



# Prudential plc

## 2015 Full Year Results

9 March 2016

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# Mike Wells

Group Chief Executive

# Group

## CEO messages



- ✓ Broad based 2015 performance delivering profitable growth
- ✓ Double digit growth in key performance metrics led by Asia
- ✓ Well capitalised with defensive balance sheet
- ✓ Strong operating performance underpins shareholder dividends
- ✓ Disciplined execution of clear strategy
- ✓ Superior long term positioning to outperform our markets and peers



# Nic Nicandrou

Chief Financial Officer

# Key financial highlights

## FY15 continued strong performance



		FY15 vs FY14			
	£m	FY15	FY14	CER <sup>2</sup>	AER <sup>2</sup>
<b>Growth</b>	IFRS operating profit	4,007	3,186	+22%	+26%
	New business profit <sup>1</sup>	2,617	2,115	+20%	+24%
	EEV operating profit	4,881	4,096	+16%	+19%
<b>Cash</b>	Free surplus generation	3,050	2,579	+15%	+18%
	Remittances <sup>3</sup>	1,625	1,482	n/a	+10%
	Ordinary dividend per share (pence)	38.78	36.93	n/a	+5%
	Special dividend per share (pence)	10.00	-	n/a	n/a
<b>Capital</b>	Solvency II surplus <sup>4</sup> (£bn)	9.7	n/a	n/a	n/a
	EEV per share (pence)	1,258	1,136	n/a	+11%

<sup>1</sup> FY14 results have been restated to exclude contributions from Prudential's 25% equity stake in PruHealth / PruProtect, which was sold in November 2014

<sup>2</sup> AER: Actual exchange rates. CER: Constant exchange rates

<sup>3</sup> FY15 includes £42 million of proceeds from the sale of Japan

<sup>4</sup> Before allowing for second interim ordinary and special dividends

# Group

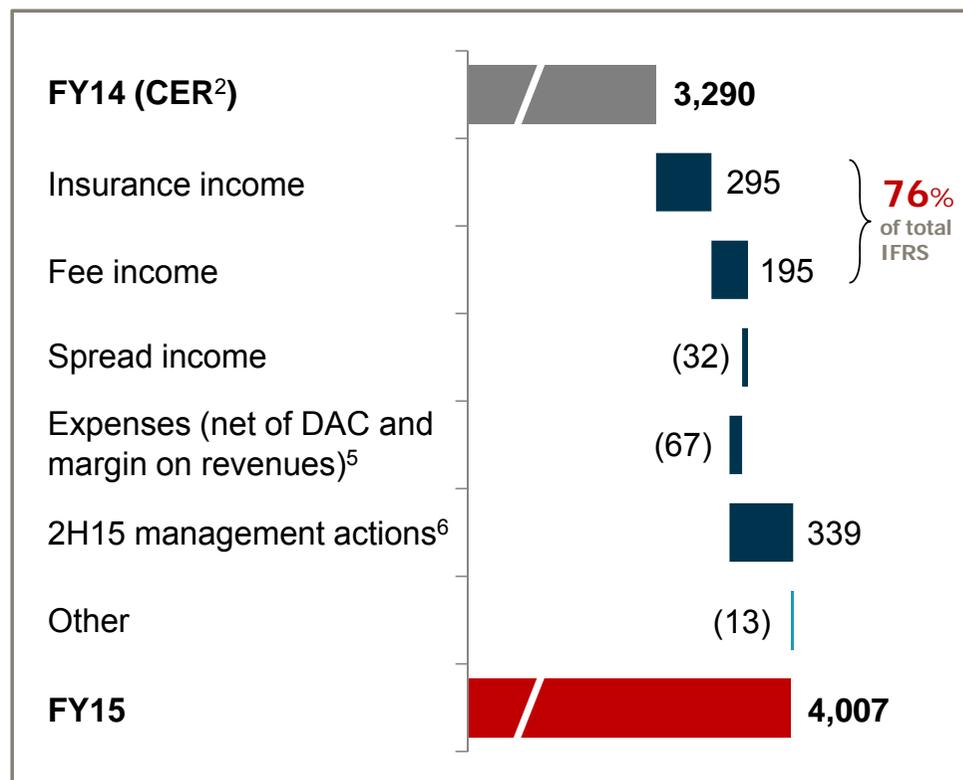
## Growing profit and improving quality



IFRS operating profit by business unit, £m

	FY15	FY14	CER <sup>2</sup>	AER
Asia	1,324	1,140	+17%	+16%
US	1,702	1,443	+9%	+18%
UK <sup>1</sup>	1,195	753	+59%	+59%
M&G	442	446	(1)%	(1)%
	4,663	3,782	+20%	+23%
Other <sup>3</sup>	(656)	(596)	(10)%	(10)%
	4,007	3,186	+22%	+26%

IFRS operating income by source, £m (CER<sup>4</sup>)



<sup>1</sup> FY14 results have been restated to exclude contributions from Prudential's 25% equity stake in PruHealth / PruProtect, which was sold in November 2014. These have been re-allocated to Other

<sup>2</sup> FY14 restated on constant exchange rate basis, increasing IFRS operating profit by £104 million, US IFRS operating profit by £113 million and decreasing Asia IFRS operating profit by £9 million

<sup>3</sup> Includes PruCap, head office costs, Solvency II costs and restructuring costs, and contributions from Prudential's 25% equity stake in PruHealth / PruProtect, which was sold in November 2014

<sup>4</sup> FY14 restated on constant exchange rate basis, increasing Insurance income by £46 million, fee income by £134 million and spread income by £58 million

<sup>5</sup> The increase in acquisition and administration expenses of £318m is partially offset by an increase in deferred acquisition costs of £48 million and an increase in margin on revenues of £203 million

<sup>6</sup> UK IFRS operating profit includes £339 million arising in the second half of 2015 from specific management actions taken to position the balance sheet more efficiently under the new Solvency II regime

# Asia

## Strong and consistent growth momentum



### Financial performance, £m (CER)

	<b>FY15</b>	<b>vs FY14</b>
<b>APE sales</b>	<b>2,853</b>	<b>+26%</b>
<b>New business profit</b>	<b>1,490</b>	<b>+28%</b>
<b>IFRS operating profit</b>	<b>1,324</b>	<b>+17%</b>
<b>Net free surplus generation</b>	<b>673</b>	<b>+16%</b>
<b>Remittances<sup>1</sup> (AER)</b>	<b>467</b>	<b>+17%</b>
<b>Eastspring FUM<sup>2</sup> (£bn)</b>	<b>89.1</b>	<b>+16%</b>

### Life

- High quality, diversified sales and value
  - Regular premium +30%, 93% of total
  - Agency APE +29%
  - APE growth >15% for 7 countries
  - NBP benefit from mix; H&P NBP +20%

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

- IFRS op. profit +26% on av. FUM +25%
- External net flows +11% at £6.0bn

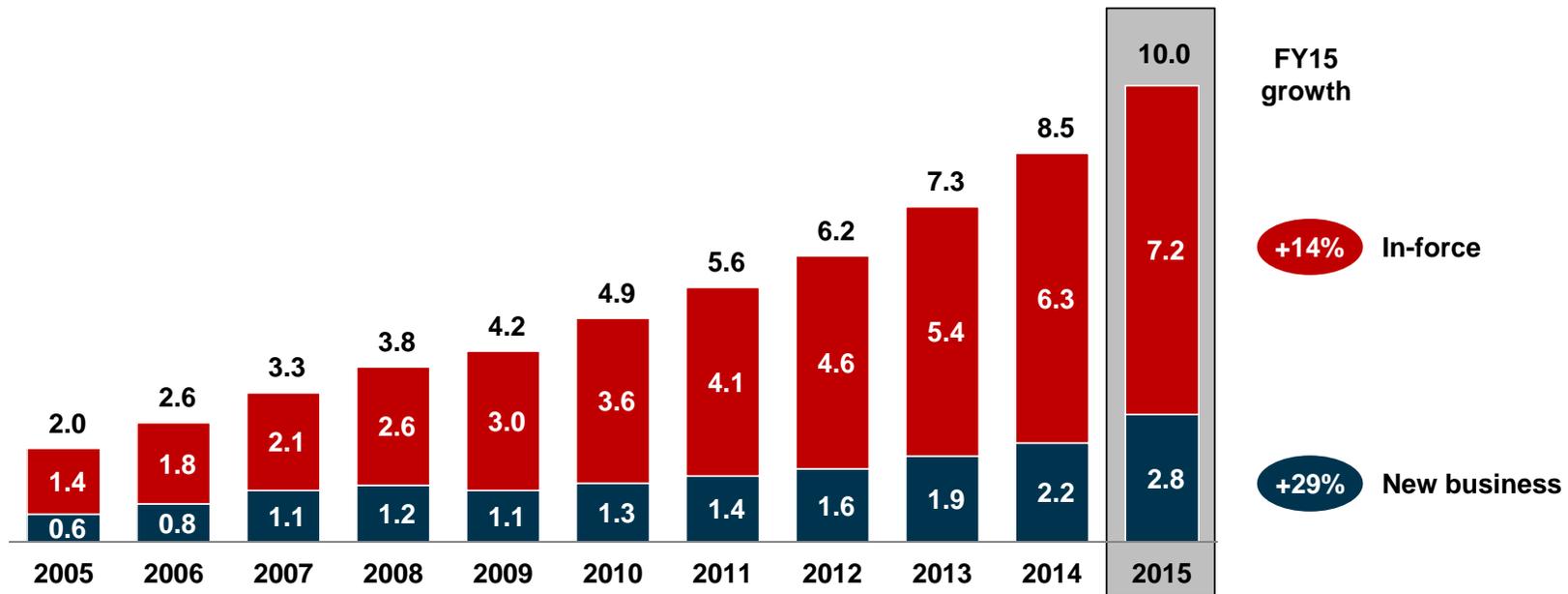
<sup>1</sup> Includes £42 million of proceeds from the sale of Japan  
<sup>2</sup> Relates to total business including internal and external funds

# Asia

## Recurring income



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



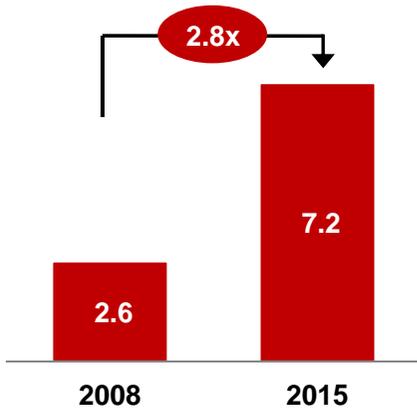
<sup>1</sup> Weighted premium income comprises gross earned premiums at 100% of renewal premiums, 100% of first year premiums and 10% of single premiums  
<sup>2</sup> 2014 excluding intra-group reinsurance contracts between the UK and Asia with-profits businesses

# Asia

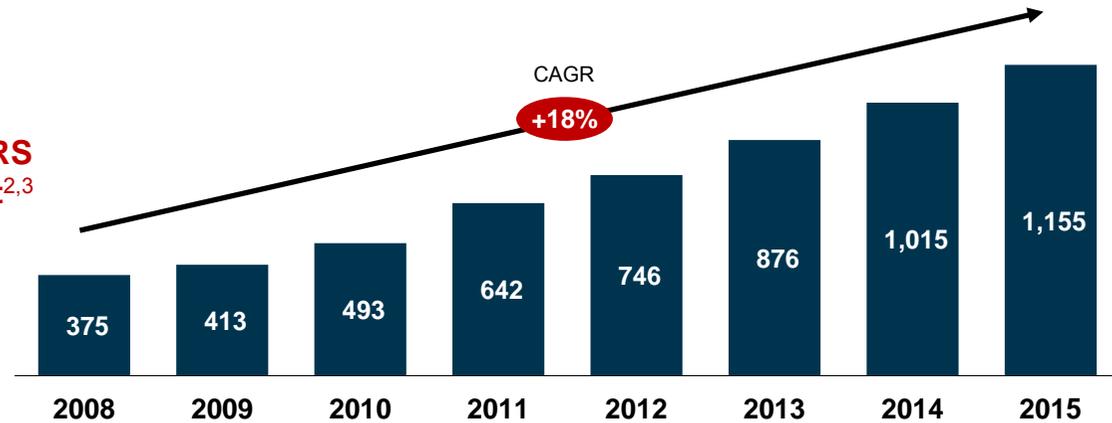
## In-force income



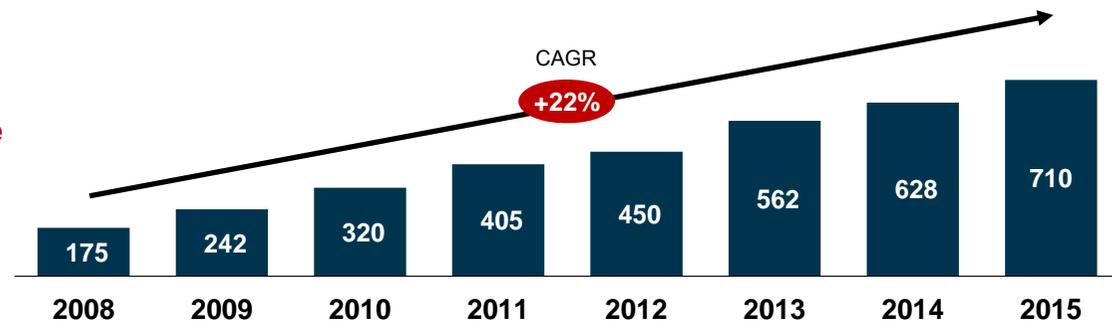
**Life in-force weighted premium income<sup>1</sup>**  
£bn, CER



**Life in-force IFRS operating profit<sup>2,3</sup>**  
£m, CER



**Life in-force insurance income**  
£m, 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> Life in-force operating profit comprises the following: Asia life business in-force as disclosed in note 1(b) of the 'additional financial information', before deducting development expenses  
<sup>3</sup> 2014 excluding intra-group reinsurance contracts between the UK and Asia with-profits businesses

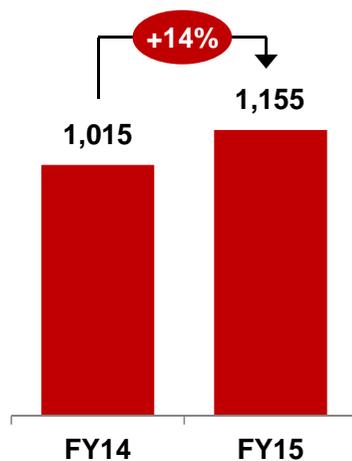
# Asia

## High quality, resilient earnings



### Driven by in-force

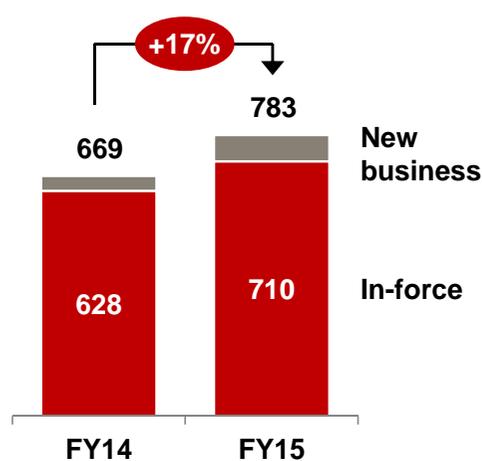
Life in-force IFRS operating profit<sup>1</sup>  
£m, CER



- ✓ High level of recurring in-force regular premium
- ✓ Supported by strong persistency

### Focus on insurance income

Life insurance income  
£m, CER



- ✓ 65% of Asia life IFRS profit
- ✓ Insensitive to markets
- ✓ Highly capital efficient

### Diverse country mix

Growth in IFRS operating profit FY15, CER

	£m	vs FY14
Indonesia	356	+21%
Singapore	204	(4)%
Hong Kong	150	+27%
Malaysia	120	+12%
Vietnam	86	+15%
Thailand	70	+30%
India	42	(14)%
Korea	38	+19%
Philippines	32	+10%
China	32	+129%
Taiwan	25	+67%
Eastspring	115	+26%

- ✓ Double digit growth in 9 countries
- ✓ Increasing contribution from smaller fast-growth countries

<sup>1</sup> Life in-force operating profit comprises the following: Asia life business in-force as disclosed in note 1(b) of the 'additional financial information', before deducting development expenses

# US

## Disciplined growth



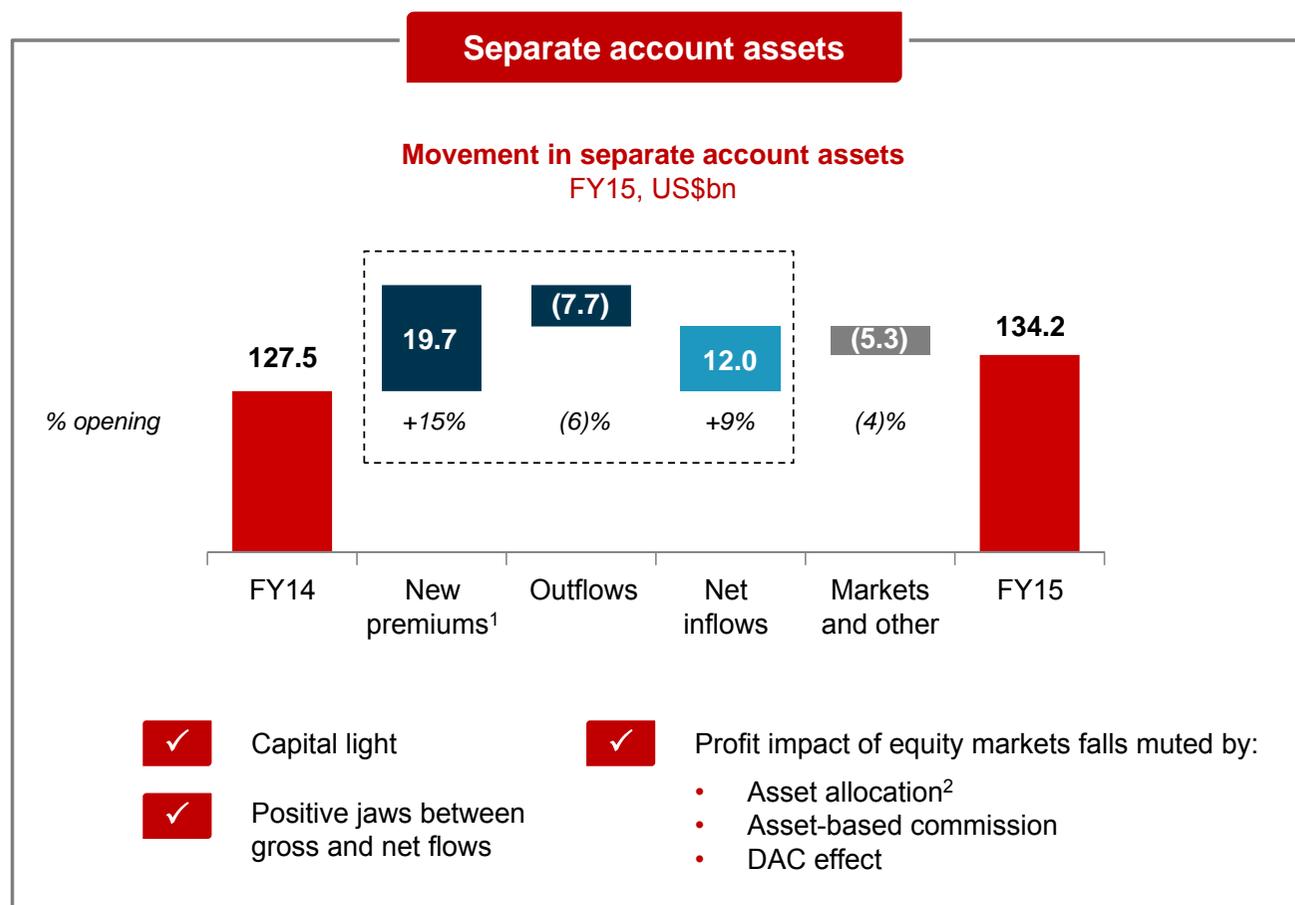
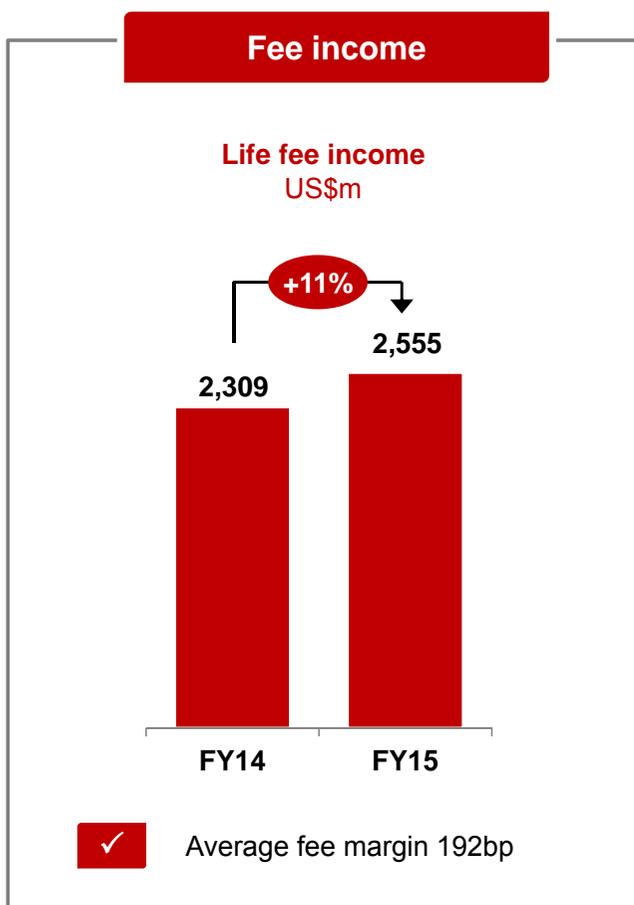
### Financial performance, £m (CER)

	FY15	vs FY14
APE sales	1,729	+3%
New business profit	809	+8%
IFRS operating profit	1,702	+9%
Net free surplus generation	1,166	+7%
Remittances (AER)	470	+13%
Separate accounts assets (£bn)	91.0	+5%

#### Jackson

- APE consistent with disciplined approach to value and risk
- Elite Access mix moving to non-qualified
- Fee income +11% in line with average separate account assets
- Spread margin 15bp lower at 241bp
- Strong capital formation supports higher remittance

# US Asset-based fee income



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

<sup>2</sup> Account balances of contracts with guarantees were invested in variable separate accounts at 31 December 2015 as follows: equity 68%, balanced 17%, bond 14%, money market 1%

# UK

## Positive response to changes in environment



### Financial performance, £m

	<b>FY15</b>	<b>vs FY14</b>
<b>APE sales<sup>1</sup></b>	<b>1,025</b>	<b>+23%</b>
<b>New business profit<sup>1</sup></b>	<b>318</b>	<b>+23%</b>
<b>IFRS operating profit<sup>1,2</sup></b>	<b>1,195</b>	<b>+59%</b>
<b>Net free surplus generation<sup>3</sup></b>	<b>835</b>	<b>+41%</b>
<b>Remittances</b>	<b>331</b>	<b>+2%</b>
<b>PruFund assets (£bn)</b>	<b>16.5</b>	<b>+42%</b>

### New business

- Retail APE +32% and NBP +31% driven by extension of PruFund to additional product wrappers

### Life IFRS operating profit, £m

	<b>1H15</b>	<b>2H15</b>	<b>FY15</b>
<b>New business</b>	<b>66</b>	<b>57</b>	<b>123</b>
Bulks annuities	49	40	89
Individual annuities	17	17	34
<b>Core in-force</b>	<b>309</b>	<b>335</b>	<b>644</b>
<b>Management actions</b>	<b>61</b>	<b>339</b>	<b>400</b>
Longevity reinsurance <sup>4</sup>	61	170	231
Other optimisation actions <sup>5</sup>	-	169	169
<b>Total Life IFRS</b>	<b>436</b>	<b>731</b>	<b>1,167</b>

<sup>1</sup> FY14 results have been restated to exclude contributions from Prudential's 25% equity stake in PruHealth / PruProtect, which was sold in November 2014

<sup>2</sup> FY15 includes £28 million of general insurance commission (FY14: £24 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

<sup>3</sup> Includes a contribution of £223 million for the specific actions taken in the second half of 2015 to position the balance sheet more efficiently under the new Solvency II regime

<sup>4</sup> Transactions executed in the second half of 2015 extended the longevity reinsurance programme to cover £8.7 billion of annuity liabilities

<sup>5</sup> Relates to specific management actions taken in the second half of 2015 to position the balance sheet more efficiently under the new Solvency II regime, including the positive effect of repositioning the fixed income asset portfolio

### Financial performance, £m

	<b>FY15</b>	vs FY14
<b>Net flows</b>	<b>(7,008)</b>	<b>7,087<sup>1</sup></b>
<b>Total FUM (£bn)</b>	<b>246.1</b>	<b>(7)%</b>
<b>Revenues<sup>2</sup></b>	<b>939</b>	<b>(2)%</b>
<b>Cost / income ratio</b>	<b>57%</b>	<b>(1)%</b>
<b>IFRS operating profit</b>	<b>442</b>	<b>(1)%</b>
<b>Remittances</b>	<b>302</b>	<b>+6%</b>

#### Net flows

- Retail: £10.9bn net outflows
  - Principally from Optimal Income fund
  - Building scale in Multi-asset and Property
- Institutional: £3.9bn net inflows, healthy pipeline

#### IFRS op. profit

- Average FUM broadly flat
- Cost income ratio lower following actions to manage costs
- Retail FUM 18% lower at year-end

<sup>1</sup> Net inflows in FY14

<sup>2</sup> Operating income before performance-related fees and share of associate's results

# Group

## Increasing scale of free surplus generation



### Free surplus generation, £m, (CER<sup>2</sup>)

	FY15	FY14	Change
Expected return from in-force	2,611	2,328	12%
Experience result	559	336	66%
Investment return on free surplus	119	108	10%
Life in-force result <sup>1</sup>	3,289	2,772	19%
Asset management and Other	506	491	3%
<b>Gross free surplus generation</b>	<b>3,795</b>	3,263	16%
Less: new business strain <sup>1</sup>	745	618	21%
<b>Net free surplus generation</b>	<b>3,050</b>	2,645	15%

### Life in-force result, £m (CER<sup>3</sup>)

	FY15	FY14	Change
Asia	985	851	16%
US	1,426	1,284	11%
UK <sup>1</sup>	878	637	38%

### New business strain, £m (CER<sup>4</sup>)

	FY15	FY14	Change
Asia	413	352	17%
US	267	201	33%
UK <sup>1</sup>	65	65	-

<sup>1</sup> FY14 has been restated to exclude Prudential's 25% equity stake in PruHealth / PruProtect, which was sold in November 2014

<sup>2</sup> FY14 restated on constant exchange rate basis, increasing net free surplus generation by £66 million and Asset management by £2 million

<sup>3</sup> FY14 restated on constant exchange rate basis, decreasing Asia life in-force result by £9 million and increasing US life in-force result by £93 million

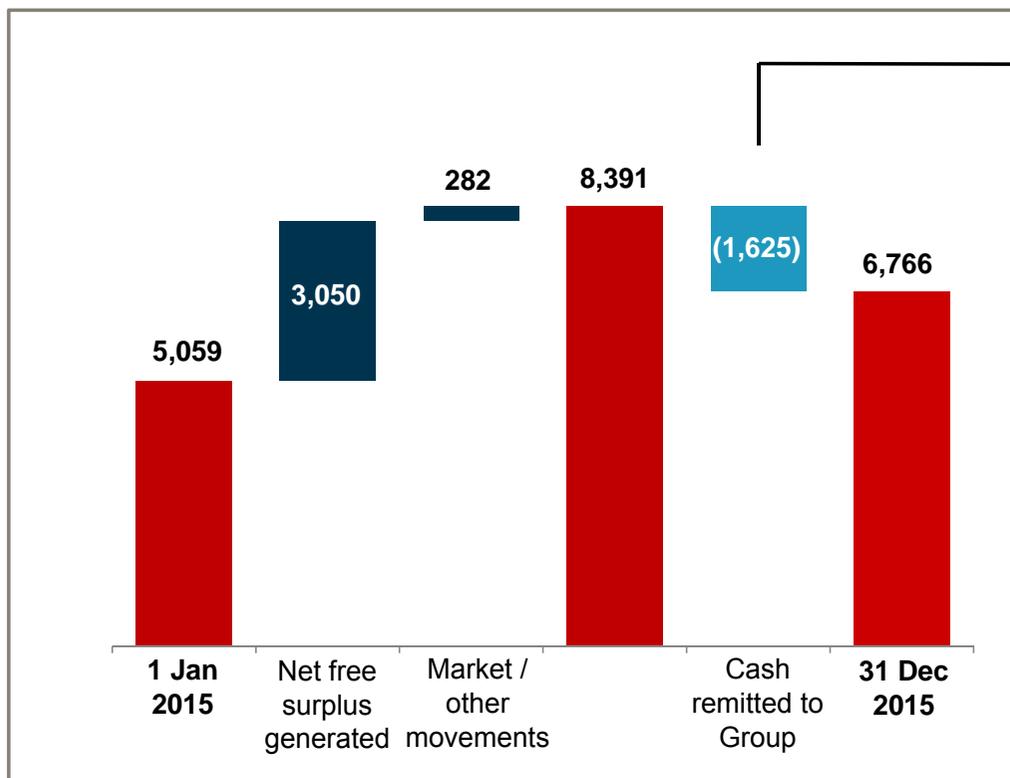
<sup>4</sup> FY14 restated on constant exchange rate basis, increasing Asia new business strain by £6 million and US new business strain by £14 million

# Group

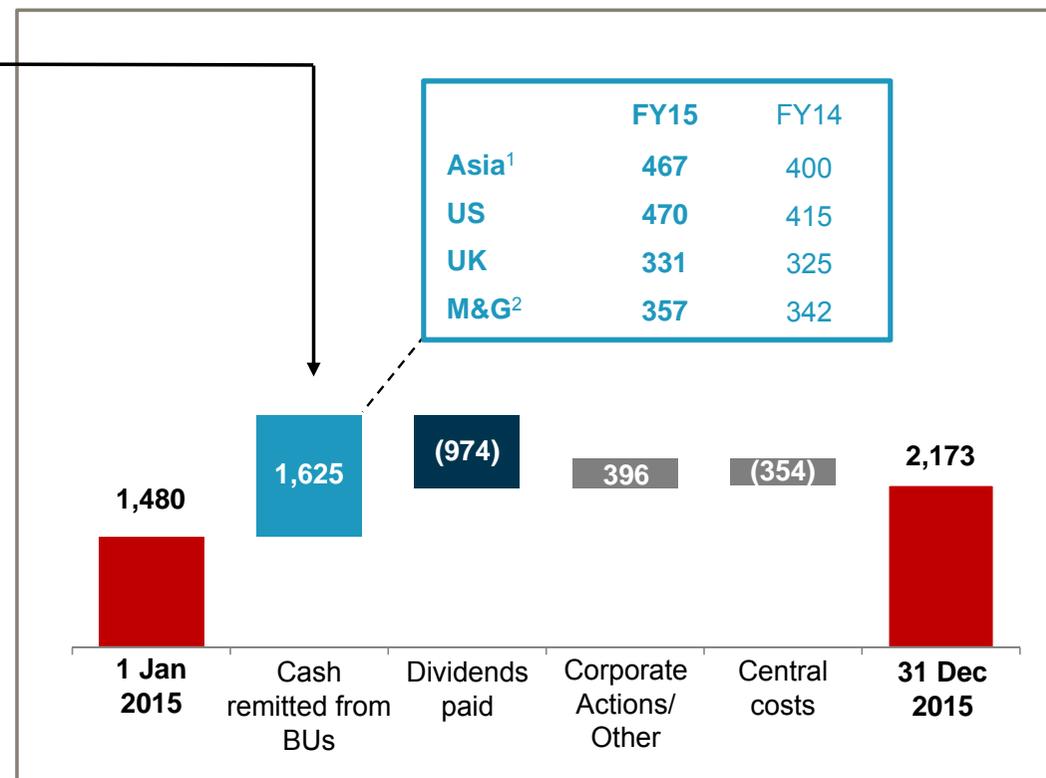
## Positive evolution in free surplus and central cash



Movement in free surplus, £m



Movement in central cash, £m



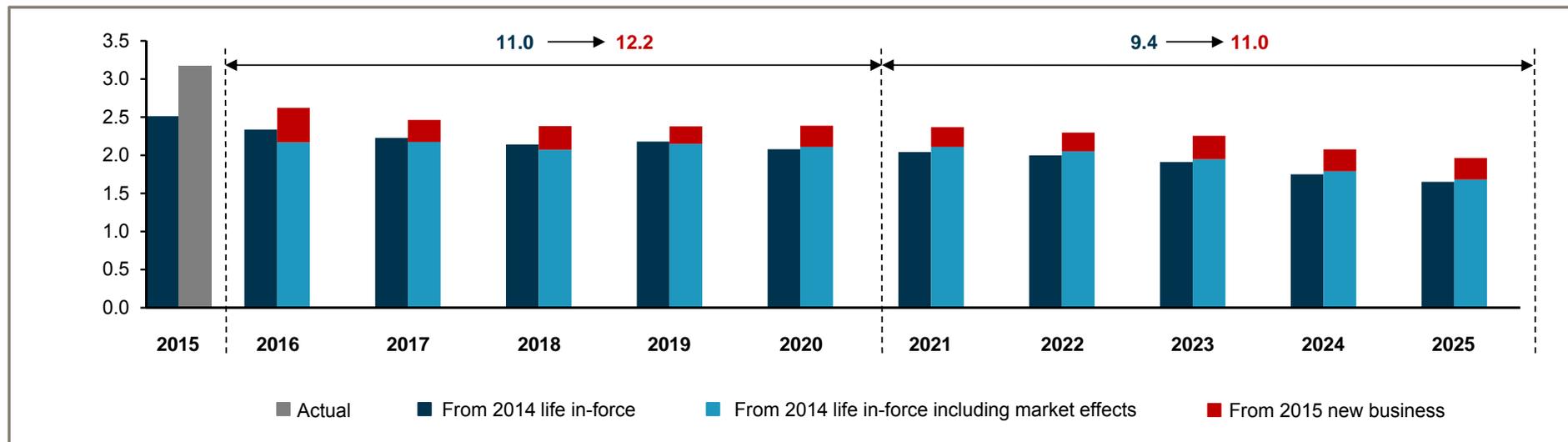
<sup>1</sup> Includes £42 million of proceeds from the sale of Japan  
<sup>2</sup> Includes Prudential Capital

# Group

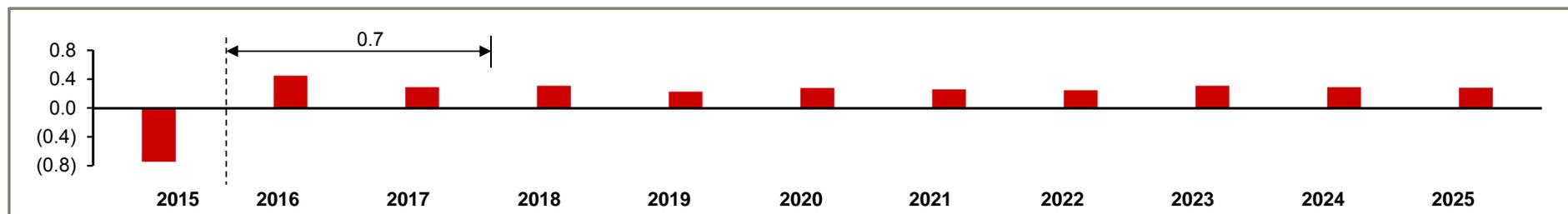
## Strong future generation profile



Expected undiscounted free surplus from life in-force<sup>1</sup>, £bn



Expected undiscounted cash flows from 2015 life new business<sup>1</sup>, £bn



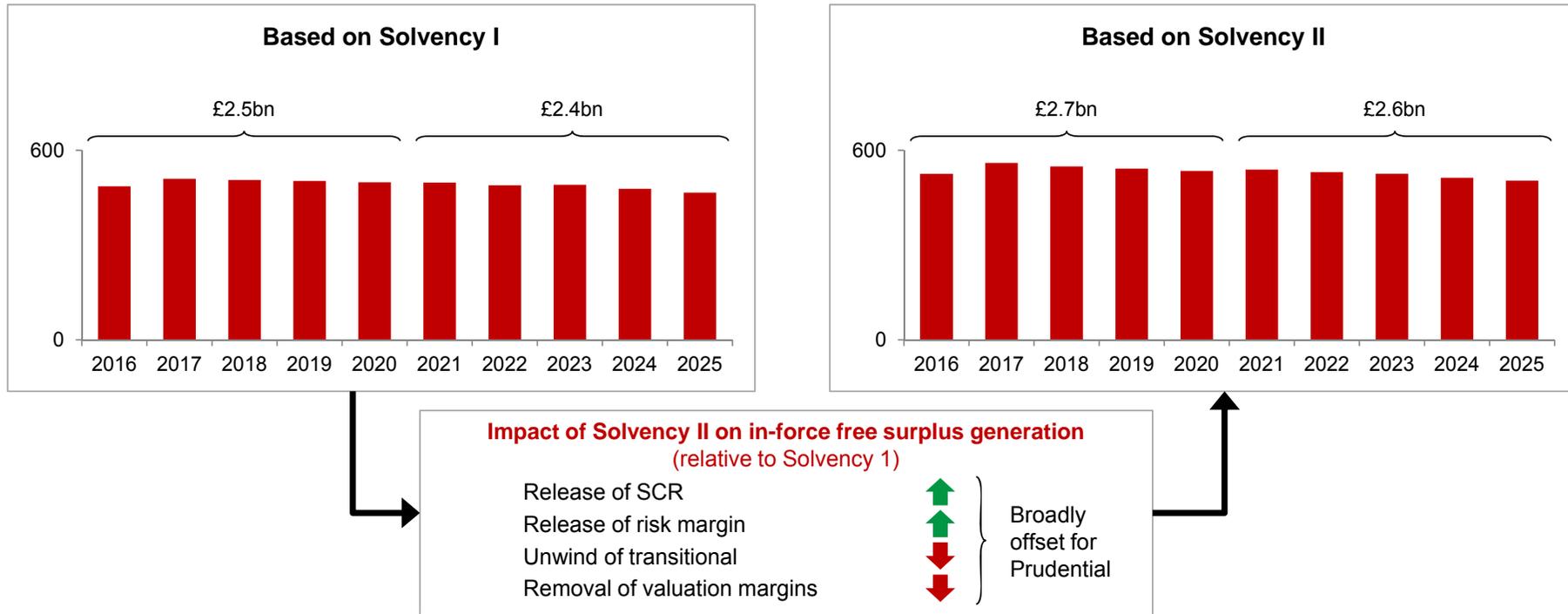
<sup>1</sup> For life business, represents the undiscounted expected transfer of value of in-force business and required capital to free surplus as at FY15

# Group

## UK profile not altered by Solvency II



### Expected life in-force free surplus generation<sup>1</sup>, £m



Free surplus generation underpinned by sizeable with-profits and annuities in-force portfolio

Transitional runs off broadly in line with risk margin release

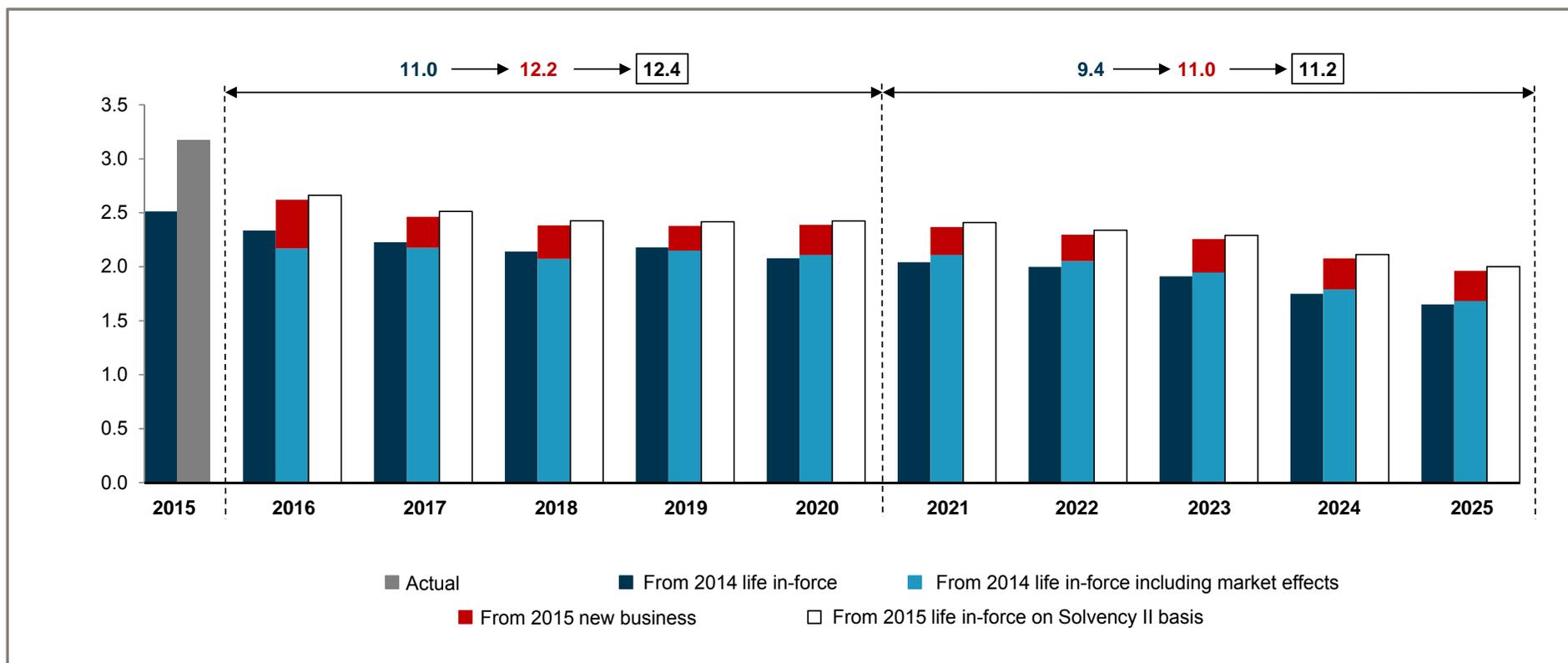
<sup>1</sup> For life business, represents the undiscounted expected transfer of value of in-force business and required capital to free surplus as at FY15

# Group

## Group free surplus generation unchanged by Solvency II

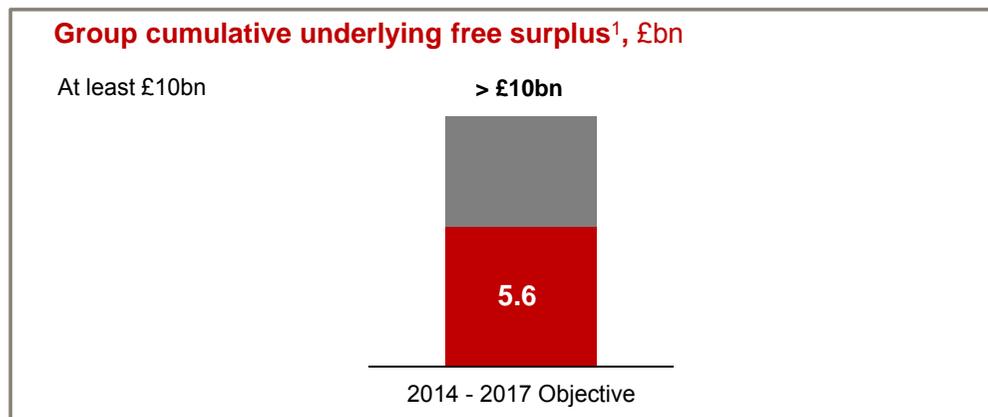
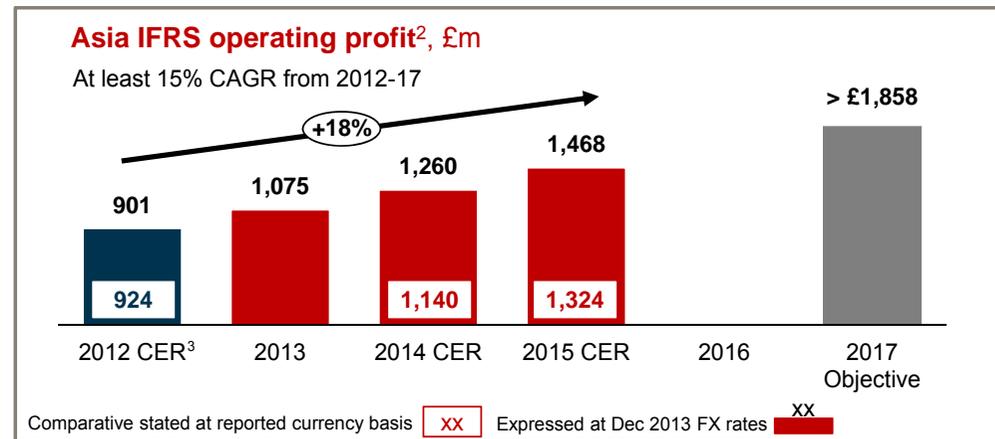
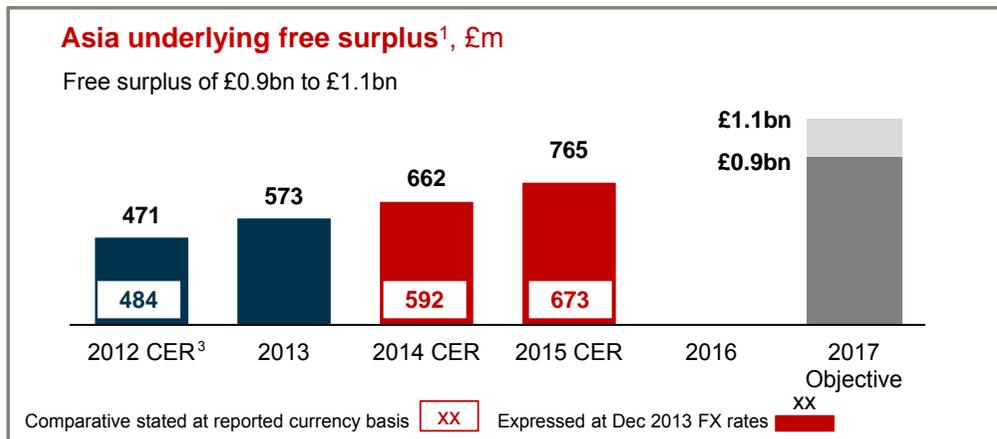


Expected undiscounted free surplus from life in-force<sup>1</sup>, £bn



<sup>1</sup> For life business, represents the undiscounted expected transfer of value of in-force business and required capital to free surplus as at FY15

# Group 2017 financial objectives



Note:

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

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

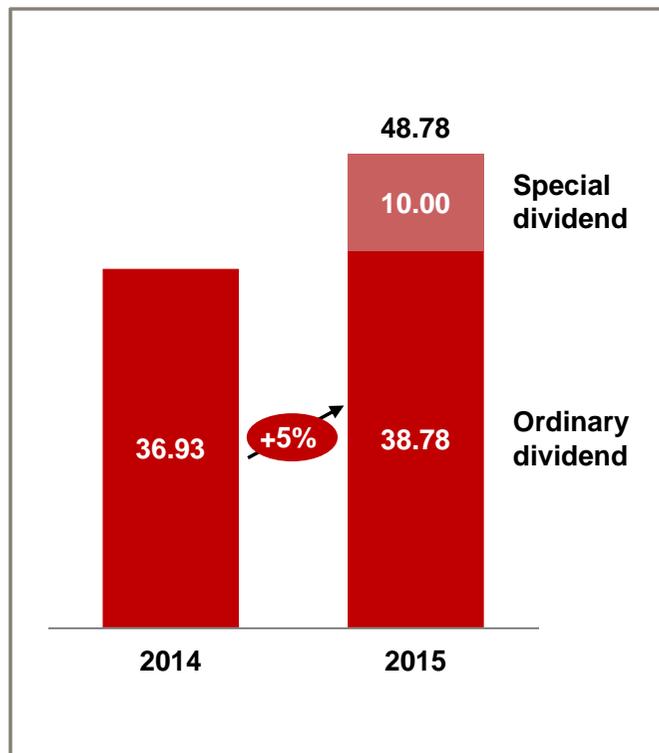
3 Impact of translating results using exchange rates as at December 2013

# Group

## Dividend growth



Dividend per share (pence)



### 2015 dividend

- Full year ordinary dividend +5% to 38.78p per share
- Special dividend of 10p per share
  - Reflects benefit of management actions in 2015
- Payment of 2015 second interim ordinary and special dividends on 20 May 2016

### Dividend policy

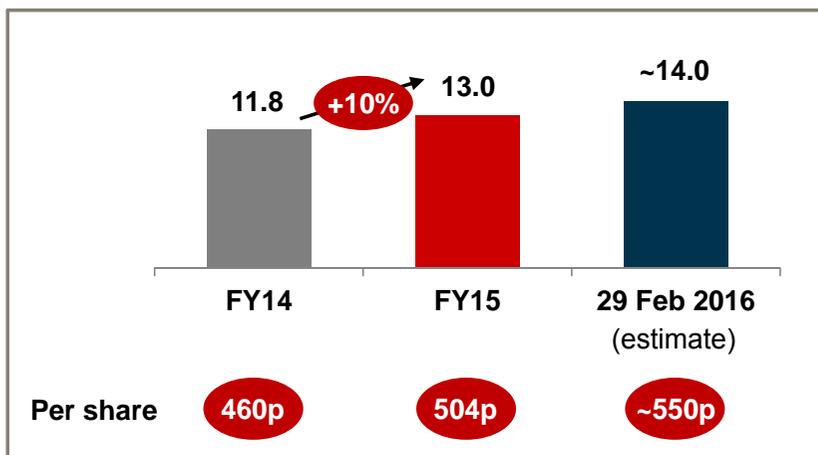
- Decision framework is unchanged
  - Focus on delivering a growing dividend
  - Balance between high return organic reinvestment, funding a growing book, maintaining buffers for uncertainty and distributing to shareholders
  - Stress tested for resilience

# Balance sheet

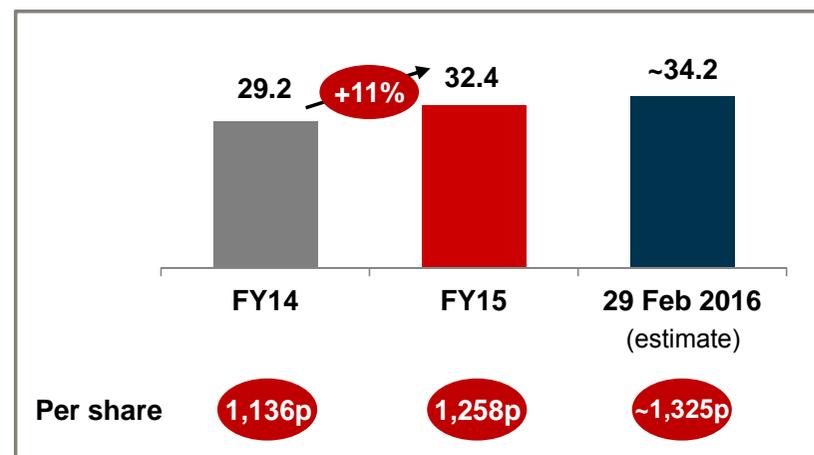
Well capitalised and defensively positioned



IFRS shareholders' funds, £bn



EEV shareholders' funds, £bn



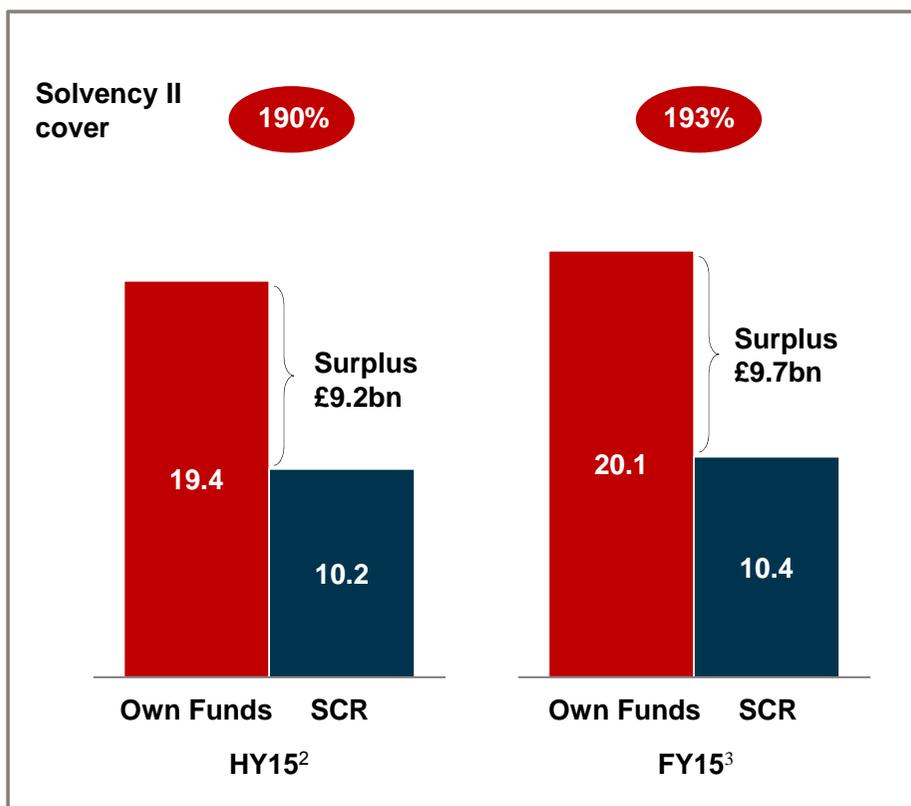
- Strong operating capital formation on all measures
- Nil default losses and minimal impairments across all fixed income portfolios
- VA hedging remains robust
- Scale, currency mix and market risk diversification underpins resilience of shareholder capital

# Solvency II

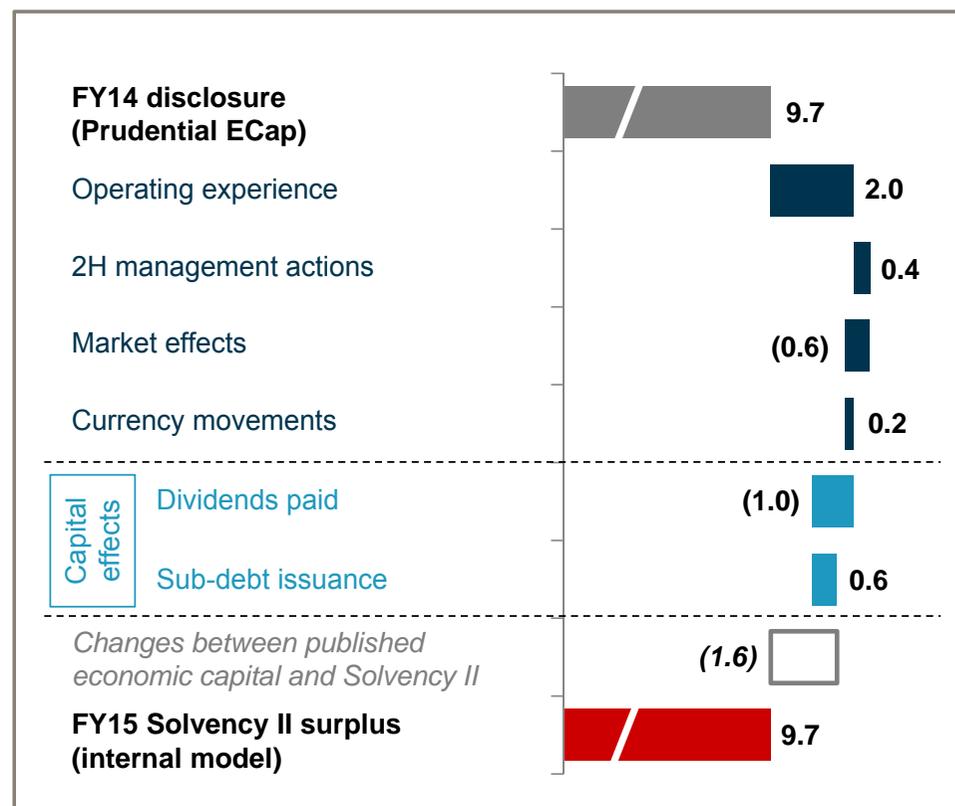
## Strong Solvency II capital position



Group Shareholder Solvency II capital position<sup>1</sup>, £bn



FY15 movement in Solvency II capital<sup>1</sup>, £bn



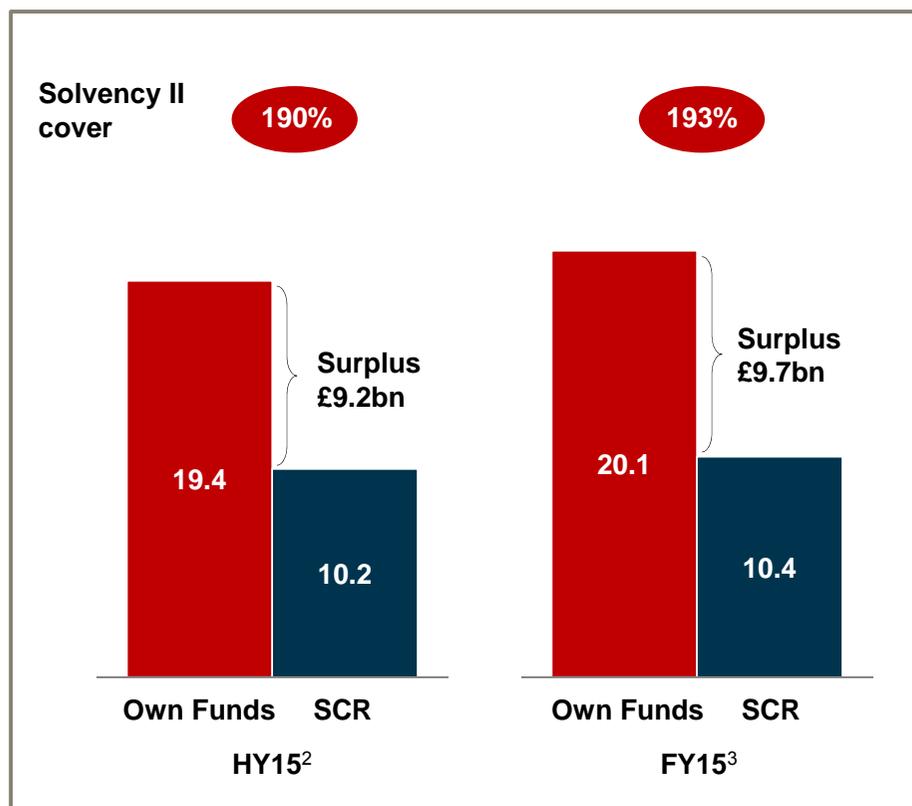
<sup>1</sup> The Group Shareholder position excludes the contribution to the Group SCR and Own Funds of ring fenced With-Profit Funds and staff pension schemes in surplus  
<sup>2</sup> Before allowing for first interim dividend  
<sup>3</sup> Before allowing for second interim ordinary and special dividends

# Solvency II

## Strong Solvency II capital position



Group Shareholder Solvency II capital position<sup>1</sup>, £bn



### Year-end position

- Tier 1: 82% of Own Funds, equivalent to 159% of SCR
- Risks remain well-diversified
- Market sensitivities are materially unchanged

### 2016 update (based on sensitivities)

- Solvency II surplus estimated to be £8.6bn (c180%) on 1 Mar 16<sup>3,4</sup>

### Sources of economic capital excluded

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

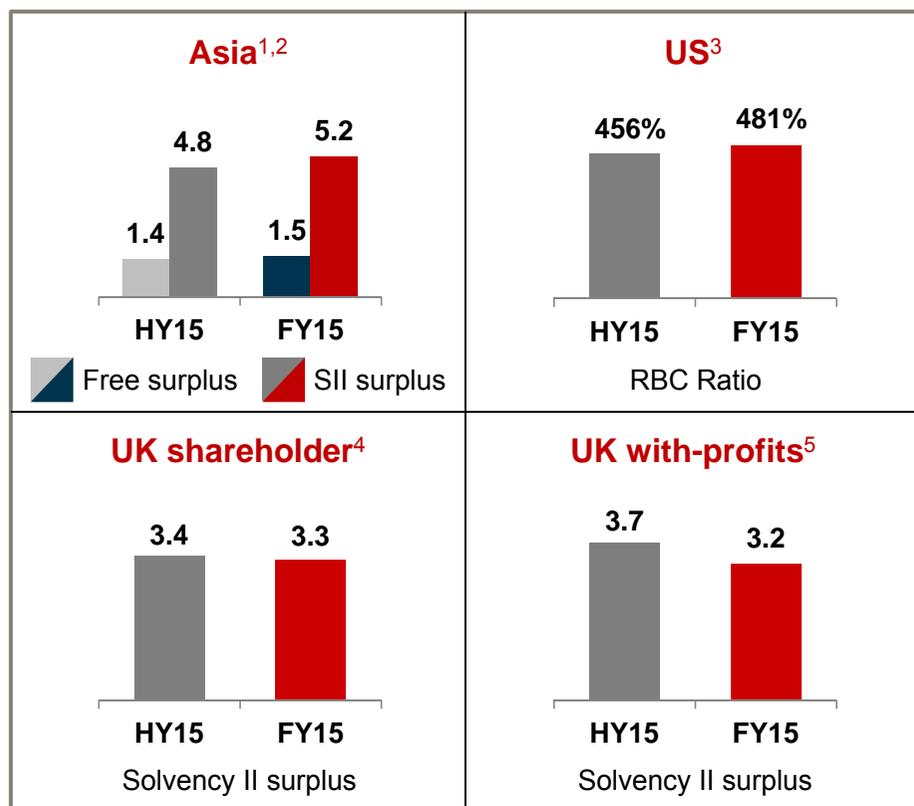
<sup>1</sup> The Group Shareholder position excludes the contribution to the Group SCR and Own Funds of ring fenced With-Profit Funds and staff pension schemes in surplus  
<sup>2</sup> Before allowing for first interim ordinary dividend  
<sup>3</sup> Before allowing for second interim ordinary and special dividends  
<sup>4</sup> Assumes dynamic transitional recalculation which is subject to PRA approval

# Solvency II

## Strong local solvency capital



### Local solvency capital positions, £bn



**Business unit**

- Asia SII surplus of £5.2bn exceeds free surplus of £1.5bn
- Jackson RBC ratio of 481%
- UK shareholder SII surplus of £3.3bn (HY15 £3.4bn)<sup>4</sup>
- UK with-profits SII surplus of £3.2bn (HY15 £3.7bn)
  - Underpinned by inherited estate of £7.6bn<sup>6</sup>
  - Increase in equity backing ratio

**Actions available**

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

<sup>1</sup> Comprises life entities in Cambodia, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Vietnam. Excludes Eastspring Investments  
<sup>2</sup> Based on Group free surplus disclosure at HY15, with aggregate reported net worth of £2.6 billion and aggregate required capital of £1.2 billion  
<sup>3</sup> Relates to Jackson National Life  
<sup>4</sup> Relates to PAC Ltd  
<sup>5</sup> Excess of inherited estate over Solvency II capital requirements  
<sup>6</sup> Representing Solvency II Own Funds of the UK with-profits funds

# Group

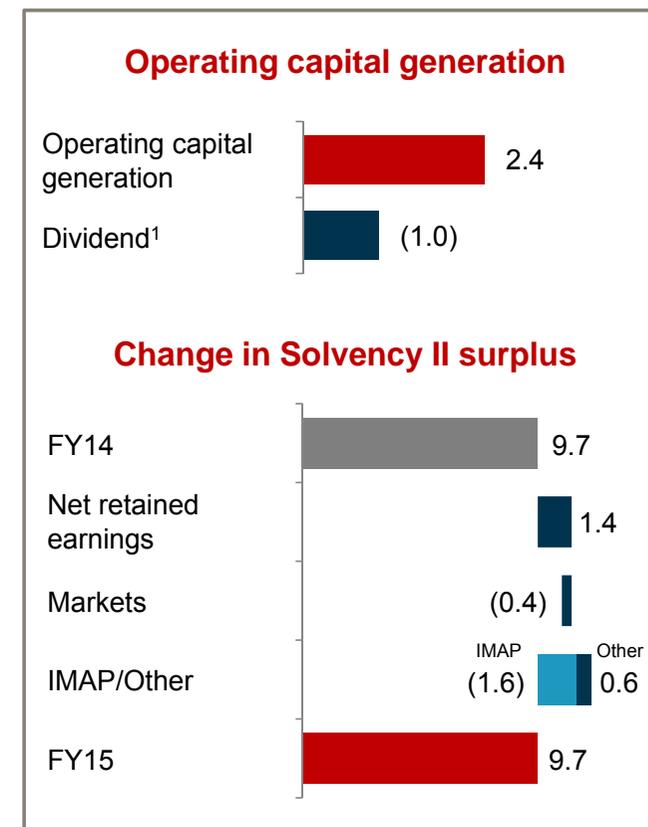
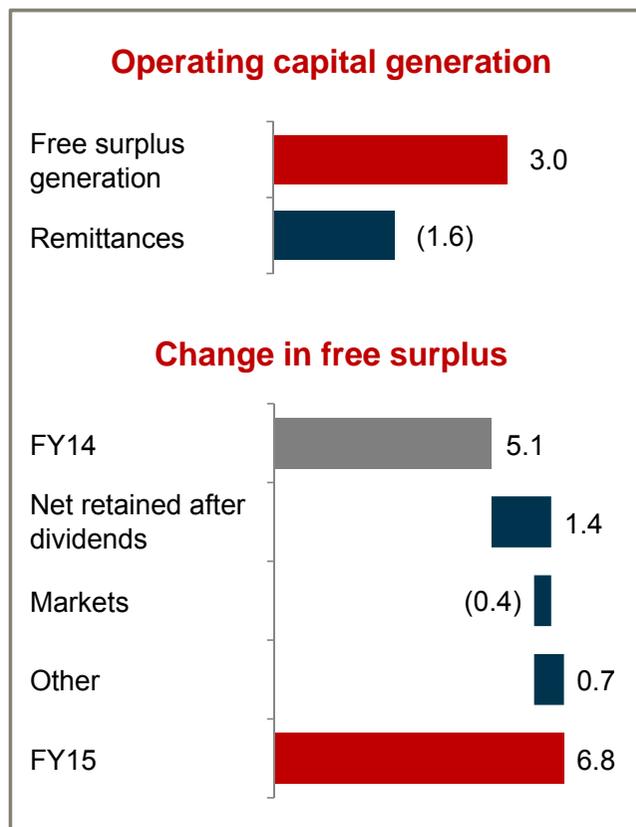
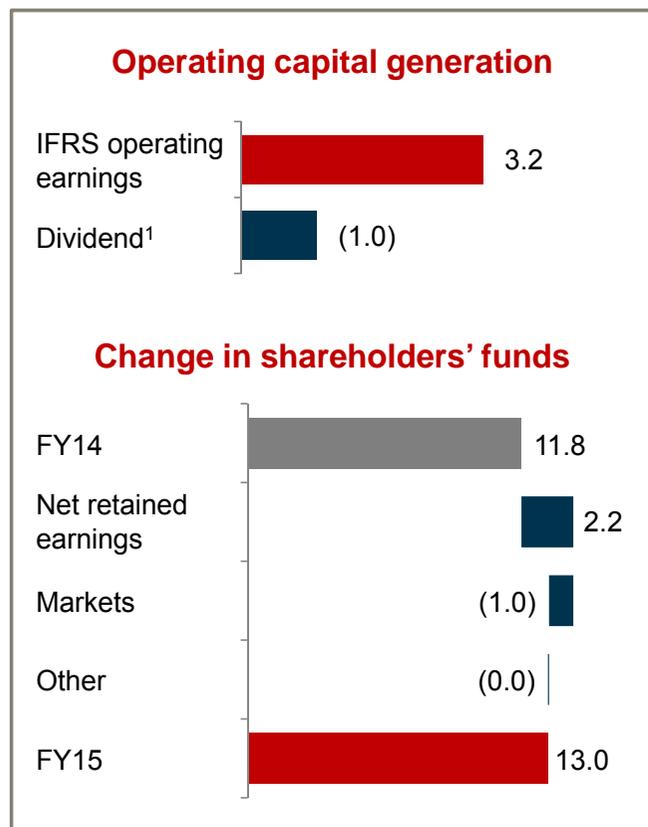
## Strong capital formation



IFRS, £bn

Life and Asset Management  
free surplus, £bn

Solvency II, £bn



<sup>1</sup> Dividend paid in 2015, comprising the 2014 final dividend and 2015 first interim dividend

# Invested assets

Asset portfolio is high quality and well diversified



Breakdown of invested assets<sup>1</sup>, FY15, £bn

	Total Group	PAR funds	Unit linked	Shareholders					Total
				Asia Life	US Life	UK Life	Other		
Debt	147.7	60.9	9.3	9.1	34.1	32.1	2.2	77.5	
Equity	157.4	39.2	117.1	0.8	0.2	0.0	0.1	1.1	
Property	13.4	11.1	0.7	0.0	0.0	1.6	0.0	1.6	
Mortgage	6.7	0.7	0.0	0.1	4.4	1.5	0.0	6.0	
Deposits	12.1	9.0	1.0	0.4	0.0	1.6	0.1	2.1	
Other loans	6.3	1.9	0.0	0.4	3.1	0.0	0.9	4.4	
Other	7.3	5.0	0.0	0.0	1.7	0.5	0.1	2.3	
<b>Total</b>	<b>350.9</b>	<b>127.8</b>	<b>128.1</b>	<b>10.8</b>	<b>43.5</b>	<b>37.3</b>	<b>3.4</b>	<b>95.0</b>	

Shareholder debt portfolio, FY15, £bn

	Portfolio £bn	No. issuers	Holding by security <sup>2</sup>		HY % debt portfolio
			Av. £m	Max £m	
Sovereign debt	12.8	60	213	6,171	1.1%
Corporate debt					
Investment grade	62.5	1,453	12	211	n/a
High yield	2.2	354	2	104	2.8%
	<b>64.7</b>	<b>1,807</b>	<b>10</b>	<b>211</b>	<b>n/a</b>
Oil and gas	3.1	130	6	82	0.3%
Mining	0.8	31	8	53	0.0%
Banks	4.7	168	12	76	0.2%

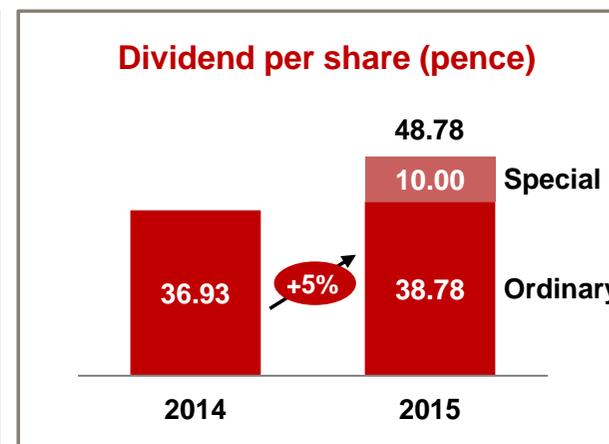
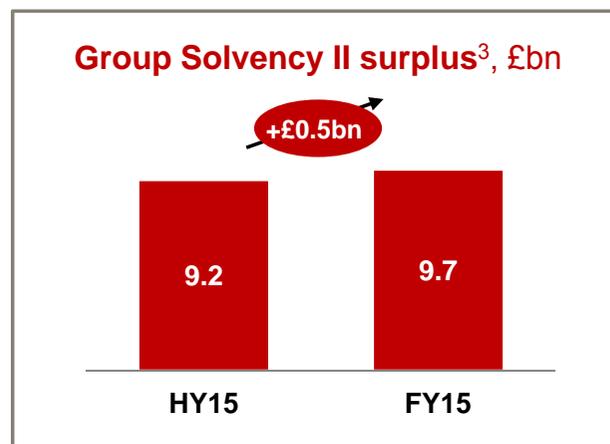
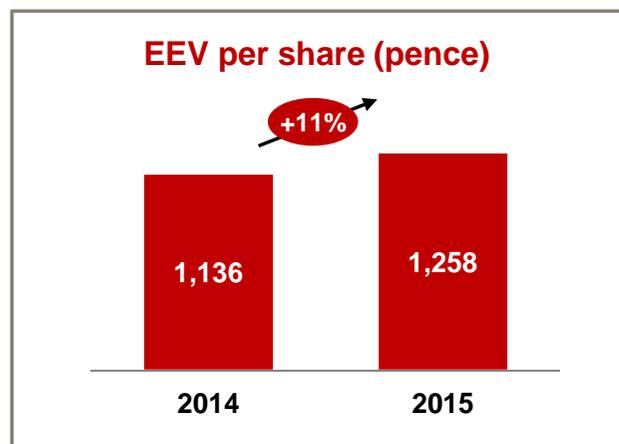
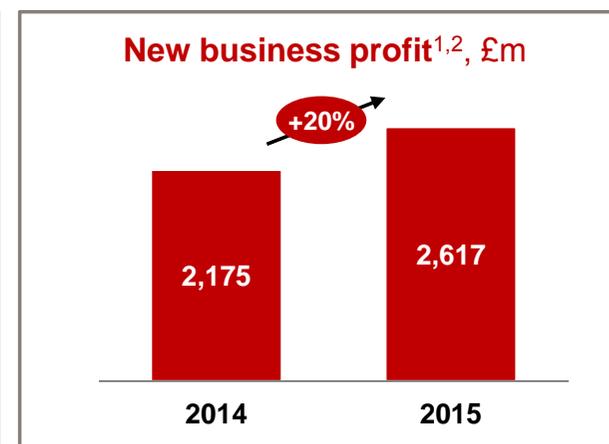
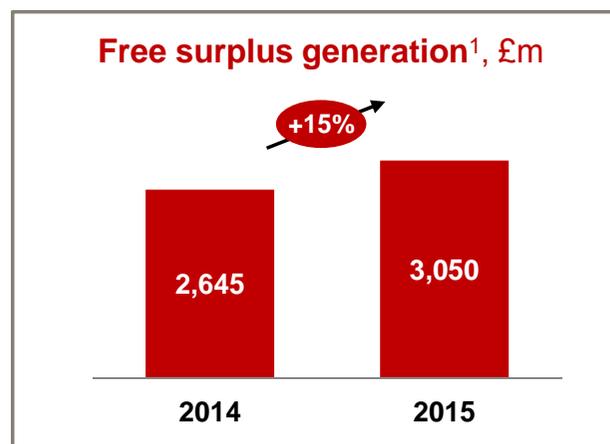
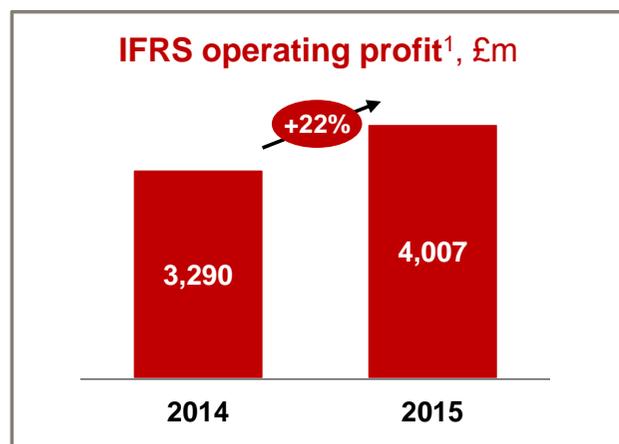
- Total group assets of £350.9bn; shareholder exposure of £95.0bn
- Conservative asset mix: 96% credit portfolio is rated investment grade
- Minimal default losses, and minimal impairments across all credit portfolios
- Additional cash and equivalents of £7.8bn, of which shareholder exposure of £4.3bn

<sup>1</sup> Excludes £1.0 billion of investments in joint ventures and associates accounted for using the equity method

<sup>2</sup> For corporate debt relates to average and maximum exposure by individual security; for sovereign debt relates to average and maximum exposure by issuer

# Summary

## FY15 continued strong performance

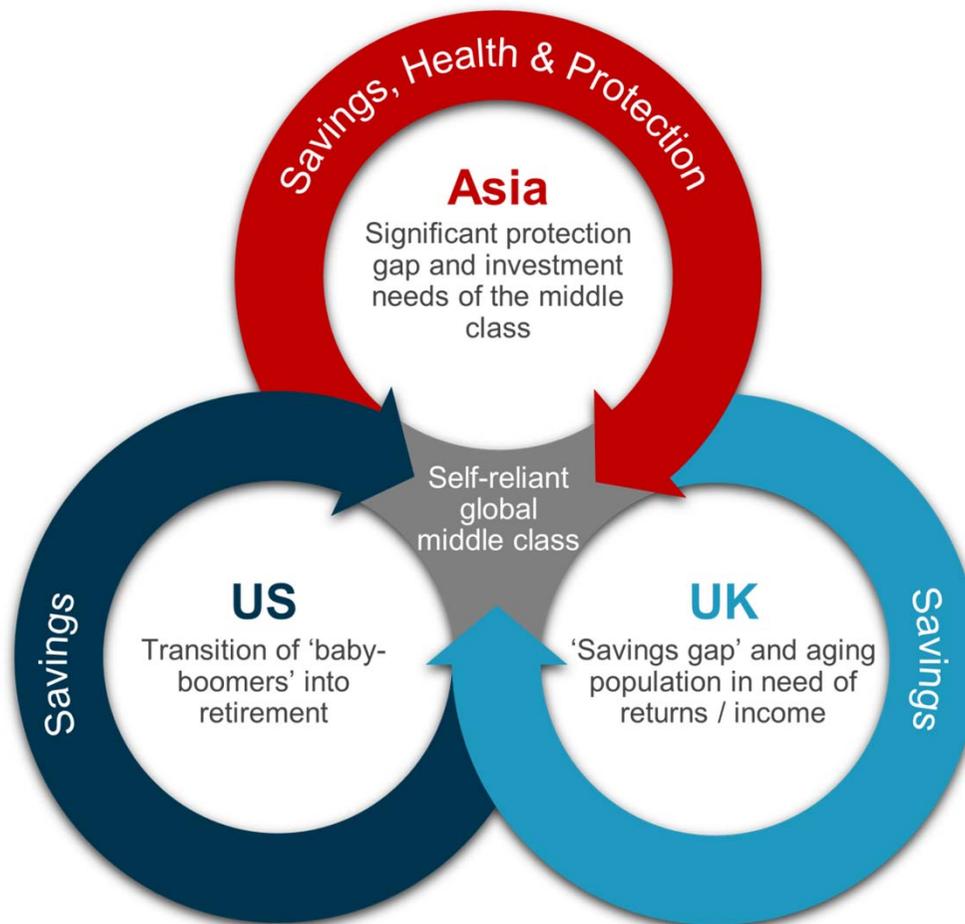


<sup>1</sup> Comparatives have been stated on a constant exchange rate basis  
<sup>2</sup> FY14 results have been restated to exclude contributions from Prudential's 25% equity stake in PruHealth / PruProtect, which was sold in November 2014  
<sup>3</sup> Before allowing for second interim ordinary and special dividends



# Mike Wells

Group Chief Executive



# Group

## Premium franchises



Asia	US	UK
		
<p><b>Leading</b> pan regional franchise</p>	<p><b>Premier</b> retirement income player</p>	<p><b>Well recognised brands</b> with strong track record</p>
<p>In Asia since <b>1923</b></p> <p><b>14m</b> life customers</p> <p><b>Top 3 position</b> in 9 out of 12 life markets<sup>1</sup></p> <p><b>Leading</b> Asian asset manager with <b>+20 years</b> operating history</p> <p>Over <b>£89bn</b> funds under management<sup>4</sup></p>	<p>Founded in <b>1961</b></p> <p><b>4m</b> life customers</p> <p><b>18% market share</b> Variable Annuities<sup>3</sup></p> <p><b>\$199bn</b> of statutory admitted assets<sup>4</sup></p>	<p><b>167 years</b> of providing financial security</p> <p><b>6m</b> life customers</p> <p>Over <b>£16bn</b> PruFund funds under management<sup>4</sup></p> <p><b>£246bn</b> funds under management<sup>4</sup></p>

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: Morningstar Annuity Research centre. 3Q 2015  
 4. FY 2015

# Asia

## Regional footprint



### Hong Kong

# 2 Rank

18% Market share

# 1 Agency player



### Singapore

# 2 Rank

32% Agency market share<sup>2</sup>

23% Regular premium market share



### Malaysia

# 1 Rank<sup>3</sup>

25% Market share

# 1 Largest agency in the industry



### Indonesia

# 1 Rank<sup>4</sup>

22% Market share



### India & China

# 1 & # 3 Private / Foreign JV rank<sup>5</sup>

12% India market share<sup>6</sup>

64 Cities in China



### Philippines, Thailand, Vietnam & Cambodia

# 1 Rank Vietnam

# 2 Rank Philippines

# 1 Rank Cambodia

+17% Thanachart APE



### Eastspring

14 Countries

+11% Third-party net inflows

+16% FUM



### SCB

11 Countries

+16% APE

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. Market share excludes Elderly and dependent shield

3. Rank includes Takaful and excludes Group

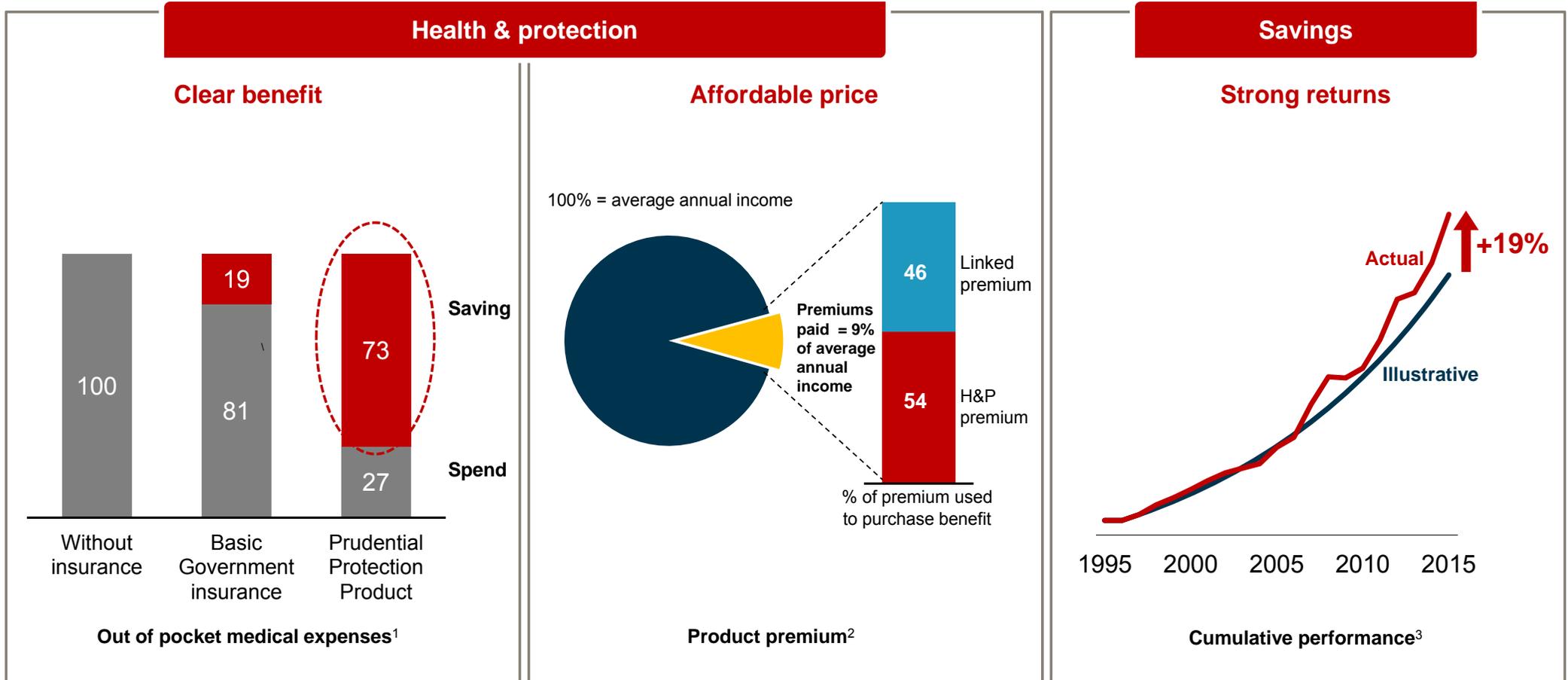
4. Rank excludes Sinarmas

5. India rank among private players

6. Market share on a total basis

# Asia

## Product portfolio aligns with customer needs



1. Expenses for a male aged 50 for heart diseases and heart surgery treatment

2. Average Prudential customer spend on insurance products, Indonesia linked product with protection rider.

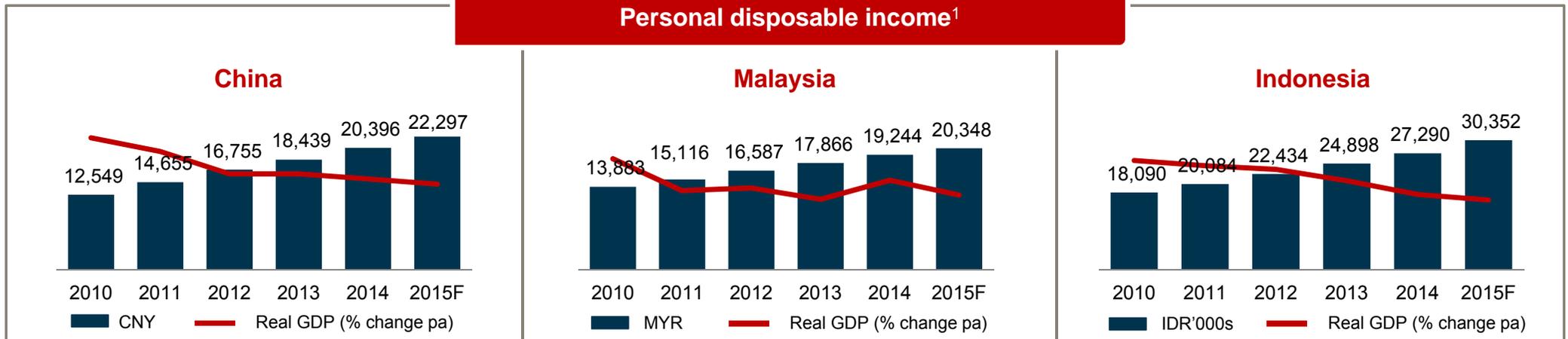
3. Non-guaranteed Surrender Value based on a US\$ Better Life inception in 1995 from a male non-smoker aged 35 with US\$50k sum assured with annual premium payable for 10 years. Illustration based on simple interest rate assumption, reality may vary

# Asia

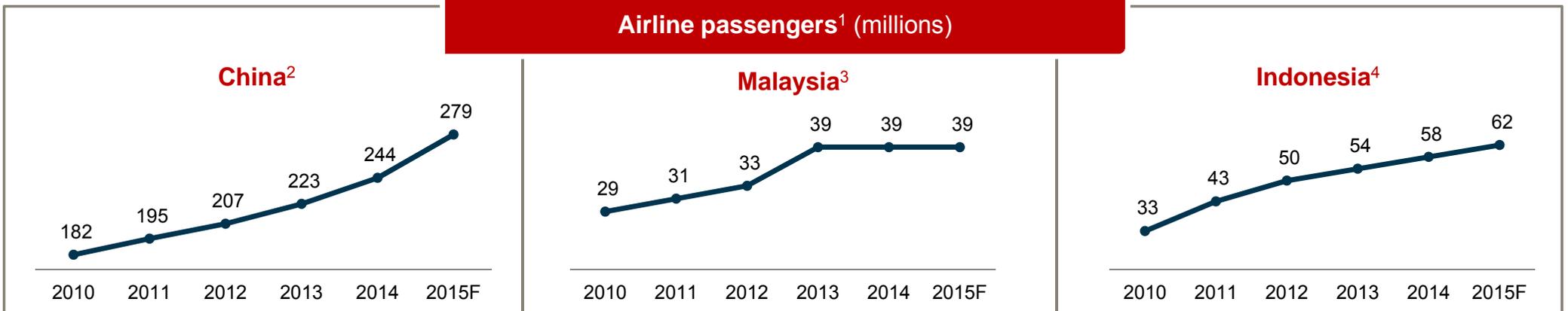
## Consumers remain resilient



### Personal disposable income<sup>1</sup>



### Airline passengers<sup>1</sup> (millions)



<sup>1</sup> Source: EIU, International Civil Aviation Organisation (ICAO), Bloomberg, Company Results, Forecast from Centre for Aviation (CAPA), Prudential estimates

<sup>2</sup> Chinese Airlines includes: China Southern Airlines, China Eastern, Air China, Hainan Airlines and Xiamen Airlines

<sup>3</sup> Malaysian Airlines includes: Air Asia and Malaysian Air

<sup>4</sup> Indonesian Airlines includes: Lion Air and Garuda Indonesia

# Asia

## 2015 operations



**> 500k**  
Agents

**> 90%**  
Retention ratio<sup>2</sup>



**350**  
New products  
launched<sup>1</sup>

**> 5m**  
Customer  
service  
interactions



**> 25%**  
APE and NBP  
From new  
products<sup>1</sup>

**~ 3.3x**  
Growth in electronic  
submissions<sup>3</sup>

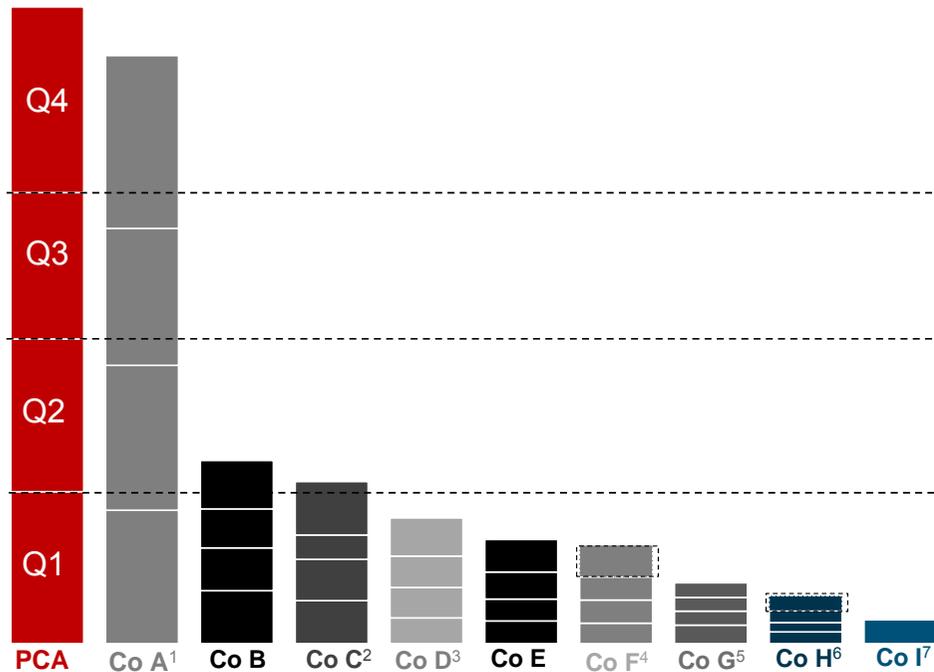
1. Products launched over the past 24 months  
2. YTD Q315  
3. Growth from 2010

# Asia

Outperforming peers. Disciplined delivery



APE sales<sup>1,2</sup>,  
FY15 £m



Estimated Q4 based on 9m YTD growth rate applied to 4Q14 APE

- ✓ Leveraging economies of scale and scope
- ✓ 25 consecutive quarters of 17% average growth<sup>3</sup>
- ✓ High regular premium content, protection bias
- ✓ Stable margins
- ✓ Discipline drives long-term shareholder value

<sup>1</sup> Source: Competitors' results release; local insurance regulator and association. All data at net equity interest. Competitors' results converted to GBP using YTD Avg. FX

<sup>2</sup> Companies A to I constitute AIA, Allianz, Aviva, AXA, Generali, Great Eastern, ManuLife, SunLife, and Zurich. 1. Co A reported figures exclude India as being minority shareholder. Figures above include India's sales based on IRDA's WFYP data. Excludes pension business. Results from Dec14-Nov15. 2. Co C Asia Pacific region APE 3. Co D started to disclose insurance only APE since Q1 2015 (or insurance only NBP and margin which made APE calculation possible) 4 Co F results based on the 9M YTD growth rate 2015 vs 2014 applied to 4Q14 APE as 4Q15 data not yet published. 5. Co G Asia calculated as 'Sales - proportionate JV ownership' for 2015. 6. Co H results include Latin America and Asia as separate disclosure is not available. Results based on the 9M YTD growth rate 2015 vs 2014 applied to 4Q14 APE as 4Q15 data not yet published 7. Co I figures include Japan as separate disclosure is not available.

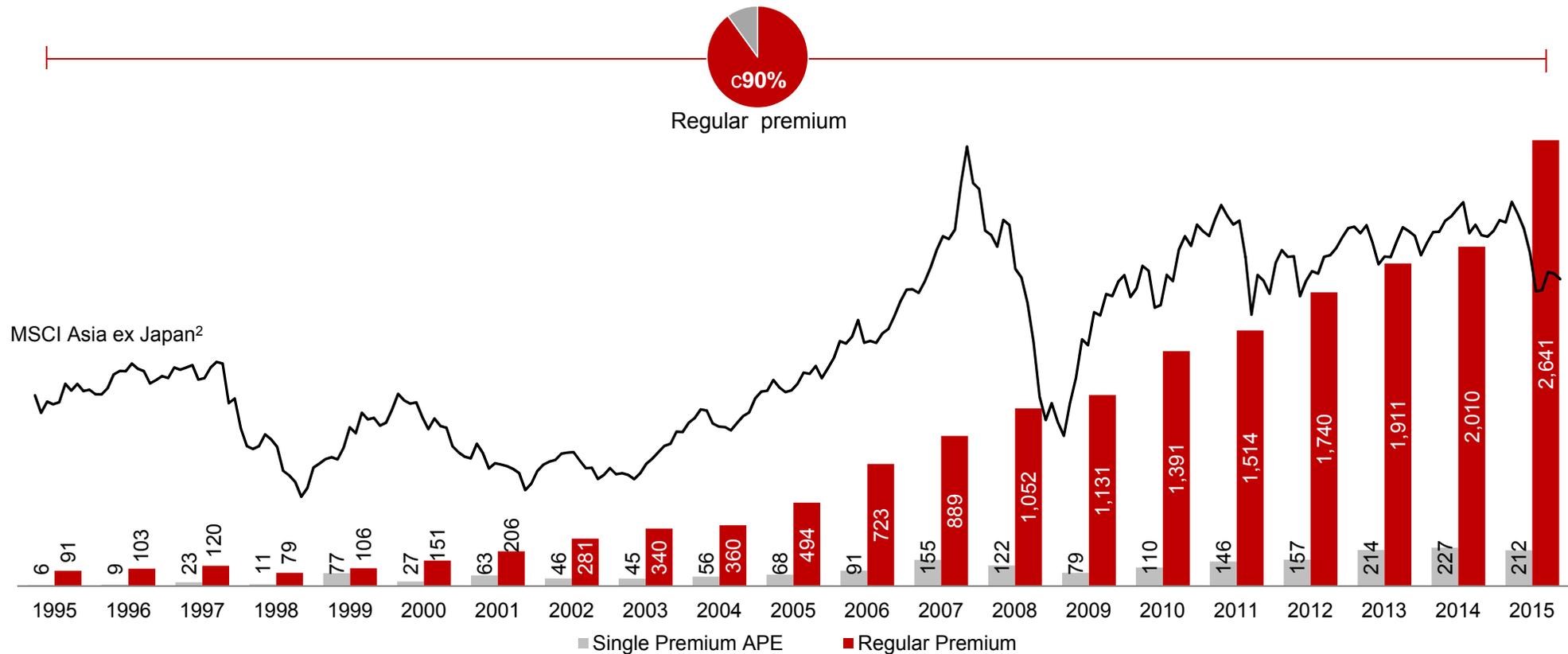
<sup>3</sup> 17 per cent year on year quarterly growth over 25 consecutive quarters from 4Q 2009. Based on a constant exchange rate basis.

# Asia

High quality, defensive growth



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



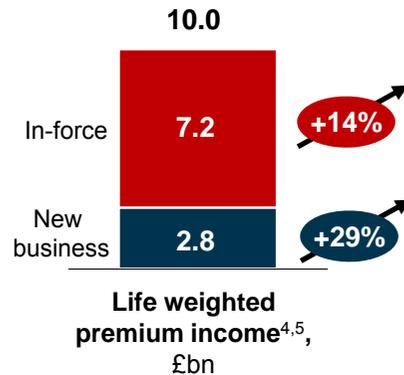
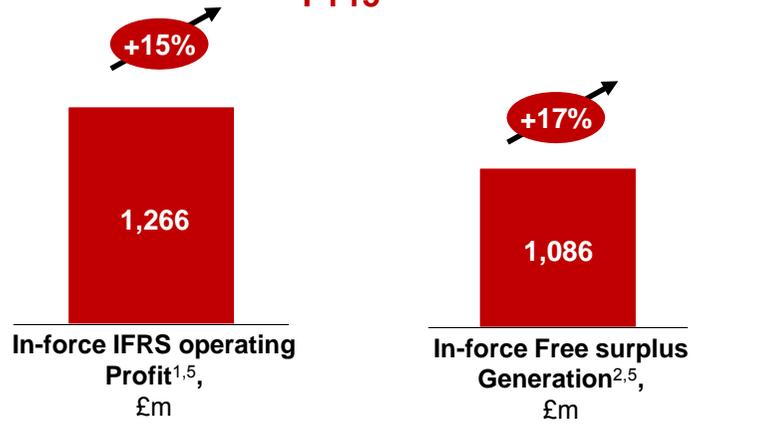
1. Comparatives have been stated on a reported exchange rate  
 2. Source: Datastream.

# Asia

High quality, defensive growth



FY15



Inforce recurring income underpins delivery



New business earns over time



Earnings predominantly uncorrelated to markets



Resilient financial performance

1. In-force IFRS operating profit comprises the following: Asia life as disclosed in note 1(b) of the 'additional financial information', after deducting development expenses plus IFRS profit from Eastspring.  
 2. Life underlying free surplus generated from in-force before new business strain and Eastspring investments.  
 3. Calculated as insurance margin divided by long-term business operating profit.  
 4. Weighted premium income comprises gross earned premiums at 100% of renewal premiums, 100% of first year premiums and 10% of single premiums.  
 5. Comparatives have been stated on a constant exchange rate.

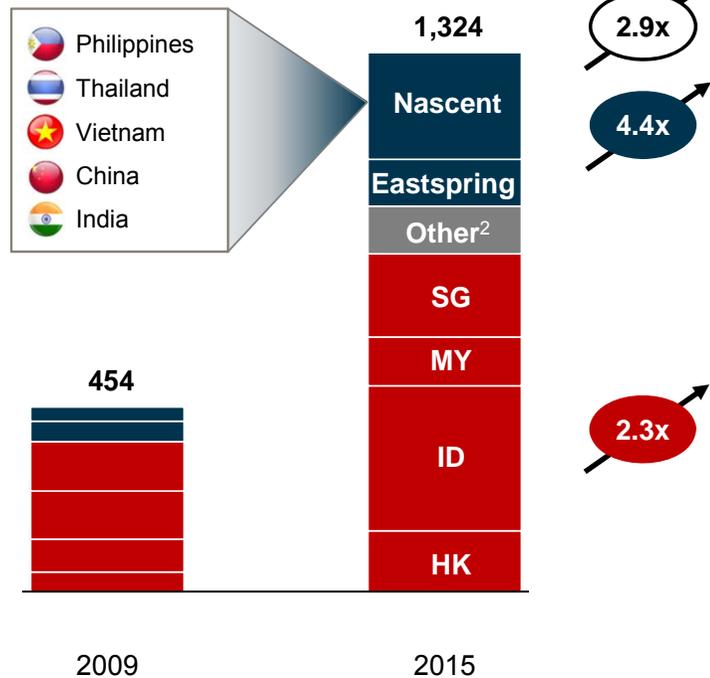
# Asia

## Significant growth headroom



### Multiple growth engines

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

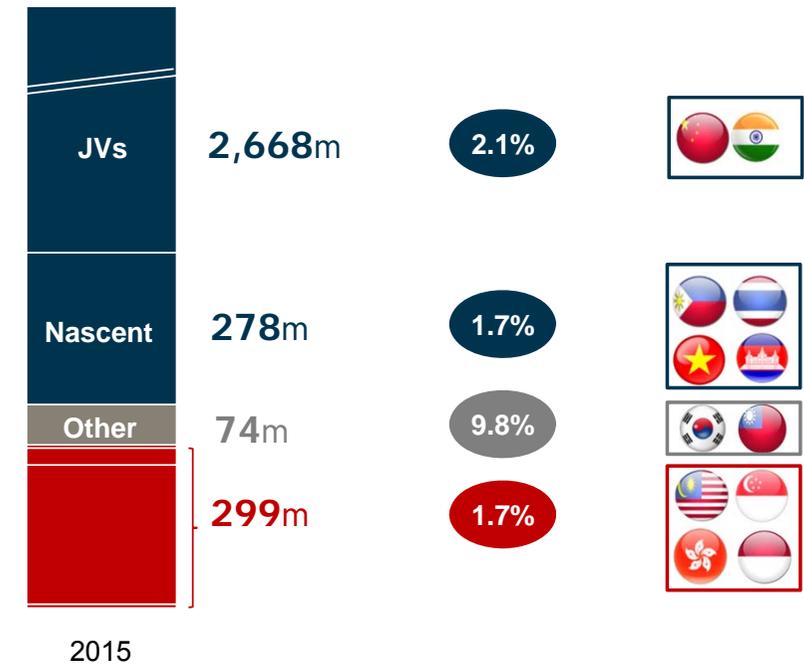


### Intact opportunity

#### Population<sup>3</sup>

#### Insurance penetration<sup>4</sup>

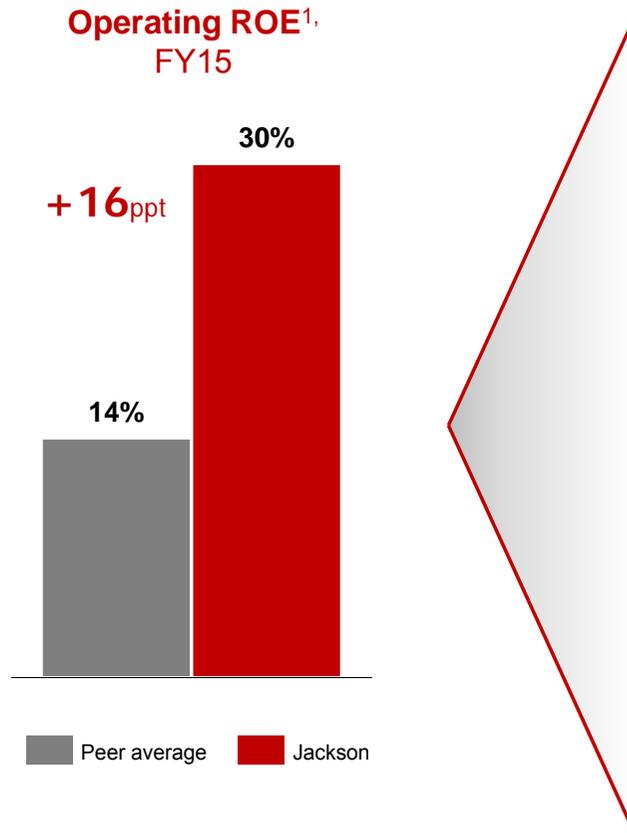
#### Country mix



1. Comparatives have been stated on a constant exchange rate  
 2. Other includes Korea, Taiwan, 'Other', development expenses and non recurrent items  
 3. Population Source: IMF. Nascent includes Philippines, Thailand and Vietnam. JV's include China and India  
 4. Penetration calculated on a weighted population basis

# US

## Outperforming peers. Delivering results



**\$13.0<sub>bn</sub>** VA Net inflows<sup>2</sup>

**#1** Leading cost efficient player<sup>3</sup> (33bps)

**50%** Larger wholesale distribution than nearest competitor<sup>4</sup>

**32%** Greater wholesaler productivity<sup>5</sup>



**£1.7<sub>bn</sub>** Profitable inforce book<sup>6</sup>

**481%** RBC ratio comfortably above AA threshold

**\$3.3<sub>bn</sub>** Cash remitted since 2008

1. Source: Bloomberg and SNL financial. ROE based on after-tax IFRS operating income and average equity excluding AOCI. Peer ROEs are U.S. GAAP and are calculated using adjusted operating EPS and equity excluding AOCI. Peer group includes Ameriprise, MetLife, Lincoln National, Prudential Financial, and Principal  
2. Includes VA net flows into both separate and the general accounts  
3. Source: SNL Financial L.C. Expense / Statutory assets as at 3Q15.

4. Based on number of VA external wholesalers as at 3Q15  
5. Gross sales per wholesaler as at 3Q15  
6. IFRS operating profit

# US

## Proven execution skills



### Strategic imperatives

1

High quality product

2

Transparency of guarantee

3

Operational flexibility

4

Commercialisation speed & quality

### Jackson position

1

9x more funds than peers delivering +10% return<sup>1</sup>

2

Modular product / no cross subsidy

3

Leading cost efficient player<sup>2</sup>

4

EA sales 5x top competitor combined total<sup>3</sup>

1. Funds with a living benefit with 3 year annualised performance over 10% (ending 31 Dec 2015) and net of contract and fund fees. Weighted average assumes best performing fund of available fund allocations

2. Source: SNL financial. Expenses / Statutory assets as at 3Q15

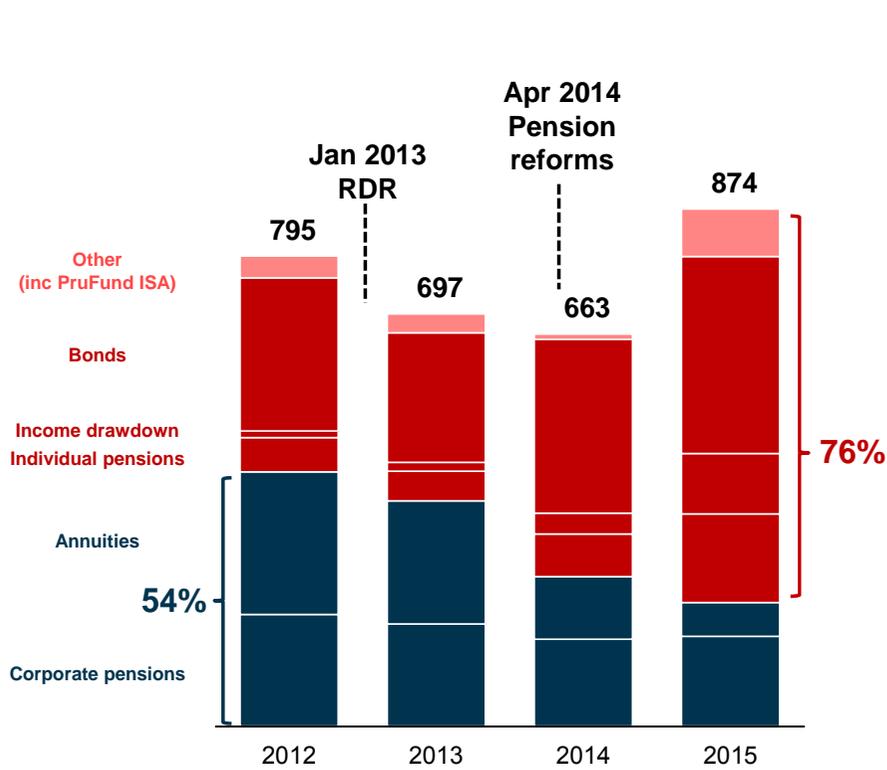
3. IOVA sales since the Elite Access launch March 2012 through 3Q2015. Top competitors include Lincoln, MetLife, Prudential, AXA, Nationwide, American General (SunAmerica)

# UK

## Navigating change. Investment focus



Retail APE sales<sup>1</sup>, £m



1. 2014 excludes £23m APE for PruHealth and PruProtect  
 2. Market share from 3Q13 to 3Q15 based on Income Drawdown (incl. SIPPS)  
 3. Out performance from 1/1/2006. Index based on fund comparator (ABI Mixed Investment 20%-60% Shares TR)

### Life

**70%**

Growth in APE from new products (2015)

**19%**

Income drawdown market share<sup>2</sup> (Up 12pts from 7% 2013)

**82%**

Growth in PruFund APE (2015)

**2.2x**

PruFund out performance<sup>3</sup> (vs index from 2006)

### Asset management

£ **246**<sub>bn</sub>

M&G AUM (51% external)

**2x**

External AUM (from 2008)

£ **302**<sub>m</sub>

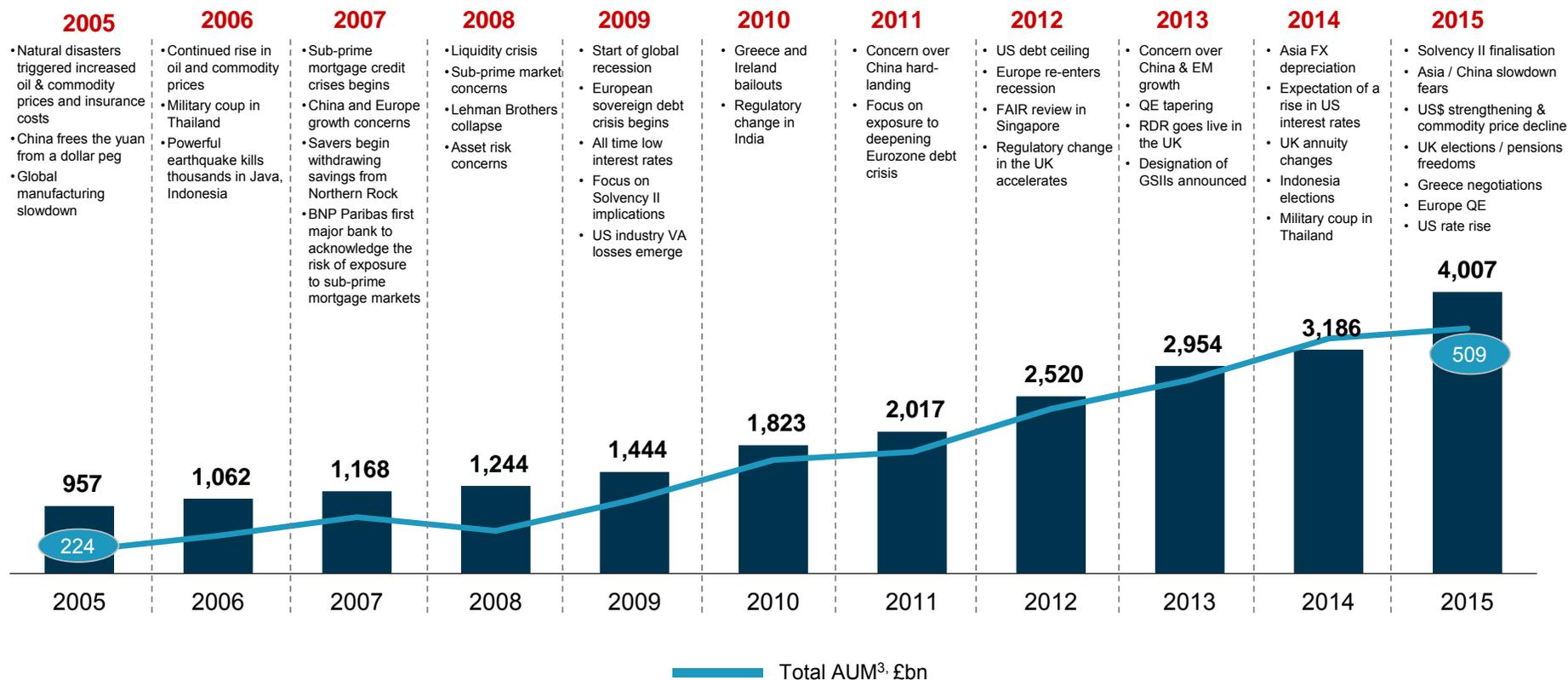
Cash remittance (2015)

# Group

## Effective response to challenges



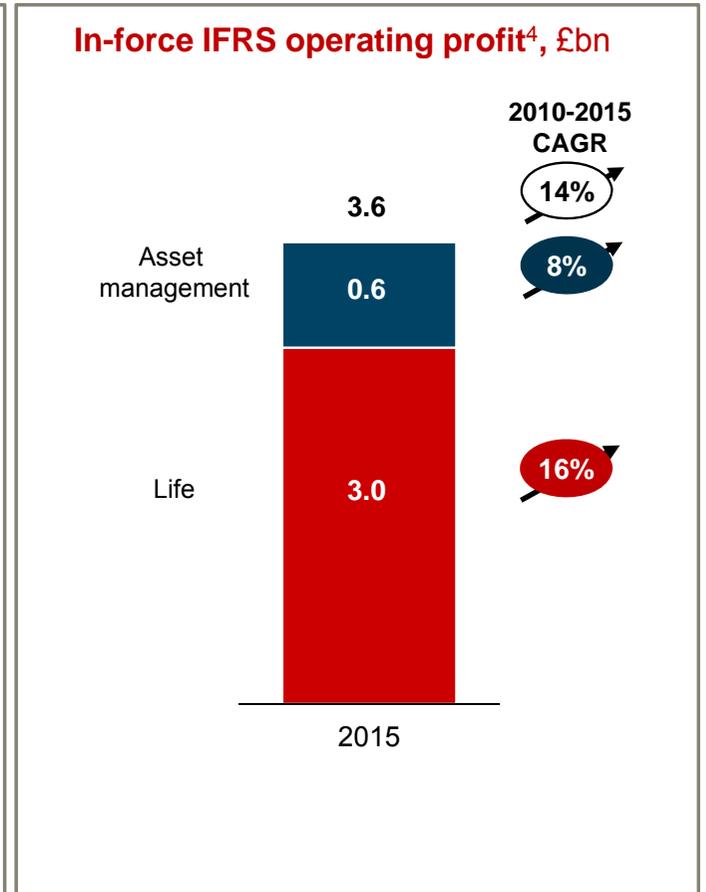
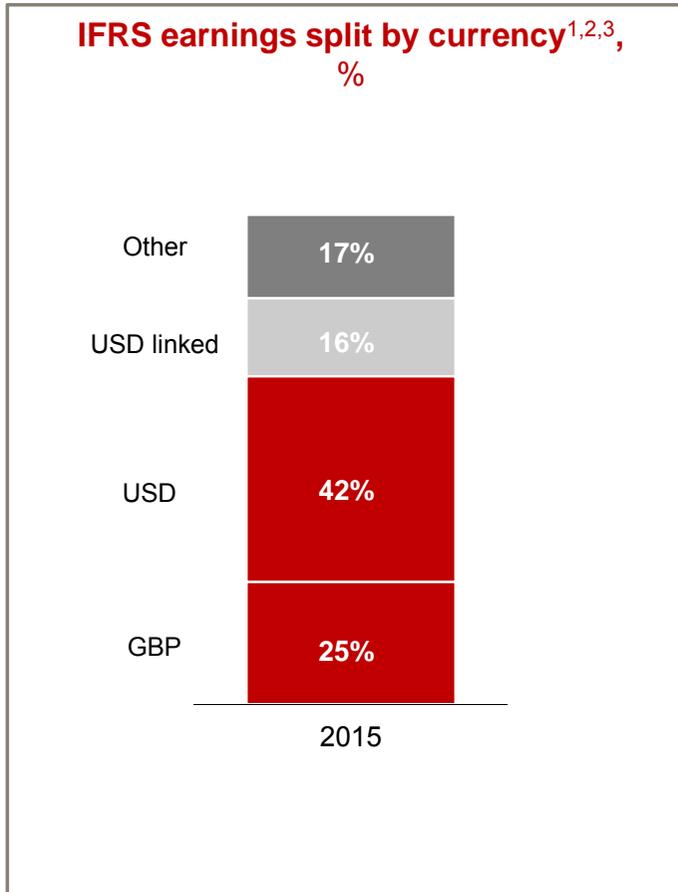
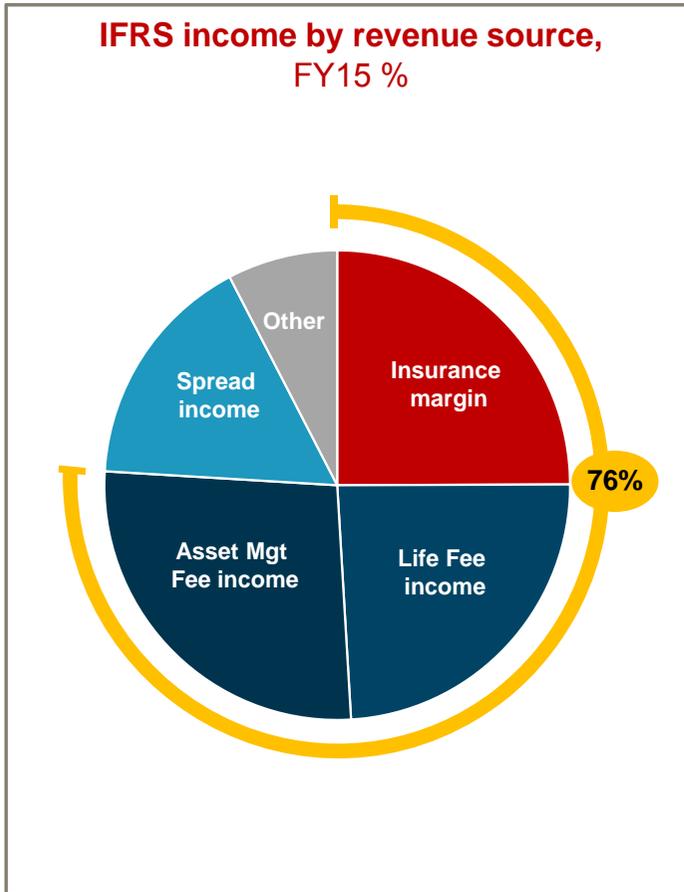
### IFRS operating profit<sup>1,2</sup>, £m



<sup>1</sup> Adjusted for new and amended accounting standards and excludes Japan Life  
<sup>2</sup> Comparatives have been stated on an actual exchange rate basis  
<sup>3</sup> Total AUM based on Total Funds Under Management at FY 2008- FY2015

# Group

Well positioned to deliver across cycles



1. 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

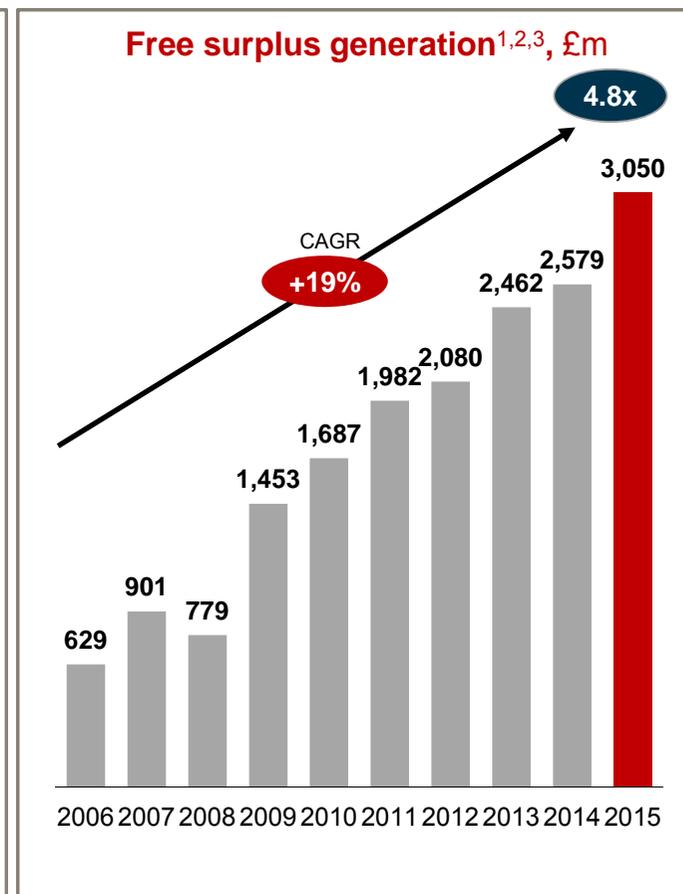
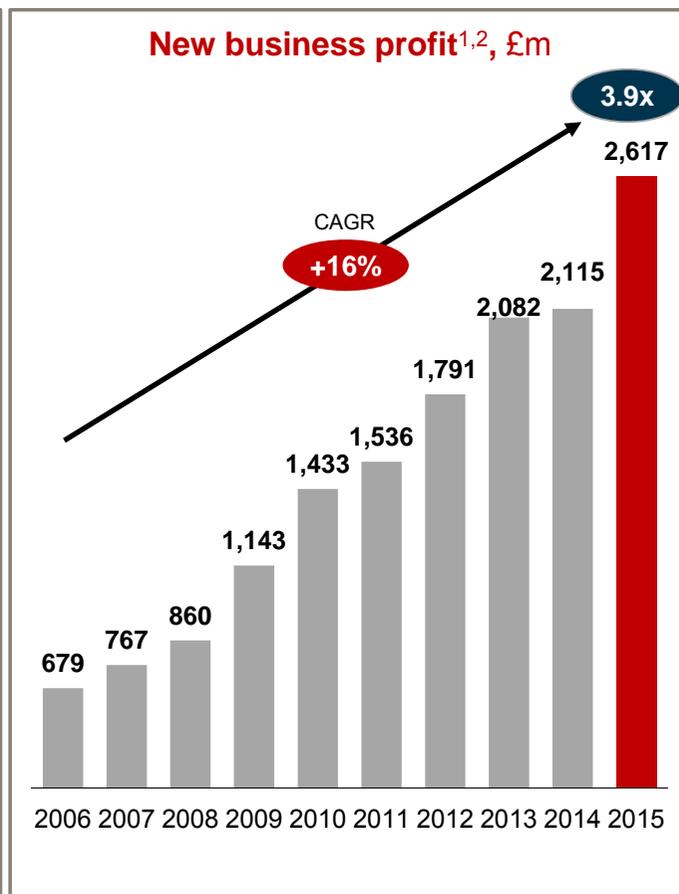
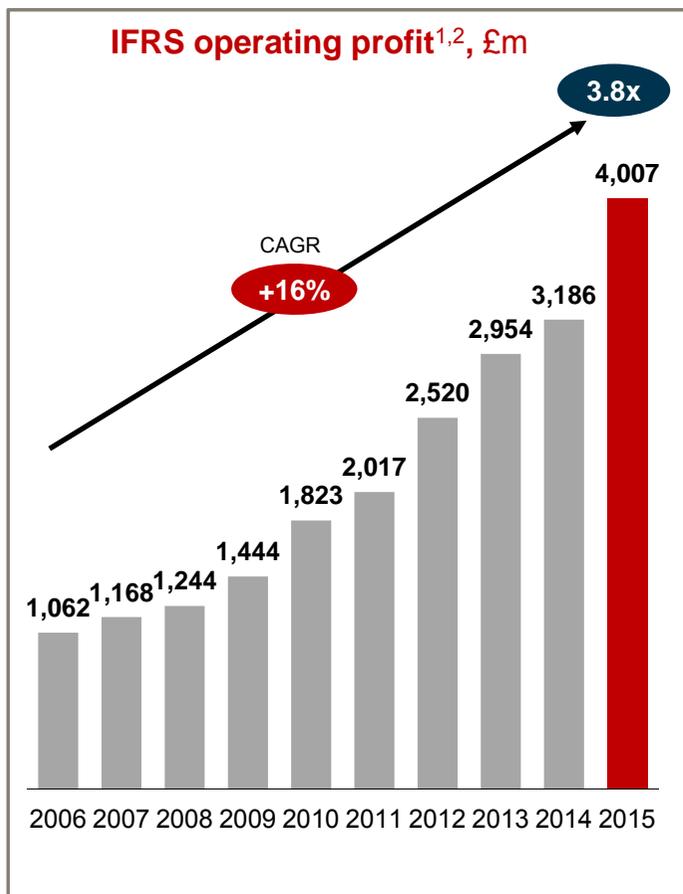
2. Includes long-term, asset management business and other businesses

3. For operating profit UK sterling includes amounts in respect of central operations as well as UK insurance operations and M&G.

4. Operating profit comprises the following: Asia life as disclosed in note 1(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 £205m. UK operating profit excluding both the new business profit of £123m arising on bulk and individual annuities sales in 2015 and £400m from management actions in 2015. Asset management operating profit for M&G, PruCap, Eastspring and US broker-dealer and asset management

# Group

## Disciplined execution



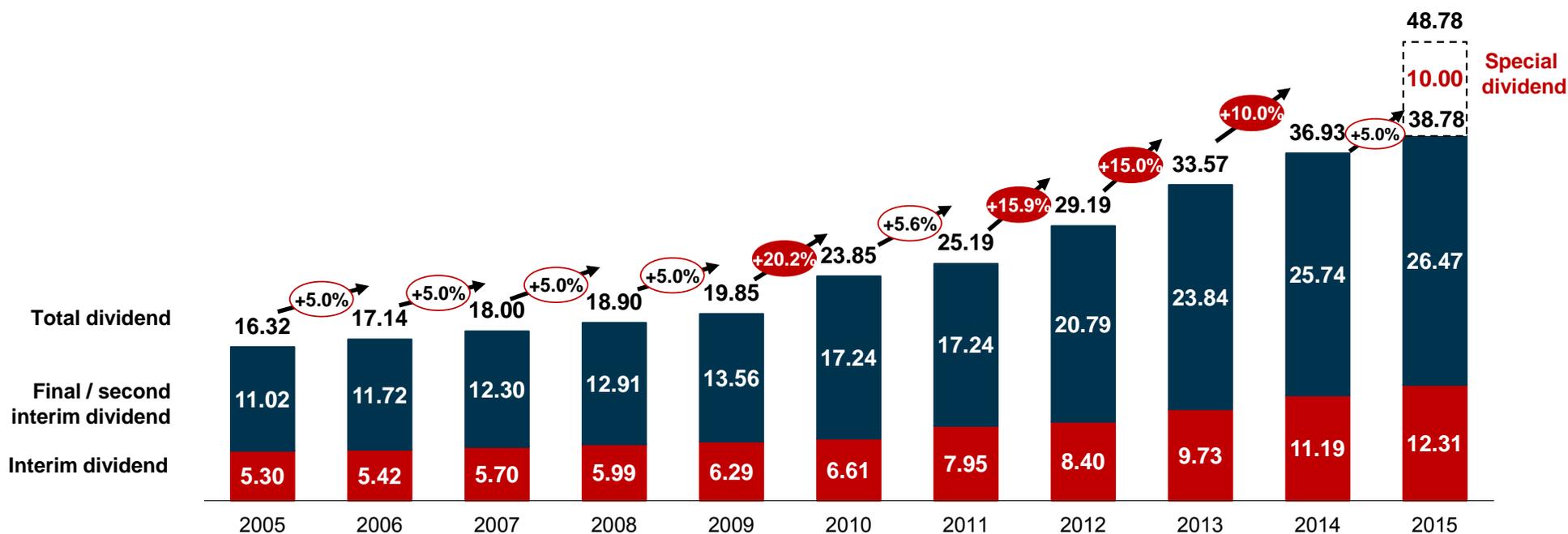
1 Comparatives have been stated on an actual exchange rate basis  
 2 Comparatives are adjusted for new and amended accounting standards and excludes Japan and Taiwan agency  
 3 2012 includes £51m gain from sale in China Life of Taiwan

# Group

## Delivering cash

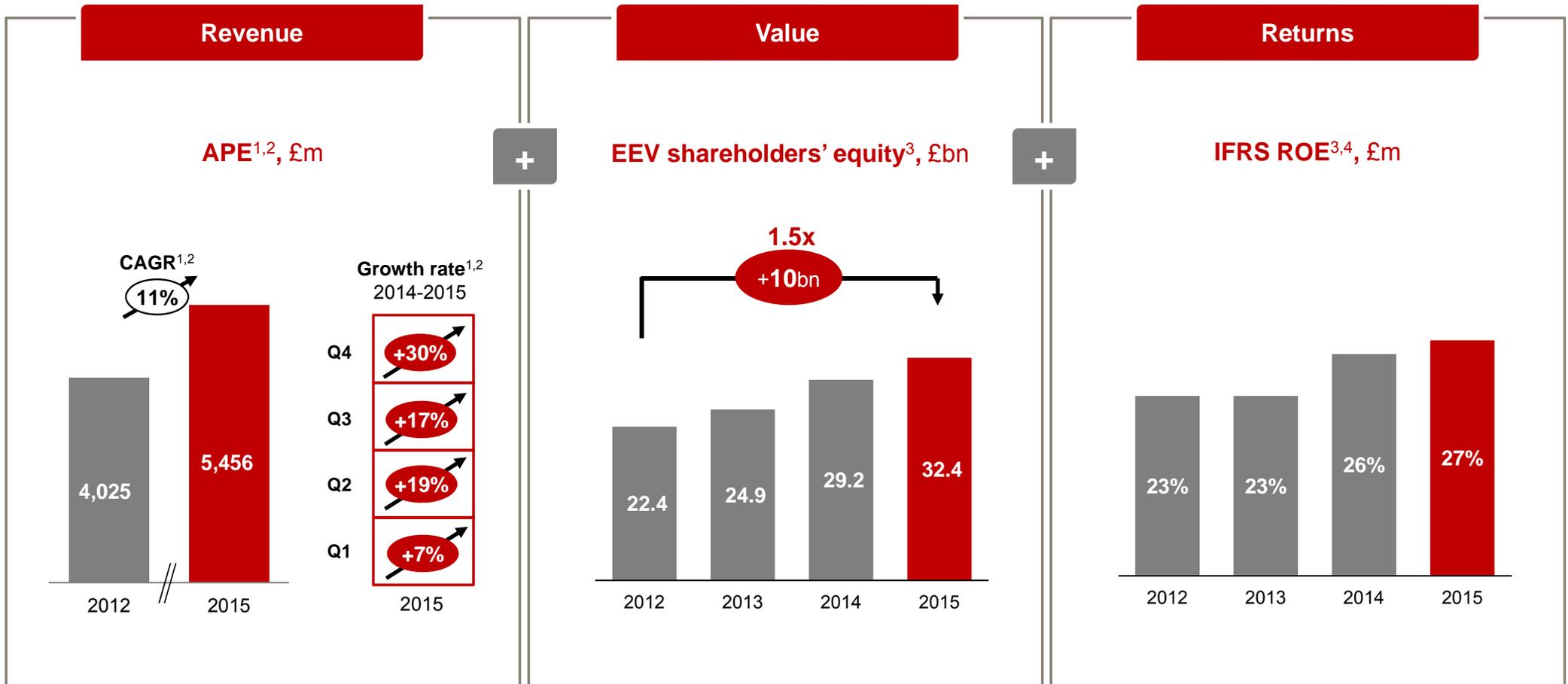


Dividend, pence per share



# Group

## Delivering profitable growth



1 Comparatives based on constant exchange rate

2 APE excludes UK Bulk annuities

3 Comparatives based on reported exchange rate

4 IFRS ROE calculated as return on IFRS shareholders' funds. Operating profit after tax and non-controlling interests as a percentage of opening shareholders' funds

# Group Summary



- ✓ 2015 performance highlights distinct competitive advantages and execution quality
- ✓ Premium franchises, 'best in class capabilities'
- ✓ Asia structural growth underpinned by compelling demographics and franchise quality
- ✓ High quality, recurring income & defensive balance sheet underpins resilience to shocks
- ✓ Superior long-term positioning underpins shareholder value delivery



# Appendix

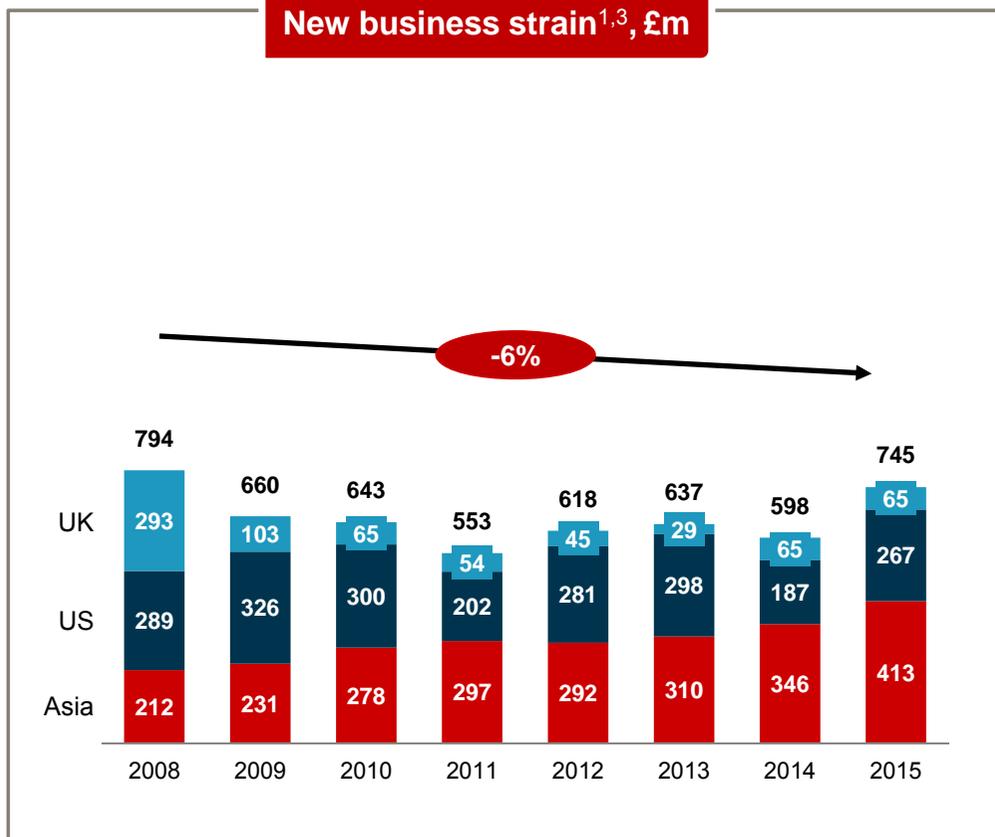
## 2015 Full Year Results

# Group

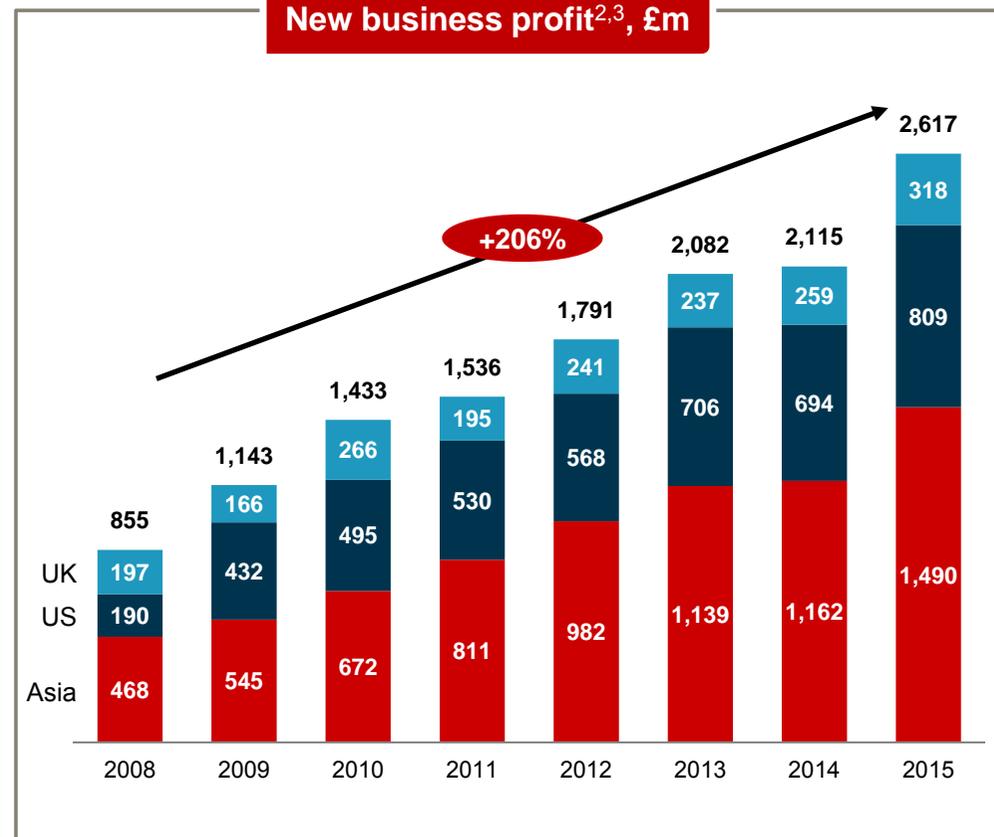
## Disciplined capital allocation



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



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



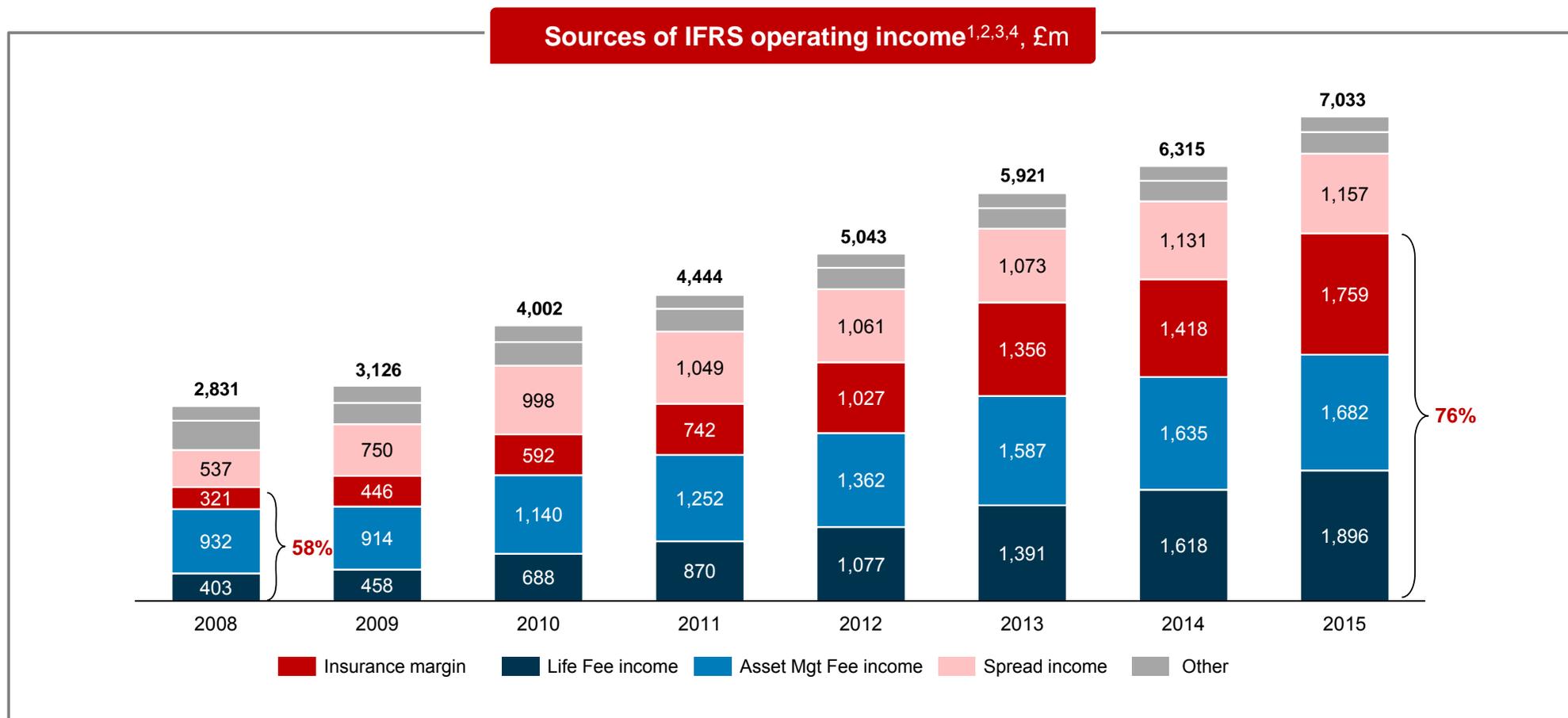
<sup>1</sup> Free surplus invested in new business.

<sup>2</sup> On a post tax 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.

# Group

## High quality and growing earnings



1 Comparatives adjusted for new and amended accounting standards.

2 Comparatives have been stated on an actual exchange rate basis.

3 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.

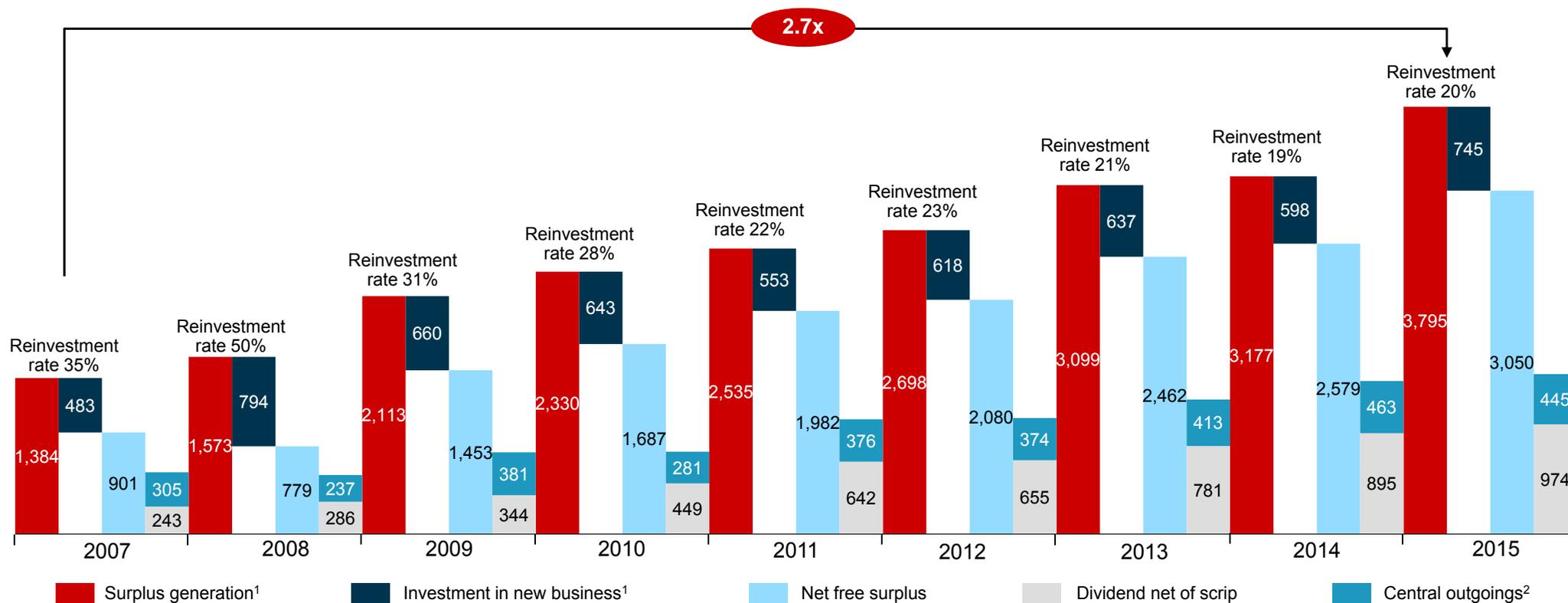
4 2015 excludes UK specific management actions taken in the second half of the year to position the balance sheet more efficiently under the new Solvency II regime contributing £339 million to IFRS operating income.

# Group

## Free surplus generation



Free surplus and dividend, £m



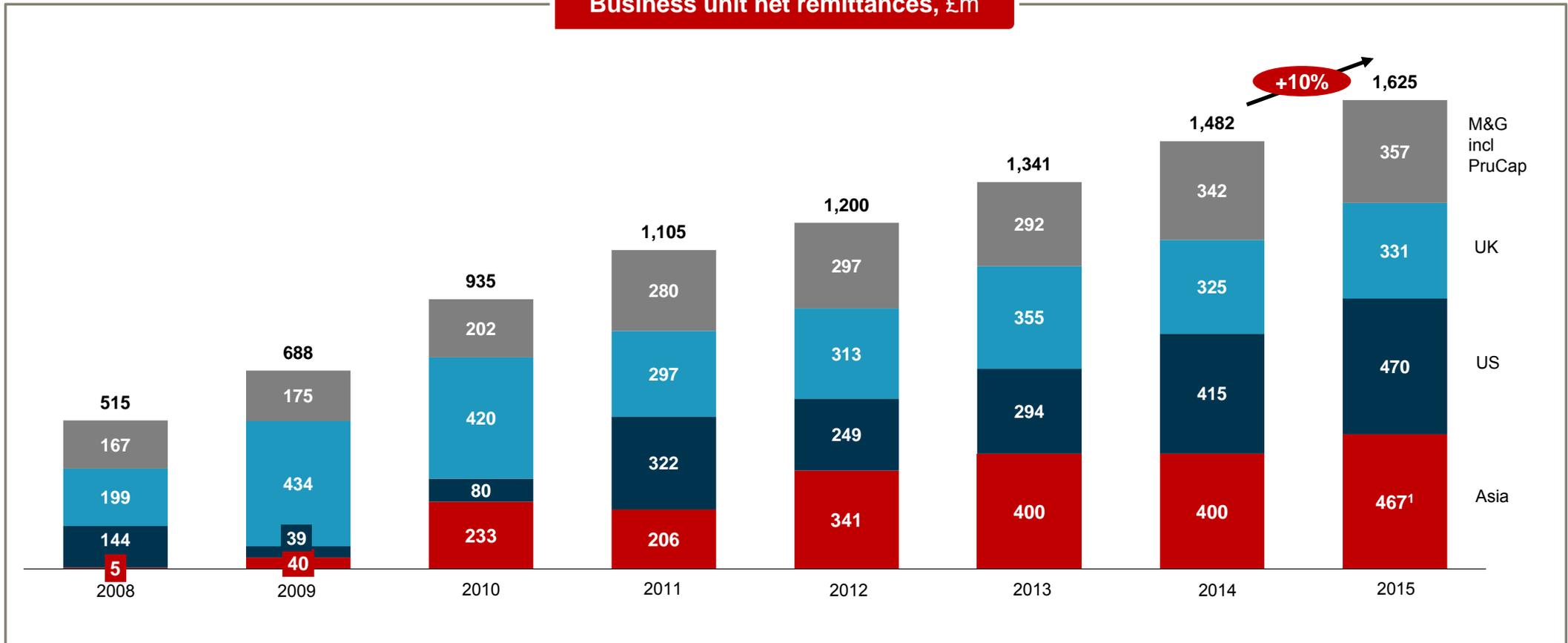
<sup>1</sup> Excludes Japan Life and Taiwan agency. FY2014 comparatives have been restated to exclude the contribution from the sold PruHealth and PruProtect businesses. FY2007 to FY2013 comparatives include the results of PruHealth and PruProtect.  
<sup>2</sup> Central outgoings includes RHO costs.

# Group

## Cash remittances to Group



Business unit net remittances, £m

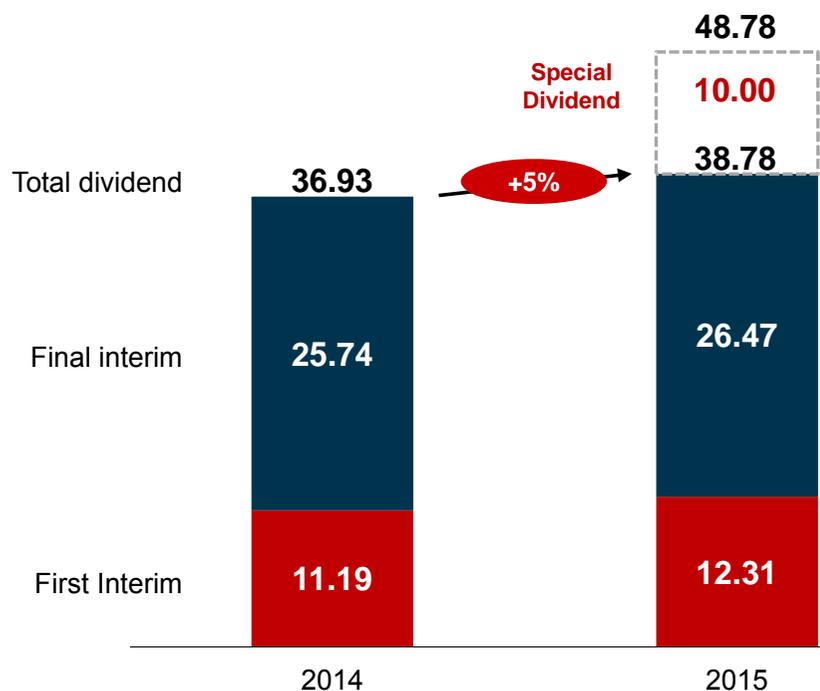


<sup>1</sup> Includes £42 million of proceeds from the sale of Japan.

# Group Dividend



## Dividend, pence per share



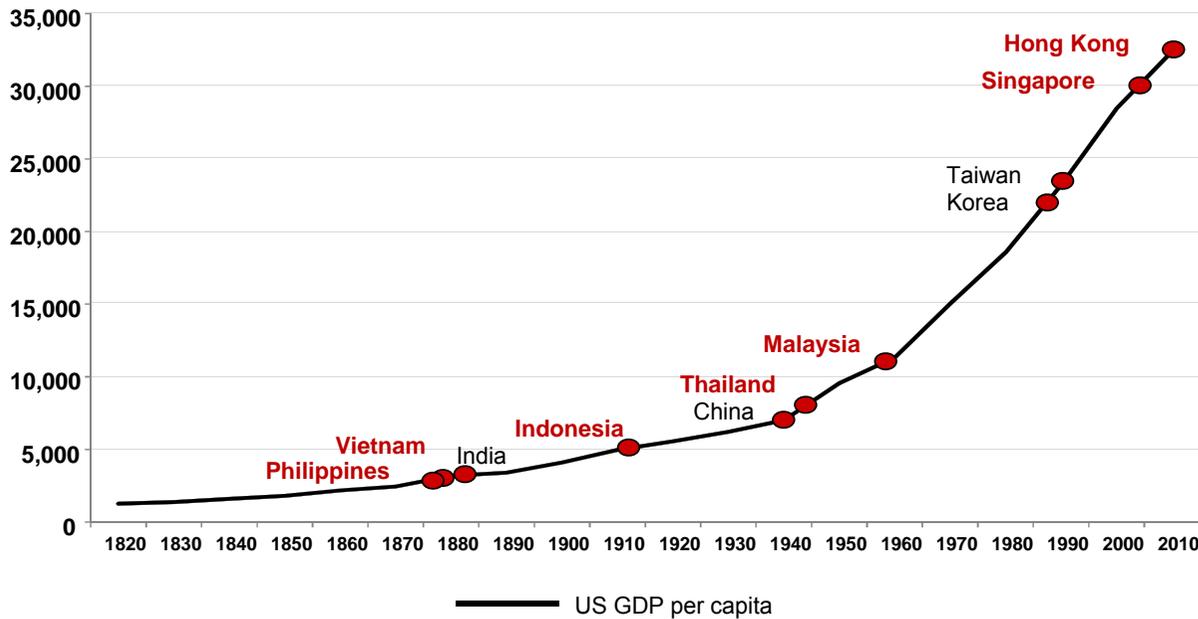
- 2015 ordinary dividend increased by 5 per cent to 38.78 pence per share.
- 2015 special dividend of 10 pence per share
- Ex-dividend date
  - 24 March 2016 (UK, Ireland, Hong Kong and Singapore)
  - 25 March 2016 (ADR holders)
- Record date
  - 29 March 2016
- Payment of dividend
  - 20 May 2016 (UK, Ireland and Hong Kong)
  - On or about 27 May 2016 (Singapore)
  - On or about 26 May 2016 (ADR holders)

# Asia

## Long term opportunity



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



- Pan Asian leader: #1 by NBP<sup>2</sup>
- Top 3 in 9 /12 Asian countries<sup>3</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> NBP = New Business Profit; Prudential estimates based on information disclosed in company reports. Amongst pan Asian international (private) insurers.

<sup>3</sup> Source: Based on formal (competitors results release, local regulators and insurance associations) and informal (industry exchange) market share data. Ranking based on new business (APE or weighted FYP depending on availability of data).

# Asia

## Favourable dynamics



		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>
ASEAN and Hong Kong	 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	10.9%	12.7%	298	2.5
	 Malaysia (1924)	31	6.8%	3.1%	354	4.7
	 Singapore (1931)	6	15.5%	5.0%	315	2.2
JV's	 India (2000)	1,293	0.3%	2.6%	2,200	7.3
	 China (2000)	1,375	0.1%	1.7%	11,062	6.8
Mature Markets	 Taiwan (1999)	23	1.0%	15.6%	541	2.2
	 Korea (2002)	51	0.6%	7.2%	1,448	2.7
Nascent Markets	 Cambodia (2013)	16	0.2%	-	18	7.0
	 Myanmar <sup>4</sup> (2013)	52	-	-	69	8.5
	 Laos <sup>4</sup> (2015)	7	-	-	13	7.5

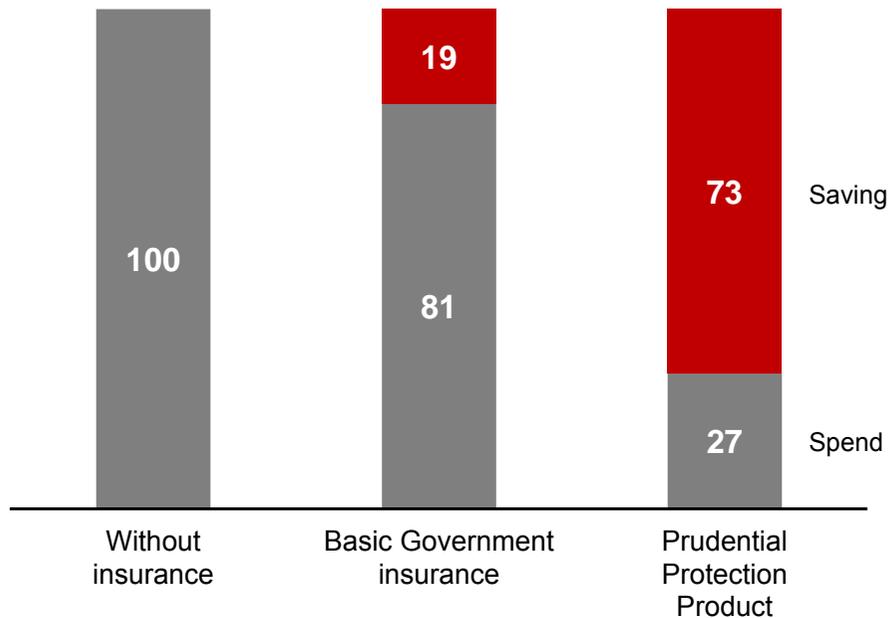
1 Year in bracket denotes start of operation.  
 2 Source: IMF data, October 2015.  
 3 Source: Swiss Re. Market penetration based on insurance premiums as a percentage of GDP in 2014 (estimated).  
 4 Myanmar and Laos rep office only.

# Asia

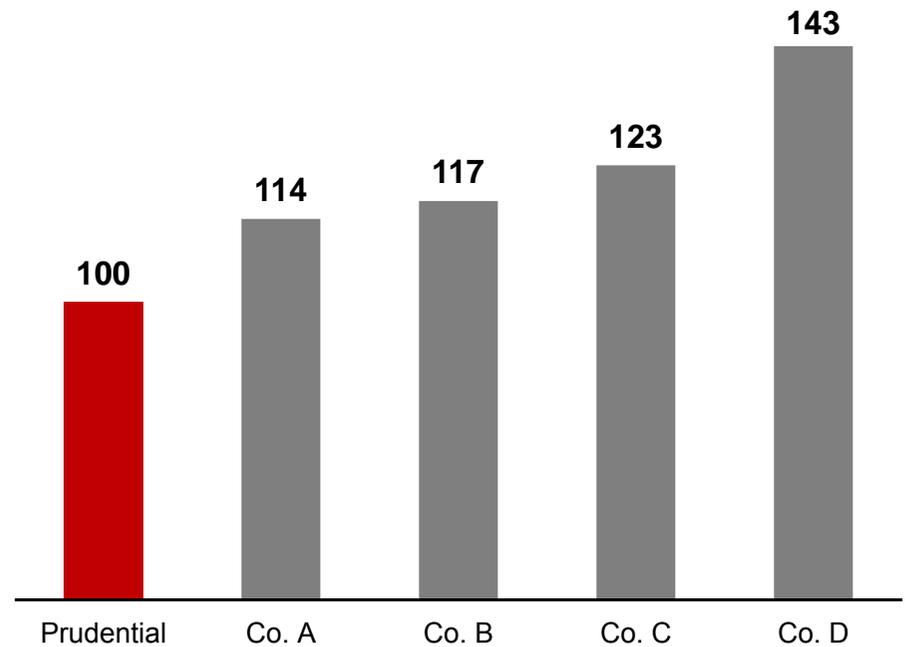
Products meet customer needs and create shareholder value



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



Annual premium for a customer aged 50 (indexed)



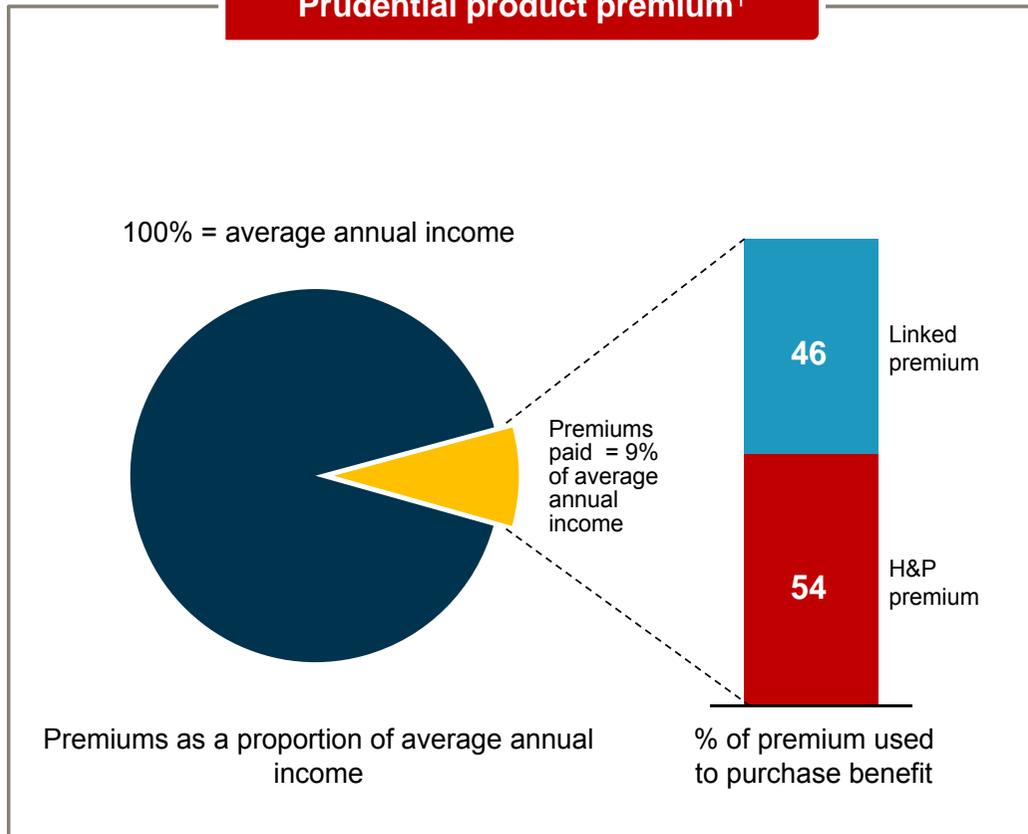
<sup>1</sup> Expenses for a male aged 50 for heart diseases and heart surgery treatment.

# Asia

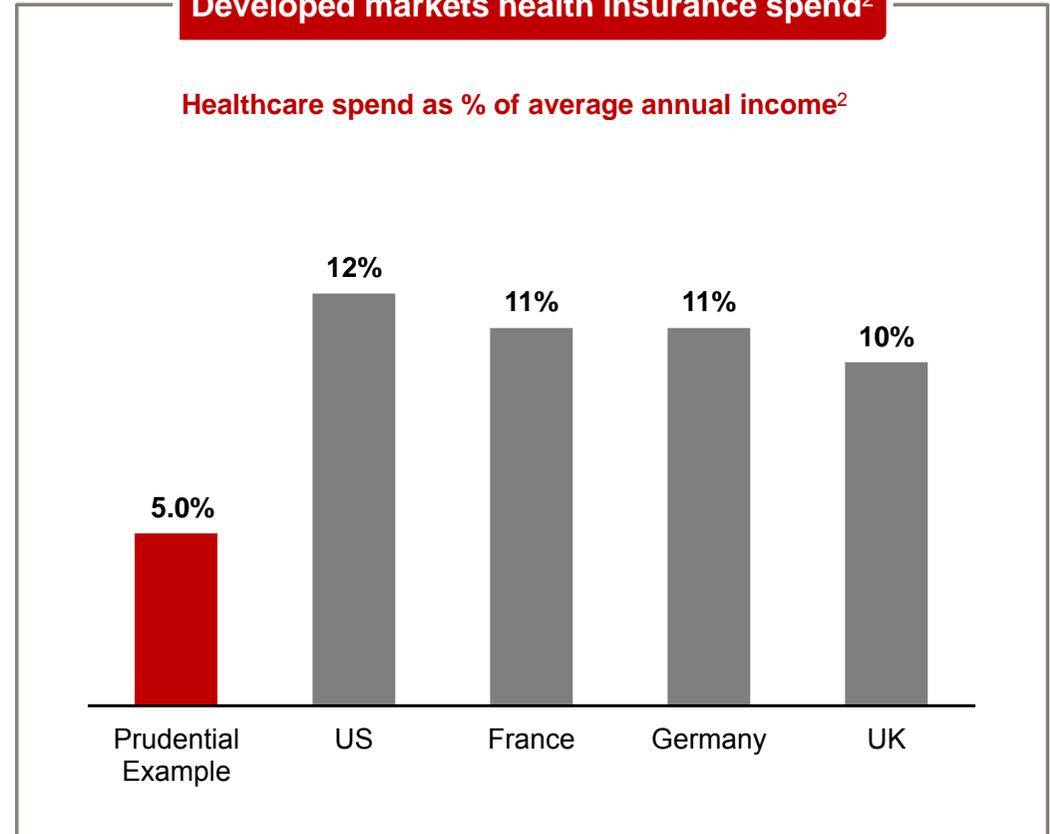
## Affordable products underpin consumer demand



Prudential product premium<sup>1</sup>



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



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

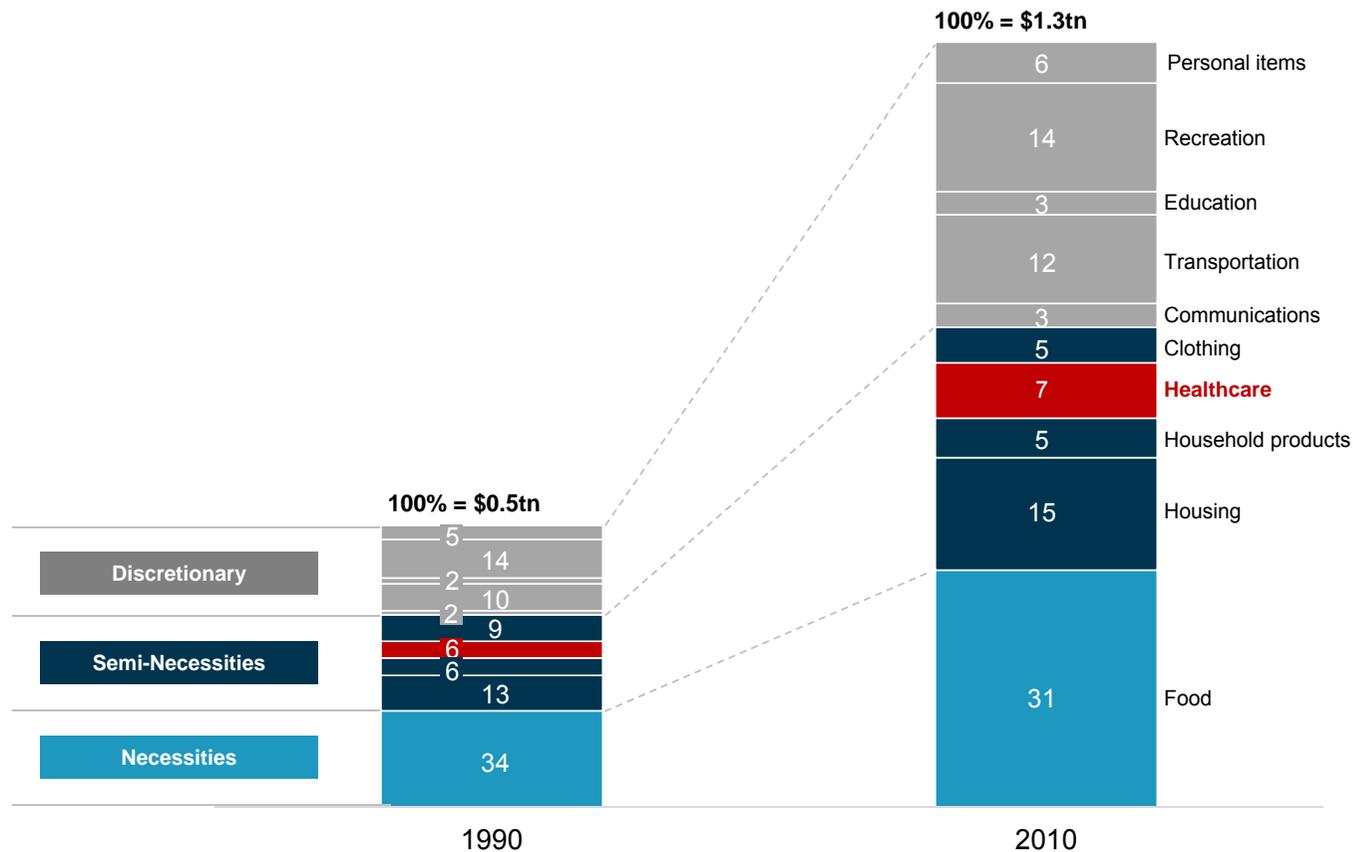
<sup>2</sup> Source: OECD, UN population stats, Prudential estimates. Premium spend includes healthcare expenditure by private and public sources except for the US. Healthcare spend data adjusted for working age population and unemployment rates.

# Asia

## Growing demand for healthcare



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



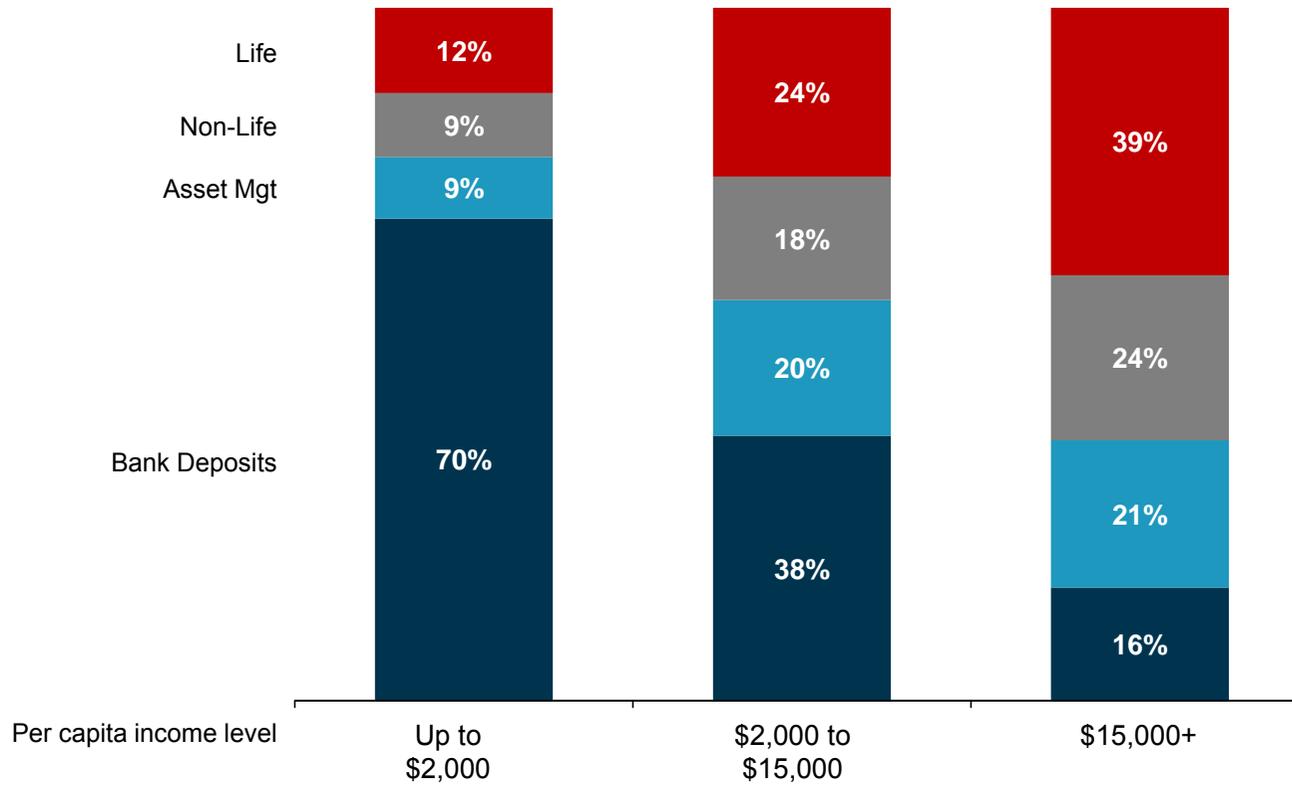
<sup>1</sup> Euromonitor, McKinsey, Prudential estimates.

# Asia

## Wealth and financial assets ownership



Breakdown of personal financial assets



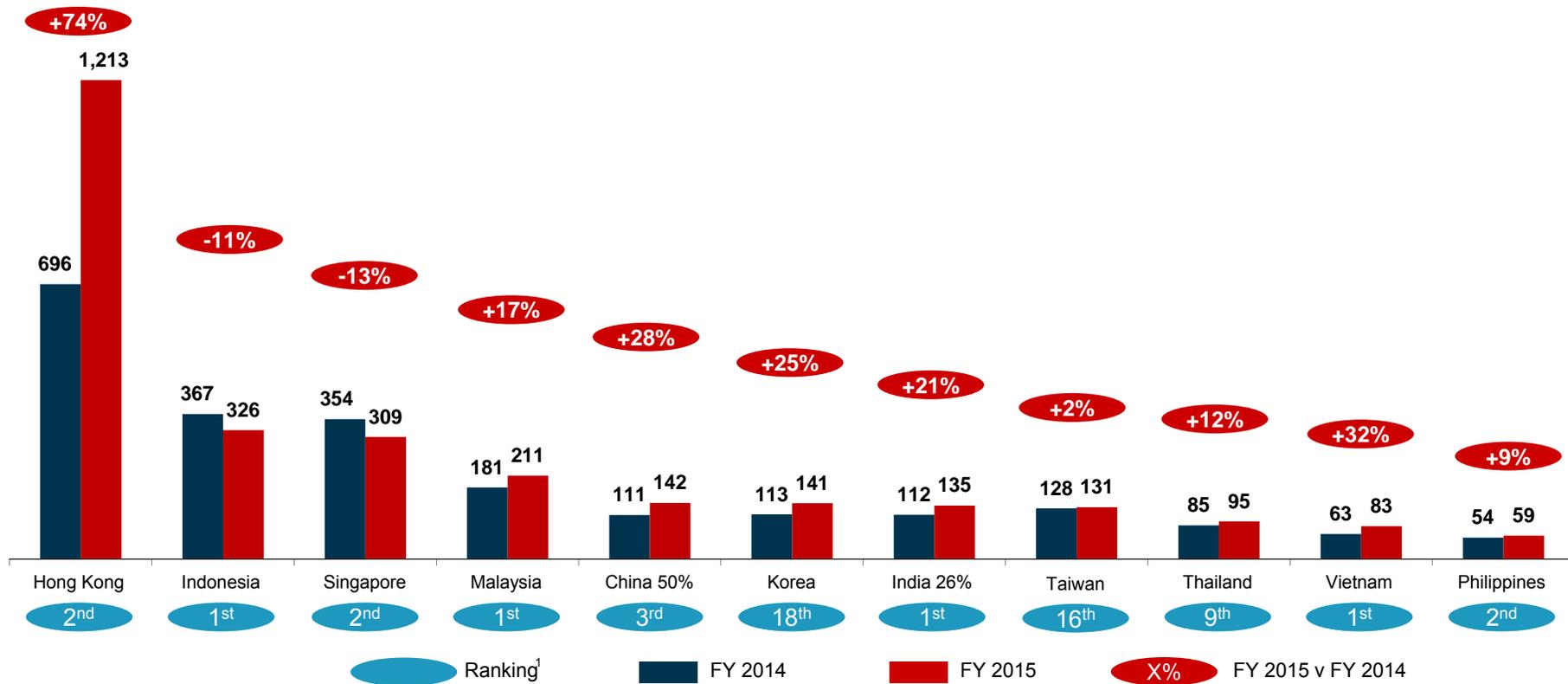
Source: Oliver Wyman analysis; Prudential analysis.

# Asia

## Life APE by market



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



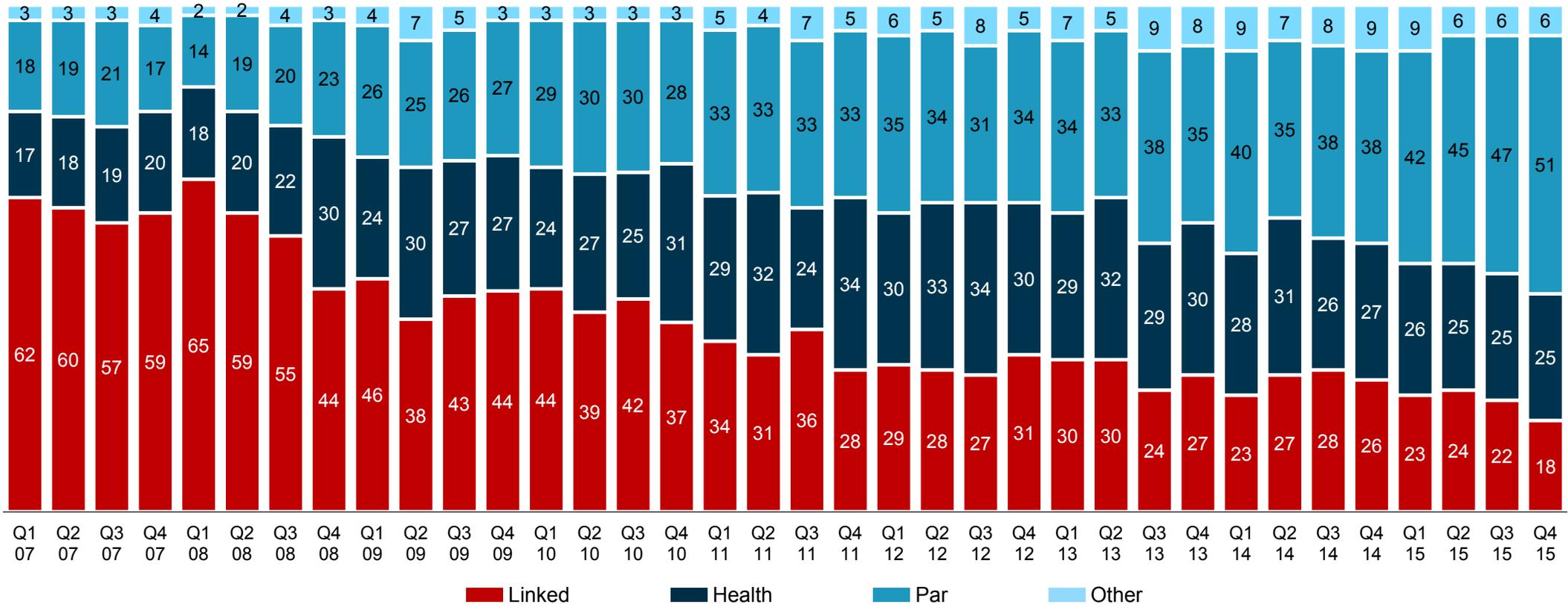
<sup>1</sup> Source: Based on formal (Competitors' results release, local regulators and insurance associations) and informal (industry exchange) market share data. Ranking based on new business (APE or weighted FYP depending on the availability of data).

# Asia

## Life APE sales by product - percent



Asia APE by product, %

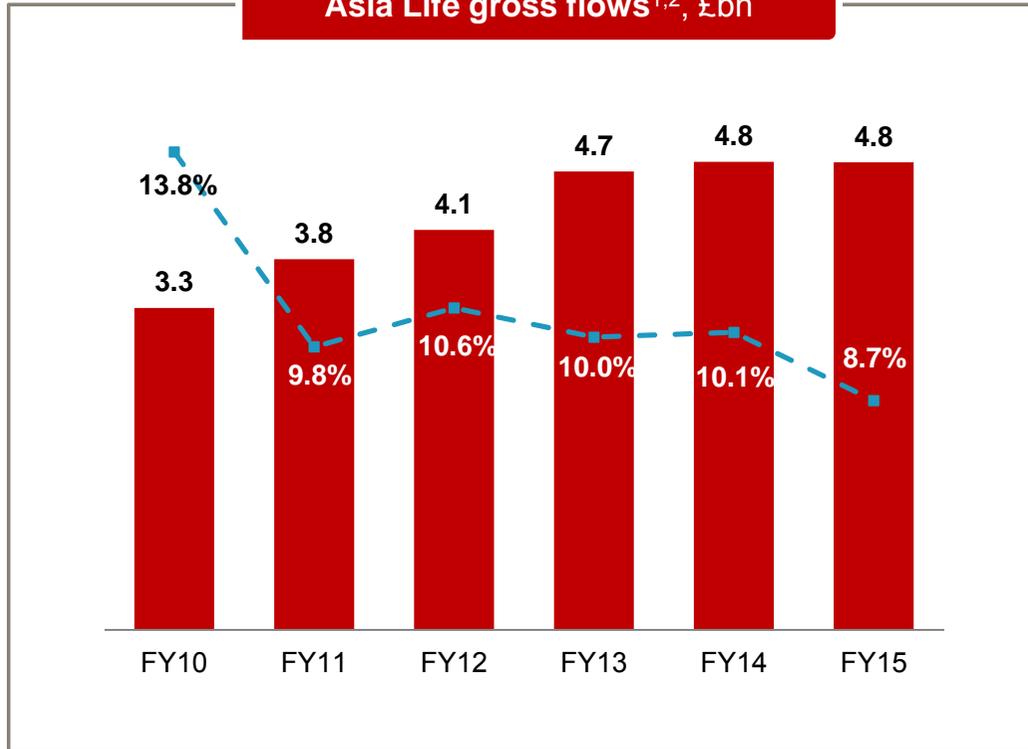


# Asia

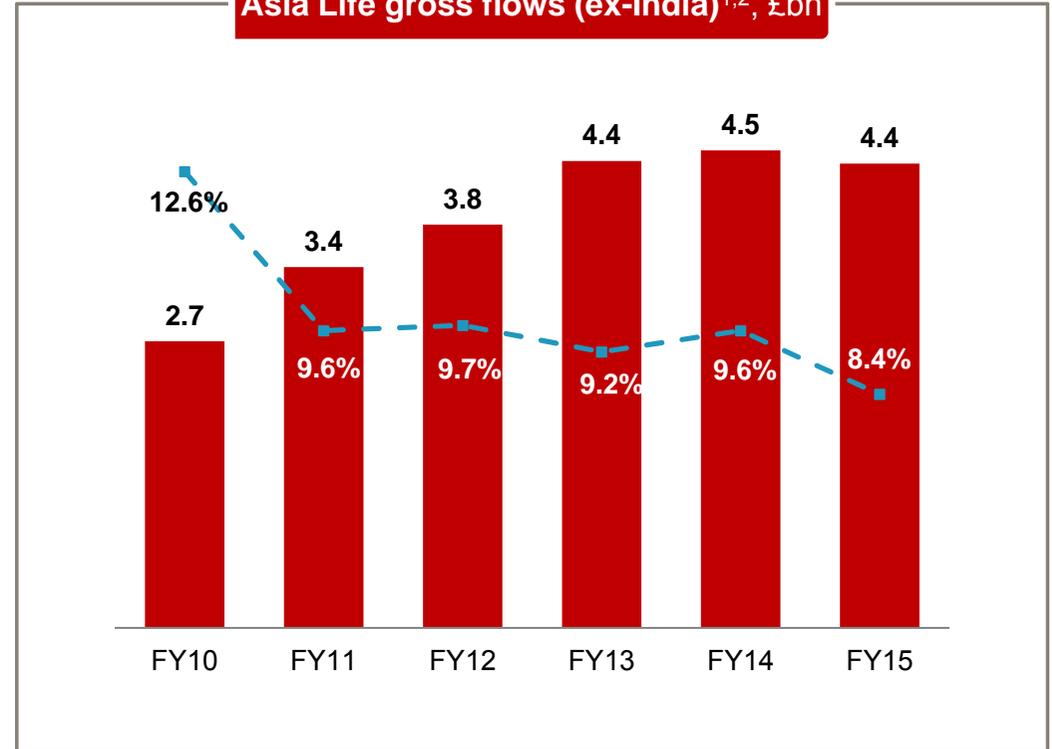
## Life Flows and persistency



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

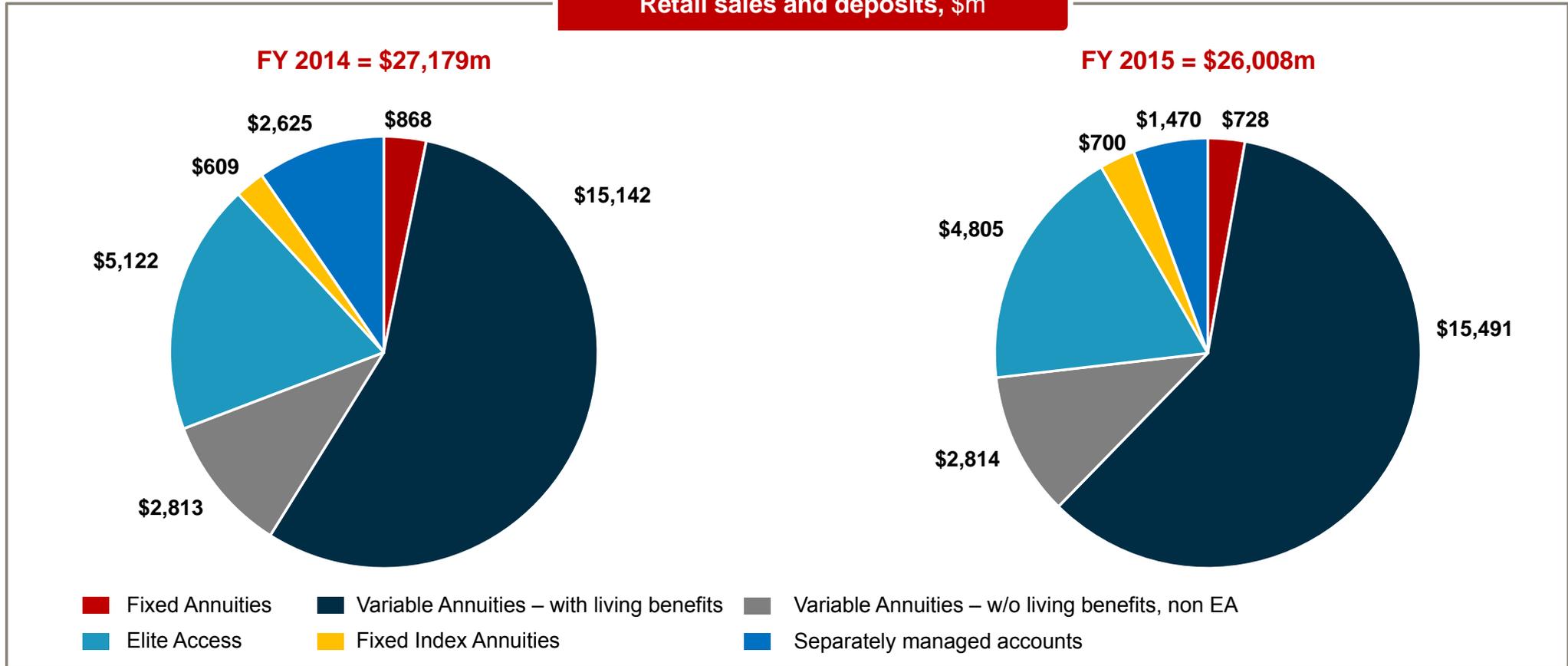
<sup>1</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums (after deducting insurance & other margins).  
<sup>2</sup> Excludes Japan and Taiwan agency.

US

# FY 2015 retail sales and deposits



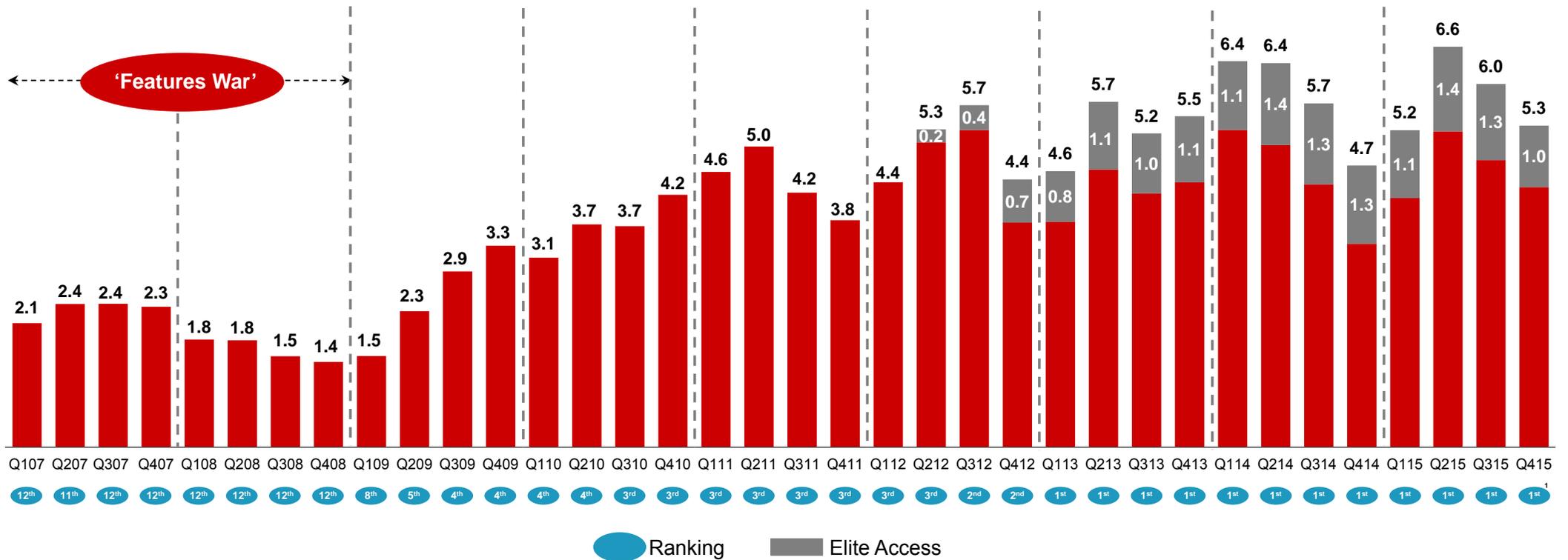
Retail sales and deposits, \$m



# US VA volumes



VA volumes by quarter, sales US\$bn

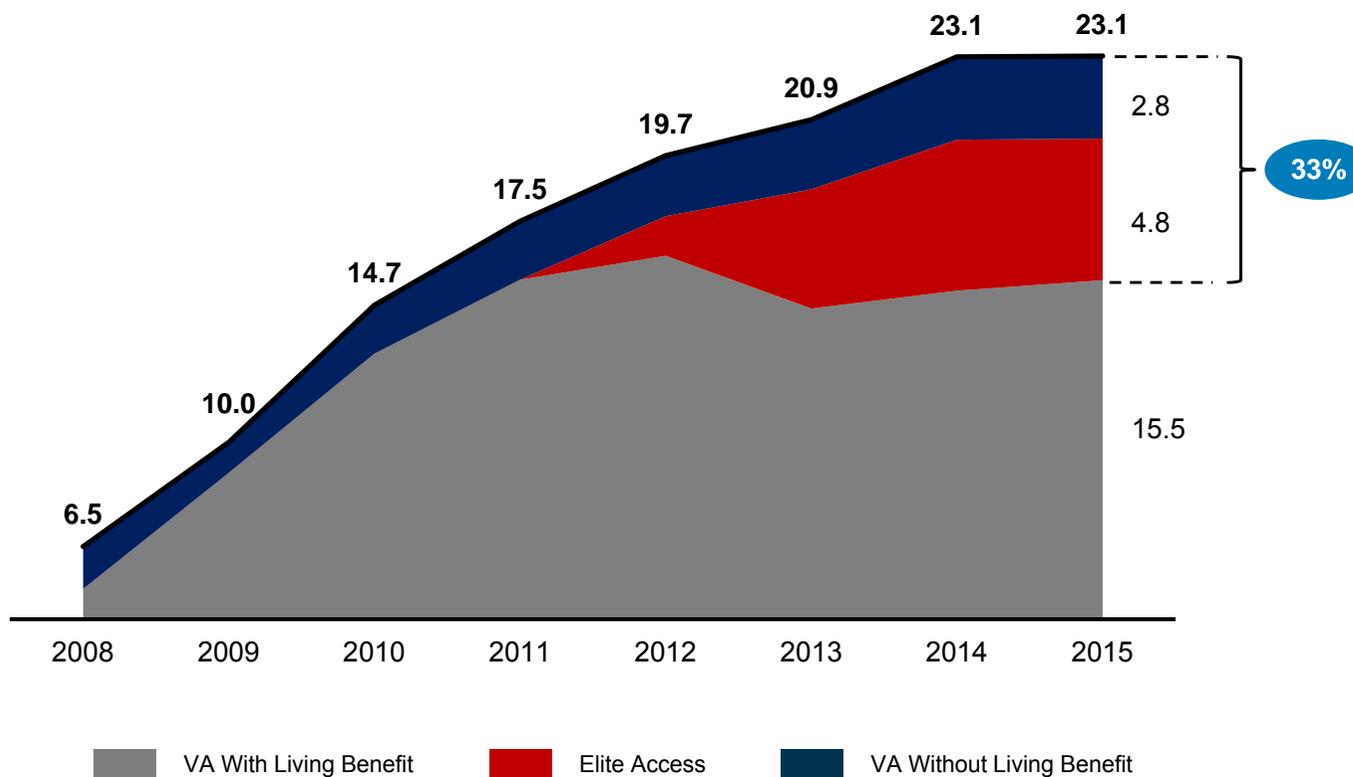


<sup>1</sup> Estimated.

# US Successful diversification



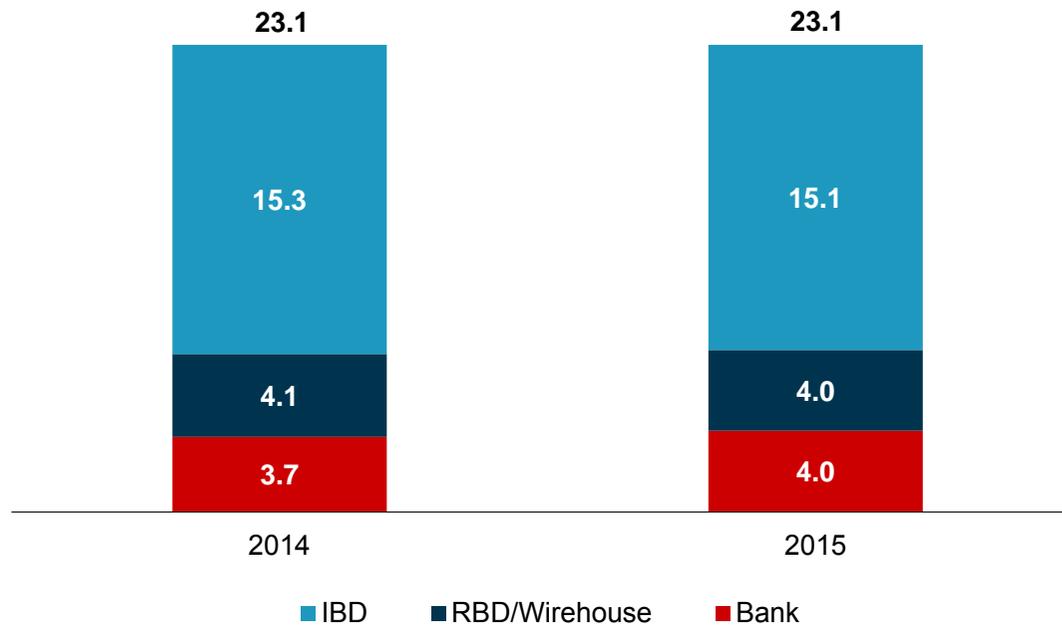
Jackson VA sales mix, \$bn



# US Variable annuity distribution



Variable annuity sales by distribution channel, US\$bn

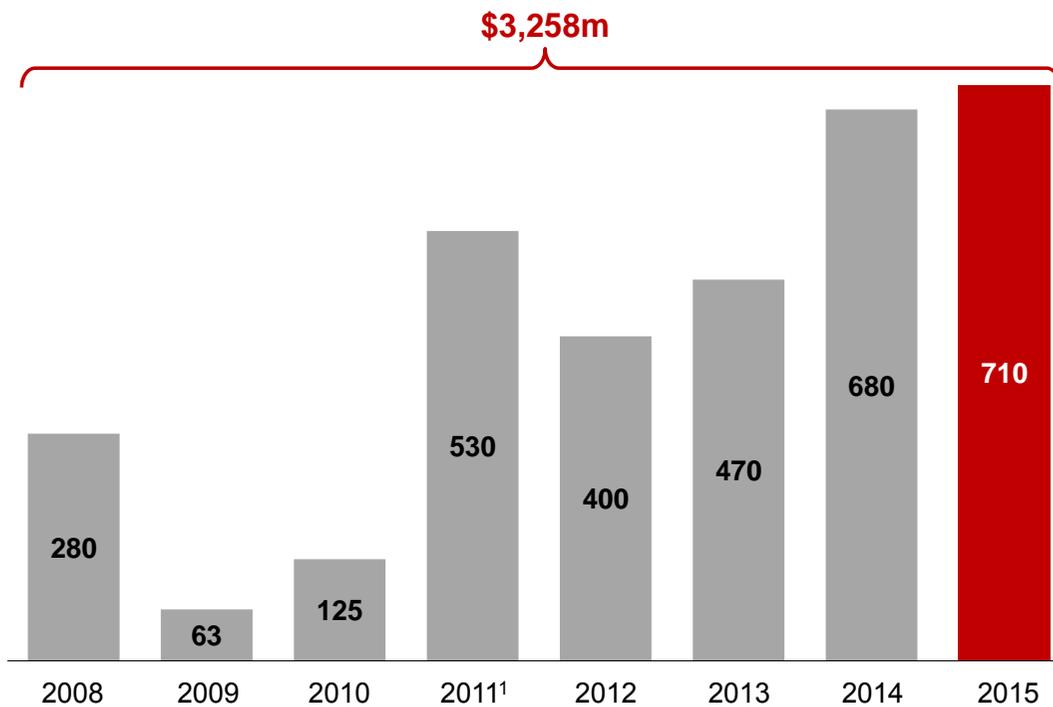


IBD: Independent Broker/Dealer, RBD: Regional Broker Dealer.

# US Cash remittances



Cash remittances, \$m



RBC Ratio



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

# US

## DAC impact on IFRS profit



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

	2014	2015
Gross profits <sup>1</sup>	1,944	2,231
New business strain <sup>2</sup>	(209)	(205)
DAC Amortisation		
- Core	(474)	(514)
- (Acceleration) / deceleration	(13)	(2)
Operating result	1,248	1,510
<b>Core as % of Gross profits</b>	<b>24%</b>	<b>23%</b>

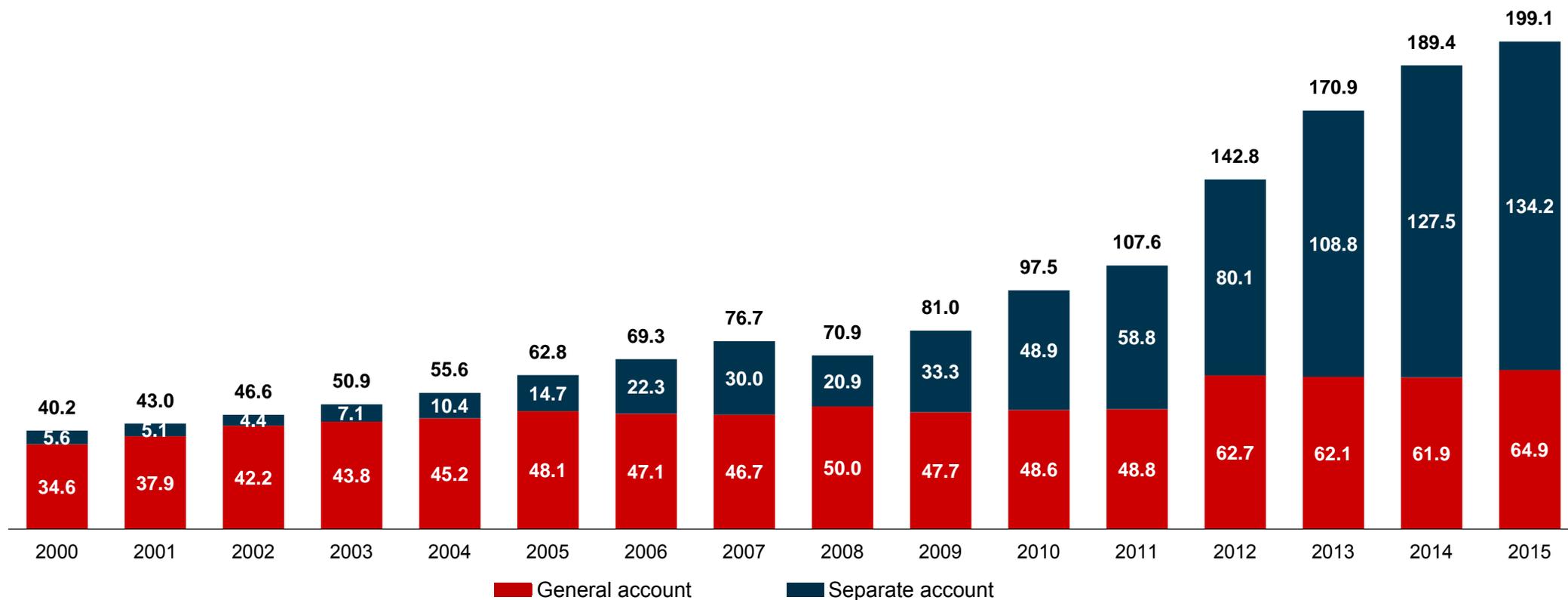
<sup>1</sup> Gross profits equals IFRS operating profit pre acquisition costs and pre DAC, excluding REALIC.

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

# US Asset growth



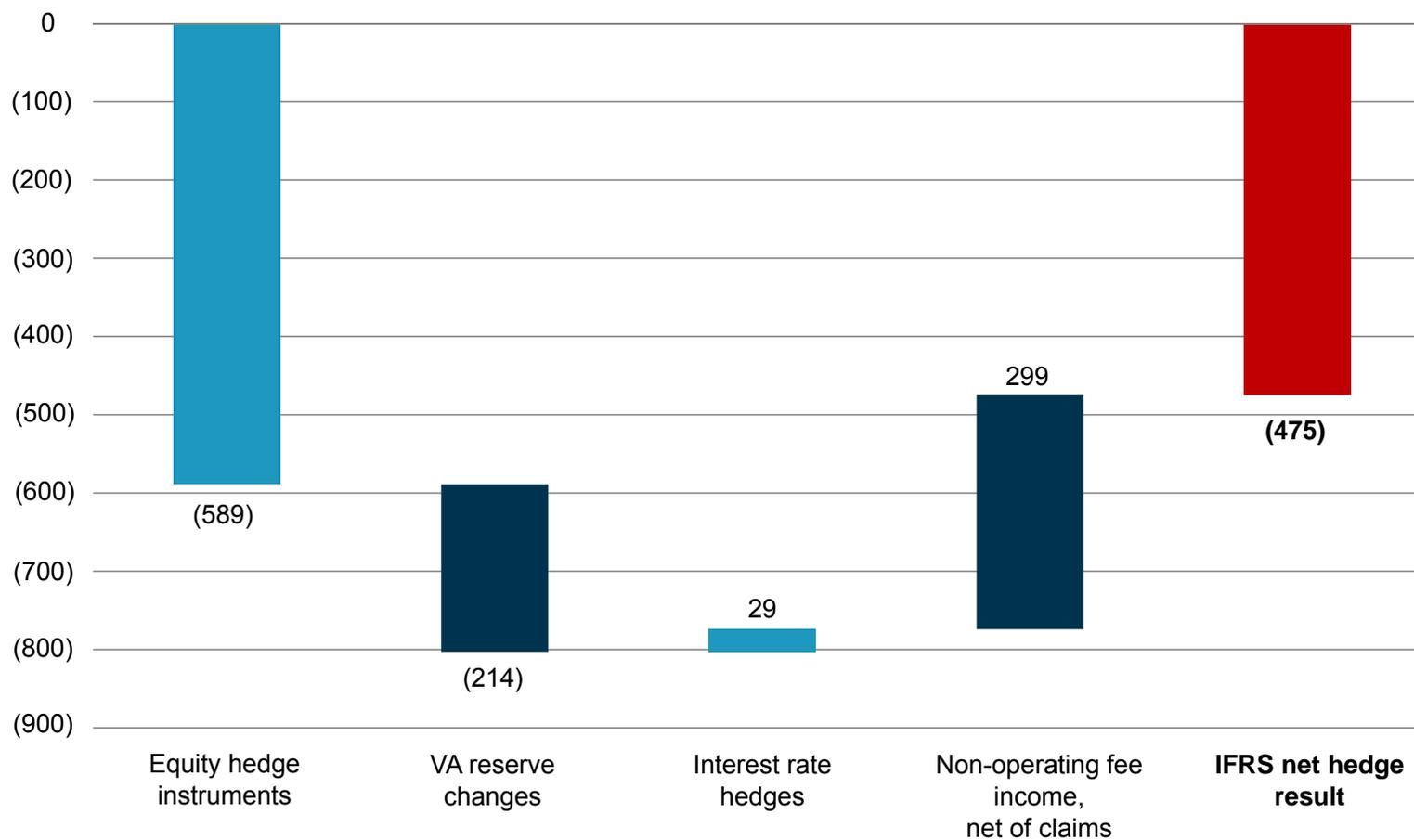
Growth in statutory admitted assets, US\$bn



# US IFRS impact 'below-the-line'



2015 VA hedge results, net of related DAC, £m

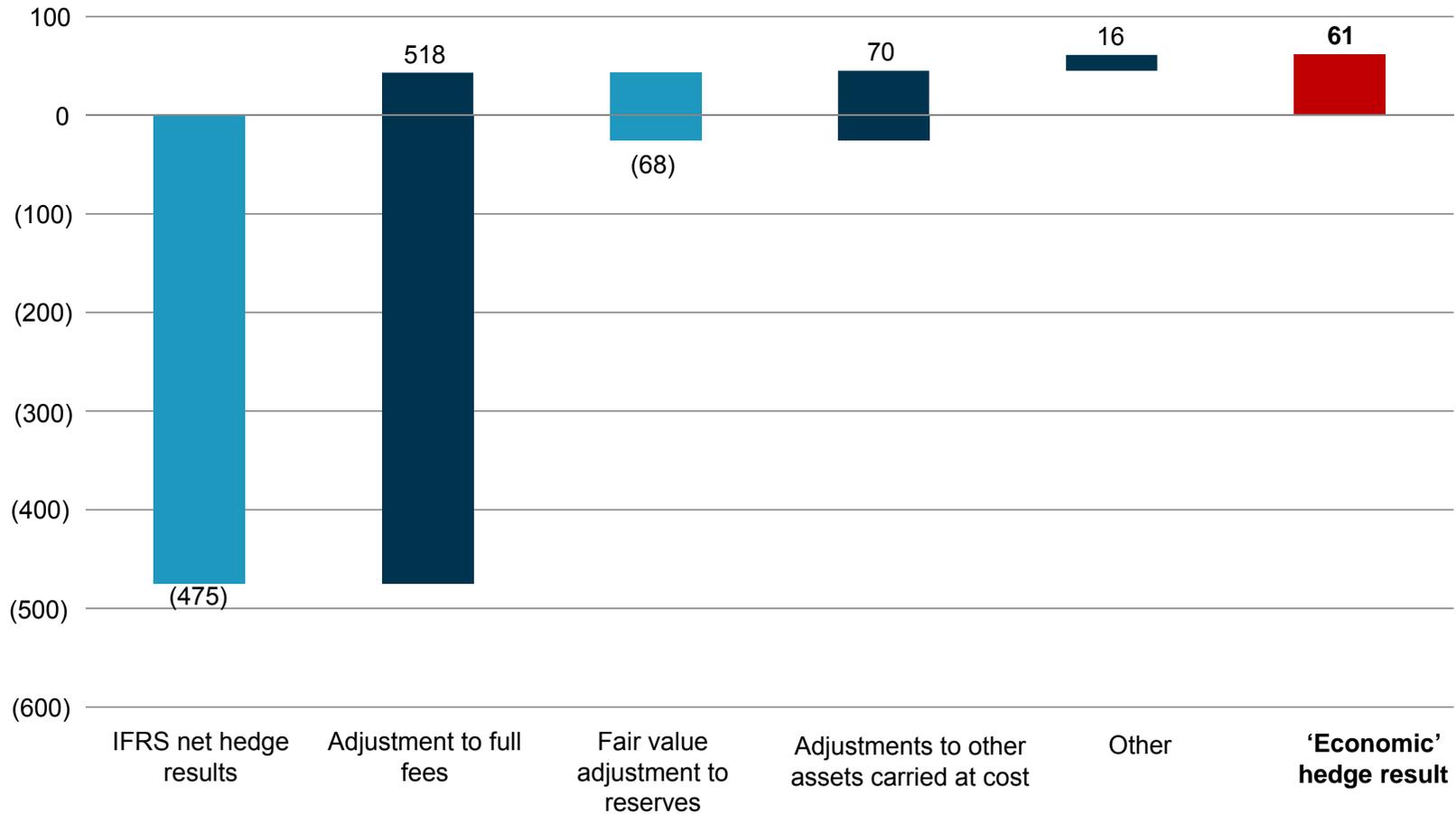


**US**

# Moving IFRS hedge result to 'economic result'



2015 'economic' hedge results, net of related DAC, £m

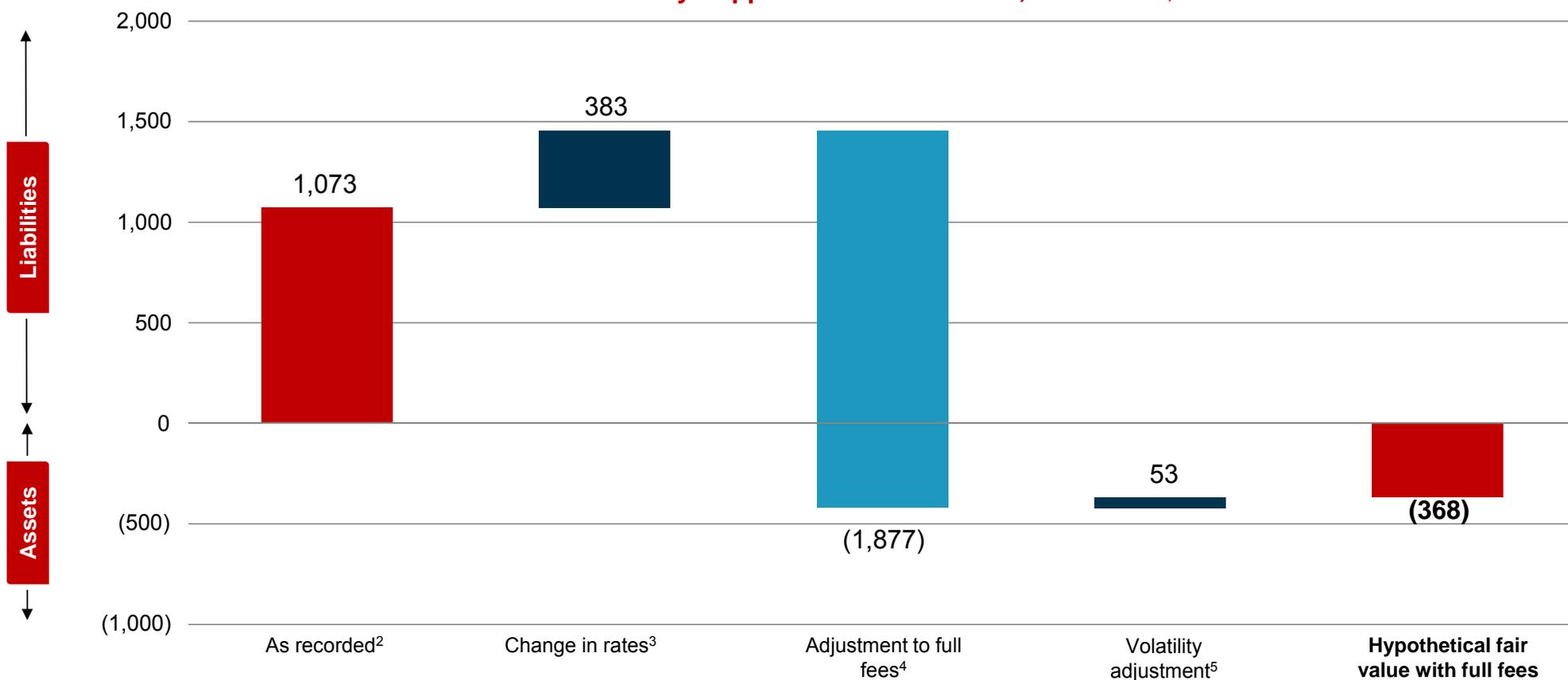


US

# Moving reserves to 'fair value'



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



1 A positive number indicates liability while a negative number indicates an asset.

2 GMWB and GMDB IFRS basis.

3 For GMDB and lifetime GMWB liabilities only. Application of market based (31.12.15) swap curve earned rates (2.2% representative 10 year rate) and AA corporate bond discount rates (3.8% representative 10 year rate) in place of long-term rate of 7.4% for IFRS (8.4% discount rate used for pre-2013 issues).

4 Value of fees over and above those in reserve calculations.

5 Application of market based (31.12.15) volatility curve (22.1% representative 5 year rate) instead of long-term 15% level for IFRS.

# US

## Capital, hedging and policyholder behavior



	Total adjusted Capital US\$bn
<b>31 Dec 2014</b>	<b>4.9</b>
Operating profit	1.2
Dividend	(0.7)
Reserves net of hedging and other effects	(0.3)
<b>31 Dec 2015</b>	<b>5.1</b>

- Hedging programme continues to effectively mitigate risks
- Total adjusted capital excludes gains on interest rate swaps: \$356m at December 2015 (Dec 2014: gain of \$555m)
- Earned guarantee fees of 122 bps per annum (c\$1.6bn in FY 2015). Expected guarantee fees of \$1.8bn for 2016
- Equity allocations remain below our 84% pricing assumption

# IFRS operating profit – sources of earnings

## Life insurance - Asia



Source		
FY 2015	FY 2014 (CER)	+/-
£m except reserves £bn		

Total operating profit			Total Life income			Total Life expenses			DAC adjustments																																																											
1,209	1,040	16%	2,947	2,588	14%	(1,862)	(1,640)	(14)%	124	92	35%																																																									
=			-			+/-																																																														
			<table border="1"> <thead> <tr> <th colspan="3">Spread income</th> </tr> </thead> <tbody> <tr> <td>153</td> <td>126</td> <td>21%</td> </tr> <tr> <td>Spread (bps)</td> <td>139</td> <td>135</td> <td>4</td> </tr> <tr> <td>Average reserves</td> <td>11.0</td> <td>9.3</td> <td>18%</td> </tr> </tbody> </table> <p>Increased spread income reflects the growth of the in-force book.</p>			Spread income			153	126	21%	Spread (bps)	139	135	4	Average reserves	11.0	9.3	18%	<table border="1"> <thead> <tr> <th colspan="3">Fee income</th> </tr> </thead> <tbody> <tr> <td>162</td> <td>154</td> <td>5%</td> </tr> <tr> <td>AMF (bps)</td> <td>101</td> <td>103</td> <td>(2)</td> </tr> <tr> <td>Average reserves</td> <td>16.1</td> <td>15.0</td> <td>7%</td> </tr> </tbody> </table> <p>Higher fee income in line with the growth in movement in unit-linked portfolio.</p>			Fee income			162	154	5%	AMF (bps)	101	103	(2)	Average reserves	16.1	15.0	7%	<table border="1"> <thead> <tr> <th colspan="3">Technical and other margin</th> </tr> </thead> <tbody> <tr> <td>2,515</td> <td>2,201</td> <td>14%</td> </tr> <tr> <td>Margin on revenues</td> <td>1,732</td> <td>1,532</td> <td>13%</td> </tr> <tr> <td>Insurance margin</td> <td>783</td> <td>669</td> <td>17%</td> </tr> </tbody> </table> <p>Increase in margin on revenues reflects premium income growth. Insurance margin has increased due to continued growth of the health and protection in-force book.</p>			Technical and other margin			2,515	2,201	14%	Margin on revenues	1,732	1,532	13%	Insurance margin	783	669	17%	<table border="1"> <thead> <tr> <th colspan="3">With-profits</th> </tr> </thead> <tbody> <tr> <td>45</td> <td>44</td> <td>2%</td> </tr> <tr> <td colspan="3">Expected returns</td> </tr> <tr> <td>72</td> <td>63</td> <td>14%</td> </tr> </tbody> </table>			With-profits			45	44	2%	Expected returns			72	63	14%
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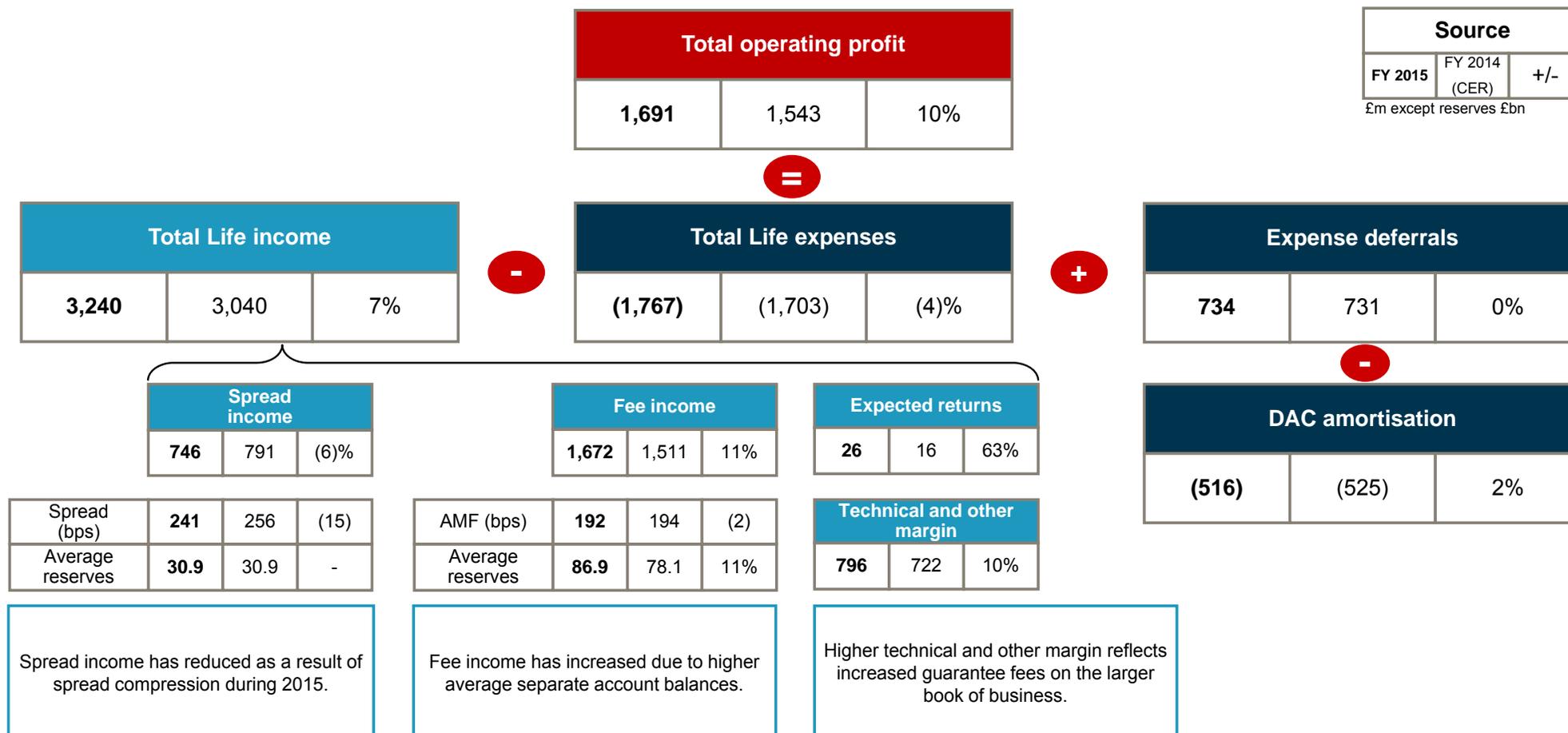
# IFRS operating profit – sources of earnings

## Life insurance - US



PRUDENTIAL

Source		
FY 2015	FY 2014 (CER)	+/-
£m except reserves £bn		



# IFRS operating profit - sources of earnings

## Life insurance - UK



Total operating profit		
1,167	729	60%

Source		
FY2015	FY2014	+/-

£m except reserves £bn

=

Total Life income		
1,414	974	45%

-

Total Life expenses		
(245)	(239)	(3)%

-

DAC adjustments		
(2)	(6)	67%

Spread income		
258	272	(5)%

Fee income		
62	61	2%

Technical and other margin		
359	249	44%

Expected returns		
127	137	(7)%

Optimisation activities		
339	-	n/a

Spread (bps)	82	92	(10)
Average reserves	31.5	29.4	7%

AMF (bps)	28	26	2
Average reserves	22.4	23.5	(5)%

Margin on revenues	179	176	2%
Insurance margin	180	73	147%

With-profits		
269	255	5%

Decrease in spread income is due to lower annuity new business profit post pension freedoms.

Insurance margin increase due to positive mortality experience and additional £61m contribution from longevity reinsurance in the first half of 2015.

With profits has increased due to an increase in terminal bonus rates.

Management actions taken in the second half of the year to position the balance sheet effectively under the new Solvency II regime.

# IFRS operating profit – sources of earnings

## Asset management



Asset Management Operating profit <sup>1</sup>		
557	537	4%

Source		
FY 2015	FY 2014 (CER)	+/-

£m except average assets £bn

M&G		
442	446	(1)%

Eastspring Investments		
115	91	26%

Underlying income		
939	954	(2)%

Other income <sup>2</sup>		
36	46	(22)%

Total expenses		
(533)	(554)	4%

Total income <sup>2</sup>		
307	242	27%

Total expenses		
(192)	(151)	(27)%

Average fees (bps)	37	38	(1)
Average assets (£bn)	253	250	1%

Cost / income ratio <sup>3</sup>		
57%	58%	(1)ppt

Average fees (bps)	36	36	-
Average assets (£bn)	85	68	25%

Cost / income ratio <sup>3</sup>		
58%	58%	(0)ppt

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

<sup>2</sup> Average fees exclude performance-related fees (PRF) and M&G's share of operating profit from PPMSA.

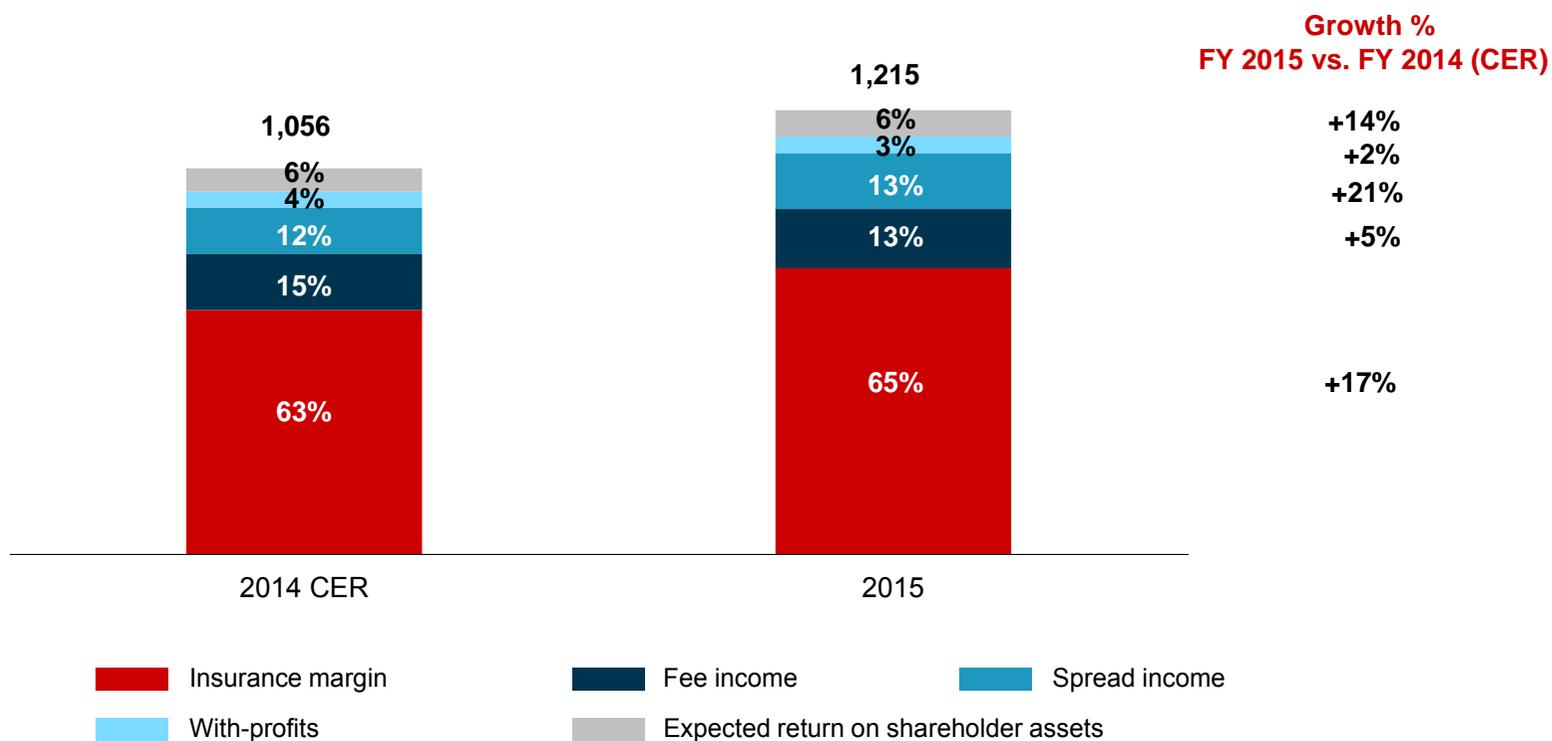
<sup>3</sup> Cost/income ratio excludes performance-related fees, carried interest and profit from associate, and for Eastspring, taxes on JV operating profit.

# IFRS operating profit sources of income

## Life insurance - Asia



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



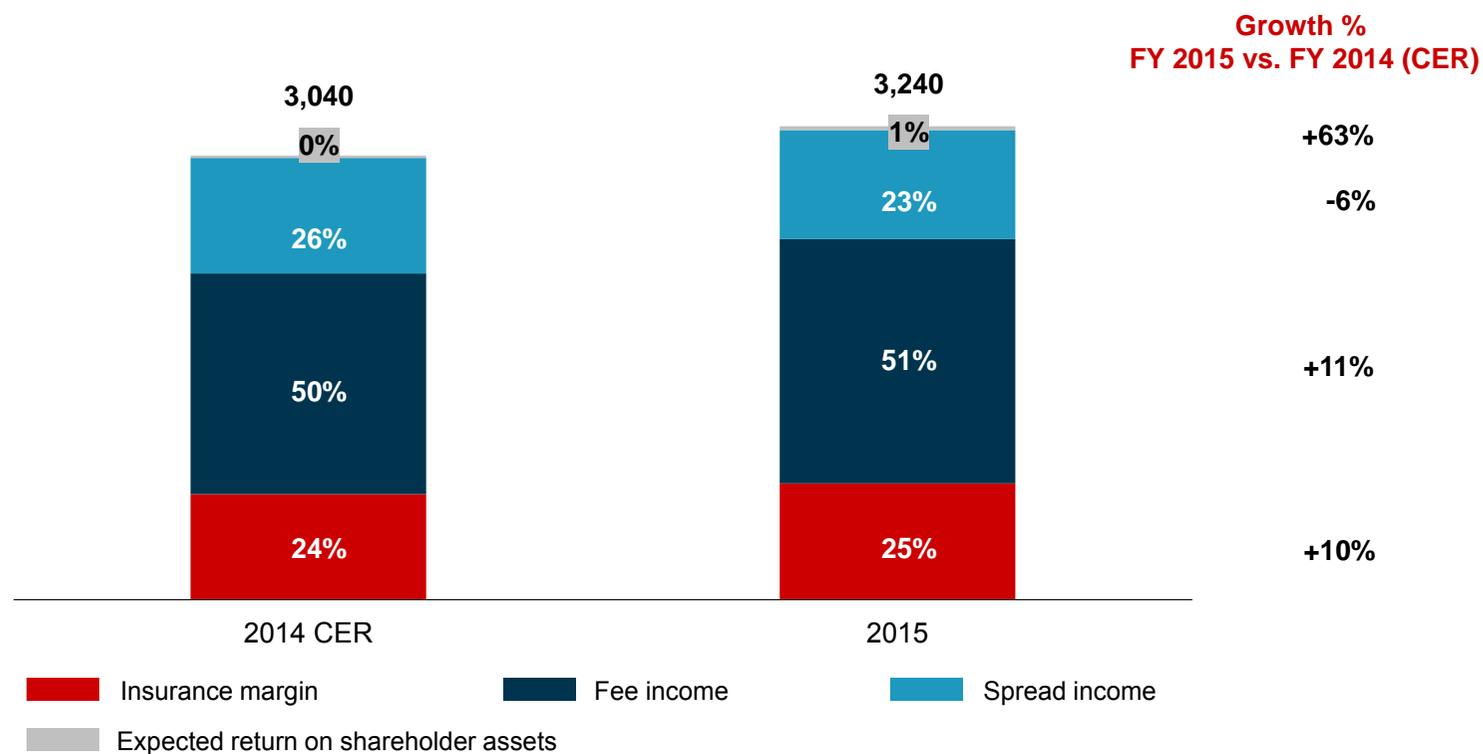
<sup>1</sup> Excludes margin on revenues, acquisition and administration expenses and DAC adjustments.  
<sup>2</sup> Comparatives adjusted for new and amended accounting standard and excludes Japan Life.

# IFRS operating profit sources of income

## Life insurance - US



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



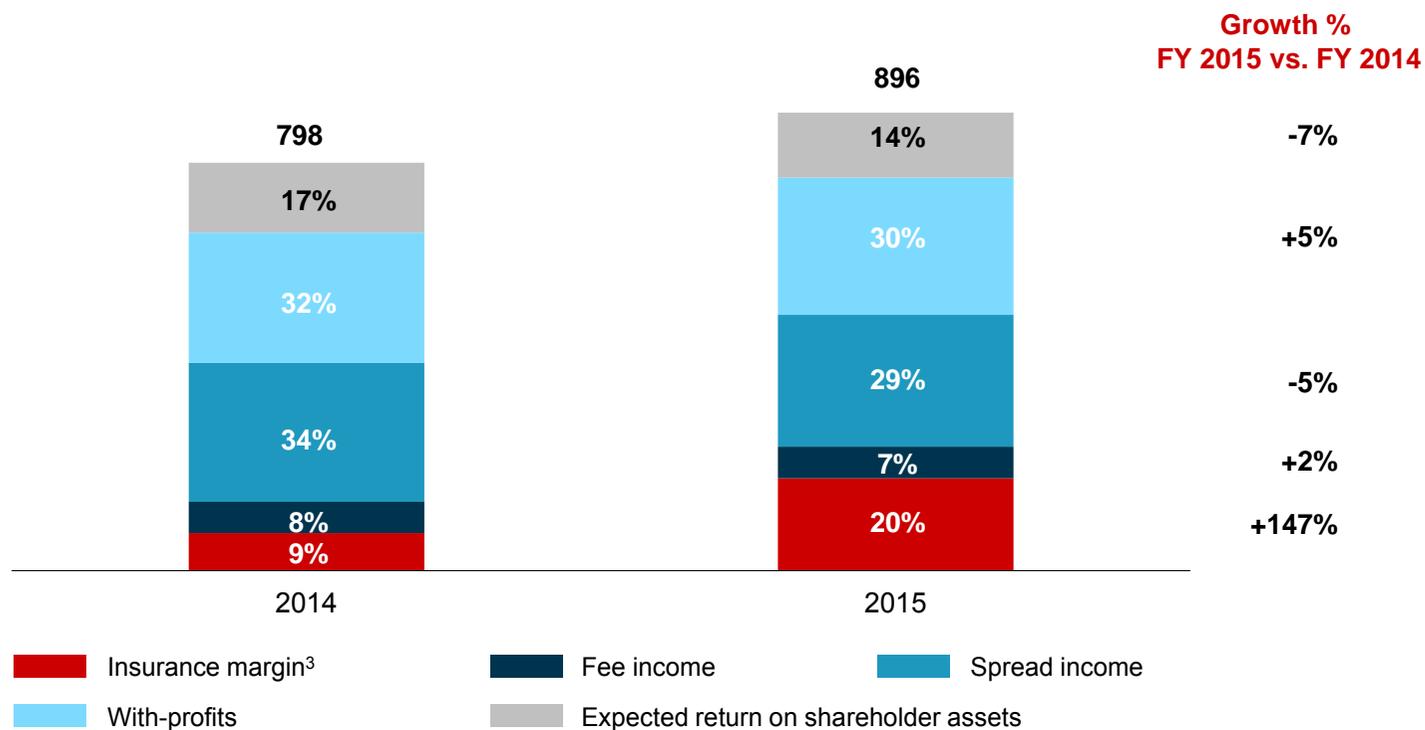
<sup>1</sup> Excludes acquisition, administration expenses and DAC amortisation.

# IFRS operating profit sources of income

## Life insurance - UK



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



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

<sup>2</sup> FY2014 comparative has been restated to exclude the contribution from the sold PruHealth and PruProtect businesses.

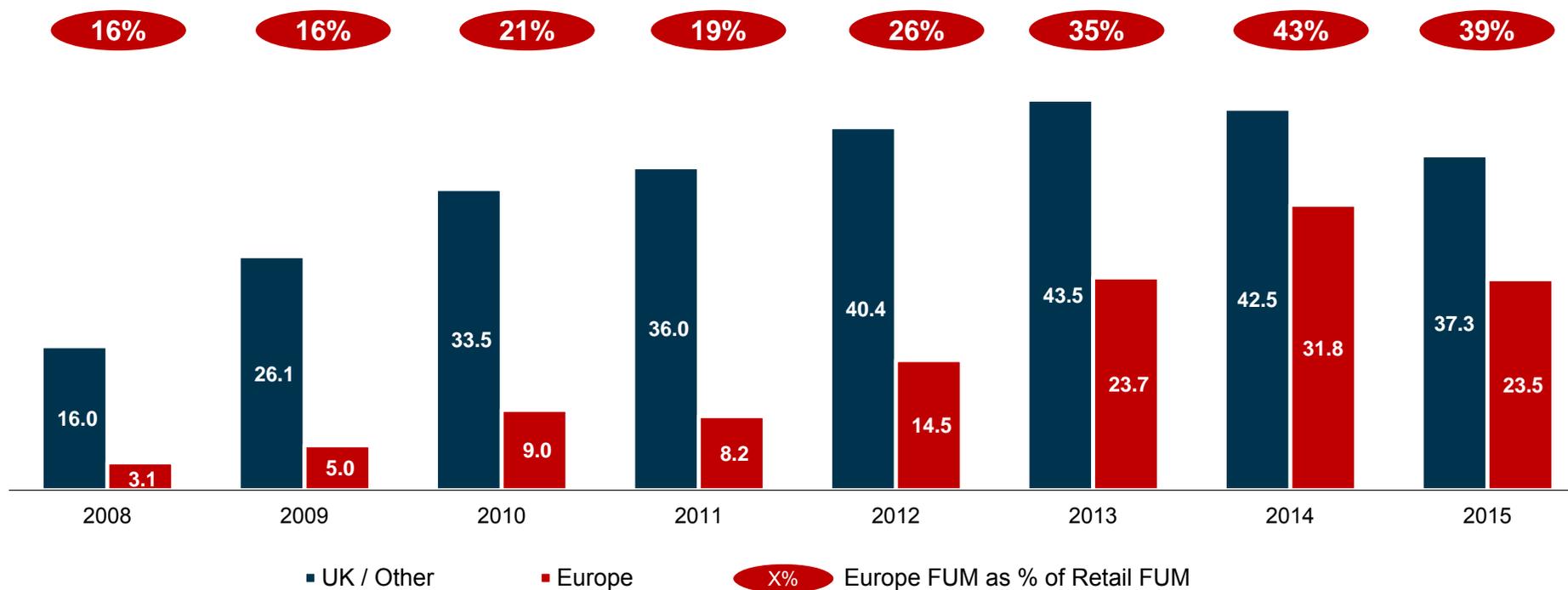
<sup>3</sup> 2015 excludes UK specific management actions taken in the second half of the year to position the balance sheet more efficiently under the new Solvency II regime contributing £339 million to IFRS operating income.

# Asset Management

## M&G – retail FUM



Retail funds under management, £bn



# EEV operating profit (post-tax)

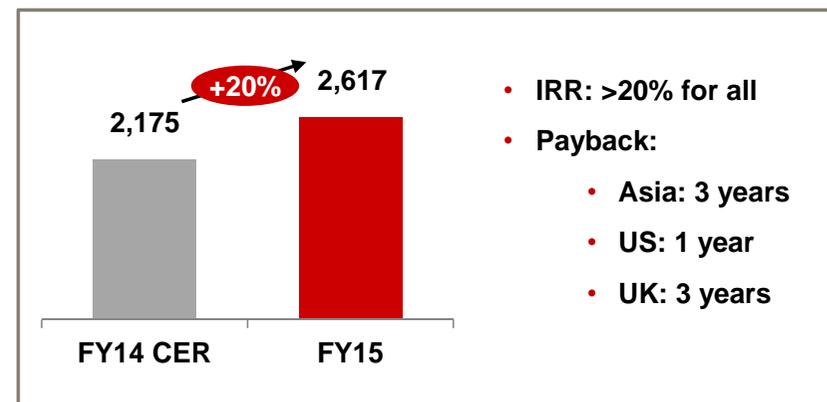
Operating return on EEV of 17%



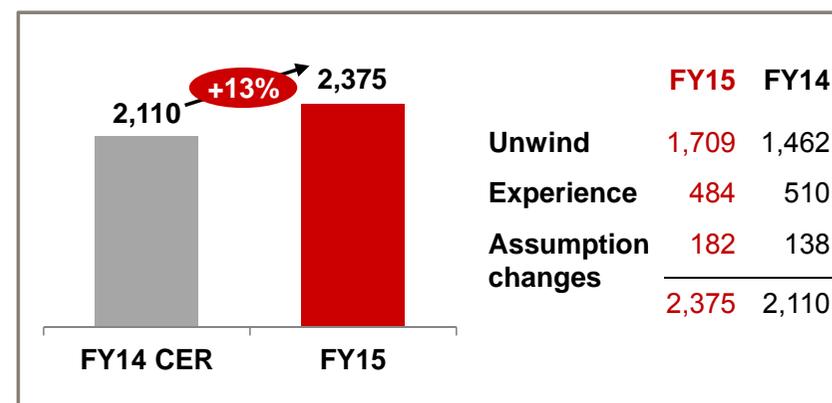
## EEV operating profit by business unit, £m (CER)

	FY15	vs FY14 <sup>3</sup>
Asia Life	2,321	+22%
US Life	1,808	+10%
UK Life <sup>1</sup>	863	+17%
Asset Management <sup>2</sup>	506	+3%
Other	(617)	(11)%
<b>Total</b>	<b>4,881</b>	<b>+16%</b>

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



## In-force profit<sup>1</sup>, £m (CER<sup>3</sup>)



<sup>1</sup> FY14 results have been restated to exclude contributions from Prudential's 25% equity stake in PruHealth / PruProtect, which was sold in November 2014.

<sup>2</sup> Includes post-tax operating profit from M&G, PruCap, Eastspring, Curian and US broker-dealers, and UK general insurance commission.

<sup>3</sup> FY14 restated on constant exchange rate basis, increasing Asia new business profit by £6 million, US new business profit by £54 million, Asia in-force profit by £(3) million and US in-force profit by £65 million.

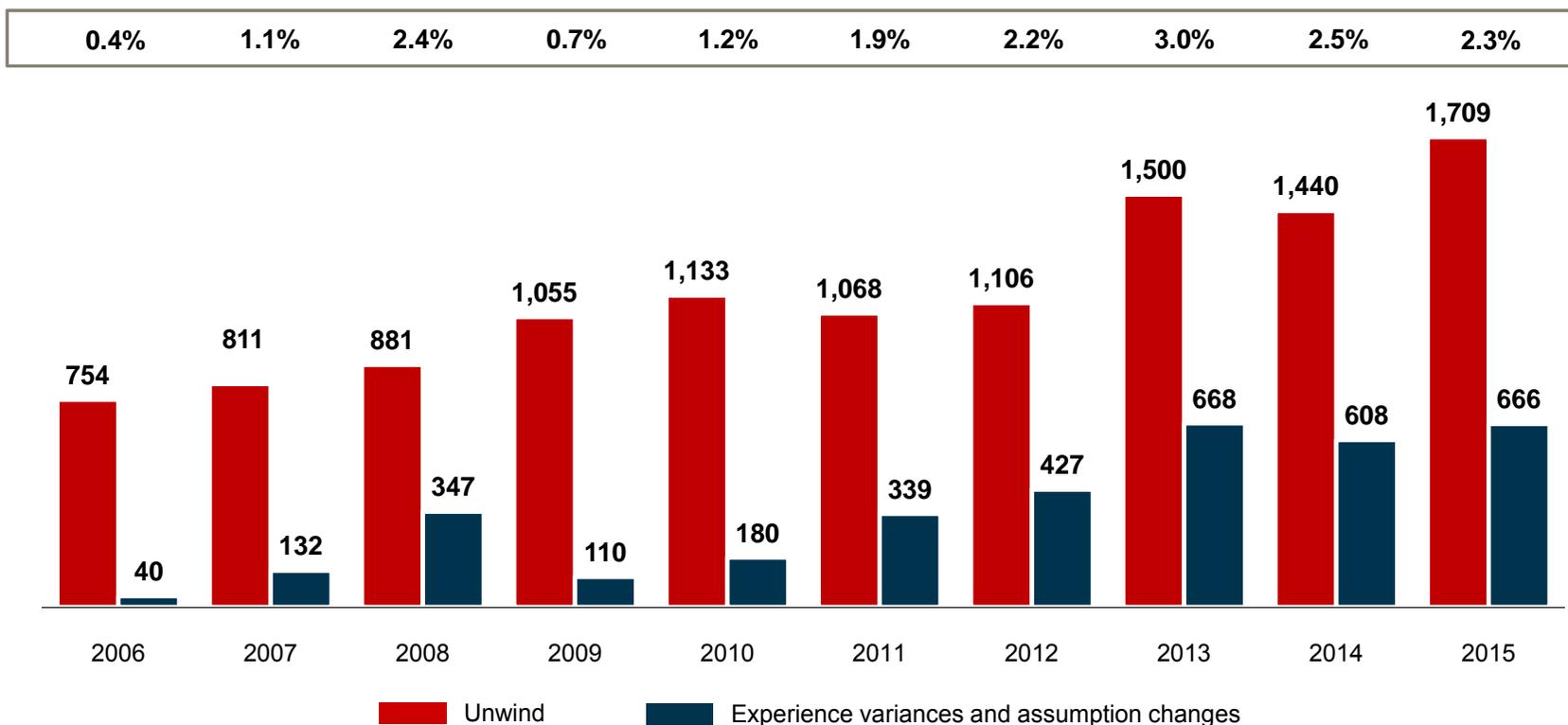
# EEV operating profit

## Life operating variances - Group



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

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

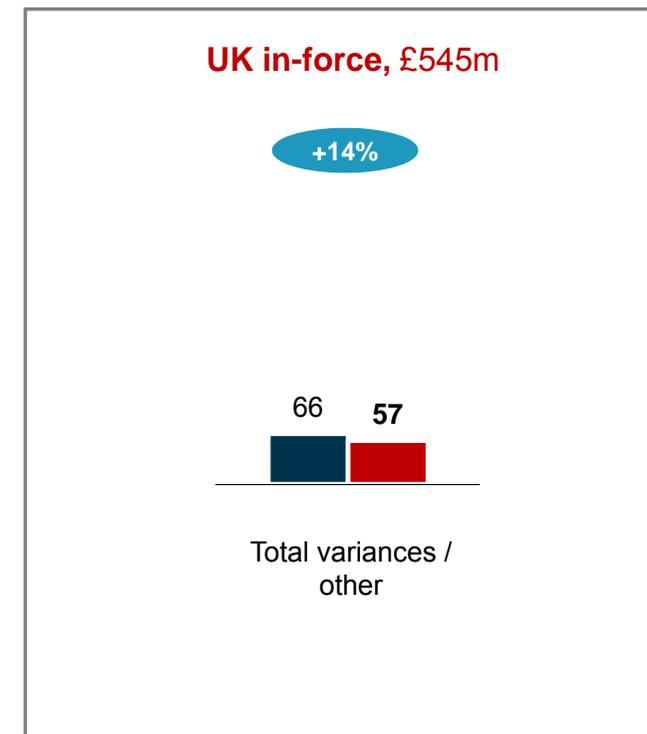
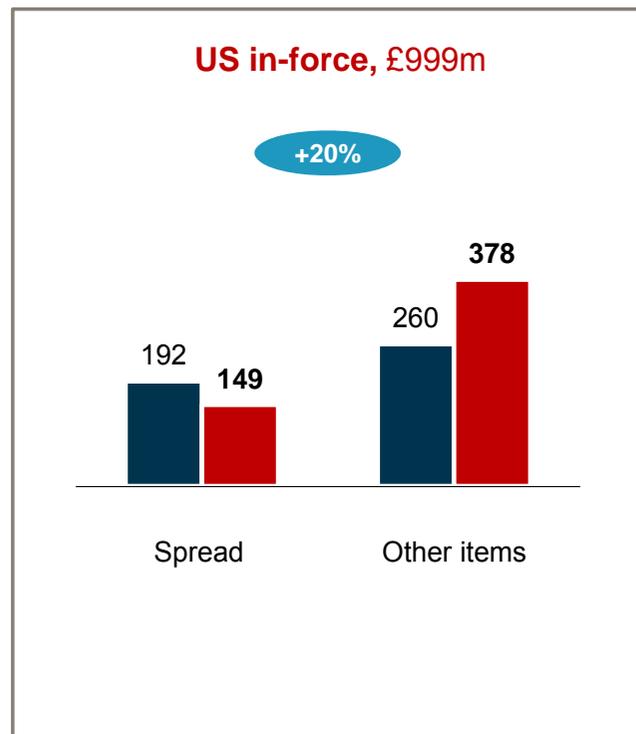
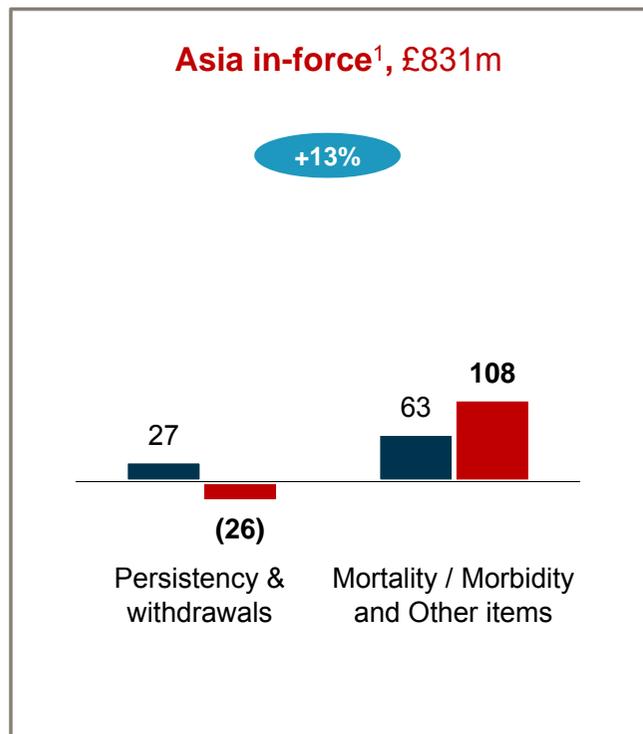


<sup>1</sup> Excludes Japan Life and Taiwan agency. FY2014 comparatives have been restated to exclude the contribution from the sold PruHealth and PruProtect businesses. FY2006 to FY2013 comparatives include the results of PruHealth and PruProtect.  
<sup>2</sup> 2015 and 2014 Experience variances and assumption changes are shown pre development costs. 2006 to 2013 are shown post development costs.  
<sup>3</sup> Opening EEV of Life operations, excluding goodwill.

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

# EEV operating profit

## In-force performance



■ FY14    
 ■ FY15    
 X% In-force change from FY14 to FY15

<sup>1</sup> Excludes Japan Life.

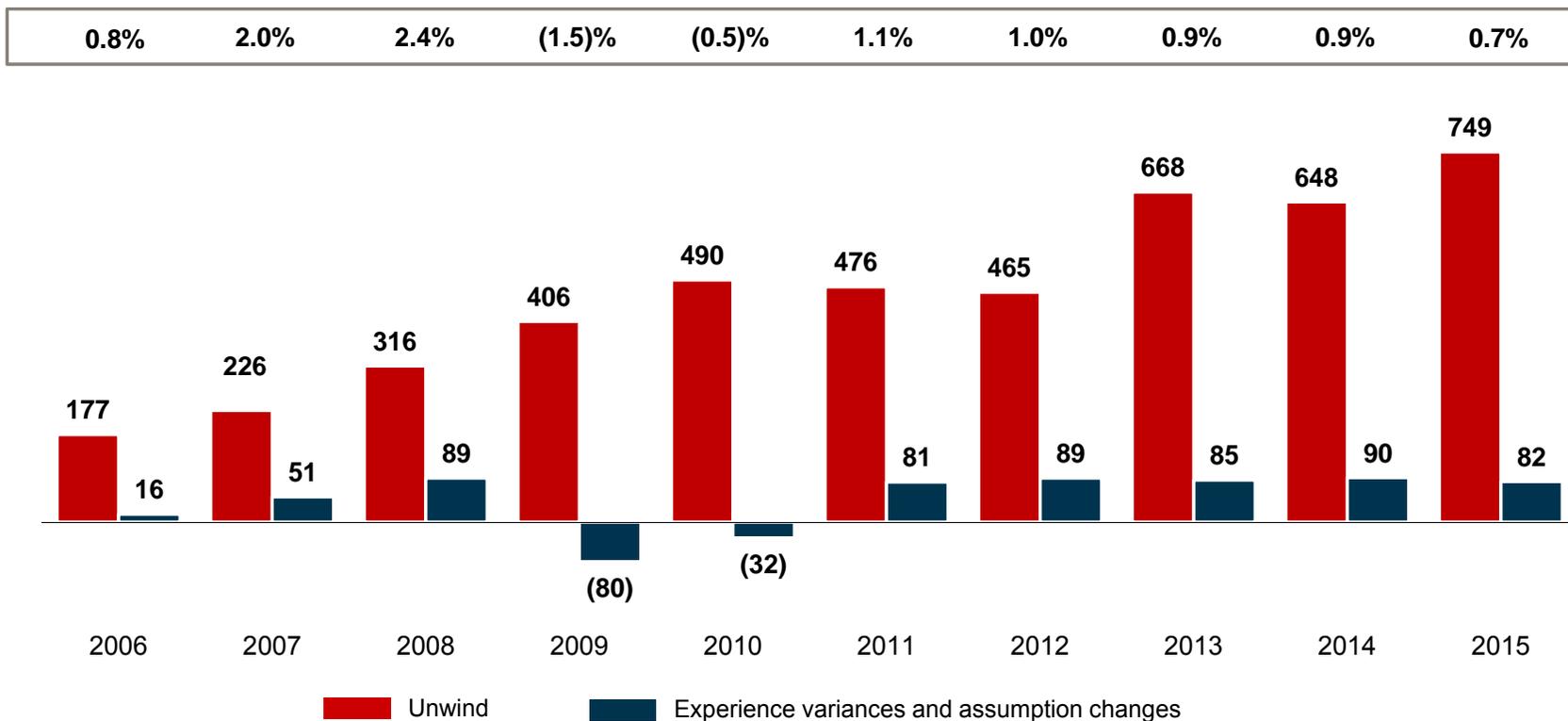
# EEV operating profit

## 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> 2015 and 2014 Experience variances and assumption changes are shown pre development costs. 2006 to 2013 are shown post development costs.

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

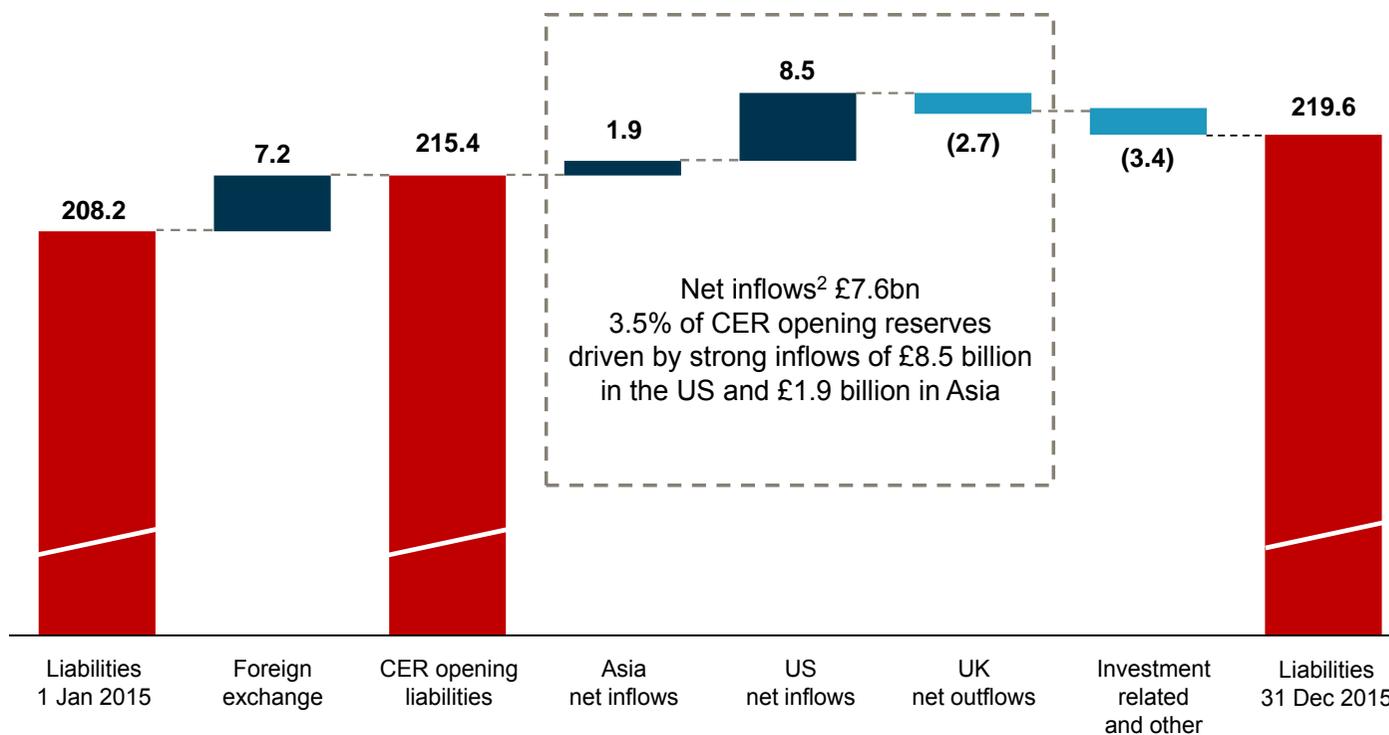
Note: Unwind & Experience variances / assumption changes are on a post tax basis and excludes Japan.

# Policyholder liabilities

## Shareholder backed business - Group



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



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

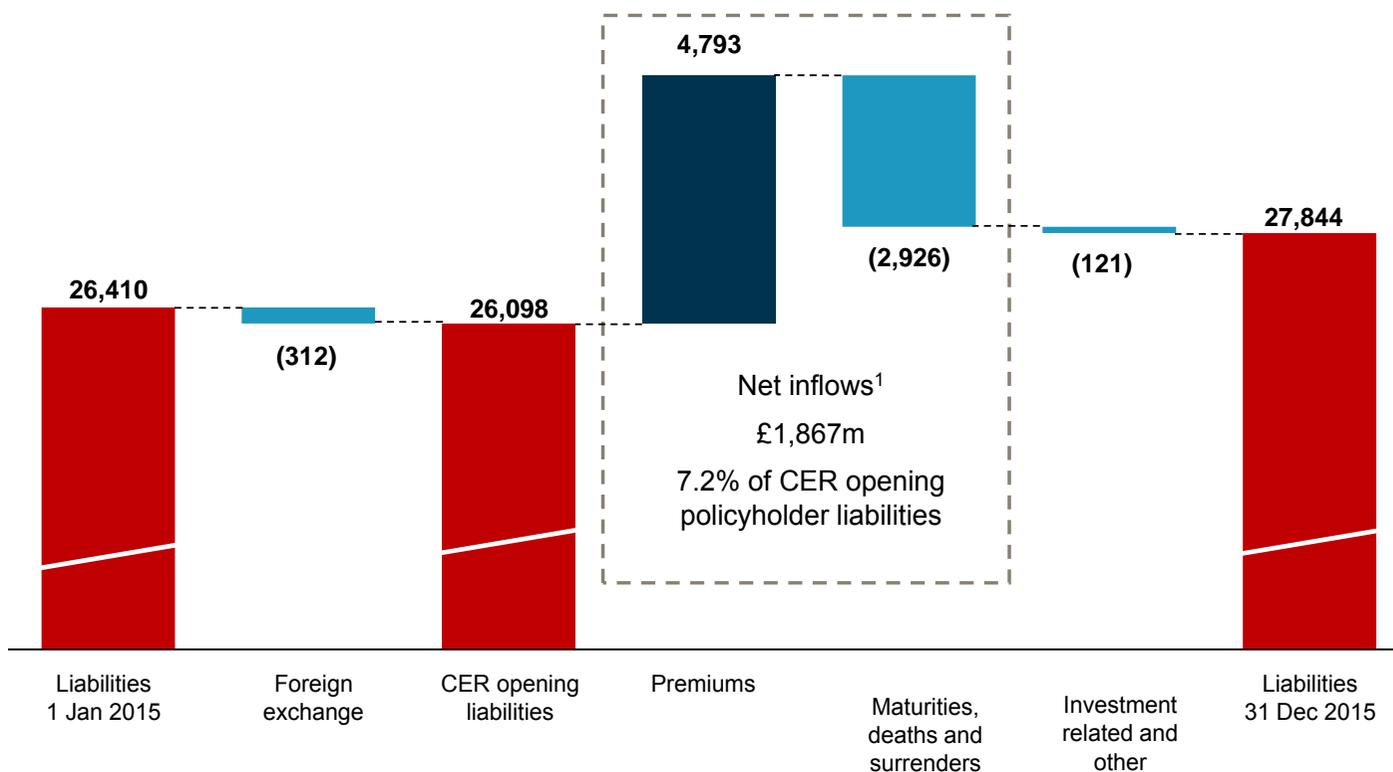
<sup>2</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths.

# Policyholder liabilities

## Shareholder backed business - Asia



Policyholder liabilities roll-forward, £m



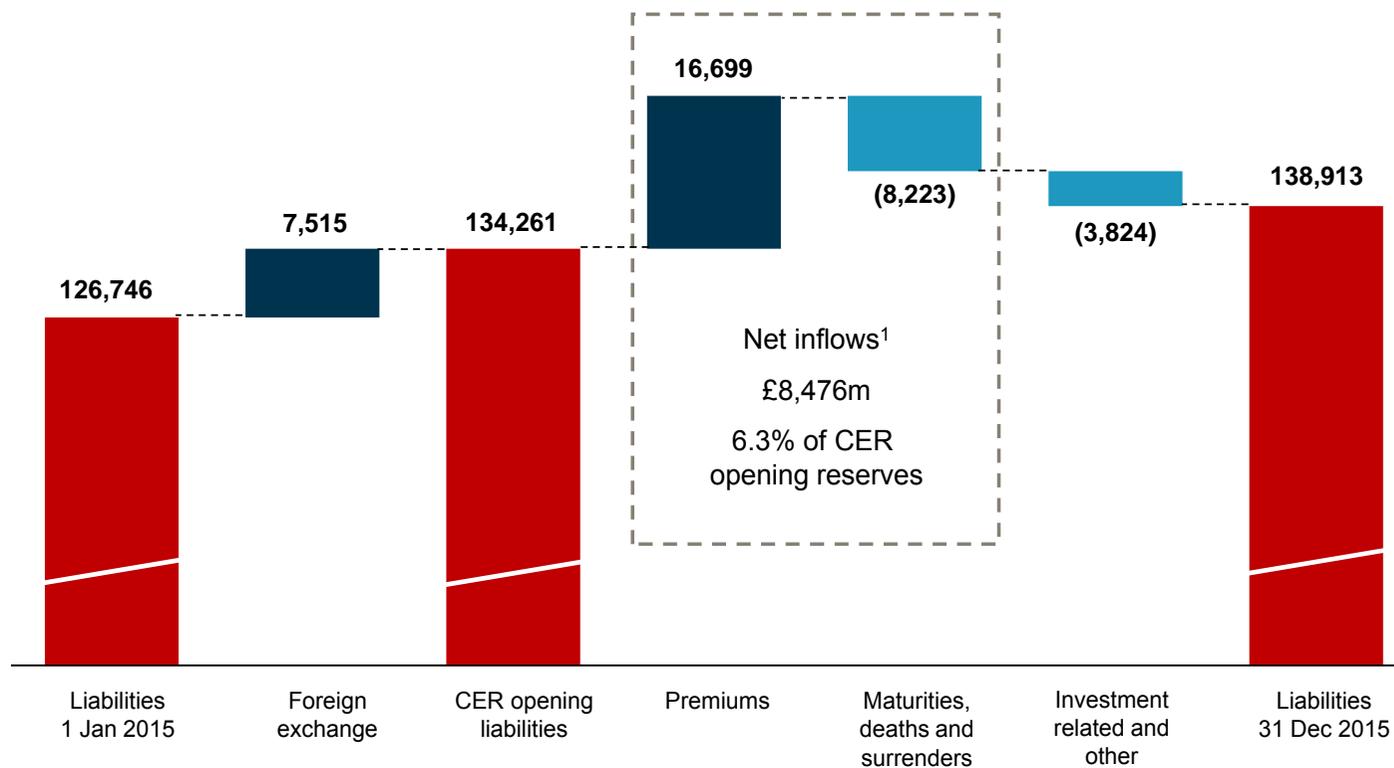
<sup>1</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths.

# Policyholder liabilities

## Shareholder backed business - US



Policyholder liabilities roll-forward, £m



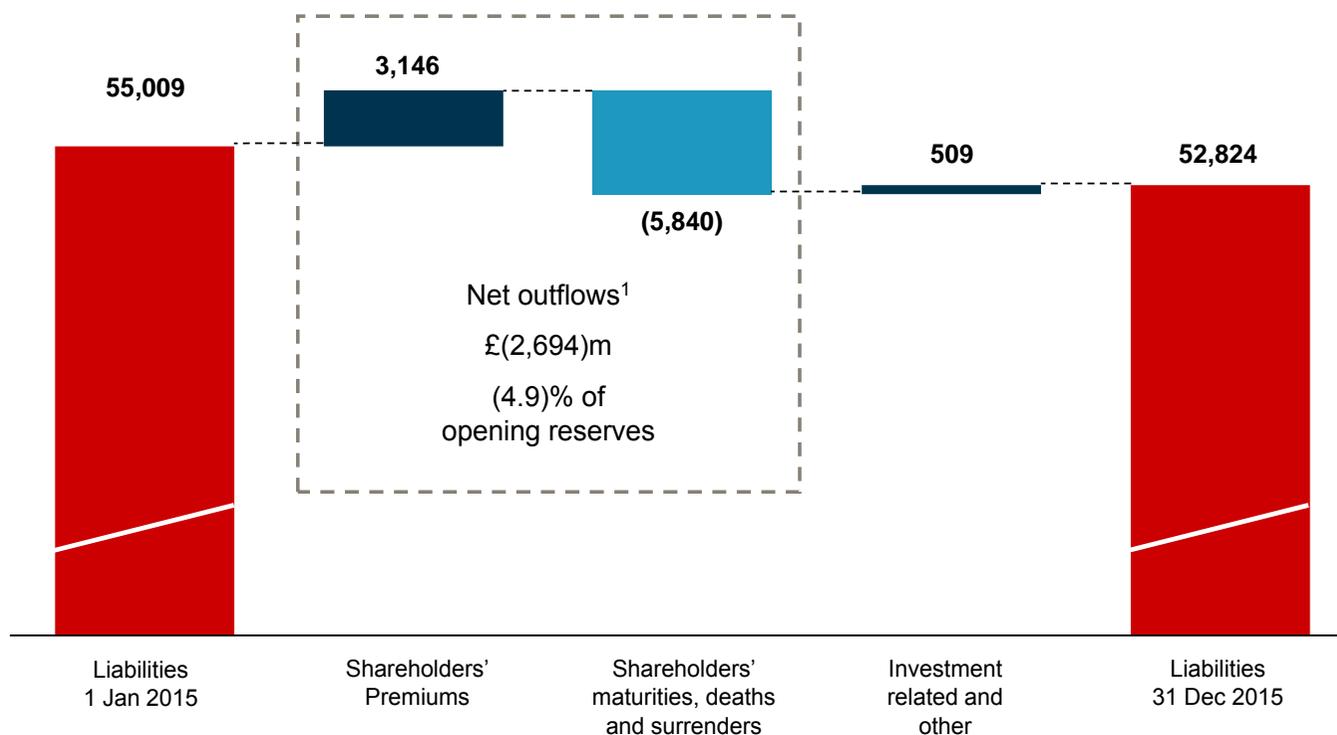
<sup>1</sup> Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths.

# Policyholder liabilities

## Shareholder backed business - UK



Policyholder liabilities roll-forward, £m



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

# Equity shareholders' funds

## Movement in 2015



### Movement in shareholders' funds

	IFRS Equity			EEV Equity		
	FY15 £bn	% vs FY14	FY15 per share	FY15 £bn	% vs FY14	FY15 per share
After-tax operating profit	3.2	30%	126	4.9	19%	191
Investment variance and other	(0.6)		(25)	(0.9)		(36)
<b>Profit for the period</b>	<b>2.6</b>	<b>16%</b>	<b>101</b>	<b>4.0</b>	<b>(9)%</b>	<b>155</b>
Unrealised gain on AFS <sup>1</sup>	(0.6)		(24)	(0.1)		(3)
Foreign exchange and other <sup>2</sup>	0.2		6	0.3		8
Dividend	(1.0)		(39)	(1.0)		(38)
Retained earnings	1.2		44	3.2		122
<b>Opening shareholders' equity</b>	<b>11.8</b>		<b>460</b>	<b>29.2</b>		<b>1,136</b>
<b>Closing shareholders' equity</b>	<b>13.0</b>		<b>504</b>	<b>32.4</b>		<b>1,258</b>
<b>Movement in year</b>	<b>+10%</b>		<b>+10%</b>	<b>+11%</b>		<b>+11%</b>

<sup>1</sup> For IFRS relates to JNL fixed income portfolio accounted as available for sale. For EEV, represents mark to market movements on JNL assets backing surplus and required capital.

<sup>2</sup> For per share amounts includes effect of change in number of shares in issue.

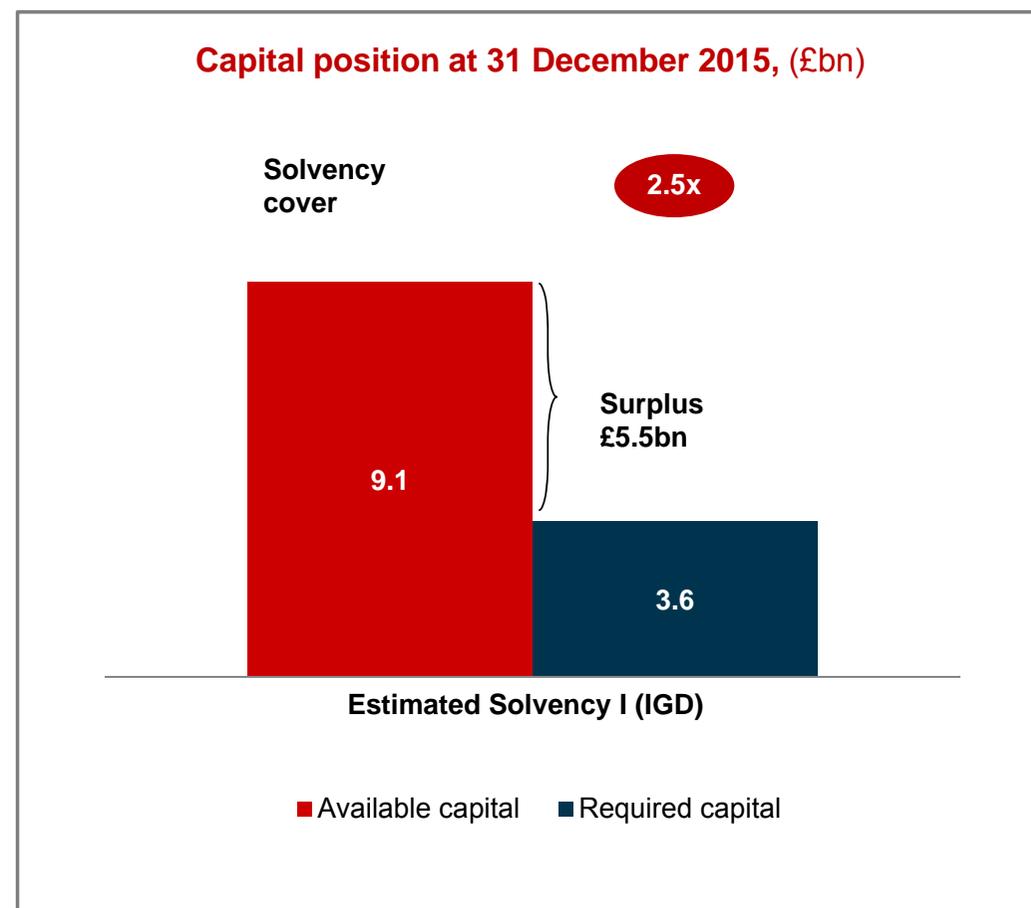
# IGD capital Movement in 2015



IGD capital – movement in 2015, (£bn)

<b>IGD surplus 31 December 2014</b>	<b>4.7</b>
Net capital generation	1.8
External financing and other central costs (net of tax)	(0.5)
Market movement	(0.1)
FX impacts	0.1
Hybrid issuance	0.6
Other one-off items	(0.1)
Dividend	(1.0)
<b>IGD surplus 31 December 2015</b>	<b>5.5</b>

Capital position at 31 December 2015, (£bn)

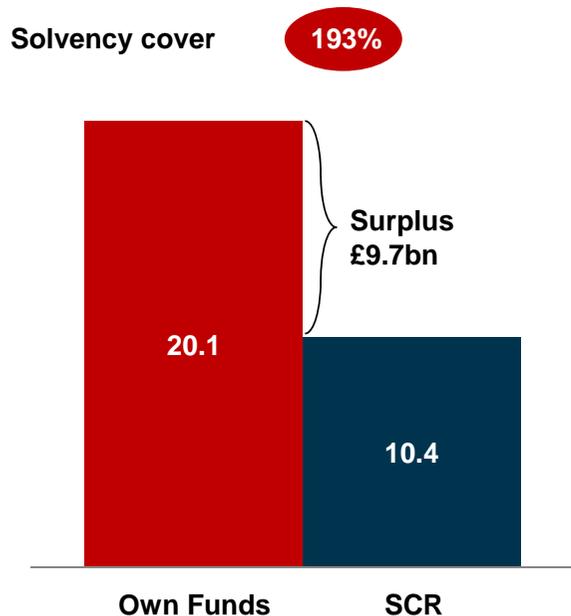


# Solvency II

## A strong Solvency II capital position



### Estimated Group Shareholder Solvency II capital position<sup>1,2</sup> FY15, £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  PRUDENTIAL Asia Life 	 JACKSON NATIONAL LIFE INSURANCE COMPANY	 M&G INVESTMENTS  eastspring investments

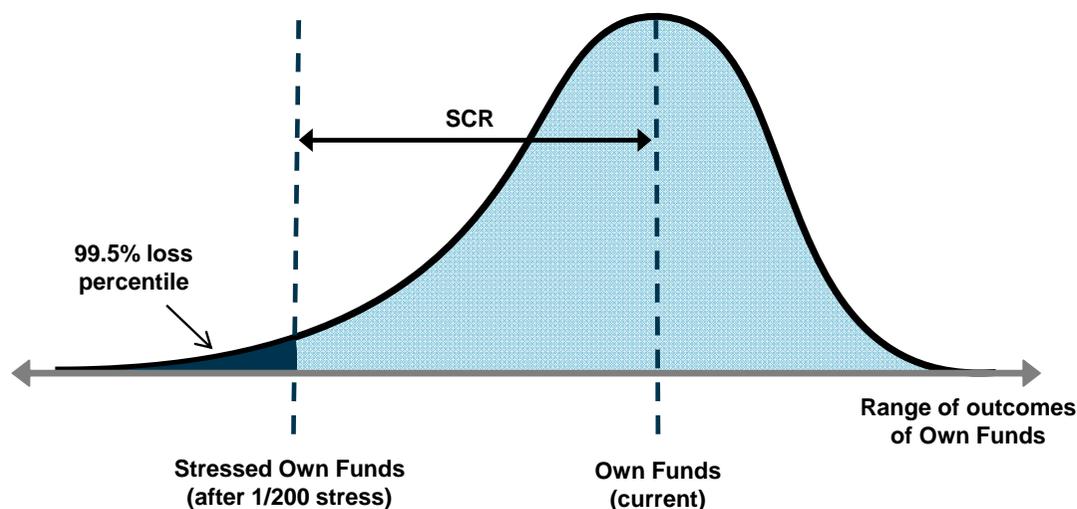
<sup>1</sup> The Group Shareholder position excludes the contribution to the Group SCR and Own Funds of ring fenced With Profit Funds and staff pension schemes in surplus.  
<sup>2</sup> Before allowing for the 2015 second interim ordinary and special dividend

# Solvency II

Solvency II framed to demonstrate ability to withstand severe stress



## Probability distribution of Own Funds (illustrative)



Solvency II uses a market consistent approach, where the Solvency Capital Requirement (SCR) measures the potential reduction in the value of Own Funds over 1 year, in an adverse 1/200 year event, taking into account all quantifiable risks

Own Funds are calculated following 1/200 year stress events over 1 year

Example 1/200 year stress events (stand alone)	UK	Asia <sup>1</sup>
Equity markets	-47%	-58% to -72%
Fall in long term interest rates	-102bp	-48bp to -377bp
Credit spreads ('A' rated <sup>2</sup> )	+259bp to +434bp	+309bp
UK longevity <sup>3</sup> (male aged 65)	+2.5 years	n/a
Lapse rates <sup>3</sup> (all future years)	+70%	+40% to +75%
Mass lapses	20%	20%

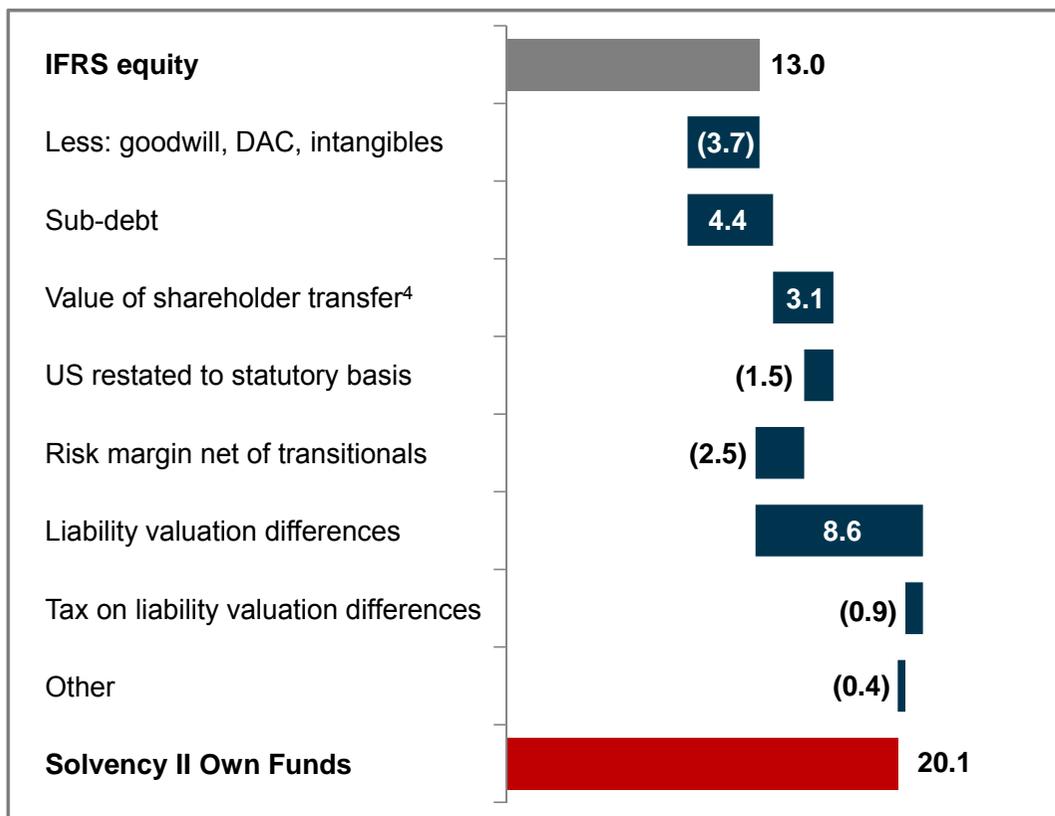
<sup>1</sup> Range represents variations in stresses used by country / product  
<sup>2</sup> Range represents variation by term bucket and fund composition  
<sup>3</sup> Represents the change in long-term assumptions used to calculate best estimate liabilities

# Solvency II

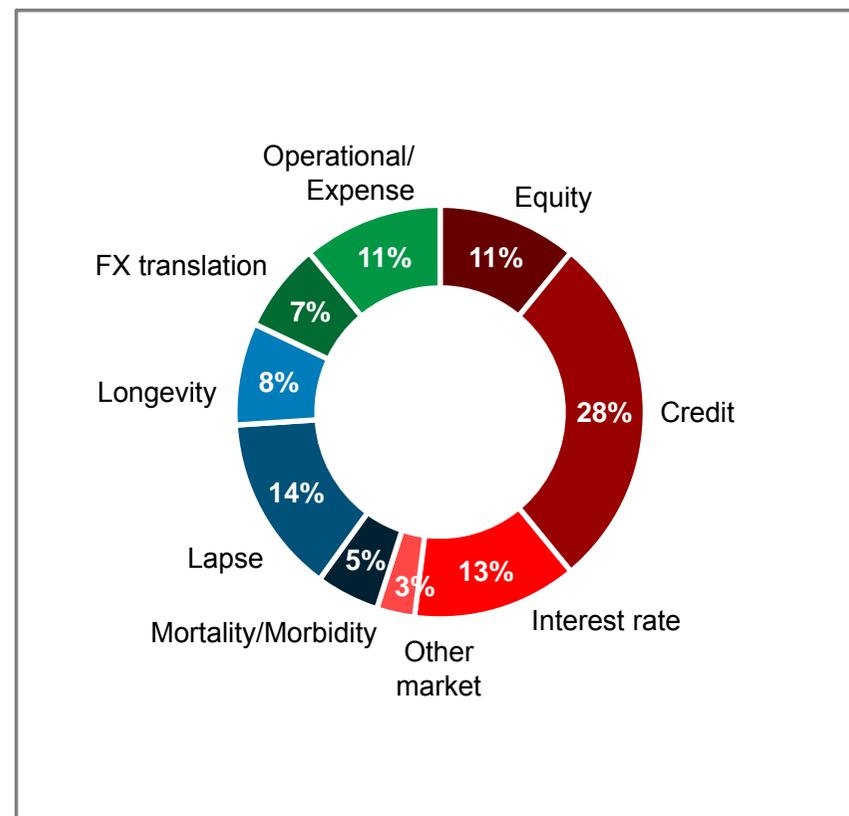
## Well-diversified risks



Reconciliation of IFRS equity to Solvency II Own Funds<sup>1,2</sup>, FY15 £bn



SCR by risk type<sup>3</sup>, FY15



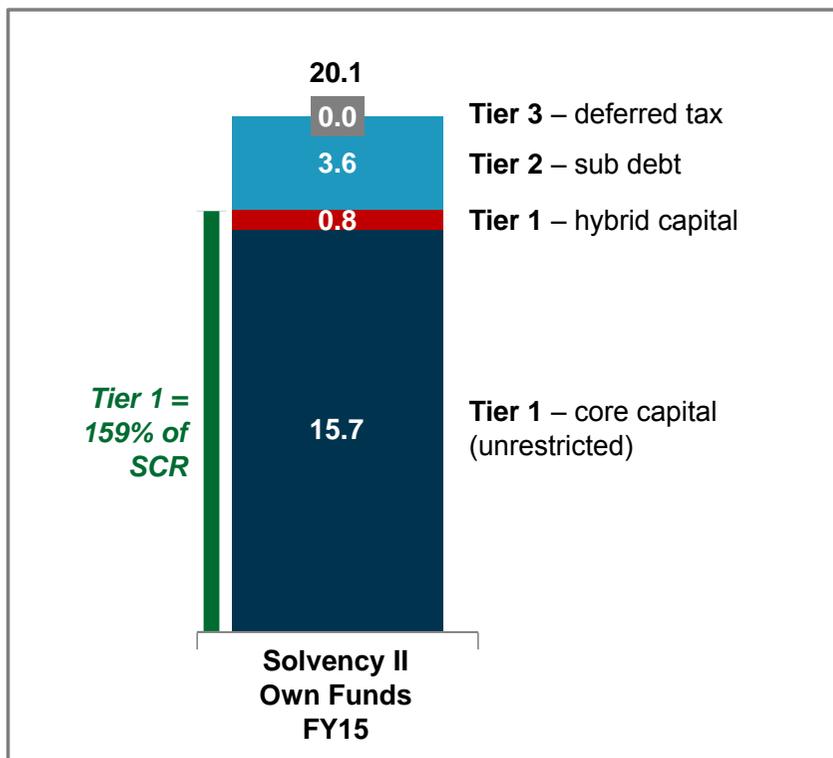
<sup>1</sup> The Group Shareholder position excludes the contribution to the Group SCR and Own Funds of ring fenced With Profit Funds and staff pension schemes in surplus.  
<sup>2</sup> Before allowing for the 2015 second interim ordinary and special dividend  
<sup>3</sup> Solvency II undiversified solvency capital requirement  
<sup>4</sup> Excludes the shareholder interest in the UK with-profits inherited estate of £0.7bn

# Solvency II

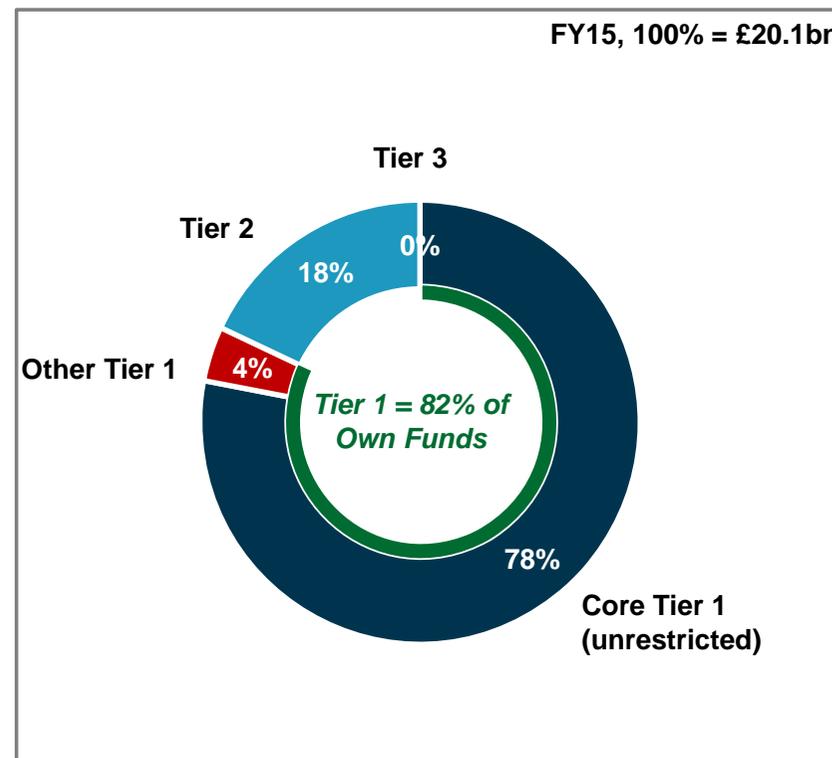
## High quality capital



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 the 2015 second interim ordinary and special dividend

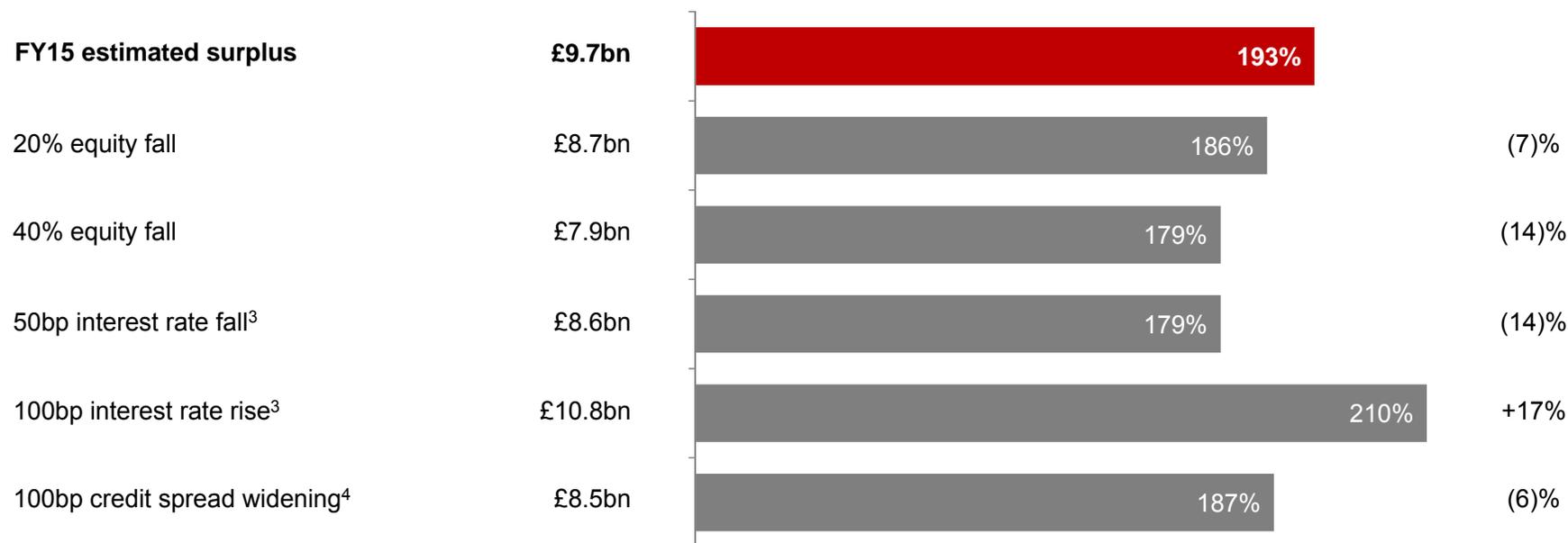
# Solvency II

## Resilient capital position



### Estimated Group Shareholder Solvency II surplus<sup>1,2</sup>

Impact on solvency ratio



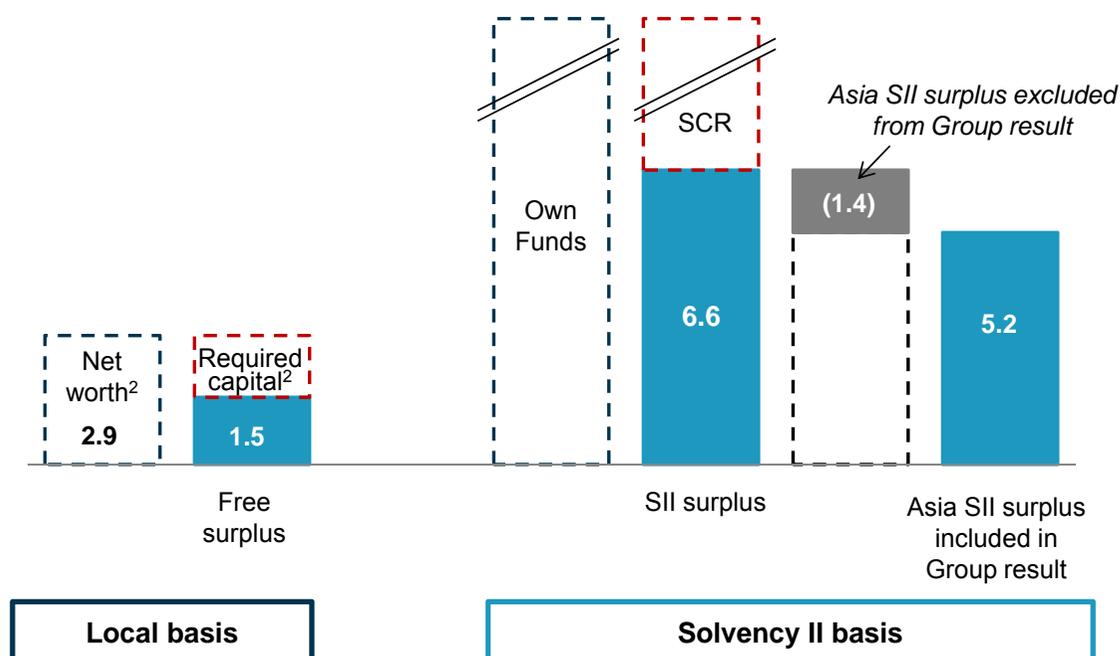
<sup>1</sup> The Group Shareholder position excludes the contribution to the Group SCR and Own Funds of ring fenced With Profit Funds and staff pension schemes in surplus.  
<sup>2</sup> Before allowing for the 2015 second interim ordinary and secondary dividend  
<sup>3</sup> Assumes dynamic transitional recalculation which is subject to PRA approval.  
<sup>4</sup> For Jackson, includes credit defaults of 10 times the expected level. For the UK, transitionals are assumed to be recalculated in response to changes in interest rates

# Solvency II

## Asia excluded surplus not a constraint



Asia Solvency II surplus<sup>1</sup>, FY15, £bn



**Asia**

**Group Solvency II basis**

- Internal model approach

**Calibrations**

- Inclusion of stressed VIF in addition to local regulatory basis surplus
- No credit taken for £1.4bn of Asia SII surplus, reflecting a prudent regulatory view

**Sensitivities**

- Solvency II surplus >3x local basis for published market stresses

**Binding constraint**

- Local regulatory capital basis remains binding constraint

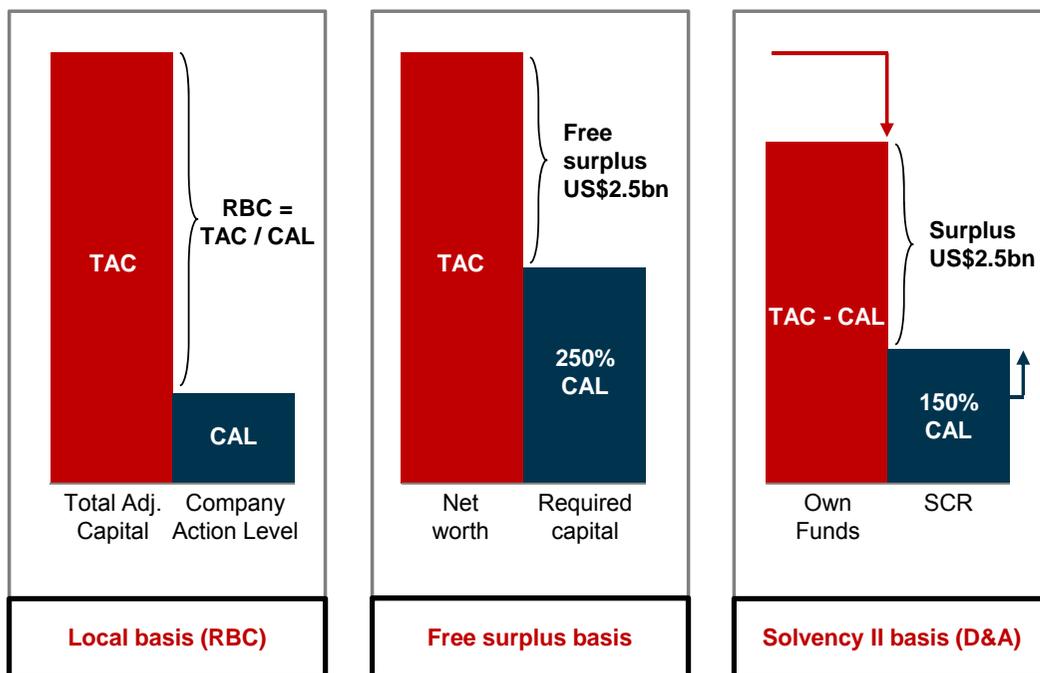
<sup>1</sup> Comprises life entities in Cambodia, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Vietnam. Excludes Eastspring Investments  
<sup>2</sup> Based on Group free surplus disclosure at FY15, with aggregate reported net worth of £2.9 billion and aggregate required capital of £1.4 billion

# Solvency II

Contribution from Jackson in line with current free surplus basis



US solvency surplus<sup>1</sup>, FY15, US\$bn



**US**

**Group Solvency II basis**

- US equivalence (Deduction and Aggregation approach)

**Calibrations**

- Continue to recognise surplus in excess of 250% RBC Company Action Level
- No allowance for diversification benefit with rest of Group

**Sensitivities**

- RBC ratio remains >350% for published market stresses

**Binding constraint**

- RBC remains binding constraint

<sup>1</sup> Relates to Jackson National Life

# Solvency II

Drivers of capital generation / consumption and remittances unchanged 

	Asia	US	M&G
<b>Group Solvency II basis</b>	Internal model approach	US equivalence (Deduction and Aggregation)	Capital Requirements Directive (CRD IV)
<b>Calibrations</b>	<ul style="list-style-type: none"> <li>Inclusion of stressed VIF in addition to local regulatory basis surplus</li> <li>No credit taken for £1.4bn of Asia SII surplus, reflecting a prudent regulatory view</li> </ul>	<ul style="list-style-type: none"> <li>Continue to recognise surplus in excess of 250% RBC Company Action Level<sup>1</sup></li> <li>No allowance for diversification benefit with rest of Group</li> </ul>	<ul style="list-style-type: none"> <li>No change in calculation of surplus, which is modest relative to life businesses</li> </ul>
<b>Sensitivities</b>	<ul style="list-style-type: none"> <li>Solvency II surplus &gt;3x local basis for published market stresses</li> </ul>	<ul style="list-style-type: none"> <li>RBC remains &gt;350% for published market stresses</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>
<b>Binding constraint</b>	<ul style="list-style-type: none"> <li>Local regulatory capital basis remains binding constraint</li> </ul>	<ul style="list-style-type: none"> <li>RBC remains binding constraint</li> </ul>	<ul style="list-style-type: none"> <li>CRD remains binding constraint</li> </ul>

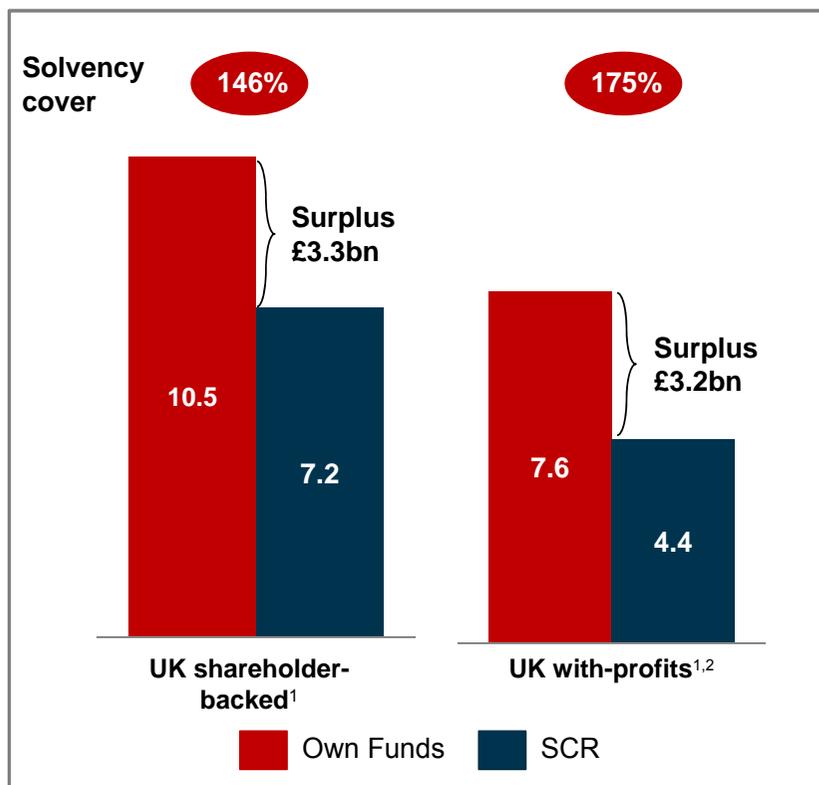
<sup>1</sup> For Jackson, Solvency II recognises surplus in excess of 250% of the RBC Company Action Level (RBC CAL). This is achieved by incorporating in OF Jackson's Total Adjusted Capital less 100% of RBC CAL with 150% of RBC CAL included in the SCR

# Solvency II

## UK Solvency II surplus in line with prior basis



Solvency II surplus, FY15, £bn



### Calibrations

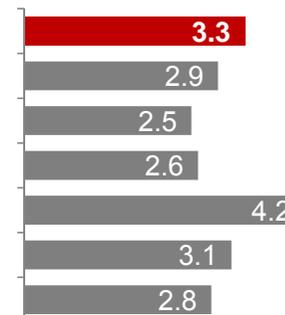
- **Credit:** 172bp p.a. credit allowance for annuities, roughly equivalent to 1.5x the cumulative default losses over the worst 10 years since 1920
- **Longevity:** The risk margin effectively doubles the capital held to cover longevity risk; in total, capital is held to cover around 3x the largest 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 inherited estate of £0.7bn is not recognised<sup>3</sup>

### Sensitivities

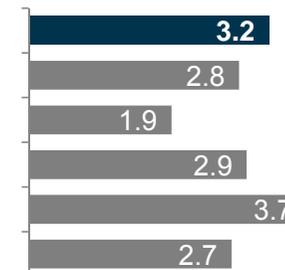
FY15 Solvency II surplus, £bn

- 20% equity fall
- 40% equity fall
- 50bp interest rate fall
- 100bp interest rate rise
- 100bp increase in credit spreads
- 15% annuities portfolio downgrade

Shareholder-backed<sup>1</sup>



With-profits<sup>1,2</sup>



### Mechanisms for improving surplus and mitigating volatility

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

<sup>1</sup> Relates to PAC Ltd  
<sup>2</sup> Includes excess of inherited 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 £0.3 billion

# 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 unchanged for majority of our businesses



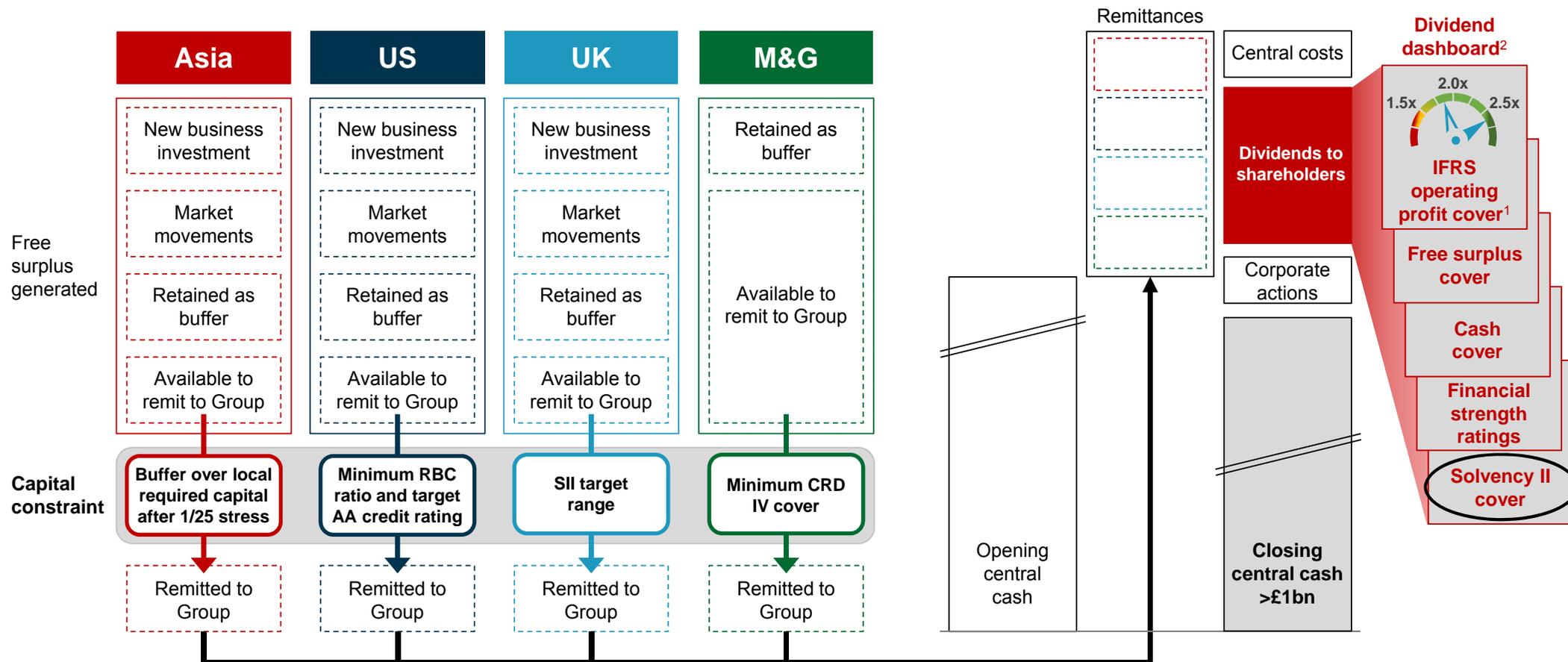
	Regulatory capital basis	
	Pre 1 Jan 2016	From 1 Jan 2016
<b>Asia</b>	Local	<i>No change</i>
<b>US</b>	RBC	<i>No change (equivalent)</i>
<b>M&amp;G</b>	Capital Requirements Directive (CRD)	<i>No change</i>
<b>UK Life<sup>1</sup></b>	Solvency I (Pillar 1 / Pillar 2)	<i>Solvency II with transitional relief<sup>2</sup></i>

1. PAC Ltd

2. Includes the benefit of transitional relief on business in-force as at 31 December 2015

# Solvency II

Capital dynamics and dividend philosophy are unchanged



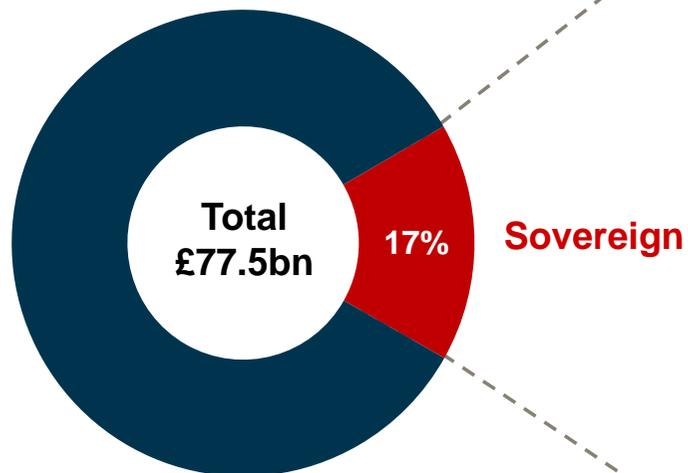
1 Post-tax IFRS operating profit divided by dividends declared. Solid arrow indicates FY15 cover; line arrow indicates FY15 cover after a severe (1/25 year) market event. Equivalent to Group-wide scenario with movements in all risks including a 23% to 28% fall in equity levels, a 0.2% to 0.4% fall in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

# 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	-	4,997	409	152	7	5,565
AA-BBB	3,911	-	137	2,322	20	6,390
Below BBB	-	-	-	837	30	867
<b>Total</b>	<b>3,911</b>	<b>4,997</b>	<b>546</b>	<b>3,311</b>	<b>57</b>	<b>12,822</b>

#### Europe by key countries, £m

	Germany	“PIIGS”	Other	Total
Europe	409	56	81	<b>546</b>

	Portugal	Italy	Ireland	Greece	Spain	Total
PIIGS	-	55	-	-	1	<b>56</b>

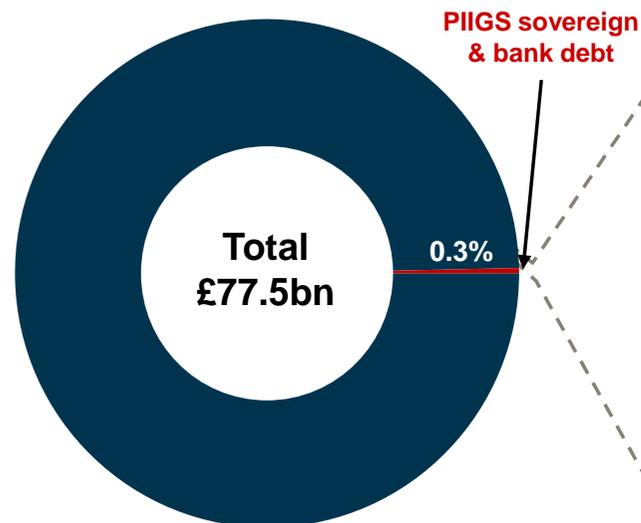
<sup>1</sup> Includes Credit Default Swaps.

# Invested assets

Total PIIGS sovereign and bank debt of £259m



## Breakdown of the shareholder debt securities portfolio, %



### Shareholder invested assets – PIIGS countries as at 31 December 2015, £m

	Sovereign	Institution	Bank debt				Total
			Covered	Senior	Tier II	Tier I	
Portugal	-	Banco Espirito Santo	-	20	-	-	20
Ireland	-	-	-	-	-	-	-
Italy	55	Intesa SanPaolo	-	30	-	-	30
Greece	-	-	-	-	-	-	-
Spain	1	Santander	143	10	-	-	153
<b>Total</b>	<b>56</b>		<b>143</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>203</b>

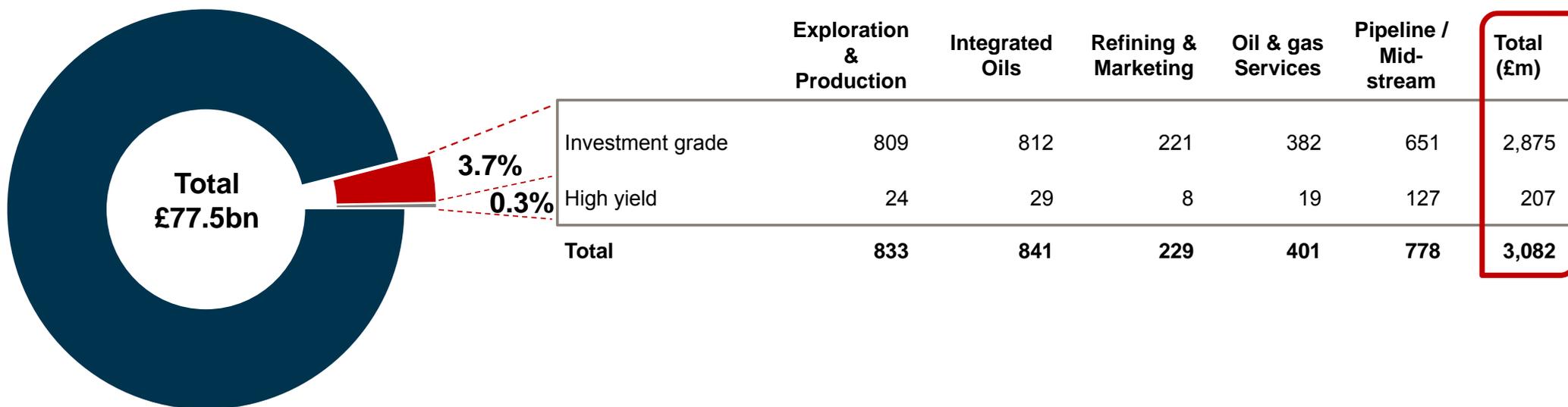
Total PIIGS sovereign & bank debt = £259m

# Invested assets

## Group shareholder exposures – oil and gas sector



### Breakdown of the shareholder debt securities portfolio

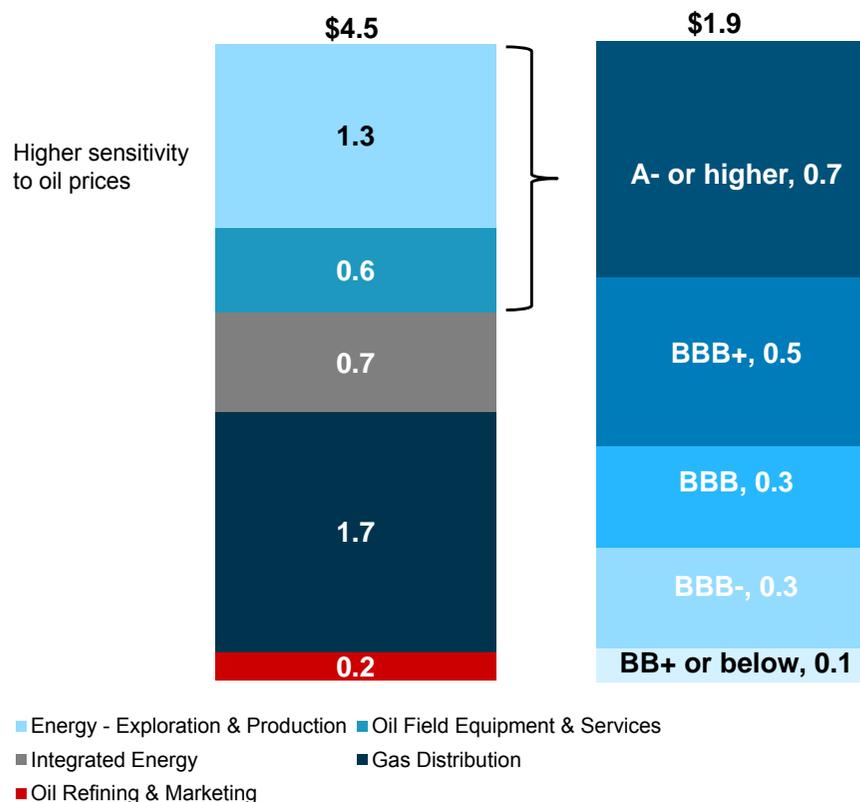


# Invested assets

## US asset quality – Oil and Gas sector



**Energy Portfolio by Sub-Sector – Total IFRS Book Value, in billions 31 December 2015**



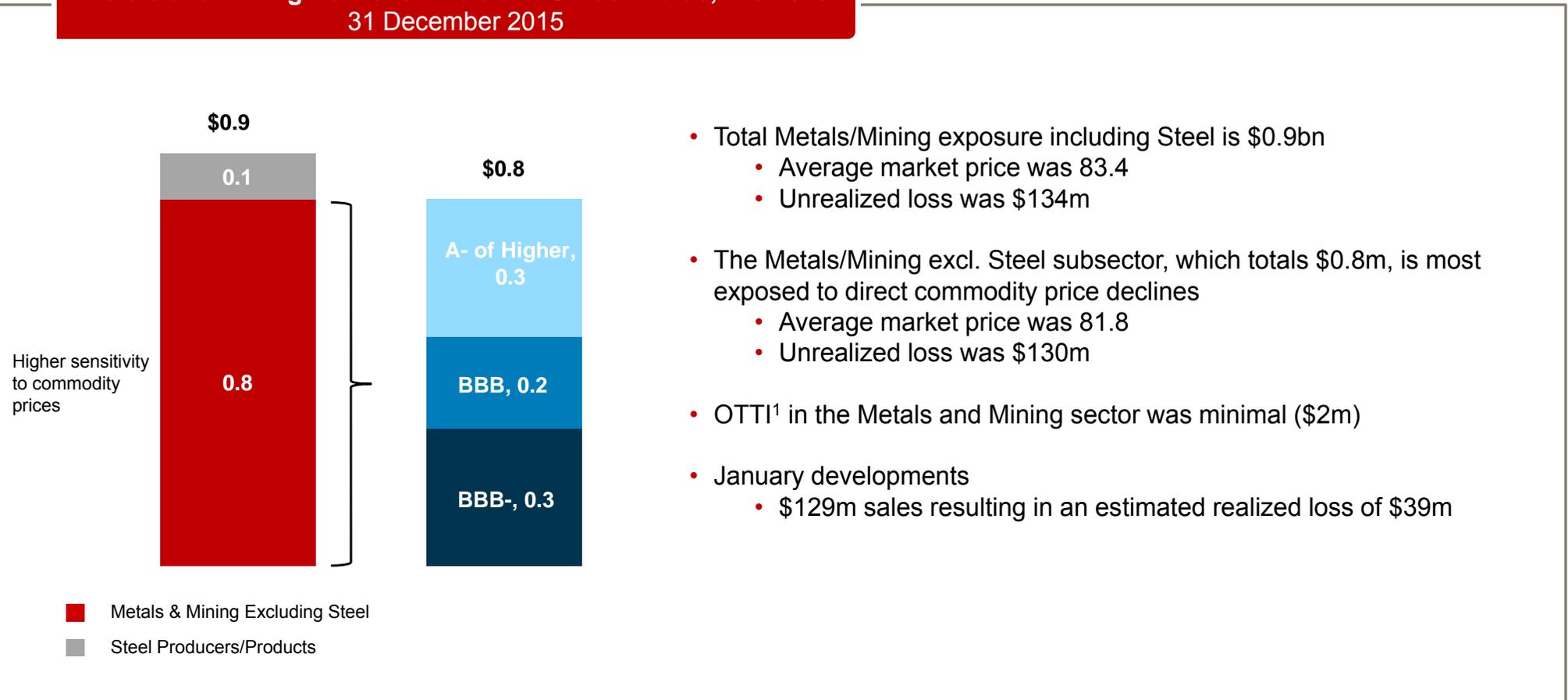
- Total energy exposure is \$4.5bn
  - Total energy exposure is 9% of the fixed maturity portfolio
  - Average market price was 97.0
  - Unrealized loss was \$178m
- The E&P and Oil Field Equipment and Services sub-sectors are the most sensitive to oil prices
  - Average market price was 94.1
  - Unrealized loss was \$113m
- January developments
  - \$148m sales resulting in an estimated realized loss of \$19m

# Invested assets

## US asset quality – Mining sector



**Metals and Mining Portfolio – Total IFRS Book Value, in billions**  
31 December 2015



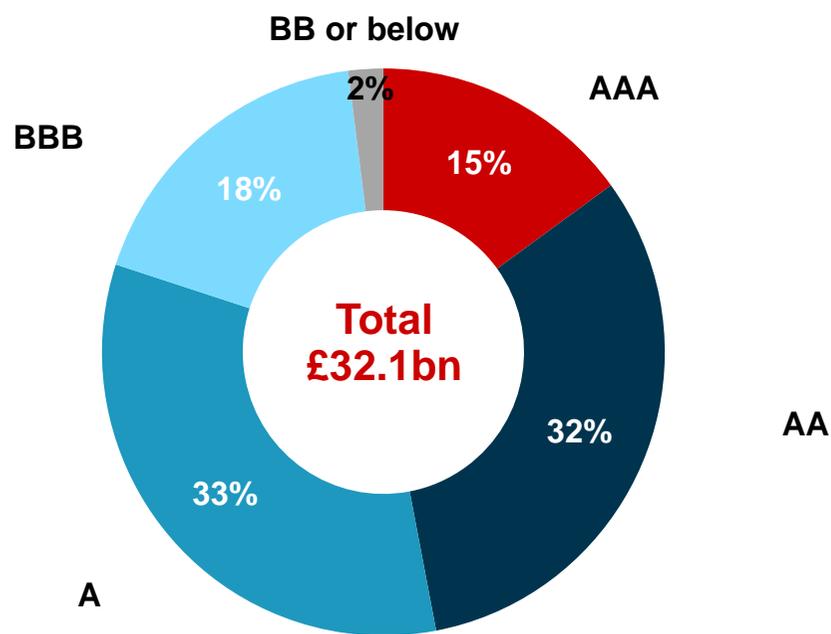
<sup>1</sup> Other than temporary impairment (OTTI).

# 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 £2.1bn credit reserve

- No defaults of shareholder-backed debt securities
- Allowance for credit risk as at 31 December 2015 materially in line with prior year<sup>2</sup>
  - Pillar 1 (IGD) 55 bps
  - IFRS 43 bps
- Pillar 1 assumptions equivalent to 32% of current spread over swaps<sup>2</sup>

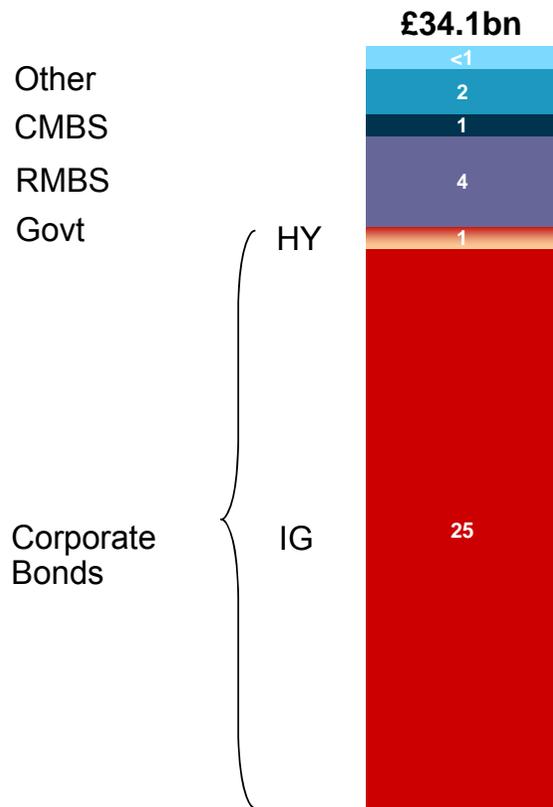
<sup>1</sup> Ratings from different agencies aggregated for presentational purpose. Also includes internal ratings.  
<sup>2</sup> For Prudential Retirement Income Limited (PRIL).

# Invested assets

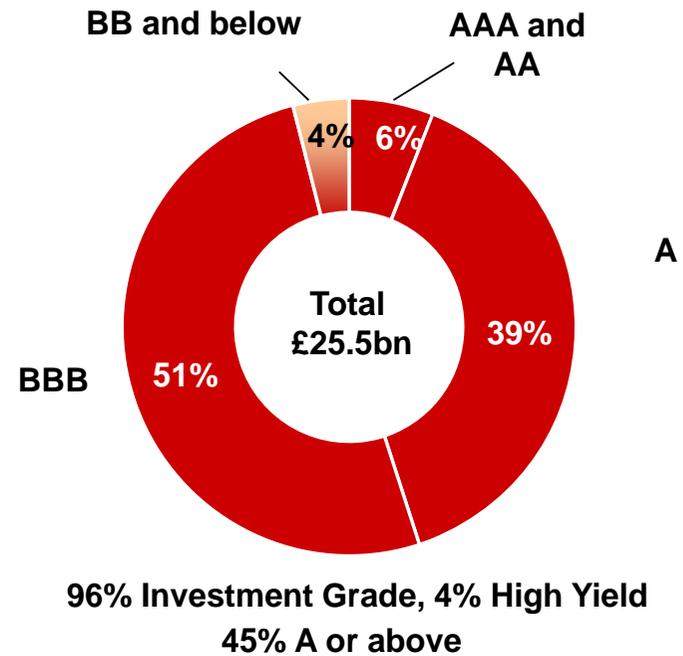
## US asset quality – corporate debt portfolio (1/3)



US Shareholder Debt Securities Portfolio Market value, £bn



Corporate Bond Portfolio, % by rating

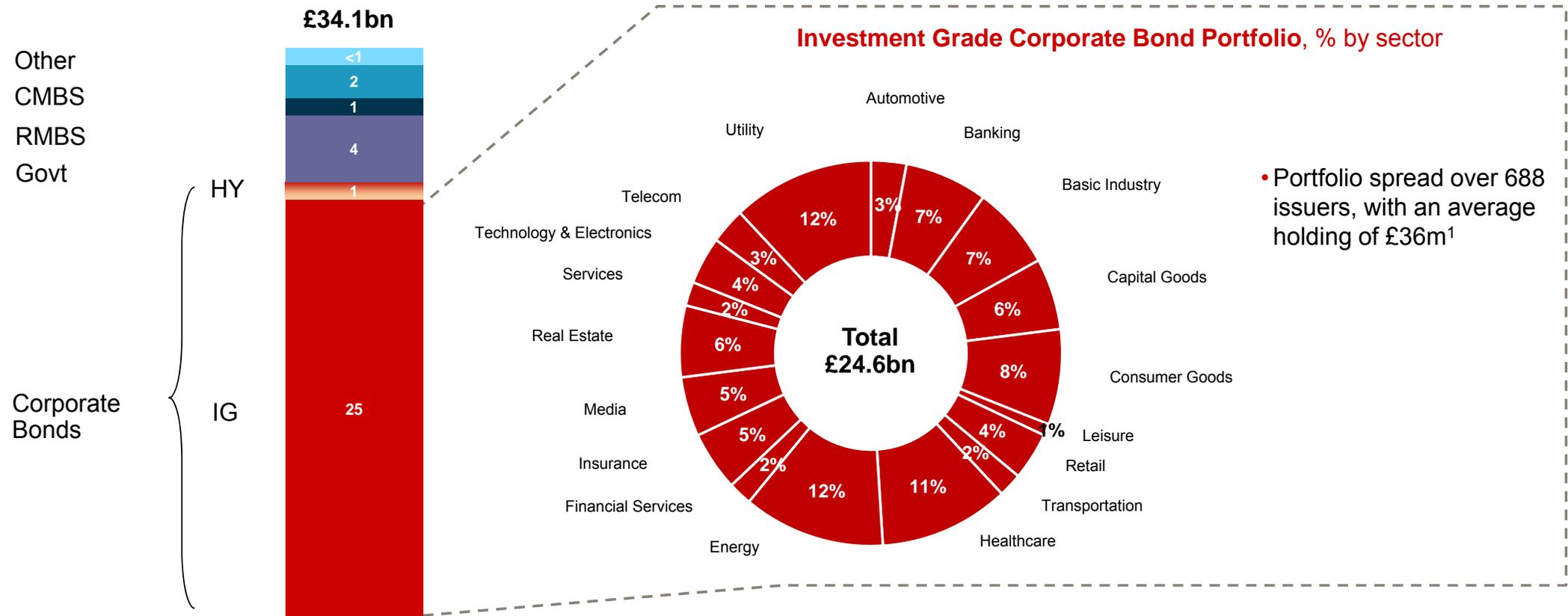


# Invested assets

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



US Shareholder Debt Securities Portfolio Market value, £bn



- Portfolio spread over 688 issuers, with an average holding of £36m<sup>1</sup>

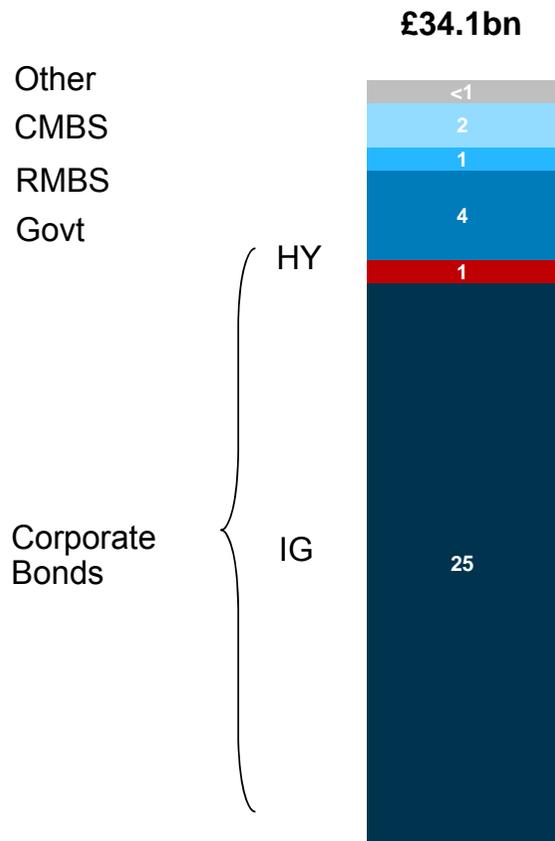
<sup>1</sup> Average holding relates to exposure by issuer

# Invested assets

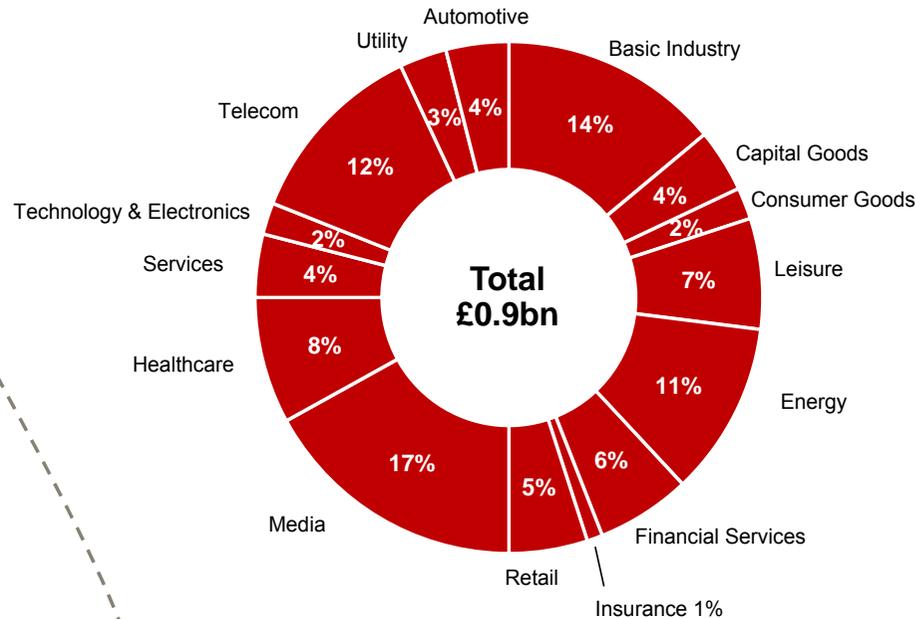
## US asset quality – corporate debt portfolio (3/3)



US Shareholder Debt Securities Portfolio Market value, £bn



High Yield Corporate Bond Portfolio, % by sector



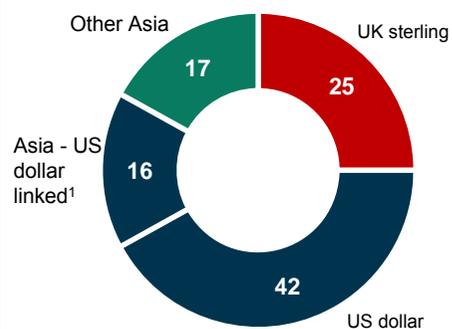
- Portfolio spread across 136 issuers, with an average holding of £6m<sup>1</sup>

<sup>1</sup> Average holding relates to exposure by issuer

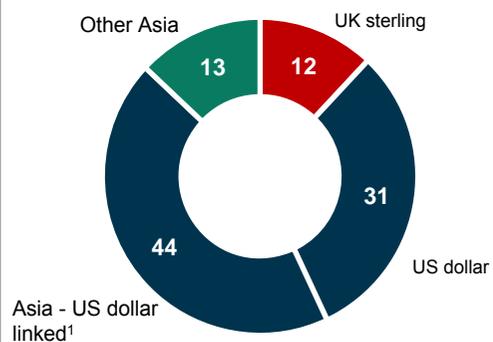
# Currency mix 2015 full year



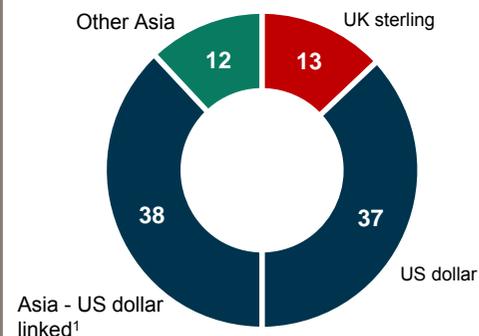
**IFRS operating profit, %**



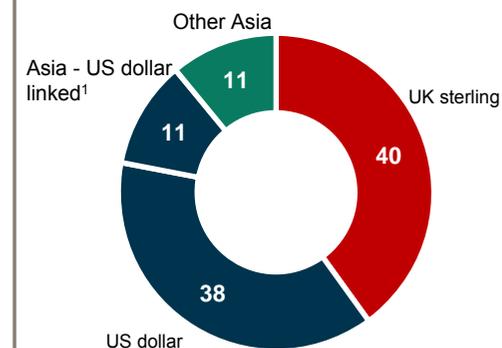
**New business profit, %**



**EEV operating profit, %**



**Underlying free surplus generation, %**



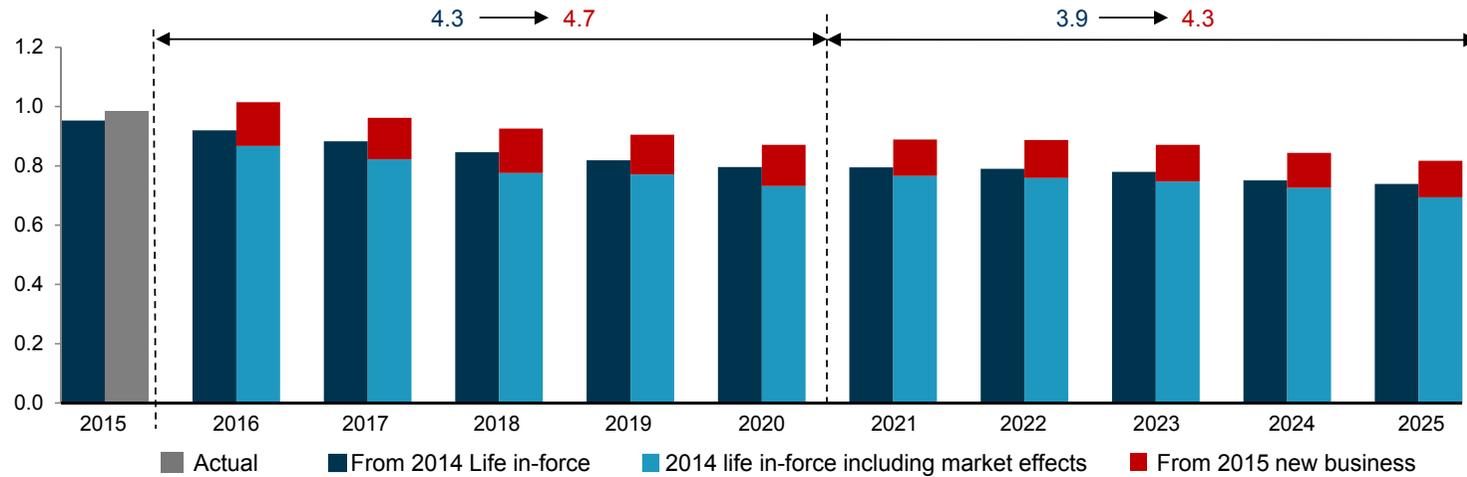
<sup>1</sup> US\$ linked, comprising the Hong Kong and Vietnam operations where the currencies are pegged to the US dollar and the Malaysia and Singapore operations where the currencies are managed against a basket of currencies including the US dollar.

# Future free surplus emergence

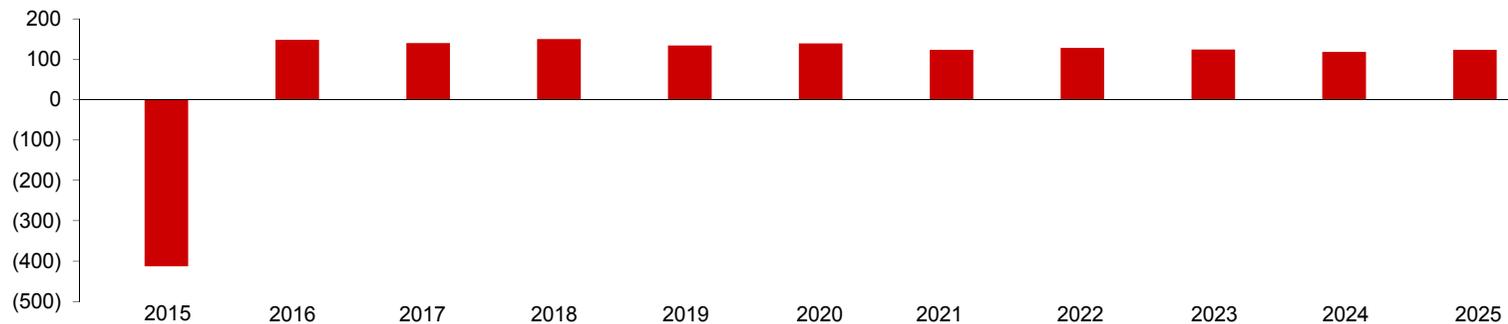
## Asia



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



Expected undiscounted cash flows from 2015 new business, £m

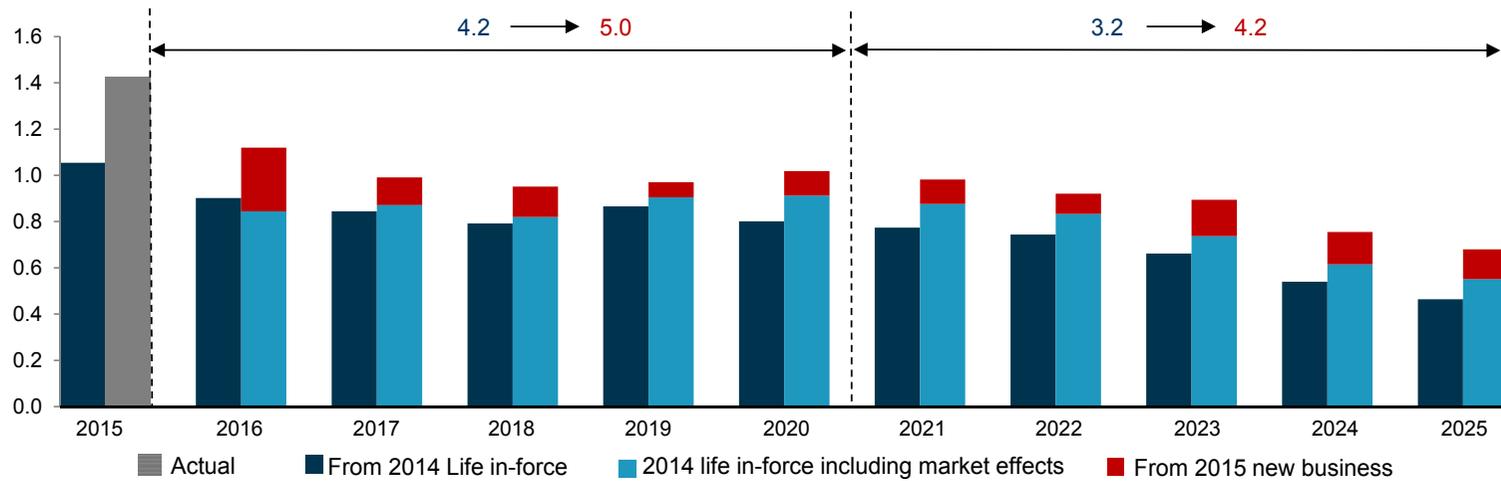


# Future free surplus emergence

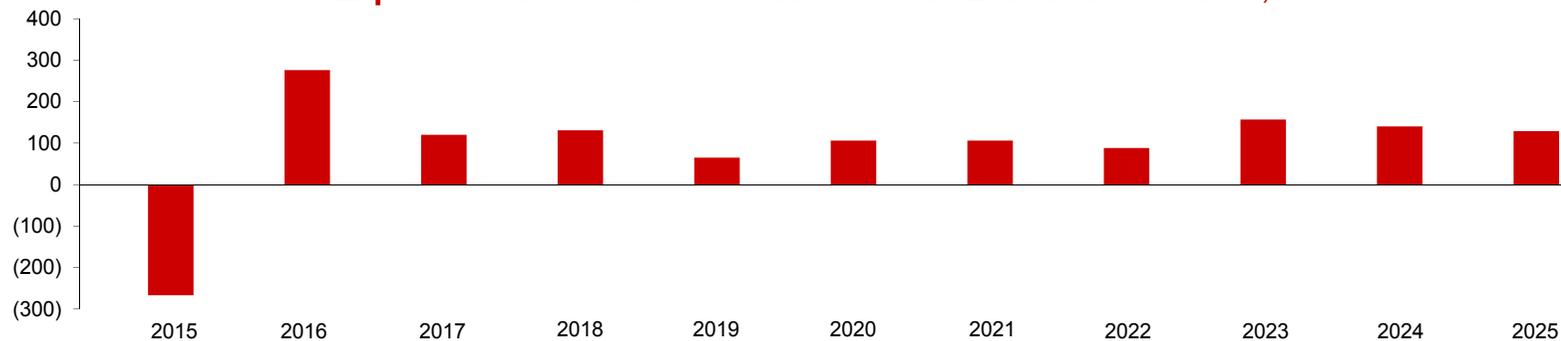
## US



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



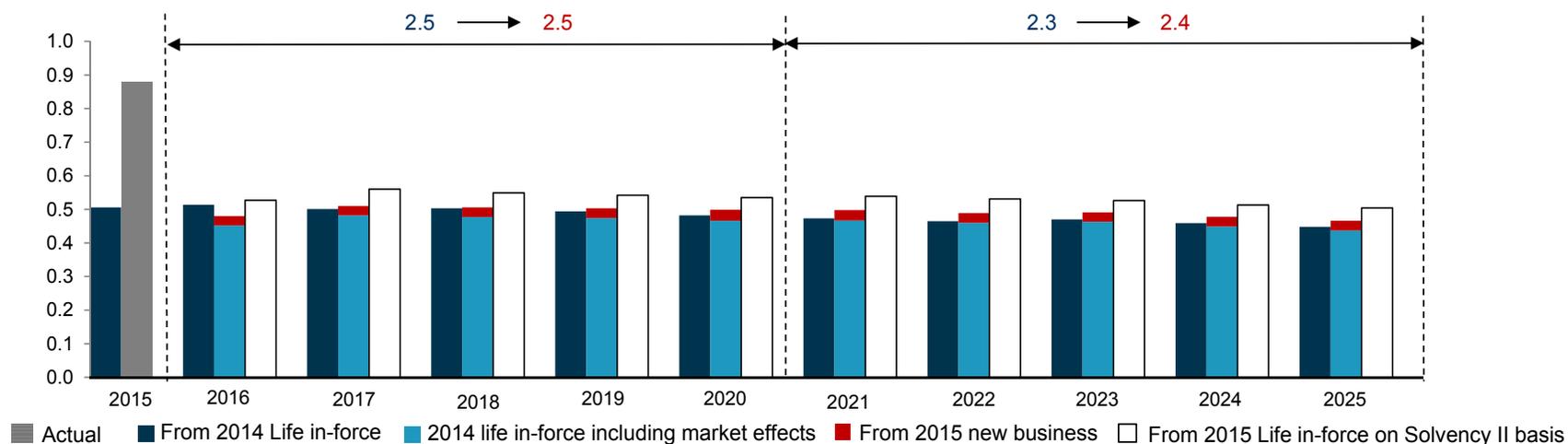
Expected undiscounted cash flows from 2015 new business, £m



# Future free surplus emergence UK



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



Expected undiscounted cash flows from 2015 new business, £m

