

We make healthcare affordable and accessible, we protect people's wealth and grow their assets and we empower our customers to save for their goals.

Total full-year ordinary dividend

16.10 cents

Our year in numbers

Summary financials	2020 \$m	2019 \$m	Change on actual exchange rate basis ⁷	Change on constant exchange rate basis ⁷
Life new business profit from continuing operations ²	\$2,802m	4,405	(36)%	(37)%
Operating free surplus generated from continuing operations ³	\$2,886m	2,861	1%	1%
Adjusted operating profit from continuing operations ^{1,4}	\$5,507m	5,310	4%	4%
IFRS profit after tax from continuing operations ^{1,5}	\$2,185m	1,953	12%	12%

31 December 2020	Per share	31 December 2019	Per share
Total		Total	
EEV shareholders' funds	\$54.0bn	\$54.7bn	2,103¢
IFRS shareholders' funds	\$20.9bn	\$19.5bn	749¢
LCSM shareholder surplus over Group minimum capital requirement ⁶	\$11.0bn	\$9.5bn	n/a

Notes

- 1 Attributed to the shareholders of the Group before deducting the amount attributable to the non-controlling interests. This presentation is applied consistently throughout the document.
- 2 New business profit, on a post-tax basis, on business sold in the year, calculated in accordance with EEV principles.
- 3 Operating free surplus generated from insurance and asset management operations. For insurance operations, operating free surplus generated represents amounts maturing from the in-force business during the year less investment in new business and excludes non-operating items. For asset management businesses, it equates to post-tax operating profit for the year. Further information is set out in 'movement in Group free surplus' of the EEV basis results.
- 4 'Adjusted operating profit' refers to adjusted IFRS operating profit based on longer-term investment returns from continuing operations. This alternative performance measure is reconciled to IFRS profit for the year in note B1.1 of the IFRS financial statements.
- 5 IFRS profit after tax from continuing operations reflects the combined effects of operating results determined on the basis of longer-term investment returns, together with short-term investment variances which for 2020 were driven by the negative effects in the US and Asia, and gains arising on the reinsurance of fixed and fixed index annuity business in the US and other corporate transactions.
- 6 Shareholder surplus over Group minimum capital requirement and estimated before allowing for second interim ordinary dividend. Shareholder business excludes the available capital and minimum capital requirement of participating business in Hong Kong, Singapore and Malaysia. Further information on the basis of calculation of the LCSM measure is contained in note I(i) of the Additional unaudited financial information.
- 7 Further information on actual and constant exchange rate bases is set out in note A1 of the IFRS financial statements.

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The long-term
drivers of demand
for the products
and services we
provide are clear
and strong.

” **Shriti Vadera** Chair of the Board



I took over as Chair of Prudential in January 2021, having joined the Board in May 2020 in the midst of a year dominated by Covid-19 and its effects on financial markets, economies, and people's health and wellbeing.

While the pandemic continues to have an impact, many of our markets are starting to ease social distancing restrictions, demand for our services remains strong, and the long-term opportunities for growth remain as compelling as ever.

Our people have responded to the challenges of Covid-19 with purpose, dedication and innovation. Often under great pressure, they have found creative new ways of meeting the needs of customers and wider stakeholders. I would like to thank the Group's management led by Mike Wells, and our employees, agents, partners and suppliers for their efforts and achievements.

As Mike sets out in his report, these efforts translated into a resilient financial performance and, guided by Prudential's new dividend policy announced in August 2020, the Board has approved a 2020 second interim ordinary dividend of 10.73 cents per share.

Accelerating structural transformation

Our business is at a pivotal moment. Prudential has already gone through significant structural change with the 2019 demerger of our UK and European operations, M&G plc. In January 2021, the Board announced its intention to separate Jackson, our US business, through a demerger in the second quarter of 2021 and we continue to make good progress towards the completion of this transaction. As a standalone business, we expect Jackson to pursue a focused strategy which prioritises optimisation and stability of capital resources while protecting franchise value.

Jackson's separation will complete Prudential's transformation from a diversified, global group into a focused business exclusively targeting the fast-growing health, protection and savings opportunities of Asia and Africa.

In order to enhance financial flexibility and de-lever the balance sheet, Prudential is considering raising new equity of around \$2.5-3 billion following the completion of the Jackson demerger. Our preferred route is a fully marketed global offering to institutional investors concurrent with a public offering in Hong Kong to retail investors. As an Asia-focused company, the Group believes there are clear benefits from increasing both its Asian shareholder base and the liquidity of its shares in Hong Kong. The allocation of any offering will take into account a number of criteria including the interests of existing shareholders.

(A)

Strategy

Prudential benefits from a rare combination of rising unmet consumer need for its services, hard-to-replicate capabilities, and a strong sense of purpose and business strategy that flow organically from each other.

In Asia, people are growing more prosperous and populations are ageing. By 2040, the region is expected to account for over half of global GDP¹, with the number of people over 65 years old reaching 750 million². These structural trends are increasing the need for financial protection and long-term savings. However, people remain under-insured, with four out of every 10 US dollars spent on health still settled out of pocket. While people need to save more in order to be able to live well throughout their longer lives, the investment industry in much of Asia is in its early stages of development. Mutual fund penetration – the ratio of total funds invested versus GDP – is more than 100 per cent in the United States, but below a third of that level in South-east Asia, and significantly lower in some markets in the region.

Prudential has built top-three positions in nine Asian life insurance markets, with significant upside potential in the region's two largest markets, China and India, where we operate in conjunction with local partners. Our distribution network is deep and broad, with around 600,000 agents³, access to around 20,000 bank branches, and innovative new digital partnerships. We create products to serve the needs of everyone from those seeking low-cost policies for specific purposes to the emerging middle class and affluent families requiring more holistic financial planning advice. We are also East Asia's leading Islamic life insurer and have a growing business serving small and medium-sized enterprises, the backbone of Asia's economic success. These capabilities have helped our Asia embedded value to more than double in the past five years to \$44 billion.

Prudential has invested and innovated to adapt to evolving consumer needs. Eastspring, our Asia asset manager, which has top-10 positions in seven markets, serves the needs both of Asian savers and of global investors seeking access to Asian opportunities. Pulse, our new digital platform, is an end-to-end tool for agent management and client fulfilment, being rolled out⁴ in 15 markets in Asia and Africa in 11 languages. Our investment in Africa gives us exposure to a growing, under-served continent whose population is expected to double to more than two billion people by 2050.

(E)

Our people

Our people, and their ability to work with agility and innovation, are another important source of competitive advantage. Over 2020, we launched 175 new products⁵. This pace of progress requires the collaboration of people with varied experiences and skills, and the promotion of a culture of inclusion has become an increasing area of attention for the management and Board.

We recognise that the efforts made by our people, while adapting to virtual working and the broader pressures of the pandemic, can place a strain on their wellbeing. This was a focus of the Board and its employee engagement directors, Kai Nargolwala for Asia and Africa and Tom Watjen for the US and UK, whose activities in this area are summarised on page 79. To understand better both the anxieties and the ambitions of our people, a series of listening exercises were conducted, including our largest-ever employee survey and an online 'Collaboration Jam' that saw more than 5,000 people make contributions. Informed by this feedback, practical initiatives were put in place to support people's mental health and work-life balance. In 2021, with Covid-19 continuing to impact lives and working patterns in many markets, these themes will continue to be a key area for Board consideration.

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Purpose and ESG

Prudential's ability to generate shareholder returns is inextricably linked to our creation of social value. Our stated purpose is to help people get the most out of life, by enabling them to become healthier and wealthier. We provide important social benefits by improving access to healthcare and financial protection. By providing services that customers value, we build long-term loyalty and recurring income, which translates into high-quality earnings for shareholders. Furthermore, as an owner and manager of assets, focused on delivering strong returns over the long term, we understand the importance of playing an active role in the transition to a lower-carbon future.

Over the past year, to reinforce this linkage between our business model and our purpose, we have refreshed our environmental, social and governance (ESG) strategy. This will now focus on three priorities: making health and financial security accessible; stewarding the human impacts of climate change; and building social capital through developing a culture of inclusion, and digital responsibility. The Board is committed to working with management to ensure that these priorities are placed at the heart of how we do business.

In January 2021, the Board established for the period up to the 2022 Annual Meeting a Responsibility & Sustainability Working Group, to be chaired by Alice Schroeder. This will oversee the embedding of the new ESG framework and progress on diversity and inclusion initiatives and will take on employee engagement activities. You can find more information in the ESG section of this report starting on page 70 and on our website: prudentialplc.com.

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The Board

My predecessor, Paul Manduca, stepped down on 31 December 2020 after eight years as Chairman. I would like to thank him for the way he skilfully helped navigate the Group through this period of substantial change and for the generous way in which he supported me personally during the period of transition. Also during 2020 we saw the departure of Sir Howard Davies from the Board after almost ten years as a Non-executive Director and Chair of the Risk Committee, with Jeremy Anderson succeeding him as Chair of that committee. At the 2021 annual general meeting, Kai Nargolwala will step down as a Non-executive Director after nine years on the Board. Sir Howard and Kai made significant contributions to the work of the Board and they leave with our gratitude.

The Board needs to evolve to keep pace with the Group's future as an exclusively Asian and African business and its increasing focus on digital capabilities. To this end, in February 2021 we announced the appointments of Chua Sock Koong and Ming Lu, who will both join the Board as Non-executive Directors on 1 May 2021. They bring extensive experience of successfully investing in, growing and leading businesses across Asia.

Outlook

While the macroeconomic environment remains uncertain as the world continues to manage through the pandemic, the underlying, long-term drivers of the demand for the products and services we can provide remain clear and strong. Technologies such as machine learning, combined with growing digital connectivity, are enabling substantial leaps in the development of financial services, while consumer preferences are evolving rapidly, in some areas spurred on by the pandemic. The pace at which Prudential adapted to the operational challenges created by the Covid-19 pandemic gives me confidence in our ability to harness these changes, and to continue to grow in Asia and Africa, addressing unmet health, protection and savings needs.

I very much look forward to playing my part in this transformation and working with all of you to realise our ambitions.

Shriti Vadera
Chair of the Board

Notes

- 1 Source: McKinsey – Asia's future is now, July 2019.
- 2 Source: Euromonitor International – Three Out of The World's Top Five Oldest Populations Will Be in Asia by 2040, November 2020. Data for 2040 are forecasts.
- 3 Including India.
- 4 As of 22 February 2021.
- 5 Including 37 bite-sized digital products.

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We are well placed
to continue to
deliver value for
our shareholders
and all our
stakeholders.”

” Mike Wells Group Chief Executive



Like all businesses, we faced new and unexpected challenges throughout 2020, but I am pleased to say that, thanks to the dedication of our people, we made considerable progress on all fronts.

We are well placed to weather the continuing effects of Covid-19 and to deliver for our customers and shareholders over the longer term. Our wide range of innovative products, diverse and flexible approach to distribution, and relentless focus on operating efficiency enabled us to continue to operate profitably, and at the same time continue to invest heavily in organic and inorganic growth initiatives.

In 2020 we focused on three areas of activity. First, we have been meeting the urgent needs of our customers, colleagues and communities in light of the pandemic. Second, we advanced the pace and the extent of our plans in delivering more digitally enabled, scalable operations, and equipping us with the tools necessary for continued success in the future. This had the effect of enabling us to execute effectively during lockdown restrictions. Third, we accelerated the structural repositioning of the Group, in particular enlarging our footprint in the Asian markets with the most attractive structural opportunities, and working at pace towards the proposed separation of our US business, Jackson.

D E

Supporting stakeholders through the pandemic

We have been working hard to support all our stakeholders throughout the year. For our customers, for our colleagues and distributors, and for the communities in which we work, we have introduced a range of innovative measures to both deal with the impact of the virus and provide the means for them to emerge in a stronger position once the effect of the virus has subsided.

For our customers, we have put in place measures to increase coverage during this difficult time and to mitigate financial stress resulting from the virus. In most of our markets we introduced free limited-time Covid-19 cover, and we made improvements to our offerings throughout the year, including providing cash relief upon diagnosis and hospitalisation, and paying out on death.

We have enabled our colleagues around the world to work remotely and have undertaken a number of new initiatives to find out about and respond to their concerns, in particular managing the risk of mental and physical health challenges of staff and their families. During the course of the year, we have ensured that our people working from home have had the necessary equipment and support to do their work safely and comfortably. With disruption to working patterns continuing into 2021, we are taking further measures to help colleagues manage the longer-term psychological strains of remote working by providing as much flexibility as possible, and offering sessions and support for psychological and physical wellbeing.

We also took a number of key steps throughout the year to support our distributors through the challenges presented by Covid-19. To support our agents, we worked with regulators in 2020 to virtualise the sales process, and 28 per cent of agency new cases since April 2020, where we focused our efforts initially, together with 27 per cent of bancassurance new cases since July 2020, have been made virtually. This compares with very low amounts in prior years. Our Mainland China joint venture, CITIC-Prudential, went a step further by creating a virtual reality 'meeting room' where clients can purchase our products.

In the communities in which we work, we launched a number of initiatives to provide support through the challenges of Covid-19 and beyond. In May we launched the Prudential Covid-19 Relief Fund to provide financial support for communities and for the volunteering efforts of our people in Asia, the US and Africa. The fund is being distributed among our markets around the world to support charitable and community projects tackling the immediate impact of the pandemic and its social and economic consequences.

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Delivering on long-term strategic goals

We have had two key strategic objectives in 2020. The first has been to deliver the proposed separation of our US business, Jackson. The second has been to enable our shareholders to benefit to the maximum extent from the health, financial protection and savings opportunities in our chosen markets in Asia and Africa, while ensuring that we deliver more digitally enabled, scalable operations in those regions to position us well for future success.

In the US we are now able to provide clarity on the path and timing of Jackson's proposed separation. In January 2021 the Group announced an update on Jackson's capital position and that it had decided to pursue the separation of Jackson from the Group through a demerger, whereby shares in Jackson would be distributed to Prudential shareholders. Subject to shareholder and regulatory approvals, the planned demerger is expected to complete in the second quarter of 2021, and would lead to a significantly earlier separation of Jackson from the Group than would have been possible through a minority IPO and future sell-downs, which from market precedent may have lasted until 2023. This accelerated process will complete Prudential's structural shift from a diversified global group to a growth business focusing exclusively on the unmet health, financial protection and savings needs of people in Asia and Africa.

In order to accelerate de-levering during 2021 through the redemption of existing high coupon debt, Prudential is considering raising new equity of around \$2.5-3 billion. Such a transaction, if executed, would maintain and enhance the Group's financial flexibility in light of the breadth of the opportunities to invest in growth and aim to increase the Group's investor base in Asia. Prudential believes that there are clear benefits to the Group, as an Asian focused company, of increasing its institutional ownership in Asia and enhancing the liquidity of its ordinary shares in Hong Kong. As a result, its preference is to raise new equity through a fully marketed global offering to institutional investors concurrent with a public offering in Hong Kong to retail investors, to be undertaken after the Jackson demerger, subject to market conditions. The Group has held discussions with shareholders and the allocation of any offering will take into account a number of criteria including the interests of existing shareholders and the strategic benefits of enhancing its shareholder base and liquidity in Hong Kong. The Group believes that there is potential for substantial value creation for all shareholders through the transformation of Prudential into a business purely focused on profitable growth in Asia and Africa.

Prudential is planning to retain a 19.9 per cent non-controlling interest in Jackson¹ at the point of demerger, which will be reported within our IFRS balance sheet as a financial investment at fair value. Subject to market conditions, we intend to monetise a portion of this investment to support investment in Asia within 12 months of the planned demerger, such that the Group would own less than 10 per cent at the end of such period.

At the point of proposed separation and subject to market conditions, Jackson expects to have an RBC ratio² in excess of 450 per cent and Total Financial Leverage³ in the range of 25 to 30 per cent. Jackson expects to achieve this level of RBC at the point of separation by contributing proceeds of debt and any hybrid capital raising to its regulated insurance subsidiaries. As a result, we do not expect that Prudential will receive a pre-separation dividend from Jackson.

Following the planned demerger, Jackson intends to pursue a focused strategy that prioritises optimisation and stability of capital resources while protecting franchise value. Jackson's financial goals as a standalone company will be designed to maintain a resilient balance sheet in order to provide shareholders with stable capital returns and profitable growth over the long term.

In Asia, our focus is on strengthening our footprint in our key strategic markets, building our distribution and product range, and accelerating the digitalisation of our platform. Our businesses in Asia are aligned with supportive structural trends in the region, in particular rising prosperity and ageing populations, which are leading to significant and growing protection and savings gaps.

We have built top-three positions in nine Asian life insurance markets, and we have significant upside potential in the region's two largest markets, China and India. In Mainland China, our branch network with our local partner CITIC now covers 77 per cent of the country's 1.4 billion people⁴, and we see a broad range of opportunities to participate more deeply in that market. In India the businesses continue to develop, with our life business recording a 17 per cent rise in health and protection APE sales and our asset management business increasing funds under management⁵ by 6 per cent to \$26.9 billion²⁰. At 31 December 2020, our investment in ICICI Prudential Life Insurance was valued at \$2.2 billion, in excess of the amount at which it is recorded in our IFRS and EEV financial statements.

Across our Asian markets, our comprehensive distribution network allows consumers to access our services how, where and when they choose. Our network of around 600,000 agents⁶ is growing ever more skilled and productive. Agent recruits⁷ in Asia (excluding India) rose 4 per cent in the year, and the number of agents qualifying for elite MDRT status doubled to more than 13,200. Our agent management has moved online across all markets, enhancing the effectiveness of agent communication and operation, and expanding sales capacity, with the number of cases per active agent⁷ increasing by 8 per cent in 2020 from the prior year.

We have access to around 20,000 bank branches and are working closely with our partner banks to develop their online offerings. In 2020, we entered into a major strategic partnership with TMB Bank in Thailand and also began new relationships with banks in Vietnam, Laos, Cambodia and Ghana. We are also developing new distribution channels through our digital partnerships, including OVO, Indonesia's leading mobile payments platform, and The1, Thailand's largest loyalty platform.

The services we offer are equally broad. We meet the needs of everyone from affluent families looking for sophisticated financial advice to people considering saving and financial protection for the first time. Across Asia we have seen a heightened need for the health and protection products that we provide, due to the Covid-19 pandemic. In a survey, 58 per cent of consumers in our Asian markets stated that they were interested in products with value-added services, with 46 per cent of customers searching for new insurance products⁸. This has been converted into an increase in the proportions of APE sales represented by health and protection products in seven of our Asian markets.

We have East Asia's number-one Islamic life insurance business, which saw a 49 per cent growth in new policies in 2020, contributing to a 14 per cent growth in APE sales for these products in Malaysia and Indonesia combined. Malaysia Takaful is the leader in its market, with a 32 per cent share of the market in 2020, as is our sharia business in Indonesia, which has the largest Muslim population of any country⁹, with a 35 per cent share of the sharia-compliant market. Our Business at Pulse (formerly PruWorks) proposition, which serves small and medium-sized enterprises, continues to develop, driving APE sales from group business up 17 per cent in 2020.

Our Asia asset manager, Eastspring, manages \$247.8 billion in assets across 11 markets in Asia, and is a top-10 asset manager in seven of those markets. Eastspring has a broad product set and an unrivalled ability to serve the needs both of Asian savers and global investors seeking access to Asian opportunities, and we continue to diversify the product set.

Our investment in Africa gives us exposure to a growing, under-served continent whose population is expected to double to more than two billion people by 2050.

The pace of our innovation continues to accelerate, and that is translating into improved operational performance. In 2020, we launched or revamped 175 products¹⁰ across our markets, contributing 20 per cent of APE sales. Of these, more than 115 were traditional and health and protection products, including Anxin, our digital health and protection solution for the China market, with 165,000 policies sold in 2020, around 50 per cent of them to new customers. In Indonesia several new launches of simplified standalone protection products saw their contribution rise to 37 per cent of APE, up from 8 per cent in 2019, which drove an overall increase in total new cases sold in 2020 of 12 per cent.

We have significant investment appetite in Asia and Africa that is based on the absolute size and demographic characteristics of each economy and our ability to build competitive advantage, leveraging our scale and expertise. While we will continue to build on our leading positions in Hong Kong and ASEAN, we see the greatest opportunities in the largest economies of China, India, Indonesia and Thailand. We expect this strategy to deliver profitable and sustainable compounding growth and high risk-adjusted returns for shareholders. Accordingly, our dividend policy announced in August reflects a rebalancing of capital allocation from cash dividends to reinvestment of capital into the Asia business.

Following the proposed separation of Jackson, our focus on Asia and Africa will support long-term delivery of future shareholder returns through value appreciation, with a focus on achieving sustained double-digit growth in embedded value per share. This will in turn be supported by the growth rates of new business profit, which are expected to substantially exceed GDP growth rates in the markets in which the post-demerger Prudential Group operates.

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Pulse: building our digital capabilities

Our culture of innovation is exemplified by Pulse, our new digital platform, which is enhancing our digital capability across Asia and Africa.

The first iteration of the Pulse mobile app was launched in Malaysia in August 2019, with features focused on helping our customers – and the wider population – prevent and postpone ill-health. These initial services included an artificial intelligence-driven medical symptom checker, telemedicine and dengue fever alerts. Since then, Pulse has been launched in 11 languages across 11 Asian and four African markets. 58 per cent of Asian consumers desire access to healthcare value-added services⁸, such as virtual GP, and new features have continued to be added to Pulse on a weekly basis to meet this demand. Covid-19 has stimulated interest in the health features of Pulse, as both consumers and policymakers embrace the flexibility and accessibility offered by digital health solutions in a period when travel and face-to-face contact has been restricted. By February 2021, Pulse had been downloaded around 20 million times¹¹. Sales referrals from Pulse to our agents in 2020, together with a small amount of revenue from bite-sized products sold directly on Pulse, translated into \$211 million of APE sales¹².

In 2021, as we continue to help customers become healthier, we intend to broaden our services to give greater support to people's wealth needs.

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Financial performance

Our financial performance during 2020 provides tangible evidence of how we are successfully executing our strategy.

At a Group level, overall adjusted IFRS operating profit based on longer-term investment returns¹³ (adjusted operating profit) for 2020 from our continuing operations was \$5,507 million, 4 per cent higher than the prior year on a constant exchange rate basis, reflecting the continued growth of our Asia businesses, offset by lower US profits. Central expenses declined by 8 per cent, reflecting lower interest and head office costs. IFRS profit after tax from continuing operations¹³ was \$2,185 million in 2020 (2019: \$1,953 million on an actual exchange rate basis).

In Asia, in a challenging environment, our diversified, high-quality, recurring-premium business model enabled us to continue to grow value and scale, with our total Asia embedded value reaching \$44.2 billion, an increase of 13 per cent compared with 2019, and more than doubling over the last five years. Adjusted operating profit was 13 per cent higher than 2019 on a constant exchange rate basis, driven by the resilience of our in-force life business and the rebound of the level of funds managed by our asset manager Eastspring in the second half of 2020.

The quality of our historic book of insurance business contributed to resilient in-force growth, with a 6 per cent increase in renewal premiums¹⁴ to \$20.1 billion. The high level of renewal premiums is the result of the high level of regular-premium business we sell (representing 90 per cent of APE sales in 2020), the high mix of health and protection business, which formed 65 per cent of new business profit in the year, and a 90 per cent customer retention rate¹⁵. This contributed to life insurance adjusted operating profit in Asia growing by 14 per cent (on a constant exchange rate basis). The performance was broad-based, led by Hong Kong, up 20 per cent, with a further eight markets delivering double-digit growth.

Our Asia asset management business, Eastspring, saw total assets under management reach \$247.8 billion, up 3 per cent from the end of 2019 and 13 per cent higher than 30 June 2020, on an actual exchange rate basis, with external net outflows moderating in the second half of year alongside improving equity markets. Eastspring's funds under management also benefited from net inflows from internal Asia life funds of \$8.5 billion during 2020, representing a continuing source of reliable funds flows to the Eastspring business and a structural strength of our business model. Overall, this helped the adjusted operating profit increase by 2 per cent compared with the prior year. Continued cost discipline helped maintain the cost/income ratio¹⁴ at 52 per cent.

Despite the continuing impact of the Covid-19 pandemic across our markets, we delivered a relatively resilient performance in respect of new business profit and APE sales. Outside Hong Kong, new business profit¹⁷ was (4) per cent lower, in line with a (6) per cent reduction in APE sales¹⁸. In Hong Kong, new business profit was down (62) per cent, with APE sales (63) per cent lower, largely as a result of the impact of Covid-19-related restrictions on cross-border sales. Overall, this led to a (28) per cent fall in Asia APE sales as compared with 2019. China, our third-largest market by APE sales, was a particular highlight, with bancassurance APE sales up by 34 per cent compared with 2019. Agency APE sales rebounded by 15 per cent in the second quarter as restrictions were lifted, and overall APE sales in the second half increased by 4 per cent compared with the same period in the prior year. New business profit in China increased 3 per cent to \$269 million and new business profit margins strengthened. This was led by the agency force focus on protection products, which accounted for 53 per cent of sales from this channel and as a result agency channel margins¹⁶ climbed to 85 per cent (2019: 74 per cent).

The nature and timing of Covid-19-related disruption varied considerably across our markets. The ability of our franchise to grow as restrictions were lifted is evident from the sequential increase in APE sales in nine markets including Hong Kong, with the third-quarter total Asia APE sales above the second by 33 per cent, and the fourth quarter above the third by 18 per cent.

We continue to build our operations in Africa, with APE sales reaching \$112 million, representing growth of 51 per cent. Our African businesses are progressing well with the adoption of our new digital sales management system, which has driven positive operating trends.

Jackson maintained its leading position in the US variable annuity market¹⁹, with new variable annuity APE sales up 13 per cent to \$1,662 million, reflecting customer demand for Jackson's products in this market and the breadth and expertise of its distribution force.

Jackson's adjusted operating profit was \$2,796 million (2019: \$3,070 million), reflecting DAC adjustment effects and the expected reduction in spread-related earnings following the reinsurance contract with Athene in June 2020 and lower asset yields, partially offset by higher fee income from increased average account balances. Overall Jackson incurred a \$(247) million post-tax loss (2019: loss of \$(380) million), where the economic nature of our hedging programme, and the related accounting mismatches, alongside the exceptional equity volatility seen over the year, resulted in the recognition of losses on equity derivatives taken out as part of Jackson's hedging programme.

Outlook

Throughout the Covid-19 crisis that dominated 2020, we demonstrated our ability to act at pace, our adaptability and the resilience of our underlying business. We will continue to apply these strengths as we move forward. With each cycle of lockdown and reopening, we have adopted varied responses depending on the local conditions, we have improved our agility as we have responded, and the strength of our business has remained apparent. We expect that vaccination programmes will be launched in a number of our markets in 2021, triggering a gradual return to more normal economic patterns. However, the pace of these programmes and their effect is likely to vary substantially and gives a degree of uncertainty over performance of the business in the short term.

Our most significant market by new business profit and embedded value is Hong Kong. Sales to Mainland Chinese individuals in Hong Kong have been severely curtailed by the closure of the border with mainland China. There is at present unlikely to be a lifting of the border restrictions until the third quarter of 2021 at the earliest, but this depends on a number of factors. However, we believe there will continue to be demand from Mainland Chinese customers for the Hong Kong product suite once the border reopening occurs and we have been building on our existing product and digitalisation capabilities to continue to serve both these and domestic customers in the future. Since the second quarter of 2020 we have seen sequential quarterly increases in sales in Asia, but our continued success across all our markets will be dependent in part on government reaction to changes in the number and type of Covid-19 cases and the vaccine roll-out.

Nevertheless, we are confident that the demand for our products will continue to grow in line with the structural growth in our chosen markets, and that our expanding and increasingly digitalised distribution platforms will meet that demand.

That confidence in the future is underpinned by the clarity of our strategy for delivering long-term profitable growth. The Group aims to deliver outperformance by building leadership positions in the markets with the greatest scale, investing in people and innovating, and nurturing relationships with our key stakeholders.

If we execute successfully, the outcome of our strategy will be growth in new business profit that is expected to outpace the economic growth of the markets where we operate. We are confident that our clear and focused strategy, coupled with our proven execution ability, leaves us well placed to continue to deliver value for our shareholders and all our stakeholders over the long term, with a focus on achieving sustained double-digit growth in embedded value per share.



Mike Wells
Group Chief Executive

Notes

- 1 Prudential is planning to retain a 19.9 per cent voting interest and a 19.7 per cent economic interest.
- 2 Representing the RBC ratio of Jackson National Life that reflects the capital and capital requirements of Jackson National Life and its subsidiaries, including Jackson National Life NY.
- 3 Calculated on a US GAAP basis as the ratio of total debt (including senior debt, hybrid debt and preferred securities) to total debt and shareholders' equity (excluding Accumulated Other Comprehensive Income).
- 4 2019 data for population. Sources from National Bureau of Statistics and CBIRC.
- 5 Full year 2020 total funds under management, including external funds under management, money market funds, funds managed on behalf of M&G plc and internal funds under management, reported based on the country where the funds are managed.
- 6 Including India.
- 7 Excluding India.
- 8 Source: Swiss Re COVID-19 Consumer Survey, April 2020.
- 9 Source: Indonesia Ministry of Religion Data Centre.
- 10 Including 37 bite-sized digital products.
- 11 As of 22 February 2021.
- 12 APE sales substantially from full-premium products sold through referrals to agents and a small amount of revenue from 37 new digital products.
- 13 Attributed to the shareholders of the Group before deducting the amount attributable to the non-controlling interests. This presentation is applied consistently throughout the document.
- 14 See note II of the Additional unaudited financial information for definition and reconciliation to IFRS balances.
- 15 Excluding India, Laos and Myanmar.
- 16 The value of new business on and EEV basis expressed as a percentage of APE sales. See note 1 of the EEV basis results.
- 17 New business profit, on a post-tax basis, on business sold in the year, calculated in accordance with EEV principles.
- 18 APE sales is a measure of new business activity that comprises the aggregate of annualised regular premiums and one-tenth of single premiums on new business written during the year for all insurance products, including premiums for contracts designated as investment contracts under IFRS 4. It is not representative of premium income recorded in the IFRS financial statements. See note II of the Additional unaudited financial information for further explanation.
- 19 LIMRA: through the third quarter of 2020, Jackson accounted for 16.5% of new sales in the U.S. retail variable annuity market and ranked number 1 in variable annuity sales.
- 20 Representing Prudential's 49 per cent interest.