



Prudential Seizing the Opportunity



PRUDENTIAL
英國保誠集團

機會
Peluang
機會
Opportunity
oportunitiad



Prudential
Seizing
the
Opportunity

Welcome to Vietnam

Mark Norbom
Prudential Corporation Asia
November 2004



Ministry of finance
state securities commission

Vietnamese securities market

- Nguyễn Đoàn Hùng - Vice Chairman of the SSC
 - Ho chi minh city Nov. 2004

Vietnamese securities market

- **@ The establishment and development of the Vietnamese securities market**
- **- 28/11/1996: Decree 75/CP to establish the SSC**
- **- 11/7/1998: Decree 48/CP on securities and securities market and Decision 127/TTg to establish securities trading centers (STC)**
- **- 20/7/2000: the opening of Ho Chi Minh City STC**
- **- 5/8/2003: Decision 163/TTg to approve Securities market development strategy until 2010**
- **-28/11/2003: Decree 144/CP to replace Decree 48/CP**
- **- 19/2/2004: Decree 66/CP to merge SSC into MOF**

Vietnamese securities market

- **@ Market size**
- - *Listed issuers: 25 listed companies (Total market face value of VND 1,256 billion)*
- - *Gov. Bond listed: 150 types of bonds listed total value of VND 17,300 billions.*
- - *BIDV Bank bonds listed: VND 157.7 billions.*
- - *Market capitalization: 3.7% GDP 2003 (share value account for 0.65%).*
- - *900 trading sessions held so far, trading value of VND 13 billions per session .*

Vietnamese securities market

- **@ Market intermediaries**
- - 13 securities companies : total legal equity capital of VND 605.75 billions;
- - 01 joint venture fund management company; 01 investment fund (VF1) of VND 300 billions;
- - 05 custodian banks (3 foreign + 2 Vietnamese) ;
- - 01 Settlement bank: BIDV Bank;
- - 08 auditors admitted for securities industry;
- **@ Investor accounts: 19,000 accounts**
- *In which:* + 145 accounts of domestic institutional investors;
- + 21 accounts of foreign institutional investors;
- + 106 accounts of individual investors.

Vietnamese securities market

- **@ System and trading mechanism**
- - *Trading mechanism: Auction; Negotiation*
- - *Trading sessions: Auction (9am-10:30 am);
Negotiation(10:30-11:00am)*
- - *Orders: Limit orders; ATO orders*
- - *Trading units: +Round lot: 10 shares;
+Block trade: 10,000 shares*
- - *Trading band: $\pm 5\%$ of reference price*
- - *Settlement : T+3*
- - *Order matching principle: Price, time*

Vietnamese securities market

- **@ Qualification for Public offering of stocks**
- *- Joint-stock companies, or Equitized SOE*
- *- Minimum legal equity capital of VND 5 billions*
- *- Positive earnings of the year before listing*
- *- Feasible business plan for the fund to be raised*
- *- Offering through intermediaries to at least 50 investors outside the issuer*
- *- Size and Profitability Exemptions for offering of stocks by issuers in infrastructure development and high technology sectors*

Vietnamese securities market

- **@ Bond offerings**
- **- SOE's, joint stock and limited liability companies**
- **- Legal capital of minimum VND 10 billions**
- **- Positive earnings for 2 consecutive years before the offering**
- **- Feasible business plan for funds to be raised**
- **- Offering to at least 50 investors outside the issuer**
- **- Underwriter required**
- **- Commitments to fulfill debt obligations to investors**
- **- Bond custodian who represents bond holders**

Vietnamese securities market

- **@ Stock Listing requirement at STC**
- **- *Public offering licensed by the SSC***
- **- *Minimum legal equity of VND 5 billions***
- **- *Sound financial condition, and positive earnings for pervious 2 years (1 year only for Equitized SOEs to be immediately listed)***
- **- *At least 20% of stocks held by at least 50 investors outside the issuer***
- **- *Directors, Management, Employee-shareholders commit to hold 50% of their shares for at least 3 years afterwards.***

Vietnamese securities market

- **@ Corporate bond listing requirements at the STC**
 - *- Public offering licensed by the SSC*
 - *- Equity capital of at least VND 10 billions*
 - *- Sound financial condition, and positive earnings for 2 years before listing*
 - *- At least 50 bondholders*
- **@ Gov. Bond listing: conducted at the request by the institution nominated by the government for offering.**

Vietnamese securities market

- **@ Information disclosure :**
- **- Periodical information disclosure:**
- **+ *Financial reports: quarterly and annually***
- **+ *Annual report***
- **- Irregular infor. disclosure (within 24 hours)**
- **+ *Events/facts that may affect stock prices***
- **- Infor. Disclosure on request**
- **+ *At the requests of the SSC and the STC***
- **@ Means for infor. disclosure: *STC bulletin & public media***

Vietnamese securities market

- **@Foreign ownership limits**
- - *Maximum shareholding: 30%*
- - *Bond holding: no limit*
- - *Maximum shareholding at securities business joint ventures: 49%*
- **@ Foreign investor trading**
- - *Trading code for Foreign investors*
- - *Principal: free inflow*
- - *Repatriation of principal: after 1 year*
- - *Tax regime: no repatriation tax; no personal income tax.*

Vietnamese securities market

- **@ Development Target**

- Size: Market cap 2 – 3% of GDP by 2005 (est. 2005 GDP of USD 62.5 billions) and 10 – 15% of GDP by 2010
- Become a reliable Safe, transparent and efficient market for medium and long term funding for the economy;
- Competitive and ready for market liberalization.

- **@ Development solutions**

- - *Improve legal framework for capital market*
- - *Implementation of Decree 144/CP; Decree 161/CP and the Securities Law expected to be passed in 2006 .*


Coordinate with the Ministry of Planning

Vietnamese securities market

- **@ Development solutions**
- - *Develop the capability for Gov. and municipal and corporate bond offerings.*
- - *Coordinate with the State Bank of Vietnam to conduct listing linked equitization of State owned banks; listing of joint stock banks' shares.*
- - *Coordinate with the MOF to improve tax and fee incentives.*
- - *Encourage institutional investors (mutual funds, life insurance, pension funds) to invest in the market*
- - *Hanoi Trading Center starts operation.*

Vietnamese securities market

- **@ Development solutions**
- - *Modernizing the trading system*
- - *Establish the Depository center*
- - *Expand the network of and quality of services of securities companies,*
- - *Speed up establishment of fund management companies and investment funds.*
- - *Improve information disclosure.*
- - *Strengthen supervision, surveillance of markets and apply suitable enforcement actions.*

- 
- We wish you all great success in doing business with
vietnam
 - Thank you!





Prudential
Seizing
the
Opportunity

Our Operating Excellence

Mark Norbom
Prudential Corporation Asia
November 2004

Delivering profitable and sustainable growth

**Accelerating
profitability**

**Leveraging regional scale,
expertise and innovation**

● **Integrated operating model**

● **Leadership development**

● **Risk management**

**Building
sustainability**

**Creating a lasting
foundation**

● **Brand strength**

● **Business building expertise**

**Continued
strong growth**

**Driving proven success
models to all markets**

● **Multi-channel distribution**

● **Product innovation**

● **Customer centricity**

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



Prudential
Seizing
the
Opportunity

Our People Strategy

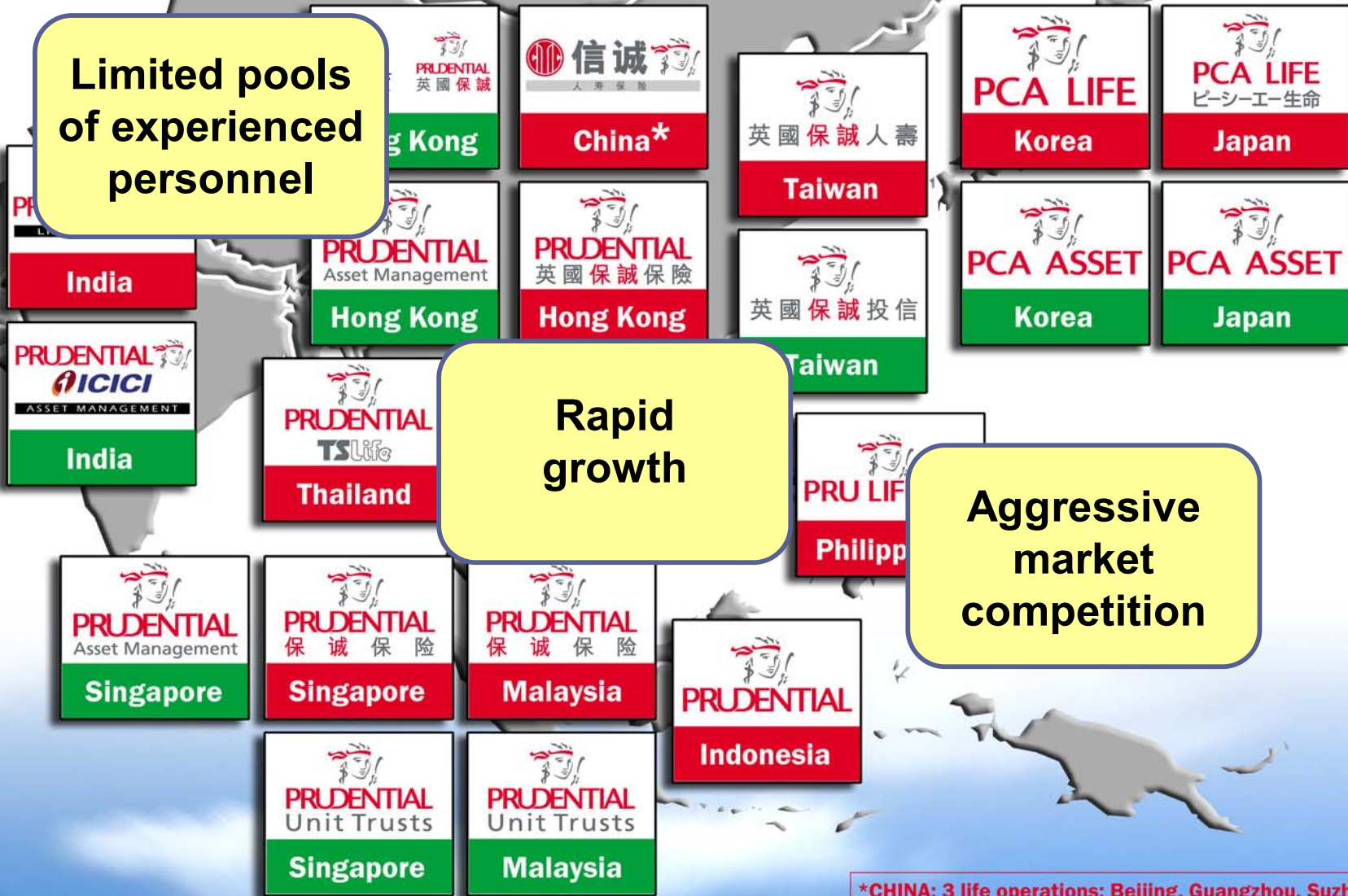
Shulamite Khoo
Prudential Corporation Asia
November 2004

Our people challenges

Limited pools of experienced personnel

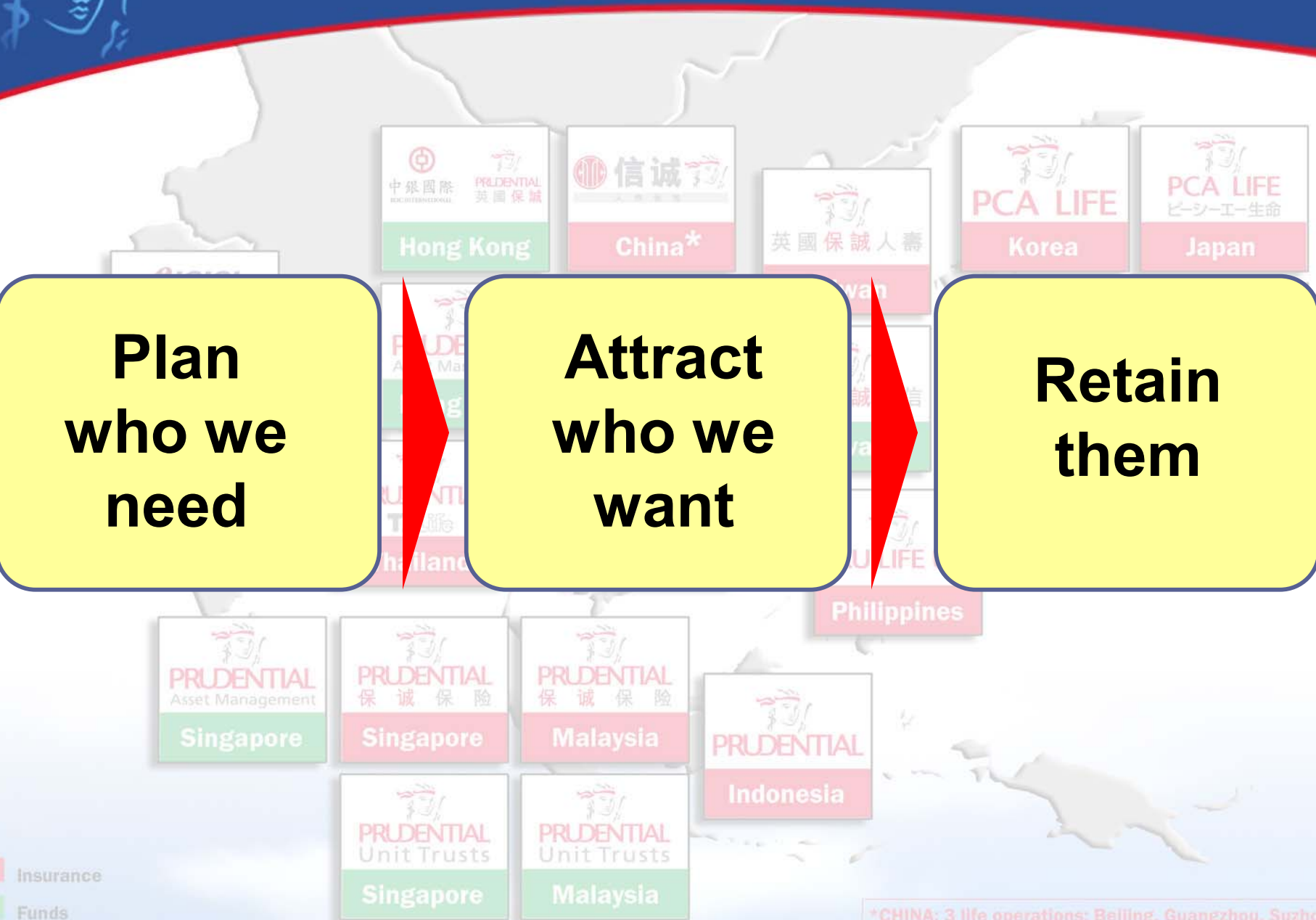
Rapid growth

Aggressive market competition



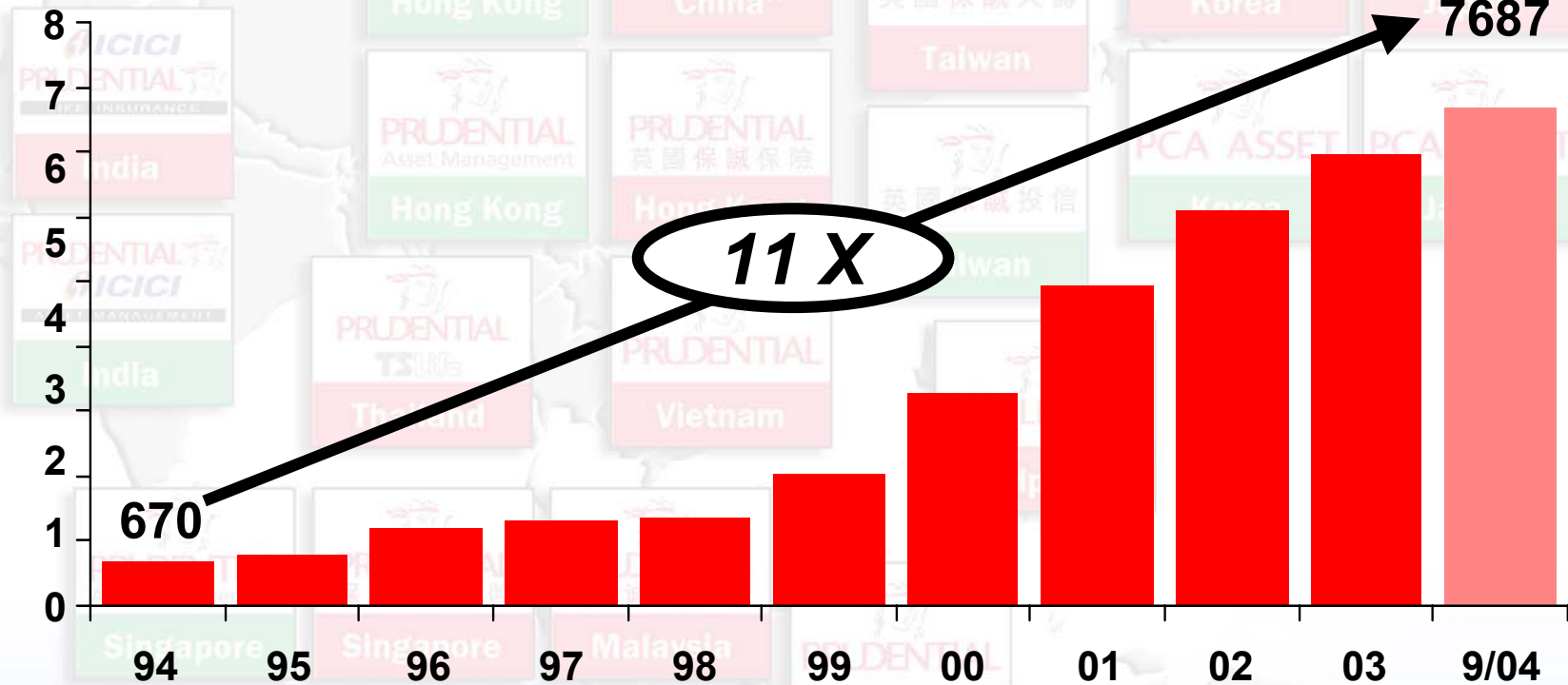
*CHINA: 3 life operations: Beijing, Guangzhou, Suzhou

Our approach



Growth in staff

'000 staff



11 X

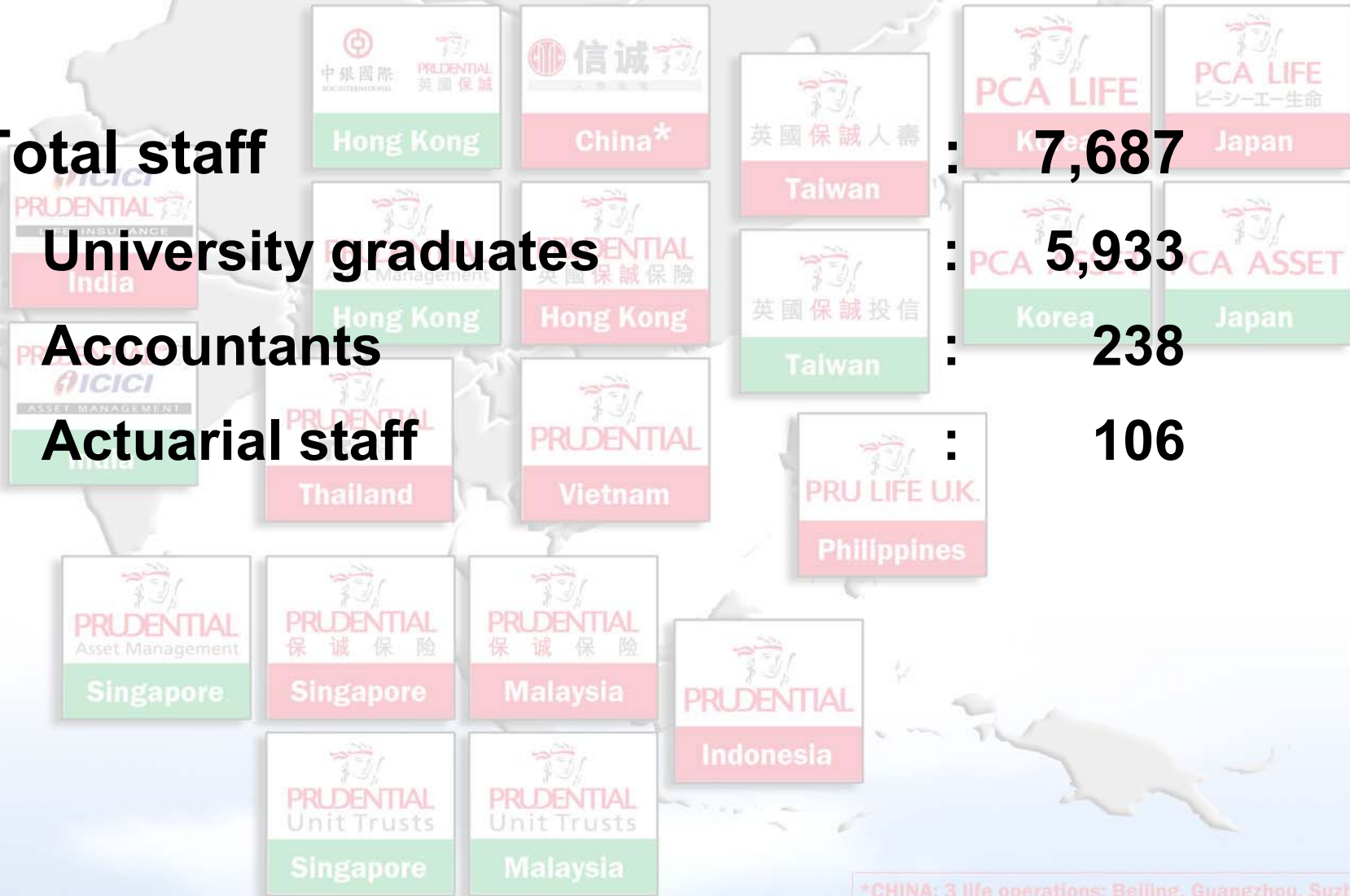
Prudential operations

Year	94	95	96	97	98	99	00	01	02	03	9/04
Prudential operations	4	6	8	8	10	13	16	20	21	23	24

Highly qualified staff across region

Total staff

- University graduates
- Accountants
- Actuarial staff



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

CEOs who understand local markets

Insurance



India



Indonesia



Malaysia



Taiwan



Hong Kong



Japan



Philippines



Thailand



China



Korea



Singapore



Vietnam

Funds



China



Japan



Singapore



Hong Kong



Korea



Taiwan



India



Malaysia

Years with Prudential in Asia

(average) : 5 years

Financial services experience

(average) : 23 years

Our core people strategies

**Long term leadership :
Develop future leaders today**

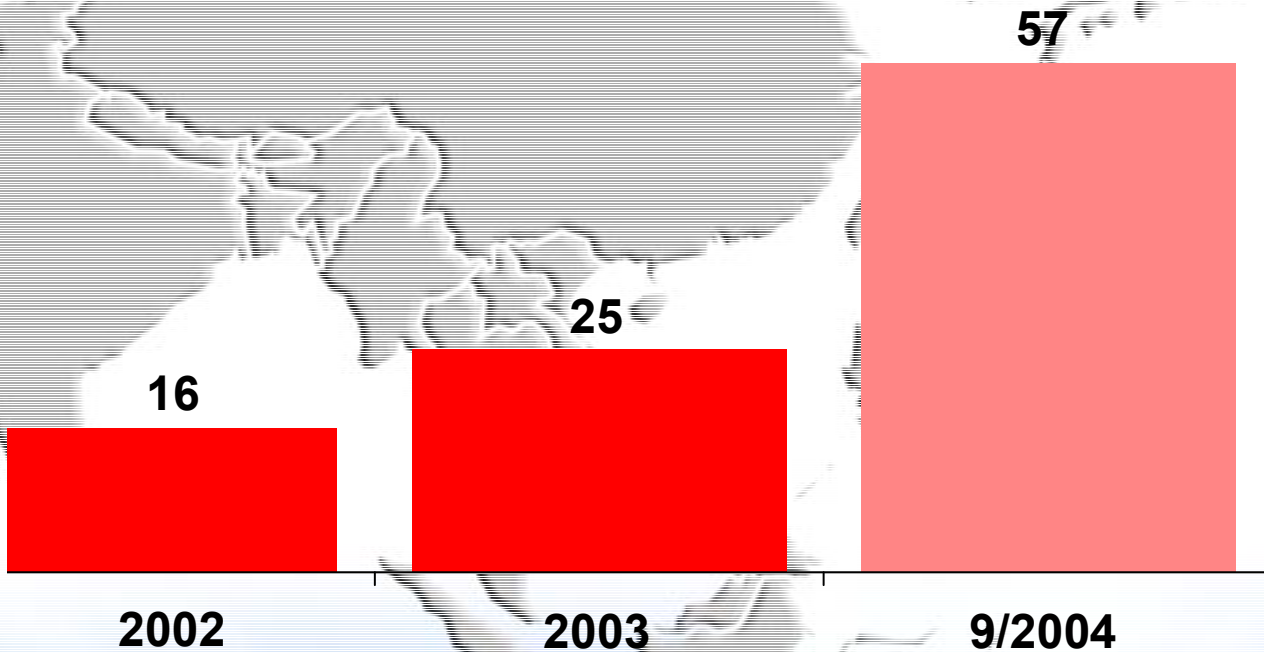
**Unique culture and our
strong brand : A place
where you are proud to work**

**Leverage scale, growth
and diversity to
deliver outstanding
career opportunities**

- Leadership and management review
- Leadership review forum
- PRUmentor development programme
- Secondments and direct mentoring
- Performance related rewards
- Market driven compensation
- RESPECT principles
- Leadership behaviours

Regional career development opportunities

People transfers between our Asia businesses



Examples of career development opportunities

*Virginia - From
Hong Kong to
Taiwan to Korea*

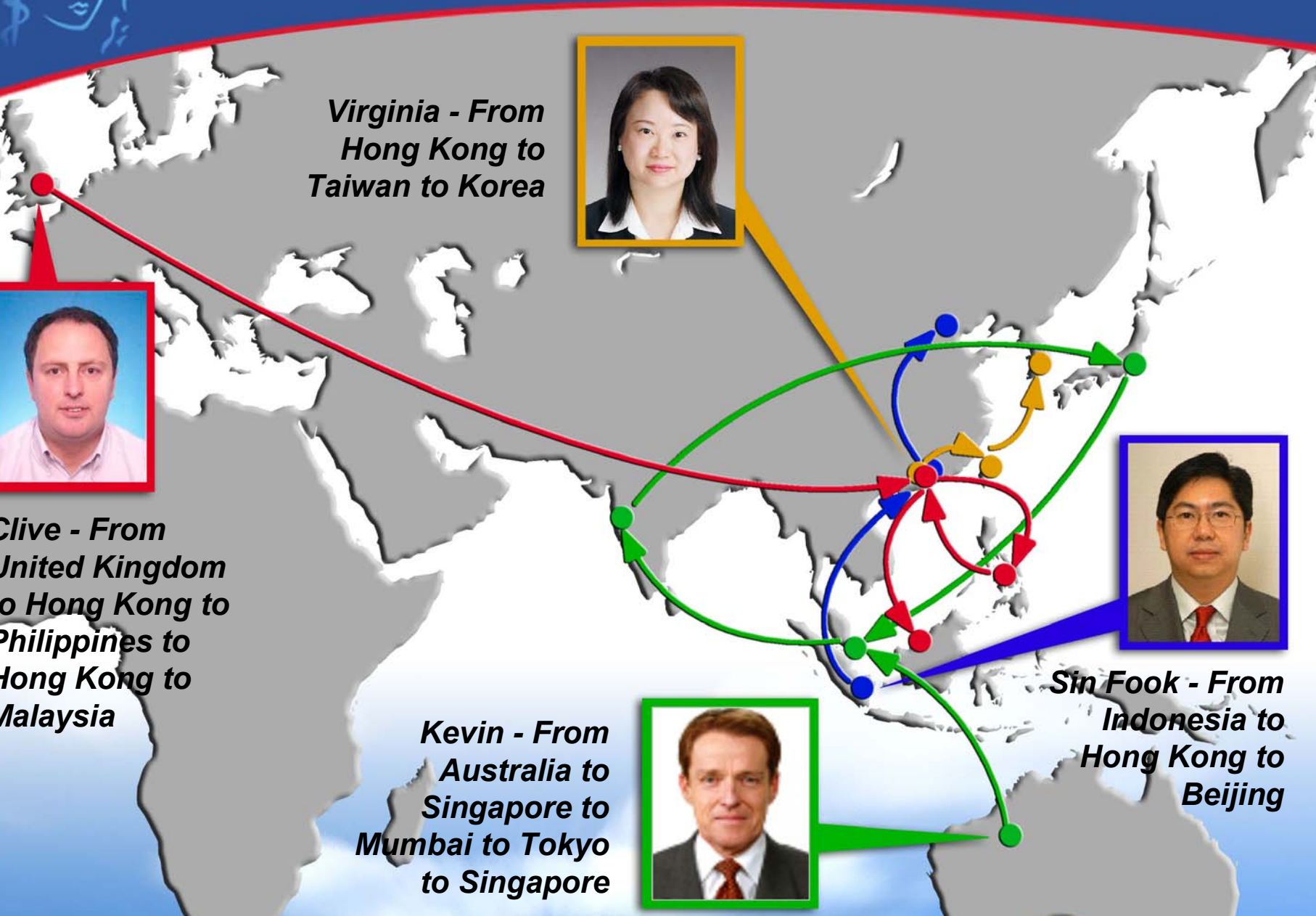


*Clive - From
United Kingdom
to Hong Kong to
Philippines to
Hong Kong to
Malaysia*

*Kevin - From
Australia to
Singapore to
Mumbai to Tokyo
to Singapore*



*Sin Fook - From
Indonesia to
Hong Kong to
Beijing*





- **Over 127 courses offered :
59 offered in Mandarin, Japanese
and Korean**
- **A web based platform :
face-to-face and e-learning**
- **Open to all Prudential :
over 3,150 programmes completed**
- **Learning Management Systems in
11 operations in 7 countries
servicing 2,878 users**

Our People Strategy is focused on :

- Leveraging our scale, growth and diversity to offer outstanding career opportunities
- A long term approach to leadership and talent development
- Creating a brand and culture which people are proud to choose
- Rewards linked to business performance
- Engaging employees and emotionally, based on common set of operating principles

A significant resource pool to support our continued growth



Prudential
Seizing
the
Opportunity

Compliance

Steve Bickell
Prudential Corporation Asia
November 2004

Prudential's approach



Compliance with local regulations

Adopt Group standards

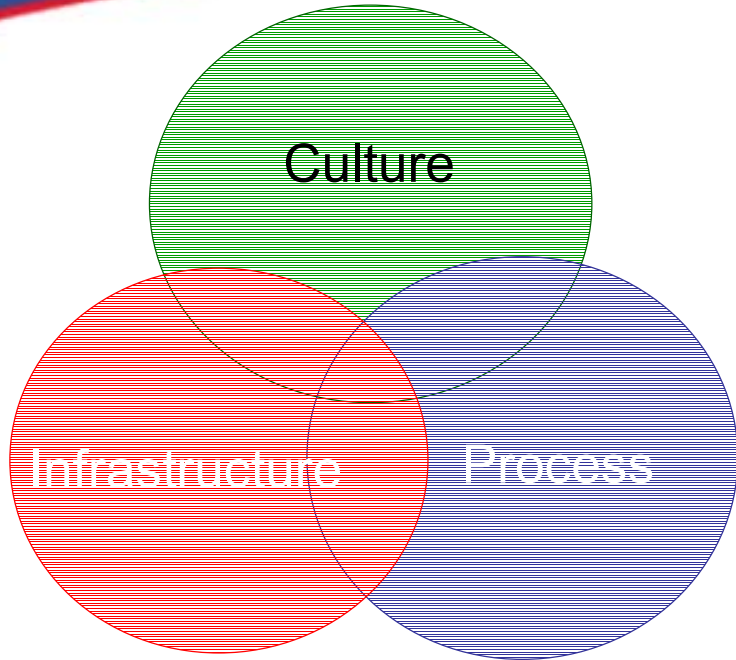
Strong operational based compliance functions

Embed a compliance culture

Leverage Group and regional expertise

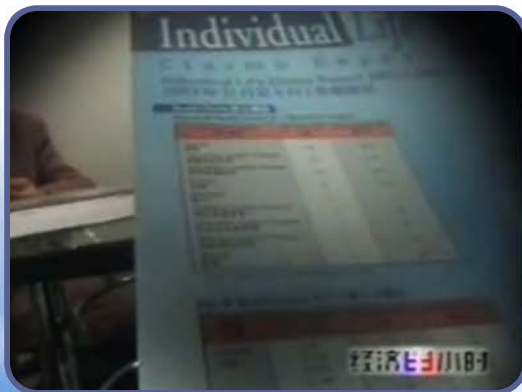


Raising profile of compliance



- **Management compensation scheme**
- **Leadership development**
- **Foster strong relationships with regulators**
- **Align compliance resources to growth**
- **Risk-based compliance plans**
- **Prudential Corporation Asia and Group oversight**
- **Systems-based controls**
- **Integrated with risk management and internal audit**

Addressing local compliance issues



- Ensuring sales to citizens of Mainland China meet regulatory requirements
- Important to reassure the Chinese regulators

Addressing local compliance issues

Hong Kong agents selling in Mainland China

Prevention

- Clear communication
- Agency contract stresses illegality of selling in China
- Emphasised in training to agents and leaders

Detection

- Monitor sales reports for any unusual activity
- Require evidence that the sales were physically in Hong Kong

Reaction

- Swift and high profile disciplinary action
- Liaison with regulators

Using Group experience

Leveraging Group expertise

- Second staff from UK to Asia
- Close working relationship with Group

Sharing best practice and standards

- Singapore sales compliance training
- Uniform corporate governance framework

Creating synergies

- Anti-money laundering training
- Shared mandatory standards



PRUDENTIAL CORPORATION ASIA
Corporate Governance Manual

Official Version 1
22 January 2004


PRUDENTIAL CORPORATION ASIA
CẨM NANG QUẢN TRỊ DOANH NGHIỆP

PHIÊN BẢN CHÍNH THỨC THỨ NHẤT
NGÀY 22 THÁNG 1 NĂM 2004

PDFMachine
Is a pdf writer that produces quality pdf files with ease!
Produce quality PDF files in seconds and preserve the integrity of your original documents. Compatible across
nearly all Windows platforms. If you can print from a windows application you can use pdfMachine.
Get yours now!

Summary



- **Compliance will continue to have a high profile**
 - **Prudential Corporation Asia leverages its international expertise to drive best practices through the operations**
 - **Keep prevention and detection procedures upgraded for regulatory developments**
- 



Prudential
Seizing
the
Opportunity

Building the Integrated Operating Model

Common IT Platform and Processes

Clive Baker and Krishnan Narayanan
Prudential Services Asia
November 2004

Current operating model : Multiple systems

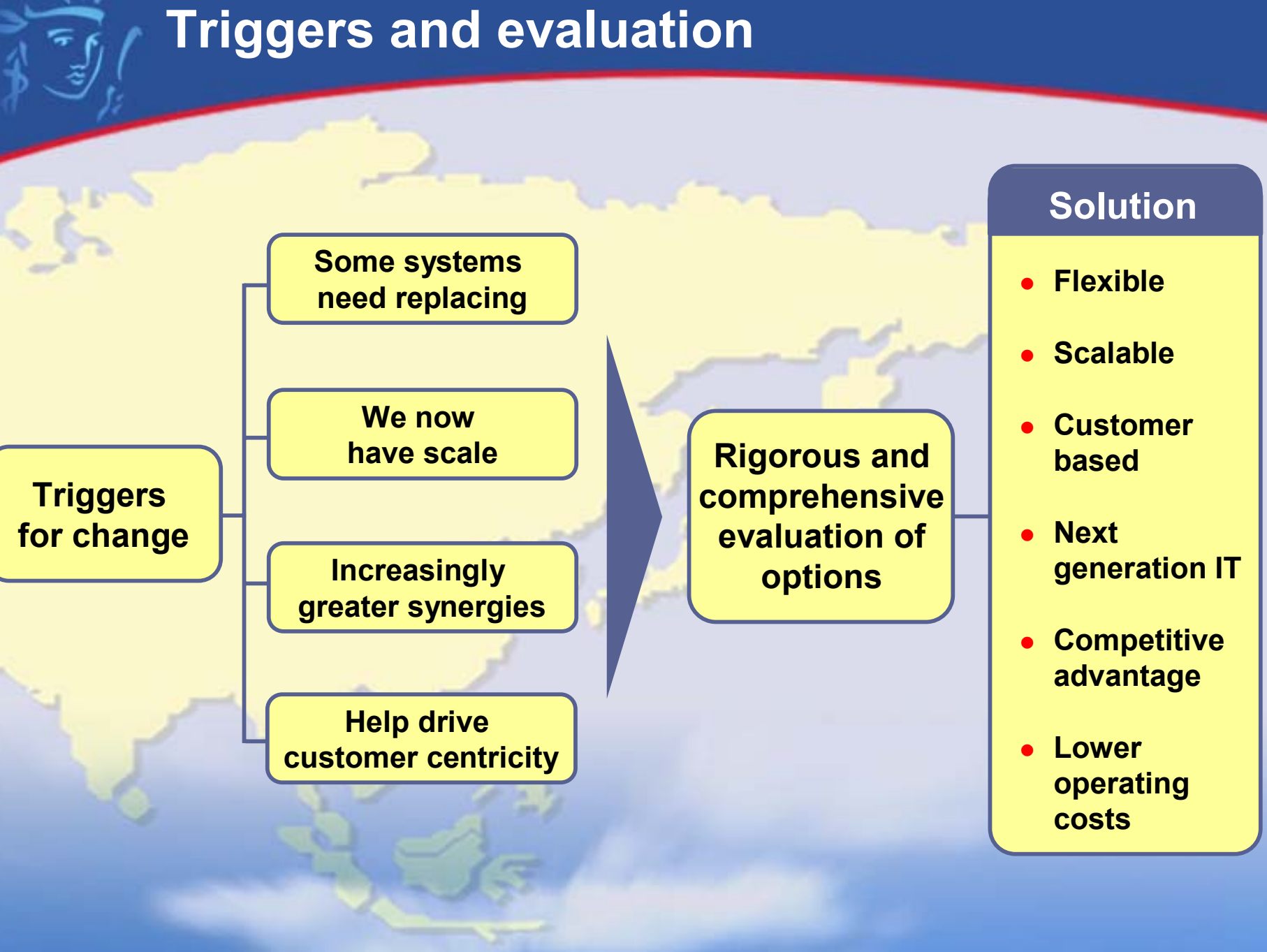
Benefits

- Supported rapid growth in first 10 years
- Enabled local customization for speed to market
- No language issues

Disadvantages

- Enhancements done 12 times
- Need 12 IT support teams
- Multiple backup sites required
- Local management distracted by operational issues

Triggers and evaluation



Triggers for change

Some systems need replacing

We now have scale

Increasingly greater synergies

Help drive customer centricity

Rigorous and comprehensive evaluation of options

Solution

- Flexible
- Scalable
- Customer based
- Next generation IT
- Competitive advantage
- Lower operating costs

Integrated operating model

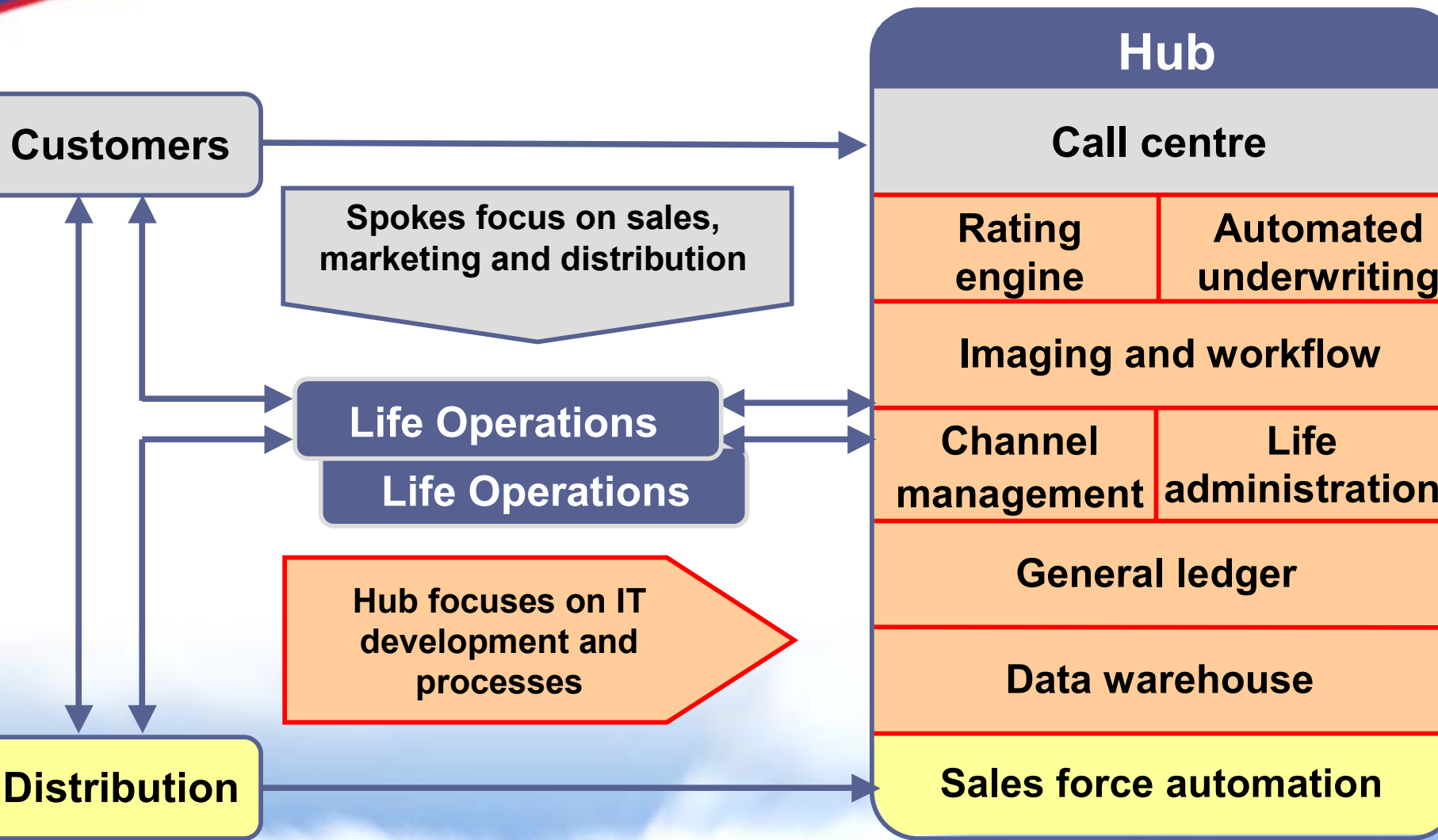


Prudential Services Asia (PSA)

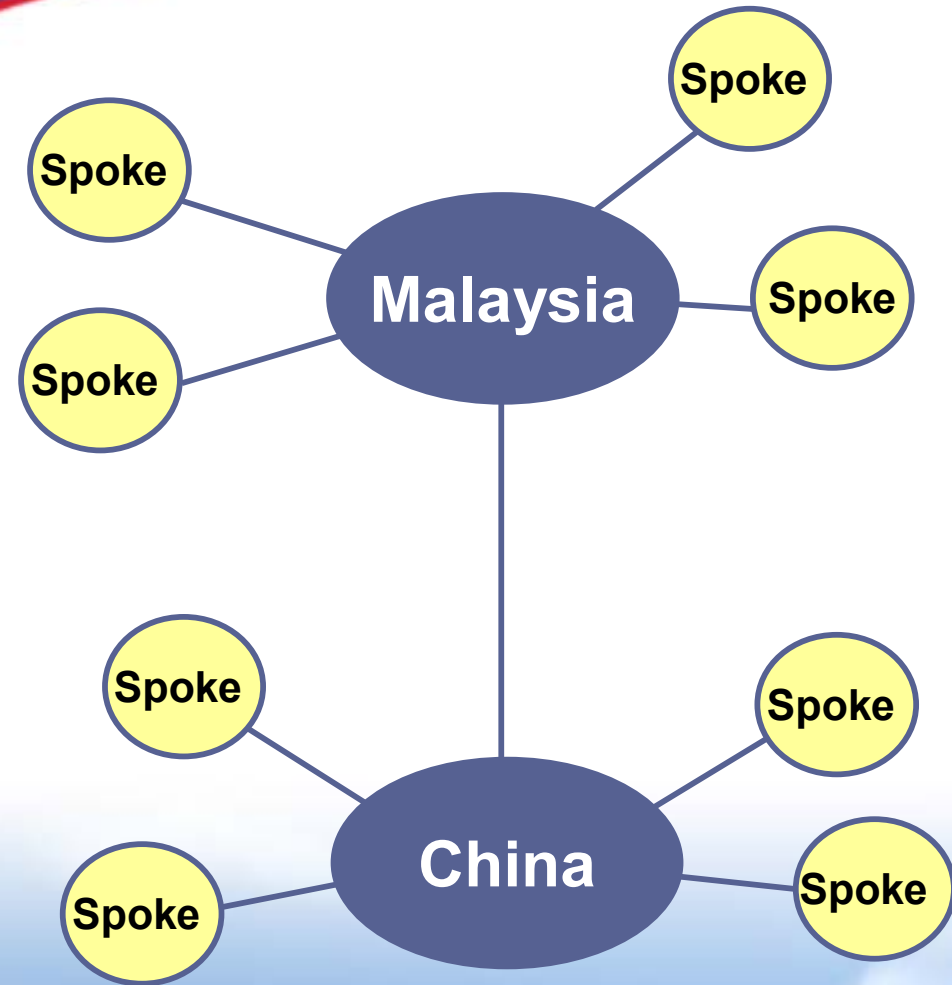
**Developing and implementing
common system and processes
across region**



Integrated platform



Shared IT and common processes



- **Standardization**
- **One IT development team (not 12)**
- **Two locations to meet languages needs and provide disaster recovery**

Benefits of the integrated operating model

Leverage regional scale and expertise

Efficiency (*Scale benefits*)

- **Productivity**
- **Lower costs**

Effectiveness (*Expertise benefits*)

- **Standardised operations**
- **Improve customer service**
- **Easier to market**
- **One time development**
- **Regional best practices**

Advantages of Malaysia as IT hub



- **Lower cost**
- **Quality infrastructure**
- **Highly trained labour pool**
- **Offers multiple languages**
- **Tax incentives**
- **Leverages Prudential Malaysia's capabilities and experience**

Prudential Services Asia : Location

Located in IT development centre in Cyberjaya



Prudential Services Asia : Today



- **Recruited highly-skilled team**
 - Industry expertise
 - Regional experience
- **Go live : Early in 2005**
- **China hub : In planning**



Summary



- **Prudential Services Asia key to driving an integrated operating model leveraging on regional scale and expertise**
- **Competitive edge by reducing costs and delivering synergies**
- **Superior level of service by streamlining processes and procedures across the region**
- **More efficient and effective customer relations management**



Prudential
Seizing
the
Opportunity

Investment Management of Life Assets

Garth Jones and Kelvin Blacklock
Prudential Corporation Asia
November 2004

An interesting and complex investment challenge

- **£7.8 billion** in assets under management, managing more than 70 funds
- **Many different types of product :**
 - Participating and Non-participating
 - Unit linked
 - Regular and single premiums
- **Many types of investment mandates**
 - Plain vanilla : Domestic assets only, no derivatives
 - Full asset universe and full derivative availability
- **Multiple currencies**
 - 12 base currencies, many with restrictions on convertibility : Vietnam to Japan
 - Global investment universe but local liabilities
- **Huge variation in Regulatory environments**
 - Life Fund / Assets less Reserves
 - RBC / Book Value

The Philosophy : We have not had to reinvent the wheel

- **Prudential has over 150 years of experience managing UK Life assets**
 - Very large (c. £ 70 billion) fund investing across global asset markets
 - Substantial resources and expertise already in place
- **Significant competitive advantage:**
 - The PMG responsible for oversight and control of portfolio management for UK Life assets who have an average 15 years with Prudential
 - Focus on many common issues e.g. ALM, asset allocation, risk based capital, regulatory and accounting requirements etc
- **Asia leverages PMG's experience, resources and management approach**

3 stage process

**Strategic asset
allocation (SAA)**

**Tactical asset
allocation (TAA)**

**Fund
management**

Strategic asset allocation (SAA)

Objective

Determining and defining risk profile and resultant asset mix of fund

Focus

Long term
“Big Picture”

Approach

- Risk / reward trade off between assets and liabilities using Stochastic modeling / deterministic scenarios to assess short and long term positions
- Balancing PRE, Life Fund strength, Economic and Regulatory Capital with shareholder returns

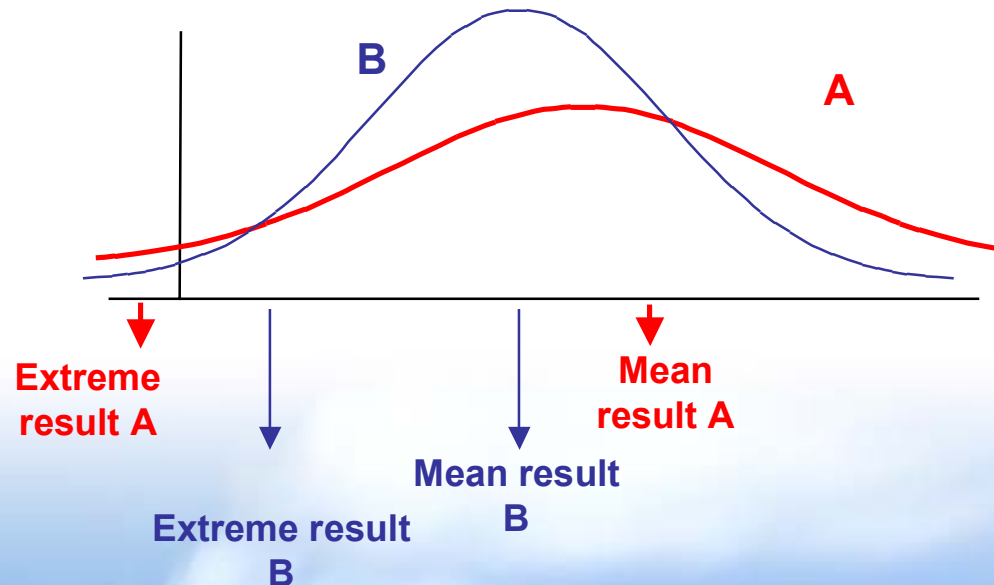
Strategic asset allocation (SAA)

Objective

Determining and defining risk profile and resultant asset mix of fund

Example of
stochastic
modelling

Distribution of shareholder value for strategies A and B



Strategy A is more attractive with a higher mean and lower extreme measure of shareholder value

Strategic asset allocation (SAA)

Objective

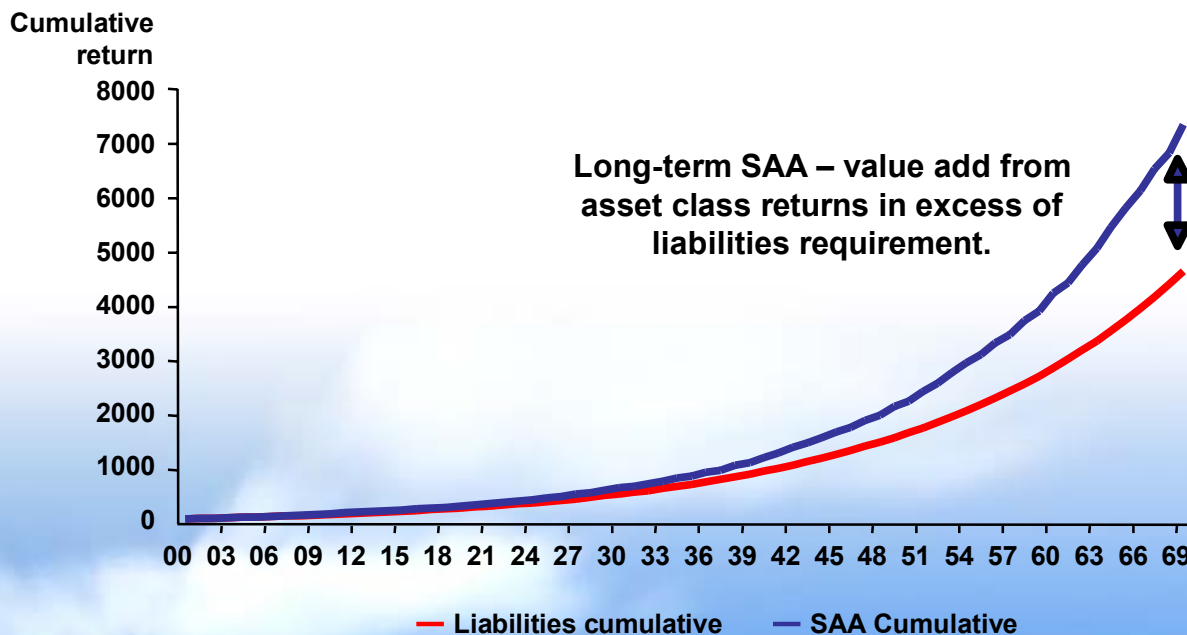
Determining and defining risk profile and resultant asset mix of fund

Focus

Long term
“Big Picture”

Desired results

SAATAA and IMF performance contribution



Tactical asset allocation (TAA)

Objective

Medium-term adjustments to “pure” SAA within a risk controlled framework allowing for asset mis-pricing

Focus

Asset mis-pricing
Medium term

Approach

- Extreme valuation signals on asset pricing eg substantial deviations from equilibrium
- Balancing PRE, Life Fund strength, Economic and Regulatory Capital with shareholder returns

Tactical asset allocation (TAA)

Objective

Medium-term adjustments to “pure” SAA within a *risk controlled* framework allowing for asset mis-pricing

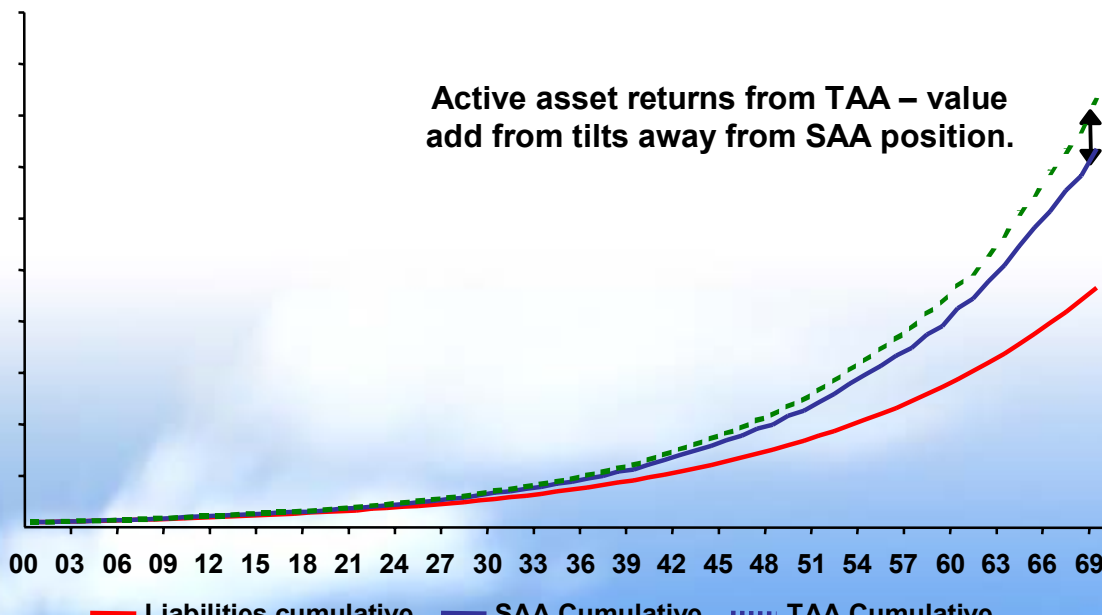
Focus

Asset mis-pricing
“Medium term”

Desired results

SAA / TAA and IMF performance contribution

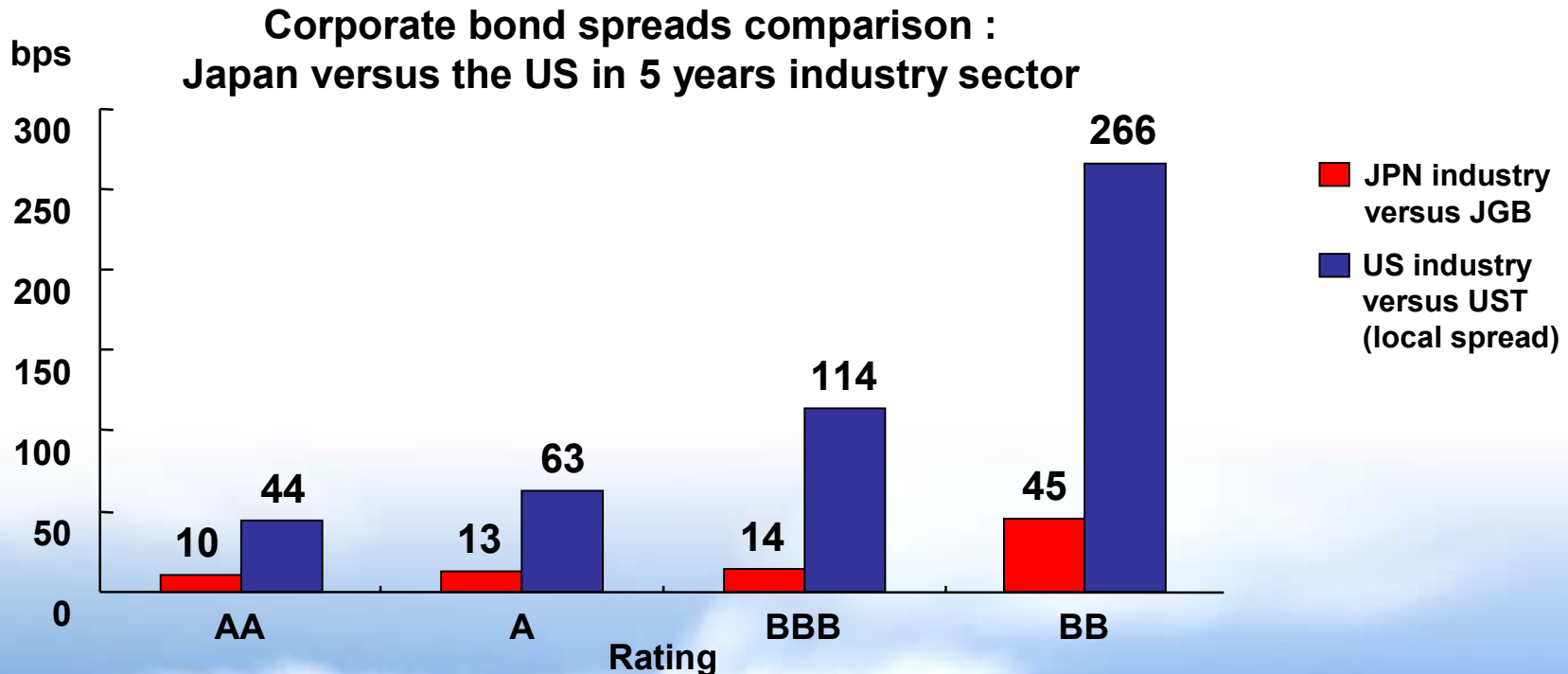
Cumulative
return



TAA : Example : US Fixed Income for Prudential Corporation Asia funds

Rationale for TAA into US credits out of domestic bonds

- US credit risk premiums more attractive than Asian local markets
- Deeper and wider US credit markets offer diversification benefits
- Deregulation in several countries allowed life funds to invest up to 30% offshore



20-25% of AUM for several of the Asian life funds was allocated to FX hedged US corporate bonds with the fund management outsourced to PPMA in Chicago

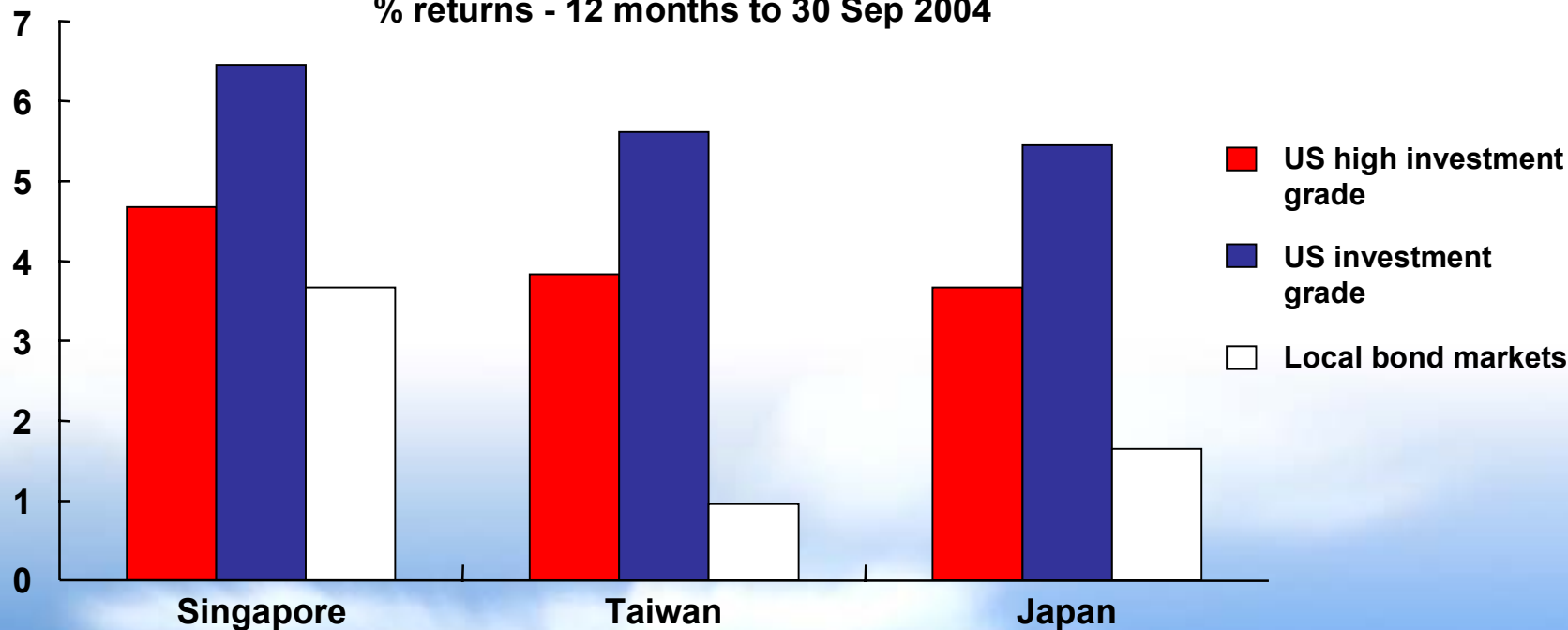
TAA . Example . US Fixed Income for Prudential Corporation Asia funds

£ 12mn of value added over past 12 months

- TAA into Hedged US credit out of domestic bonds in several countries added excess returns to funds as US credit markets outperformed domestic bond markets resulting in £ 12 million of value add

Hedged US corp bond versus Asian local bond market returns

% returns - 12 months to 30 Sep 2004

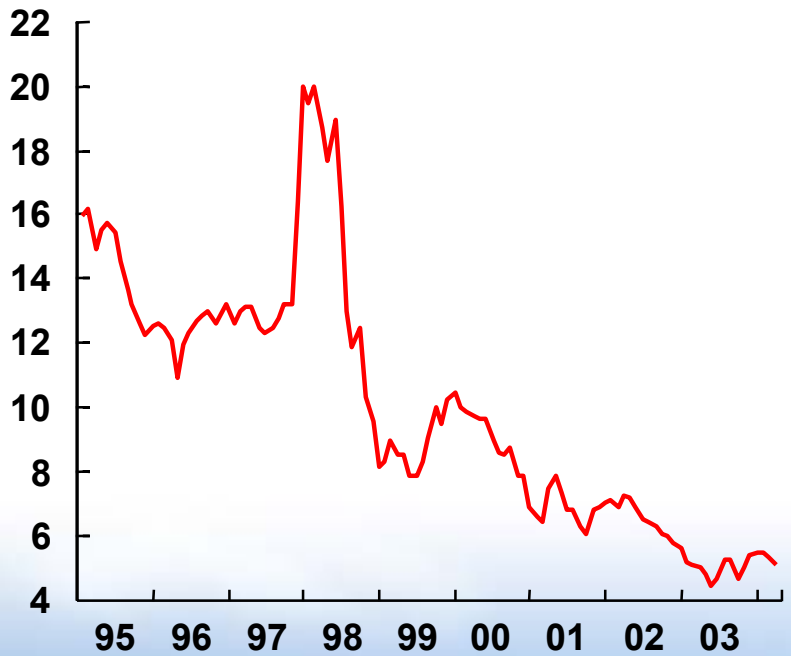


TAA : Korean example

The Korean bond market remains expensive from a medium term valuation perspective

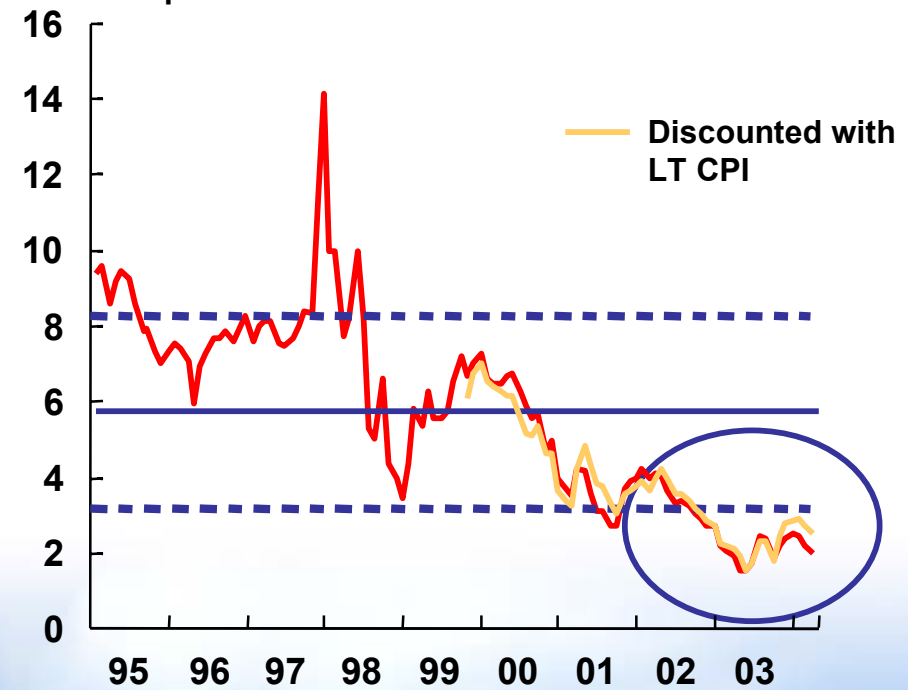
Actual yields

Yield on 10 Year Government Bonds



Valuation Measure

Required Return on 10 Year Government Bonds

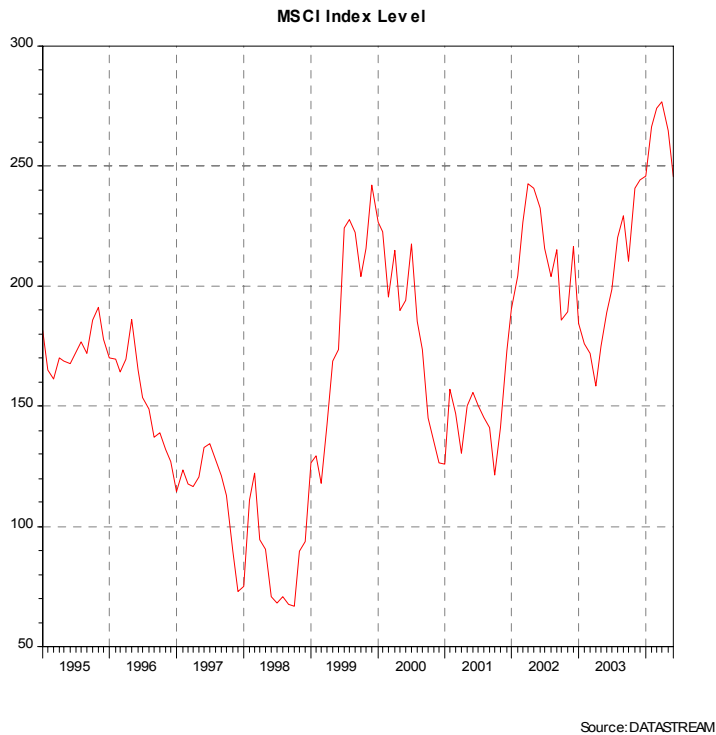


- The SAA duration for the Korean life fund was 6yrs
- As a result of this extreme pricing anomaly we reduced the duration on the fund by 1 y to 5yr, to try to take advantage of a rise in yields back towards equilibrium

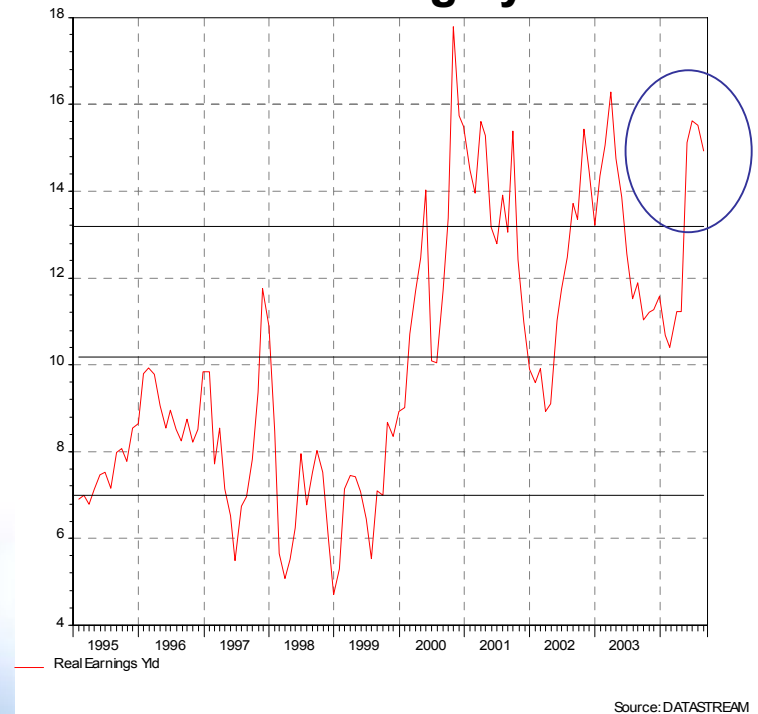
TAA : Korean example

Despite a strong run , Korean equities appear cheap as earnings have risen faster than prices

MSCI index level



Valuation measure : Real earnings yield



As a result of this extreme pricing anomaly we added a 5% allocation to Korean equities to the Korean Life fund which has an SAA position of 100% fixed income

Fund management

Objective

Asset tilts within portfolios and stock selection within asset classes, *without changing the overall risk profile of the fund*

Focus

- **Investment views**
- **Benchmark and risk tolerance in IMA**
- **Asset mis-pricing**
- **Medium / shorter term**

Approach

- **Regional functional reporting ensures process and risk management consistency**
- **Clear Investment Management Agreements with risk management parameters (credit, concentration etc) and compliance aspects**
- **Performance Related Fees aligned with strategic asset allocation where possible**

Fund management

Objective

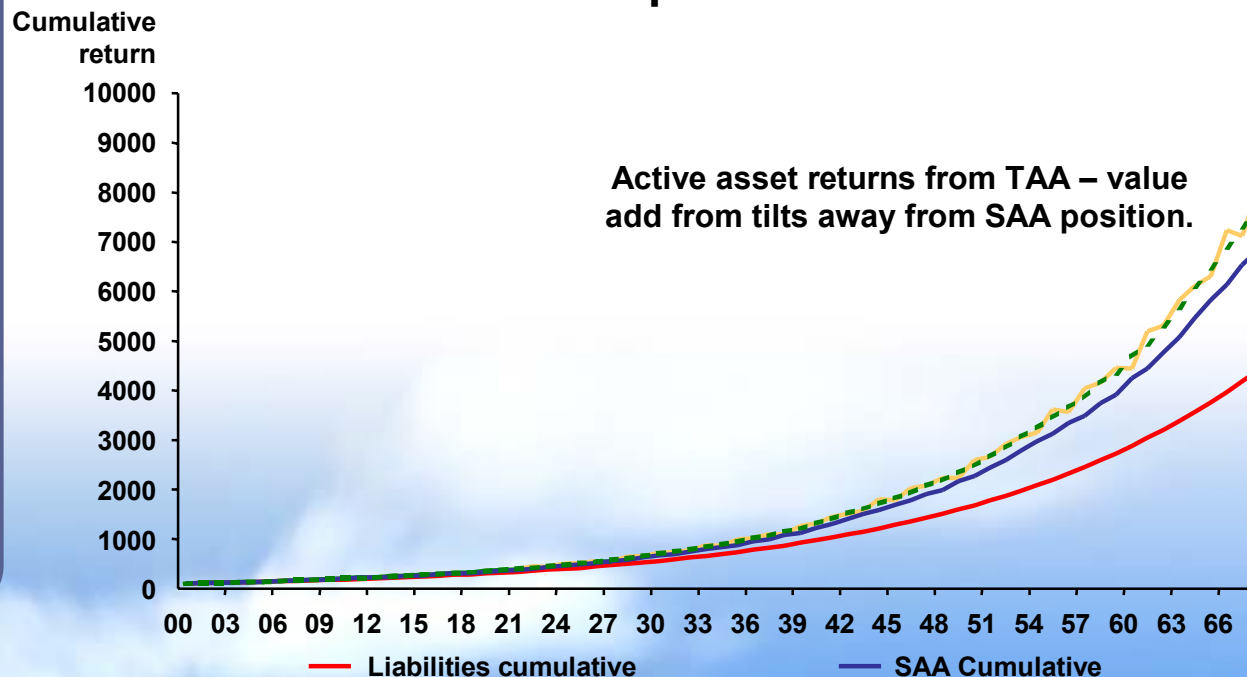
Asset tilts within portfolios and stock selection within asset classes, *without changing the overall risk profile of the fund*

Focus

- Investment views
- Benchmark and risk tolerance in IMA
- Asset mis-pricing
- Medium / shorter term

Desired results

SAA / TAA and IMF performance contribution



Fund management

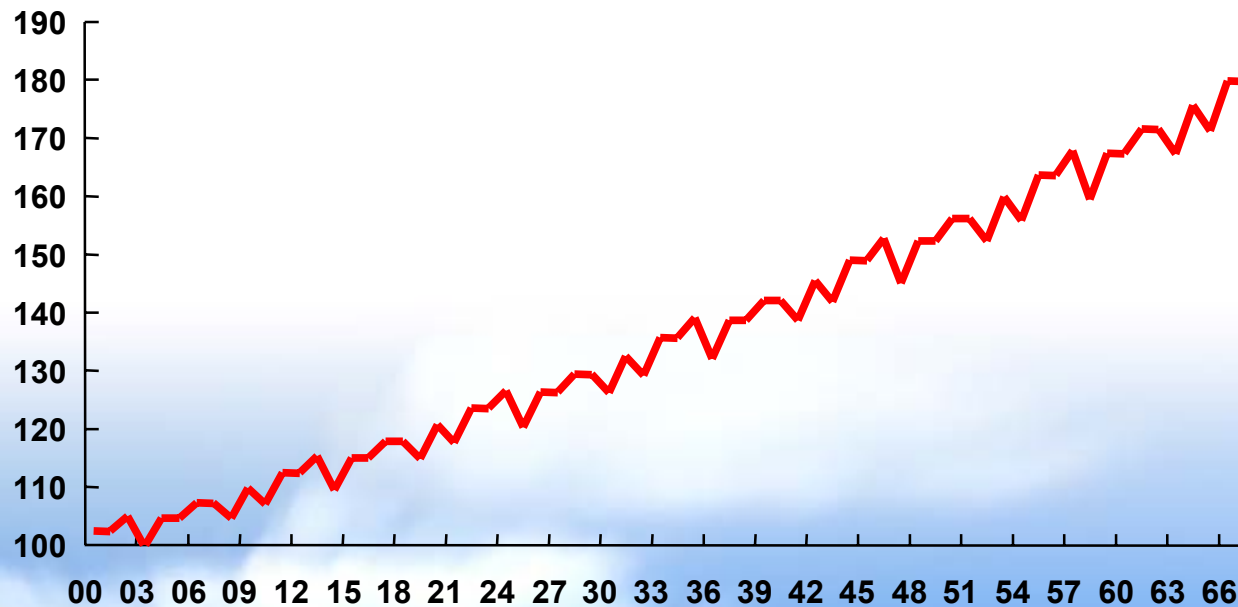
Objective

Asset tilts within portfolios and stock selection within asset classes, *without changing the overall risk profile of the fund*

Small annual contribution cumulative impact can be large

Fund management performance contribution

Cumulative return



— Fund management contribution

Fund management

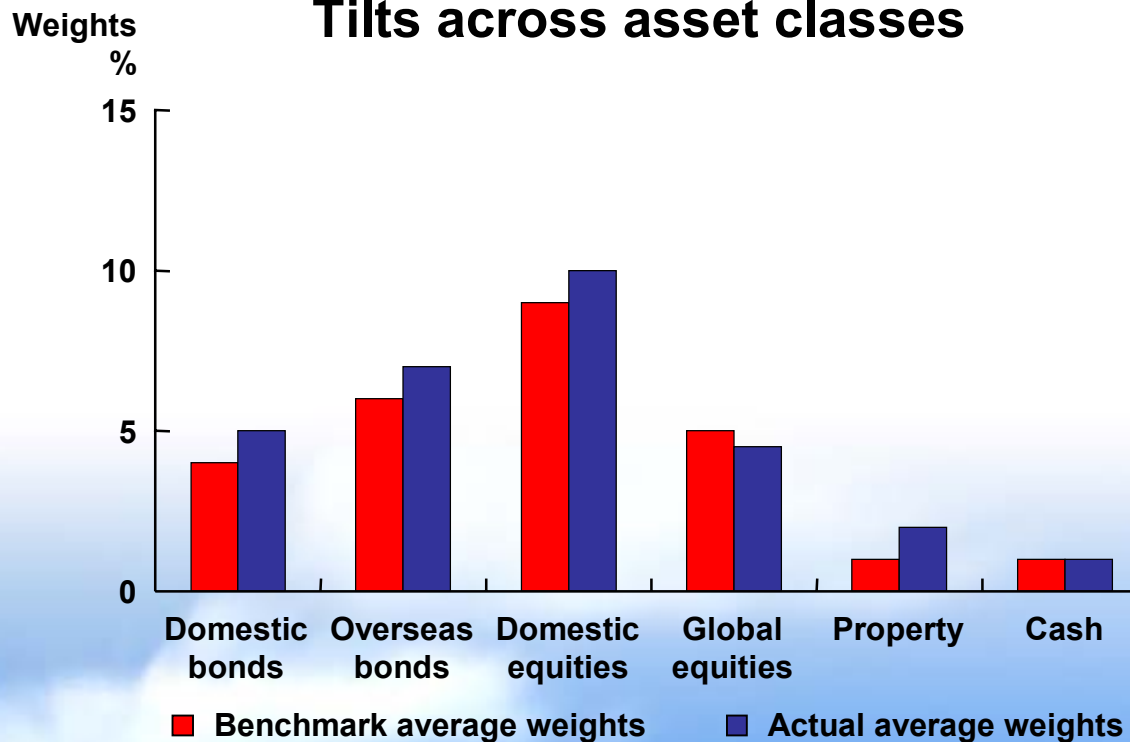
Objective

Asset tilts within portfolios and stock selection within asset classes, *without changing the overall risk profile of the fund*

Focus

- Investment views
- Benchmark and risk tolerance in IMA
- Asset mis-pricing
- Medium / shorter term

Tilts across asset classes



Fund management

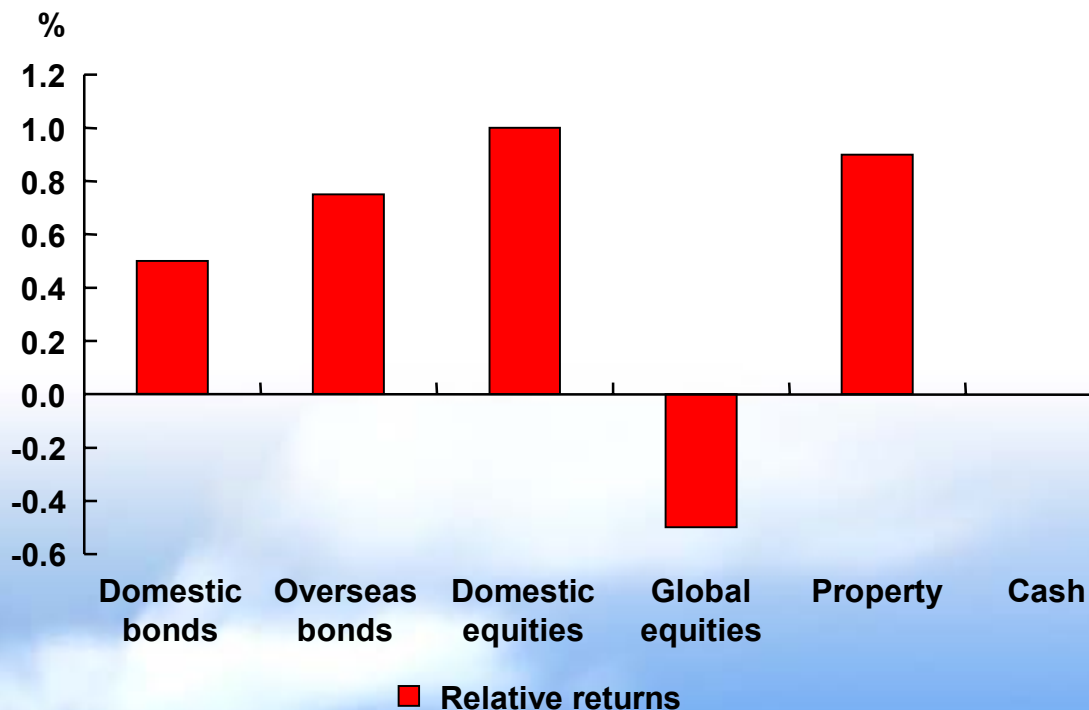
Objective

Asset tilts within portfolios and stock selection within asset classes, *without changing the overall risk profile of the fund*

Focus

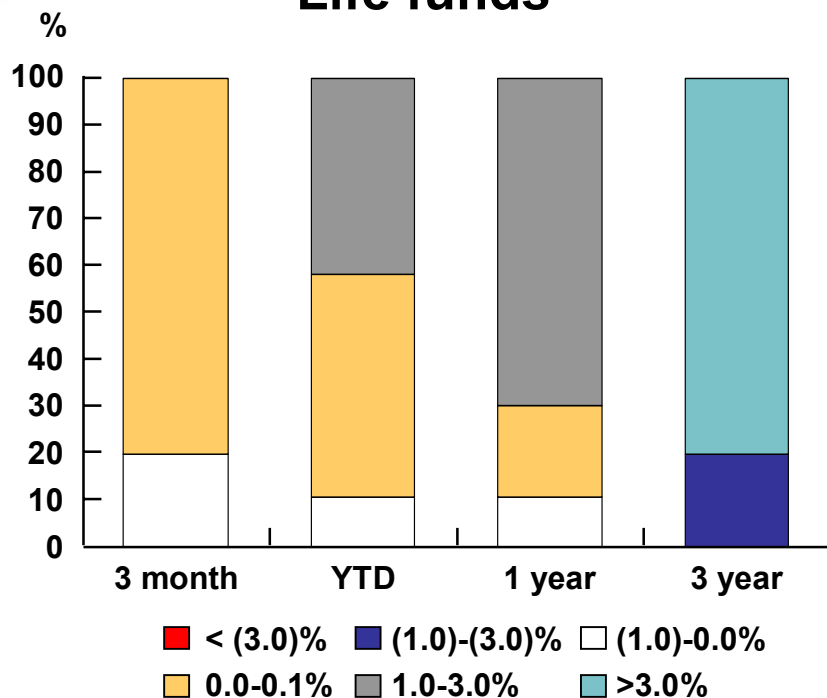
- Investment views
- Benchmark and risk tolerance in IMA
- Asset mis-pricing
- Medium / shorter term

Stock selection within asset classes

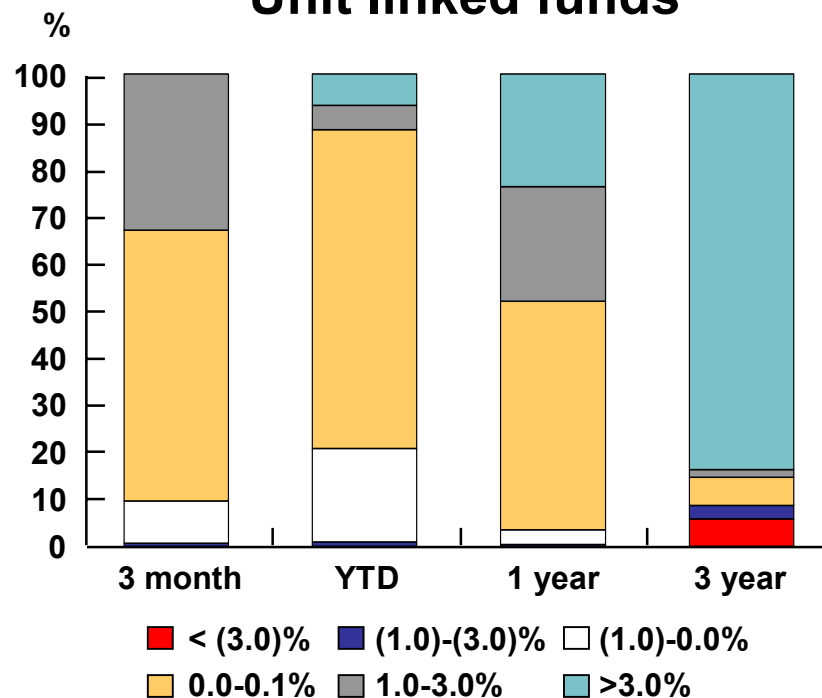


Investment performance

Life funds







Unit linked funds



Source of funds	No of funds	FUM (£ m)
Singapore Life	1	1,318
HK Life	2	1,222
Japan Life	1	622
Total	4	3,161

Source of funds	No of funds	FUM (£ m)
Indonesia	5	146
Singapore	10	1,102
Malaysia	6	144
Philippines	3	9
Total	24	1,401

Added significant value to our life companies' funds

	Clients	Value added last 3 years (£ million)
	Singapore Life	49
	Hong Kong Life	43
	Malaysia Life*	23
	United Kingdom Life	127
Total		242

Governance and controls

**Strategic asset
allocation (SAA)**

Long-term allocation among
different asset classes

**Tactical asset
allocation (TAA)**

Medium-term adjustments to
“pure” SAA within a risk
controlled framework

**SAA Steering
Committee**

**TAA Steering
Committee**

Local Investment Committee

**Two green lights
required**





Summary : Investment management of life assets

A strong competitive advantage in asset management

- **Large and complex funds, but managed by strong and effective architecture**
- **Leveraging Prudential's experience in the UK**
- **Rigorous and consistent approach applying specialist knowledge and experience**
- **Scale and depth of fund management capabilities**
- **Strong track record of delivering consistent risk controlled out-performance**





問與答

Câu Hỏi và
Trả Lời

질문 & 답변

Q & A

Tanong
at sagot

Tanya
& Jawab

質問および回答

問與答

प्रश्न और जवाब



Prudential Seizing the Opportunity



PRUDENTIAL
英國保誠集團

機會
Peluang
機會
Opportunity
oportunitiad