

# Prudential Asia



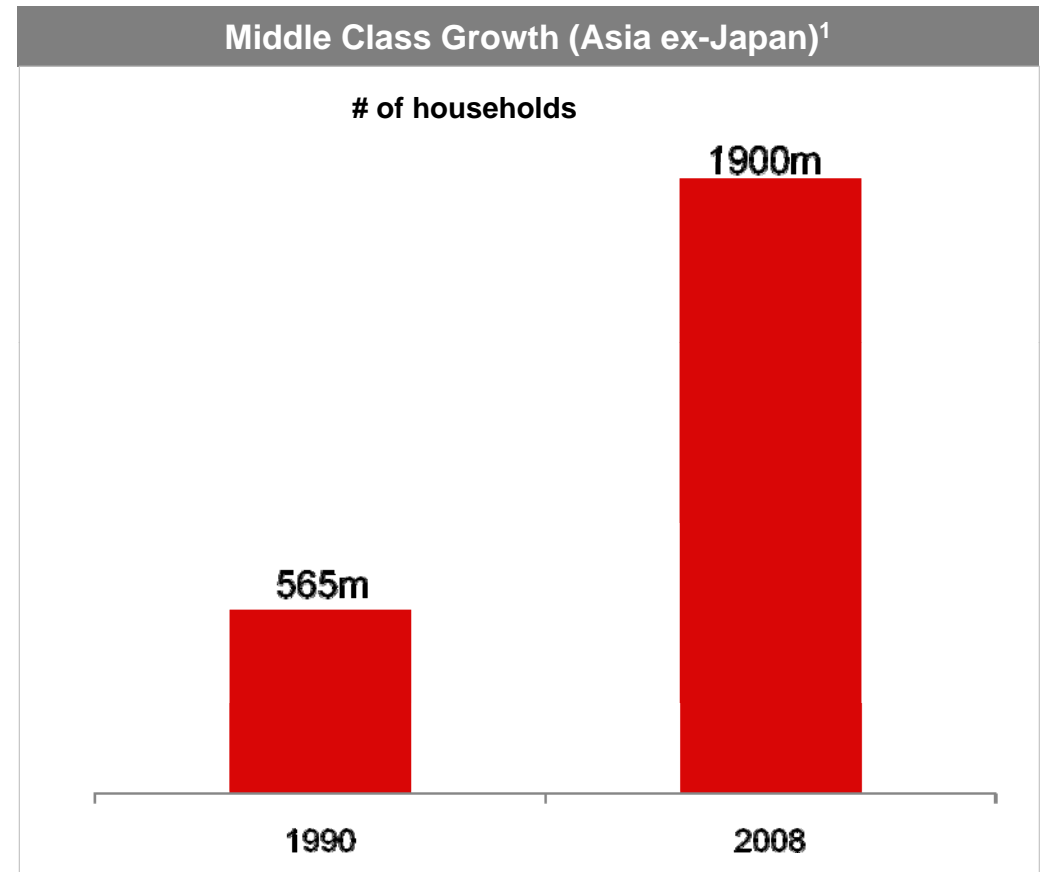
Barry Stowe  
Chief Executive, Prudential Corporation Asia

INVESTOR DAY 2010

# Driver of Growth: Rapidly Growing Asian Middle Class

- Strong political incentives to ensure Asia's middle class grows and prospers:
- Economic focus now shifting from growing exports to increasing domestic demand
- Savings and protection products reduce risks to household balance sheets and encourage spending and investment
- Asset Management industry improves capital markets efficiency and provides greater investment options

<sup>1</sup> Asia Development Bank



# Orderly Development of Asia's Savings and Protection Markets

- Regulatory drive to ensure balanced development of savings, protection and investment industries:
  - consumer protection
  - International compliance standards a competitive advantage
- Improving financial literacy:
  - proliferation of financial press
- IPOs of regional and domestic players:
  - increased transparency
  - improved corporate governance
  - greater accountability for strategy and pressure on delivery

**Malaysian Press:  
Personal Financial Planning**

## PROTECTING YOUR MOST IMPORTANT ASSET

IN our last article, we talked about Budgeting and described the steps for creating a Personal Budget. We also read about the importance of being able to distinguish between Needs from Wants and saw how Alisa was tempted to change her car. Being a strong-willed lady, she was able to resist the temptation, at least for now!

In this article we're going to explore the next building block towards your financial security – INSURANCE.

It was a rare opportunity for Alisa to be able to have dinner with her parents, especially on a weeknight. She had been inundated with work and seldom had the chance to get home early. Her mom always worried about her diet and whenever she came home for dinner, she would prepare her daughter's favourite dish, ayam masak merah. Her dad, on the other hand, was more concerned about her financial well-being and constantly giving her advice over the dinner table. This time, he enquired if she had got herself covered with an appropriate insurance plan.

ance built into the loan repayment and the loan would be taken care off should anything happen to her. Hence, does Alisa still need any insurance?

The most appropriate type of insurance that Alisa may want to obtain for now may be the Medical and Health insurance plan. Disease can strike anyone at anytime and the costs of treatment can be quite exorbitant, as far as private health care is concerned. She may be covered by her employer at the moment but it's always advisable to have your own plan to supplement your employer's or as a backup. So, in Alisa's case, what is appropriate and necessary is a good Hospitalisation & Surgical plan coupled with a reasonable amount of Critical Illness coverage (normally, a minimum of anything between 3-5 years of one's income). But is it necessary to have Critical Illness coverage if you already have a Hospitalisation & Surgical Plan? Isn't that redundant? Actually, they complement each other – one covers you while you are in hospital while the other provides you with a lump sum of cash to take care of your Post-Hospitalisation expenses. It will also help to replace the potential amount of income lost due to a

### Why Do I Need Insurance?

Alisa knew she was in for another "dinner

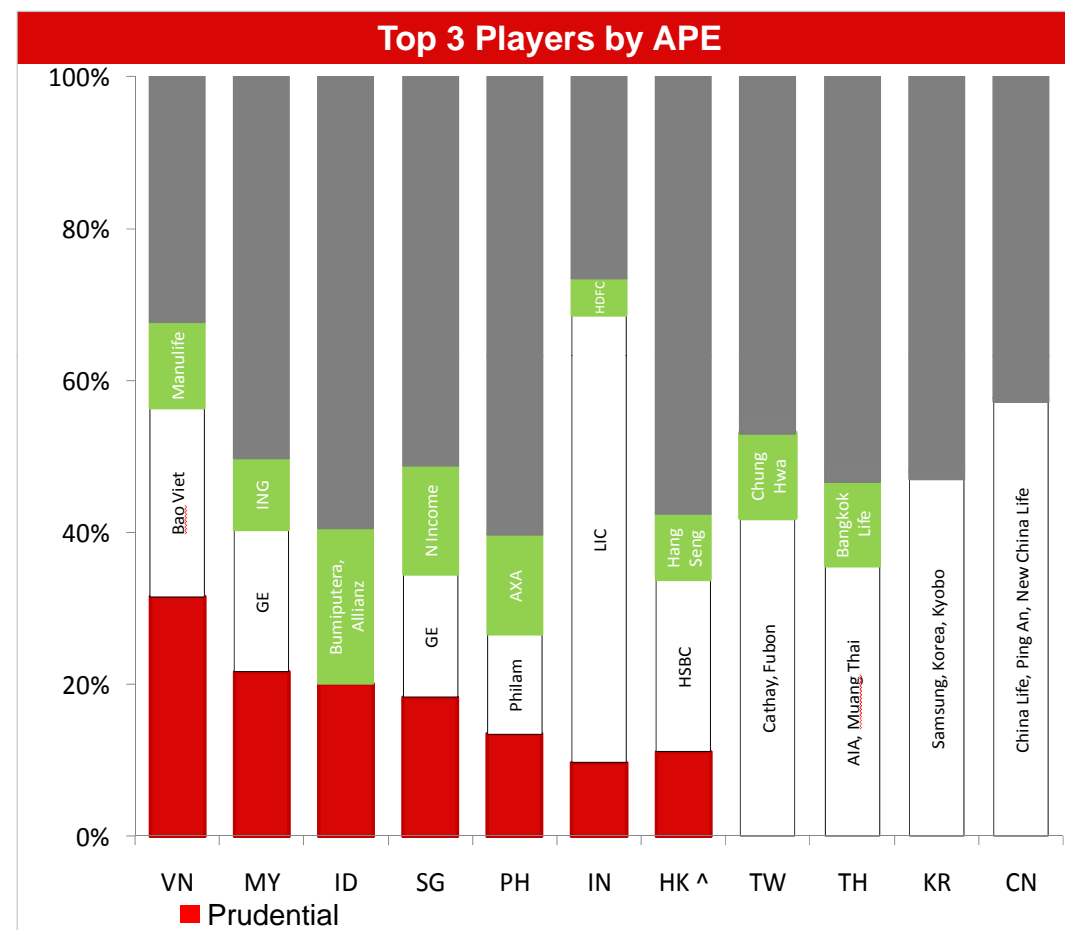
Malay Mail, (KL Commuter newspaper) October 12, 2010

# Competitive Landscape: Life Insurance

- Competitors vary by market but typically a mix of local and international players
- Definitions of success may differ
- Competition is primarily around securing distribution reach:
  - Tied agency dominates and most successful players balance scale with productivity and quality
  - Bank distribution is growing fast, but volumes do not necessarily equate to shareholder value creation

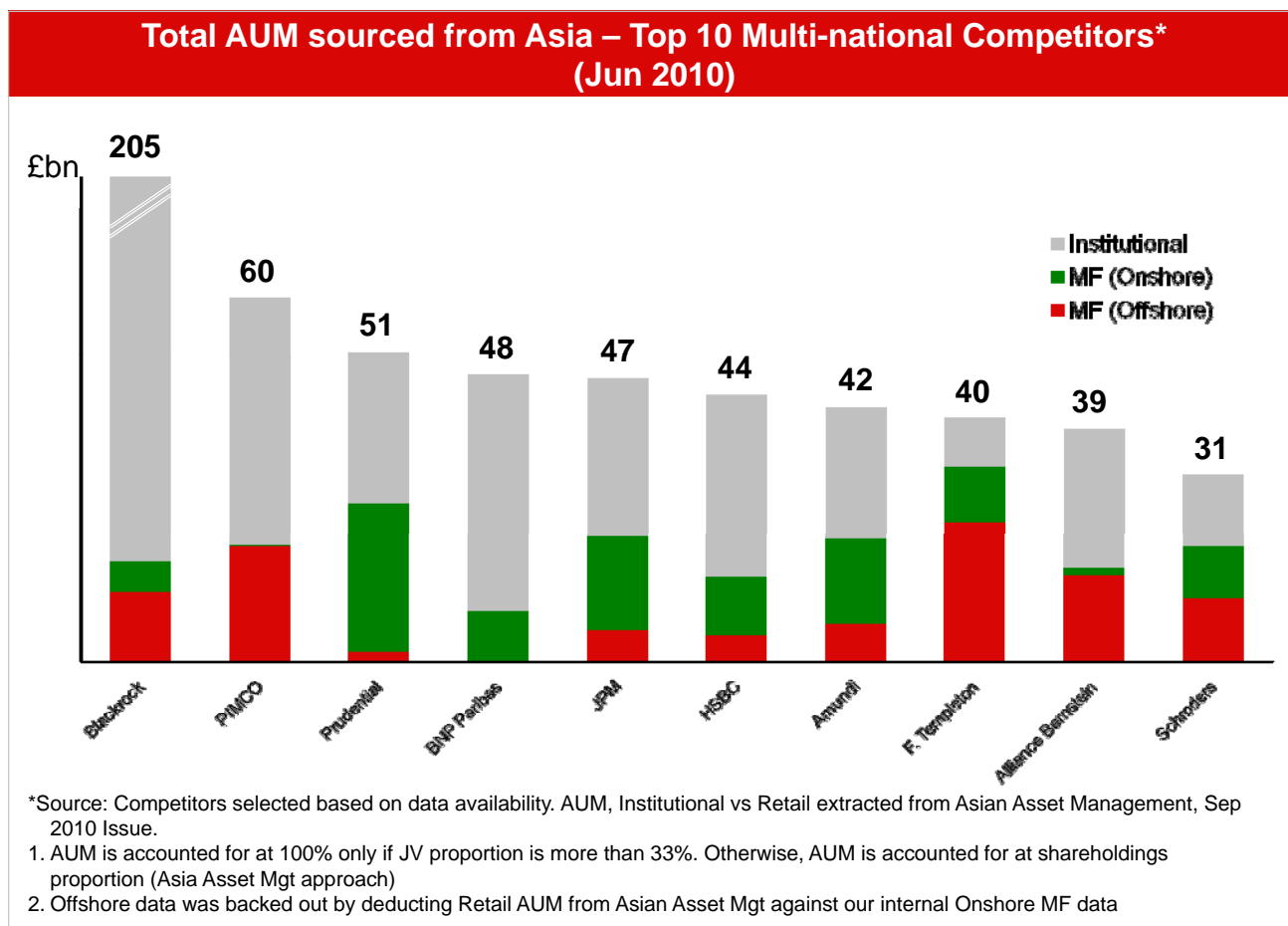
Source: Local insurance regulators / associations

^ HK's market share excludes 2-pay sales by China Life & BOCG Life, which is based on internal estimation by PACHK



# Competitive Landscape: Funds Business

- Market comprises three sectors; institutional, retail onshore and retail offshore
- Institutional sector growing rapidly; sizeable mandates being awarded
- Retail markets not fully recovered from Crisis:
  - Onshore MF FUM still below 2007 levels
  - Net funds outflows for Asia ex Japan



# Prudential's Asia Strategy

**Delivery of sustainable, profitable growth that out performs markets**

## Multi-channel distribution

- Driving scale and productivity in region's largest agency force
- Leveraging unique bancassurance model focused on retail face-to-face selling to drive superior returns
- Targeting key distributors of mutual funds and accessing institutional investors

## Value-oriented products

- All-season product suite to ensure right products for right markets at right time
- Regional champion of recurring premium unit-linked products
- Focus on health and protection policies; as riders and standalone
- First mover in Takaful
- Leverage investment management expertise to broader customer base

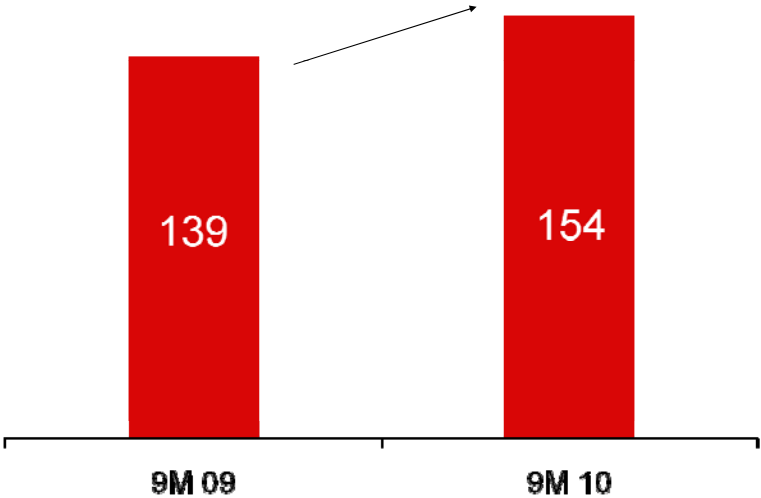
## Superior delivery

- Multi metric approach to measuring performance; capital efficiency, EV and IFRS profitability, cash
- Staff and distributor remuneration aligned to creating shareholder value
- Investment outperformance

# Executing the Strategy: Agency Scale and Productivity

## Excellence in Agency Management

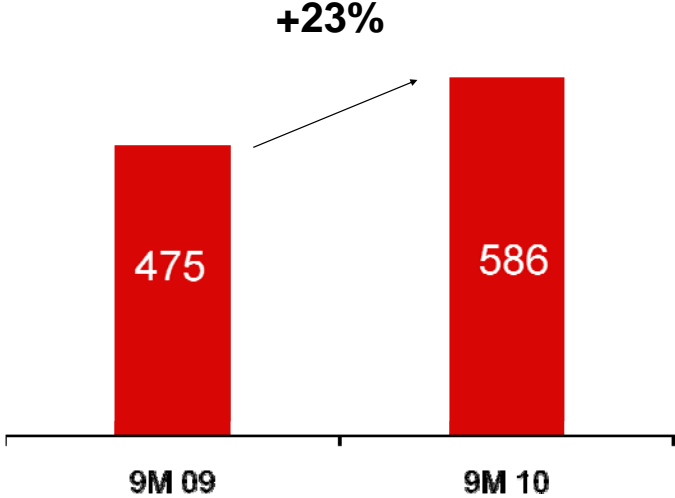
**Growing Agency**  
Average number of agents (k) \*  
**+11%**



Examples: Vietnam +27%, Hong Kong +15%, Malaysia +12%

**Improving Productivity**  
Average APE per case\*  
**+23%**

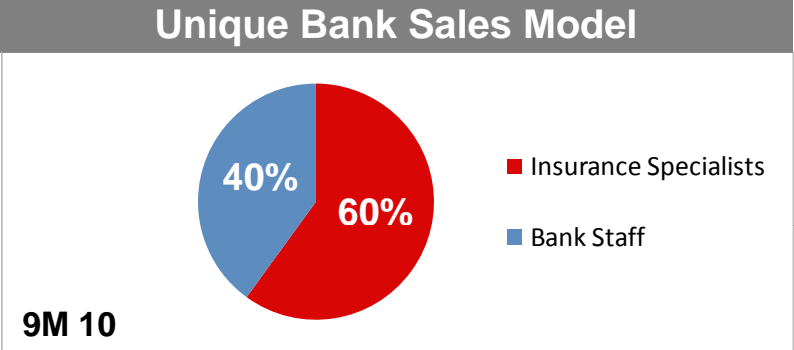
\* Ex India



Examples: China +42%, Hong Kong +23%, Singapore +12%

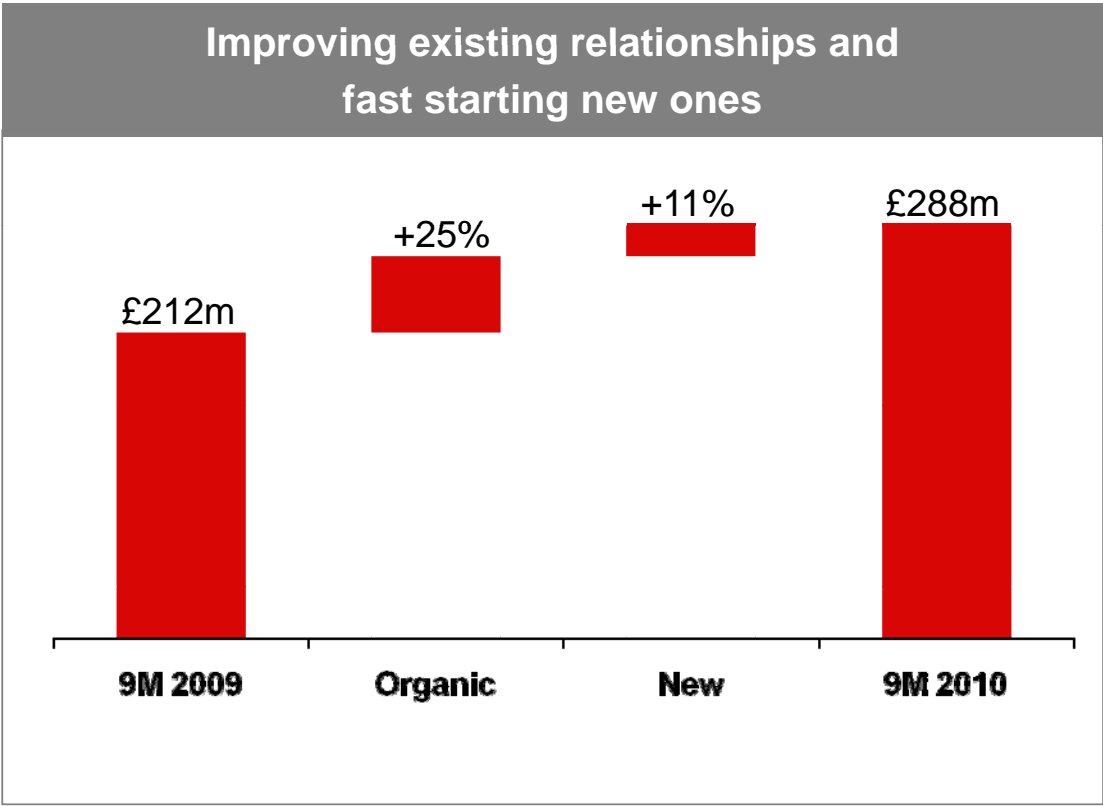
# Executing the Strategy: Expanding Bancassurance

Very successful bancassurance model developed over 10+ years



### Broad spectrum of partners e.g.:

	International
	Regional
	Local

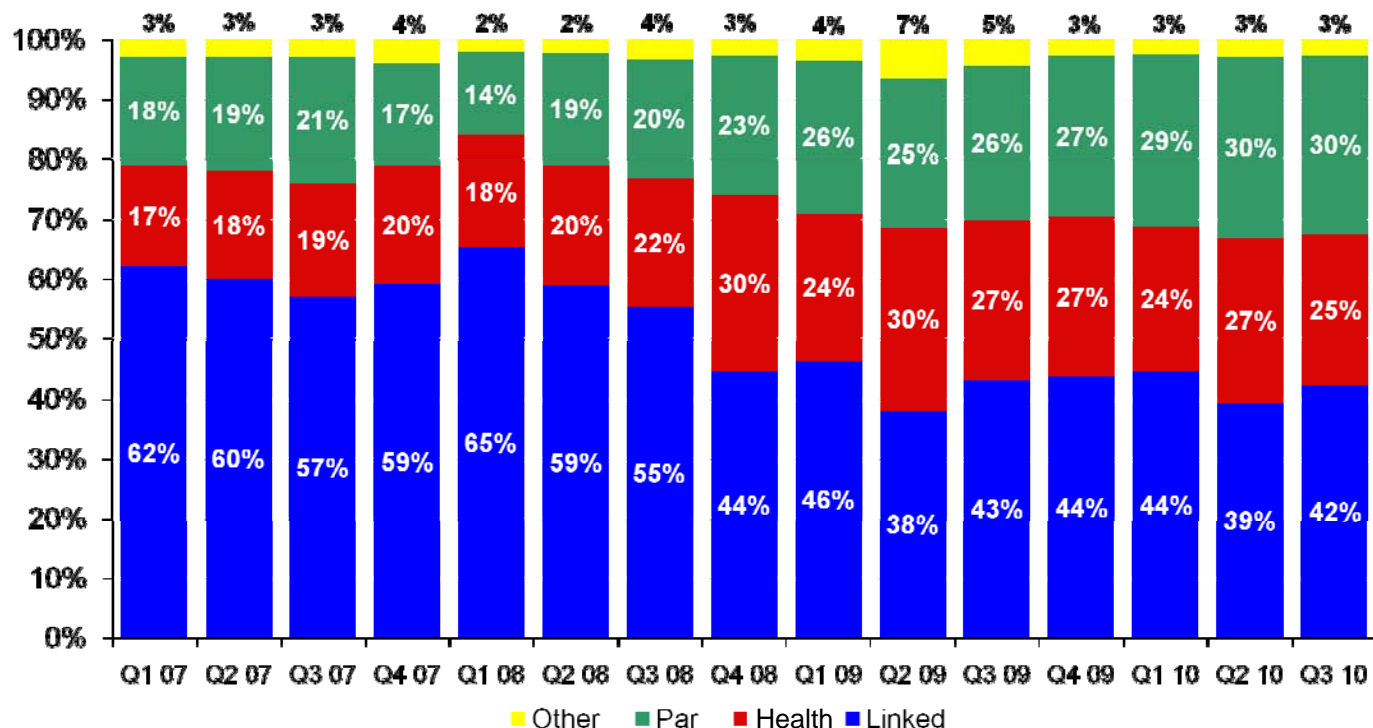




# Executing the Strategy: Balanced and Profitable Life Portfolio

## Higher proportion of Health Products supports margins

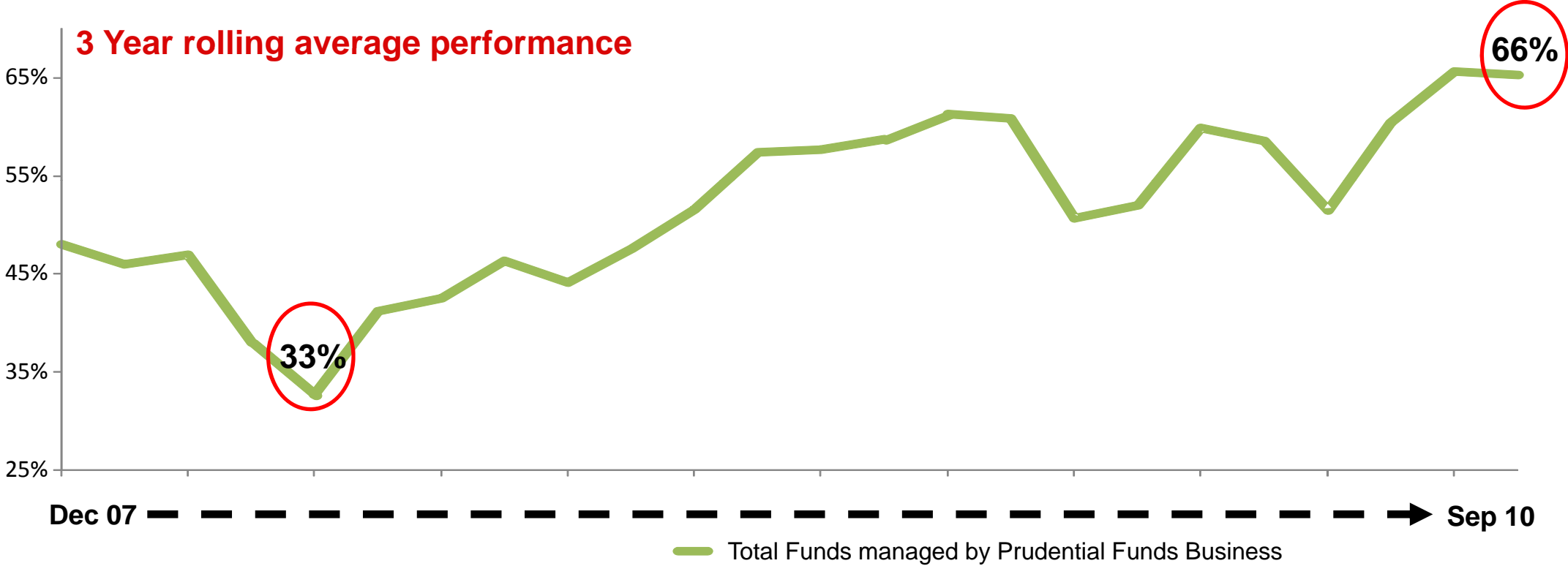
Business Mix by Product



- 'Value over Volume' approach
- Emphasis on recurring premium with protection riders
- Delivered on December 2006 commitment to increase Health Products
- Successful Takaful business

# Executing the Strategy: Discipline

Excellent turnaround in investment performance

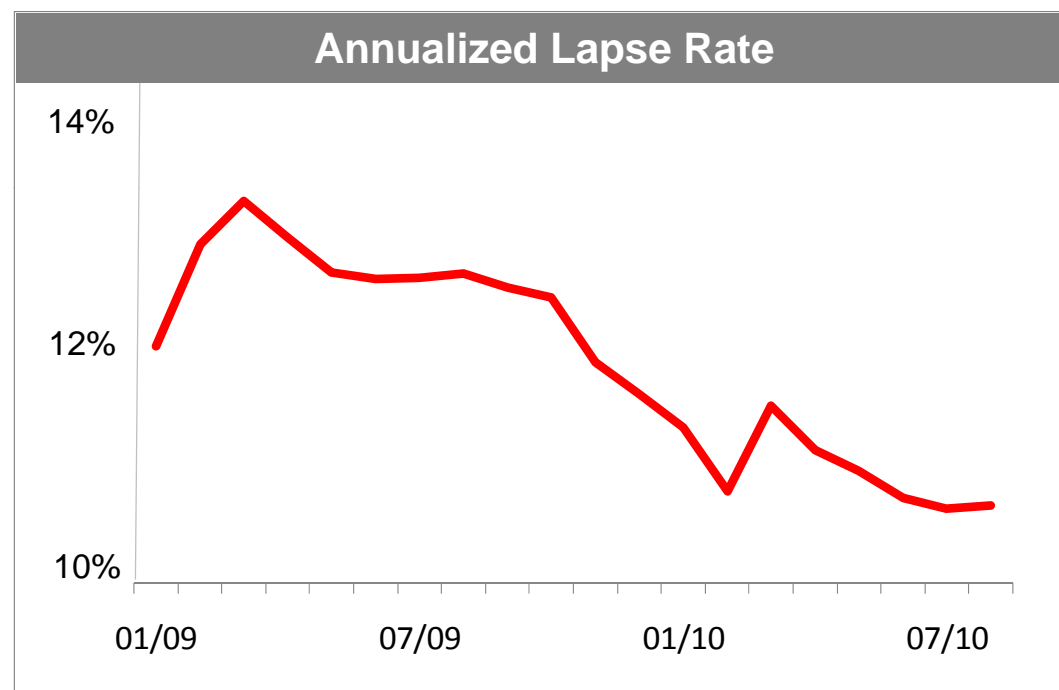


Source: Regional Performance Management , September 2010.

# Executing the Strategy: Discipline

## Improving persistency following the Crisis

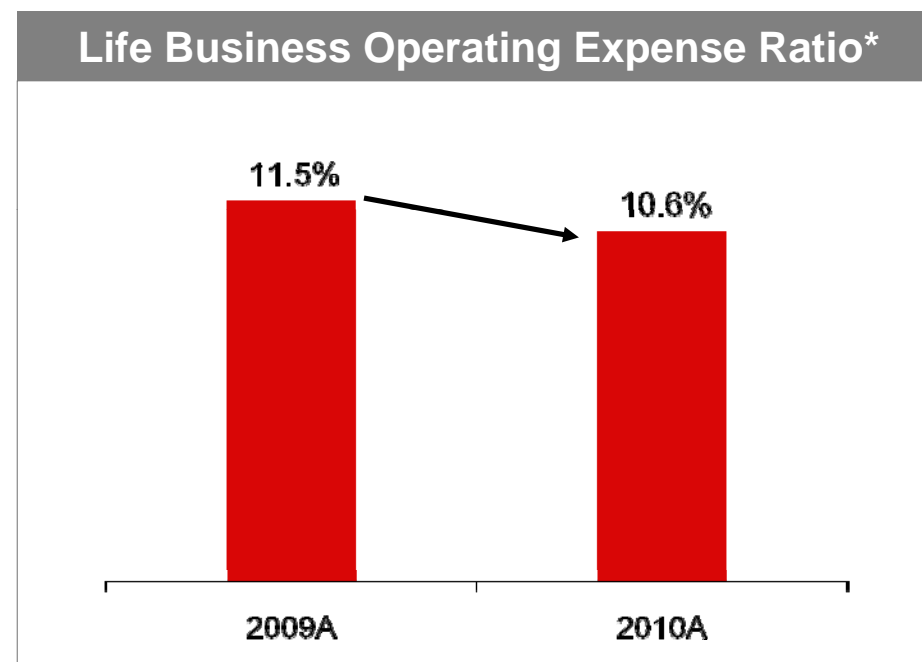
- Some market driven persistency variances are inevitable
- Persistency variances tend to be localized in a few countries
- Implementing initiatives to improve persistency



# Executing the Strategy: Discipline

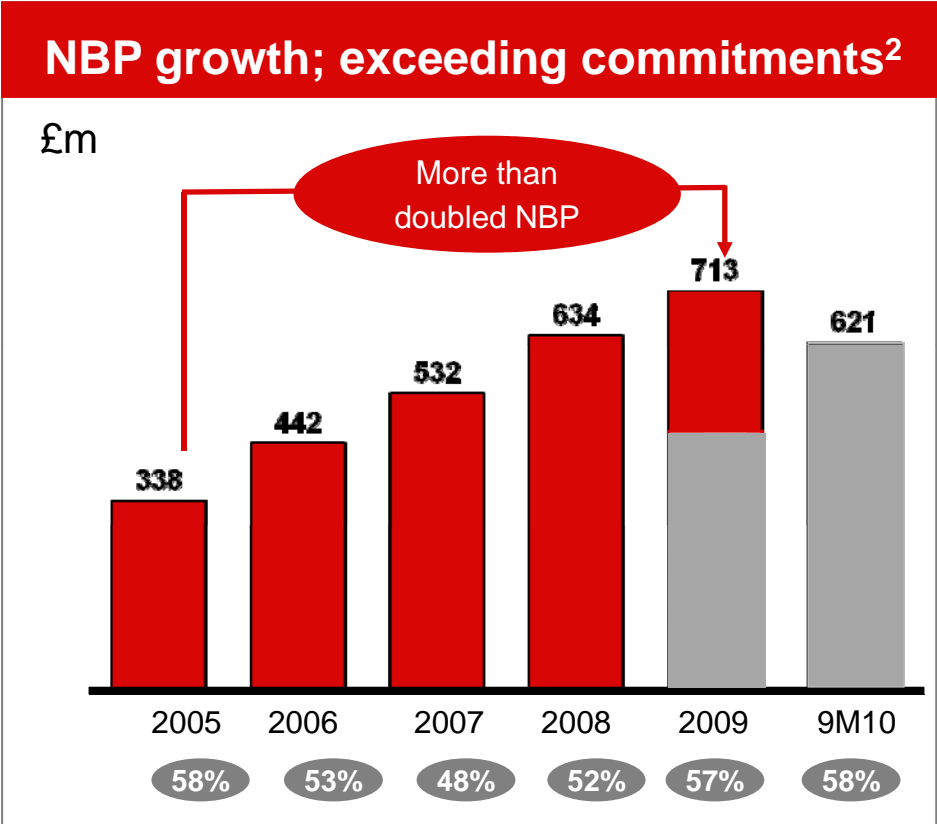
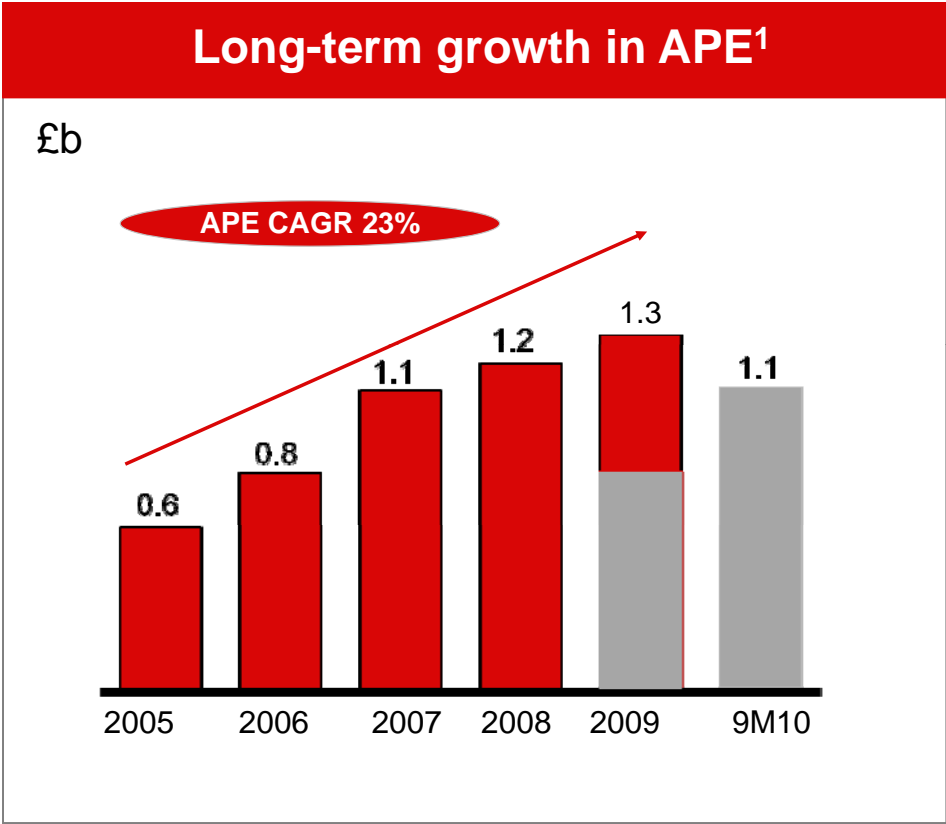
## Operating Expense Efficiencies

- Expense ratios reducing as scale of business increases faster than cost base
- Active use of technology to improve efficiency:
  - e-submission of applications
  - Auto underwriting
  - Malaysia Life has industry's lowest headcount
- Funds Business profit margins increasing:
  - Action taken to reduce cost base during Crisis
  - Scale increasing



\*Sum of sales distribution cost, sales related expenses and management related expenses divided by written revenue premiums

# Delivery: Life Business Volume and Margin



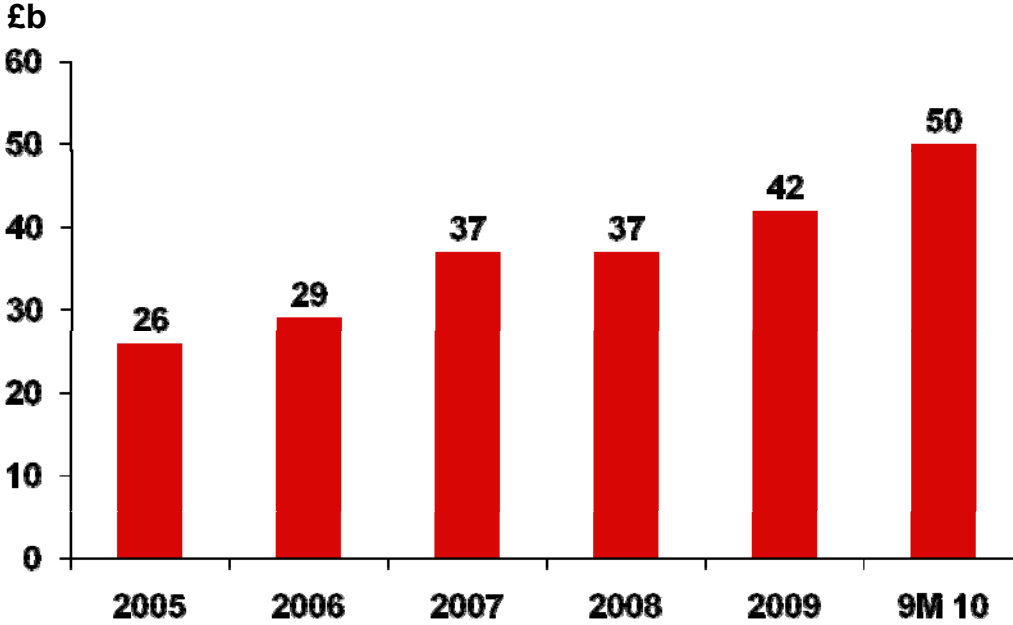
1 Excluding Taiwan agency. As previously reported APE would be (£b) 2004: 0.6; 2005: 0.7; 2006: 1.0; 2007: 1.3

2 Excluding Taiwan agency. As previously reported NBP would be (£m) 2004: 312; 2005: 413; 2006: 514; 2007: 653

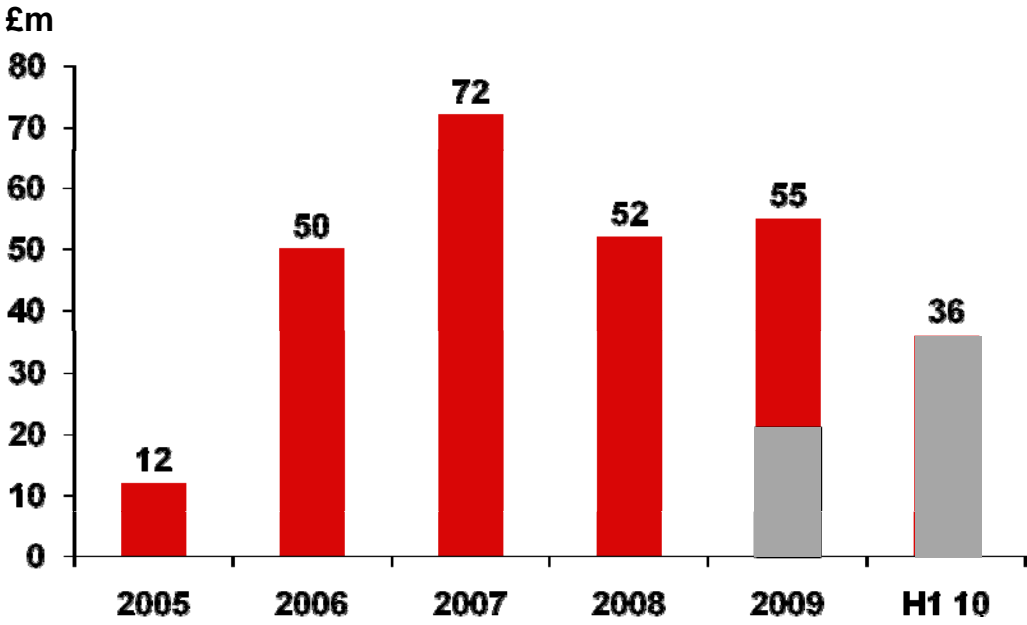
x% NBP margin

# Delivery: Funds Business – Scale and Profits

**Funds under Management**

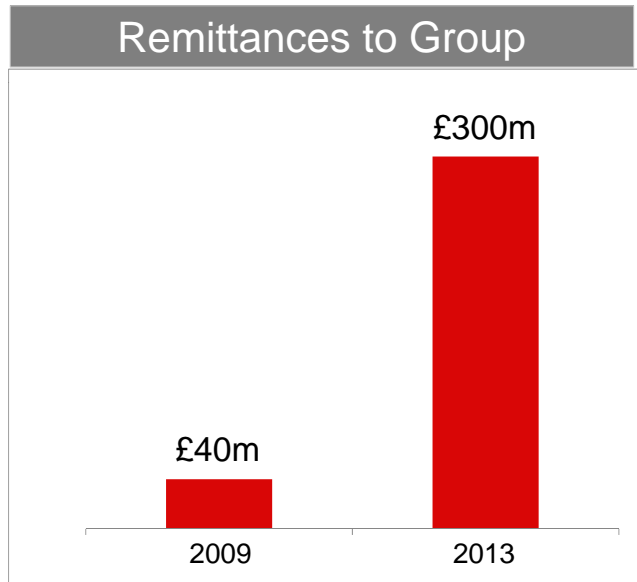
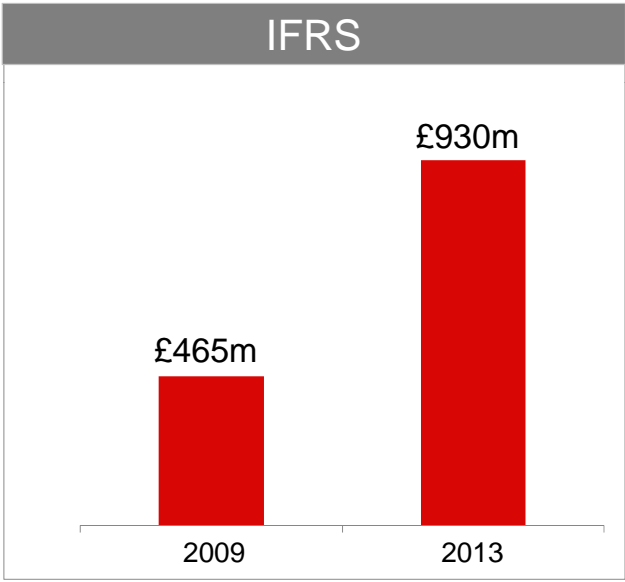
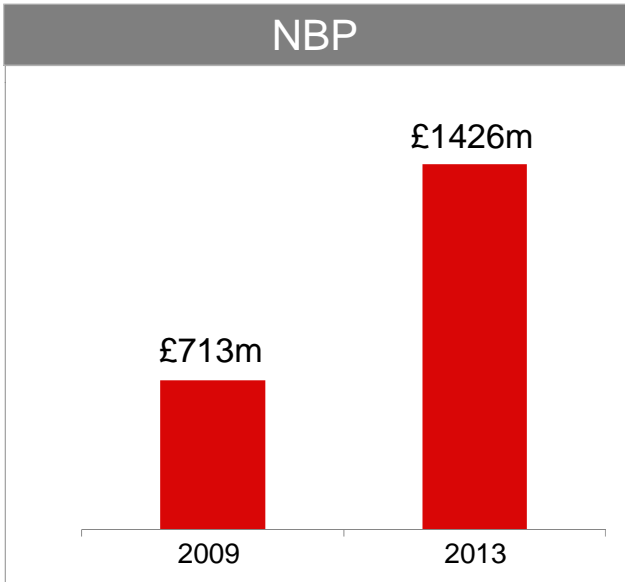


**IFRS Profits**



# Growth Expectations

Very confident about our ability to continue to deliver on multiple metrics



# Agenda

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- Delivering Shareholder Value                      Adrian O'Connor
- Funds Business    Graham Mason
- Insurance Business                                      Tony Wilkey  
   Lilian Ng
- Q&A



# Summary

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- Asia is the fastest growing market for protection, savings and investment products
- Prudential has transformed its business in Asia into the region's most advantaged platform for growth
- Proven track record of delivery on multiple metrics, highlighting superior creation of shareholder value
- Commitment to leverage the Asian platform to generate transformational results

# Delivering Shareholder Value

A large, stylized red graphic on the right side of the slide. It features a classical female face, possibly Minerva, with a dollar sign (\$) superimposed on her forehead. The face is rendered in a light red color against a darker red background.

Adrian O'Connor  
Chief Financial Officer  
Prudential Corporation Asia

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# Key Messages

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- Strong Performance on all Financial Metrics in 2010
- IFRS Operating Profit, Free Surplus Generation and Cash are becoming more material
- Strong growth in IFRS Operating Profit, Free Surplus Generation and Cash expected to continue as in-force book matures

# Agenda

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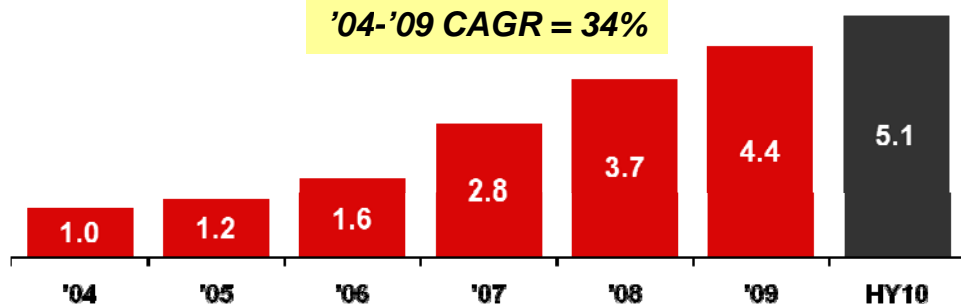
- Scale of business
- Conversion of value of in-force into profit and cash
- IFRS Operating Profit
- Cash and Capital Management
- Summary

# Scale of business

We have built up a sizeable book of business which will continue to grow

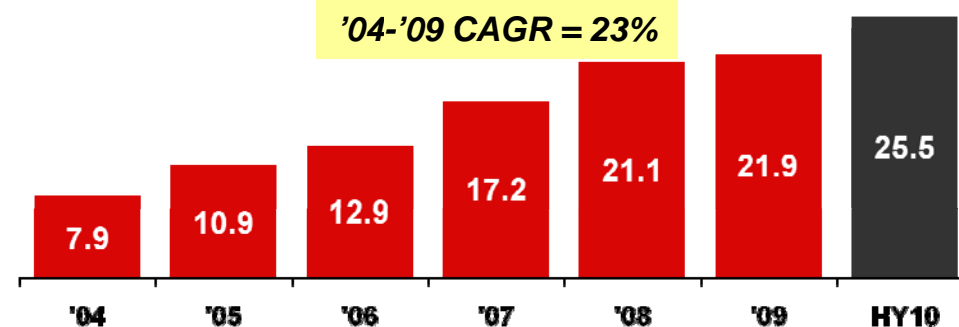
### Life Value of In-Force (VIF) (£b, AER)

'04-'09 CAGR = 34%



### Life Reserves (£b, AER)

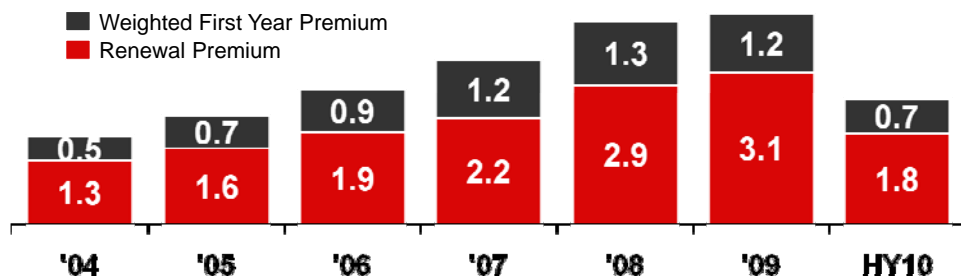
'04-'09 CAGR = 23%



### Life Weighted<sup>1</sup> Premium Income (£b, AER)

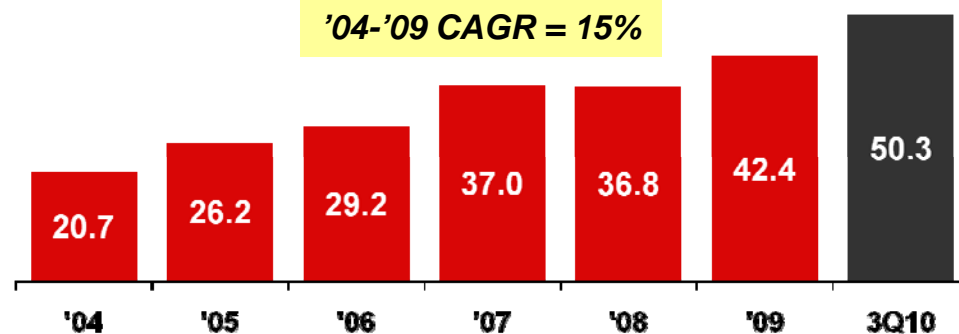
'04-'09 CAGR = 19%

■ Weighted First Year Premium  
■ Renewal Premium



### Asset Management FUM (£b, AER)

'04-'09 CAGR = 15%



1. Weighted premium income = 10% of single premium income + regular first year premium + renewal premium

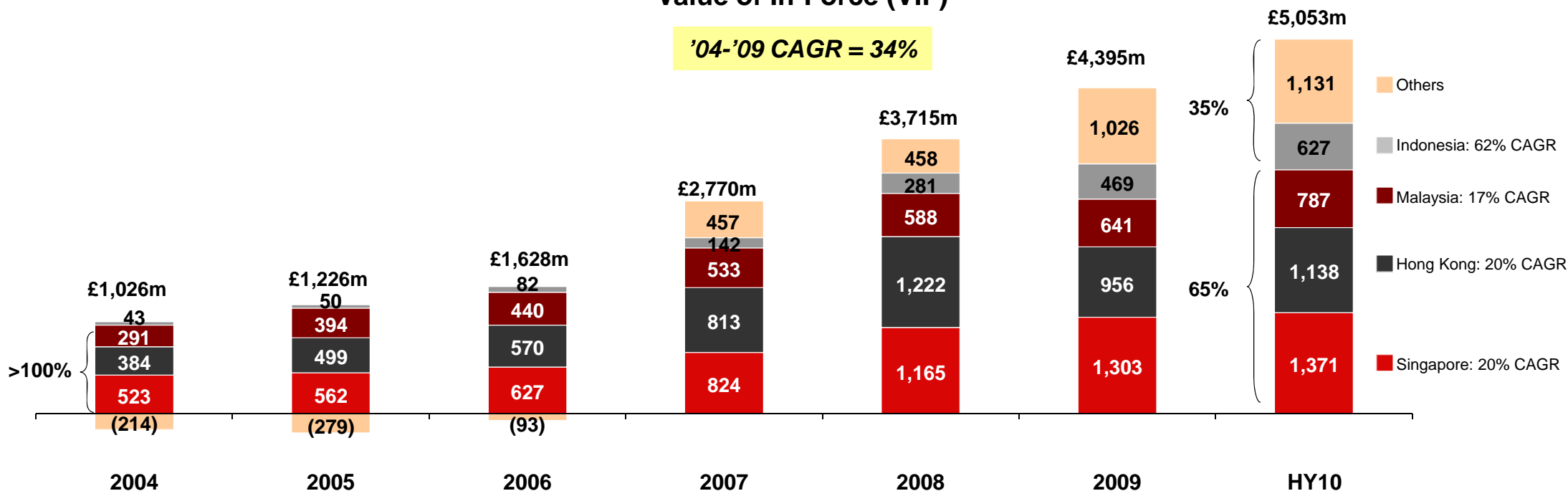
# Increasing diversification of our Life business

At the end of 2004 all the value of in-force (VIF) was in Hong Kong, Singapore and Malaysia. Contribution from other markets has become increasingly material.

£m, AER

Value of In-Force (VIF)

'04-'09 CAGR = 34%

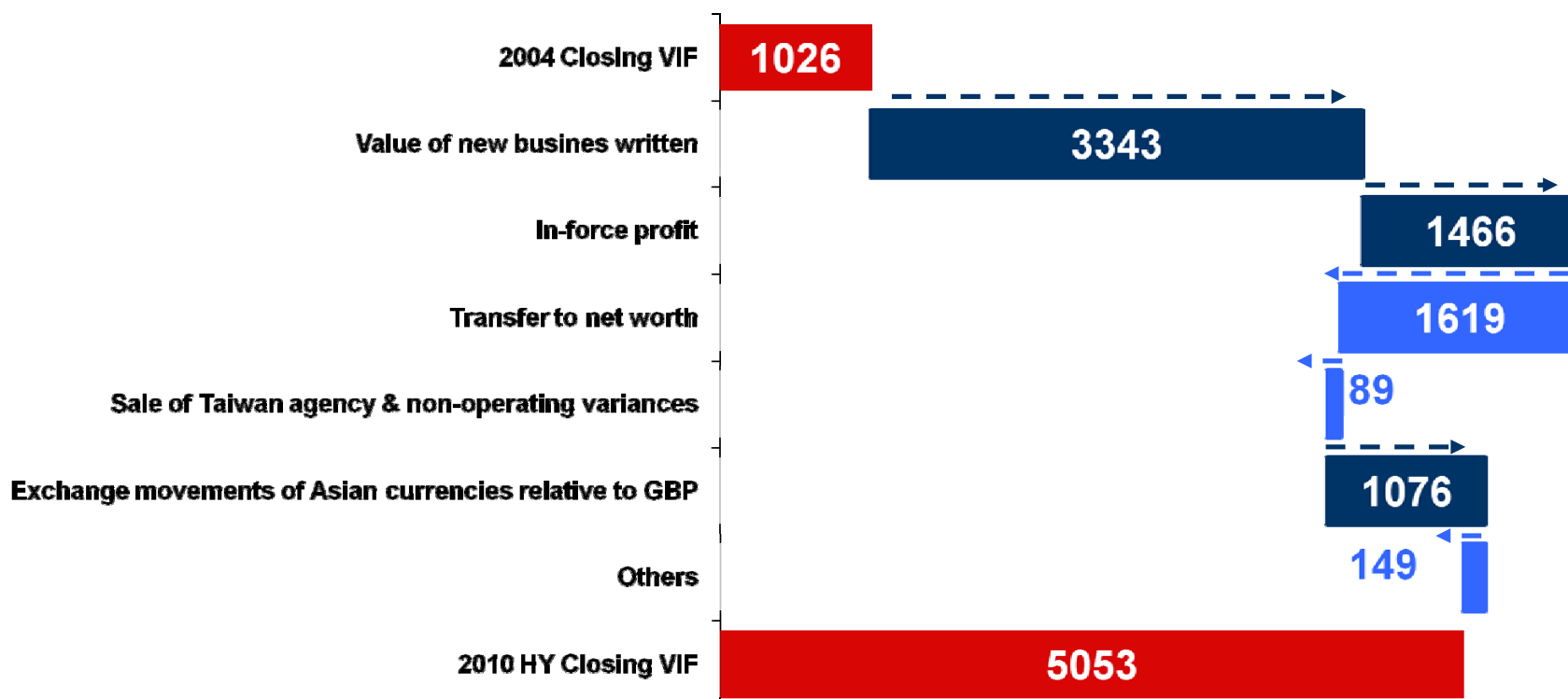


CAGR calculations are from 2004 – 2009.

# Historic value creation and conversion into profit and cash

Value of in-force (VIF) has increased almost 5x over the last five years driven by new business. Conversion into profit and cash over this period exceeded the 2004 VIF closing balance.

£m, AER



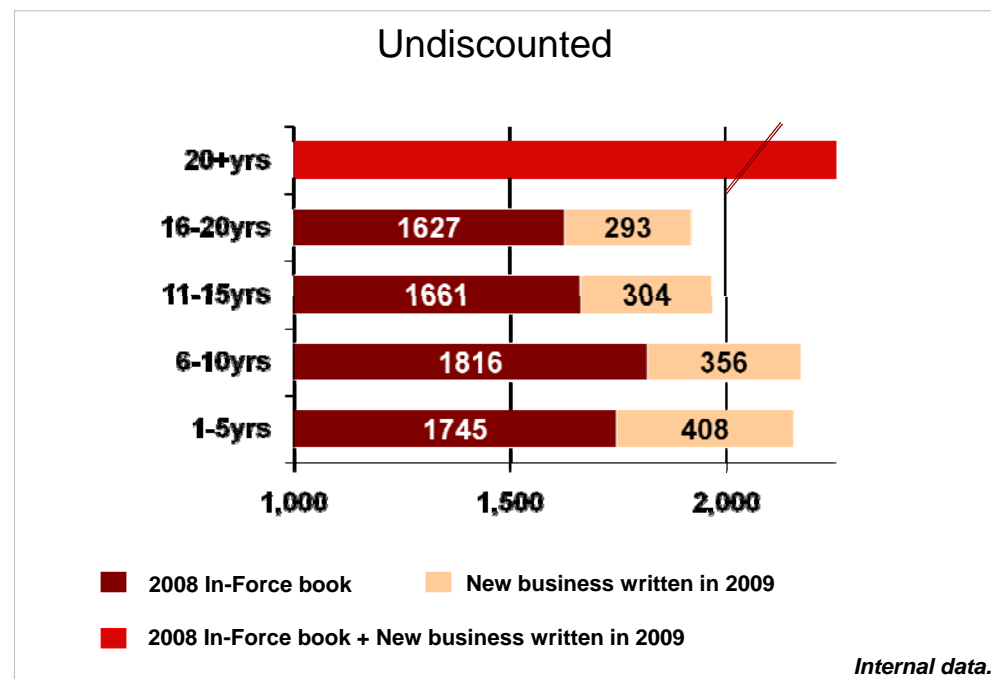
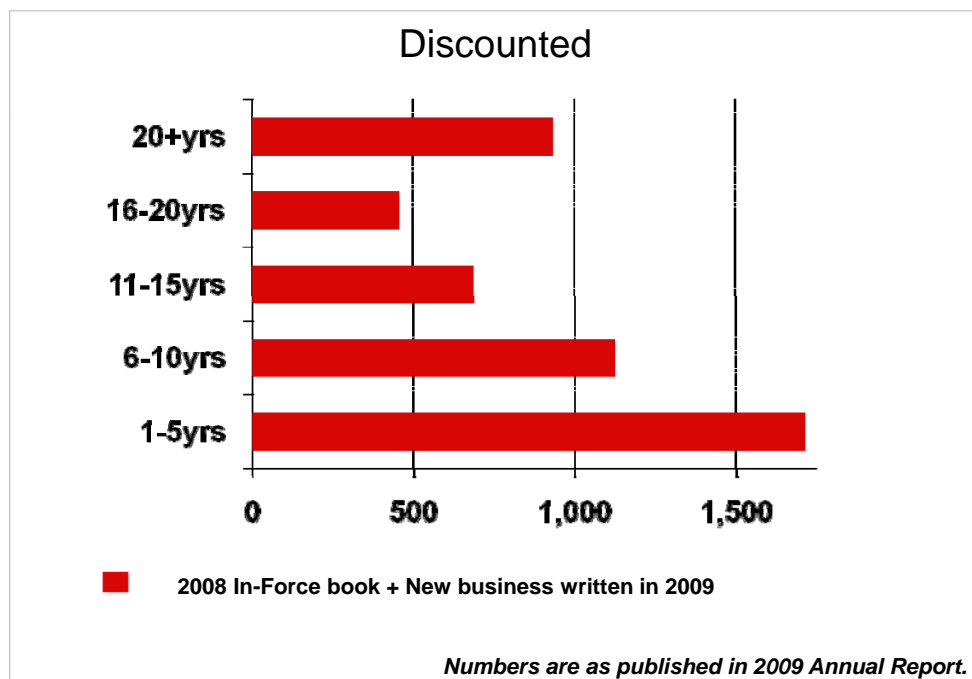
1. The amount comprised £1,787m of transfer to free surplus and £(167)m of transfer to required capital.

# Expected conversion of in-force book into profit and cash

More than 30% of the value of in-force at end of last year was expected to convert into free surplus over the next five years. New business added in 2009 contributed c. 20% of the corresponding undiscounted conversion

£m, AER

## Expected transfer of value of in-force business to free surplus





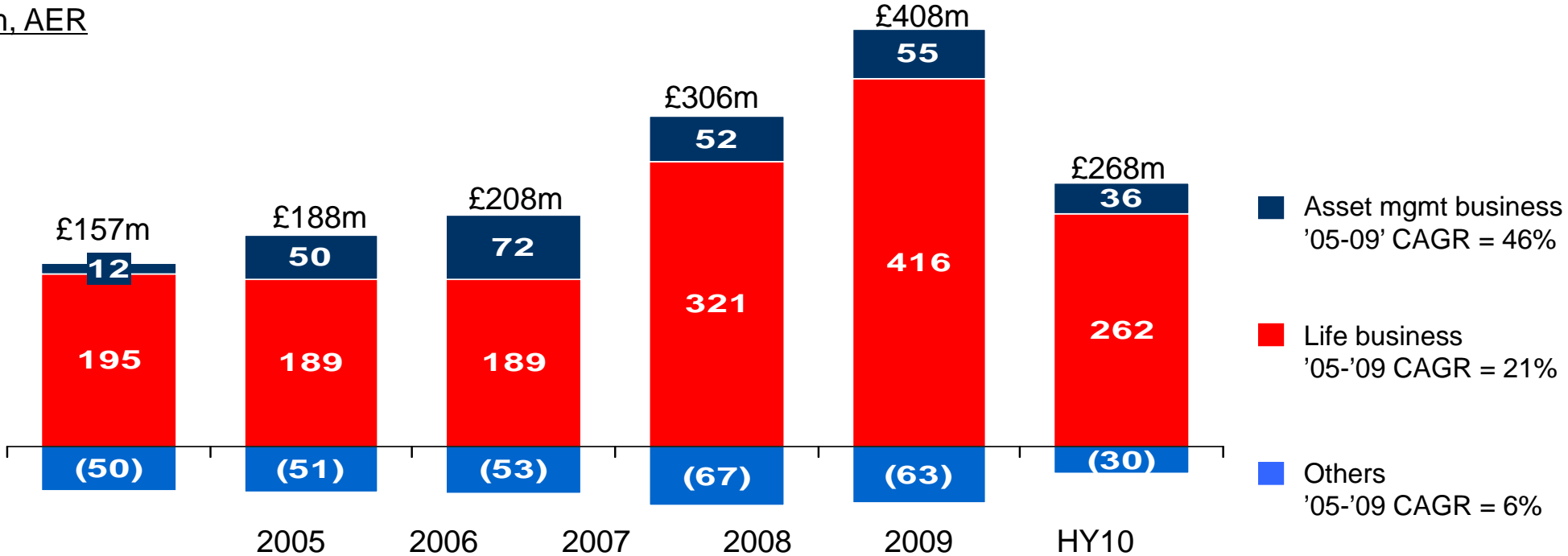
# IFRS Operating Profit – Total Asia

Life IFRS Operating Profit is the key driver of Asia IFRS profit.

Asia IFRS Operating Profit by business

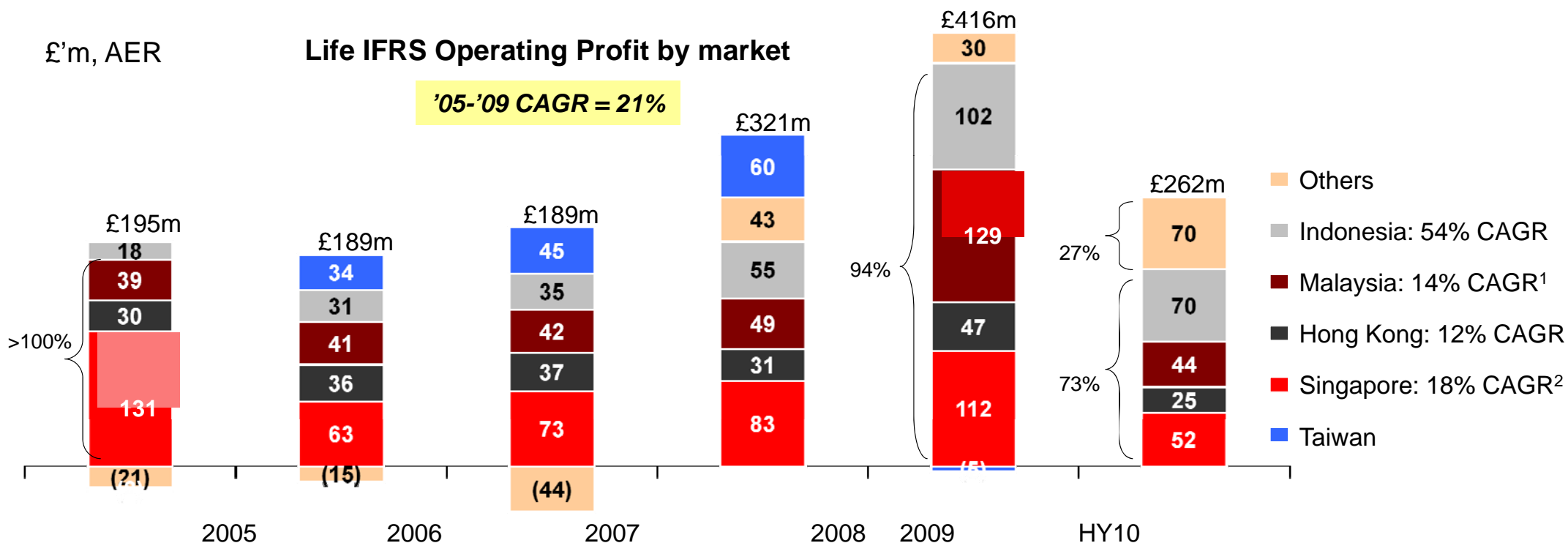
'05-'09 CAGR = 27%

£'m, AER



# Life IFRS Operating Profit – By market

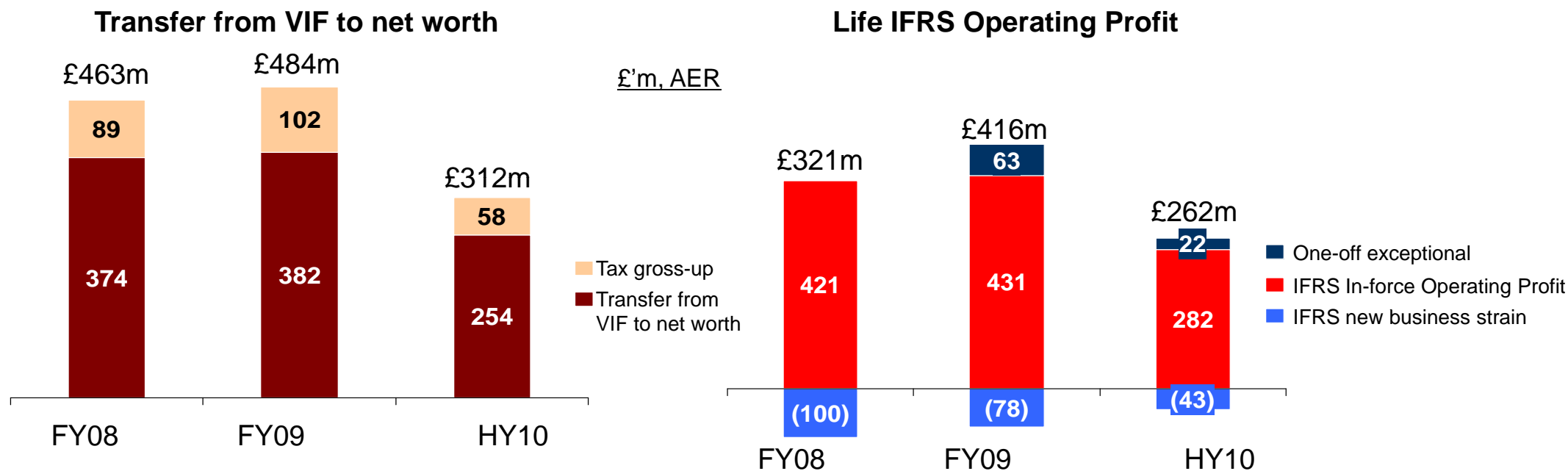
At the end of 2004, all of the Life IFRS operating profit was in Hong Kong, Singapore and Malaysia. Contribution from other markets has become increasingly material.



All CAGR calculations are from 2005 – 2009. Country specific data exclude profit contribution from general business. 1. Malaysia's CAGR exclude impact of Malaysia RBC change of £63m in 2009. 2. Singapore's CAGR exclude impact of Singapore RBC change of £73m in 2005.

# Conversion of VIF to Life IFRS In-force Operating Profit

Approximately 90% of 'grossed-up' transfers from VIF to net worth produces the IFRS in-force Operating Profit.

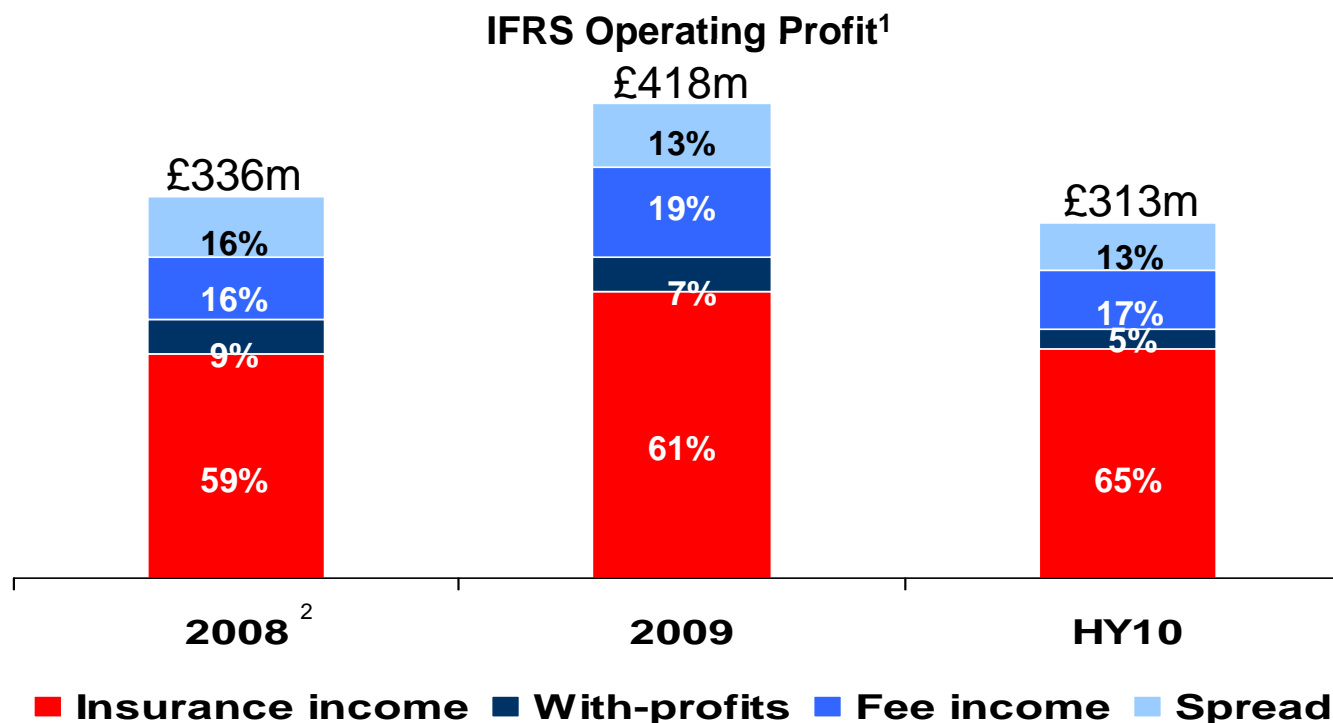


IFRS in-force Operating Profit as % of Gross Transfer from VIF to net worth		
FY08	FY09	HY10
421 / 463 = 91%	431 / 484 = 89%	282 / 312 = 90%

# Life IFRS Operating Profit – robustness

Net insurance margin is the key contributor of Life IFRS Operating Profit (excluding one-offs) reflecting robustness of the profit.

£'m, AER



1. Excluding net expense margin, impact of Malaysia RBC change in 2009 and other items.

2. 2008 comparatives have been adjusted for sale of Taiwan agency business.

# IFRS Operating Profit – Summary

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- IFRS operating profit is now becoming material, reflecting growth of the in-force book that has been built up and a greater management focus on IFRS
- Approximately 90% of the gross transfers from VIF to net worth drives the generation of IFRS operating profit from in-force business
- 80% of growth over the last five years came from four of our largest markets. Contribution from less established markets are becoming more significant in recent years
- The life profit earnings stream is robust driven by the strength of net insurance margin
- Continuing successful execution of our asset management strategy provides another source of additional profits upside
- We expect the historic underlying growth in IFRS operating profit to continue

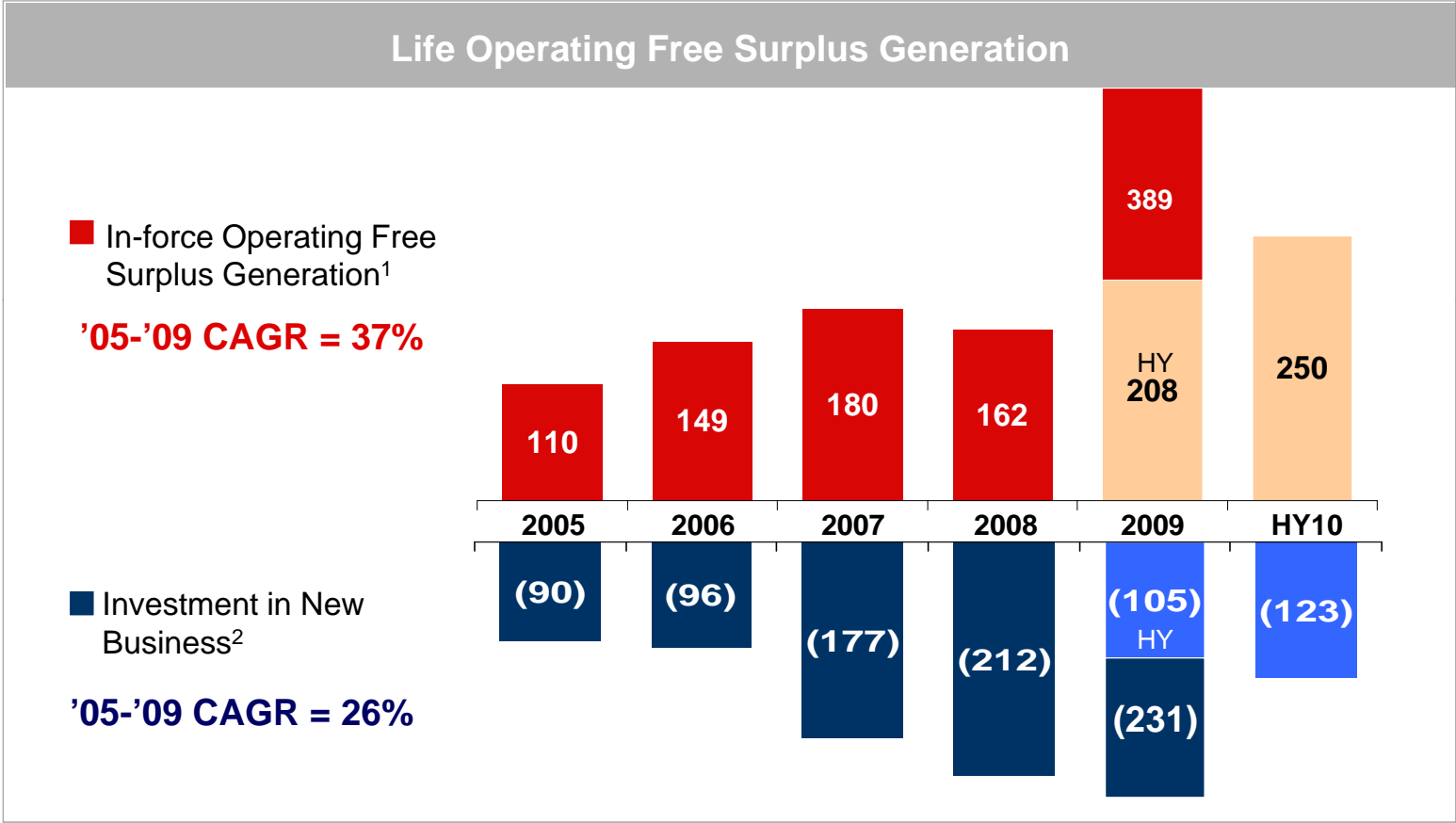
# Cash and Capital Management

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- As a result of the significant growth in VIF and the increasing strength of our cash generation capacity, a dedicated function has been established to oversee cash and capital management across the region in a formal, disciplined and consistent manner
- The regional capital management function is responsible for ensuring delivery of targeted operating free surplus generation and planned cash remittances to the Group
- A formal capital management policy which prescribes the amount of capital held by our life business operations is in place
- In respect of asset management business, the objective is to remit all profits after tax subject to retaining capital for local regulatory requirements

# Life Operating Free Surplus Generation

£m, AER

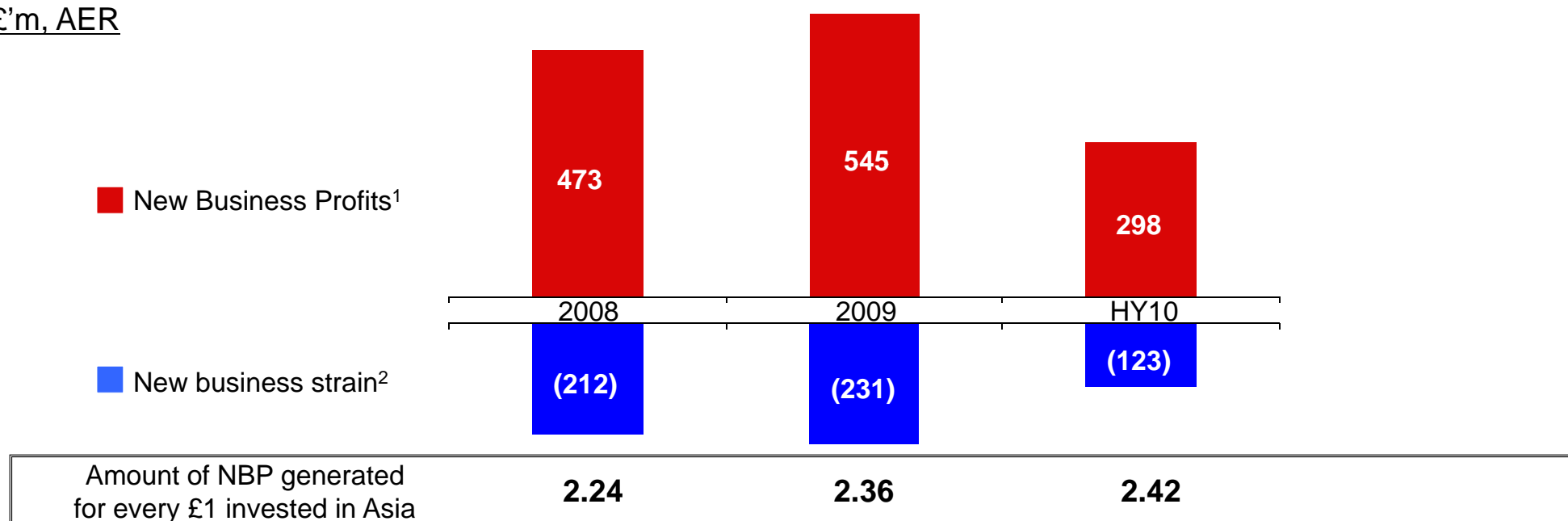


- 1. Excluding Taiwan in-force business prior to 2009, and Japan.
- 2. Free surplus invested in new business. Excluding Japan which ceased writing new business in Q1 2010.

# Free surplus invested in new business

Value of new business generated more than £2 for every £1 invested, reflecting our 'value over volume' discipline

£'m, AER



Excluding Japan which ceased writing new business in Q1 2010. 2008 comparatives adjusted for sale of Taiwan agency business in Q1 2009.

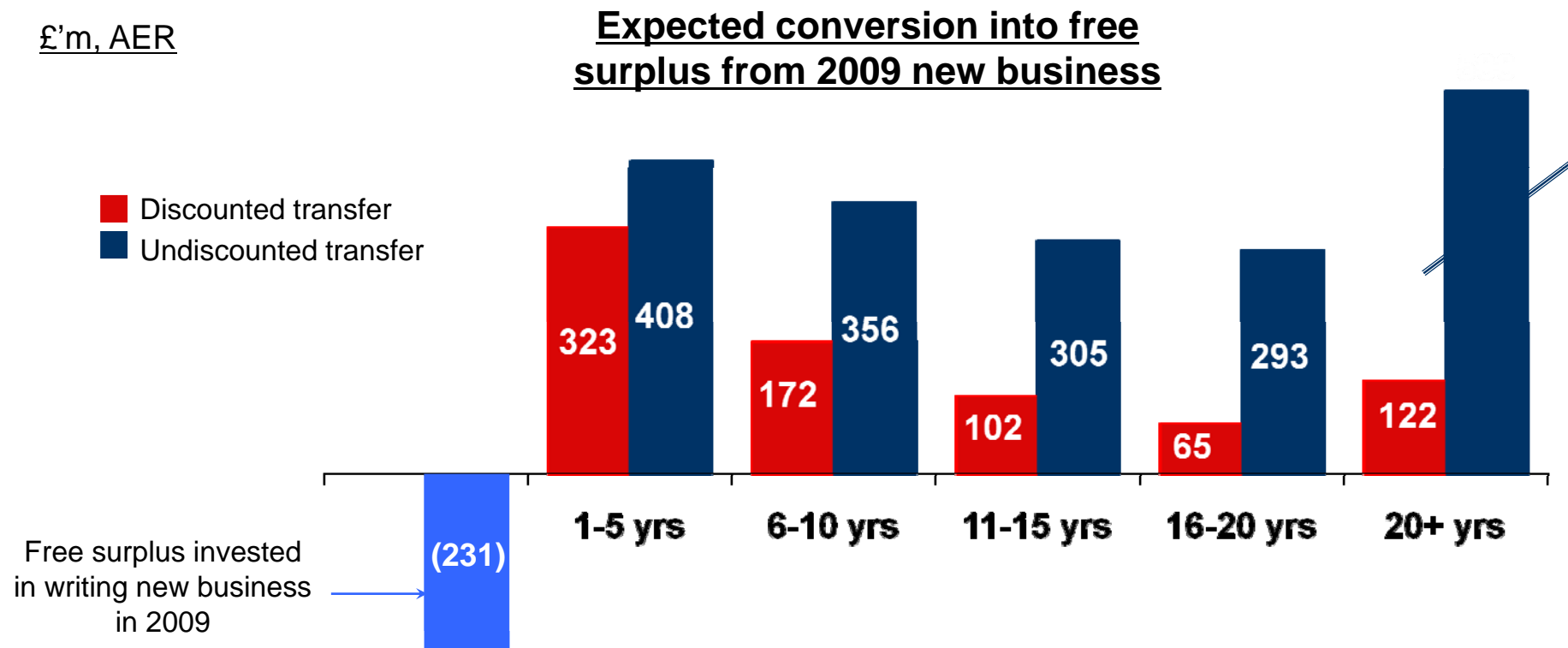
1. Post-tax new business profits.

2. Free surplus invested in new business.



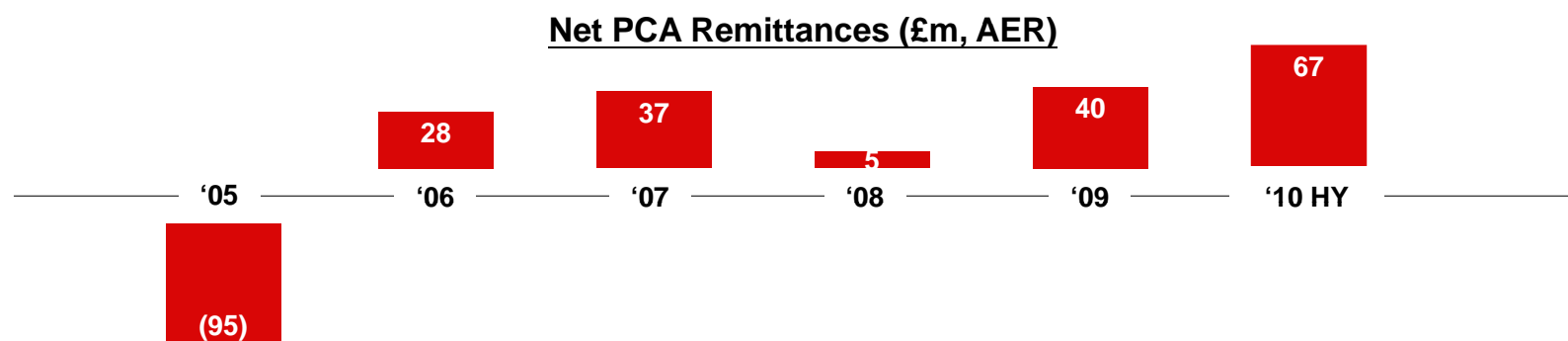
# Free surplus invested in new business

High velocity of free surplus from new business tranche coming back into our business following initial outlay in writing the tranche



# Historic Net Cash Remittances to the Group

Net remittances having turned positive in 2006 have been gradually increasing.



Life BUs Remitting	4	4	5	3	5	5
Life BUs Neutral	2	3	4	3	4	6
Life BUs Injecting	6	6	4	7	4	2

## Dividend Policy:

- LIFE: Surplus in excess of target capital
- FUNDS: All profits after tax, subject to local regulatory requirements
- For all business units that can remit

# Summary

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- Our management of the business over the last five years has led to a significant growth of the in-force book (now valued at over £5 billion). This growth in value is now generating an increasing quantum of profit and cash
- The in-force book is of high quality because of our 'value over volume' discipline. The profits emerging are robust because the majority of earnings come from insurance profits
- Focus on writing high quality regular premium health and protection product is returning profit and cash quickly after incurring strain in writing the new business
- As a result, IFRS Operating Profit, Free Surplus Generation and Net Cash Remittances to the Group are now becoming material

# PCA Funds : Business Update



Graham Mason  
Chief Executive, Fund Management  
Prudential Corporation Asia

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# Contents

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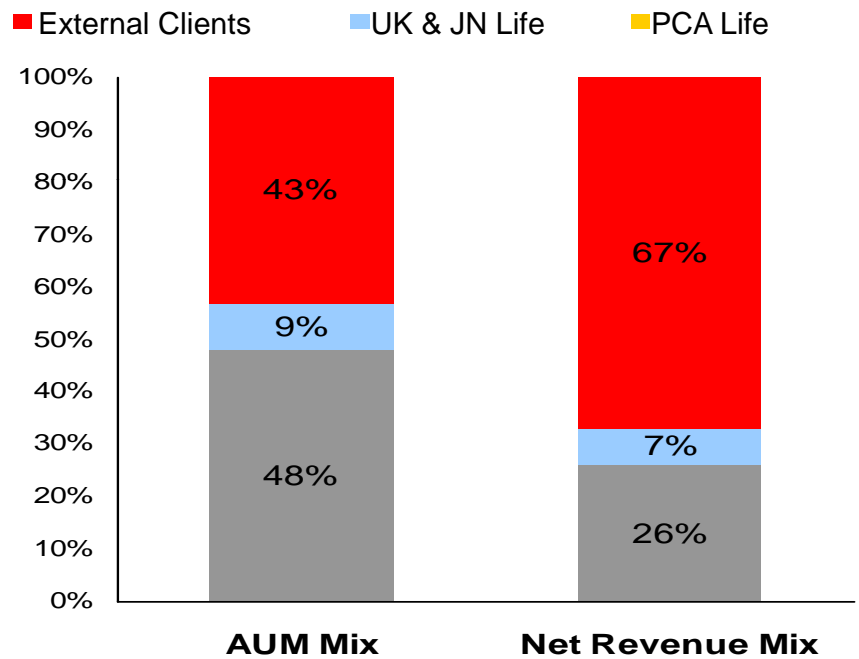
- Shape of the Business
- Strengths of the Business
- Strategic Priorities

# PCA Funds Business Overview

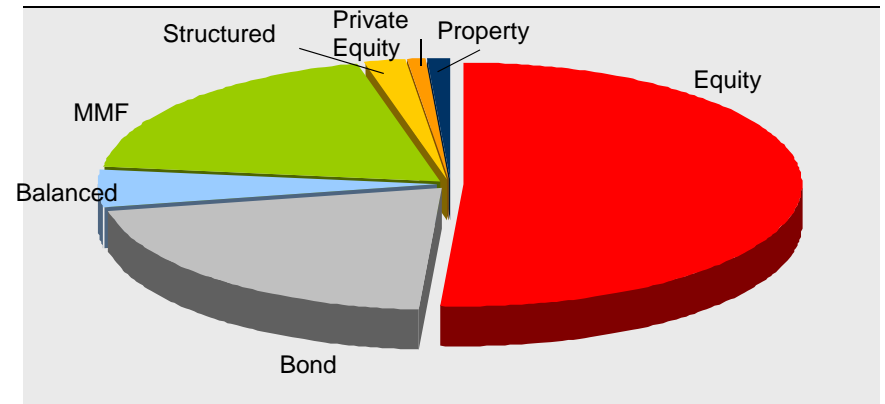
We have built a Material and Well-diversified External Clients' Portfolio

Total FUM as at Sep 2010 : £ 50bn

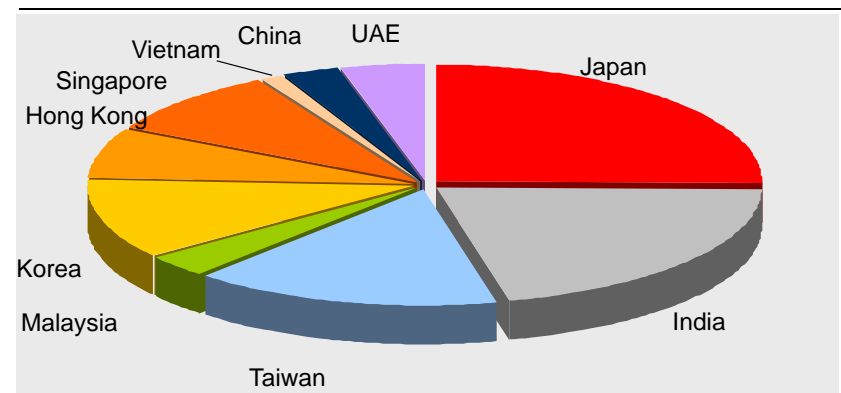
FUM and Revenue Mix



External Clients' FUM by Asset Class



External Clients' FUM by Geography

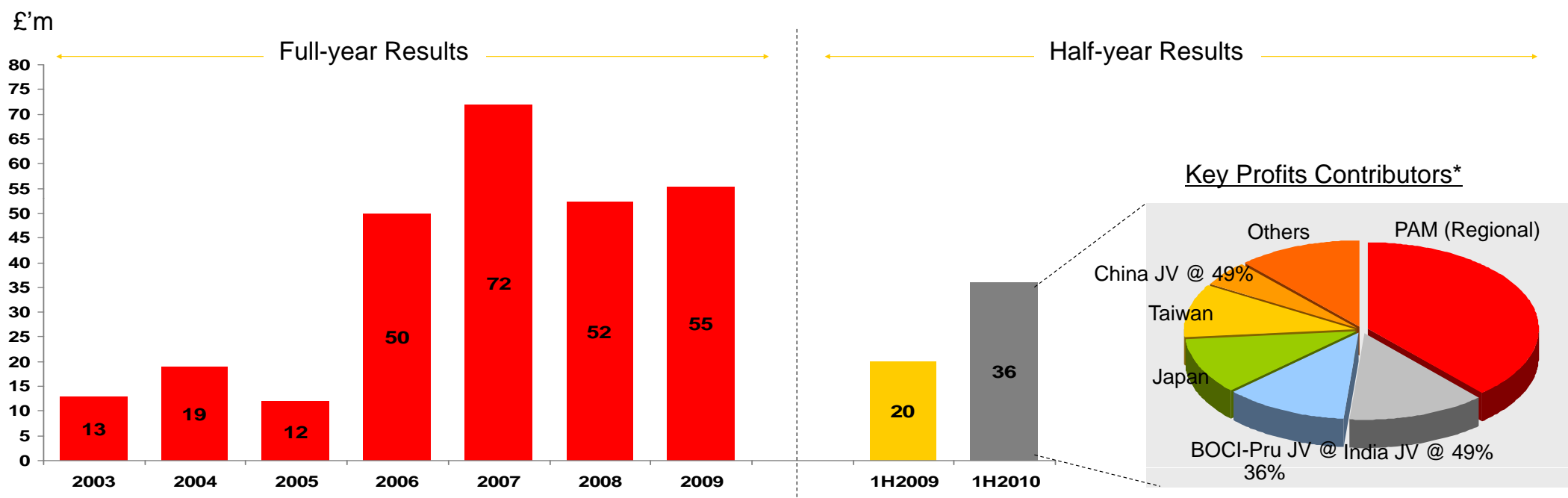


Source: PCA Funds Regional Finance Team

Note: FUM data as at Sep 2010. Revenue data for 1H2010. FUM for JV businesses accounted for based on PCA Funds shareholdings.

# Profitability (2003 – 1H 2010)

## IFRS Profit (2003 – 1H 2010)



Source: PCA Funds Regional Finance Team. All numbers at actual exchange rates.

Notes: PBT includes Regional Head Office ("RHO") recharges (Zero up to 2008, £5.5m in Full Year 2009, Zero in 1H2009, £2.75m in 1H2010)

2005 and 2006 PBT incorporate Taiwan Bond Fund losses of GBP16mn and GBP3mn respectively

2008 PBT incorporates losses from India Money Market event of GBP2mn (@49%)

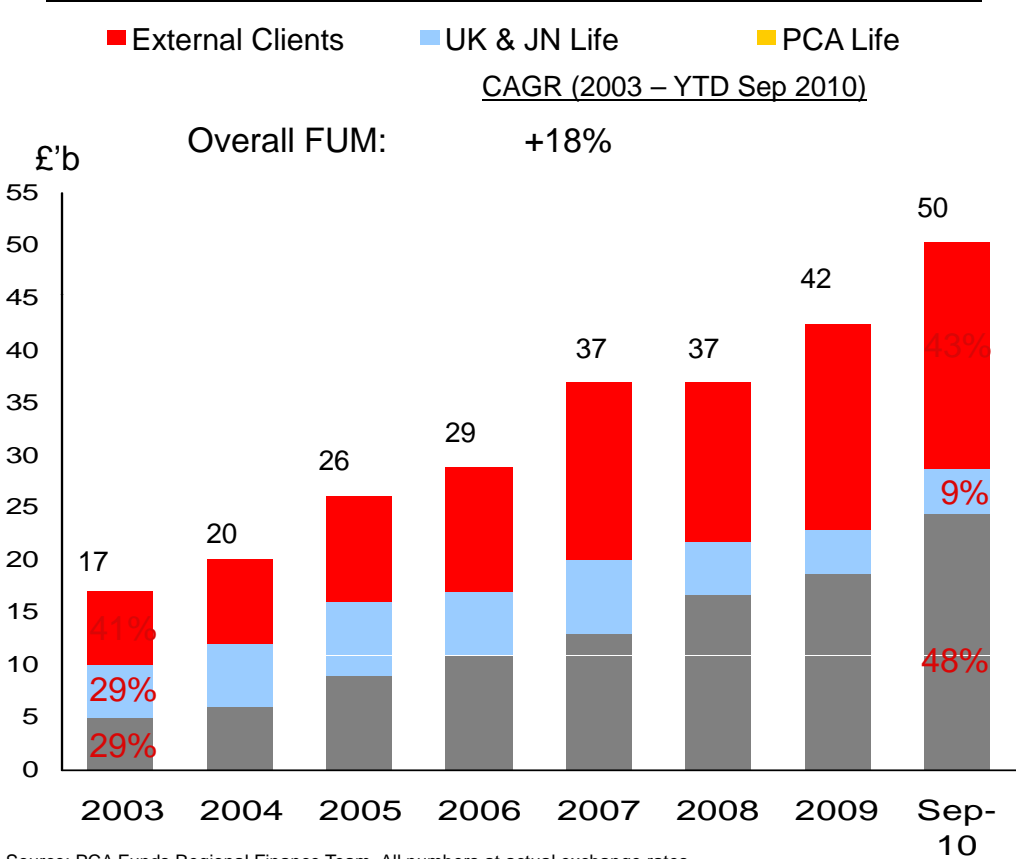
2009 PBT incorporates losses from India Private Equity business of GBP5.4mn (@49%)

\* Split of profits computed before allocation of RHO recharges to individual businesses

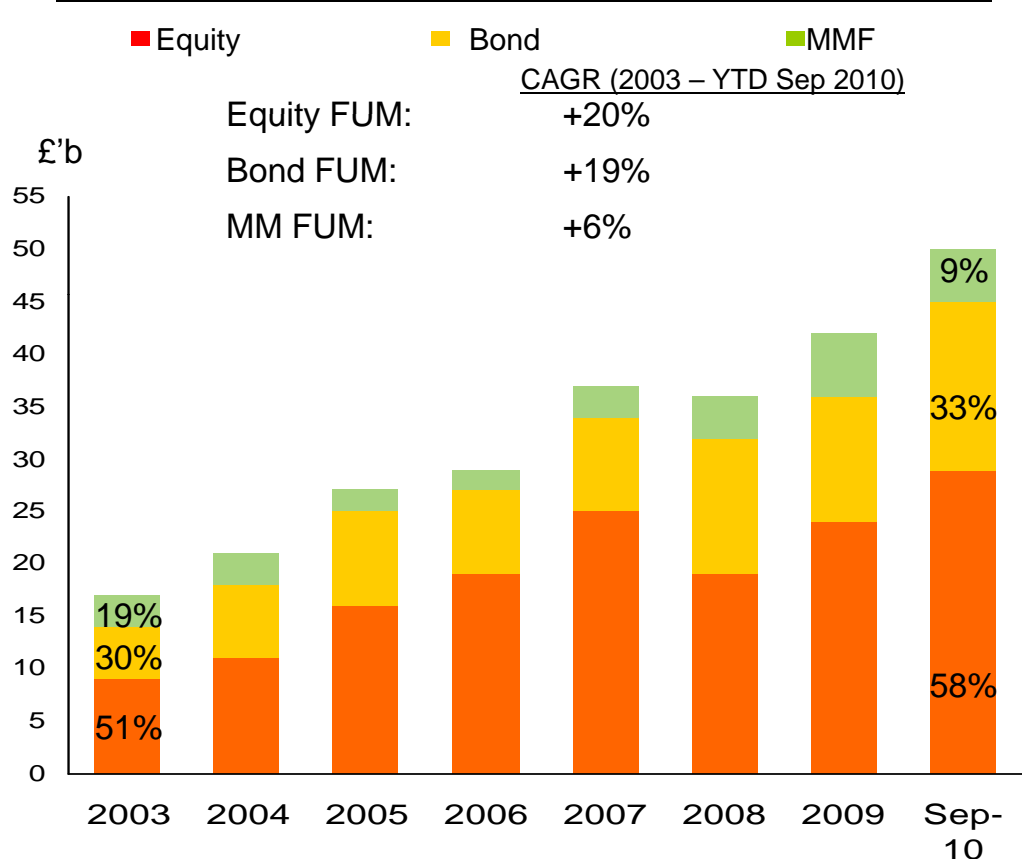
# Drivers of Profitability: 1) AUM Growth and Mix

## FUM Growth supported by Shift towards Asian-sourced and Higher Margin Assets

Total FUM Mix by Client Type



Total FUM Mix by Asset Class



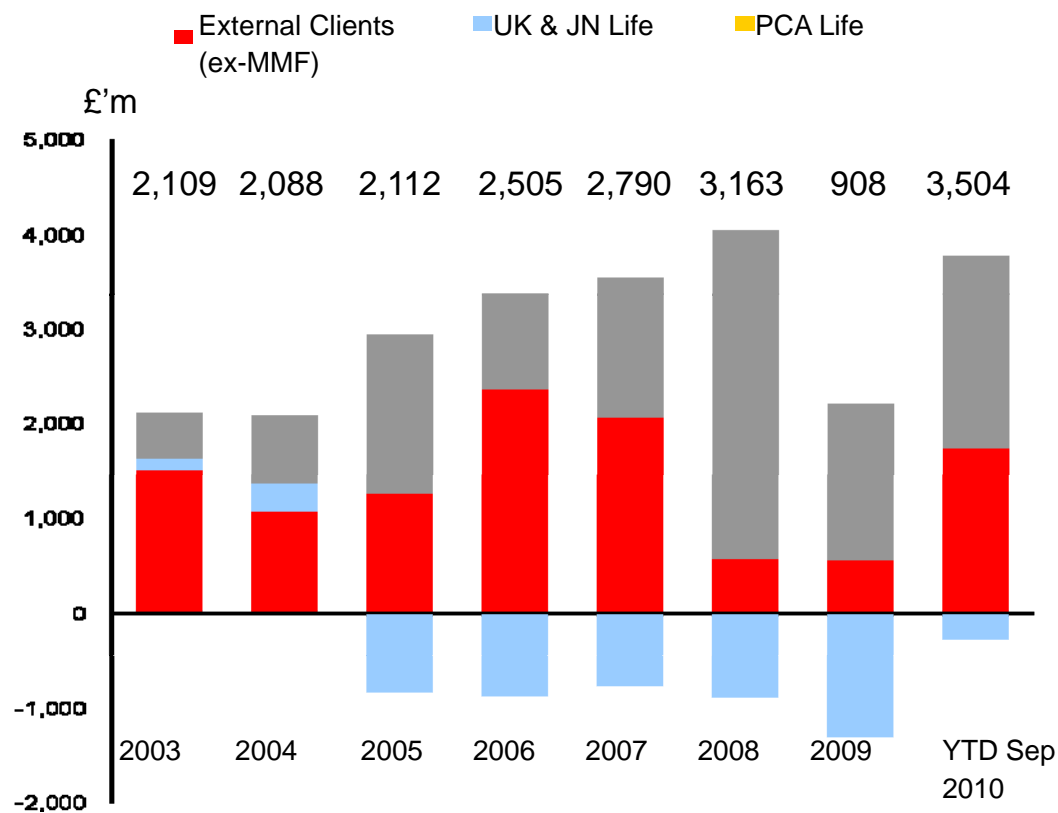
Source: PCA Funds Regional Finance Team. All numbers at actual exchange rates.



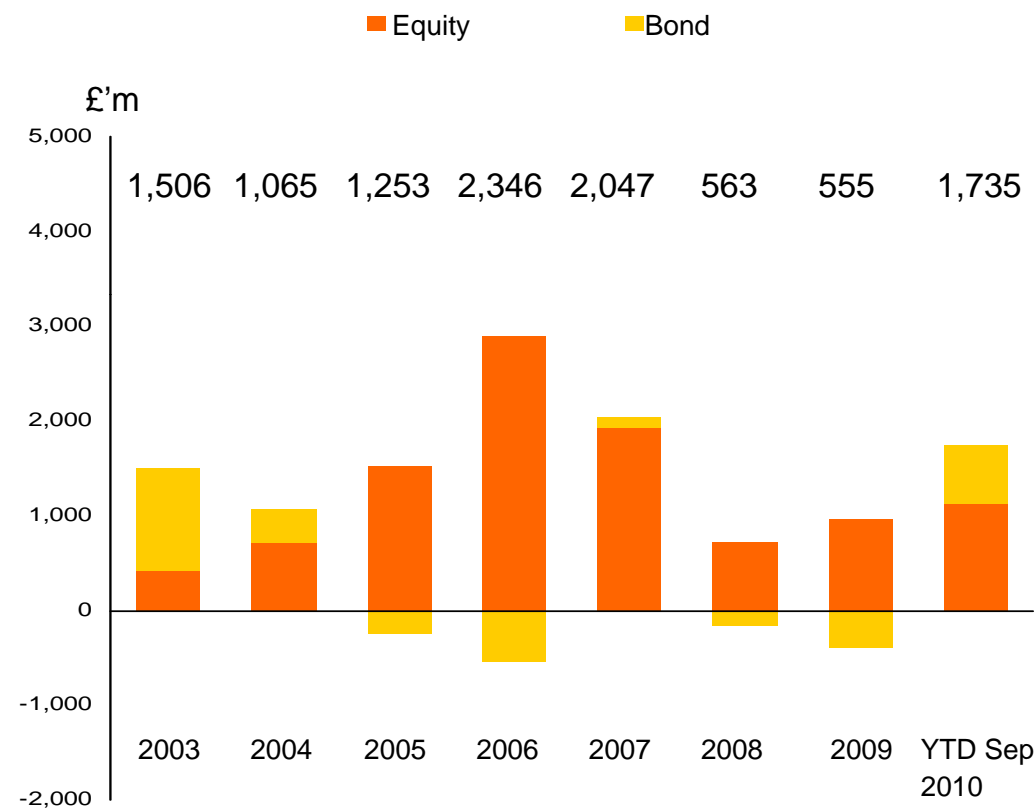
# Drivers of Profitability: 2) Long-term Net flows

## Robust Long-term Net flows Achieved in 2010 despite Weak Industry Flows

Long-term Net Flows by Client Type



External Client Long-term Net Flows by Asset Class (ex-MMF)

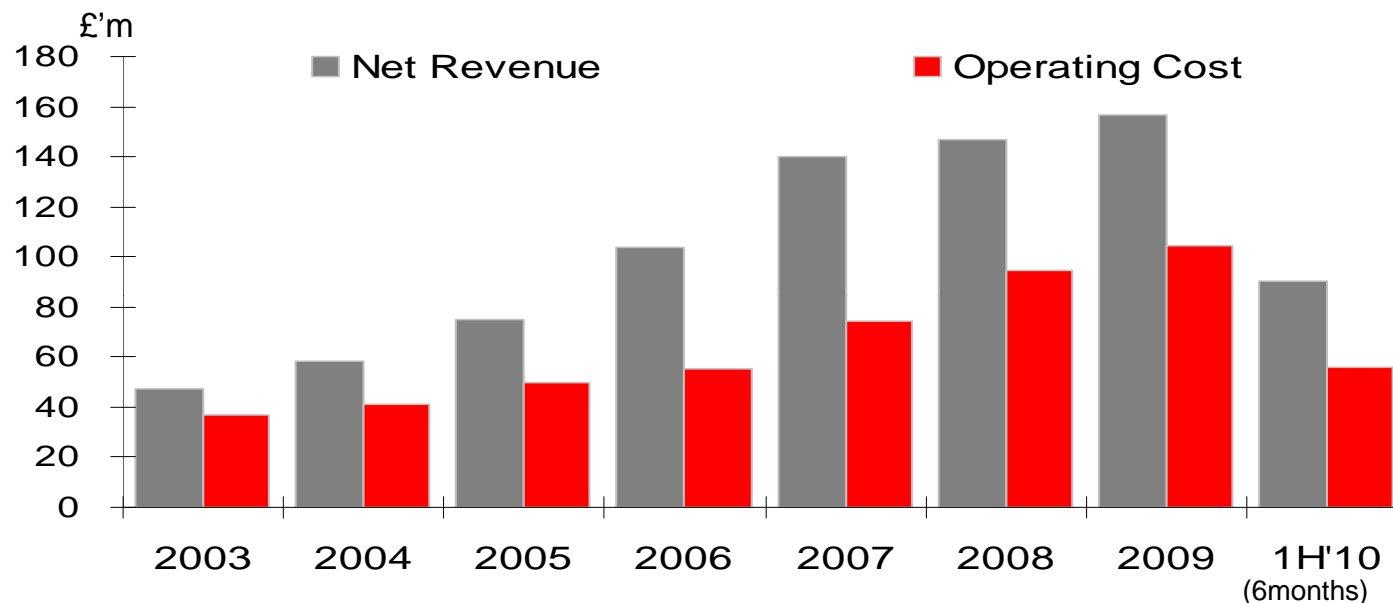


Source: PCA Funds Regional Finance Team. All numbers at actual exchange rates.

# Drivers of Profitability: 3) Cost Management

Cost Oversight ensured Expense Growth was at a slower rate relative to Revenue Growth

Revenue, Cost and Net Margin



CAGR 2003 – 1H2010	
Net Revenue CAGR	: +10%
Operating Cost CAGR	: + 7%
PBT CAGR	: +17%

Net Margin*	2003	2004	2005	2006	2007	2008	2009	1H'10 (6months)
	27%	33%	37%	51%	51%	36%	35%	39%

Source: PCA Funds Regional Finance Team. All numbers at actual exchange rates.

Notes: PBT includes Regional Head Office ("RHO") recharges (Zero up to 2008, £5.5m in Full Year 2009, £2.75m in 1H2010)

2005 and 2006 PBT before incorporating Taiwan Bond Fund losses of GBP16mn and GBP3mn respectively

2008 PBT after incorporating losses from India Money Market event of GBP2mn (@49%)

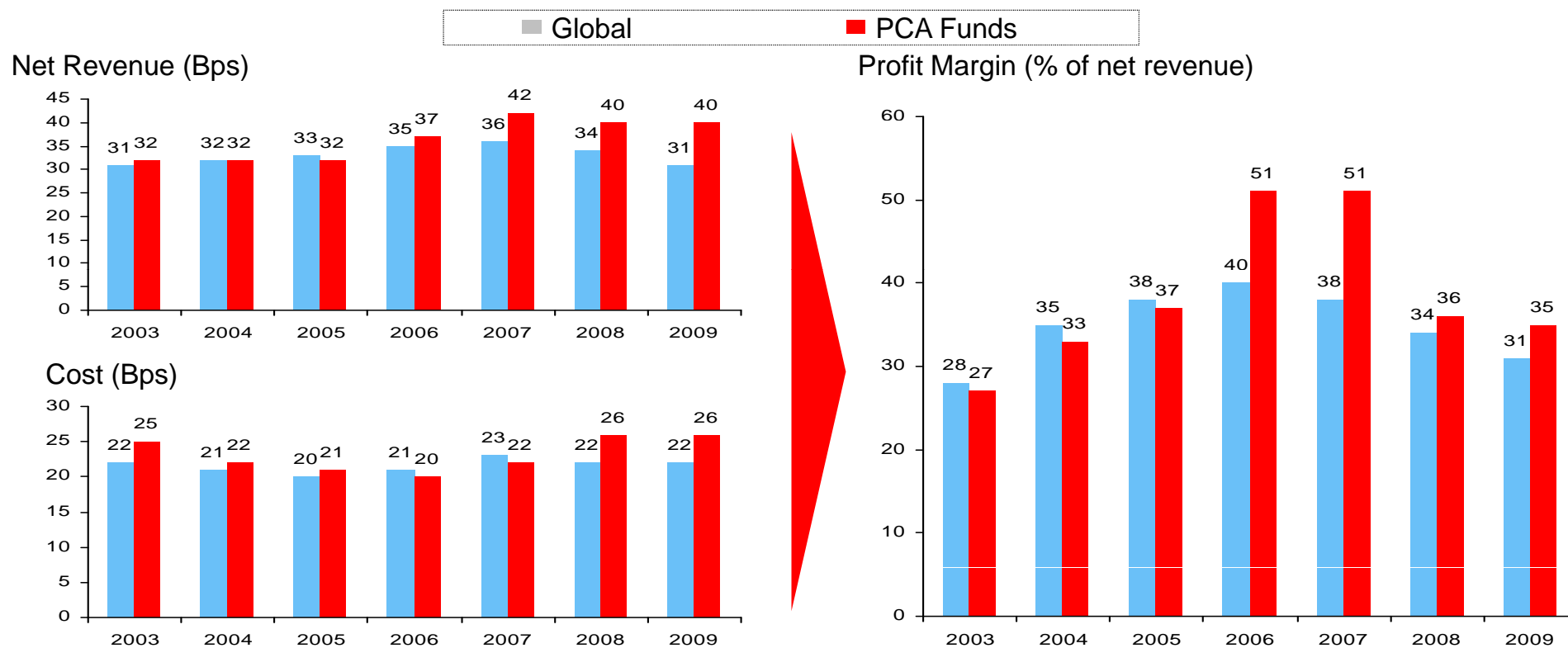
2009 PBT after incorporating losses from India Private Equity business of GBP5.4mn (@49%)

\* Net Margin computed using IFRS PBT taken against Net Revenue including PRF, other income and net of recharges

# Profitability Comparison

## Higher Profits Margin relative to Global Comparators

Global vs PCA Funds Profitability (2003 – 2009)



Source for Global data: Boston Consulting Group's "Global Asset Management Report, 2010"

Source for PCA Funds data: PCA Funds Regional Finance Team. 2005 and 2006 PBT margin computed before incorporating Taiwan Bond Fund losses of GBP16mn and GBP3mn respectively. 2008 PBT margin after incorporating losses from India Money Market event of GBP2mn (@49%). 2009 PBT margin after incorporating losses from India Private Equity business of GBP5.4mn (@49%).

Profit Margin computed using IFRS PBT taken against Net Revenue including PRF, other income and net of recharges

# Contents

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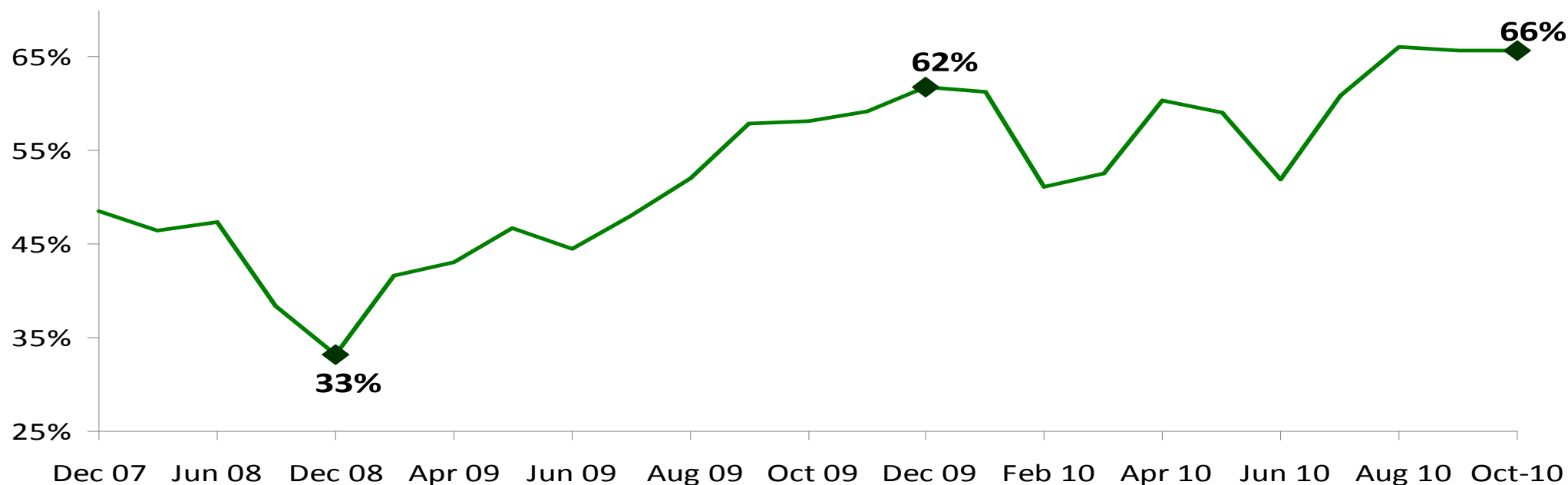
- Shape of the Business
- Strengths of the Business
- Strategic Priorities

# Strength of the Business: Strong Investment Performance

## Two-thirds of Our Funds Ranked in Top-2 Quartiles or Outperformed Benchmarks

The aggregate report shows the percentage of funds that either outperform their benchmark or have peer ranking in the top 2 quartiles over 3 year rolling periods. This single measure is a blended score using the number of funds and amount of funds under management.

Total Business 3 Year Score for PAM-Managed Funds\* (Dec 2007 to Oct 2010)



Source: PCA Funds Regional Performance team, October 2010.

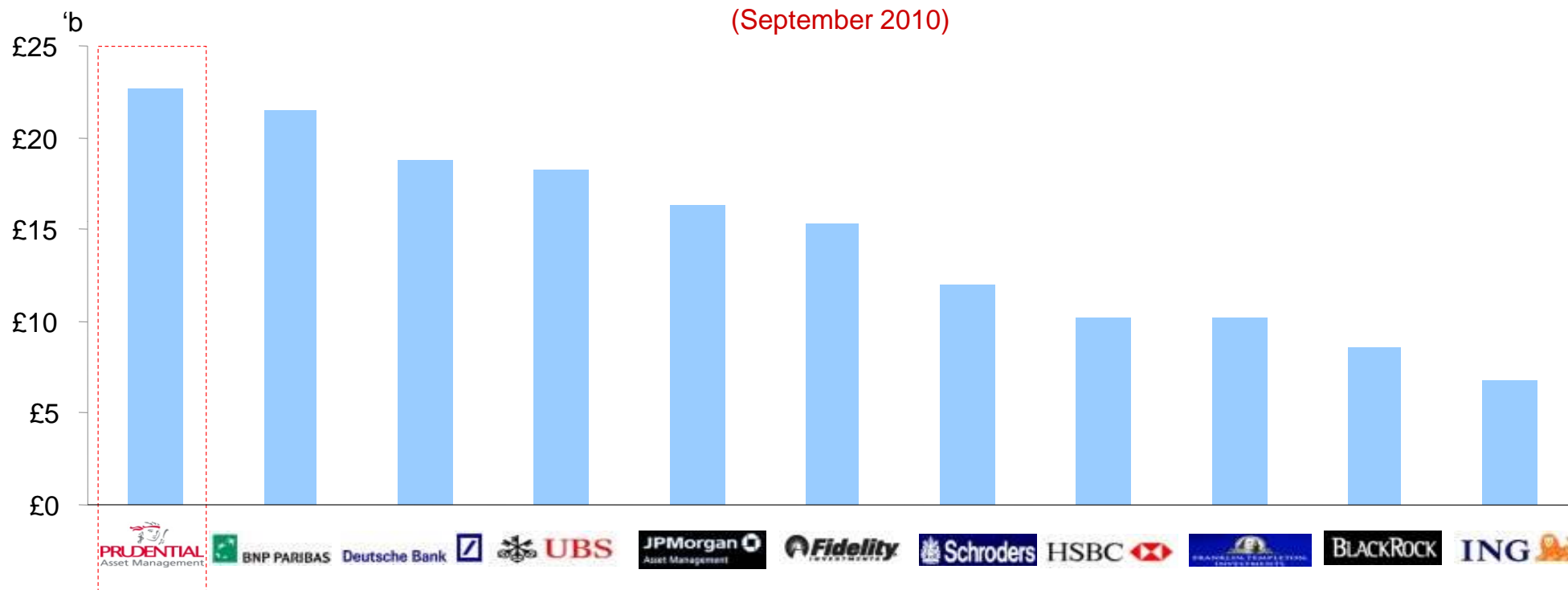
Funds with no benchmark and no peer ranking are excluded from aggregate score. FUM used for all periods is as of the reporting date. Funds listed in each country only represents funds managed by the investment team in those countries and does not include funds managed by 3rd party or feeder funds.

\* 3 Yrs Blended Score: 50% No + 50% FUM of funds outperforming benchmark or in top 2 quartiles over 3 years rolling period

# PCA Funds Competitive Ranking

## Leading Multi-national Mutual Fund Player within the Onshore Market in Asia

Total Onshore Mutual Fund FUM for PCA Funds Countries of Operation in Asia\*  
(September 2010)



\* Covers the 8 Asian markets PCA Funds is present in: Japan, Korea, India, China, Taiwan, Singapore, Malaysia and Vietnam. Hong Kong and UAE not included due to non-availability of data.

Source: Korea (AMAK), India (AMFI), Singapore/Malaysia (Lipper), Japan (ITA), Taiwan (SITCA), China (Wind), Vietnam (Internal Research)

Notes: All FUM reported as at September 2010. Competitors' FUM derived by summing up FUM reported by each local industry association or market data provider highlighted in the source above. FUM accounted for at 100% for all players, regardless of ownership stake. For Japan, only POIT FUM is reflected.

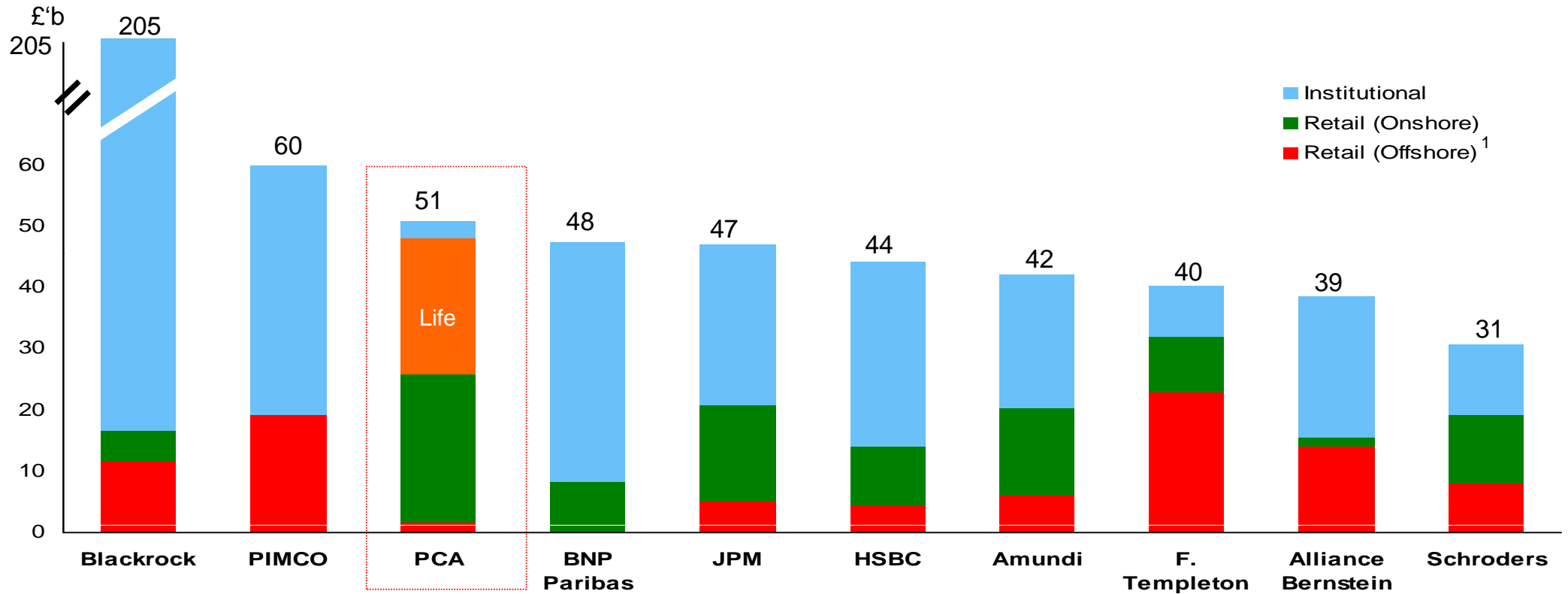
# Contents

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- Shape of the Business
- Strengths of the Business
- Strategic Priorities

# Competitive Ranking : Total Assets Sourced From Asia

Total AUM sourced from Asia – Top 10 Multi-national Competitors\* (Jun 2010)



\* Source: Competitors selected based on the largest multi-national competitors participating in *Asia Asset Management*, 2010 Survey. Institutional AUM and Retail AUM data as at Jun 2010 extracted from *Asia Asset Management*, Sep 2010 Issue. *Asia Asset Management* accounted for AUM at 100% only if JV proportion is more than 33%. Otherwise, AUM is accounted for at shareholdings proportion. BNP Paribas appears to have submitted data with all JVs stated at shareholding proportions even where their shareholding exceeds 33%.

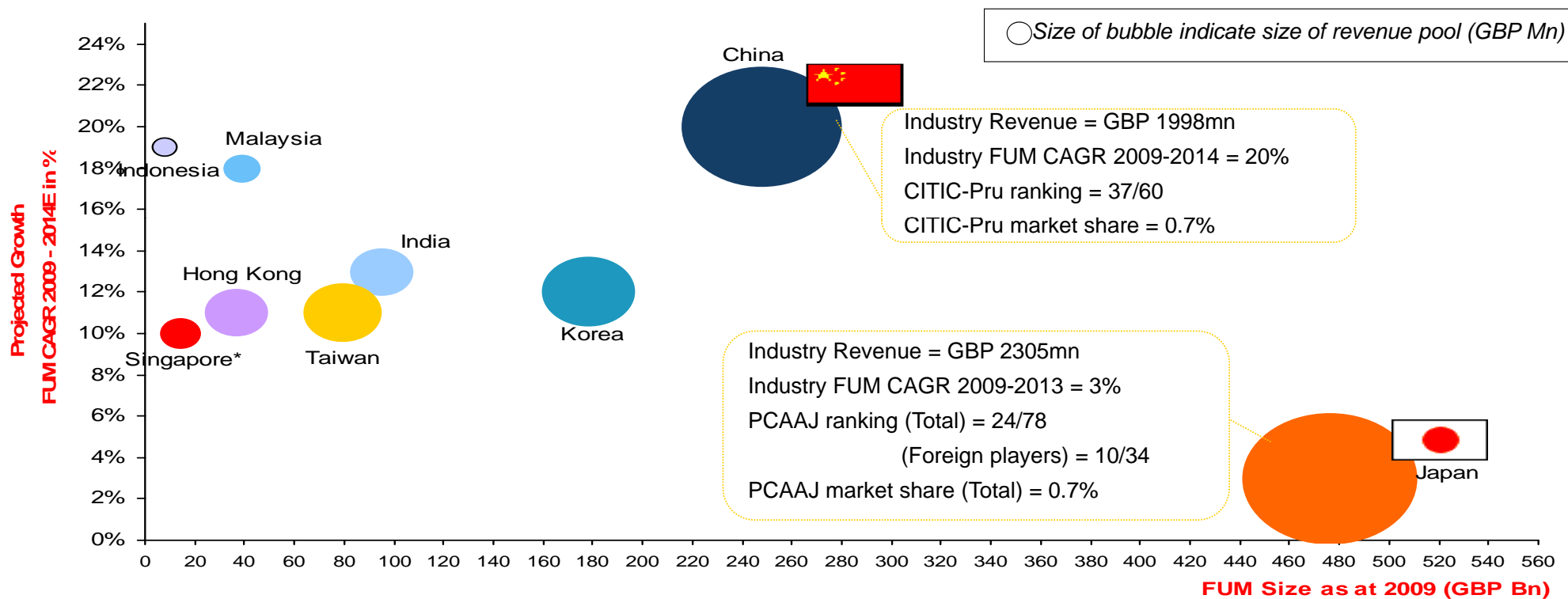
1/ Offshore data estimated by deducting *Asia Asset Management* "Retail AUM" against Onshore MF data extracted from local industry sources. i.e. Korea (AMAK), India (AMFI), Singapore/Malaysia (Lipper), Japan (ITA), Taiwan (SITCA), China (Wind), Vietnam (Internal Research).



# Key Retail Markets

## Focus on Largest Markets

Asian MF Market: 2009 FUM, 2009 Revenue Pool & Projected CAGR



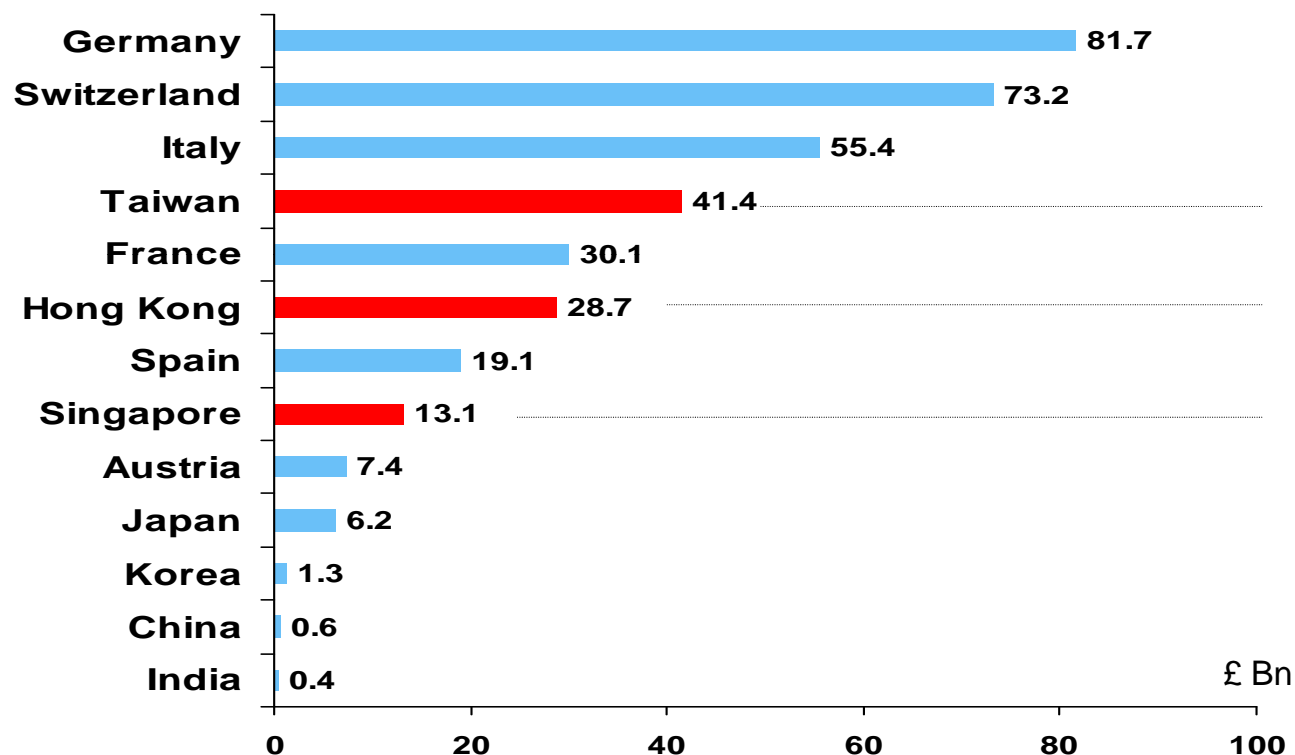
Source: Cerulli Asian Distribution Dynamics 2010 and Retail Asset Management SE Asia 2010. Nomura Research Institute Feb 2010 report for Japan revenue pool and industry growth data. \*Singapore FUM and revenue reported based on onshore funds only.

Note: CITIC-Pru and PCAAJ ranking and market share is as of Sep 2010.

# Offshore Funds Market Potential

## Significant Offshore Opportunities in Taiwan, Hong Kong and Singapore

Asia Offshore MF market 2009\*



Comments^

- Taiwan: offshore products account for 54% of total market FUM and >90% of market net flows
- Hong Kong: offshore products account for 79% of total market FUM
- Singapore: offshore products account for 48% of total market FUM and ~70% of market net flows

Source: \*Charts from M&G presentation ; Lipper sales watch.

^ Offshore funds as % of local market FUM from Cerulli Asian Distribution Dynamics 2010 report. Net flows based on PCA Funds internal estimates.

# Key Strategic Initiatives

Playing to our Strengths

 Key Strategic Initiatives

## Current Strengths

- Strong regional investment team with credible philosophy, process, people and performance
- Strong onshore mutual funds business presence and distribution in Asia

## Key Initiatives/ Focus

- 1 Institutional:**
  - Build and develop institutional relationships. Secure Pan-Asian discretionary mandates
- 2 Japan:**
  - Largest market in Asia
- 3 China**
  - Fastest growing market in Asia
- 4 Offshore markets:**
  - Capture a larger piece of the offshore markets through securing access to leading platforms

**Products:** Create products to be distributed across the region; and then globally

**Other Retail Markets:** Fortify existing retail market positions

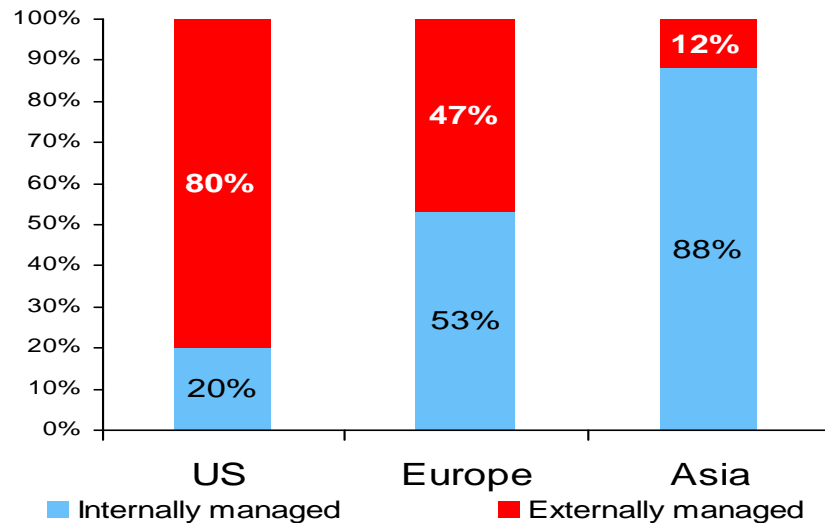
**PCA Life & ILP:**

- Continue to significantly improve client service
- Working with Life Management to offer value-add across ILPs

# Strategic Initiative 1: Institutional Client

Institutional Client Segments can offer Sizeable AUM and hence Revenue Opportunities

Global Institutions' Internally vs Externally Managed Assets (2009)



Total AUM (2009)	US	Europe	Asia
	£ 4 Tr	£ 4 Tr	£ 3.3 Tr

Source: Greenwich 2010 Report on Asian Institutional Markets.

PCA Funds Institutional Business

## Rationale

- Viable segment to tap on
  - Leverages Institutional-like approach to managing Life funds
  - Deepens scale of business
  - Sizable revenue potential given AUM size
  - Enables extension of our Asian expertise to clients beyond Asia

## Success to-Date

- Already made significant penetration into top-10 key Asian Institutional clients identified in Greenwich survey
- In 2010, secured new mandate types
  - Asian Bond mandate from SE Asia Central Bank
  - Shariah mandate from SE Asia Government Provident Fund

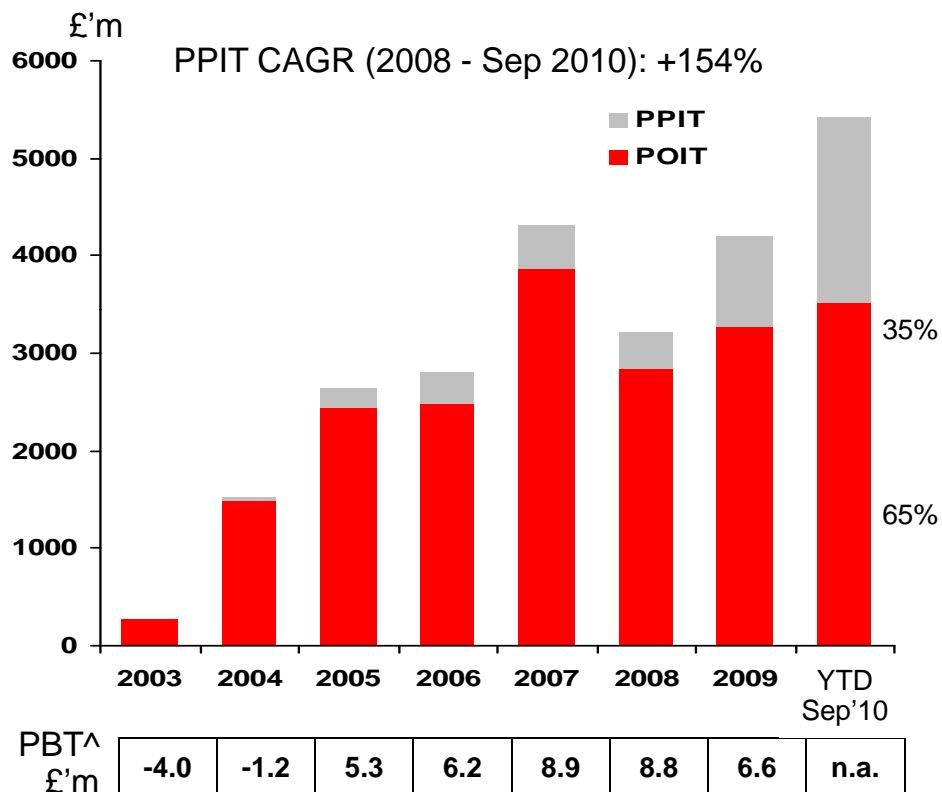
## Next Steps

- Expand beyond Asia to US and European markets, while growing current business base in Asia

# Strategic Initiative 2: Japan

## Pursuit of White-label Strategy while meeting Client Needs

### FUM (POIT vs PPIT)\* and Profits



Source: PCA Funds Regional Finance Team. All numbers at actual exchange rates.

\* POIT refers to "Public Offering Investment Trust", while PPIT refers to "Private Placement Investment Trust"

<sup>^</sup> PBT from 2009 includes RHO recharges

### PCA Funds Japan Business

#### Success to-Date

- Selection of a suitable partner for our white-label product, Asian Equity Income Fund, has propelled the fund to cross £ 2bn in FUM
  - The fund catered to local retail investors' demand, while playing to the strength of our value-investment style
    - ✓ high dividend yield of ~4%;
    - ✓ regular income payout feature; &
    - ✓ capital growth opportunities
- 9th largest foreign asset manager by FUM in FY2009, PCA Japan generated the 4th largest quantum of profits<sup>1</sup>

#### Next Steps

- Replicate success in white-label strategy to other flagship products offered by PCA Funds

<sup>1</sup>/Source: Japan EDINET regulatory disclosure.

# Strategic Initiative 3: China

CITIC-Pru Business is premised on Strong Investment Performance and Innovative Products

## China JV Business

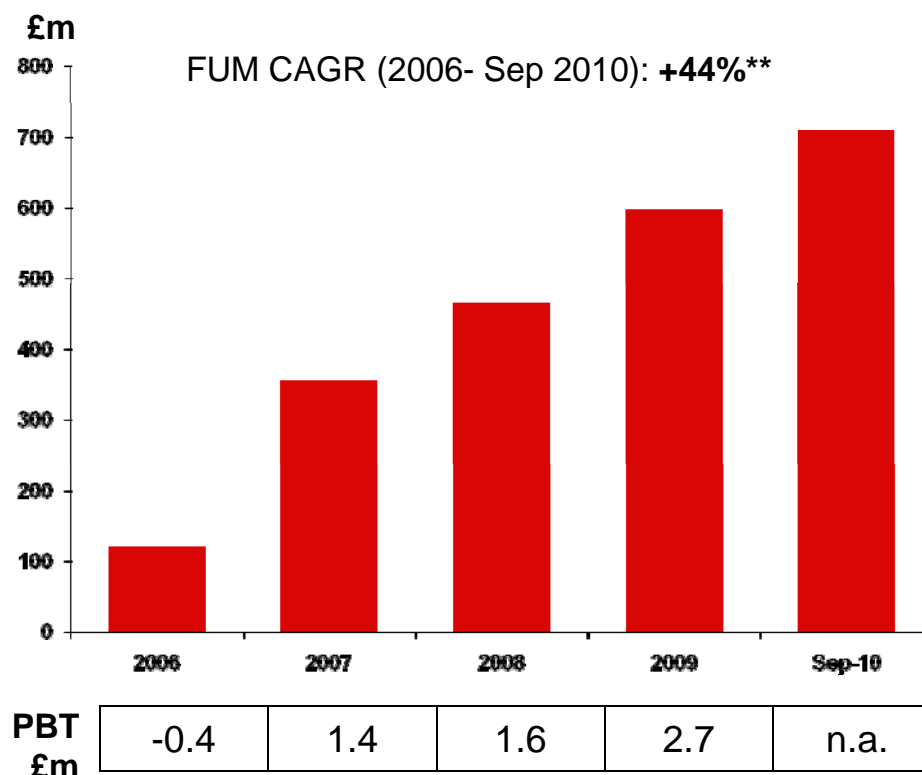
### Success to Date

- Innovative Products**, with a total of **4 new launches** in 2010
  - One of first to introduce a **Close-ended Bond Fund** (raised **£220m**)
  - QDII BRIC fund** (still in IPO period^)
  - 2 other IPOs: **Small Mid- Cap Equity** and **Deep Value Equity** funds launched in 1H2010
- Strong Investment Performance**

Fund Name	Peer ranking (YTD)	Peer ranking (last 12 months)	Peer ranking (last 36 months)	Rating (last 36 months)
Sijihong Balanced 四季红混合	4/43	4/43	7/43	★★★★★
JingCui Growth 精粹成长股票型	38/166	38/156	19/85	★★★★
Blue-chip Equity 盛世蓝筹股票型	4/166	3/156	-	-
Select Equity 优胜精选股票型	30/166	-	-	-

Source : Single equity fund ranking from China Galaxy Securities , as of Oct 2010 ^ IPO to close on 10 Dec 2010

## FUM and Profit Contribution\*



Source : PCA Funds Regional Finance Team. All numbers at actual exchange rates.FUM and Profit is at shareholding proportions. 2006 to Aug 07 at 33% and Aug 07 onwards at 49%. PBT from 2009 onwards include RHO recharges.\*\* CAGR computed based on Gross FUM @100% shareholding.

# Strategic Initiative 4: Offshore Funds Business

## Complementing Offshore Funds Strategy with Flagship Products Marketing

### Offshore Funds Business Initiatives

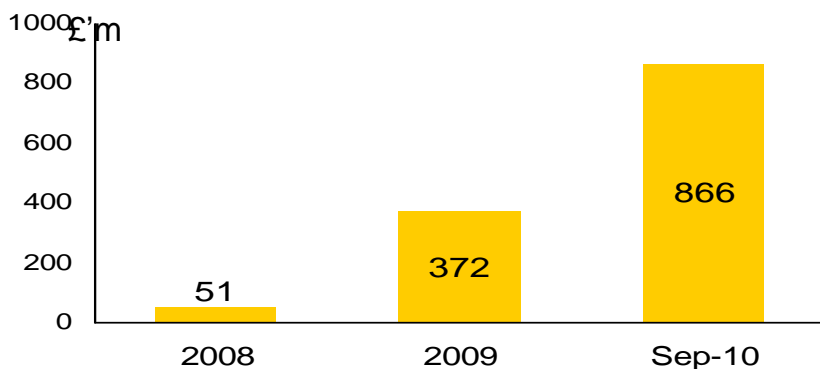
#### Progress to date

- New Head of Retail Sales with >15 years industry experience
- Dedicated offshore market development team

#### Success Achieved

- Offshore FUM for PCA Taiwan more than doubled within 9 months

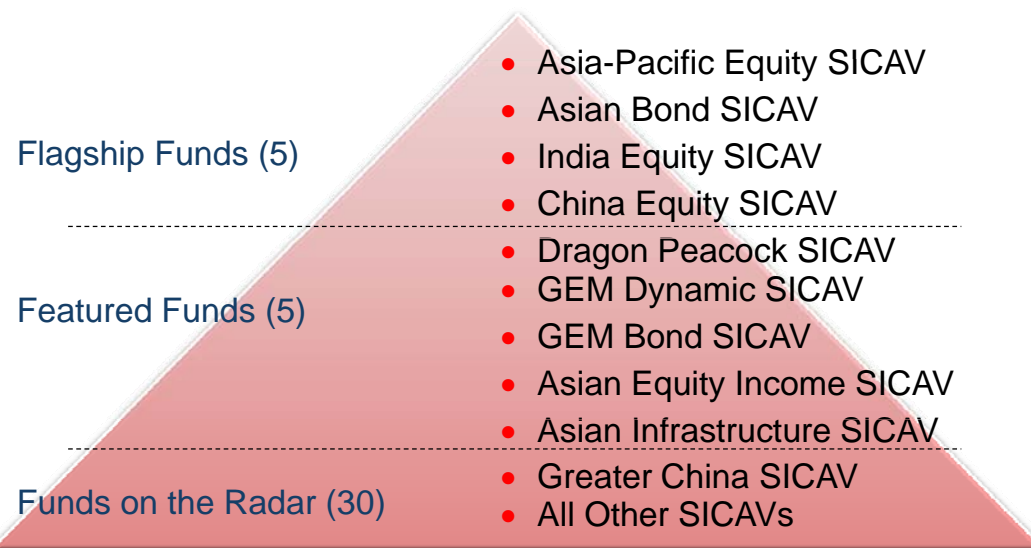
PCA Taiwan Offshore FUM



Source: PCA Funds Regional Finance Team. All numbers at actual exchange rates.

### Next Steps

#### Promote flagship and featured funds



#### Basis for Flagship and Featured Funds Selection

- ✓ High investors demand
- ✓ Core investment competency
- ✓ Solid performance track record (Q1 or Q2)
- ✓ Credible fund size
- ✓ Scalability

# Conclusion

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- We have built a substantial, stable and well-diversified third-party business within Asia
- We are Asian Investment Specialists
- We will continue to build the business by leveraging our strengths in new areas



# PCA Insurance: Business Update



**Tony Wilkey, Chief Executive, Insurance**  
**Lilian Ng, Chief Operating Officer, Insurance**  
**Prudential Corporation Asia**

**INVESTOR DAY 2010**

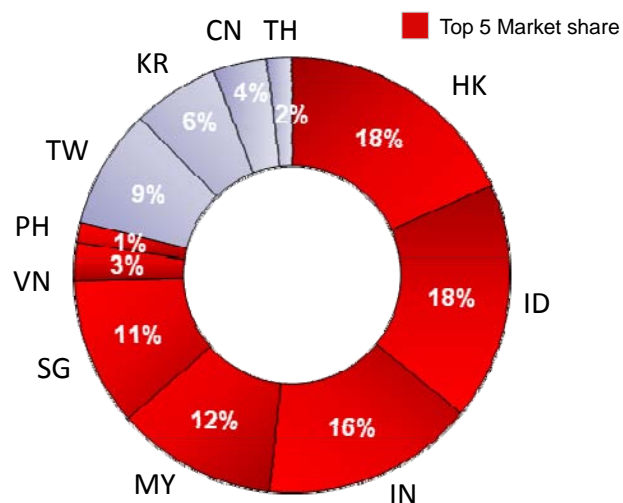
# Insurance Update - Agenda

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- Our Platform and Priorities
- Our Priorities in Focus
- The PRU Story in Hong Kong
- The PRU Story in Indonesia
- The PRU Story in Malaysia
- In Summary

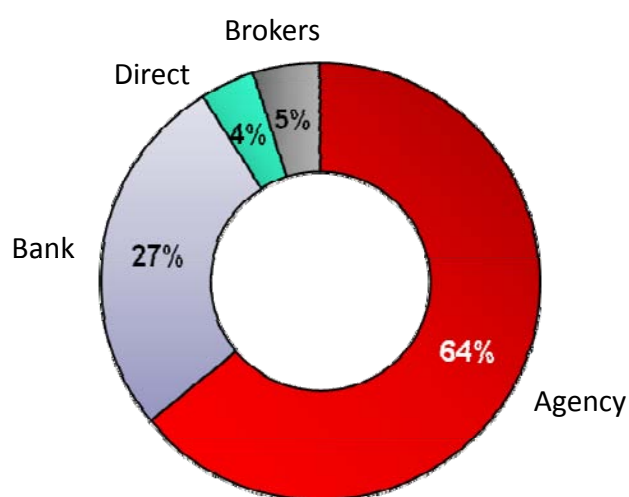
# Our Platform: diversity and scale

## Geography



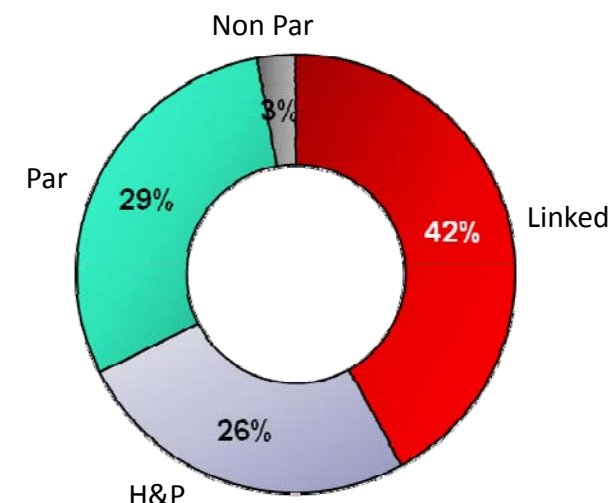
- Wide geographic footprint
- Truly regional; no one market dominates
- Market leading positions

## Distribution



- Successful multi-channel platform
- A leading regional agency force; 337,500
- 8 exclusive / preferred partners plus 83 distribution partners

## Product

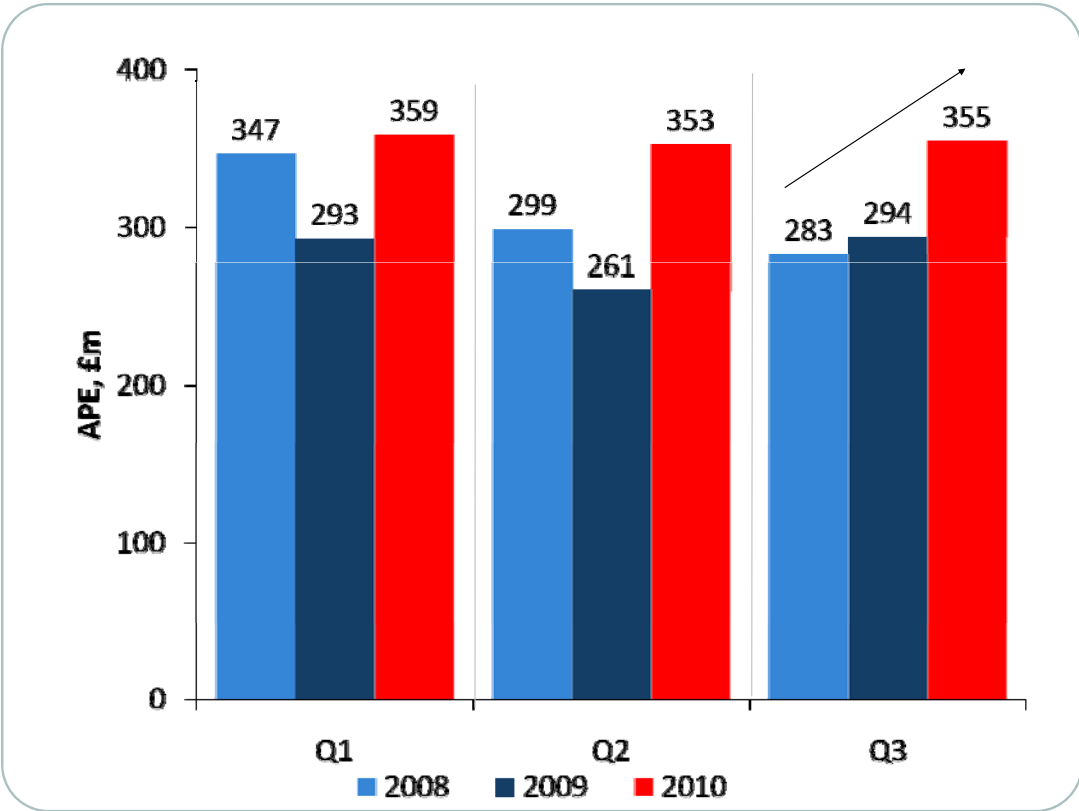


- Diverse portfolio – to weather changing environment
- Emphasis on regular premium products for protection and savings
- Adhere to strict pricing discipline

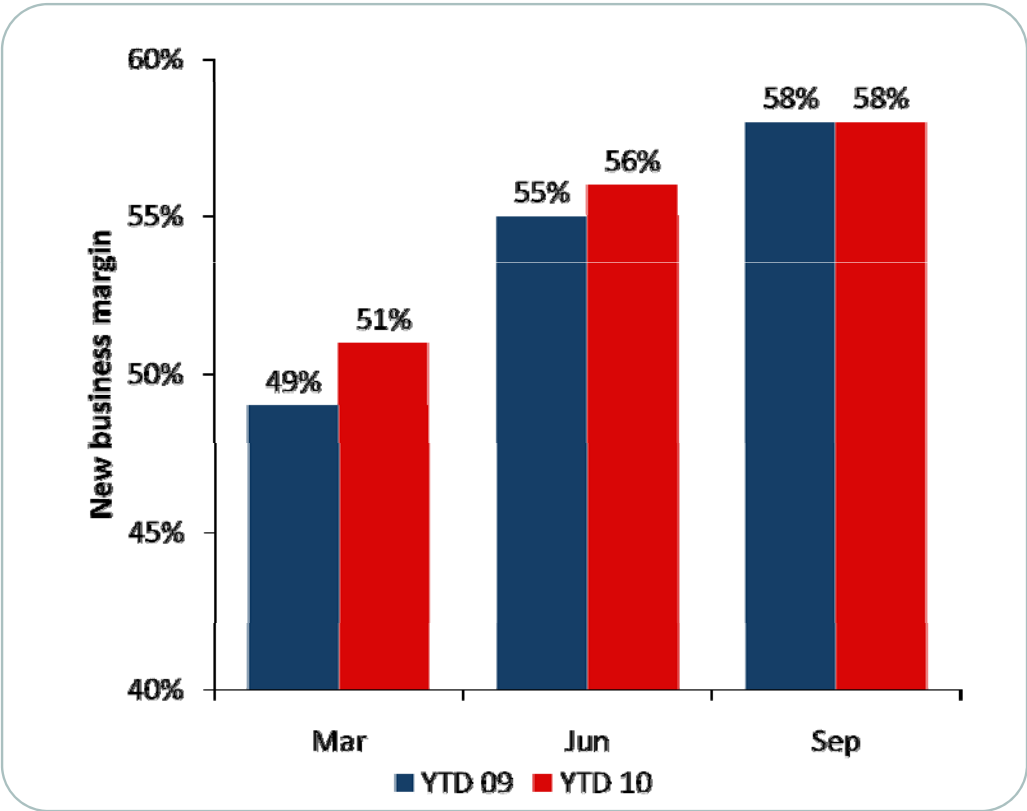
Note: based on APE for YTD 30 September 2010

# Our Platform: proven delivery track record

## Consecutive record quarters



## ...not compromising on value creation



Note: actual exchange rates; ex Taiwan agency and Japan for all years

# Our Key Priorities

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## Strategic priorities developed regionally; executed locally

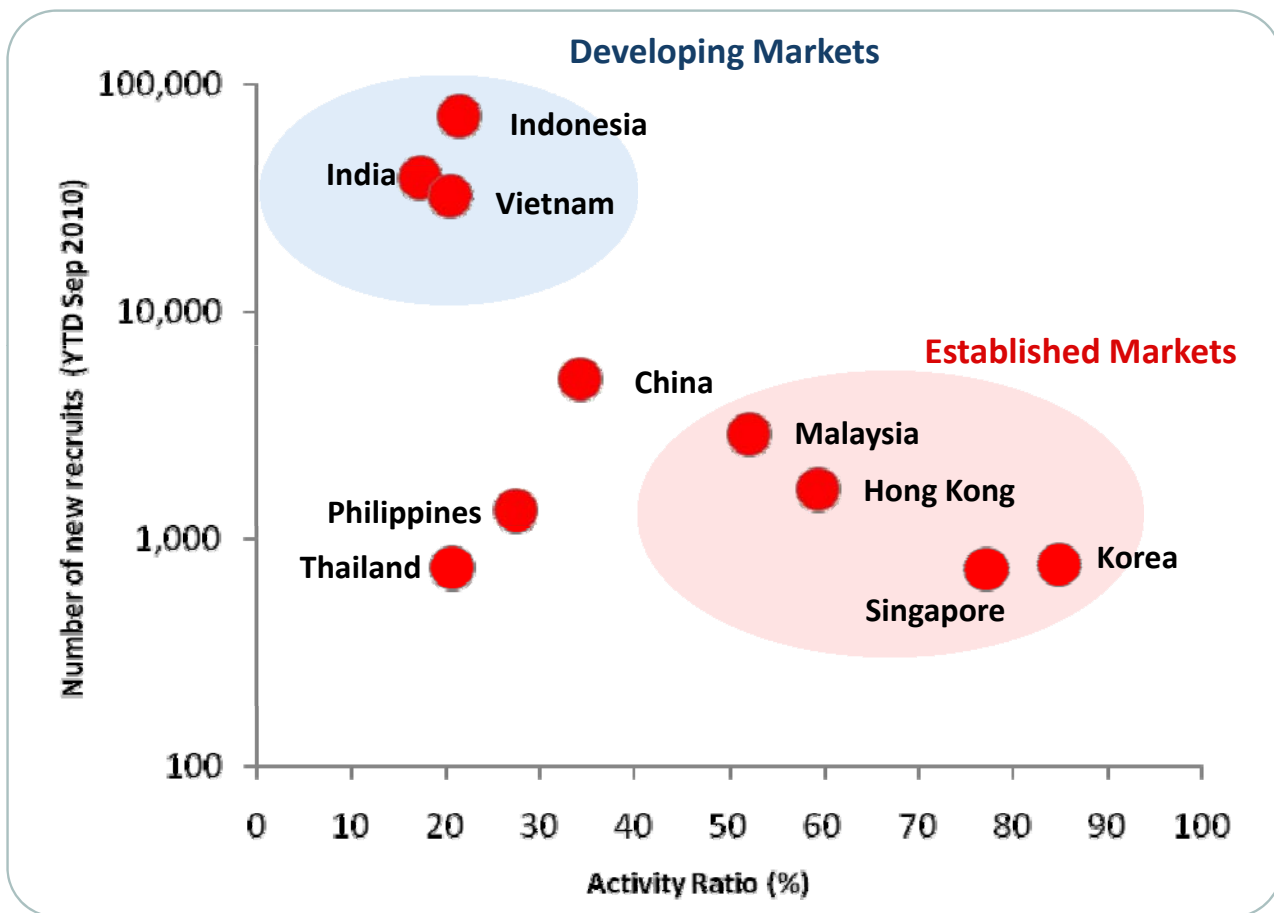
- Build agency scale and enhance quality through disciplined & execution-oriented management
- Optimise existing strategic bank alliances and develop new ones that create enduring value for both partners
- Innovate and refresh product portfolios to capture market opportunities and remain focussed on value over volume
- Protect value by focusing on persistency, expenses and claims management
- ‘Best in Class’ leadership teams accountable to deliver multi-dimensional results
- Embed superior compliance and risk management frameworks

# Insurance Update - Agenda

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# Agency: disciplined approach to drive scale and quality



- Agency is to remain a core distribution channel in Asia for foreseeable future
- Differentiated agency structures depending on market maturity and opportunities
  - no 'one size fits all'
- Developing Markets: priority is effective recruitment through integrating discipline selection, training and rookie activation
- Established Markets: emphasis is on productivity enhancements

# Partnerships: leverage strengths to expand reach

## Bancassurance Organisation Models\*

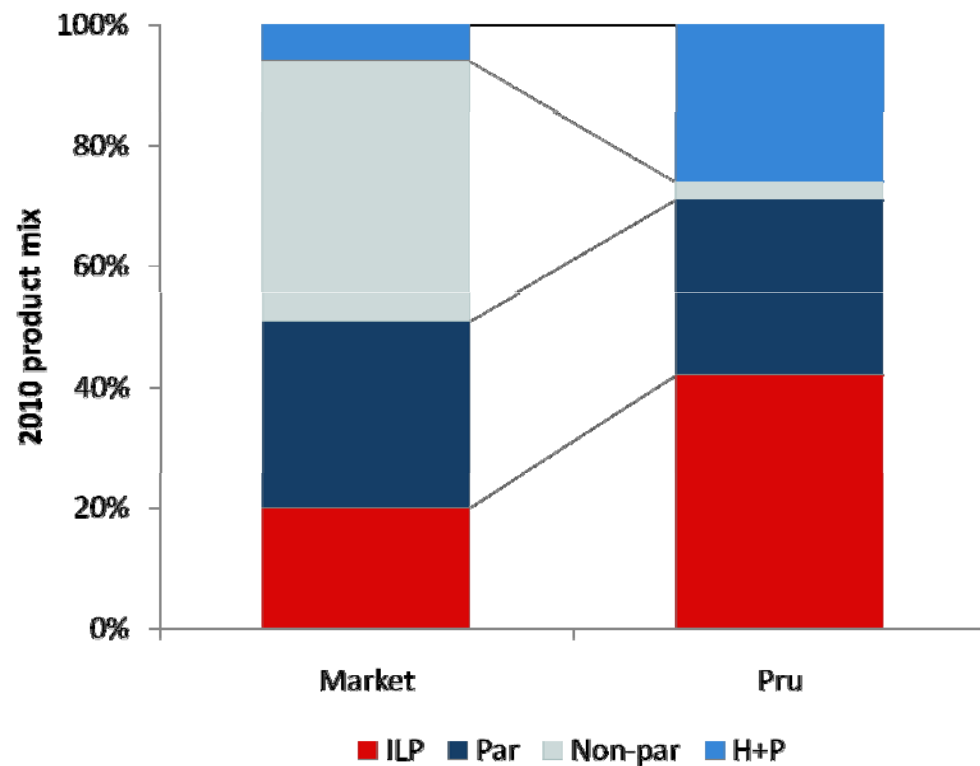
Model	Pure Distributor	Strategic Alliance
Description	<ul style="list-style-type: none"> <li>Bank offering products for more than 1 insurers</li> </ul>	<ul style="list-style-type: none"> <li>Bank sell products of only one insurer</li> </ul>
Characteristics	<ul style="list-style-type: none"> <li>Low integration</li> <li>Lack of commitment resulting in low sales</li> <li>Competition / pressure churning insurers</li> <li>Difficult to drive major strategic changes</li> </ul>	<ul style="list-style-type: none"> <li>Equal dedication to success</li> <li>Commitment from the "top" to influence</li> <li>Willingness to invest in technology and people</li> <li>Better relationship management</li> </ul>
Potential Value Creation	<b>LOW</b>	<b>HIGH</b>

- Bancassurance is the fastest growing channel boosted by:
  - deregulation of banking sector
  - banks seeking additional revenue
- Greatest likelihood of enduring success is maximising value creation for both partners
- Key success drivers are execution excellence; and expertise in developing, training and motivating an insurance specialist sales force
- PRU has a proven bancassurance model and track record; well placed to leverage to new partners

\*Source: 'Study of Bancassurance Operations in Asia – Part 1' LIMRA Report 2008



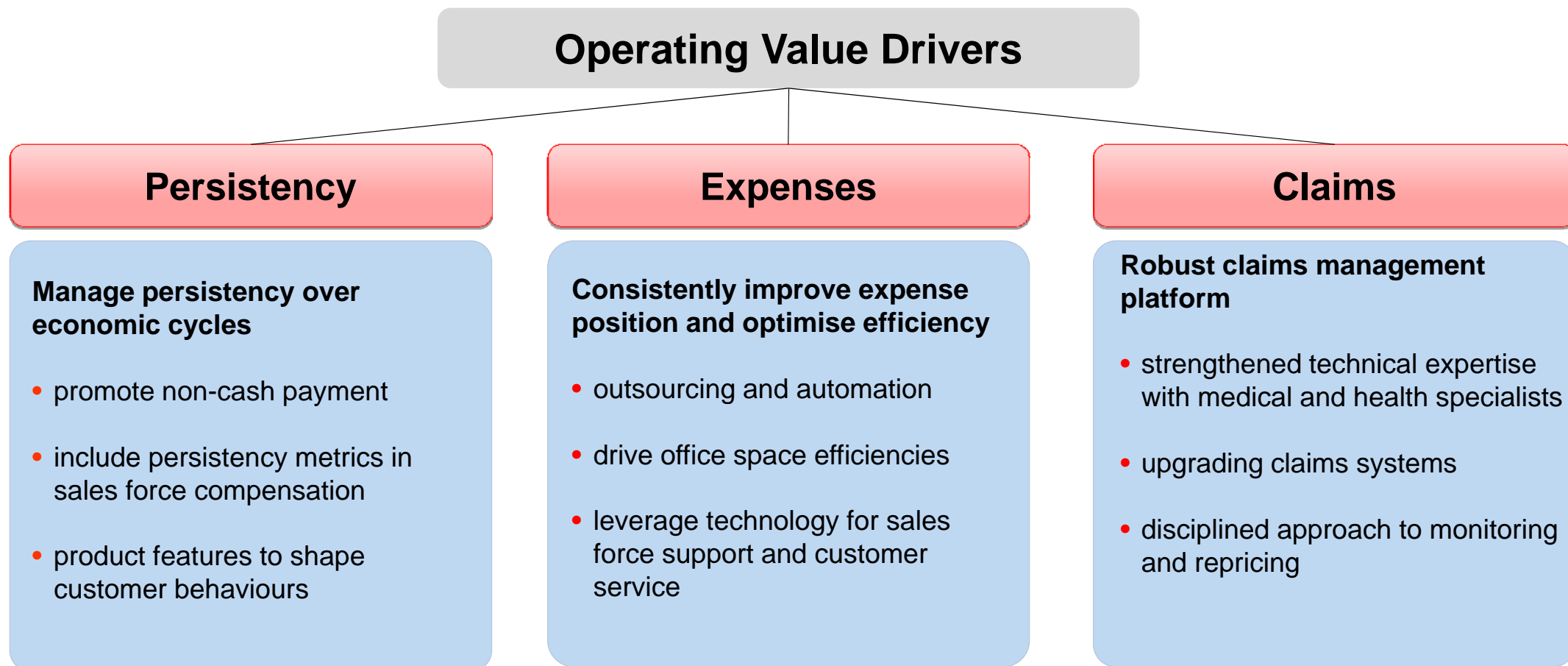
# Products: innovation and economic discipline drive value



- Broad product portfolios to capture opportunities for “all seasons”
- Maintain pricing discipline and focus on “value over volume”
- Innovation supports salesforce activity
- Regular enhancement of products through new features

Note: business units' best estimates; weighted to PCA new business

# Protecting long term value



# Insurance Update - Agenda

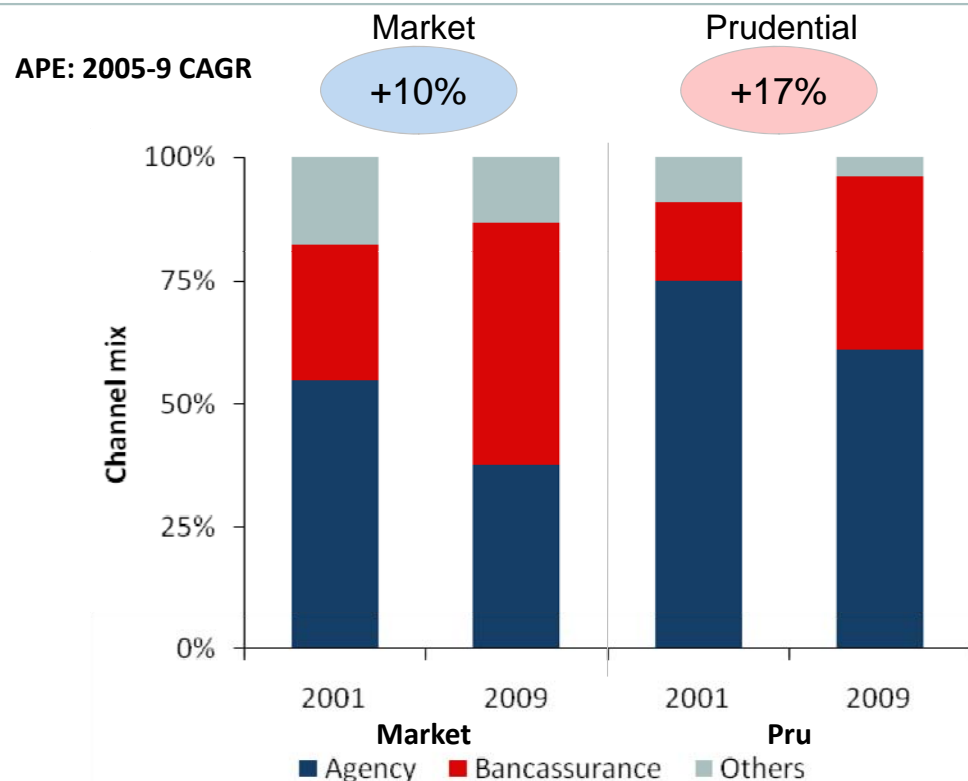
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# Our Hong Kong Story: Overview



## First mover advantage on multi-distribution platform



Retained market leading position with a truly multi-distribution platform

### Agency

- ✓ #2 agency force (5,000)
- ✓ #1 in new recruits
- ✓ #1 in productivity
- ✓ 60% of total new business

### Bancassurance

- ✓ first to form a strategic alliance with SCB in 1998, renewed in 2008
- ✓ pioneer of insurance specialist model
- ✓ nearly 40% of total new business

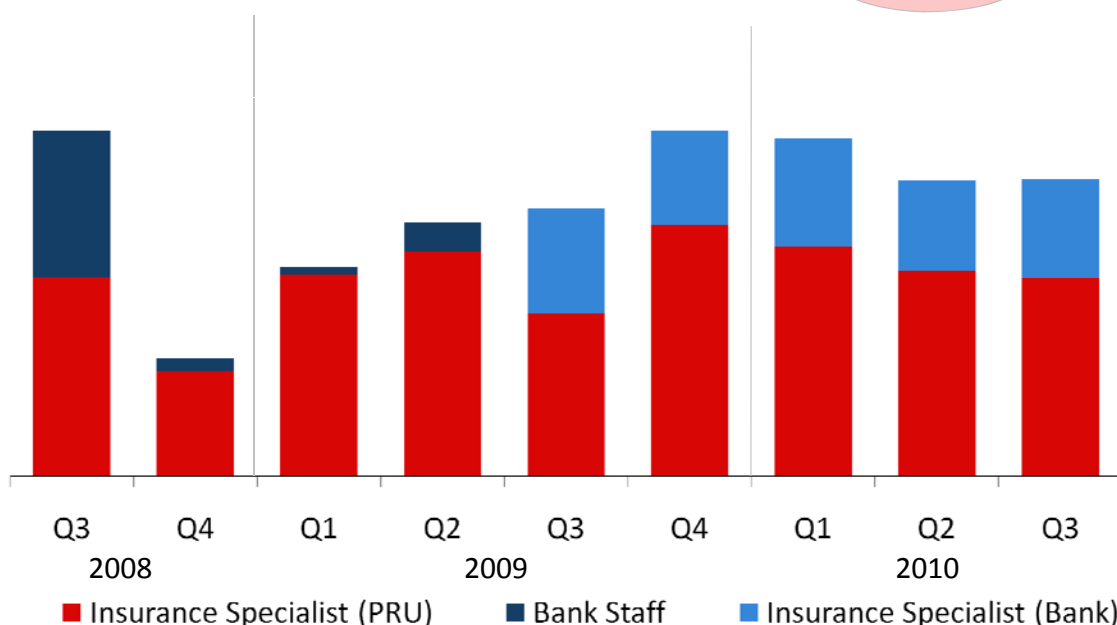
# Our Hong Kong Story : Bancassurance



Unique insurance specialist model driving long term value for both partners

9 M 10 APE Growth: +27%

9 M 10 NBP Growth: +56%



## Insurance Specialists

- PRU staff in-branch
- Focus on recurring premium savings and protection products
- Weathered the 2008 financial crisis well - back to pre-crisis levels within months

## Transformation

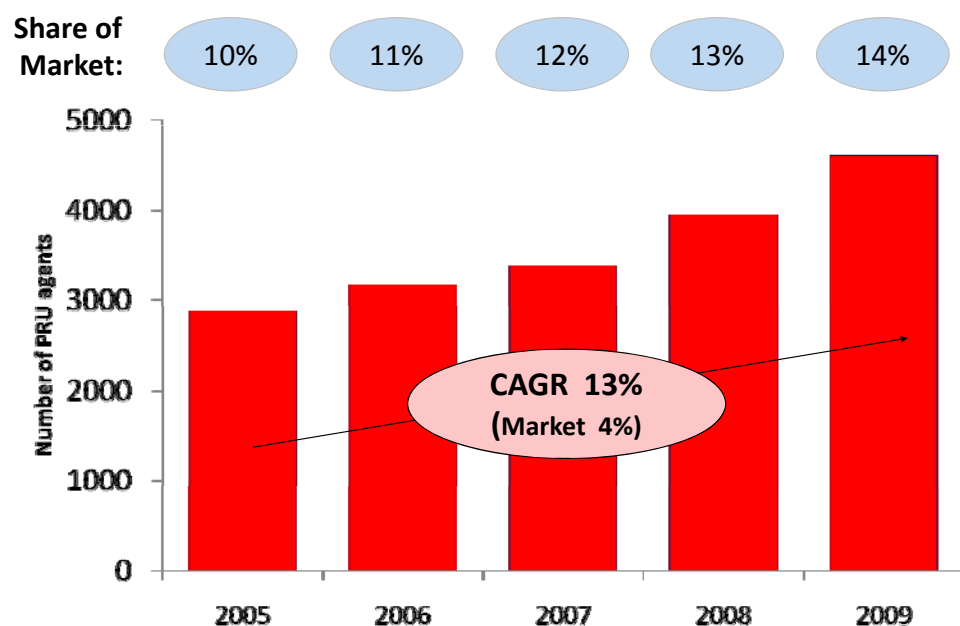
- Collaborated with bank to build bank-owned insurance specialists ahead of regulatory changes
- Fast ramp up leading to a more profitable product mix compared to pre-crisis level

# Our Hong Kong Story: Agency



## Build and nurture a professional agency force

### Growing faster than market



#### **Recruitment and Selection**

- One of the pioneers in campus recruitment
- Company driven recruitment seminars
- Selection and Profiling tools (SSQ/PPA/SPP)

#### **On-boarding and Activation**

- New agents training programmes
- Rookies activation programmes
- Ensure sustainable career

#### **Driving Performance**

- Performance scheme with quality metrics to align behaviour with strategic objectives
- Continuous professional development

#### **New Business CAGR (05-09):**

- Prudential 19%, Market: 5%
- 50% from manpower; 50% from productivity

# Insurance Update - Agenda

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# Our Indonesia Story: Overview



**Market leader; dominance in both distribution and branding space**

**1995**  
Agency Office: 3  
Number of Agents:  
251



**2010 Sep**  
Agency Office: 214  
Number of Agents:  
71,820



- ✓ New Business CAGR(05 to 09) of 38%
- ✓ #1 life insurer (20% share)
- ✓ #1 Takaful insurer (40% share<sup>1</sup>)
- ✓ #1 agency force
- ✓ 97% recurring premium mix
- ✓ WIDE geographic spread
- ✓ Growing bancassurance partnerships (signed UOB and Permata in 2010)
- ✓ Delivered IDR1.6 trillion local statutory profit in 2009

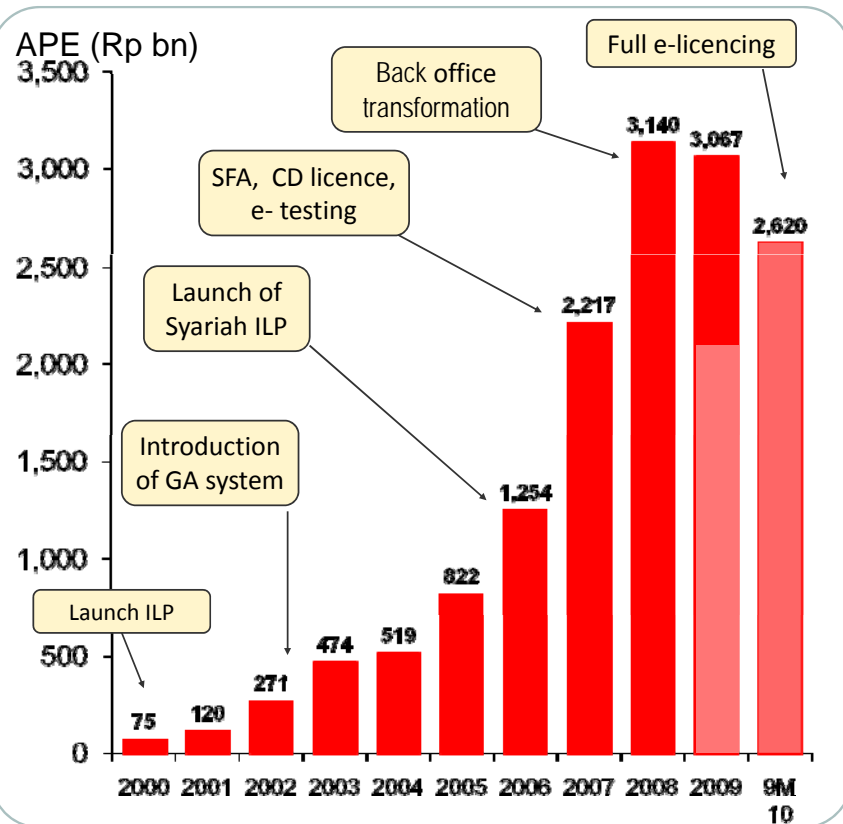
Source: AAJI H1 2010 Report – Weighted new premiums basis  
<sup>1</sup> from Investto magazine on Net Premium Income basis (2009)



# Our Indonesia Story: Agency



## Pulling ahead from competition through fast execution



- Pioneered General Agency to facilitate fast and cost effective expansion
- Geographic expansion enables us to build agency scale and access new customer segments
- First to launch ILP using “protect then invest” approach
- Launch Syariah ILP increasing Muslim customer base to over 40%
- Invested in e-testing & e-licensing working closely with the regulator in advance of tightening of licensing requirements
  - *52% of total licensed agents in market at Q3'10*



# Our Indonesia Story: Staying Ahead



## Sustain market leadership through scale and quality

### Distribution Management

#### **Agency – building and expanding ‘core’ agency**

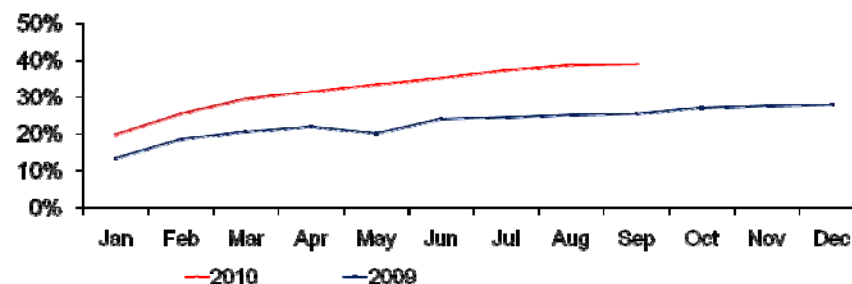
- Recruitment
  - ✓ selection tools; on-boarding and rookies activation
- Professional Development
  - ✓ professional certification program in collaboration with University of Indonesia
  - ✓ leader development programs and succession planning
- Invest in Technology
  - ✓ mobile activity management
  - ✓ CPD requirements

#### **Bancassurance –**

- Building on recently signed partnerships
- Continue to source new strategic partners

### Persistency Management

- Strong correlation between persistency and payment method; direct debit and credit cards tend to be stickier
- Implemented initiatives to drive non-cash payments; align to agency compensation
- Positive result with non-cash increasing to 40% (from 14%)



# Insurance Update - Agenda

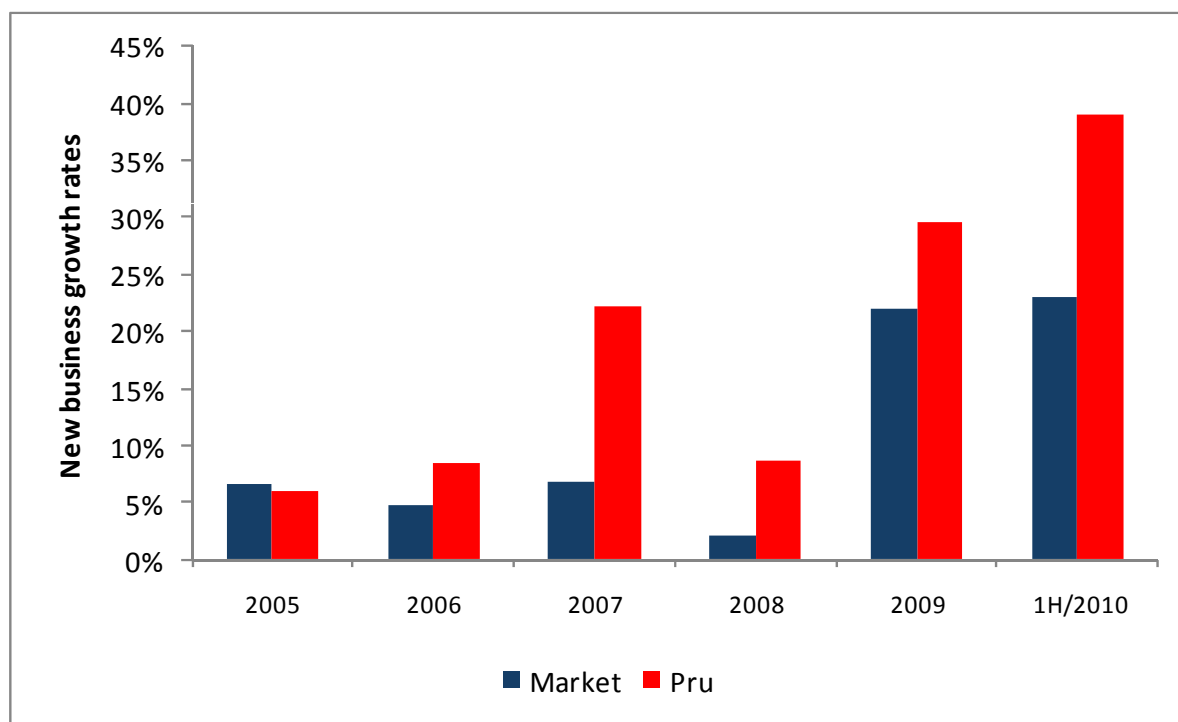
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# Our Malaysia Story: Overview



## Accelerated changes to reach and then retain market leadership

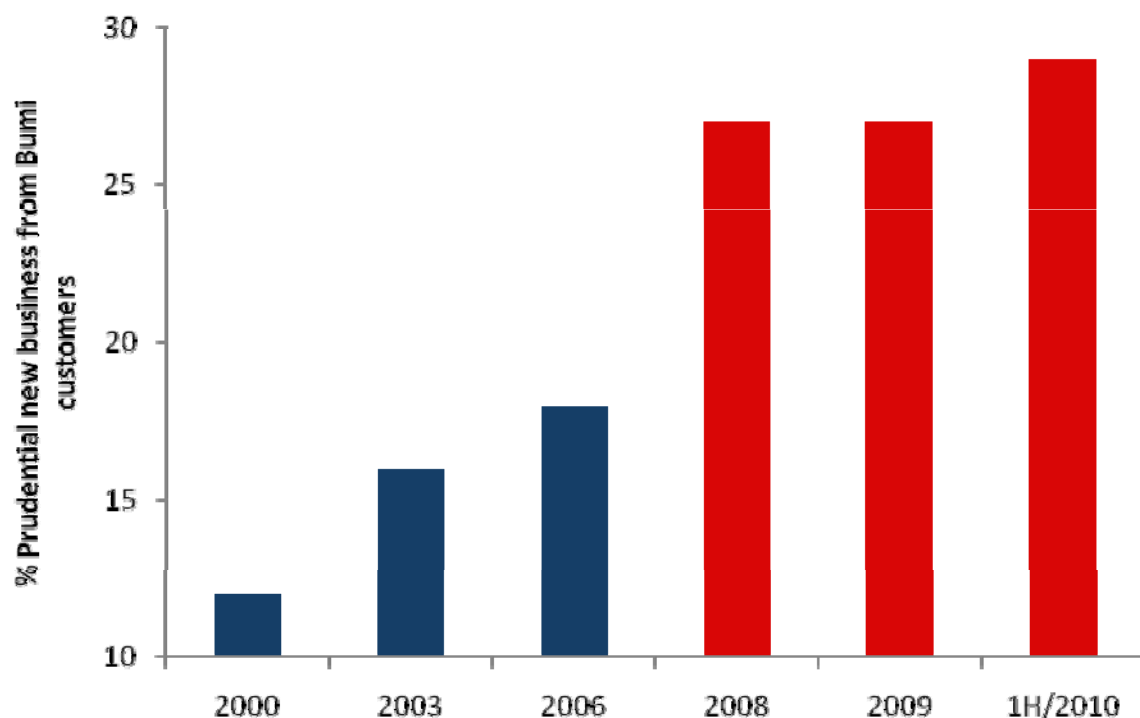


- ✓ Outperforming market since 2006
- ✓ #1 in market share (22%)
- ✓ #1 in investment-linked insurance
- ✓ “Protect first, then Save” proposition driving profitable growth
- ✓ Leading agency force – the most productive
- ✓ Largest Bumi agency force
- ✓ First foreign company to be receive Takaful licence (2006)

# Our Malaysia Story: Early Mover on Bumi distribution



## Build Bumi sales force to capture underpenetrated opportunities



Note: includes 100% takaful new business

- Launched Wawasan Bumiputra in 2000 to tap under-penetrated Bumi market
- Developed into a professional agency complementing the non-bumi agency, now with comparable activity levels
- Today ~50% recruits are Bumis
- Around 40% of agency force are Bumis
- Significant opportunity for further growth

# Our Malaysia Story: Product Innovations



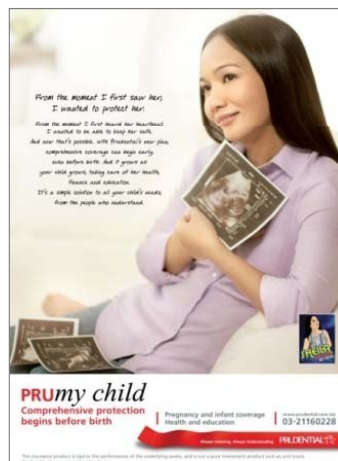
## Driving agency activity

### Innovation

#### PRUmychild – prenatal protection

- Captures client from “womb”, hopefully well into retirement
- Collaboration with customers and sales force on concept, design, pricing to sales proposition
- Integrated award-winning marketing campaign: celebrity as product ambassador
- Talking points: innovative product & door opener

*Result: 15% of sales since launch in March*



### Refresh

#### Compelling proposition: 1 million customers with increasing wealth to generate incremental value

- Enhance / upgrade protection coverage (e.g. multiple critical illness, higher lifetime limit, no claim bonus, waive annual limit, overseas treatment)
- all enhancements/upgrades developed as options to allow greater flexibility as “add-on” to existing plan for upsell / cross sell
- widen range of products to cross sell with competitive savings plan












*Result: recent upgrade of health plan generated 100k cases and conversion of 30%+*

# Insurance Update - Agenda

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# Market leadership – well positioned for profitable growth

	Timeframe	Rank	Share
	YTD	#	%
 Vietnam – AVI	Sep 10	1st	31
 Malaysia <sup>(1)</sup> – LIA (Malaysia)	1H 10	1st	22
 Indonesia – AAJI	1H 10	1st	20
 Singapore – LIA (Singapore)	Sep 10	1st	20
 India <sup>(2)</sup> – IRDA	Sep 10	1st	8
 Philippines – industry sharing	1H 10	1st	13
 Hong Kong – OCI	1H 10	4th	10
 China <sup>(3)</sup> – industry sharing	Sep 10	4th	9
 Thailand – OIC	Sep 10	10th	2
 Taiwan – LIA (ROC)	Sep 10	11th	2
 Korea – industry sharing	Sep 10	18th	1

## Executing and Delivering Priorities:

- Strengthen and expand on distribution capabilities
- Innovate products and remain focus on ‘value over volume’
- Protect value via diligent management of persistency, expense and claims
- ‘Best in Class’ leadership teams to deliver multi-dimensional results
- Superior compliance and risk management frameworks

<sup>(1)</sup> includes Takaful sales @100%

<sup>(2)</sup> ranking amongst foreign JVs; market share amongst all insurers

<sup>(3)</sup> ranking amongst foreign JVs, market share amongst all foreign and JVs



# Prudential Asia



Barry Stowe  
Chief Executive, Prudential Corporation Asia

# Summary

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- Asia is the fastest growing market for protection, savings and investment products
- Prudential has transformed its business in Asia into the region's most advantaged platform for growth
- Proven track record of delivery on multiple metrics, highlighting superior creation of shareholder value
- Commitment to leverage the Asian platform to generate transformational results