Prudential Asia Investor Meeting 2017

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Introduction

Nic Nicandrou

Chief Executive, Prudential Corporation Asia

Welcome

Good morning, everyone and welcome to Prudential's 2017 Investor Event, which we are hosting this morning here in Hong Kong. We are delighted to have the opportunity to present to you the entire Group, covering both our progress in Asia and in the rest of our businesses. We really appreciate you taking the time to be here with us.

Agenda

I will quickly skip past the usual disclaimers and get straight to the agenda for today. We will start with a brief Group overview, after which we plan to spend the first part of the event on Asia, where you will hear directly from me, Lilian Ng, our Regional CEO of Insurance and Guy Strapp, our Chief Executive of Eastspring Investments.

After the break, Raghu Hariharan, who is our new Regional CFO, will cover Prudential's two other major businesses, namely the UK and the US. Raghu was previously the Group Director of Strategy and Investor Relations. As you can imagine, he is very familiar with these businesses.

We have left plenty of time at the end of the event to take all your questions, which you can either raise during the Q&A session or log them on the app as we are going along. All the presenters will be available to you during the coffee break and over lunch.

We have with us today, Anthony Nightingale, who is a Non-Executive Director of the Prudential PLC Board. We also have today Derek Yung, who is our CEO of our Hong Kong business. In fact, he is here along with over twenty members of our Asia Management Team, who stand ready to engage you on any aspects over business which may be of interest to you.

Finally, no fire alarm drill scheduled for this morning. If it goes off, I am afraid it is for real, so please bear that in mind. With all that covered, I suggest we make a start with a message from our Group Chief Executive, Mike Wells.

Video Message

Mike Wells

Group Chief Executive Officer, Prudential Plc

Welcome

Good morning. Thank you all for coming and showing your interest in Prudential PLC. I want to add my warm welcome to that of the Asia team, who is hosting you today.

Objective of this event

Following on from our Investor Day in London last week, the objective to this session is to showcase our business directly to our investors and the analyst community in Asia for two reasons.

Firstly, we appreciate it is not easy for you to attend our events in London in person. This session will give you the opportunity to meet Nic Nicandrou and his team. You will be able to hear first-hand about the strengths and capabilities of our business, not only in Asia, but across the Group. You will also be able to ask any questions you may have.

Secondly, Asia is of huge importance to Prudential. The structural trends underpinning the significant opportunities for growth in the regional are well-known. We first invested in Asia back in 1923 and today, we built one of the leading pan-regional franchises. The superb financial performance and execution, Asia weight within our Group has grown dramatically. However, what excites us most about the region is what lies ahead.

Multi-decade trends

The trends that Asia is experiencing are multi-decade in nature. Asia's growing working population, its increasing private financial wealth and its low insurance penetration mean that the growth runway for both economic prosperity and for the insurance industry are significant.

By securing the financial wealth and health of Asia as well as making long-term investments in the economy, our industry has the ability to support the region's macroeconomic development and stability. This creates a virtuous circle, a benefit for all stakeholders.

With the scale, franchise and investment we have in Asia, we are well-placed to contribute to the potential and prosperity and stability of the region. In turn, we will benefit from that prosperity and stability in the future.

Nic and his team will highlight this for you in great detail today. Having been the Group's highly-respected CFO for eight years and as a member of the Group's PLC Board, Nic is very well-equipped to go over some of the key areas across the rest of the Group that were covered last week in London.

Next year's Group Investor Event

Finally, I just want to say it is our intention to host next year's Group Investor Event in Asia and this is to reflect our appreciation of your interest in Prudential and your increasing influence as key stakeholders in our global business.

I hope you find today's session interesting and productive. Have a great day.

Overview of the Group

Nic Nicandrou

Chief Executive, Prudential Corporation Asia

Introduction to Prudential Plc

Overview

Okay. Let us start on the Group. To contextualise the individual business presentations that you will receive in the course of this event, I would like to start with an overview of the Group covering:

1. Where we operate and why.
2. What our strategic priorities are.
3. How we have delivered the very successful track record.

4. Why we believe we offer shareholders a unique and differentiated investment proposition.

Providing financial security since 1848

Starting with our global presence, Prudential was founded in 1848 in the UK. We have since established operations in 33 markets across the globe. Today, we have over 24,000 employees, over 25 million customers and we manage assets with a sterling value of £635 billion.

During our 169 years history, we have seen some profound changes in the world and the environment in which we operate such as world wars, transformational technologies and social upheavals. Through all these changes, Prudential has not just survived, we have thrived.

This heritage is very important to us. We have a distinguished track record of being able to seek out opportunities, leverage our experiences, adapt our business model and ultimately, keep delivering for our customers and our shareholders.

Premium franchises

Looking at the Group in a little more detail, as you can see on this next slide, we have an advantage platform in each of our chosen geographic regions.

Asia, US and UK – our chosen geographic regions

In Asia, we have top three positions in nine out of our 12 Life markets. In Eastspring, we have the largest onshore asset manager, ex-Japan. In the US, Jackson National has an 18% share of the Variable Annuity market and manages nearly a quarter of a trillion dollars of retirement assets. In the UK, M&G Prudential manages the savings and retirement needs of one out of nine people.

Relative contributions

By having a scale presence in all three of the world's largest economic zones, we have been able to take advantage of a number of secular trends, creating a business which today generates £3 billion of new business profit, £4.25 billion of IFRS profit and has an embedded value of over £40 billion.

Today, Asia is either already the largest contributor to these metrics or close to being so and is the fastest-growing component. That said, the size and quality of contribution from the other regions is not to be underestimated. The diversification that we enjoy, be it by geography, by currency or by source of earnings, is a unique feature of the Group and a huge source for both strength and resilience.

Clear strategy aligned to significant demand

I referenced earlier that our presence in Asia, the UK and the US has enabled us to take advantage of a number of secular trends. These trends are summarised on the left of this next slide. Our strategy has consistently targeted these three large, but quite distinct opportunities.

Asia, UK and the US – three large and distinct opportunities

First and foremost, the savings and protection needs of Asia's rapidly-growing middle classes. Second, the retirement needs of the 78 million US baby boomers, which represent the wealthiest cohort in history. Third, the needs of the UK's aging population, who are now required to take more individual responsibility for planning the finances as they head towards retirement.

Structural trends

For investors looking to capitalise on the growth opportunities in the global financial services sector, Prudential is unique in offering access to these three structural trends.

Asia

Take Asia, where the demand for insurance and savings is still in its infancy with penetration rates that are a fraction of those in the west. Here, our pan-regional scale presence positions us strongly to capture the market as it develops for many decades to come.

US

Take the US, which has the largest retirement asset pool in the world with Jackson already a leader in the $2 trillion commission-based VA segment, now pivoting its business model to participate in the $14 trillion fee-based segments.

UK

In the UK, where despite the more mature nature of this market, the recent deregulation of the pensions and annuity segment have shifted even more of their retirement burden back to individuals, while affording them the freedom to make their own financial plans. These changes have not only revived the UK savings market, they are also driving a greater share of flows into M&G Prudential's risk managed offering.

Strategic priorities

We are genuinely excited by all three opportunities and we have set out a specific set of strategic priorities aimed at capitalising from each. All these will be covered later in the day in some detail, so I will be brief in my comments here.

Accelerate Asia

In Asia, we are already starting from a position of strength, given our pan-regional presence, sheer scale, wide distribution reach and highly talented teams. As we grow, we will look to leverage our expertise further in order to deliver greater value from agency and bank channels, broaden our product offering and drive further efficiencies in our operating platforms.

We also believe that there is a lot of upside in both the health and the wealth space. Both have been consistent areas of focus for us for many years, particularly health and protection, where we think we are a natural owner of this space. In both of these areas, we will look to leverage our great depth of institutional knowledge to support our expansion further.

Develop US

In the US, as I have already mentioned, Jackson National is already well-established in its sector. There is a lot of regulatory developments underway which will open up to us a larger segment of the retirement market. We go into this new world with a proven set of execution capabilities, a reputation in the industry for market-leading products and a very disciplined approach to risk management.

Enhance UK

In the UK, our shift in focus towards a capital-light savings and investment new business offering is very much in tune with where customer demand is greatest today. As we outlined earlier in the year, we have started the process of combining our Insurance and Asset Management operations.

These are two very good businesses making a lot of progress on enhancing their capabilities and on extracting synergies. At the same time, we are seeking to reduce the capital intensity of the Annuity back-book. We are exploring external options that could release capital.

Custodians of capital, active portfolio managers

Now, being present and having the right strategy are essential, but not sufficient conditions for success. To deliver success, these conditions need to be supplemented with disciplined execution. There are many facets to this, but one of the most important is capital allocation. Here, Prudential has an exemplary track record.

Active portfolio management

On the left, we set out a series of recent corporate actions which illustrate our disciplined approach to capital. The divestments on the left of the line have mostly centred on exits from highly capital-intensive or sub-scale businesses, while the capital deployments on the right of the line have been directed towards securing high return, new revenue flows mostly in Asia.

Group earnings mix

However, the financial transformation of our business has been achieved by redirecting the capital we generate each year by running our businesses profitably towards those products and geographies that have high returns and fast payback characteristics. In doing so, we shifted away from interest-rate-sensitive products towards insurance and fee-based products, which now represent 77% of our revenues.

Asia earnings mix

Over the last ten years, we have also directed the lion’s share of our new business investments towards Asia, where our focus on regular premium business with a heavy protection bias has enabled us to generate a reliable, resilient and growing stream of recurring earnings.

It is the strength and quality of this high-velocity capital model that sets Prudential apart. It provides a key source of strength, underpins our earnings momentum and gives us the flexibility to adapt to local challenges without compromising our overall delivery.

Disciplined execution, growing value

Growing shareholders’ equity

The ultimate proof point of whether our strategy is delivering value is set out on this next slide. For those of you who measure this by reference to growth in embedded value, you can see that we have more than trebled this measure over the last ten years to over £40 billion.

Increasing dividend payout per share

For those that look at cash as evidence of value creation, we have paid out £7.6 billion in dividends over this period.

Long-term track record

By being present in the right markets, focussing on the right opportunities and priorities, and executing with discipline, Prudential has an enviable track record of delivery. Growing new business profit, IFRS profit and free capital generation concurrently over such a long period in such a consistent and meaningful way is, in my view, unique in our sector. All of the ingredients that have delivered this picture remain in place and are directed towards repeating this success.

Summary

Before we delve into each part of the Group, let me recap on the true strengths of Prudential. The first is that we have a clear understanding of the unique opportunities in our chosen markets. We proactively manage our business portfolio, balancing risk while optimising returns. We have a proven set of capabilities across the business and are focussed on disciplined execution. We are clear on our priorities, which we are implementing at pace. Finally, we remain well-positioned to deliver long-term profitable growth.

Asia Overview

Nic Nicandrou

Chief Executive, Prudential Corporation Asia

CEO perspective

Okay, so with this, I would now like to move to Asia. I have been in the role now for exactly four months. Over this period, I have travelled extensively across the region and I spent time with the senior management teams of every one of our 26 businesses. I now have a much better sense of the incredible size of the opportunity in the region, of the sheer scale of our operations and a very broad and deep set of capabilities across our businesses.

Over the next 20 or so minutes, I will share my insights in each of these areas and I will outline our strategic priorities in the region. Lilian and Guy will then provide you with more colour and context for our Insurance and Asset Management businesses respectively.

Opportunity

Significant growth runway underpinned by strong structural trends

Now, while the industry context is fast-evolving often in response to changes in consumer behaviour and to the regulatory and political landscape, the industry's mandate remains well-aligned with the growth and prosperity agendas of both consumers and governments. Importantly, the structural trends remain intact. The multiple growth curves that underpin the strong demand for savings and protection across the region will provide tailwinds over many decades.

Population

The first structural trend is the growing working population, which is predicted to increase at over one million people per month. This means that between 2015 and 2030, some 178 million people will reach working age in Asia, roughly equivalent to the combined population of the UK, France and Italy. By 2030, around 50% of the world's working population will be in Asia. With the current customer base of just 15 million, we have plenty of headroom to grow.

Wealth

The second trend relates to the significant economic growth potential of the region with GDP in Asia predicted to increase three times faster than the US and be nearly twice the size of the US economy by 2030. The implications on this, on wealth creation in the region are profound, with private financial wealth predicted to rise in the next five years from US$53 trillion to US$78 trillion. Today, Eastspring manages £131 billion of customer savings. We have plenty of headroom here as well.

Health gap

The third trend is an expanding protection growth with out-of-pocket healthcare spend in Asia being four times greater than the US or the UK. By 2020, this health gap is expected to amount to a US$161 billion.

Penetration

Finally, Asians today are relatively underinsured and undersaved, with penetration averaging 2.4% across the region. Of course, with 65% of personal wealth in Asia currently held in deposits compared to 14% in North America, insurers have plenty of runway even today, never mind in the years to come.

Attributes for success

The opportunity set is therefore one-of-a-kind in our industry and it is no coincidence that competitors find the region attractive. However, what will continue to differentiate the winners from the losers will be the discipline and quality of execution. When it comes to execution, PCA has all the key attributes for success.

Opportunity – footprint

The first attribute is our footprint. We have 26 businesses across 14 countries covering most of the opportunity set and giving us access to over 3.3 billion Asians. I do not believe that we have any major or obvious strategic gaps in our current business portfolio.

Industry

The second is that we have businesses which operate across the maturity spectrum, with life-spans ranging from 94 years to 17 months. There is little going on in the industry that we are not doing or pioneering. We can, and we are accelerating collaboration and sharing across businesses to further drive our progress.

Scale

The third attribute is our sheer scale in the region. We have 14,000 employees, over 600,000 agents, access to 10,000 bank branches and a 15 million Life customer base with 24 million policies. We have top three positions in nine out of our twelve Life markets, giving us a balanced portfolio by geography, by distribution channel and by product. Scale is a key competitive advantage and we will increasingly look to lever this, going forward.

Capability: Eastspring

The fourth attribute is that in Eastspring, we have the largest retail fund manager in the region ex-Japan. Eastspring benefits from their reliable and growing Life business inflows, providing it the headroom to develop investment strategies which it can deploy to third-party clients.

With a presence in ten markets, over 250 investment professionals, 3,000 staff and £131 billion in AUM, Eastspring's growing capabilities are an essential component in serving the growing wealth needs of Asians. I do not wish to overplay this but in the regional context, Eastspring is a unique asset for our shareholders.

People

The final attribute is our diverse and highly talented workforce. With a mix of over 40 nationalities, a very rich blend of experience from insurance and from over ten other industry sectors and with millennials making over 70% of our staff, we have a diverse, vibrant and highly capable workforce focussed on delivering results and on outperforming our peers. The combination, therefore, of our broad capability set, wide business footprint and significant opportunity in the region is what underpins PCA's future growth trajectory in Asia.

Strategic priorities: Asia Accelerate

Now, I talked about execution being the differentiator. This starts with having a clear strategic roadmap. PCA's strategic priorities fall into four broad categories.

Enhance the core

The first is what I would call enhancing the core. There are a number of aspects within this category from broadening our flagship product set, expanding our distribution reach, indeed, leveraging it more fully so that we can provide our existing customers a second and a third product, establishing new routes to market through non-traditional partners and seeking to work differently with more traditional channels. We hope to update you soon on some of our in-flight initiatives here.

We are also looking to accelerate the work to automate the back-end and digitise the front-end of our businesses. In the next three years, we will step up our annual CAPEX technology spend from £50 million to £100 million. This increased spend will aim to deliver near-full e-submissions across our businesses, straight-through processing, making our business mostly paperless, policy issuance in minutes, faster claims payments and query resolution, accelerated product launch time and enhanced ability to connect with the broader cloud-based ecosystem.

Create best-in-class health capability

The second priority is to create a best-in-class health capability. We are already one of the leaders in this space and we will accelerate our efforts to participate more broadly in this business segment.

Over time, you will see us offer more comprehensive and flexible coverage, expand our routes to market and provide a wider range of value-added services. We will build out our presence in the SME segment, which will provide us with more data and give us greater scale and leverage. To enable this, we will look to bring in new capabilities with the appropriate levels of expertise.

Accelerate Eastspring

The third priority is to accelerate Eastspring, positioning it to play a greater role in managing Asia's rising wealth needs. Today, Eastspring is primarily an Asian-focussed value-based manager. To this strong base, we will add a range of investment strategies and styles through a combination of build and rent approaches.

We will complement this by enhancing our distribution and add digital tools to both enable sales and offer a B2C alternative. We are progressing with the modernisation of our front and middle office by deploying Blackrock's Aladdin platform across Eastspring's operations, which will enhance our ability to scale this business at pace.

Expand presence in China

The fourth priority is to expand our presence in China which, given its size in the region, is clearly important for our success. China will be material to Prudential long before we are material in China. Both Lilian and I will come back to this opportunity later in this presentation.

Capability spectrum

Fast-expanding capability set

Now, the ambition embedded in these priorities is significant. However, it is well-matched with our capability set. Our current capability spectrum and bandwidth is both broad and deep, and anchors our financial and strategic progress. As shareholders, what you are investing in is our ability to leverage our scale and presence to deliver value to a broad range of stakeholders.

As you can see from this slide, we are making strong progress across multiple dimensions such as developing relevant products and services, improving engagement and meeting customer needs, digitising our businesses from front to back, enhancing distribution efficiency, growing our talent, and promoting financial inclusion and CSR. Lilian and Guy will showcase live examples of these capabilities from across the business.

Strategic priorities in motion: China

When you stand back, what you will see is an organisation which is highly progressive and one that is implementing modern tools and solutions at scale in a live environment. Before they do so, I would like to briefly touch on two specific areas.

Footprint

China has been in the news lately and our progress here is nothing short of stunning. We currently operate in 74 cities, which give us access to 76% of China's GDP and to 940 million of its population. During October, we were granted a license to conduct business in Sichuan, which is currently the fourth-largest province with a population of 87 million.

Financial performance

We have deployed our Asia playbook with great success in this market. By operating a quality-led, well-balanced business, we have been able to grow our presence, scale and profitability at pace. Today, we have one million customers with two million policies, which is substantial in any context except in China where this represents 40 basis points of market share. Even so, on a 100% basis, China is now the third-largest contributor to our NBP in the region, up from eight in 2012.

Opportunity

However, the story is not about our current position, but about the future potential. The leverage in value creation as we gain every extra basis point of market share is considerable. Not only do we have a long way to go in penetrating the current market, if the CIRC's 5%

insurance penetration target by 2020 is achieved, the size of China's Life market will exceed that of the US, adding further momentum to a pre-existing large base of uninsured Chinese.

The picture remains the same in Asset Management, with China expected to garner almost half of the world's inflows over the next five years. The upside for Prudential is indisputable. We have an expansive toolkit in terms of products, technology, distribution and people to deliver sustainable and high-quality growth.

Operational bandwidth

China, today, is one of our most advanced operations when it comes to both automation and integration with the country's highly-evolved consumer and payment platforms. From onboarding customers in 30 minutes to cashless claim reimbursements and everything digital in between, we are punching above our weight in terms of operational capability and can go toe-to-toe with anyone in this market.

I am excited by not only the significant headroom for growth here, but also by the option to increase our participation, following last week's announcements on further opening up both the Life and the Asset Management markets.

Strategic priorities in motion: Eastspring

Strengthen investment offering

The second area that I want to briefly touch on is Eastspring. Asset Management in Asia is another space where there is significant runway, given the rising levels of private wealth and the sheer size of savings currently held in deposits. Savers in the more developed Asian markets are increasingly seeking more sophisticated local and global strategies, while those in the more nascent Southeast markets are simply looking to participate.

Diversify investment styles

Eastspring's success in attracting third-party flows has been primarily driven by the strong demand for its high-performing pan-Asian and Local Equity and Fixed Income products. In contrast, the proportion of AUM deployed in Multi-Asset, Infrastructure, Alternatives, Quants and Emerging Market Debt is more modest. As Asian investor demand for these types of assets is already significant and rising, we are developing strategies to capture a larger share of these flows.

In the course of 2017, we have recruited a number of senior investment professionals in Infrastructure, Multi-Assets and Active Quant and we are starting to secure some sizable mandates. Guy will give you more examples in his presentation.

Enhance distribution capabilities

We are developing these capabilities; while we are developing in-house, we are also looking for opportunities to partner with other asset managers, leveraging our distribution and relationship footprint. We already have this in place with our internal partners, M&G and PPM America, and we are in active discussions with external parties.

Build digital enablers: Blackrock

We were pleased to announce last week that we are strengthening our existing relationship with Blackrock by entering into a strategic partnership in Asia. This partnership will combine Blackrock's leading iShares ETF offering with Eastspring's Asian investment expertise, distribution reach and asset allocation capabilities to create unique investment solutions that meet the growing savings and investment needs of our clients across Asia.

Capture opportunity in China

On China, alongside working with our joint venture partner in the Retail segment, we are separately looking to tap into three other significant opportunities. The first is the growing Non-Retail or Private Onshore demand. The second relates to the rising inbound flows from overseas investors. The third is capturing the outbound flows from Chinese investors.

We have started the process to establish and resource wholly foreign-owned entities and secure the appropriate registrations and quotas. Over time, this will be highly additive to our business.

Performance

2017 Q3 trading update

I would now like to briefly change tack and give you a quick flavour of our more recent trading performance which was published last week. As we primarily focus on the financial KPIs at the end of each quarter, it is very easy to lose sight of some of the truly astonishing operational metrics which speak to our scale.

Scale per month

Every month this year, we have recruited on average 15,000 agents, handled two million customer interactions and processed nearly 200,000 claims. So far in 2017, we have added over one million new customers and our annualised customer retention rate has remained around the 95% level.

Performance

The key highlights in our nine-month numbers were as follows. The first is that the sales performance continues to be broad-based, with Asia ex-Hong Kong growing at 24% and with seven of our markets delivering double-digit growth. In fact, in the course of the third quarter, the year-on-year sales growth rate accelerated in the important markets of Singapore, Malaysia and Indonesia.

The second is that our sales mix remains high-quality with health and protection sales up 16% across the region, supported by a very strong performance in Hong Kong. The third is that the benefit of this high quality and broad sales mix comes through in our improved new business profit, which was up 15% supported by 16% in the contribution from health and protection. Finally, on Eastspring, we have delivered the third highest level of net inflows in our history at the nine-month stage and attained record levels of AUM at end September. Guy will give you some more detail. These results demonstrate that we are in the privileged position of delivering strong progress in the year in 2017 alongside having considerable growth runway going forward across multiple dimensions.

I would now like to turn over to Lilian first and to Guy second who will cover how we are executing in various markets and how we are adding to our current capability.

Markets

Lilian Ng

Chief Executive, Insurance

Thank you Nic, and good morning. Now I think we pride ourselves as having an advantage platform with proven track record of delivery. Now to capture the growth potential that has been highlighted earlier, we are always innovating and differentiating. Now what is setting us apart now and in the future? Our delivery of customer experience as a source of competitive advantage, our investment in digital capabilities to empower our sales force and customers and now end to end redesigning of processes for efficiency and our fit for growth culture to execute.

China

So, let me show you how we are deploying these capabilities in the businesses. China. Now other than the sheer scale, the [inaudible] I see for the healthy development of the insurance sector actually makes the growth even more attractive. Regulations are increasingly favouring products with more insurance risk elements and at the same time curbing products designed for quick returns.

CITIC Prudential's strategic focus is to expand distributional reach for value creation. We have reached across 74 cities in 18 branches and present in all top ten provinces ranked by gross written premiums. Now being in the right geography gives us the leverage to frame a fast growing active and performance driven agency force.

The three strategic pillars for CITIC Prudential agency are training, productivity and growth. We have implemented a full-time manager's training scheme combining classroom training and eLearning with on-demand content. Productivities for this control group grew 31% and we are mobilising eLearning using Alibaba Cloud. Our recognition system is structured to drive productivity. This resulted in 58% growth in MDRTs. We are continuing to deploy the general agency model for efficient expansion. Asians within the 11 general agency made up 11% of the agency force but contributing to 25% of sales. On Bancassurance, we adopted a customer oriented strategy to broaden and deepen our partnerships. Our insurance specialists are scaled to deliver solutions to feed customers. Bancassurance sales are 88% regular premium and with reported margins three times higher than our competitors in this sector.

Now for the next wave of innovation and expansion, we are piloting an online to offline model to broaden reach with four banks. We all know China has the world's most digitally savvy populations. Now CITIC Prudential has a versatile marketing and servicing digital platform branded Xin-Yi-Tung, meaning Trust, Easy and Through. Now XYT makes it easy for consumers across all touch point from sales to servicing enquiry to claims. Issuing only takes 30 minutes including underwriting and verification with policy delivered I seconds. Now XYT is available on mobile device, on a WeChat account. Enquires are handled through chatbot resolving about 300 queries a day. Now in 2016 the XYT introduced e-claim. Before the e-claim, the process time for a seven-day hospitalisation would take around 18 days. Now this was reduced to 11 days with e-claim. We then added WeChat claim payment and the overall processing time reduced to 1.58 days. Now this innovative WeChat claim was recognised in the 2016 insurance service innovation reward by China Insurance Post. At the same forum, CITIC Prudential was also presented with the ten most impactful claims award and the only foreign insurer winning both awards. So, let me show you the story that won the award.

[Video]

The usage rate for WeChat claim is now 99% and we are already moving to the next innovation and starting in Hubei province we are offering cashless arrangement with [inaudible] hospital and aim to cover 200 hospitals over time.

CITIC Prudential is an all-round performer. Strong sales momentum and ranks first amongst foreign insurance in terms of net profit, return to shareholders and risk management. We are the only foreign insurers to be awarded an A rating for the annual service assessment by CIRC in 2016.

Hong Kong

Moving to Hong Kong, the Hong Kong life insurance sectors experienced double digit growth over the past decade, a reflection of the strong demand for insurance. The onshore market grew in excess of 20% driven by a wealthier ageing and health conscious population looking to diversify risk and protect families and wealth. A survey said that while consumers carry out research online, face to face advice is important. Consumers are willing to pay a premium for service, brand reputation and financial strength. These attributes and purchase preferences are also relevant to mainland Chinese visitors to Hong Kong. Hong Kong is an attractive destination for 25 million mainland Chinese visitors every year. More than 58% of the visitors come to Hong Kong to manage their personal wealth and for 27% of them, this is their primary goal. This pool is our target market. Prudential Hong Kong has a fit for growth platform that taps into discontinued demands. We have a well-diversified distribution allowing customer to choose their access points. Our agency force has 18,000 professionals with 20% being MDRTs, the largest in the market. The long-standing partnership with Standard Chartered Bank continues to serve the insurance needs of the customer with over 150 specialists. Our customer connectivity platform is digital first. This platform not only serviced the customer the way they want to be served, it is powered by intelligence to provide insights, enabling the next best offer for them. Now as action speaks louder than words, I would like to show you a short clip on how we have made it easy for the customers.

[Video]

Now as you can see from the clip, we offer innovative solutions with value-added services that are beyond just paying claims. Last year we were the first insurance company in Hong Kong to offer customers access to a DNA based health and nutrition programme, My DNA. A survey was conducted in mid-year to evaluate the impact of My DNA on the lifestyle of the users. 88% of the responders said, ‘it helped me to understand more about diet and nutrition’ and 94% used My DNA to live healthier and/or to lose weight. Under the motto of prevent, postpone and protect, we are now offering the next generation of innovative solutions with My DNA Pro. Now this is a precision health programme to understand the risk of developing three highs: diabetes, blood pressure and cholesterol. This also comes with an e-coach to offer a unique lifestyle intervention programme. The testimonies from our customers said we have made a difference. This is what the customer values. We have subsequently launched My DNA in Singapore, Malaysia and Vietnam.

The approach to providing value proposition to customers is recognised by the industry. We have won the Hong Kong insurance award for outstanding customer service for the third consecutive years. Now this fit for growth platform that Prudential Hong Kong built and evolved has enabled the translation of top line revenues as earnings, delivering strong growth over the last five years.

Indonesia

The Indonesian insurance market has often been referred as the most attractive within ASEAN. There have been successes in growing insurance, but penetration remains low with only 18 million policies. Now 50% of the population is below age 30 and the size of the consuming class will triple in 15 years' time. The outlook is indeed positive. Now with Indonesia being the place to be, we are investing capabilities, resources and platform to executor.

Now as for a connectivity platform to enhance customer experience, we have built up a digital platform to provide seamless experience for the agency force. The agency workbench we formally call PRUforce is an all in one marketing and activity tool that provides frictionless recruitment, improving on boarding from 20 days to two days. Interactive online training any time anywhere. Tracking of achievement including commissions and productions real time. Now let me show you how this works.

[Video]

Now the workbench is strengthening the effectiveness and productivity of the sales force and with capacity to support the 5,000 plus agents that we on-board every month. To allow agents to focus more on what they are good at, which is selling, and less on servicing, Prudential Indonesia is moving to an integrated servicing model direct to customers. To do so, processes at each touch point has been assessed and redesigned to enrich customer experience.

Now let me showcase our PRUcheers initiative. Using data, intelligence and user experience, we developed a business engine to perform pre-assessments of claims. Cases are automatically classified by complexity. Lower risk cases are passed to the green lane for settlement in minutes and high-risk claims are passed to assessors that commensurate to skill set. This has reduced turnaround time by 15% for our medical claims and allow more focus training of our assessors in managing claims. With PRUcentres, we bring service to customers by upgrading the 400 general agencies across the country to service our customers. General agency officers are provided with analytical tools to prioritise service calls and dedicated resources to train, monitor and track. We plan to open eight best-in-class service centres covering 75% of our customer base.

Now let me show you how customer outcome is at the heart of all we do.

[Video]

So, with our scale of over three million policies and experience, we are making evolutionary improvements at all fronts. We are extending capabilities not just to make a difference for Prudential Indonesia but also for the Indonesian life insurance industry.

Singapore

Singapore has a well-developed insurance market. It is also a cash-rich society with 40% of the wealth in cash and deposits. The protections gap is significant at over 400 billion US, giving headroom for selective growth. Singaporeans still look for face to face advice, and this is our strength with our exclusive distribution in agency and partnerships. For agency, we have an attractive platform for recruits. We contributed to a third of the industry new agents and over 70% of recruits are millennials. Activity and productivity are enabled by digital tools, as evidenced by our consistent leadership in the regular premium space. For Bancassurance, our long-term strategic partnerships with Standard Chartered Bank and UOB continue to deliver for the partners and the customers. Over 80% are regular premium compared to 60% for the industry.

To capture the health and protection gap, we have an all-embracing platform to drive awareness and to formulate bespoke customer solutions. We have seen a 45% increase in protection cover per policy this year.

Our journey to embrace digital started more than a decade ago in Singapore. Our approach is to cover the entire spectrum of the customer and sales force experience journey. Now with technological advancement, we continue to innovate to address changing customer behaviour, the potentials are enormous.

Now partnering with IBM Watson, we launched askPRU. This is a first in the market insurance chat bot linked to the back-office engine. Now askPRU is designed for the agency force and provides real time information relating to customer insurance plan. askPRU is also trained to pro users on the intent of the queries and to simulate real conversation. We are also piloting an industry first machine learning solution to assess claims in seconds. The goal is to provide a frictionless customer experience during the moments of truth.

Now from the humble beginning in 2004 when we first launched the point of sale son a computer, Prudential Singapore has moved to the next digital wave. PRUONE Express is our fourth-generation digital point of sales portal with quotation now being prepared in three minutes and the latest finger print authentication. Now let us see how this works.

[Video]

Pru Singapore

For the next wave of partnership innovation, we just announced that Prudential Singapore and StarHub are to launch a blockchain based digital trade platform to support the growth aspiration of the SMEs.

As you can see our well-advanced investment into digital to empower distribution and customer has led to sustainable profitable growth over the years and the capabilities invested position us well to deliver in the future.

Pru Malaysia

Malaysia is a multi-ethnic, multi-cultural society where 69% of the population is Malays and almost all Malays are Muslim, needing sharia-compliant insurance solutions called takaful. Insurance and takaful penetration measuring in terms of number of policies are relatively low. Now given the diversity we have a two-pronged approach to expand insurance and to lead takaful.

On insurance, medical and protection on a unit-linked chassis remains our core proposition. We are accelerating recruitment on key urban areas, focused on millennials aspiring to be their own boss. Our sales force is supported PRUdream planner, a first in market interactive and animated financial needs analysis and linked to a sales platform PRUway Plus. 80% of our submission now comes through PRUway Plus.

On the takaful side, we lead the space on bespoke solutions. UmmahLink first launched in 2010 aims to fulfil the spiritual needs with double protection during holy pilgrimage, Hajj.

Warisan launched in 2016 won the Innovative Solutions Award from the Malaysian Takaful Association. The solution embeds the concept of Hibah which means gift. Hibah allows one to distribute asset monetary to a nominated beneficiary without going through the prolonged inheritance procedures under Islamic inheritance law. With awareness of estate planning the average sum assured for Warisan is more than MYR400,000. This is seven times higher than the market average sum assured.

The two-pronged strategy has allowed us to serve 2.2 million customers and deliver 10% profit growth over the last five years. We remain bullish on the growth opportunities in Malaysia.

Pru scaling up

Now to further diversify we are scaling up high performing businesses as growth engines. Leveraging the regional capabilities, we are investing in distribution, improving customer experience and transforming operations. Vietnam, Philippines, Cambodia are fast growing economies. The very low insurance penetration and rising middle class makes a favourable outlook for life insurance.

For Thailand and Taiwan, these are sizeable markets in terms of total premiums. Our focus in these markets is to optimise value from partnerships distribution through a scalable business model. We have employed various partnership models including distribution exclusive and product exclusive.

Summary

We know where to play and how to play and we are committed to expand capabilities and know how to execute. We are investing in people and digital is a way of life as we are always innovating and always delivering.

Now with this I pass to Guy on innovation in Eastspring. Thank you.

Eastspring

Guy Strapp

Chief Executive, Eastspring Investments

Asia market opportunity

Good morning and thank you Lilian. The growth story in Asia is increasingly compelling. Based on the mutual fund market as shown on the slides here, Asia is seeing the fastest growth among all regions, driven largely by the demand in China. Asian mutual fund growth 2016 to 2021 is set to grow at 11%. This would compare to the US at 6% and Europe at 5%.

China's importance increases over the period with mutual fund growth at 13%. China was the largest asset management market in Asia with retail mutual funds of £1 trillion as of the end of 2016. The China retail mutual fund market is forecast to grow to an AUM of £1.9 trillion by 2021 and account for 49% of Asian mutual funds.

Over this time, Asian clients will become increasingly sophisticated and demand greater diversification. Eastspring is well placed to be beneficiaries of this growth as I will demonstrate this morning.

Well diversified

Our sustained growth in assets and profitability is attributable to our unique competitive position, consistent investment performance and quality product solutions. Our diversified and growing client base is a healthy mix of Life, Institutional and Retail. Our asset mix remains well diversified with approximately 50% of assets under management in higher margin equity products.

Importantly, Eastspring has the largest and most diverse geographic footprint amongst all managers in Asia. We have on the ground expertise in ten markets and in six of these we are top ten.

Our priorities

Our strategic priorities are shown on the left side of this slide while the initiatives which pertain to and support each of these are on the right. Each of these priorities is specifically directed to capture the growth opportunity I described on the first slide.

Firstly, deepening investment capabilities. Historically, we have been valuation driven with a heavy Asia bias. While value as a style has underperformed, 70% of our equity funds have outperformed their respective value benchmarks over the past year. We retain our high conviction to value while complementing this with new capabilities in quantitative equities where we are running money for our Life clients in low volatility strategies.

We are also introducing growth equity which is especially relevant given the constraints on some of our fundamentally driven flagship capabilities such as Japanese equity.

In addition to diversifying our investment styles, we are also developing strategic product partnerships to fill our product gaps. The partnership, Nic referred to this morning with BlackRock represents a case in point as we work together on compelling new products designed for our North Asian client base. These will emphasise Asia's economic growth, technology presence and shifting demographics.

Our second strategic priority is to enhance distribution and coverage. China is currently a predominantly domestic market with initiatives to support the opening up of the market over the past ten years, including QPR, QDLP, stock connect and mutual recognition. We expect further gradual market liberalisation and the phased introduction of China into the MSCI Emerging Market Index in the summer of 2018 will support offshore interest. I will make some further comments on China in a moment.

Across Asia, we are also monitoring opportunities to partner closely with Life. For example, Thailand's mutual fund industry has matured from being basically a money market fund-centric industry and is becoming much more sophisticated and is a logical extension for Eastspring.

Our third strategic priority is what we refer to as our Target Operating Model. TOM, as it is affectionately known is a transformational programme which focuses on the way we work. There are three key out workings: scale at pace, risk management and controls and centralised and standardised. We are achieving this through the Aladdin system from BlackRock Solutions, utilising BMT for middle office outsourcing and GoldenSource for enterprise data management.

I will give a little more colour to each of these three priorities now.

Deepening investment capabilities

Our strengths in Asia include Japan equities, India equity managed in Mumbai through our JV partner, Asia equity income, Asia REIT, fixed income and GAA. These are all best-in-class award-winning capabilities.

Our Japan equity concentrated portfolios were soft closed in 2015 to help preserve the alpha enjoyed by clients and these strategies continue to garner flow from existing clients.

The equity and fixed income performance in India has helped propel the ICICI Prudential Mutual Fund Company to the coveted number one position in India as measured by total funds under management. This is ahead of the heavyweights such as HDFC and Reliance.

The Asia equity income product has led in that sector over the past five years through a distribution partnership with Okasan Asset Management in Japan.

In fixed income we continue to see flow from retail clients into Asian bond strategies as well as institutional mandates from sovereign wealth funds and central banks. We have been awarded but not yet funded £750 million from one such client.

We are now adding to these well-established capabilities through expanding our quantitative solutions team with a multi-factor capability launching next month to supplement our existing low-volume product.

We are commercialising alternative assets especially infrastructure with steps now in train to seize co-investment opportunities. We are leveraging our high quality GAA team by building multi-asset solutions for our third-party clients.

Eastspring is also procuring global capabilities through Prudential affiliates and external partnerships, such as BlackRock as we just mentioned, and we are on the verge of signing a partnership agreement with a North America growth equity manager for exclusive distribution throughout Asia.

To recap on recent product successes on the right-hand side of the slide, Asia REITs was launched in 2013 and has garnered £900 million of FUM with inflow this year of £730 million through Kokusai Asset Management. This was remarketed in Japan earlier this year to capture the growing demand from retirees looking to stable high yield.

We signed a landmark deal with IFC, a member of the World Bank Group under the Managed Co-Lending Portfolio programme to deploy £380 million in emerging markets infrastructure, the underlying investors being our Life businesses in Hong Kong and Singapore.

The India Umbrella Fund was launched through a successful IPO in Taiwan and raised £258 million in an India balanced fund and India bond fund. This is a collaboration with ICICI Pru and it was launched in Taiwan to access growth opportunities in India.

Also of note, although not shown on the slide, is the capturing of £250 million of assets in Japan in a range of India strategies including infrastructure, equities and bonds as well as consumption equity.

We launched the US Bank Loan Fund in 2014 and raised £254 million, most of which came in this year. This is a collaboration with PBMA, a North American affiliate of Prudential and remarketed in Korea earlier this year. The product is positioned to diversify client portfolios to US-based assets give heightened geopolitical considerations and tensions on the peninsula.

And finally, the Asian Low Volatility Equity product was launched for our Life clients in 2016 and raised £213 million in an innovative strategy aimed to deliver higher risk-adjusted returns with an attractive dividend yield across markets.

Enhancing distribution and coverage

The second strategic priority is to enhance distribution and coverage. As stated earlier, China is the largest asset management market in Asia. On 10 November, China announced they will liberalise the foreign ownership limit applying to domestic fund management companies. The foreign shareholding limit will be raised to 51% and after three years there will be no limit on foreign ownership. The timing is to be determined although we understand regulations to implement the policy will be formulated by mid-2018.

We also continue to build on our strong partnership with CITIC Pru, and as Nic mentioned, we are in the process of establishing a wholly foreign owned enterprise, a WFOE, as well as recruiting to establish an onshore investment team thereby increasing our focus to support clients and service them in China.

Institutional clients are an important segment for us and although institutional FUM accounts for only 6% of our total assets as at September 2017, our focus is to build on the £8 billion of Institutional assets via recruitment and energising consultant coverage.

We are also building technology-based enhancements. An example of technology is ICICI's iPruTouch app. As at September 2017 there are 147,000 customers registered on the app, a significant growth over a year earlier. The app gives timely access to high quality content generated around market news and analysis and creates compelling engagement opportunities with customers. Through iPruTouch, ICICI Pru is the only asset management company in India to offer instant paperless on-boarding technology. It is also of note that 30% of purchase transactions at ICICI Pru are now digital.

Eastspring is exploring opportunities in selected local markets to experiment and pilot robo-advisory and digital tools in Malaysia and Taiwan where we have direct retail clients.

Transforming the way we work

The third initiative I referred was TOM earlier on. We are investing in processes and infrastructure to enable rapid growth, further enhance risk management and control and build our investment capabilities. We are introducing best-in-class tools for portfolio and risk management, providing a common operating platform which creates scale quickly. Improved data quality will strengthen investment oversight and introduce uniform risk reporting, thus aligning data governance and enabling improved regulatory reporting.

Q3 2017 results

To close I will share highlights of our 2017 Q3 results. On the right-hand side of the slide are the metrics relating to the half year PBT result which itself represented another record for Eastspring. On the left are the FUM and flow numbers as at September 2017.

The Q3 closing FUM of £131 billion was 14% higher than the prior year and was lifted by favourable equity markets and strong inflow. Year to date September net flows from third parties were £2.8 billion, following inflow from the India equity funds I described distributed in Japan predominantly and manufactured by ICICI Pru, Asia REITs sold in Japan, CITIC Pru which launched new funds and institutional mandates in Mainland China and continuous inflow from Europe and the Americas into Japan dynamic.

In conclusion, Eastspring is well positioned to capture the growth in Asia and will do so through appropriate investment in the business and disciplined execution. Thank you for your time and I will pass back to Nic.

Asia

Nic Nicandrou

Chief Executive, Prudential Corporation Asia

Okay, thank you Guy. Before we conclude on Asia, I would like to briefly remind you how our success of adding new products of regular premium business each year translates into higher profits.

Compounding revenues

For me this next slide articulates all the strengths of our business. We are a business with compounding revenues underpinned by high quality recurring income that is uncorrelated to markets. As you can see we have achieved our current scale and profitability by driving penetration in the markets that we operate by a mere 20 basis points. Given the structural demand and the headroom across the region, I remain very positive on Prudential's future prospects in Asia.

Compounding earnings

Compounding revenues also drive compounding earnings. Asia is now growing at scale and is well on track to achieve the third consecutive set of public objectives. For the reasons that I have already outlined, I expect us to maintain a growing earnings trajectory and even at our current scale, I would expect the business to double every five to seven years. As the proof of concept is now well established, we will not renew these objectives in March.

Growing value

Now alongside growing our reported IFRS earnings, we have grown the embedded value of our Asian businesses at an equally impressive rate. Asia's embedded value has grown to £20.2 billion at the halfway point of 2017. This measure is an excellent lead indicator of Asia's growing store of future IFRS earnings which will emerge in years to come.

Asia has been a key driver of the concurrent growth in the Group's new business profit, IFRS profit and free capital generation. The power of our delivery in the region is very aptly illustrated by the near exponential trends in these metrics as depicted on this slide.

Key messages

So, by way of conclusion on Asia, I want to reiterate a few key takeaways.

The first is that Prudential's prospects in Asia continue to be underpinned by powerful long term structural trends. We have a world-class business in the region with all the right attributes of success such as scale, quality and a leading market position across the region. We have a clear and ambitious set of strategic priorities. We have proven best-in-class capabilities. Finally, we are confident in our outlook and very excited by our long-term prospects in the region.

Thank you for your attention so far this morning. I think we can now take a short coffee break, after which Raghu will cover the parts of the Group which you may be less familiar with. So, we will gather again in 20 or so minutes. Thank you.

UK Overview

Raghu Hariharan

Chief Financial Officer, Prudential Corporation Asia

Welcome back

Welcome back, good morning; it is a pleasure to be addressing you all today. I have been reminded by Howard that, if you have not yet got to it, since you have seen a lot of the presentations today, log onto the app. The instructions, I believe, are on the table and if you have any questions, please log in your questions as we go through the day.

So, as Nic mentioned in the outset, in the next 20 minutes or so I will ignore my current job title and wear my erstwhile Group hat to provide you with an overview of our UK and US businesses to complete the Group picture.

M&G Prudential overview

I am going to start with the UK. Prudential traces its history in the UK to 1848 and it is one of the most well-known brands, or financial services brands, in the UK and now in Asia. With the addition of M&G in 1999, the Prudential's UK operations span the entire spectrum from insurance to asset management, a template that we have followed here in Asia.

Fast-forward to today, we have two great brands and a strong platform providing savings and investment products to customers across the risk spectrum, from risk-off, conservative, low-volatility products for our Life customers to M&G's area of investment strategies, including risk-on products.

Our business model in the UK, the second-largest asset management market in the world, has been pivoting to a capital-light savings and investment focus. We accelerated this transition by announcing the combination of our Life business in the UK and M&G this August. This move, as shown on the slide, is aligned to three clear market trends. One, consumers are increasingly self-reliant for their savings and retirement needs. Two, they are looking for one-stop-shop solutions from trusted scale players. Unsurprisingly, the industry response has been towards convergence, so you have seen insurance and asset-management business models are starting to converge.

For M&G Pru, we believe the industrial logic of this merger is compelling and we have the brands, capabilities and the skills to compete effectively in this evolving landscape.

M&G Prudential business mix

So, dig a bit deeper into the shape of this combined business. The combined business has all the attributes for success. It has strong presence in growth-facing markets; as I said before, it has renowned, trusted brands; it has the adequate scale and it has broad product capabilities. I will strap to some of these through the presentation.

As part of the merger, we also announced that we will invest to accelerate the transition of this business to a customer-centric, digitally-enabled, capital-light model. The combined business in the UK has over 7 million customers in a population of 64 million, which puts into perspective the growth prospects for PCA in Asia where, as Nic pointed out, we have an Asian customer base of a mere 15 million in a population of over 3 billion.

Switching back to M&G Pru, the merger has been created from a very strong platform. There are three clear customer segments across three dimensions: the UK, Europe and an Institutional. In the UK we have strong positions in active investments and the savings and retirement space and would look to grow in this segment.

In the more traditional products, we are looking to reduce the capital intensity of the annuity book and improve cost efficiency across the entire back book. In Europe, our business has both scale and growth, with £40 billion of assets under management. In the institutional space we have a large high-quality institutional customer base managing money for two-thirds of the UK's 50 largest pension schemes, with just under £80 billion of funds under management and nearly 800 institutional clients.

M&G Prudential gross flows

We are leveraging this platform quite well. Let me give you a very recent measurement. The business combined generated gross flows of nearly £40 billion, i.e. about 12% of end FUM in the first nine months of this year. We continue to have strong market positives across our chosen segments. Just picking a couple from the slide, in the UK we have almost a fifth of the life and pensions retail investment market. In Europe, we are amongst the top five active fund managers for pan-European net sales and the institutional position has been well-trailed.

M&G Prudential growth strategies

Looking ahead, the business has clear plans and a clear strategic road map to drive growth across the UK, Europe and the Institutions business. In the UK, M&G Pru will focus on broadening our distribution reach, diversifying the wrappers for the flagship Pru Fund with-profits product and also extending the investment proposition to leverage M&G's strengths.

In Europe, having built a SICAV offering which insulates the business from Brexit, the aim is to expand this product offering, as well as our wholesaler relationships. There is a significant opportunity to grow into M&G Pru's European footprint, utilising the successes the business has experienced in markets such as Italy.

On the institutional business, M&G Prudential's USP has been in developing unique products alongside our clients and the business will continue to leverage this customer-centric approach.

M&G Prudential long-term track record

You can see that the long-term track record of this business is quite decent. I will apply a caveat here that we have exited the annuity business in the UK, so some of the numbers are distorted by this exit. Nevertheless, this is quite a decent performance in what is an evolving market.

M&G Prudential mix by asset class

The product capability of the business is quite broad, centred on offering solutions and alpha capability that are non-indexable. So, as you can see, hopefully, £337 billion of assets under management; there is waterfront coverage across investment classes from fixed income to equities, to multi-assets and real estate and alternatives. 60% of the assets are in multi-asset strategies. With this portfolio, the business remains well-positioned to meet its growth ambitions.

Why we are transforming

A quick word on the transformation project, where the business is investing to create a modern, digital, customer-centric business. There are two objectives of this transformation. One is to build scale and second is to increase the customer-centricity of this business. As part of the transformation, we have announced that the business will invest £250 million of shareholder money to modernise the business, which should deliver pre-tax savings of £145 million by the end of 2022. The scope of investment and savings spans both in-force and new business, alongside the support functions to drive cost and over time, revenue synergies.

Conclusion

In conclusion, the M&G Prudential merger is being undertaken from a position of strength. The combined business is well-positioned to grow in its chosen consumer segments. The strategic priorities are clear and lastly, the investments will accelerate the transition to a capital-light digital business, driving both revenue and cost synergies.

US Overview

Jackson's capabilities aligned to significant opportunity

Market opportunity

Moving on to our other large market we are in, the US, on the left-hand side of the chart you can see the market opportunity in this market remains significant, with over $7.5 trillion of baby boomer wealth, the largest such wealth cohort, expected to transition into retirement over the next decade or so. On the right, if you map these retirees' needs with that of Jackson's flagship VA product, it is a perfect match. Jackson VA uniquely combines an income with principal guarantee, while allowing equity market participation.

Jackson's competitive advantage

Jackson has a structural competitive advantage in the US. Its capabilities are best in class across the value chain. Jackson has top-performing products; a cost base that is, measured in terms of expense ratios, half that of its peers; unmatched distribution scale and quality and proven commercialisation skills. Jackson has been adept at balancing shareholder economics with strong customer outcomes. Unsurprisingly, Jackson is now the leading VA provider in the US, with a strong track record of value creation. The business now manages over $160 billion of VA assets, capturing all of the industry's net inflows and generating over £2 billion sterling of pre-tax profits. Both of these metrics have grown at over 20% CAGR since 2009.

The move towards fee-based advisory models

Impressive as Jackson's progress is, this has been achieved in a market mostly commissioned-based, as Nic alluded to, which is only an eighth of the overall advisor-distributed assets. As you can see on the slide, the penetration of VAs, shown in red, in these asset pools is quite low. As the industry rolls towards fee-based advisory models, Jackson now has the opportunity to enter a market with an additional $14 trillion of assets, i.e. seven times its existing market segment.

Those of you who follow this industry closely, you would know that the transition to fee-based advisory models has been further accelerated by the fiduciary rules announced by the DOL. In short, these rules will move the sales model from a suitable product standard to a best product standard. However, accessing these advisory asset pools will take time, as it requires both investment, which is minimal and infrastructure build, which is quite substantial, over multiple segments of the value chain. As the slide shows you, from the left to right, Jackson is making good progress by evolving its product suite and launching fee-based VAs, winning shelf space with key distributors and building end-to-end tech platforms to allow seamless transactions, which is a must to win in this channel.

On a more practical level, what is important is that Jackson has the toolkit, the expertise and the commercialisation skills to deliver solutions to customers, irrespective of the environment. We expect Jackson to benefit significantly from this new opportunity over the long term.

Jackson's RBC and cash remittance history

Jackson's delivery to shareholders has kept pace with its strategic and operational delivery. The quality of this delivery is perhaps best measured by the progress on capital and cash. As you can see, Jackson has consistently maintained strong capital levels, even through the global financial crisis, remitting over $4 billion of cash to the group, a performance that is unmatched by peers.

Jackson's long-term track record

If you are to judge Jackson's value-creation track record across our three KPIs, IFRS operating profit, new business profit and free capital generation, I dare say Jackson's progress is Asia-esque, with all three metrics growing at double-digit rates. While the absolute picture is good, the relative picture stands out, with Jackson, here shown in blue, delivering strong returns on capital, which is in the high 20s, as compared to its peers.

Summary remarks

Prudential in the US

So, in summary, the market opportunity in the US for Jackson remains significant, with 10,000 baby boomers a day, or $7.5 trillion of overall wealth expected to transition into retirement over the next decade or so. Jackson has significant competitive advantages in the retirement market and it is positioning itself well to access the fee-based advisory market, providing significant long-term headroom for growth. The execution of this business continues to be disciplined, delivering strong outcomes to customer and value to shareholders.

Prudential in the UK and the US

In summary, in two of the headline, so-called mature markets, Pru has strong positions in large growth segments and it is building extensive capability to leverage our existing strengths to deliver long-term shareholder and customer value.

So that finishes the UK and US overview and with this now, I will hand you back to Nic for a wrap-up.

Q&A

Nic Nicandrou: You very patiently listened to us; now is your opportunity to ask us to expand or maybe cover areas that we have not already done so.

Kailesh Mistry (HSBC): Three questions. The first one is, Nic, Pru's previous Group CEO said in 2013 that he expected PCA to double every three to five years. Today, in London, you said it is more likely to be five to seven. In that time, what has changed? Is it the market potential, or is it just a function of PCA being bigger?

Second, Health and Protection as a proportion of sales. Which markets are below 30%, and how quickly would you expect those markets to come up above 30%?

Then lastly, on China. Following the announcement about lifting foreign ownership restrictions, if you wanted to increase your stake, do you have the economics agreed upfront, or would you have to negotiate those at that point in time? Thank you.

Nic Nicandrou: Okay, three very good questions; thank you for starting with three very nice easy ones. Three to five years, five to seven: look, there is no change in our outlook in terms of the opportunity. I think clearly, doubling the business every three or five years, as you saw in the slide that I put up, is potentially easier when you are starting from £50 million, £60 million, £100 million of profit. To double in the next five to seven years is to create another Pru, and it has taken us, as we said, our oldest business is now 86, 87, 90-odd years old. We are now getting to a size where there is an element of pragmatism reflected in that statement. That being said, whether it is five or six or seven, it is solid double-digit growth for a long time.

I guess the other aspects: we are also cognisant that it is much more competitive than when we started, certainly than when I joined the Group, so we have to be alive to that. Yes, we have a first-mover advantage and a lot of capabilities, but we are doing it in a much more competitive context. You see that competition for distribution is quite intense. Again, we are in the fortunate position, as I said, of having over 600,000 agents – a very strong presence in that particular channel – access to 10,000 branches, which makes us by a long, long mile, a long, long way, the biggest bancassurer in Asia. Yes, we would like, but we do not necessarily need, more distribution, but we are alive to that.

Of course, as with all the innovation in the insurtech space, the fintech space, there is also quite a lot of investment that is needed in all our businesses, but generally not only at Pru, but across the sector, in making sure that we remain relevant to those people who can now conduct a lot of their day-to-day tasks using the social media platforms and, increasingly, banking-type platforms. There is more realism reflecting our size and the need to invest in the business.

H&P. Maybe Lilian; which of our countries are below 30% of their mix of sales, and the prospects for those of getting higher?

Lilian Ng: I think obviously, that is a PCA average, then you expect most of our larger markets will be around that ballpark. I think where we have room for improvement is in markets where we are focusing more on partnership distribution; that is an area where we can do more. Having said all that, I think while the mix is an indicator, what we look for is that growth of H&P rather than just the mix, because as Nic said earlier, obviously we still want to penetrate wealth, so we want to grow in both areas. It is not about having a magical mix number, but that is how we look at it is growing that Health and Protection portfolio.

Nic Nicandrou: Thank you, Lilian. I think just to reiterate, so the countries where we have mostly banking-type distribution – in Taiwan and Thailand, typically – you do not get to sell a lot of Health and Protection through those channels. There, we are below the average. Places like Vietnam and the Philippines, where, again, it is predominantly an agency-led model, we are growing to being close to 30%, but not quite 30% level. Places like China, we are at 40%; in Hong Kong, 30% of what we do. Then you have Malaysia and Indonesia; in Malaysia, it is around 50% of our sales, Indonesia is close to 70%. As I said, despite the mix, there is still quite a lot of runway given the amount of not only the out-of-pocket medical expenses that are being spent across the region, but also what we call the protection gap; I did not put that on the slide, but it is equally significant. What we find is that, even the more developed markets, in Singapore for example, where the need for life insurance is well established, even in those markets, people will tend to protect themselves to the tune of four or five times salary, where most NGOs or most agencies would say, 'Really, you need ten times salary.' The protection gap, even in Singapore, where you have 1.9 million economically active individuals, is of the order of US$400-500 billion, so there is quite a lot of runway.

On China, yes, of course, we would like to have a bigger share of the business that we own. If you like, in achieving that objective, before, there were potentially two hurdles. A is to agree with our partner to allow us to do that, and secondly, the second hurdle was the existence of regulations that, up until last week, indeed, up until such time as those are formalised in law, we were not able to do so, so one of those has been removed. Therefore, that allows us at least to broach that discussion, but the key thing is, and really, what I would like to reinforce, is, the thing that excites us most about China is just penetrating that market more. As I said, today, we have 1 million customers, 2 million policies. The discussions that we are having with the teams, irrespective of the ownership structure, is, how quickly can we get that to 2 million customers and 6 million policies, which should be eminently feasible, given the size of that market, given the footprint that we operate in, and the low levels of penetration. Indeed, the governments offer support and encouragement to help accelerate the penetration of that market. That is going to be a major source of future growth, revenues and profits for us. Now, clearly, if we can then combine that with a bigger ownership share, then that will just add a cherry on top.

That said, we would not want to be in China purely 100%. There is a lot of value in having a well-positioned and well-established partner there, particularly to navigate a market as complicated as China.

Mancy Sun (Goldman Sachs): I have a couple of questions. The first one is, you are talking about your investment in Asia is now more than 50% of the Group's capital allocation. Where do you see this number to go in a couple of years' time? When you are looking to invest in Asia, what kind of assets, other than organic growth, would you be interested in, and what are your priorities: for example, licence, distribution, or digital strategies? Is there a general guideline, for example, IRR hurdles, that you are looking at when you are making those investment decisions? That is the first question.

The second question is on the innovation side. You mentioned several times both for the life insurance and Eastspring side about innovation, and I think you also articulated a number on the tech spending. I know some of your competitors are talking about, every year, they are allocating 1% of their revenue in tech R&D. What is your budget based on? You talked a lot about investing and digitising from front end to back end, and also customer engagement. Have you also done anything on the health analytics side? Probably that is more of a longer-term issue.

Lastly, probably more leftfield, to Guy, would you ever look to merge Eastspring with the Asia insurance, and why or why not? Thank you.

Nic Nicandrou: Okay, thank you, Mancy. Investment in Asia. No, you are right in terms of the capital that we direct to writing new business, that Asia has received the lion's share. I would expect that to continue to grow. We have said publicly that we see the opportunity in Asia as structural, given all the things, the trends, that I highlighted in my presentation. We will continue to tap into that opportunity at pace, and therefore, you should expect to see the investment that we make in new business to grow at least in sync with the size of the business that we are growing. The rest of the group, really, some of those opportunities have more of a cyclical nature to them, and therefore, the proportion of the money that goes in will vary. The key point is: there is no constraint, artificial or real, in the amount of money that Asia needs to spend in order to accelerate the growth. As CFO, previously, I put no constraint on this business; the Board imposes no constraint, has never imposed any constraint. The dialogue at the beginning of each planning season is, 'How much money do you need to grow the business safely and sustainably,' because that is important. If you wanted to, you could easily have an outsized year, but do so with compromising quality, so no issues there.

In terms of where are we looking to invest beyond the capital that we have put aside to new business, yes, we do look for distribution. We are hiring, as I said, 15,000 agents every month. Clearly, not all of them are moving to being very active agents, but we are investing in providing them with the tools – you saw some of the examples that Lilian highlighted – we are investing in providing them appropriate product propositions. Some 40% or so of the sales that we generate, between 30% and 40%, depending on the quarter, are from propositions that have been launched in the last couple of years, so there is quite a lot of innovation that is going.

On digital, again, a number of examples we highlighted and showcased. Really, what we want to do is, every part of Prudential, whether you are in Vietnam, Cambodia, Singapore, needs to have a digital front end, straight-through processing, auto-verification, as high a percentage of underwriting as possible, and then issuing it electronically, ideally in minutes. To achieve all of that is no mean feat. That is what we are targeting across the entire portfolio.

At the same time, we are looking for opportunities to see if there are any digital routes to market for some of the products. Health and Protection does offer a number of ways of doing that, and we are in discussions with a number of start-ups that have one or two interesting ideas, and you should expect to hear from us on that in the next months and quarters.

In relation to the proportion, I mentioned the amount of capital expenditure that we put aside, but if I look at our entire technology spend in the region, the Group spends around £1 billion a year in technology, whether that is in developing new tools, new capabilities, whether that is in maintaining the technology that we have, in patching it, or, indeed, on the security side. Asia is around £250 million of that, so there is a big technology spend already in the region. The proportion of that which is capital expenditure versus ongoing will vary country by country, and it is in the capital expenditure that we are looking to put some more money aside. We have not expressed it as a percentage of earnings or what have you; we manage it in absolute terms. It is significant. Yes, we are increasing some of the capex, but of course, there is an opportunity to redirect some of the spend, our current, existing spend, into those areas.

We are looking to add – to your point on distribution and health – more value-added services, particularly around our Health and Protection offering. There are numerous such services that we provide, whether that is a hospital concierge-type system, whether that is helping to support the payments that people have, particularly if they have some sort of recurring ailment. We added the myDNA, which is another, if you like, customer engagement tool at this moment, and there are other ideas that we have in mind in terms of the way we think about the business and the whole notion of freemium to premium, and talking to a number of tech start-ups who have one or two interesting ideas there. Yes, it is an area of focus. This is part of what I was referring to when I said we are looking at more innovative routes to markets often, which will inevitably involve partnering with a number of firms that have interesting solutions, but again, not at the position at this stage to say anything on that.

Lilian, is there anything that I have missed on the tech-side investments more generally?

Lilian Ng: I think it is more, in terms of the way we look at health analytics or health is, as Nic said, we like to provide a holistic platform in terms of health and wellness to our customers. Now, obviously, what that will do is, getting the direct analytics, hopefully that will create healthier lives for our customers, but eventually, we can get data from our partners in terms of the experience, and that can be used to fit in, in terms of our pricing, the way we manage claims, combining with the claims data we have. That is how we want to create that platform in terms of the health analytics side.

Nic Nicandrou: Thank you. Guy?

Guy Strapp: I touched on it at a very high level, that we have been doing some almost experimental work in Taiwan and, more recently, in Malaysia, so we are looking to build on that, again, from a customer experience point of view. In Taiwan, we have been experimenting with robo-advisory tools. We do have a small direct business in Taiwan, as we do in Malaysia, so we are thinking about how we create solutions for a better customer experience. In Malaysia, that translates through to a need within the ETF for straight-through processing, so to get access to the ETF platform going forward, asset managers are going to have to have technology, just as you are accessing right now, that will allow the customer to access us on the ETF platform in a very digital way. There is some need to build some tools, there are some other things that we are thinking about doing. I take that ICICI Pru app experience, and that is a paperless sale, which works really well in India given the remoteness of a lot of the clientele. It is different solutions potentially for different markets, but as we trial and look at these opportunities, we will replicate them in as many markets as we can. A lot of our sales are intermediated. Now, that means we do not have a direct interface with customers: a good and bad thing. We do not have to spend money on a digital solution for the customer interaction; the bad thing is, we need to think about what does disintermediation potentially mean over the medium term? In doing these direct tools, we will potentially be able to apply them in other markets as we think about our distribution model.

Nic Nicandrou: There are numerous points of contact or connections between Eastspring and the Life business. Clearly, Eastspring sits behind the investment performance of our Life business, so whenever there is a new product launch, whether that is of a unit-linked nature, on the savings and investment side, whether that is on the endowment or the PAR side, there is quite a lot of active discussion that is taking place on how you structure it, how you may differentiate it, with other products in the sector. How do you think about the loadings and the returns? Quite a lot of involvement there. Also, engagement: how you want diversifiers, and in doing so, smoothing out as much as is possible some of the inevitable variations that take place if you are invested in equities locally.

The other side, Eastspring, has two markets where we have direct distribution. Guy referenced those: in Taiwan and in Malaysia. In Malaysia, we are using a proportion of the Life agents to distribute some of Eastspring's products to retail third-party customers. This is where we are looking to put some additional technology in place, to help with that sales process. In Taiwan, we also distribute using a small, direct sales forces. Now, of course, we do not have a Life presence there anymore, but as I said, there are a number of points of connection.

If your question was, are we going to do in Asia what the UK is doing between the Life company and Eastspring, in fact, Asia is already organised that way, because both businesses are under me, whereas M&G and the UK Life business used to have different CEOs, separate CEOs, reporting straight into Group. In a way, what is happening in the UK is mirroring what is already in place both in the US and in Asia.

Leon Qi (Daiwa Securities): I have three questions. Firstly, on your Hong Kong life insurance business, I understood you started to exit the Hong Kong broker channel in the beginning of this year. I did not fully understand the risk/reward trade-off between that. I just wanted to understand that. Do you actually see it as a circular trend, and that the broker channel might not be as profitable as it used to be after considering the risk involved, or it is just a reaction to respond to the short-term market dynamics changes? How do you see your overall strategy of the Hong Kong broker channel, going forward?

Secondly, on your China insurance business, you mentioned that you recently got access to Sichuan, and you have access to almost a 1 billion population in China now. I just want to understand, where you are stepping into these new markets geographically, what are the key metrics you are looking at to access the economics behind it, when you enter these new markets, and what are the big obstacles you are facing in these new markets?

Lastly, on Eastspring. You are in the process of establishing a wholly owned foreign subsidiary in China, but with the recent opening-up of the asset management industry for foreign investors, I just want to understand how you see the pros and cons of establishing a WOFE versus just a singly owned more-than-50% local asset management firm. Thanks.

Lilian Ng: I think we have not exited the broker channel. I think what we have done is, we are more focused, and we are continuing to engage with brokers by selling more protection and health products through that channel. That is where we believe is the added value to our business, and I think it is more from that perspective rather than from a profit/loss perspective. That is how we look at our broker channel.

I think one area we are also concerned about is also the distribution conduct, where we feel more emphasis on our agency voice, where we can manage and control that area, so that is a broker channel. It is still alive and kicking; we are working closely with our brokers in that respect.

Nic Nicandrou: Yes. I do not think you should read into our actions as really expressing a view on the longevity or otherwise of that channel. It has a purpose in Hong Kong, it does what it needs to do. As Lilian said, we have always looked at the broker channel, and what we have stopped doing is accepting business that a year ago, two years ago, was a relatively high case size. You will see some of the capital controls and some of the rulings that have come over the border in the last couple of years. What we have said with brokers is that we would accept business that is done primarily locally, often when it comes with Health and Protection cover. Really, our emphasis here has been to drive much higher the Health and Protection content of the business, and we are doing really, really well in that regard. In the third quarter alone, it was 30% of what we wrote, was Health and Protection; if you compare that to the first nine months of 2016, it was under 25%. When we look at the agency, the proportion of business or the growth in the agency-led Health and Protection, that is strongly double-digit, both in the nine months year-to-date, but also in the last quarter. Deliberate in part, alive to some of the risks. We wanted to direct our resources to those channels that we control, and partly, the fact that we are pivoting towards Health and Protection, and a lot of the mainland business that was written through brokers was purely of a savings nature.

Do you want to say something on China and what are some of the key metrics, criteria that we use?

Lilian Ng: Obviously, China, it is a big country, and we all know that different provinces have different dynamics, so how do we assess what is optimised? It is similar to how we actually look at the PCA portfolio; we may have a slightly different strategy in terms of entry. If I use one good example, for example, Guangxi, we are one of the first foreign insurance companies that entered Guangxi. Actually, it was under the invitation of the local CIRB, who wanted to grow the insurance industry there, and we got invited and we entered. If you look at it from a GDP perspective, Guangxi may not be the first choice for a foreign insurance company to expand, so that could be one of the reasons. Sichuan, obvious reasons: big population, growing population, so that is why we entered. We entered into a lot of what we call the municipalities, like the Beijing, Shanghai. These are highly concentrated, very wealthy, and we have a slightly different strategy. In Beijing, it is predominantly more agency, so we have a big bancassurance, whereas in Shanghai, it is predominantly more partnership distribution, because it is very competitive in terms of agency, and it is a way to access. All I have to say to you is, different provinces, different branches, have to go in with a different strategy, because it is, one size cannot fit all in a place like China. That is how we plan our entry strategy into each of the branches.

Nic Nicandrou: I guess more generally, if your question was more general beyond China as to how we go about deciding which markets to enter at which point, and if I can answer that, I guess not only in the context of maybe some of our more recent entries in Cambodia and Laos, but also, you may not be aware – we put it up on the slide, I did not reference it – in 2014, we entered Africa, so we now have a presence in five markets there. What made us do that? I guess we look for a number of things. Clearly, we look for rule of law: that is very important. We need a sufficiently stable environment in order to operate before we go into a particular market. Then we look at, if you like, the average wealth in a market; it needs to be of a certain level before people have sufficient disposable income to start thinking about protecting that source of income or protecting their dependents should there be a life event, whether it is some form of disability of death. We look at that. We look at the degree to which the authorities will encourage the penetration of the market. Clearly, if the authorities are providing free health and free income in retirement, then you are going against the tide. Thankfully, that does not happen a lot in Asia, given the size of the populations, or in Africa, and it is only in the West that we have seen free healthcare and free income in retirement, so we look at those conditions.

In terms of obstacles, really, what we do is predominantly needs-based selling, and the types of relationships that we want to enter into are recurring premium relationships. It is no coincidence that 94% of what we sold this year, in fact, what we have been selling for a long, long time in Asia is regular premium business. We would rather establish a relationship with you as a client, with you making a 20-, 30-year commitment to us or us to you, or to the point in terms of looking after your wealth and health needs. The obstacles are, ultimately, finding, training and then, using those individuals to effectively make the case to people for who often have never heard about insurance and the benefits that come with that. Doing so at scale and to the right levels of quality, well, those tend to be, in reality, the obstacles.

Beyond that, the technology is there. The training methods are there. The products are there. The capabilities are there. We can lift and drop pretty much in every country. The fact that we have operated across the maturity spectrum, we know what it is like to be a nascent market.

We know what it is like to be a more developed, but not yet a mature market. We know what it is like to do business in places like Singapore and Hong Kong, where wealth is higher and case sizes are higher. We have that full toolkit. However, those are some of the things that we look at. There remain a number of opportunities in Asia. Indeed, Africa is completely frontier land and you should expect us to do more things there.

The other thing you need is patience because these markets will evolve. It is just a question of time. You need to be patient; as an organisation, we have never said, ‘Look, in three years, you need to contribute x or you need to contribute y.’ You cannot do that in a lot of these nascent markets, frontier markets, because all that drives is a development of bad habits in an organisation.

In the discussions that we have or that I have at the Board, and Anthony can attest to that, at no stage is anyone saying we need Africa to contribute x or y percent of our valuation. We will incubate that business. We will keep it out of the limelight. Hopefully, in ten or 15 years from now, two or three generations of management will hopefully have something valuable to be discussing with future generations of investors. That is our philosophy when it comes to new market entries.

Guy, WFOE versus other means of accessing the China market?

Guy Strapp: Sure. Maybe I am overly optimistic. I was sitting here for the last five minutes trying to think of the cons and I could only come up with pros. However, the two are almost mutually exclusive. The overlap is very small, as you probably know. The WFOE is our high-net-worth proposition under current rules, whereas our fund management company's focus is primarily in the domestic mutual fund business. The two would sit side-by-side and complement each other.

In applying for the WFOE, and we are looking at both an investor management and a QDLP licence, it opens the door for us bring Eastspring and Group-affiliated product to the mainland. We can support that through both the WFOE and work alongside our partners, CITIC-Pru, and helping them facilitate those sales into the mutual fund market.

I do not really see a downside. The only thing I could think of was if the regulators could get everything formulated really, really quickly and allow WFOEs to engage in mutual fund activities. However, I just do not see that happening in a hurry. I think the two will complement each other. In three years or five years' time, we might have different discussions about the shape of the business.

Nic Nicandrou: Thank you.

Patricia Cheng (CLSA): Hi. A couple of questions. The first one is on products. You talk about addressing the old age market in the US through variable annuity. In Asia, we are focusing more on health and protection. However, the Jackson-type model seems to be a bit more capital efficient. What is holding it back, like in Asia, from embracing that sort of fee-based business and do you see Asia moving in that direction?

The second question is back on China. The full ownership for foreign insurers is not going to come until five years later. In the past couple of years, there has already been much disruption in the market by internet companies, other domestic players. Five years later, there could be a lot more established than today. What is your strategy or, in general, what can foreign insurance companies do in response to this sort of competition? Thank you.

Nic Nicandrou: Okay. Do you want to say something on products?

Lilian Ng: On?

Nic Nicandrou: On the role of the type of products that Jackson is offering in Asia.

Lilian Ng: Yes. I guess it is also a slightly different age demographics, at this point in time. In terms of what Asia is looking for, we do look at retirement. However, it is more from accumulation perspective whereas the Jackson product is looking more from a decumulation. They are talking about the baby boomers now retirement, regular income and so on.

I think what we focus on more in Asia is the health and protection, more accumulation for that retirement. At the moment, we do have products that address some of the decumulation needs, but obviously, that is not the bulk of our customer. Obviously, we will evolve those products as the needs from our customers.

Nic Nicandrou: Yes. One of the things that perhaps did not jump out of the slide was that the average case size of a Jackson product, of an average VA Jackson product is about $100,000. Okay? We write some case sizes of that size in the region, but not many.

Lilian Ng: Yes.

Nic Nicandrou: If you like, at that level of case size, this is really an ultrahigh net worth type of proposition. Okay, it is the average baby boomer in the US. However, in Asia, it will be the ultrahigh net worth. Generally, no, that market is not very well-served across the region.

When I look at many of our markets – take Singapore as an example. We are one of the leading players there. We have an 18% market share. However, the proportion of the whole market that comes from the high net worth is relatively modest. There is not a lot of product that attaches itself to them.

We do have an opportunity as populations age, particularly in some of the wealthier-type markets to think about bringing Jackson-style products. Clearly, they have to work here both in the regulator regime and, of course, you need to be able to replicate the effectiveness of the risk management process that we have in the US.

One of the constraints to a VA-type product is the depth, if you like, of the hedge market to effectively parcel and pass on some of those risks. However, we are focused on high net worth and what we can learn from other parts of the Group. As I said, particularly more and more as we go forward, people thinking about retirement, thinking about decumulation-type vehicles will become more front of mind.

China, we like our business in China. We like the way the business has developed. I referenced in my presentation and Lilian gave you some examples that we have been patient in that market. It has taken us a while, but now we have a business that is very focused on writing health and protection regular recurring premium business.

Again, roughly 95% of what we do in China is recurring premium. Even on the banking side, which in China, a lot of the sector on the bancassurance side tends to be predominantly single premium. Around 85% to 88% of what we do through CITIC and our other bank in partners is of a regular premium nature.

It is good to see that actually, the way the authorities are moving regulation, they are moving that. The regulation is re-pivoting into our own business model. Again, it is no coincidence that the business has received the various awards and, actually, quite a lot of positive commentary from the regulator when Lilian and I meet the CRSC about doing business in the right way, in the right areas.

When we hear words that came from the 19th National Congress around the authorities wanting to push insurance back to the protection nature and the role that the authorities in helping the industry benefit from the growing need of healthcare and elderly care, this is exactly what I mean when I say that the regulatory model is effectively pivoting to what we do.

No, we have no qualms. We see the developments, the technological ones that are taking place in that market. We think we can keep pace with all of that. We have no concerns, five years out, about this business, as I said, because everything that we are seeing happen in China is moving to a business model that we have been operating for a number of years in 18 different locations. Now, we are beginning to do that with a lot more pace and a lot more depth.

As I said, we will not have the market share of some of the biggest insurers. However, all we need is a very healthy market share of the health and protection piece. We are a long way. We have a nice starting position in that. We are enjoying the benefits and that is coming through our numbers increasingly so. Thank you.

Scott Russell (Macquarie): Good morning. Thanks very much for the presentations this morning. The numbers of middle-income households coming through in the next decade are obviously very compelling. A lot of first-time insurance buyers. I was wondering whether you have any statistics on in Asia, how much of your new business is actually sold to first-time insurance buyers? To what extent do you think you have the right channels and products and strategies in place to actually sell insurance to a novice or a nervous first-time insurance buyer?

Nic Nicandrou: Okay. I do not have sector stats on how many of our sales are to first-time buyers, but we know what our numbers are.

Lilian Ng: Yes. I think we can use a proxy where we actually track what we call repeat sale, going back to customers. That is normally hovering around about 40%. What that indicates is it is very likely the 60% typically first-time insurance buyers.

I think it is an echo to, for example, using our agency force. When we do, probably about 40% of our new business is from new agents we inject every year. Typically, they will go to that first-time insurance buyer because, as you said, that is where the potentials are.

I think that will be a good proxy for us, in terms of looking at that.

Nic Nicandrou: Yes. As I said, roughly 60% is new to us. More likely than not, maybe they are new to insurance.

Lilian Ng: Yes.

Nic Nicandrou: The numbers are quite compelling. When you see, as I say, 178 million and nearly one million a month, the opportunity is growing much, much faster than our ability – and indeed, the ability of all our peers – to penetrate it, which is why we believe that insurance will continue at spectacular levels for decades to come.

This is not a one, two, five-year journey. It is decades to come. Yes, we are excited. As I said, we have been in the region for a long time. We have a lot of the capabilities that you need. If it comes down to an execution game, then we are eminently, well, better-placed than most to execute than our competitors. Thank you.

MW Kim (JP Morgan): Thank you. I have about two questions. Recalling your old days, Prudential used to the leader adopting the Vitality programme. Prudential Vitality in the UK should be at a very good evidence. Compared to Vitality, what would be the key advantage on the myDNA and what the key, the challenge adopting Vitality long time ago? That is the first question.

Second question is about the India insurance market. This year, ICICI Prudential printed substantially good numbers, backed by the ULIP phase. However, these numbers just look too high. Going forward, what could be the normalised buoyant[?] growth outlook for India insurance market and what would be the key driver on the ULIP phase? Thank you.

Nic Nicandrou: Okay. Thank you. Lilian, Vitality, myDNA?

Lilian Ng: Yes. Okay, you are correct. Vitality was a Prudential company. We did do some trial run of a similar Vitality programme in this part of the world probably about ten years ago. I think at that time, what happened is I think that the technology was not as advanced.

As you know, Vitality, you need to track. You are going exercise. You are going to gym. Can you imagine the person that has to literally, after you sweat in the gym, you go, 'How many runs? Or how many minutes? Or how many kilometres I ran today?' No one is going to do that. I think that was one of the shortfall of the Vitality programme at that time. Obviously, it has evolved. Obviously, someone has picked that up and made that work.

For us, however, we want more than just fitness. What we want to provide is value-added service to our customer is the wellness. What we have is something that will look at fitness, look at nutrition, look at your own diet, look at some of the potential. For example, whether you are more prone to having problems of the heart or problem with your cholesterol. We believe that is a much bigger and wider holistic proposition to our customer beyond Vitality. Yes.

Nic Nicandrou: Yes. We are focused on keeping our people healthy rather than necessarily fit. On India, Raghu has now joined the Joint Venture Board.

Raghu Hariharan: Yes.

Nic Nicandrou: He has already attended his first meetings. Do you want to take the question on the growth and outlook for that market?

Raghu Hariharan: Sure. Look, in Asian markets and emerging markets, I think you have to look at the progression over a long time period. India has been a difficult market. If you look at it, the total industry sales over a decade, it is basically flat. It went through a regulatory change and a retooling on the product set.

I think if you look at the structural demand factors in the market, they remain very strong. We have low penetration, a large and growing population. I think if you look at what ICICI Pru is doing, one, they are trying to sell more protection. We had an earlier question around protection. The protection content in Indian sales is pretty low. It is in mid-single digits. That is one.

Secondly, some of the sales momentum that you have seen in this year – and this applies to asset management as well – is because of the demonetisation which happened last year. You see a lot of the assets that were parked in real estate or gold going into financial assets. The mutual fund market has grown a lot. You have seen some of that come through the numbers.

Look, I think the business is looking at the opportunity in the right way. They want to grow health and protection. They want to grow regular premium business. You can see the margins are merging up. Having said that, however, within the portfolio of businesses that we have within PCA, India still is the lowest margin business for us. That it is primarily a savings and investment business whereas the rest of PCA's businesses have more been insurance and protection.

Now having said that, if you look at our asset management JV, that is doing pretty well. As Guy referenced, we had £2.8 billion of inflows for the first nine months. Of that, £1.7 billion came from India. We hold 49% of a JV. That is about a third of our third-party funds under management. If you look at it in a composite fashion across both asset management and insurance, I think we are very well-placed. However, I am not going to venture into short-term forecasts.

Nic Nicandrou: Now, we are fortunate to be working with a partner that is very committed to both businesses. On the life side, the business now has an 18% market share. Number two, behind kind of the local champion. On the asset management side, we have a 13% market share, which makes us the number one player in that market.

You only need to see some of the valuations now to see how important are those markets. We are delighted with how both businesses are doing and the quality of our partner there. Thank you.

Kelvin Chu (UBS): Thank you for your detailed discussion on your digital strategy on fintech. One question on that. Under what conditions would you expect a substantial shift of distributions from Asians to online and is that going to happen in the next three to five years?

Second question is related. In the next five years, how does Prudential envision your agency account to be growing? Thank you.

Nic Nicandrou: Sorry, I did not catch the second question. Can you repeat that?

Kelvin Chu: Yes. In five years' time, how does Prudential envision your agency account to be growing? It is Kelvin Chu from UBS. Thank you.

Nic Nicandrou: Okay. Digital and fintech. Look, we track pretty much everything that is going on in that space. Earlier in the year, Mike took the Executive team to Silicon Valley and we talked to about 30 or so potential disruptors.

These are people who are operating in this space. These are people who either were interested in telling us how they are going to disrupt our business or people who were interested in securing funding. The third category was probably the smarter people, which is how they can combine what they bring with an organisation that has the scale, actually, the reach and the ability to test their ideas with real clients.

With 600,000 agents across the region, we can give any of these start-up companies a million data points within a couple of days. If you like, that is how they see our organisation. There is nothing really that we have seen that plays into this space that is needs-based selling. Okay? Nothing that we have seen that plays into a space that encourages a customer to do anything other than maybe a one-type transaction for a short period of time.

If you are going to sell the kind of products that we sell, you need to sit in front of the client, understand their needs, understand their dreams, their aspirations and figure out how to match that with what you are offering. If you do that well, then they will stay with you for a long, long time, which is why we are proud, as I said earlier, that 95% is our annual customer retention rate. That proves that we have done that job at the initial point well. As I said, I do not want to be naïve, but we do not really see anyone coming up with anything that can replace the role of an agent or a wealth planner in a bank, in terms of providing that.

When we ask today – and this is internal research that we have done with some external parties – depending on the market, out of the 12 or so markets that we operate, between 73% and 99% of people that we canvass – these are existing customers or potential new customers – say that they would actually prefer to buy after some form of consultation. They do not have an issue, and, in fact, they welcome the ability to research online or maybe even fill in forms online. However, when it comes to explanations, assistance, the right product, they want to deal with an individual.

As I said, we are alive to some of the developments. However, in the end, the way that I think digital will go, I think it will be something that complements what we currently do rather than replaces it because in the end, what people want to do is go through a combination of online or offline channels.

The most successful companies are those that will develop an omnichannel-type approach, where someone wants to at least initially research you, understand what you are doing. They can do that online, maybe buy some simple products. If they want something a little more sophisticated, you have someone who can deal with them on the phone. If it needs to be a little more bespoke, then you can provide that on a face-to-face basis.

Actually, whether it is five years, ten years from now, that will be the model. Therefore, we are developing our capability to effectively provide to the end-client what they need, when they need, in whatever form they need. This is what we are putting quite a lot of our investment into, as we go forward.

Five years down, to your second question on the role of agency. Is that right?

Lilian Ng: Maybe I just touch on what your earlier question that Nic answered. I think the new generation, they are what we call digital natives. They are not necessary they are more financially educated. I think people mix the two. What they will need, and probably more on online, an interactive way to engage with advisory financial education.

I was with the MAS yesterday. Actually, as you know, MAS is also promoting a direct online channel. However, the discussion we had with them is they said, 'Make sure there is a button on that direct channel that when they do not feel comfortable that they can go through, we need to allow them access to advice.'

I think that was really loud and clear, even from regulators who are promoting. What they want to promote is actually a lot more different access points for customers or for the population rather than they feel that everything can be done online and replacing the role in what agencies are doing.

If I wind up clock forward five years' time, as your question, what will our agent look like? I think because of the advanced technology, they will actually be supported by technologies to actually enhance their service to customers, using technology maybe to give better advice to customers, giving them more tailored solutions rather than just one product on its own.

I think that is where we will be in. I am not going to guess a number. It is not just a number game, obviously, but it is how we actually execute and equip our agency force, going forward. Yes.

Kailesh Mistry (HSBC Bank): Hi, a couple more questions. Just on Hong Kong, what are your expectations of the new insurance capital framework? Will it require to hold more or less capital? At the industry level, do you think the regulator is trying to tighten capital requirements and increase the level of capital or is it just a bit like Solvency II where it is a rearranging of the deck chairs, if you like?

Then, on Indonesia and Malaysia, what is the proportion of new business coming from sharia and takaful? What are the margins on that, relative to the non-takaful/sharia business? Thank you.

Nic Nicandrou: Okay. On Hong Kong, yes, there is a new RBC regime. I think it is timely. When we compare Hong Kong or the capital regime that we are adopting in Hong Kong compared to those that we are seeing in a number of other places, it has fallen a little behind the curve. The Insurance Authority has recognised that. I think it will be modernised.

Precisely what shape it will take remains to be seen. There is an element of artificiality in the way the discount rate is established. There is also an element of artificiality in assuming that no business would lapse in the way you have to. These are not modern ways of reserving any more.

There is a quiz that was launched in the summer. Ourselves, alongside a number of our peers, will be submitting results later in the year. I am looking at Nigel and I think it is December. Is that right? No fixed timeline as to when that will come in. Commentators are saying somewhere in 2021, 2022.

Generally, however, what we have seen where authorities have moved to a risk-based regime, the fact that what we currently do today is a lot of health and protection. Moving those reserves to a best estimate liability where you can take account of all future premiums less potential claims, that has been a tailwind, if you like, in terms of the capital regime.

We saw that in China when C-ROSS came in; again, a lot of what we do is health and protection. What happened is it moved Solvency ratio from the pre-C-ROSS, which was in the 150s, and pulled C-ROSS in the high-200s. I do not want to really pre-empt what will happen in Hong Kong and the mix of the business is slightly different. However, again, it is not something that is imminent.

In terms of the proportion of business that is sharia and the profitability dynamics, you have that?

Lilian Ng: Yes. Okay. In Malaysia, in terms of the sharia-compliant product, we are probably talking in between 20% to 30%. Now, obviously, we have ambition to increase that percentage, given our agency force, around 50% of that, is what we call *bhoomis* or Malays. Obviously, the opportunities are there for us to grow faster, in terms of what we call takaful products.

Now on the margin front, because it is a sharia-compliant product, it goes through what they call the takaful operating framework where it has the concept of sharing of surplus. That is the whole concept. As a result, the margin, relative to a conventional product, will be lower because of the more sharing of profits out. Yes.

Nic Nicandrou: In Indonesia, it is 16% of our sales.

Duncan Robertson (TT International): Hi. First question is on India. My understanding is due to the free float requirements, you will have to sell down your interest at some point, which will leave you with a relatively low stake in what could be a very large market in the long term. Just interested in what you can do about that.

Next question is on the UK. I am just wondering if there is an update on the sell-down of the annuity business and what you do with that capital or how much capital will be freed up and what you do with it?

Then, the last question is on Group structure. I think you demonstrated today how attractive the Asian business is. However, the valuations that you get, relative to some of your peers, are much lower. Arguably, that is due to Group structure. How would look to address that? Thank you.

Nic Nicandrou: Okay. India, Raghu?

Raghu Hariharan: Sure. Look, there is a securities regulator requirement that you need to have 25% free float of our listed ICICI Pru stock. As per the prospective, we have said that we will be the party that will sell down. From 25.83%, we will go to around 20%-odd.

For us, we have a good participation in the market. Always, as Nic said, we have leading positions. Both, the asset management business and the insurance business are leaders in both those spaces, clearly in the private side.

However, we have decided to retain our stake at the 20%-plus level and we did not go up when the opportunity came up to go to 49%. Clearly, for us, it is a call option on the market. We are in a very strong position. As Nic alluded to, we have a board seat. We have a clear steer as to the direction of the business.

Nic Nicandrou: Okay. No, there is no update on the UK annuity sale. It is a process that we are going through, so let us first see when and how we can execute that and then we can talk about what capital release that may generate, and what we will do with that money. That is to follow once we cross that particular threshold.

Look, on Group structure, I like the fact we are exposed to three of the largest economic zones in the world. I think yes, the structural opportunity is significant in Asia and we spent a lot of time talking about that. I think we can continue to participate at scale.

However, the particular areas that we are focused in, even though the other markets are a little more developed, maybe a little more mature, we are targeting those opportunities that have quite a lot of runway. We are doing that with a lot of capabilities not only to differentiate our offering, but also to extract value. We think if we keep on doing that and doing that well, eventually that will come through the share price and the valuations. Really, as I said, we like exposures that we have.

Equally, we are also alive to the fact that if there is another way of generating value, we should keep ourselves open to that particular way. It is something that the Group, again, looks at. The structure is looked at every time. Every year, we get together as a Board in June and we have a Board strategy event. We look at our strategy, how we are executing against that, where we are going to put more or less emphasis over the next year.

We also revisit the question, 'Are we optimally structured?' Every time we have done this – and I have done eight of those in my time at the Pru – really, we saw that the diseconomies that come with trying to break something up outweigh and the risks that come with that outweigh, the value that you might generate.

However, the Board is open to continuing to look at that. We are not kind of emotionally tied to the structure of the Group. What we are emotionally tied to is having something that delivers the highest value to our shareholders.

Okay. Thank you, Howard, Lilian, Guy, Raghu. It is now just after 12.30. Maybe I would like to close, if I may, the event by repeating once again the key strengths of Prudential.

- As I said, the first is that we have a very clear understanding of the unique opportunities that we have in our chosen markets in the US, Europe and Asia.
- We have a very good set of businesses which we are proactively managing.
- We look to optimise the trade-off between risk and reward.
- Proven set of capabilities; hopefully, that came through. Absolutely focused on executing at pace.
- Clear set of priorities, also being executed at pace.
- Finally, I believe that we are better positioned than most, if not all, to deliver long-term profitable growth.

Thank you once again for your attendance and for your active participation, for your questions. We would very much like to continue the dialogue with each and every one of you as we go forward. In Raghu and myself, now you have individuals in the region that can help demystify, if you like, the part of the Group that perhaps you are not very close to. We would love to give you our time to do that.

Really, reiterate what was said at the beginning, what Mike said in the video. I would like to invite you, and you would all be very welcome, to attend the next event that we will be running, which will be in a year's time in Singapore. We will bring out the entire Group Executive at an event. We will showcase even more examples of the many good things that we are doing across the region, but also give you an update on the rest of the businesses.

As I said before, all the members of the Management team will be around for the next hour or so to help with any residual questions that you may have over lunch. Thank you for your attendance and look forward to speaking to you soon.

[END OF TRANSCRIPT]