



**Prudential:  
Leading in Asia**

# **South East Asia Next phase of profitable growth**



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**Prudential Corporation Asia**  
1 December 2006



# Prudential: 4 South East Asian markets at a glance



## Malaysia

**Established : 1924**  
**Population : 22 m**  
**Penetration : 39%\* / 3.5%\*\***  
**Mkt share<sup>1</sup> : 18%**  
**Pru Ranking: # 2**



## Singapore

**Established : 1931**  
**Population : 4 m**  
**Penetration : 71%\* / 6.0%\*\***  
**Mkt share<sup>1</sup> : 21%**  
**Pru Ranking: # 1**



## Indonesia

**Established : 1995**  
**Population : 240 m**  
**Penetration : 4%\* / 0.6%\*\***  
**Mkt share<sup>1</sup> : 11%**  
**Pru Ranking: # 1**



## Philippines

**Established : 1996**  
**Population : 80 m**  
**Penetration : 6%\* / 0.9%\*\***  
**Mkt share<sup>1</sup> : 7%**  
**Pru Ranking : # 5**

\* Policies in-force as % total of population

\*\* Policies in-force as % total of GDP

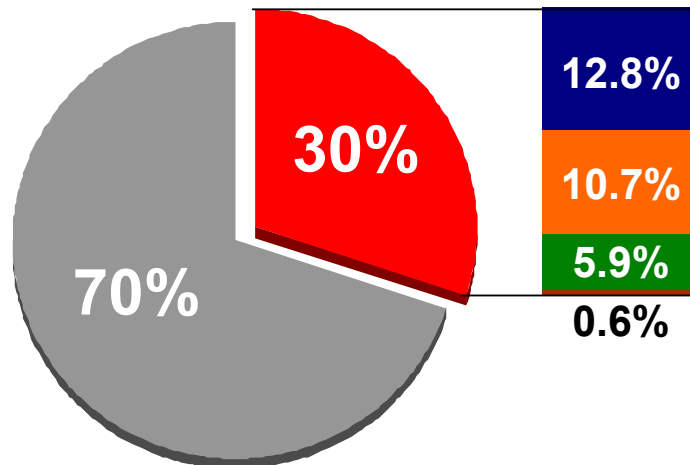
<sup>1</sup> Prudential's new business market share in terms of NB Annualized Premium Equivalent (APE) as at 2005



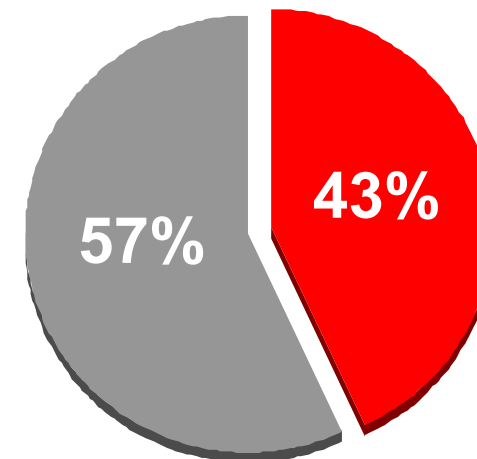
# Prudential South East Asia : APE and NBP overview

South East Asia contributed 30% of Prudential Asia's APE but 43% of NBP in 2005

### 2005 Prudential Asia APE



### 2005 Prudential Asia NBP





# Malaysia Market : Highlights



## Overview

- Low insurance penetration in Malay segment of population
- Government keen to position as Islamic financial services hub

## Regulatory

- Change in regulatory structure to drive growth and move towards more principle based regulations
- Risk based capital expected in 2008
- New financial advisers act passed in 2005 to encourage development of IFA channel

## Product and distribution channels

- Big shift from traditional PAR products to investment-linked in anticipation of possible higher RBC on traditional products
- Takaful yet to take off. New licences issued in 2006 to inject more competition into this area and grow the market
- AP products sold mainly via tied-agency, banks focus mainly on deposit replacement SP products
- Tied-agency dominates (80% of 2005 APE)



# Prudential Malaysia : Relative product and channel position

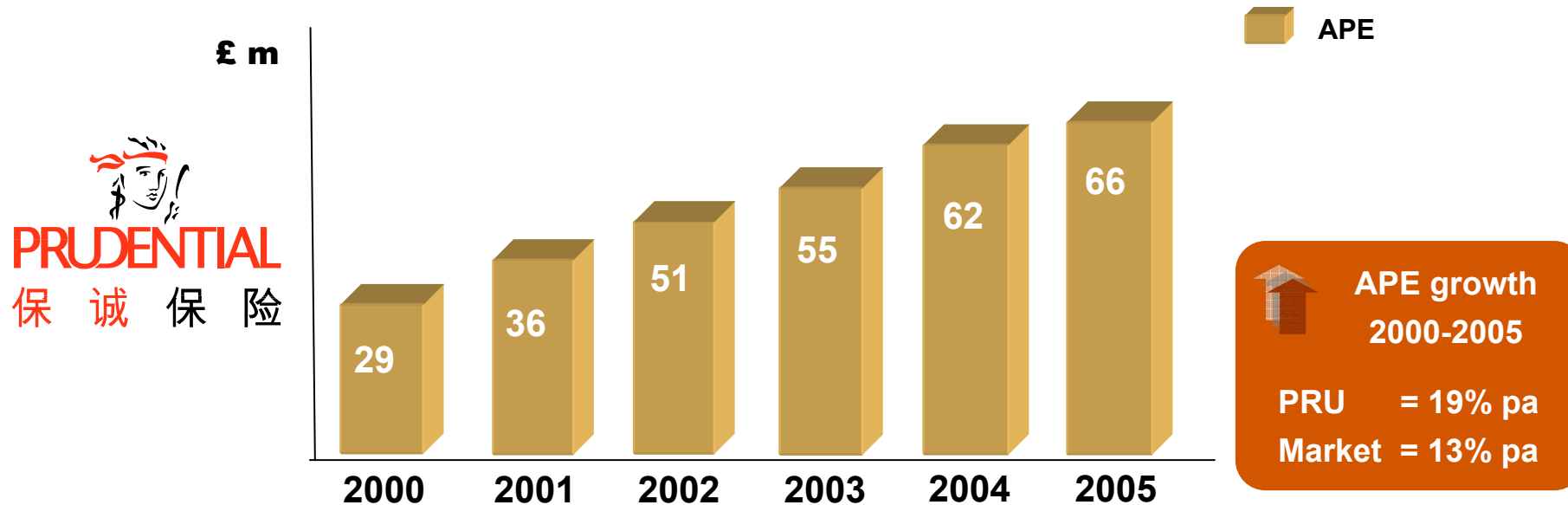
|                      | Composition   |          | Comment   |
|----------------------|---------------|----------|---|
| Products             | % NB from ILP |          | <ul style="list-style-type: none"> <li>Prudential is ahead in ILP sales</li> <li>Agents have accepted lower commission on ILP vs trad plans</li> </ul>  |
|                      | Prudential    | 94%      |   |
|                      | Market*       | 45%      |   |
|                      | % AP          | % SP     | <ul style="list-style-type: none"> <li>Prudential focuses on higher profitability AP sales with close to 7 riders on average per policy</li> <li>SP products in the market are mainly deposit replacement with very low margin</li> </ul> |
|                      | Prudential    | 99%      |   |
|                      | Market*       | 88%      | 12%   |
| Distribution Channel | % Agency      | % Others | <ul style="list-style-type: none"> <li>Agency is the dominant distribution in Prudential</li> <li>Foreign insurers are restricted to one bank partnership and this constrains bancassurance growth in Prudential</li> </ul>               |
|                      | Prudential    | 98%      |   |
|                      | Market*       | 85%      | 15%   |

\*From LIAM statistics 2005, Group business excluded



# Prudential Malaysia : APE sales – 5 year view

PRU has outgrown the market through success in transforming agent productivity



Market position

2nd 2nd 2nd 2nd 2nd 2nd

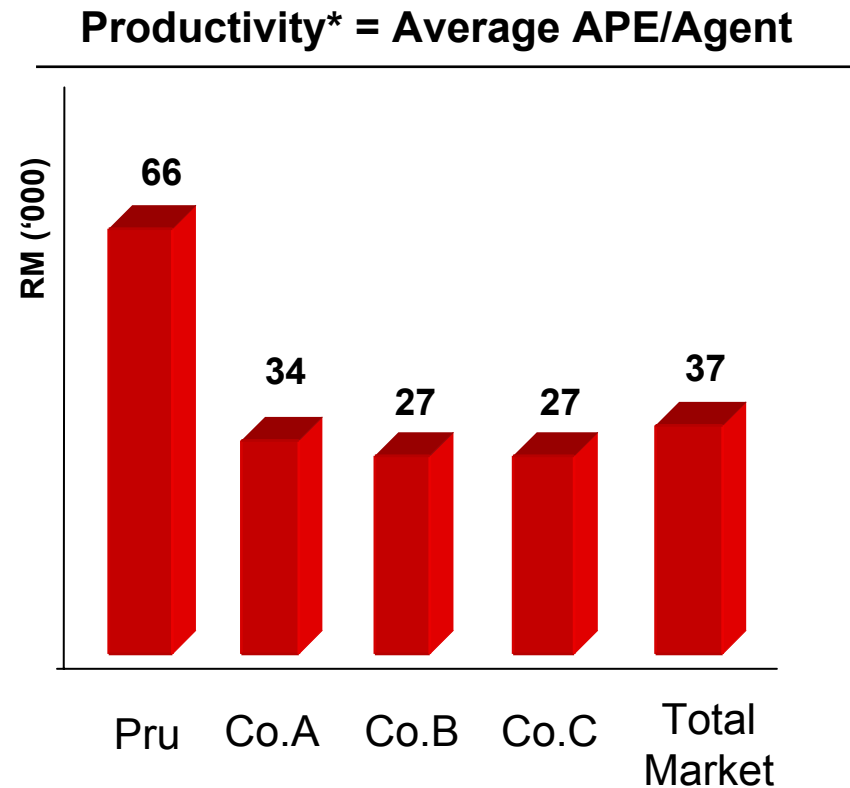
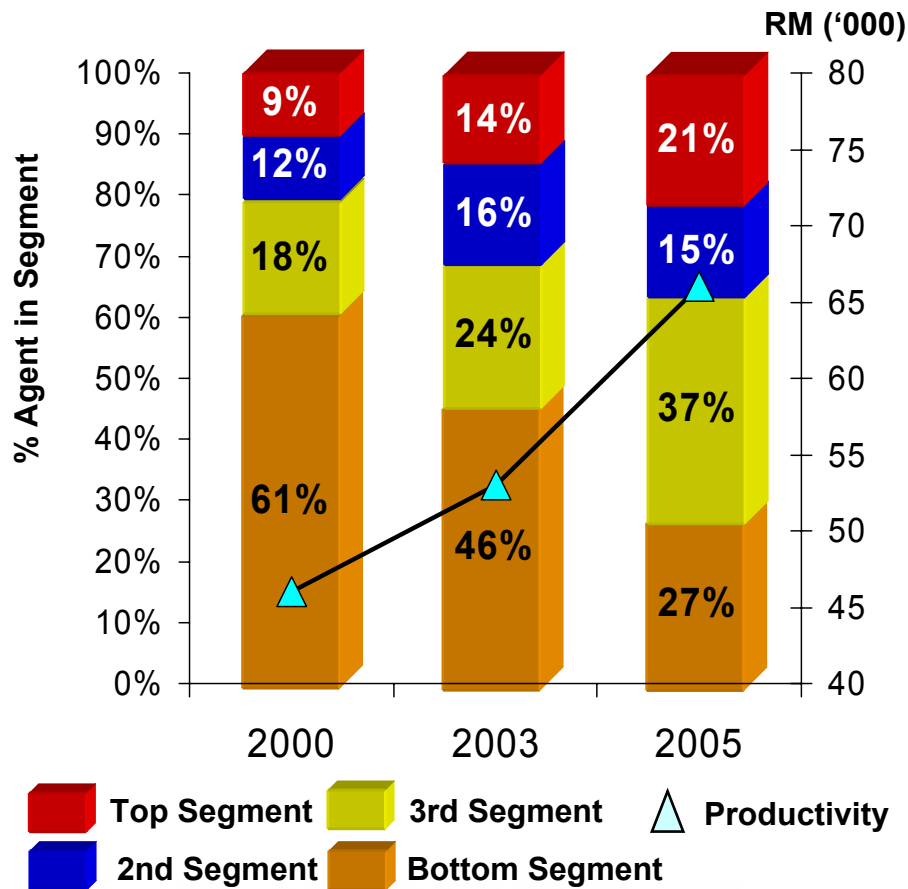
Market share

14% 15% 18% 16% 18% 18%



# Prudential Malaysia : Agency distribution

Agency Segmentation Strategy has ensured healthy growth of top 2 tiers of productive agents. Prudential agent productivity is twice market average



\* Derived from LIAM statistics 2005



# Prudential Malaysia : Partnership distribution

Building scale in non-agency distribution via relationships of Prudential BSN Takaful, local JV with fewer regulatory restrictions

## PRUDENTIAL BSN TAKAFUL



| Customer base | # branches |
|---------------|------------|
| 7,000,000     | 382        |
| 500,000       | 33         |



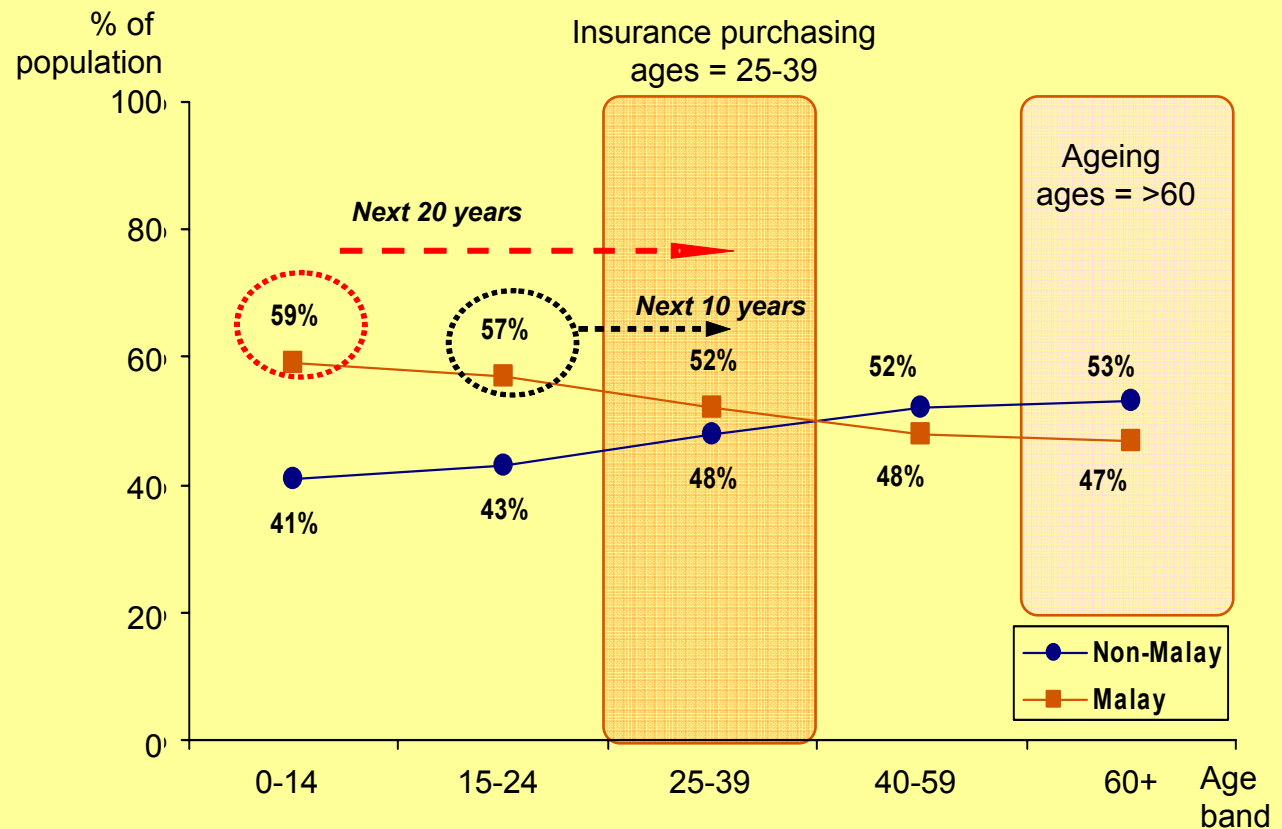


# Prudential Malaysia : Opportunities



## Demographics

- Over next 10-20 years, Malays will become main purchasers of insurance
- Increasing percentage of non-Malays in higher age groups (>40), indicates an ageing non-Malay population



| % of Popn  | 1970 | 1990 | 2005 |
|------------|------|------|------|
| Malays     | 45%  | 47%  | 55%  |
| Non-Malays | 55%  | 53%  | 45%  |



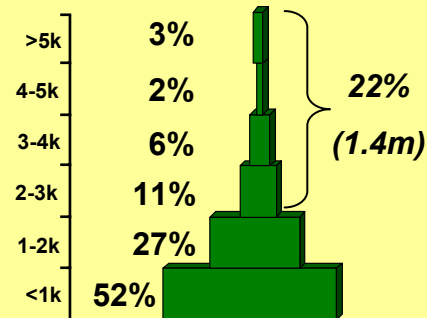
# Prudential Malaysia : Opportunities



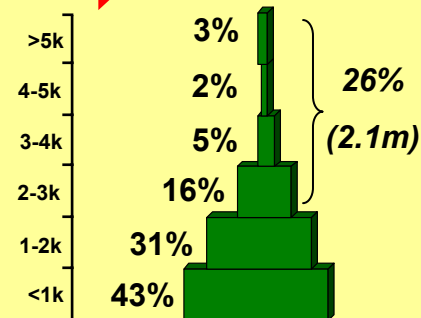
## Demographics (*continued...*)

- Growing affluence of Malays
- # of Malays earning > RM2,000/month (who can afford insurance) rapidly increasing

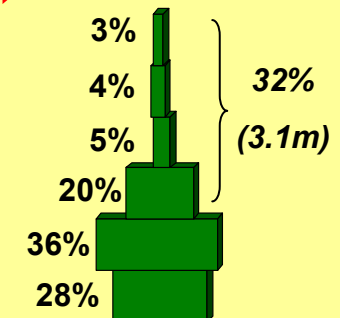
### Malays 1998



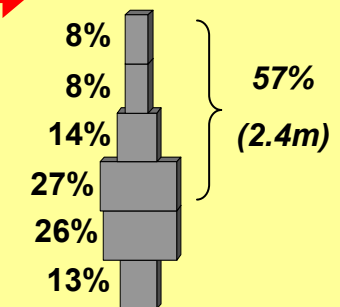
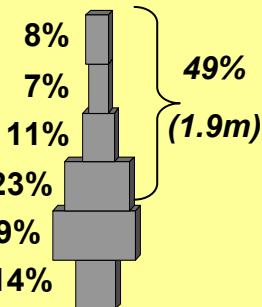
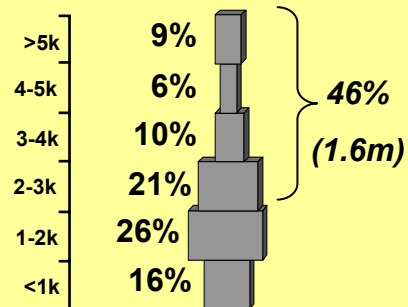
### 2004



### 2010 F



### Chinese





# Prudential Malaysia : Going forward

## Core Strategic Areas

### Products

#### **Takaful**

Expand range of Takaful products for Malay customers

#### **Retirement**

Leverage Prudential Group's expertise to develop a strategy covering branding, marketing and design of pension products for non-Malay customers

#### **Product Strategy**

Diversify product range to reduce reliance on ILP

### Distribution Channel

#### **Agency**

Accelerate recruitment of Malay agents to market Takaful products. Continue agency segmentation strategy to drive productivity

#### **Bancatakaful**

Build successful banking distribution with BSN, JV partner for Takaful





# Singapore Market : Highlights



## Overview

- Developed insurance market
- Rich economy: one of the highest per capita GDP in world
- Many people are underinsured despite 71% penetration

## Regulatory

- Ageing population - government wants to develop pensions and elderly medical market to close the gap between CPF funds and the real cost of retirement

## Product and distribution channels

- Both traditional PAR and investment-linked (ILP); former is more popular due to customer preference for guarantees.
- Single Premium market fairly significant but sales are mainly driven by CPF and deposit replacement bancassurance products
- Tied-agency still dominates (71% of 2005 APE), 5% IFA, remaining coming mainly from bancassurance



# Prudential Singapore : Relative product and channel position

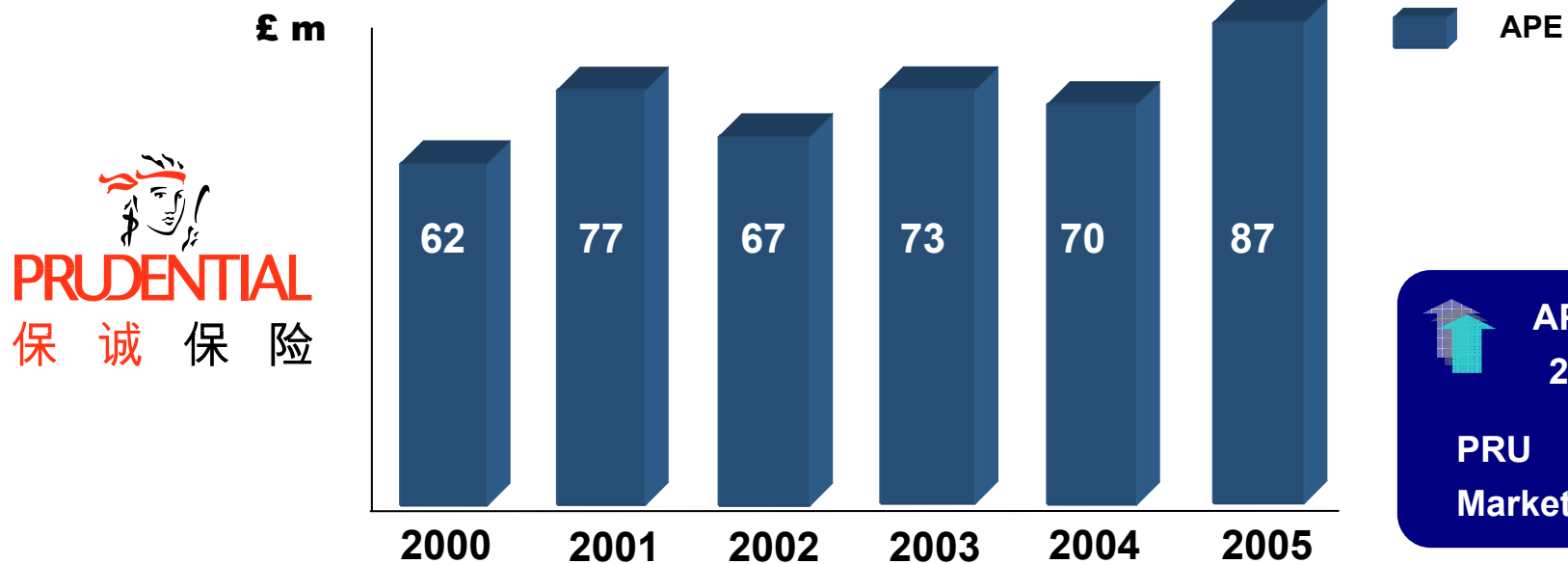
|                             | Composition          |                 | Comment   |
|-----------------------------|----------------------|-----------------|---|
| <b>Products</b>             | <b>% NB from ILP</b> |                 | <ul style="list-style-type: none"> <li>Prudential is ahead in more profitable and capital efficient ILP sales</li> </ul>  |
|                             | <b>Prudential</b>    | <b>58%</b>      |   |
|                             | <b>Market*</b>       | <b>35%</b>      |   |
| <b>Products</b>             | <b>% AP</b>          | <b>% SP</b>     | <ul style="list-style-type: none"> <li>Prudential sell more AP products with higher insurance protection</li> </ul>   |
|                             | <b>Prudential</b>    | <b>67%</b>      |   |
|                             | <b>Market*</b>       | <b>60%</b>      | <b>40%</b>  |
| <b>Distribution Channel</b> | <b>% Agency</b>      | <b>% Others</b> | <ul style="list-style-type: none"> <li>Prudential's success in agency continues to make this our dominant sales channel</li> <li>Bancassurance dominated by 2 banks who control 70% of sales</li> </ul> |
|                             | <b>Prudential</b>    | <b>88%</b>      |   |
|                             | <b>Market*</b>       | <b>71%</b>      | <b>29%</b>  |
|                             | <b># Agents</b>      |                 |   |
|                             | <b>Prudential</b>    | <b>3,300</b>    |   |
|                             | <b>Market*</b>       | <b>12,800</b>   |   |

\* From LIA statistics 2005



# Prudential Singapore : APE Sales – 5 year view

With 24% growth, Prudential Singapore has outgrown the market to reach #1 position in 2005



**APE growth 2000-2005**  
 PRU = 9% pa  
 Market = 7% pa

Market position  
Market share

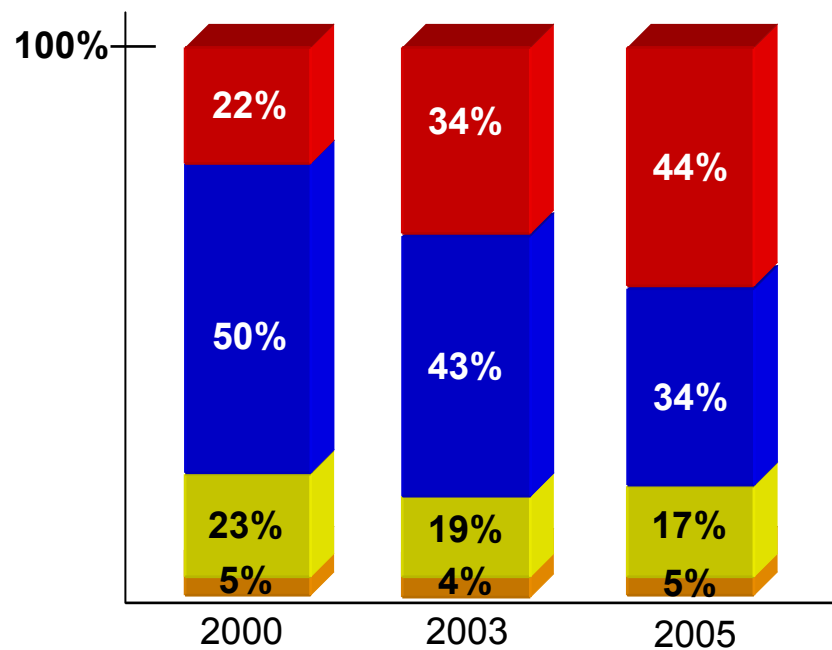
|     |     |     |     |     |     |
|-----|-----|-----|-----|-----|-----|
| 2nd | 3rd | 2nd | 2nd | 2nd | 1st |
| 19% | 18% | 18% | 20% | 17% | 21% |



# Prudential Singapore : Agency distribution

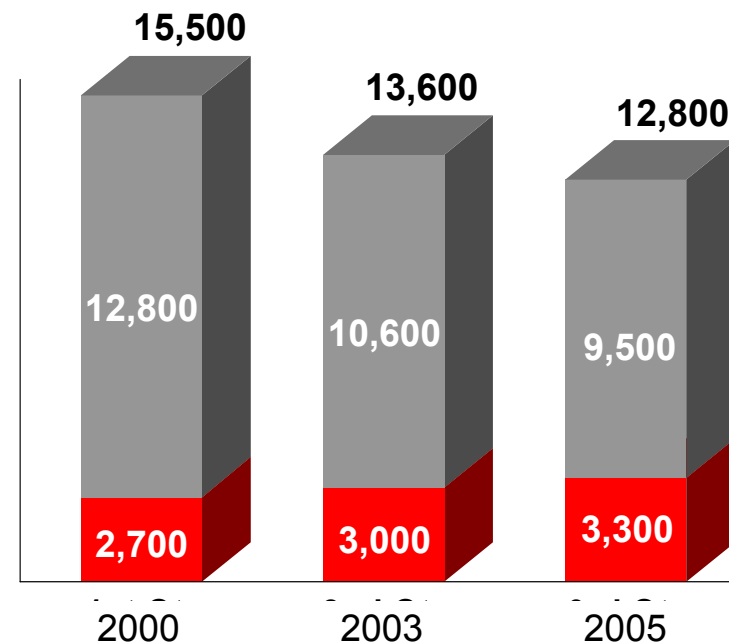
Prudential Singapore continues to rejuvenate its agency force with younger agents, against a declining pool

### Distribution of Agents by Age



20-29 30-39 40-49 50+

### Total agents\* in market



Other Prudential

\* Rounded to nearest 100



# Prudential Singapore : Partnership distribution

Prudential Singapore has exclusive partnerships with Singapore Post, Standard Chartered and Maybank



| # branches | # branches with Pru staff |
|------------|---------------------------|
| 34         | 21                        |
| 20         | 20                        |
| 22         | 22                        |



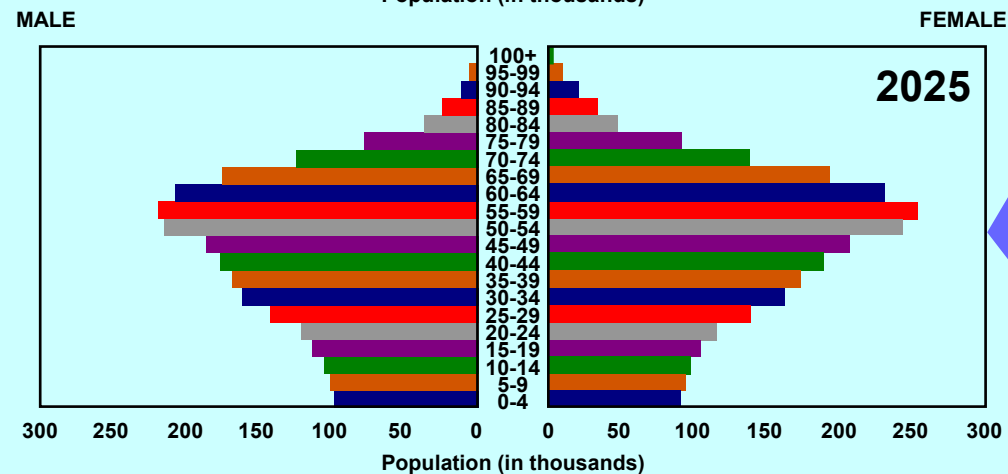
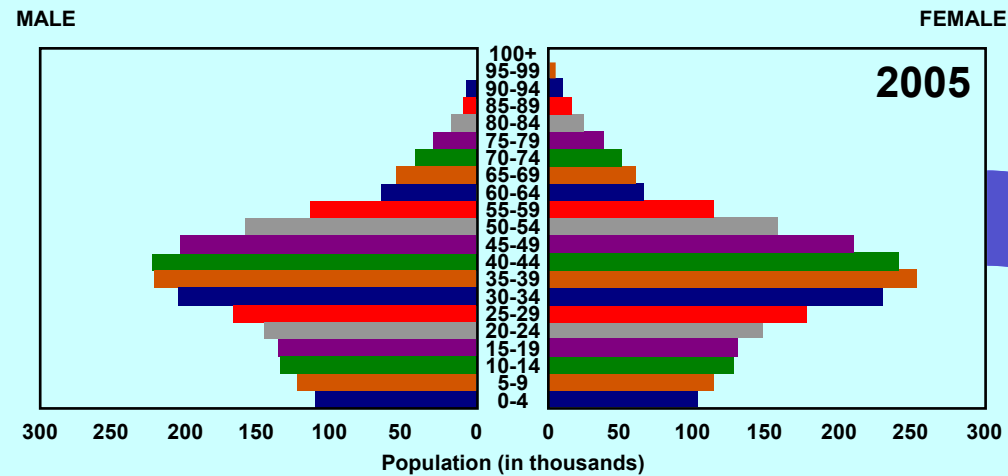


# Prudential Singapore : Opportunities



## Demographics

- Despite inflow of foreign talent (middle/middle-upper class), population continues to age due to low fertility rate (TFR\* = 1.2)



Population > Aged 60+

| Year | %   |
|------|-----|
| 2005 | 11% |
| 2025 | 28% |

\* Source : U.S Census Bureau

\*\* TFR = Total fertility rate = # of child a woman is expected to give birth to in her fertile life



# Prudential Singapore : Going forward

## Core Strategic Areas

### Products

#### Retirement

Leverage Prudential Group's expertise to develop a strategy covering branding, marketing and design of pension products

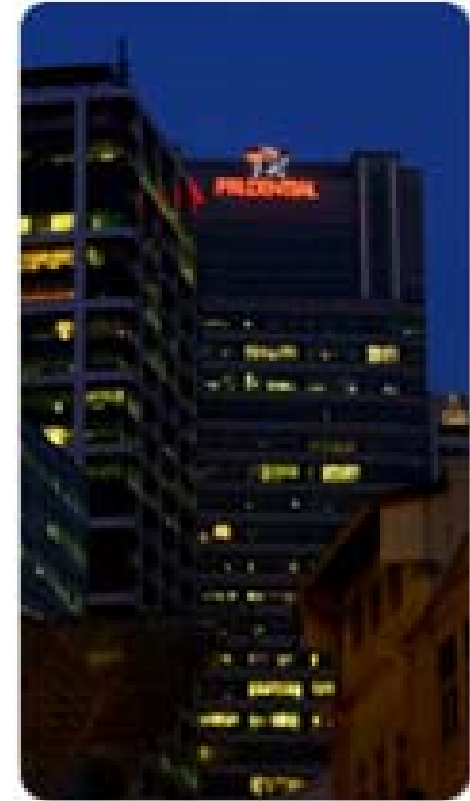
### Distribution Channel

#### Agency Distribution

Maintain recruitment activity to attract young agents who relate to new entrants in job market

#### Partnership Distribution

Deepen relationship and customer penetration with existing partners





# Philippines Market : Highlights



## Overview

- Low insurance penetration rate reflects high levels of poverty
- 35 companies competing in relatively small market

## Demographic

- Majority of population with low income level (below C)

| Peso ('000)            | AB   | C     | D     | E     |
|------------------------|------|-------|-------|-------|
| Household* Mthly Inc   | >50  | >15   | >6    | <6    |
| % of population        | 1.4% | 7.3%  | 54.4% | 36.9% |
| # Households* ('000) ≈ | 200  | 1,000 | 8,300 | 5,600 |

\*Avg 5 person per household

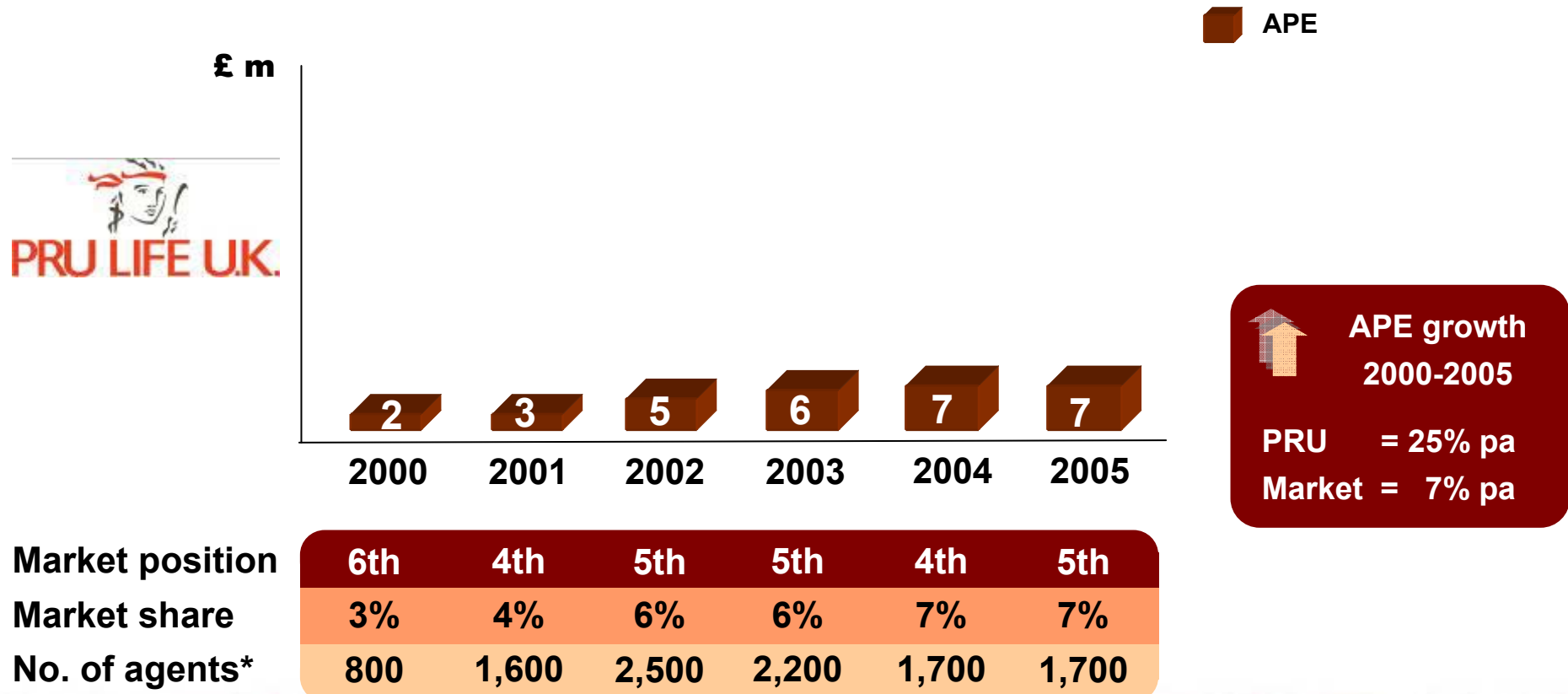
## Core Strategic Areas

- Prudential selling mainly to AB market
- Expand by designing products with lower premium suitable for C market
- Quickly scale up and increase agency numbers



# Prudential Philippines : APE sales – 5 year view

Prudential Philippines has demonstrated steady growth from AB customer segment



\* Rounded to nearest 100



# Indonesia Market : Highlights



## Overview

- Low insurance penetration rate offers great potential for growth
- Macroeconomic outlook is favourable

## Regulatory

- Increasing regulation expected following merger of Securities Commission and Insurance Bureau

## Product and distribution channels

- Industry growth driven by linked business (40% of total 2005 market APE) and growth of agents
- Agency dominates (88% of 2005 APE)

## Demographic

- Higher proportion of life insurance bought by higher earning Chinese Indonesians who are a smaller percentage of the population. Vast potential in the wider population



# Prudential Indonesia: Relative product and channel position

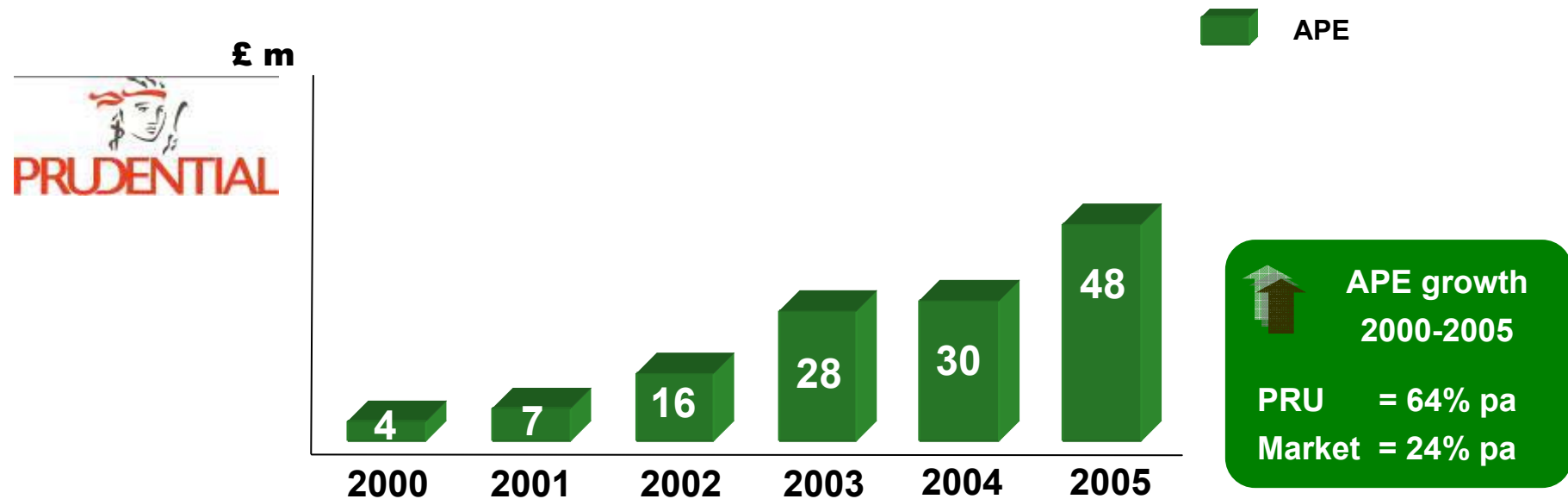
|                      | Composition   |               | Comment  |               |            |            |        |     |  |     |     |   |
|----------------------|---|---------------|----------|---------------|------------|------------|--------|-----|--|-----|-----|---|
| Products             | <table border="1"> <thead> <tr> <th></th> <th>% NB from ILP</th> </tr> </thead> <tbody> <tr> <td>Prudential</td> <td>99%</td> </tr> <tr> <td>Market</td> <td>40%</td> </tr> </tbody> </table>                                       |               |          | % NB from ILP | Prudential | 99%        | Market | 40% | <ul style="list-style-type: none"> <li>Prudential is market leader in capital efficient and profitable ILP products</li> <li>Adapted product structure and sales methodology from Prudential Malaysia</li> </ul> |     |     |   |
|                      |   | % NB from ILP |          |               |            |            |        |     |  |     |     |   |
| Prudential           | 99%   |               |          |               |            |            |        |     |  |     |     |   |
| Market               | 40%   |               |          |               |            |            |        |     |  |     |     |   |
| Distribution Channel | <table border="1"> <thead> <tr> <th></th> <th>% AP</th> <th>% SP</th> </tr> </thead> <tbody> <tr> <td>Prudential</td> <td>91%</td> <td>9%</td> </tr> <tr> <td>Market*</td> <td>60%</td> <td>40%</td> </tr> </tbody> </table>        |               |          | % AP          | % SP       | Prudential | 91%    | 9%  | Market*  | 60% | 40% | <ul style="list-style-type: none"> <li>Prudential focuses on higher profitability AP sales with average 4-5 riders per policy</li> </ul>  |
|                      |   | % AP          | % SP     |               |            |            |        |     |  |     |     |   |
| Prudential           | 91%   | 9%            |          |               |            |            |        |     |  |     |     |   |
| Market*              | 60%   | 40%           |          |               |            |            |        |     |  |     |     |   |
| Distribution Channel | <table border="1"> <thead> <tr> <th></th> <th>% Agency</th> <th>% Others</th> </tr> </thead> <tbody> <tr> <td>Prudential</td> <td>99%</td> <td>1%</td> </tr> <tr> <td>Market</td> <td>88%</td> <td>12%</td> </tr> </tbody> </table> |               |          | % Agency      | % Others   | Prudential | 99%    | 1%  | Market   | 88% | 12% | <ul style="list-style-type: none"> <li>Agency success is built on expertise of sales managers from Malaysia and Singapore</li> <li>With no major bank partner, Prudential has low share of non-agency distribution</li> </ul> |
|                      |   | % Agency      | % Others |               |            |            |        |     |  |     |     |   |
| Prudential           | 99%   | 1%            |          |               |            |            |        |     |  |     |     |   |
| Market               | 88%   | 12%           |          |               |            |            |        |     |  |     |     |   |

\*Estimates



# Prudential Indonesia : APE sales – 5 year view

Prudential Indonesia has delivered impressive results to become the market leader



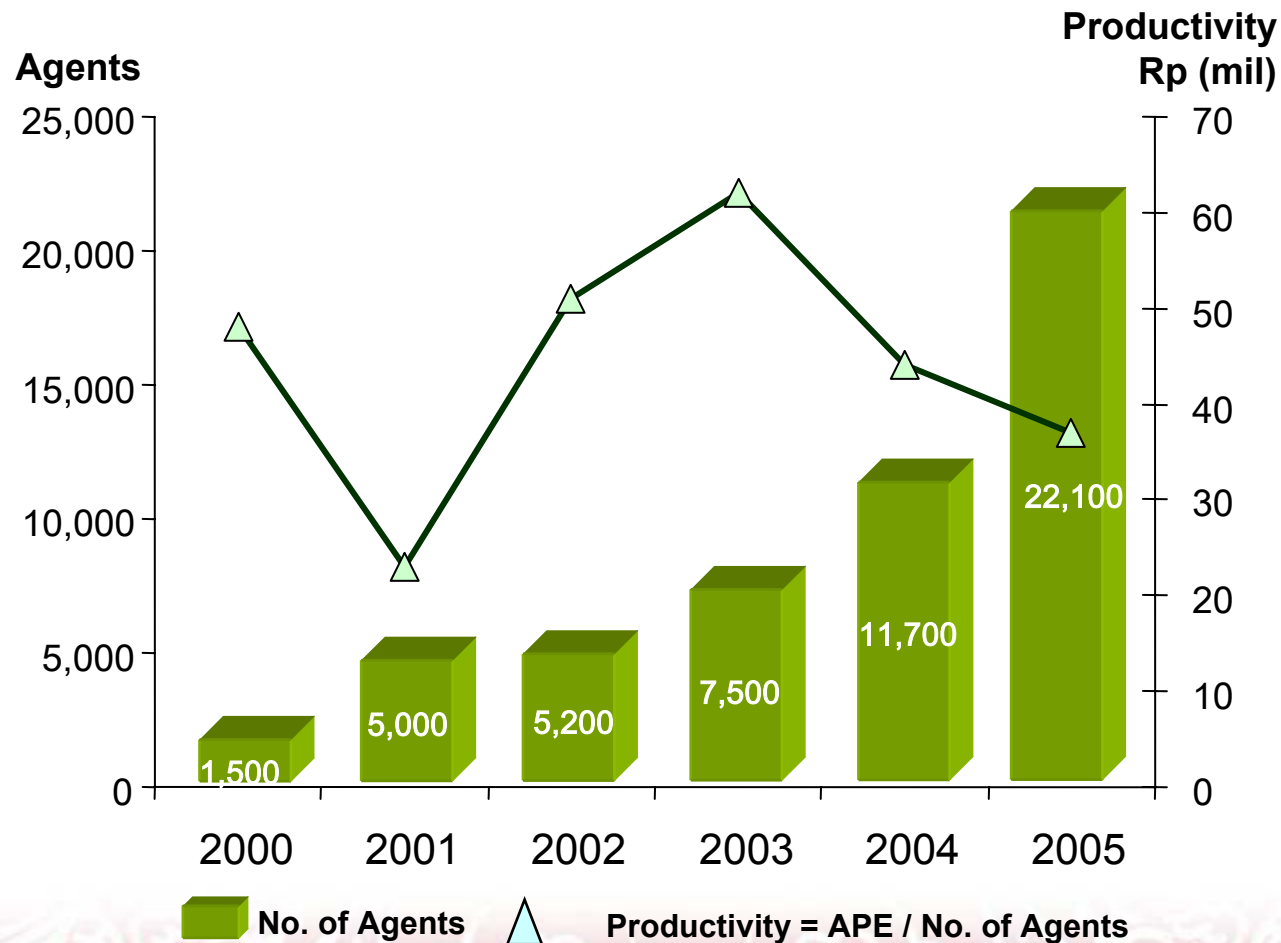
Market position  
Market share

|     |     |     |     |     |     |
|-----|-----|-----|-----|-----|-----|
| 8th | 7th | 3rd | 2nd | 4th | 1st |
| 2%  | 4%  | 10% | 11% | 8%  | 11% |



# Prudential Indonesia : Agency Distribution

Building agency scale has impacted productivity, now launching Agency Segmentation Strategy to build on this

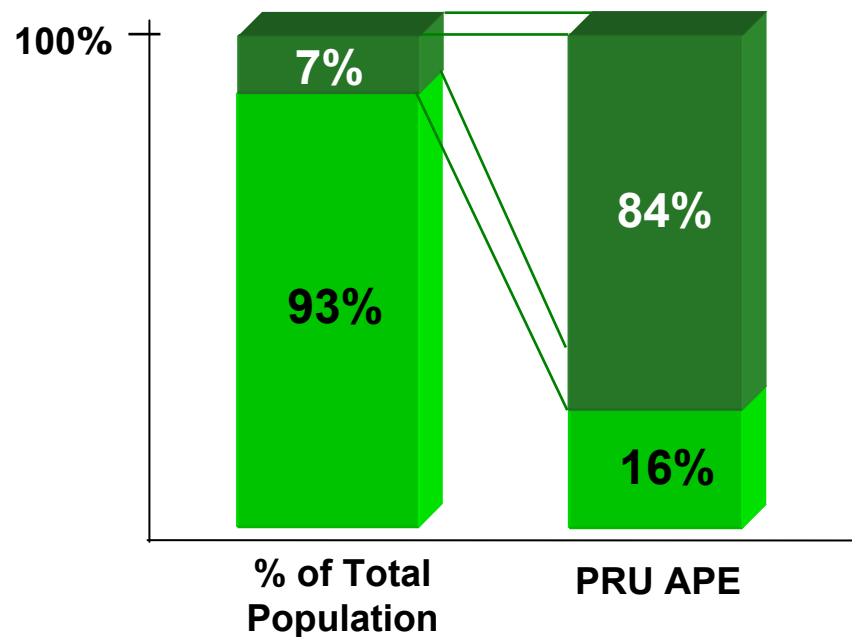






# Prudential Indonesia : Opportunities

More than 80% of APE comes from 5 Indonesian cities, (c7% of total population). Still plenty of room to grow through geographic expansion



■ Top 5 cities in terms of population  
■ Other cities

| Cities       | Popn (mil)  | % APE      |
|--------------|-------------|------------|
| Jakarta      | 9.0         | 60%        |
| Medan        | 2.0         | 12%        |
| Surabaya     | 2.8         | 5%         |
| Bandung      | 2.3         | 4%         |
| Denpasar     | 0.6         | 3%         |
| <b>Total</b> | <b>16.7</b> | <b>84%</b> |



# Prudential Indonesia : Going forward

## Core Strategic Areas

### Products

#### Takaful Strategy

Leverage Takaful expertise from Malaysia to access world's largest Muslim population (200 million)

#### Product Strategy

Diversify product range to reduce reliance on ILP

### Distribution Channel

#### Agency

Continue to grow agency aggressively with increasing focus on agent productivity

#### Geographic Expansion

Expand to new cities

#### Partnership Distribution

Secure alliance with a strong bank to broaden distribution reach





## Prudential in South East Asia : Summary

**We will continue to work hard to maintain our leading position by focusing on the identified core strategic areas :**

### Malaysia

- New Takaful market and sizeable BancaTakaful opportunity
- Retirement opportunity
- Product strategy

### Singapore

- Retirement opportunity
- Agency distribution strategy
- Maximise potential with partners

### Indonesia

- Agency growth and productivity
- Geographic expansion
- Takaful strategy

### Philippines

- New customer segment with large number of households
- Agency growth

***Clear strategies and execution strength to carry our business to the next phase of profitable growth***