



**Prudential:
Leading in Asia**

China : CITIC-PRU Building scale in a large and fast growing market

**Cheeseng Shek
Prudential Corporation Asia
1 December 2006**





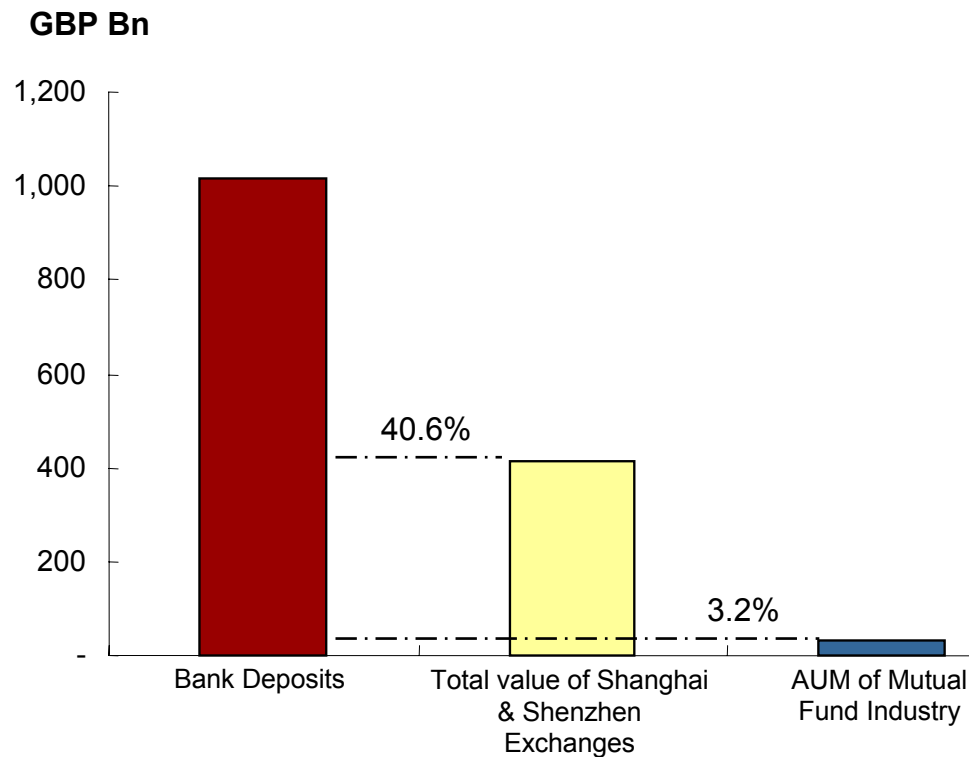
China market overview

Savings remain largely in cash and untapped

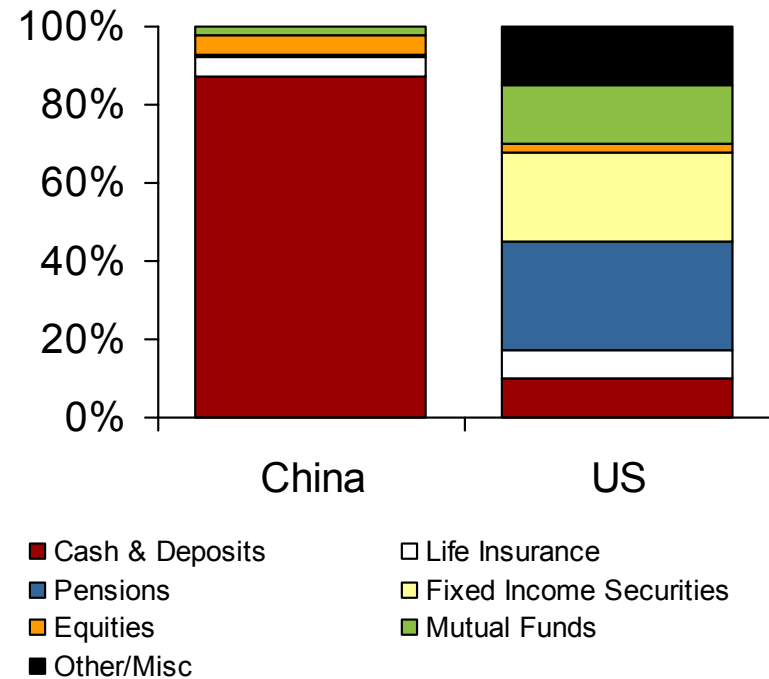


Savings pool is more than twice the size of the local stock market capitalisation
Penetration of mutual funds in China is low relative to China's total retail savings

Retail Savings Relative to Stock Market Value & Size of Mutual Fund Industry



Personal Holdings by Asset Class





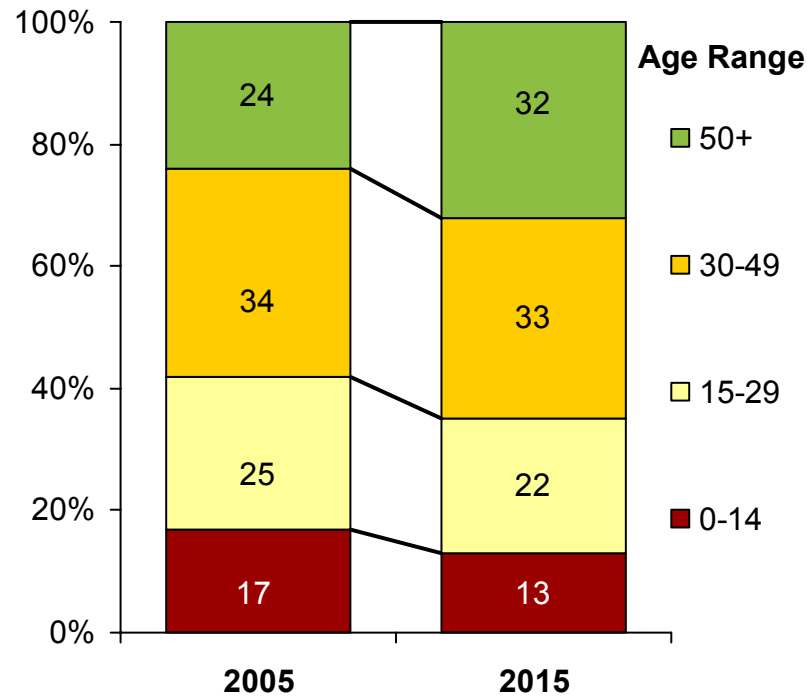
China market overview

China demographics and income distribution

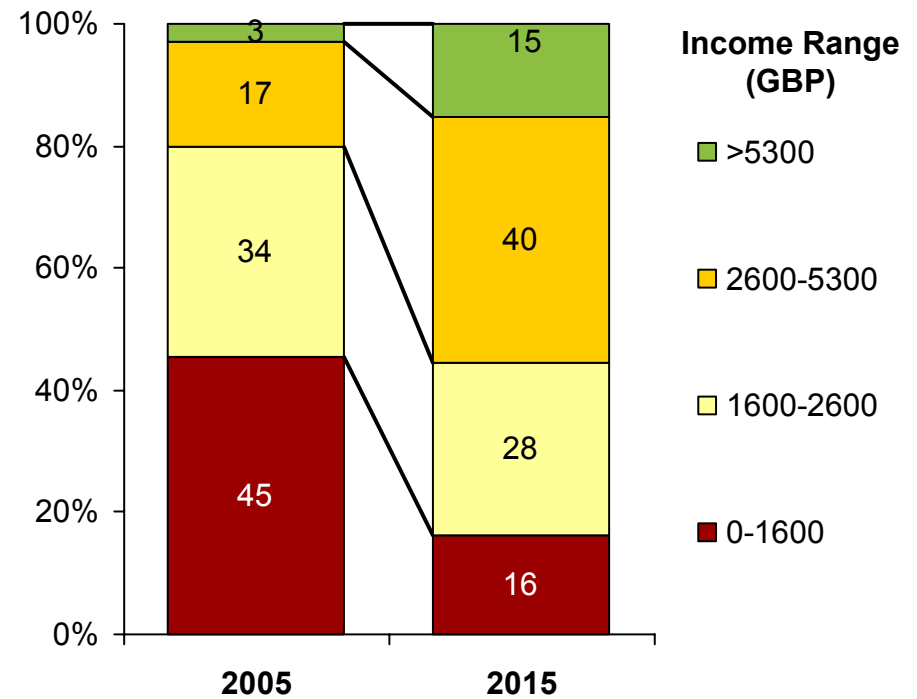


By 2015, 32% of China's population is expected to be older than 50;
China looks to become increasingly wealthy in the future

Population by Age Group



Households by Income Group (Urban China)



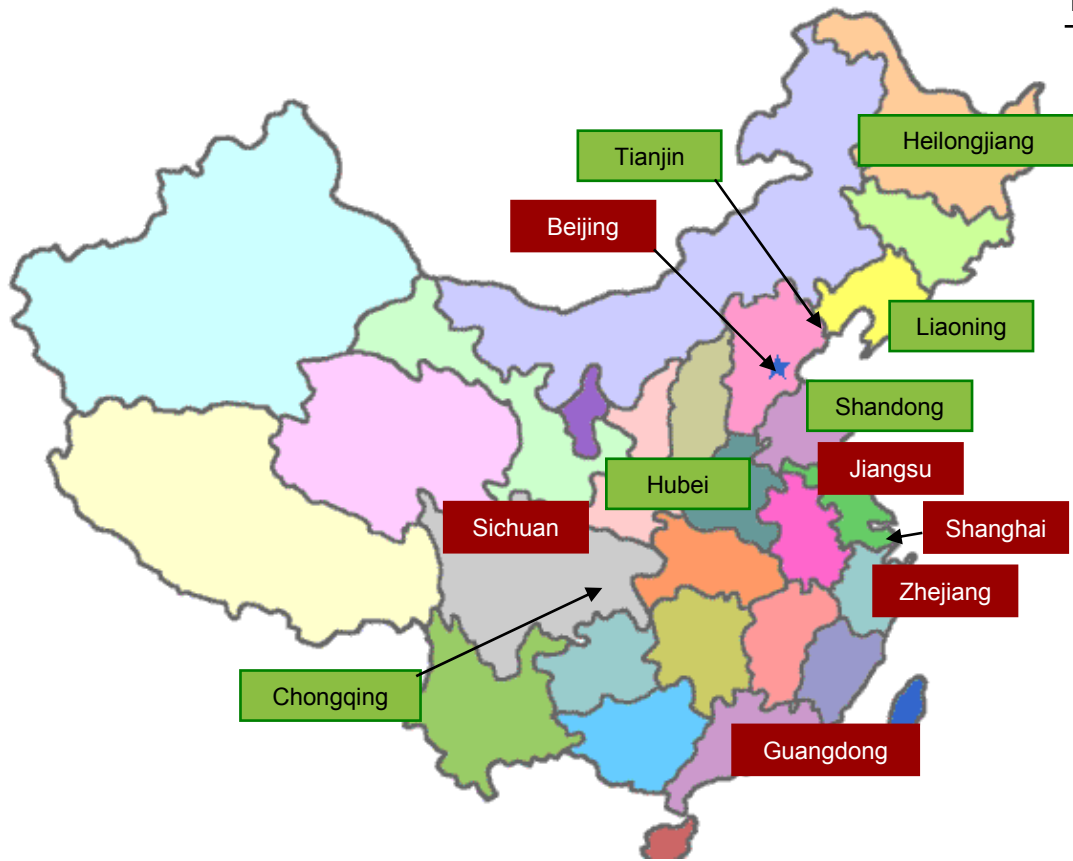


China market overview

Customer demographics by geography



6 provinces/cities have been selected as our priorities due to higher concentration of middle class customers



Percentage of Households with > GBP3,200*

Our primary target provinces/cities		Our secondary target provinces/cities	
Shanghai	28%	Tianjin	13%
Beijing	26%	Hubei	7%
Guangdong	26%	Shandong	7%
Zhejiang	21%	Liaoning	6%
Sichuan	16%	Heilongjiang	5%
Jiangsu	14%	Chongqing	3%

Source: *Asian Demographics: Population data by Province and Cities October 2005



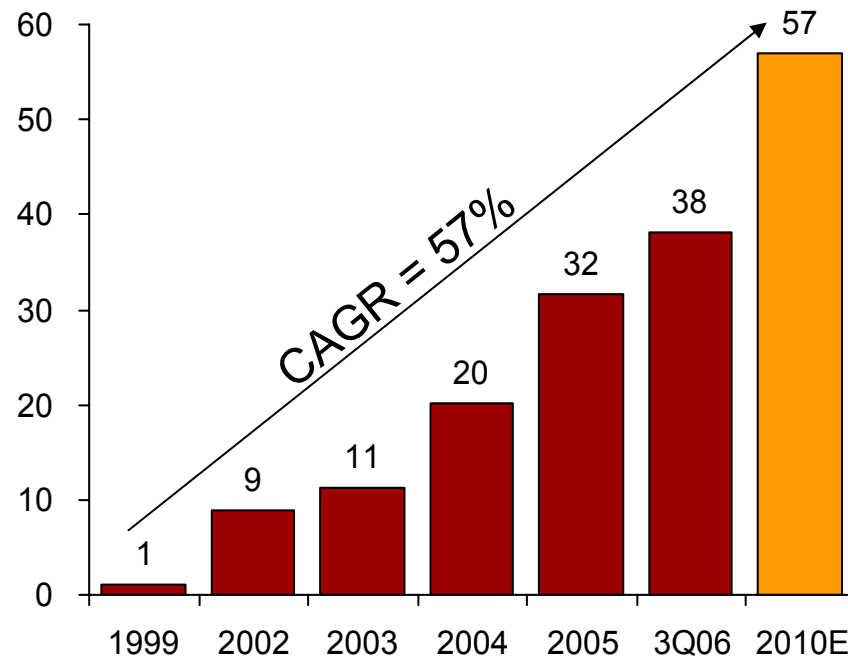
China market overview

Mutual funds industry on a strong growth path

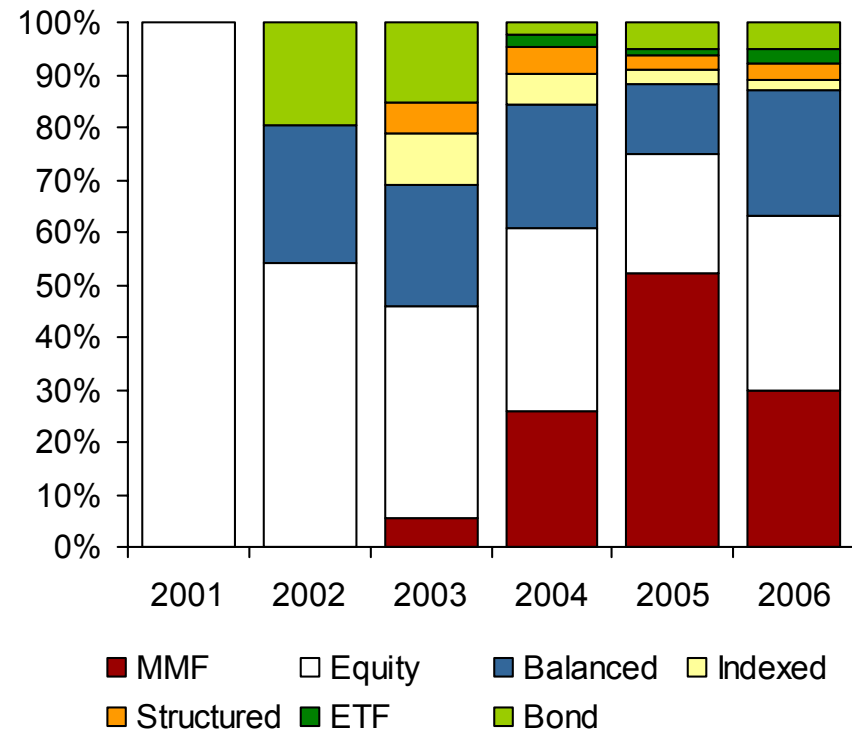


Strong growth in China mutual funds market since 1999 and is expected to continue - Product mix has expanded despite being a domestic oriented market

Industry FUM (in GBP bn)



Industry FUM Mix





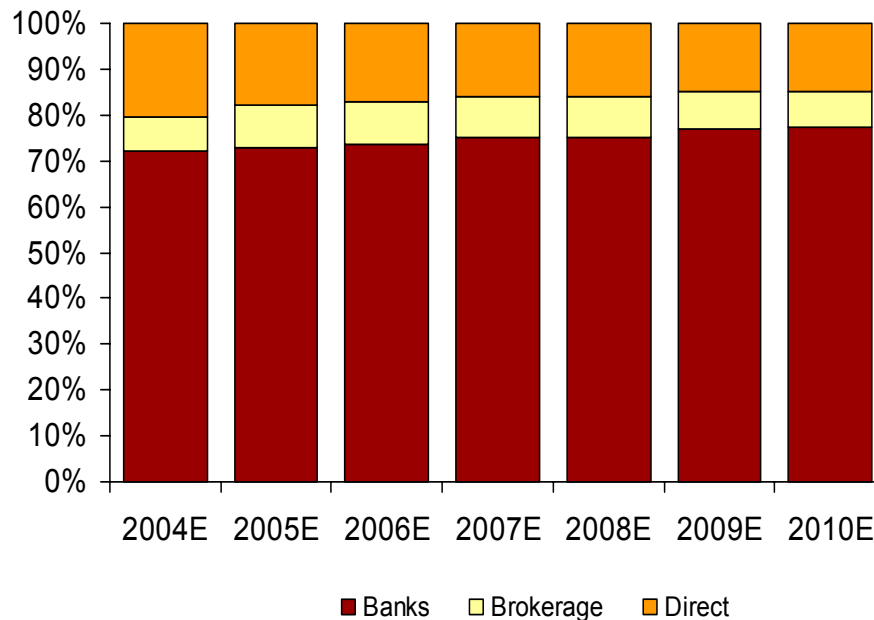
Competitive landscape

Distribution continue to be dominated by banks

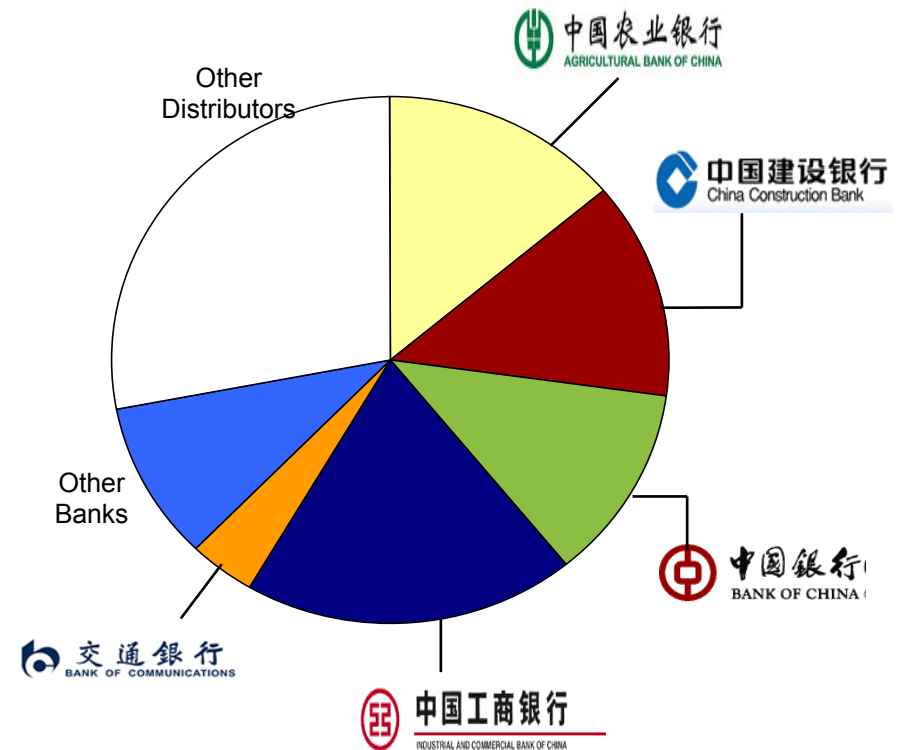


**Banks are expected to continue to dominate the distribution channels -
Securing distribution support from top tier banks is a critical success factor**

**China Retail Mutual Fund AUM Market Share By
Distribution Channel, 2004E-2010E**



**Distribution Market Share of Major
Banks in China**



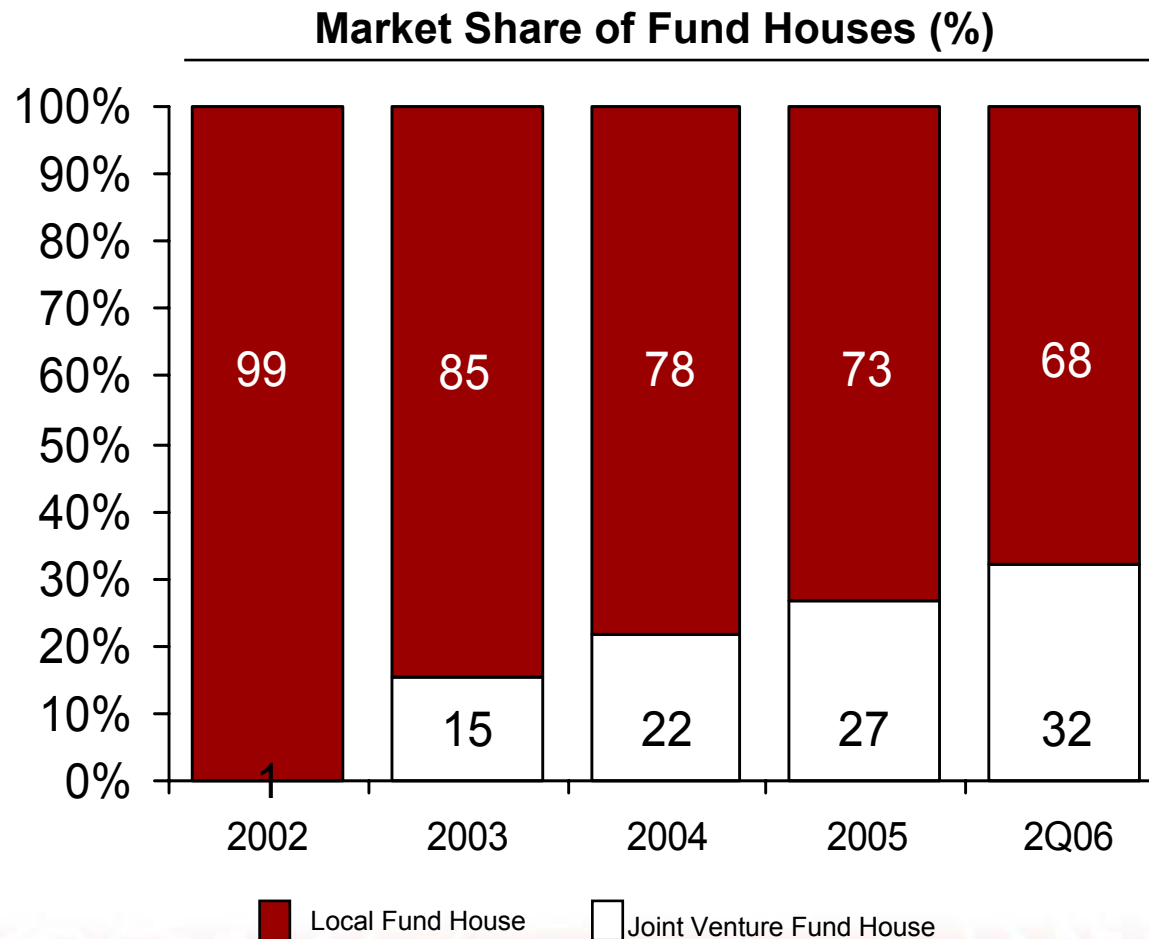


Competitive landscape

Joint venture fund houses are gaining market share



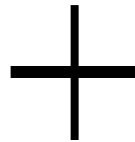
Of the 57 licensed fund houses currently, 24 are joint ventures with foreign parties;
Market share of joint ventures has grown steadily since 2002





CITIC and Prudential

A strategic fit



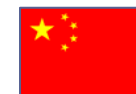
**Win-Win
Partnership**

- Strong local brand
- Local market knowledge
- Distribution capabilities
- Established customer base
- Relationship with local operators and regulators
- Strong global brand
- Investment expertise
- Innovative product
- Strong customer management
- Compliance & risk management expertise



Competitive landscape

Where we see growth opportunities



- Growing middle class with large untapped savings
- Rapidly ageing population with increasing insurance and investment needs
- Increasingly outward looking population seeking diversification and stable returns
- Growing foreign interest in tapping China's growth





CITIC-Prudential Funds

What have we done so far : Mutual fund products



Target Customer Needs

Significant Investor Needs

- Realise gains on a regular basis
- Long term equity returns



Provide Right Product

Four Seasons Balanced

- Fund type: Balanced
- If NAV at end of each quarter is > 1.0 , the fund will pay out at least 25% of gains
- Customers: 77,000



Jingcui Growth Fund

- Fund type: Equity
- Invest primarily in stocks with solid organic growth capability
- Customers: 97,000



CITIC-Prudential Funds

What have we done so far : Mutual fund distribution



The business has turned profitable since Q3 2006

Custodian/Main Distributors

Others Distributors

Fund Launch Performance



- 4th largest bank in China
- > 30,000 branches
- About 13% market share in fund distribution

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- 2nd largest bank in China
- > 20,000 branches
- About 13% market share in fund distribution

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Four Seasons Balanced

- Date launched: April 06
- Raised GBP 208mn in FUM



Jingcui Growth Fund

- Date launched: Oct 06
- Raised GBP 220mn in FUM



CITIC-Prudential Funds

QFII and QDII opportunities



Qualified Foreign Institutional Investor (QFII) Scheme

- PAMHK secured a QFII licence and awarded USD 200 million quota
- CITIC-Prudential Funds will act as investment advisor to PAMHK
- Working with PCA Asset Korea and Japan on the launch of China A-share equity funds

Qualified Domestic Institutional Investor (QDII) Scheme

- First fund house was granted USD 500 million quota to launch QDII fund in Q3 06
- CITIC-Prudential Funds is in the process of obtaining product approval from CSRC

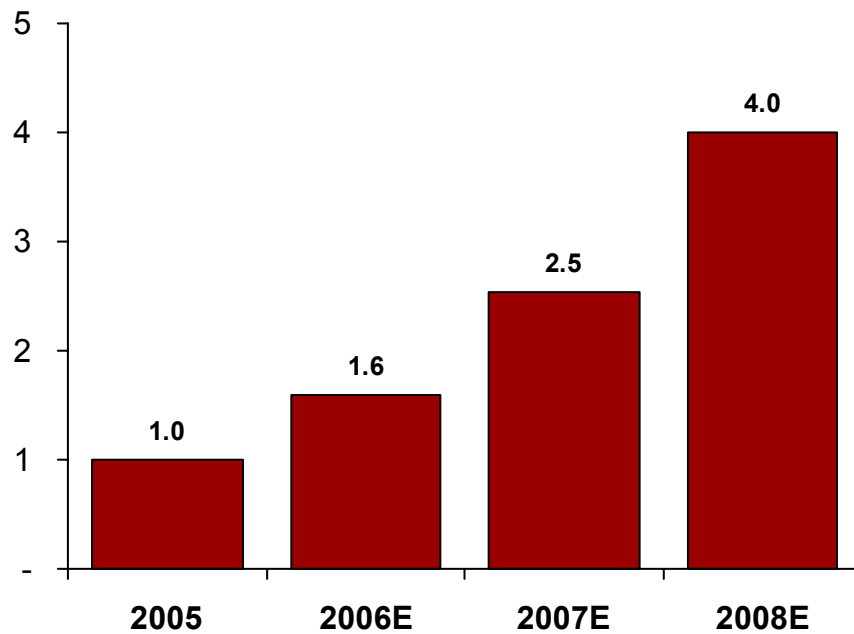


CITIC-Prudential Funds Pension opportunities

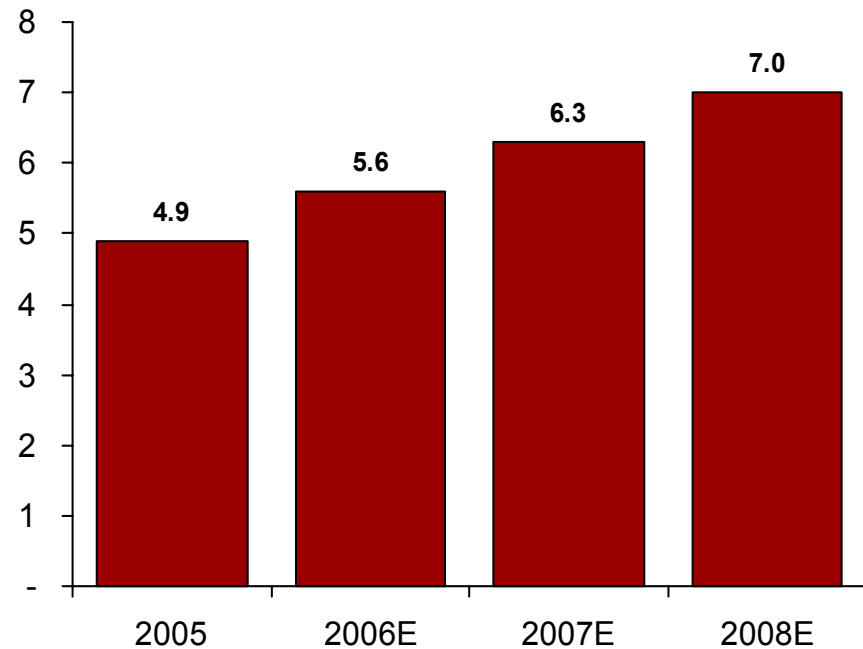


We plan to apply for a licence to manage Enterprise Annuity (EA) funds

Enterprise Annuity (GBP Bn)



National Social Security Fund (GBP Bn)



Source: 2005 figures from National Council for Social Security Fund (NCSSF).



CITIC-Prudential Funds

What have we done so far : ILPs and co-branding with Life



Investment Linked Products

- CITIC-Prudential Funds has provided investment advisory service to CITIC-Prudential Life's 4 ILPs since May 2006
- CITIC-Prudential Life plans to launch a 2nd series of ILPs in 1H2007 to be advised by CITIC-Prudential Funds

Co-branding Initiatives

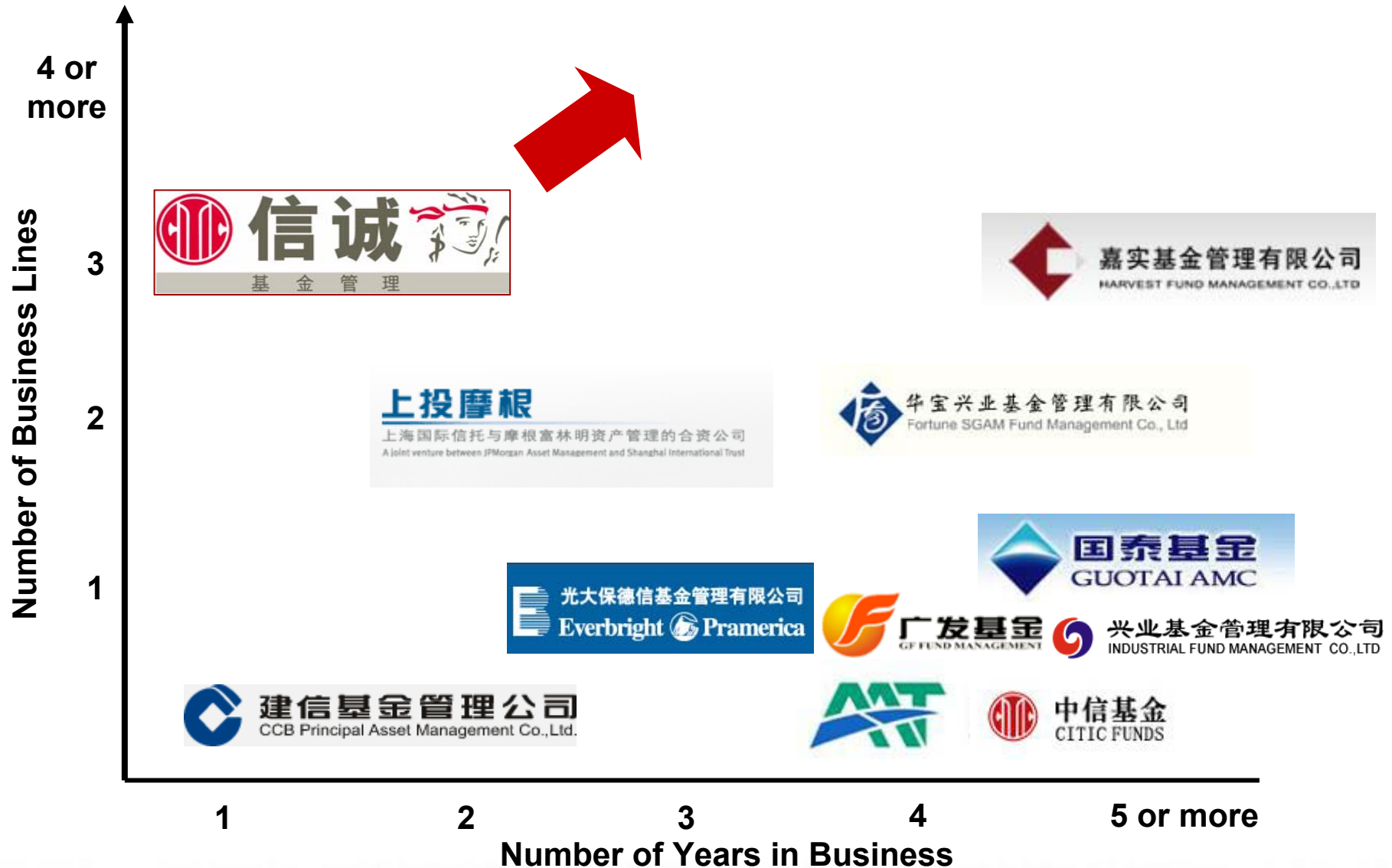
For example, a common landing page



Common logo ...extends to common name card format, PR activities, customer seminars



Mining the opportunities Creating a multi-faceted business



Source: Internal research



CITIC-Prudential Funds Summary



Market Trends in China

- Over GBP1 trillion of cash deposits
- Large and rapidly ageing population
- People becoming more affluent
- Significant growth in mutual funds industry but still low penetration
- Joint venture fund companies are gaining market share from local players



Achievements to-date

- Launched 2 funds since inception, and raised a total of GBP 428 million
- Signed up two of the Top 5 banks as distribution partners
- Achieved operating profitability since July 06
- Advising our Life company on ILPs investment

Strategic initiatives in place

- Secured QFII licence/quota
- Applying for QDII and Enterprise Annuity licenses
- Developing new ILP funds and expand scope of co-branding with CITIC-Prudential Life



In excellent position to seize the significant opportunities in China

Target to acquire GBP 2.5bn in FUM by 2008