Successful Product Management

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Prudential's diversity in Asia is a core strength
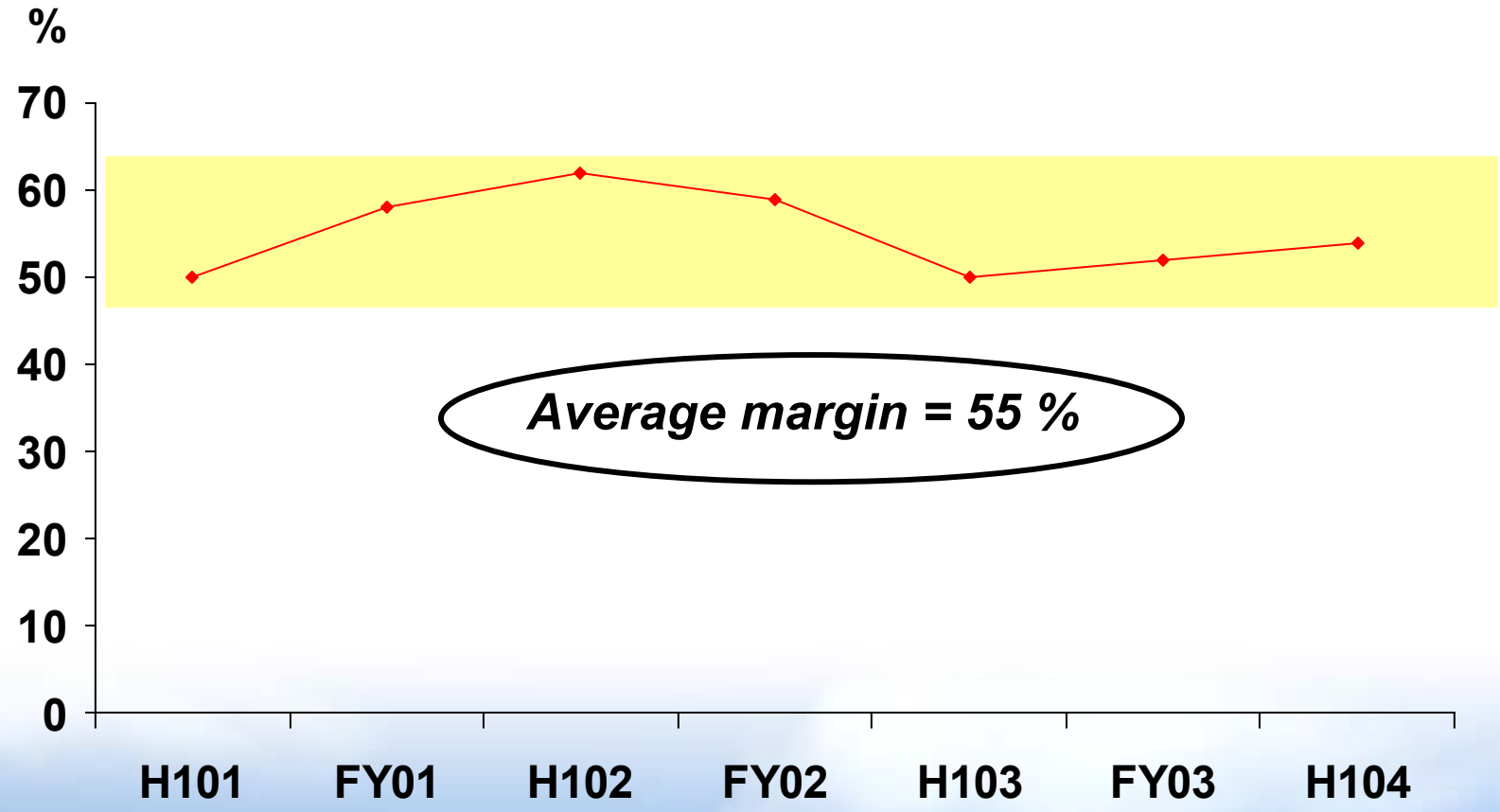
Approach to product management

- Managing for profitability

- Focusing on the long term

- Introducing innovative products

- Leveraging regional and Group expertise

Management of geographic and product mix delivers consistent, good performance whilst enabling us to position each business for the long term

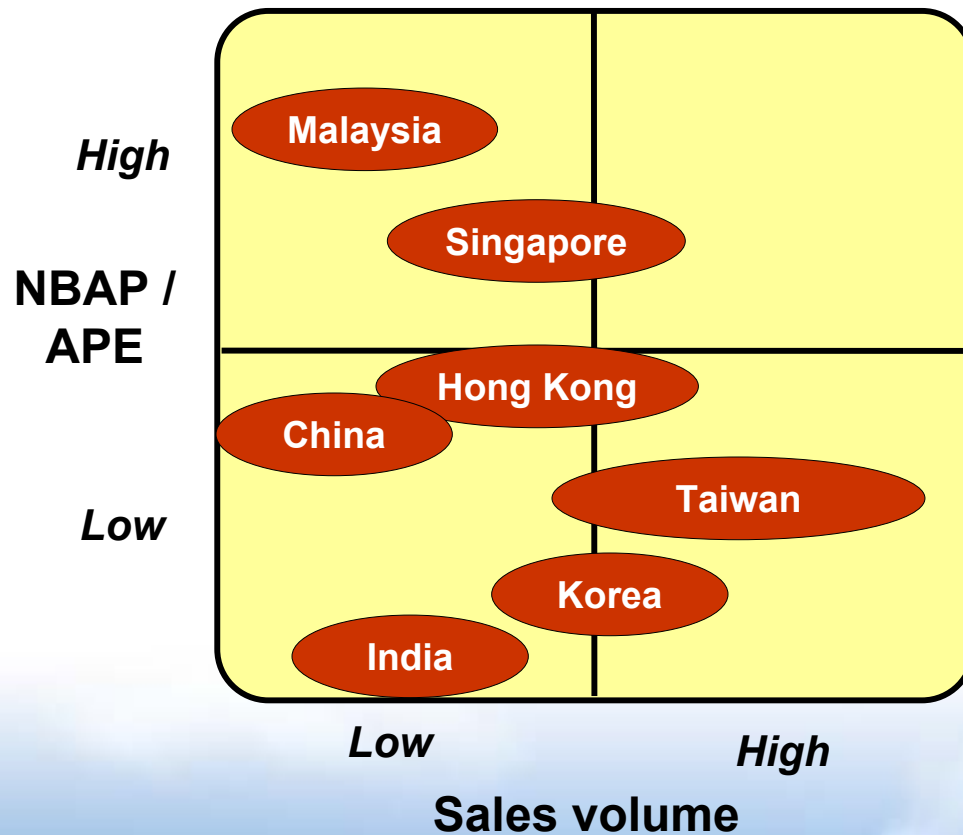# Active management of products and geography provides stability of margins

NBAP margin on APE

Average margin = 55 %

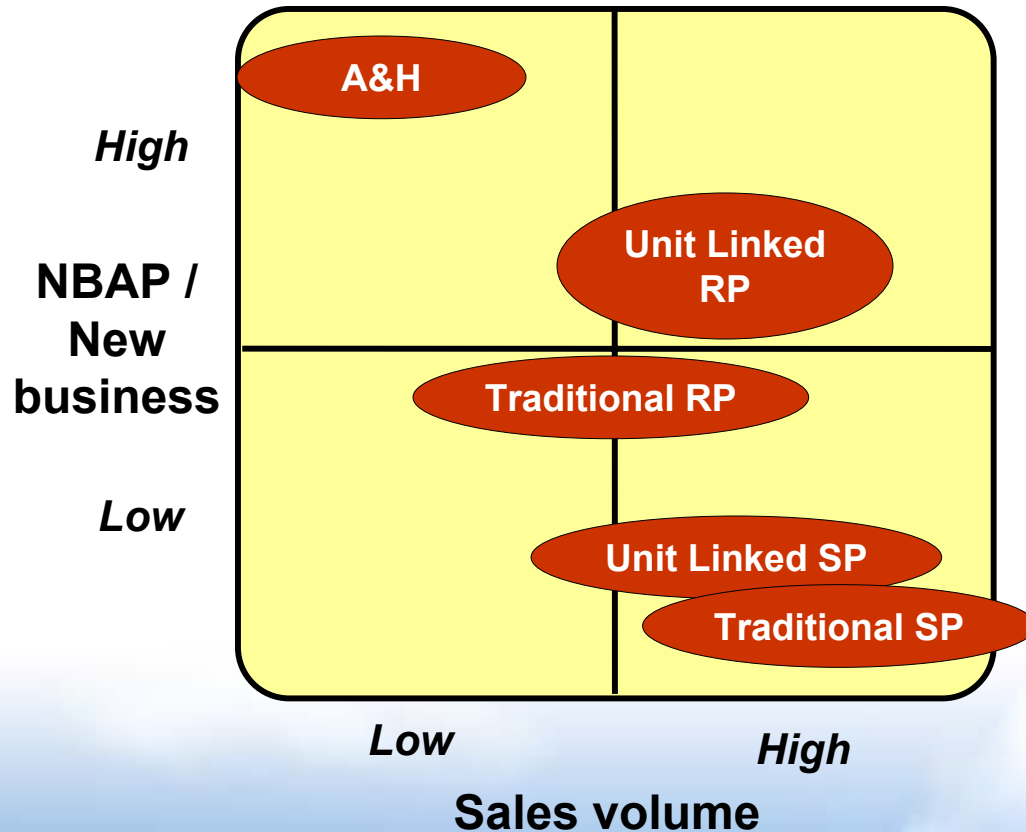**Market NBAP drivers vary by country**

- **Complex factors drive market profitability :**
  - Regulation
  - Size of market
  - Competition
  - Product preferences
  - Distribution channels

Prudential's perspective : Margins vary by product
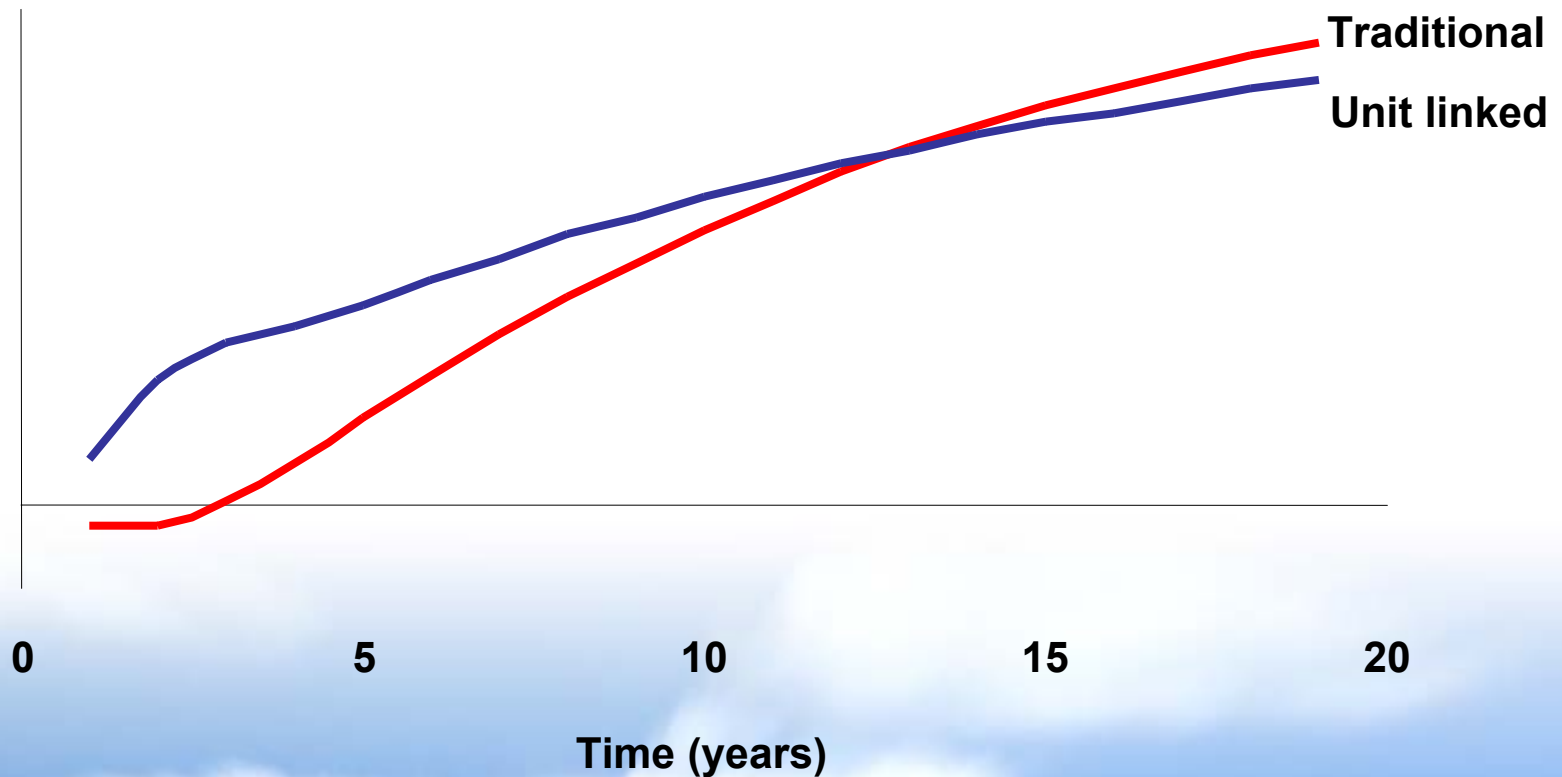
Market NBAP drivers vary by product

A&H

High

NBAP / New business

Unit Linked RP

Traditional RP

Low

Unit Linked SP

Traditional SP

Low   High

Sales volume

- **Single premium is low margin high volume**

- **Regular premium higher margin than single**

- **Unit Linked higher margin than traditional**

- **A&H has highest margin, but volumes lowest**

Significance of unit linked

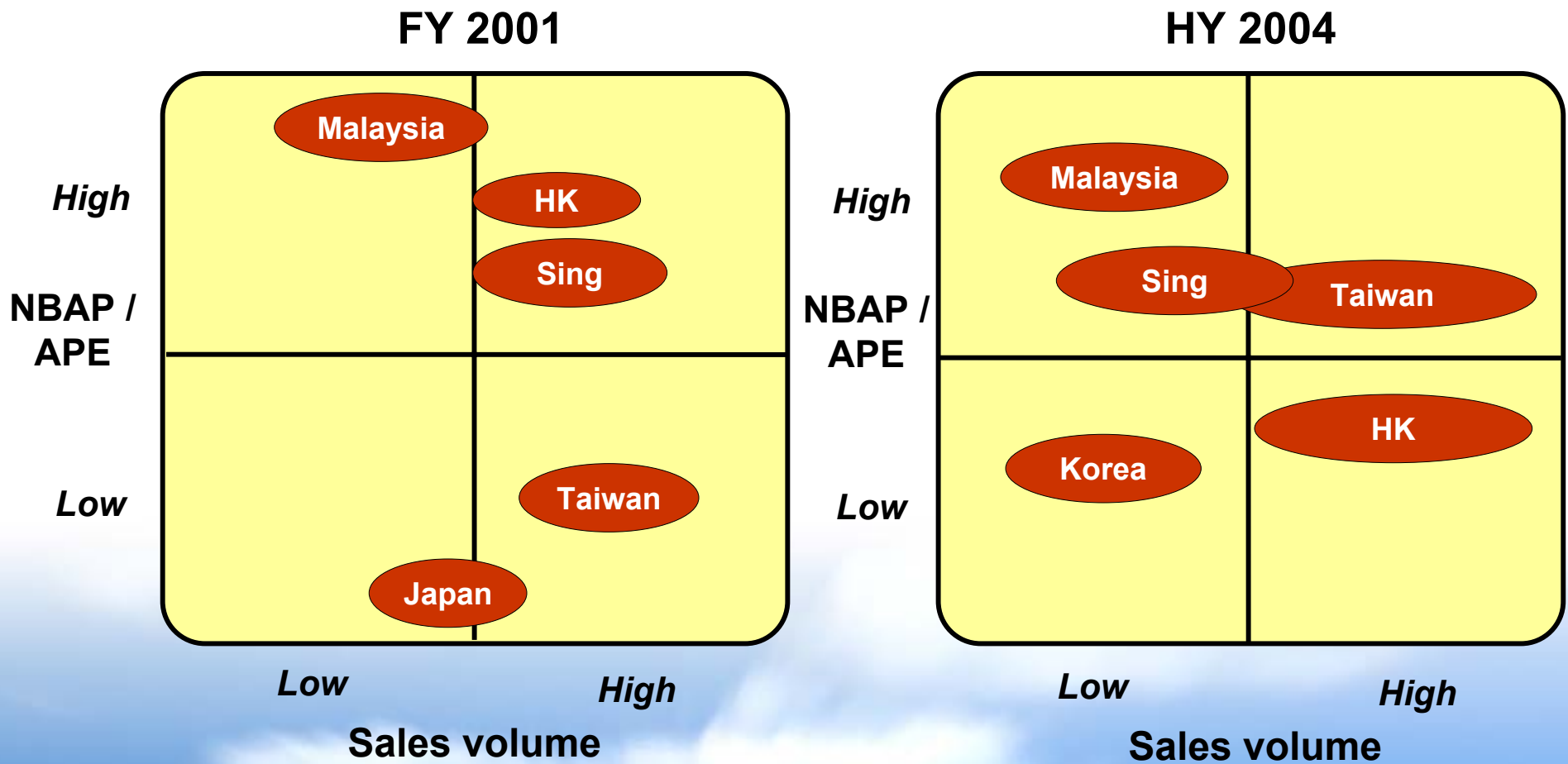## Comparison of discounted cashflows for unit linked and non unit linked products

Cumulative DCF

Traditional

Unit linked

Time (years)

0   5   10   15   20

Prudential Malaysia : Traditional and linked products with riders attached

Results of active management

Changing NBAP contributions by country

Prudential's approach in Taiwan

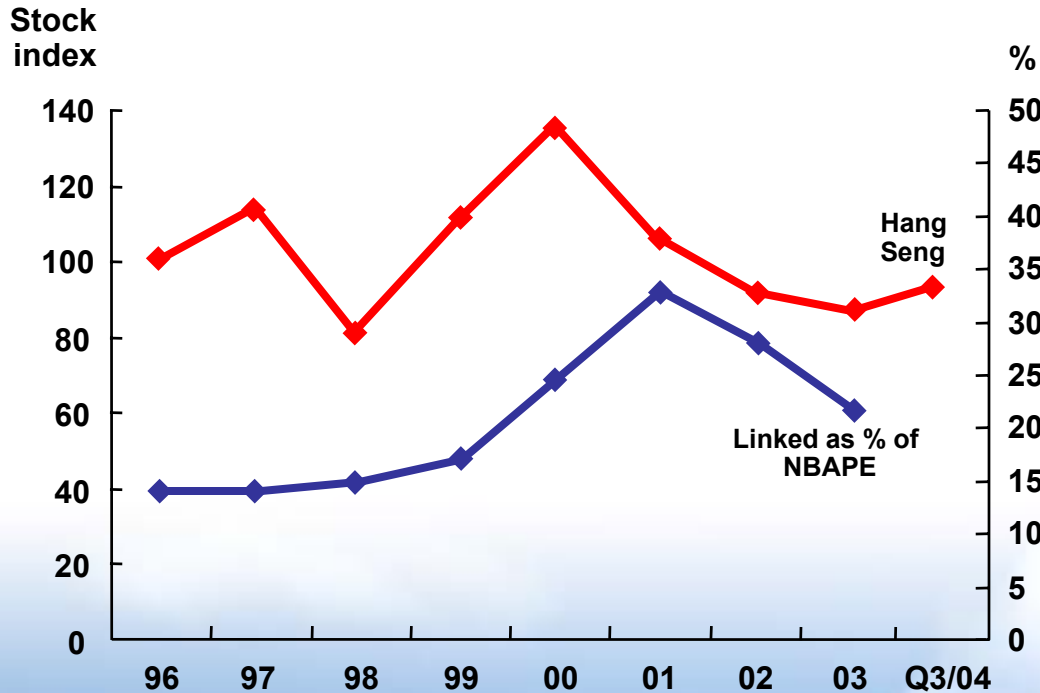Higher margin, slower increase in volume

FY 2001

HY 2004

High

NBAP / APE

Low

Taiwan

High

NBAP / APE

Low

Taiwan

Low   High

Sales volume

Low   High

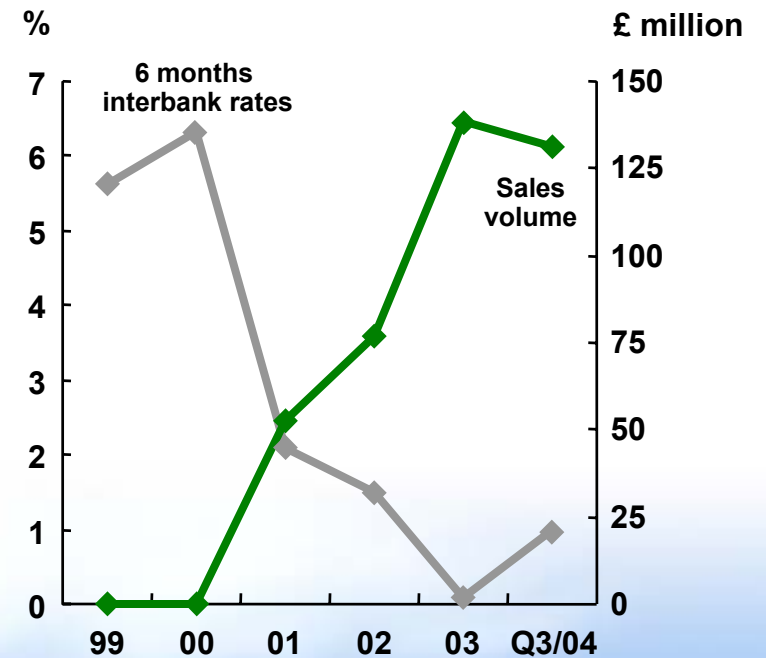Sales volume
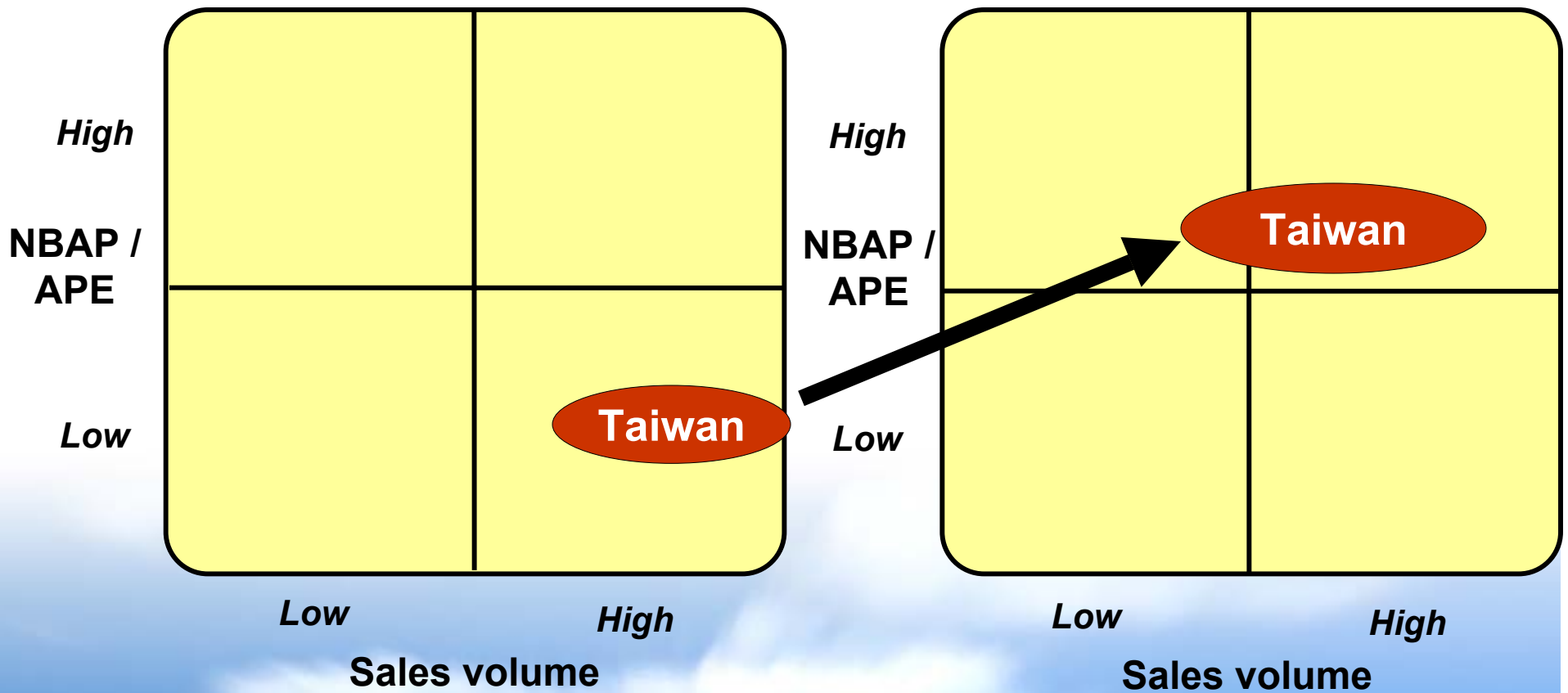
Background to Hong Kong

Popularity of unit linked products correlated to stock market performance

Hong Kong : Unit linked

Traditional single premium sales are correlated with interest rates

Hong Kong : Traditional single premium
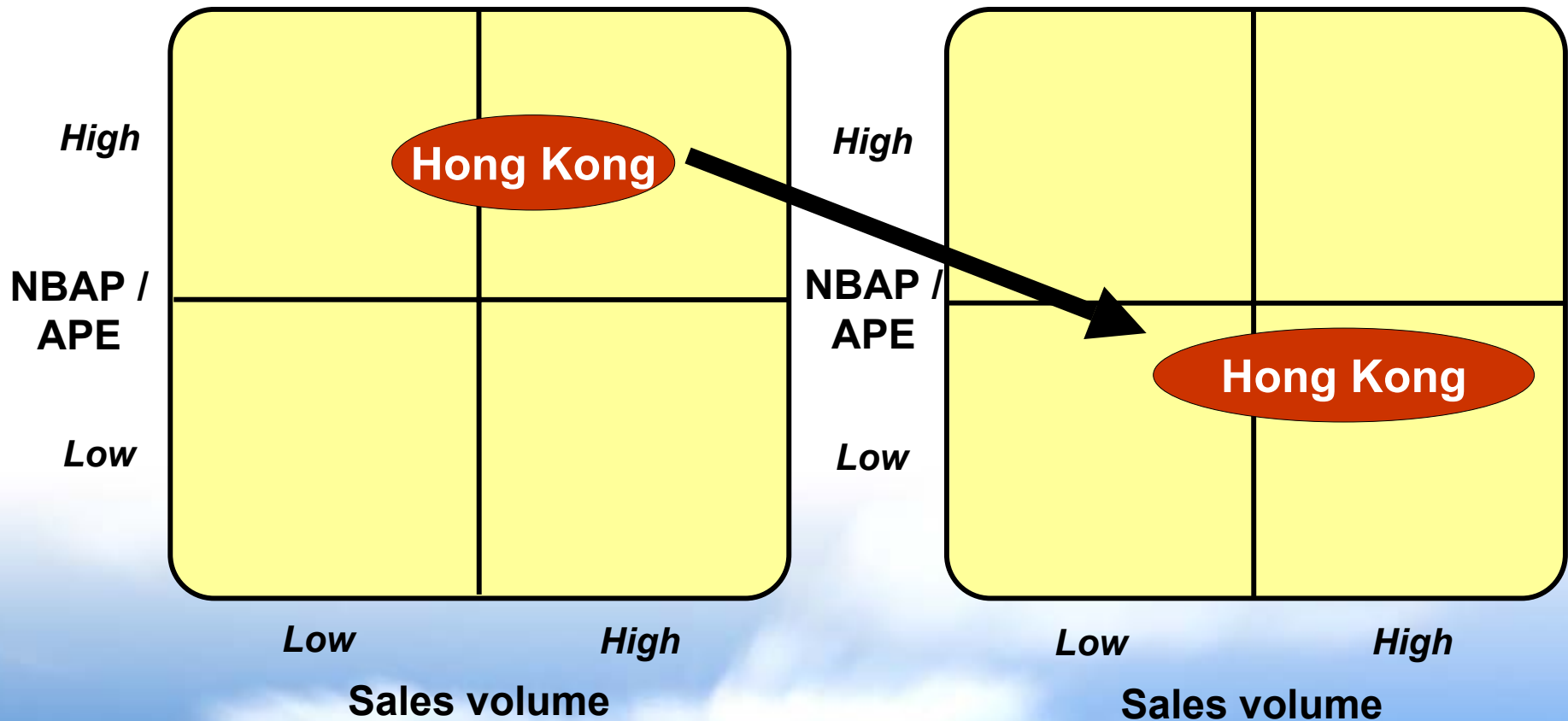

Sources : Datastream

Prudential's approach in Hong Kong

Lower margin but maintaining position as scale player
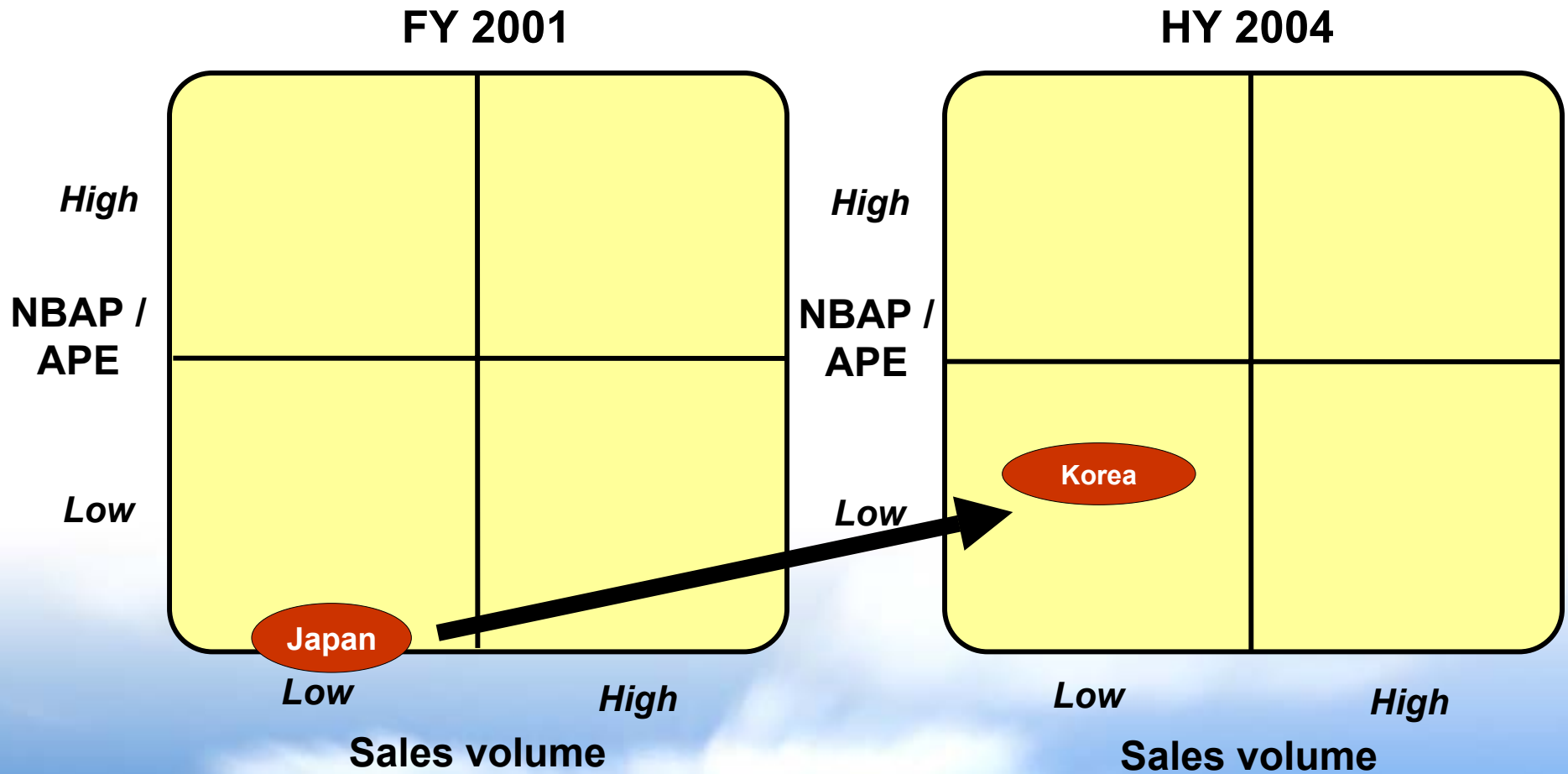

FY 2001

HY 2004

Prudential's approach in North Asia

North Asia : Reducing contribution from Japan, increasing Korea

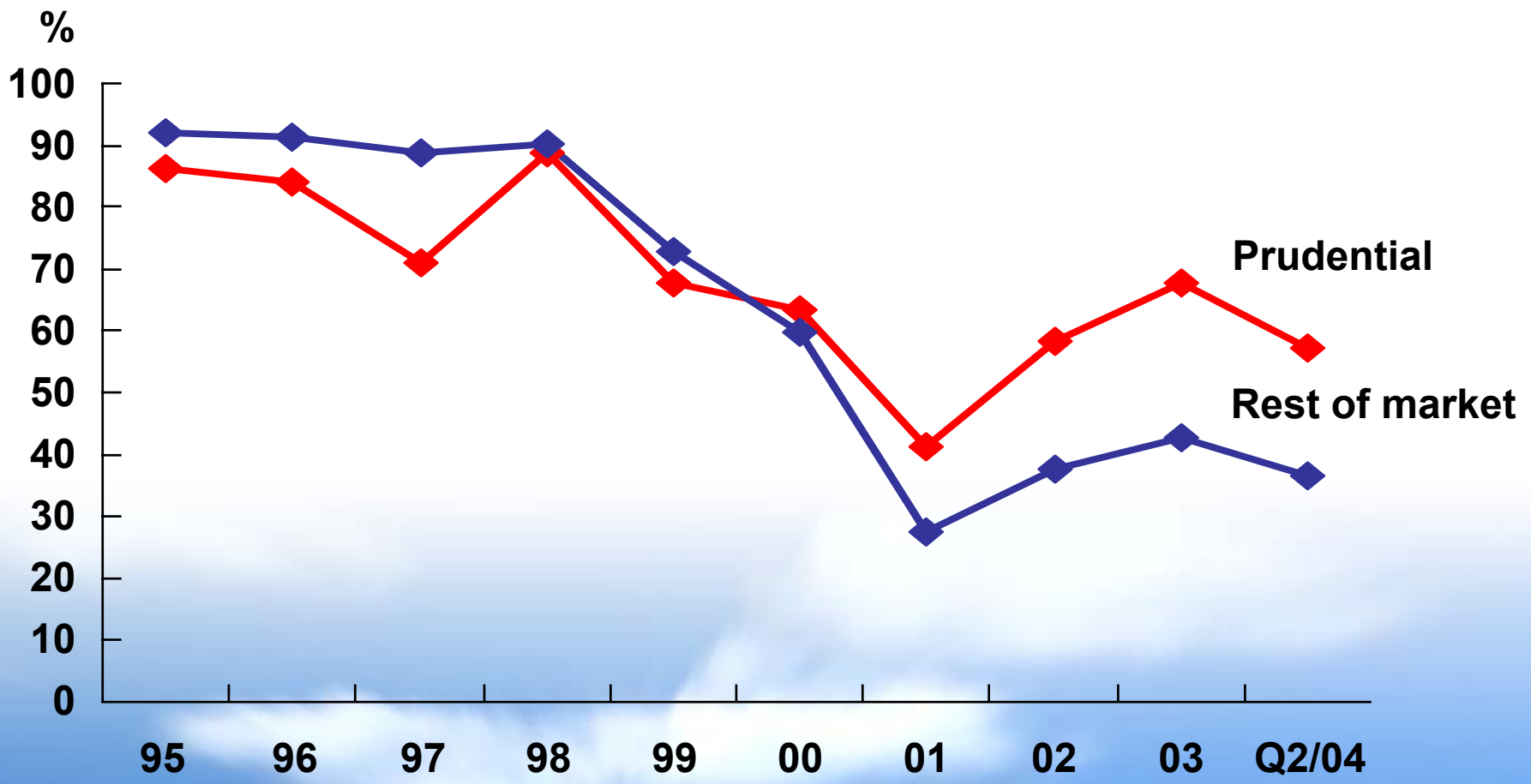# Case study : Product strategy in Singapore

Increased proportion of regular premium

Regular premium APE as % of total APE

Prudential

Rest of market

Case study : Evolving market in Singapore

Single premium products in Singapore
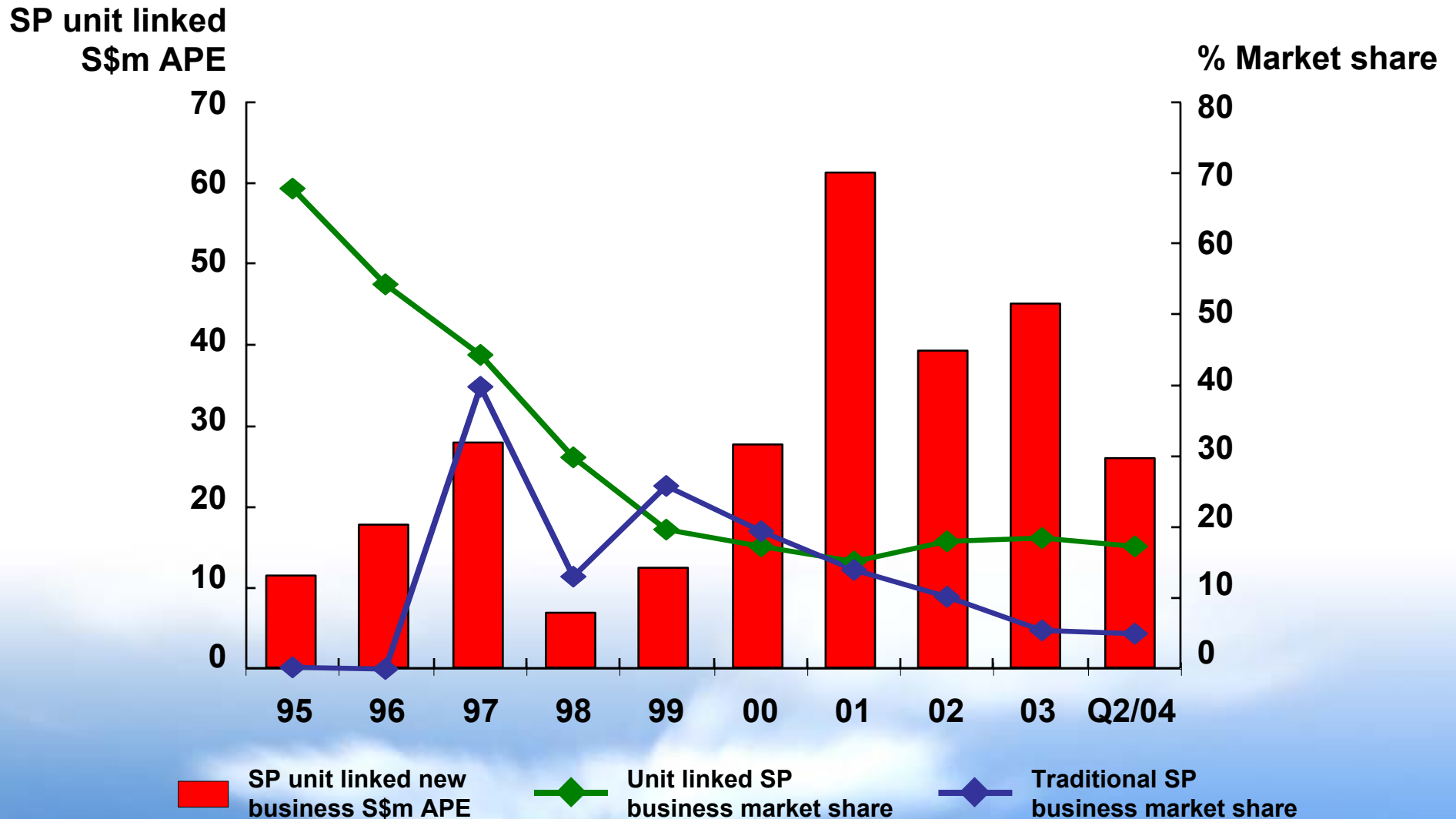
PruLink Singapore Managed Fund

- Prudential was the first to launch regular premium unit linked policies in Singapore in 1992

- Singapore Managed Fund won the 10-Year Special Award at the Investment Fund Awards 2002 for the highest absolute returns over 10 years

- It is Singapore's largest unitised fund valued at £603 million as at 1 October 2004

Case study : Singapore unit linked

Singapore : PruLink Managed Fund outperformance
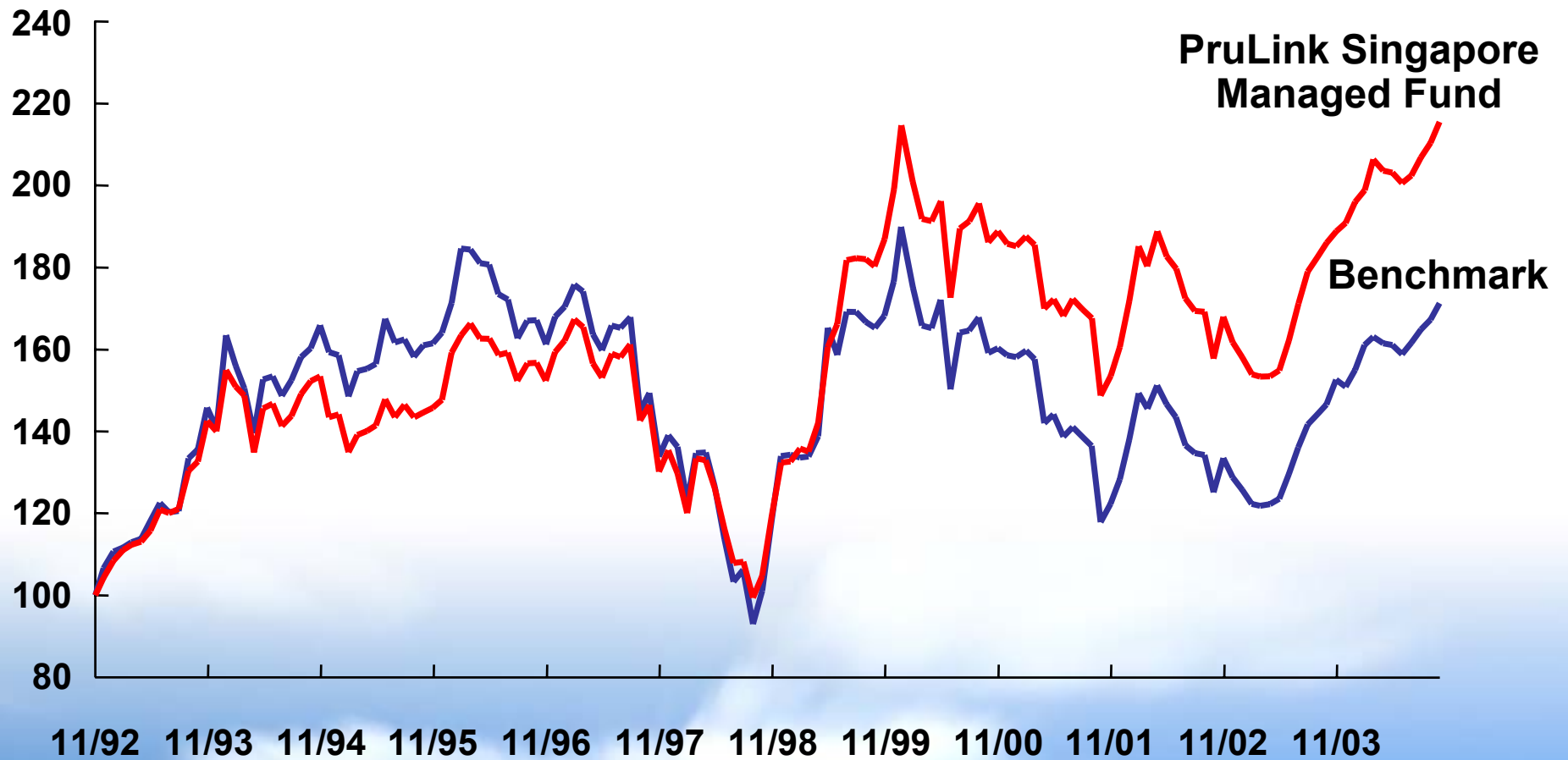
Case study : Maintaining a lead

Singapore : Through diversification of fund range and low expense ratios

	Fund size (£m) at 1 October 04	Expense ratio at 1 October 04	Expense ranking relative to market
PruLink Fund			
Managed	603	1.01%	2/4
Asian equity	240	1.36%	8/17
Asian reach	76	0.97%	2/24
China India	34	------	------
Global managed	33	1.03%	7/12
Global equity	35	1.54%	5/27
Global bond	35	0.53%	1/12

Case study : Pioneering unit linked in Asia

Country	Sing	Malay	Thai	Indo	Phil	Vietnam	India	HK	Taiwan	China*	Japan	Korea
Unit linked allowed	1992	1997	●	1997	2004	●	2001	1995	2002	2000	2003	2004
Prudential Corporation Asia launch	1992	1997		1997	2004		2001	1995	2002	2000	2003	2004
Prudential Corporation Asia first to market	○	○		○	○				○			

Case study : Increasing profitability through rider attachment

- **Compare experience from market to market; identify opportunities**

- **Focus on new rider development to improve attachment ratios**

Malaysia : Average number of riders		
1994	**1997**	**H12004**
3	**4**	**6**

- **Region led roll out of riders :**

  – Critical illness addition

  – Spouse Waiver

  – Major Medical

Summary

- **Prudential's balanced portfolio of geography and product is a core strength**

- **Enables dynamic management of mix to position each market for long term value creation whilst delivering consistently good performance**

- **Leverage experience from one market to another**

- **Prudential has a proven track record of delivering value from its product management**