# S1 2021 Earnings Call

## Company Participants

- Ben Bulmer, Interim CFO of Asia
- Mark FitzPatrick, Group Chief Financial Officer and Chief Operating Officer
- Mike Wells, Group Chief Executive.
- Nicolaos Andreas Nicandrou, Chief Executive of Prudential Corporation Asia
- Patrick Bowes, Head of Investor Relations
- Unidentified Speaker

## Other Participants

- Analyst
- Andrew Crean, Analyst
- Ashik Musaddi, Analyst
- Blair Stewart, Analyst
- Colm Kelly, Analyst
- Dominic O'Mahony, Analyst
- Farooq Hanif, Analyst
- Greig Paterson, Analyst
- Kailesh Mistry, Analyst
- Larissa Van Deventer, Analyst
- Unidentified Participant

## Presentation

### Operator

Good morning all, and welcome to the Prudential 2021 Half Year Results Call. My name is Lydia and I'll be coordinating your call today. You have the opportunity to ask a question. (Operator Instructions) Alternatively if you joined via the webcast, please click on the questions tab about Slides. It's my pleasure to now hand you over to your host Mike Wells, Group Chief Executive. Mike, please go ahead. When you're ready.

### Mike Wells {BIO 4211236 <GO>}

Hi Lydia. Welcome everybody to our conference call for our Resilient 2021 Interim Results and the news on Jackson. I'm delighted to be joined today by several members of our leadership team including Mark FitzPatrick, our Group CFO and COO, as well as Nick Nicandrou, CEO of Asia Ben Bulmer, Interim CFO of Asia and James Turner, who is our Group Chief Risk Officer. Welcome to them all. I'll make some short remarks and then we'll go into Q&A. I appreciate the sheer number of companies reporting today so we'll try and keep this tight and thank you for joining us. again, I appreciate it. First I want to attribute to our staff and agents for the group that is sadly passed as a result of COVID including a number since the year-end and my condolences to their families and their loved ones we're taking steps as you would expect to support them and their families and is very difficult time. Notwithstanding that our continued focus on our staff their efforts to focus on customers and proved incredibly adaptable and dedicated and resilient once again and I think on behalf of all of us. The management team, I want to record my thanks to all of them, they've really done a phenomenal job. Is it just you just see by the breadth of the of the results in the amount of strategic work completed in this difficult environment. Turning to the key strategic priorities for 2021 to pursue at pace and independent Jackson and then to enable our investors to fully benefit from the opportunities in Asia and Africa. On the first priority We announced further substantial progress in the journey. As you know, on August 6 the Jackson form 10 listing was declared effective. So we've now called for a General Meeting on August 27, and again subject to shareholder approval at that meeting the proposed demerger will be complete on September 13. And on the second priority following the completion of the proposed demerger Jackson will be in the final phase of our transformation of Prudential into a pure play, Asia and Africa group, which we think as exciting and substantial growth opportunities. So let's move a bit to the details. Firstly the Jackson demerger process is now in the final five weeks or so of execution. It will come to market with the ticket JXN and Jackson has a clear strategy to deliver shareholder returns in first full year after the merger and will have an RBC ratio at or near the target range of 500% to 525%. The management team is starting its formal marketing engagement and will host a virtual teaching for the sell-side on August 17, so you'll be hearing from them directly up to and then post the day of the completion on September 13. Secondly, our interim results again another resilient result AB up 17 new business profits up 25 IFRS on profit of 19. This continues our track record of strong growth in all of our key metrics. Despite the ongoing disruption in some of our markets due to COVID I'd also point out that the growth market segment, which includes for the first time Africa is now making an increasingly difference in our results and very pleased and proud of them. And in terms of strategy in our big growth markets. We continue to expand our distribution capabilities product set, including in digital to build out our capacity for 50 million clients in our more developed in historic markets and those were substantial COVID disruption impact we have to run a nimble business model and what we're making changes to take into account the operating environment. This means, focusing on appropriate actions on efficiency and staying close to existing customer bases and so maintaining again that renewal premium and the associated embedded value. Looking forward, we expect to vaccination programs being rolled out to facilitate a gradual return to normal that includes economic patterns. Although the pace and their effect are going to vary substantially. We think by market. We expect Hong Kong and Mainland China border to remain closed at least for the balance of the year and we also are we are considering still the raising about 2.5 billion to 3 billion of equity following the completion of the proposed demerger of Jackson. In the long term again right business model right markets and we have strong diverse local management teams and dedicated staff. I think to drive substantial growth. So further out. We're focused on those large markets with significant structural demand drivers and opportunities to strengthen our position. Further, this next phase of our growth is all about disciplined execution and consistency. So let's go to the Q&A session and I realize in several you in Europe, you've got a lot going on today. So let's open it up for questions and which want to talk about.

# Questions And Answers

## Operator

(Operator Instructions) Our first question comes from (inaudible) of Morgan Stanley. Your line is now open. Please go ahead.

## Q - Unidentified Participant

Hi, thank you. So congratulations as a very good set of results. I have three questions. The first one is, we noticed that the Singapore and China has been growingly important for the Group. And I just wonder actually because in the Hongkong, when Hongkong was the most important region. You had a bit of a back end loaded IFRS profits. Kind of challenge from the HoldCo with Profits business. I just wonder whether that's kind of, we will see the same situation in Singapore and China as they are catching up. So that's the first one. And then secondly, is in your Hong Kong your on the -- from a quarter-to-quarter basis, your new business margin actually improved and despite that the US yields actually went down during the quarter. I just wanted to, actually, could you just give a bit more color on what have you done to improve the margin in Hongkong. Hong Kong

And the last question is again with Hong Kong. We understand that the kind of, because you have many of the high productivity agents actually specifically aiming for the Mainland Chinese travelers to Hong Kong. I understand that they've been kind of trying to transform them self but as the lockdown actually extended. And I just wonder whether we will see some kind of people movement for these kind of bench of agents will they consider actually moving back to Mainland China or so therefore will impact your future sales. Wednesday lockdown was actually lifted.

## A - Unidentified Speaker

Okay, thank you (inaudible)...

## Q - Unidentified Participant

Maybe add another question, what kind of support. Are you going to give to those Mainland Chinese kind of agents in Hong Kong.

## A - Unidentified Speaker

So I think there are some structural differences and what our product sets are in those markets. Mark, why don't you address that cash flow and the embedded value signatures of those of Singapore and China to start and then maybe Ben if you'd talk about Q1, Q2 margins in Hong Kong and Nick the health of agency. What we're seeing in Hong Kong itself. The. Mark why don't you take the first question?

## A - Mark FitzPatrick {BIO 20178326 <GO>}

Thank you. Thank you very much. So in terms of Hong Kong UK style With Profit funds we have those in Hong Kong. We have those in Singapore as well, we don't really have it to the same extent in China. So we wouldn't see that element of that kind of profile in

Singapore. As well in terms of the product mix, you will see us actually starting to shift a little bit more towards linked products going forward and a lot of on the health and protection component. So we don't think it's the same size or same scale of of back end loading that we have in in Hong Kong. So Mike, that's the response to the first question.

## A - Mike Wells {BIO 4211236 <GO>}

Okay. Ben on on margins in Hong Kong improving?

## A - Ben Bulmer

Yes. Thanks, Mike. So the key thing that really has been the pivot to domestic protection business. We've been driving the Air China's sales and that's where the government's encouraging private plans with tax concessions so we successfully launched a very popular medical product plant and that's helped margins on the agency side of things. Equally though on the bancassurance side. We've managed to pivot the Bank to a greater concentration on health and protection offerings and trying to meet customer needs in that regard as well as savings. So a very, very strong business mix performance driving the Hong Kong margin.

## A - Unidentified Speaker

Thanks, Ben. And if you want to talk about health agency in Hong Kong and?

## Q - Unidentified Participant

Sure. So I mean a number of a number of initiatives our ongoing. Clearly, our focus is continuing to have those agents engaged the so what are the of things that we're doing there continuous training on new tools, particularly technology as we pivot some of the tools that underpin on boarding fulfillment servicing to Pulse, Ben just referenced new products. Of course those new products are at the moment being made available to the domestic segment, but also have relevant to the MCH segment once the border reopens of this training new products continuing professional development and qualifications is key required to do that every, every year. And just as an indication, even though the deadline for completing that for October 31, 2021 80% of all of our Mainland China predominantly Mainland China focused agents have already done it. So that's, that's a signal that retention that they want to keep their the contract. They want to maintain the contract with us, and as we go forward and, a large proportion have also pivoted to starting to do a share of domestic business led by fed by the leads from Pulse we've had 800,000 downloads the vast majority of those are new to PRU users and we've been able to distribute some of them to agents that perhaps in the past a facility focused on Mainland China. We are confident that they will return as I said, because they continue to keep active is high and the final



## A - Unidentified Speaker

Point I would make is that there is still significant amount sorry being paid to them in the form of trail commission for business that's been written so effectively before the border was closed and significant amount that are due to them through long-term incentive plans that are -- that have been issued that come to rest in March '22, that come to rest in March '23. So there's a lot of both financial incentives. But also operational activity which are -- which supports our confidence that they're engaged in the waiting for the Board of to open. And in the meantime. Thanks.

## Q - Unidentified Participant

And thank you for those questions. And obviously we're pursuing in gearing up to pursue some of the opportunities that come with the initiatives as well. Lydia next question. If we could please.

## Operator

Of course, the next question comes from

Kailesh Mistry of HSBC. Your line is open.

## Q - Kailesh Mistry {BIO 15396670 <GO>}

Hi, thank you for taking my questions. Good morning and good afternoon. First one is on new business value in China. Obviously you had strong performance in the third quarter moderated in the second quarter, but overall it so we can probably much better than the industry. Can you provide some color on why you feel you underperformed sorry outperformed on that front. Is it simply your distribution is more stable, and outside of the first quarter in China, again, are you exploring things the same customer reluctance buying long-term protection and the move towards short term? So that's the first question. The second question is again on pulp in China is the sort of development on the regulatory side. With respect to Stage regulation Internet regulation et cetera in any way affect your desire or ability to eventually operate in that market? And then thirdly, once the demerger completed what strategy, can you employed to increase in stock for sales in Hong Kong, obviously you've got the capital raise, which can help to improve stock liquidity, but is there anything that you can do in your power to get included in stock, in the same and Stock Connect?

## A - Unidentified Speaker

Yes. So, all right. So the Nick, I want to bring it back to you on -- in mix in China and some of the success we're having there and why (inaudible) basically the market by the level is on, let me address pulse directly that -- So we know what the data regulations. What you see with customer data we first you comply with everyone's regulation every market year end, there's tremendous consistency there between what is the EU standard we originally built our data models effectively do internally and then what the Chinese regulations are the differences are things on reporting frequency of our cycle of a of a breach being immediate instead of 72 hours. Things like that, they're not materially different. And you're seeing this I think everybody's benefit with capital regulatory models do there is a convergence and Principal. So, no, there is nothing in the data is country-by-country. So our Group wide supervisor doesn't see all the data we have in different markets. Every regulator wants data protection locally, clouds tend to be adjusted locally we use independent cloud for example with Alibaba in China there is so those models are our national in structure for the most part.

And certainly, the management of the data, but the primary pressure on data protection is consumer because if you think about the -- it's a trust factor and so our focus on that is, ROE protecting the consumer data ROE accessing only parts of it that a customer would be comfortable with. And as we get more and more data about customers, we discussed this a lot, as a management team, we discuss it in our boardroom. We have Ethics policies on on AI as well as data privacy. And I think inorganically. I think they exceed the market requirements, because you're dealing with a consumer relationship here that's incredibly valuable to us and we don't want to, it's fragile, if you make a mistake in that space. So I think that's our over arching standard, but from a country-to-country point of view, there is I would say there is, there is an intersect the demands not dissimilar to what you're seeing with the various capital models. Everyone, every regulator we have in every market expects data privacy to be maintained and is unacceptable of a breach and then access is it's hypothetical and who is going to what -- and there certainly isn't anything coming out of China on insurance that's concerning to us. So, no, it's not affecting our Pulse our view of both options in China.

On that, and I'll just touch quickly on the liquidity so liquidity on the exchange trading on the exchange in on our key elements for indexation inclusion and Stock Connect and I think our shareholders understand that. And I think the interest we're getting from investors in Asia. I think there is, we'll see how much trades there but the requirements are public and we know what they are and one of the benefits. I think at the equity raise as could help us approach that we clearly see value in both those two structural changes and so we'd like to see them happen. But other than that I can't comment on where people will trade. That's a shareholder decision. But as you see more coverage moving to Asia, as you see more investors coming from Asia. I think there is a natural trend towards Hong Kong liquidity. So will hopefully the equity raise accelerates that a bit.

Nick, you want to talk about China, the success we're having versus the market and the first question, if you would?

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

Sure. Hi, Kailesh. So the good returns or the high returns that we've achieved in the in the half. I guess, in the second quarter was your question specifically are really a function of the kind of products that we are pushing that are long, long duration products health and protection and the fact that we've got both our channels. Whether that's the agency channel or, and indeed the the Banco -- the bank channel appropriately trained and equipped to to continue to sell and it's normal no more complicated than that. And that's really what's what's driving us retaining healthy margins in the high '70s low '80s on agency and in the '40s on the Bancassurance side. We are adding relationships we are strict with agents in terms of that mix and and the quantum of business that they write enforcing contract maintenance rules and we're not, we're not looking. We have not really introduced products that that are shorter in in duration. So we're keeping the discipline.

## Q - Kailesh Mistry {BIO 15396670 <GO>}

Thank you, guys.

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

Thank you. Appreciate the questions.

## Operator

Thank you. Our next question is from Farooq Hanif of Credit Suisse. Farooq your line is now open. Please go ahead.

## Q - Farooq Hanif {BIO 4780978 <GO>}

Hi, everybody. Yes. Congratulations from me too. Just on your GWS model. Can you just talk about the Dom was interest rate sensitivity. I mean it's really extremely high. I'm not anybody is talking about lower yields anymore, but just wanted to understand that asymmetric nature secondly also on GWS what is the capacity yet that could be become far that if you wanted to increase and is or how close limits are you on the GWS framework? And then thirdly, can you talk a little bit about the COVID-19 claims risk. So I mean Health and what's, how claims risk in 2018. Going forward, and whether that will become a material drag on your reported IFRS earnings. Thanks.

## A - Unidentified Speaker

So. Thank you, Mark. I mean to have you handle the first two a Nick third. But the general comment on the claims brokers, I think what you're seeing is still where we're 55,000 claims both medical and depth is not a number we want to say it's a fraction of what we'd normally see in medical claims. So we're still running below those levels. I'll let Nick give you a little more color. And Mark, you want to talk about GWS, the rate sensitivity and the debt structure in it was the admissible?

## Q - Unidentified Participant

Yes, certainly so good high there. So in terms of the interest rate stress. The 50 to 40 rates really would ordinarily kind of slightly increased surplus is the high asset values are kind of any partially offset by the higher liabilities and at the lower rate effectively sensitivity of the Hong Kong liabilities to changes in the VIR are based on a more prudent NPV basis, resulting in the duration of liabilities that's longer than the asset duration. But we were very comfortable with that actually the way it's shifted in terms of Q1 versus Q2. We're comfortable with the direction of that particular at that particular

## A - Unidentified Speaker

Piece that particular component and it's -- it is a slightly larger number than some of the others, but actually at the level It's not some this causing us any particular any particular concerns at all. As regards the limit in terms of the capital structure. We actually were actually fine in terms of how those how those are positioned in terms of the senior debt. We're very pleased that the hedge K agreed to that and that component and you've seen that coming through. So we're very comfortable, we've kind of met all our tests with good headroom. So we have no concerns in terms of that particular piece. I just following up very quickly on interest rate stress the basically you think it come back Citi because of the local environment in Hong Kong, not with profit. Right. All right, thank you very much.

INITIAL DRAFT

Bloomberg Transcript

## Q - Unidentified Participant

Nick, I know you want to little more color on claims. If you would?

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

Sure. So 55,000 claims since the start of the pandemic, just to give you maybe some additional data points, they seem 1,000 of those last year and in the first half of this year. You've seen that number so up to 37,000 of these. So that, yes so there has been, if you -- if I can acceleration, but it's still relatively small when it comes to the totality of the business as usual type things that we face in a normal year pre-pandemic, we were paying 110,000 cases -- claims cases a month. So normal claims are still not yet back up to about 110,000 are they dropped to 90,000 last year to back up to 100,000. So that's what we're seeing. But 90%, although of the COVID related claims. I can go back to the 50,000, come from Indonesia and India. So, Indonesia, has been a market, which has borne the brunt of both hospitalization and that's claims 70% of those cases from Indonesia 20% of those cases what from India and the rest of the markets more modest and with -- if you like, fully jobs proportion of the population, only 10% in both of those markets. The single job our 10% in in Indonesia 10% in India 20% in Indonesia, it's still likely that we will see some more COVID related claims, particularly in those two markets as we go into the second half of the year.

## Q - Unidentified Participant

So basically just your frequency benefit otherwise kind of a has absorbed.

## A - Unidentified Speaker

Yes...

## Q - Unidentified Participant

Thank you.

## A - Unidentified Speaker

(inaudible) We're still positive in terms of experience.

## Q - Unidentified Participant

Yes. Thank you very much.

## A - Unidentified Speaker

Thank you.

## Operator

Thank you, Larissa Van Deventer of Barclays is also registered the question. Larissa please go ahead.

## Q - Larissa Van Deventer {BIO 20764470 <GO>}

Thank you. I'd like to focus on the -- in terms of COVID in the second half and growth. And on the impact of COVID and you did mention that it is still an issue in some of the markets, can you please give us an indication of the areas we most concerned and the impact having on demand for products in those areas. And then on organic growth, and you mentioned that as your first-party for deploying capital and what is currently taking what most capital and can you give us more insight as to where your preference would be to deploy, especially in light of the capital raise you plan to do later in the year?

## A - Unidentified Speaker

Most certainly do that. Nick, you want to talk about markets were most impacted and Mark talk about the use of capital and I think the overarching comment on the capital is, we will fund growth, there is no market that we're restricting on organic growth. But I'll let Mark, give you a little color on deployment of that capital in the second. Nick will do a COVID impact and impact on demand and some of the product innovations and things we're doing to to address that.

## Q - Unidentified Participant

Okay, well thank you, and hello Larissa. In the in the appendix Slide that we posted up on our website, there are two and I'll reference them now. I'll just talk you through some of the key messages that's effective you speak to speak to your question on the Slide 30. That is a normal chart that we show on the severity of otherwise market over a time period. And Slide 31 which is the vaccination rates. So what, and we've extended this to cover July and August. So it's not going to speed so the markets that have what started in India in April and May quickly transfered to other parts of Southeast Asia. So where we are today is countries like Malaysia, Vietnam, Thailand and the Philippines are at -- if you like, the highest level of infections that though that we've seen pretty much through the pandemic. Indonesia has come off a peak clearly, India has come off a peak and only amongst our markets, the ones that are looking a little more normal our Taiwan, Singapore. And I want Singapore and Hong Kong where the impact will be more noticable.

I guess in terms of the restrictions is a combination of a red color on Slide 13 -- On Slide 29, which is the most severe restrictions and a low vaccination rate. So the Philippines, Vietnam, Indonesia, Thailand vaccination rates are still relatively low, there the double job people or anything between mid to low single-digits to and a high rate over a severe rate of infection is where we're going to, where we're seeing some, some challenges. Malaysia, whilst challenge this is very fast vaccinating its population. So any impact will be relatively shortly. So that's really the picture that we're seeing now clearly against backdrop and why you've seen the resilience of our performance through the second quarter where -- as I said, which was probably the worst quarter so far since COVID started, what's -- what is giving us the resilience its new products that we've launched and if you go back the last 18 months. We've launched more than 270 products, 180 of those health and protection many standalone protection products much simpler products are looking to appeal to first-time buyers, particularly from the mass segment the use of pulse the number of downloads and now on our improved ability to convert those users into sales 150, 156 million through agency.

The extension of bank relationships the professionalizing of agency and also more importantly the use of virtual face to face technology that's critical be up from both channels in agency in the second quarter. Nearly half the the business that was the cases that were written were done virtually in banks that was 6%. But if we look if we look at June, specifically the numbers we're 60% principally in agency and closer to 35% in that -- in bank. So that's the familiarity of both the distributors, but also the ease with which consumers are now prepared to do business on through that virtual face-to-face is also giving resilience to our businesses.

So that's actually the landscape as we see it as we go into the third quarter.

## Q - Larissa Van Deventer {BIO 20764470 <GO>}

Thank you. Is it fair to assume then that although the -- it maybe going west from an infection perspective, it is unlikely to be as bad as the first lockdowns we saw it sounds funny.

## A - Unidentified Speaker

Well, as I said vaccination is a -- vaccination rate is improving. If we look across our markets, the percentage of people that have had at least one dose at the end of the first quarter, that number was low single digit that jumped to around 24%, but this is across all our markets like by the time we got to through the end of June and it's now very latest figure is 30%. So again that one level, you can say the pages increasing and that gives more confidence at one level or another way of looking at it 30% is still low. And as I said for the vast majority of places still a single job. So I can't tell you whether it's going to be sort of worse or not but Q2 was pretty bad and in a number of markets that have -- that have in terms of the backdrop. And in a number of markets said Malaysia

Thailand, Indonesia, Philippines and Vietnam, are the infections are still at a high level. And Mark talk about capital deployment.

## Q - Unidentified Participant

Sure. Larissa hi good afternoon.

## Q - Larissa Van Deventer {BIO 20764470 <GO>}

Good afternoon Mark.

## A - Unidentified Speaker

So in terms of capital deployment of our capital allocation framework. Clearly, it's kind of -- I suppose defined by the opportunities we see for profitable growth in each market. And as we set out -- we see the most significant opportunities for growth in life insurance and asset management in the four largest economies in our footprint in those as we've called out of China, India, Indonesia and Thailand. And we do apply that kind of the same rigorous capital allocation and pricing disciplines to both organic and inorganic, but typically we see higher risk adjusted returns from the organic investments. Now vis-a-vis as the equity raise that we're considering the intention around that is to effectively to accelerate de-levering, which will then provide the flexibility to pursue opportunities for further growth enabled us to do more and consider more through the capital allocation framework. But the capital allocation framework is core and center to what we do, how we do it and we spent a lot of time with the Board going through that in terms of shaping our thinking.

## Q - Larissa Van Deventer {BIO 20764470 <GO>}

(inaudible) looking to accelerate deleveraging. Does that mean that you may consider doing earlier (inaudible) Bangladesh?

## A - Unidentified Speaker

And so we've highlighted that which is I think about the -- two in a quarter $1 billion worth of debt that's its first call date relatively expensive debt. So there would be the debtor would even probably look to move on first. And that would bring our leverage down on a pro forma basis to low '20s and that would save interest cost of about $125 million per annum thereabouts.

## Q - Larissa Van Deventer {BIO 20764470 <GO>}

Thank you very much.

## A - Unidentified Speaker

Thanks for the questions.

## Operator

Thank you, will now go over to Patrick Bowes, who will be reading out your questions from the webcast.

## A - Patrick Bowes {BIO 16444249 <GO>}

Thank you Lydia. There are three questions. Mike, first question is from(inaudible), could you please share more color on the central equity financing post the demerger and the targeted size range for the new issuance? Second question is from Justin floor at the PSG in South Africa. Two questions on both what is the penetration rates you're expecting as a percentage of AP and more value of new value of new business margin to you earn on sales in the past quarter, and how the economics evolving and thirdly from sites in Singapore. I think it is. Please confirm whether there, any conditions surrounding the grandfathering effect on the GWS and does the regulatory capital loss for the remaining duration of the bonds.

## A - Unidentified Speaker

Great. Mark, I'll let you discuss the the credit we're getting for debt in GWS on the equity financing. So, we've said $2.5 billion to $3 billion is the target we're staying with those comments. We think that's appropriate given the some of the comments from the remarks made today on what we'd like to do with capital for again retiring debt and just increased financial flexibility. That's an OnPulse. So it's roughly 10% of AP now in the markets it's available in its early days on some of the other metrics. I think there is a, I appreciate it's a fair challenge the value this like a insurance company or do (inaudible) sort of your metrics. But what we're seeing for sure is high interest in the platform. Decade younger consumers coming on the platform and we have some freemium to premium services if you will. So effectively zero margin, but relatively low acquisition cost of clients and very effective acquisition of clients and is produce millions of leads for our agency channel I think of it is a new and I think we've not had clearly that we're looking to add wealth components to it. Next, so it's the front end of Pulse and I'd say that. And that's, those are all consumer facing elements of pulse what you're which definitely measurable is an absolute increase in new client count to Prudential at age brackets we weren't we weren't seeing before harder to get to before and the consumer is definitely, like some of the interactive tools on it that allow everything from symptoms checker to telemedicine into in some markets, it's got digital payment capability where that's a -- if you take a market like Indonesia, that's a key element socially not just help inclusion but financial inclusion.

And then on the back end side, which we don't talk about as much there's operational efficiencies as we -- we move more and more of the operating platforms to these more cloud based tech light sort of product models, which should over time bring our operating expenses down and our ability to product generation faster marginal cost lower. All of the sorts of economies of scale you would expect that's a journey we're on -- we're not -- we're not there yet. We're still working that hard, and that's one of our ambitions. And I think I've said on previous calls, an element of the service being mobile based for is that I'm just calling a digital for a second, with consumers insurer is a bit a little late to me there's a lot of, there's various arguments for that one is you often only interact with and ensure a couple of times a year. I've heard others, but we think in the very, very short term future very close in -- it's a client expectation and that we're seeing is much more frequent interaction with that with Pulse. So that's a good thing for the business model and that's a good thing for us to adjust our offerings to consumers as we see what they need and it's getting us to go into channels and partnering with digital providers.

We haven't partnered with before to make parts available and our services available. So I think it's too early to draw value of new client metrics content. I mean some of these are -- it's all -- it's blended is we're digitizing all of our channels. So I don't want to give you a target yet on them. And we just know, they're all growing and they're growing by age cohort usage, all the things that we'd want to see, and we'll continue to, as we think that the stats are holding up a mature enough, we'll give them to you. But right now I think it's just early days to get any more granular than effectively 10% of (inaudible) in the markets where we're -- we have pulse available and again that's primarily due to the agency channel. So that's equity that's pulse Mark will talk about grandfather terms on our debt structures with the regulator?



## Q - Unidentified Participant

Sure. So in terms of grandfathering of debt we have Granite -- of the debt for 10 years. And then the credit amortizes 20% per annum for the following five years and I think if you look at the debt stack that covers pretty much most of our pretty much all by one of our debt. So we have lots of opportunity to refinance is required before grandfathering expires. But I'm very comfortable with where we are and no conditions. other than that.

## A - Unidentified Speaker

Getting more questions I appreciate it's a busy day for people.

## Q - Unidentified Participant

Expect to Lydia.

## Operator

Thank. you. Our next question comes from Andrew Crean of Autonomous Andrew. Please go ahead, your line is open.

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

Good morning, everyone. I had three questions, if I could. Firstly, are you prepared to say now or perhaps in the future. The boundaries on your LCSM coverage ratios to what you feel you're comfortable operating within? Secondly, just coming back on this issue, I noticed that with profit is about just over half the reserves, but any contributes about 3% of the profits the traditional with profits. Do you think as you move into the new world that it would be worth considering closing the with Profit funds and rising shareholder backed. We are participating business, which is some got higher and earlier cash merchants. And then thirdly as you come down to an Asian business, what are you thinking and sharing with people about the layers of management at the top?

## A - Unidentified Speaker

Okay. So at the very top. I guess me. So let me address the last one and then Mark will have you addressed the other two, if you would so Andrew, good morning. The what you're going to continue to see us evolve the business model. We've got a lot and the structure of the operating model. We got a lot of work to do still, but again we've brought down, as you watch the central cost we've about 60% of our home office roles now in Hong Kong the balance in London. No intent of closing London and we'll delayer the organization and combined roles as we've continued to do over the last few years as the structure warrants and as the workflows warrant.

It's a -- we're not making any announcements on that today. And I think it's -- So you've seen us give targets on the cost side. The business model will reflect. We think the targets, we've given you give us plenty of room for an appropriate management structure for the business going forward. I just -- I would say that the needs of the business have evolved and you've seen us again we spend more on digital we've spent -- How we've structured is different than some of our competitors. So the major business units that we have in Asia, we expect to run as if they were listed with no intention

Of listing them. So they are very well built out, and then you've seen us use a structural growth markets where we -- our home office and our team support them more because they are earlier in their development, not necessarily early in the development of the market, but sometimes it's bad in sometimes it's our position. There is new or in the case of Africa, for example. And so we're putting more resources there. That would be considered quote unquote home office. So I think it's going to stay a dynamic model. We'll keep it fit for purpose in number of people including senior people and we'll keep it fit for purpose and expenses and we have given free clear in our targets. Mark, you want to talk about batteries and LCSM and we have no intention of closing with profits, but you want to talk about the shareholder versus the profits?

## Q - Unidentified Participant

Certainly, Andrew. Hi, good afternoon. So firstly in terms of GWS is now called in terms the capital regime that it seem is now three months old. So I'm probably going to let's say kind of marinate mature, if you will for a little bit. Before we start looking at element of kind of boundaries or layers. We're very comfortable with the 383% and will continue to work with the regulator and see how the and see how the market publishes its numbers in due course and just make sure that we're in a -- we're in a good place where they comfortable with where we are with the, with the GWS coverage ratio. On the with primary even going to Hong Kong.

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

So just on that, would you be going to the Hong Kong RBC early adoption of this time next year?

## A - Unidentified Speaker

So, Andrew. Great question in terms of Hong Kong be RBC. We are working closely with the Hong Kong Insurance Authority on the RBC. We do expect Pillar 1 rules to be finalized this year. But the HK are currently developing plans to enable early adoption and we're working closely with them and we are very keen to adopt an economic capital regime that's aligned to our capital allocation framework, we think that will reflect the business very well. So we are working closely with that and we remain optimistic in terms of timing on that particular patch. On the with profits fund. So a couple of points. I mean, firstly, what Mike said, look, we're not looking to close the with profits fund and it generates good shareholder both do both shareholder back down the with profits fund we have started and we at the back end of last year. Shifting some of our mix more from with profits fund to more shareholder back so exactly what it is you're saying you've started to see that come through. You'll see that coming through as we continue and more of that -- of that pivot.

We think it's good to have an appropriate balance between the with profits fund and the the shareholders funds the strengths of the with profits fund is an incredible competitive advantage to give out gives our customers great comfort seeing the strength of that seem to cover that that has seen the performance of that fund and seeing the element of support that I can actually give give consumers. So it's good for consumers, it's good for agents in terms of selling the product and we're looking to try and make sure we have an appropriate balance. But we are definitely looking to shift that balance to create more shareholder back to and that was one of the things that we highlighted, when we spoke about the pivot about this time last year. Thank you.

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

Thanks.

## A - Unidentified Speaker

Thanks, Andrew.

## Operator

Our next question comes from Greig Paterson of KBW. Greig your line is open.

## Q - Greig Paterson

Good Morning, gentlemen. Can you hear me?

## A - Unidentified Speaker

Hi, Greg. 7

## Q - Unidentified Participant

Thanks Greig.

## Q - Greig Paterson

(inaudible) Three questions. One, is it always puzzled you could put off Asian value of infants. I'm sure the reinsurance companies would love to securitize and that's in the form Financial reinsurance. Why did you not to make a full capital as opposed to an equity raise which typically that's going down also well with the shareholder base? That's question one. Second one is, in terms of China and India and a pulse were you previously you've said it could those markets. I don't believe you have the Babylon relationship, and I think makes it a while back that they would consider buying into Babylon relationship in those 2 markets. I was wondering what to sort of price take would be on that. The thirdly, IFRS-17 I know last time was in whole spoke to Hong Kong players the whole concern about the whole project the size of the implications. I wondered if you could just update us on your IFRS-17 plans and implications as it pertain to Asia. Thank you.

## A - Unidentified Speaker

Okay. Thanks, Greig. I'm going to let Mark. I'll let you have IFRS-17 and just further everyone on the call -- the -- we hear repeatedly as the investors are the ones that want that, so currently we're doing that for you. And on the reinsurance, I think Greg. It's a hypothetical question in which would have a lower cost of capital or what the demand will be for the equity. So I think it's probably a better debate after the equity raise was -- Yes, we do -- we think there's a lot of interest and in the company and we think we can successfully raise equity. But again, that's to be seen. We'll -- let's debate that on the next call. I think it's probably fair. We've not disclosed the pulse economics. So and I think it's -- But we do have the option if we want to go into China and India with Pulse, there are a variety of other you're going to customize it for different markets and the different considerations in both those markets going in and so that's the decision that I would say we're still reviewing and creating the optionality to do. Clearly the demand for digitally supported health inclusion is there, and it's And we've learned a lot in the last couple of years on what we think it's a competitive advantage.

Obviously we wouldn't have a focus on the way we have -- But it's -- we have views on what you would do in the two markets and just competitive reasons I don't want to get up, but they wouldn't be -- we've not done, there is no one Pulse platform from the consumer end we adjusted it to every market we're in it's available and that's not just language or cultural factors that's the types of services that are more important in that market and that could be addressing the lack or existence of say a government program for health retirement or that could be the existence of digital payment for example in China that's highlights our businesses on digital Alipay and WeChat versus a market like Indonesia where digital payments in its infancy, but a critical element of development. So the overall relationship is very important. So we customize it in every market and for China and India in particular you would want to customize it there is virtual doctor type services are not new to China.

There is a fragmented players in India, but some of the AI technology we have around self diagnosis symptom checker the Babylon type, some of the other features we have in it are would clearly be valuable in those markets. And so we're still looking hard at that and if we do it. We want to succeed and we want to succeed at scale. So we post the contract with Babylon would not be a barrier in either market for us, but I don't want to get into the economics of them that's we haven't been public with that. Mark IFRS-17. We want to talk about the some of the elements around it?

## Q - Unidentified Participant

Right. Also I'll try and keep this type just in the interest of all time. Greg, I think our IFRS-17 United discussed my views and it and where it is always in. But generally speaking, I think when a good place. We're spending a lot of time and on IFRS-17. It's a large-scale project, it's a complex project, but we've got great guys on the ground. We're getting great support from people and very detailed plans and we're getting through those and we're executing per our plans, we will look to be able to update the market at the appropriate time. And we're very keen to make sure that we give you and investors a good run into IFRS-17 in terms of shape in terms of the decisions we've made in terms of the impact and implications HMH around those decisions and shape the numbers and things like that.

So it is a big change. It's a big data project. Firstly, and then secondly, an element of technical accounting piece, but we're making good progress on it across the patch and a record will be able to share some thoughts with you in.

## Q - Greig Paterson

So just one point. Just on the securitization of either traded in the markets reinsurance vehicle am I correct is capacity to release capital from 4 billion of have and it is material?

## A - Unidentified Speaker

Well great I mean we have a good if we have a -- we have a very strong securitization can be and can be expensive candidate and less inclined to try and kind of flesh out of an answer on that Hypothetical to be honest. We set out our stall in terms of our, what we believe we want to do and we think the roots of raising equity in the way that we're advocating is important for numerous elements, not least

To be able to help address some of the focus in terms of Asia getting greater interest in Asia as regards, one of the questions one at the end of the 30 this morning, giving people more focused on it. One of the ways to do that is to raise the significant sum of money in Asia to get people to look at us and to focus on a little bit in a different way. So I think that's kind of where our component is in terms of where we're at.

## Q - Unidentified Participant

All right. (inaudible)

## A - Unidentified Speaker

Thanks, Greg.

## Operator

The next question comes from Blair Stewart of Bank of America. Blair please go ahead. 7

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

Thanks very much. I've got two questions, firstly, you've talked in the past about the relationship between the recurring in-force premium based on profit growth and indeed the two have moved very closely together the recurring premium base I think is broadly flat year-on-year in H1 and it was only up about 6% last year. Clearly, there has been a dislocation between that and profit growth. I just wonder if you could talk about the reasons why you've managed to achieve double-digit profit growth in the first half of the year against a flat and actually slightly down recurring premium base is it simply the fact that I think claims frequency that can you talked about was about 10% below normal levels. Is it simply that. And secondly just on cash, Mark thanks for the slide on cash. I see there was just over 1 billion of cash remitted in the first half of the year, you've made some comments around that seems that that's possibly a bit more than you would normally expect. Just wonder if you could flesh that or will bit in terms of what we should expect from cash remittances as we go forward. Thanks very much.

## Q - Unidentified Participant

Thanks, Blair. I guess both close yours.

## A - Unidentified Speaker

Okay. So there the element of the recurring premiums component. It's got an element of kind of with profits and shareholder backed component and if you will. We have, for example, at the moment if you strip out the with profits comparative renewal premiums you'll see all kinds of actually up 8%. So the delta. But in between that in the 11% is really an element of fee income and that helps us close the gap. And in my Slides supporting my my script for the piece earlier on today, there's a bit of a bridge in terms of the IFRS, earnings, and you'll see those I think those are the key, the key components. There was a Hong Kong there was a 126 sales of five Pay with Profits component, that's kind of reached its kind of it's pay cycle the policy remains in place until the lapse but the policies and that continue to generate some IFRS profits, but no renewal premiums from that particular piece. So it really is the shareholder component. If you strip that up, you'll get renewal premiums up 8 and therefore that helps to bridge the gap.

On the carrying piece and I think what we're looking at on the element of the cash. Yes, we did bring up more early in the first half and then we expecting the second half. Cash outlays in the first half. Higher a because of some of the bancassurance the ad-hoc and some of the with UOB and with Vietnam. And then also the more regular bancassurance payment tends to be more front-end loaded to the beginning of the year. So that together with the second interim dividend for FY'20 being ahead in the first half meant actually we wanted to bring more up in this half versus versus mix up. So I'm expecting next off to be considerably lower but again my element in China We take up what we, what we look at what we need and what our requirements on at this stage, I'm expecting those to be significantly lower than the level we had in the first off.

## Q - Unidentified Participant

Thanks, Mark. Can I come back on the recurring premium point. So is the lower frequency. I think I think 10% that Nick referenced is that a relevant factor. And secondly, with the maturing of the five pay policies that you sold in 2016. Does that create some some additional profit as you've got the bonus element of those maturities?

## A - Unidentified Speaker

So on the second piece and led the those policies haven't really lapse they kind of carry on for longer in terms of duration. So it's not that they have. So there is no like pickup in the in the with profits in terms of a terminal bonus component at all on that particular that particular piece and then in terms of claims as Nick said earlier on in the call. There is still an element of a kind of a tailwind from the claims level because it's still below the expected but it's not as much as is that we saw last year.

## Q - Unidentified Participant

If I can ask it maybe Mark Blair. It's Nick here, it's, yes the recurring premium if you. I think what markets you exclude the and you look purely at the shareholder back, there is a continuation of the slow, but of course we also make money in the first year of new business as well for health and protection products and and those have grown have grown significantly. So on Slide 45. You will see in the middle. Tom effectively lightweighted which premium for the shareholder (inaudible) that's Richard more closely if you like to the IFRS progression that you referenced.

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

Thank you.

## A - Unidentified Speaker

Thanks Blair.

## Operator

Thank you. Our next question comes from Dominic O'Mahony of BNP Paribas. Dom the floor is yours.

## Q - Dominic O'Mahony

Thank you. Hi, folks. Have you all doing well. Three questions if that's okay. Firstly, just coming back to the GWS capital, what sort of disclosure to think we're going to get on these are we expecting anything equivalent to an SSD are, is there any chance you might give us a liberty Carol the components of capital and capital requirement, may be by market. And secondly on China in terms of the Greater Bay Area is Mark you mentioned that earlier and the opportunity that as you look at progress on the insurer can actually. And when you look at other sort of equivalent severance wealth Connect. What are you learning about the capital. And then third question in China. We expect to see two I think in the beginning of next year and that's some commentary in the press and the industry may need to write down slowly a couple of ratios will decline, what's your perspective on that. Thank you.

## A - Unidentified Speaker

Okay. So Mark, I'll let you do has meant. I'm going to have you do the, but generally the capital regimes in China had been additive to our net position dollar then give you a color on that, on. I think the the so I think what you're seeing. That's clear. It's a from Beijing down it's held out as an important project that's important in China just from an execution point of view, because you've got endorsement from the top. Different than connect. I think you're seeing I would say more different than stock connectors as well, you're seeing a more, a move towards what will be a little more flexible architecture so instead of trying to build to a specific product is a lot of discussion around it a a more dynamic pipeline if you will, for the Connect element. So we are involved in those conversations. I don't want to just I don't across what disclosure your conversations with the various regulators, they can get them uncomfortable, but I think there is a -- We think the direction of travel is good. We've said all along that we thought service was the initial element claims et cetera.

I think that's probably still true, but again there is a lot of support for the project And I think it's my strong view is it's additive for Prudential and some of the products and services that are going to be in it. Our go-to our core strengths. So we're staying as close to it as we can. And so far that's been. I think we're well positioned in it, but I think there is a -- the real change. I guess in the last few months has been I'll move away from trying to get it to product specific. If you think of the term insurance. Right It's a bit like we say agent, it can really have a lot of different meetings and there is no reason the technology needs to limit that. So I think that's probably the biggest how we connect where we're seeing some -- we're getting a different perspective and again where we're in the midst of that. So I don't want to disclose any competitive a regulatory elements to it, but I think you'll see a more flexible pipeline in than some of the previous connect models. Sorry for that. Dance around a bit on EBIT. But I want to get into. I want to give a competitor to ideas we're working on there on the per country. I'll get Mark join to talk about the capital and then Ben, would you follow up pleased with that at next iteration see (inaudible)

## Q - Unidentified Participant

Sure

## A - Unidentified Speaker

In terms of GWS there will be a public document. We think it will be published in about May next year the requirements on quite the same as an SSCL and there is not same kind of detailed templates those included in SFC that you might be useful used to from the UK component, but we will be publishing something in May next year as per the GWS requirements. And therefore that will give you a little bit of extra color in terms of some of the building blocks.

## Q - Unidentified Participant

Okay. Thanks, Mark. Ben.

## A - Unidentified Speaker

Yes. Thanks, Mike. Hi, Tom. So you're right, we're expecting SeaRose due to come in January 1, 2022. We're actually still awaiting the final rules to be published, but on the SeaRose to what you see as capsule being classified as either core or supplementary depending upon loss absorbing capacity level of subordination and so on. I'm not going to give rise to ratios a core and comprehensive and what we expect to see is the core ratio falling across the industry and that's because see Ross to introduces a cap on the amount of negative reserves that can be counted with core capital as core capital and along with that full though the MCR is also, so based on where we are today, we see CPL our business remaining very well capitalized on the both core and comprehensive bases and we're not anticipating any change in business strategy.

As a result of cross 2 coming in.

## Q - Unidentified Participant

Thank you. Thank you very much.

## A - Unidentified Speaker

Thanks, and thanks for the question.

## Operator

Thank you. Our next question comes from a (inaudible) Please go ahead.

## Q - Analyst

Hello, hi there. I've got two questions remaining for me. Firstly, on the -- just going back to the equity raise, can you just remind us how you arrived at the $2.5 billion to $3 billion actually number I ask really because of the deleveraging. It doesn't really matter will actually we would much room for the inorganic opportunities and you might see in China, India, Thailand and elsewhere. And then the second question is on poles, can you just share with us what the ROI, the payback period on the investment in pulses. And then what like it's about. I know you don't have the in China are you to be considering holds for China or you screening competitive platform there? Thank you.

## A - Unidentified Speaker

Okay. So on the equity raise. No, the intent was not to to fund major inorganic it does certainly give us room to do a lot of the small things we do with banks that would be below an equity or debt raise or in some of the digital work we're doing. So I think it does increase our financial flexibility and clearly to continue to fund organic. So you're correct that we are not attempting to raise a war chest, if you will, for some of the unique opportunities we have to deploy capital at scale, China, India, some of our JVs, et cetera even even now Africa. So I think there is a, that's a different consideration different point in time and we'll deal with those when both the regulatory and counterparty and strategy and pricing our meat on on Pulse we would not disclose the metrics on it. I'm not in a position to answer that today the margin, the products that we're selling through the agency channel, our our normal margins and I guess over the general comment tell you is relative to other metrics. We're seeing in the digital space. Not necessarily insurance space. We're very happy with client acquisition costs.

And I think in the early days that's a key driver. Are we were doing something that's efficient from a tech platform. So we're not getting ourselves on cost of funds in thing. So I think it's disciplined. But I don't think we're not a position yet where until, which are more mature model in terms of value, new clients and we've got quarters of data instead of just a relatively short period of time here were holding back on disclosure on it, but the sales, we're talking about our are in our normal margins full channel and far as Pulse in China and India. They're both actively under consideration. We have a variety of ways we can do that you'd customized of the platform for both markets very differently, and it gives you again as we've customized pulse for every market we rolled it out and now it's, I think I mentioned earlier it's not just language or medical provide I virtual medical providers et cetera. It's also other needs in that market that you can address with this ecosystem and that can be anything from financial inclusion to remember we launched Pulse in Malaysia with a dengue fever predictive mapping technology because that was the primary concern pre-COVID in the market and again that's a those markets, that as relevance as markets where does.

We have a variety of tools and other things we can add to it. The changes the shape of what's the Pulse offering. We've also you have not a debt in a couple of our markets. You're going to see a well wealth fees attached to Pulse and the reason that we think that's logical is we always talk about this 40% of spend and help in Asia is out of pocket, and clearly there is a high use of digital right by consumers in the markets and regardless of per capita household income well when you're starting to get the consumer to say I'm going to take instead of saving for health retirement. I'm going to. I'll use some of that with an insurance product you are talking about their savings now and so it's a logical extension for us to have. We think some investment options and wealth options on the platform. So when they're considering again derisking that cash position. Maybe we can improve the return on that for them. So, that's the next iteration, but again it will be market by market and we're not trying, we're very intentionally not trying to have a single Pulse platform across the region.

We think that would be a little tone deaf if you will. We want to customize it for each market in China and India would have their own. I do have their own specific requirements if we're going to succeed with the platform there, but we're not announcing a launch in either at this point we're still looking at our options in and addressing various concerns regulatory structure technology, et cetera. Before we make that decision.

## Q - Unidentified Participant

Okay. Can I just quickly come back on the equity raise, but just to be clear, it seems that you would be happy to come back to the capital market. If a large inorganic opportunity to come your way?

## A - Unidentified Speaker

Well, if we thought it was the right price, the right deal. Yes. But I think it's -- I think that the -- it's an interesting question. Some of the options we created. So you can look at them sort of glass that full half empty said there is a, I think we're unique and that we've created for our shareholders. A series of of what our effective -- effectively hybrid inorganic options where we can deploy capital at scale at some point in the future. The difference between these and traditional inorganic because these are businesses we know incredibly well they're effectively integrated or partially integrated now so due diligence risk, execution risk and all those sorts of things are a fraction of a standard relationship that came for sale that one of the banks on the phone was took to market in every insurer in the region was fighting over and we do those two, but these are really unique execution opportunities for us at some point in the future, but we're not saying when and it's not that we're where you had there is the price has got to be right, the regulatory the -- We've got a view is appropriate time for all of our stakeholders. And as you see with the metrics on with China sales for example up 29% new business profit 65, it's working now.

So we're not missing anything by not executing. I want to. So I think there are unique portfolio to deploy capital very effectively, not just efficiently in the future, much lower risk than someone trying to do something cold and buying something and saying what's in it later, which is a risk on traditional inorganic that's why a lot of M&A fails. So I really like the options we have in front of us. And these are partnerships and we know the business as well. And we know how to integrate in all of the above. So when we come back later. Yes. Do we have any plans to do that in the near future now, we'll just see when that but is or we may have the capital in-house to do it at the time. We just, that's a -- but I really like the options that we've created over time. I think it's unique for uninsured globally.

## Q - Unidentified Participant

That makes sense. And I think you. Thanks for the clarification.

## A - Unidentified Speaker

Appreciate it. Thanks.

## Operator

Thank you. We have two questions left today. The first question comes from Ashik Musaddi of JP Morgan. Please go ahead. Ashik please go ahead.

## Q - Ashik Musaddi {BIO 15847584 <GO>}

Thank you and good morning. Good morning, Mike. Just a couple of questions I have is,

## Q - Unidentified Participant

First of all, I mean Indonesia I think Nick mentioned that there is definitely some sort of COVID related impact in terms of claims. I mean, is it possible to get a bit more color as to, the drop in earnings in Indonesia, how much of that is driven because of these extra claims and how much of that is driven just because of lower economic activity. Any thoughts on that would be helpful. I do understand a bit more underlying dynamics and secondly, I mean, the profitability in markets like Philippines Thailand has been relatively very strong. If I look at, to be in the top by 40% if I look at Thailand. It's up 20% and last year was as well like last year, first half it was strongly up as well. Both these geographies. I mean what is driving such as spend is it like COVID is not really impacting the market the toll or is it any other dynamics that we should be aware of. Thank you.

## A - Unidentified Speaker

Thanks Ashik Nick, do you want to mentioned you want to address Indonesia and maybe we'll let Ben talk about the growing value we're seeing in Philippines and Thailand? Are you guys can mix it up as you see and you see (inaudible) I think you want to be by either Nick once you go first in Indonesia. What I was working there and what our challenges are there?

## Q - Unidentified Participant

Yes, so as I said earlier of the 70% of all the claims that we saw COVID came from Indonesia. The year-on-year impact of those claims and a lot of them were weighted to the first half of this year. The year-on-year impact on those claims was of the order of $30 million. So that's the effect that does come through that particular that particular line. I mean, in relation to the other two. Maybe I'll do it and I'll do it quickly some the what's driving Philippines is a is a very disciplined operational delivery. We have the largest agency force in the market, we are increasingly selling more health and protection business, AP was up 5% H&P within that was up by more 96% of everything we sell is for the is regular premium long long duration long duration business and customer retention is running at 95% in the first half. So a young business under penetrated market. Got to number one in the year to all the discipline in us adopt across the peaks. I mean Thailand what's Thailand was supported the the growth and profitability of that business and remains the case is I mean Thailand is effectively a bank -- Banca business to relationship Panna our TPV. The profitability has been supported again not only by restaurant to regular regular premium business. Regular premium business is 92% of our mix historically, it was the credit life is that we attached to anything between 80% and 90% of all the loans that tonnage out Bank was making is now clearly we have a bigger platform to attach that to through the TPB relationships, of course, the number of loans at the moment in Thailand is down as people aren't focused in buying cars and motorcycles, but what's what sustaining our profitability of that business is now with the extended relationship as you would have seen of the Capital Markets Day.

We've launched many others type of health and protection products, which we're selling to their customer base. So the health and protection mix has grown in that business to around 30%. So again, normal disciplines. But through that tight relationship good sale of of H&P.

## Q - Analyst

That's okay. Thank you.

## A - Unidentified Speaker

Thank you, Ashik.

## Operator

Thank you. And the last question comes from Colm Kelly of UBS. Colm Kelly please go ahead.

## Q - Colm Kelly {BIO 19140684 <GO>}

Thanks a lot. And just finally on Asia grow obviously strong numbers today. It's clear the shift to health and protection and its growth is going to be continuing to be one of the key drivers to outperform on expectations around sales growth. Margins on new business profit and for the Asia growth strategy in totality you identified four markets you think have the highest growth potential. I'm just wondering for the health and protection strategy. More specifically, can you highlight those specific markets where you think the highest growth potential exists to accelerate from here. The second question is related to Jackson. So obviously revalued the Jackson evaluation in the embedded value to reflect more fair value, which is fairly obvious and it's fair to say that's quite a bit below the prior embedded value valuation for that business.

So and clearly are disconnected emerge between the external valuation of that business versus prudential own valuation for it. So when we think about the go forward group. This is important because embedded value is the framework you emphasized for Asia and you're also raising equity so aside from continuing to deliver strong growth and operationally what steps are being taken be a disclosure or otherwise to increase the likelihood that our investors and external participants will be more aligned to how you see the value of Asia based on that embedded value frame that you have. And then just lastly on regulatory capital changes over between routes and Hong Kong RBC et cetera. There's a lot of changes going on in Asia, which is likely going to continue for some time experience from the US and from European market suggests that's moving to risk-based capital regime is tends to benefit though as well limited our Low guarantee business with limited ann niche mismatches from an interest rate perspective.

And also low credit risk exposure, they tend to be the relative winners from these type of regulatory transitions. Now, when I look at Prudential on all three of those metrics that business stream particularly well based on the work we have done, but perhaps. Can you give a bit of commentary around that in terms of you've low credit sensitivities your ALM as much as appear to be somewhat limited. And the level of guarantee business in Asia is very low. So perhaps some color from would be helpful. Just to contextualize how the business position for the broader regulatory capital changes that are happening in Asia and that's it from me. Thanks.

## A - Unidentified Speaker

Okay. So thanks for those. Nick, I'm going to come back to you on the health protection markets you think at the most upside right now. And Mark on the Jackson embedded value. I guess I I mostly agree with your comment on the regulatory. I do think it's not an accident that we're well positioned we deemphasized spread product and we like the by the interest rate sensitivity at Alta protection as well as the profit signature of it and the other things we're doing. I think we're -- I disagree with you a little bit and the change in Asia is what you're actually seeing as a convergence. And you can you provide it correctly. They're all going to what is effectively in RBC regime, and there is different elements of a different executions of it, but, so I don't, I don't think you'll see, there is always a discussion about international capital standards in the US in the Europeans I watch despite my whole career, they can agreed, mostly because of annuities but the the principles are now pretty much global and the meeting of the regulators globally Asia has taken a much larger role in that and they are looking at things like if you're taking credit or liquidity risk, you need to hold more capital spread business has got more more risk to your capital base than a unit linked product all the normal historic not normal historic Western views are coming through -- there's differences on how they look at rate market consistency and things like that, but you can look through those pretty easily, but I think there is, if you look at see rise. If you look at RBC and our guide there is the same fundamental message to the insurers, which is if you're writing product that is, that is spread-based and you're taking credit risk or duration risk you're going to need to hold a lot more capital that's a maturing of the models.

Again, that's not having been mentioned, this is not having a lot of impact on us in any market is generally a tailwind for us and I agree with you on all those three lenses are all the right ones and we're very pleased and it's intentional We are where we are, but I think that we're I would again the disagreements. I think once you get through this round of individual markets. Adjusting you've got all the major markets, mostly aligned on an RBC regime. And I don't think you're going to see material changes in Reuters is not I did regulatory from year there, isn't that a new solvency secure coming or anything on the horizon, but there are, as it was referenced earlier in the call, there are material changes that and IFRS-17 project is small and all of these give stakeholders a different lens. A more comparable lens on insurers in the region and none of them. Give you a single number that you can use to compare companies. Right. That's always been the. I think

Think the holy grail of some of these regulatory conferences. So yes, there just similar companies you're going to be have to look at there and look at them individually, even with all this -- even with the alignment of these other work in markets, but that side. Nick do you want to talk about which markets you see the greatest demand in health and protection from here and then Mark please on Jackson embedded value?

## Q - Unidentified Participant

Okay. Thank you, Mike. So when we look across all our markets in Asia. We and we aggregate the trends that we see you -- we see two things. One is that health care costs. Health care consumption has increased at a rate of 13% per annum over the last 10 years and the last time it was published tax were available that was over the -- for the first time over $1 billion across the market 43% of that is out of pocket. So when you consider the population and the consumption in India, China, Indonesia and Thailand like-to-like of the most populous they contribute the lion's share of the numbers that I've just quoted. So, all of them have a significant gaps that can be protected. What makes it more immediate in labs in China and Thailand is the fact that this is coupled with an aging population, people are living longer, a bigger part of the population is these over 65 and and they have more they have more incidents. There is an increase in the, in the level of communicable diseases. So, so the critical illness type cover and the medical cover that is needed by the population of China and Thailand is significant Indonesia and India a slightly younger population.

Nevertheless, the access to public health is often is often gated by being able to cover the incident that you're coming in, you have particularly in Indonesia A an Islamic segment that is largely under-penetrated with the biggest insurer 400. I want to customers HMH and and by a long way. Number one player in that market. So yes. So there is a huge opportunity therefore any forms particular medical insurance. And in India, insurance is something new for consumers and NR our business a JV, is the number one writer of protection in that market on an individual basis. Certainly amongst private players with a 16% market share. So we got great capabilities and a great opportunities in all four of them and. And we're excited, but the, the opportunity to execute against those and I could have made similar statements as well, which is why it's such a priority in in our business strategy, historically and also going forward.

## A - Unidentified Speaker

Thanks Mark on embedded value.

## Q - Unidentified Participant

Yes, come on the US piece. The US discount is not pretty specific, I think you'll see significant into kind of industry discounts to book value and the like. So it's the way I think the market is looking at the US industry as a whole. And as for the level of embedded value disclosure and at the full year from March. We have increased quite significantly. The level of detail and sensitivities to be able to now investors to be able to make their own judgments. In terms of embedded value and the like and ultimately the test said is, you know what is the overall picture in terms of variances. And typically our variances are and have been positive. Over the last kind of 10 years or so. But thank you. Okay. Are you, are you, are you anticipating further disclosure for Asia from here is that. a good progress and the full year, should we see expect to see a bit more of an evolution through that for the next full year for us. I think what we'll do is we'll continue to keep it under review not making any firm commitments, but at this stage. And we'll look to see in terms of how we may -- we may continue to evolve as we do with the balance of our disclosures.7

## A - Unidentified Speaker

Okay, that's great, thanks a lot. (inaudible)

## Q - Unidentified Participant

Thank you very much. Appreciate the questions. So we got our last one. Correct?

## Operator

Yes, that was the last question so I'll hand back over to you.

## A - Unidentified Speaker

Thank you. I Appreciate the help today. Well, I hope you see what these interim results and then those that participate in our virtual Investor Day that we held in June that this year we're getting the highlights our prospects. I think despite the complexity of the current operating environment. You've heard about the expanding customer focus capability that cultural shift the modernization of Prudential. And we're ready to be a standalone Asia-Africa business and I'm confident in the long-term structural growth drivers, we've discussed today and our strong position again discuss today to benefit from them. So I appreciate your support. Appreciate your patience with the structural work. And thank you very much for your time today and we'll sign off now.

## Q - Unidentified Participant

Thank you very much for joining us today, this concludes today's call. And you may now disconnect your lines