



M&GPRUDENTIAL

Investor & Analyst Conference

3 July 2019

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Welcome and introduction

John Foley

3 July 2019

Agenda

What we will cover today

- ▶ Overview of M&GPrudential
- ▶ Our new set-up as a single and integrated company
- ▶ Long-term opportunity in the savings and investments market
- ▶ Capabilities we have at our disposal to capture this opportunity
- ▶ How the merger, demerger and transformation are enhancing them
- ▶ Our track record in building and growing new franchises

The new M&GPrudential

What drives us

M&GPRUDENTIAL

M&GPRUDENTIAL

Becoming the *best loved* and *most successful*
savings and investments company



M&GPRUDENTIAL

A FUND MANAGER WITH A BALANCE SHEET...
... focused on delivering great customer outcomes
through active, high-value, solutions



OUR HISTORY

2017 M&GPRUDENTIAL
1931 M&G INVESTMENTS
1848 PRUDENTIAL



CUSTOMERS

c. **5.5 million**
retail customers¹
c. **900**
institutional clients



GEOGRAPHIES

20 distribution
offices...
... serving
markets **28**



AUM

£ **321** bn
(FY2018)

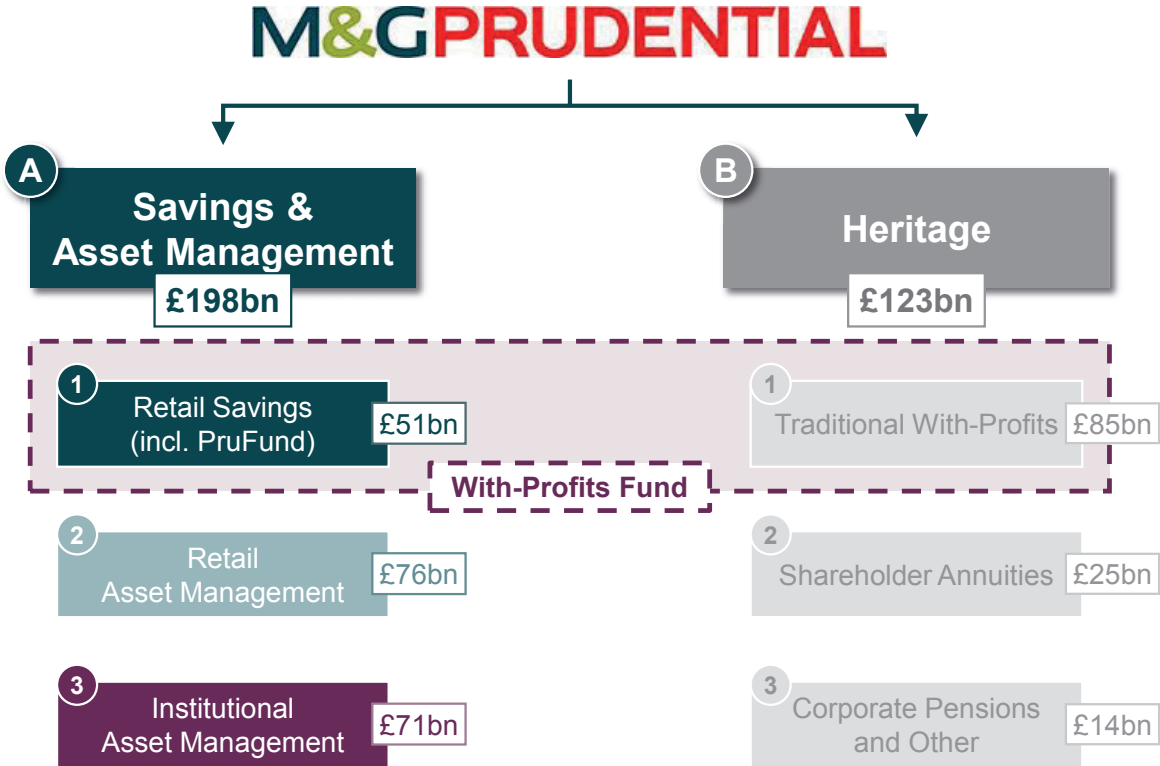
1. Excludes annuity customers expected to transfer to Rothesay Life

New financial segmentation How we see business opportunities

Historical view



New financial segmentation and AuM (FY 2018, £bn)



Totals may not sum as a result of rounding

A series of successful franchises

Our customers

A Savings & Asset Management

Retail Savings (incl. PruFund)

£51bn

- **Comprehensive proposition expanded through the merger**
- Powered by the success of PruFund (£43bn AuM)
- Transforming the business to improve customer experience

Retail Asset Management

£76bn

- **Diversified and innovative mutual fund offering**
- Track record in building international reach
- Focusing on solution oriented funds and Sub-Advisory market

Institutional Asset Management

£71bn

- **Bespoke and high-value investment solutions**
- Market leading Private Asset capabilities
- Broadening distribution across European markets

B Heritage

£123bn

- **Large customer base with long-duration products**
- Home of our Shareholder Annuities book
- Variabilising the cost base while improving customer outcomes

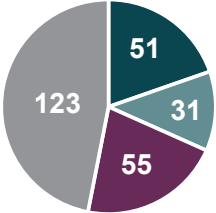
The Savings and Investments market

Local and international expansion at scale

UK

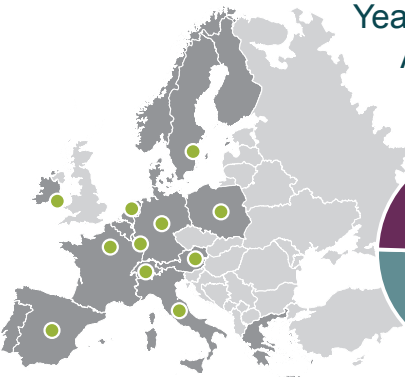


Year of entry: **1848**
AuM: **£260bn**

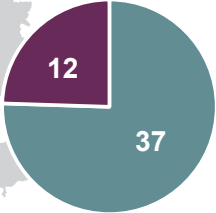


A **leading player** serving the needs of both institutional and retail customers

Europe



Year of entry: **2001**
AuM: **£49bn**



An **investment manager** with strong reputation and local distribution teams

International



ASIA
2011

SOUTH AFRICA
2011

NORTH AMERICA
2018

AUSTRALIA
2018

AuM: **£15bn¹**



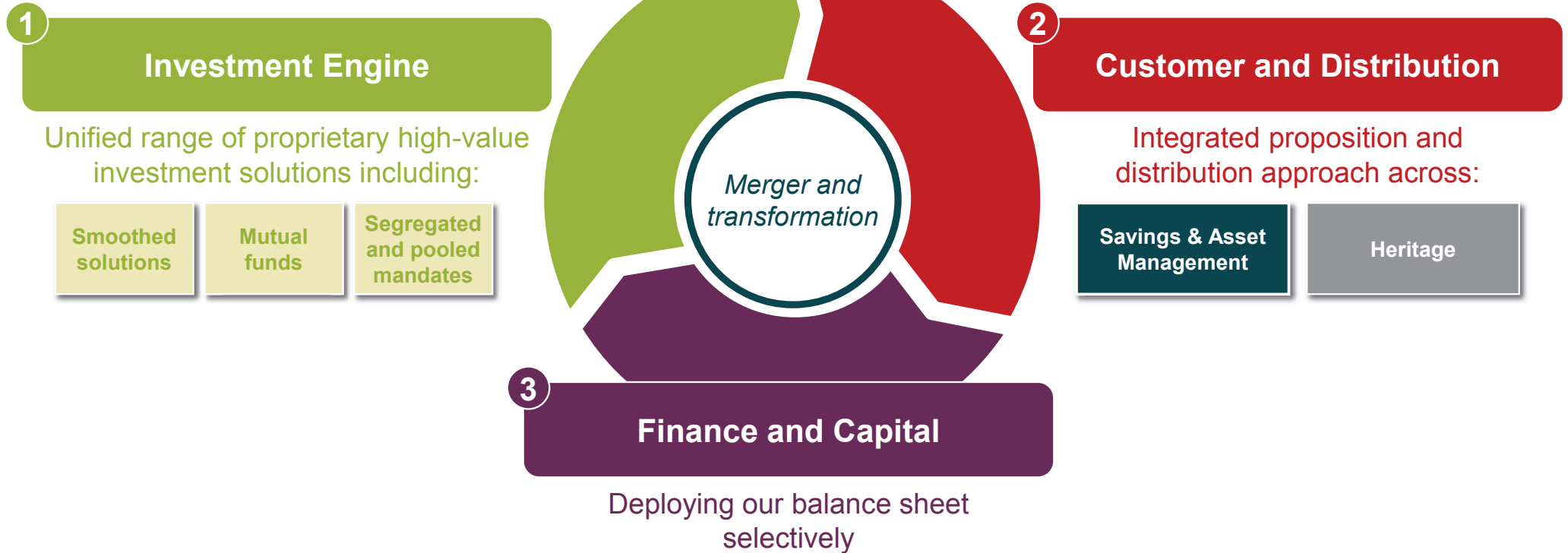
A **new entrant** in North America and Australia with longer tradition in South Africa and Asia

Retail Savings
 Retail Asset Management
 Institutional Asset Management
 Heritage
 Distribution centres

Totals may not sum as a result of rounding
1. Includes £3.8bn of assets managed by M&G for other Prudential plc Group companies

Our organisation A single and integrated company

M&GPRUDENTIAL



Our organisation Your presenters today

M&G PRUDENTIAL

1

Investment Engine

Jack Daniels
Chief Investment
Officer

William Nicoll
Head of Institutional
Fixed Income

2

Customer and Distribution

David Macmillan
Chief Customer and
Distribution Officer

Joffy Willcocks
Global Head of Asset
Mgmt. Distribution

Roddy Thomson
Chief Operating Officer &
Managing Director Heritage

3

Finance and Capital

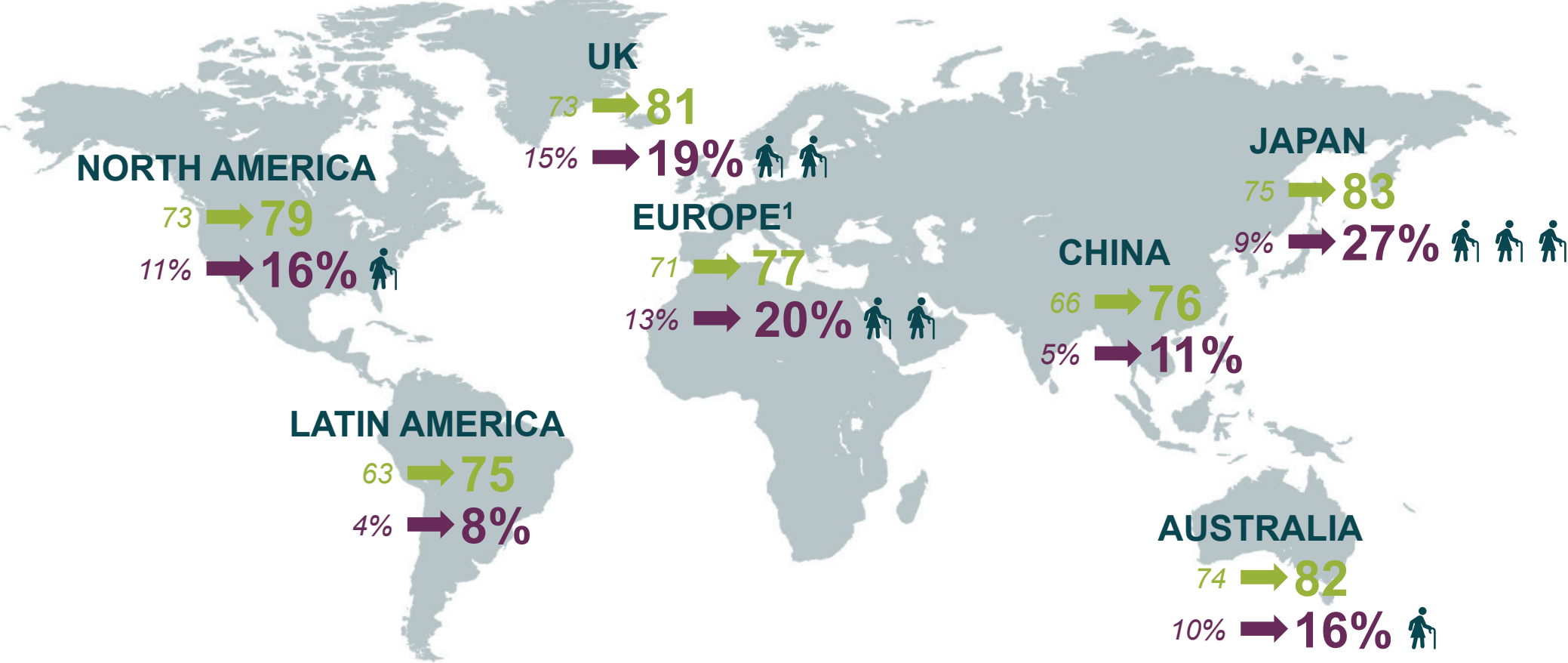
Clare Bousfield
Chief Financial Officer

*Merger and
transformation*

Global demographic trends

An ageing society

Life expectancy at birth (change between 1980 and 2015)
Share of population aged 65 or more (change between 1980 and 2017)

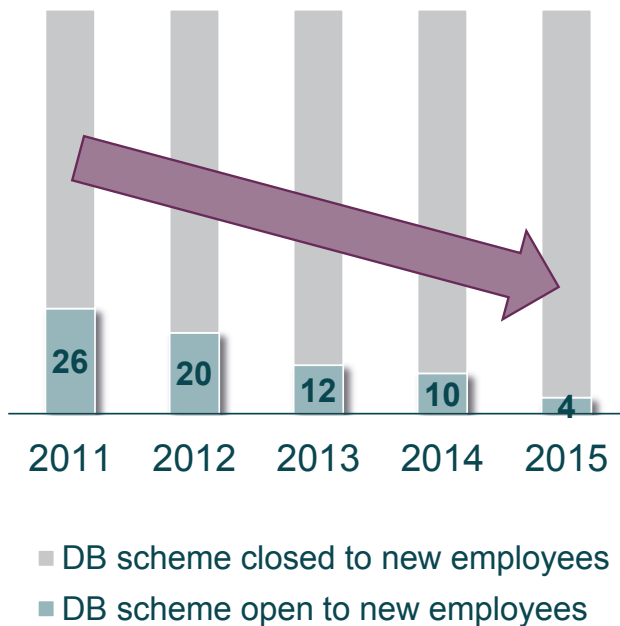


1. Data refers to the European Union
 Source: United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision; World Bank

Retreat by corporates and governments A widening saving gap

Corporates retreat from DB schemes...

Number of FTSE 100 companies with DB schemes open to new employees



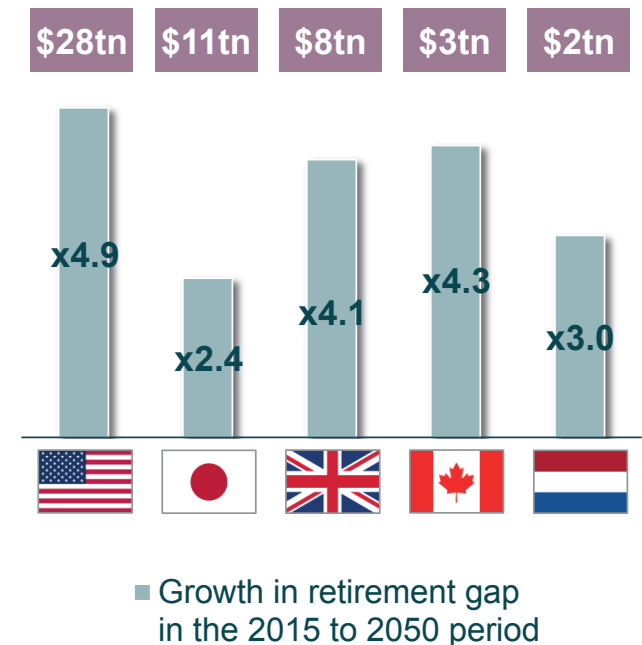
... governments defer statutory retirement age...

Retirement age in key European markets

Country	Current	Future
	65	67 by 2028 ¹
	65 and 7 months	67 by 2031
	66 and 2 months	67 by 2023
	65 and 5 months	67 by 2027
	66 and 7 months	67 by 2022 ¹

... while savers face a widening retirement gap

2015 retirement gap by country and expected growth multiple by 2050²

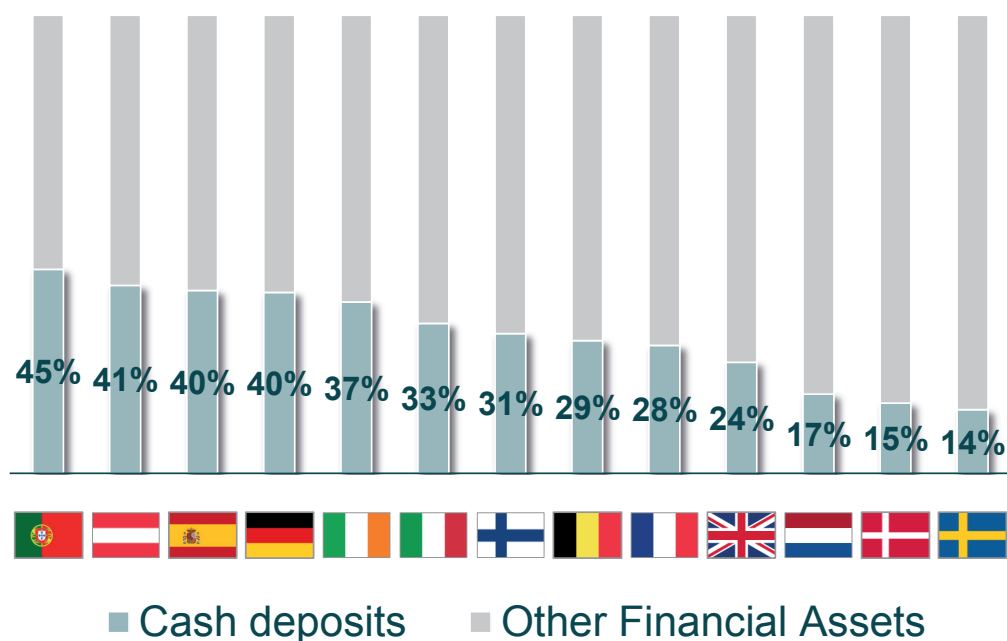


1. Future retirement age set to automatically increase further in line with life expectancy improvements; 2. World Economic Forum estimate
Source: Deloitte "FTSE 100 DC pension survey 2016-17", ETK Finland, and World Economic Forum

Putting cash to work The biggest opportunity

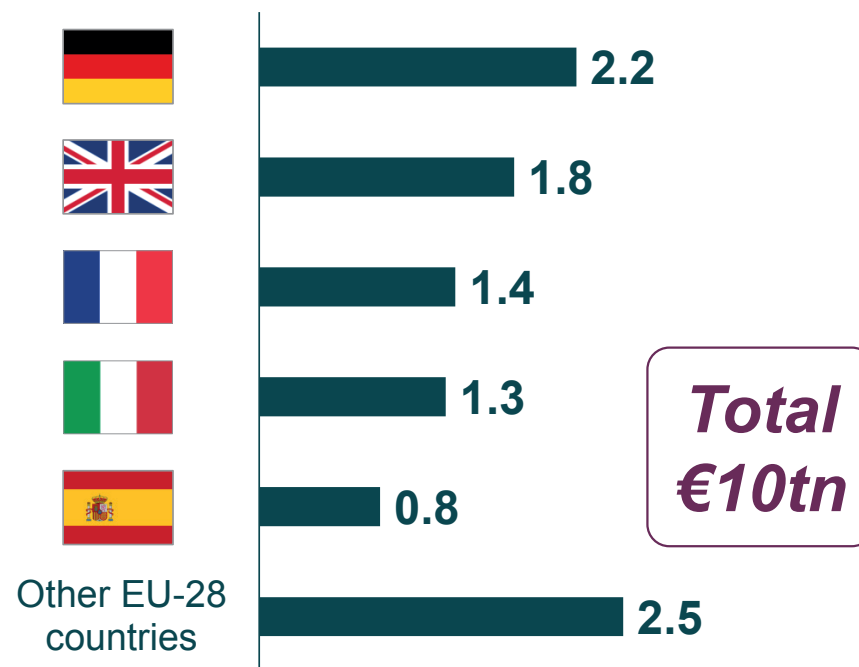
In Europe, a significant portion of financial assets is still held as cash...

Cash deposits as % of financial assets in Europe (Sep-18)



... representing a huge untapped potential in the savings market

Cash deposits assets in Europe (2016, in EUR trillion)



Investment Engine

Investment solutions meeting customer needs

Our aim is to make all our investment capabilities available to the broadest range of retail customers and institutional clients, through their preferred channel, platform and tax wrapper

Smoothed solutions

- PruFund is part of the largest With-Profits Fund in the UK
- AuM Currently stands at over £43bn
- PruFund Growth pension delivered positive returns every year since its launch in 2008¹

Mutual funds

- A complete range of funds spanning all major asset classes
- c.£76bn in retail AuM, over half of which raised outside the UK
- 74% of AuM are in the top 2 quartiles for performance²

Segregated and pooled mandates

- One of the leading European investors in private assets
- £71bn of external institutional AuM on top of £118bn assets from Prudential UK & Europe³
- 88% of mandates achieve or exceed target outcomes⁴

1. The pension version of PruFund Growth has delivered positive returns in every full calendar year since its launch in November 2008, and most notably in 2018; a feat that is unmatched by its peers in the ABI Mixed Investment 20-60% Shares and 40-85% Shares sectors, and IA equivalents
2. 3-year performance weighted by AuM as of Dec-2018; 3. Prudential UK&E AuM managed by M&G, plus £2.8bn AuM from Prudential Asia Corporation and Asia Life Fund ; 4. Internal performance measure; Source: M&GPrudential as of FY2018

Customer and Distribution

Attractive growth opportunities

UK

Broaden proposition
through digital and investment
capabilities

- Transform digital customer experience
- Seize tactical growth opportunities e.g. CD1¹
- Increase private asset origination capacity

Europe

Deepen presence
across institutional and retail
markets

- Enhance institutional coverage in retail markets and vice versa
- Capitalise on demand for investment solutions
- Increase private asset origination capacity

International

Focused investments
to capture global growth
opportunities

- Leverage existing retail distribution partnerships model with global banks
- Disciplined expansion in large institutional markets (e.g. Japan, US, Australia)



Proactive and **disciplined**
managers of capital...



... delivering **attractive shareholder returns**
balancing dividend and profitable growth...



... while **supporting transformation** to drive customer
experience, scalability, efficiency and capability

An international leader in savings and investments

The scale of our ambition

Where we come from

Who we are

A leading UK savings and investments business with a growing European footprint



What we do

Two businesses providing annuities, retail and institutional asset management solutions



How we do it

Distributing through financial partners and largely servicing customers via telephone and paper



Where we are going



An **international leader in savings and investments** with investment management and asset origination hubs around the world

An **integrated proposition** to help individuals and institutions **grow and manage their savings** and meet their financial needs



Transform our business to ensure we can **service our customers however they want, whenever they want**

M&GPrudential's story

Key messages

1  Unique and compelling business mix; a fund manager with a balance sheet

2  Differentiated and high-value savings and investments solutions to address customers' needs

3  Proven track record for growing new franchises, at home and internationally

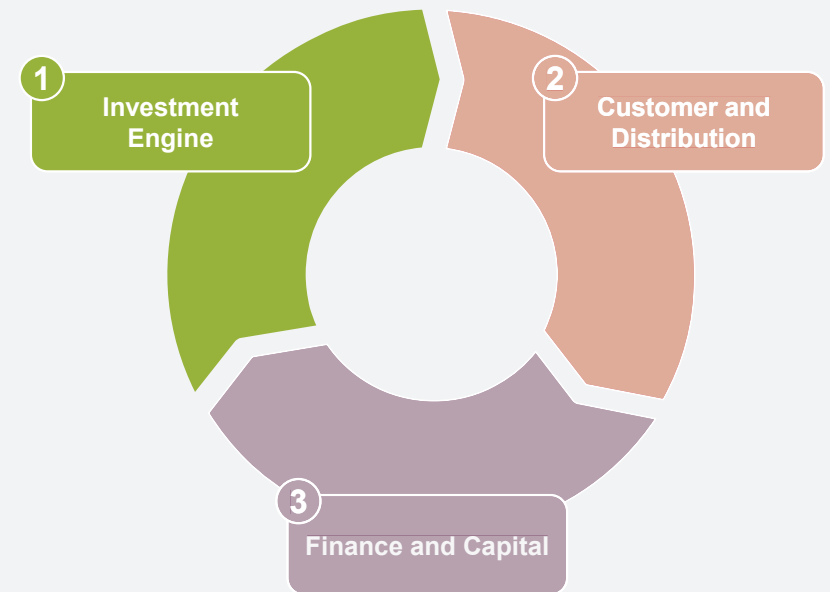
4  Well positioned to capture opportunities from demographic shifts and the search for yield

5  Attractive total return profile with capital discipline and profitable growth

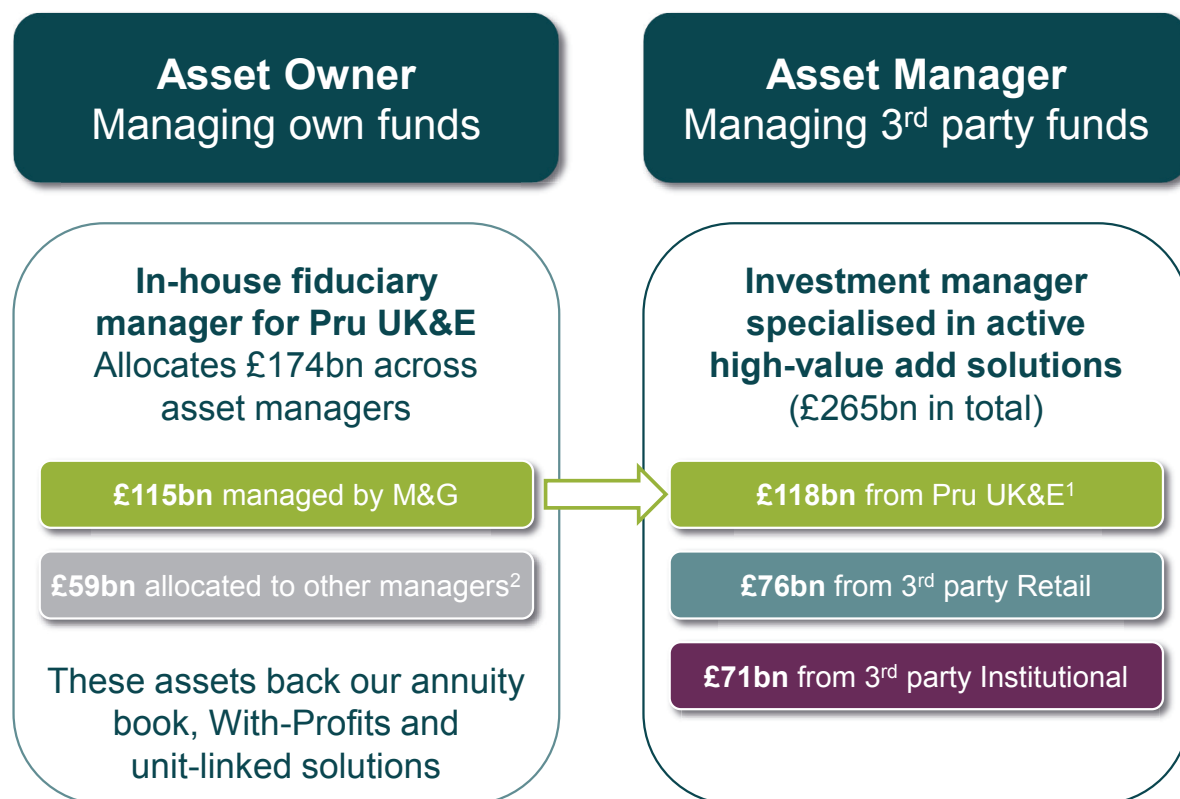
1. Investment Engine

Jack Daniels

3 July 2019



Asset Owner and Asset Manager



Being both an asset owner and manager is a key competitive advantage and allows us to:



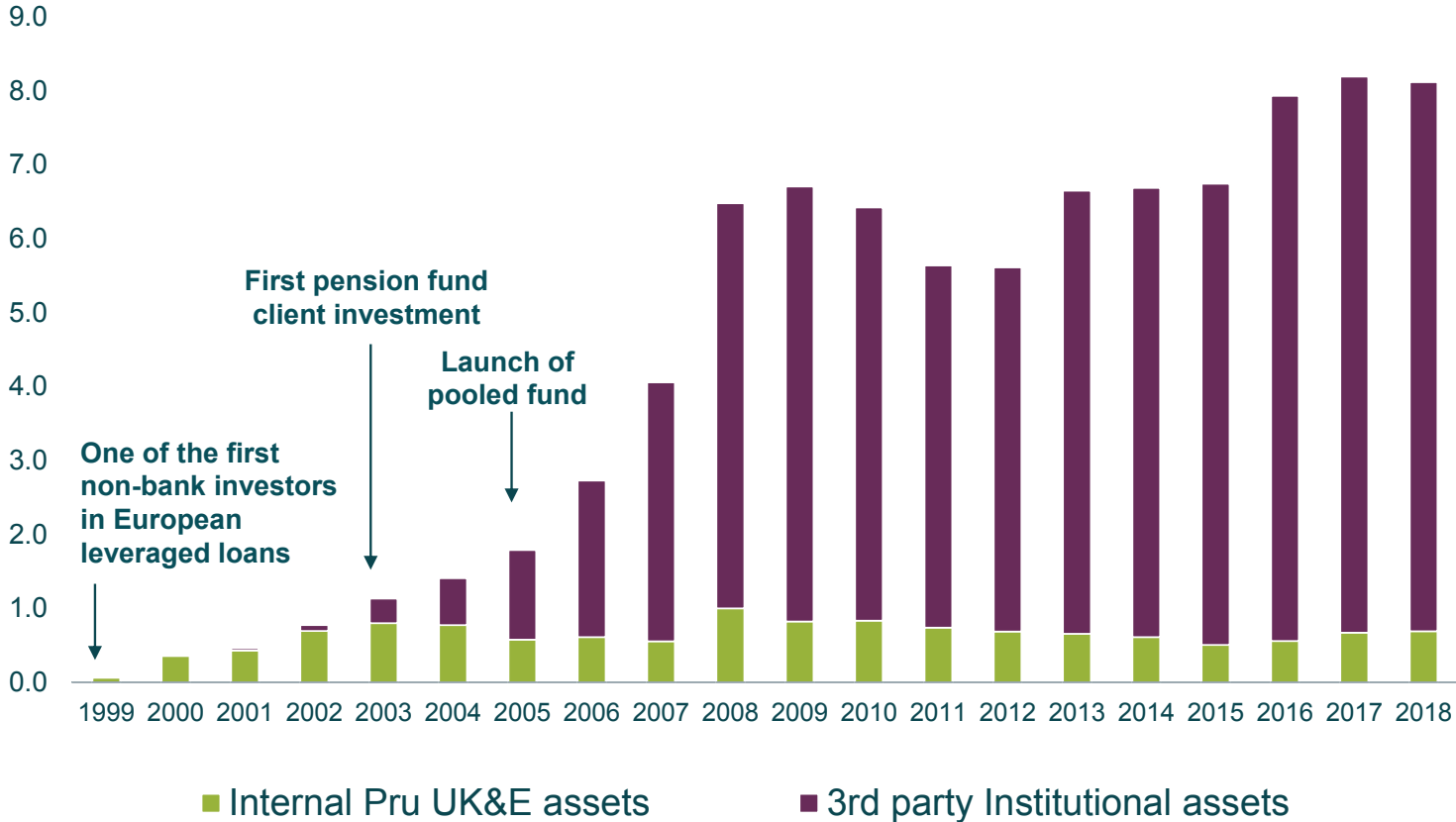
- Understand clients' needs
- Maintain a long-term investment philosophy
- Align incentives
- Rapidly deploy seed funding
- Invest at scale
- Attract third party funds

1. Also includes £2.8bn AuM from Prudential Asia Corporation and Asia Life Fund; 2. Predominantly other asset managers within the Prudential PLC group
Source: M&GPrudential as of FY18

Innovation benefits internal and external clients

Leveraged loans example

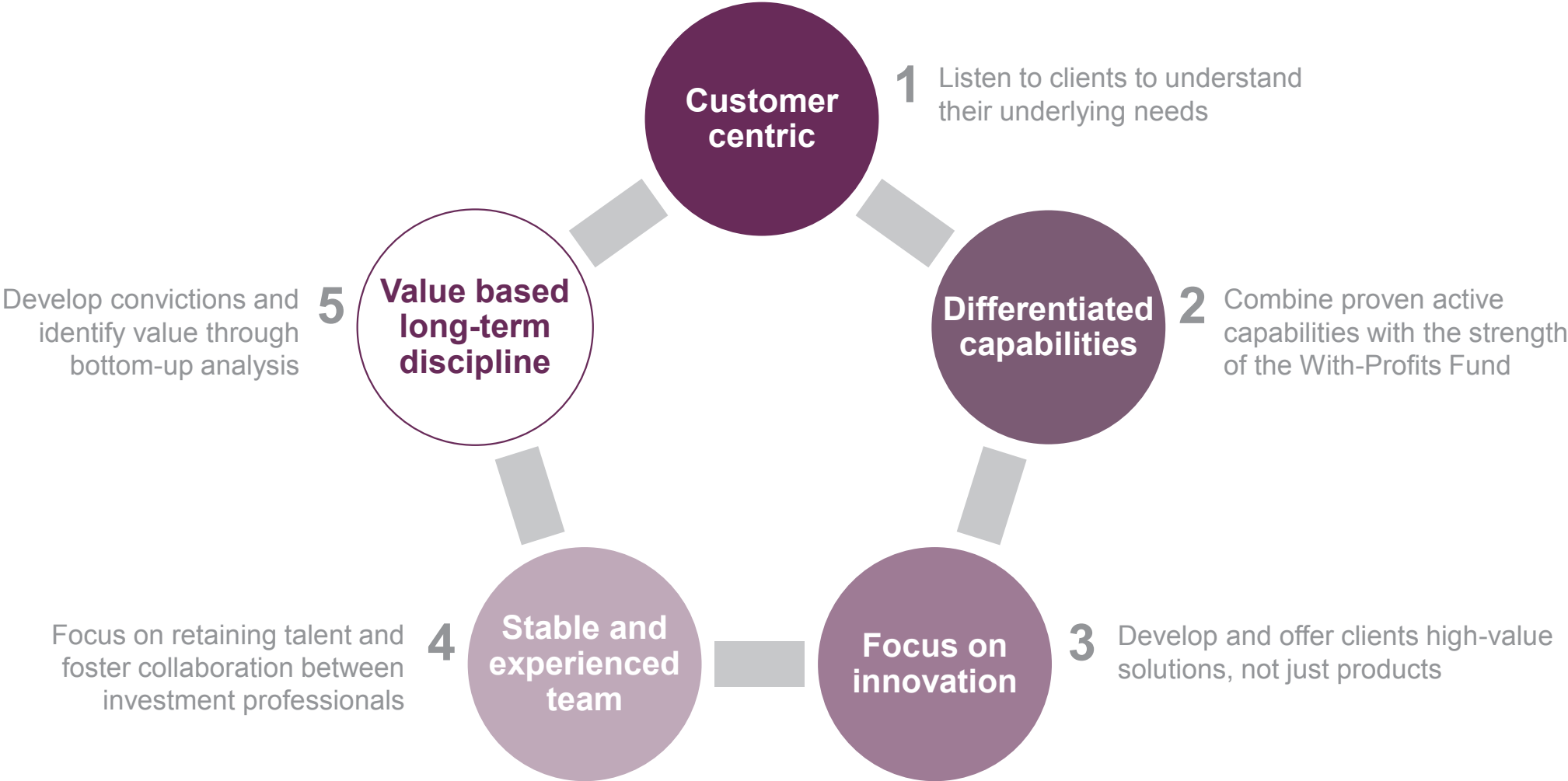
Leveraged loans AuM in £bn



- One of the first non-bank investors in the asset class
- Development of capability and track record attracted third-party money
- Now a leader in the field, serving 200+ clients, with c. £8bn AuM¹

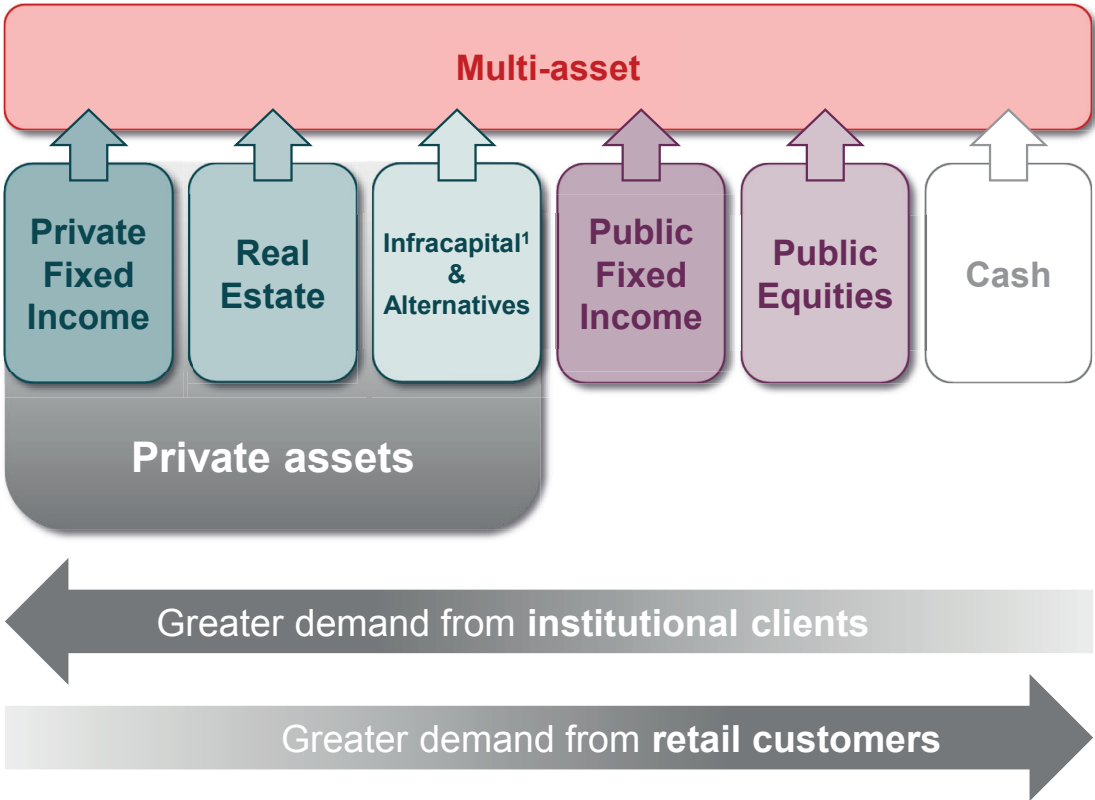
1. Includes all holdings in the portfolio; i.e. cash, Floating Rate Notes and Fx considerations
 Source: M&G 31 December 2018. M&G figures are shown on a nominal basis plus committed capital

Our approach to investing



Industry leading capabilities

Our investment capabilities



Some of our achievements



We are one of the largest Private Debt Investors in the world (and 2nd in Europe)²...



... as well as one of the largest Private Real Estate Debt Fund Managers (again 2nd in Europe)³



Our With-Profits Fund is one of the largest multi-asset funds in Europe⁴...

... and we also run the 3rd largest bond mutual fund in Europe⁵

1. M&GPrudential Infrastructure team; 2. PDI50; 3. PERE Debt Funds 50; 4. OBMG, the largest sub-fund of our With-Profits Fund; 5. Refers to the M&G (Lux) Optimal Income Fund; Source: Morningstar Asset Flows Europe OE ex MM ex FoF ex Feeder as at 31 March 2019. Based on AuM data in Euro

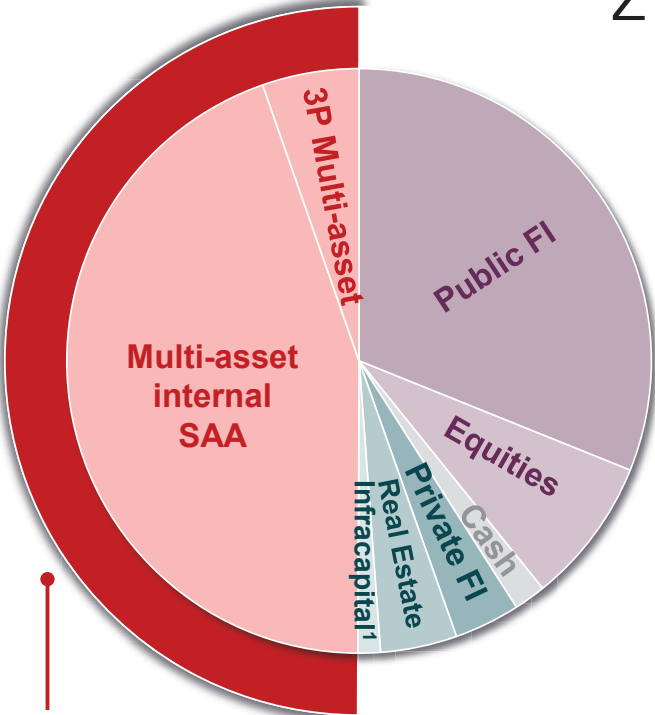
Scale in high-value market segments

AuM by strategy

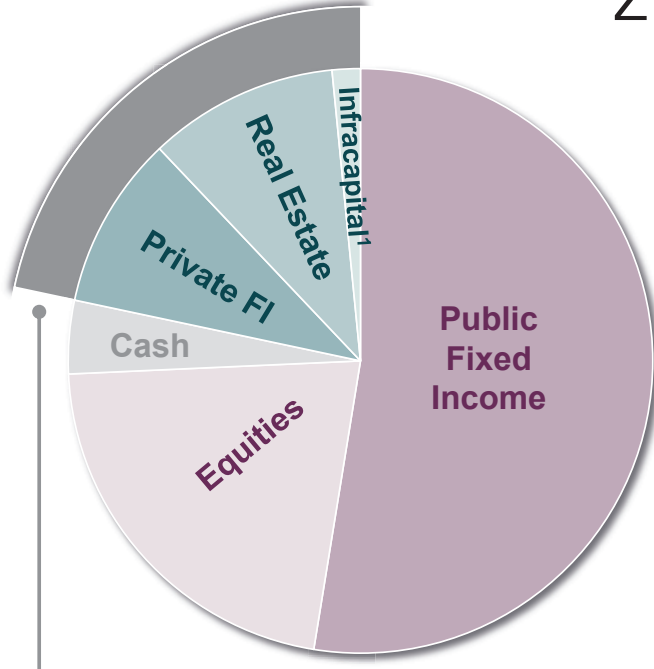
AuM by asset class

Σ £265bn

Σ £265bn



Look-through of Multi-asset holdings



**Multi-asset
£132bn**

**Private Assets
£57bn**

1. M&GPrudential Infrastructure team
Note: All internal AuM have been categorised as multi-asset; Source: M&GPrudential as of FY18

Strengths in the right places



Search for yield

Low yields drive shift from deposits to Fixed Income and from Public to Private assets

Trend benefits:

Private Assets

Public Fixed Income



Volatility management

Desire to limit volatility drives shift towards assets with less correlation to financial markets

Trend benefits:

Private Assets

Multi-asset



Pension de-risking

DB pension scheme de-risking drives need for solutions to match cash flows

Trend benefits:

Private Assets

Public Fixed Income

1

Asset Owner Managing own funds

In-house fiduciary manager for Pru UK&E
Allocates £174bn across asset managers

£115bn managed by M&G

£59bn allocated to other managers²

These assets back our annuity book, With-Profits and unit-linked solutions

Deep-dive 1

Asset Manager Managing 3rd party funds

Investment manager specialised in active high-value add solutions
(£265bn in total)

£118bn from Pru UK&E¹

£76bn from 3rd party Retail

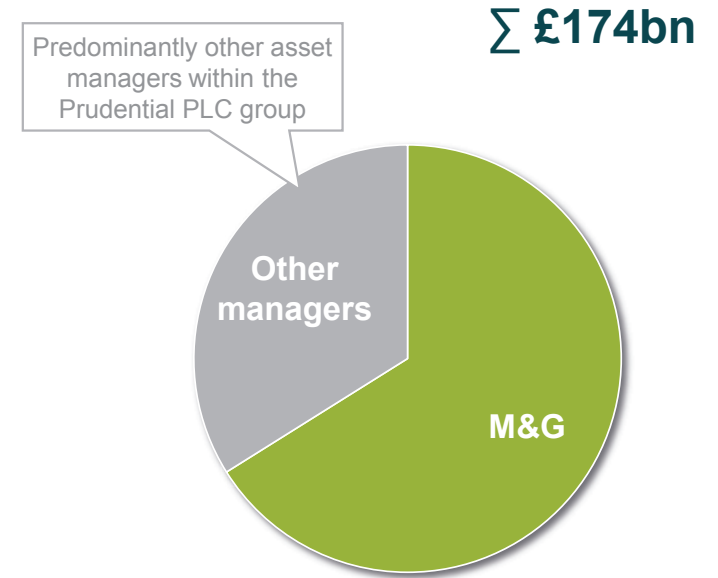
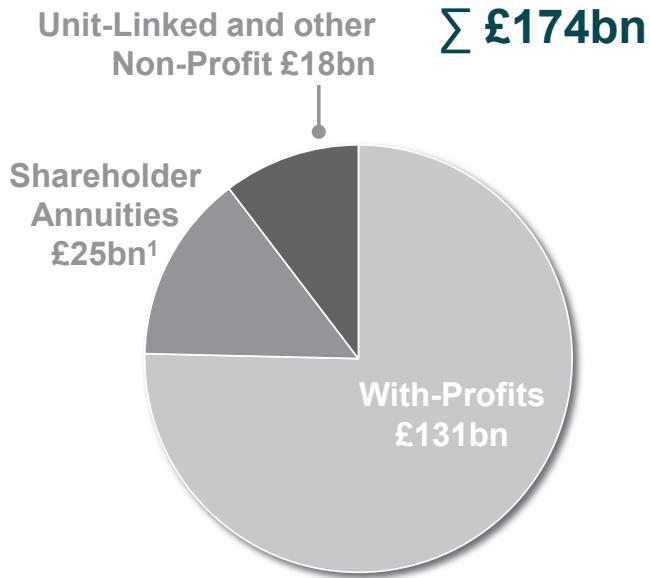
£71bn from 3rd party Institutional

Being both an asset owner and manager is a key competitive advantage and allows us to:



- Understand clients' needs
- Maintain a long-term investment philosophy
- Align incentives
- Rapidly deploy seed funding
- Invest at scale
- Attract third party funds

1 The role of the Investment Office



1. Includes surplus assets
 Source: M&GPrudential as of FY18

1 Characteristics of the With-Profits Fund



Long-term approach



Diversification



Active management



Importance of value and valuation



Illiquidity premium



Credit risk premium

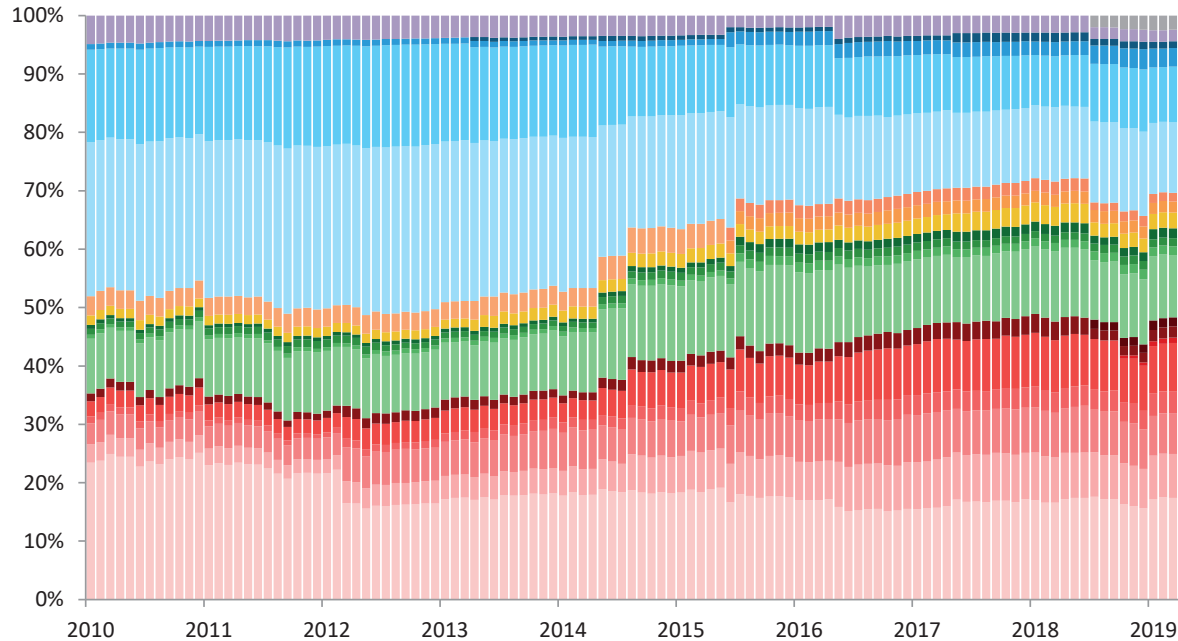


Evolving asset mix and new asset classes

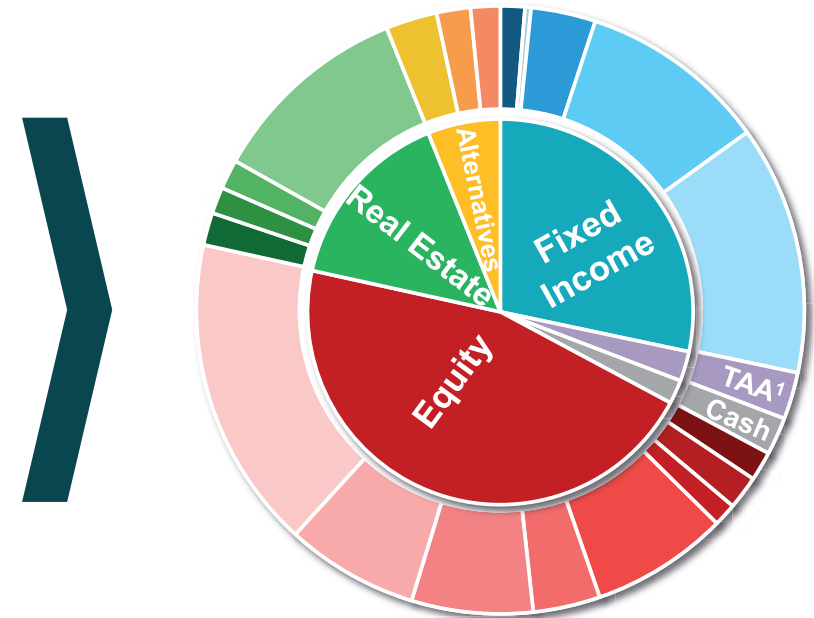
Investment Office strategy and process

1 Strategic Asset Allocation Evolution of the With-Profits Fund

Asset allocation evolution between 2010 and 2019



Asset allocation as of April 2019



Equities

- UK
- Europe
- North America
- Japan
- Asia ex. Japan
- China
- GEM
- MEA

Real Estate

- UK
- Europe
- North America
- Asia

Alternatives

- Private Equity
- Hedge Fund
- Infrastructure

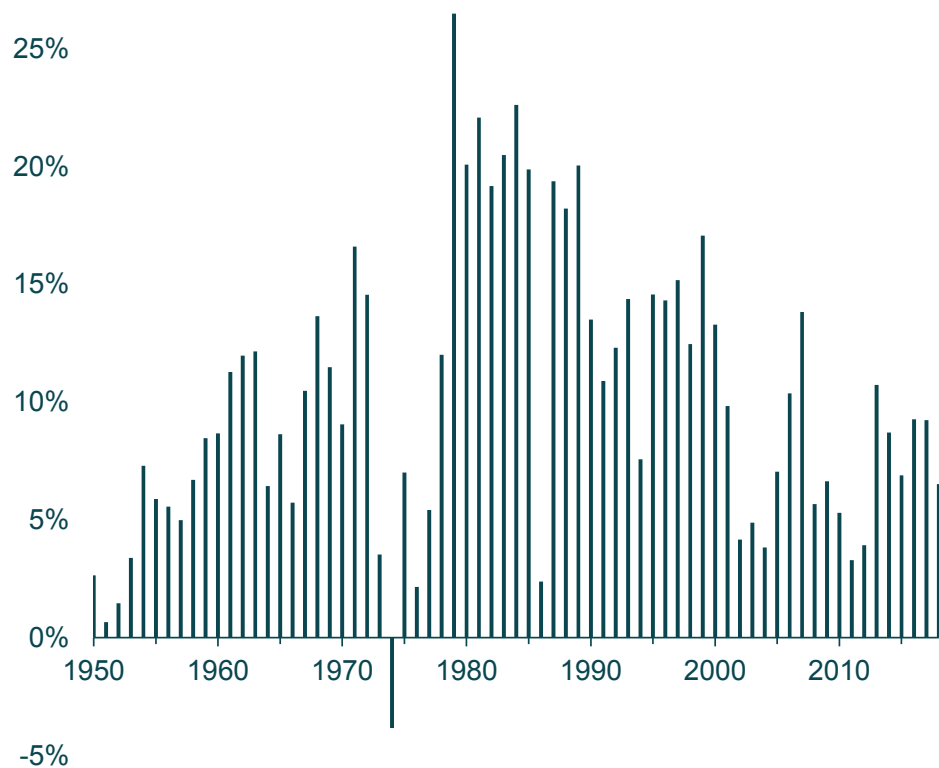
Fixed Income

- UK and Europe
- US
- Asia
- Africa
- Alternative Credit²
- TAA¹
- Cash

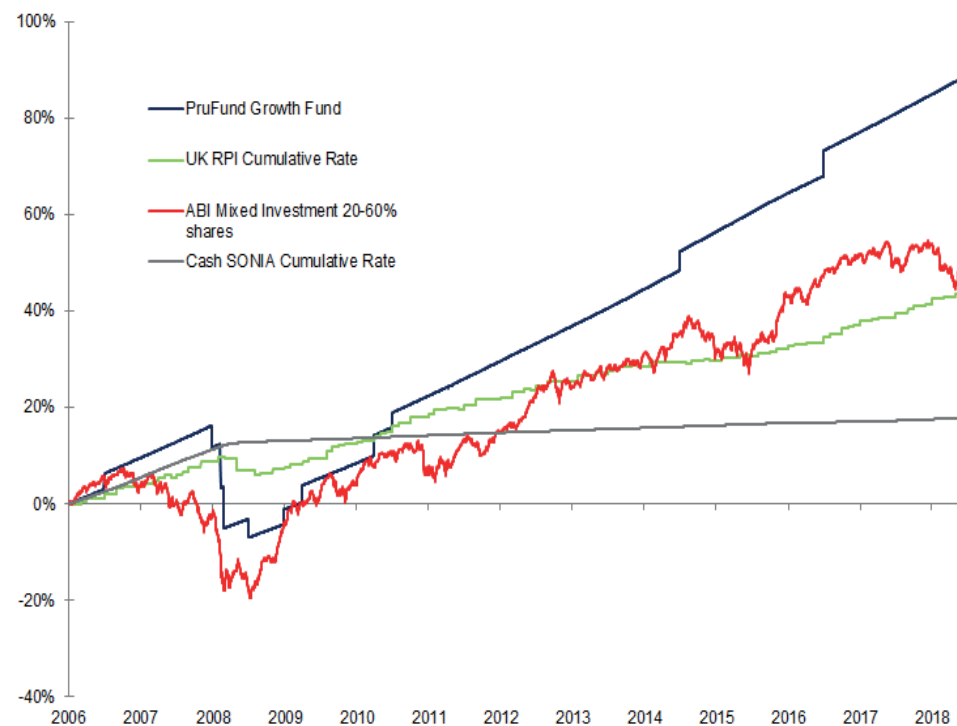
1. Tactical Asset Allocation mandate; 2. Includes: Convertibles, Bridge Loans, Private High-Yield
Source: Allocation as of 1st of May for OBMG, the largest of the funds within the With-Profits sub fund with £77.8bn as of YE2018

1 With-Profits Fund delivers superior outcomes

Annualised 5-year rolling returns¹



PruFund Growth returns vs. peers

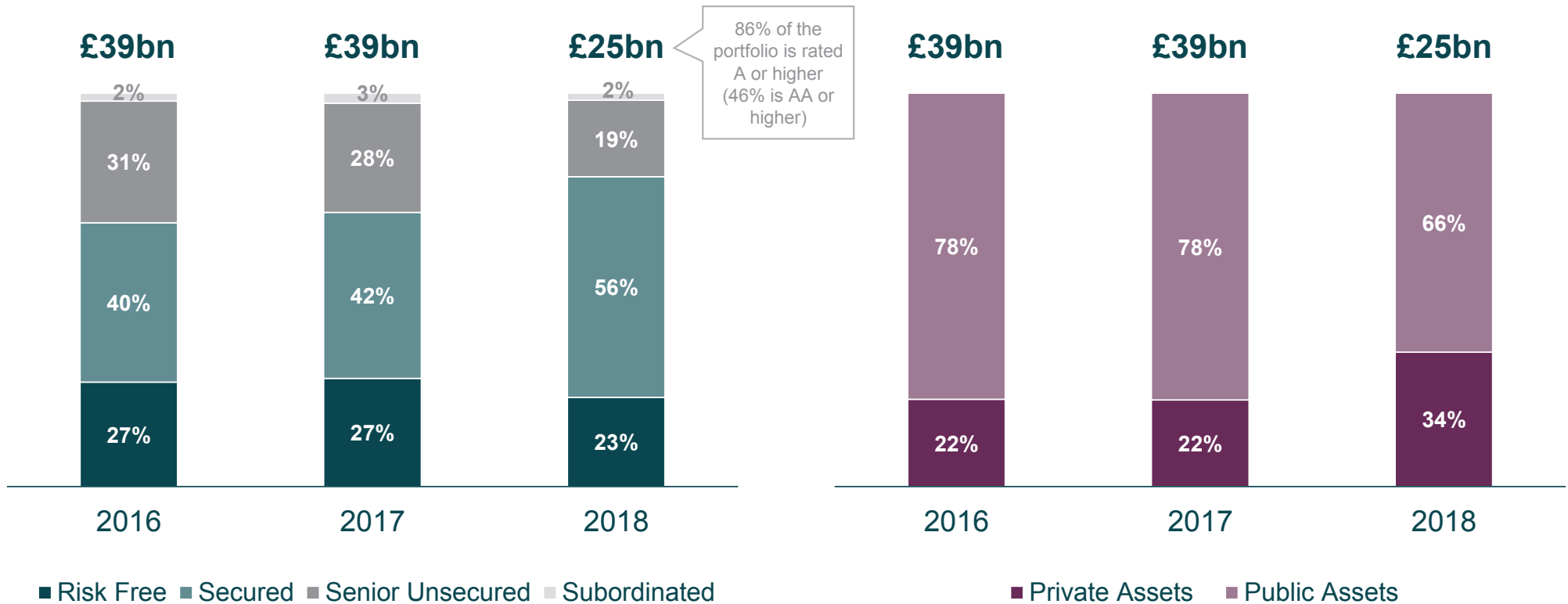


1. Data shows OBMG returns; OBMG is the largest of the funds within the With-Profits sub fund, backing PruFund Growth Fund, with £77.8bn as of YE2018
Source: M&GPrudential as of FY2018

1 Management of shareholder annuities

Seniority composition¹

Public vs. private asset composition¹



1. c.£1bn asset that are not rated, comprising cash, derivatives and junior notes including direct property holdings, have been excluded from the secured/unsecured analysis. Cash and derivatives have also been excluded from the private asset % in the analysis but junior notes have been included. In March 2018, M&GPrudential announced the sale of £12bn (as at 31/12/2017) of its Shareholder Annuity portfolio liabilities to Rothesay Life, with the liabilities reinsured to Rothesay Life on 14 March 2018

Asset Owner Managing own funds

In-house fiduciary manager for Pru UK&E
Allocates £174bn across asset managers

£115bn managed by M&G

£59bn allocated to other managers²

These assets back our annuity book, With-Profits and unit-linked solutions

2 Asset Manager Managing 3rd party funds

Investment manager specialised in active high-value add solutions
(£265bn in total)

£118bn from Pru UK&E¹

£76bn from 3rd party Retail

£71bn from 3rd party Institutional

Deep-dive 2

Being both an asset owner and manager is a key competitive advantage and allows us to:

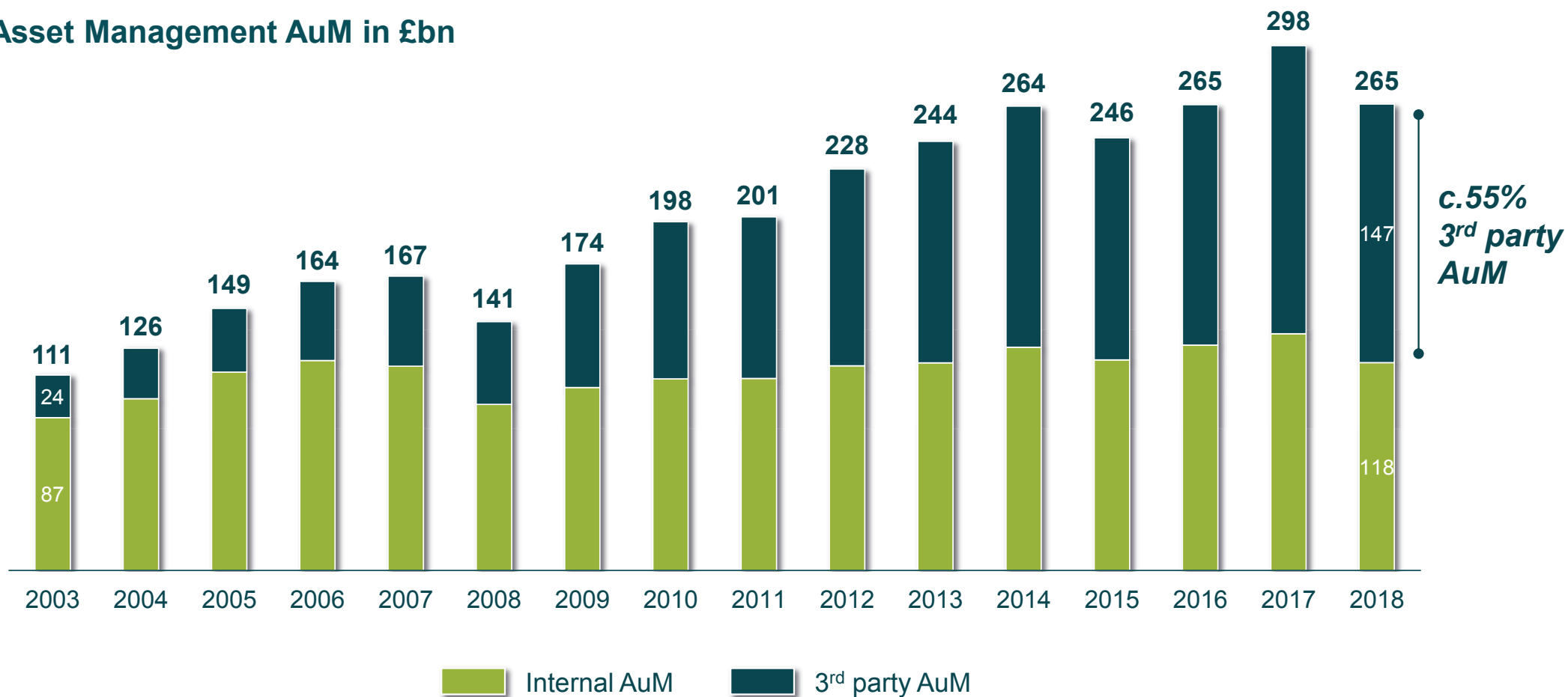


- Understand clients' needs
- Maintain a long-term investment philosophy
- Align incentives
- Rapidly deploy seed funding
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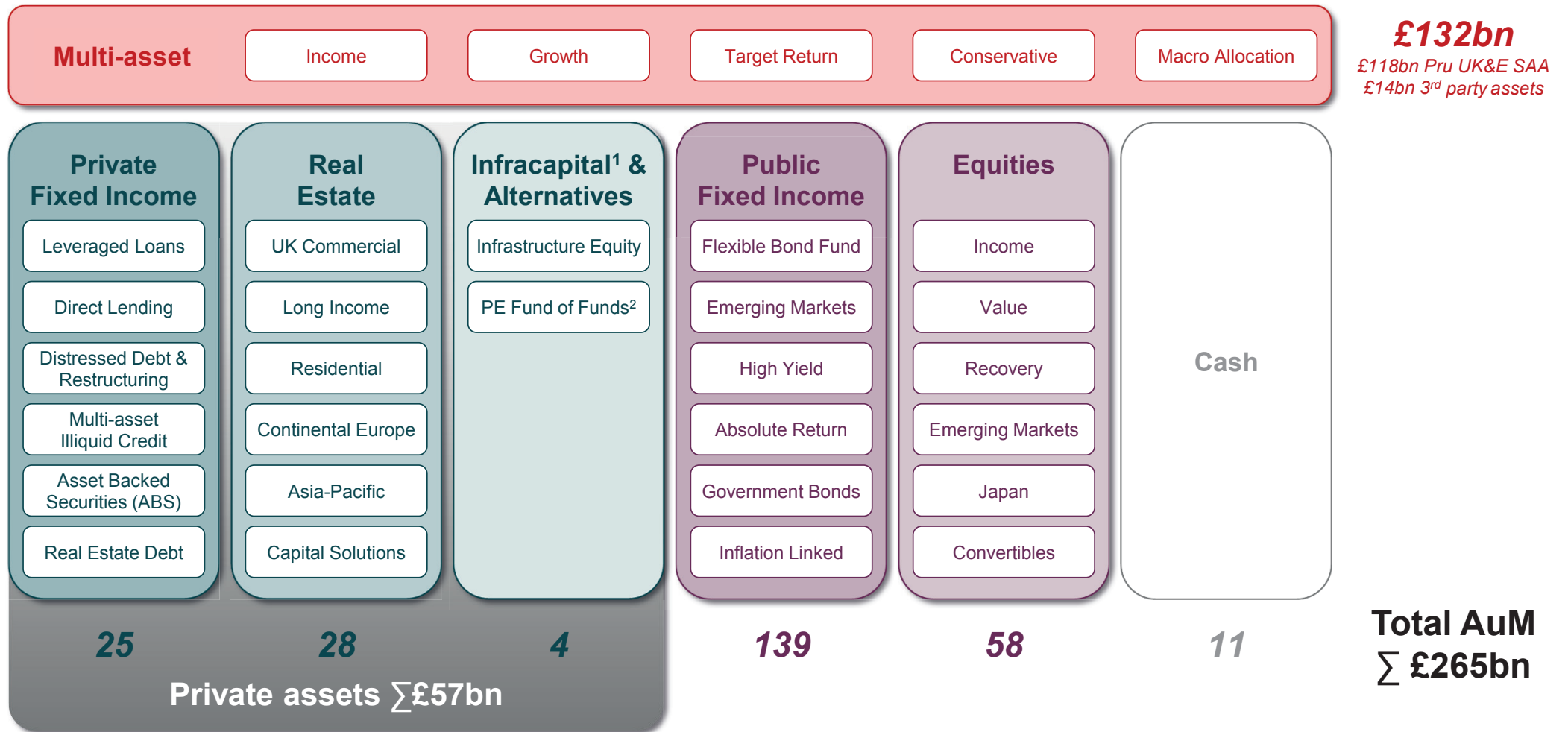
1. Prudential UK & Europe – Also includes £2.8bn AuM from Prudential Asia Corporation and Asia Life Fund; 2. Predominantly other asset managers within the Prudential PLC group
Source: M&G Prudential as of FY18

2 Growth in 3rd party business

Asset Management AuM in £bn



2 Depth of investment expertise



1. M&GPrudential Infrastructure team; 2. PE Fund of Fund mandate of £2.2bn not included in the reported AuM
 Source: M&GPrudential as of FY18

2 Successful record of product innovation

Largest mutual funds

£21bn	Optimal Income	Public FI
£7bn	Dynamic Allocation	Multi Asset
£5bn	Global Dividend	Equity
£4bn	Corporate Bond	Public FI
£3bn	Global FI. Rate High Yield	Public FI
£3bn	Property Portfolio	Real Estate
£3bn	Strategic Corporate Bond	Public FI

Largest pooled mandates

£8bn	Alpha Opportunities	Private/Public FI
£4bn	All Stocks Corporate Bond	Public FI
£4bn	Secured Property Income	Real Estate Income
£3bn	European Loan	Loans
£2bn	European Property	Real Estate
£2bn	Asian Property	Real Estate
£2bn	Infracapital Partners III	Infrastructure Equity

Typically retail customers

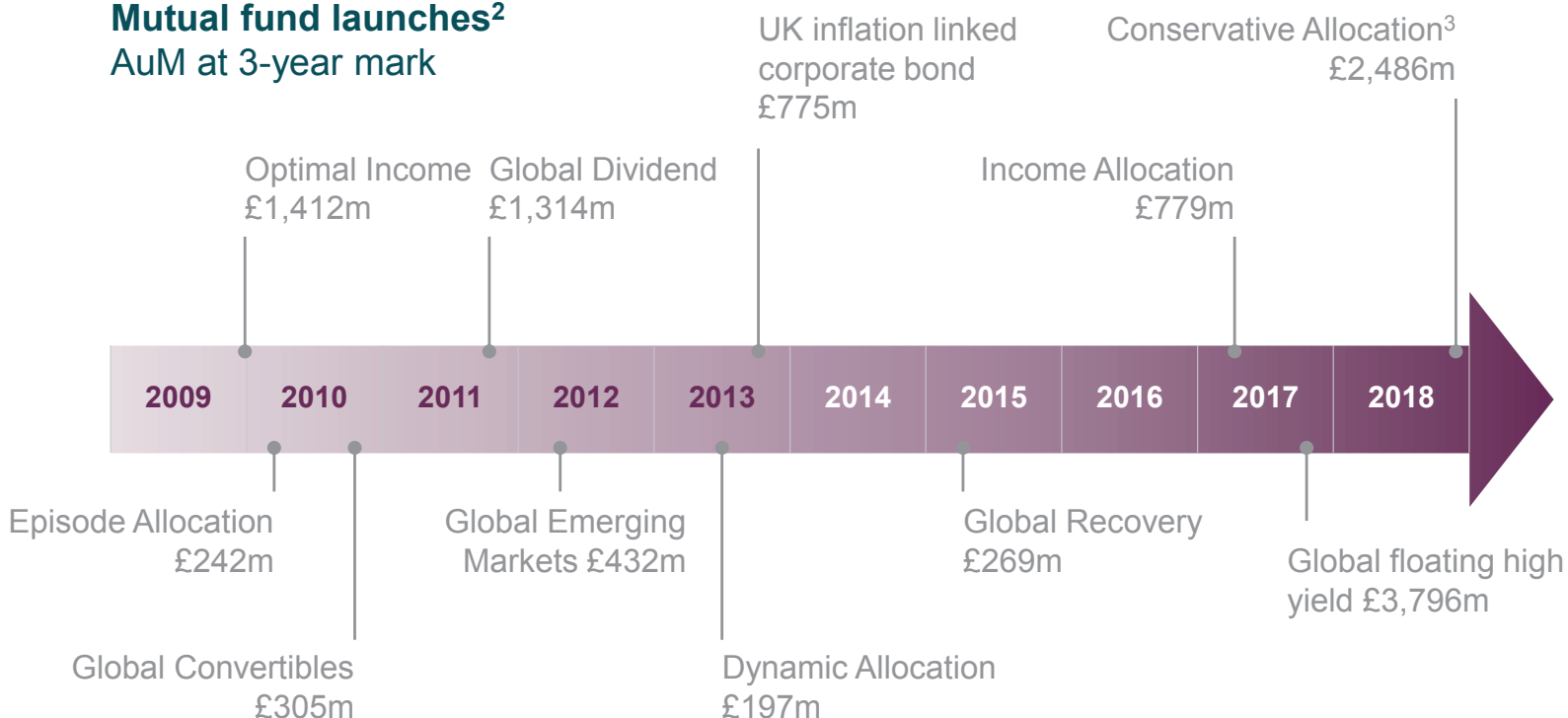
Typically institutional clients

2 Consistent ability to anticipate market demand

Our mutual fund launch success rate is almost double the industry average¹



Mutual fund launches² AuM at 3-year mark



Recent fund launches⁴

Focus on value-add solutions

Multi-Asset

- Global Target Return
- Multi-Asset 2023
- Conservative Allocation

Emerging markets

- EM Income Opportunities
- EM Hard Currency Bond

ESG

- Global high yield ESG bond
- Positive impact
- Sustainable allocation
- Sustainable multi-asset

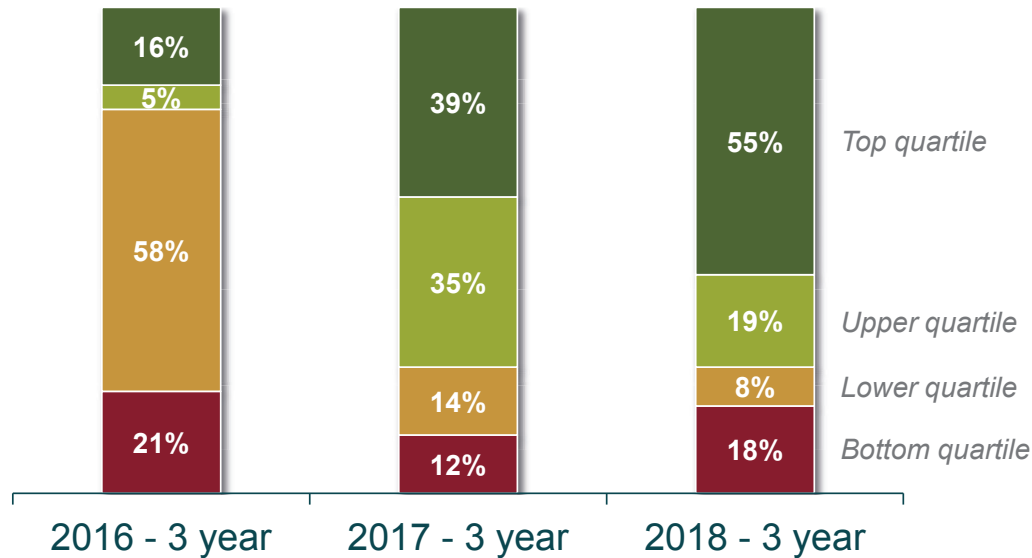
1. Mutual fund launch success rate of 60% vs. industry average of 29% - According to Mackay Williams partial success requires funds to gather €100m AuM within 3 years from launch (full success requires €500m)

2. M&GPrudential data includes all funds launched between Dec-06 and Dec-15; 3. AuM 9 months after launch; 4. From 2017 onwards

2 Strong investment performance

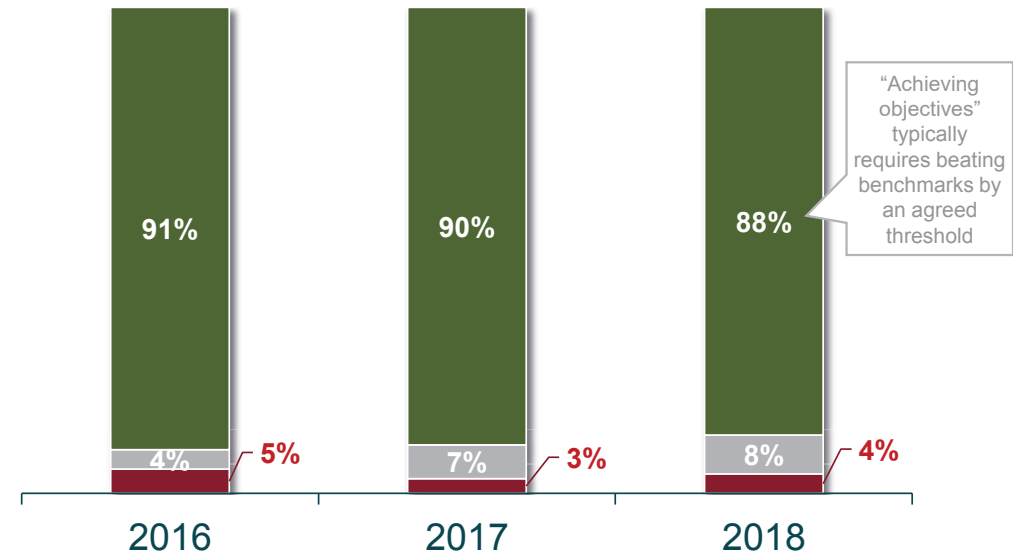
Mutual funds performance

Weighted by fund size %



Segregated / pooled performance¹

As % of revenues



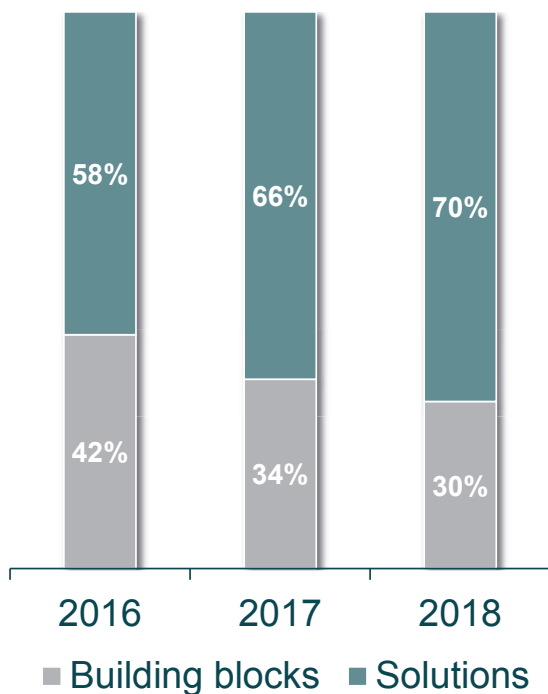
- Achieving objectives
- Fund is less than 3 years old
- Behind objectives

1. Numbers based on internal calculations.
Source: M&GPrudential, December 2018.

2 Resilient fee margins driven by solutions

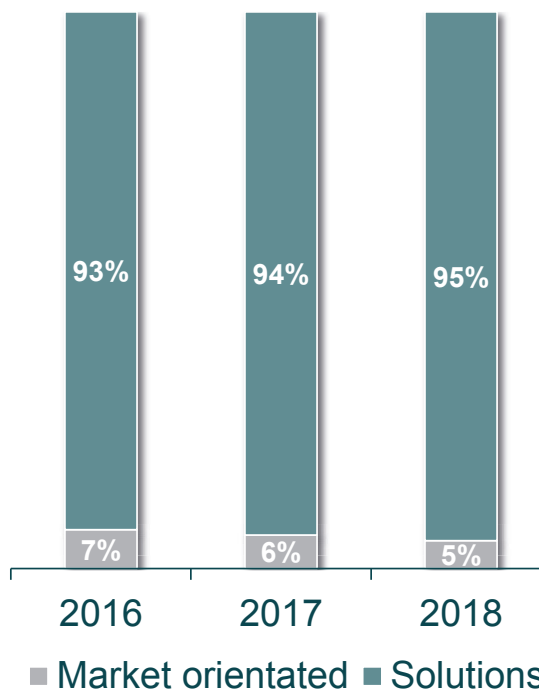
Mutual funds

As % of AuM



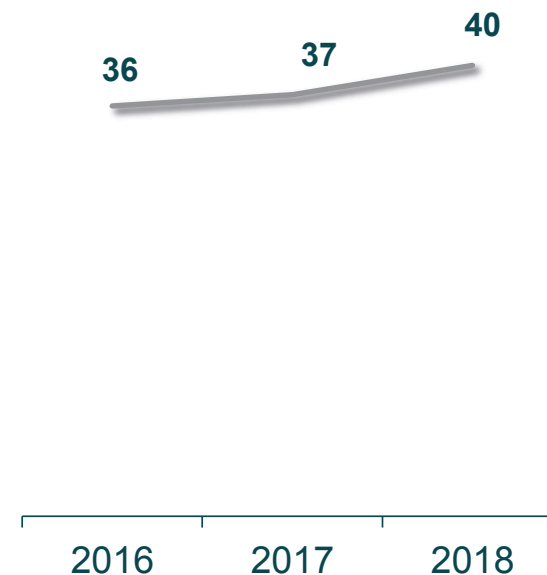
Segregated / pooled

As % of revenues



Margins

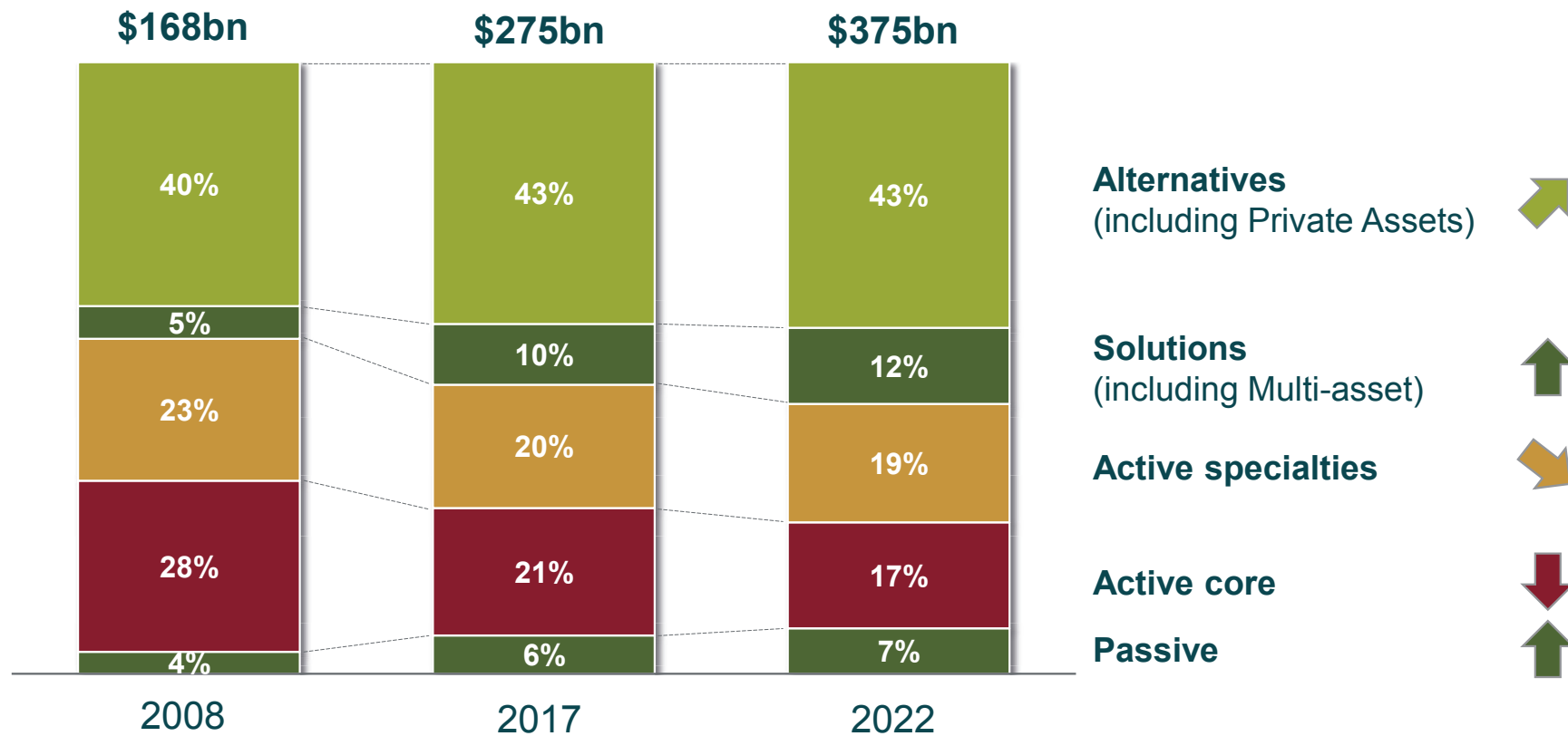
Average fee margin¹
(bps per AuM including internal client)



¹ Fee margin calculated as fee based income, excluding performance fees, over monthly average AuM. Performance fees were FY16: £33m; FY17: £53m; FY18: £15m
Source: M&GPrudential as of FY18

2 Positive market outlook in our core areas

Global revenue pool (in \$bn) and split by asset type



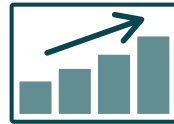
Source: BCG Global Asset Management survey

2 Confident about the future



Expert where it matters

We have an **established presence** in segments **where credible expertise is scarce**, and threat from passive is limited



Consistent track record

We have a long history and **strong reputation for meeting** (and exceeding) the needs and **expectations of our customers**



High-value solutions

Through continuous innovation we have gradually **moved away from simple, low-value, building blocks** to high-value investment solutions



Supportive market dynamics

Customers' **demand is expected to strengthen** over time **in our core areas of expertise** (private asset and multi-asset in particular)

Investment Engine

Key messages

Combination of asset owner and manager as key competitive advantage



Long-term, active, investment philosophy with emphasis on value



Extensive range of capabilities in public and private markets



Ethos of customer-focused innovation



Growth opportunities in our core areas of expertise



M&GPRUDENTIAL

Institutional deep-dive

William Nicoll

3 July 2019

What we mean by institutional clients

Organisations investing their **own assets**...

...where there are **legally mandated liabilities**...

...to be delivered within **specified regulatory guidelines**...

...in which a **fiduciary duty** must be exercised and evidenced



Pension Schemes



Insurance Balance Sheet Assets



Sovereign Wealth Funds



Foundations and Endowments

Retail and Institutional markets are not the same

Retail

- Industry set up to buy
- Add value by equipping advisers to service their clients
- Large number of small decisions
- Focus on upside gain
- Targeted and regular communications

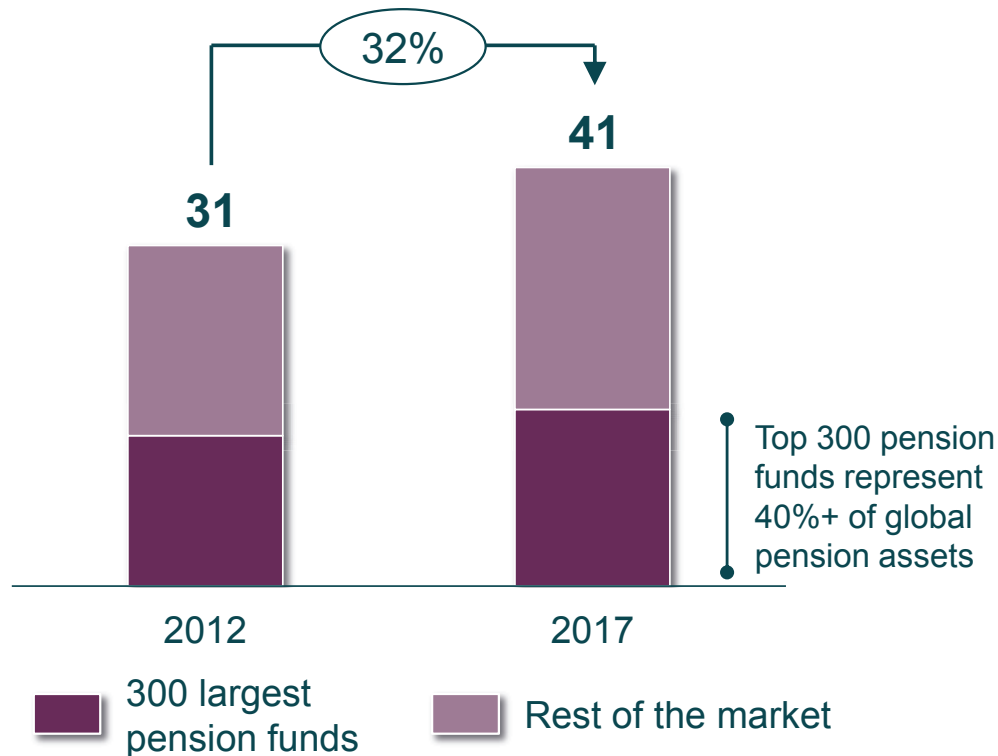
Institutional

- Industry set up to maintain status quo
- Add value by solving problems
- Small number of large decisions
- Focus on downside protection
- Careful and selective communications

The institutional market is attractive

The market is large, growing and concentrated...

Pension schemes Global AuM in \$ trillion



... with attractive dynamics

- **Natural growth** is underpinned by strong macroeconomic-factors
- **Market favours established players** due to quality standard requirements
- **Mandates are large** and long-term oriented
- **Client relationships are persistent** and assets sticky

A differentiated approach

We aim to always be **trusted partners** by leveraging:

Deep expertise and
stable team

- We have **one of the largest dedicated credit teams** in Europe
- Retain talent and **foster collaboration** across investment teams

Disciplined,
long-term view

- Adopt a truly **bottom up approach**
- **Do not forecast:** pure fundamental research

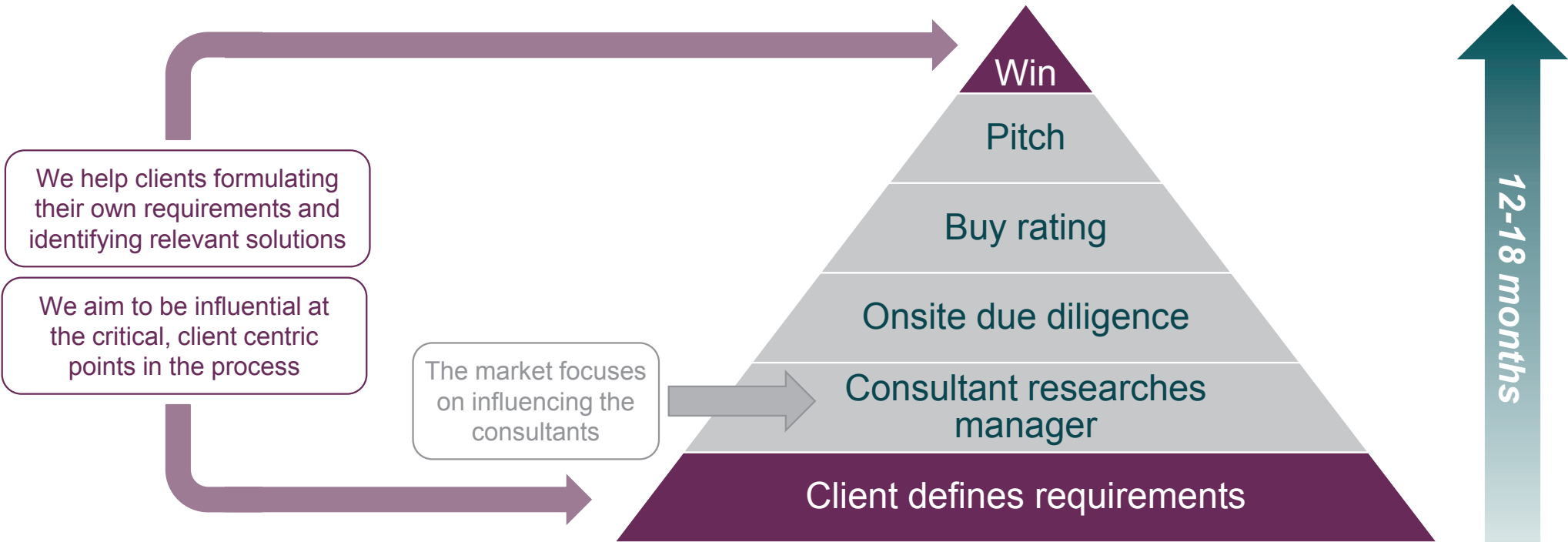
Innovation within a
clear control framework

- Pursue **innovation as a joint effort** between the sales and investment team
- Avoid creating fashionable products that don't deliver, or good ones that no one wants

Client centric approach

- **Tell the truth, always** – this is a genuine differentiator
- **Be patient** and prioritise best client outcomes – only invest in the right opportunities

Solving clients' problems, not selling funds

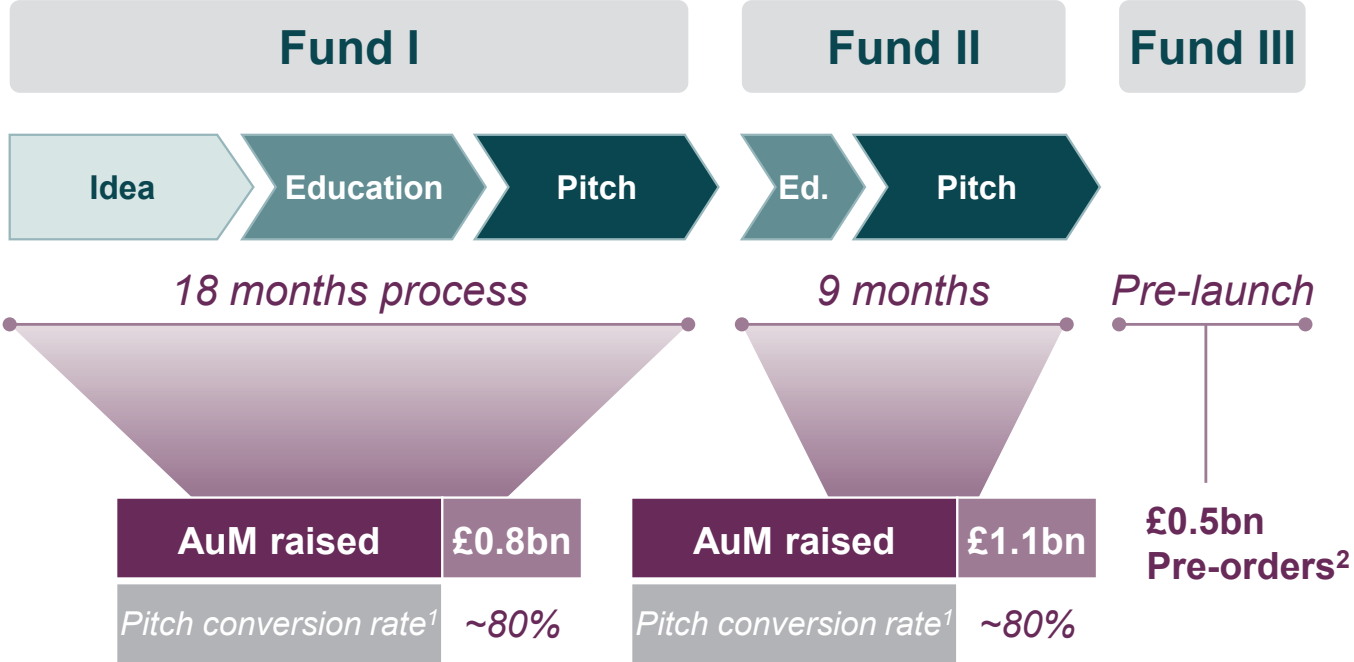


Innovation is core to our proposition

Route to innovation

- **Launching new products is not easy**; the industry is setup to resist buying
- We do not waste clients' time and **only take ideas that are highly relevant** to them
- **Clients trust us** and are willing to seed our new products
- We gain a **lead-time advantage on peers**
- Capital raise **cycle repeats faster and at greater scale**

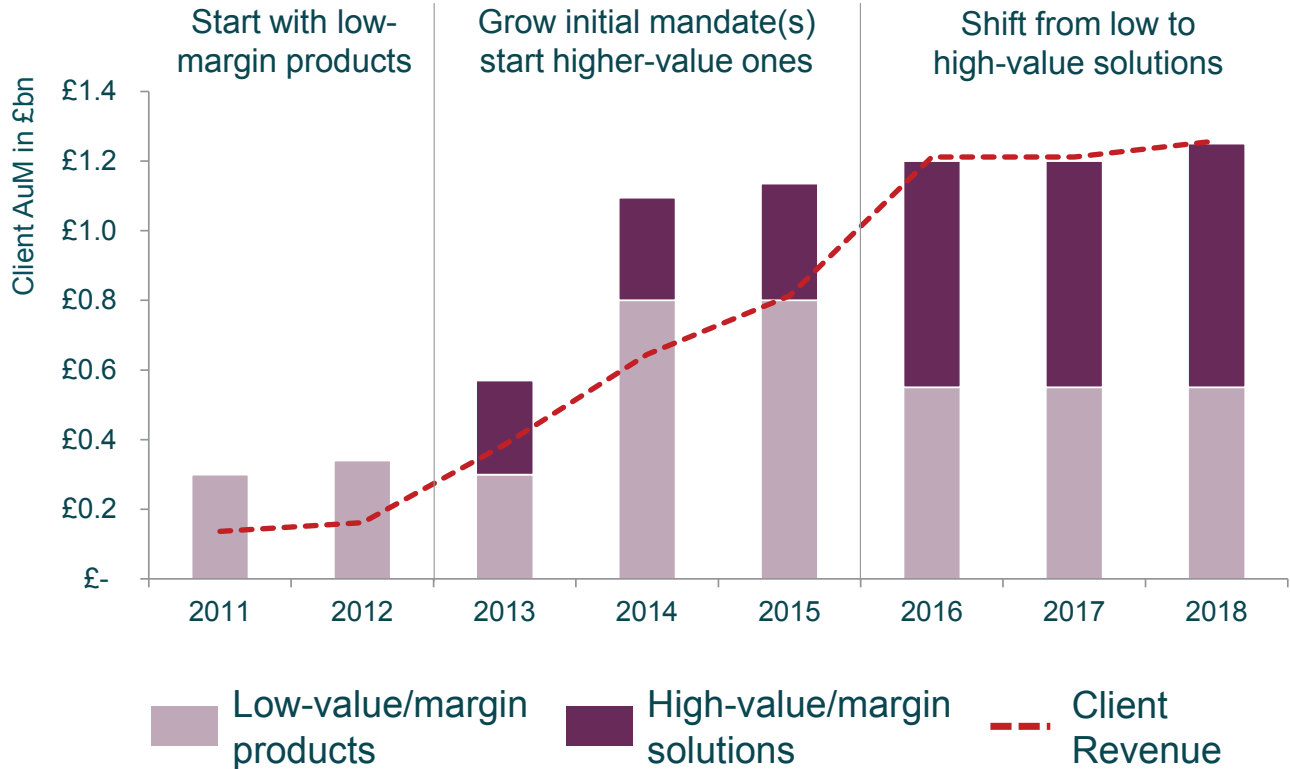
Product case study – Illiquid Credit Opportunity Fund



1. Excludes pitches pending result; 2. Verbal commitments as of April 2019
Source: M&GPrudential

Our long-term partnership approach works

Client case study – large UK pension scheme



Conditions to build trust

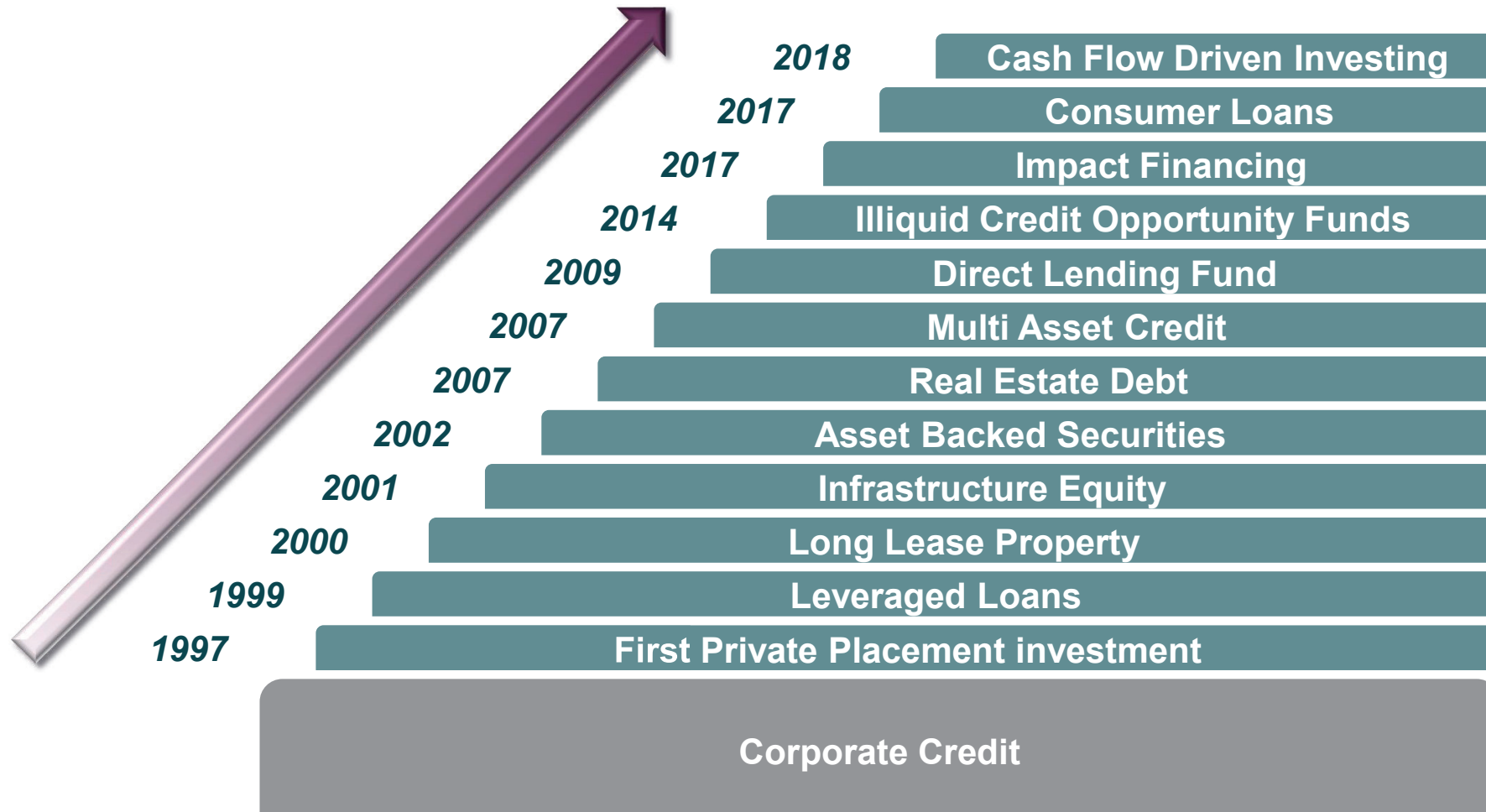


- 1 Offer solutions that solve client problems
- 2 Fulfil our promises

A product agnostic, client-centric approach has **grown AuM by 4x** and **revenue by 9x**

Source: M&GPrudential, December 2018; revenue and AuM numbers are based on committed values and fully ramped private debt portfolios

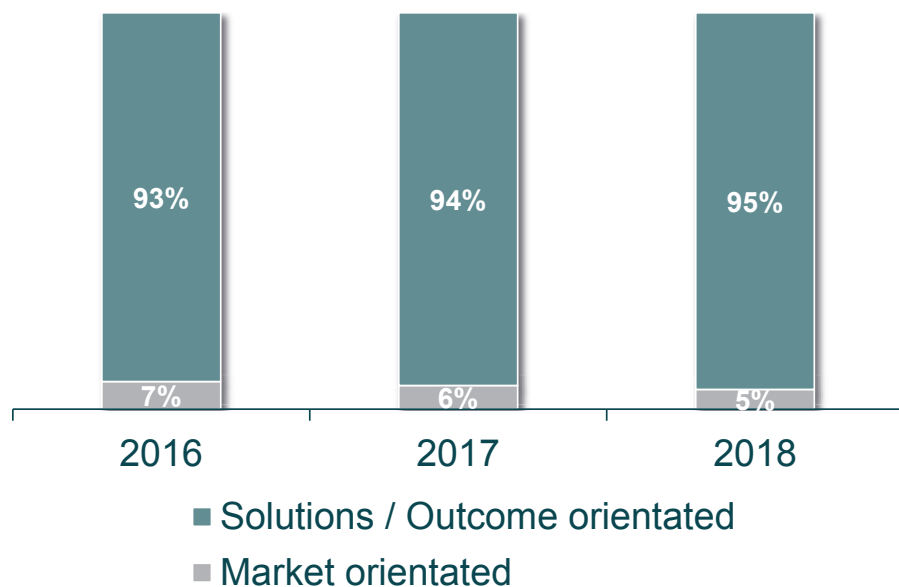
20 year track record of innovation



We build solutions that consistently deliver

Solving client problems

As % of revenues

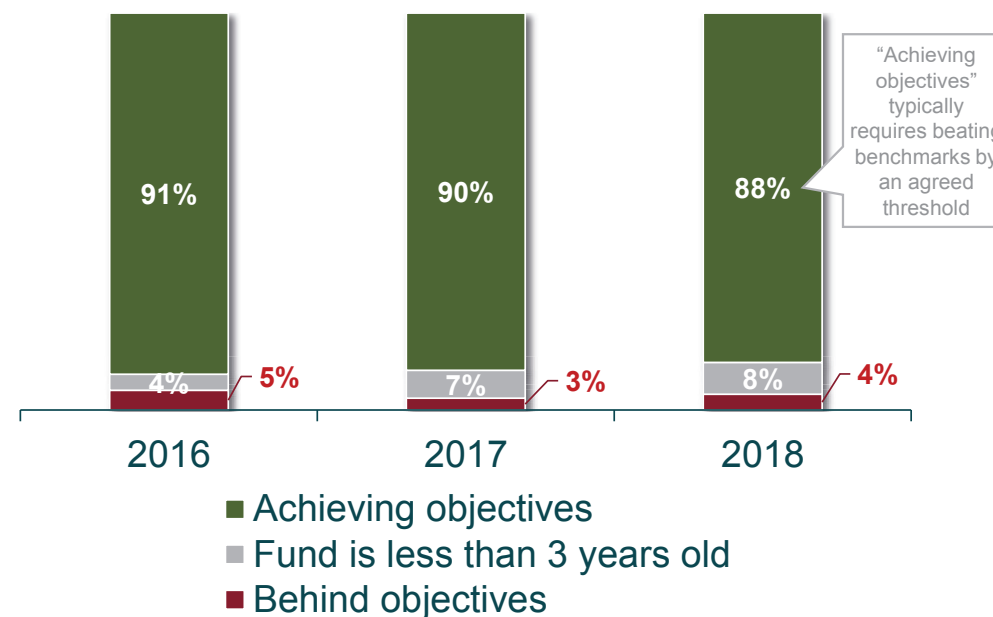


95% of strategies:

- Are solutions that meet a clear client need
- Cannot be replicated by ETF

Delivering on promises

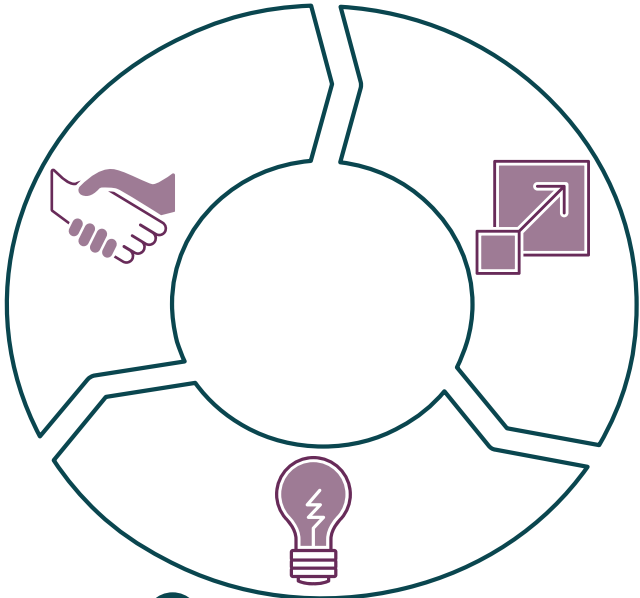
As % of revenues



M&GPrudential delivers performance expectations consistently over time

Being a trusted partner brings repeat business

1
Work with us
Our pitch conversion rate for the last 3 years is 79%¹



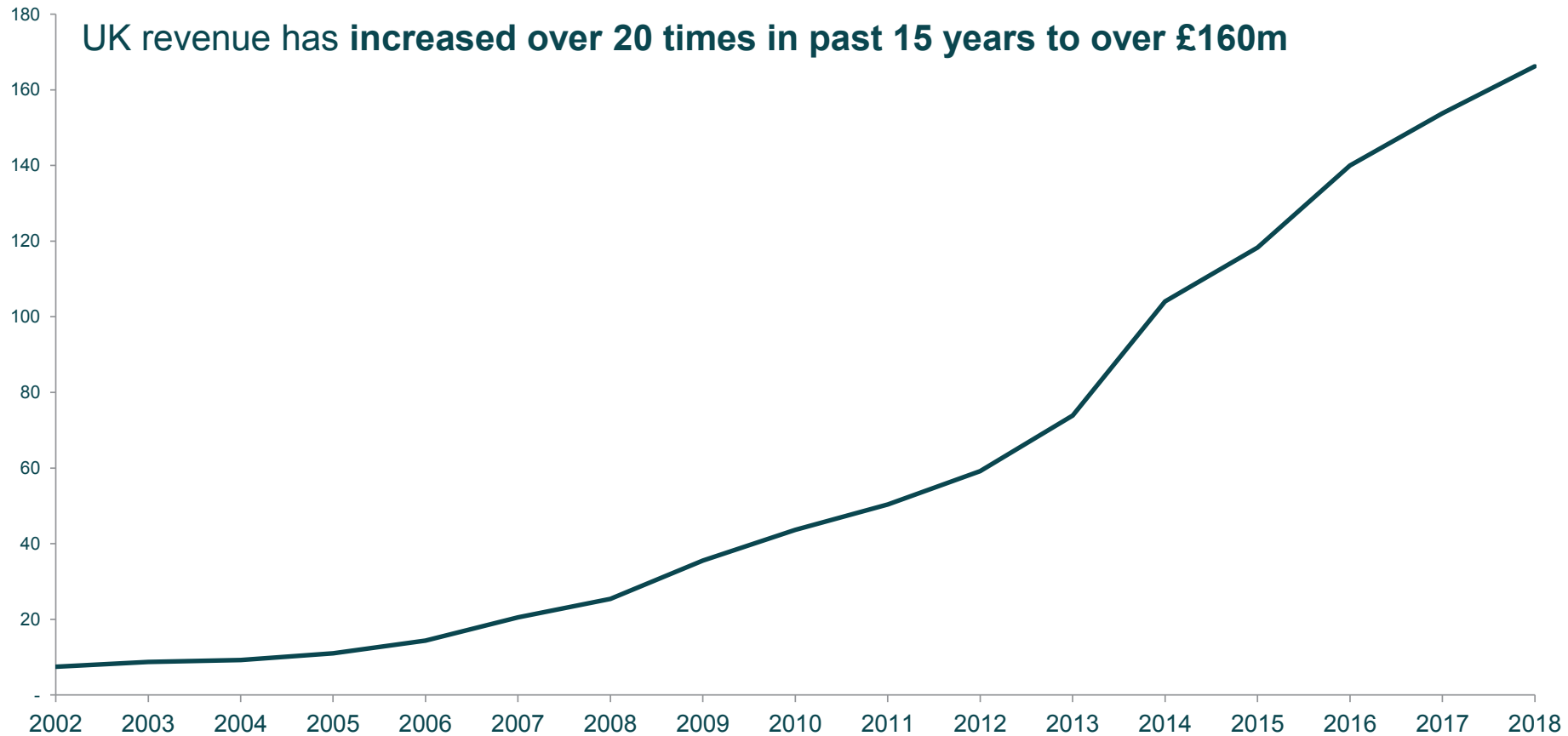
2
Grow existing relationships
250+ clients invest in multiple strategies with us (~55% of institutional AuM)

3
Seed our new products
70% of Funds launched in the last 5 years have been seeded by external clients

1. Based on UK institutional fixed income pitches, excludes pitches pending result
Source: M&G Prudential, December 2018

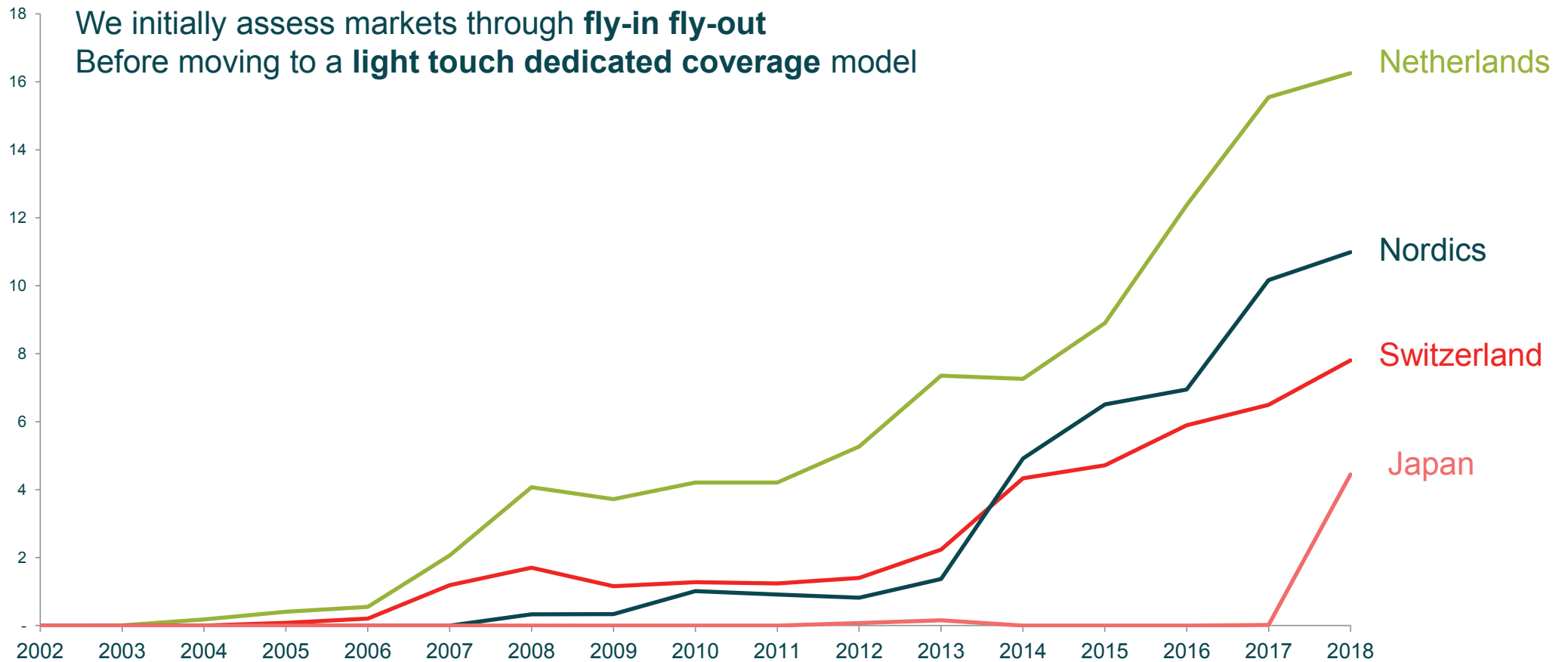
Our Institutional model takes time, building relationships on trust that pay dividends in the long term

3rd party UK institutional revenues in £m



We have implemented this strategy internationally, with similar results

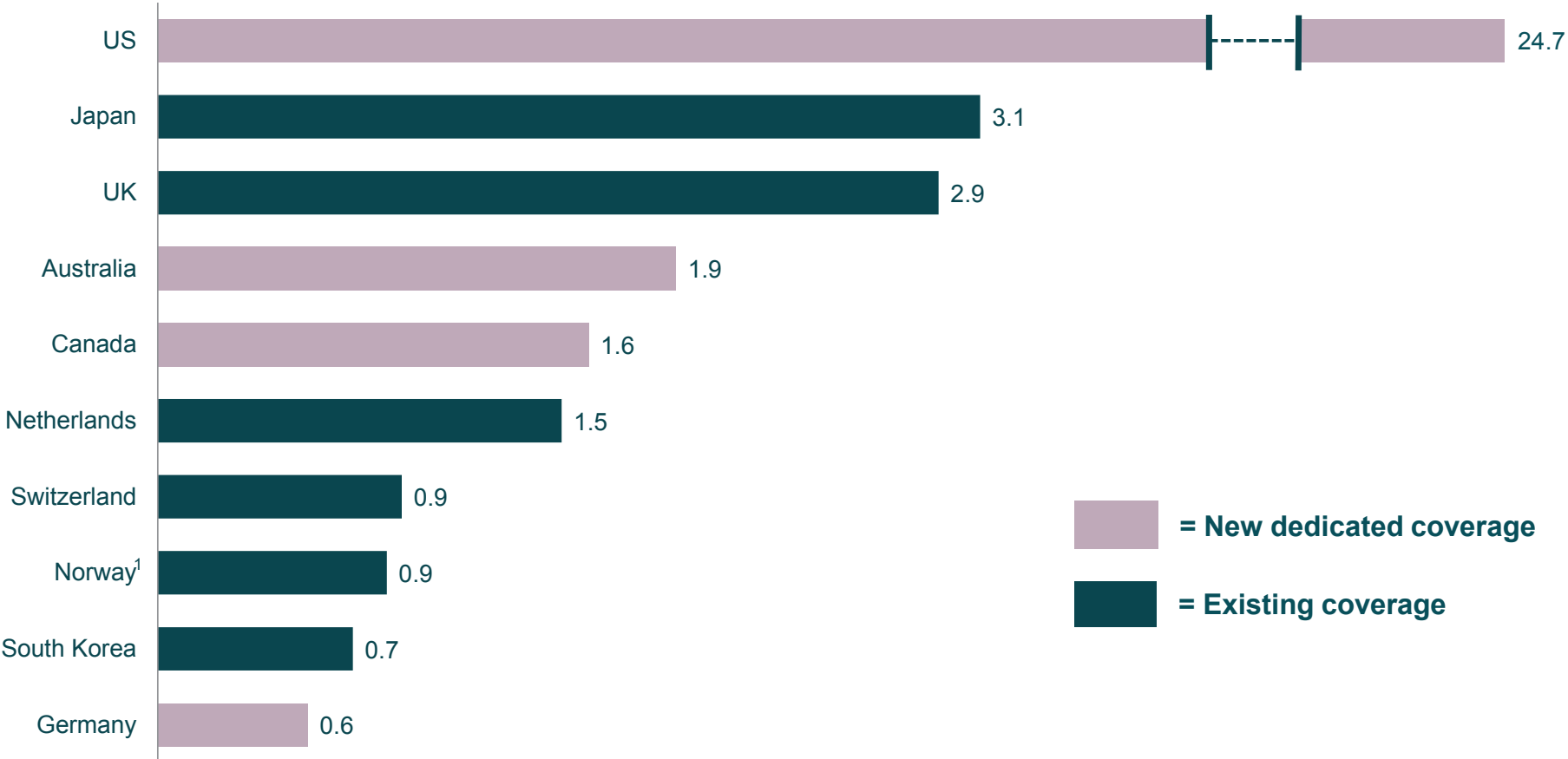
3rd party institutional revenues for selected international markets in £m



New office openings in North America and Australia enable us to tap a pool of institutional assets of ~\$30tn



Institutional AuM in \$ trillion



1. Data from PWC market research centre as Norway is not covered by WTW
Source: WTW Global Pensions Asset Study 2018

Institutional deep-dive

Key messages

Large scalable market



Market favours established players



Clearly differentiated approach



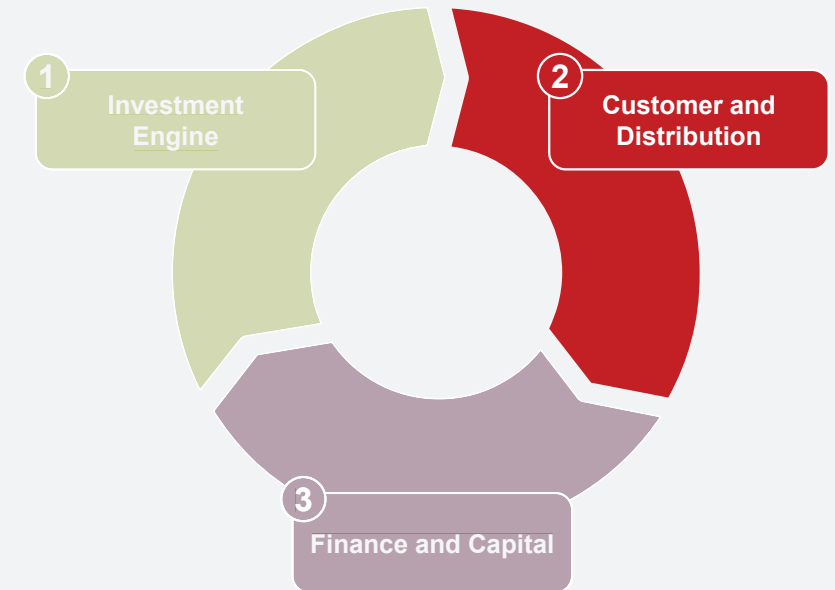
Proven track record



Significant growth opportunity



2. Customer and Distribution



M&GPRUDENTIAL

Become the *best loved* and *most successful* savings and investments company

Our vision:

Investment Engine:
Unified range of proprietary investment solutions

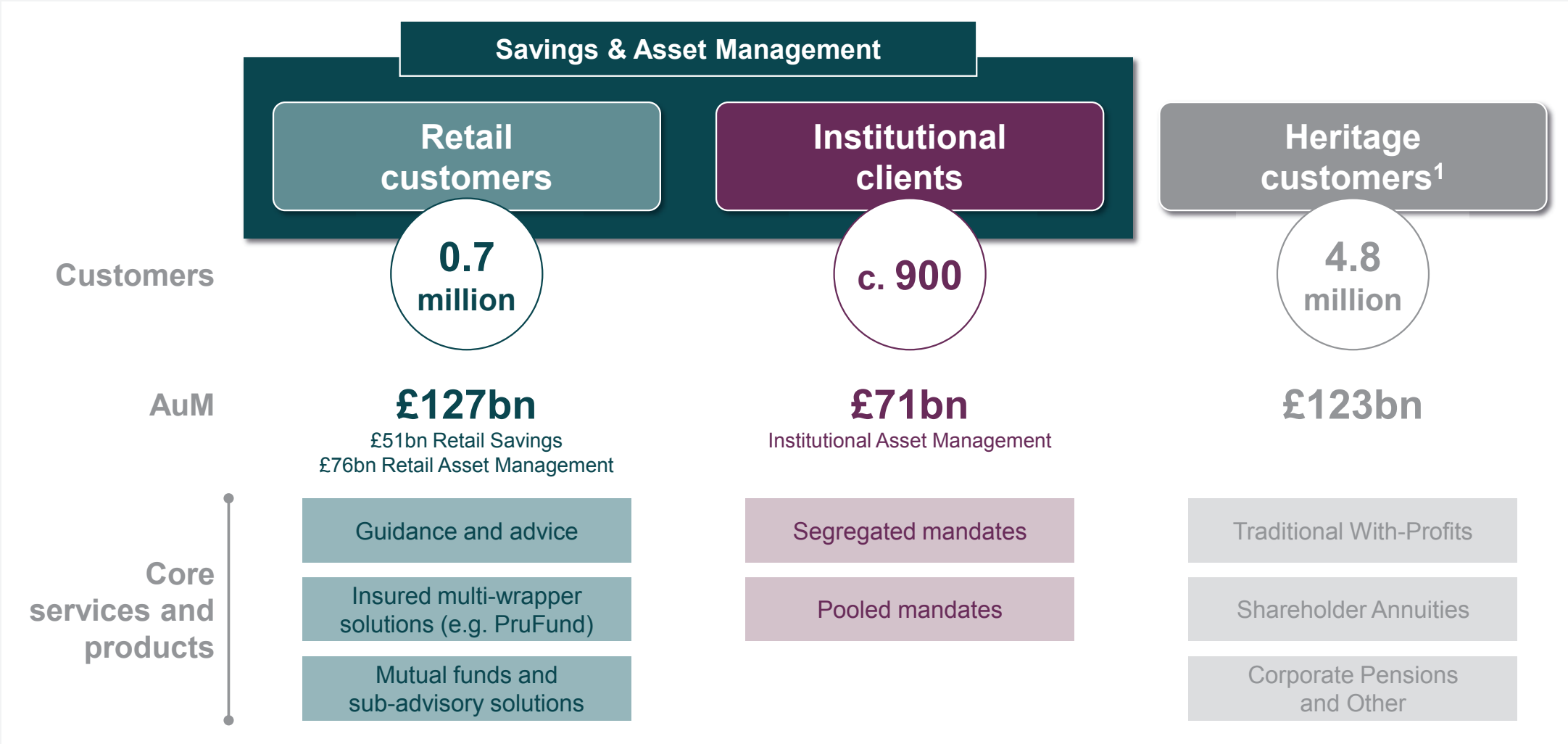


Customer and Distribution:
Integrated proposition and distribution approach



1. M&GPrudential Infrastructure team

M&GPrudential broad customer relationships



1. Excludes annuity customers expected to transfer to Rothesay Life
Source: M&GPrudential as of FY18

Customer and Distribution

Savings & Asset Management

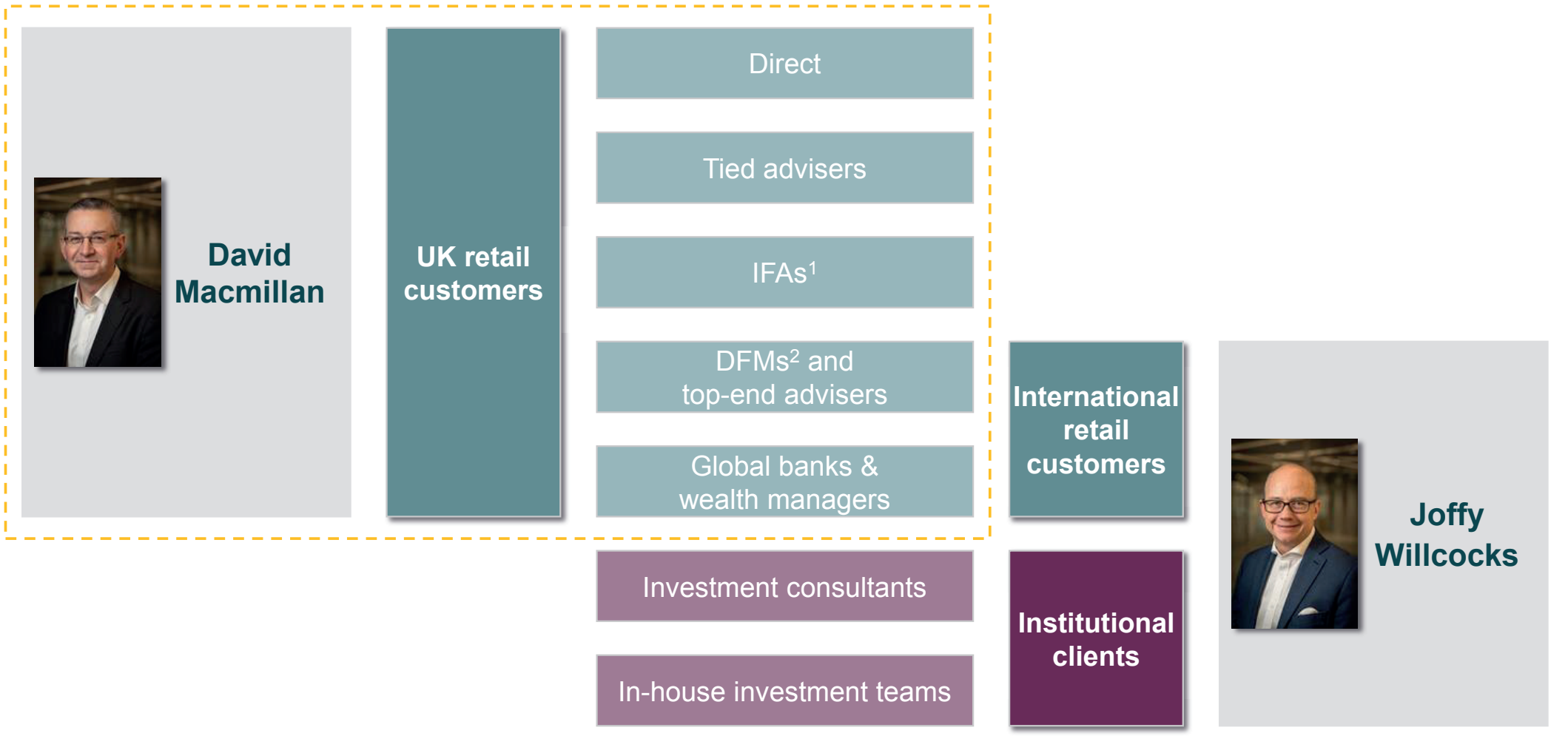
David Macmillan & Joffy Willcocks

3 July 2019



Savings and Asset Management segment

UK retail customers



1. Independent Financial Advisers
2. Discretionary Fund Managers

Significant opportunity from dynamic market trends, with exceptional experiential innovation at the core

Regulatory focus on customer

Demanding new responses from providers to **deliver successfully**



Winning characteristics

Customer experience innovation is key to competing in all areas



CAPABILITIES:
Investing in skills, infrastructure & digital technology



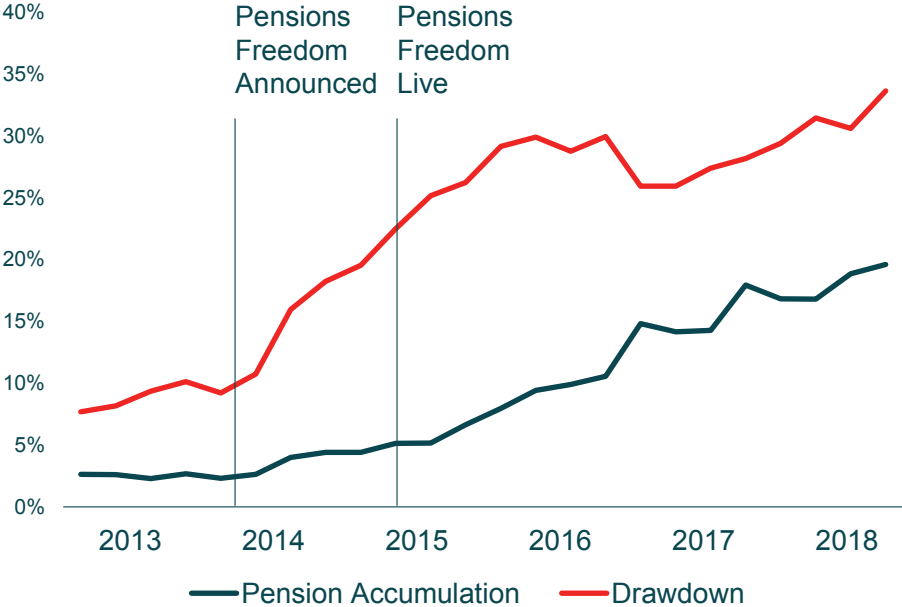
DIGITAL:
Self service, Automation and scale



PROPOSITION:
Differentiated offerings, expanded solutions & intuitive experience

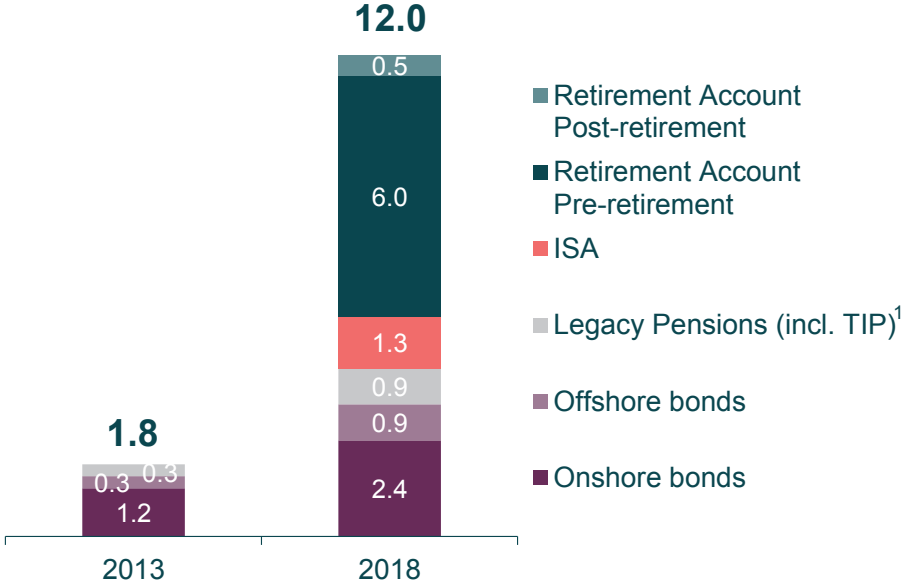
Capitalising on market trends via our unique multi-wrapper 'smoothed' solution (PruFund)

Market Share of UK Retirement (%)



Smoothed returns attractive to customers who wish to remain invested in or at retirement

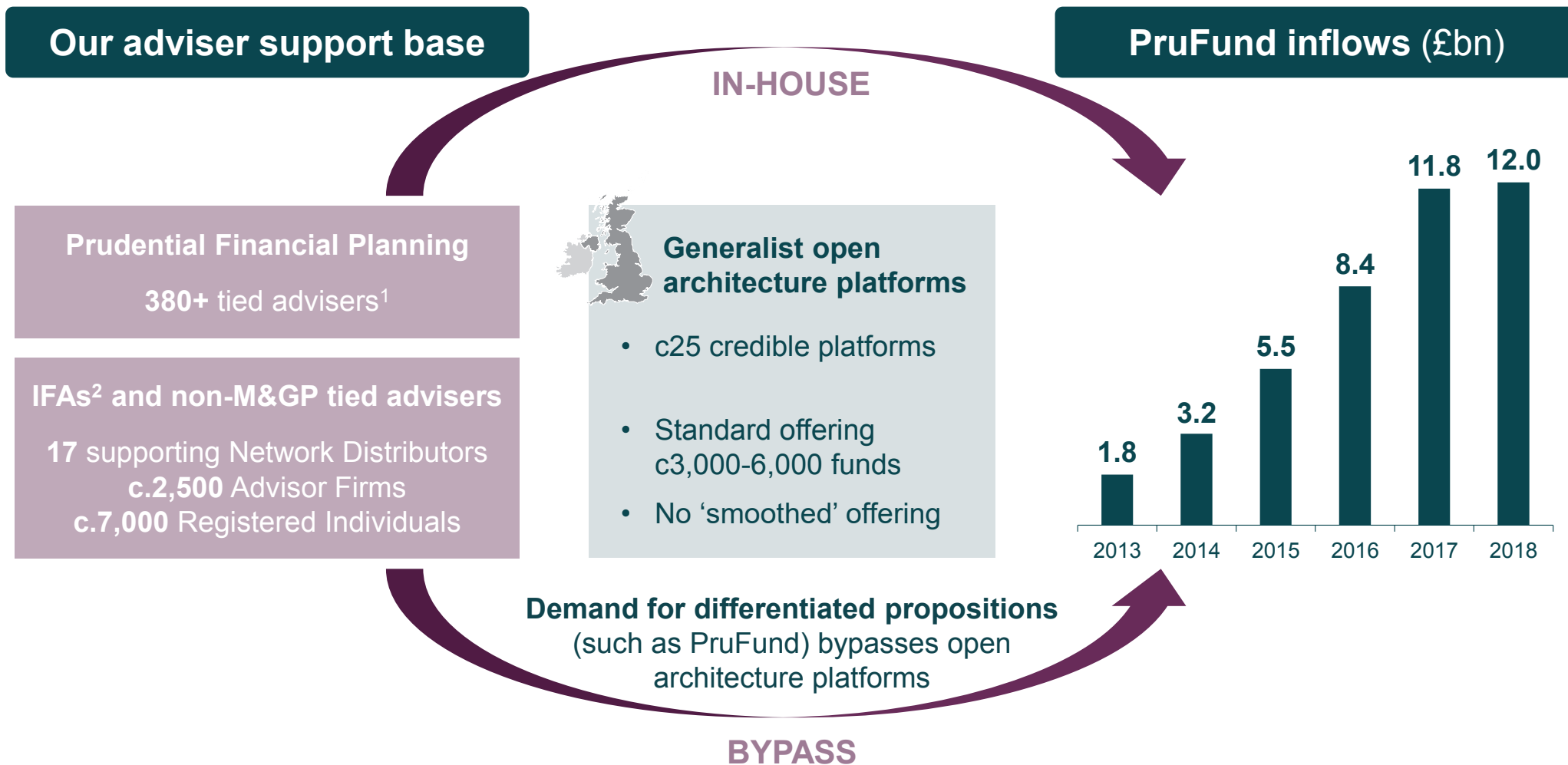
PruFund inflows (£bn)



Full range of wrappers addresses customer needs for smoothed returns

¹ Trustee Investment Plan
Source: ABI Q4 Market Data and M&GPrudential as of FY18

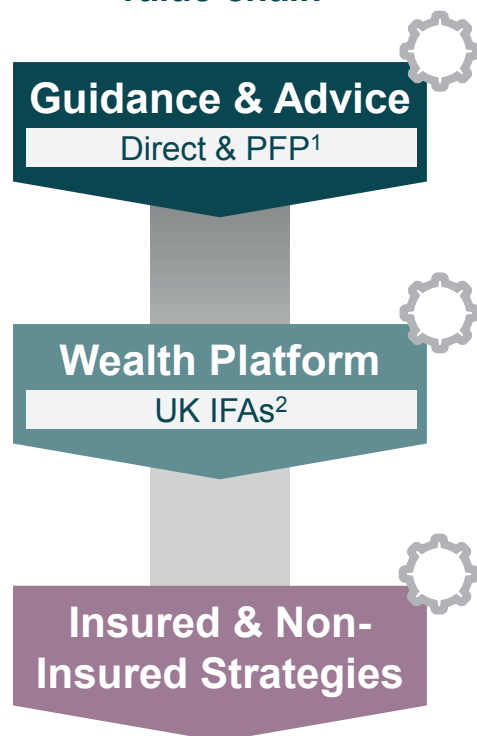
We gather assets directly onto our digital platform, bypassing open architecture platforms



1. As of June 2019
2. Independent Financial Advisers

Merger provides broad value chain coverage and proprietary influence over customer proposition

Comprehensive value chain



Multi-channel distribution participation including guidance and advice

- ➔ Rich stream of real data from customers and advisers to shape experiential innovation
- ➔ Direct channels support existing and new customers with access to full financial planning capability
- ➔ Progressively integrating technology into our advice offering

Unrivalled wealth and retirement manufacturing capability

- ➔ Full range of wrappers with digital experience – SIPP, Drawdown, ISA and Bonds
- ➔ Broad appeal amongst IFAs² driving strong market share growth

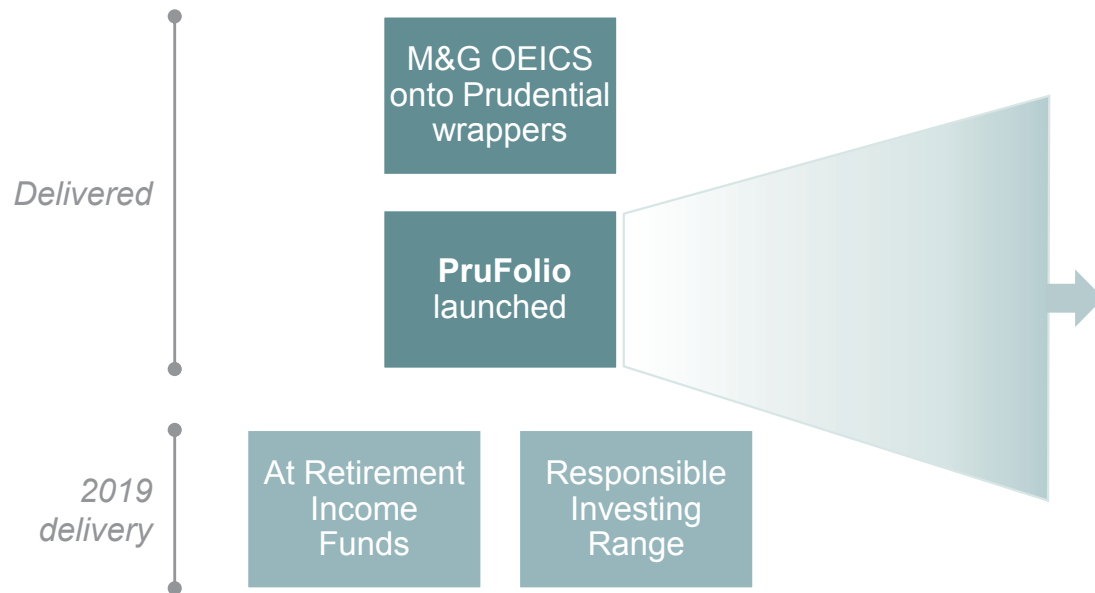
Expert proprietary investment management

- ➔ Wide range of M&G funds and highly diversified global management capabilities
- ➔ Foundation for competitive range of investment solutions for our customers
- ➔ Smoothing and guarantees via PruFund

Allowing our proprietary fund range to expand to target untapped growth opportunities

Merger-enabled customer solutions

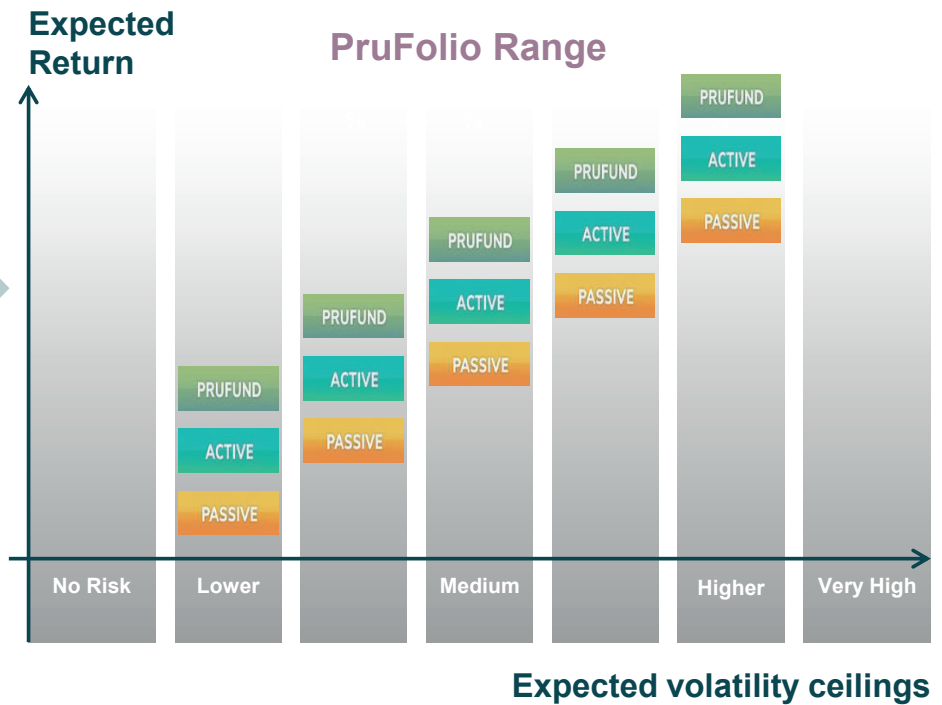
Increasing share of wallet through existing wrappers and channels drives growth



...with plans to continue to **evolve our offer**

PruFolio: A multi-asset range for all needs

One risk-rated range with three consistent investment styles **meets customers needs**



Accelerating transformation to deliver against our objective of superior customer outcomes

CAPABILITIES - Investing in skills, infrastructure & digital technology



- CX¹ designers, customer insight specialists, coders and data scientists
- Rapid, iterative digital development of customer applications

DIGITAL - Self service, automation & scale



- Intuitive interfaces for customers, advisers and colleagues
- Advice algorithms embedded in service journeys to guide and protect customers
- Straight-through processing eliminating unnecessary delays and errors

PROPOSITION - Differentiated offerings & expanded solutions



- New investment solutions to meet more customer needs
- Automation enabling price reductions to enhance value for money



Retail Savings Key messages

PruFund is the successful anchor on our digital platform – more than just drawdown



Broad market coverage from our multi-wrapper offering – which continues to expand



Merger enables ongoing proposition expansion – starting with PruFolio risk-rated range



Transformation investment creates critical capabilities – a step change in customer outcomes



Relentless focus on customer proposition and experience is the key to success



Savings and Asset Management segment

Retail and Institutional Asset Management



David Macmillan

UK retail customers

Direct

Tied advisers

IFAs¹

DFMs² and top-end advisers

Global banks & wealth managers

Investment consultants

In-house investment teams

International retail customers

Institutional clients



Joffy Willcocks

1. Independent Financial Advisers
2. Discretionary Fund Managers

Growing our international footprint

£321 bn AuM

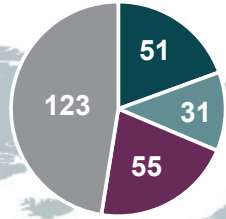
20 distribution offices

28 markets

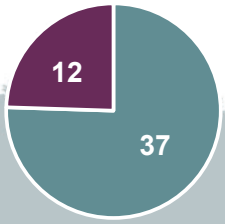
AMERICAS
£1.2bn



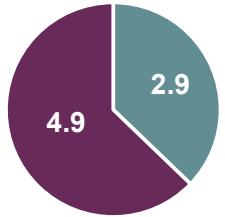
UK
£260.2bn



EUROPE
£49.4bn



ASIA-PAC
£7.8bn²



MIDDLE EAST & AFRICA¹
£6.4bn



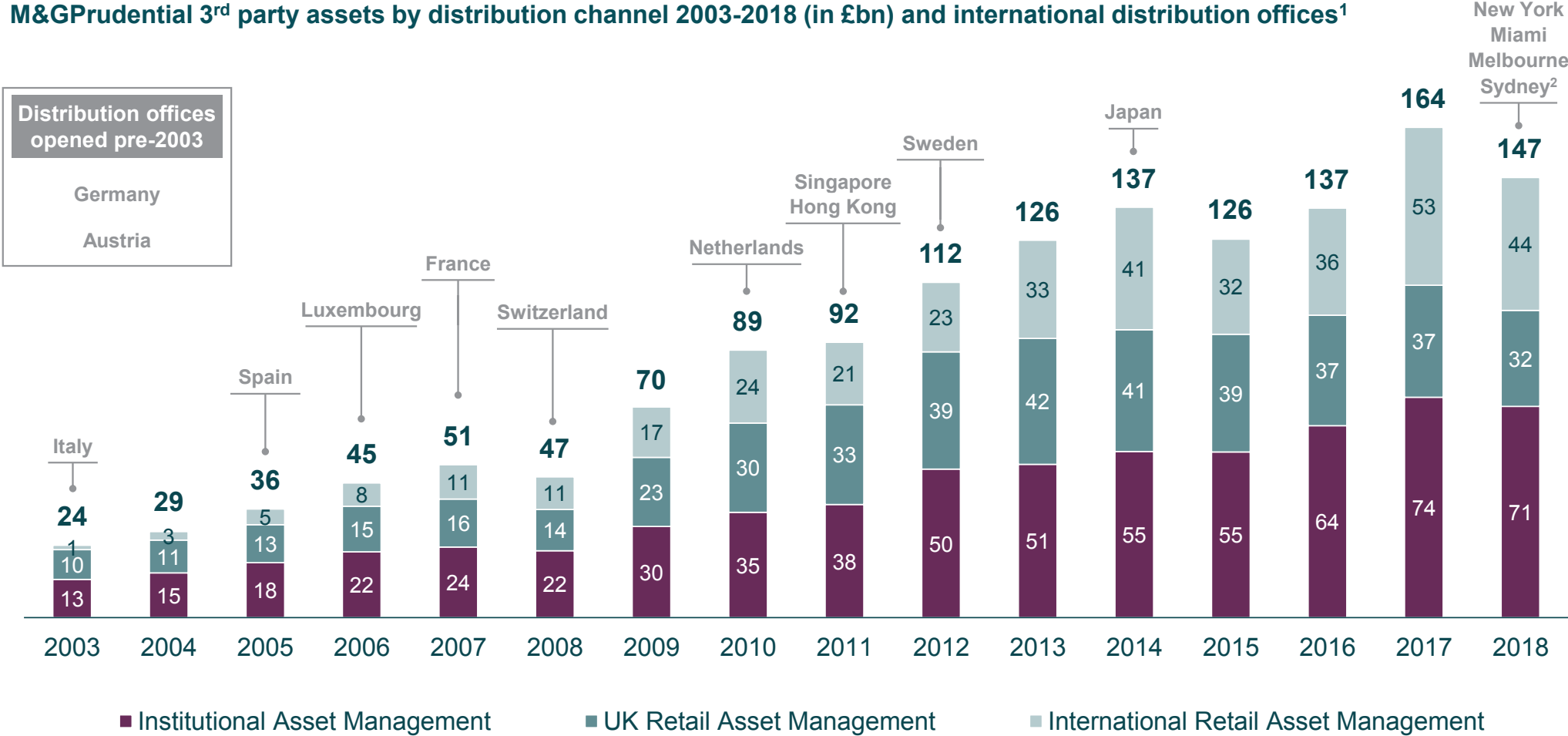
- Retail Savings
- Retail Asset Management
- Institutional Asset Management
- Heritage
- Distribution centres

1. Assets from Prudential Investment Managers South Africa are recorded on a proportional basis in line with M&G's 49.99% associate shareholding; 2. Includes £3.8bn of assets managed by M&G for other Prudential plc Group companies
Note: AuM as at December 2018, based on client domicile

The evolution of M&GPrudential's third party assets



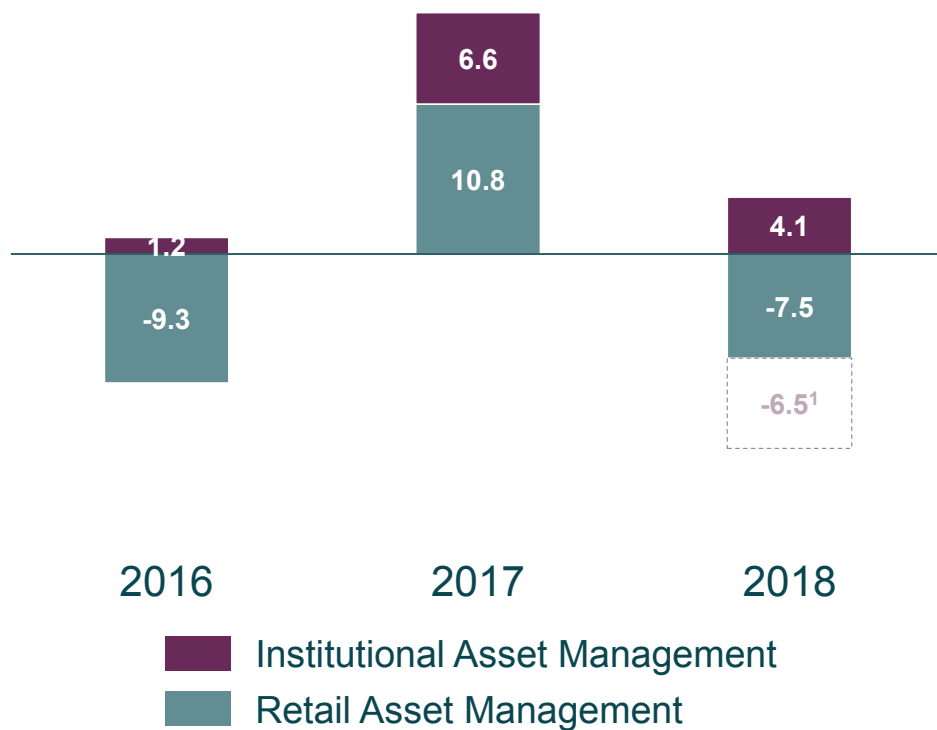
M&GPrudential 3rd party assets by distribution channel 2003-2018 (in £bn) and international distribution offices¹



1. UK and Ireland offices not shown as they are considered "home" markets; South Africa not shown as it an associate shareholding in PIMSA; Poland not shown as it distributes Retail Savings and not Asset Management solutions; 2. Sydney office opened in early 2019
 Note: offices in Germany and Austria were established in 2001-2002; "PPL GILP" has been classified in Institutional from 2003-2014 and moved to UK Retail for 2015-2018

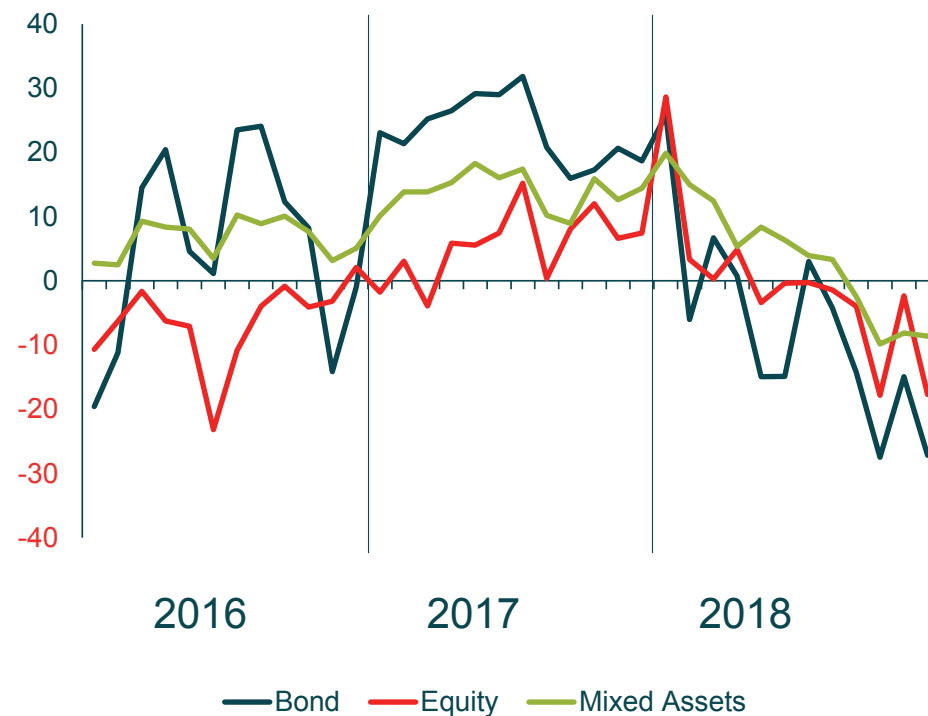
Asset Management flows 2016-2018

M&GPrudential asset management net flows
(£bn)



Retail market flows²

Europe and Int'l mutual funds net sales excl. ETF & Index Funds
(by asset class in €bn)

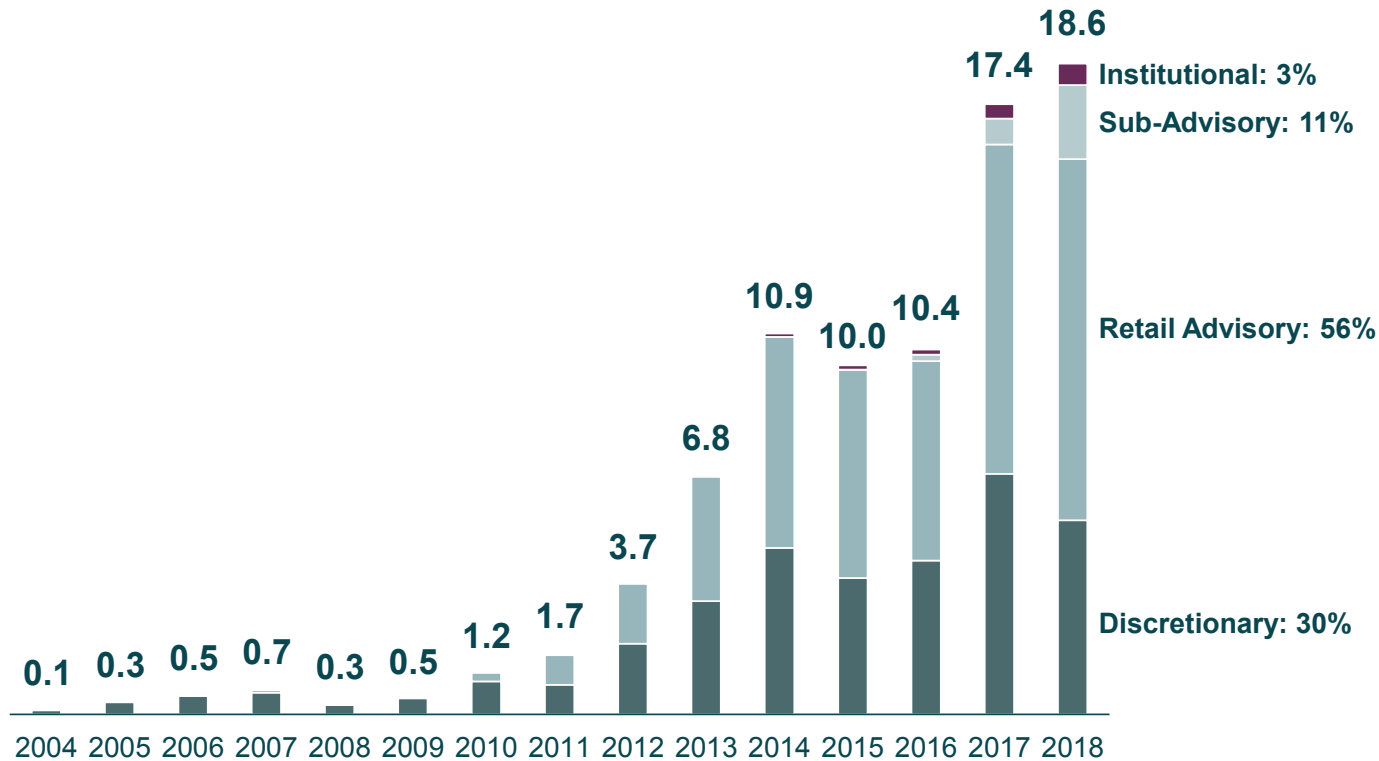


1. Outflow of one particular £6.5bn low-margin Institutional mandate as referred to in Prudential plc's Full Year 2018 results

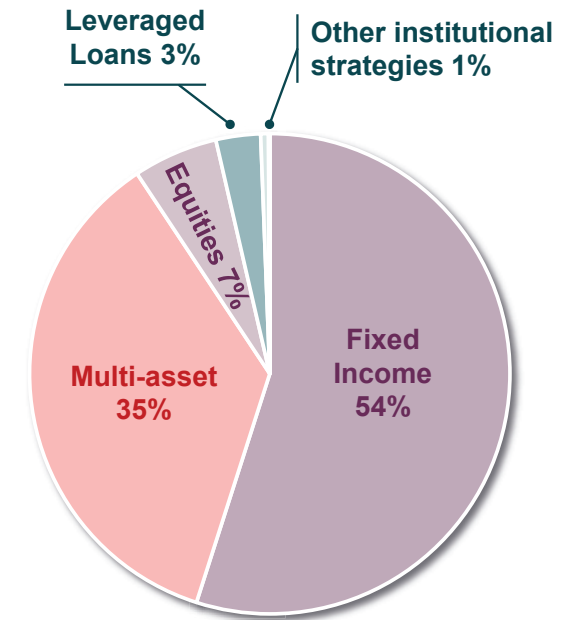
2. Source: Broadridge FundFile Net Sales as of December 2018. Figures in EUR, region is Europe (including UK) and International, data exclude ETFs and Index funds

A proven ability to grow internationally: M&GPrudential in Italy

Evolution of M&GPrudential Italy AuM
£bn



M&GPrudential Italy AuM by asset class



Source: M&GPrudential. As at end of December 2018

What is Sub-Advisory?

Partnering with distributors to develop bespoke customer solutions



Off-the-peg

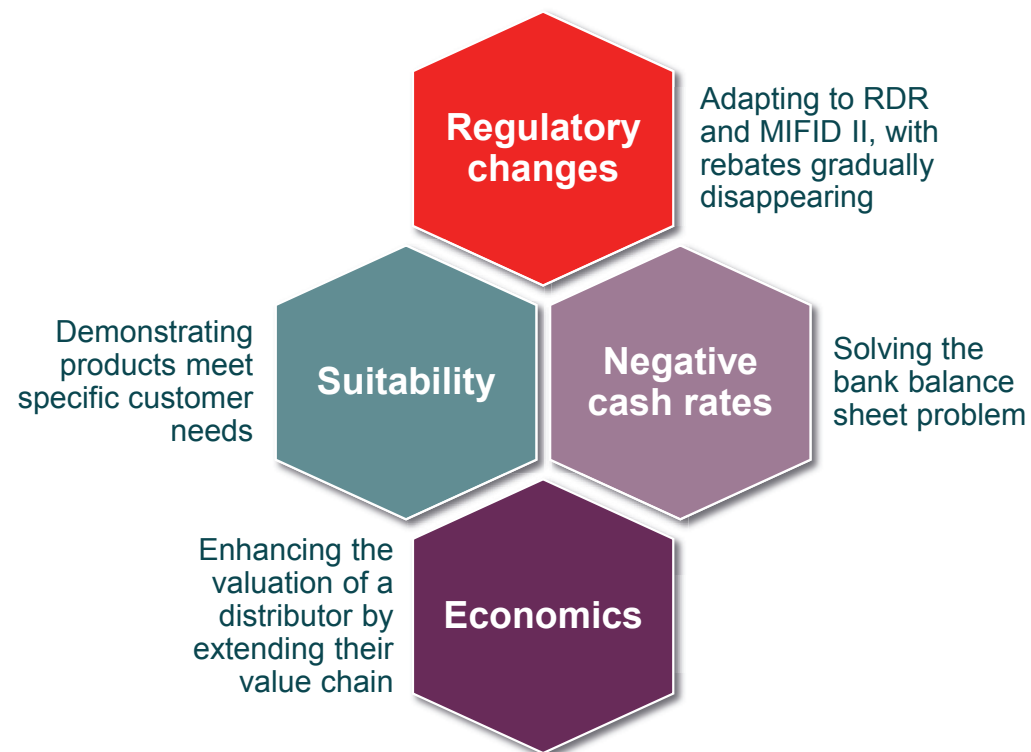
e.g. existing range of mutual funds (building blocks)



Tailor-made solutions

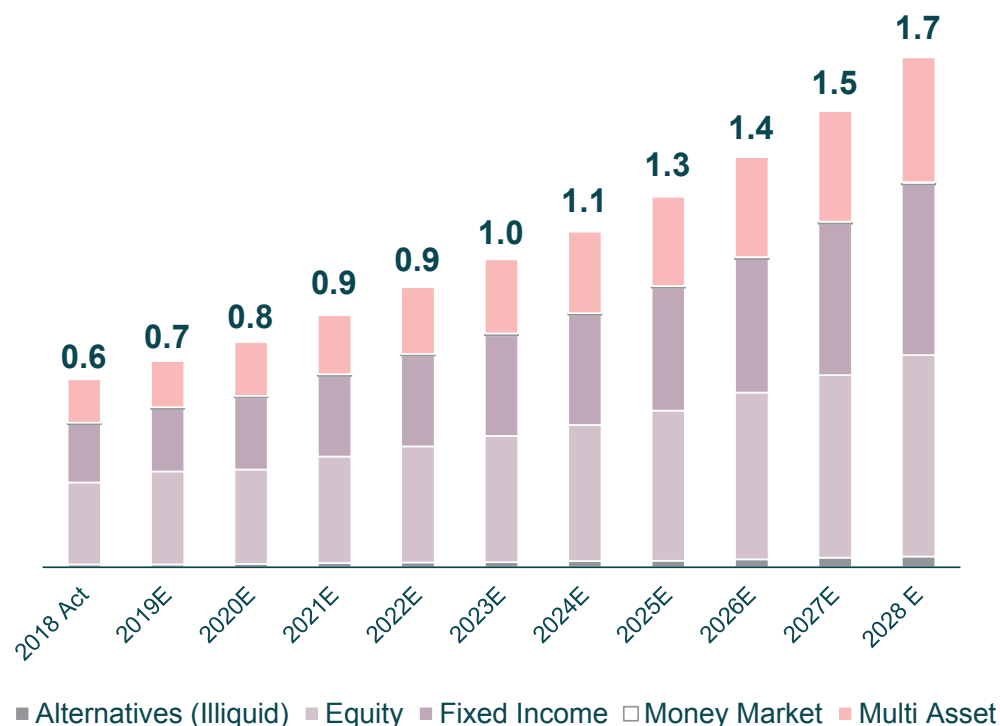
- Segregated mandates or single distributor mutual funds
- Outcome-oriented solutions, flexible investment approaches

Driven by changes affecting our distributors (and their clients)



Sub-Advisory markets present a huge opportunity for M&GPrudential

European Sub-Advisory Growth (forecast in € trillion)

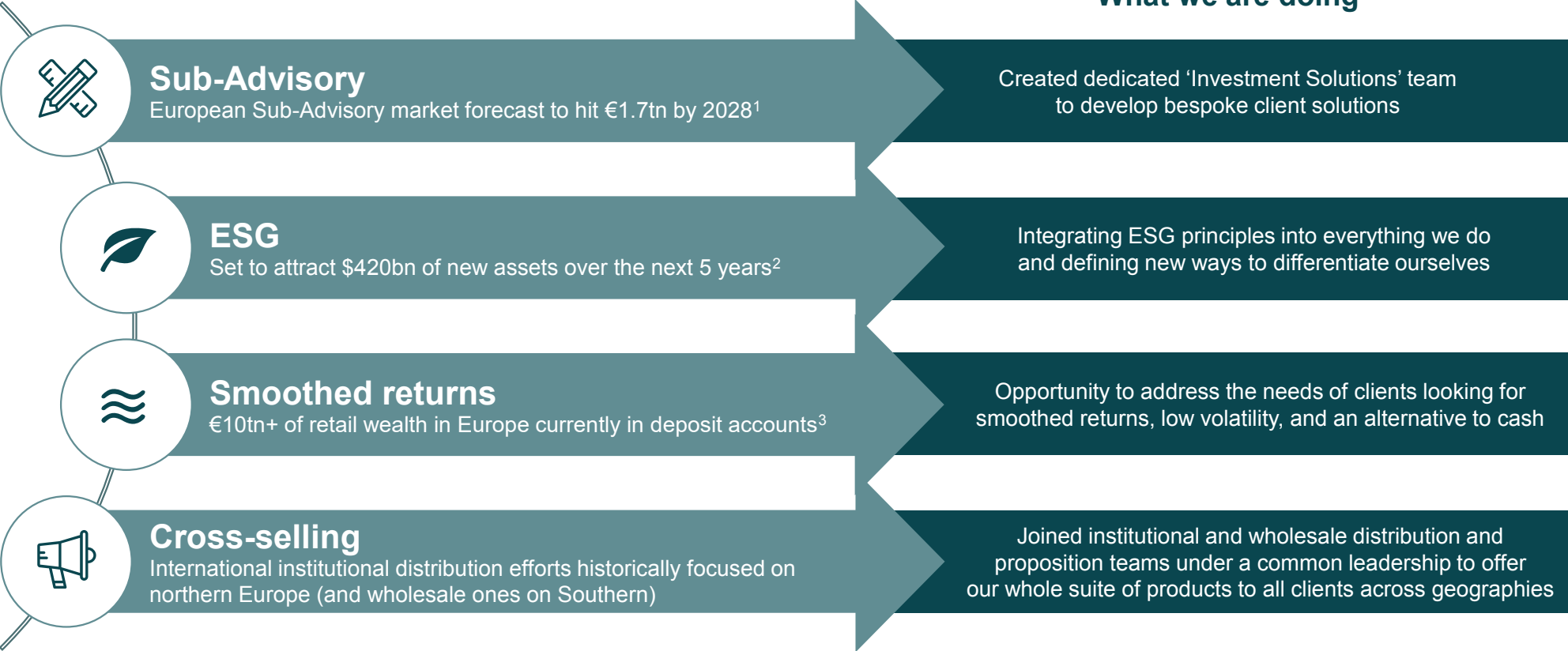


Attractive new business stream for M&GPrudential

- Institutionalise the wholesale distribution model
- Democratising Institutional Asset Management capabilities for retail customers
- Opportunity to build deeper partnerships with key global distributors:
 - Lower margins but greater volumes
 - Higher asset persistency
 - Chance to become a partner of choice
 - Greater share of wallet

Drivers of growth

What we are doing



1. InstiHub; 2. Impactvesting; 3. Eurostat

Priorities by region

Retention and tactical growth in the UK

Year of entry: **1848**
AuM: **£260bn**



- UK is a mature but significant market for M&GPrudential
- Focus distribution efforts on top end of the retail market and on retaining existing assets and clients
- Seize tactical growth opportunities e.g. cashflow driven investing (CDI)

Deeper into Europe

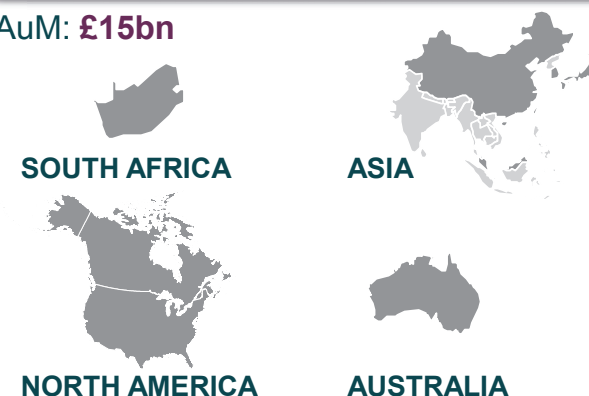
Year of entry: **2001**
AuM: **£49bn**



- Europe continues to drive short to medium term growth
- Opportunities to enhance institutional coverage in traditional retail markets and vice versa
- Capitalise on growing demand for solutions with Sub-Advisory, ESG and smoothed return products

Focused international expansion

AuM: **£15bn**



- **Asia:** Leverage existing partnerships with global banks and our new SICAV offering and solutions capabilities
- **US:** Remains the largest savings and investments market; new distribution offices opened in NY and Miami
- **Institutional:** Disciplined expansion in large markets (e.g. Japan, US, Australia)

Retail and Institutional Asset Management

Key messages

Strong history, brand and penetration in the UK market



A successful track record in internationalising our business



Unified investment engine to create tailored solutions to meet customers' needs



Evolving business model to take advantage of opportunities in existing and new markets



Wide international coverage, but with local customer service



Well positioned to capitalise on international growth opportunities



Customer and Distribution

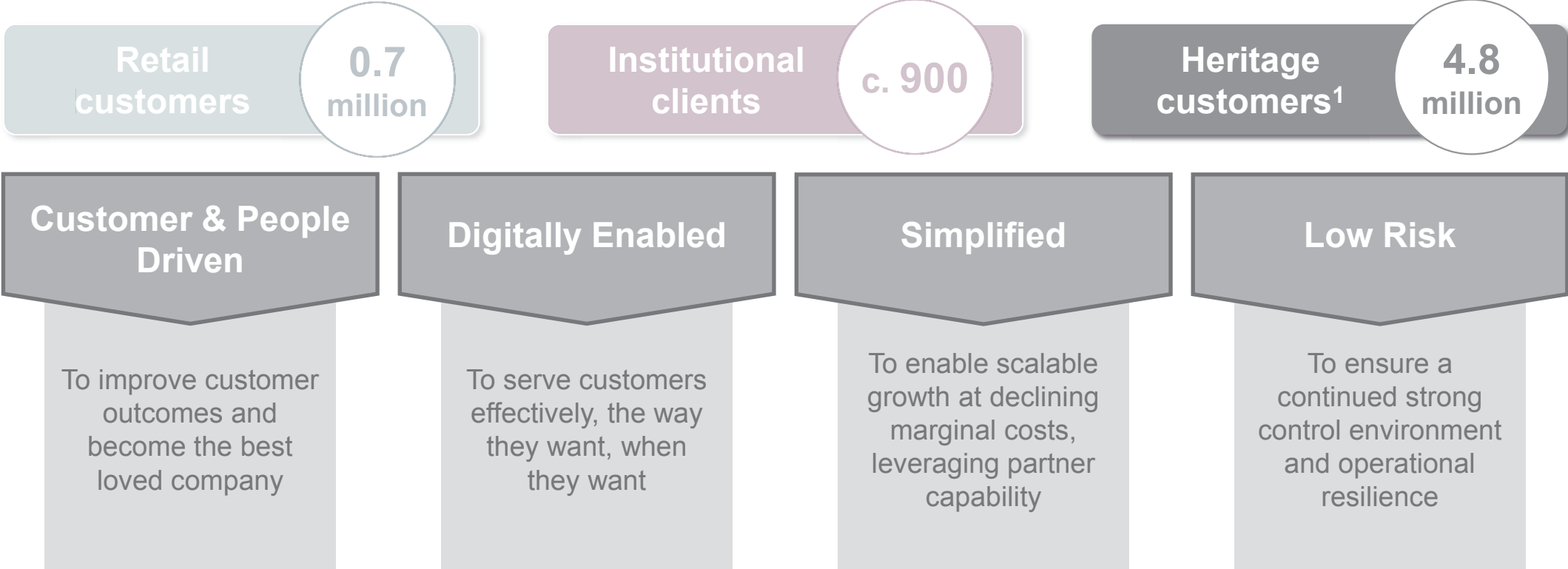
Heritage

Roddy Thomson

3 July 2019



Our business transformation is designed to deliver real outcomes to our customers



Supporting M&GPrudential's vision to become the best loved and most successful savings and investments business

1. Excludes annuity customers expected to transfer to Rothesay Life
Source: M&GPrudential as of FY18

The transformation of our Heritage book



Purpose

To deliver the best possible service outcomes to Heritage customers



Our Challenge

Service delivery that adapts to the changing landscape, whilst driving down costs & improving controls



Our Vision

Simplified, enabled and upgraded customer operations through transformation of operational & IT environment

Heritage customers¹

4.8 million

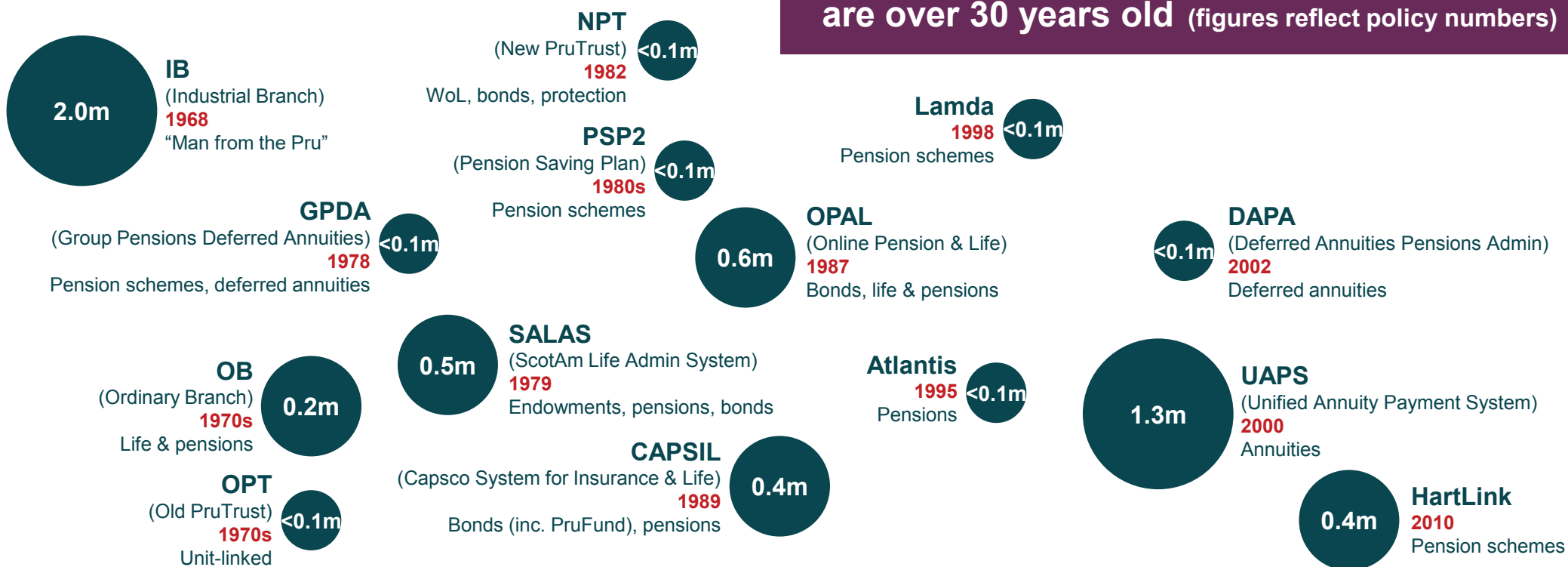
£123bn AuM

Traditional With-Profits	£85bn
Shareholder Annuities	£25bn
Corporate Pensions and Other	£14bn

1. Excludes annuity customers expected to transfer to Rothesay Life
Source: M&G Prudential as of FY18. Totals may not sum as a result of rounding

We will move from 14 policy administration systems to just one

Some of our Heritage policy admin systems are over 30 years old (figures reflect policy numbers)



We signed a 10-year partnership with Diligenta to provide proven digital and PAS¹ migration expertise

Outsourcing the administration of the UK Heritage book enables us to variabilise our cost base

Diligenta has strong credentials and is a regulated business since 2005... before our partnership, it already administered c.12m policies on behalf of eight clients

Scope of activities now undertaken by Diligenta

Customer Services

Distribution Services & Finance Services

IT Services

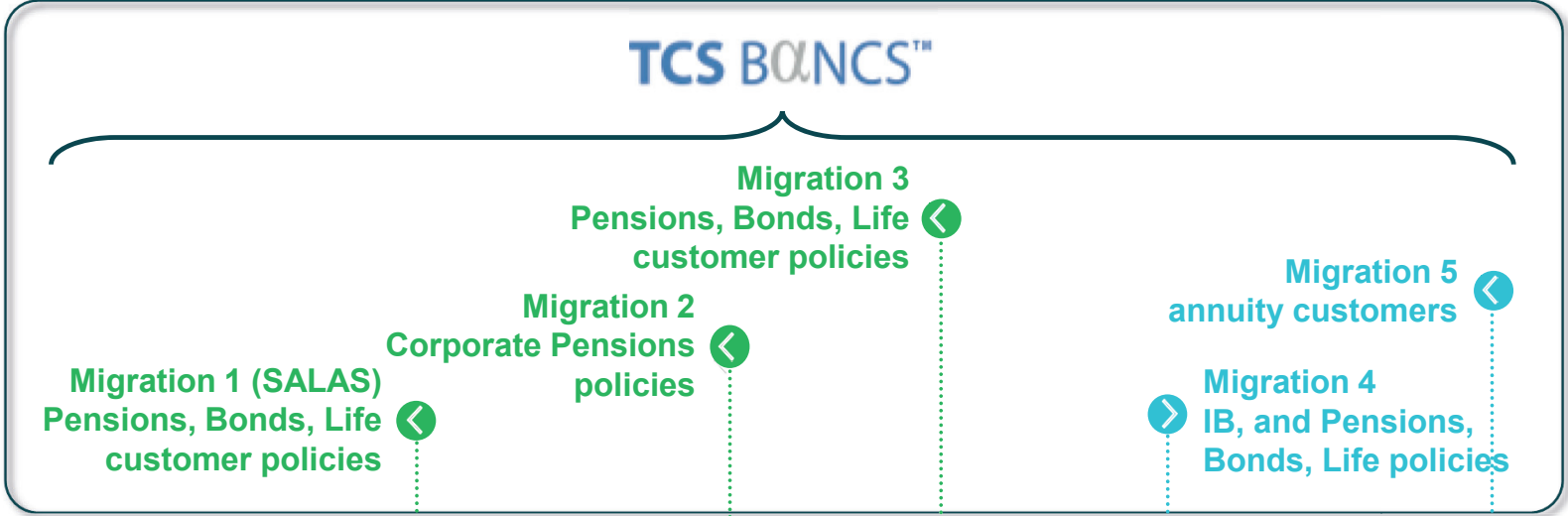
Digital transformation

PAS migration

Over 2,400 colleagues transitioned to TCS/Diligenta in 2018

- Around **1,800 Capita** staff (of which c. 1,100 UK based) transferred to Diligenta in August
- Nearly **650 Prudential colleagues** (of which c. 450 UK based) transferred to Diligenta in October

Our roadmap delivers significant customer outcome benefits and cuts total costs of ownership by 50%



Diligenta service commencement dates

2018

2019

2020

2021

All customer calls on one contact centre platform E2E customer journey (Delivered)

Digital Foundations in place (MyPru) (Delivered)

Customer self-service: Single workflow for Operations (In progress)

Digital enablement completed (In progress)

Key

- Delivered (Grey circle)
- In progress (Green circle)
- Planned (Blue circle)

Significant improvements in customer service are already being delivered

Transformed approach to customer management – from transactions to end-to-end journey outcomes

44% reduction in end-to-end journey days since August¹

Journey NPS up by 14 points since August¹

... and we're delivering continuous improvements for customers

BaNCS CRM



Re-platform and assisted registration for MyPru



Online bond claim for customer and advisors



Modernised statements and reduced charges



IVR² platform



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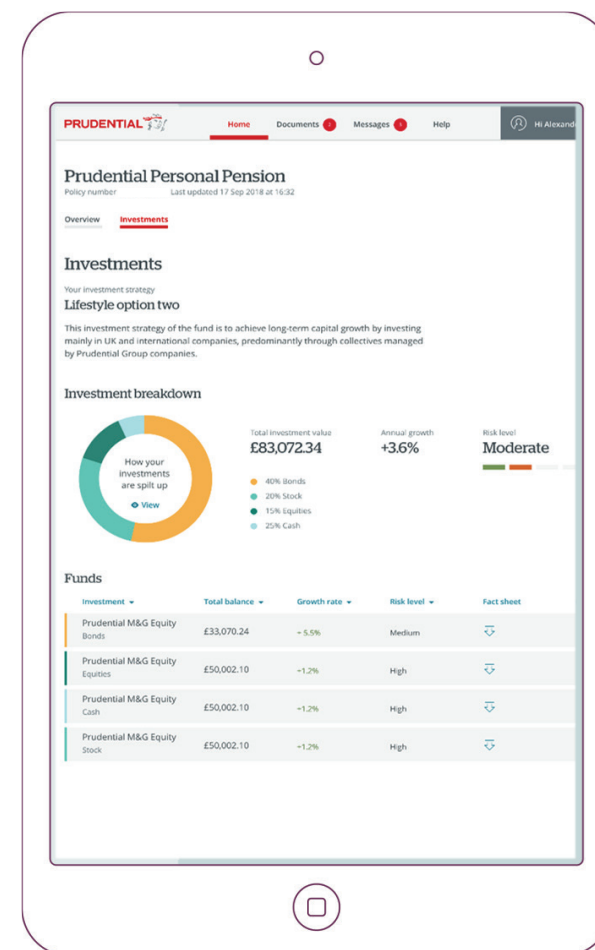


IVR² platform



Re-platform for MyPru provides the foundation for digital transformation ambitions

- Foundations in place to ensure that customers who wish to engage online can do so (scalable)
- Supported registration (where customers require help) allows set-up of access within minutes
- User-friendly and easy to navigate on all devices
- Two-way secure messaging and document sharing capability
- Substantially improved stability & response times
- Provides customer insight – in turn informs prioritisation of future development



Significant improvements in customer service are already being delivered

Transformed approach to customer management – from transactions to end-to-end journey outcomes

44% reduction in end-to-end journey days since August¹

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... and we're delivering continuous improvements for customers

BaNCS CRM



Re-platform and assisted registration for MyPru



Online bond claim for customer and advisors



Modernised statements and reduced charges



IVR² platform



Online bond claims launched in late 2018, improving customer experience... 35% take-up to date



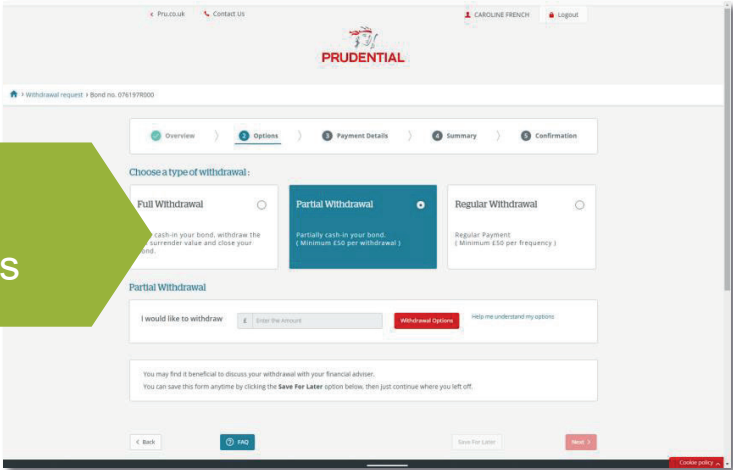
Online bond claim for customer and advisors – c. 35% of claims now processed digitally, halving the number of touchpoints & reducing cycle time by over 75%

As was...

Initiated via phone or paper forms...
E2E time ~16 days (5% >47 days), ~11 'touches', 56% paid on time

As is...

Initiated via MyPru app...
3.5 days, ~3 'touches', BaNCS will automate payments



Significant improvements in customer service are already being delivered

Transformed approach to customer management – from transactions to end-to-end journey outcomes

44% reduction in end-to-end journey days since August¹

Journey NPS up by 14 points since August¹

... and we're delivering continuous improvements for customers

BaNCS CRM



Re-platform and assisted registration for MyPru



Online bond claim for customer and advisors



Modernised statements and reduced charges



IVR² platform



Modernising statements & other customer communications whilst improving customer value

Improved investment proposition

280,000 customers

Reduced charges

172,000 customers

Modernised Annual Benefit Statements

c. **1.7 million** customers by the end of 2018

Removed Exit Charges from all personal pension products

Over **1 million** customers

Heritage transformation

Key messages

Digital transformation



Systems rationalisation and simplified operating model



Step change in customer outcomes



Efficient and variabilised cost base



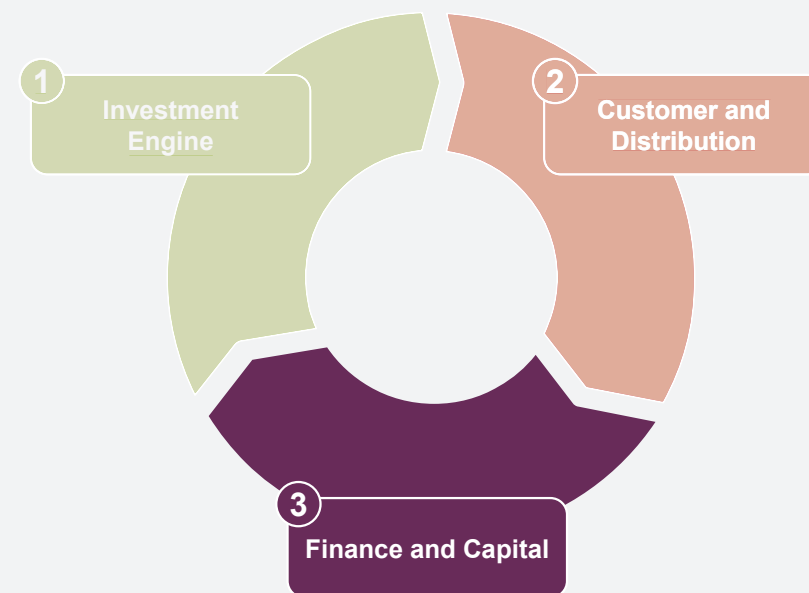
Improved resilience and enhanced control environment



3. Finance and Capital

Clare Bousfield

3 July 2019





Proactive and **disciplined**
managers of capital...



... delivering **attractive shareholder returns**
balancing dividend and profitable growth...



... while **supporting transformation** to drive customer
experience, scalability, efficiency and capability

What we will cover today

- ▶ Introduction to our new segmentation
- ▶ Merger & transformation project
- ▶ Capitalisation
- ▶ Capital management preview

To be covered closer to the time of demerger:

- Prospective financial direction
- Capital generation
- Capital and risk management framework
- Dividend policy

New financial segmentation: Reflecting how we see business opportunities

Historical view

New financial segmentation



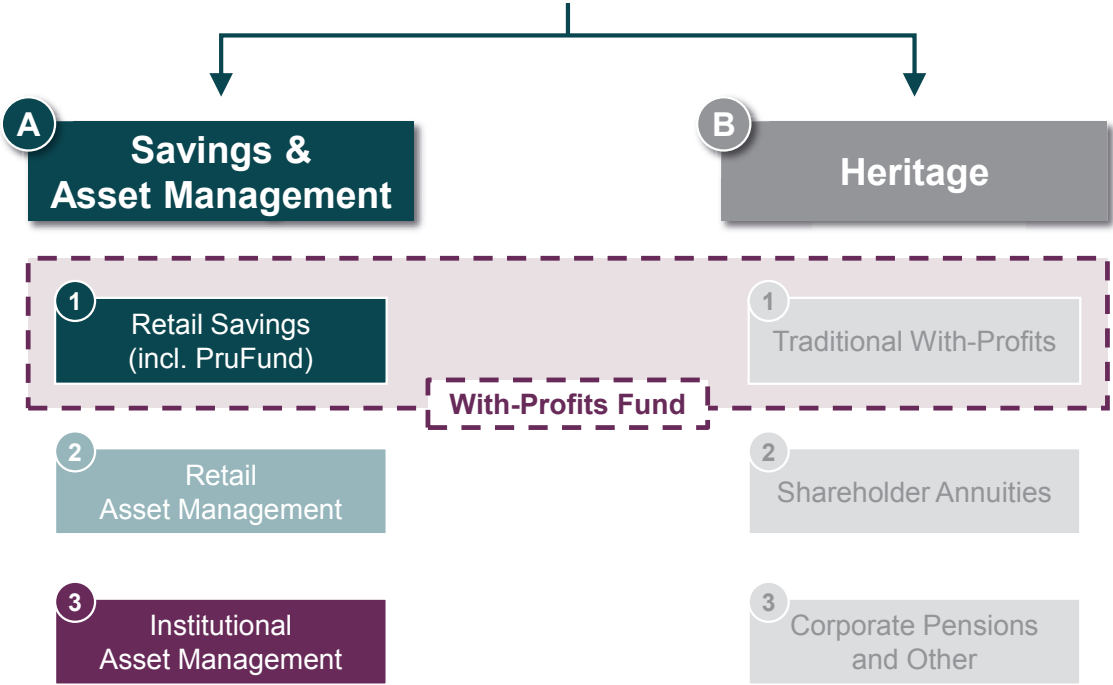
Asset Management



UK & Europe Life Insurance

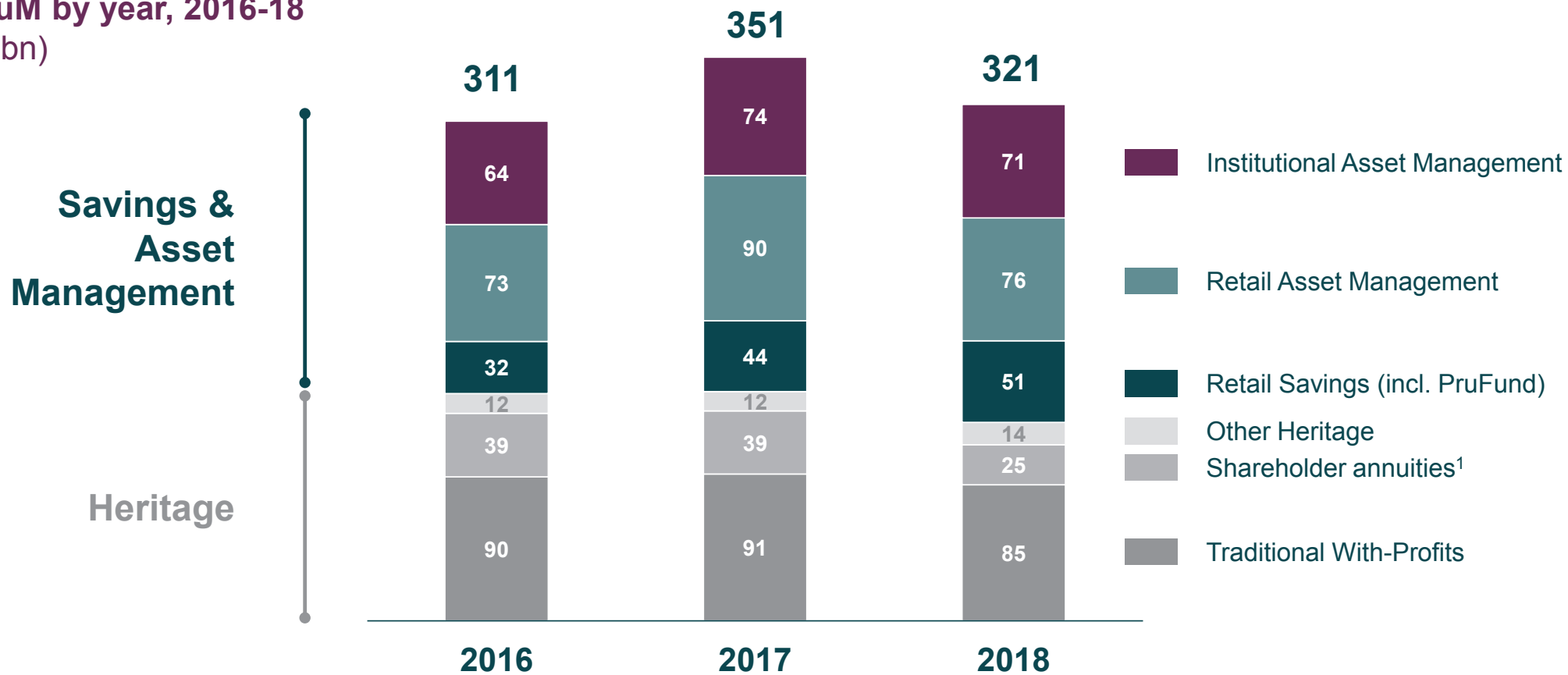


M&GPRUDENTIAL



AuM by sub-segment

AuM by year, 2016-18
(£bn)

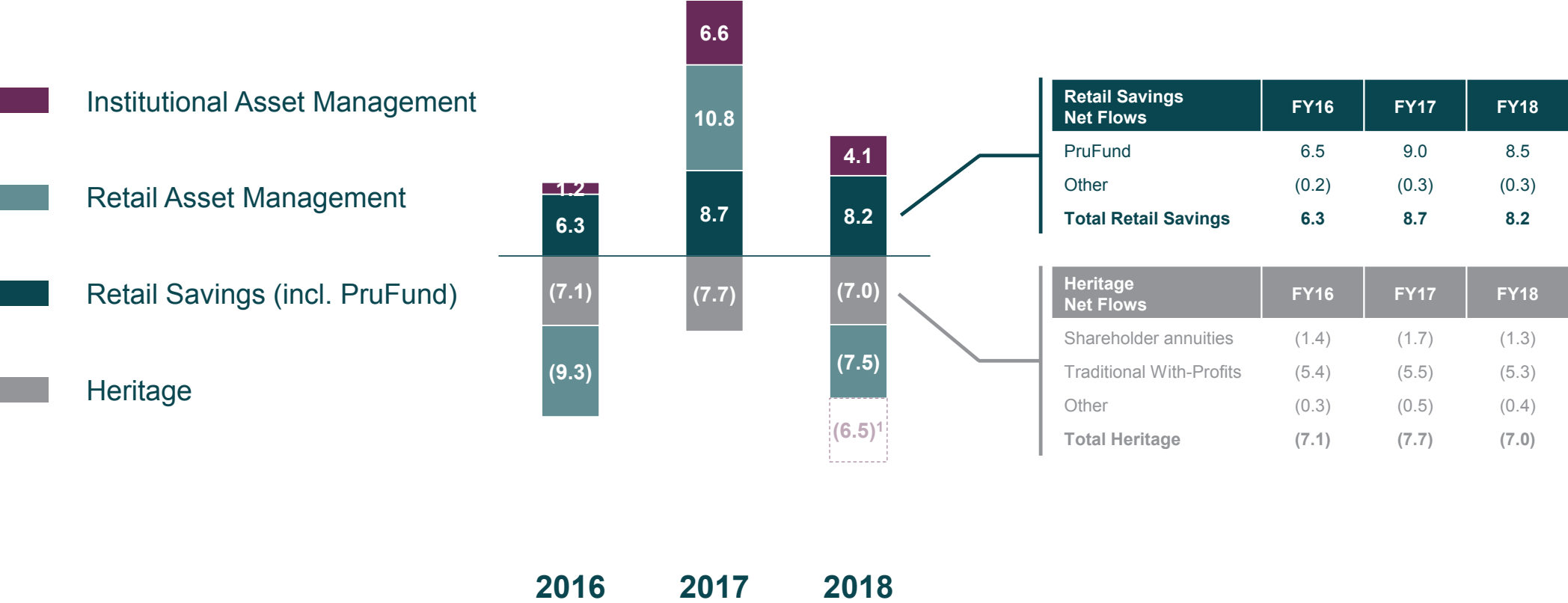


Totals may not sum as a result of rounding

1. In March 2018, M&GPrudential announced the sale of £12bn (as at 31/12/2017) of its Shareholder Annuity portfolio liabilities to Rothesay Life, with the liabilities reinsured to Rothesay Life on 14 March 2018

Net flows by sub-segment

Net flows by year, 2016-18 (£bn)



1. Outflow of one particular £6.5bn low-margin Institutional mandate as referred to in Prudential plc's Full Year 2018 results

Earnings by source – FY 2018

2018 Adjusted Operating profit £m, pre-tax	Asset Management	With-Profits s/h transfers ¹	Shareholder Annuities & Other ²	Total
A Savings & Asset Management	473	54	(59)	468
B Heritage	-	201	961	1,162
Total Segments	473	255	902	1,630
Corporate centre				(13)
Total Adjusted Operating Profit				1,617

¹ With-Profits shareholder transfer, net of hedging effects; ² Heritage includes specific positive items in relation to annuities, including longevity assumption changes (£441m) and gain from insurance recovery related to provision for past annuity sales (£166m)

A

Savings & Asset Management

Sources of earnings: Asset Management

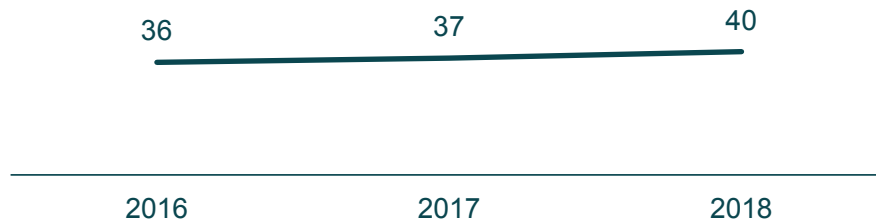
M&GPRUDENTIAL

Key drivers

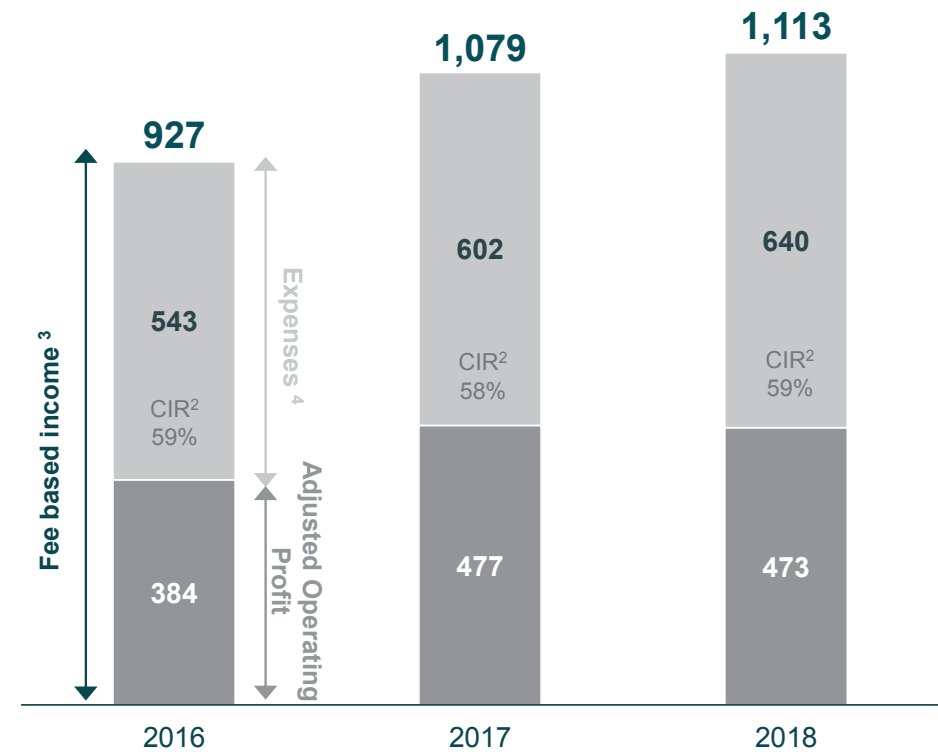
End of year AuM (£bn)



Average fee margin (bps of average AuM incl. internal¹)

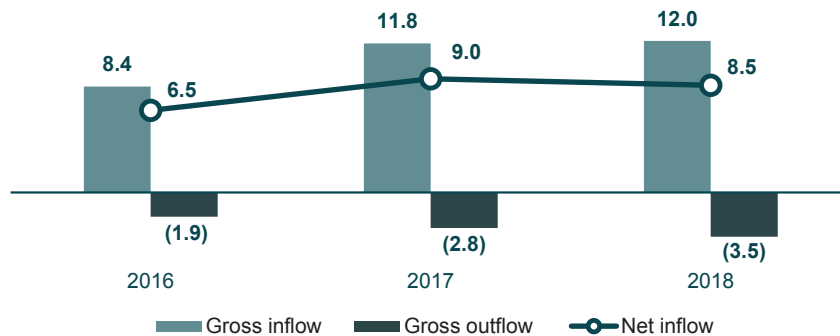


Profitability (£m)

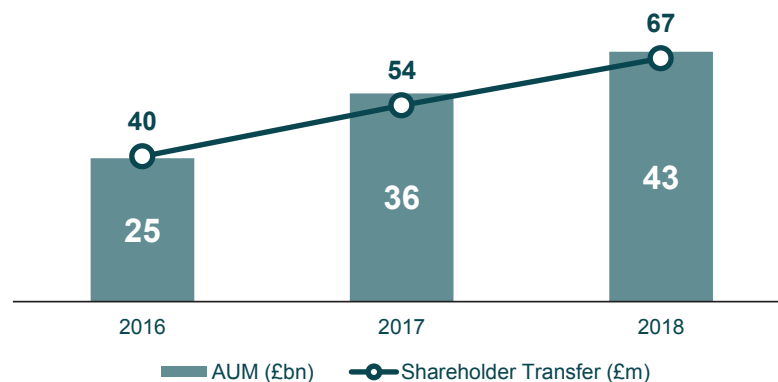


¹ Fee margin calculated as fee based adjusted operating income, excluding performance fees, over monthly average AuM. Performance fees were FY16: £33m; FY17: £53m; FY18: 15m; ² Total adjusted operating expenses excluding restructuring, over total adjusted operating income excluding performance fees. ³ Fee based adjusted operating income. ⁴ Adjusted operating expenses.

PruFund net flows (£bn)

Net inflow profile reflecting the maturity profile
of the book

- Gross flows into PruFund have remained very strong, reflecting popularity of the product especially in a post-pension freedom world
- Gross outflows rising as expected, as the book matures and customers access their savings

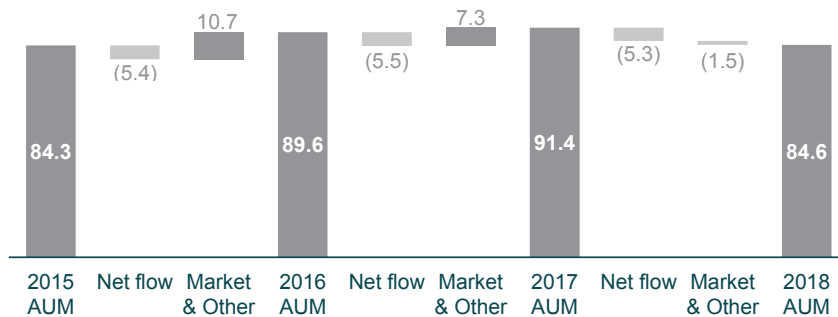
PruFund AuM and shareholder transfers¹PruFund transfers are triggered when customers
withdraw their money:

- Shareholders receive 1/9th of the investment return realised by PruFund customers when they withdraw
- Transfers therefore expected to continue to grow with increasing maturity of book
- Significant latent value on the balance sheet

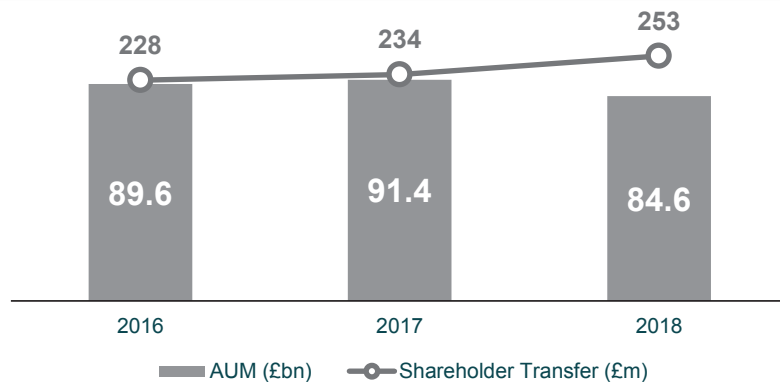
1. Shareholder transfers include PruFund, and certain unithised With-Profits contracts with a PruFund component. Gross of hedging.

Sources of earnings: With-Profits

AuM development (£bn)



Shareholder transfer¹ development vs AuM



Heritage With-Profits book has long run-off

- Closed to new customers
- Average net outflows c. 6% of AuM over 2016-2018
- Investment income has offset this on average

Stable earnings and cash generation

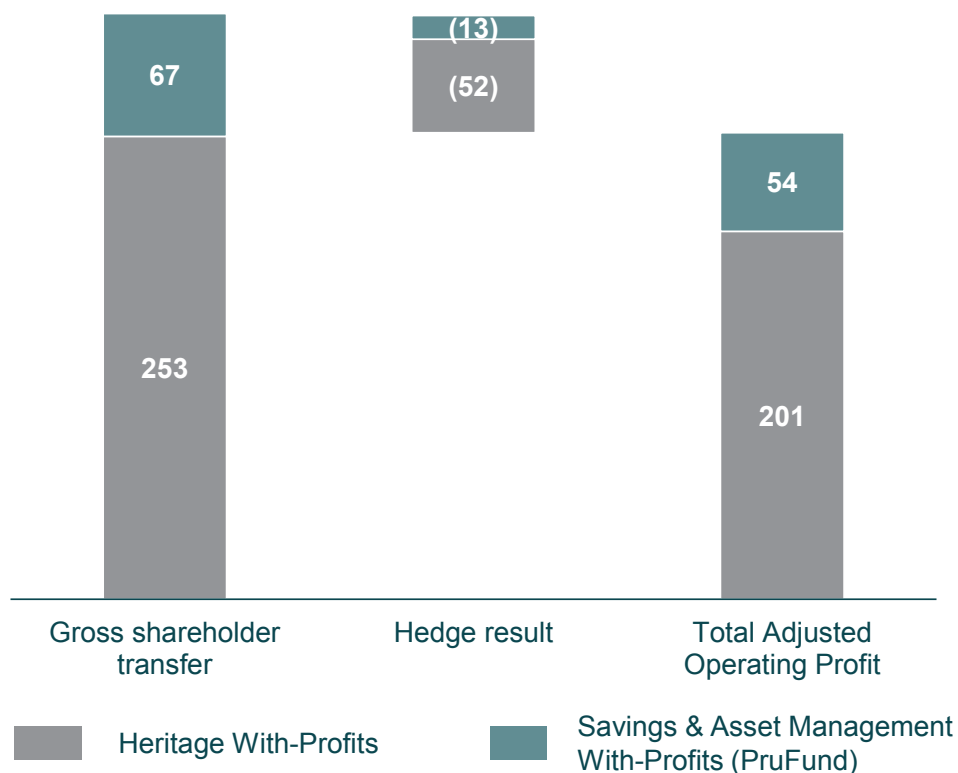
- Shareholder transfers occur on policyholder withdrawal, and equal to 1/9th of reversionary and terminal bonuses
- Long run-off profile: Transfers expected to remain materially in line with 2016-2018 experience for at least the next 10 years²

1. Gross of hedging. 2. Assuming normal financial market development and policyholder behavior

With-Profits

Shareholder transfer hedging

With-Profits Adjusted Operating Profit (FY18, £m)



Mitigating cashflow risk:

- Existing programme mitigates the majority of equity market risk in shareholder transfers
- Constructed to swap future upside for downside protection
- Annual rolling programme, protecting next 5 years of transfers

Also reduces capital requirements:

- Shareholder SCR in relation to With-Profits business ~25% lower

Future hedging strategy under review

Sources of earnings: Shareholder Annuities & Other

Shareholder Annuities & Other – Split of adjusted operating profit (£m)

	2016	2017	2018
Return on excess assets and margin release	245	273	251
Asset trading and other optimisation	166	341	113
Longevity (reinsurance & assumption changes)	278	235	441
Guaranteed minimum pension provision	-	-	(55)
Provision for review of past annuity sales	(175)	(225)	166
Other	60	59	45
TOTAL	574	683	961

Result driven by factors with varying probability of appearing in future:

- Return on excess assets and margin releases are regular
- Asset optimisation reduced post Solvency II implementation
- Recent longevity experience driven by lower mortality improvement rates, with future uncertainty

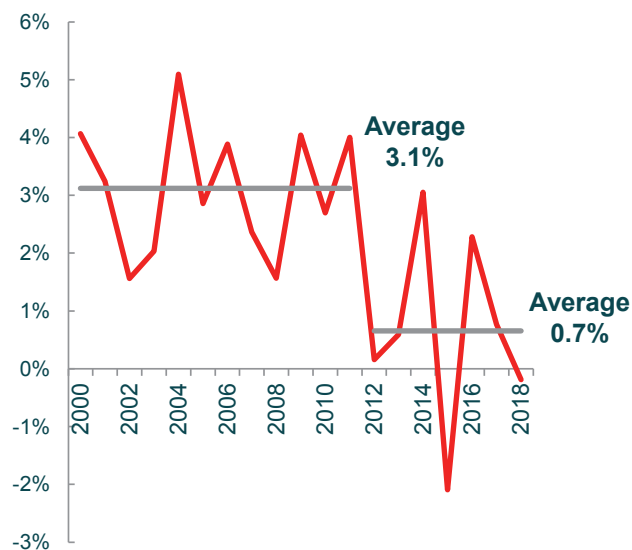
Annuities: Recent longevity developments

Declining mortality improvements...

...and investment in our capability...

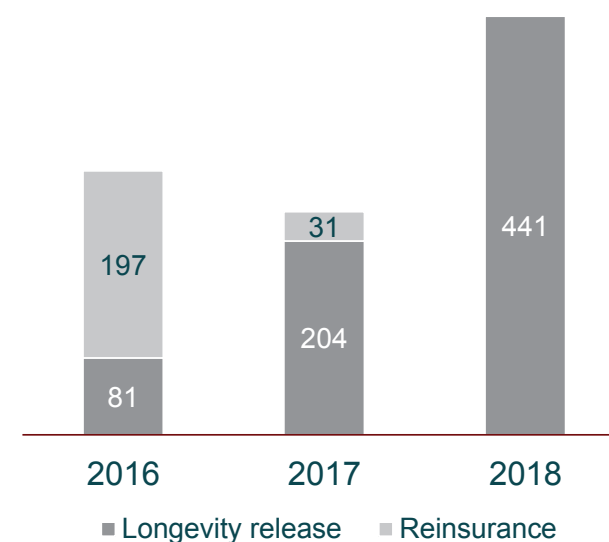
...supported positive developments

Annual mortality improvement rate¹ (%)



- **Enhanced longevity skill set** within M&GPrudential and increased use of external experts in longevity
- **Development of new methodologies** to allow for e.g. public policy developments, economic factors, technological changes, and others
- **Investment in technology** to create industry leading analytical tools
- **Expansion of data sets** used for the assessment of longevity variation within the portfolio

IFRS Longevity impacts (Adjusted Operating Profit, £m)



1. Chart for UK population. Note M&GP's portfolio has differing socio-economic make-up compared to the average

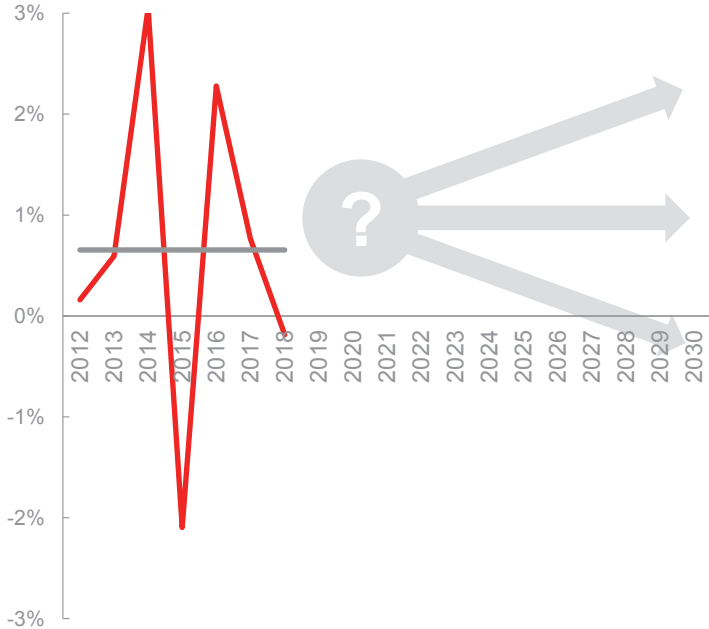
Future Longevity subject to continued uncertainty

M&GP will continue its focus on insight

- Continued improvement in data granularity and accuracy
- Further development of our systems and technology enabling improved analysis
- Ongoing research into underlying drivers of longevity

But what next for improvements?

Annual mortality improvement rate (%)



- Increased confidence in our longevity assumptions
- Cautious recognition of emerging experience until the future becomes clearer

Merger & Transformation

Key objectives

In **August 2017** we announced the **merger** of M&G with Prudential UK and a **shareholder investment of c. £250m**, over the course of 5 years, to fund a **transformation programme** for the business



1

Improve customer outcomes
Leveraging key capabilities, broadening and digitising our propositions



2

Strengthen the control environment
and simplify our operating model



3

Restructure our cost base
(shareholder cash benefits c. £145m p.a.)

Transforming at pace across the entire business



Heritage

Improve customer outcomes through a fundamental transformation of the operational, outsourcing & IT environment

Savings

Create a multi-channel, multi-wrapper, digital environment to transform experience, efficiency and critical outcomes for customers

Asset Management

Deliver a simplified, scalable investment engine to increase efficiency and reduce marginal costs

Finance

Modernise and improve processes, systems and the culture within Finance to drive the performance of the business through insights

Culture

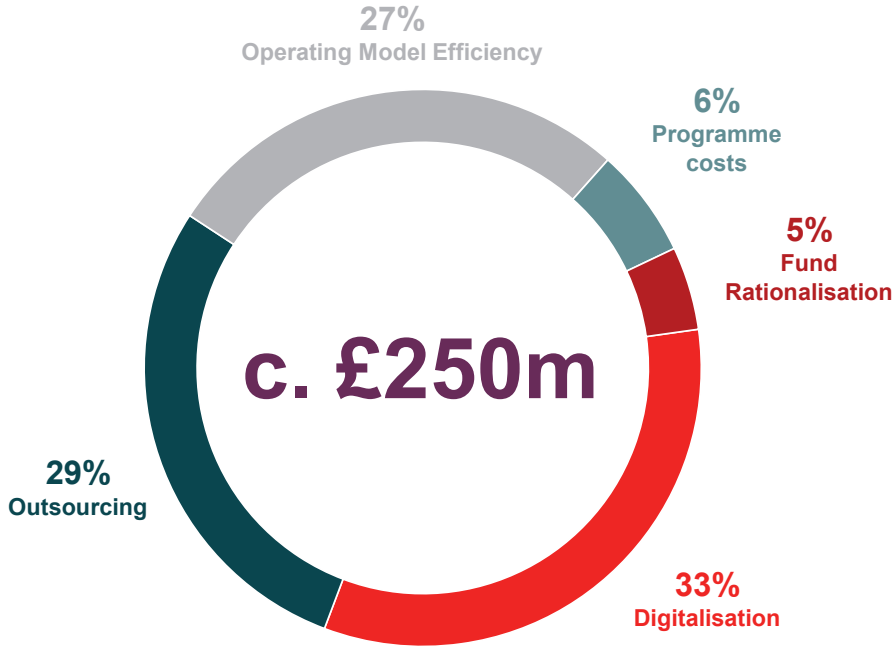
Continue to drive people capability and cultural change, including moving towards the M&GPrudential culture and leadership model

Shared Services

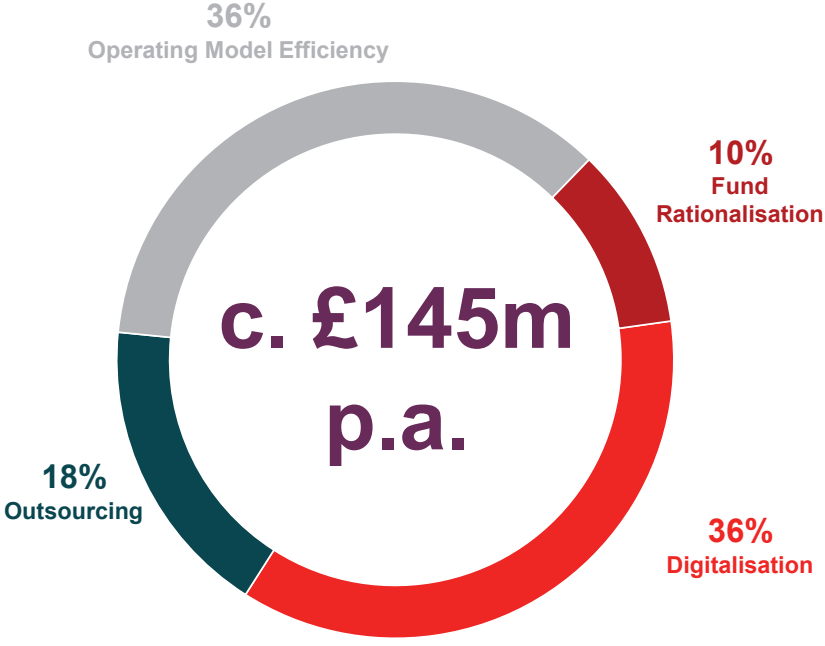
Support and enable the delivery of the M&GPrudential strategy working directly with the business

On track to deliver transformation benefits by 2022 as announced

Shareholder investment¹



Shareholder run-rate cash benefits¹



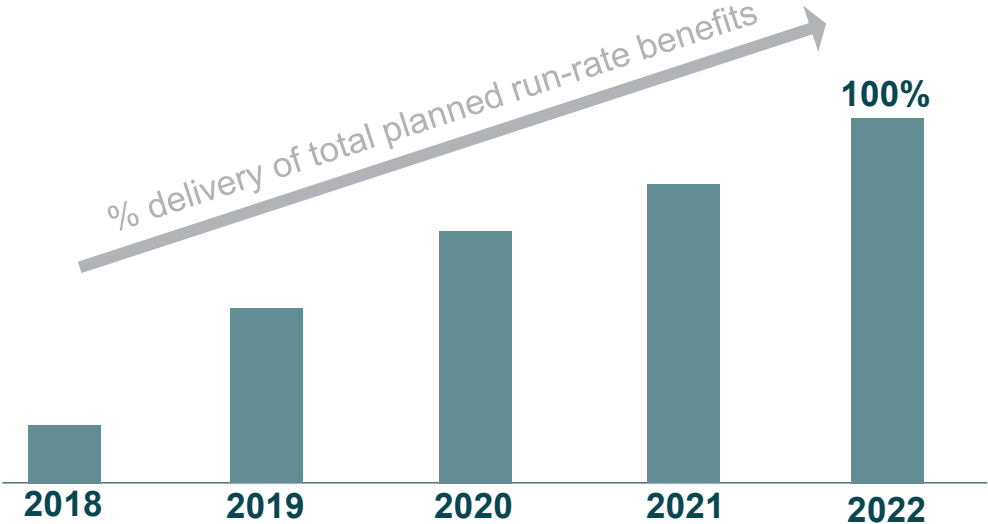
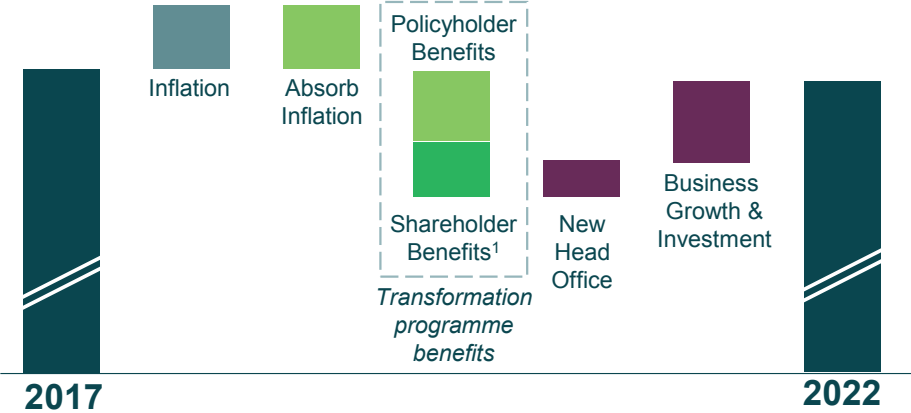
1. Cumulative shareholder investment and annual run-rate cash benefits expected over the 5 year period ending 2022

Efficiency benefits absorb upward cost pressures

Cost efficiency programme to absorb inflation, offset business investment & reshape the cost base

Run-rate benefits from transformation programme expected to materially increase from end of 2019

Indicative development of gross operating cost base



1. Annual shareholder cash benefits of c. £145m, as previously announced

Solvency II Position as at year end 2018

Prudential Assurance Company (PAC)

- ▶ There are three key views of PAC's solvency ratio
- ▶ For shareholder capital management purposes, the Shareholder view is the most relevant

Shareholder view

Own Funds (£8.8bn) comprises:

- **£2.4bn** Present value of future expected shareholder transfers
- **£6.4bn** other Own Funds as measured under Solvency II rules

SCR (£5.1bn) comprises:

- Allowance for usual underwriting and asset risks
- Allowance for risk related to value of future expected shareholder transfers

Solvency ratio **172%**

With-Profits Fund view

Own Funds (£9.6bn) comprises:

- **£12.0bn** Own Funds as measured under Solvency II rules, net of:
- **£(2.4)bn** deduction in respect of the future expected shareholder transfers (mirroring shareholder fund view)

SCR (£4.2bn) comprises:

- Allowance for usual underwriting and asset risks

Solvency ratio **231%**

Regulatory solvency view

Own Funds (£13.0bn) comprises:

- **£8.8bn** from shareholder fund
- **£4.2bn** only in respect of the With-Profits Fund, since the amount is capped at the amount of the With-Profits Fund's SCR

SCR (£9.3bn) comprises:

- The sum of shareholder and With-Profits SCRs

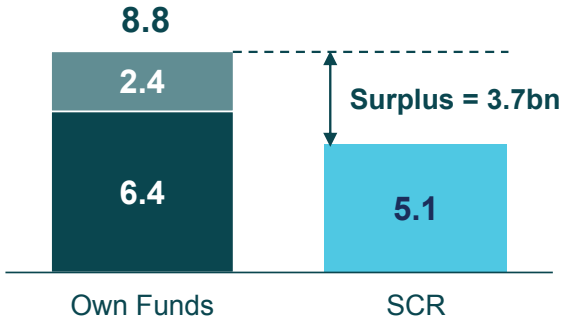
Solvency ratio **140%**

Solvency II Position as at year end 2018

Prudential Assurance Company (PAC)

£bn

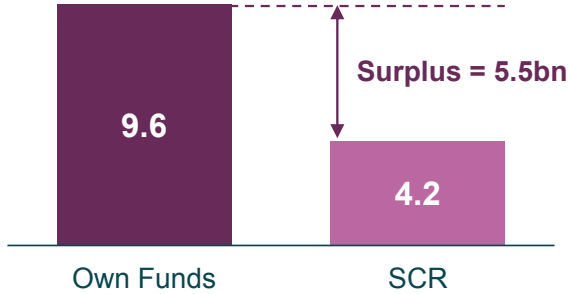
Shareholder view



- Own Funds excl. PV of future s/h transfers
- PV of future shareholder transfers
- Solvency Capital requirement¹

Solvency ratio **172%**

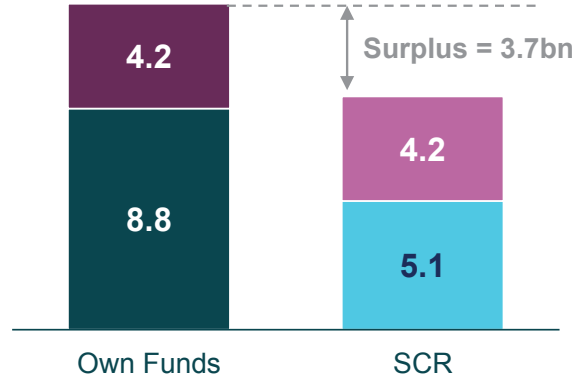
With-Profits Fund view



- WP Own Funds
- With-Profits Fund SCR

Solvency ratio **231%**

Regulatory solvency view



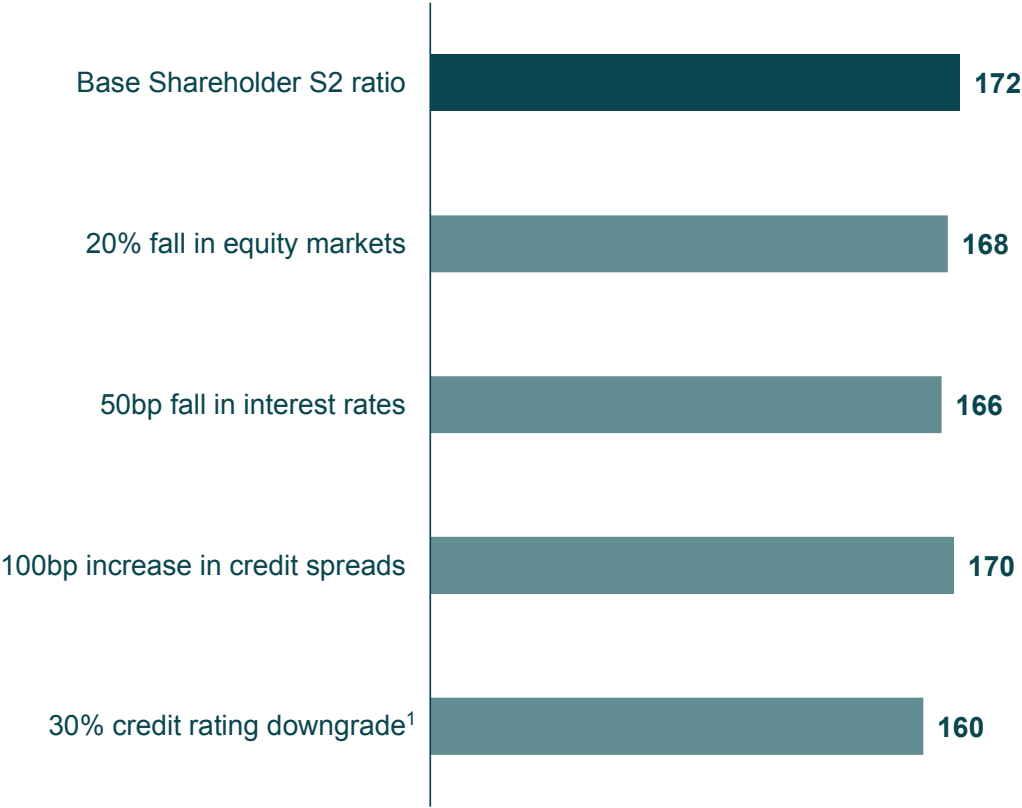
- Shareholder Own Funds
- With-Profits Own Funds
- Shareholder SCR¹
- With-Profits SCR

Solvency ratio **140%**

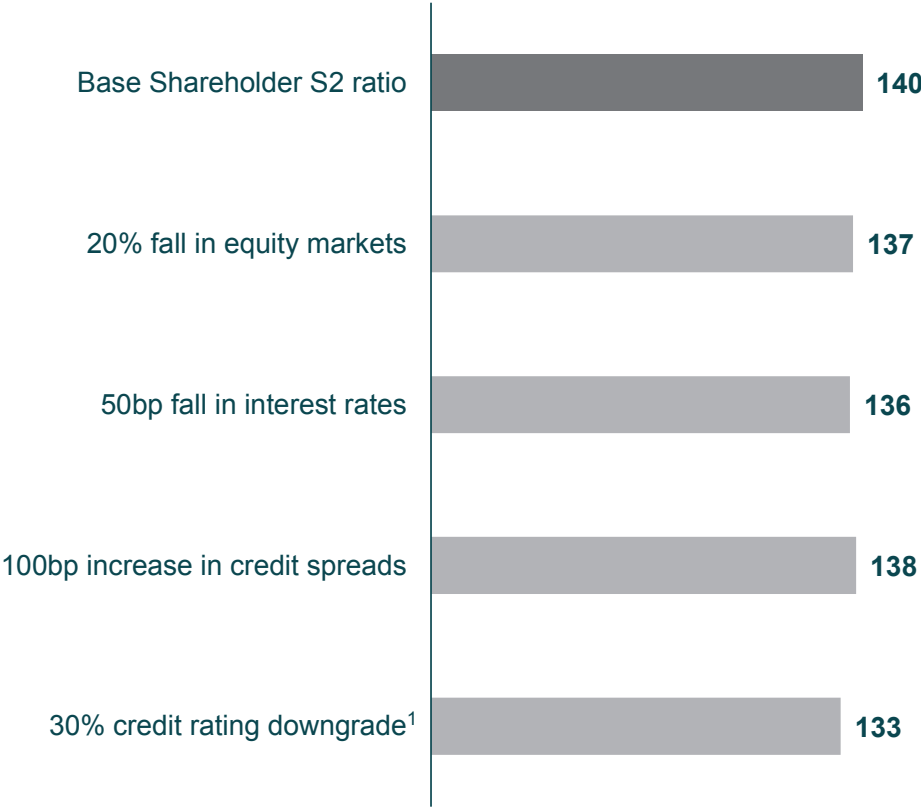
Totals may not sum as a result of rounding
 1. Includes SCR related to PV of future shareholder transfers

Solvency II Sensitivities

PAC Shareholder Solvency II market sensitivities (%)



PAC Regulatory Solvency II market sensitivities (%)



Note: Sensitivities assuming recalculation of TMTP
 1. Average impact of one full letter downgrade across 30% of the portfolio

1

M&GPrudential Solvency II position prior to demerger

- **M&GP capital adequacy measured under Solvency II**
- **Own Funds and SCR mainly driven by PAC**, with M&G and other minor entities added on
- Due to the weight of PAC, **M&GP pre-demerger Solvency II ratio similar to PAC**



2

Demerger transaction

- **M&GP assumes debt from Prudential plc**
- **Debt qualifies as Solvency II capital**, adding to Own Funds
- **M&GP pays pre-demerger dividend to Prudential plc** in order to bring solvency back to target level
- Effectively M&GP receives debt and pays equity

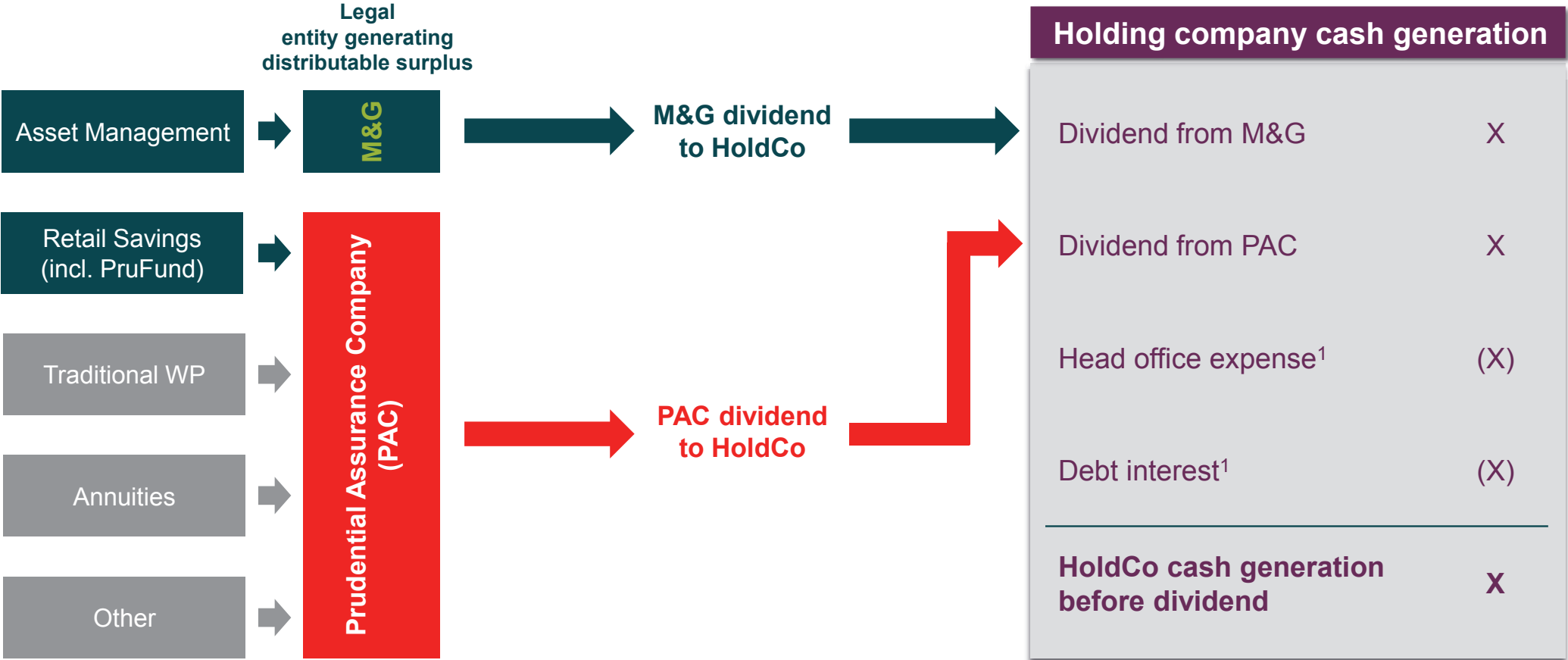
Expected adjusted operating profit vs Surplus capital generation

Conceptual framework:

		Expected Adjusted Operating Profit	Group Solvency II expected surplus generation	
			Own Funds	SCR
Savings & Asset Management	Asset Management	Fees - expenses	Fees - expenses	Change in capital requirement
	Retail Savings (incl. PruFund)	Shareholder transfer & other	Unwind of PVST asset + new business value	Release from run-off + addition from new business
Heritage	Traditional WP	Shareholder transfer	Unwind of PVST asset	Release from run-off
	Annuities & other	Return on excess assets + release of prudency margins + other	Release of Risk margin + Income on surplus assets + credit margin earned on BEL - run-off of TMTP	Release from run-off

Distributable surplus to parent company cash

Indicative future flows



We will give further details on our capital management framework closer to the time of listing

1. After tax

Finance and Capital Key messages

Proactive and disciplined managers of capital



Supporting transformation to drive customer experience



On track to deliver planned efficiency benefits



Aiming to produce attractive balance of dividend and growth



M&GPrudential's story

Key messages

1  Unique and compelling business mix; a fund manager with a balance sheet

2  Differentiated and high-value savings and investments solutions to address customers' needs

3  Proven track record for growing new franchises, at home and internationally

4  Well positioned to capture opportunities from demographic shifts and the search for yield

5  Attractive total return profile with capital discipline and profitable growth

M&GPRUDENTIAL

Appendix

Appendix

Details on AuM and flows

£bn		YE15	Net flows	Market / Other	YE16	Net flows	Market / Other	YE17	Net flows	Market / Other	YE18
Savings & Asset Management	Institutional Asset Management	55.3	1.2	7.6	64.1	6.6	2.9	73.6	(2.4)	(0.7)	70.5
	Retail Asset Management	71.1	(9.3)	10.9	72.7	10.8	6.8	90.3	(7.5)	(6.4)	76.4
	Retail Savings	23.9	6.3	2.2	32.4	8.7	2.9	44.0	8.2	(1.6)	50.6
	- of which: PruFund	16.5	6.5	1.7	24.7	9.0	2.2	35.9	8.5	(1.4)	43.0
	Other	0.2	0.0	0.0	0.2	0.0	0.0	0.2	0.0	0.0	0.2
Total Savings & Asset Management		150.5	(1.8)	20.7	169.4	26.1	12.6	208.1	(1.7)	(8.7)	197.7
Heritage	Traditional With-Profits	84.3	(5.4)	10.7	89.6	(5.5)	7.3	91.4	(5.3)	(1.5)	84.6
	Shareholder Annuities	36.3	(1.4)	4.5	39.4	(1.7)	1.4	39.1	(1.3)	(12.9)	24.9
	Other	12.8	(0.3)	(0.1)	12.4	(0.5)	0.2	12.1	(0.4)	2.3	14.0
Total Heritage		133.4	(7.1)	15.1	141.4	(7.7)	8.9	142.6	(7.0)	(12.1)	123.5
Group Total		283.9	(8.9)	35.8	310.8	18.4	21.5	350.7	(8.7)	(20.8)	321.2

Totals may not sum as a result of rounding

Appendix

Earnings by source – FY 2016

2016 Adjusted Operating profit £m, pre-tax	Asset Management	With-Profits s/h transfers ¹	Shareholder Annuities & Other ²	Total
A Savings & Asset Management	384	32	39	455
B Heritage	-	179	574	753
Total Segments	384	211	613	1,208
Corporate centre				(5)
Total Adjusted Operating Profit				1,203

¹ With-Profits shareholder transfer, net of hedging effects; ² Heritage includes specific positive items in relation to annuities, including longevity assumption changes (£81m) and reinsurance of longevity risk (£197m).

Appendix

Earnings by source – FY 2017

2017 Adjusted Operating profit £m, pre-tax	Asset Management	With-Profits s/h transfers ¹	Shareholder Annuities & Other ²	Total
A Savings & Asset Management	477	39	7	523
B Heritage	-	164	683	847
Total Segments	477	203	690	1,370
Corporate centre				(8)
Total Adjusted Operating Profit				1,362

¹ With-Profits shareholder transfer, net of hedging effects; ² Heritage includes specific positive items in relation to annuities, including longevity assumption changes (£204m) and reinsurance of longevity risk (£31m)

Appendix

Adjusted operating profit vs. prior Prudential plc disclosure

- Adjusted operating profit definition similar to existing Prudential plc Segment Profit
- Future interest and head office expenses will be included in M&GP adjusted operating profit, consistent with existing Prudential plc practice
- Transformative restructuring costs (e.g. currently Merger & Transformation programme) to be excluded from M&GP adjusted operating profit



		FY16	FY17	FY18
As per existing Prudential plc disclosure	UK & Europe Insurance Operations	828	878	1,157
	UK & Europe Asset Management	425	500	477
	Total UK & Europe Segment Profit	1,253	1,378	1,634
	Definition differences	(50)	(16)	(17)
	M&GP Adjusted Operating Profit	1,203	1,362	1,617

Appendix: Supplementary reconciliation tables to prior Prudential plc disclosure

External AuM (£bn)

Prudential plc disclosure

	2016	2017	2018
Retail / Wholesale	64.2	79.7	69.5
Institutional	72.6	84.2	77.5
Total	136.8	163.9	146.9

M&GPrudential disclosure

	2016	2017	2018
Retail	72.7	90.3	76.4
Institutional	64.1	73.6	70.5
Total	136.8	163.9	146.9

M&GPrudential split between Retail and Institutional is more closely aligned to management responsibilities for the underlying mandates

With-Profits transfers (£m)

Prudential plc disclosure

	2016	2017	2018
PruFund	28	42	55
Other With-Profits	241	246	265
Total	269	288	320

M&GPrudential disclosure

	2016	2017	2018
Savings & AM Segment	40	54	67
Heritage segment	228	234	253
Total	269	288	320

Previous Prudential disclosure split out pure PruFund shareholder transfers from all other transfers. In the new segmentation, the Savings & Asset Management segment includes PruFund, plus some unithised With-Profits contracts that contain a PruFund component. Total shareholder transfers are the same.

Asset Management earnings (£m)

Prudential plc disclosure

	2016	2017	2018
Segment result	425	500	477

M&GPrudential disclosure


	2016	2017	2018
Adjusted operating profit	384	477	473

The asset management source of earnings for M&GPrudential is based on fee related income and operating expenses only. Prudential plc disclosure is aligned to M&G as a legal entity, and includes other items such as investment income and income from associates.

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