Investor Conference

Company Participants

- Adrian O'Connor, Chief Financial Officer, PCA
- Aki Hussain, Chief Financial Officer, Prudential UK & Europe
- Barry Lee Stowe, Chief Executive - Prudential Corporation Asia, Director
- Barry Stowe, Chief Executive, PCA
- Chad Myers, Senior Vice President, Asset Liability Management, Jackson
- Jackie Hunt, Chief Executive, Prudential UK & Europe
- John Warburton, Retail Director, Prudential UK & Europe
- Lilian Ng, Chief Operating Officer, Insurance, PCA
- Michael McLintock, Executive Director
- Mike Wells, Vice Chairman and Chief Operating Officer, Jackson
- Nic Nicandrou, Chief Financial Officer
- Tidjane Thiam, Group Chief Executive Officer
- Tony Wilkey, Chief Executive, Insurance, PCA
- Unidentified Speaker

Other Participants

- Andrew Crean, Analyst
- Andy Hughes, Analyst
- Ashik Musaddi, Analyst
- Blair Stewart, Analyst
- Chris Esson, Analyst
- Fahad Changazi, Analyst
- Jon Hocking, Analyst
- Oliver Steel, Analyst
- Unidentified Participant
- William Elderkin, Analyst

Presentation

Tidjane Thiam {BIO 7518525 <GO>}

And welcome to Prudential's 2013 Investor Conference. I guess from the time we took -- to get you quite down, you probably had a good dinner yesterday, I'm just happy to be whichever -- you have been to last Investor conference, or you have this Christmas or all of the above, but anyway it's our pleasure to welcome you.

I hope that you will find the presentations that we have put together useful. I'm joined this morning by over 40 members of our management team, from across the group. And I know that many of you took the opportunity during dinner and as always we have set aside time for your questions again today.

So let me start by setting out our objectives for today. The first objective is to share with you our confidence in our ability to generate long-term sustainable, profitable growth. This confident outlook for our future prospects is underlined by the three new 2017 objectives that we have announced this morning and more on that later. The second thing we want to do today is to give you a relatively detail presentation on the strategy, the performance and the prospects of each of our businesses in turn. And the third objective like every year, I've said year, we will stay in this room until you have asked all your questions and we have answered all your questions. So there is no real end to the day that will be our KPI. We'll keep going as long as you have questions to ask.

Now I'd like to kick off the day beginning we've -- what I call the three long-term opportunities that are at the core of our strategy. The first opportunity and you've heard us talk about it is the significant and growing needs for protection against illness and accident of middle class in our chosen sweet spots markets of Asia. That middle class is getting larger and wealthier every day as we speak.

The second opportunity is to serve retirement income needs of a growing number of baby boomers in the U.S. with 10,000 of them reaching retirement point every day over the next 20 years 10,000 daily for 20 years.

The third opportunity in our mind is actually in the UK, which is simply the second largest Retail Asset Management market in the world and we're an aging population needs both to save more and to secure income in retirement.

Our strategy which is designed to capitalize on free long-term opportunities is clear and on trend and you are familiar with this pictorial, we have no intention to change it.

Central to the group strategy is Asia where we continue to grow profitably and in an increasingly cash generative manner. In the U.S., we continue to build on our strengths, we have navigated well the financial crisis and the low interest rate environment that followed.

And finally in the UK, we remain focused on the segments of a UK market where we believe we can generate sustainable value. And finally in asset management, we continue to optimize our model to capture net flows which is what it's about in that business.

So the strategy is clear and our opportunities particularly in Asia are significant. But in order of course to capture this execution as always is critical. You have heard us talk before about our four operating principles that we have implemented across businesses to ensure good results.

The first one in that the center of the pictorial is our focus on meeting customer needs, we do -- we are having the right products and the distribution platform to reach, to attract and more importantly to retain our valuable customers across our regions.

The second and this is familiar to you as we now focus on balance metrics and we believe market leading disclosures, sources of earnings and cash generation as an effective way of measuring performance and you get a good session from Nick this morning on that.

And thirdly, we rigorously allocate capital to high IRR and low payback opportunities, you have seen us we de-emphasize margin which is not a contact we believe in, we need to talk about IRR and payback and we're quite emotional about how we do this.

And finally we adopt a productive approach to risk management to ensure that we maintain a strong capital position across an economic cycle both on an absolute and a relative basis.

The implementation of these operating principles has enabled us to deliver a sustained period of strong financial performance. As you can see here, where its NBP, new business profit, IFRS or cash remittances they have -- this looks like an Asian, which is actually a group (Technical Difficulty) more than doubled a group level over the five year period from half year '08 to half year 2013. And this performance was delivered against a background that was significantly unsupported for an insurance company with the worse, one of the worse financial crisis ever. So we always look at this as that really showing more an upside on anything else because that is what we generated in the most favorable context.

So now let's take a look at 2013 objectives which I had the privilege of announcing now three years ago almost a day.

I'm pleased to confirm energy reviews that UK has now achieved its 2014 objective by making I believe yesterday its final remittance for this year. So with this, we have now achieved five out of our six 2013 objective and I believe the UK has remitted 455 [ph] million pound of this year and we're making good progress.

Literally as I speak on delivering our final objective of doubling our 2009 Asia NBP and I'll make sure the Asia team goes back very quickly after this.

When we report on our 2013 prelims to you in March of next year, I hope to be finally be able to use the same slide, but with six green boxes and we have three weeks to go until the end of a period and the teams are working very hard, I can assure you to make sure this is the case.

So let me now for once move to another piece of good news that emerged in recent weeks. I don't believe I have ever spoken of Solvency II in positive terms, but now I can because we have finally reached an agreement on the broad principles of Solvency II.

This agreement is close to our own long-held position and vindicates our stance of resisting pressures to provide so called economy capital metrics on what we believe is a float and pro cyclical approach that was conveniently qualified as market consistent.

We have always believed that supposedly market consistent approaches are with own words reality inconsistent, as a recent rise in long-term interest rates once again clearly demonstrates.

We have led the industry in the UK specific regime with a regulator, but we have called ICA plus and which is consistent with our views on Solvency. Going forward, and building on all that good work, it is crucial that the final calibrations fully reflect the positive agreements which now deliver too and do not dilute them.

As I stated at the half year result presentation, we will present next year our internal Solvency II capital position for full-year '13. Now it is unfortunately the nature of things that we have barely been able to enjoy the relief generated by the removal of the uncertainty that Solvency II had created for the sector that other new initiatives are emerging that will again generate uncertainty for the sector.

One of this is GSII which was announced in July of this year.

As we've said before, the important thing to note on this topic is that any capital impact for GSII would not come in to force before 2019. For now the implications of this new global regime remain unclear and we are discussing them with our regulators and I was in a meeting at 8 AM yesterday on this very topic at the PRA and who will update mid you as and when clarity emerges, that we will continue to work closely and proactively with our regulators to help ensure the right balance between the cost and benefits of new regulatory initiatives.

So what I would like to do with the remainder of my presentation this morning is the following. I will spend some time talking about the macroeconomic context and how it impacts us, we will focus on Asia and I will then review our medium-term growth prospect across region or world economy.

After that I will take some time to talk about our businesses in turn to about Asia where I will spend some time on the drivers of our business of the demand for our products, our distribution and also the resilience of our performance, for the US, I will underline the strong profitability prospects and the cash generation by our synergy, and in the UK, I'll explain why and how we have focused the business at the time of negative net flows from the life sector. Many of you have heard me say this, but I cannot say it too many times, negative net flows from life sector for five years now, and leverage our positive net flows in the asset management sector, which is the flip side of the coin, to generate strong results at M&G.

After that view by view review, I will comment on the 2017 objectives announced this morning and talk about also how we are investing to ensure the continued success of the Group beyond 2017.

So, let's by the global economy and what this means for Prudential. We believe that the current global macroeconomic environment is the most supportive for us. It has been for a long time. In short, the strong headwinds that we have faced over the last few years may now be turning into first signs of a tailwind. So, what are we seeing? We're seeing continued strong growth in Asia and evidence of a recovery in both the US and the UK.

The Eurozone continues to act as a drug on global growth. However, as you know, our direct exposure to that region is minimum. We are in the right market with very attractive positions. And when I look at this slide, I think that the much discussed structure of the Group is a strong presence in Asia, the US and the UK, and none in the Eurozone is quite attractive.

And contrary to the market, which has been behaving recently as if good news is bad news, we believe that actually good news is simply good news. The fact that the largest economy in the world is coming back to growth is unmitigated good news for us. In spite of what we see as good news, it is clear that markets have remained nervous. So, we just want to take a moment to talk about some of the current market concerns and their implications for us.

As we stand today, there are two clear challenges that the global economy faces. The first one relates to Central Bank's QE exit strategies, specifically the magnitude and speed and timing of Fed tapering and its potential impact on emerging economies, which is more topic for risk Prudential. And the second challenge is the deflationary forces within the Eurozone, which is a key issue for policy makers, together with the absence of GDP growth because frankly, personally I believe without growth, there is no chance that the Eurozone fiscal challenges can be addressed.

Spending cuts alone will not resolve the issue and will encounter, as you can see, increasing social and political resistance. Not owning significant long-term Eurozone liabilities is a position that I remain comfortable with. So, let me now address the more immediate concerns of tapering and their impact on emerging markets.

Following (inaudible) public comments on tapering, several Asian emerging markets have experienced increased financial market volatility. So, this has led many to wonder are we '97 again, are we going to get '97-'98 again. Well, I'm firmly not in West camp.

Let us look at some facts here, starting with current account. Most of these economies entered in 1997. So, these are '94-'96 numbers with current account deficits. You can see at the bottom Singapore, Malaysia, Hong Kong, Philippines, China, Thailand, Vietnam, you know, these are big numbers. Thailand, 8% of GDP is a big number. The situation today is completely different with those economies enjoying current account surpluses; maybe this is a 2010-2012 balance. Here the bar seems small, but these are tens of billions of dollars and all these economies are much healthier today than 17 years ago.

(inaudible) and the analogy between the two periods. We're starting from completely different points. With the exemption of India to which we have limited exposure. Now, if you look at foreign exchange reserves, which is another important consideration, as you can see here, those results were positive, but low in '96 meaning that these countries had minimal capacity to fund capital outsource.

The foreign exchange reserve position in 2012 is much stronger without exception for all these economies because we see a lot of comment on the decrease in current account surplus, (inaudible) and that is, you can only lose what you have, and to have a lower surplus, you have to start with a surplus, and it's more surpluses that translating this foreign exchange reserves that you can earn that you can see here. So, all those countries are in a much more resilient position with significant dollar reserves to fund any short-lived capital outflows that may arise as a result of tapering.

And please note the number for China, which is $3.3 trillion. We had to break the bar at the beginning of the chart because the reserves are so high. The last thing to look at is that to GDP, the sovereign debt to GDP. They still enjoy, all these countries, this is from '90s -- you can have Sen pictorial, the '94-'96 picture on today and you can see that this economy still enjoys low -- we've put up on the top of US level of indebtedness. They still enjoy low absolute levels of sovereign debt, and I would describe the space between that line and those bars as a headroom, fiscal headroom.

At worst, they can increase significantly their level of sovereign debt and please keep in mind that Indonesia's debt GDP ratio is 25% in 2012, and it's almost half what it was in 1996. So, as a result, we believe these economies are able to service their debts quite comfortably.

So, in summary, Asian economies of learned the lessons from the '97, '98 crisis. They are not only in much better shape this time around, but they have enough headroom to take mitigating action to dampen the impact of any volatility caused by a change in US monitory policy and short-term capital flows. But let's step away for a moment from these short-term concerns and take a longer-term look at the world economy and its evolution.

The chart on the next slide covers the IMS' latest forecast for global GDP growth over a 5-year period to 2018. So, including 2017 new horizon. As has been the case for the last five years, emerging markets continues to generate most of the world's growth in absolute terms. You can see 2.8 for US, 2.5 for other advanced economies and the number is 5.5 for Asia (inaudible). It's about twice what the US and the UK will do. So, Asia will continue to dominate global growth whichever way you look at it and other emerging markets such as Africa and the Middle East will also make a significant contribution to world growth, but it is likely to become more and more material, and I will come back to this when I talk about our prospects beyond 2017.

The shape of future global economic growth is largely underpinned by favorable demographic trends across

Asia. And as you would expect, the insurance opportunity in Asia is closely aligned with these trends, and as a consequence, we believe that in Asia we can drive both value and the volume over the long-term, and Barry and his team will come back to that.

We'll just take a closer look at the demographic drivers, which are creating high demand for our products in Asia. The first driver of continuously increasing demand for our products is the rapid rise to the middle-class population. I've shown here in the top left hand chart, Asia will have 1.7 billion people in the middle-class by 2020, accounting for more than half the world's middle-class population, starting from 525 million today. I mean, we use those words regularly, but sorry, those numbers regularly, but 525 million is significantly more than the total population of EU already today.

The second driver, of course, is rapid urbanization. As people move to the cities, they will experience raising standards of living and wealth, which in turn will drive their demand for savings and protection products. This (inaudible) in itself quite significant. As shown in the top right hand chart here, in just our Southeast Asian market, 370 million individuals, which is more than the entire population of the US will be living in cities over the next two decades compared with 12 million customers we have today, Prudential.

The fourth driver is increasing access to education, shown in the bottom left hand side chart. Not only are individuals getting wealthier and moving to cities, which make them more productive, will then drive GDP growth, but they're also getting better educated. In the next two decades, an additional 70 million young people are expected to go to universities in our PCA market. This is more than the entire population of the UK, of course, and this excludes those Asian students who study abroad, which as we know is already a huge number, I believe 1 million a year in the US alone for China and India. 60% of the world's brain power resides in Asia and in the coming decades, this potential will be realized [ph] and the prospects are mind boggling.

And lastly, as shown in the bottom right hand side, saving levels in our sweet spot market are significantly higher than in more developed western markets such as the US and the UK. Despite rapidly growing wealth and increasing consumption, Asians have and will continue to save significantly more than Westerners since they cannot rely, as we know, on welfare provision from the state. Consequently, they will also increasingly look to protect and invest their savings, driving long-term demand for insurance and investment products. We believe that this opportunity translate into an addressable market in our sweet spot countries of over $750 billion, which is growing itself at over 5% per annum.

So, if we can capture only a small fraction of this opportunity, I'm confident that we will all be very happy. So, demand for our products will be very strong and for a long time. I insist on very strong and for a long time. So, let us now look at how we are able to design products that meet the needs of these growing and increasingly wealthy middle-class.

The chart on this slide, which you've seen before, I apologize for that, shows -- that is an important point, it shows you the percentage of medical costs that are borne by individuals in several of our Asian markets in comparison to the advanced economies of the U.S., or UK, and Japan.

It clearly shows why it is better to be insured and not to be insured. Uninsured customers are bound to face significant out-of-pocket cash costs. What this slide shows is that Asians are largely uninsured against health risks and that is what we call the protection gap.

In western economies the state has by and large decided to underwrite that risk, even if it's -- the state -- the extent of that state intervention will vary from one country to another, it's a common feature for western economies.

The Asian countries are aware of the impact of these policies on the fiscal balances or imbalances and indebtedness of western economies and do not want to go down the same path.

As a result, it is us for private sector that is encouraged to step up and provide the products that we'll address most of the risks that individuals in these countries are currently exposed too and that the state will not and I believe rightly so underwrite particularly for the middle class.

I first showed the following slide the interim results, you remember four months ago, I'll comment very quickly. Starting on the left hand side, the chart shows the percentage of medical expenses borne by individuals in one of our Asian markets under three different scenarios.

The first bar on the left shows that without any form of insurance, individuals would of course have to bear the whole cost of medical treatment. The second bar shows that an individual who is covered by basic government health insurance scheme would still have to bear 81% of the cost of this procedure, whereas a Prudential policyholder would bear 27% of the cost, which is a significant saving for our customer.

And as show the rates on top of the chart, we're able to do these at a reasonable price as compared to competing products in the market, while also generating attractive shareholder returns.

But I want to push the scenarios further and illustrate the new slide, the attractiveness of our products for different lengths affordability. The affordability of our products is a key driver of a strong growth that we have been able to deliver across Southeast Asia.

We're often asked why or how we make so much money in Asia. Well, if you have a product that is, that does, what it says on the tin that is affordable and that people need, you will make good money, it's just simple as that.

So let me use as an example one of our most popular linked product with protection rights sold in Indonesia. The pie chart from this slide shows that our premiums represent on average 9% of a customer's average annual income.

About half of that is the premium that covers the insurance riders, so technically, the cost of his coverage is about 5% of our customer's average annual income.

To put this in perspective, we have compared that cost to the cost of health insurance in various countries.

Our customer proposition in Indonesia we believe is competitive, as our customers pay a significantly lower proportion of their income for health insurance than western consumers and that's we do regularly, because we want to make sure that what we offer is competitive and believe it is. So a lot of that is now well understood and you see more and more companies emigrating us and talking about protection in Asia as a key opportunity for them and that is fine.

So, lots of companies want to do this. However, the key element to execute on this opportunity will be of course distribution and that's my next section. Distribution is central structuring the undisputed growth potential in Asia and remains a key barrier to entry to these markets.

Our distribution platform which we have built passionately over a couple of decades is best position to meet customer needs, whether this done via one of our agents or one of our financial services consultants in the bank front. I often say it's one of my worst groups, but we only have one channel in Asia which is face to face, fundamentally what lies behind obvious face to face sales and that's something we believe that's here to stay.

We have a vast expanding army of Prudential agent and a growing network of partner bank branches, being able to recruit, to train and manage such a large distribution platform is a core competitive advantage and we believe that nobody in Asia does this better than Barry and his team, PCA.

In (inaudible) markets for example, agency premiums have grown by 20% per annum over the last four years, and the number of agent has almost tripled. This high level of agent recruitment means that there is a lot of embedded growth to come for future period as all those new hires and work agents gain in experience and graduate to higher levels of individual productivity.

Of the major channel, bank customers or partner banks has also grown at a rapid rate. On the left hand side chart, we have shown the progression of AP from our first bank insurance relationship with Standard Chartered which were signed in 1998. I'm not sure we have shown these figures before.

The growth of this partnership has been, has had a CAGR of 49% per annum over 15 years, 13. So, it has been dramatic and we are selling 21 times more than we were selling in 1999 and that maybe why we treated the base when we pay for bank customers deal on how much we paid in order is too much, $0.49 CAGR.

We know what we're buying, we know what we're paying for and we're very comfortable with the prices we pay.

You can be looked in the world where you look at the first three bars if you do that yes, things look expense. The first three years, if you look at the growth that is available, an expensive deal can suddenly turn into a very cheap one. But I cannot say that too much in order to drive any prices, but one of our newer bank insurer's relationships UOB signed in

2010 is showing similar patterns and has made strong progress as shown in the right hand side chart.

In the three year since we launched the level of new business premiums have quite tripled and UOB was already successful in its own right and other life business before deciding to work exclusively with Prudential.

And finally we don't have a space here, but our most recent partnership with Standard Chartered, I leave a tail on CEO, because he is in the room somewhere, you can find him has made a similarly strong start with premiums already running 30% ahead of your great business plan.

So we have proven, but we can execute with bank insurers and we will continue to drive growth from this important pillar of our unique multi-channel distribution platform and insist a core competitive advantage in Asia.

So, being in the right market with the right products and the right distribution has enabled us to deliver a strong and sustained performance you have seen.

So I'd like to spend some time now talking about the nature of the product we sell and our flagship regular premium product, which has underpinned this performance.

On this slide which is also something I don't think we showed you before, you can see PCA's single premium sales over the period from 1995 to 2012 which includes several economic cycles and multiple periods of heightened market volatility.

What you can see here is a very classic correlation, high correlation between single premium sales and markets, reflecting their sentiment led nature.

On the report, I want to make is that if you look at PCA's AP sales you don't see that over the same period, you can see the net performance is much more resilience.

Now why because the driver of this resilience and that's the next slide is the high contribution from regular premiums, regular premium business is right here is stable and quite sticky. The portion of the customer wallet we address is not this questionnaire spend. We are not selling expensive handbags or aromatic bars of soap.

Our customers think of paying their regular premiums like paying the rent. These regular premiums represent stable, monthly contributions by our customers to provide for their children's education or to pay for protection against illness or accident and this is the bed work of our business in Asia.

Single premium business by nature is much more speculative and much more volatile and more sensitive to macroeconomic conditions, point is, it doesn't matter to us.

We accept all that, it is just is a fraction of what we sell. This is often resource of misunderstanding between us and some commentators. Western insurance markets where most of us grew up, are mostly single premium, they behave like two trials, they go up and down in wide swings.

Asian insurance markets are broadly regular premium and behave more like the red bars on this slide. This is why we often relax when there is market volatility and why we get so many questions is because this regular premiums are absolutely stable and you see them growing nicely through the economics cycle, so what has this meant for our business.

Again, more than 90% of business premiums in Asia come from regular premiums, which provide a steady source of recurring flows. This slide shows you a progression of Asian IFRS operating income from half year 2009 to half year 2013 and as you can see here over 60% of our total income is contributed by insurance margin shown in the red bar on the slide and insurance margin represent income from health and protection products, and it has grown in line with the demand from these products.

So over a four period from '09 to '13 insurance margin has grown by 2.2 times, in an overall total, which itself grew by 2.3 times.

So as I said earlier this income stream is uncorrelated to financial markets. And this is another factor on top of the regular premiums, but explains PCA's resilience to economic cycles and its potential to deliver for fick and feel, good times as well as not so good. This is why we are confident, looking forward at this business, but it is going to continue growing and growing profitable.

Over the five years to 2017, to give you a sense of the scale of the operations we're building. We expect to acquire five million new customers, right 10 million new policies and increase our sales force by 30% and you can see the productivity gain embedded in that number.

Our ambition is to build a material world class business in Asia. Overall, we will be of course pleased if we achieve these ambitious objectives, even with 30 million policies, we will still only be scratching the surface in the context of a middle-class in the region of more than a billion by 2017.

Now let me summarize and close this section on Asia. As a management team, we are more excited than we have ever been about the growth prospects in Asia. Asia's long-term fundamentals remain compelling with healthy, well managed and growing economies. Favorable demographics in the form of large and young population was rapidly emerge in middle class and growing wealth and the absence of welfare state underpin very strong and growing demand for savings and production products for many decades to come.

Our Asian franchise, we believe is second to none. We are positioned in the right markets with the right products, which unmatched distribution reach. And last, but not least, the quality of our teams of our people, and our discipline have delivered strong and sustainable financial performance. So Asia remains firmly at the heart of our strategy and our prospects in that region are excellent.

So let me now move to our U.S. and Jackson and just to reassure you only at one side. In the U.S. our strategy has been to manage from cycled proactively and to balance growth capital, risk and generate cash. This strategy has paid off well with Jackson remitting almost $1.9 billion of cash since 2008, while maintaining a strong capital position throughout and liquid through the RBC at the bottom of the chart. And I believe we are successfully navigated with toughest part of the cycle for us, the toughest part of the cycle with high equity volatility followed by low interest rates and a combination that has proven challenging for many of our peers.

We have innovated by creating edit access, a successful RIA [ph] with no living benefits and we have emerged from this period with a healthy balance sheet. You also know, but our book is currently less than 1% in the money. So we have return business prudently under and at the right time. We have continuously reprised and restructure reported to ensure that each of the vintage of our business remain profitable. That conservative approach, our prudent pricing and effective hedging have served us well. We are pleased with the performance of Jackson; let's move now to the UK then.

We are often ask questions about growth prospects available in the UK. In the UK life markets and were often encouraged to reconsider our stance or focusing only on the products, where we have a clear competitive advantage. However, when thinking about the UK market, I was return to a following two charts; the left-hand side chart on the slide shows you the net flows for the UK life industry, since 2005. As can be seen here, the industry has seen significant net outflows for over last five years. Over this period, this net outflows are over 200 billion pounds almost equivalent to 14% of the industry's assets under management.

On the other hand, the asset management industry has been freighting and capturing savings flows from customers with almost 100 billion pounds of net returning flows over the same five year period from 2008. We believe but that cannot be a sensible, by what I mean value creating, waterfront growth strategy in a market that is fundamentally shrinking every day.

The U.K life market has shown here. So story told by net flows reflects accurately the underlying rate of this market and it's quite different from the story told by gross flows or -- on which, that is in my mind excessive and

unjustified focus.

The UK Life market is shrinking not growing. So sales or volumes are really not the right way to look at such a -- for this and why to -- and not goes to your fund -- its not interesting to watch. So, our U.K life business will continue to focus primarily on two --, over the last few years this approach has enabled us to deliver best-in-class performance. With some of the highest margin it this shrinking sector.

And by doing so, we have been able to simultaneously deliver good outcomes from both our customers and our shareholders. This has worked well and we intend to maintain this focus and Jackie will take you with some detail for her early thinking on the opportunities with profitable growth opportunities available in that market, but I repeat they are focused.

The main growth opportunity for us in the UK that realize clearly with MNG, as can be seen on this slide. MNG's retail business has delivered strong net inflows, which has led to both average retail assets under management and retail operating profits growing by 2.5 times, since 2008 and at the end that's what this is about throughout asset accumulation and asset retention.

So it's now stand back and take a look, at what has been achieved since our last London Investor Conference in 2010. In December 2010, I stood before you and said two things; one, we would deliver strong organic performance for our businesses and we set ourselves six demanding objectives. We are on track to achieve the last of these objectives having delivered five of them own.

Second, we said, but in doing so, we would make these businesses more independent and take the group closer to fertility. We have been able to transform not only the scale of our business, but we have also been able to diversify the earnings and the cash with all four business units now making significant cash contribution to the group. I've been tempted many times for terms of struck nine from growth in cash to growth and cash flow for movement, but continue to make further progress, which will be evident in our full year 2013 performance.

Over that same period, we have progressed with profits domestication project, at last which was sanctioned by the Hong Kong court last week and we have actually our UK court hearing today. So we look before end of the day. And all going well, we aim for the domestication to be effect by the structure in the U.S.

All these steps helped make the businesses more structurally independent and increase our optionality and we expected this to be reflected in our valuation. Enough time has passed now, but it is not an interesting to look at pre-crisis share price levels and that's what we did on this trial starting Jan first 2007.

You can see here, but we are today significantly above our pre-crisis share price, which is not the case for the simple of companies used here. It is a peer group for healthy plan and that is presented in our annual report and we gave you the name at the foot note.

On top of the shoppers appreciation, the company has not cut its dividend for crisis and instead has been able to increase it continuously and significantly with regular step ups as our improved performance gave us more hedging. So you will be right in asking, what next. For me the answer is boringly, I'm afraid more of the same.

We believe that the performance of the businesses has created a high threshold for any change, a good position to be in. We remain confident that our Asian business offers a unique compelling opportunity of compounding returns over a long period to come and at the same time, the U.S. and the UK continue to deliver significant levels of earning and cash.

We are open-minded to all opportunities to drive shareholder value. However in the same way that you manage assets will be in your own portfolios, we are not in a rush to do something because we can or getting delivery of strong performance for shareholders remains plan A and we will consider the other options only if and when there is a clear opportunity to create additional shareholder value taking fully into account all the risk involved.

But I'd like to follow the steps of the Chairman used today and confirm to you that we are happy with the cash we generate and as I think this dividend chart shows you, won't be shy in returning any amounts available to the shareholders, because those amount belong to the shareholders. That's very clear in our mind.

Now, at this point, we have a long term business. And I also, actually enjoying my job, because it's a job, where we can think about the long-term and we spread an announcement this morning, quite a bit of time talking about -- and rightly so about the part of the group that exist today and that are material today. So, if you allow me I have one slide to talk about part of the group that are not material today, but which in my mind will play a role in the company's future beyond 2017.

Over the last two years we have invested in four new markets gladly and are exploring opportunities in the fifth that share many of positive characteristics that we find in our existing Asian markets, namely fast growing GDP, a young population and low insurance penetration.

With these developments, we are building access to a population of 175 million that we would like precision, let's say 170 and close to 1.4 trillion of GDP. Now that is almost twice the GDP of Indonesia market's as shown in the slide.

We launched our business in Cambodia at the start of this year, Poland, we launched in March, and Turkey we'll tell you more about that when she present and you may have noticed that more recently we have also made a very small acquisition in Ghana.

We received a license to open a Rep Office in Myanmar in November and just last week I was sitting with potential partners there, it's very exciting prospect. And in the Middle East, we are exploring opportunities to launch in Saudi Arabia, where we can transfer our skills in running successful Takaful, Islamic Product Franchises in Indonesia and Malaysia, to meet the needs of young growing and wealthy population and we're over a partner there as well, a very large one.

Our Asian team has developed some core skills that we are now successfully leveraging a liter opportunity cost in similar markets outside Asia with very good long-term growth potential. And I'm pleased to tell you that our CEO in Poland is actually an Asian, and he is from our Asian business, one of the stars from our Asian business and he is been doing extremely well in Poland.

And the project to enter Ghana was managed by two people from Asia as well, thank you Barry again, demonstrating but our overall skill and the expertise we have in the group enables us to achieve these investment without distracting us from our businesses, but I cannot share, they send me a link from the signatory in Ghana and the people in the company we booked, there is Internet in Africa, Ghana is in Africa. And looked on Internet for our Asian footage and they learn the song, which you'll know.

So, at the end of a ceremony they broke into a Prudential song, to a surprise they got Prudential T-shirt made, so they only read singing Prudential Songs, it's very, very exciting, very promising.

More seriously before you all get carried away, I want to manage expectations by saying that we're only planting the seeds of future growth here. I do not expect any material contribution to your financial models from these countries in the short-term, please.

However, I do firmly believe that Africa in particular will have a large role to play in the decades to come in the global economy. So these are small, but important step for Prudential and as we did in Asia, we're investing during the early phases of economic transformation. So, it is my wish that in the not too distant future we have more than a single slide devoted to this market.

So let me now put some numbers around how I think the group will progress over the medium-term. We are introducing this morning three new medium-term objectives. We believe that cash generation in Asia measured via free surplus of between 900 million and 1.1 billion in 2017, so we're giving you a range here.

And the second objective is to grow our Asian Life and Asset Management pre-tax IFRS operating profit by at least 15% CAGR over the period 2012 to 2017.

Now this objective aims for Asia to generate Asia alone almost as much earnings by 2017, but the total group generated in 2010 and to double its earnings in the five year period starting in 2012.

Now these two objectives are intimately linked. I really want to insist and I'm sure you realize, but embedded in this Free Surplus Generation target objective is an impressive growth objective.

We will show you the numbers, but 1 billion pounds of Free Surplus Generation is ambitious and we can only achieve this starting from where we are now, if we continue to grow very strongly between now and then.

The third and last objective is cumulative group cash generation over the period of at least 10 billion pounds, $16 billion. Nick has a whole presentation after mine focused on

Free Surplus and cash and he will give you more visibility on these new objectives and the underlying drivers.

Let me now conclude my presentation with a few key messages. We remain focused on capturing profitably the long-term growth opportunities available in our features and geographies of Asia, the U.S. and the UK.

Our performance track record is good and we have strong execution capabilities in all three of our geographies. We will continue to do everything we do with discipline and as you know financial discipline is at the heart of our management style, and we believe that our unique combination of growth and cash will continue to deliver strong returns for our shareholders.

So here is now the agenda for the day. Following my presentation, Nick will take you through the financial aspects of these objectives and some reporting developments. After that we will have all of our business units present successfully during the day, there will be plenty of opportunity for Q&A during these sessions. And after these sessions, at the end of the day we'll have the usual panel with all team on stage to answer any question we would not have addressed.

So thank you for being here this morning. Thank you for your attention, and now I will turn it over to Nic. Thank you.

Nic Nicandrou {BIO 15589153 <GO>}

Okay. Thank you, Tidjane, and good morning everyone. In my brief presentation I will recap on the progress that we have made in transforming the capital dynamics of our group and I will provide you with some more color around the financial objectives that we have announced this morning.

Tidjane has already referred to the operating principles that we established in 2008 and have rigorously reinforced at a sense. In pursuit of these principles, we initiated a stronger focus on capital which in practical terms translated into being more designing and more demanding on how much and where we deploy it, on what return it generates and how quickly and on how resilient it is to market shops.

As shown on this slide which Tidjane first presented to the market in 2008, we adopted the free surplus concept to guide our approach.

Free surplus represents the excess of real capital in our business operations over our own assessment of risk based requirements. We found the free surplus measure to be particularly effective in helping us understand, evaluate, and manage capital flow depicted by the red and blue boxes on this slide.

We have managed our business using this approach ever since, and it is this consistency and clarity that has been at the heart of the progress that we have made on cash and capital in our business.

When I stood in front of you, can we go back to slide, we're fine. When I stood in front of you three years ago, objective that we set for the 2010 to 2013 period,

this has in turn enabled us to one remit cumulatively more than we had anticipated over the same period. And two, grow our capital buffers across the business.

On this last point, as you can see on the right free surplus stock increased from 2.5 billion at the start of 2010 to 4.1 billion at the end of June, 2013. This increase translates into a relatively modest improvement in cover, reflecting the growth of the underlying businesses.

We will continue to maintain healthy buffers of capital stock as these provide a hedge against uncertainty and allow us to take advantage of business opportunities as these emerge.

On this next slide I summarize the evolution of the group's free surplus generation over the last seven years. The key message here is that growth on this metric has been strong, consistent, and broad based.

This chart fittingly illustrates what our strategy and operating principles have delivered. We can clearly see the impact of capturing the health and protection opportunity and the benefits of increasing our scale in this region. The disciplined manner with which Jackson has executed its strategy has allowed it to make more significant and a less volatile contribution to the total. In the UK life operations, the benefits of economics are most attractive, have enabled us to reap the rewards of a sizable inforce book more fully. Not forgetting M&G, where our success in growing profitably this low capital intensity business means that it is now contributing around half of what the whole Group delivered in 2006.

Finally, the chart also illustrates the resilience of our book in tough times. In 2008, we took action to successfully defend the overall level of capital generation, providing us with a solid foundation to deliver the increases in 2009 and 2010. The low long-term interest rate environment that we have been operating under since the middle of 2011 nearly served to dampen the rate of growth as opposed to put us in reverse. You can see a similar pattern with net cash remittances from our businesses, growing roughly at the same pace as free surplus. As these trends suggest, the increase in cash has been driven primarily by the uplift in free surplus generation with the annual remittance payout ratio ranging between roughly 50% and 70% over this period.

This approach to remittances is both considered and deliberate as we seek to balance the needs of local operations with those of the first centre, which inevitably flex depending on business opportunities and where we are in the cycle. We aim to maintain this philosophy as it has served us well. In practical terms, this will mean that increases in remittances going forward will under normal circumstances continue to be principally driven by the growth in free surplus generation rather than expansion of the payout ratio.

My next slide is a powerful demonstration of the quality of Prudential's growth. A genuinely high-quality growth business should not only report increases in annual earnings and cash, but it should do so at the same time as growing its stock of future earnings and cash. Put more simply, a real growth business is adding more richer than it is taken out, which is exactly what we have done at Prudential. The chart on the left shows the evolution in the value of Prudential's future profits since the start of 2010, which as you can see have increased by 50% in just three years. What I want to draw your attention to are the two columns shown in red and dark blue.

The red bar represents the contribution to future profits from new business written over the three-year period. The blue bar depicts the element of the inforce business value that has emerged as profit during the same period. So, simplistically, red shows the new injections of future profits into our book and blue shows the extraction from the inforce portfolio. Clearly, to grow the stock of future profits, the red column needs to exceed the blue column on a consistent basis.

As you can see, our approach to profitable growth means that the injections from new business have been 18% higher than the extractions from inforce. This is a key driver of the overall increase in the value inforce. Now, the chart on the right compares our red and blue bars with those of two of our UK peers over the last three financial years. As you can see, when put in an industry context, Prudential's earnings growth and future potential is distinctive.

Our earnings growth outlook is therefore healthier as it is sustained by the addition of high-quality new business, which exceeds the transfers out from our existing portfolio. Another way of demonstrating the striking impact of our profitable new business growth is by reference to the annual undiscounted free surplus generation profile. The dark blue columns represent the free capital that we expected to generate each year from our life inforce portfolio at the end of 2009. Rolling the clock forward three years, the light-blue columns represent the most recent view of expected free surplus generation based on our life inforce book at the end of 2012.

As you can see, there is a significant uplift between the two profiles, reflecting the benefit of new business written in the intervening period and the positive contribution from our proactive management of the backbook for value. The sum of the expected undiscounted free surplus releases over the next 12 years has grown from 13.8 billion to 19.9 billion. The principal driver of this circa 6 billion increase has been the addition of three cohorts of high IRR, fast payback business at a cost of only 1.8 billion. It is our ability to continue to write new business at attractive economics that underpins our positive outlook for free surplus generation going forward.

I now want to move to annual objectives. As two of these objectives relate to free surplus, I wanted to take a few minutes to ensure that you were all clear on how these are built up. Let's start by looking at the components of the Group free surplus generation objective by reference to the 2010 and 2013 equivalent objective. At the beginning of 2010, we expected the life inforce book to generate the amount shown in the dark-blue bars over the four years covered by the then objective. In successive years, we then rolled four cohorts of new business, investing the amounts shown in red.

The future earnings power of this new business can be seen in light-blue, representing the additional free surplus from these new cohorts, which in aggregate is expected to total 892 million in 2013 alone. This is the most critical component of the whole equation. Unless returns are high and payback is fast, then the contribution from the light-blue element is swamped by the annual strain in red, making growth in this metric impossible.

It is our ability to get this right that distinguishes us from our peers and this is what we mean when we talk about high capital velocity. To this, we have the contribution from positive experience in managing our backbook, the investment return on our free capital and the earnings from our asset management business, which have become more material in size. The Group cumulative free surplus generated represents the summation of all of this, which as you know from our half-year results, totaled 6.9 billion from 2010 to mid-2013.

If we now look forward to the new Group free surplus objective for the 2014 to 2017 period, the same schematic can be shown, can be used to show you how this will be delivered. We have already published the expected free surplus generation profile from our life inforce book as it stood at the end of 2012. As you can see in the dark-blue bars, this totaled 7 billion for the period covered by the new objective. The remaining 3 billion comprises all of the other elements. The most critical element is the impact of new business. As you can see in the red bars, we will continue our disciplined approach to capturing new business growth in the light-blue signature.

The remaining components are then added, including the contribution from asset management earnings. The combination of all this is what underpins the 10 billion Group cumulative free surplus objective that we have announced today.

Turning to Asia, the components of the free surplus objective are identical. The slide recaps on the contribution of our Asian business to the overall Group picture since the start of 2010. Here the impact of new business and on the 2013 column on the right, the increase in the scale and the improvement in the quality of our business franchise is illustrated by the factor, the three most recent new business cohorts are expected to generate almost as much free surplus in 2013 as that derive from the entire book written after 2009. High capital velocity is therefore very prominent in Asia. Going forward, capturing the structural opportunities in the region will require us to continue to grow the size of the red bars.

Therefore, in order to make further forward progress on this metric while investing more, the capital velocity of future new business needs to remain strong. It is precisely this dynamic that underpins our 2017 Asia free surplus generation objective. Staying with the same schematic, Asia's life inforce book at the end of 2012 is expected to contribute 654 million in 2017. Therefore in order to deliver the 0.9 billion to 1.1 billion, free surplus objective by 2017, after financing new business strain in the idea, we will need to maintain a strong growth trajectory at very attractive economics.

Turning now to uses of free surplus, the chart on the left summarizes how the total generated of last 3.5 years has being utilized. As you can see an element absorbed market effects a proportion was set aside to ensure sufficient capital was to retain the local business needs and the balance representing some 59% of the total was related to group. These remittances covered central needs and financed business opportunities, after which some 2.3 billion was paid in the form of dividends to shareholders.

Moving to the chart on the right, the expected 10 billion cumulative free surplus over the next four years will be put to similar uses. You should not read anything into the fact that we have not provided you with the specific objective on remittances this time around. I referenced the fact that we have operated within the corridor earlier in my presentation. We think that it is appropriate to retain the flexibility that range forward leading scope to manage the Group for fluctuations in the economic cycle and to pursue business opportunities.

Before I look ahead to the prospects for Asia's IFRS earnings and the objective that we announced today, I want to recap briefly on the drivers of the strong momentum that we have seen in recent years on this measure. One of the key factors that underlies this momentum has been the increase in the scale of our life business driven by primarily by positive business flows, which John has already referenced.

We have used the concept of policyholder liabilities to track the progress that we have made in growing our life book of business. Each year these liabilities increase reflecting premium receipts net of charges and decrease as we pay claims. The overall size of the stock is relevant in evaluating profit potential, in that it is reflective of our ability to earn fees on the unit linked element and sizes the risk that we carry on the non-linked element for which we need to be rewarded.

Focusing on the shareholder backed business, which accounts for the vast majority of our life profits in Asia. In the three-year period, shown on the slide, we have attracted an increasing level of business inflows equivalent to around 10% of the opening liabilities each year.

As Tidjane has already covered this reflects a strong bias towards a regular premium business sold to a very sticky customer base. This is an important dynamic, as it serves to sustain the momentum and improve the resilience of our stock of policyholder liabilities and by association our earnings. Each cohort of new business reinforces this dynamic further.

The emphasis that we have placed on growing the health and protection component of our book is evident in the increased depicted on the slide in non-linked liabilities. The growth in this higher return component has provided a boost to Asia's IFRS earnings momentum over this period.

Turning to the actual reported life IFRS operating profit, the chart on this slide provides some color on how we have doubled the 2009 level by 2012. The slide illustrates this by adopting the sources of earnings concept and shows the incremental revenues earned and costs incurred over this period. Unsurprisingly revenue shown in blue, which mainly represents technical and other margin fee income and spread income has roughly doubled over this period with strong increases reported in each of the three years shown on the slide. These increases have been broad-based across all of the sources of earning, totaling 25% on an annual compound basis.

Total expenses shown in grade below, which includes commission and administration costs have also increased but at a slower pace. What this chart confirms is that the doubling of IFRS profits has been achieved through a combination of increasing the size of our book of Life business, as we capture the attractive opportunities in the region, leveraging our scale to deliver cost efficiencies and expanding the health and protection that's in our overall growth.

Growing Asia's life and asset management pretax IFRS operating profit at a compound annual rate of atleast 15% over the 2012 to 2017 period represent at least the doubling of earnings by 2017. The drivers of this growth are expected to remain the same.

Firstly, we expect the stock of policyholder liabilities to rise reflecting a continuation of the positive momentum in net inflows as we have new cohorts of regular premium business and manage customer retention.

Secondly, we expect a continued increase in the scale of the business to drive further efficiencies by growing revenues at a faster rate than expenses. This reflects both lower unit costs and opportunities to capture synergies from cross-selling and upselling as the existing customer base becomes wealthier and continues to mature in terms of their financial needs.

Going forward the health and protection mix is not expected to expand as fast as it has done in recent years. Earnings from this source will therefore be more in line with the overall growth rate of the business.

In my final slides, I want to address a couple of other topics. The first one is the EEV basis new business profit measure and I want to expand on what Tidjane has already mentioned. By not including it in our objectives we're not saying that NBP have ceased to be an important management metric, far from it. We are however recognizing that it is not a very sophisticated measure.

Firstly, our experience over the cycle, which was accentuated by unprecedented low interest rates, as shown as there are active basis of resetting economic assumptions at each period reporting period and introduces considerable volatility often artificial. This slide illustrates how significant this market related effect has been by comparing 2009 and 2012 reported NDP on a like-for-like basis.

The second and perhaps the most important limitation is the fact that NBP represents the translation of a multi-year earning signature into a single net present value figure. This calculation is at the mercy of the discount rate used. So when PCAs writing protection business in a rising interest rate environment we have the perverse effect of reporting lower NBP even though the earning signature is unaffected.

So by expressing the earnings profile as a single figure, you lose the richness that comes from knowing how much capital is used up front and how much is generated each year thereafter. In fact it is these individual undiscounted components that interest us most. This is why we referenced IRRs and payback periods in our communications and why we major on capital investment and capital generation.

So rather than express our growth ambition using NBP, we have chosen to express it in a more sophisticated way through the free surplus generation concept, which captures those annual components of the NBP calculation that we care about most. The second topic relates to the quantum of cash remittances by U.S. business. As you can see in the chart on the left, Jackson has in recent years developed a very strong more consistent track record over amid cash to Group.

This alone differentiates Jackson from many of our European peers with U.S. operations. Now when assessing the remittance capacity over the market-sensitive business such as Jackson, you need to have regard to the impact on free surplus generation of the mark-to-market effects on a) the value of the guarantees offered to customers and b) the hedging instruments, which provide us with protection when these guarantees bite.

As you can see in the chart on the right, Jackson's remittance ratio based on the total free surplus generation, in other words, a total which includes these mark-to-market is in fact closer to 60%. What ultimately determines the quantum of Jackson's distributable Capital is the local staff basis. This basis is also captures the mark-to-market effects, I referred to earlier and as you can see, it delivers a very similar payout ratio.

We therefore think that Jackson is remitting what is prudent and sustainable in the long run, while maintaining a strong capital position with an RBC ratio of more than 400%. Before I close, I would like to take the opportunity to fly through financial reporting developments for 2014 and beyond. The first is that with effect from 2014 we'll be moving our EEV profit and loss account reporting from a pre-tax basis to a post-tax basis.

Now, for the avoidance of doubt, our full-year 2013 preliminary EEV results will continue to be reported on a pre-tax basis, otherwise on an 'as-is' basis. We will provide you with an additional addendum in our year-end results pack to help you with the transition.

And secondly, I want to restate my commitment to publish our internal Solvency II basis results with our 2013 prelims. As you're no doubt aware, this is now certain to be introduced in 2016. So, we will start sharing with the market what we think this might look like for Prudential, acknowledging that there remain a number of important areas of uncertainty. The information will therefore be prepared on a best endeavors basis, which we will update annually as we firm up the calculations and agree them with the regulators. The basis that we will adopt for the full-year '13 internal Solvency II surplus estimate is summarized on the slide.

Thank you for listening. I will now hand you back to Tidjane.

Tidjane Thiam {BIO 7518525 <GO>}

Well, as you all know, I love football. The only problem (inaudible) and I have this year is that apparently the Ivory Coast and Greece are in the same group at the World Cup. So, we will sort it out.

Thank you very much. It was very -- thank you for your patience. What we wanted to cover, I think Nic and I was really the prospects of the Group, give you a sense of the new objectives, what they mean, what it will take to achieve them. We're very confident about the prospects. We have a whole day packed with presentations and slides. Barry will kick off and he asked me for more time.

So, we'll try to take different breaks, so you get some 10 or 15 minutes more because Asia has a lot of material. Barry will speak, you'll have Adrian on the financial aspects of the targets with more granularity, really interesting presentation. You'll have Guy Strapp on Asset Management, Eastspring, and you'll have Tony and Lilian behind the table, they only speak behind the table. So, we will pull their table on stage and there will do a double act and really they will give you a country-by-country tour of Asia, which should be really, I hope very, very interesting; lot of granularity as much as you want.

After that, we will break for lunch, and then, we'll start again with the US. Where's Mike? Mike and Chad will do a double act and hopefully update you on the situation of Drexel, which is excellent. We'll then do M&G with Michael. He's there too. And Michael and Grant Speirs, he is CFO, who'll give you also a good detailed review on M&G. Then, Jackie, for the first time, will be on stage and will talk to you about our UK life business, which is also doing very well. And then, at the end of the day we will wrap up. There will be interaction. We will try to make the sessions interactive, but we will also have probably 45 minutes at the end where you can ask again your final questions.

Nic Nicandrou {BIO 15589153 <GO>}

And thanks to all of you for your presence and your attention today. Now it occurred to me last night as I was driving to the dinner with all of the lights on Regent Street and the way we had the museum lit up in Prudential ray, I mean, we all know it's Prudential ray, but people around probably just thought it was Christmas. And it is a wonderful time. This time of the year is a terrific time to be in London. I mean, it's hard to believe that we're only a fortnight away from Christmas day, Christmas eve. So, it's the festive season that's upon us, and obviously, everyone's thoughts turn to family and friends and gifts given and received and parties and celebrations and so forth.

But I think we can all agree that it wouldn't be Christmas without an Investor Day. This has become our contribution to the Christmas tradition in London at Prudential. Now, at Prudential, obviously it's visions not of sugar plums, but of sweet spots that dance in our heads, and thoughts turn not to gifts given and received, but to performance against targets, past, present and future. But that's just -- I'm afraid that's our lot in life.

This slide will look familiar to you. I would -- notwithstanding Tidjane's presentation, I would like us to linger on this one for just a moment. This outlines the objectives that we set here at one of our other contributions to Christmas culture here in December of 2010. I would like to savor these results for just a moment. As Tidjane pointed out, the NDP [ph] technically that targets not net, although we're well on track. But I would like us to spend just a moment before we pack this one up like an old coat and send it off on Boxing Day.

I'd like us to savor these results for just a moment because the reality is, when these targets were set, as we said last night and said again today, they were challenging targets, very challenging targets for our team. And we are incredibly proud of the performance that allowed us to hit two of these targets a year early and again have us on track to meet the third one. And this performance, as strong as it is, it's important to remember that it was accomplished against a very complicated backdrop.

Now, Tidjane spend an enormous amount of time this morning talking about the macroeconomic environment in which we work and the positive outlook for our industry, and I think we all understand what's happening in Asia. We've told that story a lot and in lot of detail over the years. It's an important part of our story, which is why Tidjane spent so much time reiterating it and building upon it today.

But it's also to understand that this environment that we work in, over the last several years during which we've been performing against these last targets, was an environment of material regulatory change of falling interest rates, sluggish Asian equity markets. Now, all of those things make life very complicated, in fact, for life insurance business.

So, in this environment, as you can see from the chart, we not only outperformed the insurance market, we outpaced GDP growth in the region; a strong accomplishment I think. Now, there is no doubt that Asia is the right place and there's no doubt that right now is the right time to be building the business we're building. But I just want you to understand that operationally day-to-day on the ground, this environment doesn't always feel so benign. It is challenging. So, it's important that you understand that growth doesn't just happen in Asia. The growth we've generated is the product of the right strategy relentlessly executed.

This is our strategy. It is affectively unchanged since 2006. We talk a lot about value and volume, not value over volume, but value and volume because we prefer to put ourselves in situations where we don't have to choose, where we can have both. We think that's the smart way to run the business. And so, that's kind of what prioritizing market participation means. You've seen us emphasize the fast-growing emerging markets of Southeast Asia. You've seen us redefine our strategy in Korea where seven or eight years ago it was within the context of PCA, it was our biggest, fastest growing business, and you've seen us manage that differently so that it generates cash and profit rather than growth.

And you've seen us make a difficult choice in Japan to close two new business and we're now in the process for life insurance exiting that market. You've also seen us focus on specific products or specific channels or both and making these choices and sticking with them, good times, bad times is difficult and it requires discipline.

Continuing down with our strategy here, multi-channel distribution, as we said to you many times before, it's genuine multi-channel distribution and it's a real differentiator for our business. It gives customers a variety of ways to buy from us today and it also prepares us for the natural evolution that happens in markets as customers become more affluent and sophisticated and they buy the sorts of products we sell in different ways. We are well-positioned for that evolution.

In terms of our products -- one other thing I want to say about distribution actually and that's Eastspring because we always talk about Eastspring in the context of investment performance, over the fact that we're trying to attract net flows. But I want to emphasize to you and I'll do it more than once this morning, I think, that Eastspring is also a very important part of our distribution strategy and it also has to do with this evolution I just referred to in terms of how customers buy products because it's still, you know, a way is a way, but there is a day coming when Asians will become increasingly focused on direct investments into markets versus buying insurance products.

And the fact that we will be prepared for that moment when Asians began embracing direct investment gives us a strong competitive advantage over competitors who don't necessarily have a freestanding asset management business. So, that's an important contribution that Eastspring makes from a distribution perspective.

Now, onto products. We've said this to you many times in public and private meetings and we'll say it again.

Our objective is to sell products that insurance companies are meant to sell, long-term savings and protection products, genuinely valuable products that have good economics for shareholders, strong social utility and great outcomes for customers as well.

And when you think about customers, obviously, our objective is to acquire them to serve them to retain them, which I hope you'll see during our presentation today from myself and from others is that as we stand here today, we are doing a better job for customers with this business than we have at any time in the history of this business and I absolutely believe that's the case.

You'll see later in absolute terms that we are adding value that Eastspring's investment professionals are adding value to the equation with strong investment performance. It's not only driving the economics of the products that our customers buy from us, but we're making great progress in creating broader distribution in Eastspring, so that more and more consumers around the world get access to the performance of guys investment profession.

And then finally, everything that we do has to be best-in-class, world-class quality and the only way that you can pull off world-class quality is world-class people. And I absolutely believe that we have the best-in-class team in the industry, we've got 16,000 of them spread across Asia, over 400,000 agents couldn't bring them all here today, sadly, room is not big enough, but we've got a number of that will present to you today and some of that joined us for dinner last night.

This shows you, this charts meant to show you the impact of prioritizing specific markets. So what you see here is we have a regional franchise is growing faster than the market, but a sweet spot within that franchise that grows faster still.

We've evolved market leadership positions where it makes sense to do so and niche strategies where it doesn't make sense to lead the market.

Now these leadership positions we love to put all these number ones up here. It's a great thing to celebrate, I mean is terrific. But as we've said to you again on many times in the past and I'll say again market leadership is not a strategy, market leadership is not a strategy, a sound strategy relentlessly executed results and market leadership.

So working our way through the again through the strategy and looking at in a little bit of detail almost 460,000 agents in Asia, produce 60% of our sales almost 16,000 bank branches plus TSRs telesales people who are focused almost exclusively on the bank channel, they produce the other 40% of our new business.

And again we'll hear this over and over again today, but it is unique and it bears repeating, no one else in Asia looks like this. This is unique, no one else looks like this in terms of the scale or diversity of distribution.

And at the core of this and Tidjane touched on this, and it's a very important point. At the core of this is our strong conviction and belief in the dynamic that's created by face to face interaction. The customers need our products, but what customers really need is advice, that's the commodity, that's honestly really scares in Asia is quality needs based advice and that's what we're providing and is because of this approach that we've been able to sell 20 million policies, this is what has driven policies per customer from essentially what was one policy per customer seven or eight years ago to 1.4 policies per customer, it's a four-fold increase in the rate of repeat sales.

Tidjane showed you this slide earlier specifically relating to distribution in our sweet spot and it shows that we've improved both the scale of the agency platform in the sweet spot and we've improved its productivity. This slide shows you more, this shows you what we've done across the entire region and gives you a little insight in to how we've done it.

In some markets, we've reduced our scale focused only on productivity as Tidjane said in our sweet spot, the increases in scale and the improvements in productivity go hand in hand. And the result is a 14% CAGR on sales, but an 18% CAGR on value and this is driven by what are doubtless in our view the best in class agents in the region selling, what customers need.

And there is an important point here actually to be made with respect to regulation as well. The regulators all across the region are sensibly focused on customer-centric regulatory evolution. And you hear people wringing their hands, about what does this mean, this can't be good. We have nothing to fear our attitude towards customer centric regulation is please bring it on. It gives us a competitive advantage, which you will hear from Tony and Lillian today is that we are training some of the best, most professional sales people in the region, they're providing the scarce commodity of advice to our customers, they are fulfilling needs helping people improve their financial literacy, we encourage this regulatory evolution, we welcome it.

Tidjane showed you this slide and what this highlights is as he described to you is the very impressive performance of Standard Chartered over a long period of time and the UOB deal over a shorter period of time both terrific outcomes. This shows you the larger story. Agency grows fast, but banker grows faster and banker increasingly dominates the distribution landscape in markets like Hong Kong and Singapore and Thailand.

Again, this is a unique dimension that's uniquely ours. We have multiple exclusive relationships, which have succeeded very well over multiple territories. It's driven by rapid activation and you've seen that most recently with Standard Chartered and a few years ago with UOB, it's driven by a professional, experienced team of guys who know how to manage this process.

And whose objective is to provide long-term advice based customer solutions to bank customers as opposed to deposit strip. This is -- these are very valuable products sold face to face in the branch just isn't agency, this is face to face advice base need selling, that's what's happening in the branch.

You've seen this in earlier as well, Tidjane talked a lot about protection because it is core to our story, it is core to our strategy. This is one of the shifts we made beginning in 2006, 2007 when we said we're going to take this business down a different road, so you've seen this earlier and this demonstrates effectively the cost of healthcare to an Asian customer, to an Asian consumer.

Now everybody asks, why is it that Asians save so much, why the savings rate is so high. This slide answers the question. They don't have a choice. They have to save, because they don't have a safety net.

We are creating the safety net and as Tidjane also showed you, we are creating a robust safety net and we're doing it at a cost that's reasonable to consumers by any standard, but particularly when you compare it to cost of a similar safety net to Western consumers.

So the example here, I'm not sure Tidjane mentioned is actually based on our Indonesia business and what this shows you is with the advice of agents or people in bank branches, our customers are practicing basic needs excuse me needs based financial planning, they're protecting themselves, they're protecting what they've accumulated and then their accumulating more, that is the basis of every sensible financial plan, protect what you have and then try to get more.

Now what this strategy has done over the last several years, we track it here from 2008, it actually started in 2006 focusing on these fundamental needs that customers have its transformed our business in a couple of ways really.

First of all, we're doing a better job for customers, we're doing for customers what no one else can do. Our industry is uniquely positioned to do it and we're doing it. We've derisked the lives of our customers and as we've done that, the reality is we've also derisk our business.

So what you get from this strategy after a period of years is reliable financial outcomes for customers and reliable financial outcomes for shareholders. Great outcome for everyone.

Now talking about customers, there's lots of ways to measure customer satisfaction and I mean we do focus groups, we do engagement surveys, there is lots of ways you can do this. And we do them all in all markets and we get those statistics back and they're always encouraging to us, always a good outcome. There's always more we can do, we're always looking for ways to improve, but we're consistently pleased by the statistics we see. But honestly, when you think about customer satisfaction, nothing speaks to you. Nothing is as important, as the propensity of customers to keep the product they bought and to buy another one.

So as you can see from the statistics, I think we're doing a very good job. I'll say again, our approach is advice driven and that's important. Our products provide genuine value, that's important. Innovation plays a role. You'll hear today about innovations that involve technology like electronic submission of applications with no wet signatures, which you can do in those places were automated underwriting, which allows us to basically instantly issue a policy untouched by human hands or the customer actually where we've even gotten application in the way, where the agent can literally on certain products that don't require underwriting print the policy on the spot.

That's extraordinary. Technology helps you ensure compliance because since everything is locked in the system. So technology is important, but I would suggest to you and you'll hear about this today as well. That the innovations that really matter and bond you with the customer or the innovations that involve the human touch. Some of you have heard us talk about the service we offer in Indonesia, Tony and Louie will touch on it today, called prove my hospital friend, which is essentially a concierge service that we have set up in every hospital in Jakarta, when a provincial phase in chip checks into the hospital.

They get a little extra service. They don't have to worry about accumulating their receipts and filing their claims because of provincial staff member is there in the hospital visiting them in their room during a stressful time and sorting that out for them. That's the kind of innovation that makes customers think to themselves, I never want to separate these relationships because these people treat me well.

So in my view, we talk about, you see in our advertising, you see in our branding all the time, always listening, always understanding. That's what it means. That's the concept of listening and understanding in action. Everybody's got a tag line on their logo. Everybody talks about what they aim to do, but what we try to demonstrate customers every day is that we're not just talking about it, we're walking the talk as well.

So I want to shift gears now for just a moment, if I could and talk about sprint for few minutes. Whether it's a savings product that a customer buys through our life business or an investment product that sold by E Spring through a bank or broker or some other channel. Every customer has every right to expect that these assets will be well managed and that he will be given a solid return on his investment.

Now as you can see and Guy will talk about these statistics in more detail. But as you can see E spring has done a good job. They've done a good job for life customer, certainly its core to our story. But they've also done a good job for our fast growing segment of third party customers, who's confidence in E spring and their investment performance has propelled these spring into the market leading position amongst asset managers in Asia ex-Japan and that's what this slide also shows and this is a great accomplishment for Guy and his team.

Guy is going to show you this slide and he'll talk a lot more about it, but I just want to cover a couple of points. This is an E spring strategy and I want to point out the fact that in at least one way, it's notably different from our life strategy in that for E spring, North Asia accounts for two-thirds of our external flows. So actually this is a similar dynamic to what we're experiencing in the UK, which Tidjane has already spoken about, which is as markets become more mature and evolve, it can present challenges to life insurance companies in terms of how they play in that market. It requires them to evolve their products and so forth and it creates huge opportunities for asset managers.

So what you see happening in the UK market with M&G and our UK Life business, we experience some of this is well in Asia in Taiwan and in Korea and in Japan. We continue obviously to build out the emerging part of our platform as well, Southeast Asia, it's important that we have this strong asset management presence where the Life company is present and thriving, you've seen us do that most recently in the last year or so in Indonesia, where we've opened an office, it's now and Guy will talk a little bit about how that transition went in and what a great success that was.

The partnership between our life business and E spring is truly a symbiotic relationship and again it's more than just an operational relationship, it's more than just the relationship between an asset manager working for our life insurance business. As I mentioned earlier, there is enormous strategic value in building a broad franchise that provides Asian consumers with protection and savings and investment products all from a single trusted family of brands. I think that the value of that strategy is unimpeachably.

So we're at not for E spring, again reiterating point the evolution that will ultimately occurring the decades ahead in Asia, which might present a challenge to some of our competitors, who are not present and thriving the retail asset management space, well actually be an opportunity for our franchise in nature.

So, as I said it is the season for out with the old and in with the new. This is the third time that our Asian business has stood before you and made a challenging commitment to deliver performance against some specific objectives. Because of everything that Tidjane has said and Nick is said, I've said everything that you will hear later today about this Asian franchise all of these things give us the confidence to stand here and say we are undeterred by the challenge that these represent, we have every confidence that we can meet and exceed these targets.

There are lots of organizations in Asia, lots of insurance companies, lots of them are standing up and saying the same things we're saying in and doing trying to do the same things we're doing, but we are unique in that we are, we stand here before you and we can say with real conviction that we've not just talked about Asia, we've delivered on the promises we've made. So here are new promises that we're making and we'll deliver on these in the future just as we delivered two different occasions in the past.

Now, on that point of the consistent outperformance of our team in Asia. Increasingly, I find myself being asked over the last year, and I was asked honestly unprompted by one of you last night at dinner, who are suggesting they wanted to come to Asia and the spring to try to get some insight and understand why it is that prudential performs, as it does when others in the industry do not perform in the same way.

So the question is how do you explain that performance against the market. What is it that's driven our outperformance or the way I could sometimes characterize it, what is the secret sauce. What is it that makes us prudential. Hopefully we're going to demonstrate today, by the end of the day you'll get some sense that some of the absolute critical components of our success, although we have a sound strategy based on strong discipline and we execute against that strategy relentlessly.

But there's a fourth component that we've never really talked about in this saving. But that I've started talking about more recently, because you're asking the question because I think it's important and that is, I guess, you would characterize it as our culture. You'll sometimes hear us within you that the Asia family talk about our sales as a family and we view ourselves not just as a commercial enterprise, obviously that's what we are and that's important. But we are also a family. That's in the business of serving communities and serving our customers.

So again a commercial enterprise with the right disciplines, the right focus. A well run commercial enterprise but we're fortunate that we're in a business that has very strong social utility it's not hyperbole, I don't think to suggest that you look at our industry really since World War II even before. Our industry has played an important role, an important nation building role in emerging markets around the world.

CSR, we've put some examples up here of CSR. I want to talk a little bit about CSR because it's it plays, what I think is a uniquely important role in our culture. Throughout our team what you get when you talk about CSR is a view, that it's not our responsibility to give back. It's actually our privilege to give back. It's an important part of our DNA. We believe that the logical commercial outcome of our business is good for customers, so it's a natural extension that some of the treasure that we accumulate as a result of the strong commercial enterprises put back into the communities, where we've done business and where we've been successful.

So we deploy our financial resources as you would expect us do, and most organizations do that. But, what we do this is a little different as we deploy our people.

So, we just had a natural disaster in the Philippines, it happens all the time, unfortunately in Asia, we live in the ring of fire. And what -- we've made a financial commitment already from our prudence foundation to the Philippines. But what, our family members in the Philippines know, as it is soon as it safe to do so that not only we'll have money arrive there to help with the rebuilding agent, rebuilding of the Tacloban region, that was impacted by the super (inaudible).

But dozens and dozens and dozens of their colleagues will also arrive and they'll roll up their sleeves, and they will help with the rebuilding, in all across Asia, in Indonesia in 2009 we built 250 homes, a community center, a school. We funded it, our people did.

We did the same thing in Thailand after flooding, we did the same thing in Japan after the Tsunami. As soon as it's safe to put people on the ground, we'll do the same thing here. And the vision that you -- you think about our people in the Philippines, most of these people they operated in level in our organization, but they would never have the opportunity really to meet many colleagues from outside the Philippines.

And when they see people coming from Japan or China, India, Cambodia, Vietnam, Malaysia, Singapore, Hong Kong, coming to help them, it is massively motivating and honestly almost to the point that it's difficult to describe too.

It's an important part of the glue that holds us together. So disaster preparedness and relief is obviously an important part of our CSR platform, so as education and so as financial literacy, these are the things we focus on, we've done some pretty interesting things in other areas as well.

You see the little cartoon over there to change, I think we have -- we've talked to some of you about Cha-Ching in the past. It's a very clever thing that we started two years ago in conjunction with cartoon network. It's basically each episode is a musical, animated cartoon, that talks about themes of financial literacy and you would think, what kid wants to sit in front of the television set and watch a cartoon about spending money.

And a lot of this stuff we do around CSR is not, you can't quantify the result of it, but actually this one you can't quantify, because we subscribe to the Nielsen ratings for Asia, and what we've learned this year is that Cha-Ching which is meant to be a financial literacy CSR effort. And we're optimistic about it when we did it, but we had no idea that we'll become the number four rated cartoon in Asia, viewed by millions of kids every day, 40% of the viewers are young mothers who by the way buy life insurance, invest the money on behalf of their household.

So, according to the Nielsen ratings, we are number four. In the Philippines, where the government has also put Cha-Ching into the curriculum of the primary schools, we are actually being number one rated cartoon in the region.

So, what this allows us to do, it's not only stand here today and tell you that based on the performance of our business, we are number one in Vietnam, and we're number one in Singapore and we're bigger than this competitor and bigger than competitor, we can stand here today with conviction and tell you we in Asia are bigger than (inaudible) and we can prove it with statistics.

Lots of organizations talk about mission statements, and you -- I don't think in any presentation we've ever made, we've ever shown you a mission statement. But what we do have is a statement of purpose for the organization, doing well by doing good. You hear this a lot from us if you walk around our offices around the region, you'll see little blocks of crystal sitting on people's desk, all is the face of prudence edged in it and over here face is doing well by doing good.

The value of the purpose driven organization that we're leaving is that the commercial uplift you get from that purpose driven approach is very difficult to quantify, but it is undeniable and it is real. And when you ask the question, what's the secret, that's it, that's the secret sauce.

Now, as I've said, it's difficult to quantify, but it's real and after having told you that it can't be quantified, Adrian is not going to come up here and give you a bunch of quanty numbers and he's going to try to quantify for you. But thank you for your attention, Adrian, I'll turn it over to you.

Adrian O'Connor

Thank you very much, Barry. Yes, we're going to get into lots of numbers now. Over the last number of years, we have focused on managed and delivered against our key metrics around value profits and cash.

We have invested in selling profitable new business and creating value, and as Nick pointed out earlier, more importantly we've created an expectation and expectation of a future screen of profits and cash flows, it's not just about the value, what that value means.

Through managing tech, persistency, expenses and claims, we have protected that investment and turn that expectation into reality.

As a result, we have achieved two of our 2013 objectives namely IFRS and cash one year early, and we are on target to meet the doubling of NBP this year. In this presentation, I'd like to revisit the value profits and cash cycle, and given our new objectives with particular focus on monetization, free surplus generation and IFRS profit.

So, here is the schematic about cycle and we start at the very top. When a company's starts up, what it does first of all is invest in new business, thereby creating this expectation of the future -- of free surplus generation, a future monetization.

And I wonder easy methodology, the present value of that monetization is the addition of the value of the inforce and the required capital. And let me just make that point again, it's very important to emphasize, that the release of the required capital is part of that future monetization, it's not just the release of this.

Then through managing pack, we convert that value into IFRS profits and cash and there is a relationship between IFRS profits and free surplus generation, and I'll talk about that later on.

And finally with that cash, we reinvest in new business, remit some of it to grow and retain some of it in our businesses. So that is the cycle. Now, given that we already have a very large inforce block of business, I'm going to start at the value part of that cycle, by looking at the growth of the embedded value since the end of 2009, obviously, the end of the first six month this year, and then looking at its components.

EV is grown by a CAGR of 20% over that period, to a value of just over 10.9 billion, that 10.9 billion is made up of value of inforce of 8.5 billion. We're quite confident just over 1 billion, and free surplus, excess free surplus of almost 1.4 billion.

And as I said earlier, the present value of the future monetization, the present value of that free surplus generation is the addition of this and required capital and that has grown from almost 5 billion at the end of 2009 by 4.6 billion, almost 9.6 billion by the end of the first half of this year.

Where did that growth come from?

And here it is, the sources and things of that growth. New business has contributed 4 billion to that growth, the biggest by far contribution. The return on the inforce has contributed 2 million, that includes 1.5 billion of the unwind of risk discount rate and 0.5 billion of non-operating gains mainly because of the fall in interest rates.

Then we've seen an actual transfer to free surplus that's real monetization and you've seen this number earlier from next slides of 2.259 billion. We've had a tailwind of 540 million from exchange rates. Now that has been reversed to a significant stand over the last six months and finally, we've had positive 301 from others and part of that includes with the purchase of UOB and Thanachart, the value of their back books.

Now given that new business contribution is the biggest contributor to that growth in value, I just want to spend some time over the next few slides delving into that new business.

And this first slide shows where that new business has been generated by business. Not surprisingly 80% of the new business contribution comes from our four biggest businesses, Indonesia, Hong Kong, Singapore and Malaysia. But it's very interesting to know that we've had significantly increasing contributions from the over sweet spot countries of Philippines, Thailand and Vietnam plus we've also had great increase from China.

But as I said before, new business contribution is just a value number. It's far more important to look at the actual expectation of the monetization, the profile of that monetization. And we're now going to have a look at that.

This slide shows the expected monetization for new business separately for each year 2010, 2011, 2012 and the first half of this year. A couple of points to note about the profile of the monetization. First of all we recycle capital very quickly and consistently from year-to-year, it's been less than four years.

For example, this year in the first half of this year, we invested 165 million in new business, we expect to get that money back 210 million within three years. The second point to note about the profile, the profile has looked very stable from year to year. Just skiing your eyes over it looks very stable.

There is a second order effect, we've moved more to power over the last few years and the impact of that has been as a percentage of AP we're investing less and the monetization profile has slightly moved to the right. Now that's the monetization at the PCA level.

But what does it look like at the product level? The chart on the left side shows the accumulated profit for each of our major product lines per 100 APE and I'm going to start from the bottom with power business, no initial investment and a slower emergence of profit as most surplus distribution is by way of terminal bonus when the policy goes off the books. The next one is the red line linked savings, which has very little protection.

So most of the profit there come from the management fee and the funds under management and obviously grows as the funds grow. Again because it's linked very little investment relatively quick payback. The next one is the blue line, non-power which is made up of for example Universal Life in both Hong Kong and Singapore because of their requirements a relatively significant investment from and it takes about six years to pay that back. Most of the profits comes from investments spreads.

And now we move to the two heavily weighted protection products. With what Bow [ph] describe as having noon shop profiles. First of all, health and protection that stand-alone health and protection again, that has a relatively heavy investment because we required reserves initially, but because it's protection we accumulate profits very quickly and breakthrough is after four years.

And finally linked protection. Basically, all those riders on the link chassis, little investment but rapid profits because of protection profits. That's the left chart. What does all that mean for our business, if you apply that to our mix of business that we wrote in the first half of this year, we get the profile on the right. And not surprisingly, it is dominated by the protection pieces, the grey pieces and the blue -- the dark blue pieces dominated.

So let's now move to IFRS. I said earlier there is a relationship between IFRS free service generation in IFRS and I think it's most easily demonstrated by looking separately at new business at Inforce and this is what I do here, left is new business trend, right is inforce profit. Let's start on the left hand side, investment in the new business are from free service perspective was 1.034 billion over the period.

Grossing that after tax, we have a negative 1.174. Now part of the investment -- that investment is setting up required capital of 335 million, which doesn't come in and it doesn't hit our IFRS numbers.

The second most important piece is all our upfront costs the commissions, underwriting issues of policies that's all expensed upfront from a free surplus generation perspective, from free surplus new business trend.

From an IFRS perspective, we're allowed to spread that cost over the lifetime of the product. The way we do that is selling DAC, DAC assets and amortizing it over the lifetime of the product.

The third piece is due to the fact that nearly every single and a basis we have in accounting, the different basis always have different ways of value in our assets and our liabilities and that's just a life.

And so we have a little bit of a difference there which again reduces the new business stand in IFRS by 152. So we move down to IFRS trend is only 190 million, for new business trend from a free surplus generated perspective is almost 1.2 billion.

Now let's switch over and look at inforce profit. Inforce profit for and on from a free surplus perspective was 2.509 billion over the period gross again after tax, we got 3.061 billion. There's been very little release and required capital in the period, 14 million.

And now here is the differed acquisition costs we are now amortizing it, we're charging IFRS for that those cost that we set up we incurred initially. And that's coming through at 488 and finally again a little -- small little movement on the difference in the valuation of assets and liabilities.

So we have -- the fact that the IFRS inforce is slightly lower than the free surplus generation, put those two together, our emergence of IFRS profits is quicker and free service generation at this stage of the maturity of our business.

So let's now look over the next couple of slides, if you want to look at some characteristics of IFRS profits, firstly by country, and then by source of earnings and this is by country.

The CAGR to the end of 2012 from the end of 2009 was 30%, a big four countries Indonesia, Singapore, Hong Kong and Malaysia grew on average by 27% and all of them grew by more than 20%. But more interestingly the others have grown by 41%. The sale in the chart on the right, China, India, Korea, Philippines have all grown dramatically.

One of the point to note about India, at a 100% India at the end of last year was in line with Singapore as our second biggest IFRS profit producing business. Vietnam actually fell, its profit fell over the period, but that's because due to regularly change last year, which has put greater restrictions on the distribution of profits from power business, but since then it continues to grow.

And finally Thailand and Taiwan have moved from a loss position to a profit position during that period. So every single country is now, every single business is now contributing positively to IFRS profits.

So now let us look at the profits from the sources of earnings and Tidjane has already touched on this. Our profits have grown strongly year-on-year and consistently in spite of a volatile macro environment. This is down to the mix of our sources of earnings.

And as you can see is I would just take half-year 2013 as an example. 62% of our profits not surprisingly comes from protection, the difference between our charges for the cost of insurance and the claims and it's all down to regular premium investment as Tidjane said earlier, that's the core to it and it is resilient and it is growing.

Our second piece is fee income, which makes up 16%, which is the difference between the fees charged on our assets, the cost of managing those forms and clearly that is exposed to volatile markets.

A combined spread income and return to shareholders assets that contributes 17%. Spread income is from our non-power business and it's totally backed, but fixed income on asset's as the shareholder forms.

So with fixed income we're getting steady stream of income. And finally we are with profits, again a steady stream of income as we declare bonuses and bonuses are based on average returns of assets. So the vast majority of our profits are independent of short-term market volatility.

So finally, we move to free surplus generation, but I feel we've already touched on it quite a lot throughout the presentation. This slide shows the buildup of free services available over the 3.5 years we've been talking from the end of 2009 to the end of June of this year.

We started off with a stock of 962 million, to that was added in four free surplus of 2.718 billion, made up of three pieces. The transfer to free service on the insurance business of 2.259 billion, the return on the assets of that excess free surplus of 250 million and the net profits from Eastspring of 209 million.

The one point to note about this is, we have exceeded -- we expected to transfer 2.005 billion. We actually transferred 254 million more and that is due to -- this outperformance is due mainly to the effective management of persistency expenses and claims.

And finally on the right, we've got market movement of negative 100 million given us free surplus stocks available for use of 3.58 billion. So how we use it, and this is shown on the right.

We've reinvested 1.034 billion in new business, we've remitted 970 million to the group and we retain the rest in our business.

And then the cycle starts again, we reinvest in new business to generate value, but for us it's not a cycle, it's an upward spiral, we invest more in new business, generating more in value, generating more profits, more cash, remitting more and it goes on and on and on.

So in summary, we started with inforce block of business which has the capability of generating almost 10 billion of future free surplus plus interest. Each year of profitable new business as we've seen add significantly to this capability.

Through our managing of PAC, we have insured and demonstrated that this capability has turned into and continues to turn into reality. As a result, we will continue to grow all of our key metrics strongly and are confident of delivering on our new objectives around free surplus generation and IFRS. Thank you.

And now, I hand over to Barry Stowe.

Barry Stowe {BIO 15021253 <GO>}

Good morning. Thank you, Adrian. So Eastspring has achieved a lot over the last couple of years since we presented. I think we've made some significant progress. We've repositioned the brand and that creates uniformity and as I'll explain importantly has given us growth opportunities, it enabled us to enter markets that we did not previously have a presence.

We've expanded our unrivaled footprint in Asia, and we now have presence in 11 markets, in nine of those we have investment teams on the ground with some 250 investment professionals.

We've grown out from to about 16 billion pounds and on the right as Barry showed, we are the largest retail manager in Asia ex-Japan. This is a survey conducted each September and we held that position 2012 and again in 2013.

We've commenced distribution to Europe and the U.S. and while North Asia continues to be material to us from a third party perspective. Southeast Asia is an important market for us as a source of our future growth. Not surprisingly, we've enhanced our Southeast Asian footprint by opening our office in Jakarta just last year.

Importantly, the business platform remains well diversified whether we look at that on a client mix basis and asset mix or by distributor. So on the left-hand side in terms of client mix; we have 55% of our funds under management either tied to external third-party clients or to the ILP business. And that represents 75% of our total revenue, so really important part of that market is interfacing with external clients whether they be third-party or the external clients through the life business in the form of ILP.

On distribution, banks and brokerages remain critical to us, but in certain markets such as Taiwan and India, direct distribution always also plays a key role. Now, Barry mentioned our performance and as you know investment performance is the critical ingredient to an asset manager's success. Pleased that we had a consistent uptrend in performance from 2008 to 2012, a little less pleasing is being the fact the numbers have come off over the last year and a half.

Now, we've seen headwind particularly around our core equity portfolios, we're a value star manager and momentum, growth and high dividend in particular have been the factors that have contributed most to Alpha in Asian markets. What is pleasing though is that our fixed income performance as well as global asset allocation, Japanese equities and some of the key in country funds continue to perform very strongly.

On the right, I show a sample of those funds. Many of them Morningstar rated, Lipper Survey, Quartile Rankings also shown. I draw your attention to the top line the Asia Equity Income Fund is known as Oceania [ph] Equity Income Fund, it's distributed in Japan, it's a 2.8 billion pound fund, obviously important for our business. Now there's a November survey up from Lipper, which shows that that is the second POIT, it's a public offer fund, second largest public offer fund in the equity space in Japan.

And it's the single largest Asian Equity Fund in that space in Japan. In fact it's five times bigger than the next largest Asian Fund distributed in Japan. Also down the bottom is the monthly income plan, similar to the Asia, Asia Equity Income Fund I just described, it's a monthly distributor of income. Asians have enormous appetite for regular dividends, regular income, the monthly income plan is sold primarily in Singapore and has been one of the most successful funds in that market over the last two years.

It's been attracting about 5% market share in each of the last two years and is just to 500 million pounds. In the bottom right corner I thought I'd list out some numbers for a couple of the key power portfolios we manage for life. Over the five year period we show here, the Singapore and Hong Kong power portfolios, we've added in the order of 1% per annum. Now on 13, well nearly 14 billion pounds of funds under management that equates to about 650 million pounds of incremental value relative to the benchmark position by employing a spring as an active manager for distribution to the life shareholders and the policyholders.

We've seen also good growth in our net flows. External client net flow has continued to be significant in recent years, albeit as you see here on the left with the shift away from equity and into fixed income. On the right, relative to the market over the last six years, our fund growth as a percentage of starting sum will outstrip the market. And as you know revenue is driven in part or largely in part by average sum and mix of assets and the profit growth trajectory that the spring had been building, and if I showed this chart back before 2008 on the left, it would show a continued growth year-after-year in terms of sum and asset mix.

As well as on the right, the pre-tax profit position of the firm, we saw the profit position suffer on the right in 2012. As markets downturn in 2011 and that drove a lower average fund throughout the 2012 year. Now pleasingly in 2013 over 2012 that upward trajectory in profit on the right has been re-established. Now all this has been achieved against a fairly challenging market backdrop.

You will see on the left-hand slide, the MSCI Asia ex-Japan index is at 97 relative to 100 high water mark starting point in December 2010. And then relative to other markets shown here the (inaudible) and the S&P, it's languished well behind over that period. So we haven't had a kind uplift in terms of capital market returns, bonds have done a little better. But it's like again bonds have been a difficult asset class as have equities.

On the right, industry net flows have been subdued. If you aggregate the last five years and include as well 2013, so nearly the last six years, the aggregated industry net flow in Asia is less than it was in the year of 2007 alone. So there's been a marked slowing in contributions to mutual funds in Asia over that period. Now despite short-term economic aberrations, we still think there's significant headroom for growth in Asia. Tidjane has highlighted this, Barry has highlighted it.

We've seen faster economic growth in Asia over the last decade. Over the last decade, the Asian share of global GDP increased from 24% to 31% and Tidjane described the improvement in the balance sheets, whether it would be the FX reserve position of the current account position. Urbanization is a theme, relate to further infrastructure spend. So we estimate that investment in infrastructure in Asia will rise to over 40% of global infrastructure spend in the next decade underpinning the urbanization theme.

We'll see demand related consumption and financial sector strength, much stronger financial sector, whether it be the country balance sheet positions we looked at earlier or households or indeed corporate. Importantly for our industry mutual fund penetration rates in Asia are relatively low, so there's an opportunity underpinned by growth to see greater penetration as household incomes expand.

The retail revenue pools as we've mentioned reside in North Asia. However, over the coming decades starting from here Southeast Asia will experience growth probably faster than some of its Asian Traditionalizing counterparties. And the work force in Southeast Asia, the number of people participating in the workforce will increase at a more rapid rate than in the rest of Asia and in a positive rate relative to developed markets whereas we probably know in developed markets workforce participation in the next decade declines.

So that combined with population pyramids particularly in Southeast Asia, but in other places in Asia that support larger working populations, a growing middle class, more disposable income, already a healthy savings culture and then some aging population kicking in and the need to be self sufficient in terms of social support as a household. We think the opportunity for mutual fund growth is significant.

I become CEO just in August of this year and spent my first week thinking about our strategic priorities and re-emphasizing those. But importantly setting some specific goals and targets around those, which I believe are critical to enable us to execute well, but also to be able to measure our success. And over time, I look forward to reporting back on that success of this forum.

Obviously, the focus is on the key drivers of success for our business. So sustainable competitive investment performance, which in turn, will maximize the distribution prospects for the business as a whole. I'm really pleased; we've attracted some first class and really great talent to Eastspring over the past six months. That's been in key distribution roles, key fund management roles and in key governance roles.

We're also investing in broadening and deepening our investment capabilities, and that makes sure we have a relevant Asian focused product range for our clients.

In turn, this supports the work we're doing with a large company. So if we think about some of the initiatives we've kick-started in asset-liability matching, looking at infrastructure as an asset class for long-duration assets, mezzanine debt for more medium-term duration assets, and floating-rate loans to meet the needs of the short end of the curve and short duration.

For us the geographic alignment with life becomes a win-win, and I think the Indonesia example with that. We get market access, we get some scale that we otherwise wouldn't be able to obtain, allows us to resource appropriately on the ground. And then we can provide the life company with high quality investment expertise and local sales support. William is here today and he has already said to me two or three times how great it is, Eastspring has an office in Jakarta, and in the same office block as the life business. And his team is able to tap our team in terms of insights.

Further afield we've been bidding down distribution opportunities, as I mentioned, through Europe. Primarily small steps, so global banks, global private banks, also into the US and Europe thinking about institutional opportunities.

Having described about Eastspring as a whole, I thought it's worthwhile to pause and talk about two of our key businesses. I'll pick Taiwan here, because it's a really extraordinary retail success story for us. The mutual fund industry in Taiwan is highly developed. There is a significant offshore component to the market and an onshore component, somewhat confusing at times, it's a regulatory driven definition more than anything else, but offshore funds can look like onshore funds, as long as they're Taiwan dollar denominated.

But we've had success in both the onshore and the offshore segments. Our distribution has also been through life companies as well as banks, and as I mentioned a little earlier, direct. We drive about 35% of our third-party sales through our direct distribution capability in Taiwan, that's mostly to the high net worth sector.

And you can see the success that's had in terms of driving our market share both in terms of onshore, offshore, and the black line in the middle indicates from an overall mutual fund perspective. That success in offshore has come through some of the high yielding bond products, particularly looking at global bonds in US high-yield.

And in onshore, which tends to be a little bit more IPO driven we've had success with Asian and local currency denominated bonds, particularly in 2012, hence despite where we had a very successful IPO.

Our business in Taiwan is led by one of our veterans, Loretta Yuen, who has been with the firm for 13 years, the last eight in Taiwan and the last three of those as CEO. And as you can see on the right, she and her team have led a growth in profit that pretty much mirrors the patent for Eastspring as a whole. And at the heart of it, is an important overall contributor to the results that we generate.

So again pleasing to see that after the 2011 downturn in asset value and hence the 2012 profitability coming off the top that the trajectory in Taiwan has been recommenced in 2013.

The second market is Indonesia, and this is an outstanding example if I haven't already highlighted that point, the alignment with the life business and positioning for growth. The Indonesian life business previous to 2013 was managed in Singapore, and in 2012 Eastspring made a decision that given the enormous growth in the Indonesian life business and the potential opportunities in that market that we would apply for license, I think we were the first firm in about three or four years to go through that process.

So the rule book had to be slightly rewritten, but we've got our license last year, resourced the office and made ourselves ready to transfer those assets, the ALP funds that we've previously managed in Singapore down to Jakarta. As Barry mentioned a little earlier that went seamlessly and was a great accomplishment for the team. As I said on the ground, the presence is visible and highly valued by life. Importantly, we've taken our first little steps at the mutual fund market. So we've launched a series of funds there, mostly around balanced concept, one in particular for the life company is a money market funds specialized for them.

And we have attracted about US$66 million of inflow this year, doesn't sound like a lot, but it's a nascent market and that represents 5% of the total market flow in mutual fund space. So I think the team there led by Riki Frindos who again is another veteran of the firm, having spent 11 years with both the life business before spending a number of years with Eastspring. I think he and his team have done a great job in their first year of operation in Jakarta.

So in summary, from our perspective, Asia remains an incredibly compelling story. We'll continue to roll the future opportunity, albeit that we'll probably see over the years the mixed change from north to south, Eastspring is in a truly unique position to be able to capture that, we have the right strategy to deliver going forward. So thank you for your time.

I was going to introduce Tony and Lilian.

Tony Wilkey {BIO 19184129 <GO>}

Good morning. Tony Wilkey and Ms. Lilian Ng from PCA Insurance. Having run in the Singapore Marathon about a week and a half ago, we asked, well, actually I asked the permission to do the presentation sitting down. So I hope that's okay. Got it, okay.

This slide you would have seen many years ago and it's subsequently been copied by many of our competitors. I guess, imitation is the greatest form of flattery, but regardless the fundamental conditions for our long-term success place, time, people, platform, as Tidjane described, are very much intact, improving and more importantly, being better and better executed upon all the time.

Strategy is important, but in our world, execution is king. In the following slides, we'll provide an overview of how the businesses are run from a macro, micro, and nano management perspective, whereby delivering some of the CEOs in the room and they'll appreciate the nano part, but thereby delivering the consistent results that you've seen presented by Tidjane and Barry earlier. But the right place and the right time and the right people is not enough to guarantee success.

One must execute better than the competition, better than the market, regardless of the conditions. At PCA frankly, we don't get excited about running market performed businesses, or using external factors as excuses. One of our operating credos is no surprises, no excuses.

Barry showed this slide earlier, for us this is like our CV, PCA's CV, and it's something we're incredibly proud of. Given our relentless focus on evectional excellence, we wanted to graphically show how our performance is very resilient to economic changes, regulatory, reforms and how we have continued to outperform year-in year-out with profitable growth.

In fact, if you plug into this graph some of our competitors, you will see that PCA is the only multinational insurer operating in the region that has maintained stable positive growth post the financial crisis of Q3 2009 with 17 consecutive quarters of growth, averaging 17% growth Q-on-Q. So how do we do this?

This is our platform from a country, distribution, product perspective. You heard this earlier from Barry. Nobody else in the region can paint this picture on this scale. Our country mix, this is APE through 2012 is well diversified with no one market representing more than 25%. And now, all our markets contributing at least 2%.

If you take a look at our competitors in this context, you will see many of them are highly concentrated in one or two markets. From a distribution perspective, which is really customer access, we are well diversified and we wrote the book on managing channel conflict. The diversification speaks for itself. I would call out the light blue segment, which is telemarketing, this is small and we have little ambition to grow this dramatically, we really do this as an accommodation for our bank partners, the sales process can be complicated, and the products and attractive from a shareholder perspective, and it doesn't fit well with our distribution definition that Tidjane defined earlier face-to-face.

The product portfolio is well balanced and diverse, and it's designed to meet the needs of customers, distributors, shareholders and regulators, who approve the products. So consistently executing on this platform translates into a fairly large business.

This is to give you some sense of scale. On the left, you can see what our team refers to as the onion, so allow me to peel back a few layers. What we have today is 19 million policies owned by 12 million customers across 13 businesses in 12 countries serviced by 458,000 highly trained highly professional agents, plus 15,700 active bank branches, where Prudential policies are sold. All of these activities are supported by 15,000 of the very best professionals in the region, and in my mind, maybe the best in the world.

On the right, you should get some further sense of our scale. This data reflects average monthly activities across a series of metrics. Take one example, policy count. On average every month, one quarter of a million policies issued, that's one policy issued every 10 seconds assuming you work 24/7, and for those of you who know us know we do. Anyway you look at it, this is a big place, getting bigger. And running such a large machine takes a lot of work and a lot of investment. We have, over the years, made significant investment in people, process and technology to be able to manage such scale, such growing scale.

Some of you have visited our operations and seen the high levels of automation on the back end combined with state-of-the-art point of sale tablet based technology on the front end, all wrapped up in world-class analytics, monitoring, measuring and constantly improving capacity, throughputs and reducing cycle times, while improving quality. It's a very big machine, a big machine that has resulted in quite a successful Asian franchise.

Okay, let me explain this slide. The horizontal axis is market share, the vertical is contribution to PCA by our respective business units, the colors of the circles represent brand power as measured by aided and unaided brand recall, and finally, the numbers next to the circles represent market ranking. As Barry pointed out, market share, market ranking is not our objective. Our objective is to build long-term high-quality businesses, this is an outcome.

You can see we're very big in Southeast Asia. Big in Market and big within PCA, plus, we have created a very powerful brand, which is very critical for Asian consumer confidence. This brand takes decades and significant resources to build. And from our perspective, creates a huge competitive edge; and for our competitors, a barrier to entry. In markets like the Philippines and Vietnam, we have very powerful market positions. And as these markets' economies evolve, we are very well positioned to prosper.

Thailand is improving on all basis. In fact, Tidjane told us two years ago step change Thailand. As you know, we're well on our way to achieving this and we'll give you a lot more detail further on.

The other call out, I would mention, is China where we're doing very well and we will discuss in detail later, note on the brand front, we trade more in China on our partners' brand CITIC which is far more powerful than Prudential at this stage.

Okay. Let me pull all this together. This is our blueprint, or as I referred to, our battle plan. In a nutshell, we build and manage powerful distributions to deliver products and services that work for consumers and shareholder. We intensely protect value through an obsessive focus on PEC, persistency, expenses and claims, Adrian talked about this earlier. We do all this through the best most disciplined teams on the field. Frankly, this hasn't changed much in the last five years. Our strategy remains clear and consistent. It's enabled by the most intense focus on execution. And as Tidjane said, more of the same, but much better executed going forward.

Okay. Let's go into some detail country by country. Lilian, if you would.

Lilian Ng {BIO 17943445 <GO>}

Okay. First, our country, Southeast Asia, and where we firmly call our sweet spots. We have a great position, they have a great position with high growth and resilient economies there. So from a democratic natural resources perspective, this is the growth region in the future. Luckily, we have a leading and sustainable presence in this region. Our powerful competitive advantages are large and quality agency force proven bank assurance capability, service excellence and strong brand awareness. And I'm sure you are going to hear more of us saying the same things over and over in the future slides.

Let me start off with Indonesia, the largest economy in the Southeast Asia, it's also the fourth most populous in the world with 250 million people, and the largest Muslim population. These are people we saw and why I keep legacy stay of 17,508 islands. Now, this is an important key as we mapped out our strategy in the country.

The insurance market in Indonesia still have very low penetration, but it's a very crowded market with the top five having 55% market share. Agency is still the largest channel; the bank assurance is growing, but on the back of deposit alternative products, as more than 85% of the single premiums are sold in this space, and which I think Tidjane referred to earlier.

We started Indonesia in 1995; we are the number one insurer in Indonesia, a position we have held over 10 years, since 2003. We are also number one in investment link, number one in this area, and number one in agency. We have over 200,000 agents there now in 327 general agency offices, spread across 137 cities. 60% of the total agents in the country is with Prudential. We are also growing our distribution reach to six bank partners and is now rank third in terms of first year premium for bank assurance.

Now, how do we do this? I think the prime reason for our sustained leadership is our unrivaled platform. There are four key aspects to this, how do we fill our footprint, our operational capacity, our comprehensive customer solution and the best-in-class engagement platform; each component is critical. And I think earlier Tony talked about the battle plan; is like building a battle plan in the country. So first, we have to get our footprint.

Now, and as I mentioned because of the archipelagic nature of the country, we have adopted a general agency model to allow fast and efficient expansion. Each qualified GI office operates like a franchise, and is responsible for all agency space, administration and operation. But the agents and leaders continue to be tied to the company.

Now, we need to get the foot soldiers in the offices. We have a disciplined approach to drive scale and quality, riding on four key agency management competency. Recruitment, where we have a blueprint for recruitment seminar; training and development, where we have a roadmap from rookies to performing producers to leaders' development. Our rewards and recognitions are designed to reward quality business and promote a career path for our agents. We also have performance management, where we set objectives and also disciplinary actions for nonperformance as well.

Our sales economy has the capacity of 1,650 seats in 60 cities for training. And our compliant and state-of-the-art EXM and on the spot e-licensing platform has a daily capacity of putting though 2,400 agents a day.

Now, from an operational capacity, we have a robust system for policy processing and delivery, leveraging technology. We have five data management centers in four cities and one including in the far north of Midland for collection, scanning and capture of application. This data are then transferred electronically to our headquarter in Jakarta for auto underwriting, auto distribution and medical underwriting if appropriate. This data all then cycled back electronically to our BMC for policy, production, issuance and delivery. This platform currently issues 80,000 policies a month, that's two policies a minute.

Now, talking about customer, we have our secret weapon, which Tidjane touched on earlier, which is our all-in-one solution. Our all-in-one product solution offers protection, investment and savings.

Now, these solutions provide a range of innovative health and protection coverage and adaptable for evolving life stages, such as marriage, child birth, education and retirement. And the accumulation part supported by our colleagues in Eastspring is a range of top ranking fund options, both conventional and Shariah to suit the varying risk appetites of our customers, and all at affordable pricing as mentioned by Barry earlier.

Now, on average, each policy we issue in Indonesia has 3.6 protection coverage, and the main one is being accidental death, medical, premium wafer and early stage critical illness. And to complete this platform, we have the best-in-class engagement and servicing for our distributions and our customer, including walking units, call center and a special forum on pending management for sales force and complaint handling for our customer.

Now, our customer care solutions include the country yard hospital, such as the four hospital friends we mentioned, that support a mission to hospital, appointment making, claims and follow up. And not to mention now online sales service on proved success. Now, because of our unrivaled platform, it has brought us more than 2 million customers, and just year-to-date 2013, we have just added another 0.5 million customers in Indonesia.

So, moving on from the country with over 17,000 islands, let's move to one island, Singapore. Singapore is obviously normally referred as the Asia's Switzerland, and it has the highest millionaire in the world. Apparently, according to the Boston Consulting Report, roughly one-in-30 Singaporeans was a dollar millionaire in 2012 and this is going to get to one-in-20 in five years time.

The Singapore insurance market has 18 insurance company and the top five contributing to over 70 shares -- 70% shares. Again, the market is multi-distribution with agency, bank insurance and a small broker channel. Prudential in Singapore is number one, and more importantly, we're also number one in regular premium sales. In half-year 2013, we sold more regular premiums than the number two and number three combined.

We consistently outperformed the industry by about 2.5 times over the past five years in terms of new business. And this consistent deliveries because of our effective multi-distribution platform and our agility to evolve and innovate to capture opportunities within the market.

Now, our multi-distribution platform consists of a highly professional full-time agency force, as well as the unique set of bank partners allowing us to assess the different customer segments. We have an agency force of 3,500 and is the fastest growing amongst the top five. We have the most productive agency with productivity being 36% higher than the number two.

We've got a collaborative and consultative model with our agency leader across different business metrics including compensation, sales advisory, product standards and operations. And we continue to build and strengthen our wealth manager segment to penetrate the high net worth as we mentioned.

On the bank assurance front, we have a proven track record with multi-partners. Our bank partners have brought in our distribution reach. Prudential products being sold in 166 branches, 484 insurance specialists and over 1,600 banks staff in Singapore. We have grown our market share for bank assurance 2.5 times since 2005. The key success factor is a dedicated account management, but more importantly, a tailor-made engagement model with each of our partner to optimize the value creation.

Now, the result will speak for itself. After the fast activation of EOB since launch in 2010, the partnership continues to grow from strength to strength. We had achieved a 56% growth in 2012. Our long-standing partnership with SEB was transformed and delivered high productivity, 56% growth in 2012. And we continue to break records year-on-year with MayBank with 46% growth in 2012.

Shifting gear just a little bit on the record PruFund, given that compliance culture and our execution oriented mindset, we are already well prepared and positioned for the requirements stipulated under the Financial Advisory Industry Review, we call it FAIR in Singapore.

Now pay implementation will be in stages starting in mid 2014 to January 2015, the call areas being balanced score card disclosure, competency and the web aggregator for simple products.

Our customer strategy in Singapore used to leverage innovation to improve customer values and, I think, we've presented many times, PRUshield is our successful secret weapon for custom acquisition, but we cannot be compliance. We continue to innovate in 2013 launch two further benefits, which are -- that are first in the market, including in overseas medical treatment and insurance option on key life stage events without further underwriting and what is the result?

20% of our customer who have purchased PRUshield will repurchase within one year; 30%, where we repurchase within two years. We continue to be progressive on the protection in accumulation products over 70% sales of new products, I actually sold to our existing customers.

Now, we mentioned about the high net worth opportunity earlier and we have developed the Prudential series to customize products to capture this group of customers from investment planning, legacy planning and protection planning and we combine these with the value added service, such as iPad apps, exclusive land to our high net worth customer in the service center and also a portfolio designer to make investment.

Again, what is the result? High net worth APE is now 13% of our total company APE coming from only 3% in 2010.

We try to put buy and then reach customer experience from mid-sales to pro-sales PowerPoint technology and Barry touch on this earlier with our Pru one [ph], which is a customer engagement platform that provides advisory to illustration, to applications, to e-signature and to submission.

We also have a post-sales "high platform" which enables online sales surface on premium sufficiency, illustration of the in-force policies and funds switching.

Now with all our customer focus, the average policy per customer in Singapore has recent from 2.1 in 2007 to 2.5 and now retention rate is that a high 96 PAT 0.8%. These are good proxy for customer satisfaction.

Okay, moving on one island to another, Hong Kong. Hong Kong has 7 million population based where which was 9% being the millionaire household. It is the premium gate way to China for trade and also tourism. Domain in China system is the largest visitor source for Hong Kong at 72% and they spend more on average 30% more than other visitors.

I think that's true any way they go. The Hong Kong insurance market is very crowded and concentrate with 14 insurers and the top six covering 70% of the sales.

Now bank own insurers dominate the market since 2009 again with deposits alternatives. These are single premium or two pay guaranteed products. They are now account for over 50% of this segment.

Prudential Hong Kong is the only insurance company to remain top free on the full year basis since 2006 and outperformed the market by two percentage points from 2005 to 2012. Now this outperformance will only make possible because of our resilient, multi-distribution platform. We have a high-caliber foot time agency force of over 6,000 agents. We are the second insurer to have crossed over 6,000 agents in Hong Kong and we have a strong focus on recruitment with the dedicated recruitment team and now Asians have recruited and managed by agency leaders on average with 20 years of industry experience.

Now, despite having the highest recruitment rate in town, we also have one of the highest retention rate for new agents. We're also the most productive agency force and the only insurer with productivity growth year-on-year, since the financial crisis, 15% of our agency has MDRT status and now compensation then we will brought us design to ensure we motivate both intrinsically and extrinsically.

The million dollar roundtable, yeah. It's a status in the insurer. To optimize the opportunity for the mainland Chinese flow of high network, we continue to have a mainland agency strategy with tailor made operational support, surface, product and surprisingly language support, because of the different dialogs being spoken.

On the bank insurance fund, we've celebrated the 15 anniversary with SCB this year. This is the first strategic partnership of this kind in Asia. The partnership has produced resilient performance running at a 20% CAGR from 2005 to 2012.

Our unique insurance specialist model is complemented by the in-branch model to penetrate the various customer segments of the bank. We have 160 insurance specialists that are highly productive delivering on average 12 cases per month.

We also put an integrated team working with Standard Charter. We have introduced Mott's leads to transform customer analytics into insights and drive improvements in Referro penetration and productivity. The Hong Kong customer strategy is to ensure a comprehensive set of solutions by segment.

Now, let me use the medical part as a case study. The Hong Kong government actually provides high quality health care with 46% medically ensure publicly, so the mass affluent demands better private care surfaces and so this is key in developing and innovating our medical solutions for our customers.

For the mass affluent, we have a new reimbursement plan with inner limits covering just the essential medical private care with local focus and competitively price. Now for our high net worth version, it's a full reimbursement version with local and global coverage and cash with settlement. So we have distinguish, this distinct benefits for different customer segments.

For education and to increase awareness, we have implemented free integrated thematic website to target different life stages. PRUmy child, which is focusing on education, PRUmy health which is focusing on wellness and what is your retirement number. Now, these sites have calculated to determine cost, educational and knowledge-based article and suggested funding options.

For the PRUmyhealth, we have also added a premium surface partnering with row to health to develop an online health platform that offers 12-week tailor-made program for our customers to monitor the health and wellness.

Now, given all this customer initiative, no one that we're able to increased our customer base in Hong Kong by 19% since 2011 and again a high customer retention rate of 96.7%. Now another one over businesses through such high retention rate is Malaysia at 96%, and Tony will give you more color of our business in Malaysia.

Tony Wilkey {BIO 19184129 <GO>}

Thanks, Lilian. So, Malaysia truly Asia, this is our oldest business, 90 years old and yet, one of our most innovative. It's a fascinating evolution from what was a colonial branch serving the Brits in Malay, my father was one of them to a Malaysian Chinese customer base, my wife is one of them, with Chinese Asian selling to Chinese and now moving into the rapidly emerging booming segment. The boomies or Bumiputera are the ethnic Malaies who comprise 66% of the population, they are predominantly Muslim, they are the fastest growing segment.

In Malaysia, we operate two businesses PAMB, Prudential Assurance Malaysia Berhad conventional business with 1.7 million policies and about 22% market share and our other business. PBTB, Prudential BSN Takaful Berhad, this is our Takaful business with 450,000 certificates in Shariah, you don't use the term policy, you use the term certificates and 25% market share. Malaysia is mostly an agency marketplace where we have the most productive agency force, if not the largest. Today we have almost 15,000 agents, 60% active rate, 3.6 cases per active, average case size of about 500 pounds. We were the first foreign company to receive a Takaful license.

Today, we have a very powerful brand, leading market share and most of the boomy agents in the country. For Takaful, it definitely was the right place at the right time. But more importantly, we did something about it. We executed with precision and have captured the market. We are also building our bancassurance business. Four years ago in Malaysia, it was less than 3%, today it's close to 15%. We have great long-term partners on the conventional side like SEB and UOB, and on the Shariah side, SEB Islamic or Sadiq; BSN, Bank Simpanan Nasional; and Affin Islamic.

So distribution is very important, but you have to have the products and services that work for customers. And as I mentioned earlier, Malaysia maybe one of our best examples of innovation, especially on the product front. From products like PRUmy child, this was the first product in Malaysia, to cover the unborn baby. We used to say we had you covered from cradle to grave. Now we say we have you covered from womb to doom.

This product enables us to provide coverage to all Malaysians including those not yet born. That's redefining the marketplace. To products like PRU Ummah, this is a Takaful product, it enables our Muslim customers to save for their religious obligation of Hajj, while also providing specific coverage should something unfortunate happen to them on route.

Our sales support is fully e-enabled and we just launched this value-added service PRU Navigator first in the marketplace, Smartphone app that allows customers to see where the closest Prudential approved clinical hospital might be. So an old business but very -- a lot of vitality, lot of innovation.

Philippines, it's a big place, large country. 106 million people, 12th most populous in the world. And economy looking fairly good, two upgrades this year from Fitch and S&P. A relatively young business for us, started in 1996. And while small for PCA, a leader in the Philippines, number one rank 17% market share. We really step changed this business by building a best-in-class management team a few years ago.

Then we injected Prudential agency DNA and have scaled up nicely. This is much easier said than done and requires a lot of work and a lot of skill from agency contracts, compensation, selection, training, performance management, et cetera. This is exactly what we, Prudential, do so well.

The results, we doubled the agency force since 2010. Today, recruiting close to 500 new agents every month, 50% active rate, selling 1.7 cases per, average case size 600 pounds.

Net result today 8,000 agents, the largest in the country, with healthy and improving productivity levels. Supporting this, we expanded the footprint to 35 branches; 13 GAs and three main service hubs in Manila, Mindanao and Luzon. We also lead again in product innovation, we're the first to offer regular premium unit linked with health protection riders in the country.

This is a good growing business, 25% growth each year for the last three years. We add in the Philippines 3,300 new customers every month. We feel very well positioned to capitalize on the continued growth in Philippines overall.

Lilian Ng {BIO 17943445 <GO>}

Okay, let's move to Thailand. I think Thailand is known to be a very resilient country, despite all the economic volatilities, the political unrest that we're seeing now, metropolis like such as the recent flood, the recovery always tend to be fast and strong. The insurance industry in Thailand has 24 operators and is very concentrated with the top five covering 70% share.

Now, once dominated by agency, this has now shifted to bancassurance being the leading channel in Thailand. We entered into a strategic partnership with Standard Chartered Bank to tap the growing bancassurance segment, leveraging on our bancassurance activation and execution capability. The launch day was 4th of May 2013. Before launch, we have already trained 4,000 sales staff covering 22 hubs within three weeks. And we've already filed 15 products to the regulator ready for day one use.

And has introduced an align with our partners on key performance indicators. The first policy was showed in day one, which was a Saturday. So we're true to our 24/7 motto. 7,000 policies issued in the first month, a level that Standard Chartered Bank has never experienced themselves. Over 96% of the branches are now active. Our dedicated management team are now working with the bank, continuing to training programs, operational processes, sales campaign control and monitoring frame work. Performance today is very positive for both partners, sales have exceeded 30% of our plan and revenues to the bank have exceeded their prior arrangement with Standard Chartered life.

Prudential Thailand has subsequently doubled our market share, and for our free bank partners, Standard Chartered, EOB and SEB, we now have access to the fifth largest brunch network in Thailand and is the only insurer with multiple strategic bank partners in the market.

So let's move on to Thailand's neighbor, Vietnam. Again, a very concentrated market, with the big six accounting this time 93% of the market share. There's been a lot of fees competition with new entrants. We've had at least six new players in that span of the past three years, but none have actually made material shares. Vietnam market represent less than 0.2% of Asia, ex-Japan, life insurance premium, so the real value in Vietnam will appear in the future.

We entered in 1999 and moved to the number one position in 2007 against the position we've held since then. We've built a scalable infrastructure now with around 50,000 agents in 63 provincial cities. We've also extended to bancassurance working with eight active partner in 260 branches with 264 insurance specialists. We are serving over 1 million custom and nearly 2 million enforced policies in Vietnam.

We will continue to expand our agency through a high recruitment model, focusing on disciplined on-boarding. We have targeted recruitment seminars called BOP, Business Opportunity Programs that will build and evolve over time based on learning. And now on-boarding roadmap will start from the initial on-board, general presentation and also post-on-both focusing on activity. And we actively manage our new agents leveraging on the rookie metrics, 115, 360 and 590. This does indicate how many policies the rookie has sold within the first 90 days.

Now, at the same time, we will continue to build out our core segment to promote and develop and recognize our top performance. Our score segment (inaudible), and for this top performing agents, we've seen a 43% year-on-year growth, 15% from manpower growth and 23% from productivity. And this segment contributed actually 45% of our total sales volume.

We have just entered into a 10-year exclusive partnership with Maritime Bank in Vietnam, one of the largest joint stock commercial bank in Vietnam with 215 branches. As we are already working with Maritime Bank so the activation is even better than Thanachart is day zero. We're now engaging the bank to improve activity and increase penetration.

Now another business that we're building for the future is the new kid on the block Cambodia. Now, Cambodia is a very young country. It has the second highest growth rate in Asia after Laos and a very small population by Asia standard with only 15 million people. It has great economic growth, increasing wealth as most Asian countries, but are politically challenge with the recent unrest pre and post-elections. The capital market is only in development. The stock exchange started in 2011 and still there are only three participants, all of them are young enterprises.

The life insurance industry started in 2012 and regulative framework is evolving. There are free life operators in the market Cambodia Life, which is 50% owned by the government, another private insurance company obviously Prudential. We opened business on the 9th of January 2013 with an exclusive strategic partnership with ACLEDA Bank, which is the largest bank with over track 200 branches in Cambodia. We are the first insurer to cross over 1,000 policies and also 2,000 policy and I'm sure we'll be the first to achieve 3,000.

We've already paid our first claim in August of 2013, and we just paid the second claim recently. Products are packaged to meet various customer who is using the simple basic plans plus riders. Our average case size is about $335 with 42% rider attachment. Because of ACLEDA presence, one-third of our business is actually outside of non-bank. We have 44 insurance specialists, covering 36 branches. We've also just launched our agency in November. We are now activating recruitment programs, leveraging agency management competencies that we have elsewhere in the region.

The team is continuing to focus to activate ACLEDA Bank branches to cover 80 [ph] by the end of next year, fewer quality tie agency force, building an effective and scalable infrastructure and more importantly develop what they call team potential Cambodia, leveraging the local talent.

So, I'll pass back to Tony on the JVs.

Tony Wilkey {BIO 19184129 <GO>}

Okay. The JVs, we have in Asia three JVs, Takaful in Malaysia, China [ph] and India as prescribed by law. I think you all know well the 2 billion plus people in India and China are in the large growing economies. These markets are characterized though by very large local government bank competitors. Fortunately, in India and China, we have the best-in-class partners. In India ICICI and in China Citigroup.

China, Citigroup Life or what we refer to as CPL. This is our China business that was started in the year 2000 with Citigroup. Citigroup is very much a blue chip state-owned enterprise, founded in 1979 as a gateway to the outside world specifically for foreign investment and systems translate into acquiring management skills. We've worked very hard on the relationship with CITIC and the management structure over the last few years. And today, it's better than it's ever been and might possibly be the benchmark for all JVs in China. It demonstrates significant collaboration alignment and most importantly between the partners trust. This takes a lot of work and a lot of time.

This is good for CITIC, this is good for Prudential and in the words of the senior management of CITIC this is good for China. We have a good geographic footprint, covering most of the largest target population centers in 13 provinces, all delivering positive growth through Q3. We've applied for more licenses in (inaudible) and in fact find ourselves today in a very fortunate position of having local provincial governments come to us asking us to enter.

Business is well diversified between agency and bancassurance selling a comprehensive and balanced product portfolio. Our partner CITIC is opening in so many doors for us, including CITIC Bank which has 32 million customers. CITIC Securities, which is the largest investment bank and securities brokerage within China. We signed a distribution agreement with them earlier this year and now CITIC Health.

This combines with the directives from the recently concluded third plenary session from the 18 Central Committee, but more importantly, the subsequent comments made by the CIRC Chairman, Mr. Xiang, specifically identifies and supports future growth opportunities. We're very, very well positioned in China. We're doing well. We have a solid platform, perhaps the best partner in the country and now what appears to be an evolving regulatory framework that further facilitates growth of the life insurance industry.

Lilian Ng {BIO 17943445 <GO>}

India. I think if you would read the fine blueprints that on the volatility slide that Tony presented earlier, India got mentioned most in terms of the regulatory changes. Those regulatory changes since 2010 have disrupted the market, especially the distribution. Life insurance penetration rate has actually dropped from 4% in 2009 to 3% in 2012 because of those disruptions. But that said, this considerable amount of potential for the insurance market in India. The industry is now adjusting to these regulatory changes in alignment with the intent that is that are the products are to meet customer needs, driving distribution efficiency and making responsible also.

At ICICI Prudential, they have adopted a focused approach to quality growth. They're the only private insurers to have maintained leadership position within the private sector despite the rollercoaster ride. Now similar to China, India's service like a continent with 28 states and 7 unions with different languages and culture. With that, we've now customized geographic strategy, focusing on regional leaderships. We have empowered regional teams to full accountability of all the business metrics from sales to market share to cost to persistency and business quality.

We are now ranked top 10 in 10 of the states. Now, as a company, we've achieved 11% growth, while the industry actually declined 8%. From an execution focus, the agencies continue to strive to improve productivity, while the partnership distributions focus on better engagement with the bank partner and greater integration. For the customer, we've now shifted from product-based solutions to customer base approach where we have a nice solution to provide packages of two or more products to customize.

We're also moving from a physical document heavy process to a seamless customer experience leveraging technology. From sales, illustration, applications submission payment and also policy issuance. There is a strong focus on persistency management, full compensation alignment, payment collection as well as switch our programs for customer. We're moving towards the balanced distribution mix and the balanced product mix and has been delivering stable growth in profits, as mentioned by Adrian earlier.

Okay. The last piece of our diversified platform, South Korea and Taiwan. This two are one of the largest insurance market in Asia being number three and number four and also materially in the world being number eight and number nine. They're characterized by high penetration dominance by local players and crowded products space with guarantees. Our strategy in those markets is to focus on niche segments with this time value over volume. In South Korea, we have a multi-channel player with 44% from agency and 28% from bancassurance. And the same percentage from brokers.

A way you proposition there is actually VUL, which is an IOP platform. Our VUL is ranked third in the agency market. Third also in the broker market, and the leader actually in the bancassurance market. We are a self-sustained business delivering profitable growth and contributed to 5% of PCA APE.

For Taiwan, we're working with a range of exclusive and non-strategic partners. Bancassurance has grown 42% per annum over the past five years and we're increasing our contribution from non-strategic partners. Taiwan is a savings market with value propositions, outlay of proposition being participating plans and investment link. We are also amongst the top three in terms of tele sales focusing on regular premium protection products. Our objective in Taiwan is simple, to maintain financial discipline and to ensure capital self-sufficiency. Taiwan delivers 5% of PCA, APE. Tony?

Tony Wilkey {BIO 19184129 <GO>}

Okay. Let me conclude by taking the liberty of expanding our tagline and probably get short for this. Prudential always listening, always understanding most importantly always delivering. Thank you.

And bring some chairs up, so we can put the Asia team up here and take your questions.

Questions And Answers

A - Unidentified Speaker

Okay. So we're going to open the Q&A as usual. (Operator Instructions)

Q - Jon Hocking {BIO 2163183 <GO>}

Good morning. Jon Hocking from Morgan Stanley, I got two questions please. Can you talk about whether the targets in Asia pretty suppose to renewal the bank recruitments during the period of 2013. That the renewal of any bancassurance arrangements during the period ended 2017 is the first question.

And the second question in terms of the free surface generation, I know it's not Asia question, I want Nic, your comments on the required capital your are looking up in those numbers and you change the hurdle rate for Jackson, that's some 250 RBC seems like quite a low number relative to (inaudible) US life company and do you see any changes when you come out with the sort of -- with your economic capital disclosure. Thank you.

A - Unidentified Speaker

Okay, Thank you Jon. May be I will take the first one, because it's a simple. It's a group assets, okay the targets or the group assets and that's our growing assumption for a period involves.

So, Nic you want to take the 250 -- the 250 RBC?

A - Nic Nicandrou {BIO 15589153 <GO>}

So, yes the -- is this on, the free surplus generation, the capital requirements are based on our own risk based methodology, you referenced Jon that 250 RBC, this is what our multi-year models are showing that you require to run safely the risks that we carrying in our business. It is an economic model and therefore it does take into consideration, the fact that we're charging a significant amount of fees for the guarantees that we offer. So that is factored into that calculation.

As regards to the Asian businesses. It is much higher than the local statutory minimal. It will tend to vary on a country-by-country basis depending on whether they have risk-based capital, more modern techniques as opposed to kind of the old fashioned factor based techniques, but on average this bizspace requirements and it's all disclosed in our analysis tend to be between 1.5 and 2 times local minimal depending on the sophistication.

In the US, sorry in the UK the risk based requirement is based on Pillar 1, because that's the biting constraint Pillar 2 is more generous. As we move forward, I'm not anticipating that there will be a change in those requirements. The ones we currently run seem to be justified by the models that we've building for solvency two.

A - Unidentified Speaker

Look -- just Nic showed you the statutory. I'm showing the remittance ratio for Jackson is optically overstated, because our free surplus references is so low in RBC, but it's more like 60% if you look at the biting constraint. Because it's a question we often get.

Okay, can we please mostly focus your questions on Asia, we will do a border session later but we will take Asia questions first.

Q - Oliver Steel {BIO 6068696 <GO>}

Oliver Steel of Deutsche Bank. So the first question is on your Asian targets. Over the last few years you've seen an increase in the health and protection proportion of the total, but actually in the latest year, you've also seen a rise in the par proportion.

So I'm just wondering what assumptions you're making of that, how that plans are going forwards in the targets that you've set. The second question on Asia is, I mean a lot of the business that you are righteous predicated on the welfare state remaining small but you do here or certainly assume to here constant sort of chatter that about rising welfare state, so again any comments on that?

A - Barry Lee Stowe {BIO 15021253 <GO>}

Sure, well. The plans assume no dramatic shift in product mix. So when we say more of the same it's -- we are serious about that, you should expect it to be relatively speaking more of the same, focus on the current premium, lots of protection. Par has -- but because of the sluggish equity markets that's sort of suppressed the unit linked, more people are above Par, the Chinese coming, mainly Chinese coming in the Hong Kong like the bipolar as a hedge, so I would assume that there'd be dramatic shifts in the product mix.

The other question, in terms of the welfare state and governments are certainly talking about doing things to encourage people to get protection, you are talking about, I think Tony may have alluded to in China some of the rhetoric that came out of the most recent planned session, which is about creating tax incentives and tax leverage for people to protect themselves, but generally speaking, you know the governments across Asia I have taken note of the financial implications of building full on welfare states and they just don't see the sensibility in doing.

I mean see the US and Europe trying to unwind what's been done, (inaudible) winding it up in the US, but certainly in Europe trying to we're a little, we learned slowly in the US I guess. But and then, I think it is probably important to understand what is welfare state mean, so William, once he was talking about Hong Kong talked about, this is actually reasonable level of provision in Hong Kong, but what that is, is essentially the operation of public hospitals at very, very low cost.

Okay. So what that provides is, it mission to the hospital you wouldn't get lots of access to specialists, you will be on a ward with 15 to 20 other people. In Singapore you pay extra for air conditioning, you pay extra for television and that sort of thing. So that even when you say whether you are going to build a welfare system does that block us.

No, it actually, perfectly complements the kind of products we sell, which allow people to say, okay I'm get admitted to a hospital by I want a better experience, I want to be in a semi-private or private room, I want to able to watch cable TV, I'd like to be able to eat some decent food. So, it actually will work perfectly well.

A - Unidentified Speaker

Exactly. Looking Hong Kong and Singapore you have actually a well fair provision there and we do very well. As Barry said we are investing in the infrastructure which can allows us actually to even sell more, but we really don't see on the macroeconomic policy -- prospect that they would do for the middle class, there will be provision but -- if you are truly needy the things is right.

But for the middle class people very little prospects in this context that public money would go to subsidies the middle class, it has absolutely no prospect in other country and the population are very large, don't forget that, this are very large population in numbers it's just to be the burden.

Q - Blair Stewart {BIO 4191309 <GO>}

Thank you, very much. Blair Stewart from Bank of America Merrill Lynch. Two questions and the first one on Asian targets. I think the -- we implied a growth rate in cash and the earnings is broadly the same, I just wonder there is the business gets bigger, if you wouldn't or expect the bigger jaws effects so cash actually grows by more and related to that I think it will be remitting about 60%, 65%, how do you see that going over the next few years Barry.

And secondly and perhaps thirdly actually, the impact of the inherited to the state, assuming that it goes through, okay. Why do you think that retire from an Asian perspective, Hong Kong respective? Thank you.

A - Unidentified Speaker

Well, they take then not necessarily in the order you ask in terms of the domestication of the Hong Kong branch, it will be business as usual. We in the presentations earlier today, you've heard, we've gone through the court hearings and we got approval in Hong Kong, we are getting approval today and we assume, shouldn't be presumptuous but we should get approval today in the UK.

I personally went to the court hearing in Hong Kong and we had four customers show up, a couple of them made comments about the domestication, but basically it was -- it was the judge pass-through the ruling exactly as we had asked. So you should expect business as usual there, with no issue.

In terms of the 60, we continue to limit 60% to 65% the free surplus we generate to be perfectly candid in our job in Asia is to load the wagon with cash. Well, where it gets Santa's -- Tidjane's job so I will let him answer that.

A - Tidjane Thiam {BIO 7518525 <GO>}

Now, I think -- I think you look, I would say treat withdraws as a potential upside, unfortunately objective setting isn't out not the same, so you do need to set something. It's also balance between being demanding enough about being important. So we do have to keep a degree of realism because frankly none of us knows how the world is going to unfold between now and 2017.

If any of you have insight on that, so make sure -- have, so we have to keep a degree of prudence. So there is a degree of prudence we are target but fundamentally, the facilities are Nic describes the reinforced by Adrian, we generate the free samples we reinvest in new business. You've seen the VRS, you've seen the paybacks as soon you'll touch the profile. I think that's a very attractive use of capital and cash in today's world of queining. So we saturate that and then the rest comes back up sort of profitness to grow to strengthening the balance sheet, business grows bigger, you have to keep your capital strength and the rest is abstained. So, that's the logic.

Q - Blair Stewart {BIO 4191309 <GO>}

Great. When you're growing a great pass (inaudible) just three questions, one is in terms of the Eltop's [ph] schemes. I remember when you changed, you changed the U.S recently turned IFRS purpose. So I wonder if you perhaps still going to retain his value of new business focus and now that you talk that as a target.

And second thing is you speak about free surplus generation remittance in Asia but Scotiabank insurance deals force outside the definition and just in that call, I think you called it slide 11, simply funded deal cost 700 million pounds. I just wondering in the context, Owen if you'd just talk about in the time frame and I know we got the standard chart and we'd buyback enforced. Can you remind us when that comes up put you in potential cost extra just some kind of main topics, we can figure out with the dividend will be.

And then the third question is in terms of agent recruitment. So, I got the saying that in the third quarter there was strip change in the rate of agent recruitment after 18 month period of heavily focus on productivity. I wonder if you just talk about that in potential outlook make sure how it's going to impact sales. Thanks.

A - Tidjane Thiam {BIO 7518525 <GO>}

We sort of just remind you first on market shares and --

Q - Blair Stewart {BIO 4191309 <GO>}

The first one was Barry's (inaudible) targets it was the change laws. And the second one was do you want to --should I do one more time?

A - Unidentified Speaker

No, we can remember I wrote it down.

No, no.

We are smarter than we look. Okay.

We -- it's interesting, I think what you are talking about Barry, about Barry is with the change in the skill which actually got us in trouble in the vote at the AGM. And what we did and we're unapologetic about that. Was that it was an old scheme showing something like ACB which is embedded value based measure and we've changed in order to make completely how we manage the group and we re-address the targets if you wish to what we said externally and sorry about some shareholders don't like that and have an automatic rule and some of them told that you are doing the right thing, but there also we have to move to gains few.

Over we agreed what we have done which was to align management fees, delivery of external target there. Rules said it was the bad things. So we got a bit of fun with the U.K press and negative wrote on Barry rent, but absolutely was the right thing to do aligning that's management 101. Barry's incentives, the external targeting we have to deliver so if some time investors don't have the flexibility in the case like that to step away from some mechanistic rules.

It's not our problem, sorry today. Going forward you can expect the same thing. We've always aligned the external targets we feel internal targets. So these are all embedded in the plan. That's we've been approved by the Board, et cetera. It's all aligned always.

SCB, We'd never, I mean we have not disclosed the terms of that agreement we don't do for most of our agreements and it's there is no mileage in doing that. So there is a date, I feel uncertain because there are features in the agreement that move. The termination date depending on the performance. So if the contract under performs and the agreement is lengthened and if all the platforms it's again and at the pre-agreed date. Actually as I speak nobody really knows what the end data that is but only I can say is that relationship of SCB is excellent.

I think I saw Peter, last Wednesday and it's going very well. They are very, very pleased with the result you see you sold 49% CAGR over 15 years. It's a very material part of their earnings and that is the strategy that has really worked very well. We continue to believe that those deals are cheap, we communicated on that. And I know we've been, we've had the long running discussion review on how we account for it and I think Nick has taken that question a number of times. We think that actually really the cost of the deals is accurately reflecting in our numbers. So if you want to bore everybody discussion again.

But we believe that its accurative reflecting on our numbers and the way we looked at that advisory is that they're funded from the centre. We want to give you visibility on the cash generation in Asia, we don't put organic, inorganic growth in our plants, that's when a group discipline we ignore it. So, everything we do is without inorganic growth right.

So we don't define the objectives, assuming inorganic growth. We always treat it as a plus. It happens great but the rationale behind that is we don't want to ever to create artificial pressure to do the deal in any part of this business. Okay so to take our example if you take votes in the UK, they are not in the UK's budget.

We want them to be free to take notable work when you're doing inorganic things, if you put it in your numbers you are putting an incentive for people to get a deal that's marginally not very good. So that's a philosophy we follow at group level and the last one was agent recruitment.

And one another thing on insurance, the thing I would counsel you is given all the moving parts on SEB and so forth. I mean this is a 2017 target. You should not assume SEB one way or the other that material, and that we will deliver the targets period and on agency recruitment you're suggesting that over the last 18 months, that we were slowing down recruitment and focusing on productivity which you probably the reality is we're still focuses on scale and productivity, which you witnessed in the last 18 months and China, your time is scaling back India a little bit, but continuing to scale in places like Indonesia once you talking in more detail.

No, we can remember I wrote it down.

We are very disappointed in terms of enacting the contract maintenance. Our experience has shown that probably 80, 90% of agency terminations is triggered by us rather than voluntary.

Q - Unidentified Participant

Thanks very much. (inaudible) from Credit Suisse. Couple of questions please. Firstly on the Asian holding company. I just wondered if you can provide some guidance on the tax and capital benefits that are likely to arise on that and I think sort of unrelated topic on slide 8 of Adrian's presentation the tax gross-up for in-force was like 21%, 22% whereas the tax gross-up for new business look more like 14%.

So just one really get a bit of sense as to the rationale for that and whether there is any recourse to the whole thing or not and lastly, just on the new business investment also from Adrian's presentation. You referred to the shift towards power is helping to hold that relatively flat despite growing the business volumes. Was there an element of operating leverage in this as well. Was it all due to mix change or should we expect that growth in new business investment to lag our growth in volume going forward?

A - Tidjane Thiam {BIO 7518525 <GO>}

Yeah. I mean, if I just look at the numbers, they're definitely moving indeed. We don't have this. It's moved between 15% to 20% over the last few years. It could move back again. And the point that was made about monetization is that, it hasn't moved even though we moved to par, we've lost out an unit-linked. I just saw on the graph, it's unit-linked savings, so par is producing a little bit lesser emergence of surplus versus unit-linked savings, we've kept our protection, that's what's going on.

And on the tax one, I have to get back to you on that one. I haven't got a state --

A - Nic Nicandrou {BIO 15589153 <GO>}

It was neutral. It's neutral. It's only -- really it's nominal, because it has the cost of running the whole. And if you're fighting with thousands of dollars non-material, there is no impact one way or another. I mean, we've set it up that way.

A - Tidjane Thiam {BIO 7518525 <GO>}

Yeah. It was because of country mix.

A - Nic Nicandrou {BIO 15589153 <GO>}

But just one thing, Chris, you will see in this presentation. We said, we're going to move to post-tax rates. So we hope to get rid of all those gross discussions in the future. You'll get them again in '14, but after that we will give you a clean post-tax, so legacy from the past.

Q - Andrew Crean {BIO 16513202 <GO>}

Good day to all of us. Good morning. It's Andrew Crean. Can I ask two questions. One, you always used to say on your protection business that you did not import any hospital bed or medical inflation in terms of the way you design your policies as they adjust strict cash plans, is that still the same case or you're beginning to expose yourself to those inflationary risks?

And secondly on the bancassurance side, could you talk a little bit about which markets you are most interested in building bancassurance from here? And whether with the city bancassurance network coming up, whether the fact that you have the SEP relationship may constrain your ability to do a deal with them?

A - Tidjane Thiam {BIO 7518525 <GO>}

On the first point, the exposure that we have to medical inflation, we do -- and I think we've said in the past, it's very limited. But there are products that do expose you to inflation, we do it only in sophisticated markets where we have credible data where we are comfortable with the integrity providers.

I mean, if you did a reimbursement product in some markets, you'd end up with collusion between patients and providers, I mean, this doesn't work. But Lilian alluded to in Hong Kong, the fact that we do halves for high net worth customers some reimbursement oriented product. But the way you address that in terms of making sure that the pricing is -- first of all, the experience is good, okay; actually their expectance is very good.

And secondly, the way you keep ahead of that, trend the rates. So what we do is, we constantly just tweak the rates upward consistent with inflation to ensure that people are paying the proper level of premium. So it's about -- and then we could get into a whole discussion about how you control all this with clients as well. And we've got some pretty sophisticated mechanisms for ensuring the claim cost to stay down, including some negotiated settlements with providers and so forth. So it's a fairly sophisticated model, but it is still overwhelmingly hospital cash, lump sum critical almost products like that.

Q - Andrew Crean {BIO 16513202 <GO>}

We didn't have enough time, but you have some great slides. It's really upselling, what you do, you start at 25-year-old customer and you increase premium regularly as the cost increase and we can do better, what your systems can do and that really protects the bottom line very effectively, which is why we experience it.

A - Unidentified Speaker

In terms of the banker, yeah, this is no place, we don't want to grow bank as long as we can do it on acceptable terms. We have a very particular point of view on how bancassurance runs. I think we've got a track record of success to demonstrate that we know what we're doing, and we're credible, and we're confident.

And you've seen us get some big deals like Cannata, but you've also seen us walk away from some processes that -- it was clear to us, that the partner and we would not be well aligned. So there is really no place we're not willing to do it on a right basis, because it's on our basis it's good outcome for everyone.

In terms of -- does SCB preclude us from getting other big deals, it didn't preclude us from getting Thanachart, it didn't preclude us from getting UOB. And in fact I would suggest to you that the reason we get more than our fair share of the big deals that move in the market is, because based upon SCB and now on UOB, and increasingly on Thanachart as well as others like MayBank.

And candidly the relationship we have even with Citi on an open architecture basis make it very clear to potential partners that we are the most credible, we are the most competent bancassurance operator.

No, this is not of your question. We cannot comment on any speculation, but you may have seen in the press about any specific bank. So it's just a general state.

All right. Andy?

Q - Andy Hughes {BIO 15036395 <GO>}

Hi. Andy Hughes from Exane BNP Paribas. One question and one request please. Let's see the request first. The slide seven of the AirAsian transaction was very helpful, showing the profit dynamics by product. Could you change the mix disclosure on slide 10 to match that, because clearly there is a massive difference in the profitability and cash flows at different types of products and those together on any of the slide. So it would be quite helpful to move that sort of mix of disclosure to the slide --

A - Unidentified Speaker

Slide 10?

Q - Andy Hughes {BIO 15036395 <GO>}

Slide 7, so you make slide 10, the mix, the breakdown as same as slide 7, that would be very helpful going forward, because your things like health and protection has merged together --

A - Unidentified Speaker

Slide 10, sorry.

Q - Andy Hughes {BIO 15036395 <GO>}

Slide 10 of the initial pack, the one that is showing the mix of IT, sorry, it just lumps health together, even though obviously it was massive difference with linked protection and health and protection?

And then the question is, I understand the point about interest rates being very low in the past, that's maybe a help the protection margin, because obviously these interest rates go up and protection margin comes down, that's some way you're not giving a VMB [ph]disclosure on that basis. But what I don't understand is the kind of FX impact that will may or may not happen, because clearly low interest rates have also helped Asian currencies over the past two years. And I should point it out, there has been a big change in FX over the past few months or so. These are constant currency targets, is that right, there are not today's FX rates?

A - Unidentified Speaker

Okay. Under the first point, on interest rates, we're not stopping NBP because of the direction of movement of interest rates. Actually the net effect of higher interest rates in Asia is positive, because of Hong Kong. And we've shown you a sensitivity. So we take a look on the NPV of protection cash flow, but we get to big uplift on all the guaranteed product. So we're not dropping NBP, because interest rates are moving in the given direction; we're dropping it, because it is too sensitive to interest rate.

So as a public target, we can move one way or another. But things are not completely outside of the control of Prudential. So we very much keep it as an internal management tool. It's a bit silly to use it externally, once we've learned that interest rates can move that much. Honestly, four, five years ago nobody thought that Central Bank (inaudible) such a scale has been used. No.

On FX, it's reported exchange rate that we use, okay, on the target. And it is our fundamental long term belief, very much supported by evidence, but FX is driven by GDP growth rate, okay. Interest rates are destruction.

Over the long-term, the correlation elsewhere is almost one, beyond five years. And we believe that the GDP, as I showed in that slide, is structurally going to significantly higher in Asia than in other parts of the world.

But, whatever we have said resumes in the short-term. Over 5 to 10 years, these currencies are going to appreciate. So we're very happy to let numbers run on that basis, because we think that for our shareholders it's going to be net-net over long-term, an uplift. It can change in the short-term, but in the long-term it's going to be an uplift. So the target, the realization of the target, there is an FX risk in there and FX could flow against us.

Maybe just another quick comment on FX. We do hedge the intra-year flows, cash flows. So we only say that, when you have intra-year movement, that doesn't put any remittance. So we hedge over remittance fees in pounds.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Hi. Thanks. Ashik Musaddi from JP Morgan. A couple of questions. One interesting slide you showed, where you showed the payback period for our different products and linked protection clearly stands out. Can you give us some color on which markets these are predominantly sold or is it like across your sweet spot? So that's first.

And secondly, could you give us some cash remittance color on, which markets are giving you cash, the holding company, especially for sweet spot? Thank you.

A - Unidentified Speaker

One of the reasons the sweet spot is as sweet as it is, it's because there is a lot of linked with protection riders in the sweet spot. So not universally, but obviously, I mean we're pretty transparent on Indonesia. Singapore is good, Malaysia is good, Hong Kong is good. And some of the more developing markets that are little further behind the curve like Philippines and Vietnam, the protection story is still very much building. But it's, that will give you some sense of where it is and the other one was on --

A - Nic Nicandrou {BIO 15589153 <GO>}

Nicandrou here. We are adamant that we will not give country-by-country objectives. The beauty of this platform is in diversification, we are all highly confident on what we can deliver on the Asian level. On a country-by-country basis, completely impossible, because they showed you several times both Barry and Tony of the trials evolves every evolves the changes every year. And we have 13 countries, with so many moving parts and it would be really making ourselves a hostage for fortune to go into a country-by-country discussion. We are confident that 60%, more or less, remittance that you see, it can continue at a regional level. Any given year, in any given country is anybody's guess is just many things.

Q - Unidentified Participant

(inaudible) I've got two questions. The first is you've showed a slide on Singapore, with yourselves versus I think, three of your competitors, which I have been struggling to find the slide now, but I think it showed that you're a lot more profitable than them. It's a very competitive market and your largest international competitor has stepped up their game, I understand. So what is it that makes you deliver value to the customer in a very competitive market and be more profitable?

The second question I had was, last week the Chinese have liberalized the bank assurance rules to allow Asians to be embedded in bank branches again after a three-year gap. It would seem to me that -- my understanding is that Prudential pretty much invented this model. So what are your plans to capitalize on that, and are you restricted to working with Citibank or can you work with ICBC and the rest?

A - Tidjane Thiam {BIO 7518525 <GO>}

We work with other banks. Why don't you take the China first, Tony?

A - Tony Wilkey {BIO 19184129 <GO>}

So, we are delighted to see the change allowing FSCs back in to the banks. A part of that that is really exciting is there is a minimum level of protection that they are also required to sell. We have FSCs that we can put back into the banks. Yes, we do a lot of work with Citibank, but we also have great relationships that produce well with Citibank, SBC, ICBC, Guangdong Development Bank, China Construction Bank. So it's not just one bank relationship, its multiple bank relationships and --

Q - Unidentified Participant

Won't you talk a little bit about the context of why CIRC pulled the reps out of the banks and basically closed down the bank?

A - Tony Wilkey {BIO 19184129 <GO>}

Yes. I think it was just really from a customer confusion standpoint. They want to make it clear that when a customer came in, who they went to and who we're selling more products. Some of the banking holds have become a little bit big crowded with different vendors. So --

A - Barry Lee Stowe {BIO 15021253 <GO>}

And they were stripping deposits like, there was no tomorrow and they viewed it, CRIC ultimately looked at the behavior of most of the banks, in most of the insurance being sold in banks is not insurance at all, but deposit replacement product. And every indication is that the Chinese government -- the Chinese regulator is coming around very strongly with the view of the insurance companies ought to be helping people for the long-term protect.

So it's perfectly aligned with our strategy, and it's one of the reasons whereas, there's lots of reasons, but it's one of the reasons we're as optimistic as we are about China.

And with respect to Singapore, it is competitive. I mean, which means that there are other companies there that are trying to do business. But did we lose share to any one last year?

A - Lilian Ng {BIO 17943445 <GO>}

No. We do number one.

A - Barry Lee Stowe {BIO 15021253 <GO>}

But we have gained. But we're not just number one, but we've gained shares.

A - Lilian Ng {BIO 17943445 <GO>}

Yeah. And the graph you are seeing is actually productivity per agent. So that's why we are and because we have more discipline and so on. So it's all profitability.

A - Barry Lee Stowe {BIO 15021253 <GO>}

And so, yeah, that's okay. But this is the story that we keep telling about the allegedly developed markets, of Hong Kong and Singapore. I mean, Singapore -- we always measure penetration as a percentage of GDP is attributable to the industry, right. And penetration in Singapore in 2012 went down, because GDP grew faster than the industry. So you can say that it's competitive because there is Great Eastern is there, and AIA is there and NTUC is there and they're working hard, trying to do what they do. But there is room even in Singapore for everybody to do what they want to do and looming talked about the areas where we're focused, recurring premium, unit linked, loss protection and we're gaining share.

A - Nic Nicandrou {BIO 15589153 <GO>}

If you think what was driving our profitability, once we have our platform in place, it's the efficiency of distribution system and in all of those countries as time passes, we get better and better at it. The individual productivity of agent increases everywhere, number of cases per agent, case size book increase.

So that's one thing, the other thing is, like we said, someone said, talking about the operational leverage. Yes, because we're selling more and more every year, going through the same platforms with pure operational leverage. And the third one is the wealth effect, this is what Barry is alluding to here. The same conversation in Vietnam gives you a $100 sales and in Singapore, sometimes a 10-year regular period of contract of $1 million yearly permit, because we do sell those. So investors pure if you wish margin, so that's part of a disconnect we have, because the revenue expecting our margins in Asia to go down.

We have a mature market western thinking, we're actually was free force and they could going up, okay. It was the region, because it's getting wealthier our distribution is getting better and better and we are putting more and more volume through the same scalable operational platform. That's really what's driving a lot of those improvement in numbers.

A - Tidjane Thiam {BIO 7518525 <GO>}

Any more? Chirs?

A - Unidentified Speaker

Thanks very much. Just a follow-up question. One for (inaudible) You showed the industry flow chart and it clearly fell-off a cliff from post financial crisis, it hasn't really recovered. I just wanted to explore a little bit, why you think that is? So, you'd expect that it to be a weakening sentiment around the market moments we saw in the region.

But when we look at life growth, it's pretty clear that people are still willing to invest their income in asset accumulation. And so, I'm just surprised that asset management hasn't come back, and we haven't just seen a reallocation of flows between asset classes. And I guess related to that, can you talk a little bit about the distribution of third-party asset management in the region and how that perhaps has evolved over the last number of years? Thank you very much.

A - Barry Lee Stowe {BIO 15021253 <GO>}

I think on the flow that Asian investors were wounded, there were lot of new investors to particularly the equities in the bull market '06-'07. So if it showed, '06 flows were quite strong in '06. And I think a lot of them had that first experience, whereby they came to the market late on momentum when earnings multiples were very high and lost money, so we withdrew from the market. We've seen consistent flow into debt related instruments, but I think a lot of money has gone into deposits, property, other forms of assets and just hasn't come back into mutual funds.

A - Tony Wilkey {BIO 19184129 <GO>}

The exception being India, we're actually having good results on equity in India.

A - Barry Lee Stowe {BIO 15021253 <GO>}

Yes. Indian markets being a little more resilient and Japan, in pockets, we've sold Philippines equity, Indonesia equity, the Asia equity, income product, I have shown on that slide in Japan. So there has been pockets, but it was that ground swell of momentum and probably '06-'07 was a little artificial, because I think people were getting their cookie tins out, they haven't seen a lot of (inaudible) for long time and it going to have someone's equity actually. So I think that we were probably coming off an artificial high, but the point still valid. We haven't seen a return because we have not seen, and a lot of Asians make their decisions off momentum, we haven't seen a return to momentum. In terms of the fabric, the color of distribution, what in particular?

A - Unidentified Speaker

I just wanted to understand whether there had been any distribution driven change, so particularly you were seeing flows that have weaken now many. Has there been a disruption in one private channel and now that I have faced, tend not to be a particularly big segment? So where are you getting the external flow form, there's a lots of coming through banks and there were largely coming direct to you?

A - Barry Lee Stowe {BIO 15021253 <GO>}

Well, no. The direct is not big as part of the thing in that chart, it shows about 16% of third-party flow. So it is the banks and the brokers. What is changing is the level of sophistication. So seven years ago, when I was first arrived in Hong Kong, there wasn't as much talk about the guide keepers and there's certainly wasn't same quality in the gatekeeper. So you see now particularly with the global banks making their research decisions. They have people in their teams, for example, who have been for likes of nurse or hotel and so -- or whatever. So there's much high level sophistication and a lot of the decision making now gets globally rather than it being local, local.

So when we're dealing with the global banks and the regional banks, the proposition is that you've got to jump through at almost an institutional group. With RFP study, it's investment committee structures, it is sophisticated. At the local banks level, it's not quite there and that's where we still have successful niches, because we are a trusted provider in a lot of those individual local markets and have those local relationships as well as inside Taiwan or India where we do that direct. But IFAs have not seen that lot of day.

A - Unidentified Speaker

(inaudible). Great, you're making everybody wait for --

Just a quick follow-up. Just in terms of Nigeria and Brazil, previously asked and just remind me if I may missed all that. You were touching on Nigeria and you mentioned you won't look at Brazil. Just wondering in the context as the (inaudible) announcement of the Nigeria then sort of -- comes into play and given that you're doing the Saudi announcement that you've decided that Brazil is not an option?

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay, now look, it's a very interesting question. And I guess the question behind that is wide Ghana. It's really the same, if you wish, a not easiest grid we use every time. It's kind of what is our GDP growth. Ghana is one of the world record holders on growth over the last 10 years.

We've had amazing GDP growth. It's really the savings and may surprise some of you, not (inaudible). I know a federal Africa, but savings, there's a glut of savings in Africa. It was actually, if you wish -- while the economy is broken in terms of -- there's no way to translate but into any kind of productive investments. So if -- people are sitting on mountains of savings all over Africa. So we understood because it's seen as a country that's a recipient of aid, but that has more to do with the way the government operate. It doesn't have really to do with the economy.

The economy is generating tonnes of savings, but banks are not recycling it. What would banks do? Well, business that banks do in Africa is really completely -- it's not domestic. They finance the crops, the commodity crops, the cocoa powder and they finance the oil and gas sector. That's what all of them do there. They are not developing consumer banking in African society. So we will actually have cash in there and doing everything, which is our place.

So you've got huge savings, a good GDP growth, governance. Ghana set three changes in government following democratic elections, which went peacefully. That's quite rare in the African context and it's just a well run place.

So we not only go by scale or GDP or size, Ghana is a very, very, very safe place. If we were going to take a first step, we were going to take it in Ghana. And frankly we're not the only ones. If you look at -- that's a conclusion that many of our companies have reached and it's a very place to start from.

Nigeria will be treated like any other country and looked up with those criteria in our mind and I think on a number of those, it's less attractive than Ghana (inaudible). And Brazil, same thing, we believe in the long-term potential. I think I've been open on the fact that we'll be looking at it for a long time.

The challenge there is distribution, the distribution. It's a broken market and therefore, either you go with a bank and you know that I never believe in bank assurance alone, because I think the only way you can negotiate with banks is if you have an upturn distribution channel, if you have a bank assurance on the strategy, it will get squeezed for margins.

We're doing so well in bank assurance customers in Asia, because we have strong agents. We were in Singapore negotiating a deal and we issued price too high. We can say you know what, we'll walk away. We can do a 20% organically with our agency. We don't need this.

So I would guard against the strategy of a number of European companies who are desperate for emerging market exposure. So we do it through bank assurance agreements only. They don't really have a presence in the country, where the company signed a big bank assurance agreement. They will be squeezed by the bank. They'll never make money. So we don't to do that in Brazil. So it's something we look at if there is any way to develop distribution that we can own than which will make sense to try to apply our skills there. But it hasn't been the case yet.

So again on all those things really, we don't want to you putting that into any of your models. These are all long-term developments with timing of which is very hard to measure. But they have a same token. I think it's (inaudible). I think we -- I'm always tempted to talk about it. As a CEO of PRU and he's the one who sent Mark Tucker to Asia, and I think Mark Tucker told me the story many times and to you too. He was told, you're to build the material business with no capital. So that was his mandated in Asia.

And I think you're facing a similar situation in Africa most definitely. People ask me, is it Asia 15 years ago? Is it Asia of 20 years ago? Is it Asia? I don't know. It's Asia maybe 15, maybe 20 years ago, but the upside is the same and I think it's significant but not in the next five years.

A - Unidentified Speaker

For clarity too, I don't think Tidjane actually made an announcement about Saudi Arabia today. Well, we acknowledge was that we've done some work there. We got somebody on the ground doing some more. But --

A - Tidjane Thiam {BIO 7518525 <GO>}

Yes, yes. yes.

A - Unidentified Speaker

-- to be clear.

A - Tidjane Thiam {BIO 7518525 <GO>}

Yes.

A - Unidentified Speaker

Any further questions?

A - Mike Wells {BIO 4211236 <GO>}

All right. So my job is to, I guess, bring you up to speed on the US business. (inaudible) is going to join me just a little while, then we're going to do some Q&A at the end of our session. What we're using as a context for it is the assumption you all were at the New York meeting and we're going to try and given the compressed time today use sort of that information as the base and give you updates from that. If you want, we'll gladly spend some time to walk you through some of that base material. I will warn you now if you weren't there, it was eight and a half hours, so set aside a few minutes for that update, okay.

And we'll -- but all kidding aside, we'll gladly walk you through any of the background on this, but I think it's just in respect to your time today. The changes have been incremental and we wanted to make sure we gave you updates on some of the key metrics and updates on some key concepts without walking back through all that is if you haven't seen it.

So -- and this is what you own in the US. I think the takeaway on the sort of the high-level how is North America doing is all of the business units in the US are having an excellent year. The insurance company probably gets the most attention. All the metrics there are where we like them and outstanding. Curian, our separately managed account platform, set another great year. Well north of 20 billion now. The broker dealers again are very successful.

And PPMA, our institutional asset manager, just crossed 100 billion to 103 billion in the numbers we put out in the quarter. So Li and his team has done an outstanding job and all of these are working well together and sort of hitting on all eight cylinders.

A couple of things on strategy. So our strategy like the Group's has not changed. There is some subtleties in this, so I want to hit real quick. I've talked to a lot of advisors in the last 30 days for a number of reasons. And what you're hearing if you talk to advisors now on the baby boomer space is two or three trends. One is we talked a little bit about this New York, not a lot of their clients participated in this last bull market.

So there is a tension with their retail investors. They weren't willing to get back in after the last crisis. And so quite a few retail consumers haven't participated in the equity market. Some have, and clearly the ones that have the S&Ps almost 30% return year-to-date has lift that expectations back up and made it very difficult to divest those client's assets and get them into non-correlated categories.

But almost every rep we've talked to, that's one of their major agenda item just to get more non-correlated assets in those client funds that's coming out of total return, bond funds, and that's coming out of long only pure S&P type equities.

It's very difficult when the client's S&P fund is up 29% to say, let's talk about lead access and non-correlated returns are right now are below that. But that's what you guys are doing. And the other theme that comes across on all those dialogs is there is a lot of uncertainty on retail tax policy in the US, depends on people's political views, it depends on the state they live in, but there is a clear, clear agreement that their tax rates are going up. And there's a high focus on taxation because of just a variety of topics in the financial and non-financial papers in the US, local, state and federal taxes.

So there's a much higher premium put right now with retail consumers on tax rates. So again, their management of taxes, the timing of taxes those issues, if you talk to advisors or a large part of their dialogs now.

And the only other one I want to hit on this is, we told you about REALIC and some of the details of New York on it. Jim Sopha, our COO was at that meeting and told you that it would be closed by year-end of this year. It's actually done and everything went very smoothly on that and it's integrated and we're very happy with that and were out trying to find other products that fit the Groups then what we told you about what we would or won't buy in the US self funded bolt-ons, but that one's been an outstanding addition.

This is just sort of the homework slide, the -- I'd have one sort of a personal favor on this. So this is the track record, we've got 95, the short version is 7 times assets, 8 times premium, 3 times plus capital and, as John mentioned earlier this morning, 2 billion of dividend to the group net.

The other -- the favor on this is, as we're getting compared to competitors on these numbers, ROE numbers, in some of your thesis and some of the questions we get. There is not a write-down in here. There was 24 billion return off in the US industry, that isn't in here. This is -- what you've had if you've been a long-term investor with us is pretty consistent performance on the capital we're talking about, the capital we started with. There's not a reset in here and we're very proud of that. But this is what we look like from a -- this is what you own, this is the growth you've seen. It's very proportional, as I mentioned before; I think it should be.

And then this is a new one; want to get a little bit in my segment to the health of the VA business right now. Again of the -- of our sales, this is one element of what Jackson sells in a given year, but it's one that draws the most attention. But I think you may be surprised to see that most of our competitors are up materially. The two outliers there are PRU and

MET. PRU, if you'd put -- if we'd put 11 up there would have been 3rd quarter probably at 21 billion in sales, so they're coming -- I'm sorry, MET was. So, they're coming down from a very, very high level two years ago, still managing that.

PRU and MET have both changed materially their product offerings. But most of the other firms here, I know a number of you follow them, are ambitious and now aggressive about getting VA assets. So, there is a material change in the climate right now in the US. There's not a material change in the market size. I think what you've seen to a great degree is PRU and MET's market share being reallocated among some of the other players that want it. But that's what the market looks like. If you're in an advisor's office, there is a lot of product, there is wholesalers again, there's firms competing for sales at a pretty material level and again you guys cover a lot of these companies, so you know the versions of why they were doing that.

I would just point out, in our number you have lead access in part of our sales that clients don't choose with living benefits. So what that number looks flat, we're actually down, but in the teens on our (inaudible) benefits sales year-over-year and we're very pleased that we're flat with DA and obviously profitability, as you saw the third quarter number looks great.

Trends, two directions on this, this is just an update of Allison's [ph] slides just to give you a 12-month look at it. So if you split the look of the business, existing blocks, and then what are people doing going forward, there is some overlap that I think are key. On the existing blocks you are seeing replacement of funds which is where the insurers are going back and swapping out some of the portfolios that were in the product for something that fits the equity stakeholders and their interest more -- or at least is more aligned with that than what they originally offered. We're seeing increases in fees where they can and you're seeing buybacks, as we discussed.

I think I told you in New York, I'd have to go back and look at the number, but we thought they would be in the 5 to 10% range in effectiveness. Some are more successful than that, so I was wrong on that. There are some that have -- in some broker dealers, we understand we've got as much as 20% of the consumers electing the buyback.

The broker dealers are managing this process through a heavy disclosure. Buyback is if we've given you a guarantee, the guarantee is in the money, the account is down, the insurer comes back and says, let me give you some money to take that back, okay. That makes the broker dealers -- it puts them in a position of re-measuring the compliance of that trade where they look at it and say, if the client bought for income and this is now appreciation, is that a suitable trade, and they have developed some pretty sophisticated processes for that.

So the industry's adjusted this sort backfill to make that happen. So, you're still seeing buybacks occur. Take-up rates again are higher then I suggested to you in New York, just want to correct that. On the going forward piece, so you're seeing higher fees, more wall controlled funds, more allocated -- force allocation funds and now some new structures, and people are trying to find -- carriers are trying to produce products that have a narrower solution in mind.

And they're coming up -- some of the stuff is directionally quite interesting and then you have our lead access space and you have a variety of competitors producing what really look like clones of that product to try and catch us on that one. So we will have plenty of competition lead access and candidly we welcome it. So, when we try to explain you the value of the franchise you own, and I think it will be an interesting way to demonstrate that this time next year. But those are the product changes you're seeing.

But we work the edges of Jackson's products, so we want to keep the core value of what the consumer gets the same. So we improved profitability by slight changes, narrowing age bands that things are available, but we didn't make any material changes really in the product, we're just tuning it to -- again to manage the profitability. And all of that has kept us highly competitive in the market and I think we've got a good balance between the investors' needs and the policyholders' needs.

I get kitted -- I think Chad actually made a joke last year in New York.

This -- internally this is -- the guys tease me, these are my favorite slides.

We -- the industry's bias on measuring the strength of carriers is capital, we talked about this in New York. And I don't for a second just miss the value of measuring capital. There's a lot of ways we do that, hundreds of pages and month go between us and group and the regulator, in both in the US and here in -- with PRA.

But our bias in parallel with that, and certainly it is pure cash flows, on the argument that we should be able to look at you and say, let's take away the value of the hedge, let's take away the value of all the rest of fees, so in this case this is just the fees on the withdrawal benefit -- our product with our systems we allow client to elect what they want to pay for and not. So if that's true, your pricing integrity has to be such that each of those benefits stand-alone makes sense and it doesn't require cross-funding from another benefit, it doesn't require them to be inefficient.

Okay, so if that's true the fee we generate on just the guarantee fee and the present value that in this case has to be worth more than the benefit provided on just that benefit. Okay. So, we measure this in a lot of different ways. Chad is going to give you the shock value we showed in New York and tune those up. This is our real book, it is not hypothetical and this has a 5% assumed gross rate of return, which is not particularly attractive for us as a business. But trying to balance the -- but we -- our assumption, some of my friends who like market consist -- in the room, so trying to get something in the middle. So, that's a 5% assumption.

And what you see in this one clearly is the value of the future fees is far more than the value of the benefit.

A couple of takeaways and just some questions regarding between the last year's meeting in this one. If for any reason the fees we have to pay for these guarantees weren't enough, we have two plus times those fees we go into next. Okay. And again, you have the hedges to offset that and you have the resilience of the operating income, which is arguably the ultimate hedge. Okay. So we look at it in these terms when we're talking internally. And the key is, so what does a bad year look like? When do they hit?

So when people talk about clients' staying behavior, we model all those across these sort of metrics. And again this is shared with group, shared with regulators. It's one of the things we think is a key way to look at the business and these all look great and Chad's going to show you some much more granular looks at a block in just a minute here. So the question I got last night, (inaudible) serving, the -- why are we having some of these successes when competitors are not -- 1 or 2 items -- this is -- some combination of these I think drive you that conclusion. The core one is, if you built the correct products, okay, this is everything, if you build the correct products and you price them right your back book becomes profitable.

Our back book including pre-crisis books are all profitable. One of the shots I heard last night or questions I got (inaudible). One of the questions I got last night was -- or challenges probably, it wasn't even a question, it's a statement, was that, well, you guys did a lot of your sales after the crisis and doesn't change earnings, it does. If you remember, Tidjane stood up here after the crisis and said, this was the period of time we are going to go hard in the US and take advantage of that. Okay.

But -- so just to be very clear, the sales before then are all profitable as well. Okay. So it's -- some are more profitable than others, but that back -- our back book is profitable. That comes from product design and pricing, that is key. That defines the value of the franchise first. On the distribution service piece, so this is an advisor driven market, that's why we can get away without advertising. We are as good as our last service call. We are as good as our last wholesaler visit to a branch, because no one in United States in my knowledge, I've seen the entire industry's creation in my career, has ever walked into an advisor's offices and said, what I really need is variable annuity. It does not happen, okay.

What happens is over two or three meetings, a financial planner sits down with someone who just got a 401(K) rollover, defined contribution rollover and says, what do I do with all this money? And they're very nervous and they're very concerned, and two or three meetings later, there's a plan and Jackson is one part of the plan.

And if you listen to some of the tapes of our retail investor calls, the actual policy holders, they often don't -- they'll refer to the advisor's name as the issuer almost. They'll say -- there is no nickname, but they will barely know the name of the product, they know what the product does, but the trust is so high with the advisor they are following their advice.

That's the key element of how we do business because it means, one, we're not spending a lot of money on advertising; two, it means we are very conscientious of the service proposition, how we treat these clients and the accuracy and all the things that could ruin that advisor's business. You couldn't find an associate in our building that doesn't understand that.

So we are really good wholesalers, they add value in their branch, they do technical training, Elite Access is a perfect example of that. They're all fund -- specialist certified a year before we launch our product. They can talk also with that third-party advisor, if the client brings in a professional in the space and they can really help with a complicated sale.

Our service and technology platforms, we have the best technology in the business. We invested more and again last year. We want to make it better and more capable, more scalable. We keep looking at ways to get more efficient. But what it feels like why that matters to you is, when a client calls us from some place we pick up an identity off that call, phone number, policy number, something and we can route it to someone who is very good at handling that topic. And we can get the correct information in front of them when a call comes in.

So if it's a variable annuity from 2007 issued in Maine by Merrill Lynch, we know all -- in a qualified plan, we know all of the rules and that appears on the service person's screen with the options are not, and so the answers are accurate, okay. Sounds trivial, 4.9 million clients now. There is no advisor that accepts any level of error on any of them. If we screw up on one, we damage that advisor's reputation in that market and where they built their book and so it is absolutely critical.

So the service standards are high, the execution levels are high and the technology to make that happen is unique. And a part of it, we rank our service scores against the fund companies, not just insurers who are in a higher bar. And SQM, which is the -- I think the best in that space has this number one, seven of the last eight years. For those of you going to Lansing Friday, if you want kid (inaudible) about what happened that eighth year, you do so at your own peril. But it's a -- they are very proud of their other service and it goes to scalability.

We are very fortunate with the growth we've had. We've got to make sure we're as good on the newest rep, the newest client as we were on the previous one. So a lot of effort there on execution. I'm going to Chad talk about if -- you know we're been on the tails -- on the hedges historically. We continue to think we have an outstanding initially model here. I mentioned we don't have an unprofitable vintage.

We're managing volumes to the Boards, specific levels, very accurately. We participate in the discussion of what those should be; it's not easy to do. There's a lot of leverage you can pull and we think we've got that balanced pretty -- pretty well defined and are bringing in levels we want of the products we want. And again, Charles is going to give you a little more color on this.

And then the last thing is just the byproduct of all that should be a well-capitalized, highly confident recurring operating income stream that provides liquidity and capital formation and all those different issues. And again, you guys know what our dividend levels are and our capital formation is excellent.

So that's sort of the summary of why I think we're doing well. I'm going to let Chad come up and drill down through much more specific looks at the back book and profitability in the book, and then I'm going to jump back up here with him, we'll do Q&A at the end. Chad?

A - Chad Myers {BIO 2234559 <GO>}

Thank you, Mike. Good afternoon. As Mike mentioned, this really is more intended to be a follow-on to New York. So a lot of these slides are going to be very familiar to at least most of you I think. And more of an -- it's more of an update. I mean if you think about it, since New York there has not been a sea change at Jackson, we continue just to execute on our key strengths and do well in the markets that we're in.

So I'm going to start here which is with a picture of sales and we've got (inaudible) of sales here and just thing about over this period of time, we've had a successful distribution strategy over this period, we've got about 15% CAGR on the sales levels, but you can see some changes going on within that.

So back in 2008 when the markets were little more stressed, we had -- actually large proportion of our business was in the general account, spread-based type of businesses and VA was a relatively minor portion. Clearly, that has changed a lot as we were able to capitalize on the dislocations there and be one of the few steady presences in the VA market. We saw strong growth right up through 2012.

Now if you look at year-to-date 2013, what you see is couple of things. One is, the growth was lower and that's intentional at this point in time. We're up about 5% Q3 to Q3. But within this, there is two major things going on. One is the VA with living benefits is down about 15%, again a conscious effort to reduce that and keep balance in the overall book. And the offset to that is about a four-fold increase in Elite Access, which we launched back in 2012, which has been a hugely successful product for us. And that's taken up -- more than take up the slack that we've seen in the pull-back of the VA business -- the VA with the living benefits. So again, still good growth, but at the end of the day we're de-risking the product mix somewhat here as we move to 2013.

In terms of looking at the -- the left-hand side of this pie chart looks pretty much the same as it did, at least the big wedge looks about the same as it did last year, in large part due to market appreciation. Elite Access wedge is actually starting to get a fair bit bigger and we'll expect that to continue to grow through time.

But I think the bigger change we see here, we continue to see the trajectory there is on the right hand side with the actual sales mix. So when we're talking last year, we were about a little better than a quarter of sales going into the -- fee-based sales going into the non-living benefit base. We're now up to 39% through September and so that's 39% of fee-based sales that don't have a living benefit. If you then expand that a little bit to say -- bring also in the general account products, fixed annuities and such, about 45% of our sales have no living benefit. So a pretty meaningful portion. I know at least a year or two ago, we were fighting the perception that everything we sold was living benefits, which is not the case.

So, this takes a look at the balance sheet and just how reserves are developing here. And there's a couple of things that you see. Again, with the success that we've see in the VA space, probably it's no great surprise, that lower blue bar has been growing. That's the VA with living benefits. So we've seen some pretty good strong growth within that portion of the balance sheet.

Same time, fixed annuities in particular have been relatively flat in terms of that balances, so that's the yellow portion there. So, proportionately that's been shrinking. You can see the life reserves are relatively flat over this period of time, in large part due to the fact that we got the reality [ph] deal done in 2012. And so, that's allowed us to keep that flat despite the fact that VA has been growing as much as they have.

Keep in mind too that the life portion and the reality [ph] impact is much less on the reserve side, it's much more on the diversification of earnings side which is just coming through. So, this is probably the story you think about. I mean, certainly we get the conversation that goes along the lines of just how much of the balance sheet you're willing to commit to living benefits or how much is too much and that type of thing.

And there's some important color, which I'll get into in on the next slide in terms of just how this is developing, because the focus has been on net flows, but we've really been in a -- had some very good tailwinds with respect to the bull market that's been developing over the last several years with the market having doubled.

So what this slide does is basically all the general account stuff that's on the top, just try to simplify this down because there were too many colors in the prior slide. The general account portion of it has been shrinking, which you can see across the top. The middle blue portion is the VAs that we sell that don't have a living benefit associated with them. And then the bottom portion is basically that which I showed you on the prior page, which ended with the 44%.

So if you go in -- if you take a deeper look into that portion of that, the VA with living benefit that's a portion of the reserves. What you see is a lot of what's -- a lot of the growth that we saw, that stair-step that was going on in the prior page, really has more to do with market appreciation than it does with the sales levels. And basically what you can see is within this about 9% of the balance sheet or I guess putting -- if we were to back out the growth in -- just in the markets and then separate counts underlying our VAs with living benefits, you'd see a relatively flat pattern there of what the in-force will look like, so a good proportionate growth really coming off of the net flows with a lot of balance sheet growth really coming off of the market appreciation.

This is fantastic news for us. You would expect to see good profitability off of this portion the block because you've got so much that it's not an exact comparison, but I would liken it to being able to sell a portion of the VAs. That 9% wedge there is similar to having sold a product with no acquisition cost, no commission cost or anything like that, because this is -- again you get the fees off of it and fee step-up on the guarantees. You get the M&E fees coming up on the underlying but not having to pay a rep to bring us that product. So, I think very important context in all this and a very healthy sign within the balance sheet.

Next slide, just again a refresh from New York. The wedge -- the 1% wedge was a whole lot bigger back a year ago, but it's even smaller now. And we originally started using this a couple years ago when there was a big story between the back book -- the wounded back book of a lot of our competitors and it was more of a defensive slide just to talk about the fact that we didn't have that problem.

We wrote a lot the businesses at a very favorable time in the market and I think that's still clearly the case.

But two or three years ago to say that virtually none of our business was in the money relative to issue level -- the S&P issue level. With the market at all-time highs, it's not a terribly unique or compelling story at the moment. But I think what is still important though is, when you look at when we wrote this business, if you look at the wedges, basically the right half of the graph, little over 50% of the business was written at an S&P level of 1,300 or below, so lot of correction there. If you bring in the purple wedge there that's 1400 and below, so basically three-quarters of the in-force right now is written at a level in the S&P that's 22, 23% below where we currently are.

So again put another way, if you thought about a typical bear market being 20 to 25%, not a whole lot of our book will be exposed from a core profitability standpoint at those levels. Again, the guarantees will ratchet up with the market. So those are going to be always close to at the money, but the core profitability underlying contract, the part Mike was talking about as being the additional fees we can access to hedge if we need to or just are going to flow through profitability, in most cases is all quite strong.

Again a refresh of something we've looked at before. The IFRS FAS 157 and SOP 03-01, reserving is not a -- FAS 157 is reasonably close to an economic view, SOP 03-01 is not.

So we've shown this exhibit just to try to walk through the adjustments here and just really this is a -- again a refresh of where we're at. So the 380 million, that's the reserves we have up on IFRS basis for VA with living benefits, so the overall VA with benefits. The SOP 03-01 is the longer-term interest rate. So basically what we do here is adjust that to get to a more current interest rate or at least as of June 30 interest rate, which lower discount rate, higher periods benefits, so that pops that up to 362.

The other aspect of this -- and that's more of an SOP 03-01 adjustment as is actually the volatility adjustment out to the right.

The other adjustment is really -- the big one is off of FAS 157. So when we write a policy, we're not allowed to book a profit off of that. So if we say -- if we sold -- guarantee you at a 100 basis point fee associated with it, but on an IFRS type economic -- or an IFRS type assumption basis there was only a 50 basis points cost, we could only effectively keep 50 basis points of the fee and the reserve, the other 50 basis points will just come through as it's -- as incurred or as we actually collect it. So what this does is actually bring through the fees that we're having to ignore within the reserve calculation to get on more on an economic basis, because this is a fee stream that we will collect over time. So adjusts for that.

So what you see actually adding the volatility adjustment is we've gone from again economically now to a point where the reserve is actually not a net liability but it's in a net asset. And I've talked a little bit in New York as well about the fact that the accounting is becoming increasingly asymmetric.

This is part of what I'm talking about. As the reserves -- we've had some reserve release this year with the big run-up of the market. But things are so far in the money now -- or so far out of the money that there's just not a whole lot of reserves left to release. There is obviously hedging we continue to do and no small part due to the hedging of that big red bar of the future fees are the guarantees. So we do get this asymmetry which you would've seen in the interim reports on the bloodline short-term fluctuations. That will continue to be a feature but we'll continue to adapt the hedging program as well and try to mitigate that as best we can, but it will be a feature.

Keep in mind too that, that which comes through the short-term fluctuations completely ignores the fact that we've got this massive fee stream that we don't give or take credit for but it will flow through in the future years just like we're seeing this year with very strong operating earnings.

So just to pick up on what Mike was talking about on the free -- on the enforced cash flows, top left is the exact same one that Mike already had up on this slide a few minutes ago. And you see very, very strong net fees versus benefits. Looking here at a 20% shock down, still very strong. What you see there is obviously we'll start to see more benefits come through. Also we will see more fees collected, because if you've noted within that chart, about 5.5 billion of PV future fees in the top, it jumps to 6.7 billion with the market down.

Remember, most of our fees are benefit based. As the policies go in the money, people will stick around more because they were on a lot of those guarantees. So as the block becomes more persistent, we will collect more fees.

Obviously, the opposite of that will pay benefits as well. But a relatively minor impact for a 20% drop. Further out there to the right we show 40% drop, so here a very large portion on the right hand side there with the red bars. But we're still in position -- because if you look there most of those -- I mean the first payments aren't coming for still 10 or 11 years out, even 40% instantaneous drop, and the bulk of the cash flows really aren't getting paid until 20 to30 years out. So the discounting matters a lot on this -- or the -- getting paid a fee today versus having to a pay benefit 30 years obviously is a good trade.

And net-net of that, what you can see is even in that case, so we are talking here unhedged 40% instantaneous drop with a 5% gross year-by-year, increase after that.

We're still net positive for that type of shock. And again this excludes hedging, so -- and just to give you a frame of reference here, the hedging -- if you look at the 930 hedge book, down -- instantaneous down 40 -- we worked a little over $8 billion in terms of mark-to-market positive. So well protected, we continue to take the hedging very, very seriously and are well positioned for those types of moves.

Again back to health of the book, Mike mentioned that there is no -- we don't have a wounded back book, we don't have unprofitable vintages. We hedge this stuff all along even when it wasn't fashionable to do so. And as a result, it's paid off nicely. The other thing that we've done is we have not gone to the well managed funds, the highly de-risk portfolios where you would argue that client's probably not getting a whole lot of upside potential for what they are paying for and part of the result of that is, when the market came back up we've seen good performance in our funds and that's actually taken some of those older blocks which were more in the money and basically put them out the money.

So for context, GMDB be on left, GMWB on the right, the pre-'07 means that's a policy that was written pre 3/31/'07 versus post 3/31/07, and you see for even on both the DB and the WB, even that which were written pre-crisis and keep in mind is that ratchets and roll-ups and things like that, this is a lookout for that. We're at about 97% of the -- or it's about 3% of the money. So very healthy book, 3% money is going to generate very little ultimate claims.

So that book is healthy and you see we are also a very, very strong positioned for the more newly written policies. You look at the WB which tends to be the focus of most people by a 9 to 1 ratio we've written or it's -- we've written 9 times as many policies or 9 times as many policies on the books, I get this right (inaudible), 9 times as many policies on the books in the post 07 cohort. So at least from a WB perspective the fact of the financial crisis happened is actually somewhat irrelevant. Given the mix of that, you see again very strong out of the money characteristics there. Again for benefit that tend to roll and match it up.

So if we don't have any wounded backlogs like the rest of our peers tend to have, and we're writing good new profitable business, the market is doing well. You would expect that to be reflected in our financials and it is, again this is an updated of a slide from New York. We dropped deep in the foot notes there, we dropped that a couple of competitors that had, I guess that were more wounded than most in terms of their back book. So it's going to skew the industry numbers down, so I think a more -- a fairer peer group right now in terms of who is out there.

You can see the industry has actually started to come up and I think we've all seen the expense and multiples and just people are happier in general about the life insurance industry in the US. We start to see some upward creep in the ROEs. Some of that's going to be based on the fact that what Mike was talking about, which is, they have written down a lot of that over the last several years. So does tend to improve that, but nonetheless there is more markets tend to help to set the metrics for everybody.

So, industry is getting better, we're getting even better, you see there is a good amount of distance between us in the industry here in general on our ROE basis. And we're quite happy with that, we continue to see this flowing through and so, price are at the right time, god profitability, hedging continue to perform, which we have to see coming out the back end is good cash flow and that is what we've seen. So the left-hand side, just look at dividends, basic dividends back to group and we're the red line there.

You see, we've had strong remittances throughout this period, well above what a US peer would be, a part of that, the left hand side is a little bit unfair just because the US is more buyback centric then the UK would be. So the right hand side takes into account dividends paid and also a buybacks capital raises and such. And what you see is that over this 2007 the current period, Jackson strategy through the crisis and through the recovery after the crisis has been able to generate more cash to shareholders.

Then Albert, on this case the price which has a different business models, a little bit more or a lot more asset management focused to it, so in terms of the insurance space a very successful strategy relative to peers. So just wrapping up, again the pricing of products in the right time. I'm sorry, pricing products frankly hedging them, selling at opportune times not chasing market share like it was done pre-crisis, which is really the bigger issue, these are all things that are very important to the business model in the US and then continue to be the theme here.

Our hedging continues to be effective, Palsson behavior continues to track our assumptions and we continue not to see any of the large unlocking like we've seen by number of our peers that even have continued into this year. And overall, the risk management has kept things going. So that's that, I guess we can open up to questions.

A - Unidentified Speaker

Okay. I'm seeing none, then we'll sit down.

Q - Unidentified Participant

Hi. Thank you so much. Just a couple of questions if I could. And the first one is, trying to understand what a systemic improvement the group means, the VA's and the context of how that the base possibly going to go back capital and managing systemic risks, could I believe yourself systemic risk plan much before 2019. And I'm assuming the reason that your power reasoning systemic is probably to the risks of that.

And the second question is, I guess on slide number 16 where you showed the 40% equity markets stress, one of our main concerns as you still showing a lot of laps in that scenario. So maybe you could walk us through, why you think those current level lapses are appropriate for a 40% equity market stress.

And the third question on VA capacity, because I think you said that the market growth and therefore of our VA capacity is, and I missed the punch line on living benefits. So if you could let me know what it is? Thank you.

A - Unidentified Speaker

Okay. So maybe we'll take the last two first, and I will take the first afterwards. So you should understand you did not miss the number, we didn't give it. Okay. That would be a forward looking and market sense that I'm fairly sure on both counts. On the hedge. So on the down 40, I think what you might have missed within that context, and I think we talked about in New York, so we didn't -- in the interest of time, again we have 8 hours today, like Mike was mentioning. The assumptions that go into that down the 40 shock would follow our pulse or the behavior algorithms which we outlined more in New York.

So if we are in that type of situation, most policies will be deep in the money at that level money you see lapses that would be assumed to be some 2%[ph], and so that's as you move across this slide you're going to be depending on what vintage or what duration year and you're going to be on the top side, we're pretty much earnings out of money, you'll be in 9% to 11% type of range on ultimate lapses by the time you get down to there, you would be in something closer with you.

Q - Unidentified Participant

Which line you're looking at that you're saying is going down. I'm sorry, which par do you think is going down.

A - Unidentified Speaker

Can you speak in the microphone, so everybody can hear?

Q - Unidentified Participant

So, the other question was guarantee fees, which in terms of the benefit base, so you can see the start off, sorry lower than 800, but then obviously falling by more than 2% a year, and I think it's the ultimate rate, it is not actually the kind of suspect rates based on that percentage.

A - Unidentified Speaker

It will be lower in earlier years. I think what you're, you are mixing two concepts, there this a laps, but also keep in mind, when the policy had zero we don't collect any more fees, so what you're seeing in this as you're seeing decline relatively rapidly. We're selling more, more policies to hit zero and what we are telling.

I mean part of the intent is, we want to give you a good look at this, we are not, we wouldn't want to give you this spread sheet behind it, accountably it's we're not trying to, we're when I wouldn't want to give you the spreadsheet behind it were or we like the industry discussion to be the shock rates, we are not trying to replace some of the consulting firms that could do this for competitors for a fee. I mean, I think there is a balance here between what are the core assumptions in it. At that level of granularity and you may be off a percent or two the way mortality also behavior will be something plus or minus a couple of points in there. But we're assuming if the clients got an advantaged position they will stay longer.

Okay and we are assuming that again the recovery is as you see in this very poor, you're taking with this new member, but you're talking about going out quite a long ways in time without assuming equities markets recover. So there are a lot of things held constant to look at the impact of the guarantee in this. It's not our belief or what happened obviously, but it's a way of measuring one of the shocks. I don't want to be -- this is on target, this isn't a book of 400 pages or things that we look at, now call that this is not the book to be clear. This is not how we go with decisions.

Okay. Back to GSII, let me try (inaudible) let me try and explain where we are, as clearly as I can. It's not a very clear situation; there are a number of concepts over there, its robust stock capital requirement as being discussed. There is international capital standards, which are being boost by IAIS and whereas the insolvency to SCR and MCR. So the question, and I was at the meeting with regulator, recently evolved industry CEOs, we were saying what is the connection between those minima because we can go with one company, we can operate to operate to so many minima and that is not clear, so they recognize it's an issue, it's not clear today.

I also said, are we going to, as a veteran of the MCV battle, which I think we won. Are we going to have the same debate once again? I was told, no there will be no pro cyclicality that has been said by regulator very specifically. So the advantage remained in Solvency II to kill what we think is the inadequate understanding of markets consistency or acquired and over international regulators are accepting but are not reopening after having resolving MCV they were having resolving solvency II level, apparently we're not going to have to do it for third times, that's very good, because from there we're in a sensible place and we are relatively relaxed as long as we're not facing an artificially for typical regime, I think but it's understood. We were also told that the lessons will be learned from Solvency II, we all know how long it took to settle a common set at the EU level, the ambition this time is to do that at the global level, so including China. So all I can say that 2019 is the earliest date of anything. So of course, if you want to do something in 2019, again drawing the lessons from Solvency II, you have to start agreeing on concept earlier. So VSRMP [ph], that you're referring to agree what should be in VSRMP, that is not agreed at this point of time, so it's not a 14 or 15 or even a 16 topic, there is so much work to do.

The regulators have been explicit that have been no capital impact, actual capital impact before 2019 and I think that's all we knew. All I can say that how much we more relaxed than before, because I think the lessons have been learned, I think we are being much more listen too. We are prudentially involved in a workgroup, as you know presentation in IAA's, we're having a dialog which enables us to share some came, gave industry view, you're thinking about the industry view, we are going back for vendors, I think we all learn insolvency do, but we need to have bit of dialogue.

So I'm reasonably confident that we'll get to a reasonable point and my understanding is it's not the non-traditional, non-insurance activities that got to see anybody who is big an international today will be good, I think we're great and quite explicit about that.

It's not so much you're going to about being a in an T&I it's about being international per se. As very worried about contagion risk and anybody who's got large operations across geographies will be caught in this, so I think the VA issue itself is, is not so prominent anymore in that context. John?

Q - Unidentified Participant

I got three questions. On the slide behind you, could you comment firstly on -- first question is, what do you see me comes with Vex [ph] and (inaudible) we could not get on X percent is the first question. Second question, on the point and you're able to mitigate the guarantee costs with free stream before you result to hedging a couple of things from that. Firstly, suggests the margins in the product are currently high and secondly which you get to a point where you'd be prepared to right product where you have to rely to extend on the hedging, as well as in intrinsic products, and so what sort of head room if you got on the margins if you still take that line of thought?

A - Unidentified Speaker

Yeah.

Q - Unidentified Participant

And then finally just on fixed annuity, if the show rates go up in the U.S. and the (inaudible) stays very stable, this is a product that you will actually start allocating capital again and trying to grow. Thank you.

A - Unidentified Speaker

Let me you. So the last one first. So, call it 1 billion dollar is fixed now, we are -- again on that one slide that chart showed 20.6 billion to the third quarter is our total sales. So we are selling fixed, fix index just not an ideal point in the cycle for that product -- wanted to -- trying to make there is (inaudible) way to go.

On the mixed comment, I mean, this is cash flow base (inaudible) comment, won't comment to that. And so the comment I made about the hedging that's in force hedging only, right. So that's, that's going to be what's already on the books. Which has been relatively consistent. So we talked about in New York similar relationship for the in force hedges would effectively covered off the PVA benefit. The issue would be as you roll through time, is there a point where the X gets high enough that as we roll the hedges and become more expensive that's always a risk.

Fortunately bad events tend to be spike type of events, we've seen some pretty bad ones over the last several years. It's been -- it'd be unlikely to see three years of 40% X type of numbers, right. So what we've seen is over call it 12-month type of period, it's tended to be at a below our pricing assumptions and most any cases we've seen over the last decade.

And John, we're looking at long-term ball more than Vex for our internal modeling as we've -- I talked before. There is another interesting issue now at Vex is the Feds QV [ph] policy of clearly done a pretty good job of dampening that. So again, we don't want to be subject to a quarter-by-quarter impact, that isn't that doesn't affect our hedging cost, but it's not from a pricing point of view, we look at more long term metrics than that.

Q - Unidentified Participant

And we also have with respect to the Vexes where we do have other strategies we can use -- we can use volatility to advantage, if you get extreme volatility and very, very high skill, yeah, there is things we can do on the details that that actually cheap enough some of the hedges are used put spreads, things like that are helpful. Rates are actually more important, I think than the next level.

A - Unidentified Speaker

I think John was also asking over margins too high.

Well, and the questions -- so the margins, it's a great question. And we do talk -- when we talk to a broker, dealers, by product designing it's, are we charging too much is an interesting question. It is like any other life product you're basing it on a large body of people. And so its -- I think on an individual event basis it's absolutely priced fairly. Other scenarios we're in very good shape, yes, but the guarantees are meaningful and they're explicit and we're spending the money, we're using for that fee and so we talked to US regulators and we talked to even policyholders, investors explain how the product works.

They view this as buying active management and paying a fee for the withdrawal guarantee. It's little simplistic, but it's pretty close, I mean I think it's a fair very transparent trade on their part. It's also though the chats, comment, a couple of conversations, the break is why that we think the underlying fund proposition has to be real, they have to be able to buy strong performing well managed good funds in the top companies in the United States to make that fee reasonable.

If we put the hedge down in the fund and then charging a fee for the hedge, we don't -- we're not a fan of that model. To latter part of your question on what price would we accept, it's really more of a group decision and since John's been here, there is much more of a -- with almost 19 years here, it's a little different perspective, there's been a very clear role and how capital works. And I can tell you, it's -- that this is on M&A, on product and everything. So we have to hit, we have to compete with the balance of the group effectively for capital by a reasonable return and payback period and risk level on that capital.

So if we have margin or not is one question, then isn't a margin that the Group would accept on a deployment that capital given over options globally that's really the other -- the more important -- the bigger question, we have to get that through that first.

So, yes, we have good margin, but there is a point where we're competing with (inaudible) Michael or anybody else.

Some good points you made and then because you mentioned me, but I think it's very -- really this goes to move some of these kind of dialog with the market, because I want to say we are not in the business of generating profitable growth in Asia. I'm in the business of generating the best with a drastic [ph] return from my shareholders, sometimes it is by growing a lot in Asia, sometime it is by doing relic [ph] at 40% of EV. Sometimes, I got to feel to play, and this is really how it works in totally, that's why sometimes we're a bit -- it's uneasy to answer some of your questions, because don't have a predetermined shape of a group.

Really, we know more or less where we want to grew, but we're also quite optimistic. And frankly, what you said was margins before the crises in VA's were 45%, they went to 85%. At that point in the cycle, there was no price in the Group including Asia where we could weren't above the returns in the payback we're getting in America ad frankly we were (inaudible) about going after that business and the whole group and was very well happy to see capital going to the U.S. then to write that business was one thing.

Frankly, ultimately that what generates with performance and then translating into a share price, it is something that too simplistic. It's helpful to present things when it's too simplistic, we just talk about Asia, the reality is that competition inside the Group is real, you can which is aware, on the (inaudible) get capital to grow, so there is no, there is a global strategy, but proving that we have quite a bit of flexibility and in the end we want to maximize returns and I think the VAs have been very good in that respect. Andrew?

Q - Unidentified Participant

Good afternoon, (inaudible) three questions, okay. One, could you comment a little bit about what will happen to our spreads on the general account businesses interest rates rise, give some (inaudible) that. Secondly, you mentioned something but simplify in the U.S. holding company, I just want to whether you could expand on that probably it's important to us. And then thirdly there was a time when the (inaudible) optionality's be used a quite a lot, since this once -- now U.S. is now giving a lot of cash back, its seems to be using less, could you expand a little bit on that.

A - Unidentified Speaker

Okay. So on the spread -- for the New York, so we're up in credit, short in duration on the bond portfolio and we have been for a while, we've used some of the interest options structures to get the duration we want, so I think we're far or less, the short answer would be, we can be a buy and hold player with the bonds we have its rates rise, we are not the fore seller and we can manage liquidity with the portfolio we've got.

Given our -- the size of our VA book now versus our general account. We're materially benefit from our rising rates where four years ago that from five years ago one been true. So it's better for us if we rates rise particularly if it sort of gradual rise, we're seeing it's very good. And it's, they doesn't create an eventfully and team where we need liquidity of sales. Keep in mind at a very typical with the variable annuity transactions some keys of the clients' money goes to that fixed account and effectively 1%. So they're still flows going in there, the actual fixed annuity clients tend to be older and tend to use withdrawals as they tend to use a little about the money.

So, but we have still a good flows going into that space, so I don't foresee. We can -- the mark-to-market may change, but we wouldn't create a sale on our partners necessarily of moved on.

Q - Unidentified Participant

Okay, (inaudible) I think that came when our (inaudible) whatever 566 pound. I mean I know this company, I think I know little of the company and it puts even markets on the perfect, because we should just have been putting, that's what I was feeling fearing, because I knew there are so much more value in the company. So after that was away to go to the heart of that and say, well, if you are not getting but you recognize, ultimately, yeah we should go towards break of scenario and see, if there's any way capture driven value for your shareholders differently.

A - Tidjane Thiam {BIO 7518525 <GO>}

And I think it was very healthy, because it has pushed us down the road a gain of really more transparency inside the group, more competition for capital, one yardstick for everybody which is cash, one language, as I promise, promise upon the new translations. The EVMS, SSB, and CV, IFRS is too complicated, $1 is $1, 1 pound is 1 pound, so it's creatively common currency inside the group and I think it's worked in terms of a logic and in terms of development, so I think we took a less about it to be brutally on this because the share price is 12, whatever it is now.

And we think that we have come a long way in terms of getting the value of each of the bits of group recognize and that's been of the day, that's our drop. I think that's, that's best answer I can give you. And as were cruises is true that they are rationale for doing anything drastic, weakens in proportion it is the risk reward is just not, when you're at 5 pounds you think it was 12, there were many things you would do to close that gap. As that gap closes I think there's a logic trend was -- Nic say word about the restructuring of the US.

A - Nic Nicandrou {BIO 15589153 <GO>}

So under the current ownership structure, we set up to drive some tax efficiencies in the way the capital transfers were taking place between Jackson and Group. This is a 10 to 50 year legacy issue, it takes back to the time when there was no lot of cash at group and therefore we're doing a number of these things. The impacts now are the minimums so we're winding it and of course as you've seen today there is a lot more cash coming in to the center.

Q - Unidentified Participant

Yeah, it has movement GBP2 million now with this centers is more relaxed about those things? Okay where do you go?

A - Unidentified Speaker

Any more.

Q - Unidentified Participant

Okay like one more to two more.

A - Unidentified Speaker

We will get back.

Q - Unidentified Participant

Hi it's (inaudible) Goldman Sachs. I've two question, first one, as policyholders in the moneyness has declined wherever this market are going up. Are you seeing any adverse consistency trends in terms of your potential fee-generating assets? So do you expect to see that in the next couple of years?

And then secondly, if we look at the your operation earnings trajectory. Can you just talk us about the prosperity of generating more positive operating leverage given the dynamics of different conversion assets, results on the managements during the line of expense developments?

A - Unidentified Speaker

Do you on the second one.

The -- you're going to the second one, first?

Yeah. Okay. On the operation leverage, there is not -- only there's a whole lot of uplift there and we're already running. And we usually tell some adequately, we're already running about the most efficient operating platform in the US on the metrics that we use, we actually would be the cheapest. So the marginal -- we are -- as Mike was mentioned, we're very technology focused company, so marginal cost are putting on the stuff on the books, it is not high -- and size now to where we've done a lot of economies of scale in this. I don't think it's a whole other website.

Q - Unidentified Participant

I remember more complexity with each of those trades, so you're seeing an incrementally lower cost, but you're seeing incrementally higher complexity concurrently. So there should -- I think you're going in the right direction, I don't think there's a hockey stick in that given the service model? Thanks.

A - Unidentified Speaker

Yeah in the minus here. So our positive behavior function is set up as I mentioned earlier to really to take into account moneyness, so to extent that the market's done well. We would automatically assume people relapsing higher level when they were in that few years ago. But keep in mind and we do actually have a separate higher lapse people who fair bit of money, because whether guarantees worked out, we never let you far out of the money, most everything went over last several years going to reached up and some level so look at a high anniversary type in works. So there they won't get fund of worth in money drive in newer higher lapse. Because there's no place to go at the moment.

That was good, I was going to hang on, so they are used to be during this meeting eleven years ago, the question would have been the new innovative products coming out. With the ever higher guarantees so they are going to pull you're in the money -- you're out of the money clients, if you were over to a competing product.

And literally in meetings like they said people say, why wouldn't I just take the last couple years center charge to move to X, Y, Z Company better VA. If there is a better mousetrap out there, that has a pressure on your back book, what makes the books stick then an intangible stuff is the clients are in good funds and that's not a -- I keep coming back to this, but if they bought this accumulation with the full guarantee, they didn't buy this for the guarantee because of the structure of the contract.

So when you see those depreciation -- we've done very well as investors with us. So when they open that statement they are looking at it saying this is what we're supposed to do. It's got a lot of friction than if a new advisor comes in a relationship and says, you really don't like that product that you have Jackson and that's we would disrupt our relationship with the consumer, assuming we don't make a mistake with the consumer.

It's a little harder to do, if they've been with us for a while we've done everything we said the statements are accurate in. So each year you'll get a little more traction with the consumer, as long as everything you said you're going to do, comes true. And it's when you thing about the asset product like Elite Access it'll be harder to pull those away, the highly customized nature of our VA contract, our competitor would have to say, well, you want to pay for this year and we have that and have to match feature-to-feature.

So those things help, I'm curious get this through all those platforms that we share, they make it very hard feel laying other products side by side with the exact same characteristics in our new price or performance. But the performance is like another savings vehicle, performance is a key driver in this and I think the industry is that just too far away from that.

All right. I think we're conscious of time we'll have a less Q&A session. So you have a chance to come back, but I think we will still thank you very much, Mike and --.

Thank you for your time.

Thank you.

And we will take the M&G.

Yeah sure.

I think the next section M&G, Michael and Grant if you can take the stage please.

A - Michael McLintock {BIO 1524907 <GO>}

Okay. Good afternoon everybody. (inaudible) four seasons are extremely good. But we told there are chocolate just to wake up ourselves up, I missed that longest time. We're trying to wake up a little bit now. I'm not referring with the presentation right now. So I'm going to give an overview on M&G, Grant will go into the numbers a bit, and I will summarize. I'll give you an update on M&G also, perhaps a few thoughts on what we think makes us different from other asset managers.

I don't think the fact that we're an investment in that organization really makes it very different from other asset managers, all that surprising how many Asset Management businesses and are being investment mode. We are long-term business, and we are most definitely active and not passive. Passive as you know, it's a game of scale, it's a purely clearly a game of scale active is not a game of scale, it's all about also and therefore the people you employ.

And I think a lot of rubbish is spoken about scale and fund management. We manage to state the 248 billion of the loss account. It makes a sort of low, big in global terms but the bigger you get in asset management above a certain level, the more difficult it gets, you enjoy combination in certain areas, but delivering performance undoubtedly gets more difficult the bigger you get. So, I very specifically take exception to all those commentators who talk about scale leading to breakthroughs in different markets. I don't buy into that too.

Over 1,800 employees now, frightens me sometimes when I see that number, 17 operations of the UK and then, mainly Europe, we do have an office in Singapore, and we have offices down in South Africa.

Went through along the slides, simply to make the point that we operate a very devolved structure at M&G. We've operate the devolved structure for many years. So, authority is devolved down through distinct business units within M&G, each of these business units, whether it's accretives or institutional fixed income business or real estate, they have their own boards, very strong principle, we're organized around, which is of the closer you get to the client, the better the decisions are you likely to make. And operating some kind of centralized polite bureau where you're trying to make all decisions around the big top table actually doesn't deliver good results for the business.

One other characteristic, I would sort of bring out here is that if you look at the equities business there on the left, as you look at it, that business is organized and has been organized for many years, in spite of the scale of the business, effectively are drawn and arrange with set of chambers, we have a common staircase but lots of different disciplines, different practices running off that we do not operate to hostile. We do not operate to a group of analysts, who go around telling everyone what to do.

We do have analysts, but individual fund managers have their own disciplines and put together portfolios in very distinct ways. You cannot organize a retail fund management business to a single stall hence, and almost invariably disaster, because your stall gets tremendously popular and then goes right out of fashion. So the art is to have stores that you can talk about, as far as possible at every point in the cycle.

The middle and the right hand circles there, all the funds that we manage for third-party clients and those two together has gotten like the points in different way later, now add up to more than 50% of our funds under management, a decade ago, there were 22%. So we've seen phenomenal growth in the third-party assets, which is, of course, where the big margins are made.

On the left hand side, you can see the internal client, which is a very important source of funding for us to see the new funds obviously paying the bills and a cloud, that is very thirsty to innovate to access new ideas, new ways of meeting the liabilities on its book. And that has been a very powerful source of new ideas, which we've been fed out to our third-party clients.

You will see from each of those pie charts that the business is well diversified. We are leaders, we'd regard ourselves as amongst the very largest and best recognized players in each of the principal asset classes, equities fixed income and real estate, and you can see growing slices of the pie there in areas such as infrastructure and private finance.

Others of my colleagues have talked very clearly about the absence from ridiculous mission statements and I would very enthusiastically endorse that message we do not have a mission statement or any of that nonsense. We're very simple business, fund management is a very simple business, it's about delivering performance to clients and so what's in the middle of that slide there, is what it's all about is investment performance.

If because we're an active fund manager, the delivery of that performance comes to employing the right sort of people there on the left. Sales and profits, of course, are extremely nice to have and they are ultimately why we're in business, but we don't run the business to deliver specific sales and profit targets. If you do that, if you run a fund management business, setting it up to deliver sales and profits targets, you will fail, because you will fail to have the investment culture that ultimately is your life blood. So for us, it's all about investment performance supported, of course, and deliver through the people and provided, you keep your costs under reasonable control, sales and profits will result and growth will result, and that's the way we operate.

I have not put lots of performance data in the slides, I mean, all fund managers are very, very good addressing our performance and give you lots of statistics, the stuff in the back, if you want to see it. We have, I supposed, the fact that we're delivering good investment performance, I know, gaining a lots of fund managers win awards, we know exception, we want some but particularly nice awards over the last year or two. Most recently, the one in financial news that came through a couple of months ago, where they nominated us for three awards at the same time, real estate fund manager, fixed income fund manager and fund manager of the year.

So there is validation that we are doing something right in terms of delivering results for our clients and there are plenty of other awards that we pleased to won also in the recent past. So what is it that makes M&G different? Why are we -- are we incredibly different? No, we're not incredibly different rather fund managers, but I think that our one or two qualities that do mark us out. And I've tried to summarize that, on this slide, I think the first quality and we're not alone in either of these qualities, but it's the combination that I think makes us slightly unusual they're not absolutely out on our own.

Firstly, we are very innovative house. We are very well known in the market for delivering leading edge investment products to clients, a lot of that comes from the service that we provide to our in-house client, but also as a business sort of people that we employ the way we've setup. We're always thinking about new investment ideas using conventional ingredients. We don't do fundings. We don't do structured products or stuff that doesn't really make sense or all that goes fast at the end of the day. We try to do it using what we will only do, using conventional ingredients delivering products that really meet a specific client need.

And the second quality that we have is a proven ability and we have demonstrated this time and time again, which is when we give a good idea or let me sort of what we give or when we get a good idea, we all --

I think more effective or certainly as effective as any of our rivals at delivering that product into the market place in size. I think there was a lot of people out there, you've got innovative investment ideas, but you can't get the distribution and there's plenty of people out there, who got distribution but actually don't have the sort of product need and client need and we have that combination together, I think that is something, which really marks M&G out.

I'll try to illustrate that point with three examples, first of them is M&G Global Dividend Fund, global income is, of course, there is great appetite for global income, net income was generated from global bonds and global equities, and of course, today there are a lot of funds out there that are delivering income through a basket of global equity funds rather global equities.

This fund, the global dividend funds from the first of the blocks, I can't claim it was the first, because it was very early up and it was particularly early up in way it was doing it, which was investing in stocks, delivering long-term growing dividends as supposed to a basket of deep value high yielders. We launched it in July 2008, it is been a very good performer. It is sold extremely well both in the UK and in Europe.

And from a standing start, where we had nothing in that fund only five 5 years ago, now has 7.5 billion under management at full retail margins. So that's an example of the growth that we delivered and I've had conversations with rivals, if you like, it's another formation how that you speak with -- then the ability to generate these kinds of volumes in the fund like this. Frankly, the issue we have more this fund is how we control the growth and don't let the fund grow too big too fast from here.

Second example, the point the M&G optimal income fund, this was we think the UK's first fully flexible global bond fund able to invest in really every single asset, every single bond class, able to invest in equities as well able to go short, able to vary it's duration. It has been a huge success in the marketplace. Again, the performance has been tremendous, since we launched it, it was originally launched right at the end of 2006, again with nothing in it. And that fund now has 15.7 billion on the management.

So the growth, the organic growth, we're getting from these sorts of ideas is phenomenal and the growth that we've experienced over the last five years, particularly is of a completely different order of magnitude what we have -- this is due to what we've experienced in the past and I think the growth that we've experienced in these two funds are very good illustration again as a point that in asset management you don't need to go out, paying for business. If you've got the right idea and you've got effective distribution, the money walks in off the street. It's a beautiful model.

The third example is the point I'm trying make comes from the institutional side of our business. In this case the M&G secured property income fund what is it? It is a clever idea that was engineered as a result of thinking between our fixed income on our property businesses. And what it's doing is delivering two clients in this particular case, it's an institutional product bond like inflation-linked returns from buying property assets, property freeholds, better than left out from 25 to 30 leases to good quality credits with the government or superstores, things like that.

We are -- this fund will be on the other side of (inaudible) Tesco and Salisbury are doing. And you can see that the five-year return on this fund has been exactly what's been better than what we could have possibly hoped 6.5% overall per RPI. So this is a fund that has a queue because it's investing in physical property, you can't get it 100% invested with very particular moment. You can see they're in green, that is the queue waiting to get in at a very, very busy year, the first free income is being fueled in this fund. And 2013, so far we've invested over 600 million in this fund.

You will notice, but I still can't resist repeating the point because I think people do sometimes forget it. How the fund management model works, the fund management model is not a model where we sit from year-to-year, looking at all the dials and pulling levers and pushing switches. The fund management model is one where you've got a consistent recipe. You employ good people, you create a culture where those people want to stay and you then take a very long-term approach to your business. It follows if you employ good people, you don't get chopping them changing because market conditions have got difficult. You take a consistent approach, and therefore, it's about being there and accumulating it net funds through (inaudible).

You can have a stellar year, but it's no good having a stellar year for the following year you will loss all the money. It's about the steady accumulation of assets. And it's net assets that you want -- not gross assets we are not a sales driven organization. I could be -- I'd be perfectly happy to have you vocationally with very little coming and as long as nothing went out to the other end, it's a net game and it's the steady accumulation year by year, but boost the stock of funds, but then gives you the gearing that the stock, when the stock funds responds to rising market.

Over the last 10 years, we've been very successful accumulating assets. Frankly, we've been successful beyond what I would have imagined and that period since 2009 has been, I would regard as an exceptional experience. These green bars are demonstrating the net fund flows into our retail business. And I would say to you that I think the period since 2009 has been exceptional. I think looking forward there are various factors that would explain why we have such remarkable fund flows.

Looking forward, I think we will revert more to our run rate and the experience, probably in the few years leading up to 2009 was closer to what I will regard as a sustainable net run rate. Superimposed on that, the fund flows of our institutional business, that's the wholesale fixed income business and they had some exceptional low margin clients who came in 2009 and 2012. Very significant sums of money at ultra-low margins. I won't go into the detail of it here. But even if you take that out the picture again must be one of steady asset accumulation on the institutional side.

And if you look at the retail experience that we've had the exceptional time that we had in the market, I think is borne out by this chart here. This shows M&G's fund flows from the left in blue and the leading player in the industry quarter-by-quarter in UK retail industry in brown. And you will see that in the fourth quarter of 2008, the lines merge into one brown and blue mode, that is because from fourth quarter 2008 M&G became the number one player for net sales in the UK retail marketplace. And we kept that position for 15 consecutive quarters and that covered four discrete full calendar years.

That's something that has never been achieved before and frankly I doubt whether it will ever be achieved again. It was an unbroken period at the top. It took us to number one position in terms of assets under management in the retail marketplace. And we would not offer our approach wherever I think it'd be better said, we took ourselves off our approach in late 2012 because much of that growth and success have been fueled by the sale of our corporate bond funds. As we came towards the end of 2012, in fact, it was the summer of 2012, we felt that those funds were really big enough. If they got bigger, we would lose flexibility in managing them.

Coming back to the point that we're in investment at the organization, we've recognized what the clients want from us, which is investment performance. We took steps to go out to the marketplace to talk to our counterparties and take the heat off these funds, which effectively meant that we've got to turn them from being net positive sales into net redemptions. And you could see that this represented on the chart, we've then started to experience net negative sales from that moment on in blue, but that's in the UK. We'll continue to have very strong sales in Europe. So they are well positioned for the business actually was still very good.

Even if Europe haven't been there we would still have done this because that is what we think is the right thing to do on the long-term, the long side of things too, because if we can't deliver the performance, what are we about.

This is quite an interesting chart. It demonstrates the unusual succession of blockbuster funds that M&G had over the period since 2004. I would like to pretend to it was all carefully planned down (inaudible). Of course, it wasn't -- there was a large element luck involved in this, but what is trying to say and I'll just take you through that chart from the left is that where our net sales really started to pick up. It was driven during the first couple of years by sales of our Global Basics Funds, which was a fund, that was applied on emerging markets and still there and the Global Basics Funds is the fund that caught the imagination of European investors and spearheaded our establishment into the European markets.

And over that period, Global Basics Funds it was the right fund at the right time, landing very well in a new marketplace for us and Global Basics grew from GBP80 million fund to GBP1.7 billion at the end of that period. And at the end of that period, as the UK economy was heating up, we were moving to sort of overheating stage, of course, in the run-up to the financial crisis. It was the recovery funds that took out the baton, recovery funds represented in that brown color and over the next couple of years, it was the recovery funds that virtually doubled in size from 1.3 to 2.2. Again, we had great performance and it caught the imagination because of what had offered in the time, we'd offered in the sort of performance numbers it was delivering.

Then we hit the financial crisis and the blue funds took over which were our corporate bond funds which I've really talked about and through the financial crisis, those funds experienced stellar growth and the two plain from the corporate bond funds that we offer took assets under management in those two funds from 1.3 to 8.6 billion. And the baton was very neatly passed as we came out of the other end of the financial crisis and the thirst continued for yield and appetite returned for global equity, the baton was neatly passed to the optimal income on the global dividend funds.

And for this last phase, those funds between them have taken the assets within those two funds from 7.5 to 23.2 billion pounds. So the experience that we've had and much which I've tried to say to you is a bit exceptional was due to this unusual succession of the right fund at the right place at the right time.

The Retail Distribution Review, no doubt you may have your own question on this. And some of you were talking about it over dinner last night. It's a tricky one. I'd like to be able to stand up and tell you I got all the answers, but I haven't. I think there are few points I'd make about IDR. The first is that it's good for passive investing because with the end [ph], a very much transparent thing that's in the end clients. Eyes, engineering cost after the chain means that the passive option to take cost out is a decent proportion of portfolios must make sense for a lot of intermediaries.

I think it's also -- it makes the marketplace more competitive, partly because passive will gain of the expensive actives at least of the margin. And secondly, you're getting consolidation and advisory space, you're getting restricted lists of preferred fund managers from whom large groups of advisors all are forced to choose. So that means that there's more competition between the fund managers.

The only point I'd make on the other side that could be read as being barish points. I think the perception that RDO is going to lead to a head long downwards in terms of fund charges, the fund managers, I get a sense and this is a sense, it's not because, there is been sort of conversations between different promotion house which of course they couldn't be, but it is a sense that people suddenly realizing that actually cutting prices is a road to hell and doesn't necessarily make sense for anybody and just to illustrate that point to take M&G's position, if we have an intermediary, a large intermediary recall as a platform with who we do significant amounts of business.

They come to us and they say we'd like your M&G to launch, we'd like to do, you will launch a super high share class, so you will, grant us a lower fee than you're offering to anybody else.

Of course, in a pre-RDR world, that wasn't a discussion that happened. In RDR world, we came to an arrangement based on negotiations about how much commission we would pay to that platform and that platform may or may not rebase that commission on to the end plant. And nobody outside would've been any of the wiser, in the post-RDR world you can't do that.

If you have the negotiation and you agree to cut your fee, you set up a specific share class for that intermediary and the marketplace knows what the fee is. And if you cut fee for that one intermediary, don't think that no one else going to find out about it. Don't think you're going to get everyone else of any scale knocking on the door saying, we want that fee.

And I think what's changing in the market, notwithstanding the points I have made about the greater competition is people starting to realize that actually aggressive customer fees or even customer fees simply slices the revenue of your own book and you'll basically engage in a war against yourself. And I think that is something which is starting to doom on players and the industry.

So RDR isn't positive, but I'm not who's going to lead to this sort of price cutting fest, that some of more barish suggested at the outset. Clearly, if you got a strong position, if you got a good relations to the intermediaries, if you got a good brand and the brand doesn't mean anything and as it is backed up by the values in the organization. If you got these things, you're in a relatively strong position.

I've talked about Europe, one of the reasons why M&G agreed to be booked by the Pru back in 1999 was the fact that we were pretty big in our domestic UK market and we wanted to expand into Europe. And that is going to have a P&L strains, that was going to pretty difficult for us to handle as an independent company.

At the time, you can see there -- that column on the left, we had about 16.5 billion pounds of funds on the management. So the Pru bought it and we invested hard in Europe in setting up in this business from scratch, organic growth. And over the subsequent time period, from a standing start, the first sales and the first deal was 600,000 pounds in '12, EUR600,000 in '12, European small companies fund back in early 2002.

Assets have grown, again, completely organically to more than 22 billion over the course of the last decade, which means that there are now 1.3 times the total asset book that M&G had at the time of approval of the business. And that is a very significantly profitable book of business, making this a very good money.

We've done Europe in a different way to almost all our competitors. I hate using this word, oiks, let's call it mutual funds, arcane differences. But what we did was to take into Europe, our oik platform, the oik is a collective savings vehicle with share capital. It's actually, currently unique to the UK. And by getting into Europe with our existing fund range, we could immediately do business, because we would inherit as a performance track record on a wide range within that start again with a fresh group of a collective vehicles.

We set up in all the season, almost all of these European countries we are operating, all the major European countries, but the administration is down. The big central costs are located back in the UK, so it's a very cost effective model. And it meant that when we run through the crisis from 2008, we want something hacking out on these people and excessive numbers of salesmen, administrative, that kind of thing, because actually the model was tight.

And we've seen great growth in Europe. I've talked about it already. These columns actually start -- they measure the growth in some of these countries, since the third quarter of 2007, that was the quarter when we set up our French office. Interesting, that in France, we are now the number one cross-border 49 Group's Europe to define this cross-border pass. We are the number one in terms of net sales and total assets under management from a standing start, six years ago.

We do a very good business in many European countries, we have, currently, net sales in this year we are in the top three initially and Spain, and I think Switzerland, strong business in Germany. If you take our market share overall, I think we're in the top 10 and growing fast.

So Europe has been a huge success story for M&G, and looking forward if you take our market share in the UK and compare it to what you've got in Europe, there is obvious growth potential. And the dynamics for Europe are, I think, obvious for -- I mean, firstly, since the financial crisis Europe has strongly adopted the usage model. Before that there was much more bancassurance and sort of rather murky collective vehicles with furious charging structures, but didn't offer great value to investors, user have the mad-off experience and loss of confidence anything that wasn't transparent.

And so the usage vehicle, which includes obviously mutual funds, the oik that we sell has suddenly taken off in terms of popularity.

Europe has adopted open architecture, the bancassurance model is breaking down and the bancassurance are opening up to a range of some outside players. That's been a big driver.

And thirdly, you've got the obvious points of that demographic. So the European dynamic still looks very good. I think the one Macquarie you have in Europe, it remains to be seen how it plays, how it is mix in two, which I think doesn't come to implementation until 2016.

I mean, the question with two is, is it going to introduce into Europe a full-blooded version of RDR. We don't know at the moment, clearly mixed too is going to, is going to prohibit the payment of commissions in certain areas of the market, they will depends on what is defined as independent, and what is in the most work its way through the European process at the moment. So -- is the one thing we have to watch out for.

And I will now pass here to Grant.

A - Unidentified Speaker

Thank you, Michael, and good afternoon. Michael has already talked about M&G as a business, some of the characteristics and qualities that we have, and some of the successes that we have enjoyed over the past number of years. What I will do in this section is give you an overview of the impact that all of these have had on our funds under management and our profits. What I also do, however, is show you how the financial performance of M&G compares to that of the wider asset management industry.

I think an assessment of how we have performed against industry is a good compared to say it, to truly assist the trick stands of our performance.

Financial performance for an asset management company is actually quite simple. Fortunately there are couple of drivers on the ultimate profits but funds under management you've got revenues and you've got costs, I will touch on all of those two great -- extends through the rest of this presentation, but before we get into the comparison.

It's perhaps remind ourselves of actually put their funds out of funds under management of M&G or and what the expenses being over the past 10 years. In short, there's been nothing short of -- a transformation in the total assets under management of M&G in 2003 a 113 odd billion pounds, that's more than doubled to really on quarter three, 2003 of 242. Tony has the transformation been in the absolute size of the asset base but also in the composition whereby we are not more than 50% external assets as opposed to 2003, we would, were we would dominated by the internal clients.

As Michael has already mentioned the internal client is of huge importance to us. It is a big block of assets some, 118 billion pounds as we currently stand and that does pay for lots of the overheads it gives us a cushion in times of economic uncertainty, which we have had and which has been very, very valuable.

However, the internal clock, which is also very receptive to innovative product ideas, we can use the seed capital if this investment proposition that we have reached the investment criteria of the internal clients but we can use seed capital to launch some of these funds once they are established, commercialized and promote them to third parties. In fact, there are some interesting notes and I just realized this is coincidence later, that three of the funds that Michael referred to earlier part of our success story, the global dividend fund, the Optimal Income fund and the Secured Property income fund, all started with seed capital from internal clients and we have seen tremendous commercial success those particular funds have had. Given this funds under management profile, I guess there is absolutely no surprise that M&G has had a decade of steadily growing profits. Apart from 2009, every single year so far has delivered more profits in the preceding year.

To put it in a different context, if you take M&G's profits achieved in 2003 of 64 million pounds, invested that in the FTSE All-Share with income reinvested, your profits would have grown to around 132 million pounds as at the end of 2012. That compares to 320 million pounds that M&G actually delivered.

Similarly, we have also outperformed the corporate bond index out of the same time period. So in absolute terms very, very strong results, both in funds under managements and translating that into profits. But how does this compare to the wider asset management industry? The slides that follow are some extracts from the Boston Consulting Groups at global Asset Management survey. The Boston Consulting Group have been surveying the Asset Management industry for over 11 years now and their most recent addition covered 120 different asset management companies from across the globe, covering North America, Europe and Asia Pacific, Africa, Middle East and Latin America.

And what we will share as we go through this is this high M&G has performed against that. As I said three main drivers of profits, funds under managements, revenues and costs. So again, funds under management seems like a good starting point for comparison. Starting with the graph on the left hand side, you can see that the global asset management industry enjoyed strong growth in overall asset base in the period 2002 up to 2007. We're all aware of what happened in 2008 and the fact that the period since then has been for all the turbulence. However, it is interesting to note that this is on year 2012, that the global asset based actually exceeded the previous peaks achieved in 2007.

Looking across to M&G our experiences been similar but a little bit stronger, obviously for lower asset base. 2002 to 2007, again very strong growth in our external Asset Management's funds under management. The two differentiating factor, however, has been in the period since 2007 was assets under management, more than doubling over that time period, it's a very, very strong growth. This is total assets under management and obviously, assets under management are impacted by the market favors of the different asset classes.

So as far as these illustrations are interesting that perhaps been telling the full story. To do that we should perhaps strip out the market impact of these slides, which is done in the following slide. What we have here is the new business flows every year, expressed as a percentage of the opening assets under management at the beginning of that year. Again, starting with the global industry as represented by the graph on the left you can see that there has been very little in the way of new money flowing into the asset management industry in the period 2008 to 2011.

Prior to the crisis years the industry prove relatively strongly on an annual basis. 2012 stronger growth again, 1.2% might not sound like terribly much, so that equates to around US$700 billion worth of assets. So there are still lots of new money out there for the asset managers to compete for.

Moving across to M&G, very strong growth as we've already said in the period ups the crisis, but actually, our performance since the crisis has been stronger in terms of net flows as a percentage of opening assets under management.

I think to a certain extent this reinforces what Michael was suggesting about perhaps the run rate for M&G reverted to something more it came to a normal run rates in the future. We've obviously, already, disclosed our quarter three results for 2013. So 2013 is looking good, but it's the future, which we have some skepticism about in terms of our ability to maintain these types of flows. So assets under managements absolute and relative, very, very good. But funds under management, isn't be a (inaudible) it's very important to understand call successfully we've been able to translate these new assets into revenues and actually what's the cost is being in terms of gathering, managing and administering these assets.

What we have here is the sub sets of BCG survey, focusing just on the experience of the European fund management industry. And what we have here as well is that the key performance indicators or the key drivers of profits has been indexed to 2007 levels.

Starting with funds under management, that Sapara [ph] was saying earlier, about the fact that it took several years for the total asset base of the European asset managers to recover. Interestingly, however net revenues some 16% below where they were at the peak in 2007, there are a number of factors for this, most relevant factor is the fact that there's been a switch on the asset allocation switch out of equities into fixed income products which attracts a lower fee. That asset allocation switch started in the back end of 2008, and has persisted throughout most of the period till 2012.

As you'd expect for the profile like that, costs have declined as well. However, the costs have declined by less than fall in net revenues. The net result is that for the average European Asset Management Company profits as at the end of 2012 remain some 61% below where they were in 2007, a fairly strong picture indeed.

Looking at the M&G we've talked about funds under management and the success that we have had there and there has been strong growth. Net revenues, our asset base has also shifted slightly towards something for counter fixing income, however, we have been protective in the revenue side, but continuing good investment performance and the fact that our number of our products are specialist in nature, the innovation that Michael was referring to and that allows us to attract higher fee rates.

So net revenues, unlike the rest of the European industry, strongly ahead of where we were in 2007. As you would expect for the growing business, costs have grown. Unlike the European industry, however, the change in costs is beneficial in comparison to the change in revenues, the net results, and profits growing strongly.

On an index value basis, our 57% growth, 157 billion index values as at the end of 2012, puts us more than double of where the average European Asset Manager was on the same basis, so I think fairly decent results indeed. We have grown.

Has this growth been at the cost of margins, have we exercised good cost control? I think those are entirely valid questions. What we have in this final BCG slide is again the entire global asset management industry subset. The participants have been segmented on different basis. Some of them geographic, but most importantly, based on the composition of the assets under management.

The two important criteria here is the percentage of assets that were sourced from internal clients versus external clients and the percentage of clients who are institutional in nature and retail in nature. Based on our asset mix as of the end of 2012, our direct comparative set is institutional hybrid, this one here.

In your handouts, in the appendix there's a followed slide giving you a little bit more detail as to how the segmentation works, but that's the one that applies for M&G.

The BCG data is for 2012 for M&G we're showing two year's worth of information here. Just to show you the trends, because the trends were important and I think that's the part of the question, have we been giving away revenue margins, have we been exercising cost control. Margins, well, it says for itself there, versus our institutional hybrid peer sets, we enjoy very high margins. Again good investment performance and the product innovation, which we've already talked about.

From a cost perspective again, good cost control, not much change in the overall cost base in terms of as basis points of assets under management and again beneficial we're favorable in terms in comparison to the rest of the industry. The net impact of all that is operating profits, which are industry leading really talking to the efficiency of the business a profit margin of around 41% works a bit differently cost income ratio of around 59% which is very decent indeed.

Now there's been lots of positive talk up here, sorry about this. Looking forward, we have to look forward and we have to acknowledge that our results, the experience that we have enjoyed over the past 10 years is not the industry norm.

There is going to both, there's always pressure on fees, not just because of RDR clients was one thing slightly cheaper. With a growing business there is pressure on costs, the people costs, when you need to invest in people, when you need to invest in infrastructure. To cater for business, which is much bigger geographically for client based that is more dispersed and just the demand for information that is coming from regulators, shareholders, clients various different places.

I don't think we should we need to acknowledge the impact that regulation is having on the business. The amount of investment that the business is required to cater for the myriad of regulatory reforms that the asset management industry is being subjected to. All of those initiatives are going to cause our overall cost base to increase.

So we remain very, very focused on delivering to the strategic priorities, performance, people and profits. But I guess it's just a little warning that not everything the future is uncertain and that there are some risks ahead. With that I'll hand to Michael.

A - Michael McLintock {BIO 1524907 <GO>}

Okay. So just to pull this together. A couple of closing slides, talked about RDR I didn't know anything more to say on that, it's uncertain. It's not bullish, but I'm not sure how better it should is and I hope you got a flavor of the evolving thinking that is going on the industry at the moment. I would make the point that RDR does raise barriers to entry. It's is making, it is -- I think it's healthy but it's raising the barriers for new small entrants to come into the industry, that's taking -- that plus the other regulatory initiatives that Grant has talked about.

And actually some raising capital requirements it makes life more difficult for smaller players. Now par's performance mitigate to the future, I think you've heard it loud and clear from Grant and me, but the experience between '09 and '13 has probably be an exceptional one. I think M&G will refer more to a natural run rates in terms of net new business, it's a battle every year. We've got lots of money getting out off the back book, every year we have to battle away to get more coming in and goes out, so we've got in that position.

And I'm not some sort of in some desperately pessimistic mood at all, all I'm saying is that you would be wrong to extrapolate the very high levels of net new business, we've seen over the last few years and I think there is a little natural run rate with which we will be perfectly happy. And the final point on this slide is simply to reemphasize the point that has Grant has made which is that we are now much bigger and more complicated business. We have to invest, we have to invest in people, we have to invest in new office space and we're bursting out of the office building where we are, we have to invest in systems.

We just have to do it -- you wouldn't want to do it in any other way. But if you step back and look at M&G overall it has a very strong position in the UK. It had some, enjoyed some remarkable success in Europe and in touching we are crossing fingers but only requiring a modest following wind, we can see a lots of good growth prospects in Europe were very, very well diversified business, it's one of our key strengths -- we've absolutely leading players in each of the main asset classes. That's an enormous source of strength, because these asset classes move in different cycles and it gives us the stability to our revenue flows that is, just a huge advantage.

And we've delivered the growth that we've talked about and Grant has commented deal over in some pretty adverse market conditions, yes, we've had, we had a strong boom of very low base after 2003. But we've had nightmarish conditions with the financial crisis of LOT 9, and in spite of that, the business has grown extremely strongly.

Now, if you think that the world is going to have in the hand basket and in democratic society it will be impossible to generate growth in the future. Then you wouldn't be investing in us and you wouldn't be investing in the PRU. But if you think that the natural condition on the democratic society is ultimately growth because that's what you have to do to meet the requirements of the population.

Then -- and if you expect growth, you will -- overtime you will expect rise in the markets and then I think, in spite of all the (inaudible) we made here. We will make M&G still a good place to be. And that's end of the presentation and we'll take any questions you may have.

Q - Unidentified Participant

(inaudible) from Standard Life Investments. I know that you don't want to say anything more about RDR however could you give us a flavor for your distribution pattern is at the moment and how you expect that to develop in the future perhaps with reference to RDR and I'd also be interested in how you cope with demands of some of your distributors in particular powerful platforms when they demand specific share classes for their own purposes.

A - Unidentified Speaker

Well, I hope that I've given you a flavor that even already, which is we're not joining in -- a cut to zero. And of course there are tough negotiations that are happened across the market at the moment and will continue to happen. I think we will be regarded as one of the leading players and our negotiating position reflects that. But I wouldn't, I definitely say there is a point against the real detail of it because it's a fast-moving market, the whole time.

Q - Unidentified Participant

And in terms of that the shape of your distribution in future?

A - Unidentified Speaker

You tell me you got a big platform somewhere in your organization. But fortunate I don't want to -- I mean I don't know how these small are going to do. I mean it's impossible to call at the moment. There is an advise gap in the old system the rich subsidized well that's well-off so advisors paid to less well well-off as a result of flat rate commissions that came off the wealthy portfolios. The situation is not exactly reversed post RDR, discounts given to people with large assets under management. The people who have less well-off are not able to pay the fees or aren't willing to pay the fees.

What does that mean for someone like Hargreaves, and Hargreaves has been hugely important player in the market. I've got great respect for Peter Hargreaves in the whole set up there. But it's quite interesting, they came out just a few days ago, and so they haven't yet formed up what they're offering is going to be from the 6, April almost next year when RDR-2 bites, which tells you some quite interesting things as they're in discussions with fees on fees with their counterparts.

How will they position themselves, how they position themselves will significantly influence how does like them prosper or not is the case. Maybe, so I just think it's very, very difficult to say, you've got the model like Scandia and all those people going out and or creating portfolios under their own label but forming out the fund management to the other asset managers which asset managers are choosing to play with them. Will that model to be successful or people will prefer to go to the sort of the -- the true underlying funds budged with the actual proper fund managers as you might say, it's too early to say. There will be a lot.

Q - Unidentified Participant

You've got a lot of freight global product you've got very UK, Europe distribution. I just wonder if the same thing you can do in Asia may be using the same distribution channels that you spring or you looking at something in the US, how can you take the advantage of the product you've got?

A - Unidentified Speaker

Yeah. Well, I mean to take these two different markets, we've got no plans to go to the States, basically I mean if we do anything in the States it will be at the margin, we've got more than enough to keep ourselves busy I mean we've grown very fast and we're not in any need of having huge new markets like the US, which incidentally I regard as a very, very competitive market. It would be, it would be pretty much apart from my list of markets to go into just because it's extremely large, it's extremely competitive, it's very mature and it is very well populated already.

I think Asia is more interesting, we have, we operate in total cooperation of these spring, we have an office as I alluded to, I think in Singapore. But it's a very efficient model we're dealing in Europe with all these wealth managers, the discretionary investment management arms of the investment banks like Credit Suisse, Deutsche of this world. We are all in the list they do all the research whether it's in Switzerland or London.

And so servicing their corresponding branches as in Singapore and through that in Hong Kong, is a very economical thing to do. And that's why we set out in Singapore precisely to follow through on the business that we're already doing in Europe. Do we intend -- that is the limit of our ambition in Asia, it's simply following through on the connections that we already have back in Europe.

And it's really the question we've taken at good level and we've all agreed that we like having those local businesses. So these spring, and that was mentioned by Grant, M&G support it's bringing this suspension in Europe with contacts and opening the door -- and spring does the same thing for you. But we are not favorable to a global asset manager under one of them so we will help each other.

PPMA in Chicago is helping the spring going into America. Some major -- opening there so they cooperate, they manage assets for each over while they are operating.

Q - Chris Esson {BIO 6194371 <GO>}

Hi, Chris Esson from Credit Suisse. I just really want to clarify something consummated out on increasing the investments cycle around occupancy and technology. Should we read into that any potential change in what's been a fairly stable cost to income ratio around 60%. The types of investment that we require from, in infrastructure systems point of view, aren't really game changers in terms of absolute size. It really is a slight step change, but within the grand scheme of the things that we are talking about de minimis. So it should tick up slightly but we shouldn't, all things being equal, be talking about to move from 59, 60 to say 65, 70.

That could not because of the investments that we are trying to make.

From a office space perspective, we are still talking some way out, we're in discussions with various players about this and we are building in as much flexibility as possible into contracts in terms of being able to up-scale or down-scale, also predicting headcounts many years, also it's incredibly difficult. So we are doing what we can which is sensible, on normal view what we are projecting shows that it can be accommodated within our normal operating income and shouldn't dramatically change the cost income ratios at all. But it is uncertain.

Q - Unidentified Participant

Will it be fair to say the cost income ratio is bottomed out?

A - Jackie Hunt {BIO 16204866 <GO>}

Thanks, Raghu. Good afternoon, everyone. I will appreciate that we coming into the home stretch. It's actually great to see so many people did manage to stay, and a couple mentioned they had to catch flights and move on, and we'll pick those people up afterwards, I guess, in terms of key messages.

So for those of you, I don't know, I'm Jackie Hunt, I'm the CEO of the UK, and European business. And I am joined today, sitting in the corner here, by Aki Hussain, our CFO; and John Warburton, our Retail Director.

And I thought what I do is firstly to give you an overview of the UK, and European business. And my initial impression is, I've been in this role for three months now. I would like to outline a little bit some of my current thinking about how we can evolve our market participation, both to mitigate the regulatory and the market risks that we face, and I know I've touched on some of them in the earlier sessions.

And more importantly, really from my perspective, to make best use of the inherent strength in this business. I think it is worth drilling on what the strengths of the UK and the European business really are.

I need to say, this is the work in progress. So three months in, nobody would want to ever concede their honeymoon period to that. We all have some areas, for example, in the overseas, where our plants are very well formed and I'll talk in little more depth about that. There are lot of areas where the work is still underway. And again, those of you who know me would know that I'm a very thoughtful person upfront.

I'd like to understand what it is I'm dealing with, I'd like to have time to plan. But then I do turn into sort of execution and that relentless focus. And I think we need to move through that progress.

Once I've had an opportunity to do that, we'll take your questions. Now Aki has been, we talked a little bit earlier about the domestication of the Hong Kong business. The last legal hurdle was the court case today this morning. And Aki was required in court. We have managed to get the lost orders. I'm pleased to say we are now ready to proceed to finalizing this at the end of the year.

But the consequence of not knowing whether he would make to today's session on not was that I didn't know if the CFO would be here. So unlike the other CFOs, he has no speaking thoughts. But I do invite you to turn your questions to him and I'll pass over to financial items.

So if I talk first about the current strategy, and you heard a little bit of them in Tidjane's opening comments. Clearly, the current strategy is very much about selective participation, about capital discipline and about cash generation. And the business really has been very focused on parts of market where we have a sustainable competitive advantage. There's been a lot of active management at the back book and a huge amount of focus over the last three years on both cost and on capital efficiencies.

Now, several of you've asked me over the last 24 hours or so is the strategy going to change. I don't you've been asking my colleagues more widely as well.

And the straight answer is no. We operate in a mature, highly regulated part of the market. And so any strategy that doesn't operate in a selective way to actually generate decent capital and cash returns in a foreseeable period of time to my mind is not sustainable. So at that sort of level, the strategy is absolutely how we plan to continue.

I do, however, think that there are areas where we can actually drive harder, where we can compete potentially more smartly and clearly where we can grow value.

So if I turn now to the key financials and those of you who followed the story would be very well aware of this. The focused UK strategy has delivered sustained performance in recent years. New business profits have been resilient and the margins, 37% in 2012, have actually been very good.

If you turn to IFRS profits, they've been stable, and the cash remittance of the group have been strong. And with the announcement of today's meeting of the cash remittance target of 350 million, it does mean that the UK and European business has generated cash remittances of 1.8 billion to the group over the past five years. So clearly delivering in terms of this very focused strategy and the focus on a single metric that you can actually spend the cash in your pocket.

Though the focus of the delivery has been on with profits and on annuities, and again, Tidjane referenced that earlier. I think it is important to note that other areas of the business that maybe have received less attention recently, things like corporate pensions, like the general insurance business and like our protection and health businesses, have actually made relatively significant contributions to each of the key financial metrics over the recent past.

So before we move into the business in more detail, I wanted to remind you of some of the macroeconomic and industry trends that are affecting the UK life markets in particular.

These are really forms of the background to our thinking about what it is we need to tackle in the short and the medium terms. In terms of the economic outlook, while we remain cautious, we do believe that the economy is starting to show signs of recovery. So despite the continuation of low interest rates, we've begun to see a rise in consumer confidence, rise in house prices and we know how the UK feels about house prices, what that does to personal behaviors spending patterns. We've seen a rise in mortgage approvals and we've also seen a significant rise in share prices, which have almost increased now to pre-financial crisis levels.

Tidjane, in his earlier comments, talked a bit about the focus being on the kind of savings gap around the UK. And what you can absolutely see in these two graphs, on the left hand side, the old age dependency ratio.

Clearly, we have an aging demographic with fewer people really working, and therefore, going need to save for your retirement. It's quite clear from that particular trends. When you combine that with the underlying GDP growth in the UK in particular, the governments and the state is not going to be able to continue to support the savings gap and so private provision will become an increasing need in the future.

Equally in what to my mind is potentially as interesting, if you look at the liquid assets, and by that we really means sort of cash, bank investable assets, not property per se. They are very much confined or constrained in the 55 plus category.

This is important when we come back to talk a little bit about the brand and about where it is the Potential and particular in the UK is positioned.

Now, the market is changing at an immensely fast pace, and Michael talked a little bit about the impacts on the asset management business earlier. These are some of the big key trends that we're actually seeing in the life operation. And I think again mobile, we have context, it's probably worth doing a very quick run through each of those particular trends, as we talk about how we drive the business forward, I'll try to pull the read through and to -- so how has it impacted on our thinking.

So firstly, the pace of regulatory trend is clearly being very significant. The industry has been dealing with a huge number of new regulatory requirements and that includes a significant number of dramatic reviews following the setup of the FCA in particular. We've had the over-to report on work place pensions market and we are now working with the

Department for Work & Pensions on its consultation into pension scheme charge gaps. We've implemented the ABI code of conduct and retirement choices and we've been dealing with indications of retail distribution review.

And I can only say that we expect this level of change actually to continue, and this level of challenge and headwind, if I can put it that way, to continue as we go forward. We talk a little bit and Nic talked a bit about solvency to IFRS full Phase II is clearly coming and the GSII implications will require us to put resource and energy and effort into these parts of regulatory change.

So we see this as a continuing trend certainly into 2014 and potentially for some period after that, and this could well run into this '16, '17 and '18.

In terms of the intermediary market impact of RDR, clearly what we've seen is that the market continues to evolve. And again I would reflect on Michael's comments that there remain considerable uncertainty about what RDR will actually do to the intermediary market. Well, we have seen so far though is that several large banks have either withdrawn from the investment of mass-market advise sector, or they've really scaled back and focused on high net worth customers. We would expect over time that restricted advise models would start to take a material share of distribution, and that's certainly by 2016 and why do we expect that we will see a number of networks, indicating directionally that's the way they going, our business is not replaying optimum numbers as yet. And we do expect to see a significant increase in non-advise sales. And it was a bit of a I think in the Q&A, a bit of a touching on, the sort of the non-advise space and clearly what is developing over time is this advice gap and those you probably most need financial advice frankly into this model are not getting at the moment.

So, I think it is both an opportunity and the risk for the industry as we go into 2014 and '15 to say how do we address this fundamental concern about how RDR [ph] is playing out. The third trend that you should be well aware of, I think, is that the annuities markets is continue to grow and in particular, we have seen a rapid growth that enhanced annuities in the marketplace. And I'll come back to the impact of that on our business and in a few minutes. The fourth trend is that there's been further consolidation of corporate pensions market as revenues come under pressure and companies have competed to build scale.

And you can see in that particular chart that's it seems concentration into top five players with smaller scale players really larger are being forced to accept the markets because they need economies of scale to make money in this particular environment. The final trend. I'd like to highlight is the shift towards platforms in the investment space. And this really in many ways it is almost inevitable as advisers seek to improve their efficiency.

They're not being compensated of the back of a fee that fee means then we spend as much face time with their customers as possible that's where and the value to the customer is so having a really efficient middle and back office system to support you and having customer expectations also moving into the digital era, mean that we only see this trend actually continuing as we go over the next sort of four, five years.

So, what does that mean for the UK strategy? What I think, it's worth saying that the market is challenging and they are headwinds. I think none of that will come as new to you. We do think that the opportunities for profitable growth and that's really of the back of some of the demographics, the fact that we do have this rising and dependency GAAP that we do have customers who will be looking for more certainty around the investment income, knowing with the, there is no state welfare system to underpinned it. And so, when I came in really the challenge I guess to me was, how can we best compete given where we all today.

Now one of the key appeals to me about potential, this thing that when I was outside the organization. I used to look at the UK business in particular and think, well, that's a great strength, is the customer franchise in the brand. We have over 7 million customers and we have very strong brand recognition, if you look at the right hand column and the gap between the potential brand and the average of the top five insurance brands in the market, such a quite remarkable how much headroom there is between those two. I do think that over time.

There's more we can do to drive value from that particular competitive advantage. And in particular the thing that's reason makes most with me as if you have a look at the sort of bottom, top second from the bottom line the question that's place to consume is -- do you see Prudential as a leader in the retirement market. There is a gap of 15% between how we perceive by our customers versus how the other sort of average five in the industry have saved.

That creates an easy environment in which to continue to drive for growth in areas where we can actually generate profits. And again when we talk about the long-term, I may come back in and talk about that in a little more detail. The second key strength is clearly our annuities book. Now, the annuity market is fundamentally attractive it's prospering and it's had solid profitability. I talked a bit about evolving rapidly over the past 10 years as we've seen in enhanced on the open market begins to grow.

Over time we do expect this market is going to move towards individually underwritten model. We've historically been a market leader, we've benefited from really good product capability and in some areas, what I would see is market-leading products. And we've also benefited from a very large back books that have rolled into some of these products over time. We do have a good relationships with many of the advisers of this environment as you'll be all aware.

Let's talked about market leading. We've had considerable success with our income annuity and that is really works very well for customers looking for flexible retirement income at the time of historically low interest rates. So, if you look at the sales performance over the last, probably 18 odd months, you would see the (inaudible) annuities is really being well a large proportion of those sales of, the sales growth has been.

I should also note that we also have a very competitive severe medical condition enhance proposition. I think the last time we talked, it was probably on the Q3 call, a couple said they went where we were in the enhance market at all. And clearly we are, and in fact, what we've done is we've stripped out on enhanced offering 2012, about 11% of our sales. We are now on enhance bases. Again, to be clear, you can see the income choice and enhanced element there 19% odd, and then you can see the conventional enhanced below that. And we have historically been more competitive in this severe medical condition part of the markets. So, we're not operating in many of the lifestyle factors.

It simply hasn't been part of our product proposition to date. So, what does all of this mean for our retail annuities strategy? We've given the excellent longevity dates we have and our access to M&G's strong investment capability, I really do think we should be more comparative in this line of business. That means that overtime, we can move to individual underwriting and we need to build a dynamic pricing capability and still that we'll require some operational changes and bringing in some new more commercial individuals to this particular part of the business.

We'll require some investment, but I think it is fundamentally important both in protecting the key franchise and actually generating the value for the next five, six, seven years.

I'll move on to (inaudible) now, as you be well aware, we've taken very optimistic approach communities [ph] in recent years. (inaudible) market clearly a significant opportunity. We estimate this around GBP1 trillion of liabilities across the market where we think trustees will be keen to the risk of the coming year. We do have the core capabilities to succeed in the market where we have trusted brand.

There is solid financial strength and we have deal execution capability. We also have a good relationships with employee benefit consultants and we have the ability to provide structures and bespoke [ph] solutions to meet their needs. Tier proportion of the de-risking market is therefore potentially within our target range. We have constrain ourselves over the recent past to roughly 30% of the market and that's been due to high return on capital targets and GBP100 million minimum premium targets and we've also historically avoided deferred annuities June part of the risk is increased longevity.

So, the challenge for us really is to consider how we should increase our participation in this market, now there are two areas, we currently exploring and both of those, I should absolutely not hesitate that should be clear on would be subject to us continuing to deliver higher targets and our hurdle rates. The first is potentially expand the segments of the market that we target looking at over 75 part of the market we haven't trading in the recent past.

And also looking potentially of some of the smallest gains operationally is more complex it might require additional resources, and but actually I think in terms of pricing outlook performance of these smaller schemes can be interesting. The second option is to expand the range of underlying assets that we use to skew the buyouts using high yielding but very slightly more risky assets. Now should say our asset appetite in this whole is true across both on annuities book and our book is very much of the conservative end of the range. So, all our competitors in this space would be looking for high yielding assets.

I'm not talking about extreme yield. I'm talking about very sensible small upticks and yield that we've been looking at. Looking very closely with M&G, test attain how we might best of those assets. But again, I would stress that we are going to maintain pricing discipline, particular in this part of the market, we will walk away from heavily competitive deals that could no appetite to put a bunch of longevity risk that's not adequately compensated on to the balance sheet. So, it's me this is a clear risk return trade off and that's within our control.

So, return to investments. We talked a bit about the ageing demographic and the need save more and to provide for future times income needs. I was a touched on the increasing dependency ratio that's going to move the owners from state's individual accountability. There is endorse a significant retirement income gap being created that needs to be filled and this is especially as it becomes clears as individuals that they can no longer depend on the defined benefit schemes and that defined contribution schemes is that currently set up will not compensates for the level of income that they need in retirement.

As a result of this factors they continues being increasing need for people save more to provide for future retirement income and we did talk and I showed information with the earlier slides about how the liquid assets really are confined into that 55 plus age group. If you look at the age group.

If you look at where the parts of the savings market are growing, you see at the top this increasing need for lower risk products, then growing collectives, and we touched a little bit on how that's driving into the asset management operations. And finally, the increasing flow of funds onto online platforms. It's in the top block, this increasing need for lower risk products that I think we play most effectively. And I think it's here that our With-Profits products really does actually deliver something that is unique in the marketplace.

So this really is the shareholder transfer that you can expect to see from the With-Profits Fund based on the policies in force at the point in time it was struck. And it's worth noting that this is a UK only slide. So we've stripped out any Hong Kong related flows from that. And I mean, certainly, when I came in, I -- people would say to me, you know, did you find many surprises? I think this was the biggest surprise to me, because sitting on the outside With-Profits has been a very difficult product to sell, I knew that PRU had a particular niche. It was being successful. What I had depreciated was the amount of cash that was actually on the back book that would emerge at the time.

And so I think as we look forward, the Christian time mind is, having completed that domestication or being on track at least to complete the domestication of the Hong Kong business is over time this state will strengthen. We would expect how can we best utilize some of that strength as we go into the next series of decisions.

Now, why has there been such strong sales performance and you can see the reason why in this left-hand chart, is because we actually really do have a very compelling proposition. You can see on the top there, Prudential's performance over 15 years, 10 years, five years has been markedly stronger than that of each of its competitors.

And so this is a product that actually in large part sells itself. It is the only one out in the market that can offer this sort of performance. And so if you IFA advising your clients, this is a relatively easy, safely sort of product to be selling to say these are the sorts of returns you've had over a period of time.

So in terms of what's next, well, given its strength and unique competitive advantage and given some of the industry trends that I mentioned earlier, I think it really is critical that we continue to enhance this investment proposition. And in the short-term, we've plan to launch some improvements to the proposition, including an ISA.

It's also important that we start to participate more actively in the change in distribution that's happening and we talked a bit about this move to platforms. I don't believe you need to own a platform. I don't think you need to launch a platform of your own. But I think we do need to have a product that it in the fullness of time can actually be sold across platforms, because I think when you take a combination of restrictive models, platform behavior, customer expectations, inevitably we are going to have to have products that will play in that space. So that really is what we're planning in terms of the short-term for this line of business.

Let's turn now to corporate pensions. We have around 9 billion of assets in corporate pensions and I think it's worth saying that we have a market-leading position quite clearly in public sector through ADCs [ph], and this is a part of our business that we will seek to maintain.

I'll move on to protection and health. Now, as many of you know, we do have a 25% share in PRU protect and PRU health. This is a joint venture with Discovery. The financial contribution of those businesses has increased as the joint venture has grown, and both were actually now sizable and established brands in their market segment. So I think there has been -- some of you were asking me questions earlier in one of the breaks, there has actually been quite a turnaround in performance of that business over the last 12 to 18 odd months.

We do see the protection market as fundamentally attractive. You heard that in the PCA discussion. You heard that in some of the earlier conversations. And so we will continue to focus on growing profitably in this line of business alongside partner.

I should also say PCA talked a bit about joint venture relationships. We have a long history of actually being able to operate joint venture relationships to the benefit of both parties and I see this is very much in that space. We will also continue to maximize value from the commissions generated from our legacy general insurance business and at the moment in terms of the IFRS breakdown, I gave you in one of the earlier slides, they are the substantial proportion, but clearly it is the protection and health that's growing slightly faster.

Now Tidjane mentioned, prudent in its earlier comments, so I thought I'd add a little bit of color to operations there. We've made a good, strong start and to the business. We launched it in March this year. It's worth saying the businesses headquartered in Warsaw and it operates with an agency sales network very similar to those of you would've seen in PCA. And in fact, the model, some of the senior staff members have actually been brought in from the PCA operations.

This network has been rolled out over major Polish cities and towns over 2013 and 2014, and we sell with profits life insurance product, and at the end of November this year, we had 12 active branches and 450 financial planning consultants.

So it's been a good start. We are ahead of our plans in terms of sales, but as Tidjane said, it's not likely to be sufficiently large to move the dial in the short-term, but certainly the planting of the seeds of growth for the next -- to the next decade.

Now in terms of asset flow to the Group, you heard in some of the earlier presentations that the UK business is a significant source of assets for the group asset management businesses. At the 30th of June, we had GBP152 billion of assets, of which over 96% are managed by Prudential Group company. So we tend not other than in a couple of pockets to operate an open architecture business funds that the UK Life company gathers through its operations, through its business are largely placed with Prudential Group companies.

Now you heard Michael and (inaudible) talk a bit about the 75% of our assets that are invested with M&G. But I wanted to highlight that there's also significant allocations of the Group asset management entities. And so PPMA, the US Asset Manager and Eastspring, both get allocations and clearly the Group Treasury and some of the operations in PRU cap would manage some of our money as well.

So I think when we talk about selective growth in the UK and European business, we are talking about growth that benefits not just the UK Life Company on a standalone basis but actually has wider implications for the Group operations more generally.

Now I couldn't stand up and I know that the interest and the focus is all on market participation and not talk about customer service in some sort of way. And I have to say the first thing that I notice when I actually met with the new members of my team, was how much good service and particularly advisor service is actually part of the DNA of the organization. Now that has been recognized by the money marketing gold award and the recently retained financial advisor Five-Star awards for both investments and life and pensions.

And while I'm broadly happy with the level of advisor service, I want to say that we will continue to invest in improving certain of our legacy systems that make it quite difficult service our customers as well as we'd like. We've been on that journey for some years now. I think it's important that we continue along that particular road.

We're also looking at how we can best utilize digital opportunities initially to improve customer experience and we know from experience elsewhere that often there's a win-win here that customers feel they get a better level of service, if they can interact with us digitally and that operationally this can drive cost advantages into the business as well. So to me, this is a really interesting part of our operation, but we are working with a number of legacy systems.

So to recap, these are the opportunities we'll be focusing on in each segment of our business to drive profitable growth. And in addition, and I would hope it would go without saying, we will continue to drive capital efficiency and cash generation by optimizing our balance sheet. I think we have a history of that. We have a very strong focus on that and we're very aware that that's what drives some of the valuation of the UK business itself.

So I've highlighted to you how we intend to consolidate and strengthen our position in the UK over the next few years. I think it's worth saying that these are the no regret moves. These are the obvious things that I think a new CEO coming in, would almost certainly conclude needs to be done to protect the existing franchise and to generate value over the next two to three years.

I've also began to consider how we should evolve over the longer term and the trends I referred to in the earlier part of my presentation and that Tidjane referred to in his opening comments, we'll continue to shape and to fundamentally change the nature of the UK Life market and we will need to adapt to actually maximize shareholder environments and shareholder returns and value against that environment.

So if I could conclude, I joined Prudential to be part of a dynamic and growing international Group. You've seen sign of that today. Prudential UK and Europe does have a number of unique strengths that has 7 million customers and a strong retail brand, got best in class with profit performance and very strong links with its asset managers. It's got a service ethos and then a historic ability to innovate and it's got a strong balance sheet and cash generation.

Three months in, I'm convinced that with energy drive and our relentless focus on execution, the opportunity is to build a more competitive annuities business to broaden out with profits product range and on distribution and to continue to grow protection, health and our polish business will be it from a small-scale.

So with that, I was going to turn over to Q&A and I might ask, Jackie and John to stand and to assist.

Q - Blair Stewart {BIO 4191309 <GO>}

Question from Blair. Thanks very much, Jackie. Just a three quick questions, as the market for individual annuities moves to fairly underwriting, on the written, sorry, what you think that those margins approved firstly.

Secondly, you guys are offering, how are you going to differentiate that in the marketplace and if at all. And thirdly just clarify in corporate pensions you seem to be not making huge amount of changes. Wasn't clear to me is that where you see corporate pensions in the grand scheme of things for you going forward? Thank you.

A - Jackie Hunt {BIO 16204866 <GO>}

Okay. I'll start maybe with the corporate pensions question and then talk a little bit about underwriting maybe I will ask John contributing on the others. So corporate pensions, where we today, as I say, we've got 9 billion of assets, we have a very valuable franchise on the public AVC's. I think in terms of where we think we have a competitive advantage is in that particular space. And on the corporate pension book it is attractive, we haven't been particularly active in this market for some time.

And those of you who know me of old we know that enrollment, I think there are opportunities in 2014 for the medium size scheme, I've never been a big fan of the large schemes, I thought you couldn't make money on those and equally the very small schemes at the back-end of the tale, I think it's a completely different proposition.

I think there was an opportunity around 2014 but we are, where we are proposition would be in a position to progress that stage. So to me this is a part of the business where really we seek to focus on the strengths and we seek to retain the schemes are contributory, we make money out of them, that's always a good start and so it is very much in that, that's sort of space.

And in terms of underwriting, I mean, I think this whole question about margins and the development of the markets is really an interesting one. So if you go back three years ago, I think there was a sense that the enhanced market was at the margins, it started as you'd be well aware with the medical underwriting and we do, we're active in that place, as I say, we do have a competitive proposition there.

I think overtime you would've seen in some of the slides, I think that we think something like 55% of the market is now circled enhanced. Now you end up in a position where you can't have 55% of the market supposedly enhanced, either the prices have come down, or what is actually happening is it's not being individually underwritten in the pricing, it's just being presented in a particular way.

So it seems to me that what we're seeing is a two forces. The one is genuine part of the market where there is individual underwriting taking place and a part of the market where actually is probably much more by dynamic pricing and what looks reasonable maybe a bit of some information being gathered from sort of public sources of data.

Inevitably I think those things have to come together. And so to be clear that for example, a large player like us isn't being anti-selected against, we need to actually have the underlying ability to say, what does this risk cost us.

What's not clear to me is once you know what the risk costs you, how that will then feed into pricing because I think sometimes it is actually what the price will bare at that stage. So it's not as one of these areas, but I think the market evolved we can't fail to actually deal with the evolution to compete more aggressively in this particular space but it's not necessary that it will ultimately lead to lower margins.

So, I think for some, do we have, much better risk profile. Clearly it will others will have a risk profiles probably not defined. I think the last question was ISA[ph] proposition.

Q - Blair Stewart {BIO 4191309 <GO>}

ISA proposition?

A - Unidentified Speaker

Yeah, just on the ISA question. The piece that will differentiate is in the market is that we're actually going to launch with profit ISA. So we will leverage out with profits capability in the unique aspects of that in the marketplace. What we're doing is that stand and make it available through all of the tax and we are building it principally for our own advisory business that was the genesis of it and we know there is a strong demand there because the first half financial planning will be usual allowance but actually, as we started to develop the proposition and we tested everything to intermediaries, we're seeing there is a strong demand coming from its major market as well.

So it will be a differentiated in the market and that's why we believe we can score fast with it.

Q - Blair Stewart {BIO 4191309 <GO>}

Just a question on annuities. Was all of the regulations at UTEC[ph] and where you sit on retaining the profitability of your internal investing books versus being active in the open market and do you have any conflicts there in terms of running dual pricing strategies for your end customers versus what you modeled something in the open market?

A - Jackie Hunt {BIO 16204866 <GO>}

Yes. So they has as you look to be in a lot of focus on annuities. We did participate in the thematic review. So we provided data, we expecting to hear something back in January. In terms of how we see the sort of the short-term and as I say long-term, I think this is about individual underwriting and dynamic pricing.

As we stand at the moment, we think we have constant proposition that are very competitive, if you look at the ICA product, for example, we think it offer something that's not out there and people are coming to us for the features in the product and it's not always about price and I think, I can't say this enough and what we're seeing is so focused on price and actually often product features in terms of customer outcomes are far more important. As of things like brand and financial strength and capability.

So I think we got, couple of really good propositions and we have offered lower rates tie internal things then we offer out in the external markets and I think that is always being one of our core strengths.

And so, we'll see how this kind of particular series of reviews plays out but I think we are relatively well positioned, in our margins, I think as reported about 9% they are higher than some of our competitors, but we are not going to see to compete with the lowest margins either.

A - John Warburton {BIO 17856169 <GO>}

I think, just to add to that, the differential pricing point, I mean it is something that we've discussed and we shared with regulates and they must be reviewing, we are very comfortable with that and it's on the basis of the days that we have about our own internal testing customers. Clearly we understand the mortality both very well and we are able to price for that and we do reflect that in the price offerings and customers.

It is also cheaper. So their expenses rose because we don't know the acquisition cost, is it cheaper as well. So we think the differential pricing for our internal customers is fully supported and fully justified by the data that we have available.

Q - Blair Stewart {BIO 4191309 <GO>}

So you're saying your few internal customers are higher income or a lower income?

A - John Warburton {BIO 17856169 <GO>}

We offer our internal customers higher income.

A - Unidentified Speaker

Based on price.

Yeah, based on price the higher income--.

In a good position and also, just to add but a lot of then -- and other end have very valuable guarantees and -- were able to long time ago. That's also why we are not leaving, so really good products we sold them honestly, so.

Grier?

Q - Blair Stewart {BIO 4191309 <GO>}

I don't know how you -- it doesn't make sense as you know for your internal investing better rates and we are not competitive in the open market. So that's sounds contradictory. Are you just trash or close that, clear that circle.

Second point is on the books, we had people standing up and saying they can't make money on that and suggestion is that you are going to get that. So I just turn to rationalize. And the third thing is that I mean over the loss for three or four years, you've effectively lost the start and longevity team and what would you, how you are going to convince those high powerful names. So come back to your organization of the experienced had before, I just trying to understand that?

A - Jackie Hunt {BIO 16204866 <GO>}

Perhaps I'll start with the first question and I think John did touch on this, which is the reason is that on the internal book we actually have data and we can't take the data into account that we have reams of longevity data generated by, it's very large back book of and you see performance that we've seen over very many years.

So we are doing that more knowingly of the risks that we've rising in that part of the business. We are very cautious without having that data about aggressively competing in that market, because then you're operating blind if you don't have any sort of insight, you're driven purely by market price. So, I think John was very clear in saying that actually this is about the back of the days that we have understand our particular new turns, we understand these post good pricing all the usual, sort of things you would expect, and that's what's driving that particular behavior where is in the open markets, frankly, you don't know what risks you're getting until you build some of that capability.

Aki, did you want to pick up some of the books points.

A - Aki Hussain {BIO 19739719 <GO>}

Sure. So, in terms of books, we -- the way we think about books is, we optimize four key metrics. There's been return on capital, IFRS payback and EV. And in terms of looking at the SME market, we'll be applying the same disciplines to that segment as well. So when Jackie was talking about dipping into the below 100 million pound premium segment. This is an initial view, we're exploring this, but we will be applying acceptance and disciplines and frankly, if the business doesn't meet those requirements, we won't be right in business.

A - Unidentified Speaker

think there were the final elements of the question, which is longevity. I mean, from our point of view, first of all, we still have a very strong longevity capability which we have enhanced. Probably one the lesson I advising, Jackie made reference that about former market leader. You will see from the idea starts at the end of Q3. The Prudential is still the market leader in provision of annuities.

So there is still a very strong business, a very powerful business in this marketplace with a very strong ground, and I think if we look to build our capability and compete more actively in the market. We will be also attract people to our brand work in the area.

And we have, I'll add, we have debt. And so if you look at the team, and particularly on the -- you saw the actuarial analysis side; there is a huge amount of debt and talents in the organization. I mean, I didn't talk about people, but I think you know as I've been blown away actually by the quality of the people I've met. And I think what we need to do is we need to drive the business hard, it's -- so to my mind, this is an organizational structural and focused question much more than it is about capability actually, certainly the data's there and the individuals are there.

Q - Blair Stewart {BIO 4191309 <GO>}

I know the team is very strong. And the record of those who have left has been to say the least mixed, at least this one team was grown up.

A - Unidentified Speaker

So we're happy with the people we've kept.

Q - Unidentified Participant

Thank you very much. And you talked about increasing the return on your investments, so to looking take more risk in that. Can you just talk a little bit about the opportunity that what sort of yields you're generating at the moment on the annuity book just to sort of give us an idea where you're in the range at the moment and what sort of capacity you have to improve that and who knows, you might even be able to use M&G to create a new fund for you and help Michael's influence.

A - Unidentified Speaker

Yeah, I maybe start with that second, but to say, if you look at the close of 2013. I think the yield is actually outperforming what we expect and what we had assumed on the course of annuity assets. So we have -- so there has been a performance versus what we probably start the year with and that is thanks to Michael and his team, I can't see him in the room any more. I'm sure he has got some work.

Actually he wants to talk a little bit about --

Sure. I'll go into the specifics on the yields but as Jackie was saying, we -- the benchmark that we agreed with M&G so far during the course of this year they've significantly outperformed. And I guess, in terms of looking forward or in fact that it was the back first. The sort of approach that was taken to investment strategies has been quite conscious, due to the economic environment and frankly the uncertainty regarding solvency II. And we adopt quite a conscious approach in terms of or we hand to talk to a very cautious approach in respect to the outcomes Solvency II.

Now, as the economic environment improves, as we're getting more clarity on Solvency II. Again, this is an area that we all continue to explore with according to MNG to see what the opportunities are, to perhaps take on a little bit more risk to generate that higher risk adjusting yield.

The solvency II point is really key. It's one reason is why for (inaudible) to say look, we always earn returns into pensioners. And why you want to deny us, that uplift in you. So further its result has removed the huge issue for us. Andrew?

Q - Andrew Crean {BIO 16513202 <GO>}

Good afternoon. Andrew Crean, Autonomous. And I think you broadly said that, you're late, to the auto enrollment party, haven't really participate to all in the agency platform.

But the Heartland have approved, UK business was direct mass market. And that seems to be a lot to play for. Do you see roles were approved filling that advice gap through the direct -- direct -- more of direct offering.

And secondly, on the regulatory pressure on annuities is going to build and is centered around the margins that the market achieves on that. As you look internationally, how do your individual annuity margins stack up against products which were selling in states and in Asia? And can you so bring that bear to the regulations in terms of arguing that is not a -- over the fat margin.

A - Unidentified Speaker

Yeah, I mean, if I talk about direct first now, I mentioned in my kind of opening comments, these are the no regret moves that we're focusing on at the moment. And I think if you step back and you say, sort of five, six years out, would I like to have a direct to consumer proposition absolutely. Because it seems to me to actually leverage the Prudential brand, the strengths that we talked about. The obvious way of doing that in policies through direct to consumer.

Now I think there is a long way to see how the market evolves between where we are today versus where that might land. We're seeing some of this increase in worldwide sales, and it's not clear to me how regulators will adapt to an environment where people aren't actually taking advice. And I think we need to be thoughtful as we come back to the longer-term objectives on that particular question. We have PFP, the Financial Planning and team, I should mention, I didn't mention in my comments.

This was kind of a thoughtful way of looking at the impact of RDR and the view was always but if RDR plays outs and ends up with lot of high phase exiting the market. And PFP and having that ability to give advice -- ten of our customers should they ask for advice to someone you can help them, was a good outcome. And I think it's working out in that sort of way.

So I think long term direct consuming. Yes, I've seen traction. It's, not in the next year, two years that is going to be of any significant size. We will continue to have very similar distribution. Now, I think there is kind of fineness of message here as well. And I can feel, Jon look at me now, because -- when you look at our annuities book and you look at how much is actually coming from internal customers that earlier questions from Jon Hocking.

And you could argue that a large proportion of our sales are actually direct to consumer and these are people will have a long relationship with Prudential, they have a huge amount of loyalty -- loyalty to us, they will not actually intermediated. So I think depending on, how you can define direct consumer, you could say, we actually already there, but I do see a longer-term opportunity, particularly through online.

In terms of the returns, we get versus US and Asia, frankly, I'll leave you to do that it's in the disclosures, the kind of the yields versus each. I think in terms of where we've been historically on margins, we price of the back of a large number of factors. So first instance, there is a question about what our views on longevity risk and how does play out.

The investment markets outlook is clearly a huge inputs into annuities pricing and clearly over the recent past, this view about anti-selection and how much risk are we acts as a consequence of anti-selection has played in our pricing decisions. So as we look forward, it seems to be the markets are improving. We developed investor capability on understanding, the risks outside of where in particular block of business. So some of that is -- some of that kind of uncertainties carrying.

Q - Fahad Changazi {BIO 15216120 <GO>}

Hi, there. Fahad Changazi from Nomura. And question on annuities please. Just following up on the comment you made, an outstanding the strong team you already have, you will be looking to invest in people and systems. Could you tell us who and when you'll be looking to recruit and what timeframe you've been investing systems and what you'll be doing.

Point of clarity on slide 21, that blue bar is 8% conventionally enhanced. Are those severely medically hostile that's reflect whose quotes on slide 21. And I have a final question for Aki, could you just tell us what your thoughts on IFRS fall and what we mean for our annuities profit recognition? Thanks.

A - Unidentified Speaker

So the who and the when, clearly I wouldn't -- I wouldn't kind of talk about individuals and we have started and so we've had a same I think some of you've had conversations, I understand. I did what you'd expect CEO to do, sort of kind of a strategic review to dispatch and always nervous about these sorts of headings. Because I think, they can be blown out to be something they've never intended to be, ready to look at parts of the business. And so we have capability both external and internal working on this particular question is what do we need to do about the annuities, how do we pull the various trends. I should say simple things when I talk about organizational. We don't have an annuities business as such. We have teams that contributes for example to pricing or to experience analysis or to distribution disbursed around the business. And it seems to (inaudible) just gathering some of those resources into one function will help us drive it forward.

In terms of the investments that's required, this is not extensive. We have the data there is a need to do some processes type work, it maybe a couple of individuals here or there. So I think we've got the components, it's about actually getting them to work together with the couple of small additives on the side. Slide 21 which is the conventional (inaudible).

Yeah, if I'd say that, that is genuine enhanced annuities, so all of our annuities have postcode pricing are relatively sophisticated post code pricing, so in that sense we are making assessment based on lifestyle, based on postcode, so all of our customers are the internal or external do receive postcode pricing. This is an (inaudible), which is actually metric [ph] underwriting. So these are genuine conventional enhanced annuities and enhanced with profit annuity.

It's quite really impaired, I think these ones.

Yes.

I think that was a question. So these are impaired ones.

Definitely.

Okay. In terms of IFRS 4, I think we'll get the same answer this evening, which is -- IFRS4 is still --

On an over records to say.

It still is now exposure platform, so it is still subject to debate with the ISP and subject to (inaudible). And I guess, as I was explaining yesterday evening the way we recognized annuity profits is at least two stages, you have your initial IFRS profit from day one subject to IFRS reserving assumptions and then subsequent to that IFRS profit is overtime as you all experience in ones. The current exposure draft is currently skewing that profit rate mission towards the back end.

So after day one. So on day one there would be no, no day one IFRS profit on annuities. But you would with that get transitional, so what's your existing stock of business, you would restate on to the current -- on to the basis put forward by exposure draft. So that's the way that the profit recognition work. But fundamentally the economics of annuity don't change.

Andy?

Q - Andy Hughes {BIO 15036395 <GO>}

Hi guys. I have to at least ask something, how about three questions if I could. And the first one is, I guess capital and the basically book annuity approach and it seems to when we look it for UK, it's screaming (inaudible) peak two to me of the realistic peak rather than peak one. And some many other firms in the UK oversee peak one, which makes a lot easier to write these book annuities. So would it not make more sense to sit back on the fence and wait for the peak one capacity than on a level playing field if you like.

And second question was about the ISA product, (inaudible) ISA products and what kind of bonus rate with the ISA be able to offer and also the bonus rates (inaudible) with profit contrast are generally very low. And they have quite biggest state, so is it possible you might increase the regular bonus rate across the board there by increasing shareholder transfers a bit in the near term.

And the third question was on the contract that you haven't mentioned which is would be natural for with profit frameworks more income drawn down? I'm just wondering why given the strengths of with profit you guys thinking can draw particularly attractive product that you will be pushing going forward. Thank you.

A - Unidentified Speaker

Okay. Thanks Andy. I'll make some comments then maybe pass to John and Aki. I mean I think (inaudible) some of this is work in progress and we'll be very clear is what we need to do on annuities. Where we are on the savings side, we need to do something we believe around propositions. I gave ISAs an example of that. I think there are some other discussions underway and we also talked a bit about obviously that the broadening of distribution of some of these products.

So I think where your questions are very specific about the form of a particular product, it's just too far. We haven't got to that position, it's a view has been work underway, we have sort of preliminary product shapes in place, but it's not ready to launch, so talking about bonus rates, I think would be inappropriate at this stage.

Aki Hussain, if you want to start with the capital question and then maybe, John, I'll ask you to come back to this insurance and the income drawn down question as well.

A - Aki Hussain {BIO 19739719 <GO>}

Sure, in terms of bonus, again, I'll get back to my previous answer. We are set quite tough return on capital hurdle rates by group. They are across every capital measure that is applicable to the shareholder business in this context and we have to optimize for those, those are the measures we use.

A - Unidentified Speaker

And I think this was saying, we do right. So their all contracts have meet those hurdle rates.

It's okay. (inaudible)

-- we can't. Yeah.

Q - Andy Hughes {BIO 15036395 <GO>}

It's okay.

A - John Warburton {BIO 17856169 <GO>}

Yeah. And on the draw down we do compete in the draw down margin, and we do we see it is something that we again have a specific role we can play in the market. So I'd say around consolidation and movements the draw down we're using with profits without purpose. It is a very strong proposition, it actually has been a very strong seller for this year. It's just within the overall context of our portfolio investment (inaudible) is still relatively small. If the income drawdown market grows in popularity, we would expect to see natural growth emerging from that.

So it's not we're now interested in the market. It's not that we don't see an opportunity just the scale for those in the overall business contest [ph] is relatively small.

Q - Unidentified Participant

Hello its (inaudible) Just came back the annuities question again. If you'll listen comfortable looking at OMO [ph] new agents coming towards you then how competitive are you going to be in the really genuine non-standard annuity market, if you're not comfortable in the standard annuity market?

A - Unidentified Speaker

Yeah. I'm thinking that I say that first. First of all in the healthy market option we absolutely do compete. I think the point is we do compete without or with profit annuity. I mean Prudential effects created the asset part annuity market, we are the market leader there. We see it's a differentiated proposition that means, we don't need to complete on price and it is a very popular proposition particularly in its major market dealing with higher value segments. So we do compete in the open market and we compete long (inaudible) through with profit.

I think in terms of compete on conventional in the open market, this come back to the point that Jackie was making in terms of, if you like building our capability and capacity in that area to say that as we build our knowledge and understanding capability in terms of actually pricing the risk profile in that marketplace and building our underwriting capability and capacity, that's how we feel we would get comfortable being now to compete in conventionals and other market.

Any further on the UK? Okay. So now time to going to final Q&A.

Q - Unidentified Participant

Thank you very much. Well done. Excellent.

A - Unidentified Speaker

(inaudible)

Alright. This doesn't need to be a long session. We just try to do what we said and even no introductions necessary, you know everybody on stage. We have a new CEO (inaudible) join us to our Chief Executive Officer and really happy to take any questions you have left on each stage in the day.

Q - Unidentified Participant

Can I ask about the capital structure. You have been running with a very conservative capital structure, so you did a hybrids on this last week. I wonder if you could give some quality around where you see the capital structure going or the intention (inaudible) my guess is that also links into the dividend question and you've been very clear that you're going to give access cash for capital back to shareholders. Can you give some color chip. I would like see the capital structure and dividends evolving?

A - Unidentified Speaker

Okay. Sure, it's a great one for me. I mean the reason behind the debt, the money we raised last year it was no more complicated than just taking advantage of the low interest rate environment, we don't think that chances are is that that won't continue. And as we said before, if there is a silver lining in this, it's a low cost of money.

Our debt-to-equity ratios are comfortable. We have, we can -- we continue to have significant headroom. In the amount of -- certainly from a regulatory -- current regulatory perspective in the Tier 2 bucket. So it's a way of giving us flexibility where you are trying to continue to optimize the balance in terms of the cost of capital.

What will influence ultimately the shape of the capital structure are the forward -- are the impending developments around solvency 2 in terms of the guidance that will emerge over the next year or two on what's going to happen on existing instruments and how -- whether they will be grandfathered, how that will be grandfathered and then ultimately as we get later in the decade and as we get into the IASB thinking around GSII what features the instruments will have to have. But at the moment, our motivation is purely want a flexibility and cost.

A - Tidjane Thiam {BIO 7518525 <GO>}

Very good. There we go, Greg?

Q - Unidentified Participant

Just two questions. One is, in terms of the divided state, in terms of Hong Kong, which I think you got 10% of the average of the state into the Hong Kong branch. I was wondering if that does provide -- because I mean your power set in Hong Kong is a big seller. I was wondering if that brings some restrictions on what sort of sales capacity you can go on that.

And the second thing is, in terms of dividend review, I do appreciate there was one in large. But given that in March --

A - Tidjane Thiam {BIO 7518525 <GO>}

I'm sorry.

Q - Unidentified Participant

The upcoming dividend review.

A - Tidjane Thiam {BIO 7518525 <GO>}

Dividend review.

Q - Unidentified Participant

Next in March, I mean, you're coming up to the end of the four years target (inaudible) close to meeting them. I mean, is it fair for us to assume that you are coming up with some kind of dividend update or rebate to tell us whether it's at the right level or something?

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. We'll take advantage of your question, so I want to give credit to someone here in the room. I won't spare your brushes, but Aki used to work for me before being the CFO of the UK and he is devoted with us three years of his life to domestication. So I'd like to give him a chance to answer on that, Aki. And he just got the approval in the UK court. So great day for him, good.

A - Aki Hussain {BIO 19739719 <GO>}

Thank you, Tidjane.

A - Tidjane Thiam {BIO 7518525 <GO>}

Just call the hospital person.

A - Aki Hussain {BIO 19739719 <GO>}

The question was regarding the entity of the states of the proportion that is transferred to the new life company in Hong Kong. The actual percentages will be worked out in the course of the next few weeks and then into next year, they will be finalized. But it will be around 10.9% to 11%.

The methodology for transferring capital includes a share of inherited state, but also an additional amount for writing new business, which is to the tune of 270 million.

And the structure of funds that we've developed and constructed in Hong Kong, effectively replicate the performance of the refurbished one in the UK, whereby as existing business matures and capital emerges, it is used to write new business.

So for the next two to three years, we have opportunity to use 270 million that's been translated specifically for the writing of doing business. And over time, we would expect the substantial enforced book that is being translated to Hong Kong to release capital.

The enforced book that is being translated to Hong Kong is being capitalized at the same level as the PSE with profits fund, so as you can image, it is incredibly strong and we expect significant amount of capital to emerge over time to enable Hong Kong to write new business.

And as far as we are aware, and in personal, existing projections, there are unlikely to any new restrictions or constrains on writing new business in Hong Kong, which itself has been becoming more capital efficient business over the last few years, whilst --

A - Tidjane Thiam {BIO 7518525 <GO>}

Exactly. If I can make this two additional points. It was a constraint of the exercise, but nobody should be worth of or better off, no -- older, either in Hong Kong or in the UK, and that has done -- been done actually. So all those questions have the same answers, which is that has been designed so that nobody is worth of or better off. That was the logic behind the whole portion. And everything has been calculated reduced outcome.

Q - Unidentified Participant

(inaudible)

A - Tidjane Thiam {BIO 7518525 <GO>}

270 is the number that gives you that outcome, that's how it was determined, okay? So, nobody would be worth of it. And the other thing is told, is that you have to be careful with new business trend in Hong Kong, because it's been aberrant, if I can say, sort of over the last two or three years, that's what he was trying to say about, capital efficiency.

In fact, to reprice products restructured completely, because the exceptional -- you have the long-term rate of 80 basis point, 86 basis points. In exceptional circumstances, we had completely overstated that trend. So we have quite a bit of headroom in that 270, when you normalize -- after having repriced, and when conditions normalize with two of its mature. Is that okay?

Q - Unidentified Participant

Absolutely right.

A - Tidjane Thiam {BIO 7518525 <GO>}

I'm just speaking under Aki's control here. So, and the second question was the dividend. Chairman, first of all, it's a Board question, which is why the Chairman talked about it in his remarks yesterday. Our job is to run the business from best of our abilities and collectively generate as much cash as possible.

And then it's Board's decision to decide and to set the dividend level. We've always been very clear about how we do it. We wanted to give it back to shareholders really as much as it is prudent to give them back, that's really the logic. We're saying that we stress this, the cash flow, we do that in several dimensions, IGD, raising agency capital, everything, several earnings we stress at least from along six dimensions. And we will give the shareholders back as much as, is safe to give them back after stress, considering that we don't want to cut the dividend.

And we have mentioned several times, everybody know it, you didn't get any dividend cut from this company. We want to continue to increase it. And everytime, that headroom has increased, we've given back the maximum. So we'll go exactly for the same exercise. I think considering everything we showed you today, the company is doing well. So you should expect the result of that exercise to be positive, which is why we run the company for. I don't think we can go for that. At least to say, if you have to run your own model. Blair?

Q - Blair Stewart {BIO 4191309 <GO>}

Thanks. Just one follow-up. (inaudible) future of the Hong Kong listing of the group. And because I think there was fairly more liquidity, and generally, what's your thoughts around the shareholder base of the company with percentage of Asian shareholders, et cetera, given the footprint of the business, it's still slightly skewed towards the UK institutional shareholders?

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. Well, I'll take that. The Hong Kong listing was really -- as we've said many time, more -- seeing good interest over anything else. We looked at all the examples from Standard Chartered to others of Hong Kong listings, a lot of them has had similar experience to the one we're having. And it's really around corporate events that will enable to give more substance about Hong Kong listing.

So we're happy we did it. It's nominal cost, it's a symbol. And over time, if the company growing in Asia, there will be opportunities to do more, but we're happy we did.

Shareholder base, look, it's -- we don't choose our shareholders in the model we have, very true to us. We have a very exclusive strategy, we try to be as transparent as possible. And after that, we have as much as we would like to. As management, we have very little control on whom decides to buy our shares.

So more seriously, we have a strong UK base, I think that's likely to continue. I mean, that energy still matters. We are a British company, we're very well known here and we have a place here.

The Asian shareholders share very much revision of the world that we present it. And I must say we have a strong preference for more Asia-centric stocks, because they believe that the most attractive opportunity is, they are almost across sectors, are in Asia.

So they find us still probably not Asian enough, I think kind of nothing very much at the end. So we get from most of them, they recognize what we do, they know it in the region, they see us work. And like, what we do, very impressed. But we're still probably too non-Asian for their taste, we have too much exposure to western markets. And I think that will evolve over time. Somebody else?

Q - William Elderkin {BIO 3349136 <GO>}

Thanks. It's Will Elderkin, Goldman. I just had a quick one for Nic. How should we think about how much central liquidity you want to run with and how that requirement, if you like, will increases the overall business growth over the next couple of years?

A - Nic Nicandrou {BIO 15589153 <GO>}

Well, historically, we wanted to have at least a billion held in the centre, I think our recent history demonstrates that, that was an important sort of level to have it allow us, certainly through the crisis, it allowed us to do a number of things that if we didn't that liquidity, we would have been able to do, maybe not to the same degree and still keep with our power to do things.

So, you've seen us manage this over the last few years between the 1 and 1.5 levels. It increased from time to time. We then deployed it to do certain transactions in Asia, so because we like the principal as much as possible without creating frictional costs to bring that money back and then we invested out. So that's where we've operated clearly, as our dividends increased, a few years back, they were of the order of 500 million, they are now heading towards 700 and 800 that we will need to flex that kind of balance a little up. But so far it's been between 1 and 1.5 and that's where it's -- that's the kind of level that we're looking at.

A - Unidentified Speaker

And I referred to 2 billion earlier, it's because we've got 700 units and took it higher money interest rates. Okay.

Q - Unidentified Participant

Thank you. (inaudible) Two questions. So first is, out of the three targets that you set, the one for group, capital generation was 2014 to 2017 rather than 2013 to 2017, I was just wondering why that was, what's different with that 2013 on that front? Second question is more for Mike, which is, you talked about continuing to look for bolton acquisitions. So I'm just wondering what is the sort of, what the kind of capacity that was and what's the sort of tradeoffs in your mind is out of your capital generation between future acquisitions and dividends.

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. Nic, can you take the 2014 -- why 2014 were on 2013?

A - Nic Nicandrou {BIO 15589153 <GO>}

We just wanted to give you a full year. I mean, half of the 2013.

A - Tidjane Thiam {BIO 7518525 <GO>}

Also, we can double count. We have a 2013, if you wish cumulative targets. So it's already in the previous objective, so kind of but if your levels were double counted, we're very happy to do so.

Q - Unidentified Participant

And then on the USP so, without telling our potential target what our budget is?

A - Unidentified Speaker

We would be expected to maintain dividend and maintain rating, but we would have the latitude and certain situations to even potentially bring in a partner on something. So, I wouldn't say, our constraints are easily calculated and I'd like to keep that. You can imagine, I'd like to keep it that way, but our role is to do these independent of the group contributing capital and to do them with excess and the excess is defined as post dividend and post our current rating.

Q - Unidentified Participant

Thanks a lot. A question on Hong Kong with profits making. I thought I asked about the guarantees last year in the same venue and I was told that they weren't very earnest at all, but as the service priced here, the comments today, there may be more of than I thought they were. But if you drop the guarantees in Hong Kong, does this make it harder to sell products with the profits base, but there's also a piece of joy for those earnings, so you can basically generate more IFRS savings and free cash from a lower level of sales. So it's the idea you kind of sell less business in Hong Kong, but how more bonus is there for the 10% of share bonus is higher. Thank you.

A - Tidjane Thiam {BIO 7518525 <GO>}

I'll address the first one and then I'll let -- maybe I'll make sure Barry and Nic answer, but I don't think we said that. I think what we said was that of course, there is an impact from interest rates, but the same tracks and we always price for products

considering the current interest rate environment to make the strain (inaudible) and that we were with profit inherit of the safety, it was I believe we can go to a transcript, but I think that could have been resistant of our answer.

Q - Unidentified Participant

On reported strategy in Hong Kong?

A - Michael McLintock {BIO 1524907 <GO>}

Well, the reality is the product is, Tidjane answered I think the most important part of the question, which I think clarifies always didn't say, but in terms of the strategy going forward is I think what you're asking is the product still attractive or we -- and is there a latitude to sell more reality as we're selling quite a lot of the product now.

I think I mentioned earlier this morning that it's popular broadly. If you look at our product mix and what's happened with par, that's versus unit link that's has been driven largely by Hong Kong continues to be very popular, continues to be particularly popular with mainland customers who come in and like the products. So yeah, I mean, we continue to drive sales and we'll continue to do some, it's a good product, it's flexible, you can sell it with riders. You can sell us freestanding, the mainland customers by fewer riders, but it's a great product. It's got a good future.

Q - Unidentified Participant

(inaudible)

A - Michael McLintock {BIO 1524907 <GO>}

I'm sorry.

Q - Unidentified Participant

That's really what we're focusing on today more riders on the risk profit.

A - Michael McLintock {BIO 1524907 <GO>}

Yeah. More protection. And is there scope to do more? Yeah, I mean we've got -- we have above market growth in Hong Kong this year. So I think we're doing more now and we are every intention of continuing to do more. Nic, do you want to --

A - Nic Nicandrou {BIO 15589153 <GO>}

No, the only thing I was. I mean there are. I think the point you're making was what we said last year. Yes, there are guarantees on the power on the business. There are low levels guarantees, below 1%, but can't delay. When interest rates are 0.6, the strain even on those, the minimus count is higher and one interest rates are about 2%, 2.2% and that's the point that we've kind of calibrated an amount of capital based on the lowered level and now that our interest rates are higher that gives us more capacity to deploy that part of capital that Aki was referring to further.

Q - Unidentified Participant

One question on capital return, and the way you've done it is always sort of 5% dividend rate, 5% then 20% and would you think of other methods either using buybacks or it was excess capital, excess liquidity at the center, doing special dividends or buybacks.

A - Barry Lee Stowe {BIO 15021253 <GO>}

Look, I think by principals we're very open-minded, because of the management team, so we never say never, but I think if you look at the numbers so far, we found that -- because you also, the cost of an increase is material, because we look at it, and if we carry for the third year of projection. But you have to look at every step up is going to raise up your dividend curve for next, probably forever okay.

So actually the NPV cost of a step up is not insignificant. So, we take that into account, when we're rising by 15% thing that all of future dividend payments will be somewhat higher base and that's material. So we think that actually when we give a 15% increase it's a lot of value, it's a lot of values of future cash that we commit to, and is good to think about it in these terms too.

So when we take that into account, I think what you should expect is more step-ups, maybe how your steps, maybe more frequent, but that's going to be the primary form. It varies ever more and we were we can do other things we are open minded. But so far, when I look at the group, what I know of a group and the prospects we have for investment. Again, as I said, keep in mind that we can reinvest a lot that, we've above 30% return on capital, below four-year payback, which in today's economy I think is very, very attractive for our shareholders.

So it's a combination of doing that continuing to grow our balance sheet and returning everything we can to the shareholders, that's the answer. Anymore? I know you --

Q - Unidentified Participant

I was going to believe and the third question is that, one of the competitor last week actually said the, it's equivalent of PruCapital was leveraging up its -- leveraging up the capital nineteen times, so I wondering if you just give us update of the leverage with improved capital.

A - Unidentified Speaker

Sorry, what is our --

Q - Unidentified Participant

Capitals in term of our hedge construction, we are shot one side and along the other side, it leaves with certain percentage of capital?

A - Tidjane Thiam {BIO 7518525 <GO>}

I'm not sure why you are looking at me. That's in M&G.

Q - Unidentified Participant

There was quite a strong striking.

A - Unidentified Speaker

First of all, PruCap is very small, okay, whoever will manage PruCap is that we agreed, we (inaudible) how much they are allowed to invest and that's a function of balance ties of a group and from me, it's a very small number, in absolute terms. So one way we've always managed PruCap is keeping it small. So where our commitments are small. And I thought what we do is fundamentally, making some loans and buying some kind of BBB securities and take the rating arbitrage which translate into profits, which are very convenient for the group. And I think for legacies from the past that activity is very much from the time when prove, we didn't have lot of IFRS profit and that was really, really materially from completely transparent in today group, something we continue, but it's not material anymore to our -- there are more important role than pick up pace is a way of treasury, for we have a group treasurer and the CEO of PruCap is also a group treasurer.

And therefore, instance where a recent GBP700 million capitalize with us being completely managed by them, that's lot of what they do, they interface. We have the fixed income market, they raise capital for us, they support businesses around and they work closely with Jackson and things like the hedging, so we are really a, if you wish a very highly skilled resource in the group.

Their contribution to the -- in today's group, their contribution to our earnings is between GBP60million, GBP70 million today from Prudential, it's not material anymore. It used to be, not anymore. So and with PRA this is done every year and I think I can send a record where regulators are comfortable with, the way they operate, their size, in the context of a group. It's not our hedge fund.

A - Nic Nicandrou {BIO 15589153 <GO>}

Anymore?

A - Tidjane Thiam {BIO 7518525 <GO>}

Final thoughts? No, nobody. That was the objective of the day, so at least we've achieved that one. We've existed for the questions as I said, this morning, we've got only to give you another long speech, I think the presentation, the quality of the team, I hope speak for themselves. And we don't really talk about it, but I think really possibly we're often asked what makes Prudential different, what makes the company different?

I think Barry are indeed to that, but I think it's -- now I can say this woman and these men, very, very happy to have a woman among us and this team is very committed. We think we have a great portfolio of businesses. I really say this with straight face, I think best in class in every role. We have best to use one of my cherish woman and then we'll achieve the best man and best woman in each position. And I think that this team is in good shape and is committee to continue to deliver.

One think about the team is, it hasn't changed a lot. A lot of us were here before the crisis, we're going to better worry, we've been for a lot together and I think Jackie was the latest addition, as they are very well we have a team and for me what's your best guarantee of performance. It's the same commitment, in fact they are definitely sound, we have a very strong Board and I'm very confident that we'll update you next week and make sure where it will be next week.

I've been very confused. I think I talked to someone earlier. Yeah, we need to finish early, I know its Friday and you need to go on your weekends. So I apologize. It was Nic, (inaudible) correct but I'm just told and I even make a lot sense, but anyway, the team is committed, so not next week. But next year, we will update you on our progress. I'm convinced that we will continue to make good progress on this.

And we hope you found the day useful. You know where to find us, if you have any further questions. And thank you very much for attending our Investor Day. Thank you.