



Prudential Seizing the Opportunity



PRUDENTIAL
英國保誠集團

機會 Opportunity Peluang 기회 oportunidad

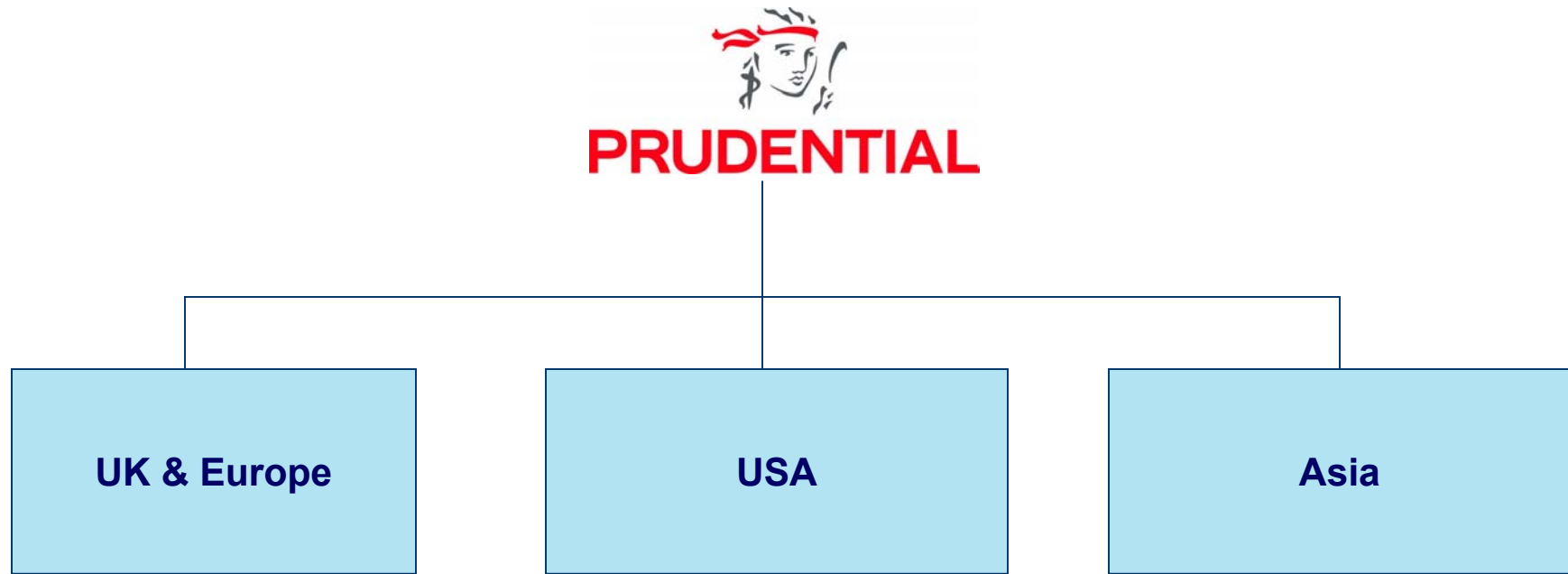


Prudential
Seizing
the
Opportunity

Welcome

Jonathan Bloomer
Prudential plc
November 2004

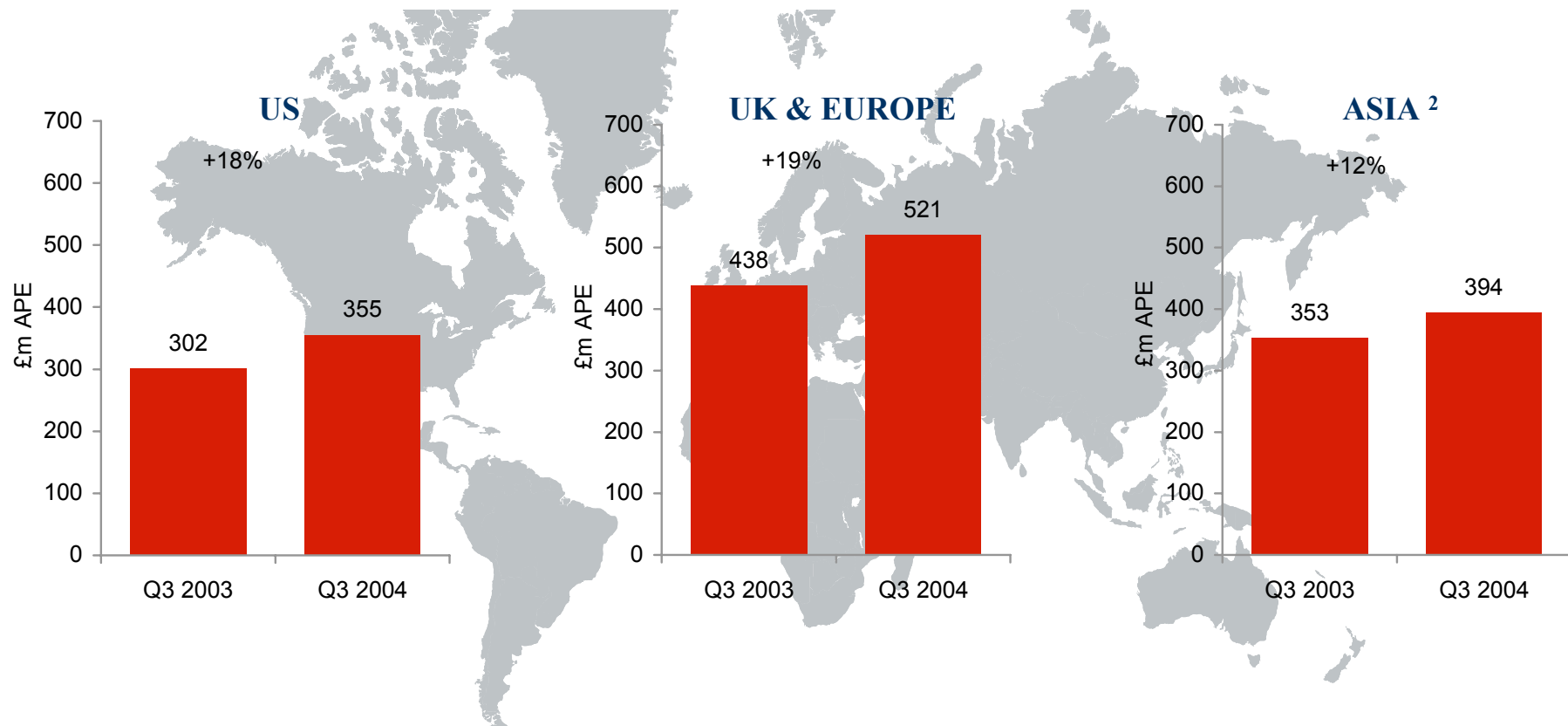
GROUP STRUCTURE



NEW BUSINESS SALES



STRONG SALES PERFORMANCE ¹



Note:

¹ 9 months to 30 September 2004 (at constant exchange rates)

² Increase of 21% if discontinued sales channels in Japan are excluded (at constant exchange rates)



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Introduction

Mark Norbom
Prudential Corporation Asia
November 2004



Portfolio in 2000

2000



■ Insurance
■ Funds

A great portfolio in 2004

2004



Insurance
Funds

*CHINA: 3 life operations: Beijing, Guangzhou, Suzhou



Prudential
Corporation Asia

Rapid growth in customers

1994
150,000



10 X

2000
1,500,000



3.7 X

2004
5,500,000

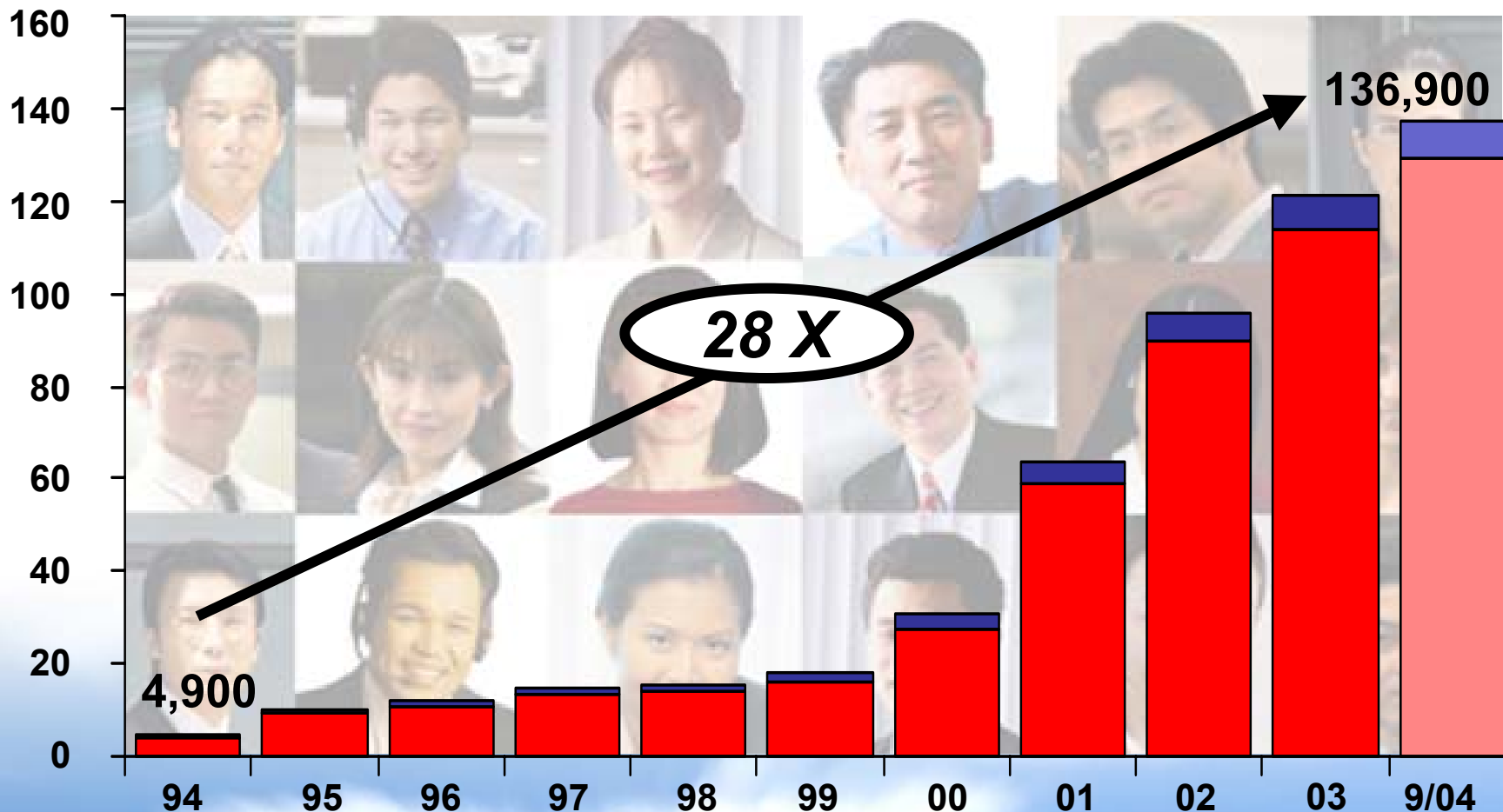




Growth in staff and agents

'000 people

■ Staff
■ Agents





Forged invaluable partnerships

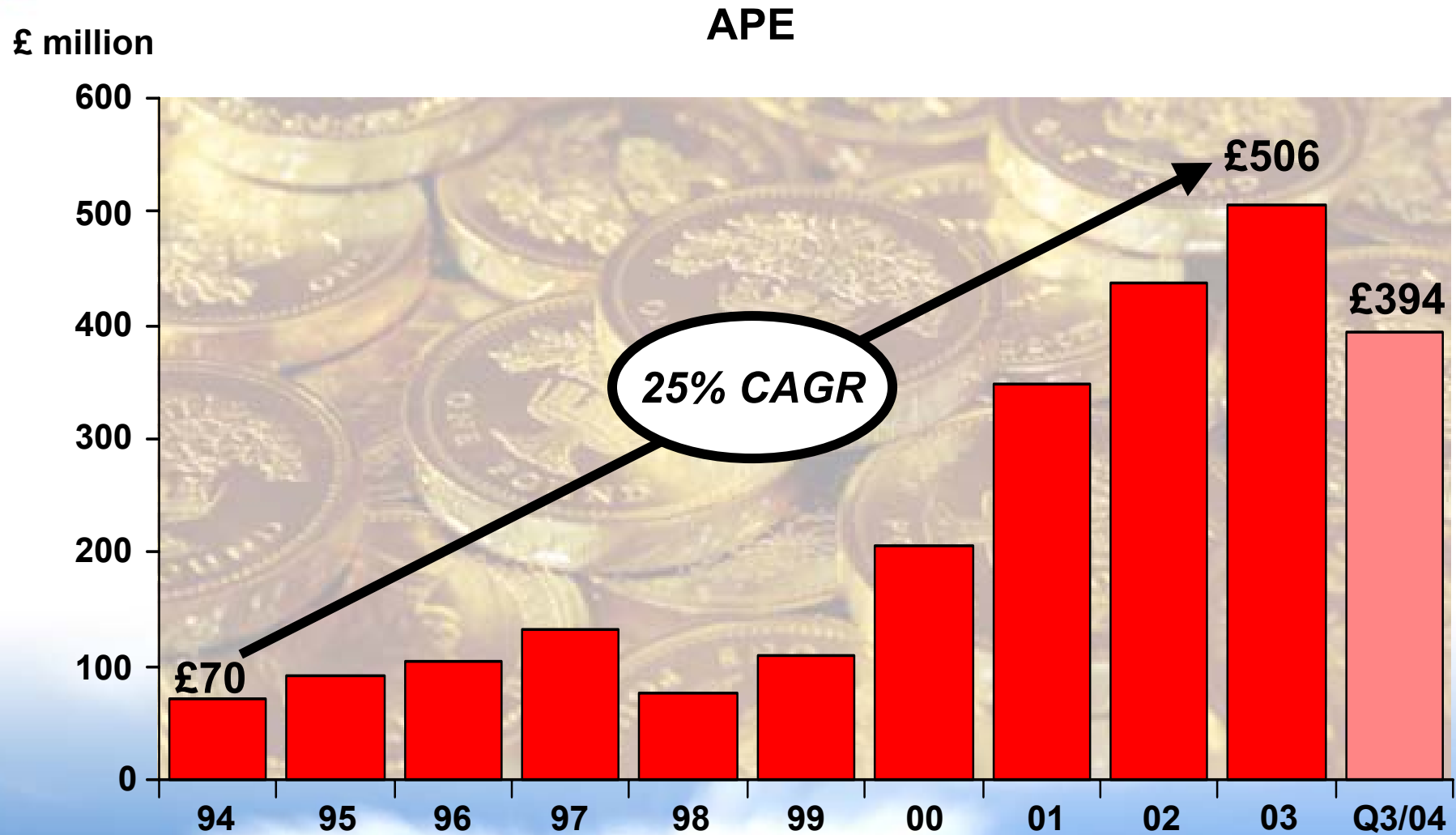


Forged invaluable partnerships





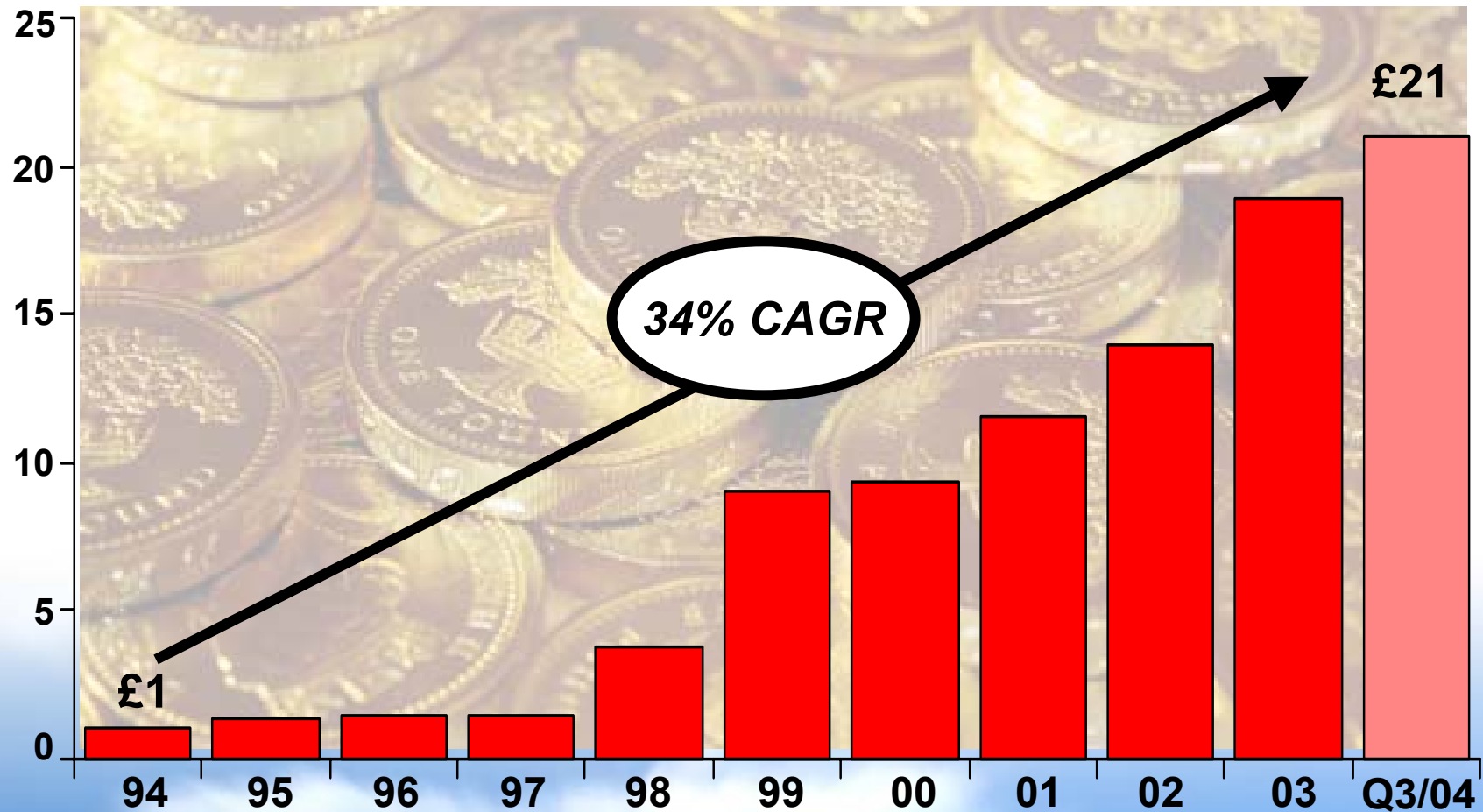
APE has grown significantly





Funds Under Management

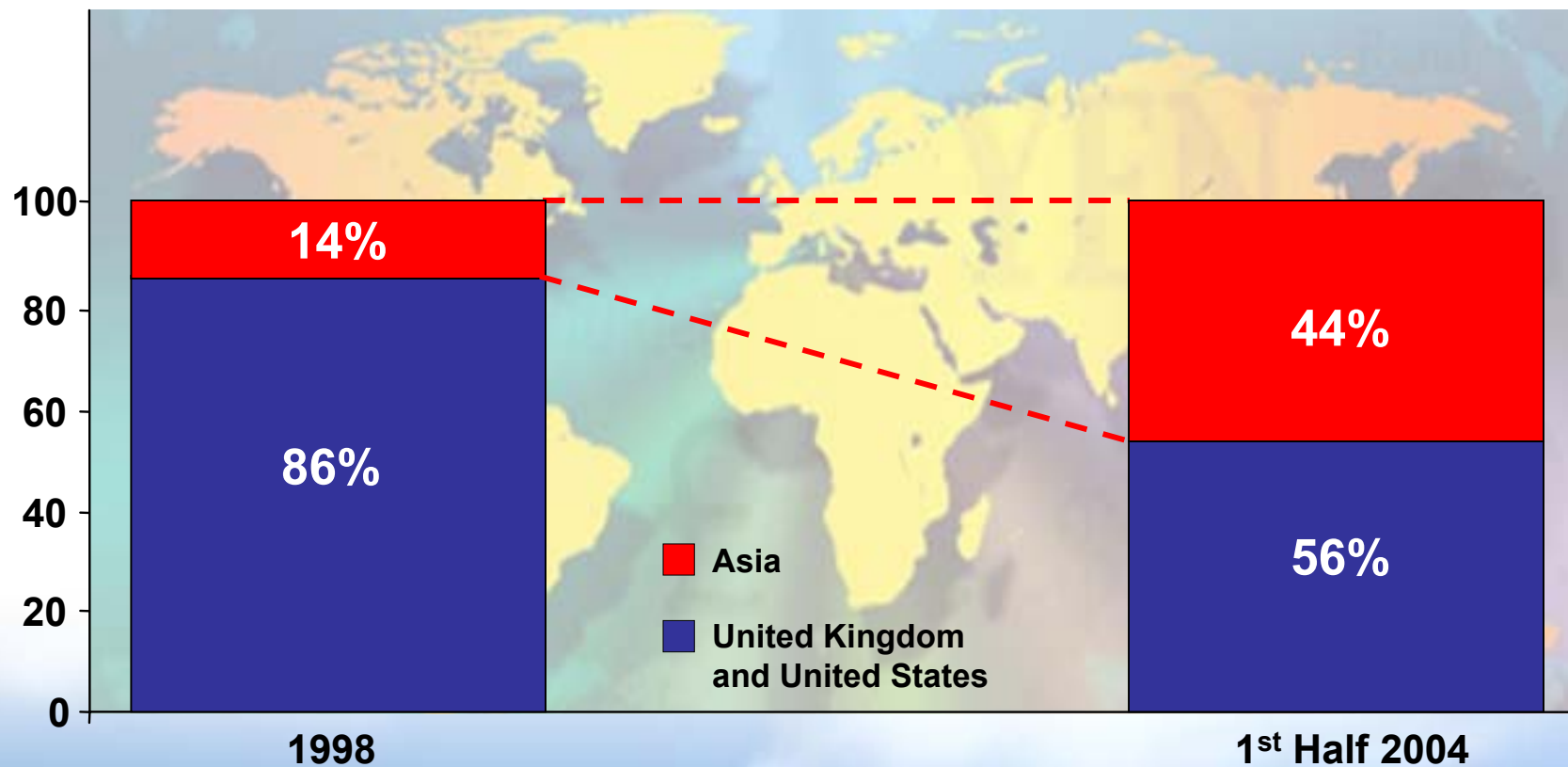
£ billion





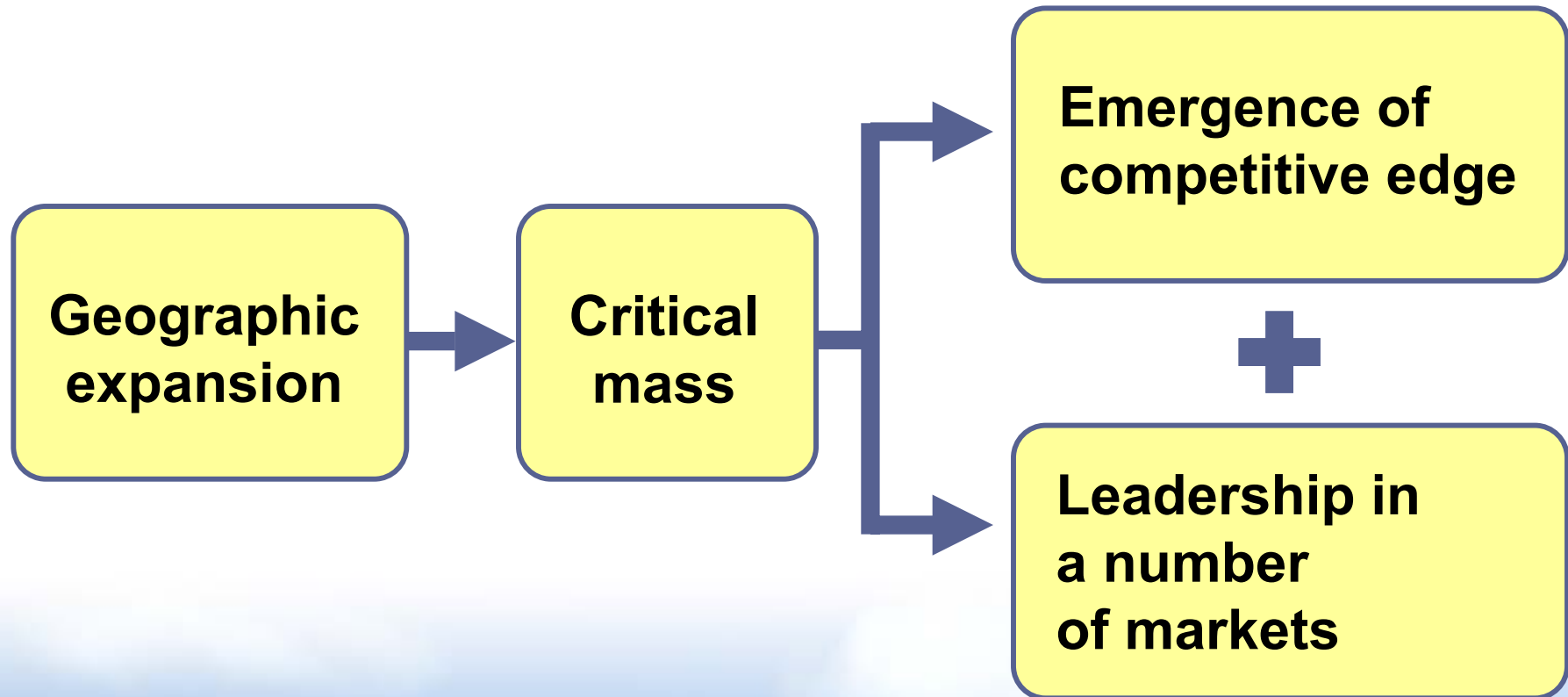
Prudential plc NBAP

% of Total





Establishment of a strong platform : 1994-2003





Top 5 market ranking	
Insurance*	Funds**
<ul style="list-style-type: none">• China (Guangzhou)• Hong Kong• India• Indonesia• Malaysia• Philippines• Singapore• Vietnam	<ul style="list-style-type: none">• India• Hong Kong MPF• Taiwan• Malaysia

* New Business Annual Premium Equivalent for Insurance

** Funds Under Management

As of June 2004



Delivering profitable and sustainable growth



Strong top-line growth - even faster bottom-line growth 18



Executive Committee

Mark Norbom
Chief Executive



Garth Jones
Finance and
Actuarial



Dan Bardin
Insurance



Ajay Srinivasan
Funds



Pierre Fenech
Corporate
Marketing



Emmanuel Rodriguez
IT



Shulamite Khoo
Human Resources



Mina Hsu
Brand and
Communications



Years with Prudential in Asia (average) : 8 years
Financial services experience (average) : 20 years



Prudential
Corporation Asia

Our 29 speakers



Years with Prudential in Asia (average) : 6 years

Financial services experience (average) : 20 years



Prudential
Corporation Asia

Senior management teams across Asia





- 1** Growth opportunity in Asia remains significant for insurance and funds management
- 2** We are uniquely positioned to seize this opportunity
- 3** We are strengthening our foundation to ensure sustainability of above-market performance
- 4** Our scale and our focus will yield accelerated profitability : Strong top-line growth, even faster bottom-line growth



Delivering profitable and sustainable growth





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Economic and Investment Review

Kelvin Blacklock and Nick Scott
Prudential Corporation Asia
November 2004



Key messages

- **Asia saves enormous amounts of capital and is fast becoming the world's provider of credit**
- **This has huge implications and opportunities for financial markets and Prudential**
- **These themes are playing out in Asia's new powerhouses, China and India**



Asia's Massive Savings

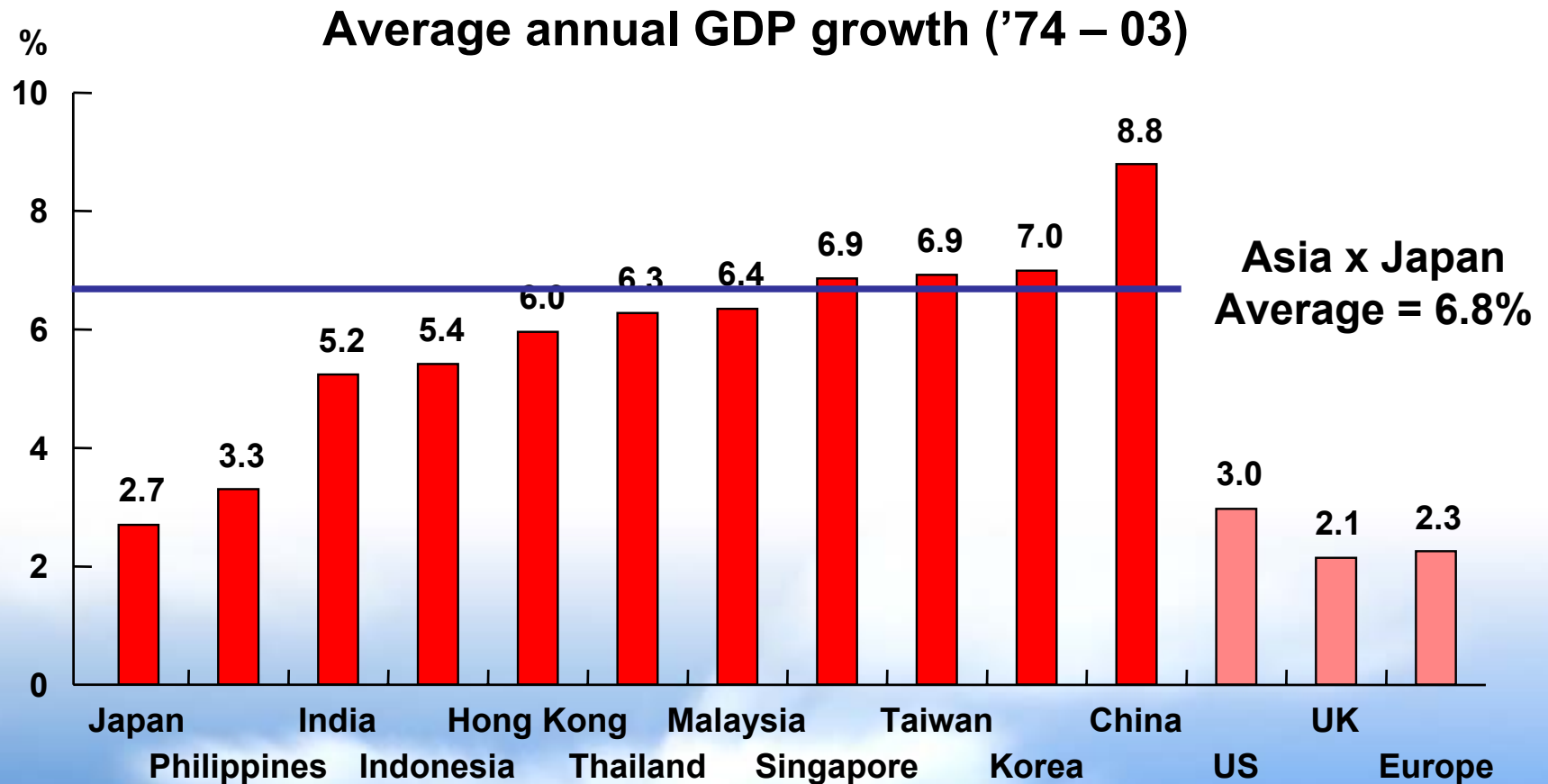
“piggy bank economics”





Asia enjoys sustainable high levels of growth

Asia has weathered many crises in past 30 years and has still seen average GDP growth rates twice as high as the US or Europe

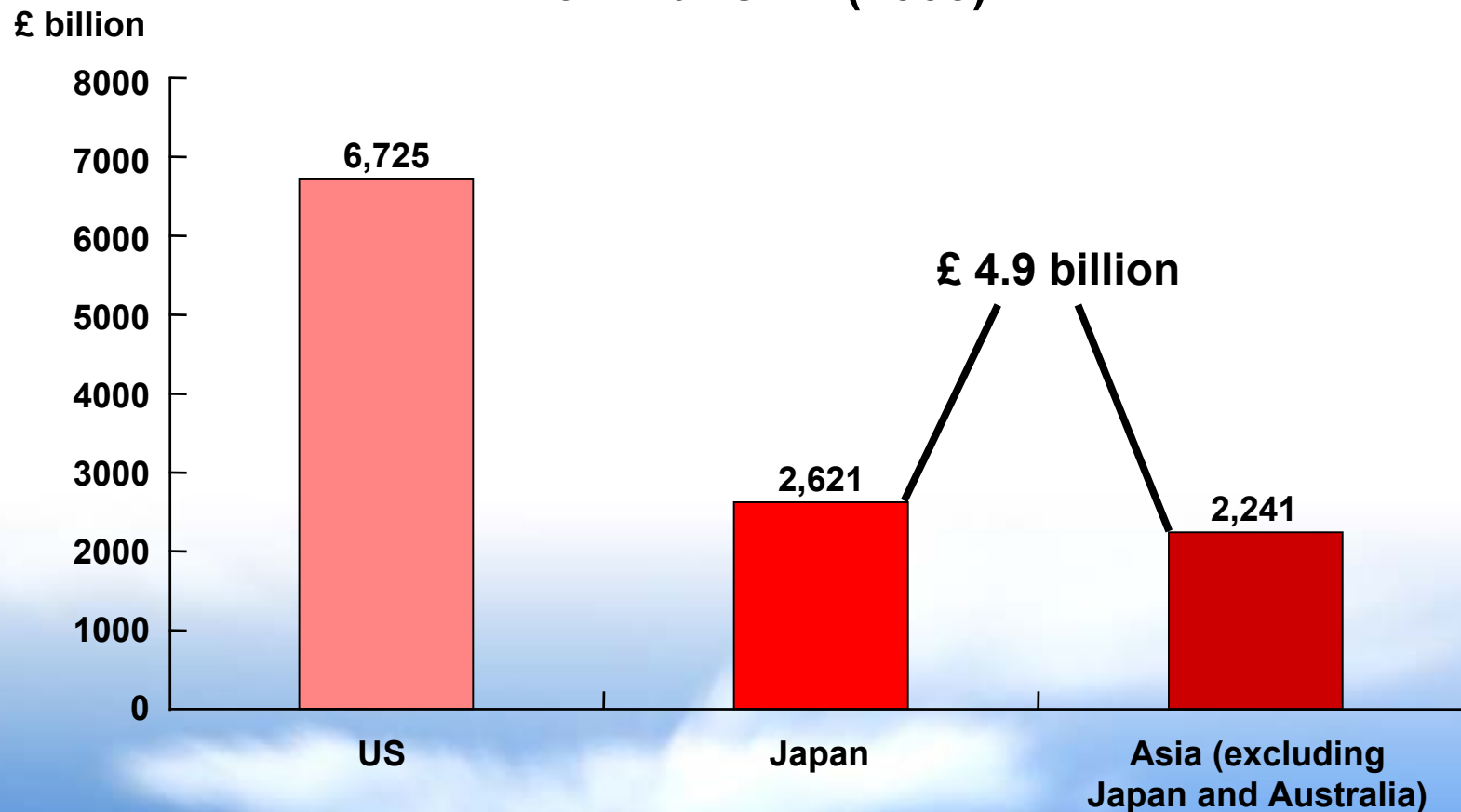




Asia now generates significant income annually

The rapid growth means that together Japan and Asia now generate 2/3 of the amount of annual wealth of the US

Nominal GDP (2003)

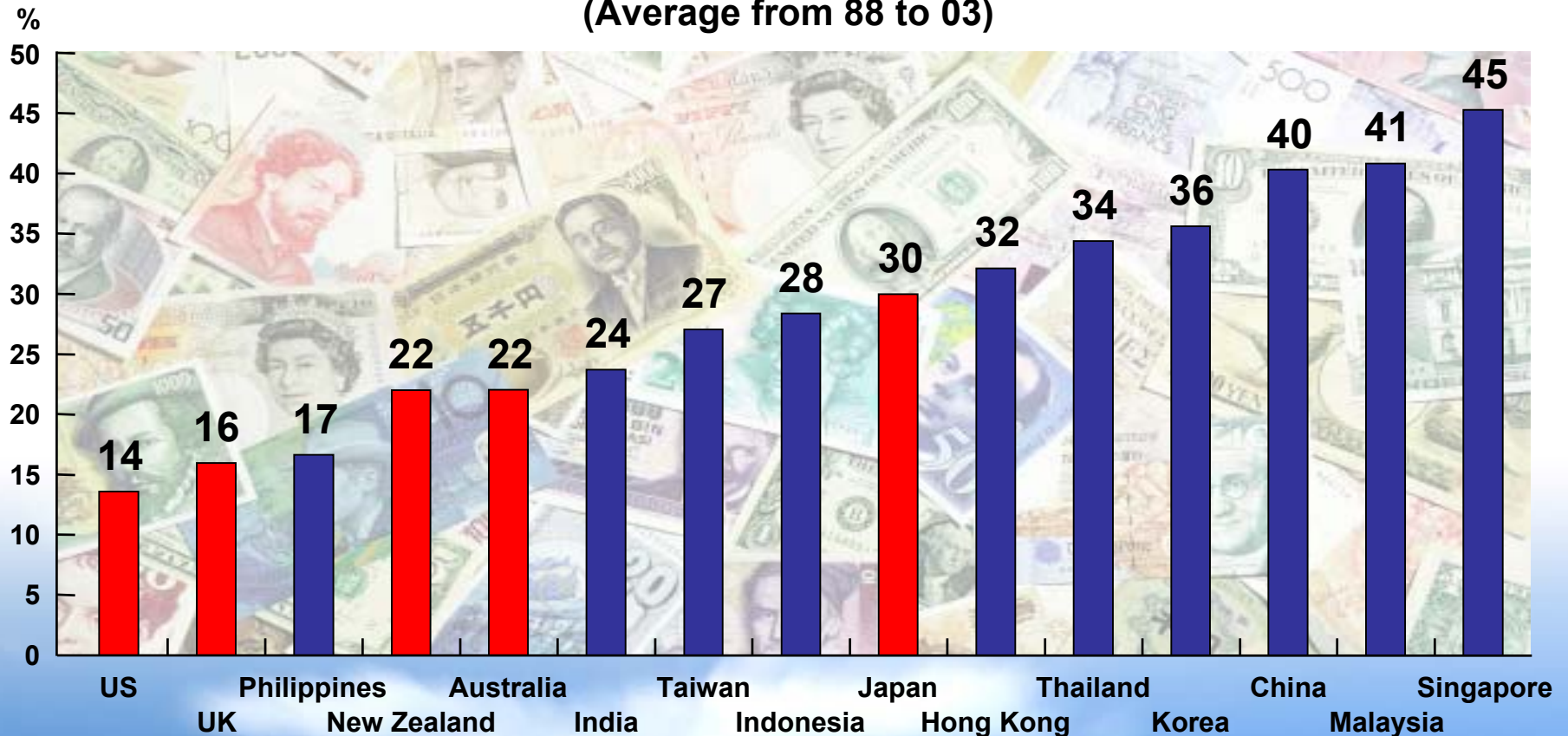




Asians save nearly a third of this income every year

Asian saves on average 31% of its annual income, more that twice as much as in the US where the savings rate is 14%

Gross domestic savings as a % of GDP (Average from 88 to 03)





This propensity to save seems to be structural

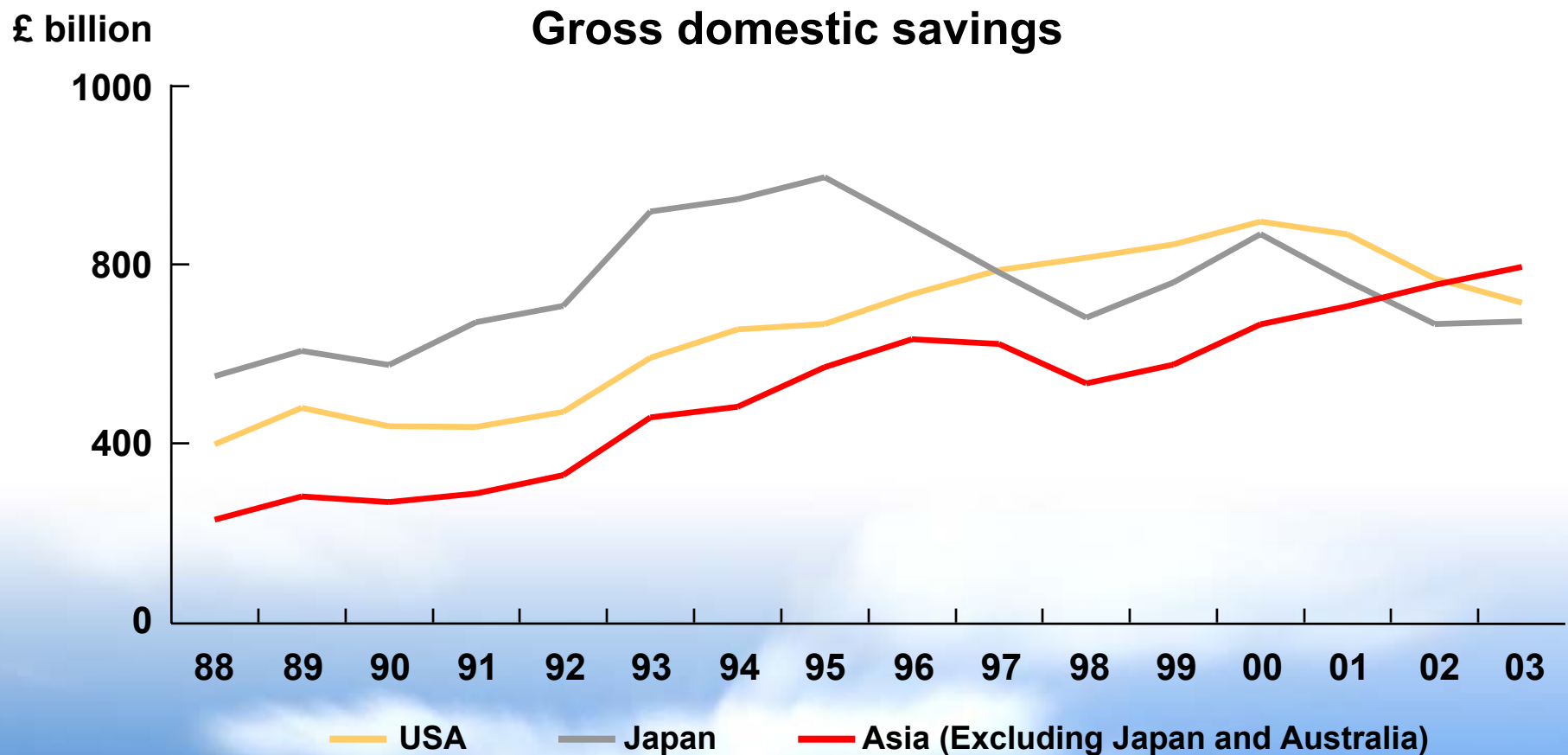
The following potential drivers behind this trend suggest high savings will continue to be a feature in Asia

- **Cultural inclination to save reinforced by**
 - Limited social security
 - “Scare” of the Asian Crisis
 - Young populations
 - Large diversity in wealth with lots of people aspiring to be rich
- **Rapid urbanisation**
 - Shift away from poor rural farming economy
 - Breakdown of traditional, local family support groups
- **Increasingly educated population**
 - Higher numbers skilled workers
 - Growing middle class



Asia's annual savings now exceed the US

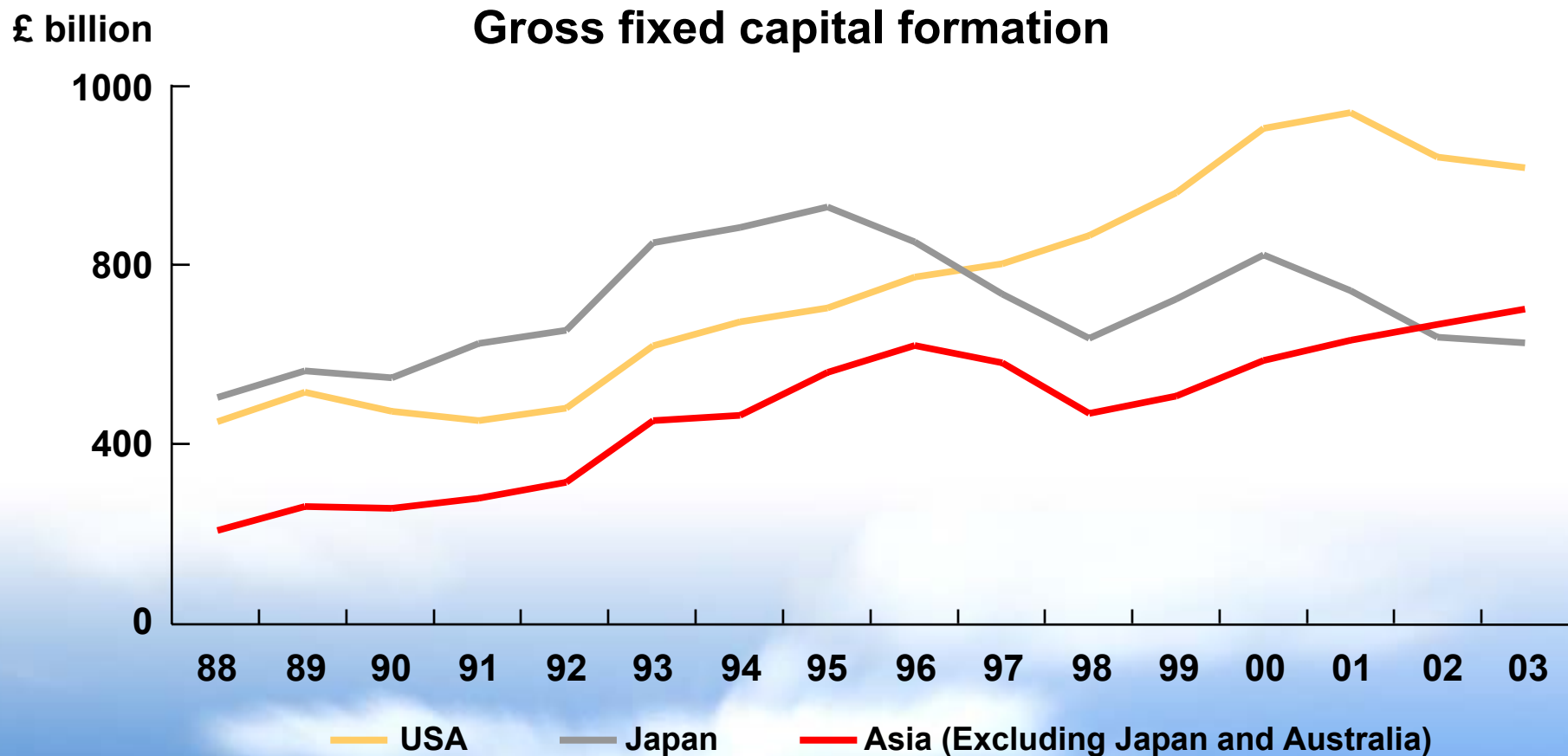
At £800 billion, Asia (ex-Japan) annual savings have risen nearly fourfold since 1988 and are now larger than the US or Japan, where the trend is declining





Asia also has a huge investment demand for capital

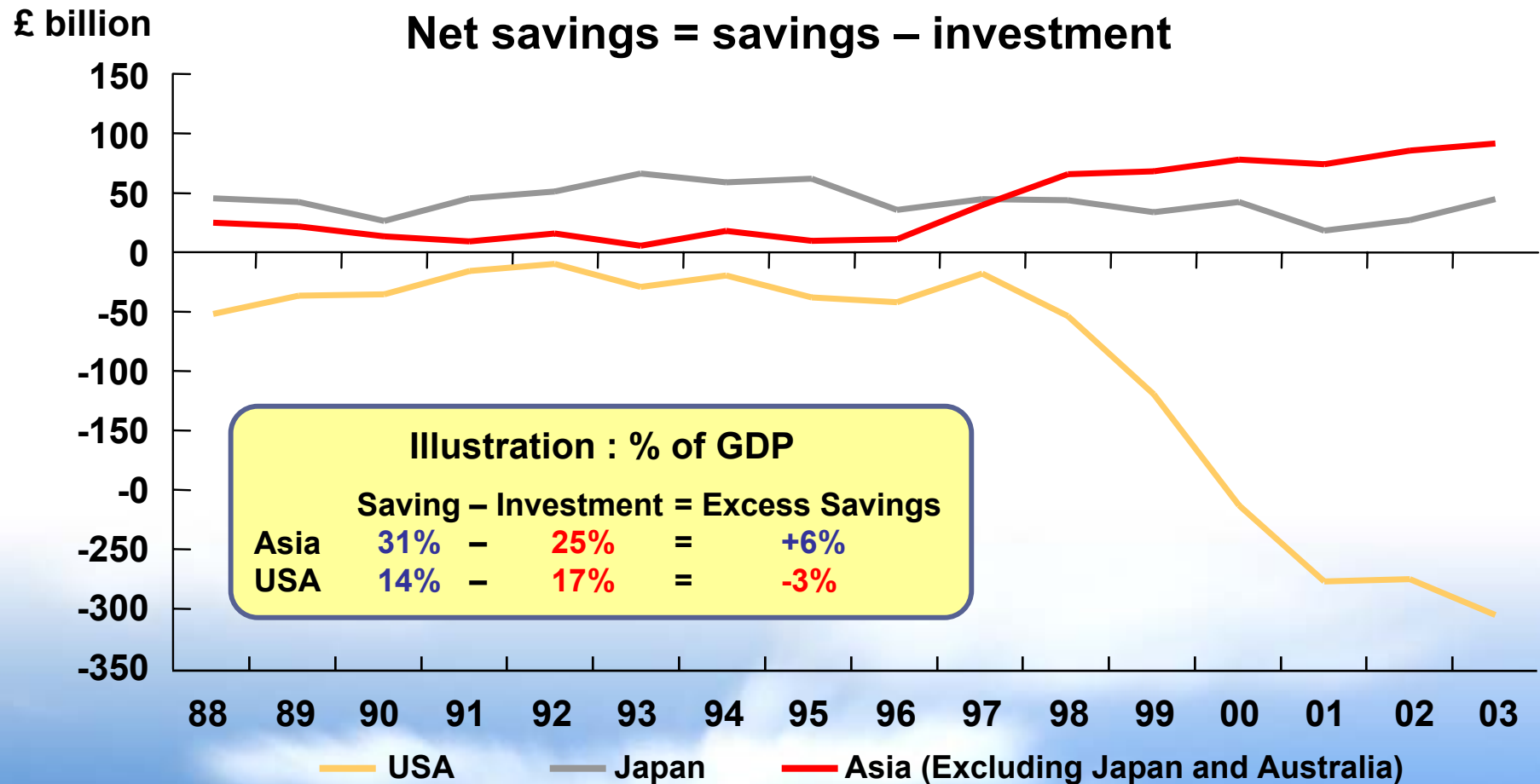
With £700 billion of annual investments, Asia will soon surpass the US as the worlds largest user of capital





Unlike the US, Asia is able to fund its own investment

Asia saves £100 billion annually more than it needs for investment resulting in "excess savings", in sharp contrast to the picture in the US



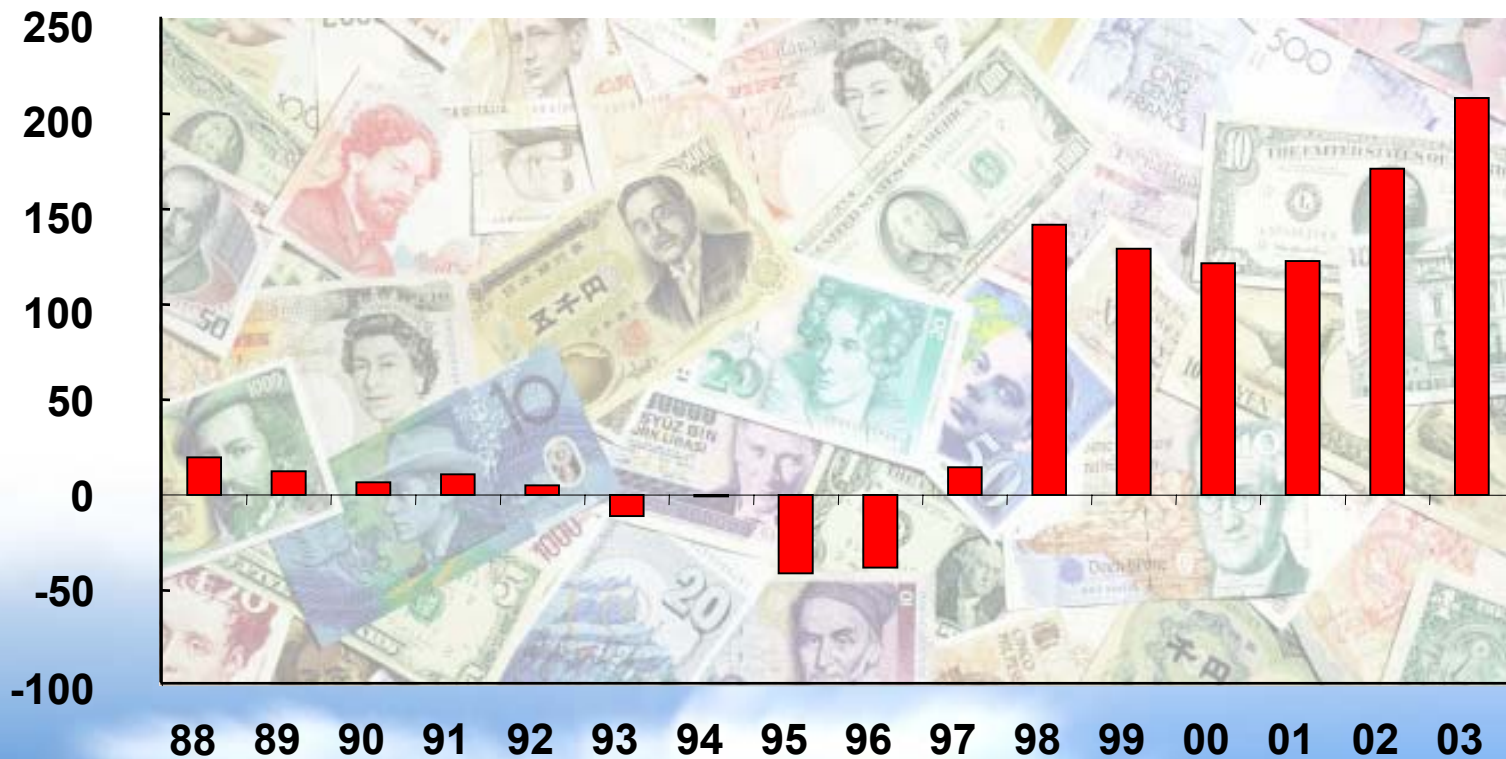


In fact, Asia is becoming the worlds largest creditor

Asia's current account (CA) surplus is clear evidence of the "excess savings" which at £200 billion p.a. means Asia is now the largest creditor to the world

Asia's current account balance

£ billion





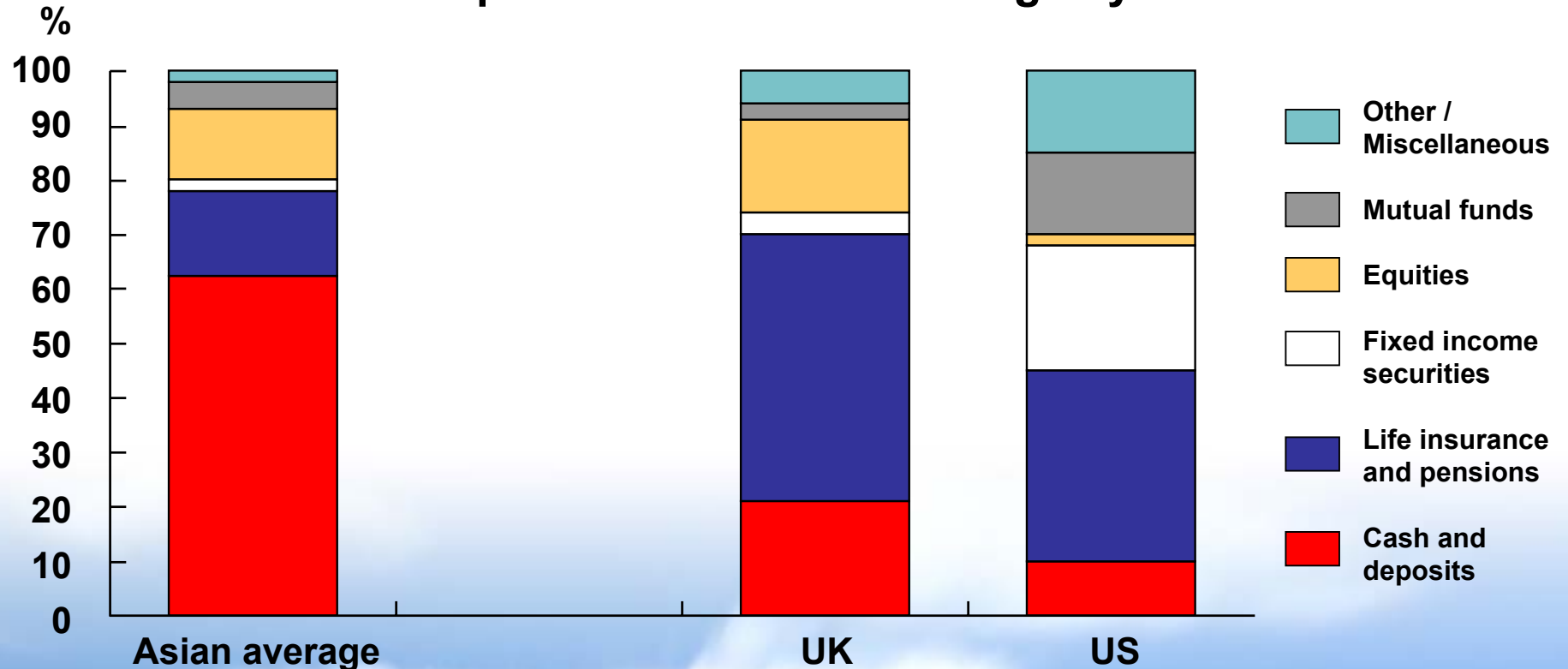
**Excess savings
searching for a home**



Asia's savings have not been invested efficiently

Most personal savings in Asia remain in low returning bank deposits

Distribution of personal financial holdings by asset class



Source : Marakon in 02

Note : Asian average = simple average, not GDP weighted



Government policies may have distorted savings

Historically, several factors may have been preventing Asia's savings from being allocated efficiently to the highest returning investments

“Savings distortions” may result from two main factors

- **Government guarantees eg :**
 - Post Office savings Japan
 - CPF in Singapore
- **Monies trapped onshore due to capital controls eg :**
 - Malaysia, Taiwan and China



Deregulations and liberalization are improving capital efficiency

Recent moves to liberalise savings and investment restrictions in Asia will lead to more efficient capital allocation, creating opportunities

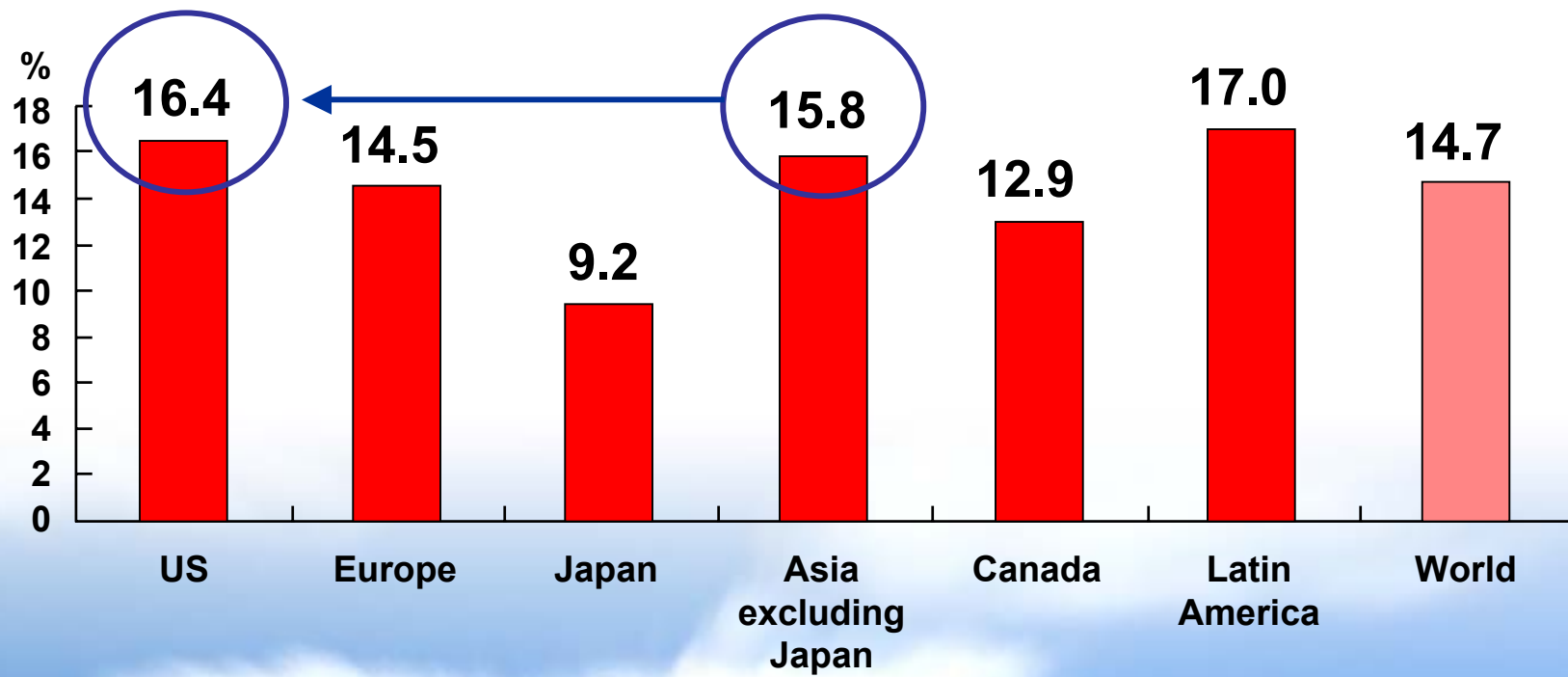
- **Privatisation of post offices Japan (eventually?)**
- **Privatisation of banks in Korea and Singapore**
- **Lifting of capital controls in Taiwan and Singapore**
- **Creation of MPF in Hong Kong**
- **Privatisations in India**
- **Foreign licenses for financial institutions in China**
- **Securitisation laws in several countries**



Higher returns on equity are a tangible sign of this

Asian companies are now generating similar returns on equity as in the US

Return on equity by geographical region (2005 estimate)

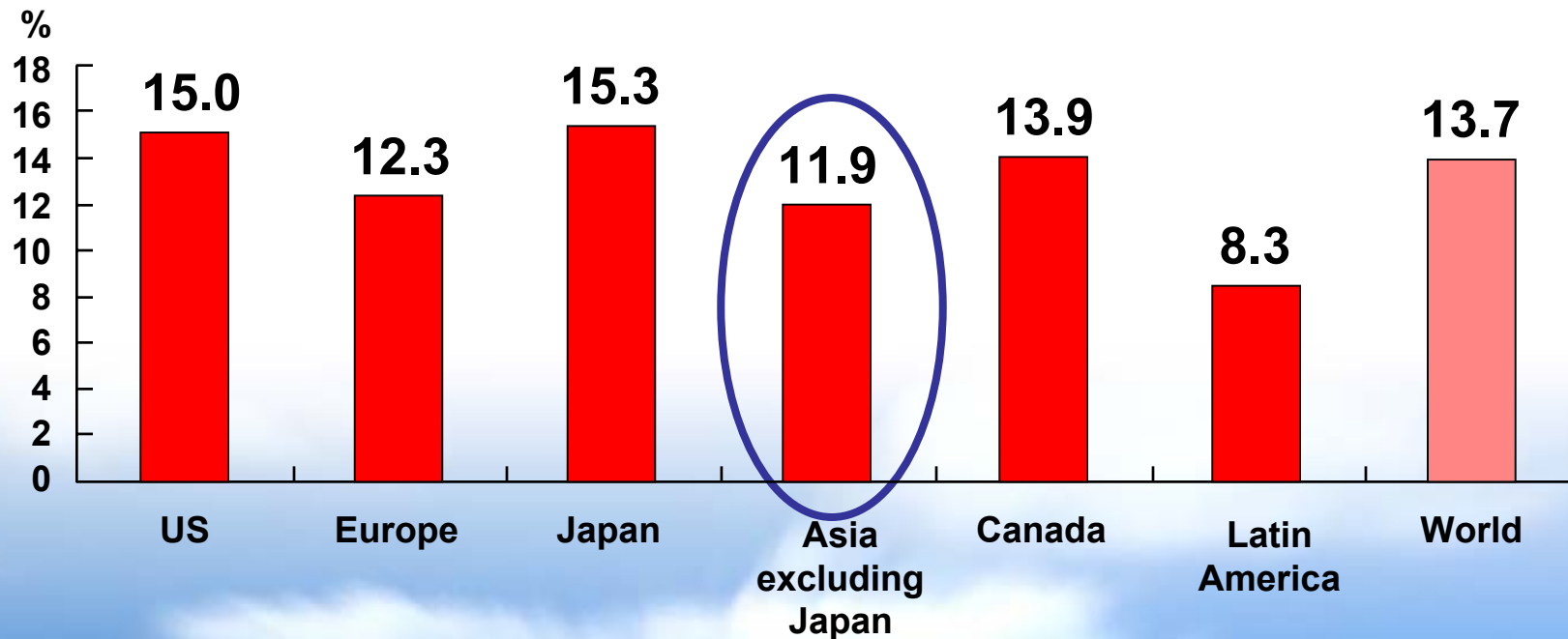




This creates opportunities for Asian equity investors

Despite the improved ROE, earnings multiples for Asian equities are amongst the lowest in the world as investors remain reluctant to fully price in this improvement

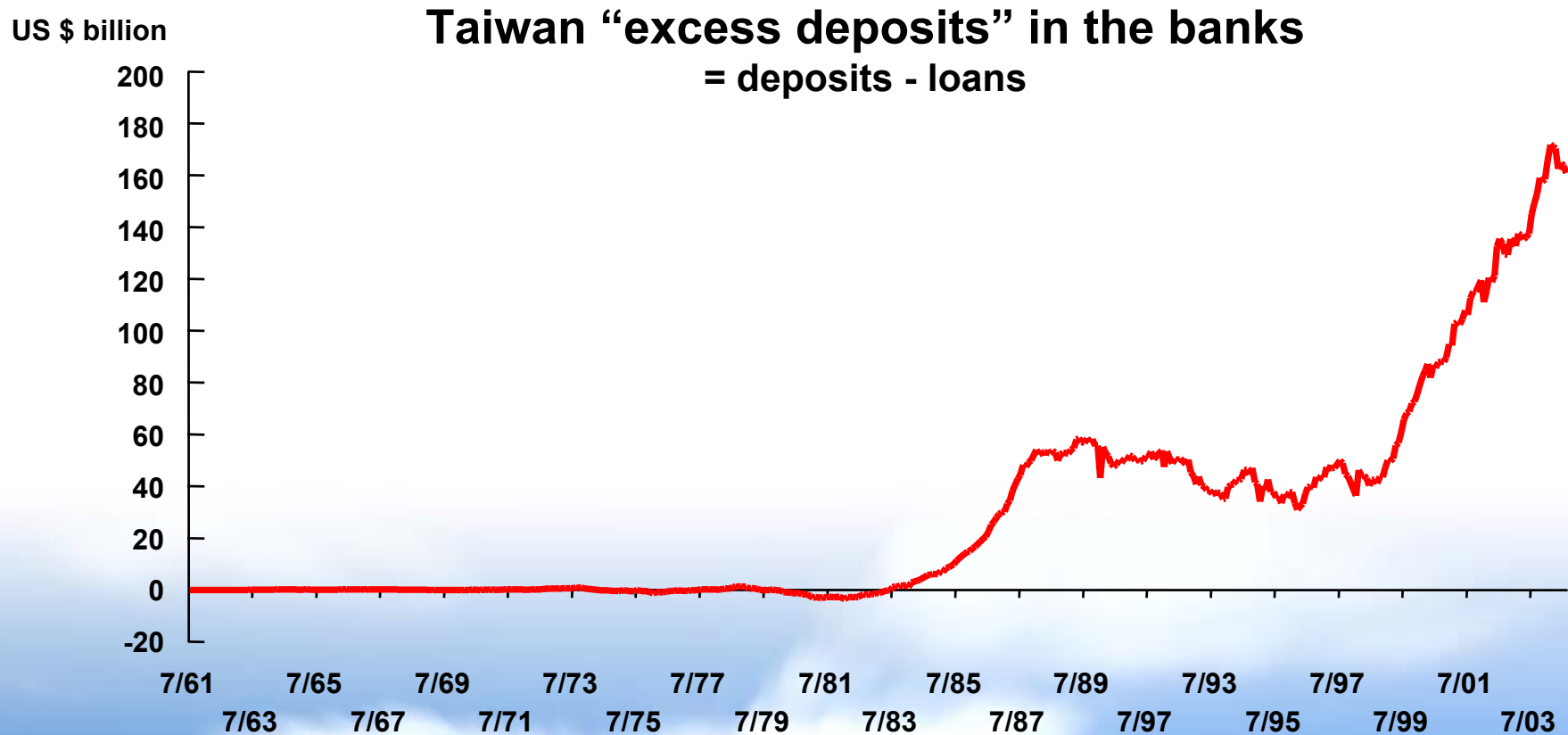
Equity market PE multiple (2005 estimate)





Excess savings stuck in banks also creates opportunities

Even where loan growth accelerates, banks are unable to on lend all of these excess savings and must park the cash in the bond market

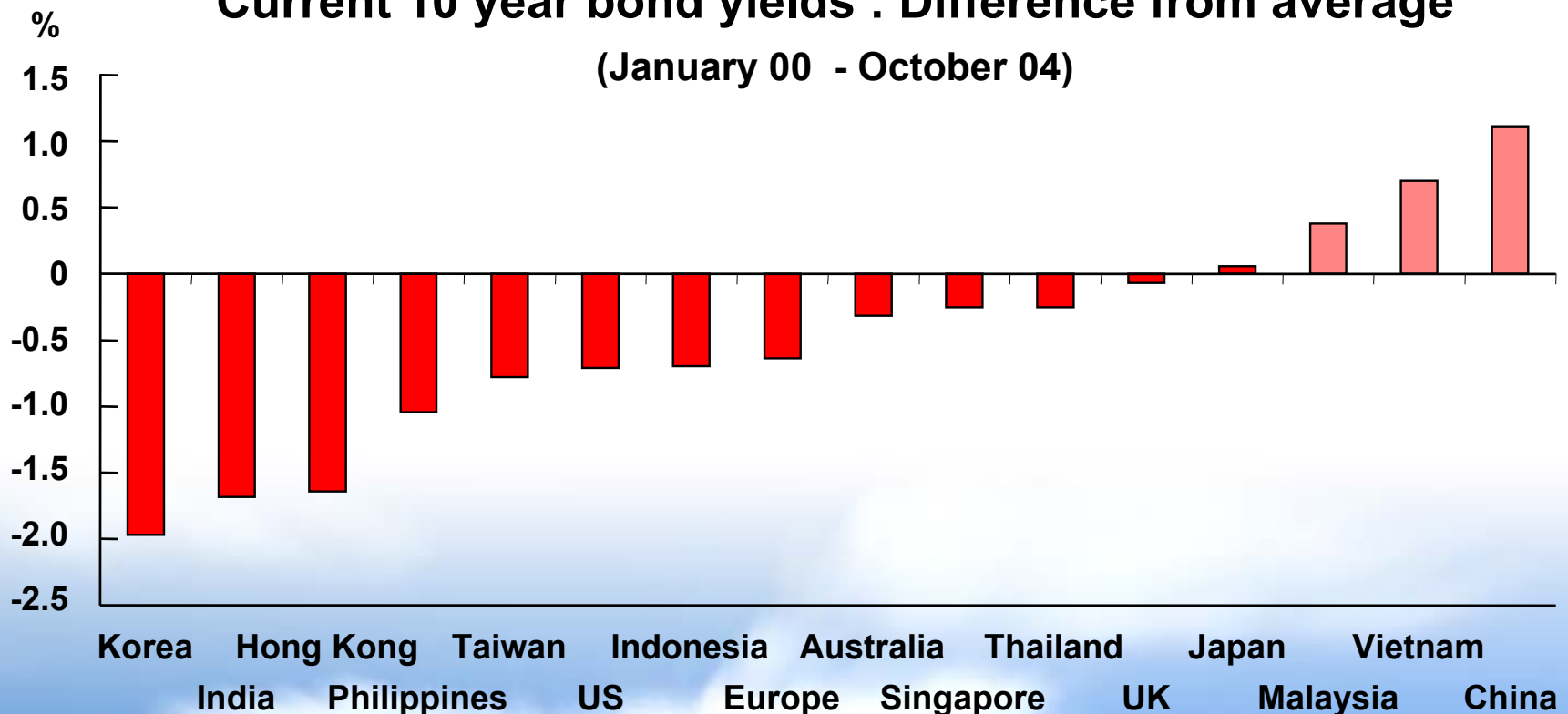




This excess bank liquidity may be depressing bond yields

Global bond yields are significantly below recent averages, creating opportunities to benefit from rising bond yields as this excess liquidity gets withdrawn from the banks and more efficiently invested (into equities) or spent

Current 10 year bond yields : Difference from average (January 00 - October 04)





China and India : Emerging giants

Why are China and India so important to Prudential?

- **The potential for growth in financial services is enormous**
- **Sustainable growth leads to higher incomes and purchase of financial products**
- **Strong growth in China and India spurs growth in the rest of Asia**
- **We are very well placed with successful operations in both markets**

China

Will the move towards a market economy improve the quality of growth?

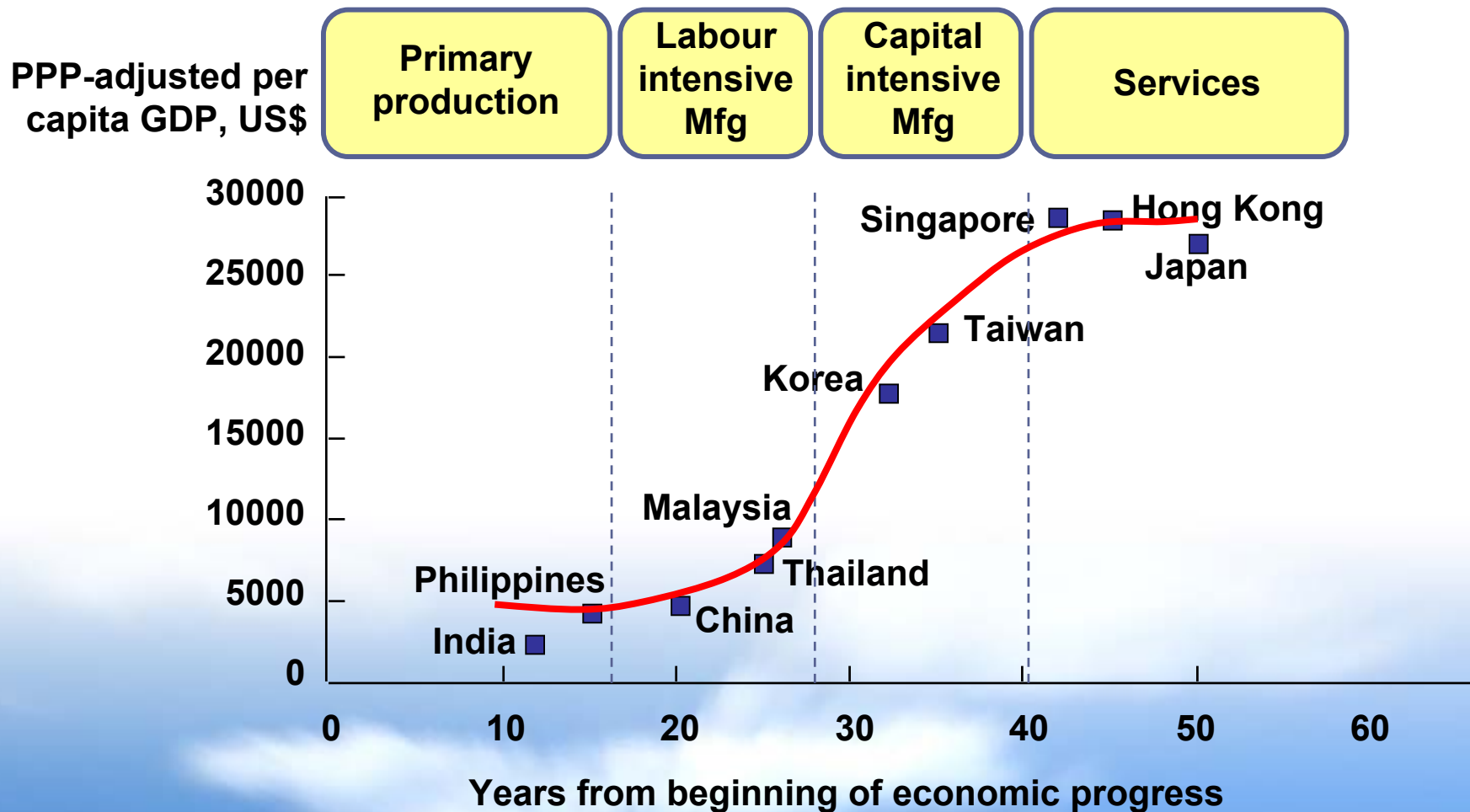
India

Will India grow above historic trends and reach full potential?



S-curve for income growth in Asia

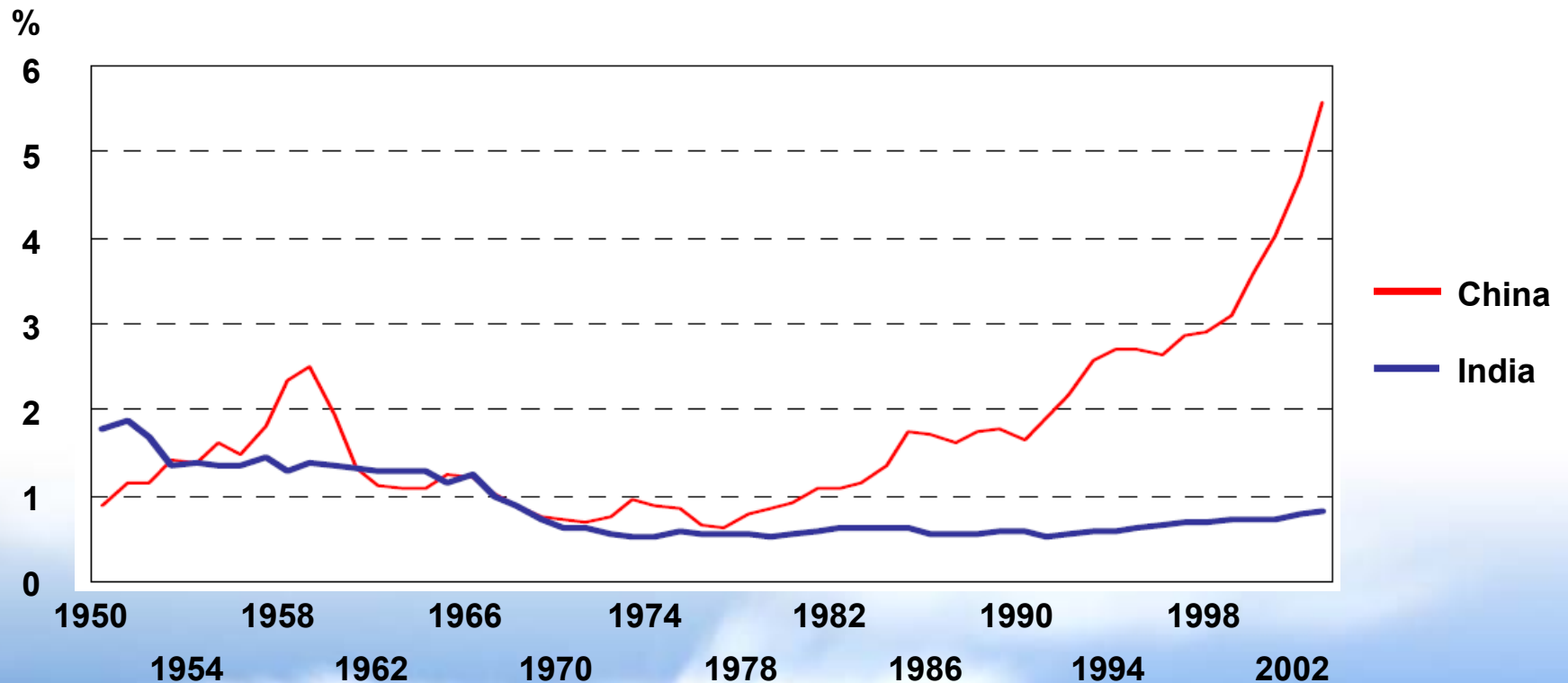
China and India have huge potential for income growth as they move from primary production to service based industries





China and India : Share of world exports of goods and services

China initiated economic deregulation in 1978 and its economic growth rates increased dramatically. China's share of global exports has doubled since 1998 and is six times India's. India began economic reforms in 1991 and has yet to reach full potential

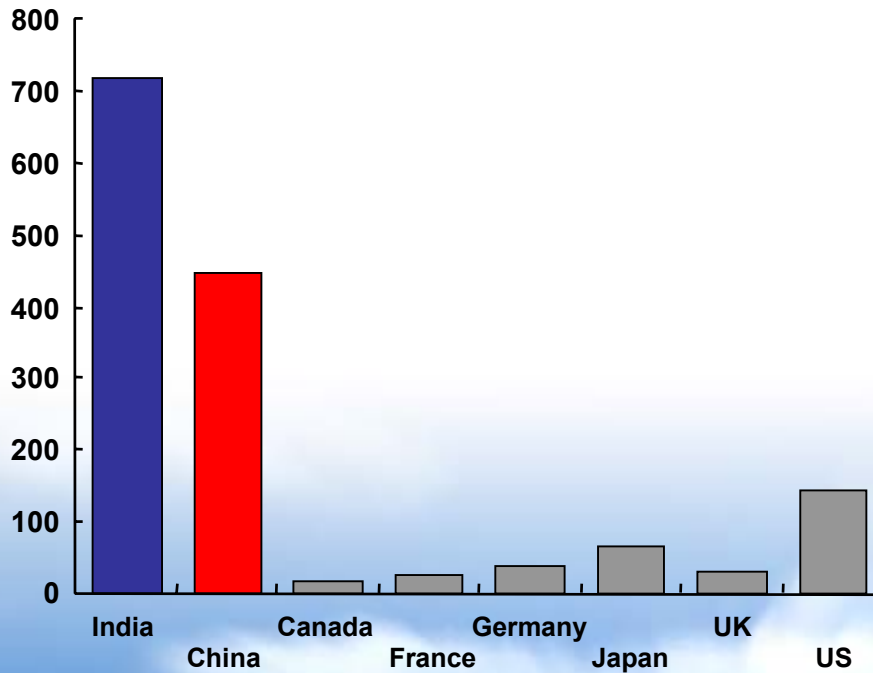




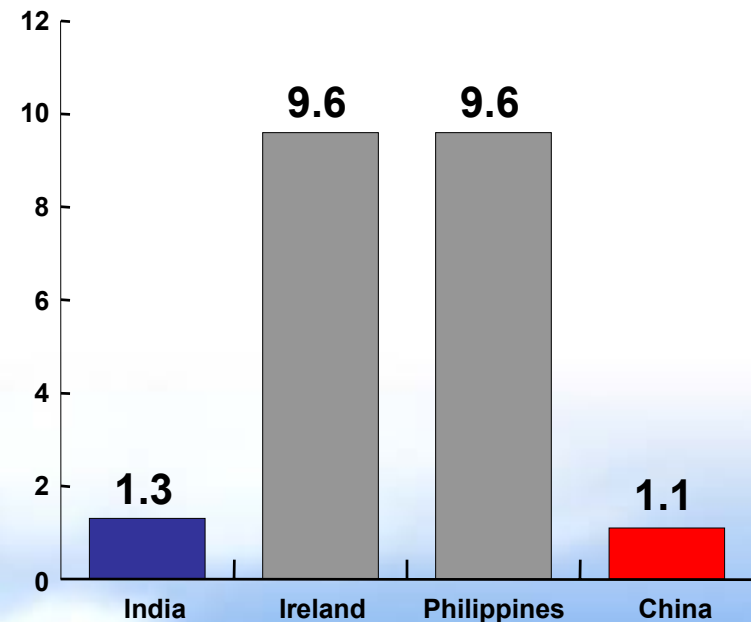
China and India : Labour advantage

A large, educated labour force provides manufacturers and exporters with an abundant supply of low-cost high-skilled workers. Largely agrarian economies with surplus labour in countryside

Figures in millions



Labour cost competitiveness in ITES
Average wages (US\$/hr)

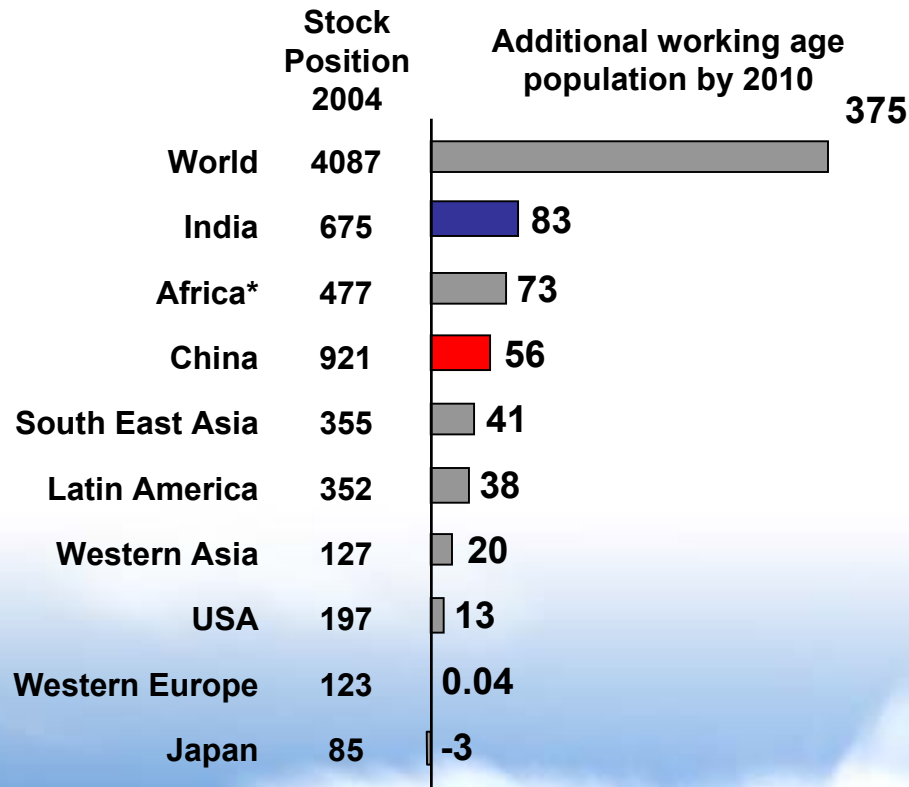




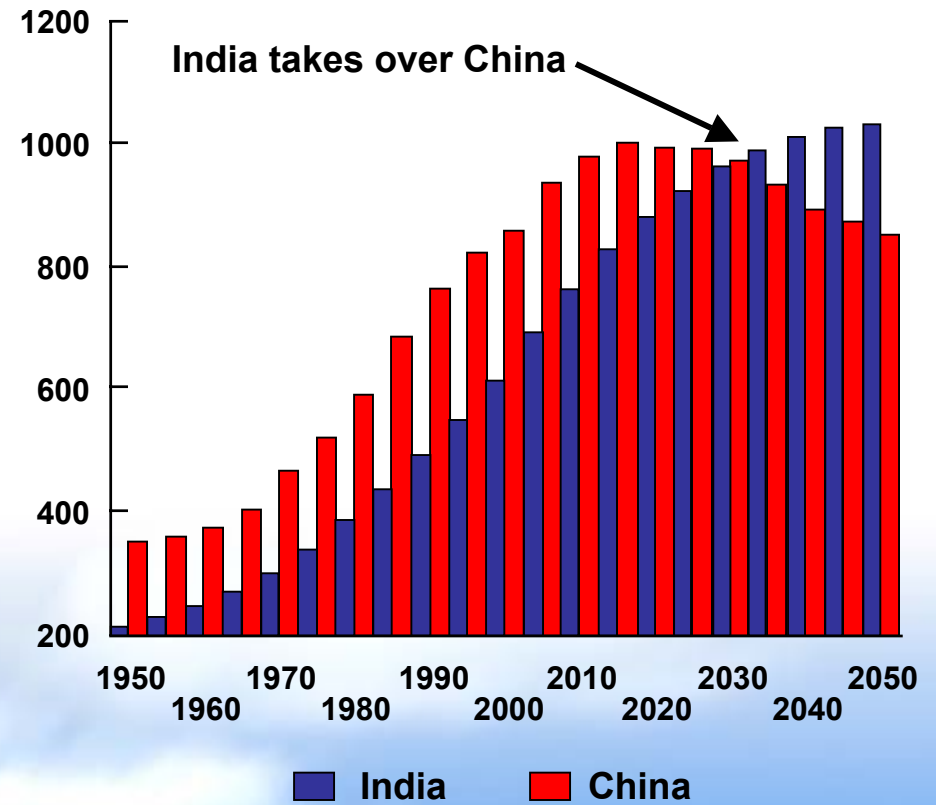
China and India : Positive demographics

China and India account for 40% of world's working-age population and will add 139 million workers in next 6 years

Global Growth in working-age population (15-64) over the next 6 years (million)



China and India : Working population age 15-65* (million)



* Note : Africa includes a group of 56 countries
Source : UN, Morgan Stanley research

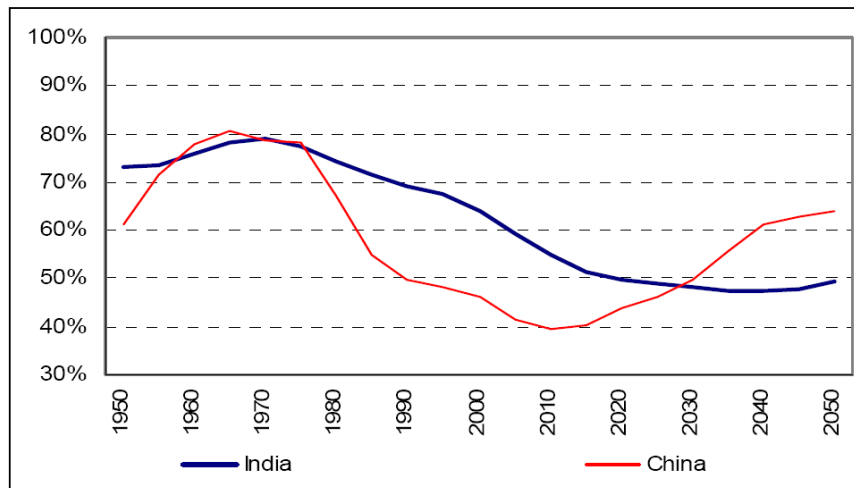
* People who could potentially be economically active
Source : UN



China and India : Positive demographics

China has created a virtuous cycle : Increasing productive workforce → higher savings → greater investment.
India's age dependency ratio will fall over the next 20 years

**China and India :
Age-dependency ratio (%)**



Age dependency = Prop. of non-working to working population.

**China and India :
Savings and age dependency trend**

(%)	1960s	1970s	1980s	1990s	2002
India					
Age Dependency ¹	77.8%	76.8%	71.6%	66.9%	62.2%
Savings ²	12.6%	17.5%	19.4%	23.1%	24.2%
Investments ³	14.7%	17.6%	21.2%	24.5%	23.7%
China					
Age Dependency ¹	79.0%	74.8%	57.4%	48.1%	44.4%
Savings ²	26.1%	34.8%	34.8%	40.6%	42.0%
Investments ³	25.6%	34.7%	35.4%	38.5%	39.4%



1. Ratio of non-working to working population. 2. Gross national savings rate.
 3. Gross capital formation.



China and India : Different growth models

Historic growth has been accomplished with different economic models.
New industries are rapidly emerging in China and India.
The two development models are converging

- China's growth relies on foreign direct investment, whilst India's growth relies more on domestic private sector
- China is rapidly becoming a global manufacturing stronghold, and India is establishing itself as an important centre for outsourcing services

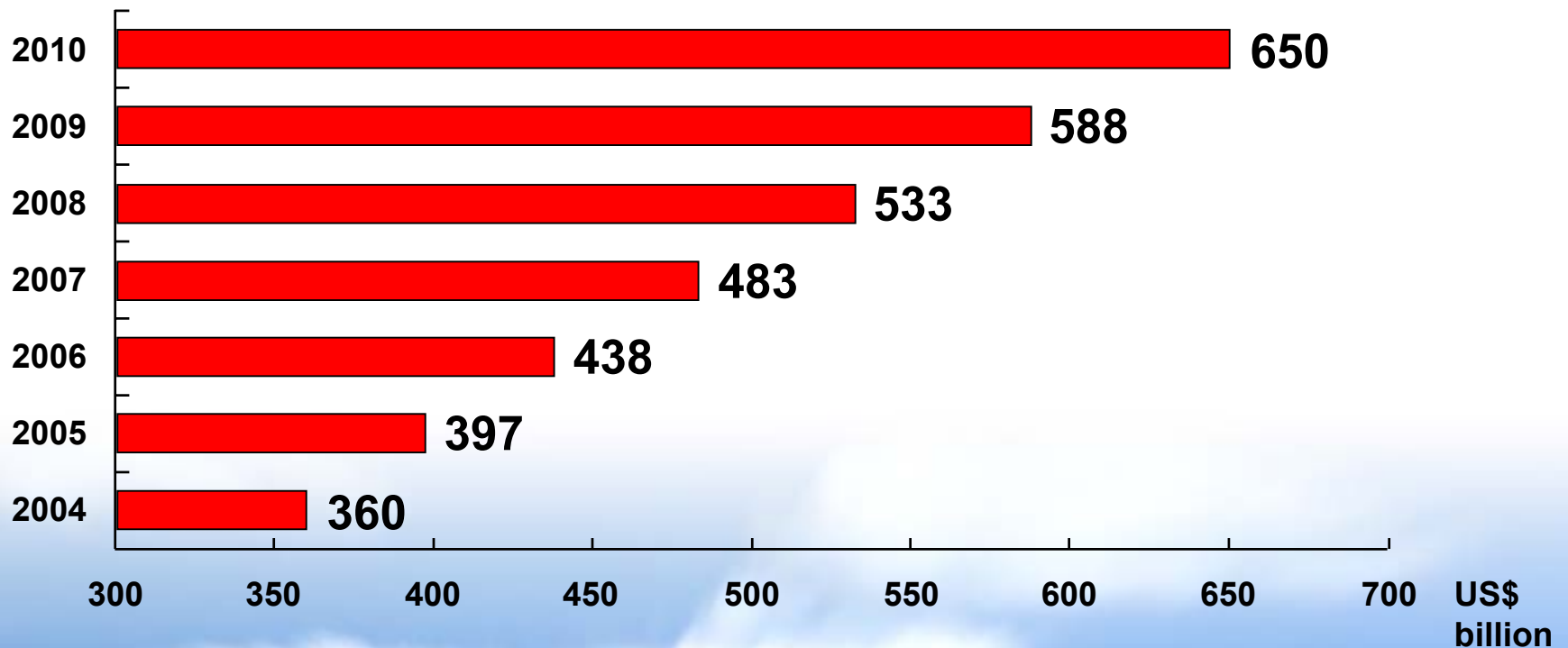
	 China	 India
Existing core industries	Electronics and machinery, toys, textile and clothing, lower-end IT equipment.	Software and IT services, resources industry, pharmaceuticals and leather.
Emerging growth industries	Petrochemicals, IT equipment, automobiles, services, machinery and equipment.	Toys, auto and auto components, textile and clothing, engineering and capital goods.



Textiles : A new source of growth

China and India should take larger share of global trade after textile quota removal in 1Q 2005

World trade in textile to reach US\$650 billion by 2010

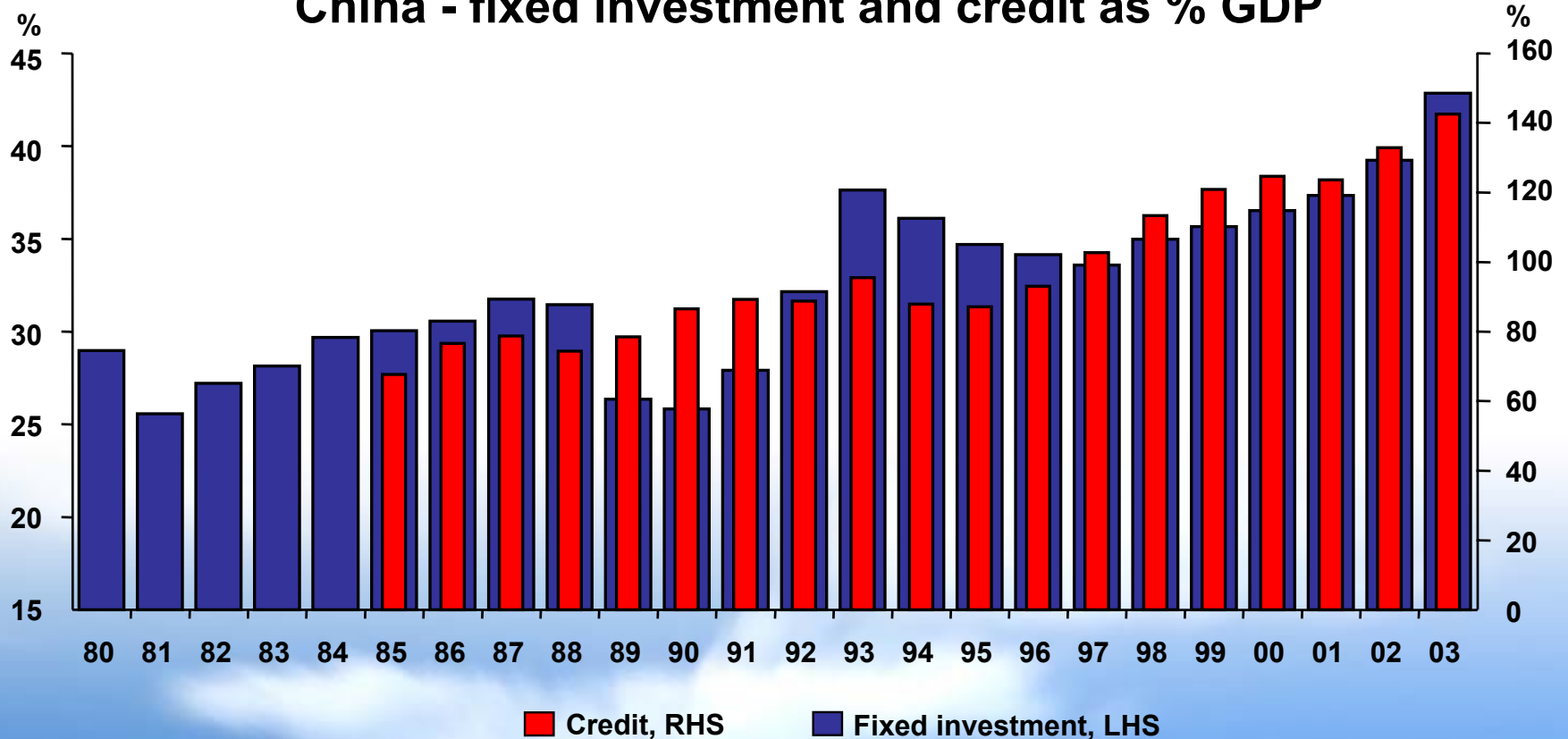




China : Credit and investment risk

China's growth has been fueled by rapid investment and credit growth, with inefficient investment a key risk. Looking ahead, as elsewhere in Asia, we expect more efficient capital use and consumption to emerge as drivers of growth

China - fixed investment and credit as % GDP

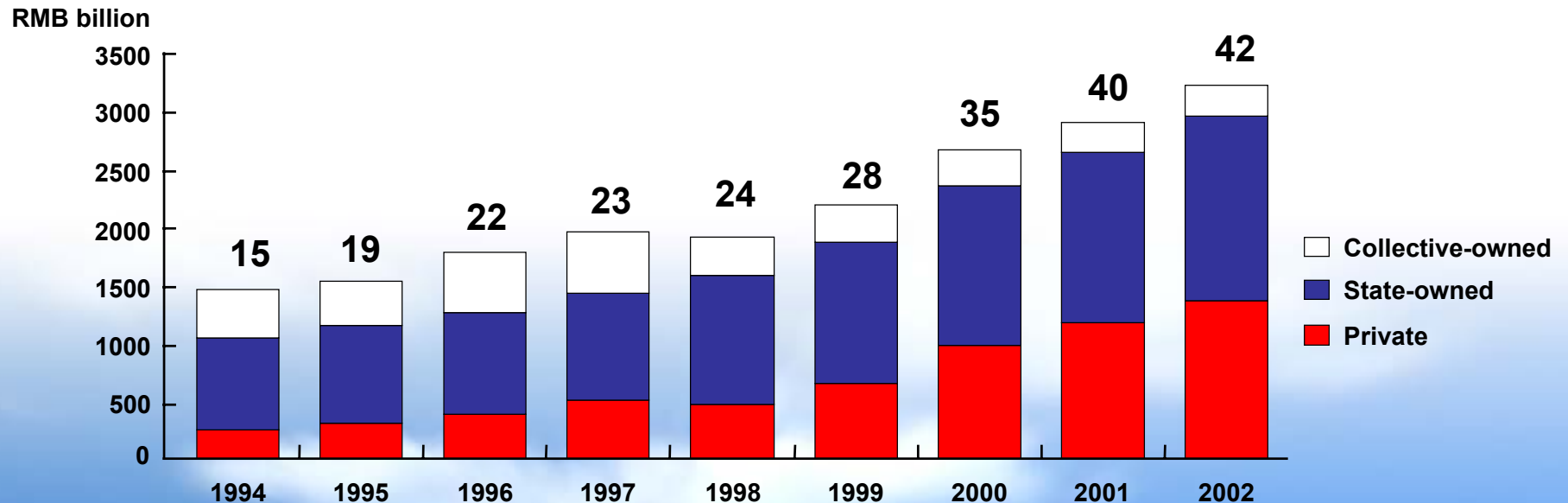




China : The rise of the private sector

The quality of Chinese companies is improving along with more return based investment decisions. The private sector is increasing its share of the industrial pie

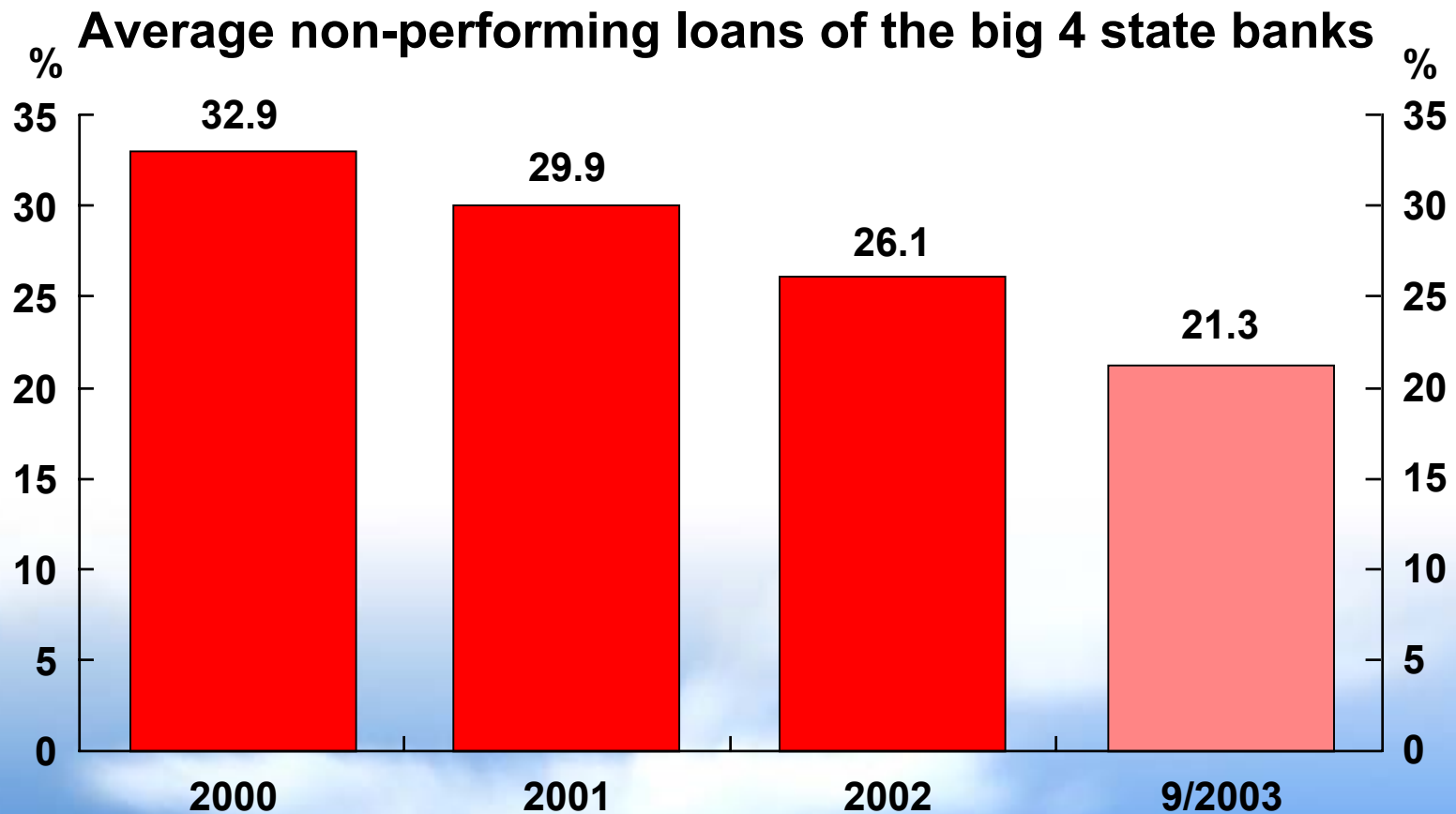
- Private companies generally possess better management than state-owned enterprises account for an increasing share of industry
- Private sector growth is a result of rise in entrepreneurial class and university funded research and development
- State owned enterprises are listing their prize assets. These companies are a models in restructuring for inefficient state sector





China : Growth despite its banking system

Banking reforms are now top priority. The big four state banks to be listed by 2007.
An efficient and stable banking system can increase savings
into productive investments



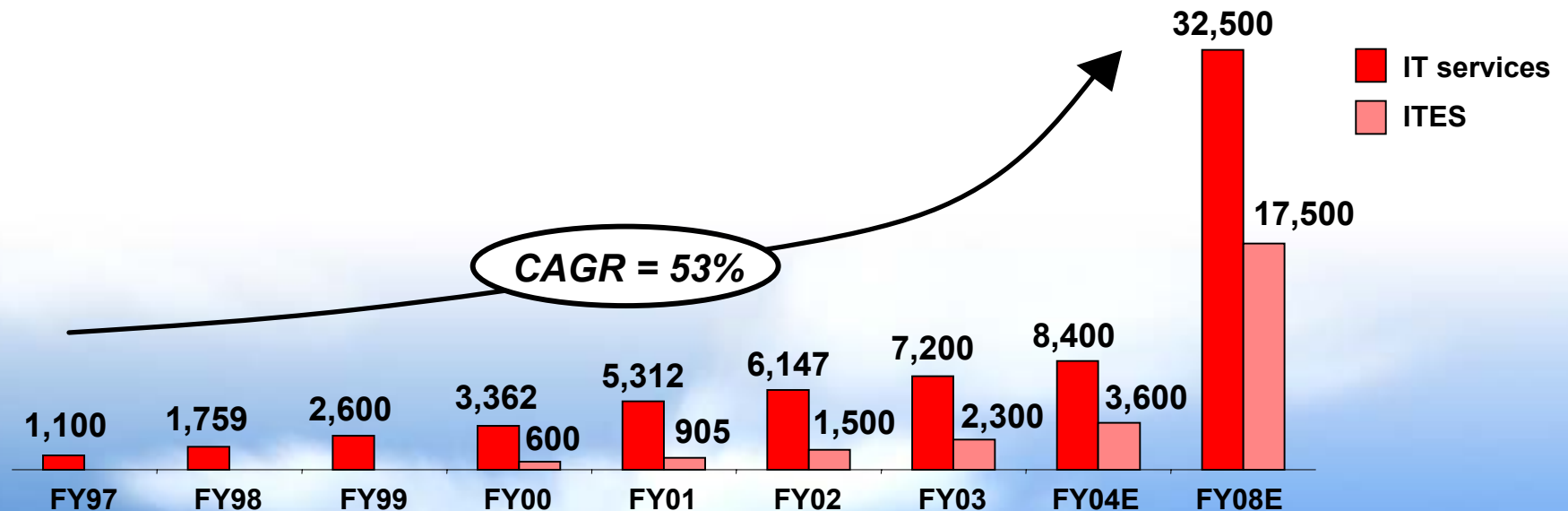


India : Services has been the growth driver

India continues to move up the value chain in tradeable services such as software and pharmaceutical

- 230 companies out of the Fortune 500 already outsource software-related services to India
- India produces a vast supply of English speaking IT engineering graduates

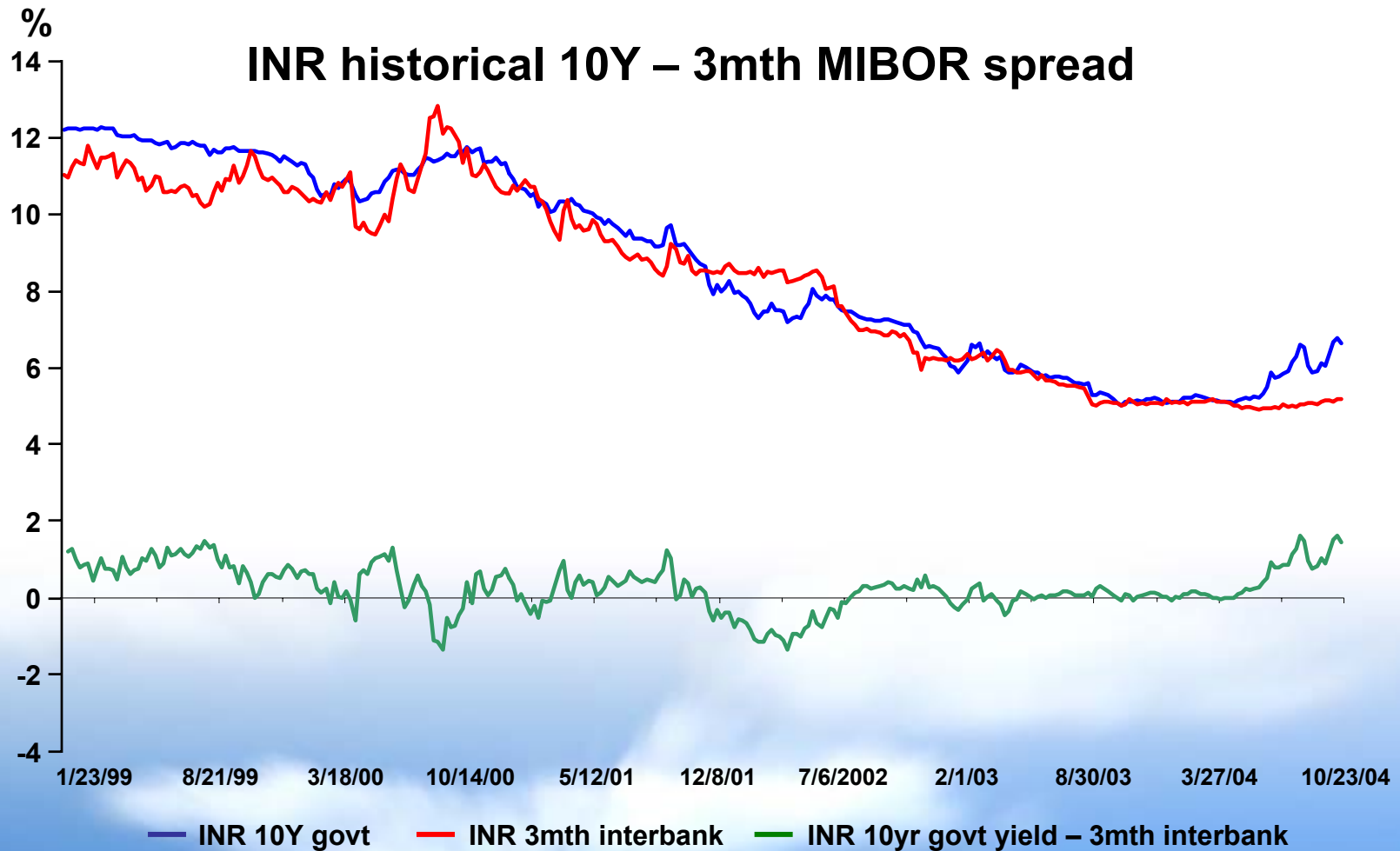
IT and IT-enabled services exports (US\$ million)





India's cost of borrowing has fallen dramatically

India's government bond yields have halved in the last 6 years which will boost gross fixed capital formation





India : Structural impediments to growth

The issues which have held back growth are well known.
There are some positive trends although reform implementation is slow

Unfavourable
tax structure

Low savings
rate

Low FDI

Large fiscal
deficits

Inadequate
infrastructure

Bureaucratic
government

Inflexible
labour laws

- India's demographic profile is positive for savings and investment
- The Government is planning to reform and simplify the tax structure
- India has made significant improvements in telecom, highway and port infrastructure
- Many sectors have been opened up to FDI such as telecom and aviation



Summary

- **High savings have turned Asia into the world's largest creditor**
- **Deregulation will allow Asia's excess savings to be invested more efficiently. Great opportunities exist for experienced financial product providers**
- **Personal savings in Asia should shift from low returning bank deposits to other asset classes such as life insurance, pensions and mutual funds**
- **China and India are set to become the new economic powerhouses of Asia. The penetration of savings and protection products is low**
- **China and India's income growth should be rapidly boosted by favourable demographics**



Opportunities for Prudential...





Prudential
Seizing
the
Opportunity

The Opportunity

Mark Norbom
Prudential Corporation Asia
November 2004



Asia : Drivers of growth

- **Size and growth of market**
- **Market liberalization**
- **Low penetration of medium and long-term savings products**



Drivers of growth strong as ever

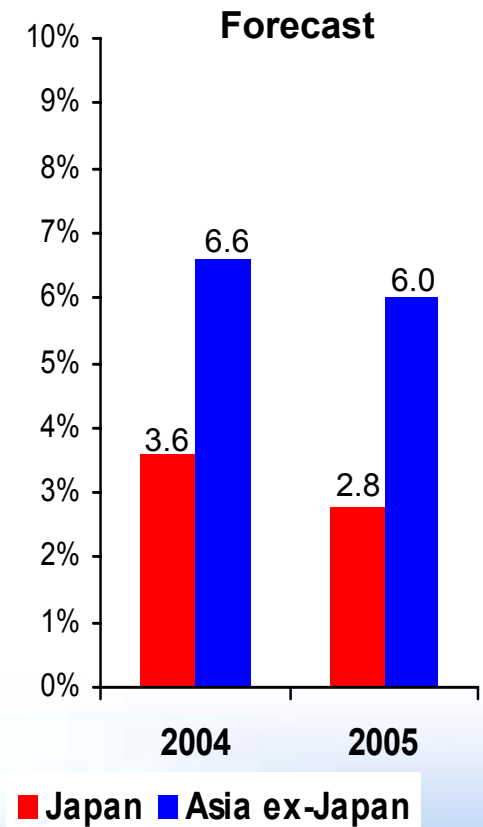
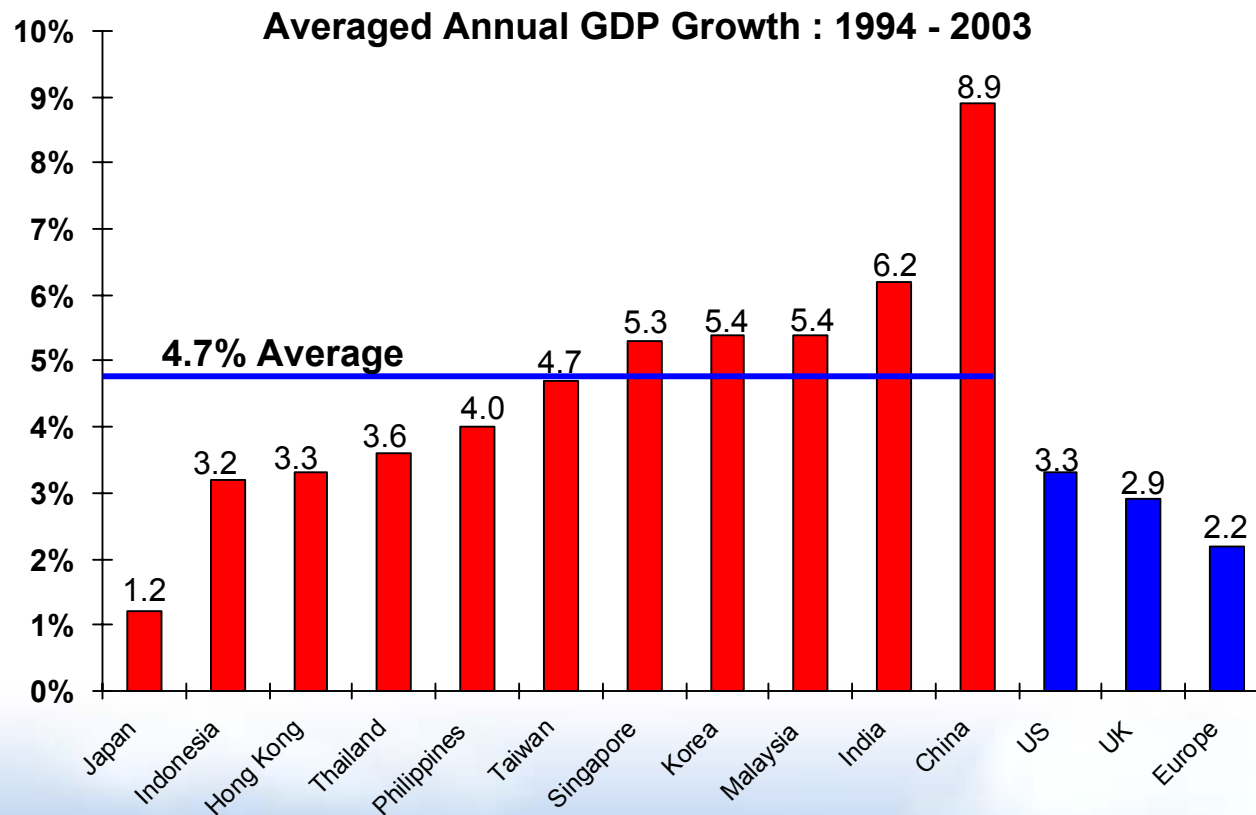


Asia : Size of market



Population (m)	
China	1,292
India	1,055
Indonesia	219
Japan	128
Vietnam	81
Philippines	80
Thailand	64
South Korea	48
Malaysia	25
Taiwan	23
Hong Kong	7
Singapore	4

Asia : Potential for sustained growth

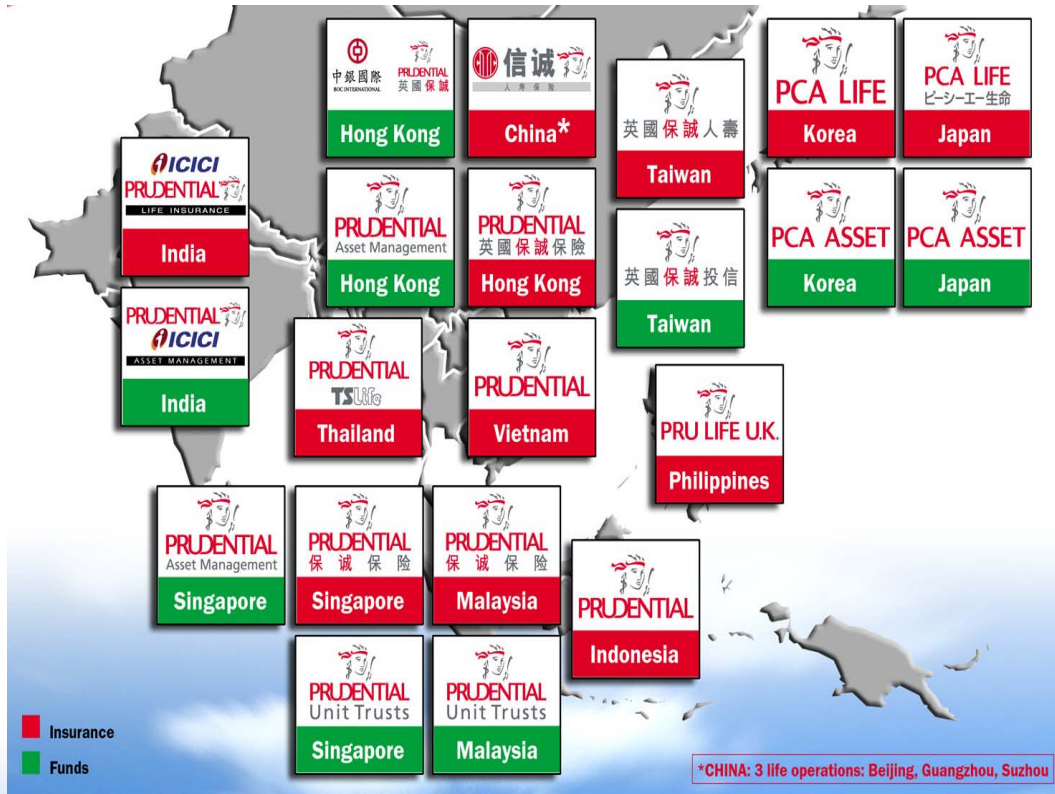


Source: UBS

Source: IMA Asia (September, 2004)

Continuing to outpace Europe and the US

Asia : Market liberalization



“ Diversity is now one of the key benefits as Prudential has operations in no fewer than 12 different countries within the region ”

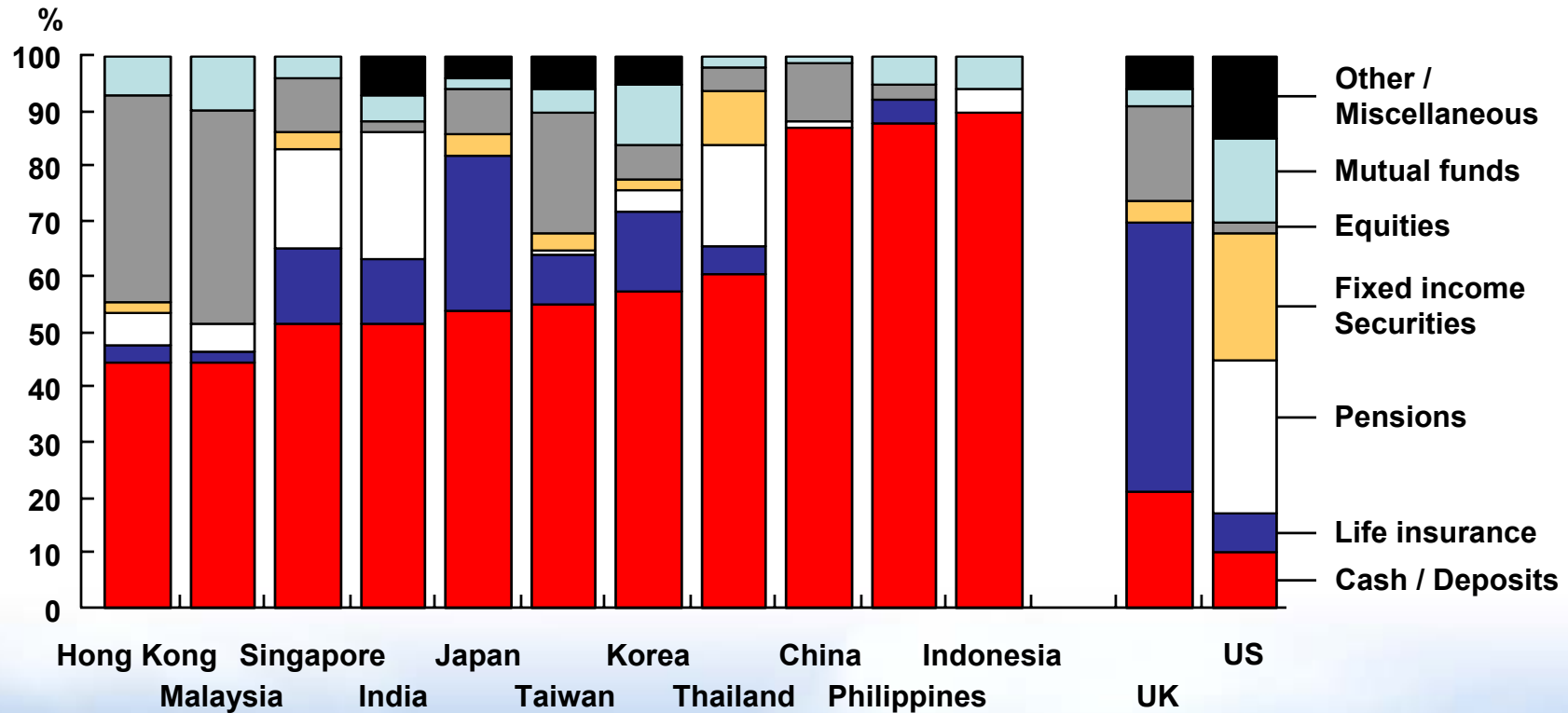
Merrill Lynch (6 October, 2004)

An enviable set of licenses



Asia : Demand for products

Percentage of holdings by asset class



Increasingly seeking alternatives to cash

Source : Marakon 2002

Note : UK Life and Pensions sectors are combined



Key points : Seizing the opportunity

- **Growth opportunity in Asia remains significant for insurance and funds management**
- We are uniquely positioned to seize this opportunity
- We are strengthening our foundation to ensure sustainability of above-market performance
- Our scale and our focus will yield accelerated profitability :
Strong top-line growth, even faster bottom-line growth



Delivering profitable and sustainable growth



Turning challenges to opportunity

Challenges

- Local incumbents
- Economic volatility
- Developing legal and regulatory frameworks
- Increasing competition

Our strengths

- Partnering with locals
- Pioneering market development
- Diversity of markets, products and distribution
- Extensive local experience
- Market leading innovation, distribution and brand

Local experience.... Diversity.... Market leadership



Nascent markets

Success factors :

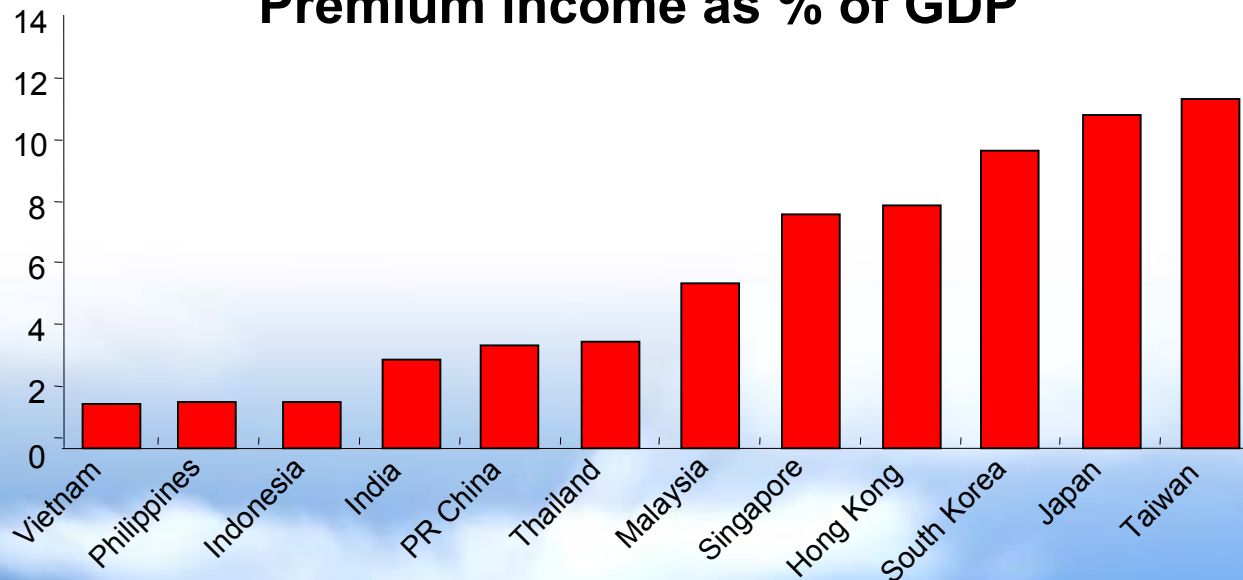
- First mover advantage
- Build distribution quickly to access customers : Agency model
- Core product focus
- Build brand awareness
- Sound operation

Developed markets













Success factors :

- Differentiation from competitors
- Multi-channel distribution
- Innovative product mix
- Customer life cycle management
- Scale efficiencies
- Superior service

Premium income as % of GDP



The advantage of experience

	South Asia							Greater China			North Asia	
												
Country	SG	MY	Tha	Indo	Phil	VN	India	HK	TW	China*	JN	KA
Products												
Life : Traditional	●	●	●	●	●	●	●	●	●	●	●	●
Unit-linked	●	●		●	●		●	●	●	●	●	●
Mutual funds	●	●					●	●	●		●	●
General	●	●						●				
Distribution												
Agency	●	●	●	●	●	●	●	●	●	●	●	●
Bank	●	●	●	●	●	●	●	●	●	●	●	●
Broker	●						●	●	●			●
Direct	●	●	●	●	●		●	●	●	●		●

● 1994 ● 2000 ● as of October 2004

* Guangzhou



Building market leadership

Number of
markets in
top 5 share*


In 2000

6 - 10

4 - 5

2 - 3

0 - 1

		Manulife	 AIG
	Great Eastern Sun Life CMG		
Cathay Life RSA CGNU	Zurich US Prudential New York Life Aegon Allianz	AXA ING	

1 - 2

3 - 6

7 - 8

9+

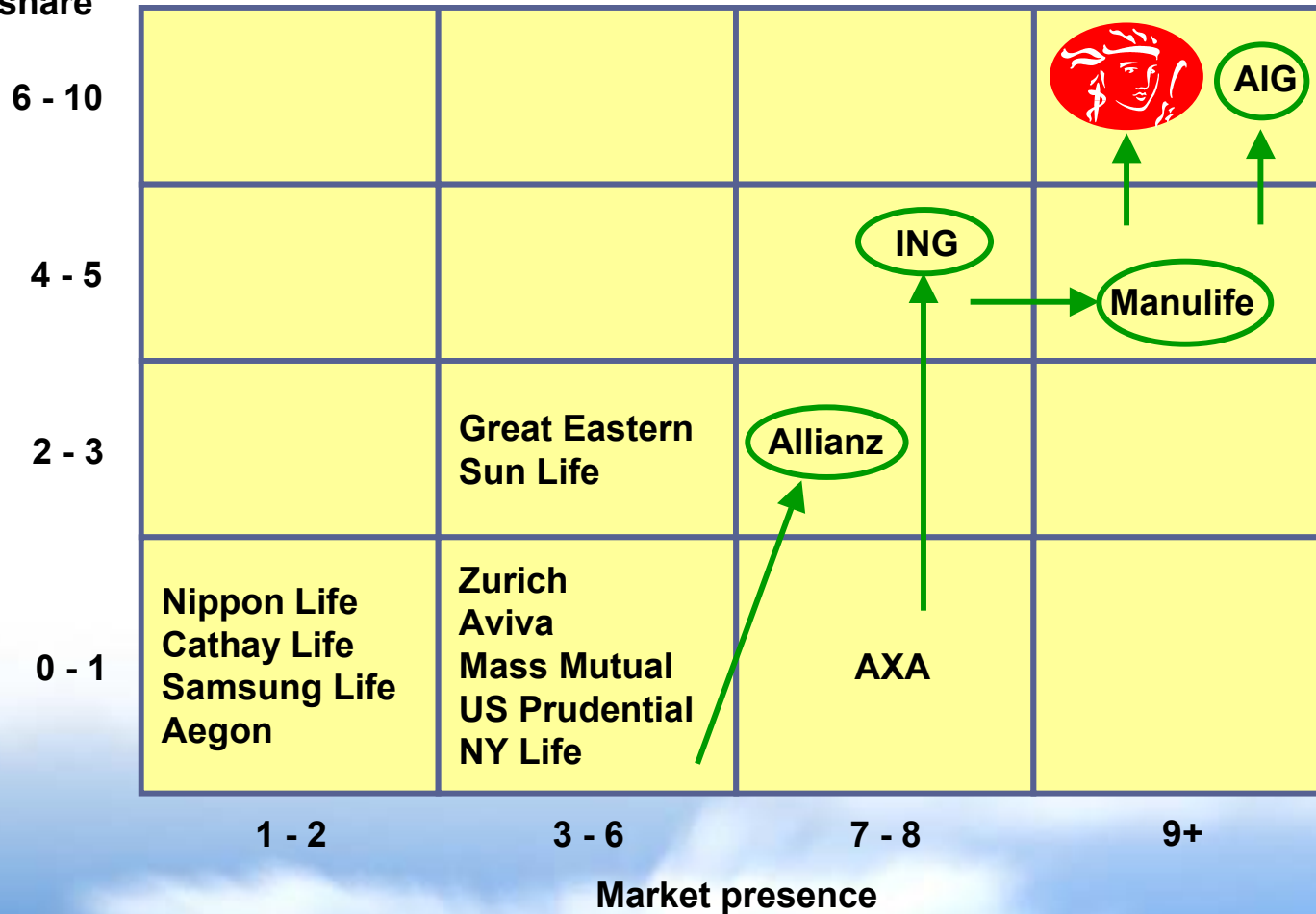
Market presence



Strengthening market leadership

Year end 2003

Number of
markets in
top 5 share*





“ Winners are likely to be established players who know the culture and have management strength and depth in the region ”



Key points : Seizing the opportunity

- Growth opportunity in Asia remains significant for insurance and funds management
- **We are uniquely positioned to seize this opportunity**
- We are strengthening our foundation to ensure sustainability of above-market performance
- Our scale and our focus will yield accelerated profitability : Strong top-line growth, even faster bottom-line growth



Delivering profitable and sustainable growth



Prudential
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Prudential Corporation Asia
November 2004



Vision : Market leadership

To be the market leading savings, investment and protection company in Asia...



Brand strength and reputation

Superior service and professional advice

Flexible multi-distribution

Innovative products

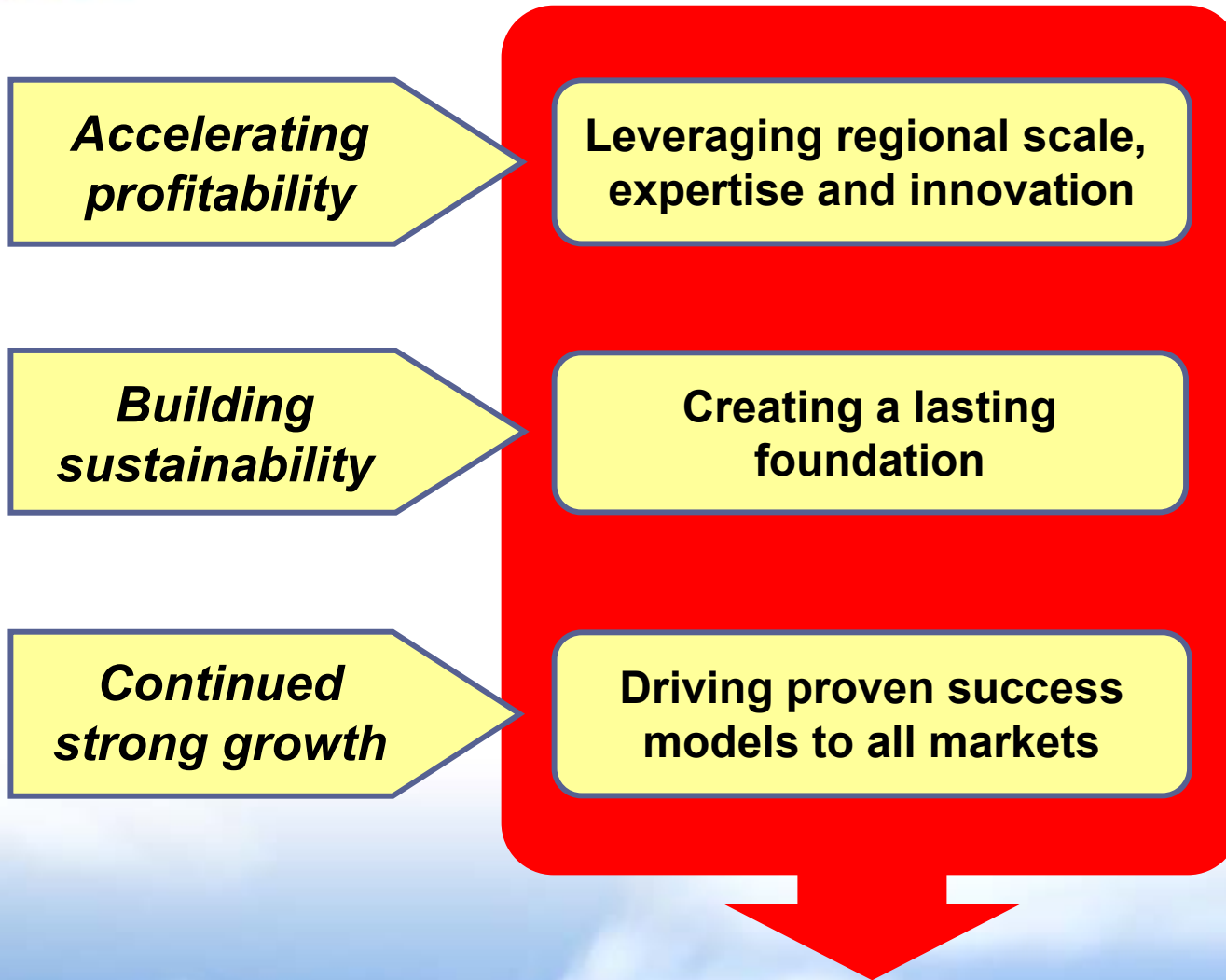
Best people and management

Highest growth rate and return

*...for our customers, staff, distributors, partners,
and shareholders*

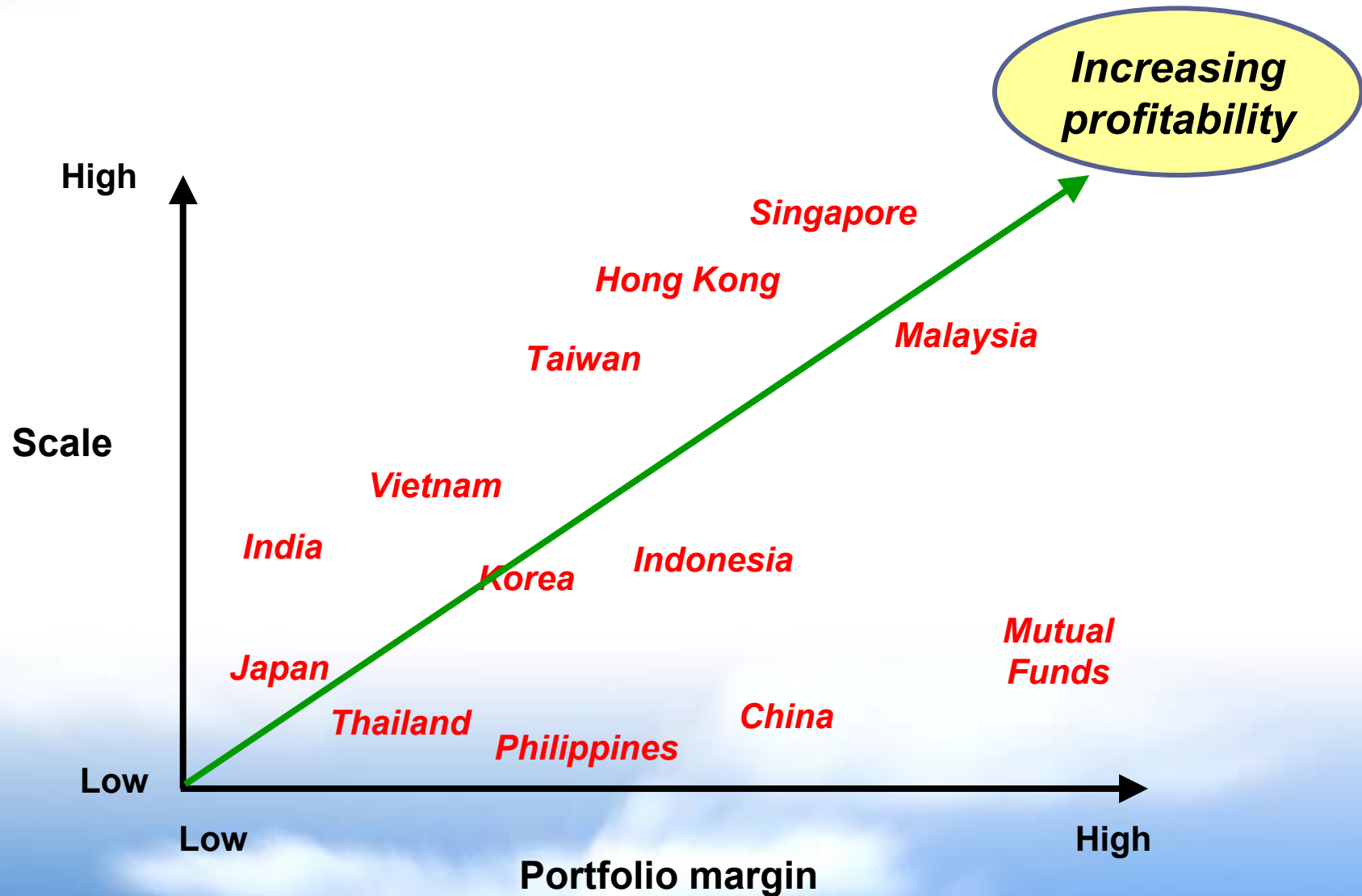


Delivering profitable and sustainable growth



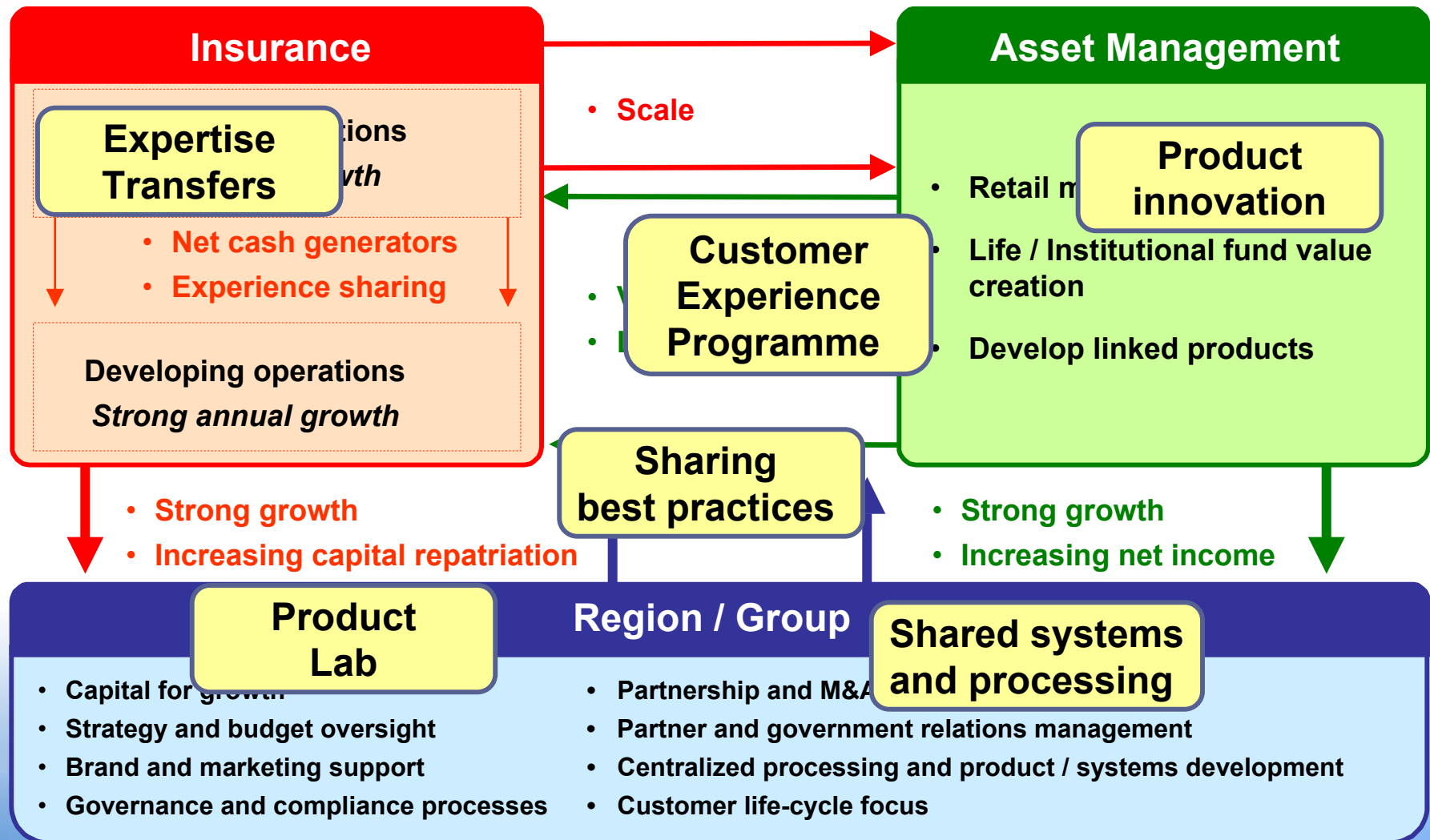
Strong top-line growth - even faster bottom-line growth

Increasing profitability



Leveraging scale, expertise and innovation

The Integrated Operating Model





Accelerating profitability

	Scale benefits	Increases margin
Expertise transfers	✓	✓
Sharing best practices	✓	✓
Shared systems and processing	✓	✓
Product Innovation / Lab	✓	✓
Customer experience programme	✓	✓



A lasting foundation

Building sustainability

People

**Risk
management**

**Brand
strength**



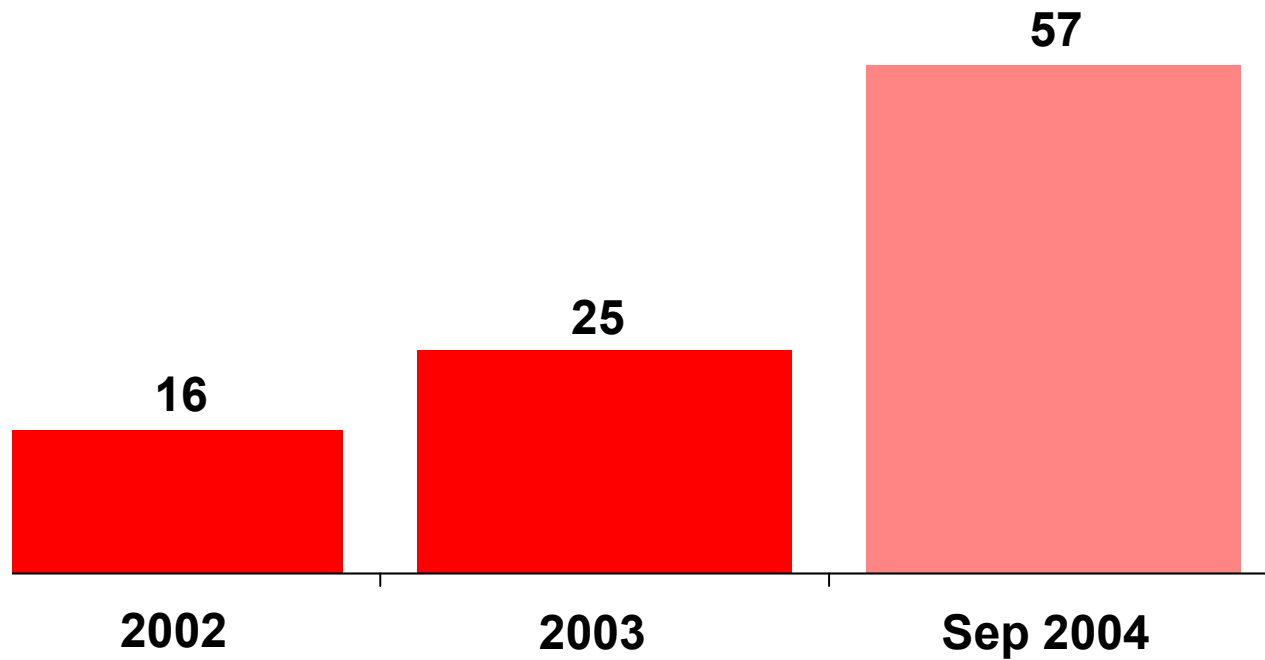
Attracting and retaining people

What employees want...

- **Scale, growth and diversity – A company with outstanding career opportunities**
- **Reputation and culture – A place where you are proud to work**

Career development opportunities

People transfers between our Asia businesses

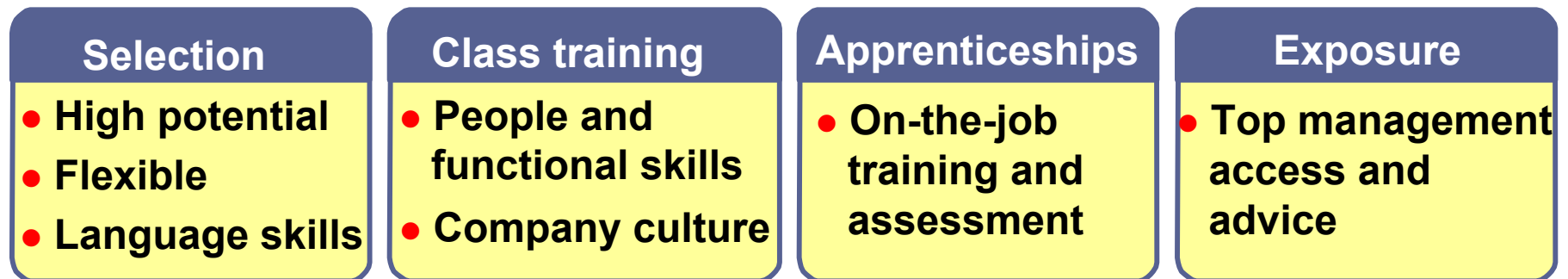


Over 95% across borders



Leadership development

Asia Leadership Development Programme



- Initially focused on China
- 6 month programme
- 3 classes (28 people) to date

Developing the pipeline of future leaders today



Risk management focus

Risk management
A framework for
strengthening the
business foundation

Strategic

Business environment

Investment

Operational

Compliance

Underwriting

Partners and suppliers

**Improved
process**

**Greater
accountability**

**Deeper
compliance
culture**



Compliance

Three-pronged strategy

Prevention

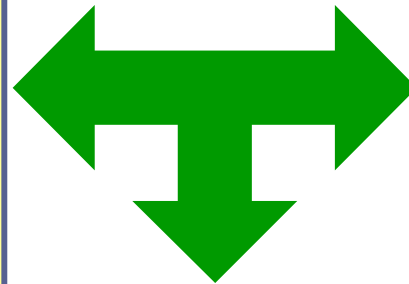
- Clear guidelines
- Management communication
- Case-study based training

Culture of compliance

Detection

- Every business with a senior compliance leader
- Every major sales force has a compliance organization
- Immediate issue reporting

80 compliance staff



Reaction

- Prompt and strict discipline
- Full cooperation with regulators

No exceptions to the rules

Making our culture of compliance a competitive advantage

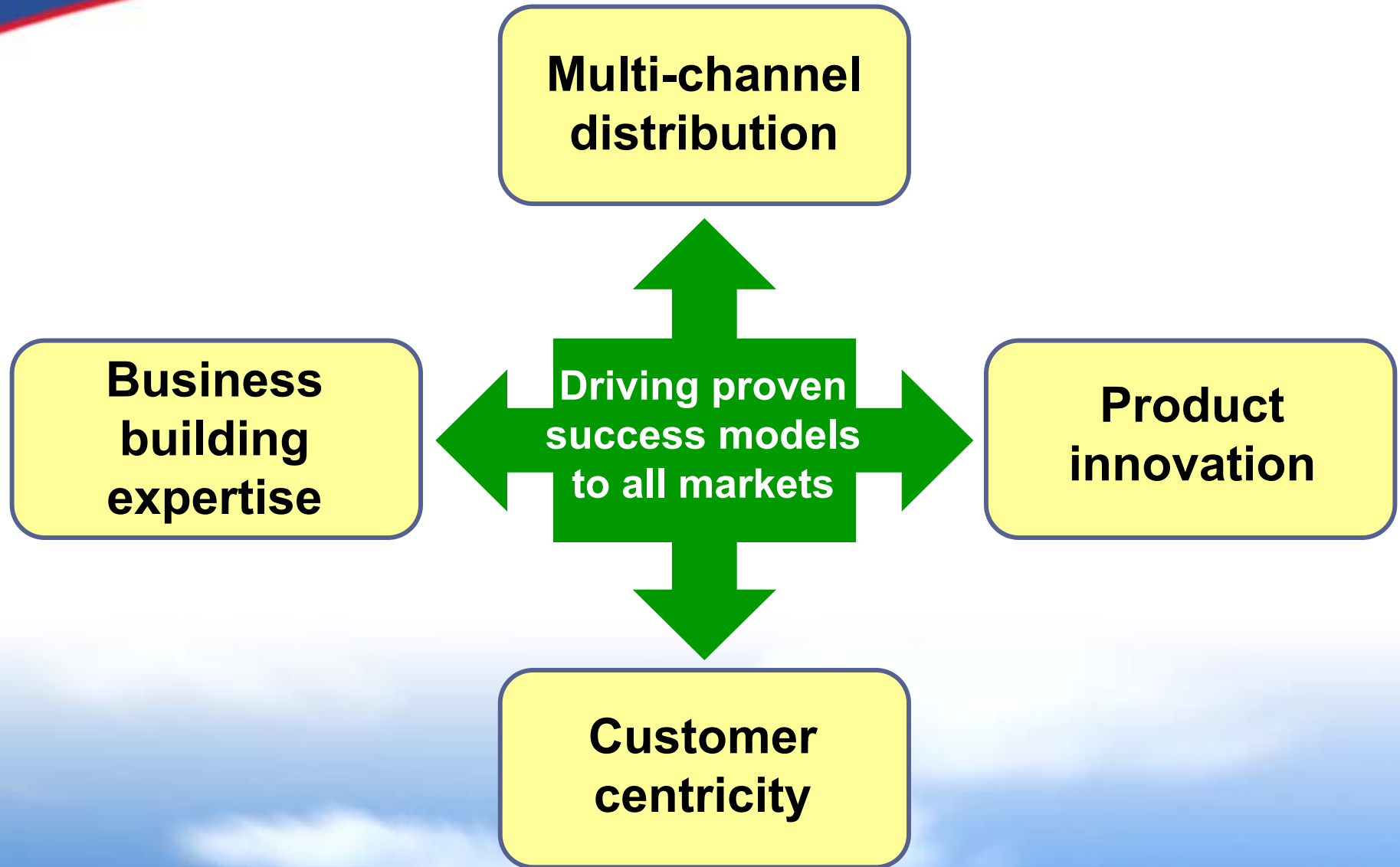


Brand strength





Continued strong growth





Business building expertise



Vietnam

- No 1 market share
- Over 37,800 agents
- 65 offices
- 95% brand recognition



India

- No 1 market share
- Over 44,000 agents
- 90 offices
- 92% brand recognition



China

- Over 6,900 agents
- 3 offices
- Using our growth model tested in Vietnam and India

Plus Shanghai



Multi-channel distribution



Tied agents



Independent financial advisors



Bank



Direct and telemarketing



Target customers

Innovative products and services





Customer centricity



- **Segmentation and targeting**
- **Understanding their lifetime needs**
- **Innovative needs-based products**
- **Trusted for professional advice and superior service**

Market leadership... Profitability

Delivering profitable and sustainable growth

**Accelerating
profitability**

**Leveraging regional scale,
expertise and innovation**

**Building
sustainability**

**Creating a lasting
foundation**

**Continued
strong
growth**

**Driving proven success
models to all markets**

- Integrated operating model
- Leadership development
- Risk management
- Brand strength
- Business building expertise
- Multi-channel distribution
- Product innovation
- Customer centricity

Strong top-line growth - even faster bottom-line growth



Key points : Seizing the opportunity

- 1** Growth opportunity in Asia remains significant for insurance and funds management
- 2** We are uniquely positioned to seize this opportunity
- 3** We are strengthening our foundation to ensure sustainability of above-market performance
- 4** Our scale and our focus will yield accelerated profitability : Strong top-line growth, even faster bottom-line growth



Delivering profitable and sustainable growth



Prudential
Seizing
the
Opportunity

Financial Overview

Garth Jones
Prudential Corporation Asia
November 2004



Prudential Asia financial performance

Strong, diverse and sustainable

- **Diversity of geography, product and distribution for breadth of growth opportunities and lower volatility**
- **Consistent delivery across all metrics; material shareholder value already created**
- **Rapidly growing regional scale; increasingly generating surplus capital to remit to Group**
- **Solid platform for sustained profitable growth**



Consistent track record of delivery

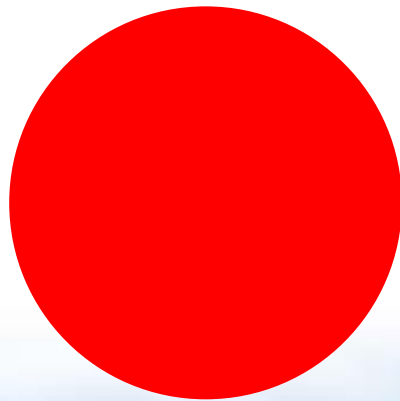
	2000 (£m)	2001 (£m)	2002 (£m)	2003 (£m)	CAGR 00-03	H12004 (£m)
APE	207	349	437	506	35%	248
NBAP	125	204	258	263	28%	135
NBAP margin	60%	58%	59%	52%		54%
Mutual Funds : AUM	1,370	2,724	4,752	6,462	55%	7,092
Operating achieved profit* (before tax and MI)	175	342	447	346	26%	175
Operating MSB* (before tax and MI)	23	36	74	81	52%	67



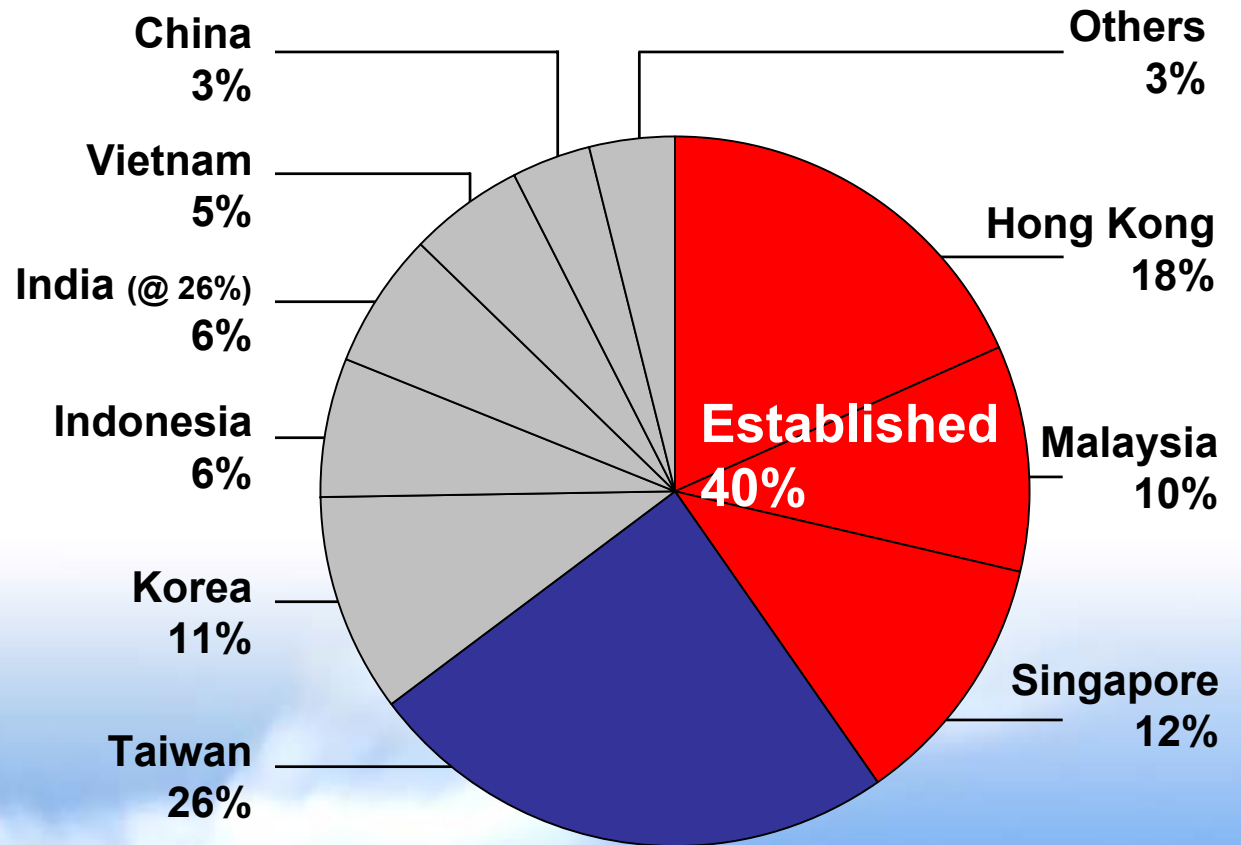
Successful diversification : Geography

APE : 1994
£ 70 million

APE : Q3 2004
£ 394 million



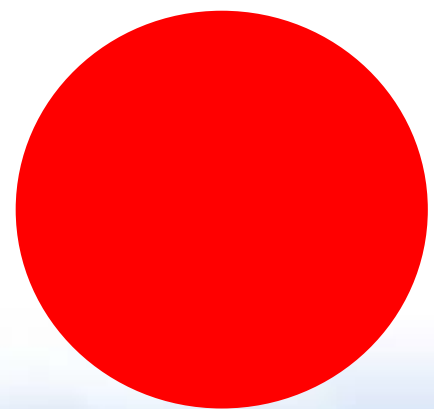
Established
100%





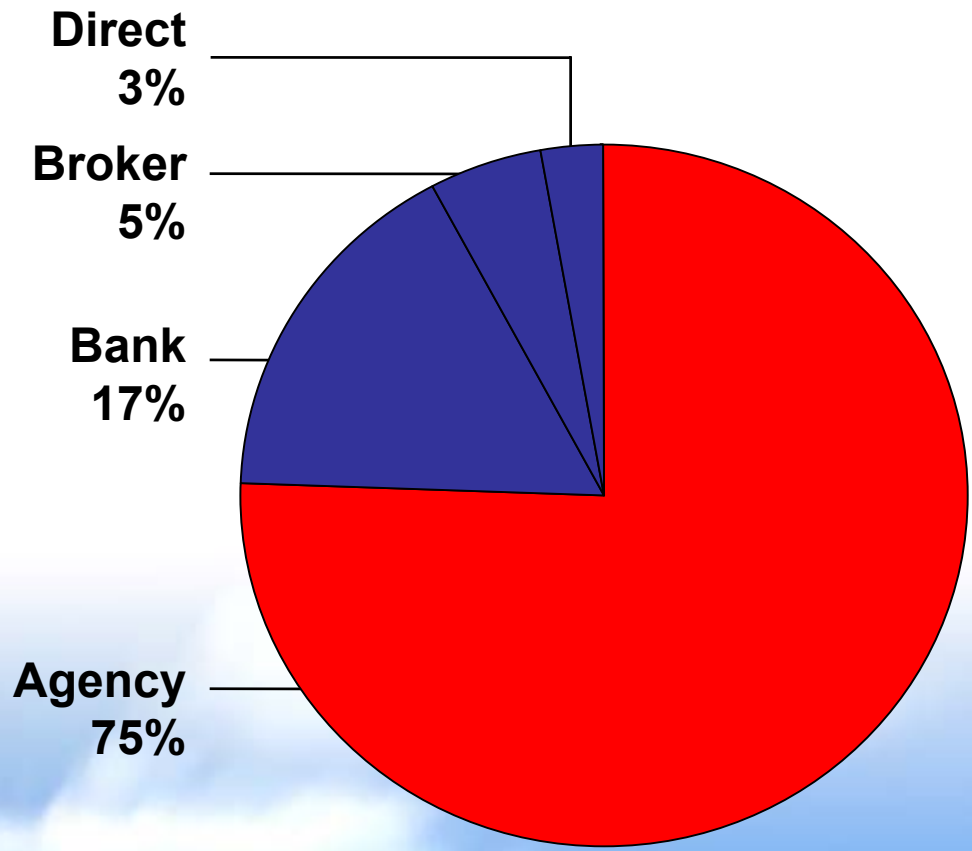
Successful diversification : Distribution

APE : 1994
£ 70 million



Agency
100%

APE : Q3 2004
£ 394 million



Agency
75%

Direct
3%

Broker
5%

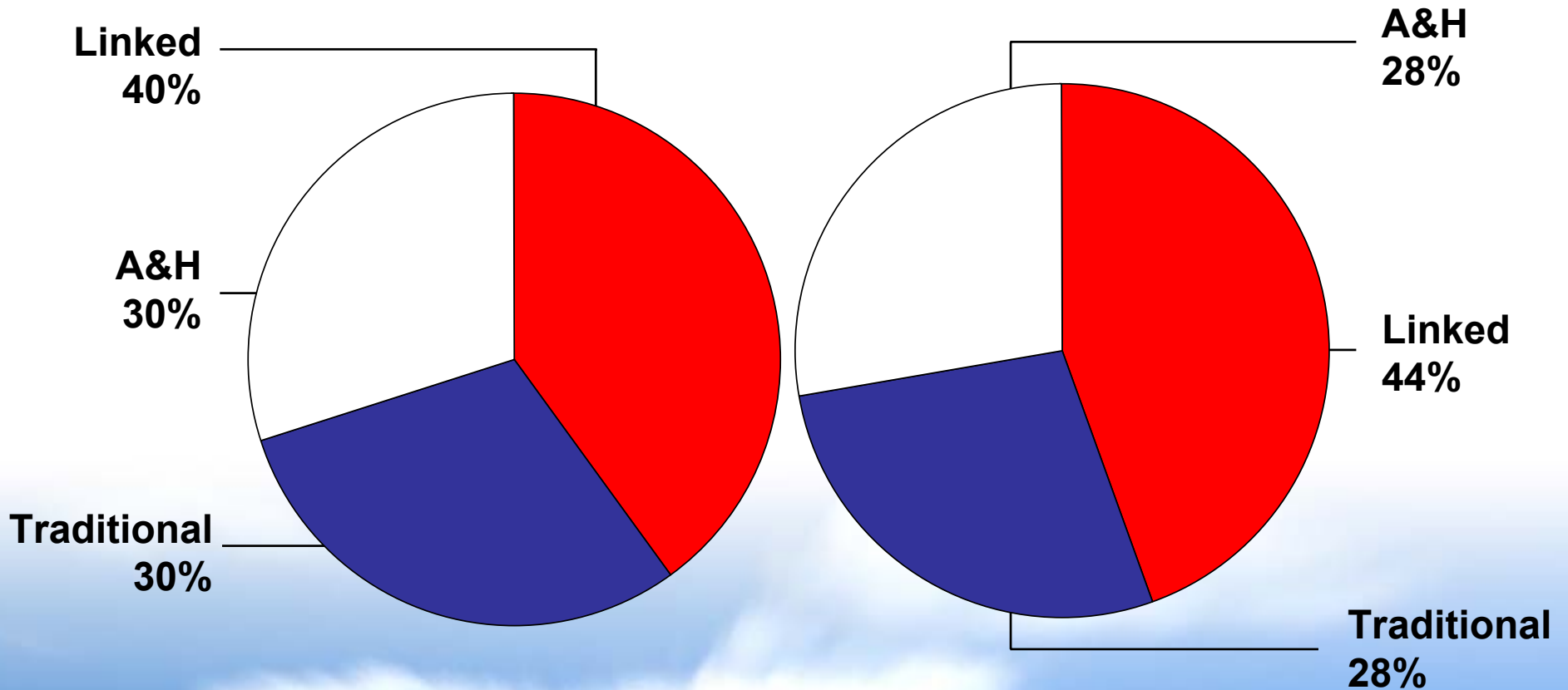
Bank
17%



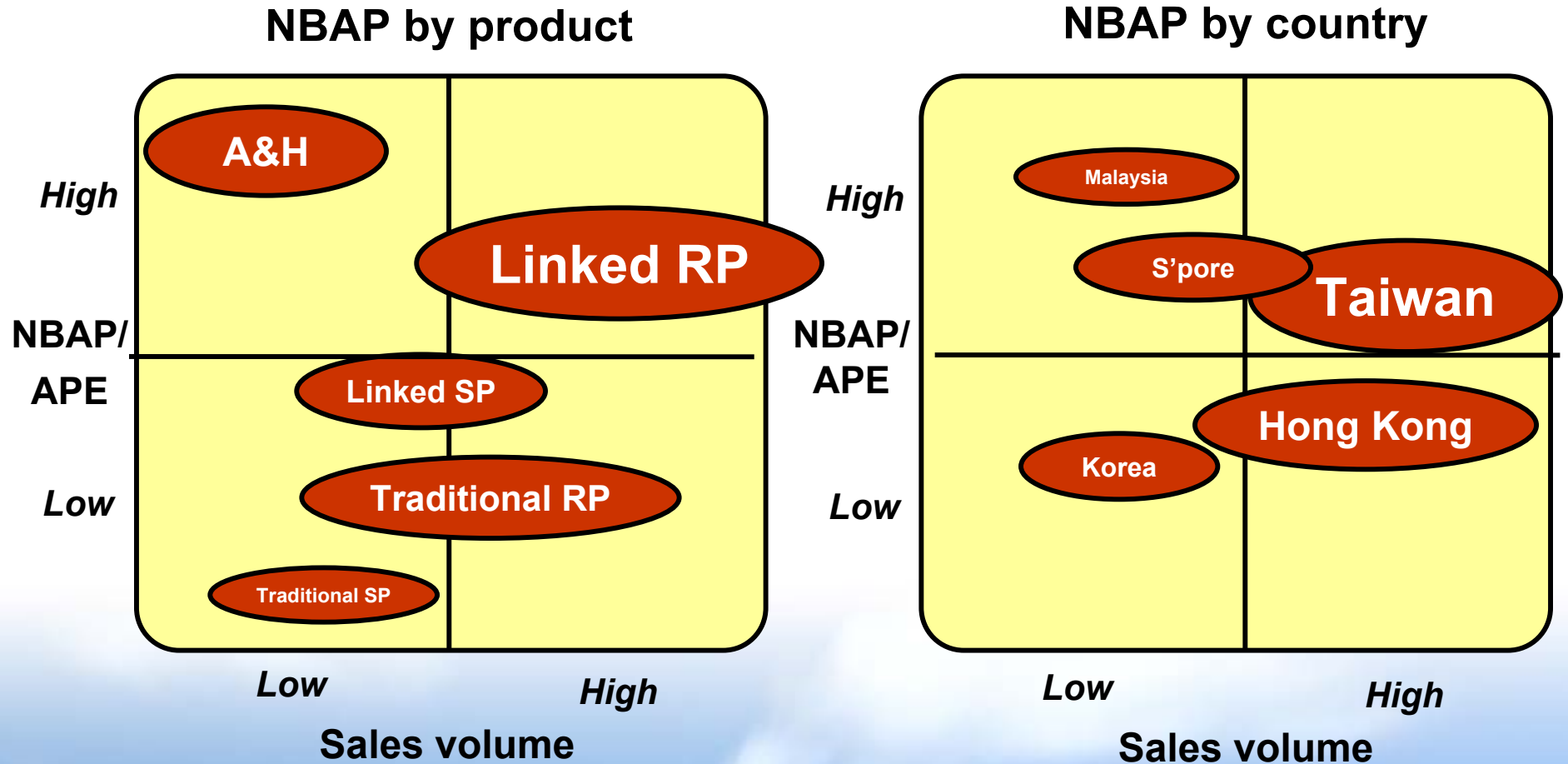
Maintaining a diversified product mix

NBAP : 2000
£ 125 million

NBAP : H12004
£ 135 million



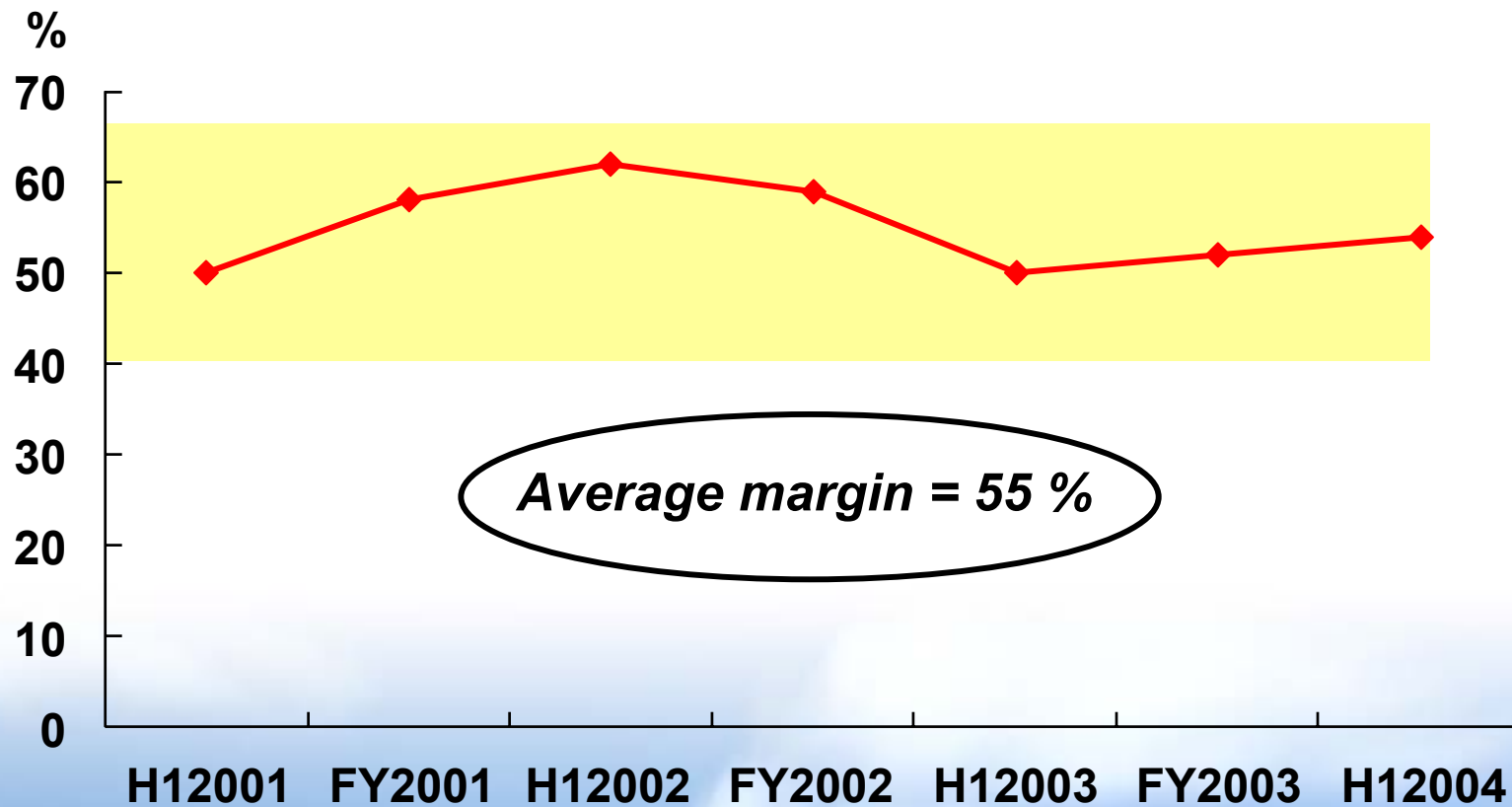
Managing product and geography mix





Maintaining good margins

NBAP margin on APE

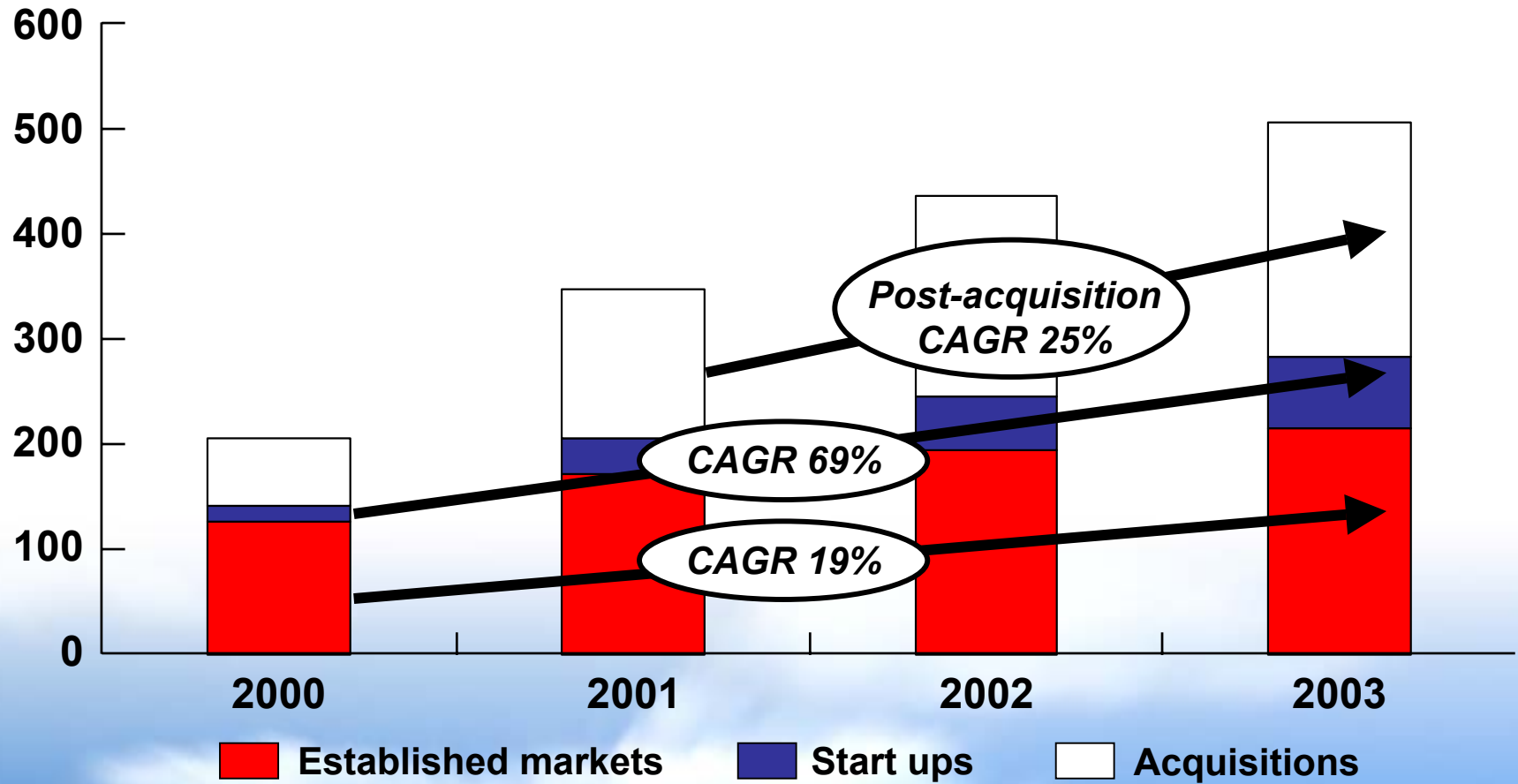




Driving organic growth : Life business

APE

£ million

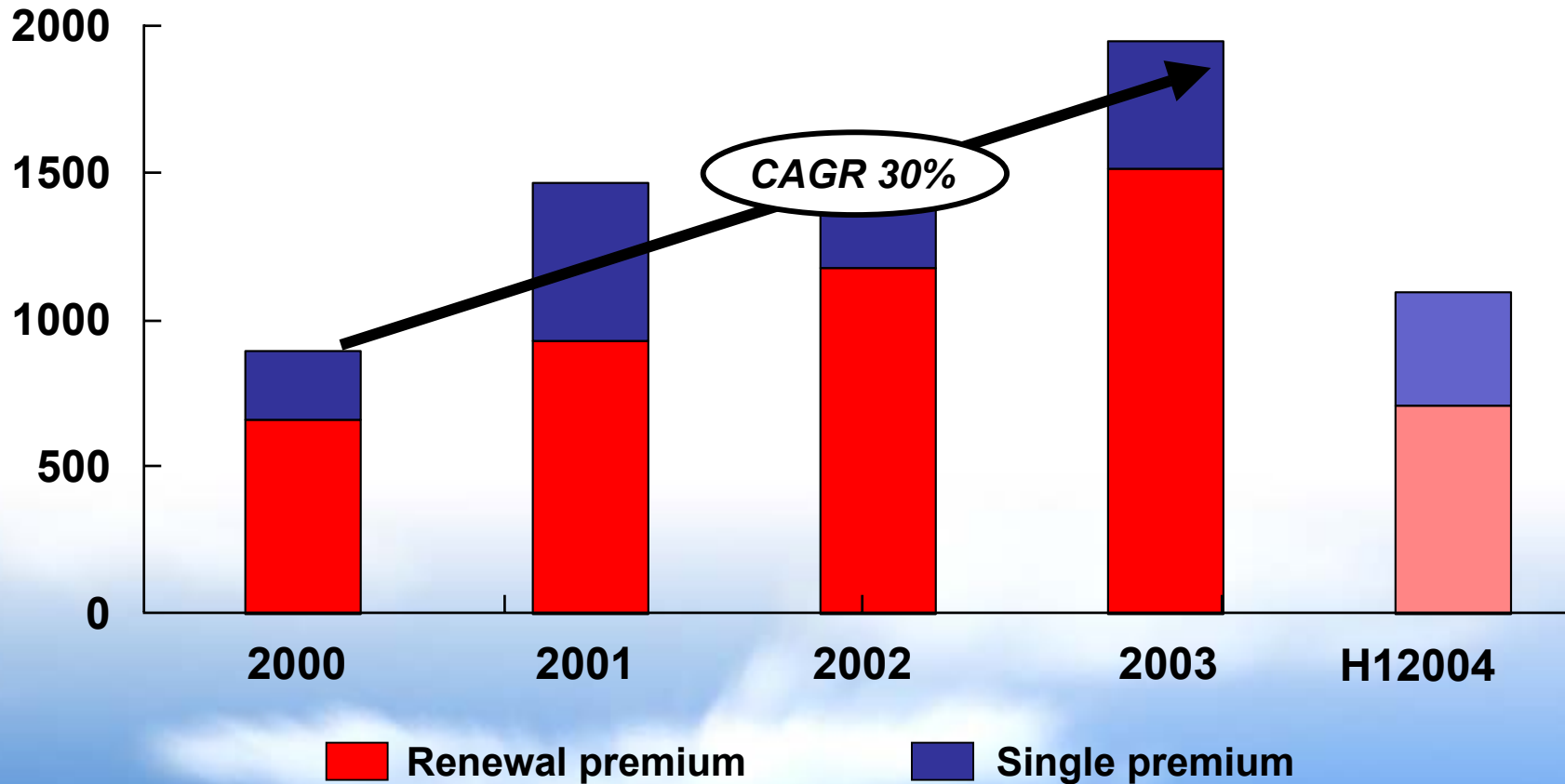




Building scale : Increasing inward cash flows

Revenue premiums

£ million

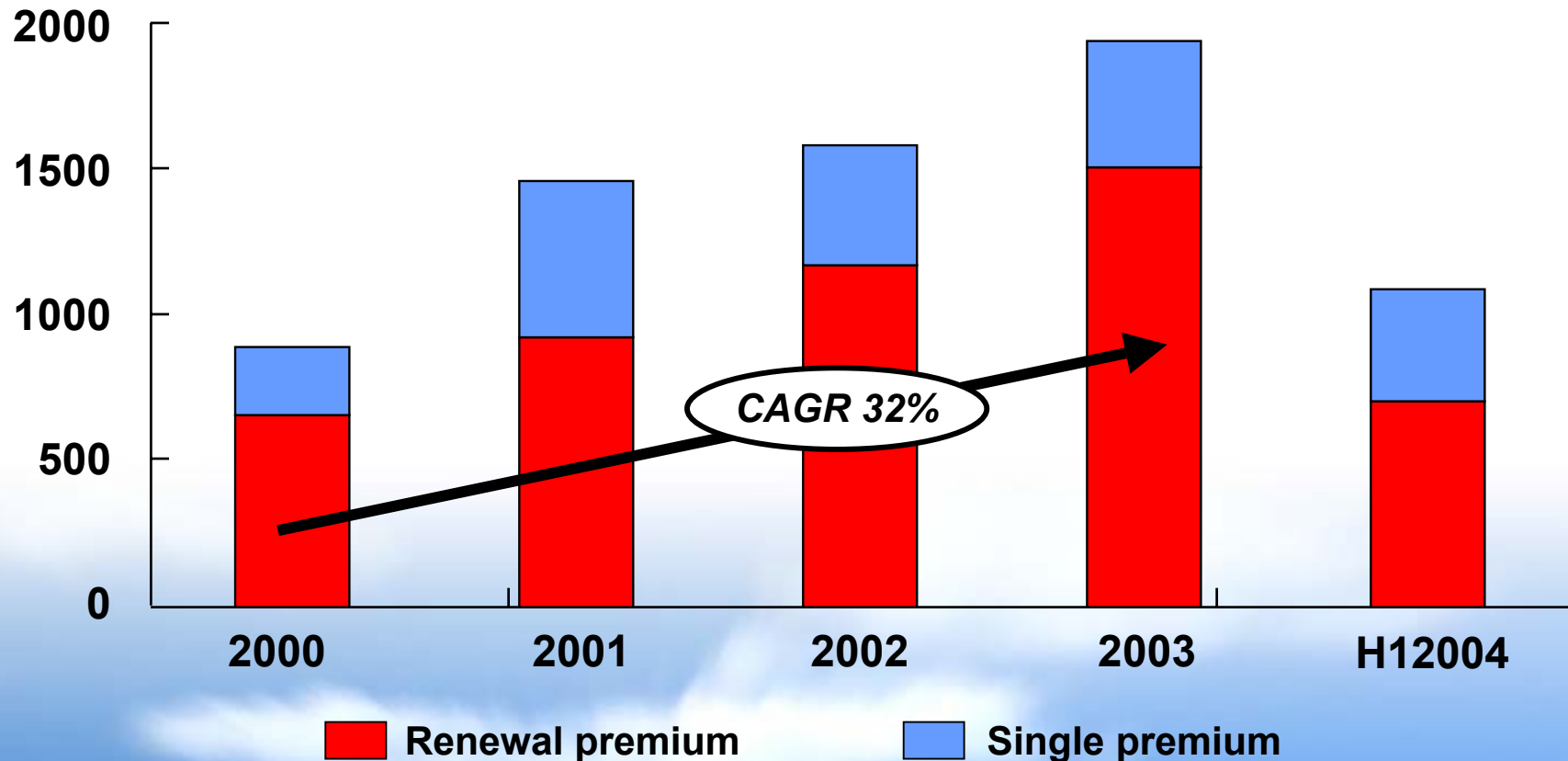




Significance of regular premium business

Renewal premiums give stability to cashflows

£ million

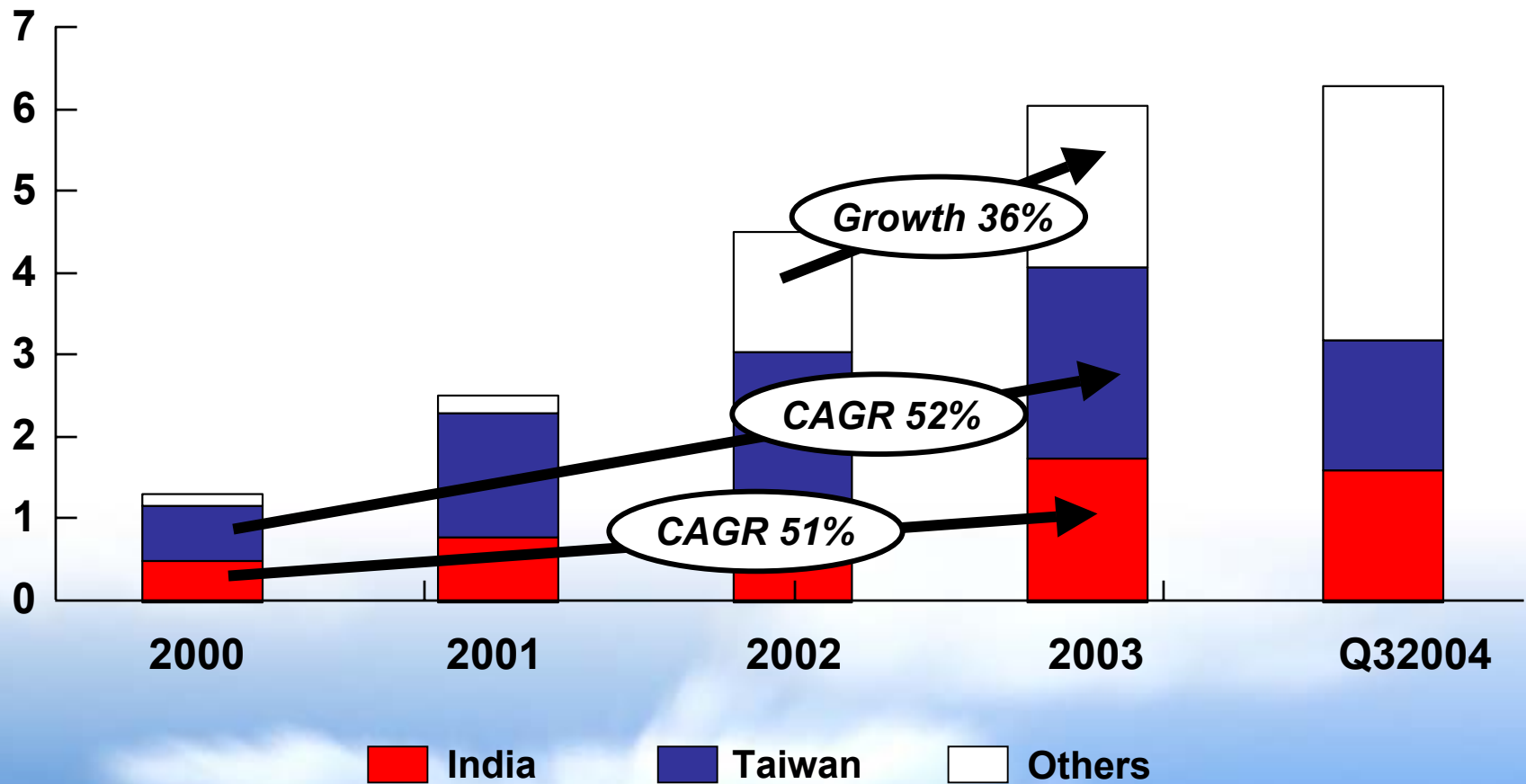




Driving organic growth : Mutual funds

Funds under management

£ billion

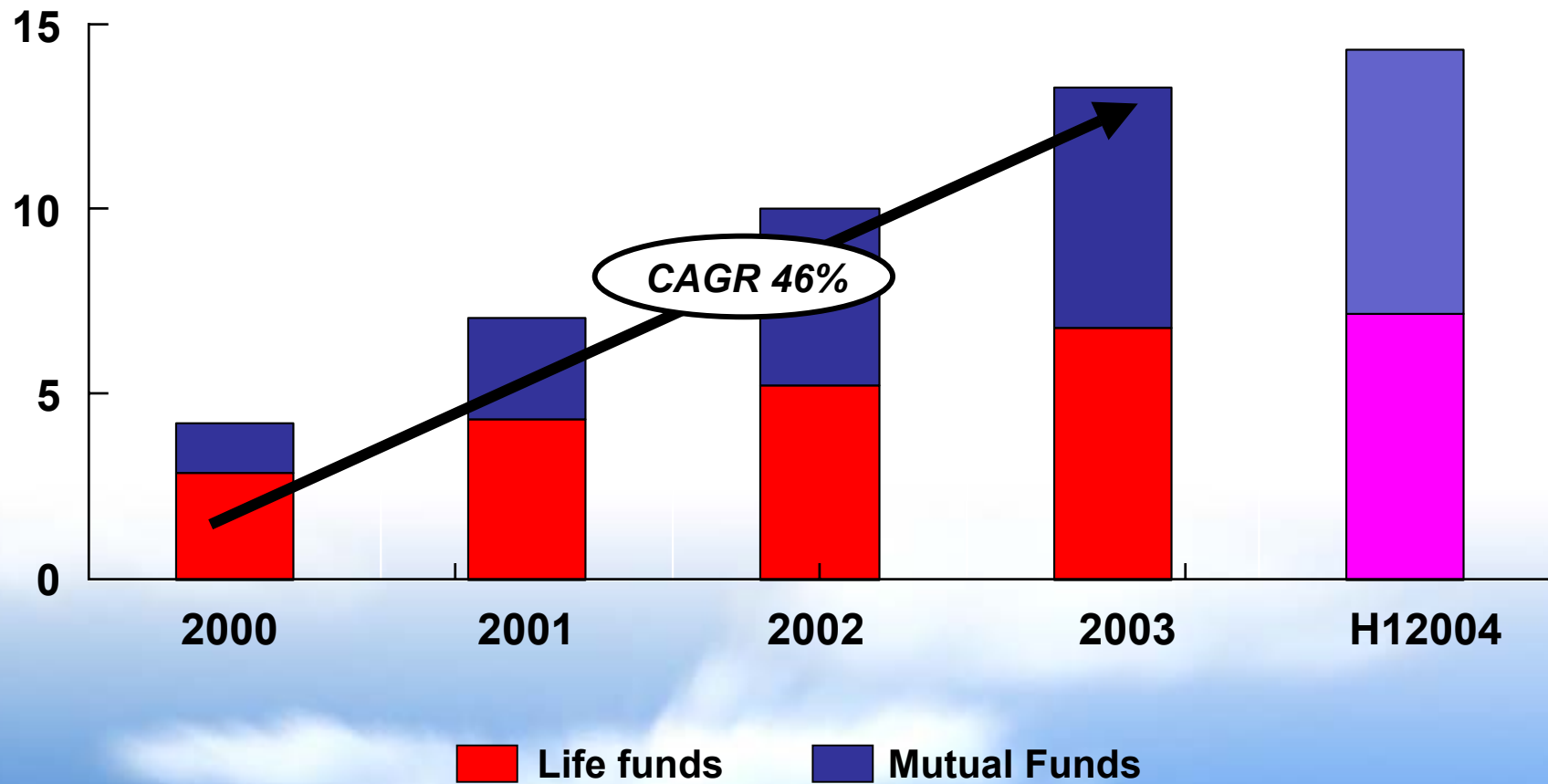




Building scale : Material funds under management

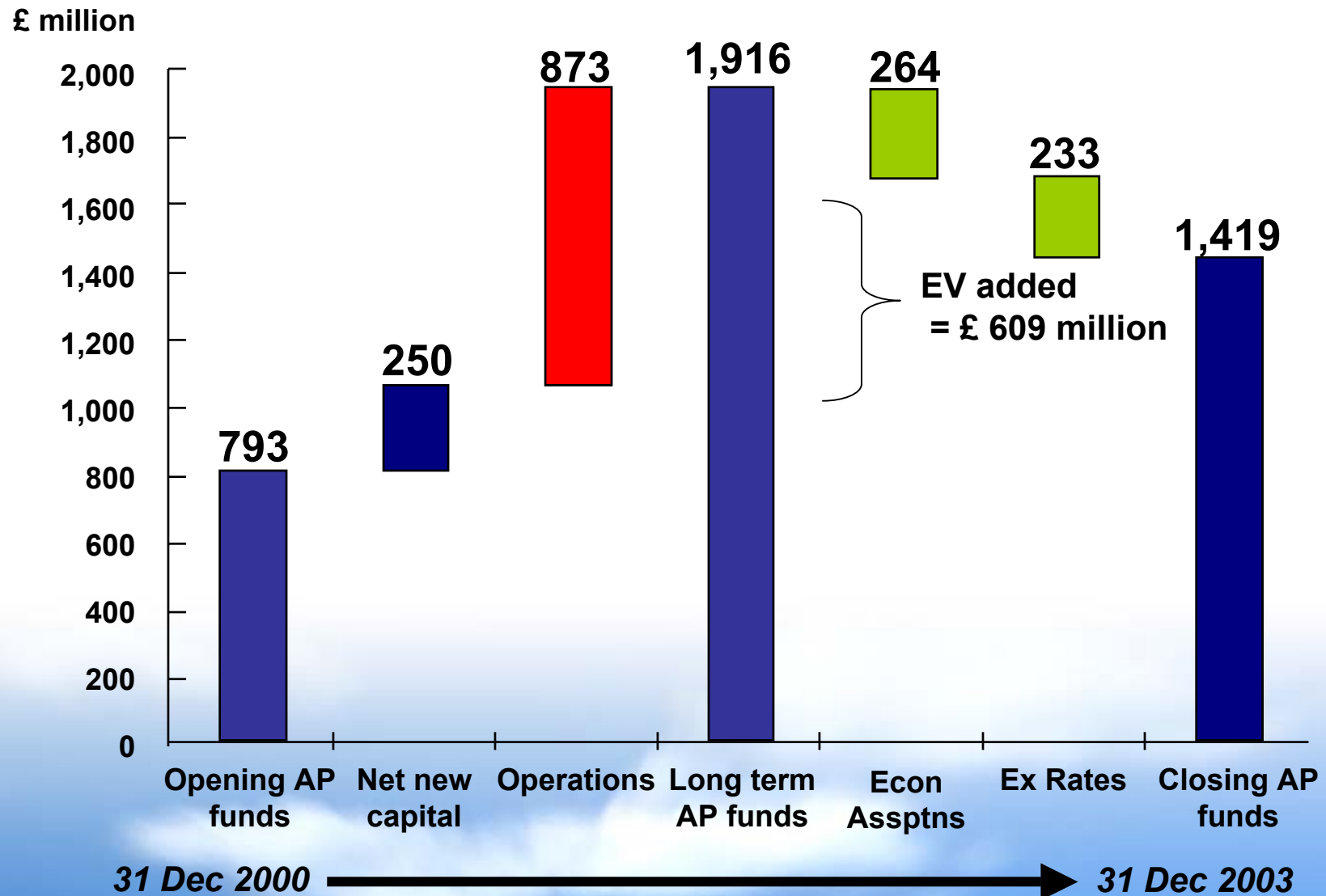
Funds under management (sourced in Asia)

£ billion





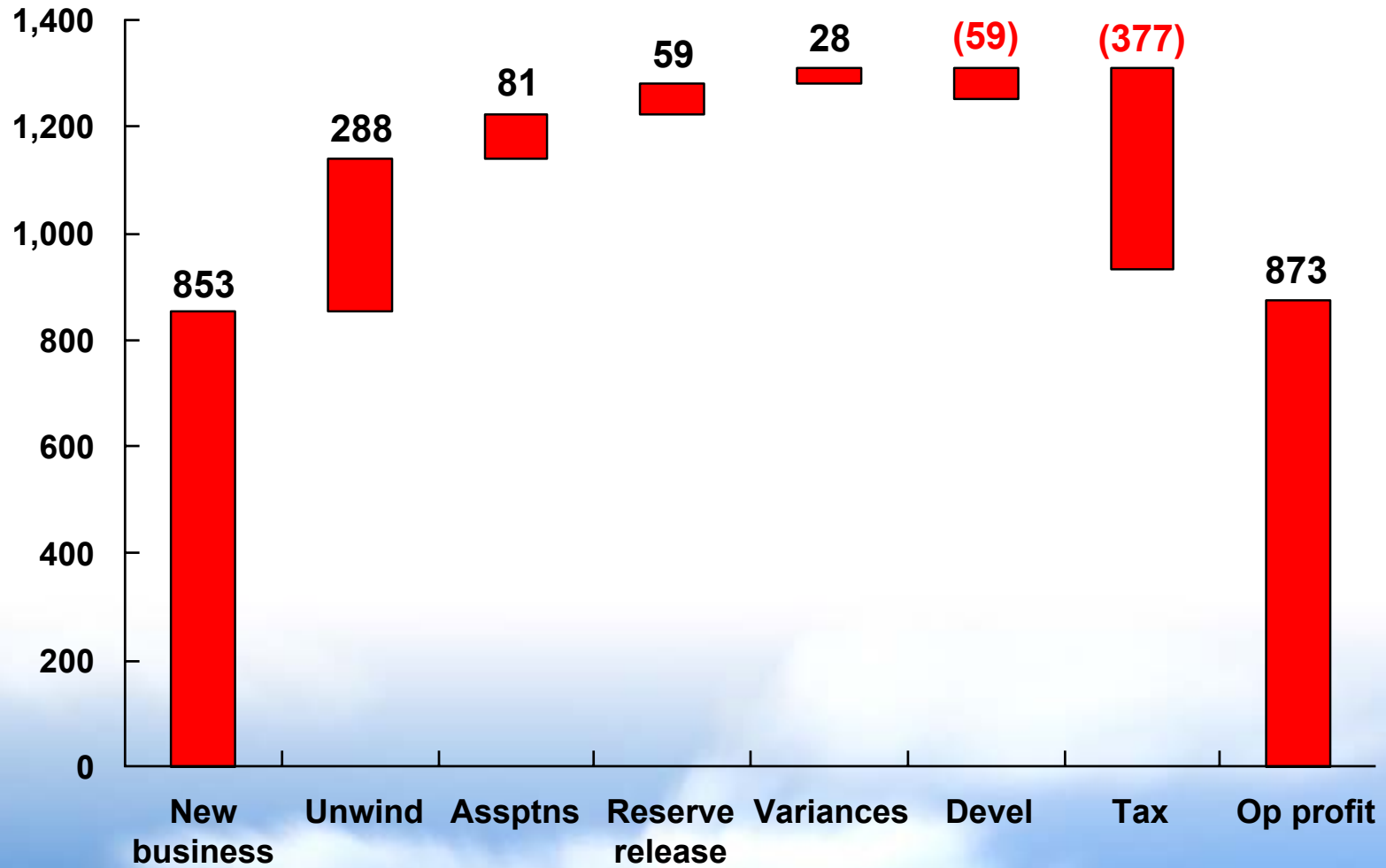
Embedded value created : 2001 - 2003





New business is main driver of operating achieved profits

£ million

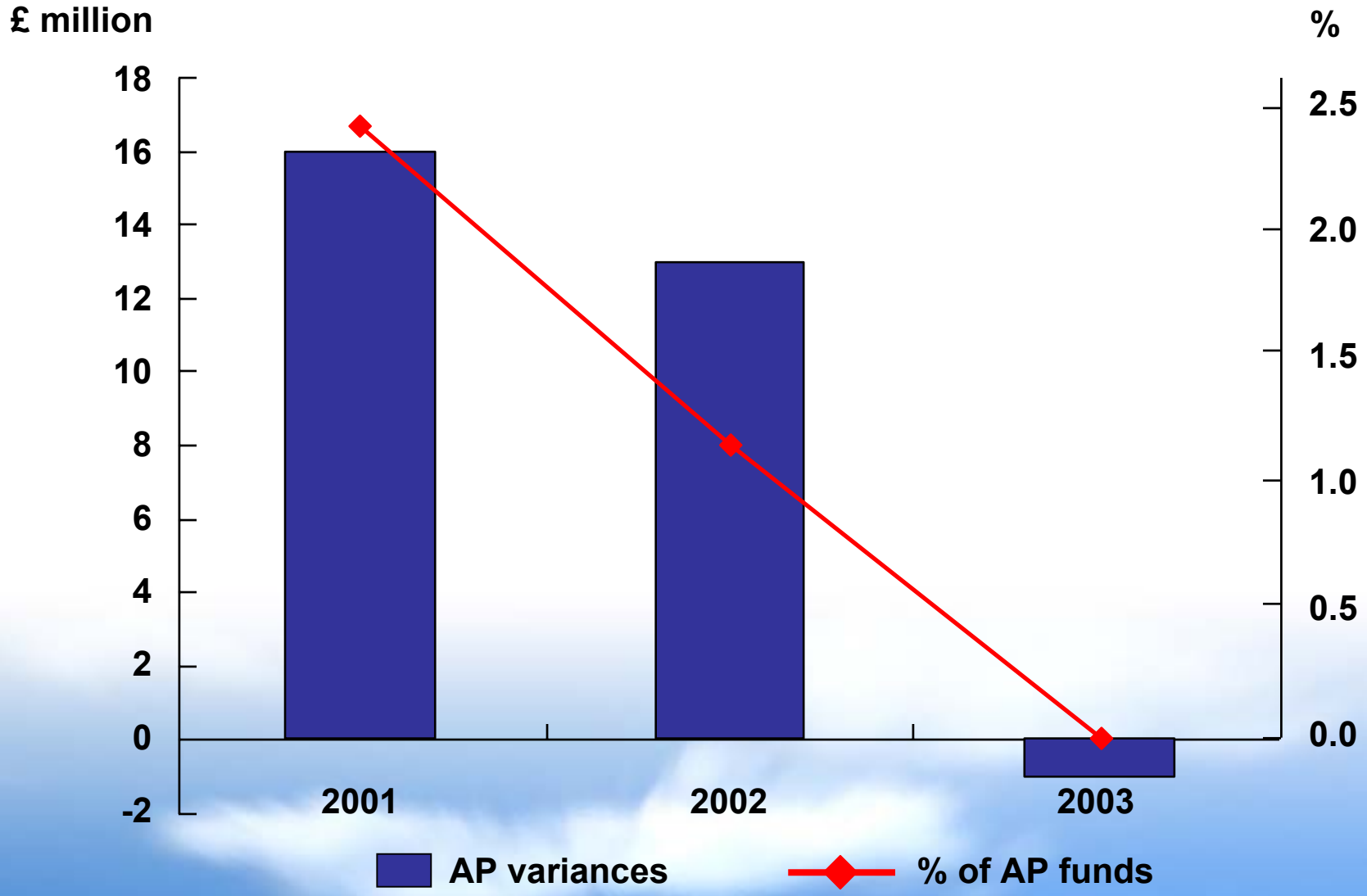


← 1 Jan 2001 to 31 December 2003 →



Small AP experience variances

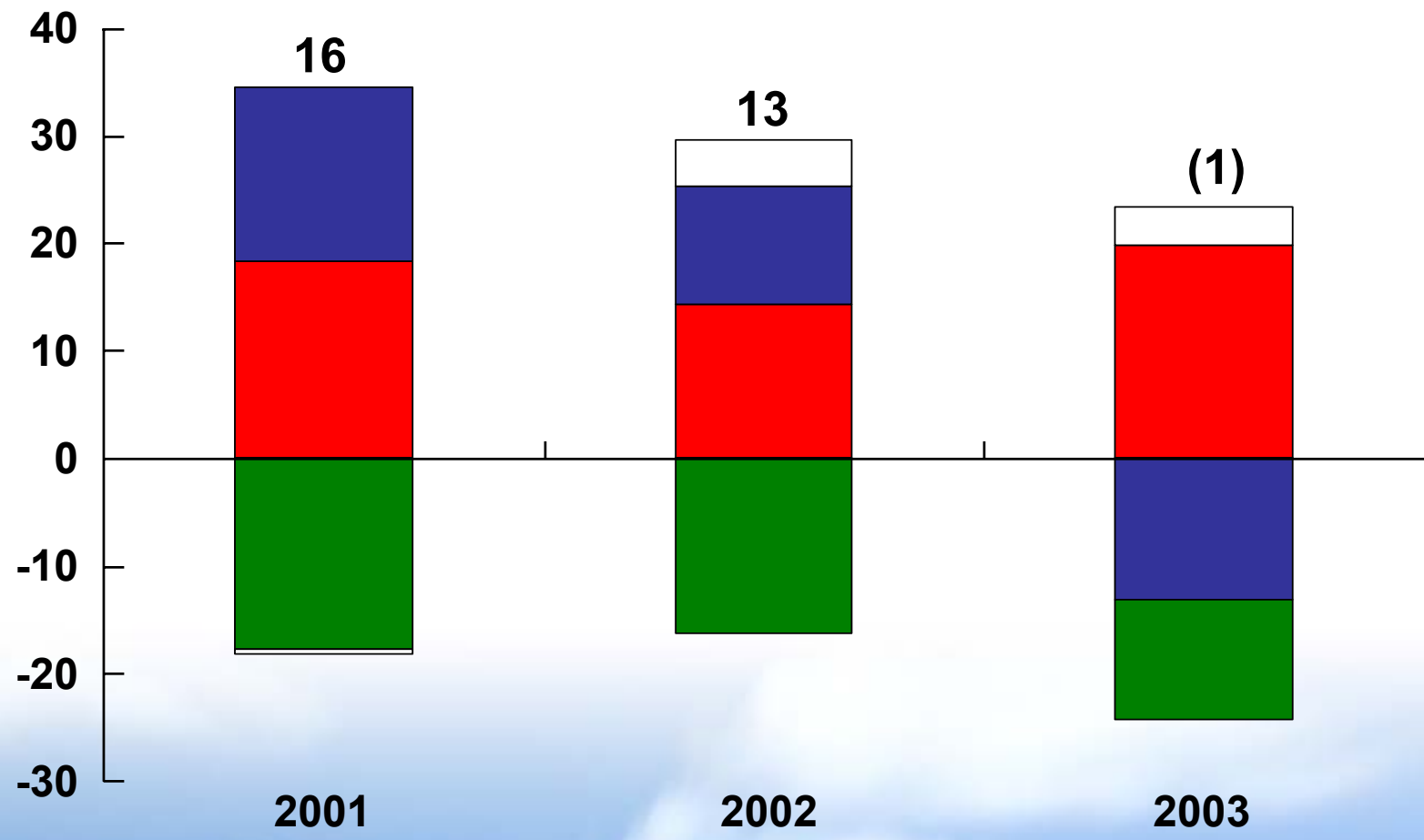
AP variances as % of opening AP shareholder funds





AP experience variances in detail

£ million



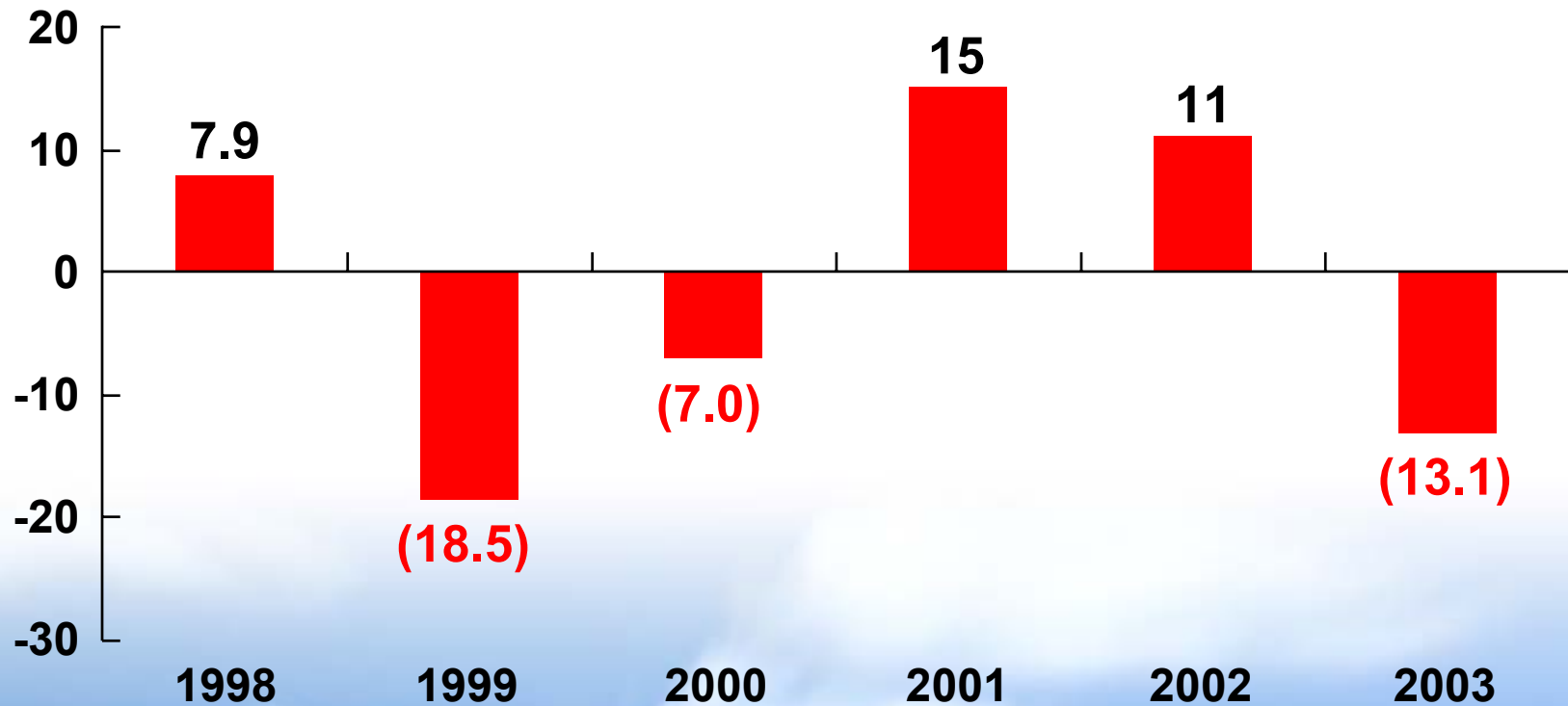
Claims Persistency Expenses Others



Persistency variance trend

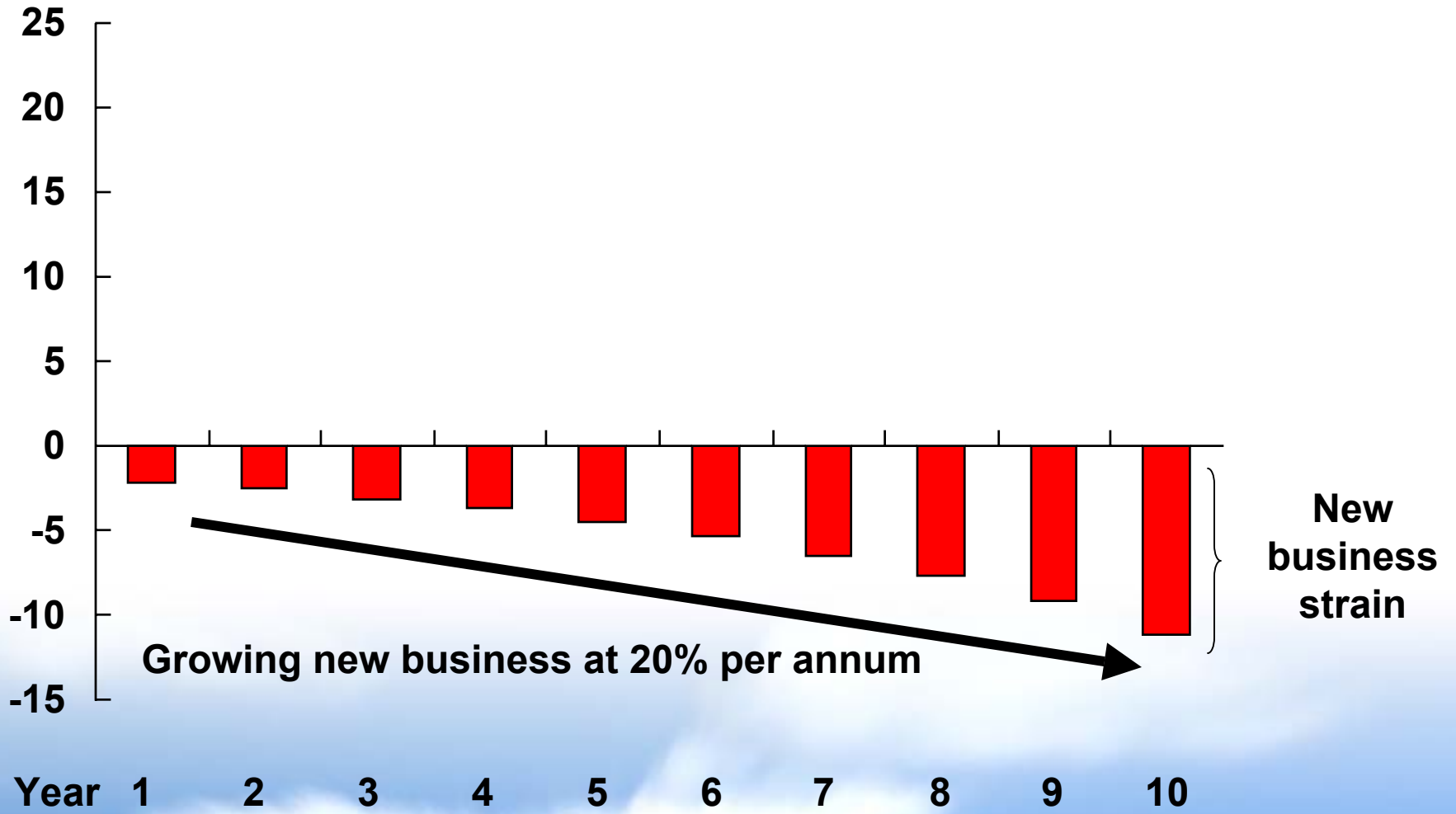
Average persistency variance over the last 6 years less than £1 million

£ million



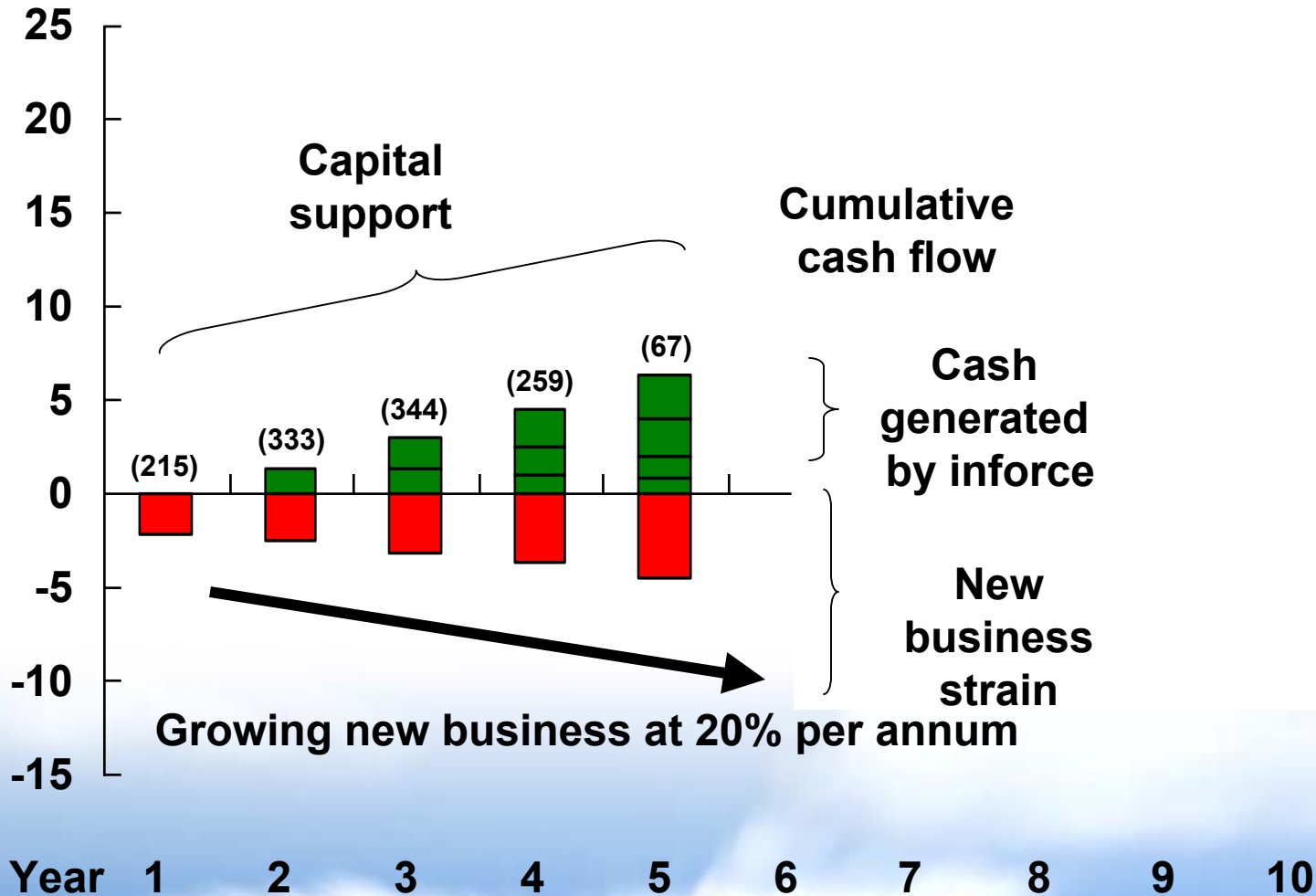


New business strain grows with sales



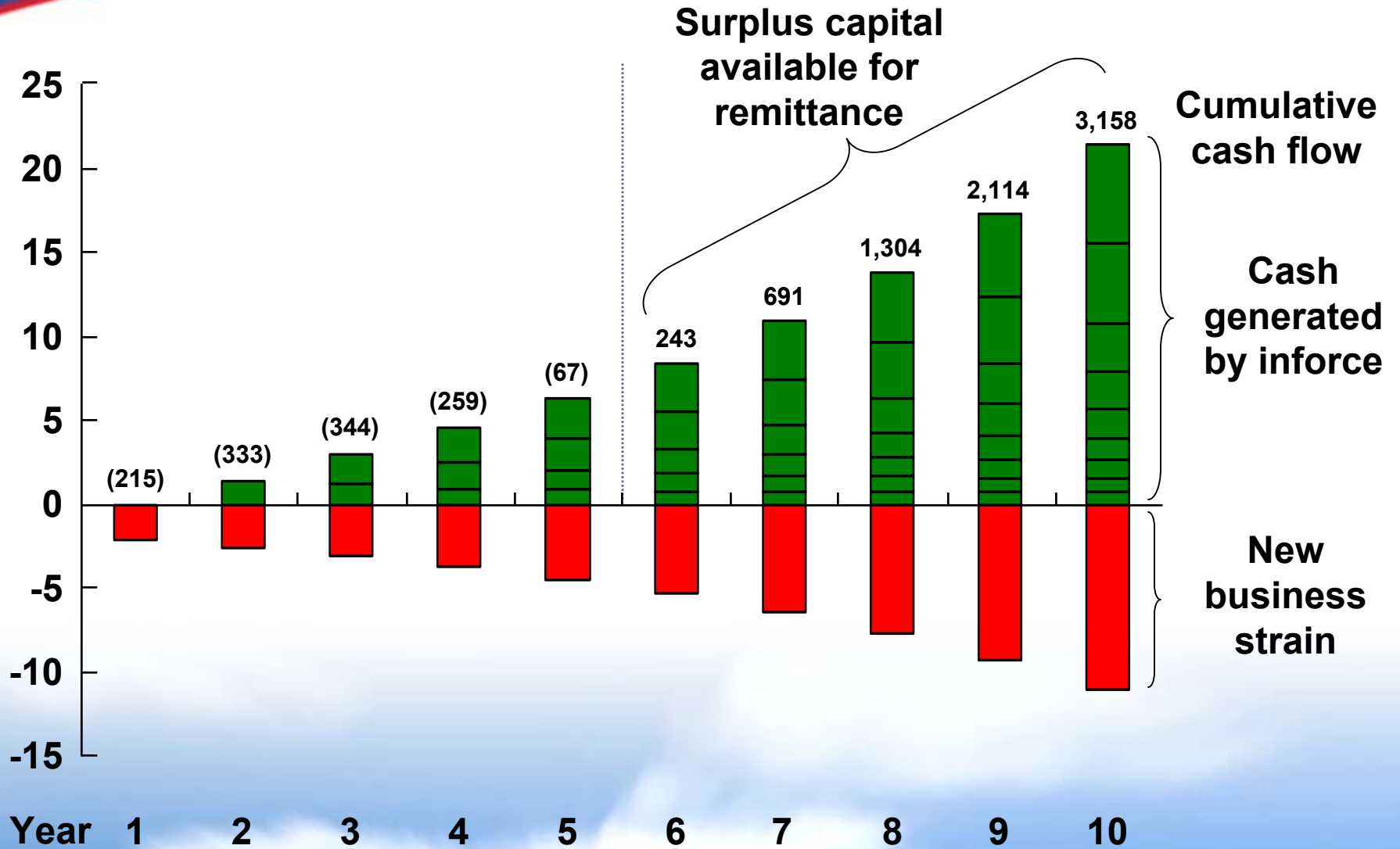


In the early days in-force throws off insufficient cash to fund growth; external funding required



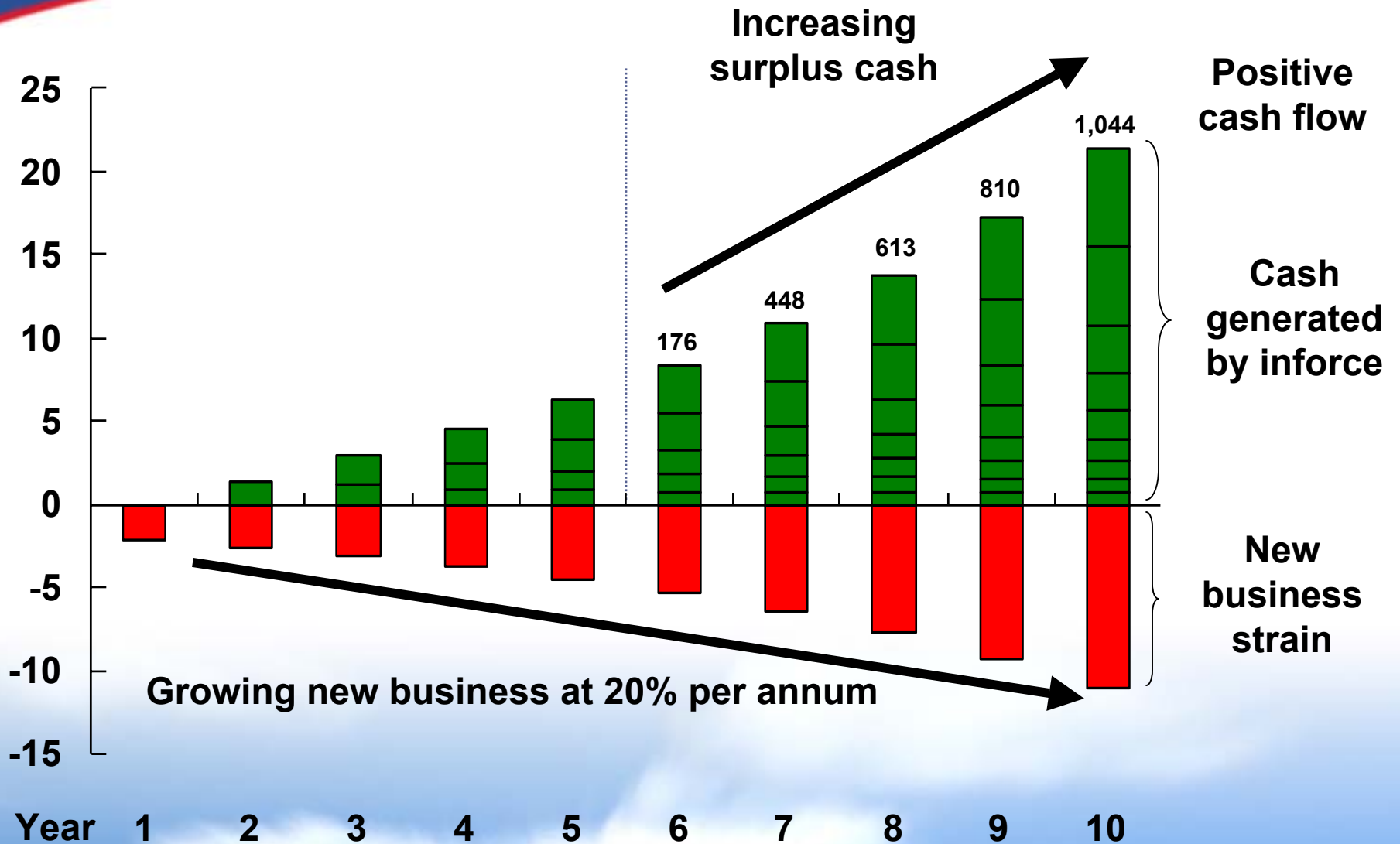


In time inforce throws off sufficient cash to fund internal growth *and remit capital*

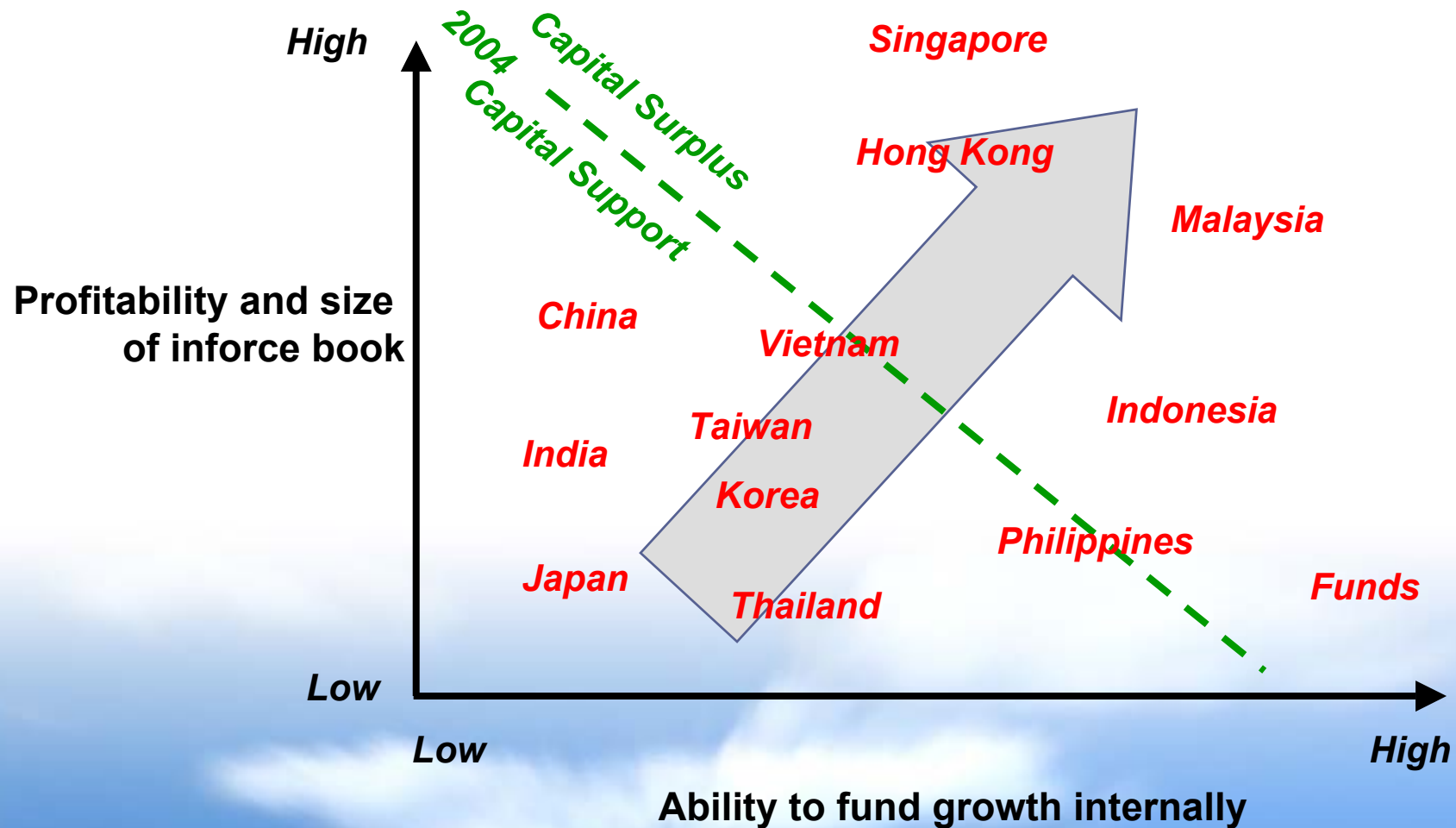




Growing in-force book funds growth internally and produces accelerating cash surplus

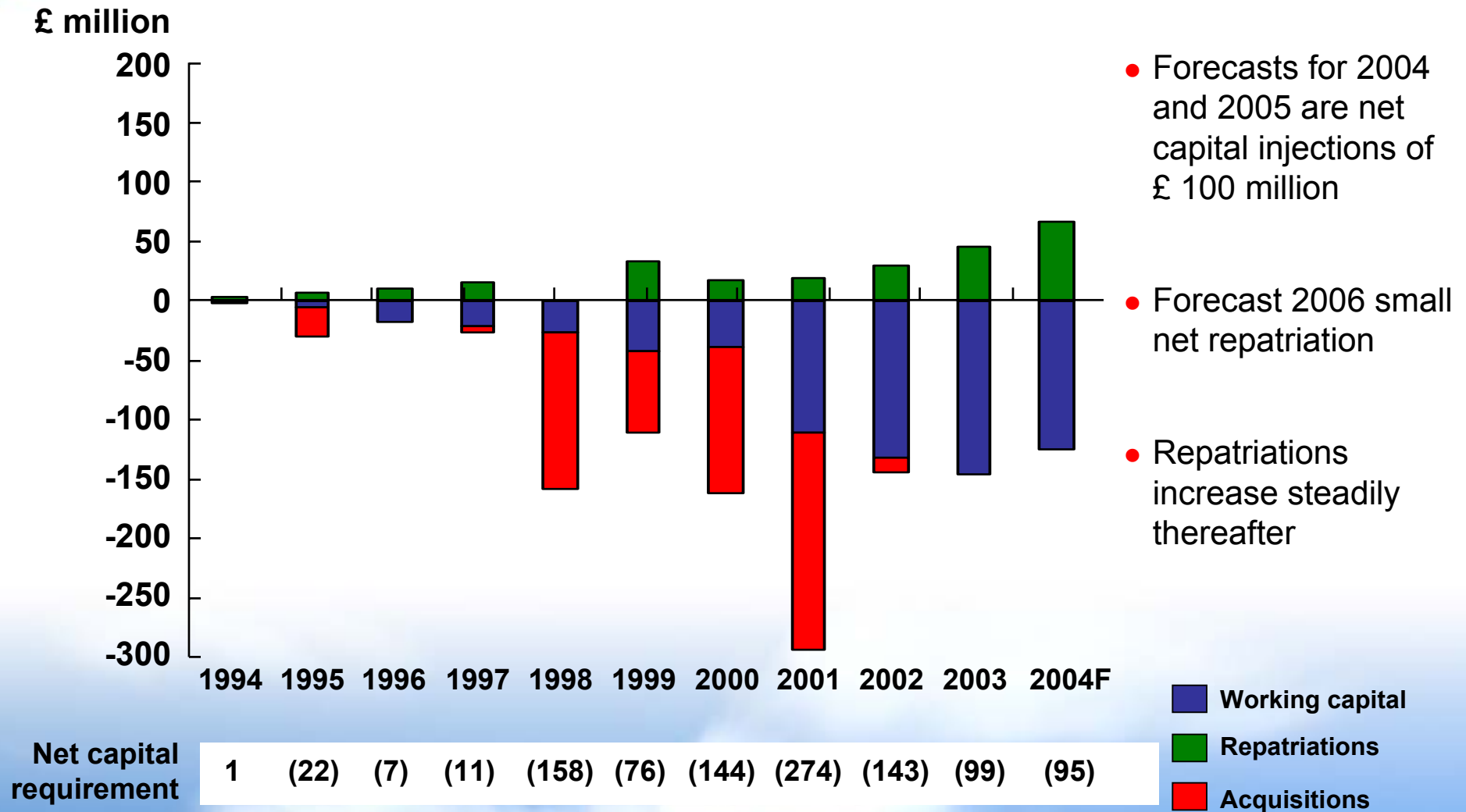


Consequences of increasing scale





Net capital repatriations from 2006





Summary

Strong, diverse and sustainable

- **Diversity of geography, product and distribution for breadth of growth opportunities and lower volatility**
- **Consistent delivery across all metrics; material shareholder value already created**
- **Rapidly growing regional scale; increasingly generating surplus capital to remit to Group**
- **Solid platform for sustained profitable growth**





問與答

Câu Hỏi và
Trả Lời

질문 & 답변

คำถาม
& คำตอบ

Q & A

Tanong
at sagot

Tanya
& Jawab

質問および回答

问与答

प्रश्न और जवाब



Prudential Seizing the Opportunity



PRUDENTIAL

英國保誠集團

機會

Peluang
機會

oportunidad