



# **INVESTOR CONFERENCE 2017**

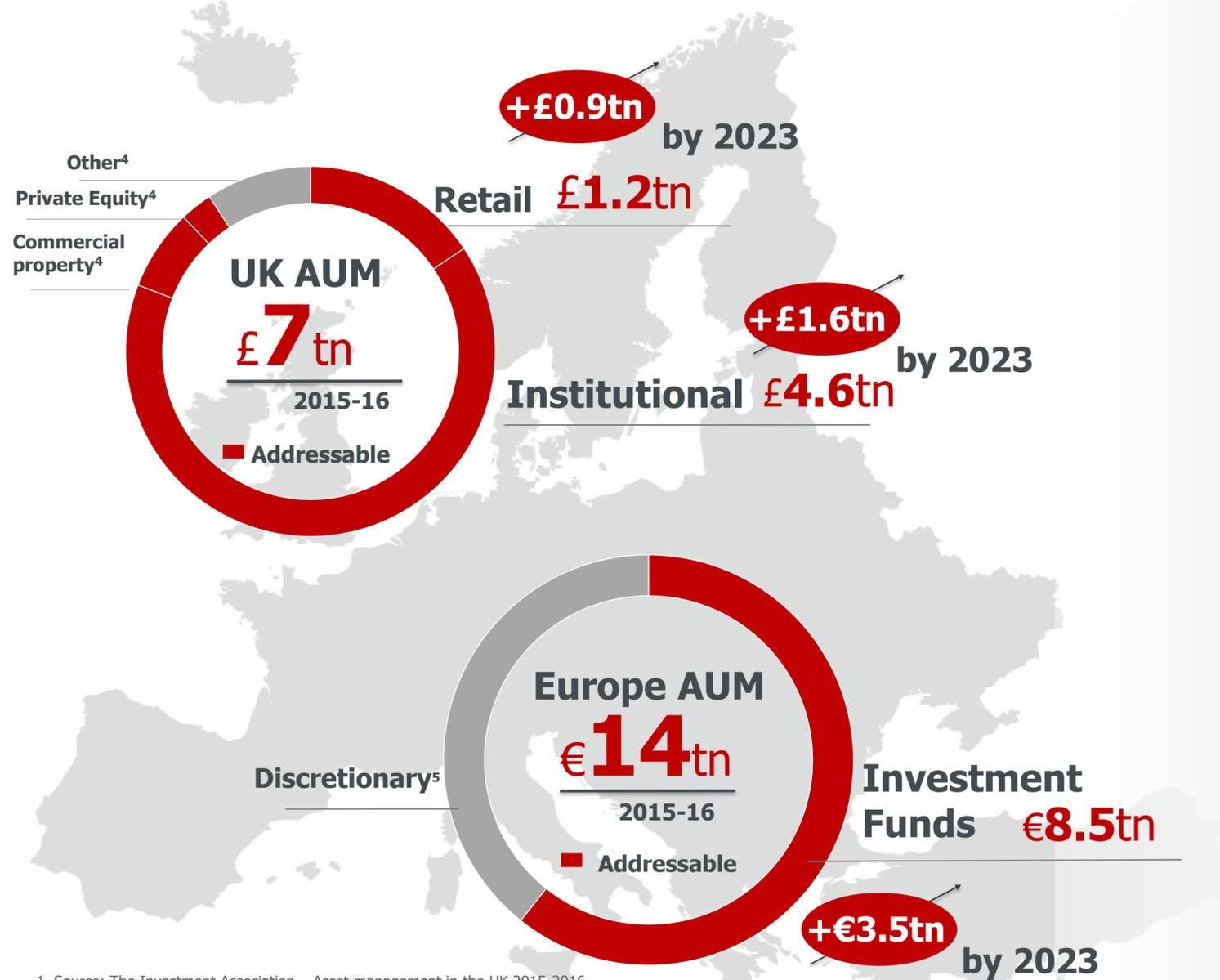
**John Foley**  
UK

# M&G Prudential

Creating a simple, modern savings and investments business



## Market Context<sup>1,2,3</sup>



1. Source: The Investment Association – Asset management in the UK 2015-2016  
2. Source: EFAMA Asset Management report, data as at 2015  
3. Growth rates source: PWC Asset Management 2020, BCG and Prudential calculations. Retail growth rate sourced from BCG, Europe and remaining UK using PWC Europe forecast CAGR of 4.4%  
4. UK AUM consists of Commercial Property, Private Equity and Other of £1.3tn growing by £0.5tn by 2023. European AUM consists of Discretionary of €5.2tn growing by €2.0tn  
5. Discretionary includes mandates and could be included within M&G Institutional addressable market



**£337 billion AUM**  
Year-on-year growth of 8%

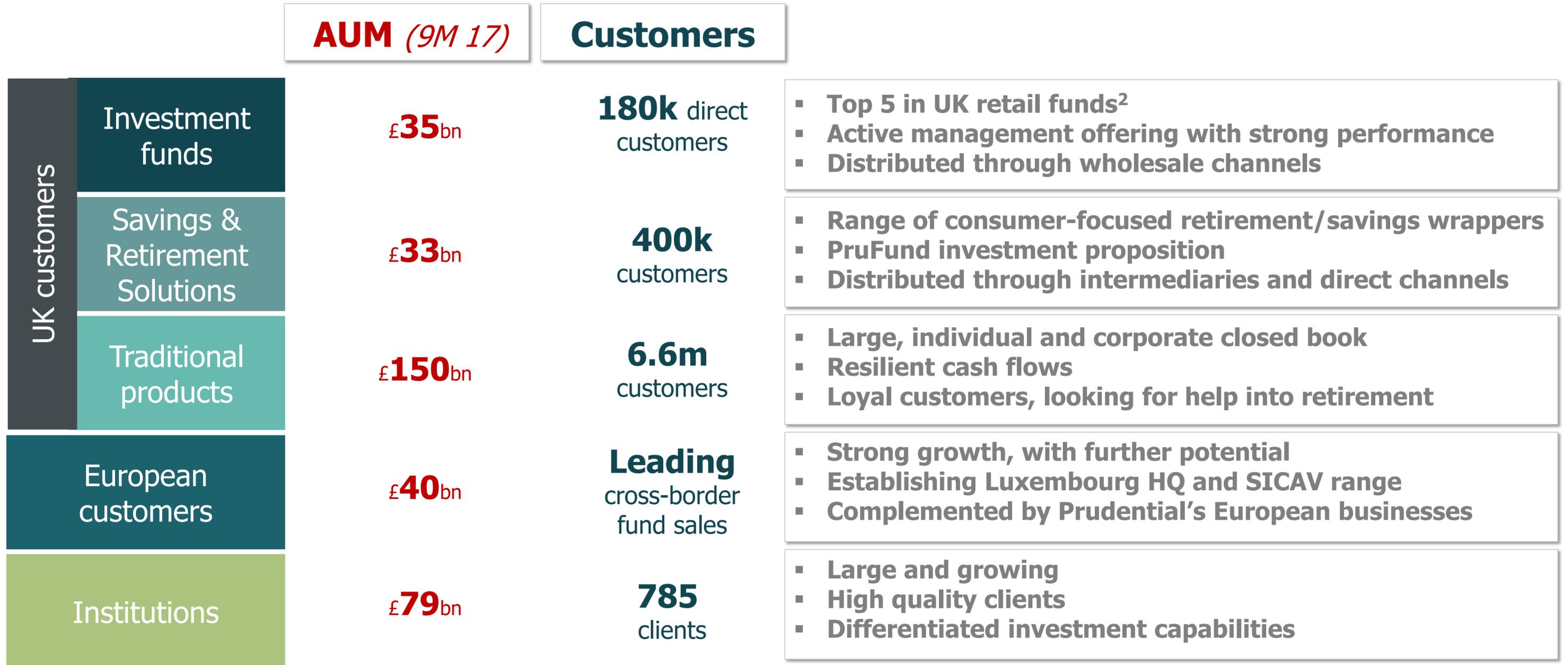
**7.2 million**  
Customers with strong persistency and loyalty

**5 customer groups**  
Diversified customer base with asset management at its heart

- Customer-centric
- Simple and efficient
- Digitally-enabled
- Capital-light
- Fast-growing
- Delivery-focused

# M&G Prudential Business Mix

Diversified across five customer groups, all contributing significantly



£337bn<sup>1</sup>

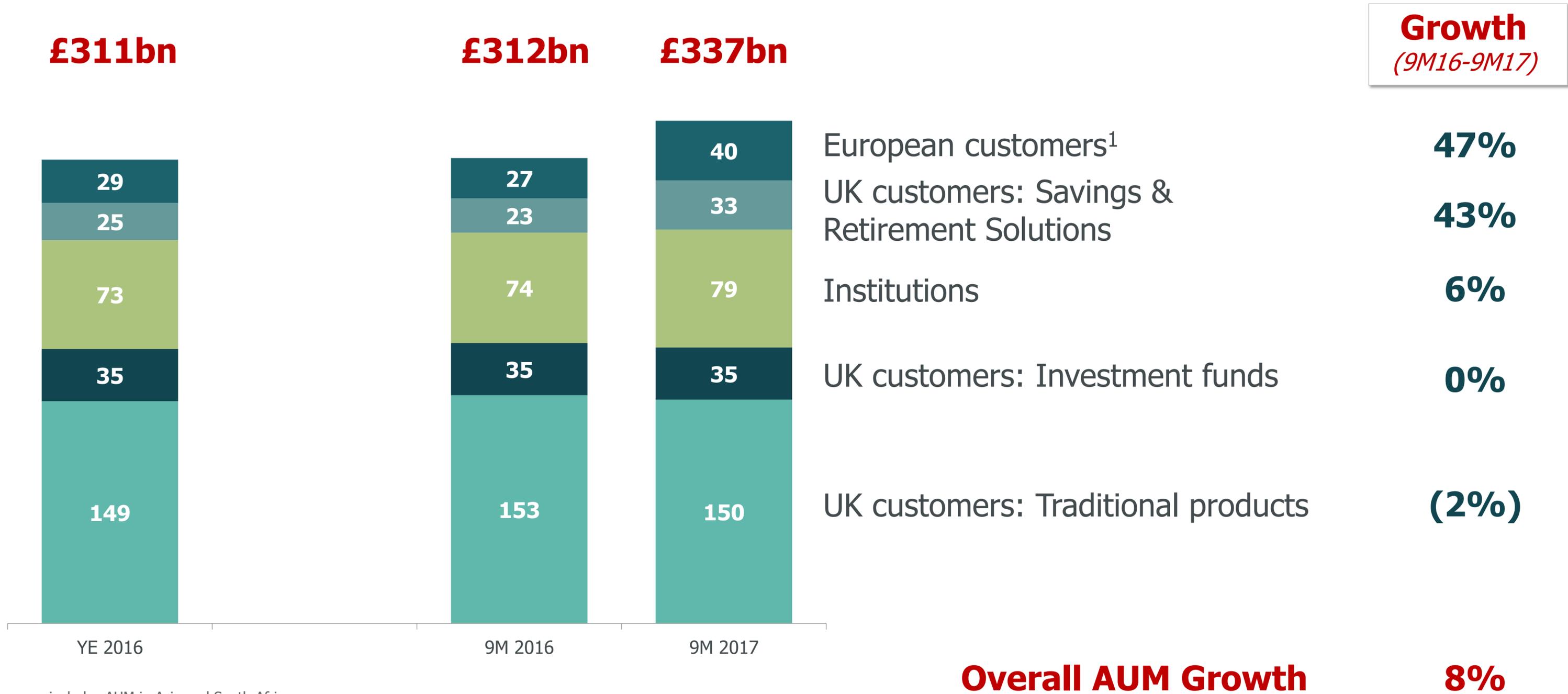
7.2m individual customers

1. Europe includes AUM in Asia and South Africa

2. Source: The Investment Association, June 2017

# M&G Prudential Assets Under Management

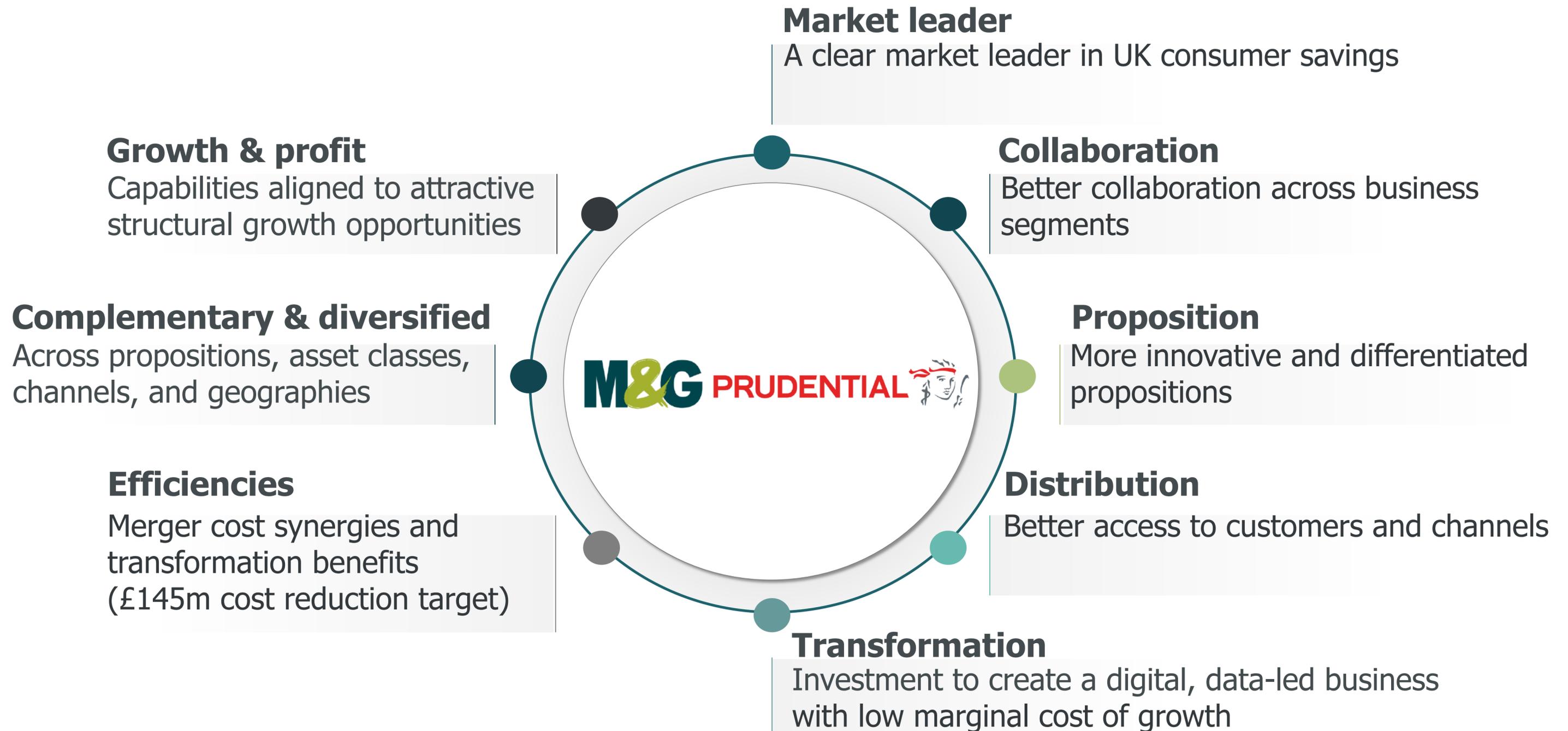
Strong AUM growth across customer groups



1. European includes AUM in Asia and South Africa

# Rationale for M&G Prudential

Compelling logic for combining our businesses



# M&G Prudential Objectives

Targeting value for customers and shareholders



## CUSTOMERS

Meeting needs through insight, proposition and experience

## DISTRIBUTION

Expanding access to customers and clients

## INVESTMENTS

Delivering strong outcomes through expertise and innovation

## MERGER & TRANSFORMATION

Simpler, more digital, customer-centric, reducing unit costs

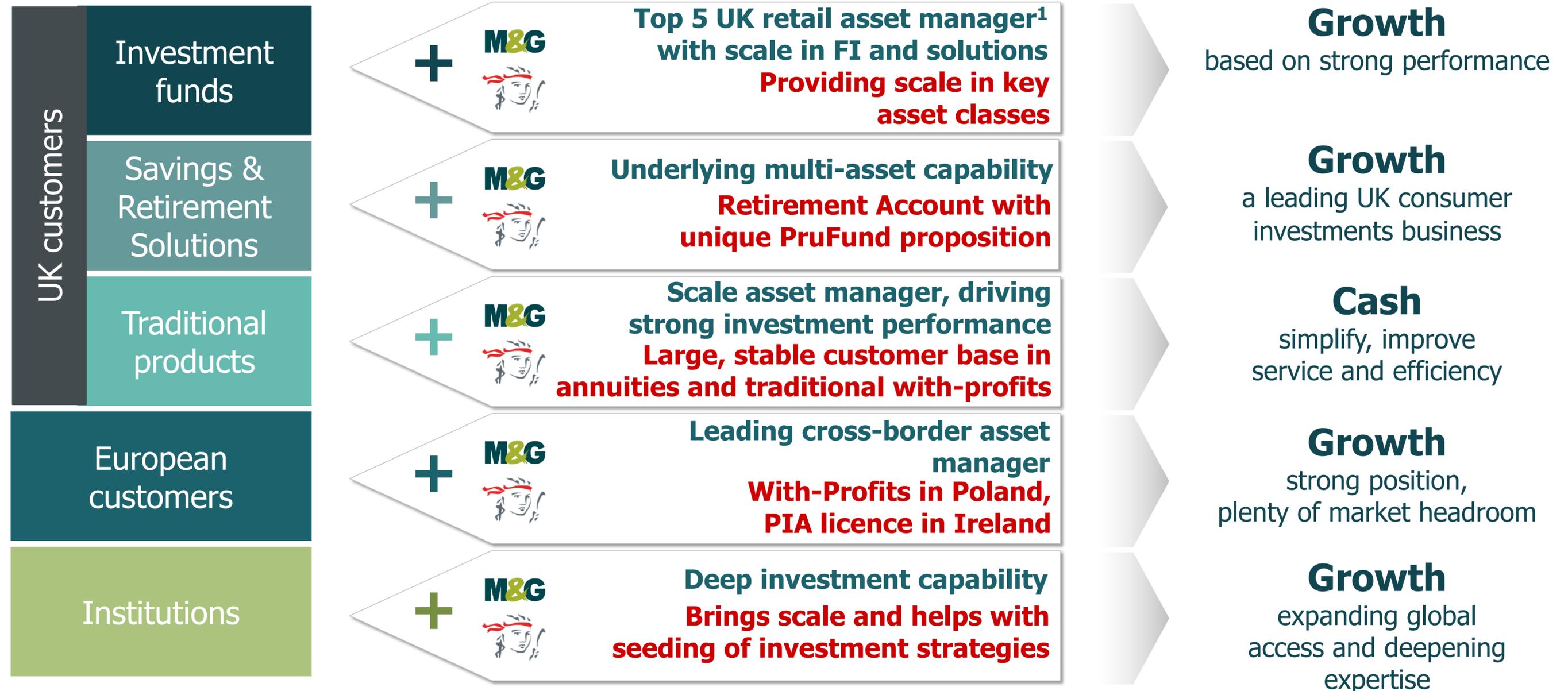
**REVENUE  
GROWTH**

**EFFICIENT  
OPERATING  
MODEL**

**CAPITAL  
EFFICIENCY**

# M&G Prudential Customer Groups

Working together for positive customer outcomes, growth and cash



1. Source: The Investment Association, June 2017

# M&G Prudential Leadership Team

New team combines the breadth of skills, experience and drive to deliver



**John Foley**

**Chief Executive**

**Clare Bousfield**

**CEO, Savings & Retirement Solutions**  
Deputy CE, M&GP

**Anne Richards**

**CEO, M&G Investments**  
Deputy CE, M&GP

**Miguel Ortiz**

**Chief Operating Officer**

**Grant Speirs**

**Chief Financial Officer**

**Jack Daniels**

**Group Treasurer**  
CIO, Savings & Retirement Solutions

**Keith Davies**

**Chief Risk & Compliance Officer**

**Irene McDermott Brown**

**HR Director**

**Nicole Jones**

**Chief of Staff**

- 1 Overview John Foley
- 2 M&G Prudential: **Customers and Distribution** Clare Bousfield
- 3 M&G Prudential: **Investments** Anne Richards
- 4 M&G Prudential: **Merger and Transformation** Miguel Ortiz
- 5 M&G Prudential: **Financials** Grant Speirs
- 6 Conclusion John Foley

# Annuities Update

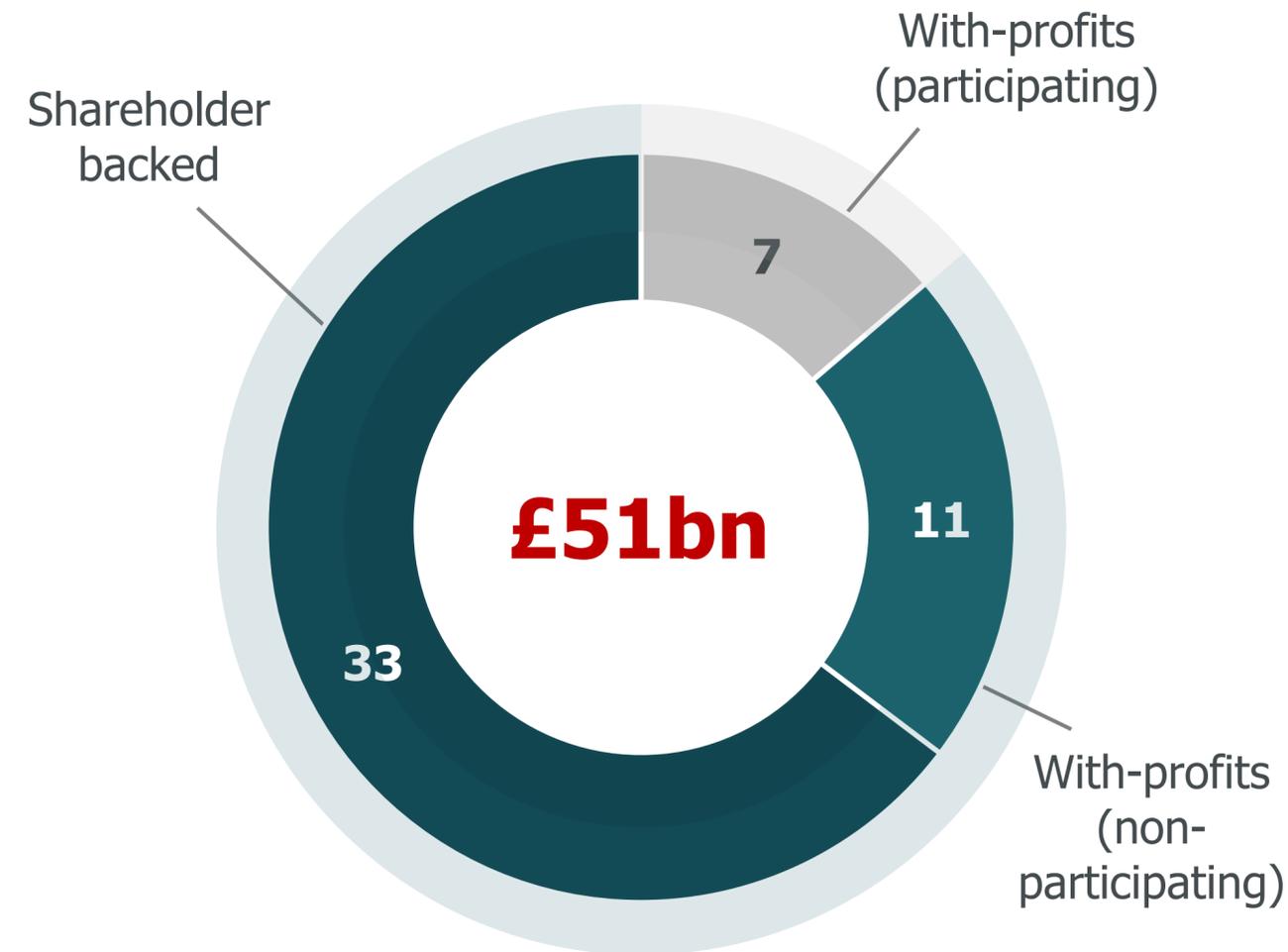
## Investment strategy to drive profitability, and capital optimisation

### Investment strategy

- Long-term view using strategic asset allocation
- Active asset management through M&G and PPMA<sup>1</sup>
- Asset origination
- Strong credit research teams
- Diversified portfolio
- Alternative asset classes

### Net annuity liabilities

(HY 2017)



### Capital optimisation

- Reinsurance
- Asset trading
- Credit hedging
- Model improvements
- Potential sale of blocks of business

1. Prudential Portfolio Managers America



# INVESTOR CONFERENCE 2017

**Clare Bousfield**

UK

# M&G Prudential Objectives

Targeting value for customers and shareholders



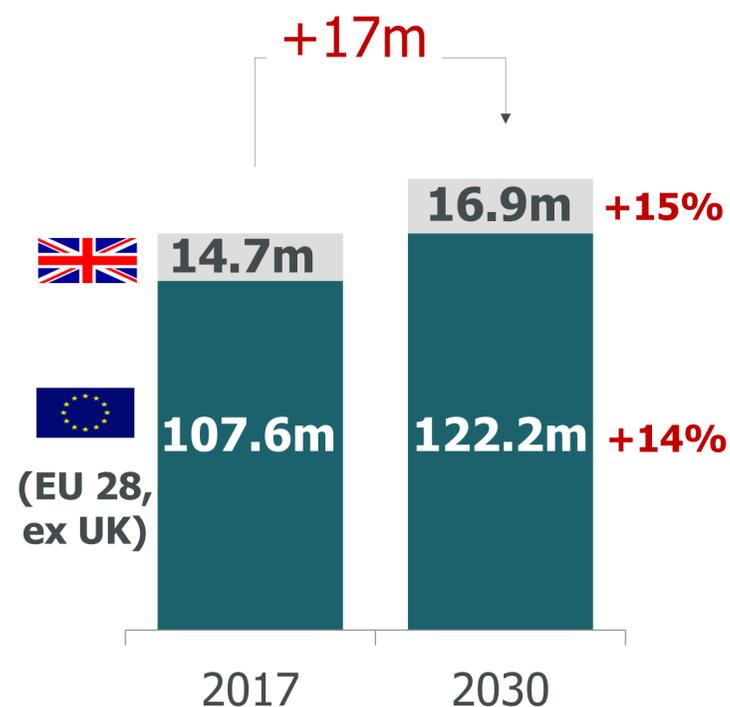
# Structural Drivers of Continued Market Growth

Growing need for long-term investment solutions and retirement support

## Demographics

- Ageing and growing population of retirees
- People living longer
- Expectations shaped by other industries

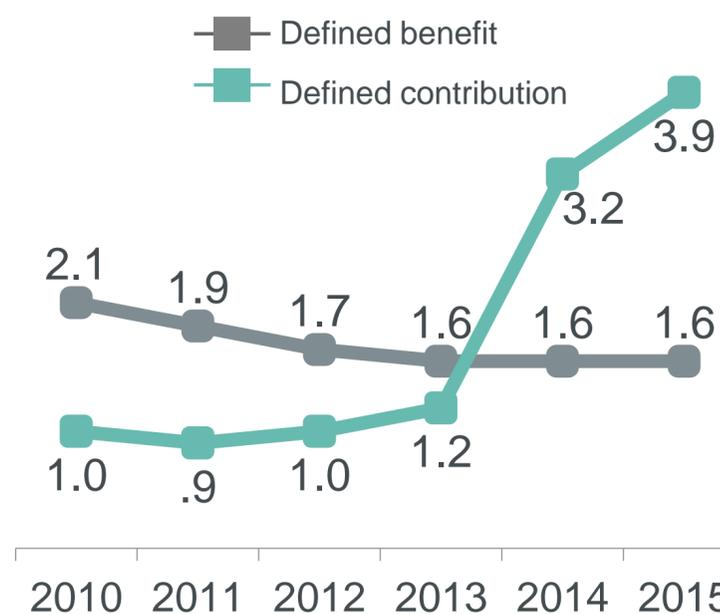
EU and UK population aged 55-75, 2017-2030<sup>1</sup>



## Macroeconomics

- Search for yield
- Volatile markets
- Transfer of risk to individual

Active membership of UK private sector occupational pension schemes (millions)<sup>2</sup>



## UK customers

- Above GDP growth in individual savings
- Stronger growth in demand for retirement and investment solutions

## European customers

- Shift from traditional investment products to mutual funds
- Growing 1-2% faster than UK

## Institutions

- Long-term investment horizons
- Search for yield and growing demand for real assets and alternatives

1. Source: Eurostat

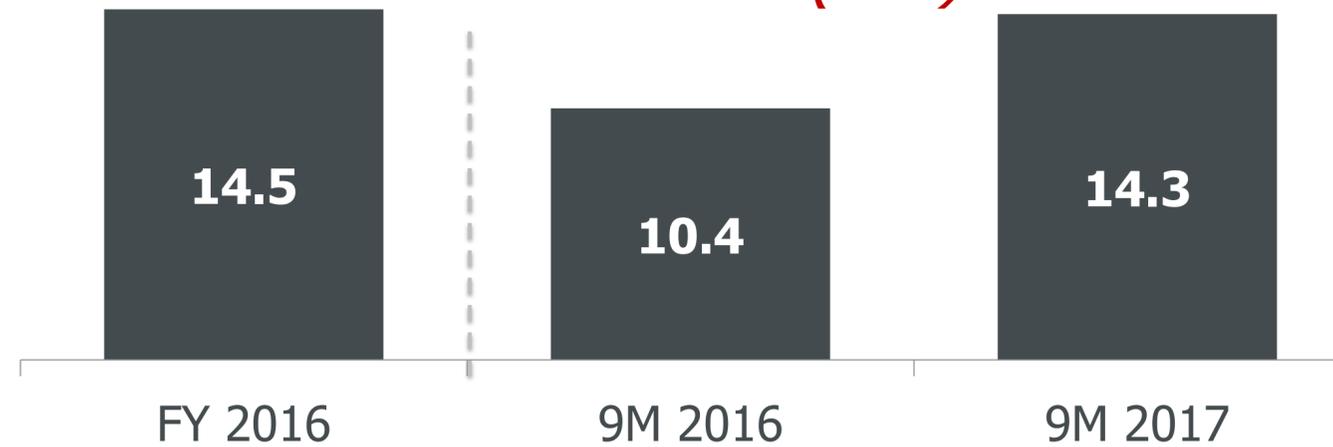
2. Source: Occupational Pension Schemes Survey, UK: 2015

# M&G Prudential Gross Flows

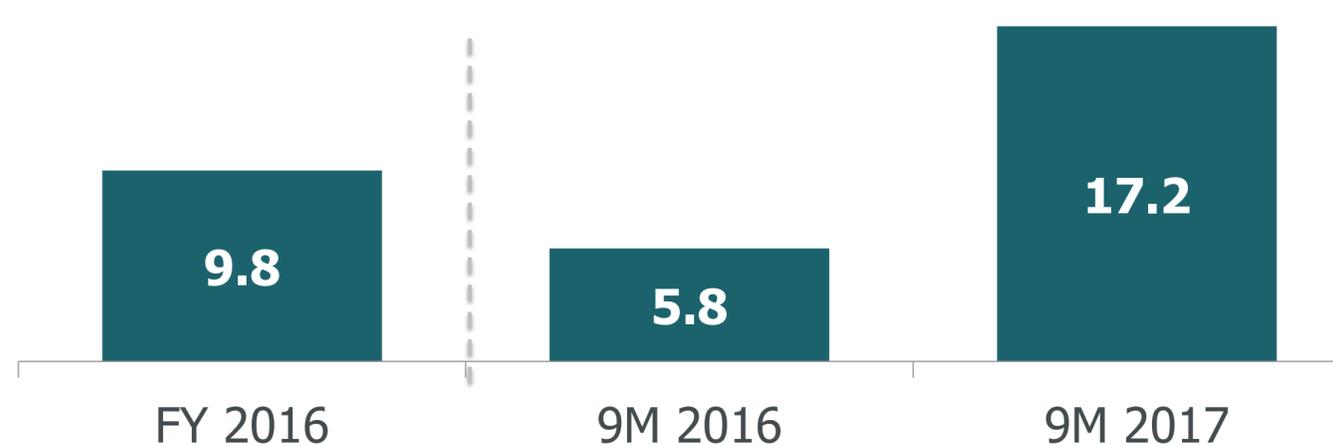
Structural opportunity translates into strong traction across all customer groups



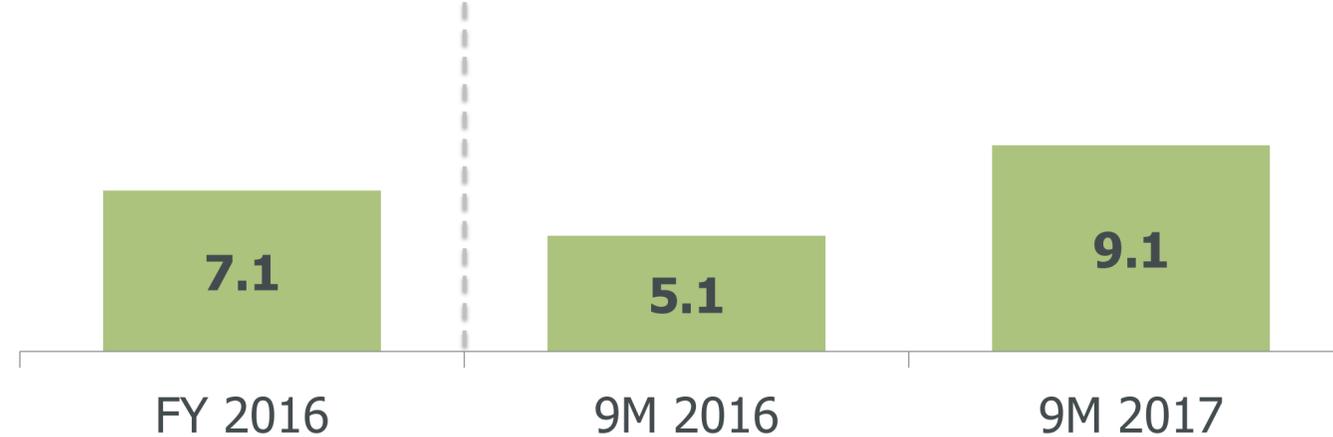
## Gross flows (£bn)



- 18% market share in life and pensions retail investments in H1 17<sup>1</sup>
- M&G gross sales up 45% 9M 17 vs 9M 16



- In top 5 active asset managers for pan European net sales for H1 17<sup>2</sup>
- 2 funds in the top 25 pan-Euro net selling funds in H1 17<sup>3</sup>



- Work with 44 out of 89 UK Local Government clients<sup>4</sup>
- Manage money for 68% of the UK's top 50 pension schemes<sup>5</sup>

1. ABI statistics / Prudential analysis  
 2. Broadridge data digest H1 2017, excluding ETFs  
 3. Broadridge data digest H1 2017  
 4. S&P Money Market as at 31 December 2016  
 5. IPE March 2015

# M&G Prudential Growth Strategies

Leverage combined strengths to drive growth in UK, European and global markets



## UK customers

### Support retirement opportunity

- ✓ Invest in intermediated and direct distribution
- ✓ Diversify wrappers and extend investment proposition
- ✓ Target cash savings that are earning low returns
- ✓ Leverage brand strength

## European customers

### Broaden reach and proposition

- ✓ Build out SICAV offering
- ✓ Expand reach through wholesale relationships
- ✓ Leverage insurance capabilities
- ✓ Need alternatives to expensive guarantees

## Institutions

### Differentiated and flexible capabilities

- ✓ Respond to growing demand for yield and real assets
- ✓ Develop new products alongside our clients
- ✓ Target long-term investment strategies
- ✓ Deepen client relationships

# UK Customers: Combined Customer Base

7m existing customers at the heart of our UK strategy



## M&G Direct Customers

**£27k**  **1.1**  **66** 

Average case size

Products per customer

Average age

£4.5k average ongoing contribution into PEP/ISA

- Digital experience via MyM&G
- Support with investment choices

## Prudential Savings & Retirement Solutions Customers

**£81k**  **1.6**  **59** 

Average case size

Products per customer

Average age

25% customers have holding of £200k+

- Retirement Account with PruFund for wealth preservation and growth

## Prudential Traditional Product Customers

**£43k**  **1.3**  **64** 

Average case size

Products per customer

Average age

65k retiring per year

- Enhance customer experience
- Digital self-service through MyPru
- Support with retirement decision
- Future upgrade to the SRS solution where appropriate

Transform experience for customers and advisers utilising leading technology

# UK Customers: Delivering for our Customers

Delivering good outcomes for our customers, new and existing



Customer-focused approach

Decision Support

Value for Money

Transparency

Attitude to Risk

Vulnerability



- ✓ Differentiated investment solutions
- ✓ Strong performance
- ✓ Fund innovation

PRUDENTIAL  
PruFund 

- ✓ Unparalleled diversification
- ✓ Smoothed returns
- ✓ Financial strength

Mobile First

Multi-Channel

Always Human

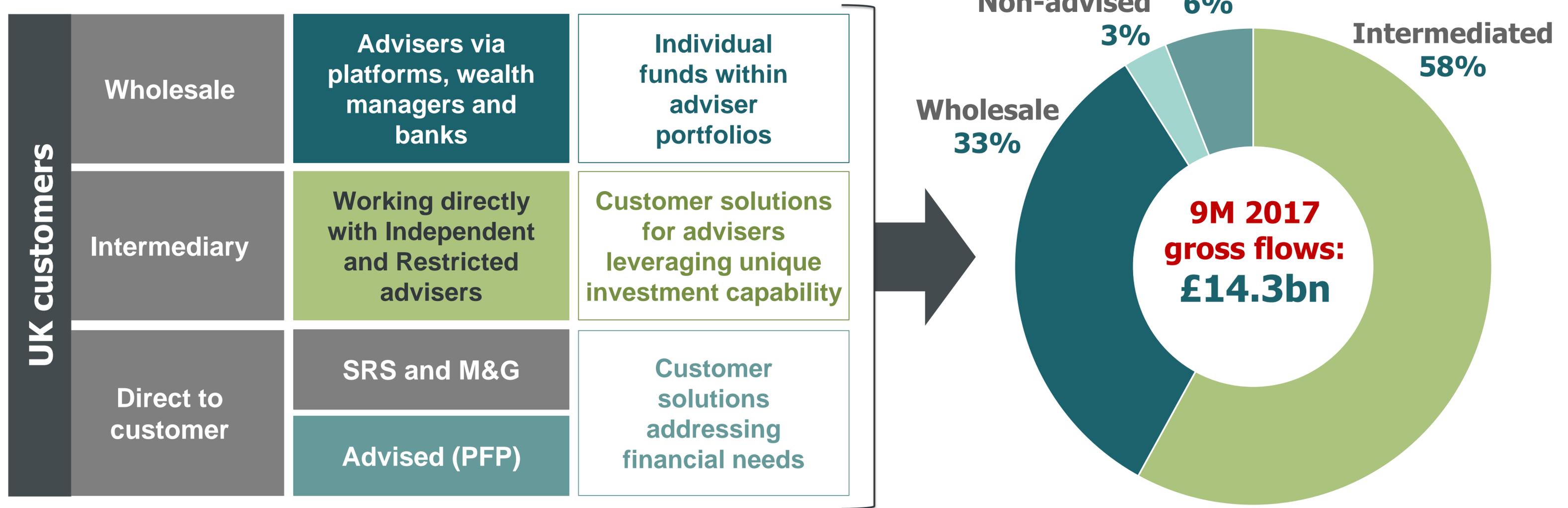
Intelligent Solutions

Visual First

Volatility Managed

# UK Customers: Channel Mix

Accessing our customers through a range of channels, all with potential for growth



# UK Customers: M&G Prudential Brand Strength

Starting with two distinctive, trusted and complementary brands



## UK consumers' views of M&G and Prudential<sup>1</sup>

*(proportion of those who "strongly agree" or "tend to agree" with statement)*



Strong investment brand in the UK, seen as expert in the field and a leading/top 10 brand in Europe

Particular strength with sophisticated investors and mass affluent into HNW segments of intermediary market, both in the UK and across Europe



Strong retirement brand, with heritage and trust

Particular strength with mass market/mass affluent segments of intermediary market



1. Source: YouGov sample of GB adults, October 2017. Responses for ABC1s familiar with the brand (Prudential – 754; M&G – 152)

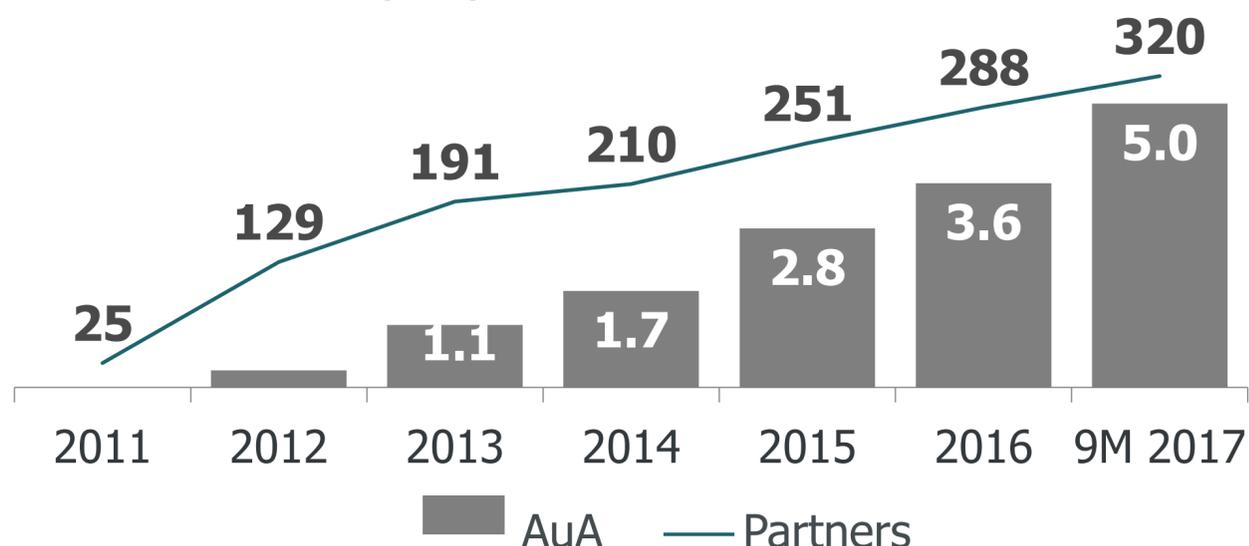
# UK Customers: Direct to Customer Channel

Providing advice and guidance, using digital technology to transform experience

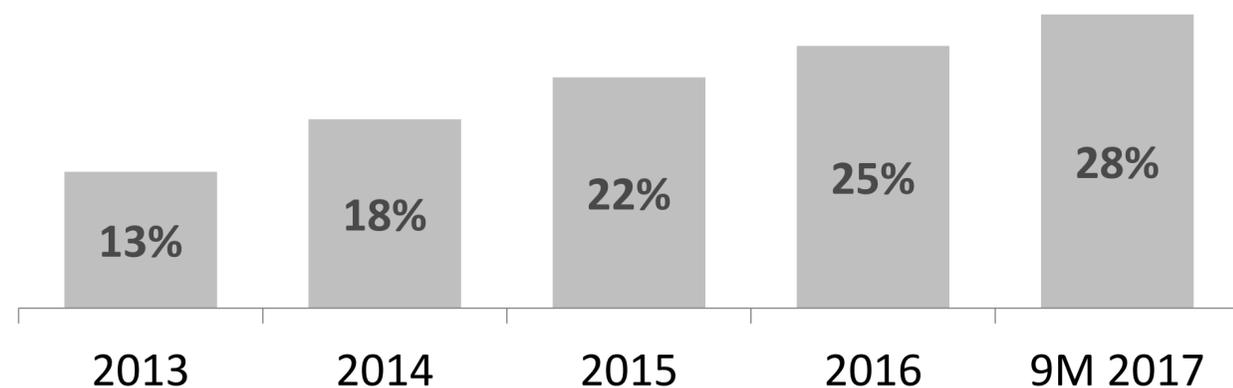


## Prudential Financial Planning growth

AUA (£bn) and Partner numbers



Self-sufficiency  
(% new business written from referral and PFP own clients)



## Digital development

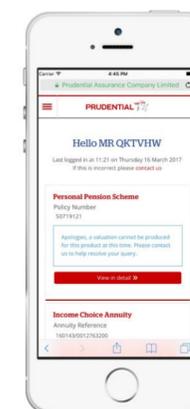


### GoPru PFP Lead Management App

- One of a number of apps / innovations developed in M&G Prudential Digital Hothouse
- Dynamic lead generation and management for partners
- Roll-out underway now

### M&G Direct ISA/GIA customers

- 24/7 secure access
- News and insight
- Self-service



### MyPru

- Manage existing policies online
- Request annual review

# UK Customers: Intermediary Opportunity

Merger work driving opportunities in our distribution relationships



## 9M 2017 Total UK intermediary gross flows



£4.8bn<sup>2</sup>

IFA Type

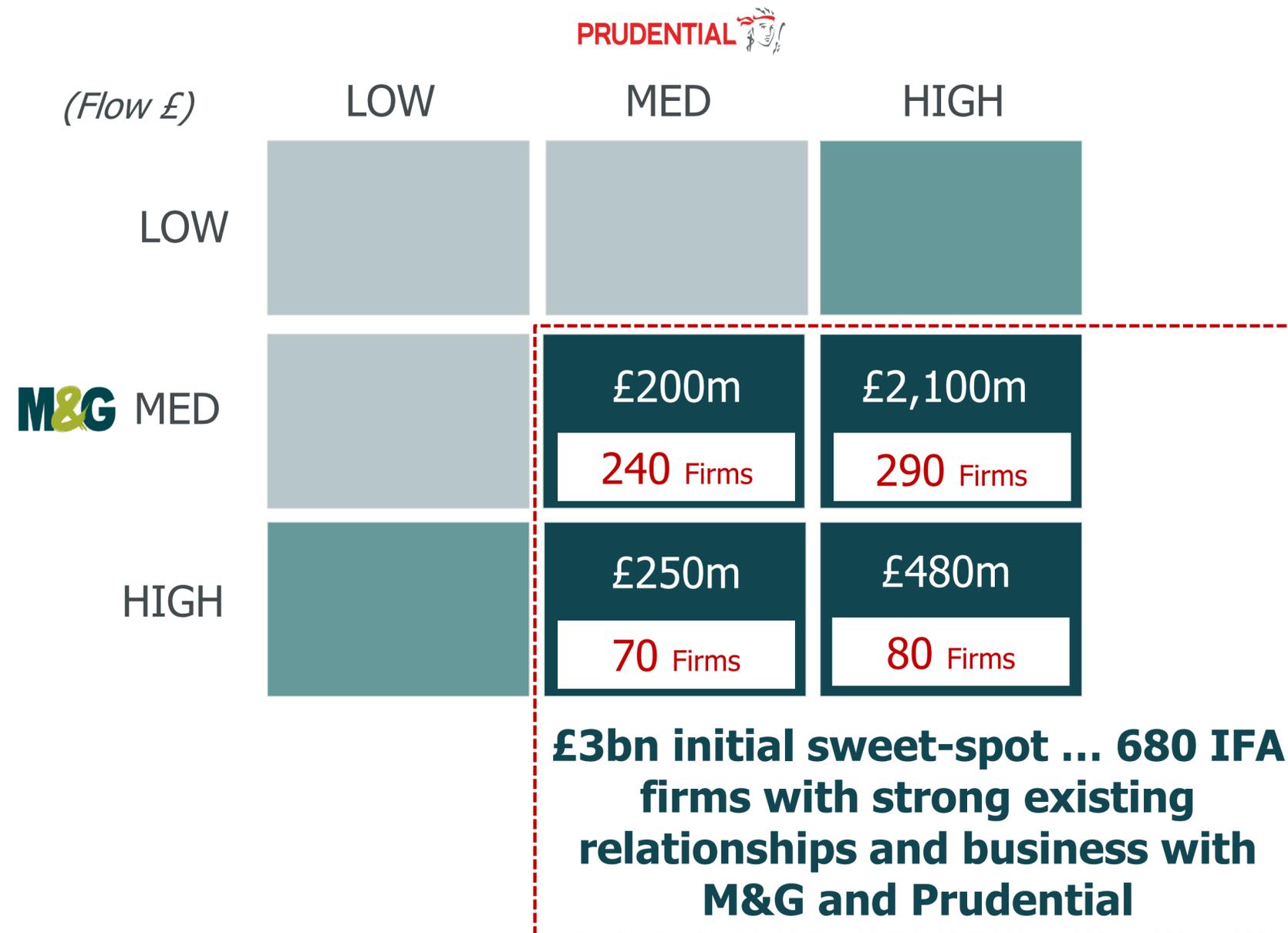
Nat/Network	45%
Investments	22%
Pensions	27%
Wealth	6%

PRUDENTIAL 

£8.2bn

Nat/Network	81%
Investments	1%
Pensions	14%
Wealth	2%

## Intermediary flows from 7,400 IFA firms analysed at individual account level<sup>1</sup>

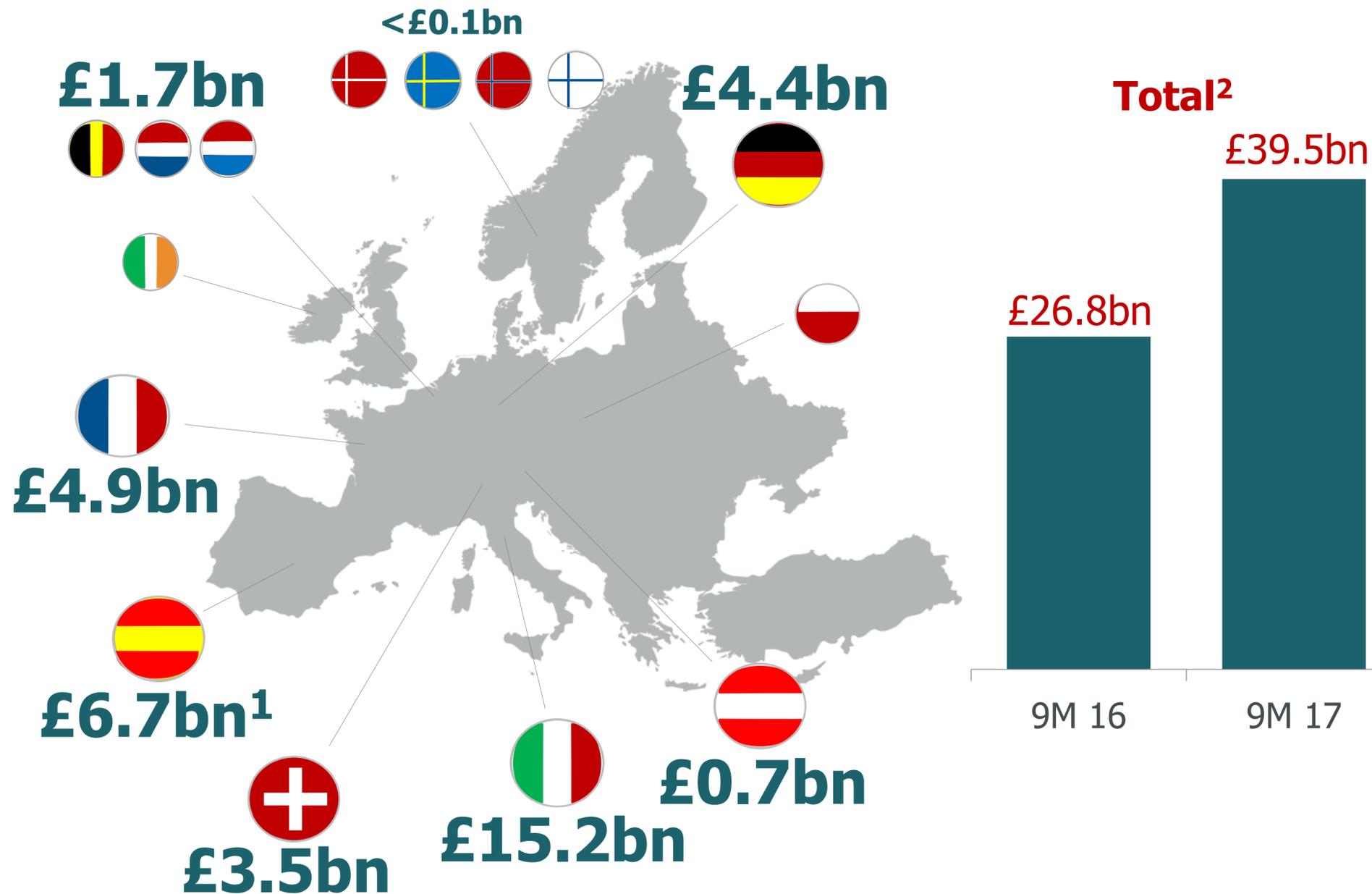


1. Analysis using a sub-set of total flows 2. Across intermediary and wholesale via intermediaries

# European Customers: Deepening Distribution

Growing presence in growth investment markets

## European AUM (9M 17)



1. Includes Chile  
2. Europe includes AUM in Asia and South Africa

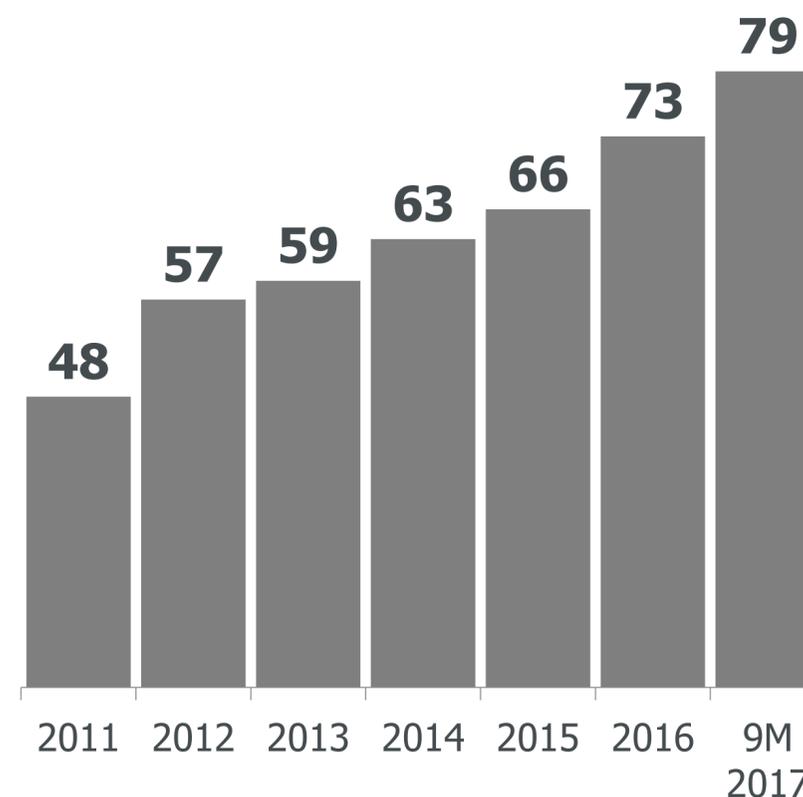
- An established presence across major European markets following 15 years of growth
- Italy is our largest market with £15bn AUM distributed through over 100 of the largest retail distributors
- Opportunity for further growth through strategic partnerships and new investment solutions
- Small but growing with-profits business in Poland. Investigating expanded use of smoothing
- Hubs in Luxembourg and Dublin for delivery of European solutions

# Institutions: Growing the Client Base

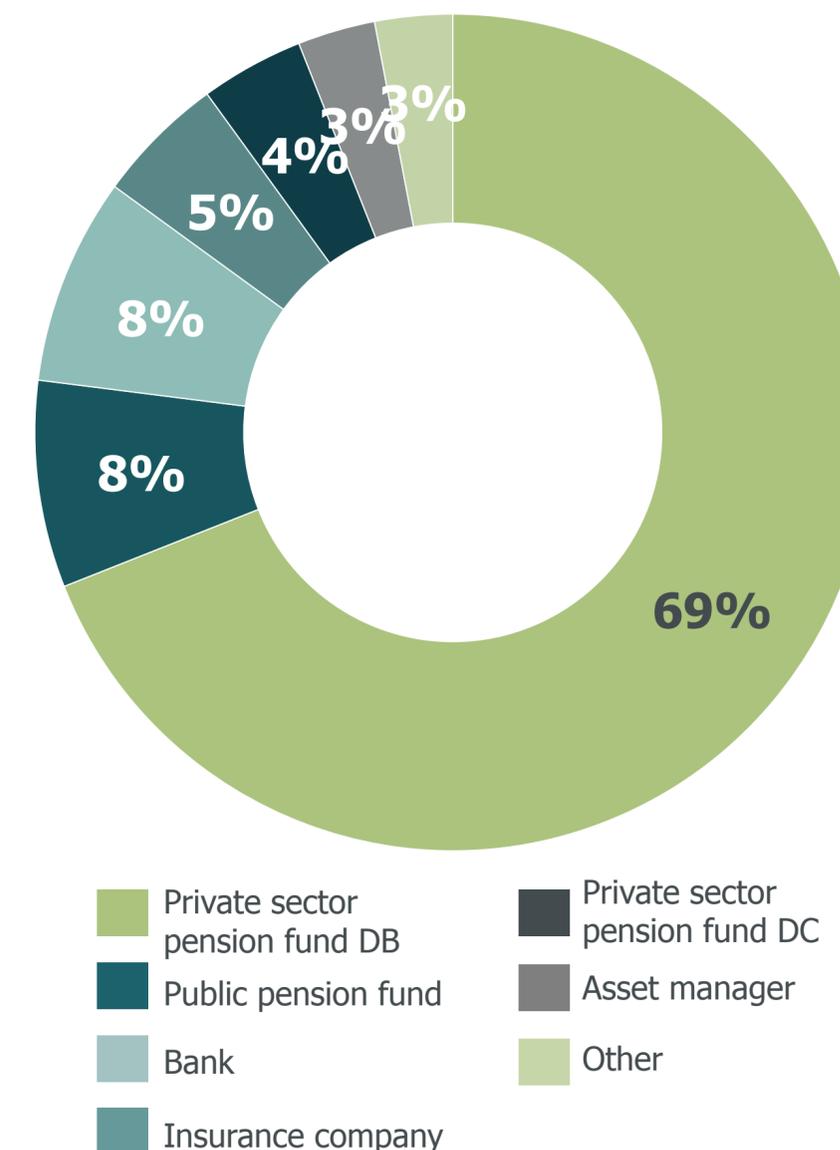
Working with a range of UK and global institutions

- Alternatives have delivered strong revenue growth in closed ended funds (e.g. private debt and real estate)
- Positive progress off low base for growth strategies (e.g. emerging markets and multi-asset)
- Opportunity to leverage our expertise in Europe as changes in regulations are embedded

**3<sup>rd</sup> party institutional AUM**  
(£bn)



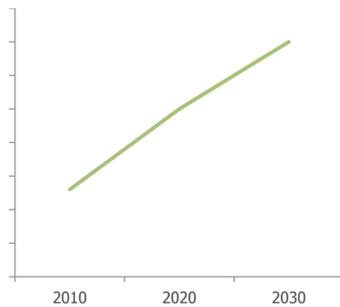
**Institutional client breakdown by client type at 30 Sep 2017**



# Summary: Customers and Distribution

A strong platform for growth

## Growing market demand



- Institutional: search for yield and transfer of risk to individuals
- UK consumers: continue to capture retirement opportunity by diversifying wrappers to access PruFund and extending investment proposition
- Europe: strong growth and potential for further revenue synergies

## A strong distribution footprint



- >7 million retail customers
- 130+ platform placements
- Nearly 800 institutional mandates
- Strong growth and opportunities to expand presence with specialist advisers through combining our offerings

## A step-change in customer focus



- Modernising business while developing competitive advantages will create a strong, customer-centric foundation for growth
- Segment focus remains in the near/at/in-retirement market, centred on age 50+, mid to high affluence segments

## Two complementary, trusted brands





# INVESTOR CONFERENCE 2017

**Anne Richards**

UK

# M&G Prudential Objectives

Targeting value for customers and shareholders



# M&G Prudential Investment Model

Delivering for clients through active management



## Capability

- Broad range of strategies and asset classes
- Bespoke solutions
- Smoothing using inherited estate

## Performance

- Active management
- Meeting customer objectives
- Identifying and taking advantage of market opportunities

## Proposition

- Flagship proposition highlights
- Creating and seeding new propositions

Responding to structural shifts in client needs

# M&G Prudential Investment Model

Delivering for clients through active management



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Private assets



Absolute return



Emerging markets



Retirement



Search for yield



Multi-asset



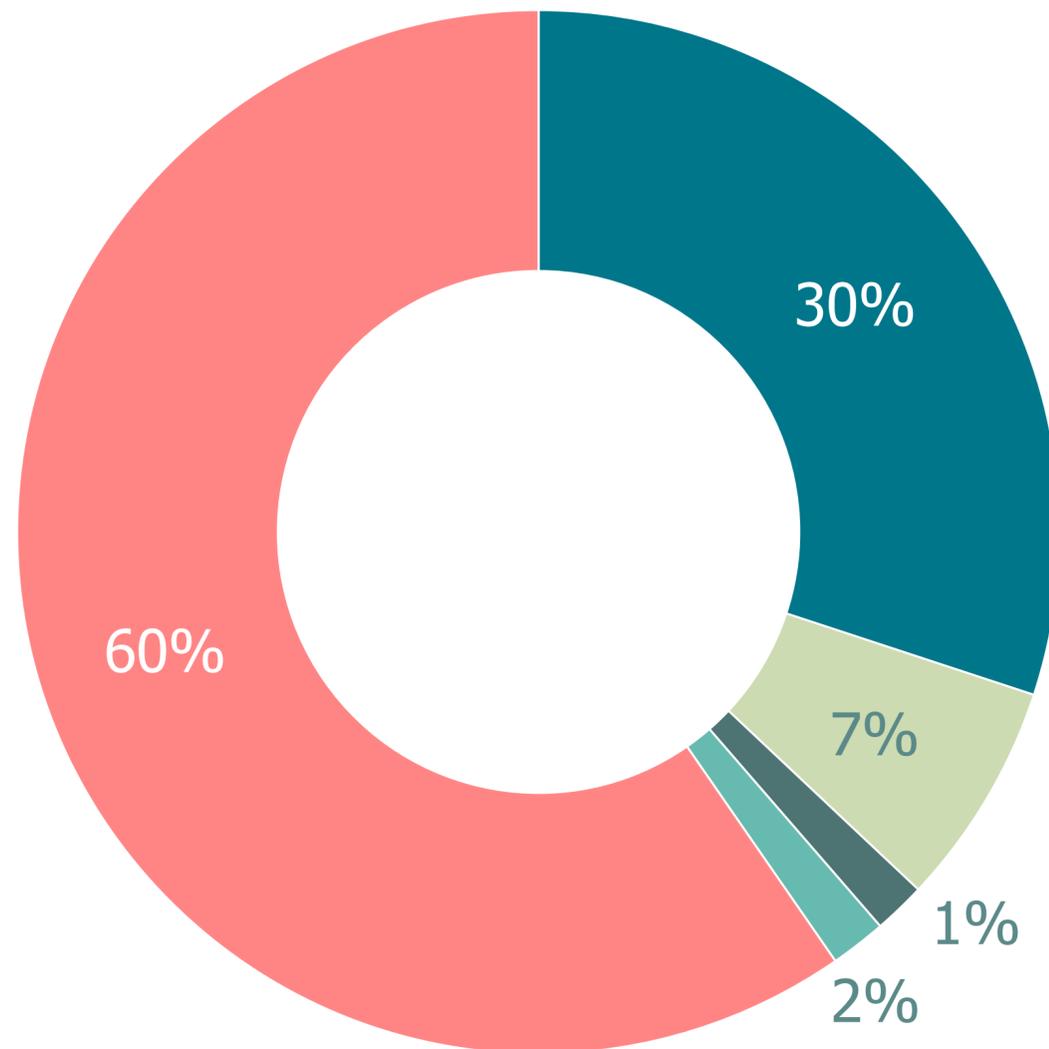
Impact investing

# M&G Prudential Mix by Asset Class

Breadth of M&G Prudential investment capabilities



## M&G Prudential AUM by asset class (%)



**Total AUM: £337bn**

### Multi-asset

Combining our wider range of investment capabilities to provide multi-asset solutions

### Fixed income

A leading European bond manager with one of the largest credit analyst teams in UK / Europe

### Equities

Unconstrained, conviction-led approach to long-term investing

### Real estate

Managing a range of asset types (e.g. retail, residential, commercial) in the UK, continental Europe, Asia and North America

### Alternatives

Full series of investment disciplines including real estate finance, direct lending and infrastructure equity investment

# M&G Prudential Mix by Asset Class

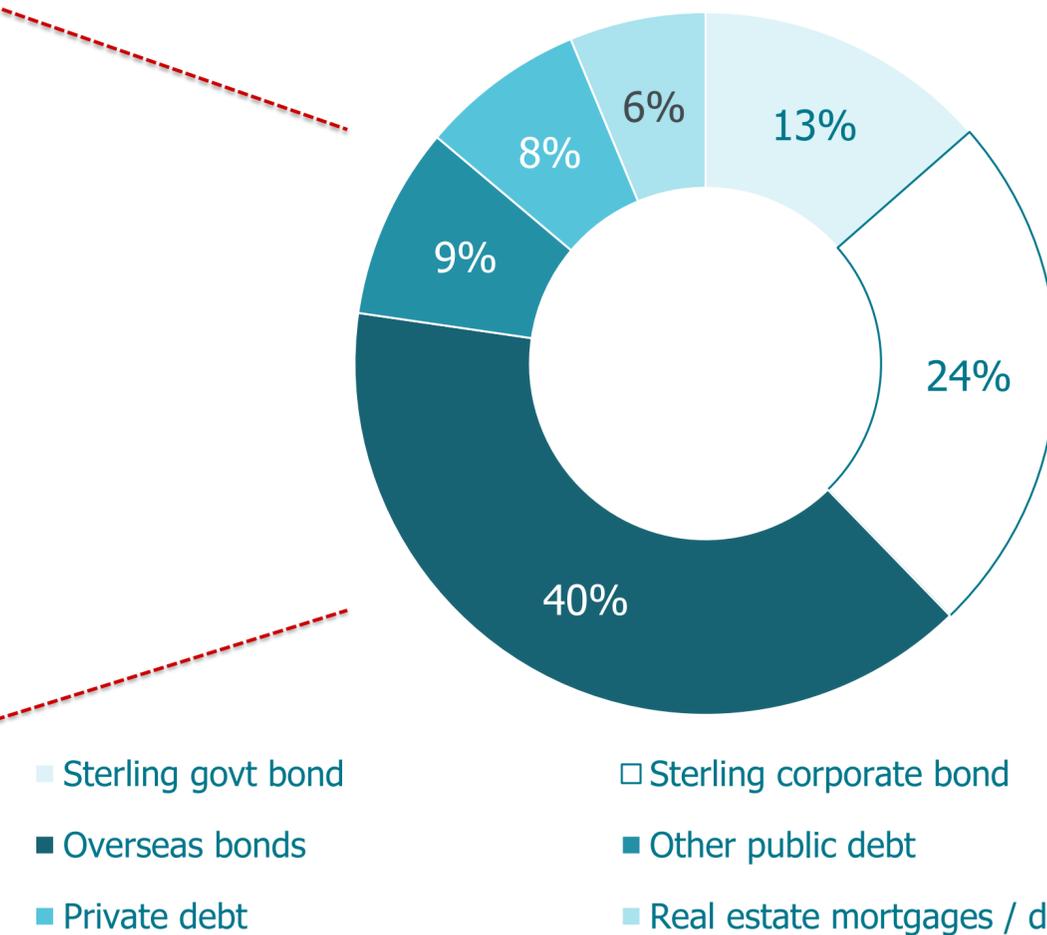
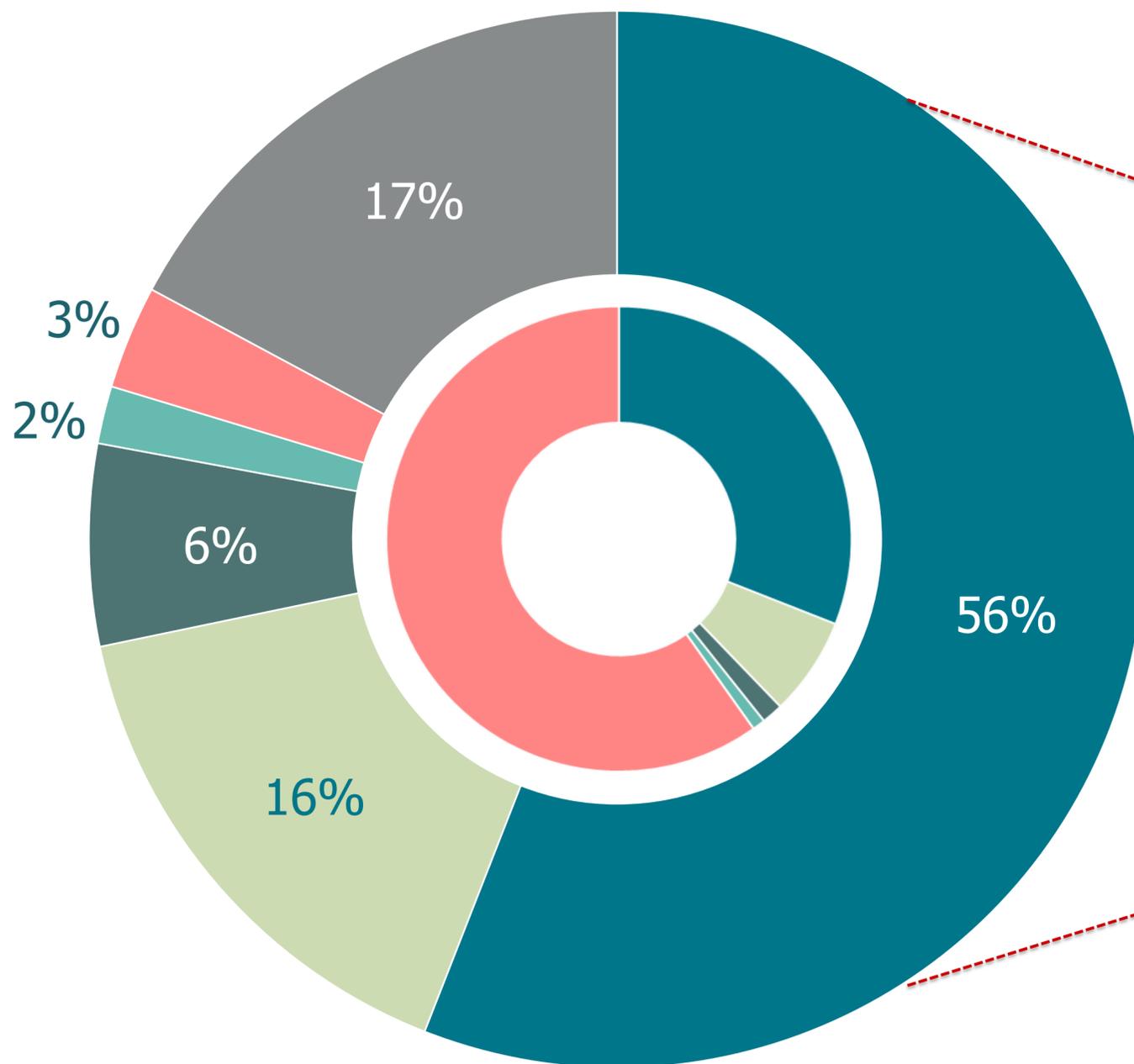
Breadth of M&G Prudential investment capabilities



M&G Prudential AUM by asset class, multi-asset  
lookthrough (%)

M&G Prudential fixed income AUM by  
sub-asset class (%)

- Multi-asset
- Fixed income
- Equities
- Real estate
- Alternatives
- External



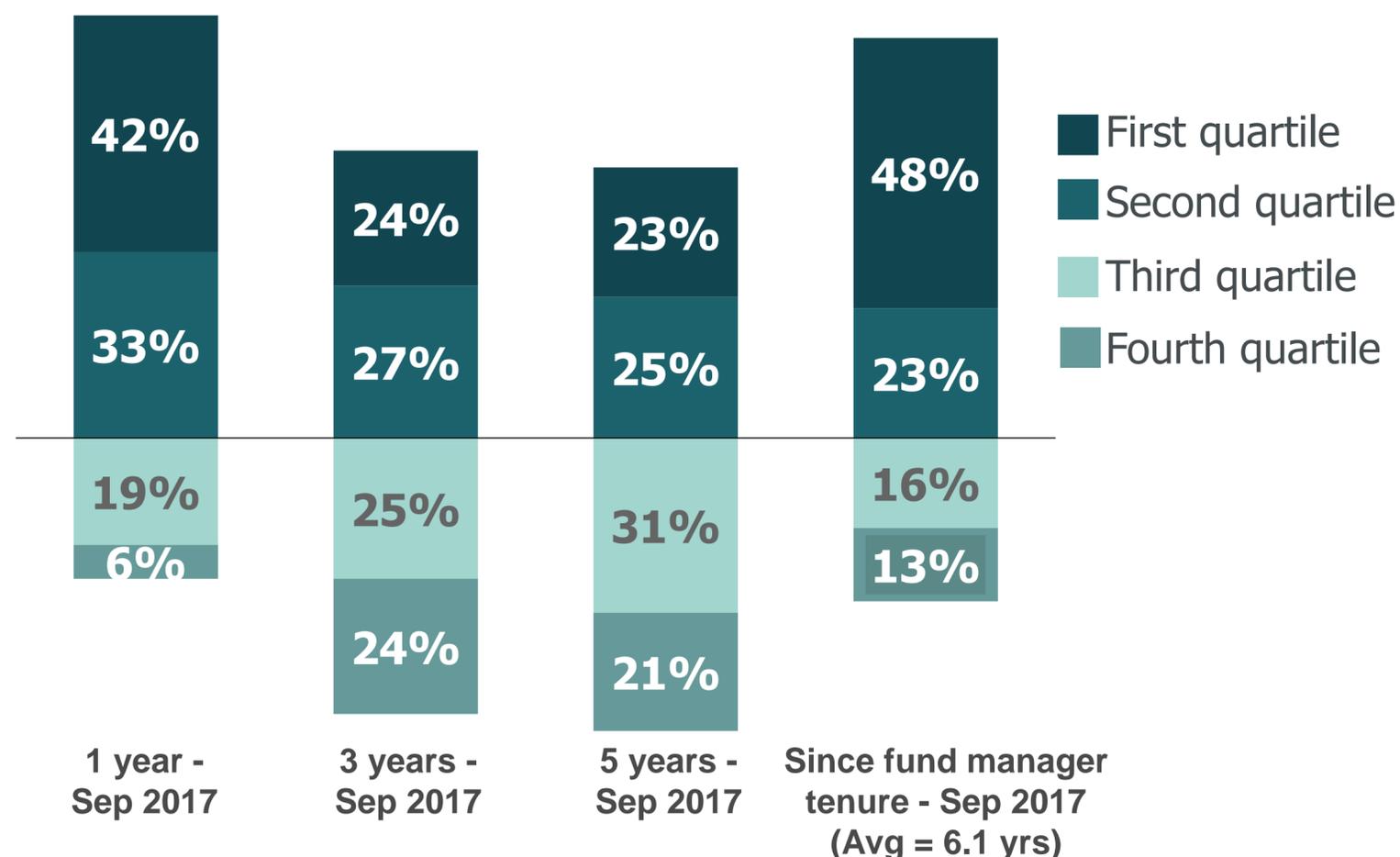
# UK domiciled funds

Strong investment performance over all time periods



- M&G manage the largest range of UK domiciled retail funds with £75bn of assets under management\*
- Currently, M&G Prudential's UK domiciled funds service a broad range of clients
  - UK
  - EU 27
  - Other international
- Luxembourg SICAV platform launched December 2016 in response to Brexit

**M&G OEIC investment performance, net of fees, weighted by: number of funds (%)**



\* Comparator source: The Investment Association, as at 30 June 2017, M&G AUM as at 30 September 2017. Quartile ranking based on ranking of the funds representative share class, net of fees, within their respective Investment Association (IA) or Morningstar sectors. Closed funds excluded. M&G total wholesale AUM as at 30 Sep 2017 was £72.8bn, 1 year figures represent £72.7m AUM, 3 year figures represent £71.3m AUM, 5 year figures represent £66.6m AUM, fund manager tenure figures represent £72.8m AUM. Performance figures in GBP, bid to bid, net income reinvested. Average fund manager tenure September 2017 = 6.1 years. Source: M&G, September 2017. IA and Morningstar Inc. combined UK and Pan-European peer groups as at and September 2017.

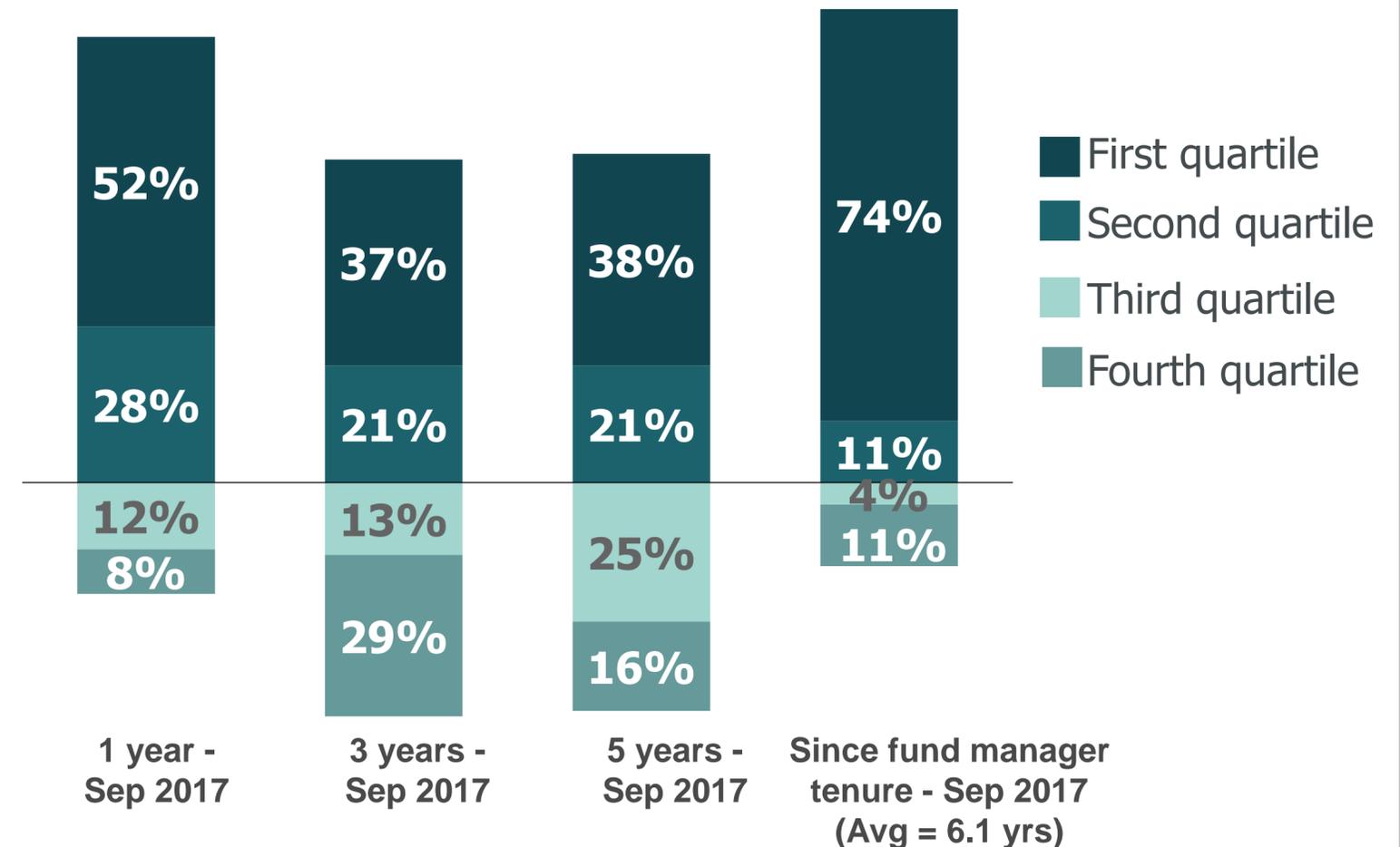
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# Strong Institutional Investment Performance

- Institutional portfolios come with a range of objectives and criteria for success
  - Benchmark/target relative
  - IRR over life of fund
  - Asset liability management
  - Hold to maturity
- No single measure can effectively capture the entire £79bn institutional book of business
- We are showing a subset of our book where we have quartile returns and a selection of flagship strategies

## M&G institutional peer comparison by quartile on externally managed AUM

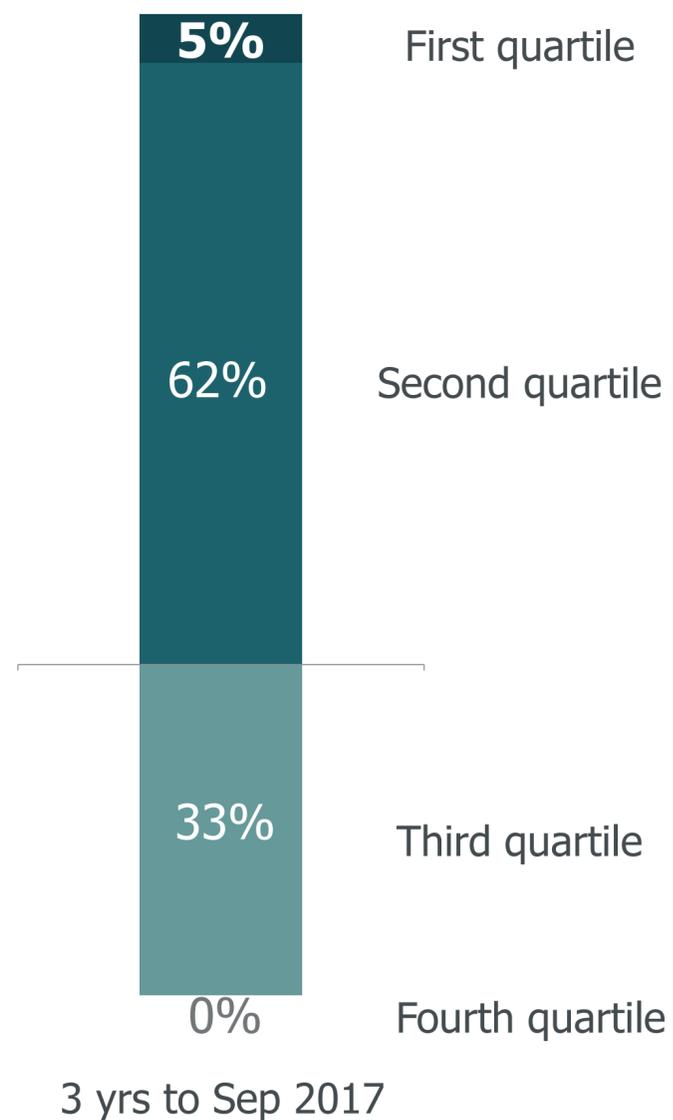
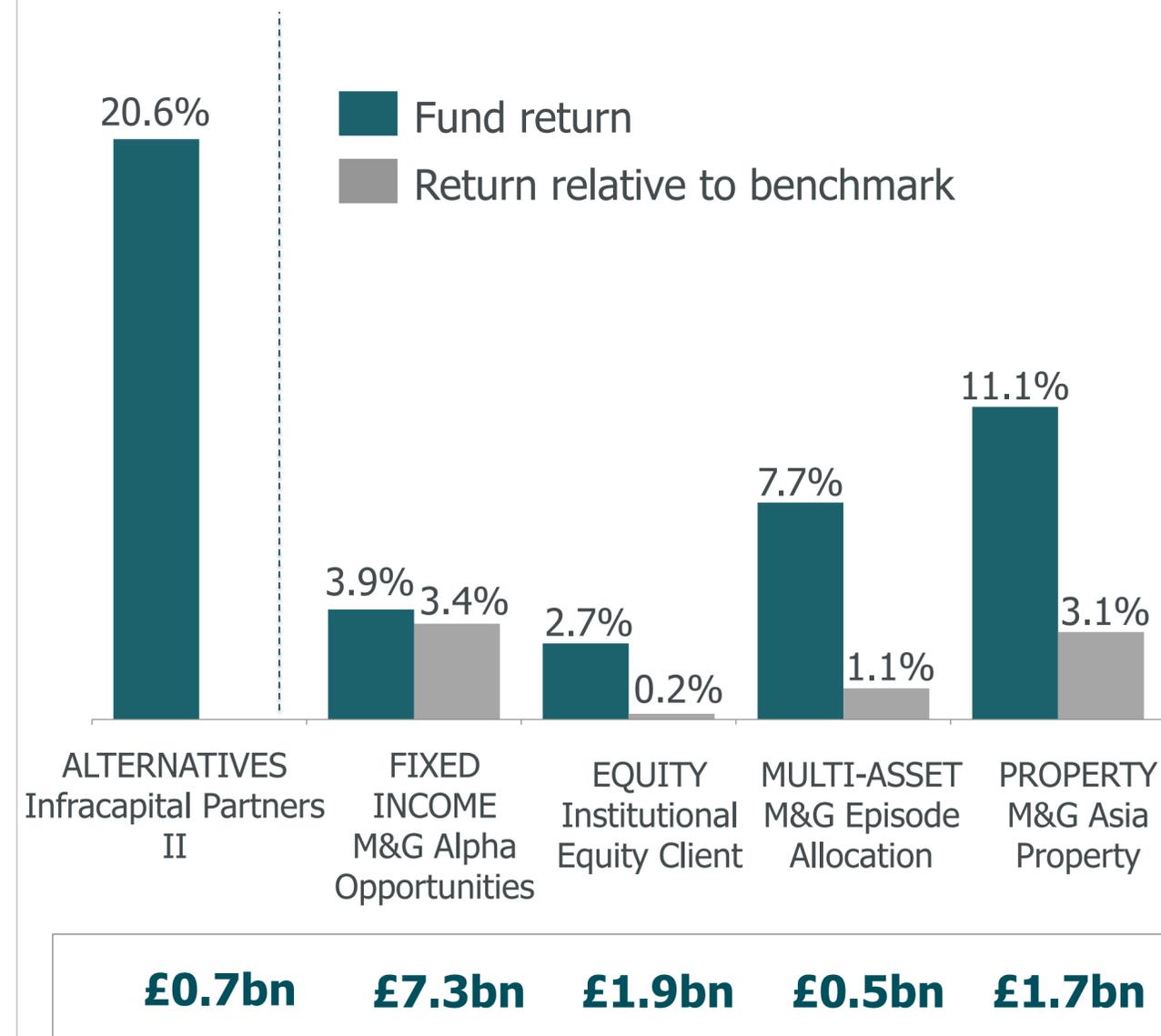


Chart represents £28.6bn of AUM, for mandates measured gross of fees

## Flagship institutional strategy investment performance returns (%)



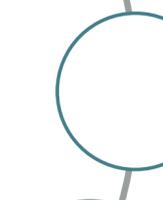
Infracapital Partners II performance shown as cumulative IRR, all other fund returns are annualised. Returns are 3 years to 30 September 2017. See appendix for full performance disclosures including fee basis per strategy.

# Flagship proposition highlight:

## 1. M&G Optimal Income Fund

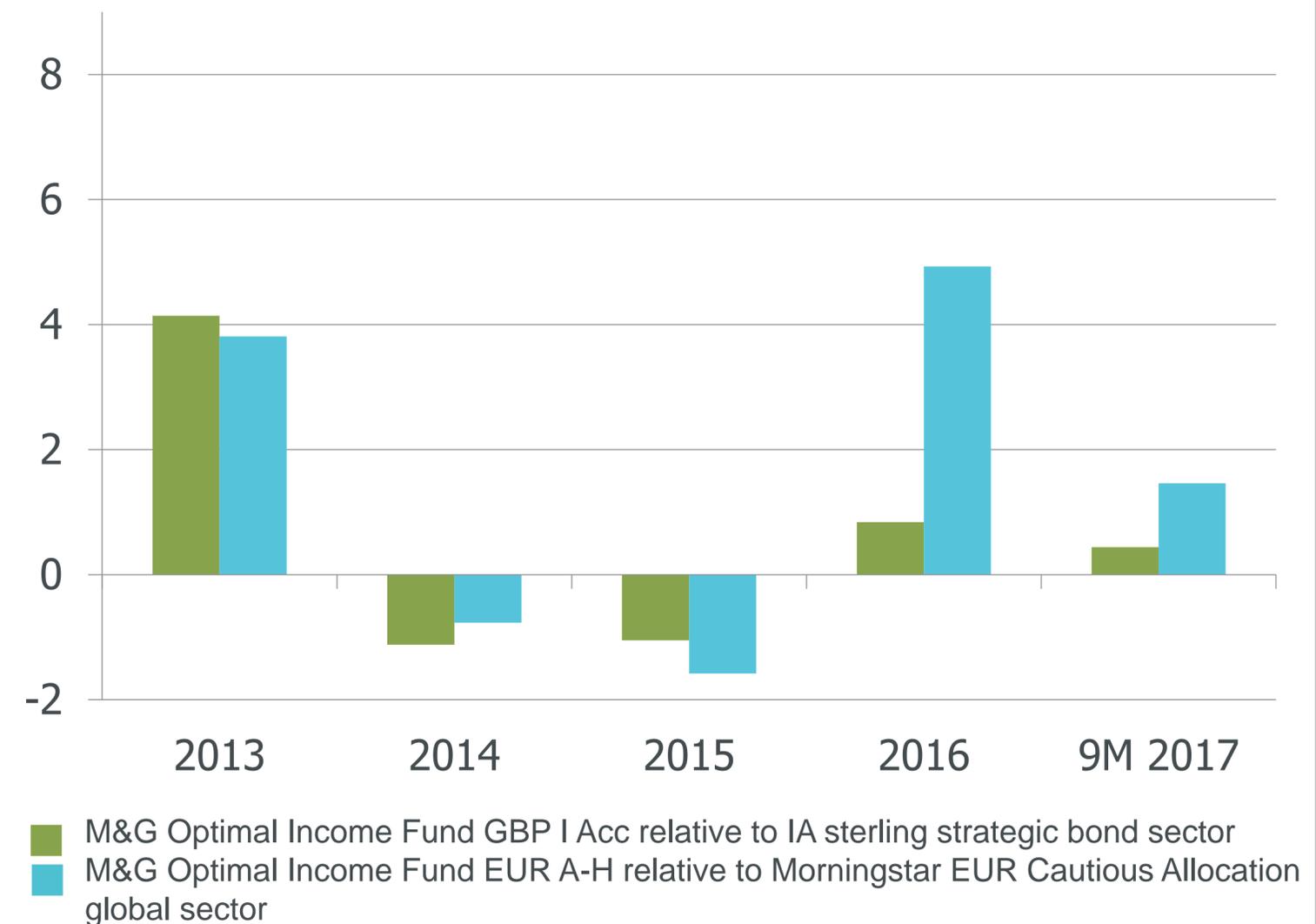
- Delivering a combination of income and capital growth to customers seeking yield while having the opportunity to grow their capital across a variety of market conditions.
- Net sales to end September 2017 of £3.8bn
- Annualised performance since inception of 7.5%# net of fees

 Launched: December 2006

 Stable team of 21 investment professionals\*

 AUM £20.7 billion

**M&G Optimal Income Fund relative return net of fees vs. UK and European benchmarks (%)**



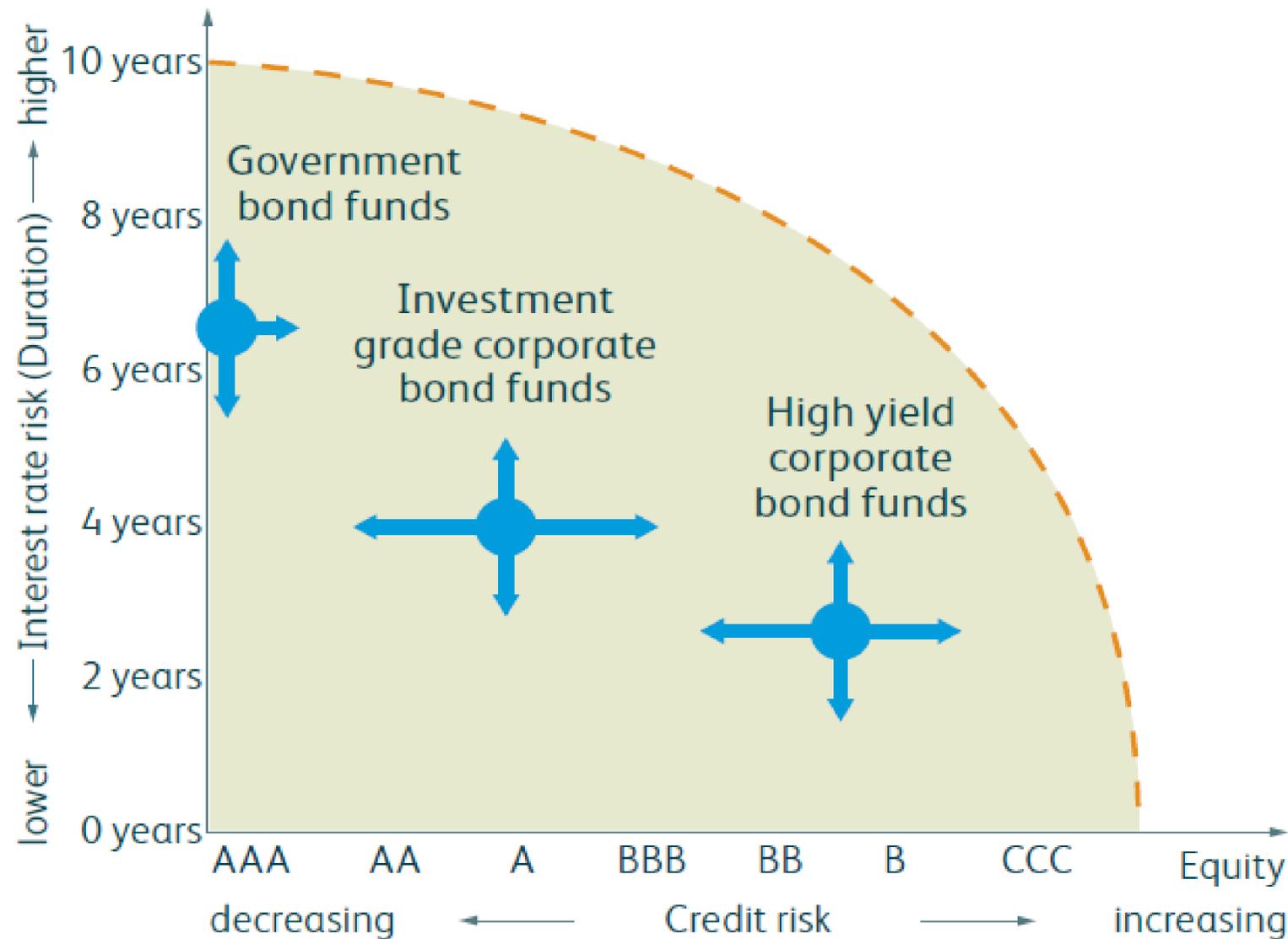
# Refers to GBP I share class returns, net of fees since inception (08/12/2006) \*21 investment professionals refers to M&G's Retail Fixed Income team supported by M&G's wider credit analysis team

# M&G Optimal Income Fund

A flexible fixed income fund with the ability to outperform throughout the economic cycle



## A 'go-anywhere' fixed income fund



### Flexible and dynamic

A flexible and strategic fixed income fund taking active duration, yield curve, credit and equity positions

### Performance

Aims to outperform the average investment grade, high yield and government bond fund over the medium term

### Expertise

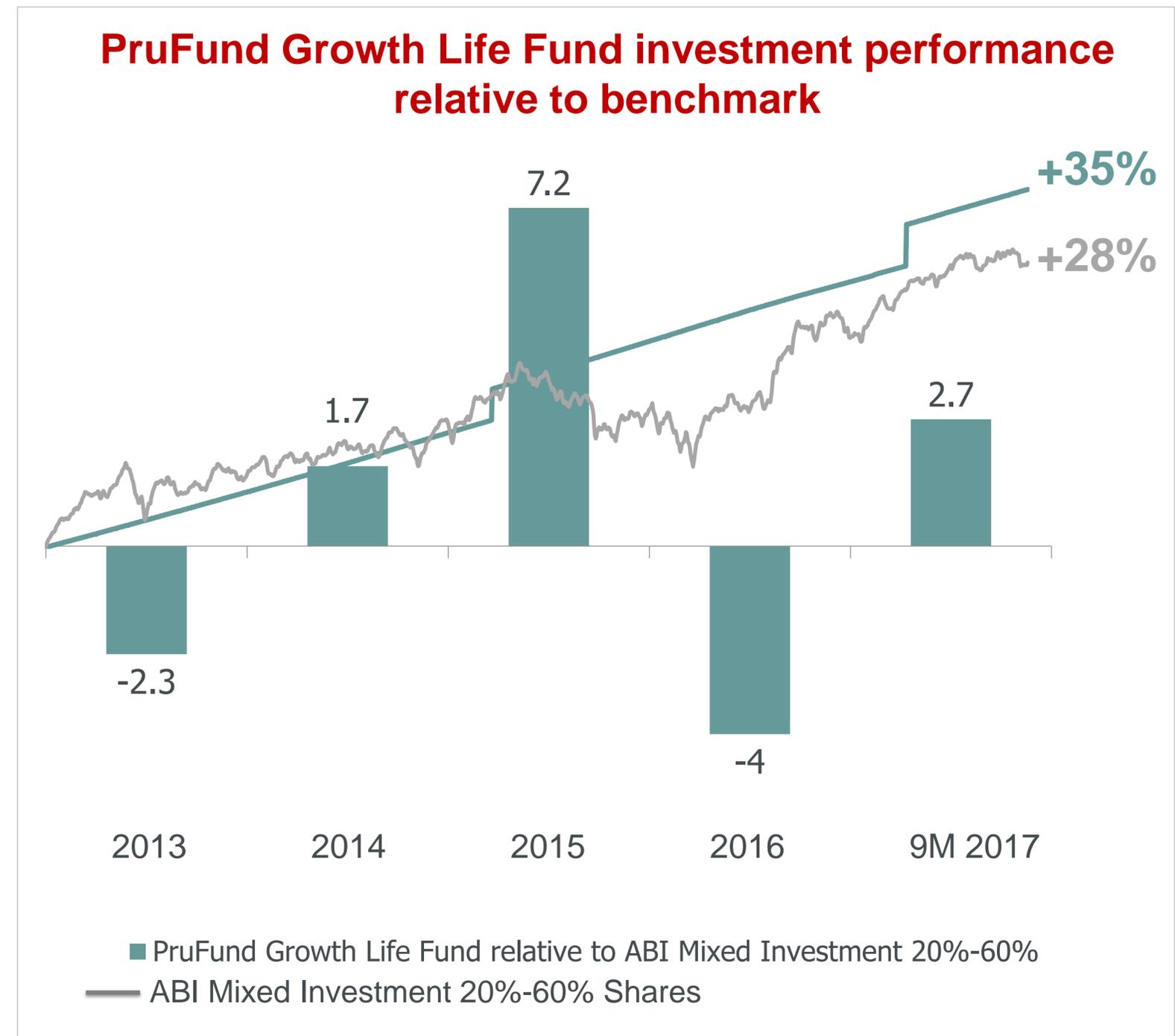
Draws on M&G's broad range of fixed income expertise and access to assets

# Flagship proposition highlight:

## 2. PruFund Growth Investment performance update

- Part of a suite of six funds within the PruFund range
- Aims to grow customers' investments while utilising the inherited estate to deliver stable returns over the medium to long term

- Launched: November 2004
- Leveraging strength of multi-asset expertise
- AUM £18.1 billion



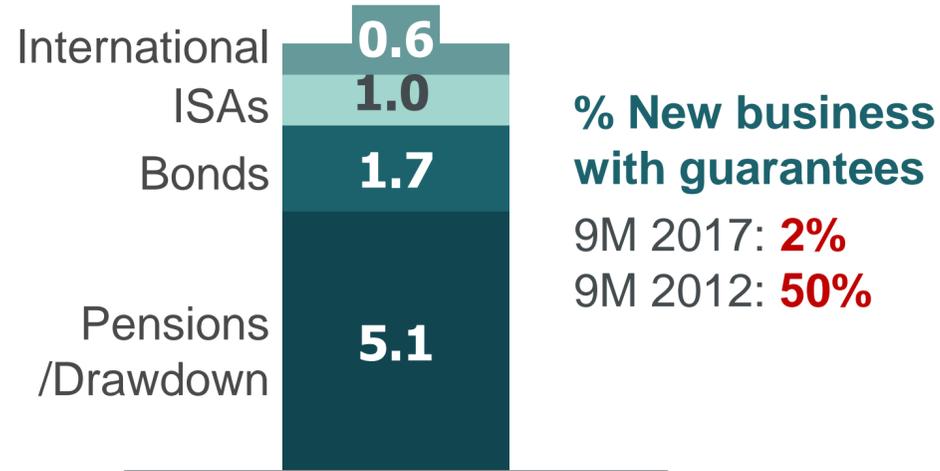
\* AUM shown is total for PruFund Growth Life and Pensions Funds, representative performance shown for Life Fund only. Note: Data as at 9M 2017. PruFund performance is after representative 0.65% pa fund charge for consistency with ABI Mixed Investment 20%-60% which allows for average fund charge for that sector. Source: Financial Express.

# With-Profits Fund: A Competitive Advantage

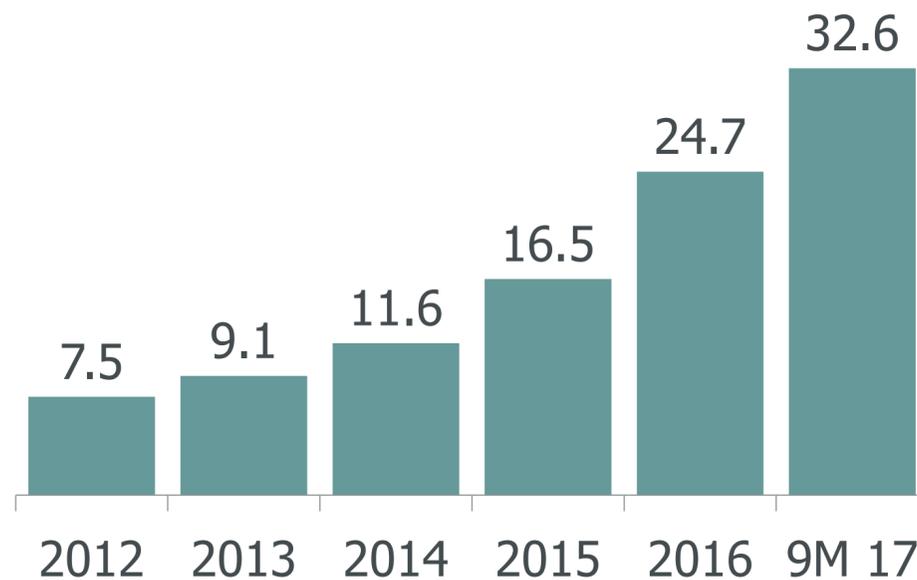
Unique asset delivering long-term performance

## PruFund sales, 9M 2017

**£8.4bn**

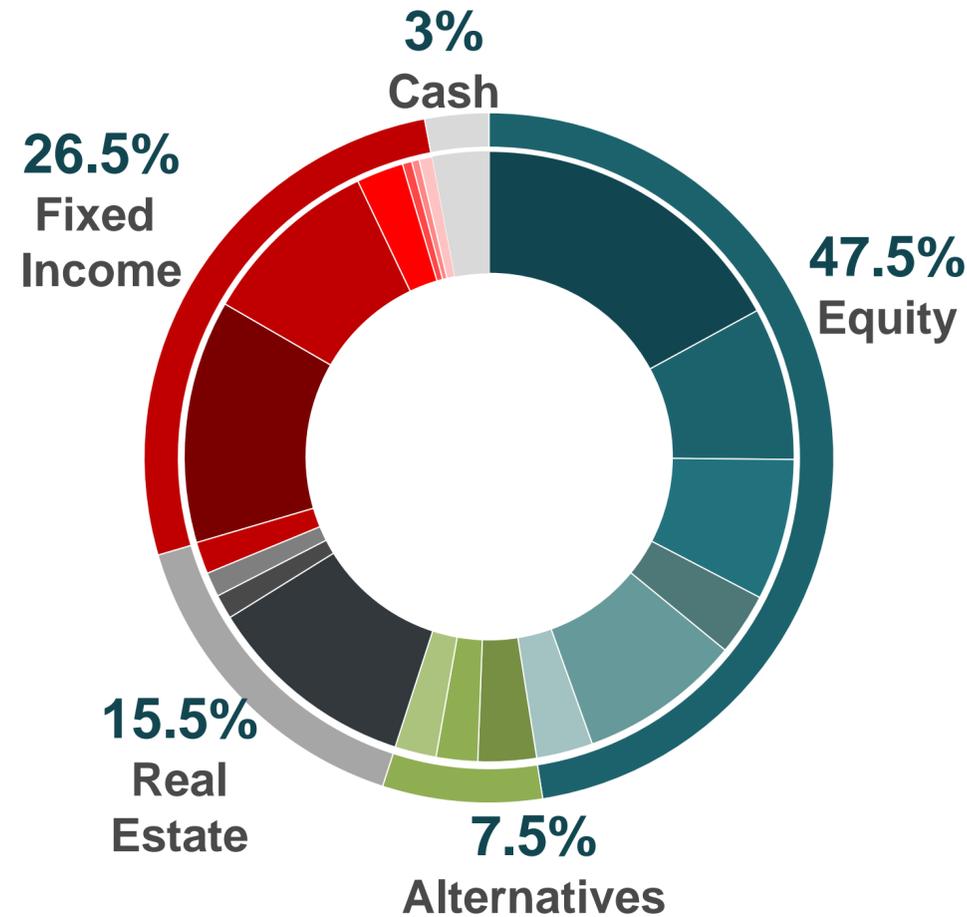


## PruFund AUM (£bn)



## Well diversified fund

With-profits life fund strategic asset allocation 2017



## With-profits fund investment performance to YE 2016<sup>1</sup>

	Cumulative	CAGR
<b>1 yr</b>	14.5%	14.5%
<b>5 yrs</b>	56.6%	9.4%
<b>10 yrs</b>	84.2%	6.3%

**£126bn** invested assets<sup>2</sup>

**£8.6bn** inherited estate<sup>3</sup>

1. Return before tax  
 2. Invested with-profits assets at HY 2017  
 3. UK with-profits estimated Solvency II Own Funds position at HY 2017

# Investment Proposition Development

Meeting evolving customer needs

## PROPOSITION DEVELOPMENT PROCESS

IDEA DEVELOPMENT



CONSTRUCTION



SEEDING



- Leveraging our investment capabilities and balance sheet to develop a range of innovative products and propositions for our customers



- Infracapital Partners 3
- M&G Floating Rate High Yield Solution Fund



- M&G High Yield ESG Bond Fund
- M&G Impact Financing Fund

# Recent product development:

## Infrastructure Greenfield: Long-term opportunity for yield



### IDEA DEVELOPMENT



### CONSTRUCTION

#### Portfolio of infrastructure assets



### SEEDING

- Balance sheet support provided to launch the fund
- Subsequent success in capital raising

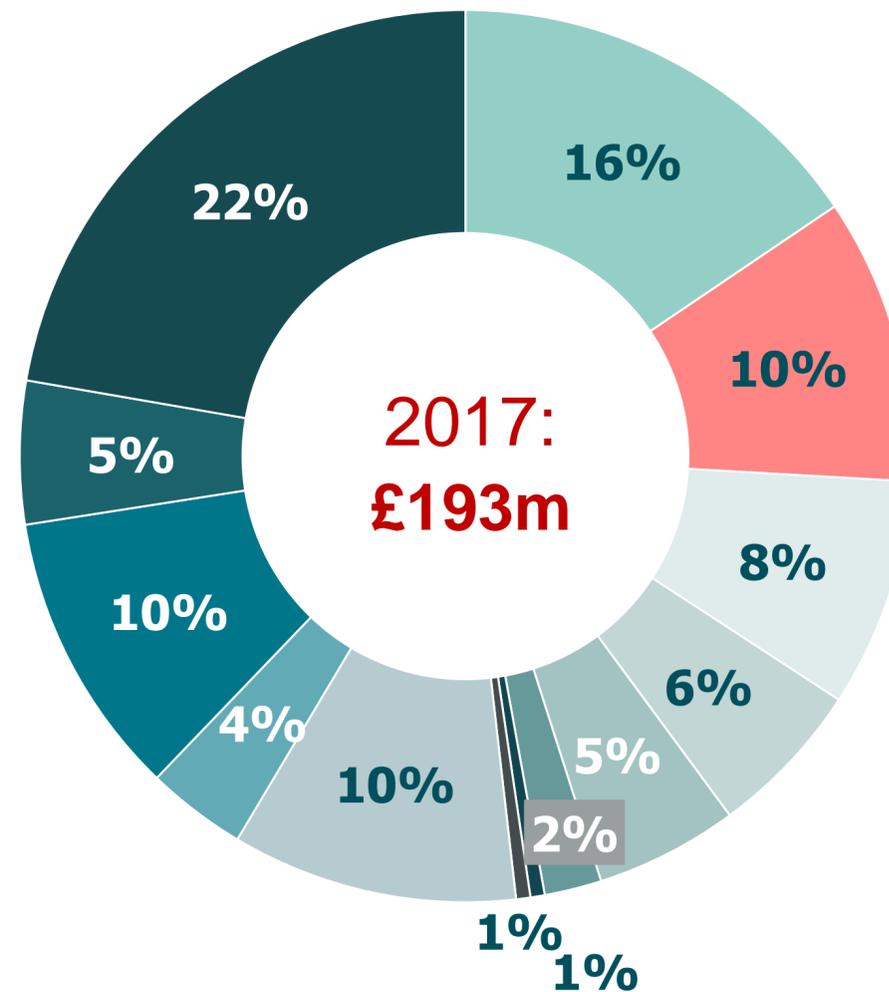
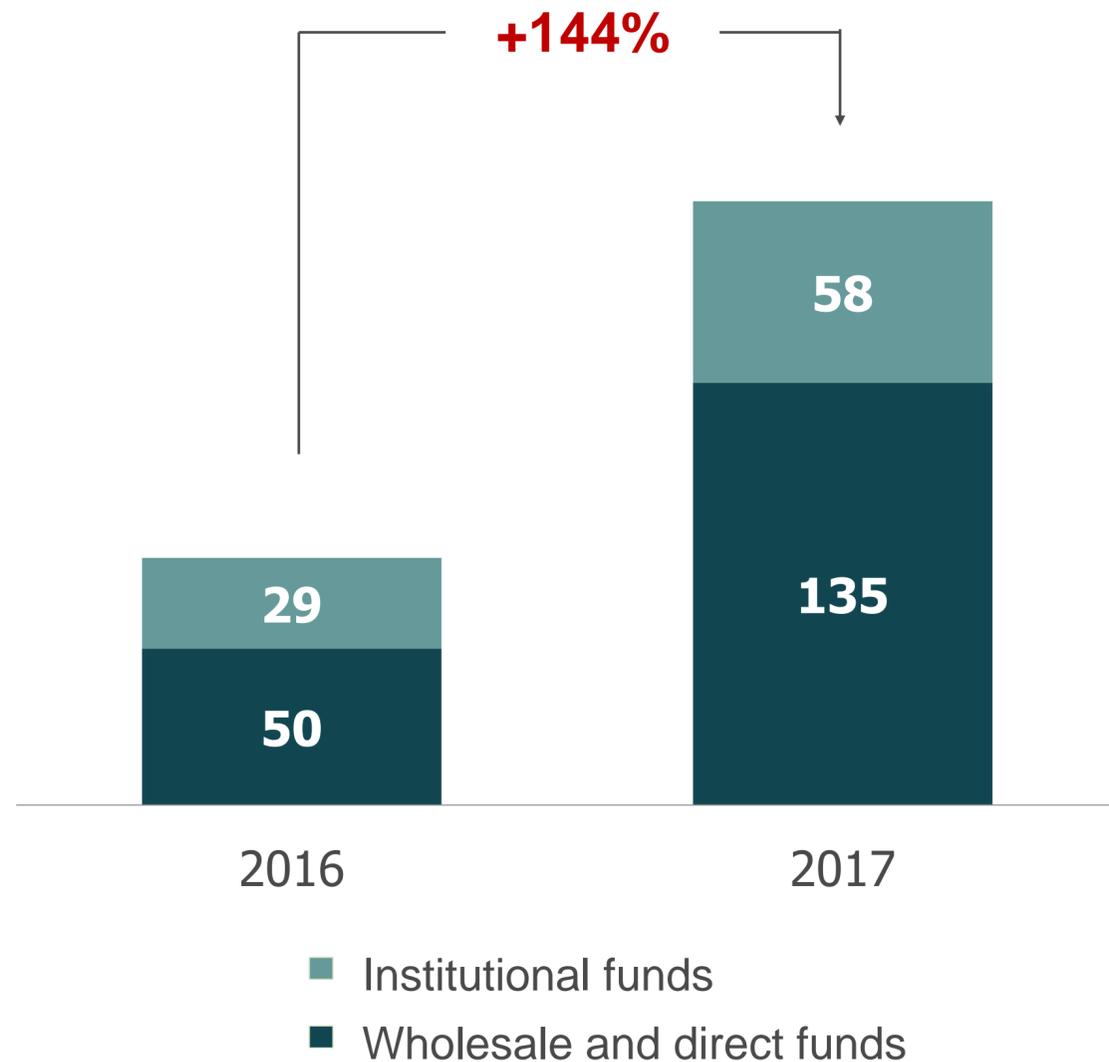
M&G Prudential have strength and depth in Infrastructure investing through **Infracapital**, our dedicated infrastructure investing arm – managing a broad range of strategies

# Seeding new products

Strategic use of M&G and Prudential balance sheets capital to seed funds



## Seeding portfolio (£m)



- Absolute Return Bond
- Global Target Return
- EM Income Opportunities
- High Yield ESG Bond
- Global Listed Infrastructure
- EM Hard Currency Bond
- Global Rate High Yield Solution
- Floating Rate High Yield Solution
- European Secured Property Income
- Infracapital Greenfield
- UK Enhanced Value
- Infracapital Fund III
- Other

# Summary: Investments

Leveraging a broad range of capabilities to deliver solutions to our customers



## Capability



- Long term, sustainable, active management

## Performance



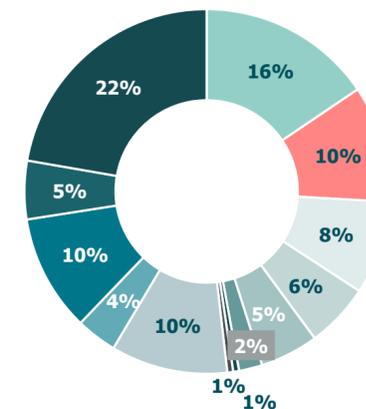
- Strong performance across asset classes and products

## Proposition



- Meeting customer needs
- Successfully developing ideas into successful commercial propositions

## Commitment



- Investing in the growth of the business through new product launches

# APPENDIX: Institutional performance chart disclosure

## **M&G institutional peer comparison by quartile on externally managed AUM** (*Gross of Fee Mandated Target*)

This chart represents £28.6bn of AUM out of a total institutional AUM of £79bn.

- 1) Performance is aggregated and weighted by assets managed removing any cross holdings as at 30 September 2017.
- 2) Returns are reported at a total level in mandate currency. Investment returns are net of fees for pooled products and gross of fees for most other products such as segregated mandates or structured products.
- 3) Peer groups are sourced from Morningstar where available. The internally calculated peer groups are based on mandate returns relative to their agreed performance comparator (peer group or benchmarks) +/- an agreed range to account for the quartiles. The range differs depending on mandate type and risk profile but is applied consistently. Funds or mandates that do not have an appropriate peer group, performance comparator or outperformance target are excluded from calculations.
- 4) All measures are against peer groups as opposed to the investible benchmarks. These measures use representative share classes for the pooled vehicles, not the entire product.
- 5) Returns are shown by client mandate, not by individual strategy.
- 7) Property funds or mandates are measured to 30 June 2017 for calculation.
- 8) Closed funds are excluded from the end of period AUM and therefore they have been excluded from the calculation.

## **Flagship institutional strategy investment performance returns (%), three years to 30 September 2017**

**Note:** **Alpha Opportunities Fund A** £ benchmark is LIBOR 1 month rate. Performance is net of fees. **Infracapital Partners I** has no formal benchmark or internal reference benchmark, return shown is since inception IRR net of fees. Performance is net of fees. **Institutional Equity Client** performance is gross of fees. **M&G Episode Allocation Fund I** £ has no formal benchmark, the internal reference benchmark is (IA) Mixed Investment 20-60% Shares Sector Average/Count. Performance is net of fees. **Asia Property Fund** returns are in USD. The underlying asset return benchmark is the 31/12/13 IPD “M&G reweighted Pan-Asia benchmark”. The Fund’s investment objective is a rolling three year local currency return target of 8%. Performance is net of irrecoverable costs and property management fees. Source: M&G October 2017.

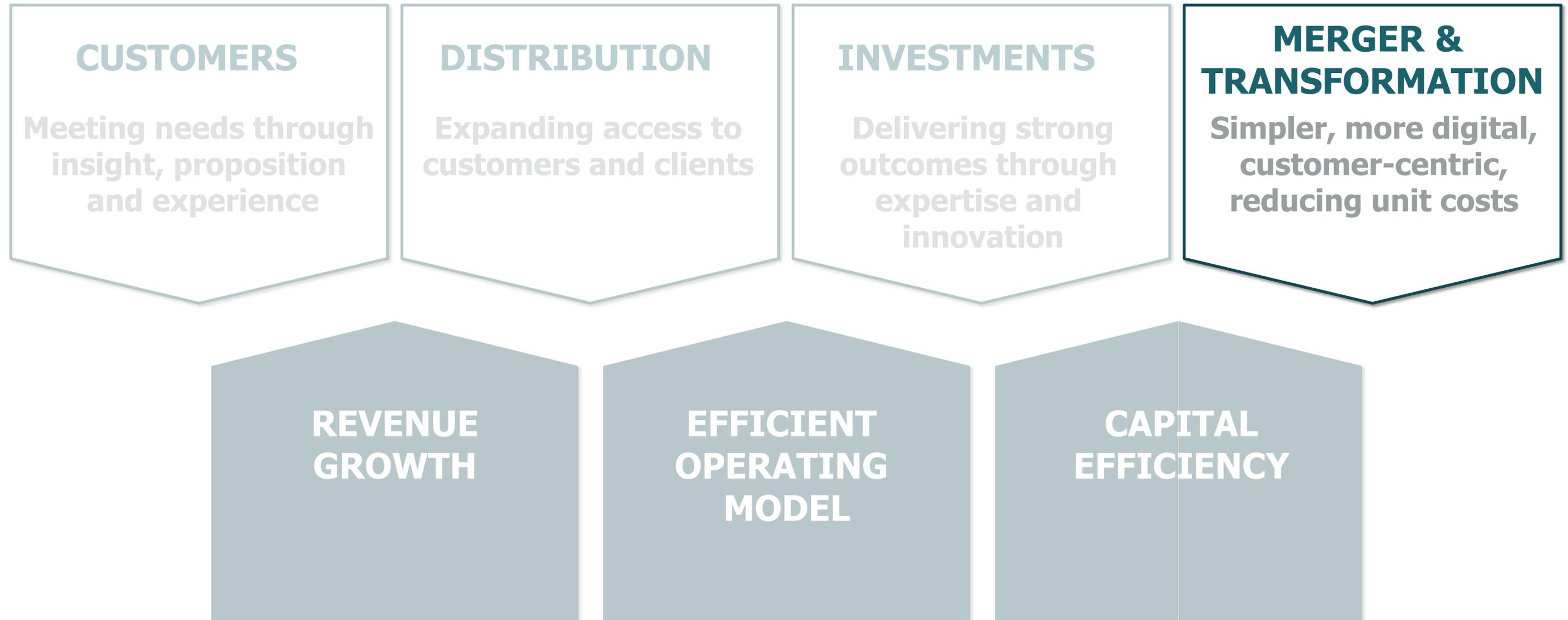


# INVESTOR CONFERENCE 2017

**Miguel Ortiz**  
UK

# M&G Prudential Objectives

Targeting value for customers and shareholders



# Why We Are Transforming

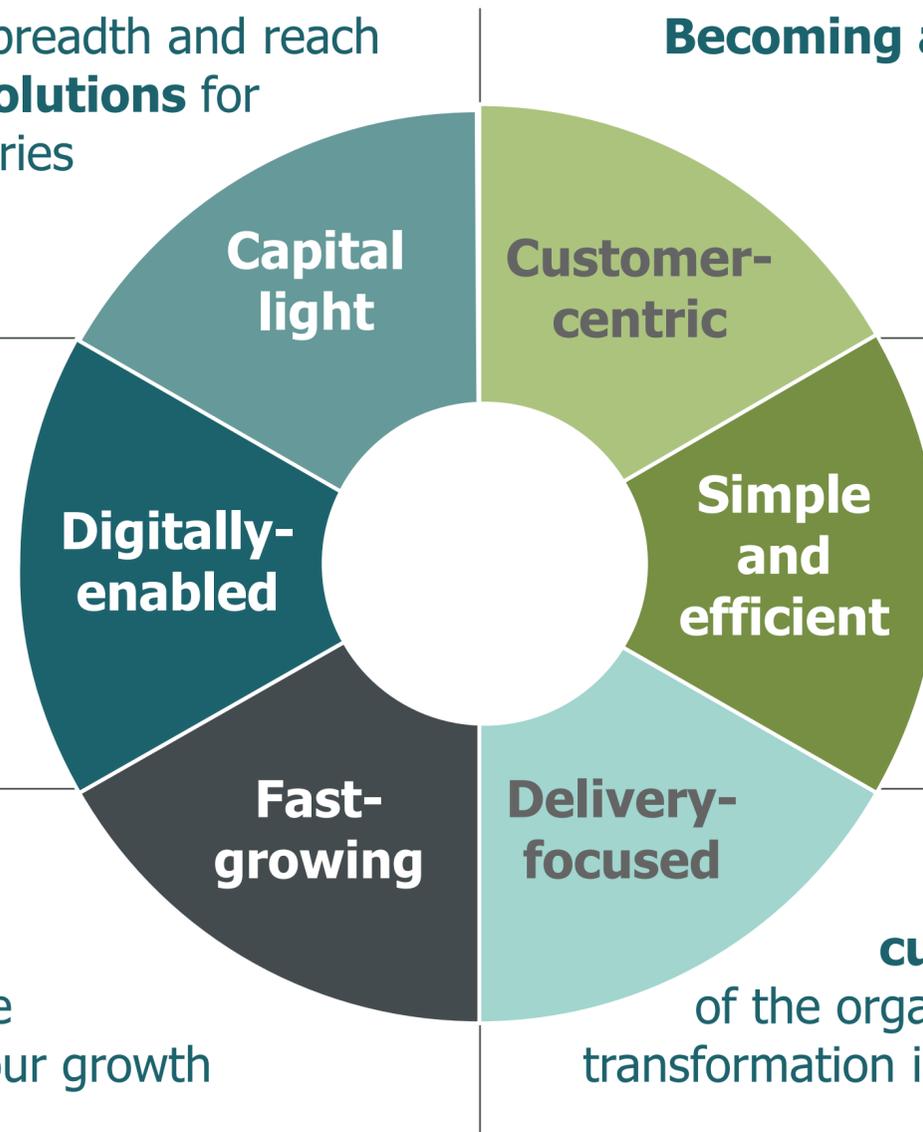
Environmental factors create need and opportunity



Investing to grow the breadth and reach of our **capital-light solutions** for consumers, intermediaries and institutions

Using data, analytics and digital **to improve the experience of our customers and colleagues**

Transforming the **scalability of our operating model**: the biggest constraint on our growth



**Becoming an externally-focused business**, that puts the customer at the centre of everything we do

**A simple, efficient business model**, that allows us to deliver outstanding solutions to our customers at low cost

Evolving the **culture and capabilities** of the organisation, and translating transformation into a set of simple goals



**“to become the best-loved, and most successful savings and investments business”**

# Merger & Transformation Programme

Programme structured to deliver quick results

## Merger & Transformation

### Merger Sprints

Distribution & Proposition

Investment Management

Operations & IT

Support Functions

Locations

Governance and culture

### Transformation Workstreams

UK Retail Savings

In-Force Modernisation

European Funds Platform

Investment Operating Model

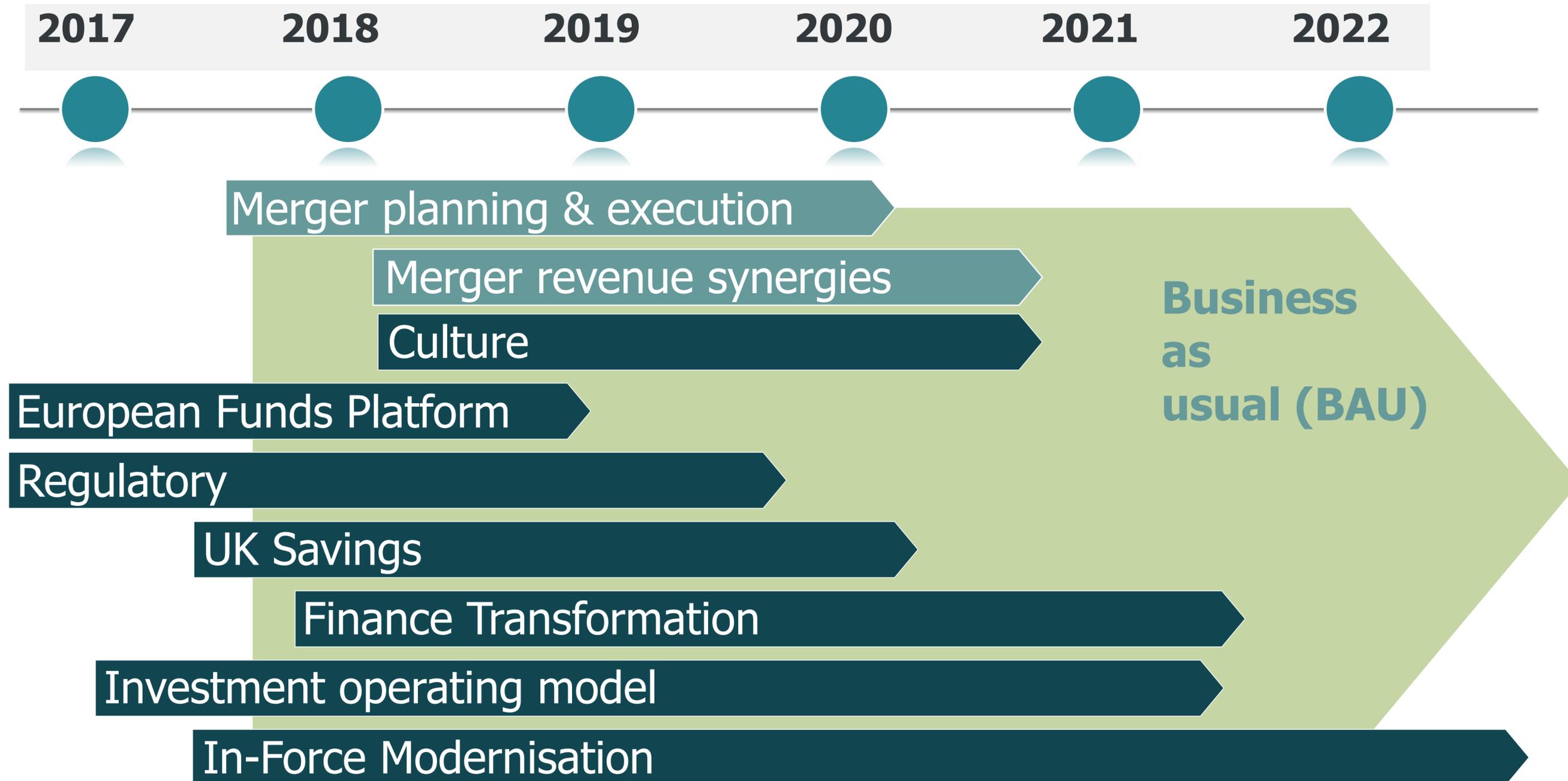
Finance Transformation

Culture

**Single merger and transformation team**

# Merger & Transformation Timeline

3-4 years transforming our business



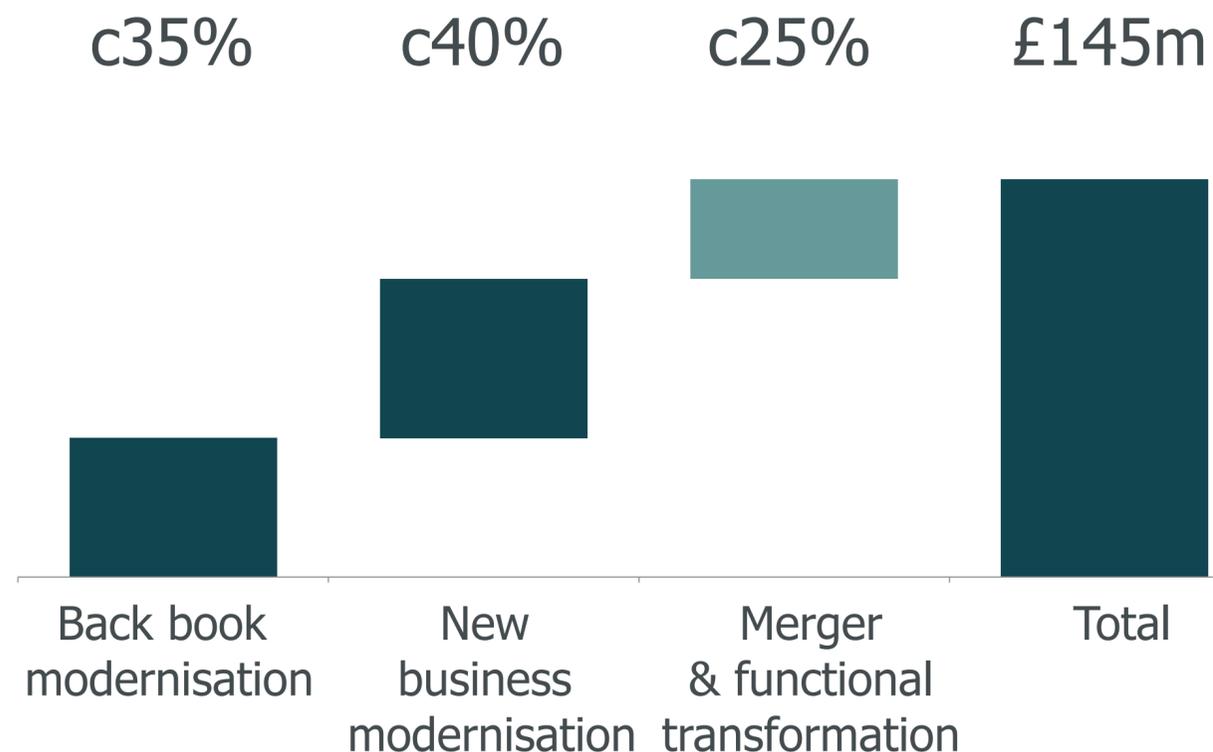
# Merger & Transformation

Targeting revenue growth and expense reduction of £145m pa as stated at HY 2017

## Re-engineering to be a cost leader and create a scalable platform for growth

- £145m pa reduction in shareholder expense base to be achieved in FY 2022, majority of run-rate savings delivered by end of 2020
- Savings to be delivered by modernisation of back book and new business activities, and by rationalisation and simplification of support functions
- Investing to accelerate growth, moving to a more fixed-cost digital model, with new business added at low marginal cost
- Moving core in-force business towards a more variable cost model

## Summary composition of expense base reduction



**Similar split of investment spend of £250m**

# Transformation: UK Retail Savings

Building a digital front end for new and existing customers



## Transforming customer experience

### Transformation Workstreams

UK Retail Savings

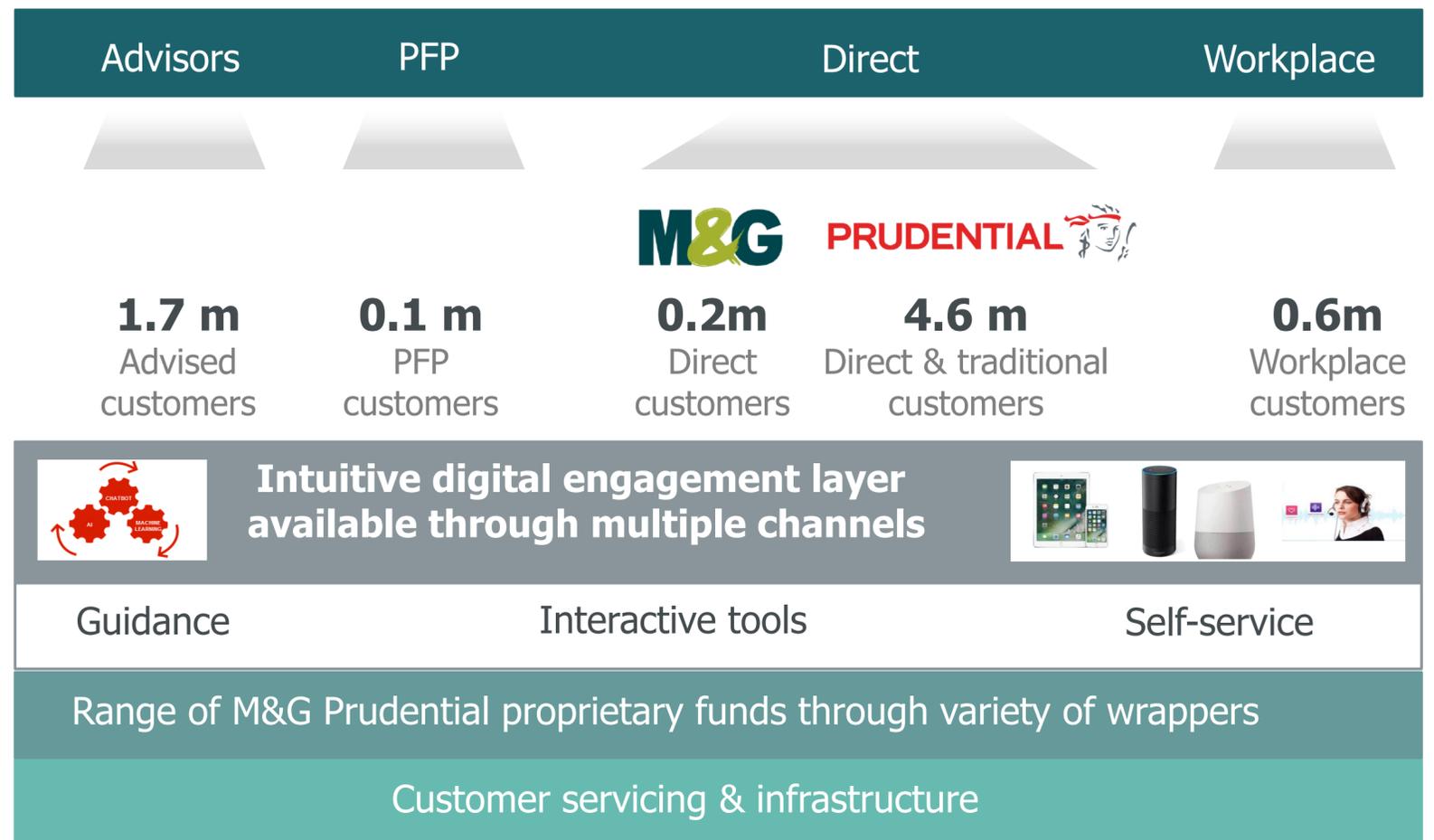
In-Force Modernisation

European Funds Platform

Investment Operating Model

Finance Transformation

Culture



# Transformation: In-Force Modernisation

Rationalisation and digital enablement of legacy policy admin platforms

## Transformation Workstreams

UK Retail Savings

**In-Force Modernisation**

European Funds Platform

Investment Operating Model

Finance Transformation

Culture

**Digital experience**  
customer/advisor

**Digital enablement**  
(customer and advisor hub,  
API layer and platform integration layer)

Wealth management  
platform and  
administration

Legacy platform  
consolidation  
and administration

**IT Infrastructure**  
M&G Prudential

# Transformation: European Funds Platform

M&G Prudential's response to Brexit creates a stronger platform for European growth



## Transformation Workstreams

UK Retail Savings

In-Force Modernisation

European Funds Platform

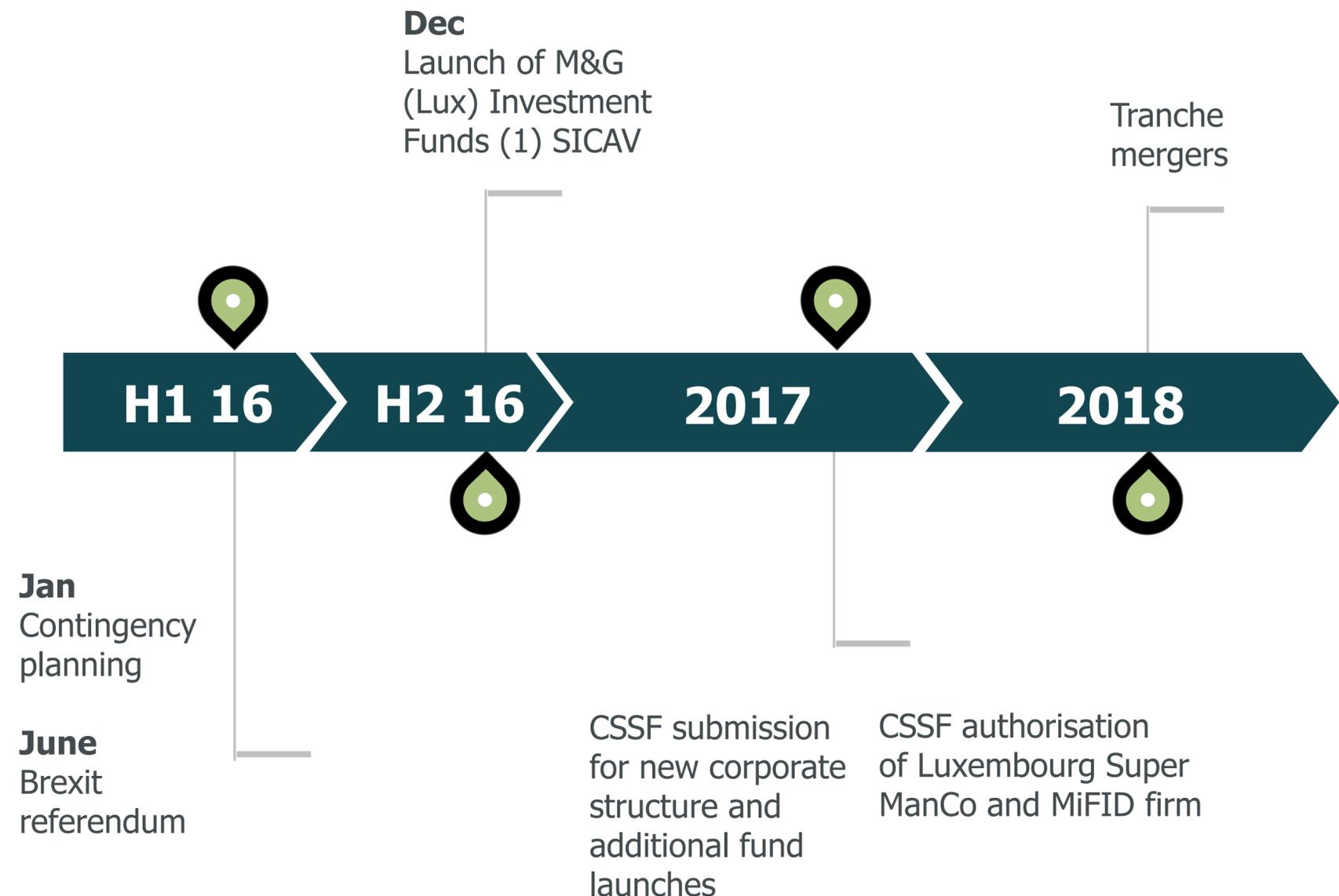
Investment Operating Model

Finance Transformation

Culture

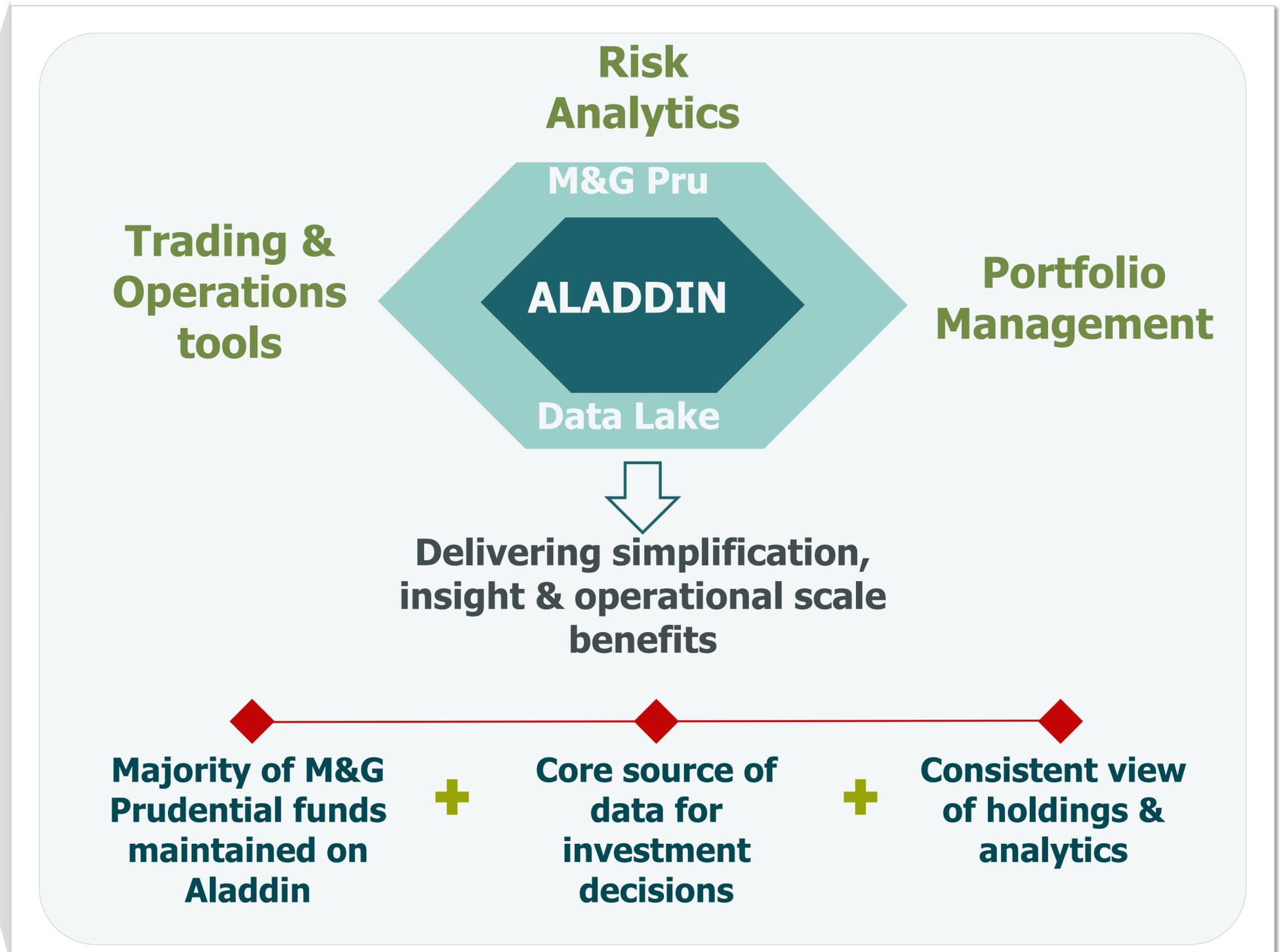
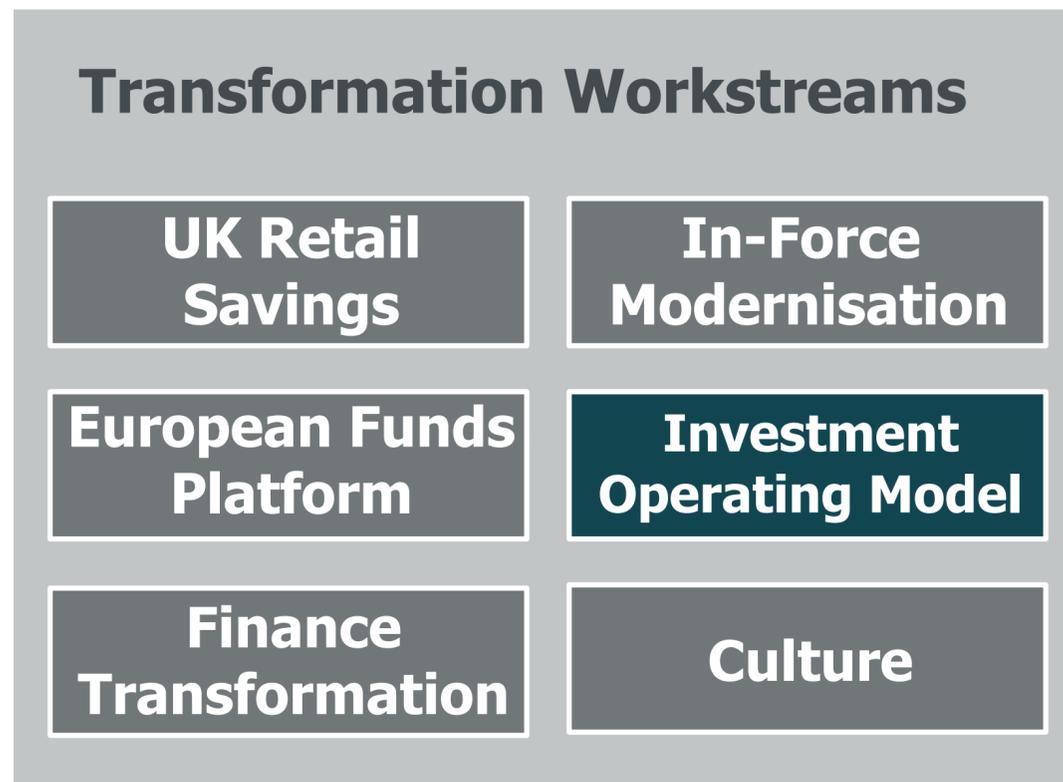


## Executing Brexit Response



# Transformation: Investment Operating Model

Data lake and Aladdin platform provide scalable core of operating model



# Transformation: Culture

Embedding the right culture is core to successful execution

## Transformation Workstreams

UK Retail Savings

In-Force Modernisation

European Funds Platform

Investment Operating Model

Finance Transformation

**Culture**

### Why?

- Established the case for change for two successful organisations
- Merger a catalyst for wider change

### What?

- Mix of old, new and innovative
- Driven by simplicity, efficiency, customer outcomes

### How?

- Accountable/empowered teams
- New ways of working
- Leadership and best-in-class talent



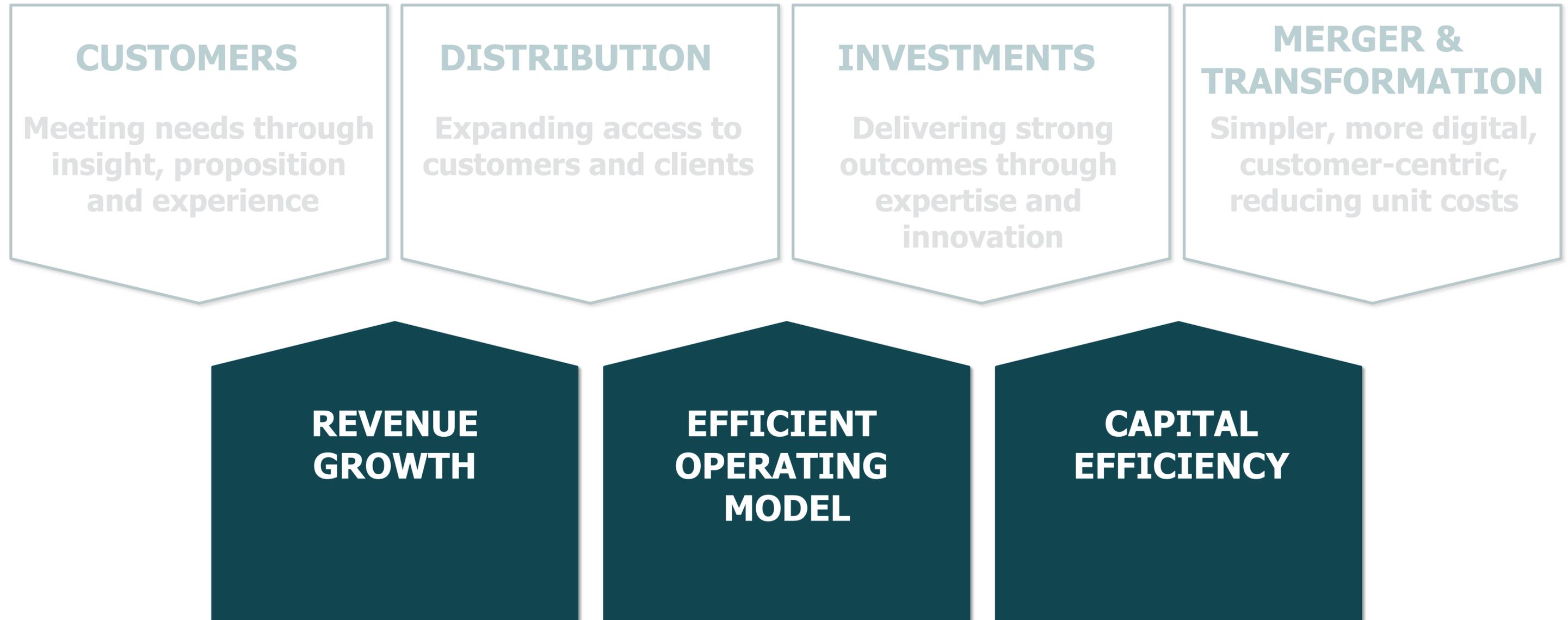
# INVESTOR CONFERENCE 2017

**Grant Speirs**

UK

# M&G Prudential Objectives

Targeting value for customers and shareholders



# IFRS Operating Profit and Cash Remittances

Diversified earnings in combined business

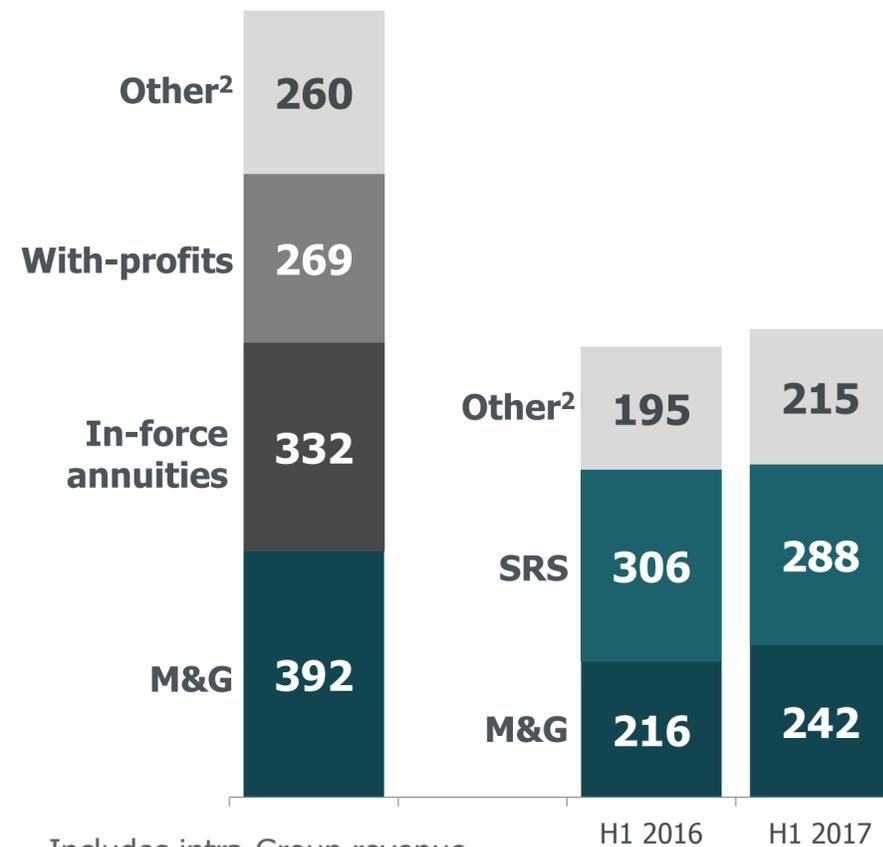
## Complementary profiles



- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>▪ Short payback period</li> <li>▪ More market-driven</li> <li>▪ Capital-light</li> </ul> | <ul style="list-style-type: none"> <li>▪ Longer payback periods</li> <li>▪ Stable underlying earnings</li> <li>▪ Capital-light new business</li> </ul> |
|---|--|

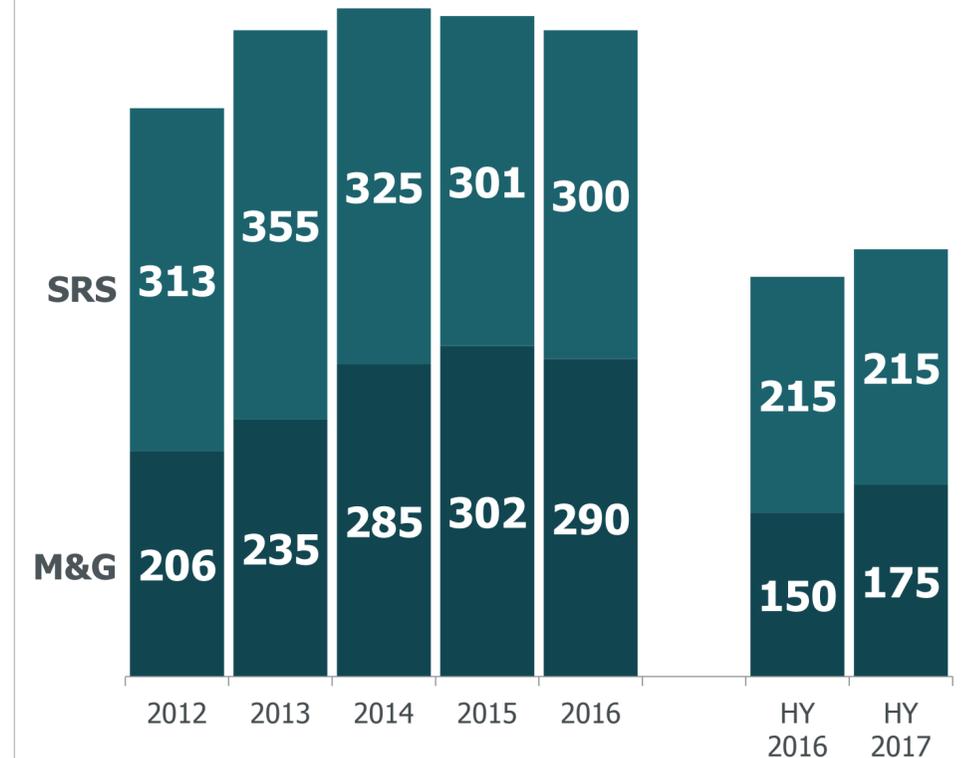
## IFRS operating profit: M&G Prudential (2016 - H1 2017, £m)<sup>1</sup>

Total IFRS £1,253m      £717m    £745m



1. Includes intra-Group revenue  
2. Management actions, performance related fees and one-offs

## Cash remittances to Group: M&G Prudential (2012 - H1 2017, £m)



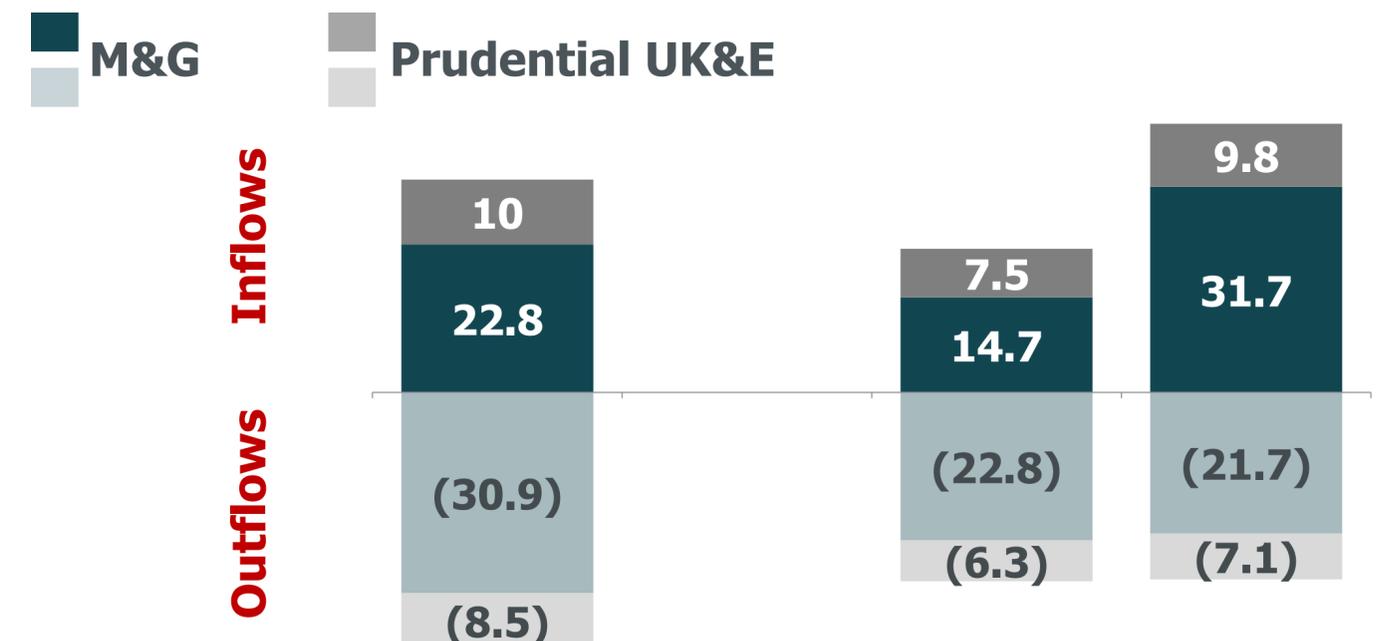
# Fund Flows and AUM

## Strong growth across the business

- Strong 9M 2017 trading across the business
- M&G positive net flows of £9.9bn vs (£8.0bn) in 9M 2016
- Particularly strong performances from Optimal Income Fund with £3.8bn net positive sales and Global Floating Rate High Yield Fund with £2.5bn net positive sales
- Record inflows to PruFund. Life business recorded £2.7bn positive flow vs £1.2bn in 9M 2016
- AUM growing strongly

### Fund flows and AUM: M&G Prudential (2016 – 9M 2017, £bn<sup>1</sup>)

	2016	9M 16	9M 17
Gross flows	32.8	22.2	41.4
Net flows	(6.6)	(6.9)	12.6
<b>AUM</b>	<b>311</b>	<b>312</b>	<b>337</b>



1. UK flows exclude annuities and internal fund flows for M&G. M&G flows include South Africa



# **INVESTOR CONFERENCE 2017**

**John Foley**  
UK

# Conclusion



- ✓ Uniquely positioned for growth in capital-light business – strong brands, scale, and investment capabilities
- ✓ Combination is about building a business that can better meet customer needs
- ✓ Driving asset growth through a diversified set of wrappers, offerings and channels
- ✓ Investing from a position of strength, to transform our operating model, technology, capabilities and culture



# **INVESTOR CONFERENCE 2017**

**John Foley, Anne Richards, Clare Bousfield,  
Grant Speirs & Miguel Ortiz**