



# Prudential plc 2013 Full Year Results

## Delivering 'Growth and Cash'

12 March 2014

## Forward-Looking Statements

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, future market conditions, including fluctuations in interest rates and exchange rates and 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 related to the financial crisis and the effect of the European Union's 'Solvency II' requirements on Prudential's capital maintenance requirements; the impact of continuing designation as a Global Systemically Important Insurer or 'G-SII'; the impact of competition, economic growth, inflation, and deflation; experience in particular with regard to 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 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 actions 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 the preliminary document.

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.

# Prudential plc 2013 full year results

## Agenda

**Business Review**

**Tidjane Thiam**

**Financial Review**

Nic Nicandrou

**Outlook**

Tidjane Thiam

## Group Performance

Asia

Jackson

UK Life

M&G

Cash

# 2013 full year financial headlines

## Strong performance on key metrics

	£m	2013	2012	Change AER <sup>1</sup> (%)	Change CER <sup>1</sup> (%)
<b>Growth</b>	<b>IFRS operating profit<sup>2</sup></b>	<b>2,954</b>	2,520	+17%	+18%
	<b>New business profit</b>	<b>2,843</b>	2,452	+16%	+17%
	<b>EEV operating profit</b>	<b>5,580</b>	4,313	+29%	+31%
<b>Cash</b>	<b>Free surplus generation</b>	<b>2,462</b>	2,080	+18%	+18%
	<b>Net remittance</b>	<b>1,341</b>	1,200	+12%	
	<b>Dividend per share (pence)</b>	<b>33.57</b>	29.19	+15%	
<b>Capital</b>	<b>IGD (£bn)</b>	<b>5.1</b>	5.1		
	<b>Economic capital ratio<sup>3</sup></b>	<b>257%</b>	215%		
	<b>EEV per share (pence)</b>	<b>971</b>	878	+11%	

<sup>1</sup> AER: Actual Exchange Rate. CER: Constant Exchange Rate.

<sup>2</sup> 2012 adjusted for new and amended accounting standards and excludes Japan Life.

<sup>3</sup> The economic capital ratio is based on outputs from the Group's Solvency II internal model which will be subject to Prudential Regulation Authority (PRA) review and approval before its formal adoption in 2016. We do not expect to submit our Solvency II internal model to the PRA for approval until 2015 and therefore the economic capital disclosures should not be interpreted as outputs from a PRA-approved internal model.

# 2013 Growth and Cash objectives

ALL objectives achieved

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

	£m	2009	2013	2013 Objective <sup>1</sup>		
					✓	
<b>Growth</b>	<b>Asia new business profit</b>	713	1,460	1,426	✓ 2013	1
	<b>Asia IFRS operating profit<sup>2</sup></b>	465	1,075	930	✓ 2012	2
<b>Cash</b>	<b>Asia net remittance</b>	40	400	300	✓ 2012	3
	<b>Jackson net remittance</b>	39	294	260 <sup>3</sup>	✓ HY 2013	4
	<b>UK net remittance</b>	284 <sup>4</sup>	355	350	✓ 2013	5
	<b>Group net remittance (cumulative)</b>	1,996 <sup>5</sup>	4,581	3,800	✓ HY 2013	6

<sup>1</sup> The objectives assume current exchange rates and a normalised economic environment consistent with the economic assumptions made by Prudential in calculating the EEV basis supplementary information for the half-year ended 30 June 2010.

They have been prepared using prevailing solvency rules. 2009 and 2012 are as originally reported. The comparatives represent results as reported in respective periods.

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

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

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

<sup>5</sup> 2005 to 2009 cumulative.



- Acquired 1.9 million customers in Asia
- Standard Chartered bancassurance partnership expanded and extended for 15 years
- Successful integration and launch of Thanachart
- Hong Kong with-profits domestication completed
- Launched Cambodia, Myanmar<sup>1</sup>
- Elite Access premiums tripled to \$4bn; 8<sup>th</sup> best selling VA in 2013<sup>2</sup>
- REALIC benefits delivered
- M&G accelerates expansion into Europe (FUM up 64% to £24bn)
- Entry into Ghana
- Omnibus II agreement reached on Solvency II

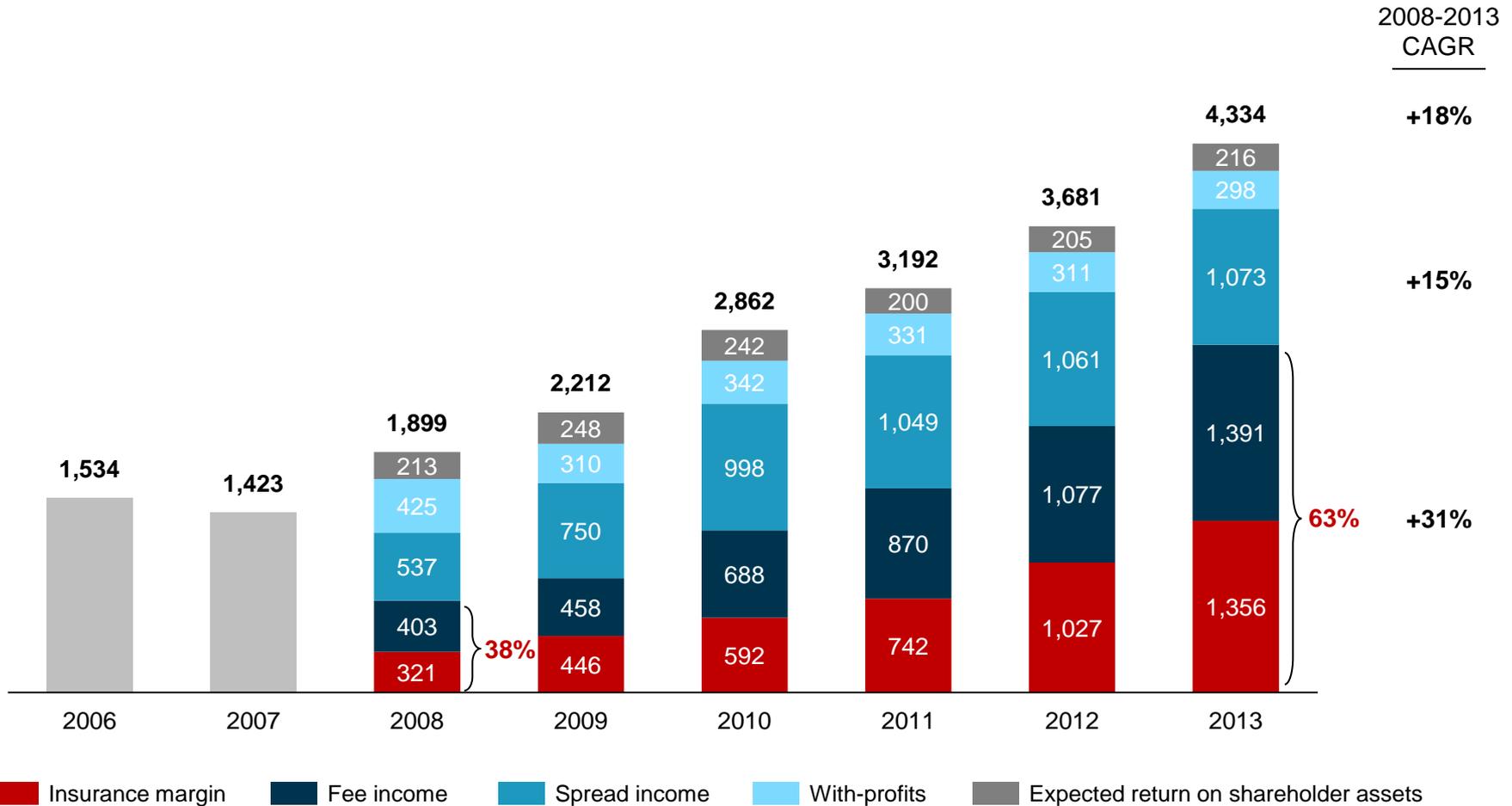
<sup>1</sup> Representative office.

<sup>2</sup> As at 9M 2013.

# Group

## High quality, growing earnings

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



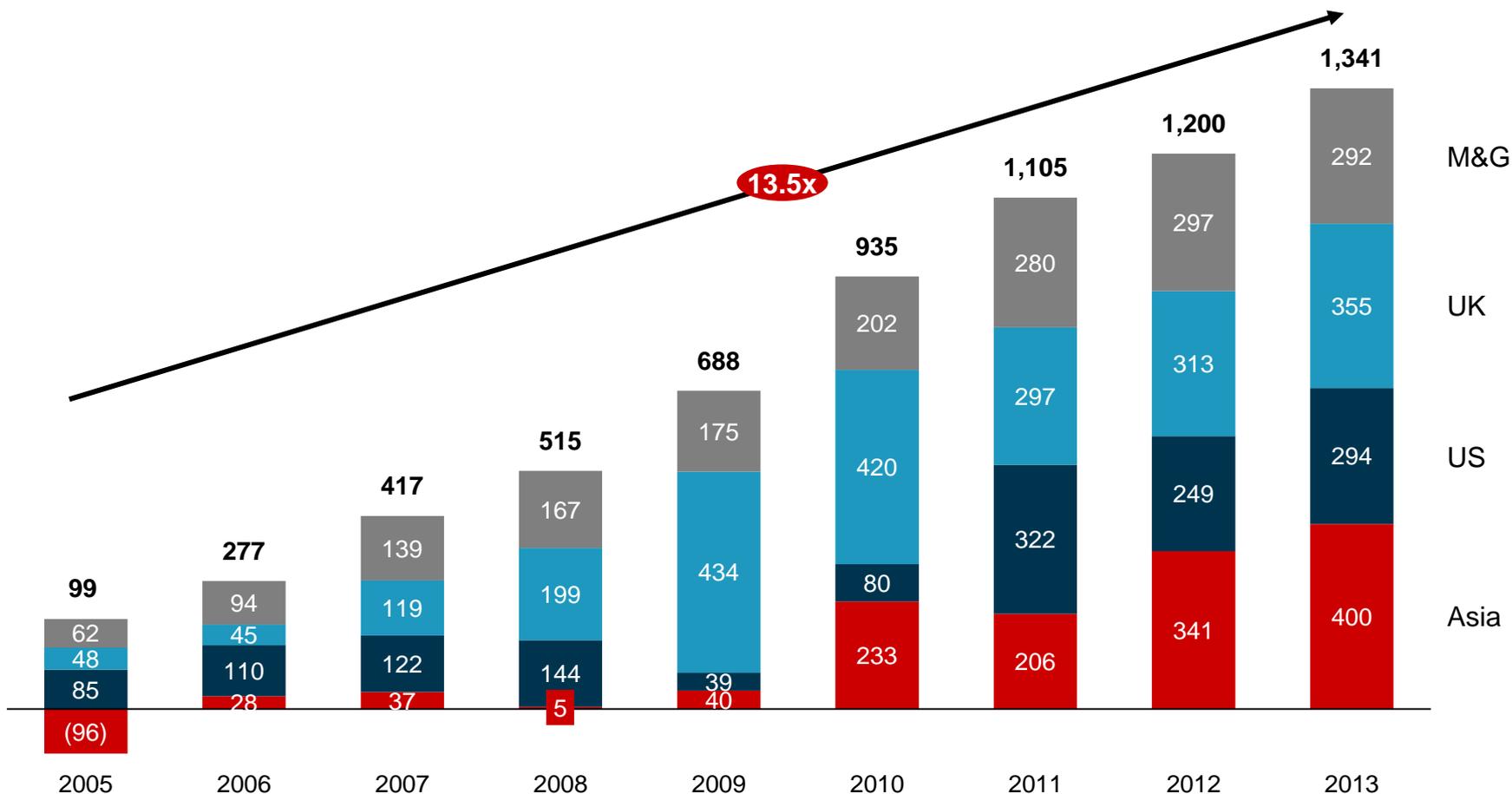
<sup>1</sup> Comparatives adjusted for new and amended accounting standards and excludes Japan Life. Figures for 2006 and 2007 are estimated.



# Group

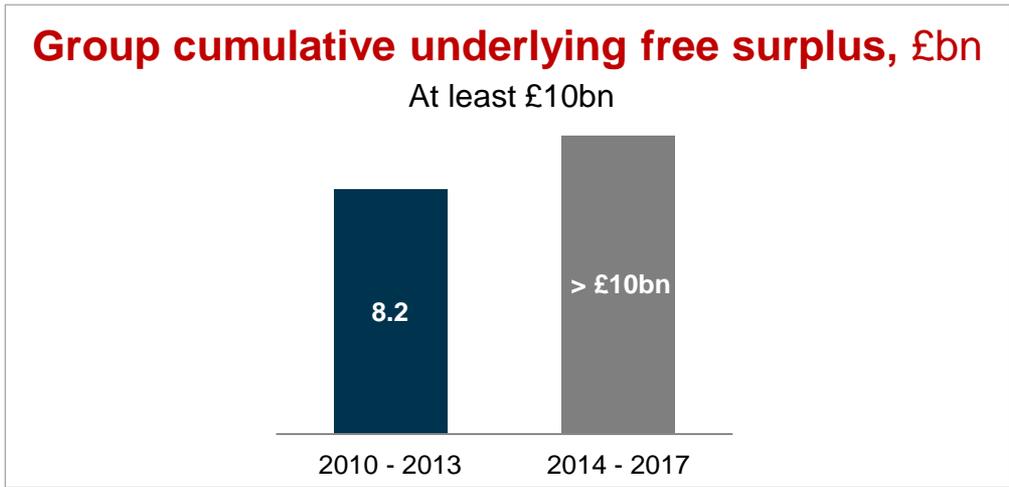
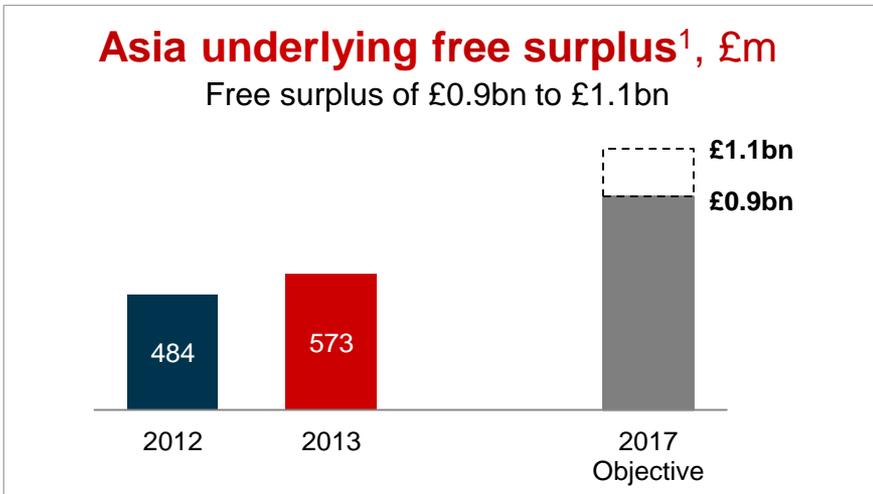
## Diversified sources of cash

### Net cash remittances, £m



# 2017 objectives

## A new set of challenging objectives



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

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

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

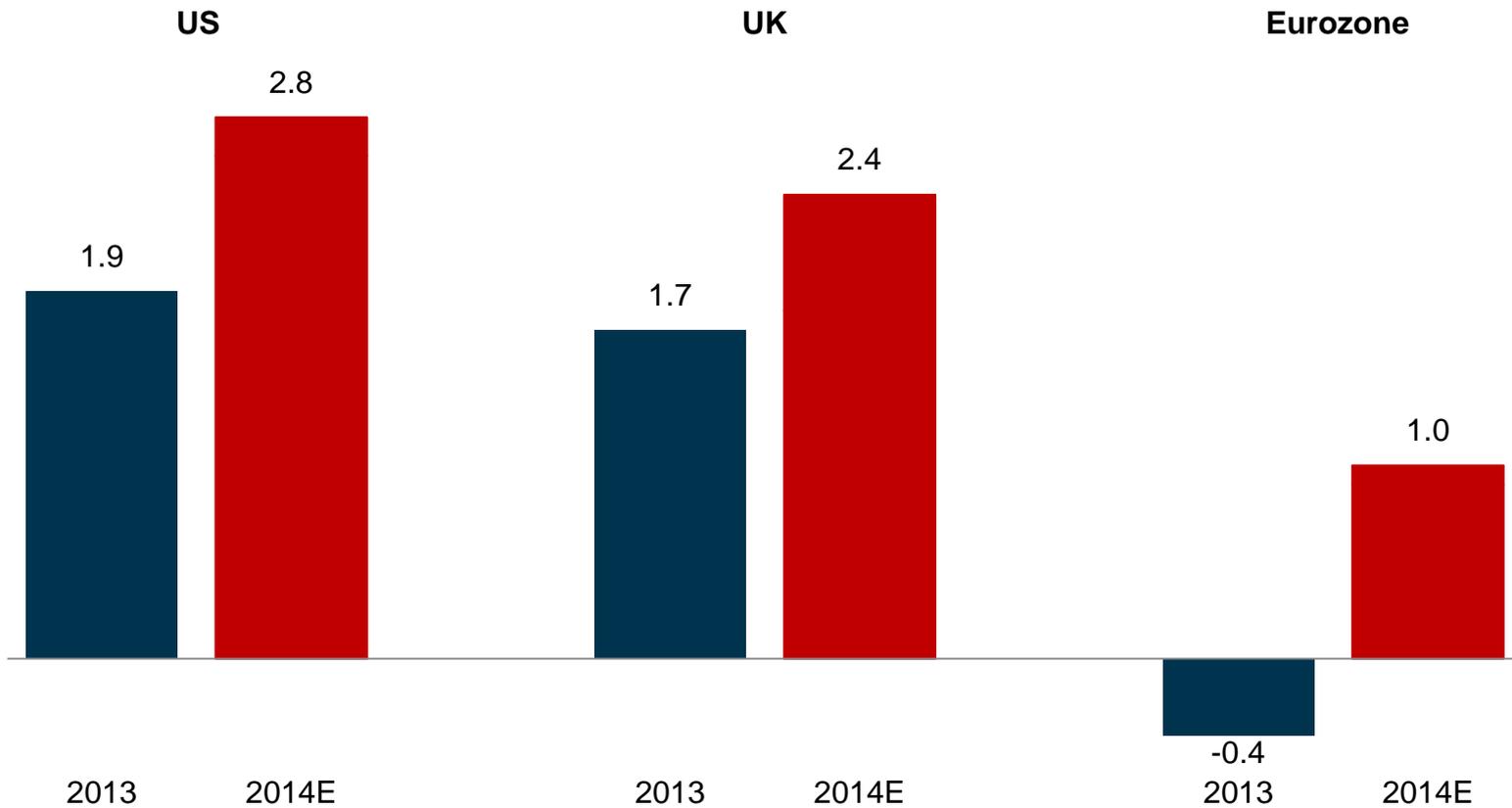


# Macro environment

## More supportive in the West

### GDP growth forecasts

Annual growth rates<sup>1</sup>, %



<sup>1</sup> IMF World Economic Outlook – January 2014.



# Agenda

Group Performance

**Asia**

Jackson

UK Life

M&G

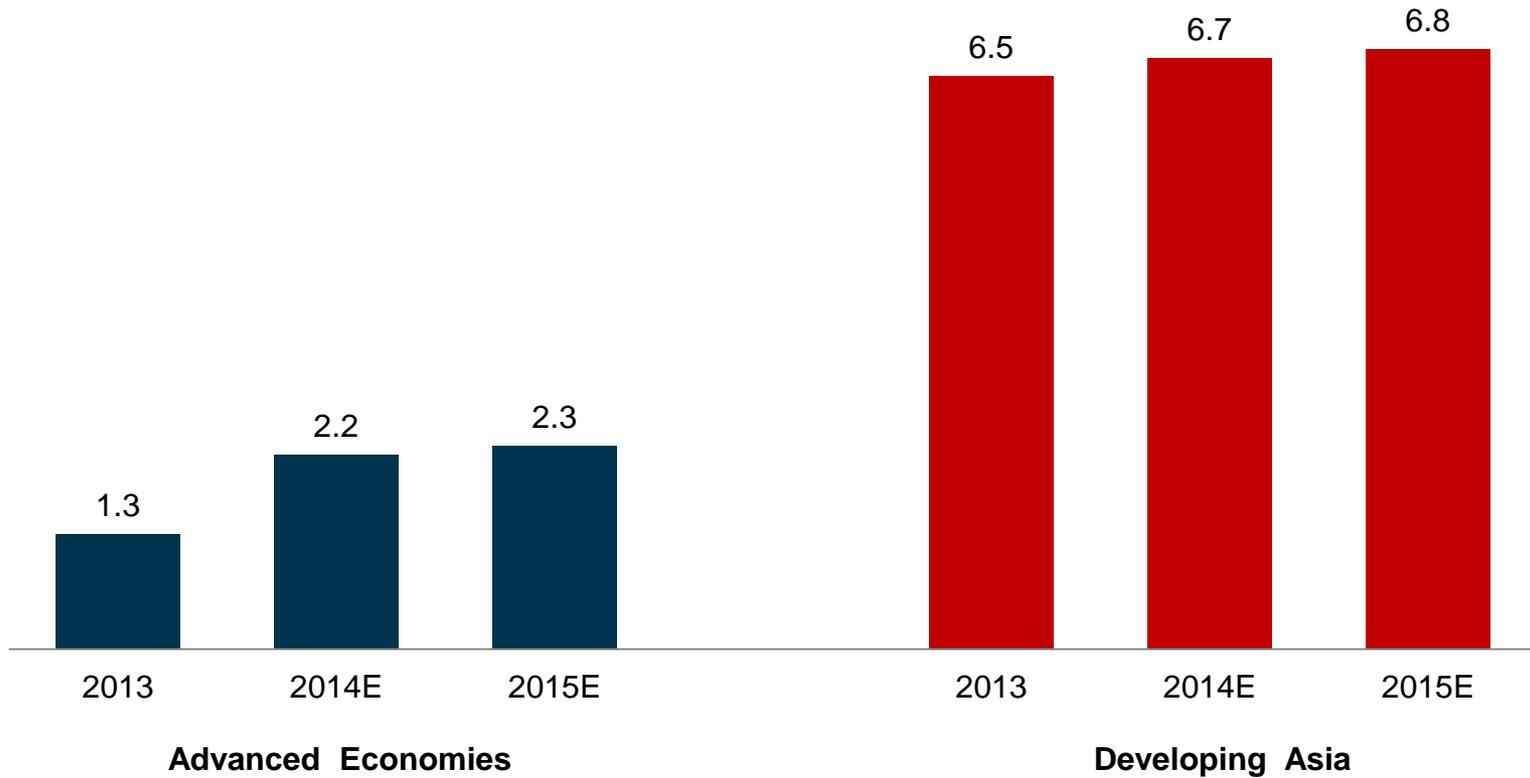
Cash

# Macro environment

## Growth resilient in developing Asia

### GDP growth estimates

Annual growth rates<sup>1</sup>, %



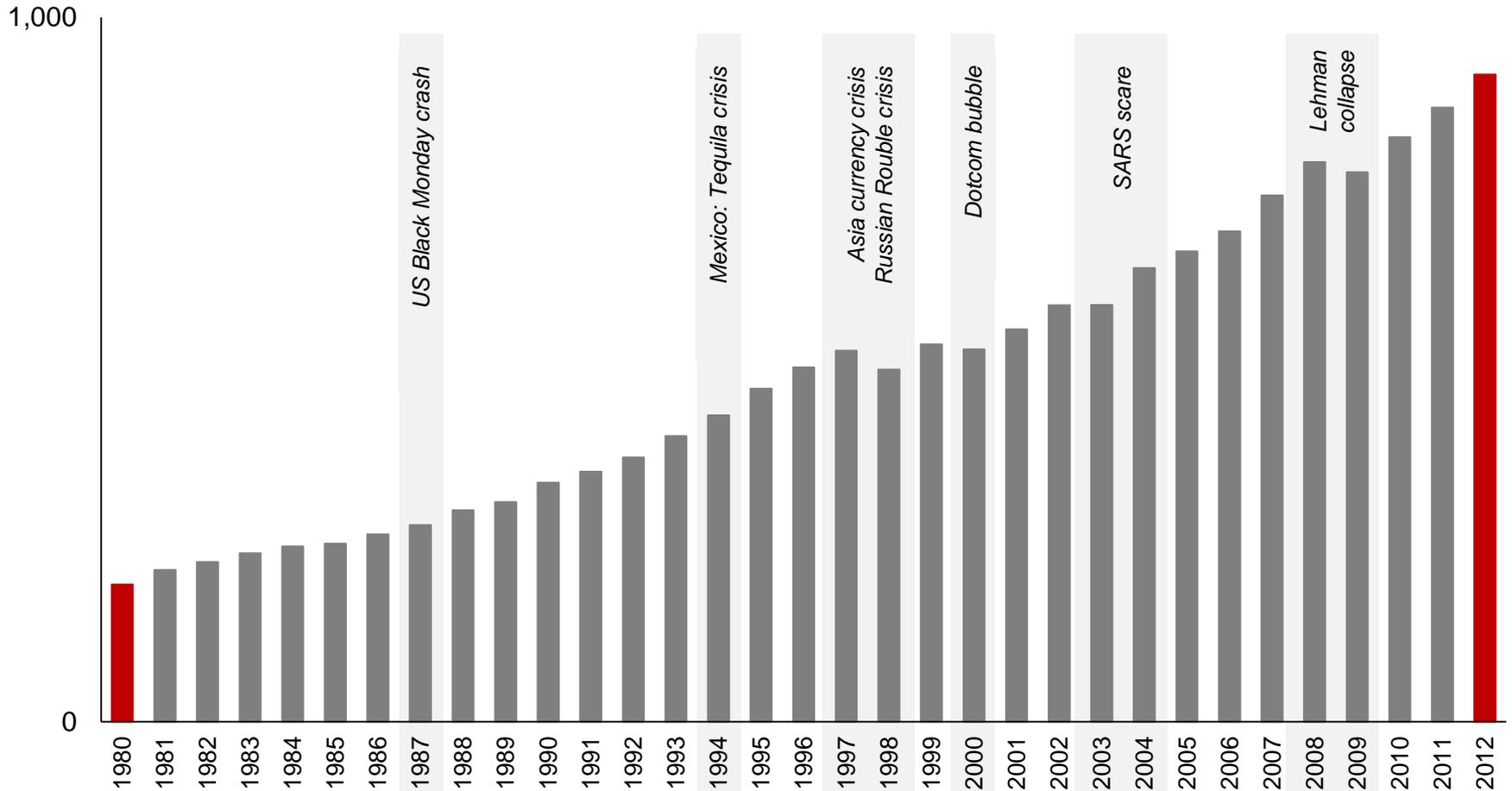
<sup>1</sup> IMF World Economic Outlook – January 2014.



# Asia

## Middle class contribution to GDP

### Middle class in Asia (sweetspot)<sup>1</sup>, \$bn



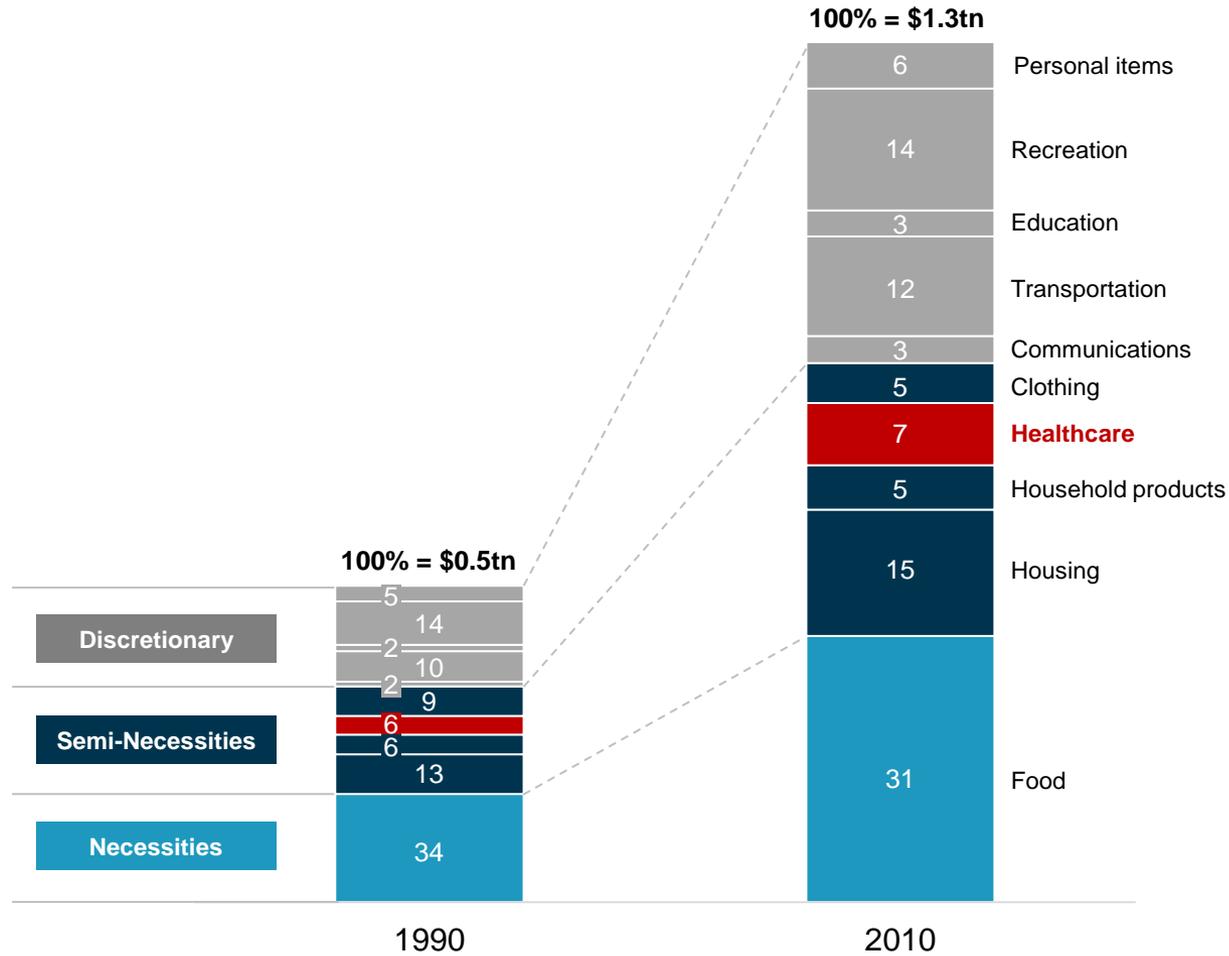
<sup>1</sup> Sweetspot countries include Indonesia, Malaysia, Singapore, Hong Kong, Thailand, Philippines and Vietnam. Household consumption as a component of GDP. Source: World Bank, IMF and Economic Research Division of Federal Reserve Bank of St. Louis. Prudential estimates. Middle Class household consumption arrived at adjusting total household consumption data for income share held by the top 10% and bottom 10% of households.



# Asia

## Growing demand for healthcare

### Household consumption by category<sup>1</sup>, %



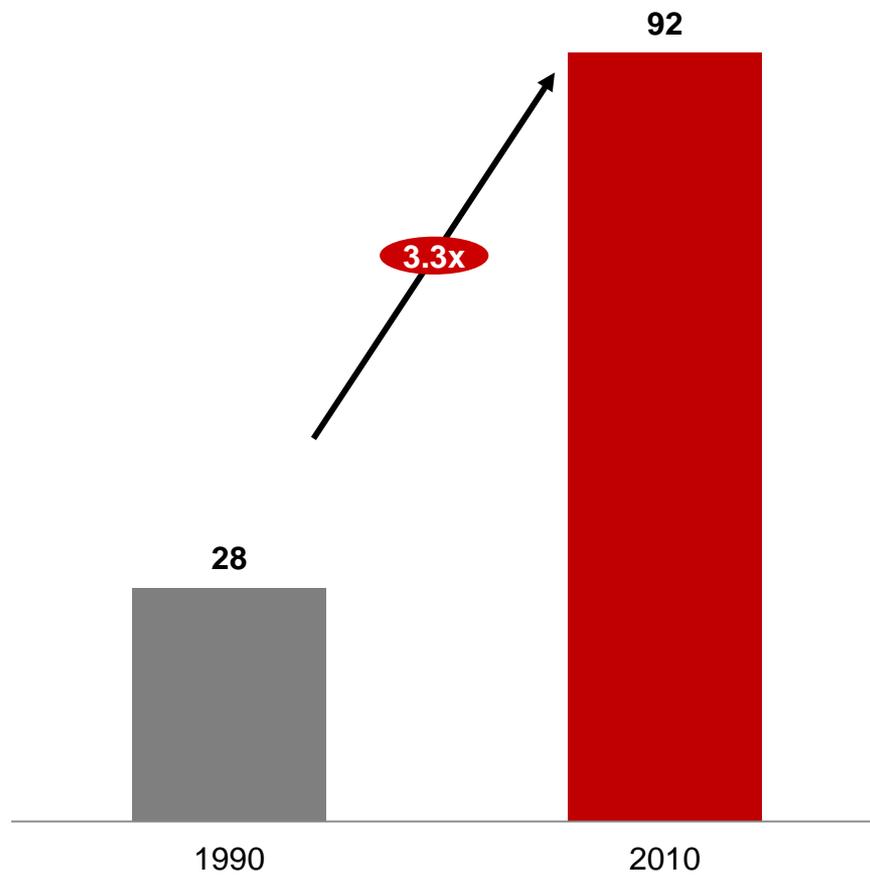
<sup>1</sup> Euromonitor, McKinsey, Prudential estimates.



# Asia

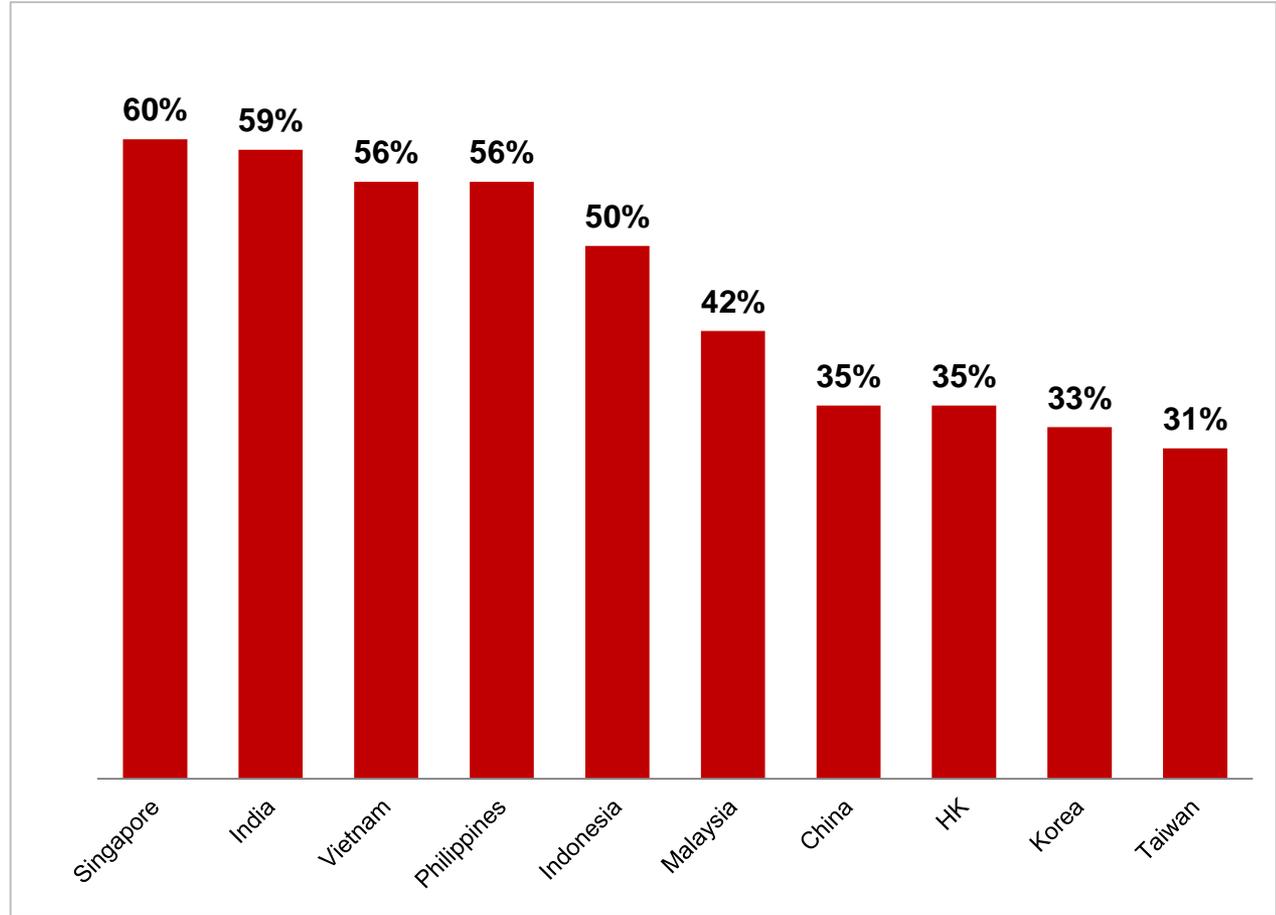
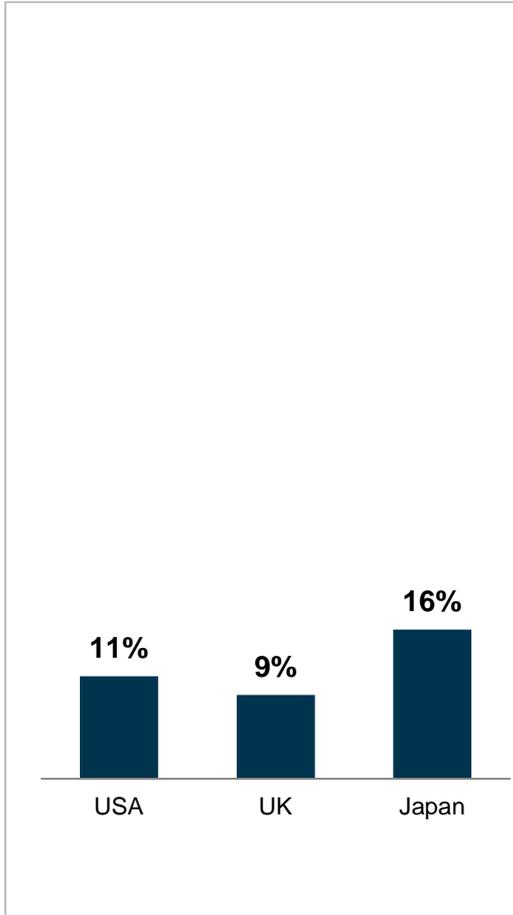
## Growing demand for healthcare

### Household consumption of healthcare and medical services<sup>1</sup>, \$bn



<sup>1</sup> Euromonitor, McKinsey, Prudential estimates.

### Share of medical expenses paid out-of-pocket<sup>1</sup>, %



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

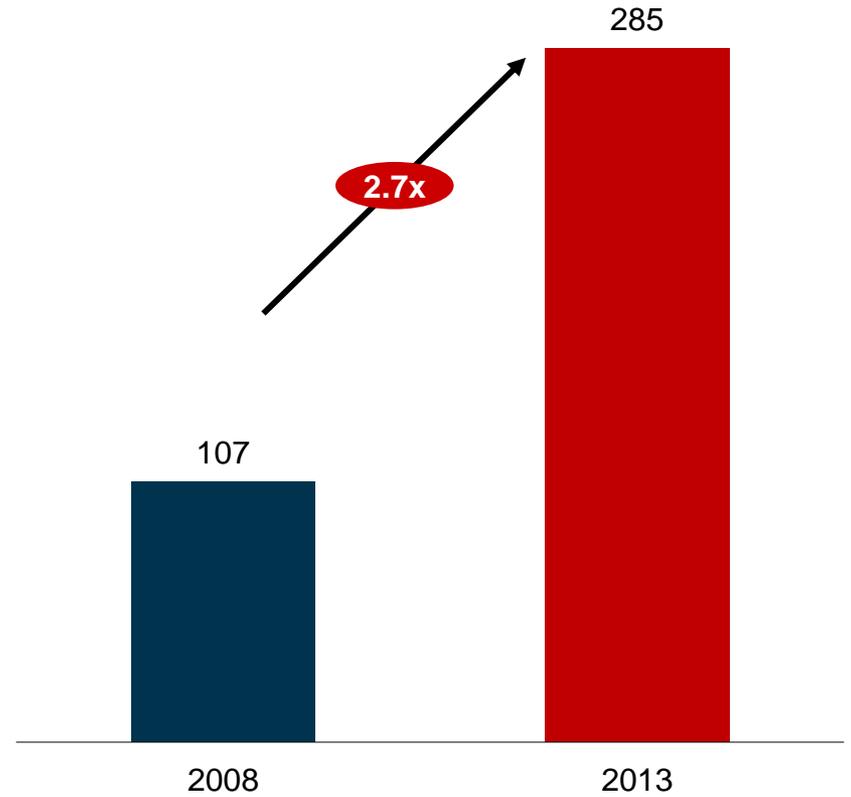
# Asia Competition

	Prudential Rank	# of players	Entrants since 2005
 Hong Kong	4	59	8
 Indonesia	1	41	9
 Malaysia – Conventional	2	14	4
 Malaysia – Takaful	1	11	3
 Philippines	1	34	1
 Singapore	1	19	8
 Thailand	9	24	1
 Vietnam	1	14	11

\*Ranking is based on new business premium (APE or WFYP depending on availability of data).  
Information is based on market share data (formal or informal) comparison between 2005 and 2013.

# Asia Distribution – Agency

## Number of agents in sweetspot<sup>1</sup> countries, 000's

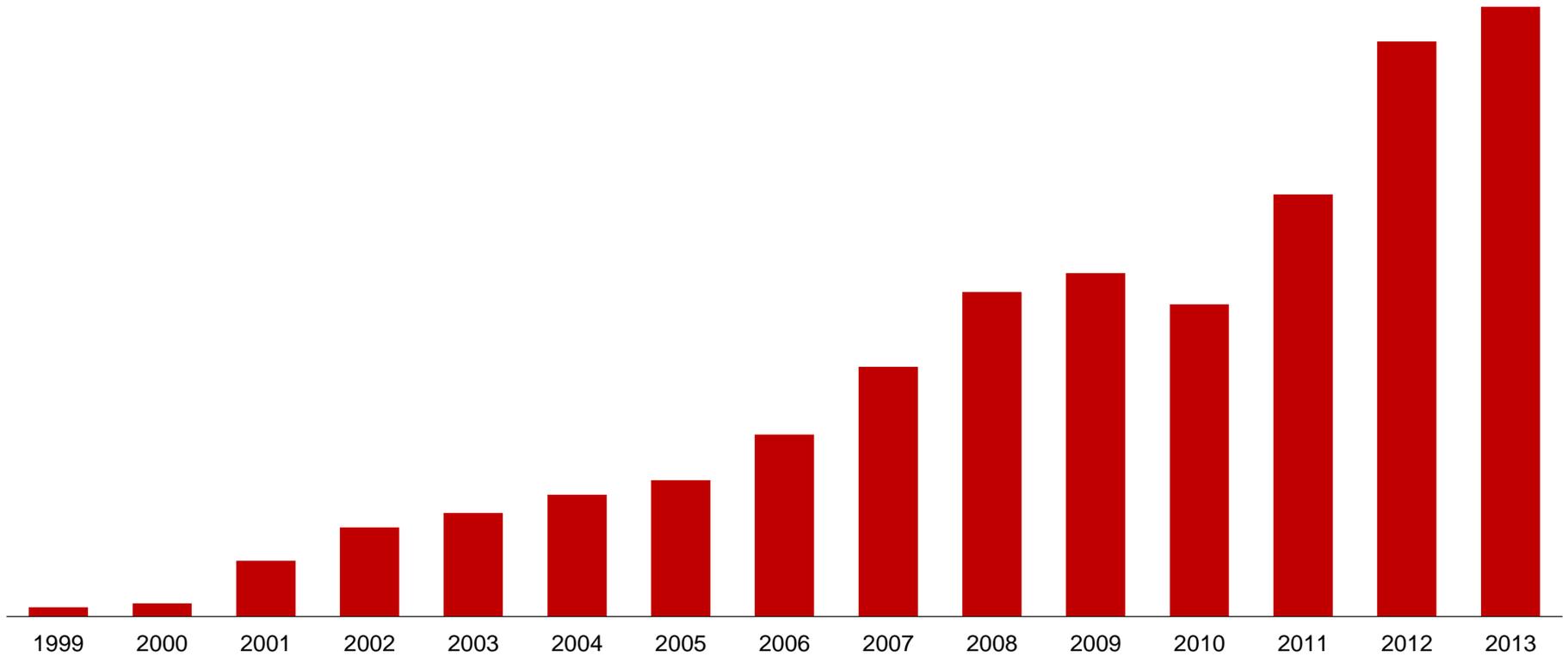


<sup>1</sup> Sweetspot countries include Indonesia, Malaysia, Hong Kong, Singapore, Thailand, Philippines and Vietnam.

# Asia

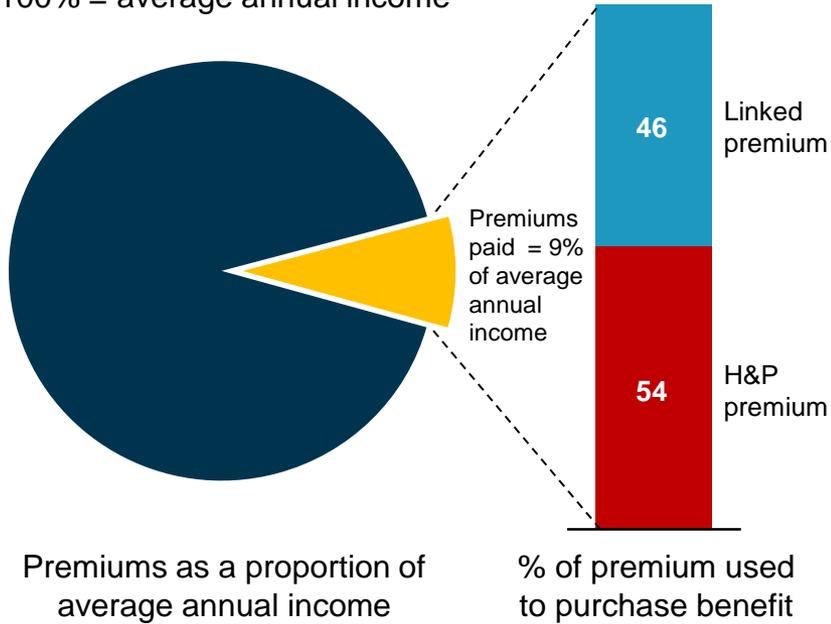
## Distribution – Bancassurance

### SCB bancassurance relationship, APE



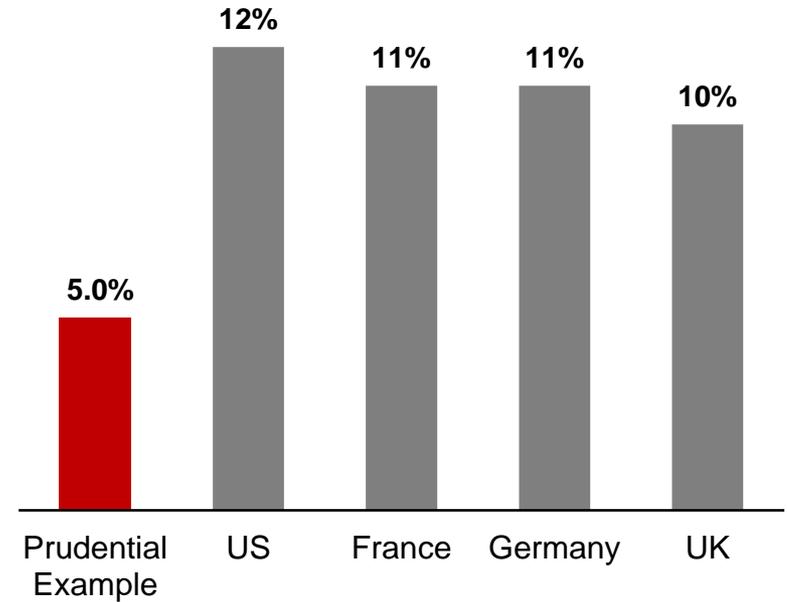
### Prudential product premium<sup>1</sup>

100% = average annual income



### Developed markets health insurance spend<sup>2</sup>

Healthcare spend as % of average annual income<sup>2</sup>



<sup>1</sup> Average Prudential customer spend on insurance products.

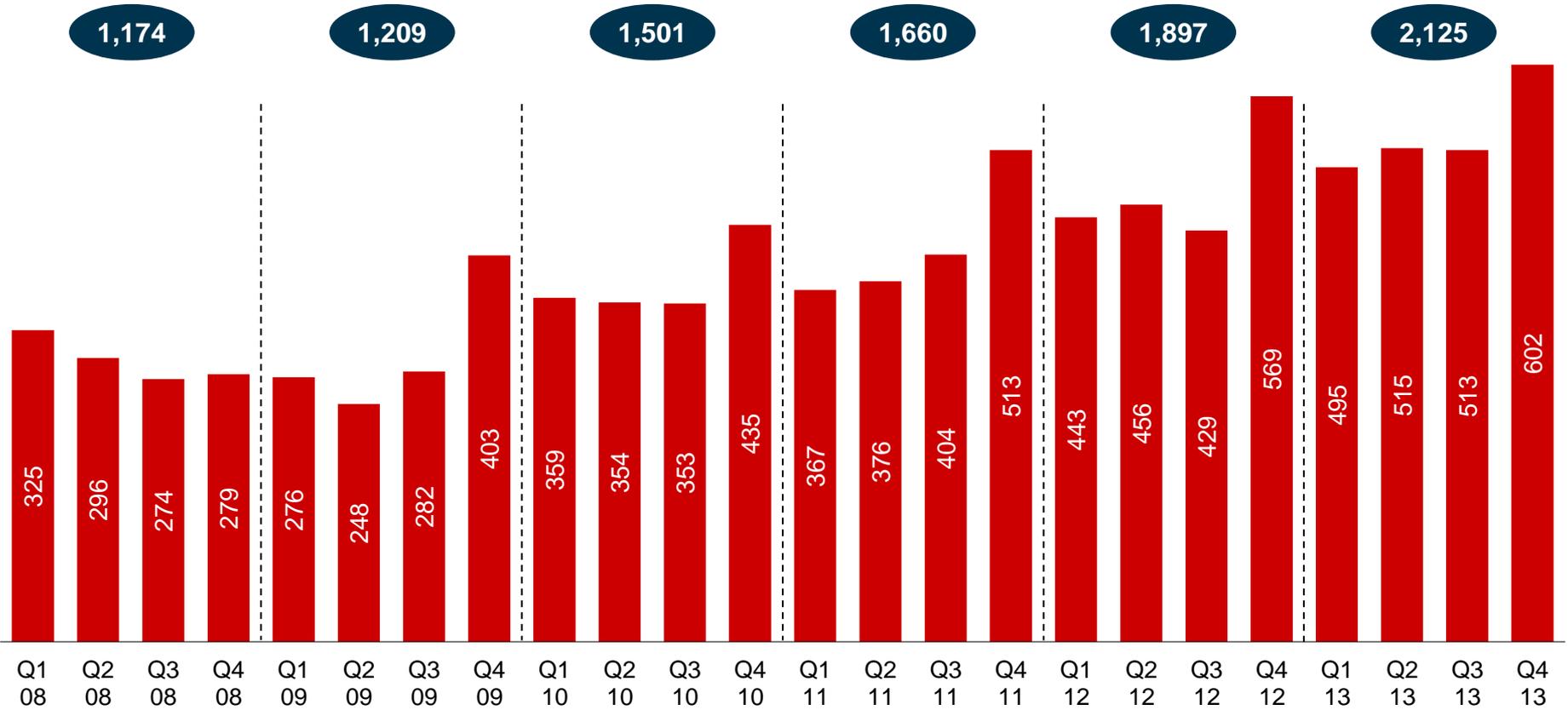
<sup>2</sup> Source: OECD, UN population stats, Prudential estimates. Premium spend includes healthcare expenditure by private and public sources except for the US. Healthcare spend data adjusted for working age population and unemployment rates.



# Asia

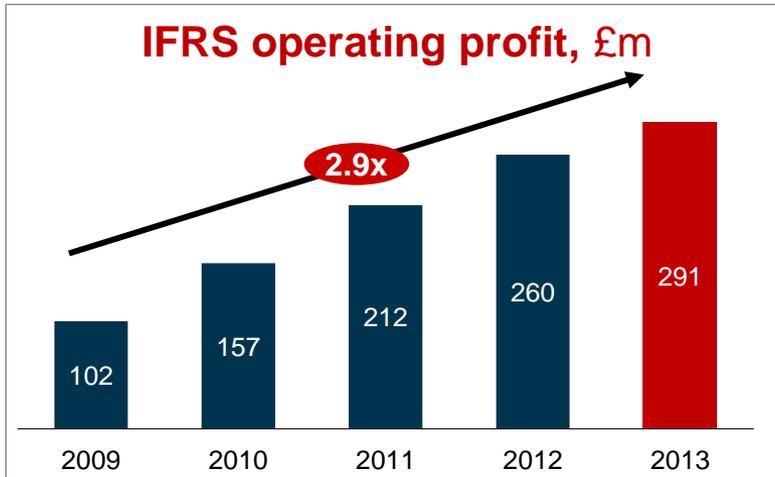
## Powerful momentum

Asia APE by quarter<sup>1</sup>, £m



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





- 2013 underlying<sup>1</sup> IFRS operating profit growth of 23%

- Unrivalled distribution platform

- Over 197,000 agents
- Access to > 700 branches

- Rapid expansion outside Jakarta

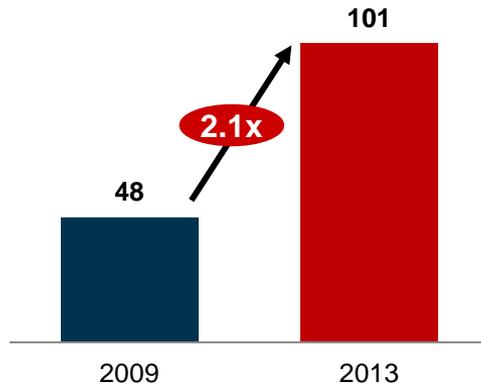
- Newly launched protection products driving growth



<sup>1</sup> CER basis.

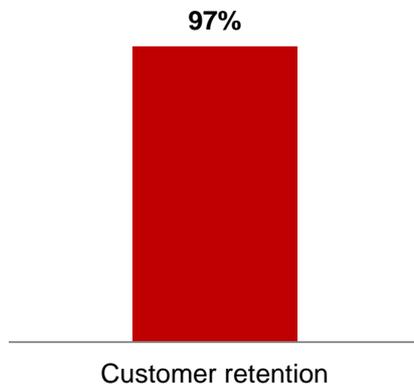


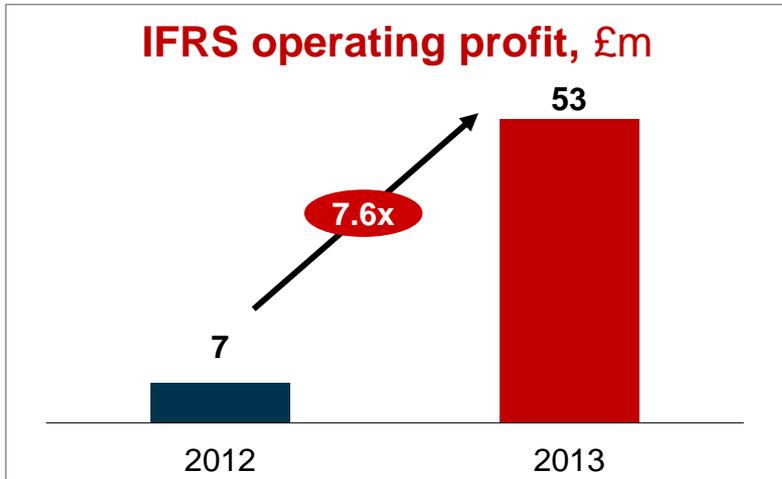
## IFRS operating profit, £m



- Professional and high calibre agency sales force
- MDRT > 1000 agents
- Innovative products to meet a spectrum of demands
- Strong continued customer loyalty

## Strong customer proposition





- Right strategy
  - Bancassurance channel accounts for >50% of market's new business premiums<sup>1</sup>
- Successful integration and launch of Thanachart in May 2013
  - APE of £22m & IFRS contribution of £30m in 8 months

Perfect Coverage 15/7  
By Prudential

ชำระเบี้ยประกันรายสัปดาห์เพียง 7 ปีคุ้มครองนานถึง 15 ปี  
รับเงินคืนทุกๆ 2 ปี รวมสูงถึง 240% ของค่าประกันรายปี  
พร้อมรับสิทธิลดหย่อนภาษีเงินได้สูงสุดไม่เกิน 100,000 บาท  
ตามหลักเกณฑ์ที่กรมสรรพากร

เพื่อคุ้มครองเงินของชีวิต

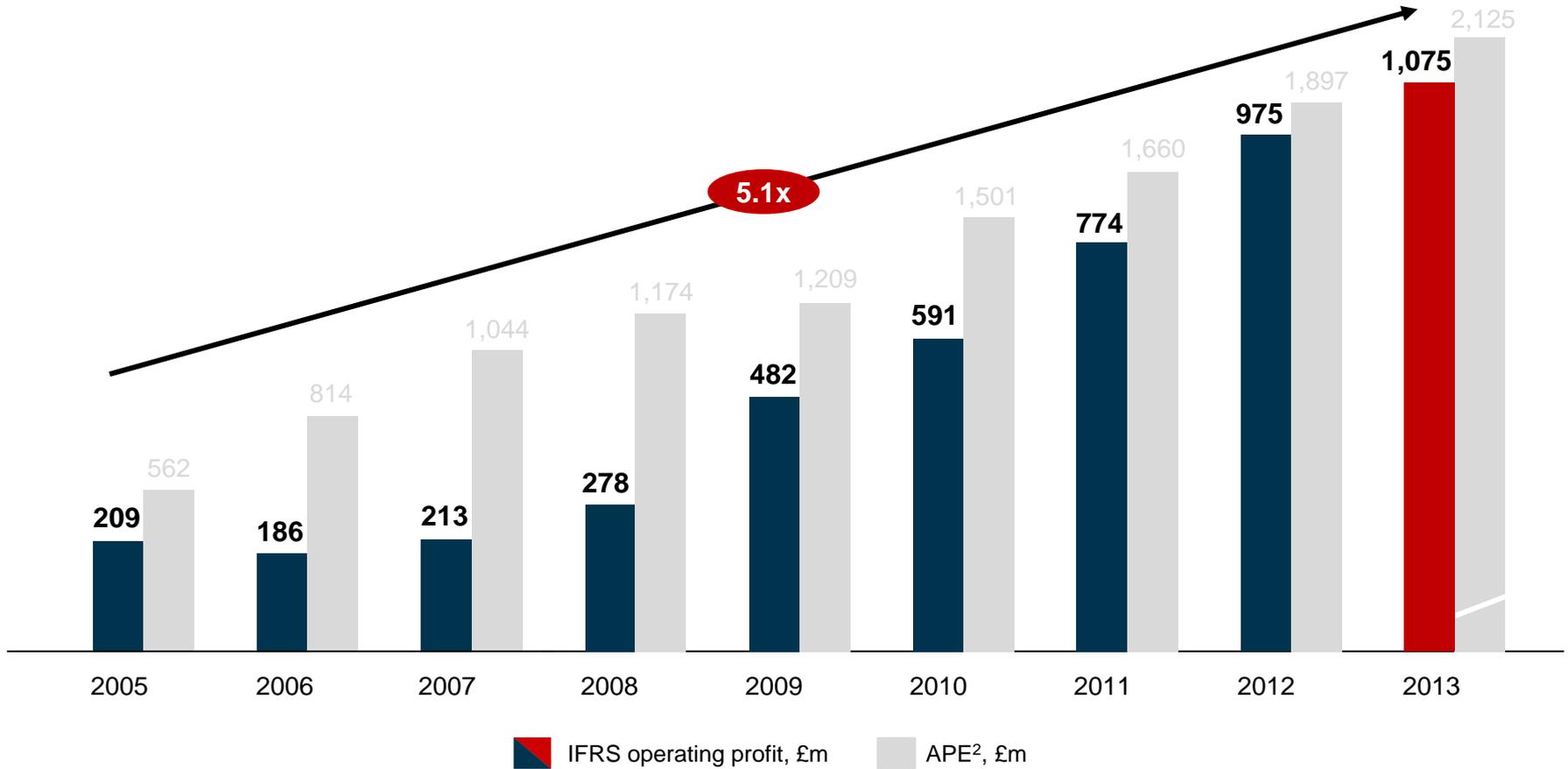
บริษัทประกันชีวิต ประกันสุขภาพ  
PRUDENTIAL 15/7

Ins. 1621 | www.prudential.co.th

- UOB APE up 24% in 2013
- Fast growing scale

<sup>1</sup> Source: TLAA.

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



<sup>1</sup> Adjusted for new and amended accounting standards and excludes Japan Life.

<sup>2</sup> Excludes Taiwan agency and Japan

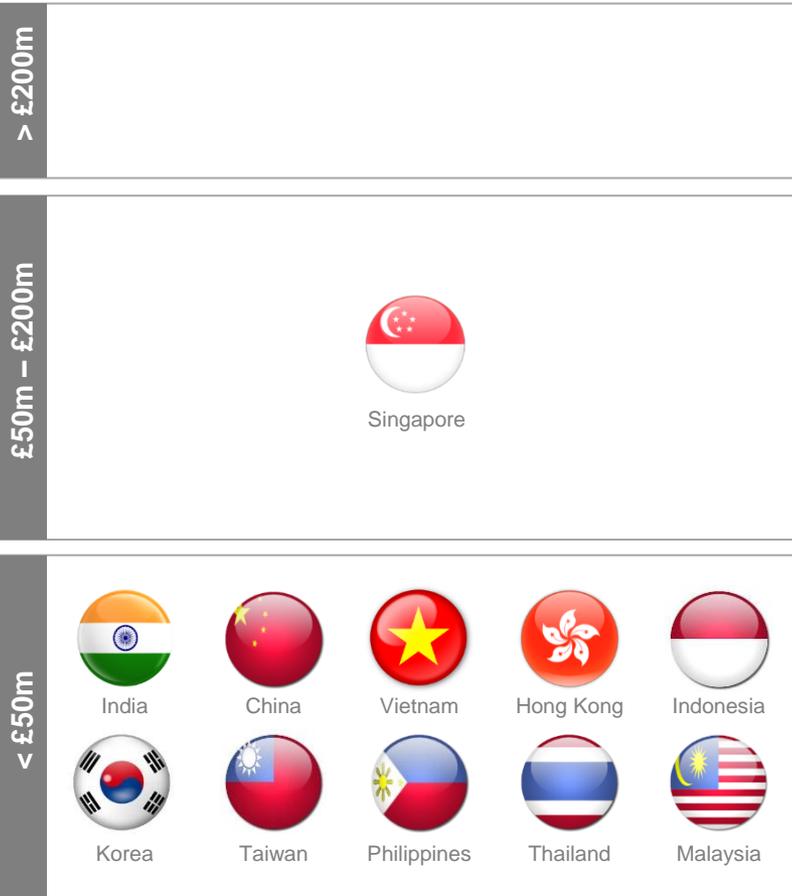


### Asia Life IFRS operating profit<sup>1</sup>, £m

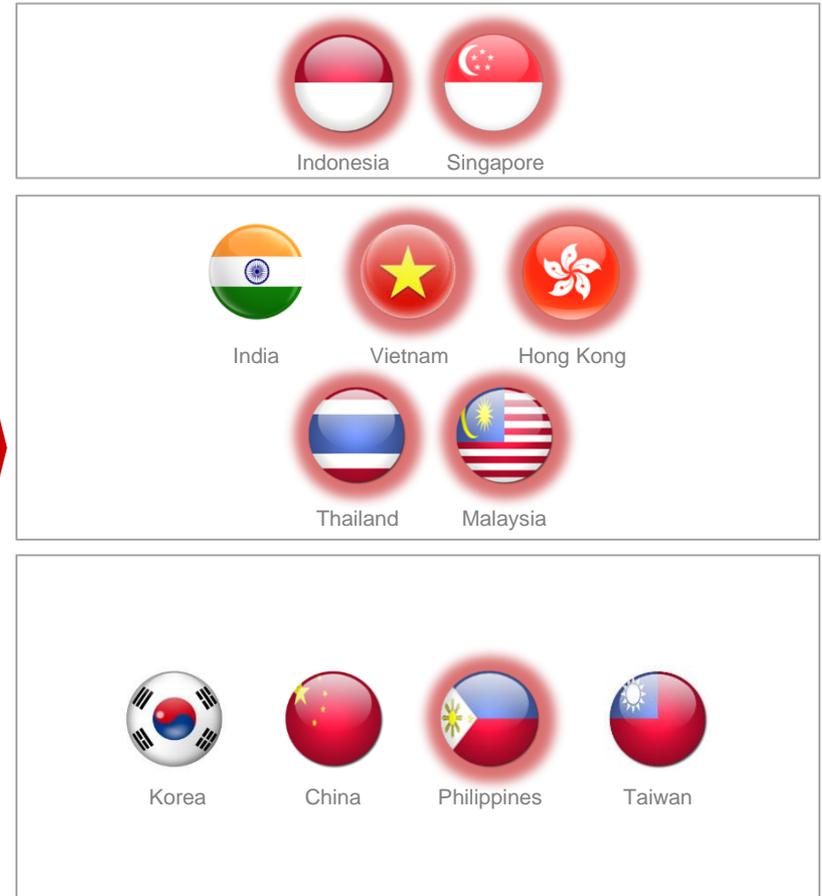


Sweetspot

2007

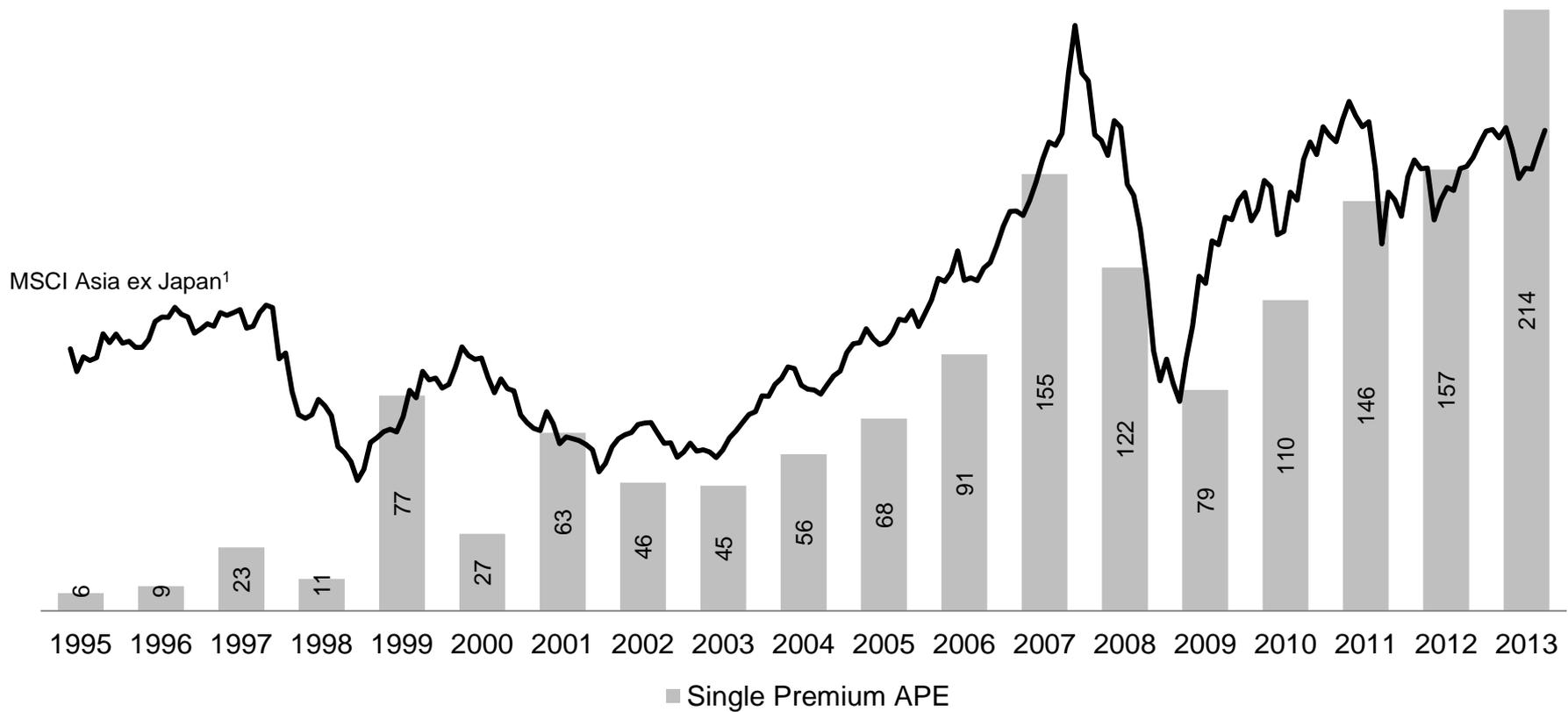


2013



<sup>1</sup> Adjusted for new and amended accounting standards and excludes Japan Life.

### Asia – Single Premium APE, £m

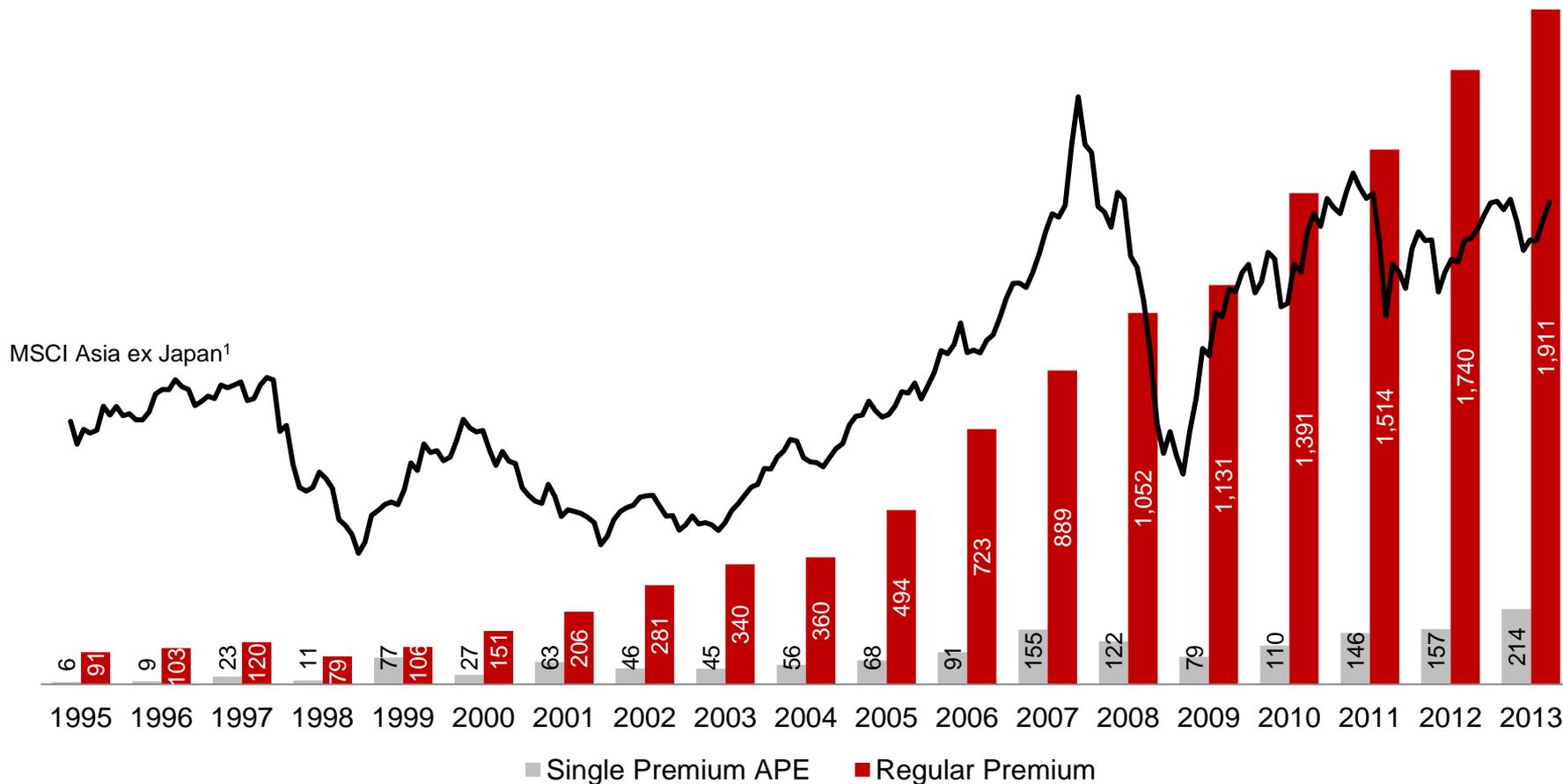


MSCI Asia ex Japan<sup>1</sup>

<sup>1</sup> Source: Datastream.



### Asia – Regular and Single Premium APE, £m

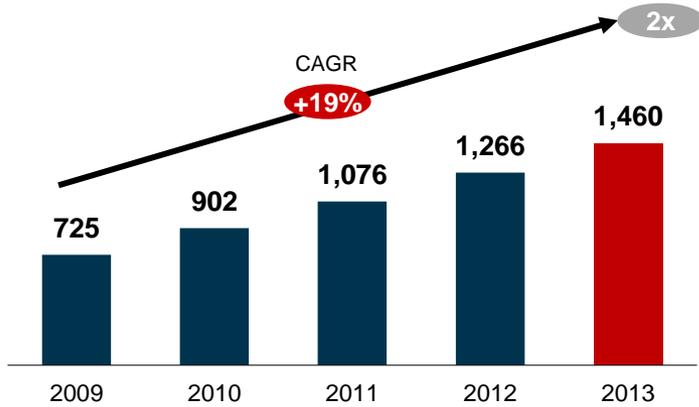


<sup>1</sup> Source: Datastream.

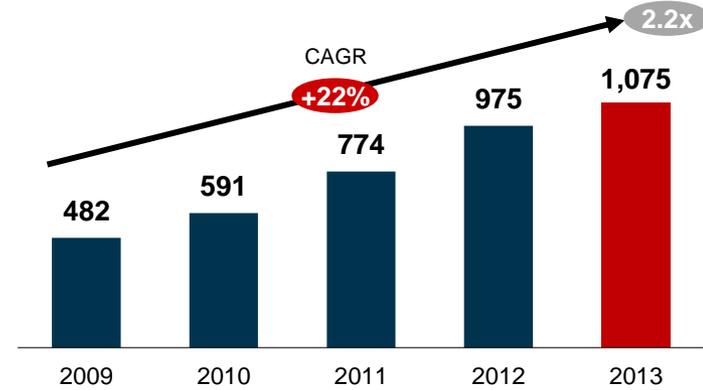
# Asia

## Track record of successful EXECUTION

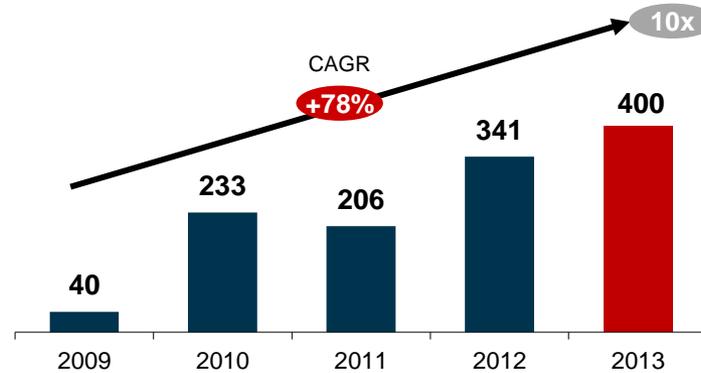
### New business profit<sup>1</sup>, £m



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



### Net cash remittances, £m

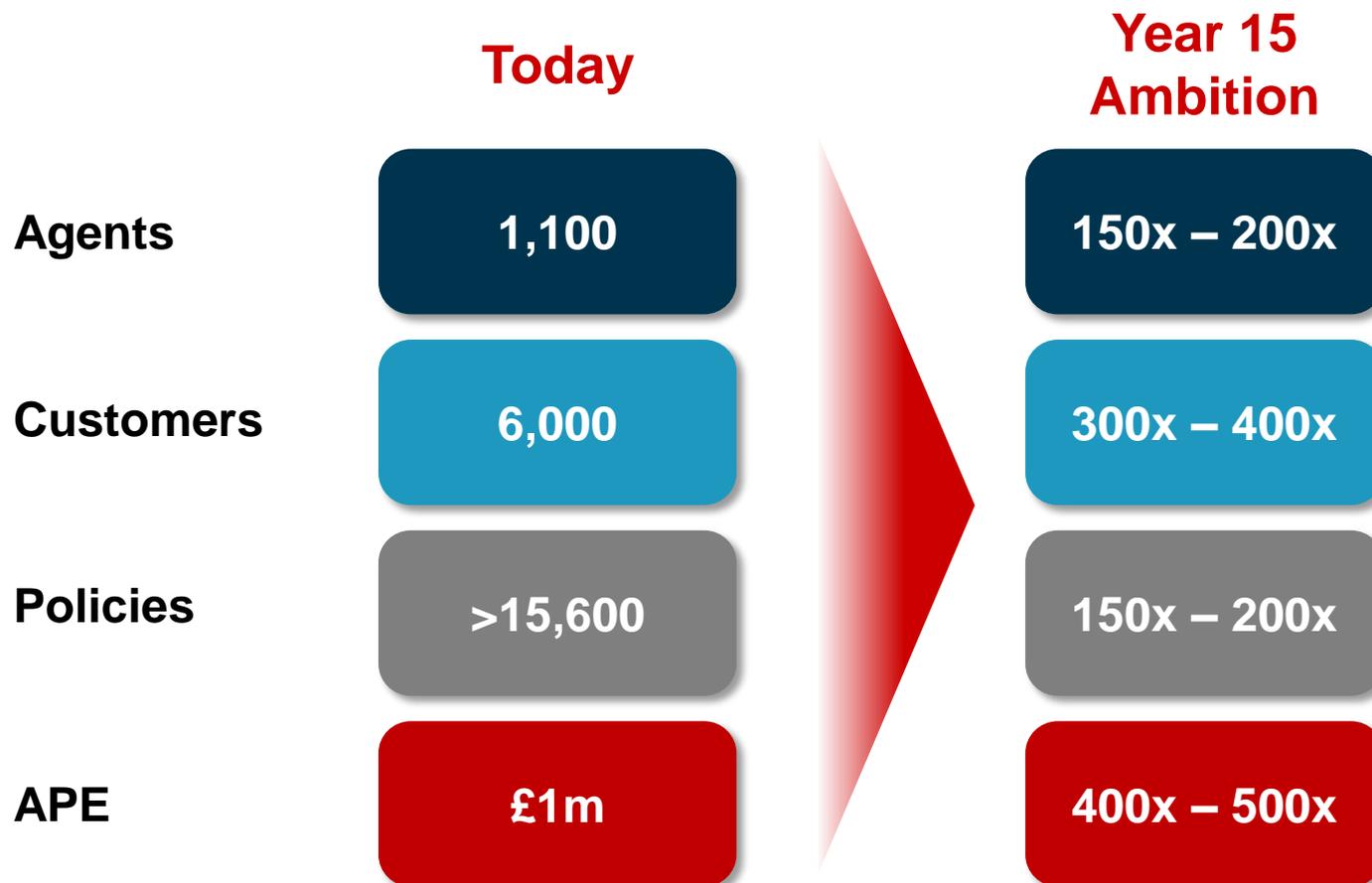


X.X 2013 multiple over 2009

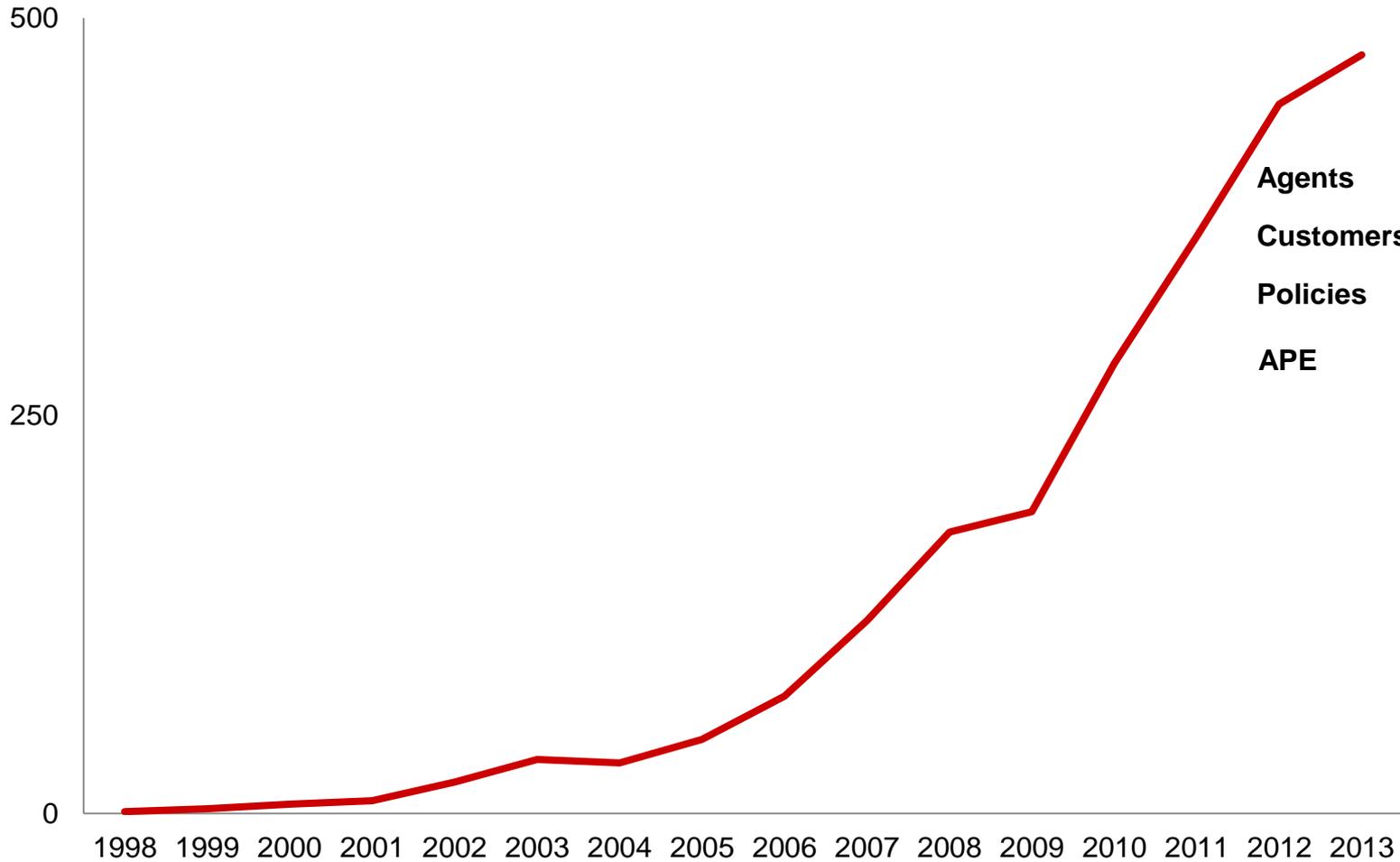
<sup>1</sup> Excludes Japan Life and Taiwan agency.  
<sup>2</sup> Adjusted for new and amended accounting standards and excludes Japan Life.

# Asia

## Growth potential intact



## APE, £m

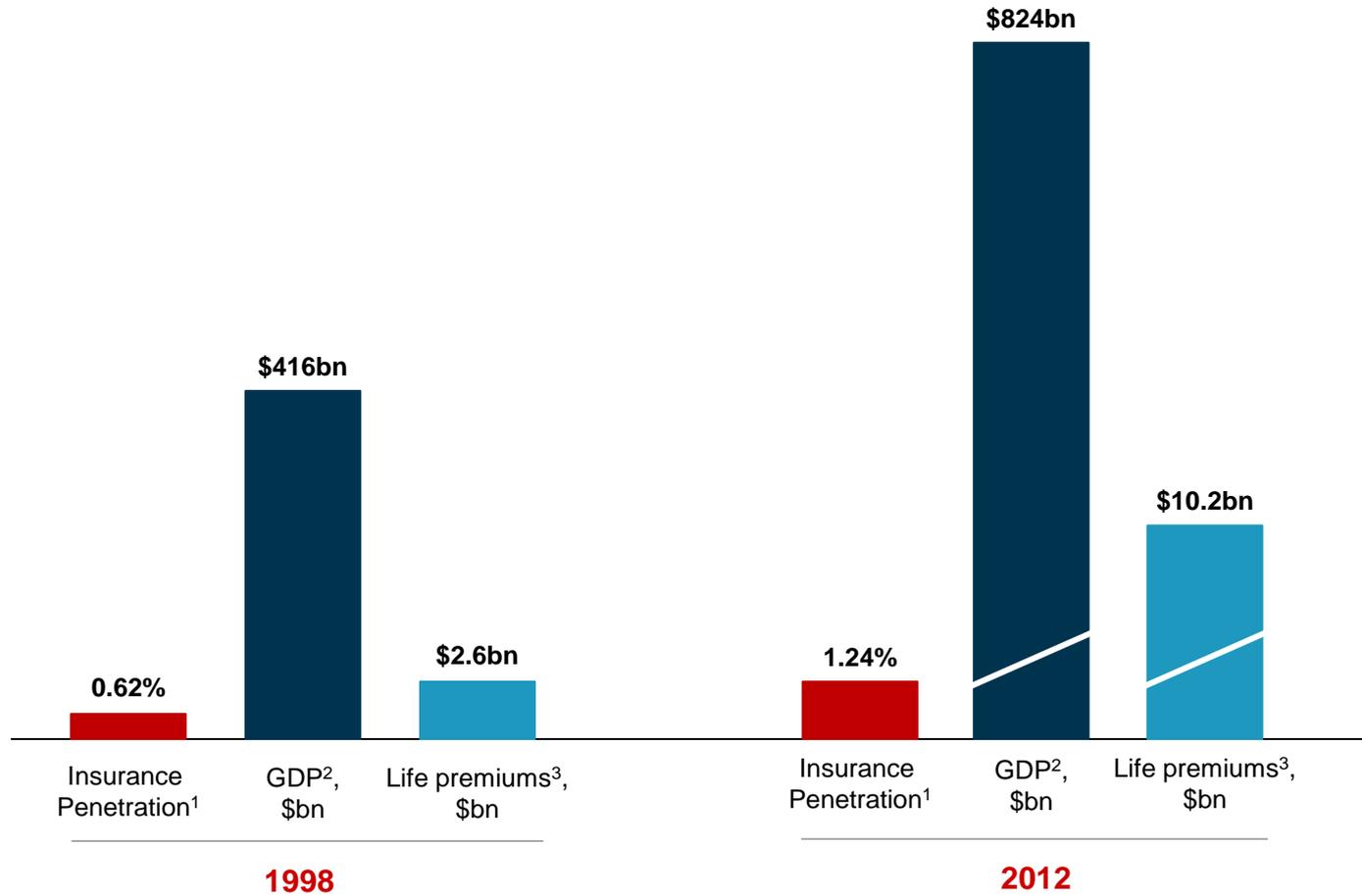


	Multiple of 1998	Scale in 2013
Agents	179x	197k
Customers	367x	2.2m
Policies	192x	3m
<b>APE</b>	<b>477x</b>	<b>£477m</b>

# Asia

## Significant headroom for growth

### Indonesia



<sup>1</sup> Life premiums as % of GDP. Source: Swiss Re.

<sup>2</sup> Source: IMF October 2013.

<sup>3</sup> Life premiums is product of Insurance penetration and GDP.

Asia Underlying Free Surplus Generation<sup>1</sup> of £0.9bn – £1.1bn in 2017 (2012: £484m)

Asia life and asset management pre-tax IFRS operating profit to grow at a compound annual rate of at least 15 per cent over the period 2012 – 2017 (2012: £924m)<sup>2</sup>

Cumulative Group Underlying Free Surplus Generation of at least £10bn over the four-year period from 2014 to end-2017

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

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

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

# Agenda

Group Performance

Asia

**Jackson**

UK Life

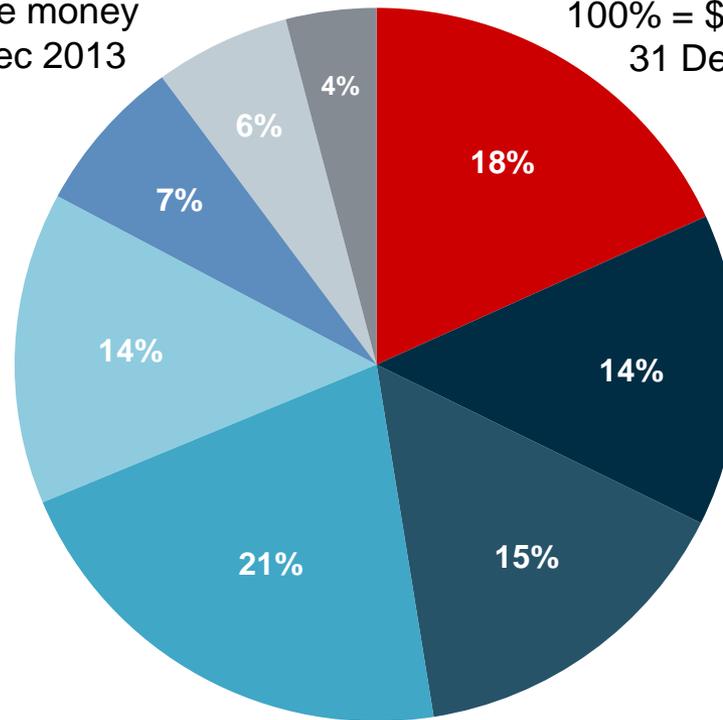
M&G

Cash

### Separate account value by S&P 500 level at policy issue

0% in the money at 31 Dec 2013

100% = \$115bn as of 31 Dec 2013<sup>1</sup>



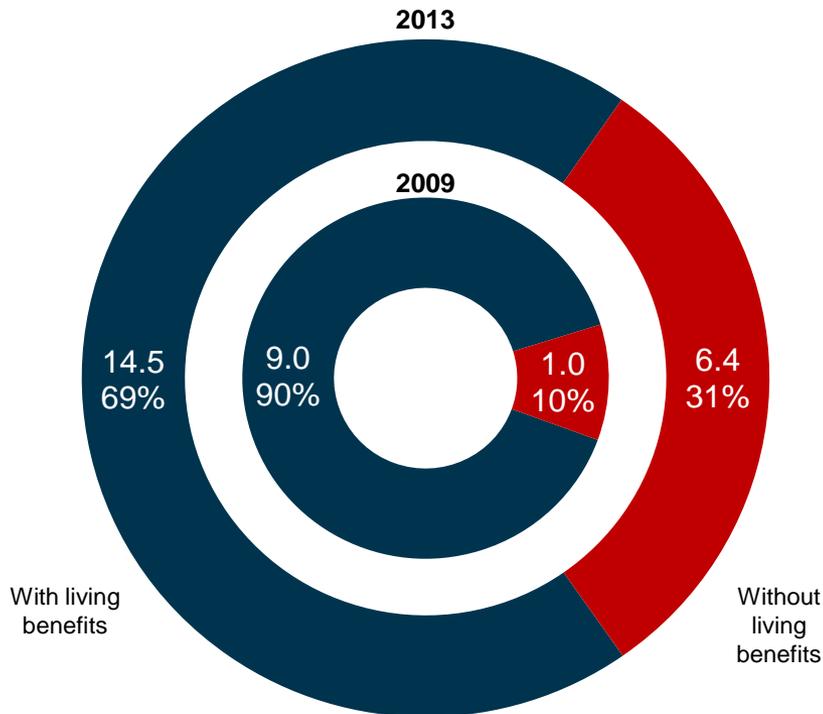
■ (≤1100) ■ (1100-1200) ■ (1200-1300) ■ (1300-1400) ■ (1400-1500) ■ (1500-1600) ■ (1600-1700) ■ >1700

<sup>1</sup> Includes VAs allocated to General Account.

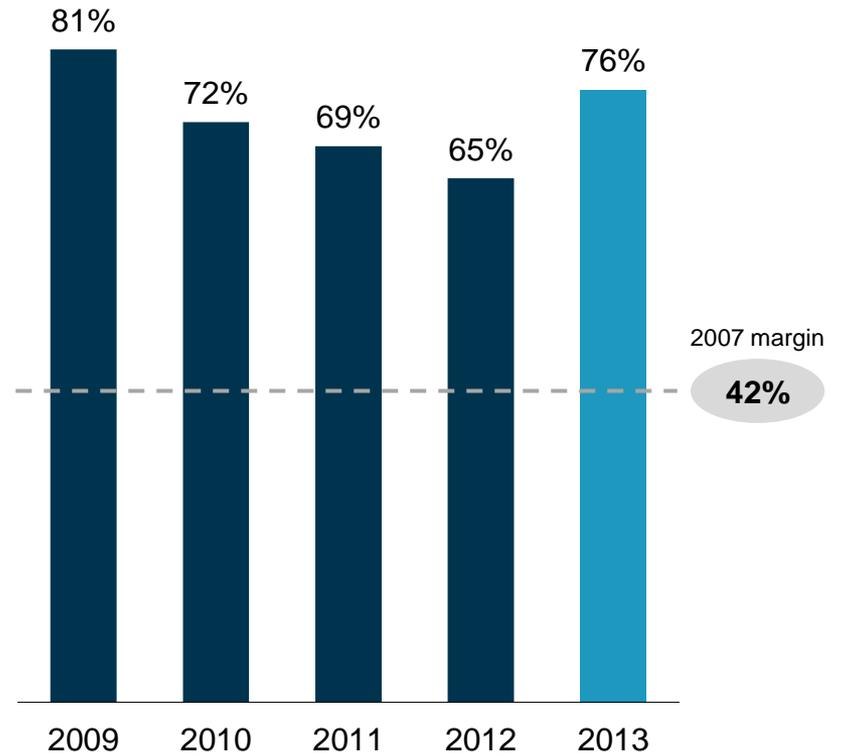
# Jackson

## Proactive diversification

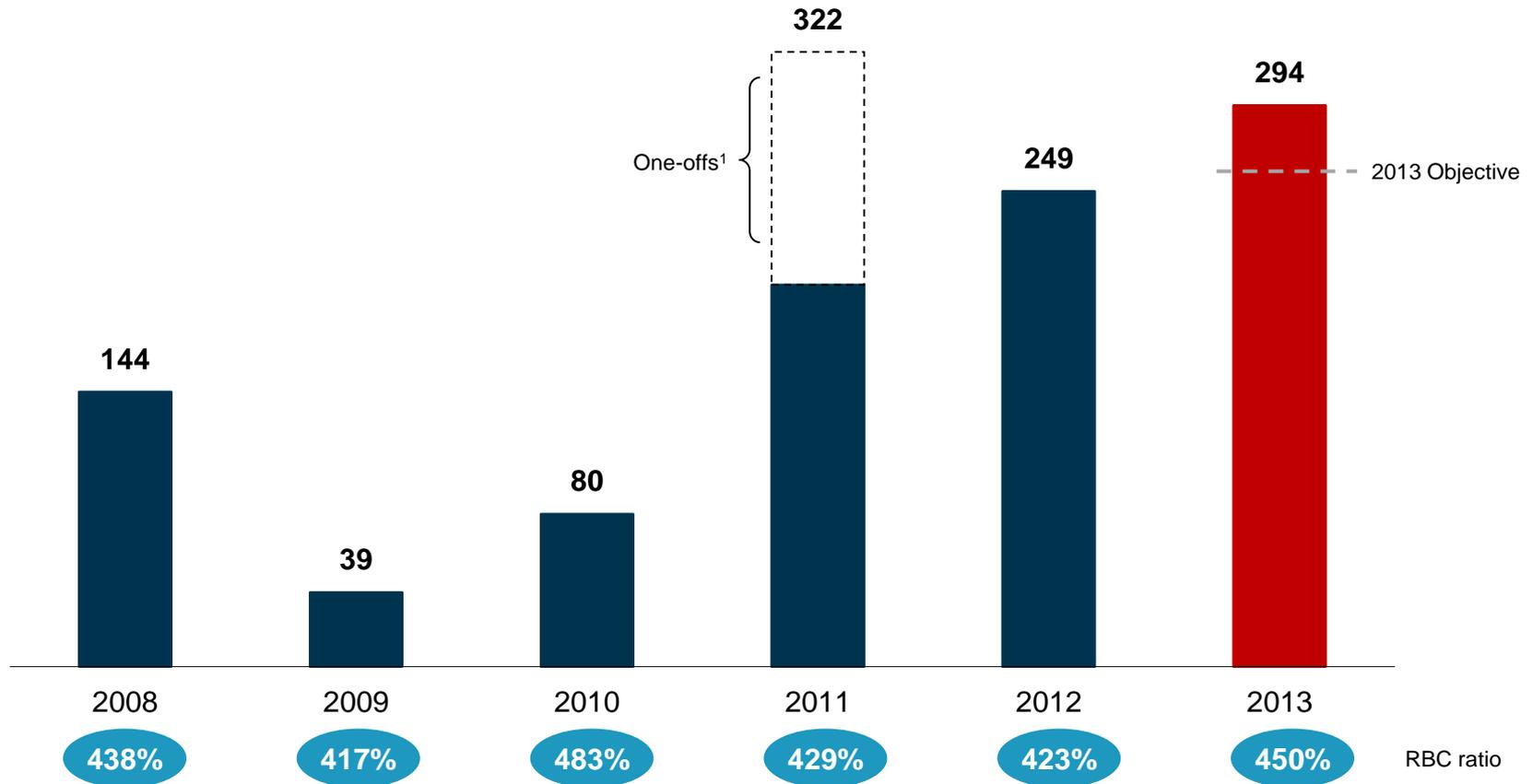
### VA sales, \$bn



### VA new business margin, %



### Net cash remittances, £m



<sup>1</sup> Net remittances from Jackson include £122m in 2011 representing release of excess surplus to the Group.

# Agenda

Group Performance

Asia

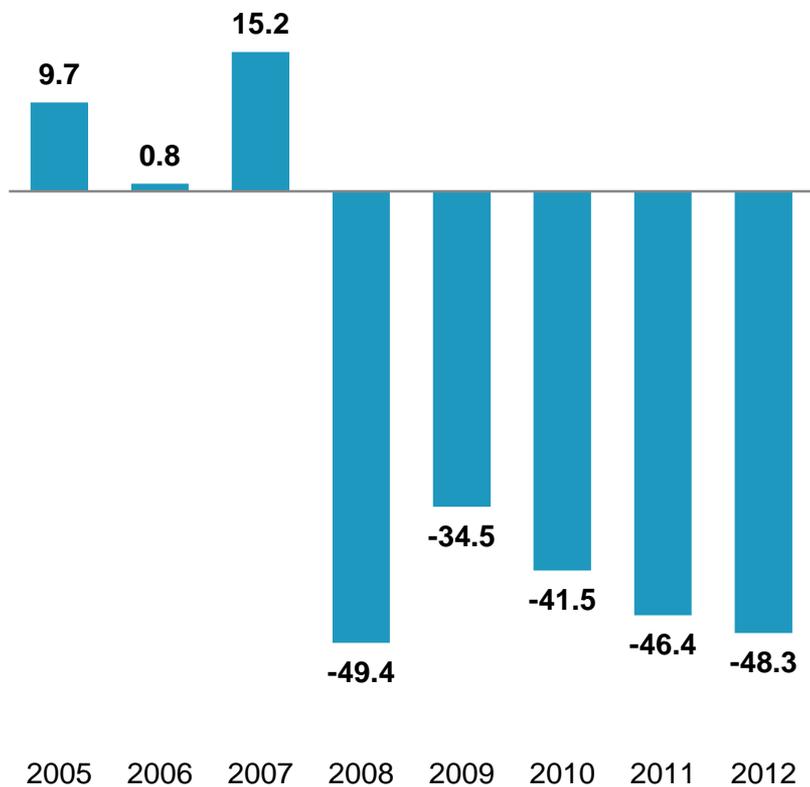
Jackson

**UK Life**

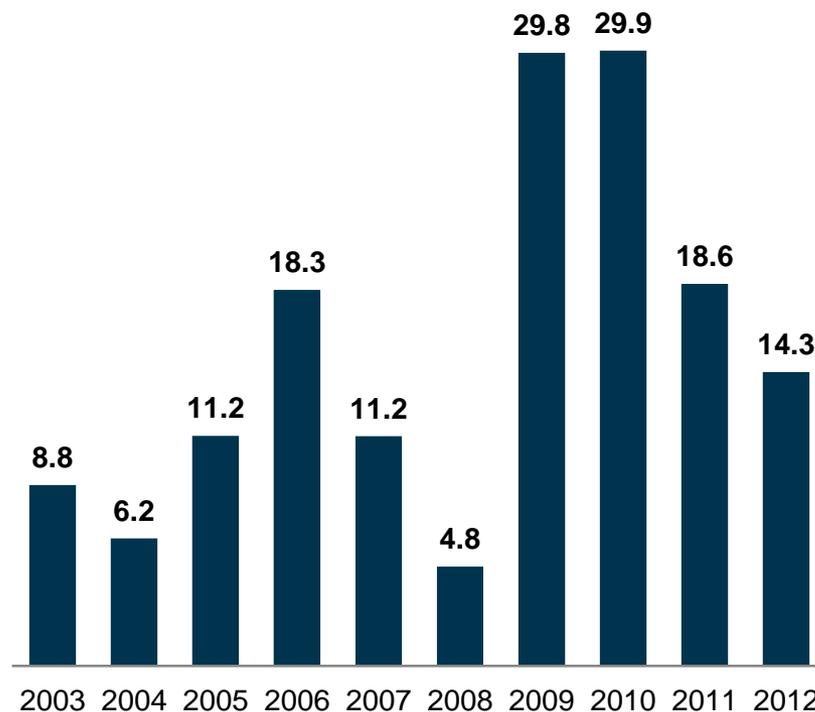
M&G

Cash

UK life insurance sector net inflows<sup>1</sup>, £bn



UK asset management industry net retail fund inflows<sup>2</sup>, £bn

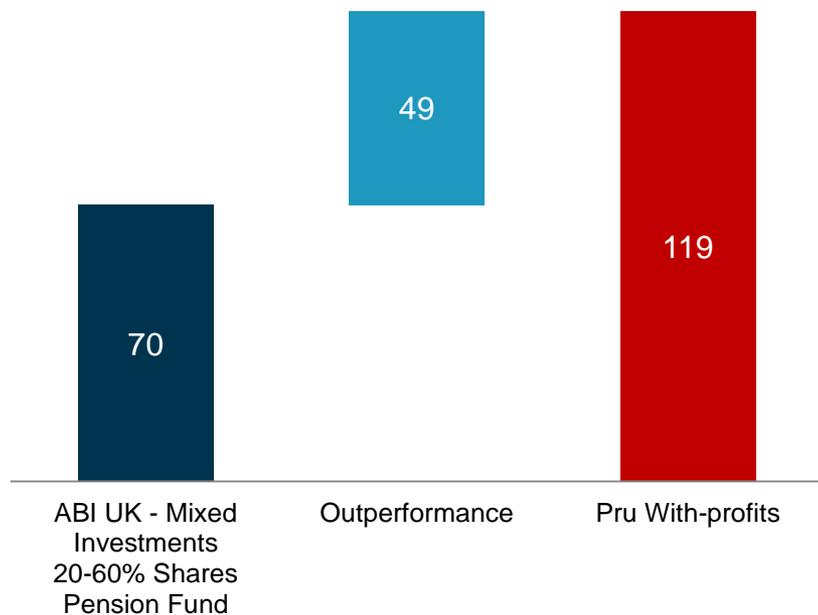


1 Source: ABI.  
2 Source: IMA.

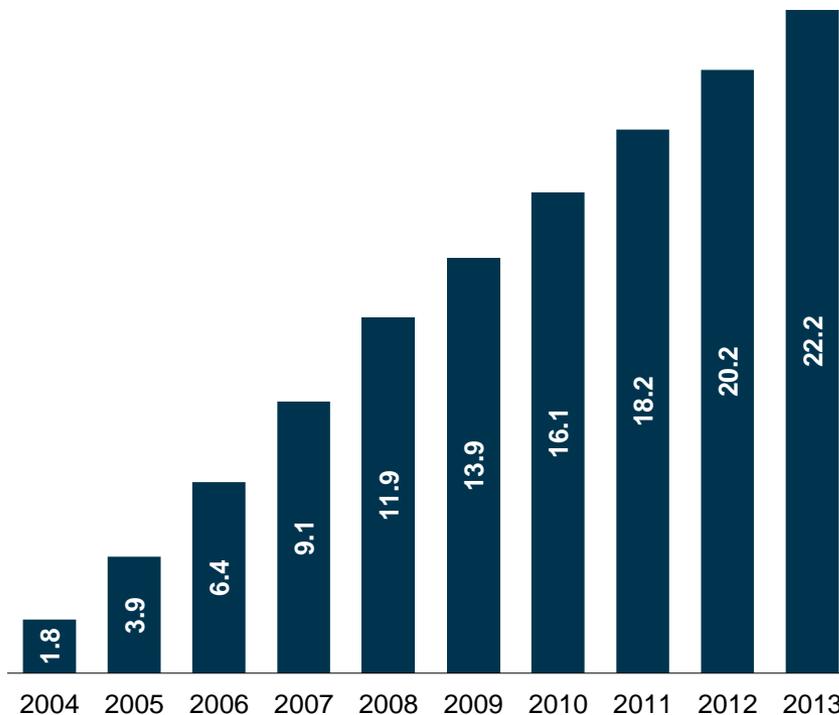
# UK

## Strong product proposition

**With-profits fund 10-yr cumulative returns (2004 – 2013), %**



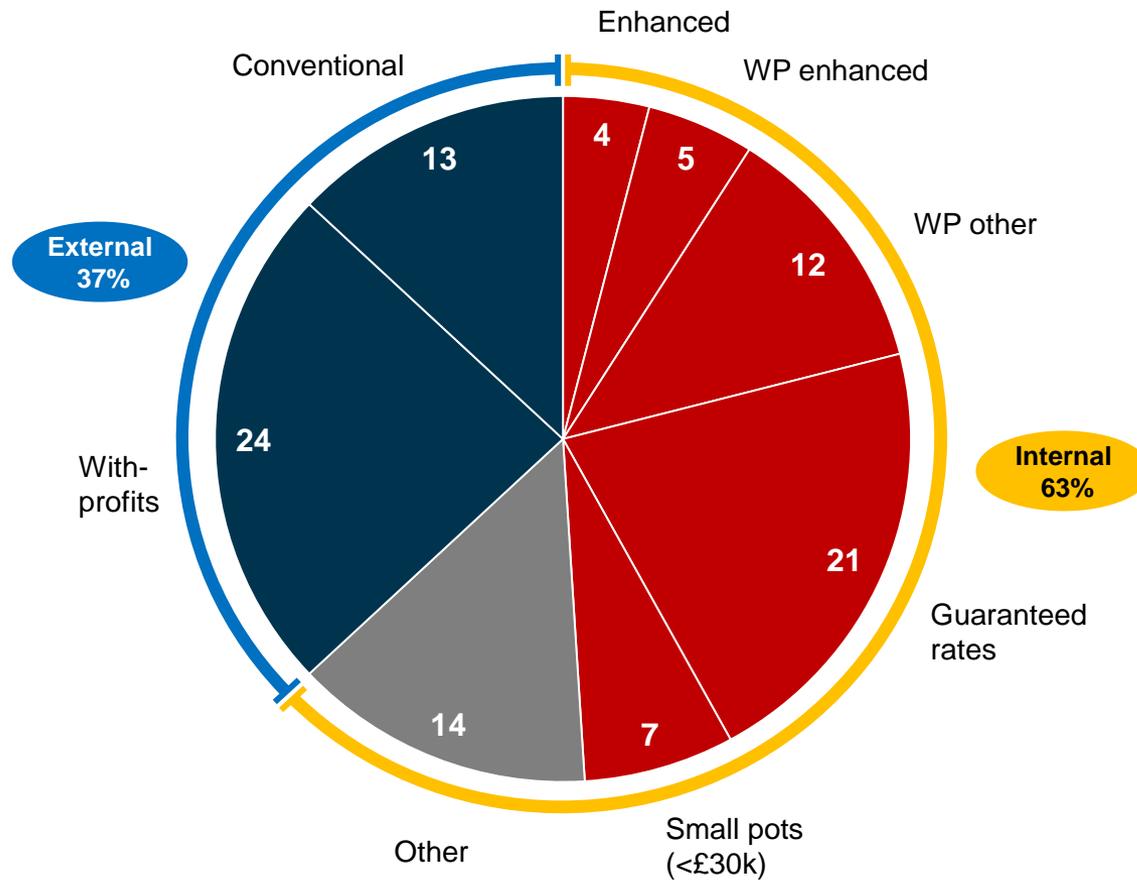
**Cumulative with-profits bonus payments, £bn**



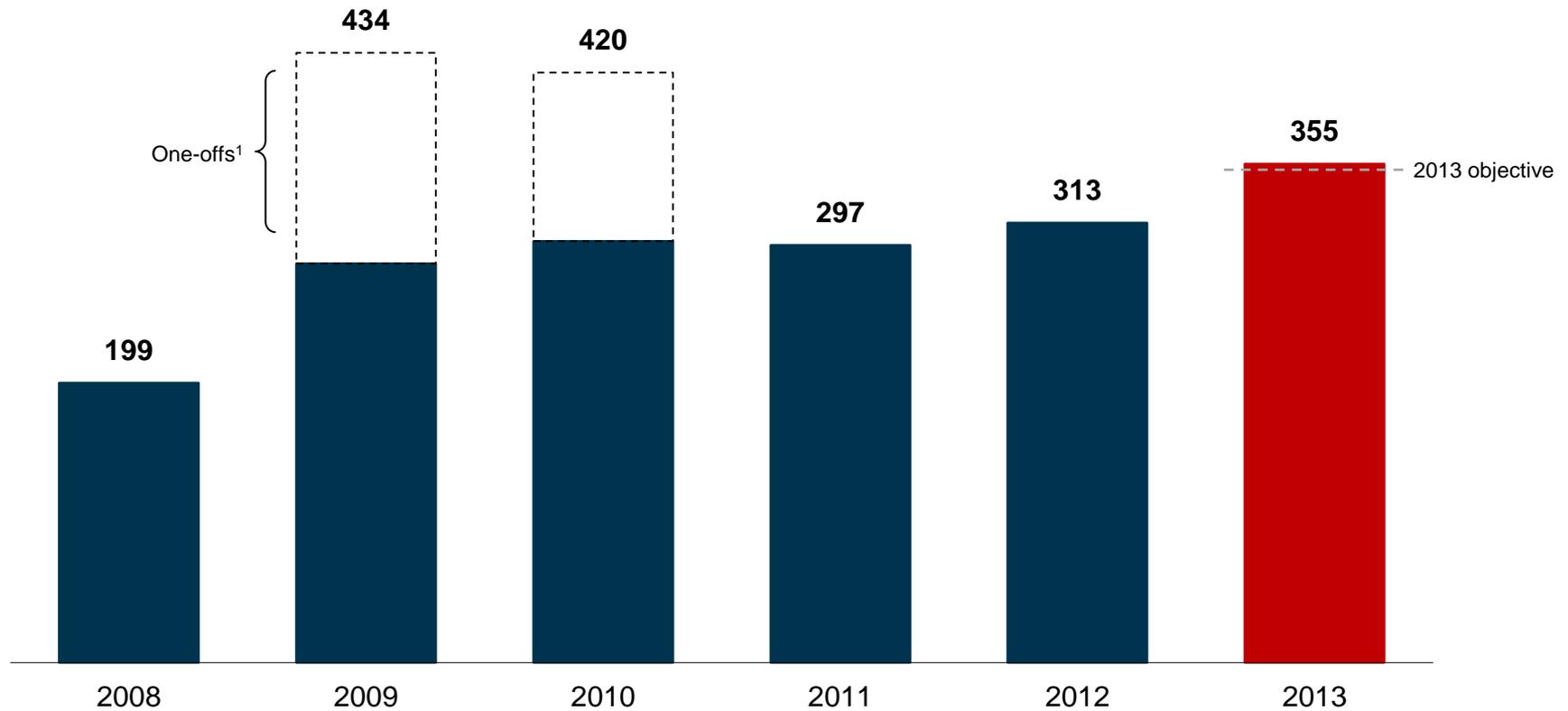
# UK

## Strong product proposition

**2013 annuity APE, %**  
(100% = £208m)



**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.



# Agenda

Group Performance

Asia

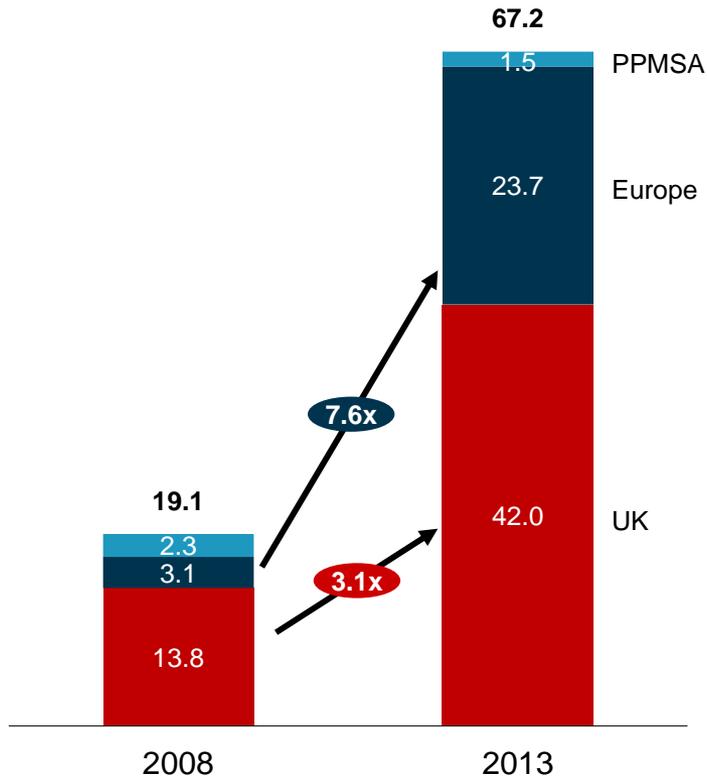
Jackson

UK Life

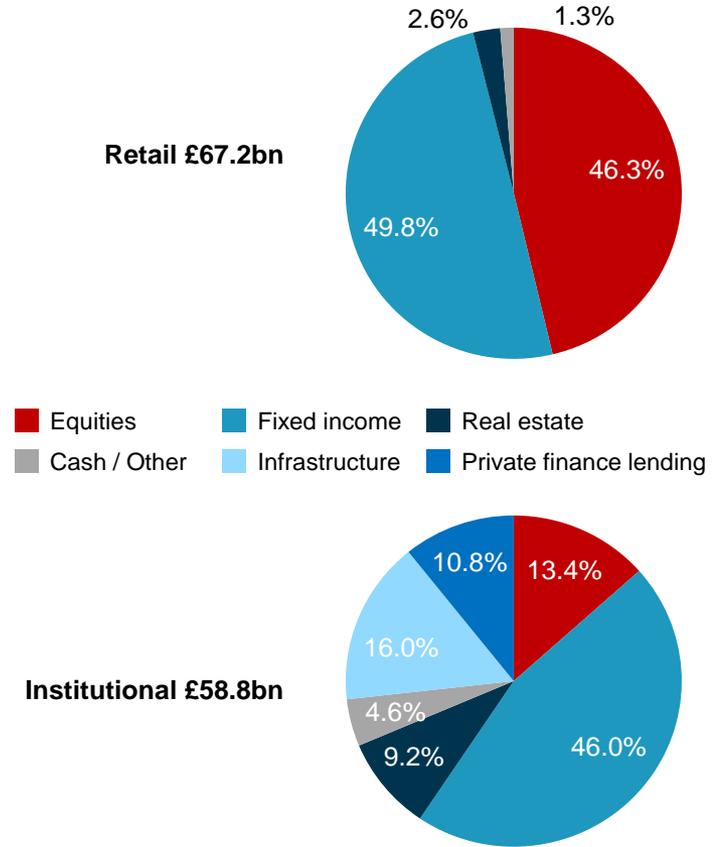
**M&G**

Cash

### External retail FUM by region, £bn



### 2013 External FUM by asset class, %

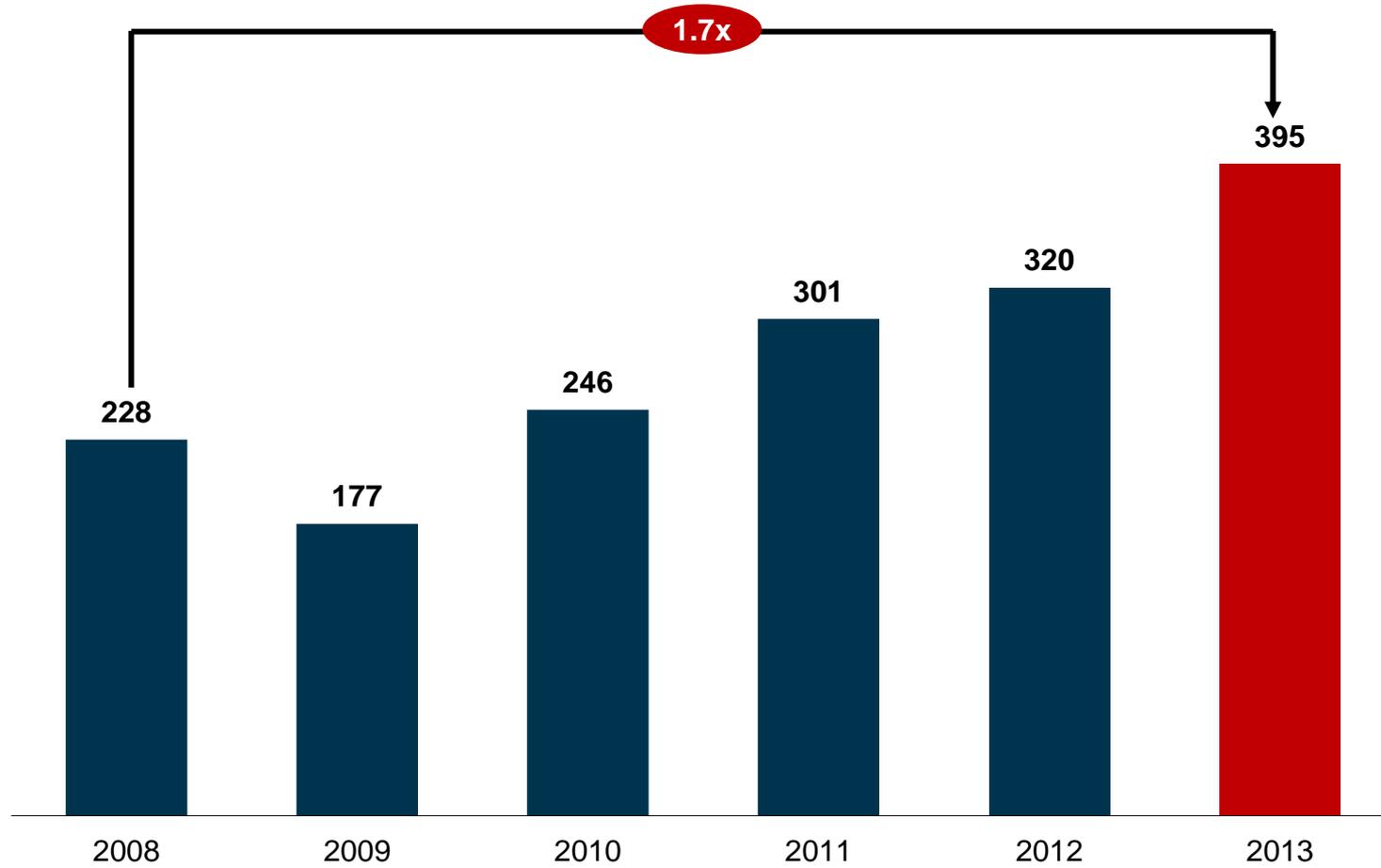


Note from 2012 onwards PPMSA FUM reported on a proportional basis.

# M&G

## Strong performance

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



<sup>1</sup> Excludes PruCap.

# Agenda

Group Performance

Asia

Jackson

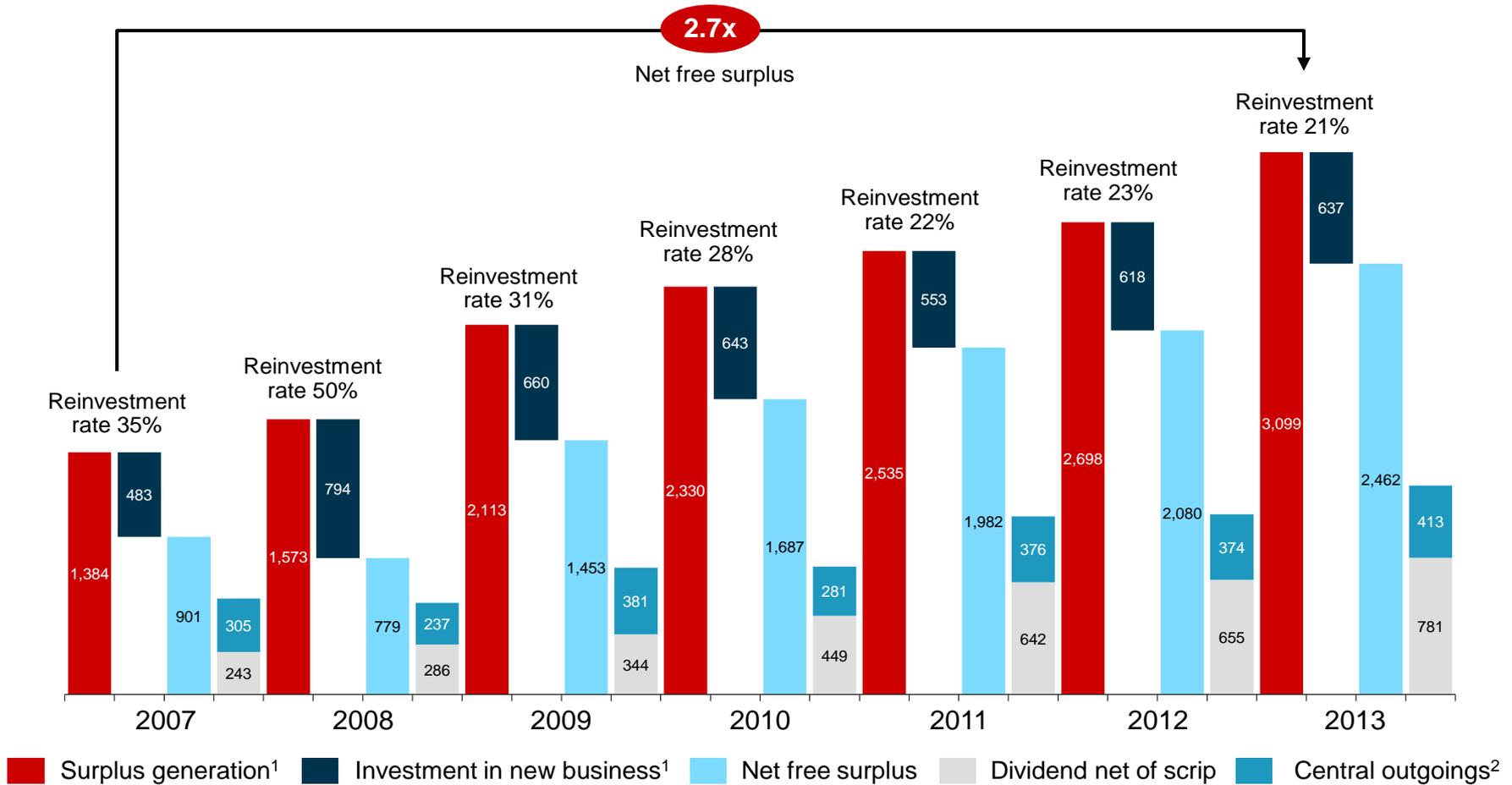
UK Life

M&G

**Cash**

# Group Free surplus generation

## Free surplus and dividend, £m

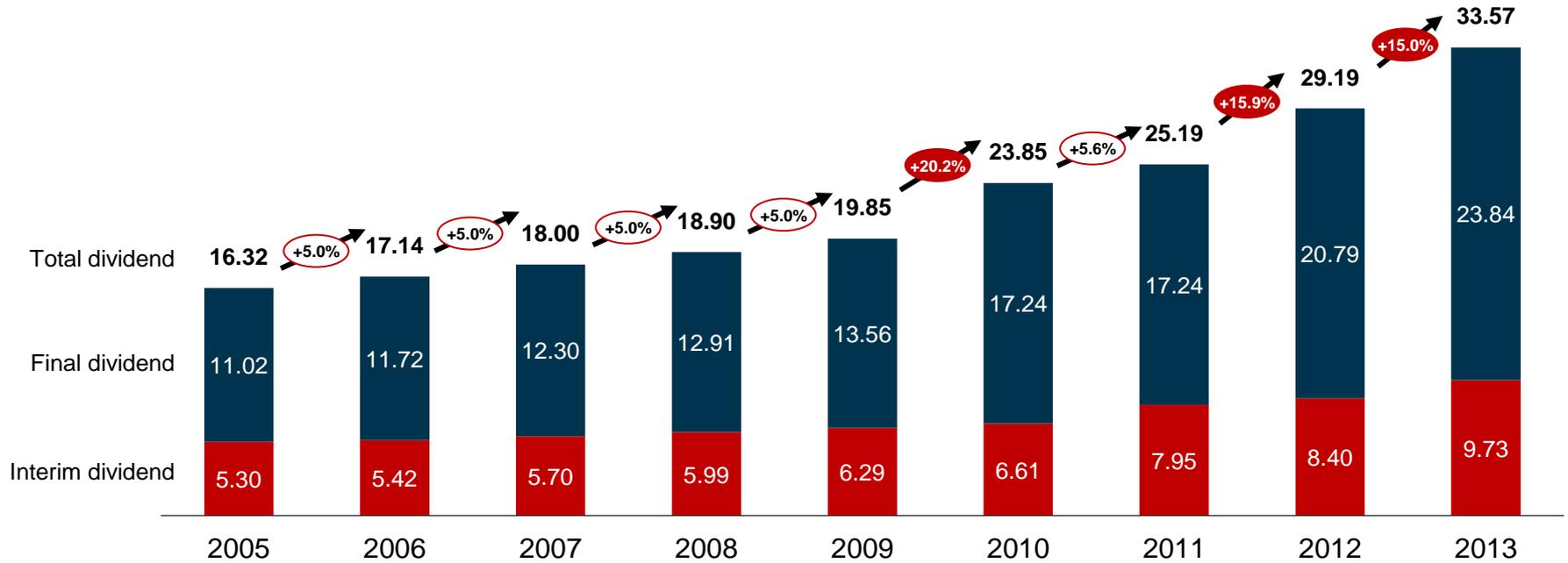


<sup>1</sup> Comparatives adjusted for new and amended accounting standard and excludes Japan Life.

<sup>2</sup> Central outgoings includes RHO costs.



## Dividend, pence per share



# Prudential plc 2013 full year results

## Agenda

Business Review

Tidjane Thiam

**Financial Review**

**Nic Nicandrou**

Outlook

Tidjane Thiam

# Key financial highlights

## 2013 continues strong performance

Overview

IFRS  
operating  
profit

Free surplus  
generation

Other  
items

£m	2013	2012 <sup>1</sup>	2013 vs 2012	
			AER <sup>2</sup>	CER <sup>3</sup>
New business profit	2,843	2,452	16%	17%
IFRS operating profit	2,954	2,520	17%	18%
EEV operating profit	5,580	4,313	29%	31%
Free surplus generation	2,462	2,080	18%	18%

<sup>1</sup> IFRS and EEV results and underlying free surplus generation have been prepared under new joint venture accounting standards and also exclude Japan life operating profit following reclassification as held for sale.

<sup>2</sup> Actual exchange rates.

<sup>3</sup> Constant exchange rates.



# Key financial highlights

## 2013 continues strong performance

Overview

IFRS  
operating  
profit

Free surplus  
generation

Other  
items

### 2013 vs 2012<sup>1</sup>, constant exchange rates

	Group	Asia <sup>2</sup>	US	UK	M&G <sup>3</sup>
<b>New business profit</b>	17%	19%	23%	(5)%	n/a
<b>IFRS operating profit</b>	18%	19%	28%	-	19%
<b>EEV operating profit</b>	31%	29%	37%	18%	19%
<b>Free surplus generation</b>	18%	21%	11%	38%	21%

<sup>1</sup> IFRS and EEV results and underlying free surplus generation have been prepared under new joint venture accounting standards and also exclude Japan life operating profit following reclassification as held for sale.

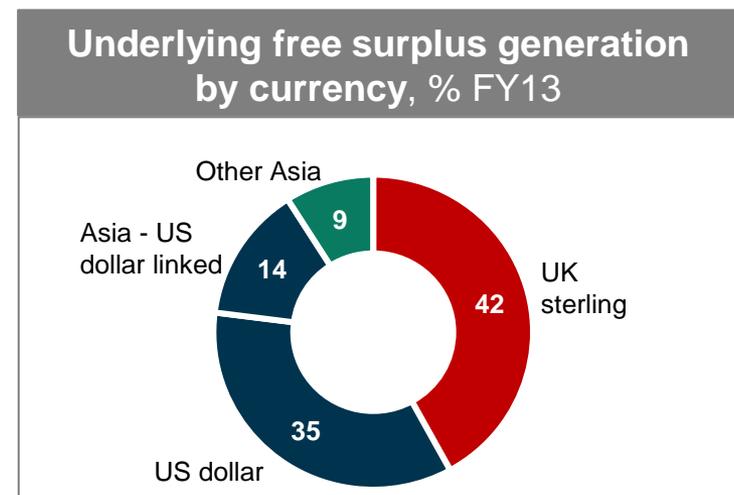
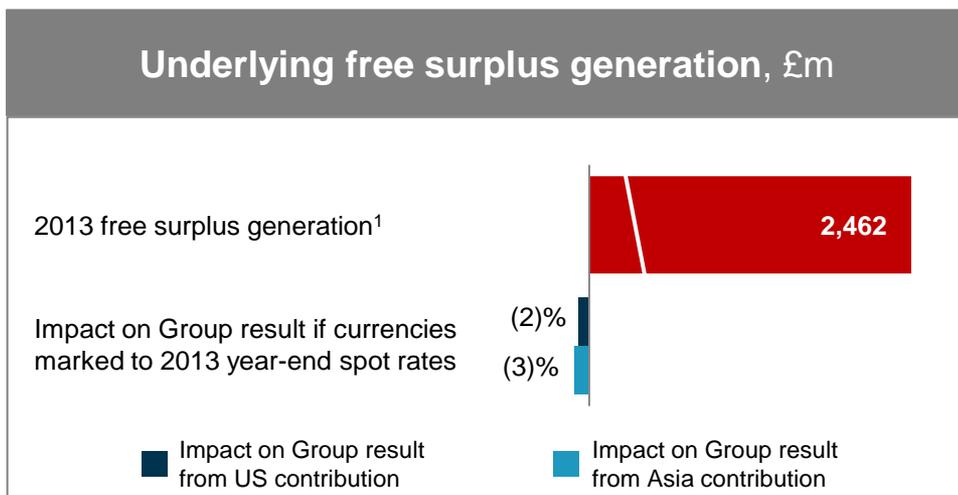
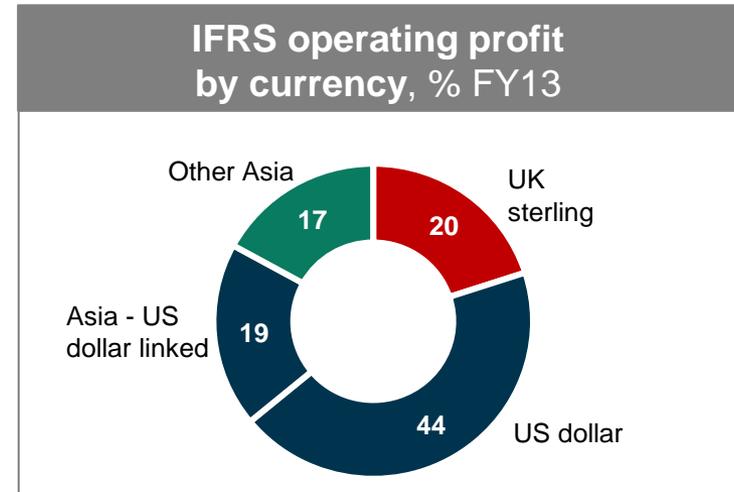
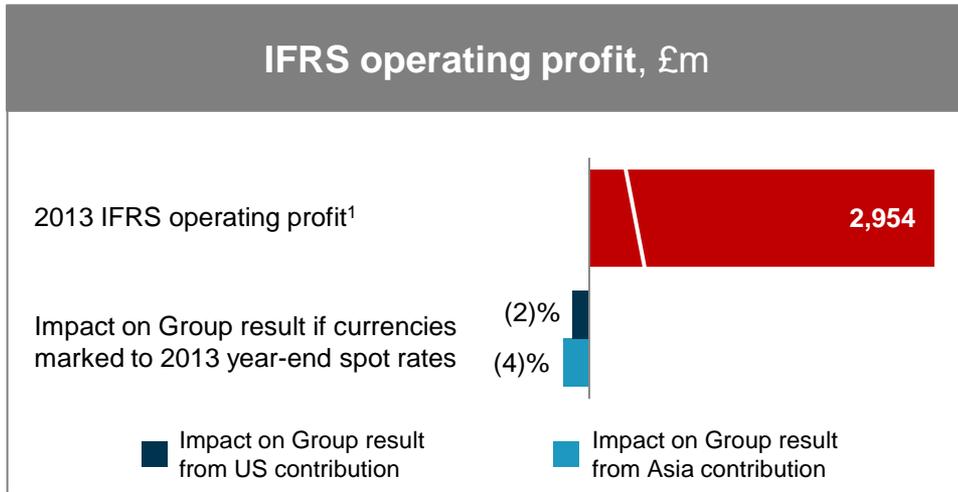
<sup>2</sup> 2012 excludes £51 million gain from sale of shares in China Life of Taiwan. Including this effect, IFRS profit increased 13%, EEV operating profit increased 26% and free surplus generation increased 9%, while new business profit is not impacted.

<sup>3</sup> Includes PruCap.



# Currency mix

## Currency translation sensitivities

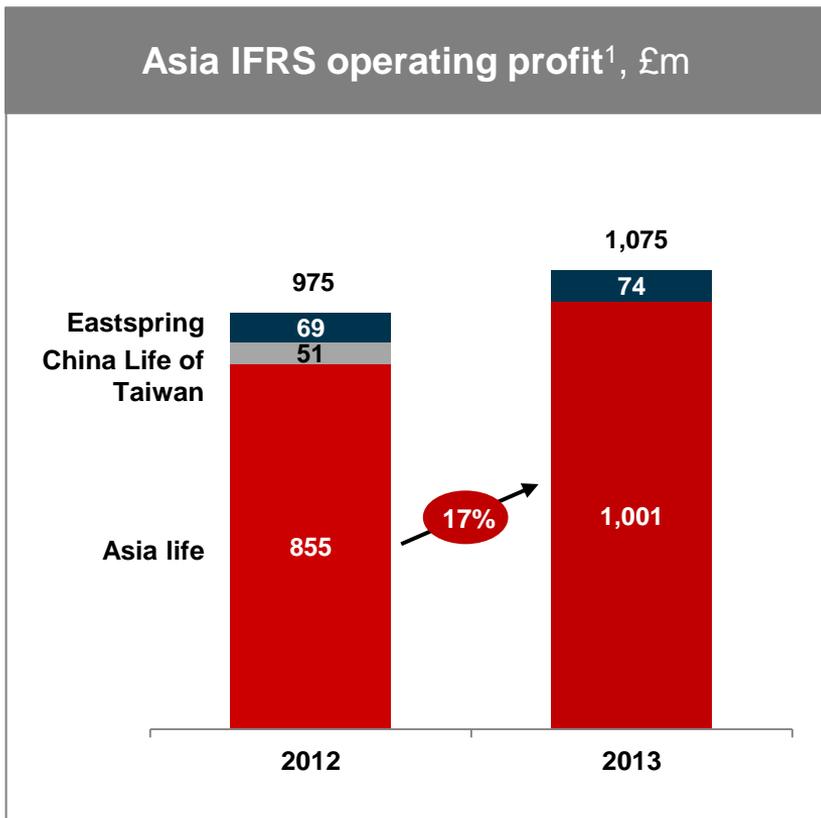


<sup>1</sup> IFRS results and underlying free surplus generation have been prepared under new joint venture accounting standards and also exclude Japan life operating profit following reclassification as held for sale.

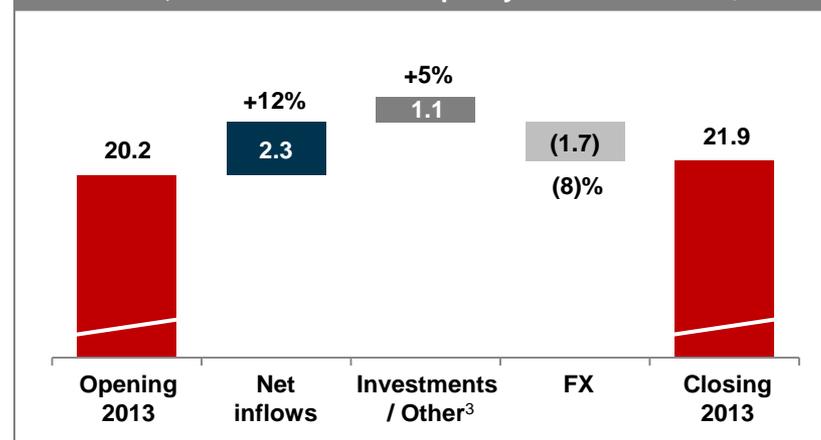
# IFRS – Asia

## Continued strong growth in Asia life profits

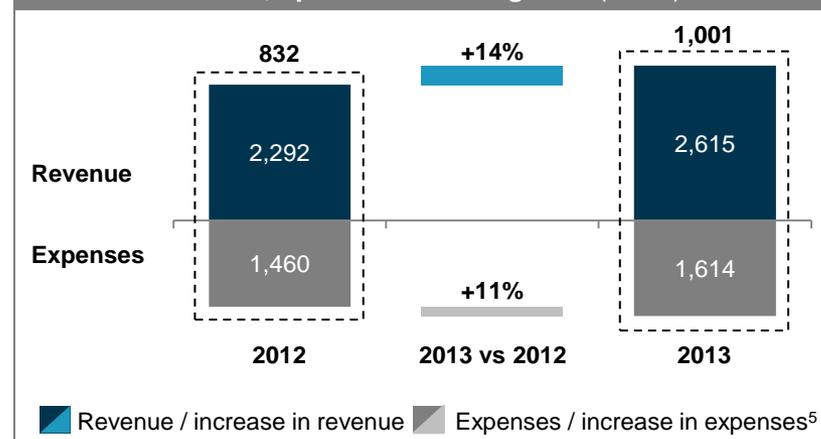
### Asia IFRS operating profit<sup>1</sup>, £m



### Asia life, shareholder-backed policyholder liabilities<sup>2</sup>, £bn



### Asia life, operational leverage, £m (CER<sup>4</sup>)



<sup>1</sup> IFRS results have been prepared under new joint venture accounting standards and also exclude Japan life operating profit following reclassification as held for sale.

<sup>2</sup> Excludes Japan life following reclassification as held for sale.

<sup>3</sup> Includes £487 million from the acquisition of Thanachart Life.

<sup>4</sup> 2012 restated on constant exchange rate basis, reducing revenue by £52 million and reducing expenses by £29 million; excludes Japan life operating profit following reclassification as held for sale; 2012 excludes £51 million gain from sale of shares in China Life of Taiwan.

<sup>5</sup> Expenses stated net of deferred acquisition costs.



# IFRS operating profit – source of earnings

## Life insurance - Asia

Total operating profit <sup>1</sup>		
1,001	855	17%

2013	2012	+/-
------	------	-----

£m except reserves £bn

<b>Total Life income</b>			<b>-</b>	<b>Admin Expenses</b>			<b>=</b>	<b>Acquisition Costs</b>			<b>+/-</b>	<b>DAC adjustments</b>		
2,615	2,344	12%		(634)	(570)	(11)%		(1,015)	(903)	(12)%		35	(16)	n/a

Spread income			
115	93	24%	

Fee income			
154	141	9%	

Technical and other margin			
2,241	2,028	11%	

With-profits			
47	39	21%	

Spread (bps)	154	155	(1)
Average reserves	7.4	6.0	23%

AMF (bps)	112	111	1
Average reserves	13.7	12.6	9%

Margin on revenues	1,562	1,439	9%
Insurance margin	679	589	15%

Expected returns			
58	43	35%	

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

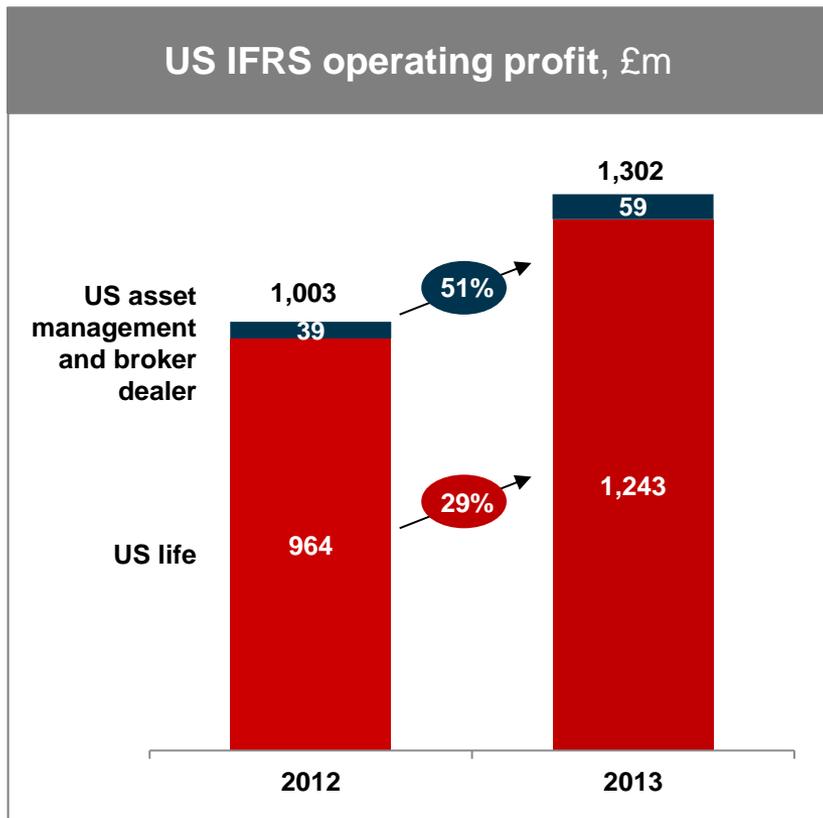
Higher fee income driven by growth in unit-linked reserves

Increase in technical margin due to growth in H&P book. Insurance margin also benefits from claims controls and pricing actions

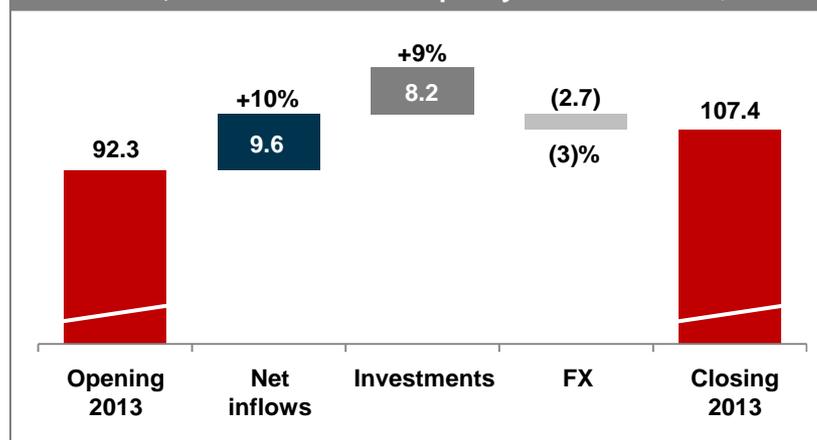
<sup>1</sup> IFRS results have been prepared under new joint venture accounting standards and also exclude Japan life operating profit following reclassification as held for sale. 2012 comparatives have been adjusted on a comparable basis. 2012 also excludes the one-off gain of £51 million from the sale of stake in China Life of Taiwan.



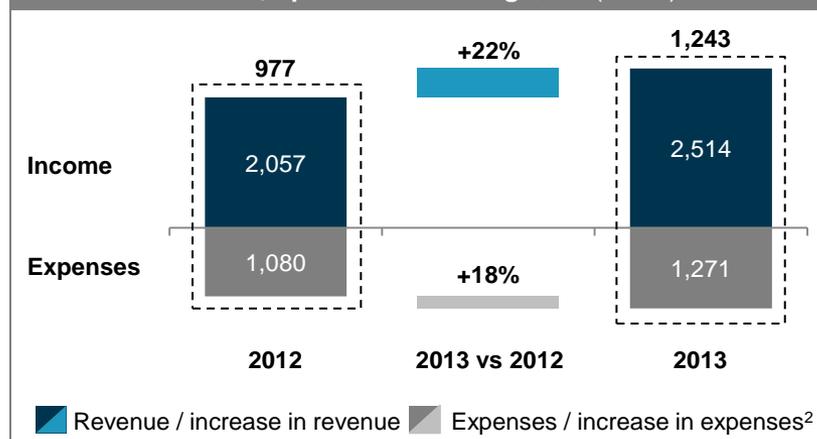
### US IFRS operating profit, £m



### Jackson, shareholder-backed policyholder liabilities, £bn



### Jackson, operational leverage, £m (CER<sup>1</sup>)



<sup>1</sup> 2012 restated on constant exchange rate basis, increasing revenue by £26 million and increasing expenses by £13 million.

<sup>2</sup> Expenses stated net of deferred acquisition costs.

# IFRS operating profit – source of earnings

## Life insurance - US

2013	2012	+/-
£m except reserves £bn		

Total operating profit		
1,243	964	29%

=

Total Life income		
2,514	2,031	24%

-

Total Life expenses		
(1,584)	(1,509)	(5)%

+

2012 Expense deferrals		
716	798	(10)%

-

DAC amortisation		
(403)	(356)	(13)%

Spread income		
730	702	4%

Fee income		
1,172	875	34%

Expected returns		
24	55	(56)%

Spread (bps)	246	239	7
Average reserves	29.6	29.4	1%

AMF (bps)	196	199	(3)
Average reserves	59.7	44.0	36%

Technical and other margin		
588	399	47%

Increase reflects effect of lower crediting rates

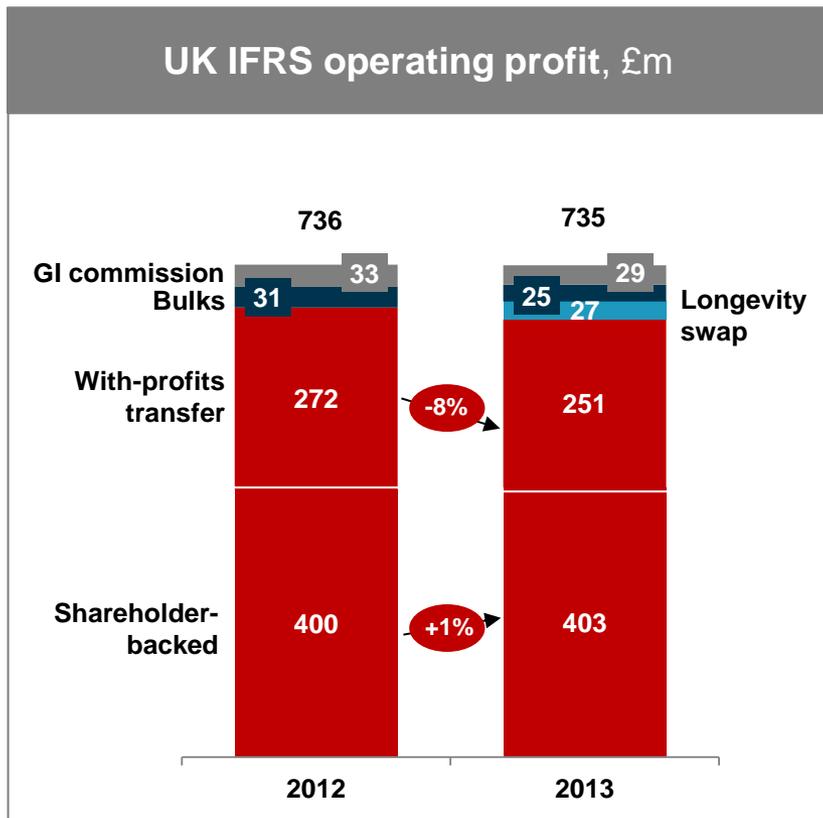
Increase reflects impact of net flows (including Elite Access) and positive markets on separate account balances

Increase in technical and other margin reflects the additional contribution from REALIC

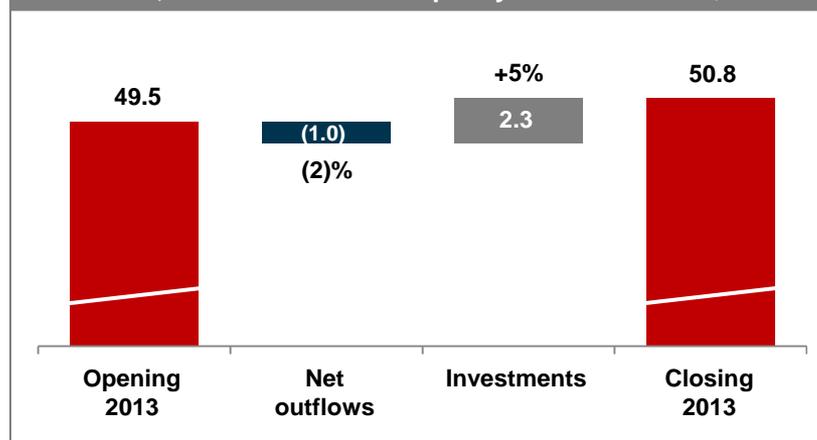
# IFRS – UK

## IFRS profits stable in challenging market

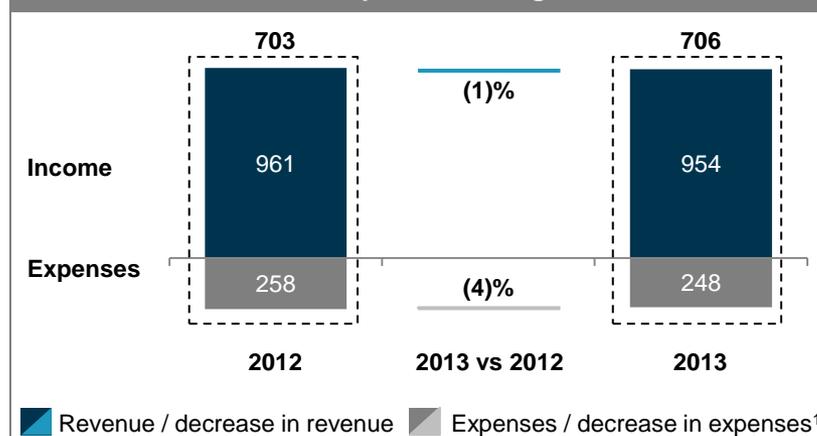
### UK IFRS operating profit, £m



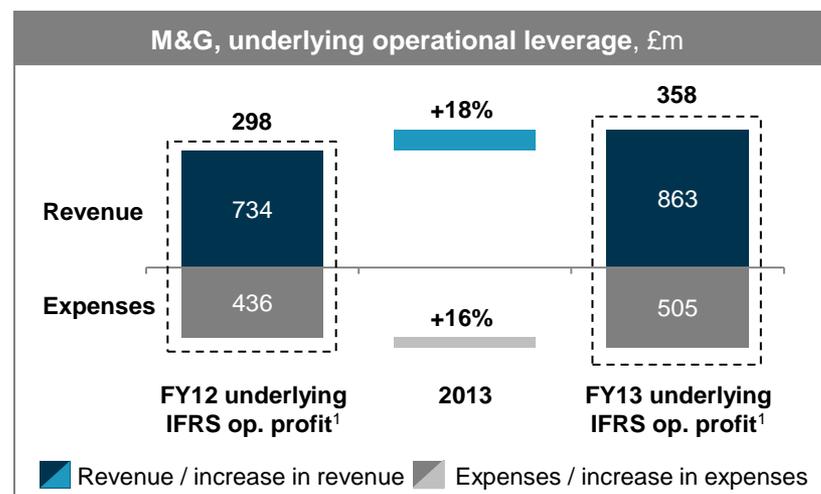
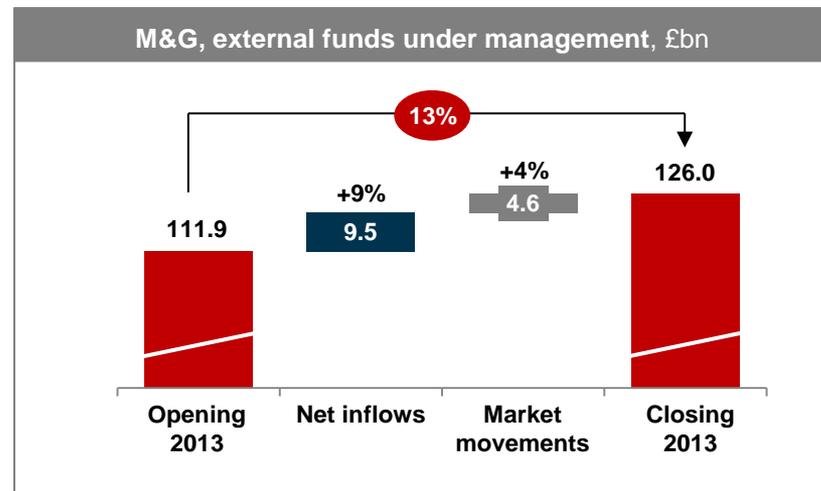
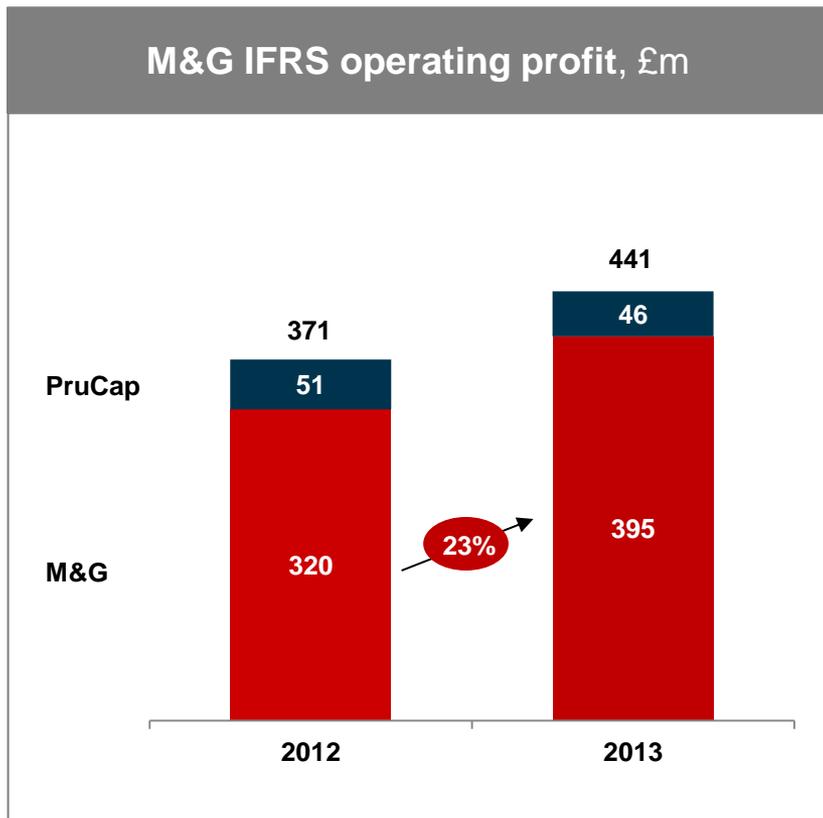
### UK Life, shareholder-backed policyholder liabilities, £bn



### UK Life, expenses management, £m



<sup>1</sup> Expenses stated net of deferred acquisition costs.



<sup>1</sup> Excluding revenue from performance related fees and earnings from associates.

# Net free surplus generation

## Increasing free surplus generation



### Net free surplus generation<sup>1</sup>, £m

	2013	2012	Change		2013	2012	Change
Unwind on in-force portfolio	2,017	1,924	5%		Asia	484	18%
Experience result	478	293	63%		China Life	51	n/a
Investment return on free surplus	133	95	40%			573	7%
Life in-force result	2,628	2,312	14%		US	773	13%
Asset management	471	386	22%		UK	487	38%
<b>Gross free surplus generation</b>	<b>3,099</b>	2,698	15%		M&G	285	21%
Less: new business strain	637	618	3%		<b>Total</b>	2,080	18%
<b>Net free surplus generation</b>	<b>2,462</b>	2,080	18%				

<sup>1</sup> Free surplus generation has been prepared under new joint venture accounting standards and also excludes Japan life operating profit following reclassification as held for sale. 2012 comparatives have been adjusted on a comparable basis.

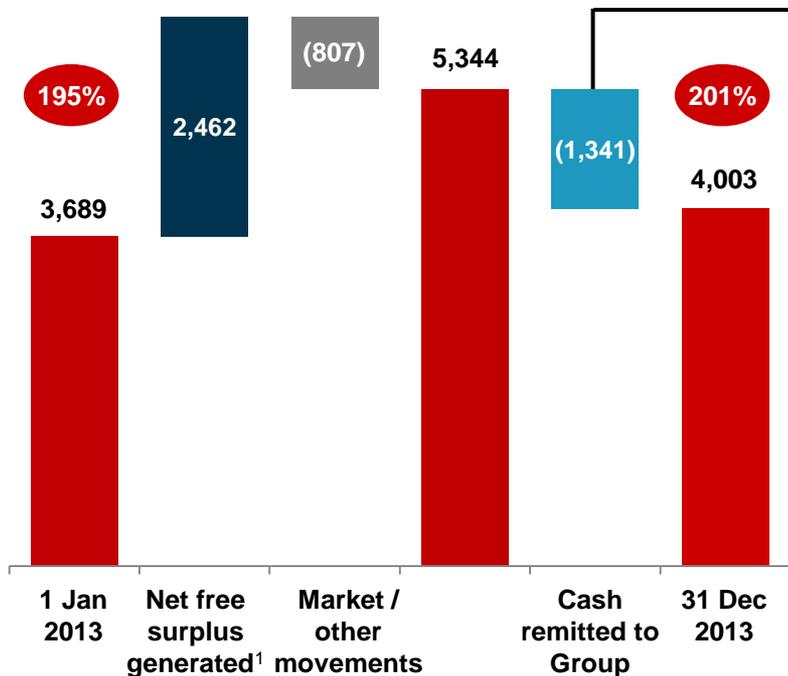
# Net free surplus generation

## Growing stock of free surplus and central cash

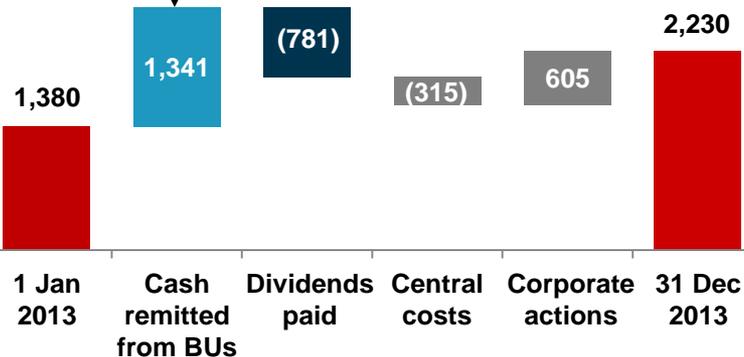


### Movement in free surplus, £m

x% Free surplus cover



### Movement in central cash, £m



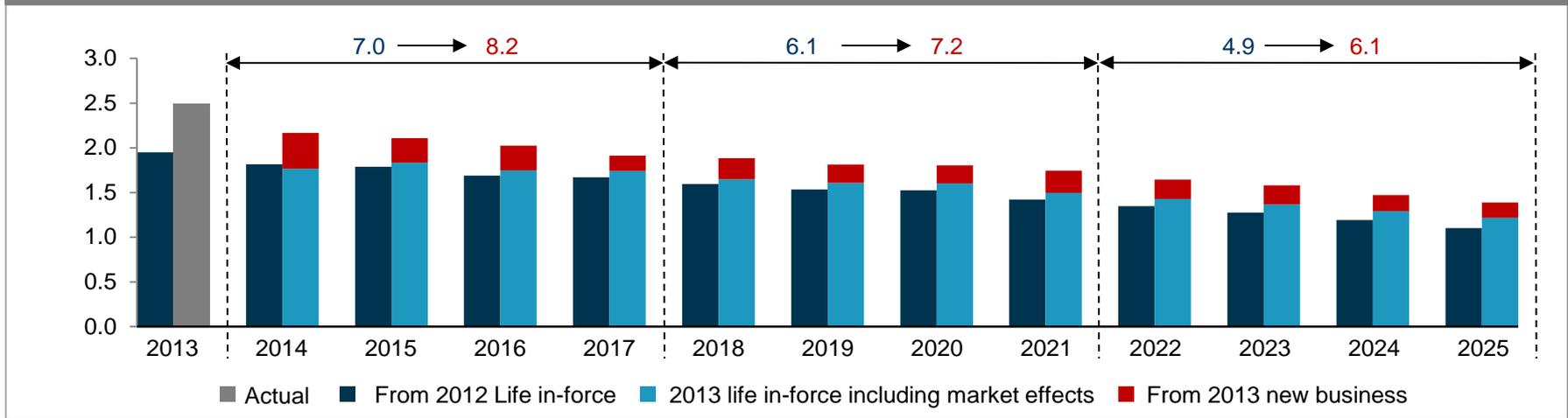
<sup>1</sup> Underlying free surplus has been prepared under new joint venture accounting standards and also excludes Japan life following reclassification as held for sale.

# Net free surplus generation

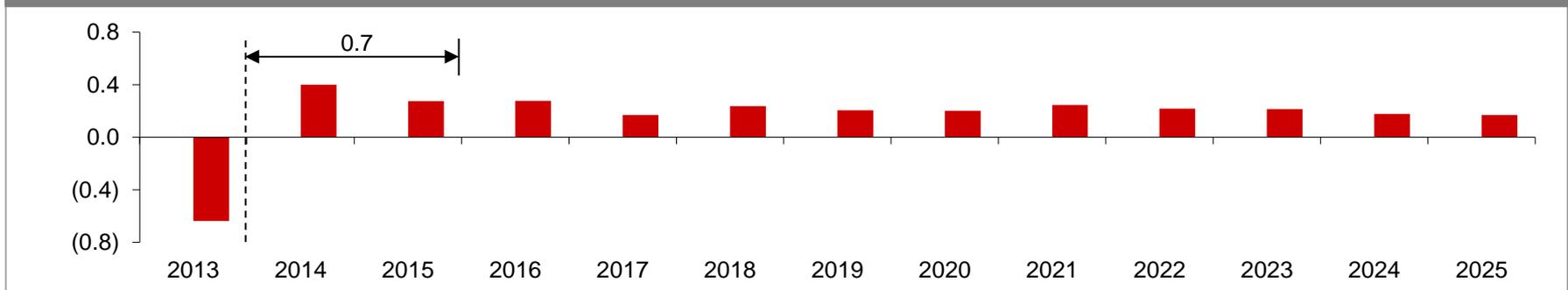
## Future free surplus emergence



Expected undiscounted free surplus from life in-force, £bn



Expected undiscounted cash flows from 2013 new business, £bn

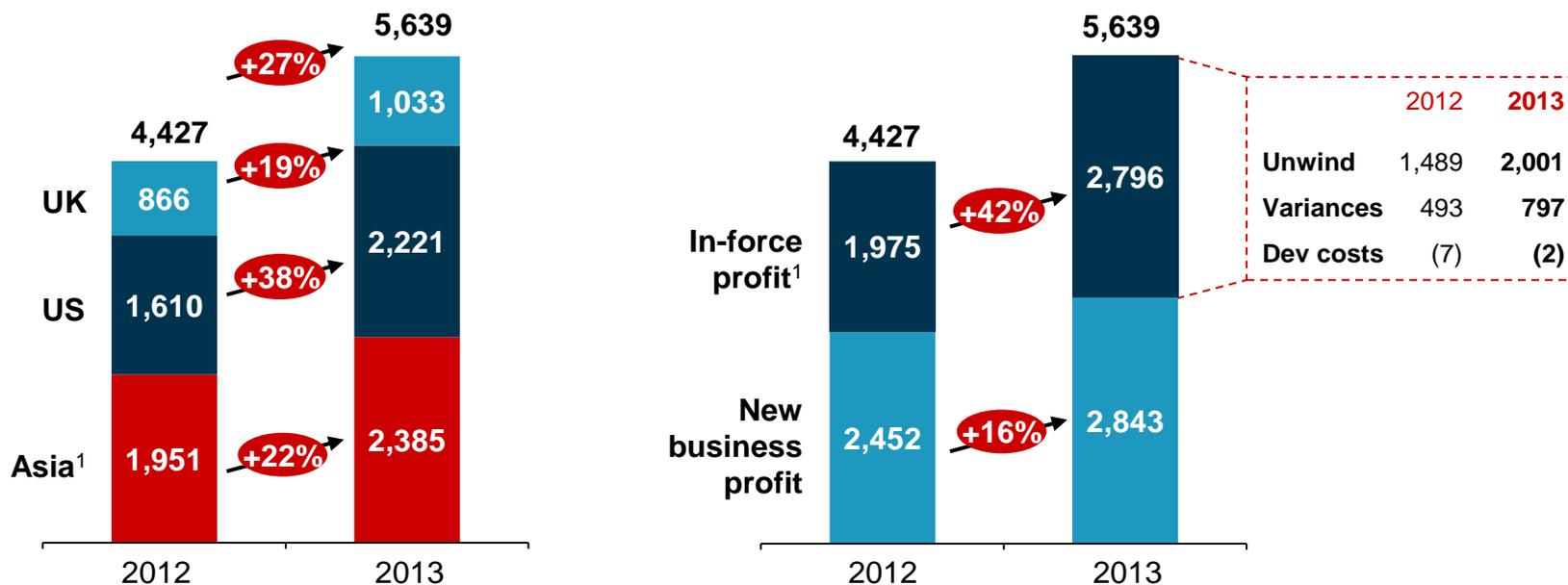


# EEV operating profit

## Operating return on EEV of 19%



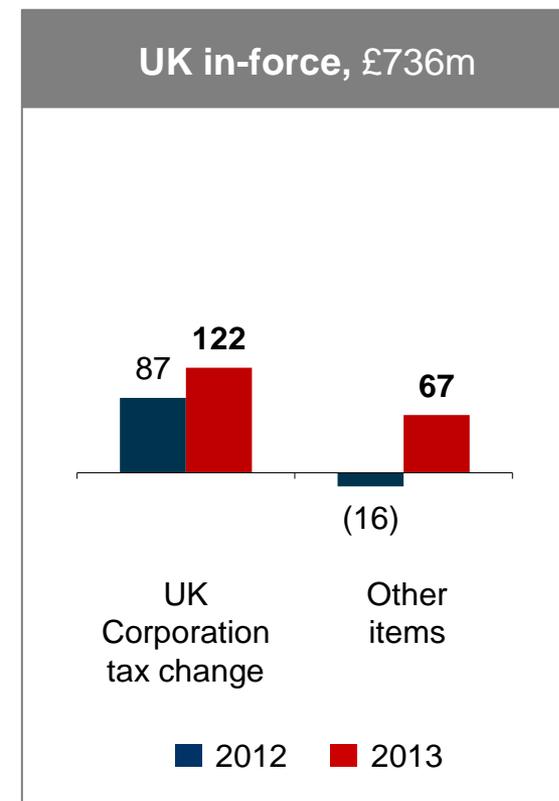
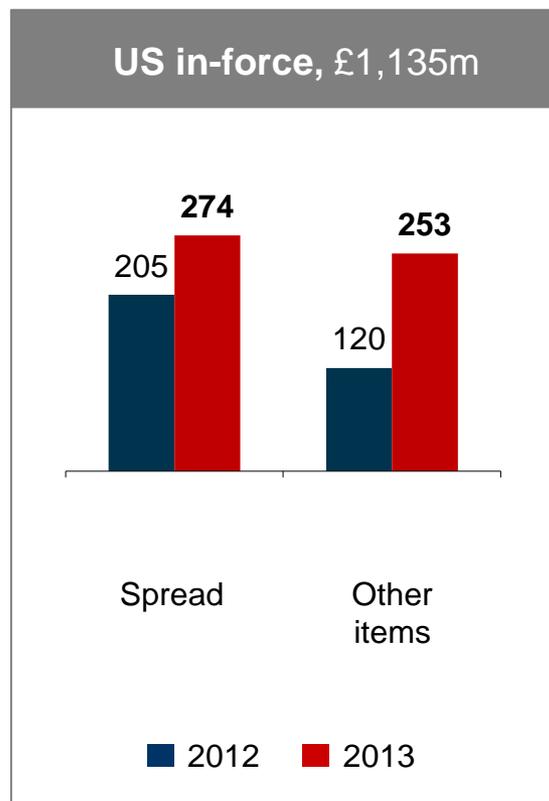
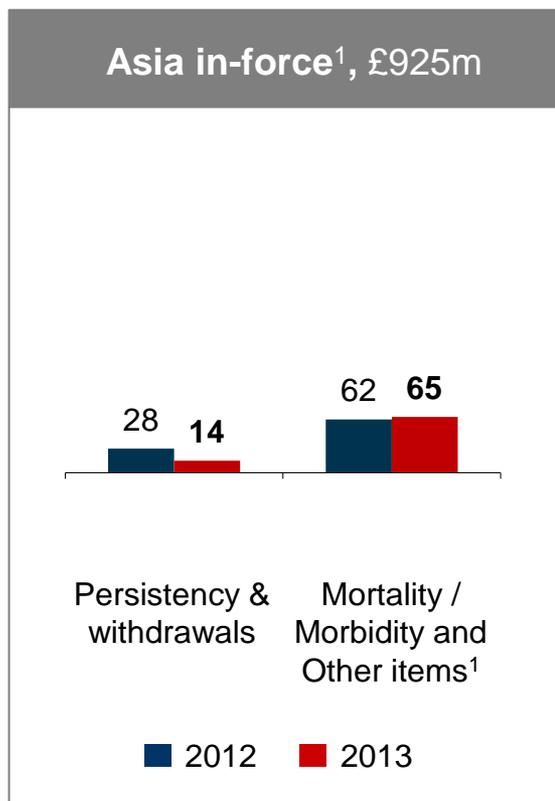
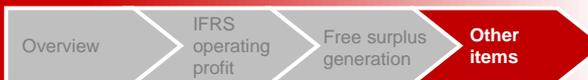
### EEV Life operating profit<sup>1</sup>, £m



<sup>1</sup> Net of Asia development expenses (2012: £(7)m, 2013: £(2)m). Excludes Japan life following reclassification as held for sale.

# EEV operating profit

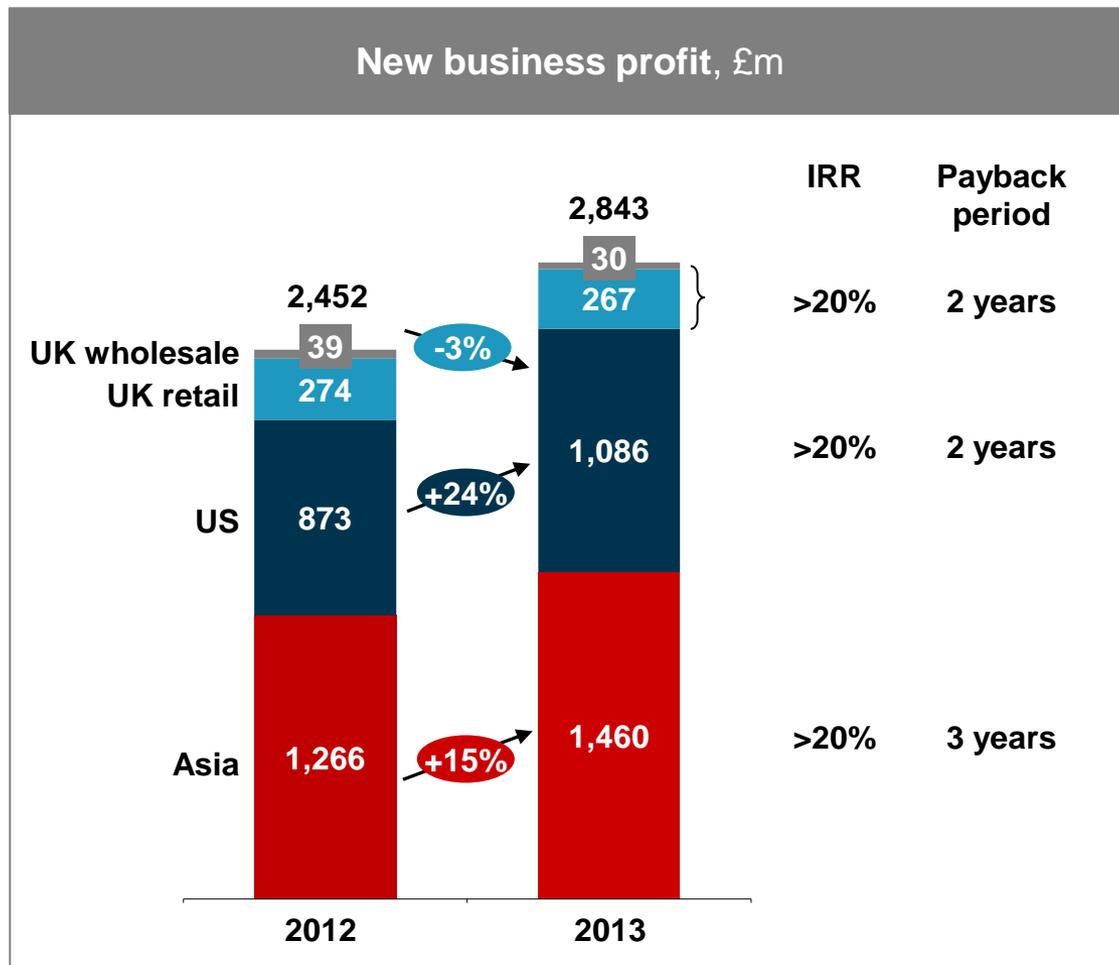
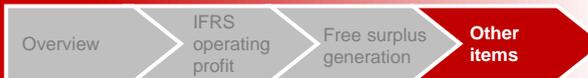
## Robust in-force performance



<sup>1</sup> Net of Asia development expenses (2012: £(7)m, 2013: £(2)m). Excludes Japan life following reclassification as held for sale.

# EEV operating profit

Value creation through increasing NBP – up 16%



NBP, 2013 vs 2012	
Volume	+5%
Mix / pricing	+4%
Economic effect (excl FX)	+8%
FX	(1)%

# Equity shareholders' funds

## Summary of movement



### Movement in shareholders' funds<sup>1</sup>

	IFRS Equity			EEV Equity		
	H1 2013	H2 2013	FY 2013 per share	H1 2013	H2 2013	FY 2013 per share
<b>After-tax operating profit</b>	1.1	1.2	91	1.8	2.4	165
<b>Investment variance</b>	(0.7)	(0.3)	(38)	0.1	0.1	6
<b>Profit for the period</b>	0.4	0.9	53	1.9	2.5	171
<b>Unrealised loss on AFS<sup>2</sup></b>	(0.8)	(0.2)	(40)	-	(0.1)	(4)
<b>Foreign exchange and other</b>	0.1	(0.3)	(10)	0.7	(1.7)	(43)
<b>Dividend</b>	(0.5)	(0.3)	(31)	(0.5)	(0.3)	(31)
<b>Retained earnings<sup>3</sup></b>	<b>(0.8)</b>	<b>0.1</b>	<b>(28)</b>	<b>2.1</b>	<b>0.4</b>	<b>93</b>
<b>Opening shareholders' equity</b>	10.4	9.6	405	22.4	24.5	878
<b>Closing shareholders' equity</b>	<b>9.6</b>	<b>9.7</b>	<b>377</b>	<b>24.5</b>	<b>24.9</b>	<b>971</b>
<b>Movement in period</b>	<b>(7)%</b>	<b>-</b>	<b>(7)%</b>	<b>+9%</b>	<b>+2%</b>	<b>+11%</b>

<sup>1</sup> IFRS and EEV results have been prepared under new joint venture accounting standards. Excludes Japan life operating profit following reclassification as held for sale. 2012 comparatives have been adjusted on a comparable basis.

<sup>2</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.

<sup>3</sup> Subject to rounding.

### Maintained capital strength

- IGD surplus £5.1bn equivalent to a cover of 2.8 times
- With-profits estate of £8.0bn<sup>1</sup> (31 December 2012: £7.0bn)
- Jackson RBC at 450% (2012: 423%)

### Strong liquidity position

- Issued subordinated bond for £700m in Dec 2013
- £2.2bn of central cash resources
- £2.1bn of untapped liquidity facilities

### Credit position improved

- UK: £1.9bn default provision
- Unrealised gains on US debt securities of £0.8bn (31 December 2012: £2.8bn)
- US impairments in 2013 of £4m (31 December 2012: £47m)

### Continued balance sheet conservatism

- Variable annuity hedging remains robust
- No change to conservative asset mix with 97% of credit portfolio rated investment grade<sup>2</sup>

<sup>1</sup> During 2013, Prudential completed the long-running project for approval to domesticate the Hong Kong branch business of the PAC With-Profits fund which has an effective date of 1 January 2014. The value of the estate of our UK With-Profits fund as at 31 December 2013 is estimated at £8.0 billion prior to the effect of this transfer.

<sup>2</sup> Shareholder-backed business.

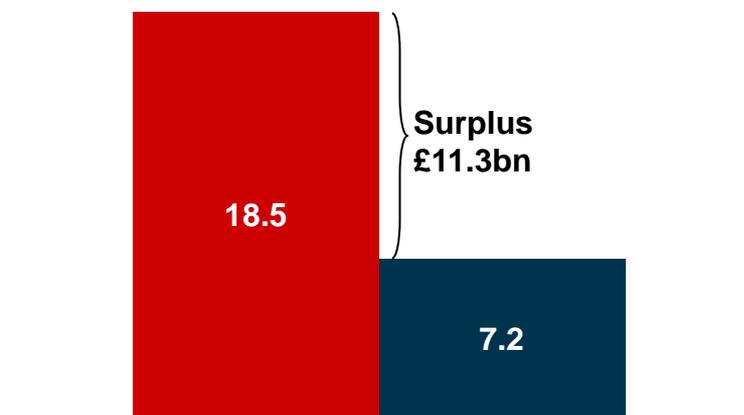
# Economic capital

## Robust capital position

### Economic capital position<sup>1</sup> at 31 December 2013, £bn

Solvency cover

257%



Economic capital

■ Available capital ■ Required capital

### Strong capital position at FY13 before final dividend:

- Economic capital surplus of £11.3bn (257% cover)
- Estimated IGD surplus of £5.1bn (280% cover)
- Capital position resilient to a range of market sensitivities

### Economic capital position is based on:

- US equivalence (250% of RBC) with no diversification
- No restrictions on economic value of overseas surplus
- UK annuity 'liquidity premium' derived from Solvency I and other industry benchmarks, pending clarity on Solvency II Matching Adjustment
- No allowance for Solvency II transitionals
- Credit risk adjustment of 10 basis points
- Internal model calibrations which have not yet been approved by the Prudential Regulation Authority (PRA)

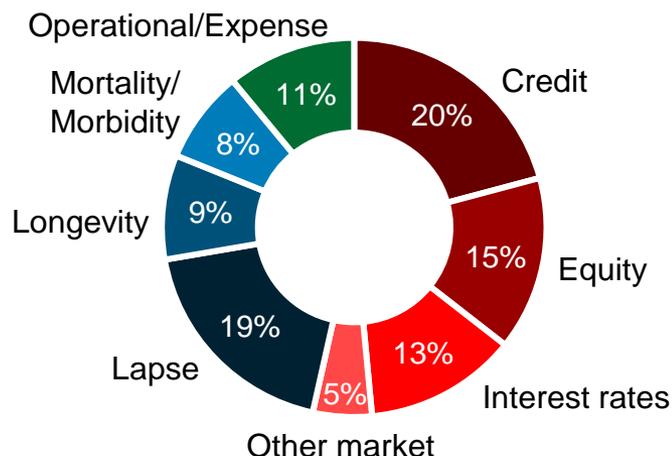
Considerable uncertainties remain in this estimate, to be updated annually reflecting changes to Solvency II rules, on-going refinements to our internal model and feedback from the PRA

<sup>1</sup> The economic capital result is based on outputs from the Group's Solvency II internal model which will be subject to Prudential Regulation Authority (PRA) review and approval before its formal adoption in 2016. We do not expect to submit our Solvency II internal model to the PRA for approval until 2015 and therefore the economic capital disclosures should not be interpreted as outputs from a PRA-approved internal model.

# Economic capital

## Balanced risk exposures

Economic capital by risk type (before diversification)<sup>1,2</sup>



### Balanced risk exposures mainly arise from:

- Credit (UK annuities and Jackson fixed annuities)
- Equity (with-profits shareholder transfers; unit linked fund charges)
- Interest rates (impact on guarantee costs, offset by impact on discount rate for insurance profits)
- Insurance risks: lapse, longevity, mortality and morbidity (Asia protection products, UK annuities, with-profits shareholder transfers)
- Operational and expense risks

Economic capital sensitivities, £bn<sup>1</sup>

	Impact	Economic capital surplus
<b>Base position (as reported)</b>		<b>11.3</b>
40% equity fall	(1.0)	10.3
20% equity fall	(0.3)	11.0
100bp interest rate fall	(1.3)	10.0
100bp interest rate rise	0.8	12.1
100bp credit spread widening <sup>3</sup>	(1.3)	10.0

<sup>1</sup> There are material areas of uncertainty with regard to methodology and assumptions which remain subject to review and approval by the PRA. These estimates should not be interpreted as outputs from a PRA-approved Solvency II internal model.

<sup>2</sup> The split by risk type includes Jackson's risk exposures, based on 250% of the US RBC Company Action Level.

<sup>3</sup> For the credit spread widening stress, 10 times expected defaults are assumed for Jackson since credit spread movements do not directly impact on the US RBC result.

# Economic capital Movement over 2013

## Movement in economic capital surplus<sup>1</sup>, £bn



<sup>1</sup> There are material areas of uncertainty with regard to methodology and assumptions which remain subject to review and approval by the PRA. These estimates should not be interpreted as outputs from a PRA-approved Solvency II internal model.

## Good progress across key financial metrics

- Double digit growth in NBP, IFRS operating profit and free surplus generation
- Broad based performance across geographies and sources of income
- Cash generation supports dividend rebasing upwards
- Positive start towards 2017 objectives

## Improving earnings quality

- Increased contribution from insurance income and fee based business
- Balanced and significant earnings and cash from all four businesses
- Continued investment in new business with attractive returns and fast payback

## Strong balance sheet position

- Continued balance sheet conservatism
- Robust solvency position

# Prudential plc 2013 full year results

## Agenda

Business Review

Tidjane Thiam

Financial Review

Nic Nicandrou

**Outlook**

**Tidjane Thiam**

- Strong performance, 2013 objectives delivered and dividend rebased upwards
- Fast growing, higher quality earnings and diversified sources of cash
- Leading Asian platform to deliver long-term profitable growth
- Right products, right markets and right people
- More of the same, just better

# Q&A





# Appendix

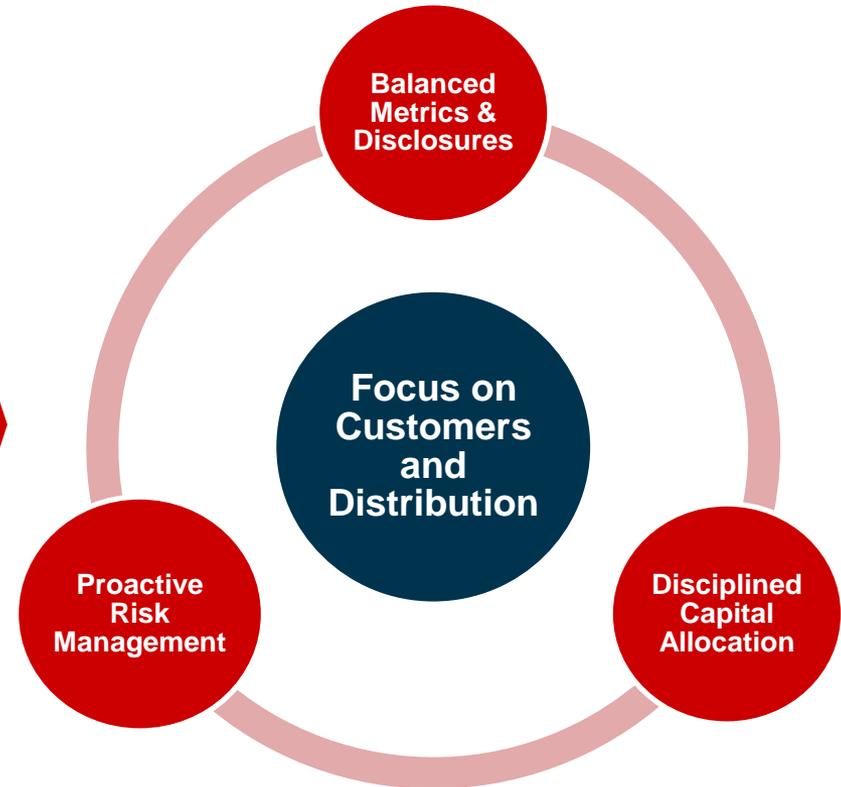
# Strategy

We have a clear strategy underpinned by clear operating principles

## Strategy

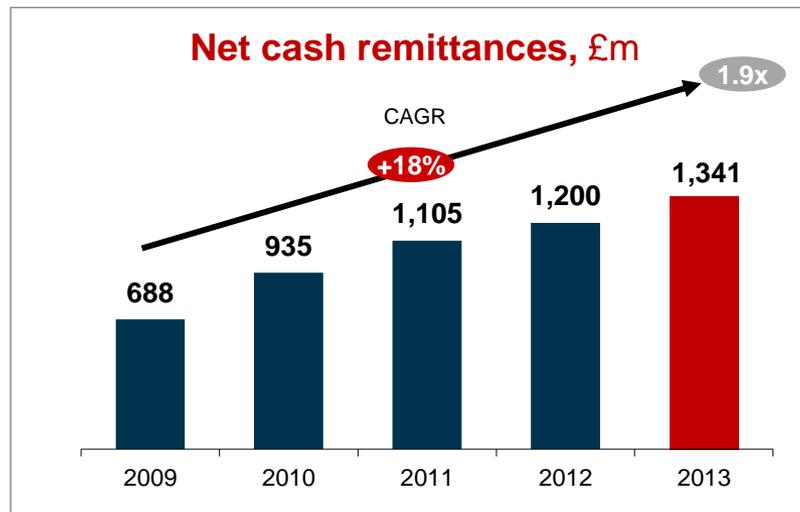
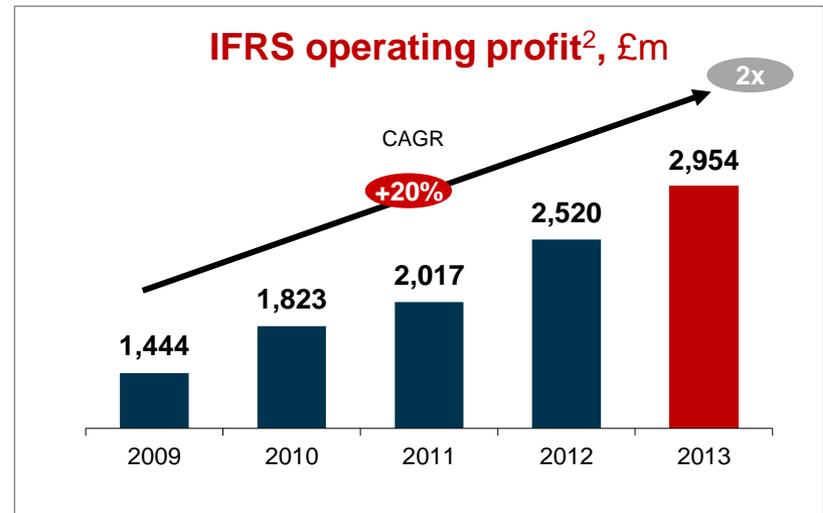
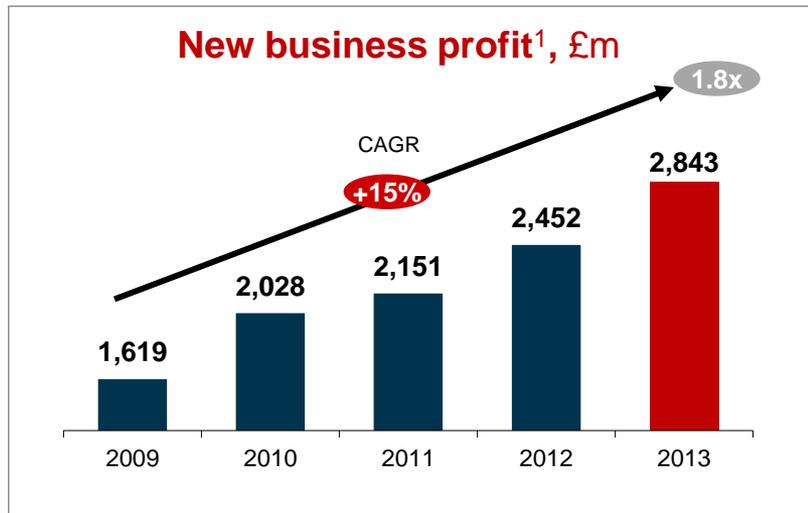


## Operating Principles



# Group

## Historic financial performance



X.X 2013 multiple over 2009

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

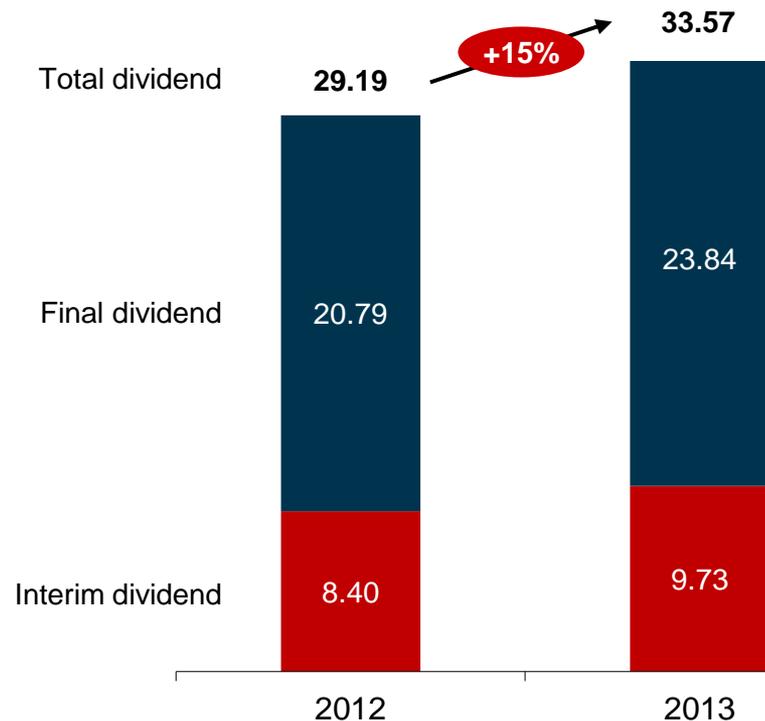
<sup>2</sup> Comparatives adjusted for new and amended accounting standards and excludes Japan Life.



# Dividend

Total dividend increased by 15%

Dividend, pence per share

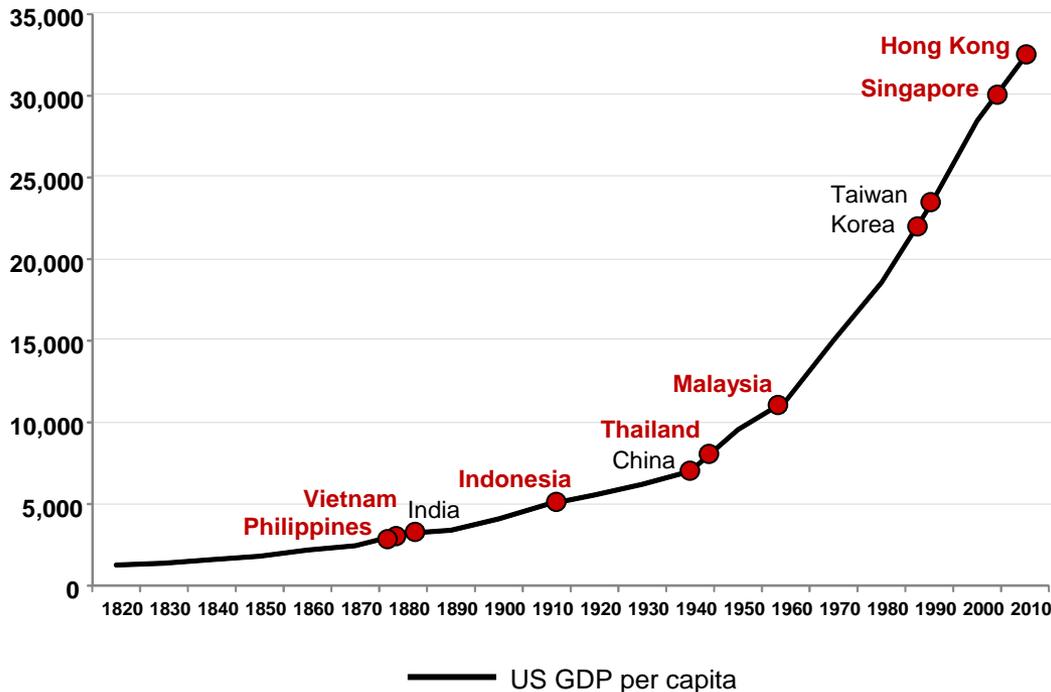


- 2013 dividend increased by 15 per cent to 33.57 pence per share
- Ex-dividend date: 26 March 2014
- Record date: 28 March 2014
- Payment of dividend: 22 May 2014

# 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 450,000 agents
  - Access to over 15,700 bank branches
  - 12.5 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, Myanmar and Japan. Market Share data as of latest; India and China ranking and market share among foreign / JV / Private only. Singapore includes onshore only. Thailand Market share is post acquisition of Thanachart Life.



# Asia

## Favourable dynamics

		Prudential customers as a % of total population <sup>2</sup>	GDP (\$bn) <sup>2</sup>	2014 GDP growth (%) <sup>2</sup>
Sweet Spot markets	 Indonesia (1995) <sup>1</sup>	0.9%	867	5.5
	 Philippines (1996)	0.2%	272	6.0
	 Thailand (1995)	0.7%	401	5.2
	 Vietnam (1999)	1.4%	170	5.4
	 Hong Kong (1964)	11.5%	280	4.4
	 Malaysia (1924)	6.1%	312	4.9
	 Singapore (1931)	14.5%	287	3.4
JV's	 India (2000)	0.3%	1,758	5.4
	 China (2000)	0.05%	8,939	7.5
Mature Markets	 Taiwan (1999)	1.0%	485	3.8
	 Korea (2002)	0.6%	1,198	3.7
Nascent Markets	 Cambodia (2013)	-	16	7.3
	 Myanmar (2013)	-	59	7.8

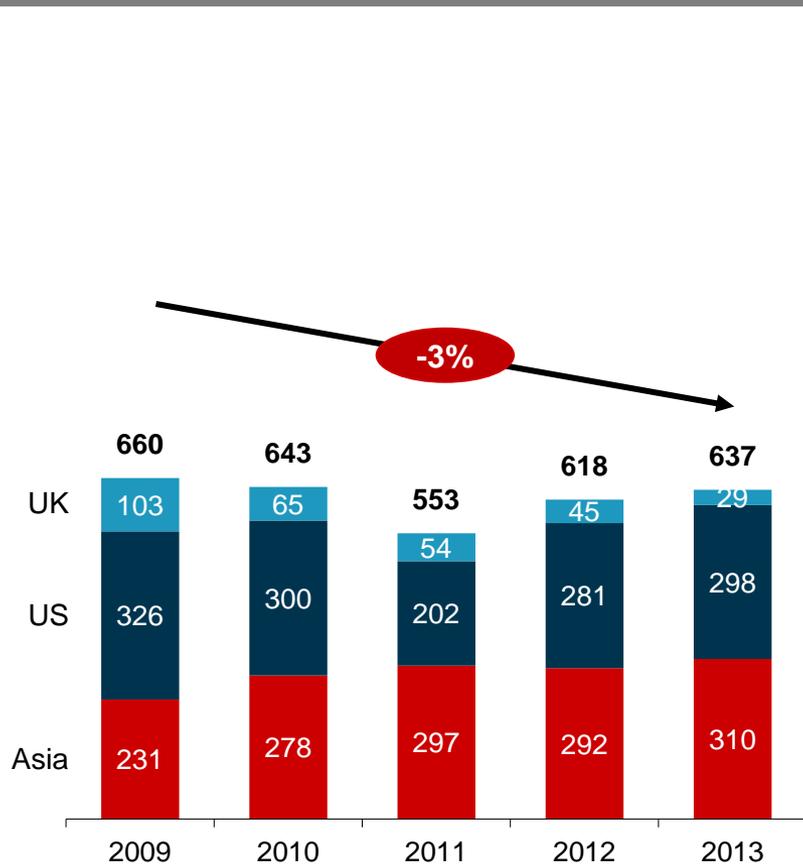
<sup>1</sup> Number in bracket denotes start of operation.

<sup>2</sup> Source IMF. GDP in \$bn for 2013 (estimated)

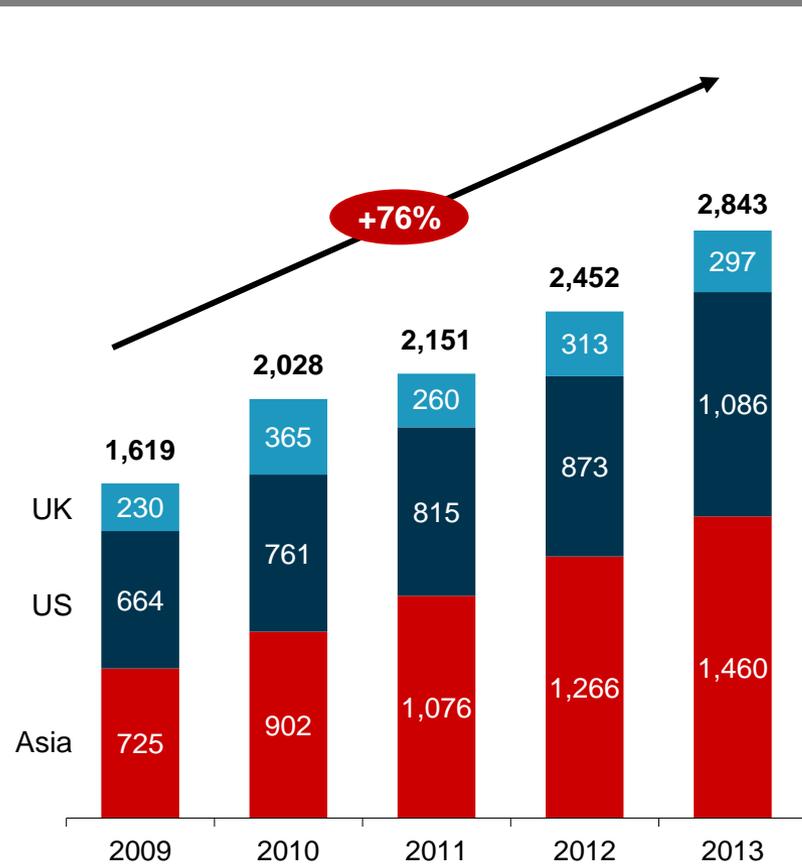
# Disciplined capital allocation

## New business profit growth

New business strain<sup>1,2</sup>, £m



New business profit<sup>2</sup>, £m



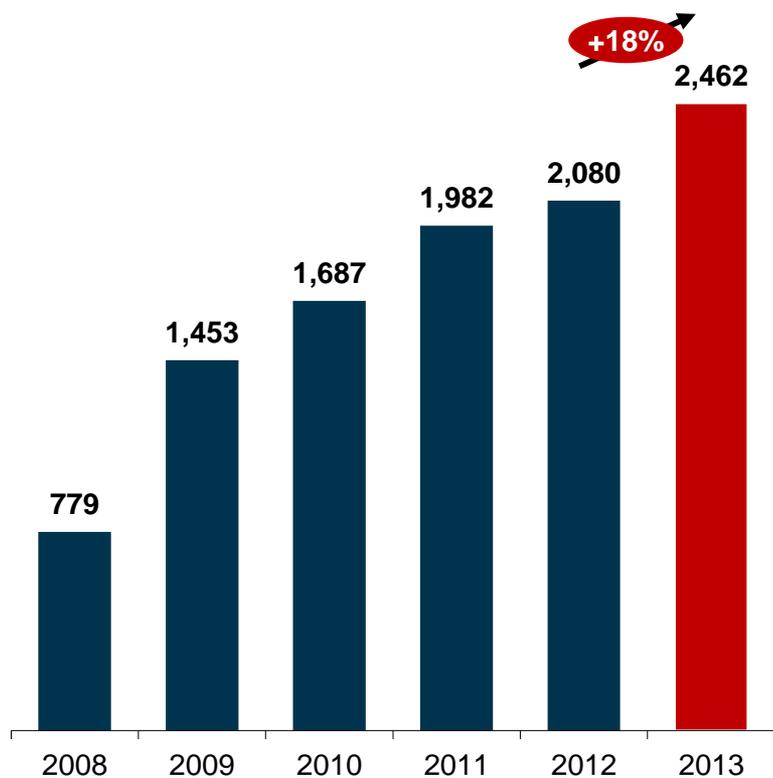
<sup>1</sup> Free surplus invested in new business.

<sup>2</sup> Excludes Japan and Taiwan agency.

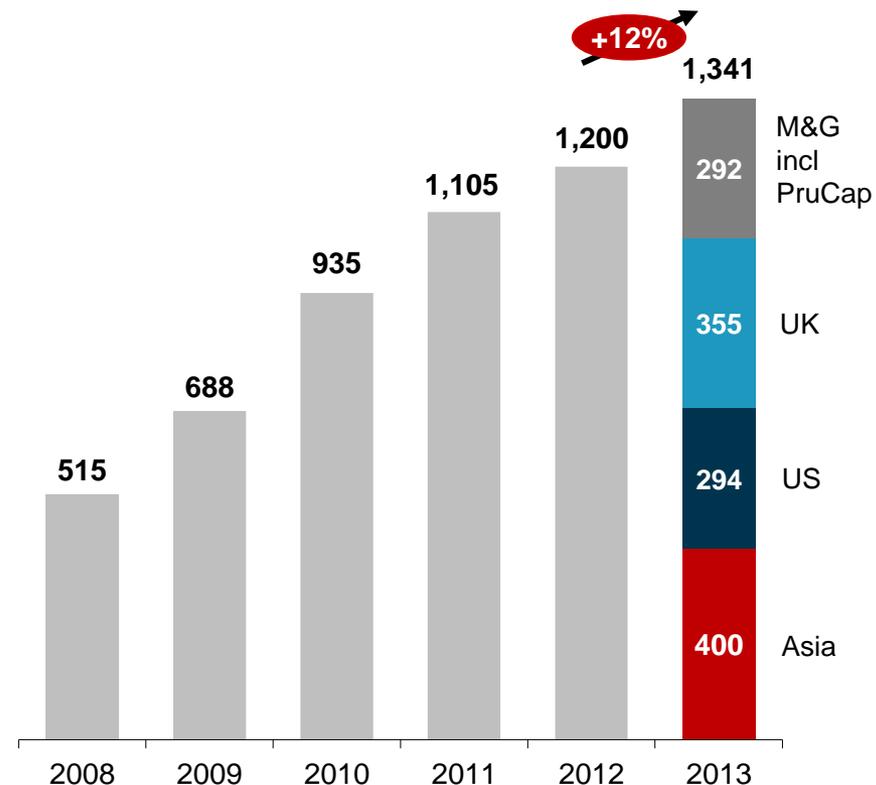
# Delivering cash

## Free surplus and cash remittances

Underlying free surplus generated<sup>1</sup>, £m



Business unit net remittances, £m

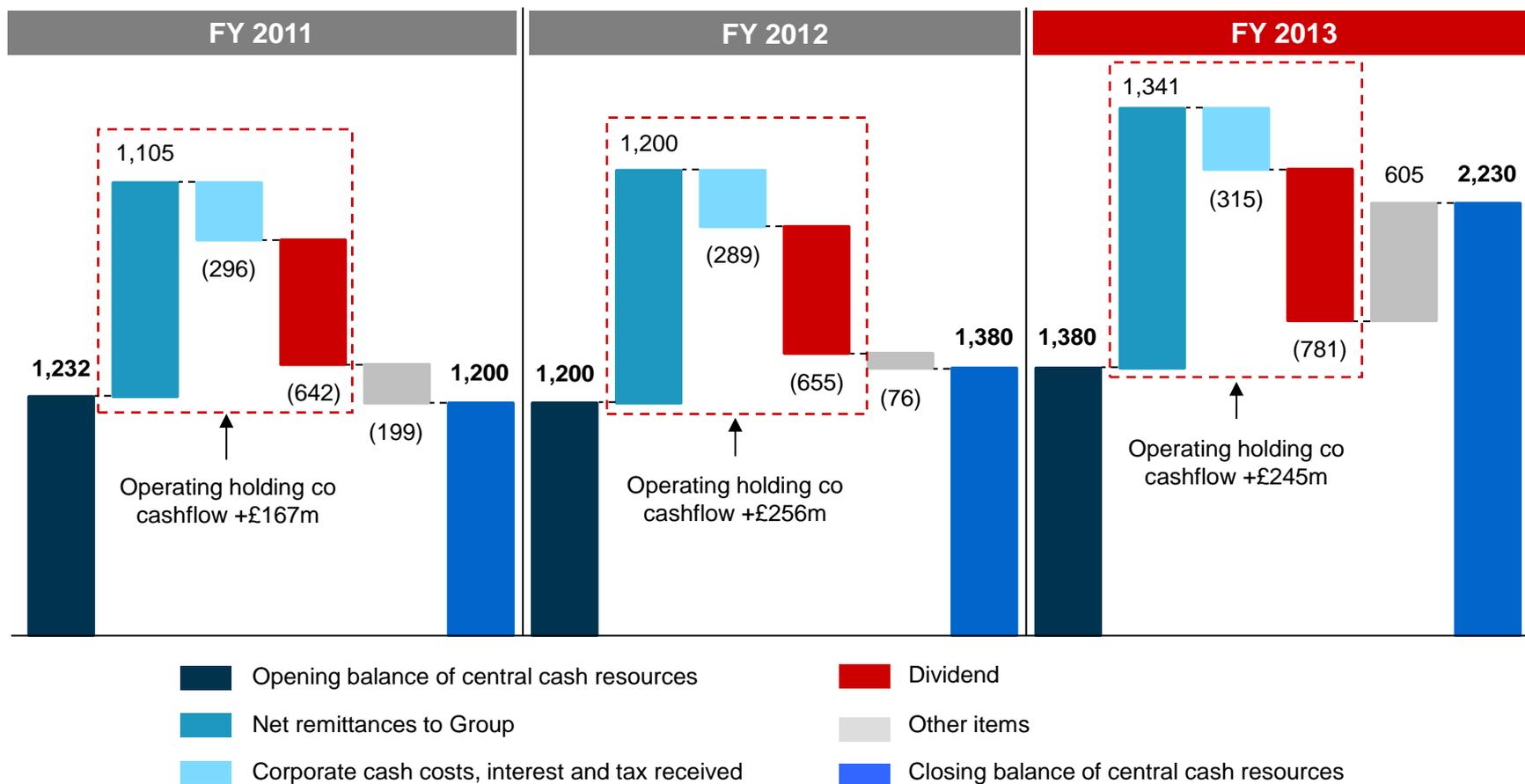


<sup>1</sup> Comparatives adjusted for new and amended accounting standard and excludes Japan Life.

# Cash and capital

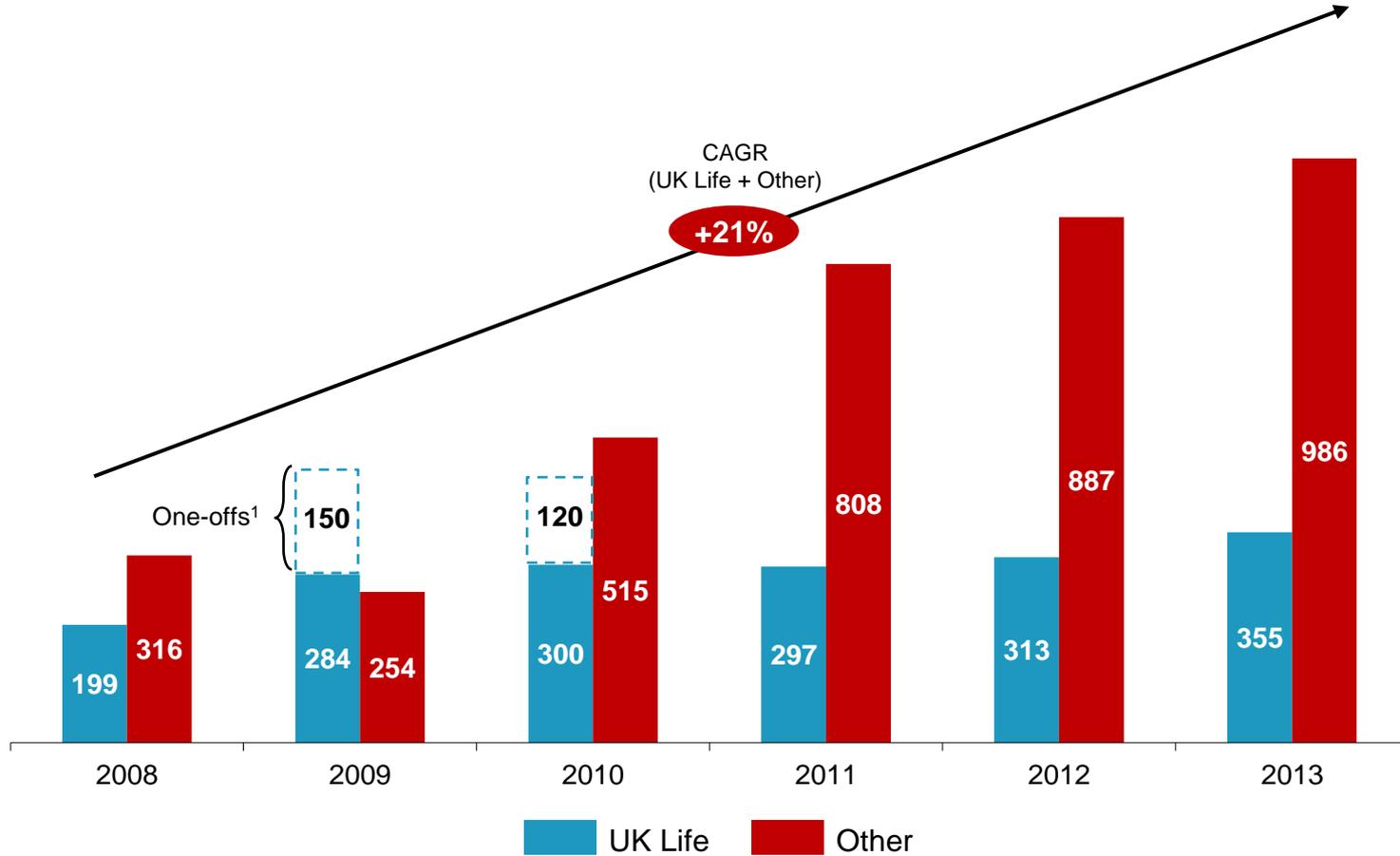
## Central cash resources

Development of central cash resources, £m



# Net cash remittances UK and other

Business unit net remittances, £m

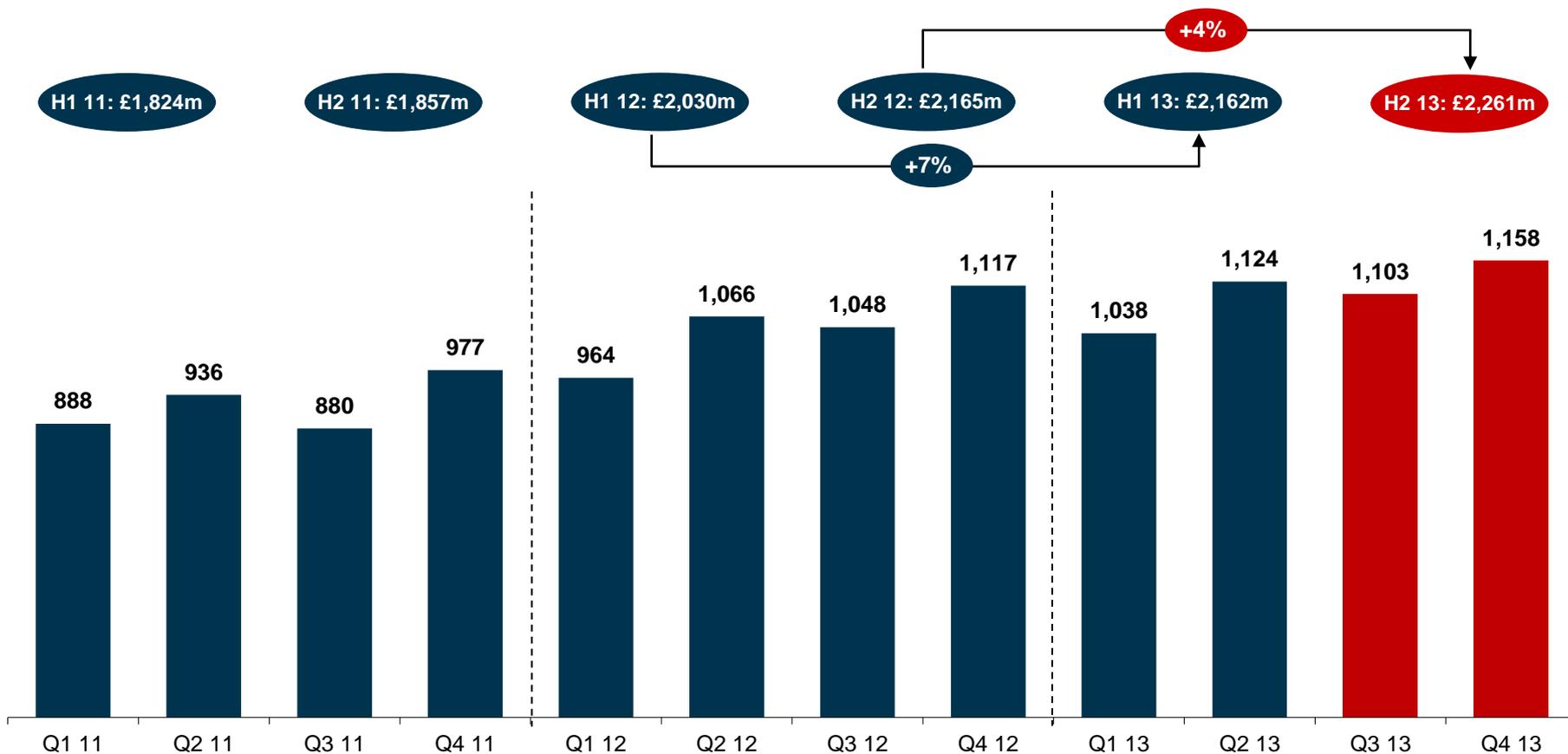


<sup>1</sup> The net remittances from the UK include the £150m in 2009 arising from the pro-active financing techniques used to bring forward cash emergence of the in-force book during the financial crisis. The 2010 net remittances include an amount of £120m representing the release of surplus and net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

# New business growth

## Group life APE

Life APE<sup>1</sup>, £m (AER)

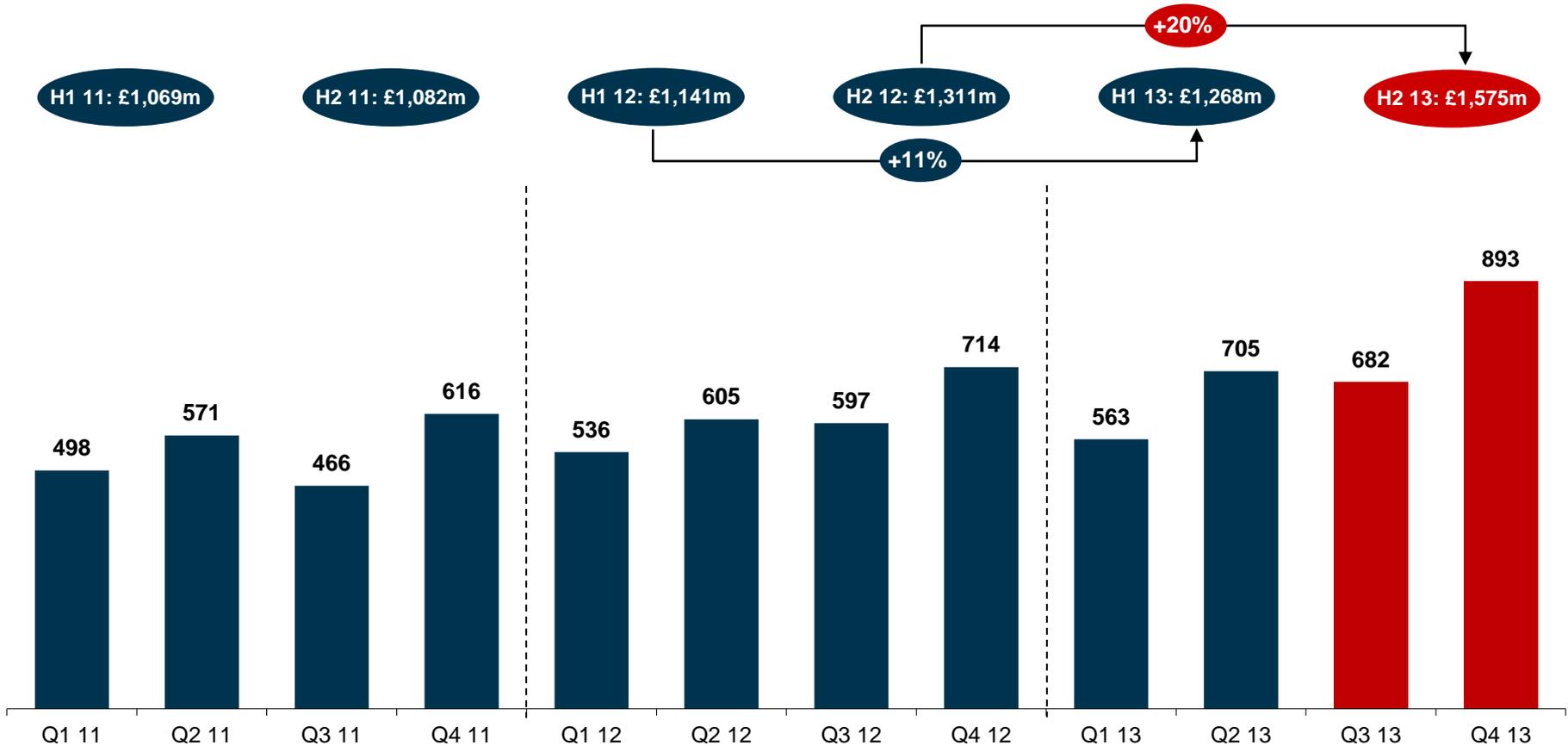


<sup>1</sup> Excluding Japan.

# New business growth

## Group life new business profit

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

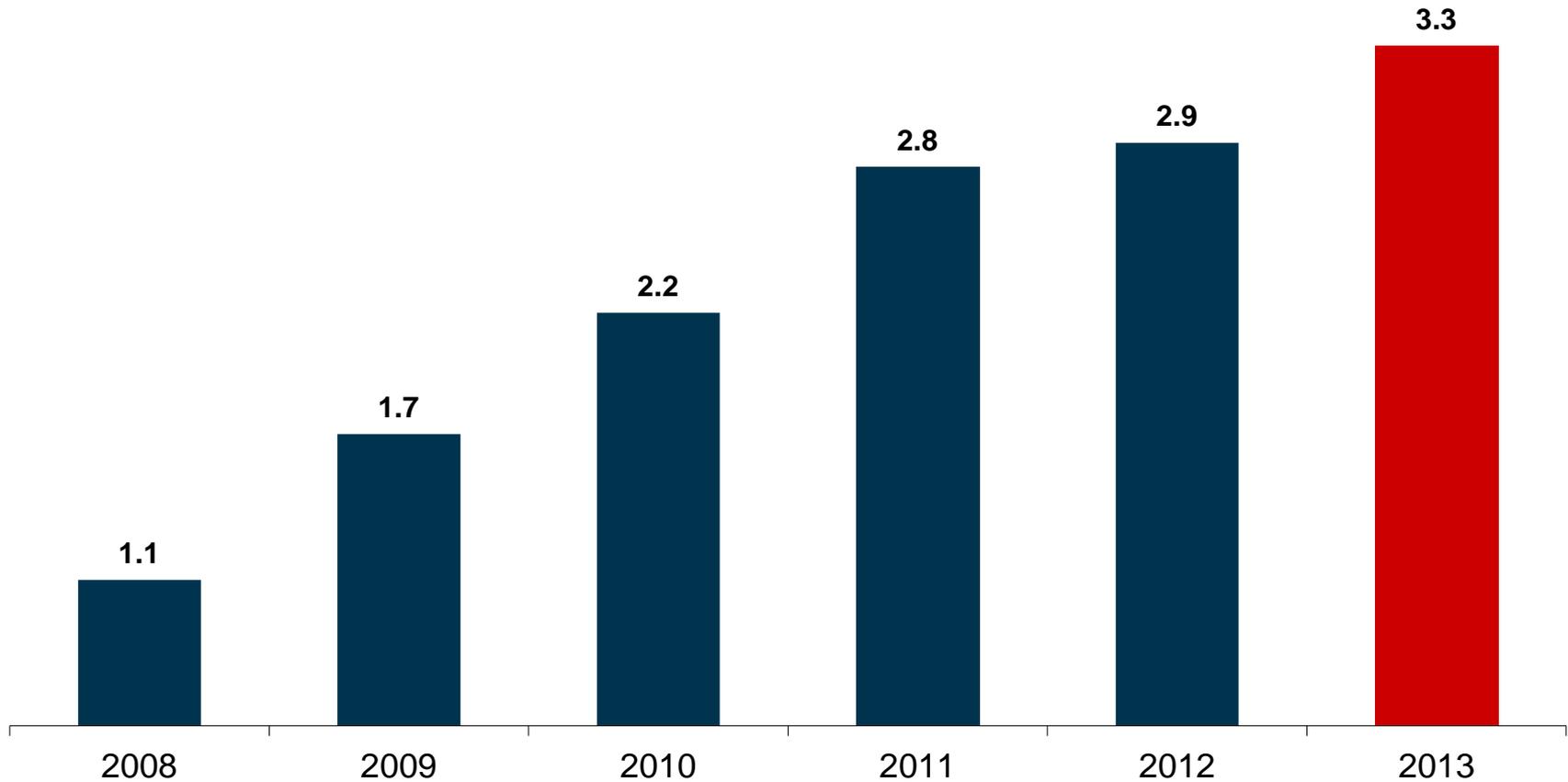


<sup>1</sup> Excluding Japan.

# New business growth

## Group life returns on new business investment

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

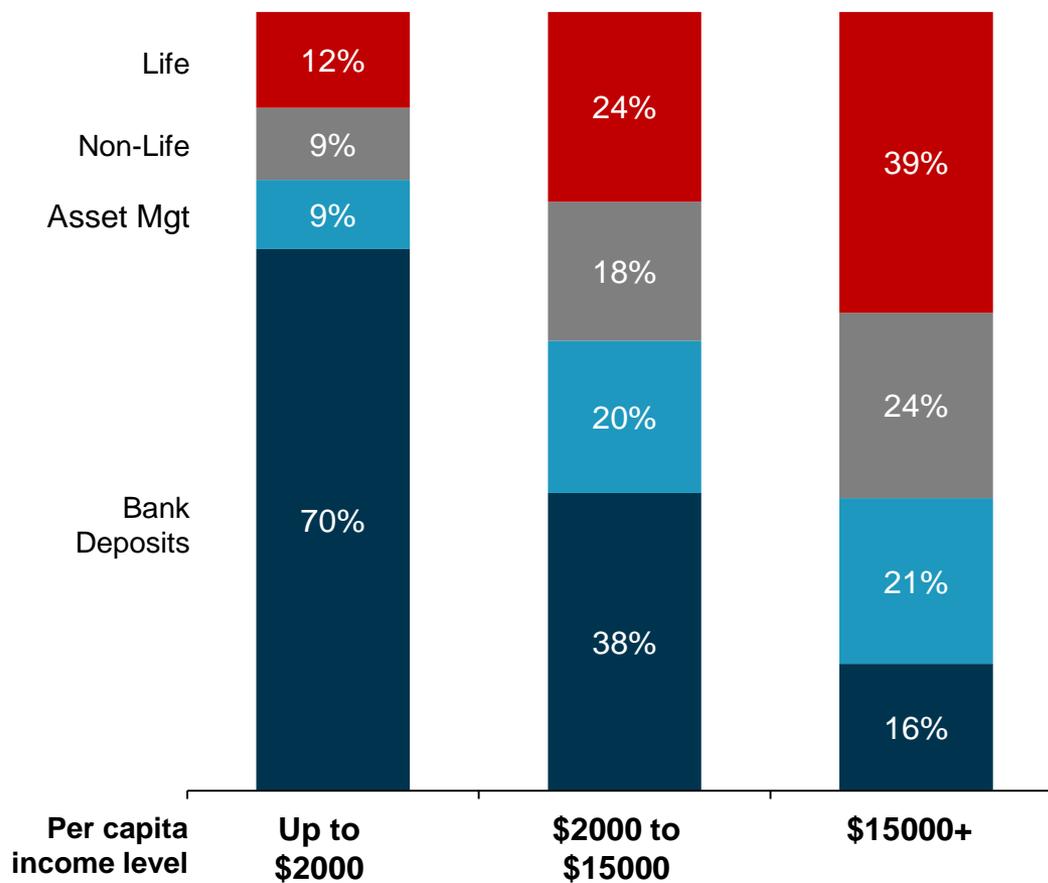


<sup>1</sup> Free surplus invested in new business; excludes Japan.

# Asia distribution

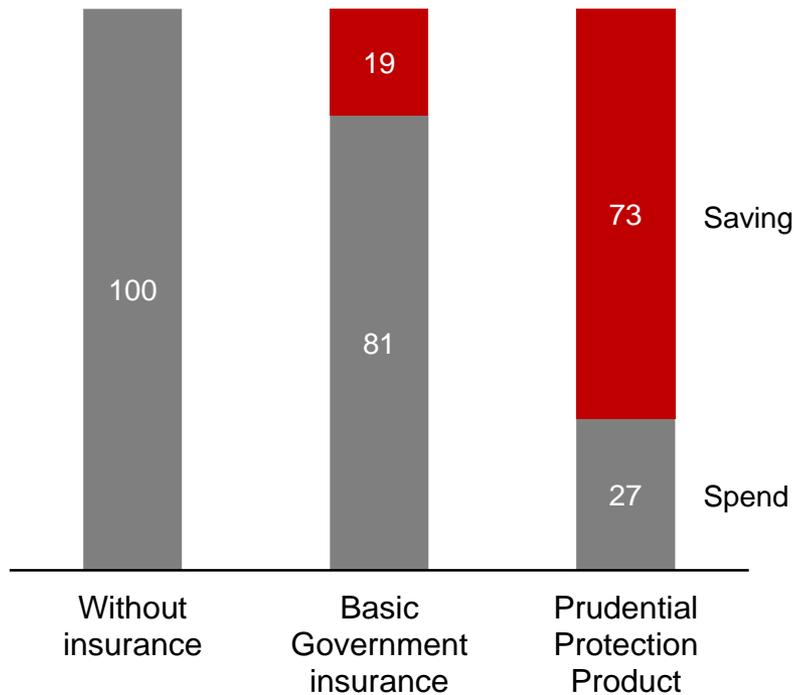
## Wealth and financial assets ownership

Breakdown of personal financial assets

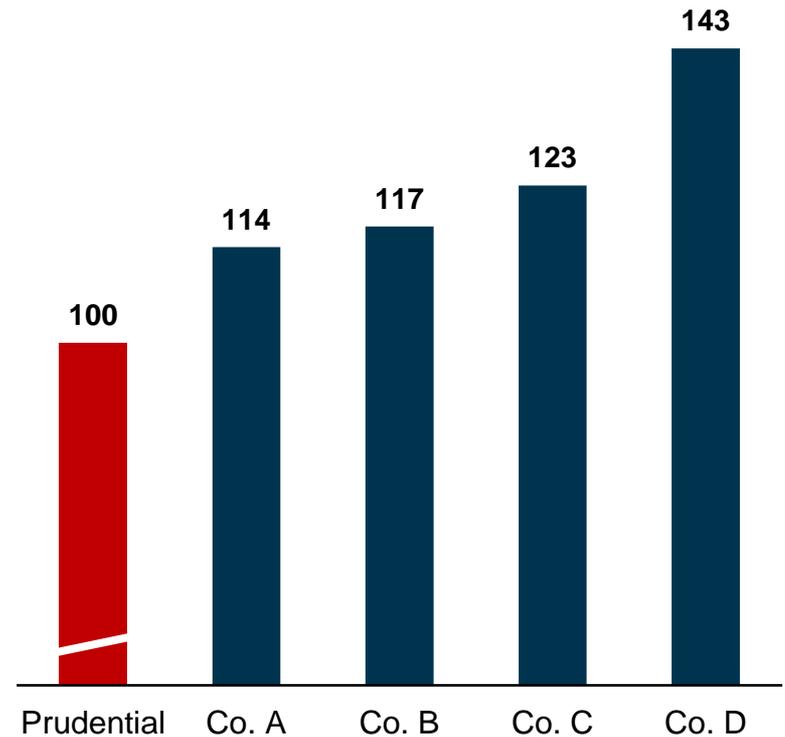


Source: Oliver Wyman analysis; Prudential analysis.

### Health and Protection – Out of pocket medical expenses<sup>1</sup>



### Annual premium for a customer aged 50 (indexed)

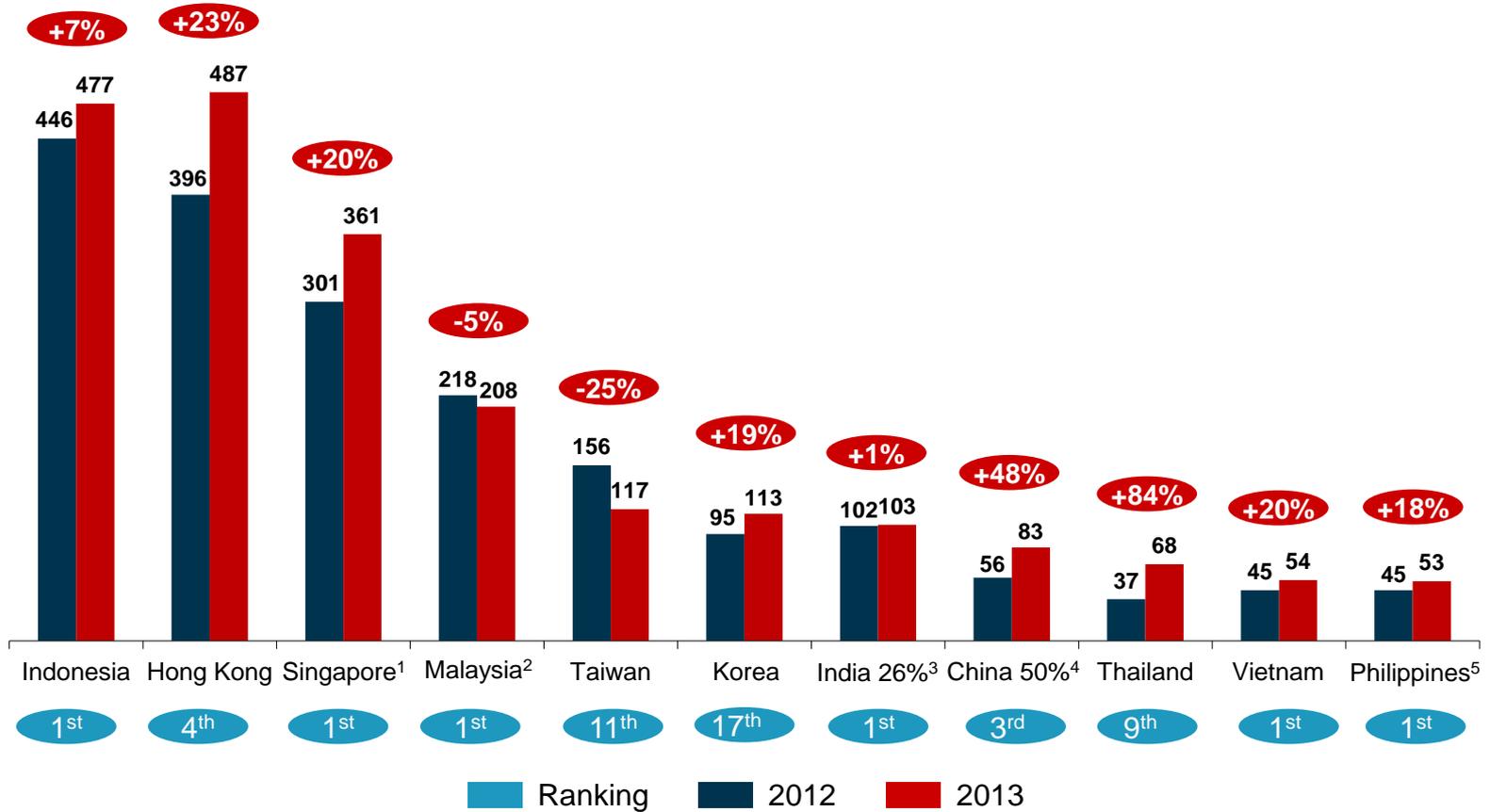


<sup>1</sup> Expenses for a male aged 50 for heart diseases and heart surgery treatment.

# Asia Life

## APE by market

Asia APE by market, £m



<sup>1</sup> Singapore includes onshore only, excluding Eldersfield and DPS.

<sup>2</sup> Includes Takaful sales @100%.

<sup>3</sup> Ranking amongst private players.

<sup>4</sup> Ranking amongst foreign JVs/players.

<sup>5</sup> #1 ranking based on most recent industry sharing data.

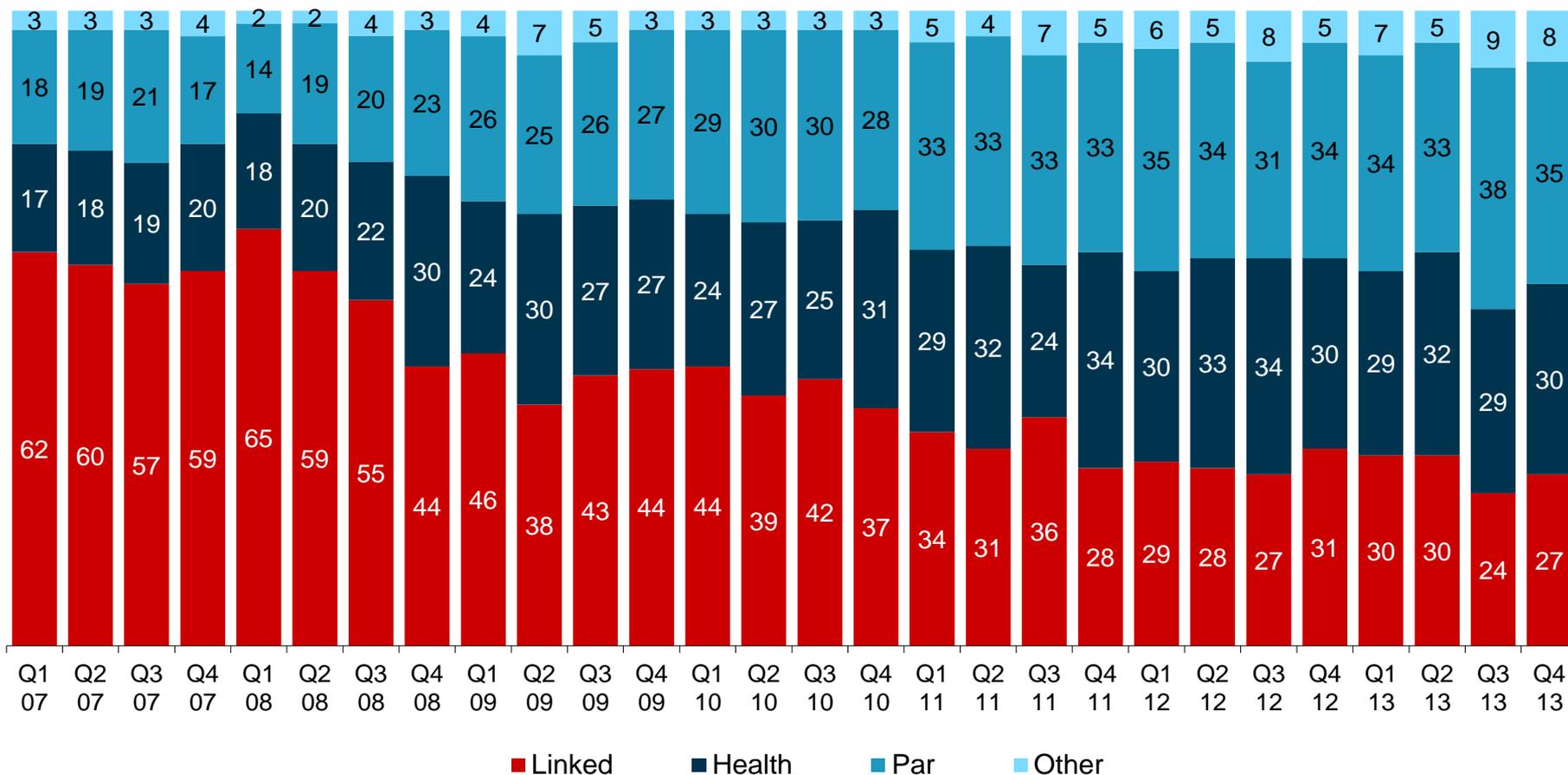
Source: Based on formal (Competitors' results release, local regulators and insurance associations) and informal (industry exchange) market share data. Ranking based on new business (APE or weighted FYP depending on the availability of data).



# Asia Life

## APE sales by product - percent

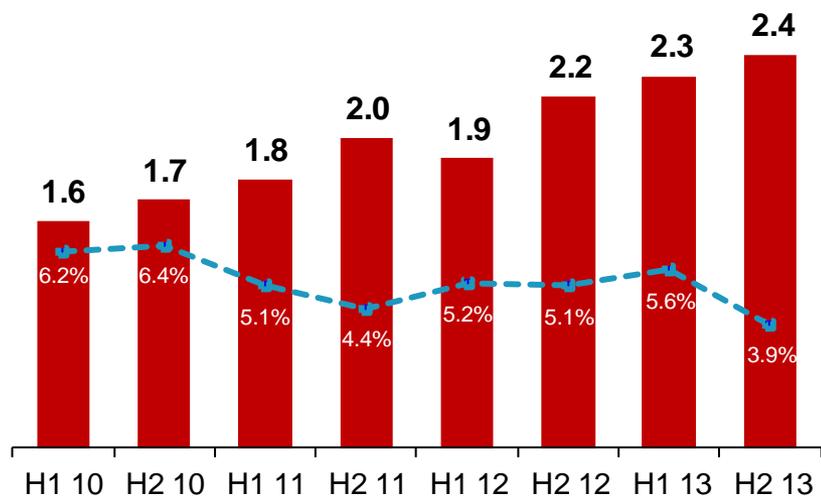
Asia APE by product, %



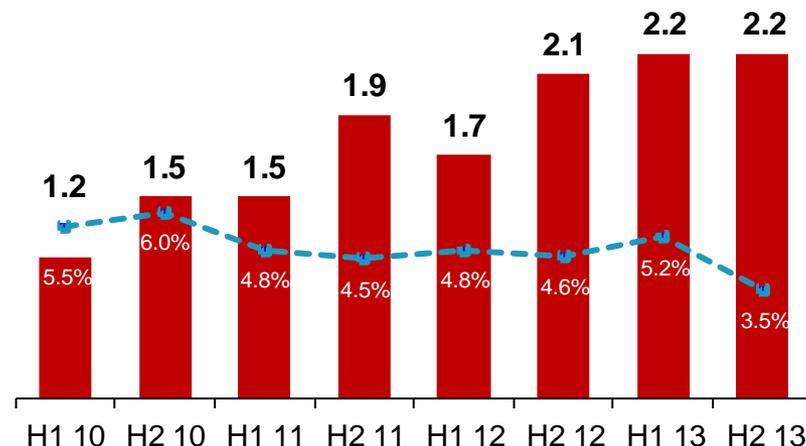
# Asia Life

## Flows and persistency

### Asia Life inflows<sup>1,2</sup>, £bn



### Asia Life inflows (ex-India)<sup>1,2</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).

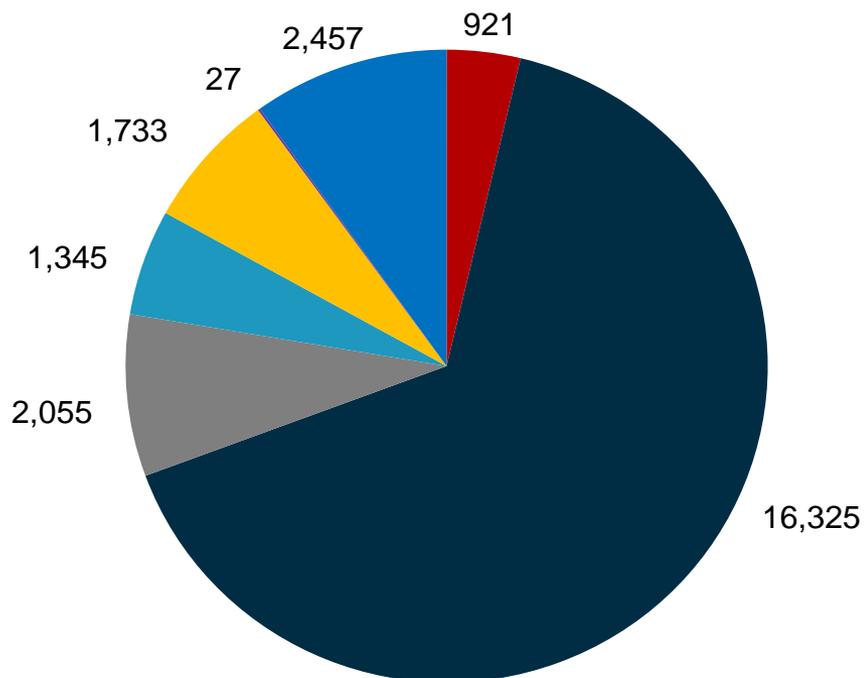
<sup>2</sup> Japan is excluded from 2013 flows and surrender rates. If 2012 was stated on a comparable basis, the total Asia Life inflows would be £1.9bn in H1 12 and £2.2bn in H2 12, and the surrender rates would be 5.2% and 5.0% respectively; Asia Life inflows (ex-India) would be £1.7bn in H1 12 and £2.1bn in H2 12, and the surrender rates would be 4.8% and 4.2% respectively.



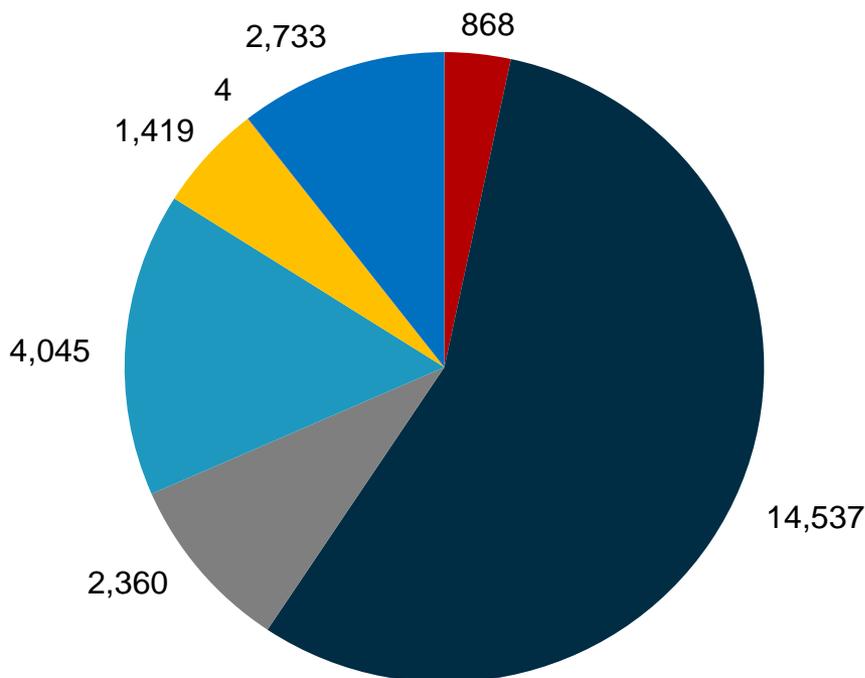
# US retail sales and deposits 2013

Retail sales and deposits, \$m

2012 = \$24,863m



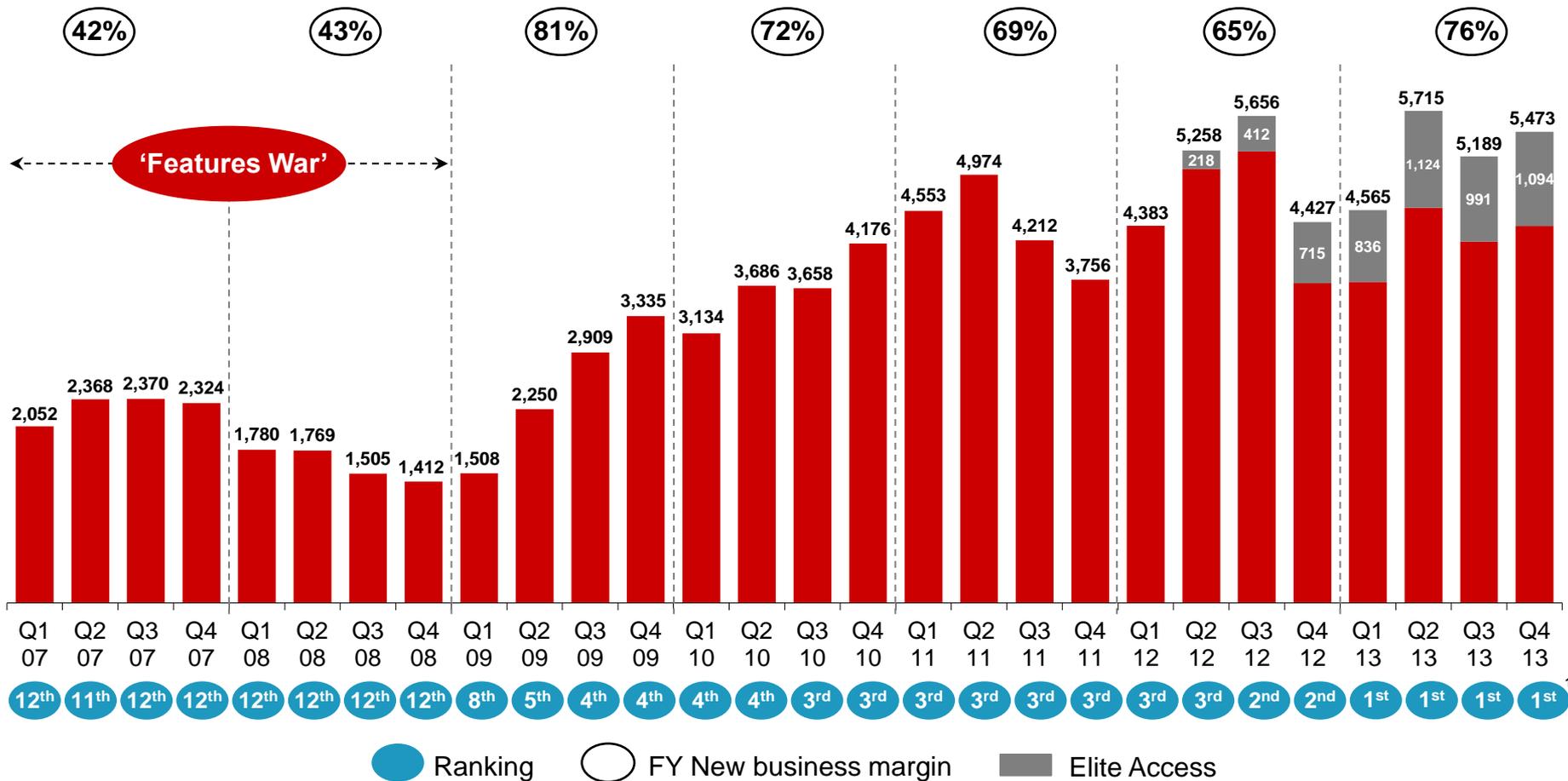
2013 = \$25,966m



- Fixed Annuities
  Variable Annuities – with living benefits
  Variable Annuities – w/o living benefits, non EA
- Elite Access
  Index Annuities
  Life insurance
  Curian

# US Life VA volumes

VA volumes by quarter, sales US\$m



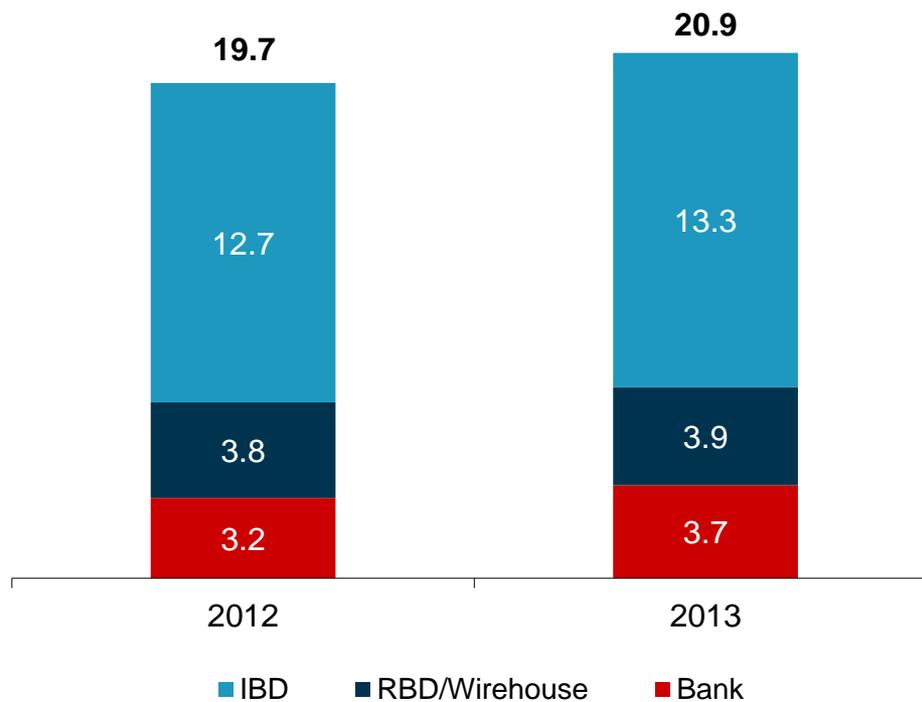
<sup>1</sup> Estimated.

# US Life

## Variable annuity distribution

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

2013 includes \$4.4bn of Elite Access sales

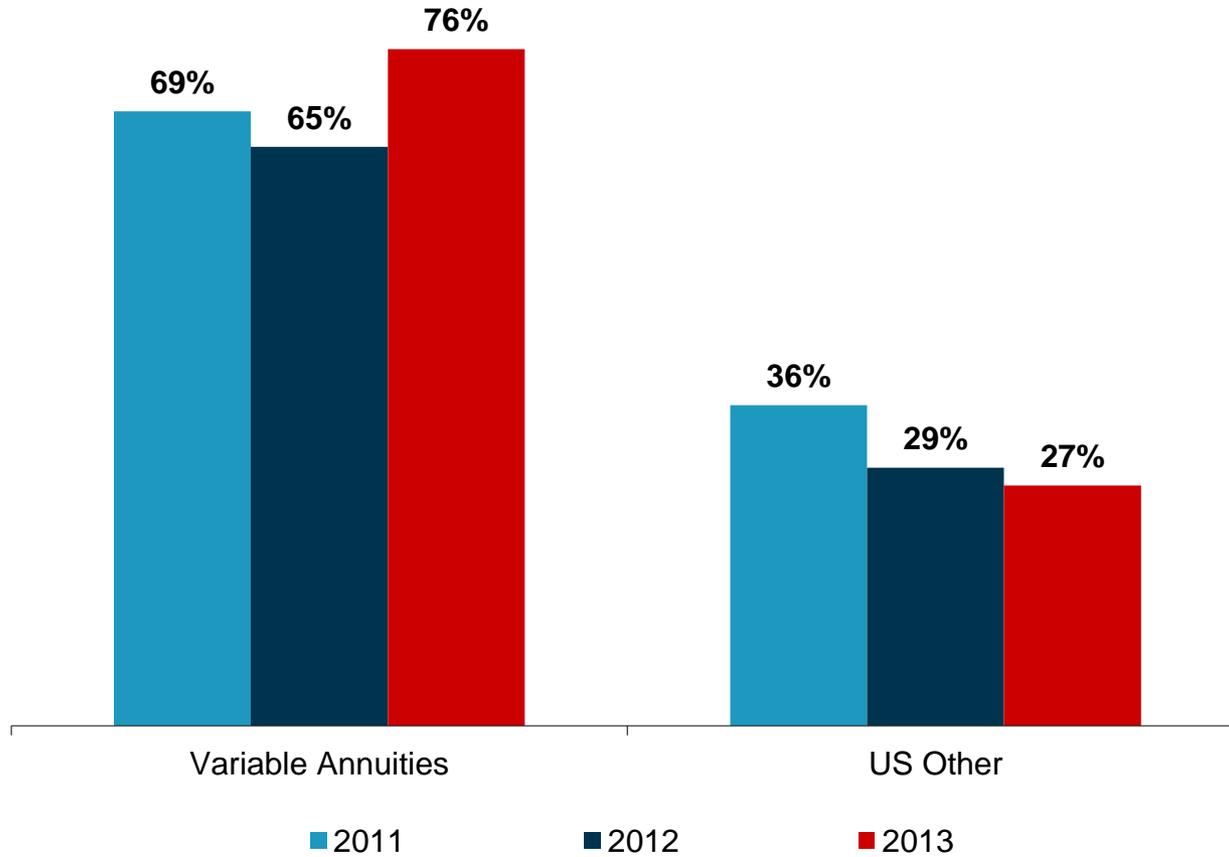


IBD: Independent Broker/Dealer, RBD: Regional Broker Dealer.

# US Life

## New business margin

### New business margin – % APE



# US IFRS profit

## DAC impact on results

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

	2012	2013
<b>Gross profits<sup>1</sup></b>	1,427	1,716
<b>New business strain<sup>2</sup></b>	(174)	(198)
<b>DAC Amortisation</b>		
- Core	(412)	(485)
- (acceleration) / deceleration	56	82
<b>Operating result</b>	897	1,115
<b>Core as % of Gross profits</b>	<b>29%</b>	<b>28%</b>

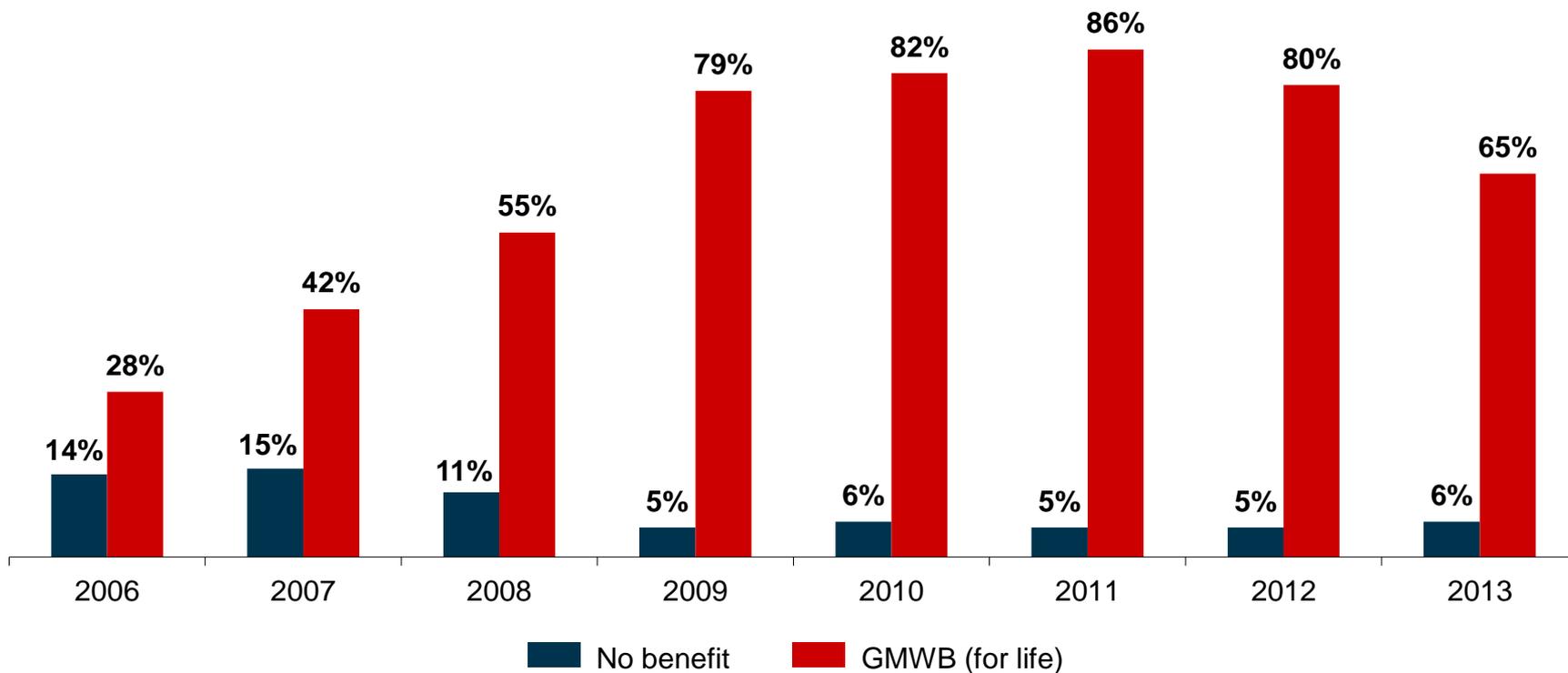
<sup>1</sup> Gross profits equals IFRS operating profit pre acquisition costs and pre DAC, excluding REALIC.

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

# US Life

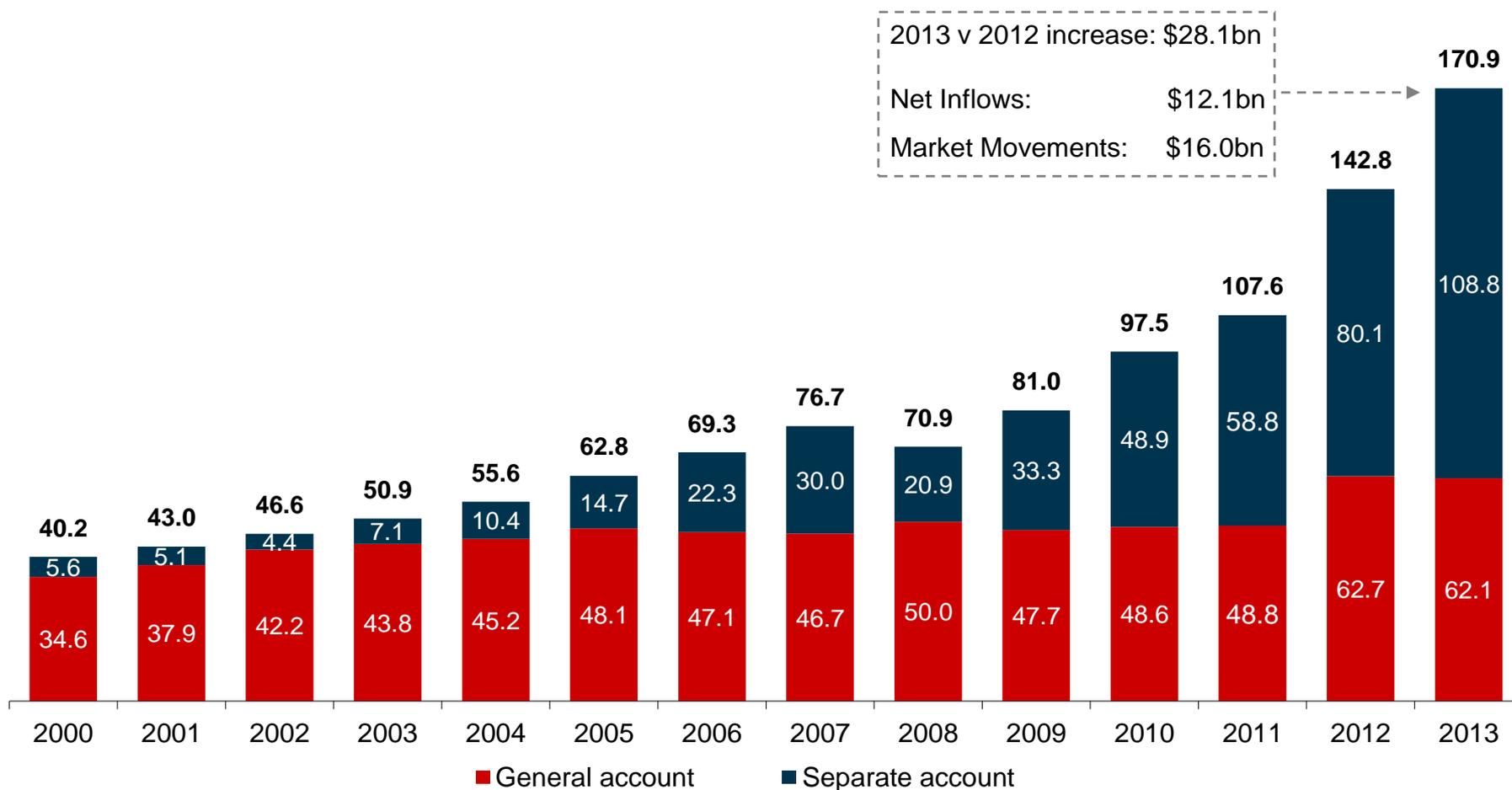
## Policyholder behaviour

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



# US Life Asset growth

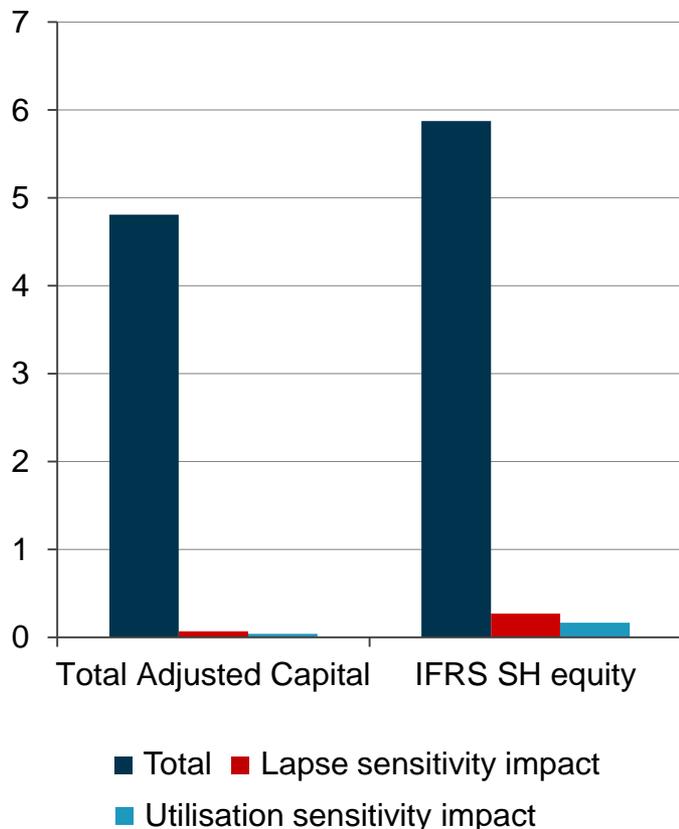
Growth in statutory admitted assets, US\$bn



# Resilient balance sheet

## GMWB policyholder behaviour sensitivities

### GMWB policyholder behaviour sensitivities, FY 2013 US\$bn

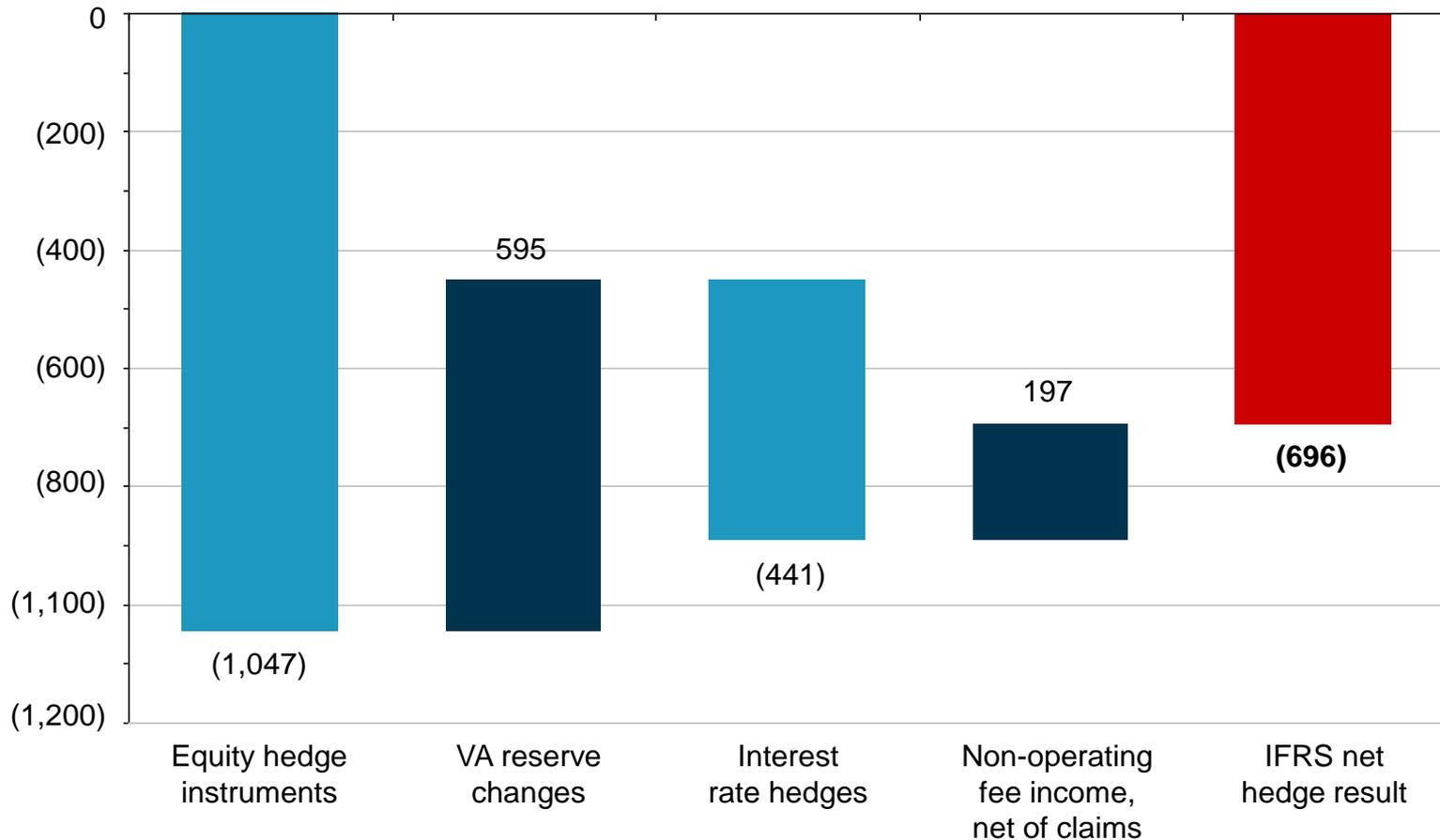


- Policyholder behaviour experience is continuously monitored and a comprehensive study is conducted on an annual basis
- For IFRS and Statutory accounting purposes, assumptions are set at the conservative end of the plausible range (i.e., best estimate with an explicit margin for conservatism). For example,
  - 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 65+ are 60-80% (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 – 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 beyond the bonus period, if applicable, were increased by an absolute 10%. For example, utilisation rates of 60-80% on For-Life contracts at attained ages 60+ were increased to 70%-90%

# Hedging result

## IFRS impact 'below-the-line'

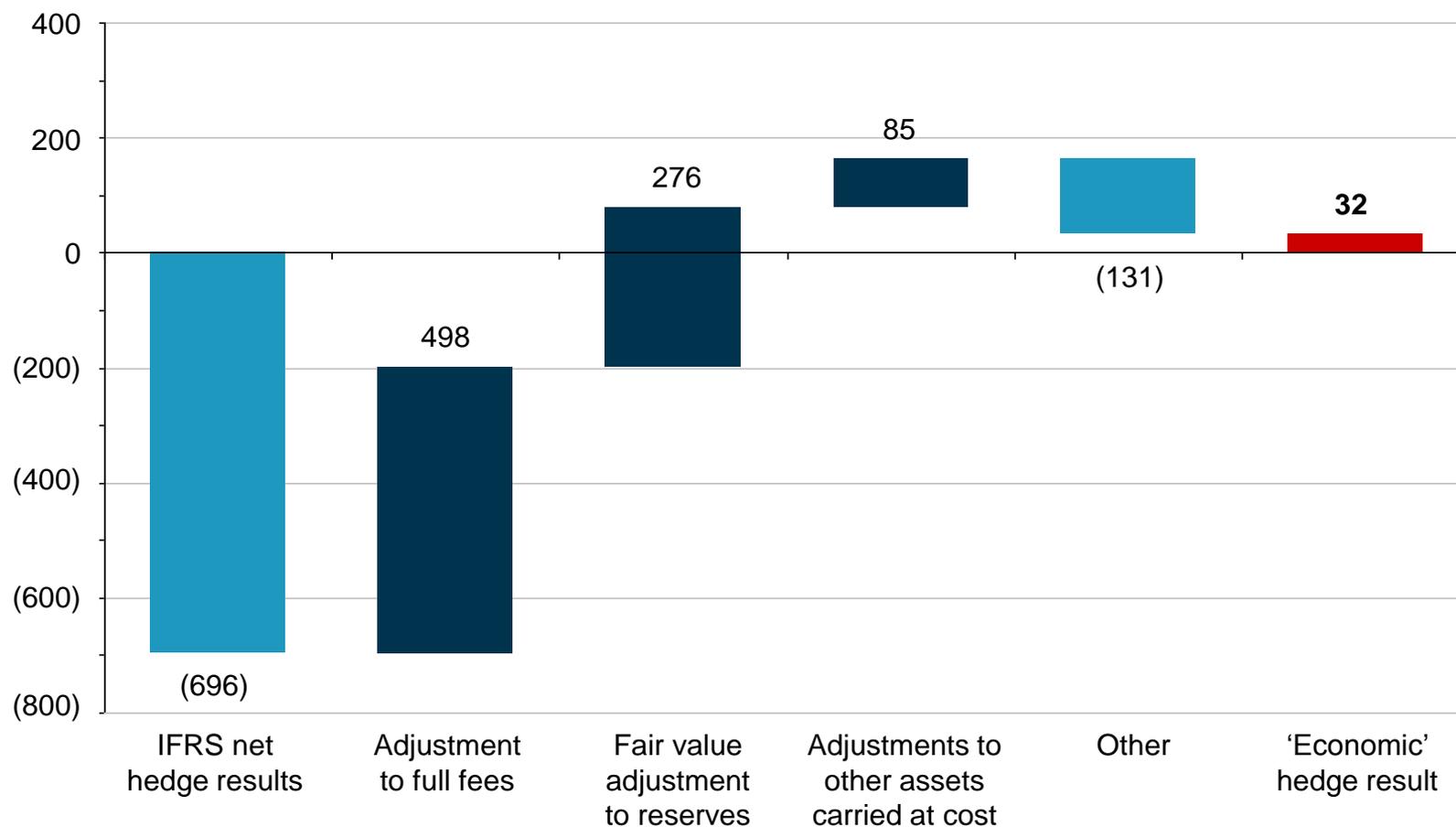
2013 VA hedge results, net of related DAC, £m



# Hedging result

## Moving IFRS hedge result to 'economic' result

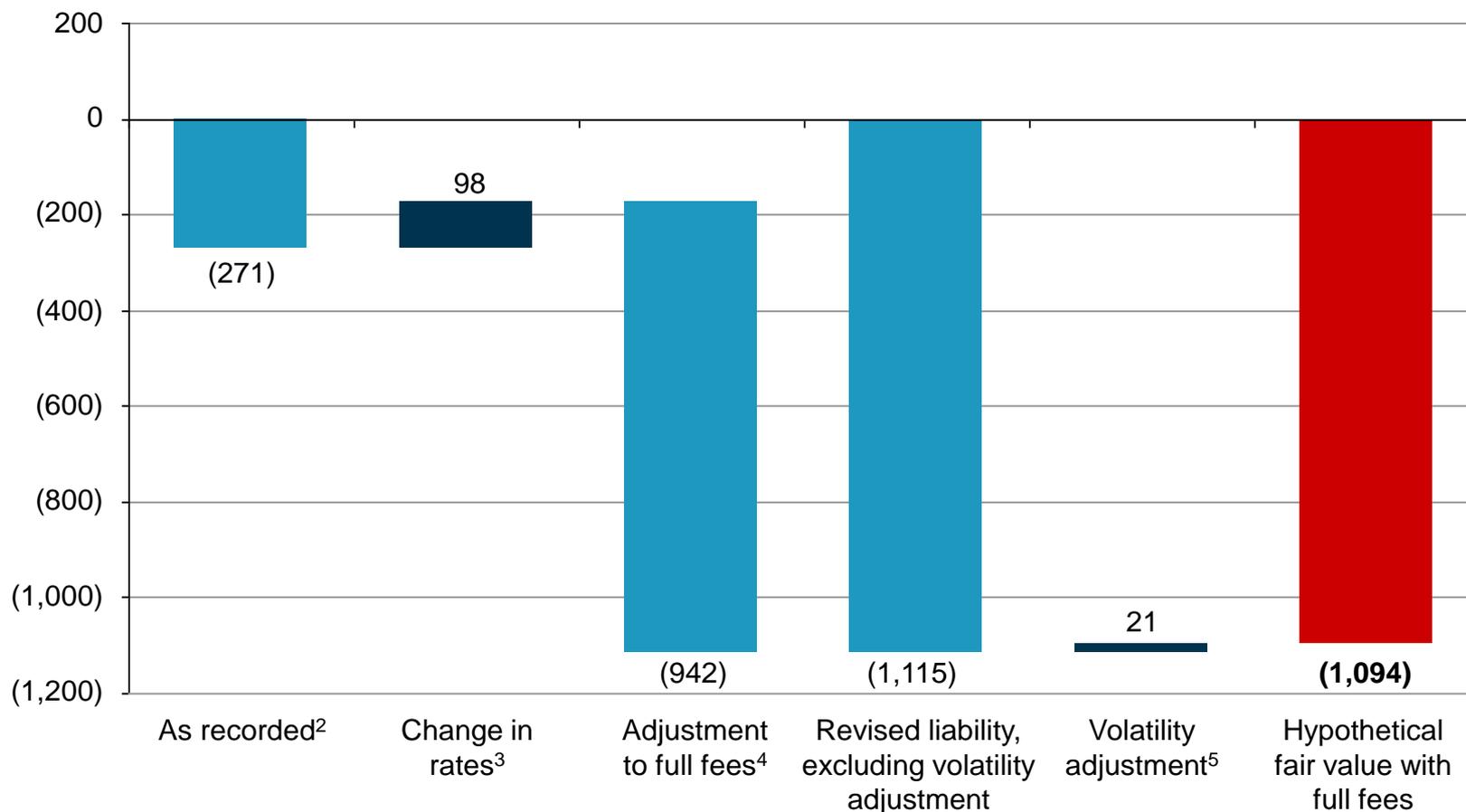
2013 VA 'economic' hedge results, net of related DAC, £m



# VA hedging

## Moving reserves to 'fair value'

Guarantee Benefit Liability Supplemental Disclosure<sup>1</sup>, net of DAC, £m



<sup>1</sup> A positive number indicates liability while a negative number indicates an asset.

<sup>2</sup> GMWB and GMDB IFRS basis.

<sup>3</sup> Application of market based (31.12.13) swap curve earned rates (3.1% representative 10 year rate) and AA corporate bond discount rates (4.2% representative 10 year rate) in place of long-term rate of 7.4% for IFRS (8.4% discount rate used for pre-2013 issues).

<sup>4</sup> Value of fees over and above those in reserve calculations.

<sup>5</sup> Application of market based (31.12.13) volatility curve (20.5% representative 5 year rate) instead of long-term 15% level for IFRS.

	Total adjusted Capital
	US\$bn
<b>31 Dec 2012</b>	<b>4.7</b>
Operating profit	1.1
Dividend	(0.5)
Reserves net of hedging and other market effects	(0.5)
<b>31 Dec 2013</b>	<b>4.8</b>

- Hedging programme continues to effectively mitigate risks
- Total adjusted capital excludes losses on interest rate swaps: \$1.2m at Dec 2013 (Dec 2012: gain of \$581m)
- Earned guarantee fees of 117 bps per annum (c\$1.1bn in 2013). Expected guarantee fees of \$1.3bn for 2014, continue to be sufficient to cover cost of hedging
- Annual policyholder behaviour experience review confirmed prudence of our assumptions
- Equities allocations remain below our 82% pricing assumption:
  - New business: 58% equities (versus 53% in 2012)
  - In-force book: 70% equities (versus 63% at end 2012)
- 0% of book 'in the money' from issued levels at end 2013

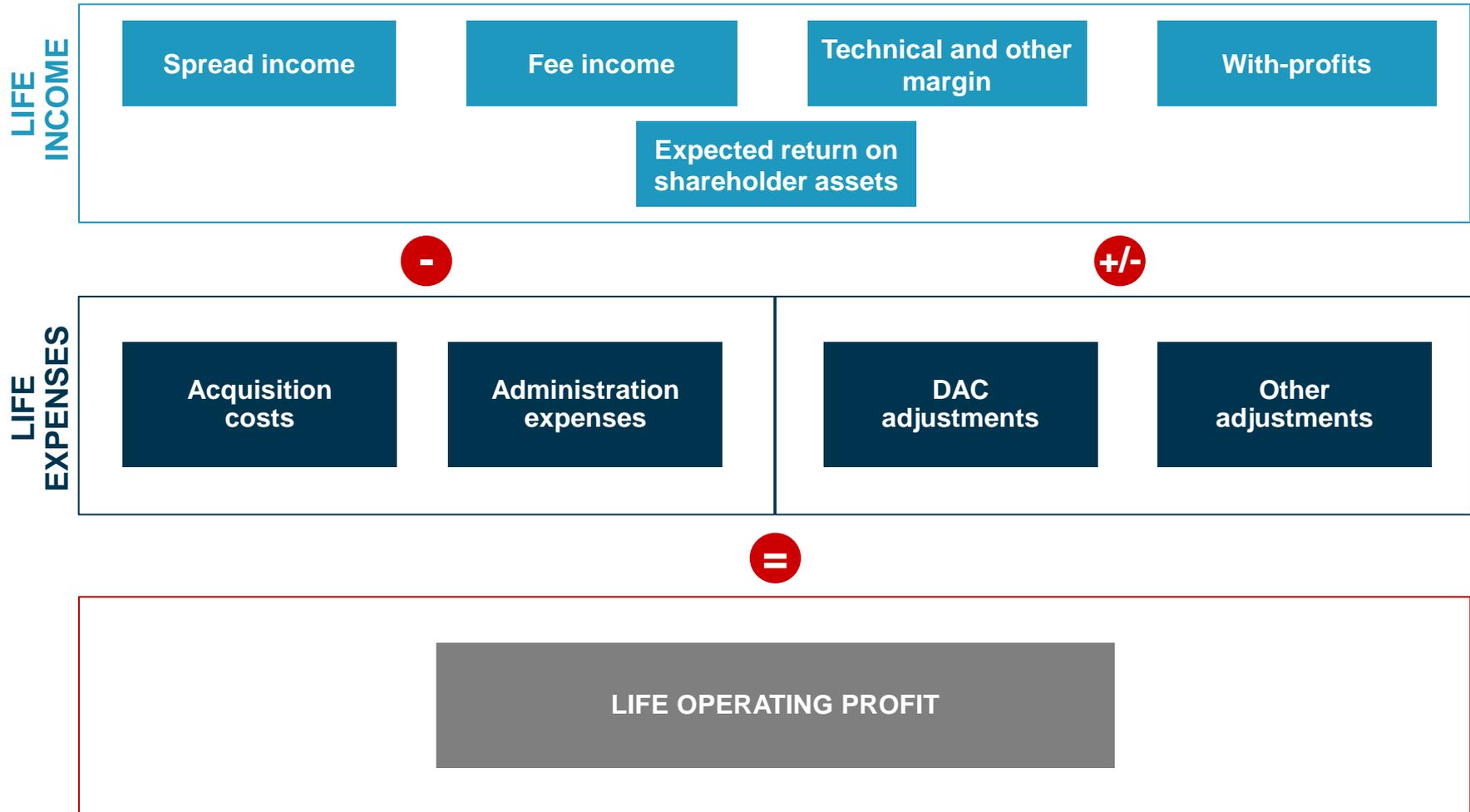
# Life IFRS operating profit

## 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		
6,083	5,387	13%

Source		
2013	2012	+/-

£m

-

+/-

LIFE  
EXPENSES

Total Life expenses		
(3,467)	(3,232)	(7)%

DAC adjustments		
334	418	(20)%

=

Total Operating profit		
2,950	2,573	15%

Note: Comparatives adjusted for new and amended accounting standards and excludes Japan Life.

# Life IFRS operating profit

## Source of earnings – Group (2/3)

Total Operating profit		
2,950	2,573	15%

Source		
2013	2012	+/-

£m except reserves £bn

=

Total Life income		
6,083	5,387	13%

-

Total Life expenses		
(3,467)	(3,232)	(7)%

+/-

DAC adjustments		
334	418	(20)%

Spread income				Fee income				Technical and other margin				With-profits			
1,073	1,061	1%		1,391	1,077	29%		3,105	2,682	16%		298	311	(4)%	
<b>Spread (bps)</b>	167	173	(6)	<b>AMF (bps)</b>	144	137	7	<b>Margin on revenues</b>	1,749	1,655	6%	<b>Bonus (bps)</b>	31	33	(2)
<b>Average reserves (£bn)</b>	64.3	61.4	5%	<b>Average reserves (£bn)</b>	96.3	78.4	22%	<b>Insurance margin</b>	1,356	1,027	32%	<b>Average reserves (£bn)</b>	97.4	95.7	2%
												<b>Other <sup>1</sup></b>			
												-			
												<b>Expected returns</b>			
												216			
												205			
												5%			

<sup>1</sup> Gain on sale of stake in China Life of Taiwan

# Life IFRS operating profit

## Source of earnings – Group (3/3)

Source		
2013	2012	+/-

£m except reserves £bn

Total Life expenses		
<b>(3,467)</b>	(3,232)	(7)%

Acquisition costs <sup>1</sup>		
<b>(2,039)</b>	(1,997)	(2)%

Administration expenses		
<b>(1,428)</b>	(1,235)	(16)%

<b>APE<sup>2</sup></b>	<b>4,423</b>	4,195	5%
<b>Acquisition cost ratio</b>	<b>46%</b>	48%	(2)

<b>Admin expense ratio (bps)</b>	<b>84</b>	87	(3)
<b>Average reserves<sup>1</sup> (£bn)</b>	<b>169.2</b>	142.2	19%

<sup>1</sup> Relate to shareholder-backed business only.

# IFRS operating profit – source of earnings

## Life insurance - UK

Total operating profit		
706	703	-

Source		
2013	2012	+/-

£m except reserves £bn

=

Total Life income		
954	961	(1)%

-

Total Life expenses		
(234)	(250)	6%

-

DAC adjustments		
(14)	(8)	(75)%

Spread income		
228	266	(14)%

Fee income		
65	61	7%

Technical and other margin		
276	255	8%

Expected returns		
134	107	25%

Spread (bps)	84	102	(18)
Average reserves	27.2	26.0	5%

AMF (bps)	28	28	-
Average reserves	22.9	21.7	6%

Margin on revenues	187	216	(13)%
Insurance margin	89	39	128%

With-profits		
251	272	(8)%

Decrease reflects a lower contribution from bulks and the impact of lower sales of individual conventional annuities

Increase in insurance margin is driven by the benefit of a longevity swap and higher protection profits. Reduction in margin on revenues reflects lower sales volumes

Decrease due to reduction in policyholder bonuses



# IFRS operating profit – source of earnings

## Asset management

Asset management operating profit <sup>1,2</sup>		
469	389	21%

Source		
2013	2012	+/-

£m except assets £bn

M&G operating profit		
395	320	23%

Eastspring Investments		
74	69	7%

Underlying income		
863	734	18%

Other income <sup>3</sup>		
37	22	68%

Total expenses		
(505)	(436)	(16)%

Total income <sup>3</sup>		
216	202	7%

Total expenses		
(142)	(134)	(6)%

Average fees (bps)	37	36	+1
Average assets (£bn)	234	205	14%

Cost / income ratio <sup>4</sup>		
59%	59%	-

Average fees (bps)	35	37	(2)
Average assets (£bn)	62	55	13%

Cost / income ratio <sup>4</sup>		
62%	64%	(2)ppt

<sup>1</sup> IFRS results have been prepared under new joint venture accounting standards and also exclude Japan life operating profit following reclassification as held for sale. FY 2012 comparatives have been adjusted on a comparable basis.

<sup>2</sup> Excludes PruCap and US asset management business.

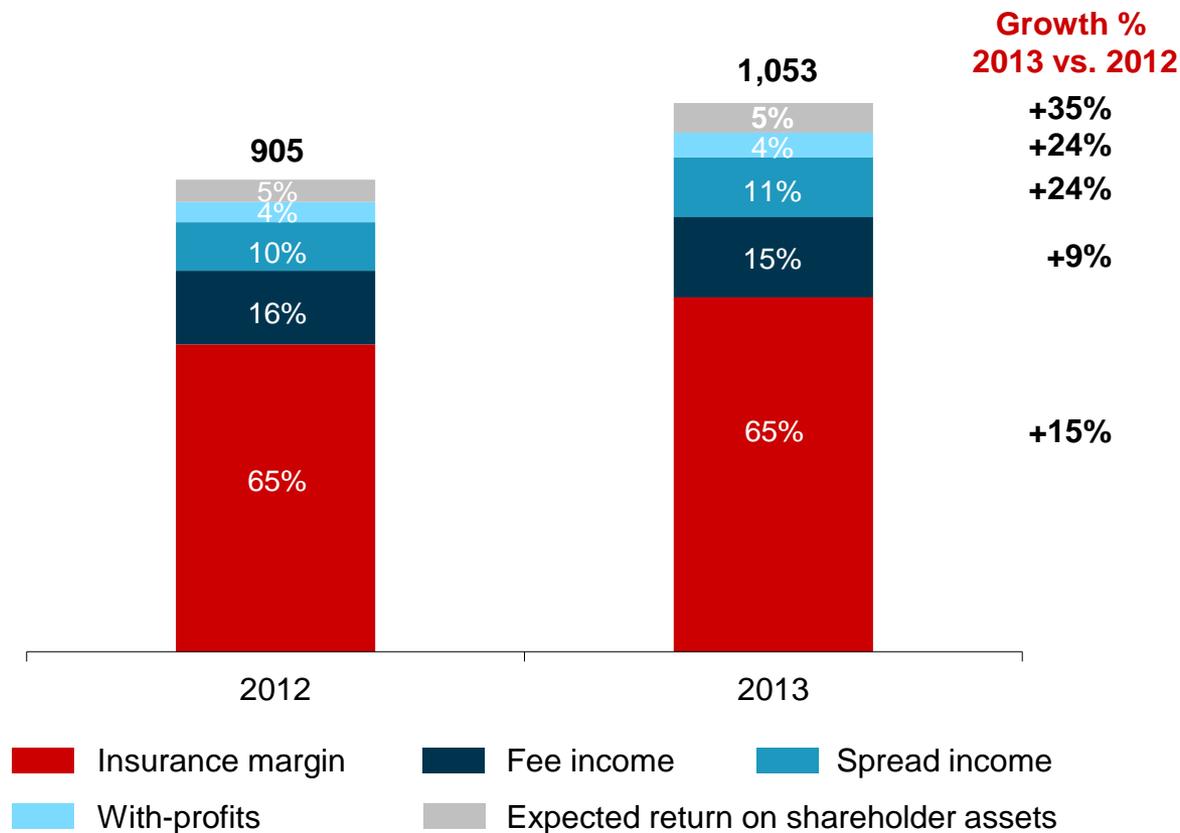
<sup>3</sup> Includes performance-related fees and for M&G, carried interest and its share of operating profit from PPMSA.

<sup>4</sup> Cost/income ratio excludes performance-related fees, carried interest and profit from associate.

# Life IFRS operating income – Asia

## Sources of income

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

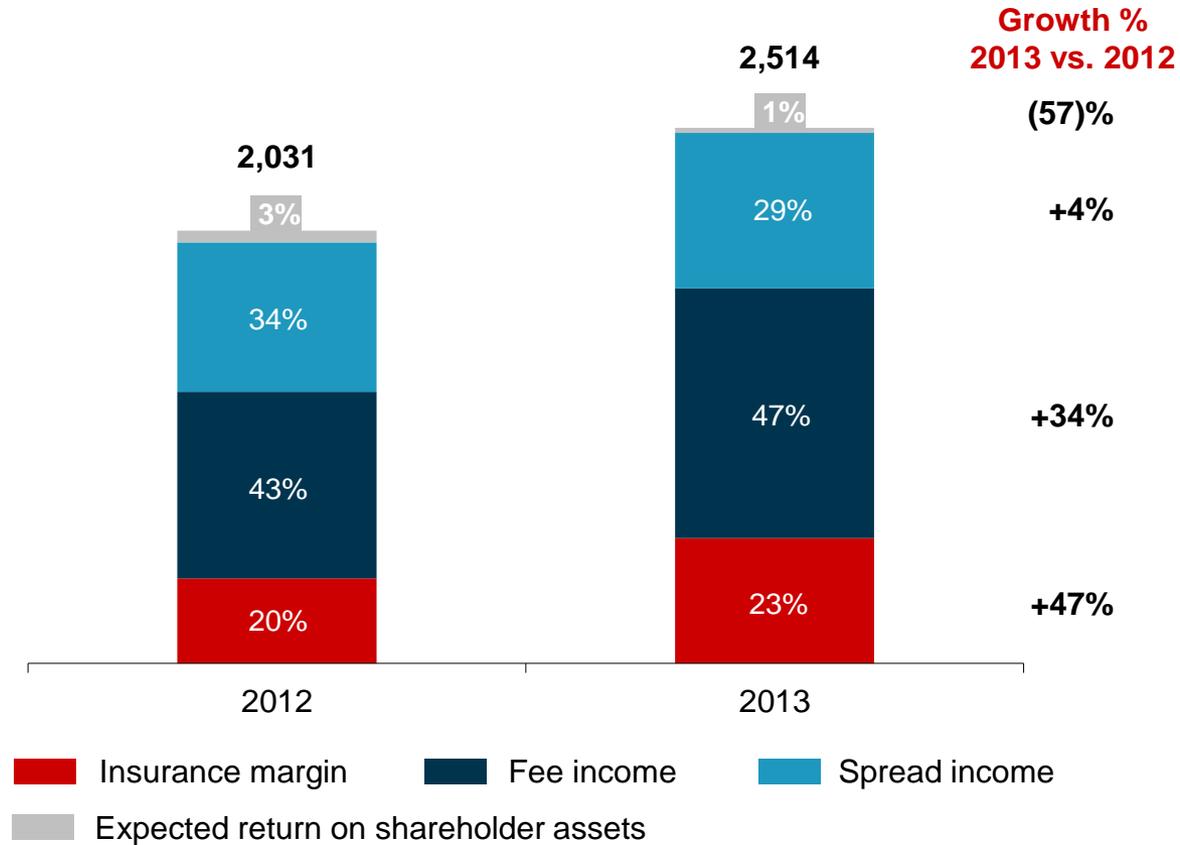


<sup>1</sup> Excludes margin on revenues, acquisition and administration expenses and DAC adjustments.  
 2012 excludes one off gain from gain on sale of China Life of Taiwan (£51m).  
 2012 has been restated to adjust for the impact of IFRS 11.

# Life IFRS operating income – US

## Sources of income

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

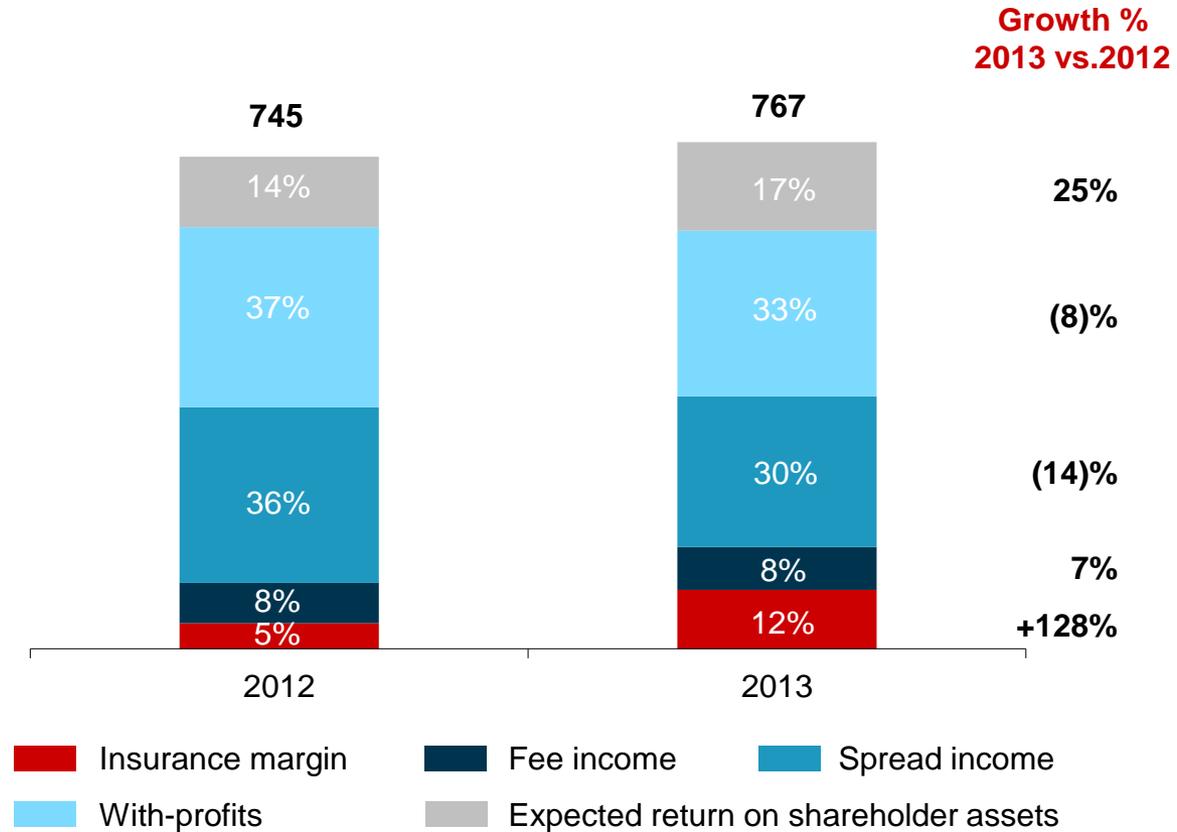


<sup>1</sup> Excludes margin on revenues, acquisition and administration expenses and DAC amortisation.

# Life IFRS operating income – UK

## Sources of income

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



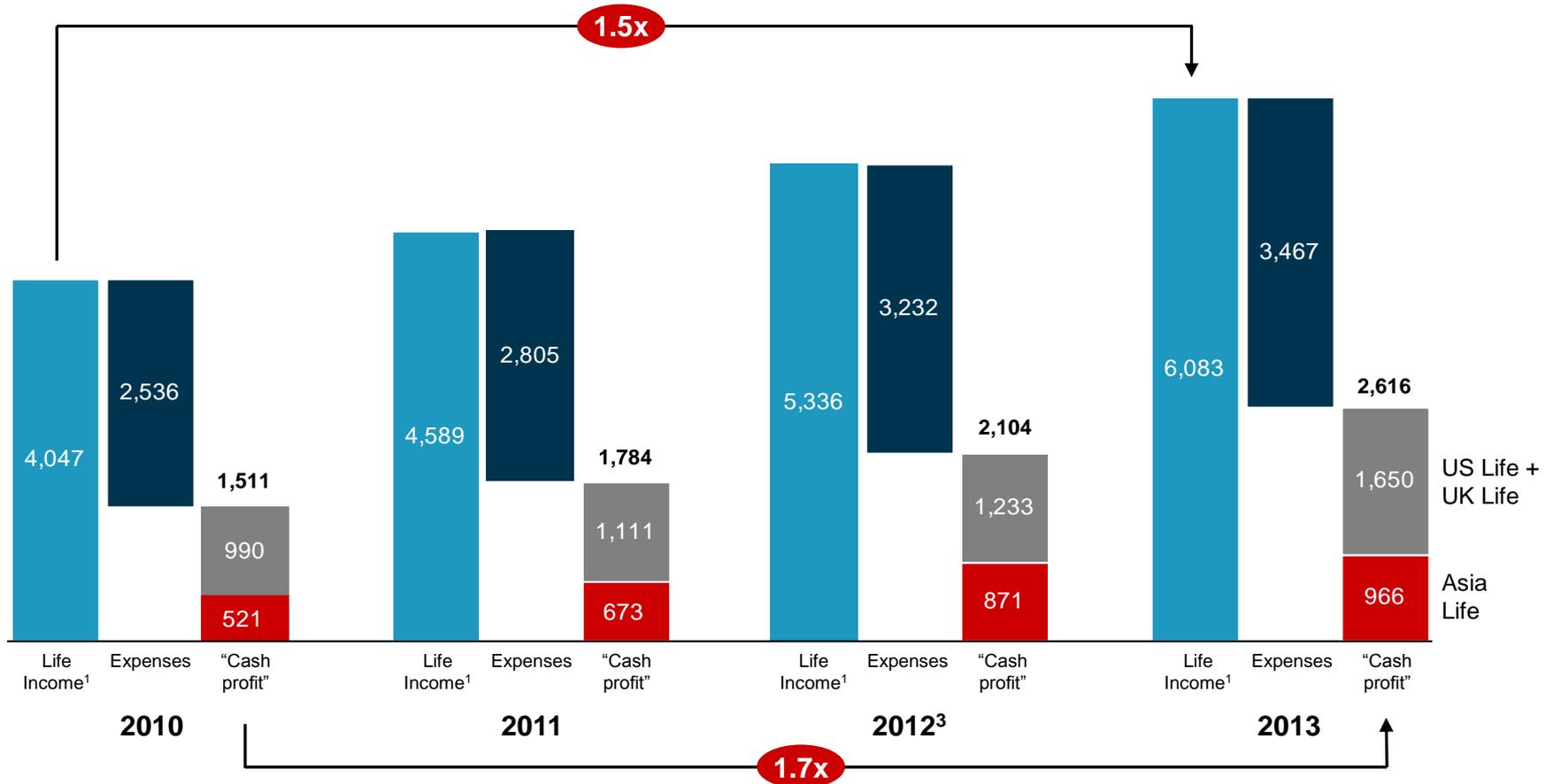
<sup>1</sup> Excludes margin on revenues, acquisition and administration expenses and DAC amortisation.



# Life IFRS operating income

## High quality earnings

“Cash profit”<sup>1</sup>: Income<sup>2</sup> – Expenses (before impact of DAC adjustment), £m



<sup>1</sup> IFRS results have been prepared under new joint venture accounting standards and also exclude Japan life operating profit following reclassification as held for sale. FY12 comparatives have been adjusted on a comparable basis.

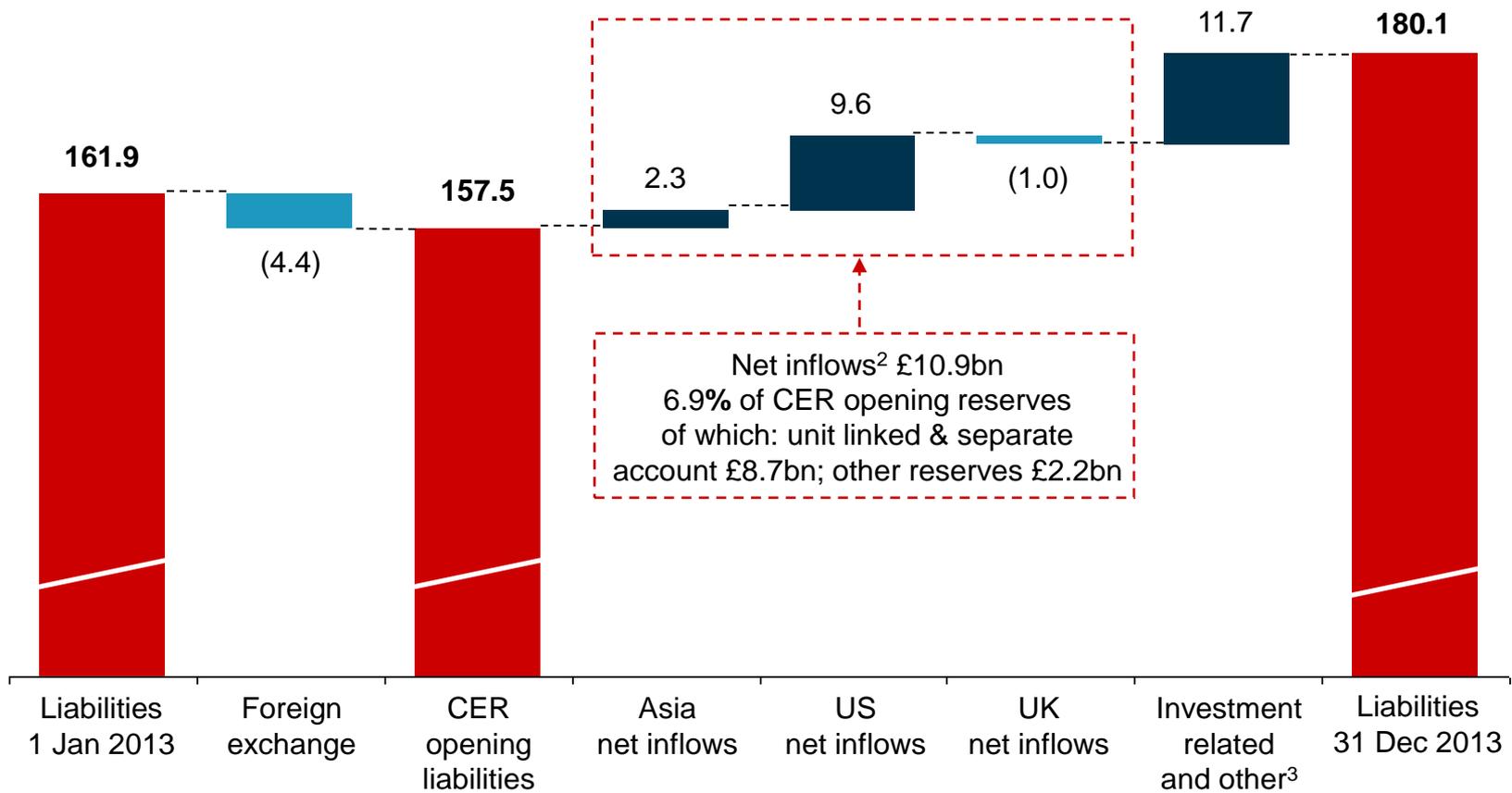
<sup>2</sup> Life income is sum of spread income, fee income, technical and other margin, with-profits and expected returns.

<sup>3</sup> 2012 Life Income excludes gain on sale of China Life of Taiwan (£51m).

# Policyholder liabilities

## Shareholder backed business – Group

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



<sup>1</sup> Shareholder-backed business, excludes Japan.

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

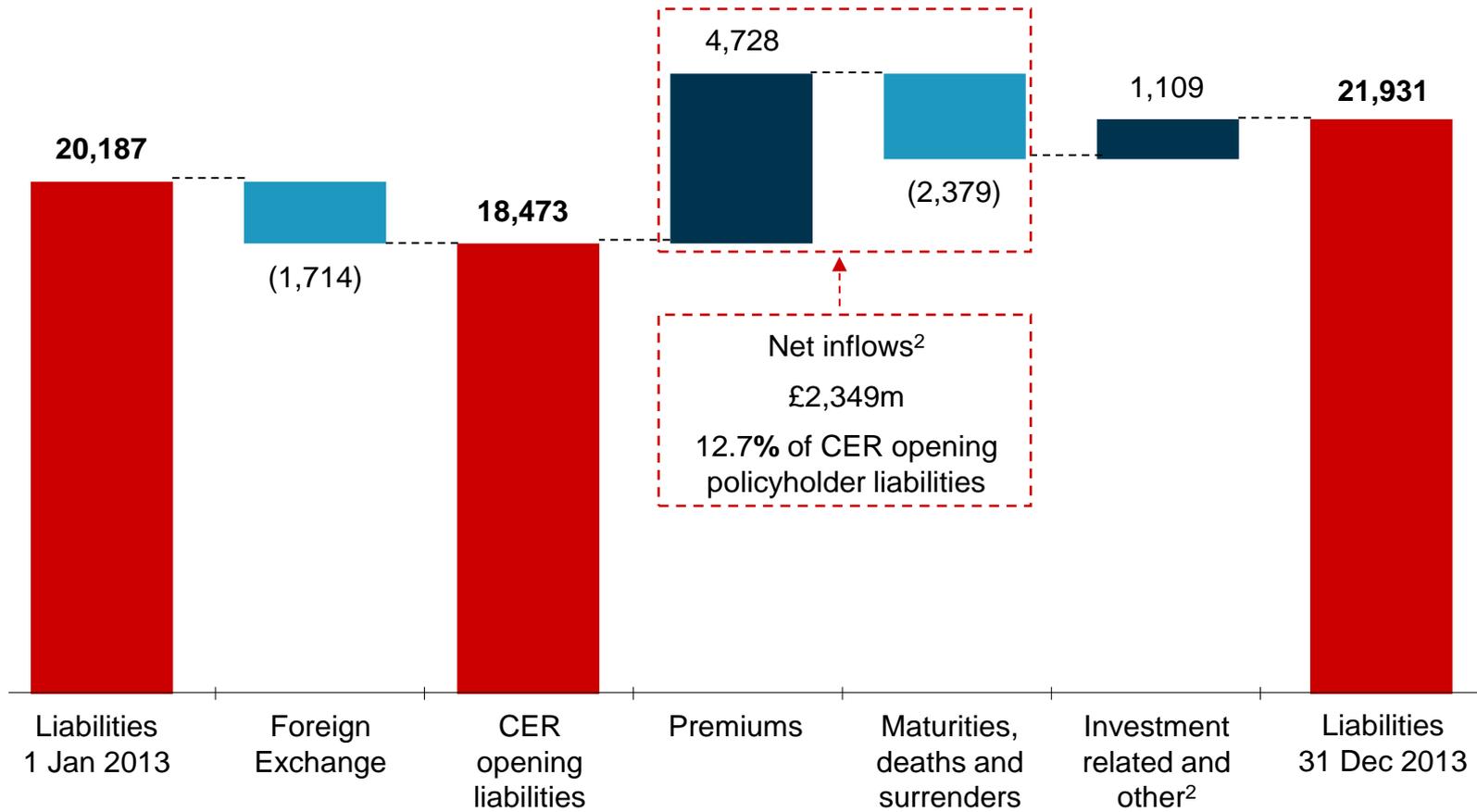
<sup>3</sup> Includes impact of Thanachart acquisition of £0.5bn.



# Policyholder liabilities

## Shareholder backed business – Asia

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



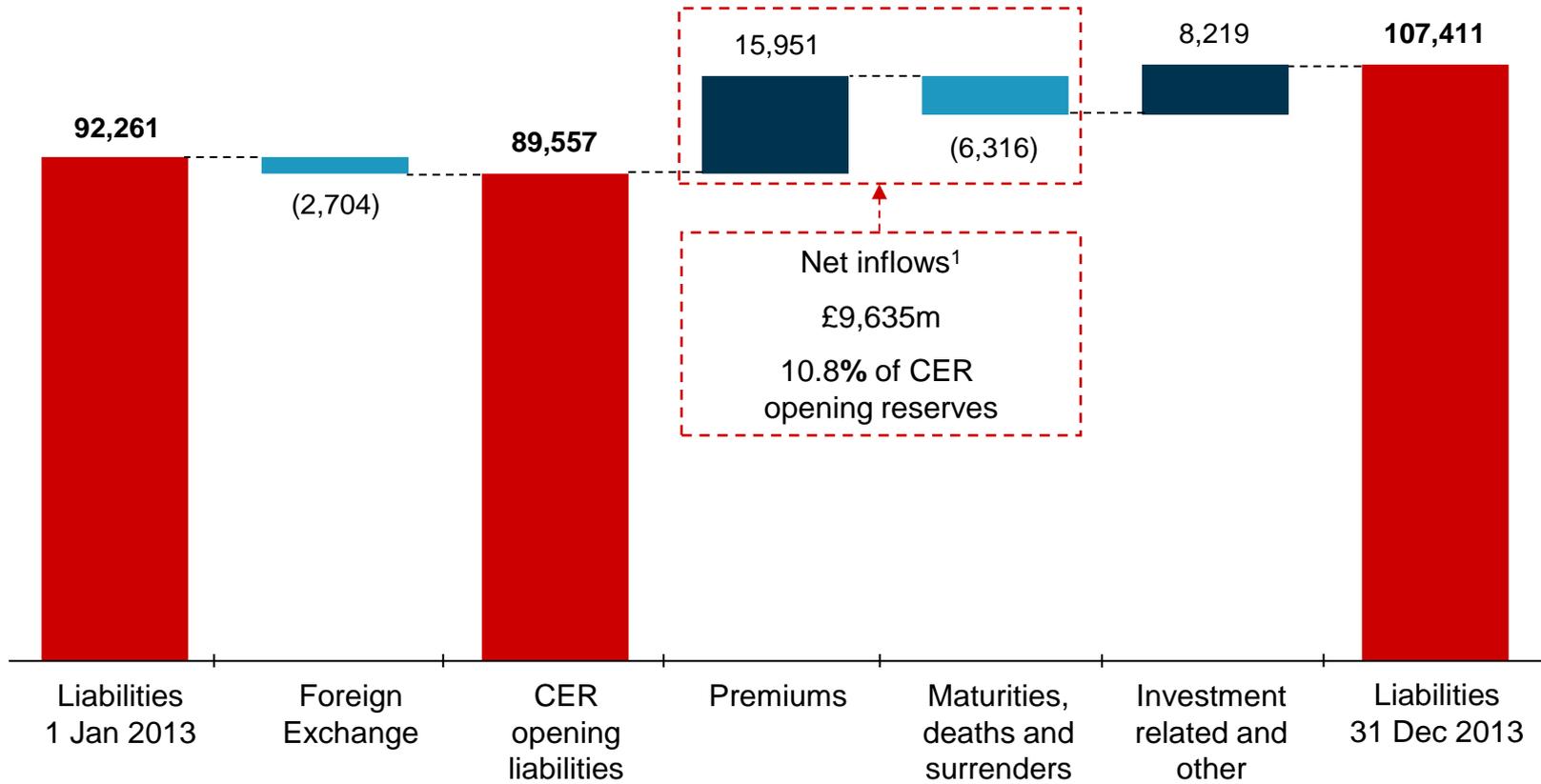
<sup>1</sup> Excludes Japan.

<sup>2</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths. Includes impact of Thanachart acquisition of £0.5bn

# Policyholder liabilities

## Shareholder backed business – US

Policyholder liabilities roll-forward, £m



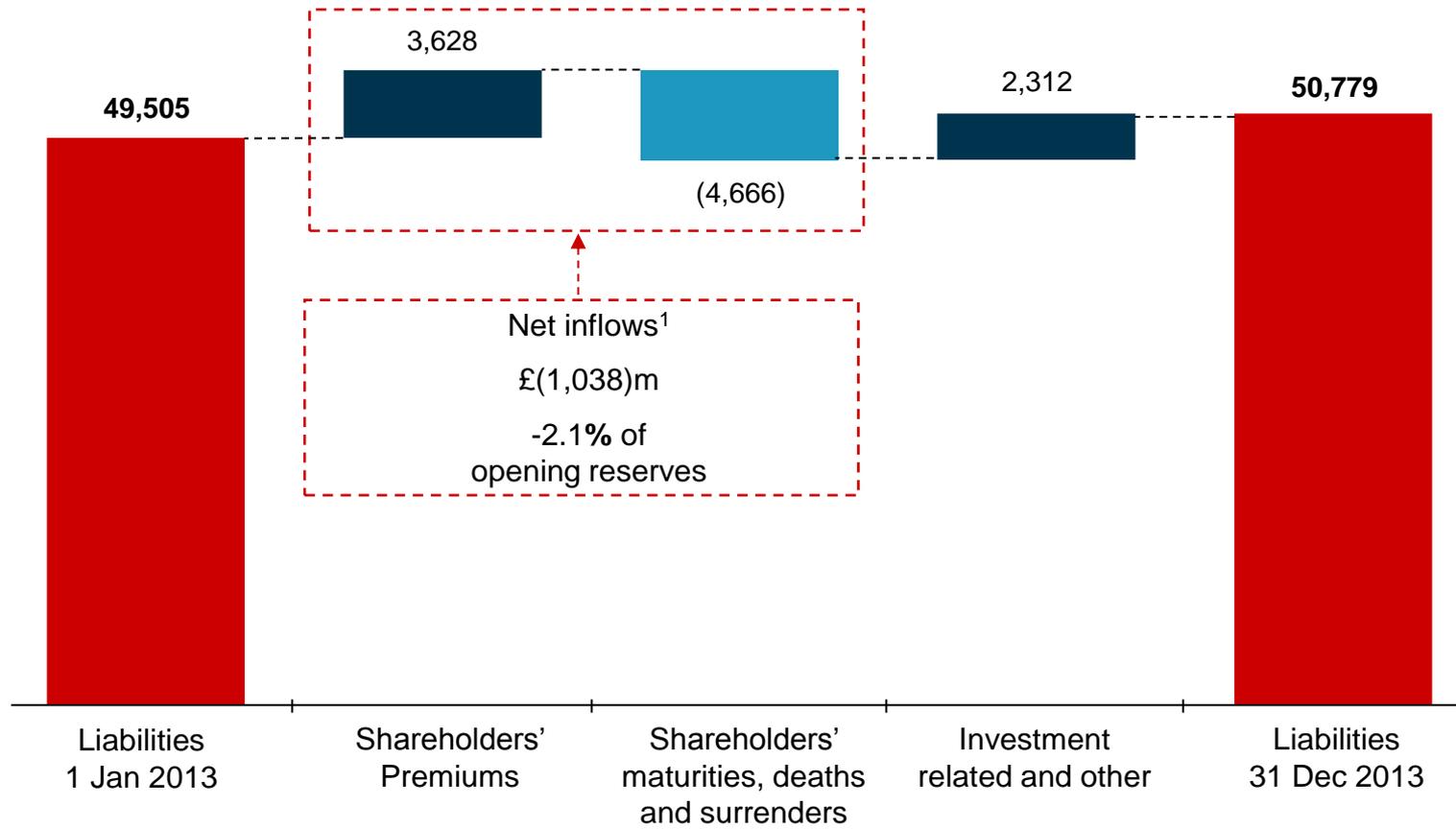
<sup>1</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths.



# Policyholder liabilities

## Shareholder backed business – UK

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

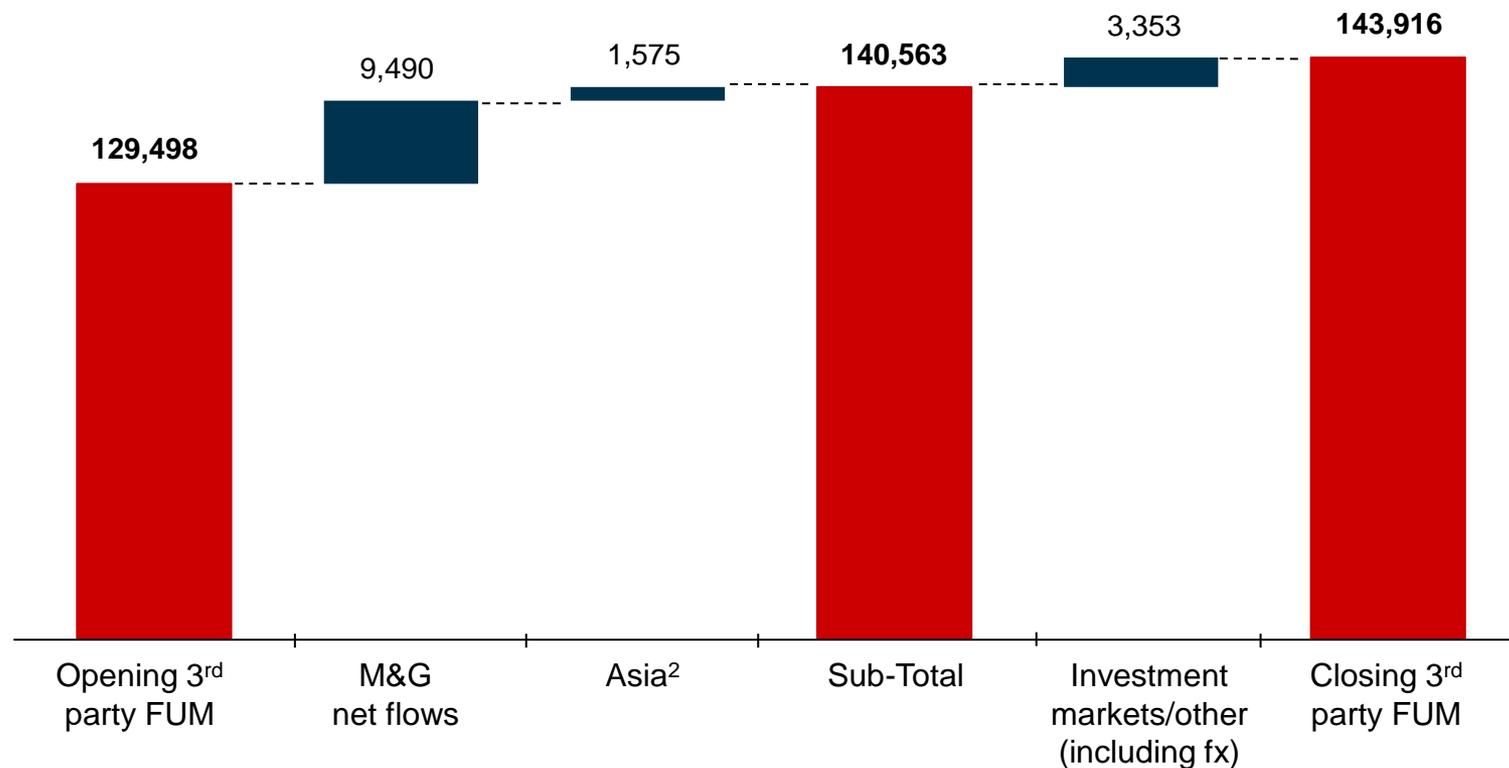


<sup>1</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths.

# Asset management

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

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

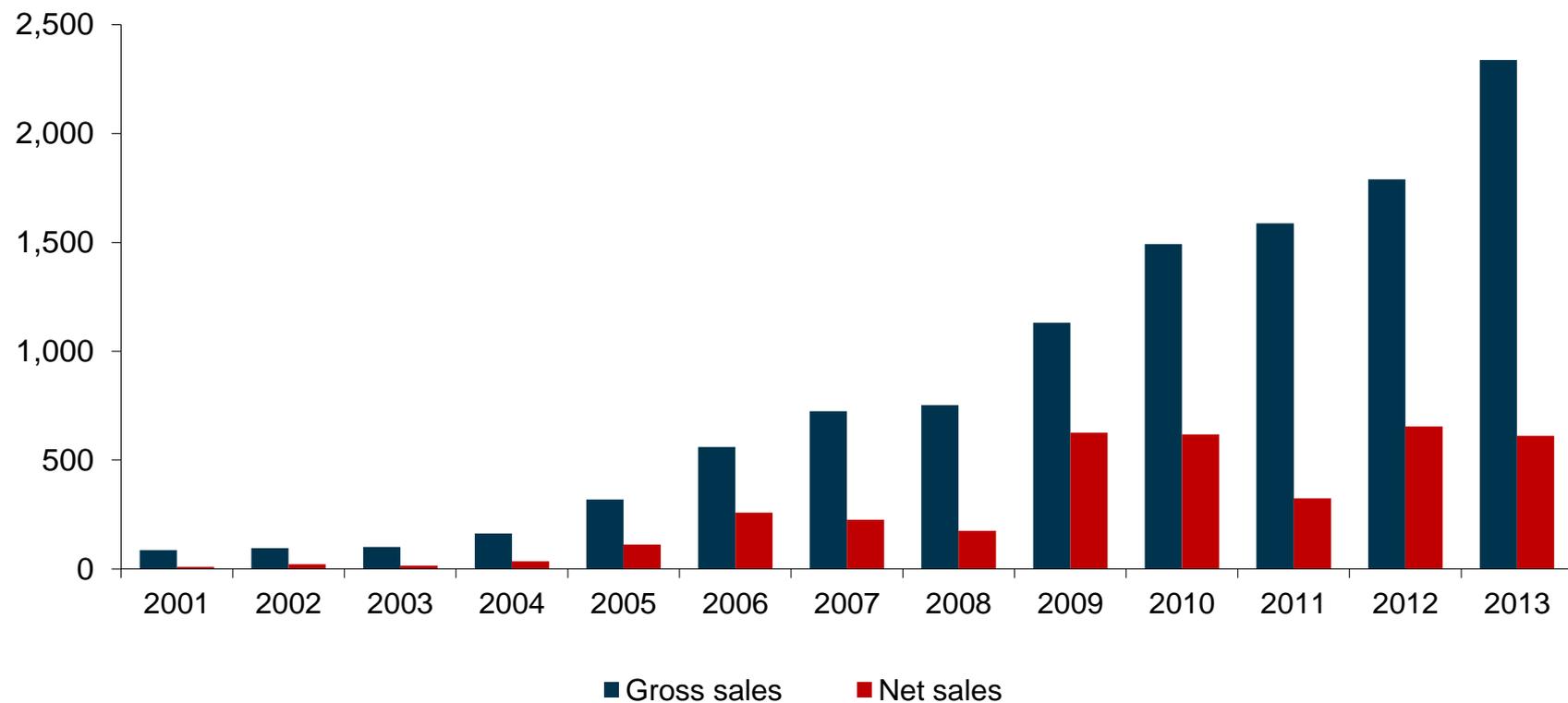


<sup>1</sup> Excludes Asia MMF.

# Asset Management

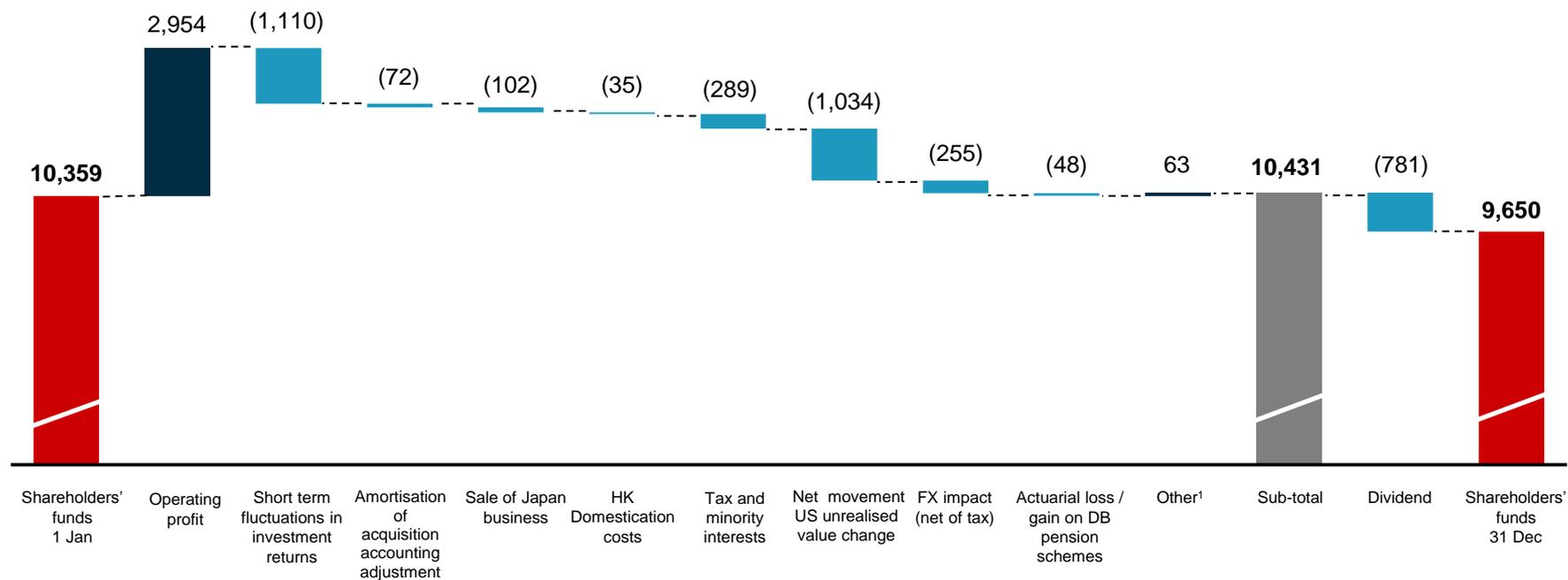
## M&G net retail sales

Average monthly gross and net retail sales, £m



# IFRS shareholders' funds 2013 movement

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

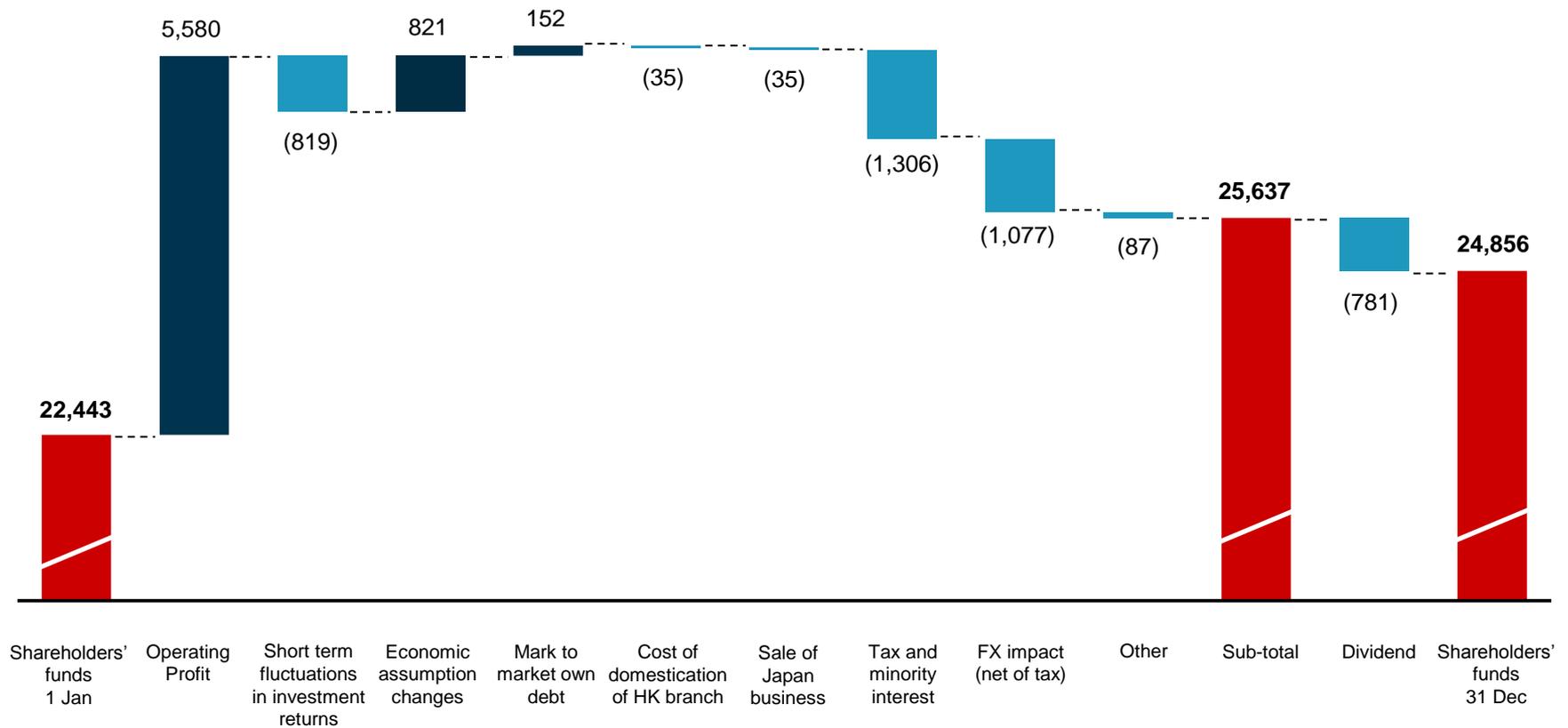


<sup>1</sup> Movements in own shares OEICs, new share capital subscribed, movements in share schemes treasury stocks and reserve movements in respect of share based payments.

# EEV shareholders' funds

## 2013 movement

Analysis of movement in EEV shareholders' funds, £m



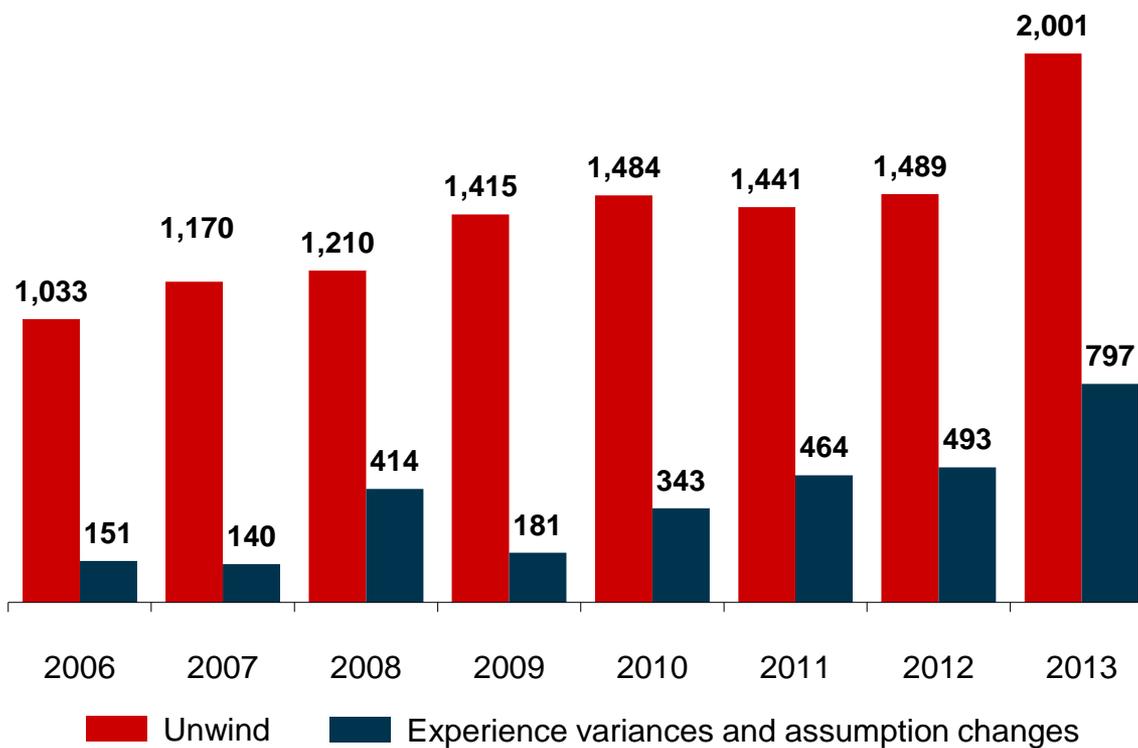
# EEV operating profit

## Life operating variances – Group

### Group Life operating variances, £m

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

1.4%	1.2%	3.0%	1.2%	2.2%	2.5%	2.5%	3.6%
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<sup>1</sup> Opening EEV of Life operations, excluding goodwill.

Note: 2006-2013 Unwind & Experience variances / assumption changes excludes Japan..

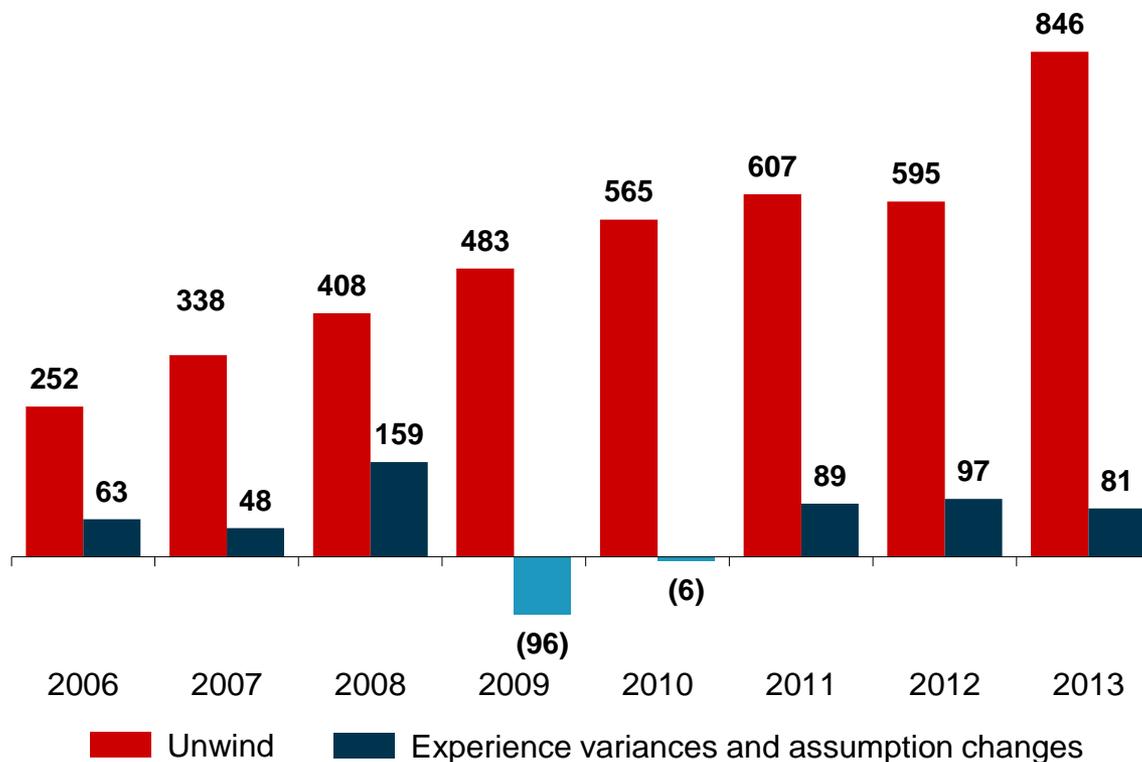
# EEV operating profit

## Life operating variances – Asia

### Asia Life operating variances, £m

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

3.2%	1.9%	4.3%	(1.8)%	(0.1)%	1.2%	1.1%	0.9%
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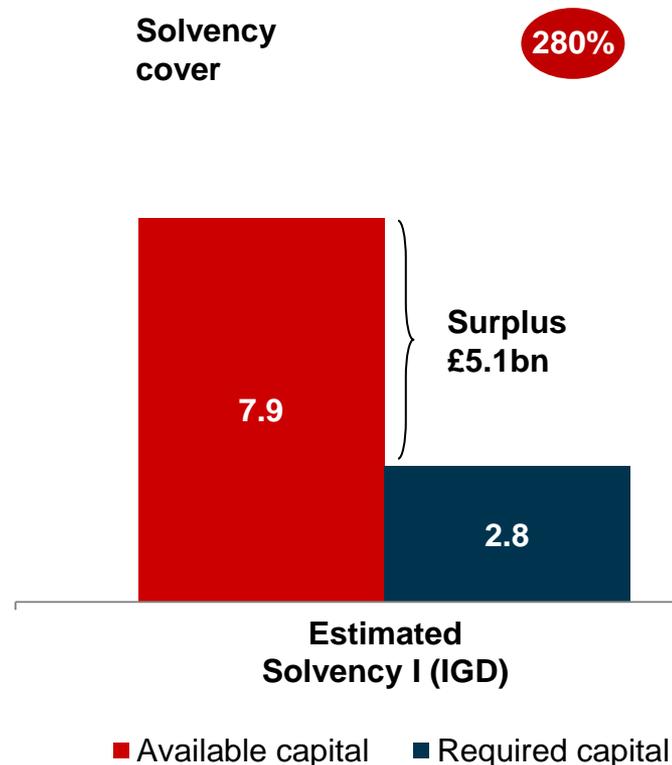
<sup>1</sup> Opening EEV of Life operations, excluding goodwill.  
 Note: 2006-2013 Unwind & Experience variances / assumption changes excludes Japan.

# IGD capital Movement during the period

## IGD capital – movement in 2013, (£bn)<sup>1</sup>

<b>IGD surplus 31 December 2012<sup>2</sup></b>	<b>5.1</b>
Impact of amended contribution from Jackson	(1.2)
Net capital generation	2.2
Impact of Thanachart transaction	(0.3)
Reduction in SHIFT asset allowance <sup>3</sup>	(0.2)
Market movement including fx impact	(0.2)
Dividend payment (2012 final and 2013 interim)	(0.8)
External financing and other central costs (net of tax)	(0.6)
Sub Debt issuance	1.1
<b>IGD surplus 31 December 2013</b>	<b>5.1</b>

## Capital position at 31 December 2013, (£bn)<sup>1</sup>



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

<sup>2</sup> The IGD surplus at 31 December 2012 is stated before the change in the calculation of Jackson's contribution to IGD surplus, from 75% to 250% of US Risk Based Capital Company Action Level, as disclosed in March 2013.

<sup>3</sup> The Group recognises a proportion of the shareholders' interest in future transfers from the UK's with-profit business. This is being removed in two equal steps in January 2013 and January 2014.

# Invested assets

## Group overview

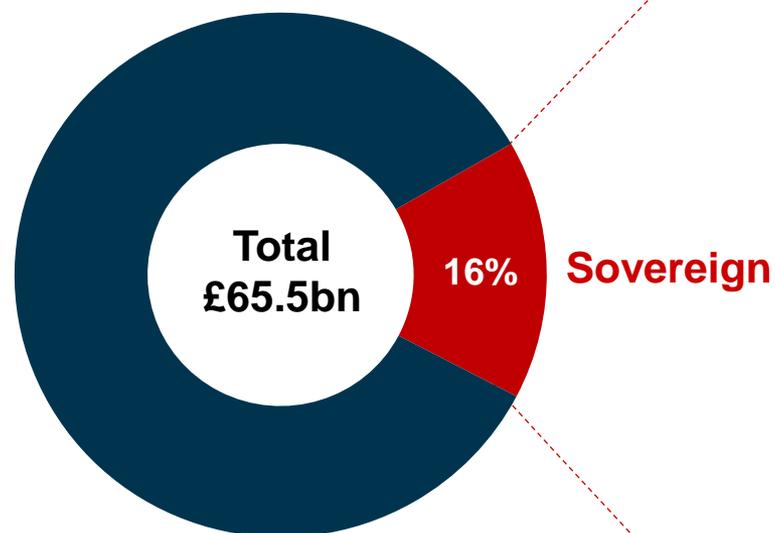
### Breakdown of invested assets – 2013, £bn

	Total Group	PAR Funds	Unit-Linked	Shareholders					Total
				Asia Life	US Life	UK Life	Other		
<b>Debt securities</b>	132.9	57.8	9.6	6.4	30.3	26.8	2.0	<b>65.5</b>	
<b>Equity</b>	120.2	28.4	90.9	0.6	0.3	-	-	<b>0.9</b>	
<b>Property Investments</b>	11.4	9.3	0.6	-	-	1.5	-	<b>1.5</b>	
<b>Commercial mortgage loans</b>	7.8	1.2	-	-	3.7	0.2	1.1	<b>5.0</b>	
<b>Other loans</b>	4.8	2.1	-	0.4	2.7	1.2	-	<b>4.3</b>	
<b>Deposits</b>	12.2	9.5	1.0	0.3	-	1.3	0.1	<b>1.7</b>	
<b>Other Investments</b>	6.3	4.3	-	-	1.6	0.3	0.1	<b>2.0</b>	
<b>Total</b>	<b>295.6</b>	<b>112.6</b>	<b>102.1</b>	<b>7.7</b>	<b>38.6</b>	<b>31.3</b>	<b>3.3</b>	<b>80.9</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	-	3,516	413	461	3	4,393
AA-BBB	3,045	-	118	1,775	31	4,969
Below BBB	-	-	-	814	-	814
<b>Total</b>	<b>3,045</b>	<b>3,516</b>	<b>531</b>	<b>3,050</b>	<b>34</b>	<b>10,176</b>

### Europe by key countries, £m

	Germany	“PIIGS”	Other	Total
Europe	413	54	64	531

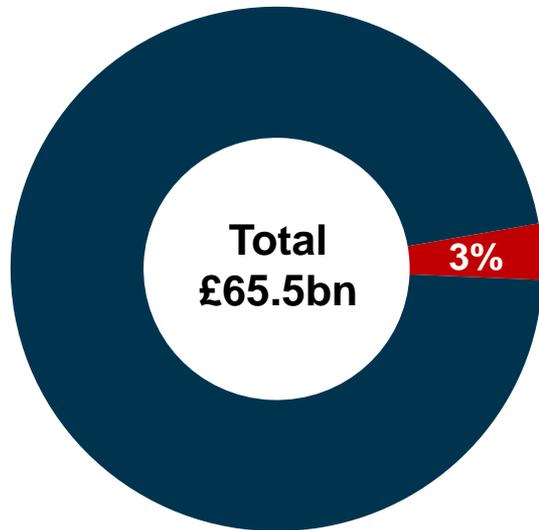
	Portugal	Italy	Ireland	Greece	Spain	Total
PIIGS	-	53	-	-	1	54

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

# Invested assets

## Group shareholder exposures – hybrid bank debt

### Breakdown of the shareholder bank hybrid debt portfolio, %



#### Banks

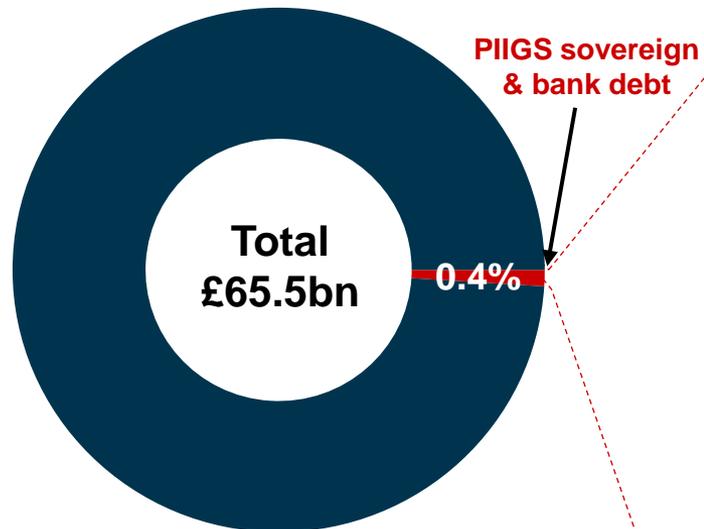
#### Exposure to Tier 1 and Tier 2 hybrid bank debt, £m

	US	UK	France	Germany	“PIIGS”	Other Eurozone	Other	Total
Tier 2	456	673	71	63	23	69	300	1,655
Tier 1	19	112	17	-	-	81	96	325

# Resilient balance sheet

Total PIIGS sovereign and bank debt of only £281m

## Breakdown of the shareholder debt securities portfolio, %



### Shareholder invested assets – PIIGS countries as at 31 December 2013, £m

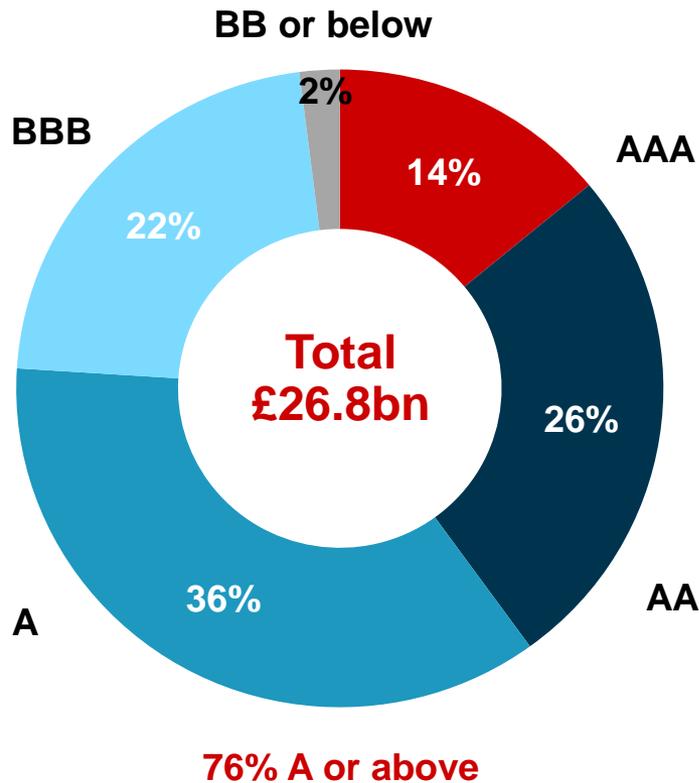
	Sovereign	Institution	Bank debt				
			Covered	Senior	Tier II	Tier I Total	
Portugal	-	BCP Finance Bank	-	17	-	-	17
		Banco Espirito Santo	-	28	-	-	28
Ireland	-	Bank of Ireland	-	17	-	-	17
Italy	53	Intesa SanPaolo	-	30	-	-	30
Greece	-	-	-	-	-	-	-
Spain	1	Santander	100	12	23	-	135
<b>Total</b>	<b>54</b>		<b>100</b>	<b>104</b>	<b>23</b>	<b>-</b>	<b>227</b>

**Total PIIGS sovereign & bank debt = £281m**

# Invested assets

## UK asset quality – credit reserve

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



### Strength of the £1.9bn credit reserve

- No defaults of shareholder-backed debt securities
- Allowance for credit risk as at 31 December 2013 materially in line with prior year<sup>2</sup>
  - Pillar 1 (IGD) 62 bps (FY 2012: 65 bps)
  - IFRS 43 bps (FY 2012: 42 bps)
- Pillar 1 and EEV assumptions equivalent to 47% of current spread over swaps (FY 2012: 40%)<sup>2</sup>

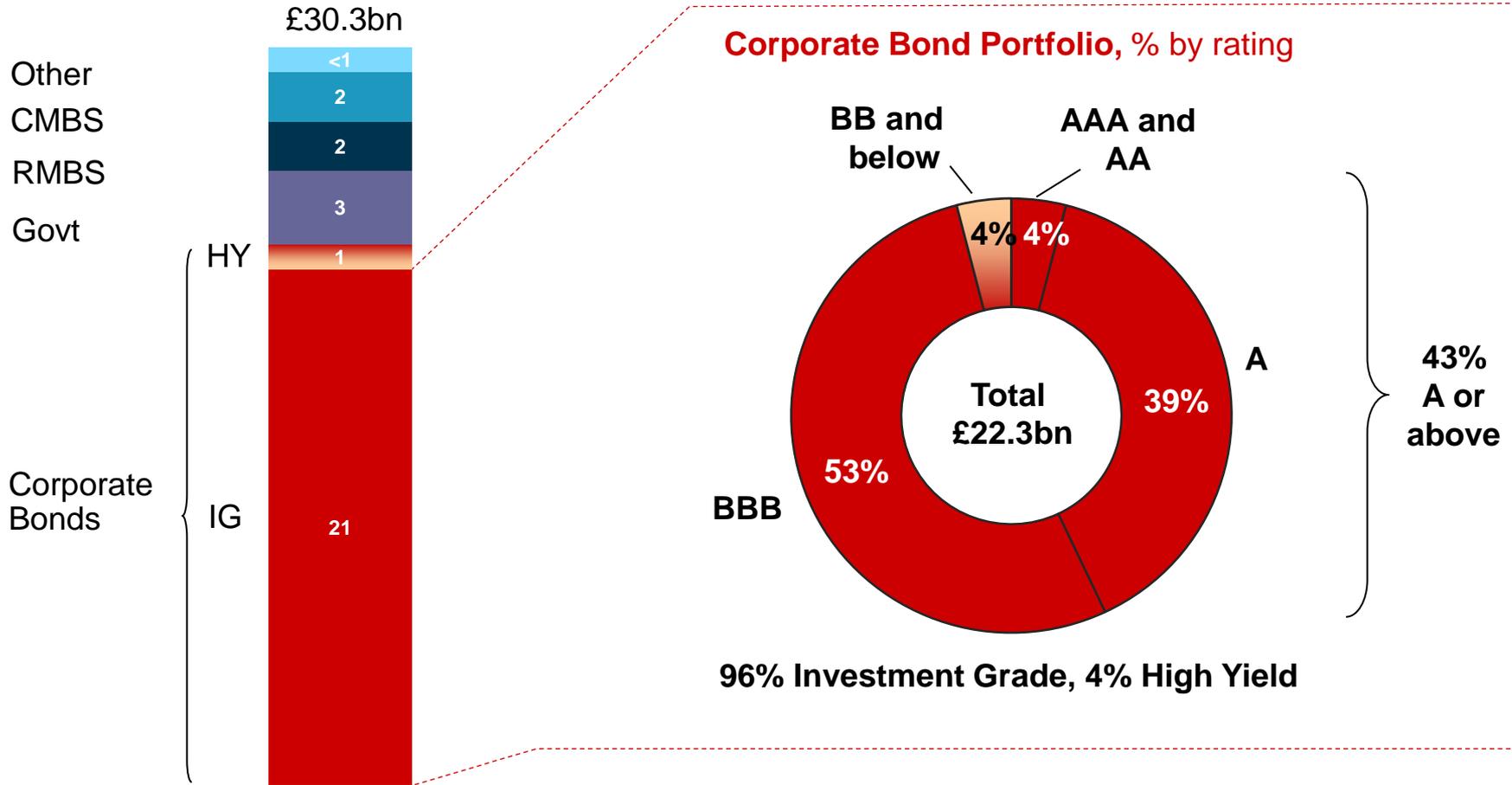
<sup>1</sup> Ratings from different agencies aggregated for presentational purpose. Also includes internal ratings.

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

# Invested assets

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

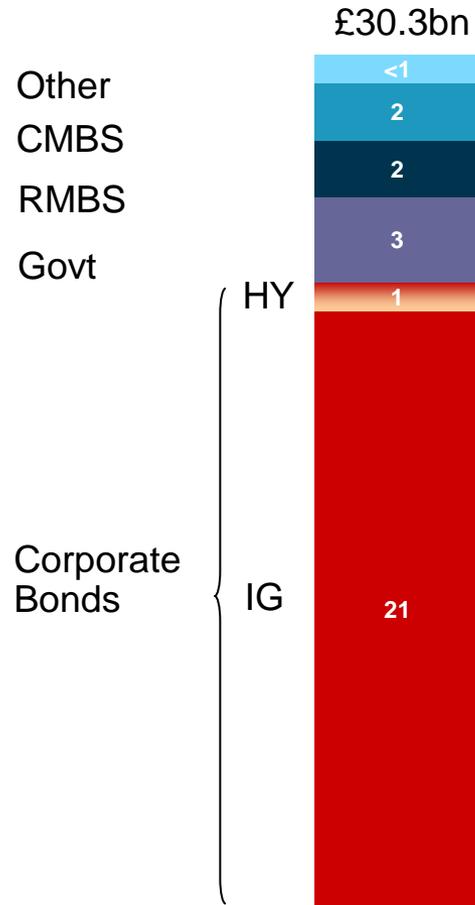
US Shareholder Debt Securities Portfolio Market value, £bn



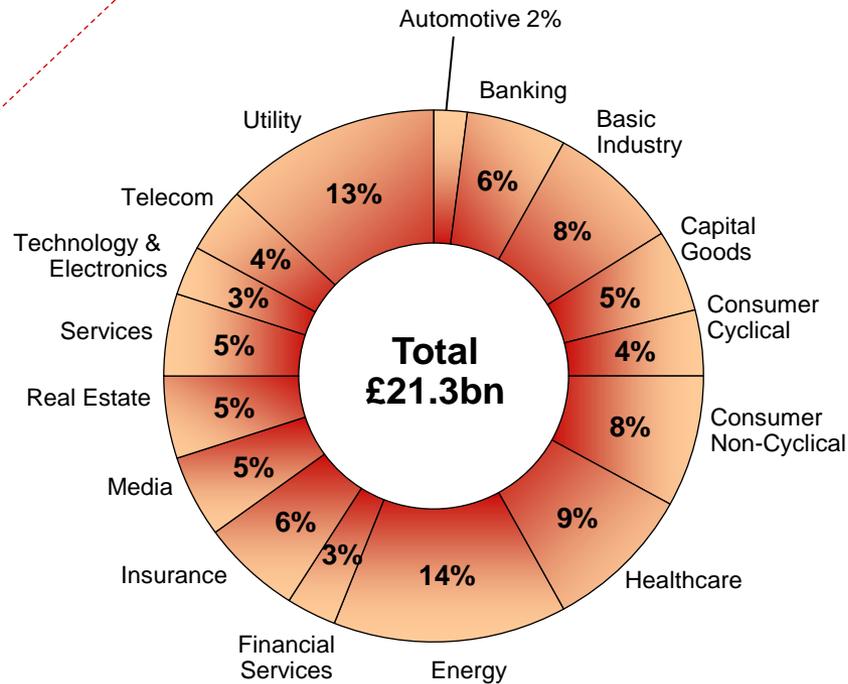
# Invested assets

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

US Shareholder Debt Securities Portfolio Market value, £bn



Investment Grade Corporate Bond Portfolio, % by sector

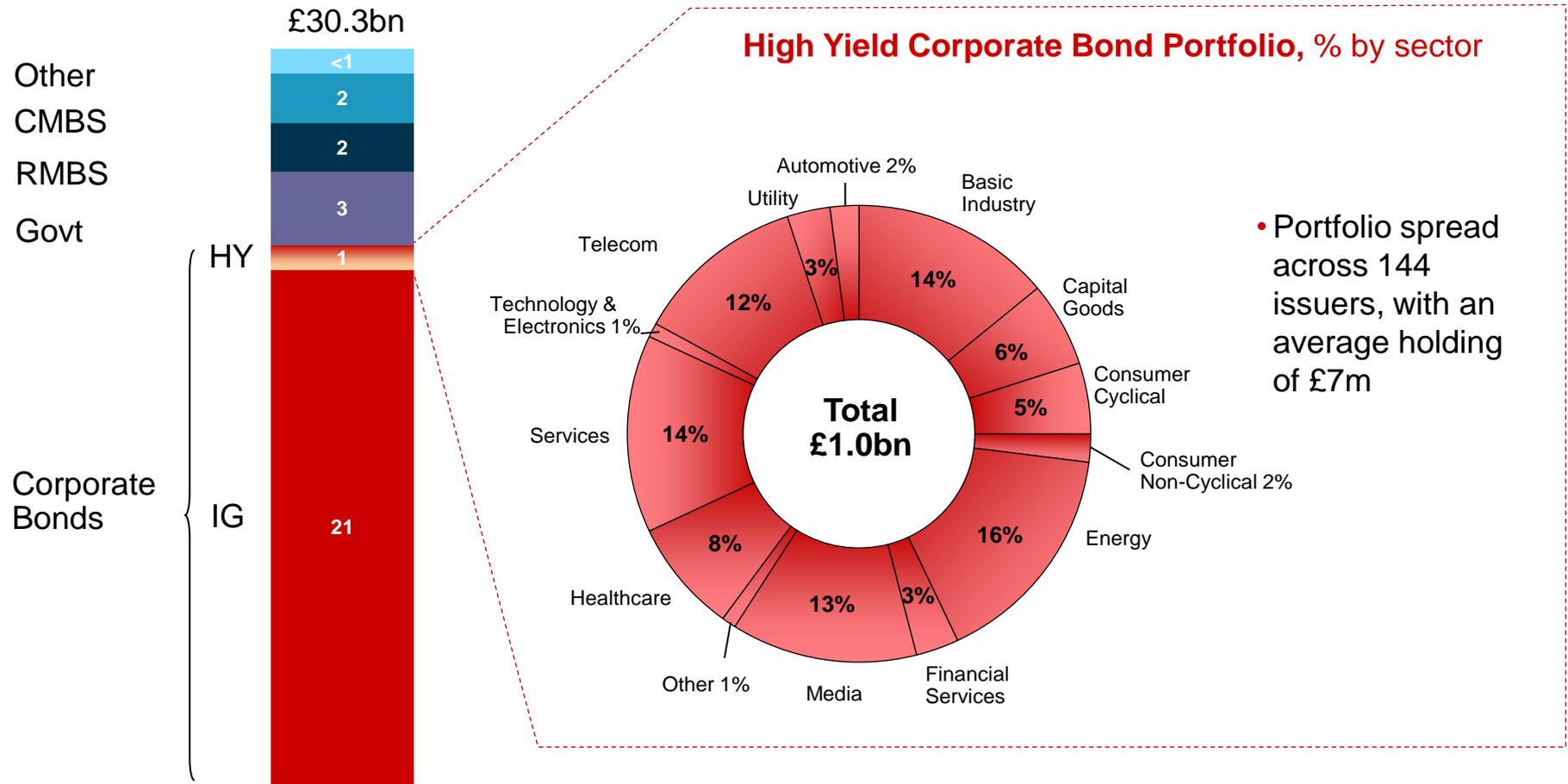


- Portfolio spread over 716 issuers, with an average holding of £30m

# Invested assets

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

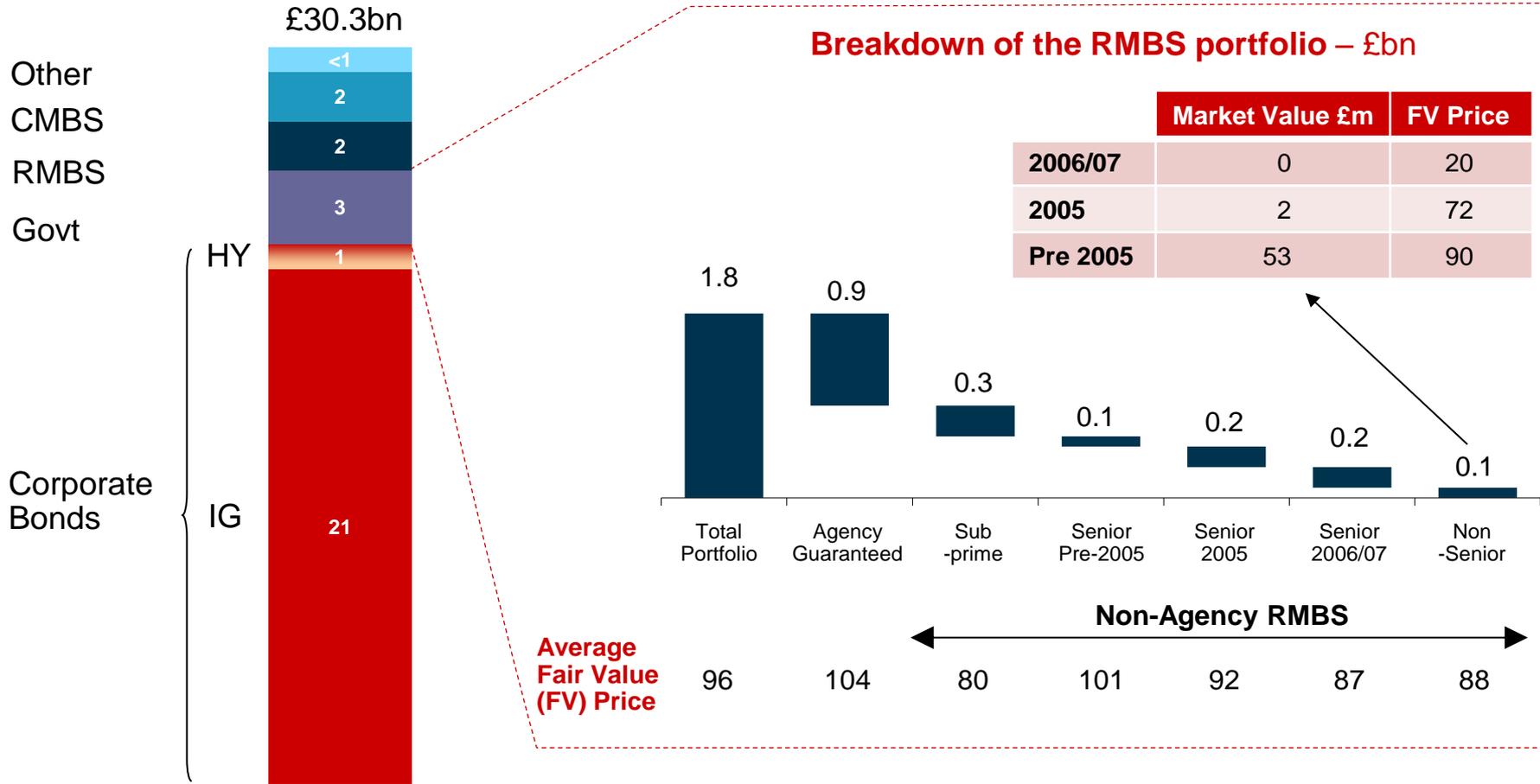
US Shareholder Debt Securities Portfolio Market value, £bn



# Invested assets

## US asset quality – RMBS portfolio

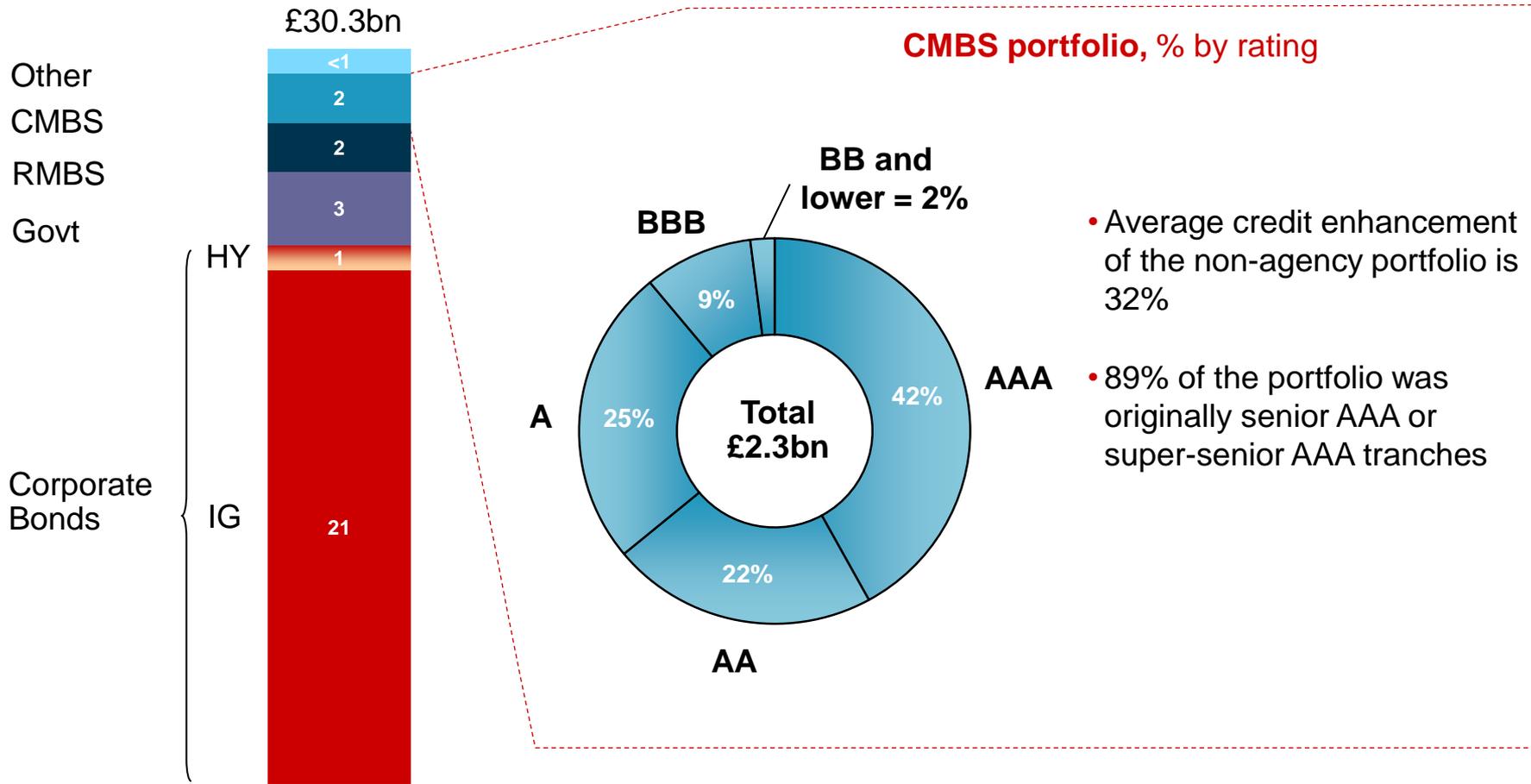
### US Shareholder Debt Securities Portfolio Market value, £bn



# Invested assets

## US asset quality – CMBS portfolio

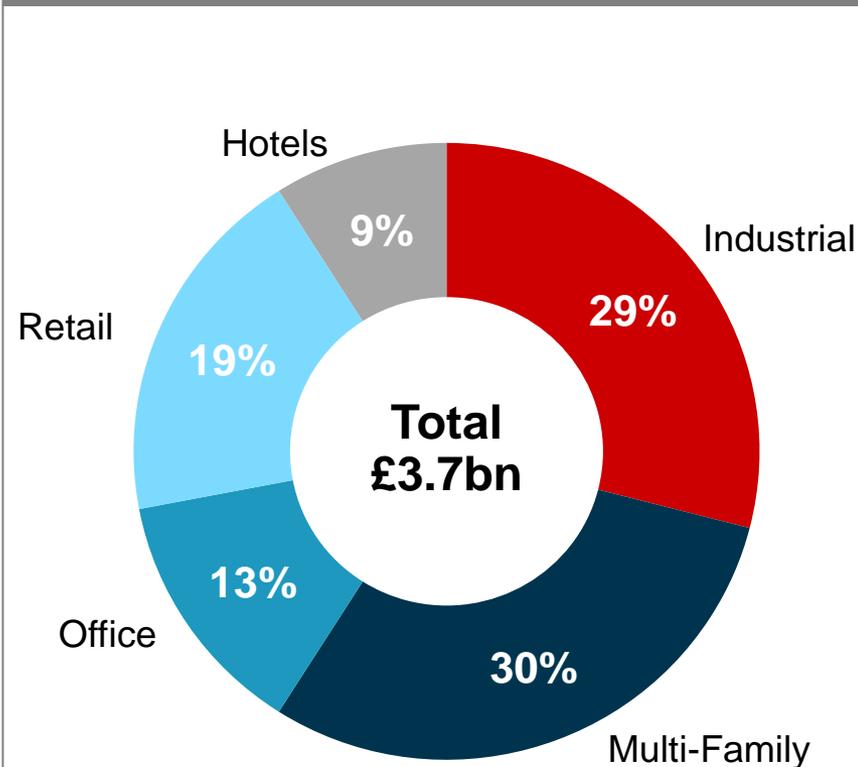
US Shareholder Debt Securities Portfolio Market value, £bn



# Invested assets

## US asset quality – commercial mortgage loan portfolio

Breakdown by property type, %

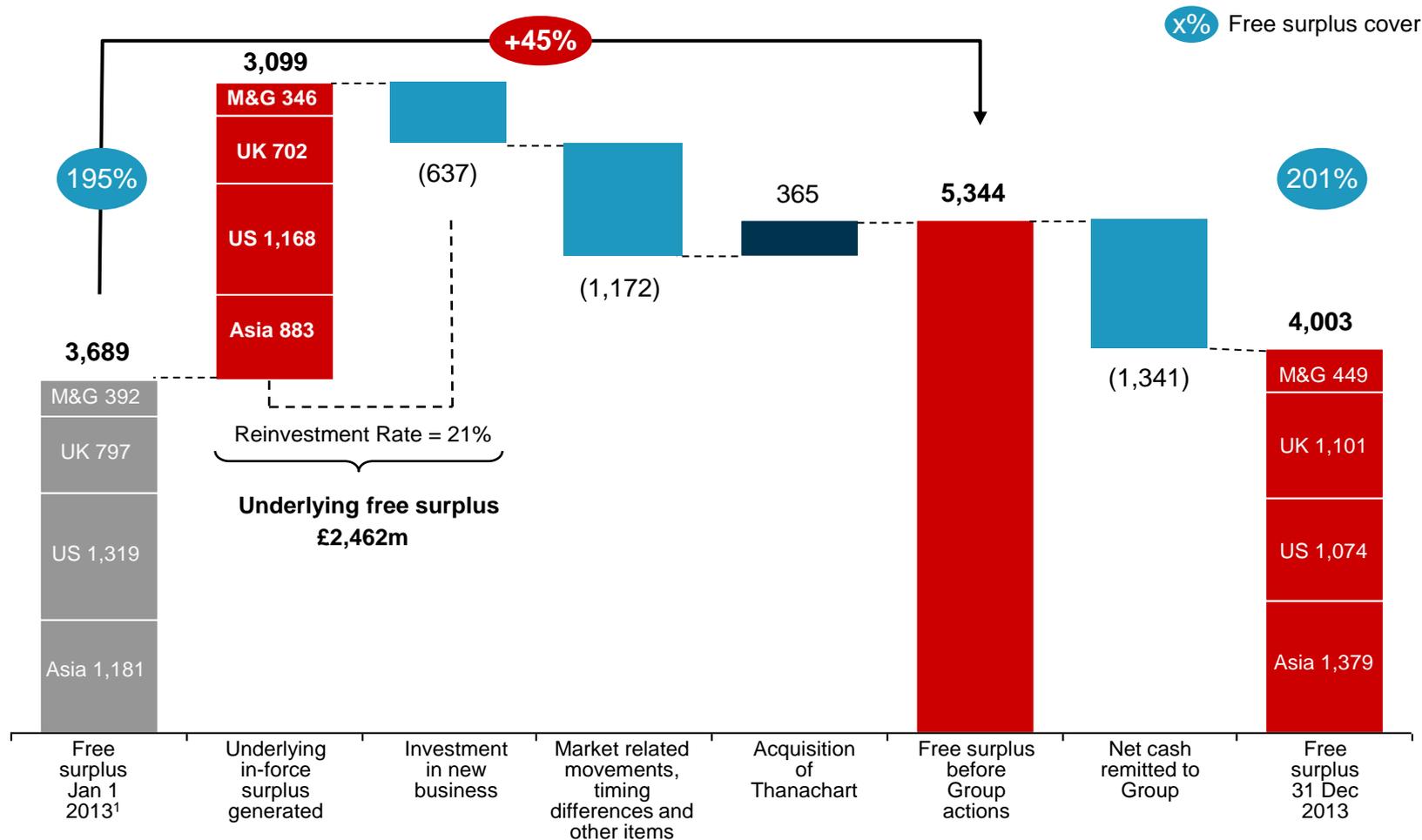


- High level of diversification
  - Average loan size of £6m
  - Spread across property type
  - Geographic diversification
- Strong underwriting discipline
  - Portfolio performing well in current environment
  - Current average LTV of 61%
  - Problem loan balances at 31 December 2013
    - Loans with restructured terms £47m
  - £2.6m write-down during 2013
  - £5.7m decrease in specific reserves

# Cash and capital generation

## Increasing free surplus stock

Evolution of free surplus, £m



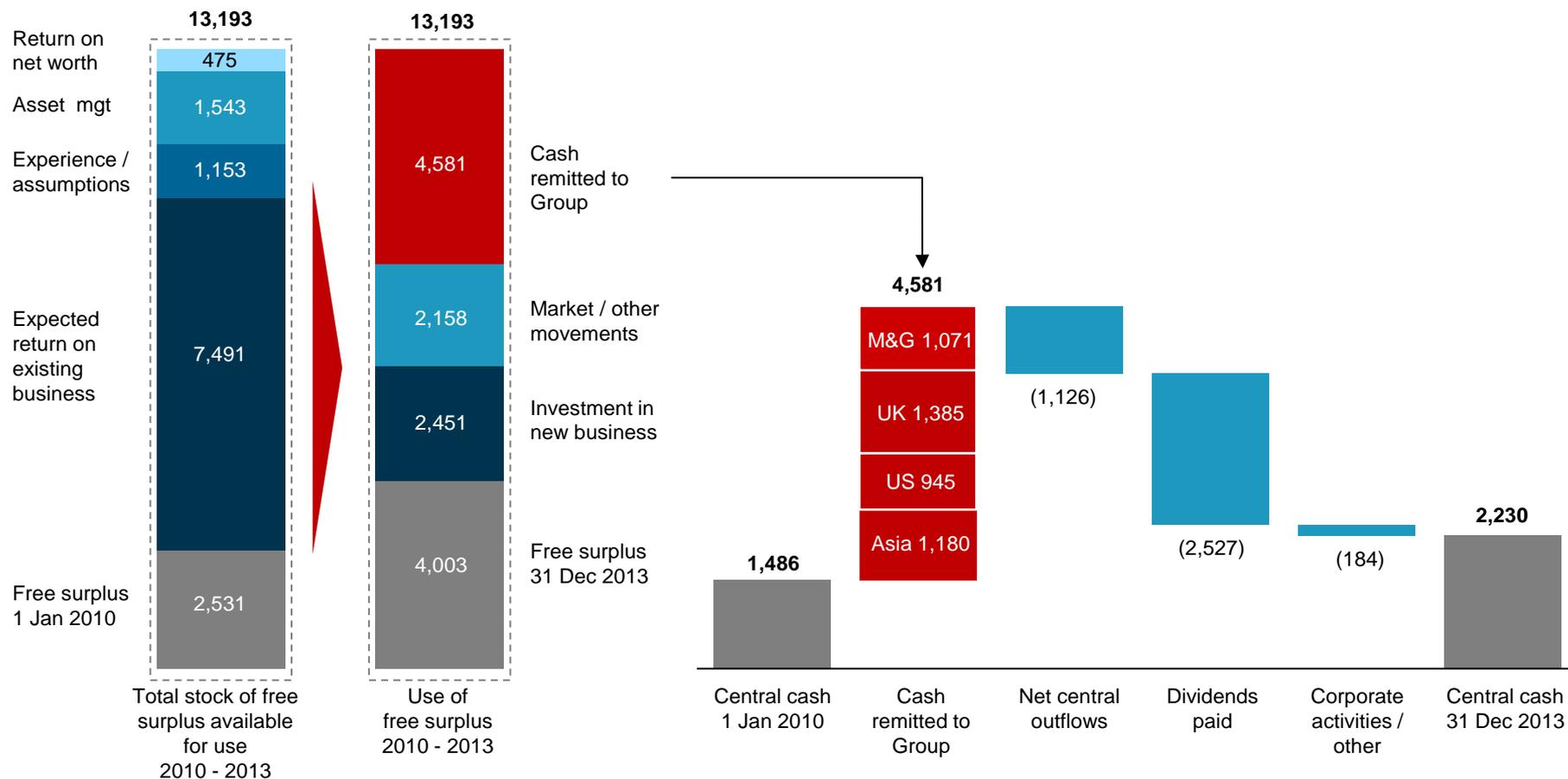
1. Asia and US include asset management and UK includes GI commission.

Note: M&G includes PruCap

# Cash and capital generation

## Historic free surplus emergence

Use of free surplus generated, 2010 – 2013<sup>1</sup>, £m



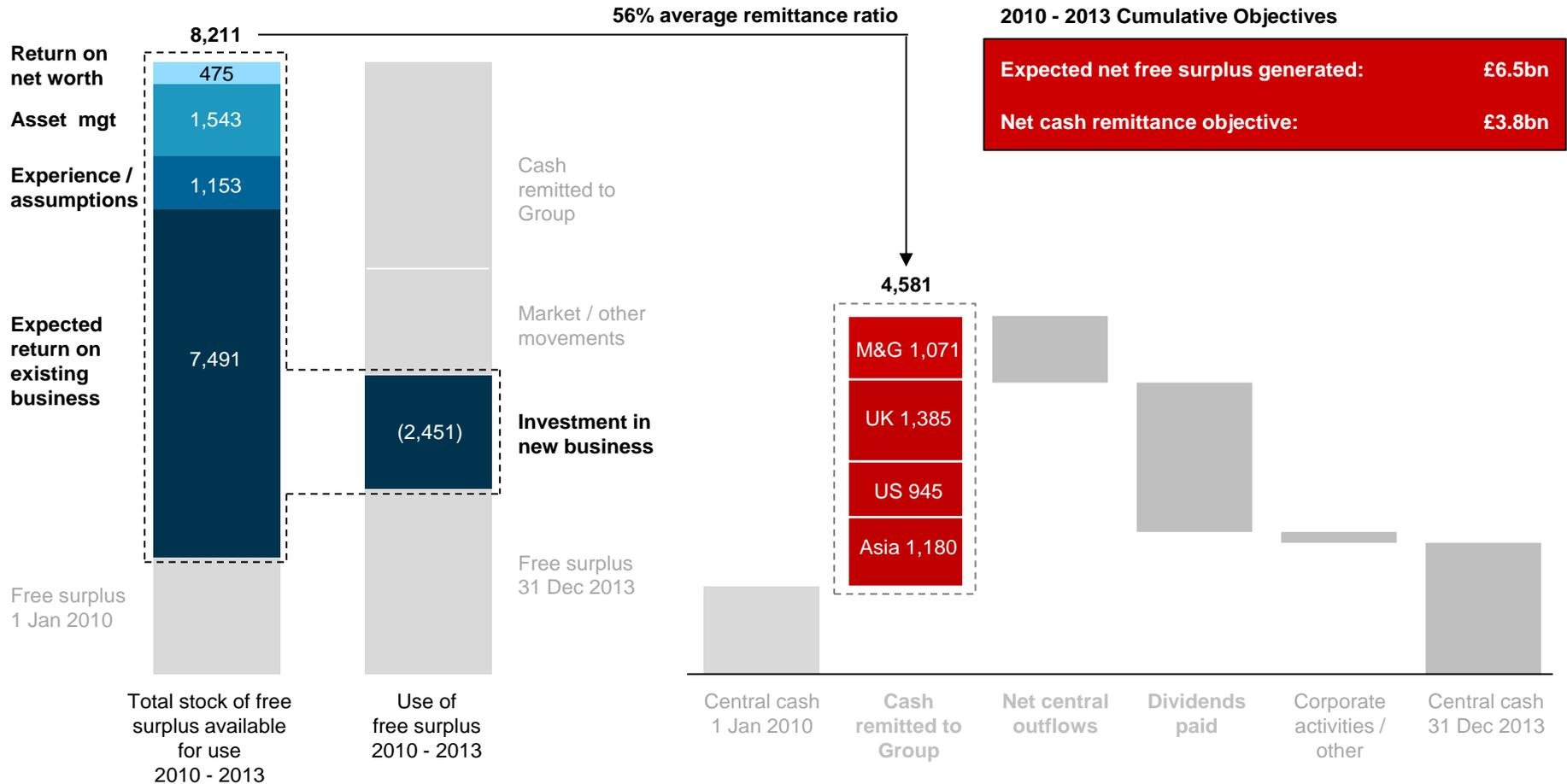
1. Total stock of free surplus adjusted for new and amended accounting standard and excludes Japan Life

Note: M&G includes PruCap.

# Cash and capital generation

## Historic free surplus emergence

### Use of free surplus generated, 2010 – 2013<sup>1</sup>, £m



1. Total stock of free surplus adjusted for new and amended accounting standard and excludes Japan Life.

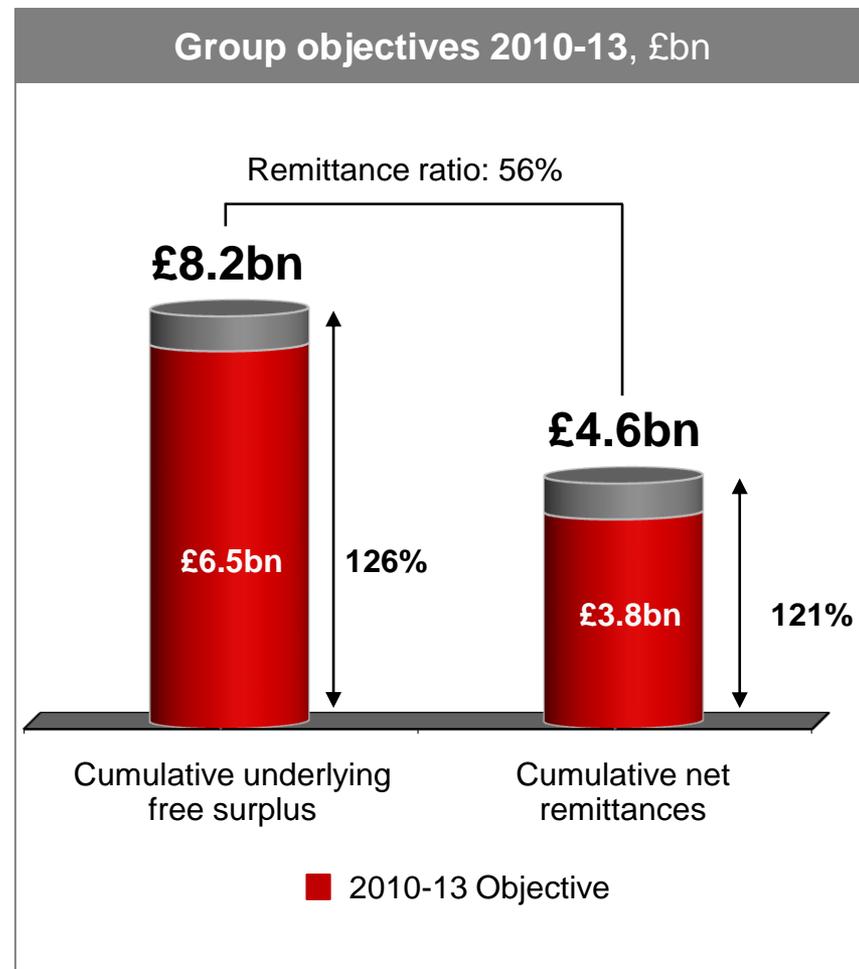
Note: M&G includes PruCap.



# Cash and capital

## Net remittances (1/2)

	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	Target 2013
UK with-profit	284	202	223	216	206	350
UK shareholder-backed <sup>1</sup>	150	218	74	97	149	
US <sup>4</sup>	39	80	322	249	294	260
Asia <sup>2</sup>	40	233	206	341	400	300
M&G <sup>3</sup>	175	202	280	297	292	
<b>Net remittances to group</b>	<b>688</b>	<b>935</b>	<b>1,105</b>	<b>1,200</b>	<b>1,341</b>	



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

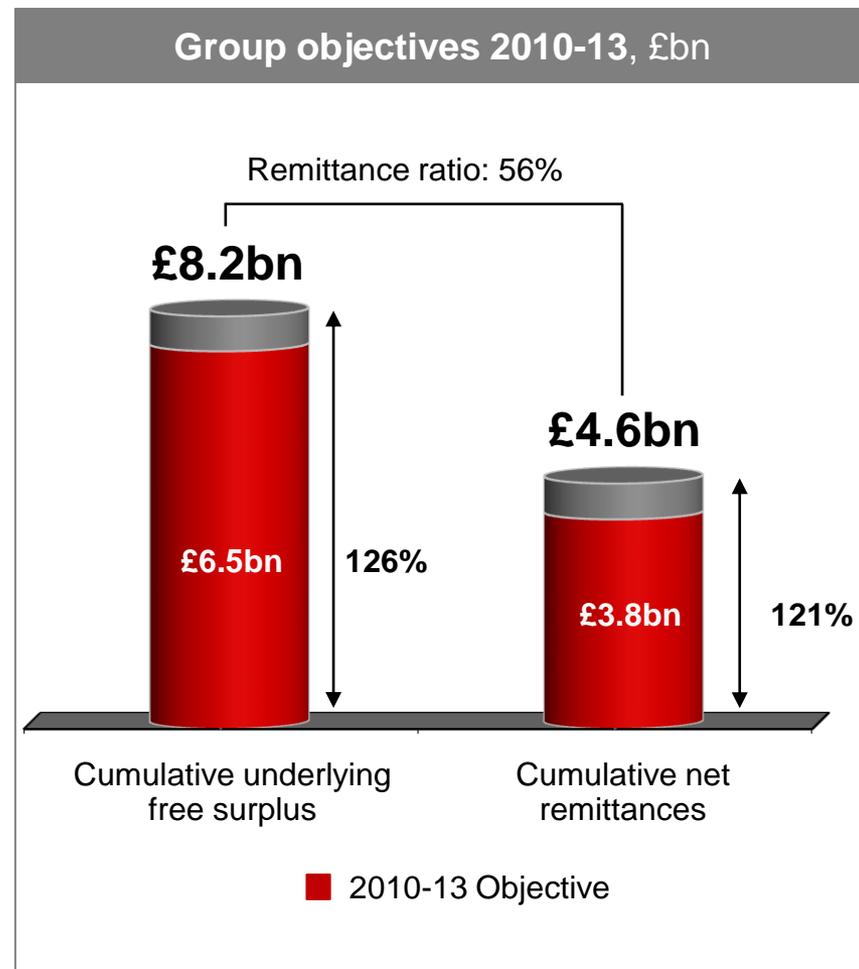
<sup>3</sup> Including PruCap.

<sup>4</sup> Net remittances from Jackson in 2011 include releases of excess surplus to Group.

# Cash and capital

## Net remittances (2/2)

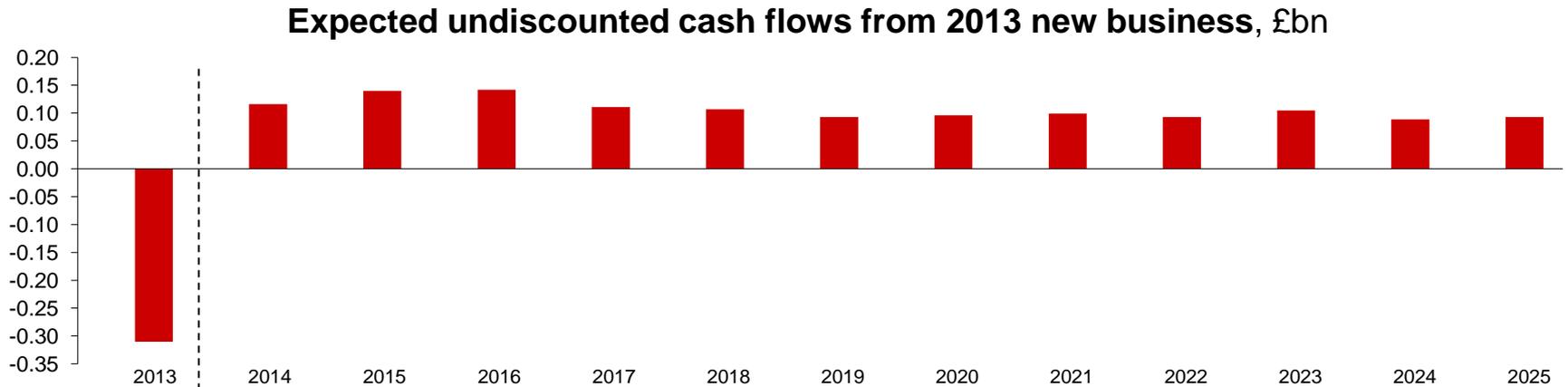
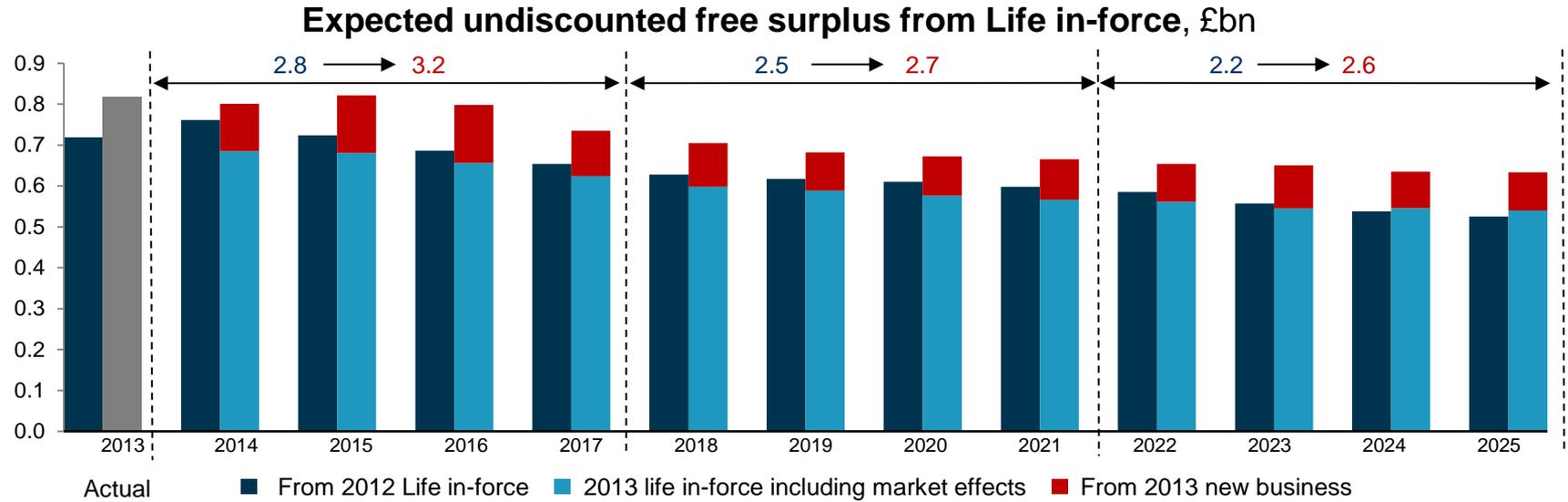
£m	2010	2011	2012	2013	2010-2013 Total
Actual free surplus	1,692	1,858	1,924	2,017	
Operating variances	190	192	293	478	
Expected return on free assets	138	109	95	133	
Asset management profits	310	376	386	471	
Investment in new business	(643)	(553)	(618)	(637)	
<b>Underlying free surplus generated<sup>1</sup></b>	<b>1,687</b>	<b>1,982</b>	<b>2,080</b>	<b>2,462</b>	<b>8,211</b>
<b>Remittance</b>	<b>935</b>	<b>1,105</b>	<b>1,200</b>	<b>1,341</b>	<b>4,581</b>
<b>Remittance ratio</b>	<b>55%</b>	<b>56%</b>	<b>58%</b>	<b>54%</b>	<b>56%</b>



1. Total stock of free surplus adjusted for new and amended accounting standard and excludes Japan Life.

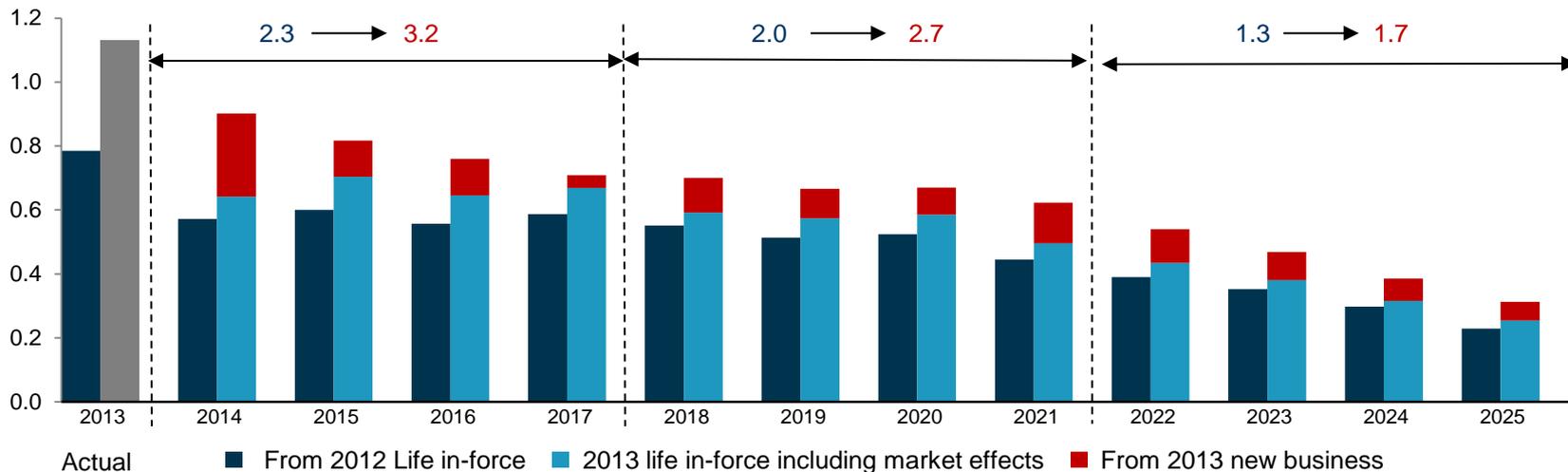
Note: M&G includes PruCap

# Future free surplus emergence Asia

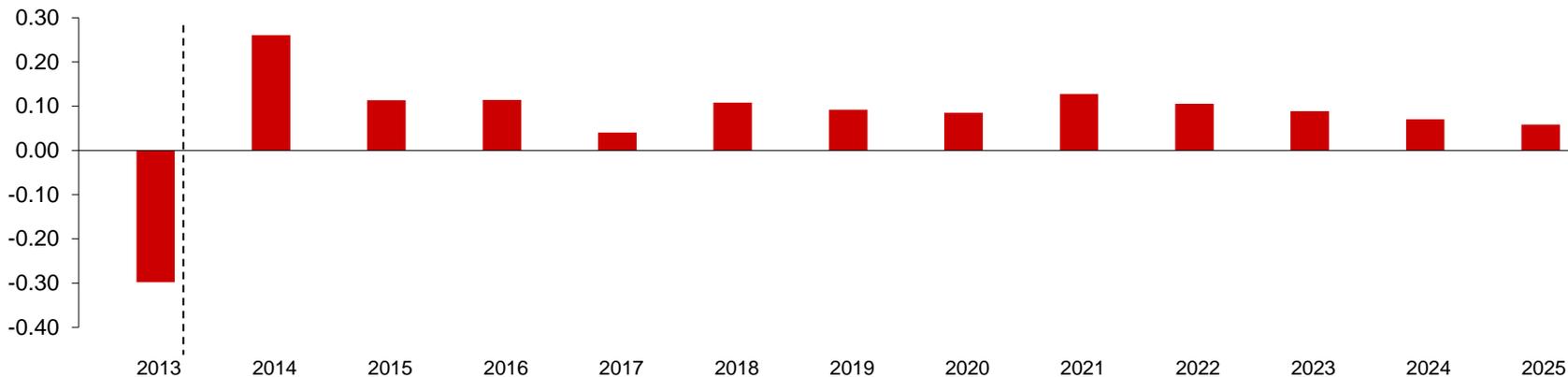


# Future free surplus emergence US

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

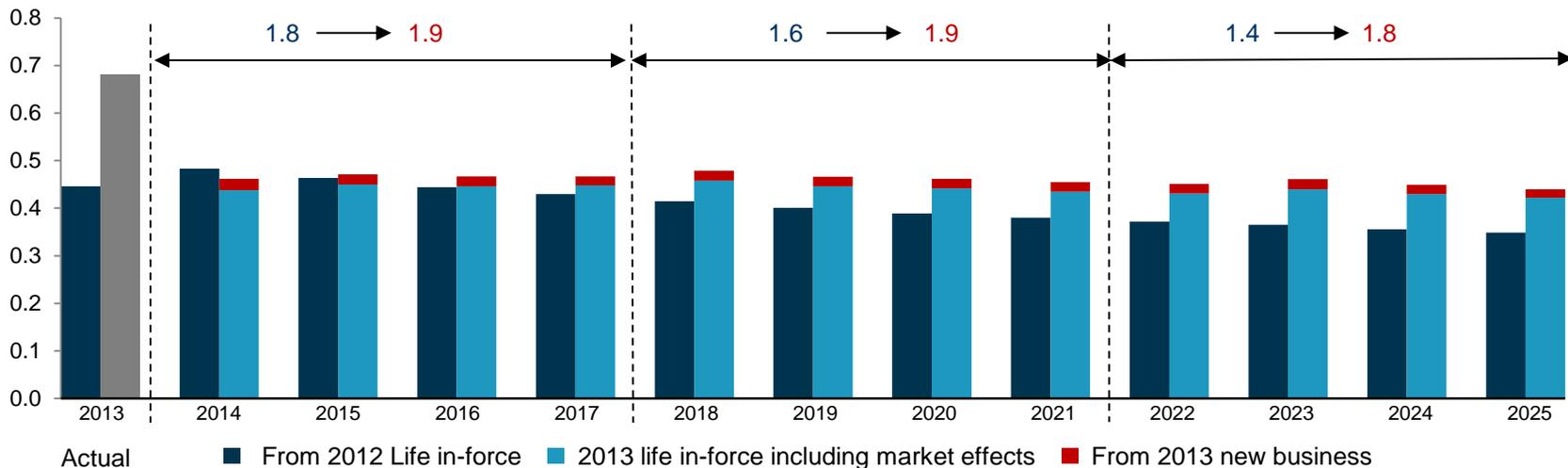


Expected undiscounted cash flows from 2013 new business, £bn

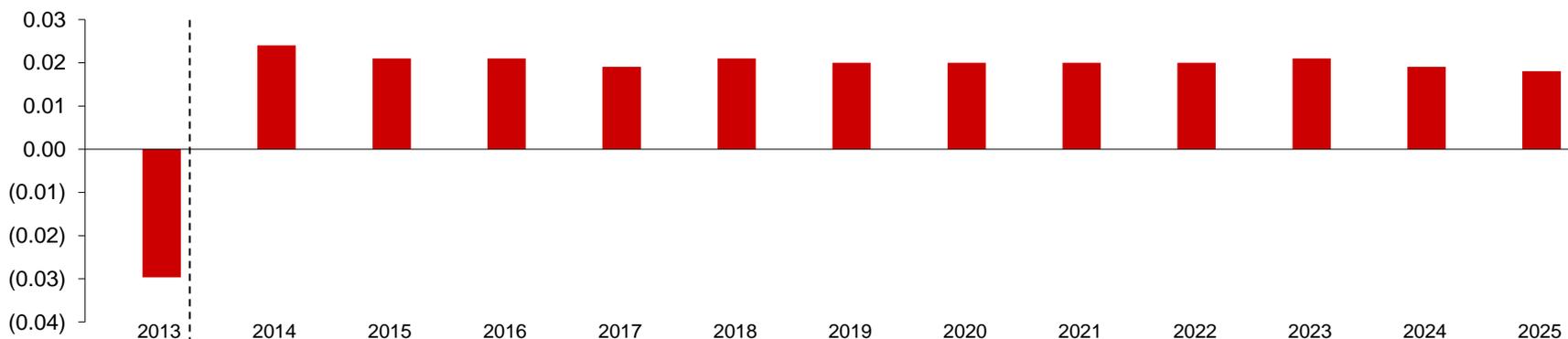


# Future free surplus emergence UK

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

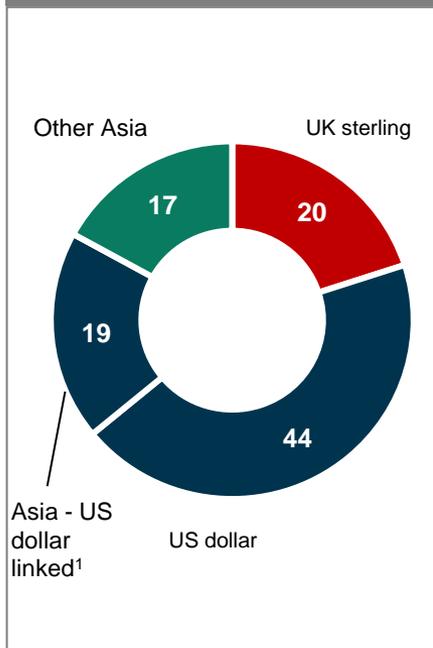


Expected undiscounted cash flows from 2013 new business, £bn

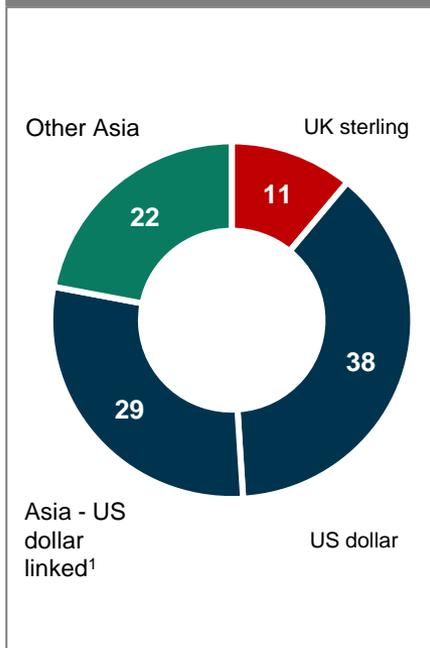


# Currency mix 2013 full year

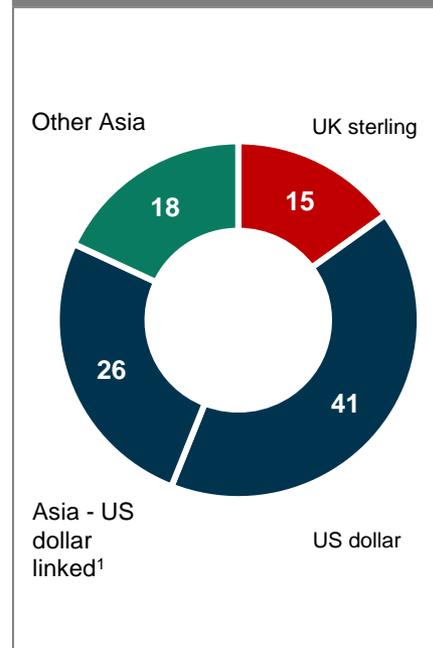
## IFRS operating profit, %



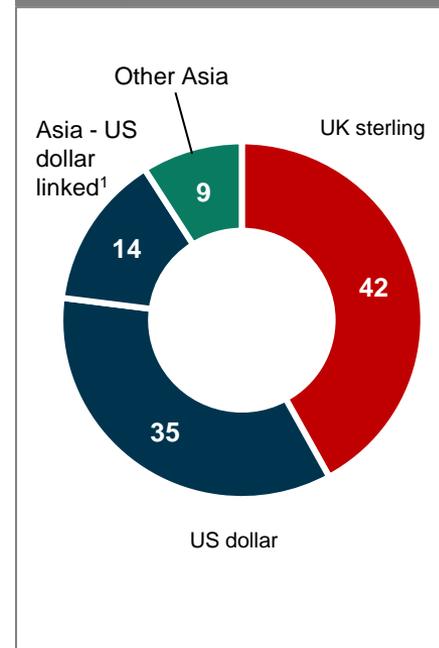
## New business profit, %



## EEV operating profit, %



## Underlying free surplus generation, %

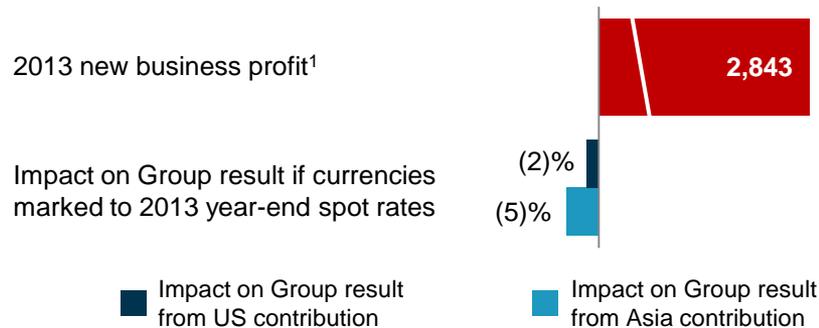


<sup>1</sup> US\$ linked, comprising the Hong Kong and Vietnam operations where the currencies are pegged to the US dollar and the Malaysia and Singapore operations where the currencies are managed against a basket of currencies including the US dollar.

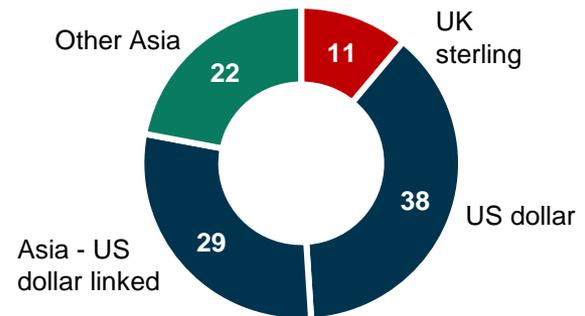
# Currency mix

## Currency translation sensitivities

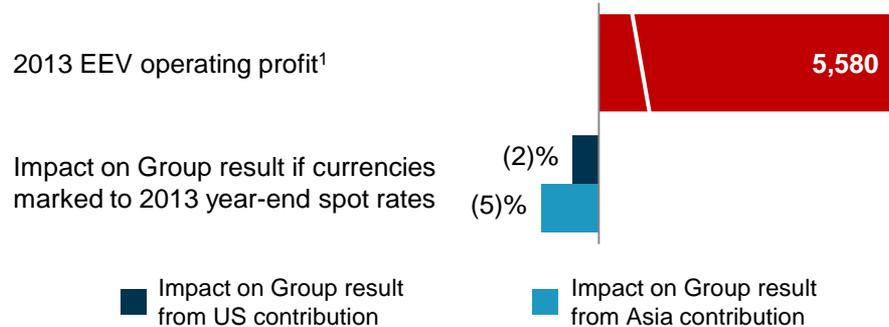
### New business profit, £m



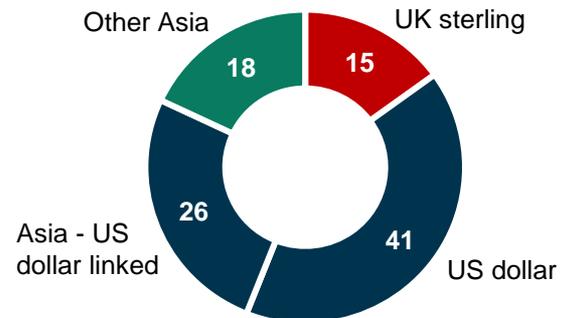
### New business profit by currency, % FY13



### EEV operating profit, £m



### EEV operating profit by currency, % FY13



<sup>1</sup> EEV results have been prepared under new joint venture accounting standards and also exclude Japan life operating profit following reclassification as held for sale.





# Prudential plc 2013 Full Year Results

## Delivering 'Growth and Cash'

12 March 2014