



Prudential plc

2016 Half Year Results

10 August 2016

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# **Mike Wells**

Group Chief Executive

# Group

Strong progress



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

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£ **2,059** m (+**6%**)

## Solvency II surplus

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£ **9.1** bn (**175%**)

## Free surplus generation<sup>1,2</sup>

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£ **1,609** m (+**10%**)

## Interim dividend

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**12.93** p (+**5%**)

<sup>1</sup> Growth rates based on CER  
<sup>2</sup> Underlying free surplus generation

# Group

Clear positioning



## Growth

- Structural trends underpin Asian prospects
- 'Managing the cycle' in US & UK
- Investing in growing scale and quality of franchise to underpin future growth

## Markets

- Fee and insurance margin focus; limited appetite for spread products
- Ongoing actions to lower rate sensitivity of capital
- Defensive balance sheet; conservative risk management
- Pro-active approach to delivering value across the cycle

## Brexit

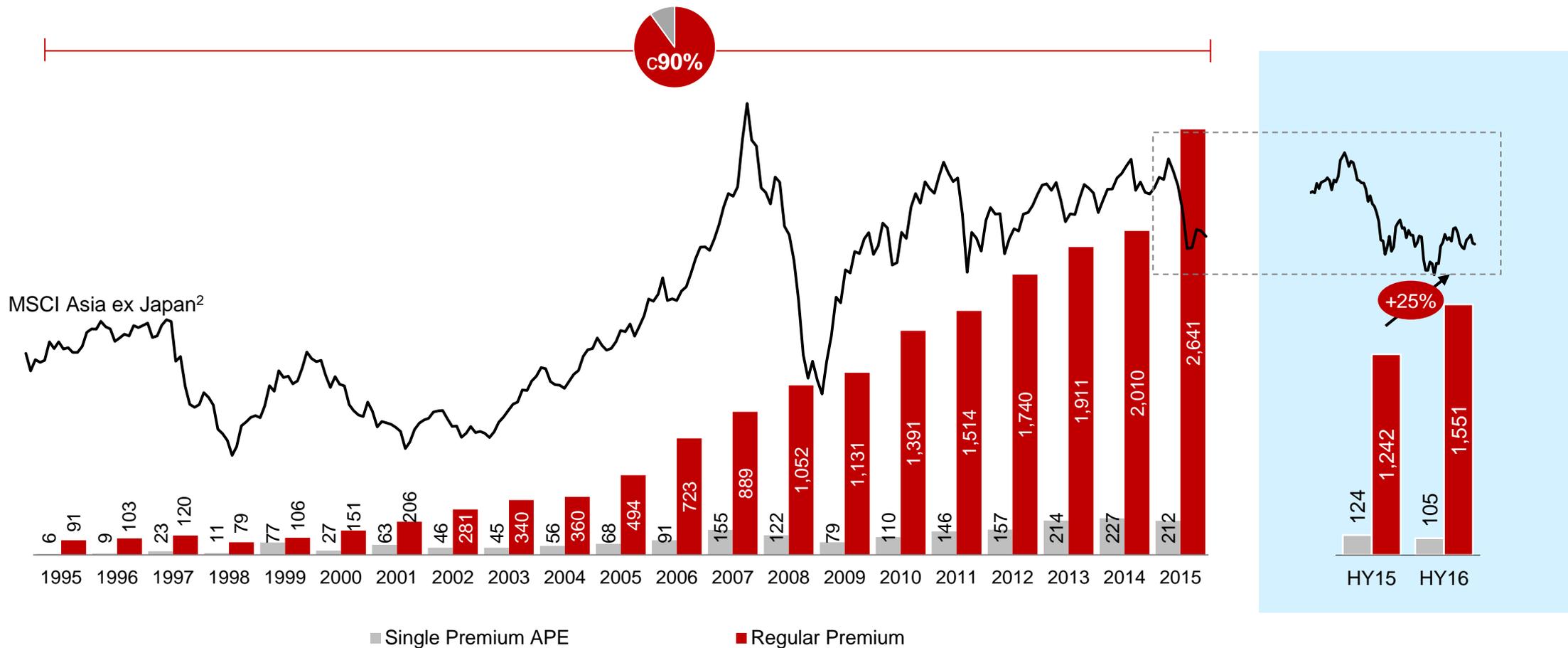
- Incremental capital allocation to Asia/US. Selective UK participation
- M&G contingency actions in progress
- Minimal strategic & financial impact

# Asia

## High quality, defensive growth

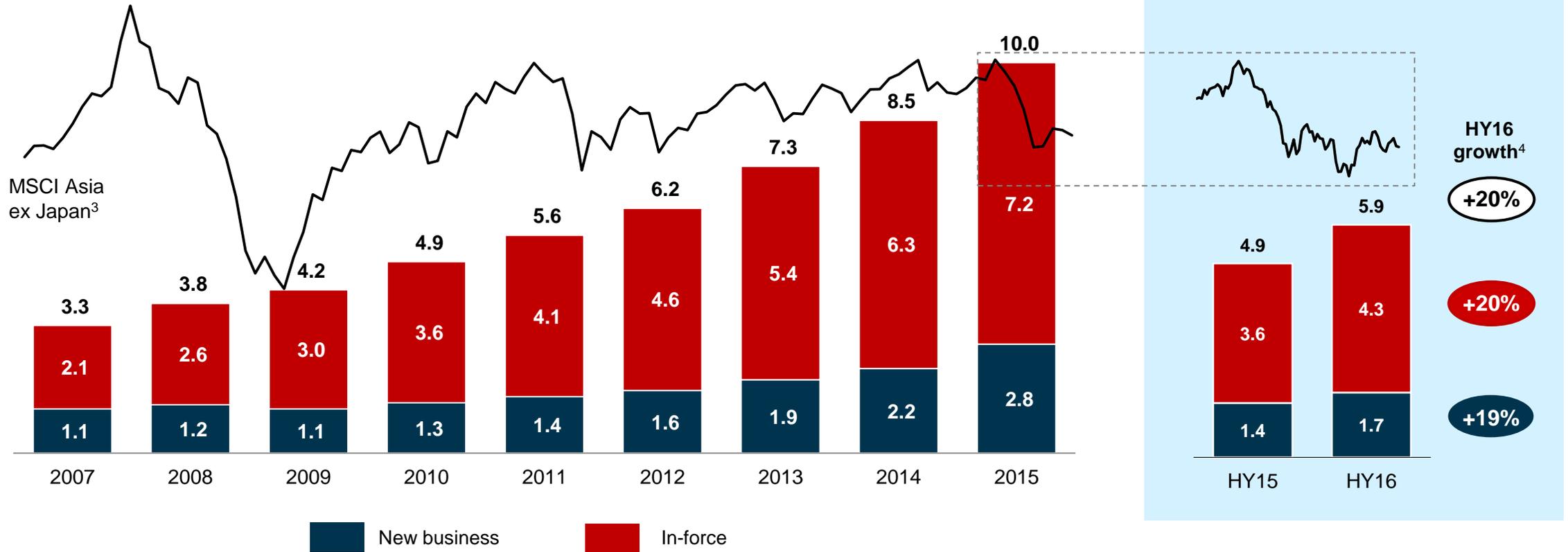


### Regular and Single Premium APE<sup>1</sup>, £m



1. Comparatives have been stated on an actual exchange rate  
 2. Source: Datastream.

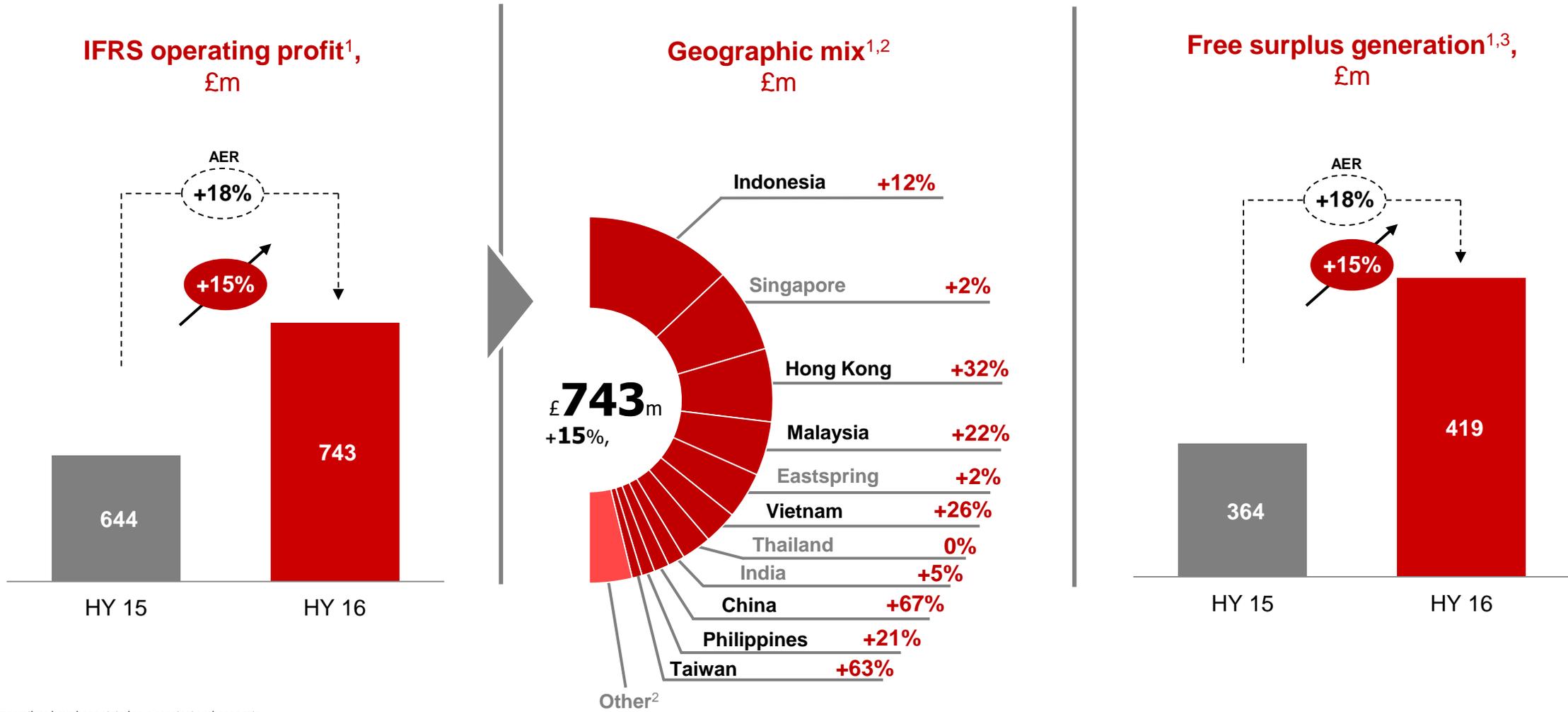
Life weighted premium income<sup>1,2</sup>, £bn CER



<sup>1</sup> Weighted premium income comprises gross earned premiums at 100% of renewal premiums, 100% of first year premiums and 10% of single premiums  
<sup>2</sup> 2014 excluding intra-group reinsurance contracts between the UK and Asia with-profits businesses  
<sup>3</sup> Source: Datastream.  
<sup>4</sup> HY15 and HY16 values on an unrounded basis. Growth rates calculated on absolute values.

# Asia

## Delivering 'Growth and Cash'

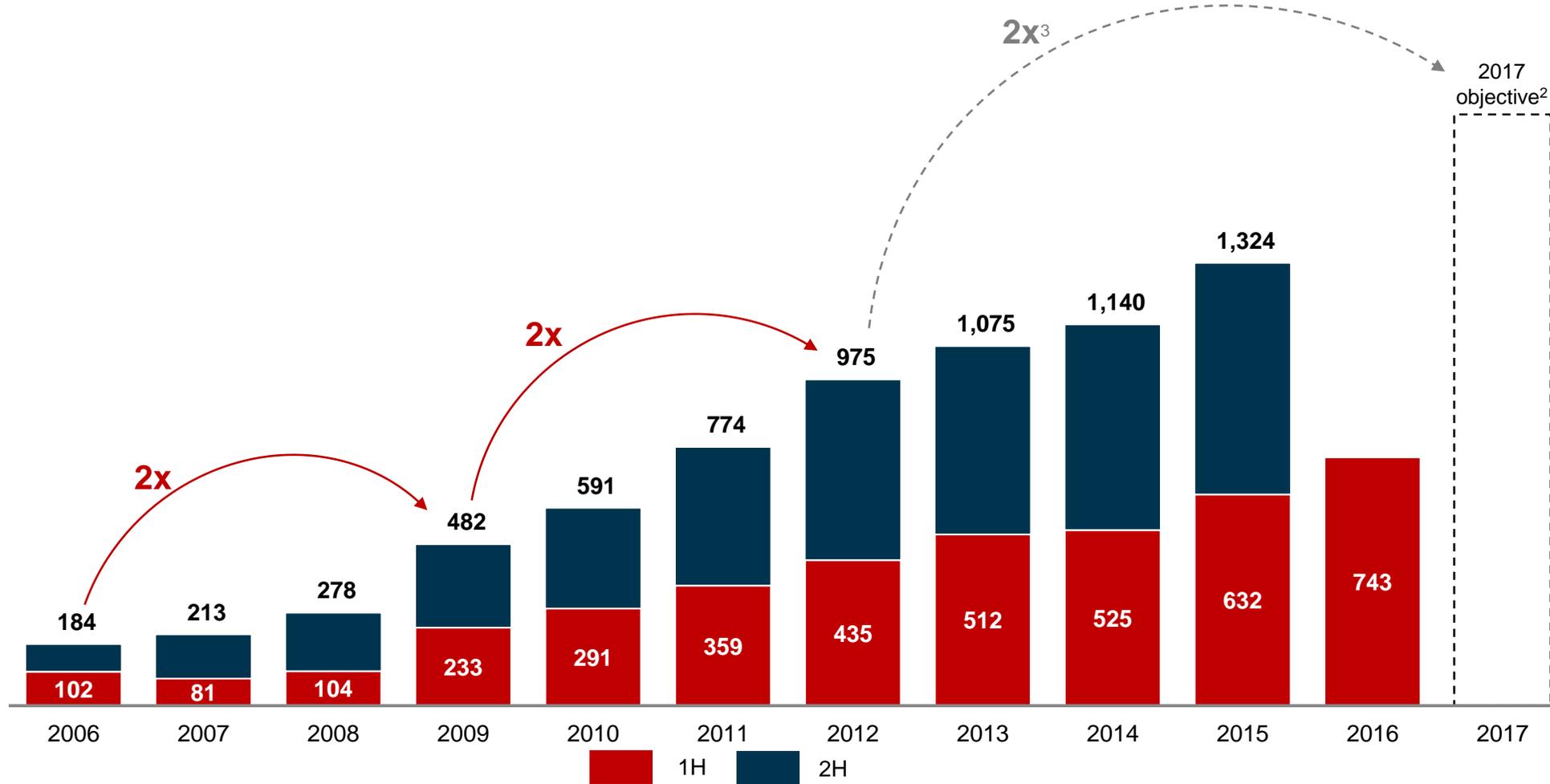


1 Comparatives have been stated on a constant exchange rate

2 Other includes Korea of £15m, Other of £1m, development expenses -£2m and Non-recurrent items of £42m

3 Underlying free surplus generation

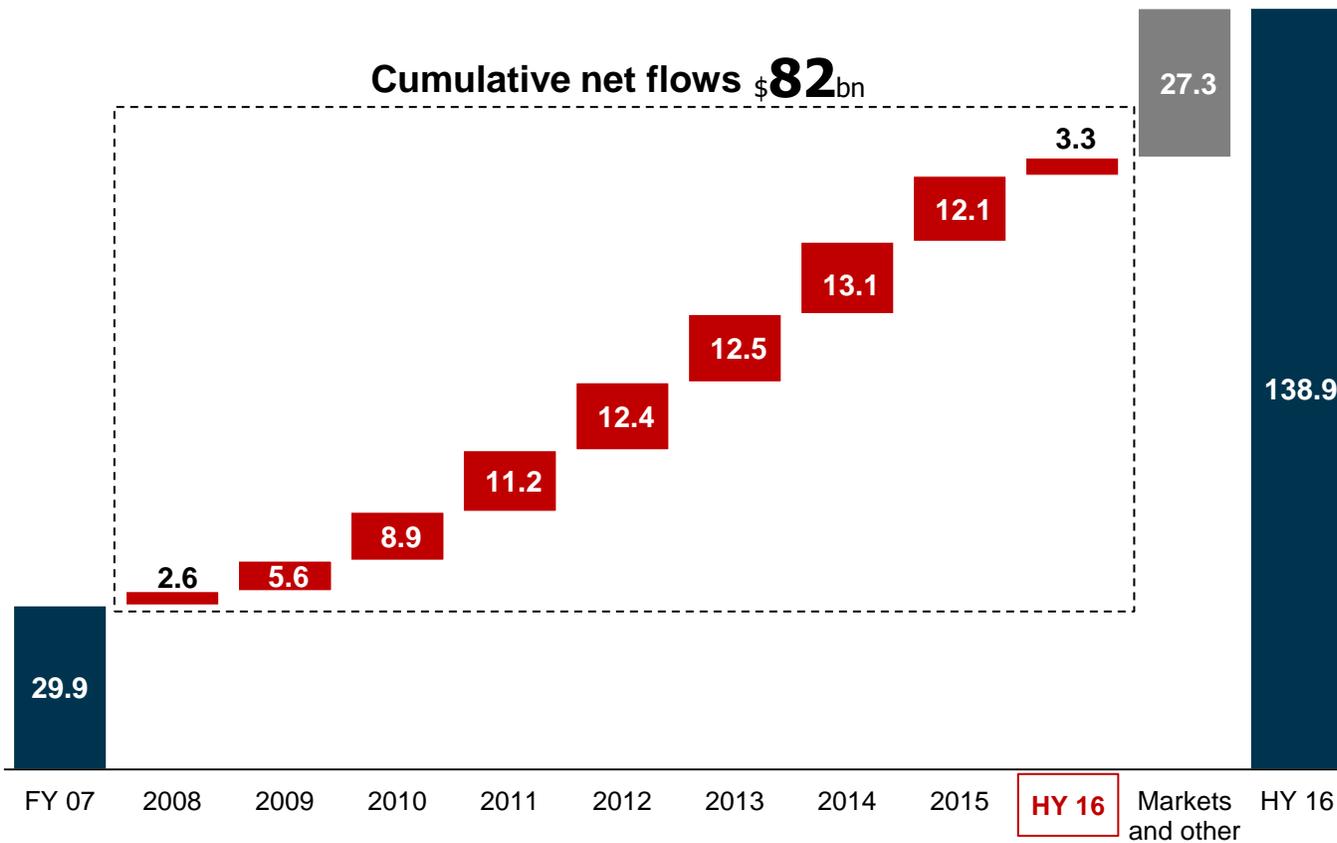
IFRS operating profit<sup>1</sup>, £m



1. Comparatives have been stated on an actual exchange rate. 2012 includes the one off gain on sale of stake in China Life of Taiwan of £51m.  
 2. 2017 objective is defined as at least 15% CAGR from 2012-17 based on an Asia 2012 IFRS operating profit of £924m (excluding one off of £51m) assuming exchange rates at December 2013.  
 3. 2x based on implied multiple using 2012 IFRS operating profit of £924m increasing at a 15% CAGR to 2017

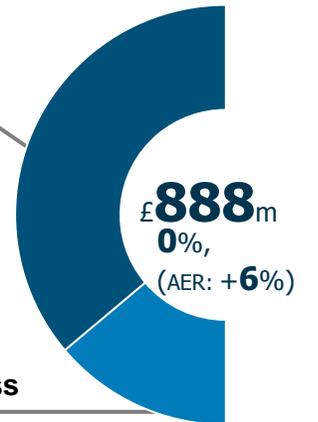
Separate account assets, \$bn

Life IFRS operating profit<sup>1</sup>,  
HY16 £m



**VA fee business**

+9%,  
(AER: +16%)



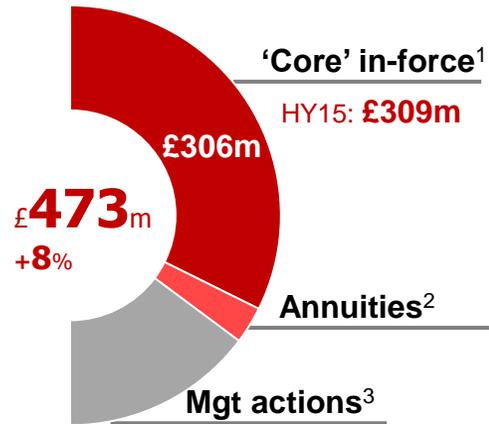
**Spread & Other business**

-18%  
(AER: -13%)

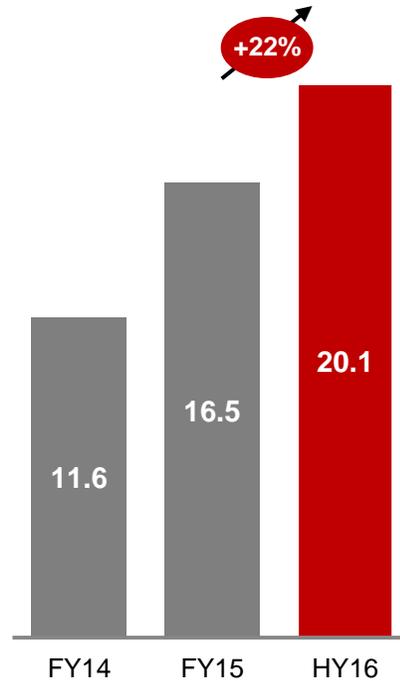
1. The analysis of operating profit based on longer-term investment returns for US operations by product represents the net profit generated by each line of business after allocation of costs. Fee business represents profits from variable annuity products. As well as fee income revenue for this product line includes spread income from investments directed to the general account and other variable annuity fees included in insurance margin.

### Life

IFRS operating profit,  
HY16 £m

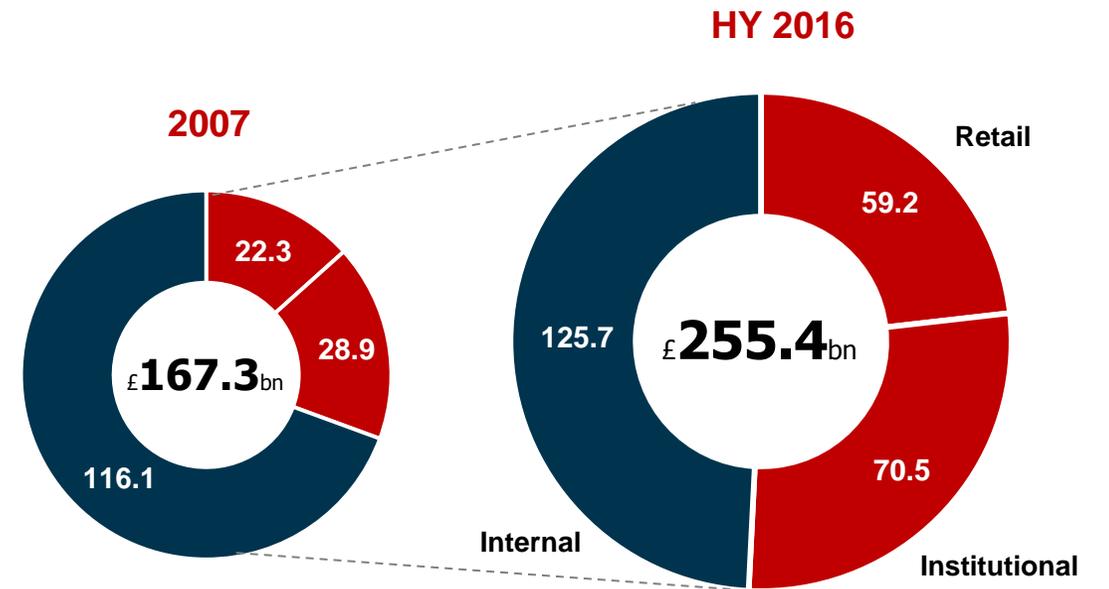


PruFund FUM,  
£bn



### Asset management

M&G FUM,  
£bn



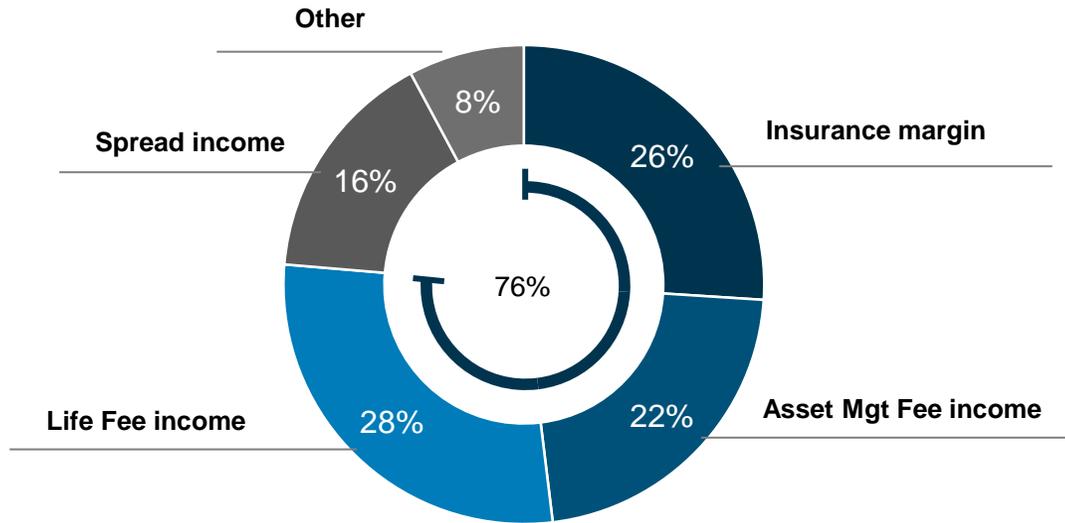
1. 'Core' in-force relates to ongoing with-profit and annuity in-force business  
 2. Annuities consists of £27m new business annuities  
 3. Mgt actions include £66m of longevity reinsurance transactions and £74m of other optimisation actions

# Group

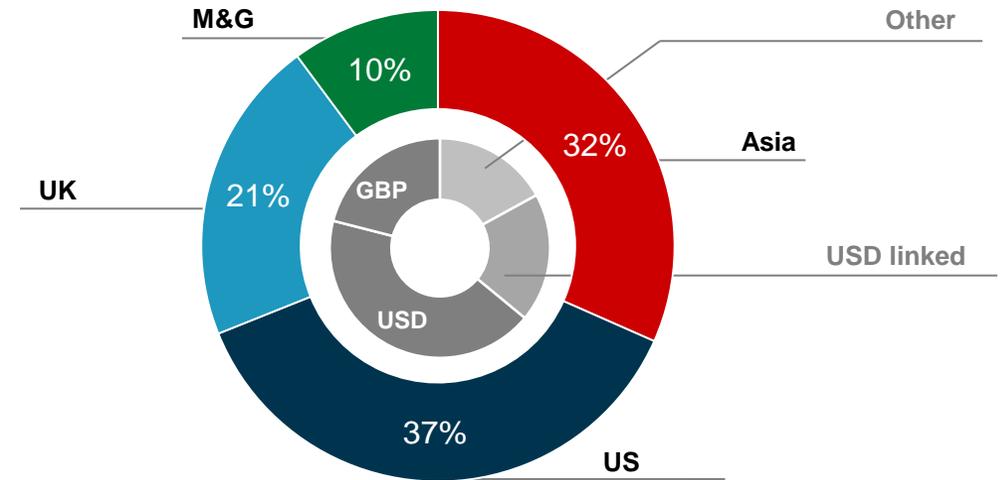
Well positioned to deliver across cycles



IFRS income by revenue source<sup>1</sup>, HY16 %



IFRS profit by business<sup>2</sup> & currency<sup>3,4,5</sup>, HY16 %



In-force IFRS profit<sup>6</sup>, HY16

£ **1.9** bn

CAGR\*  
**+13%**

\* HY11-HY16 CAGR

<sup>1</sup> Income by revenue source excludes £140m of longevity reinsurance and other UK management actions for capital optimisation

<sup>2</sup> Total operating profit excluding Other income and expenditure

<sup>3</sup> USD linked includes Hong Kong and Vietnam where currencies are pegged to the USD, and Malaysia and Singapore where currencies are managed against a basket of currencies including the USD

<sup>4</sup> Includes long-term, asset management business and other businesses

<sup>5</sup> For operating profit UK sterling includes amounts in respect of central operations as well as UK insurance operations and M&G.

<sup>6</sup> Operating profit comprises the following: Asia life as disclosed in note (b) of the 'additional financial information', after deducting development expenses. Jackson IFRS operating profit after adding back acquisition costs expensed (and not deferred) in the period of £92m. UK operating profit excluding both the new business profit of £27m arising on individual annuities sales in 2016 and £140m from management actions in 2016. GI business excluded. Asset management operating profit includes M&G, PruCap, Eastspring and US broker-dealer and asset management businesses.

# Group

## Half year results summary



IFRS operating profit<sup>1</sup> £ **2,059** m  
(+6%)

Free surplus generation<sup>1</sup> £ **1,609** m  
(+10%)

Solvency II surplus £ **9.1** bn  
(175%)

Interim dividend **12.93** p  
(+5%)



Strong performance in a volatile environment



Asia delivering double digit growth in earnings and cash



Disciplined execution to offset known headwinds



Strong balance sheet, defensive positioning



Well positioned to deliver long-term value

<sup>1</sup> Growth rates based on constant exchange rate



**Nic Nicandrou**

Chief Financial Officer

# Key financial highlights

Continued delivery of “Growth and Cash”



				HY16 vs HY15	
	£m	HY16	HY15	CER <sup>3</sup>	AER <sup>3</sup>
<b>Growth</b>	IFRS operating profit	2,059	1,881	+6%	+9%
	New business profit <sup>1,2</sup>	1,260	1,115	+8%	+13%
	EEV operating profit <sup>2</sup>	2,263	2,278	(4)%	(1)%
<b>Cash</b>	Free surplus generation <sup>2</sup>	1,609	1,418	+10%	+13%
	Remittances <sup>4</sup>	1,118	1,068	n/a	+5%
	Ordinary dividend per share (pence)	12.93	12.31	n/a	+5%
				HY16 vs FY15	
<b>Capital</b>	Solvency II surplus <sup>5</sup> (£bn)	9.1	9.7	n/a	(0.6)
	EEV per share (pence) <sup>2,6</sup>	1,356	1,240	n/a	+9%

1 Comparative for HY15 excludes contribution from bulk annuities of £75 million

2 The HY16 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime, effective from 1 January 2016. The 2015 comparative results for UK insurance reflect the Solvency I basis

3 AER: Actual exchange rates. CER: Constant exchange rates

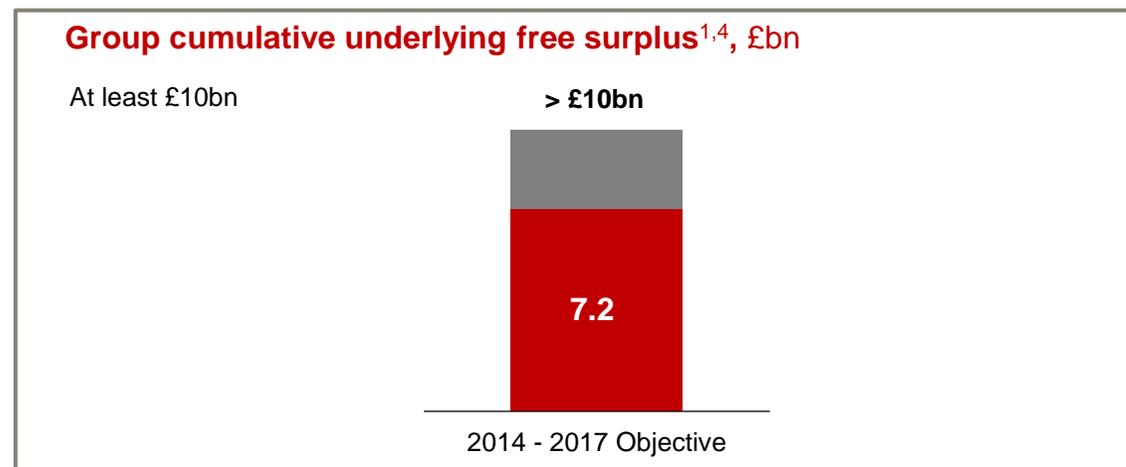
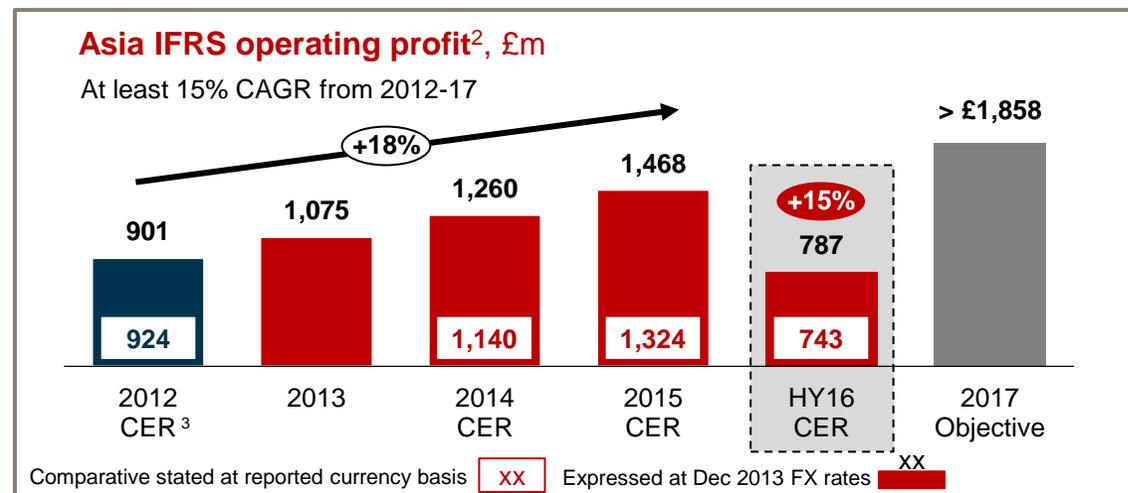
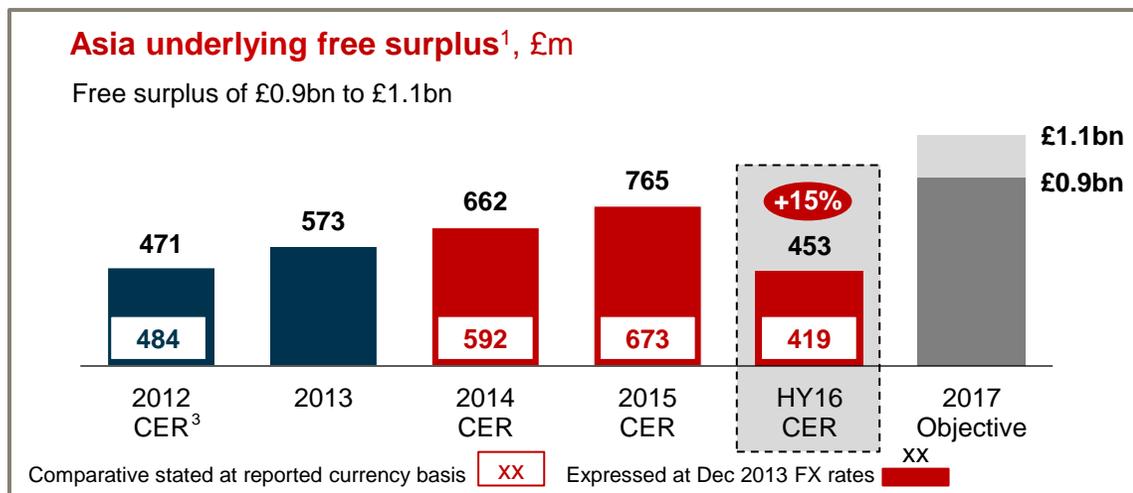
4 HY15 includes £42 million of proceeds from the sale of Japan

5 Before allowing for 2016 first interim dividend

6 Change includes adjustment to opening EEV shareholders' funds of £(0.5) billion for impact of Solvency II on UK insurance as at 1 January 2016

# 2017 financial objectives

## Delivery remains on track



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

1 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

2 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

3 Impact of translating results using exchange rates as at December 2013

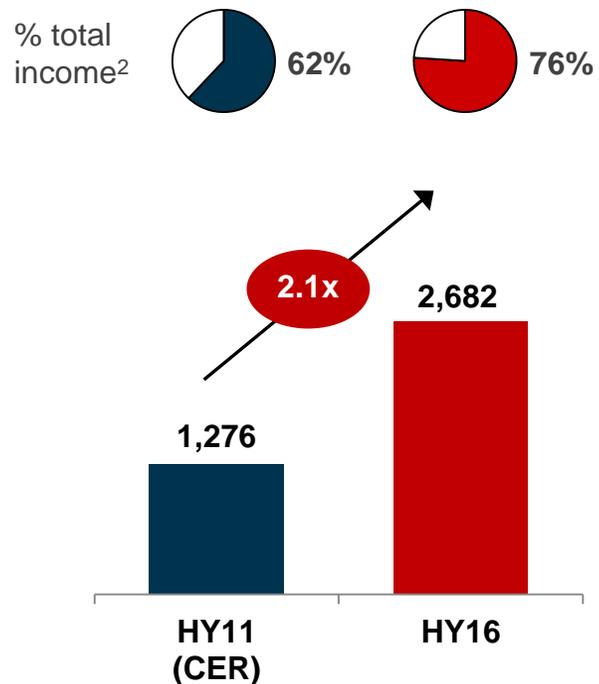
4 The HY16 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime, effective from 1 January 2016. The pre-2016 comparative results for UK insurance reflect the Solvency I basis

# Group

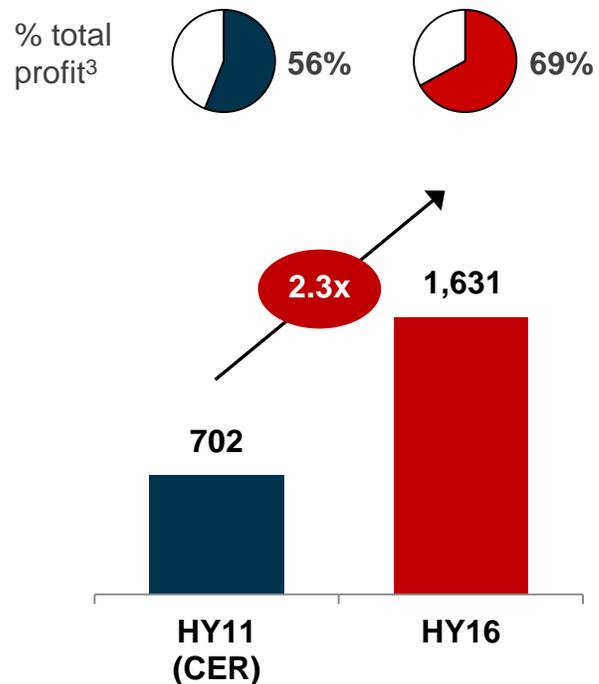
## High quality and resilient earnings



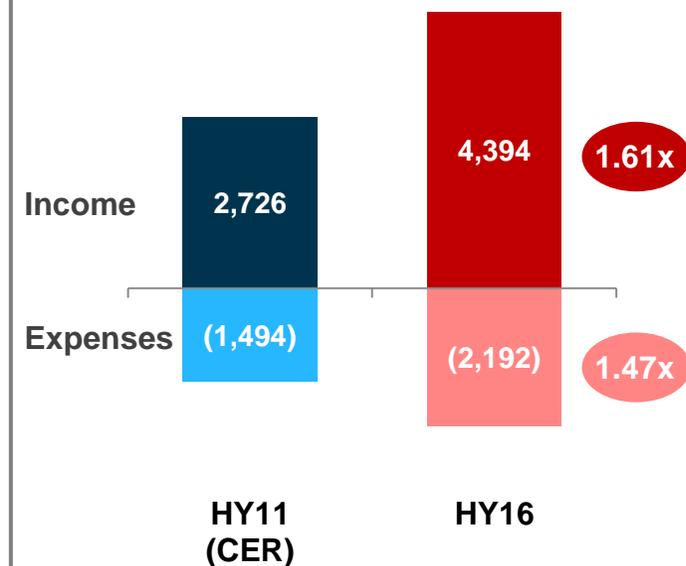
### IFRS operating fee income and insurance income, £m



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



### IFRS operating income and expenses<sup>1,4</sup>, £m



<sup>1</sup> Excludes US broker dealer and Curian

<sup>2</sup> % of total operating income excluding margin on revenues

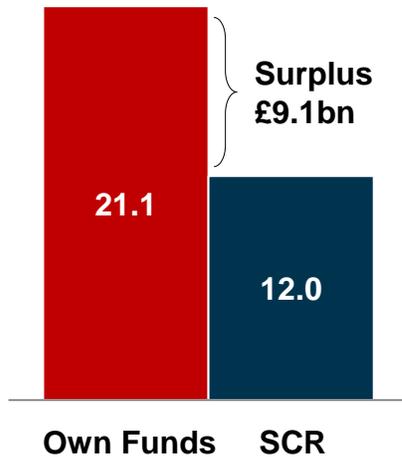
<sup>3</sup> % of segment operating profit including general insurance commission

<sup>4</sup> Revenue comprises technical and other margin, fee income, spread income and expected returns on shareholder assets. Expenses comprise administration expenses and acquisition costs net of DAC

### Solvency II capital position<sup>1,2</sup> 30 June 2016, £bn

Solvency II cover

**175%**



### Solvency II capital sensitivities<sup>1,2</sup> 30 June 2016

HY16 surplus cover

**175%**

Equities -20%	<b>(6)%</b>
Equities -40%	<b>(7)%</b>
Interest rates -50bp <sup>3</sup>	<b>(7)%</b>
Credit spreads +100bp	<b>(7)%</b>
15% UK downgrades	<b>(5)%</b>

### Sources of capital excluded from Solvency II

- ✓ Shareholder share of estate
- ✓ With-profit capital
- ✓ Permitted practice in the US
- ✓ Asia de-recognition
- ✓ US diversification benefit



**Surplus<sup>4</sup>**      **~£17bn**

**Cover<sup>4</sup>**      **~215%**

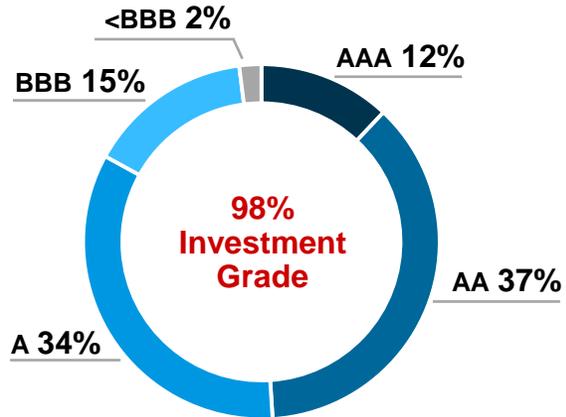
<sup>1</sup> The Group Shareholder position excludes the contribution to the Group SCR and Own Funds of ring fenced With-Profit Funds and staff pension schemes in surplus

<sup>2</sup> Before allowing for 2016 first interim ordinary dividend

<sup>3</sup> Assumes transitional recalculation which is subject to PRA approval

<sup>4</sup> This adjusted surplus / ratio does not comply with Solvency II rules and has not been reviewed by the PRA

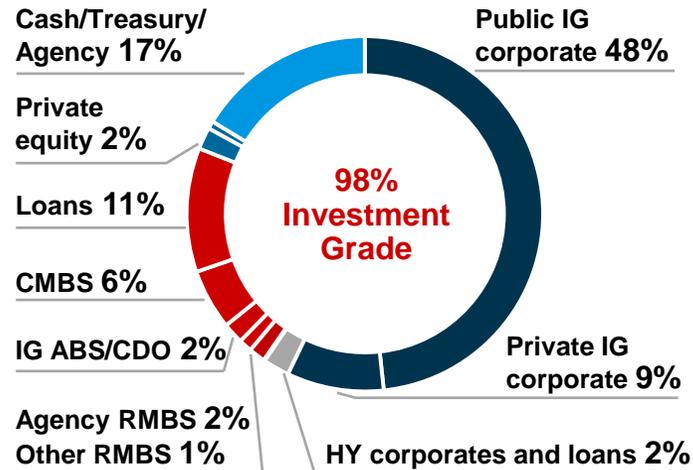
### UK shareholder credit portfolio 30 June 2016, £35bn



Corporate debt portfolio:

- 505 issuers
- Average holding £46m

### Jackson shareholder portfolio<sup>1</sup> 30 June 2016, \$60bn



Corporate debt portfolio<sup>2</sup>:

- 1,042 issuers
- Average holding £28m

### Jackson VA portfolio Unhedged GMWB cash flows

**PV of guarantee fees less benefits**

**5% gross return**

**Interest rates -100bp  
5% gross return**

**S&P -40%  
5% gross return**

	30 Jun 2016	vs YE15
5% gross return	\$7.7bn	+\$0.1bn
Interest rates -100bp 5% gross return	\$7.6bn	+\$0.1bn
S&P -40% 5% gross return	\$(2.4)bn	\$(0.3)bn

Excludes:

- M&E fees
- Hedging protection
- Existing reserves

<sup>1</sup> Based on Statutory accounting book value  
<sup>2</sup> Based on IFRS accounting market value

# Group

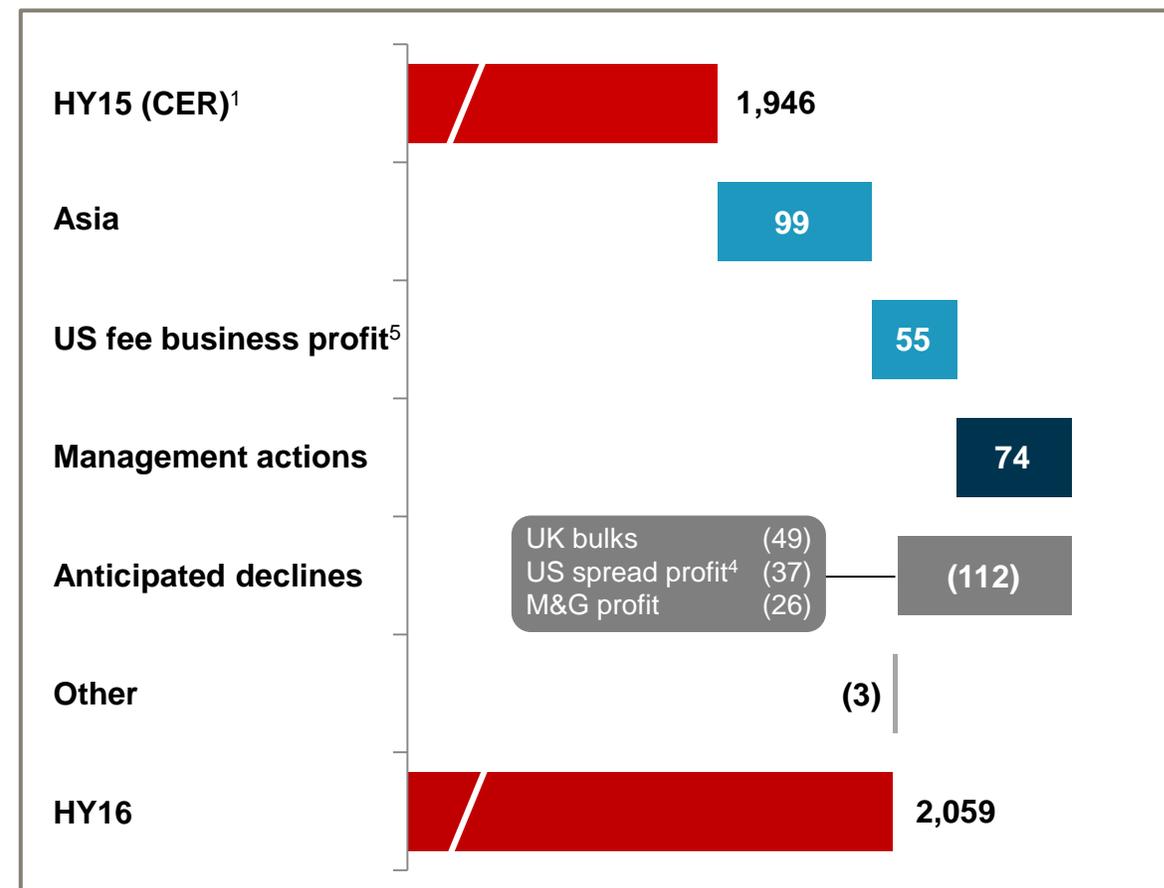
## Earnings growth driven by Asia and US fee business



IFRS operating profit by business unit, £m

	HY16	HY15	CER	AER
Asia	743	632	+15%	+18%
US	876	846	(3)%	+4%
UK <sup>2</sup>	492	453	+9%	+9%
M&G	225	251	(10)%	(10)%
	<b>2,336</b>	2,182	<b>+4%</b>	<b>+7%</b>
Other <sup>3</sup>	(277)	(301)	+8%	+8%
	<b>2,059</b>	1,881	<b>+6%</b>	<b>+9%</b>

IFRS operating profit HY16 vs HY15, £m



<sup>1</sup> HY15 restated on constant exchange rate basis, increasing IFRS operating profit by £65 million, US IFRS operating profit by £53 million and increasing Asia IFRS operating profit by £12 million

<sup>2</sup> UK IFRS operating profit includes £140 million in the first half of 2016 from management actions taken to improve the solvency position (2015: £61 million from a longevity reinsurance transaction)

<sup>3</sup> Includes PruCap, head office costs, interest received from a tax settlement, Solvency II costs and restructuring costs

<sup>4</sup> Spread business is the net operating profit for fixed annuity, fixed indexed annuity and Guaranteed Investment Contracts and largely comprises spread income less costs

<sup>5</sup> Fee business represents profits from variable annuity products. As well as fee income, revenue for this product line includes spread income from investments directed to the general account and other variable annuity fees included in insurance margin

### Financial performance, £m (CER)

	<b>HY16</b>	vs HY15
<b>APE sales</b>	<b>1,655</b>	<b>+18%</b>
<b>New business profit</b>	<b>824</b>	<b>+20%</b>
<b>IFRS operating profit</b>	<b>743</b>	<b>+15%</b>
<b>Net free surplus generation</b>	<b>419</b>	<b>+15%</b>
<b>Remittances<sup>1</sup> (AER)</b>	<b>258</b>	<b>+19%<sup>1</sup></b>
<b>Eastspring FUM<sup>2</sup> (£bn)</b>	<b>105</b>	<b>+5%</b>

### Life

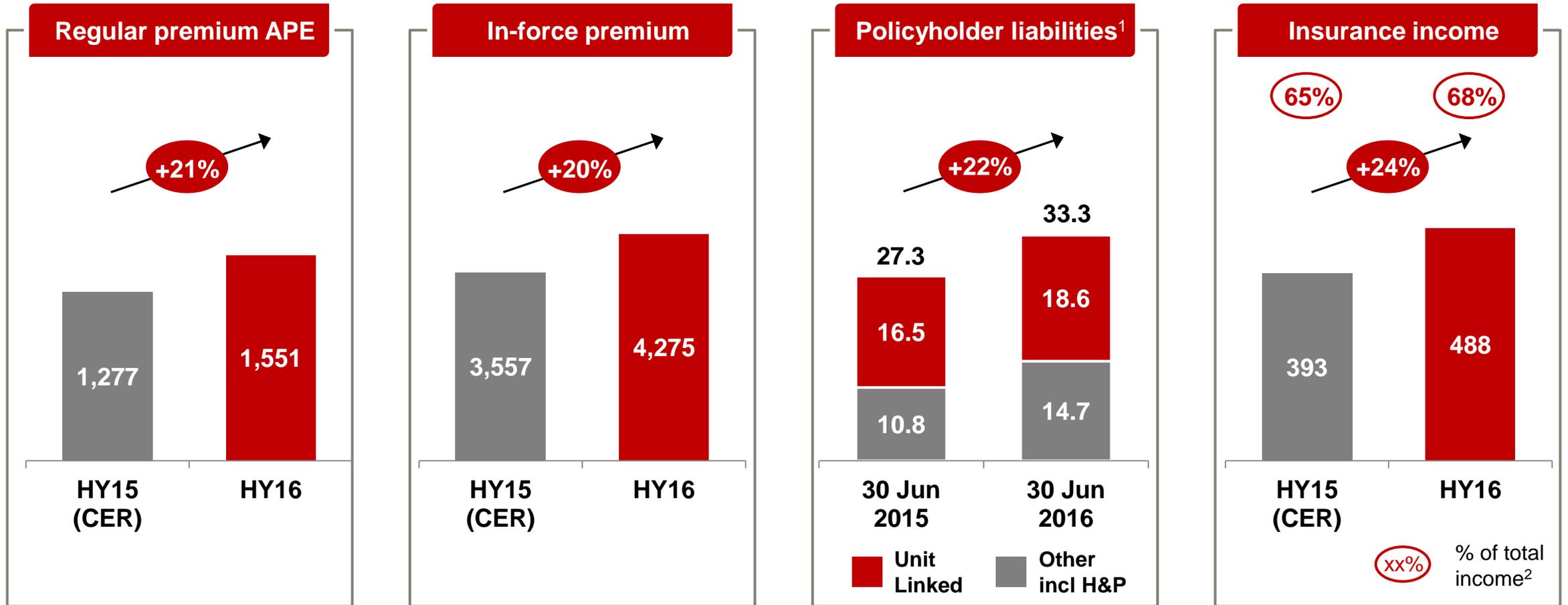
- High quality, diversified sales and value
  - Regular premium +21%, 94% of total
  - Agency APE +22%, driven by manpower growth and productivity improvements
  - NBP benefit from mix; H&P NBP +26%

### Eastspring<sup>2</sup>

- Stable performance in volatile markets
- Revenue growth impacted by mix effects
- 2pt improvement in cost-income ratio to 56%

<sup>1</sup> Growth rate excludes £42 million of proceeds from the sale of Japan in HY15

<sup>2</sup> Relates to total business including internal and external funds



<sup>1</sup> Shareholder-backed unit-linked and other policyholder liabilities. Comparative shown on an actual exchange rate basis  
<sup>2</sup> Total income includes insurance income, spread income, fee income, with profits income and expected returns on shareholder assets and excludes margin on revenues

### Financial performance, £m (CER)

	<b>HY16</b>	vs HY15
<b>APE sales</b>	<b>782</b>	<b>(14)%</b>
<b>New business profit</b>	<b>311</b>	<b>(21)%</b>
<b>IFRS operating profit</b>	<b>876</b>	<b>(3)%</b>
<b>Net free surplus generation</b>	<b>484</b>	<b>(16)%</b>
<b>Remittances (AER)</b>	<b>339</b>	<b>(16)%</b>
<b>Separate accounts assets (£bn)</b>	<b>103.9</b>	<b>+3%</b>

#### New business

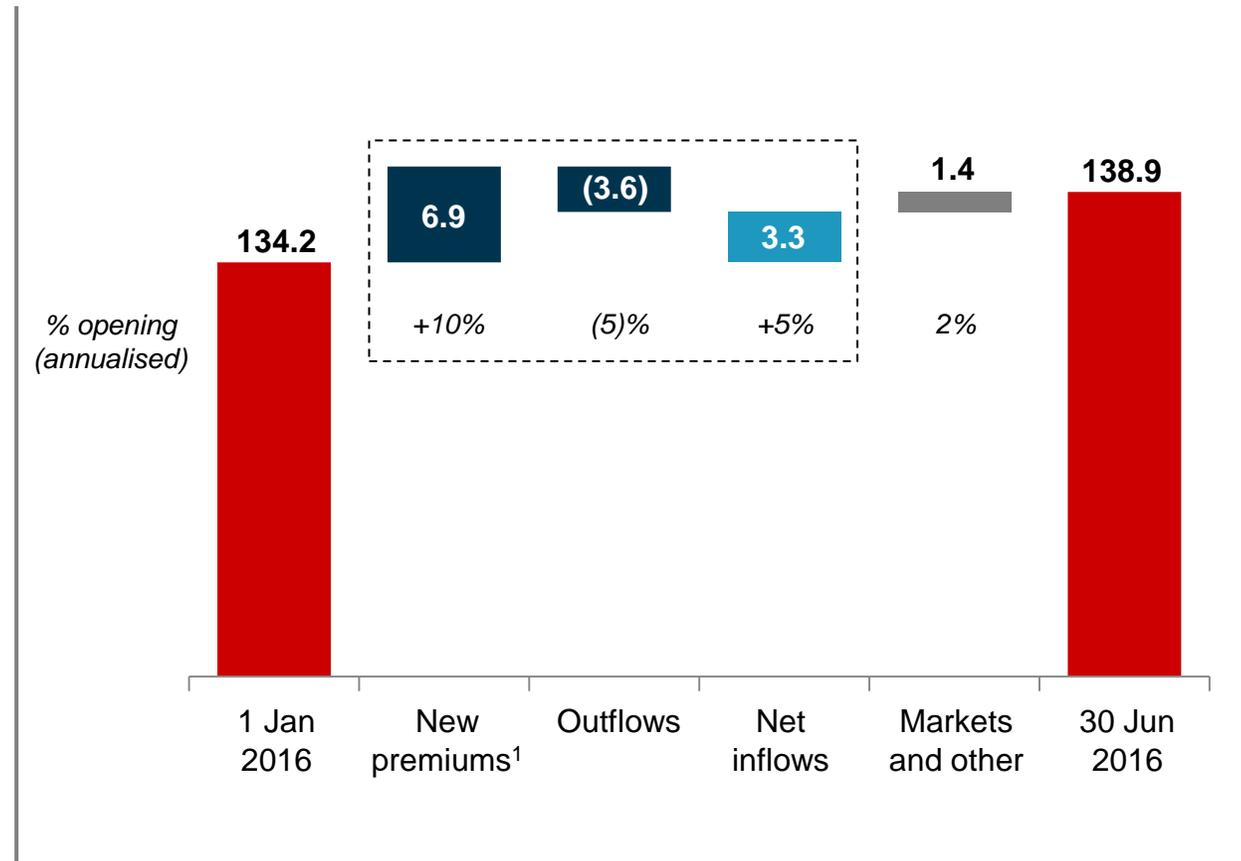
- Lower APE reflects market volatility and disruption from Department of Labor reforms
- 10 point drag on NBP growth due to 78bp fall in 10Y treasury yield

#### IFRS op. profit

- Life profit in line at £888m
- Resilient fee income on higher separate account values
- Spread margin 27bp lower at 217bp

## Growing contribution from fee business

### Movement in separate account assets in HY16, US\$bn



### Variable annuities

- Net flows continue to be strongly positive despite lower sales in HY16
- In-force portfolio remains profitable across all years

### Fee business, £m (CER)

	HY15	HY16	Change
Average AUM (£bn)	92.8	92.6	-%
Average fee margin (bp)	191	190	(1)bp
Fee income	884	878	(1)%
<b>Contribution to profit<sup>2</sup></b>	<b>587</b>	<b>642</b>	<b>+9%</b>

<sup>1</sup> Excluding gross variable annuity sales into the general account

<sup>2</sup> Fee business represents profits from variable annuity products. As well as fee income, revenue for this product line includes spread income from investments directed to the general account and other variable annuity fees included in insurance margin

### Financial performance, £m

	<b>HY16</b>	<b>vs HY15</b>
<b>APE sales<sup>1</sup></b>	<b>593</b>	<b>+51%</b>
<b>New business profit<sup>1</sup></b>	<b>125</b>	<b>+56%</b>
<b>IFRS operating profit<sup>2</sup></b>	<b>492</b>	<b>+22%</b>
<b>Net free surplus generation<sup>3</sup></b>	<b>514</b>	<b>+66%</b>
<b>Remittances</b>	<b>215</b>	<b>+7%</b>
<b>PruFund assets (£bn)</b>	<b>20.1</b>	<b>+47%</b>

### New business

- Increase in Retail new business driven by continued growth in PruFund product sales, which were 80% higher at £438m

### Life IFRS operating profit, £m

	<b>HY15</b>	<b>HY16</b>
<b>New business</b>	<b>66</b>	<b>27</b>
Bulks annuities	49	-
Individual annuities	17	27
<b>Core in-force</b>	<b>309</b>	<b>306</b>
<b>Management actions</b>	<b>61</b>	<b>140</b>
Longevity reinsurance <sup>4</sup>	61	66
Other optimisation actions <sup>5</sup>	-	74
<b>Total Life IFRS</b>	<b>436</b>	<b>473</b>

<sup>1</sup> Relates to retail business only

<sup>2</sup> HY16 includes £19 million of general insurance commission (HY15: £17 million). The Group's UK insurance operations transferred its general insurance business to Churchill in 2002. General insurance commission represents the commission receivable net of expenses for Prudential-branded general insurance products as part of this arrangement, which terminates at the end of 2016. Increase of 22 per cent relates to retail life business only

<sup>3</sup> Net free surplus generation includes amounts relating to specific asset and liability management actions taken in the first half of 2016 to improve the solvency position of our UK life businesses and further mitigate market risk. These actions generated an overall positive effect of £190 million (HY15 £52 million from longevity reinsurance)

<sup>4</sup> Transactions executed in the first half of 2016 extended the longevity reinsurance programme to cover £10.7 billion of annuity liabilities

<sup>5</sup> Relates to specific asset and liability management actions taken in the first half of 2016 to improve the solvency position of our UK life businesses and further mitigate market risk

### Financial performance, £m

	<b>HY16</b>	vs HY15
<b>Net flows</b>	<b>(6,966)</b>	<b>(2,375)</b>
<b>Total FUM (£bn)</b>	<b>255.4</b>	-
<b>Revenues<sup>1</sup></b>	<b>440</b>	<b>(10)%</b>
<b>Cost / income ratio</b>	<b>52%</b>	<b>+1%</b>
<b>IFRS operating profit</b>	<b>225</b>	<b>(10)%</b>
<b>Remittances</b>	<b>150</b>	<b>(1)%</b>

#### Net flows

- Retail: £6.1bn net outflows, of which £4.1bn occurred in 1Q
- Institutional: £0.8bn net outflows, healthy pipeline remains

#### IFRS op. profit

- Revenue impacted by 14% fall in retail AUM
- Costs managed down by 8%
- Cost-income ratio expected to trend towards 60% for FY16<sup>2</sup>

<sup>1</sup> Fee income before performance-related fees and share of associate's results

<sup>2</sup> Reported FY15 cost-income ratio was 57%

### Life and asset management free surplus generation<sup>1</sup>, £m, (CER)

	<b>HY16</b>	HY15	Change
Expected return from in-force	1,437	1,411	2%
Experience result	374	162	131%
Investment return on free surplus	48	54	(11)%
<b>Life in-force result</b>	<b>1,859</b>	1,627	14%
Asset management and Other	252	283	(11)%
<b>Gross free surplus generation</b>	<b>2,111</b>	1,910	11%
Less: new business strain <sup>3</sup>	502	449	12%
<b>Net free surplus generation</b>	<b>1,609</b>	1,461	10%

### Life in-force result<sup>1</sup>, £m (CER<sup>2</sup>)

	<b>HY16</b>	HY15	Change
Asia	603	529	14%
US	701	746	(6)%
UK	555	352	58%

### New business strain<sup>1</sup>, £m (CER<sup>3</sup>)

	<b>HY16</b>	HY15	Change
Asia	237	217	9%
US	209	175	19%
UK retail <sup>1</sup>	56	20	180%
UK bulks <sup>1</sup>	-	37	(100)%

<sup>1</sup> The HY16 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime, effective from 1 January 2016. The 2015 comparative results for UK insurance reflect the Solvency I basis

<sup>2</sup> HY15 restated on constant exchange rate basis, increasing Asia life in-force result by £10 million and increasing US life in-force result by £46 million

<sup>3</sup> HY15 restated on constant exchange rate basis, increasing Asia new business strain by £4 million and US new business strain by £11 million

### Life and asset management free surplus generation<sup>1</sup>, £m, (AER)

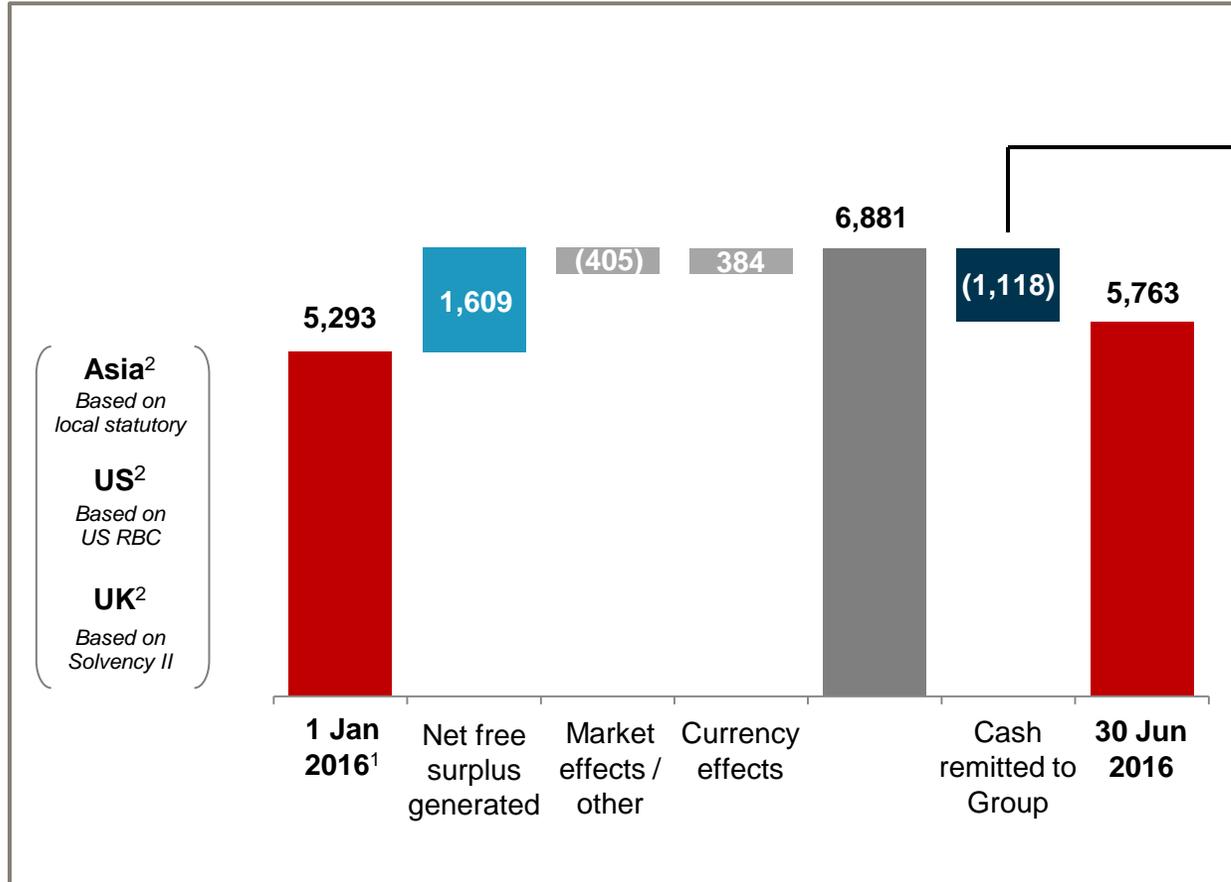
	HY15	FX	Interest rates	Actions <sup>2</sup>	Solvency II <sup>3</sup>	Business Growth/ Mix/ Experience	HY16
<b>Expected return from in-force</b>	1,366	45	(104)	-	22	108	<b>1,437</b>
<b>Experience result</b>	153	9	-	138	-	74	<b>374</b>
<b>Investment return on free surplus</b>	52	2	(9)	-	-	3	<b>48</b>
<b>Life in-force result<sup>1</sup></b>	<b>1,571</b>	56	(113)	138	22	185	<b>1,859</b>
<b>Asset management and Other</b>	281	2	-	-	-	(31)	<b>252</b>
<b>Gross free surplus generation</b>	<b>1,852</b>	58	(113)	138	22	154	<b>2,111</b>
<b>Less: new business strain (ex UK bulks)</b>	397	15	15	-	31	44	<b>502</b>
<b>Less: UK bulk annuity strain</b>	37	-	-	-	-	(37)	<b>-</b>
<b>Net free surplus generation</b>	<b>1,418</b>	43	<b>(128)</b>	<b>138</b>	(9)	<b>147</b>	<b>1,609</b>
		<b>+3pts</b>	<b>-9pts</b>	<b>+10pts</b>	<b>-1pts</b>	<b>+10pts</b>	<b>+13pts</b>

<sup>1</sup> The HY16 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime, effective from 1 January 2016. The 2015 comparative results for UK insurance reflect the Solvency I basis

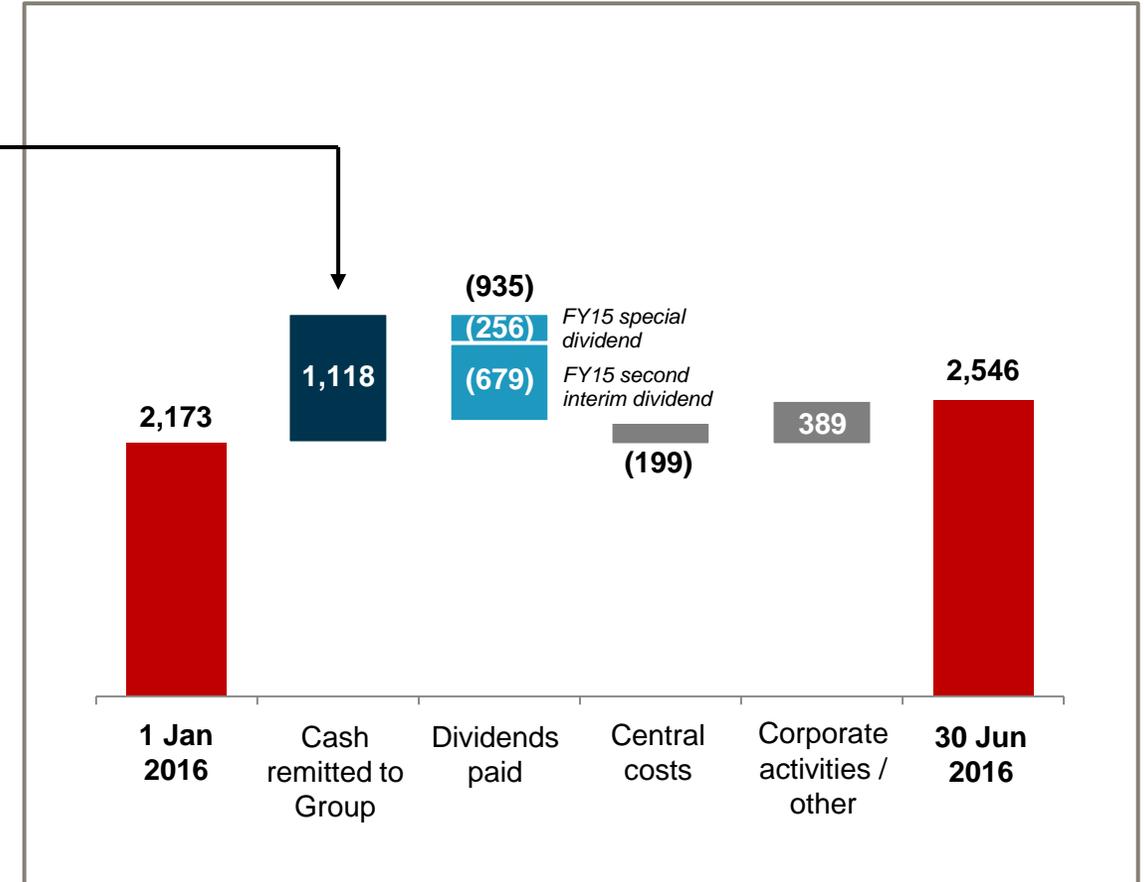
<sup>2</sup> The increase in gross free surplus generation relates to specific asset and liability management actions taken in the first half of 2016 to improve the solvency position of our UK life businesses and further mitigate market risk. These actions generated an overall positive effect of £190 million (HY15 £52 million from longevity reinsurance)

<sup>3</sup> Includes increase in new business strain for retail annuities from £2 million in HY15 to £69 million in HY16

### Movement in life and asset management free surplus<sup>1,2</sup>, £m



### Movement in central cash, £m



<sup>1</sup> Free surplus as at 1 January 2016 restated for Solvency II effects. UK free surplus is based on excess over Solvency II capital requirements; US free surplus is based on surplus in excess of 250% RBC Company Action Level; Asia free surplus is based on excess over own assessment of local required capital, based on a 1/25 year stress event

<sup>2</sup> Asset management and other operations are included on an IFRS net assets basis

# Equity shareholders' funds

Benefiting from natural offsets in our business



	IFRS Equity		EEV Equity <sup>1</sup>	
	£bn	Per share (p)	£bn	Per share (p)
Operating profit after tax	1.6	61	2.3	88
Investment variance	(0.9)	(35)	(0.9)	(34)
Unrealised gain on AFS	1.1	42	n/a	n/a
Foreign exchange	0.8	31	2.7	103
Dividend	(0.9)	(36)	(0.9)	(36)
Other movements	(0.0)	(0)	(0.0)	(1)
Retained earnings HY16	1.6	64	3.1	120
Opening shareholders' equity	13.0	504	32.4	1,258
Adjustment for impact of Solvency II <sup>2</sup>	-	-	(0.5)	(18)
Closing shareholders' equity	14.6	566	35.0	1,356
		+13%		+9% <sup>3</sup>

Note: totals may not sum due to rounding and differences in shares in issue between 31 December 2015 and 30 June 2016

<sup>1</sup> The HY16 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime, effective from 1 January 2016. The 2016 opening shareholders' equity results for UK insurance reflect the Solvency I basis

<sup>2</sup> Reflects the effect of adopting Solvency II in the calculation of the UK insurance EEV shareholders' funds

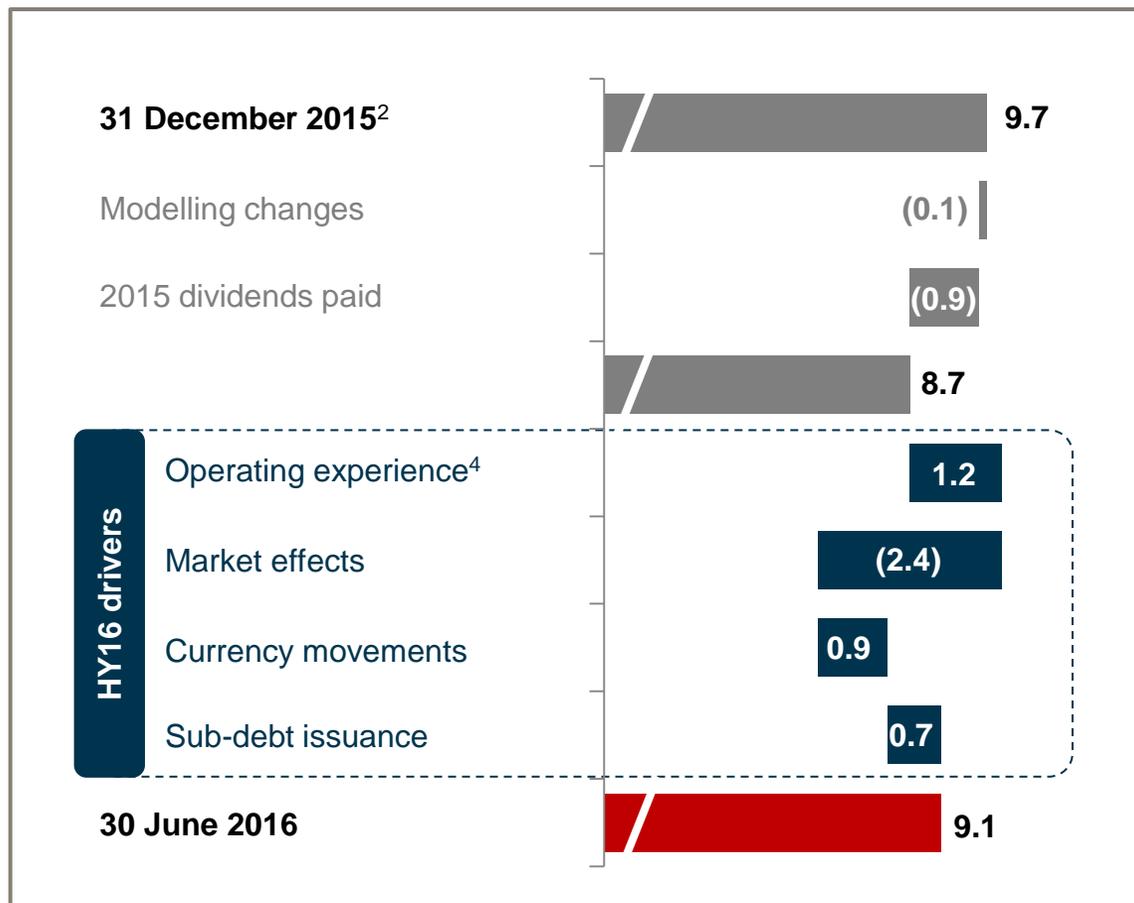
<sup>3</sup> Based on opening EEV shareholders' funds after £(0.5) billion adjustment for the impact of Solvency II on UK insurance

# Solvency II

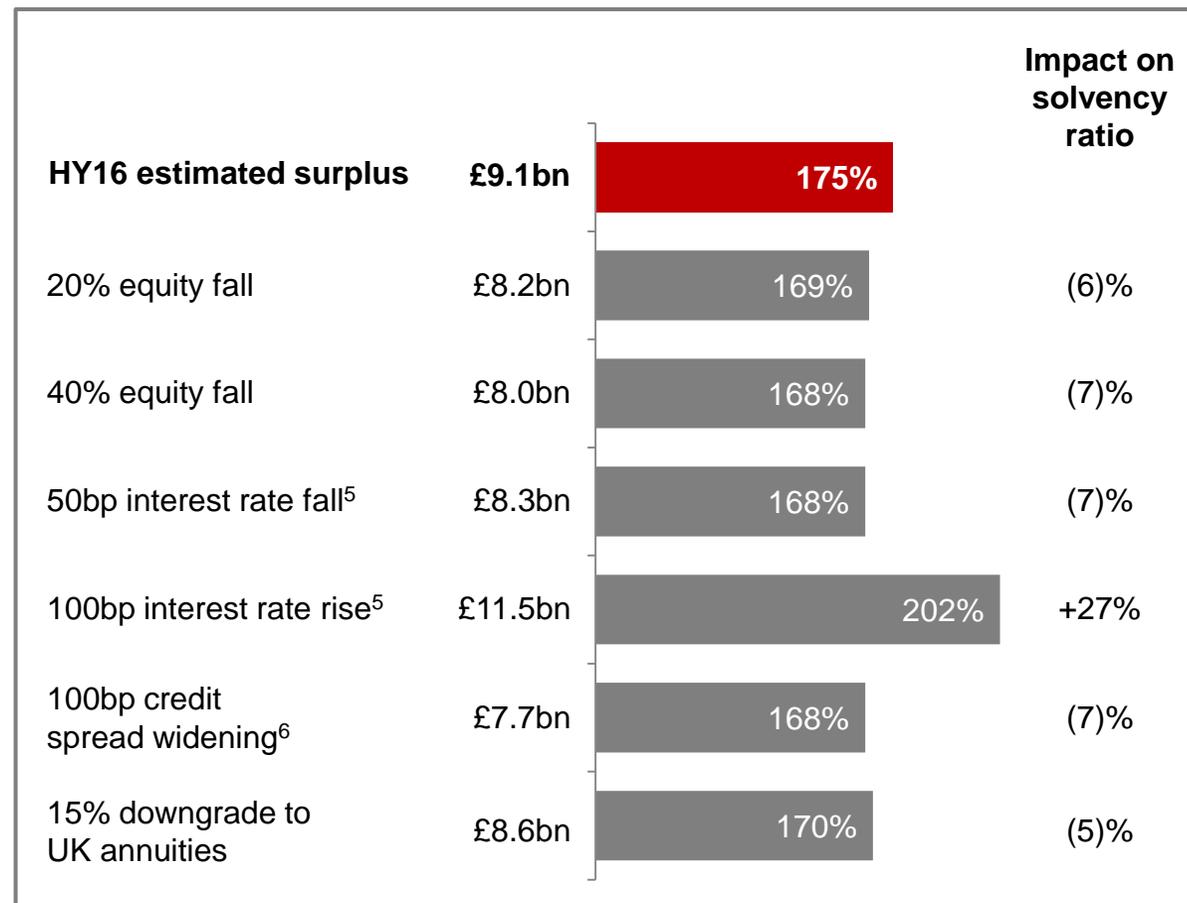
## Strong Group capital position and lowered sensitivities



HY16 movement in Solvency II capital<sup>1,3</sup>, £bn



Solvency II surplus estimated sensitivities<sup>1,3</sup>



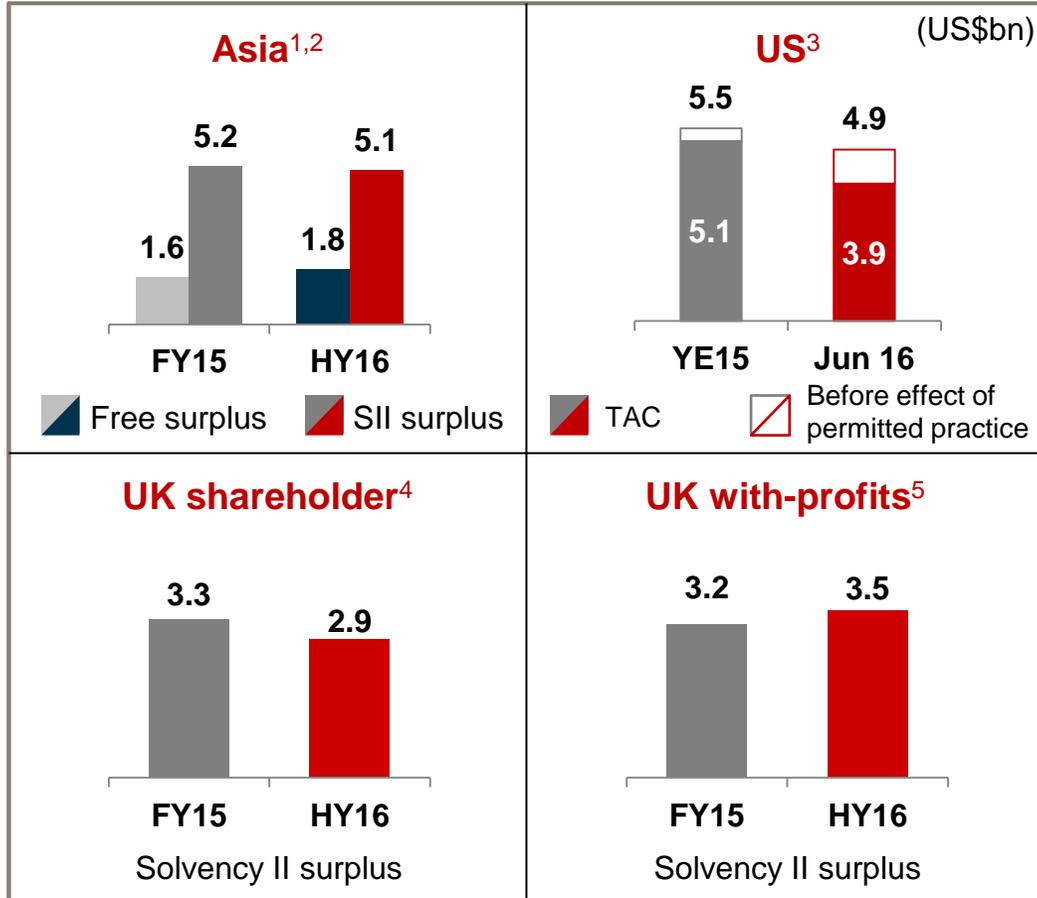
1 The Group Shareholder position excludes the contribution to the Group SCR and Own Funds of ring fenced With-Profit Funds and staff pension schemes in surplus  
 2 Before allowing for 2015 second interim ordinary and special dividends  
 3 Before allowing for 2016 first interim ordinary dividend  
 4 Includes £0.2 billion from specific asset and liability management actions taken in the first half of 2016 to improve the solvency position of our UK life businesses and de-risk  
 5 Assumes transitional recalculation which is subject to PRA approval  
 6 For Jackson, includes credit defaults of 10 times the expected level

# Solvency II

## Resilient local solvency



### Local solvency capital positions, £bn



#### Business unit

- Asia SII surplus of £5.1bn exceeds free surplus of £1.8bn
- Jackson TAC of \$4.9bn before permitted practice
- UK shareholder SII surplus of £2.9bn (FY15 £3.3bn)<sup>4</sup>
- UK with-profits SII surplus of £3.5bn (FY15 £3.2bn)
  - Underpinned by estate of £8.2bn<sup>6</sup>

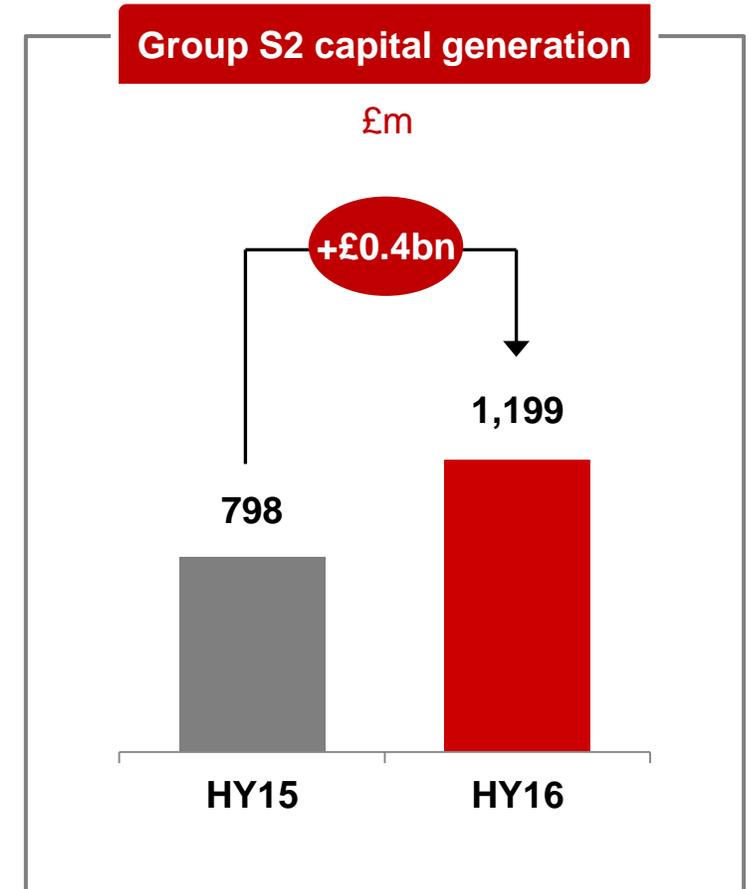
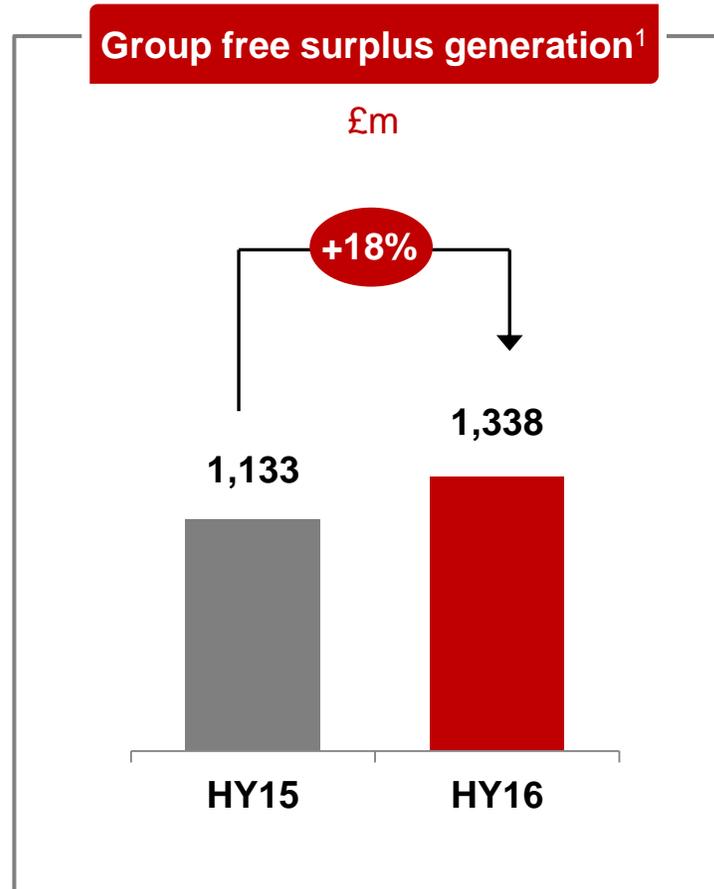
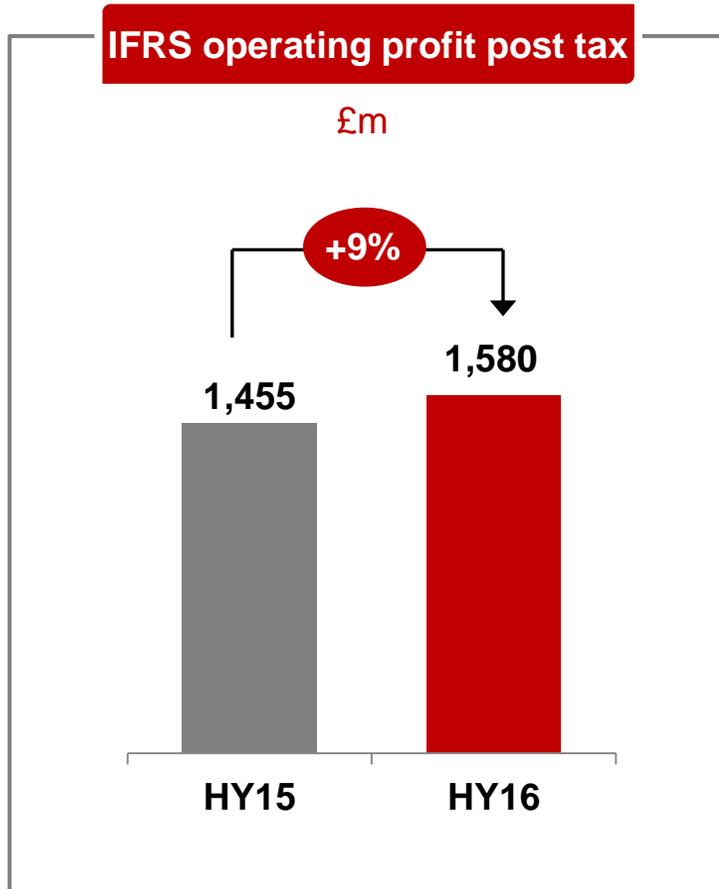
#### Actions available

- Quota-share and longevity reinsurance
- Hedging market risk in with-profits transfers
- Credit optimisation

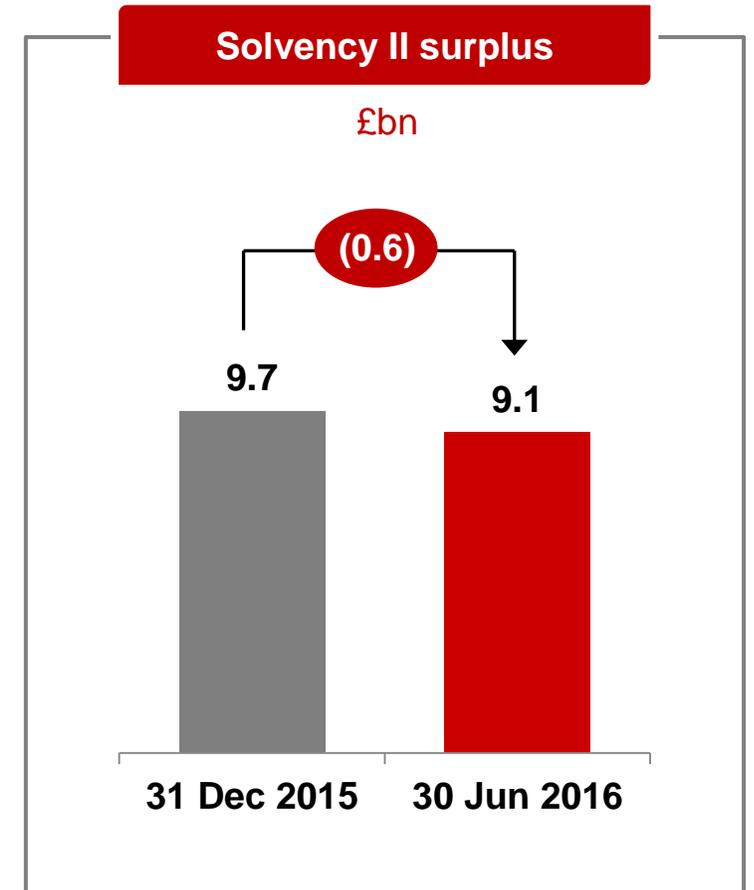
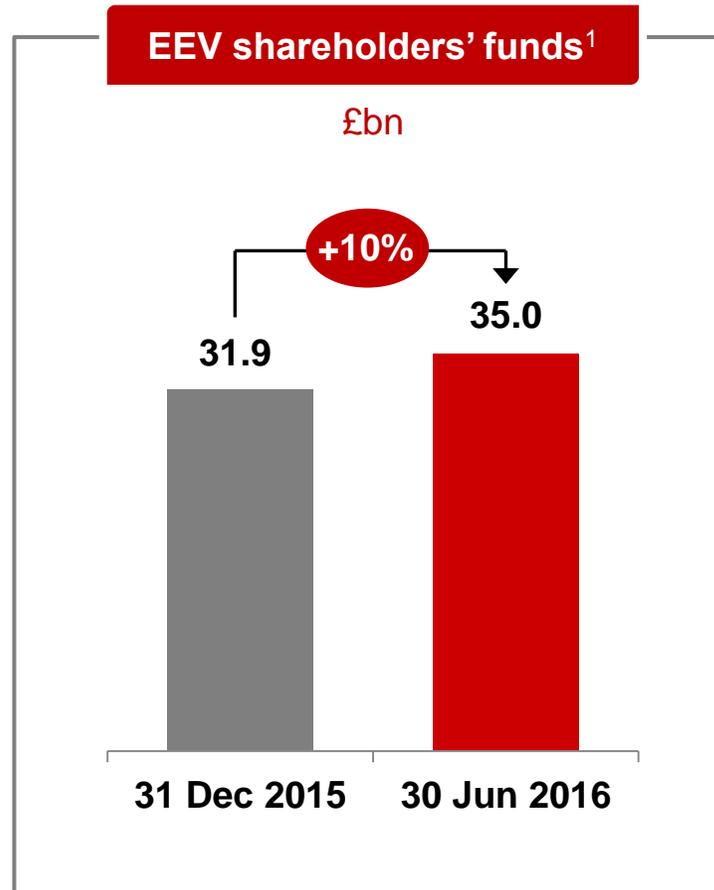
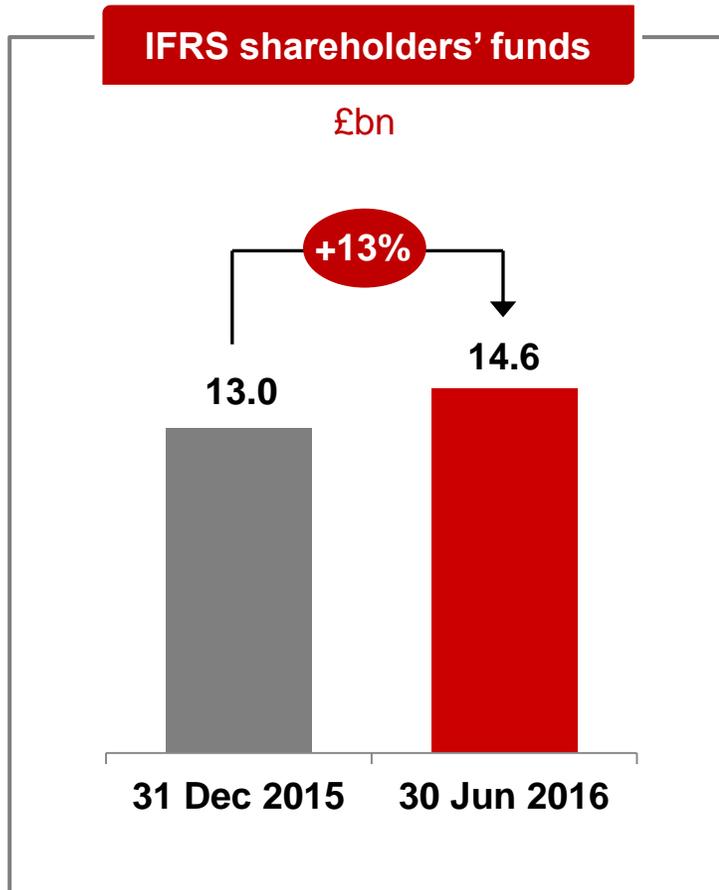
1 Comprises life entities in Cambodia, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Vietnam. Excludes Eastspring Investments  
 2 Based on Group free surplus analysis for Asia, where at HY16 aggregated net worth is £3.6 billion and aggregated required capital is £1.8 billion  
 3 Total Adjusted Capital, US\$bn, relates to Jackson National Life  
 4 Relates to PAC Ltd  
 5 Excess of estate over Solvency II capital requirements  
 6 Representing Solvency II Own Funds of the UK with-profits funds

# Group

Operating performance remains a key source of capital



<sup>1</sup> 1 January 2016 Group free surplus shown after effect of implementation of Solvency II and the effect of a classification charge. Comprises Life and Asset Management of £1,609 million (HY15 £1,418 million) less costs from Central Operations of £271 million (HY15 £285 million)



<sup>1</sup> Change includes adjustment to opening EEV shareholders' funds of £(0.5) billion for impact of Solvency II on UK insurance as at 1 January 2016

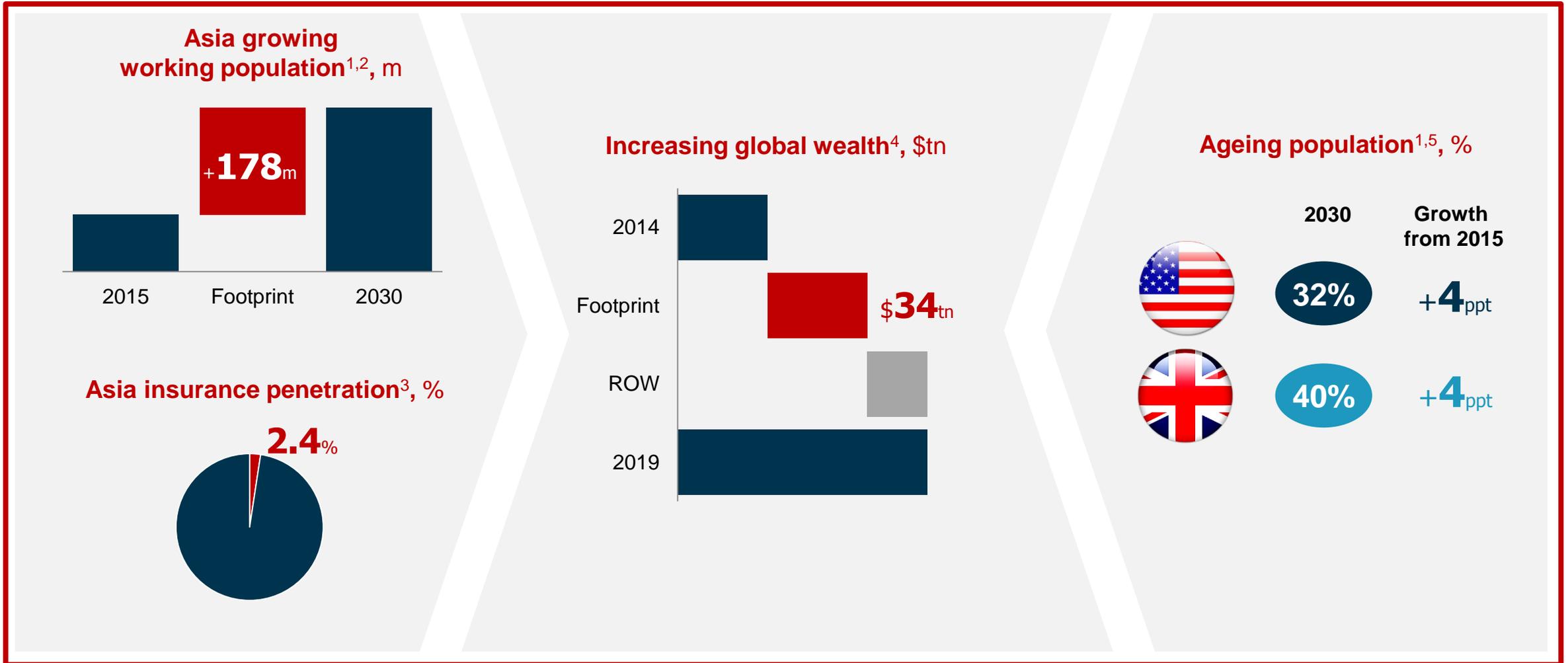


# **Mike Wells**

Group Chief Executive

# Group

## Footprint aligned to long-term trends



1 United Nations Department of Economic and Social Affairs Population division (2015) World Population Prospects.

2 Working age population: 15-64 years.

3 Insurance penetration source Swiss Re Sigma 2015. Insurance penetration calculated as premiums in % of GDP. Asia penetration calculated on a weighted population basis

4 Source: BCG Global Wealth 2015. Winning the growth game. Rest of the World (ROW)

5 Ageing population based on Prudential target market demographic of +50 years for UK and +55 years for US.

# Group

## Investing for growth



Indonesia distribution expansion – 400 offices

Operationalised new markets – Laos

Digitising UK and M&G offerings

Recruited over 100,000 new agents in Asia

Added nearly 1 million new Asian customers

Launching fee based Variable Annuity in 3Q

Expanded China footprint – now in 65 cities

Investing in best of breed investment platform

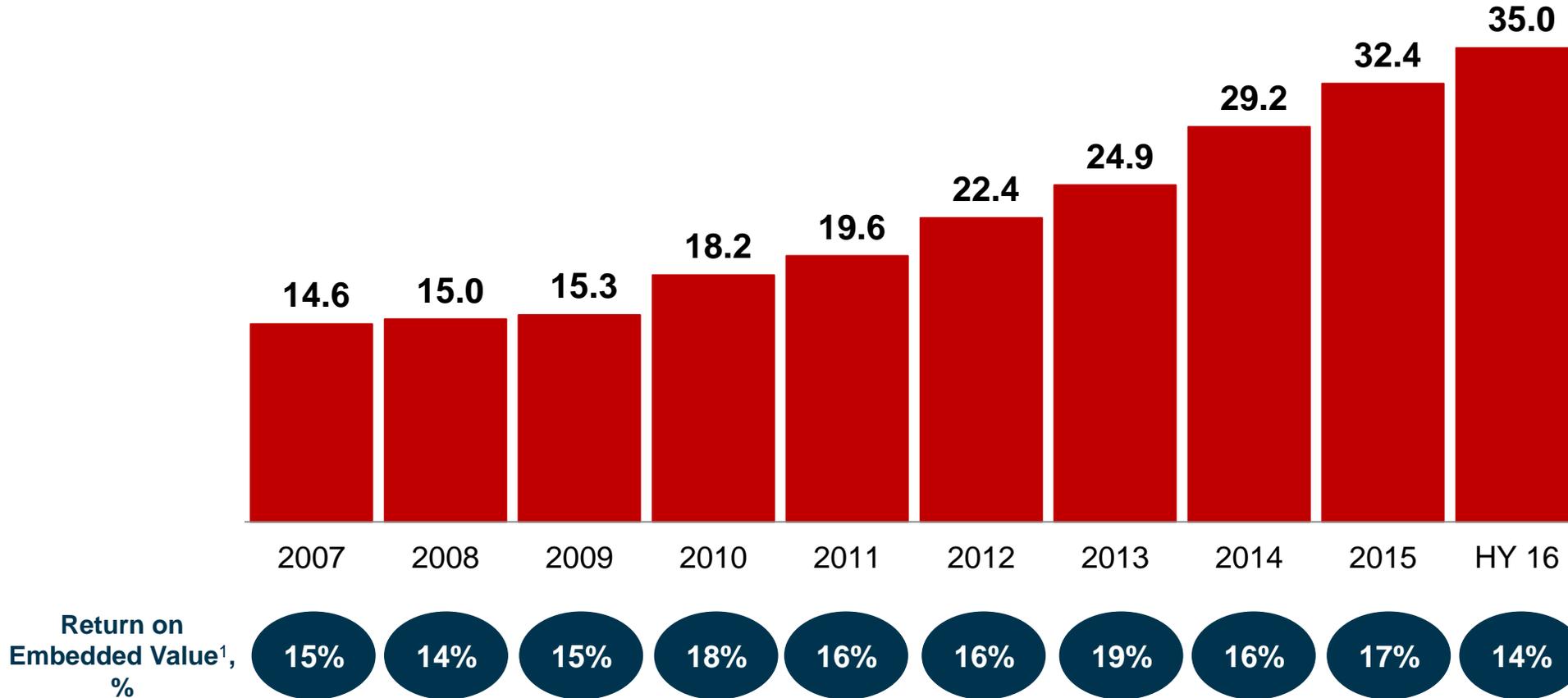
Launched in new markets – Zambia

# Group

## Growing value at consistent returns



Shareholders equity (EEV), £bn



<sup>1</sup> Return on embedded value is based on EEV post-tax operating profit, as a percentage of opening EEV basis shareholders' equity. Half year profits are annualised by multiplying by two.

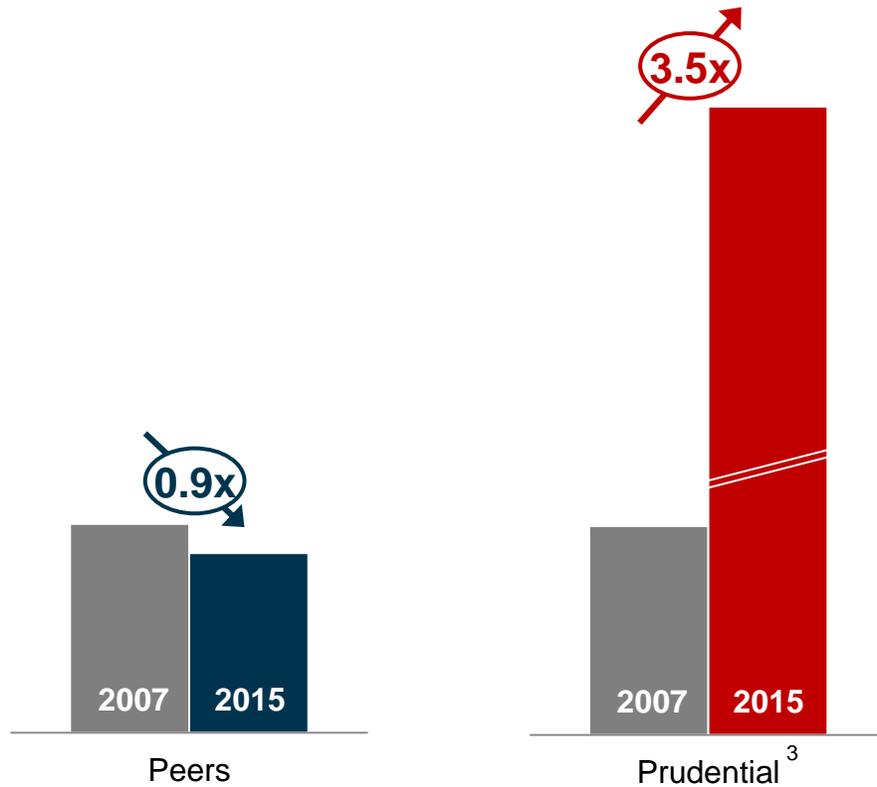
# Group

## Growing earnings and dividends



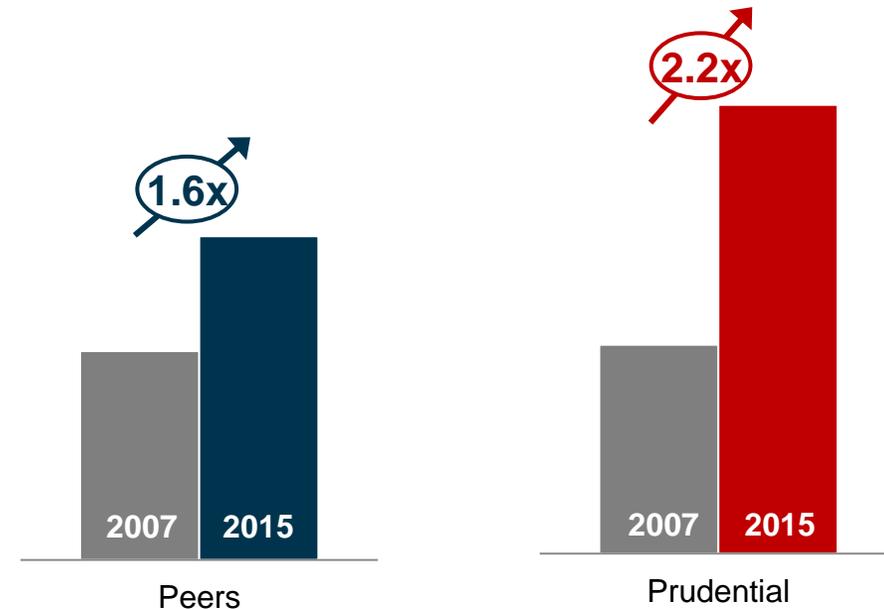
### Earnings

EPS movement 2007-2015<sup>1,2</sup>, (%)



### Dividend

DPS movement 2007-2015<sup>1,2</sup>, (%)



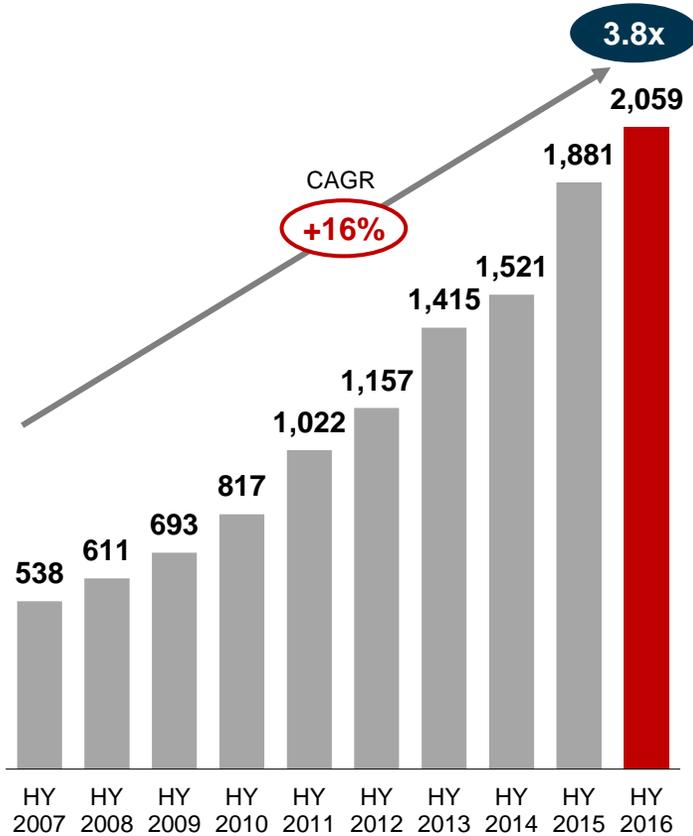
<sup>1</sup> Source: UBS. Data based on reported currency. Peers equates to a sector average profit for the year and constitutes Axa, Allianz, Aviva, L&G, Standard Life, MetLife, and AIA. Peers excludes Prudential. AIA based on 2010 EPS and 2011 DPS. Standard Life 2015 excludes EPS from discontinued operations of 55.9 pence  
<sup>2</sup> Prudential excludes EPS impact of management actions taken in 2015 (Post-tax impact on earnings of £256m). DPS excludes issuance of special dividend in 2015  
<sup>3</sup> Prudential based on Operating EPS.

# Group

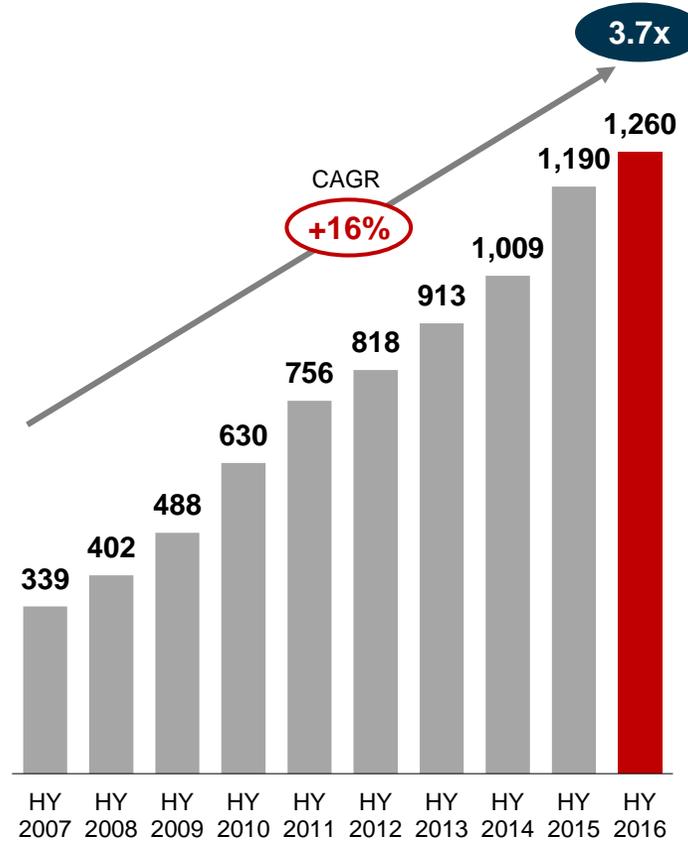
## Long-term track record



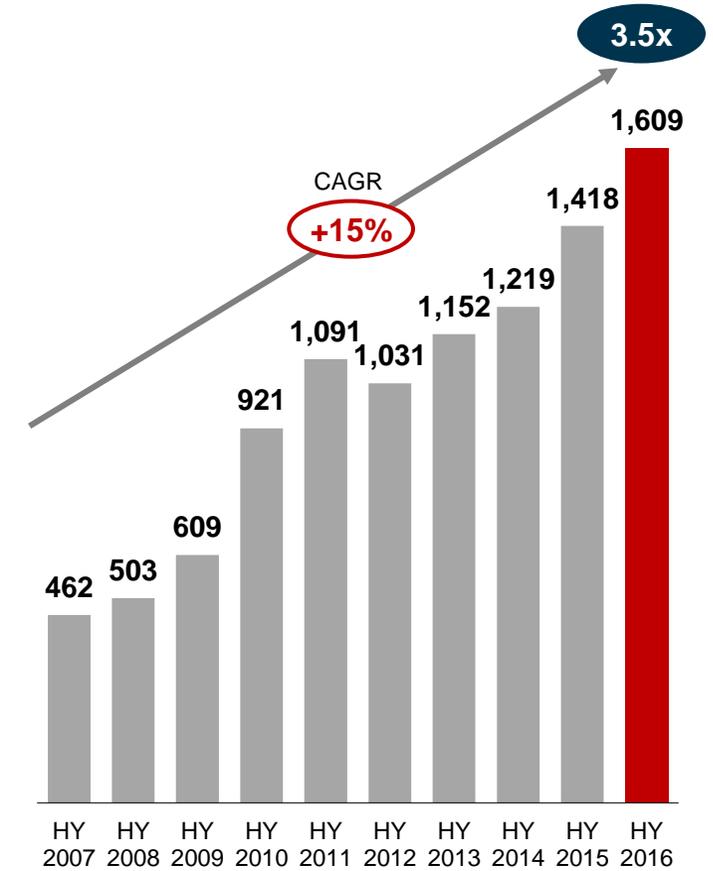
IFRS operating profit<sup>1,2,3</sup>, £m



New business profit<sup>1,2</sup>, £m



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



1 Comparatives have been stated on an actual exchange rate basis  
 2 HY14 results have been restated to exclude contributions from Prudential's 25% equity stake in PruHealth / PruProtect, which was sold in November 2014  
 3 2012 includes £51m gain from sale in China Life of Taiwan

# Group Summary



- ✓ Strong performance in a volatile and uncertain environment
- ✓ Asia centricity and structural drivers underpin future prospects
- ✓ Diversity, scale and discipline smooths the cycle
- ✓ Strong, defensive balance sheet
- ✓ Consistent delivery of long-term value



Prudential plc

2016 Half Year Results

10 August 2016



# Appendix

## 2016 Half Year Results

# Group

## Premium franchises



### Asia



**Leading** pan regional franchise

In Asia since **1923**

**14m** life customers

**Top 3 position** in 8 out of 13 life markets<sup>1</sup>

**Leading**<sup>2</sup> Asian asset manager with **+20 years** operating history

Over **£105bn** funds under management<sup>4</sup>

### US



**Premier** retirement income player

Founded in **1961**

**4m** life customers

**16% market share** Variable Annuities<sup>3</sup>

**\$206bn** of statutory admitted assets<sup>4</sup>

### UK



**Well recognised brands** with strong track record

**168 years** of providing financial security

**6m** life customers

Over **£20bn** PruFund funds under management<sup>4</sup>

**£255bn** funds under management<sup>4</sup>

1. 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 availability of data).

2. Based on assets sourced from the region. Excluding Japan, Australia and New Zealand as at Jun 2014. Source Asia Asset Management September 2014 (Ranked according to participating regional players only).

3. Source: LIMRA 1Q 2016.

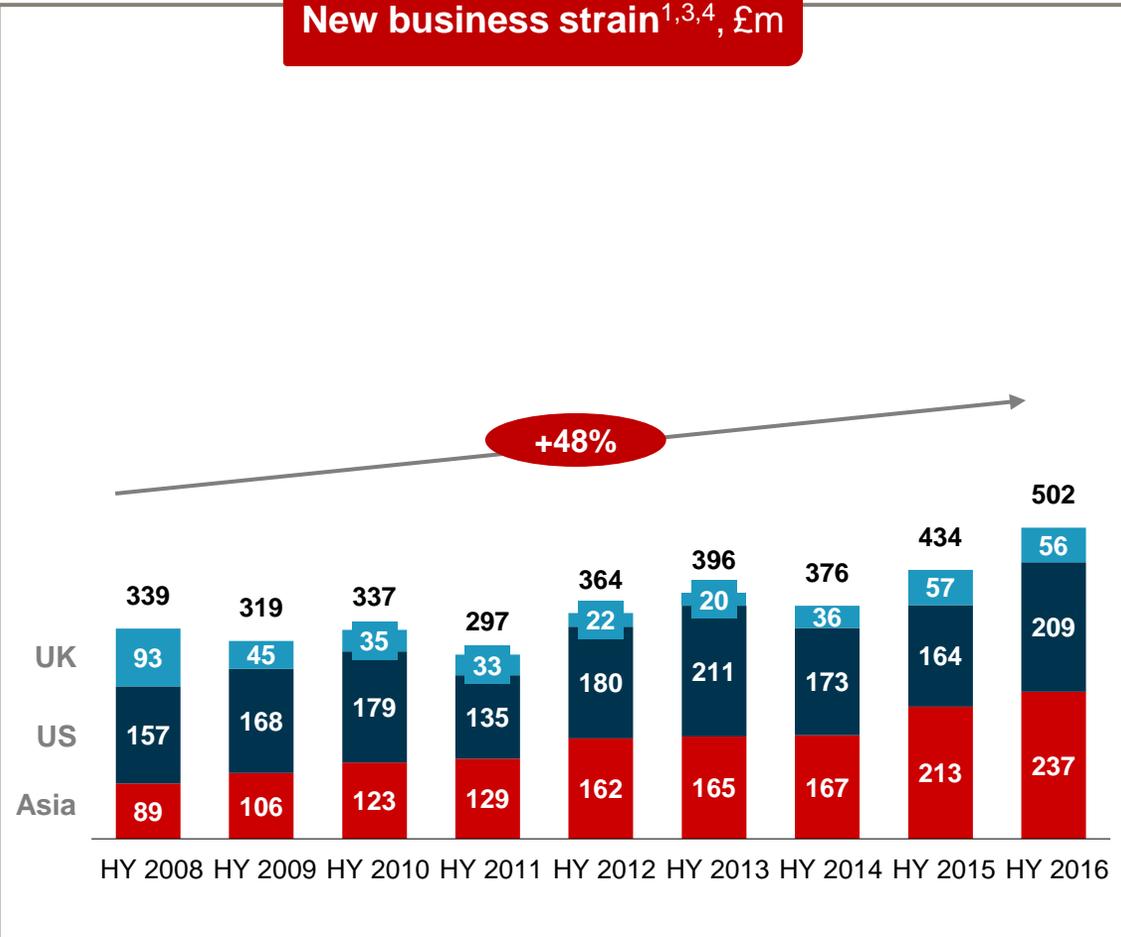
4. HY 2016.

# Group

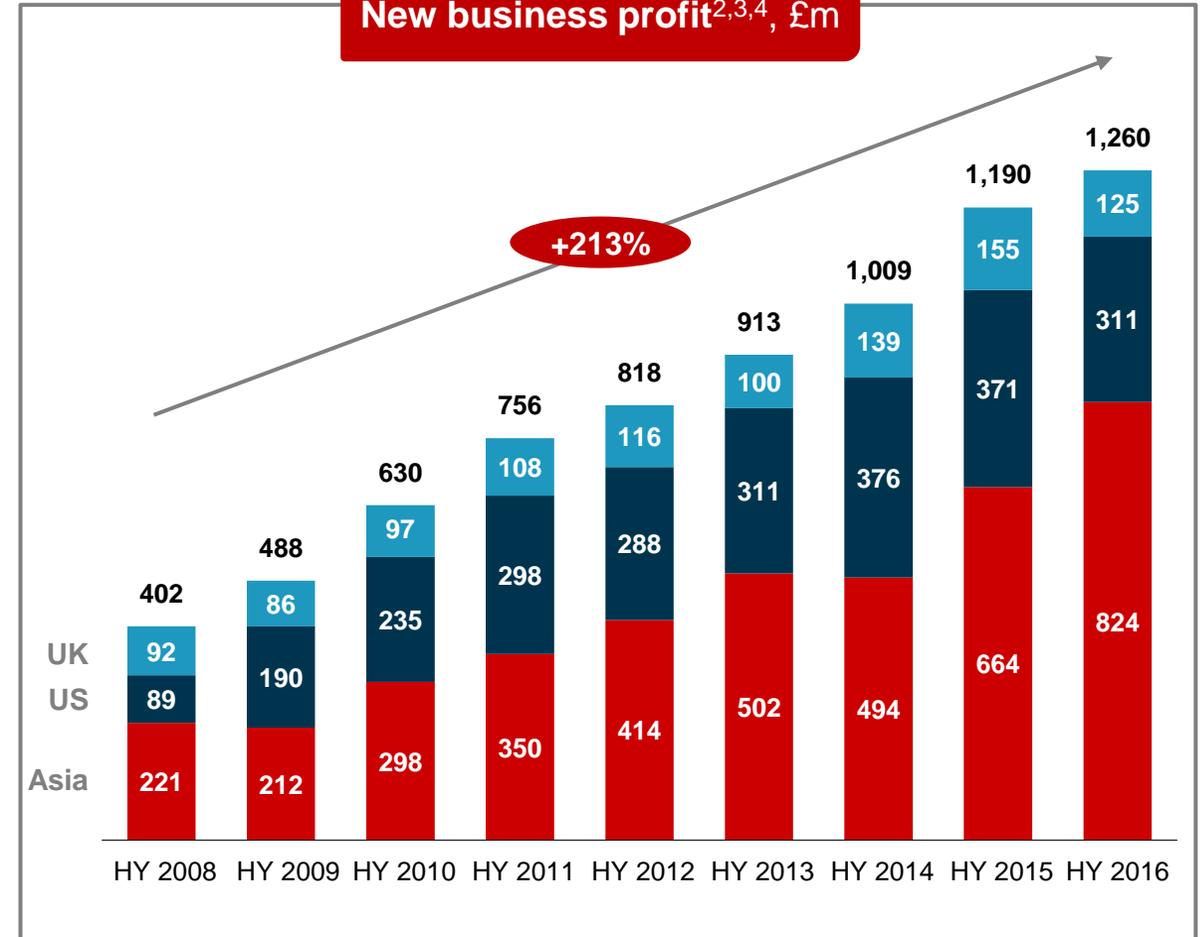
## Disciplined capital allocation



New business strain<sup>1,3,4</sup>, £m



New business profit<sup>2,3,4</sup>, £m



1 Free surplus invested in new business.

2 On a post tax basis.

3 Excludes Japan Life and Taiwan agency. HY2014 comparatives have been restated to exclude the contribution from the sold PruHealth and PruProtect businesses. HY2008 to HY2013 comparatives include the results of PruHealth and PruProtect.

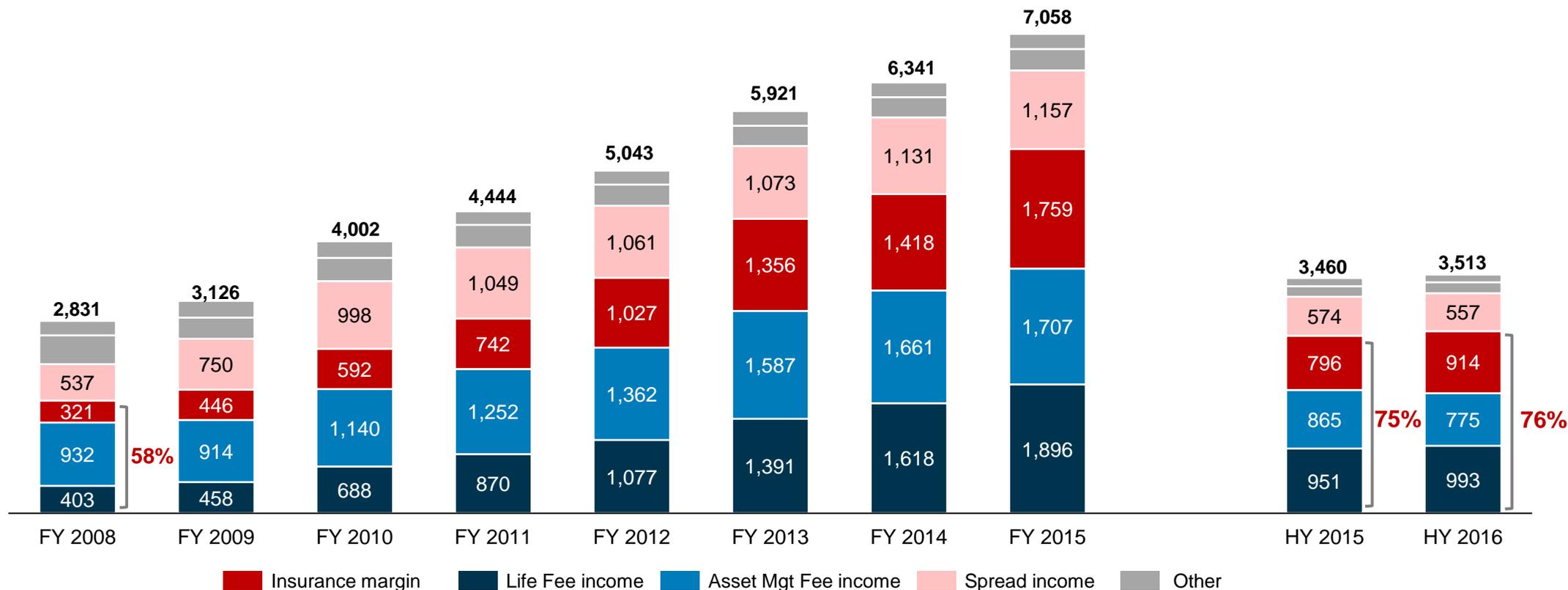
4 HY16 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime effective from 1 January 2016. HY15 results and prior reflect the Solvency I basis being the regime applicable for those periods.

# Group

## High quality and growing earnings



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



<sup>1</sup> Comparatives adjusted for new and amended accounting standards.

<sup>2</sup> Comparatives have been stated on an actual exchange rate basis.

<sup>3</sup> Excludes Japan Life and Taiwan agency. FY2014 comparatives have been restated to exclude the contribution from the sold PruHealth and PruProtect businesses. FY2008 to FY2013 comparatives include the results of PruHealth and PruProtect.

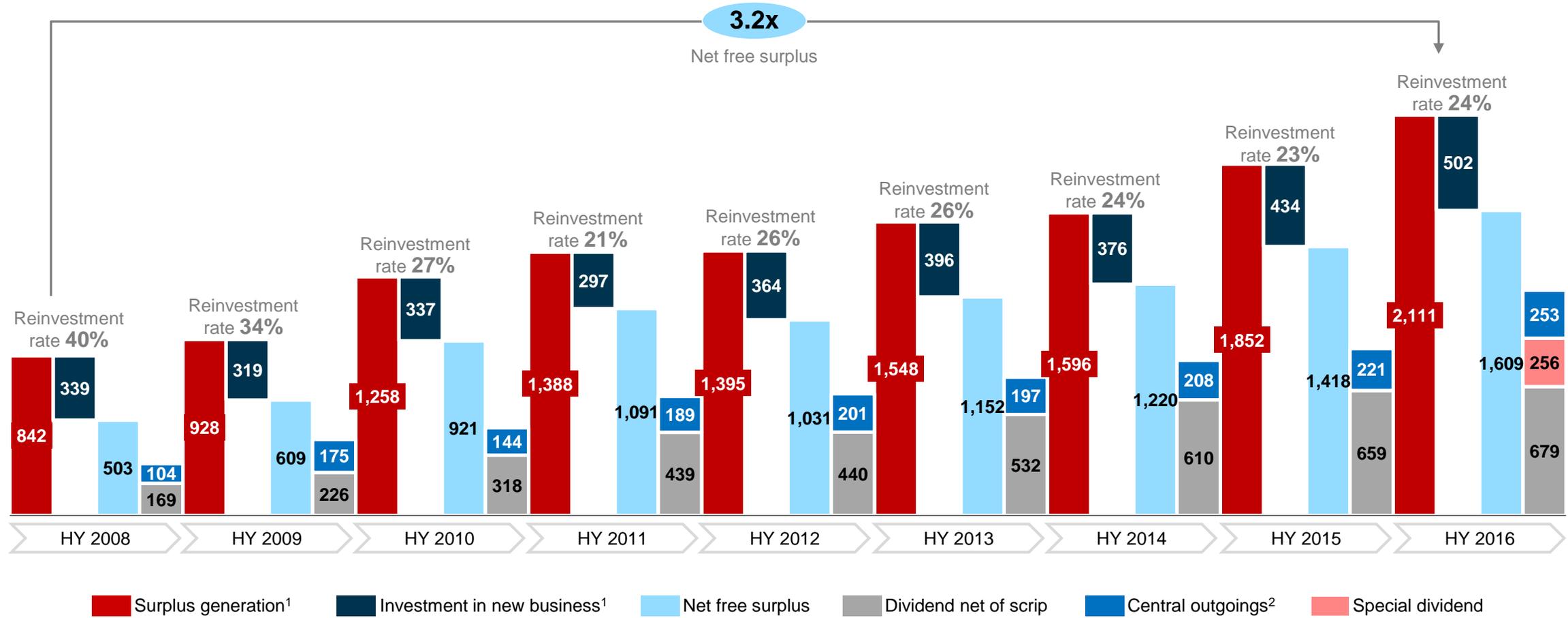
<sup>4</sup> 2016 and 2015 excludes UK specific management actions taken to position the balance sheet more efficiently under the new Solvency II regime contributing £339m to IFRS operating income in FY15 (HY15 £61m) and £140m at HY16.

# Group

## Free surplus generation



### Free surplus<sup>3</sup> and dividend, £m



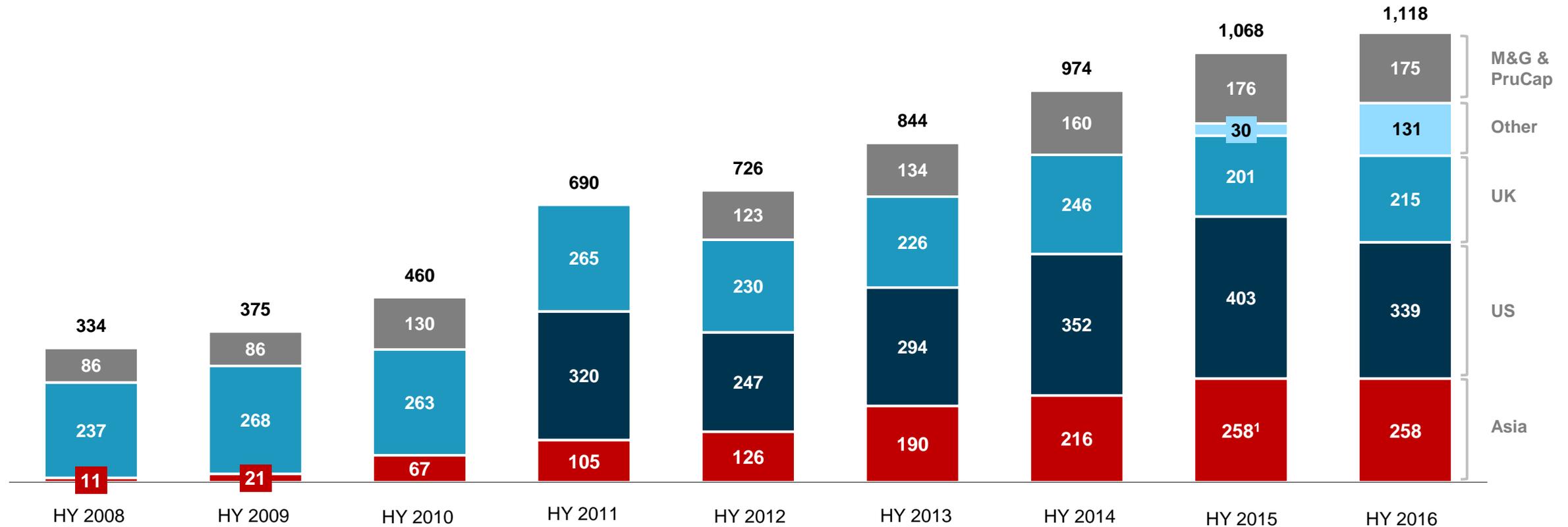
<sup>1</sup> Excludes Japan Life and Taiwan agency. HY2014 comparatives have been restated to exclude the contribution from the sold PruHealth and PruProtect businesses. HY2008 to HY2013 comparatives include the results of PruHealth and PruProtect.  
<sup>2</sup> Central outgoings includes RHO costs.  
<sup>3</sup> HY16 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime effective from 1 January 2016. HY15 results and prior reflect the Solvency I basis being the regime applicable for those periods.

# Group

## Cash remittances to Group



Business unit net remittances, £m

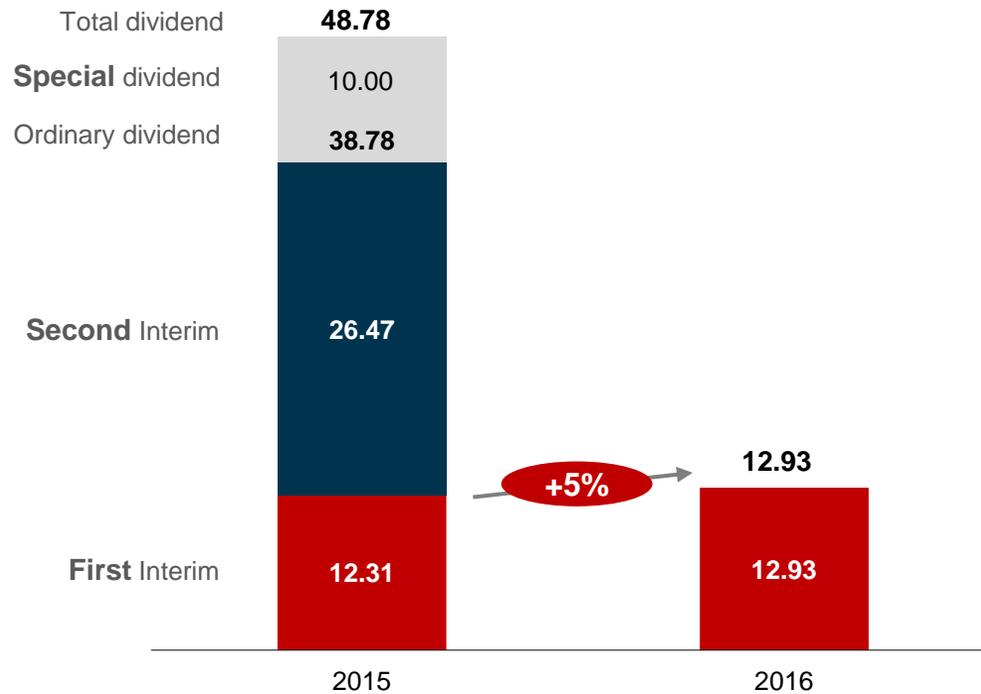


<sup>1</sup> Includes £42 million of proceeds from the sale of Japan.

# Group Interim Dividend



## Dividend, pence per share



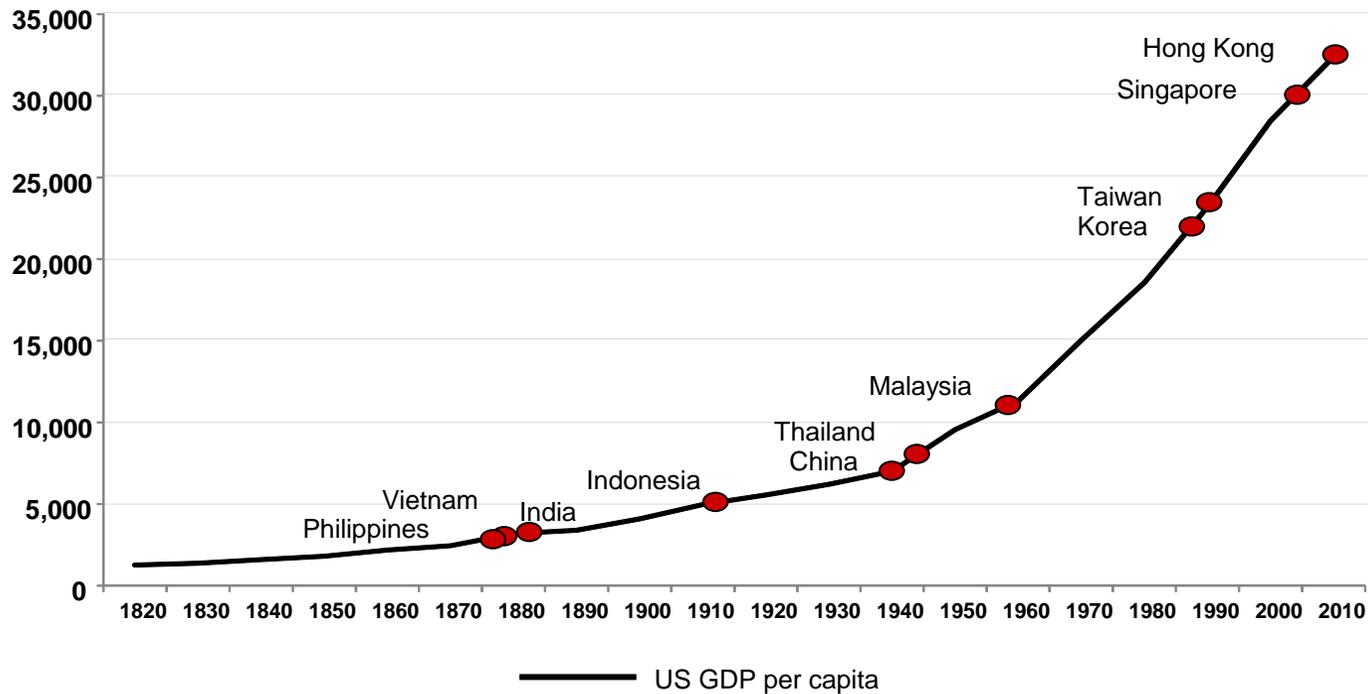
- First Interim dividend increased by 5 per cent to 12.93 pence per share
- Ex-dividend date:
  - 25 August 2016 (UK, Ireland and Hong Kong)
  - 24 August 2016 (Singapore)
- Record date: 26 August 2016
- Payment of dividend;
  - 29 September 2016 (UK, Ireland and Hong Kong)
  - On or about 6 October 2016 (Singapore)
  - On or about 6 October 2016 (ADR holders)

# Asia

## Long term opportunity



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



- Top 3 in 8 /13 Asian countries<sup>2</sup>
- Market leading platform
  - Over 500,000 agents
  - Access to over 10,000 bank branches
  - 14 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> 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 availability of data).

ASEAN and Hong Kong

JV's

Mature Markets

Nascent Markets

	Population <sup>2</sup> (m)	Prudential customers as a % of total population	Market penetration <sup>3</sup> (%)	GDP (\$bn) <sup>2</sup>	2015 GDP growth (%) <sup>2</sup>
 Indonesia (1995) <sup>1</sup>	255	1.0%	1.1%	930	4.7
 Philippines (1996)	101	0.2%	1.6%	302	6.0
 Thailand (1995)	69	2.2%	3.6%	415	2.5
 Vietnam (1999)	92	1.5%	0.7%	198	6.5
 Hong Kong (1964)	7	12.8%	12.7%	298	2.5
 Malaysia (1924)	31	5.9%	3.1%	354	4.7
 Singapore (1931)	6	15.7%	5.0%	315	2.2
 India (2000)	1,293	0.3%	2.6%	2,200	7.3
 China (2000)	1,375	0.1%	1.7%	11,062	6.8
 Taiwan (1999)	23	0.9%	15.6%	541	2.2
 Korea (2002)	51	0.6%	7.2%	1,448	2.7
 Cambodia (2013)	16	0.3%	-	18	7.0
 Laos (2015)	7	-	-	13	7.5
 Myanmar <sup>4</sup> (2013)	52	-	-	69	8.5

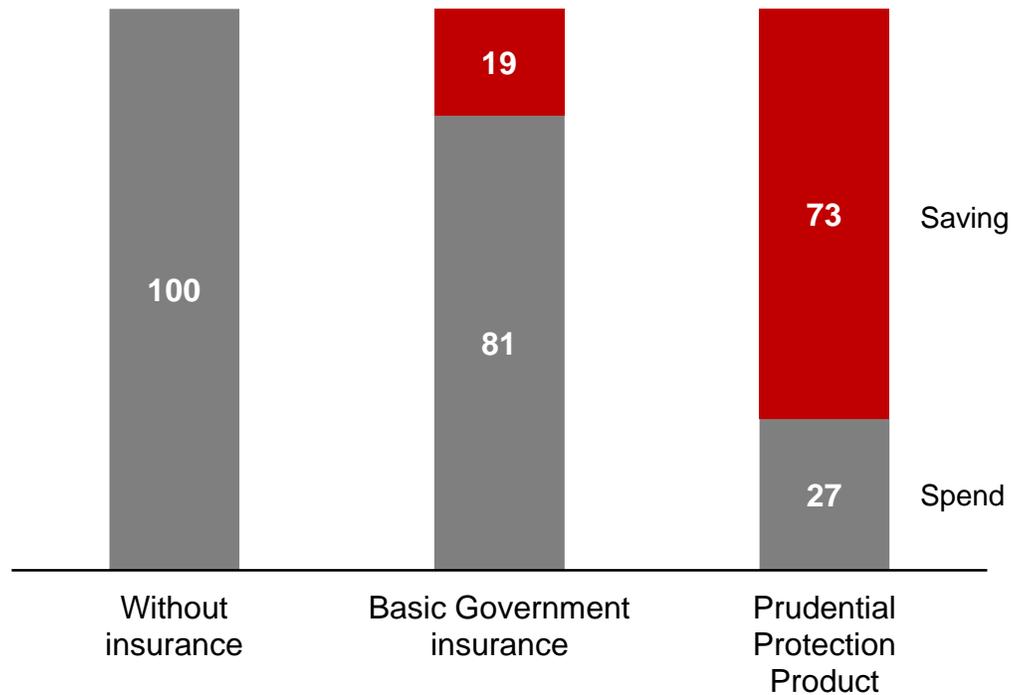
<sup>1</sup> Year in bracket denotes start of operation.

<sup>2</sup> Source: IMF data, October 2015.

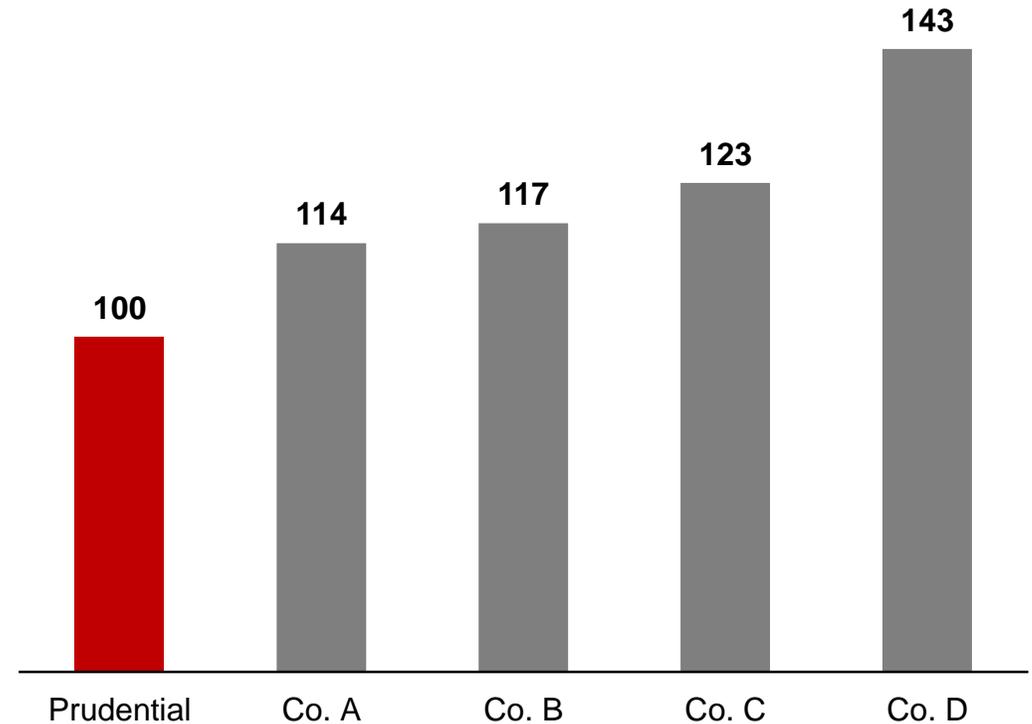
<sup>3</sup> Source: Swiss Re. Market penetration based on insurance premiums as a percentage of GDP in 2014 (estimated).

<sup>4</sup> Myanmar rep office only.

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

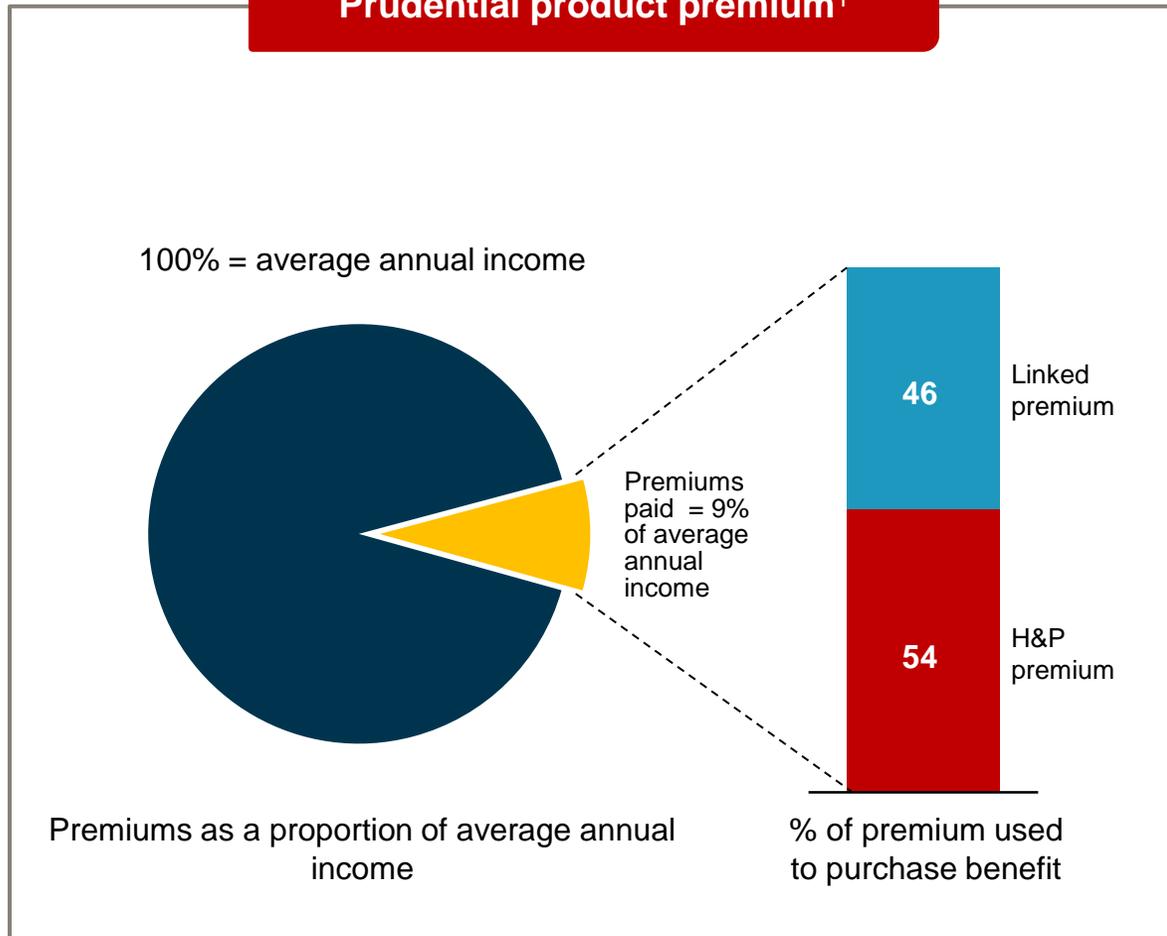


### Annual premium for a customer aged 50 (indexed)

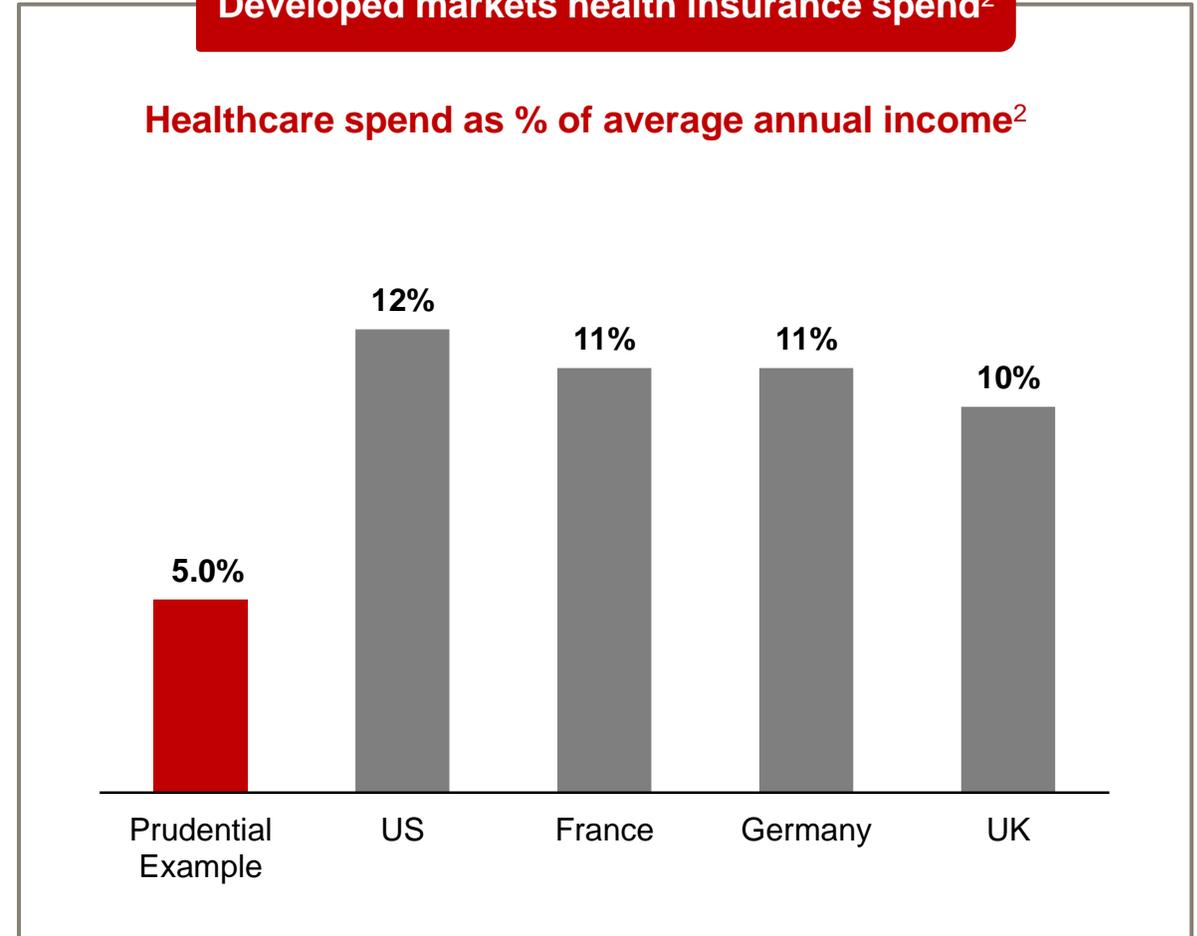


<sup>1</sup> Expenses for a male aged 50 for heart diseases and heart surgery treatment.

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



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

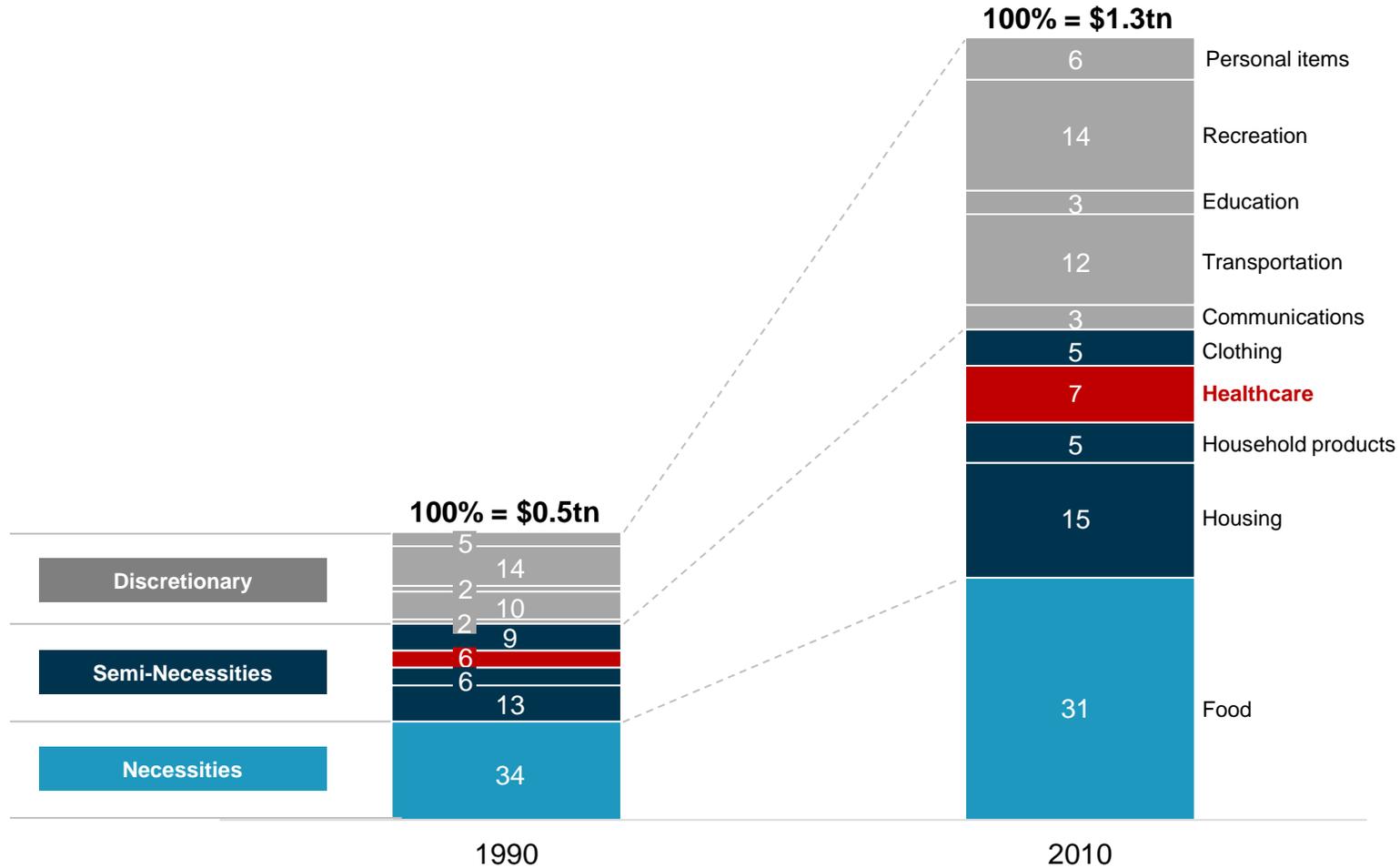


<sup>1</sup> Average Prudential customer spend on insurance products.

<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.

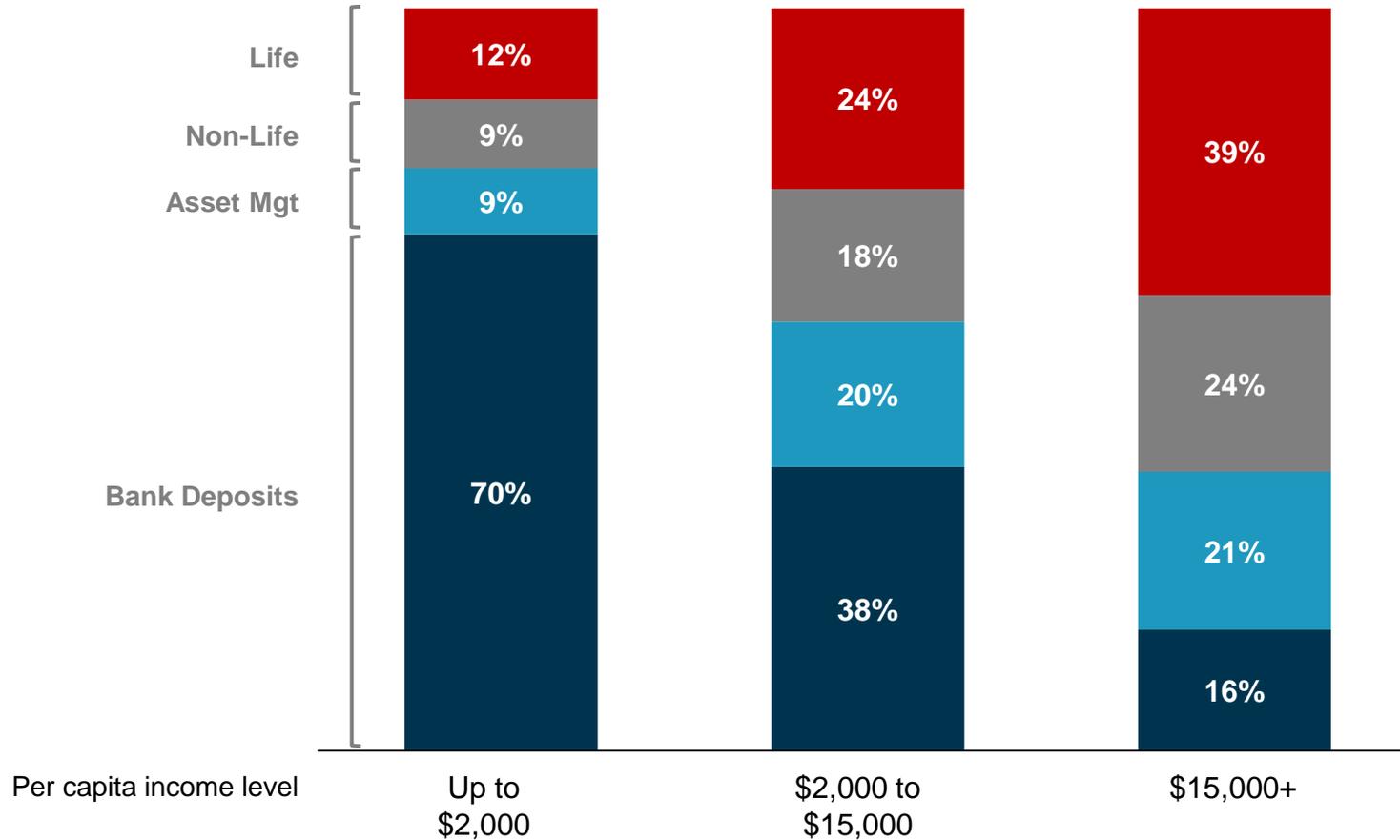
## Growing demand for healthcare

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



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

### Breakdown of personal financial assets



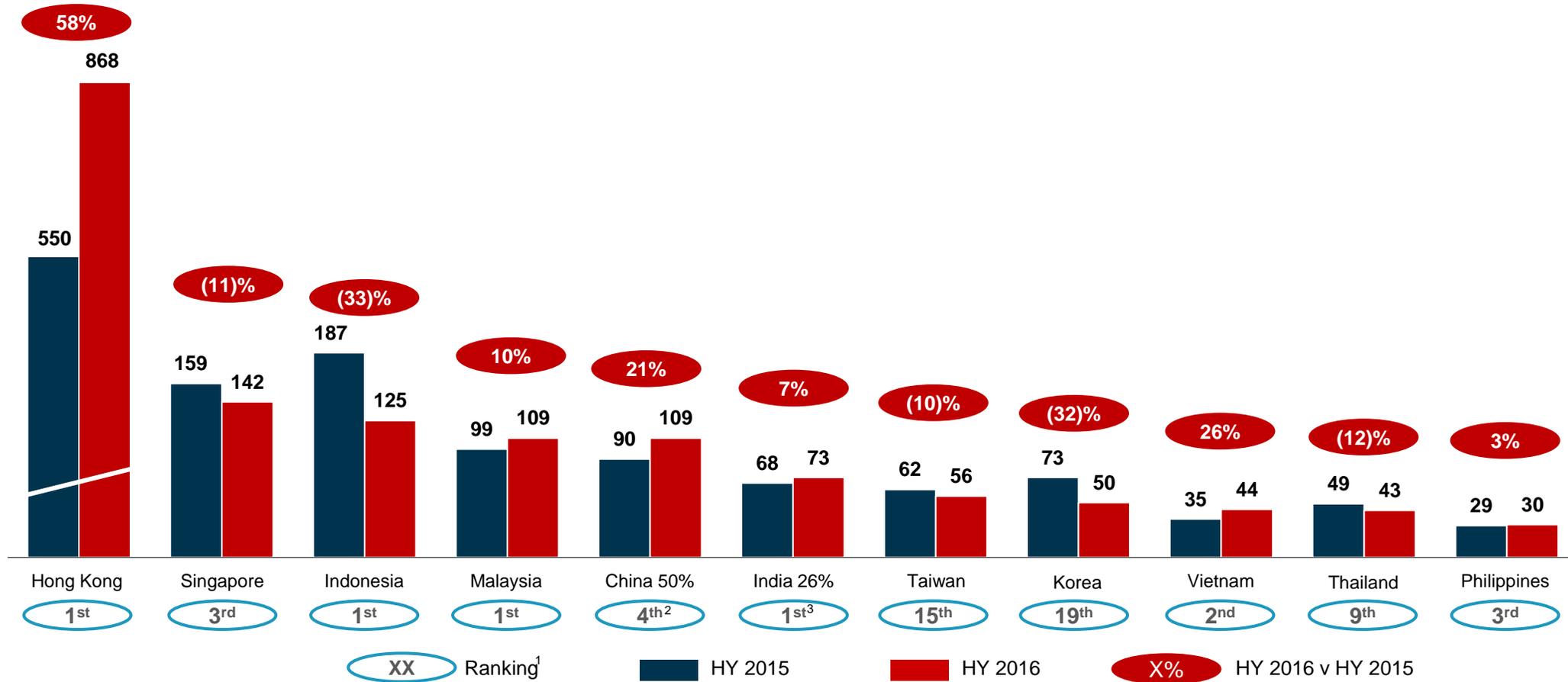
Source: Oliver Wyman analysis; Prudential analysis.

# Asia

## Life APE by market



Asia APE by market, £m (Constant Exchange Rate)

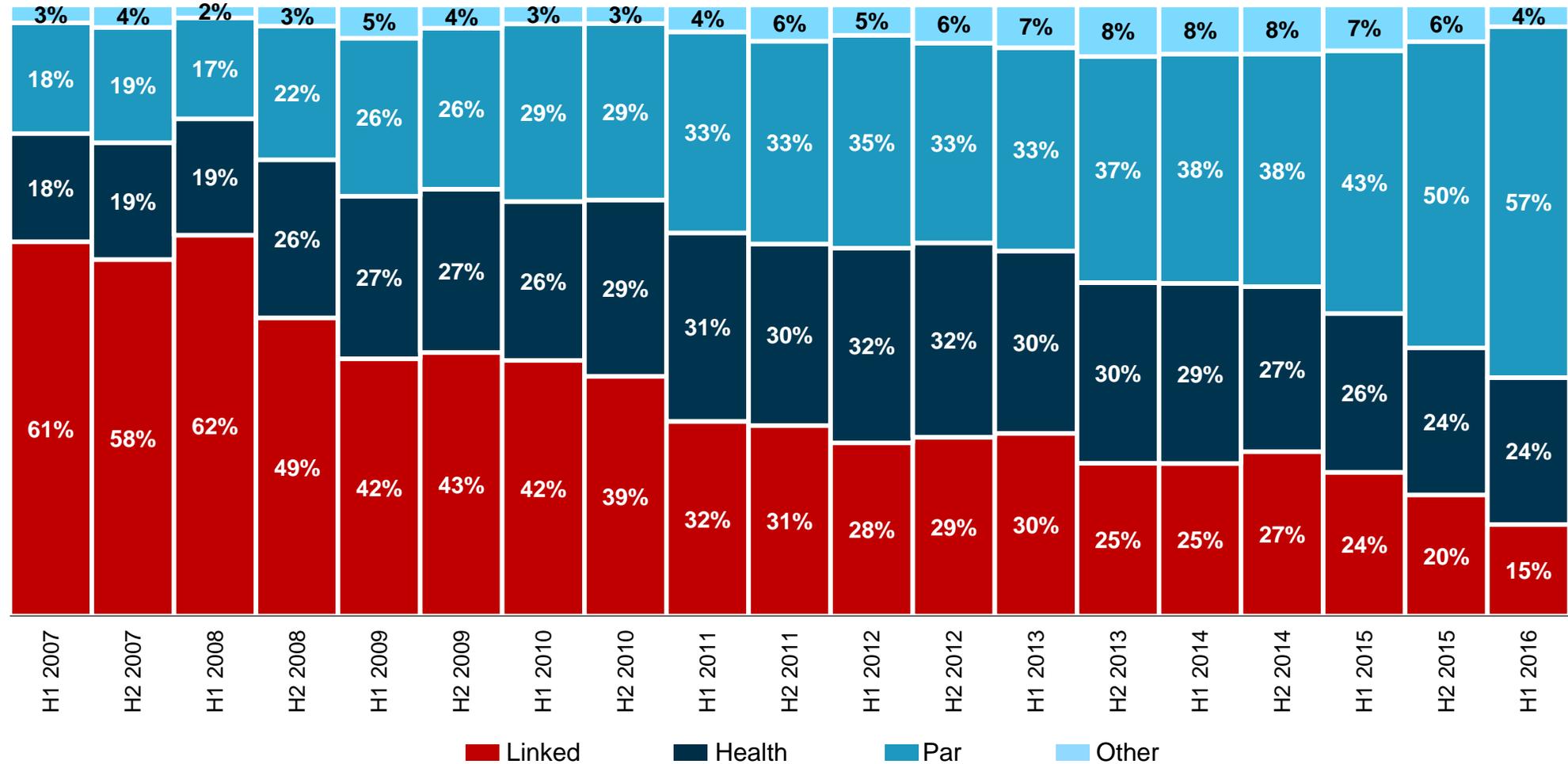


<sup>1</sup> Source: Based on formal (Competitors' results release, local regulators and insurance associations) and informal (industry exchange) market share data. Ranking based on new business (APE or weighted FYP depending on the availability of data).

<sup>2</sup> Total JV / foreign players only

<sup>3</sup> Ranking among private players, share among all players on Fiscal year basis

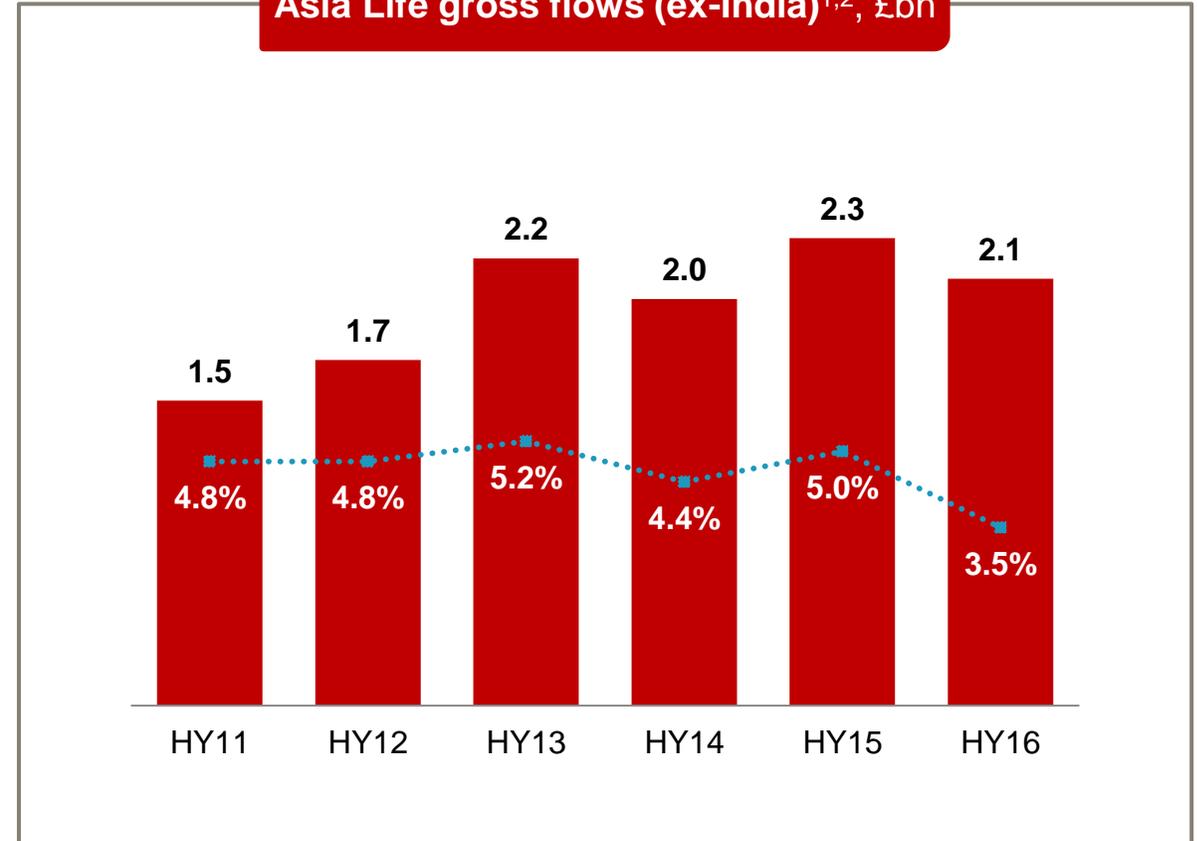
Asia APE by product, %



**Asia Life gross flows<sup>1,2</sup>, £bn**



**Asia Life gross flows (ex-India)<sup>1,2</sup>, £bn**



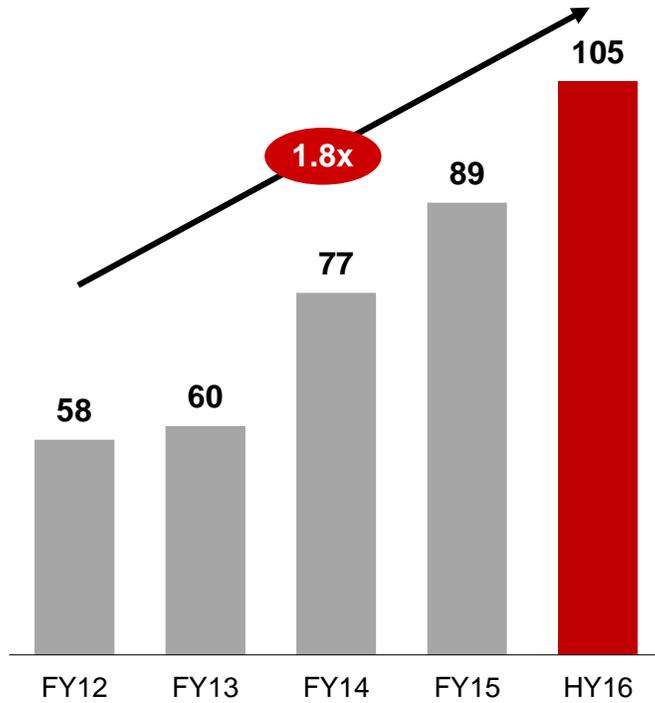
..... Surrenders/withdrawals as % of opening liabilities

<sup>1</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums (after deducting insurance & other margins).  
<sup>2</sup> Excludes Japan and Taiwan agency.

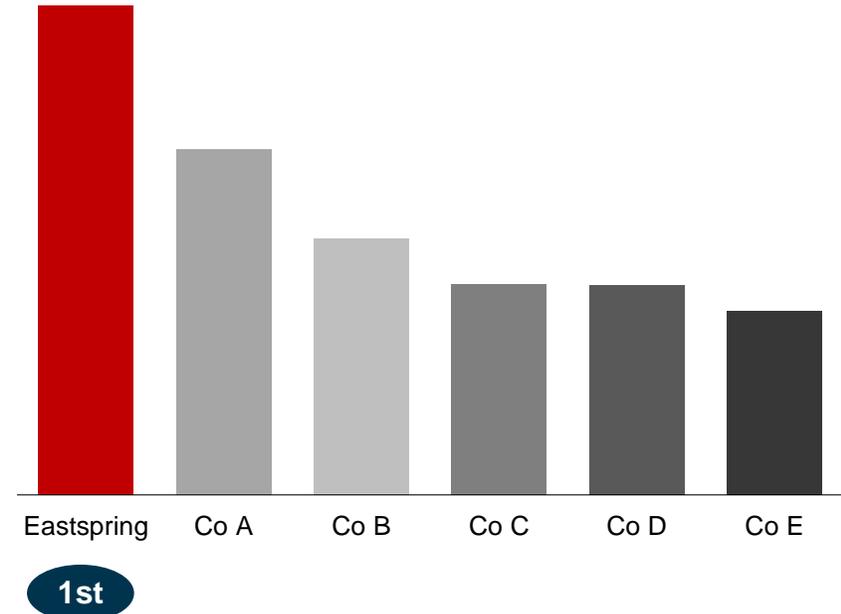
# Asia Eastspring



Funds under management, £bn

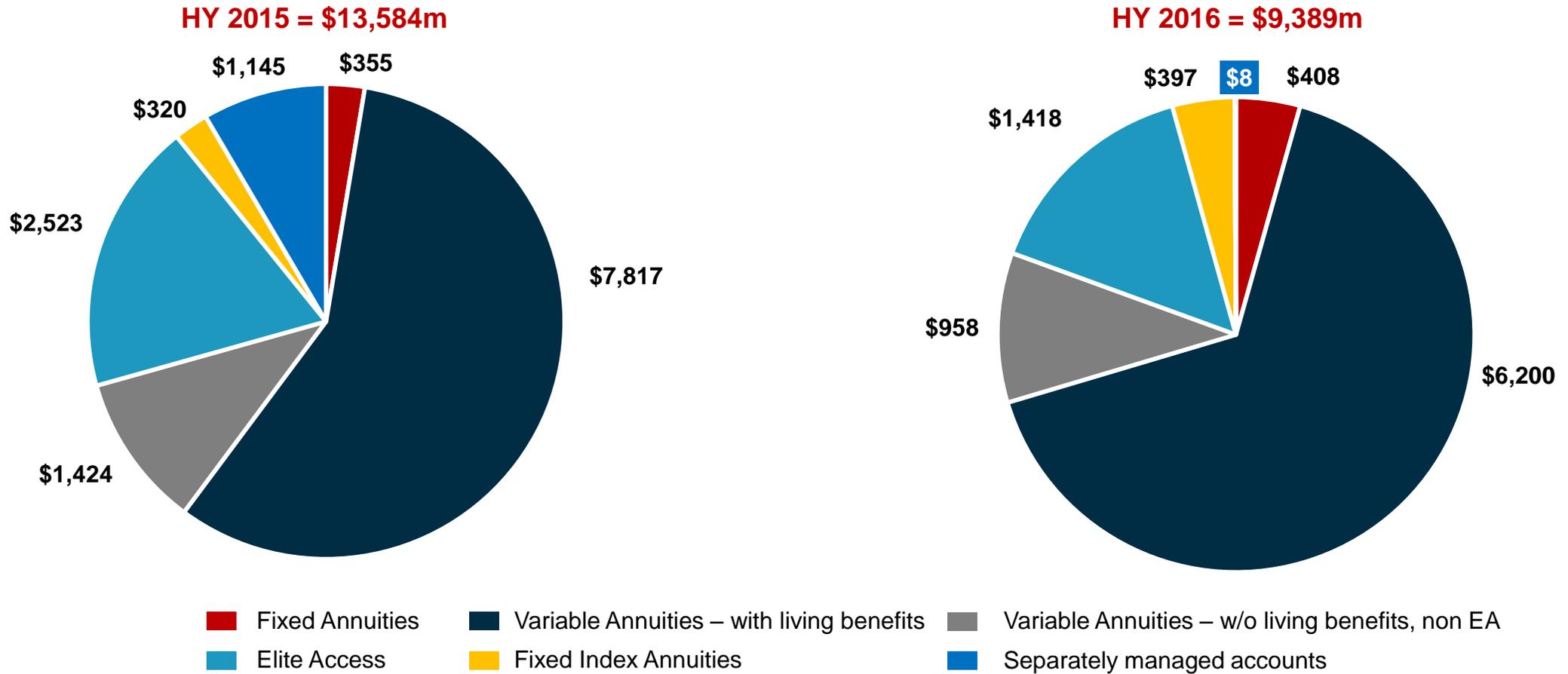


Largest retail fund manager – FUM<sup>1</sup>, £bn



<sup>1</sup> Based on assets sourced from the region. Excluding Japan, Australia and New Zealand as at Jun 2015. Source Asia Asset Management September 2015 (Ranked according to participating regional players only)

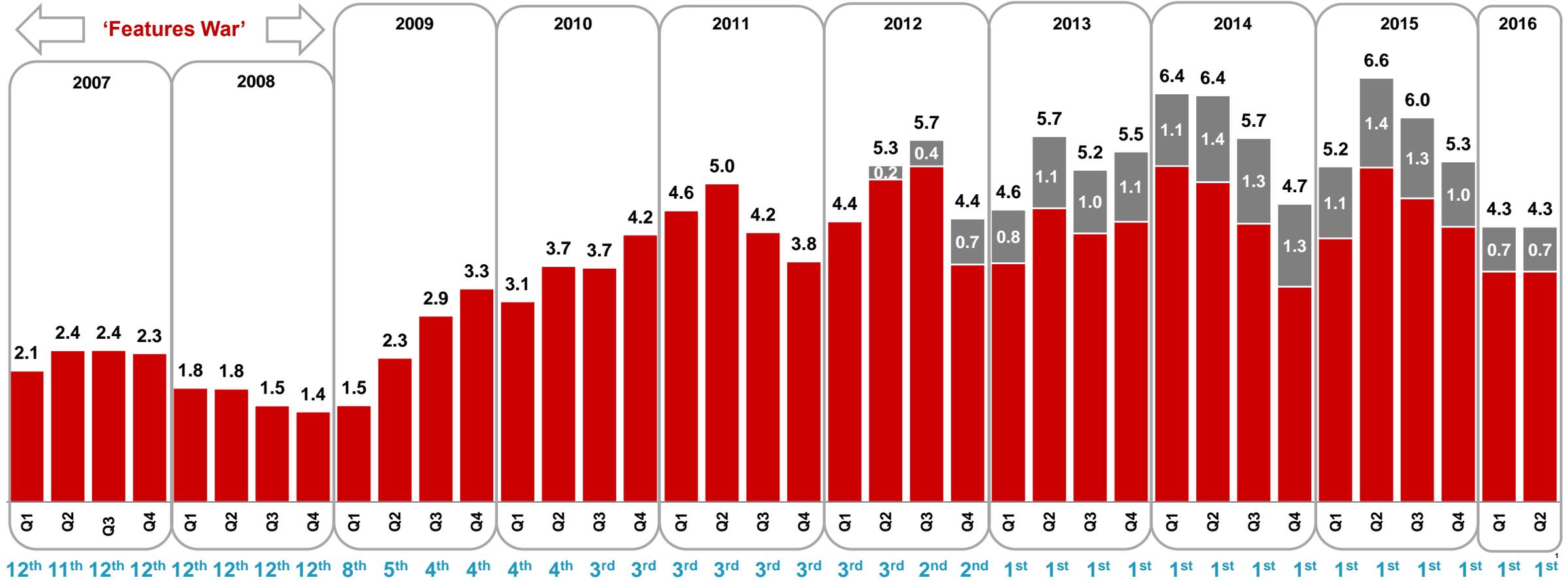
Retail sales and deposits, \$m



# US VA volumes



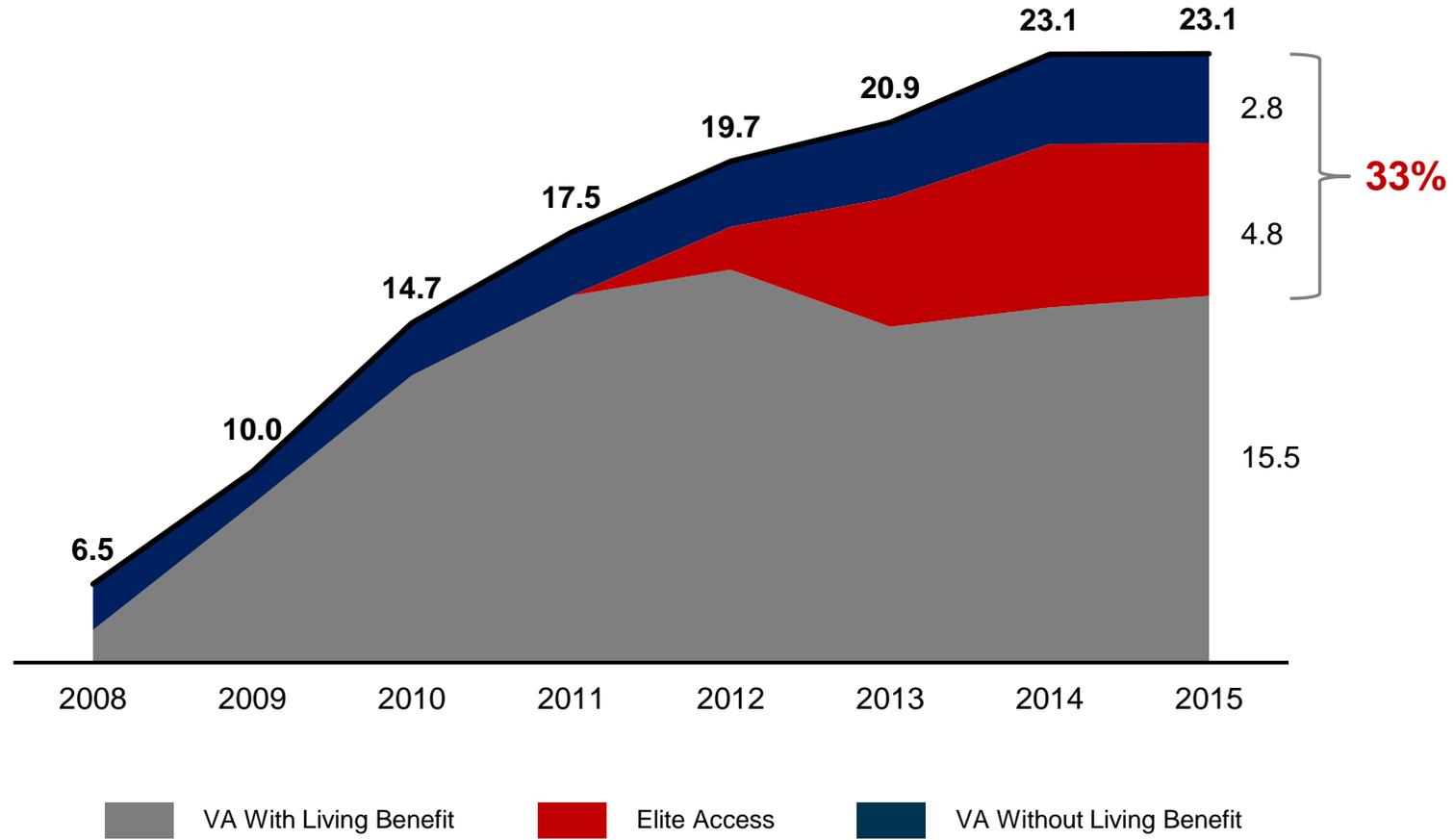
VA volumes by quarter, sales US\$bn



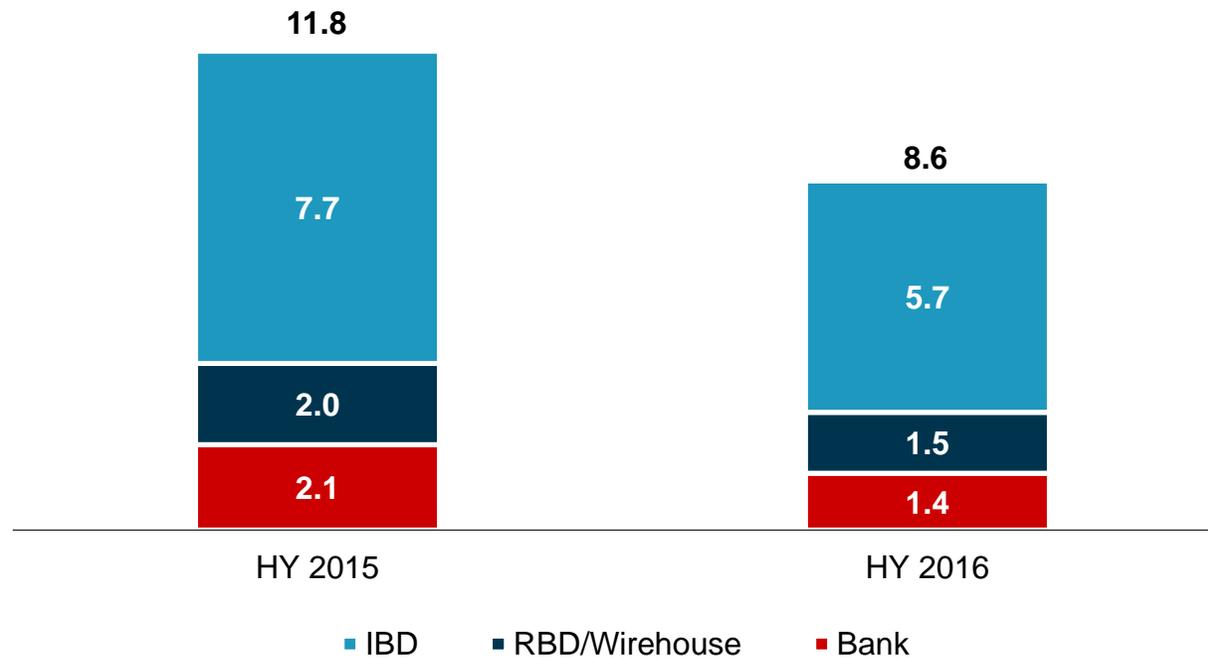
1 Estimated.  
2 Morningstar Annuity Research Center.

XX Ranking<sup>2</sup> ■ Elite Access

Jackson VA sales mix, \$bn



Variable annuity sales by distribution channel, US\$bn

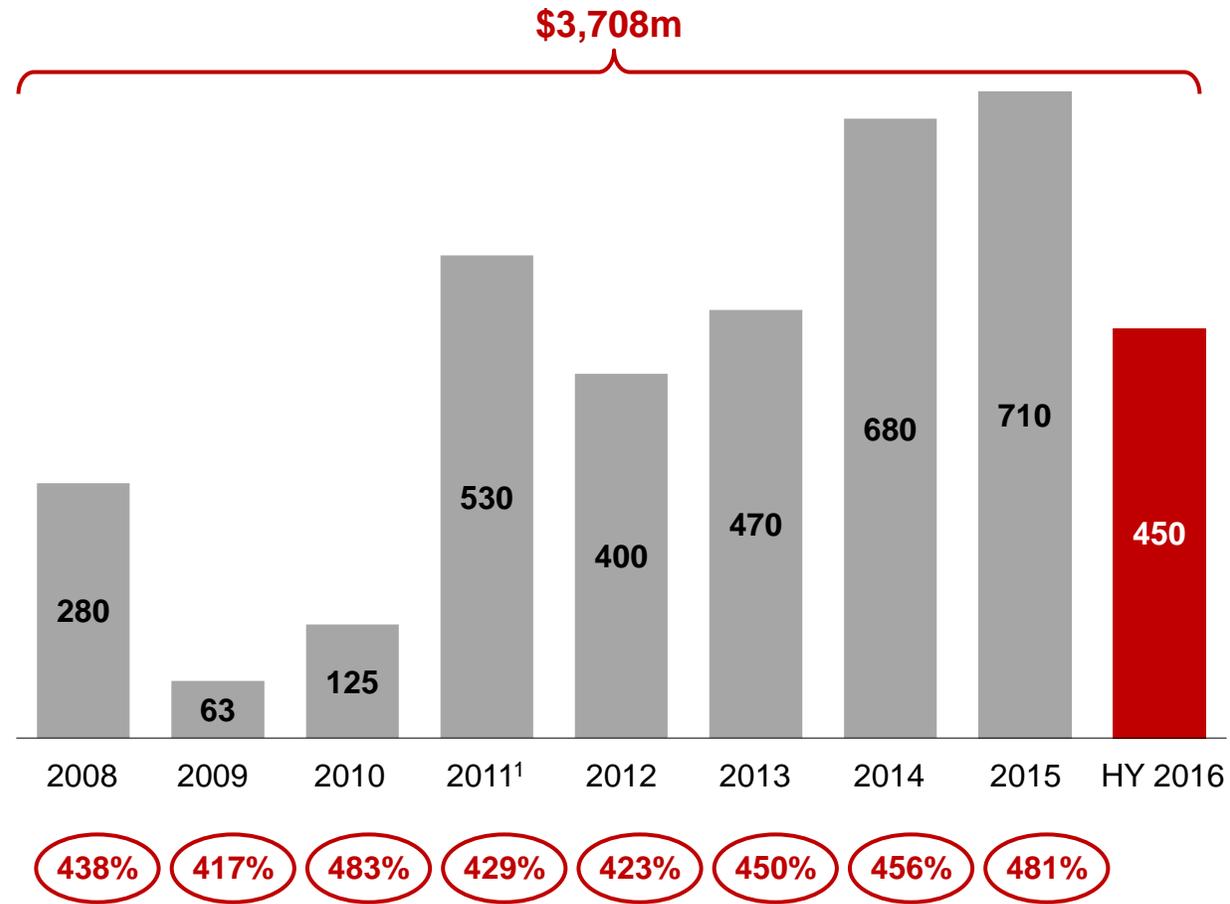


IBD: Independent Broker/Dealer, RBD: Regional Broker Dealer.

# US Cash remittances



Cash remittances, \$m



<sup>1</sup> Net remittances from Jackson include \$197m in 2011 representing release of excess surplus to the Group.

## Impact on results of DAC amortisation, £m

	2015	HY2015	HY2016
Gross profits <sup>1</sup>	2,231	1,113	1,141
New business strain <sup>2</sup>	(205)	(110)	(92)
DAC Amortisation			
- Core	(514)	(275)	(266)
- (Acceleration) / deceleration	(2)	20	29
Operating result	1,510	748	812
<b>Core as % of Gross profits</b>	<b>23%</b>	<b>25%</b>	<b>23%</b>

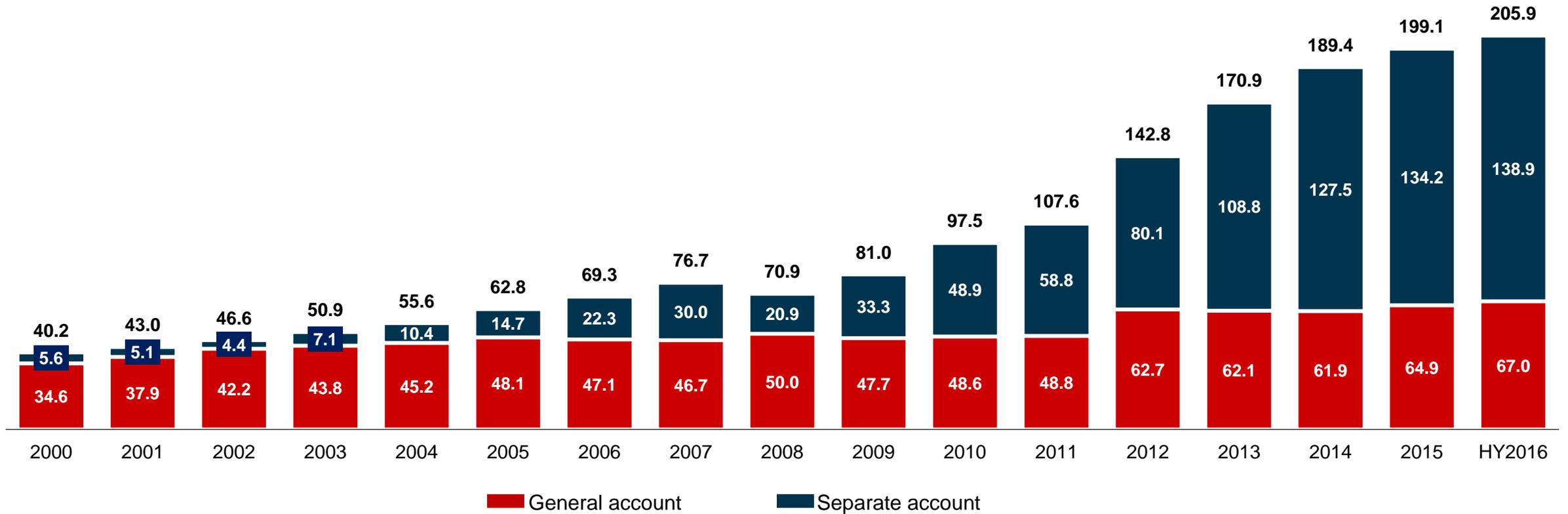
<sup>1</sup> Gross profits equals IFRS operating profit pre acquisition costs and pre DAC, excluding REALIC.

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

# US Asset growth



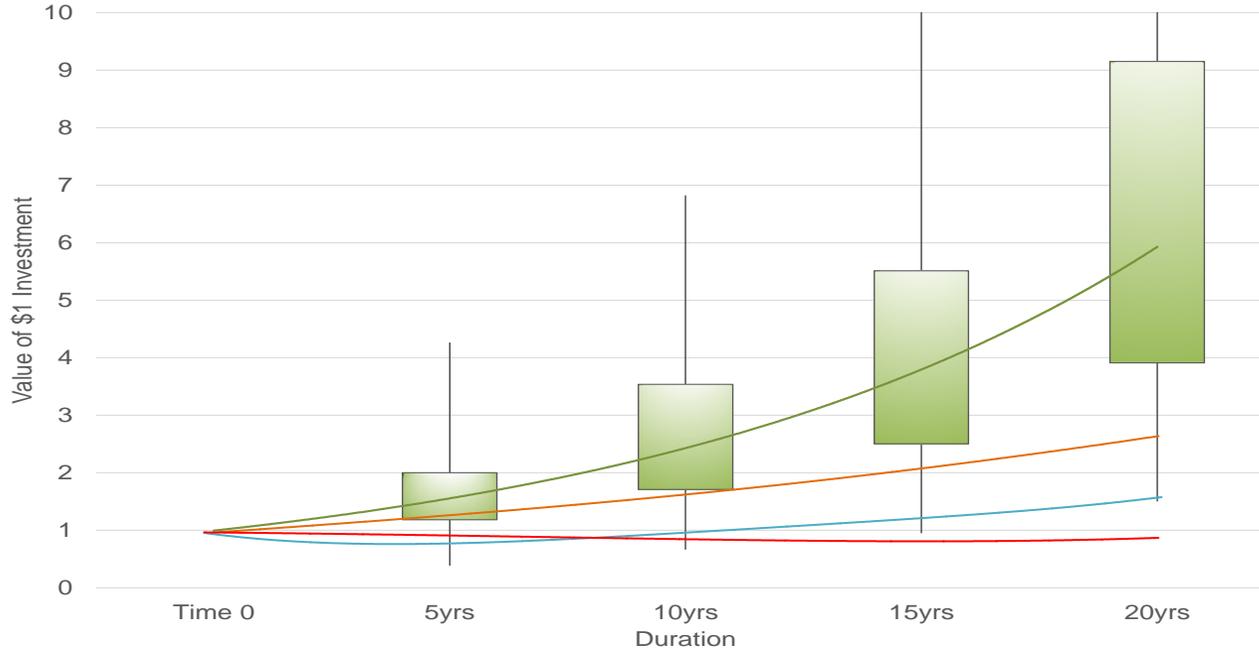
Growth in statutory admitted assets, US\$bn



# US Reserves Return Assumptions



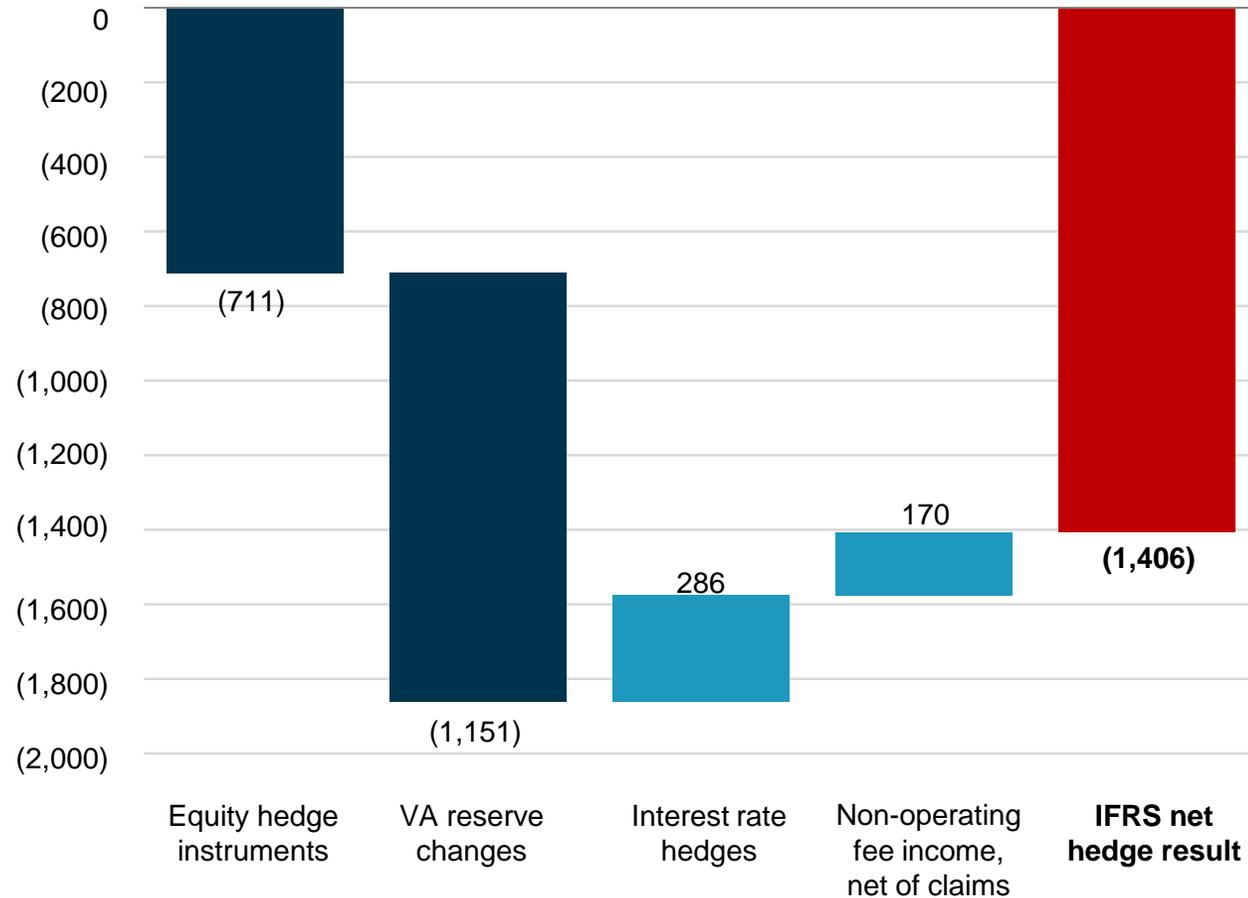
IFRS Mean Return vs S&P 500 Historical



<sup>1</sup> As shown at the Group's January 2016 Investor Day, except IFRS, which has been updated to as at 30 June 2016

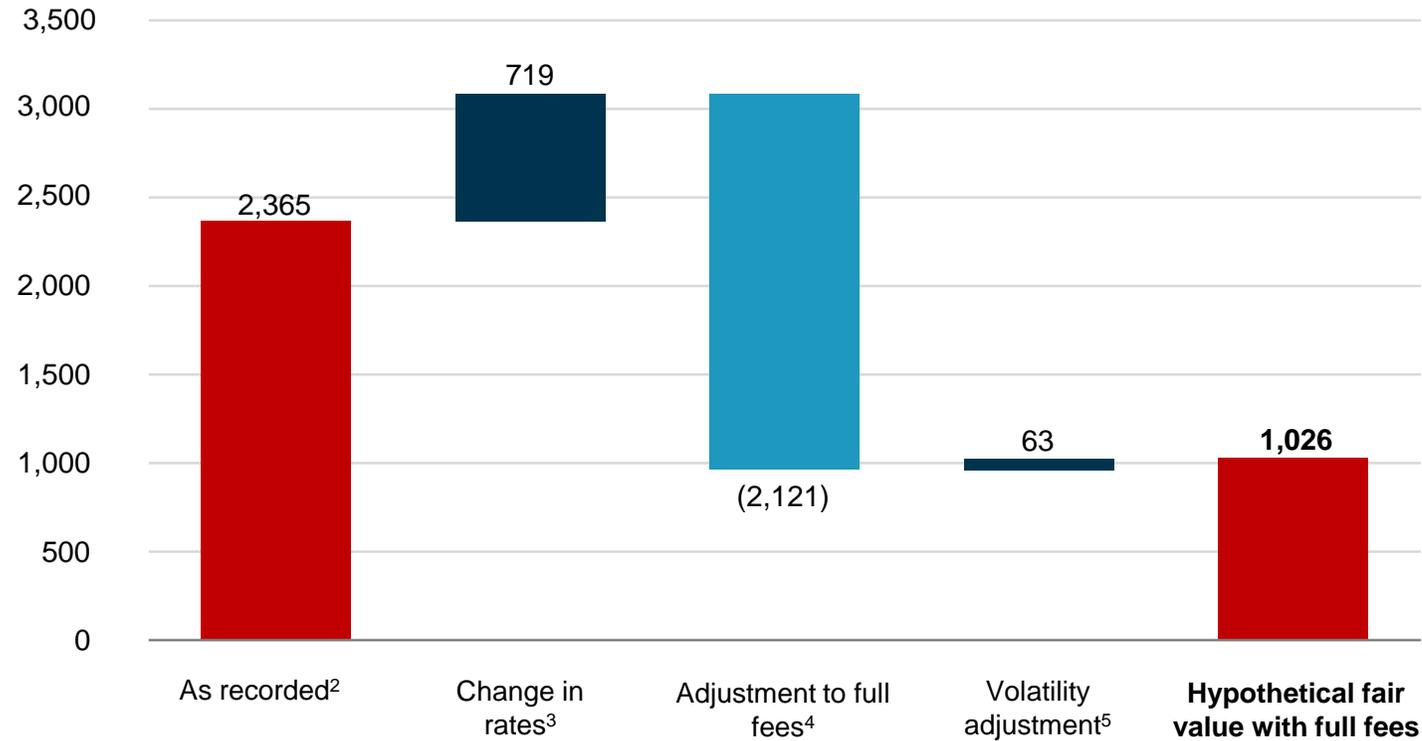
- Reserves are based on conservative return assumptions
- All accounting bases assume 20-year equity market returns well below the mean returns posted by the S&P 500<sup>1</sup>
- IFRS return assumptions are especially punitive. There has never been a 20-year period for the S&P with as weak a return profile as what is used in the mean IFRS scenario.

**HY2016 VA hedge results, net of related DAC, £m**



# 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> For GMDB and GMWD liabilities only. Excludes adjustment for volatility, which is shown separately. Includes application of market based (30.06.16) earned rates based on the greater of the SWAP and treasury curves (1.5% representative 10 year rate) and AA corporate bond discount rates (2.8% representative 10 year rate) in place of long-term rate of 7.4% for IFRS (8.4% discount rates used for pre-2013 issues).

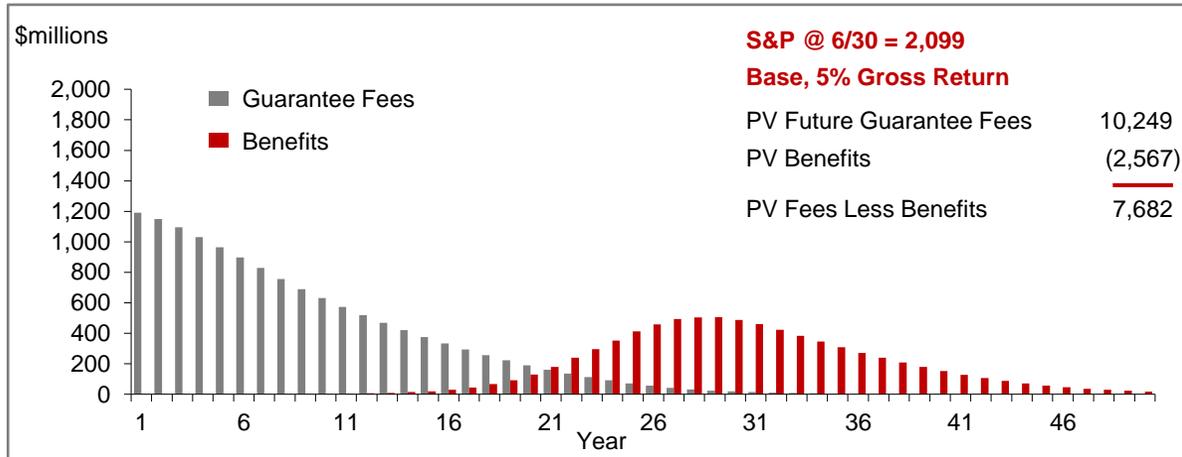
<sup>4</sup> Value of fees over and above those in reserve calculations.

<sup>5</sup> Application of market based (30.06.16) volatility curve (21.9% representative 5 year rate) instead of long-term 15% level for IFRS.

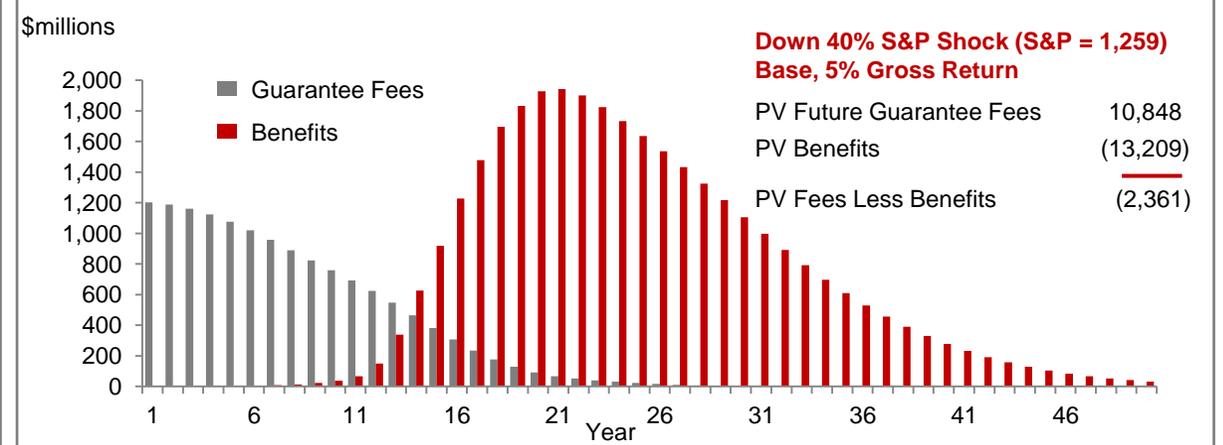
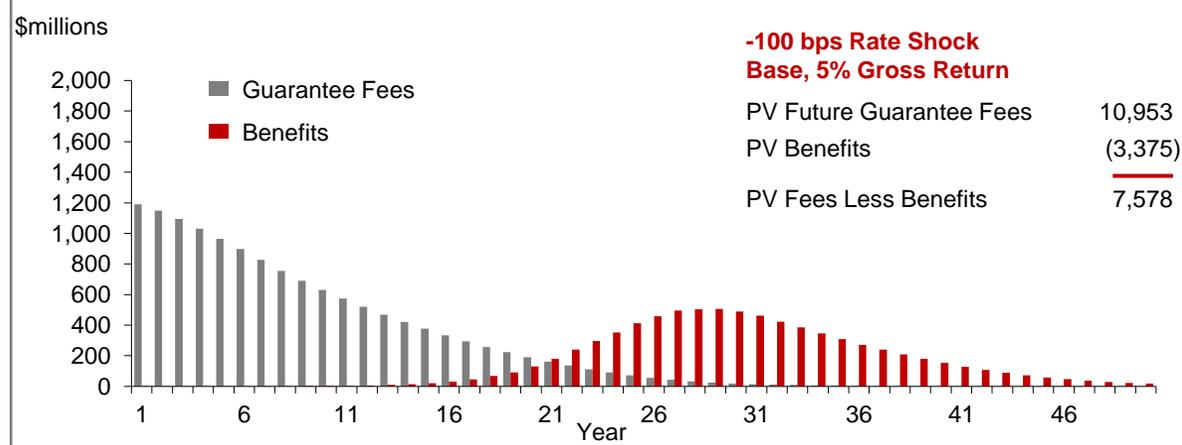
	<b>Total adjusted Capital US\$bn</b>
<b>31 Dec 2015</b>	<b>5.1</b>
Operating profit	0.5
Dividend	(0.5)
Reserves net of hedging and other effects	(1.2)
<b>30 June 2016</b>	<b>3.9</b>

- Hedging programme continues to effectively mitigate risks
- Earned guarantee fees of 131 bps per annum (c\$0.9bn in HY 2016). Expected guarantee fees of \$1.8bn for 2016
- Equity allocations remain below our 84% pricing assumption
- Total adjusted capital excludes:
  - Gains on interest rate swaps: \$957m net of tax at 30 June 2016 (31 Dec 2015: gain of \$356m)
  - Gains on long-dated US Treasuries acquired to manage duration/ interest rate exposure: \$371m net of tax

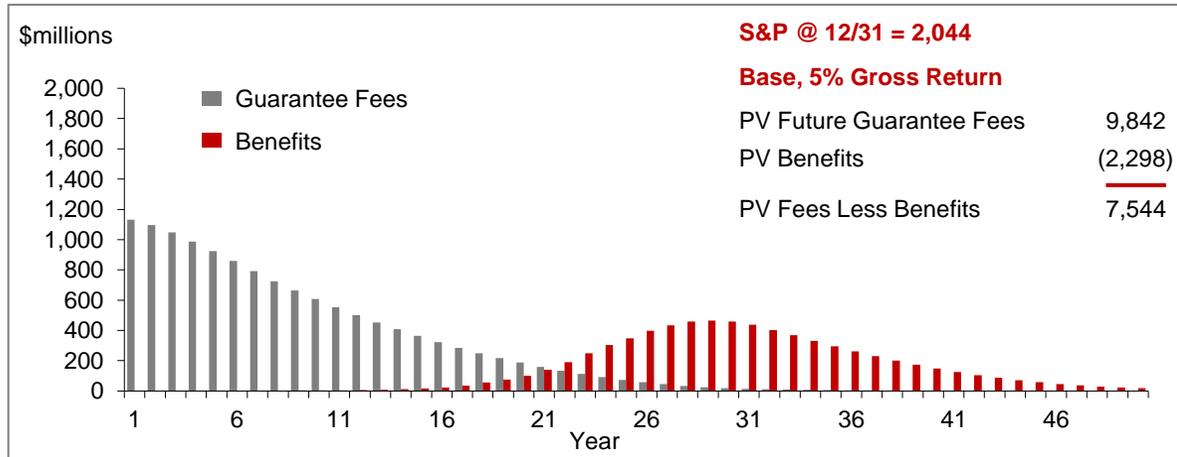
### Unhedged GMWB Cash Flow Exposure, 30 June 2016



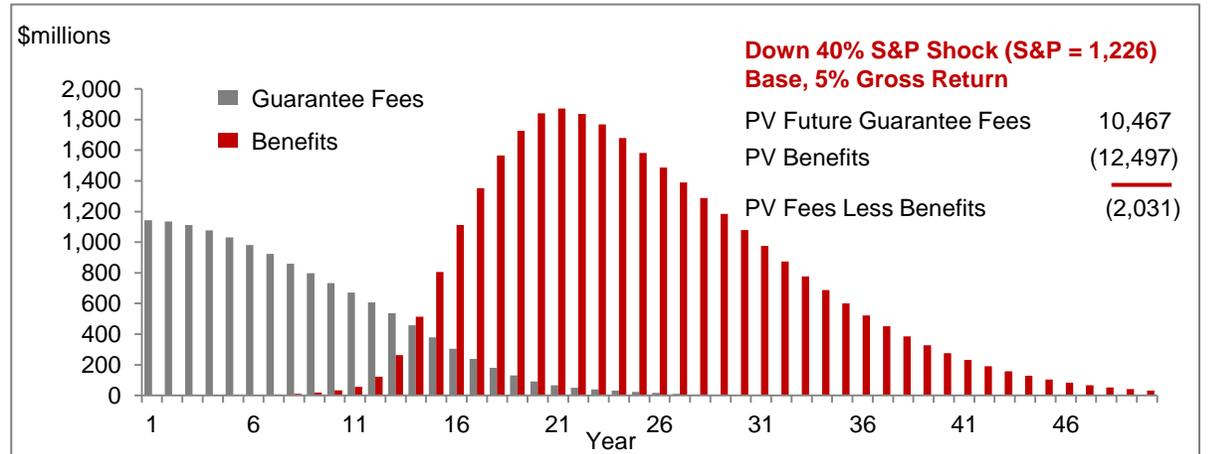
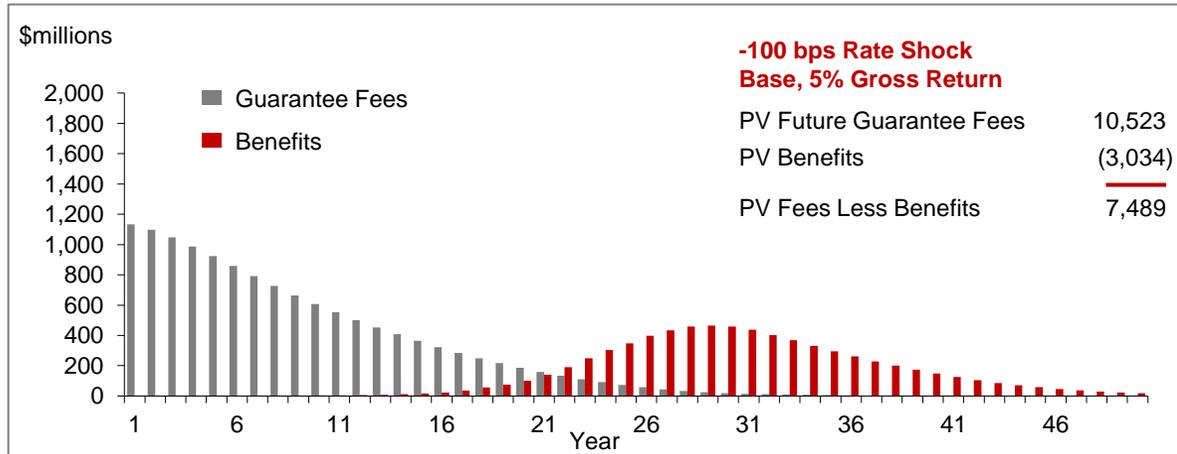
- Includes guarantee fees only
- Uses prudent best estimate assumptions (AG43, C3P2)
- 5% gross return is well below historical average market return
- Ignores guarantee fees collected to date as well as reserves
- PV of future GMWB fees exceeds PV of benefits over a wide range of market shocks
- Negative cash flow is far into future even in bad scenarios
- No material strain on liquidity in any given year



### Unhedged GMWB Cash Flow Exposure, 31 December 2015



- Includes guarantee fees only
- Uses prudent best estimate assumptions (AG43, C3P2)
- 5% gross return is well below historical average market return
- Ignores guarantee fees collected to date as well as reserves
- PV of future GMWB fees exceeds PV of benefits over a wide range of market shocks
- Negative cash flow is far into future even in bad scenarios
- No material strain on liquidity in any given year

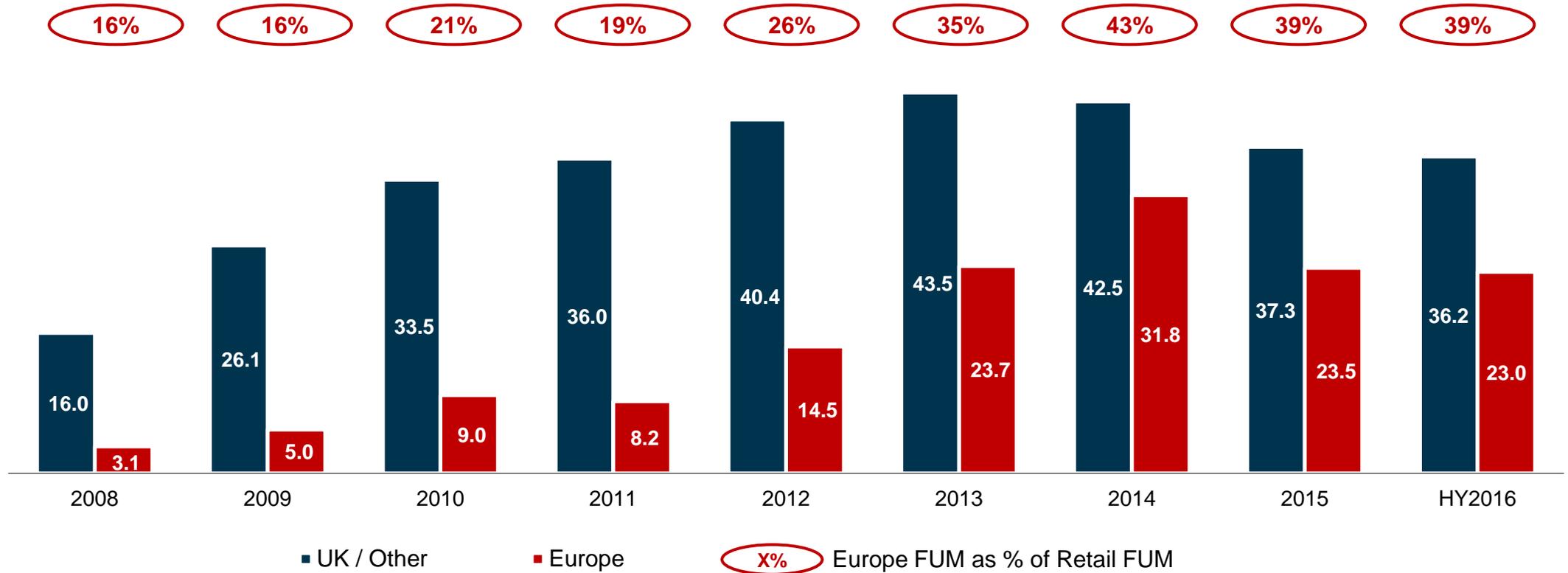


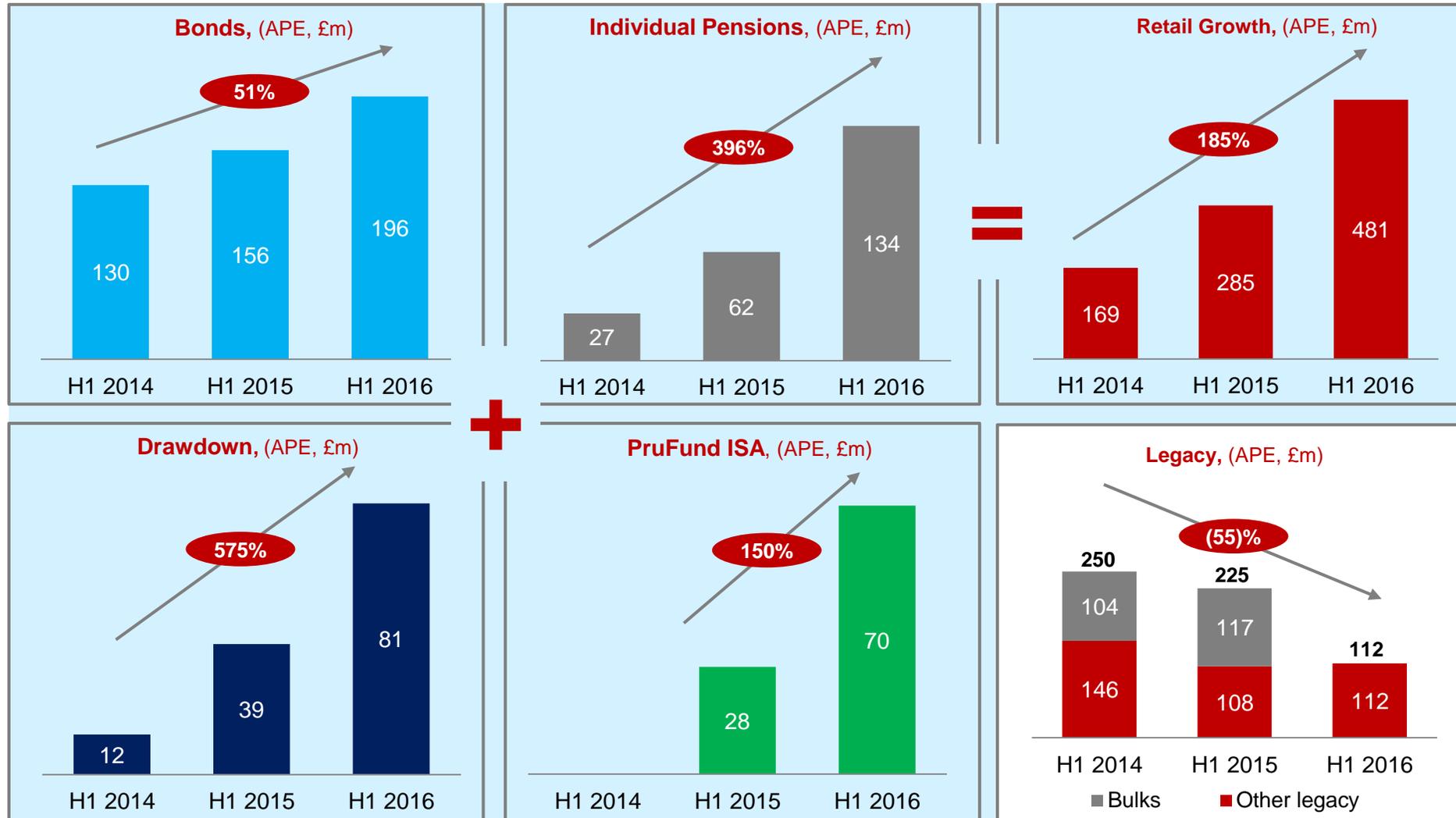
# Asset Management

## M&G – retail FUM



Retail funds under management, £bn



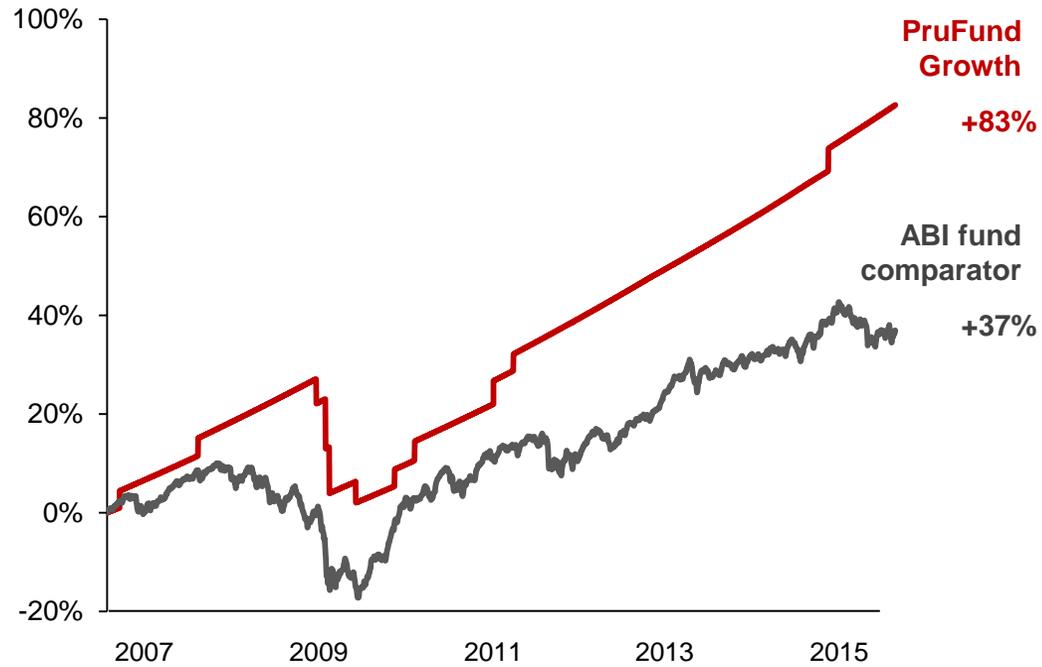


# UK Life

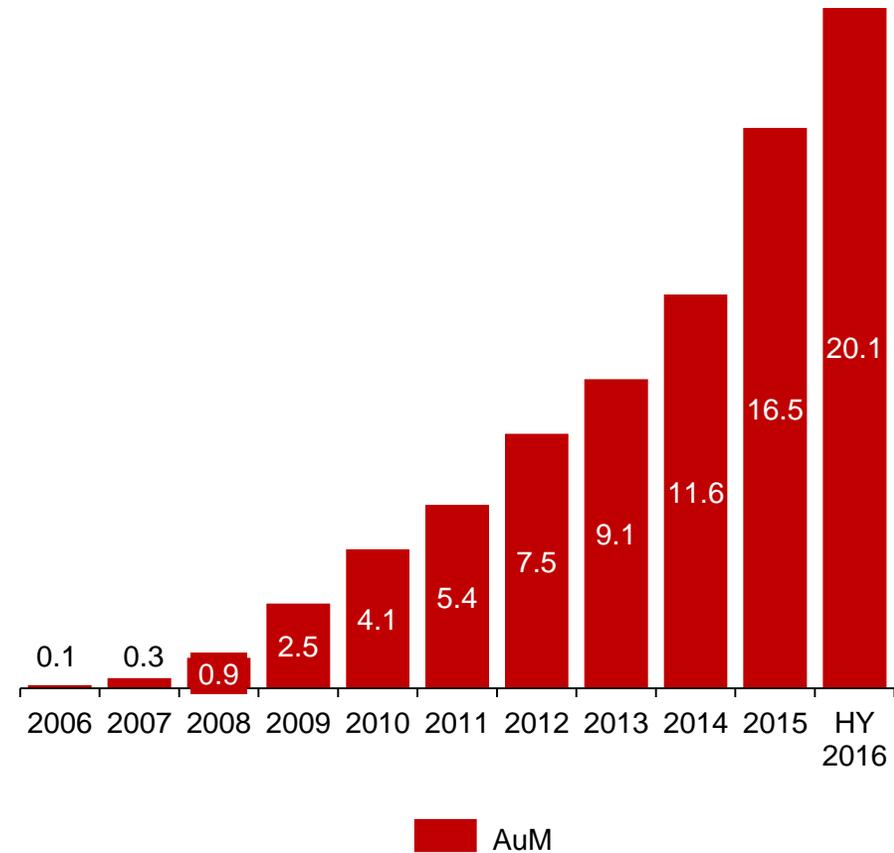
## PruFund Range



**PruFund Investment Performance<sup>1</sup>**

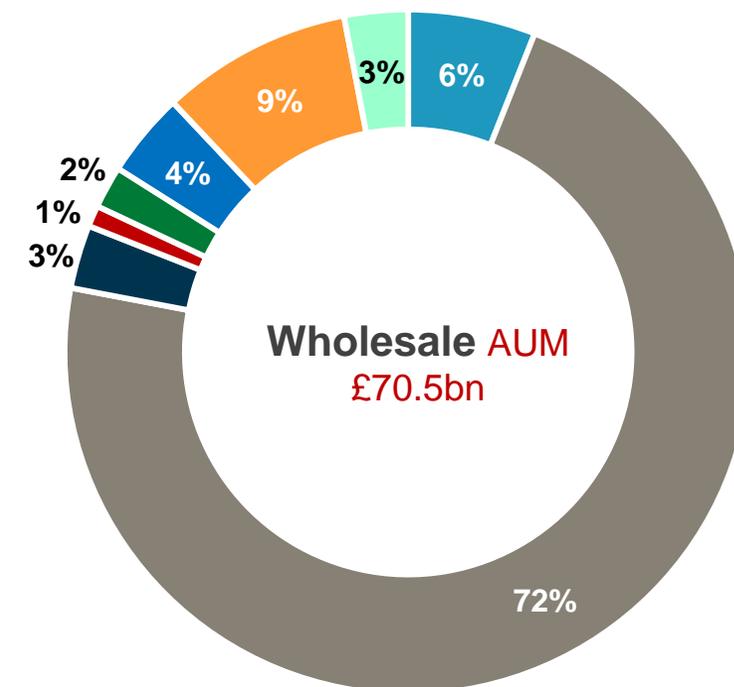
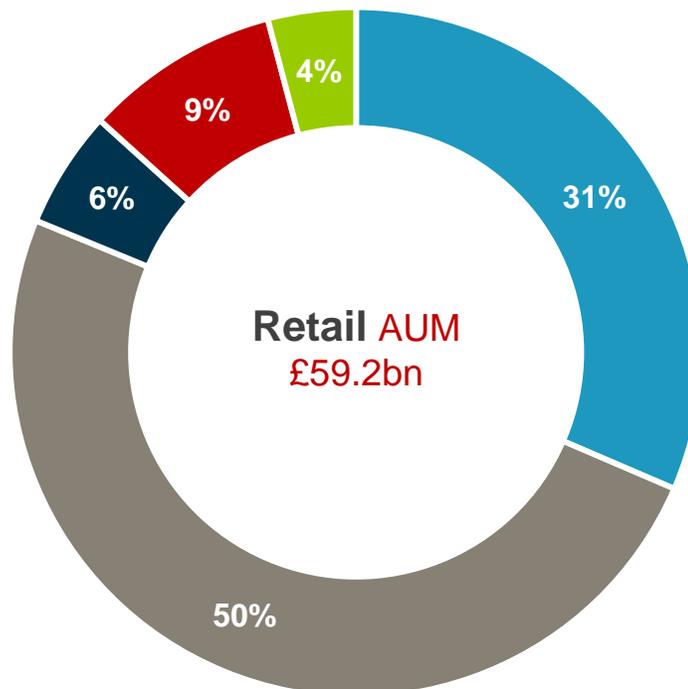
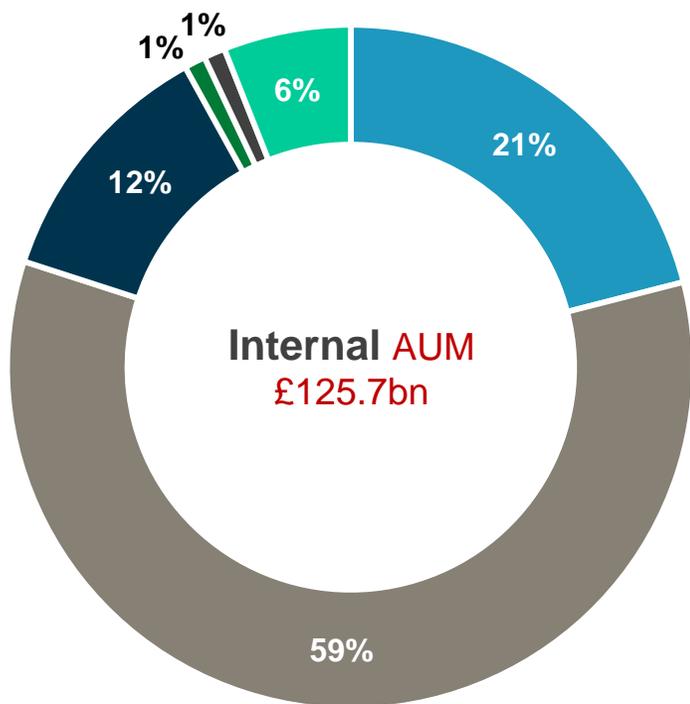


**Growth in PruFund AuM (£bn)**



<sup>1</sup> ABI Mixed Investment 20%-60% Shares TR; performance from 30 December 2005 to 31 December 2015

M&G Group assets under management by client type and asset class (%), 30 June 2016<sup>1</sup>



Equities

Infrastructure

Structures products

Fixed Income

Real estate mortgages/ debt

Other alternative investments

Real Estate

Private equity

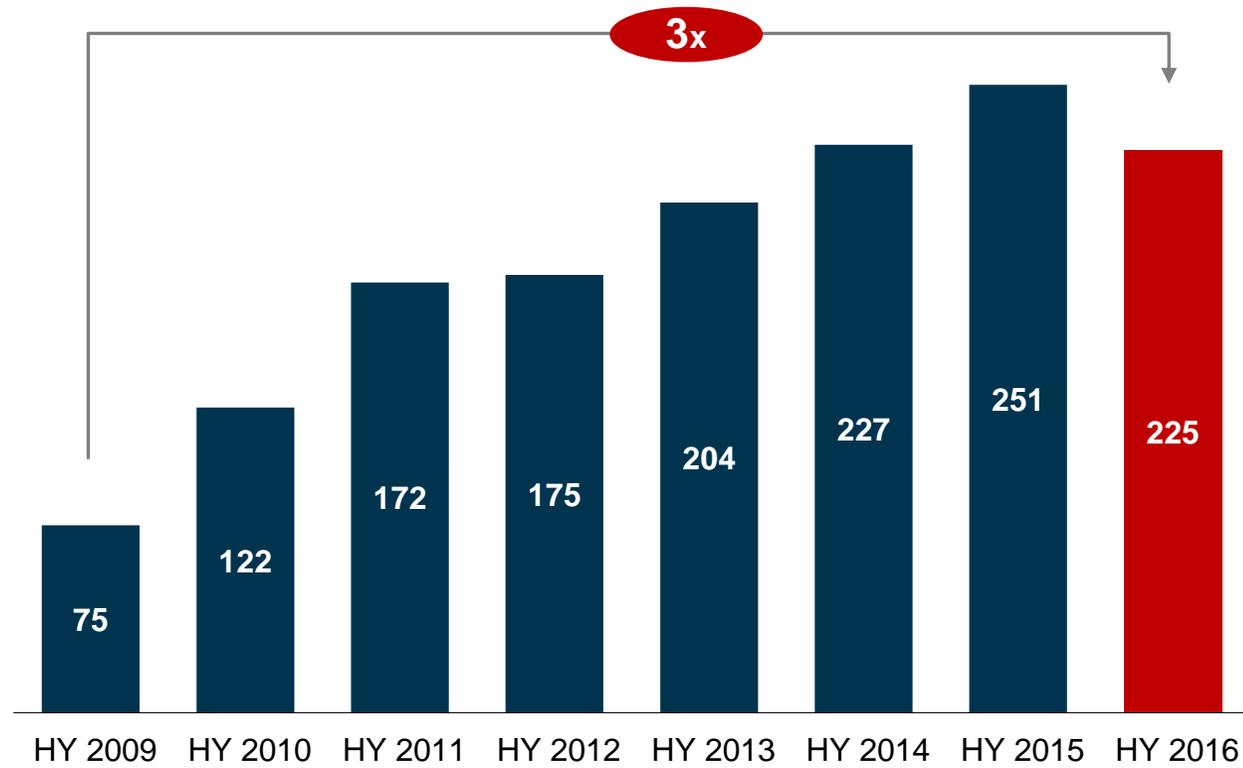
Cash

Multi-asset

Other debt/ private finance lending

<sup>1</sup> Asset class splits exclude assets from Prudential Investment Managers South Africa business.

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



<sup>1</sup> Excludes PruCap.

# IFRS operating profit – sources of earnings

## Life insurance - Asia



**PRUDENTIAL**

Source		
HY 2016	HY 2015 (CER)	+/-
£m except reserves £bn		

				<b>Total operating profit</b>																																																							
				682	584	17%																																																					
				<b>=</b>																																																							
<b>Total Life income</b>			<b>Total Life expenses</b>			<b>DAC adjustments</b>																																																					
1,624	1,446	12%	<b>-</b>	(1,001)	(941)	(6)%	<b>+/-</b>	59	79	(25)%																																																	
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="3" style="background-color: #0070c0; color: white; text-align: center;"><b>Spread income</b></td> <td colspan="3" style="background-color: #0070c0; color: white; text-align: center;"><b>Fee income</b></td> <td colspan="3" style="background-color: #0070c0; color: white; text-align: center;"><b>Technical and other margin</b></td> <td colspan="3" style="background-color: #0070c0; color: white; text-align: center;"><b>With-profits</b></td> </tr> <tr> <td style="text-align: center;">82</td> <td style="text-align: center;">66</td> <td style="text-align: center;">24%</td> <td style="text-align: center;">86</td> <td style="text-align: center;">87</td> <td style="text-align: center;">(1)%</td> <td style="text-align: center;">1,392</td> <td style="text-align: center;">1,238</td> <td style="text-align: center;">12%</td> <td style="text-align: center;">24</td> <td style="text-align: center;">21</td> <td style="text-align: center;">14%</td> </tr> <tr> <td colspan="3" style="background-color: #0070c0; color: white; text-align: center;"><b>Expected returns</b></td> <td colspan="3"></td> <td colspan="3"></td> <td colspan="3"></td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">34</td> <td style="text-align: center;">18%</td> <td colspan="9"></td> </tr> </table>												<b>Spread income</b>			<b>Fee income</b>			<b>Technical and other margin</b>			<b>With-profits</b>			82	66	24%	86	87	(1)%	1,392	1,238	12%	24	21	14%	<b>Expected returns</b>												40	34	18%									
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# IFRS operating profit - sources of earnings

## Life insurance - UK



Source		
HY2016	HY2015	+/-
£m except reserves £bn		

Total operating profit		
473	436	8%

=

Total Life income		
575	545	6%

-

Total Life expenses		
(100)	(109)	7%

-

DAC adjustments		
(2)	-	-

Spread income		
96	137	(30)%

Fee income		
29	33	(12)%

Technical and other margin		
111	114	(3)%

Expected returns		
61	67	(9)%

With-profits		
138	133	4%

Spread (bps)	59	86	(27)
Average reserves	32.6	31.9	2%

AMF (bps)	27	29	(2)
Average reserves	21.5	23.0	(6)%

Margin on revenues	86	88	(2)%
Insurance margin	25	26	(4)%

Solvency actions/ other		
140	61	130%

# IFRS operating profit – sources of earnings

## Asset management



Source		
HY2016	HY2015 (CER)	+/-
£m except average assets £bn		

Asset Management Operating profit <sup>1</sup>		
286	311	(8)%



M&G		
225	251	(10)%

Eastspring Investments		
61	60	2%

Underlying income		
440	491	(10)%

Other income <sup>2</sup>		
14	8	75%

Total expenses		
(229)	(248)	8%

Total income <sup>2</sup>		
156	156	-

Total expenses		
(95)	(96)	1%

Average fees <sup>4</sup> (bps)	36	38	(2)
Average assets (£bn)	243	260	(7)%

Cost / income ratio <sup>3</sup>		
52%	51%	1ppt

Average fees <sup>4</sup> (bps)	30	32	(2)
Average assets (£bn)	102	96	6%

Cost / income ratio <sup>3</sup>		
56%	58%	(2)ppt

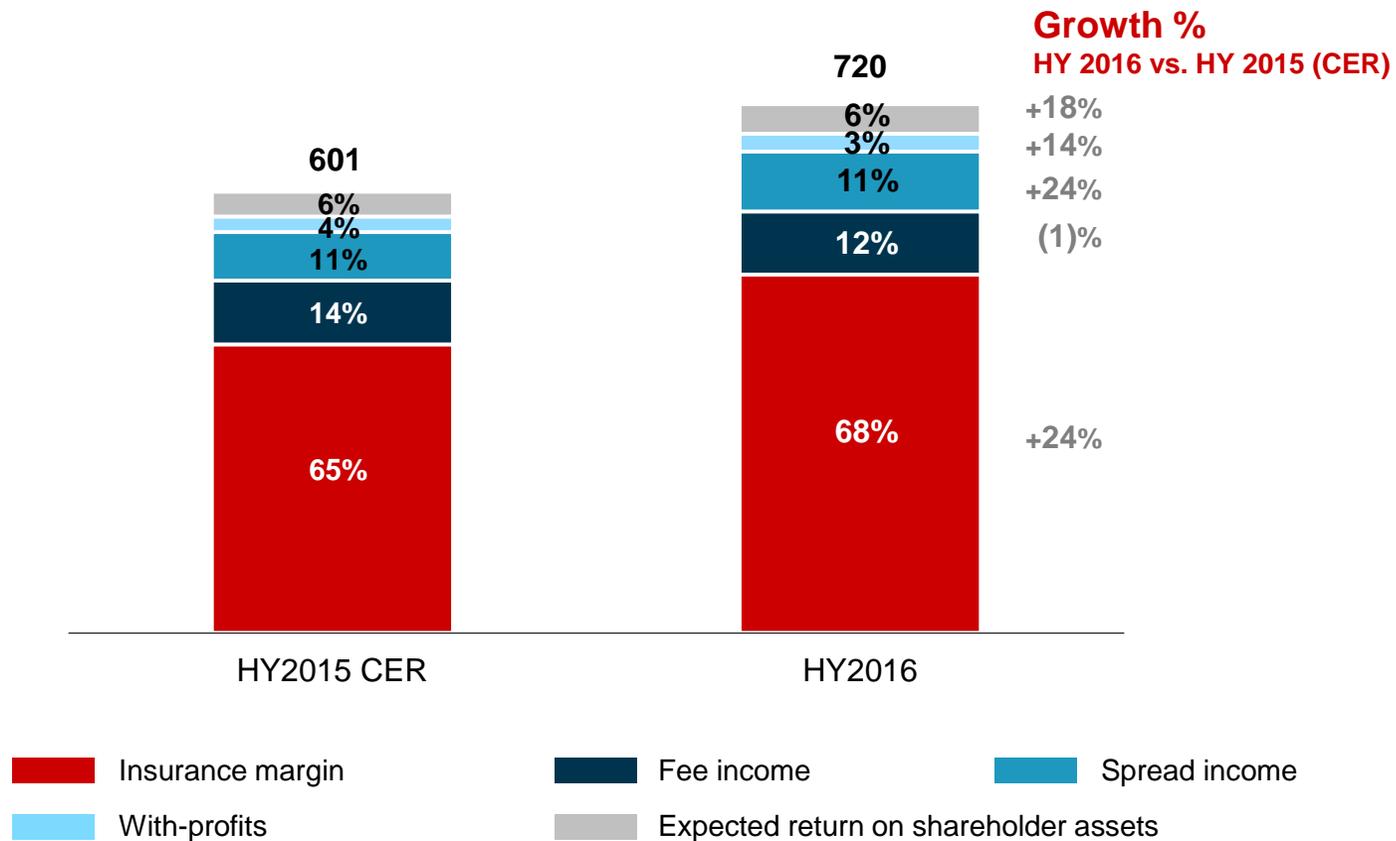
1 Excludes PruCap and US asset management business.  
 2 Includes performance related fees for M&G, carried interest and its share of operating profit from PPMSA and for Eastspring performance related fees.  
 3 Cost/income ratio excludes performance-related fees, carried interest and profit from associate, and for Eastspring, taxes on JV operating profit.  
 4 Average fees exclude performance-related fees (PRF) and M&G's share of operating profit from PPMSA.

# IFRS operating profit sources of income

## Life insurance - Asia



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



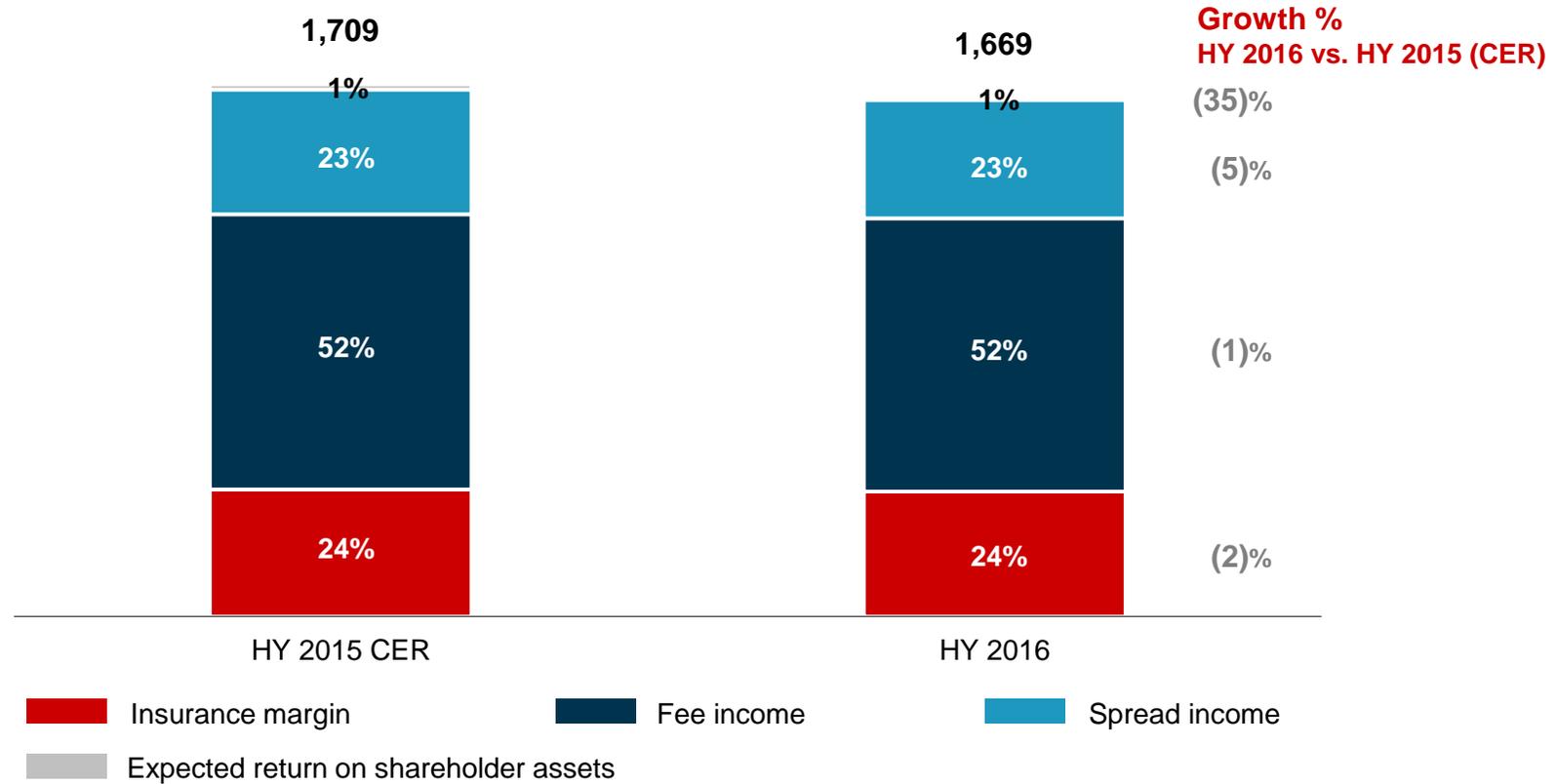
<sup>1</sup> Excludes margin on revenues, acquisition and administration expenses and DAC adjustments.

# IFRS operating profit sources of income

## Life insurance - US



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



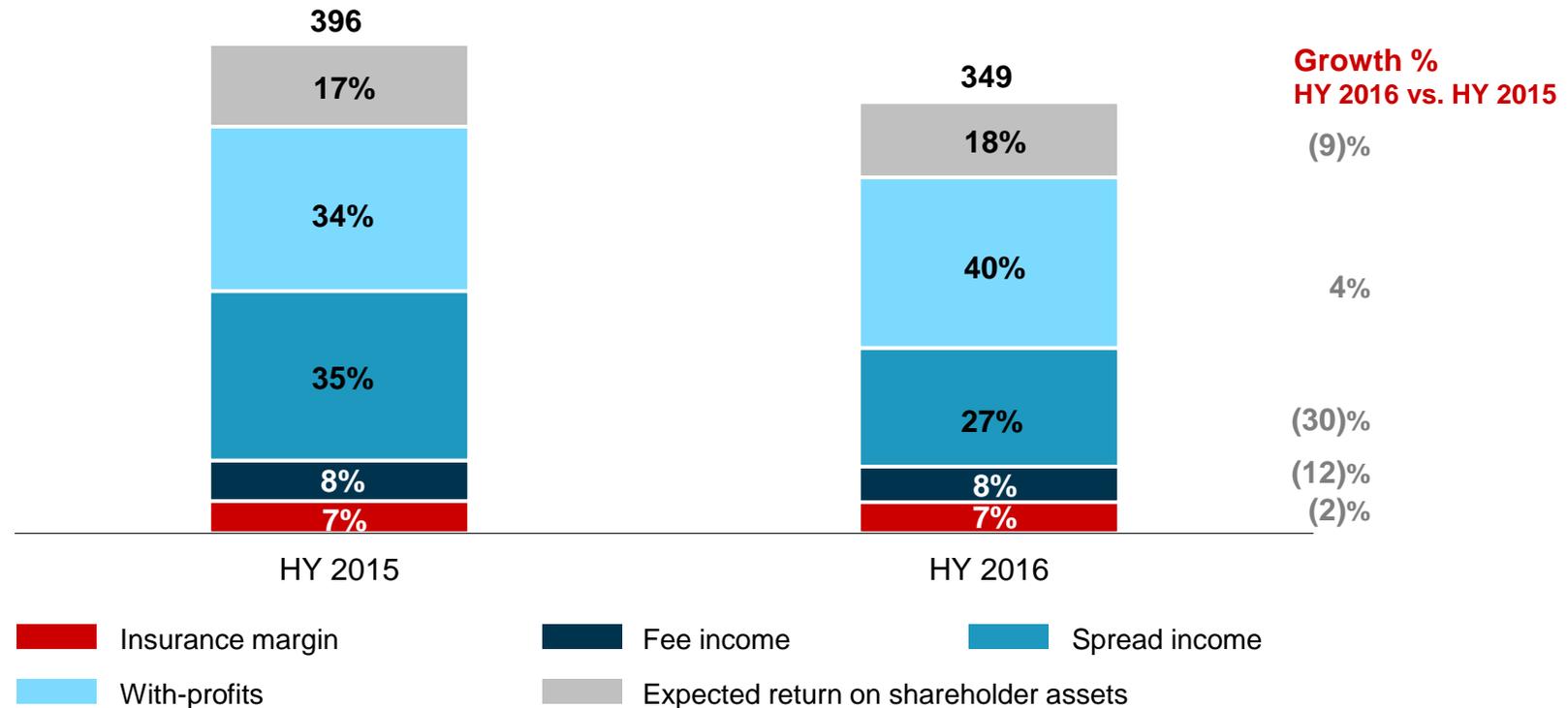
<sup>1</sup> Excludes acquisition, administration expenses and DAC amortisation.

# IFRS operating profit sources of income

## Life insurance - UK



UK IFRS operating income<sup>1,2</sup>, £m



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

<sup>2</sup> Excludes UK specific management actions taken to position the balance sheet more efficiently under Solvency II.

# EEV operating profit

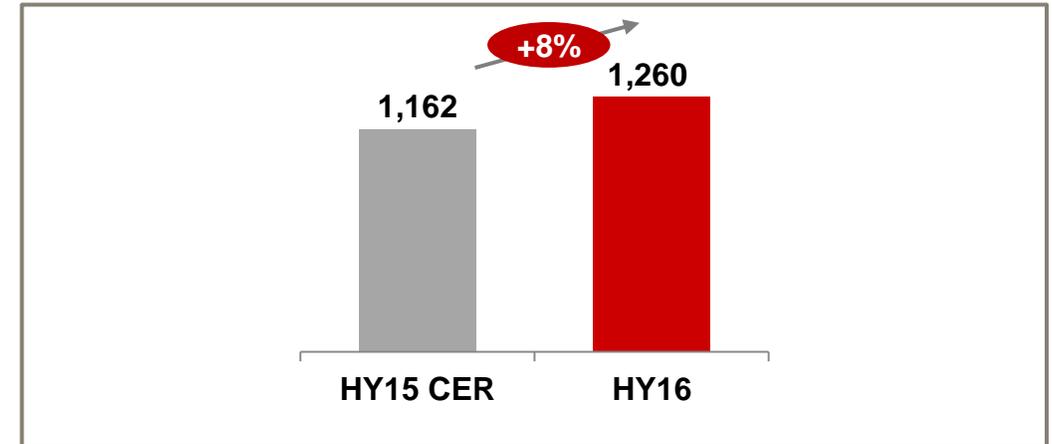
Half Year operating return on EEV 14%



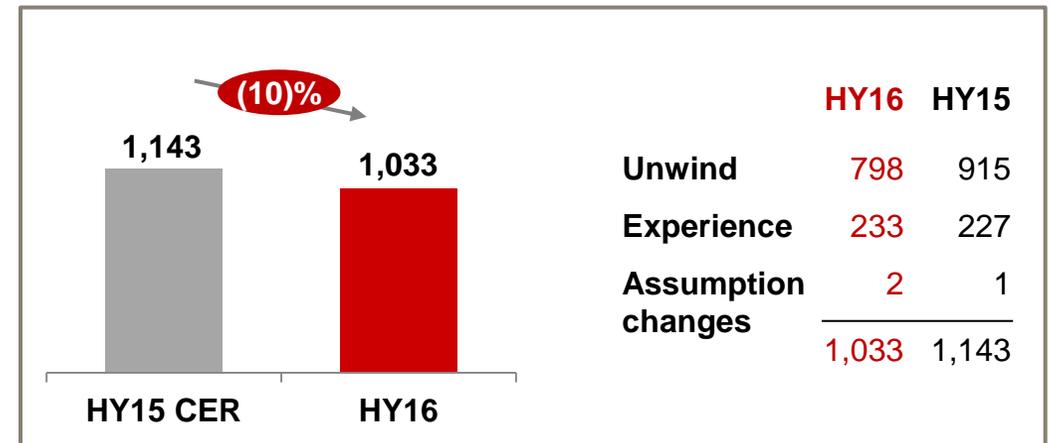
EEV operating profit by business unit<sup>4</sup>, £m (CER)

	HY16	vs HY15 <sup>2</sup>
Asia Life	1,215	+10%
US Life	694	(20)%
UK Life	384	(7)%
Asset Management <sup>1</sup>	252	(11)%
	2,545	(4)%
Other	(282)	5%
<b>Total</b>	<b>2,263</b>	<b>(4)%</b>

New business profit<sup>3,4</sup>, £m (CER<sup>2</sup>)



In-force profit<sup>1,4</sup>, £m (CER<sup>2</sup>)



1 Includes post-tax operating profit from M&G, PruCap, Eastspring, Curian and US broker-dealers, and UK general insurance commission.  
 2 HY15 restated on constant exchange rate basis, increasing Asia new business profit by £24 million, US new business profit by £23 million, Asia in-force profit by £10 million and US in-force profit by £28 million.  
 3 HY15 comparative stated excluding new business profit of £75 million from bulk annuities.  
 4 HY16 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime effective from 1 January 2016. HY15 results and prior reflect the Solvency I basis being the regime applicable for those periods.

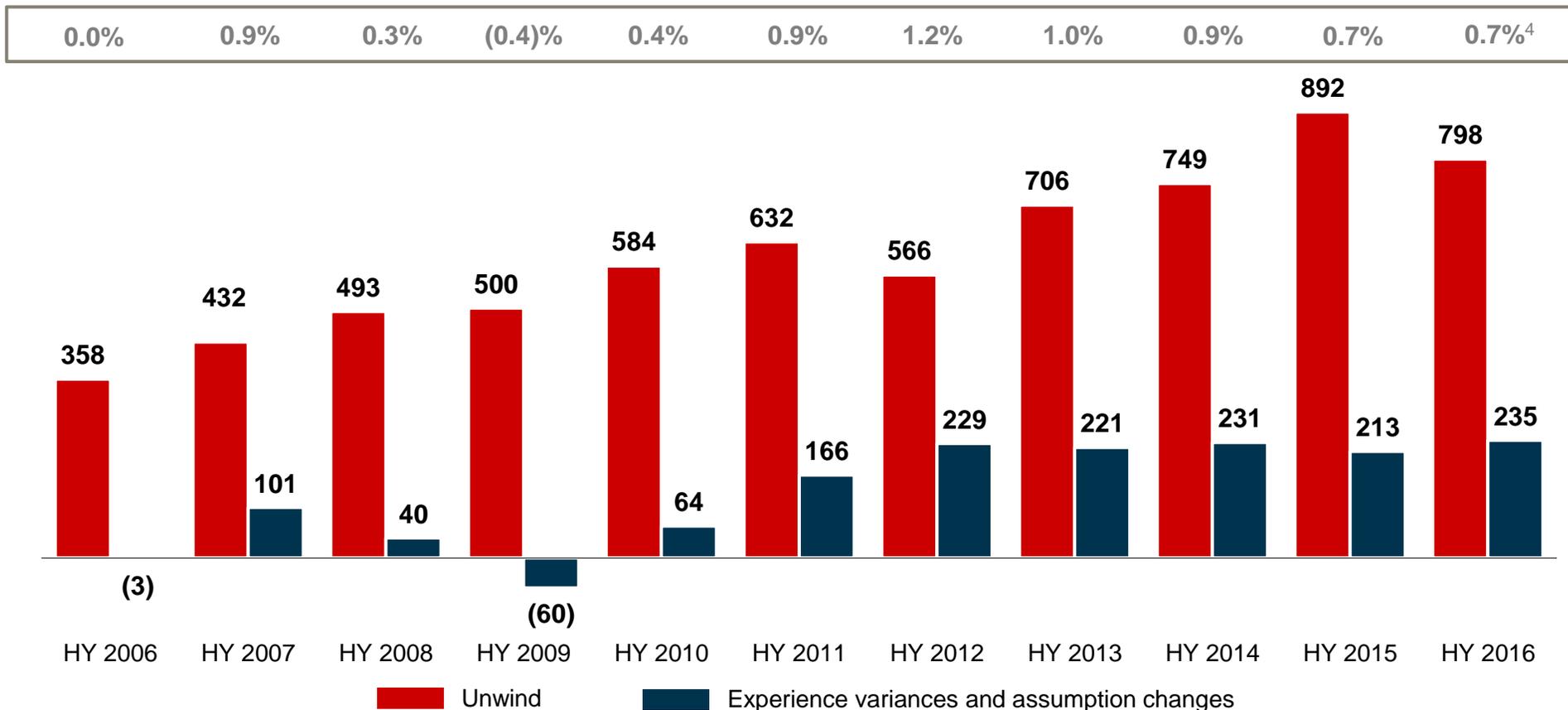
# EEV operating profit

## Life operating variances - Group



### Group Life operating variances<sup>1,2</sup>, £m

Experience variances and assumption changes % opening EEV<sup>3</sup>



<sup>1</sup> Excludes Japan Life and Taiwan agency. HY2014 comparatives have been restated to exclude the contribution from the sold PruHealth and PruProtect businesses. HY2006 to HY2013 comparatives include the results of PruHealth and PruProtect.

<sup>2</sup> Experience variances and assumption changes are shown post development costs from HY14 to HY16 and pre development costs from HY06 to HY13.

<sup>3</sup> Opening EEV of Life operations, excluding goodwill.

<sup>4</sup> Calculated net of £(128)m opening adjustment to Long Term Business shareholders funds arising from the impact of Solvency II for the UK operations at 1 January 2016.

Note: Unwind & Experience variances / assumption changes are on a post tax basis.

# EEV operating profit

## Long-term business



	NBP <sup>2</sup> , £m					In Force EEV <sup>1,2</sup> , £m					Total <sup>2</sup> , £m				
	HY 2015	FX	Economics	Other	HY 2016	HY 2015	FX	Economics	Other	HY 2016	HY 2015	FX	Economics	Other	HY 2016
<b>Asia</b>	664	24	(46)	182	824	408	10	(75)	48	391	1,072	34	(121)	230	1,215
<b>US</b>	371	23	(38)	(45)	311	441	28	(53)	(33)	383	812	51	(91)	(78)	694
<b>UK Ex-bulks</b>	80	-	(4)	49	125	256	-	(33)	36	259	336	-	(37)	85	384
	<b>1,115</b>	<b>47</b>	<b>(88)</b>	<b>186</b>	<b>1,260</b>	<b>1,105</b>	<b>38</b>	<b>(161)</b>	<b>51</b>	<b>1,033</b>	<b>2,220</b>	<b>85</b>	<b>(249)</b>	<b>237</b>	<b>2,293</b>
<b>Bulks</b>	75	-	-	(75)	-	-	-	-	-	-	75	-	-	(75)	-
<b>Total</b>	<b>1,190</b>	<b>47</b>	<b>(88)</b>	<b>111</b>	<b>1,260</b>	<b>1,105</b>	<b>38</b>	<b>(161)</b>	<b>51</b>	<b>1,033</b>	<b>2,295</b>	<b>85</b>	<b>(249)</b>	<b>162</b>	<b>2,293</b>

1 Asia In-force shown post development costs.

2 HY16 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime effective from 1 January 2016. HY15 results reflect the Solvency I basis being the regime applicable for the period.

# EEV operating profit

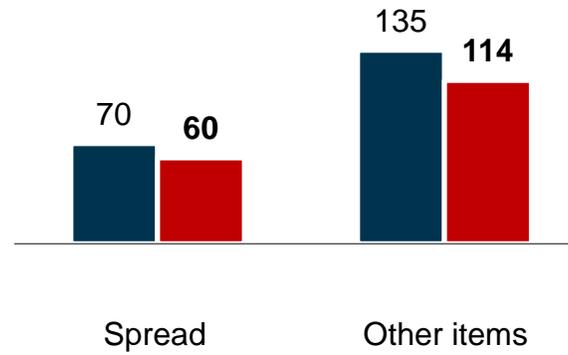
## In-force performance



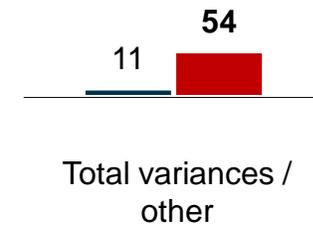
Asia in-force<sup>1</sup>, £391m



US in-force, £383m



UK in-force, £259m



■ HY15 ■ HY16

<sup>1</sup> Asia In-force shown post development costs.

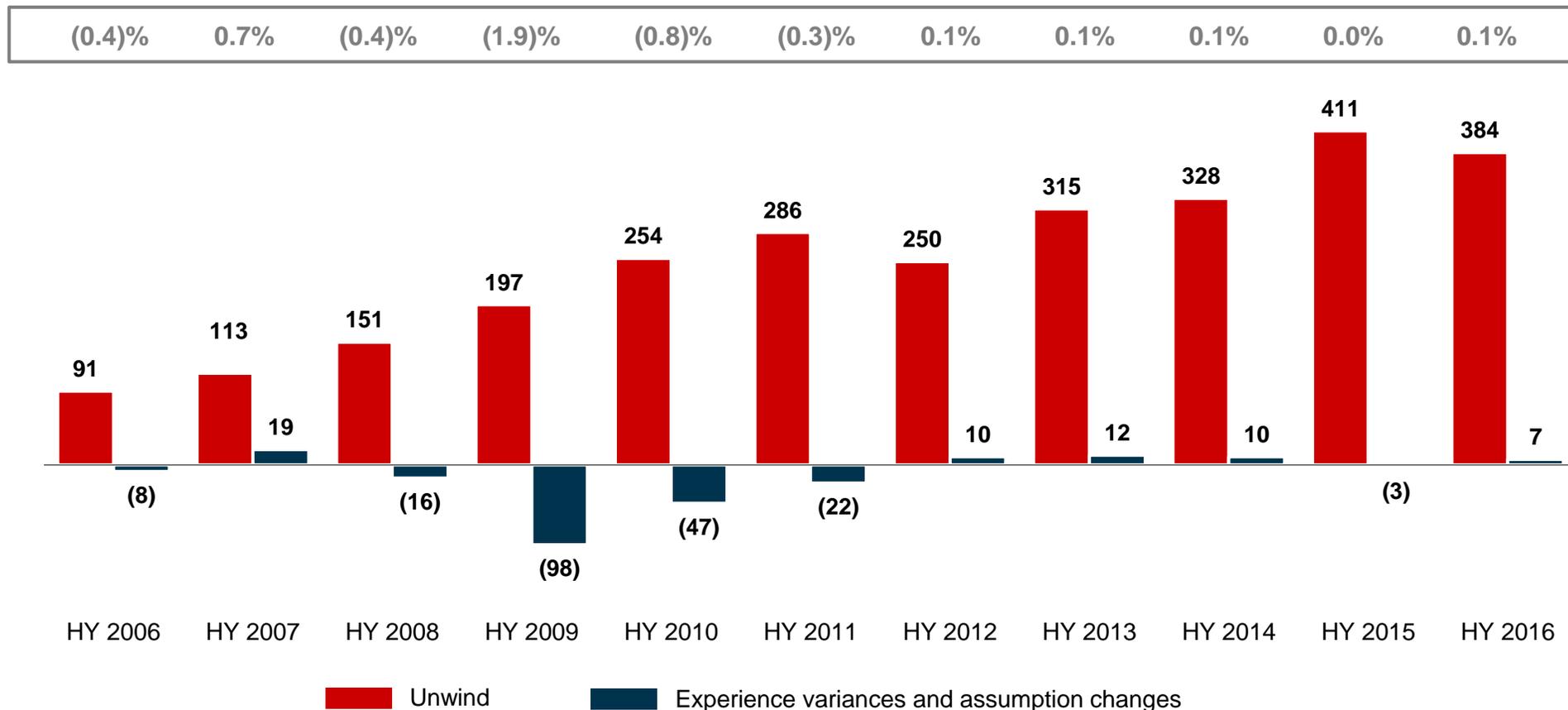
# EEV operating profit

## Life operating variances - Asia



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

Experience variances and assumption changes % opening EEV<sup>2</sup>



<sup>1</sup> Experience variances and assumption changes are shown post development costs from HY14 to HY16 and pre development costs from HY06 to HY13.

<sup>2</sup> Opening EEV of Life operations, excluding goodwill.

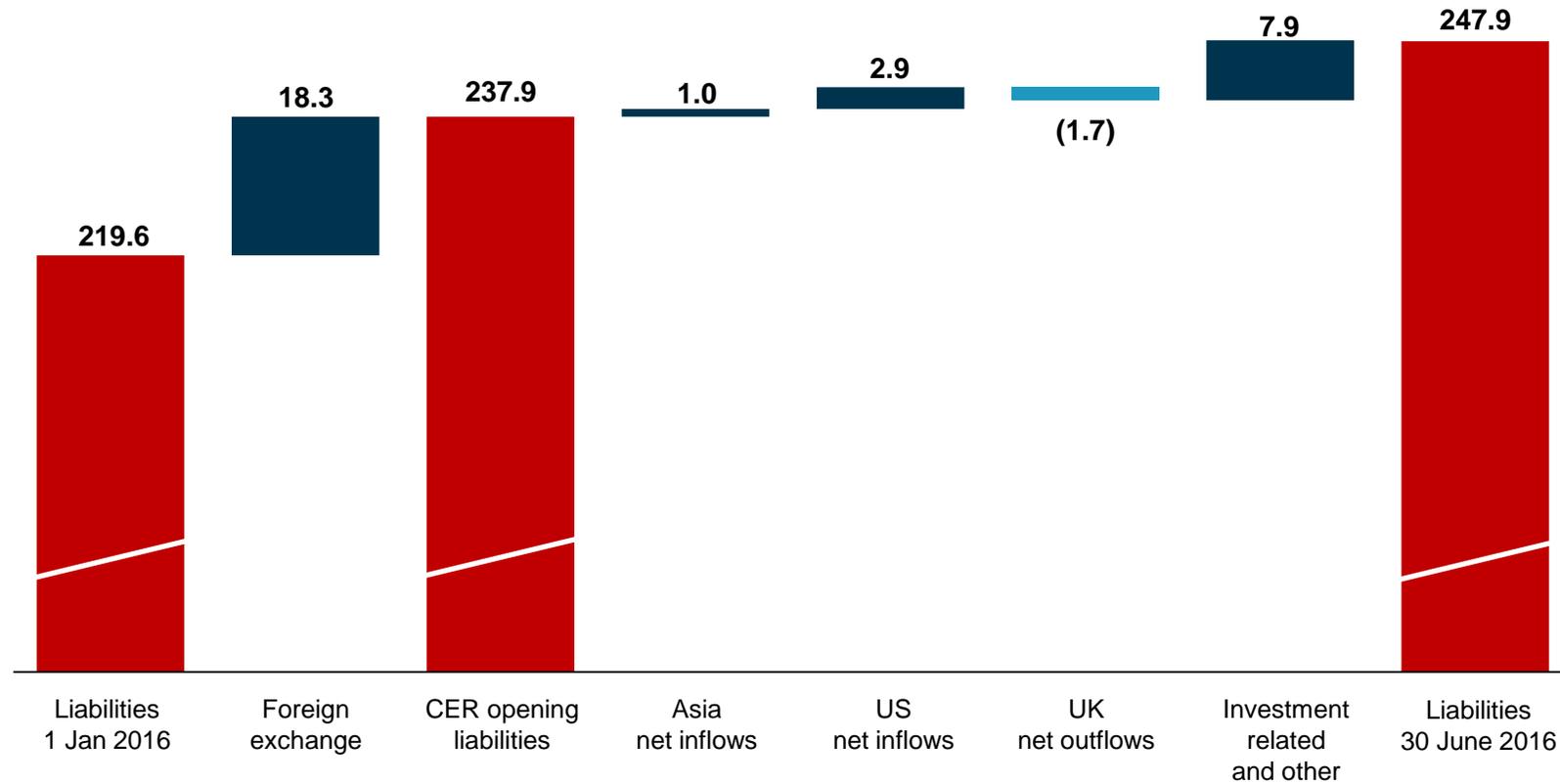
Note: Unwind & Experience variances / assumption changes are on a post tax basis and excludes Japan.

# Policyholder liabilities

## Shareholder backed business - Group



Policyholder liabilities<sup>1,2</sup> roll-forward, £bn



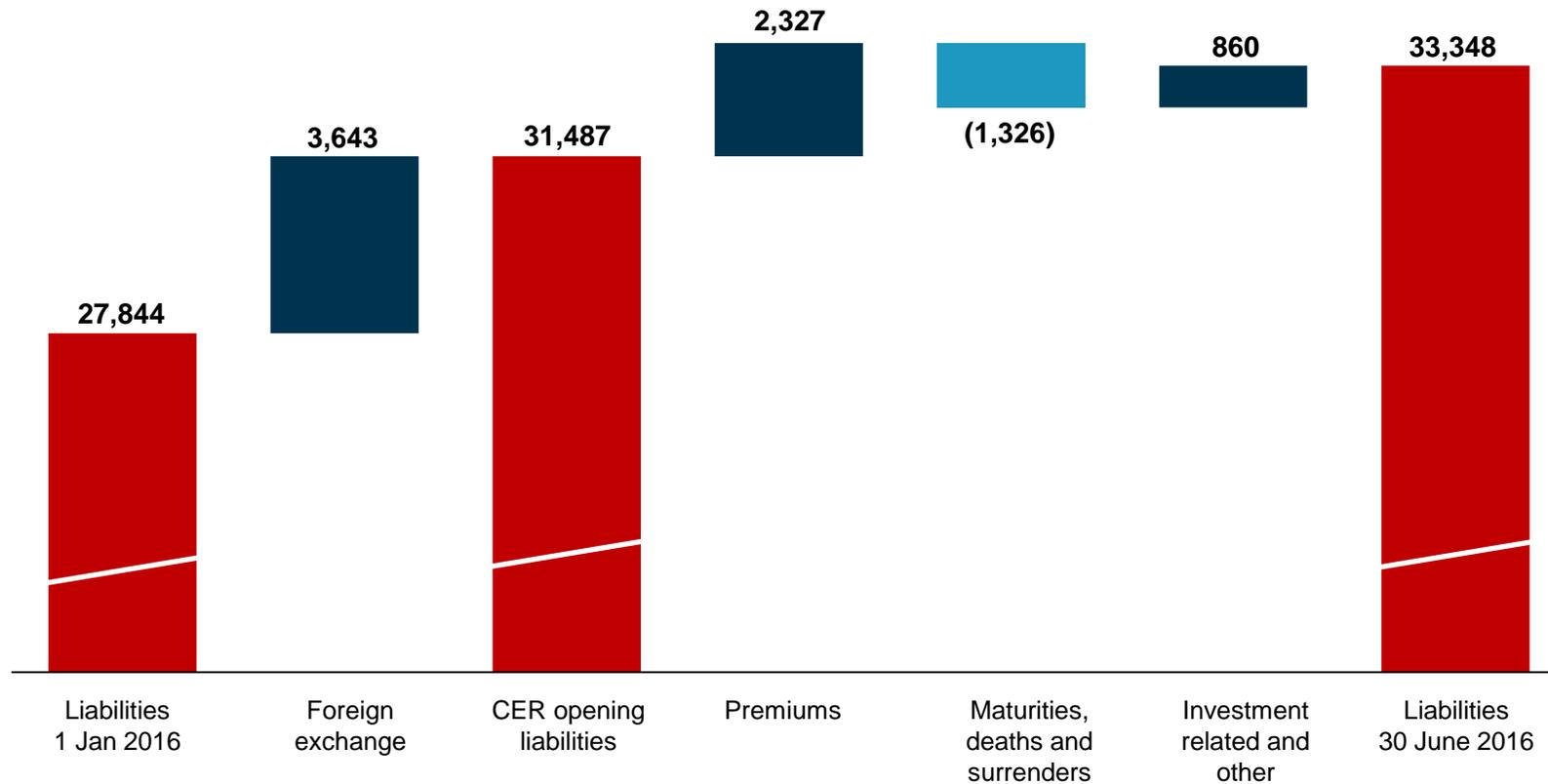
<sup>1</sup> Shareholder-backed business.  
<sup>2</sup> Including net flows of the groups insurance joint ventures.

# Policyholder liabilities

## Shareholder backed business - Asia



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



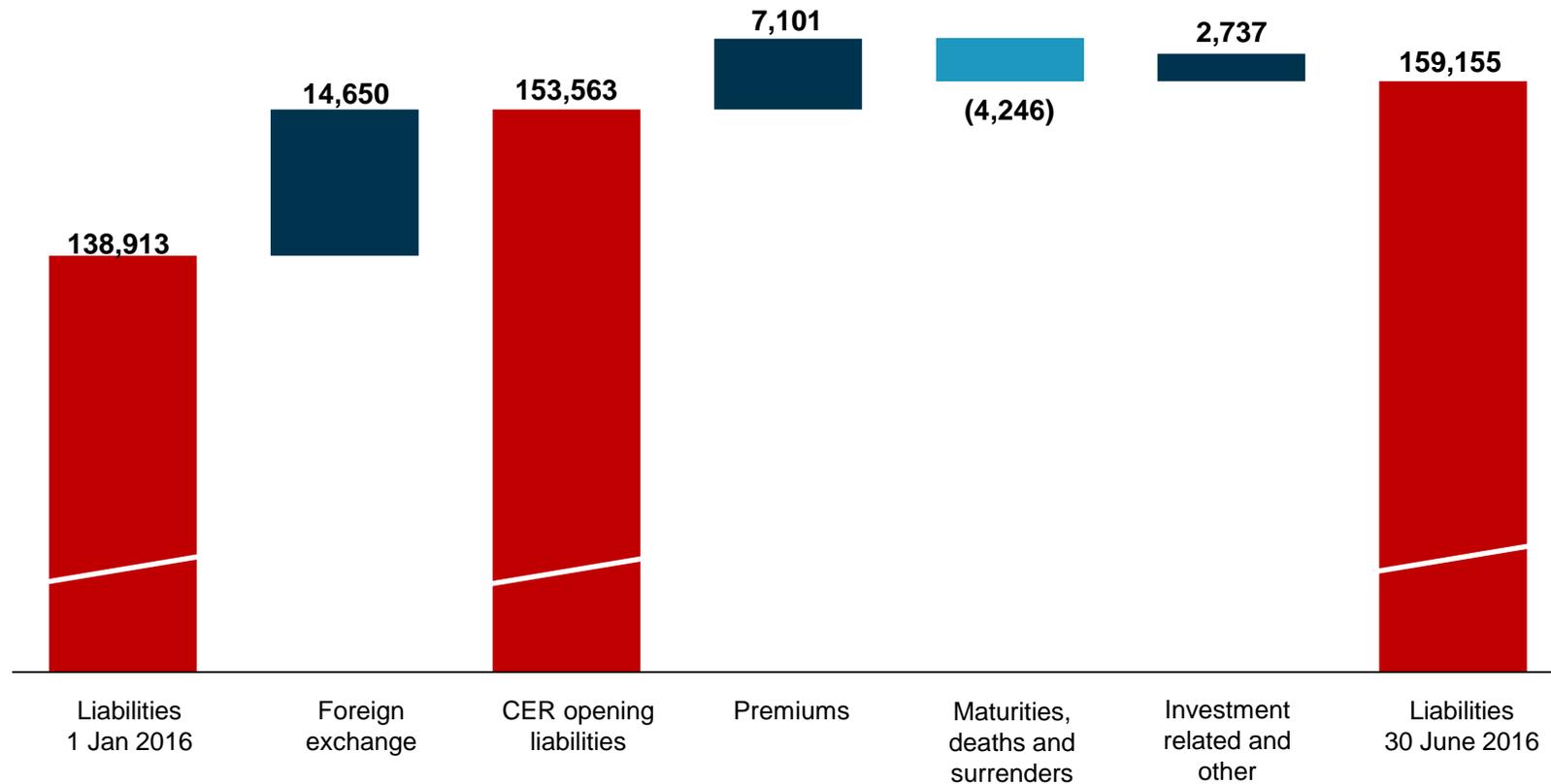
<sup>1</sup> Including net flows of the groups insurance joint ventures.

# Policyholder liabilities

## Shareholder backed business - US



Policyholder liabilities roll-forward, £m

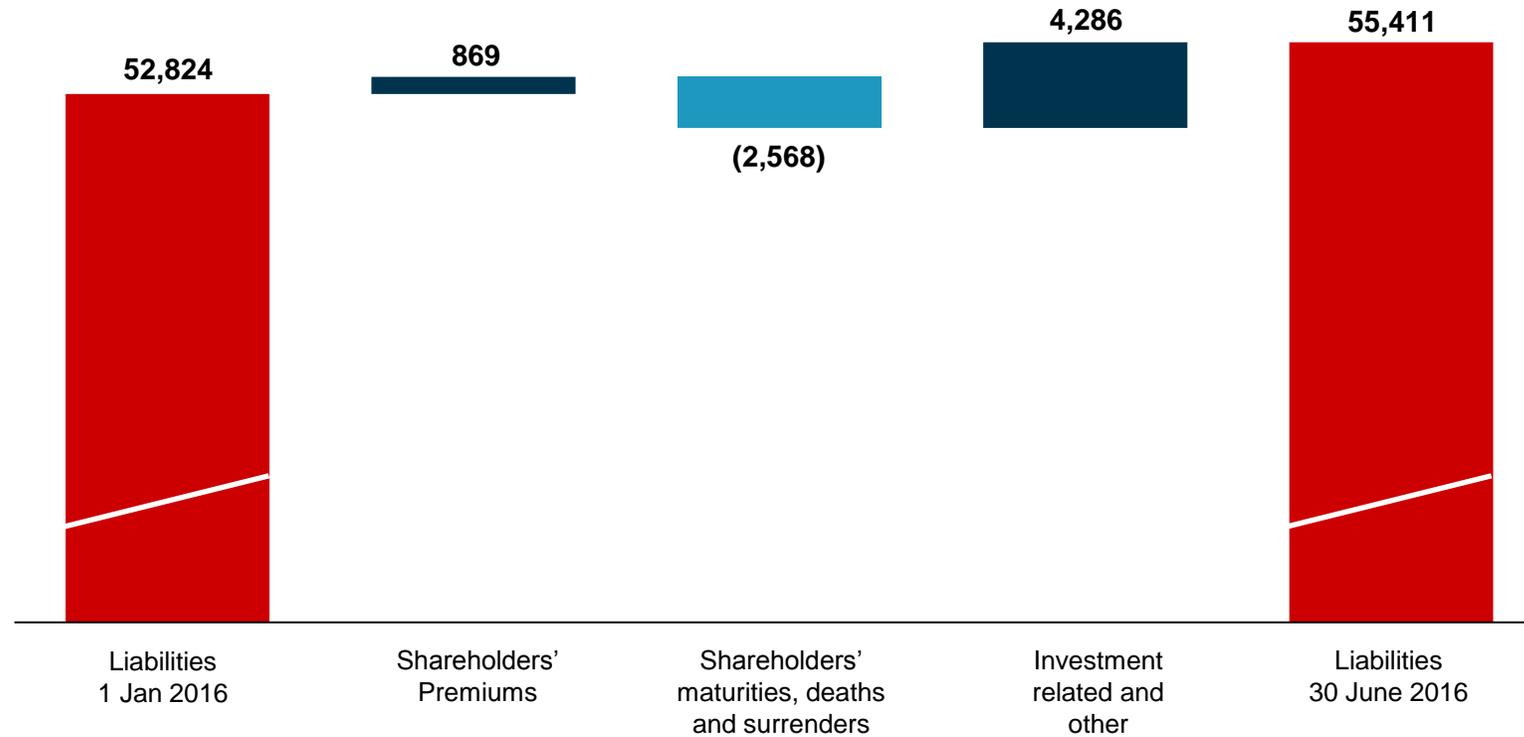


# Policyholder liabilities

## Shareholder backed business - UK



Policyholder liabilities roll-forward, £m

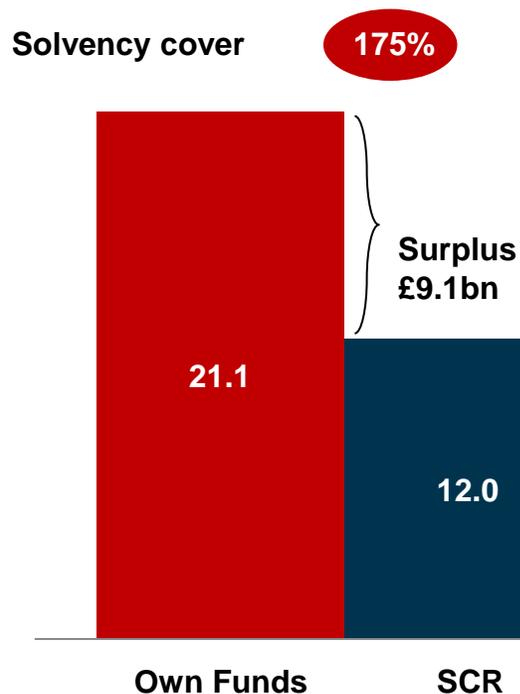


# Solvency II

## A strong Solvency II capital position



### Estimated Group Shareholder Solvency II capital position<sup>1,2</sup> HY16, £bn



Internal model approval step	Approval date
Matching adjustment	November 2015
Transitionals	December 2015
Asia surplus treatment	December 2015
US Equivalence (Deduction and Aggregation)	December 2015
Internal model	December 2015
Effective date	1 January 2016

### Basis of inclusion in Group Solvency II capital position

Internal model	US Equivalence	Sector regulation
UK Life  Asia Life 		 

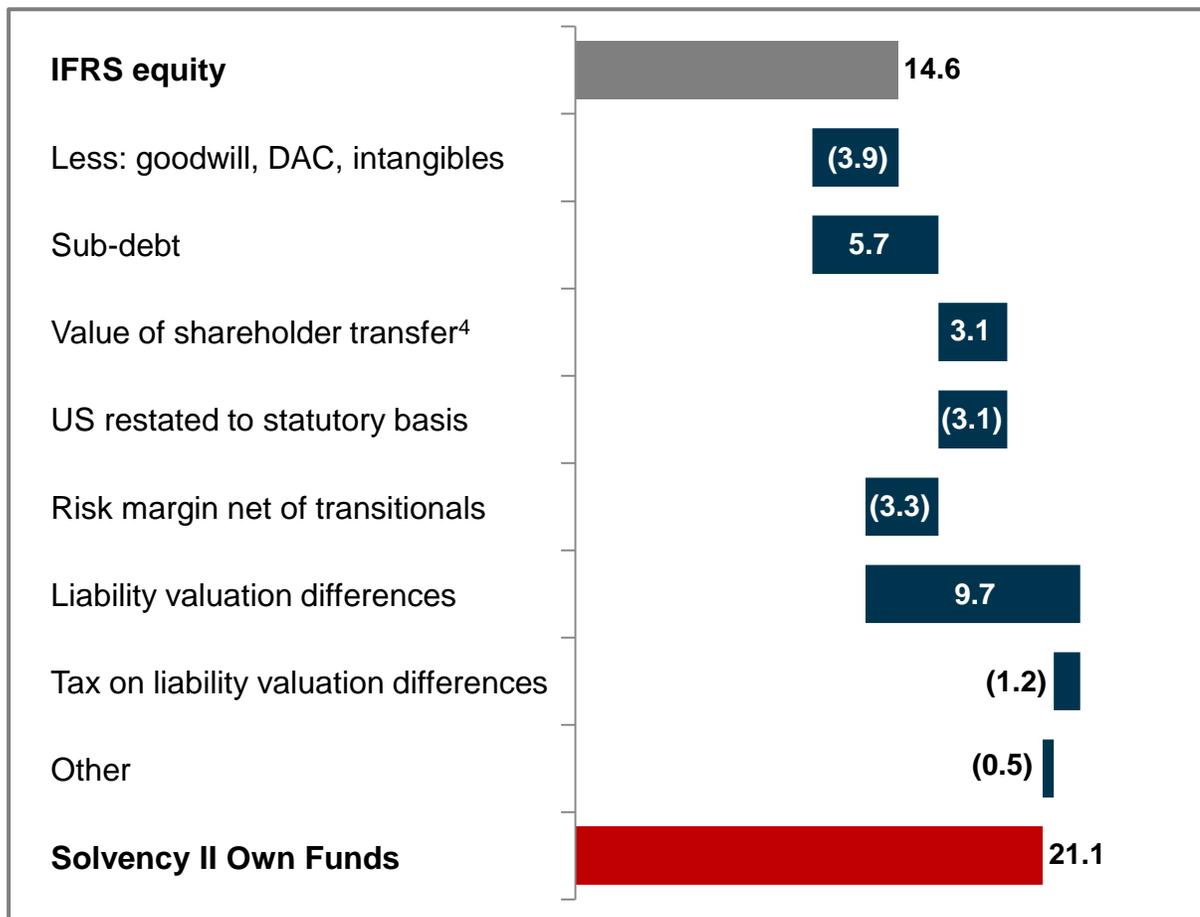
<sup>1</sup> The Group Shareholder position excludes the contribution to the Group SCR and Own Funds of ring fenced With Profit Funds and staff pension schemes in surplus.  
<sup>2</sup> Before allowing for payment of the 2016 first interim dividend.

# Solvency II

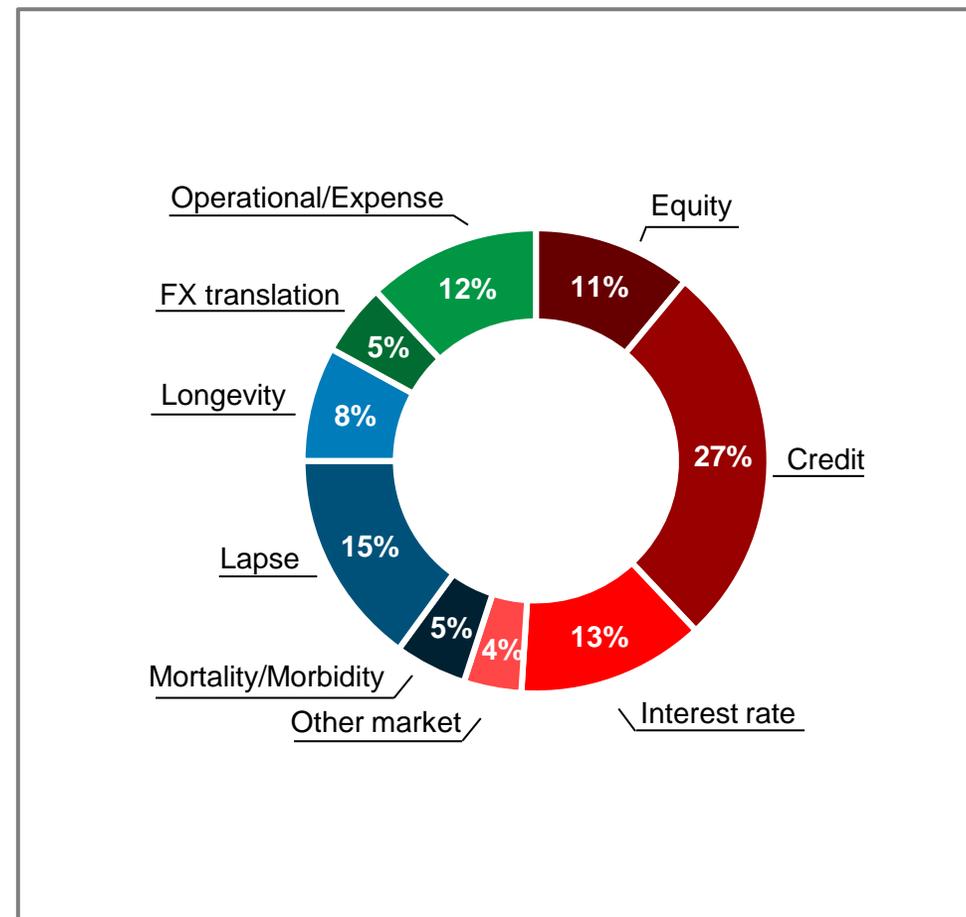
## Well-diversified risks



### Reconciliation of IFRS equity to Solvency II Own Funds<sup>1,2</sup>, HY16 £bn



### SCR by risk type<sup>3</sup>, HY16



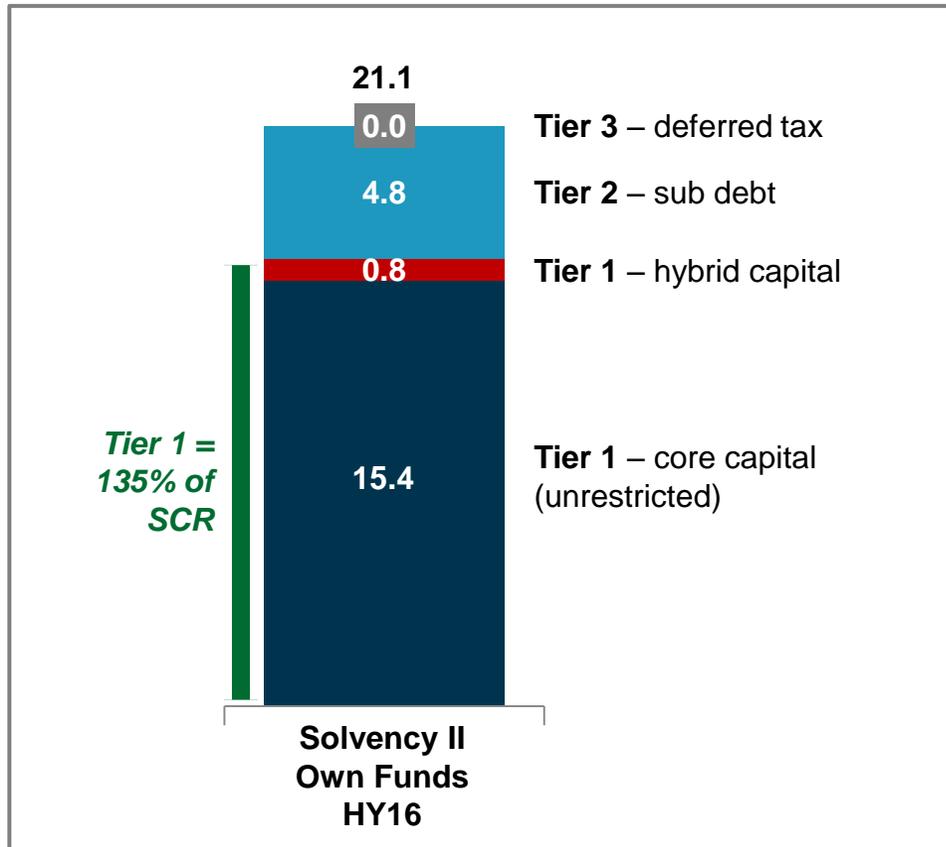
1 The Group Shareholder position excludes the contribution to the Group SCR and Own Funds of ring fenced With Profit Funds and staff pension schemes in surplus.  
 2 Before allowing for payment of the 2016 first interim dividend.  
 3 Solvency II undiversified solvency capital requirement.  
 4 Excludes the shareholder interest in the UK with-profits estate of £0.8bn. Representing Solvency II Own Funds of the UK with-profits funds.

# Solvency II

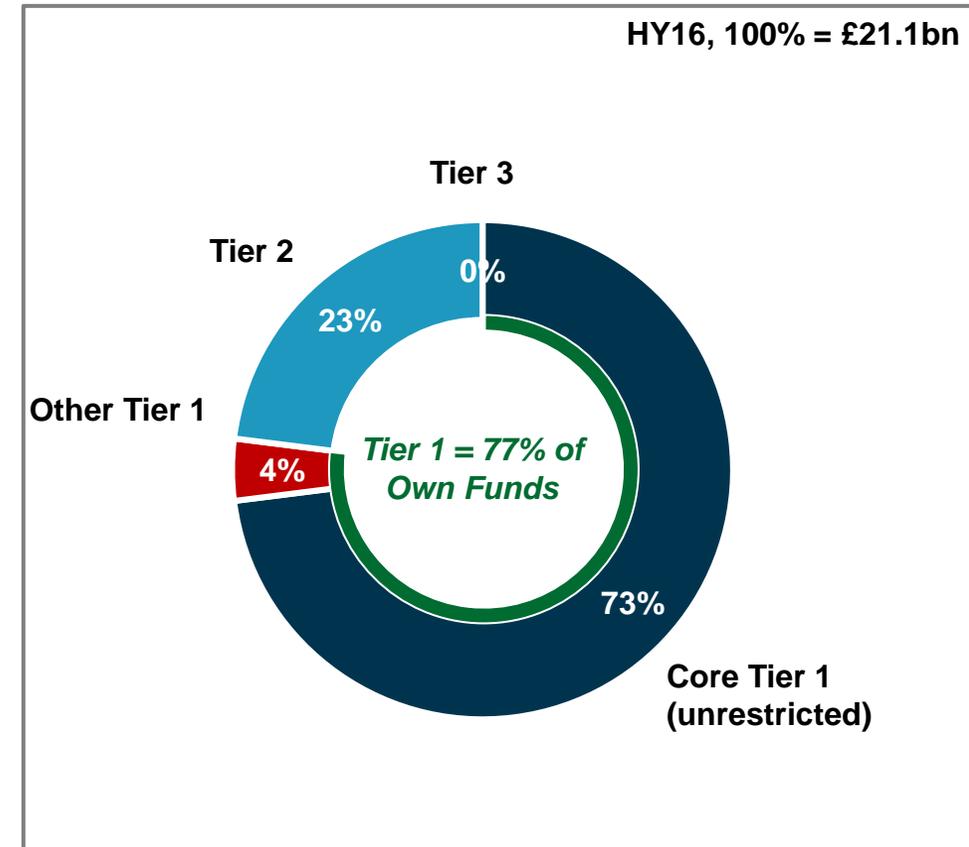
## High quality capital



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



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



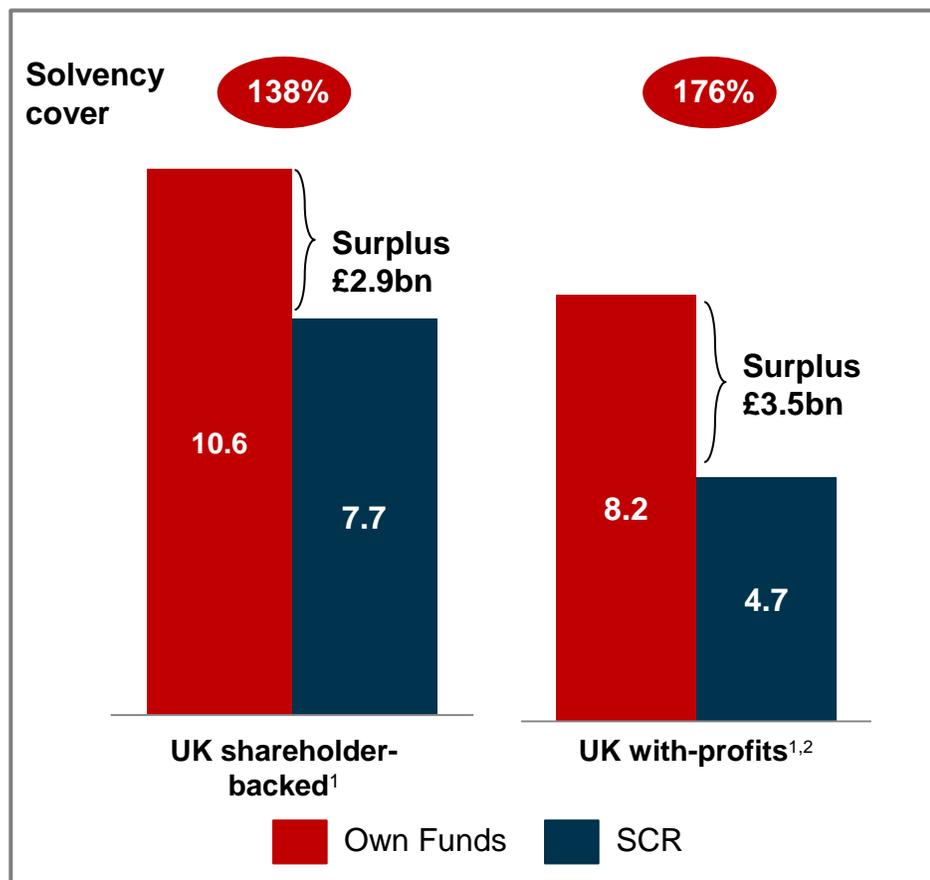
<sup>1</sup> The Group Shareholder position excludes the contribution to the Group SCR and Own Funds of ring fenced With Profit Funds and staff pension schemes in surplus.  
<sup>2</sup> Before allowing for payment of the 2016 first interim dividend.

# Solvency II

## UK Solvency II surplus



### Solvency II surplus, HY16, £bn



### Calibrations

- **Credit:** 171bp p.a. credit allowance for annuities, roughly equivalent to 1.5x the cumulative default losses over the worst 10 years since 1920
- **Longevity:** The risk margin effectively doubles the capital held to cover longevity risk; in total, capital is held to cover around 3x the largest one-year increase in assumed life expectancy for reserving, since 1950
- Transitionals on business in-force written pre 1 January 2016
- Shareholder interest in the UK with-profits estate<sup>2</sup> of £0.8bn is not recognised<sup>3</sup>

### Mechanisms for improving surplus and mitigating volatility

- Quota-share and longevity reinsurance
- Hedging market risk in with-profits transfers
- Credit optimisation

<sup>1</sup> Relates to PAC Ltd.

<sup>2</sup> Includes excess of estate over Solvency II capital requirements.

<sup>3</sup> The SCR related to the shareholder interest in the UK with-profits inherited estate amounts to £0.4 billion.

<sup>4</sup> Representing Solvency II Own Funds of the UK with-profits funds.

# Solvency II

## Approach to capital management



### Business unit capital

- Capital defined by local capital regulations and local business needs
- 'Healthy' buffer above capital requirements
- Self-funded organic growth through reinvestment of operating capital generated
- Capital generation supports cash remittances to Group

### Central cash

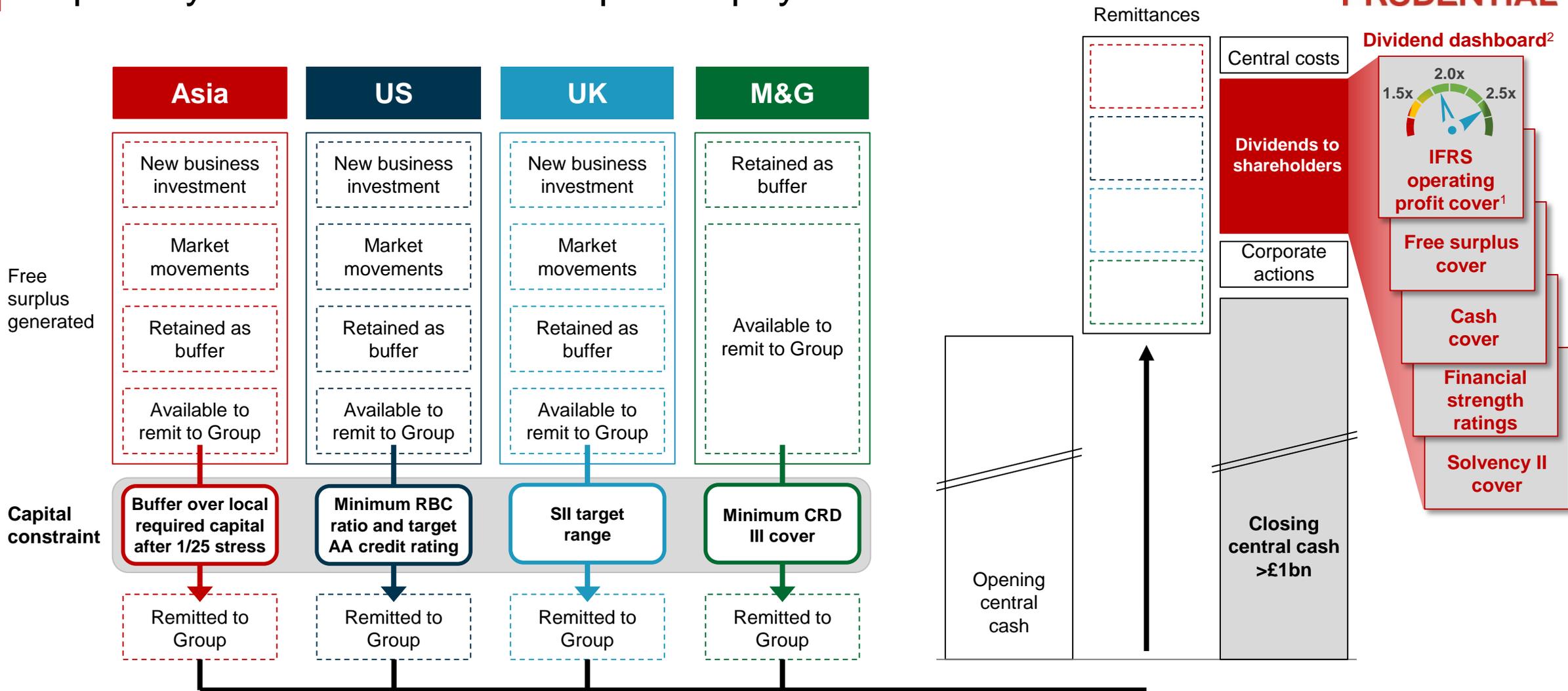
- Held to maintain flexibility, fund new opportunities and absorb shock events
- Funds a growing dividend
- Covers central costs and debt payments

### Group capital

- Maintain appropriate capital level, mix and quality
- Maintain credit and financial strength ratings

# Solvency II

## Capital dynamics and dividend philosophy



1 Post-tax IFRS operating profit divided by dividends declared. Solid arrow indicates FY15 cover; line arrow indicates FY15 cover after a severe (1/25 year) market event. Equivalent to Group-wide scenario with movements in all risks including a 23% to 28% fall in equity levels, a 0.2% to 0.4% fall in long-term interest rates and spreads widening by 107bp to 124bp in A-rated credit and 140bp to 172bp in BBB-rated credit. The range represents the minimum and maximum levels across all geographies.

2 For illustrative purposes only.

# Solvency II

## SII treatment of hybrid capital classification



### Hybrid Capital outstanding, 30 June 2016

Issue Date	Amount	Coupon	Maturity Date	1st Call Date	SII Classification
19-Dec-01	GBP 435m	6.125%	19-Dec-31	None	Tier 2*
23-Jun-03	USD 1,000m	6.50%	Perp	23-Dec-08	Tier 2*
10-Jul-03	EUR 20m	20 yr CMS rate	10-Jul-23	None	Tier 2*
30-Jul-04	USD 250m	6.75%	Perp	23-Sep-09	Tier 1*
12-Jul-05	USD 300m	6.50%	Perp	23-Sep-10	Tier 1*
29-May-09	GBP 400m	11.375%	29-May-39	29-May-19	Tier 2*
21-Jan-11	USD 550m	7.75%	Perp	23-Jun-16	Tier 1*
15-Jan-13	USD 700m	5.25%	Perp	23-Mar-18	Tier 2
16-Dec-13	GBP 700m	5.70%	19-Dec-63	19-Dec-43	Tier 2*
09-Jun-15	GBP 600m	5.00%	20-Jul-55	20-Jul-35	Tier 2
07-Jun-16	USD 1,000m	5.25%	Perp	20-Jul-21	Tier 2

\*Grandfathered under solvency II transitional provisions.

# Invested assets

Asset portfolio is high quality and well diversified



Breakdown of invested assets<sup>1</sup>, HY16, £bn

	Total Group	PAR funds	Unit linked	Shareholders				Total
				Asia Life	US Life	UK Life	Other	
Debt	168.3	67.8	10.0	11.5	41.1	35.3	2.6	90.5
Equity	176.0	43.2	131.4	1.0	0.2	0.1	0.1	1.4
Property	14.0	11.7	0.7	0.0	0.0	1.6	0.0	1.6
Mortgage	7.5	0.7	0.0	0.1	5.1	1.5	0.0	6.8
Deposits	14.2	11.3	1.1	0.5	0.0	1.3	0.1	1.8
Other loans	6.7	2.0	0.0	0.5	3.4	0.0	0.8	4.7
Other	10.4	6.9	0.1	0.0	2.5	0.6	0.3	3.4
<b>Total</b>	<b>397.1</b>	<b>143.6</b>	<b>143.3</b>	<b>13.6</b>	<b>52.3</b>	<b>40.4</b>	<b>3.9</b>	<b>110.2</b>

Shareholder debt portfolio, HY16, £bn

	Portfolio £bn	No. issuers	Holding by issuer		HY % debt portfolio
			Av. £m	Max £m	
Sovereign debt	17.4	44	395	5,513	1.1%
Corporate debt					
Investment grade	70.8	1,610	44	481	n/a
High yield	2.2	400	6	148	2.5%
	<b>73.1</b>	<b>2,010</b>	<b>36</b>	<b>481</b>	<b>n/a</b>
Oil and gas	3.2	137	23	229	0.6%
Mining	0.8	36	21	94	0.2%
Banks	5.4	195	27	360	0.3%

- Total group assets of £397.1bn; shareholder exposure of £110.2bn
- Conservative asset mix: 96% credit portfolio is rated investment grade
- Minimal default losses, and minimal impairments across all credit portfolios
- Additional cash and equivalents of £8.5bn, of which shareholder exposure of £4.9bn

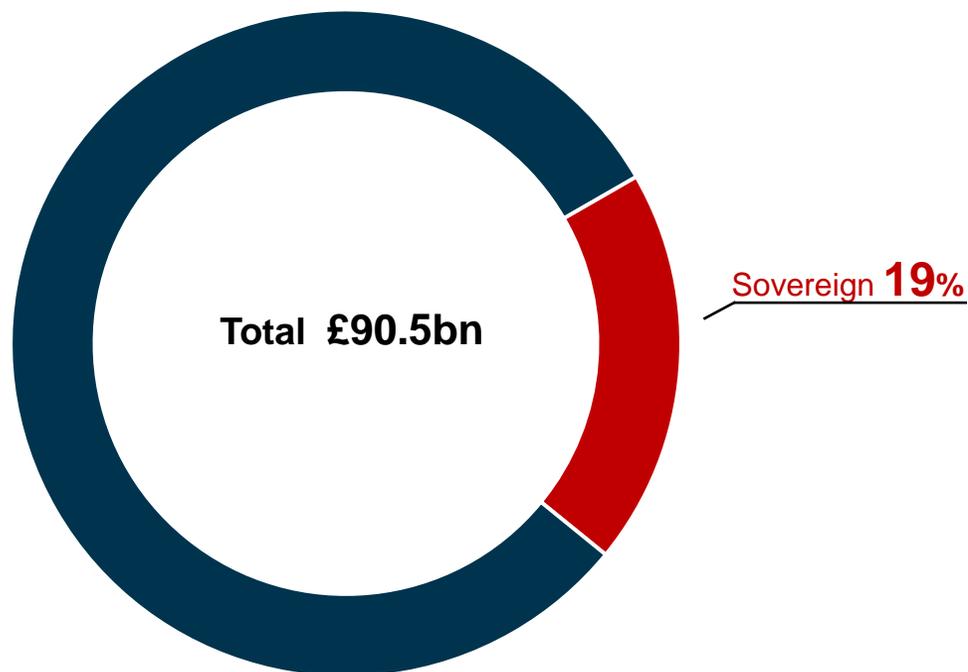
<sup>1</sup> Excludes £1.1 billion of investments in joint ventures and associates accounted for using the equity method.

# 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	-	-	546	215	8	769
AA-BBB	6,881	5,720	199	2,768	54	15,622
Below BBB	-	-	-	1,036	-	1,036
<b>Total</b>	<b>6,881</b>	<b>5,720</b>	<b>745</b>	<b>4,019</b>	<b>62</b>	<b>17,427</b>

### Europe by key countries, £m

	Germany	France	“PIIGS”	Other	Total
Europe	546	22	93	84	<b>745</b>

	Portugal	Italy	Ireland	Greece	Spain	Total
PIIGS	-	58	-	-	35	<b>93</b>

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

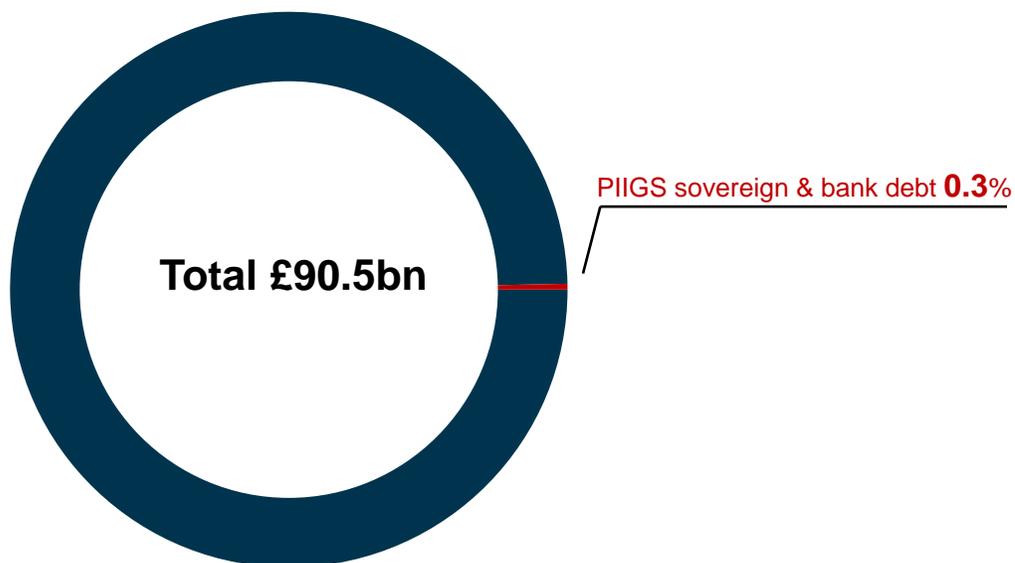
# Invested assets

## Total PIIGS sovereign and bank debt



### Breakdown of the shareholder debt securities portfolio, %

#### Shareholder invested assets – PIIGS countries as at 30 June 2016, £m



	Sovereign	Institution	Bank debt				Total
			Covered	Senior	Tier II	Tier I	
Portugal	-	Banco Espirito Santo	-	20	-	-	20
Ireland	-	-	-	-	-	-	-
Italy	58	Intesa SanPaolo	-	31	-	-	31
Greece	-	-	-	-	-	-	-
Spain	35	Santander	148	11	-	-	159
<b>Total</b>	<b>93</b>		<b>148</b>	<b>62</b>	-	-	<b>303</b>

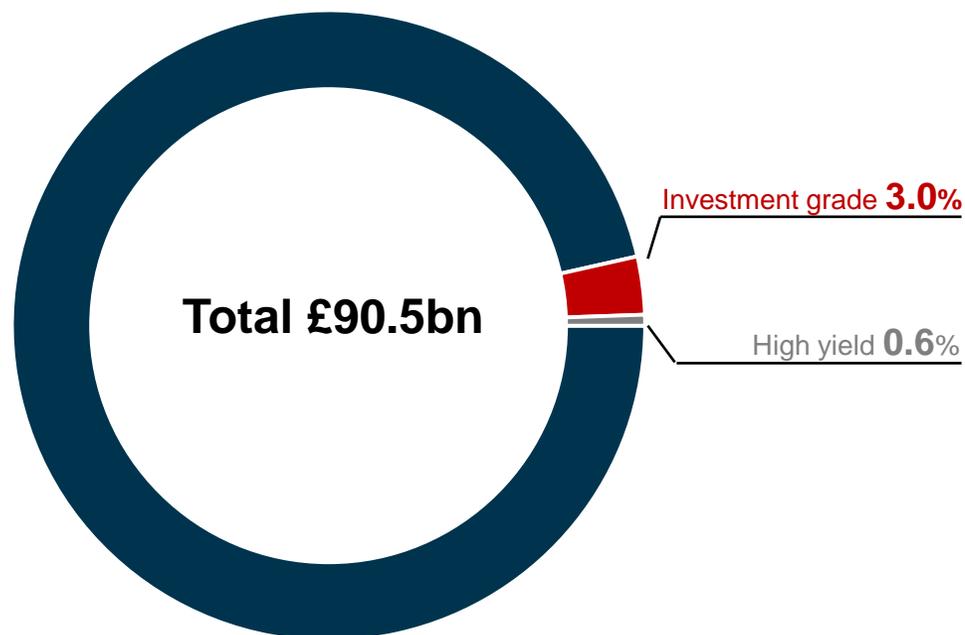
Total PIIGS sovereign & bank debt = £303m

# Invested assets

## Group shareholder exposures – oil and gas sector



### Breakdown of the shareholder debt securities portfolio



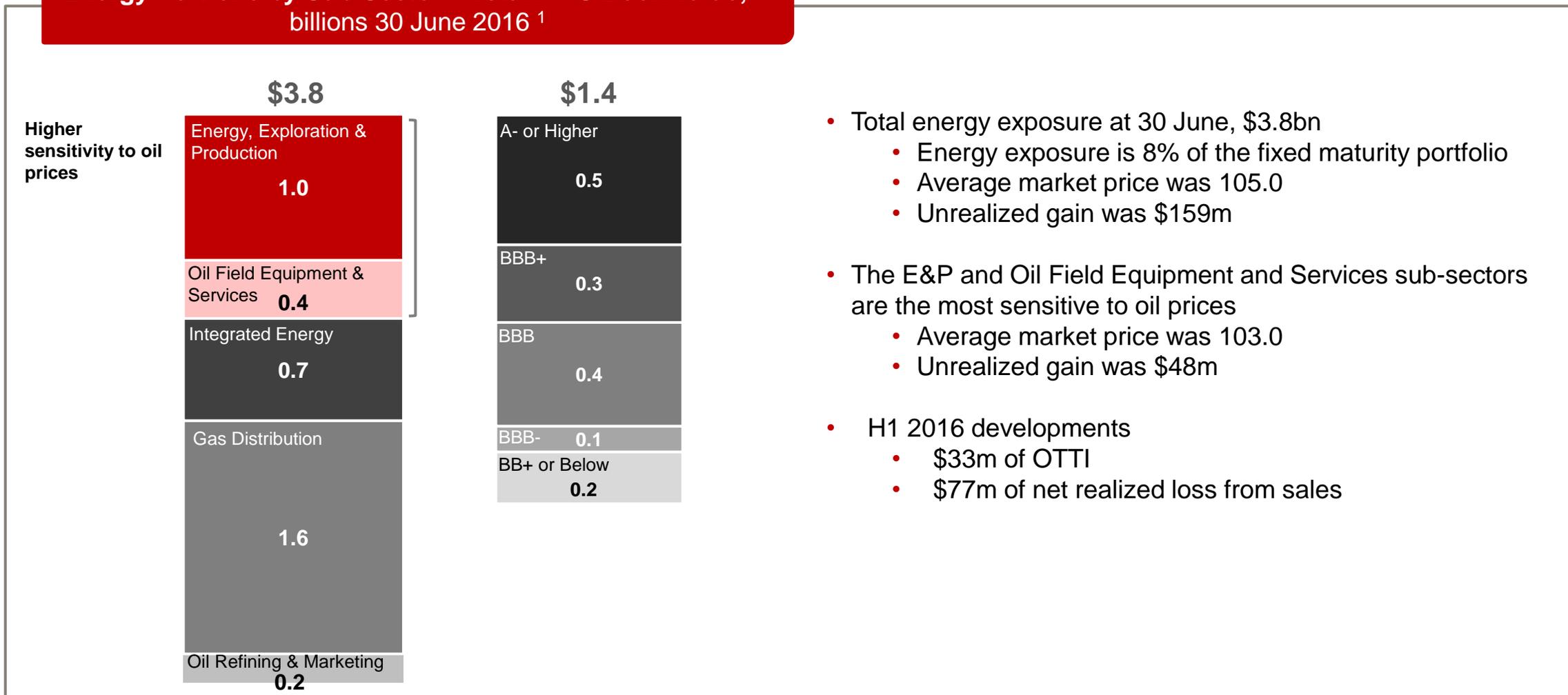
	Exploration & Production	Integrated Oils	Refining & Marketing	Oil & gas Services	Pipeline / Mid-stream	Total (£m)
<b>Investment grade</b>	626	919	227	366	551	2,689
<b>High yield</b>	141	36	35	21	271	504
<b>Total</b>	<b>767</b>	<b>955</b>	<b>262</b>	<b>387</b>	<b>822</b>	<b>3,193</b>

# Invested assets

## US asset quality – Energy Exposure



**Energy Portfolio by Sub-Sector – Total IFRS Book Value, in billions 30 June 2016 <sup>1</sup>**



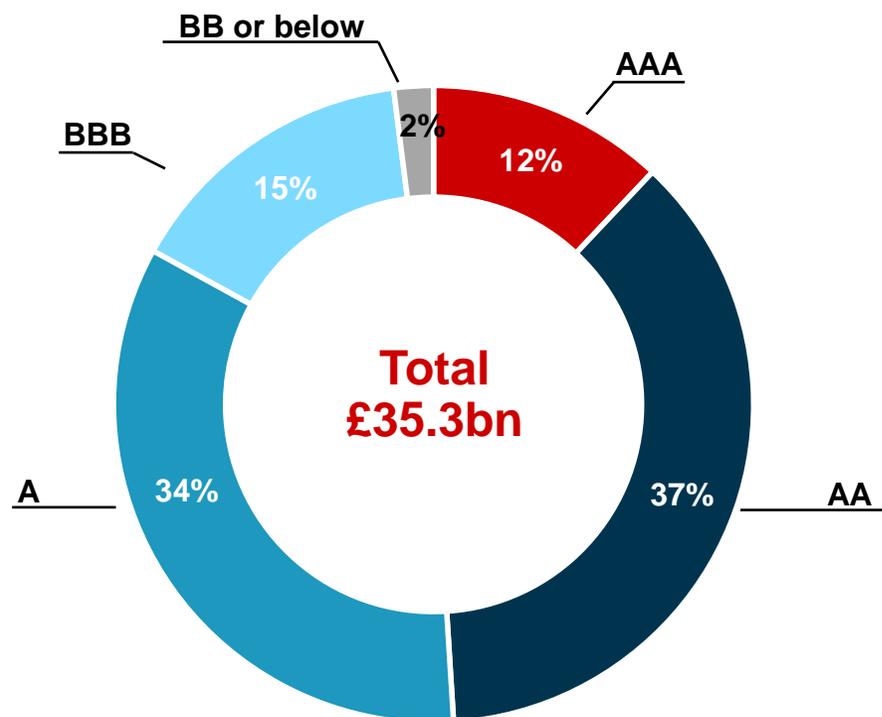
- Total energy exposure at 30 June, \$3.8bn
  - Energy exposure is 8% of the fixed maturity portfolio
  - Average market price was 105.0
  - Unrealized gain was \$159m
- The E&P and Oil Field Equipment and Services sub-sectors are the most sensitive to oil prices
  - Average market price was 103.0
  - Unrealized gain was \$48m
- H1 2016 developments
  - \$33m of OTTI
  - \$77m of net realized loss from sales

<sup>1</sup> Based on unrounded values, total may not cast

# Invested assets

## UK asset quality – credit reserve

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



**98% Investment Grade, 2% High Yield**

### Strength of the £1.8bn credit reserve

- No defaults of shareholder-backed debt securities
- Allowance for credit risk as at 30 June 2016 of 43 bps (IFRS) in line with prior year<sup>2</sup>
- SII credit reserve as a % of spread (over risk free) of 26% at 30 June 2016<sup>2</sup>.

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

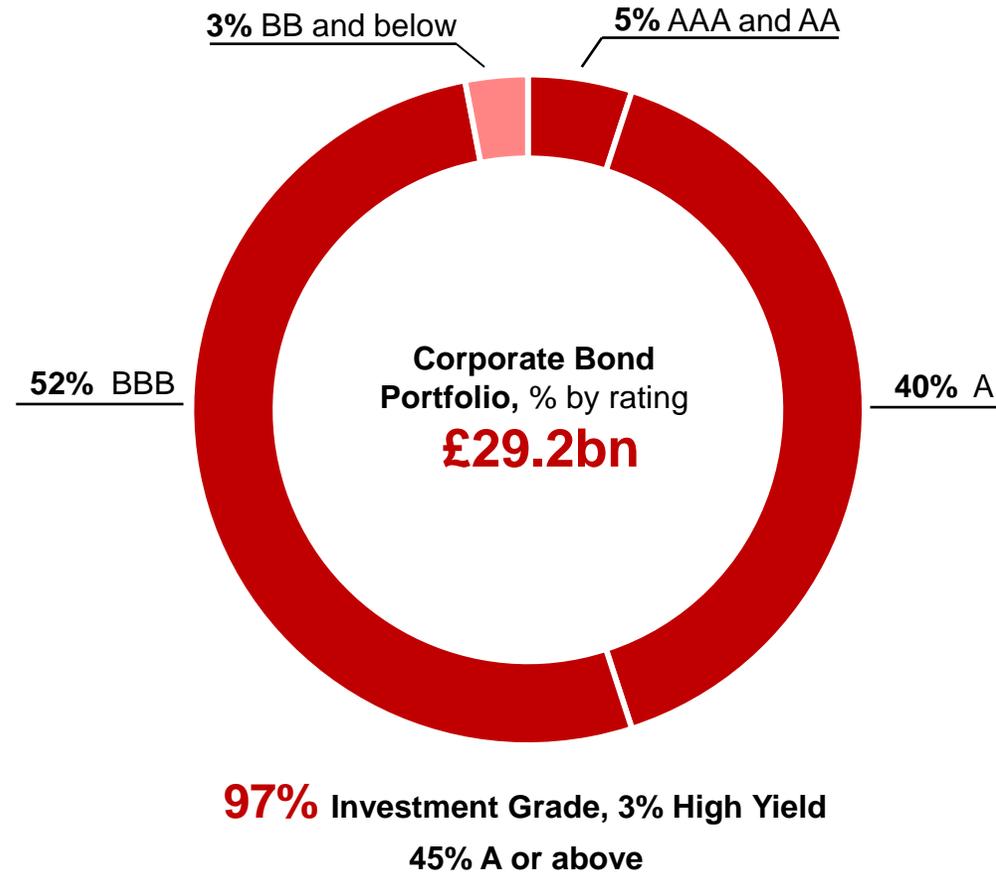
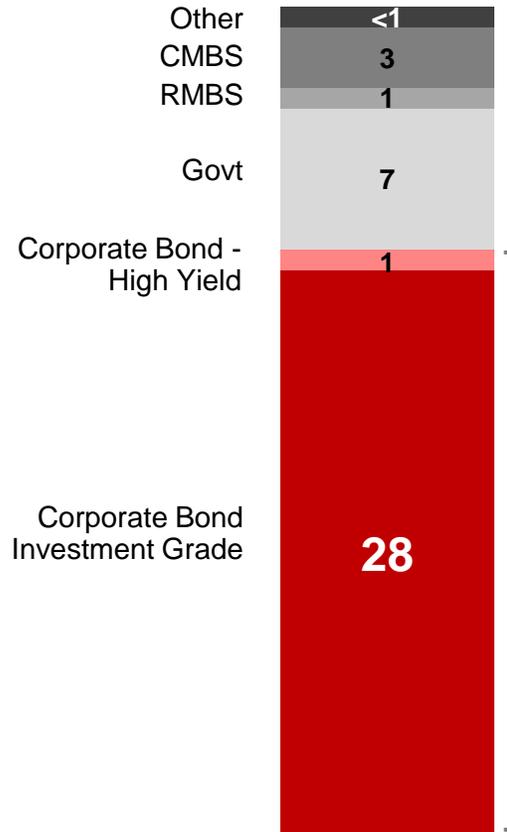
<sup>2</sup> For Prudential Retirement Income Limited (PRIL).

# Invested assets

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



US Shareholder Debt Securities  
Portfolio Market value, **£41.1bn**



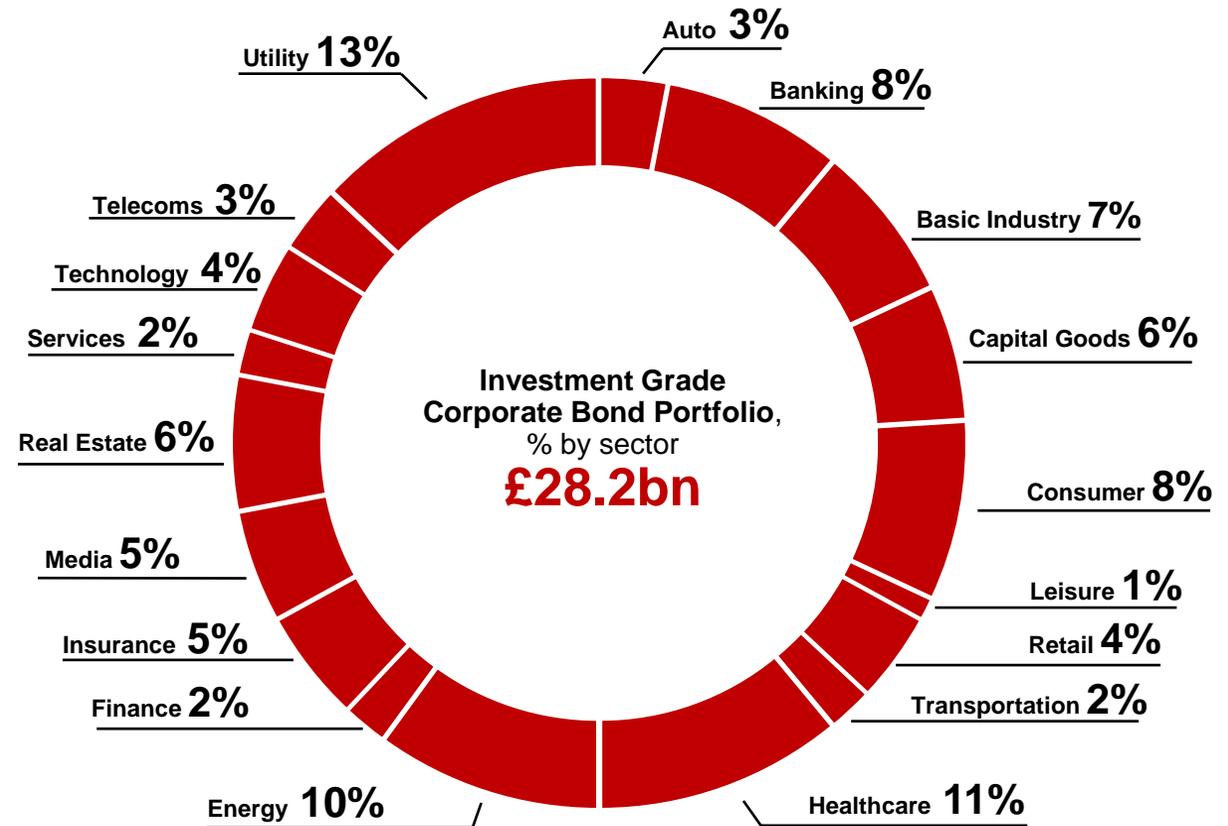
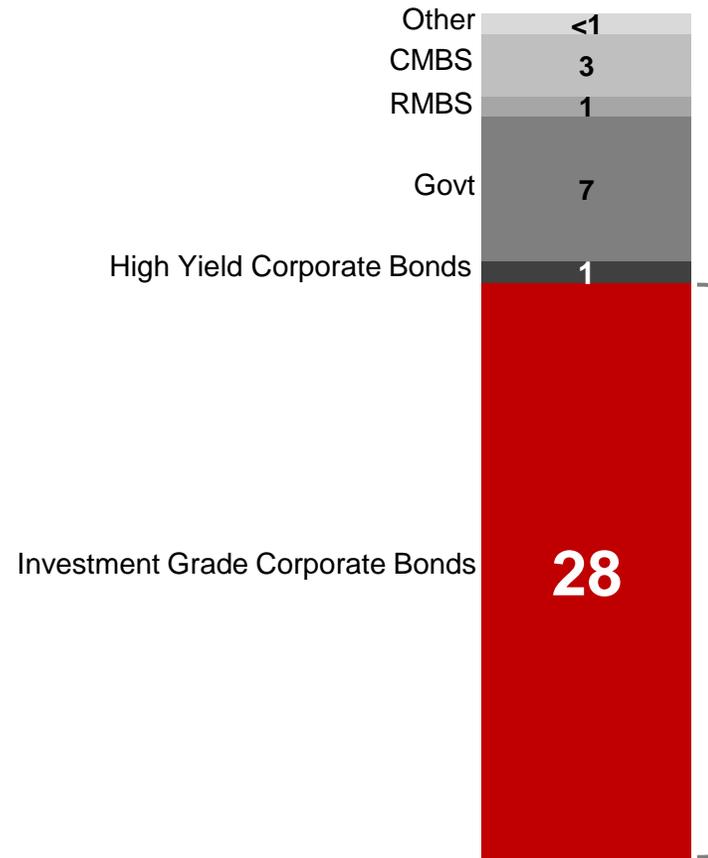
# Invested assets

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



### US Shareholder Debt Securities Portfolio

Market value, **£41.1bn**



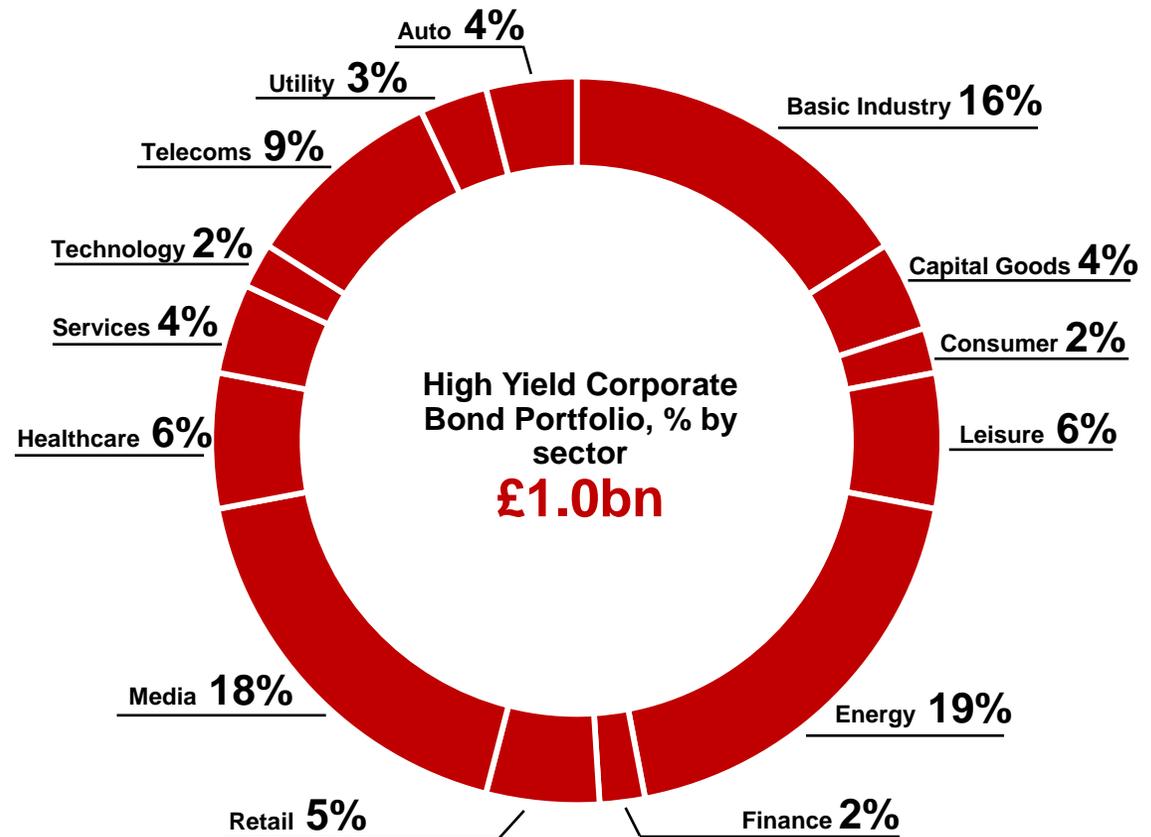
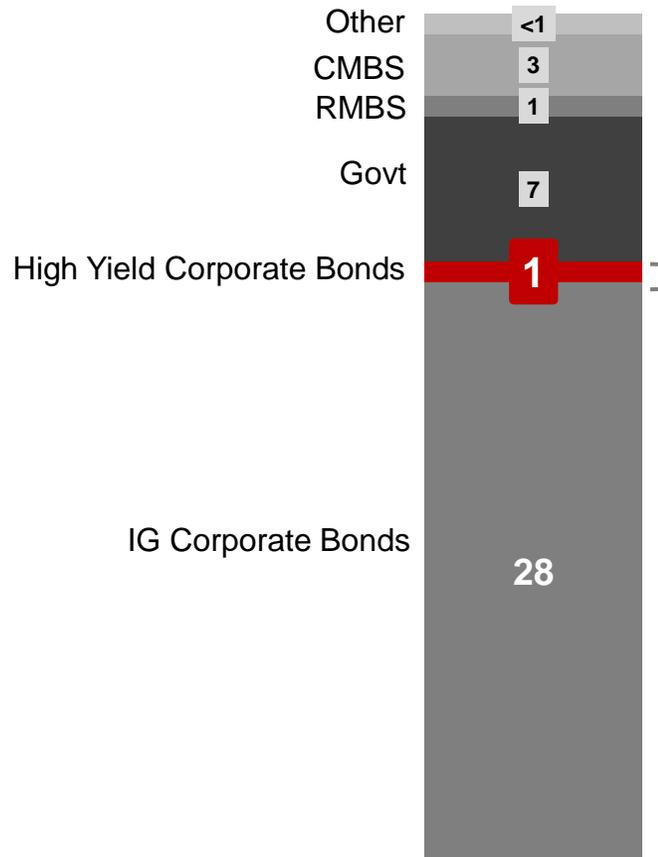
# Invested assets

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



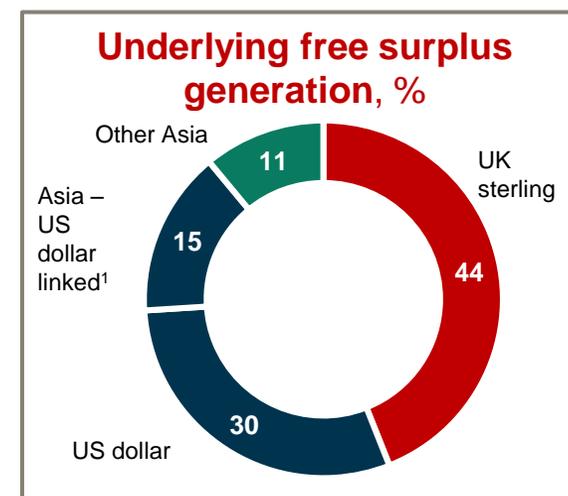
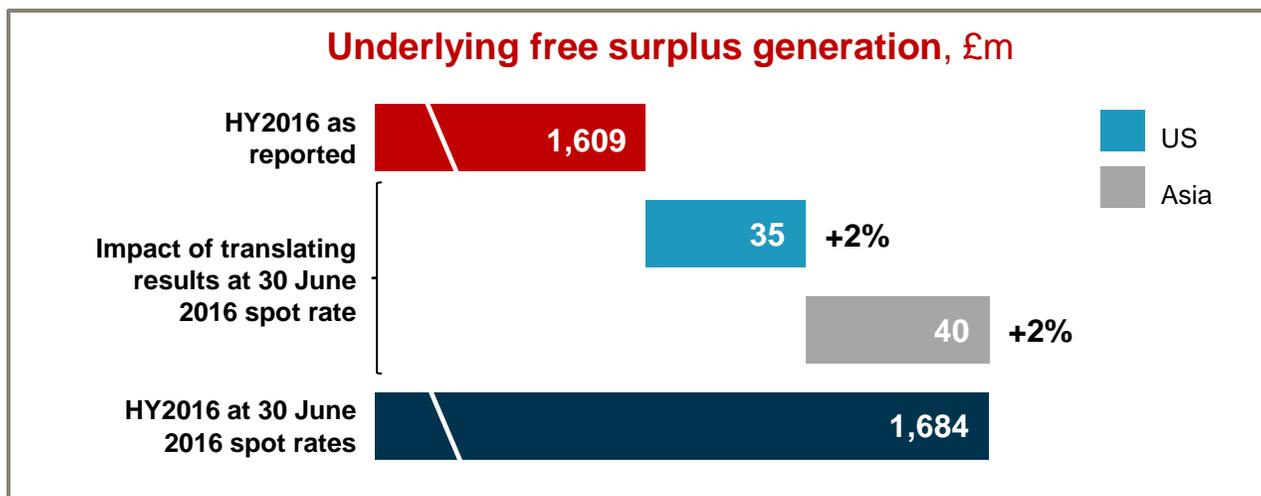
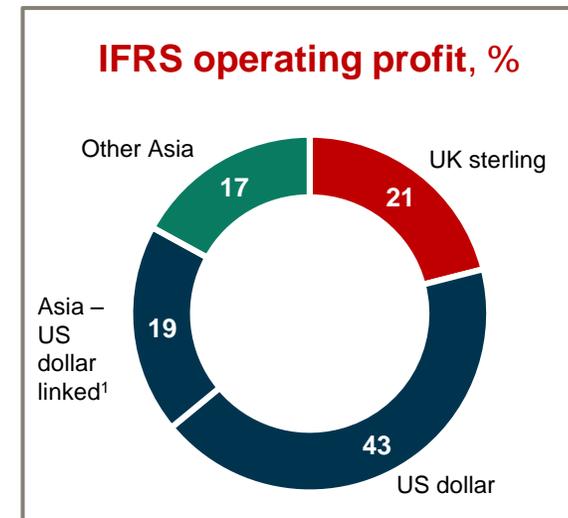
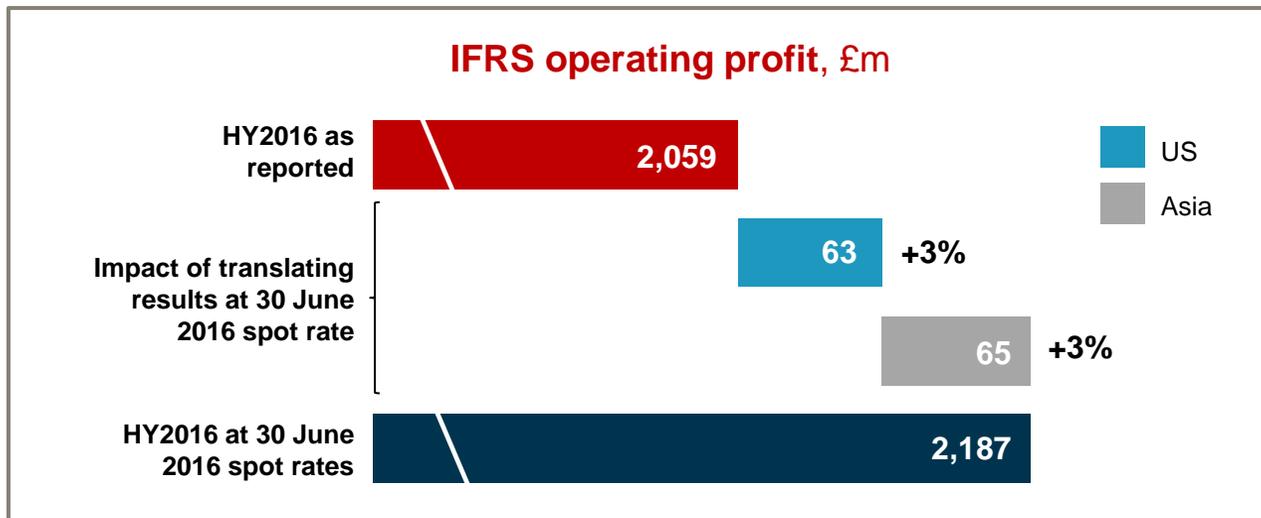
### US Shareholder Debt Securities Portfolio

Market value, **£41.1bn**



# Currency mix

## Currency translation sensitivities



# Currency mix

## Currency translation sensitivities

