Contents

The Directors' Report of Prudential plc for the year ended 31 December 2017 is set out on pages 2 to 8, 82 to 122 and 362 to 407, and includes the sections of the Annual Report referred to in these pages.

By helping to take the financial risk out of life's big decisions, Prudential creates long-term value for our customers, our shareholders and the communities we serve. Adding more to life.

Our year in numbers

Summary financials	2017	2016	Change on actual exchange rate basis[6]	Change on constant exchange rate basis[6]
IFRS operating profit based on longer-term investment returns	£4,699m	£4,256m	10%	6%
Underlying free surplus generated [1,2]	£3,640m	£3,566m	2%	(1)%
Life new business profit	£3,616m	£3,088m	17%	12%
IFRS profit after tax [3]	£2,390m	£1,921m	24%	21%
Net cash remittances from business units	£1,788m	£1,718m	4%	–
IFRS shareholders' funds	£16.1bn	£14.7bn	10%	
EEV shareholders' funds	£44.7bn	£39.0bn	15%	
Group Solvency II capital surplus [4,5]	£13.3bn	£12.5bn	6%	

Full-year ordinary dividend
47 pence **+8%**
(2016: 43.5 pence)

Employees volunteered
96,493 hours

Notes

1 Underlying free surplus generated comprises underlying free surplus generated from the Group's long-term business (net of investment in new business) and that generated from asset management operations. Further information is set out in note 11 of the EEV basis results.
2 The 2016 comparative results have been re-presented from those previously published following reassessment of the Group's operating segments as described in note B1.3 of the IFRS financial statements, as a result Prudential Capital is not included in underlying free surplus generated.
3 IFRS profit after tax reflects the combined effects of operating results determined on the basis of longer-term investment returns, together with negative short-term investment variances, which in 2017 largely arose within Jackson, profit (loss) on disposal of businesses, amortisation of acquisition accounting adjustments and the total tax charge for the year.
4 The Group shareholder capital position excludes the contribution to Own Funds and the Solvency Capital Requirement from ring-fenced with-profits funds and staff pension schemes in surplus. The estimated solvency position includes management's calculation of UK transitional measures reflecting operating and market conditions at each valuation date. An application to recalculate the transitional measures as at 31 December 2017 has been approved by the Prudential Regulation Authority.
5 Before allowing for second interim ordinary dividend.
6 Further information on actual and constant exchange rates basis is set out in note A1 of the IFRS financial statements.

A customer-focused Group delivering long-term sustainable returns

I am pleased to present Prudential's 2017 Annual Report. Prudential has produced another well balanced performance while making a number of important changes to our business. Alongside our 2017 results, the Board announced its intention to demerge M&G Prudential, our UK and European business, from the Group.

The Board has always considered it important to create optionality within our corporate structure. After a rigorous review, which considered all options including the status quo, we have concluded that it is in the best interest of the business to operate as two separately listed companies, able to focus on their distinct strategic priorities in their chosen geographies. This will unlock the potential for enhanced value creation in both businesses, as each benefits from strategic focus and capital allocation policies aligned to its market opportunity. On completion of the demerger, shareholders will hold interests in both companies.

M&G Prudential is one of the leading retirement and savings businesses in the UK and Europe. As a standalone entity, it will continue to drive its transformation into a more capital-efficient and customer-focused business, targeting growing customer demand for comprehensive financial solutions in these markets. In line with this strategy M&G Prudential agreed in March 2018 to the partial sale of its shareholder annuity portfolio. As with other changes to the business, our priority is to ensure these customers are treated fairly.

The international Group will combine the exciting growth potential of our Asia, US and Africa businesses, meeting the growing needs of customers in these markets. These businesses will form a leading international Group focused on the largest insurance markets globally with significant growth prospects.

Both independent groups will be headquartered in London, which we regard as the pre-eminent city from which to operate global financial service businesses, and both are expected to meet the criteria for inclusion in the FTSE100.

The Board believes this demerger is in the interests of all our stakeholders. Customers will receive greater focus, employees will be more closely aligned with their businesses and we believe shareholders will benefit from investments in both companies.

Our strong full year results demonstrate the positive momentum across all our businesses.

Our impact

Throughout the demerger process, we will continue to hold ourselves to the highest standards to ensure that both businesses deliver long-term sustainable returns.

As ever, our customers remain our key priority. We help customers make plans for the future by reducing the risks they face. Whether they are saving for the family, protecting their health or managing their retirement, Prudential enables them to manage uncertainty. We also turn their capital into a source of stable investment in companies and countries across the world, driving economic growth and improving infrastructure. Changing the structure of our business will not reduce our commitment to delivering on these promises.

Our customer focus means actively engaging with the critical issues facing both our businesses and the wider world. In 2017, the Group published its first environmental, social and governance (ESG) report, demonstrating how we approach all our stakeholders, from our suppliers and employees to the wider communities in which we operate, with the same sense of responsibility and commitment that we apply to our customers, and how we engage with investors and regulators around the risks and impact of issues such as climate change. We will publish our next ESG report in May 2018.

Performance and dividend

We have delivered another broad-based operating and financial performance, driven by all of our business units and in particular by our growing Asia businesses.

In view of this performance and our confidence about the outlook for the Group, the Board has decided to increase the full-year ordinary dividend by 8 per cent to 47 pence per share. In line with this, the Directors have approved a second interim ordinary dividend of 32.5 pence per share (2016: 30.57 pence per share).

Governance

All our stakeholders benefit from the Board taking an active role in the development and execution of our strategy, ensuring it is fit for today and for the future. The Board's decision to separate M&G Prudential was not taken lightly and we took significant time to consider the benefits for shareholders and customers and the impact on our wider stakeholders. We took an important step towards this decision in August 2017 when we announced our intention to merge our UK asset manager, M&G, and our UK and Europe life insurance business to form M&G Prudential. The combined business now manages £351 billion in assets[1] for more than seven million customers and is well placed to thrive as an independent business.

The Board now has a vital role to play stewarding the separation process, working with management and ensuring that every part of the Group continues to deliver for customers. This task makes ensuring a strong and diverse Board more important than ever. There were a number of changes to the Board in 2017 in both non-executive and executive roles, reflecting the strength of our succession planning.

This has enabled us to recruit high-calibre candidates with a diverse set of skills and expertise and ensured continuity while minimising disruption. I would like to thank Ann Godbehere, Tony Wilkey and Penny James for their significant contribution during their tenures, and to welcome Mark FitzPatrick, Tom Watjen and James Turner to the Board. The global market for talent continues to be highly competitive and our priority remains to ensure that we have the best possible executive and non-executive team. We have committed to focusing particularly on strengthening gender diversity, alongside diversity of skills, in our succession planning in 2018.

Ensuring the effectiveness of the Board also remains a priority for me as Chairman. An external independent evaluation was conducted at the end of 2017 to consider how the Board can improve and work together more effectively. I was pleased that the review concluded that the Board's strengths included creating a collegiate and constructive environment, effective use of time and materials, and strong risk and control oversight.

Our shareholders and other stakeholders

A well governed company engages regularly and effectively with its shareholders, responding to their challenges and taking their ideas and concerns seriously. At Prudential, we have open and constructive dialogue with investors via a regular and comprehensive programme of engagement. I have personally found this active engagement hugely valuable and fully commit to continuing this dialogue. Shareholder input is vital to ensuring well informed Board discussions.

Policy and regulatory change affects both our short-term performance and long-term strategy. Prudential places great importance on having an effective relationship with the regulators and policymakers who supervise us and our markets. We engage regularly and constructively with all our regulators and supervisors, as well as with governments around the world. Throughout the demerger process, the Board will continue to engage with all our stakeholders to ensure that they are kept informed and their input is sought.

Our people

The success of Prudential is rooted in the commitment, creativity and drive of our teams in each of our markets and businesses. The structural changes we are proposing will only succeed because of the hard work of our people and we will support them through these changes.

We are committed to ensuring that Prudential's people represent the communities we serve and we therefore take a strategic approach to diversity and inclusion at every level of our business. While this is an ongoing journey, we firmly believe diversity both adds strength and ensures a wide range of perspectives. We aim to encourage an inclusive working environment where we develop our talent, reward great performance and recognise our differences in order to continue to deliver outstanding results for our customers, shareholders and communities. As part of our commitment to diversity, Prudential has signed the HM Treasury Women in Finance Charter, which aims to increase the number of women working in senior management in financial services companies, and we have set a gender diversity target of 30 per cent females in senior management by the end of 2021.

Our communities

Prudential provides important benefits to society through our core business activities. In addition to these benefits, Prudential is a responsible business that invests in our local communities, which we strongly believe is in the interests of all our stakeholders.

Our community investment work focuses particularly on financial education, disaster preparedness and social inclusion. The Cha-Ching programme, our financial education platform aimed at primary school-aged children, is now in its seventh year. It has expanded from its origins in Asia to each of the four continents in which the Group does business, and in all of the markets where it has been launched it has been extremely positively received, with strong feedback from parents, teachers, children and political stakeholders. The Prudence Foundation's Safe Steps is a first-of-its-kind pan-Asian public service initiative to enhance disaster preparedness and awareness through the dissemination of educational survival tips for natural disasters, with a potential reach of 200 million people. And in the UK, over the past five years Prudential RideLondon has raised over £50 million for charity and become one of the largest fundraising events in the country. In 2017 alone, more than 800 charities benefited from riders' fundraising.

The direct contribution made by our people to the communities in which they live and participate makes me particularly proud. In 2017, Prudential colleagues volunteered 96,493 hours of their time. I support this activity personally through our flagship international volunteering programme, the Chairman's Challenge, and I am delighted by the continuing success of the programme, with the number of volunteers increasing year-on-year. From its launch in 2006, when 2,603 employees signed up, volunteer numbers have more than trebled. Last year 8,500 colleagues around the world – over 30 per cent of our workforce – took part, volunteering more than 35,000 hours to support 30 projects.

Conclusion

Prudential has announced a significant change that we believe will secure the future success of both M&G Prudential and our international business. This decision has been made from a position of strength, with a well balanced 2017 performance driven by every part of our business. The Board has confidence in the creation of two valuable businesses that will continue to deliver for our shareholders, customers and other stakeholders.

Paul Manduca
Chairman

Note
1 Represents M&G Prudential asset management external funds under management and internal funds included on the M&G Prudential long-term insurance business balance sheet.

Strong performance and continued profitable growth

I am pleased to report that over 2017 our clear, consistent strategy, high-quality products and improving capabilities have enabled us to meet the needs of customers around the world better than ever before.

Our purpose is to help remove uncertainty from life's big events. Whether that's starting a family, saving for a child's education or planning for retirement, we provide our customers with financial peace of mind, enabling them to face the future with greater confidence. We also invest our customers' money actively in the real economy, helping not only to improve the lives of individuals and families, but also to build stronger communities and drive the cycle of growth.

Our strategy is aligned to structural trends: the savings and protection needs of the fast-growing middle class in Asia, the retirement income needs of the approximately 75 million baby boomers in the United States[1] and the growing demand for managed savings solutions among the ageing populations of the United Kingdom and Europe. These trends are sustained, and we remain focused on the opportunities they present.

We have continued to develop our products and our capabilities in order to improve the way we meet customers' needs. We are creating new, better and more personalised products, and we have a flexible, collaborative approach to incorporating the best digital technologies into our operations, while also leveraging our global scale to share new insights across our businesses at pace. The result is constant improvement in the way we serve our customers, providing value both to them and to our shareholders.

In March 2018 the Group announced its intention to demerge its UK and Europe businesses ('M&G Prudential') from Prudential plc, resulting in two separately listed companies, with different investment characteristics and opportunities. Our businesses share common heritage, values and purpose. Looking forward, we believe we will be better able to focus on meeting our customers' rapidly evolving needs and to deliver long-term value to investors as two separate businesses. On completion of the demerger, shareholders will hold interests in both Prudential plc and M&G Prudential.

In line with its strategy to transition towards a more capital efficient, de-risked business model, M&G Prudential agreed in March 2018 to the sale of £12.0 billion[20] of its shareholder annuity portfolio to Rothesay Life. Under the terms of the agreement, M&G Prudential has reinsured £12.0 billion[20] of liabilities to Rothesay Life, which is expected to be followed by a Part VII transfer of the portfolio by the end of 2019. The capital benefit of this transaction will be retained within the Group to support the UK demerger process.

In preparation for the UK demerger process, and to align the ownership of the Group's businesses with their operating structures, Prudential plc intends to transfer the legal ownership of its Hong Kong insurance subsidiaries from The Prudential Assurance Company Limited (M&G Prudential's UK regulated insurance entity) to Prudential Corporation Asia Limited, which is expected to complete by the end of 2019.

Our financial performance

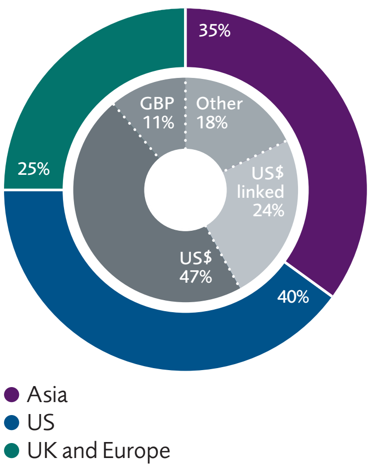
We have built on our good start to 2017 through disciplined execution of our strategy, again led by our businesses in Asia.

We announce today the achievement of our remaining 2017 objectives, which were set in December 2013. During the first half of 2017, we exceeded the Group objective of underlying free surplus generation of at least £10 billion from the beginning of 2014 to the end of 2017. By the end of 2017 we had generated £12.8 billion over this four year period. Our Asia businesses delivered growth in IFRS operating profit based on longer-term investment returns[2] ('IFRS operating profit') at a compound average rate of 16 per cent[3] over the period 2012 to 2017, and underlying free surplus generation of £1,078 million[3] for the full year 2017. This is testament to the strength, scale and diversity of our Asia platform, validates our focus on recurring premium health and protection business and demonstrates the strength of our operational execution. It also marks the third set of objectives that we have successfully achieved within the last 10 years.

During 2017 we combined our UK and European life and asset management businesses to form M&G Prudential, which delivered record levels of external asset management net inflows of £17.3 billion in 2017. This contributed to combined assets under management[4] of £351 billion at 31 December 2017.

As in previous years, we comment on our performance in local currency terms (expressed on a constant exchange rate basis) to show the underlying business trends in a period of currency movement.

IFRS operating profit* by business and currency
% 2017



*Segmental earnings of key businesses and excludes other income and expenditure.

Adding more to life:
Helen, Prudential Hong Kong

'I've always considered good health to be very important to my life. It's great that Prudential offered me access to myDNA Pro, which has given me key insights into my genetic risk profiles.

The first step was to do a DNA test, which showed my body to be sensitive to carbohydrate and fat intake due to my genetic makeup. Based on these findings, the personal health coach I chose as part of the programme helped me set a weight loss goal and plan to maintain a healthier lifestyle, including changing my dietary habits and ensuring I incorporated more cardio workouts into my exercise regime. With these, I have been able to maintain a healthy weight and am now in an overall better shape.

I've been very impressed by the genetics-based recommendations and level of personal guidance provided by the programme. Huge thanks to my coach and Prudential for all the support and motivation.'

Group IFRS operating profit was 6 per cent[5] higher at £4,699 million (up 10 per cent on an actual exchange rate basis). IFRS operating profit from our Asia life insurance and asset management businesses grew by 15 per cent[5], reflecting continued broad-based business momentum across the region, with double-digit[5] growth in eight out of 12 life insurance markets. In the US, Jackson's total IFRS operating profit increased by 3 per cent[5], due mainly to growth in fee income on higher asset balances, which outweighed the anticipated reduction in spread earnings. In the UK and Europe, M&G Prudential's total IFRS operating profit was 10 per cent higher than the prior year, reflecting 6 per cent growth in the IFRS operating profit generated from insurance business and 18 per cent growth in that generated from asset management.

The Group's capital generation is underpinned by our large and growing in-force business portfolio, and focus on profitable, short-payback business. Overall underlying free surplus generation[6] decreased by 1 per cent[5] to £3,640 million, with higher contributions in Asia and the UK and Europe, offset by higher restructuring costs and a lower contribution from our US business. 2016 benefited from the impact of a US transaction to enhance local capital efficiency that was not repeated in 2017.

Cash remittances to the Group increased to £1,788 million, with Asia the largest contributor[7] at £645 million. The Group's overall performance supported an 8 per cent increase in the 2017 full year ordinary dividend to 47 pence per share.

The Group remains robustly capitalised, with a 2017 year-end Solvency II cover ratio[8,9] of 202 per cent. Over the period, IFRS shareholders' funds increased by 10 per cent to £16.1 billion, reflecting profit after tax of £2,390 million (2016: £1,921 million on an actual exchange rate basis) net of other movements that included dividend payments to shareholders of £1,159 million and adverse foreign exchange movements of £470 million. EEV shareholders' funds increased by 15 per cent to £44.7 billion, equivalent to 1,728 pence per share[10,11].

New business profit[11] increased by 12 per cent[5] to £3,616 million (up 17 per cent on an actual exchange rate basis), driven by improved business mix in Asia, higher UK volumes and the favourable effect of tax reform in the US.

In Asia, we continue to develop our capabilities and reach, which build scale and enhance quality. Our strategic emphasis on increasing sales from health and protection business has contributed to a 12 per cent[5] increase in new business profit in Asia. Our asset management business, Eastspring Investments, has again seen growth, with its total assets under management up 18 per cent[12] to £138.9 billion and IFRS operating profit also up 18 per cent[5] to £176 million.

In the US we remain focused on meeting the retirement income needs of the growing generation of baby boomer retirees and expanding our operations into the large asset pools of the fee-based advisory market. Although the evolving regulatory environment continues to cause industry sales disruption, in 2017 Jackson delivered positive separate account net inflows of £3.5 billion, with separate account assets reaching £130.5 billion, an increase of 19 per cent[5]. In December 2017 the US enacted a major tax reform package, including a reduction in the corporate income tax rate from 35 per cent to 21 per cent effective from 1 January 2018. While this led to a £445 million charge in the income statement from re-measuring deferred tax balances on the IFRS balance sheet, we expect the tax changes to be positive in the long term. The US effective tax rate is expected to fall from the current rate of circa 28 per cent to circa 18 per cent in the future.

In the UK, both our UK life and asset management businesses performed well in 2017. PruFund new business APE sales increased 36 per cent to £1.2 billion, while M&G saw record net inflows of £17.3 billion from external clients. Overall M&G Prudential assets under management[4] reached £351 billion, up from £311 billion at 31 December 2016.

Our financial KPIs continue to reflect the outcome of the Group's strategy. Our Asia life businesses are driven by growth in our recurring premium base and focus on health and protection business, and elsewhere we are benefiting from our prioritisation of fee-generating products across our Asia asset management, US variable annuity and UK and European asset management activities.

A successful strategy

Our performance is based on our clear, consistent and successful strategy, which is focused on long-term opportunities arising from structural trends in our markets around the world.

In Asia, the growth of the middle class is creating significant and long-term demand for the products we offer. The working-age population in the region is growing by a million people a month, and by 2030 is expected to reach 2.5 billion[13], while 65 per cent of Asian private financial wealth is held in cash[14] and at the same time, that wealth is growing by US$4 trillion a year[14].

The growing and increasingly wealthy middle classes of the region are under-protected. In Asia, out-of-pocket healthcare spend makes up 42 per cent of total health expenditure[15], compared with just 12 per cent in the US and 9 per cent in the UK. While in a more developed market such as the UK insurance penetration is equivalent to 7.5 per cent[16] of GDP, in Asia that figure is just 2.4 per cent[16], giving an idea of the scale of the growth opportunity that remains in our Asian markets. The gap between the insurance cover of people in the region and what they need in order to maintain the living standards of their families has been estimated at circa £35 trillion[17]. We help to bridge that gap with a broad range of solutions across 14 markets in the region. We are in the top three in nine of our markets in Asia[18], and we have 15 million life customers, with access to total markets of more than 3.3 billion people.

The United States is the world's largest retirement market, with approximately 40 million Americans reaching retirement age over the next decade alone, and these consumers have a need for investment options through which they can grow their savings while at the same time protecting their income. This is creating demand for our variable annuity products, which are designed to help this cohort of Americans avoid running out of money and provide them with a reliable cushion against volatile markets. In the US, over US$15 trillion is invested in adviser-distributed financial assets net of existing annuities, while penetration of variable annuity sales into the retirement market remains low, demonstrating the scale of the opportunity for us.

In the UK and Europe there is growing demand among customers for managed solutions, savings products that provide better long-term returns than cash, while smoothing out the ups and downs of the market. We meet that need through our PruFund propositions and our comprehensive range of actively managed funds. M&G Prudential is well positioned to target this growing customer demand for comprehensive financial solutions and the demerger will enable this business to play an even greater role in these markets.

Doing more for our customers

We deliver on our clear strategy and our long-term opportunities by paying close attention to the needs of our customers, by responding to those needs with products that fit their changing requirements, and by improving our capabilities continually in order to deliver the best products in the most effective way.

In Asia, our broad-based portfolio of businesses continues to drive the growth of the Group. We are constantly improving the range and quality of the products we offer in the region, developing our multi-channel distribution platform to ensure that those products reach as many customers as possible and improving our capabilities throughout our operations, not least by accessing new innovations in digital technology.

We develop products that meet the needs of our customers, whether that is for more personalised features or products aimed at new areas of the market and in 2017 we launched a number of new health and protection products in Indonesia, Vietnam, Singapore, Malaysia and Hong Kong.

Prudential's Group Executive Committee

Mike Wells is advised and assisted by the Group Executive Committee, which comprises our Executive Directors and a team of functional specialists.

The members of the Group Executive Committee and their roles are set out on page 406.

Back, left to right: Tim Rolfe, Julian Adams, Al-Noor Ramji, Anne Richards, Jonathan Oliver, Alan Porter.

Front, left to right: Nic Nicandrou, John Foley, Mike Wells, Mark FitzPatrick, Barry Stowe.

James Turner was appointed as an Executive Director and as Group Chief Risk Officer in March 2018.

Prudential won the insurance category of Management Today's 'Britain's Most Admired Companies' awards in December 2017.

We were also named Britain's most admired company overall for quality of management and inspirational leadership and fourth for our ability to attract and retain top talent. The highly regarded awards are based on a review by peers.

We are also continuing to improve both our agency platform and our bancassurance partnerships in Asia to ensure that we reach as many customers as possible. Nowhere is this clearer than in China, where, through our joint venture CITIC-Prudential, we now have a presence in 77 cities, with access to 940 million people, or about 70 per cent of the population of the world's most populous country. We have over 44,000 agents in China and access to more than 4,000 bank branches. Across the region during 2017 we increased our total agents to over 600,000 and we ended the year with over 15 million life insurance customers. Recent announcements of new agreements in the Philippines, Thailand, Indonesia and Vietnam have also increased the reach of our bancassurance partnerships.

Continuous improvement of our capabilities is also a key part of our approach, and in Asia we introduced a number of digital initiatives that will benefit both our customers and our shareholders, including apps and chatbots, that, among other services, can provide rapid claims payment, constant customer support, answer queries, help schedule appointments and transfer feedback from customers to our businesses. Building on its success in Hong Kong, our myDNA service, which provides diet and exercise advice based on genetic profiles, has been launched in Vietnam, Malaysia and Singapore. In Singapore we also launched PRU Fintegrate, a new initiative enabling us to collaborate with fintech startups to co-develop digital solutions for customers.

Eastspring is well placed for the anticipated growth in Asia's retail mutual fund market. To prepare further, we have strengthened our in-house investment teams, entered into new strategic partnerships and made significant progress in systems and operating model upgrades. In addition, Eastspring recognises that environmental, social and governance (ESG) factors can be material to investment returns, particularly in the long term, and has become a signatory to the United Nations-supported Principles for Responsible Investment (PRI), joining M&G Prudential asset management.

In the United States, we are continuing to develop our business to ensure we capture the opportunity presented by the millions of Americans moving into retirement now and over the coming years. Regulatory and industry changes are creating new areas of growth potential and we are adapting our offering to meet those opportunities. During 2017, in response to evolving conditions in the hybrid adviser segment of the market, Jackson launched Perspective Advisory II, an advisory version of our flagship product, Perspective II. We also announced the formation in November of our Private Wealth & Trust group, a specialised team focused on complex planning, investment management and tax mitigation strategies for high-net-worth clients. At the same time, we are improving communication for customers, and our initiatives in this area last year included the launch of a new website, the Financial Freedom Studio, where consumers can learn about financial planning for retirement, aimed at simplifying the language and focusing on planning for lifetime income.

In the UK and Europe, the combination of our life and asset management businesses into M&G Prudential has enabled us to meet the needs of our customers better than ever before. The business manages £351 billion of assets[4] for more than seven million customers, both in the UK and internationally, and we are leveraging our scale, financial strength and complementary product and distribution capabilities to enhance the development of capital-efficient, customer-focused solutions. Bringing these businesses together has given us the opportunity to deliver better collaboration across business segments and more innovative and differentiated propositions. It also provides better access to customers and channels, merger cost synergies and transformation benefits, including the chance to invest to create a digital, data-led business with low marginal cost of growth. M&G Prudential is in the top five in UK retail funds[19], with an active management offering, and provides a range of consumer-focused retirement and savings wrappers. The performance of its products continues to make them very popular among customers. The flagship PruFund Growth Life Fund, for example, has grown by 36 per cent since the start of 2013, compared with benchmark growth of 30 per cent, and this performance has driven growth in PruFund assets under management from £7.5 billion in 2012 to £35.9 billion at the end of 2017. To improve the offering to customers, in 2017 the business rolled out myM&G, its direct-to-consumer platform.

We took another step forward in our Africa business in 2017 when we entered Nigeria, Africa's largest economy and our fifth market in the region. Following the launch of our businesses in Ghana, Kenya, Uganda and Zambia, this further demonstrates our commitment to Africa and our determination to bring the benefits of our products to customers across the region.

We continue to invest in our capabilities and our people across the organisation. In July we welcomed Mark FitzPatrick to our executive team as Chief Financial Officer, succeeding Nic Nicandrou, who took over from Tony Wilkey as Chief Executive of Prudential Corporation Asia. Mark brings with him significant experience and knowledge of the sector, and I am confident that Nic will lead our Asian business to further success. In March 2018 James Turner was appointed Group Chief Risk Officer, bringing fresh perspective and additional leadership capacity to our executive team.

A positive outlook

With our clear strategy focused on long-term trends around the world and continued improvements in our execution capabilities, we are delivering value to our customers, our shareholders and the communities in which we operate. This is supported by our ongoing focus on risk management and the strength of our balance sheet. We believe the demerger of M&G Prudential from the international group will leave both businesses better able to focus on meeting our customers' rapidly evolving needs and to deliver long-term value to investors as two separate companies. I have no doubt that the strength of our underlying opportunities and our proven ability to innovate and improve the way we do things, will ensure that both businesses are well positioned to continue to serve our customers well and grow profitably into the future.

Mike Wells
Group Chief Executive

Notes

1 Source: US Census Bureau, Population Division, 2017 estimate of population.
2 IFRS operating profit is management's primary measure of profitability and provides an underlying operating result based on longer-term investment returns and excludes non-operating items. Further information on its definition and reconciliation to profit for the period is set out in note B1 of the IFRS financial statements.
3 The current year and all comparative amounts for the Asia objectives exclude contributions from the Korea life business which was sold in 2017. The 2017 Asia IFRS operating profit objective was adjusted accordingly. 2012 comparative amounts include the one-off gain on sale of the stake in China Life of Taiwan of £51 million.
4 Represents M&G Prudential asset management external funds under management and internal funds included on the M&G Prudential long-term insurance business balance sheet.
5 Year-on-year percentage increases are stated on a constant exchange rate basis unless otherwise stated.
6 Underlying free surplus generated comprises underlying free surplus generated from the Group's long-term business (net of investment in new business) and that generated from asset management operations. Further information is set out in note 11 of the EEV basis results.
7 Based on the 2017 operating segments.
8 The Group shareholder capital position excludes the contribution to Own Funds and the Solvency Capital Requirement from ring-fenced with-profits funds and staff pension schemes in surplus. The estimated solvency position includes management's calculation of UK transitional measures reflecting operating and market conditions at each valuation date. An application to recalculate the transitional measures as at 31 December 2017 has been approved by the Prudential Regulation Authority.
9 Estimated before allowing for second interim dividend.
10 Closing EEV shareholders' funds divided by issued shares, as set out in note II(n) of the Additional unaudited financial information.
11 Embedded value reporting provides investors with a measure of the future profit streams of the Group. The EEV basis results have been prepared in accordance with EEV principles discussed in note 1 of EEV basis results. A reconciliation between IFRS and the EEV shareholder funds is included in note II(k) of the Additional unaudited financial information.
12 Growth rate on an actual exchange rate basis.
13 Working age population 15 - 64 years. Source: United Nations, Department of Economic and Social Affairs, Population Division (2015). World Population Prospects: The 2015 Revision, DVD Edition.
14 Source: BCG Global Wealth 2016. Navigating the New Client Landscape.
15 Source: World health Organisation - Global Health Observatory data repository (2013). Out of pocket as percentage of total health expenditure.
16 Source: Swiss Re Sigma 2015. Insurance penetration calculated as premiums as percentage of GDP. Asia penetration calculated on a weighted population basis.
17 Source: Swiss Re, Mortality Protection Gap: Asia-Pacific, 2015.
18 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).
19 Source: The Investment Association, September 2017.
20 Relates to £12.0 billion of IFRS shareholder annuity liabilities, valued as at 31 December 2017.