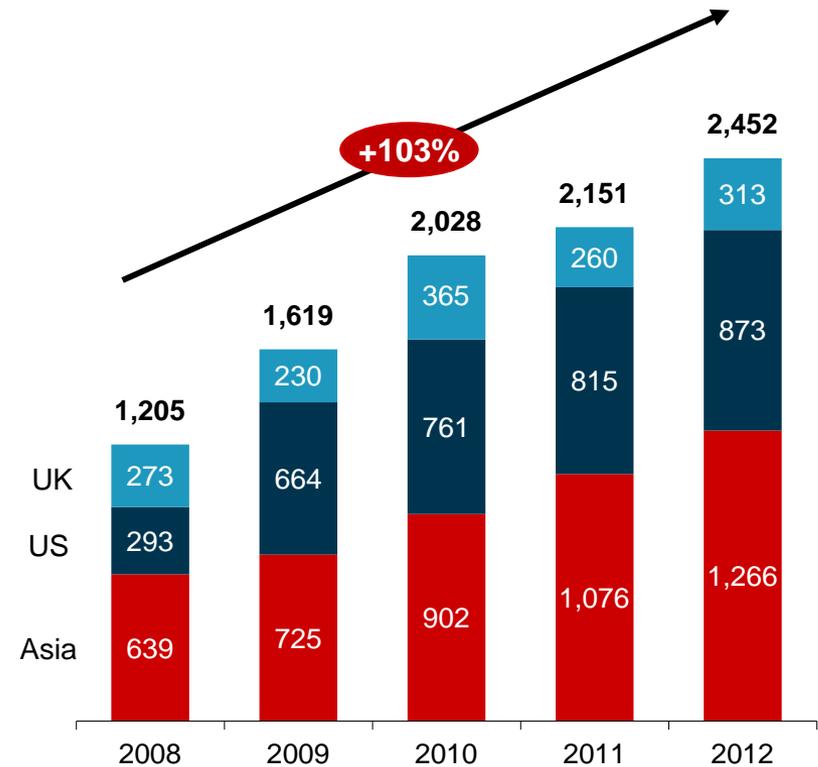
# Disciplined capital allocation



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



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

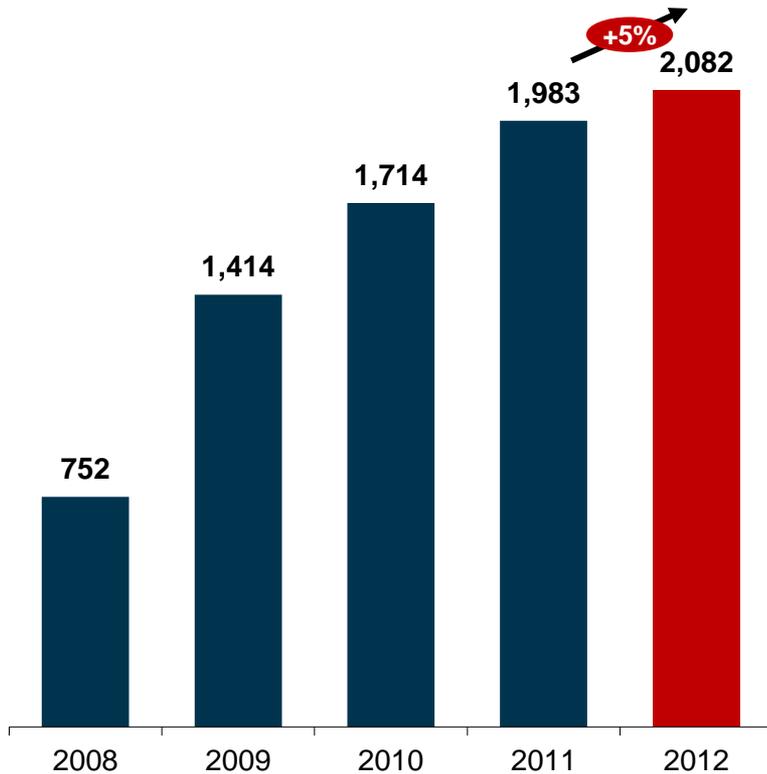


<sup>1</sup> Free surplus invested in new business.  
<sup>2</sup> Excludes Japan and Taiwan agency.

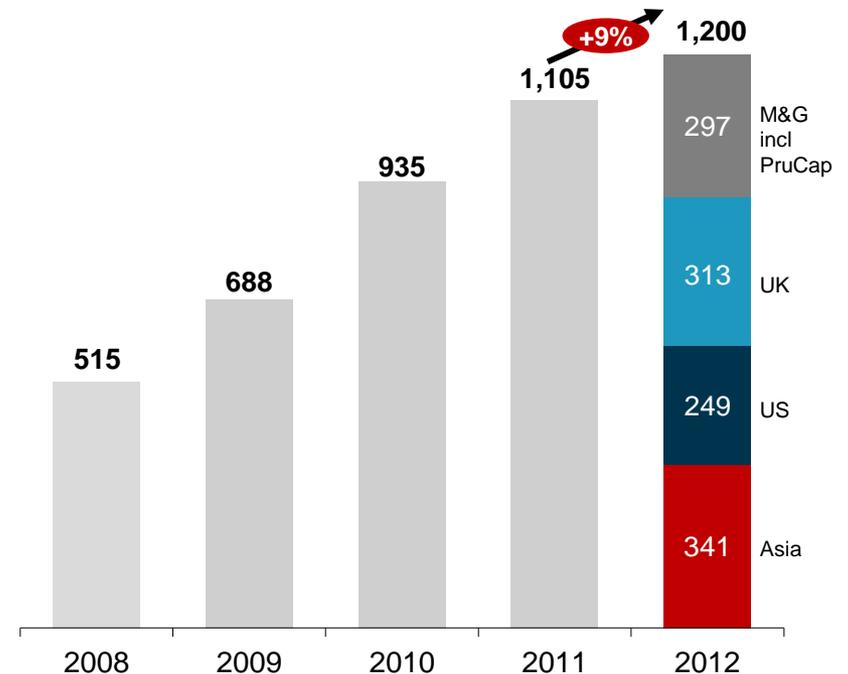




## Underlying free surplus generated, £m



## Business unit net remittances, £m





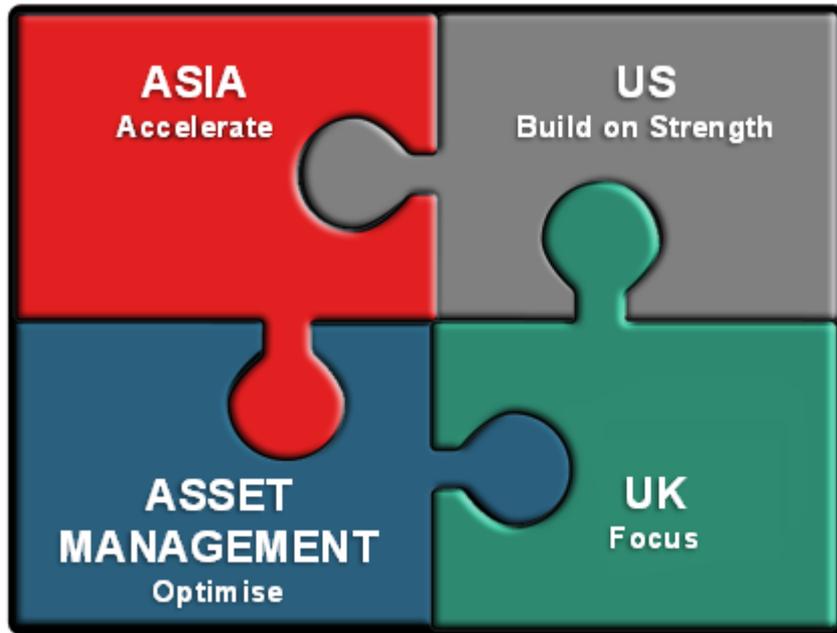
- Source of competitive advantage in our industry
- Proactive capital management
  - Exit from Taiwan agency operations (2009)
  - £2.1bn credit reserves in UK annuity shareholder business
  - UK inherited estate at £7.0bn (£5.4bn in 2008)
  - JNL RBC above 400% since 2008 crisis
- IGD surplus of £5.1bn (c300% coverage level) at 2012 year-end
  - £4.4bn (c250% coverage level) at 28 February 2013<sup>1</sup>

<sup>1</sup> The estimated position at 28 February 2013 allows for economic conditions and surplus generation since 31 December 2012. It is stated before the final dividend and the effect of the Thanachart acquisition and after allowing for a reduction in Jackson's contribution to IGD surplus of £1.3 billion.

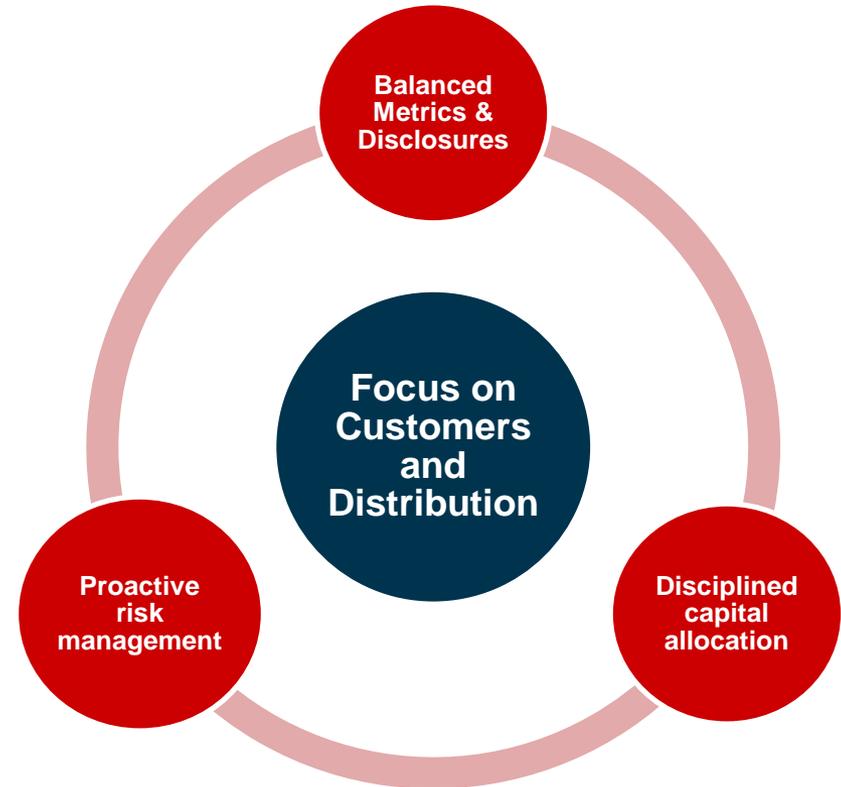
# Strategy

We have a clear strategy underpinned by clear operating principles

## Strategy

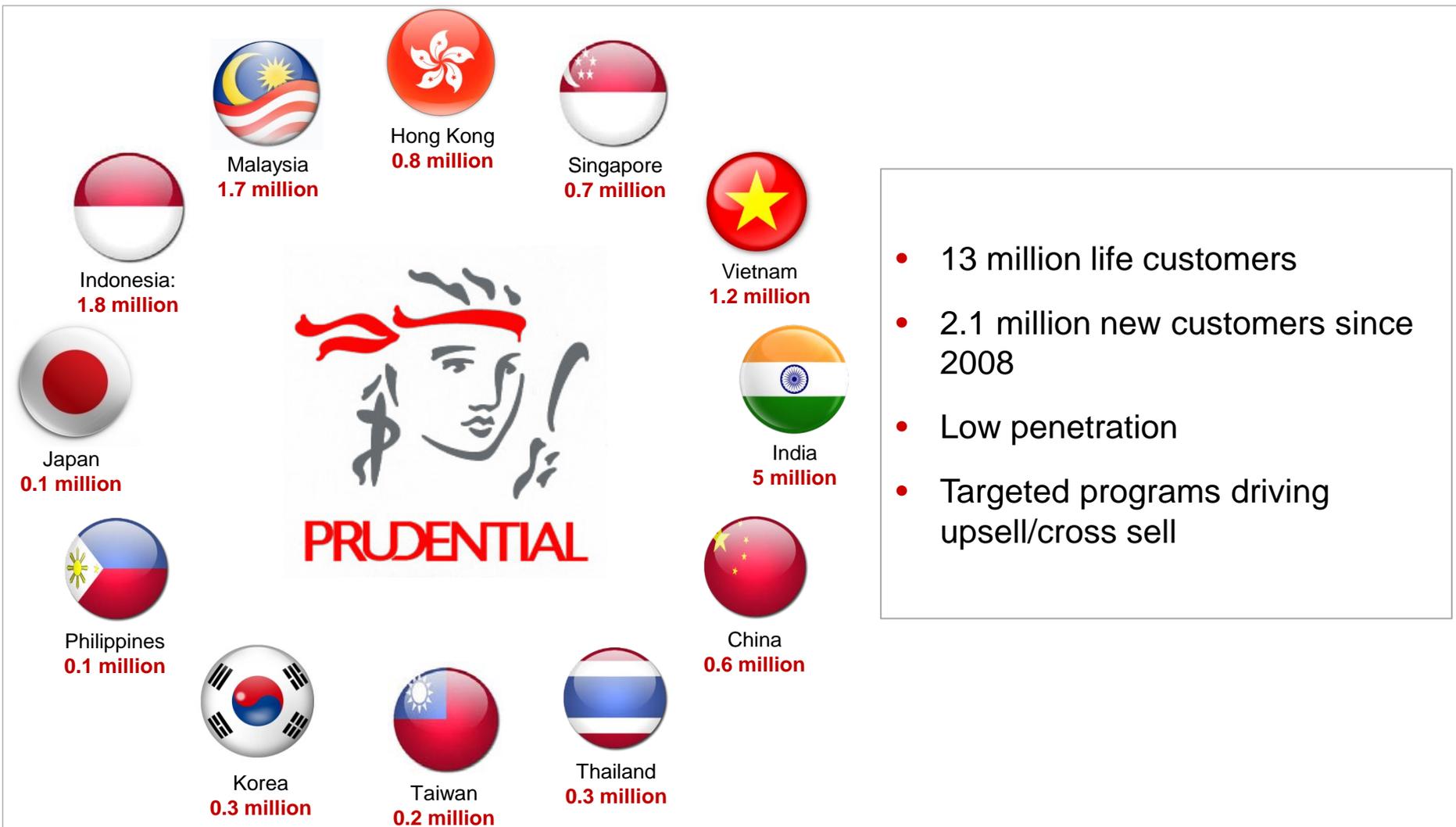


## Operating Principles



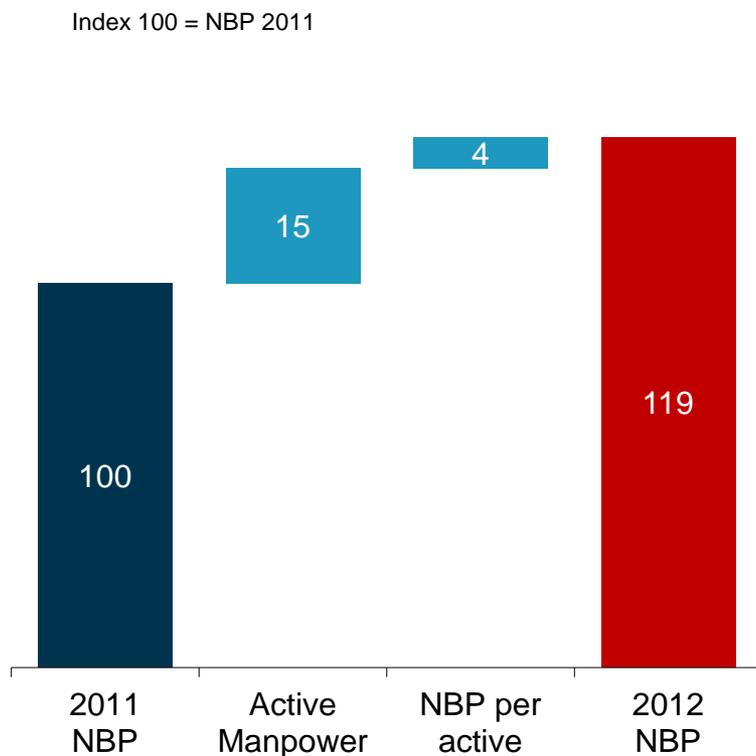
# Asia

## Powerful franchise



- 13 million life customers
- 2.1 million new customers since 2008
- Low penetration
- Targeted programs driving upsell/cross sell

## Agency performance in Sweet spot markets<sup>1</sup>



### Indonesia

- Expansion outside Jakarta
- ‘Fast Start Training’ for new hires

### Hong Kong

- Successful “PRUmyhealth” campaign
- MDRT<sup>2</sup> agents up 20%

### Singapore

- “Yes You Can” initiative
- Largest recruiter of life agents in 2012
- Productivity of new agents up 34%

### Malaysia

- Bumi initiatives
- Higher productivity in Bumi channel

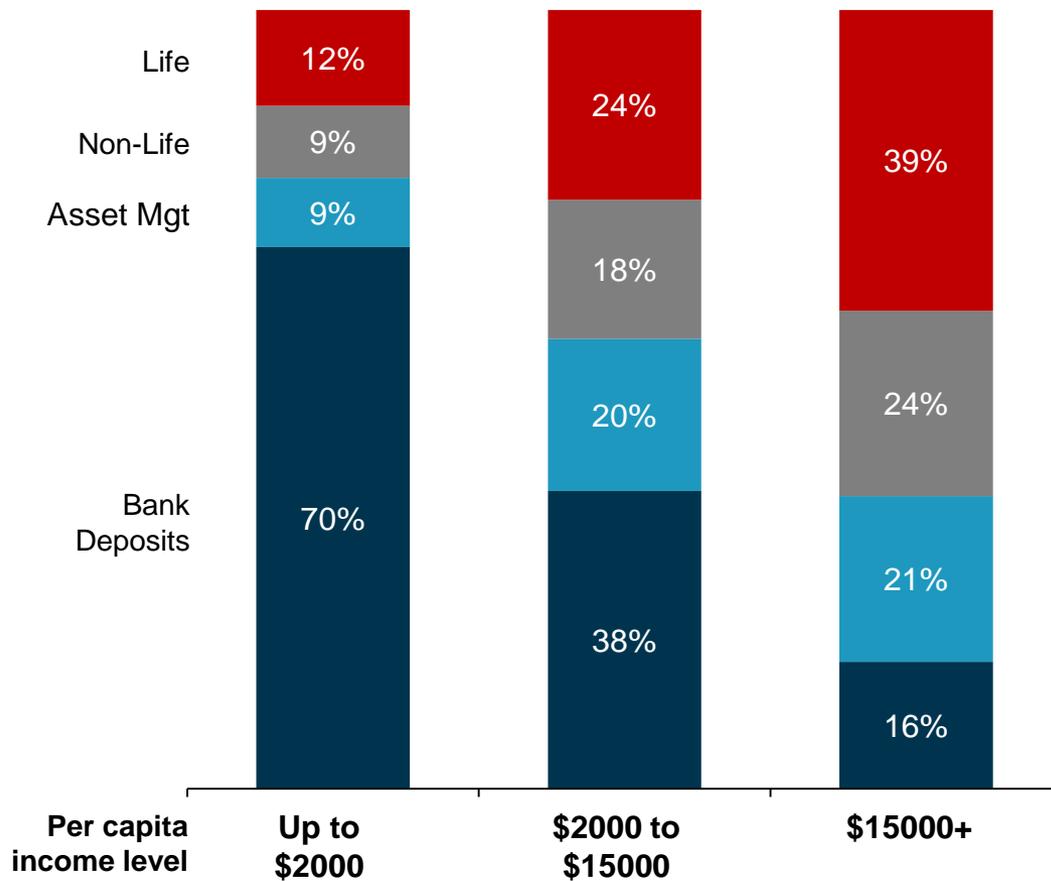
<sup>1</sup> Includes Indonesia, Malaysia, Singapore, Vietnam, Thailand, Philippines and Hong Kong.

<sup>2</sup> MDRT = Million Dollar Round Table

# Asia distribution

## Wealth and financial assets ownership

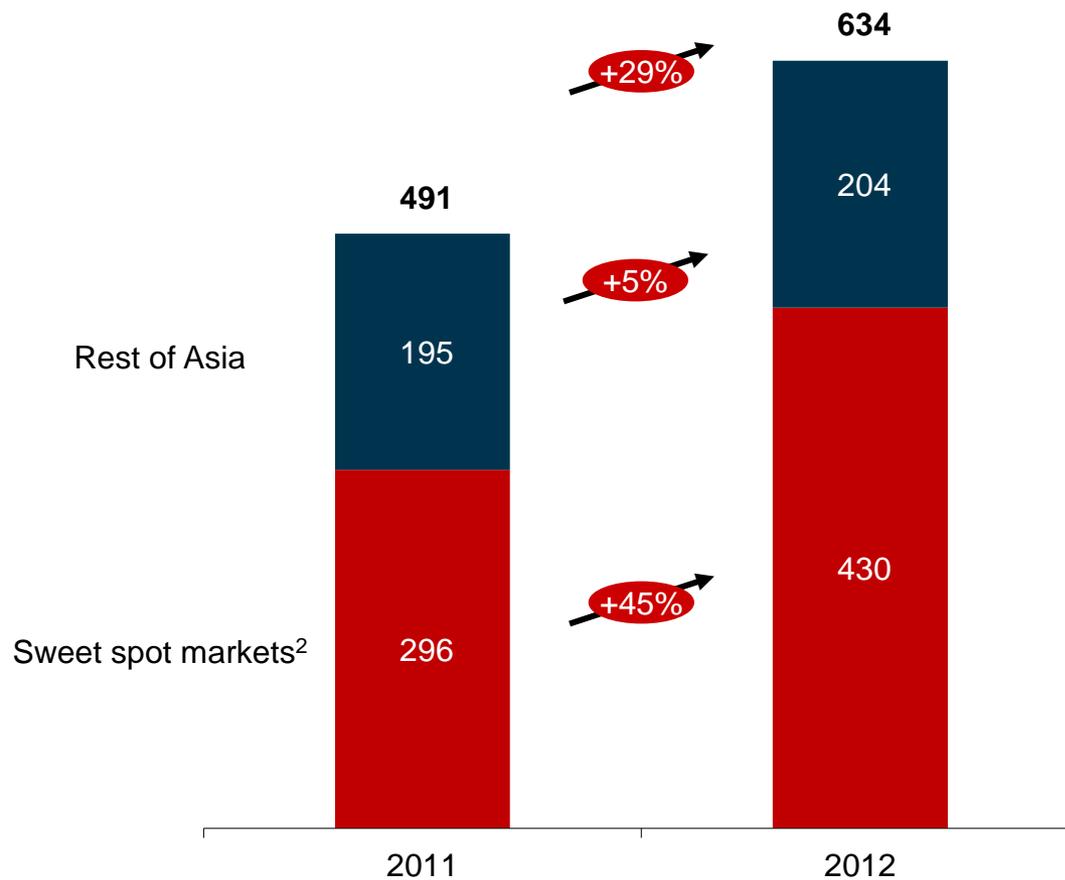
### Breakdown of personal financial assets



<sup>1</sup> Source: Oliver Wyman analysis; Prudential analysis

# Asia distribution Bancassurance

## Bancassurance APE growth<sup>1</sup>, £m



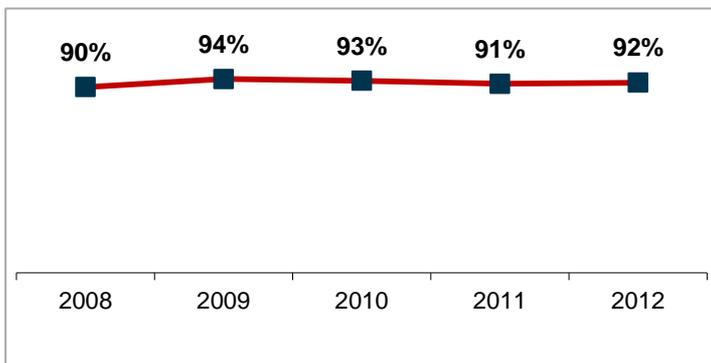
<sup>1</sup> Excludes DM/TM, prepared on reported exchange rate basis.

<sup>2</sup> Includes Indonesia, Malaysia, Singapore, Vietnam, Thailand, Philippines and Hong Kong.

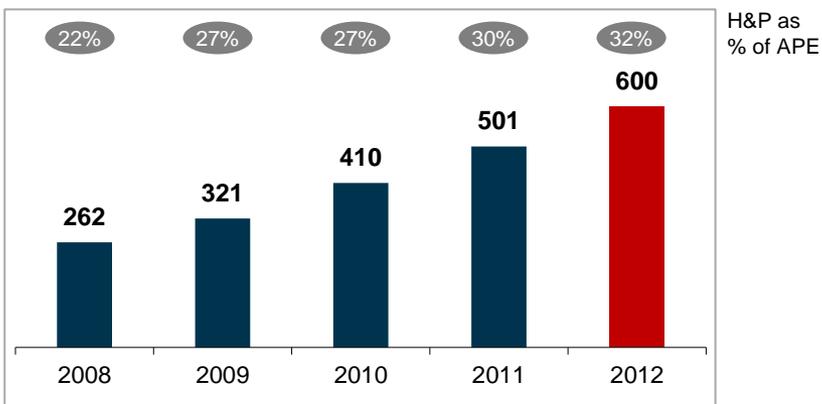
# Asia

## Quality growth

### Regular premium as % of APE



### Health and Protection APE, £m



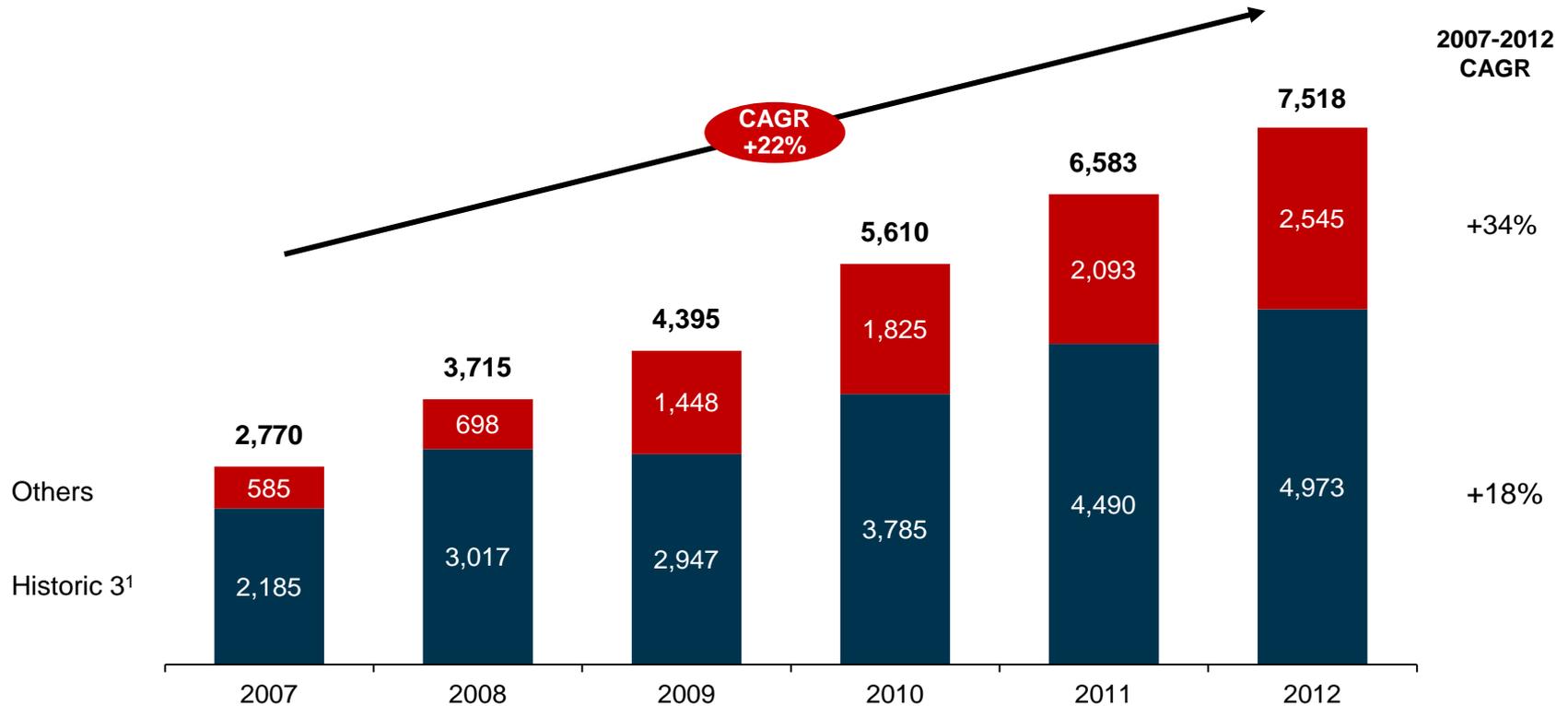
### Annualised lapse rates, %



# Asia

## Diversified growth

Value of in-force by country, £m



<sup>1</sup> Historic 3 includes Hong Kong, Malaysia and Singapore



# Asia

## Building the future



### Thailand

- Population: 64 million
- GDP: \$377bn; GDP/capita: \$5,850
- Median age: 34 years
- Bancassurance premium as % of first year premium: 54%

- Thanachart partnership – 5th largest bank
- Access to over 820 branches
- 2012 NBP up 100%



### Philippines

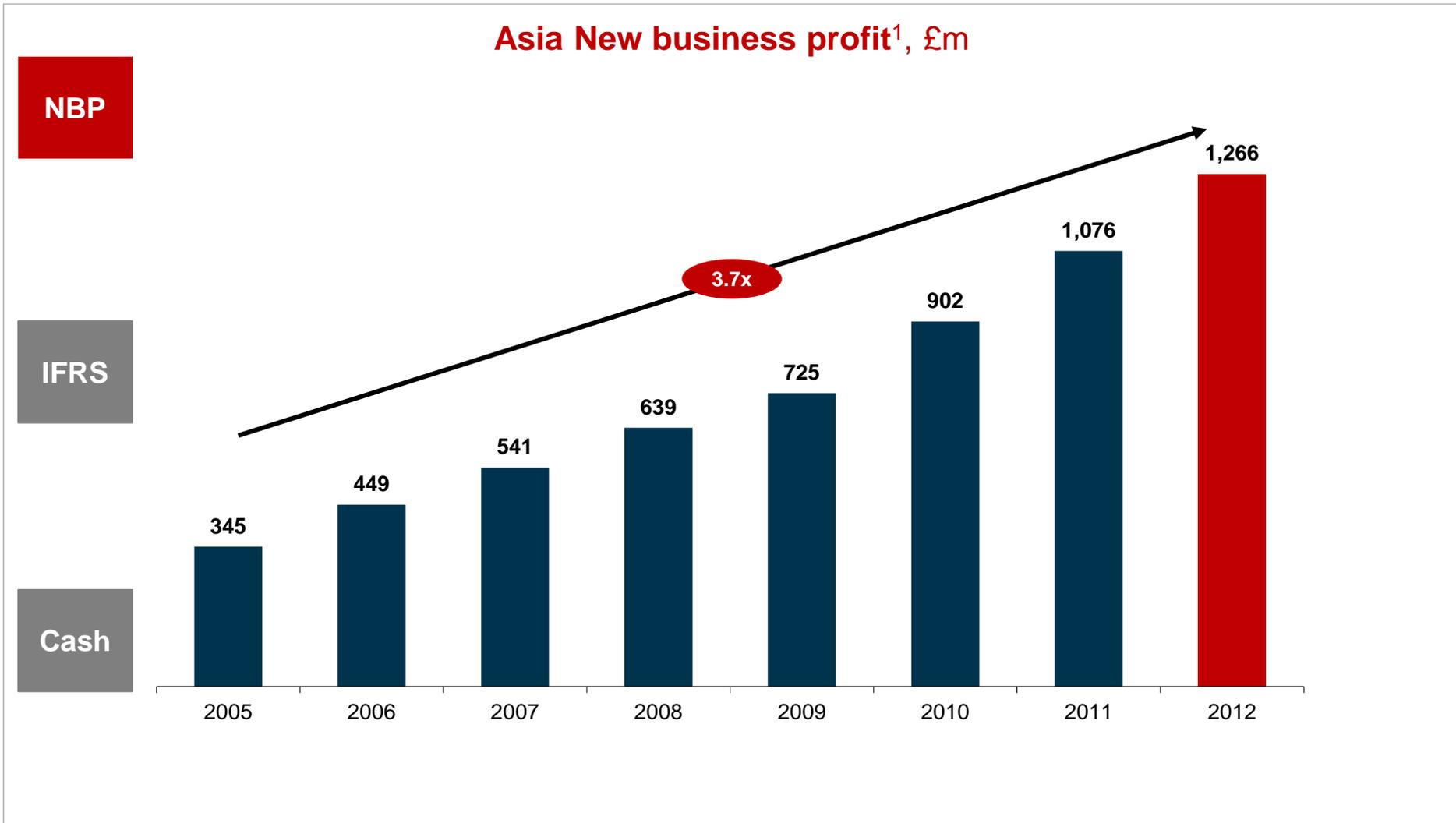
- Population: 98 million
- GDP: \$260bn; GDP/capita: \$2,400
- Median age: 23 years
- Life penetration: 0.8%

- Largest ever Prudential's agency force
- 2012 NBP up 86%
- Unit-linked: 75% of 2012 APE, up 59%
- H&P sales: 25% of 2012 APE

Source for population and employment statistics: IMF October 2012 WEO, Swiss Re Sigma report, CIA World Factbook

# Asia

## Growing across our key metrics



<sup>1</sup> Excludes Taiwan agency and Japan.

# Asia

## Growing across our key metrics

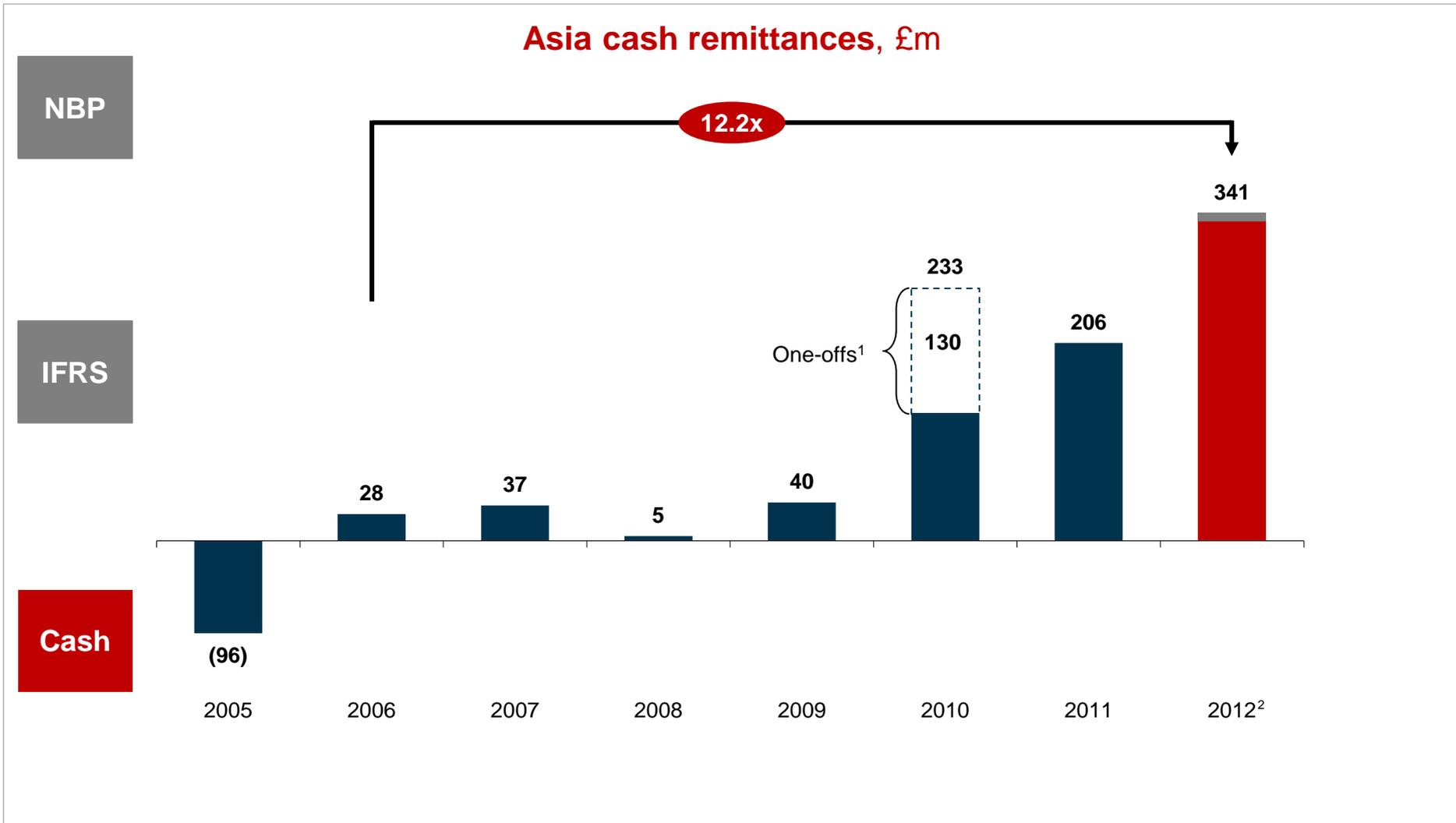


<sup>1</sup> Life and Eastspring Investments. Net of development costs. 2005 as reported. 2006 onwards, excludes Taiwan agency

<sup>2</sup> 2012 operating profit includes a one-off gain of £51m arising on sale of Group's interest in China Life Insurance Company of Taiwan.

# Asia

## Growing across our key metrics



<sup>1</sup> One-off from Malaysia representing the remittance of distributable earnings accumulated over recent years

<sup>2</sup> Remittances from Asia in 2012 include net remittance of £27 million, representing cash from sale of Group's holding in China Life Insurance Company in Taiwan offset by repayment of funding contingent on future profits of the Hong Kong life insurance operations.

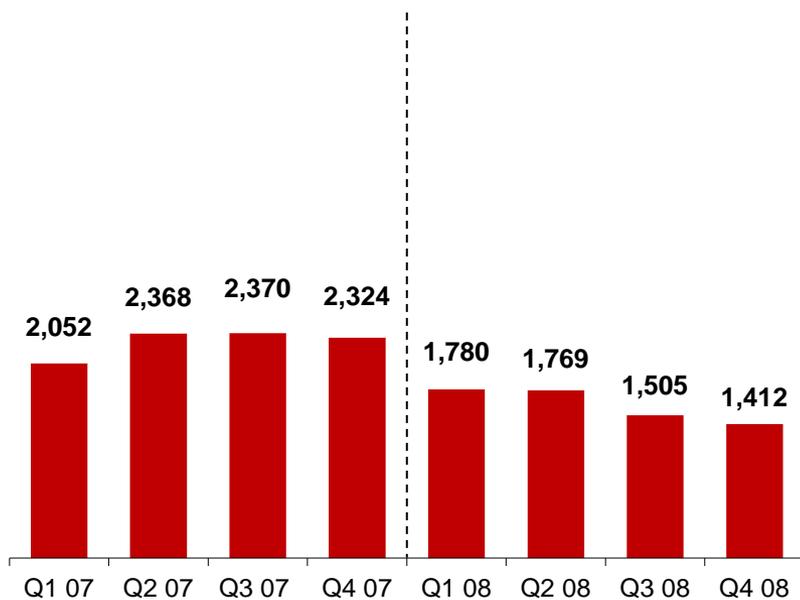


# Jackson

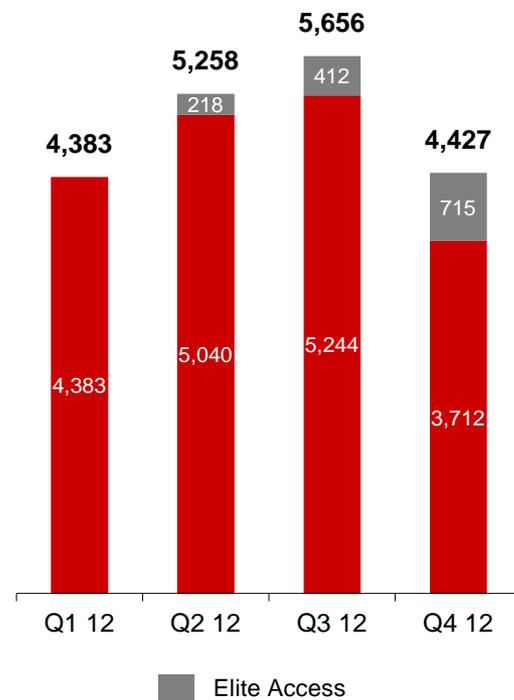
## Proactive management across cycles

### VA volumes by quarter, sales \$m

#### 2007-08 Features war



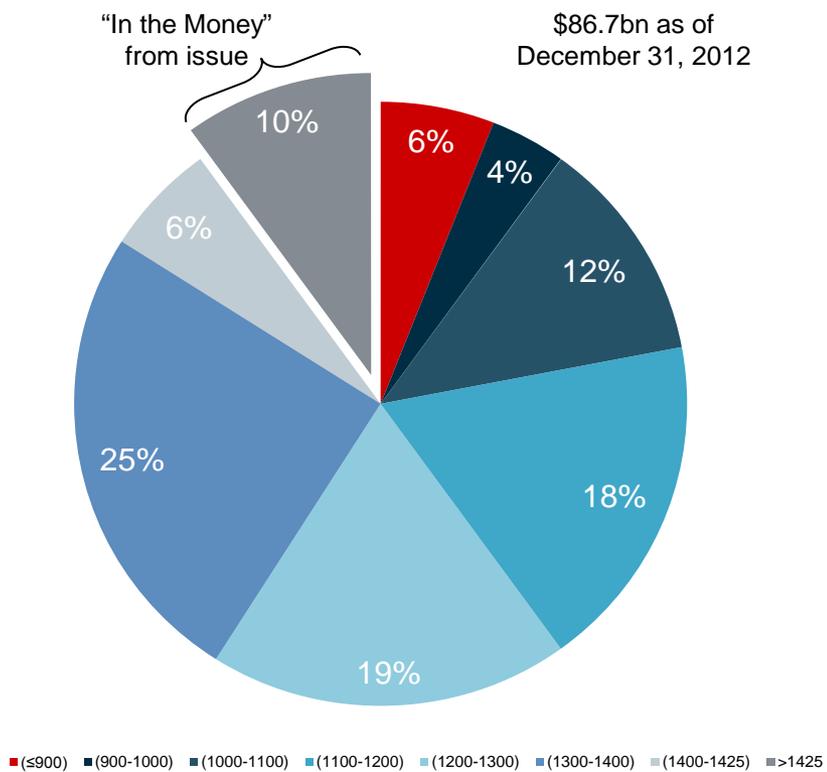
#### 2012 sales



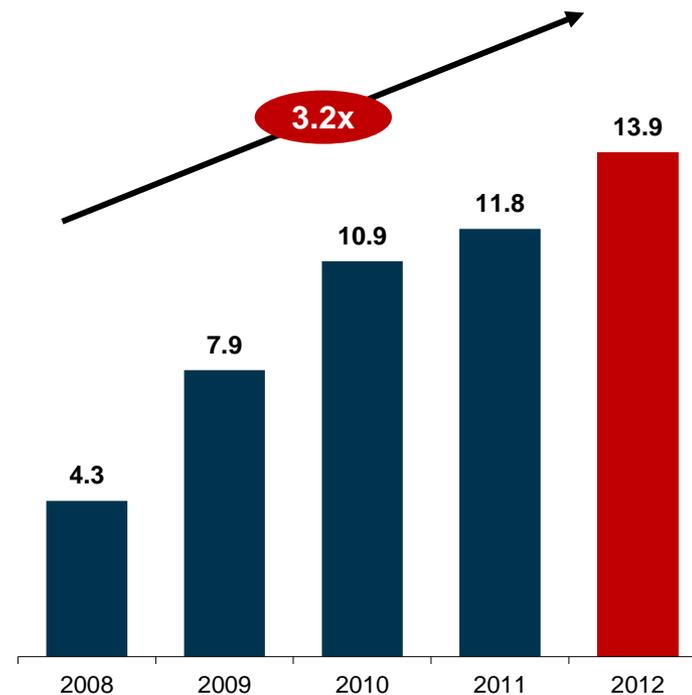
# Jackson

## Disciplined growth

### Separate Account Value by S&P 500 Level at Policy Issue



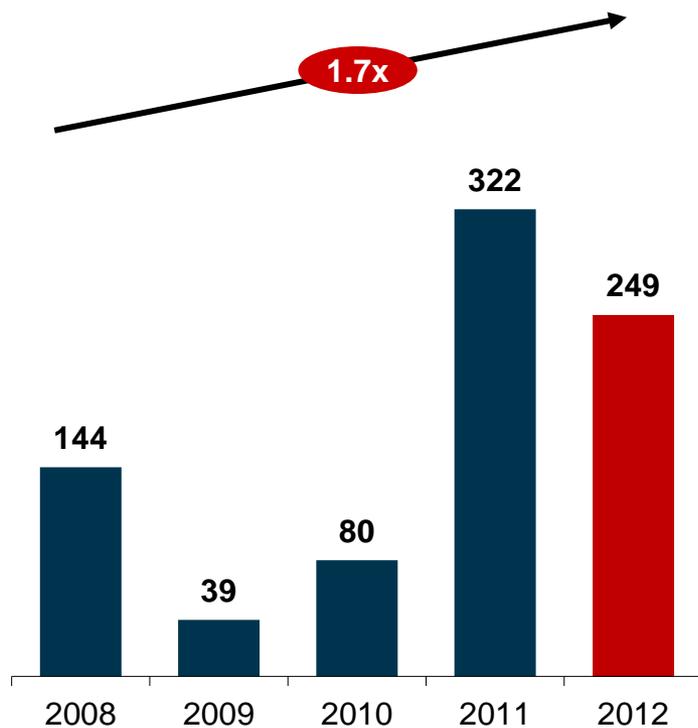
### Total annuity net flows, US\$bn



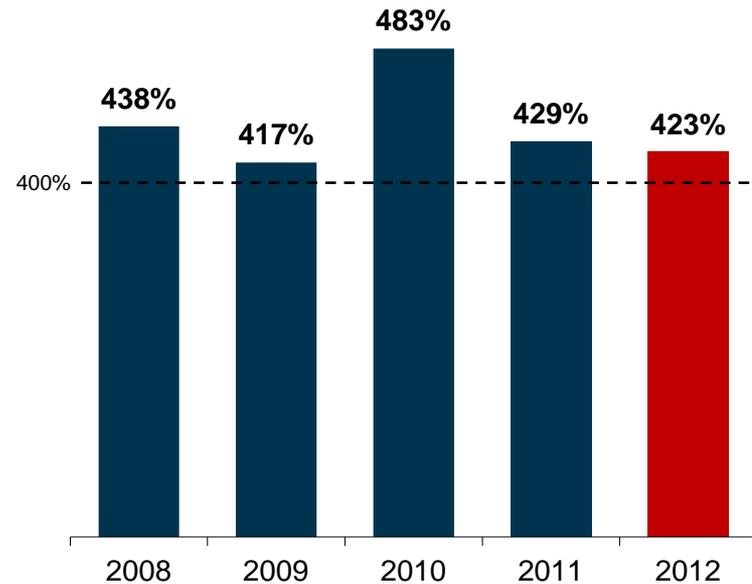
# Jackson

## Delivering cash through disciplined growth

Net remittances, £m



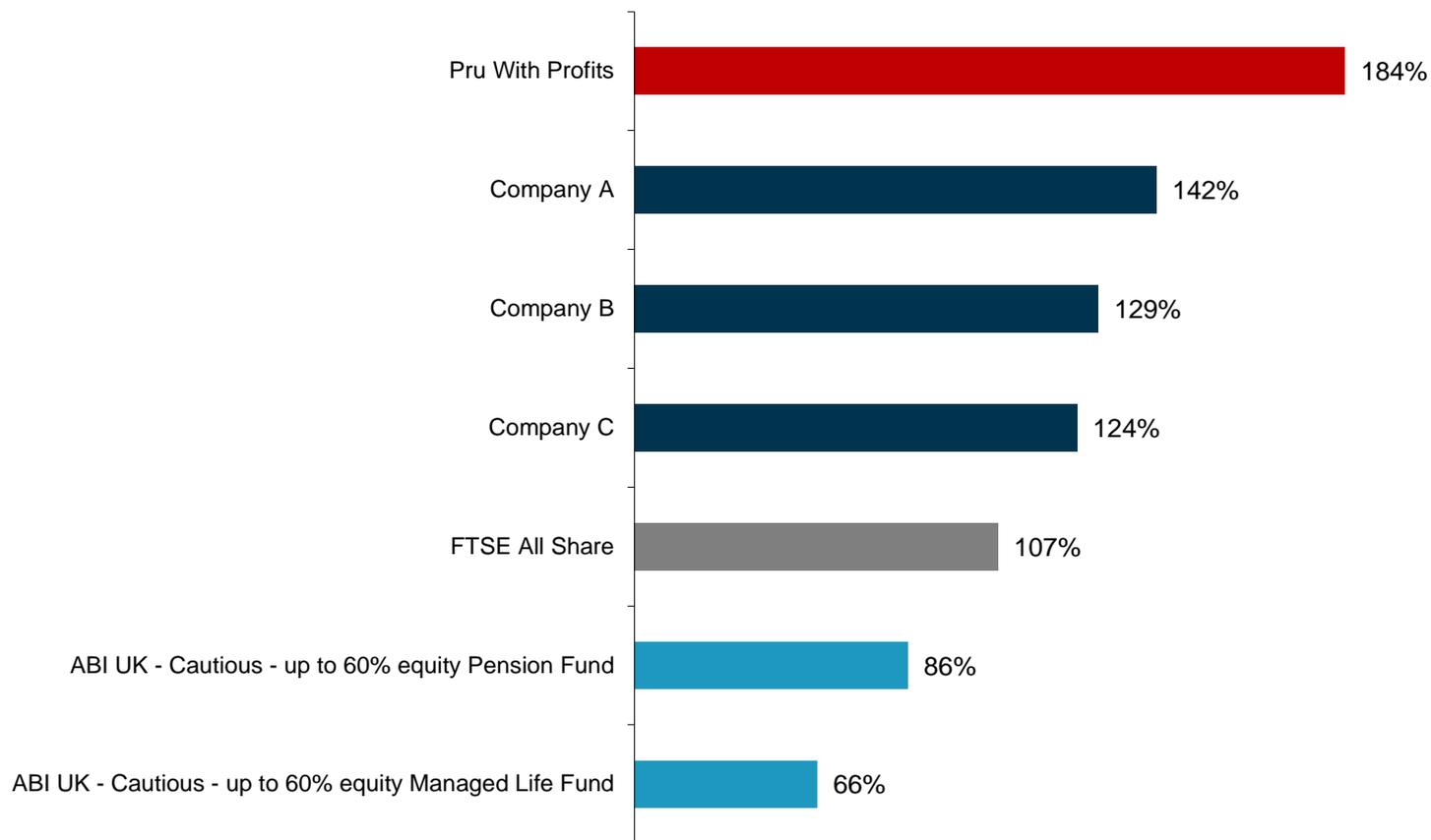
RBC ratio, %



# UK

## Delivering value to our customers

### 15-year gross cumulative return to end 2012, %<sup>1</sup>

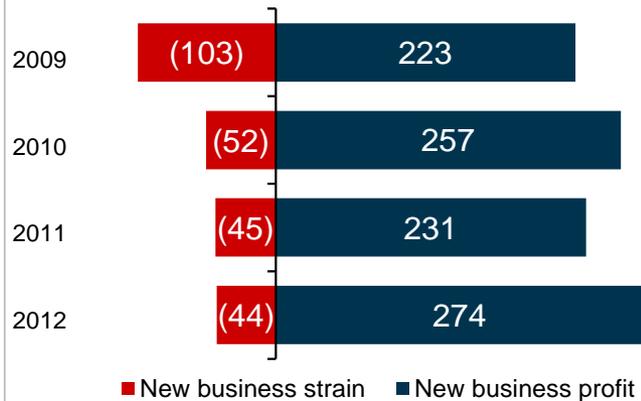


<sup>1</sup> Source: Prudential, Financial Express. WP gross performance is gross of tax, charges and effects of smoothing. Cumulative returns for Company A, B and C have been calculated internally based on annual returns gathered from publicly available sources.

## Strong earnings and cash generation

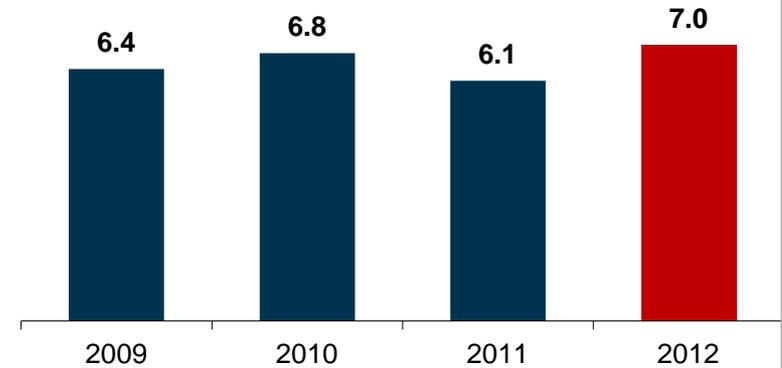
### Selective participation

Retail New business profit, £m



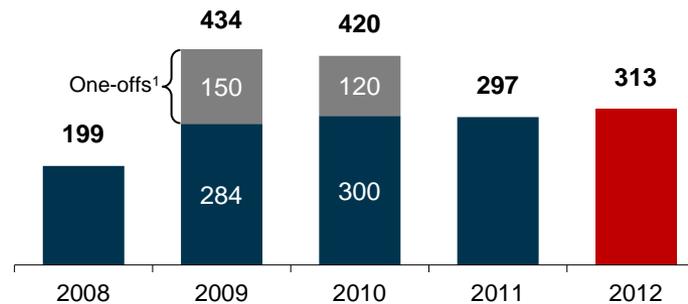
### Robust capital

Inherited estate, £bn



### Cash delivery to Group

Net cash remittances, £m



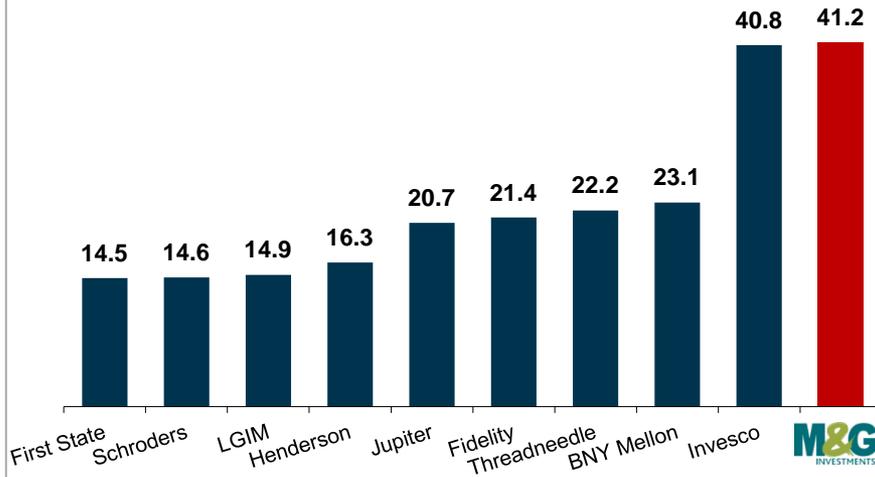
<sup>1</sup> The net remittances from the UK include the £150m in 2009 arising from the pro-active financing techniques used to bring forward cash emergence of the in-force book during the financial crisis. The 2010 net remittances include an amount of £120m representing the release of surplus and net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



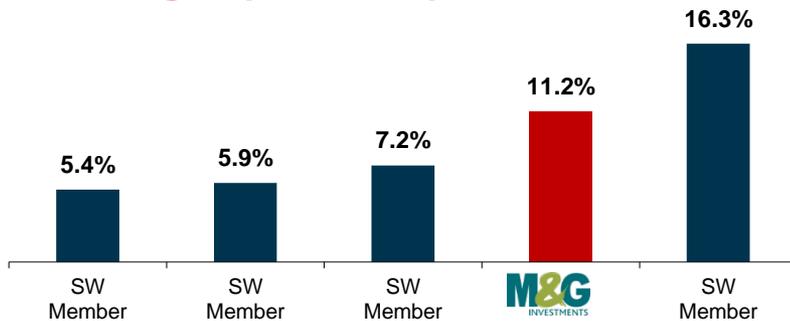
# Asset Management

## Investment performance driven model

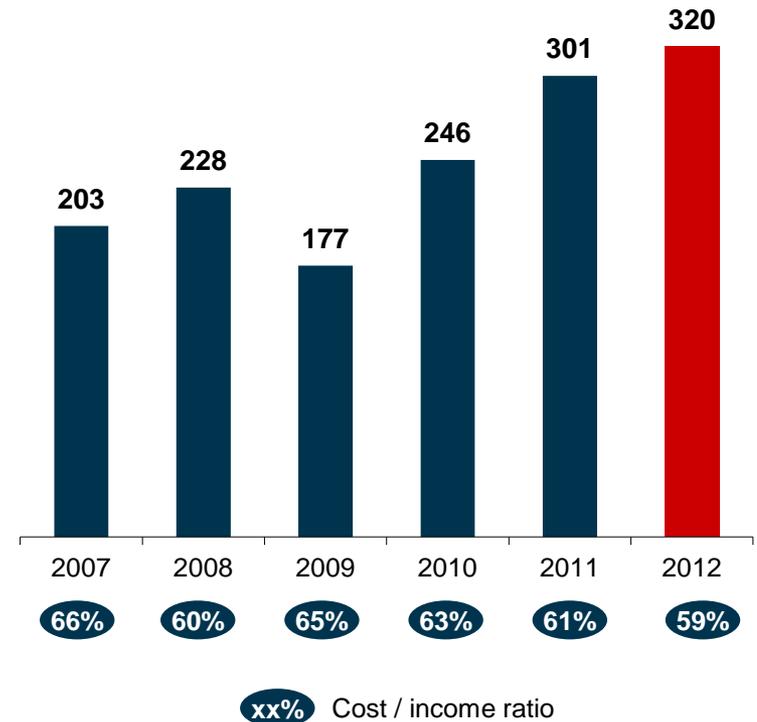
UK retail FUM<sup>1</sup>, at end 2012, £bn



M&G net sales market share vs. cross border groups in Europe<sup>2</sup>, 2012



IFRS operating profit<sup>3</sup>, £m

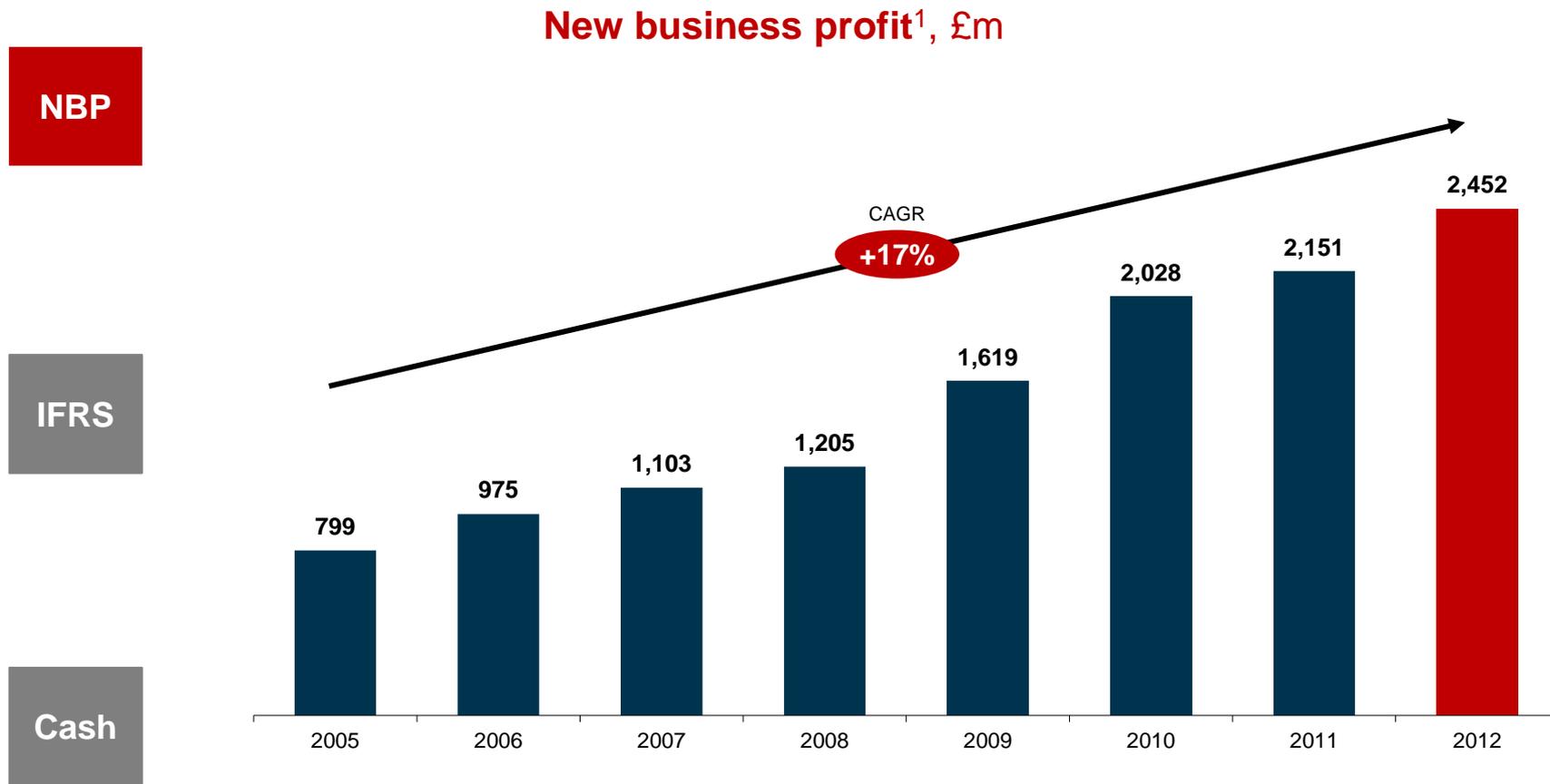


<sup>1</sup> Source: Investment Management Association  
<sup>2</sup> Source: Lipper FMI, SW member = SalesWatch member  
<sup>3</sup> Excludes PruCap



# Group performance

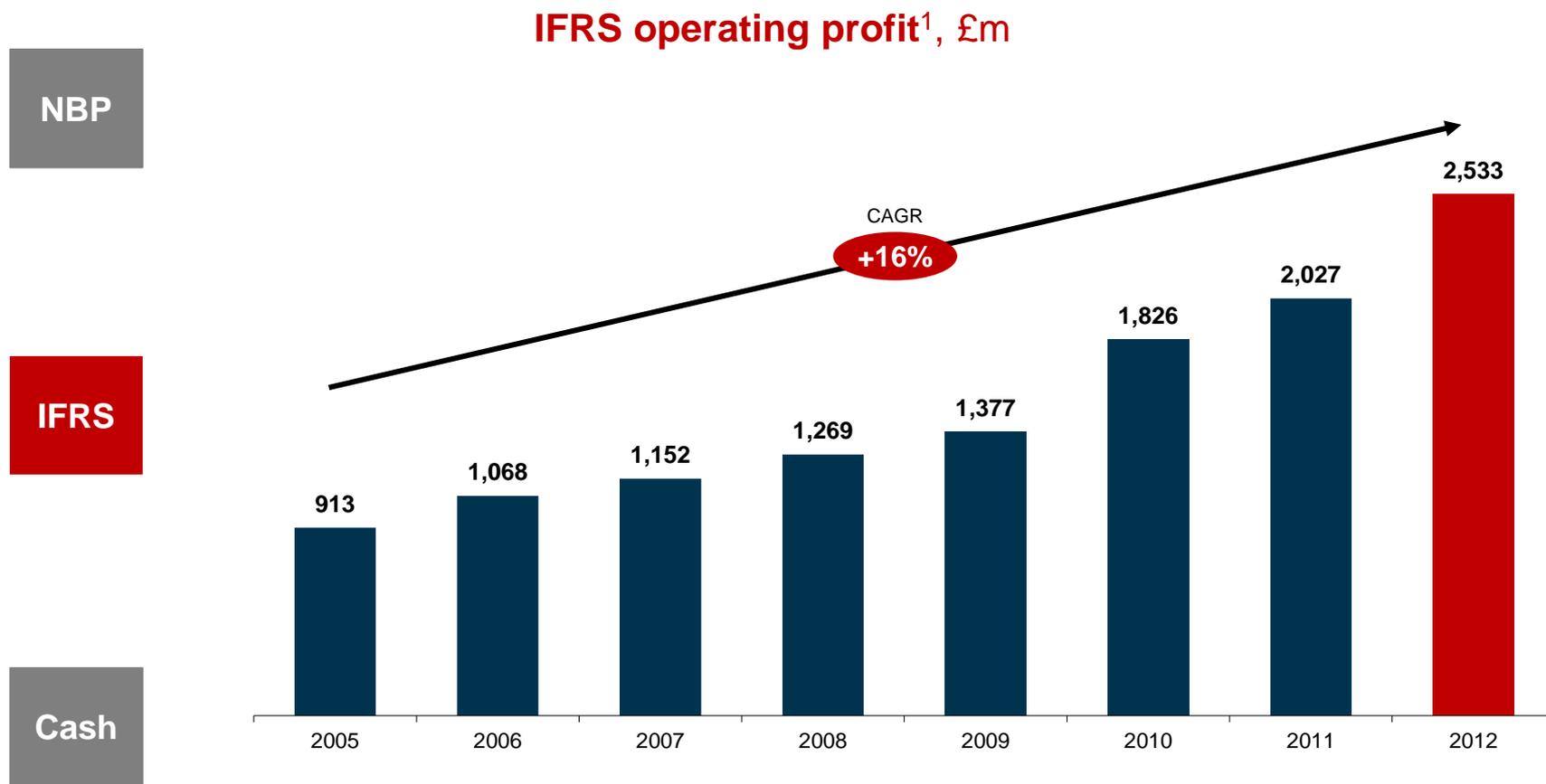
## Track record of growth across our key metrics



<sup>1</sup> Excludes Japan and Taiwan agency.

# Group performance

## Track record of growth across our key metrics

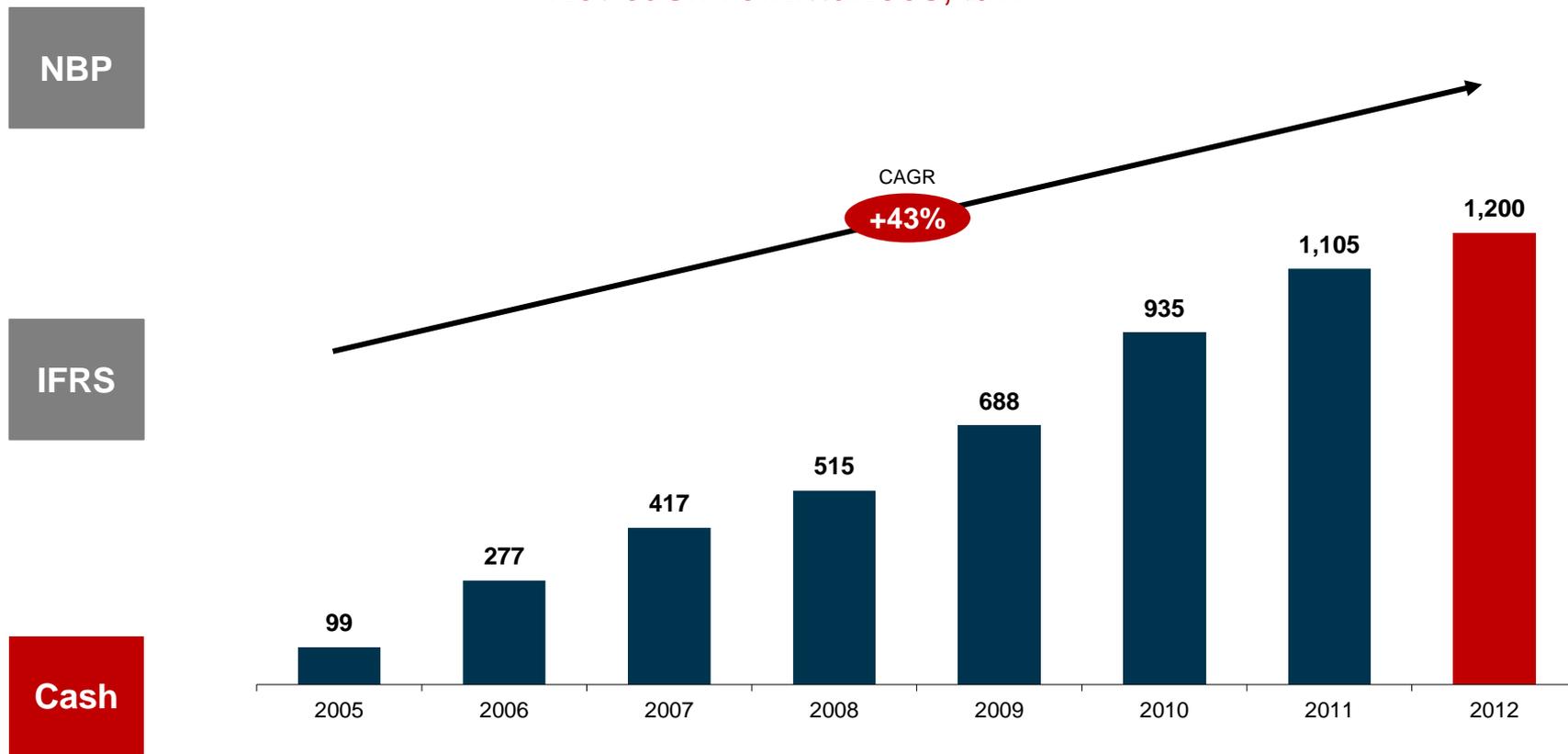


<sup>1</sup> 2008 – 2011 Comparatives adjusted for accounting policy improvements for deferred acquisition costs. 2005 as reported; 2006 onwards excludes Taiwan agency

# Group performance

Track record of growth across our key metrics

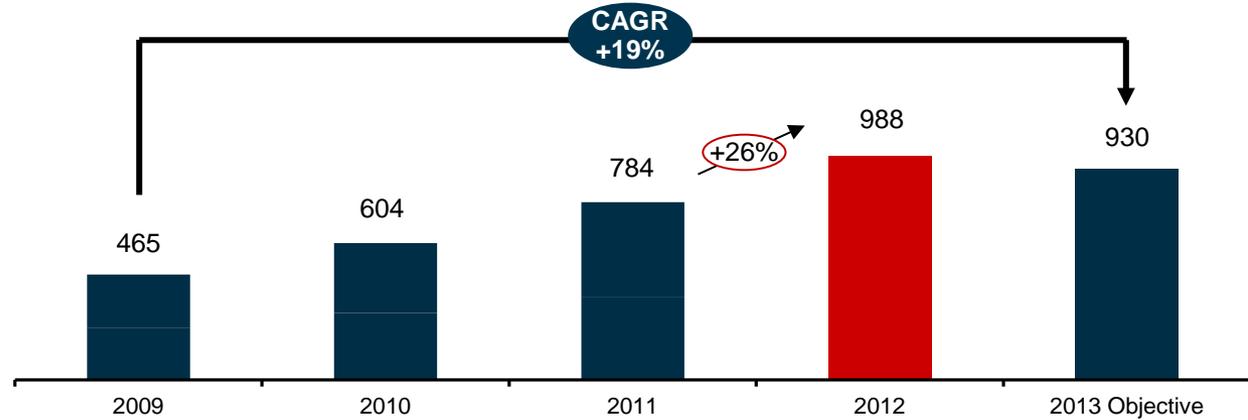
Net cash remittances, £m



# 2013 Growth and Cash objectives

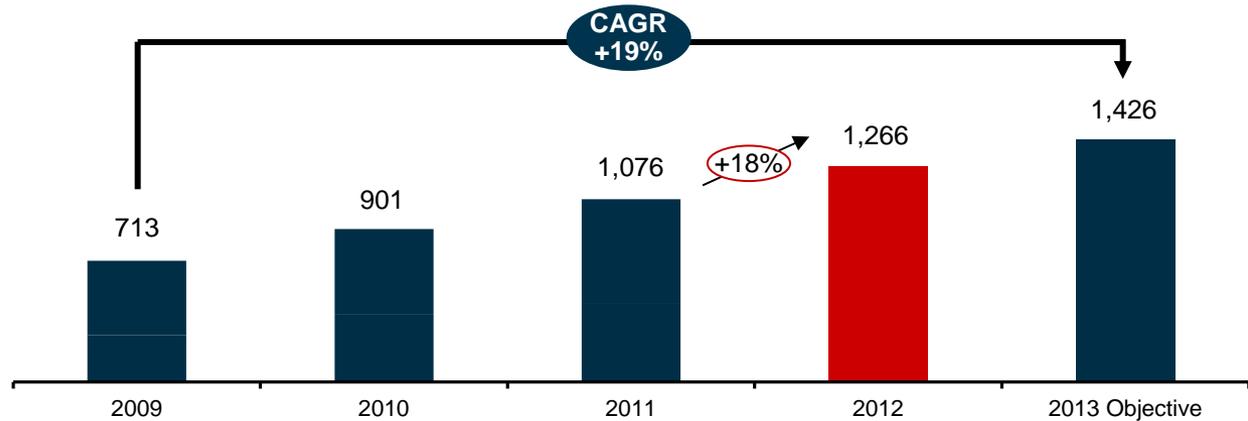
## Growth – On track to ‘Double Asia’

**Doubling Asia Life and Asset Management IFRS operating profit<sup>1,2</sup>, £m**



1

**Doubling Asia value of new business<sup>1</sup>, £m**



2

<sup>1</sup> The objectives assume current exchange rates and normalised economic environment consistent with the economic assumptions made by Prudential in calculating the EEV basis supplementary information for the half year ended 30 June 2010, are based on the current solvency regime and do not pre judge the outcome of Solvency II, which remains uncertain.

<sup>2</sup> Total Asia operating profit from long-term business and Eastspring Investments after development costs. The comparatives represents results as reported in respective periods and excludes adjustment for altered US GAAP requirements for deferred acquisition costs.



# 2013 Growth and Cash objectives

## Cash – On track to deliver 2013 objectives

### 2013 Cash objectives, £m

**Cash**

£m	2009	2013 Objective <sup>1</sup>	2012
Asia Net Remittance	40	300	341
Jackson Net Remittance	39	260 <sup>2</sup>	249
UK Net Remittance	434 <sup>3</sup>	350	313
<b>Group Net Remittance (cumulative)</b>	-	3,800	3,240

3

4

5

6

<sup>1</sup> The 2013 objectives assume current exchange rates and normalised economic environment consistent with the economic assumptions made by Prudential in calculating the EEV basis supplementary information for the half year ended 30 June 2010, are based on the current solvency regime and do not pre judge the outcome of Solvency II, which remains uncertain.

<sup>2</sup> Jackson net remittance objective increased from £200m to £260m contingent on completion of REALIC acquisition.

<sup>3</sup> The net remittances from UK include £150m in 2009 arising from the pro-active financing techniques used to bring forward cash emergence of the in-force book during the financial crisis.

# Delivering cash

## Strong free surplus generation

### Free surplus and dividend, £m

Free surplus cover

1.6x

2.5x

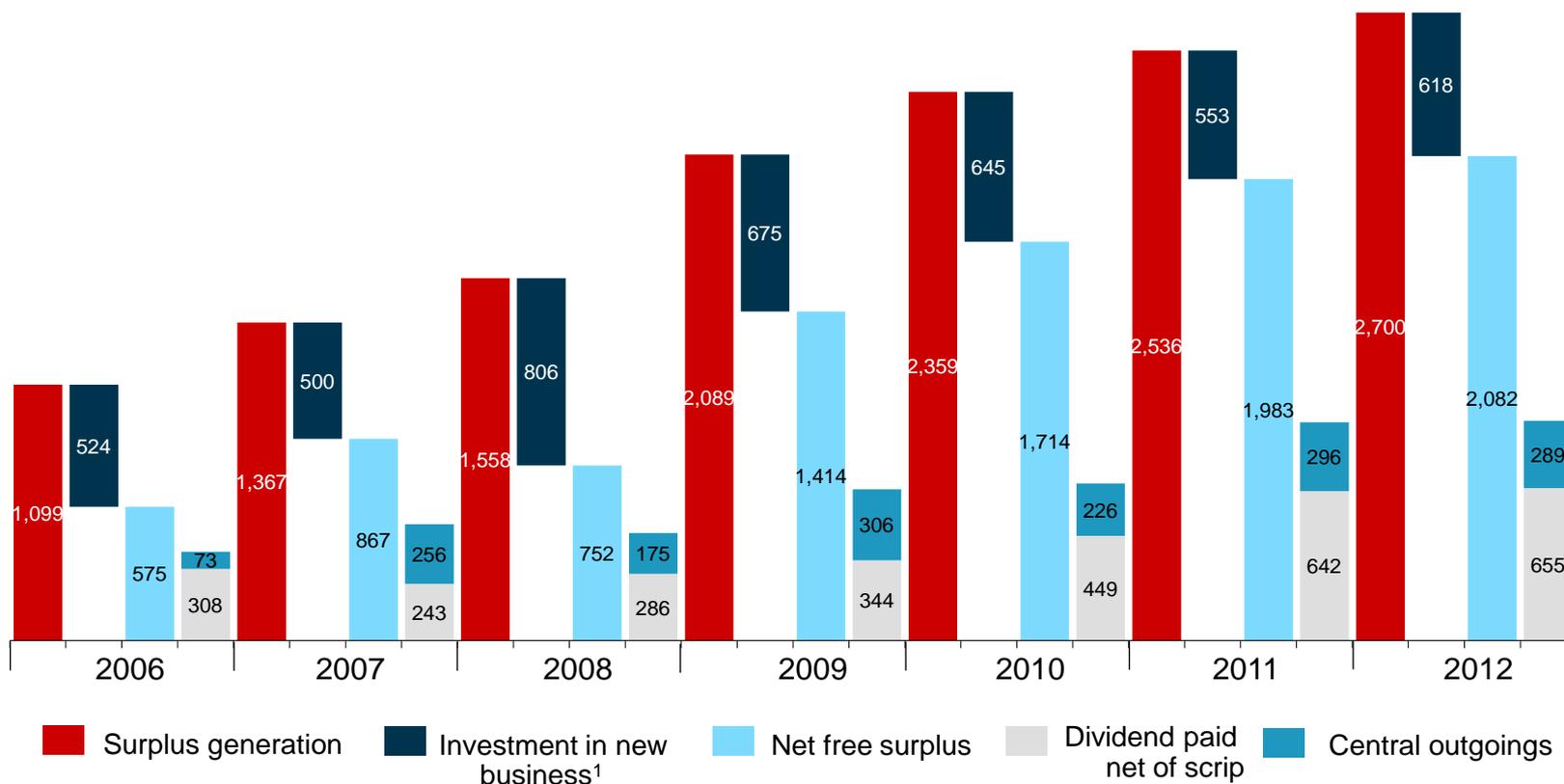
2.0x

3.2x

3.3x

2.6x

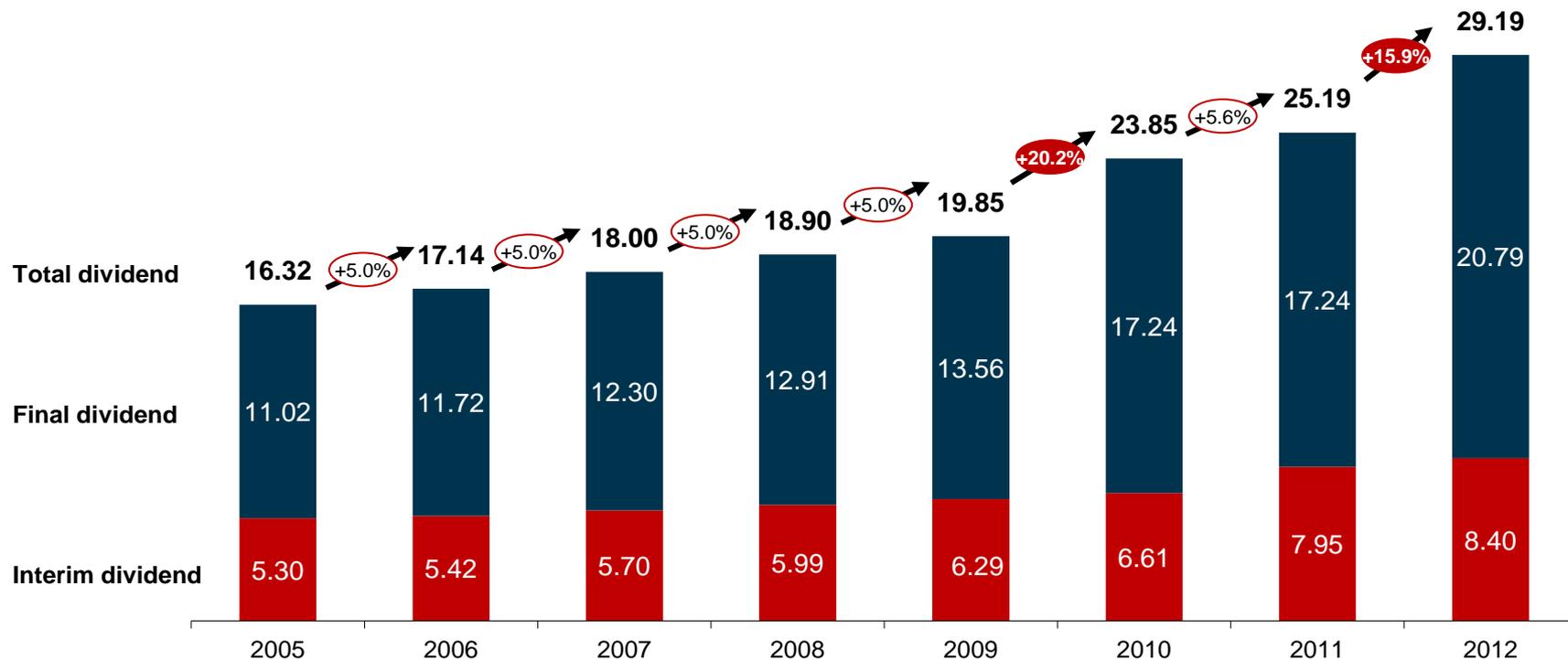
2.7x



<sup>1</sup> Includes Japan.

# Dividend Rebased upwards

Dividend, pence per share



# Prudential plc 2012 full year results

## Agenda

Business Review

Tidjane Thiam

**Financial Review**

**Nic Nicandrou**

Outlook

Tidjane Thiam

# Delivering 'Growth and Cash'

## 2012 builds on recent strong performance

Overview

Growth &  
Profitability

Cash &  
Capital

	£m	2012	2011	2012 vs. 2011
<b>Growth</b>	<b>New business profit</b>	<b>2,452</b>	2,151	+14%
	<b>IFRS operating profit<sup>1</sup></b>	<b>2,533</b>	2,027	+25%
	<b>IFRS operating EPS (pence)</b>	<b>76.8</b>	62.8	+22%
	<b>EEV per share (pence)</b>	<b>878</b>	771	+14%
<b>Cash</b>	<b>Free surplus generation</b>	<b>2,082</b>	1,983	+5%
	<b>Net remittance</b>	<b>1,200</b>	1,105	+9%
	<b>Dividend per share (pence)</b>	<b>29.19</b>	25.19	+15.9%

<sup>1</sup> 2011 adjusted for the retrospective application of the new DAC policy.

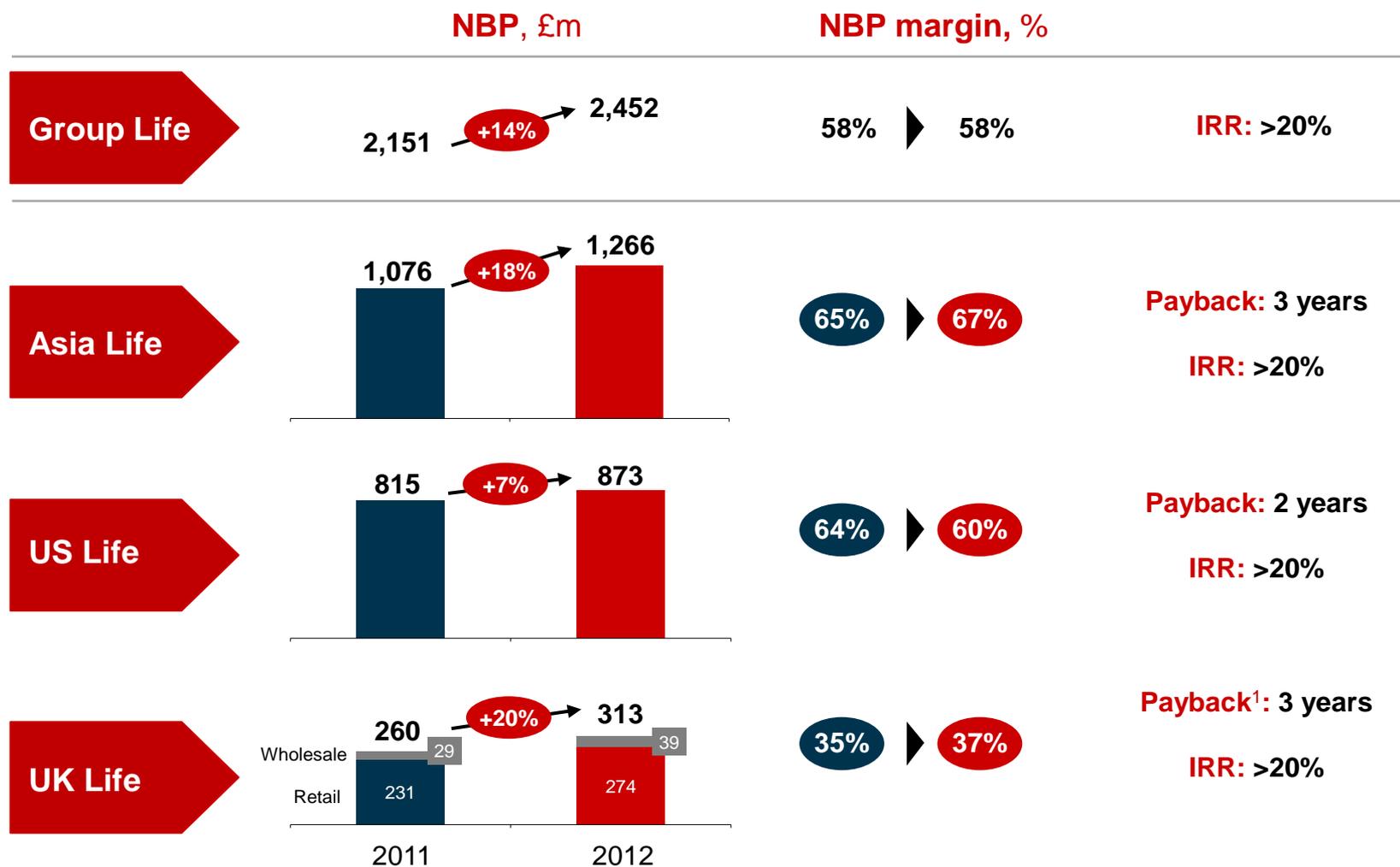
# Growth in value and volume

## Balancing value creation and capital consumption

Overview

Growth & Profitability

Cash & Capital



<sup>1</sup> Shareholder-backed business.

# New business profit

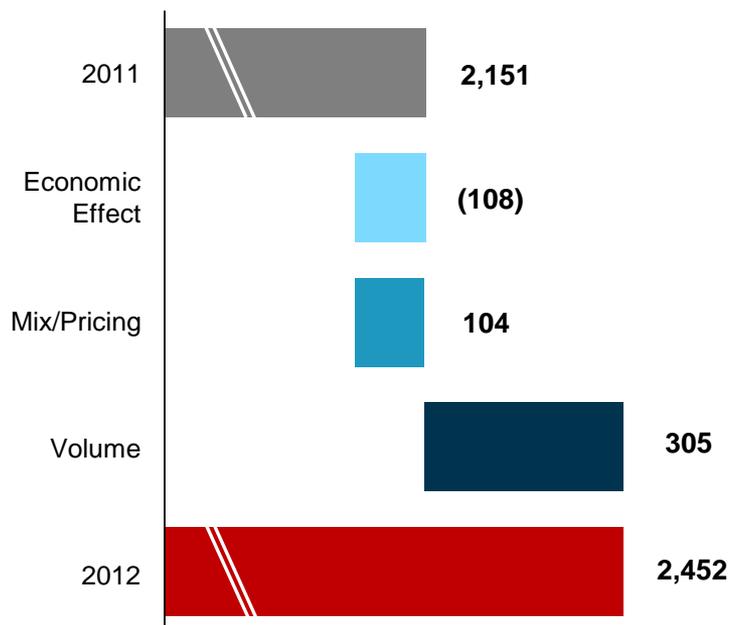
## Strong underlying progress

Overview

Growth &  
Profitability

Cash &  
Capital

### New business profit, £m



### Asia

- Positive product mix reflecting management actions (value growth in SE Asia markets)
- Negative impact of fall in interest rates, particularly in Hong Kong

### US

- Negative impact of spread compression and fall in long term yields more than offset by pricing actions and volume growth

### UK

- Benefit of focused product set and positive effect of volume growth in with-profits and annuities

# Profitability – IFRS

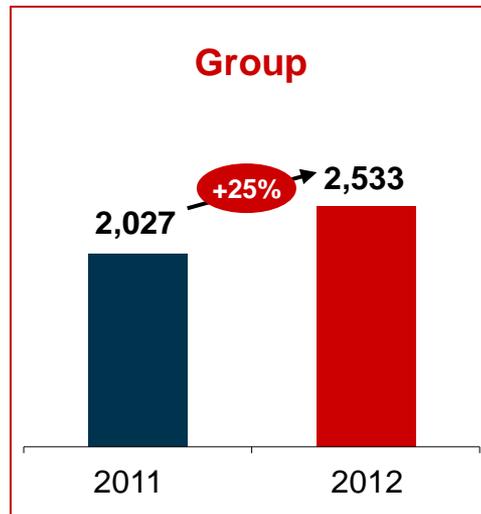
## IFRS profits up 25%

Overview

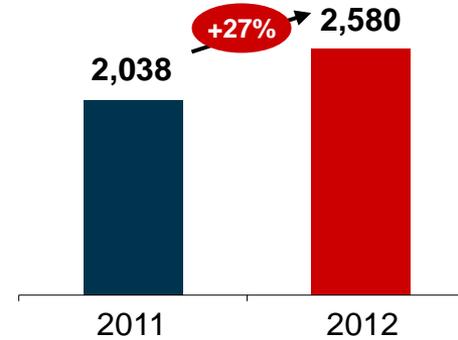
Growth & Profitability

Cash & Capital

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



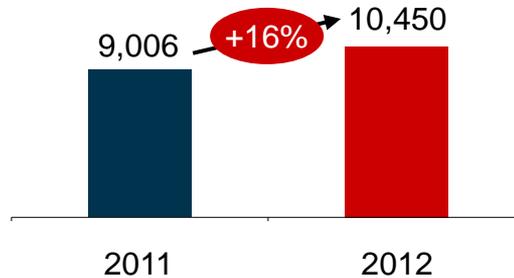
### Life



<sup>1</sup> 2011 adjusted for the retrospective application of the new DAC policy.

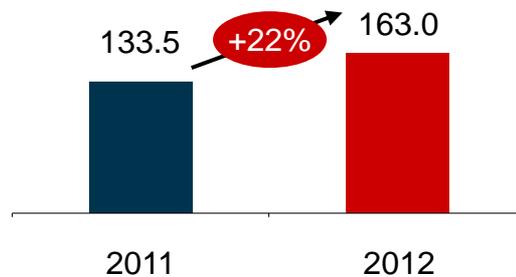


Net flows<sup>1</sup>, £m



Group life

Shareholder-backed business policyholder liabilities, £bn



- Net flows equivalent to 8% of opening reserves (2011: 7%)
- £36.3bn over the last four years
- Policyholder liabilities increased by 22%, comprised of:
  - net flows £10.5bn
  - positive investment markets £10.4bn
  - foreign exchange (£4.3bn)
  - REALIC £12.9bn

<sup>1</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths.

# Profitability – IFRS

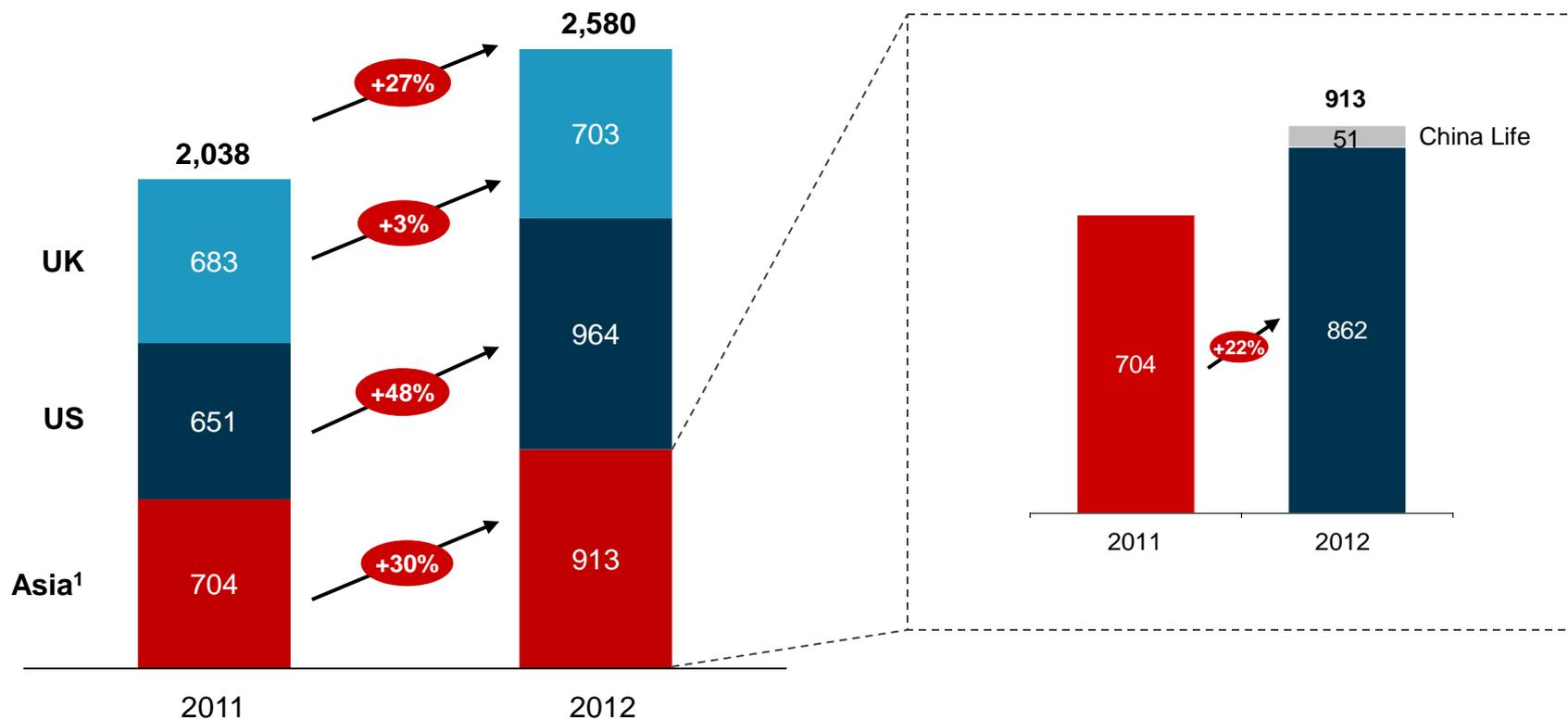
## Diversified Life earnings – Asia up 30%

Overview

Growth & Profitability

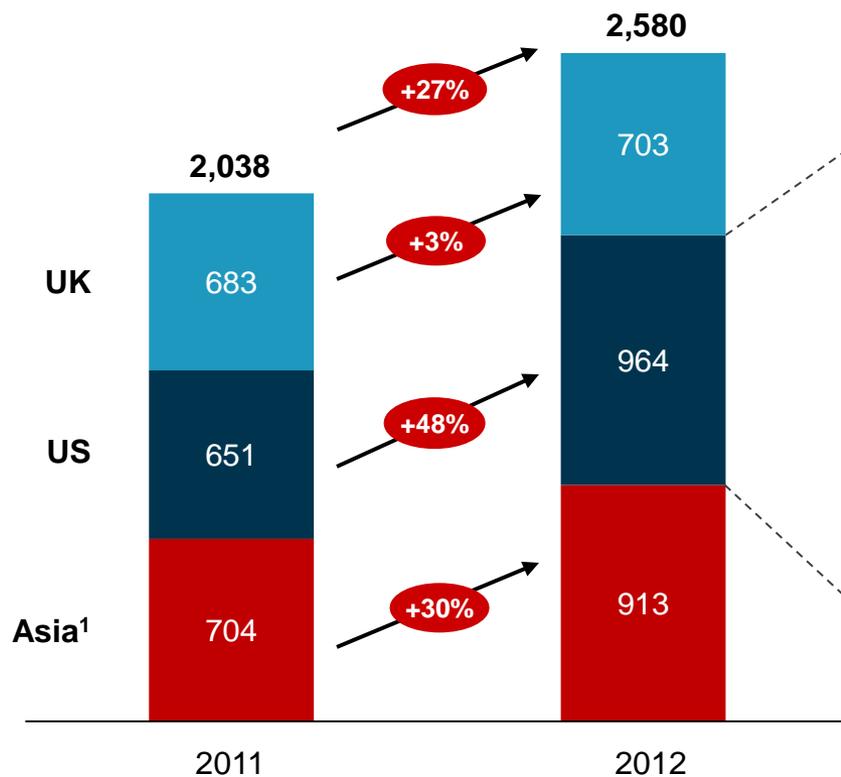
Cash & Capital

### Life operating profit by region, £m

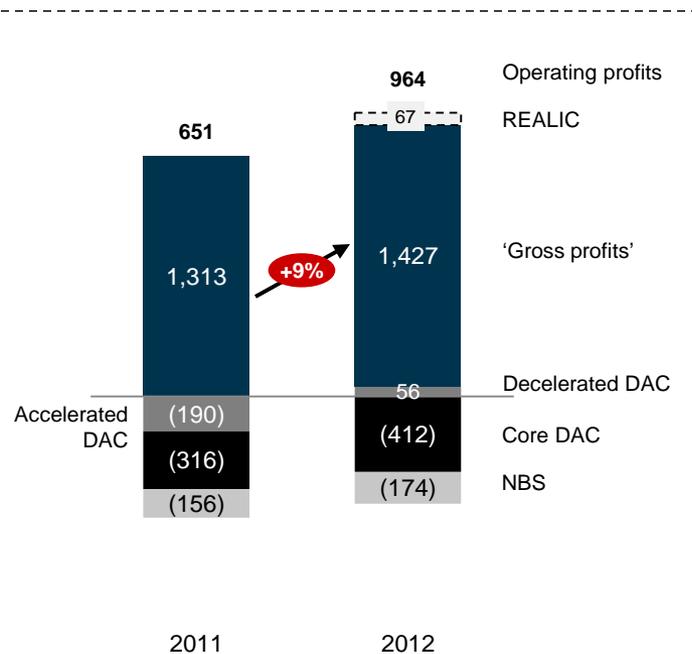


<sup>1</sup> Net of Asia development expenses (2011: £(5)m, 2012: £(7)m).

### Life operating profit by region, £m



### US operating profit, £m



<sup>1</sup> Net of Asia development expenses (2011: £(5)m, 2012: £(7)m).

# Profitability – IFRS

## Diversified and resilient Life earnings

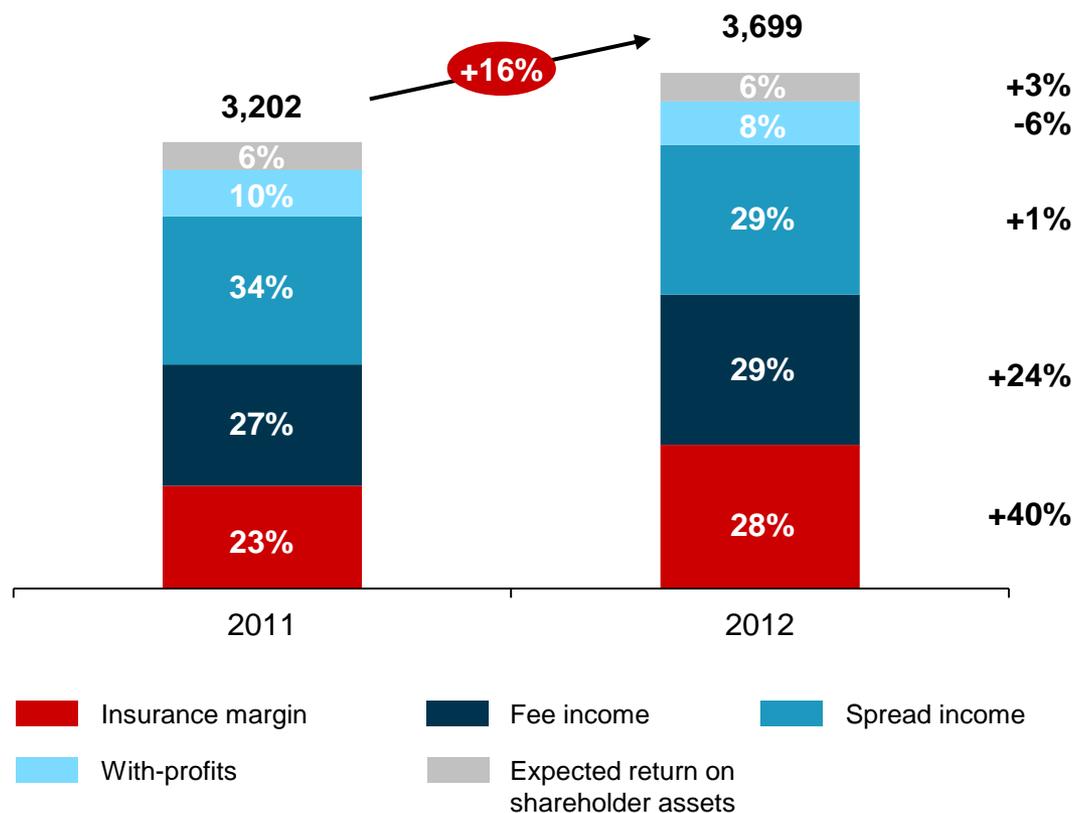
Overview

Growth & Profitability

Cash & Capital

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

Growth %  
2012 vs. 2011



<sup>1</sup> Excludes margin on revenues, acquisition and administration expenses, DAC amortisation and the gain on China Life.



# IFRS operating profit – source of earnings

## Life insurance - Asia

Overview

Growth & Profitability

Cash & Capital

2012	2011	+/-
------	------	-----

£m except reserves £bn

### Total operating profit<sup>1</sup>

913	704	30%
-----	-----	-----

=

### Total Life income

2,427	1,959	24%
-------	-------	-----

### Total Life expenses

(1,486)	(1,269)	(17%)
---------	---------	-------

### DAC adjustments

(28)	14	(300%)
------	----	--------

#### Spread income

106	88	20%
-----	----	-----

#### Fee income

141	131	8%
-----	-----	----

#### Technical and other margin

2,047	1,676	22%
-------	-------	-----

#### With-profits

39	38	3%
----	----	----

#### Spread (bps)

158	157	1
-----	-----	---

#### Average reserves

6.7	5.6	20%
-----	-----	-----

#### AMF (bps)

108	106	2
-----	-----	---

#### Average reserves

13.0	12.4	5%
------	------	----

#### Margin on revenues

1,453	1,199	21%
-------	-------	-----

#### Insurance margin

594	477	25%
-----	-----	-----

#### Expected returns

43	26	65%
----	----	-----

#### China Life

51	-	na
----	---	----

Increased spread income reflects the growth in Asian non-linked policyholder liabilities

Insurance margin increased due to growth in the book of H&P business and management actions on claims controls and pricing

<sup>1</sup> 2011 adjusted for the retrospective application of the new DAC policy.

# IFRS operating profit – source of earnings

## Life insurance - US

Overview

Growth & Profitability

Cash & Capital

### Total operating profit<sup>1</sup>

<b>964</b>	651	48%
------------	-----	-----

2012	2011	+/-
£m except reserves £bn		

=

### Total Life income

<b>2,031</b>	1,725	18%
--------------	-------	-----

### Total Life expenses

<b>(1,509)</b>	(1,302)	(16%)
----------------	---------	-------

### 2012 Expense deferrals

<b>798</b>	734	9%
------------	-----	----

-

### DAC amortisation

<b>(356)</b>	(506)	30%
--------------	-------	-----

#### Spread income

<b>702</b>	730	(4%)
------------	-----	------

#### Fee income

<b>875</b>	680	29%
------------	-----	-----

#### Technical and other margin

<b>399</b>	232	72%
------------	-----	-----

#### Spread (bps)

<b>239</b>	258	(19)	
Average reserves	29.4	28.3	4%

#### AMF (bps)

<b>199</b>	197	2	
Average reserves	44.0	34.5	28%

#### Expected returns

<b>55</b>	83	(34)%
-----------	----	-------

Decline due to spread compression

Increase reflects net flows, growth in separate account balances and repricing benefits

<sup>1</sup> 2011 adjusted for the retrospective application of the new DAC policy. Includes operating profit of £67 million from REALIC.



# IFRS operating profit – source of earnings

## Life insurance - UK

2012 | 2011 | +/-  
 £m except reserves £bn

Total operating profit		
703	683	3%

=

Total Life income		
961	943	2%

-

Total Life expenses		
(250)	(255)	2%

-

DAC adjustments		
(8)	(5)	(60%)

Spread income		
266	247	8%

Fee income		
61	59	3%

Technical and other margin		
255	253	1%

Expected returns		
107	91	18%

Spread (bps)	102	105	(3)
Average reserves	26.0	23.5	11%

AMF (bps)	28	27	1
Average reserves	21.7	21.5	1%

Margin on revenues	216	226	(4%)
Insurance margin	39	27	44%

With-profits		
272	293	(7%)

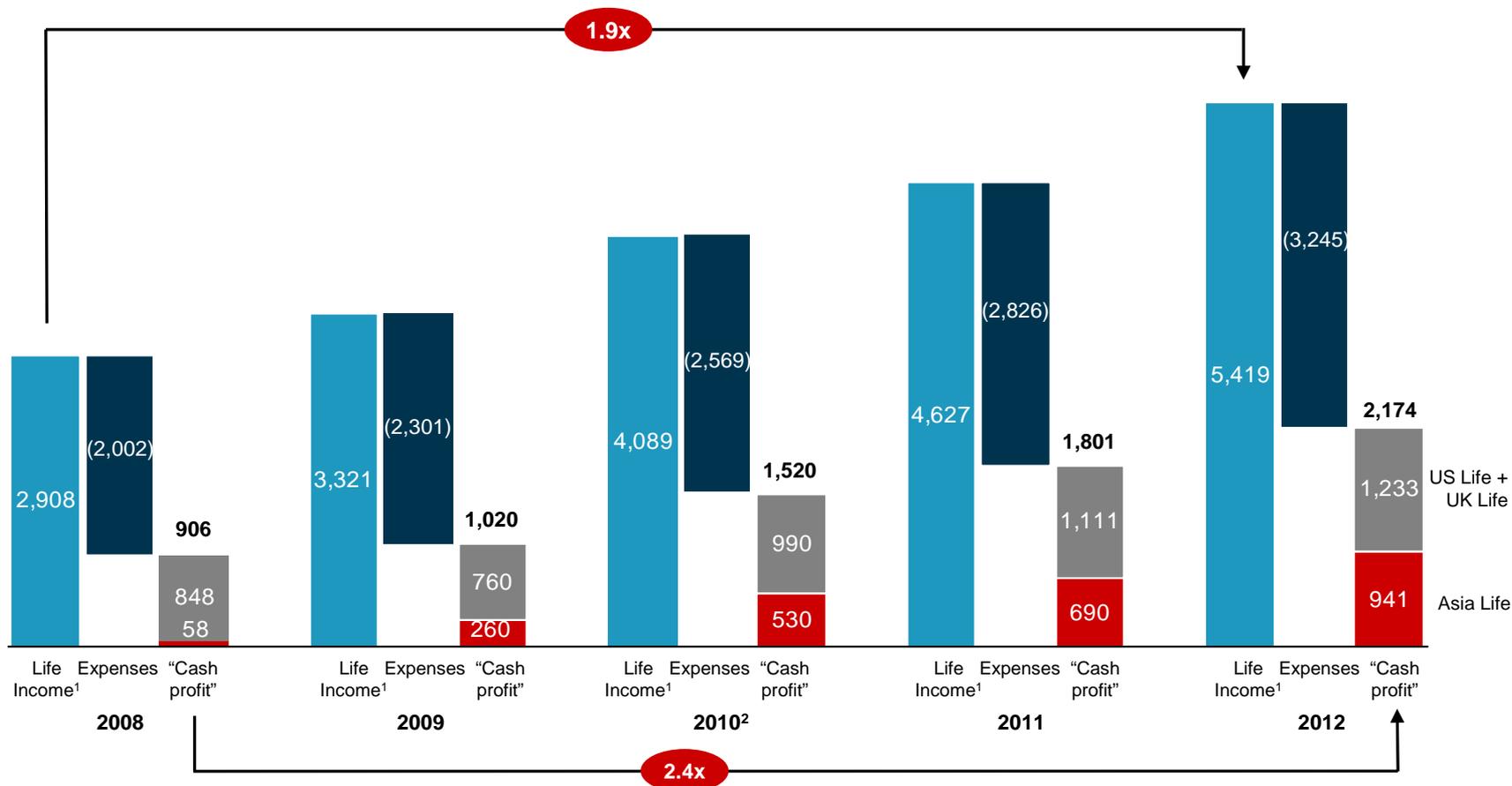
Increase driven by growth in annuity book. Includes higher contribution from bulks

Decrease due to reduction in policyholder bonuses

# Life IFRS operating income

## Higher quality earnings

### “Cash profit”: Income - Expenses (before impact of DAC adjustment), £m



<sup>1</sup> Life income is sum of spread income, fee income, technical and other margin, with-profits and expected returns.  
<sup>2</sup> As amended to show PruHealth and PruProtect operating profits in a single line. 2008 and 2009 are as reported.

# Asia life IFRS operating income

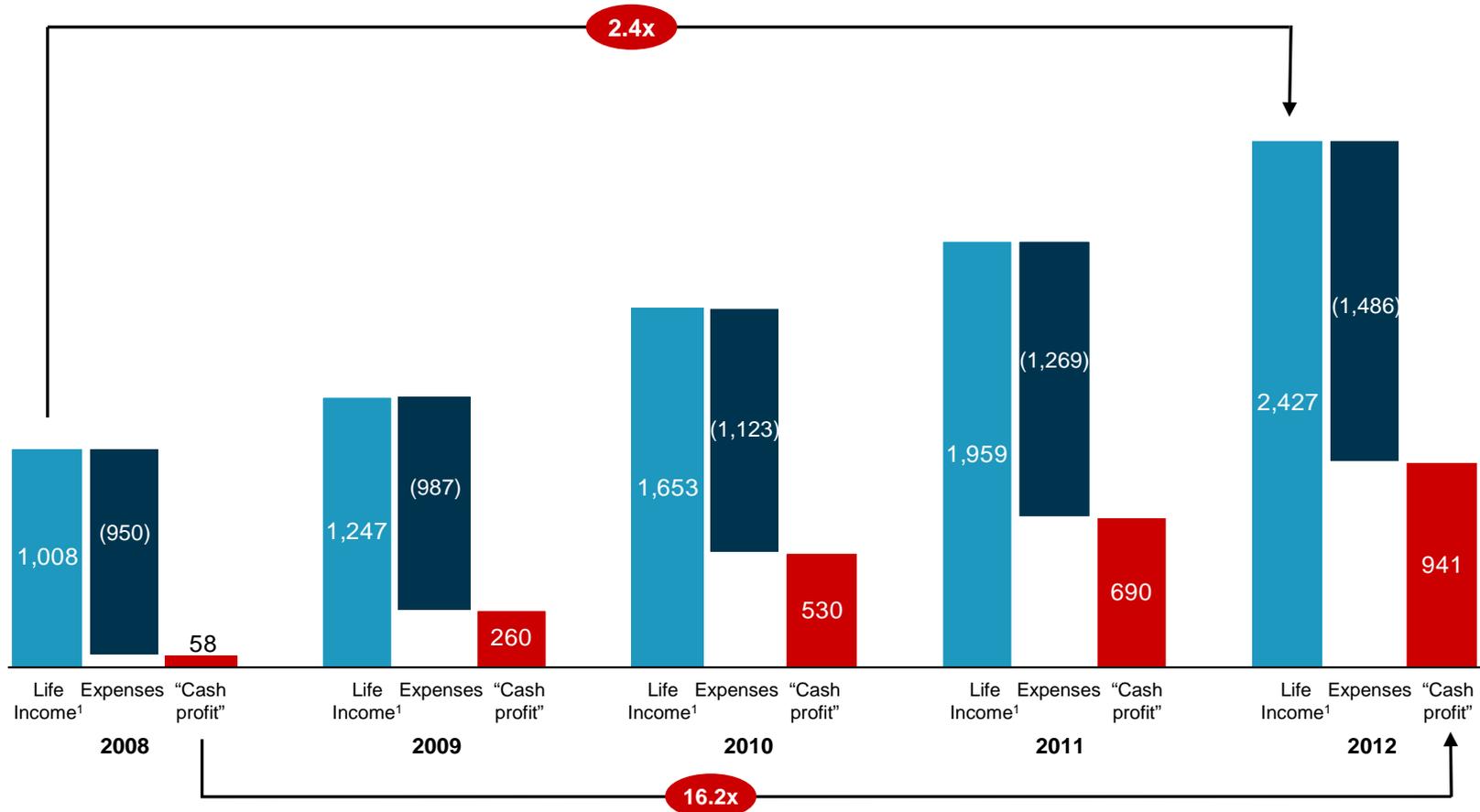
## Higher quality earnings

Overview

Growth & Profitability

Cash & Capital

### “Cash profit”: Income - Expenses (before impact of DAC adjustment), £m



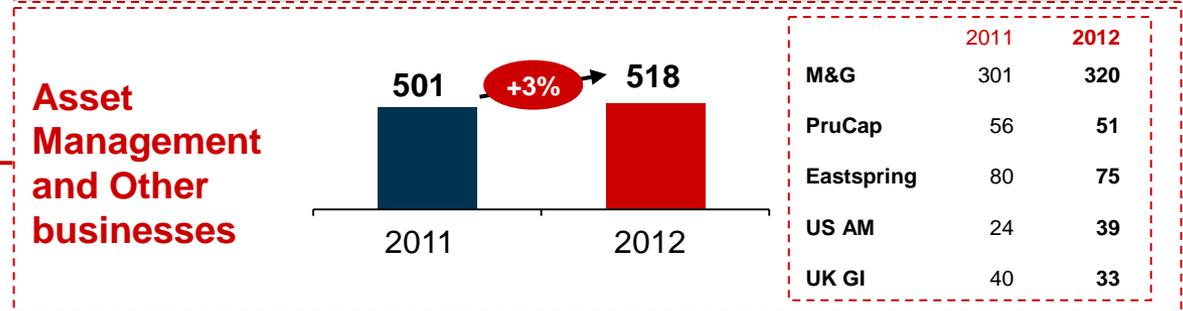
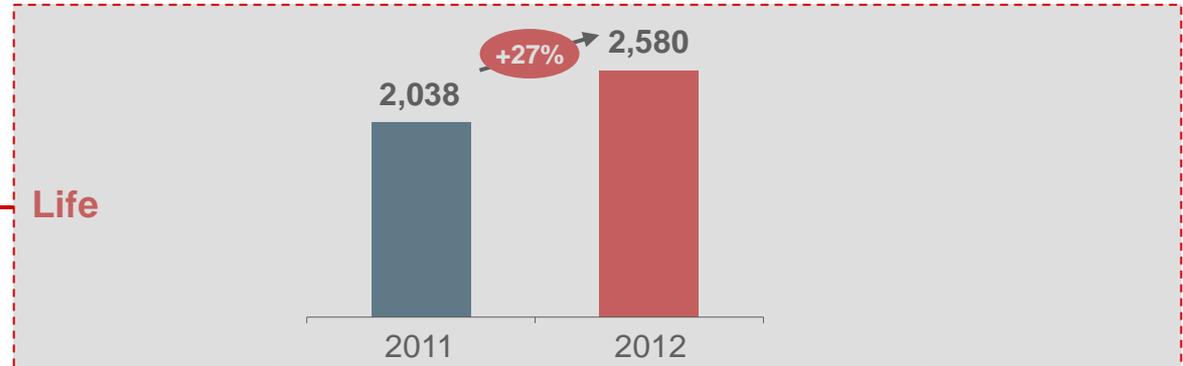
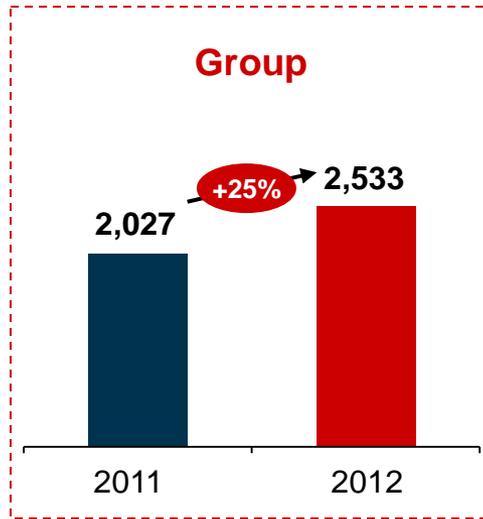
<sup>1</sup> Life income is sum of spread income, fee income, technical and other margin, with-profits and expected returns.



# Profitability – IFRS

## IFRS profits up 25%

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



	2011	2012
M&G	301	320
PruCap	56	51
Eastspring	80	75
US AM	24	39
UK GI	40	33

<sup>1</sup> 2011 adjusted for the retrospective application of the new DAC policy.

# IFRS operating profit – source of earnings

## Asset management

Overview

Growth & Profitability

Cash & Capital

### Asset management operating profit<sup>1</sup>

2012	2011	+/-
395	381	4%

2012	2011	+/-
£m except reserves £bn		

### M&G operating profit

2012	2011	+/-
320	301	6%

### Eastspring Investments

2012	2011	+/-
75	80	(6%)

### Underlying income

2012	2011	+/-
734	666	10%

### Other income<sup>2</sup>

2012	2011	+/-
22	39	(44%)

### Total expenses

2012	2011	+/-
(436)	(404)	(8%)

### Total income<sup>2</sup>

2012	2011	+/-
203	202	-

### Total expenses

2012	2011	+/-
(128)	(122)	(5%)

Average fees (bps)

2012	2011	+/-
36	35	1

Average assets (£bn)

2012	2011	+/-
205	191	7%

Cost / income ratio<sup>3</sup>

2012	2011	+/-
59%	61%	(2)ppt

Average fees (bps)

2012	2011	+/-
37	38	(1)

Average assets (£bn)

2012	2011	+/-
55	51	8%

Cost / income ratio<sup>3</sup>

2012	2011	+/-
64%	62%	2ppt

<sup>1</sup> Excludes PruCap and US asset management business.

<sup>2</sup> Includes performance-related fees and for M&G, its share of operating profit from PPMSA.

<sup>3</sup> Cost/income ratio excludes performance-related fees, carried interest and profit from associate.



# Profitability – IFRS

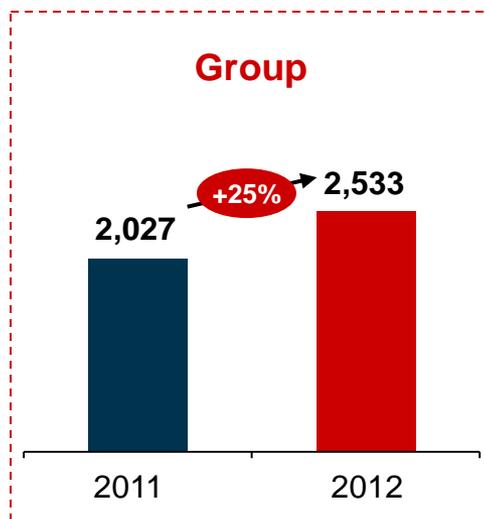
## IFRS profits up 25%

Overview

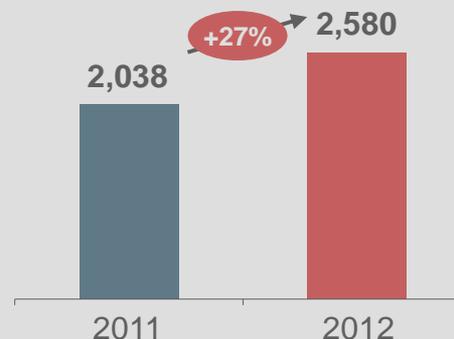
Growth & Profitability

Cash & Capital

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



### Life

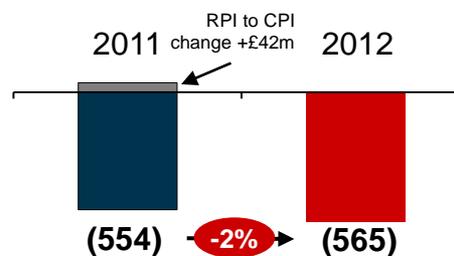


### Asset Management and Other businesses



	2011	2012
M&G	301	320
PruCap	56	51
Eastspring	80	75
US AM	24	39
UK GI	40	33

### Other income and expenses / restructuring



	2011	2012
Net Interest	(286)	(280)
Corporate/RHO	(219)	(231)
Solvency II costs	(55)	(48)
Other/Restructuring	6	(6)
RPI/CPI change	42	-

<sup>1</sup> 2011 adjusted for the retrospective application of the new DAC policy.

# Profitability – EEV

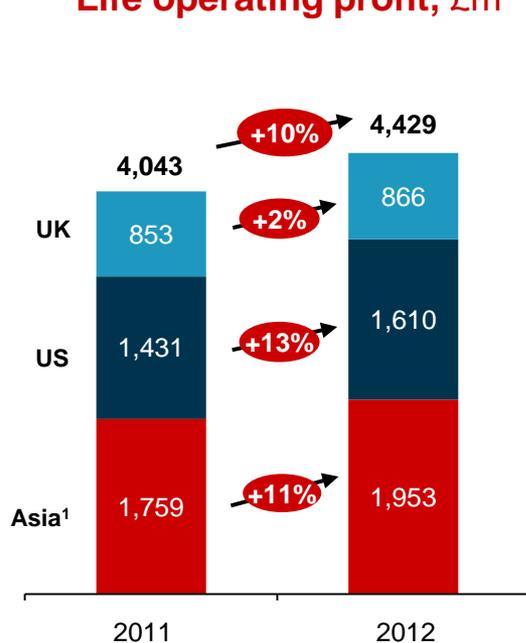
## Return on Embedded Value of 16%

Overview

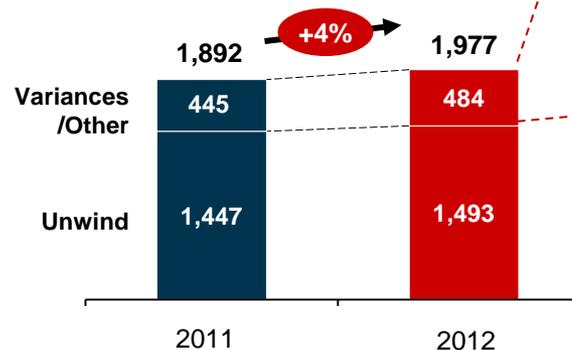
Growth & Profitability

Cash & Capital

### Life operating profit, £m

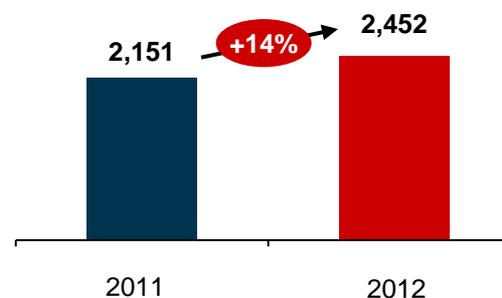


### In-force<sup>1</sup>, £m



	2011	2012
Experience variance	347	349
Assumption changes	103	142
Dev costs	(5)	(7)

### New business profit, £m



<sup>1</sup> Net of Asia development expenses (2011: £(5)m, 2012: £(7)m).

# Profitability – EEV

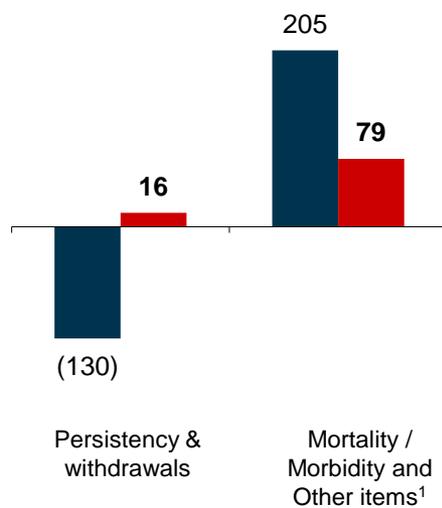
## Robust in-force performance

Overview

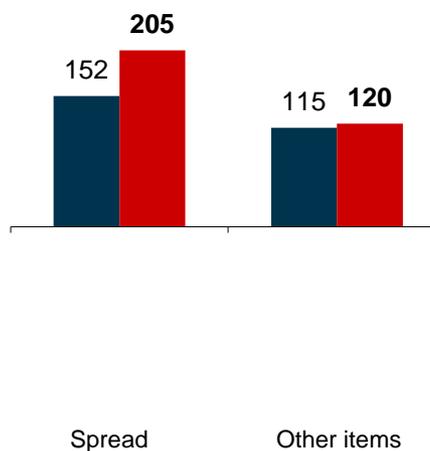
Growth & Profitability

Cash & Capital

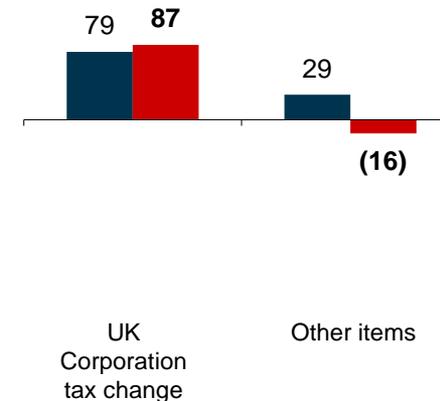
### Asia in-force<sup>1</sup>, £694m



### US in-force, £737m



### UK in-force, £553m



■ 2011 ■ 2012

<sup>1</sup> Before Asia development expenses.



# Equity shareholders' funds

## Resilient and growing

Overview

Growth &  
Profitability

Cash &  
Capital

	IFRS Equity <sup>1</sup>			EEV Equity		
	£bn	% vs. 2011	EPS (p)	£bn	% vs. 2011	EPS (p)
<b>After-tax operating profit</b>	2.0	+23%	77	3.2	+8%	125
<b>Investment variance<sup>2</sup></b>	0.2		10	0.6		25
<b>Profit for the period</b>	2.2	+55%	87	3.8	+78%	150
<b>Unrealised gain on AFS<sup>3</sup></b>	0.4		15	-		-
<b>Foreign exchange and other</b>	(0.1)		(7)	(0.3)		(17)
<b>Dividend</b>	(0.7)		(26)	(0.7)		(26)
<b>Retained earnings</b>	1.8	+72%	69	2.8	+96%	107
<b>Opening shareholders' equity</b>	8.6		336	19.6		771
<b>Closing shareholders' equity</b>	10.4	+21%	405	22.4	+14%	878

<sup>1</sup> 2011 adjusted for the retrospective application of the new DAC policy.

<sup>2</sup> Includes gains on defined benefit pension schemes and other one-offs such as corporate actions.

<sup>3</sup> For IFRS relates to JNL fixed income portfolio accounted as available for sale. For EEV, represents mark to market movements on JNL assets backing surplus and required capital.

# Balance sheet

## Defensive positioning maintained

Overview

Growth &  
Profitability

Cash &  
Capital

### Maintained capital strength

- IGD surplus £5.1bn equivalent to a cover of 3 times
- With-profits estate £7.0bn
- Jackson RBC at 423% (2011: 429%)
  - REALIC capital synergies being realised early
  - Excluding permitted practice of \$581m RBC at 478% (2011:482%)

### Credit position improved

- UK: £2.1bn default provision maintained
- Unrealised gains on US debt securities of £2.8bn (2011: £2.1bn)
- US impairments in 2012 of £47m (2011: £52m)

### Strong liquidity position

- Issued perpetual bond for \$700m in Jan 2013
- £1.4bn of central cash resources
- £2.1bn of untapped liquidity facilities

### Continued balance sheet conservatism

- Variable annuity hedging remains robust
- Minimal direct shareholder exposure to PIIGS sovereign and bank debt

# Balance sheet

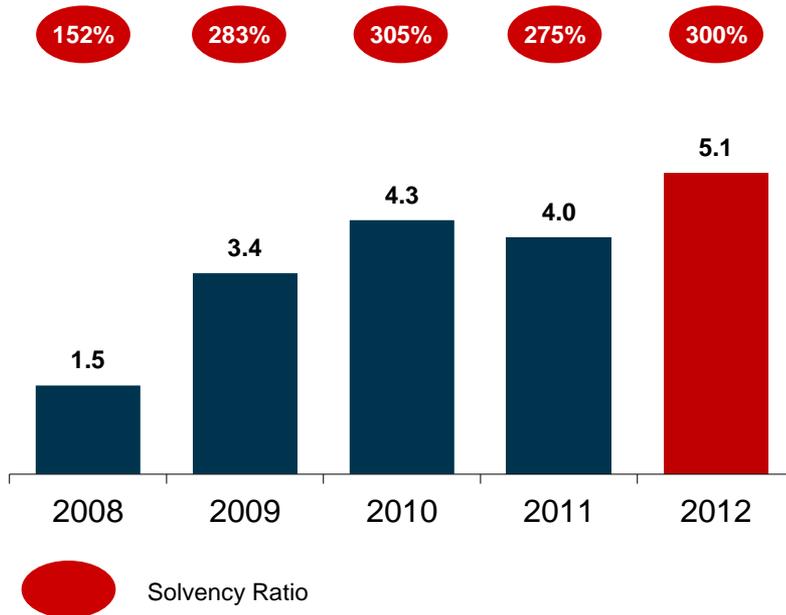
## Strong Group IGD capital surplus position

Overview

Growth &  
Profitability

Cash &  
Capital

### IGD surplus<sup>1</sup>, £bn



- Proactively increased surplus – acts as a buffer to:
  - Market shocks
  - Regulatory change
- IGD surplus:
  - is after deducting £2.1bn of credit default provisions in UK
  - excludes UK with-profits estate of £7.0bn
  - excludes £0.3bn of gains on JNL interest rates swaps
- Capital surplus will evolve as EU (S2) / FSB adopt increasingly risk-based capital techniques
- Going forward Prudential will include in IGD surplus, Jackson capital in excess of 250% RBC (previously 75% RBC)
  - brings IGD calculation more in line with own assessment of free surplus
  - IGD surplus on this basis is estimated to be £4.4bn<sup>2</sup> at 28 Feb 2013

<sup>1</sup> Before final dividend.

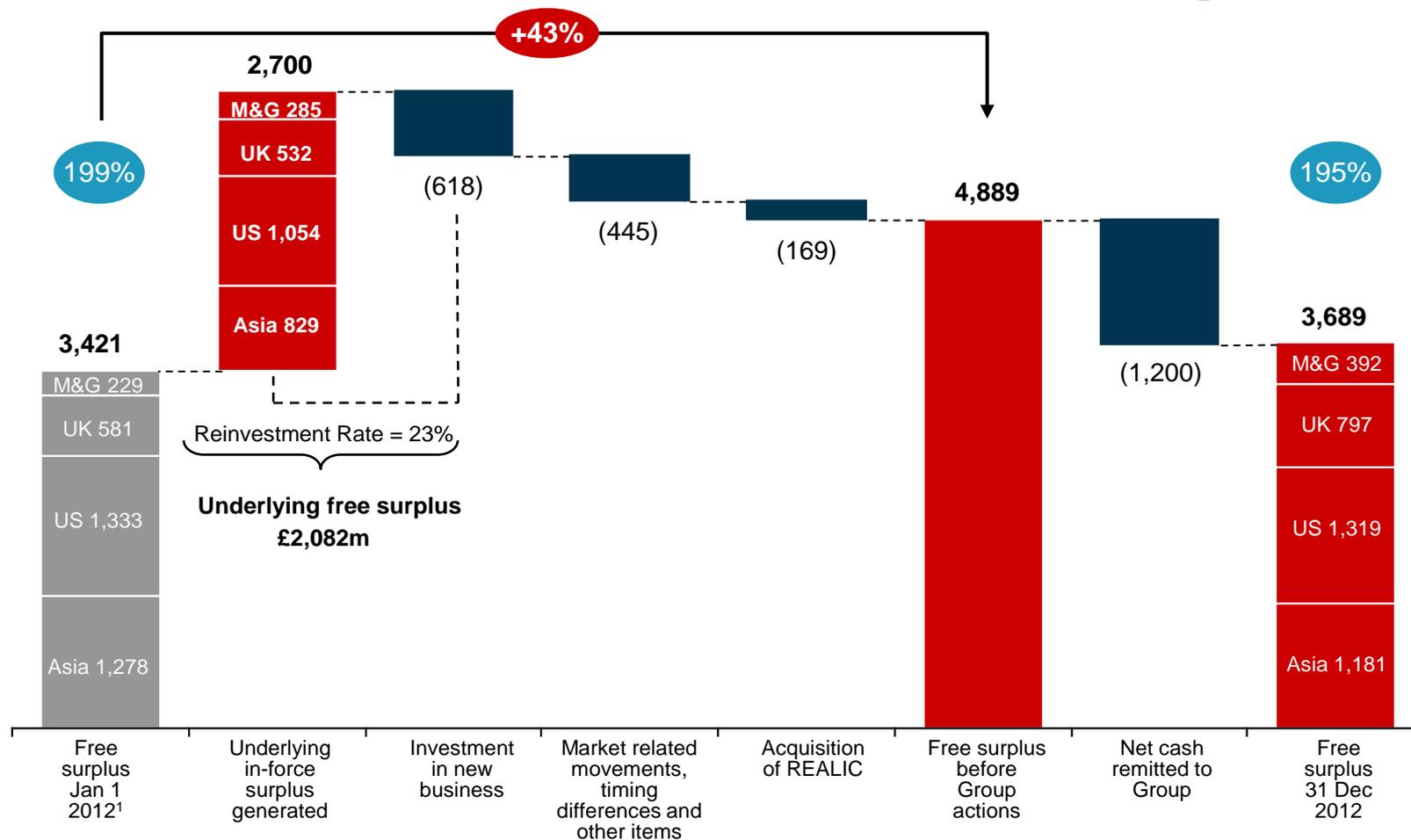
<sup>2</sup> The estimated position at 28 February 2013 allows for economic conditions and surplus generation since 31 December 2012 and is stated before the final dividend and the effect of the Thanachart acquisition.

# Cash and capital generation

## Increasing free surplus stock

### Evolution of free surplus, £m

X% Free surplus cover

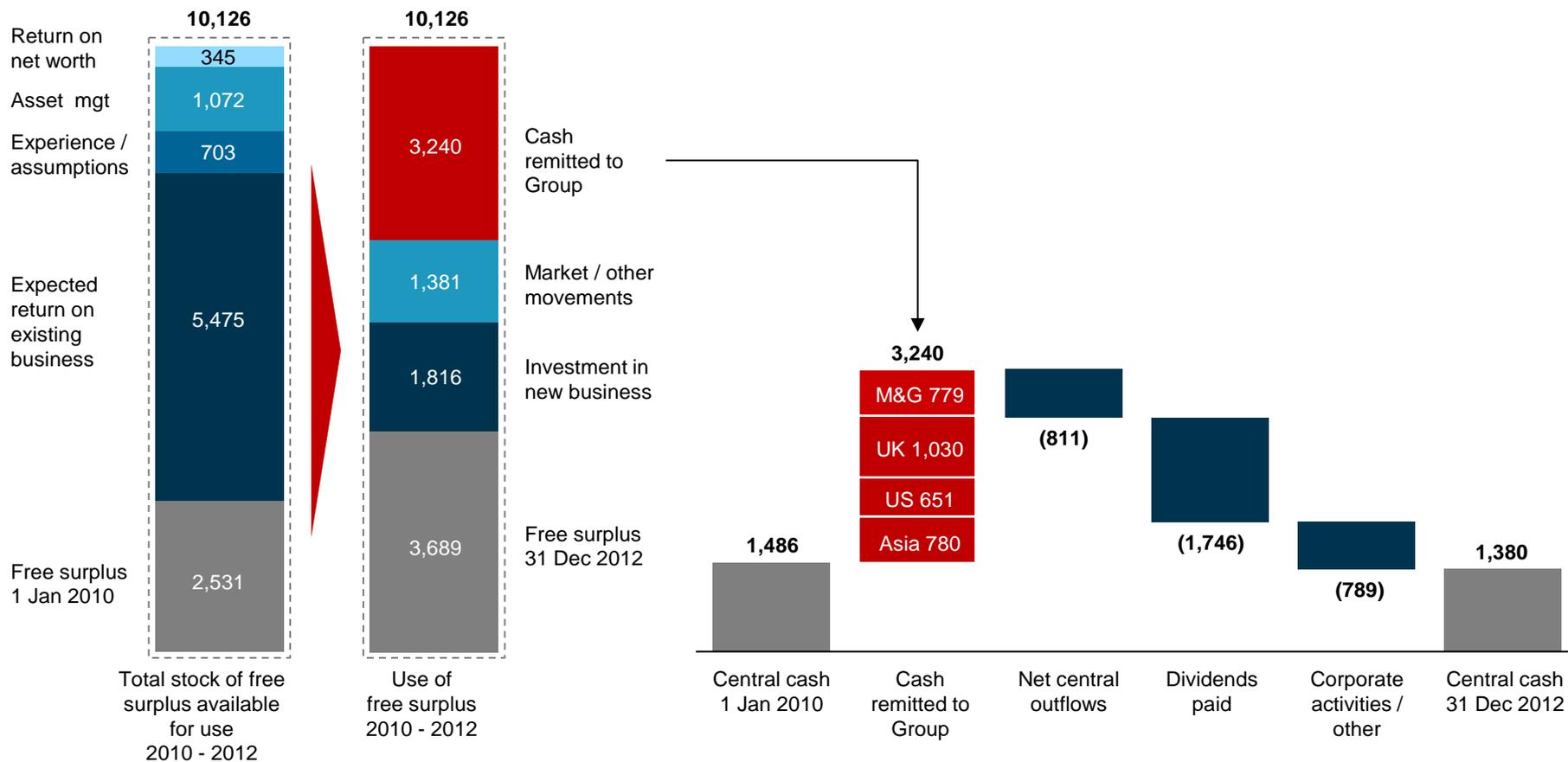


<sup>1</sup> Asia and US include asset management and UK includes GI commission.

# Cash and capital generation

## Historic free surplus emergence

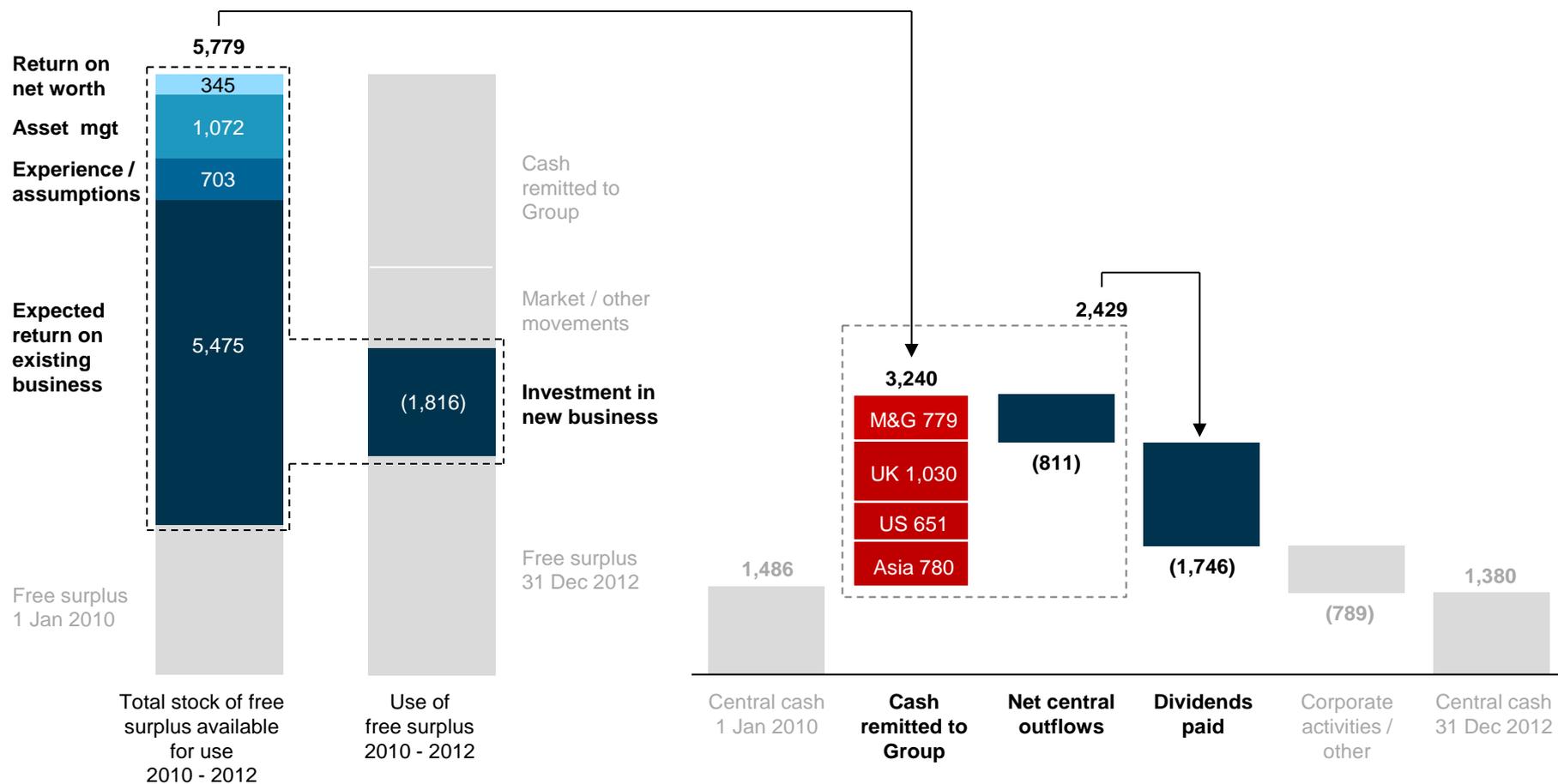
### Use of free surplus generated, 2010 – 2012, £m



# Cash and capital generation

## Historic free surplus emergence

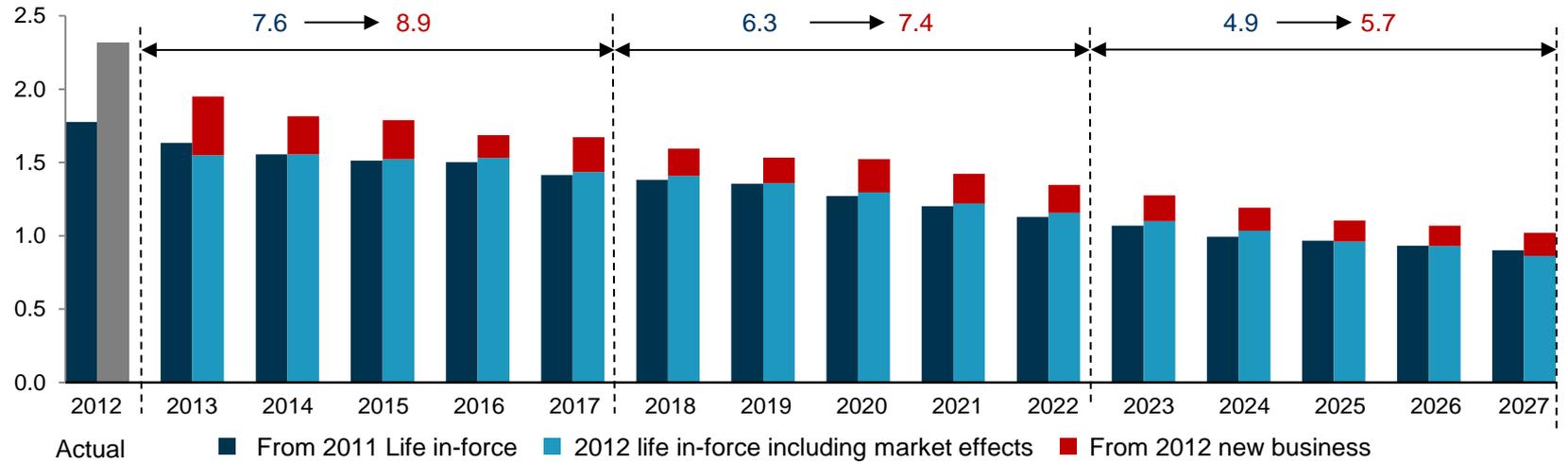
### Use of free surplus generated, 2010 – 2012, £m



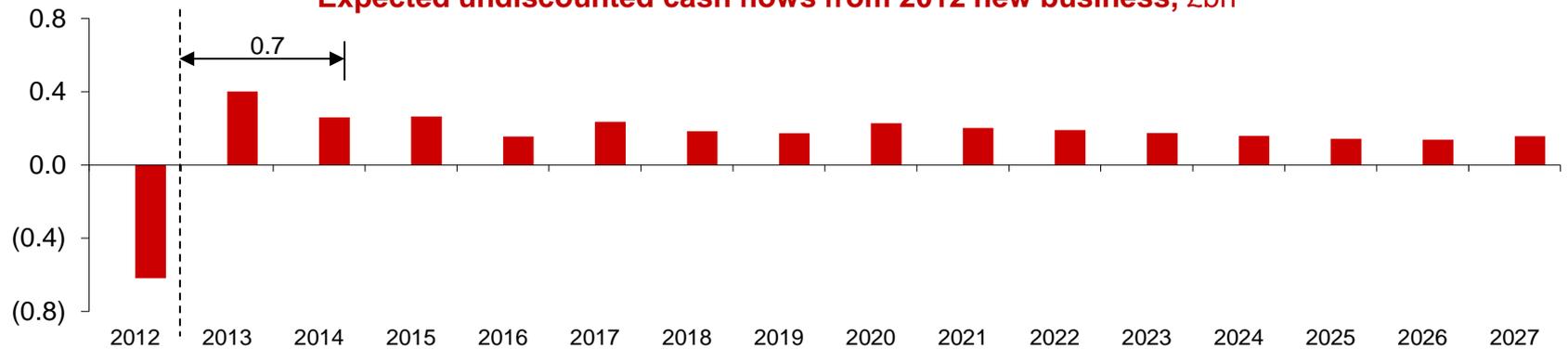
# Cash and capital generation

## Future free surplus emergence

**Expected undiscounted free surplus from Life in-force, £bn**



**Expected undiscounted cash flows from 2012 new business, £bn**



# Delivering 'Growth and Cash'

## 2012 builds on recent strong performance

	£m	2012	2011	2012 vs. 2011
<b>Growth</b>	<b>New business profit</b>	<b>2,452</b>	2,151	+14%
	<b>IFRS operating profit<sup>1</sup></b>	<b>2,533</b>	2,027	+25%
	<b>IFRS operating EPS (pence)</b>	<b>76.8</b>	62.8	+22%
	<b>EEV per share (pence)</b>	<b>878</b>	771	+14%
<b>Cash</b>	<b>Free surplus generation</b>	<b>2,082</b>	1,983	+5%
	<b>Net remittance</b>	<b>1,200</b>	1,105	+9%
	<b>Dividend per share (pence)</b>	<b>29.19</b>	25.19	+15.9%

<sup>1</sup> 2011 adjusted for the retrospective application of the new DAC policy.

# Prudential plc 2012 full year results

## Agenda

Business Review

Tidjane Thiam

Financial Review

Nic Nicandrou

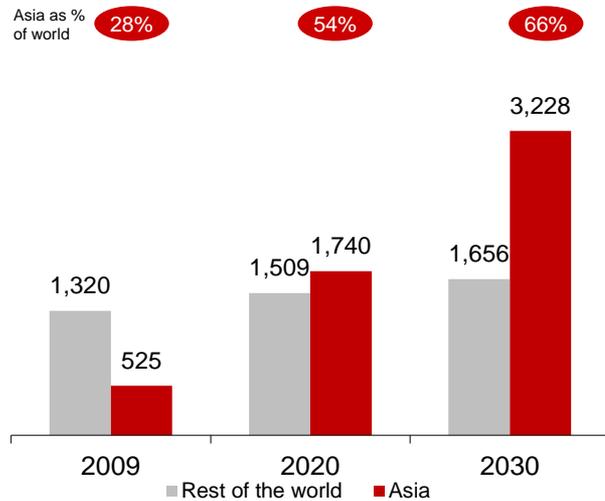
**Outlook**

**Tidjane Thiam**

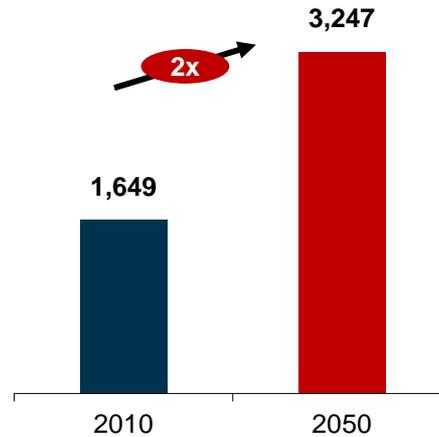
# Asia

## Long term opportunity

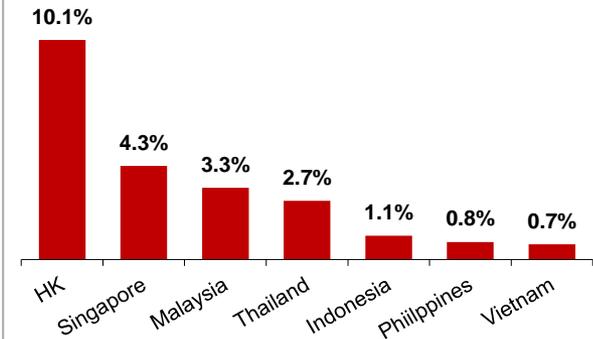
### Middle Class population<sup>1</sup> (m)



### Urban population in Asia<sup>2</sup> (m)



### Insurance penetration in Asia<sup>3</sup>, %



<sup>1</sup> Source: The emerging middle class in developing countries, Homii Kharas – Brookings Institute (Mar 2010). Prudential estimates.

<sup>2</sup> Source: Asia 2050 - Realising the Asian Century, published by Asian Development Bank, 2011. Prudential estimates.

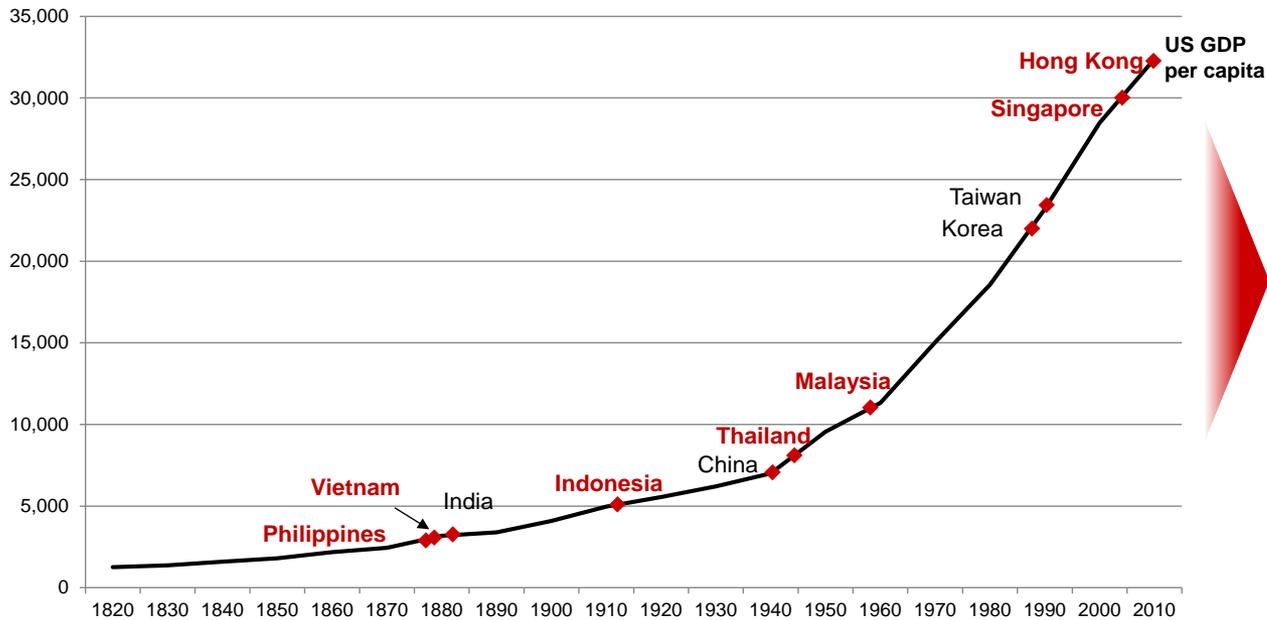
<sup>3</sup> Source: Swiss Re sigma publication 2011



# Asia

## Long term opportunity

### GDP per capita in 2010, against the US GDP per capita, 1990 US\$<sup>1</sup>



**Pan Asian leader: #1 by NBP<sup>2</sup>**

**Top 3 in 6 /11 Asian Countries<sup>3</sup>**

**Market leading platform**

- Over 400K agents
- Access to over 15,250 bank branches
- 13 million Customers

<sup>1</sup> Geary-Khamis dollar, based on purchasing power parities with 1990 as benchmark year - one 1990 dollar has the same purchasing power as the US dollar in 1990. Prudential estimates

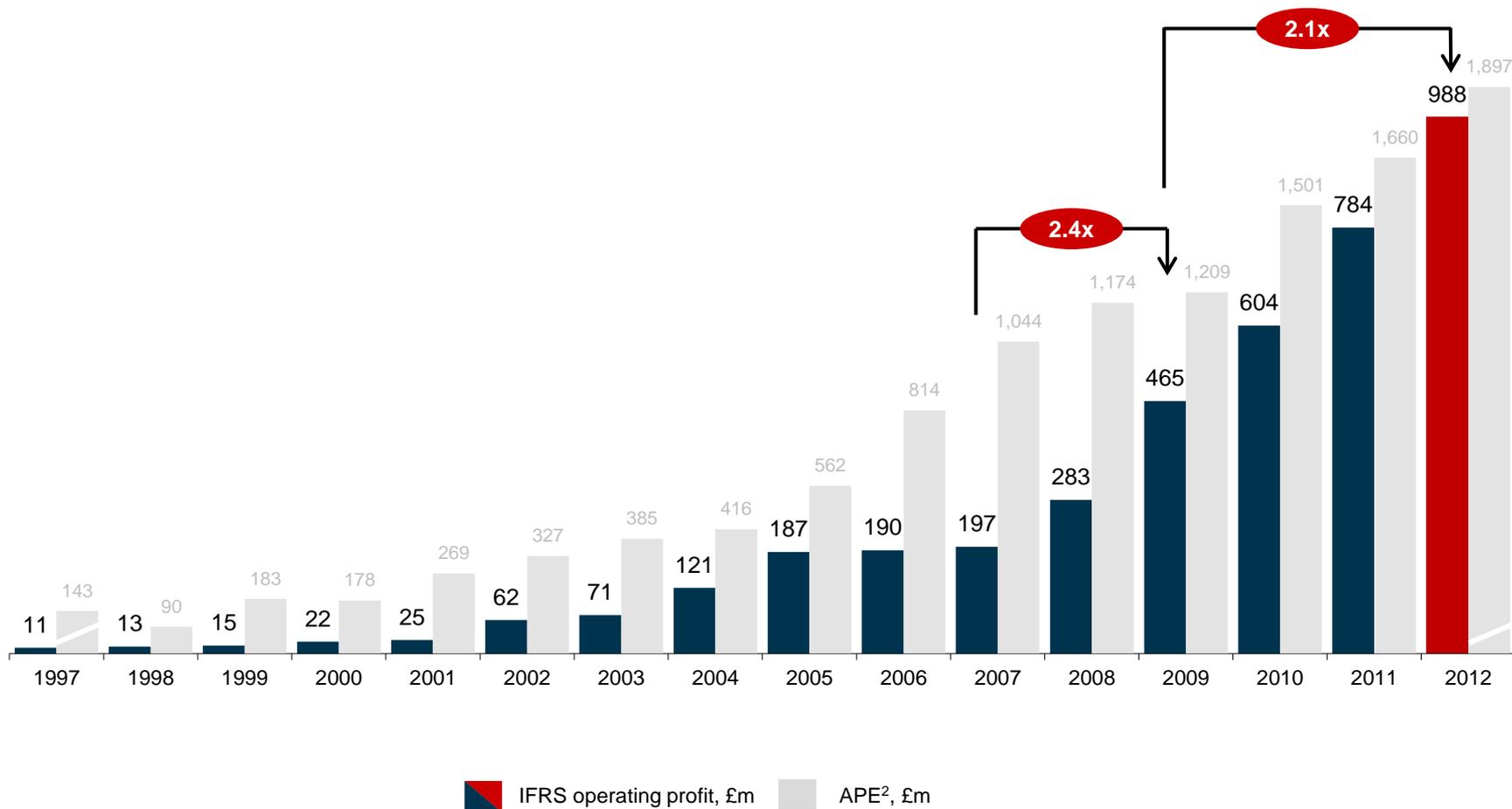
<sup>2</sup> NBP = New Business Profit; Prudential estimates based on information disclosed in company reports. Amongst pan Asian international (private) insurers.

<sup>3</sup> Source: based on formal (Competitors' results release, local regulators and insurance associations) and informal (industry exchange) market share data. Excludes Cambodia.

# Asia

## A long track record of profitable growth

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



<sup>1</sup> Life and Eastspring Investments. Net of development costs. 2006 onwards, excludes Taiwan agency; Pre-2006, as reported.

<sup>2</sup> 2000 onwards, excludes Taiwan agency and Japan; Pre-2000, as reported.

# US, UK and M&G

## Focus on earnings and cash

US

- Baby boomers opportunity
- Growth within Group Risk appetite

UK

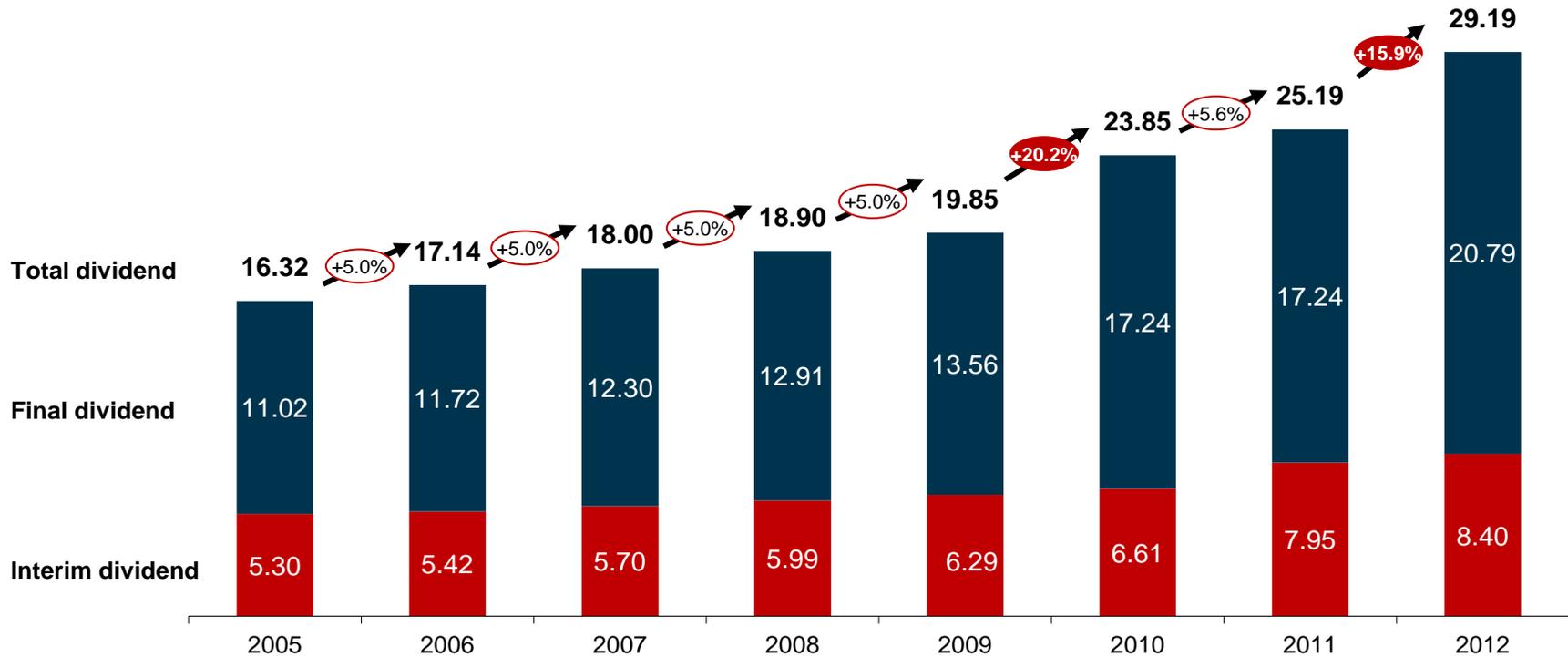
- Selective participation
- Manage through regulatory changes

M&G

- Investment performance to capture UK & European opportunity

# Dividend Rebased upwards

Dividend, pence per share





# Q&A



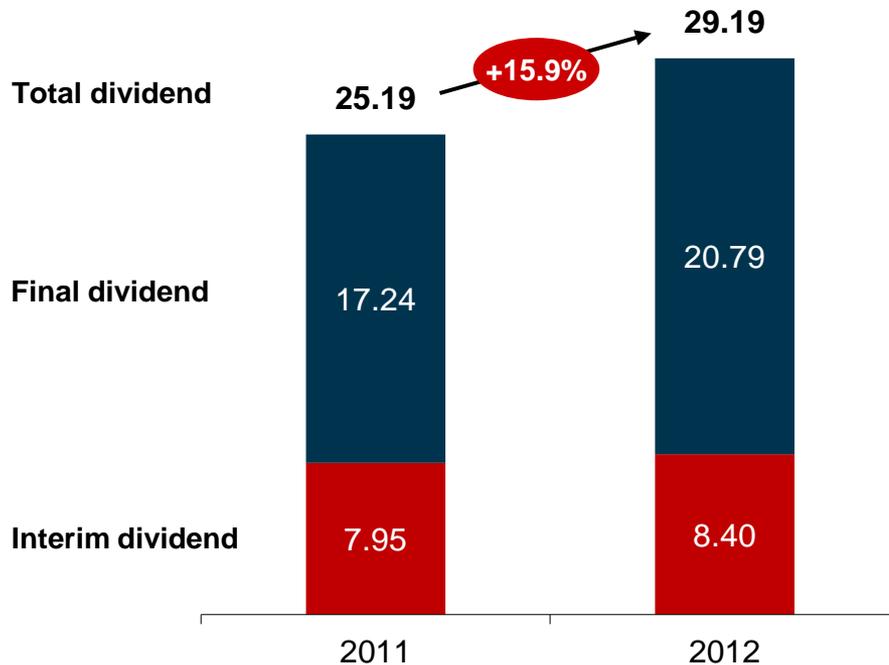
# Appendix



# Dividend

Full year dividend increased by 15.9%

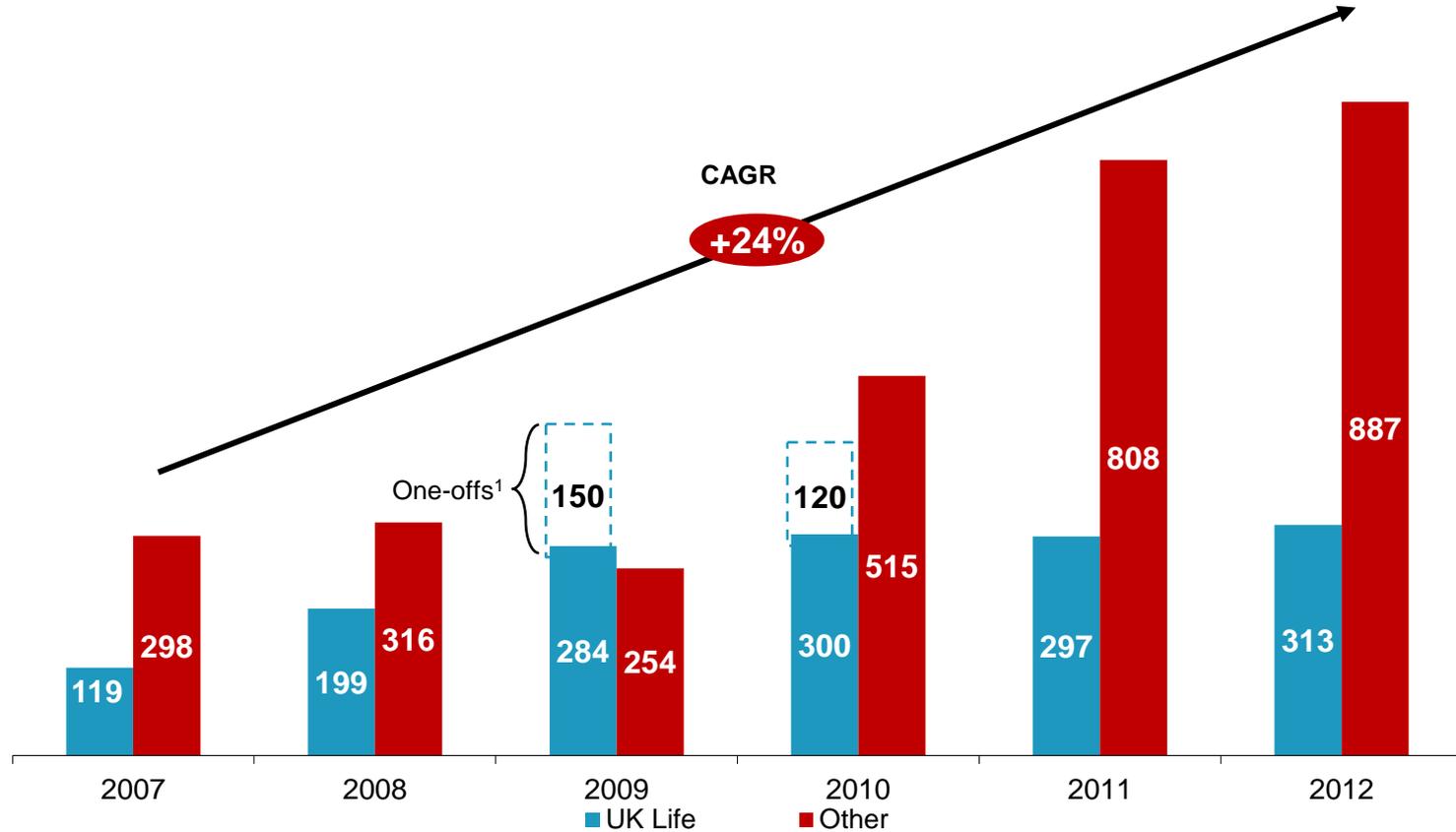
## Dividend, pence per share



- Full year dividend increased by 15.9 per cent to 29.19 pence per share
- Ex-dividend date: 27 March 2013
- Record date: 2 April 2013
- Payment of dividend: 23 May 2013

# Net cash remittances UK and other

Business unit net remittances, £m

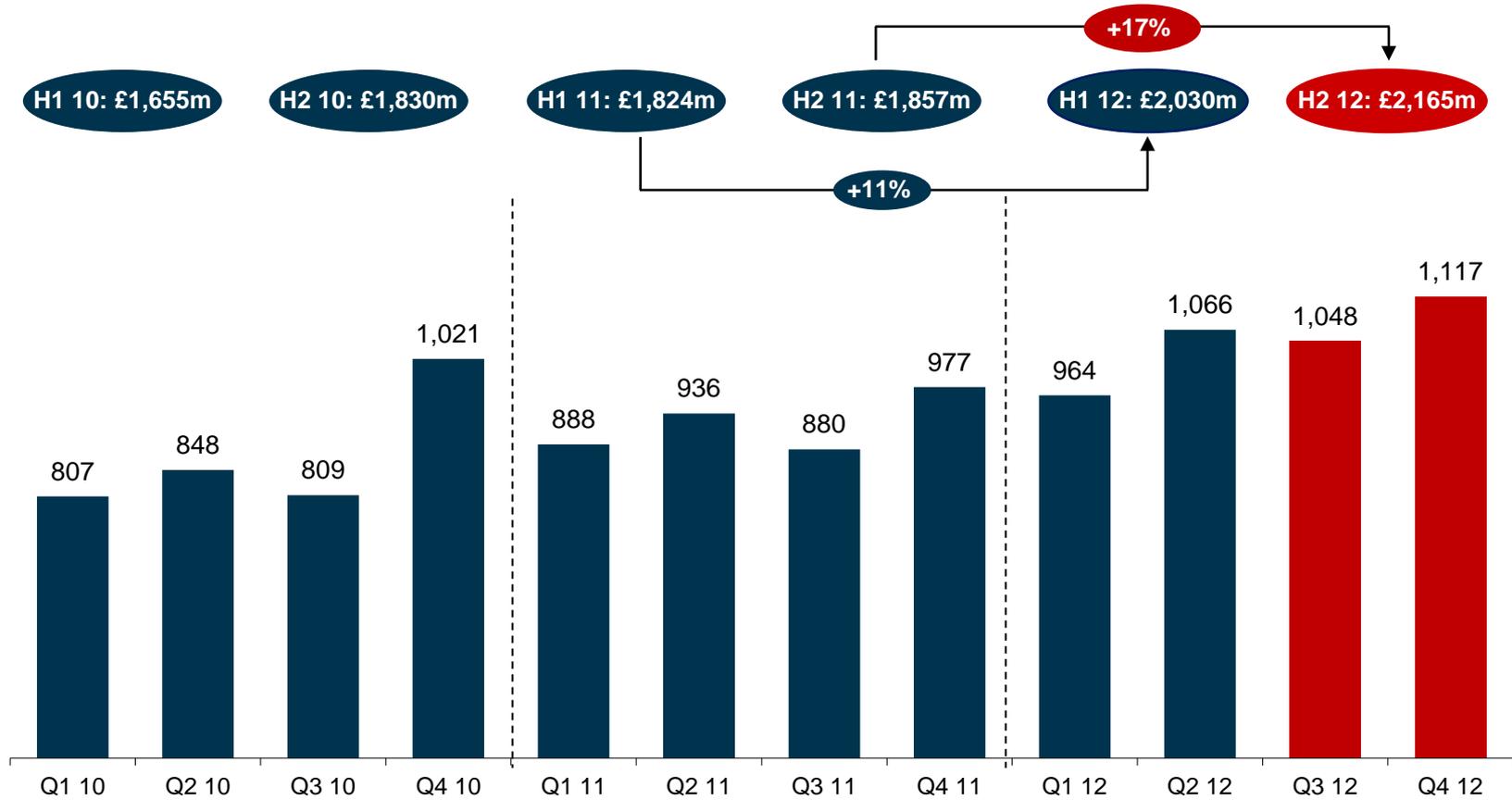


<sup>1</sup> The net remittances from the UK include the £150m in 2009 arising from the pro-active financing techniques used to bring forward cash emergence of the in-force book during the financial crisis. The 2010 net remittances include an amount of £120m representing the release of surplus and net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

# New business growth

## Group life APE

### Life APE<sup>1</sup>, £m



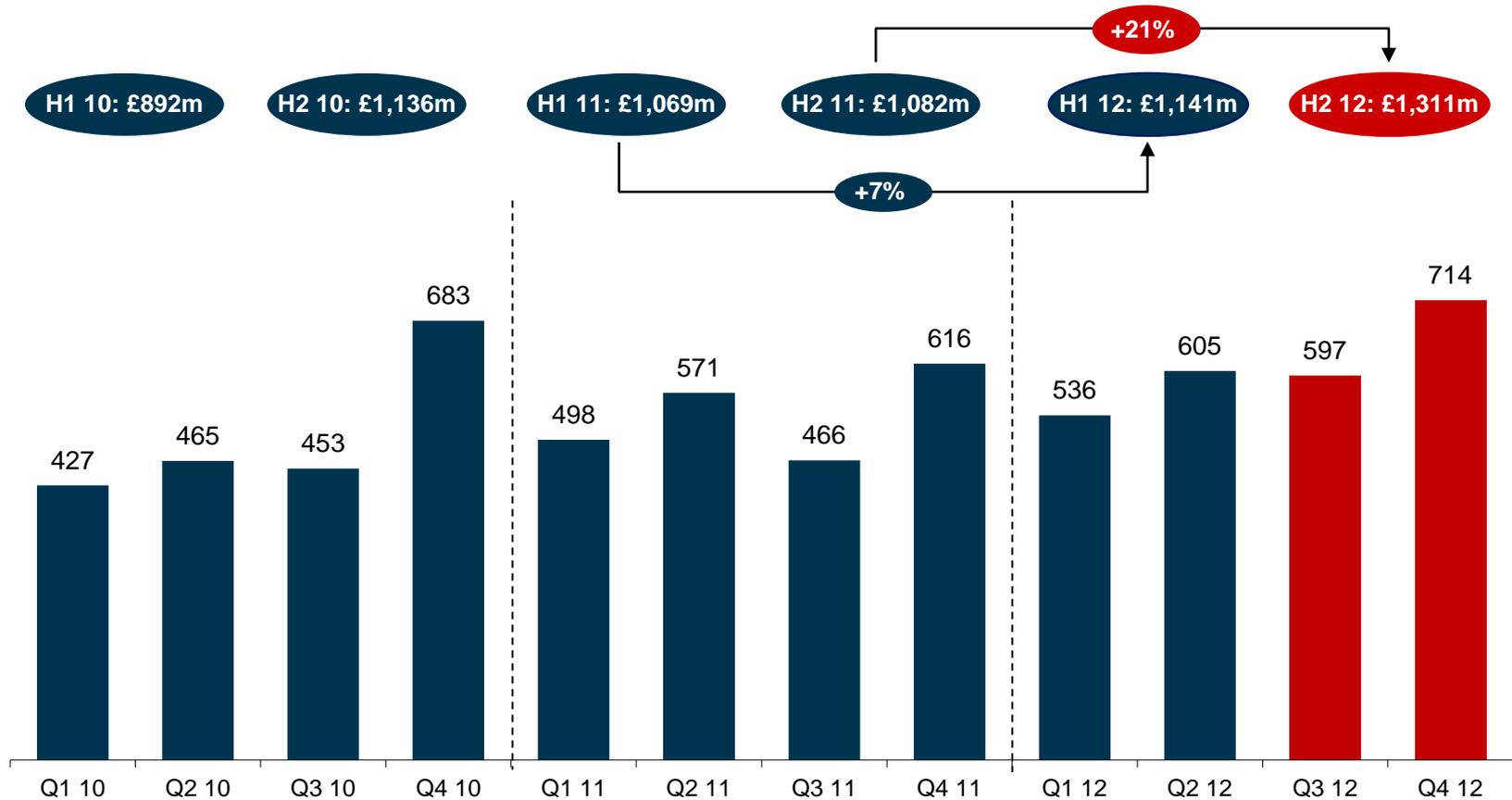
<sup>1</sup> Excluding Japan.



# New business growth

## Group life new business profit

Life new business profit<sup>1</sup>, £m

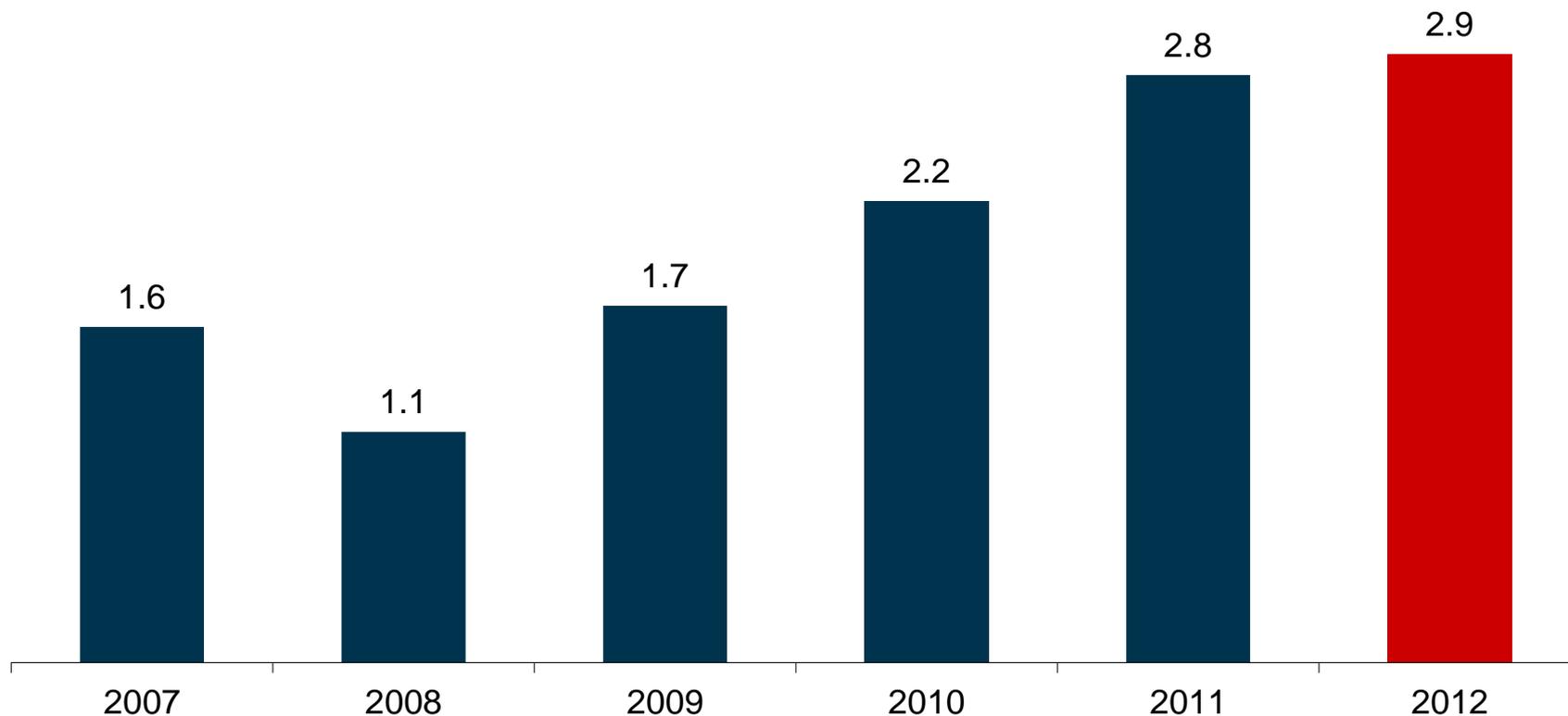


<sup>1</sup> Excluding Japan.

# New business growth

## Group life returns on new business investment

### Post-tax new business profit per £ of new business strain<sup>1</sup>

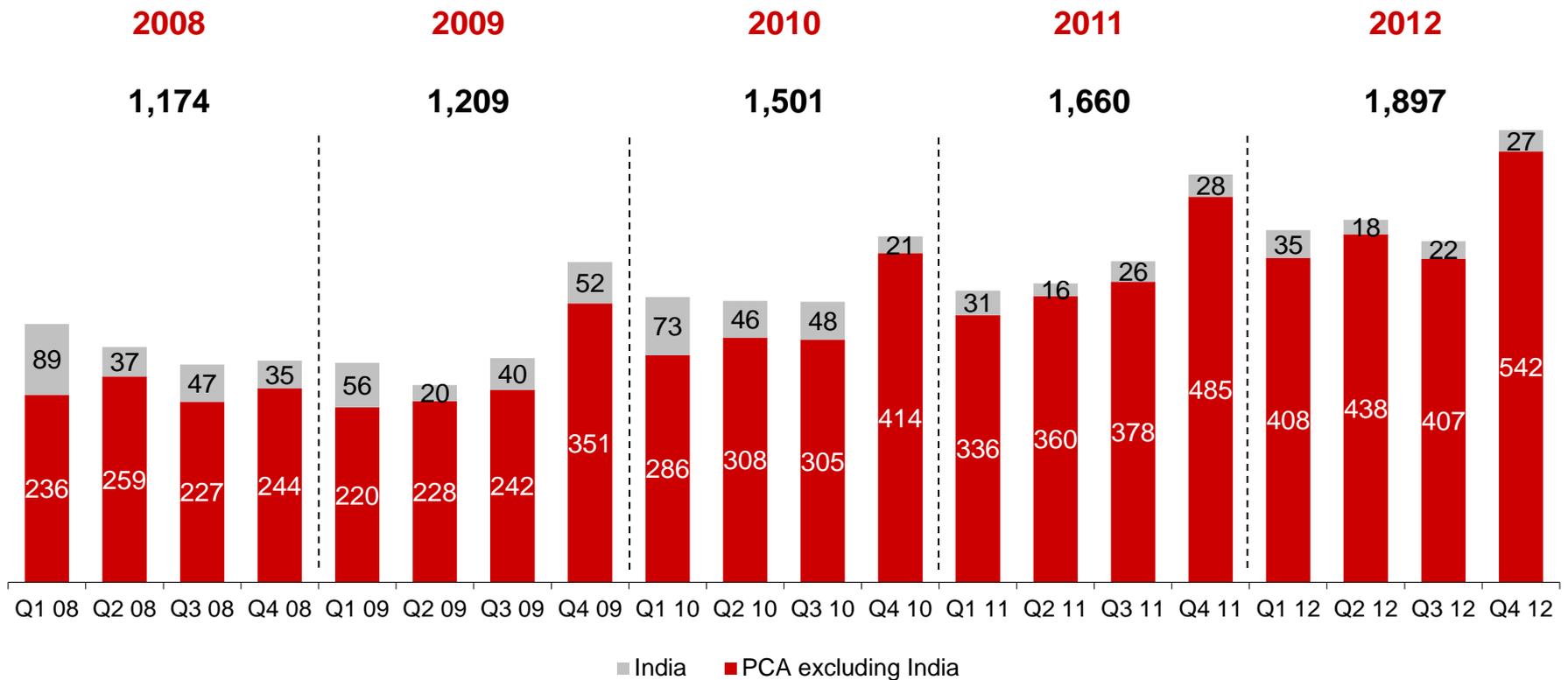


<sup>1</sup> Free surplus invested in new business; excludes Japan.

# Asia Life

## APE by quarter

Asia APE<sup>1</sup> by quarter, £m



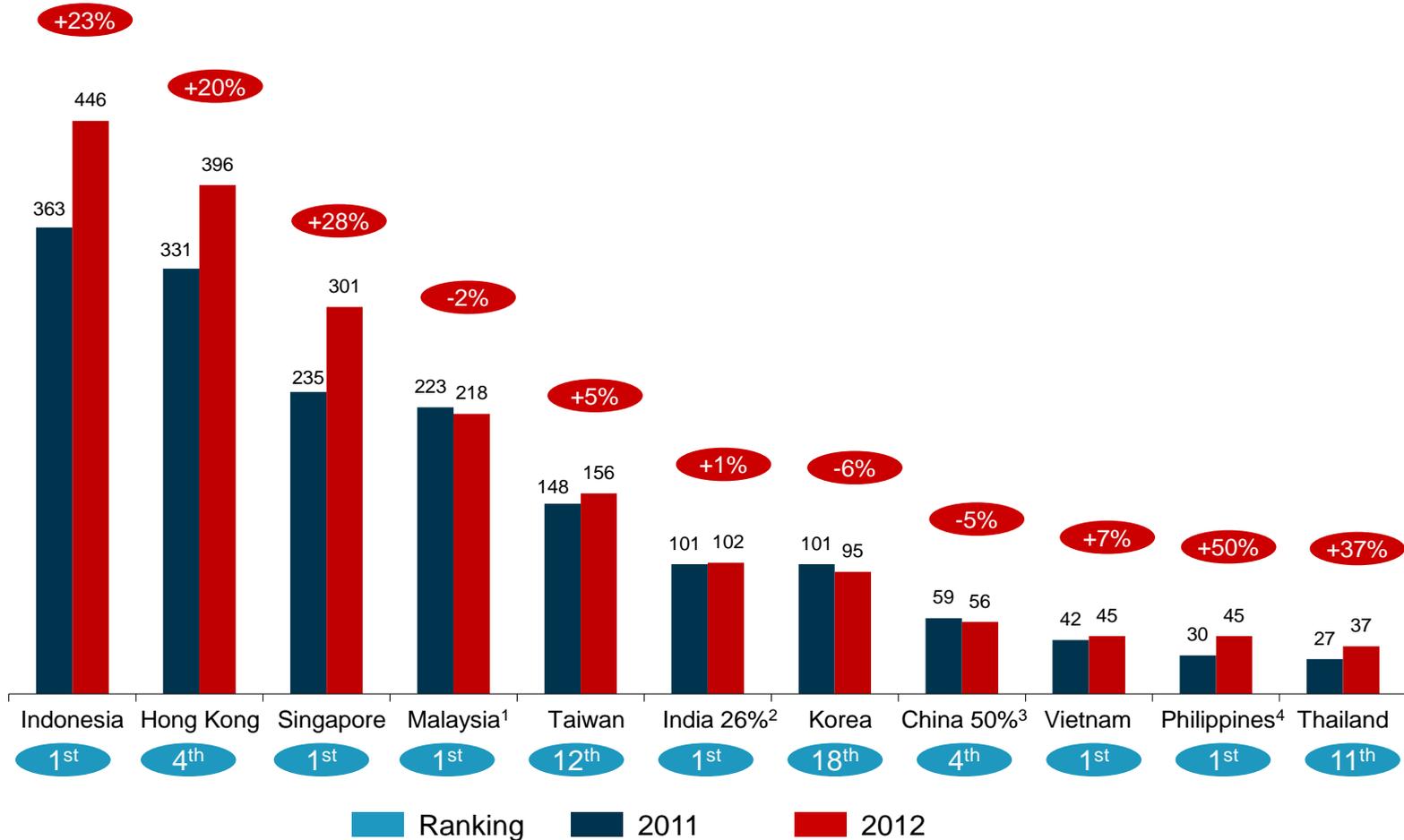
<sup>1</sup> Excludes Japan and Taiwan agency; prepared on an AER basis.



# Asia Life

## APE by market

### Asia APE by market, £m



<sup>1</sup> Includes Takaful sales @100%.

<sup>2</sup> Ranking amongst foreign JVs; market share amongst all insurers.

<sup>3</sup> Ranking amongst foreign JVs; market share amongst all foreign and JVs.

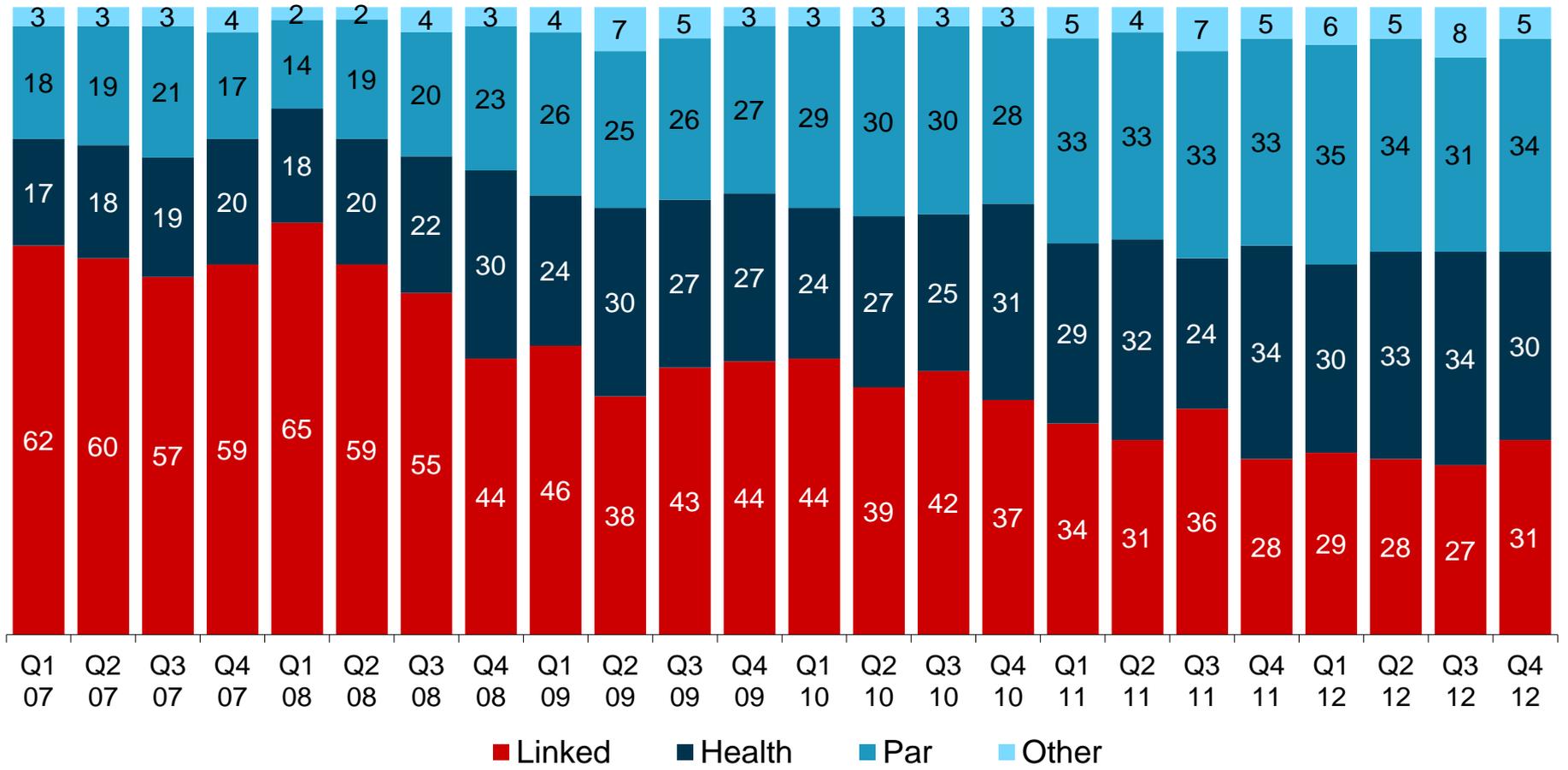
<sup>4</sup> #1 ranking based on most recent industry sharing data.

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).



# Asia Life

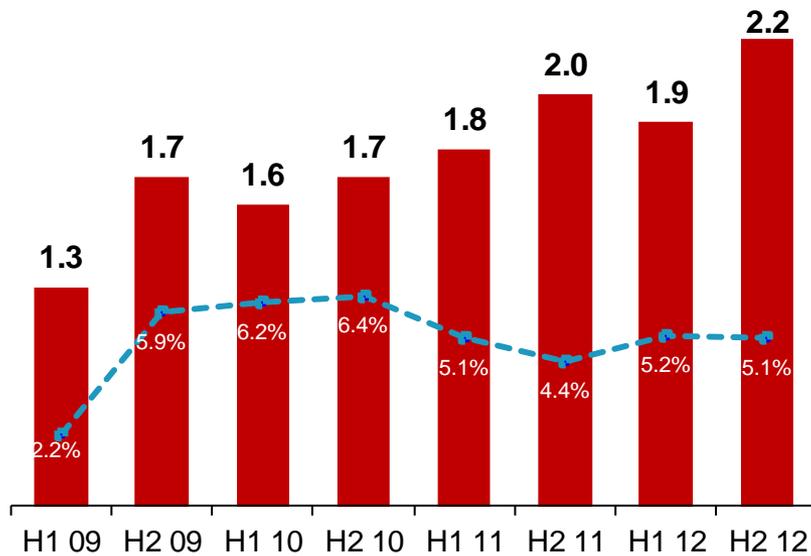
## APE sales by product - percent



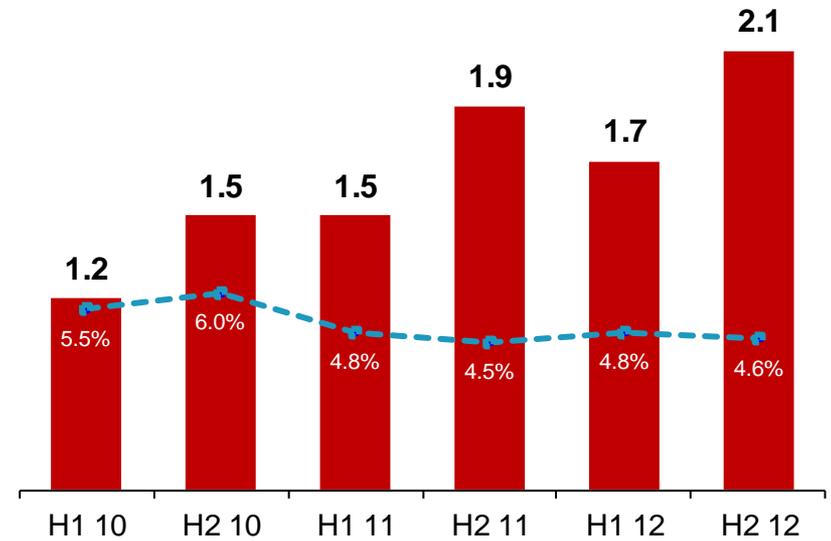
# Asia Life

## Net inflows and persistency

Asia Life inflows<sup>1</sup>, £bn



Asia Life inflows (ex-India)<sup>1</sup>, £bn



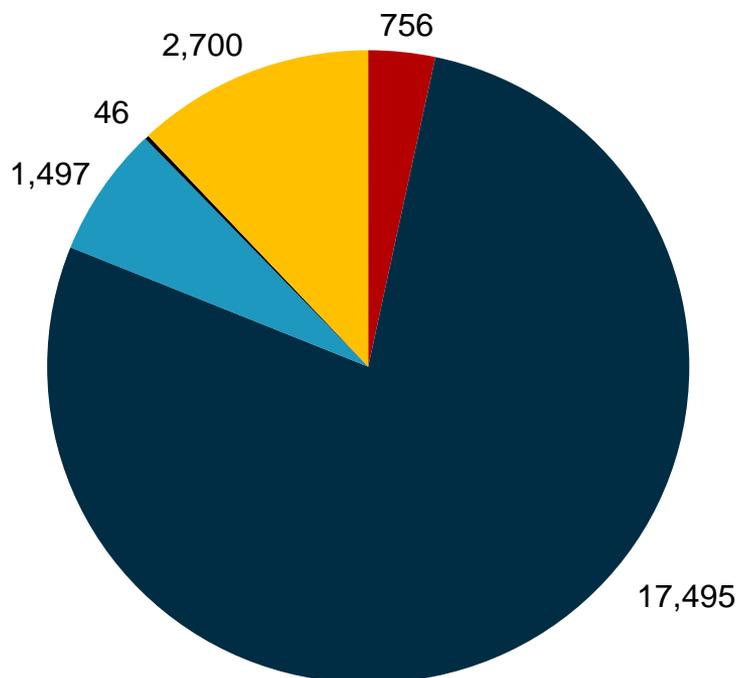
--- Surrenders/withdrawals as % of opening liabilities

<sup>1</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums (after deducting insurance & other margins).

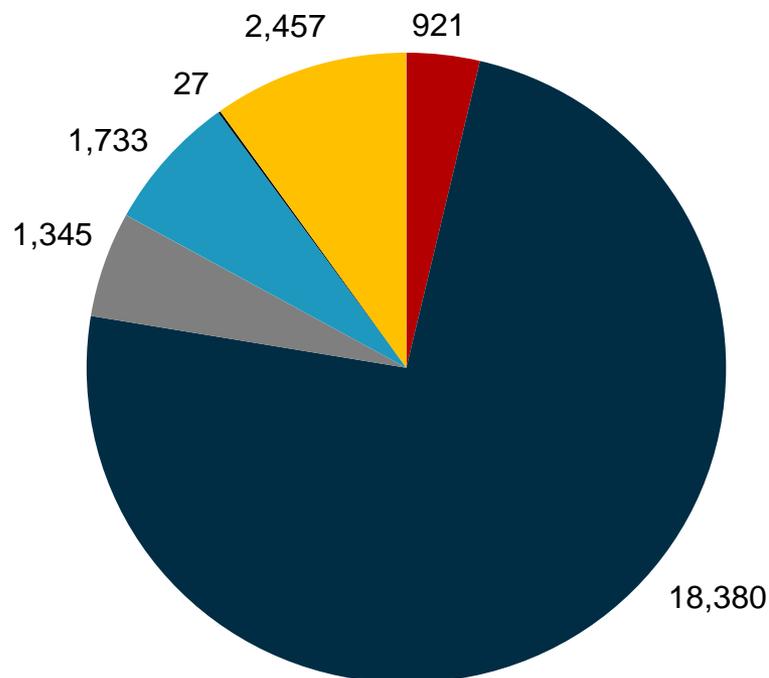
# US retail sales and deposits 2012

## Retail sales and deposits, \$m

2011 = \$22,494m



2012 = \$24,863m

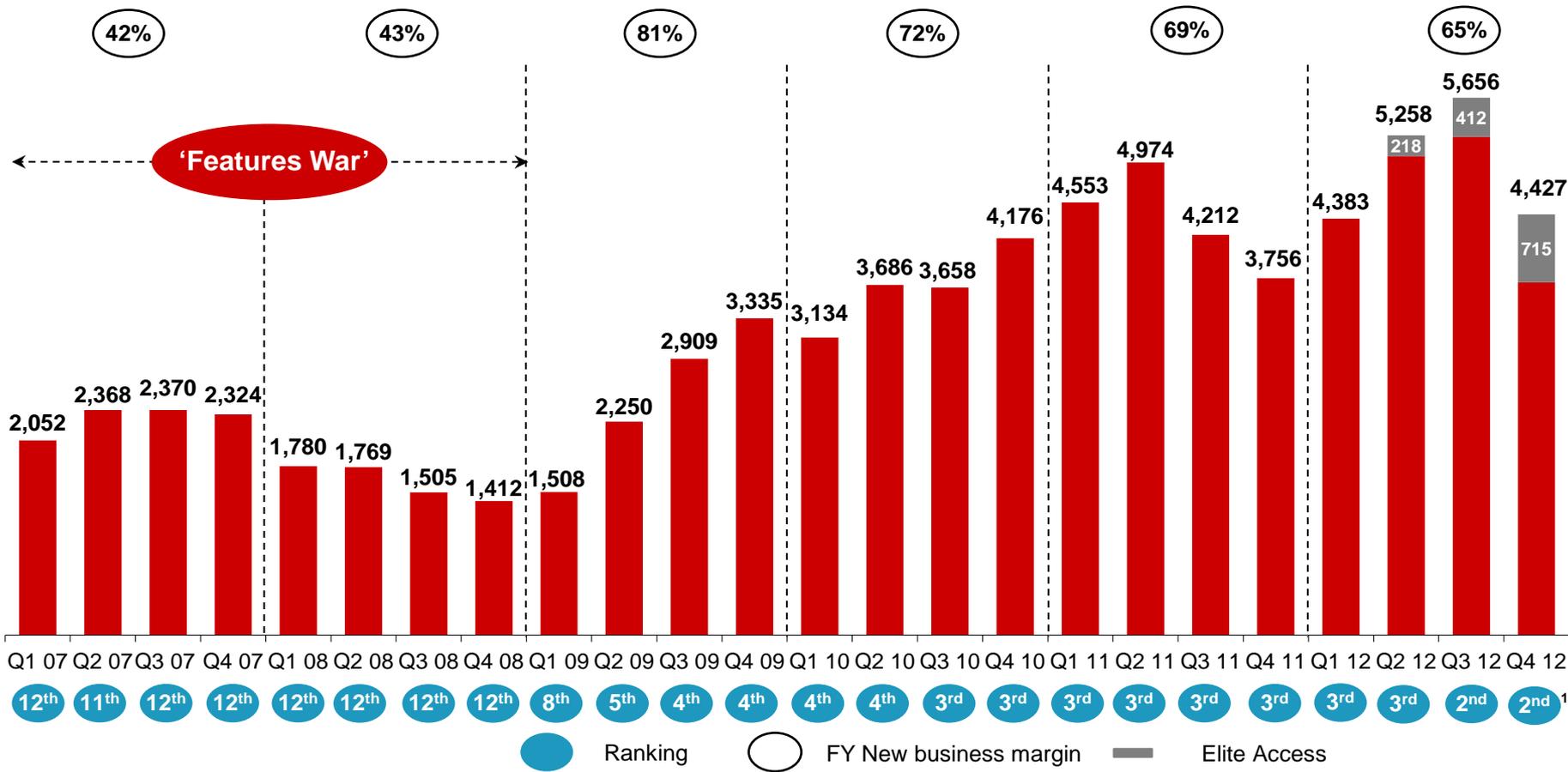


■ Fixed Annuities    ■ Elite Access    ■ Life insurance  
■ Variable Annuities    ■ Index Annuities    ■ Curian

# US Life

## Variable annuities volumes

VA volumes by quarter, sales US\$m



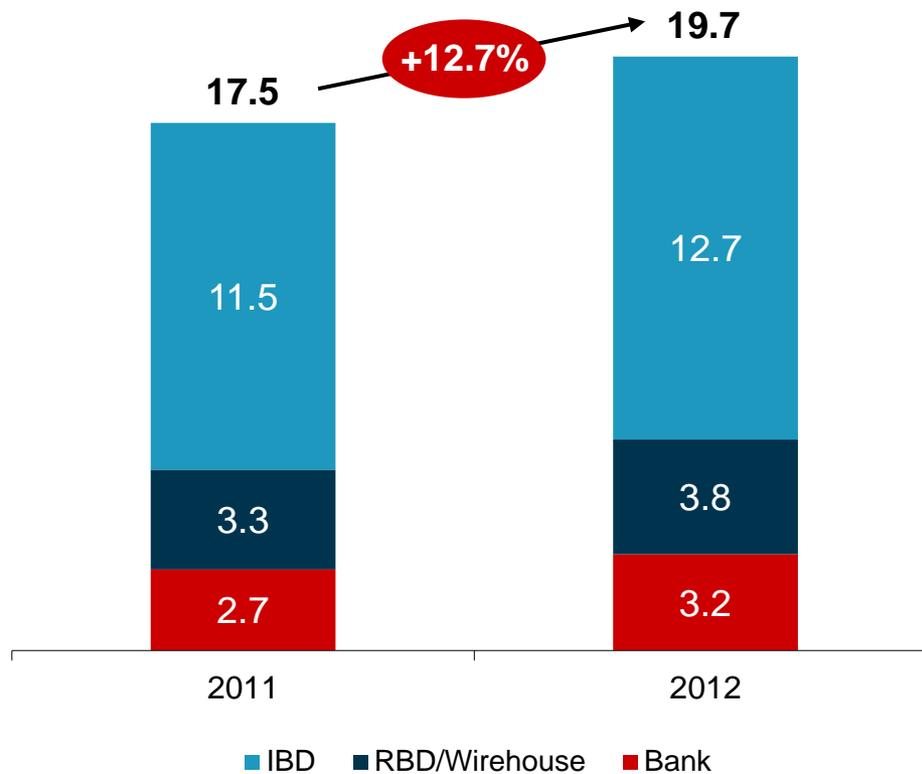
<sup>1</sup> Estimated.

# US Life

## Variable annuity distribution

### Variable annuity sales by distribution channel, US\$bn

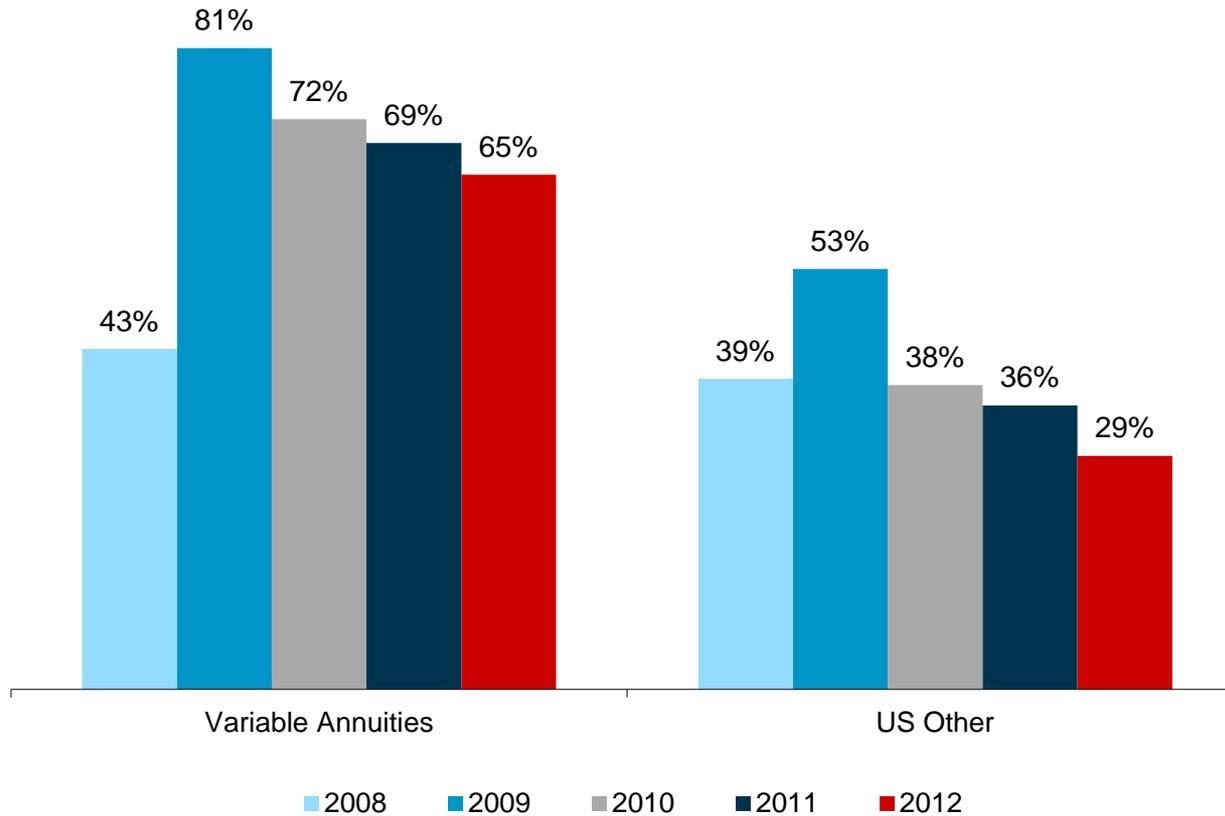
2012 includes \$1.3bn of Elite Access sales



IBD: Independent Broker/Dealer, RBD: Regional Broker Dealer.

# US – New business margin

## New business margin – % APE



# US IFRS profit

## DAC impact on results

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

	2011	2012
<b>Gross profits<sup>1</sup></b>	1,313	1,494
<b>New business strain<sup>2</sup></b>	(156)	(174)
<b>DAC Amortisation</b>		
- Core	(316)	(412)
- (acceleration) / deceleration	(190)	56
<b>Operating result</b>	651	964
<b>Core as % of Gross profits</b>	24%	28%

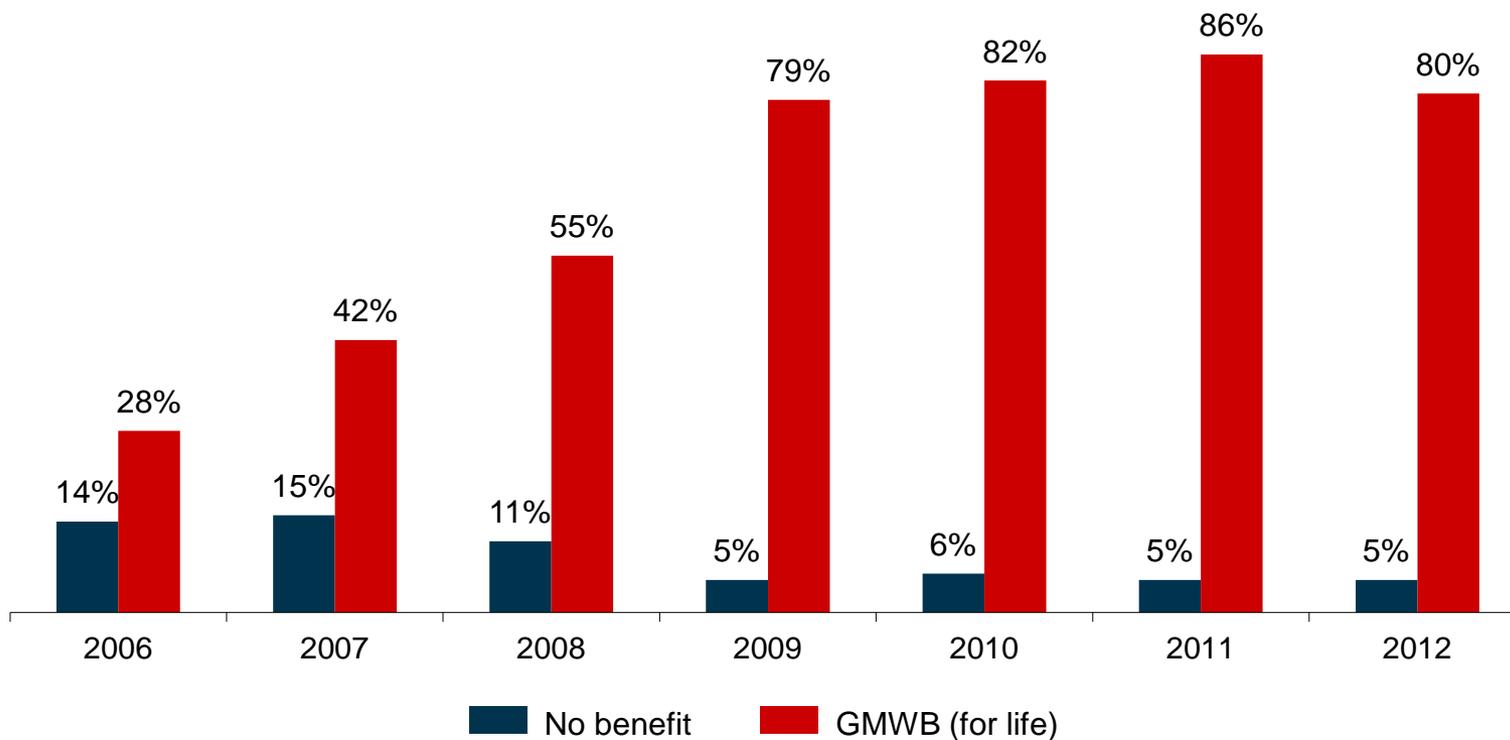
<sup>1</sup> Gross profits equals IFRS operating profit pre acquisition costs and pre DAC. 2012 gross profits include REALIC profits of £67m.

<sup>2</sup> Represents acquisition costs no longer deferrable following the adoption of altered US GAAP principles for deferred acquisition costs.

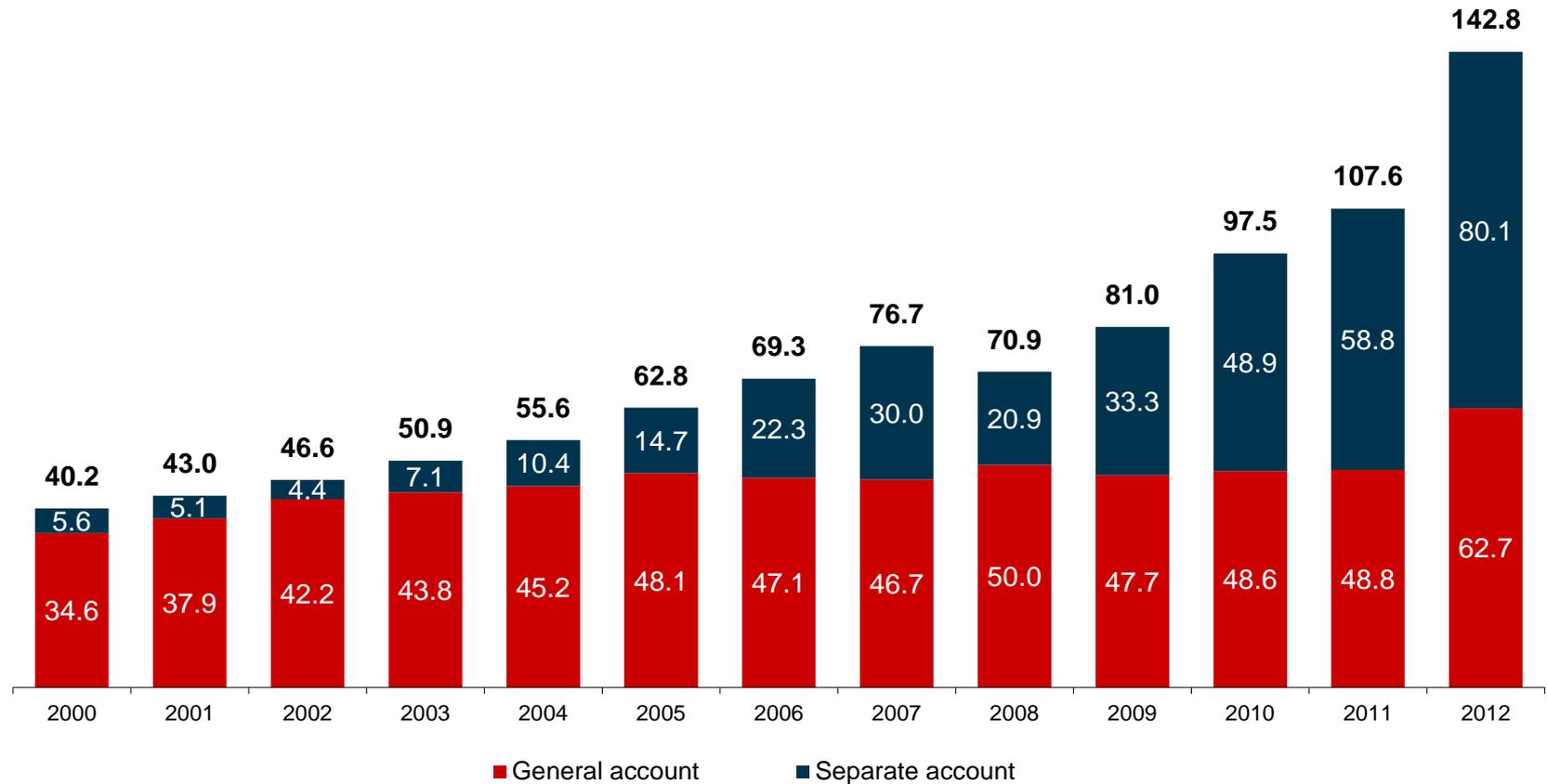
# US Life

## Policyholder behaviour

### Optional benefits elected, % of initial benefits elected (New business)



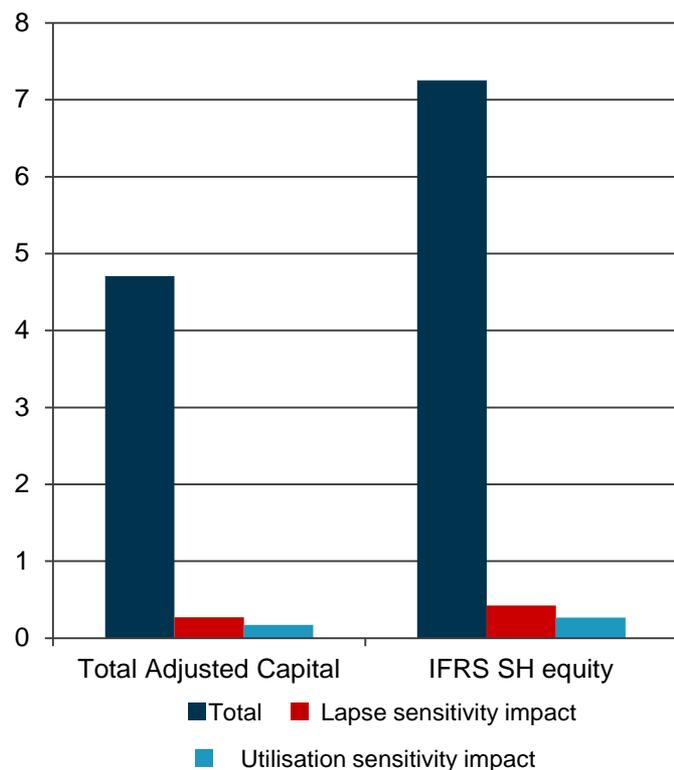
### Growth in statutory admitted assets, US\$bn



# Resilient balance sheet

## GMWB policyholder behaviour sensitivities

### GMWB policyholder behaviour sensitivities, FY 2012 US\$bn

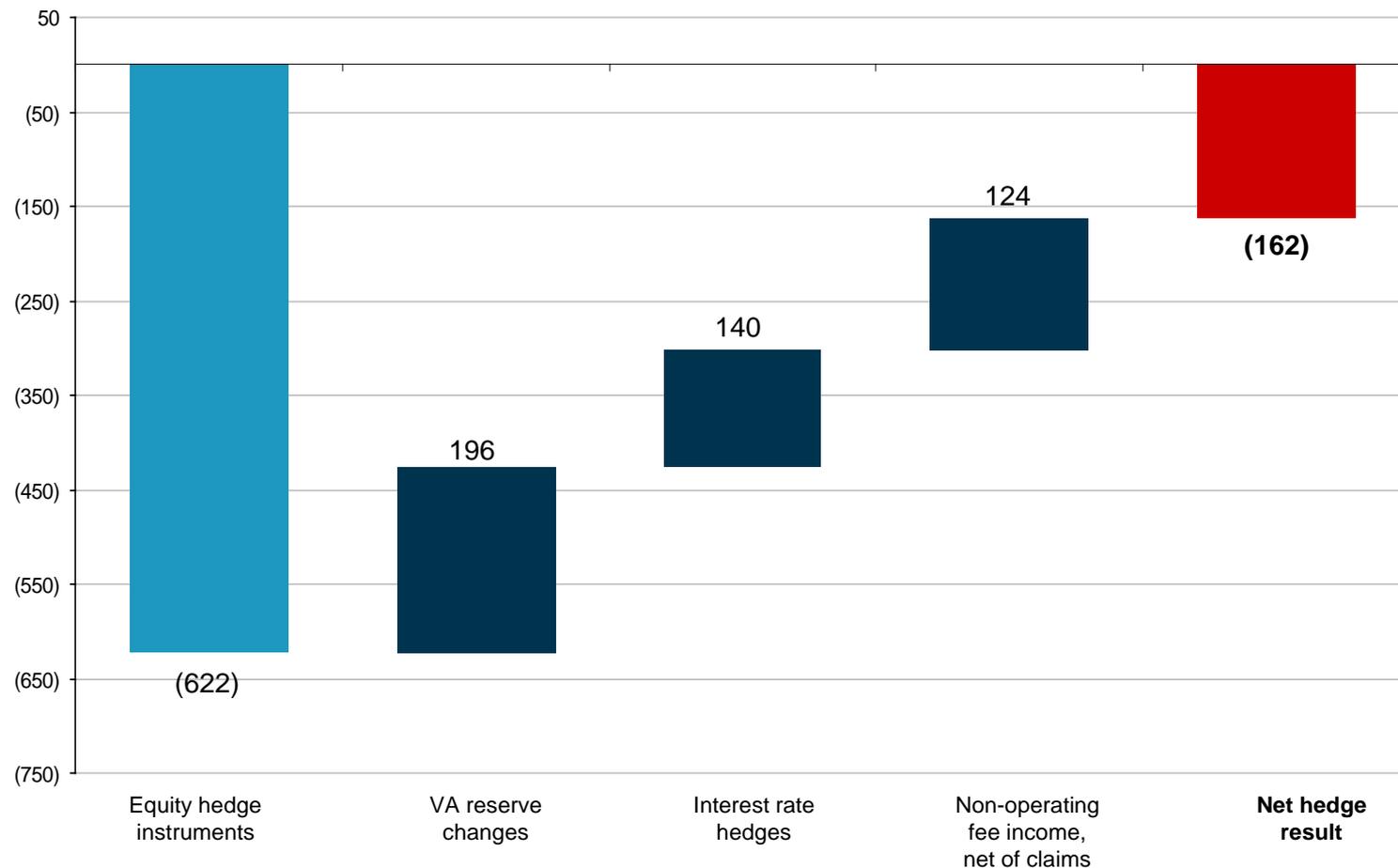


- For IFRS and Statutory accounting purposes, assumptions are set at the conservative end of the plausible range (i.e., best estimate with an explicit margin for conservatism). For example,
  - Surrender -- GMWB ultimate surrender assumptions at significantly ITM levels are assumed to be 33% of the base surrender assumptions
  - Utilisation -- For-Life GMWB utilisation assumptions at attained ages 60+ are 65-80% (with special provisions for benefits with incentives to delay withdrawals)
- To measure the sensitivity to these assumptions, IFRS Equity and Statutory Capital were computed under severe shocks to these already conservative assumptions. The shocks were as follows:
  - Surrender -- rates for ITM policies were reduced to half the assumed levels. For example, ultimate surrender rates on significantly ITM policies were reduced from 33% to 17% of the base surrender level, resulting in ultimate surrender rates of less than 2% for most plan types
  - Utilisation -- utilisation rates were increased by an absolute 10%. For example, utilisation rates of 65-80% on For-Life contracts at attained ages 60+ were increased to 75%-90%

# Hedging result

## IFRS impact 'below-the-line'

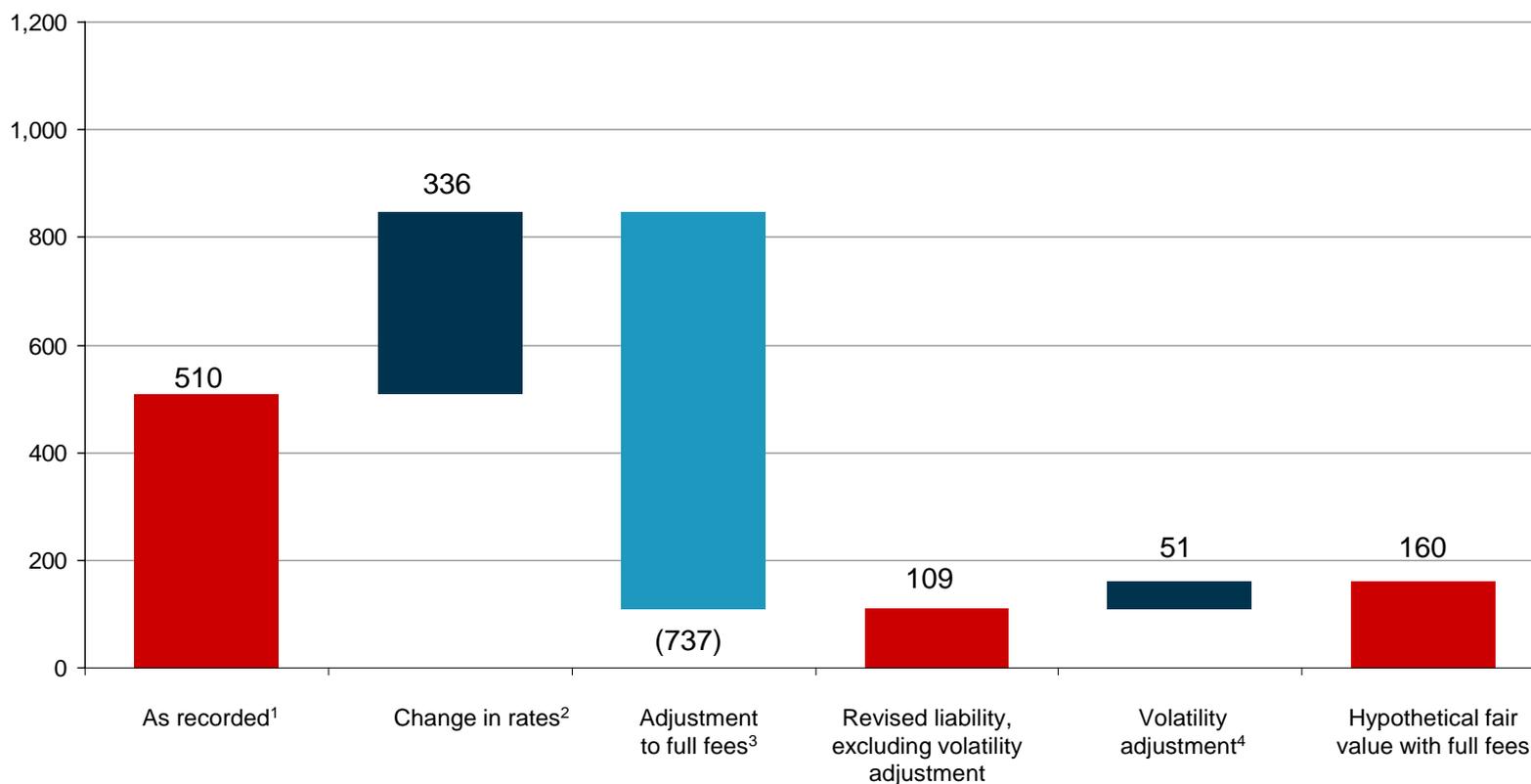
2012 Full Year VA hedge results, net of related DAC, £m



# VA hedging

## Moving reserves to 'fair value'

### Guarantee Benefit Liability Supplemental Disclosure, net of DAC, £m



<sup>1</sup> GMWB and GMDB IFRS basis

<sup>2</sup> Application of market based (31.12.12) 1.8% swap curve earned rate and 3.0% AA corporate bond discount rate in place of long-term rate of 8.4% for IFRS

<sup>3</sup> Value of fees over and above those in reserve calculations

<sup>4</sup> Application of market based (31.12.12) 22.9% level instead of long-term 15% for IFRS

	Total adjusted Capital
	US\$bn
<b>31 Dec 2011</b>	<b>3.9</b>
Operating profit	1.0
Dividend	(0.4)
Reserves/Hedging/Other market effects	(0.2)
REALIC profit and capital synergies	0.4
<b>31 Dec 2012</b>	<b>4.7</b>

- Hedging programme continues to effectively mitigate risks
- Total adjusted capital excludes gains on interest rate swaps: \$581m at Dec 2012 (Dec 2011: \$475m)
- Earned guarantee fees of approximately 120 bps per annum (c\$850m in 2012). Guarantee fees continue to be sufficient to cover cost of hedging
- Annual policyholder behaviour experience review in Q2 confirmed prudence of our assumptions
- Equities allocations remain below our 82% pricing assumption:
  - New business: 53% equities (versus 59% in 2011)
  - In-force book: 63% equities (at end 2012)
- Only 10% of book 'in the money' from issued levels at end 2012

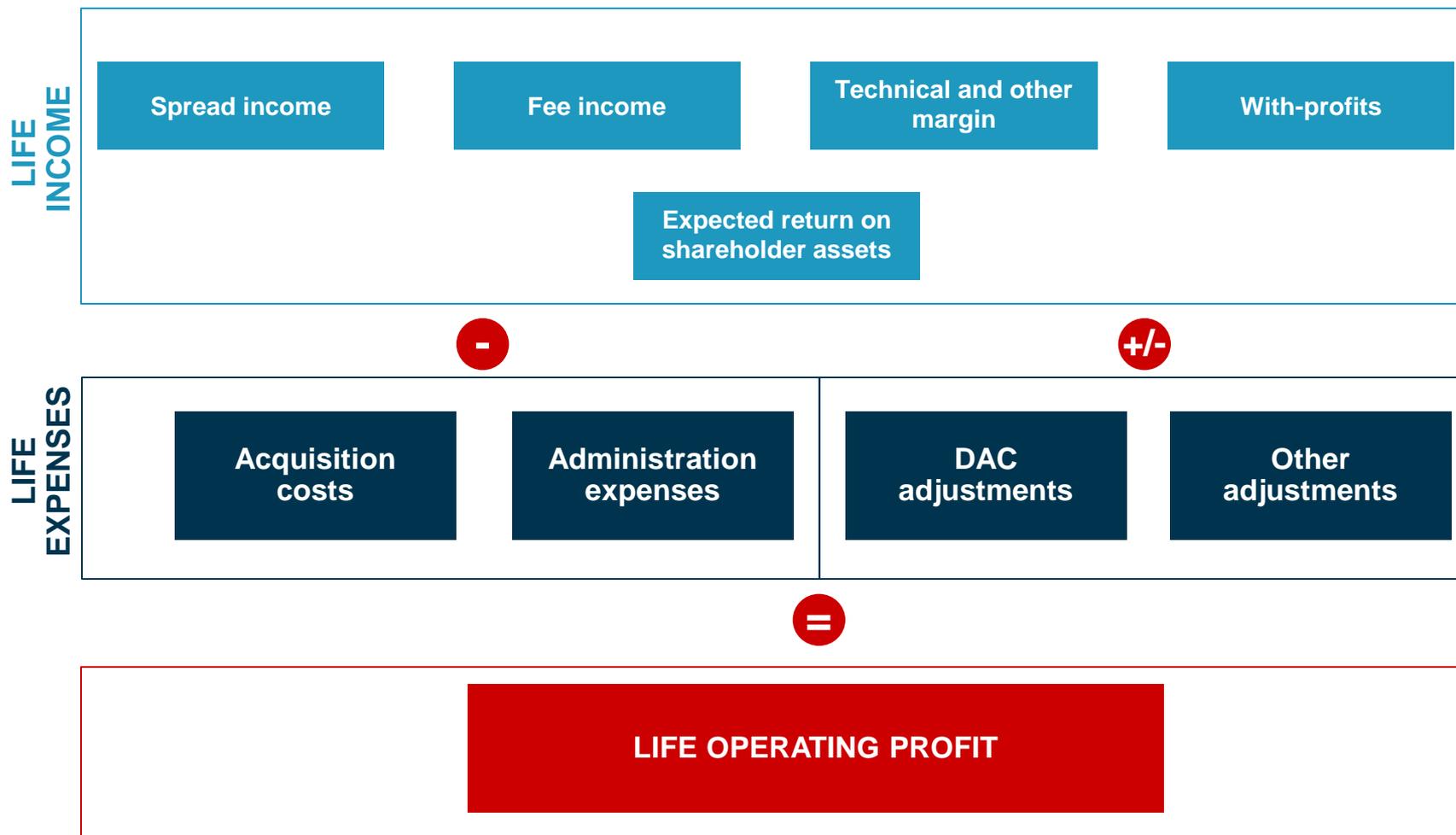
# Life IFRS operating profit

## Source of earnings

<p><b>Spread income</b></p>	<p><b>Fee income</b></p>	<p><b>Technical and other margin</b></p>	<p><b>With-profits</b></p>
<p>The net investment return we make primarily on annuity and other spread based business</p>	<p>The fees net of investment expenses charged on our linked and separate account business for managing the assets</p>	<p>Profits derived from the insurance risks of mortality, morbidity and persistency</p>	<p>Our share of bonus declared by the with-profits fund in the period</p>
<p><b>Expected return on shareholder assets</b></p>	<p><b>Acquisition costs</b></p>	<p><b>Administration expense</b></p>	<p><b>DAC and other adjustment</b></p>
<p>The operating return we make on shareholder net assets</p>	<p>Acquisition costs incurred on shareholder-backed new business including commission</p>	<p>Expenses and renewal commissions incurred by the shareholder in managing the in-force book</p>	<p>Costs deferred at inception net of costs amortised during life of contract and one off items</p>

# Life IFRS operating profit

## Source of earnings



# Life IFRS operating profit

## Source of earnings – Group (1/3)

LIFE  
INCOME

Total Life income			Source		
			2012	2011	+/-
5,419	4,627	17%	£m		

-

LIFE  
EXPENSES

Total Life expenses			DAC adjustments <sup>1</sup>		
(3,245)	(2,826)	(15)%	406	237	71%

+/-

=

Total Life operating profit		
2,580	2,038	27%

<sup>1</sup> 2011 restated for DAC accounting adjustments.

# Life IFRS operating profit

## Source of earnings – Group (2/3)

Total Operating profit			
2,580	2,038	27%	

Source		
2012	2011	+/-

£m

Total Life income			
5,419	4,627	17%	

-

Total Life expenses			
(3,245)	(2,826)	(15)%	

+/-

DAC adjustments <sup>1</sup>			
406	237	71%	

Spread income			
1,074	1,065	1%	

Fee income			
1,077	870	24%	

Technical and other margin			
2,701	2,161	25%	

With-profits			
311	331	(6)%	

Spread (bps)			
173	185	(12)	

AMF (bps)			
137	127	10	

Margin on revenues			
1,669	1,425	17%	

Bonus (bps)			
33	36	(3)	

Average reserves (£bn)			
62.2	57.4	8%	

Average reserves (£bn)			
78.8	68.3	15%	

Insurance margin			
1,032	736	40%	

Average reserves (£bn)			
95.7	93.1	3%	

China Life		
51	-	na

Expected returns		
205	200	3%

<sup>1</sup> 2011 restated for DAC accounting adjustments.

# Life IFRS operating profit

## Source of earnings – Group (3/3)

Source		
2012	2011	+/-

£m

Total Life expenses		
(3,245)	(2,826)	(15)%

Acquisition costs <sup>1</sup>		
(1,997)	(1,783)	(12)%

Administration expenses <sup>1</sup>		
(1,248)	(1,043)	(20)%

APE <sup>2</sup>	4,195	3,681	14%
Acquisition cost ratio	48%	48%	-

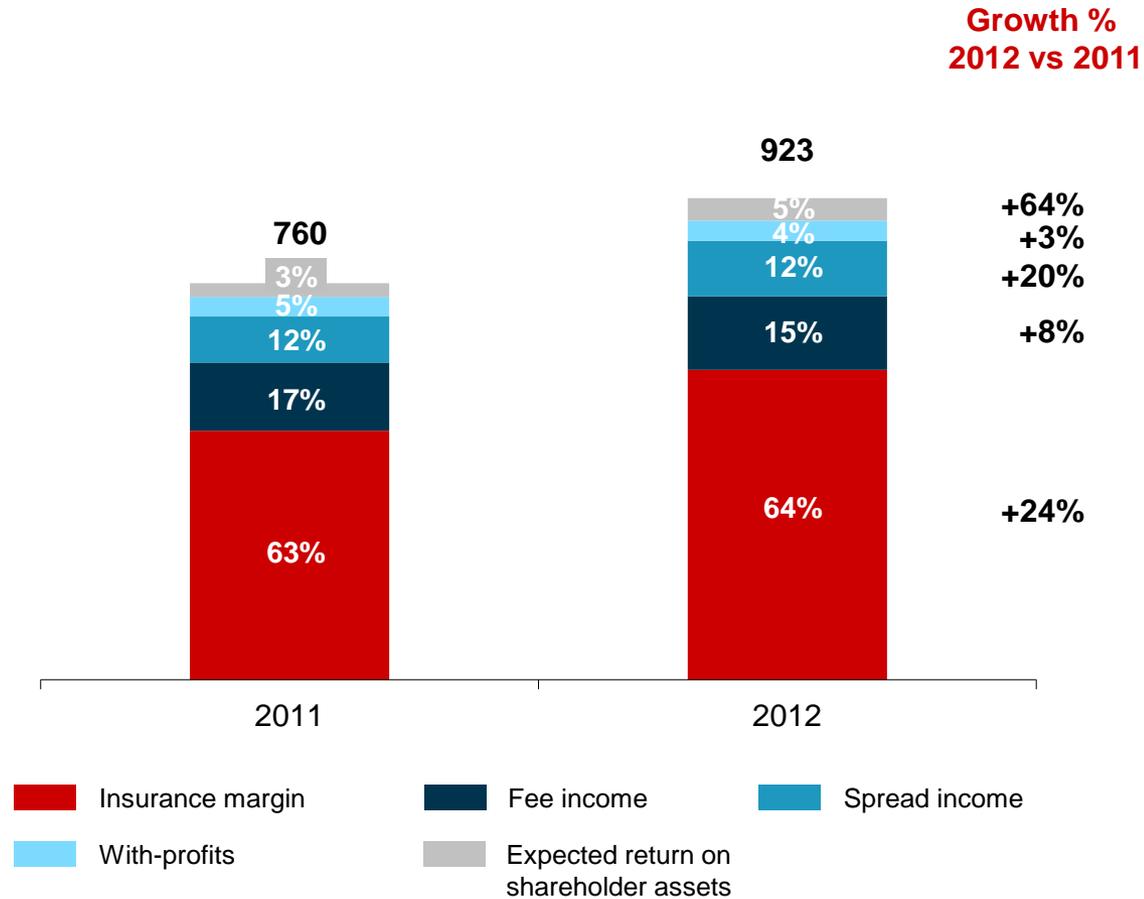
Admin expense ratio (bps)	87	83	4
Average reserves (£bn)	143.3	125.7	14%

<sup>1</sup> Relate to shareholder-backed business only. 2011 restated for DAC accounting adjustments.

# Life IFRS operating income – Asia

## Sources of income

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

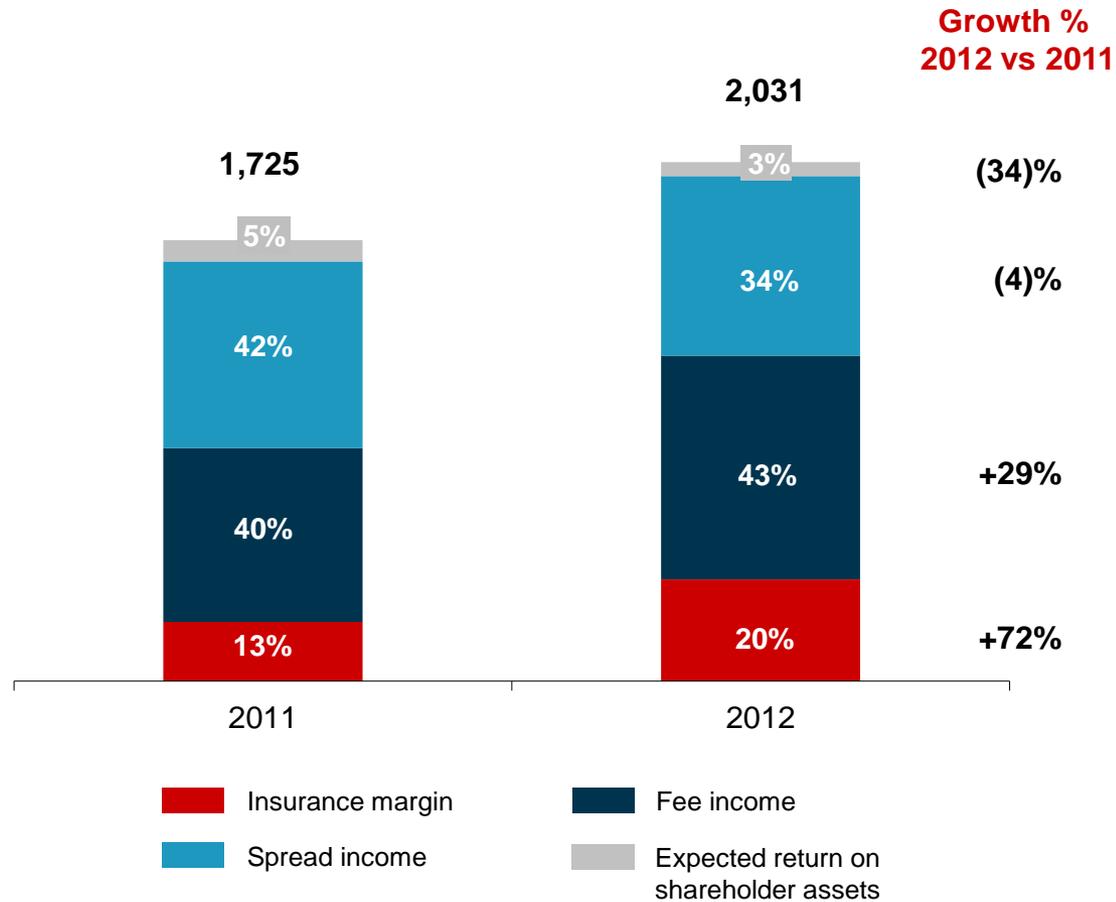


<sup>1</sup> Excludes margin on revenues, acquisition and administration expenses and DAC adjustments and gain on China Life.

# Life IFRS operating income – US

## Sources of income

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

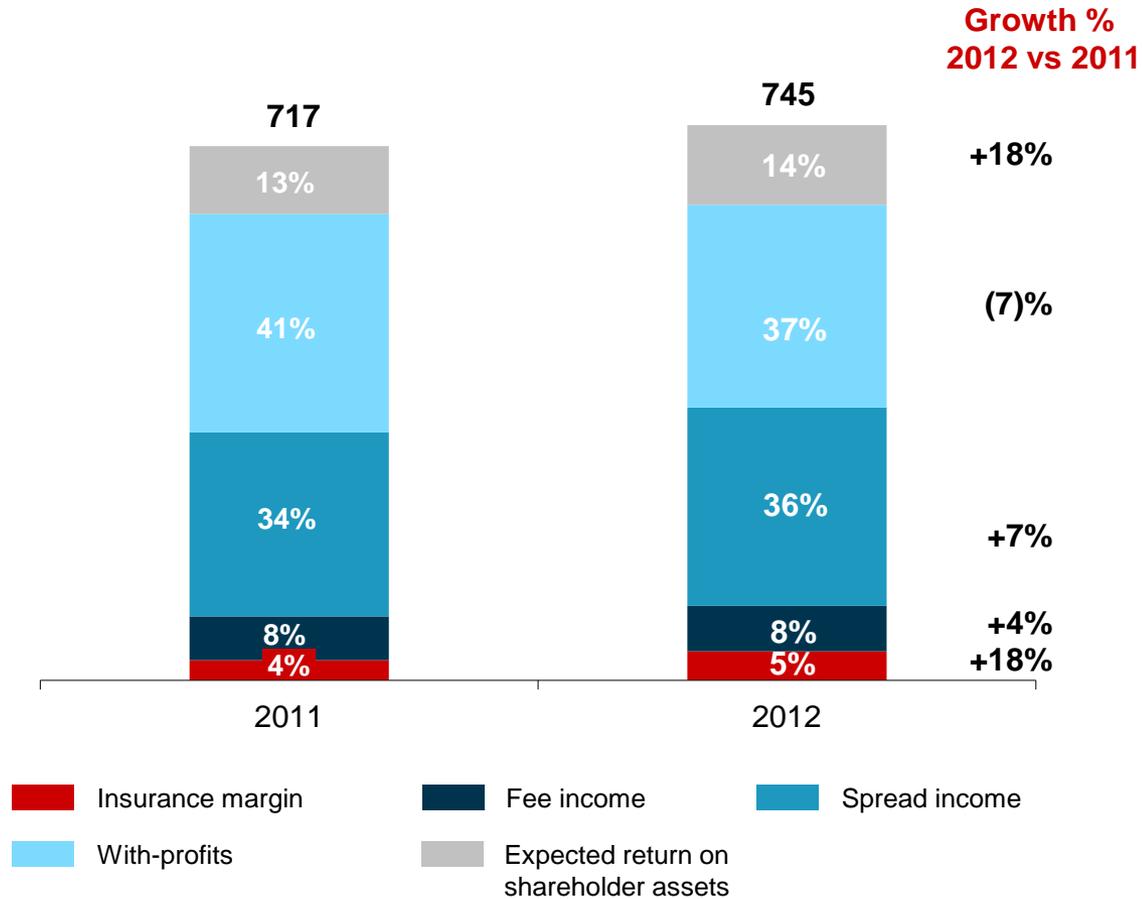


<sup>1</sup> Excludes margin on revenues, acquisition and administration expenses and DAC amortisation.

# Life IFRS operating income – UK

## Sources of income

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

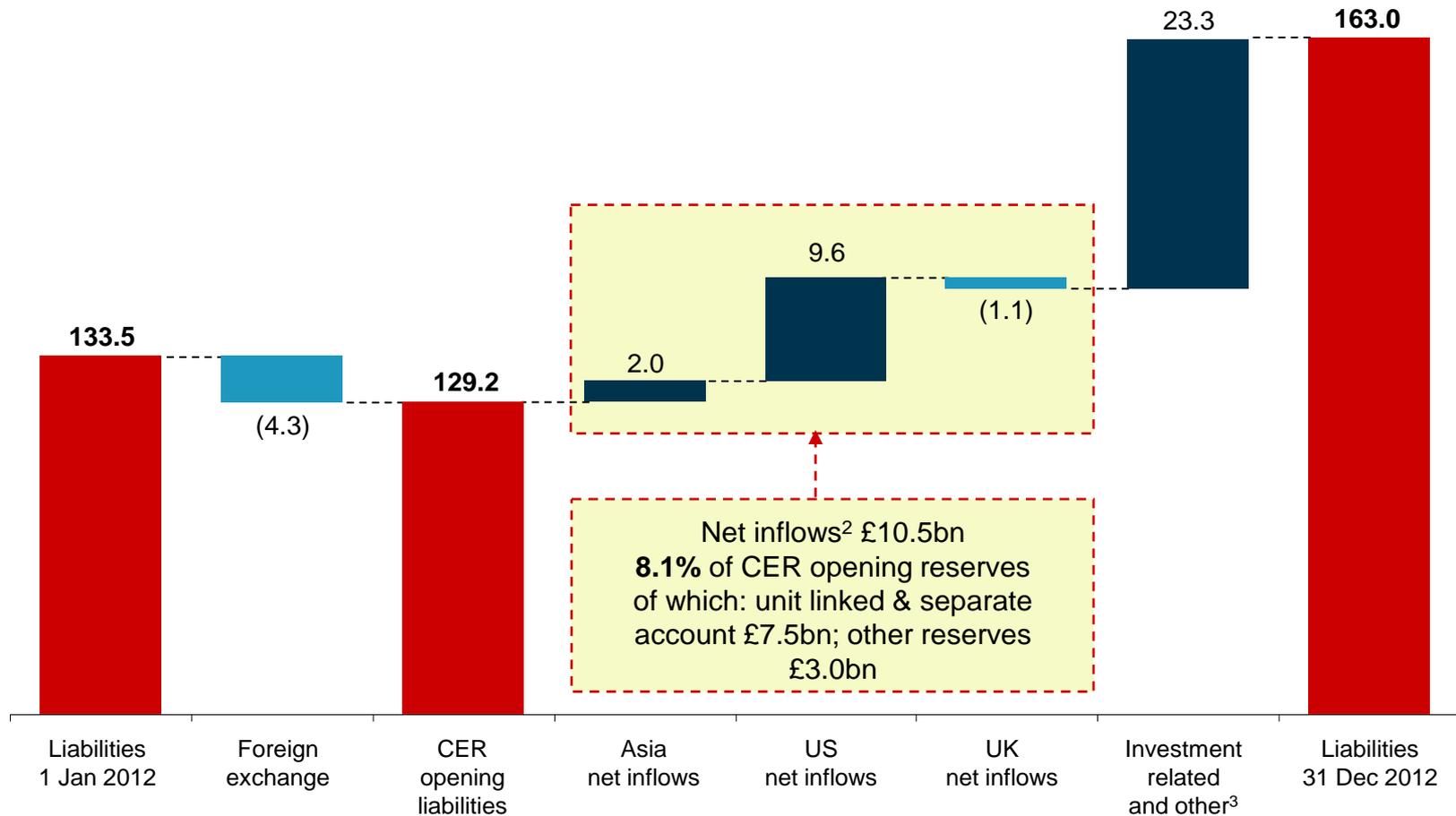


<sup>1</sup> Excludes margin on revenues, acquisition and administration expenses and DAC amortisation.

# Policyholder liabilities

## Shareholder backed business – Group

### Policyholder liabilities<sup>1</sup> roll-forward, £bn



<sup>1</sup> Shareholder-backed business.

<sup>2</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths.

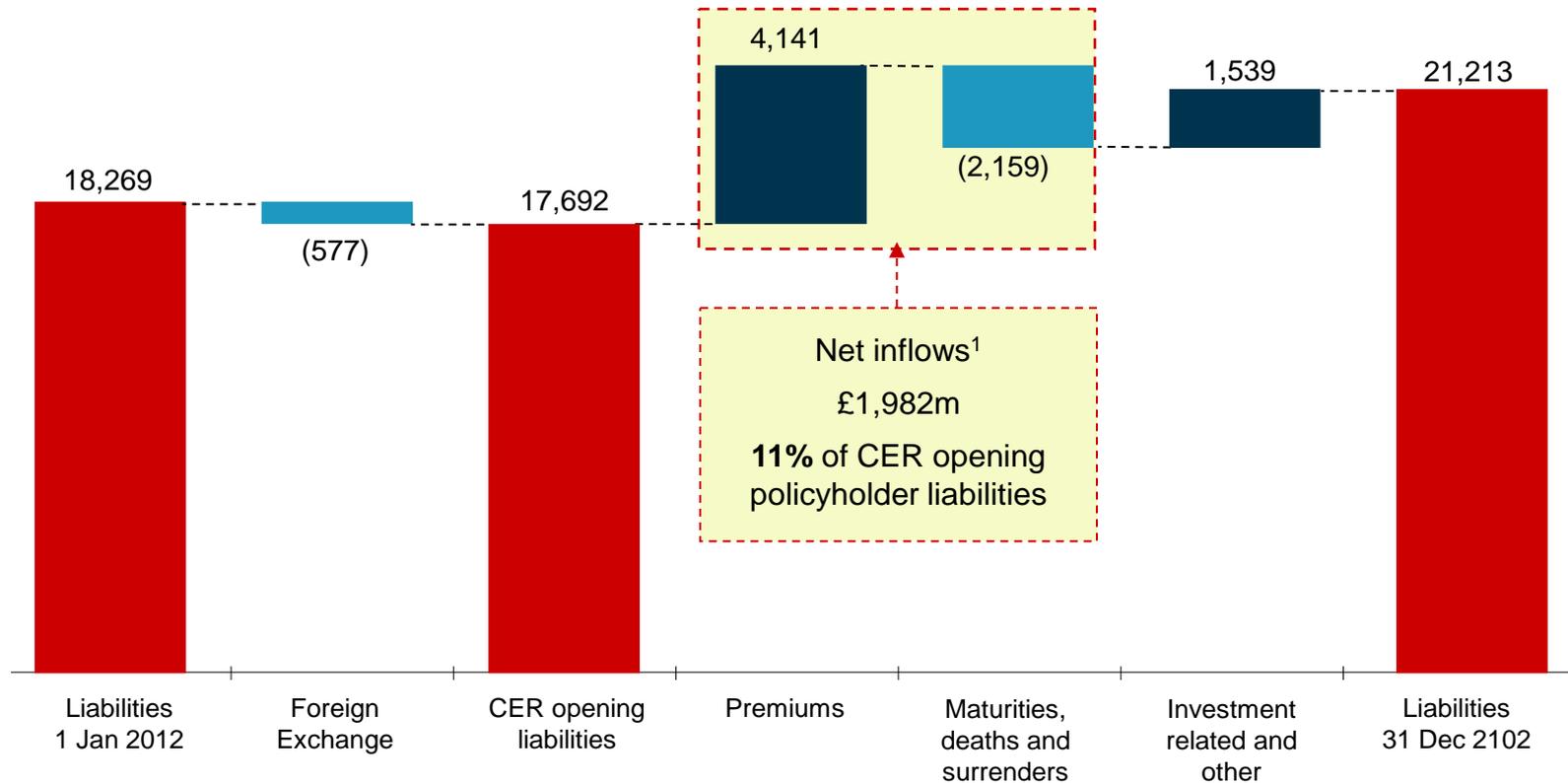
<sup>3</sup> Includes REALIC of £12.9bn



# Policyholder liabilities

## Shareholder backed business – Asia

Policyholder liabilities roll-forward, £m



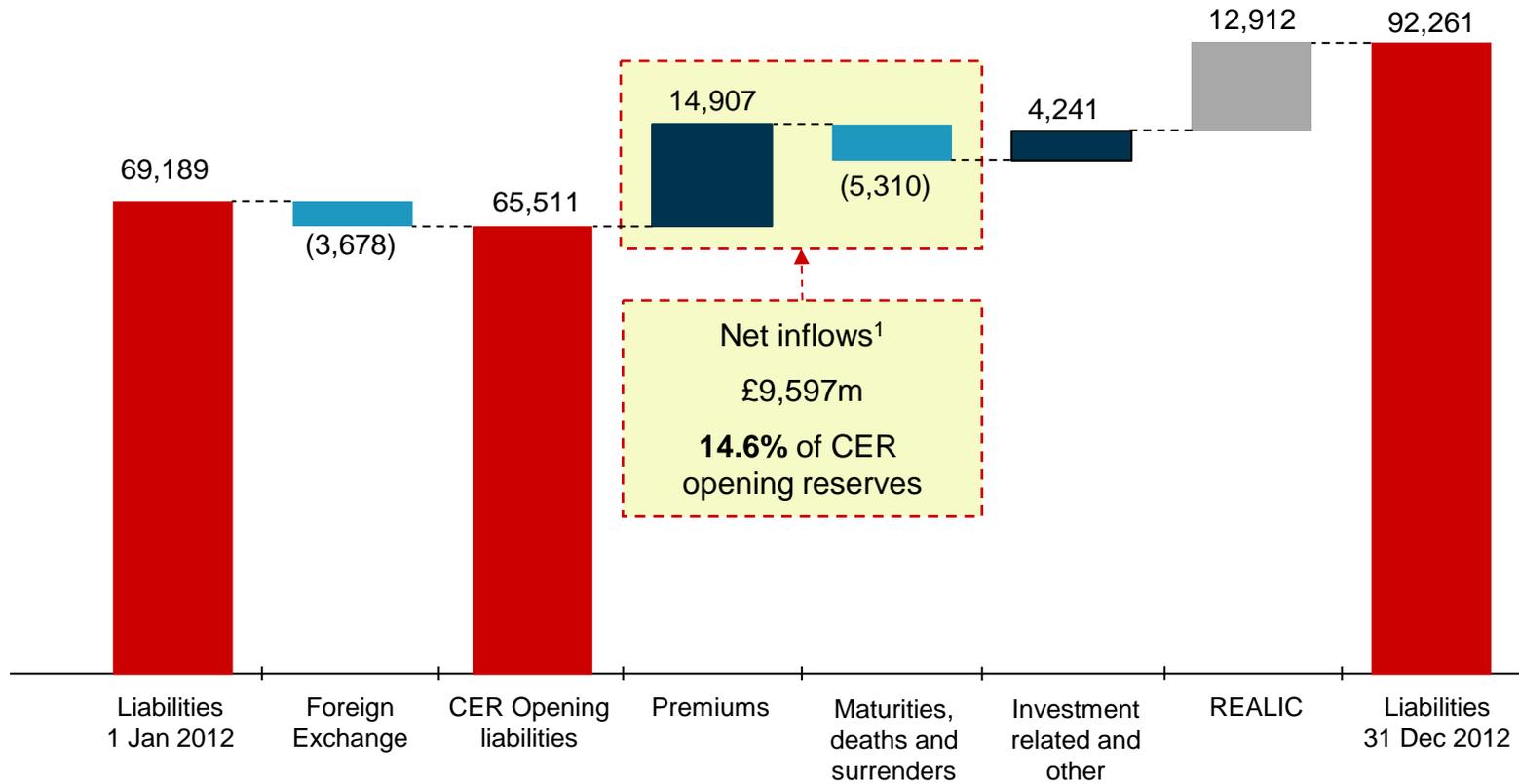
<sup>1</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths.



# Policyholder liabilities

## Shareholder backed business – US

### Policyholder liabilities roll-forward, £m

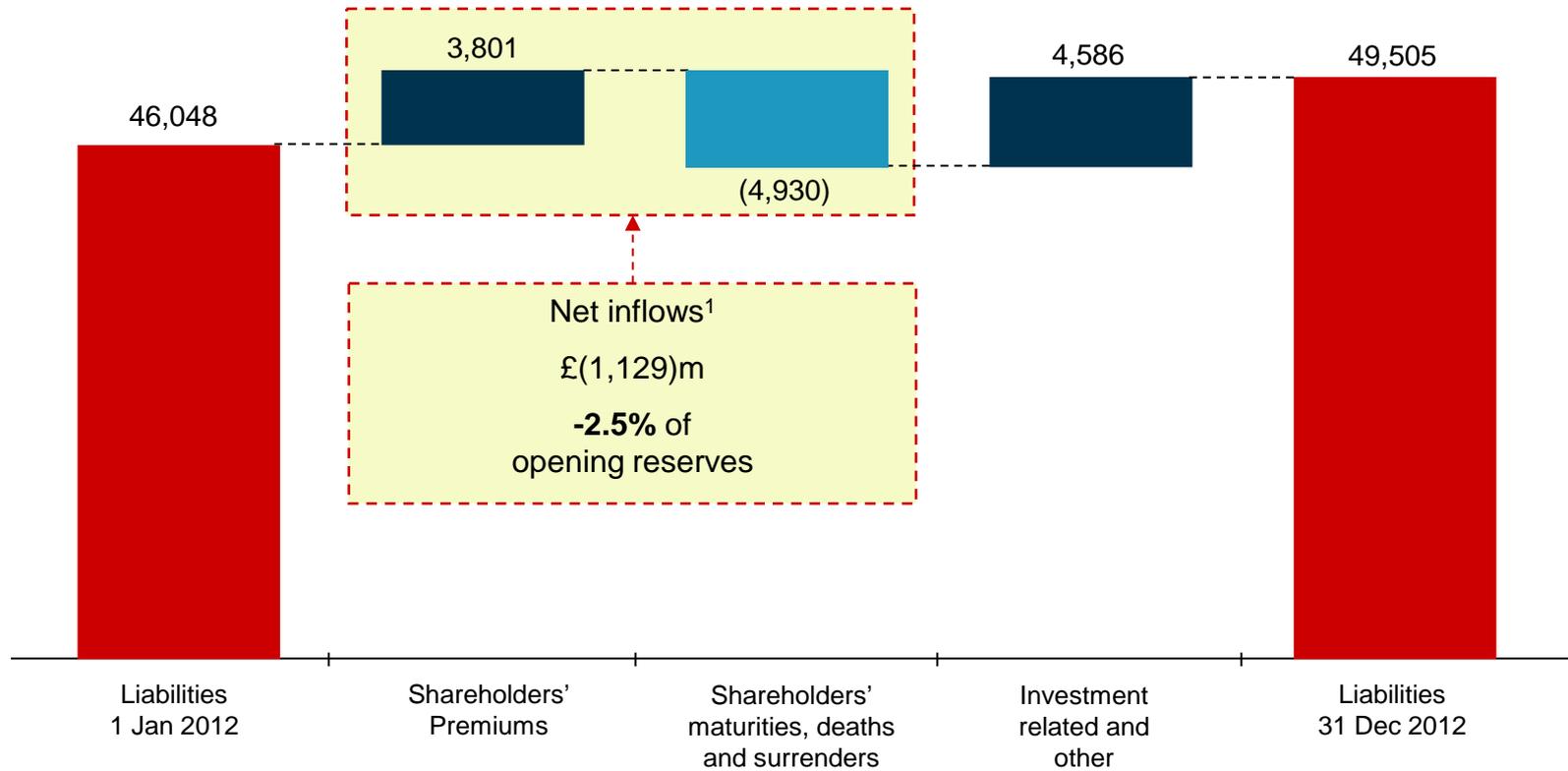


<sup>1</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths.

# Policyholder liabilities

## Shareholder backed business – UK

### Policyholder liabilities roll-forward<sup>1</sup>, £m

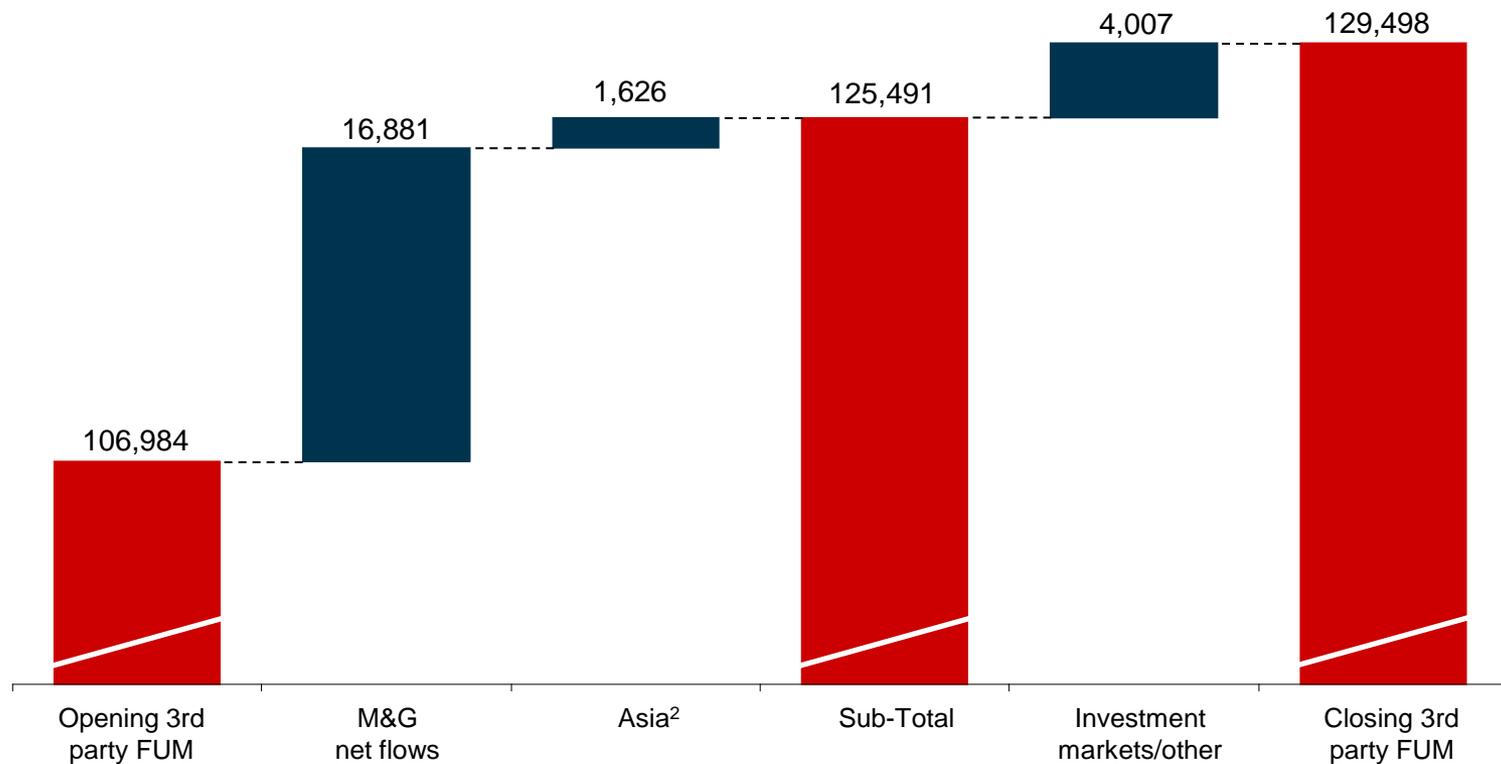


<sup>1</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths.

# Asset management

## Group 3<sup>rd</sup> party net-inflows

### Asset Management movement in 3<sup>rd</sup> party FUM<sup>1</sup>, £m

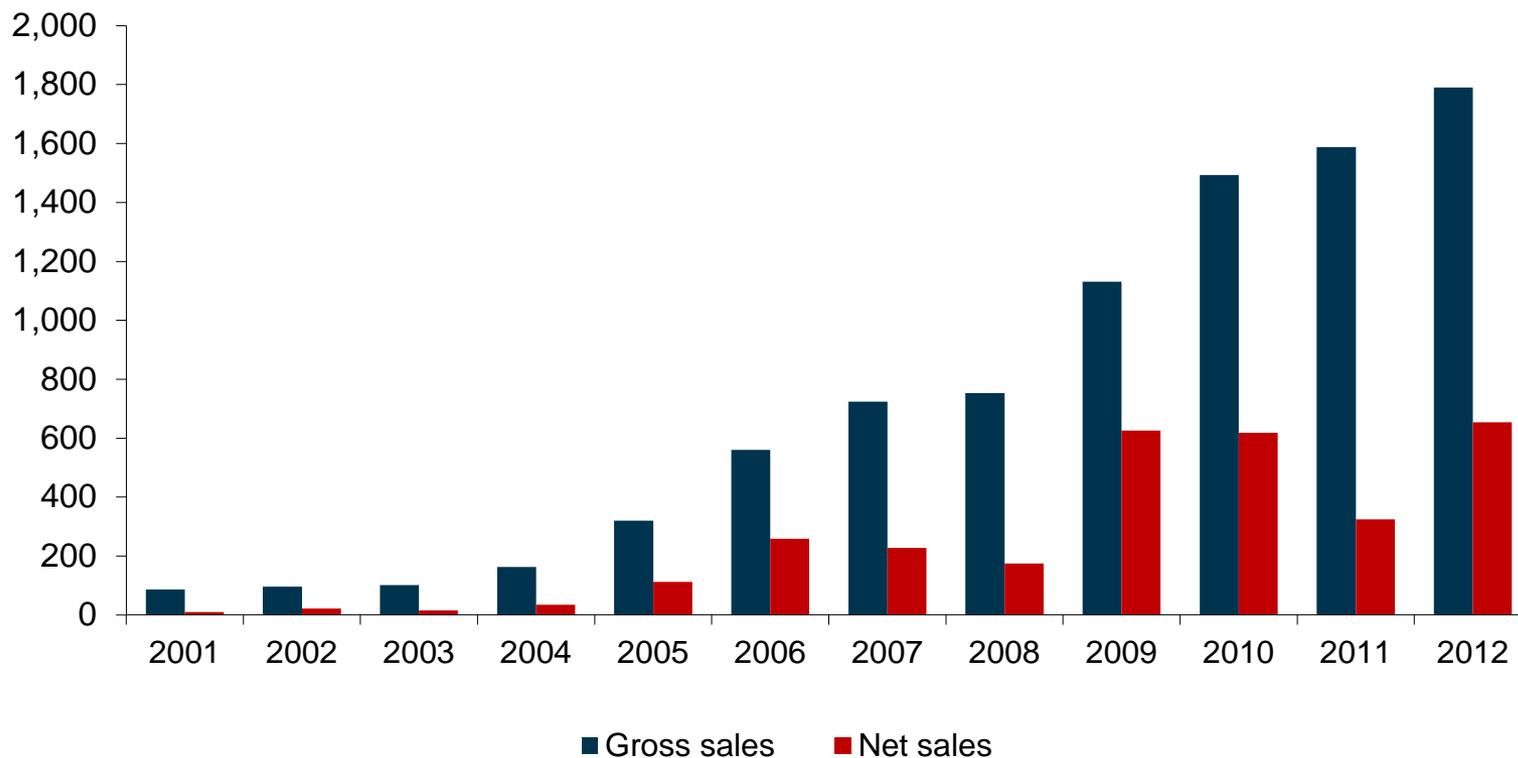


<sup>1</sup> Excludes Asia MMF

# Asset Management

## M&G net retail sales

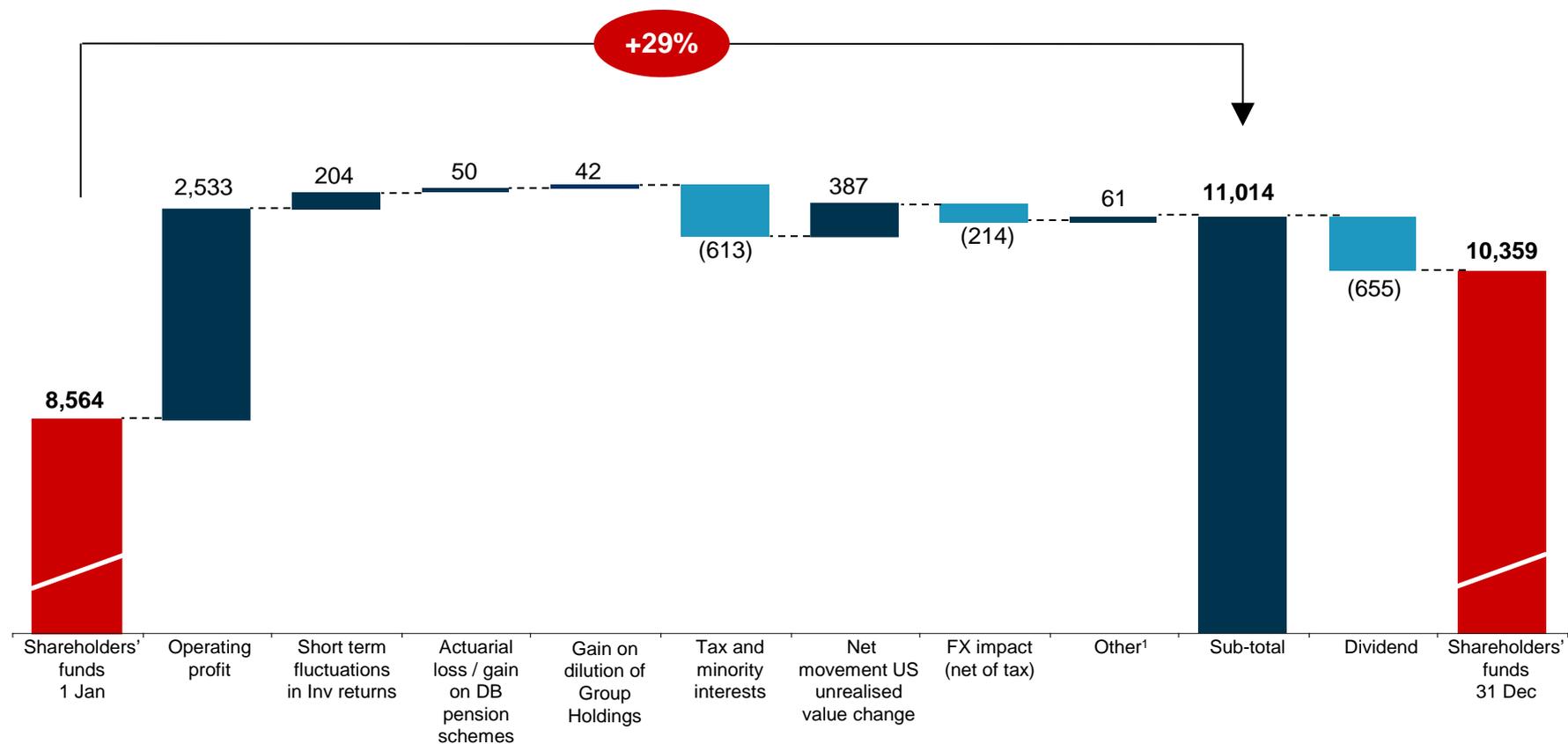
Average monthly gross and net retail sales, £m



# IFRS shareholders' funds

## 2012 movement

### Analysis of movement in IFRS shareholders' funds, £m



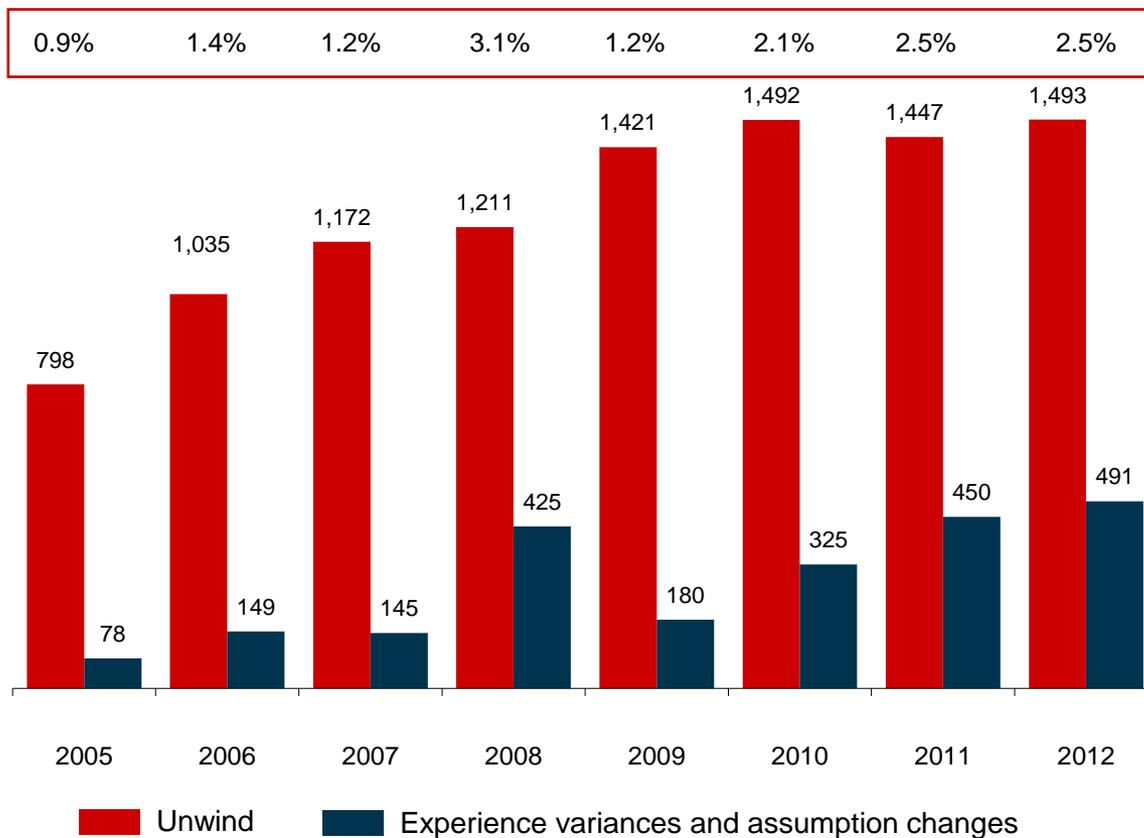
¹ Includes REALIC of £19m

# EEV operating profit

## Life operating variances – Group

### Group Life operating variances, £m

Experience variances and assumption changes % opening EEV<sup>1</sup>



<sup>1</sup> Opening EEV of Life operations, excluding goodwill.

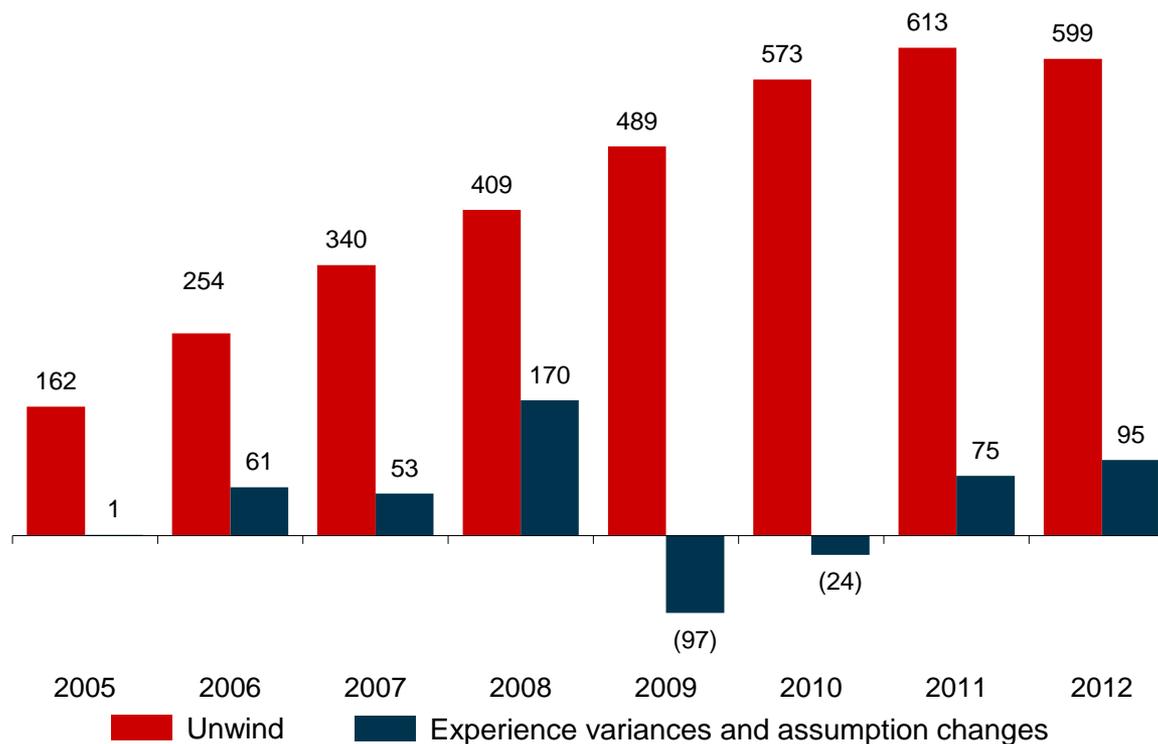
# EEV operating profit

## Life operating variances – Asia

### Asia Life operating variances, £m

Experience variances and assumption changes % of opening EEV<sup>1</sup>

0.1%	3.1%	2.1%	4.6%	(1.8)%	(0.4)%	1.0%	1.1%
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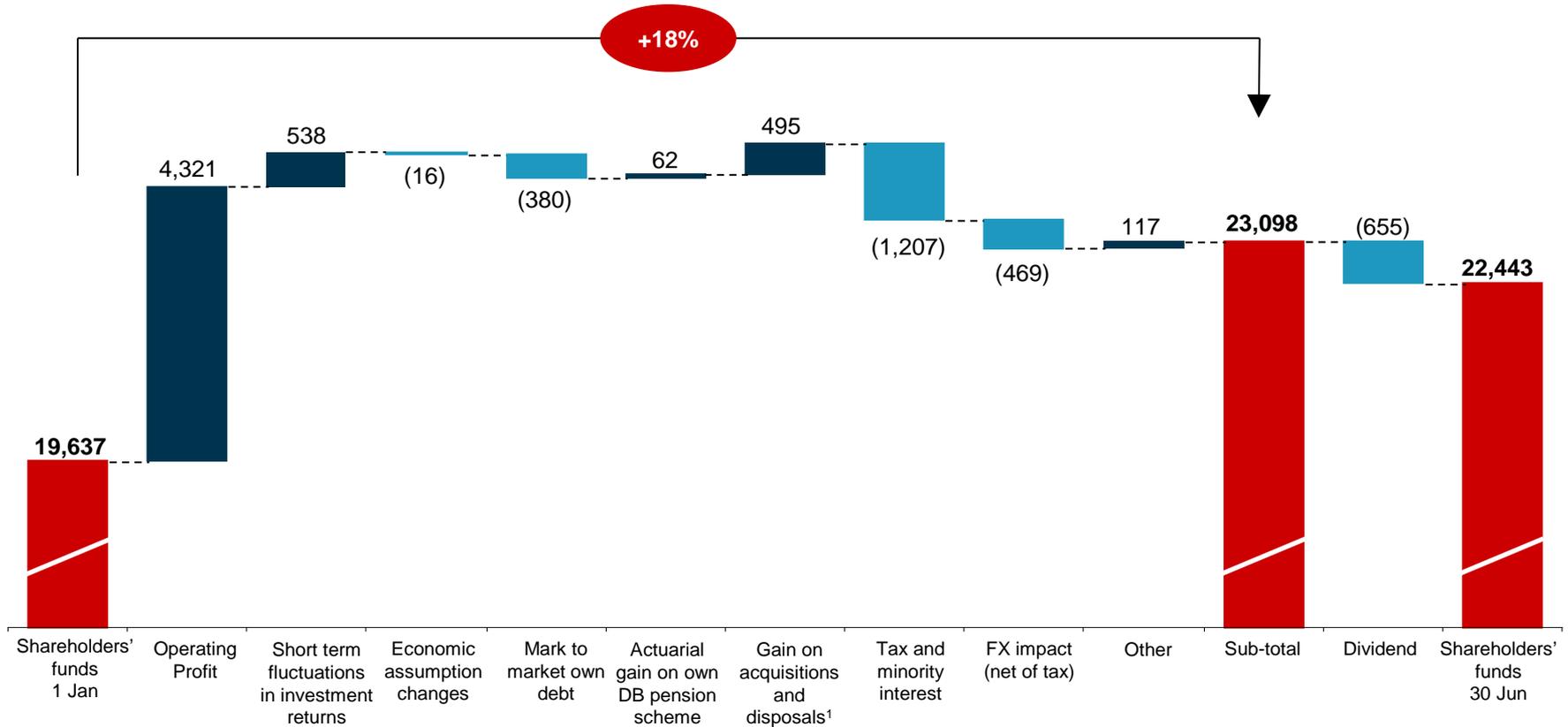


<sup>1</sup> Opening EEV of Life operations, excluding goodwill.

# EEV shareholders' funds

## 2012 movement

### Analysis of movement in EEV shareholders' funds, £m

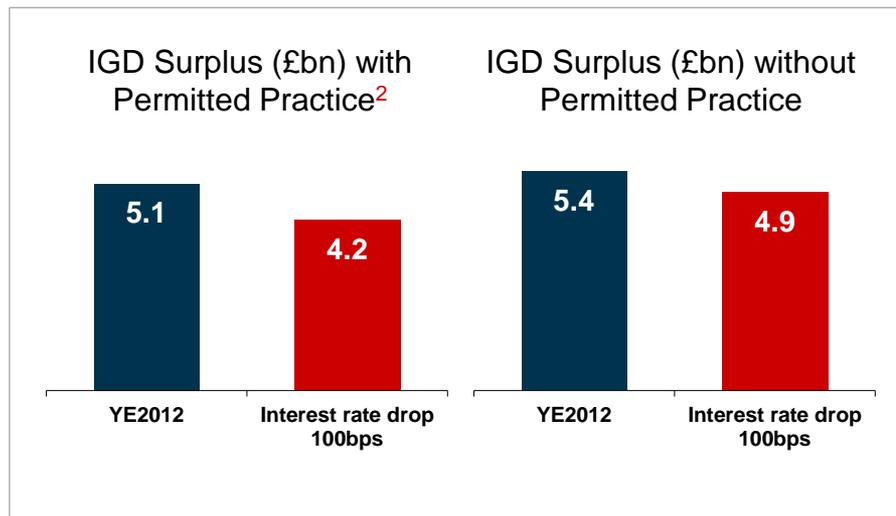


<sup>1</sup> Includes £453m gain on acquisition of REALIC and £42m gain on dilution of Group's holdings in PPM South Africa

### IGD sensitivity analysis

20% fall in equity markets	£(450)m
40% fall in equity markets <sup>1</sup>	£(950)m
10x expected defaults	£(700)m

#### 100bps fall in interest rate



- Sensitivities shown are as at 31 December 2012, based on Jackson's contribution to IGD capital at that time
- Based on revised contribution of Jackson to IGD calculation, equity market fall sensitivities would have increased by £50m as at 31 December. Other sensitivities unchanged.
- With Jackson's permitted practice<sup>2</sup> in place, impact of 100bps fall in interest rate would be to reduce IGD surplus to £4.2bn
- Without Jackson's permitted practice<sup>2</sup> in place, impact of 100bps fall in interest rate would be to reduce IGD surplus to £4.9bn

1. The 40% fall in equity markets assumes a 20% immediate fall followed by a 20% fall over the next 20-trading days.

2. The current regulatory permitted practice used by JNL in relation to SSAP86 values all interest rate swaps at book value rather than fair value.

# IGD capital

## Movement during the period

### IGD capital – movement in 2012 (£bn)

---

<b>IGD surplus 31 December 2011</b>	<b>4.0</b>
Net capital generation	2.5
Market movement impact incl fx impact	(0.3)
2011 Dividend payment	(0.7)
External financing and other central costs (net of tax)	(0.4)
<b>IGD surplus 31 December 2012</b>	<b>5.1</b>

# Invested assets

## Group overview

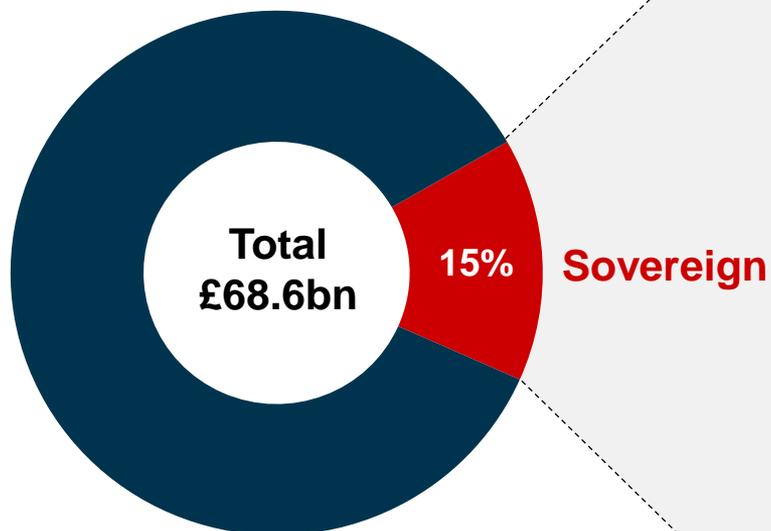
### Breakdown of invested assets – 2012, £bn

	Total Group	PAR Funds	Unit-Linked	Shareholders				
				Asia Life	US Life	UK Life	Other	Total
Debt securities	140.1	62.0	9.5	6.7	33.0	27.0	1.9	<b>68.6</b>
Equity	100.0	25.1	73.9	0.7	0.3	0.0	0.0	<b>1.0</b>
Property Investments	10.9	8.7	0.6	0.0	0.0	1.6	0.0	<b>1.6</b>
Commercial mortgage loans	7.7	1.3	0.0	0.4	3.5	1.3	1.2	<b>6.4</b>
Other loans	4.1	1.4	0.0	0.0	2.7	0.0	0.0	<b>2.7</b>
Deposits	12.7	9.5	1.4	0.5	0.2	1.0	0.1	<b>1.8</b>
Other Investments	7.9	4.7	0.0	0.4	2.3	0.4	0.1	<b>3.2</b>
<b>Total</b>	<b>283.4</b>	<b>112.7</b>	<b>85.4</b>	<b>8.7</b>	<b>42.0</b>	<b>31.3</b>	<b>3.3</b>	<b>85.3</b>

# Invested assets

## Group shareholder exposures – Sovereign debt

Breakdown of the shareholder debt securities portfolio, %



SH sovereign exposures by regions & ratings<sup>1</sup>, £m

	US	UK	Europe	Asia	Other	Total
AAA	-	3,432	444	120	1	3,997
AA-BBB	3,585	-	120	1,932	24	5,661
Below BBB	-	-	-	790	-	790
<b>Total</b>	<b>3,585</b>	<b>3,432</b>	<b>564</b>	<b>2,842</b>	<b>25</b>	<b>10,448</b>

Europe by key countries, £m

	Germany	“PIIGS”	Other	Total
Europe	444	52	68	564

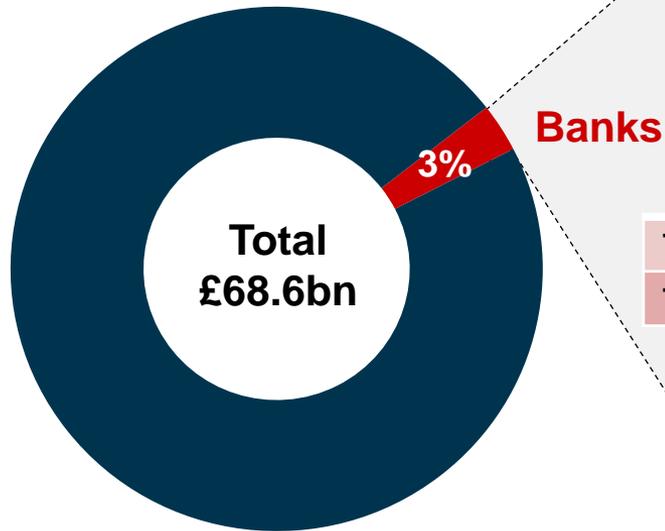
	Portugal	Italy	Ireland	Greece	Spain	Total
PIIGS	-	51	-	-	1	52

<sup>1</sup> Includes Credit Default Swaps.

# Invested assets

## Group shareholder exposures – hybrid bank debt

Breakdown of the shareholder debt securities portfolio, %



Exposure to Tier 1 and Tier 2 hybrid bank debt, £m

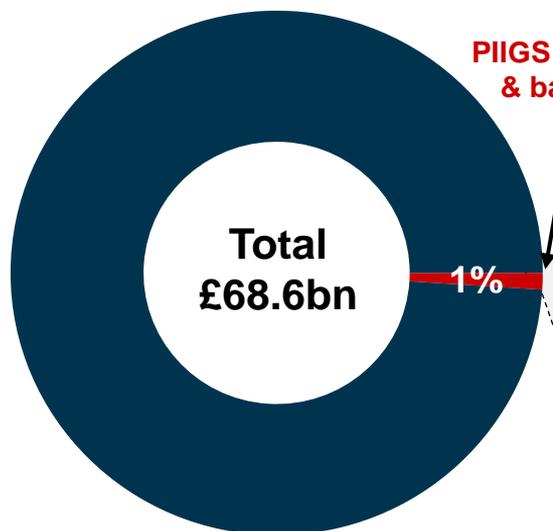
	US	UK	France	Germany	“PIIGS”	Other Eurozone	Other	Total
<b>Tier 2</b>	467	700	72	18	34	97	352	<b>1,740</b>
<b>Tier 1</b>	6	99	43	-	3	80	220	<b>451</b>

<sup>1</sup> Includes Credit Default Swaps.

# Resilient balance sheet

Total PIIGS sovereign and bank debt of only £312m

## Breakdown of the shareholder debt securities portfolio, %



## Shareholder invested assets – PIIGS countries as at 31 December 2012, £m

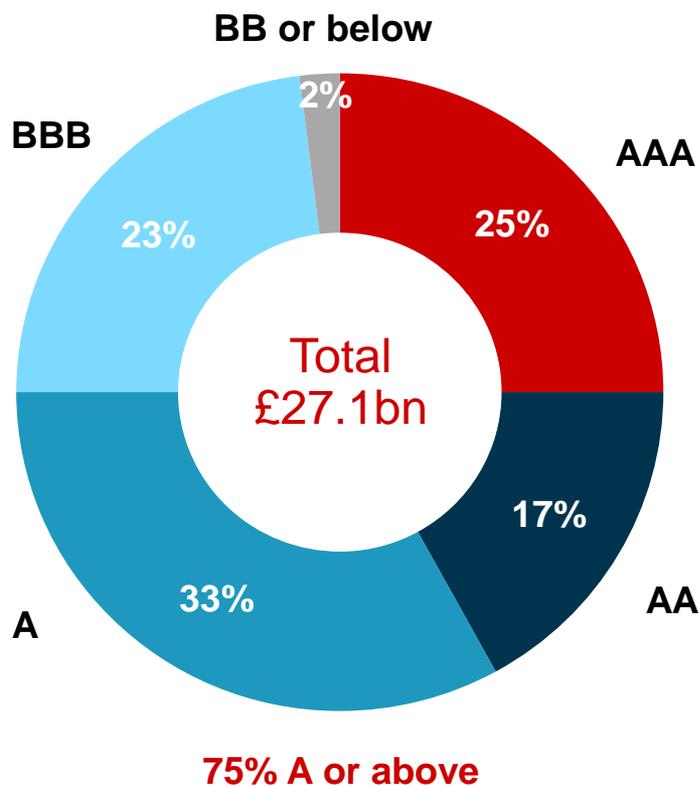
	Sovereign		Bank debt				Total
		Institution	Covered	Senior	Tier II	Tier I	
<b>Portugal</b>	-	Banco Espirito Santo BCP Finance Bank	-	21	-	-	<b>21</b>
<b>Ireland</b>	-	Bank of Ireland	-	16	-	-	<b>16</b>
<b>Italy</b>	<b>51</b>	Intesa SanPaolo Unicredit Spa	-	29	-	10	<b>29</b>
<b>Greece</b>	-	-	-	-	-	-	<b>-</b>
<b>Spain</b>	<b>1</b>	Santander	130	11	24	3	<b>168</b>
<b>Total</b>	<b>52</b>		130	93	34	3	<b>260</b>

**Total PIIGS sovereign & bank debt = £312m**

# Invested assets

## UK asset quality – credit reserve

### UK shareholder debt securities portfolio by rating<sup>1</sup>



### Strength of the £2.1bn credit reserve

- No defaults of shareholder-backed debt securities
- Continued sale of financial subordinated debt holdings
- Allowance for credit risk as at 31 December 2012 materially in line with prior year<sup>2</sup>
  - Pillar 1 (IGD) 65 bps (2011: 66 bps)
  - IFRS 42 bps (2011: 42 bps)
- Pillar 1 and EEV assumptions equivalent to 40% of current spread over swaps (FY 2011: 33%)<sup>2</sup>

<sup>1</sup> Ratings from different agencies aggregated for presentational purpose. Also includes internal ratings.

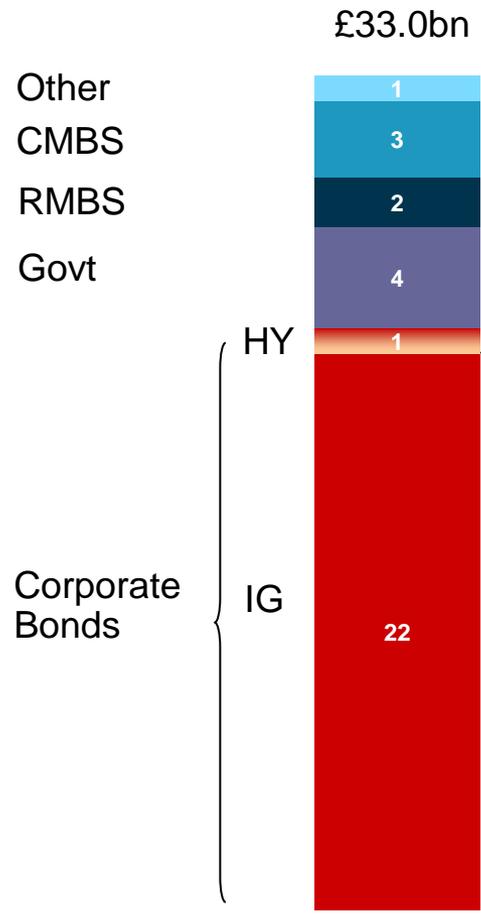
<sup>2</sup> For Prudential Retirement Income Limited (PRIL).

# Invested assets

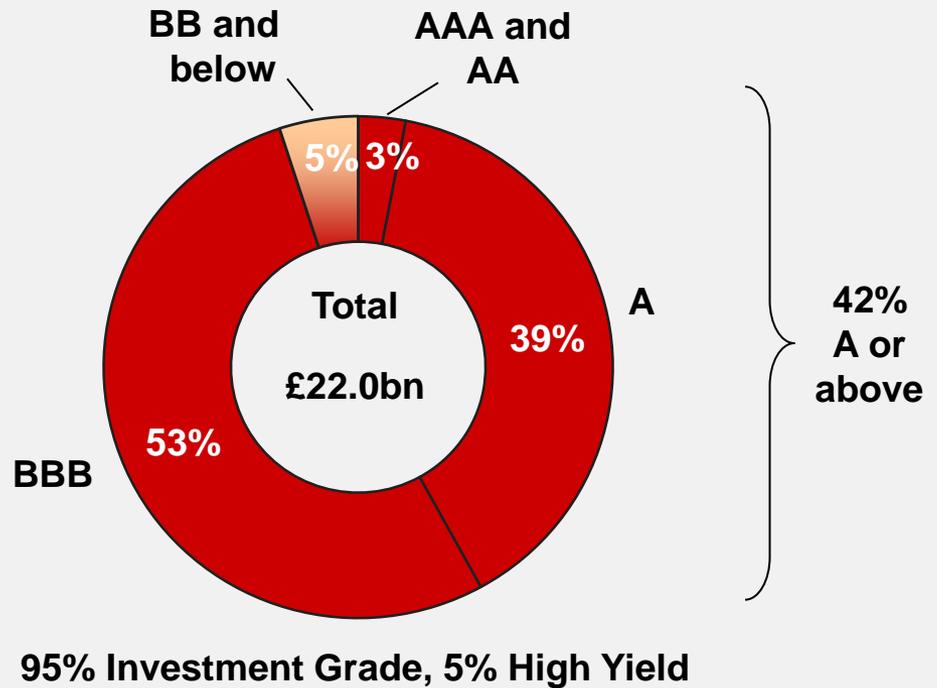
## US asset quality – corporate debt portfolio (1/3)

### US Shareholder Debt Securities Portfolio

Market value, £bn



### Corporate Bond Portfolio, % by rating

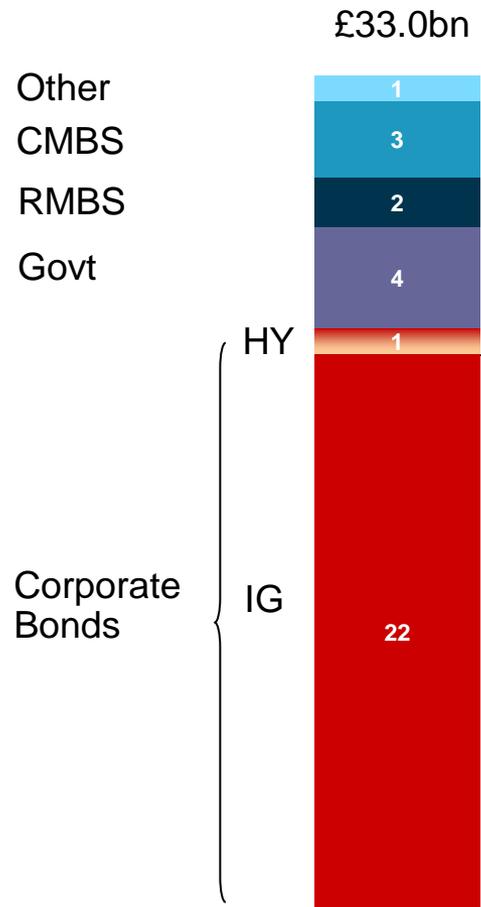


# Invested assets

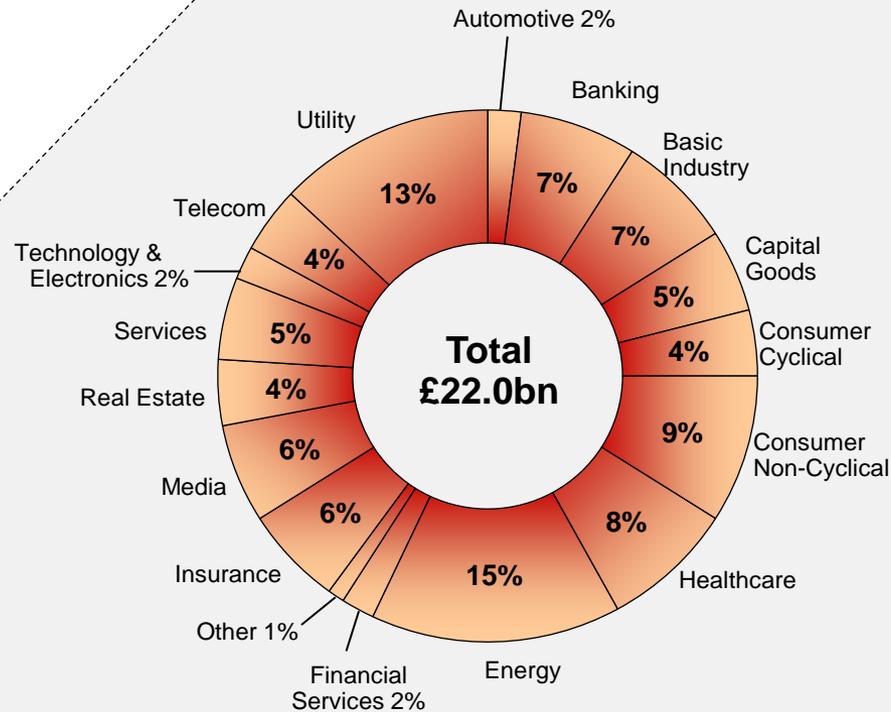
## US asset quality – corporate debt portfolio (2/3)

### US Shareholder Debt Securities Portfolio

Market value, £bn



### Investment Grade Corporate Bond Portfolio, % by sector



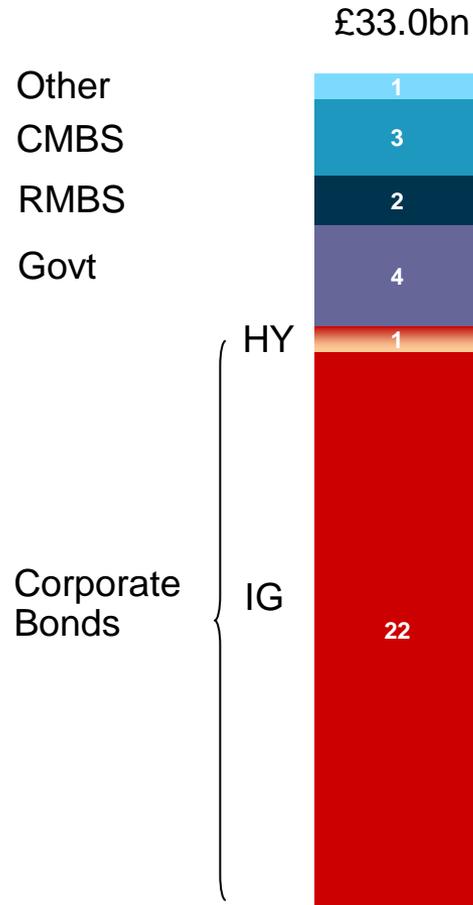
- Portfolio spread over 707 issuers, with an average holding of £31m

# Invested assets

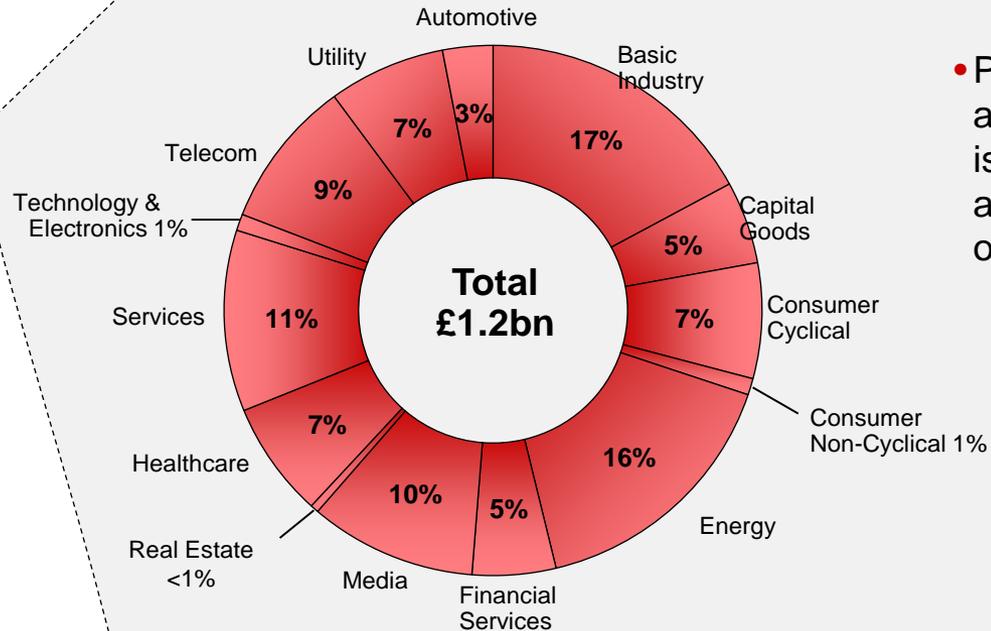
## US asset quality – corporate debt portfolio (3/3)

### US Shareholder Debt Securities Portfolio

Market value, £bn



### High Yield Corporate Bond Portfolio, % by sector



- Portfolio spread across 154 issuers, with an average holding of £8m

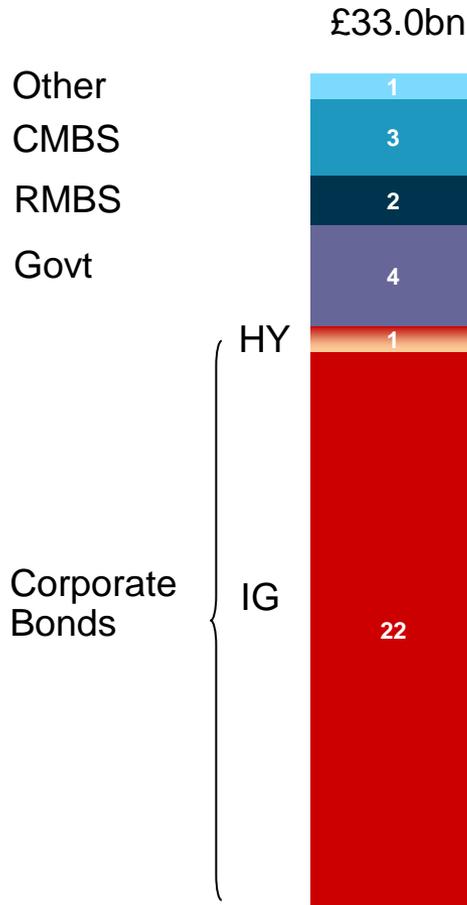


# Invested assets

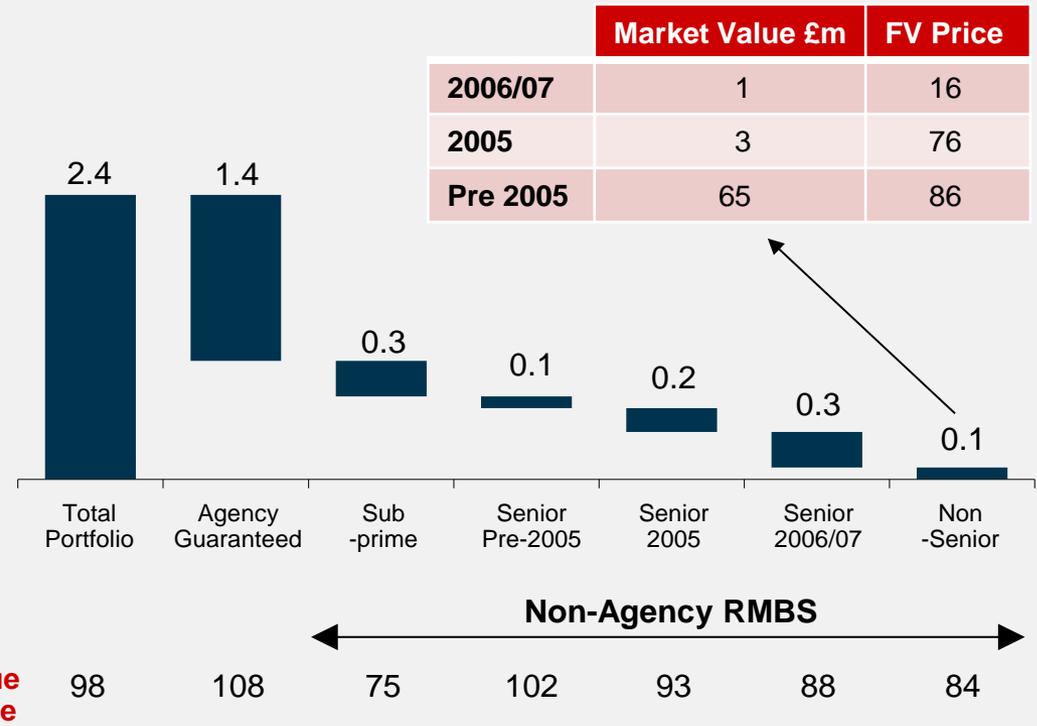
## US asset quality – RMBS portfolio

### US Shareholder Debt Securities Portfolio

Market value, £bn



### Breakdown of the RMBS portfolio – £bn

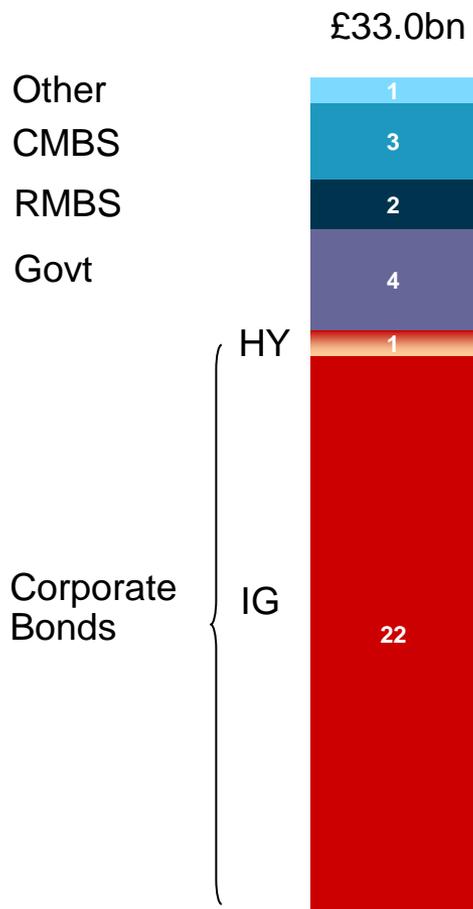


# Invested assets

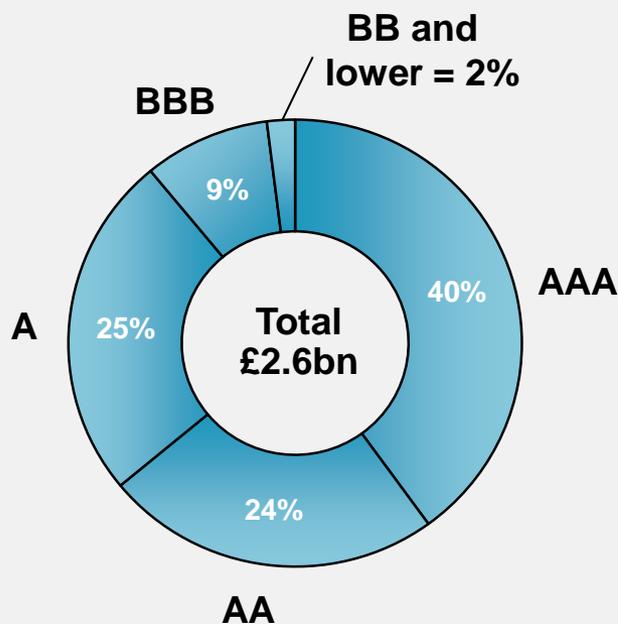
## US asset quality – CMBS portfolio

### US Shareholder Debt Securities Portfolio

Market value, £bn



### CMBS portfolio, % by rating

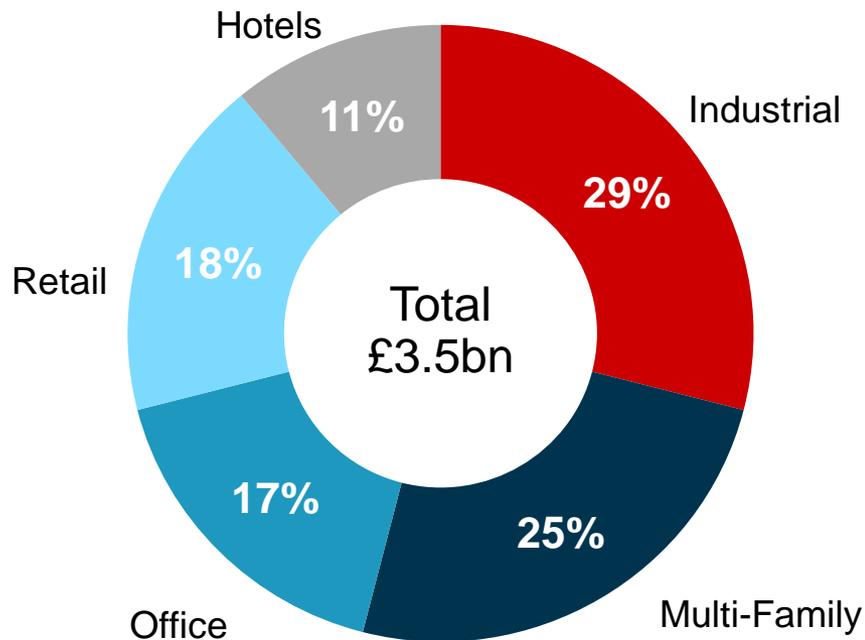


- Average credit enhancement of the non-agency portfolio is 31%
- 72% of the portfolio is super senior tranches

# Invested assets

## US asset quality – commercial mortgage loan portfolio

### Breakdown by property type, %

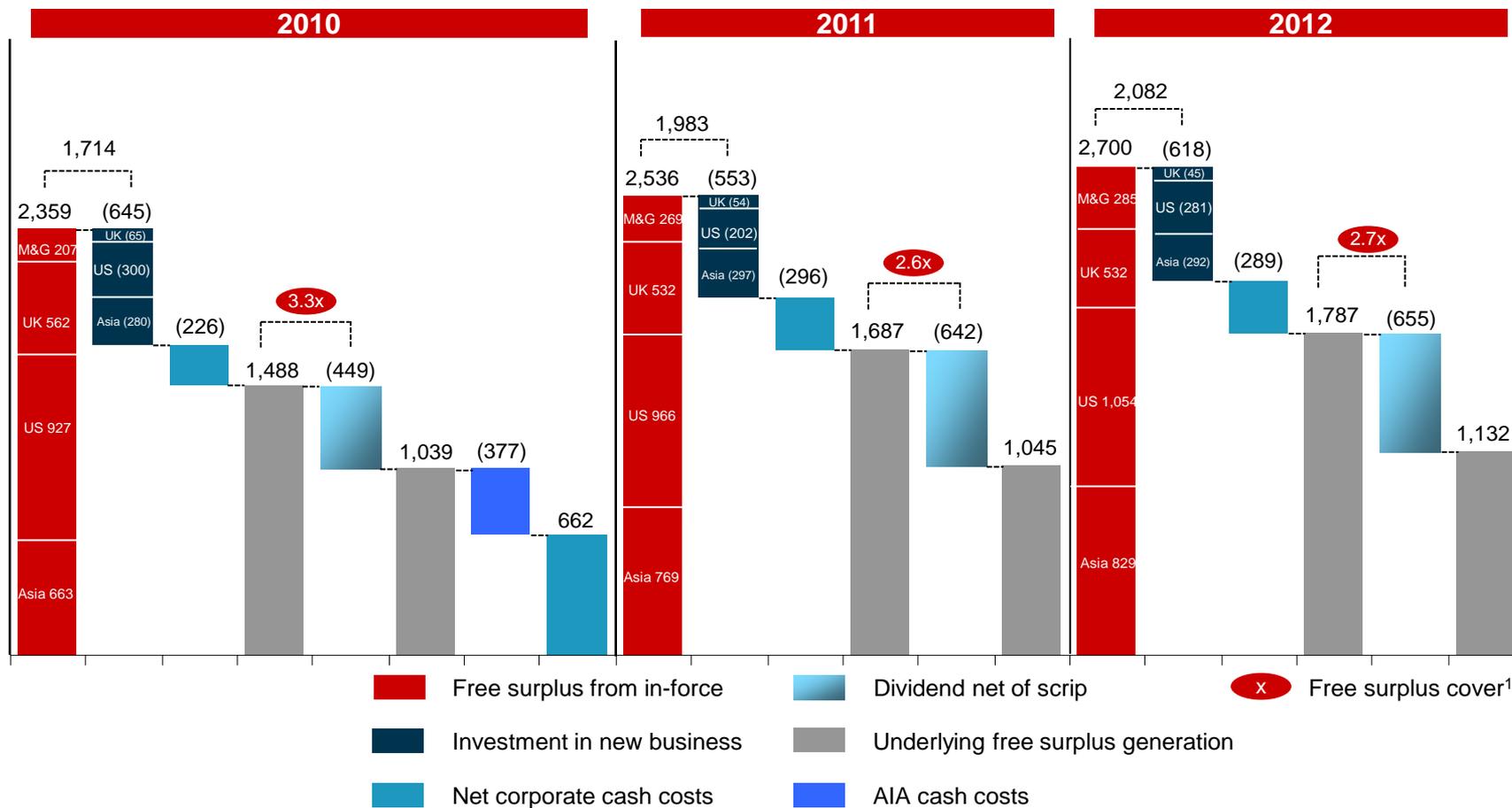


- High level of diversification
  - Average loan size of £6m
  - Spread across property type
  - Geographic diversification
- Strong underwriting discipline
  - Portfolio performing well in current environment
  - Current average LTV of 65%
  - Problem loan balances at 31 December 2012
    - Loans with restructured terms £79m
    - 1 loan currently in process of foreclosure (£0.4m)
    - 1 loan is 90+ days delinquent (£0.6m)
  - £5.2m of write-downs in 2012
  - £3.5m increase in specific reserves, offset by a £3.3m decrease in general reserve

# Cash and capital

## Underlying free surplus

### Underlying free surplus generation, £m

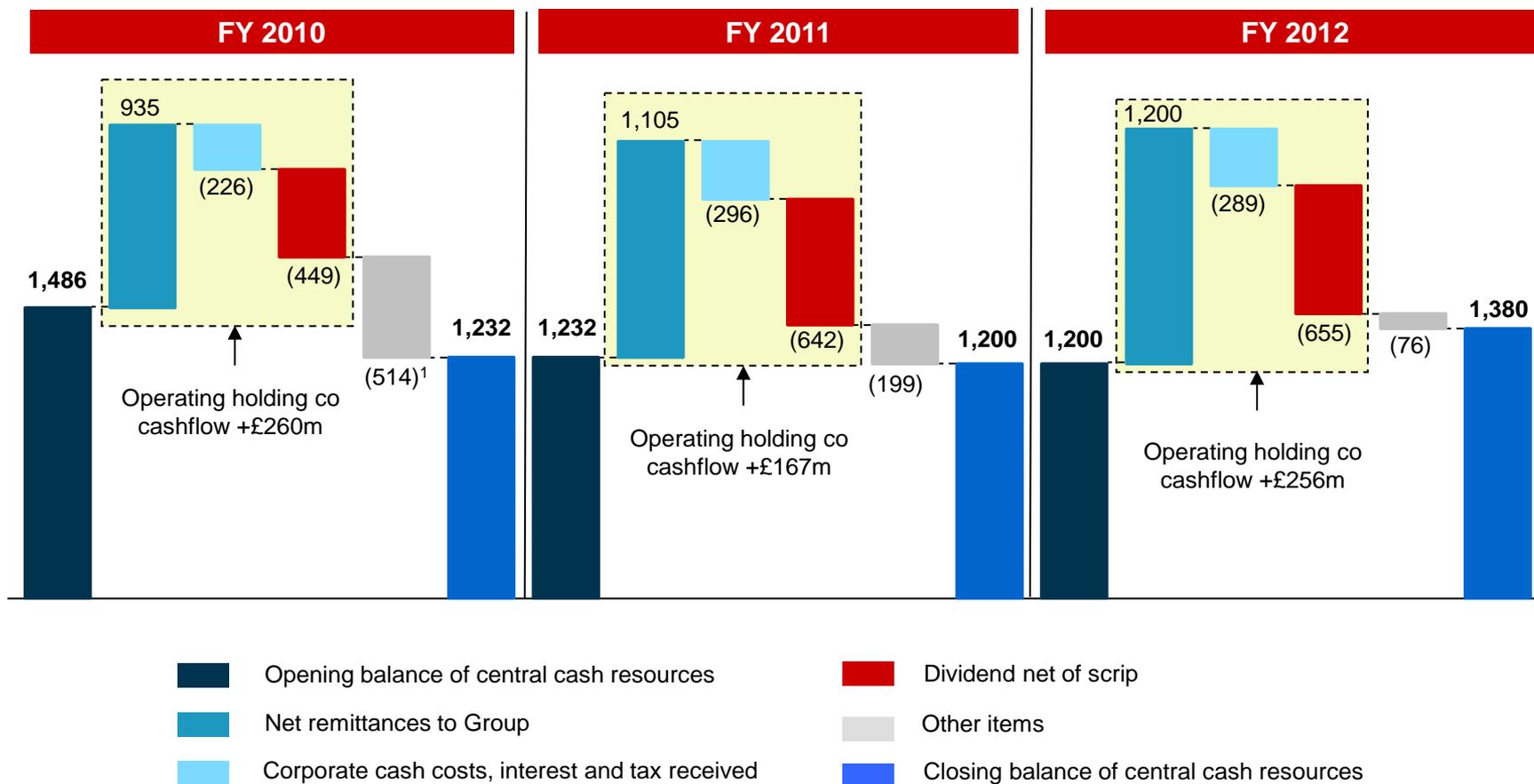


<sup>1</sup> Ratio of Operating underlying free surplus generated by life and asset management businesses net of investment of new business and corporate cash costs to cash dividend paid in the period.

# Cash and capital

## Central cash resources

### Development of central cash resources, £m



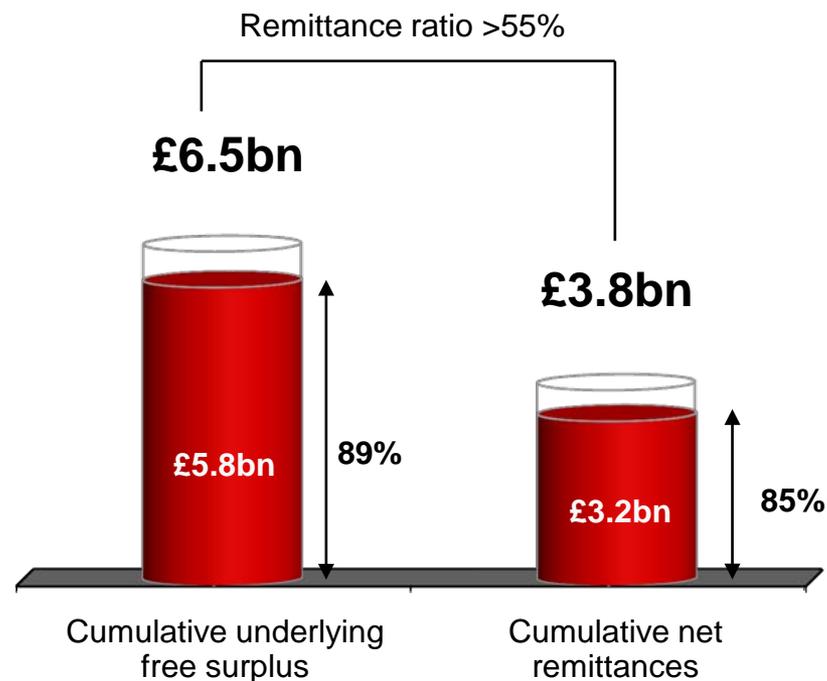
<sup>1</sup> Including £377m of costs of terminated AIA transaction.

# Cash and capital

## Net remittances (1/2)

	2009 £m	2010 £m	2011 £m	2012 £m	Target 2013
UK with-profit	284	202	223	216	350
UK shareholder-backed <sup>1</sup>	150	218	74	97	
US	39	80	322	249	260 <sup>4</sup>
Asia <sup>2</sup>	40	233	206	341	300
M&G <sup>3</sup>	175	202	280	297	
<b>Net remittances to group</b>	<b>688</b>	<b>935</b>	<b>1,105</b>	<b>1,200</b>	

### Group objectives 2010-13, £bn



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

<sup>2</sup> Remittances from Asia in 2012 include net remittance of £27 million, representing cash from sale of Group's holding in China Life Insurance Company in Taiwan offset by repayment of funding contingent on future profits of the Hong Kong life insurance operations.

<sup>3</sup> 2010 remittances included a one-off remittance of £130 million, representing the accumulation of historic distributable reserves.

<sup>4</sup> Including Prudential Capital.

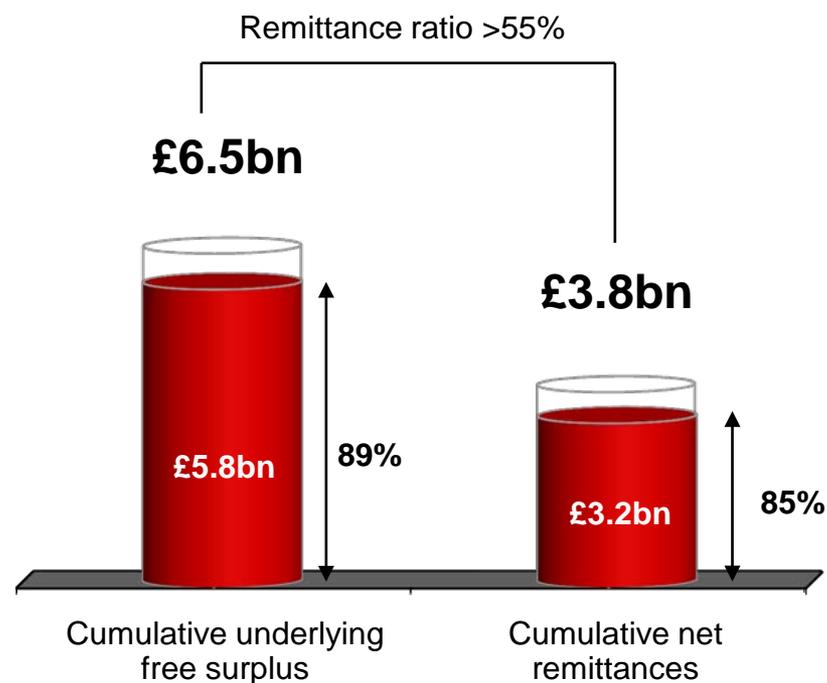
<sup>5</sup> Net remittances from Jackson in 2011 include releases of excess surplus to Group.

# Cash and capital

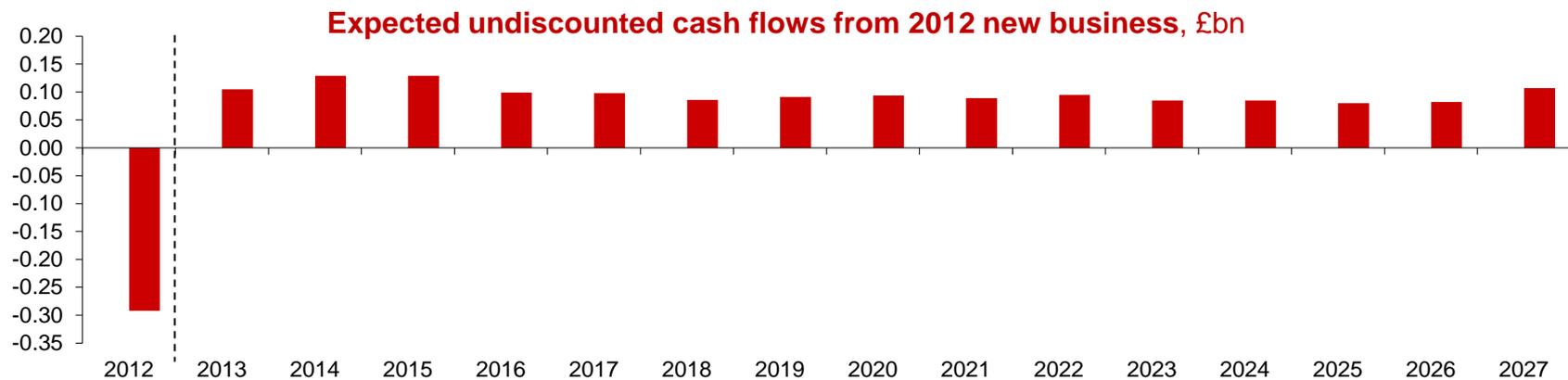
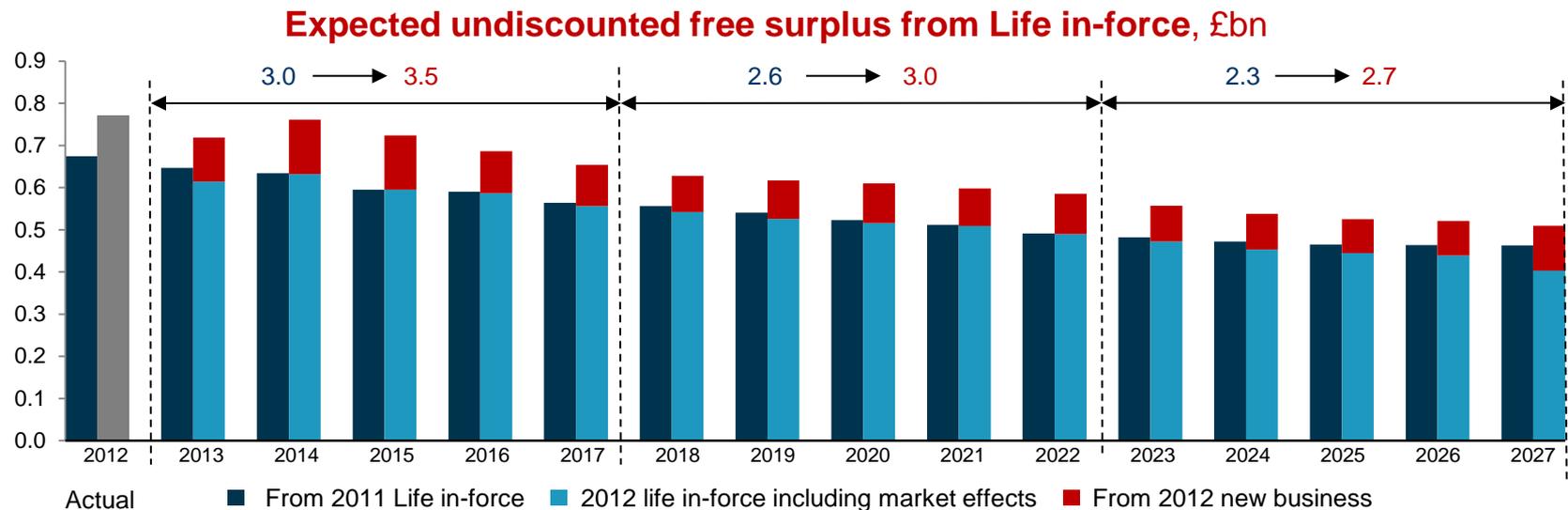
## Net remittances (2/2)

### Group objectives 2010-13, £bn

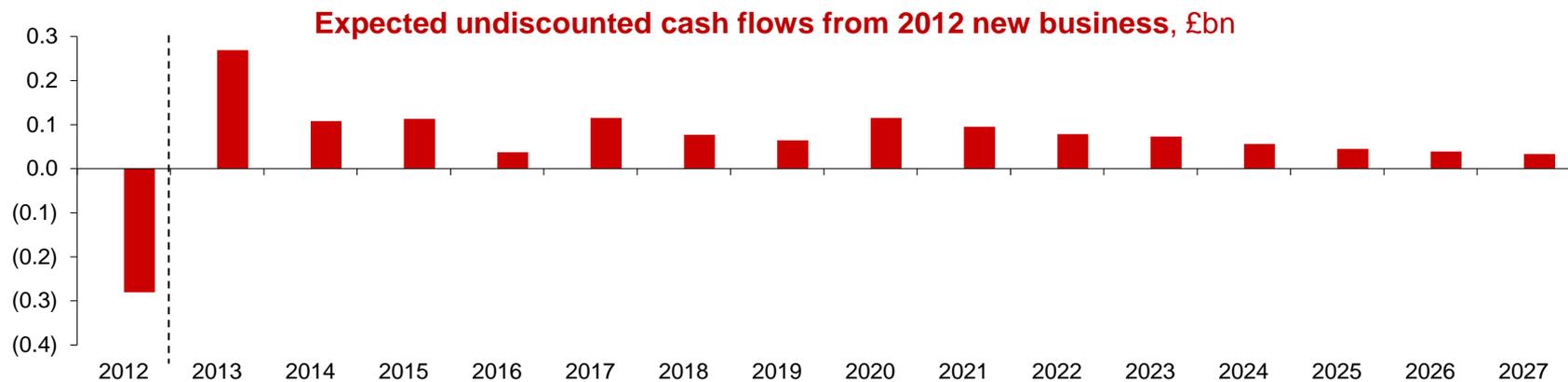
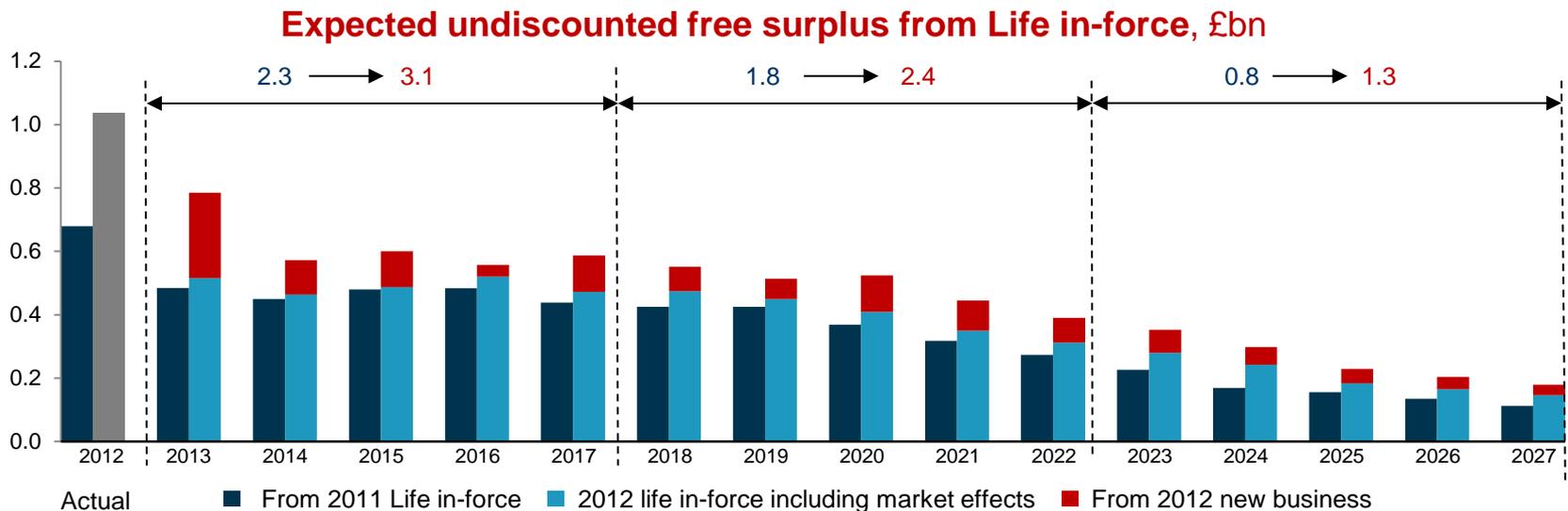
£m	2010	2011	2012	2010-13 Total
Actual free surplus	1,690	1,862	1,923	
Operating variances	220	188	295	
Expected return on free assets	139	110	96	
Asset management profits	310	376	386	
Investment in new business	(645)	(553)	(618)	
<b>Underlying free surplus generated</b>	<b>1,714</b>	<b>1,983</b>	<b>2,082</b>	<b>6,500</b>
<b>Remittance</b>	<b>935</b>	<b>1,105</b>	<b>1,200</b>	<b>3,800</b>
<b>Remittance ratio</b>	<b>55%</b>	<b>56%</b>	<b>58%</b>	



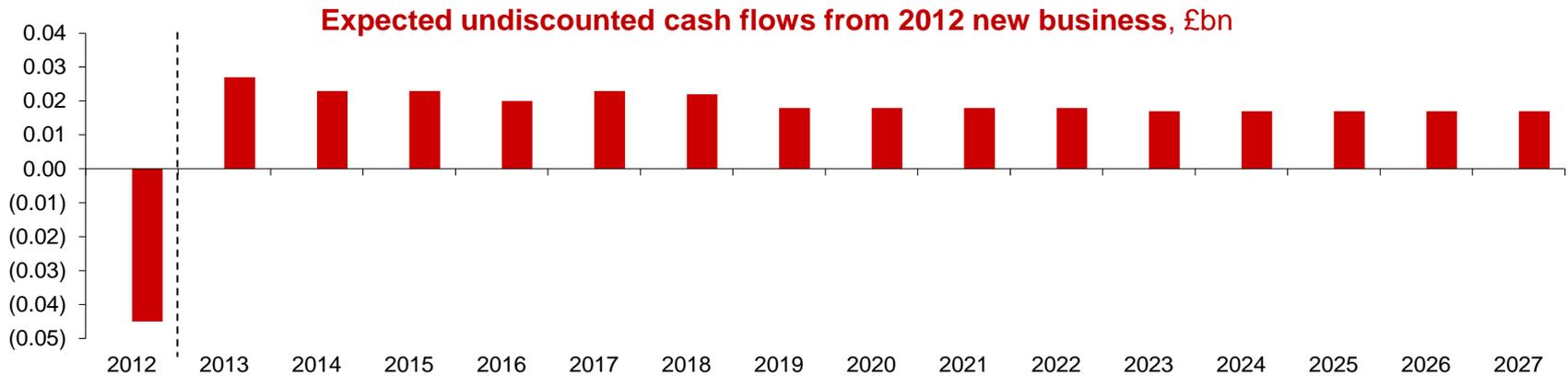
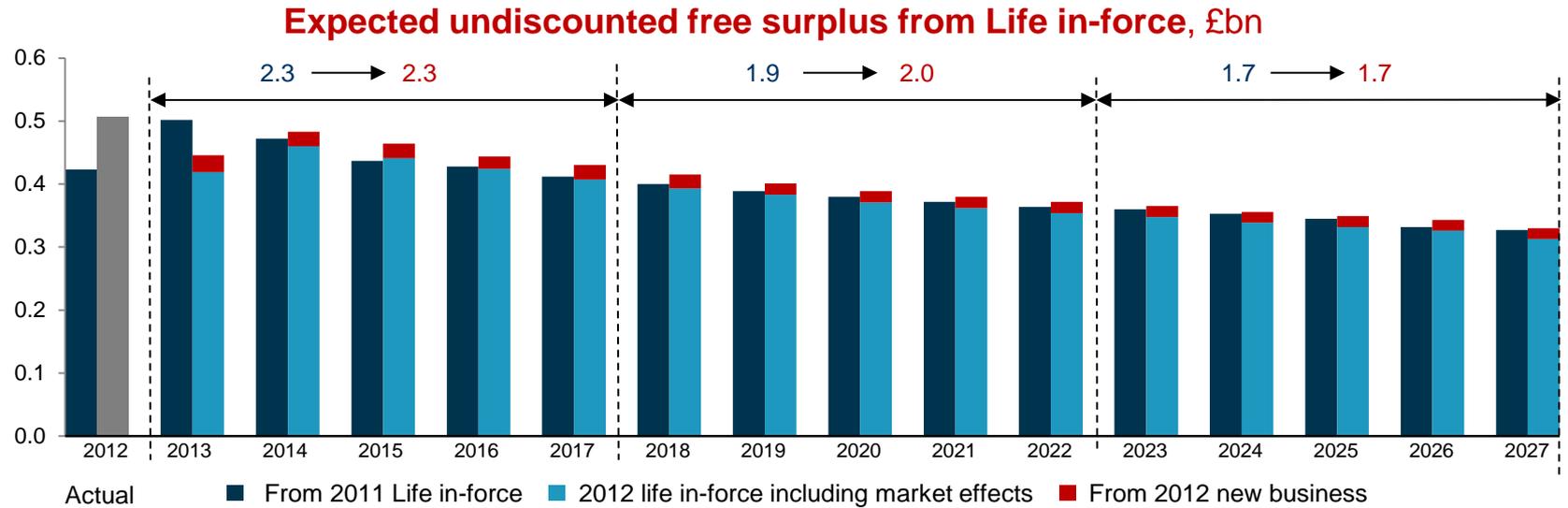
# Future free surplus emergence Asia



# Future free surplus emergence US



# Future free surplus emergence UK





# Prudential plc 2012 Full Year Results

## Delivering 'Growth and Cash'

13 March 2013