Prudential - Q&A Capabilities

Nic Nicandrou: Welcome back again. You have just heard why we are excited about our focus markets, and how they're advancing our strategic theme of delivering profitable growth in a socially responsible way.

For the next hour, we will take your questions on how we're building capabilities and seeking to leverage the best of our enterprise in all our markets.

Before we hear from you, let me introduce the panel and offer some context. I will briefly touch on three areas. First, how we think about digitising and humanising. Second, how we think about health and wealth. And third, how we are building culture and capability.

Firstly, digitising and humanising. Digitising opens a whole new field of possibilities for us when it comes to scale and efficiency. Humanising, on the other hand, strengthens our ability to provide sound financial advice. Benefiting from both of these efforts would be our agents. We're equipping our agency force to be future-ready with tools like PruForce@Pulse, which supports all aspects of agency management. Lilian Ng, who joins us again, can answer questions on how this is improving productivity and customer outcomes. Divine Furagganan, our Chief Distribution Officer in the Philippines, and one of our most progressive when it comes to digital adoption, can provide an on-the-ground perspective.

When equipped with new tools and a wide range of products and services, agents can provide much more inclusive advice. In other words, beyond advising the affluent segments that many have grown accustomed to serving. This is what we're doing in Indonesia, and Nini Sumohandoyo can expand on how our new capabilities are helping us serve the vastly under-penetrated Sharia segment, as well as our plans to give our Sharia business its own identity.

Secondly, health and wealth. For health, we're known for our leading protection coverage, but everything we're doing with Pulse aims to go further by preventing and postponing illnesses. Al-Noor Ramji is our group Chief Digital Officer and can speak to Pulse as our digital front door and what this means for customers. He can also speak to Pulse as our digital back end, and what this means for the scale and efficiency of our business.

Whether front door or back end, I am certain that Al-Noor will emphasise that Pulse cuts across our businesses. It has the same brand in each market, it has a unified look and feel, and it will serve as a single platform for onboarding, fulfilment, servicing and much more.

You will have heard me earlier talk about lowering the threshold for wealth services. We will do this through Wealth@Pulse, together with Eastspring, which itself has sought operational efficiency through retooling. Today, Eastspring is the largest user in Asia of BlackRock's Aladdin, an operating system for investment professionals. Wai-Kwong Seck, our Eastspring CEO, can take questions on how Eastspring will meet its ambition to lead in Asia and on ESG.

Finally, culture and capability. These tie back to our strategic theme of humanising our company. Together with our refreshed values, we are equipping our people to tell stories, think conceptually, imagine possibilities and build iteratively. These ways of working are characteristic of our hothouses, which are co-creation events that bring together people from across the business, as well as from our partners. Jennifer Villalobos is here from our Thailand Life business, and can talk about how we are co-creating with our new digital distribution partners such as The 1, enabling a 9.5% conversion rate on the highly tailored wellness propositions made possible by our combined data sets. This is one of many examples that Mike mentioned regarding the shifts in our culture from one that preferred a siloed, owned and controlled approach to one that prizes collaboration internally and externally.

For more evidence of culture shifts, look no further than Singapore, where LinkedIn just named us one of the top 15 best places to work. Dennis Tan, our Singapore CEO, recently sponsored a hothouse to accelerate enhancements to Business@Pulse, our SME offering. He can field questions on why the old model of workplace marketing proved so difficult, and how our new Pulse-enabled schemes are engaging employees directly, leading to greater success in converting scheme employees to customers, both direct as well as through agent referrals.

With that, let us hear your questions.

James: We are here in Hong Kong, I'm sitting with Nic. And of course, we have everyone primed and ready on our screen for this panel discussion on capabilities. You know all the drill here, but just in case, lines are open, so you can call in with your question, or you can register it on the Q&A function on the event website.

Well, the lines are open, and so is this panel. To ensure everyone has the opportunity to ask your question in this session, may we ask you to keep your question brief.

Thanks very much, we can go to our first caller, and we have Blair Stewart on the line. Blair, if you can remind us of who you represent, and your question to our panel, please.

Blair Stewart: Thank you very much. It's Blair Stewart from Bank of America speaking. I've got a couple of questions on Pulse and then a couple of other short questions. On Pulse, clearly, this is something that's been developed over the last, I think you said 21 months with partners. Mike referenced the value chain; I wonder if you could just explain what the value chain looks like. And how much you've spent on Pulse and will be spending on this.

Secondly, on Pulse, how is it differentiated, do you think, versus the several other health apps or ecosystems that are being developed, especially in Asia?

And then moving away from Pulse, just two very quick questions, if I may. Health and protection, as that continues to ramp up, how much underwriting risk are you retaining versus reinsuring?

And fourthly, on the Sharia market, I know you have a large market share in Indonesia, but how big is this business at the moment? Thank you.

Nic Nicandrou: Okay, thank you. Thank you, Blair. Firstly, let's go to Al-Noor on the question of the value chain. On the H&P underwriting risk versus return, maybe Lilian, you can touch on, and then perhaps then, Ben Bulmer, our CFO can expand, if necessary. And then Sharia, obviously over to Nin. So Al-Noor, Lilian.

Al-Noor Ramji: Thank you, Blair. So, look, Pulse is a growth engine. It's the world's first, and so far only, ecosystem dedicated to make our customers healthier and wealthier by solving their customer pain points. So your question about the value chain really plays to that.

Now, everything from the prevention, all the way through to health, disease care, all the way down, that's the whole chain that we hope that we will solve the pain point for the customer. Today, the customer faces a lot of difficulty in navigating the health system, and also the wealth system, if you like. So how do we solve this at scale?

And value will come from three things. So, whether it's valuations of our company, or variations of anything, really come from three or four things, if you like. Firstly, the business model. Secondly, the operating model. And then third, you could say the pace or the speed, which I think Mike mentioned earlier, that we can go to. And then can we sustain it? Can we build it at scale?

So, the business model allows us multiple sources of revenue, multiple sources of revenue, the operating leverage, the operating model analysis, great operating leverage. So providing we can keep those two going, I think the value chain becomes obvious.

Now, let me give you an example. If we detect something early in the health chain, we can save a $100,000 problem – sorry, a problem which is $10 from becoming a $100,000 problem. Detecting early.

Similarly, if we monitor people's wealth, and so on, it's very easy to say things like, save more money and you'll be fine in your old age. But how do we encourage savings in a painless way, in a seamless way?

So both health and wealth can be solved that way, I think.

As to your competitive point, we tend not to focus too much on competition. Clearly, there are many apps, the best ones, I would say, are probably in China. But they're not driven by data and AI at the source of trying to help the customer achieve his or her wealth and health propositions. That's what we are focused on both longitudinally over time, as well as seamlessness back to front.

So, just to emphasise Nic's point earlier, we make sure the customer can go through the whole value chain seamlessly, whether it's front office, back office, hospitals, doctors, the whole thing, just from Pulse. I'll pass it on to Lilian, I think, for Force.

Lilian Ng: Thank you, Al-Noor, and thank you for the question, Blair. So, on health and protection underwriting risks, how much do we retain? So, if I just look at health first, which is more our medical portfolio, actually, we retain most of the risks ourselves, because it's something that we could manage and because of – it's a high frequency but low value claim, so it's something that we have the expertise to manage. So, that's the area.

Now, on the more long-term protection product, in particular, critical illness, we have actually used reinsurers not just so much for any risk retention, or we pass on the risk; it's about learning from each other, because obviously, there's a lot of medical advancements, and so on. So, what we do is we continue to work with our reinsurer to actually how do we actually become more inclusive, to provide the necessary coverage for customers through our critical illness platform.

And something that we've done over the last 12 to 24 months is we now created what we call our predictive underwriting. So, again, I think, as Al-Noor was saying, use of data, AI, analytics, so that we can actually make sure that we can create that coverage for our customers seamlessly, knowing what we are doing. And as a result become more seamless.

We also now learning to use other data for underwriting. So, for example, when we normally ask people a lot of health questions, in terms of the underwriting of a critical illness coverage, actually a lot of the chronic diseases is because of diet. But we never ask people actually, 'What is your dietary requirements?' So, these are the type of areas we are working with our underwriters to learn it, how do we best underwrite our customer to provide more seamless experience and more inclusive coverage for them.

So Ben, anything you'd like to add on the reinsurance?

Nic Nicandrou: Ben is not on the call, Lilian.

Lilian Ng: Okay, sorry.

Nic Nicandrou: We can take that up afterwards, but thank you. It's very comprehensive, I don't think you need to address it. If we can go to Nini for the question on Sharia.

Nini Sumohandoyo: Yeah. Thank you. Thank you, Nic. And thank you, Blair, for the question. First of all, the Sharia business opportunity in Indonesia is huge. We have 150 million working Muslim population. And in terms of GDP, penetration level is only 0.1%. So, if I may share a little bit on our history, we started our Sharia business back in 2007, 14 years ago, and we have been the market leader since then. We're grateful that we're at 35% market share, and that's two times bigger than the next competitor.

We have 131,000 Sharia licenced agents, which accounts for 75% of the total Sharia licenced agents in the industry. And we are very proud to say that last year, we launched a Sharia-only product. It's a very simple, affordable and traditional product. And the cases sold last year was 106% higher than the previous year. And for Q1 of this year, it was higher 228%. We are thankful that the Sharia investment funds are being supported by Eastspring Indonesia, Eastspring Singapore and Eastspring – I'm sorry, Al-Wara' from Malaysia.

And everybody's talking about Pulse, right? So, we're very proud to say that end of last year, we launched PruShalira, which is a modern halal lifestyle ecosystem offering at Pulse. And the reason why we developed it is to build communities and attract customers.

Now, if you're talking about the size of the market, the next offering, the next Sharia offering will be embracing around 30 million Indonesian Muslimah, aged 20 to 44. And the idea is to give these women a safe place, a safe and friendly place, to interact, to learn to share, and even to give back and basically, we will have programmes and contents for them so they can be inspired and empowered to be better for themselves and for their families and their communities. And we still believe in the prospect of this business, so we are in the process of spinning off our Sharia business unit, and we are happy to announce that we have appointed a very experienced and prominent designate CEO, Omar Anwar, who joined actually yesterday, to lead this great adventure.

Of course, there are so many – the market is so huge, and there are so many underpenetrated segments, right. So we will continue to develop and innovate new products. For instance, we want to develop a legacy product pension, employee benefits, which is the Sharia version of this product. And we also want to help Indonesian people with religious-based products such as helping them to go to Hajj or Umrah, for instance. And, of course, we also want to expand the market through Banca and Affinity groups, and not to mention the Islamic communities and institutions as well as the halal industry that have not been tapped yet. So we are very exciting with where we are right now, and we are very positive with the Sharia potential of today.

Thank you. Over to you, Nic.

Nic Nicandrou: Thank you Nini. So, it was Blair that asked the question, yes, it's 10% of the market in Indonesia. The government has made it its focus to become the leading Islamic financial centre in the near term. I think they'll put more effort, creating a much more formal – when Nini referenced the spin-off, that meant subsidiarising , if you like, a product segment and giving it its own identity. So it will still be owned by ourselves, it won't go public. And the opportunity is limitless. And the reason it hasn't happened yet across the sector is because people tend to be less wealthy and the product set that is available in the market is only now getting to the type of products that the Islamic community is drawn to.

The one question that Al-Noor did not answer on the costs of Pulse. So, other than the Babylon contract that we signed, that was for a certain duration. All the other costs have been incurred internally; in other words, they're all self development costs. We've spent – again, excluding Babylon, we spent just over US$100 million over the period that you referenced, US$80 million of that last year.

As we move forward to expand the capabilities of Pulse further, so we have the ambition to add wealth services and wealth products on the platform, we have the ambition to turn this into our onboarding, fulfilment, and also a self-servicing tool. We will need then to integrate, if you like, our existing IT stack; so that our current customers can also avail themselves of all the services on Pulse, we will have to increase that spend. But it's not to say that this won’t be incremental.

We spend around US$300 million or so a year in operating and in developing our infrastructure. Clearly, as Pulse replaces some of that, we will save some costs both in the maintenance. And given that it is a single platform that we're using across the piece, we won't need very many capabilities or number of people to administer what is currently 15 different systems. But as we move onto a common platform, there will be operational savings there as well. Thank you for your question.

James: Thank you again. Let's move to another question, which is a multi-question here. It comes online from Kailesh Mistry of HSBC, and Kailesh asks you this: Is Pulse still to be launched in mainland China and India? Can you provide some colour on the reasons? Is it absence of suitable partners or regulations? How soon do you think you can have a suitable proposition launched? And the last one here, can you or would you set it up as a wholly owned subsidiary in those markets so you can retain 100% of the economics?

Nic Nicandrou: Okay, now, thank you. Kailesh, I am not going to comment on hypotheticals at this point. As to why we didn't start there is the Babylon agreement that we had, which is an essential component of the offering, only covered our Southeast Asia markets, and in Africa. So, we didn't really want to commit to Babylon for China and India until we had proven the concept. It is something that we are reviewing, and we will update you at the appropriate point.

And with that, back to you, James.

James: Great. So that question from Kailesh. We have another question online. This time, panellists, it comes from Andrew Baker. And Andrew asks you this: Does having a proprietary asset manager provide you any product advantages versus peers that don't have their own asset manager in key markets such as Hong Kong, Indonesia, Mainland China, and Thailand?

Nic Nicandrou: Okay, thank you, Andrew, for the question. Wai-Kwong, over to you.

Wai-Kwong Seck: Yeah, thank you very much, Andrew, for that question. I would say that having a partner like Eastspring working in partnership with Prudential actually absolutely helps to facilitate, for example, our time to market for many of the life companies. In fact, right now, as we speak, we're working with a number of them to deliver some products to them at a very short notice. So I think this one is very important.

Second thing is that, you'll remember that Eastspring has a footprint across 11 markets in Asia and therefore, we actually can source and also create products for our clients, which is the life clients across all the markets in Asia.

We also have capabilities to work with third parties to create products from outside of Asia. I think, as you know, we've already done that in the past, and we will continue to do that.

So, I would say absolutely. And I would say that the partnership works very well, both ways. All right? About 55% of the assets that we manage come from Prudential, and that helps us to be able to bulk up the company and also increase the capabilities we have.

James: Great, thank you to Andrew for your question. A quick reminder that we are now approaching roughly the midway point in this special panel discussion on capabilities, and we encourage you to call in with your question or to register it online.

Well, Louise Miles has done just that. She's sent through a three-part question for our panel. Let's start off with the first one. Question one. You've spoken about Pulse downloads, 24 million, and registrations 9.6 million so far, but what are the monthly active users of the app? That's question one.

Let's go to the second one. Louise asks you, Pulse is an ecosystem which uses services from various partners. If a partner chooses to no longer work with Pulse, for example, Babylon, who actually owns the customer relationship / data? Is it Prudential or the partner? Can Prudential continue to use and hold the customer data if the partner relationship with Prudential ends?

And there's a third question for you to consider here. Would you consider entering another part of Pulse's value chain, for example, by purchasing a healthcare provider in order not to rely on partners?

So a lot to work through over there, Nic.

Nic Nicandrou: Okay. A lot for Al-Noor to address. So, please, Al-Noor.

Al-Noor Ramji: Happy to do, Louise. Good questions. So, look, if we start off with the value chain, where we look at the customer from the AI lens, and then we talk about data, and then we move on to a video doctor, then we move on to physical doctor, etc., if that was a chain, which you are implying in your third question, and then all the way to perhaps hospitals and so on, that's one path.

Now, when you try to solve for the customer end to end like we are, right, the downloads is really the first time someone's knocked at your door, and he or she has asked for some help. So if 24 million people asking for help, our task is then to figure out what they want. Now, which piece of the health or wellness chain do they want? Did they come for the AI doctor primarily? Did they come from the wellness side? What do they come for?

And in some parts of the value chain, clearly, if you take the hospital, monthly active users would be an extremely poor measure. Okay? So what we're trying to learn here is what does the first knock on the door mean? What do they need? What do they want? And we've tried, and are trying many different ways of interacting with our customers. And as we develop the measures, we can then come back with a proper set of metrics that we want to define. This is a very vast end-to-end ecosystem.

To your point about who owns the customer, it is very clear, if you like, primarily, the customer owns the customer, if you don't mind me being slightly flippant. But in this particular question, the customer 'belongs' to Prudential, and we're very clear about this. Now the customer has to give permission, has to give permission to Prudential to use this data, which they do when they do a health check, etc., etc. But there's clarity here they do not belong to Babylon.

Now whether we would consider buying another part of the value chain, strategically, everything is possible. What we're trying to do is make sure that the solution is scalable – and I repeat scalable, meaning approaching zero marginal cost at some stage. And is it driven by data? Is it driven by data and can data be used to serve the customer better? So if healthcare provider would provide that, would give us that power, we would.

The second consideration is how seamless can we make it. So, if purchasing something would make it more seamless, and provide more value, more service, then we might consider that.

What we're really trying to do is work with a vast ecosystem of partners and we try and make it seamless for the customer in any part of the value chain they want to be, but seamless in the real sense of making sure that real value in either accessibility, affordability, if you like, timeliness, things like this.

Hopefully, we covered the questions here, but I just want to end with saying the Pulse downloads, it’s a mistake to call them that. There's a first knock on the door. And as our DNA changes from product led, I think Mike said this earlier, or manufacturing led or distribution led, to us hearing the first knock, we need to respond to that first knock, and it's a very different game that we have to learn. Thank you.

Nic Nicandrou: Thank you, Al-Noor.

James: Thanks very much, also, to Louise for your question. We're going to go to another online question. It comes this time from Farooq Hanif. Farooq asks: What can you tell us about your market share in SME currently, and the momentum here?

Nic Nicandrou: Okay, thank you, Farooq. I mean, clearly, it varies by market, but the area where our group proposition is most developed is in Singapore, and I'll invite Dennis to address that question.

Dennis Tan: Thanks, Nic. Thank you, Farooq, for the question. Well, first of all, enterprise business is a growth business for us. And as I've mentioned in my video, in Singapore, the enterprise business has been growing at a year-on-year growth of 27%. So, how this works really is that it offers us opportunity for us to really build direct relationships with corporates as well as SMEs. We have access to corporates and large corporates, for example, in Singapore, like well known names, PwC, Singapore Airlines, as well as Singapore Exchange, and also more than 2,000 SMEs that we've been working with. So, all of these allow us an access to more than 170,000 employees.

The beauty of it is actually building this and integrating it with Pulse. And Pulse being a very successful business for us now, in Singapore, we have just crossed our first anniversary of our Pulse launch, and have amassed more than 200,000 users here in Singapore. And with Business@Pulse integrated now, what that means is that employees of these employers will be able to interact with us directly. And even for claims, it will be as simple as just taking a photo of your claims and just submit it. So, Pulse becomes an end to end – like what Nic referred earlier in his opening remarks, it's like a front end to the back end, seamless convergence of our whole process and systems in order to deliver that to the customers.

So with that, we have seen successes in our EB business, and the beauty of it is actually converting these SMEs and these EB policies into individual lives. And again, as mentioned in the video, I'm happy to report that for the Singapore experience, the quarter-on-quarter growth has been phenomenal at 154%. So back to you, Nic.

Nic Nicandrou: Thank you, Dennis. Now, clearly across the region, this is something that we prioritised back in 2017, building the capabilities but to participate in a way that is a little more intelligent, because the ambition is not just to underwrite the group scheme, but it is ultimately to convert those employees into individual customers. Now, in that short period, we've grown at a CAGR of 15% to an APE level of US$218 million [in 2020]. In the first quarter we grew by 33% to over US$100 million across the piece, we have 7,000 schemes, just over a million employees. And we referenced in the video, the ambition for this to be much bigger as we go from here.

But as I said, the real prize is the ability to convert those scheme members, using now what we call digital workplace marketing, into individual customers; whether they're buying a subscription, whether they're buying a bite-sized product, or whether it's the agent that wrote the policy coming back and following nudges and so on, engaging with those individual employees. And that's, that's the model that we want to follow, but do it digitally as we go forward.

James: Well, Nic and panellists, we have a further question from Farooq Hanif. It's a very short question, and it goes like this. What is the risk to Eastspring from ETFs?

Nic Nicandrou: Wai-Kwong?

Wai-Kwong Seck: Thank you very much, Farooq, for that question. I think everybody is watching with great interest the development of ETFs across the region. And just to put things in perspective, I think, according to the Investment Company Institute, which is really the industry body, they think that in the US 21% of the market is in ETFs, whereas in Asia it is about 14%. But when you dive into the details in Asia, what you'll notice that in the Asian market, 60% of that is already in Japan. And I think as you know, the Japanese Central Bank has been using that as a policy tool. So, in effect, the actual market for ETFs, especially among retail, is probably a lot smaller. It's probably – maybe probably closer to 8% in Europe, or even lower. So I just want to put the thing in perspective, that's number one.

But nevertheless, the trend towards ETF is there, and I think it'll continue to grow in Asia. So, for us, there are several approaches that we have taken.

Number one, it is very important for us to begin to continue to differentiate our products. For example, we are in the active space, and we continue to develop different strategies to meet the client needs. Fixed income maturity funds, especially in a time like this, targeted income funds. GEM and Asian equity funds are actually something that, because of our position as experts in Asia, we are developing and we want to develop further. ESG is another area of increasing interest.

And then on the fixed income side, we continue to develop things like US credits and so on, because this is where our clients are seeing demand, and also what we call multi-asset solutions.

The other aspect of it is that Eastspring is one of the biggest investors through ETFs in itself. And what we are also doing is looking into ways in which we can actually manufacture some of these in-house. Where it makes sense, where we can do it better or cheaper than others, we want to do it in-house as well. So, these are ways that we are responding to the developments in the ETF market. So over back to you, Nic.

Nic Nicandrou: Thank you, Wai-Kwong. James?

James: Great. Well, we have another question from Kailesh Mistry over at HSBC. Kailesh asks about the markets, such as the Philippines and Thailand. In markets such as the Philippines and Thailand where you are, or plan to offer Pulse as a subscription service, what is the cost of an annual subscription? Are there different tiers? Do they need to be attached to an insurance policy of some sort?

Nic Nicandrou: Thank you, Kailesh. So, I will invite Divine to address from the Philippine perspective; Jennifer, as one of the offerings, from the Thailand perspective and then loop back to Al-Noor to cover any other markets or any other points that need making. Divine.

Divine Furagganan: Thank you. Thank you, Nic. And thank you Kailesh for the question. Pulse was launched in the Philippines February 2020, and currently, we have 4.5 million downloads and 1.8 million registered users. Yes, we have offered subscriptions in Pulse in the Philippines, one of which is Pulse Gold, wherein the subscribers would have received a personalised dashboard that displays their goal, for example, daily, weekly challenges and their fitness classes, nutrition plan, and a lot of those things.

The services vary based on the packages that we are offering, and the annual subscriptions are not necessarily attached to insurance policies. The subscriptions is basically there to engage our customers, our clients to give them the services that are available in Pulse, and that gives us an opportunity to get to know more of them. And with the use of AI and customer-specific data, we are able to pass this on to our agents and even our bank partners so they would be able to know better their clients, and they would be able to service them in terms of their needs and preferences.

Nic Nicandrou: And an indication of the price that we charge, Divine, for those? What is it a year?

Divine Furagganan: I would not have the specifics with me right now, Nic, so apologies for that.

Nic Nicandrou: Okay, Al-Noor no doubt can cover that. Jennifer, let's go to you next.

Jennifer Villalobos: Thank you so much, Nick. And thank you so much for your question, Kailesh. The reality is that subscription models require a deep understanding of online consumption and data. This is why our subscription models, first and foremost, try to understand what people want and what people actually need. People generally buy insurance during a life-changing event, as you know, when they're about to become a parent, when they’re going to buy a new house, or unfortunately when one of their loved ones is sick, right? So, if we are in touch with these life events through our insights, that puts us in a very good, good position to actually offer solutions in the moments that matter. This helps us understand them, and in change, they will trust in us again. That trust then allows us to move a lot of the commercial models and subscription from premium to premium.

Pulse in Thailand offers two packages. The first one is Pulse Fit, which is for US$2 a month, and Pulse Gold which is US$8 per month. The first value proposition which is Fit is pretty much the foundational work that a person needs to do to actually get fitter. They get access to a meal planner, they get access to actually an amazing, what I call an augmented reality coach that actually helps them do their workouts properly, as well as a journal.

Then, on the Gold subscription, what that also unlocks is access to our unique nutrition advice. So, we really believe with this over-encompassing proposition, we got the opportunity not only to package and sell them with products, but more than anything, giving the opportunity to the customer to not feel like they're being rented or their eyeballs are being rented but they're actually receiving true value. Thank you very much.

Over to you, Al-Noor to expand a little bit more.

Al-Noor Ramji: Yes, thank you for the rental of eyeballs reference. So, this is a very serious thing, because what we're trying to do, as both Divine and Jen have explained, is to form a habit, get the customers to form a good habit. Both of these subscriptions are based around trying to encourage not only bite-size products, etc., but actually encourage habits of a good type, if you like.

Now, because we're testing and learning, we're using AI to figure out which ones are being used, what combinations will be used, and which do get used and not just paid for, we don't want to suffer from the gymnasium phenomenon where people – you all know what that means.

So, we are trying different packages, price points, different combinations, so there's probably 60-odd different combinations. We have two standard subscriptions but the customer will eventually be able to use any combination they want to, a Chinese restaurant menu, if you like.

And to the point earlier about the Philippines, it is the same price point, although in Filipino pesos. It is of the order of $2 and $8. But we'll be spreading this across the whole range when we add the insurance products and other things.

So, rest assured, we are testing and learning from our customers, as Jen says, to make sure that we are understood to be trusted advisors, coaches in health and wealth and not just be there in moments of stress and trying to make their life easy just at that moment. We try and prevent as well. So, subscriptions is just in the first phase and we've launched it in at least seven markets, not just these two, but clearly these two markets are prominent in digital behaviour.

Back to you, Nic.

Nic Nicandrou: Thank you, Al-Noor. James.

James: Well, thank you to everyone for that, because we're going to turn now to Abid Hussain who gives you this question. Given the rate-limiting factor in some markets, is new bancassurance distribution agreements, which are hard to come by and expensive, would you consider buying or partnering or even developing your own digital bank to address this? Many high net-worth individuals, SMEs and the young have been switching to digital banks.

Nic Nicandrou: Okay, thank you, Abid. I'm not going to comment on the likelihood or otherwise of being involved in an equity stake in a digital bank, but clearly we are building the capability to plug and play our solutions. That was not only in relation to any digital banks that our partners may develop, and when we renewed the UOB contract, that was part of that, but also plug and play in relation to the banking apps that they have. And I will ask Lilian to expand a little on the work that we're doing both with UOB and SCB as we take this forward.

Lilian Ng: Thank you, Nic, and thank you Abid for the question. On SCB, I think as we said, a lot of customers now access the bank services through the mobile app, whether it's a digital bank, or even a normal conventional bank. So everyone, they don't actually go and travel to the bank branches. So there's been a lot of work done about connecting: connecting our platform to that platform so that we can service those customers through our capabilities. And I think that the things that we – the phrase that we use, and actually with the support from Al-Noor, we white label our Pulse onto their platform. And similarly, so they can also – in Pulse, we can also access their digital platform.

So, in Standard Chartered Bank, the mobile app is called SC Mobile, and we've been able to co-create a term product that is in Hong Kong through that mobile platform. And in UOB, we have launched a cancer 360 product in their mobile platform IT as well. So this journey is only the beginning, and there's a lot more that we are working with our two bank partners on their mobile platforms to deliver for our Pulse platform as well.

Nic Nicandrou: Thank you, Lilian.

James: Great, so a reminder to our investors that you have a 15-minute window still on this capabilities panel to put your question to our experts here at Prudential. Let's go now to another question, and this one comes from Greig Paterson. Greig asks: Bancassurance deal pipeline, can you provide some colour on this and which markets are most likely to see deals?

Nic Nicandrou: Thank you, Greig. I'll take this question. The one market where we certainly want additional relationships is Indonesia. I'm not going to comment on the pipeline, but I'll repeat the answer I gave earlier that the existing relationships that we have, whether they are exclusive across the partners that we've signed up recently or beyond that, we have 25 million or 150 million or 300 million as you expand from the ones that are in wholly owned businesses, to across the entire footprint, to those that we deal with commercially, not just exclusively. Plenty to go for in those relationships.

So with that, I suggest we go to the next question.

James: Great. So thank you very much to Greig Paterson for that question. Here's another one. This just popped up on screen over here. It comes from Chen Hsung Khoo. Chen asks: Please remind us on the mix of NBP in China by bancassurance versus sale agency, how do we see this evolving over the next timeline of about three to five years?

Nic Nicandrou: Lilian, over to you.

Lilian Ng: I think earlier when Nic presented, we actually shared the NBP margin between agency and also bancassurance, which obviously at the moment, because we're selling more protection product through our agency channel, obviously, it's a higher margin. So, from a mix perspective, obviously, our agency will deliver higher relative to the APE mix from that perspective. But there's a good thing; we are working very hard to actually ensure that our bancassurance margin continue to improve year on year and you can see that when we disclose our results, so for regular premium. And lately, we are still also trying, as in Thailand, trying to put health and protection through our bank partners in China as well.

Nic Nicandrou: Thank you, Lillian. Yes, just to repeat what maybe was covered earlier, the contribution to NBP is about equal weight between the two channels. Clearly, that was in 2020, there were certain drivers that affected both agency and banca, but we would like to stay multi-channel and multi product. And therefore, we expect the evolution of the business not to change that particular ratio significantly as we move forward. James, next question.

James: Thank you, Nic, and thank you to Chen Hsung Khoo just now for your question. Now, we have a question from Greig Paterson. This time the focus is on Eastspring. Greig asks: Will the trends in product development lead to margin compression, for example, new US credit mandates?

Nic Nicandrou: Wai-Kwong, back to you.

Wai-Kwong Seck: I will say that margin compression is something that we are witnessing across the entire industry, and this is something which all the players are working with, or working against. And as far as Eastspring is concerned, I think right now we are enjoying a pretty healthy margin, our net revenue margin for third-party assets is about 46 basis points, but we are not sitting there and waiting for things to happen.

We have actually embarked on several strategies in order to cope with some of these margin compression. Number one is of course stringent cost management. We have been very, very deliberate in terms of investments, especially in terms of people. We have also centralised and developed centres of excellence across Eastspring. While we are at 11 locations, we also developed centres of excellence so that we can actually centralise and be able to benefit from the economies of scale.

Earlier on in the video, you saw that we are actually – have the largest of the Aladdin footprint across Asia. And we continue to leverage Aladdin as a way in which actually we can actually consolidate and pool a lot of these things together. We have created a common middle office, and we want to continue to work on how we can actually build a more effective and cost-efficient infrastructure. The operations platform that we have, we are relying on automation and robotics and things like that in order to actually prepare ourselves for growth in the future and also this margin compression that is happening.

But I think more importantly, it's not just on the cost side, but I think it is also on the revenue side that we are also developing our businesses. For example, we are continuing to grow our alternatives business. We are also moving into ESG. We've launched – actually in 2019 we were one of the first to launch Asia sustainability bond fund here in Asia. We are also actually working on the Asia technology fund. And earlier on, in an earlier question, I mentioned about opportunities to manufacture in-house some of these ETFs that we are investing in to other parties as well.

So, at the end of the day, we recognise the margin compression is there, but we are prepared and we are working on both the costs as well as the revenue side. Back to you, Nic.

Nic Nicandrou: Thank you Wai-Kwong and maybe if I can return to the same question in relation to the India, AMC business. I mean, that is a retail business. It's a high returning business, again, it was covered in the video by Minesh and he referenced an 80% ROE, and a cost income ratio that was in the mid to low 20s.

Whilst there will be margin compression inevitably in India as the sector expands, really, the fact that this is a fast growing and a winner in that particular segment, AUM having grown at 14% per annum over the last few years; the fact that it's diversifying its strategies across the piece, including the multi-asset example that Minesh gave; and the fact that actually it is manufacturing ETF itself, so it's using its scale effectively to secure a good share of that market; that the fact that the business is increasingly digital and attracting a big percentage of its revenues and new customers from direct-to-consumer digital tools. All of these are tools that – all of these are solutions or capabilities that the business is using to maintain its current profitability.

And with that, back to you, James.

James: Thank you very much, Nic. Panellists, we've got another question. This one comes from Dom O'Mahony. Dom says: In China platforms like WeChat, WeSure, and Ant Group are disrupting the distribution of insurance. How do you see the impact on the Chinese life sector and the challenges and opportunities for CITIC Pru?

Nic Nicandrou: Okay, Lilian, back to you.

Lilian Ng: Okay. Okay. Thank you, Dom, for the question. So, in China, what we call direct digital sales is about 5% of the total market at the moment. So, it is disrupting but I think in terms of volumes, it's not that sizable but it's something we definitely need to watch out for. It's something that we are definitely planning to do.

So, in CPL, we actually work with various digital platforms, including, I think, Xiaomi and JD.Com. But what we've chosen to do is put in products that are quite unique. So, what you normally see in those Wesure platform are very protection type product. So we put in bite-size, investment link product, just to create a different proposition so that our products get noticed.

What we also do is we try to also nurture what we get from those digital platform, and see if we can actually cross sell, upsell to the higher value products as we move forward. So this is a very important channel that we are nurturing and definitely investing to look at.

Thank you, Nic.

James: Thank you very much to Dom for your question on the Chinese life sector. We're going to go now to a question, we're going to return to Larissa van Deventer. She asks: How do you use Pulse to encourage persistency? Is your primary aim to broaden your product offering through Pulse? Or is it to aim for a longer client journey?

Nic Nicandrou: Okay. Al-Noor, please address the question. And then maybe also, Lilian, on the broader benefits.

Al-Noor Ramji: Excuse me. So, I think this question is using an insurance term, persistency, and then trying to talk about a longer customer journey, and I think it almost answers a question. So, thank you for that, Larissa. What we're trying to do is, is make sure the customer stays with us long enough for us to actually be able to talk about the customer's health and wealth. And we've got two measures that are going to be coming in, and we saw that in the video hopefully, which is called the health and the wealth index.

For us to be able to measure the customer's health and their wealth, we're going to have an index measurement and that clearly needs longevity of the customer. Now, the benefit of that for the customer is obvious, because we are trying to make sure that they actually increase in both scores. That in itself should get us a longer customer journey, but also allow us to offer a lot more products during that journey. So, I don't think it's a dichotomy here, providing we offer the best products, and we will get the most product from the whole ecosystem, not just 'our own,' because a customer journey, for example, is a huge – we hope, a huge journey, it will cut across the whole ecosystem.

So persistency traditionally has been used as product persistency. But this case, I think it'll be a customer persistency, and hopefully, we can measure with the customer lifetime value, that we will talk about perhaps in the next event also. And that's really the main aim here.

But let me pass you on to my colleague, Lilian, she's an expert at these things. Lilian.

Lilian Ng: So I think the other way we can look at Pulse is traditionally, insurance is a very low touch product. So, what Pulse has created is to actually allow our customer to be engaging with us more often. And what we also see if we engage them more often, it create loyalty. And so instead of use the word persistency, I think I would use the word more loyal to Prudential in terms of the range of services and range of offerings that we do give them, and insurance is only one of the many. So I think that this is how are we going to create loyalty with Pulse.

Nic Nicandrou: Thank you Al-Noor, thank you, Lilian. But of course, Pulse is not only good for our customers through all the services and the engagement that we're providing; it's not ultimately only good for us if we can grow our business faster; it's also good for some of our advice channels. And I think this is maybe the appropriate moment to invite Divine back in and maybe share with us in your engagement with agents, what are some of the benefits for the advice channels such as agents?

Divine Furagganan: One of the things – thank you Nic. One of the many values that our agents get from Pulse is in relation to tapping the market, our growing population, that are digitally connected. We all know that the Philippines has a very young population that's digitally connected, 69% of the population are Gen Ys and Gen Zs. And Filipinos are internet users, mobile phone users, social media users, and they purchase online. And since 76% of our agents are also Gen Ys and Gen Zs, they realise that Pulse will empower them to connect to this market.

In the video, we referenced, and we shared, that we work on the middle income and mass affluent segments, and we are now tapping also in the fast-growing mass market in the Philippines that is very digitally connected. And Pulse would enable our agents and bank partners to do this.

And the good news is that 81% of our clients right now are also Gen Ys and Gen Zs. And it tells us that our young agents are fully relating to the young, digitally connected target of the company and Pulse will enable them to maximise this opportunity.

In the last figures, the agents who have not been using Pulse, has a case productivity of 1.8, compared to those that are using Pulse– at 3.0 case productivity. So, that proves that Pulse is truly helping our agents to be more productive.

Nic Nicandrou: Thank you Divine, and that's productivity – cases per, over what period? Per month?

Divine Furagganan: Yes, yes. Per producer per month. Yes.

Nic Nicandrou: Thank you for that. So, a very strong step up in the productivity of agents who are using the tool, even in the very first year of rollout in the Philippines.

James: Well, thank you to everybody for asking your questions and for this very strong engagement. Again, we're going to go a little bit over time to try and answer all the questions that are coming in thick and fast in this capabilities panel.

We're going to take one more question and it comes from Thomas Wang. Thomas says this: The unit linked market in China is effectively zero. Do you see opportunity to grow it over the three to five years and attach riders to it like in your other markets? Or are the customers in China simply not looking for unit linked products?

Nic Nicandrou: Thank you for your question, Thomas. Lilian.

Lilian Ng: Contrary to that, the way we've looked at growing our unit linked is actually through our bancassurance channel. As you know, we work across national bank, regional banks and foreign banks. And where we see some of the high net worth segment, we've been able to package investment linked product and sell that through. So, for the year 2020, our investment link mix of our bancassurance channel is actually over 20%. And that is one of the reason why we could improve margin in the banca channel. And I think it's about packaging an investment link that is suitable for the bank customer, rather than just selling a really single premium type product.

So we've seen that if you package it correctly, and address it to the customer needs, it does work and there are opportunities there. Thank you, Nic.

James: Well, thank you very much for that question, Thomas. Remember, there's one more opportunity to put your questions to the people here at Prudential in our closing section where we're going to be with the management. But it leaves me to say thank you so much for engaging so strongly, and also to Nic, Lilian, Al-Noor, Wai-Kwong, Dennis, Jennifer, Divine and Nini.

We're now going to take a very quick break before we hand over to Mike, who's going to add a few more words on his part. And then he's going to look at the Prudential investment case, followed by that final Q&A that I spoke of just now. So, we'll see you again in five minutes from now.

[END OF TRANSCRIPT]