HY24 results presentation script

Anil Wadhwani – Chief Executive Officer

Delivering Value, Cash and Earnings

Hello, I'm Anil Wadhwani, CEO of Prudential and I am delighted to give you an update on our first half 2024 results and the progress on the execution of our strategy announced 12 months ago. We are building momentum while addressing known challenges and identifying areas for continued improvement.

As a reminder, we set out clear, strategic and financial objectives to create shareholder value, driving high-quality, sustainable growth and cash returns to our shareholders.

Building on our last year's 47% growth rate, our new business profit for the first half grew by 8%, excluding economic effects to $1.5 billion. We are pleased with this performance given we are lapping the strong first half 2023 comparator when the border between Hong Kong and the Chinese mainland reopened.

New business profit growth for the first half was high quality and well diversified. We achieved growth in both Health & Protection and Savings new business profit, with bancassurance new business profit increasing by 28%.

The benefits of our disciplined focus on quality and sustainability, including product and repricing actions, was evident from the improvement in new business profit margin, ex economics. Our large and growing in-force portfolio supported an encouraging 9% growth in operating profits.

Our gross operating free surplus generation was very much in line with our expectations.

Driving total shareholder return is a priority for us. This includes ensuring we have the right portfolio mix and that our organic and inorganic investments meet our required rate of return.

We are deploying our capital in a disciplined manner, retaining sufficient flexibility to invest in quality new business growth and strategic initiatives, and all while delivering sustainable shareholder returns.

Reflecting our robust capital position and in line with our updated capital return framework, we launched a $2 billion buyback programme in June to return capital to shareholders. And as part of our dividend policy, we are pleased to announce a first interim dividend for 2024 of $188 million, up by 9% compared to the previous year.

H2 2024 outlook and confidence in 2027 objectives

We are confident in the outlook for the second half of 2024. This is supported by several key factors:

- First, we delivered 6% growth in APE in the first half of 2024, on top of the 37% achieved in 2023.
- Second, we have seen sales momentum in June and coming into the second half of this year as the base effects of the first half 2023 comparators ease.
- And third, this momentum is broad-based and diversified across various markets and both across agency and bancassurance channels.

We are seeing encouraging early results from our capability build and actions we are taking to drive quality sustainable growth.

For the full year 2024, we expect new business profits to grow at a rate consistent with the trajectory needed to meet our 2022 to 2027 new business profit growth objective.

And most importantly… we remain confident in achieving our 2027 strategic and financial objectives.

Accelerating value creation through operational & financial discipline

As set out in our strategy which we launched 12 months ago, we are strengthening our capabilities across our pillars and enablers and reinforcing our talent bench strength with senior leadership appointments in key areas.

We aim to create long-term sustainable value for all our stakeholders, including our customers, employees, shareholders and communities. And as a reminder we have 2027 ambitions for all these.

Our strategy is multi-year, so over the medium term our progress won't necessarily be linear, there will be some areas moving more quickly than others.

Through last year and into the first half of this year, we have taken decisive actions. We have identified issues and their causes of underperformance more effectively, and we have implemented corrective measures. Our goal is to ensure the company operates more efficiently and more consistently.

We are taking the hard decisions, which will ultimately lead to high-quality, sustainable growth, improved margins and generate operating free surplus for reinvestment and shareholder returns.

Our recent actions include:

1. Repositioning our business in China in anticipation of both regulatory and macroeconomic changes. We were the first to move on repricing and our decision is beginning to bear fruit on achieving a different product mix. And we are starting to see our China business turnaround. Consumer demand for protection and retirement products continues to be robust, and we have a good product range to offer which is well aligned with the recent regulatory moves.
2. In Health, we stood up our new operating model and have introduced medical repricing in Indonesia and Malaysia. We are investing in new talent, launching new products for our customers and renegotiating contracts with healthcare service providers. Critically, we are working to build a stronger Health insurance front book while enhancing the quality of our back book.
3. And finally, we are investing in our digital estate, the technology and processes that enable our businesses. We want to drive convergence across markets and create economies of scale.

Let me share some highlights of what we have accomplished in the first half of this year and outline our focus for the next 12 months.

Operational improvements leading to value creation

Customer

We have a clear purpose: to be the most trusted partner and protector of today's generations, and the generations to come, by providing simple and accessible financial and health solutions.

Because of this, customers are at the centre of what we do, every day. At the core of our strategy is a relentless commitment to enhance the customer experience while building efficiency in the business.

Our customer initiatives across the Group are focused on delivering a differentiated customer experience, that builds advocacy and trust for a lifetime.

Let me share an example with you, in Malaysia we launched an enhanced customer digital servicing platform, PRUServices. By building in self-service capabilities and other enhancements, we have improved registration by two times and the Transactional Net Promoter Scores of new customers has increased by seven points. We are pleased with the improvement in customer satisfaction and will continue to deploy PRUServices across the Group, including nine key markets over the next 12 months.

By refining the customer experience, we are enhancing customer retention and creating opportunities to do more with the same customer, generating significant value for Prudential.

Agency

Our agency network is the lifeblood of our business and optimising this capability with technology is crucial to achieving our 2027 aspiration. We are confident about the underlying drivers of agency. We are seeing parts of this channel delivering good results but are also cognisant that we have more work to do in certain markets.

PRUForce, our upgraded agency platform that enhances agent effectiveness, is seeing great adoption rates by our active agents. We are going to deploy PRUForce in all the relevant markets and encourage higher module adoption rates.

Let me give you two important examples of these modules.

First, we are supporting quality recruitment with PRUVenture, an enhanced training programme for agents who see insurance as a long-term career. Currently, only 10% of our rookie recruits come through this PRUVenture programme. But those agents contribute to 40% of APE from new recruits. An impressive result. We plan to scale PRUVenture into new markets and are accelerating the adoption of this programme, particularly in the markets of Hong Kong and Vietnam.

Second, PRULeads is our agency performance management module equipped with intelligent profiling and allocation, to prompt activities for conversion. In the first six months, two million leads were passed through PRULeads with conversion at 8%, contributing to a 49% increase in sales from leads managed through this module. We see there is a big opportunity to further drive the productivity of new agents as we expand this capability across our key markets.

I am also looking forward to welcoming our new Chief Agency Officer starting October, who will be driving our agency strategy forward.

Bancassurance

Our bancassurance relationships continue to deliver consistent growth as we collaborate to introduce new products to a broader customer base.

We cultivate strong partnerships, enabling us to align incentives and create mutual value across this important channel. This approach is delivering results for us, evidenced by the 15% growth in Health and Protection new business profits.

We are also expanding our capacity in underserved markets. For example, our partnership with CIMB in Thailand is already showing promising results, contributing to 6% of the first half bancassurance APE sales for that market.

One area of focus over the next 12 months is better integration into our existing bancassurance partnership's platforms. Integration enables us to develop better propositions tailored to different customer segments and helps us identify and acquire "new-to-Pru" customers more effectively.

Additionally, we continue to seek further agreements with in-country bancassurance partners across ASEAN to diversify our distribution network and we remain optimistic on locking in important partnerships before the end of this year.

Operational improvements leading to value creation

Health

In our health business, where we have implemented a new operating model, we are focused on meeting the significant growing demand for health products. We are launching new propositions, while undertaking disciplined repricing and cost management strategies to ensure long-term sustainability of our health book and to address medical inflation.

We now have claims-based pricing and regular repricing discipline in all our key Health markets. This is a good example of how we are taking the learnings from one market, in this case Singapore, and applying it to the others.

While early days, our Health business will be a significant lever for us, and we will continue to invest behind it with new features and value-added services. We plan to strengthen our preferred healthcare provider network, PRUPriority partner, in key markets and expand contract renegotiations with service providers. This will help improve health outcomes for our customers.

Technology

We are committed to leveraging technological innovation to create value for our stakeholders. We are modernising our technology infrastructure across our markets with investments in data, analytics and global platforms.

One initiative we are focused on is scaling AI. We have built a pipeline of around one hundred use cases, which we are working on deploying across the organisation. AI will help us to drive progress in our strategies to enhance customer experience, drive technology-powered distribution and improve access to quality healthcare.

In the past two weeks we have announced an expanded partnership with Google Cloud to create and support Prudential's AI Lab. This is the first of its kind for the insurance industry in Asia and Africa. The AI Lab will focus on using AI to solve business and customer challenges and increase our speed to market.

People and culture

In people and culture, we have made 33 strategic appointments to strengthen our leadership team with top-tier talent into mission-critical roles. These are pivotal to driving our strategic initiatives forward.

I would like to highlight three in particular: Ken Rappold coming on board in April to lead our Transformation, Anette Bronder who joined us in May to lead Global Operations and Technology, and we have recently announced Angel Ng who will be joining us in October to lead our Greater China business alongside Customer and Wealth.

I am proud that these appointments also contributing to our target of 40% representation of women in our Group Leadership Team by the end of 2026 and this reflects our ongoing commitment to a diverse workforce.

We will continue to strengthen our organisational model, succession pipeline and talent development to support our high-performance culture.

These are just some of the initiatives we have underway.

Prudential is a great franchise

Prudential is a unique franchise with a 176-year legacy and the trust of over 18 million customers.

Our extensive and diverse presence across Asia and Africa allows us to tap into nearly $1 trillion of growth opportunity over the next decade.

We hold top-3 positions in 10 Asian life insurance markets and are the only large Asia-focused insurer with significant scale in both agency and bancassurance channels, alongside an in-house investment arm managing $247 billion in assets.

These are strong foundations and our clear strategy underpins our confidence in creating significant value for our stakeholders.

Key messages

One year into our 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.

We have been building momentum over the past year in executing our strategy, while addressing known challenges, and identifying areas of continued improvement.

Our focus remains on driving high-quality sustainable growth and delivering cash returns to our shareholders.

I am pleased that in the first half of 2024, we achieved high-quality New Business Profit growth of 8%, building on the strong growth seen in 2023 of 47%.

Our outlook for full year 2024 new business profit growth aligns with our expectations from the start of the year. It is supported by the broad and diverse sales momentum we see going into the second half of this year.

Looking further ahead, we continue to be confident in achieving our strategic and our financial objectives for 2027.

Thank you for your continued support. We are looking forward to sharing more updates in November.

Ben Bulmer – Chief Financial Officer

HY24: Key messages

We are now one year into the execution of the strategy we set out last August, and are continuing to drive the operating improvements needed to deliver our targeted growth in value and capital generation.

We continue to focus on driving quality new business, adding $1.5 billion of new business profits, or NBP, up 8% ex economics, despite the elevated HY23 comparator.

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, including at the end of June, announcing a $2 billion share buyback.

We remain focused on future capital generation drivers, both in terms of new business, and our in-force book.

We continue to take meaningful actions to enhance these, including, but not limited to, pricing and product actions to move new business capital generation profiles far closer to pre 2023 norms.

Our IFRS operating profit grew 9% in the period and underlying CSM growth remained within our 6% to 9% guided range.

Starting from our first quarter 2025 update, we will shift to a traditional embedded value or 'TEV' basis for our Embedded Value reporting. In the meantime, we will give an indication of TEV comparator results in our remaining 2024 reporting. This starts today by providing an indication of the effects of adopting TEV at the 31 December 2023 balance sheet date, as well as on new business written in that year. Note that our 2027 $4.4 billion Gross Operating Free Surplus Generation (OFSG) objective and our NBP compound growth rate objective of 15-20% from 2022 to 2027, are unchanged.

Finally, the actions we are taking to improve the quality of our new business, variances and growth in asset management profits, gives me continued confidence in the achievement of our financial objectives.

Delivering Value, Cash and Earnings
Turning to delivery in the period and applying consistent period on period economics, to better discern underlying operating performance, our new business profits grew 8% in the first half.

On a reported basis, including the effect of economics, NBP is up 1% and EEV operating profit grew 9%.

Despite growth in embedded value earnings, embedded value per share declined by 4%, this includes reflecting an adjustment to recognize a 49% non-controlling interest in our Malaysia conventional business following the surprising Federal Court ruling in July. This adjustment applies from this financial year.

With respect to capital and dividends, our Gross operating free surplus generation whilst down 4%, is in-line with the trajectory we've set out to our 2027 objective. The free-surplus ratio, introduced when we updated our capital management framework earlier this year, is down 10 points from year-end, at 232%. This reflects the payment of the 2023 second interim dividend and non-operating effects, partially offset by net operating capital generation.

In terms of capital returns, we announced our $2 billion buyback in June and in-line with our dividend policy, the 2024 first interim dividend per share is up 9%.

Our IFRS operating profit is up 9%, with insurance profits up 6%.

Underlying CSM growth was 9% on an annualised basis. This includes the favorable impact of a new reinsurance treaty. Excluding this, underlying growth of 8% continues to be within our guided range.

The 1% reduction in operating profit per share, again reflects the Malaysian court ruling and the resulting increase in non-controlling interests. Excluding this effect, operating EPS growth would have been 9% applying a normalised tax rate to both periods.

NBP +8% ex-economics: diversification and quality focus
From a value creation perspective, we remain focused on quality.

On our reported active EEV basis, where we reset our economic assumptions to the relevant government bond yield at each balance sheet date, NBP is up 1%, impacted by interest rate movements.

Removing this volatility, to provide a clearer picture of the underlying business trends, NBP ex economics, grew 8%. The growth rates referenced on this slide are ex economics.

The 8% NBP growth reflects the benefits of the Group's diversification by channel and strong product capability, despite an elevated comparator and a mix shift towards bancassurance and savings products.

Strong bancassurance NBP in this half has helped offset a weaker agency year-on-year growth owing to the high base effects in Hong Kong and Mainland China.

Whilst higher relative bancassurance and savings product growth would ordinarily lead to a contraction in margin, the benefit of our disciplined quality focus and pricing actions is evident from the 5 percentage points added to the HY24 new business margin. These pricing actions were across a number of markets, including Hong Kong, Singapore, and Mainland China, and are beneficial to both capital generation as well as NBP margin.

Looking forward, the elevated comparators we flagged in respect of the first half will dissipate as we move into the second. And as Anil said, we've seen sales momentum in June continuing into the second half of the year.

As we continue to deliver on our operational transformation objectives, this will drive growth in agency and also our health and protection business, providing further channel and product mix tailwinds to margins. This supports our confidence in reaching our NBP and OFSG objectives.

NBP +8% ex-economics: multi-market growth engines
The benefit of our broad geographic footprint is evident over the first half of 2024 with 7 Asia markets and 7 Africa markets delivering growth in NBP on an ex economics basis.

Hong Kong remains a key driver with NBP growth of 9% ex economics, despite the year-on-year reduction in sales, as we focus on quality, sustainable growth. In the Chinese Mainland visitor segment, average case sizes were stable compared to the second half, but below the first half of 2023. Lower Mainland Chinese visitor sales were partially offset by robust domestic production, which grew 13%. Hong Kong margins were four points below the 72% year-end outcome, as the headwinds of higher interest rates at the end of June, were partially offset by pricing and product mix. Our bancassurance channel, in particular, continues to make very good progress increasing health and protection mix to 17% of sales, up 7 points compared to last year. On an ex economics basis, Hong Kong margins expanded from year end by about 4 points to 76%.

Our Growth Markets segment delivered another strong performance with NBP up 17%, led by a continued broadening of distribution of our very successful par product suite in Taiwan, and in Thailand, driven by new product launches and the new CIMB bancassurance partnership.

Singapore momentum continues to build, with NBP up 12% year-on-year, supported by agency and bancassurance sales growth of 18% and 15% respectively.

In Mainland China, CPL's NBP contracted 2% on an ex economics basis as lower sales were largely offset by an improved margin. The 15% reduction in sales volumes reflects a high comparator resulting from our decision to reprice ahead of the market at the start of the second quarter of 2023. CPL's bancassurance momentum has improved with sales volumes doubling relative to the second half of 2023. On the agency side, momentum improved in the second quarter. CPL's overall margin, ex economics, grew 6 points, again driven by our focus on product mix. On a reported basis, the margin was 35%, as a result of lower interest rates.

In Malaysia, NBP was stable as a reduction in agency NBP was offset by growth in bancassurance.

Finally, in Indonesia, new business profits reduced 18%, impacted by the ongoing effects of regulatory changes impacting investment-linked products and our own repricing actions. These actions, along with a claims based pricing offering launched in the second quarter and ongoing negotiations with healthcare providers are to ensure that our medical book remains sustainably profitable.

EEV Operating profit up 9%, RoEV 11%
Embedded value operating profit growth was driven by a higher in-force result reflecting business growth in 2023.

We also saw improving, albeit still negative, operating variances. About half of the variances represent our on-going investment to enhance our capabilities.

Eastspring delivered improved profits, up 9% after tax.

Combined, this resulted in EEV operating profit growing 9% and an RoEV of 11%. To aid comparison with peers, we have restated the RoEV calculation using the start period equity, excluding goodwill and intangibles as the denominator.

Non operating movements reflect FX translation headwinds and negative economic effects.
The latter were driven by higher interest rates in most markets and lower rates in Mainland China, only partially offset by positive equity market performance. Lower rates, as seen in a number of markets since the end of June, would mechanically reverse this.

Continuing to drive growth in NBP, improving in-force variances, and on-going capital discipline remain key to enhancing our returns on embedded value.

Robust capital across key metrics. Flexibility retained
The Group's capital position is robust.

As the execution of the buyback only commenced on the 24th of June, with $18 million returned by the end of the period, this had a minimal impact on our capital position. We expect to complete $0.7 billion of our share buyback by the end of this year.

Our regulatory shareholder cover ratio stood at 282% with a surplus of $15.2 billion.

The moderate reduction from year-end reflects the net impact of underlying capital generation offset by investment in new business, the payment of the 2023 second interim dividend, and non-operating effects.

The Group's free surplus stock was $7.9 billion, down from the $8.5 billion at the start of the year. The free surplus ratio of 232% was down 10 points from year-end. Both essentially reflect the same drivers as regulatory capital. I will return to this shortly.

As I mentioned earlier, Gross OFSG was $1.4 billion in-line with the path to our 2027 objectives and includes $0.1 billion of investment in capability enhancement. Business unit remittances of $1.3 billion for the period include an element of stock being brought up to the Group, and for this year, have been very much weighted towards the first half.

Strong remittances in the period, partly offset by the payment of the 2023 second interim dividend, lifted holding company cash to $4 billion. Note that our end June liquidity position is not yet materially affected by the buyback or the $0.2 billion impact of the payment of the 2024 first interim dividend.

Finally, our leverage remains comfortably within the AA range and we retain sufficient financial flexibility.

Disciplined allocation. Investing to support strategic priorities
I'll now turn to how we've deployed the capital we generated in the period.

As I mentioned, in-force capital generation, was in-line with our expectations. This reflects the Group's high quality and profitable stock of in-force business, which generates a predictable flow of capital available for deployment.

You can see that the in-force, emerging capital generation of $1.2 billion is consistent with the overall 2024 expected return of $2.4 billion.

Along with asset management profits and reduced adverse variances, our underlying in-force capital generation was $1.5 billion. Note that in our accounts, our gross free surplus generation of $1.4 billion is presented net of investment to enhance our capabilities. We then deployed this according to our stated capital management priorities, investing: $0.4 billion in high quality new business, adding NBP of $1.5 billion.

$0.1 billion in enhancing our capabilities, in-line with our strategic plan, and a further $0.1 billion in restructuring costs.

Finally, we paid the $0.4 billion 2023 second interim dividend along with $0.1 billion of interest payments to our debt holders.

Free surplus ratio operating range set at 175-200%
$2bn buyback launched June 2024
We introduced the free surplus ratio with our capital management update in June. We define this in terms of capital resources as the addition of Group free surplus and the required capital of our life business, divided by the life required capital. Our normal operating range is between 175 and 200% and with our 2023 year end position at 242%, we announced the $2 billion capital return via a buy-back.

From an operating perspective, the key drivers of the ratio are gross in-force capital generation less the impact of new business strain; the gearing in the ratio amplifies the effect of new business strain.

In the period, the other main factors were the payment of the 2023 second interim dividend, and non-operating effects impacting free surplus reflecting the combination of higher interest rates in many markets and lower rates in Mainland China.

As I mentioned, the buyback impact in the period is minimal. On a pro-forma basis, If the entire $2 billion buyback is deducted, the ratio would be approximately 200%.

Looking forward, other than the execution of the buy-back, the key drivers of the free surplus ratio development will be retained operating free surplus and the development of life required capital.

As I have previously mentioned at the recent Capital Management Update, we continue to expect to operate at the upper end of the 175% to 200% operating range over the next few years.

HY24 Gross OFSG in-line with expectations
Monetising the value of in-force book into capital generation is a critical measure for us and a proof point that value added is real. This is why we introduced two financial objectives in August last year; growth in NBP and a Gross OFSG capital generation target of above $4.4 billion in 2027.

We have shared the trajectory of Gross OFSG we expect to deliver over the objective period before, and this is shown on the left hand chart.

By way of reminder: in the early years, the trajectory is relatively flat, reflecting both the impact of slower new business growth through the Covid period, adverse variances, and the cost of our investment in capabilities.

From the end of 2025, we expect an acceleration of growth towards our target, driven by the combined effect of higher profitable sales, an improvement in variances as repricing and other actions take effect, growth in asset management earnings, and the completion of our investment in capabilities.

You can see these effects coming through in our HY24 performance. The expected OFSG transfer from in-force business is down 8% to $1.4 billion, and is the cumulative result of lower new business sales over the Covid period.

Operating variances remain negative, albeit better than the prior period, and include $ 0.1 billion of investment in our capability programme. We expect further improvement over the next years driven by repricing and the benefits of the full implementation of our health strategy.

Finally, asset management earnings were up 9% driven by average FuM growth of 6%.

Quality new business 2024-2026 key to cash objective
HY24 new business OFSG added: +12% YoY
Looking forward, continuing to grow profitable, high quality, new business is key both to our 2027 NBP objective, and our Gross OFSG objective, shown on the left.

The other building blocks towards this objective include the investment return on free surplus, our asset management profits and the elimination of adverse operating variances.

New cohorts of profitable new business add to the level of expected future OFSG. The chart illustrates how the OFSG we expect to emerge in 2027, from business in-force at the end of 2021, builds year by year with each cohort of new business.

Importantly, the contribution of new business added in the first half of 2024 to the level of expected OFSG in 2027 is up 12%, ahead of the 6% growth in new sales. This is shown on the right.

These positive OFSG “jaws” reflect the same product and pricing actions that benefited NBP and the NBP margin, despite a relatively lower new business contribution from our agency channel and health business.

New business OFSG momentum building
On track to meet 2027 Gross OFSG objective
If you have used our 2023 new business monetisation schedule to project our growth in Gross OFSG to 2027, keep in mind that the 2023 cohort has a slower expected cash emergence than the 2022 cohort. This impacted the 2027 year OFSG addition, which in relation to new APE, was appreciably below that in 2022, and is shown on the left hand chart.

This was the deviation from historical norms resulting from changes to country, product and channel mix. There are various factors here, including in Hong Kong where we capitalised on strong demand for savings products from Mainland Chinese visitors, and in Vietnam and Mainland China for reasons we've highlighted before.

We expect the positive new business cashflow momentum evident in the first half of this year to continue, illustrated in the chart on the right. The full effect of pricing actions taken in the first half will emerge over the rest of the year, lifting the rate of OFSG added in relation to APE to be more comparable to 2022 levels. This, along with the benefits of growth in our agency channel and health business, improving mix, will enhance future cash generation.

These new business pricing actions, coupled with our ongoing efforts to return to net positive variances, growth in asset management, and our ambitions for Agency and Health, give us continued confidence in reaching our 2027 objectives.

Investing to enhance capabilities to accelerative sustainable value creation
Anil has outlined the actions we are taking to support and enable the execution of our strategy including the $1 billion investment in enhancing capabilities.

To date, we have invested $230 million to the end of June 2024; $130 million in the latter part of 2023, and $100 million over the first half of this year.

We continue to expect another $150 to $200 million investment in the second half of this year, and a further $250 to $300 million in 2025, with the balance being invested in 2026.

Around 60% of our investment to the end of June, has been focused on distribution. Within distribution, our investments have focused on quality recruitment through PRUVenture, and driving technology enabled productivity through our agency platform, PRUForce. On the bancassurance side, we are very focused on customer penetration and driving the overall contribution of health and protection sales upwards.

About 30% of our investments have been directed towards our Customer pillar. In addition to PRUServices, we are also deploying a customer engagement platform to automate and personalise customer engagement and marketing. This platform is live in Singapore and Thailand, and we intend to roll this out across 7 businesses over the next 12 months.

Finally, in terms of Health, we have made significant strides to onboard new capabilities, address medical inflation issues, and launch new customer propositions.

Over time, these will drive improved consistency of execution, increased productivity, improved customer experience, and increased operational efficiency, all acting to accelerate sustainable value creation.

IFRS: Underlying CSM growth within guided 6-9% range
Turning to our IFRS results, profitable new business in HY24 grew the CSM by $1.2 billion and combined with the unwind of the CSM balance, increased the CSM by $2 billion. The new business CSM result includes a favorable one-time effect from a new reinsurance treaty of $84 million.

On an annualised basis, the CSM release rate was 9.9%, similar to the pattern seen previously.

Underlying growth, excluding the reinsurance treaty benefit continues to be within the 6% to 9% guided range, which, as I have said before, is consistent with our NBP 2022-2027 growth objective.

Economic and other variances reflect the impact of a higher discounting effect in the Hong Kong business for variable fee products, and on the operational side, similar drivers to our embedded

value result, including the CSM share of investment to enhance our capabilities and adverse persistency in Vietnam.

Overall the CSM declined by 2%, driven by economic and FX headwinds. Based upon current interest rates, we would expect to see these effects moderate.

Group operating profit up 9%
Group operating profit grew 9% driven by a 6% increase in the insurance results shown on the left. The CSM release continues to account for the majority of our IFRS insurance operating profit, and reflects the high quality and predictable nature of our earnings.

The net investment result of $0.6 billion reflects the long-term return on assets backing equity and capital, and the long-term spreads on GMM business. Long-term rates are applied to the opening value of assets, and therefore increases in assets reflecting business growth and positive market movements in 2023, have led to an increase in this income.

Turning to the Group P&L on the right, higher segment profit and stable corporate center costs lifted Group operating profit growth to 9%.

Eastspring's operating profit was up 8% before tax.

At Group level, we continue to expect restructuring costs for FY24 to be similar to FY23 before reducing towards historical levels with the completion of investments to enhance Eastspring's operating model and our back office efficiency and scalability.

And, looking ahead, I'd remind you of the mechanical reduction in investment yield from lower central cash balances as the buy-back is executed.

Finally, we reflect the impact of negative short-term fluctuations through our P&L rather than OCI. These fluctuations reflect the impact of interest rate movements on GMM liabilities and surplus assets, along with lower interest rates in Mainland China. Since the half year, given subsequent: interest rate movements, some of these effects will have reversed.

TEV replaces EEV reporting from 1Q25
Enhance transparency of underlying growth trends and comparability
As I mentioned in March, having completed the IFRS17 project, we have been actively considering TEV and have now decided that starting from our 1Q 2025 update, we will shift entirely to a Traditional Embedded Value or TEV basis.

This will enhance the transparency of underlying growth trends in the business and allow greater comparability with our Asia peers.

This is an accounting change that does not affect the economics or ultimate cash flows earned by the business: it is substantially about discounting.

Consequently there is no change to business strategy, definitions of free surplus, or how we manage our capital and our dividend policy.

Conversion centres around three things:

The first and dominant impact is an increase to risk discount rates, up 2.3 percentage points to 8.2%, on a weighted average basis, comparable to our peer. This is despite our UK style with profit offerings with relatively limited risk to the shareholder, and conservatively set equity risk premia.

Second, we have introduced long-term risk-free interest rates, aligned to the Group's long-term assumptions.

And third, we've accounted for future recurring head office costs within the embedded value calculation.

The net effect of these changes, at end 2023, results in a Group TEV of $34.2 billion equivalent to 1,241 cents or 973 pence per share and a full year 2023 TEV NBP of $2.3 billion.

Mechanically, while these changes result in a lower EV, they also result in a higher return on embedded value or RoEV, which we have estimated increases for full year 2023 to between 13% and 14% from 12% on an EEV basis.

Looking forward, we see scope to increase this RoEV, by delivering NBP growth, eliminating adverse variances, growing our asset management earnings and managing our capital with discipline.

Further details and accompanying notes are provided in the appendix to my slides.

No change to NBP CAGR or Gross OFSG objectives
NBP restated to a TEV basis
As I mentioned, TEV is an accounting change. The actual cash flows delivered do not change.

Under TEV, with a higher discount rate, the dollar value of NBP is reduced. There is no change to our NBP growth objective which remains a CAGR of 15-20% between 2022 and 2027. On a TEV basis, the implied 2027 NBP objective range is $3.4 billion to $4.2 billion.

There is no change to our capital generation objective of over $4.4 billion of Gross OFSG in 2027.

Key messages
In summary, we are working hard to deliver the operating improvements needed to deliver sustainable growth in value and capital generation.

We continue to focus on driving quality new business, with NBP up 8% ex economics despite the elevated HY2023 comparator.

Our balance sheet remains in very good shape, with the robust capital position and sufficient flexibility.

We remain particularly focused on future capital generation drivers, both in terms of new business and our in-force performance.

Starting from our first quarter 2025 update we will shift entirely to a TEV basis for our Embedded Value reporting. Our 2027 Gross OFSG, and NBP CAGR objectives, are unchanged.

Finally, the improving quality of our new business, the management actions we are taking, and our continuing sales momentum, give me continued confidence in the achievement of our financial objectives.

Notes to Additional information

Enhancing Customer Experiences
Let me start with the customer strategic pillar.

We are committed to delivering remarkable customer experiences, to drive higher acquisition and loyalty for lifetime value creation.

We have standardised our approach to measuring and analysing customer advocacy, focused around net promoter scores.

Relationship net promotor score is measured on an annual basis, however we continue to see positive trends in transactional net promotor score (tNPS).

This success has been initiative led. For example, we have enhanced our customer digital servicing platform, PruServices, with the addition of new features from policy onboarding to health claims. PruServices went live in Malaysia, with customer registrations doubling compared to registrations on the previous platform, to just under half a million customers. The enhanced platform contributed to a 7 point increase in tNPS satisfaction in Malaysia. We intend to roll PruServices out across eight other markets over the next 12 months.

We are continuing to leverage AI and data analytics to drive better customer experiences, such as the use of AI to automate claims adjudication and to increase the speed of responses to product enquiries.

As a further example of how we are leveraging technology to improve our customer engagement and experience is the launch of a customer engagement platform in Singapore and Thailand. This platform automates and personalises customer engagement, enhancing the overall customer experience and increasing the likelihood of new business. We intend to roll out the platform in 7 markets in the next 12 months.

The commercial and financial outcome of these efforts is to secure and maintain customer retention. In the first half of this year, customer retention remained stable. We are confident in achieving our 2027 success metrics, a 90 to 95 per cent customer retention rate, and also top quartile net promoter scores in ten of our businesses.

Technology-powered Distribution: Agency

Now onto our primary distribution channel, Agency.

Agency new business profits fell by 5 per cent, excluding economic effects, reflecting a strong comparator following the re-opening of the Hong Kong and Chinese Mainland border. There were also follow on impacts from introducing disciplined re-pricing and cost management strategies in our health businesses in Indonesia and Malaysia which are largely agency led. These management actions are required to ensure longer-term sustainability of our health book and to address the impact on underwriting results of high medical inflation.

The underlying drivers of the agency business are strong. We're seeing parts of this channel delivering good results but are also cognisant that we have more work to do in certain markets.

For example, whilst we saw a 13 per cent increase in active agents in Hong Kong and Singapore, this was offset by falls seen mainly in Indonesia, Malaysia and the Philippines.

Agency in Indonesia was affected by regulatory change and product change processes as well as the health repricing, mentioned earlier. We have a structured transformation programme to improve productivity and activity levels in train. In the Philippines, we are addressing strong competition for agents which reduced head count in 1H24. Agency in Malaysia was impacted by health repricing also mentioned before.

Nevertheless, there are some very good signs, productivity as measured by APE sales per active agent increased 9 per cent in the first half of this year compared to the second half of last year.

Outside of Hong Kong, we saw a 1 per cent improvement in productivity of our agents in new business profit terms.

We are making good progress towards executing on our priorities, which puts us in a strong position for the second half of 2024 and into the future.

Let me share with you some of the reasons for our confidence.

Firstly, the number of new recruits grew by 5 per cent. PRUVenture, our signature career switcher programme for existing professionals focused on bringing onboard high-calibre talent, recruited around 10 per cent of all recruits. Around 40 per cent of the total sales generated from new recruits in the period was from PRUVenture recruits. This demonstrates the quality of the recruits from this programme. We are focused on increasing the contribution of quality new recruits from PRUVenture by scaling in Malaysia and Philippines whilst accelerating momentum in Hong Kong and Vietnam.

Secondly, we have upgraded PruForce, our technology-driven distribution platform for agents. Modules within the platform covers all aspects of the agency value chain enhancing agent effectiveness. 90 per cent of our active agents have adopted PruForce. We intend to deploy PruForce to all our markets and increase the utilisation of all modules within the platform.

And thirdly, around 2 million leads were distributed via PruLeads, our leads management module within PruForce. The conversion rate for sales leads has improved by 1 percentage point to over 8 per cent for agents who use PruLeads. This contributed to a 49 per cent increase in APE sales from leads distributed by this module. We intend to expand PruLeads usage across our markets targeting productivity improvement for new recruits.

Technology-powered Distribution: Bancassurance

Complementing our agency channel, is Bancassurance.

The bancassurance channel continues to provide us with the benefits of diversification, reach, and scale.

In the first half of 2024, we saw our bancassurance new business profit grow by 28% excluding economic effects. This growth was broad-based, with 12 of our life markets recording double digit growth in new business profits.

We have established strong partnerships, enabling us to align incentives and create mutual value across this important channel. This approach is delivering results for us, such as 15% growth in Health and Protection new business profit. We are encouraged that this led to a 1.6 percentage point increase in the sales contribution of health and protection products, but there is more work to be done to reach our target sales mix of 10 per cent.

We are also expanding our capacity in underserved markets. Our partnership with CIMB in Thailand, for example, is already showing promising results, contributing 6% of Prudential Thailand's first half bancassurance APE sales.

We also continue to focus on deepening our bancassurance customer penetration. To achieve this, we are strengthening our analytics capabilities driving better targeting and conversion, and broadening the product propositions available. For example, we introduced a new customer engagement program with UOB, powered by analytics, which supports sales staff by recommending suitable insurance offerings during their interactions with customers.

One area of focus over the next twelve months is further integration into our existing bancassurance partners' platforms. Integration will enable us to develop better propositions tailored to different customer segments and help us identify and acquire "new-to-Pru" customers more effectively.

Additionally, we continue to seek exclusive agreements with in-country bancassurance partners across ASEAN in order to diversify our distribution network.

Transforming our Health Business Model

In Health, we believe there are significant opportunities to unlock across our markets.

We seek to play a much-needed role in coordinating the healthcare journeys of our customers by becoming a trusted partner.

We have now expanded our claims-based pricing and introduced regular re-pricing discipline into all our key Health markets to address high medical inflation and ensure longer-term sustainability of our health book. This had an adverse effect on Health new business profit, which fell by 12 per cent (excluding economic effects) in the period and in particular, I referred to Malaysia and Indonesia in the agency slide earlier. We are confident over the longer term that this will result in increased value creation and cash generation.

Our new Health operating model was launched in April 2024. It is designed to drive clear accountability for performance, collaboration across markets, and sharing of best practices. We have appointed Chief Health Officers in our four primary health markets, and strengthened our healthcare capabilities through new talent at both a group and local level.

We also launched a new health proposition that is delivering medical freedom for people who travel between Hong Kong, Macau and the Chinese Mainland, offering comprehensive lifetime protection, and access to high-quality care in the Chinese Mainland and beyond, via a single app.

In the next 12 months, we plan to strengthen our preferred healthcare provider network, Pru Priority Partners, in our key markets, and expand contract renegotiations with healthcare providers to secure better discounts on hospital fees while improving health outcomes for our customers. This along with the launch of new Health propositions will start to make a real impact to our Health business.

We continue to see exciting opportunities in our priority health markets, where we are primed to capitalise on rapid health market growth and low health insurance penetration.

Multi-market Growth Engines

I would now like to draw out some operational performance highlights from across our multi-market growth engines.

Hong Kong: Quality NBP growth from high base
Let me start with our largest market, Hong Kong

We were able to grow new business profits by 9 per cent, excluding economic effects, despite a strong comparator which benefited from significant pent-up demand following the Hong Kong border re-opening.

We have also focused on quality and sustainable growth through our proprietary channels, agency and bancassurance, with over 80 per cent of our new business profit generated through these channels.

The benefit of our disciplined focus on high quality business is evident in an 11 percentage point improvement in margin driven by pricing actions and a shift in mix towards health and protection products.

I am particularly pleased with the performance of our domestic business which grew new business profit by 25 per cent and improved margins by 6 percentage points.

Despite agency new business profit being 6 per cent lower excluding economic effects, we have seen underlying momentum in enhancing our agency capabilities.

We continue to improve the scale and quality of our agency force. We have increased the number of monthly active agents by 19 per cent year-on-year and we have more than doubled the number of new recruits compared to the prior period.

Meanwhile, our bancassurance new business profit continues to grow at pace, up 43 per cent. APE was 34 per cent higher supported by the benefit of repricing and positive product mix effects.

Recent survey outcomes reinforce our confidence in the continuing demand for our products and services. We are confident in our ability to capture these opportunities given the strength of our franchise focused on quality growth.

We continue to focus on long-term savings and protection products, particularly those with regular premiums as we consider this to be higher quality and an enduring source of business and value.

CPL: Developing momentum for quality growth

In China, CPL's new business profit declined by 2 per cent, excluding economic effects. The decline was as expected, with the business continuing to improve the quality of the business by pivoting towards higher margin products and by complying with regulatory guidance issued in the second half of 2023.

Our proactive actions to improve business quality and investment in our distribution capabilities delivered a more diversified product mix in the first half of 2024. This led to a 6 percentage point improvement in margin.

By channel, while the agency business saw a decline in APE sales in the first half reflecting a high comparator last year, sales trajectory has improved 2Q compared to 1Q. This is underpinned by agency initiatives to drive sales of whole life protection, critical illness and pension products together with improved agency activity.

In the bancassurance channel, CPL continued to shift to higher value business by repricing key savings products and shifting to annuities and longer-premium payment term products. Momentum has noticeably improved in the first half 2024 with sales volumes doubling relative to the second half of 2023.

We are cautiously optimistic on the growth outlook, as the business saw sequential growth in June compared to May in both new business profits and sales. We continue to expect both agency and bancassurance channels to deliver growth for the year.

The structural growth drivers remain intact, and we continue to see substantial growth opportunities in the Chinese Mainland.

ASEAN: Singapore, Malaysia & Indonesia

Now let us move to our major ASEAN markets.

Our Singapore business returned to double digit new business profit growth in the first half of 2024, up by 12% excluding economic effects, driven by double digit APE growth in both agency and bancassurance channels. Our agency channel delivered an increase in productivity and in the number of active agents, while the bancassurance channel saw good growth in Linked products. Overall, growth momentum has further accelerated in Q2 as compared to Q1.

As I have already indicated in our agency and health sections, in Malaysia and Indonesia, we implemented a series of strategic actions aimed at ensuring our medical book remains sustainably profitable. These actions included more frequent repricing of our medical book, introduction of claims-based pricing and training and engagement activities with our sales agents and leaders. This had a short-term impact to agency sales momentum in the first half of 2024 in both these markets. We are confident that the strategic actions will result in increased value creation and cash generation.

In Indonesia, our ongoing transformation will continue at pace and this includes driving agent activity and productivity through more diversified products, better training, quality recruitment, upgraded digital tools, and at the same time redesigning our compensation schemes. We remain very focused on opportunities to further diversify our distribution.

Growth Markets segment

Our Growth Markets segment saw new business profit growth of 17 per cent, excluding economic effects.

Our Taiwan business continues to grow strongly with APE sales increasing by 75 per cent. This is supported by strong demand for Par products and expansion in our bancassurance partner network.

In Thailand, we achieved 23 per cent sales growth mainly driven by an uplift in bank seller productivity through TMBThanachart Bank. We have also seen promising results in the partnership with CIMB which commenced selling at the start of the year.

In the Philippines, a decline in agency manpower adversely affected our sales growth. However, our margin rose by 8 percentage points due to a higher protection rider attachment ratio for our Linked products, increased case size and launch of new products.

In Vietnam, the market continues to face disruption including ongoing regulatory changes, and as a result there has been a decline in APE sales. However, sales momentum improved in Q2 compared to Q1 driven by the agency channel.

Our Africa business continues to deliver a strong performance with 16 per cent growth in APE sales. Growth was broad based, across our markets, and both agency and bancassurance channels. We have maintained strong market positions with Top 5 rankings in 3 life markets, including number 1 positions in Uganda and Zambia.

India: Strong Franchise Value in Life & Asset Management

Next, in India, where we have a strong franchise across both life and asset management with our partner ICICI. We have a top 3 position in both life and asset management.

Our APE sales grew 17 per cent despite a strong base effect last year. Growth was well diversified across distribution channels and product lines, contributing to an outperformance of the market.

On the asset management side, ICICI Prudential Asset Management grew its assets under management by 23 per cent to 97 billion dollars.

Eastspring: Positive net flows driving growth in AUM

Eastspring is a global asset manager with Asia at its core, offering innovative investment solutions to meet the financial needs of our clients.

We have a local presence, which differentiates us as a truly Asia-based asset manager, servicing the global needs of our clients with our deep local expertise.

Eastspring's focus on our clients' needs has contributed to positive net flows in the period. This combined with positive market movements has led to a 4 per cent increase in assets under management to 247 billion dollars.

TEV – notes to the slides

Key messages
To better represent underlying growth trends and allow greater comparability with our Asia peers, we will shift the basis of our embedded value reporting from the CFO Forum European Embedded Value principles we adopted in 2005 to a 'Traditional Embedded Value' ('TEV') approach starting from our 1Q25 update. We will provide an indication of TEV comparator results with our 9M24 and FY24 reporting

This is an accounting change that does not affect the economics or ultimate cash flows earned by the business. This has no impact on our strategy, our capital allocation priorities or our dividend policy. There is no change to the level of required capital, free surplus or free surplus ratio as this is based on regulatory reporting.

While there are changes to cash flow projections reflecting the introduction of long-term investment return assumptions, the EV reduction is largely the result of a higher discounting effect with a 2.3 percentage point increase in the in-force discount factor. At the end of 2023 our TEV weighted average RDR is 8.2%, broadly in line with our peer.

We have also capitalized head-office expenditure costs which previously sat outside the EEV 'covered business' perimeter.

These changes result in reductions of 20% and 25% to embedded value and new business profit respectively, on a like-for-like basis. However, the operating return on embedded value is estimated to increase by 1 to 2 percentage points from 12% for FY23 to 13-14% on a TEV basis. This RoEV calculation applies the start period equity excluding goodwill and intangibles as the denominator, to aid comparison with peers, similar to the approach adopted for our EEV reporting at HY24.

Our 2027 Gross OFSG cash objective of above $4.4bn and our NBP objective CAGR of 15-20% over 2022-2027 are unchanged, but the starting 2022 TEV NBP value is reset to of $1.7bn post central costs; therefore the 2027 NBP objective range implied is $3.4-4.2bn.

Key TEV impact results from increased RDR

The key change is to the value of in-force ('VIF'), and also the introduction of capitalizing of central costs.

Discount rate changes:

- The EEV discount rate essentially reflects market risk determined by product, with explicit allowance for the fair value of options and guarantees, and a fixed 50bps for non-market risk. In some of our smaller entities an additional allowance for emerging market risk is also applied.
- Under TEV, the discount rate reflects all sources of risk and can be considered as our long-term risk free rate plus a risk margin to cover all financial and non-financial risk.
- Our average TEV risk discount rate is 8.2%, 2.3 percentage points higher than that on a EEV basis, and this increase drives the largest impact on VIF.

Future investment return assumptions. TEV introduces long-term risk free rate assumptions, to which our risk free rates grade to over time from current market levels. The impact on modeled cash flows is minimal over the first 20 years.

Recurring corporate expenditure, which previously sat outside the EEV 'covered business' perimeter, are capitalized.

Operating assumptions, such as claims, expenses and persistency, are unchanged and remain aligned to our existing IFRS and EEV bases.

This results in a Group TEV at end 2023 of $34.2 billion equivalent to 1,241 cents or 973 pence per share.

Comparable risk premiums
The chart on the left shows the in-force risk premiums (calculated as the risk discount rate less risk-free assumption) used in our TEV economic assumption compared with those publicly disclosed by our peer at the end of 2023.

Each market will have risks driven by a number of factors including product mix and it should not be assumed that a like-for-like comparison is relevant to all markets.

While there are inevitably some differences from market to market, these are ultimately relatively small, shown on the right-hand chart on a total weighted average basis showing this based on both our own mix and the mix of the peer, as well as the peer's actual basis.

At a group level, based on our geographic mix, our weighted average risk margin is 4.4%, nearly twice that of our EEV basis. If our risk margins are weighted with the geographic mix of our peer, our average is 4.7% or almost exactly in-line.

This close alignment should be seen in the context of:

- Our focus on health & protection, with profits and unit-linked products, with relatively limited exposure to direct market risks.
- In markets such as Hong Kong, we have a UK style with profit structure with limited risk for the shareholder.
- Our equity risk premium assumptions remain conservatively set and unchanged.

TEV leads to lower EV / higher RoEV. RoEV upside as strategy executed
Mechanically, TEV results in a lower EV but a higher return on that EV. The 2023 operating return on embedded value, or RoEV, is estimated to increase by 1 to 2 percentage points to 13-14% from an EEV RoEV of 12%. The key mechanical effects resulting from moving to TEV are shown on the slide.

In dollar terms, the in-force expected return, or 'unwind', is estimated to be materially unchanged at FY23 as a higher discount rate is balanced by a lower VIF.

There may also be some differences in the quantum of variances impacting VIF given the shift to TEV.

Looking forward, we see material scope to increase this RoEV by delivering NBP growth, eliminating adverse variances, growing asset management earnings and managing our capital with discipline.

No change to 2022-2027 NBP CAGR nor 2027 Gross OFSG objectives. NBP restated to a TEV basis

Moving to TEV does not change our 2022-2027 NBP average growth objective, but is shifted to a TEV basis implying a 2027 objective range of between $3.4bn and $4.2bn. the starting point for 2022 NBP and the 2023 outcome is adjusted accordingly and shown in this slide.

Our 2027 cash objective, measured in terms of Gross OFSG, is unchanged at above $4.4bn.