

Q3 2014 Sales and Revenue Call - Interim Management Statement

Company Participants

- Barry Lee Stowe
- Michael Andrew Wells
- Nicolaos Andreas Nicandrou
- P. Chad Myers
- Tidjane Thiam

Other Participants

- Andrew J. Crean
- Andy Hughes
- Blair T. Stewart
- Greig N. Paterson
- Jon M. Hocking
- Oliver G. Steel

MANAGEMENT DISCUSSION SECTION

Operator

Hello and welcome to the Prudential Plc 2014 Q3 IMS Conference Call. Throughout this call, all participants will be in listen-only mode and afterwards, there will be a question-and-answer session. Just to remind you, this conference call is being recorded.

Today, I am pleased to present Group Chief Executive, Tidjane Thiam.

Tidjane Thiam {BIO 7518525 <GO>}

Thank you, Jerry. Good morning, everyone. I am joined this morning by Mike Wells from the U.S.; Barry Stowe from Asia; Nic Nicandrou, CFO; Pierre-Olivier Bouée, CRO, to comment on our Q3 results.

Today, we have reported a strong performance for our group in a challenging environment. Prudential, as you know, is an international company with operations in many geographies and currencies. Unlike many other sub-businesses, the balance sheets of all our local business units are currency matched so we carry little economic exposure to FX. We are essentially domestic businesses in each of our markets.

Therefore, in periods of significant FX volatility as we have experienced this year, we believe constant exchange rates give you the most accurate view of underlying performance of our non-British pound. So, on this basis, the group's new business profits have grown by 17% in the first nine months, outpacing APE growth of 14%.

So, let me take you through the highlights for each of our main business units starting with Asia. In Asia, new business profits for the nine-month period grew by 15% to £775 million while APE grew by 14% to over £1.5 billion at £1.504 billion. Our sweet spot markets were key to this performance, delivering NBP growth of 17%. Our asset management business, Eastspring, has had a good year to-date, generating third-party net inflows of £3.7 billion, 95% higher year-over-year led by key institutional equity mandate wins.

Our teams have worked hard to deliver a strong performance in this quarter, a period characterized by continuing political and macro uncertainty and higher volatility in FX and equity markets. We have now extended our quarter-over-quarter sales growth track record to 20 successive quarters in the life business in Asia, while also generating strong inflows into our asset management business.

Moving to the U.S., we continue to focus on value over volume with NBP growth of 16%, outpacing APE growth of 11%. As you know, we have taken proactive actions to control guaranteed VA volumes within our annual risk appetite. These actions have started to have a bulk impact on our sales in Q3. More on this later.

In the UK, new business profit grew by 28%, reflecting the successful completion of six bulk annuity transactions, all above our target rate of return, a good performance in a market which has seen unprecedented levels of changes in a short period of time.

And lastly, M&G delivered quite £5.9 billion of third-party net inflows led by a strong performance from Continental Europe. So, the group has had a good nine months with double-digit growth in both APE and NBP across all three of our life businesses complementing strong inflows in our asset management business.

So, let's now take a closer look at each of our four main businesses, again, starting with Asia. We saw strong momentum in our business in the region with discrete third quarter APE growth of 17% and NBP growth of 16%.

Our sweet spot markets in particular had a strong quarter, delivering double-digit growth in new business profits. Both our distribution channels contributed to this performance also delivering double-digit growth in new business profits in the third quarter, an acceleration over our second quarter.

In the agency channel, we saw strong increases in the number of active agents and also higher individual productivity, confirming the strength of this (4:21) in the region. In our banking channel, our renewed partnership with Standard Chartered Bank which commenced on July 1 at its first full quarter and got off to a great start delivering APE sales growth of 40%. We continue to leverage our regional platform effectively to help

close what we call the protection gap of the growing Asian middle class, significant long-term opportunity for our company.

So let me now make a few comments about some of our Asian markets starting with Hong Kong. Our Hong Kong business continues to deliver an outstanding performance this year with APE sales for the nine months up 36% as we experienced stronger demand for our health and protection products where APE for the same period was up 58%.

Our agency channel, in particular, is experiencing good momentum with strong increases in both recruitment and productivity complementing effectively our well-known bancassurance strength in Hong Kong.

Moving to Singapore, the agency channel in Singapore delivered APE sales growth of 19%. In the bank channel, SCB saw discrete third quarter APE growth of 56%. However, this was partly offset by the loss of Maybank which we flagged at the interim results because we have taken in-house the successful insurance business we've built together.

Overall, APE from the (5:53) grew 9%, outperforming the market but declined - so let me be clear. We grew 9% in Singapore in the market but declined 1% in the nine-month period, so we, here again, increased our market share.

In Indonesia, as discussed at the interim results stage, we were impacted by the political uncertainty in the lead up to Presidential elections. As a result, APE for nine months fell 4% year-over-year. But we continue to outperform the overall market. We have increased our market share this year from 23% to 27% as per the latest industry data available at the end of June.

We clearly remain positive about our long-term prospect in this market. And with the inauguration of the new President in October, we expect our business to return to growth on a local currency basis in the coming quarters.

In the Philippines, we continue to make good progress in our efforts to focus our agents on selling higher-quality regular premium products, which is a shift in the focus of the business. As a result, in the discrete third quarter, regular premium APE, which is really what we focused in on this market, grew by 25%. In this country, we have been successfully replicating our product and distribution architecture as it worked so well for us in Indonesia, a good example of effective cross-fertilization in our Asian business.

Lastly, in China, we continue to see good growth with APE volumes up 27% with continuing growth across all channels. So, moving on from the life activity in Asia to asset management, Eastspring, our Asian asset management business, has seen record third-party net inflows of £3.7 billion in the first nine months contributing to total funds under management of £72.6 billion, up 24% year-over-year.

Our equity franchise has contributed handsomely to this performance with equity net inflows pleasingly up seven times year-over-year to £2.6 billion. So despite higher market

volatility, our equity franchise have delivered strong investment performance and seen, as a result, increased demand for our institutional equity product range.

So, in summary, in Asia, we have delivered a strong performance in a challenging environment (8:18) This delivery is testament to diversification and the quality of our platform, and the focus of our teams, led by Barry, on executing our strategy with discipline.

Looking ahead, the fundamental structural driver of our growth, the rapidly growing and increasingly wealthy middle class, who are mostly uninsured, remains intact, and we are in a good position to deliver sustainable, profitable growth to our shareholders.

We hope that you can all join us for our Investor Conference in Singapore and Jakarta in December, where we will provide you with further insights into our business in the regions and direct access to the people who produced all these results quarter-after-quarter. And I believe a visit to Indonesian business units will be particularly interesting in the context of the results of this year.

So, moving now to U.S, new business profits grew by 16%, ahead of the 11% growth in sales volumes, reflecting our value over volume focus. As we have said at the half-year stage, we have actually driven a very stable strategy, keeping our sales of variable annuities with living benefits, i.e., for VAs and core hedging, within a relatively narrow range quarter after quarter since 2011. And many of you who were at the half-year results will remember the slide we put up.

In the first half of this year, returns on VAs were close to all-time highs. So, we took advantage of these favorable conditions to raise higher-than-usual volumes. At the same time, though, with an eye for (9:52) risk appetite and risk projects, we started taking product and pricing actions in April to moderate our sales during the second half. And then, as expected and as planned, discrete third quarter guaranteed VA sales were 13%, 1-3, 13% lower than in the second quarter this year. So sequentially, we're down 13%.

At the same time, Elite Access, our non-guaranteed VA continued to grow, with third quarter volumes 35% higher year-over-year. Consequently, VAs without living benefits comprised 36% of our total third quarter VA sales, a new high for Jackson.

We don't usually comment (10:35) on new business in our IMS. However, of course, this does not detract from our focus on the in-force book, so let me say a few words about that. Our in-force book in the U.S. continues to perform well and remain resilient through the increased market volatility experienced last month. More than 97% of our VA book was issued at S&P levels below the level at end of September. We remain well hedged into retail, and policyholder behavior is generally tracking in line with our expectations.

So let's now look at the UK. Here, our life business increased new business profits by 28% year-to-date to £209 million, with APE sales up 20% over the same period. In the discrete third quarter, we successfully completed two additional bulk annuity transactions, taking the cumulative total for the nine months to £141 million of APE and £88 million of new

business profits. We continue to operate with discipline in the UK market, and we'll only write business that meets our strict internal capital return hurdles.

In our retail business, new business profits over nine months fell by 22%, mainly reflecting lower individual annuity sales, as expected, only partially offset by the very strong performance we achieved in bond sales, large savings for us. (11:55)

In the discrete third quarter, however, retail sales actually grew by 5% in total, led by strong demand for our PruFund with profit proposition across our bond, individual pension and drawdown product range, with customers attracted to benefit of a smooth return, characteristic of new profits, and a robust performance track record for Prudential.

Overall, in the first nine months of this year, APE sales of PruFund have grown 78% to £215 million. As you know, the UK market is going through a period of significant regulatory change. Our team is working hard on launching new product propositions and extending our current offerings to take advantage of the opportunities created by changing consumer needs in a new regulatory environment.

Staying in the UK, let's move now to M&G. M&G had a solid quarter, with net retail inflows of £1.5 billion, taking net retail inflows to £5.3 billion for the first nine months. This performance, clearly, has been driven by £6.2 billion of inflows from Continental Europe, offsetting outflows from the UK.

The success of M&G diversification strategy has continued, with funds from Continental European clients growing by 34% year-over-year to £29.6 billion, and now accounting for 41% of our overall retail funds under management.

Overall, strong net inflows and favorable market movements have increased M&G's external funds under management to a record £135 billion, representing 52% of the total funds under management at the end of the third quarter, so more than half.

Finally, moving to our balance sheet, we remain defensively positioned on the asset side of our balance sheet. At the end of September, our IGD surplus was robust at £4.1 billion, which is stated after deducting the 2014 interim dividend of £0.3 billion. This is equivalent to a cover of 2.3 times.

So, let me now give you our outlook. We have made good progress in the first nine months of the year, with double-digit growth across our life businesses and a high level of net inflows in our asset management businesses. We remain well-positioned to deliver relative outperformance in this challenging environment, as we are well-diversified by channel, by product, by geography, and with best-in-class businesses in each of our major market.

Starting in Asia, we continue to believe in the attractiveness of a unique opportunity, the need for savings and protections of a fast-growing and increasingly wealthy middle class.

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We continue to invest in our ability to capture this opportunity profitably, and particularly in distribution.

In the U.S., Jackson continues to benefit from its strong reputation with distributors and with customers as a high-quality provider of innovative products. We are disciplined in our appetite for new business for the cycle, and we manage our in-force portfolio conservatively to deliver cash and earnings to our shareholders, and value to our customers.

In the UK, the challenging landscape has presented some challenges but also, and perhaps more importantly, some opportunities. Our team is working hard to identify and profitably capture such opportunities by building on our existing expertise and relative market strength in with-profits (15:20) and in retirement solutions.

In asset management, M&G and Eastspring have good momentum and continue to grow third-party funds under management through strong investment performance. We look forward to the remainder of the year and beyond with confidence.

And we can now move on to Q&A. And we'll take your questions. Thank you for your attention.

Q&A

Operator

Thank you. There will now be a brief pause while questions are being registered. And our first question comes from the line of Blair Stewart of Bank of America Merrill Lynch. Please go ahead. Your line is now open.

Q - Blair T. Stewart {BIO 4191309 <GO>}

Yes. Thank you very much. A very good morning to you.

A - Tidjane Thiam {BIO 7518525 <GO>}

Morning, Blair.

Q - Blair T. Stewart {BIO 4191309 <GO>}

Three questions, please. The first one on Hong Kong. You talked a little about agency growth and productivity. I wonder if you'd be able to put any color around that, please, just what's going on with agency given the very strong sales there. Secondly, Indonesia, just any comments on the impact of the various economic reforms that are now taking place under the new government, and just why you are so confident that you see growth starting to resume from here on in.

And finally on the U.S., you've alluded to the conservative way in which you manage the in-force book, and I guess you're flagging that you're not expecting to see any adverse

movements unlike some of the peer group which have actually taken significant charges over the last few weeks. So I just wonder what your or what others are seeing and having to adjust for in their experience that perhaps you are not. If you put any color on what others are doing, that'd be great. Thank you very much.

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. Thanks a lot, Blair. Barry, you cover Hong Kong. I'll (17:25) on the economic reforms in Indonesia, and Barry will give you more color on what's going in Hong Kong and then Mike will go to you on in-force book. So Barry, you want to start on Hong Kong?

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

Sure. It's not really that complicated, Blair. It's a combination of growth in agency numbers. As you know, Hong Kong is a market where typically you don't see significant growth in the absolute numbers of agents. But over the last couple of years, our CEO there, Derek Yung, and his team have actually done a good job of exploiting some opportunities like the shutdown of Zurich agency channel as an example and used that to build the overall scale of the agency force.

So we're up at a historic high, over 7,000 agents for the first time. As you know, the productivity and professionalism of our Hong Kong agency force compared across the region, it's one of the highest in terms of productivity. And that continues to improve through the third quarter. So that's been useful.

The Mainland business which some people look at and say this is an anomaly that drives the market, but the reality is that Mainland business has been a feature of the market for 10 years and continues to grow. So, I don't really view it as an anomaly in the market. I view it as a permanent feature of the market. And that's gone reasonably well, notwithstanding some of the drama we've had around Occupy Hong Kong and the view that the Mainland could mute the number of visitors coming to Hong Kong, number of people getting access to Hong Kong.

That's not been the case. We've continued to - or at least has not impacted our numbers. We continue to get good results. So it's really just a growing agency force with good and improving productivity continuing to perform where the product is really popular principally the (19:22)

A - Tidjane Thiam {BIO 7518525 <GO>}

Yes. And if I can just maybe add something, it's obvious to Barry, at least in Hong Kong. But of Mainland Chinese, these are repeat visitors. Typically, our customers are people who have actually (19:36) ties with Hong Kong. So it's not a one-off. It's certainly a proper business because you don't typically, through investments or trade activities, regularly visit Hong Kong and decide to buy an insurance product there, have a banking account, et cetera, so it is a proper business. Yes, Barry?

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

Well, that's exactly right. I mean, Blair, if you go on holiday to France, you probably don't buy a life insurance policy while you're there, and neither do Chinese tourists. I mean, these are people with legitimate economic interests. Or maybe you do buy life insurance, I don't know.

Q - Blair T. Stewart {BIO 4191309 <GO>}

Certainly not.

A - Tidjane Thiam {BIO 7518525 <GO>}

Anyway...

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

I hope not.

A - Tidjane Thiam {BIO 7518525 <GO>}

In Indonesia, the economic reforms, I think in the latest news we had was we are now sort in the elimination of the fuel subsidy which really is a very, very important announcement. I mean, that was the litmus test. That was what everybody was watching. I'm incredibly impressed, but President Jokowi made this movement early in his mandate, (20:37) okay, 12 time because oil prices are low, yes, fair enough. But it takes a hell of a lot of political courage to do that this early in a mandate.

And I think we've mentioned to some of you that we met him when we were in Jakarta recently, and he's in determination to drive the economy forward to investing infrastructures. That's what he told us. It's very impressive. So it really bodes well for Indonesia in the medium term. And there'll always be short term issues and volatility. But to have this kind of leadership, I must say it's quite impressive. But Barry, you've been there several times recently. Maybe you can give more color on what's going on, yes.

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

Yes. Absolutely. As Tidjane have said, they're doing all the right things, and it will create some near-term heartache, presumably. I mean the fuel subsidy - lifting the fuel subsidy has the most impact on the lowest income segment, but he's doing other things to mitigate that impact.

In terms of the impact on our customer segment, which is essentially the middle market, it's really not an economic event. It's more of a political event that drives, we think, an improvement in consumer sentiment because he seems to have political courage, Jokowi is, and seems to be doing the right things.

So as Tidjane said, nothing is a straight line, but we think that he's gotten off to a very strong start, notwithstanding some opposition in the legislature from his opponents. And we're very optimistic, politically, about the future.

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In terms of recruitment, the recruitment numbers continue to be strong. It still feel – all of the metrics that we look at every month continue to be performing well. It's really just an issue, it seems, of money staying on the sideline and watching, and we're optimistic given Jokowi's willingness to do what he has said he would do, that over the coming quarters, that money will start coming off the sideline and things will return to normal. And he thinks GDP growth rates now, just a little north of 5%. His view is 12 months to 18 months of good behavior gets GDP growth rate closer to 7%. And obviously, we'd benefit enormously from that.

A - Tidjane Thiam {BIO 7518525 <GO>}

Absolutely. But just an important word in what Barry has said is also quarter – and so we're not making a forecast of how the Q4 (23:12) We're just confident that in 12 months to 18 months is the timeframe to think of here. And maybe anecdotally because Barry is probably too modest to mention it, but in already most of those countries, we always have very strong local connections, and we had a senior individual who is our advisor in Indonesia, Bapak Sofyan, and he's been appointed Minister of Coordination of the Economy, yes, Barry?

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

Yeah. Yeah. So the Indonesian Cabinet, there's 32 cabinet members. Those 32 report through four key Cabinet members who reported to president and Bapak Sofyan is the Coordinating Minister for the Economy.

A - Tidjane Thiam {BIO 7518525 <GO>}

So I'll give you some insight in the situation, in the U.S. the in-force book, Michael. Are you there?

A - Michael Andrew Wells {BIO 4211236 <GO>}

Yeah. I can take it first, I guess. Without getting into what competitors see in their book because obviously, we don't have that line of sight, we have seen down interest rate scenarios before in our annual review. So we don't think the current rate environment's proving any correlation between our interest rate than last rates. I'd say that we still look – hard to stay out is the equity and the money factors and how that looks and that still looks very good as Tidjane mentioned earlier.

And I think just sort of a general market comment, if it helps, is the more interest-rate sensitive you create the benefit or if you think of the – and that could come from the annuitization is the guarantee instead of a withdrawal rate that could come from the forced (24:57) allocations that can come from deposit (25:00) control. Those all have – everything you do has another element to it, and one of the dynamics of those is create – they make a product that's more sensitive to interest rate movements because the client is looking at the value of the benefit versus the value of sort of alternatives. And obviously, the factors you'd use to present value, the guarantees become more critical because the guarantees become much more interest-rate sensitive and equity sensitive. But that's not the product we wrote. So we're not seeing anything particularly unusual or material in this review. And again, some of the scenarios with the way equities or rates

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down are actually positive for us. So there's nothing emerging from that that we're concerned about.

Q - Blair T. Stewart {BIO 4191309 <GO>}

That's great. Thank you very much.

A - Tidjane Thiam {BIO 7518525 <GO>}

Thank you.

Operator

Thank you. Our next question comes from the line of Oliver Steel of Deutsche Bank. Please go ahead. Your line is now open.

Q - Oliver G. Steel {BIO 6068696 <GO>}

Good morning. I got two fairly questions on Asia. You talked about the very strong growth quarter-on-quarter in the Standard Chartered volumes. And I was wondering if you'd give us a bit more insight as to where that was. And then coming back to Hong Kong, I mean, Blaire asked why the growth was so strong. I guess, I'm more interested in how sustainable that is and whether you'd give us a forecast, of course, because you talked about the agency growth over a two-year period. But it suddenly seems to sort of spark into life in terms of volume uplift just literally in the last few quarters.

A - Tidjane Thiam {BIO 7518525 <GO>}

Yeah. Okay. Thank you. Barry, do you want to take SCB?

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

Sure. It was the - at the risk of sounding trite, I mean it's almost as if you wave the magic wand right in the second quarter, early in the third. I mean, the first half results from SCB were not bad. They were in line with our normal results that we've been getting over the last year or two years. But really starting in June, we got a very significant uplift in Hong Kong, which is historically the largest market and continues to be the largest market. That growth has continued very significantly through the third quarter.

We activated India, which is one of the new markets that we - where we've not previously worked with SCB for a variety of reasons including regulatory restrictions. That's got off to a very bad start and went from being a market where we didn't work together to our fourth largest market with SCB in a matter of three months. And that's an extraordinary story of accessing their 99 branches in the market using entirely a digital platform. It's a paperless approach that we're piloting there. Where everything is done on iPads, really very clever the way that technology has been built around that relationship and we can apply the learnings there to other markets.

And really, Singapore, very strong; Thailand, very strong, even though the bank is smaller there; Malaysia is doing well; I mean, really, SCB in Taiwan is doing well even in Korea.

A - Tidjane Thiam {BIO 7518525 <GO>}

Yeah. Korea, even.

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

So there's really almost no place where this is not working. It's gone very well. And in some respects, I think you can attribute it to - even though the renewal was sort of a natural progression, the two organizations work so well together and were so deeply entangled with each other that an early renewal on a long-term basis made a lot of sense.

The fact that we actually got it done when we did to the extent that there was any kind of cloud hanging over the relationship in sort of doubt amongst people on either side whether the relationship would continue in a couple of years when the schedule of renewal would have come about, all those clouds cleared away and people are just intensely focused on driving it forward. And it's just been a really good outcome.

Q - Oliver G. Steel {BIO 6068696 <GO>}

Can I just come back separately (29:17) on that. I mean, I guess the question we've got then is how sustainable is this new level? Is this a sort of surge that followed the renewal or is it something that we can sort of build in the volumes of the third quarter levels coming through over the next four quarters?

A - Tidjane Thiam {BIO 7518525 <GO>}

Oliver, sorry. I'm going to jump in here. I understand absolutely why you asked the question, but I really always caution against reading too much into a given quarter. As you know, there's lot of base effect. I mean, on a yearly basis, we can look at the numbers and take sense of all things, but for a given quarter, you should never extrapolate too much. It's a function of countries.

And if you look - as Barry said, the good news, it's been good in the (30:09) places. You heard Singapore, plus 56%; Hong Kong also very strong. But historically, one of the issues with our relationship (30:15) is that we haven't had a lot of volume in the other places. And when we communicated on a new agreement, we insisted that it's an extension and a broadening and a deepening.

So really, what we expect, but really, please give us some headroom on that and some slide, but what we expect is over two years, three years, to start to see more material levels of (30:35) coming from the likes of Korea, of India, the new territories - Thailand - the new territories where we are. I don't think we'll say much more than that in terms of forward-looking statements - unless you want to be very brave, Barry.

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

No. I'm a coward.

A - Tidjane Thiam {BIO 7518525 <GO>}

Sorry, Oliver. So (31:02) Hong Kong. The question was, is it sustainable in Hong Kong looking forward, Barry?

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

Well, it is. And again, it's really two factors. First of which is, people tend to view, from afar, Hong Kong is a deeply penetrated market when in fact there's penetration rates, while they're high relative to most of Asia, they're not that high relative to the West. And so there's headroom in the local indigenous market. And then you layer upon that the Mainland opportunity, which has been a dynamic in the market for 10 years, and it's gradually increasing. So again, the Mainland dynamic is not an anomaly. It's an enduring part of the market. And we've done a good job of accessing both of these segments of the market in a very sensible way. So, nothing is ever a straight line. There could be ups and downs, but it's not like Hong Kong all of a sudden spiked in the second half or even this year.

We had a great year in Hong Kong last year. We had a great year the year before. We are unique in the market in that we have, over a long-term basis, have genuinely had multichannel distribution, with about half our business coming from the bank and about half of our business coming from agency.

Agency forces, as I said earlier, is growing and is improving in productivity, and it has always been the most professional and the most productive agency force in the market. You hear a lot of talk about MDRT members and so forth, which we've historically not really emphasized. But if we did, you would find that we have more MDRT members, particularly on - if you look at us on a pro rata basis, we have significantly more MDRT members than anyone else.

It's highly professional, highly productive sales force, uniquely focused on the affluent Chinese customers that entered the market, uniquely focused on the local market as well. And we just have a really positive business model and it's working well. So I don't know that we can guarantee 30% growth every quarter, as Tidjane said, nothing - that's not necessarily a straight line, but I think you should continue to see us outperform the market in the quarters to come.

A - Tidjane Thiam {BIO 7518525 <GO>}

The other piece of good news, because we always tell you we are confident in the Asia performance. We never ever get into any country-by-country predictions. That would be foolish, but that's because we have a lot of levers, everywhere we can pull.

For me, the great news about Hong Kong is the number we gave you, that protection is up 58%. That's extraordinary because you all know, it's not a secret that we had a profit emergence issue in Hong Kong, because (34:06) profit. It's just very simple. Profit emerges slowly. This is a long-running discussion between Andrew Crean and us, I don't know if he's there, but it's a thing of this company. And we've been focused, with Barry, for a long time on, how can we change that? And really, Barry and his team have launched some very productive, interesting new products - new production products which have

done very well. So that's really, for me, in terms of economics and returns, the good news in Hong Kong. I don't know if you want to say a word about that, Barry.

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

Yeah. Well, it's been an initiative for the last couple of years. And it's - we've had particular success with a critical illness product that's resonated well, both with the domestic Hong Kong customers and with Mainland customers.

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay, Oliver?

Q - Oliver G. Steel {BIO 6068696 <GO>}

Thank you very much.

Operator

Thank you. Our next question comes from the line of Greig Paterson of KBW. Please go ahead. Your line is now open.

Q - Greig N. Paterson {BIO 6587493 <GO>}

Morning, gentlemen.

A - Tidjane Thiam {BIO 7518525 <GO>}

Morning, Greig.

Q - Greig N. Paterson {BIO 6587493 <GO>}

I'm afraid you're (35:09) questions and only can ask three; so let me try and be brief. Just Hong Kong, fourth quarter political unrest, I wasn't sure whether you were actually saying that you've weathered the storm or if you want to talk about that, and also the banning of commission for unit-linked products from January, should that not play very strongly into your hand in terms of market share gain, given that you're mainly a par-focused player?

And then in terms of the U.S., I wonder if you could just talk about the interest rate impacts on margin into the fourth quarter. That, in combination with Elite Access increasing its position, but then counterbalanced by your September pricing changes, I just want to get an idea, are we going to see a material reduction in margin, or is it going to be flat in the fourth quarter?

And then finally, in terms of interest rate hedging in the U.S., if my understanding was correct, you used to - at least in terms of declining interest rates on the back book, you used to actually leave a gap, and only start cutting off the tail after, I think it was 1.5 standard deviations. That would mean that you've - you generated - you would have generated a loss with a reduction in the interest rates you've seen on the back book over this quarter, I was just wondering if you're going to talk to that thing?

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. Let's focus is (36:27) great, thank you.

Q - Greig N. Paterson {BIO 6587493 <GO>}

It's two parts.

A - Tidjane Thiam {BIO 7518525 <GO>}

(36:33) two geographies. Your political unrest in Hong Kong, Barry?

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

I think political risk in Hong Kong is a non-event. I mean the - you may have seen in the papers, the government has started quietly dismantling some of the protest - I'm assuming you're referring to the Occupy Central, Occupy Mong Kok sort of dynamic, so that is waning. And yes, the political activity is waning. And even during the height of the activity, this was really, from a commercial perspective, Greig, it wasn't much more than just a traffic snarl. And the footfall in SCB branches continue to be strong. It didn't really disrupt our agents. It may be difficult to get around in taxis but very simple - they remained very simple to get around via the MTR, which is very efficient and which has good coverage. So from a sales perspective, you've seen our third quarter numbers, it was non-event.

Q - Greig N. Paterson {BIO 6587493 <GO>}

Perfect. I mean, just the commission ban, does it helps par business...

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

Yeah. The thing - yeah. Well, first of all, where unit-linked commission's to be banned, then it's not illogical to assume that someone like us who's a strong par player would benefit. But to be clear, unit-linked commissions have not been banned. I think you're referring to guide notes number...

Q - Greig N. Paterson {BIO 6587493 <GO>}

15, GNI5.

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

Yeah. GNI5, which does not ban the commissions. What it says is it bans companies who advance commission on unpaid premiums, which we've never done.

Q - Greig N. Paterson {BIO 6587493 <GO>}

Never done?

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

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Yeah. And it says that commissions should not be overly heat (38:27) into the first year, but should be logically spread over the course of the premium payment period. So don't pay 100% of commission in the first year, pay a bit in the first year and then ensure that there's service fees in the subsequent years which is, again, how our commissions have potentially been modeled. What they've really done here is not unlike what MAS did in Singapore are unfair, which is just to sort of smooth out keeping of commissions, which, honestly, in my view, particularly for successful, experienced agents like ours, is a non-event. So where they to ban commissions, you'd be right, but they actually haven't banned commission.

Q - Greig N. Paterson {BIO 6587493 <GO>}

But doesn't – don't you, I mean, what did it mean that your par product has much more attractive commissions in terms of...

A - Tidjane Thiam {BIO 7518525 <GO>}

Commissions, that was been (39:21)

Q - Greig N. Paterson {BIO 6587493 <GO>}

No, no. I mean – sorry, I used the wrong term. I meant cumulative (39:24) commissions. Coverage of premium (39:24) commissions.

A - Tidjane Thiam {BIO 7518525 <GO>}

Advanced commissions are (39:27). We don't like them. If we will pay commission on an earned premium, so we don't run the group on that basis. And we've always – we are very focused on (39:36) and we've always incentivized ourselves first. Over time, we'd like to spread commissions. So all we're saying is there've been no major change. So there's no news there.

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

Yeah. So, it's nothing significant. Advanced commissions, you've seen – it's a feature of the market in Korea, and it leads to institutionalized fraud. It makes fraud very easy to perpetrate. And that's what OCI has wanted to ensure does not happen at Hong Kong.

Q - Greig N. Paterson {BIO 6587493 <GO>}

All right.

A - Tidjane Thiam {BIO 7518525 <GO>}

It's not operating bad but changing the current situation. Okay. U.S. with lower interest rate and their impact on margins, Mike?

A - Michael Andrew Wells {BIO 4211236 <GO>}

Yeah. I mean, Chad's on the call. Let him comment as well, Greig. But the fourth quarter piece going forward, I can't give you that number for a couple of reasons. The forecast

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piece so we don't know the rates in the fourth quarter yet. But the - our hedging strategy hasn't changed. You mentioned standard deviation and trying to draw an earnings correlation from that. But standard deviation on rates is one of the factors, but it's certainly not the only one. And given the absolute level of rates, I wouldn't get too excited about that metric as the sole measurement. I mean, think of the rate we had in treasuries this quarter. We had a pretty dramatic couple of days in there. And again, our horizon's a little longer than that, as we've talked before, with the (40:54) structure. We do still hedge rates up and down. Chad, did you want to add any color to that?

A - P. Chad Myers {BIO 15469831 <GO>}

Yeah, great. I mean, the - I think as you know, directionally, I think what you're getting to is that specifically for new business profits, for instance, there's a tighter rate. So rates are lower than - clearly, there's margin pressure related to that. But as Mike said, we don't know if rates are going to - where they're going to land. And that's only one quarter out of the year. So you got that going on, I mean, generally speaking, as Tidjane mentioned, we've - we pulled back on some products and managed volumes. And there'll be some volume mix within that in terms of - depending on what products are chosen. So there'll be some uncertainty there, but we won't know that, again, until the end of the year.

And as we've talked about before, we do hedged the - we are very much ahead - focused on hedging the PL (41:50) scenarios. So bad equities, bad rates at the same time, those PL-type (41:55) scenarios are well hedged. But from quarter-to-quarter, interest rate movement does not - it's not perfectly tight. So there'll be, again, some noise within that. But again, we won't know that until we know what the rate environment is.

Q - Greig N. Paterson {BIO 6587493 <GO>}

All right. So, there is some loss within its cap?

A - Tidjane Thiam {BIO 7518525 <GO>}

What?

Q - Greig N. Paterson {BIO 6587493 <GO>}

It's not substantial at where your interest rates currently?

A - P. Chad Myers {BIO 15469831 <GO>}

Well, I think what you've seen is, short-term fluctuations are - they are labeled short-term fluctuations for a reason. So we saw some benefit in that last year. You've seen through the first half of this year, as rates move back down we had pressure on the below-the-line stuff due to lower rates but it is capped, yes, absolutely. We have a very sizable swaption book that protects us from extremely low interest rates.

Q - Greig N. Paterson {BIO 6587493 <GO>}

That's clear. (42:39)

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. Thank you. Thank you, Greig. Who's next?

Operator

Thank you. Our next question comes from the line of Jon Hocking of Morgan Stanley. Please go ahead. Your line is now open.

Q - Jon M. Hocking {BIO 2163183 <GO>}

Hi. Good morning, everybody. I've got three questions, please. Firstly, on Asia, again, looking at the discrete third quarter with a caveat that I realized that you really maybe too much into one quarter, but if you look at the mix in constant currency of the year-on-year growth, the Southeast Asian operation is really, it's just Hong Kong that's growing and everything else is pretty much standing still. And you're growing China, Korea, Taiwan, India at a much faster rate.

How much of that is just a sort of quarterly noise and how much of that is SCB changing this type of growth to see how the bank side of the core Southeast Asian operations? That's question one. Secondly on - just to follow-up on Indonesia, I think in the release you mentioned that you've seen sort of positive month-for-month sales momentum in recent periods. So I just wondered whether you thought there was going to be a short-term IHS (43:45) because of the fuel subsidy in those (43:47). You said wasn't quite your core customer segment but whether those are going to have any impact.

And then finally, just on the UK, you're going to sell your 25% stake in PruHealth back to Discovery. In the release that you mentioned giving you optionality to do something else in the UK, I wondered if you could you talk about what you might mean by that and whether you're looking at entering the protection market in a 100% Pru-branded way again? Thank you.

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. Thanks, Jon. So you're right on Asia, the first thing I would say is actually, the way the euro (44:17) looks in Asia these three quarters, the quarter is from Q1, actually quite weaker Q2, and much stronger Q3, so it's very interesting. We really commented (44:26) but there's a clear acceleration, clear acceleration in Q3 in Asia.

And on the mix, granted there's a lot going on there. A lot of distribution relating - a lot of them in what you see in the total numbers are driven by things that have happened on the banking side. Agency's very strong - we said 19% in Singapore increased. We said we'd look further in Philippines, 25% up. Almost across-the-board, the underlying agency is strong. You get an impact from profit and loss distribution, so - but that's (45:10) in Maybank.

So, if you (45:13) up 9%, if you do like-for-like, it takes (45:16) Maybank up to 12%. So, there is a bit of noise linked to - about loss distribution. And then within that, you have SCB and effectively, from a low base, you see a big increase in, yeah, I'm talking in (45:30)

Korea. We've mentioned that in Taiwan. We've mentioned that in Indonesia. That's where we improve our numbers.

So, short of it, I will read too much (45:37) into it. Agency, which is really the core driver of returns, et cetera, is actually strong. You see the 9% in Singapore, we should have 19% in agency. In Malaysia, our performance in agency is also very strong, but it's in Takaful, which has lower premiums.

So, if you go through the Southeast Asian market, just take the nearest (46:02) Hong Kong, very strong. Singapore, 19% increase in agency, okay? Malaysia, strong increase in Takaful agency, and effectively, Indonesia under pressure, but there's no denying that. We've been quite transparent about it.

So, out of the top four, you got three actually doing well and one slowing. And then you get (46:24), which is - we're considering a big picture with the SCB spike in Q3, which is quite pronounced.

Q - Jon M. Hocking {BIO 2163183 <GO>}

So, just stripping out the bank effect, you haven't fundamentally reassessed the attractiveness of Korea, Taiwan, and India as markets?

A - Tidjane Thiam {BIO 7518525 <GO>}

No. No. No.

Q - Jon M. Hocking {BIO 2163183 <GO>}

Okay. So, that's mainly a bank effect rather than, if anything underlying?

A - Tidjane Thiam {BIO 7518525 <GO>}

Yeah. I mean, Barry, I don't know if you would disagree with that, but that's what we see from here.

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

No. I think those markets continue to be, in any respect, different plays than the sweet spot. Again, we have - in India, we have the market-leading foreign company, clearly the best, most productive partner in the market. I mean, it's a great business, but the margins are lower and the environment, more complicated than in Thailand or Singapore or in Indonesia or Hong Kong.

Q - Jon M. Hocking {BIO 2163183 <GO>}

Okay. Thank you.

A - Tidjane Thiam {BIO 7518525 <GO>}

Yeah. And just to confirm, if you look at the same sweet spot, half-year increase in NBP was 13% and – so, Q1 plus Q2. Q3 is almost double that increase in NBP in Southeast Asia, okay? So, we haven't really disclosed it. It is something like 25%, 26%.

Q - Jon M. Hocking {BIO 2163183 <GO>}

Okay.

A - Tidjane Thiam {BIO 7518525 <GO>}

The three very strong underlying – (47:52) complicated by the overlay of banking. I think your next question was Indonesia, the impact of the subsidy and the month-on-month trend. Barry, do you want a word?

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

Yeah. The subsidy, the lifting of the subsidy itself I would not expect that's it – before to have a direct impact on the customers that we fell – I mean, our average premium is about \$800 in that market. So, they're not going to be – they're not consumers that are necessarily impacted directly. They're not choosing between buying petrol and buying an insurance policy. It's more the – as we discussed earlier, the political action that's being taken to solve some fundamental problems and the extent to which that has a positive impact on consumer sentiment because in an environment where interest rates have been high and you could put money at the bank at 8% on a short-term deposit, it wasn't an irrational decision for Indonesian consumers to just put money in the bank and wait and see what happens with the political environment. So, now that they see action being taken, we're optimistic that, in the quarters to come, that it will improve consumer sentiment and people will come off the sidelines.

A - Tidjane Thiam {BIO 7518525 <GO>}

I'm a great believer in fiscal discipline. You saw that the rupiah went 0.5% on the announcement, the (49:20) 1.5%. They've got a frequent 1% current account deficit. It's good when the government is disciplined because of the way it has (49:30) FX, and it certainly make (49:32) the economy. So, we love to see a government being fiscally disciplined at attacking a huge source of fiscal imbalance. So, there's no way that that can be wrong for our business medium term. We need to help their economy. Fiscal balance is ultimately lower interest rates and much healthier environment in Indonesia. So it's good, even if it's painful in the short term, it's good.

UK. I think we said effectively the (50:02). We don't really have an appetite for the health insurance market in the UK. So, we're happy to let Discovery go with to that. Prudential was wrapped (50:11) into that. We have a deferred interest in protection. (50:17) we have not decided but we are looking at it and in due force, if there's something to announce, of course, we will let you know. But from a kind of high-level, strategic level, we think the protection market in the UK is interesting. PruProtect, which was our joint venture with Discovery and which was small but was doing well and profitable, so it's something, in due course, if we can, that we would like to do, as you said (50:40) and under our brand.

Q - Jon M. Hocking {BIO 2163183 <GO>}

Just one follow-up. Do - Discovery have the right to continue using the PruProtect name?

A - Tidjane Thiam {BIO 7518525 <GO>}

For a little while. (50:49) of the agreement, but for a relatively short term. And so, we'll get this brand fully (50:55).

Q - Jon M. Hocking {BIO 2163183 <GO>}

Okay. Thank you.

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. Thank you.

Operator

Thank you. Our next question comes from the line of Andy Hughes of Exane BNP Paribas. Please go ahead. Your line is now open.

Q - Andy Hughes {BIO 15036395 <GO>}

Hello. Hi. I just want to ask a question on Hong Kong, Indonesia, and the U.S., if I could. On Hong Kong, there's two bits I just want to focus on. First bit is the - you're hiring some experienced agents this time. How are you controlling the churn? Do you think there's a benefit of them moving their existing clients over to Pru, and is that generating a faster growth in sales from these new agents as opposed to hiring a rookie agent?

And second question is, I guess, a numbers one. The margin in Hong Kong, are you reflecting the price effects uncharted in the margin, or is that completely (51:42) or new business margin?

And then on Indonesia, I know you say you've been completely transparent about Indonesia, but I must be have been a bit thick, because forget about the Q1, it was weather, and it was going to recover in Q2, and then in Q2, it was the election due to recover in October when the certainty of the election result is now finalized. And now it sounds like a general consumer sentiment thing that's going to continue for quite some time, as long as the economy stays subdued. Is that what you're saying today? It's not a bounce-back in October?

And the third question on the U.S. Obviously, Pru Financial...

A - Tidjane Thiam {BIO 7518525 <GO>}

Uhm...

Q - Andy Hughes {BIO 15036395 <GO>}

Sorry, yes, really quick one. Pru Financial referenced the enhanced analytics approach which is basically saying, people are not going to churn their product because interest rates are low because they're getting a 4% or 5% here (52:32) for life. Why do you think people will churn your product despite lapse rate? And what product are they going to buy? Because it feels like you've been scaling back the level of guarantees under the product ever since 2009, so people who have existing products have some quite attractive guarantees. Thank you.

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. So let's start with Hong Kong. Are we seeing real growth, or is this just customers being moved around? Barry, do you want to take that?

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

Sure. So you've seen the growth numbers. We did - that was an unusual one-off. Zürich released about 400 experienced agents. We got about - we got over 300 agents of those 400 agents join us.

Important to point out that churning existing customers is never - virtually never - a good deal for those customers. And doing anything that disadvantages a consumer violates the regulations. So it should be a pretty straightforward answer. The answer is no. They don't churn business. We would not allow them to churn business. We would particularly watch to see large volumes of canceled policies coming over from Zürich, because we do know if someone has canceled a policy and replaced it with another one.

So the answer is no. These 400 agents weren't long-term successful agents with Zürich by engaging - they didn't get there by engaging in unethical behavior, and they certainly wouldn't have joined us if they wanted to perpetrate a pattern of unethical behavior. So you don't have to worry about that.

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. So okay. Thank you. So no unethical practices in our business, Andy. Margin, (54:23), you want to take the margin (54:25)?

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

Sure. As you know, Andy, we've been straightforward and consistent on this. We have always reported economics, whether that's new business, whether that's strain for full year, whether that's our (54:41) fully allowing for the upfront piece that we pay on all our deals. On all our deals. And therefore, the new business profits that you see factor the additional upfront costs that we pay.

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. And Indonesia, just to go back to what's happened, there was effectively (55:02) in Q1 and that's a fact. If you remember, the expectation in Q2 was that the election actually was quite certain. And there was a legislative election, which is another fact, which had a very unexpected result in Q2, and reintroduced a lot of uncertainty, and if you recall (55:21)

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have a strong majority of investors and expected (55:26) kind of "row" (55:29). And in Q3, nobody could predict the election overchanneled (55:34) by the losing candidate, et cetera.

So, really, I don't think we are making business (55:40) up there really, but what's happening with the world and all we can do is (55:44), you will note that, as a team, we generally are cautious about making forward-looking statements. We often say a volatile, uncertain, random world, et cetera, et cetera. And I have insisted earlier, I believe on the term quarters, when we talk about the recovery, I think that Barry's saying that, in the coming quarters, and I think I said 12 months to 18 months, from memory, I think that's what I said. So, I don't feel that it's fair to characterize this as changing our story every quarter.

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

I think...

A - Tidjane Thiam {BIO 7518525 <GO>}

Sorry?

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

I think we were quite explicit at the half year that we expected - or we're hoping for a recovery, not expecting, but we're hoping for recovery in 2015.

A - Tidjane Thiam {BIO 7518525 <GO>}

Yes. So, really that's quite...

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

(56:28) go back and look at the notes.

A - Tidjane Thiam {BIO 7518525 <GO>}

That's what we said. And finally, the other thing is, as we said in the call, our market share has increased from 23% to 27%. So, this is clearly a market phenomenon. Our business is releasing (56:41) better than others. And it's what it is. We have a relatively large - it's the fourth most populous country in the world. Its GDP is in excess of \$800 billion, growing at 5% per annum. It has a resolute president who has been elected democratically. It's a - how can I say it, it's a part of life. But there are more (57:09) in Indonesia from (57:10). Last week, there was a 7 earthquake on the Richter scale. It's the nature of the country.

So, it is a similar typhoon in Asia, in the Philippines, in other places. Where the (57:21) volatility in emerging market volatility, it is a reality. We have never promised straight lines. We know that we have a volatile challenging environment, but we think that the rewards for that risk-taking are there. Over the medium term, the risk-adjusted returns have been good, and we have a good record of delivering. Then quarter by quarter, channel by channel, country by country, it's not something we control. But we're quietly confident in

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the prospects in Indonesia, very happy to be number one in what we believe is a G-20 economy, one of the most promising new markets in the world on a global scale.

Then, there was a question on the – on Pru Fin, et cetera, I'm not sure I completely understood, but the U.S. – can you pick it up, Mike?

A - Michael Andrew Wells {BIO 4211236 <GO>}

Sure, Tidjane. I think, Andy, you mentioned there enhanced analytics. I don't know what they were using before or are using currently. So, I'm not going to comment on Pru Fin's adjectives on analytics. But they have a very different product than we do, as we've discussed in the past. And I think an external look of it would suggest, both in the allocation model and the fact it allocates the bonds with a previous version to fixed accounts. It's going to be a bit more interest rate-sensitive than ours. And so, I think it's difficult to look at their product and our product and say, well, they're going to behave the same.

To the point on lapse rates, I guess we're going to remain conservative on (58:46) lapse rates. I think that's what you're referencing. For folks that aren't familiar with that, that's the assumption at the end – at some period of time after the surrender charges, you assume a fairly large part of the clients go away.

We don't know what the products will be when the contracts we sell today and those surrenders expire and so, while we're very happy with the previous pricing on the blocks we've done before, as you guys know, I don't think we're comfortable guessing on what we're going to compete with seven years or eight years from now, and I think it's better for us to be conservative. If they stay longer, as is demonstrated, that's profitable for us. And so it's an accounting metric, to be sure, but I think if you price the product correctly, it's just that.

A - Tidjane Thiam {BIO 7518525 <GO>}

Just an important point, okay. Andy, it's okay?

Q - Andy Hughes {BIO 15036395 <GO>}

Thank you. Thank you.

A - Tidjane Thiam {BIO 7518525 <GO>}

Okay. You're welcome. I say we have reached an hour more or less, so we'll take maybe a final question.

Operator

Thank you. Our final question comes from the line of Andrew Crean of Autonomous. Please go ahead. Your line is now open.

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Q - Andrew J. Crean {BIO 16513202 <GO>}

Good morning, all.

A - Tidjane Thiam {BIO 7518525 <GO>}

Andrew.

Q - Andrew J. Crean {BIO 16513202 <GO>}

I just wanted to explore two areas briefly. Firstly, Eastspring, I think that between 2007 to 2013 it only grew its assets by about £1 billion to £18 billion and I think its profits didn't grow at all. Suddenly, this year, it's gone up to £23 billion. Could you talk a little bit about whether we should be expecting a sort of springboard growth from here and whether the margins are likely to expand with that mix into equities?

And secondly, just a slightly technical question around Thailand, I noticed Thailand in the third quarter didn't grow at all, in fact, it about shrank in sales slightly. Is there anything to be concerned about there or was there just sort of a timing issue?

A - Tidjane Thiam {BIO 7518525 <GO>}

We're very grateful to you, Andrew, for asking about Eastspring because we're actually quite pleased with the performance. I think what you described is correct. I'll let Barry expand on that because he spends a lot of time worrying about this business.

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

Yeah. Thanks for the question, Andrew. I'm hugely optimistic about Eastspring. You are correct that over the last few years, the growth has been sluggish and the profit growth kind of non-existent which – and in spite of that, we have gained share in the Asia, ex-Japan, retail fund business. So, it speaks to a large degree to the flatness of the overall market. And in fact, even still the high watermark of retail funds market in Asia is still December 2007. It's not fully recovered. But we performed reasonably well on a relative basis, but the numbers that you see were not necessarily dazzling.

This year has been, I guess you could say the pay-off year. We've invested in some improved capabilities within the Eastspring group, some people, particularly, some investment people. We've done some reorganization. A real focus on fixing a couple of sales of – performance issues, and it has paid off in a big way, particularly in terms of institutional flows this year. So, we've gotten some large mandates from a variety of sovereign wealth funds, and it's – virtually, all that money has gone into equity.

If you say the profit didn't look great in the last few years, that was largely because the net inflows that we did receive were going into fixed income where the margins aren't as good. So, equity is now a feature and – of the results, it wasn't in the last few years. I don't know if you saw an article in the FP in the last day or so talking about Japanese sovereign wealth funds for the reoriented and focused on putting more mandates on equities versus fixed income. We've already benefited from that and we hope to benefit from that

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more in the future. So honestly, we're extremely optimistic that we can continue the good progression of Eastspring.

Q - Andrew J. Crean {BIO 16513202 <GO>}

Okay.

A - Tidjane Thiam {BIO 7518525 <GO>}

Yes. So, we know it's a good story. Thailand. Barry?

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

Yeah. Thailand, I would - I mean that's more of a seasonalization of business issues, but typically with - (1:03:16) more than anything else. I wouldn't read anything in particular into that. The relationship continues to be very strong and aims at working very well together.

Q - Andrew J. Crean {BIO 16513202 <GO>}

Okay. Thank you.

A - Tidjane Thiam {BIO 7518525 <GO>}

Yeah. And I think look, on (1:03:29) because I know there's been quite a few questions. But for me, really, I'm almost particularly - I was interested, but actually, it's a relatively mixed quarter because we're always concerned that you will start thinking that this our straight lines and they will just kind of go straight. I never want to encourage that view because it's just not true.

Overall, the power of the platform is there. You see an NBP increasing 15% even in a mixed quarter, and that's really our fundamental belief. But there are enough levels there with enough headroom that we can continue, over time, to deliver this kind of long-term performance. But from one quarter to another, really, things can be mixed with our complicated geographies and countries with risks.

And we never want to pretend that we can defy gravity because sadly, we cannot. We cannot consider that we can deliver good solid performance year-after-year. And we've mentioned 20 quarters of 15% growth. That cannot be a coincidence. And it's a credit to Barry and his team in Asia that delivered this.

So, thank you for your questions. We believe our results we've presented to you today demonstrate the benefit of our clear and unchanged strategy focus on execution, the quality of our businesses. We are in good shape and remain well-positioned to continue creating long-term value for both our customers and our shareholders in Asia, the U.S., and the UK.

So, thank you very much to all, and we hope to see many of you in December in Asia in now a few weeks. We're really very much looking forward to that. Thank you.

Operator

This now concludes our call. Thank you for attending. Participants, you may disconnect your lines.

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