

# **Prudential Plc Half Year 2024 Results**

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## **Introduction**

Patrick Bowes

*Chief of Investor Relations, Prudential*

### **Introduction**

Good morning. Good afternoon, everyone. Thank you for joining us.

I am delighted. I am joined by our CFO and CEO, and I will pass over to Anil to give us some opening remarks.

## **Opening Remarks**

Anil Wadhvani

*Chief Executive Officer, Prudential*

### **Introduction**

Thank you, Patrick.

Good morning. Good evening, everyone. Very warm welcome to our results call.

I am Anil Wadhvani, CEO of Prudential Plc, and I am delighted to provide you with an update on our first half 2024 results.

### **Delivering Value, Cash and Earnings**

Building on last year's exceptional growth of 47%, our new business profit for the first half grew by 8% to \$1.5 billion. Excluding economic effects. This growth was both high-quality as well as well-diversified. We improved our new business profit margin through product and repricing actions and reported an encouraging 9% growth in operating profits supported by our large and growing in-force portfolio. Our gross operating free surplus generation was very much in line with what we had expected.

We continue to focus on cash returns to shareholders following the \$2 billion buyback programme which we launched in the month of June. We are pleased to announce our first interim dividend for 2024 of \$188 million, up 9%, which aligns with our dividend policy and previous guidance.

### **Operational improvements leading to value creation**

We are one year into our five-year strategy, and we are seeing encouraging early results from our capability investments as well as disciplined management of financial and operational performance. Let me start by sharing a few illustrations of where we are seeing operational improvements.

Starting with customer, we successfully launched our enhanced customer digital platform PRUServices, building in self-service capabilities and other enhancements. We have seen improved customer registrations and satisfaction, and now plan to deploy this in nine markets over the next 12 months.

We have focused on driving quality agency through strategic recruitment, training and lead generation empowered by our agency digital platform PRUForce, which has now a 90% adoption

rate amongst our active agents. Going forward, one of our primary focus will be to encourage and drive greater module usage with our agents.

Our bancassurance business continues to provide us the balance in our channel mix. We are encouraged by the momentum in the first half, and are focused on driving further increases in our share of Health & Protection mix.

In Health, we have implemented a new operating model to improve the quality of our front and back book. We have launched new propositions while undertaking disciplined regular repricing and claims management. And while we are seeing progress across our pillars and enablers, at the same time, I believe we are more effectively identifying issues and taking hard decisions where they are required to ensure we are generating high-quality sustainable growth that will convert into operating free surplus over a period of time.

In Malaysia, we were surprised and deeply disappointed with the Federal Court decision to overturn two previous judgments in our favour at the High Court and Court of Appeal. We have now received the sealed order and are evaluating our options. You will appreciate we cannot say more at this stage.

### **Key Messages**

For the full year 2024, we continue to expect new business profit growth at a rate consistent with the trajectory needed to meet our 2027 new business profit objective.

Our confidence is supported by several key factors. Firstly, we delivered 8% growth in new business profit in the first half of 2024 on the top of 47% achieved in 2023 while increasing our margins. Second, we have seen pickup in sales momentum in June and coming into the start of the second half as the base effects of the first half of 2023 comparators start to ease.

And third, the momentum is broad-based and diversified across markets as well as across our two channels of agency and bancassurance. Looking further ahead, we remain confident in achieving our 2027 strategic and financial objectives, given the encouraging early results from our capability build and the actions we are taking to drive high-quality, sustainable growth and cash generation.

Joining me on the call is Ben Bulmer, our CFO; Lilian Ng, who is responsible for Greater China; Dennis Tan, who looks after Singapore, Vietnam and Thailand; Solmaz Altin, who looks after our other ASEAN markets alongside India and Africa; and Bill Maldonado, who is our CEO for Eastspring.

I would also like to take this opportunity to thank Lilian Ng, given her decision to retire. Lilian has been a veteran of the insurance industry and within Prudential, with significant personal contribution to building our Asia franchise to what it is today. Lilian has played a pivotal role in building our multi-distribution platform and championed transformative growth strategies into our businesses.

In October, we will welcome Angel Ng to Prudential to lead Greater China Wealth & Customer. Angel's operational experience in managing businesses and relationships in Greater China, plus her knowledge of distribution and wealth, will be strong additions to our leadership team. Additionally, I also look forward to onboarding our new Chief Agency Officer next month, Pankaj Banerjee is returning to Prudential and will be reporting to Solmaz to drive our agency strategy forward.

On that note, I will now hand it over to our CFO, Ben Bulmer, for his comments. Ben?

## Financial Results

Ben Bulmer

*Chief Financial Officer, Prudential*

### **HY24: Key Messages**

Thanks, Anil, and hello, everyone.

Look, there are of course the usual slides, transcripts and videos covering details of the results on our website, so I am just going to limit my comments to the following three points. Firstly, as I have said before, continuing to grow profitable, high-quality new business is key to our 2022 to 2027 NBP objective and our 2027 gross operating free surplus objective. The other building blocks of our gross OFSG objective include our asset management profits and the elimination of adverse operating variances.

We have made material progress over the first half. In particular, I would like to flag the contribution of new business added in the first half of 2024 to the level of expected OFSG in 2027. And that is up 12%, ahead of the 6% growth in new sales.

Now those jaws will accelerate as we move through the remainder of the year as the full effect of the pricing actions taken only at the beginning of the second quarter start to emerge. I expect our actions to increase the rate of OFSG in relation to APE added in 2024 to be far more comparable to 2022 levels. These new business pricing actions, coupled with our ongoing efforts to return to positive net variances, growth in asset management and our ambitions for Agency and Health of course, give us continued confidence in reaching our 2027 objectives.

Secondly, our balance sheet remains in very good shape with a robust capital position and sufficient flexibility. We have continued to deploy capital in line with the high return allocation priorities we have set out, investing in high quality new business, enhancing our capabilities and, as Anil mentioned at the end of June, announcing a \$2 billion share buyback.

To date, we have invested \$230 million in our \$1 billion programme to enhance our capabilities. Over time, these investments will drive improved consistency of execution, increased productivity, improved customer experience and increased operational efficiency, all of which act to accelerate sustainable value creation.

Finally, as I mentioned in March, having completed the IFRS 17 project, we have been actively considering converting to traditional embedded value, or TEV. We will do so from our first quarter 2025 business update, and I believe that the move to TEV will enhance the transparency of underlying growth trends and allow greater comparability with our Asia peers.

This is, of course, an accounting change. It does not affect the economics or actual cash flows earned by the business, and is substantially about discounting. Consequently, of course, it goes to follow there is no change in business strategy, definitions of free surplus, capital management, or our dividend policy.

There is also no change to our NBP group growth objective, which remains a compound growth rate of 15-20% between 2022 and 2027. On a TEV basis, the implied 2027 NBP objective range

is \$3.4-4.2 billion. Finally, our 2027 capital generation objective of gross OFSG of above \$4.4 billion is unchanged.

Back to you, Patrick, to run proceedings.

**Patrick Bowes:** Thank you, Ben. Thank you, Anil. Okay, Operator, over to you to run the Q&A session.

## Q&A

**Kailesh Mistry (HSBC):** Hi, good morning. Good afternoon, everyone. Thank you for taking my questions. A couple of questions and then a couple of clarifications, I guess.

First thing is, on mainland China. I think there is a comment in the release that says that you saw growth second quarter 2024 over second quarter 2023. Could you just provide a little bit more colour on the level of growth of new business, as well as which distribution channels and products?

Secondly, just on Hong Kong, on the MCV business, just a little bit more colour on the movement in the MCV new business. I appreciate it was down 16%, but I think some of this was average case sizes being down, at least, I think around 15%. Is that the main driver? And also, how does the product mix compare with the second half of last year? And are there any signs going into the second half of 2024 of the trends continuing, if that makes sense?

And then just two clarifications. On the new business outlook for 2024, is that ambition excluding economics or after economic effects? And on slide 23, on Ben's comments, should we assume new business OFSG as a proportion of APE at 4.3% going forwards, or do you expect to increase it from 4.3% going forward? Thank you.

**Anil Wadhvani:** Thanks, Kailesh, and good to hear from you.

So let me kick it off with mainland China. I will then go to MCV, and then I will have Ben offer his comments on both the ambition on an ex-economics basis, as well as your last question, around the 4.3% ratio.

So let me start with CPL first. So the way we saw the CPL business last year basically informed the decisions to drive a different product mix. And as I mentioned on several of the previous calls, that we made certain pre-emptive actions, or we took some pre-emptive actions on repricing to drive a different product mix.

And as we closed out last year, got into the first half of this year, Kailesh, we did see the product mix shift. We saw greater longer-term savings, greater par, as well as greater Health & Protection. Now, on account of the base impact of the first half of 2023 versus 2024, we had anticipated that the growth coming into this year in China mainland will be tough.

However, as we have turned into the second half of the year, we are seeing growth return back to our China mainland business. And I do want to emphasise that the steps that we have taken on account of driving a different product mix is now yielding a significant margin improvement, both in agency as well as in our bancassurance business. So we remain cautiously optimistic, both on the emphasis that we are driving on quality, but, also ensuring that we are driving productivity improvements, both with our banca channel partners as well as with our agency.

To your second question on MCV, so you are right. And again, I would like you to go back to when the borders opened between Hong Kong and Chinese mainland. And we did see a surge of pent-up demand and specifically coming through in the months of March, April and May, where we saw the ticket size improve quite significantly. It started to normalise at round about the \$18,000 levels, I must clarify, in the second half of last year. And as we transition, Kailesh, to this year, that ticket size has very much held up.

The way we are seeing the momentum in MCV is the [ editor's change –"monthly"] traffic is now stabilising at about 2.6-2.7 million. And if you look at the number of products or number of cases that are sold to customers, they are roughly about [ editor's change –"8" ]- -for every thousand.

So I think the opportunity for us is to be able to drive greater penetration while we see the ticket sizes in MCV stabilising. I also would want to emphasise that when we speak to our MCV customers, the demand for the Hong Kong health infrastructure as well as the products that we offer in Hong Kong continues to remain undiminished. And that gives us the confidence to be able to drive growth in the MCV segment as we go through 2024.

In terms of the next two questions, I will turn to Ben, both on the ex-economics and the 4.3%.

**Ben Bulmer:** Yes, hi, Kailesh. So, briefly, in terms of outlook, yes, absolutely. It is on an ex-economics basis.

On your question that refers to slide 23, pleased with the pricing and product actions we have taken in the first half of the year. As I mentioned in my opening, that was round about the beginning of Q2. So the 12% growth rate I referenced in 2022 will accelerate as we move through the year.

Look, I am determined to drive capital generation velocity across the business, be that through mix, through pricing, through scale benefits. So we will continue to look at opportunities to increase the number. I think for 2024, we are going to get to a broadly comparable level of 2022, but, by no means rest on those laurels.

**Kailesh Mistry:** Thank you

**Larissa Van Deventer (Barclays):** Thank you very much, and good morning. Three quick ones if I may.

The first one, it is on the split on Health & Protection versus savings. You made a comment in your presentation, but, could you give us more colour on the split, both in new business sales and new business profit, and how you expect that to evolve?

The second one, could you please give us an update on the spend on the \$1 billion, how far you are, and how we should think about that being deployed and for the rest of this year?

And third question. You recently published a China regulatory return. Can you help us understand how you think about capital requirements in China, and how capital in that business may be in the coming year, please? Thank you.

**Anil Wadhvani:** Thank you for your questions. Let me start firstly to address the \$1 billion question, and then I will flip to Ben to talk about the Health & Protection mix specifically and the improvements that we are seeing there. And we will also address then the China question.

In terms of the \$1 billion spend, as of date, we have spent \$230 million. So we had indicated last year that our spend was in the region of \$130 million. So we have added about \$100 million to that.

As we go through the second half of the year, our expectation is that we would invest another about \$150-200 million. And as we transition to 2025, the expectation is that the investment will range roughly in the region of about \$250-300 million. I think what is equally important is that we are focused on accelerating the execution of the growth drivers and what I mean by that is investing in the quality of our agency through strategic recruitment programme, by generating greater activity for our agents, as well as reskilling our agents to drive greater share of Health & Protection.

We already are seeing some great momentum on bancassurance and something that we intend to build. We continue to believe that it provides us the balance between bancassurance and an agency, something that we like. We have already stood up the health vertical, taking a number of initiatives around new propositions, repricing, use of technology to cut fraud, waste and abuse, and again, some good progress done there. And on customers, again, delighted with the progress that we made in launching our enhanced customer digital platform.

So the early progress seems solid. And again, our focus is to continue to accelerate and replicate some of the best practises that we are getting across the markets of Asia and Africa.

I am going to now turn to Ben for the Health & Protection mix as well as the capital question.

**Ben Bulmer:** Hi, Larissa. So, Health & Protection NBP was \$545 million. So that grew 7% year-on-year. And just to give you a sense, in terms of APE mix, stood at around 22% in line with prior year. Demand for H&P remains strong. We actually had 14 of our markets record H&P APE and NBP growth. So I hope that gives you a sense of the mix.

I think what I would add to that is, historically, I am cognisant that mix has been a lot higher. I think there is opportunity for us as a Group to increase this as we accelerate towards our 2027 objectives. And as you know, Health is one of our important pillars. So as we do that, that should give a tailwind not only to margins, but, also to capital generation.

In terms of your question on China, and I think this was around the reductions in CPL solvency. So we saw rate reductions in China in the first half of the year. The China business consequently has a lower FER and a lower RDR. And ultimately, the effect of that has been to reduce the net assets of the business, but subsequently also the amount of future profits that can be counted as surplus into its solvency calculation.

As you would expect, the business is looking at actions to improve that solvency ratio. On top of all of the activity around repricing and product mix shifts that it has been taking, it is also looking at bonus management and asset-related actions, all of which will take some time to effect. So consequently, it is likely later this year we will make another injection into the business. That possibility was always allowed for within our capital management plans. So no change to the Group's broader capital management plans.

I think, stepping back, China is a very important market for us. We like the growth potential of the market, the economics of the new business we are writing, and momentum is coming back for us. So both us and our partners are very much aligned in our support for the business through the cycle.

**Larissa Van Deventer:** Thank you very much.

**Farooq Hanif (JP Morgan):** Hi, everybody. Thank you very much. I have got three questions.

Starting with slide 22, which shows the new business generation to your OFSG target. It looks like in 2026, I know you are not trying to show the numbers on the chart, but, it looks like in 2026, you are more than doubling the contribution coming in, let us say, 2024. Firstly, is that kind of right, and how much of that depend on you introducing new products?

Second question on traditional embedded value, how will you deal with yield curve movements? I am guessing the risk discount rate will be quite stable. However, how often will you look to change other assumptions within that?

And the third question is really around the Health proposition. Can you give us an example of what is different in this proposition that you are trying to introduce versus what you already do, maybe with some examples? And how close are you to thinking about launching Health, for example, in new markets such as India? Thanks very much.

**Anil Wadhvani:** Thanks for the question, Farooq, and good to hear from you. Let me start with the third question first on Health, and I am going to ask Solmaz, who leads our Health business, to provide additional comments. And then we will go to the slide 22 question and the TEV, if that is all right with you.

So you are absolutely right, we called out Health as one of our key pillars as we think about driving the 15-20% new business profit growth. However, equally important, converting that and accelerating that growth to cash.

We have now successfully stood up our Health vertical. We have a new CEO who has deep experience in Health, and there are a number of initiatives that are in flight, and I alluded to that in my previous answer. So firstly, we are launching new value propositions across markets of Hong Kong, Indonesia and Malaysia.

We have now introduced discipline repricing both in Indonesia and Malaysia, in addition to the disciplines that we already had in markets like Singapore and Hong Kong. And we are getting a lot more effective by cutting fraud, waste and abuse with the use of technology and really doubling down on claims management, as you would expect. I am just going to stop there and turn to Solmaz, who may have some additional comments to offer.

**Solmaz Altin:** Yes, thank you, Anil, and thanks for the question. It is indeed that we are doing Health differently than before and also differently than some of our peers. And you ask for examples.

Let me give you one example from Indonesia. It is important to note that in Indonesia, the medical inflation from half year 2023 to half year 2024 was 30%. That is way above a multiple of the normal consumer inflation. And this is nothing that is pertinent to only us. So the whole industry is reeling from that very high unexpected medical inflation on the back of post-COVID and other matters. So we are leading the market as a first one to introduce annual repricing in our medical book, for example.

On top of that, we are introducing new propositions, as Anil mentioned, that have features like claims-based pricing. So we are going to manage that in order to reduce the blow to customers



that are not claiming as much as those who are claiming more. So we are going to reprice according to the claims behaviour.

This is pioneer work, and we are, the second example, also introducing in Malaysia co-pay products where customers can soften the increase in premium that we are going to again do annually in a repricing fashion by choosing co-pay options that we are introducing in the market.

So what we can say is we are seeing early success of that which is exemplified, for example, by an increase of the health NBP margin by positive double digits half year 2024 to half year 2023.

On your SAHI question, India, we continue to be very interested in the SAHI opportunity in India. We have seen, over the last five years, 25% CAGR growth in the health insurance space, and we are continuing to evaluate organic opportunities to enter into that market.

**Anil Wadhvani:** Yes, I just wanted to be clear, Farooq, we are not going to go the inorganic route if we were to pursue that opportunity in India. And we have concluded that we will pursue that on an organic basis. And again, Solmaz and team are actively working on the same.

I am going to now turn to Ben, specifically to your question on slide 22 and on the TEV RDR.

**Ben Bulmer:** Thanks. Hi, Farooq. So why don't I start with TEV.

So we use to derive the long-term risk-free rate, a building block approach across cash rates, inflation, term premium and so on. This is entirely consistent with our assumptions we apply for IFRS reporting. So it is well trodden in terms of process, governance and audit review. Essentially, there is a trend up from current rate towards long term, and that is a three-year half-life application in essence.

Maybe I should say on the RDR. Yes, you are right. I think we would expect broad stability in RDR, and obviously, you have got the risk-free elements in that. However, stepping back, broad brush, looking across our countries typically cover our ERPs and then additional margins for risk by country. However, yes, I would say I would expect stability there.

On slide 22, broadly doubling contribution. No, we are not sort of reliant on introducing lots of new products that we do not already have on the shelf today. Clearly, driving Health & Protection product mix is exactly what we will be looking to do. And continuing to look at our cash flows from all of our products vis-a-vis accelerating capital generation, coming back to the capital velocity point I made earlier.

**Patrick Bowes:** Thanks, Farooq. And obviously variances.

**Ben Bulmer:** And variances.

**Andrew Crean (Autonomous Research):** Morning and well done for transferring over to TEV.

I had three questions, two of them are fairly numeric. So the first one is, could you give us the APE and new business profits for Hong Kong MCV business rather than trying to guess all these things?

Secondly, in China, where I see the margin has gone from 43% in the first half to 36%, then 35% in the first half of this year. Could you give us the split, ideally of sales, new business profits of the banca channel versus the agency channel, and whether you anticipate 35% being a good run-rate moving forward as a margin?

And then thirdly, this comment you have about momentum in June being good and building into the second half, I suppose a clarification here. You said to Kailesh's question that that was ex-economic basis. However, we do need to forecast these things on the current economic basis. Could you say whether you see there is momentum on the reported new business profits and whether the momentum is really because profits fell off a cliff in the second half of last year as opposed to there being growth second half on first half of this year?

**Anil Wadhvani:** Thanks for your questions. And so let me start with the third one first, because that is relatively straightforward.

When we mentioned about June, we were talking specifically about sales. Yes, you are right that our focus is always in terms of creating value, new business profit, and equally ensuring that that is converting on an accelerated pace in terms of cash. So I just wanted to clarify that. And our targets, again, just to reiterate, what Ben said earlier has always been on ex-economic basis.

I would now go to your second question on China.

So China, again, the margins have improved both across bancassurance and agency, and we do not see that much difference in terms of margins on an ex-economics basis when it comes to agency and bancassurance in China, partly on account of the steps that we have taken to drive a different product mix, but, partly also because of the regulatory changes with regards to the bancassurance channel last year. And as I mentioned earlier, that as we transition into 2024, we saw higher mix of par, higher mix of Health & Protection, and higher mix of longer-term savings, which were the key catalysts to the margin improvements that we witnessed on banca and something that we would expect to continue in the second half of this year.

In terms of Hong Kong, our new business sales was \$955 million and MCV was \$540 million out of that and the balance was domestic.

So I hope I have answered your questions, Andrew.

**Andrew Crean:** Well, just actually coming back on that, the new business profits on MCV business in Hong Kong and when in China, you say you have improving margins in both banca and agency, I cannot see how that is possible as the actual overall Chinese margin went from 43% to 35%.

**Ben Bulmer:** Maybe I can help, Andrew. Hi, it's Ben.

So on a reported NBP basis, so cum economics, MCV NBP was \$384 million out of \$651 million. The margin expansion in China that Anil was referring to was on an ex-economics basis and driven really through shifts in product mix. On the agency side, we had a higher mix of whole of life protection and CI products. So our ex-economics margin actually expanded eight points to around 64%.

On the banca side, there was a bit of a margin tailwind from the reduction in commissions that happened last year, but, also, again, the benefits of mix shifts and some pricing actions that have been taken. So our banca margins there again, ex-economics expanded 18 points to 61%. Reported margins, though, are down overall, Andrew, and that is really driven by lower rates and the fact that there is a lot of savings business.

**Andrew Crean:** Okay, I will pick that up. Thanks.

**Andrew Sinclair (Bank of America):** Thank you very much, and I heartily agree. Well done for moving to TEV. I think it has been much demanded by the investor base. A few for me, please. First is on agency count.

It looks like active agency count, some pretty big drops in Indonesia, Malaysia and Philippines, but, better in Hong Kong than Singapore, though. Can you just give us a little bit more colour on just active agency count? What has caused that drop, and when should we see that returning to growth?

The second thing was it feels like there has been a few questions on this guidance for 2024. Would you just say Q3-on-Q3 and Q4-on-Q4 as now being clean growth quarters, and we should not be thinking that there is too much noise in the numbers, it is just clean growth from here?

And third was just on the difference of Health & Protection and savings growth. I was probably a little bit surprised that there was more savings growth year-on-year in H1, 9% growth in savings versus only 7% for Health & Protection. I would have probably thought that there was maybe a bit more one-off in the savings component last year. Just can you give a little bit more colour on that in particular, just how that has varied from market to market? Thank you very much.

**Anil Wadhvani:** Thanks, Andy. Let me take those questions. I will start with agency, and I will also offer some comments from Ben and others if they would like to supplement.

So on agency, clearly, agency is the lifeblood of our company, contributed to 60% of new business profit. We were pleased with the fact that our recruits, our new recruits improved by 5%. We were, on an average, on a monthly basis, recruiting about 12,300 agents. However, I think the more important factor there is the focus on quality and the focus on helping agents improve their activity and productivity. And three things that we are focused on.

One is, as I said, the quality of new recruits. So just to illustrate that point, we have launched our PRUVentures programme, which is a strategic, quality recruitment programme across our different markets. We were able to hire 2,300 agents under that programme. And what we are observing is that the productivity coming out of these agents is six times the regular agent. So something that we are very keen to expand and launch in all markets.

The second one is reskilling our agents and again, you can see that crystallise in the Health & Protection mix. Something, again, we are very keen to grow. And the third is specifically helping our agents get a lot more productive, a lot more sooner. And that is where the 2 million leads that we generated in the first half were quite effective. And actually, we saw a 1% improvement in conversion, which really can affect the volumes that we saw coming from specifically the rookie agents.

Having said which, the impact that we are seeing to your point is not equal. So we are seeing active agents improve in Hong Kong and Singapore. However, we also realise that we have more work to do in markets specifically like Indonesia and Philippines. And that, to my mind, the way we see is an opportunity as we go through 2024 second half into 2025.

To your second point on Q3 versus Q3 and Q4 versus Q4, you are right, the base effects have now pretty much abated, so you would probably get a much cleaner version of the comparators versus last year. And again, as I said, given the momentum that we saw as we closed out the

first half and in the early part of second half, we are encouraged in terms of the growth prospects for the second half of this year.

To your last question on Health & Protection and savings and the surprise element on savings, listen, we are still seeing the demand come through and if you go back to last year, one of the key drivers of that was the growth that we saw both in MCV and domestic in Hong Kong, and to my mind that has only continued into 2024 first half. So we are encouraged to see that growth, but, we are also seeing that growth. For example, in markets like Singapore. Singapore had a solid first half, and a lot of that growth came on the back of the demand that we are seeing in the savings product.

I am just going to stop and see if Ben or any of the business heads had any further comments to add.

**Ben Bulmer:** I think the only thing I would add, Andy, is that the pricing actions I referenced earlier were largely on the savings side.

So you see that benefit coming through. We have had strong contributions from a number of savings markets, including Taiwan, for example, in the results. I think net-net, there is an opportunity for us on both the agency side and the Health & Protection side to really drive that channel and that line of business.

And that is exactly what our investment in capability programme is designed to do. So we will be really focused on that, and we will see, consequentially, margin benefits coming through over time.

**Andrew Sinclair:** Can I just be really rude and ask one final question? I am sure my fellow analysts are frustrated at this, but, can you give us a bit more numbers around what you mean by your full-year guidance? I mean, lots of people seem to be asking this question. What do you actually imply by on track to meet your 2027 targets for 2024?

**Anil Wadhvani:** So, Andy, again, as you know, getting into this year, we were coming into this year on the back of what, we thought, was an exceptionally strong 2023, and we grew our new business profit 47%. And I just want to go back and talk about the 15-20% growth, which is the ranges that we had said that we are aspiring to, if not exceeding that, by 2027. If you were to do the maths of that, that comes broadly to about 9-13% on new business profit.

I do want to qualify that we are not necessarily going to stick to that range. However, to the extent that we can exceed it, we absolutely will try and exceed it.

**Michael Chang (CGS CIMB):** All right, thanks for giving me the opportunity to ask questions. It is Michael Chang.

First, I would like to congratulate management on the solid set of results. I just want to ask some more detail about some of the key Asian markets. So Singapore was an impressive 15% year-on-year for the new business profit growth.

If I take a look at one of your peers, Singapore was also a key standout market. And it seems one of the big opportunities over there is selling into a more high-net-worth customer base, and a base is also offshore customers. How do you see the opportunity in terms of tapping offshore customers in Singapore, and how important is that in driving the growth?

Secondly, within Hong Kong, it is quite clear, I think, from the results, and it is not just MCV because the non-MCV portion was up 25% year-on-year. And one clear trend within Hong Kong is the increased talent schemes, if you want. So the increased population, which is something presented opportunity, I think, for insurers. How important has that been in driving your non-MCV growth rate?

And maybe just lastly, I am not sure that I missed it, but some other insurers have mentioned the impact of this implementation of global minimum tax and how it is not really expected to have a material impact on growth targets. Would it be fair to say that you are still very confident in your growth targets that you mentioned for new business profits, for example, even with the implementation of this global minimum tax? Thanks a lot.

**Anil Wadhvani:** Thanks, Michael, and good to hear from you again. So let me start with Singapore.

Yes, I mean, the growth was impressive. We were very happy with the rebound that we saw at the back half of 2023, which continued into first half. And again, no surprises there.

We have a quality, quality franchise, given the strengths that we have both across agency and our two bank partners, our two significant bank partners, Standard Chartered and UOB. And Michael, I also want to go back to the point that we have been emphasising, given that Singapore is a global, international hub, there is a national attraction of emerging affluent and affluent clients to house themselves in Singapore.

And towards that, we had launched a Prudential financial advisory which now I am pleased to say we have greater than 800 financial advisors, partly on account of the graduation that we have done from the agency channel. However, a lot of them are new to Prudential and have joined the Prudential financial advisory.

What we see on an ongoing basis is that the demand on legacy planning, on retirement, on wealth accumulation, on health, is very much intact in Singapore. And I am just going to stop there and see if, Dennis, you had any further comments to add in terms of the way we are building our business there.

**Dennis Tan:** Thanks very much, Anil, and nice to hear from you, Michael. In terms of your question on offshore, that is one of the key areas of focus that we have been building in terms of serving the clients who are typically affluent or high-net-worth in nature. And this comes primarily through our bancassurance channel.

So in specific, within our bancassurance business in Singapore, already one-third, more than 33% of our business comes from the offshore segment. And this segment has been growing quite strongly in the recent years. On the average, close to almost 20% annual growth. Again, targeting on high-net-worth and affluent clients based on the bank's segmentation.

And secondly, which is what Anil mentioned earlier, which is the formation of our new distribution capability through PFA, Prudential financial advisors. And again, this is barely one year in the making already now, but, having the more than 800 and growing distribution force. Their primary focus is to target on, again, affluent and high-net-worth individuals. And we are beginning to also see the average ticket sizes for these bookings being larger than the typical agency force. So I think these bode well for us, and we are definitely counting on this to be the growth engine going forward.

**Anil Wadhvani:** Thanks, Dennis.

Michael, going to your second question on non-MCV, you are absolutely right. The domestic business did increase. And again, if you would recall, I have been emphatic about the fact that we need to grow our domestic business to complement the strengths that we have on MCV.

And that is exactly what we have done. Lilian and team have done a phenomenal job to improve the underlying quality of the Hong Kong business. So our recruits, our new recruits, as you rightly pointed, are already at 2,600 at the half-year stage mark as compared to 4,000. Our active agent count is up 19%. Our Health & Protection sales in Hong Kong was up 4%. And the good news is that the Hong Kong persistency continues to be quite high. And that again is in excess of 90% which qualifies or underscores or underpins the quality of business that we have in Hong Kong.

You are also right in pointing out that the talent programme is helping. The government has already received 300,000 applications as part of the top-tier talent programme, out of which they have approved 180,000. And given on account of multitude of factors that we are seeing in Hong Kong, we continue to remain optimistic about the way we would like to grow our distribution channel for the remaining of this year.

I am just going to stop and go to Ben on your global minimum tax question.

**Ben Bulmer:** Yes, hi Michael. The short answer is no. No change in targets to 2027 as a result of BEPS. As you know, Hong Kong, Malaysia, Singapore adopt minimum the OECD minimum tax rates, effective next year.

I will give further guidance at our full-year results. We are still assessing the impact. The top-up tax calculations are quite complex. Well, what I would say though is just because effective tax rates might be below the 15%, it does not automatically follow that a top-up will be payable because the rules are jurisdictional, and we have service entities in a number of territories, including Hong Kong, where effective tax rates are lower. So no change to targets and continued confidence in our ability to hit those targets, on top of the strong growth we posted last year, the recent momentum pickup, the actions we talked about to drive new business mix and pricing, and candidly, our aim to drive up agency mix and Health.

**Nasib Ahmed (UBS):** Hi, thanks for taking my question.

So, firstly, on the new plan, it has been more than 12 months. And focusing on the strategic aspect of it, when I look at things like NPS scores, active agents, MDRT's, you are lagging behind your closest peer. Anil, you have, you have been in the job for more than 12 months. Looking back, what actually went wrong? Why is Pru lagging behind on these metrics? And to your point, you have been becoming more efficient at identifying issues. Are there any issues that you have identified? Can you put more flesh on the bones on how you are going to improve these strategic metrics and targets that you have set yourself?

Secondly, on China, coming back to the question on CPL solvency, Ben, you mentioned there is a capital injection coming, but, your peers have been using other tools like debt raises, changing the way the assets are measured from held to maturity to AFS. Are those tools not available to CPL? Is that the reason why you are doing a capital injection?

And then finally on China, again, there is a pricing interest rate change coming through. I remember last time there was one, CPL was the first mover. Is there going to be a similar kind

of move by CPL, where you are going to be moving ahead of the market on that pricing interest rate change as well? Thank you.

**Anil Wadhvani:** Thanks for your question. Let me start with agents and our overall performance, and one year into the strategy, my assessment, and then I will go to Ben on your second and third question on solvency and the pricing changes.

On the overall business, the way I see it, is that we announced our strategy, and we were entering this year on the back of an exceptionally strong year, 247% growth overall on new business profit. And within that, Hong Kong grew 267%, which was three times the growth rate of some of our peers. And I think as we entered this year, we were quite cognizant that when we go through the first half of 2024, we will have a strong comparative of first half to deal with.

And the way I am thinking about this is as we have gone into 2024, we have focused on the key growth drivers of our business, which is customer, agency and bancassurance and standing up the Health vertical, specifically on agency. I feel the progress has been quite solid. We are recruiting about 12,300 new recruits.

Our emphasis has been on quality, has been on helping our agents to generate more activity and reskilling our agents at the same time, both in light of the regulatory changes, but, also the emphasis that we are employing to drive Health & Protection. And I will be the first to admit that the impact has not been equal. It has been quite visible in markets like Hong Kong and Singapore, but, in other markets like Indonesia and Philippines as well as Vietnam, we need to do more work.

To your point, on being able to identify issues, I can give you a couple of examples of that. We did mention about the fact that we would like to drive a different product mix in China, and we took some decisive actions in terms of repricing well ahead on a pre-emptive basis in the market. And you are starting to see some of those hard measures yield results. The second good example, and again Solmaz has mentioned, is that we are witnessing high levels of inflation on medical and as a consequence of that, we were the first in the market to go and reprice, which, I think, is absolutely the step in the right direction. And I think that is where the responsiveness and taking some of the best practises that we have and replicating them at speed and scale is something that we collectively are focused on.

So those were the couple of examples that I wanted to share. I am going to go to Ben on China, as well as probably go to Lilian on some of the pricing changes.

**Ben Bulmer:** Yes, thanks. Thanks, Anil. Hi, Nasib.

You are absolutely right. There are management actions that the business is looking at on its in-force book. It is actively doing capital planning now. There are possibilities around taking on a bit more duration. They are looking at reclassifying some of the accounting treatment on certain assets. So, for example, held to maturity to AFS. I am very cognizant that debt and the perpetual debt route has been open to others.

There are some criteria around that, that need to be satisfied. However, frankly, I need to see the results of this work and of course where rates move too, which is why I flagged that I think it is likely that we will make an injection. I am conscious it will take the business some time to conclude the results of all of the work that it is undertaking.

**Anil Wadhvani:** Thanks, Ben.

I am just going to move to the second question on pricing and, Lilian, if you want to take that?

**Lilian Ng:** Yes, thank you. Thank you, Anil.

And thank you for that question. So I think as you mentioned, CPL, is always a first mover. Actually, even before the regulation came out on the change, we already repriced our products in line with the new pricing, so we will be able to launch as soon as the effective date becomes in 1 September and 1 October.

Anil, if I may, I want to address the MDRT questions. Actually, we are very pleased with our MDRT numbers. We have over 9,000 registered MDRT numbers, growing at 30%, which is the highest amount for the multinational. At the same time, we have more than 1,000 MDRTs in five markets. Thank you.

**Dominic O'Mahony (Exane BNP Paribas):** Hello, folks. I will try to keep it really quick.

Firstly, thank you for the new disclosures on the gross OFSG. So page 22 and 23. Can I just ask you to give a bit of sense of what is happening to the whole curve of free surplus emergence from new business? So 12% increase, that you flag on slide 22, plus the 2027 emergence for the vintage. Some of that will be that 2027 is closer now. Is the curve of the whole new business going up 12%, or was it a bit less?

And then a clarification also on 22, which by the way, the slide is super helpful. I noticed there are variances in the chart. There is a small positive. Should we read anything into that? Are you expecting positive variances, or you are just saying that they are there, and they are part of the metric?

And then a final question, just on the move to TEV, you say this should not change strategy. At the same time, I am mindful, or I would have thought that if you cascade the methodology through your target, setting your incentives through the business, that a) the higher discount rate would make shorter duration products more attractive, and b) less of a differentiation between products should tilt further towards maybe savings products.

Would you agree with that, or would you push back on that? Thank you.

**Anil Wadhvani:** Thanks, Dom. I think it is probably better for Ben to take these questions. Ben, you want to address?

**Ben Bulmer:** Yes, hi, Dom. Thanks. Thanks for the question.

So, yes, as I mentioned, that 12%, you are right, is the 2027 contribution that accelerates as we move through the year because of the sort of timing of the pricing actions. Does it just give an uplift to 2027? No, there is an improvement in the intervening years. And in terms of the benefit to hold co, again, I would stick to my sort of rule of thumb of sort of 70% of OFSG coming up to hold co in the near term. I am conscious that I am over that this year and last year. And that is because I do not want to leave capital in the businesses that does not necessarily have an obvious application in the near term.

I think on your point on TEV, you are right that there will be, I guess, increased attractiveness purely from the RDR change and increased attractiveness on shorter duration. We use a broad pricing framework. It is not simply a TEV lens. Ultimately, we are looking at the economics of the products, the IRRs, the paybacks. So there is a far broader framework in place. I am not



expecting, if you are inferring a shift to sort of savings and shorter duration. Our strategy is absolutely about driving Health & Protection and health business because we like the economics of it.

**Patrick Bowes:** I think there was just one on the variance on the page.

**Ben Bulmer:** Oh yes, variances. Thank you.

So positive, Dom. I want to be back at positive variances. We will get there by 2027. We are doing a lot of work around that, not least of which has been the repricing on the medical book. As you know, we set up a provision full-year 2023. We have released a bit of that into this set of results. So you see a positive claims variance. However, the business is actively repricing now across its major medical markets.

On the expense side of things, we are seeing scale coming back into the business. We lost some scale through COVID. We are seeing that now coming back through growth. So in-force premiums are now growing strongly, up 9%. So there is greater expense allowables. More work to do on the expense side, both tactically and strategically. Strategically that comes back to our target operating model, but, also the investments we are making in our larger-scale platforms and moving away from our federated approach, candidly.

**Thomas Wang (Goldman Sachs):** Thank you. I will try to be quick. A couple of questions.

One on profit and negative, the short-term negative, short-term investment variance. Can we just get a sense of how much is equity market driven, how much is more related to rate movement?

And then secondly, on Hong Kong, I see the OPAT is down 9%. Can you just give a little bit more colour? Because some of the explanation given, I think, I do not expect the business mix has changed that much over the 12-month period. Just wondering what is happening there? Thank you.

**Ben Bulmer:** Hi, Thomas. So I will start with Hong Kong if I can. Yes, look on the IFRS results, we saw a lower release from the CSM in this period. That was, frankly, was from unlocking of the CSM as a result of rates up. And we saw that in the first half and the back half of last year. There was also a slightly lower amortisation rate because we have got more whole of life sales. However, I think stepping back, as you can imagine on that business, we have got good structural growth in the CSM.

In terms of non-op items, actually equity returns were good in the period. They have been strong. So the short-term flux you are seeing is mainly as a result of rate movements. And in particular, as you know, we write a lot of US dollar denominated business. So it is the effect of higher rates at half-year. Where we sit today, of course, that is all effectively reversed.

**William Hawkins (KBW):** Hello. Thank you.

First question, please. Your free surplus ratio. Do you have any more insight into how required capital should change over time? It is interesting that it has just been flat through the first half of this year. And is that a metric that should be adjusted when you move to traditional embedded value, or is that part of the equation unchanged by the new methodology?

And then secondly, please, your outlook for new bancassurance relationships and inorganic growth. I mean, it is really interesting that we have not talked about it at all on this call. Is all

this just timing for how the world works, or do you think your priorities are shifting between inorganic and organic growth? Thank you.

**Anil Wadhvani:** Thanks, William. Let me take the second question first, and I will have Ben talk about the free surplus ratio.

So our emphasis right at the outset in terms of capital deployment was organic, followed by capability build, which is where the \$1 billion investments we have kind of spoken about, and to the extent that we can find opportunistic areas of expanding our distribution, we absolutely will pursue them.

I have again been quite emphatic about the fact that ASEAN provides us that opportunity, and we are in active conversation. So you are absolutely right, some of this is purely timing. However, I do want to emphasise two points.

One is these are going to be in-country bancassurance deals and secondly, for all deals we will be putting the returns hurdle to ensure that we are being very disciplined in the way we are deploying shareholder capital.

I am going to turn to Ben to answer the final question.

**Ben Bulmer:** Thanks. Hi, William. So yes, when we think about modelling out the free surplus ratio, I think it is important to be conscious of both the growth in regulatory capital as renewal premiums, new business builds, but, also the \$1 billion investment in capabilities. And as I have said before, I am expecting to operate at the upper end of the range we have been given, or I have given, allowing for the buyback and the current dividend policy.

In terms of modelling required capital, it is really difficult to give a broad brush rule of thumb. That is because we operate under many different regimes. In 2023, from memory, we were up about 10%. I would expect low-double-digit growth going forwards through to 2027.

On your question on TEV, no change to required capital.

**Patrick Bowes:** Okay, thanks, Operator. I am just going to pass back to CEO to close off the call.

**Anil Wadhvani:** Thanks, Patrick. And again, thank you everyone for your questions. As always, quite a robust engagement and truly enjoyed it. I am sure we will have opportunities on the back of this to interact and would be happy to clarify and engage on questions that you might have.

I do want to close by saying that one year on into the strategy, I continue to be very impressed by the strength and the breadth of our organisation, and I firmly believe that Prudential is a great franchise that has not yet realised its full potential.

Looking further ahead, we remain confident in achieving our 2027 objectives given the encouraging results that we are seeing from our capability build, as well as the relentless focus that we are employing on driving sustainable quality value growth, but, at the same time doubling down our focus to convert that value into cash.

Do feel free to reach out to Patrick and the IR team. We look forward to sharing our nine-month business update in November.

Thank you for joining us this morning, this evening.

[END OF TRANSCRIPT]