2012 Results Presentation

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Business Review

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Welcome

Good morning everyone and welcome to our 2012 Results presentation. We will follow our usual format with two presenters, Nic and me. I will start with the highlights of our results for full year 2012, and comment on a few key aspects of our strategy. I will then hand over to Nic, who as usual, will cover our financial performance in a degree of detail. I will come back at the end to talk about our medium and long-term prospects, and the outlook for the rest of the year. Then, we will of course take your questions.

Members of our executive team from across the world are present in this room or dialled in. Collectively, we will do our best to answer any questions you may have today.

Prudential has produced a strong performance in 2012, delivering both profitable growth and cash. At this point in the day, you have all had a chance to look at the results, so I will just pick out some of the highlights:

- New business profits is our preferred metric for growth. They have grown by 14% to £2.452 billion;
- IFRS operating profits for the Group are above £2.5 billion for the first time, growing by 25%, and since 2008 our underlying profits have doubled. We believe this underlines the quality of our franchises and the execution of the strategy;
- Our profitable and fast-growing platform in Asia made a significant contribution to this performance, with Asia New Business Profit (NBP) up 18%, and Asia IFRS profits close to £1 billion at £988 million, up 26% on 2011. This growing, profitable, and increasingly cash-generative business gives us a distinctive growth and profit signature;
- Cash remittances grew by 9% to £1.2 billion. The notable feature this year is that for the first time, Asia was the largest contributor, with net remittances up 66% to £341 million from £260 million last year.

Given this performance, the Board has rebased our final dividend upwards by 4p, to bring the full-year dividend to 29.19p. This is a 15.9% increase over prior period, and ensures that our dividend tracks more closely the improving performance of the Group, and that shareholders enjoy real, tangible and growing cash returns.

Our performance in 2012 has moved us closer towards our 2013 objectives. As you know, Asia is the only region where we have given ourselves explicit growth objectives. New Business Profit grew by 18% to £1.266 billion, whilst IFRS profits grew 26% to £988 million, exceeding the level of the 2013 objective which was set, you remember at £930 million.

Cash is the second leg in our growth and cash agenda. PCA remitted £341 million of cash to the Group, again exceeding the 2013 objective. Jackson delivered a net remittance to the Group of £249 million, and the UK contributed £313 million in net remittances. At Group level, we are aiming for at least £3.8 billion of net remittances over a four-year period from

2010-13, so three years into that four-year period, we have delivered 85% of our cash target. Across the board, this is an encouraging performance.

Our 2012 numbers are good evidence that the strategy outlined in 2009 is working. This strategy is underpinned by a set of operating principles that we implement with discipline. I would like to talk to you in more detail about each of these principles.

Quite simply, customers are the ultimate source of value for a company like ours. Delivering lasting and sustainable value to customers is key to driving shareholder returns. The emerging middle class in Asia represents today about half of our global customer base and is growing strongly. Baby boomers in the US and the ageing middle class in the UK provide us with two additional large customer bases. As a life insurer, we simply help our customers save for retirement and protect themselves and their families against a number of risks, such as illness or death. Meeting our customers' needs means that these customers will stick with us, and if satisfied, become our advocates with potential new customers. This virtuous circle drives net flows, which I really believe is the life blood of an insurance company. Over the last four years, we have attracted £36 billion in net flows globally, and the persistency of this business is good. That is the dynamic, the driving force behind our results - our ability to capture and retain net flows.

In that game, distribution plays a key role in our ability to reach, attract and retain these value customers across regions. Our customer franchise and our unique distribution reach drives strong and sustainable financial performance, translating over time into cash and returns for shareholders.

We have been enhancing our financial disclosures consistently over a long period. We have three things in mind:

- To explain to you clearly how we make money. This led us to introduce our various sources of earnings disclosures in mid 2008;
- To show you how we allocate capital, and with what impact. We have introduced a number of disclosures since mid 2009 on our investment in writing new business, our new business strain. Since then, we have been explicitly focusing on IRRs and payback periods by region;
- To focus on cash and track our cash generation. At the end of the day, cash over time is the ultimate measure of performance. To give you better visibility on our cash generation, we introduced our first free-surplus disclosures in March 2009.

In business, what gets measured gets done, so all these changes are not just presentational; they have had a significant impact on how the Group is managed. Internally, we use these metrics to reward the right behaviours and drive financial performance that is aligned with our shareholders' interests. Externally, we believe these disclosures give you better insight into the key performance drivers of the business, so you can better assess our performance and hold us to account.

Since 2008, I have been consistent in emphasising three key income streams in our industry:

- Insurance income;
- Fee income;

- Spread income.

I have also been explicit about our preference for the first two: insurance income, which generates profits that are both cash-rich and IFRS-rich, with little correlation with financial markets; and fee income, which, supported by strong net flows, provides growing and capital-efficient earnings with little exposure to interest rates. We have been focused on driving forward the sum of these two earnings streams. That is core to our strategy. Their proportion in our earnings has gone from 39% in 2008 to 57% in 2012, giving a total that has itself grown by 92% over the period (so almost doubled). In 2012, these two sources have generated almost three times more absolute earnings than in 2008 (they have trebled in four years). In 2012 alone, income from insurance margin grew by 40%, while fee income increased by 24%. This largely explains why our earnings have not only been resilient, but have grown in spite of a low-interest-rate environment. This underpins our belief that we can continue to grow our earnings sustainably, even in a challenging environment.

We have been disciplined about both the quantum of capital invested and its geographic mix. Over the last four years, we have consistently allocated capital to the highest-return businesses with the shortest payback periods, in line with our risk appetite. This has had a positive and significant impact, so that over the last four years, new business capital investment has declined by 22%, while new business profits have doubled.

Amongst our three key metrics, cash is our ultimate yardstick of performance. It allows one to cut through all the debate on the merits of various accounting methods. That is why we have encouraged you increasingly to assess our performance against this metric. This is also why we have emphasised free surplus, and highlighted how it translates into cash generation. This focus has paid off, as demonstrated by the strong growth of business unit remittances over the last five years, and more importantly, by the significant cash contribution from all four of our business units: a situation the Group has never before enjoyed. The diversification of sources of cash increases the Group's resilience and reduces its dependence on any single BU.

Our balance sheet is a source of competitive advantage in our industry, because it allows us to make good our promises to customers. It is therefore a source of long-term shareholder value creation. We have continuously strengthened our capital position since 2008, in spite of the crisis. We have taken proactive management actions to improve our capital position. For example, in 2009, we sold our capital-intensive Taiwan Agency Business and the attached back book, which significantly improved our IGD capital position. In the UK, we have established and maintained £2.1 billion credit default reserves in the annuity business. In the US, we have operated consistently above a 400% RBC ratio since the financial crisis started. In the UK, the inherited estate stands at £7 billion at the end of 2012, and is a noteworthy source of strength.

At Group level, the IGD surplus – the current regulatory measure of capital – stood at £5.1 billion at the end of 2012. As we all know, IGD was meant to be replaced as part of Solvency II by a more economic view of capital. We now know that Solvency II will not be implemented before 2016. In the interim, it is desirable to continue to improve the current capital regime. Earlier this month, we agreed with the FSA a change to the method used to report Jackson's contribution to IGD, with the level from which the surplus is calculated increasing from 75% to 250% of RBC. This is a step in the right direction towards a more economic view of capital, as it better aligns IGD with our view of free surplus, and you will remember that when we introduced free surplus, we used 235% of RBC.

On this new basis, our IGD surplus remains strong at £4.4 billion at February 28th, representing a cover of 250%.

I would now like to look at how our operating principles have been translated in each of our regions, starting with Asia. As I said, in Asia we have 13 million customers across 12 countries. We have added 2.1 million new customers to this base since 2008. For me, this is more about the scale of opportunity than how many customers we have. For example in Indonesia, where we are the market leader, the largest company, we have 1.8 million customers; up 1.1 million since 2008. However, this is still a small proportion of the total Indonesian population of 242 million. You can see similar dynamics in markets such as Thailand, where we have 300,000 customers out of a population of 70 million; Vietnam, with 1.2 million out of a population of 88 million; or the Philippines, with 100,000 customers out of a population of 95 million. To give you perspective, in the UK we have 7 million customers out of a population of 63 million.

Our customer base provides us with opportunities to cross-sell and upsell. This is important for us, as the more policies customers have, the longer they stay with us and the more profitable they are for us. We have developed better analytics called the ‘Smart Leads’ programme, to help our teams capture this opportunity by identifying specific behaviours or triggering events for additional needs; for example, a new-born baby within a customer’s family. The implementation of this programme in Hong Kong and Indonesia has led to a 20% uplift in cross-sell conversion rates; this is very significant and very profitable.

I have said that we focus on our customers and our distribution. As you know, both are central to our success. We have a unique multi-channel platform, and a large and productive sales force in Asia. It is clearly a core distribution channel for us. Agency NBP in our sweet-spot South-East-Asian markets grew by 19% in 2012, driven both by the growth in the number of active agents – a key indicator of agent quality – and to a lesser extent by an increase in NBP per active agent. We continuously work to strengthen and expand our agency sales force and increase its level of activation. Let me highlight some of our key initiatives.

In Indonesia, we have continued our push outside Jakarta. West Java, East Indonesia and Kalimantan experienced the strongest growth, in excess of 40%. Our 400 recruitment campaigns across 30 cities helped grow our manpower. Our agents were also involved in this effort, with a referral campaign called Agents Get Agents. At the end of 2012, we had more than 190,000 agents, and in parallel, our training and development programmes, including ‘Fast Start Training’ for new hires, contributed to improved productivity.

In Hong Kong, we have been driving our new critical-illness product through our PRUmyhealth campaign. We are gaining good traction in cross-selling this product to our existing customers, and our productivity focus, including on reactivating non-active managers and producers, paid off. It was pleasing to see that as a result, the number of million-dollar round table (MDRT) agents grew by 20% last year alone, in Hong Kong.

In Singapore, we have had a similar focus on increasing the conversion and activation rates of our agents with the ‘Yes You Can’ initiative. We also have customer segmentation initiatives to target both lower-tier and high-net-worth clients. High-net-worth clients went from 6% to 11% of APE in one year. It was pleasing to see Pru being in 2012 the largest recruiter of life agents in Singapore, with productivity of our new recruits up 34%.

In Malaysia, we have continued to build up our Bumi capabilities by targeting the areas traditionally operated by non-Bumi agents, particularly on the east coast of the country. At the end of the period, we had more than 5,000 Bumi agents who are 40% of our sales force, giving us a more balanced mix relative to the industry. Our Bumi training initiatives are helping drive higher productivity in this very important channel for the long-term future in Malaysia.

The agency channel is central to our strategy in Asia, and we will continue to actively invest in this channel, to drive further growth and productivity.

I would like now to turn to Bancassurance, where what we do is additive to – and not in competition with, I will insist on that – what we do in agency. I will start with a few words on why Bancassurance is so important in emerging economies. It is key to really understanding the customers' preferences in terms of how ownership of financial assets evolves with rising individual wealth in a country. If you look at personal financial assets per capital wealth, for lower levels of wealth, they are primarily in the form of cash and bank deposits. This will not surprise you. As wealth grows, customers seek to diversify their assets into other products, including life insurance. As this unfolds, banks are naturally well positioned – given their share in personal financial assets – for deposits. Therefore, it is simply vital for any player with long-term ambitions in an emerging market to be in a banking channel. It is as simple as that. We have to be inside the branches at this inflection point, when a lot of profitable growth will be available because those cash deposits are being invested into financial products. It is very simple. Across Asia, we have 77 bank relationships and access to 15,250 branches. We expect to continue investing in this channel, to expand further our distribution reach to access this significant growth opportunity, which we cannot afford to miss.

Let me give you some granularity on the performance we have achieved working closely with our valued Bancassurance partners in Asia. Growth in our sweet-spot markets in Asia from the Bancassurance channel was strong at 45%. This reflected continued strength in Singapore and Hong Kong, whilst our more recent partnerships in Indonesia, Malaysia, Thailand and the Philippines have been gathering pace. The development of our preferred model, where our own staff – called insurance specialists – performed the actual sales, has allowed us both to grow faster and to improve our product mix in our sweet spots shown in red here. We are increasingly focusing on penetrating our partners' high-net-worth customer base for their wealth or private-banking networks. Across our sweet-spot countries, we are working closely with our partners on joint marketing campaigns aimed at generating bank traffic and thus referrals or interim specialists for our Asian branches. Those of course are paying off.

In the rest of Asia – mostly Korea and Taiwan – we continued to stay away from capital-intensive guaranteed products which customers are often seeking to buy through a banking channel. This illustrates something that we often say about Asia. You do not really see much when you look at the top numbers; there are often very different underlying stories. If you looked at the global Bancassurance numbers, you would not see that there is one segment growing at 45% and the other at 5%. Two very different dynamics.

The performance of the Standard Chartered (SCB) and UOB partnerships in the period continued to be strongly positive. Our sales via SCB increased by 42%, and those via UOB by 65%. UOB has simply doubled every year its sales since the start of our partnership. It was pleasing to see both partners achieving a record year in Singapore.

Our focus on customer and distribution, one of our operating principles in action in Asia, has helped us deliver high-quality growth in this key region for the Group. Our emphasis on regular premium products, which consistently represent more than 90% of our APE in Asia, encourages customers to save for the longer term, smoothing out the peaks and troughs in the market while providing us with a resilient source of earnings and profitable growth. Our focus on health and protection is a direct consequence of our belief that we will only succeed in the long term by addressing customer needs that are important and that we can serve profitably. It is also consistent with our stated preference for insurance income as a source of earnings. Over the past four years, health and protection sales increased more than twofold, representing a CAGR of 23%. This means that their share in our Asian sales increased by ten points to 32% over this period. This focus on quality growth, with regular premium products in health and protection, has of course a positive impact on persistency. The quality of this growth and its sustainability is also enhanced by the growing geographic diversification of our earnings.

We have worked hard to broaden our footprint in Asia beyond our historic presence in Hong Kong, Singapore and Malaysia. Since 2007, Hong Kong, Singapore and Malaysia – our historic three markets – have grown by 18% CAGR over this period. (By the way, that only looks like a low number in Asia.) The other markets, including Indonesia, have grown to more than four times their initial size over the same period. The net impact of this dynamic growth in our historic three markets, complemented by faster growth in other markets, has led to a near trebling of the total in-force book over the last five years. Naturally, we are continuing to work to diversify our franchise, as illustrated by our recent initiatives in Thailand, the Philippines and Cambodia, where we continue to plant the seeds of our future growth.

Thailand is a market with considerable, attractive growth potential where historically, we were underweight. As you know, we signed an exclusive 15-year partnership with Thanachart Bank last year, giving us access to over 820 bank branches. It is the fifth largest bank network in that country. This strengthens our existing Bancassurance platform in a market where banks account for 54% of new business sales, and where demand for health and protection is significant, given low insurance penetration. This plays well to our strengths, and provides us with significant headroom for long-term growth.

Philippines

We believe the Philippines is a market that has promising prospects with a large population, improved macro-economic management and a renewed emphasis on attracting foreign direct investment, as well as the upgrading of its infrastructure. Our business there is now making good progress, delivering strong and profitable growth. Unit-linked APE sales in 2012 grew by 59%, reflecting success across our distribution channels, and our agency sales force is now the largest ever in the history of Prudential in this country; almost double that of 2010, just two years ago. We now have an established set of Bancassurance partners contributing further to our performance.

In Cambodia, in January 2013, we started life insurance operations in this country, our 13th market in Asia, where we have partnered with ACLEDA Bank, the largest retail and commercial bank in the country. This is the first partnership of its kind in Cambodia, where we believe there is significant opportunity for growth as the market develops.

Bringing all these points together, we have executed well in Asia and have delivered strong performance on our three key financial metrics:

- New business profits have almost quadrupled over the last seven years;
- IFRS operating profits (which for a period were very flat) have almost quadrupled over the last seven years;
- Cash has multiplied by 12 over the last six years (six years because we cannot compute the rate from a negative number in the first year).

In summary, our strategy in Asia has delivered good returns to our shareholders.

In the US we have consistently taken a proactive approach to the VA market over the cycle. As you know, we have added the VA market to our original fixed-annuity business, which is what Jackson was when we bought it. The approach we have taken means we can moderate our appetite for VAs depending on the market and competitive environment. We stayed disciplined through the period of a features war from 2007 to 2008, when other players accelerated their growth very strongly. We will not name names, but I remember investor meetings in Q1 2008 where we were asked why is so-and-so growing at 67% and you are flat. We did not grow in that period. This was a time when it was important to show discipline. We then benefited from a flight to quality, as competitors exited the market. We were opportunistic in writing large volumes of new business in 2009, 2010 and 2011, and that was in line with our risk appetite. It exceeded all our return hurdles significantly. We have continued to see strong consumer demand for this product, given the supply scarcity.

In 2012, we took various proactive actions to control volumes of VAs with guarantees to 18.4 billion within our stated target range for the year of 18 billion to 18.5 billion. At the same time, we successfully grew our no-guarantees VA book, with a successful launch of Elite Access, which provides retail customers access to investments in a tax-efficient VA wrapper. Elite Access accounted for 16% of our sales in the fourth quarter last year, driven by strong customer and distributor appetite for this product.

As you know, we also further diversified Jackson's sources of earnings in addition to fee income and spread income from VAs and the fixed annuities through the acquisition of REALIC from Swiss Re, which will increase the earnings contribution from insurance income. In line with our focus on driving earnings, we have reduced market sensitivity.

We have maintained healthy in-force books. As shown in New York, we have updated as of December 31st 2012, only 10% of Jackson's in-force book is in the money at S&P levels at the end of the year. Given the recent market value, the percentage of our book that is in the money would have reduced further. Importantly, in a period of turmoil in the industry, we have attracted strong net flows. This has always been our focus ahead of gross sales or gross flows, as net flows ultimately drive earnings growth and thus cash generation.

Bringing Jackson's performance together, our strategy has led to strong profit generation, with industry-leading ROEs, and lately, significant cash remittances while maintaining a consistently strong capital ratio. Jackson has one formal 2013 objective, and it is a cash remittance objective. In 2012, as you know, Jackson remitted $400 million, or £249 million, following a remittance of over $0.5 billion in 2011. These remittances, approved by the Michigan regulator, are evidence that our expansion in variable annuities over the last few years has been done profitably, and that Jackson is well capitalised. We have consistently maintained our RBC ratio above 400% throughout the period since the financial crisis.

Our approach in the UK is here again driven by a focus on providing long-term value to our customers, in line with our operating principles. For the sake of time, let me focus here on one of our two main product offerings - with profits, the other one being annuities, which represent 59% of our retail sales in the UK. Our with-profit fund has achieved strong returns. Therefore, it has delivered significant value to our customers. This performance enabled us to pay over £2 billion in bonuses to customers just last year. It is a good example of how we deliver tangible value to our UK customers.

The UK has maintained its focus on disciplined capital allocation, concentrating only on the lines of business that can generate high IRRs and short paybacks. This focus has led to retail new business profits growing by 19% year on year, while new business strain was essentially flat and significantly lower than in 2009, which is one of the key achievements of the UK management team. This growth has been led mainly by a favourable product mix, higher annuity sales and lower sales of low-margin corporate pension products.

M&G's performance has been strong for several years. Central to M&G's success has been its focus on delivering investment performance. Over three years to the end of 2012, 61% of M&G's retail funds under management are performing above medium. M&G is therefore another illustration of how delivering value to our customers through strong investment performance can over time translate into profits and cash, and ultimately returns to shareholders. In 2012, M&G saw strong net inflows in both its retail and its institutional business. This has led to its overall assets under management growing by 13% from what was already a very high base. In the UK retail market, M&G has been the number-one player for four consecutive calendar years, as measured by both gross and net flows.

In Continental Europe, M&G has also been very successful in its diversification strategy from a position where it started from scratch. We now have offices in 15 countries and funds registered for sale in 20 jurisdictions. Continental European net inflows were a record £5.2 billion in 2012, accounting for two thirds of the total net retail inflows. This performance has led to M&G being ranked second among cross-border groups in European net sales. This asset growth, combined with operational leverage, has led to a 6% growth in IFRS operating profits in 2012.

Finally, I will say a few words on Eastspring Investments, our Asian asset management business. We believe this business puts us in a favourable position to capture the opportunities stemming from the rapidly growing Asian wealth, but also from the significant demand from western investors for exposure to Asian growth. Eastspring just opened an office in the US to tap into that. We are confident that over time, our investment in Eastspring will deliver significant value to our shareholders.

I have tried to bring to life how our operating principles – focus on customer and distribution, use of balance metrics and disclosures, capital allocation and risk management – have impacted the performance of each of our businesses. We have strong IFRS profit growth in Asia (26%) and growing cash remittances (66% growth in 2012). Jackson remitted £249 million of cash while maintaining an RBC above 400%, and the UK remitted £313 million of cash. M&G had a strong year with £16.9 billion of net inflows and a 6% growth in IFRS profits. This underpins the Group's performance. Over the last several years, we have grown for the Group new business profits at 17% CAGR, and have more than trebled the Group's NBP in the process.

We have grown IFRS profit at a 16% CAGR over seven years, almost trebling, multiplying by 2.8. Cash remittances have grown at 40% CAGR over a seven-year period. This was achieved in the face of significant macro headwinds in the year from '08, '09, '10, '11, and '12. These growth rates have allowed our profits to double every four to five years. We believe this performance validates our strategy, the quality of our franchises, our geographic footprint – with a limited exposure to the eurozone – and our focus on execution.

Finally, we have continued to make good progress towards achieving our objectives, which are:

- Growth: to double Asia IFRS profits and New business profits in four years; and
- Cash.

As a Group, and as you know, we have been focused now for a number of years on cash generation. Free surplus generation has been our main KPI to assess our cash generation, and the performance here has been strong. We have been able to generate cash and capital organically, and the more free surplus we generate, the more freely capital can flow around the Group. This ultimately increases our ability to remunerate our shareholders with growing dividends. The Board has announced this morning that we have rebased our dividend upwards by 4p, a growth of 15.9% over 2011. This is the second rebase of a dividend in three years, and it reflects our confidence in the Group's prospects and in its strong outlook. And with that, I will now pass over to Nic.

Financial Review

Nicolaos Andreas Nicandrou

Chief Financial Officer, Prudential Plc

Thank you, Tidjane, and good morning, everyone. My presentation follows the now familiar and increasingly popular theme of growth and cash, with a detailed look at the drivers of our performance in 2012 and an update on our capital position and balance sheet.

In 2012, we have continued to build on the positive momentum of recent years, delivering good growth on all financial measures, with new business and IFRS profit reaching new highs, both at £2.5 billion, up 14% and 25% respectively. It is noteworthy that we have done this in a period where interest rates took another step down, which highlights the quality of our new business franchise and the resilience of our in-force book of business. Expressed as pence per share, our IFRS earnings were up 14p to 76.8p, and our shareholders' funds on an embedded value basis were up by over £1, to £8.78 per share.

Free surplus generated has exceeded the £2 billion mark for the first time, and this has allowed the businesses to remit £1.2 billion to the centre; yet more tangible evidence that our strategy delivers both growth in earnings and cash. The combination of high earnings and strong cash generation has enabled us to rebase the full-year dividend upwards once again; a strong signal of our confidence in the future prospects of our business.

New business profit was up 14% to £2,452 million. We have reported strong growth in NBP across Asia, the US and the UK, maintaining our internal rates of return in all three regions at above 20%. The benefit of offering a focused product-set in those parts of the world where consumer demand for what we sell is strong, is self-evident. In 2012, our value-over-volume philosophy saw us continue to take pricing actions and direct our investment to the highest return and shortest payback opportunities. By doing this, we have successfully defended the economics of our business, and have delivered strong returns.

In Asia, NBP increased by 18% to £1,266 million, outpacing the growth in APE, with both agency and bank distribution increasing NBP at similar rates. In fact, the year-on-year increase would have been 23% had it not been for the impact of lower interest rates and the appreciation of sterling. The improved profitability in the region reflects a higher sales mix of health and protection – up two percentage points to 32% – a favourable shift in country mix, and our deliberate actions to slow down sales in lower-margin products in Malaysia, Korea and Taiwan. The benefit of these actions became clear in the fourth quarter, when NBP was up 23% compared to the same quarter the previous year.

In the US, NBP increased by 7% to £873 million, slower than the growth in sales as the historically low interest rate continued to weigh on profits. In the course of 2012, we have regularly and proactively repriced our products and modified their features to ensure that they continue to meet our return requirements in the new interest rate environment. As a result, the returns of our US business remain very attractive and are well above historic norms.

Our UK business has delivered a 20% increase in NBP to £313 million, although some of the increase has been driven by a spike in retail sales ahead of RDR. Business mix was favourable, with higher volumes of individual annuities and with-profit bonds, as well as a £39 million contribution from bulk annuities. In my view, the returns in our UK business remain best in class, particularly when you bear in mind that the 20% increase in NBP was achieved whilst investing 17% less capital.

I would like to reinforce our discipline around new business profitability by analysing the movement in this metric between the two periods. The negative £108 million represents the effect on NBP of the fall in long-term yields, with some 60% of that £108 million relating to the US and 30% relating to Asia. This adverse movement has been almost entirely offset by the proactive actions we have taken to price for the environment and to manage business mix. What is coming through is the effect of higher sales volumes, which contributed a total of £305 million in 2012. The contribution to NBP from pure risk products such as health and protection was £875 million in 2012, equivalent to 36% of the total, and up from 31% the year before. In summary, we continue to drive this metric forward whilst absorbing the market effects, and have improved its quality with a richer content from pure risk business.

On IFRS, the increase in operating profit of 25% at Group level is almost entirely driven by our life businesses, where our profits increased by 27% to £2,580 million. In overview, this increase has been driven by the growth in the shareholder-backed liabilities, the positive shift in mix towards the higher-margin insurance business, and further economies of scale.

One of the factors that underlines our IFRS earnings momentum is the sheer scale of our life inflows. In 2012, these increased by 16% to nearly £10.5 billion and are equivalent to 8% of opening reserves, demonstrating our impressive organic growth. In fact, since the start of 2009, we attracted over £36 billion of net life inflows. When the 2012 inflows are combined with the effect of the positive equity market movements, the acquisition of REALIC and the negative foreign exchange impact, total policyholder liabilities for shareholder-backed business grew by 22% to £163 billion. It is this increase that has driven forward both our revenues and our IFRS operating profit in 2012.

Looking at life IFRS profitability by region, all three businesses have grown their contribution to this metric in 2012. Asia has reported the strongest underlying growth at 22% after backing out the one-off gain on the sale of the Group's interest in China Life of Taiwan. Whilst roughly three quarters of the increase comes from our four largest markets of Indonesia, Hong Kong, Singapore and Malaysia, 2012 is also notable for the step-up in contributions from Thailand and the Philippines, two of our smaller markets where we are now making good progress.

In the US, headline operating profit has bounced back to £964 million, which reflects both business growth and the normalisation of the DAC amortisation charge, which was temporarily higher in 2011 for the reasons we outlined last year. The new business strain is now a feature of our US IFRS results. After allowing for these items, Jackson's underlying profits have also increased, reflecting the higher fee income which offset the anticipated slowdown in spread profits. REALIC has made a £67 million contribution in the four months since its acquisition. This is a little ahead of what we expected due to a number of one-off items, but at this stage, it is too early to update the guidance that we have previously given you, which is £115 million of profit before tax in the first 12 months of ownership.

In the UK, IFRS profit was higher at £703 million, mainly due to increased earnings from annuities.

In 2012, we have made further progress in improving the quality of our life sources of earnings while maintaining our bias towards insurance margin and fee income ahead of spread income. These three sources of earnings are now making roughly equal contributions of between 28% and 29%. Our emphasis on risk products such as health and protection has driven a 40% increase in insurance margin, which is pleasing to see as this source is the least sensitive to economic conditions. Fee income is also growing fast at 24%. Combined, these two most stable and predictable sources of earnings now account for over half the total. In contrast, spread income has increased by a much smaller 1% and corresponds to a more modest proportion of the total. What you see is a very healthy increase in both the quality and the balance of our earnings, which will continue to improve as we execute our stated strategy and as we realise the benefits of the REALIC acquisition.

Taking a closer and a more detailed look at the sources of earnings, and starting with Asia, total life income was up 24% to £2,427 million. The fact that income is growing at a faster rate than total expenses highlights once again the benefits of increased scale as we build out our business in Asia while maintaining control of costs. The technical and other margin remains both a fast-growing and a dominant feature of Asia's insurance earnings. Within this category, the insurance margin grew by 25% to £594 million, reflecting the strong growth in new health and protection business and positive claims experience. This category also includes the margin that we make from premium reductions to cover costs, which is higher at £1,453 million, in line with the growth in Asia's premium revenues.

In the US, Jackson's total income is up 18% to £2,031 million, outpacing the increase in total expenses of 16%. You can see once again the strong influence of operational leverage within Jackson's results. In line with my previous guidance, spread income has fallen as margins tightened to 239 basis points during the year, down from 258 basis points in 2011. Unless we see a material upward movement in yields, we would expect the margin to continue to trend down towards the 200 basis points level over the next three years. The fall in spreads also reduced the expected return on shareholder capital, although the decrease here mostly reflects the income forgone on assets used to fund the acquisition of REALIC. In 2012, fee income has overtaken spread income for the first time, growing by 29% to £875 million. The increase reflects the overall benefit of £7.8 billion of net inflows in VAs and an overall 11.2% return on separate account balances. Pricing actions over the last 18 months have also delivered a small uplift in annual management fee to 199 basis points. The technical and other margin was boosted by REALIC's life insurance earnings since September.

In the UK, the higher profit reflects a combination of a small increase in income and a modest reduction in expenses. Spread income was higher at £266 million as a result of the 12% increase in sales of shareholder-backed annuities and a £31 million contribution from the two bulk deals written in the year. In 2011, bulks contributed £23 million. Income from with-profits declined in line with the reductions in policyholder bonuses. The mature nature of our operations and the low levels of investment in new business are placing downward pressure on the earnings growth in the UK, which could see our profits level off in the near to medium term. We would be entirely comfortable with this, as it does not detract from the important role that the UK plays in our Group.

I presented this slide for the first time last year to demonstrate the strong growth in cash profits from our life operations. Cash profits represents the very pure measure of income less expenses, ignoring the effects of deferral and amortisation of acquisition costs. Our IFRS earnings are very close to cash. 2012 provides us with a further data point in this progression and shows that total life income has nearly doubled since 2008. This has been driven by both our ability to attract sizable life inflows over this period and our deliberate focus on products with very attractive profit signatures. Expenses have grown at a much slower pace, generating a 2012 cash profit that is 2.4 times higher than four years ago and is equivalent to an annual growth rate of 24% over this period.

The progression since 2008 is even more striking in Asia, with income 2.4 times higher and cash profit increasing over 16 times from £58 million to £941 million in just four years. Asia's cash profit momentum may surprise some of you, as logically, a fast-growing business needs to recycle cash profits to finance its rising acquisition costs. Factors such as our brand, our scale, our proprietary distribution and our disciplined approach to product design have all contributed to the momentum that is depicted on this basis for Asia and are important underpins to Asia's ability to continue to deliver both growth and cash.

Moving to asset management and other non-life businesses, IFRS profit was higher at £518 million. Higher earnings from M&G and the US were partially offset by a small reduction in Eastspring and the continued runoff in the commission generated by UK general insurance.

Looking at M&G in more detail, underlying income, which strips out the effects of performance-related fees and earnings from associates, was up 10% to £734 million. The increase is driven by higher average funds under management, which in 2012 benefited from record inflows and stronger equity and bond markets. It also reflects a positive shift in mix towards third-party business, particularly retail, which explains the small average fee uplift to 36 basis points. The improvement in the cost-income ratio to 59% illustrates the positive operational gearing from continued growth in the scale of M&G. The combination of underlying income and expense produces an underlying 14% year-on-year increase in M&G. The rapid expansion of M&G over the past few years inevitably needs to be supported by some infrastructure investment. We are therefore unlikely to see further step-up improvements in the cost-income ratio over the next couple of years, and depending on market levels, might even see a modest uptick.

Eastspring Investments reported a drop in profits to £75 million. Eastspring's overall fee income was flat year-on-year despite the 8% increase in average funds under management, reflecting a consumer-led shift in mix away from equities and to fixed-income funds, which attract lower fees. Ongoing investment in the rollout of offshore capabilities, which in 2012 included opening a US distribution office and starting an operation in Indonesia, saw costs increase by 5% in 2012.

Finally, other income and expenses have changed little year-on-year, with the main difference being the positive impact in 2011 of the RPI to CPI change to our pension schemes.

Turning to our results on an embedded-value basis, the total life profit was 10% higher at £4,429 million, equivalent to a return on the opening embedded value of 16%. All three life businesses have reported increases in operating profit, with higher contributions from both new and in-force business despite the lower investment-return assumptions assumed in these calculations. This effect was more pronounced in Asia, where long-term yields took another step down in 2012. We estimate that without the negative impact of lower assumed future investment returns, the £1,493 million for full year 2012 would have been £83 million higher, pushing the year-on-year increase to 9%, which is more reflective of the underlying growth of our book. The focus on managing our back-book for value saw a continuation of the positive operating experience, which contributed £349 million to our results. Assumption changes totalled a positive £142 million, which is really small when set against the Group's £22 billion embedded value.

In Asia, persistency had a small net-positive impact on earnings in 2012. Other factors, including mortality and morbidity, have remained in positive territory, in line with recent trends. In the US, the positive contribution to our results from both spread and other items reinforces both our conservative approach to assumption setting and the success of the action taken by management to mitigate the risks associated with the current environment. In the UK, further reductions in corporation tax have had a positive effect on our results once again. Within the negative £16 million shown under other items in 2012, we have taken a net charge of £52 million in aligning our longevity assumptions with the CMI 2011 outlook. The fact that all three businesses have delivered a positive experience in a year where the global macroeconomic backdrop was so negative that it could have adversely impacted customer behaviour confirms both the quality and the resilience of our franchise.

Before I move on to balance sheet, I will briefly run through the rest of our profit and loss account on both the IFRS and the EEV basis.

On an IFRS basis, the impact of investment variance is a positive £0.2 billion after tax, which reflects increases in both bond and equity values and the relatively modest movements in VA guarantees net of hedging. Profit for the period is therefore 55% higher at £2.2 billion. After allowing for unrealised gains on Jackson's fixed-income portfolio, foreign exchange and dividend payments, our retained earnings in 2012 were a positive £1.8 billion, equivalent to 69p per share.

Switching to EEV, investment variances were also positive at £0.6 billion after tax and include the day-one gain of £453 million relating to REALIC. Profit for the period on this basis was 78% higher at £3.8 billion, and after allowing for foreign exchange and dividends, our 2012 retained earnings boosted our shareholder funds by 107p to 878p per share.

Turning to balance sheet, my message here is the same as the half year. We remain well capitalised and defensively positioned with a low direct shareholder exposure to the Eurozone, a cautious stance on credit and a conservative approach to hedging. The Group's IGD surplus at the end of 2012 increased to £5.1 billion, and I will come back to this metric on the next slide. Jackson's RBC level at the end of 2012 was broadly unchanged at 423%, which is a significant achievement, in my view, when you consider that this is after supporting its balance-sheet growth, after paying a large dividend for a second year in a row, and after financing the acquisition of REALIC. The capital integration of REALIC was completed at the end of the year, and this has allowed us to realise higher capital synergies sooner than we expected.

I would remind you that the reported RBC excludes the positive marks on our interest rate swaps, which amount to $581 million. The Group's liquidity remains sound. The US$700 million perpetual tier-one notes raised in January 2013 further supports the financial flexibility of the Group while taking advantage of the low interest rates. We have updated the information relating to Jackson's capital formation, capital sensitivities to shocks in policyholder behaviour, and movements in guaranteed benefits net of hedging. There is nothing noteworthy here and you will find these slides in the appendix section.

In summary, a strong operational performance, and balance sheet conservatism continues to provide us with the security that we seek in the current uncertain environment.

We have made strong progress since 2008 in strengthening our IGD surplus, which at the end of 2012 stood at £5.1 billion; equivalent to a cover of 300%. We have worked hard to achieve a healthy cover on this basis in order to ensure that regulators allow our capital to flow freely. The high level of IGD surplus also acts as a cushion to both negative market shocks and the effects of regulatory change. The fact is, though, that IGD does not fully capture all of the components of capital strength some of which are illustrated on the second bullet point of this slide. There is broad agreement that ultimately it will be beneficial to replace the IGD regime with one that is more risk-based given the delay in Solvency II. We are working with regulators to ensure that the current capital regime remains robust and that it evolves in an appropriate way.

Earlier this month, we agreed with the FSA a change to the method of calculating Jackson's contribution to the IGD. Up until now, the IGD surplus included Jackson's capital above the 75% RBC level. Going forward, the calculation will include Jackson's capital in excess of the 250% RBC level. We are comfortable with this change as it brings the IGD calculation more in line with our own assessment of free surplus, which uses a 235% RBC threshold. Therefore, while this change reduces the reported level of IGD, it has no impact on the way the US business is managed or regulated locally, and does not affect our cash remittance plans. Applying this revised approach and bringing the calculation up to date, our IGD surplus on the 28th of February remained a healthy £4.4 billion, equivalent to a cover of 250%.

Our free surplus stock has increased from £3.4 billion to £3.7 billion at the end of 2012. The £2.7 billion of free surplus generated by our in-force book is higher than last year, with strong contributions from all of our businesses. I have already covered some of the actions that we have taken during 2012 to optimise capital consumption. As a result, we used £618 million to write new business, equivalent to a reinvestment rate of 23%, in line with recent trends. After taking into account market movements and other items, which includes £169 million of free surplus utilized in acquiring REALIC, our free surplus stock rose to £4.9 billion, allowing us to remit a record £1.2 billion to the centre.

I want to take a moment to highlight the Group's capital velocity by going back to 2010, the start of a four-year period for our free surplus and cash cumulative targets. During this three-year period, our existing life businesses have generated an expected level of free surplus of £5.5 billion. In addition, positive experience has contributed a further £0.7 billion, asset management delivered nearly £1.1 billion, and return on excess surplus a further £0.3 billion. Adding these flows to the free surplus stock at the start of the period brings the total available to deploy over the three years to £10.1 billion.

A portion of this surplus has been used to absorb the £1.4 billion of market-related and other movements, which includes foreign exchange. A further £1.8 billion was reinvested in new business, and we took the opportunity to strengthen the free-surplus buffers held in the businesses to £3.7 billion. The remainder, totalling £3.2 billion, was remitted to the centre, and £0.8 billion of this was deployed to cover interest and central costs, over £1.7 billion was passed on to shareholders in the form of dividend, and the rest was used for various corporate purposes, including investment in distribution.

This highlights both the consistency and the pace at which our businesses have been able organically to create underlying free surplus after financing new business; how quickly this free surplus of £5.8 billion has translated into the £3.2 billion of cash to the centre; and how these remittances have covered central outgoings and funded our progressive dividend policy. Therefore, in the last three years, our discipline of managing the in-force book for value and our relentless focus on writing higher-return, fast-payback new business have quickly translated into the generation of sizeable and reliable capital, which has supported a growing level of remittances to Group. This virtuous cycle helps improve our financial flexibility at the centre, strengthens our ability to act on strategic opportunities, and ensures that our policy to grow the dividend from the new level is well supported going forward.

On this slide, I reemphasise the reliability of future free-surplus generation by illustrating the undiscounted VIF monetisation profiles of our life operations for new and in-force business.

The dark blue bars in the top chart represent the end-2011 in-force monetisation profile as we reported a year ago. The light blue bars represent the updated profile of the end-2011 book of business one year later. This is marginally higher than before, despite the effects of low-interest rate environment, reflecting both our positive operating performance and the addition of REALIC. When we now add the cash flows from the 2012 new business cohorts, shown in red, we have an overall profile that is higher than the one we started with, once again providing more evidence of the powerful capital dynamics of our business model.

In conclusion, I want to leave you with three key messages, which I will do by reference to my opening slide:

- One, in 2012, we have grown the size of our IFRS profits by 25% to over £2.5 billion, and have improved both the quality and the balance of these earnings;
- Two, by securing record levels of new business at attractive economics and by managing our back book for value, we are accelerating the generation of free surplus and cash to Group, and in doing so, we are improving our financial flexibility;
- Three, the 4p upward rebase in our dividend for the second time in three years is a clear signal of our confidence in the future prospects of our business.

With that, I will hand you back to Tidjane.

Outlook

Tidjane Thiam

Chief Executive Officer, Prudential Plc

Thank you very much, Nic. Nic has shown you in some degree of detail the quality of our financial results and their resilience, and I am sure a fair question you may have now for us is, 'What lies ahead?' For us, the answer is possibly boring for you, but it is very much more of the same: profitable growth and cash, or to be more precise, profitable growth in Asia and cash generation from all businesses. Asia remains an incredible growth opportunity, the best one for this company. The structural trends in Asia of a rapidly growing and increasingly wealthy middle class with significant health and protection needs, high savings ratios, rapid urbanisation (which is important for our model) and low penetration underpins the demand for life insurance products for decades to come.

OECD forecasts show that Asia will account for 66% of the world's middle class by 2030 versus 28% today. Almost 90% of the growth in the world middle class in the next 20 years will take place in Asia. This growth in scale of the middle class is accompanied also by rising wealth per capita. Asia is now home to the largest number of millionaires in the world, and that number is growing fast. I have used this growth escalator chart before, which plots the relative GDP per capita, of the countries we are focused on compared to the US historically. The reason I keep coming back to this is that rising GDP per capita is very highly correlated with life insurance growth; this chart demonstrates that most of the sweet spot countries have a significant amount of head room for future profitable growth.

However, to be frank, everybody can see this opportunity in Asia, and this is only a necessary condition for success, it is not a sufficient condition. We at Prudential are particularly well placed to capture this opportunity, given our market leading platform in life insurance with

PCA and in asset management with Eastspring's investment. We are the largest player in the region as measured by new business profits, while we also hold top three market shares in six of the eleven countries. In addition, we have access to 15,250 branches, we have a productive agency force of over 40,000, and last but not least, we have already, a strong customer base. However, growth, as we all know, only matters if it's profitable.

So, let's look at our track record here. What I want to show here, over a long period of time, is the evolution over 15 years of APE and IFRS in Asia. From 1997 to 2007, you can see that there is only a loose correlation between these two metrics, with APE sales growing by 22%, while IFRS profits increased only by 186 million in absolute terms. The shift in focus we've had for a few years on delivering both IFRS profits and cash has had a positive impact as you can now see here. From 2007 and 2012 IFRS profits, from a much larger base, has grown by more than five times. This is truly a transformation of a business, achieved by Barry and his team, while APE grew at a slower rate of 1.8 times, 14% CAGR. This focus has led to a large growing in-force book which is delivering now significant amounts of both profits and cash, and not just sales growth. We can also see from this chart that since 2007 our Asian business has doubled twice over the last five years, once between 2007 and 2009 and then again between 2009 and 2012.

So, the structural trends in the region, and the unique nature of our Asian franchise, make us confident that profitable growth in Asia can be sustained over the medium to longer term. To achieve this we will continue to execute our strategy with discipline; we will continue to invest in distribution which is key to this, both in agency and Bancassurance. We will continue to allocate capital to countries, products and channels, which provide the best IRRs and the shortest paybacks, and we will not hesitate to step back when necessary, as we've shown last year in Korea or Taiwan.

So what about the rest of the Group? We will continue to manage the rest of the Group for value. In the US, we will continue to target the 'baby boomer' opportunity, and will do so whilst meeting our return hurdle and staying within our risk appetite.

In the UK we will stay focused on continuing to deliver long-term value to our customers, and we will continue to manage for a period of significant regulatory change. At M&G, the team is focused on delivering investment performance, which is of course core to driving net flows and hence, profits. These three businesses will remain focused on delivering good earnings and generating cash.

So, as a Group, as you know, we focus all our businesses on cash generation. This focus has paid off with growing dividend remittances, enabling higher shareholder dividends, and the second dividend rebase in three years reflects our underlying confidence in the Group prospects getting stronger.

So, to conclude, in 2012, our businesses have delivered both profitable growth and cash, and our shareholders have seen the benefit of this performance, through share price appreciation and growing dividends. Our strategy remains clear and unchanged. Asia remains our key driver of sustainable growth, building on the significant opportunity of the emergence of the growing and increasingly wealthy middle class the region represents. Our best opportunities lie in South East Asia, where the depth and breadth of Prudential's franchise is a source of strength.

All business units will continue to focus on generating cash. We will achieve this by continuing to execute with discipline and by maintaining a robust balance sheet. I am confident that our Group is set to provide a distinctive combination of growth and return for our shareholders by meeting the needs of our customers across the world. So, with this, thank you for your patience, and over to you for questions.

Q&A

John Hocking (Morgan Stanley): I've got three questions please; firstly on the US; with the rally in the S&P, what are you seeing in terms of allocation to equities? Is it rising, maybe just because of market performance, rather than an active decision by the policyholders? Also, what is your risk appetite for selling variable annuities, given the high level of markets? You've got a very low 'in the moneyness' proportion at the moment; is there a risk here that you carry on selling at these levels, the market falls? The second question on Asia, on the Bancassurance side, you clearly have strong momentum there; to what extent are you benefiting from these being largely first generation bank deals where you've brought a lot of intellectual property to the table, and in the medium term these become more commoditised and you see margins fall? Thirdly, when you set the targets in 2010, you have pretty much achieved those targets a year early. You spoke very clearly about the desire to create optionality in terms of Group structure, I think was the phrase you used; can you comment on where we are now and what you think about the Group structure as you go forward? Thank you.

Mike Wells: John, it is not material; you are still seeing the equity levels that we showed in New York, you know, low 60s, slightly higher on sales, but just a few percentage points. I think one of the more astute comments I heard the other day on one of the morning financial talk shows, they were saying, this is the least loved equity rally that the United States have ever had. The individual retail shareholders have just not seen it as something they want to jump into, so they are extremely cautious, and it will be interesting to see the statistics when they are out, and how much they have actually participated in. On the S&P level, we do not just look at S&P levels on looking at risk appetite and how much sales we'd like. If you think about, in contrast to that, the VIX is at a record low, interest rates are in a range that are acceptable, if they are hedged and managed correctly, so we still come back to internal metrics on the US business, how much of a withdrawal benefit product we want to sell, and also the larger picture inside the Group. So, we take into account the market level, but it is not the driving factor.

Tidjane Thiam: Okay, we had a question on Bancassurance and whether we were doing first generation business, and whether margins are going to decrease?

Barry Stowe: First of all, I remind you, as I think both Tidjane and Nic pointed out, the SCB relationship grew well in excess of 40% last year, and I think technically you would have to call that a second generation deal because it has renewed once, and we are now in our 15th year doing business with SCB in Asia. UOB is obviously a newer deal and Thanachart is a new deal, but SCB certainly is not, and it is performing at the highest levels in 2012 that it has ever performed. I think that speaks to the unique value that is generated by the way we do these deals. Tidjane alluded to the insurance specialists that work in branch, the strong execution that we have had around that model, I think is one of the reasons it performs as well as it has in the past, and as recently as this last year. I think it speaks to the value of the exclusiveness of these relationships.

We have lots of relationships across the region, well over 70% of the economics of this channel come from these exclusive relationships; that is why we continue to focus on those. The relationships, obviously, you would not be getting the level of growth that you are getting in SCB and UOB and the others were you not generating strong value for consumers. Therefore, I think the model is extremely durable and will continue to perform extremely well going into the future. Clearly, there is going to be competition for these deals in the future, but we continue to believe, for all the reasons I have just said, that we have a level of credibility with respect to performance. It is very different from what we have ever had, or anyone else has, so we feel very, very good about where these deals are headed.

Tidjane Thiam: If I can just add a few words and build on that. This is possibly the heart of difference sometimes between some of the analyst community or investors, and us. We are all trained to have a critical mind and believe that everything that goes up will go down etc. etc. There are times in economic history where that is just wrong, okay, and we think that is one time like that. That is why I use those historic charts. If you were in America in 1850, and you think that the growth is a flash in the pan and it is all going to peter out and the margin is not going to go down and it is going nowhere, you get everything wrong.

I bore all my team because I encourage them to read *The Transformation of China* by Ezra Vogel, which is phenomenal; some of you may have read it. It explains blow by blow, everything that happened in China since the 60s and 70s. If you were in China in 1980 and you are saying, 'Okay, this is going to last 10 or 15 years'. We have a few hundred thousand customers in places where population is huge, industrious, hardworking, doing all the right things, and we keep telling you, you know what, it is going to continue and the margins are not going to go down. I mean since you've been in this role, every time we've been on the stage together, we have heard, 'When are the margins going to decrease?', and they have only increased.

Barry Stowe: Yes, it was the first day we did, which was December of 2006, the questions were resoundingly – we were, I think 54% margin, it was, 'How far will they drop and how fast?'

Tidjane Thiam: 'Surely they are going to decrease.' So, we hear the scepticism, we are always going to continue saying what we believe and try to deliver on that, but that's really the story, that's what delivers these numbers; we are at the beginning of an enormous opportunity. Will there be more competition? Yes. Will there be more players? Yes. But the economics of this are so healthy that you are making good returns, and to not be in the banking channel would be just mad, really. We showed you a financial asset ownership, that is the big wave, and the price we are willing to pay is because we see some other projections and UOB has doubled every year since we signed it. So, that price we paid; was it a good price or not a good price? We think we know these markets very well; we think we are very well positioned to price the growth in those markets and we have thousands of agents selling insurance in those markets. Therefore, give us some credit; we have a sense of the growth potential in those places and when we pay a price, it is really very willingly, because we are absolutely 100% sure we will create value from that price. We can argue, our friend Greg can argue, whether it's going to grow at 5% or 10%; we believe, with all respect, that we are in a better position than you to know how much Bancassurance we can sell in Singapore or Hong Kong; that is to initiate the debate. Okay, not yet.

I think when we started, the targets were described variously as stretching, demanding, etc., so we have achieved them one year early. If you can just allow us to catch our breath and be happy that we have achieved them one year early, and then we will think about the rest. We would really like to convince you what I showed on some of those charts; that this business, because of the phase it is in, in its development, can double the bottom line, over and over and over again. I think if you accept that, then we will be in agreement, and that is what we believe; the targets were just a way to convey that. If you are doubling every three to five years, you are growing at a CAGR between 15% and 25%, if my maths is correct. By saying four years, all we did is hang our hat on 19%. That is all it does, doubling four years is 19% CAGR. So, you have a corridor of growth, which frankly, there is a degree of risk in saying, okay 19%, which we did, because it is a bit, if you wish, taking a macroeconomic risk, which we have little appetite for.

I can tell you with total confidence that this business has the potential to double every three to five years. If you force me to commit to doubling in four, I will. But, the reality is, there is a variance, and that is the economy; we do not control the economy. And if, when all the planets are aligned, we can do it in three years. At difficult times, and that has been the worst of our experience; we will do it in five or six years. That should give you guidance, in the sense of what we believe about the business.

So, back to optionality, what we say is it is better to have options than not; sometimes I regret having used that word because it has captured your imagination. All I was trying to express is very commonsensical which is that in life, it is better to have options than not to, so that is true for a company or an individual, and part of our job as management is to create options, because in an uncertain world options are valuable. In an uncertain world, you are better off if you have options than if you do not. Therefore, we have worked very hard to put the Group in a position where it actually has a lot of options, we think that is valuable. It does not mean necessarily you have to exercise every option because you have them, but we believe that is valued by the market and over time, flows into the share price.

What I will say about the Group is, it is performing well. I am trying to make a factual statement; the strategy we have is working well, has now worked well across a cycle, very different economic circumstances, and produced very good results on a comparative basis in the industry. It puts the bar very high on any change, because your benchmark, you have to think a few years ahead. If you are going to do something in the next two or three years; where is this share price going three years down the road, if you continue to deliver like we have? That is your benchmark, if you do not change anything, so, to go and do anything, you have to have a high degree of confidence that anything you are doing has a risk reward, that is worth it, and that we exercise. The Board pushes us to conduct with rigour regularly, and we have those discussions, and I think the position of the company for the time being is that this strategy is working very well, creates a high benchmark and we do not see today, an action we would take that would have a risk reward that is worthwhile.

Blair Stewart (Bank of America Merrill Lynch): Just on remittances, back to the Group; particularly interested in your thoughts around where we go from here with Asia and the US. Asia free surplus generation was 829, you remitted 341. The US, probably more importantly, was over a billion and you remitted 260. What should we be thinking about when we are thinking about how that moves, going forwards? Second question, how close to the penetration levels at UOB are we, compared to some of your other partners? Just to gauge where we can go from here. And, thirdly, in the US, you talked about constraining volumes somewhat; gossip from the market is that others are doing the same, I just wonder is it a race to the bottom in the features war, and can you control your sales in the way that you had hoped?

Nic Nicandrou: I am going to be a little boring when it comes to that; just to steal a cue from Tidjane; we set targets for 2013, our first objective is to meet those. Of course, as I said, we are a high capital generative business, so, as time passes, for one, the discipline remains, which is what we are focusing on, and more and more capital will be generated, and more and more will be remitted to the centre. That is there for a number of reasons, not only to effectively underpin the reliability of a dividend payment to shareholders, but ultimately to ensure that we have enough capital in the business to take shocks as they emerge in our stride, and that is key. We have strong opportunities in a number of markets, and it would be criminal to find that those opportunities are not fully leveraged, taken in our stride, if, for whatever reason, a shock takes place which reduces our capital buffer. Therefore, having enough to absorb a shock is important. That is how we manage it. We have given you some guidance as to remittance ratios; that was over the 2009 to 2013 period. When we get beyond that, we can address that topic again.

Barry Stowe: We have only been at this for three years with UOB and the track record already, as Tidjane has given some numbers around, is very strong, but we have only been at it for three years. Now I would not want to suggest to you that we can commit to 60%/70% growth every year, as we had last year, but we are still at very low levels of penetration relative to the bank. UOB is a big bank, Wee Ee Cheong, who is the Chief Executive, runs a very entrepreneurial bank, so we benefit from the fact that while our business within the bank is growing fast, the bank is growing pretty fast too, not just in Singapore, but in Malaysia and Indonesia and Thailand, they are now doing some business in China, so the pie is growing faster than we can eat it. You know, the opportunity is getting bigger and bigger and we run very fast to take advantage of the opportunity, but there is still an enormous amount of headroom left in UOB, so I would not be concerned about that.

Mike Wells: We actually hit the number almost on the head that the Board asked us to hit last year, so that was where we wanted to be, and at the end it got a little tighter, we pulled 1035s, and the last six weeks were a challenge but we got where we wanted to be. The hardest thing for us to control right now is not the pricing and the profitability of the product as it is competitive behaviour; the two lead competitors being Prudential Financial and Met last year. They have both reduced their appetite; Met down from $30 billion to $17, which is a pretty material drop, obviously, and they have given guidance at a lower number, and Prudential has as well. We never, referring to Tidjane's slide on 'Features war', built our plans off market share or off top line, and nor is this a particularly good point in the cycle to do that.

I think we need to look at Jackson's balance sheet again and risk appetite and mix of fees and quality of earnings and all the things we look at inside the Group to make those determinations. However, to your point; is it a race to the bottom? The second level players;

players, four through six, will be the big benefactors of more constraint sales, no question. And the industry sales are off a few per cent, going into December. I think it is key that the products maintain a proper balance between stakeholders. As I mentioned to you in December, I think everything we sell has value to the investor. I think if the industry is not careful and it prices too aggressively right now, they will lose some of that, and that will create an industry issue, but I do not think we will get there. As I mentioned earlier, the cost of the hedging is down, at this point in the cycle, there is other pressure, I think, on these firms. I do not know how Prudential and Met are articulating their US strategy right now; that is not my place to speak to, but we like where we are, we like the volumes. Elite Access sales are counted by the industry as VA with absolutely no guarantees on them. So, as long as we are successful with EA and continue to grow EA, you are going to see our ranking go up, and I need your indulgence to back that out of those metrics; it is not a reasonable comparison to look at Met GMIB next to a product with no guarantees.

Tidjane Thiam: And I think the final point on the customer is really important; I am sure you will have noticed that we do not usually talk about the customer in these presentations, and the shift today is deliberate. I think there are many reasons why it all got very financial during the crisis, but I was very keen today to just step back. We intentionally talk about cash flow and capital, but in the end we run a business and people just lose sight of the fact that the product has to be viable, and that is a very important feature in what is going on in the VA market, but people do not take it to a space where it just does not make sense for the customer to buy the product. There are limits to what we can do.

Mike Wells: There are a number of other issues later if it is not built well.

Andrew Crean (Autonomous): Morning everyone, three questions if I may; firstly, your change in the way you do the IGD for the US business, does that chime in with the way that you think you will be doing the US business under Solvency II, if you get US equivalence? Secondly, could you talk about in the US, where you are in terms of the hedge fees which you receive versus the amount of hedge money that you pay out for hedging, both last year, and how you see it this year. Thirdly, if you look at long-term metrics, one of the things you are showing is that your cash generation, I think Nic was showing, was up 2.4 times since 2008. The dividend – I'm being slightly parsimonious here, is only up 1.5 times and nothing grows as slowly as the dividend in this Group, which is a slight contrast to some other groups. But, could you say whether that is a continuing feature over the next five years?

Tidjane Thiam: Thank you, I am disappointed you did not ask me about economical capital; there is something I wanted to say, but maybe I will find a way.

Andrew (Autonomous): Do say it if you wish.

Tidjane Thiam: Okay, thank you. IGD; it is interesting, the way we have talked about it over the years and during the crisis was always to guide you to think about it as something for the US, because we have the credit reserve in the UK and the inherited estate. Asia frankly, from a risk perspective is not a big deal. M&G does not consume any capital, so we think about IGD as a US matter; that is why the US discussion is so material to IGD. Solvency II is further now, objectively. So, it is what we said in our remarks; there is a need, and there is a very active dialogue, very organised, all the CEOs now meet regularly with the FSA; we started that process in October. I am very happy with that, and it works very well;

we have very pragmatic dialogue on how we move forward. Our understanding is that right now the FSA is comfortable with RBC for the time being, having looked at it and having looked at how it operates. Therefore, I cannot speculate on US equivalence, but in the interim period, and with the RBC level set where it is, I think both sides are comfortable that this IGD surplus is with its new definition, it is a good way to look at things and it works.

Nic Nicandrou: The debate on equivalence is very hypothetical because we are not in that world and we are now two or three years away. There is also a programme, and a very active discussion between the US and European regulators to see, if with the benefit of the extra time, something could emerge that bridges the two. But, key to that discussion is the acceptance by Europe that RBC is an appropriate regime to incorporate into the numbers that we will eventually, or at some point, adopt in Europe. And I think getting confirmation, either in the UK or elsewhere, that RBC is equivalent, is a first but important step. Now, as to what that percentage will be, it will no doubt then vary by company to company depending on a number of factors. And it is premature to speculate as to what that might be.

Tidjane Thiam: And the reality, as we showed, is that we run the business to 400% RBC; that is what you see in our charts. That is what is relevant to us, and we manage it to be above 400% RBC.

Mike Wells: It was obviously a good year, and you see the numbers there for the hedging again. With hedge costs down, I think if you want some generic measurements, you know the VIX is at historic low levels. The question came up, I think, in New York, on what do we think historically on the Milliman Index. We do not use it, but even the recalibrated one, which is closer to ours, is down to 95, we are charging 120. I think we are comfortable with the fee base we have. We are clearly positioning the hedge. We are not looking to generate, as we have talked before, an excess return on any difference there; we are looking to offset more risk, so I think our statement in New York was, we see more short-term risks in the market, and so we are hedging accordingly, but we are still looking at tails as where the money is going. So, there is no material shift in the hedge structure; it is a little lower cost right now per transaction, but there are more transactions.

Nic Nicandrou: We updated how much we spent in the course of 2012 on slide 92, so the fees were $850 million; that is what we charged, and we spent that. Just the sheer size of the growth in the book will mean that we will collect around a billion of fees this year, in 2013. If hedging is cheaper, we will just hedge further into the tail.

Tidjane Thiam: And then the long-term metrics and the difference between cash and dividend growth, I think your observation is correct: nothing grows more slowly than the dividend and I think it is a position we like. We think it is the way it should be because in the difference between the two you do a number of things. First of all, we are pleased with the growth numbers of the Group so the balance sheet gets bigger, so you need to retain also some of that cash and capital and earnings for a bigger company – that is just a feature of growing 20% in a number of places.

Secondly, there is still a lot of uncertainty out there; my own view is relatively cautious. I have said many times that we have had zero default this year, we had zero default the previous year; from memory we had £12 million of default the year before that on the £27 billion annuity credit book. I do not believe that we will get out of this cycle without a credit event; that is my personal scepticism. So I think that having a strong capital base is sensible which is why we are holding on to a credit reserve on the annuity book and will not touch it. We have seen the downgrades, we have seen all that and we know that the vehicle is supported by the current level of interest rates and we know that a number of companies and households will really be under strain if and when there is normalisation of the interest rate environment.

So there are some clouds out there. In Europe we are at the mercy of any election; we see interesting results from election to election in terms of economic programmes – I heard yesterday that Mr Hollande has given up on the 3% and has said officially that he will not reach it. There is still uncertainty there so I think it is sensible to be prudent in that environment.

The third thing is investment opportunities. We did Thanachart, we did REALIC and having seen the economics of those deals we think that they are very attractive, we think that they make sense, and we do not think that we should be in a position where we cannot do such transactions.

The fourth thing is that we owe it to our shareholders to give them back anything we cannot put to a good use and that is really how the Board looks at it.

The complexity in that is people tend to look at one metric, the dividend cover; that is just one of the things we look at. We look at IGD, we look at our own version of economic capital, we look at S&P rating agency capital, we look at cash cover and we look at free surplus. Before you can actually do something with a dividend you have to make sure that you pass all those hurdles and, when you stress test your dividend under a severe shock, you can continue to pay it and you can continue to grow it. We have been looking but – I believe this is correct – this company has cut its dividend twice, in 1914 and in 2003 – that is in 165 years of history. So culturally it is something that we do not like to do: two times in 165 years, and we intend to keep it that way.

So we are very cautious on the dividend and though we want to give back as much as we can, we want to be able to grow the dividend safely. Sometimes I read the newspaper and I see relative charts of dividend growth which I think are irrelevant. The only thing that matters is the absolute level and I was chastised by a shareholder once, who despite the dividend growth, reminded me that we were still below the 2003 level; we have now crossed that. I think we are quite happy that we have come back in absolute terms above that and intend to continue to grow it. To raise a dividend by 20% once you have cut it is not great; you need to be steady as you go and grow it by 5% year in, year out. The dividend today is 62% above the pre-crisis level, so we think that is a good way to reward the shareholders; it has to be safe and it has to be consistent. It is a long answer but it is something really important to us.

Grieg Paterson: You used to provide on your balance sheet in the other intangibles line the cost of your Bancassurance you capitalised so I could track the amortisation of that. You have stopped that disclosure now and I wonder if you could consider putting it back in your balance sheet so I could keep track of how much you are spending to grow your Bancassurance business?

With regard to slide 15, you have given the increase in active agents and APE per agents but only for the sweet spot markets; I wonder if you could give those two statistics for the total Asian agency force so we can see how much the sweet spot is potentially balancing any reductions elsewhere or gains also?

In terms of Thanachart have we come online yet? What month is it going on in? Also an update on the impact in terms of margins – is it going to boost margins or reduce margins? Just based on where we are and what you know now.

Nic Nicandrou: The information is there, we just need to help you get there; but let me reiterate the point that I always do when you ask these questions: the up-front fees that we pay are fully amortised in line with the profile of the business that we would write. I want to take the opportunity to reiterate that all our metrics that we have reported today – be it IRRs, NBP, so on and so forth – are fully loaded for an appropriate amortisation of those up-front costs. We will help you with the disclosures.

Tidjane Thiam: Yes, but it is important to note that it is amortised, so we are not overstating anything; we can show you where it is and then we can discuss whether our methodology is correct or not.

Active agent and sweet spot is also an old debate between us. We believe that we have given you the information where it is relevant but if you want more detail we are happy to provide it.

Barry Stowe: Were you referring to the 34% active increase?

Tidjane Thiam: No, to 19% increase NBP - going from 100 to 119.

Barry Stowe: A more important measure which we have talked about as recently as half-year and I think in New York and every other time we get together is about how blunt that APE per active is. It is not a great measure; we have used it historically because to go much further gets complicated but what we have started looking at more recently in more detail is using NBP which is a far better measure. For six years we have been talking about NBP as our principal sales metric so we are trying to measure the economic impact of active agents by using some of those metrics. On that basis, the activity rates look very strong; the NBP produced per agent materially outperformed the APE produced per agent whilst the margin for our active agents increased eight basis points last year – that is across the region and not just sweet spot.

Tidjane Thiam: The sweet spot – I'm just trying to do a quick calculation - is probably around 90% of our agency force?

Barry Stowe: Well India is big –

Tidjane Thiam: No, take India out – if you take India out, we have given you where it is relevant; you are left with China, Korea, Taiwan, Japan – which is closed – Taiwan is all Bancassurance – no, seriously, Taiwan is all Bancassurance and Korea is a few – how many agents do we have now in Korea?

Barry Stowe: Korea is basically 1000 active agents.

Tidjane Thiam: Exactly. So with this, you have got the substance; it is not just a gimmick, it is really the reality of the agency force in Asia that we have given you.

Barry Stowe: I cannot tell you exactly when it comes online because what we are waiting for now is regulatory approval and it would be presumptuous of me to suggest when the Thai regulator will approve it. We do have every expectation that it will be considered during the course of this month, so hopefully the deal would then close sometime early in the second quarter. There is an enormous amount of work going on – the working Groups from both sides are meeting literally daily in Bangkok in order to ensure that we get a very fast start just as we did with UOB, notably in Thailand where we were in every branch within 30 days, effectively, and hence all the products. This is 800 branches so it is a little more complicated but we expect to have very good coverage across the branches very soon after the deal closes, so you can expect a strong performance there. We met literally as recently as last week in Bangkok; I was there and all the work is going very well.

In terms of the impact Thanachart will have in terms of margins – we have to be careful here because we are talking about results that are really going to be second quarter results, but I would remind you of some of the things we said around the Thanachart deal, one of which was that this is one deal where there has been quite a good amount of protection already sold through the previous company – through the bank. So this is not, by any stretch of the imagination, a bad margin story; we think this is quite a good margin story.

Colin Simpson (Goldman Sachs): Your free surplus I think was held back by repayments of contingent capital; could you just remind us of the future drag on that from the financing agreement?

The Oliver Wyman data actually shows asset management to be a huge beneficiary when you move from GDP per capita of up to 2000 to 2000-15,000. Why does it feel like Eastspring is underperforming, given your profit growth and some of the third parties coming from Taiwan, for example?

Finally, when you look at your IFRS sensitivities for your US business it almost feels like we should be hoping for interest rate declines and equity market falls to make the profit go up, which is obviously not the case. Any chance of getting some sort of metrics that we can work with to show economic value move?

Nic Nicandrou: We have two types of contingent arrangements. There are those that are external which we tapped in 2009; we flagged this time last year that we expect to repay £145m of that back which was the last remaining element. We paid £130m, so there is just a little more to come through. Additionally, there are some internal ones which are historic and have been there for some time; all but an £80 million chunk has been repaid by the end of 2012. So that just gives you a sense that there is a little more to come, but it is of the order of £100 million or so.

Tidjane Thiam: I agree with you that asset management is a big operation in banks.

Barry Stowe: The fact is that we are doing business effectively in the onshore markets and the domestic markets across eleven markets in Asia and when you look at the industry statistics for those markets we are not in fact underperforming but are outperforming the industry. We have moved from the number two retail asset manager in the region to number one over the last year and we have got record-breaking assets under management. So it is actually, in the context of the environment in which we do business in Asia, a very good story.

The bad news is that while we have seen terrific equity market gains certainly in North America – and you have seen some robust results here as well and a lot of flows in this part of the world – the reality is that the Asian retail market has been in outflow since December 2007 and has still not recovered from the crisis. In that context, the fact that we are growing as we have means that we have done quite well. Our investment performance is good, given that most of our funds are focused on Asian equities and again that you have not had the strong performance in Asian markets that you have in the rest of the world. In the context of the market our performance is good – over 60%, about two thirds of our funds, are either at benchmark or in the upper quartiles, and we have done particularly well on fixed income and on bond funds, which is handy because that has been what the consumer appetite has been for in the last year and that is why you see it defined at £58 billion. The downside of that obviously is that the fees we earn for managing that fixed income are not as lucrative as for equity.

We are extremely well positioned. The branding exercise that we have done has gone really well so we now have much more of a global presence than we did twelve months ago; that has already borne some fruit in that both from Europe and, more importantly, from the Americas we have seen institutional flows coming in. So I am very optimistic and you should be very optimistic about the prospects for Eastspring but when you look at the retail market in Asia we are in a pretty tough environment.

Tidjane Thiam: As with many things we do you have to look at it in the long term, but if you have what M&G did in Continental Europe, personally, I was actually quite sceptical, and for a long time we would have meetings with them and I would say, 'When is this going to materialise?' – it takes a long time. Michael, I do not know if you want to say a word on that but £5.2 billion this year – it took you a while to get there, no?

Michael McLintock: Yes; it has taken eleven years.

Tidjane Thiam: Yes. You have to look at it on the right time horizon – it does not happen overnight and it is a long slog. I am totally confident that it will happen but do not hold us to a year or two, because it is not going to be visible on that scale of time. I wanted to say a few words about economic capital because it links to the IGD discussion. It is probably historically one of the most uncomfortable areas for me – I have been under pressure on this many times. We were all waiting for Solvency II hoping that it would land in a reasonable space. Do we have an economic version looking at capital internally? Yes; we use it for decision making and thanks to Solvency II in a way, and we have invested a lot in our internal models, and we think now we are getting to a point where we can design an answer that we will be ready to present to you and give you some visibility on how we look at economic capital. I expect that to be an interesting dialogue – Nic and his teams are working on that day and night so we can give you more visibility on that.

Nic Nicandrou: We wanted to give you a number at the same time as Solvency II; now with the delay we have been building the models and want to get them to the right quality. Tidjane and I are aligned in that we only like to put out information in the market that is robust; we need to continue to invest a little more to give the reliability that I am looking for and in the course of the next year or so we will be in a position to give you what others are already giving you.

From my perspective that is only one of a basket of metrics that we look at. I wish our industry was as simple so as to have one thing and say judge us by one thing; it is not. Economic capital is relevant, local capital is relevant obviously in the US because that is what we use – we make decisions balancing the trade-offs between a whole host of things but, yes, we will provide the economic capital information.

Tidjane Thiam: We really believe that most companies that have gotten in trouble in our industry historically have gotten in trouble because they only looked at one or two metrics; there are many, many dangerous strategies if you only focus on one. So I know it is sometimes frustrating for you because we give you complicated answers but really in most situations you cannot just look at one thing because of the time horizon of all of this. We have got statutory – established statutory because in the end you need to have streamed cash, you need to have streamed dividend – your local statutory position is very important. Look at IGD, look at economic capital and our understanding of it – which is not the Solvency II understanding of it – you look at cash flow, you look at free surplus and all those of things every time you make a decision, so it is never going to be one metric that explains everything we do.

Gordon Aitken (RBC): Last year you talked about launching into some new geographies; you talked about Brazil, Poland and the Middle East and so I was wondering where you are with these and the long term potential you see?

Regarding the UK credit default provision: given how the credit environment has improved since that was set up – and we also saw Aegon a few weeks ago release some of its UK provision – if it is over-reserving the regulator is going to be keen on that but the tax authorities less so. Can you just talk about how your discussions with the various authorities are going on that and what scenario would cause you to actually start releasing that provision?

Rob Devey: Let us start with Poland, which has been a while coming. We opened a branch of PAC in Poland on 25th February, which we are delighted about. Poland is very attractive from all of the metrics that we look at in terms of its demographics, its insurance penetration and the lack of a robust social safety-net amongst other factors, so in that market we are really bringing together the key attributes that we have as a Group. We are bringing together the with-profits fund – which happens to have a lot of attractive attributes for the market not least a 90% tax advantage for the investors – with some of our skills from Asia. It so happens our Chief Executive in Poland is one of the stars out of Barry's team and we are bringing together some of the riders, for instance, and product propositions out of Asia. We are delighted about that but it is small and we are growing organically and that is something that we fundamentally believe in as well. So do not expect any impact on the results while you are all around and probably while we are around; it is something that we are building for the next twenty years, not the next three years.

Regarding Brazil and other markets, Barry and I between us have been looking at a whole host of markets globally. We have had conversations and conversations continue but again we have got to find something which builds on our strengths and which we can go broadly organically – just planting a flag to ride with the rising tide is not of interest to us.

Tidjane Thiam: If I can just emphasise one thing: we are not doing this because we are worried about growth in Asia; we are not worried about growth in Asia. We are doing this because we think it is valuable. Poland is interesting; we are conducting a little experiment which is really, 'Can we export our Asian model?' that is very interesting to do, and the CEO is from Asia, the products are from Asia and it is a question to which we would like to know the answer – it has many other applications around the world and so far our indications have been positive.

Rob Devey: The indications are great and it is worth also saying that he is the one Asian; there are no UK people there and the other 90 people who work in our Polish operation have been attracted from the Polish market. Some fantastic people have joined us because we are trying to do something a bit different and they want to be a part of it.

Tidjane Thiam: To be clear again, it is not a precursor to a European strategy; when I say there will be applications elsewhere, it is not in Europe, to avoid any misunderstanding.

Nic Nicandrou: Regarding credit: this is not a number that we dial up or down on an active basis. When it comes to this we will adopt the same philosophy that we adopt elsewhere: we will move it when we have certainty, certainty by reference to what the markets are doing and certainty when it comes to regulatory developments and evolution of our capital. At that point we will revisit that particular topic.

Andy Hughes (Exane BNP Paribas): On capital, there are two things that I am a bit confused about. The first is the Pillar II position; I was not sure whether the FSA agreement regarding the US also meant that the similar capital surplus was shown under Pillar II?

A similar related question is on the G-SIFI status; I think in the US you said you expected to be G-SIFI and we know now that I think variable annuities are a non-traditional insurance, so therefore there is a whole new debate about the level of capital needed to sit behind variable annuities. Could you talk a bit about that, please?

You talked quite positively about Hong Kong agency in your presentation yet when I look at the Bancassurance growth and see that 50% of it is related to Hong Kong it seems to suggest that Hong Kong agency has not grown at all over the year, 50% of it being Bancassurance, Bancassurance being up 40% and Hong Kong as a whole being up 20%?

Nic Nicandrou: Our discussions with the FSA on Pillar II are focused on the UK so I do not have anything to add to that particular answer. Pillar II will come as regulation evolves; it would have been here a year from now had Solvency II come in. Therefore I do not have an answer to the question that you have beyond our discussions in the UK.

Tidjane Thiam: Without putting words in their mouth, so far the regulator's position has been that they are comfortable with having RBC-based conversations with us on the US.

On G-SIFI: you know that the Geneva Association has taken a position and has published a study by Oliver Wyman on that where we say that we are not a systemic risk, but size is not the right criterion to look at this. We are part of a dialogue and a process of meetings and phone calls and at some point during 2013 a list will be published, but our understanding is that there would not be any capital implication until 2019 anyway; that is the date that we have been given, so we will have time to come back to this. It is not a pressing issue.

Barry Stowe: Hong Kong agency actually had a great year last year – so did SCB, there is no doubt about it – but for years we have been in a situation where the Hong Kong business will move a per cent or two but it is 50% agency and 50% bank and it continues at that pace. Our business in Hong Kong grew 20% last year at the top line and the ratio did not change materially so they had relatively equal growth rates – bank will have performed a little bit better but not materially better. By any other metric, setting aside the economic changes which happened because of low interest rates that hit Hong Kong, the NBP generated by agents was great and we had a great recruitment year with a 20% growth in the number of agents that are qualified for MDRT. If you view that as a metric it is a blunt metric but it is what it is, and I thought it was a very strong growth rate and a great year.

Tidjane Thiam: It was a very good year. Can you remember that growth chart – you had Hong Kong and Singapore at the top in GDP per capita and it is very simple: Hong Kong is just a mainland business. Mainland business is an enormous addition to the growth of the area with many benefits from it; that is a big business for us. Singapore is the Switzerland of Asia. We benefit from the high net worth segment. So both markets still show very good growth although they are high GDP per capita.

We have run into the afternoon so I think that we are going to stop here. We are happy to answer more questions if and when you have them; you know where to find us. Thank you for your patience and have a good rest of the day. Thank you.

[END OF TRANSCRIPT]