Prudential PLC Investor Conference (Day 1)

Company Participants

- Ali Parsa, Founder & CEO
- Andrew Wong, Chief Health Officer, Malaysia
- Chantal Waight, Director of IR
- Colin Graham, CIO
- Guy Robert Strapp, CEO and Director
- Lilian Ng, Vice Chairman
- Mark Thomas FitzPatrick, CFO & Executive Director
- Michael Andrew Wells, Group Chief Executive & Executive Director
- Michelle Qi, CIO China Equities
- Nicolaos Andreas Nicandrou, Executive Director
- Raghunath Hariharan, Former Director of Strategy and Capital Market Relations

Other Participants

- Abid Hussain, Research Analyst
- Andrew Baker, Analyst
- Andrew John Crean, Managing Partner, Insurance
- Barrie James Cornes, Insurance Analyst
- Blair Thomson Stewart, Head of the UK and European Insurance
- Colm Kelly, Director, Co
- Johnny Vo, MD
- Jonathan Michael Hocking, MD
- Scott Russell, Head of Financials Research, Asia
- Unidentified Participant, Analyst

Presentation

Michael Andrew Wells {BIO 4211236 <GO>}

Good morning, everybody. Welcome to Singapore. I'm glad everybody got in safe. I understand, we lost no one in transit. One bag. If you see this person wearing the same clothes for three days in a row, you'll all know who that is. I won't make them stand up.

We're excited to have you here. It came up last night a couple of times that -- and it doesn't feel this way to us. But we hadn't been here in a while. Obviously, we're here on a very frequent basis. But it's been a number of years since we've been back. And I think one of the things about Singapore as a proxy for all of Asia, there isn't -- there's massive differences, obviously, between the different countries we're in and markets -- is you cannot replicate the energy. You can't replicate what it feels like on the grounds.

We were just talking before the meeting, we were over -- we helped sponsor a major FinTech event here that's grown in just a few years to over 40,000 people. Was just asking Will if we'll get you a little clip of what that looks like tomorrow? But it is almost -- the level of energy in something like that in this part of the world is, it's contagious. I mean, you just walk out of there like you've had 9 cappuccinos. And you need to take a programming class. But the amount of innovation, the amount of new ideas, not just in the tech space and the alignment between the various stakeholders to see those actionable are unique. And it's part of the reason we wanted you to come here.

It's been for us -- it's a business we started in 1924. It's one of our most successful in terms of 1 in 3 households in Singapore have our products. They have -- we're talking about -- someone asked me last night, we're a little over 2 -- about 2.5 products per household here. And so you'd think it would be one where we were mature, we were peaking. And yet -- as you'll see over the next few days, it's -- it was by choice where we decided to put some of our most advanced technology and some of our best and most modern ideas. And there's an awful lot of reasons for that. And I think, those will be clear to you in the next few days.

Everything we're doing here is exportable to everything we're doing elsewhere. So there's a lot of things the group is learning to do better. And I hope you'll see that in the next few days. And I'm, obviously, very proud of the folks that we're going to put up in front of you.

But there's a number of folks that are new joining us. Welcome for your first time. One of the questions they had is, can you give me a little bit of the logic on the demerger? And what's the purpose of that? And how do we see that? And so I just want to recap for a couple of minutes this journey we're on and where we're going. And I'm going to keep my comments today fairly high level, because you're going to get a deep dive on almost all of these subjects from my colleagues, as you've seen from the agenda for the next couple of days. So let me start with why?

So if you look on the left, you see the shape of the group in 2007. And we were disproportionately a U.K.-based firm. And the size and scale of the firm meant that the business units were interdependent on each other for capital and resources and often talent and even for strategic work and things. And it was a very successful model relative to its peers. And the international businesses were starting to really come online. Again if I back this up to 23 years ago when I joined, as I told you before, it was much -- it was basically a U.K. firm.

You fast-forward to last year. And I just use these numbers because it's a -- to be consistent on the slides you've seen before. You now have 72% of the business international. And if we look at other metrics like new business profit or some of the other dynamics that might measure future value, it skews even more so.

And it's not that the U.K. businesses aren't successful, they are. But there -- you see a difference in characteristics now. One is, each business unit has scale in its own right and different attributes to scale. They're not all the largest in the world. But they certainly have the ability to self-fund organic -- the organic production. They have the ability to compete at the top of their markets in almost every market they are in. And they have the ability to reinvest in their own entity to provide a level of technology, operational expertise, design that's competitive with anybody in their space, okay?

Now that doesn't mean there's not capital synergies and things like M&A and some of the stuff that you'll -- the capabilities you'll see we've added. But the scale of the businesses has reduced interdependency.

So why break them up? Well the U.K. businesses now compete internally for capital. And just given the objectives that we've been very consistent about on how we want to allocate capital, that means they compete against the U.S. and our international businesses in Asia and Africa instead of against their peers. Their business plan is defined by the role in the group instead of what would maximize the opportunity for our shareholders in the U.K., European markets and their international capabilities as well. And again, they are getting less and less from the group, given the success of M&G and the success of Prudential U.K.

So we got to the conclusion from that that by breaking them up, we'll get better alignment. And that's everything from the focus of the management teams, the currencies, the likely investor basis, I think, over time. We are definitely seeing now enhanced execution. You're seeing -- where we have 2 of everything in the U.K., you're seeing an objective to get to one. Any process like this is cathartic. You look at everything you've done and why. And what's a better way to do it? And how do we want that to look in 10 years? And what's the leading technology in that space? And we're going through 170 years of decisions. So there's quite a few things to look back and say, why are we making that decision?

But it's going very well and very fast. We'll give you updates on that over the course of the next couple of days. But the gist of it is, you get focus, okay, you get alignment, they have plenty of scale, okay. And we think you'll get value creation. We think, you get a better alignment between the various stakeholders of each entity, that could be anything from currency based, to investment thesis based, to shape of earnings, shape of financial results. So that's the logic. And that's how the board came to the decision it came to.

So I'm going to spend most of my time this morning then focused on the international business. John and his team will present later in the program. So we'll give you an update on where they are. And Mark's going to give you an update on the project itself and how it's progressing.

And in the presentation tomorrow, there's a finite amount of things we can say given the period we're in and hope everybody respects that in the Q&A. But there's -- they'll give you a good update on the progress and things are going very well with M&G Pru.

But this is what the international business looks like. And we think it's a very complementary portfolio of businesses. And let me tell you why I think that statement is true. If you look at the strategy and the ambition for the group and the operating principles that we intend to govern it by, it is looking at the international opportunity and the businesses we're in and saying, "Let's follow the structural growth."

And I think, courtesy of the people that came before us, the actual footprint this business has is unique. We are in a material part of the world's markets. There isn't a market that we wish we were in, for example, that has a -- structural tailwinds that we don't have some presence in, okay? Clearly, we'd like to develop every market we have further. But we have a footprint that we think is unique.

We intend to operate the business with discipline. And I think, we've demonstrated that. I'm going to give you some examples of that in a second. But this is not a growth at all cost, top line at all cost, market share at all cost business model, okay? I think, personally, we are too big and too successful and we have too profitable of existing relationships with consumers to start doing things that are -- that show a lack of discipline on margin or add risk we don't necessarily need to take or expose us to market factors that challenge the counter-cyclicality that we want from the earnings, okay? So this is a quality of earnings play.

Now what does operating discipline mean? It means from allocating capital, we have very strong views of risk-adjusted return expectations, of payback periods and that gets us into some of the product sets that we've been very successful in. But it's key.

It also means we continue to have to enhance our capability, okay? It's not just again about a single metric. I was at the -- that FinTech event yesterday and it's -- when you're speaking to thousands of entrepreneurs in the tech space and you're standing there representing a firm that's 170 years old, they think you actually have met a dinosaur, right? They're looking at you like, my firm is 17 months old or 17 weeks old and they're -- all of them are looking at us saying, "We're going to challenge you." And the one-on-one conversations are fantastic afterwards.

And what they don't get, right, is the capabilities and the tech investment. And all the things you're going to see over the next couple of days that are inherent in the success of the company. What they do get correctly is if we did nothing, that at some point would make us uncompetitive. We would look like a slow, nongrowing insurer that may or may not be a player in the market.

There is no reason we can't innovate at the pace to compete with anyone. And we'll show you some of that innovation. But it does require us keeping a very sharp eye on how dynamic the firm is and how capable the firm is. And we have to look at not only our traditional competitors. But our nontraditional competitors in doing that.

So it's an honest assessment of where we see gaps in the firm and where we need to grow. And I'm going to show you some of those we've addressed. But it is continuing to enhance the capabilities of the firm and that has multiple dimensions to it.

Then if you've done those things correctly, it should produce very high quality, resilient outcomes. And we define that again by quality earnings, recurring earnings occurring across the cycle that are not necessarily correlated to any equity or interest rate scenario and good diversification of those earnings.

So structural. Let's go to tailwinds for a little bit. So why do we believe any of that's true? Okay? So I don't believe that we have a competitor that has our geographic footprint, okay? We are in the largest and most successful markets for the businesses that we want to pursue. And I'm going to walk you through a variety of metrics on why we think there are structural tailwinds.

The reason we like structural tailwinds other than the obvious benefit is the investments often to capitalize on them take years. So you're not trying -- this isn't a short term, let's time this market, let's try this promotion and get this out for 90 days. We're capable of that sort of behavior. But it's not sustainable behavior and it's reactive behavior.

The strategic view here is what markets -- what are the dynamics of the markets that are changing and what do we need to do about it and what do we need to look out 10 years? We had our leadership team together just a couple of weeks ago, not even that. And the thematic things that we go through in that to look at the next decade and see what our clients' needs are, are effectively demographics, they're AI and GI intersects, they are language changes online, they are connectivity with customers.

They're all these sorts of macro themes, because basically if we don't figure out how to connect with clients in this footprint, shame on us, okay? We have incredibly strong structural positions in terms of geography. All of our markets have multiple sector drivers, okay? They have multiple tailwinds, not a single concept. So we think that's unique. We think that gives us a very successful platform to approach the business with.

Another view of that would be GDP growth and penetration levels of products. So this goes to where we start getting into strategy. Can we produce business plans that grow faster than the economies we're in or faster than the segments of the economy that we want to capture? Okay? So it's a mix. Again, if you're looking for a portfolio that complements each other, you want different characteristics, different dynamics, different risks embedded in that portfolio and we think we have that. And you approach those markets differently.

The -- our Africa and Asia businesses have immense potential and just sheer growth, right. And a variety of attributes that come with that. Our U.S. market is seen as mature. But that -- it can be mature, it certainly had regulatory noise lately. But it's also there's no denying the structural demand for the retirees in that market, right? So it's got scale and it's got structural demand.

So we approach the different markets differently. In Africa, it's a build, it's an initial -- it's a medium-term option for us, it's something to get a presence in. I'll give you a little bit more on that in a second. But it's something to make sure that as that market goes, it doesn't get away from us.

In Asia, we need to leverage the scale position we have, because as large as we are in Asia, right, the demographics and the tailwinds are growing at least as fast as our business is growing. So we've got to make sure we capture the share of that that we think is appropriate for our stakeholders.

A key part of that is expanding health and protection. We've been saying this to you for the last few years. It is a key, key driver in this market. And I'll give you some statistics here on the -- just quantifying the need there.

Then penetrating the wealth market. As clients are getting more money here and being more successful and moving further up their career ladders, okay, they are making decisions faster and more effectively about savings and that savings will lead to wealth products and we have to be in that space.

So the operating with discipline expression, I'm sure you have heard at a lot of conferences and a lot of meetings and, I think, it requires a bit of proof. The way we allocate our capital, I think, is going to define our long-term success, okay. And our short-term strength, okay, our short-term resilience. So it's this -- it's the key driver in this.

So in a sense, you have to think of us as, are we willing to be an active portfolio manager? Are we willing to be agnostic about businesses that have been a part of the group for a given period of time or a business line or a distribution relationship and look at that on a frequent basis and say, is that still the right or wrong thing to do? Okay? Are you willing to walk away from something? And are you willing to invest in something? Those are 2 different decisions. And they need to be taken independently.

So if you'd look back, I think, we can make a pretty good argument that we've struck a good balance between growth and returns, okay? We've done a number of things. We've exited markets. We've exited channels. We've exited countries. We've exited entire businesses. We've also entered countries, channels, businesses, product lines, okay?

The goal here isn't to run every business until its last viable relationship, okay? The goal is to reallocate the capital away from things that we think have a risk or a return signature that's different than the opportunities we have elsewhere or isn't sustainable over, say, a 10-year time horizon, okay?

Proof statement, there are buyers for the businesses we exit. It isn't a quality issue. It isn't an operational excellence issue. It isn't necessarily -- some people in the market are just at a different position than we are, it doesn't mean for them it was a right or wrong decision. But it's core to the capital allocation that you would be willing to leave a business as well as you are willing to reallocate capital to a business.

The other element in that that's absolutely key is none of our successes come evenly, regardless how good our teams are. There tends to be a sort of lumpiness to them. Some market factors, where we've done a good job. And our team's built everything they should build on product and distribution and regulatory relationship and consumer proposition and all of a sudden it takes off. We have to be big enough to absorb that success and that means if one of the businesses is having an unusually good year or 2 or 3 that, again, the size of the group, the scale of our financial metrics is such that we can capitalize on all the work that came before that and, I think, we can demonstrate that we have that as well.

So equally we think that this adds to our performance and our capability. If you look at some of the resource allocate, where we move things around, there's capital efficiency in there, there's risk management in there, there's growth of earnings in there, there's investing in new markets, right? The Thai Military Bank, that's expanding our fund capability in Thailand also comes with some distribution; John Hancock, the recent bolt-on in the U.S., there's efficiency of balance sheet and earnings and growth of general account. These are all actively managing the business, okay?

Now funding. This is the kind of thing -- I get the question all the time that, well, couldn't the businesses stand alone anytime they wanted, go to the market, raise equity or raise debt? You could. But together, they can do this in a normal course of business without showing a hand to a competitor who wants the same resource, okay, without having to go through a formal process to do anything about debt or equity or structure, simply from the scale, the financial scale of the business. And it makes us a very credible and efficient and fast counterparty in our negotiation. And that is not a currency we're looking to give up.

Okay. Have we expanded the capabilities of the group? And how do we look at that? So capabilities is probably a little too broad a term. But let's define what that looks like for a second. So we're agnostic to these being developed in-house, incubated, JV'd or even acquired. Obviously, our preference is a bit on an internal side. But if -- we'll trade capital for a time if we think something's emerged as a technology or capability that we want.

But if you look across --- these are the -- sort of the key (axis) -- we think are capabilities. What should we be good at? Okay? And start with the idea that insurers historically feel like everything they do should be built end-to-end in-house, that is not us, okay? We are fine-partnering with whoever is best-in-class in whatever it is they are good at. And the more we are advancing our skills in that, the better we're getting at that, the more partners we have available to us.

I will tell you the single most interesting thing about announcing the demerger is the number of non-obvious, non; -- traditional firms that have approached us and say, we like what you're doing in this market, we have an idea that would help.

Yesterday, at the Singapore FinTech Event, I did a presentation to the group and afterwards, we have our -- we're going to show you a little bit of this. But we have our booth there and it's doing incredible well. It shows a lot of the new technology in Singapore. And the number of people coming up saying, "I like that small business platform you have, we have an idea that would be an incredible enhancement to that." Somehow when you're in motion, people view you as being open to -- more open to new ideas or easier to find or our business plan is more obvious to them. But we're getting --

and again -- and they know, they can look at this and say, "This is a firm that's willing to work with other firms."

Now another way to do this would be to incubate, to invest, to build these from scratch. That's not our primary goal, okay? We're not looking to spin out some of the technology the teams have built out in the market. It works. There's -- we've got one competitor in particular that's good at that, that's not our model. Our model is to be able to work with the best and to have technology that links quickly with whatever the most advanced idea on distribution, on customer service, on operations and digital is and continue our core business.

So again, you can go down this -- if you look at the distribution, the banker deals in Asia, the Hancock deal and 158 selling group agreements now in the fee-based space in the U.S., okay? Those are expansions since the last time we talked. There's technology here from IBM to FinTechs here in town that the employees could fit at 2 of these tables, right?

It's a unique capability to be able to work with a variety of people. But you see this is our lens, this is how we're looking at it, okay? Is the firm better than it was last year? What can we do now we couldn't do last year? What are we going to be able to do in 24 months that we couldn't do a year ago? You're going to see a lot of that over the next couple of days, okay? We're starting with a position of strength. And to maintain that growth, to maintain that strength, we've got to continue to add capabilities to the firm.

All right. Balance, are they complementary? So if you take a look at the growth profiles, again this is U.S., Africa and Asia only, okay? This is what the geographic balance and the product, really the risk balance, if you will, looks like. So is there diversification? Are they correlated? Those sorts of things.

So you see everything from -- we've got 30 businesses here in 20 countries. So I'd argue there is geographic distribution, that's measurable. And you can see that from the metrics, from new business profit to free surplus generation, just as a couple of proxies, okay? We think -- and the earnings characteristics, obviously, you go down to the lower boxes here, the -- how the product is coming in is diversified, the types of risk profile, from investment to insurance to spread, okay, are well balanced.

We are not looking for this to be a third, a third, a third, let me be very clear. It isn't that we won't do spread product. But it's inherently more capital -- has more capital strain and has different risks to it. And we like the earnings. But we would value them less than we would similar earnings on products in the insurance or investment space.

Upper right-hand corner, you have businesses that are coming online that were nascent in some of our emerging market business that growing at a very rapid pace now. Again you're talking compounding rates of growth of 24% over the last decade. These are -- there were meetings, not the last one here. But the one before that some of you were at in Asia, where we were arguing about our new investment in Indonesia, right?

So I would suggest to you not to underestimate some of our up-and-coming markets. The demographics on those markets, our alignment with national policy, our brand, our capabilities, they're growing nicely and are getting better and better at moving our capabilities across markets.

So the cross-fertilization piece is something that historically we probably should have been a little better at, we did it with people. Now we do it with a much more sophisticated playbook and we still use people. But we also use systems in our -- and distribution models and relationships across region and now across geography, across continents. And you'll see as -- with a few more slides coming up here, that's got some real leverage to it.

So that should produce then, if that's all true, measurements of quality of earnings, not just scale of earnings. So -- obviously, the combination of that strategy, the portfolio and execution.

So 70% of the first half of this year's earnings came from insurance, okay -- up 61% in Asia, despite the fact that those operating earnings have more than doubled, okay? In the U.S., the fee income has doubled, half year -- again the same period, the 5 year. And again, the fee income in total plus the insurance income for the combined entities is now 83%, okay, taking into account the growth.

So we think that's an incredibly high-quality earnings. Could we have done more in the spread space? Yes. Does the accounting favor that a bit? Yes. It's not the objective, right?

Demographics. Some of this it's -- going through Asian demographics always feels like I'm preaching to the choir when I'm up here, particularly when you're here in Asia. But the -- as we get more and more accurate -- more and more current research -- I wouldn't say, more and more accurate research -- more and more current research, we are seeing every key metric for us on demographics that are important to us improving. Let me give you some examples of that.

On just global growth now, okay, Asia is growing 5x faster than the balance of the world on the chart on the left there. Between now and 2023, it's not that far out, it's projected to be 39% of global growth, okay? And again, if you look at our footprint in Asia, we're in the markets where (a disproportion) to that is measured and intended to be.

Another dynamic. We have always been -- our core scale has always been emerging middle class. We're getting better at segmenting markets and working below and above that. But that's been the core historic capability of the business in Asia. That is our sweet spot and, again, we're getting very good at other things. But that's been the one that I think, we're the undisputed champion of, okay?

That rise of middle class in Asia is expected to head to 3.5 billion, representing 2/3 of the world's middle class in a couple of the current reports out there. So what does that mean? Well it means we're probably going to have a lot more agents, Lilian's thinking half of that 3.5 billion. Right, Lilian? Somewhere around there?

The urbanization of the populations, this trend's got a variety of dynamics that are in our favor. Raghu is saying more than half, okay? We will work on that in the plan discussion.

Why does urbanization matter? On the health side, it's better access to health care, okay? It's more efficient for us. Now the expectation of every government we do business with is that we do not focus simply on cities. And we're very good at going upcountry and working in a variety of markets, it's one of our core capabilities.

But the urbanization is changing the way people work, it typically changes the amount of free time they have. And again, it drives them towards products and services we have and it gives us different distribution options. So this trend's very valuable to us. And again you've got 2 billion people moving into cities in the next 15 years, roughly 6x the population in the U.S., just to put some scale around this.

Then finally, working age, another tailwind. 181 million people entering the workforce in the same time period. So again, by comparison, that would be Italy, France and the U.K. combined. These are massive demographic tailwinds for us. And these are into markets where we're licensed, market-leading, scalable, right. And we think have the right products and services.

In the last -- 1 of the last 2 I want to show you on demographics in Asia. So are they insured? What service do they need? Mortality gap, how much insurance they should have? Right? This is relative to Western markets. But I had somebody ask me the other night about this in the airport. And he said, "Yes. But that's because they self-insure." It's a good observation. If on average, cash position in Asian households are 40%, they're materially higher than you see in the West.

There is no policymaker that we ever deal with that wouldn't rather see people pool risk, reinvest that excess capital in the real economy and pull it out of cash, okay? There's complete alignment with what we do in the governments and the jurisdictions we do business with.

Even Singapore with very sophisticated state-sponsored health and retirement, here we do supplemental around that in savings and health and other services, because some of the demographics on the individuals, which I'm not going to get into today, on longevity, advancements in medicine, those sorts of things, everyone's looking at the fact that these consumers are going to need more assets longer, better, more sophisticated health care models, all those sorts of things that we're bringing to the market.

But again, the health gap at $1.8 trillion in Asia, that's about 7% of GDP. The states in most cases, there's a few exceptions over here, aren't interested in stepping in and providing a national health safety net, a national retirement safety net. They're looking to the private sector to provide those services. And they view the private sector as a more natural owner of the administration of those services. So structurally, these are good alignments, again tremendous demand.

And the one we've not talked about that I want to finish with on the tailwind side. So I've gotten a question a few times this year, "Is there a retirement opportunity in Asia?" Now this is more complicated here. The answer is, absolutely. The answer is, it's now. But it's also -- one of the current pieces of research, I'd say, by 2050, there will be an additional 450 million people over 65 in Asia, okay?

The middle graphs -- we did some work done showing a savings gap for India and China for its population to fund retirement. It's the same 2050, you'll have 700 million 65-plus year olds looking for retirement, health solutions and things in retirement, okay?

So -- and then on the high net worth, this comes up a lot. It's the largest market now in the world. And it's projected in the next decade to grow to about $40 trillion. This is key for Eastspring and some of our more sophisticated product offerings that we -- again, we continue to grow into that space.

We're not looking -- I get the -- "Are you going to do a Thai baht variable annuity?" And the answer is, no. When we sit down with governments and they say, you know what -- they know our expertise in the retirement space and they want to know what we can do with pensions, they see that in the U.K. and they see that in the U.S. as well. In some of these markets, where you lack a proper yield curve and the maturity of securities, it's very challenging to come up with a risk appropriate product or service. But there is no lack of interest in the leadership of these countries to solve this quickly, okay?

So I don't think it's any surprise that our China team is one of a handful of firms on a pilot, on a pension product in China. The expertise we have, the technology we have, the risk management skills we have from our U.K. business, from our U.S. business and individual pensions, will be applicable in Asia quickly, because this is a structural need that's got to be solved. So it's a dynamic that you'll see come online over the medium term. But again the numbers are there now.

Okay. So I'd argue we're well placed to capture some or all of these opportunities. Scale: why does it matter? It matters in not only the risk management of success, the risk management of failure, the ability to invest in those innovations, the ability to be key to a market, it means it's -- in practice, I would tell you, with 3.5 years in this role, it means you're a part of policy decisions, you're not a taker of policy decisions, that's a material difference.

We have a chance and we've got -- we have a chance to be a part of the key contribution, key conversations on what products and services, regulation, capabilities need to be in the markets we're in. It's important, it's exciting and it positions us as a trusted ally in the markets we're in. And it's -- again, it's trust that's ours to lose. It's a key currency, I think, of the brand. And I think, as a management team, it's one of the most important things for us to be stewards of.

But what you see in the Asia markets is the firm is viewed as a place to go for solutions by policy makers. And we're going to show you a lot of that over the next couple of days.

We're dealing with some fairly complex issues with them and I think we're well positioned to do that. And those require scale, okay? It's got to be a firm.

If you're giving us anything from your individual pension to your corporate plan to the first product you've ever bought, you have to believe that the Prudent's logo on the policy or on the digital policy, that whatever that outcome is you're afraid of, we will pay, okay?

You have to believe if you're the government, the partner, that if we say we're going to do something, it will happen and it'll happen in a way that won't embarrass you and it'll actually enhance the social model -- those are all true. And they occur day-in and day-out. And they're a function of our size, our scale, our success in multiple markets and they give us a chance to participate in the sort of structural growth, okay?

It also produces resiliency. So if you take all of these points and combine them. So -- as we've shifted this business towards recurring relationships with consumers that have regular premium, that means products where the consumer each year has a payment to continue the benefit, just to make sure we're all on the same page. Okay? Becomes very, very important the resilience of the earnings and premium income of the firm. With a retention rate now of 90%, again, these are by industry standards, excellent numbers.

Think of it as a satisfaction score with your consumers and think about it isn't particularly unusual for 10% of the consumers to have something happen in their lives where they can't anticipate, that could be a death, loss of a job or some other major event in life. So 90% is an outstanding number. 94% of that premium is recurring and again the business growing in customer count, okay?

Use the MSCI ex Japan here just to give you a sense of stability of earnings or lack of correlation in the earnings to markets, okay? That's what we're driving towards. That's the responsibility of this part of the book. And what it should look like in practice is you take a very successful, correctly priced set of client relationships like this. And every year, you add another cohort of successful client relationships that are profitable, correctly priced to this. And this grows and grows and grows.

All right. (Just kid you guys), this structure is one of my favorite slides. So what's it look like for Asia? If you do all this correctly, right, the outcome should produce very good financial metrics. And they should be balanced. Again, we have the ability as a -- theoretically, as a management team, you could drive any one of these metrics a little bit, again at this scale, a little less so. There is some base effect in here. But the reality is you should see the outcome you want in these metrics, okay. And you should see it across cycles. So new business profit, IFRS profit, free surplus generation. And to continue that obviously requires the effort and the agility and speed to market we were talking about. So that's Asia.

Let's go to the U.S. for a couple of minutes. What are we trying to do in the U.S.? Well the U.S. has had an undisputed leadership position in an industry with a lot of policy noise in the last 36 months. There has been policy noise on -- in the DOL with President Obama's watch. There was policy noise with the NAIC on capital. There's been tax changes.

So the model has had -- and we've had competitors distill their businesses, for a lack of another term, where they have failed to execute as they originally intended and they've spun them off. And again, that's a consequence of decisions made decades ago. Okay? These decisions have tails. So it's been an interesting time for the U.S.

So that said, Jackson's quality hasn't changed. What's changed is the market around it. What's changed is the policies around it. So it still leads in terms of market share, technology, cost of administration, client quality, right, all of the key variables, risk management. It is market-leading in all of those dynamics. And I want to talk a little bit about the market in a second.

But there are -- you're at an inflection point in the U.S. on policy. And Chad's going to get into some of the financial metrics, I'm not going to spend a lot of time on that -- on the resilience, I'll give you a little bit of a look in a second. But you're seeing an end to the DOL work stream. You've seen the NAIC stuff finally come through. And what you haven't seen is any change in the structural demand for retirees.

It is about the only thing I can find Democratic politicians. And Barry's here to give you a chapter and verse on this later. But it's about the only thing people on both sides of the aisle agree to right now in the U.S., okay, is that there are a lot of people going into retirement. And they are grossly under-protected. And private solutions, again, need to step up, right. And they need to step up in a way that provides the client some sort of assurance they won't run out of money in retirement.

Now there's a number of demographic keys in this that define the structural piece. I mean, 61% increase in people over 65 between now and 2035, a 73% reduction in defined benefit plans, that would look the same in our U.K. business. 50% of the consumers with no plan or coverage available to them, okay? Just think of the scale of this market, scale of the asset, scale of the households, okay?

So in the retirement gap here, we defined it differently in this one. And I did this on purpose, because I don't think it's always clear to people outside of a market how people retire. So U.S. retirees get a pension from the State, social security, it's theoretically self-funded. There's a lot more demand on those funds than there has been historically or other purposes.

But historically, it was a -- it was set up as a federal pension fund 1935, Barry -- '34 or '35. And one of the interesting things you should know is the retirement age at which you were allowed to participate in it was also when the mortality -- the expected mortality in the U.S. So your first payment was due when you were dead, was sort of the math in the actuarial world. Obviously longevity's improved. And they haven't moved that date, it's very political.

But this is what an average retiree in America would see. So they would expect about 40% of their preretirement income to come from social security benefits. So they're not destitute. There's coverage there. But it's quite a gap. And 70% is about what they need to retire comfortably.

Also every piece of research, I've ever seen in my career, Americans spend more in their first year in retirement than they did in their last working year. And they have a variety of justifications for that. But it's a lot of things, they buy boats. And new golf clubs and all sorts of things that -- if they can. But that gap's critical.

So defined contribution plans have worked well in the U.S. They're growing. But current language makes it -- in the law, makes it very difficult for you as the plan -- if you're the head of your company's plan to provide a guarantee, okay, without getting into too much detail, it's the safe harbor language. So only about 5% of the new pension plans that most Americans have had any form of withdrawal guarantee, okay? So they are exposed to the market. And that isn't -- if you look on the right-hand side, that isn't what they want, okay?

Consumers don't say, get me the #1 performing growth account or value account year-after-year. What they want is their individual situations solved and derisked. They want to know they won't run out of money in the extremes, exactly the services Jackson provides, okay? So the structural demand in the U.S. is absolutely there. But so is the opportunity to act in an undisciplined fashion. And we've seen this, The U.S. industry's brilliant at this, okay?

So Jackson has not -- it has been disciplined the entire time. Now there's some trades in that. On the left, you see that we manage the volumes of new business, we talked about this years ago, actually even put gross sales gaps in place at various points, okay? But what it ends up with is a book well diversified across various cohorts in the S&P 500, just as a proxy, you see very consistent pricing. So does an adviser, who has been recommending the product for a decade or more, okay?

It's still basically the same product, the same quality of product that they started with when Jackson was a much smaller player in the market. And there's an integrity issue in that and there's a trust issue in that, that gives it the -- again, usually the top ranking in any sort of advisory polls on the quality of the firm.

It is a model on risk where even though you can customize the product, individual benefits are individually priced and risk managed, okay? And certain combinations of benefits aren't available to you. That's a technology issue. It's always been conservatively hedged. And Chad's going to come up and give you some updates on that later.

Then it's always been a view that protect the tails economically, okay? What would the actual economic impact be? We've got multiple regulatory and accounting statutes that go across our U.K. -- U.S. business, excuse me. And the goal is the economics first and take the noise that comes with the various accounting regimes.

Then on credit right now, it has a balance sheet. 97% of that is investment grade. It's underweight risk sectors. It's diversified across 650 issues, again a way to reduce risk is to not have major positions. Its average holding is $53 million. So again, in the U.S. presentation you will get more detail on risk. But just to give you a feel for the conservative nature of it, not stretching for yield, not stretching for pricing risk, staying consistent to the tenets that got the firm the success it's seen.

All right. How does that look relative to peers? Been a couple of slides with hypothetical data used in the marketplace in the U.S. last year. I thought we'd actually give you one with real data, this is historic. So Jackson's return on statutory capital, pre and post the tax reform, is 19% or 16%. The industry reported 10%, okay? Total adjusted capital before dividends and regulatory impact, you can see in the middle chart. And the consistency of the RBC ratio, including all of those changes, the policy and dividends we discussed is on the right.

So when competitors were talking about major assumption changes, major capital infusions, the last couple at over $5 billion apiece U.S., this is a business that's produced $5 billion of dividend over the same period of time, is well capitalized and the assumptions have been consistent across its life, okay? So it is in a different quality space than its competitors. I appreciate on valuation that gives it some challenges. But this is a high-quality business with structural demand, correctly priced, well positioned to capitalize on where we're going next.

Now in the market -- in the U.S., excuse me, the space that we think has the most potential, (that space) our distribution partners, I can tell you from a recent trip to New York, think has the most potential, is that movement into the advised or fee-based space. Doesn't mean we have to give up anything from the commission-based success that Jackson's had on a consumer who chooses to pay a onetime fee for the product with the advisory, that pay-as-you-go model.

As we discussed, Jackson entered that space about 1.5 years ago. It's about 3% of the overall market growing quickly, because again you'll need that final language from the SEC to clarify what is or isn't proper ownership for all of the firms to be online. There's a technology component the U.S. will tell you about. But in the less than 24 months they've launched into that space, they have over 50% market share. And the feedback I get from people running firms in New York is, best wholesalers, best service, great technology, all the things we would expect people to say about the firm on a new endeavor, okay?

So Africa. Okay? This is a medium-term opportunity for us. Part of our responsibility as managers of the company, stewards of the company, is to make sure there is always additional new J Curves, growth engines. And this is a growth continent. This is a J Curve continent for us.

It's not only -- we've had some success from our 2004 entrants in our -- with our traditional capabilities, which is agency and bank. And I think, if you looked at what the team has done there, they're punching well above their weight. They're winning mandates and relationships that establish players in a market on a more -- where we'd have thought they would have been the winners of.

And we think we have a footprint in the parts of Africa that we think have the most value and the most leverage going forward and give us the greatest optionality on the continent. It is the single largest most underserved insurance market in the world. It is the youngest continent in the world. It is where we're trying new technology.

This is where we've done the -- again, our first mobile pay micro insurance product successfully. So you're seeing it skip technologies, you're seeing it move at a different pace and it is a part of our future. And again, we think it's the responsibility as a management team to continue to invest in things that will be a part of our future.

All right. And I'll finish with this. So a slightly different look to my favorite slide. What do you see in this when you split the U.K. businesses and the international businesses? You see different financial characteristics. This goes back to part of the logic in the demerger, all good. You see stability, value, cash flow, okay. And you see growth, right?

So we think we end up at the end of the day with 2 very high-quality businesses, 2 highly competitive businesses in their space, okay. And 2 businesses that can compete with anybody with a similar portfolio or skill set with very good proven track records on new business profit, operating -- IFRS operating profit and their ability to generate free surplus, obviously, leading to cash.

So with that, I'm going to walk you through the -- you've got the agenda in your deck. Mark's going to follow up with a financial update. I couldn't help but notice. But for me to do the agenda slides. And you've got the afternoon and you've got tomorrow, drink your coffee at pace. We've got a long couple of days ahead of us. There is a -- we have loaded a tremendous amount of content into the next couple of days for you. I appreciate it's a demanding schedule. But we've got you here.

There is more we want to show you than we have time for even at this pace. But you'll see there's time for Q&A at various points in the session. And we're going to run you through as much as we possibly can when we have you. And again, I want to thank you very much for giving us this much of your schedule, flying to Singapore and staying with us through what's going to be a pretty heavy agenda. Thank you. Mark?

Mark Thomas FitzPatrick {BIO 20178326 <GO>}

So thank you, Mike. Good morning to you all. In my presentation today, I will aim to cover 4 main areas. Firstly, an overview of new business performance in the nine months to September. Secondly, I will provide a brief analysis of our risk profile and our credit positioning within that. Thirdly, I will update you on our progress on the actions needed to execute the demerger of M&G Prudential. And fourthly, a more detailed outlook at how the quality of the business we are writing is driving sustained growth in both group value and cash generation.

So starting with our performance for the first nine months of 2018. The group continues to make good progress in each of our key geographies. In Asia, the U.S. and in the U.K., we are demonstrating a high degree of resilience against the more challenging backdrop of volatile markets, disruptions to global trade and the ongoing political change and uncertainty across multiple countries.

In our life businesses, we have delivered growth in new business profit of 17%. This strong result reflects our focus on value. We achieved this through favorable changes in mix and in pricing actions, while continuing to offer products with good outcomes for our customers. We have also benefited from lower U.S. tax with 3percentage points of growth, which will unwind at year-end. We have also seen rates rise over the period, accounting for about 4percentage points of growth.

In asset management, external funds under management are slightly lower than at the start of the year, reflecting weaker market conditions and the redemption of some large. But low value institutional mandates. The group performance remains underpinned by a strong and resilient capital position with solvency cover of 205% at the end of September. This reflects positive underlying capital generation in the Third Quarter. And as stated, after the acquisition of TMB Asset Management and the payment of the 2018 first interim dividend in the same period.

In Asia, our portfolio of life businesses has delivered 15% growth in new business value in the first nine months, up from 11% at the half-year stage, following a stronger performance in the Third Quarter. The year-to-date result remains broad-based too with double-digit growth in 7 markets and in both banker and agency channels.

Our focus on value has also generated further improvements in quality with new business profit from health and protection growing by 19% in the period as a result of increase in sales and a shift towards higher-margin products within health and protection. The consistent addition of recurring life premium income also benefits our asset management business, generating consistent net inflows from internal insurance business.

In our external asset management business, funds under management increased to $49.8 billion, driven by additional assets from the acquisition of TMB. The full benefit of this was reduced by the impact of lower gross flows into retail funds, given volatile markets and redemptions from institutional business.

In the U.S., Jackson's underlying new business performance at the 9-month stage is largely consistent with the first half of the year. New business profit was up 22%, reflecting the positive impact of 2 factors: firstly, lower tax rates following reforms at the end of last year worth 12percentage points of growth; and secondly, the benefit of the continued rise in interest rates, which have seen 10-year treasury yields increase 73 basis points over the prior 12 months to reach levels last seen at the end of 2013.

Although overall sales were lower primarily due to reduced participation in the wholesale market, sales volumes in variable annuities, excluding Elite Access, continued to track the run rate of the last two years, demonstrating the strength of Jackson's position in a market that has been impacted by regulatory uncertainty since 2016.

Separate account assets, the main driver of fee-based revenues, are up 5% since the start of the year, mainly due to asset appreciation. But also reflecting positive net flows.

Looking further ahead, our Jackson team continues to position for opportunities in the advisory market, which should drive additional sources of new business over time.

In our U.K. business, PruFund has continued to see strongly positive net flows in the Third Quarter, building on the performance of the first half, leading to year-to-date net inflows of GBP 6.6 billion and resulting in funds under management of GBP 42.9 billion, 19% higher than at the start of the year. This strong result for PruFund-backed products was a key driver of the overall rise of 18% in new business profit, which also benefited from the impact of higher rates with 4percentage points of the total increase.

In asset management, M&G's external funds under management declined by 4%. This primarily reflects the redemption of a single institutional mandate of GBP 6.1 billion, which although large, was very low margin and was therefore only making a modest contribution to revenue. Excluding this mandate, net flows were positive in the first nine months.

So in summary, across the group, we are continuing to add value through the strength and diversification of our businesses with disciplined execution, demonstrating that our focus on quality is undiminished.

So moving to my second topic, that of risk exposure. We continue to take a conservative. But active approach to the group's balance sheet, maintaining a good balance of risk across all of our businesses and managing shareholder asset exposure for quality and resilience. Our active approach has seen continued derisking of the balance sheet and investment mix, more recently demonstrated by the sale of a part of the U.K.'s annuity portfolio, which has reduced exposure to both credit risk and longevity risk.

As shown on the right-hand side of the slide, the share of the group's risk profile contributed by credit under Solvency II would have been 17% at the end of 2017 without M&G Prudential. As the international businesses continue to focus on new business with a low credit risk attached, for example, through higher concentration of health and protection business, we would expect balance sheet exposure to the credit cycle to moderate over time and lead to additional improvement in the resilience of our financial position.

Our cautious. But active approach to managing risk is a key point of differentiation for Jackson. By carefully managing risk through pricing, portfolio management and hedging, Jackson has been able to absorb periods of material market volatility, historically low interest rates. And more recently, significant impacts from regulatory reform, while making healthy dividends to group and maintaining a strong statutory capital position.

Now the Jackson team will provide a lot more detail on this tomorrow. So I don't want to steal any of their thunder. But one area I want to touch on is that of how statutory reserves are impacted by movements in equity markets.

Now given that only a very small proportion of our variable annuity customers have policy guarantees that are in the money today, our economic reserves are currently significantly lower than the minimum that is permitted under statutory accounting rules. In a truly economic accounting regime, a rise in equity markets would lead to a reduction in the reserve since the policyholder's guarantee would be further out of the money.

But because our reserves are effectively already floored out to the minimum, they cannot go any lower. So if equity markets rise, there is no recognition in Jackson's statutory reserves of the positive economic benefit that this creates. Conversely, the value of the hedge portfolio that protects against equity market declines will fall in value. The combined impact creates a headwind to capital formation, which is a trend we have seen in recent years.

However, this dynamic also provides an important capital buffer in the opposite scenario. If markets were to fall, the economic reserve would need to increase up to and above the minimum reserve floor before Jackson has to post any additional statutory reserves. The ability to absorb the early stages of a market correction in this way is a material benefit to statutory capital and provides a meaningful degree of financial resilience to the RBC ratio in times of market stress.

Continuing on this topic. But turning to the quality of our investment portfolios, starting with the U.S. on the left-hand side. Jackson's investment portfolio has been significantly de-risked since the financial crisis. Our modest exposure now remains in the categories that were most impacted in the 2008 market downturn, such as residential mortgage-backed securities and high yield, which combined accounted for 20% of the portfolio. But are less than 4% today.

In addition, Jackson has built up a material holding in U.S. treasuries in cash, together representing 13% of total assets and providing a high degree of security and liquidity.

In corporate debt too, the portfolio is defensively positioned with good diversification by sector and by issuer and low relative exposure to higher risk sectors such as financials.

In Asia, our focus on unit-linked and health and protection means that there is less exposure to credit risk with assets primarily backing regulatory capital and surplus. The debt portfolio is almost entirely government bonds or corporate bonds of investment grade. So again, the emphasis here is quality and resilience.

In the U.K., our credit exposure is driven by the annuity portfolio where assets are closely matched to liabilities and generally held to maturity. The business has consistently maintained a well rated and diversified portfolio with a good track record. There have been no defaults since 2011 and even in 2008, they were limited to around 15 names amounting to just GBP 93 million.

Following the sale of the U.K. or part of the U.K. annuity portfolio, the assets backing shareholder annuities have been reduced by over 1/3 to GBP 24 billion, significantly lowering exposure to credit risk.

In addition, there has been an improvement in the rating profile of the portfolio with securities rated AA or above, now at 47% versus 44% previously, predominantly as a result of asset trading, which has improved the overall quality of the bonds held. And with 86% of the asset portfolio currently rated at A or higher and BBB exposure heavily weighted to the upper notches of that range, this too is a very high-quality portfolio.

So on to my third topic, that of the demerger. As you will appreciate, there is a lot to do here. But much has already been achieved. And we are progressing with pace and with dedication. For simplification, I've broken the process down into 4 main areas. The go-forward corporate structure of the 2 businesses is taking shape. We have created the new Holdco for M&G Prudential. And we are engaging with regulators to ensure the legal transfer of the relevant entities to sit under the new Holdco, including the transfer of Hong Kong from U.K. to PCA.

Mike Evans has been appointed chair of M&G Prudential. And he is leading the process of appointing nonexecutives to that board.

We are working closely with the Hong Kong Insurance Authority to define the regulatory capital approach for the group, both transitional and longer term. And I will update you further in this once we have an agreed position.

Operationally, we are ensuring that M&G has an appropriate head office capability and are unwinding activities and infrastructures that are currently shared. For example, M&G Prudential need to set up their own consolidated financial reporting systems and processes as well as take on the group's Solvency II reporting. There are over 100 IT applications on shared infrastructure, which we need to separate and migrate from one system and one side to the other.

Now taken individually, these are not overly complex. But there is significant volume needing careful management. As I've mentioned before, the transfer to Hong Kong -- of Hong Kong to PCA and the Part VII transfer of the annuity portfolio, are the areas that are least within our control. But there is currently nothing to suggest that we cannot meet our expectation of completing these before the end of 2019.

And finally, on the debt management process, we believe we've made a fairly good start on that. In particular, we are pleased to have issued in October the sterling equivalent of GBP 1.6 billion of subordinated debt at group with the substitution clause that will enable the bond obligor to transfer from group to M&G Prudential close to the point of demerger.

So in summary, we are on track with our expectations of where we would be at this stage of the process and remain very focused on the job in hand, noting that for all but other than around 200 people, it's very much business as usual.

Following on from my last slide, I wanted to repeat the additional disclosures we've made at the time of the debt issues in October. Although there's quite a lot on this slide, I wanted to point out 3 key aspects. Firstly, we expect the debt rebalancing to result in M&G Prudential holding around GBP 3.5 billion of debt at the point of demerger. Secondly, that M&G Prudential is expected to have a Solvency II coverage ratio of around 170 at the point of demerger, assuming current market conditions and assumptions. So this is after further adjusting for operating capital generation in the period before demerger and payment of a predemerger dividend to Group to enable partial redemption of existing plc debt. And thirdly, that the rating agencies have now published their assessment of M&G

Prudential's financial strength, reaffirming its credit strength with strong ratings from each of Moody's, S&P and Fitch and a stable outlook across all of them.

We believe both M&G Prudential and Prudential plc will have the appropriate level and mix of capital at demerger with a buffer above regulatory requirements and sufficient liquidity for essential needs and shock events.

So I'll now move on to my fourth and final topic. The drivers of growth in value and cash. Those of you who were in the room in London at last year's conference will recall I focused on our approach to the management and deployment of capital and how that differentiates Prudential from the peer group. This time, I want to demonstrate how that same approach is driving favorable outcomes for shareholders through sustained growth in both value and cash generation.

As this slide highlights, the dynamics are powerful and positive with group embedded value more than doubling in just 5.5 years adding incremental value of GBP 25 billion in that period. The red bars are particularly significant, representing the discounted value of the future profits of the in-force life portfolio.

While both net worth and value of in-force have both doubled over the period, it is the value of in-force that has made the largest contribution to the uplift in the period, accounting for roughly 2/3 of the total build and demonstrating the benefit of strong compounding new business, as I will discuss further.

Looking at the movement on a regional lens, you can see on the left that all of our businesses have made a material contribution to the increase in group embedded value over that period. However, it is clear that the contribution from Asia has been the largest, accounting for half of the total movement. And that Asia contribution is even stronger in the context of the red bars from the previous slide, representing the value of life in-force business as shown here on the right.

In this case, the high level of growth from Asia's insurance business drives 2/3 of the total increase. So the largest drivers of growth in the group's embedded value are the value of the in-force book and Asia within that.

My next slide looks at these components in more detail. Taking the increase in Asia in-force -- value of in-force from the previous slide, shown again here in the top left of the corner in red, this page demonstrates the benefit of adding new cohorts of profitable business in building future value. A true growth business should not increase the level of earnings that are reported in each subsequent period. But should also grow its stock of future profits. Put simply, a real growth business is adding more each year than it is taking out.

So to illustrate this point, I want to draw your attention to the components in the dotted box. The red bar represents the amount of additional future profits that have been contributed by new business written within Asia since 2012, totaling GBP 10.9 billion. The blue bar shows the amount of in-force that has emerged into the current year profit over the same period. Therefore, to achieve sustainable growth in the overall stock, the red bar needs to consistently exceed the blue bar and on this measure, the Asia business is truly outstanding.

The strength of contributions from new business mean that Asia has added to its in-force stock at more than twice the rate that it has extracted and, thereby, has been continually building the stock of in-force future profits. This highlights the impact of capturing the health and protection opportunity and the benefits of increasing our scale in this region. The speed of growth and the extent of the differential between the 2 key components represent a highly distinctive characteristic of Prudential's insurance business and a major driver of the earnings outlook.

And my next few slides cover Asia's new business contribution, given its prominence in the sustainability of the Group's earnings growth profile. Breaking out new business into separate reporting periods on the left, highlights the consistency of Asia's delivery and the rate at which this has grown. And the chart on the right shows that the increase is driven by our ability to capture the growth opportunity together with active management of the new business portfolio, which includes adjustments to pricing or shifts in mix towards high-margin products and channels.

Economic effects while positive have delivered only a small uplift in comparison. This shows that the factors that have generated Asia's growth are overwhelmingly those that are within our control, evidencing our ability to execute on what remains sizable structural opportunities. So how do we determine the quality of the new business that is being written and does the value that we place on new business come through as we expect it to?

So to be able to answer these questions, we can look at the assumption set that drives the calculation of new business value at the outset, on the left; and on the right, the differences we have experienced against that assumption set in subsequent years. Now our assumptions follow European embedded value methodology, considering all of the capital constraints on the business and reflecting the prevalent operating environment. As a result, the rates we use for projections and discounting move with the bond yields currently available in the market. The approach makes a separate and explicit allowance for the time value of options and guarantees and the cost of capital, which is distinct from traditional embedded value when allowance from these items is implied rather than explicitly reported. Therefore, you would expect a traditional embedded value discount rate to be higher than that for an equivalent book under EEV.

Moving to the right-hand side, the chart illustrates that our initial assumption set has proved to be highly robust. Changes in assumptions and the variance against our experience have been both positive and largely immaterial, equating to combined average annual impact over the last five years of less than 1% of the opening in-force. This therefore underpins confidence in our assumption set and the methodology used to calculate the value of new business in Asia.

So our disclosures also provide detailed analysis of how new business converts to cash and the time frame over which that is expected to emerge. The chart on the top left of the page shows for a single year, the new business profile of the business written by Asia in that year. And in this case, 2015. So there we invested GBP 413 million of our free surplus in writing new business, which had a future expected payback period within the first three years and a total undiscounted payback of GBP 3.9 billion over 40 years.

Taking this on a combined view across the last five years, Asia new business has added a combined GBP 21.7 billion to the stock of expected free surplus, seeing it more than double in value since the end of 2012. However, whether the cash generation actually emerges as anticipated rests not only on the quality of the business at the point it is written. But also the ability to successfully manage and retain the business. And it is only through effective management of our in-force portfolio that we can have confidence that returns will be delivered to the level expected and that the payback is achieved within the anticipated time lines.

The analysis on the right-hand side shows our actual experience of cash has emerged over the last five years in red against our expectations at the beginning of the year in gray. That the experience is consistently positive validates the conservatism in our assumptions and demonstrates our ability to manage both the high volume growth engine of new business and the back book generating value and rapid recycling of invested capital.

So bringing this all back to a higher level now. What this all means is that the growth and quality of Asia's new business and its emergence as profit when combined with a capital-efficient balance sheet, has generated strong and stable returns over multiple years. This translates to attractive sustainable returns for group shareholders. Now it is worth noting that the group returns are consistent at the operating level and the net income level over the 5-year period at 17%, highlighting that while there may be timing differences from year-to-year, movements below the line have effectively been neutral over the medium term.

So in concluding this section, there are 3 key messages, which I'd like to repeat. Firstly, for Prudential, the key driver of value and cash is new business centered on Asia's high quality, compounding contributions. Secondly, we are adding more to the stock of future profit in cash than is emerging from the in-force each year. And thirdly, this provides a powerful positive dynamic that underpins the outlook for earnings and cash generation.

So to wrap up my presentation this morning, our businesses have continued to deliver strong and good performance, reinforcing the resilience of both our business model and our capital base. The combination of management actions and our organic mix effects is driving improvement in the group's risk profile, enhancing our ability to perform through all stages of the cycle. The demerger of M&G Prudential is progressing as planned with some key milestones already achieved. And finally, as a management team, we remain very focused on building the drivers of value and cash across the group.

And with that, I will now hand you over to Nic and his team. Thank you.

Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Okay. Thank you, Mark. Good morning, everyone. Welcome to Singapore, the home of Prudential's second-oldest life business in Asia and Eastspring's regional's headquarters. So let's talk about business.

So in Singapore, we currently employ 1,900 people. We have nearly 5,000 financial consultants. And as Mike has said, we look after the savings and insurance needs in 1 out of 3 households. We're also Singapore's largest fund manager, managing assets with a value of over USD 100 billion. Our local life entity is undergoing a significant business transformation and it's fast gaining the reputation of being Singapore's most digitally savvy life business.

Tomorrow afternoon, you will have an opportunity to visit our new offices in the Marina Bay area, meet our local team and hear directly from them about the transformation journey, which forms the blueprint for our other businesses across the region.

In today's sessions, we will provide you with a detailed regional update on our strategy, performance, current initiatives. And future priorities. I am joined by 22 of our senior leaders from across our main businesses of Hong Kong, Singapore, Indonesia and Malaysia, who stand ready to share their progress with you and answer your questions.

I will start by acknowledging upfront that the operating landscape in Asia continues to evolve and change rapidly across multiple dimensions. You only have to look at the new sections of your devices to know that the external environment remains volatile and unpredictable. And we have seen many examples of this in 2018 alone. Perhaps the defining change over the last year is the pervasive impact of technology on customer expectations and behaviors and how this is shaping the business capabilities that are needed in response.

Prudential Asia is well accustomed to dealing with many of the changes shown here. In relation to technology, it is our response that will determine whether this is a headwind or a tailwind.

Against this backdrop, it is somewhat reassuring that the industry's mandate remains well aligned to the growth and prosperity agendas of both consumers and governments. The region's long-term structural trends shown here will be very familiar to this audience. In essence, Asians are both underinsured and undersaved during their working lives and are inadequately prepared for their retirement. These multiple growth curves underpin a strong demand for savings and protection across this region and provides significant tailwinds for our industry.

Let me give you some more color, which brings these trends to life. Continued economic growth in this region will see wealth creation increase by some USD 5 trillion for the next few years -- each year for the next few years. This rising affluence will in turn mean by 2030, 2/3 of the global middle class population will be in this region. That's 350 million in China, 380 million in India, 210 million elsewhere in Asia, compared to 130 million for the rest of the world. Entering the middle class is typically the trigger for individuals to consider protecting both their wealth and health.

At the same time, we will see a near threefold increase in the number of Asians who are over 65 years old to around 700 million people by 2050. The fact that the ratio of workers to retirees will be around 3:1 is a major area of focus for many governments in this region. Improvement in living standards over my lifetime alone has significantly extended life expectancy in this part of the world.

In China, for example, average life expectancy increased from 43 years in 1960 to 76 years today. There are now over 200 million senior citizens in China, a number that is expected to almost double by 2050.

Similar trends are evident in other markets across the region. Even markets with smaller populations are facing challenges. We recently commissioned a study in Singapore to establish how prepared people are from a health, wellness and a physical perspective to live to 100. This is relevant in Singapore as it has one of the fastest-growing aging populations in the world with more than 1,100 centenarians as of 2015. Unsurprisingly, only 23% said that they were ready health-wise and 26% said that they were prepared financially. The study found that even the most devoted saver will struggle to meet their needs between -- from 62 to 100.

So there is structural demand at both ends of the spectrum. The younger, more educated, more affluent middle class will look to both grow their wealth and to protect their health and that of their families. The older more established population wants to ensure that they live longer and healthier and be financially prepared for any health crisis that they may face. These trends and needs pose significant and unprecedented challenges to both policyholders and individuals across Asia. The challenges span several dimensions, ranging from how to finance income in retirement, which maintains individual standards of living at an appropriate level, to how the rising demand for health care consumption is met and paid for and finally, to how the elderly are cared for.

Within these areas -- while these areas overlap, the sums in both are astronomical. The pensions' funding gap is already sizable in Asia's largest markets and is set to rise to USD 119 trillion in China by 2050 and to USD 85 trillion in India. Today, there are no U.S. or U.K. styled decumulation products in any of our markets. So retirement solution represent white space.

The health protection gap remains large and continues to expand. Last month Swiss Re sized it at USD 1.8 trillion in 2017. The growing cost of elderly care are similarly underinsured. These drivers are putting significant pressure on both individual and public resources. Ultimately, this pressure can only be alleviated through close cooperation between governments and private enterprise. This hopefully demonstrates why the opportunity set for our industry is one of a kind. The near sixfold increase in premiums since the turn-of-the-century primarily reflects population growth. Despite this increase, the absolute level -- the absolute life penetration levels across the region remain low at 2.7%. The lack of social safety net, rising consumer awareness of the need for protection and a growing appreciation of the importance of inflation-proofing savings means that our sector is set fair for decades to come.

Finally, the opportunities are present across all key markets in this region underpinned by both size and projected population growth, rising household wealth and the prevailing low levels of insurance and health coverage. As I said before, what will differentiate the winners from the losers will be discipline and quality of execution. Here, Prudential has a number of clear advantages. And I will repeat some that Mike has already flagged as these are worth reinforcing.

The first is our footprint, which is well aligned to the opportunity set and gives us access to over 3.6 billion Asians. We are in all the right markets with scaled presence, unparallel distribution reach and have significant capabilities everywhere. We retain top 3 positions in 9 out of our 12 life markets. Meanwhile, Eastspring remains the largest pan-regional retail asset manager in Asia ex Japan. In addition to our strong agency credentials, we

have more than 300 distribution partners across Asia, 100 on the life side and over 200 in asset management. Our local and regional bank assurance agreements give us access to a branch network in the region, which is twice the size of our nearest competitors.

The second advantage is our disciplined approach to execution. We have always prioritized regular premium paying products, which meet real consumer needs for savings and protection. This customer-centric approach has delivered strong business retention and an optimal earnings mix. Our focus on recurring business also underpins the sustained growth and resilience of our premium income, which has not been unduly impacted by the unpredictable and volatile external environment. This resilience is also due to a very well-balanced portfolio viewed through a channel, product and geographic lens.

Our diverse platform gives us the freedom to opt out or withdraw from product lines where we see uneconomic competitor behaviors, something that we have done on several occasions in the recent past.

Our third advantage is that we have a number of unique assets. These are summarized on this slide and include a valuable individual medical reimbursement business, which sits alongside our other insurance products. Today, we provide medical cover to over 5 million customers across 11 markets, accounting for 23% of our health and protection sales. As you will see later, this is an important gateway to accessing a significant business opportunity across the region. The fact that Eastspring has supported all our life operations across Asia has given us broad region-wide reach and has allowed us to expand into third-party business.

Today, we have more top 10 positions in retail fund management than any of our peers in Asia, allowing us to participate in the significant demand for mutual funds expected across the region. At the same time, our deep local investment market expertise has enabled Eastspring to deliver above benchmark performance over a long period, particularly in relation to our large participating funds, which underpin our savings offering in both Hong Kong and Singapore. Other unique strengths include our market leadership in Sharia business, which is projected to be the fastest-growing segment of the population in both Malaysia and Indonesia.

Furthermore, in India, where we participate through a 26% and 50% JV with ICICI in life and asset management, respectively, our strong market positioning in a country which is still new to savings and protection represents a valuable engine for future growth.

Finally, in China, we have built out our market reach to 18 provinces, the largest amongst the foreign players, giving us access to all the important parts of this country. You will see later that the benefits of this expansion are yet to fully come through.

Our fourth advantage is the breadth of our product offering, which today is primarily directed to the mass and affluent segments. Our propositions are frequently upgraded. So much so that 30% of this year's NBP comes from products launched or refreshed since the start of 2018.

We stand to benefit significantly as the current population cohort of under 30s comes into our sweet spot. At the same time, we have the opportunity to stay with the customer as our current 30 to 50-year-old cohorts mature and look to us for broader health and income in retirement solutions.

Our fifth advantage is the Prudential brand, which maintains very broad appeal across all of our main markets. In the minds of Asian consumers, our 170-year-old British heritage is an important business attribute as it conveys fairness, security and trustworthiness. We continue to invest in both brands, in line with our brand ambitions and are constantly testing our positioning

And finally, in a region where the opportunity size outstrips the available talent pool, our proven ability to attract, develop and retain talent is a key source of competitive advantage. Across PCA, we have a high-quality, young and diverse workforce with strong retention trends. What I have come to observe in my time here is that Prudential is a favored destination for top talent amongst insurance professionals. Now as we branch out into new areas, particularly in relation to our digital aspirations, we're taking steps to broaden the gene pool by sourcing people from a wider set of sectoral backgrounds. Almost half of our new hires this year came from outside financial services. Our Singapore business is a prime example of this trend and you will have an opportunity to hear more about this tomorrow.

On taking the CEO role last year, I carried out a strategic review of the business to identify any gaps, confirm that we remain well positioned going forward and inform investment prioritization decisions. We did this by reference to current and projected profit pools, which are analyzed separately for the traditional life, medical and retail asset management segments. We also considered broader consumer trends and preferences to identify other addressable opportunities. The work is now complete. And I would like to briefly share with you the insights and actions that emerged from it.

Starting with traditional life, the profit pools shown here represents one year's new business profit based on 2017 production. The review confirmed that we have a dominant share in the addressable part of the traditional life segment in the 6 markets shown. This should not surprise you as we have top 3 positions in 5 of these markets with a heavy bias to regular premium protection-oriented new business.

In the next five years, we expect this profit pool to grow at a double-digit rate led by protection, driven by the many factors that I outlined earlier. Our presence, scale and broad product and distribution reach in these markets position us well to participate strongly in the expected growth of this profit pool.

Moving to health, which for the purposes of this exercise, comprises medical reimbursement business, hospital cash and similar types of products. The contribution from critical illness insurer -- insurance is included in the traditional life segment. So it's not here. The profit pool of the health segment is expressed as a multiple of 2017 earnings and is comparatively smaller reflecting the much lower levels of market penetration. Our overall share in the addressable part of this segment across these 6 markets, is estimated at 9% and comes primarily from Hong Kong, Indonesia, Malaysia and Singapore. We expect to see strong growth in this segment over the next five years, reflecting a rising demand for medical consumption, which is why we are increasing our emphasis in this area.

Finally, on wealth, the analysis shown captures the Asian retail investing into Asia mutual fund opportunity, which is where Eastspring is mostly focused today. The size of the opportunity here is represented by reference to the 2017 full year profits from this segment for the markets shown. Eastspring has a 5% share of these profits, which represents a leading position in this segment, reflecting our region-wide presence and our strong operating credentials. Mutual fund penetration across Asia remains modest by Western standards. So the expected strong rise in wealth creation will drive significant increases in AUM in the next five years. Higher growth rates are forecast for India, where we have a market-leading position and for China and Thailand, where we have taken action this year to strengthen our presence.

Having sized the opportunity by market across the traditional life, health and wealth segments, we evaluated their relative attractiveness versus our market positioning. Through this, we established where we will seek to extend our leadership position, where we will target greater participation and in which new areas we will direct more of our efforts. Our business plans now reflect the output of this work and includes specific business initiatives for each market.

This slide sets out the top-level summary initiatives.

For those markets where we're seeking to extend our leadership, our initiatives are geared towards pushing our advantage forward by deepening customer engagement, increasing the number of touch points and expanding into adjacent product and customer segments. For those markets where we're looking to grow our share and presence, we are targeting greater participation in several areas through product, channel and customer segment initiatives.

Under new opportunities, we are adding services, which are complementary to our core offering and pursuing retirement solutions. Technology investment is required across the piece. And while this aspect of our annual expense budget is rising, we're extracting greater value from this spend through a modular build-once-and-reuse approach.

Now the rest of the Prudential Asia section of this conference is entirely dedicated to bringing the output of this strategic work to life. I would like to start this by covering our progress and plans in a few of our key businesses. The drivers of growth are different in each case, requiring a tailored approach by market.

Hong Kong is our most valuable business testament to the work of Derek Yung and his team over the last decade. The business has built a strong organic growth platform with scale, quality and high levels of automation. It leads the market in agency and has a 28% share of the Mainland China segment. Sales momentum has accelerated through 2018 with a 15% increase in APE in the Third Quarter, boosted by a 23% rise in sales from mainland China.

Our systematic approach to extending our health and protection offering has increased the protection proportion of our sales to 26% in 2018, driving overall NBP higher by 19% year-to-date. While our withdrawal from the broker channel last year precipitated a drop in Mainland China sales from the 2016 peak level, the volume of the more valuable protection sales from China has continued to rise throughout this period and is now at an all-time high. This is a great example of where focusing purely on top line trends risks missing the real underlying value story.

This last point is more clearly demonstrated on this next slide, which shows that Hong Kong's NBP has maintained its strong forward progress, notwithstanding the recent sale trend. Furthermore, the compounding effect of sales, which are 98% regular premium, has sustained a significant rise in premium income and IFRS profits. The prospects for the Hong Kong market remains strong. And we are exceptionally well placed to benefit. Continued immigration, rising wealth levels, higher health care consumption and a fast-aging population are expected to drive future domestic demand, supported by government stimulus in both health and retirement. Visitor numbers from the Mainland seeking financial products remain sizable and are expected to rise further aided by the new train and road connections established in recent weeks.

The Hong Kong government is also actively promoting the benefits that can be unlocked through a closer business collaboration across the neighboring regions of China as it seeks to cement Hong Kong's role as the main financial center across the Pearl River Delta. Meanwhile, the most recent surveys of Mainland visitors confirm that Hong Kong remains a preferred destination for their savings and insurance needs. The positive sales trends in the most recent 2 quarters evidence that the strong buying intention trail by these surveys is translating into actual new business flows.

Our business initiatives here are well aligned to these opportunities. We're targeting higher customer holdings through continued product innovation and value-added services. We will drive further distribution efficiencies, address the Mainland China demand and respond to the government's initiatives for closer South China regional collaboration. We will also participate in the government's plans to stimulate greater adoption of health and retirement solutions.

Finally, we will continue to digitize customer fulfillment building on our work this year, which you will have the opportunity to see for yourselves in this afternoon's showcase sessions.

Our Singapore business continues to leverage its sizable market position. It has the largest agency force in the market, ranks first for both regular premium business and shield medical products. It also has the highest policy per customer attachment rate of any of our businesses. We achieved a 24% increase in new business profits this year, driven by an expanded individual protection offering and a sustained demand for its high-performing savings products. This performance was delivered alongside an ambitious modernization program, which is fast transforming this business into a highly digitally enabled operation.

Despite the more developed nature of this market, spiraling health care costs, aging population and a rising wealth pool held principally in bank deposits, are expected to drive significant future demand for protection and longer-tenured savings. Both Prudential's opportunity -- but Prudential's opportunity in Singapore is broader than this because our success to date has been concentrated in the mass market segment. Under Wilf Blackburn's leadership, the business has launched a number of initiatives to drive a much greater participation in the high net worth, affluent and corporate segments. As a result, over the last year, Singapore has refreshed its individual protection offering, created more flexible saving solutions, launched employee benefit and high net worth propositions and has innovated in the management of the medical business. You will hear a lot more about these new capabilities during the course of today and tomorrow.

The work, which has already started here will continue to frame our near-term business initiatives in this market with retirement solutions coming next.

In Indonesia, we remain positive on the attractiveness of the market, given the well-known structural fundamentals. With a population of 267 million, 80 million of whom are middle income, a segment that is growing at a rate of 9 million each year. And on the 18 million policies in force in this market, insurance in Indonesia has a very long runway. For a variety of reasons, which Lilian will outline later, market growth has been muted over the last five years with the most recent uptick driven mostly by sales of products with high early year guarantees and to a lesser extent, by group business. Rightly, we chose not to participate in the trend to offer early year guarantees, opting to maintain our focus on the higher value agency-linked protection business where we enjoy a 38% market share. However, with consumer demand for linked business sold through agency leveling, we were slow to innovate and diversify distribution in response to some of the emerging market trends. While this is disappointing, it is fixable and our local team led by Jens Reisch is hard at work to turn the situation around. My optimism for our long-term prospects in this market is grounded on the many unique attributes of our Indonesia business.

As shown on this slide, we maintain an unparalleled scale and market presence. We have the largest agency force in the country and our 403 sales and GA offices across 165 cities provide us an unrivaled reach. We have 2.3 million customers, the largest by some margin in the market. We're also the biggest medical insurance provider in Indonesia, a market where out-of-pocket health care spend is among the highest in ASEAN. Finally, in a country where 87% of the population is Muslim, we are the leader in Sharia business with a 30% share of premiums and 70% of registered Sharia agents in the Indonesian market. Our sales from this segment of the market grew by 18% this year. And of course, the business remains highly valuable generating significantly higher premium income and profits than our local peers.

We have kicked off a number of initiatives to retool the business and improve its operating credentials. We are busy refreshing and extending the product range with the first step being the launch in September of an upgraded version of our flagship mass market product, incorporating many new customer-centric features. The new product is performing well and we're seeing an uptick in submissions, case size and rider attachment. The development pipeline for next year will see us launch new products in every quarter, including a lower end nonlinked traditional savings product and an employer benefit proposition for the SME market.

We're also upgrading our agency onboarding, training and sales management tools, which are now being deployed on a more segmented basis. We will continue to push the automation envelope and we'll look to access new retail bank distribution. We will also launch health-related value-added services next year in collaboration with nontraditional partners. These business initiatives should drive our future momentum in this market and you will hear more on these from Lilian later today.

I would, however, caution you from projecting a fast business turnaround. But I would reassure you that we are on the right path. The drivers of demand and opportunities for our sector in China should be very familiar to this audience so I will not repeat them today. We continue to build out our presence in this market, working in partnership with CITIC. In the last 12 months, we have extended our life business footprint and have been effective in growing into it. We started doing business in Sichuan, bringing the total number of provinces in which we're present to 18 and have started preparations to enter Hunan.

Today, we operate in 85 cities, up from 74 this time last year. This footprint gives us access to over 75% of China's population and GDP. We have a well-balanced channel and product mix and have adopted a quality-first approach focusing on regular premium savings and protection business. We have also applied a strong risk mindset. Our operating model is completely aligned with the direction set by the Chinese authorities for insurance to return to its core, provide genuine derisking products and be a source of long-term investment in the economy.

The benefits of our approach have only just started to come through. New business profit doubled last year and despite a market-wide disruption to sales in 2018, our quality focus has enabled us to build on the 2017 high base, delivering a 16% increase in NBP this year. Our regular premium buyers and high customer retention has sustained a strong compounding growth in total premium income, which has continued this year at a rate which is above 2018 market-wide trends. Our growing scale and value-driven approach is now starting to translate into strong earnings momentum.

However, the benefits of our expansion in China are yet to fully come through. The reason for this is set out on the next slide. The slide depicts the contribution to annual sales from provinces that we entered in 4 different time periods since our launch in 2000. This analysis shows that 49% of our 2017 sales came from the 2 provinces that we entered at the start with another 24% of the sales coming from the 7 that we entered between 2004 and 2006.

The key point here is that it takes time to be fully deployed in a province, which is not surprising, given their sheer size, particularly when we're consciously safeguarding quality. Entering Anhui is akin to saying that we have come to the U.K. and opened the sales office in the City of London. It may be obvious. But it's only after more offices are opened in multiple cities that you begin to reap the rewards of the initial entry.

So our 9 most recent entries since 2007 and, for that matter, the 7 between '04 and '06, still have significant growth runways as we expand our presence and reach within each. The good news is that we have secured the licenses, we are up and running and that our expansion-led momentum is building. And of course, this momentum is compounded by the significant underlying market drivers.

So going forward, our first priority is to grow into our footprint and expand our reach to other central and western provinces. We will also drive productivity gains from our existing channels and look to add new ones. Our proposition will continue to evolve in line with emerging consumer needs and our engagement with them will remain fully digitized. The asset management license that our life JV has secured this year will allow us to invest directly in securities, giving us greater investment flexibility. We have taken actions, which will enable us to participate in the retirement opportunity, including applying for a pensions license. In light of all this, I remain bullish about our long-term prospects in China.

We will cover the progress that we're making towards our ambitions in the health space more fully this afternoon. This is an important area for us and one where our credentials and capabilities are strong. It is also highly relevant that many governments in the region have moved health care to the top of their policy agenda. So alongside evolving our propositions to cover more conditions and multistage events, we're enhancing our offering to include broader health and wellness digital services, which will allow customers to take control of their health and better inform their health care decisions.

Babylon's AI is the centerpiece of this digital health services offering and very soon our customers will be able to use a single app to check symptoms, find a doctor, record health and lifestyle data, even see their digital twin. Our work is at an advanced stage and later today, you will hear from Andrew Wong, who is our new regional Chief Health Officer on our implementation approach for Malaysia, where we plan to roll out these services first.

Launch plans for our other markets are also being developed with Singapore and Indonesia next. To bring this more to life, this next slide summarizes the types of health services that we will make available in various phases by reference to our implementation plans in Indonesia.

We believe that by putting this technology in the hands of our customers, we will be driving a step change in health services in many of our markets making it simpler and more affordable for customers to manage their health. The benefits for us from enhancing our core offering are significant, spanning new customer acquisition, increased customer touch points, higher customer loyalty and retention, reduced claims frequency and lower cost severity. It also has the potential to expand the insurable population and accelerate the takeup of medical insurance.

I referenced earlier that improvements in life expectancy across Asia is creating a new opportunity in the region. In many of our markets, both the number of people and the proportion of the population that is over 65 years of age, are set to rise significantly. None of our markets in Asia are financially prepared for this demographic transition. Even in Hong Kong and Singapore, the 2 markets where the situation is more pressing and which already operate mandatory provident funds, the level of provision is below Western norms. Hong Kong is actively looking to provide fiscal stimulus to encourage product innovation in the market and incentivize people to top up their retirement plans.

Consumers are expressing concern about their ability to maintain their standard of living in retirement and governments are starting to formulate the necessary policy underpins. We're supporting these efforts in several markets. The current product set in the region is heavily skewed to decumulation, providing a lump-sum payment at or after retirement. There are no U.S. or U.K. style annuities or the decumulation products.

Corporately, Prudential has the longevity and the investment expertise to participate in this emerging opportunity. And we have started to develop propositions in Hong Kong and Singapore, where investment markets are deeper and insurers are free to hold foreign securities.

In China, we are only -- we are 1 of only 2 foreign JVs to be granted a license to participate in a tax-deferred pension pilot in Shanghai, Suzhou and Fujian.

Furthermore, the goal-directed Robo Advisor tool that we're launching in Taiwan can also be used to provide a decumulation solution. While it is early days in this space, the needs are real and our capabilities are second to none.

Eastspring has been a little below the radar in my view, operating in the shadow of the much bigger regional sister life company and a larger U.K. cousin. However, having double profits in the last four years, Eastspring was the fourth largest contributor to the region's 2017 IFRS profits. The business has 3 distinct advantages, which are often overlooked. The first is its broad regional presence allowing Eastspring to participate in the fast rising demand for wealth solutions across the entire region. The second is the reliable and consistent annual flows from our Asian life businesses, which are sizable, largely uncorrelated to market factors and growing. This in turn provides Eastspring the opportunity to develop investment strategies that can be subsequently deployed to third-party retail customers and institutions once the performance record is in place and external demand develops. This is a third distinct advantage.

Eastspring is, therefore, well-placed to benefit from the expected rising in local, regional and global demand for Asian assets. While our core focus to date has been the Asia retail into Asia segment, many of our capabilities are transferable to the other 3 opportunities shown, which represent further potential sources of future flows.

Now to fully participate in these opportunities, we need to evolve our capabilities to be broader than an Asian focused value-style manager. Under Guy's leadership, the team has done a lot in the last year to expand its offering, address portfolio and market gaps, as well as leverage technology to enhance efficiencies and service quality. You will hear and see more about all these later today.

So our strategic priorities, which I first shared with you last year, are clear and unchanged. The review that I referenced earlier, validated these priorities and guided our decisions on the specific market initiatives that sit behind these. The words and images on this next slide cover some of our achievements this year as we drive for greater efficiency through automation, add new products and services which broaden our customer appeal, establish new partnerships which extend our reach. And deepen our engagement with customers. A number of these will be covered in later sessions.

While we are doing all this work to improve our efficiency and create future revenue streams, we remain steadfastly focused on delivering performance. Our year-to-date new business profit grows by 15%, having benefited from improved volume and value momentum during the Third Quarter. Raghu will provide more color on the year-to-date performance, which is broad-based by market, channel and product.

So in summary, our priorities are clear. We have a strong operating platform and attractive strategic road map and a proven execution track record. Alongside improving what we currently do, we're working hard to unlock new customer segments through a broader set of propositions and channels underpinned by digital technology, capabilities and tools.

Now the agenda for the rest of the day is summarized on my final slide. After the coffee break, Lilian will update you on the various country initiatives to improve distribution efficiency, broaden product offering, digitize the onboarding process and enhance fulfillment at critical points of the customer journey. Guy will update you on Eastspring's progress and will be joined by Michelle Qi and Colin Graham who will respectively cover our plans for the China WFOE and our new capabilities in multi-asset solutions. After lunch, we will showcase our recent innovations starting with health value-added services. We will then split you up into smaller groups and take you around for innovation showcases. Raghu will round off the day, covering the drivers of our financial performance, then we will then hold the Q&A session for Asia.

Thank you for your attention. I will now hand you over to Chantal for logistics.

Chantal Waight {BIO 4315288 <GO>}

Okay. So you'll be glad to hear you've earned a coffee break. If you could back please in your seats for 11:00 to hear from Lilian. Thank you.

Lilian Ng {BIO 4943480 <GO>}

Okay. All right. Good morning. So hopefully for the next 45 minutes, I will take you through the delivery journey for PCA Insurance.

So as mentioned before, we've achieved 15% growth on value generation and 14% value delivery from the in-force management.

So PCA is a portfolio of businesses across 12 markets. So each one contributing to these set of results. So please allow me a few minutes to give recognition to each of them.

So in Cambodia, we celebrated a fifth anniversary and already a USD 20 million business. So we are expanding the multi-distribution business, partnering with ACLEDA Bank and a full-time agency force. In the Philippines we doubled the active agency force in three years and crossed PHP 5 billion for the first time in 2017. Now with the robust growth in Vietnam, we are the first insurer to achieve over VND 600 billion in a month while shifting to a more capital efficient product portfolio. In Thailand and Taiwan, we operate a multi-partner platform, offering engagement and positions to align with our partners ambition. Our joint venture in India is the #1 private insurer with strong contribution from ICICI Bank and segmentation to drive agency productivity. Now true to the spirit of our Prudential song, we are #1 in Malaysia for life and Takaful combined. And the only insurance group to exceed MYR 1 billion in APE 8x in a row. In Indonesia, we are recruiting 3x more than our next player and a market leader in the agency space with 22% share.

So right here in Singapore. Competition for distribution is fierce and we focus on our preferred space. And sustained the #1 position in regular premiums and improving health and protection mix.

In China, our award-winning health and protection solution generated 15% growth in NBP. We are the only foreign insurer with an integrated risk rating of 8.

Momentum is accelerating in Hong Kong with 15% APE for the discrete Quarter Three and H&P mix is standing at 26%. Our productive agency force has just crossed 20,000, the first in the market. So together, we are serving 15 million customer and servicing 17 million policies. And we just added 1.7 million policy for the first nine months of 2018.

Now moving from a market lens, let's look at the delivery from the capability lens. Now in our -- in today's connected world, consumer expectations are changing. They look for simplicity, they look for on-demand information and unique solutions. So we are consolidating from the position of strengths that include delivery of customer excellence, investment in digital capabilities, end-to-end redesigning for process efficiency and fit-for-growth execution culture. Now, to sustain delivery in the next decade, we need to look at the value chain and reimagine from the customer's perspective as we look to delight them ahead of the expectation. So in addition to value for money products, customer looks for ease of doing business and to develop an affiliation with the insurer.

Now I would like to use proof points from the business to showcase how Prudential in Asia innovates and differentiates across the value chain to better meet the needs of customer, sales force and our partners.

Hong Kong topped the global rankings for the highest life expectancy. With men living to 81 years and women even longer to 87 years. Now one of the many reasons that people in Hong Kong are living longer is universal health care for hospital treatment. Now while there have good hospitals for everyone, the downsides comes from excessive usage leading to crowded facilities and long waiting time. So those who could afford tend to resort to private facilities for treatment bearing out-of-the-pocket expenses.

Earlier this year, the government introduced voluntary health insurance scheme to recalibrate health care funding between the public and the private sector. Now, while there is universal health care, this is not the case for primary care. Health protection gap in Hong Kong is over (HKD 20 billion), while mortality gap is 23x larger. The costs of diagnosis and treatment of serious illnesses are escalating every day. So acute illnesses mean loss of income, change of lifestyle. And at times permanent disability. So people look beyond just paying medical bills. They also look for compensation to cover everyday expenses and to fulfill dreams. Now these needs and concerns from Hong Kong consumers are also relevant to Mainland Chinese visitors. 85% of those surveyed said, they are likely to purchase the insurance in Hong Kong for legacy planning and health protection.

We have adopted a region-wide approach to narrow the protection gap and support the customer to lead a more financially secure life. This integrated approach has 4 pillars: refreshing and upgrading the protection offered that are relevant to customers based on ongoing research; value-added services, to enhance the appeal as well as allowing more frequent engagement; equip distribution through advisory training and channel marketing to raise awareness. And structure reward to motivate desired behavior; and last. But not least, provide delightful customer experience, especially at the moments of truth.

Now let me illustrate using the capabilities built in Prudential Hong Kong. Recognizing the needs for financial freedom, during difficult times, Prudential Hong Kong embarked to evolve its range of critical illness offering since 2010, to combine protection and long-term savings. Since then, we have the leadership position in the CI space in Hong Kong. The business consistently conducts extensive customer and distribution focus group to ensure proposition are relevant and reflect the evolving medical advancement. We also have an established infrastructure on distribution training and has embedded health and protection as part of their reward system. To drive awareness, integrated marketing campaigns are designed to create engagement and receptivity.

Now, the number of diseases covered under the single-pay solution has increased from 59 to 75. And we introduced reset benefits, that was the first in market. We are also the first in the market to offer multi-pay critical illness and disease-specific offerings. There are bespoke solutions for children, a unique feature of covering benign tumor and female-specific illnesses.

Now let me show you the journey of our CI innovations over the year.

(presentation)

So we've improved the health and protection mix to 26%. But what is more pleasing to see is how we have supported our customer to narrow the protection gap? Our critical illness new business Sum Assured grew 10x over the past several years compared to 5x for APE, demonstrating that we are not just offering protection to more customers. But also higher level of coverage per customer.

To enhance the appeal, we are also engaging customer with a range of health and wellness value-added services. Now, as you know, life insurance by nature does not have frequent transaction with customer. So this value-added service platform also allowed more frequent engagement and drives loyalty. Actually the current concept, value-added services is not new. Our PRUlady CI plan, which was launched a decade ago, already offered regular medical checkup. We are always listening to our customer and the services that they value most are post-hospitalization treatments, medical checkup and daily support in managing disease.

So based on this feedback and to make delivery more efficient, we deployed the health and wellness platform digitally. Partnering with health tech and health care institutions to offer services along the themes of prevent, postpone and protect. Now for prevent, we look for services to improve health and identify risk factors in genetics and lifestyle that is unique to each. For postponement, the focus is on managing existing conditions through lifestyle coaching. Now this service proves to be very popular with our customer when we introduced myDNA.

For protect, according to a survey by Swiss Re, the most valued service is the actual treatment, including prescription, triage and consultations. We offer choices in terms of doctor discovery and second opinion. This platform creates affiliation with our customers and has improved our customer satisfaction score by 5 points.

We look to reduce anxiety at each point with seamless customer experience across their lifestyle cycle. Now to do this, we have leveraged application of data analytics and advanced technology. We constantly and consistently collect data and these are aggregated and analyzed to guide the development of solution and next-best action we offer to customer. At the point of purchase, we provide upsell decisions to address the customer protection needs with real time, best offer, based on their profile. For the critical illness product launch quarter 3, acceptance rate was as high as 26%. Now at the point of purchasing, smart underwriting using reflexive method enabled instant underwriting decisions, with confirmations of terms. Our auto-underwriting rate is at 62% and our ambition is to get to 80% overtime. At the point of claim, is when our customer needs us and these are times that we could either please them or annoy them. So in Prudential

Hong Kong, we have introduced E-Claims with paperless submission, VIP service (PRU-preferred) hospital network and also autoclaim adjudication for instantaneous approval.

So from the 15% claim rate that you saw there only two months ago, this has now moved to 24%. And Prudential Hong Kong will showcase this seamless customer experience later this afternoon.

So moving to Malaysia. The Malaysian government is keen to improve penetration for insurance. The recent budget announced increased allocation for health care and expanded life and Takaful solutions for the underserved segment. Now to fulfill the government agenda, it is critical for both public and private sectors to work together. Whereby, the public sector sets the key policies and private sector drives innovation.

So at Prudential, we have a 2-pronged approach to expand life and lead in the Takaful sector as our foundation for growth. We have, as you can see, a comprehensive range of life insurance and Takaful solution to suit various wealth segments. Our market-leading protection link solutions offer a choice of protection writers, including medical, critical illness and term. On average, our customer adds 5 protection writers per base plan.

We are also at the forefront of the government's agenda to cover the bottom 40% of the household. Our Microtakaful product offers the B40 segment simple, affordable, protection. For the health platform that we've mentioned earlier, Prudential Malaysia will be the first to introduce Babylon for all Malaysians. But we are also onboarding local services such as prayer times for the Muslim and a dengue outbreak prediction platform. Now this strategy has improved our link protection mix by 5 points to 78% and provide over GBP 1 billion of coverage to our customers in Malaysia.

Singapore is the top global financial hub and recognized as the premier wealth management center. Now, although it's being called an established insurance market, there is significant room for growth driven by domestic demand. Now Singaporeans have wealth, 1 in 30 Singaporeans being millionaires. However, they like to keep their money close to their hearts with a saving rate of 48%. Singaporeans are also very health conscience. This spend over SGD 600 million in vitamins and health supplement in a year. So to tap into the growth potential requires target marketing and this involves breaking the market into segment and concentrate our efforts on the key ones with highest potential.

The size of the health protection GAAP is USD 23 million in Singapore, with mortality GAAP 17x higher and growing. So according to a poll, 8 out of 10 Singaporeans are underinsured by industry standard. So it's natural that providing relevant solutions to narrow the protection gap and the relief of financial burden is definitely a space to play.

Now potential from the high net worth has been mentioned. There are 184,000 millionaires in Singapore tremendous opportunity from a large addressable market. 99% of businesses in Singapore are small to medium-sized enterprises. And they import 2/3 of the workforce. This is an underserved segment and half of the SME owners said insurance is low on their priority list.

The protection gap is applicable to everyone. So solutions need to reflect the diversity of the different groups. The millennials are the most health-conscious generation ever. This is because of better education, social media awareness and also checking devices that proactively monitor their health. Now being digital savvy doesn't mean they are financially savvy. They look for peace of mind and financial independence. The solution needs to be simple and simplified. Singaporean parents are willing to spend whatever it takes on education with 70% of parents sending their kids for expensive tuition. However, only 6 out of 10 Singaporeans believe they are financially prepared to cope with a life crisis and only 20% have sufficient basic cover. So whether you are young and free-spirited or settling in life, they are all looking for tailored solution for specific milestone as well as financial independence at the time of need. Prudential Singapore has designed a highly customized saving and protection plan for customer to reach their specific goals because every dream has its day. So let me show you how this works.

(presentation)

Okay. The advanced affluent wealth is generally the provenance of brokers and private bankers. Insurers are seen as product providers only. But the high net worth individual already demonstrate an ability to make money. So what they need is an adviser that goes beyond simple investment advice. They are looking for financial professional that will add value through relationship and address the full spectrum of needs.

OPUS from Prudential Singapore is a platform for high net worth with personalized expert advice. Now beyond offering tailored insurance solutions, our private wealth consultants tap into a panel of experts, including wealth transfer, business protection and international medical, depending on the customer's requirements. And OPUS customers receive preferential treatment at purchasing and servicing as well as loyalty rewards and experiences. Now since the launch of this integrated program, we have seen 13% growth in APE from our high net worth clients. And if you're joining the office to Prudential Singapore tomorrow, you will see this comes to life.

Similarly, we have built a one-stop shop PRUworks to delight the servicing experience for business owners and their employees. PRUworks go beyond just offering competitive and comprehensive insurance solutions. Now given the small size of the SMEs, their HR solutions tend to be manual, eating up valuable time with low-value administrative tasks. Now to address this pain point, PRUworks come with a 24/7 digitally enabled HR solution with access to employee benefits and services. The platform also provides a range of value-added services for employers and employees such as lifestyle perks.

PRUworks has enabled our agency force to increase activities with business owners and has added 2,200 schemes this year. This SME market opportunity is not just in Singapore. But across Asia. So SME contributed to 70% of GDP in Asia and accounts for 98% of total employment. The desire to penetrate this segment by insurers is not new. Approaches have been fragmented and more as a hobby. So at Prudential, we are taking this seriously by building an all-inclusive platform and to position PRUworks as the go-to solutions for SMEs in Asia. We have a replicable model to leverage as we continue to roll out PRUworks across the relevant markets. And PRUworks will be a showcase later this afternoon.

Indonesia. Indonesia retail sector is one of the most promising in Asia. And being retail based, this is relevant to insurance. Now we mentioned about low penetration, sizable protection gap and growing middle-class, opportunities are plentiful. The growth of the industry is also encouraged by regulators. The new regime of OJK launched the program Infinity to drive innovations in the financial services. The Insurance Association has set a mission to build 1 million agents to serve Indonesians across the archipelago reinforcing the importance of face-to-face advice. However, the market is facing some headwinds. Consumer confidence is somewhat muted, reflected by a decline in FMCG consumption.

Competition for our agency recruits are not just coming from within the industry. But also from new economy industry that offer fast cash in pockets. The recent growth in insurance was driven by bancassurance and single premium. Such strategy to buy market share could backfire as one local insurer has failed to pay maturity claims to customer due to liquidity issues in October. The same insurer collected a total of USD 1 billion of single premium in 2017.

So Prudential continues to build upon this solid platform. We have an extensive reach servicing 3.3 million policies. Our ability to drive the expansion and provide long-term protection make us a clear market leader as we deliver twice the profits as our nearest peer. Now to expand our quality market leadership, we need to keep moving to innovate and to invest for growth.

Now Prudential Indonesia is always reshaping the business model to address the evolving distribution landscape and customer preferences. We are moving from one size to differentiation and segmentization, enabled by data and technology. Now this will span across agency management, customer excellence and managing the in-force book.

Progress has been positive so far, as we see our productive agency segment of MDRT-qualifiers growing 17%. We have transformed PRUforce from a point of sales digital tool to a workbench that covers tracking and monitoring of every aspect of agency life cycle.

We launched our new flagship product, PRUlink Generasi Baru with case size being 19% higher since launch. We paid special attention to the Sharia agency, with relevant training, resulting in 18% growth in Sharia business. This had been encouraging as the business continues to innovate.

To deliver operational excellence across each customer episode we have developed capabilities to serve the entire chain. Now at the initial stage of research and engage, customers seek information on insurance. But given the nature of life insurance, we need to drive awareness through online and off-line platforms. There are big and small niche social networks to promote insurance on blocks. And we host a range of customer events with 2-way dialogues to engage customer on their needs and design of insurance solution.

Next is the seamless buying experience. We have accelerated our transformation to enable our customer to pay and complete purchase in just 20 minutes. Now this requires the front-end and back-end to be in sync. We do instant underwriting and our customer after E-paying of initial premium, can walk away comforted that their families are protected instantly and adequately. In order to fulfill our promise, we ensure each touch point is frictionless. We provide options for them to get in touch face-to-face through our agents, branch office and bank branches, as well as online channels by mobile apps and chatbot. Now at the end of the day, we will be judged more at the time of claims. It is important, as mentioned, to remove anxiety at the moments of truth. Using advanced technology, we pay valid claims swiftly in minutes. We continue to build out our PRUmedical network and extended the care footprint with 186 partner hospitals. Just yesterday, we signed up the first overseas preferred medical partner covering Malaysia and Singapore.

Now Prudential Indonesia launched the first protection link product in the market. This product, together with our agency force, propelled us to be the leader in the market. Over the years, we have continued to expand the range of protection benefits attachable to the linked chassis from term to critical illness, from hospital cash to medical reimbursement.

As part of our DNA to be always listening to the needs of our customer, we conducted focus groups to survey what are the customers looking for as we upgrade the link chassis. The feedback from customers emphasized their concerns for retirement, hospital fees, children education and protection against serious illnesses.

Now in September this year, we launched our new flagship unit-linked product, pulling PRUlink Generasi Baru, which literally means new generation and the PRUlink Sharia Generasi Baru. This brand new product have many first in the market features and upgraded range of protection benefits. Now given the richness of this product, it's best to show you through a video.

(presentation)

So the launch was delivered via an integrated campaign. And within the first month of launch, we have digitally certified 35,000 agents to sell and onboarded 43,000 cases.

So the mass recruitment model and the early mover advantage to second tier cities have allowed us to build breadth and depth and have created the most widespread agency network and the #1 agency force in Indonesia. But with changing distribution landscape, we have moved to segmentation since 2015 with a focus on building out the core agency and nurturing the elite agency, our top segment.

We have transformed PRUforce into an agency workbench. PRUforce empowers the sales force to track and monitor the activities when selling, recruiting, learning, racing for rewards and managing. It covers all aspects of the agency life cycle from onboarding, client management, performance management to integrated learning. This is an agency activity variable in a pocket, accessible anytime, anywhere.

New agents are licensed and onboarded in five days. Now with the launch of PRUlink Generasi Baru through PRUforce, we were able to conduct 650,000 man hours of training on demand, with nearly 100% e-submission and 81% of our customer adopted e-policy. Now as we innovate and invest for growth, we have seen the numbers of our PRUElite increase by 80%. We also have the most MDRT qualifiers in the market and ranked 20th globally. Our agency market share is 22% at par with #2 and #3 combined.

The Prudential Indonesia agency is future-ready to take on the next wave of growth. And Prudential Indonesia will showcase PRUforce later this afternoon.

So from agency, let's move to partnership distribution. At Prudential, we operate a multi-distribution platform. We tied agency and partnerships mainly bancassurance. The term partnership distribution was first adopted by PCA 20 years ago. That demonstrated our ambition and approach at that time. Partnership distribution is core and fundamental to our growth, contributing to at least 1/3 of our new business. From working with 8 partners in 2010, we are now working with 100 partners, with access to over 10,000 outlets across Asia. And the #1 bancassurance franchise in Asia. Now we treat each of our partner as unique and deploy dedicated resources. We have cocreated and innovated distribution, products and marketing tools with a track record of fast activation and integration, targeting retail and mostly walking customers.

Now as customer behaviors change in a more connected world, they are looking for interaction that are still human and personable through digital means. We are reimagining the approach and engagement with new way to partner and with new wave partners moving from segmentation by wealth through segmentation by customer persona.

Our strategic partnership includes multinational banks, regional banks and prominent domestic banks in China, India, Thailand, Vietnam, Malaysia, Cambodia and Laos. So with the large customer bases from our strategic partners, there is still plenty of room to grow. Penetration in the priority segment is promising with tremendous potential in personal and mass segments.

We are celebrating the 20th anniversary with our partner, Standard Chartered Bank. Throughout the years, our entanglement strategy has enabled us to reach in-branch customer, offering a range of savings and protection solutions. With the integration with their global platform, we are now able to cocreate digitally and offer simple health and protection products online targeting the personal bank customer. Just yesterday, SCB China became the first in Standard Chartered Bank group to launch a life insurance product in their mobile app, partnering with CITIC Prudential. Hong Kong is next in December.

Our partnership with Vietnam International Bank started in 2015. This is a progressive bank as they have been named the Digital Bank of the Year with the best retail mobile banking services. We have cocreated an off-line to online model with the insurance specialists offering advice and using Prudential's mobile point of sales for issuance and servicing. And our growth has been nearly 200%.

Now to win in the partnership distribution space going forward, we need to reinvent new ways to partner and new type of partners. We are engaging with partners as (categorical) provider to serve and identify segment. Now the core ingredient is to have a market-leading product. In Thailand, we were one of the first insurer to be granted a license to offer investment link in 2011. Since then, we have continued to upgrade our offering with end-to-end servicing. Now when Siam Commercial Bank was looking for an insurer to serve their wealth segment, we won the RFP because of our reach capabilities. The partnership was launched in February and already contributing to 17% of Prudential Thailand's new business.

O Bank is the first digital bank in Taiwan, with 30% share of digital bank accounts. They are rapidly accumulating young customers adding 10,000 to 20,000 a month with an average age of 34. Our exclusive partnership with O Bank is to grow new customer by offering tailored solution, leveraging their in-house analytics and the customer lifestyle attributes. In Indonesia, we are working with Eureka. Eureka is the big data management analytic platform equipped with advanced analytics. They have exclusive access to Indosat at Telco with 110 million users. And experienced developed tailor offers and execute campaigns based on insight.

So moving to China. The opportunity demand for Insurance China is undisputed. And the rapidly aging population, low penetration, protection gap of $805 billion contributing to the growing demand for insurance. And this demand is also fueled by continuous flow of rural Chinese moving to the urban areas. The CBIRC introduced their 1+4 supervisory policy to foster sound development of the industry. The 4 underlying policy revolve around risk management, market conduct, asset liability management and expanding capacity riding on the 1 belt, 1 row investment facilities. This policy promote disciplined behavior from the players in the market.

For any company in any industry to succeed in China, it is important to align to own strategy to the economic and social goal set by the party and the government. The State Council has the ambition to double insurance penetration to 5% by 2020. And has stressed the protection nature of insurance.

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CITIC Prudential is a powerful franchise with 2 prominent shareholders. CITIC being an SOE has an influential brand in China. The crux of our advantage platform is the extensive footprint across China accessing 76% of GDP and 1 billion residents. We have a truly multi-distribution platform as we build capabilities, both technologically and infrastructurally.

Our agency force is digitally savvy with a strong disciplined foundation. Training for our agency leaders are institutionalized to ensure that only those capable to build a quality team are promoted. Leaders that have been certified increase the average monthly APE by 26%. Now our refreshed new agent recruitment and training program improved new agent activation by 6%. And our top-tier rookies grew 8%.

CITIC Prudential devises banking strategy based on the nature of the partnership. The overall focus continues to be driving quality business with NBP growing 23% from this channel. This is a testament of the first mover advantage to regular premium. We continue to leverage on the extensive reach of CITIC Group of companies and bank partners to offer group solutions. And already delivered more than RMB 0.5 billion of APE in the first nine months.

We have an online broker called Yijiu. We partner with an AI actuary to offer affordable protection product. A positive start with 10,000 policies onboard. So these impressive results are also supported by key propositions, a premier critical illness product and health management platform as well as the wealth management solution that provides wealth, transfer, trust and legacy planning advice. For all of this to work, CITIC Prudential simplifies customer experience through digital innovation.

CITIC Prudential is now 18 years old, starting in Guangzhou in 2000. In 2013, CITIC Prudential has installed local leadership with Prudential taking up the chairmanship. The board at that time gave the mandate to management to accelerate value creation. The CITIC Prudential management team has built scale and quality over the past five years, with delivery above expectations. From a scale perspective, CITIC Prudential is the third-largest business within PCA. APE grew 4.5x and NBP even faster at nearly 6x. Pretax profits grew 4x to RMB 1.4 billion and crossed over 1 million customers. In terms of quality, the regular premium mix is now 94% compared to 77% in 2012 with persistency at 93%. Total asset now stand at RMB 6 billion.

Now above all that, we have developed the best-in-class management framework with A rating from CBIRC. The only (foreigner) to receive this for 10 consecutive quarters.

Going forward, CITIC Prudential is building a comprehensive structure to provide best insurance and wealth management solutions to customer with 4 business pillar. The life insurance continues to be core and to drive value creation as well as capital efficiency through protection products. We have seen an impressive growth in protection of 33% per annum over the past five years and GBP 60 billion of sums assured.

We have set up the health insurance as a separate vertical and built an infrastructure to provide end-to-end health care solution. We also have approval from CBIRC to establish an insurance asset management company as a subsidiary to CITIC Prudential life. This will enable wider investment activities and create investment optionalities for customer and CITIC Prudential life. We are also looking at the opportunity arising from the aging population. And to look to provide enterprise annuity and tax-deferred pensions. We are one of the 12 insurers granted approvals to offer tax-deferred annuities in selected cities and provinces. We will consider seeking a pension license at the appropriate time.

So the business is working towards being an integrated insurance company that provides a full range of solutions and services for customers across China. So we have a robust set of strategies to growth. The key is to execute and to reach more customers. Our principle of geographic expansion is to firstly identify the talent, then set up the institution. Now with our experience of setting up 80-plus sales officers, we employee a replicable model to start up a branch office using Henan as an example. Henan branch was established in late 2015. It is China's third-largest province with a population of 95 million. Now with a replicable model and disciplined execution, the branch achieved triple-digit growth in APE and NBP today. And highly recognized by the local CBIRC.

We are also investing to future proof our multi-distribution system enabled by advanced technology. Now using analytics, our aim to support our agency to recruit, train and conduct performance management for efficiency and productivity. We also look to explore partnership with e-commerce platform and implement online to off-line models with our bank partners. The proposition-led solutions are to be expended. For education, this is built on the safety theme for children and adolescence, while leveraging experience from businesses across to shareholders to develop retiree proposition.

Last. But not least, the key is to delight our customers when they engage with the business at every touch point. So let me show you what good looks like.

(presentation)

Okay. So we embarked to transform our operation since 2014 across the businesses. Now this allowed us to redesign processes before automation for efficiency gain. But more important, priming for scalability and flexibility. So our obsession to deliver customer excellence and empower distribution to reach, attract and retain customer is our differentiator. And we continue to build capabilities to analyze data to drive customer decisions.

So with our ready -- future-ready business platform and people, our ambition is to deliver ahead of customer expectations and moving our portfolio businesses to a network of businesses to execute for growth.

So thank you very much for your attention.

Guy Robert Strapp {BIO 15272859 <GO>}

Well thank you Lilian. Good morning, just. In the next 15 minutes, I'll provide an update on the successes we have delivered at Eastspring over the past 12 months. I'm also delighted to have 2 of my team here today with me to share the excellent progress that has been made in 2 strategic areas, capturing the opportunities in China and building a world-class multi-asset solution offering in Asia. You'll get the opportunity to hear from Michelle Qi who joined Eastspring in June. And Michelle is known as a first-generation China-Asia investor. The average investment experience of China-Asia in mutual fund managers is less than three years. Of the several thousand portfolio managers, fewer than 30 managers have more than an 11-year track record. And Michelle is one of them. Michelle's appointment was a strong hire for us and her understanding of the China market positions us well to serve professional investors, both in China and globally.

And following Michelle, you will hear from Colin Graham, CIO of multi-asset solutions who has 25 years of investment experience. Colin joined in January from BNP Asset Management, where he was managing about USD 55 billion and a team of 20 people. Prior to that, he was at BlackRock for 15 years, also running multi-asset solutions.

Eastspring has been operating in Asia for more than 24 years beginning in 1994 by establishing offices in Singapore and Hong Kong as the Asia asset management business of Prudential plc. As at September 2018, we had a record USD 195 billion in assets under management. We had been ranked the #1 retail asset manager in Asia by Asia Asset Management in 5 of the past six years. And additionally, Eastspring has been awarded Asia Fund House of the year by Asian Investor in 3 of the past four years.

Today, Eastspring employs more than 3,500, twice the number of people we had 10 years ago. Now over half of these people sit in our India JV, where direct to customer sales is a key driver of success. We employ more than 350 investment professionals investing across global, regional and single country, equity and fixed income strategies. We also have significant global asset allocation capabilities, serving the outcome-orientated needs of our life client. Additionally, we are building out teams in multi-asset solutions, quantitative solutions and alternative assets.

Eastspring is in the enviable position of having investment professionals in all locations. The only exception being Japan equities where our highly rated Japan portfolios are managed in Singapore. Unlike some of our peers who have retreated from maintaining a local presence, we continue to invest in Asia in local investment talent. This differentiates us as a truly Asia-based asset manager, servicing the global needs of our clients with deep insights into the region's most important, emerging economies.

We continue to focus on capitalizing on this by developing investment capabilities and products to capture a larger higher quality share of assets across Asia. We have an unrivaled footprint in terms of breadth and depth of our presence. We now have offices in 11 countries, in Asia, following this year's acquisition of TMBAM, which gives Eastspring a major presence in the important Thai market.

We also have distribution offices in the U.S., U.K. and Europe. At our LBUs, we have sizable on-the ground presence, including investment and noninvestment professionals all led by local CEOs. This footprint gives Eastspring a very unique peer advantage. We have 7 top 10 positions in markets across Asia, namely Indonesia, Malaysia, Singapore, Vietnam, India, Thailand and Hong Kong.

To put this into context, this slide shows a geographic breakdown of where we manage money. Singapore is our cross-border hub and the center where we've managed our large life portfolios. We have strong geographic diversification, which is shown on the left hand of this slide, with more room to grow in key markets, including China. On the right, I have lifted out the Singapore book of business, which reinforces our strength in equities and fixed income. And also shows the importance that GAA overlays play for our life companies.

Over the five years from 2014 to September 2018, our assets under management have increased by USD 95 billion. Nearly 60% of the increase in AUM has been driven by flow, with USD 41 billion from Asia and U.K. life and $26 billion from third-party clients.

On the right, our source of funds has remained relatively steady with approximately 60% sourced from life and 40% from third-party clients.

Asia represents an immense opportunity and a strong sustainable structural growth story. Large populations with a rapidly emerging middle class combined with strong economic growth sees the amount of private new wealth creation rising even faster at $5 trillion a year. However, Asian investors hold 65% of their wealth in deposits compared to about 14% in North America. In addition, across Asia, the mutual fund penetration, expressed as AUM as a percentage of GDP, is extremely low at 13% compared to the U.S. at 114% and Europe at 92%.

As a result, McKinsey estimated that the Asia Asset Management revenue book is set to double over the next five years from USD 66 billion to USD 112 billion by 2022.

The opportunity for mutual fund providers in Asia is evident. Our scale and strong product platform means we're well positioned to capitalize on this opportunity.

So last year, I showed you this slide with our strategic priorities. And here is a summary of the 2018 highlights. We have hired 18 senior investment professionals in key growth areas, including alternatives, emerging market debt, multi-asset solutions, quant and our onshore China growth equity WFOE team. We also became a signatory to the principles of responsible investment. And we are now the largest signatory in Singapore and the third largest in Asia, ex Japan. We take this commitment seriously. And it is simply the right thing to do.

On enhancing distribution and coverage, a highlight this year has been the progress we have made in China. Eastspring was a relatively early mover in China with the establishment of our joint venture CITIC Prudential Fund Management Company back in 2005. Today, our JV is the 29th largest fund management company in terms of nonmoney market AUM. And as at the 30th of September, manages USD 17 billion.

In March, we established our investment management wholly owned foreign enterprise, our WFOE, in Shanghai. And that is established as a private fund manager with the Asset Management Association of China. Our WFOE is now a regulated entity, capable of managing onshore investments for high net worth institutional clients in the Chinese market. And Michelle will talk more to this in a moment.

In terms of transforming the way we work, we are in the third year of the target operating model project, affectionately known as TOM, which is investing in processes and infrastructure to enable rapid growth, enhance risk management and arm our investment professionals with the best-in-class tools for portfolio construction and risk management. This is part of a broader digital transformation program. And later today in the showcase sessions, you'll hour ave the opportunity to hear from Jeroen Buwalda, Head of Strategic Transformation, about our partnership with Alkanza and how we are launching a robo-advice platform in Taiwan to augment our D2C sales business there.

One of our key strategic priorities is to deepen our investment capabilities. Although I'm sure that many of you are not aware of the depth and breadth of our current platform, we're well recognized for our strong value offering in Asia and Japan equities and our award-winning fixed income team. But here I show the broad range of investment capabilities, which provide solutions for our life and third-party clients within country, pan-Asia and globally. We have been investing in multi-asset, quant and alternatives to expand our offering. To put this in context, this slide shows where we currently have institutional and retail clients and where we have identified potential. In these areas, we are accelerating our go-to-market efforts. This year we have launched 44 new products and created 6 new bespoke solutions to alleviate capacity constrained funds in Malaysia, Indonesia and Singapore. We're also working on new products to launch in Thailand. An example is the first TMBAM Eastspring product, the TMB Eastspring Asia Pacific Property Flexible Fund. The fund will seek income and low volatility from REITs and complement this with the growth characteristics of property developer stocks. And this product is still subject to regulatory approval.

This chart highlights how we have been organically building our business and the time it takes from product inception to institutional acceptance and ultimately full commercialization. Today, we're one of the region's largest Asian bond managers with USD 60 billion in AUM. In Singapore, we have 19 investment professionals, 8 of whom are credit analysts, with a particular focus on China given that renminbi-denominated debt is the world's fourth largest bond market according to the Bank for International Settlements.

Our fixed income team were recently upgraded by Mercer for our local currency bond capabilities. We are now importantly A-rated by Mercer in Singapore bond, Singapore credit and Asian local currency bond. We have a well-resourced team that has delivered strong performance through challenging market episodes and is consultant rated. This will enable us to benefit from deepening Asian bond markets and rising Asian demand for fixed income assets.

In addition, we are accelerating our product capability to also cover global emerging market debt. In the fixed income capability, the product shown here is first quartile over three years.

In Japan dynamic equities, which is a flagship capability for us, we have a strong stable team and a highly disciplined investment process, which we actually soft closed three years ago to protect alpha for our clients. We are now one of the most recognized Japanese equity providers with clients in Asia, Europe, USA and LATAM. Now despite difficult markets for value managers, our Japan equities are ranked in the second quartile over the past three years.

In global emerging market equities, our patient, high-quality build has recently been recognized by a German pension fund who awarded us a mandate for EUR 175 million. This is our first major separate account win in Europe. Our GEM dynamic fund is ranked in the top decile over three years. In fact, it's ranked in the top decile over 1, 3 and five years. With 95% of our GEM peer group portfolios biased towards investing in growth shares, we have a compelling proposition of potential upside and diversification of risk.

Quant is a new capability, grown in-house. And we have assembled a high-quality team with diverse backgrounds and industry experience. We now have several externally sellable strategies with good track records and are making traction in the retail market in Singapore via retail and private banks as well as platforms and IFAs. And we observe that there is a large potential for quant with institutional clients.

The quant team are also playing an important role in helping the life client diversify investment styles and solve some of the difficult capacity issues in the region. The key message here is that it takes three years at least to build a track record before an institutional client or for that matter, a gate-kept intermediated client will engage in a meaningful way. Importantly, our investment in new capabilities will give rise to 6 new strategies with a 3-year track record by 2022, those being Asia small cap, quant multifactor in both Asia and the U.S., emerging market debt, multi-asset solutions and China Asia.

Last year, I noted at this forum that China was a conspicuous gap in our footprint. In July, we announced the acquisition from TMB Bank of 65% of TMB Asset Management with an option to increase our ownership to 100% in the future. We received SEC regulatory approval in September of this year. Eastspring was the winning candidate in a competitive bid, chosen for our excellent reputation, expansive footprint in the region, strong global product offering and client-focused culture. The acquisition further cements our unrivaled presence in Asia.

TMBAM is the fifth largest asset manager in Thailand with AUM of USD 12 billion and an 8% market share. Furthermore, the business has grown its AUM at 26% CAGR for the last three years ending March of this year, which is more than double the underlying growth rate of the market. We manage assets on behalf of more than 1,000 corporate clients and more than 160,000 retail customers in Thailand.

Our presence in Thailand also enables us to provide on the ground support for Prudential's life business there. Thailand is an underserved market for asset management. The growth prospects in this market are immense with an expanding middle class, rising affluence and strong savings culture, albeit significantly skewed towards deposits. Thailand is the largest and fastest-growing mutual fund market in ASEAN.

Now Eastspring is experienced at growing businesses through acquisitions. We acquired our businesses in Taiwan and Korea in 2000 and 2002, respectively. In both instances, we invested in local talent and built strong successful teams. Similarly, we have a proven track record of working with joint venture partners to take them to the next level of sustainable growth. We are confident that this partnership with TMBAM will deliver exceptional results.

As I mentioned, the target operating model is an important strategic initiative, which has given us common operating platform and the ability to scale at pace allowing us to introduce new agile ways of working, enabling greater collaboration, more purposeful cross-functional teams and new tools. We are seeing improved data quality, richer investment oversight and more transparent risk reporting. Through the successful execution of TOM this year, we have been able to decommission systems with a total of

33 decommissionings to be completed by the end of next year. This creates a more simplified and derisked business. TOM is not only about new systems, processes and tools, it's also about cost reduction. And it's also part of the broader digital transformation agenda, scaling Eastspring for future growth.

With that, I'm delighted to introduce Michelle, who will share with you our ambitions for China. Thank you.

Michelle Qi {BIO 20839001 <GO>}

Thank you, Guy. Good afternoon. It's my pleasure to come here today to represent Eastspring China WFOE and to share with you the opportunities and our plans in China. My name is Michelle Qi and I joined Eastspring China WFOE as CIO for China equities in June. I have over 17 years of experience in China equity market. Before joining Eastspring, I was Head of QFII and QDII Investment at BOCOM Schroders Joint Venture Funds in Shanghai, where I spent nearly 13 years managing QFII and institutional mandates.

So why did I join Eastspring? Firstly, the opportunity -- the attraction of the opportunity to join Prudential, who has a strong brand name and reputation in China. Why I decided to leave my previous firm? I had peers and friends call me and asking where I was going. When I said I was joining Eastspring, the Asian Asset Management firm of Prudential, people said to me, "Wow, I have a Prudential policy. What a phenomenal company." In China, Prudential is viewed as trusted and well-respected company with global capabilities and high quality people.

Secondly, the growth potential of the China funds management industry. The industry only turned 20 years old this year. I believe there are 2 key opportunities for future growth, MSCI inclusion of China into global indices and the low penetration of mutual fund product in China. Currently, Chinese household only allocate 5% of their total assets to China Asia equities and other onshore fund products.

And finally, the opportunity to be one of the original team members building Eastspring's WFOE in China, it's a fantastic platform for me as I can bring my investment experience to build an equity investment team and a practice that I hope can better serve local and international investors.

As Guy said earlier, Eastspring has a strong presence in China. Eastspring and Prudential were early mover having established our joint venture CITIC Pru Fund Management back in 2005. In Singapore, we have a dedicated Greater China value equity team with a average of 13 years of experience. We have 8 investment professionals in our regional fixed income team who are focused on China bonds.

Last year, Guy talked about enhancing distribution and coverage and capturing opportunities in China. In less than a year, we have made great progress. We established our WFOE in Shanghai in March. And we registered WFOE as PFM with AMAC. Our registration only took 5 -- 9 business days, one of the fastest PFM registrations, reflecting the approving authority's recognition of Prudential. To put this to context, such a process usually takes months. Our WFOE is now capable of managing onshore investments for qualified investors in China.

I often get asked by clients and investors, (if China stories do you stand). And where I see the growth opportunities? Let me take you through the 3 key market segments of the fund management industry in China. Number one, local investors investing in China. In a report published in March 2018, Oliver Wyman estimated that local-to-local AUM for the broader asset management industry in China will increase from USD 18 trillion in 2017 to $30 trillion in 2020, representing a CAGR of 10%. Growth will be mainly driven by accumulation of household wealth and increase of allocation. Number two, local investors investing overseas. Local-to-global AUM is expected to increase from USD 194 billion in 2017 to $711 billion in 2023, according to Z-Ben representing a CAGR of 24%. The growth is driven by internationalization of the RMB, capital account liberalization and the diversification demand of Chinese investors.

Last one is the global investors investing in China with the inclusion of A-shares and RMB bonds to global and regional indices. Global-to-local flows are expected to increase as well. Reuters reported that incremental inflows into Chinese stocks driven by the full inclusion of China Asia into MSCI indices are estimated to be USD 300 billion. Incremental inflows from inclusion of RMB bonds into bond indices are estimated by HSBC to be USD 286 billion.

So in my view, the growth story is strong. But how will the Eastspring WFOE team capture these opportunities? First, the joint venture. We are focused on energizing and fully capitalizing on the CITIC-Pru relationship. CITIC-Pru currently has USD 780 million of QDII quota allowing it to sell overseas products to investors in China. We're discussing with CITIC-Pru regarding the usage of the QDII quota for their clients to invest in Eastspring funds.

Collaborations. Eastspring already has a strong Greater China investment capability with a value equity team led by my colleague, John Tsai, who has 20 years of experience. The Eastspring Investment culture is anchored around candour, debate and challenge. Having a China value team based in Singapore allows for collaboration and sharing of investment knowledge.

Third, our WFOE. In addition to existing China strategies, our WFOE will focus on building onshore China focus investment teams. As a PFM, we can now sell onshore private funds to qualified Chinese investors. We will also be able to provide research advice to other Eastspring entities for offshore China mandates. We have established a QDLP entity as a subsidiary of our WFOE. We're applying for QDLP quota, which is similar to QDII quota and a successful registration with AMAC will allow us to set up private funds investing overseas to be distributed to qualified investor in China.

For our WFOE, we started the regulatory application process in October last year. Our General Manager, Michael Lu, joined us in February from Robeco where he led their China business for more than 10 years. Currently, we have 11 employees, of which 5 are investment professionals. We will launch our first onshore private fund product within the next six months. By the end of next year, we expect to have around 200 -- 20 -- sorry, we expect to have 20 professionals in our WFOE. Subsequent private fund products are expected to include fixed-income thematic equities and multi-asset solutions, where Colin will touch on in a moment.

After fulfilling local regulations, the WFOE will also seek to secure subadvisory mandates for offshore funds investing in China. And importantly, we'll be able to manage China fund strategies for our life lines across the group.

Since joining Eastspring, I have been focused on building a high quality and credible team. Our investment philosophy is anchored around the belief that the China Asia equity market is inefficient due to the short-term nature of many of the market participants. We run macro and policy analysis using top-down approach to obtain insights of the economic cycles and the industry trends. With an onshore research team, we're able to conduct on the ground sector and company analysis, focusing on medium; to long-term growth potential.

Sector and company analysis will be based on active fundamental research with bottom-up stock selection approach. With these, we will be able to generate alpha over the long term for our investors. We look to invest in companies with strong growth profile, equity earnings, quality earnings and credible management. We also specifically integrate ESG considerations into our investment process. I believe that this approach is competitive in the marketplace as we can leverage on best-in-class global risk management controls in place, a well-positioned investment approach and process supported by strong credible team and the commitment made by Prudential and Eastspring to China market, which is evidenced by our commitment to build one of the biggest onshore WFOE teams in China.

Over the long term, we see structured opportunities in sectors such as health care, technology and consumer sector, driven by demographic changes, rising household wealth and technology innovation in China. To ensure we can capture these opportunities. And we have built a team of high quality investors. We have a macro, strategy analyst, Jingjing, to help from the top-down view and analyze sector cycles, where the sector analysts focus on company fundamental analysis in their very sectors.

Our sector analysts have in-depth industry experience and strong academic backgrounds to capture the key trends of their sectors. Our health care analyst, Xu Xiang, has a background in neuroscience and life science, which enables him to spot opportunities arising from the disease spectrum shifts in China along with aging population. And his previous onshore bioscience analyst experience helps to better interpret fast-changing government policies in this area.

Technology is another key sector and that distinguished semiconductor engineering background helps provide incisive prospective on technology investing, which features high growth potential, driven by AI, cloud computing and 5G.

Before I talk you through the key details of our first product, I would like to give a background -- backdrop of the private fund management industry in China. The industry is highly fragmented with over 8,700 PFMs. And consolidation is expected under the new stringent regulatory framework. As a result, PFMs are expected to have a more institutionalized investment process and framework while qualified investors are seeking equity returns with capital preservation. We're well positioned to capture the market trend with the setup of our growth team and our underlying investment approach and process. Our first onshore products and absolute return equity strategy will look to capture the long-term growth opportunities with lower volatility. Our product will be distributed by domestic security firms and third-party wealth managers, which we believe will be competitive, given my long track record in investing A-shares supporting by a high quality and credible team. This is just the beginning for our WFOE in China. We have immense opportunity. And I am proud to be one of the founding members of the team.

For 2019, our key priorities are: first, building a stable track record with full execution of our investment philosophy and to promote them to long-term investors. Number two, to establish market reputation of Eastspring as part of Prudential brand name in China. Number three, getting prepared to fully embrace the market opportunity when the WFOE is qualified.

With that, I'm delighted to introduce my colleague, Colin Graham, Chief Investment Officer of Multi Asset Solutions. Thank you.

Colin Graham {BIO 4188967 <GO>}

Thank you very much, Michelle. And I'm delighted to speak to you today about the opportunity in the multi-asset solutions space. I'm just going to take up the next 10 minutes talking to you so you better understand the opportunity we have in front of us.

Firstly, I'm going to talk about why the market is so interesting. Secondly, why Eastspring is well positioned to take advantage of that. And thirdly, what we're doing further to enhance our position in this market.

So as you've heard, my name's Colin Graham. I've been brought on board at Eastspring in January to build the external multi-asset solutions business for Eastspring. This is a core part of Eastspring's investment plan of the next few years. And this is going to offer global solutions to Asian investors.

So over the last 2 decades, there's been a significant change in investor behavior globally. Investors are seeking outcomes rather than relative returns. And these demands have driven the multi-asset portfolio management AUM to around $10 trillion of assets and that's been growing at about 14% annually. Of which, only about 6% of this has actually been sourced from Asia. So you can see that Asia is underserviced. According to Spence Johnson report, looking at Asia, which is the largest market and is growing fastest is China. And China is going to grow its multi-asset funds in three years to around USD 450 billion. And this very much ties into the vision that Eastspring has, our plans for China. And Michelle and Guy both touched on that earlier.

Now the multi-asset solutions space is not a new market. But it's highly competitive, both in terms of what's going on in the U.S. and what's going on in Europe. You can see this slide demonstrates the immense competition in this market. However, if you move to Asia, we can see there are very few asset managers with multi-asset solutions teams on the ground in Asia. So Asian clients are underserviced in multi-asset solutions. Our competitive advantage is our investment and distribution footprint in Asia, plus the strength of our parent, Prudential.

Now many global commentators have talked about how Asia will be the investment center of the 21st century. And we expect -- or we've seen reports talking about 2027. Now 2027, it's expected that Asia will become the largest investor -- largest equity market in the world, overtaking the U.S.

Also Asia ex Japan bond market is going to grow to be in line with the JGB market. It's a huge growth in assets. Also pan-Asia mutual fund business is set to grow around 9% per annum to around USD 13 trillion. Even if these numbers are only half true, you can see there is an immense opportunity in Asia. However, trying to understand this growth, what is happening on the ground in Asia is -- can be very challenging. The information is hard to come by, hard to access, hard to interpret. So in our business model, we're going to use that to our advantage. And we're going to attract wealth management clients and third-party clients. Asian assets in this area are expected to reach $40 trillion by 2025, nearly doubling in the next eight years.

One of the structural shifts we are studying is the enormous intergenerational wealth transfer between the baby boomers and the new millennials. Today, in Asia, in particular China and India, there are 415 million millennials. This is bigger than the entire workforce of the U.S. and Western Europe. So you can imagine the enormous potential we have here.

As mentioned, Eastspring has unrivaled access to Asia, in which will enable us to capture this opportunity for our clients. Personally, I joined Eastspring to be part of this huge and unique opportunity. So you might be asking. So how are you guys different to all your competitors in Asia and the rest of the world? Well we -- there are similarities. I'm not going to get away from that. We do, do things some -- same way. However, what is unique about our capability is that we manufacture equity and fixed income products across Asia. So not just in Singapore, not just in Hong Kong, not just in Japan, we have access in Indonesia, Malaysia and most recently, our acquisition of TBAM (sic) (TMB) Asset Management in Thailand. Trust and alignment between the investment teams and the local clients is essential for partnership and long-term success.

Being based in Asia, we are better positioned to understand the unique needs of our clients and benefit from this informational inefficiency. Ultimately, clients in Asia are looking for global products, which diversify away from their home markets. We're focused on building and offering global products that are tailored to our local market.

So your next question might be, well how is Eastspring planning to capture this opportunity? Well MAS is well positioned because of the 4 Ps. And that is people, that is process, that is platform, that is products. So let me start with the people aspect of the team. As you know, I joined in January. And in the middle of this year, we welcomed Jason Hepner and Mary Nicola. Jason has 20 years of investment experience and was one of the founding PMs on Standard Life GARS product in the U.K. Mary joined us from Aviva Investors in Singapore. She has also worked on the multi-asset absolute return product. I think you might notice that there is a bit of a deliberate theme here. And I'll touch on that again later when we talk about products.

Most recently, we welcomed a dedicated client portfolio manager, Adam Matthews, who has 20 years experience in the industry. Jason, Mary, Adam and myself were attracted by the immense opportunity in Asia and at Eastspring. We're also in the process of hiring a senior macro strategist and also the search is underway for a volatility portfolio manager. In addition, our next member of the team will be a graduate who is joining in December.

As you heard from Guy, he's already talked about our strategic priorities of expanding Eastspring Investment offering and expansion of our multi-asset capabilities to external clients. In less than a year, we've made phenomenal progress. And we have in place a strong team of 5 members with over 17 years of collective experience each, on average. Collectively, our team has invested and lived through the global financial crisis. And sadly to say, Jason and I have also been investing during the TMT bubble, don't know how many people can remember that. But I remember it very well.

Secondly, if we move on to the second P in terms of the process. We have a robust investment process, focusing on delivering the outcomes that clients desire with a proven track record at other firms. The multi-asset team also leverages the investment talented across Eastspring as well. If we think about our platform, the reengineering of our investment technology platform by moving on to Aladdin has provided us with scalability to grow assets, not costs.

And secondly, world-class risk analytics that enhances our PM's investment toolkit. And also, we're able to leverage the skills and knowledge of our global asset allocation team, who have a 15-year track record of managing asset allocation requirements of our life client.

So moving on finally to our product. Well we are designing the next generation of multi-asset capabilities. We have a strong product offering to build on. And let me just talk you through the products we have on the shelf at the moment and what we're planning to do.

So currently, we run about USD 1.8 billion across our multi-asset funds. Our flagship fund is our Global Market Navigator Fund. It's 4-star rated by Morningstar, first quartile over 1 and three years and has a 10-year track record. Our next product we have is the Global Equity Navigator. This has a slight growth theme. And this again is 3 stars rated by Morningstar and first and second quartile over 1 and three years with a 7-year track record.

Our Monthly Income Plan here in Singapore. This is one of our flagship funds. It was cutting edge when we launched this 13 years ago. And one of the other differentiators we have here is we're able to offer within this product clients in Singapore an active Singapore equity subportfolio. So again this differentiates us from the global products that we're competing against.

We've recently launched a Global Income Fund and with the 3-year time -- 3-year track record on the horizon, we're able to -- next year, we will be able to monetize the track record and be able to raise assets in this portfolio because three years is very important when talking to the distributors.

Now if I think about the ratings that we have achieved on these funds, they're very important because they independently show that we are consistently outperforming our peer groups. And this is majorly important when we're talking to the wealth management platforms and prospective third-party clients. We are committed to delivering competitive performance and grow our AUM in this space.

So you can see we have a strong platform to build from. So what are we going to do next? We have some exciting products we really think are going to fill the pipeline and capture those external products.

So we go through. The first one is the Multi-asset Absolute Return Fund. And again, you see the theme with the people that we've been hiring onto the MAS team. This is the large and growing area. And we can see client demand for this growing significantly. Because as the business matures -- business cycle matures, you're going to see the demand for more absolute returns in investment solutions. This is also an investment solution, which can underpin the development of Prudential's retirement solutions as well.

Next product we're thinking about is the multi-asset income in Asia. Asia was in our DNA for our stock pickers and our bond pickers. And this is a product that's had huge traction within Asia. Asian clients are seeking regular income. Now every client's reasons for seeking that income may be different. But we think it's linked to the wealth transfer to the millennials that I've been talking about.

Global Market Navigator is sustainable. This represents huge opportunity for us. Eastspring became a signatory of the PRI earlier this year. This focus on sustainability is not something that's just happening in the U.K., it's not something that's just happening in Europe, not something that's just in the U.S., not something that's in Australia, it's happening here in Asia as well. And ESG is becoming increased focus for investors in Asia. So this strategy will be focused on sustainability. And this allows us to target a wide spectrum of clients from millennials to institutional clients, sovereign wealth funds to family offices.

And you can't go through a presentation about products without mentioning China. So what are we doing in China? This is a longer-term project. We're working out how to integrate our current offerings, our current China investment capabilities with our new WFOE capabilities into one strategy. As with everything in China, the potential is enormous. But the execution is a key to success.

So whilst this is early days, I'm delighted to have the opportunity to share with you the progress that we're marking. Our ambition in the multi-asset solutions capability is to grow AUM faster than the multi-asset market here in Asia.

And so if there's 3 key messages I would like to leave you with today is, client preferences have changed. Asian clients are demanding more global investment products with a clear home market bias. The structural growth story is clear. Asia will become the epicenter of the 21st century investment world. We have limited competition. And we will have a compelling global proposition. We have a strong team in place with the right experience. We have the right platform through Aladdin and we have the right processes. And finally, through the multi-asset solutions area, we can enable Eastspring's transition from Asian manufacturer to global asset manager of scale.

Thank you very much for your time. And I'll hand you back to Guy.

Guy Robert Strapp {BIO 15272859 <GO>}

Thanks, Colin. Thank you, Colin and Michelle. Whilst these initiatives are clearly very much in their infancy, hopefully, after hearing from them both, you have a deeper understanding of 2 of the opportunities we've identified for long-term growth, our plans to capitalize on these opportunities and how are we different to our competitors and that we have a long-term vision for success.

In closing, I'd like to leave you with 3 clear messages. The structural growth story and supporting trend for long-term mutual fund growth in Asia are sound. Our unrivaled footprint across Asia and global distribution capabilities will enable us to capture this opportunity. And we have a clear strategic road map and are successfully executing against these priorities. Thank you very much. Chantal?

Chantal Waight {BIO 4315288 <GO>}

Okay. So it's now time for lunch. Lunch is where you had breakfast at the Prudential Club Lounge, Level 2. And if you could be back by 1:30 for the Asia Innovation Partnership overview. Thank you.

(Break)

Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Okay. If everyone's ready, if I can ask you to take your seats. So that we can get the afternoon started. Fantastic.

Okay. Thank you, everyone, for coming back from lunch so promptly. As I explained this morning, the bulk of the afternoon will be dedicated to showcasing our new capabilities and innovation. Now I said at the start of my presentation that a defining change over the last year was the impact of technology on customer expectations and behavior. And I went on to say that our response is what will determine whether this is a headwind or a tailwind. In this afternoon sessions, we will show you how we are turning this potential risk into an opportunity.

The first showcase will be on health value-added services. But before we go into it, I wanted to provide you with a brief context on why we're looking at this and why embracing health tech is a natural extension of what we currently do.

We covered the demographic trends using this slide earlier. So the only point I will make here is that clearly people living longer increases health care consumption, which combined with a declining dependency ratio, places a huge burden on public resources. Resources, which, of course, also have to stretch to cover infrastructure investment, retirement provisions and broader welfare needs.

Now the situation in Asia is even more acute, not just because of the population size, the consumption of health care goods and services across the markets in which Prudential is present, was estimated at USD 941 billion in 2017, having risen at a double digit rate over the last five years. Remarkably, some 43% of this spend, roughly equivalent to $400 billion, is settled out of pocket. So that's what that 43% translates to in monetary terms. This level of personal outlay far outstrips what is paid by individuals in the west and can be readily defrayed through insurance and risk pooling.

Now behind this rise in health care spend has been the upsurge in chronic diseases, somewhat abetted by the more sedentary lifestyles. Asia has not escaped this global trend, which is said to drive medical consumption higher for the foreseeable future. By 2020, 60% of ailments like heart disease, cancer and diabetes are expected to occur in emerging markets. Specifically, at a count of 216 million people, Asia has 47% of the world's diagnosed diabetics today. This condition is both a major cause of death and a key driver to medical consumption. The current and projected levels of health care spending in Asia are putting significant pressure on both individual and public resources. Millions of people are pushed below the poverty line every year by unplanned health care expenditure.

Across Asia, public health resources are stretched. Lilian was making the point, which is already translating into longer waiting times to access medical help and into public hospital occupancy -- bed occupancy rates, which are above the 80% threshold recommended by the World Health Organization. With medical consumption expected to rise faster than GDP across the region, the burden on the public purse is set to increase. And across the board, authorities are forecasting significant shortages in medical resources.

And as I said this morning, ultimately, this challenge can only be addressed by close cooperation between governments and private enterprise.

Turning to our credentials. Prudential is today a leading health and protection player in Asia. Last year, we grew sales by 13% to over GBP 1 billion for the first time with sizable contributions from all our major markets. This product segment accounted for 27% of our new business APE and was the largest component of the sales mix in Indonesia, Malaysia and China.

Our capabilities when it becomes -- when it comes to providing a very broad spectrum of health insurance cover, is second to none. And we are continuously evolving our health offering. As you heard from Lilian earlier, we're constantly extending coverage to more conditions. And we're being -- bringing many first-to-market innovations.

We continue to invest heavily in simplifying our customer-facing processes and in removing friction points. This investment spans the adoption of reflexive underwriting to personalize and fast track the new business acceptance and the use of AI technology to accelerate claim settlement. It also includes establishing hospital panels, which provide upgraded services to our customers and speed up the process at the point of discharge by settling claims directly with hospitals.

Despite our considerable success, the fact remains that today we provide medical reimbursement cover to only just 5 million customers collecting premiums of around USD 1.6 billion. When you bear in mind that nearly USD 400 billion is paid out-of-pocket across Asia, the opportunity to pool risk more widely and in doing so deliver reductions in medical costs to millions of consumers is fairly self evident.

Ours and more broadly the sector's key challenges, therefore, is how to raise consumers' awareness of the availability, affordability and value of insurance cover. In our minds, this has to start with engaging consumers on how they can improve their health and live longer. Today's current service model for insurers is principally focused on paying for clinical care. Yet 90% of the drivers of health care consumption are genetic, lifestyle and environmental related. So we have to evolve from being a pure provider of cover to partnering with customers on wellness, guiding them on how to improve or preserve their health as well as supporting their treatment and recovery from adverse health events.

The advancement of technology is a real changer here and the 5 billion mobile phones in the world provide a readymade engagement avenue. Mobile technology is the medium that we have chosen to adopt. We believe that health tech is key to delivering affordable and accessible health care for all.

So alongside providing core protection, we can now play a part in helping to prevent and postpone the onset of disease. This more holistic approach to health care has the following key components: shifting from sick care to wellness, identifying and working with partners who have complementary capabilities, empowering customers with intelligent self-help tools and using machine learning to provide personalized guidance to customers. The convergence of medicine and technology is a natural playground for health tech service providers who have proven tools that can enhance our offering.

In August this year, we signed an exclusive multiyear partnership with Babylon, a U.K.-based health care and technology service company. With this unique collaboration, Prudential is combining its leading capabilities as insurance, broad market footprint and wide range on products and services with Babylon's market-leading AI platform and experience in partnering with governments. We plan to offer consumers 24/7 access to a comprehensive set of digital health tools, featuring genuine AI. Once launched, this scalable digital platform will be accessible to millions of consumers across the 12 Asian markets covered by our agreement.

Babylon's AI platform is comprehensive, spanning from the sick care and health care cycle. It draws on a vast pool of medical knowledge, which it applies to a person's medical history, lifestyle data, test results and even their genetic profile. The platform has a huge number of features, which Dr. Ali will cover shortly. These features provide patients more and better access to medical information and help reduce the overall cost of health care.

The Prudential Babylon partnership represents a step change in health services in Asia. Alongside promoting financial inclusion by making this available to both our existing and new customers across Asia, we will afford them ease of access to health services and information, drive engagement and improved awareness of the importance of wellness, build trust through personalized medical interventions and drive high quality medical outcomes.

As I said this morning, the benefits for us from enhancing our core offering span new customer acquisition, increase customer touch points, higher customer loyalty and retention, reduce claims frequency and lower cost severity. We also expect that it will allow us to provide cover to previously uninsurable risk groups such as diabetics, subject to adhering to specified lifestyle changes.

Researches confirm that insurance companies are set to be the future #1 distribution channel for such health apps. We're convinced that this extended approach to health care provision will deliver significant benefits to all.

This next slide sets out how technology has impacted service delivery in the U.K. As part of efforts to care for patients with chronic obstructive pulmonary disease, Harrow CCG trialed a wireless monitoring services linking patients to nurses. Results showed that in the three months, that the wireless remote monitoring service was used, admissions fell by 50% and hospital bed days by 63%.

In addition, an app recording health data of COPD patients allowed these patients to monitor their health reducing GP calls by 63 -- 83% and GP visits by 57%.

In short, technology helped deliver lower admission rates, better adherence, more efficient use of resources and higher patient satisfaction.

Returning to Asia and to Prudential. A partnership with Babylon is just one of several value-added health services that we offer our customers. In 2017, we invested in Prenetics, a start-up in Asia's leading -- a start-up that is Asia's leading genetic testing company. Working alongside them, we launched myDNA Pro, which is a DNA-based personalized health program specifically designed to help customers identify and reduce their risk to type 2 diabetes, high blood pressure and high cholesterol. The program provides nutrition advice for optimal diet and fitness as well as health coaching for 12 months. Customer response has been extremely encouraging with 70% of users making positive changes to their diet and lifestyles and 94% using it to help them lose weight.

The services is being made available in Singapore, Malaysia, Vietnam and the Philippines. We're also working with health providers to offer our customers in Singapore, Malaysia, China, Indonesia and Thailand, access to doctors and other health services tailored to their broad and fast-changing needs.

With that, it is now my pleasure to invite Dr. Ali Parsa to the stage who will introduce and demo the technology. He will be followed by Andrew Wong, who will cover how we will integrate Babylon into our health offering and share with you our implementation plans for Malaysia, the first country where this new service will be rolled out.

Ali Parsa {BIO 17460634 <GO>}

Thank you, Nick. Nick just described the awful situation that health care globally is facing. We have spent $10 trillion a year on the delivery of health care. And yet 50% of the world population has almost no access, 0, to any kind of health care. The 50% who do have access, often get very bad access. If you live in a second-tier town in Southeast Asia or in a second-tier city in China or in India, your chances of getting the right diagnosis, even after you see a doctor, is less than 50%. For those of us who live in a developed country, we sometimes often have to wait. It's inconvenient to get health care. But we get it. But it's expensive.

And that is only for physical care. If you think about mental health care, the situation is significantly more dire. 50% of all our emergency access now in the Western countries is because of mental health issues that it is started. And do you know what we do with you if you're a child of somebody who's nonmiddle class, has mental health issues at the early age. And we ignore it and we lose it until that child develops an addiction or another problem and we'll end up putting them in jail. 70% of the people we have in the Western societies in our prisons are people who had simple mental health issues.

And while the problem is significant in the delivery of health care worldwide, I believe it is possible to make health care accessible, affordable. And put it in the hands of every human being on earth. In that mission, we share the same values, the same beliefs as the leadership of Prudential. We're delighted to work with them because at their core, they believe also it is possible to change the life of ordinary people on the streets of the countries in which they operate. When I say it's possible to make health care accessible and affordable and put it in the hands of everyone, people often think that, that is a dream too -- in too distant future. What I'm going to do today is show you what can be done today. I'm going to show you how the future is already here, it's just badly distributed.

Remember, when I was a student, I chose my university to seek -- to learn physics, almost on the size of the library it had. Only 20 years ago, it was impossible to access the information of the world. For those of you who are younger and do not remember a world without Google, you do not remember that it was impossible to get access to information unless you had a big library at your fingertips.

When I was a child, growing up by the Caspian Sea, if I wanted to get music, I had to wait nine months for the publication of that music to go to the capital city of my country to buy a tape, bring it up to the North, pirate it and sell it to the rest of the kids. So they can also get that music. Today, it doesn't matter if I live in Kabul, Connecticut or Turkmenistan or in Singapore or in Malaysia, I can download music almost instantaneously as it comes out. We can do the same with health care.

And we can do it because 4 things have happened in technology that were only a few years ago, impossible to imagine. One, information -- diagnosis has become almost free. Before Babylon, I used to own and run a chain of hospitals. 10 years ago, it would have costed me $1 million to do a tip-to-toe diagnosis of you. Today, we can do that with $10,000. And we can throw in your genome sequencing. That's a 99% reduction in the cost of diagnosis in a single decade, double the rate of Moore's law.

But that is just a beginning. We are not going from hospital, from clinics into your (apartments), to your homes. The other day, I was at the offices of Google X and they were talking about the nano molecule that they're working on that you digest in a pill, that in the -- it circulates in your vascular system. And it will monitor your blood for abnormalities. And it communicates it with your mobile phone.

Whether that is five years away or 10 years away, what matters is that we are in places that we never imagined to be in before. We will soon, we will soon do with you what we're already doing with your car. Monitor you 24/7, all the time, have you -- predict what is going to happen to you next.

Second, the technology in health -- the information in health care is already free. I have access now for almost the entire humanity's knowledge on medicine on my mobile phone. The problem is that knowledge is doubling every 18 months. Fundamentally what that means is that the sheer amount of what we are inventing now is so huge that it's impossible for any human brain to capture it. Last year alone, 11,000 papers was published on dermatology. Which doctor can memorize all of that? Next time when you see a doctor and they say, "I know it all." Just be careful how much we are learning in the last few years. Almost 2/3 of everything we know in medicine, we learned since 2010, in this single decade. So we now need different tools to be able to analyze, to get on top of what it is that we are dealing with.

Thirdly, we don't need hospitals, we don't need clinics all the time in order to reach people now. We now have a mobile phone in the pocket of almost every human being on earth. And we can do with these mobile phones what Google did with the information. We can put most of the health care most people need and deliver to them on the devices most people already have. We already do that in Rwanda, one of the poorest countries in the world where we look after 2 million population, not just in Kigali. But in some of the most remote villages on earth. Paid for courtesy of Bill & Melinda Gates. But now the government of Rwanda.

And what is amazing is whatever it is that your phone does today is only 1/2 of its capability next year. It's a 1/3 of its capability three years from now. five years from now, whatever it is today, is only 3% of what it can do. In 10 years' time, it can do 1,000 times more. Can you imagine what a phone that can do a 1,000 times more will do? It is important. What I love about the leadership of Prudential and the conversations I have with them, is that they're not building a business for today. But they're building a business for what the (future) is going to be. Their thoughts, a lot of their thinking is not just to look after what they have now. But where is it it's going to go.

When Reed Hastings did the business plan for Netflix, it would have taken four months, yes, you're right, four months to download a single episode of Game of Thrones. But he knew always that the technology is going to get there. And it's important to know where the future is going to be and build for that.

And finally. And fourthly, everything you and I know about medicine is melting into air and we are creating new models of delivery. It really doesn't matter if you're a evolutionist or a creationist. It's neither God nor evolution that is creating new models of life. Just go to the synthetic biology library -- department of the Imperial College in London. And see what we are doing. Whether it's creation of new nano molecules or new organs. Whether we are creating new laser treatments or ultrasound intervention. Everything we know in medicine is changing.

So what I'm going to do with that, is to show you why some of this -- none of this is a dream. And why all of this can be delivered -- much of this can be delivered today. There's not one thing I mentioned now that is not a reality. If I can switch to the camera for you and try and put on my mobile phone, my apologies for those of you who don't believe in miracles, that woman married me.

I'm going to show you Babylon because here in this, I'm going to show you a quick demonstration of it that...

(presentation)

You can download this. You could use it as you wish. But I'm just going to do a quick test.

(presentation)

So when you just want to do that, you just make an

appointment with a doctor. And then a doctor will show up and you just have a face-to-face. So the artificial intelligence deals with the parts that you need. And then you have a conversation with a doctor face-to-face. This doctor will have the result of that conversation. So you can reduce the amount of time you spend together. Then you rate our doctors, they rate very well to anything less than 4.7 with our company. And once your conversation is finished, we have the video of your conversations for years to comes. So the doctors can use it. Or if you need to pick up a prescription, we either send it to your home or you collect it at a pharmacy near you. It actually just figured out where we are. I'm hoping this is where we are and you can just send it to a pharmacy right next door. And you're done. You just go and pick it up.

And so all of this stuff we do, just think about now what we've done. We have collected a significant amount of information from you through our interactions. We actually can do more than that. We can actually run a consultation that is done for no other reason but to create a health assessment of you. For those of you who live in London. And I just met a few that have traveled from London, we just did last week with the Evening Standard a big health assessment of all of the city. Tens of thousands of people participated. And we just asked them about 10 to 15 minutes of questions like this. Interestingly, over 50% of people who has started the flow, finished the flow. And we gave them a full health assessment. So the result they get, which is this is what I have, is a digital trend of yourself. This is a rather flattering digital twin of me but it shows everything, item by item about my health. And including from my biometrics to my behavior to -- in future, my environmental and also my genetic data.

Then by adding to that, having all of that data in one place, creating a graph database of every human being on our system, we could do amazing things. We can, for instance, try and stimulate your future and just see, in this particular case, it knows everything about me. It doesn't know if my parents have had diabetes. If I say no, it will tell me that my risk of having diabetes is very low. And otherwise, it will give me a plan to manage it and so on and so forth.

So what we could do is we could get to a place where we can monitor you, if you want us to monitor you, all the time. We can be with you, not as a doctor who comes when emergency happens. But a doctor who can tell you things are going wrong before they go wrong. So for instance, in my country, U.K., today we will lose 15 wonderful human beings to suicide. For every one of them, about 10 will attempt and fail. We will have 10,000 people sitting at home today with clinical depression who are not leaving their bed. If they stay in bed for three days or more. And they look at their mobile phone more than normal by 50%, we will know that they are 80% more likely to commit suicide. So we can come in. We can intervene when the problem becomes too expensive.

(presentation)

Actually, in my case, I was just watching Game of Thrones. So that's fine. So I'm going to show you now something that not that many people have seen, which is the brain behind Babylon. We put that brain, we need to do it because we showed it as part of the Amazon's worldwide developer conference. The CTO of Amazon, Werner, put that on. And we did an experiment where we turned Alexa into a real doctor. Now unfortunately, today, we can't do it in real life, because Alexa is not HIPAA compliant yet. So the backbone behind Alexa is not -- doesn't have the level of security we need. But Alexa is working on it. And strong -- soon we will launch it on Alexa.

But I want to show you a real case instance where we ran a consultation on Alexa. If you can run the first film for me, please.

(presentation)

What you see in the back is the real brain behind Babylon. 530 million streams of knowledge. This is really something.

(presentation)

So the timer is not done on this. But the entire consultation happens at a fraction of the time of a real doctor. And what you see is the machine is constantly calculating the probabilty of what could or could not be wrong with you.

(presentation)

This is an indication of a full graph -- data graph of a patient in a same way that Facebook will have a full data graph or Netflix. No health care company in the world has a graph of its patients in the way that we have created now.

(presentation)

So then what we did is we moved that on to the second -- to a consultation, real-time consultation with a doctor. And what you will see now is the doctor -- what the doctors see. 40% of our patients just do a consultation with the AI. And will decide that they are reassured and don't need to do more. Of the ones who come in, now we can do a consultation with a doctor, just watch this consultation. It will go on for 2.5 minutes. But you already feel satisfied. You feel that I got enough out of my doctor. Remember, the costs in health care -- 70% of all costs in health care are salaries. What we need to do in order to reduce the costs significantly is to minimize what our doctors can do. So they can you see more patients more effectively. Please run the second video for me, (Jeff).

(presentation)

So what you see on the right-hand corner is a full summary of the AI consultation for the doctor. Below that, everything the doctor and the patient are talking about is being taped. So there is no legal issues about what has been told or not told. You see on the right -- on to your left-hand side, a medical history of the patient, all pulled out on the bits that are most relevant to the doctor. And you see the digital twin of the patient that the doctor can touch and highlight the parts of the patient they want to know about. The machine is suggesting questions underneath in there for the doctor to follow if they wish to. In some countries, this is very important because the quality of the doctors needs crosschecking. And the machine is constantly improving its analysis. If you look at the face of the patients, we're using facial recognition. So when there is a problem, the doctor will be able to cross check. So if they see the patient all worried or the patient are not necessarily -- are stressed, they can be calmer on that.

(presentation)

Well you saw the patient was worried. The doctor can immediately ask, does that sound okay? How can I reassure you? And also with what you're seeing now is that the machine has had enough. The doctor presses the button. So look, it starts writing the notes. So the machine can write extensive notes for the doctor. He's in no rush. It has perfect handwriting. It can write what it needs to be done. Thank you very much. That's fine.

So think about what is happening now? To make health care accessible, it's almost singular. As long as we can now put most of the health care most people need, as Nic quite rightly said, on the devices most of them already have, that is highly accessible. In Rwanda, I do not need to build clinics anymore, I can just deliver services to people wherever they are.

In United States, we can do exactly the same. What -- but there is no such thing as accessibility without affordability. And the costs in health care sit in 2 buckets. As I said, 2/3 of all our costs sit in the salaries. And about 70% of those costs sits on preventable, predictable diseases. All we do in Babylon is to create technologies that allow us to minimize what doctors can do and maximize their value on where it matters. And to try and predict people's problems before they become expensive.

Through doing that, for the National Health Service in Britain today, we can deliver services to 4% of the young population of London, for instance, on NHS, who within three months switch their NHS GP to Babylon. And we can do so at 3x more value. We can provide 24 service -- 24/7 services to the NHS for the same price they pay a GP for 8 hours a day.

We do that in Rwanda. We are now doing it in United States. We just launched in the -- in Canada. But Southeast Asia is one of our most important markets. That technology has just been embedded inside Tencent, for WeChat for people in China to be able to do their primary care with AI in the first instance. But in here, our partner is Prudential. This is one of the most important markets in the world. We're delighted to be partnering with the leadership that doesn't just start for what exists today. But looks at where the future is going to be and create the capabilities of tomorrow, today. So we can make health care accessible, affordable and put it in the hands of every human being on earth. Thank you for giving me the time to talk to you.

Andrew Wong {BIO 20095518 <GO>}

Thank you. Dr. Ali. A very impressive presentation. That's what we need after lunch, I think.

Good afternoon, all. My name is Andrew Wong. I'm the Chief Health Officer of PCA. I just joined the organization in January this year. Following on Nic and Dr. Ali's presentations, I would like to recap our visions on health value-added services. And the regional implementation approach to go live for Babylon AI and other value-added services in the region. And also the progress we made so far in Malaysia.

Our ambitions is to protect the health and wealth of our customers by the use of artificial intelligence to enable access to affordable and quality health care. We are a life and health insurer and given our customers' increasing needs in health care, we need to transform ourself from a health payer to a health manager. And we would like to take the prevent, postpone and protect concept against illnesses to the market, as mentioned previously by both Nic and Lilian. We would like to work with different partners and introduce the following 5 areas of services to our customers.

Lifestyle and wellness program. We would like our customers to keep track of their daily activities, sleep and dietary patterns and to provide coaching to encourage our customers to improve their health by maintaining a healthy lifestyle. Our customers will be able to monitor their current health and identify future risk factors through the use of DNA testing and health assessments. And if our customer unfortunately is suffering from chronic illnesses, the use of chronic disease management programs can help them to maintain or even improve their health conditions by improving adherence to medications, diet and exercise regimes.

And the use of triage and symptom diagnosis can direct our users to appropriately and timely treatments based on their interactions with the AI-backed chatbot or data collected from various devices.

In the event, if our users they do require to see a doctor, we can obviously arrange consultations with doctors, either through video or physical visits. We can also arrange medication to be sent to the user's home or office address. So with Babylon Health as our exclusive partner in Asia, how do we maximize the capabilities of Babylon and integrate with other various other value-added-services in the region. So our goal is to do the regional rollout. And initially, we want to go live with the core features of Babylon AI and local telemedicine services in all Asian markets to be supplemented by additional features such as wellness, rewards, chronic disease management programs and other services to be progressively delivered over 2019.

The first country of the rollout is going to be Malaysia, where we have started the program three months ago. And the project team is very busy in collaborating with Babylon team and local medical experts to localize the content with the aim to launch the PRUhealth app to our new and existing customers in March next year. Other than Malaysia, we also initiate implementation programs in Indonesia, Singapore, Hong Kong, following the same approach and playbook. And of course, other markets will follow within 2019.

So Malaysia is the first country we're going to roll out. And it has a very young and digitally savvy and increasingly affluent population. 88% of the population has smartphones. And this is likely to increase in the future. And the economy of Malaysia is going to perform strongly as well, it's on its way to achieve high-income status by 2021, in accordance with the World Bank. As such, we do think that's a big opportunity to extend our presence in Malaysia by tapping into the digital consumer base.

Our health platform will benefit local Malaysian communities by improving further the awareness of health and wellbeing, drive more digital innovations and also reduce health cost in that particular country. And customers will have better access to affordable and personalized health services and they are empowered with the necessary health information and data.

So what are we going to do in terms of the regional approach? So we're going to implement Babylon Health in other value-added services in 4 phases, i.e. prelaunch, pilot, launch and accelerate. During the so-called prelaunch phase, we need to localize the Babylon AI content in terms of language, epidemiology data and culture. So the localization is more than just translation of the language. We need to take a lot of other aspects into consideration, which I'm going to explain later in another slide. We also need to obtain the relevant approvals and support from regulators and government departments. And also ensure full compliance with data privacy.

Other value-added service providers are going to be identified in order to complement Babylon Health and to provide more holistic services to our users. We will enter into the pilot phase once the localization of Babylon Health and integration with telemedicine service is complete. And the applications will be made available to our employees, agents, distribution partners and subject to further rigorous user testing and feedback.

With the call features in place, the health app is now ready to launch and go live with Apple Store and Google Play Store. And made available to our new and existing customers. And there will be press releases and various marketing promotion activities associated with the launch. And once we have additional features such as wellness, reward and loyalty programs, we will be able to accelerate the launch and address to the general population of the markets by empowering the users everything they need in order to improve their health.

We will, of course, coordinate with additional distribution partners, such as telecommunication companies, retail chains and large corporates in order to increase awareness and adoption of the applications with more repeat engagements. Users are also encouraged to link with their contacts and affinity groups and set their own challenges. Personalized and optimized notifications will be sent out to encourage users to progress with new goals and also use additional services. Appropriate rewards programs will be created to incentivize achievements and continue engagement with the applications, which is very important for the success of the launch.

And of course, more viral digital marketing campaigns will be carried out at the same time. This can be supported and promoted by incentivizing users to promote app through the use of discount or other rewards. And specialized social media content will also be used to promote sharing and sign-ups. So we got this regional playbook, this regional approach in mind. So what have we done so far in Malaysia?

We kick-started the rollout program in Malaysia in September this year. And we've been very busy undertaking the following activities during the prelaunch phase. Well firstly, we engaged Bank Negara, our regulator in Malaysia. And also Ministry of Health. And explained to them our ambitions on Babylon Health and health value-added services and obtained their support and approval wherever necessary.

We also localized Babylon AI services. And it's going to be available in both Bahasa and English. And as I said before, it's not simply just a translation of the application, special attention has been given to ensure the use of appropriate tone and express sensitive and alarming topics in a suitable manner. Local culture and habits and diets of Malaysians are also taken into consideration.

There's another important element of the localization is the incorporation of the local epidemiology data into the software, such as some of the tropical illnesses like dengue, it has to be recognized by the AI. And the triage (advice) is also adjusted in accordance with the local health infrastructure. And medical doctors hired externally and also from our local business units, they are also heavily involved in this localization process. And we also think engagement with other stakeholders is important as well. And that's why we engage continuously with various hospital groups and Malaysian doctor associations. Our medical advisory board for this Prudential Health app will be setup. And members of the advisory board will include medical directors from reputable hospitals and senior physicians.

At the same time, a number of local value-added service providers such as DoctorOnCall and AIME identified to supplement the Babylon AI services. So who is DoctorOnCall? DoctorOnCall basically provides online consultations by local physicians. And if necessary, electronic prescriptions are issued and users can choose to have their medications delivered directly to them instead of collecting from the pharmacies.

And AIME is a startup company that make use of AI to analyze weather and data in the common domains of public health in order to predict the probability of dengue outbreak in Malaysia. And as a result, this helps respective users to take necessary precautions against the outbreak of dengue fever.

As we are making great progress in Malaysia, the localized core Babylon AI service, together with the useful health content, will be released internally and make available to all our 2,500 employees in Malaysia next Monday, i.e., the 19th of November.

With rigorous user testing and feedback and full integration of Babylon AI with DoctorOnCall telemedicine services. We anticipate to release the enhanced version in February 2019 to our 20,000 agents and distributors. In March 2019, the PruHealth app will go live in App Store and Google Play Store. It's going to be available to all our new and existing customers, government agents, affinity groups and corporates. And in total, the addressable base is going to be more than 2.5 million.

Packaged not only with the core services of Babylon Health and DoctorOnCall. But it will also come with other features such as dengue protection from AIME and electronic payment, whereas distribution, promotions and marketing campaigns will be carried out in order to bring awareness and excitement among the users. We target to accelerate the launch starting Q2 2019, where we're going to expand the futures of the app to include wellness and lifestyle, rewards, DNA testing, chronic disease management program. And of course, we will work with additional distribution partners and undertake viral digital marketing campaigns to target the entire population, which is 32 million.

So with all this great work being carried out, now it's time for us to look at what the application is going to look like. Once the application is downloaded. And you can see the application's length and page with the 4 split screens of different designs to attract different user groups. And users are required to register the account by the use of his or her e-mail address or Google or Facebook. And provide some basic personal informations, as you normally would sign-up with other accounts or applications. Once the registration is complete and the users log-on, the user will arrive at the application homepage, which you can see on the right-hand side of the screen. So the home page is in the Bahasa. And I will take you through some of the functionalities in details later on. And you can see that the home page has few icons and quick links, which allow users easy access to the core functions.

So the next slide I'm going to show you is the detailed functionality of the applications. So let's have a closer look at that. And it basically serves as a portal for easy access of all health value-added services. And also the Prudential insurance-related services. So on top of the home page there's a advertisement slider where we're going to deliver targeted information and news to the user. Then in the middle of the screen, you can see there's 4 functional icons. On the left, you can see the Pru4U icon, which will enable user to have access to all Prudential insurance-related services such as the change of address, policy statements, claim submissions, inquiry, premium notice and other policy-related services.

And next to the Pru4U icon is the getting treatment. This is where you can have access to DoctorOnCall telemedicine services. And next to it is the heart shaped icon, it's staying well. And when you click the icon, it will allow you access to a range of wellness services, including Babylon Health and other fitness tracker activities. On the right-hand side, there's my rewards. It will allow the user to check the reward balance and provides health-related gamifications and rewards to keep the user engaged on regular basis. Then, at the bottom, the home screen, you can see there are a few static icons. They basically provide users very easy access to the call functionality of the PruHealth app.

So the home icon is self-explanatory. And next to the home icon is the check symptoms. And this is where the user can have access to Babylon symptom checker to initiate a dialogue with the AI-backed health chatbot about any medical conditions the user may have. So this function will provide the user, as explained by Dr. Ali earlier, the access to health advice from anywhere or any time, 24/7. And which is very handy and useful and particularly, in Malaysia and also other Asian countries, where access to health care sometimes is challenging.

On the right, you can see there's a access health icon, which will allow the user to use the Babylon Health assessment program. And to undergo a series of health self-assessments through the interaction with the chatbot as well. And lastly, in the middle of the screen, just below the advertisement slider, you can see there's a quick navigation pull-down menu, which will allow more frequent users to jump straight to the desired application directly from the home screen.

So as you can see, this is a very simple. But yet feature-rich home screen, which will provide our customers easy access to all the necessary health value-added services as well as Prudential insurance-related services, all in one place.

As I mentioned earlier, the user can click directly on the corresponding static icons at the bottom of the home screen, to get direct access to Babylon AI services. So if you're unwell or you're familiar with the app, you can click the check symptom icon, which will take you directly to the Babylon symptom checker service. And of course, it's localized to the Malaysian market. And through the interactions with the chatbot, the user can get useful information and advice about the conditions anywhere, any time. And they can equip themself with better understanding about their situations. So as to make conscious decision on what are the next steps, whether they simply need to take a rest or they need to go to the pharmacy to buy some Panadol or they need to go to see a doctor, have video conference or to call the emergency hotline.

And by clicking the assess health icon, the user can have access to the Babylon health assessment service. And that service will assess the user's current health based on the questionnaire interacted with the Babylon chatbot. The health assessment will focus on 4 areas, as Dr. Ali described, body nutritions, activity and mood. And it's all based on the information provided by the user. It will also help the user to predict the future risk for some of the most common illnesses, such as diabetes and heart attack.

So based on the outcome of the health assessment, a digital twin of the user will be generated to illustrate the user's health conditions. And is available in 3 formats: organ, muscular and skeleton, which is shown on the right-hand side of the screen.

So this is the end of my presentation. And I hope that, that gives you a good understanding of Prudential's ambitions on Babylon and health services, our current implementation and localizations in Malaysia and also the road map for the rest of Asia.

So now, I will hand over the stage back to Nic for his closing remarks.

Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Okay. Thank you, Andrew. Thank you, Dr. Ali. I've seen the demo a number of times. But every time I'm very, very impressed.

I mean, there's a reason kind of why Babylon chose us. It's not just because we just happen to share the same vision in the health care space. But because working with a single company, working with Prudential, we can give them access to 12 markets. And ultimately, we have a warm customer base of around 15 million. So we can make rapid progress working together.

And there is a reason why we chose Malaysia to launch this first. Malaysia is a market where 85% of the population is unbanked. And actually, in our discussions with regulators and authorities, they are asking us what is it that we can do to help accelerate financial inclusion? And we think this can support that. Of course, we have 2 million customers in that market. We already have a big health business. We're connected with DoctorOnCall, who can provide a medical -- real doctors and dispense medicine. And of course, we've got 50-odd medical network hospital.

And there's a reason why we're going to Indonesia next. Again, 2 million health customers. We're working with Halodoc, which is a doctor network. And we have a 90-plus hospital network as well. And of course, in places like Indonesia, if you're living in some of the outer regions of that country, it can take you up to three days to travel to go and see a doctor. And that's not unique to Indonesia. The same is true in the Philippines, parts of Malaysia. In fact, in Cambodia, if you need specialist health, you need to get a visa to travel to neighboring Vietnam or Thailand.

Why have we chosen them? Well because of the quality of the AI. Actually, the track record, the fact that they are you using this in (inaudible) in a number of markets. And the second reason is that this is real AI. And there are plenty of similar type of services available. But in a lot of cases, they're backed by physical doctors, literally keying in their text reply. This is really, really scalable.

Ultimately. And we believe this and research shows, that a customer is more likely to trust the company when that company has been there in a real crisis. And that is why this technology is important. So AI-driven health tech disseminated through personal devices in a way which complements the provision of insurance will play, in our view, a pivotal role in making health care affordable and accessible. Prudential is now in a position to leverage such technology, deliver cutting-edge consumer outcomes and create a win-win environment for all.

So if we can now move to the other 4 innovation showcases, where we will display some of the new technology-based capabilities and solutions. All except one of these are currently live across our business. And are being used at scale to support our day-to-day operations. In distribution efficiency, colleagues from 3 businesses will showcase how the new technology is supporting agency training, prospecting and client servicing.

In customer fulfillment, you will see 4 new technology innovations, which are currently deployed in our Hong Kong business. And are transforming and digitizing customer fulfillment. In customer segmentation, you will be shown how our new digitally-enabled employee benefit proposition, currently on offer in Singapore. And soon to be rolled out in other markets across the region, you'll see how we're making that work.

And finally, in the direct-to-consumer section, you will see our new Robo Advisor D2C wealth offering, which is about to go live in Taiwan. And which will also be deployed in Malaysia next year.

I hope that you will enjoy them. Chantal, over to you for the logistics.

Chantal Waight {BIO 4315288 <GO>}

Thanks, Nic. Okay. So the 4 showcases have just been described to you. You will all be able to access all 4. So you've been allocated groups. They're on a loop here. So watch out for your group. It's also on your app. So these showcases are going to be held on Level 2. So if you could make your way down to Level 2 where hostesses will meet you and take you to the right room. Then, if I could ask, in the interest of time, if you could be back here at 4:45 for the Asia financial update from Raghu, please. Thank you.

(Break)

Raghunath Hariharan {BIO 20450777 <GO>}

Good afternoon, everyone. Welcome back. So if you settle down quick, then we can get started.

So I have the privilege of wrapping up the PCA presentations -- the presentation from PCA today. So if you take -- cast your mind back to the morning, I think Nic set out the what for the strategic context for PCA and the initiatives that are in (train). And Lilian and the showcases after, gave you the operational context and they helped you understand the how. And what I will attempt to do in my presentation is the why, i.e. how do you translate strategy into financial value?

So I aim to cover 4 areas in my presentation. The first is to recap the strength of the operating model of PCA. Second is provide you some proof points on selected market performance on 3 dimensions, growth, quality and cash. And how they underpin the delivery of value. Go -- the third update would be on the -- on our results, our Q3 results, go beyond the headlines and give you a bit of flavor around what's going on in each of the businesses. And lastly, I'll attempt to put a financial assessment on some of these strategic initiatives you've seen today.

So with that -- so the performance context for PCA and the execution is anchored by 5 very clear levers. And some of these are enduring and some of these are things that we put more emphasis on. The first one is long-term orientation. It seems very obvious. But this is in our DNA. This is a long-term business focused on providing protection products to mostly underinsured and/or uninsured agents. And as you'll see soon, this provides or produces very resilient and compounding economics for the business.

The second is around quality growth. Given the vast opportunities that we have been very clear about where we allocate our capital. And you've seen Nic talk about our focus on health and protection. So there are 2 areas where we have chosen to allocate our capital, which is protection products, which as you guys know, are uncorrelated to investment markets. And asset management products, which are capital-light. Now these produce good consumer outcomes. But they also deliver attractive shareholder economics.

The third one is around portfolio management. And this is a -- and Mike referred to this in his presentation. And this is where we spend a lot of time. We have finite physical capital and financial capital. And we have to be very clear about where we allocate the capital, whether it be across products, across geographies and across channels. And you'll see some examples in the Q3 financial update of some movements that's happened this year. But this approach is very integral to delivering our financial performance. And often an underrated attribute for PCA.

And the fourth one is around the capability build. You heard about the strategic initiatives, which are in train and plan for PCA. I call them the 2 Rs. The first one is reinforcing and expanding our current propositions. And there's a lot of work going on in this space. And the second one is reimagining the delivery and scope. So what I'll try to do in my presentation later on is to give you a financial dimension to the strategic and operational dimension that you've seen today. And that will hopefully complete the picture.

And the fifth one is really a measurement of success. And Mike referred to this again, saying our definition of success is very, very clear. And it's a high bar, it's a high bar. PCA and the group, we pride ourselves on growing 3 metrics in tandem: New business profits, IFRS operating profits and free surplus generation. And that's because, we believe that underpins the delivery of sustainable value.

Now as many of you in the room would know, maximizing any of these -- any one of these metrics is perhaps easier. But it certainly delivers suboptimal outcomes to customers and to shareholders. So PCA in this context has a very unique financial signature. And this underpins our execution. Lastly, if you do this well, these levers have multiply effect. And delivering very good outcomes to the company.

So I'm going to canter those -- canter through these levers real quick. The first one is, as I said, this is dead obvious. But it's not clear that the resilience, the long-term orientation for producers for the business or the compounding is that well appreciated in my view. So we -- our raison d'etre is to collect small contributions regularly from first-time consumers over a long duration.

Now what that produces is just very compelling. You see these small premiums coming in, they aggregate over time. And they start compounding, producing the blue bars. And they overwhelm anything that we might do, any premiums that we might collect in any one year shown by the red bars. And as you can see, that produces the resilience and the compounding across economic and market cycles.

Now this resilience is clearly very attractive for shareholders, because it produces a smooth progression on revenue. Then that flows through into profits. But it also gives peace of mind to our consumers, who at the end of the day are dependent on us to pay claims.

Taking a quick look at just the blue bars, the renewal premiums. I mean, the shape here is excellent. You see that they compound and they compound at scale, they've been very consistent. And is very diverse. And you see businesses getting bigger. Some -- you have 4 businesses now, who deliver more than GBP 1 billion of renewal premiums as compared to none 10 years ago. So this is a very attractive financial picture. And so far this year, the picture continues. You see renewal premiums are up 16% to GBP 9 billion with 8 markets delivering more than 10% growth.

Now new premiums are very critical over time to delivering this compounding. So indulge me here a bit if there is a -- just a bit of a lesson. So last year, we collected about GBP 3.7 billion of new premiums. About 95% of that was GBP 3.5 billion was regular premiums, first year regular premiums. Now over time, they compound the cumulative premiums as these small contributions come in from our customers, compound to GBP 18 billion, on a discounted basis. And as you can see, that's more than 5x initial amount of GBP 3.5 billion.

Now it -- that only works if you can hold on to these consumers. And we track these metrics very aggressively. And you can see the retention rate is -- as Mike said, is very healthy at 90%. So it gives you comfort that these premiums -- expected premiums are actually realized.

So what this tells you is that, it's not the level of premiums that are important, it's actually the duration and the mix that actually drive value for both customers and for shareholders.

So going on to the mix. So what this picture shows on the left is really a critical piece of our execution. We have a very conservative product set that offers low risk exposure to policyholders. And very complementary economics for shareholders.

So there are 3 points to make here. And I'll stick to the left-hand side chart, which shows you the economics of our products. The right-hand side chart just shows you the cash signature. So the first point to make is the returns, as you can see from the red bar, for PCA, are very attractive on a margin basis. And you can see across products, if you scan through the columns, the diversified product set produces great returns. The first point.

Second one is around the differentiation between volume and profits. So if you look at our 2017 picture of volumes, you see that about 1/2 of our sales came from participating products. Now participating products, as many of you know, have a very unique financial signature because they -- we have very little or 0 initial shareholder capital investment due to the unique funding model. And clearly, that produces long duration cash flows, which underpin our earnings. For consumers, it allows them to take or get exposure to a diversified asset base producing higher returns than otherwise.

And if you skip to H&P. And we talked a lot about H&P, health and protection today. You can see that they contributed almost 1/3 of our 2017 sales. But the NBP mix is clearly high, at 70%. So what's going on here? So you can see that H&P premiums are less than 1/4, premiums are less than 1/4 of the participating products. While the margins are about 4x higher, illustrating the higher risk that we take on behalf of consumers and this is underwriting risk, which is uncorrelated to markets. But this dynamic produces a very attractive financial picture for shareholders delivering high-quality NBP growth over cycles. So therefore, I would urge that to gauge our revenue progression, NBP probably is a much better metric to assess our financials.

So that brings me to the second point, which is around high-quality growth and our protection bias, which I referred to earlier. So the compounding revenues that are produced by high regular premium mix. And the attractive shareholder economics of H&P products, produces this kind of progression. So you can see that NBP has consistently grown. And I have also shown you the proportion of NBP that is contributed by health and protection, which has clearly ticked up over time. And Mark illuded to this in his presentation. NBP is really critical in driving future value for the company. So here you can see that NBP contributed over the 10 -- nine years shown, about 70% of the increase in (EEV) for PCA.

I'd like to make 2 other points here. First is, the operating variances and assumption changes were a very small amount, a mild positive, which reflects the conservatism of our assumption set. And if you concentrate on the small blue bar with the GBP 1.3 billion number on it, this shows you that impact on markets, which includes 2009, is awash, it's a mild positive. But it's awash. This illustrates that our business is more structural than cyclical given the capital allocation choices.

The last point I would make on this slide is that NBP is very critical in driving the stock of future value. So you can see that the value of in-force, which is just a discounted value of future profits, has gone up 4.5x from GBP 3.7 billion to GBP 16.8 billion over this period. So the question really is how does this convert into cash, over what time and at what pace?

So let me try this on you. So I'll take the GBP 20.9 billion of 2017 closing EV. That has a discounted fee surplus emergence, i.e. future cash on a discounted basis of GBP 18.7 billion. If I were to convert it into an undiscounted number and this is what you see in our 2017 financial statements, GBP 37.8 billion. And that's the cash signature of the GBP 37.8 billion. It unwinds to 2057. There's about more than GBP 6 billion of cash expected to be released over the next five years. So the unwind from the in-force is pretty steady.

What I wanted to show you is the accretive nature of new business, given that NBP is such a driver of future value. So for that, I need to roll a year back. So if you go to end 2016, your in-force cash flows are GBP 32.3 billion compared to the GBP 37.8 billion. And the bridge is just new business written in 2017.

So you can see on the right that the undiscounted cash from new business written in 2017 was GBP 5.5 billion, pre-new business investment. And these are -- and the new business has returned a very attractive shareholder economics, at a payback of three years, 40-year total of GBP 5.5 billion on a cash 10, which is our internal measure of what proportion of cash comes -- is released to shareholders within the first 10 years, which is 26% of APE. And this is what it does to your cash -- to your future cash. So in one year, new business increased your future emergence of cash by 17%, from GBP 32.3 billion to GBP 37.8 billion.

So that sets the context for the next slide, which is to show how does this cash emerge into profits and earnings over time, which is a real question.

So on the left-hand side, you see the stock of future value on an undiscounted basis. So what's this showing you? So you recognize the GBP 37.8 billion of undiscounted cash at the end of 2017. And in six years from end of 2011 to '17, you've seen it double primarily because of the stacking of new business. The blue bars are every year's new business, cash -- expected undiscounted cash from new business. So far so good. So this stock initially added at inception was GBP 25.1 billion from -- for these six years.

So going from the left to the right, you want to see how this unwinds and at what pace. So clearly, the in-force unwinds in line with the red bars. But what's really interesting is how the blue bars unwind.

So you can see that the blue bars unwind over time and here you have an interesting dimension where not only does it -- not only is the pace right. But the duration is long. So it gives you a steady progression that we are all accustomed to seeing. The point I wanted to get across was that to deliver this 14% growth in cash or in-force free surplus generation, we had only utilized about 8% of the undiscounted cash that six years of new business have provided. So of the GBP 25.1 billion, you've just utilized GBP 1.9 billion to deliver a cash growth of 14%. Said another way, you've got another GBP 23.2 billion of cash from six years of new business that will unwind over the next 40 years. That provides a great underpin to your future cash generation. And this converts into earnings. Clearly, this creates a flywheel effect because every year you add a new business, you're going to see the left-hand side tower grow higher. And it doesn't need to unwind at a huge rate to produce this double-digit growth on the right.

So that's our kind of the financial model for PCA. Very simply, we write high-quality new business at very attractive economics. This leads to compounding value that converts into earnings and cash. So that kind of sets the construct for what I'm trying to do next. So you'll see a bit of new disclosure here. So we'll show you -- or I'll take you through some of our -- a few of our select markets and illustrate how the compounding effect of new business and the conversion of cash comes through into our reported financials.

So the duration I've chosen here is five years to both reflect recent trends. But also to take a long enough duration so that it is representative of our business. So this comes under portfolio management. So let's skip through. So let's take Derek Yung's business, which is Hong Kong. And you should all be familiar with the stunning progression of this business. Embedded value has quintupled over five years. Over 60% of the growth has been delivered by new business. I'd also note that variances and market movements, which are captured under nonop, is positive.

So if you look at new business, new business has gone up 8x, reflecting volumes, which have gone up 4x and the rest just reflecting a richer H&P mix. Not only has H&P content gone up. But we've also been selling, as Lilian alluded to earlier, richer products.

And you can see that within the mix and quality bucket, H&P NBP has actually gone up 12x. And volumes here went up 4x, which means that you got the rest of the upside from this richer protection mix.

The customer mix, which I know is a great point of interest, has provided diversity to our financials. So if you look at the domestic business that has gone up 5x, the NBP has gone up 5x. And that has been aided by faster growth from the Mainland Chinese business, which obviously has grown from a very small -- from a very low base, aided mostly by higher H&P growth.

And this growth has converted into IFRS operating profits. So IFRS operating profits have trebled over the period. And you can see that insurance margin has actually grown faster. So you've seen higher-quality, fast growth earnings from the business. The IFRS progression in Hong Kong is interesting, given the unique mix of products we sell, Par and H&P. Par produces a steady underpin to your profits, while shareholder business reflects the profitability from the high H&P content.

So that's all about growth. How do you assess the quality of the growth that you've seen when embedded value has gone up 5x over the last five years? The first one is to look at the premium mix. And the chart here shows you 2 things. One, it shows you that the premium mix has been getting richer. So you can see that H&P content, which is shown in the first half, in the last line, you've seen MCH business is 27%, has gone up 7 points. Domestic business has gone up as well. And over these five years, H&P mix has gone up 6 points.

It also has significant regular premium buyers. So about 98% of our business is regular premium. So that's on an absolute length. You can see from a relative length. And this is -- these are statistics published by the IA. PHKL or Hong Kong business, Derek's business, has 30% share of the regular premium market. So that's what's going into our EV. So this is our premiums. And the second one -- the other lens that I've used to judge the quality of the business, is really the experience in our in-force. So first, the value of in-force, which as you would remember, is the stock of future cash, has a protection bias. No surprises here given that NBP has been -- NBP growth has been led by protection growth. And our customer retention ratio remains excellent. And this unwinds into cash. So you can see the cash profile. And it has got the characteristics that I outlined to you earlier, a steady underpin from the Par book and a richer shareholder mix coming through the blue bars.

Let's do the same one for Indonesia. This should get easier as I go through these markets. So I know a lot of debate around Indonesia on the financials. But you see very similar dynamics here. EEV shareholder's equity over the same period has gone up 2.6x, led by a growth in the value of in-force, which is up 1.7x.

Now we know that NBP progression has slowed. But that has led to VIF growing at a declining rate and still driving value because you're adding new stacks of new business, albeit at a slower rate. And this new business has very good economics. So you can see the payback on the slide. So the question is, how does it convert into IFRS profit? You can see that IFRS profit has doubled over these five years. Again, insurance margin has outpaced the overall delivery. So the IFRS profit here has 2 dynamics. What you've seen here is the stacking effect of new business, has allowed fee income to grow on a growing in-force. But, more importantly, you're also seeing growing insurance margin from the stacking of new business.

So that's -- those are numbers you know. You can see from here the inflows -- the undiscounted cash that is expected to emerge from Indonesia over the next 40 years. And that's a handy GBP 4.7 billion. And this will provide the earnings and cash underpin as we take the actions that Nic and Lilian alluded to and as we pivot this business to grow. So the message here is that there is a steady financial cushion, giving the teams the headroom to fashion a turnaround.

I'm going to do one more. So China, internally, we call it a start-up business, has -- we just started in China in 2000. And it exhibits exactly the same dynamics. You can see that EEV growth -- EEV has quadrupled over these five years, led by new business. But also led by scale effects, which is in the in-force growth and variances bucket. And positive experience. So as we've grown the business, we've seen expense leverage come into the business and some of the assumptions that we rightfully were very conservative from a -- in a start-up as we get more experienced, that gets released into the EEV.

Very familiar picture again. You can swap some of the names here. The NBP has gone up 6x over this period. Volumes have gone up 4.5x. So the rest of the growth is just richer H&P mix. Viewed through either profit lens or a premium lens, the progression is just excellent. So you've seen H&P APE mix go from 28% to 42%. And the H&P NBP mix going from 39% to 62%. And you recall that, at the PCA level, H&P is 70% of our NBP. And it's a highly regular premium business. So it's a high-quality business, with 98% regular premium.

So the same dynamic again. IFRS profits have followed this progression, quintupling over the period, led by insurance margin outpacing the overall growth. This shouldn't be surprising, again, given the high H&P content -- growing H&P content within the business.

You'll be relieved to know that I'm not going to do this by every market. So I'll do a consolidated view for the rest of the markets and apologies to Wilf if I'm not calling out Singapore separately. But you can see that the rest of the businesses have seen similar dynamics. You've got Malaysia, Singapore, Philippines, Vietnam, Thailand, India and Taiwan in here. India has doubled, with NBP leading most of the growth. And you can see that the NBP mix for Singapore and Malaysia is dominant given that they are older businesses.

EEV growth is translated into IFRS profit, nearly doubling over the period. And you would expect that the more nascent businesses, Thailand, Philippines and Vietnam, have grown at a faster rate.

Moving on to the -- moving on Eastspring. Nic referred to the synergistic appeal of the asset. You've seen the structural life flows give us the opportunity to incubate a very successful and growing third-party business. So you can see that the flows almost match each other, producing a compelling proposition for both shareholders and for customers. You heard from Eastpring around the strategic initiatives. I'll come back to the financial impact of some of these initiatives later on in the presentation.

So at a portfolio level for PCA, we have a collection of high-return businesses, which have compounded earnings at scale, both in Eastspring and in life with diversity. So the business is getting real scale, as shown on the right. And these earnings have been high quality. So as I said to you, this is a pretty high bar.

So moving on to a more shorter-term period, looking at Q3. You guys have all read the press release, you have seen that the sequential momentum has improved. So Q3 sales are up 9% compared to the 6% in Q2, leading to a flat outcome for the year-to-date.

You see some similar dynamics that I outlined earlier. You can see that it remains a regular premium business. 94% of our business is regular premium. And H&P mix has actually ticked up 1 point. NBP progression is faster. And I'd urge you to remember the earlier slide around the relative sizes of the premiums and the richness of H&P products in NBP. So NBP growth is 15%. Most of it has been driven by improving mix, positive variances, positive effects on our existing business and some management actions around pricing in Hong Kong.

The mix effects by country. It remains very, very healthy. So here, you can see that 7 out of 12 markets had positive mix movements. So we've taken significant action again in these markets to change mix. China, Hong Kong, Singapore and India saw improving H&P mix, producing high-quality NBP growth. Malaysia, Vietnam and Thailand, we've seen a lift -- we have seen a shift into linked, in Vietnam from Par, in Thailand from non-Par and Malaysia into linked protection. And you can see that the product-level NBP growth has followed as a result of these actions. So that completes the life picture.

On Eastspring, you can see that the structural and cyclical dynamic play out this year, given what markets have done. So you've seen GBP 5.7 billion of internal flows, which have offset the external net outflows, which have mainly been led by our institutional business, which has seen outflows of GBP 1.5 billion because of mandate and regulatory changes. And the retail business saw GBP 0.5 billion of outflows, mostly in the Third Quarter due to lower inflows in India and China.

As a result, our average FUM is up 11%. But our closing assets under management are up 7%, reflecting the acquisition of TMB Asset Management, which contributed GBP 9.3 billion of assets.

So if you indulge me here. So that is the absolute picture. The relative picture remains very strong. So if you are to compare our relative growth profile measured by NBP as a proportion of EV to a select group of multinational or regional peers, in Asia, you can see that our EV compounds at a higher rate because of NBP growth and it's 50% higher than the peers who remain unnamed on this chart.

On the right-hand side, I wanted to take a moment to talk to you about the portfolio. So what this shows is our regional portfolio of businesses. And as Nic alluded to -- Nic alluded earlier, we have top 3 position in 9 out of 12 markets. Eastspring investments is the leading asset manager in Asia. And you can see the earnings mix. The earnings mix across our markets is very balanced. And they're growing at pace and high quality. So that gives you a sense of the portfolio affected in PCA. What this allows our local teams, our market teams to do is to deal with cyclical effects. And while dealing with those cyclical effects, not compromise our value delivery or, indeed, the regional delivery.

So I promised at the beginning that I would give you a financial assessment of some of these strategic initiatives that have been outlined today. So that's what this is aiming to do. So you saw our strategic initiatives today were in 2 groups. One is leveraging existing capability. And the second is to build new capability, to drive 3 strategic outcomes: one, to extend our leadership position, (comes up); second, to access new revenue pools, which will accelerate our business; and third, to pursue new opportunities. Now the financial outcomes of these initiatives will be driven by the performance levers listed on the left-hand side.

Now the bubbles, which will come up soon, is an estimate of the financial impact, which show you 2 things: one, the relative scale of each of these initiatives and their impact on value; and the shading will impact -- will display the variability of the outcomes.

So let's take actions in our core. So actions in our core comprise actions across distribution, products and operations. And these have near-term impact, as you can see from the bubbles -- the positioning of the bubbles. And they leverage existing capability. And you shouldn't be surprised, they have the most upside.

You heard about our focus on health and protection. Initiatives here, from a value perspective, span the entire capability and time dimension. So activity 4 is the narrowing of the health and protection gap, which Lilian referred to around our deployment of products across the region; 5 is implementation of Babylon, which you heard about in Malaysia and then later on in Indonesia; and 6 is the digitization of our health platform over time and that's sitting in the new opportunities bucket.

Eastspring. Actions undertaken to broaden our investment range and/or expand our regional presence have -- is clearly new capability, new capability to the company but they will have near-term value impact. And clearly, the digital build-out, which is bubble 9, future-proofs this business.

So the last set is new customer segments. So you see the focus on SME and high net worth propositions, which are already in flight. And you would have heard about them in the (carousels), have a similar impact to the 7 and 8 on Eastspring. So they have -- these are bubbles 10 and 11. So they'll create -- they're creating new capability clearly. But they have near-term financial impact.

And the last one is the retirement solutions, which, as Mike alluded to and Nic referred to it, is a significant long-term opportunity. And we are taking some initial steps in Hong Kong and Singapore.

So the key point of this slide is that PCA has multiple performance levers to generate both value and resilience. And this underpins the financial outlook for the businesses.

I'm going to canter through these. These are very familiar pictures for you. The business has been compounding at scale across all the 3 metrics. And you're all familiar with these -- with the return profile. What's not on the slide though, is the strategic and commercial capability that the businesses are built. And these are enduring. And they will underpin our financial progress going forward. All this slide is saying is that these returns have -- these financials have grown at good returns and delivered value for shareholders.

So in summary, the performance recipe for PCA is well aligned to the structural trends in Asia. Our business model construct has long-term compounding. And it is uncorrelated to investment markets. The regional portfolio of businesses, which are high return and very diverse and high quality, produces a portfolio effect, which allows us to take cyclical impacts in our stride. And lastly, the strategic choices and initiatives that we are undertaking at PCA underpin our resilience, our future financial outlook and will generate long-term sustainable value for PCA and for Prudential plc.

That's all I was going to say. So thank you very much for your attention. And I think we're all on the stage for Q&A. So team PCA?

Questions And Answers

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

We are missing Lilian and Andrew. Andrew, can you join us on the stage please?

A - Chantal Waight {BIO 4315288 <GO>}

Okay. We're happy to take the Q&A. We have got a hard stop at quarter past 6 in order to get on to the dinner. But we've got a group session tomorrow, where we can take any other questions that don't get asked in this session. If you could wait until you have a mic handed to you and if you could state your name and institution as well, that would be much appreciated. Okay. Thank you. So maybe if we can have Jon?

Q - Jonathan Michael Hocking

Jon Hocking from Morgan Stanley. I've got 2 questions on China, please. I thought the slide you put up was very interesting, about the maturity of the provincial licenses and how the sales have a big lag. Sort of striking you've got sort of roughly 50% of sales coming from the original 2 provinces. What can you do to accelerate the distribution rollout in the new provinces? And what are the CapEx implications of that? And how does that impact with your JV partner? Do they have the appetite for putting the CapEx into those Prudential licenses? Then the associated question, what are the pros and cons of increasing the ownership in a JV?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Okay. Lilian, would you...

A - Lilian Ng {BIO 4943480 <GO>}

I'll take the first one? Yes. In terms of -- I think if you look at where we have the 2 top, it's actually correlated to, if you look at the premium of the top 10 provinces. So I think it is where -- I mean, China is 50 -- 20-something provinces. So it's depending on the economic growth of each. I mean, as I mentioned to you, Hunan, which we -- it's a rising province. And that's why we are able to make that APE and NBP grow faster. So it's not that we're not investing in it, we are. I think it just takes time depending on the economy of that place. So...

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Yes, look -- thank you, Lilian. And just to reinforce Lilian's point, it's a speed and quality trade-off. We -- it is China. It is easy to get things wrong, unless you're careful. That's why I was very deliberate in my statement that we have a quality-first approach and a strong risk approach consciousness in the way in which we do that. The important thing is that we go in and we do it well rather than necessarily fast. Whilst the CBRC can license us to enter a province, often there are local province requirements that we have to meet before we can actually make a sale. So it's -- in some places, not universally, it's -- there are multiple gates. So again, we take our time and do that right. To your point on, is there any misalignment between us and CITIC? Absolutely not. Both of us are very pleased with the performance. We are -- the meetings that I chair, they're very active -- participate -- how they participate in the board meetings, pushing like we do, management, to do more and faster within the risk and quality constraints. They are just as keen as we are, if there are opportunities to accelerate and invest. The decision around setting up an additional asset management company underneath to give us the investment flexibility was joint. That will require some capital. As we apply for a pension license, again, that's a decision that was taken jointly, which we both supported very strongly. And that will also require us to commit some of the capital. Now some of the capital is present within the company. So no, there is no difference between us. Look, the pros and cons of doing more -- of owning more, we'd like to know -- own more not because we think alone we can do something different, better or faster. You saw Lilian's slides, they have 80 million customers. The reach that they have within China is phenomenal as a state-owned enterprise and one that is involved in a whole host of other industries and sectors. It's not a -- we'd like to own more because 70%, 80%, whatever the number is, of the economics is more valuable than 50%. So -- but we do believe. And I've said this on stage before, that in China it's important that we operate with a respected partner, who understands the system. It's a well-respected state-owned enterprise. So it's not somewhere where I would like us to be there on a 100% basis.

A - Chantal Waight {BIO 4315288 <GO>}

Any further questions? Okay. If you could keep your hand up. (Heather). Mic over here.

Q - Unidentified Participant

Two unrelated topics. First is, could you talk about how you're going to monetize Babylon and what you expect the incremental free cash flow to be? Then how much moat is there on that value proposition? Then second on Indonesia. You mentioned that a competitor had liquidity issues in October. So what impact is that having?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Okay. Do you want to talk about Indonesia?

A - Lilian Ng {BIO 4943480 <GO>}

The Indonesia? I think, I mean, the impact -- there is impact where the local player that we spoke of, obviously, they also operate a bancassurance model. So actually, obviously, there is some sentiment from a consumer's perspective to buy insurance product in the banking environment and, I think, that's where the regulator and the rest of the industry needs to address. So I think we need to work on that one. I think, from our perspective, we continue to focus on regular premiums. So I think from our product delivery perspective, I don't think there's any impact. But I think it's more from a consumer confidence that their products like -- they're not meeting the maturity claims.

Q - Unidentified Participant

(inaudible)

A - Lilian Ng {BIO 4943480 <GO>}

There will be. But I think -- at this point, I think the nervousness of -- suddenly -- because this is a reputable insurance company, right? It's a local company. It's actually a state-owned company as well. So I think it will take time for people to understand what's happened.

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

I think, to Lilian's point, it validates the approach that we took not to participate in this particular type of business. I mean, clearly, in the intermediate aftermath of the liquidity issues that are being faced, this isn't the time to be triumphalistic about it. We will let that issue play out. And at the appropriate point, yes, we will remind people of the benefits of our propositions and our approach. Look, on monetizing Babylon, it's -- I gave you at least some hints in the presentation in the areas, in which -- in the way in which it will deliver value. I mean, clearly, our first priority is to deploy it to many millions of customers that actually hold health policies with us. These are customers that are claiming. I said we have USD 1.6 billion of premiums so, clearly, there's a lot of claims that come with it and the ability to defray costs, reduce frequency and severity, is significant. The -- it will be used as a customer acquisition strategy. Ever since we've made the announcement, there are numerous types of organizations that are interested in partnering with us and sharing their customer lists with us in the very -- in the first instance. And the other area that we are looking at. And I referenced it in my presentation, there are 216 million diabetics. Those people are uninsurable today because they are diagnosed diabetics, they're not in a prediagnosed basis. We've been talking with reinsurers about pricing a product in a way that makes it affordable for people to buy, as I said, provided that they adhere to certain lifestyle behaviors. So look, we've got many ideas. And I look forward to sharing more information on this once we're up and running.

Q - Unidentified Participant

(inaudible)

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Sorry, I didn't catch that part of your question.

Q - Unidentified Participant

How difficult will it be to replicate it?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

How difficult it will be to replicate?

Q - Unidentified Participant

Yes. (inaudible)

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Look, I mean, we think, ultimately, the technology that Babylon has is unique. We didn't partner with the first company we came across. We did some deep research in this particular area. We know pretty much everything that's happening, both in Silicon Valley, in other parts of China. We were very -- yes, as I said, we were particular in the way we assessed who we work with. As I said in my presentation, we like the fact that this is up and running. We like the fact that it's got accreditations in the U.K. and in a number of other parts of the world. And we liked the fact that it is genuinely scalable because of the AI nature. So look, ultimately, things can be replicated. But there are first-mover advantages. Your technology (rally) is four years old. But it's already got the, effectively, the experience and the knowledge of a 10-year qualified doctor. That is -- the machine learning accelerates very, very fast. Some of the statistics are staggering. So there will be other apps, there will be other devices. But we're up and running. And we're pleased to be partnering with Babylon.

A - Chantal Waight {BIO 4315288 <GO>}

Can we have just one question each to get around more people please. (Greg)?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Is this -- you're giving me feedback that my answers are too long?

A - Chantal Waight {BIO 4315288 <GO>}

Well we've got half an hour. People are keen to get to dinner.

Q - Unidentified Participant

Mine is around the -- you moving to the Hong Kong solvency regime. And the current mindset is that's going to move to Solvency II, which would be great for you guys. But I've heard some commentary that it will go to Solvency II-light regime And does that mean there'll be some kind of release on a proven capital position. And a supplement as b, on the same question is, could you just talk about the back book on the Universal Life. I know you've exited that market. Do you not have a substantial back book with an ALM issue there? I don't know if you just want to update on that?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Okay. Do you want to cover the universal life?

A - Raghunath Hariharan {BIO 20450777 <GO>}

Sure. I mean, look, the Universal Life product is mainly in Singapore. We've got about GBP 1 billion of liabilities. These are within our portfolio of GBP 87 billion. I mean, this is de minimis. And our capitalization in Singapore is about 200%. So I think we are in a great position. And it looks good on an RBC basis as well.

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

And we've taken some reinsurance...

A - Raghunath Hariharan {BIO 20450777 <GO>}

Reinsurance, yes. So we've taken some derisking actions on the tail.

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Yes. Against adverse spread and interest rate movements.

A - Raghunath Hariharan {BIO 20450777 <GO>}

Yes.

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Look, on the Hong Kong solvency regime, there is a quiz exercise that is currently being undertaken. Like everyone else in that particular market, our Hong Kong team is basically running those numbers. They'll be submitted later in the year. And of course, there will be a third exercise in the course of next year. I think it's just too soon to give you any messages as to the directionality or otherwise of where that regime may end up. Thank you, (Greg).

A - Chantal Waight {BIO 4315288 <GO>}

Colm, one question, please.

Q - Colm Kelly {BIO 19140684 <GO>}

Thank you. I don't know if I've ever asked just one question. But I'll give it a go. Just on China and following up on Mike's opening comments around capital allocation and deployment being a key differentiator here for the business. How does the risk-adjusted returns on capital of China compare with the rest of Asia? And also, how does the risk-adjusted return on capital of the emerging Asian markets compare with the more established markets currently? And maybe just give some color on what exactly is the risk-adjusted return metric. I know, in the U.S., returns were viewed on a statutory capital generation basis. In the slide pack, for Asia, there's a new business profit over EV equity. So maybe just a little bit of color on what that risk-adjusted return metric is in Asia and how China compares and emerging Asia markets compare with the wider Asia markets?

A - Raghunath Hariharan {BIO 20450777 <GO>}

Look, I mean, in my presentation, you've got a new -- on the new business, you've seen the payback periods, it's between 2 to three years. And primarily with the right health and protection business. So if you were to use a cost of capital calculation, the beta would be quite low given the local relation with markets. I mean, there is another external published metric, which would be an ROE, which is well north of 30%. The other way I'll answer this question is to say, look at our liability profile. And there's not much balance sheet risk. So that gives you a sense of both the R and the E. The capital allocation framework, we'd like to have more. The opportunity set is significant. Our capital allocation framework, as I set out at the beginning, is very, very clear. We choose where to play and we choose where not to play. And (Greg's) question around Universal Life in Singapore is something that we walked out of. And it hurt us for a year or 2. Indonesia has been the same. We didn't play in the traditional market. The traditional market is going gangbusters. So our capital allocation framework is very clear. We understand the risk-adjusted returns for each of these markets. And I think you judge us by our delivery in terms of the growth in EEV, growth in NBP and delivery of profits.

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Yes. I mean, the nature of the risks that we write in China are not really that different or the products, at least, different to what we do elsewhere. We said it's 42%. It's regular premium business. A lot of it is savings, part -- for the most part. Some unit-linked. But not a lot. Hardly any effectively endowment spread-based business. So no, we like that profile. It's in with kind of the risk profile that we seek across our portfolio of businesses. And as I said, because we adopt a very quality-first approach with a keen eye on risk, we don't feel that we have to carry too high kind of additional risk margins over and above, say, some of our other similar markets that are in the similar phase of growth.

A - Chantal Waight {BIO 4315288 <GO>}

Thank you. Andrew?

Q - Andrew John Crean {BIO 16513202 <GO>}

Andrew Crean, Autonomous. When will you return to growth in Indonesia? And what are the drivers which will lead that?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Well I mean, the drivers are the ones that we've kind of covered today. Firstly, you need a positive environment. And Lilian put up in a slide some of the reasons that have caused the environment to be a little subdued. But the reality is, for all the stats that we set out, it is an underpenetrated market. And it is -- people are getting wealthier. The demand for health and protection is just as big as anywhere else. So the flows will come into the market. So at that point, then how many -- can we secure an appropriate level of those flows in the same way as we've done before and grow it? Absolutely, we can. You saw all the examples, all the initiatives that we are taking, be it in segmentation, be it in the products that we were offering. Yes. We're looking to enter new channels, including nontraditional, because there are a number of companies now in Indonesia that have amassed a massive customer base, new economy-type companies. So it's not just about banks, it's about partnering with some of those. And we're retooling the business. And you saw in the showcases some of the work that is being done there or, indeed, some of the work that is being done elsewhere that can be, ultimately, transferred capability-wise into Indonesia. But no, I'm not going to call the inflection point, we'll -- you'll see it when we report it.

A - Chantal Waight {BIO 4315288 <GO>}

Can I have Barrie?

Q - Barrie James Cornes {BIO 2389115 <GO>}

This is Barrie Cornes, Panmure Gordon. My question, it flows on from the breakout sessions where I learned that it takes about five days to recruit, train and license an agent, which is about the same time I'm in Singapore. Can you just comment on potential misselling going forward? I know you've always had a robust position going previously. But could you just reaffirm, please?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Okay. Lilian?

A - Lilian Ng {BIO 4943480 <GO>}

So his -- your question about the Indonesia five days...

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Yes. The six days to train a -- I thought it was 6, not 5.

A - Lilian Ng {BIO 4943480 <GO>}

So that -- what those six days, is actually training enough for them to get a license. So after that, there are other trainings for them, one they start selling. There is other training in terms of sales management and so on. That's purely for onboarding. So that's why, licensing first and then onboarding. So I think, in Indonesia, because of our scale, we've been able to hook up with the OJKs that we can do the licensing directly with OJK, whereas a lot of companies may not be able to do so.

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Yes. I mean, there will be additional training, of course, that follows. Remember, these are not sole traders. They will always come in as part of a general agency. They will be appropriately supervised by a leader. And there is a whole infrastructure within these general agencies. I'm sure you've been on some of our Singapore trips. And you've visited some of the larger ones. So there are a lot of support mechanisms, including buddying. Sometimes the sale will be done alongside an agency leader. So no, the -- ultimately, quality of what we write and what we offer our customers is paramount. And no, we don't just rely on the six days that it takes to get -- to effectively get the card from the OJK .

A - Chantal Waight {BIO 4315288 <GO>}

Abid?

Q - Abid Hussain {BIO 20229932 <GO>}

It is Abid Hussain from CrÃ©dit Suisse. Just one question then in Hong Kong. I was just wondering, can you share your thoughts on the likelihood of a Big Bay Area opening up to Hong Kong insurers? In particular, do you think you will be able to service claims locally across the border for the Mainland Chinese customers? And later on down the line, do you think you'll be able to actually sell policies to the Mainland customers across the border?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Do want to have a go, Lilian?

A - Lilian Ng {BIO 4943480 <GO>}

I think there -- currently, our understanding is there are discussions with -- I'm not sure (whether) our Hong Kong regulators (are here). I think there is discussion with the Chinese regulators. I think the concern is whether when a Mainland Chinese customer purchase a policy in Hong Kong and when it comes to the time of whether surrender or maturities, that the money actually flow back to China. So the negotiation is whether we can set up sales -- not sales, servicing offices in a Greater Bay Area is purely to -- actually to service and to actually pay claims. I think that's where the discussion is. At the moment, I don't think that we will be allowed to be selling in the Greater Bay Area. That's not the intention.

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Yes. I mean, look, the ambition, ultimately, to allow free transfer of people, goods, services and, ultimately capital has been there for some time in the minds of the authorities in Hong Kong. What is interesting is that Dr. Moses, who you'll get an opportunity to meet later. And Clement Cheung have now been public in -- or have made that ambition public. That wasn't something that, that was receiving the amount of airtime as it has -- as it's doing now. And again, with all these things, they start small and who knows where it may lead. But they're very clear that their ambition is to make Hong Kong effectively their financial services and risk management hub of that particular part of South China, not least to act as a gateway, whether it's through Belt and Road into ASEAN or indeed into -- in all other regards into Southeast Asia. So the way they're talking about this, they're using the term insurance connect, I think, Insure Connect?

A - Lilian Ng {BIO 4943480 <GO>}

Yes.

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

They're talking about at least initially allowing the servicing of policies, maybe even allowing sort of payments be made directly into China or even premium collections. Then over time, that will spread into more and more openness. No time line on it but the direction of travel or at least the ambition of the authorities is very clear. And it's 2 ways, right? It's not just Hong Kong, ultimately, selling into Pearl River Delta, it's also allowing insurers in that part of China to transact into Hong Kong as well.

A - Chantal Waight {BIO 4315288 <GO>}

Okay. Great. And we've actually got a question in from the web, which is, can you tell us about your preparations for a new pension company in China?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Well the -- again, it's -- thank you for that Chantal. It is China. It's not instant.

A - Lilian Ng {BIO 4943480 <GO>}

Yes. I think we have intention, as -- I think as Nic said. And the board has agreed. So firstly, I think we need to go to CBRC to actually voice our intention. I mean, what -- the receptiveness is there. I think if we do that and then actually, we do get a pension license, we will be the first foreign JV to get a license. So we're still in discussion with the regulator. So firstly, they have to bless that you can submit for an application. So that's in discussion at the moment.

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

I mean, we are very active in that debate. Earlier in the year, if I can maybe add 1 or 2 maybe peripheral points to what Lilian said. Earlier in the year, we signed an agreement, a memorandum of understanding, to work with the Development Research Center Council, that's the state's, if you like, research arm. So -- and to do a 2-year study on the preconditions that need to be in place for a pension system to flourish. I mean, I think we were delighted that they selected us. We've previously done some work jointly on the role that insurers can play in terms of supporting infrastructure investment as part of their Belt and Road Initiative. It is no coincidence that they asked us, given the expertise that we have, given the position understanding that we have China, certainly, reputationally to work with them on this particular topic. So a number of, if you feel like, official bodies are increasingly engaging us on that particular topic. And I said, we were delighted to be one of 2 foreign entities. It was us and Generali. Why Generali? Because they're big in the group business, that were allowed to participate in that pension pilot in the 3 cities that I referenced. So it -- yes, there is a process to go through. And we know how to do that, given everything else that we've approached the CBRC -- or the CIRC in the past.

A - Chantal Waight {BIO 4315288 <GO>}

Okay. Johnny?

Q - Johnny Vo {BIO 5509843 <GO>}

It's Johnny Vo from Goldman Sachs. Just one question then. I guess, assuming that the free surplus is a good measure of excess capital, I guess, how fungible is all this capital given that some of the capital supports business locally? And related to that, do you centralize your capital and liquidity or do you keep the capital within the subs when you make -- particularly when you're making big acquisitions like the TMB Asset Management business?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Do you want to answer aspects of it? Then...

A - Raghunath Hariharan {BIO 20450777 <GO>}

So I think, look, our philosophy always has been to leave capital within the business units so that they have enough excess capital, a, to absorb market shocks and, b, our philosophy is also is that when you leave enough capital in the business, it actually allows counterintuitively capital to flow freely between the businesses to PCA and then onwards to group. So therefore, the free surplus construct at a PCA level just gives you a aggregate position. But that's not really an economic view. I think there are 2 or 3 pieces missing. One is there is no diversification impact because it's an artificial addition of all the surpluses within the business units. Clearly, on an economic view, the surpluses will be much larger, which really gets earned and supports the businesses because of diversification benefits within the business. So short answer is, we upstream capital, capital that's required, to service dividends. In terms of capital injections, look, I mean, where -- if there is capital within the subs because of accounting considerations that is trapped, then we can, clearly look at efficiently using those for investments and/or smaller acquisitions. But acquisitions depend on the scale, something like TMBAM clearly will be funded out of central resources and that might be at a regional level or a group level. But having said that, I mean, this is mostly an organic growth company. And the capital velocity of this company is significant.

A - Chantal Waight {BIO 4315288 <GO>}

Blair?

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

It's Blair Stewart from BAML. Just on the plc capital position. The group today has a solvency ratio above 200%. You've said the U.K. will be capitalized at 170%. So I guess, you could surmise that the plc business has got a Solvency II capital ratio of 250 or something like that. But of course, Solvency II will not be the capital regime. So can you give us an idea of how we should think about the capitalization of the plc? Is it adequately capitalized? Is it overcapitalized? Is it undercapitalized? How do we need to think about it?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Okay. Thank you, Blair, for that question. I'm sure Mark will look forward to answering it during the Q&A session tomorrow. Can we go to the next session, please?

A - Chantal Waight {BIO 4315288 <GO>}

(Brian)? Okay, Andrew?

Q - Andrew Baker {BIO 20402705 <GO>}

Andrew Baker, Citi. Just a question on retention, please. So it's obviously key to the compounding of your business. And it's been exceptional lately. So what have you done differently versus your peers to maintain at this level? And do you see it sustainable at the current levels?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Lilian?

A - Lilian Ng {BIO 4943480 <GO>}

Sorry...

A - Raghunath Hariharan {BIO 20450777 <GO>}

We didn't hear...

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

What are we doing -- maybe he'll repeat the question.

A - Lilian Ng {BIO 4943480 <GO>}

Yes.

Q - Andrew Baker {BIO 20402705 <GO>}

Sorry. So it's on retention...

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Retention.

Q - Andrew Baker {BIO 20402705 <GO>}

So retention's, obviously, key to the compounding of your business that you've laid out. And it's been exceptional of late. What have you done differently versus your peers to maintain this exceptional level? And do you see it as sustainable going forward at its current levels?

A - Lilian Ng {BIO 4943480 <GO>}

You mean, just overall? I guess it's because of our focus on regular premium, we've seen good persistency and retention of our products. And I think something that we've been doing is, as we explained earlier, I think by doing more value-added services, that actually drives royalty, drives persistency and that has helped us over the years. So again, I think, because of our focus on regular premium, customer retention is part and parcel of that.

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

I mean, there are many -- there are a number of other factors. I mean, clearly, the quality of your distribution is a factor. And Derek Yung addressed the question in one of the showcases, which Sam was leading on, that, ultimately, yes, we put a lot of stall by the people that we hire, the training that we give them, the tools that we deploy to allow them to do that. The financial needs analysis that we undertake is, in many cases, higher than the regulatory minimum. We set those standards centrally. And I think all these things contribute and the brand, everything pretty much that I've covered earlier. And at the end of the day, you have to deliver for customers, whether that is investment return, whether that is effectively fulfilling and paying a claim and all these things, all these are attributes of our business that we do well. And we've done that pretty much from day 1. That's why we think that is one of the core capabilities and a strong underpin to the performance that you've seen us deliver.

A - Chantal Waight {BIO 4315288 <GO>}

Question over there?

Q - Unidentified Participant

With the expansion of asset management-type products and Robo Advisory and those types of services, can you talk maybe about how you're preventing or guarding against cannibalization in the channels away from the core insurance products that have investment-like properties to them?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Go on, Guy.

A - Guy Robert Strapp {BIO 15272859 <GO>}

Okay. So what we've come across in the Alkanza presentation, are the pilots that we're on the verge of completing in Taiwan, which is for our direct channel and the pilot that we're about to embark on for Malaysia, which is, again, through our direct channel, although there it's slightly different because in Malaysia we engage with some of the agents who have the capability in licensing to be able to have that level of conversation around a mutual fund with an end customer. We've obviously, only just started our conversations in Thailand. And we'll develop a road map by year-end for the engagement there. And that's 2 factor, that's both with the asset management's direct client base as well as with the clients that come through Thai Military Bank. Beyond that, with the -- with those pilots and, hopefully, the successful embedding of those, we will look at other markets. So there is a purpose in having one in China and one in Southeast Asia in that if Taiwan works to the way in which we want it, it's portable into markets like Hong Kong and China. And we're already thinking about how we might use Malaysia, partly in Thailand and also in markets like in Indonesia, et cetera. We're not restricted with this tool to only thinking about either doing something in what you might call the wealth ecosystem with the life agents or with where we have direct customers, which is limited, except for India, to those 3 markets I've mentioned: Thailand, Taiwan. And Malaysia. But we can also explore. And we have had some discussions with some of the intermediaries, some of the banks, Indonesia, for example, where a tool like that in partnership with us in a very open architecture model, is something that's of interest. And we've had some preliminary discussions in a couple of markets around the intermediated channels as well. So I think it's got multiple applications. But we want to start walking before we're running.

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Thank you, Guy. Look, we're alive to the risks as you can imagine. The proposition in Taiwan is a very high net worth proposition. So I guess, what I'm saying is that, it does -- the robo-advice, particularly with the sort of discretionary asset management piece, it's just a different segment. And it goes through a different share of wallet to maybe -- where some of these traditional savings products, that we sell through our life operations. We think it can be complementary, not least as Guy said, that it can potentially give us access to channels, banks or indeed kind of maybe nontraditional ones, where we just haven't had a foothold in the past. And I'll go back to all the structural trends that I opened the presentation with. Gosh, the levels of penetration across traditional life, wealth, health, retail asset management are so low. It's a race for building out that penetration. So the more tools we have, the faster we will sprint.

A - Chantal Waight {BIO 4315288 <GO>}

Thanks. Question over there. That will have to be the last question.

Q - Scott Russell {BIO 17965886 <GO>}

Scott Russell from Macquarie. Can I ask the question about Malaysia. We haven't really spoken much about it today, as ever Malaysia's a moving feast. Most recently, the budget announced an interesting initiative around health care, focused on the bottom 40. There's some talk that, that will be funded by foreign insurers. To what extent should we expect Prudential and the foreigners to contribute to a B40 health care initiative, either as an investment or a levy on profits?

A - Nicolaos Andreas Nicandrou {BIO 15589153 <GO>}

Okay. I mean, look, we're clearly not at liberty to discuss. I mean, we have many conversations with the authorities, with the local regulator. And we don't typically discuss these in settings like this or in public. The position in relation to our ownership, which I think this is what your question is getting to, is at one level unchanged. But it's a little nuanced. As you know, we, like a number of other of our peers, we've enjoyed 100% economic benefits from the conventional business, even though the law said that foreigners are limited to 70%. And we were not -- as I said, we were not alone. Therefore, our ability to continue on a 100% basis is the subject -- has been actually the subject of discussion with the local authorities for some time. Laterally though and, certainly, before the elections, those discussions were on a very narrow path of divestment. With the change of government, the discussions are now examining broader options -- kind of -- then we will update you when those discussions have concluded.

A - Chantal Waight {BIO 4315288 <GO>}

Thanks. I think that's it. Thank you.