

Prudential – Panel Q&A Markets

Nic Nicandrou: Welcome back to our event. You just heard Mike and Mark talk about how we have been transforming Prudential structurally, operationally and culturally. I walked you through how we are continuing this work through our strategic themes of delivering, digitising and humanising. We would now like to hear from you. This is our first of two panels, which is focused on markets and linked to the theme of delivering. The second panel will delve into capabilities, which link to the themes of digitising and humanising.

Before we get into your questions on markets, I would like to take a few minutes to frame the discussion and to introduce the panel members. I will briefly touch on three areas. First, our business in China and Hong Kong; second, our joint ventures in India; and third, our markets in Southeast Asia and Africa.

So firstly on China, having steadily and deliberately gained access to most of this market, our imperative has become one of execution. This involves going deeper where we are already present, expanding agency, adding new relationships, and continuing to broaden our product offering. As you would have seen in our video, our approach is aligned with the city cluster model in China's 14th five-year plan, which focuses on increasing the economic potential of the three areas around Beijing, Shanghai, and the greater Bay Area.

Lilian Ng leads our engagement in China, chairs the board in Hong Kong and oversees the transferring of solutions between all our markets, as they relate to agency, partnership distribution and products. She will join Derek Yung, CEO of Hong Kong, in taking your questions on our China and Hong Kong businesses, as well as how we're planning to leverage synergies between Hong Kong and the broader Greater Bay Area as cross-border sales are further liberalised.

Secondly, in India, our Life JV has sizable growth ambitions, as evidenced by its objective to double the 2019 NBP in three to four years. But the opportunities extend beyond this timeframe, given low protection coverage in this market and the absence of retirement savings, areas in which Prudential can provide considerable expertise. The India asset management business has scale and a proven track record of innovation, having led the market in hybrid strategies and having been amongst the first to embrace digital distribution.

NS Kannan is the CEO of ICICI Prudential Life and Nimesh Shah is the CEO of ICICI Prudential Asset Management company. They can take questions on how both companies are poised for growth, as well as the enabling role that Prudential plays in the partnership.

Thirdly, on Southeast Asia, as Mike said, we have the opportunity to broaden our offerings, enhance our distribution and deliver personalised solutions to a broader set of customer segments, particularly in the largest economies.

Indonesia is a significant market for us here, and Jens Reisch, our local CEO, can provide insights on the transformation of this business. He has overseen the upgrading of agency capabilities, the introduction of new digital routes to market and the expansion of our product set that now appeals to broader segments, including mid income and SMEs.

In Thailand, we have invested \$1.2 billion in the last few years, giving us the means to reach a top two position in the fast growing life business bank channel and a top three position in

asset management. Robin Spencer is the CEO in Thailand, and he can speak to our expanding partnerships, as well as the holistic propositions we will offer, including joint offerings between our life and asset management businesses.

Wilf Blackburn was appointed as regional CEO with a clear remit to unlock untapped potential in our smaller growth markets. He can field questions on Vietnam, where he was once a CEO, and on the Philippines where we have reached the number one ranking in 2020, and on Africa, where we have built eight businesses over the last seven years. In fact, Wilf is joining us today from Lagos in Nigeria.

So without further ado, let us take your questions.

James: Welcome back to our studio, Nic, and everyone on screen in this panel discussion. May I suggest that we jump straight into our Q&A, the lines are now open so you can call in or typing your questions in the Q&A function on the event website. Now, to ensure that everyone has the opportunity to ask your question, may I suggest that you keep your questions brief? Thank you. And let's go to our first question.

It's an online question from Blair Stewart from Bank of America. Blair asks the panel this: How can you improve H&P sales through banks in Thailand, which has proved challenging in the past? What has changed?

Nic Nicandrou: Thank you, Blair for your question. I will ask Robin Spencer to address it.

Robin Spencer: Hi, Blair. Thanks for the question. In Thailand, we've got two key health and protection segments. The first is our credit life book where, in particular, TTB have a really strong business and I expect to see improvement from that as the economy strengthens after COVID. Obviously, I think your question largely is around the individual health and protection coverage, where, although we have seen some improvement in 2020 versus last year with about a 6% improvement from 11-17%, I think there's definitely room for improvement and to penetrate the customer segments within the bank.

I think at the heart of your question, there's probably two or three areas that we absolutely need to dial up, what's changed. And it comes down to alignment of strategy, alignment of rewards, and making sure the bank sellers truly believe in the products that they're selling. So, let me just cover those off quickly. Hopefully, you had an opportunity of watching the Thai video where, actually, the CEO of TTB shares his own view about the market and the opportunities. And one of those key areas is actually healthcare. They have, both from a social as well as commercial perspective, a real desire to drive the health business.

The second thing is the financial alignment; both the TTB and the UOB contracts, recently signed, both have meaningful incentives to reward the banks and its sellers for higher health and protection production.

From an operational perspective, as we've entered into 2021, we've actually established a specialist Health and Protection unit. We've deployed that into the field. Their job is to not only help the bank sellers to understand the products better, but also to – from a sales advisory perspective – to help with large case support. And we're also making it easier for our bank sellers and customers by simplifying the underwriting journey, reducing the number of medical questions, increasing GIO products, and extending, where possible, the sum

assured for our high net worth clients in particular. This has all been done in the last nine months.

A couple of final areas I'll just touch on. The customers and sellers have to be absolutely convinced about our ability to serve the customers. So there's an awful lot of work going into ensuring that our claims handling is slicker, it's down from four-and-a-half days to two-and-a-half days in 2020, and now 65% of all of our claims reimbursement are cashless.

So I think there's one other area that I think is critical that hopefully, again, you had the opportunity to watch on the video, we're really focused on the different customer segments here in Thailand and really trying to build products, which are right for the high net worth, the affluent, the middle income and the mass market. I'd say we've done a pretty good job on high net worth and affluent; I'd say there's more to do in the middle income and mass segments, particularly as those are the segments that we really want to penetrate by using new digital means.

So, Blair, unfortunately, no silver bullet, but a lot of things going on to drive it up, and we hope to somewhere in the region of double the health and protection penetration over the next three to five years.

James: Thanks very much Blair for your question. We've got another question coming in, this time from Kailesh Mistry at HSBC. Kailesh asks the panel this. Thank you for the additional detail on the operations. There's interesting information on the business split by clusters but how is NBP split between these? That is Beijing, Shanghai, greater Bay Area and others.

Nic Nicandrou: Kailesh, I'll take that question if I may. So, yes, we're giving you the split by reference to gross written premiums. Clearly that reflects not only the new business that we write, but also the in-force business. The contribution from in-force tends to be bigger from the places like Beijing and GBA where we've been longer. So the, NBP split will be correlated to APE and it'll be equal weighted between GBA Beijing on the one hand, and Shanghai and the rest of China on the other hand. Next question please.

James: Great. Let's go to the next one. Thanks so much to Kailesh for that. We have a question now from Greig Paterson. Nic, Greig asks this: African margin, lower than other countries; why is this?

Nic Nicandrou: Thank you, Greig. Over to you, Wilf.

Wilf Blackburn: Yeah, thanks for the question, Greig. I mean, firstly, we're enormously excited about the prospects for Africa over the medium to long term. To your question about margins, we do see that Africa displays many of the characteristics that we've experienced in Asia, and maybe in a more extreme form. So the very low insurance penetration rate, today, it's about half that in Africa than it is in Asia; on the other hand, the rapidly growing population, and it will, over the next 15 years, grow at double the rate in Africa as Asia. There's a huge population, it's a very young population in Africa. It's aging, the middle class is growing and it's urbanising. And so what we're seeing is many of the characteristics that have played out in Asia will also play out in Africa. We've been investing, as you've seen in the video, in eight markets over the last few years, with accessing around 427 million people

now in the eight countries; that's around 20% of the population. But what we're seeing is many of the characteristics, the needs of people are the same.

And to your point about margins, in respect of savings, yes, we've seen big emphasis on savings traditionally, but that's shifting more into the health and protection space, where we see the higher margins. Even from last year to this year, we've gone from less than half to more than half of our portfolio, of our APE coming from savings. And with that our sales have quadrupled in the last four years, the NBP has grown by a factor of six times. So, consistent with the move towards the higher margins that we're experiencing, coming through in Africa.

It's not a function of distribution mix. Particularly in Africa, we're fairly broadly based; a mix a third, a third, a third between the traditional agency channels, and another third in bank assurance, and a third more in the new forms of distribution, including the SME sector. Over time, the market will grow. The working age population in Africa represents around 15% of that on the planet today. It will be a quarter by the middle of the century and more than 40% by the end of the century. And what we're also seeing is that the millennials are growing in number very, very fast, and they're very attracted to the – they're very digitally attracted, products with the higher margins.

Nic Nicandrou: Thank you Wilf. So, just to reiterate what Wilf said, it's a function of mix. 30% of the business is group, that's contributing to the margin, the overall margin being lower. And of course, the duration of the contracts that we write in Africa today tend to be shorter than what you see in Asia; Asia, a lot of the products are whole of life. But it will improve as we push a greater – higher – as Wilf said, a higher mix of health and protection, longer savings products, and as the individual part of the business expands relative to group. James.

James: Thank you very much, Nic and thank you also to Greig for your question. Panellists, your next question comes from Farooq Hanif and it's on Indonesia. Indonesia, Farooq says, has recently disappointed in terms of sales growth. What are the products and potential inorganic strategy that could change this?

Nic Nicandrou: Thank you Farooq for your question. Jens, over to you.

Jens Reisch: Thanks for the question Farooq. Yeah, in Indonesia, we have diversified in the past years, very much our offerings to customers regarding new and more bite-sized offerings, not only in this pandemic, but actually already prior to that, and we have diversified our channels. I think to those of you who know Indonesia and Prudential Indonesia, we have been known and we are a leading company in agency, in investment link. And that has, I think, now, a bit diversified that we also have traditional products in this first quarter. We are now ranked number two for traditional products where we never before actually have been very strong but we see a demand and we see, I think, clearly a need for protection products, which we offer in a more bite size, whether it's digital, whether it's standalone protections. And we have also I think digitised our way of fulfilling, way of working, way of servicing, way of selling.

We hope, of course – 2019, I have to say was a great year where we grow faster than the market and we saw I think great fruits. Of course, COVID, since the Q1 of last year, has impacted Indonesia. It was sad, the country is still closed. We are still seeing since Q2 last year, a minus GDP. Also, the market was last year, minus Q1, seeing some recovery, but we

will try, of course, to further I think utilise all of our innovations of the last years to basically harvest the opportunities.

About strategic focus areas, it's mainly bank assurance where we are underrepresented and I think we have recognised this. I think Mike, and also Nic has mentioned this as potential strategic areas and we are actively working to see whether there are market opportunities for new partnerships, for new collaborations. Whether it's in Shariah, whether it's in conventional, I think there are some opportunities and the bancassurance part is the most of need to basically catch up with the market share also of that line of business.

Maybe back to you Nic or if you want to add anything?

Nic Nicandrou: No, thank you Jens. Let's go, James, to the next question.

James: Well, Nic, we have another question on Indonesia and this time it comes from Ashik Musaddi. Ashik asks you this, Indonesia is key for Pru as it's one of the largest businesses in Asia but Pru hasn't grown headline premiums in Indonesia for the past four to five years. What's the reason for that and when is that expected to change?

Nic Nicandrou: Thank you Ashik. I think we addressed, Jens addressed a lot of the points or covered a lot of the points in response to that question. I mean, the reason it happened is that we were over reliant between 2010 and 2015 in agency linked. That segment of the market wasn't growing, in fact, it was shrinking relative to bank, relative to traditional products, relative to group insurance. In 2017, 2018, when we did a review, we decided to broaden, to cover in all these areas. Clearly on banks, as Jens said, we need to find a relationship with a mass market bank, when one of these comes up for renewal, if possible. But in all the other areas we've invested organically, we've improved our link proposition, we've added traditional products.

And you saw the results of that, or part of that in 2019 and then COVID hit, but we continue to retool the business. And whilst 2021 will probably be a transition year in Indonesia, because large population and the rate of vaccination is fast, but the critical mass in terms of vaccination won't be achieved until later this year, perhaps early next year. But once we get through this year, the business is in a much stronger position and once normality – whatever new normal looks like, is in a much better position to fly from there. And the opportunities are immense in that market, on a number of dimensions. And we still retain all our strengths and have added to them.

So we are very optimistic about the rebound, as I said, as the country gets past the point of having dealt with COVID. James.

James: Thank you very much, Nic, for that question from Ashik on Indonesia. Gives us a quick reminder that you can dial in with your questions, so please do that. We've got some more time left in this markets panel. And of course, you can enter your questions through the Q&A function on the event website. That's what Abid Hussein has done. Abid has submitted a question online and this time, it's on Hong Kong/China. Abid asks this: Can you explain the continuing motivation of mainland visitors to Hong Kong for the purpose of buying insurance policies and accessing private healthcare? What will happen when the mainland catches up on health provision?

Nic Nicandrou: Okay, thank you for that question Abid. Derek, over to you on the motivation of the mainland Chinese to buy in Hong Kong. And then maybe if you can hand off to Lilian to explain about some of the differences, if you like, between what a consumer in China can buy locally versus in Hong Kong and how do we stay ahead of any levelling up of the offering?

Derek Yung: Yeah, thank you Nic, thank you Abid for the question. And, in fact, we have been asked for this particular area for many times. People are coming over to Hong Kong to buy for a number of reasons. First, they can diversify their asset class, multi currency and the so-called services, professional services, be it the selling or the aftersales service that a Hong Kong agent can provide. And the overall system in Hong Kong, that has also attracted the people coming over to buy, not to mention last but not least, is the claim experience that they can enjoy in Hong Kong.

And as Lilian pointed out in the video, the Mainland China Visitor (MCV) customer, they are mainly focusing on two particular areas. One is the healthcare. The second one is the child care. In fact, the quality healthcare management in Hong Kong is still with the upper hand versus China, but not only versus China, but in fact is the best in class in the world right now. So, a lot of people, they're coming over to enjoy so-called the health care management in Hong Kong. And with the H&P product that we can provide total solutions for them and to support the expenses in spending the time in this quality healthcare management system.

With child care. I think, in Hong Kong, a lot of our products that can support the so-called education fund for the children to study overseas, not to mention, I think about three days ago, the Chinese government has announced the three child policy. That I believe will further push or drive the demand for healthcare.

So through the information, the platform in Hong Kong and the organised seminars by PHKL, people can come over to acquire those kinds of information for their kids studying overseas and backed up by our product. I think that there is a huge opportunity in these particular two areas.

So, maybe I pass it over to Lilian, whether you can supplement on the demand from the MCV customers?

Lilian Ng: Okay, thank you very much, Derek. I think there's been a lot of cross collaboration or cross sharing, I think, amongst the two insurance industry on the health and protection related products and provisions. And to an extent, you're right, I think our mainland Chinese insurers are constantly improving and innovating on the health-related insurance policies. But what will continue to attract mainland Chinese visitors into Hong Kong to purchase the Hong Kong version is that access to what's still to be seen as world-class quality health management care that I think Derek just described. So it's not so much the insurance provisions that is attracting MCV customers to go across to purchase, but I think it's more the healthcare quality that actually is available in Hong Kong.

Now, obviously there's a lot of catching up in China and obviously, as a Hong Kong health management, I think we need to continue to improve and get access, create that value-added services for a customer willing to come over.

Nic Nicandrou: Thank you, Lilian. If I may add, if we look at the average case size for a critical illness product, in China, it's around the RMB6,000 mark, versus the average case size of a critical illness product in Hong Kong, it's around the RMB20,000 mark. Now this tells you two things. It speaks to the one hand, perhaps the sophistication of the product in Hong Kong relative to China and it also speaks to the fact that the high net-worth individuals within China, for all the reasons that both Derek and Lilian covered, have a preference to buy that product in Hong Kong. So it gives you some extra colour over and above what my colleagues have added. James.

James: Nic, may we remain with China, please? Because Farooq Hanif has submitted another question online, on this particular part of our planet. Farooq asks you this: Can you remind us of further potential province/regional growth potential in China? Strikes me that each province in China has the same GDP as an individual country outside of China!

Nic Nicandrou: Thank you Farooq for your question. Lilian, over to you.

Lilian Ng: Obviously, China is a huge country, as we know. I mean, our presence in CPL have access to over 80% of the GDP – over 80% and over 1 billion population. But I think, as you mentioned, each one, each province is unique and so our strategy is to make sure we optimise our strategy, our go-to-market strategy, in each of the province, if that makes sense. And there's a lot of room, I mean, the latest stat is the health and protection gap in China is US\$800 billion. So there's many runways to go.

So that's why when we describe – you see in the video is how we actually have shaped our different strategy, depending on the clusters; whether it's Beijing cluster, focusing more on the high net worth, using more protection type products; and to Shanghai where it's more the savvy business owner doing more of the savings, wealth management platform; as well I think it's the GBA area, where we believe it is where there's the opportunity, especially for the younger generation.

So the China just released the recent census, the 2020 census, and it demonstrated a lot of the useful populations or workforce is actually moving to the eastern provinces. So, the net gain into the eastern provinces, where the GBA areas are, is actually two to three points. I mean, two to three points in China, it's a lot of people and a lot of populations. So yes, to your point, I think we are in there, so that's why our multi-distribution platform, whether there is agency bank assurance and direct and also focus on the SME, all there, depending on where our customers are.

Nic Nicandrou: Thank you, Lilian for that. I mean, our focus as we move forward, just to add to Lilian's comments, is not about colouring in the map, maybe we will one or two more provinces, but it's about going deeper where we currently are. And a lot of the growth that you've seen over the last four or five years has been – has come from penetrating further where we were. We added 33 cities in the last four years alone and we've added 20 new bank relationships across the provinces where we are in the last four or five years alone. And of course, added more agents and improved the productivity.

So, going deeper is really the priority from here. And of course, the three cluster strategy also inferred that 60-80% of the economic growth over the next 15 years is going to come predominantly from those areas. So we will follow the money in China and yes, expand in anticipation of what may come from those additional provinces in the future.

James, over to the next question please.

James: So Nic, we are at roughly the midway point in this session. So, investors, please keep your questions coming in through the dial-in function or by writing your questions in with a focus on the markets' panel or panellists. We've got another question online and it's this: Thanks for the details on customer segments across many markets. In Indonesia, you provided an estimate of market share in HNW/affluent/mass market segment. I wonder if you've done an analysis on your NBP or profit breakdown by customer segment. What is it today and how would it evolve?

Nic Nicandrou: Okay, Jens, do you want to have a go at answering this question? So, 17% we said is our market share of high net worth. Around 14% for mass, 2% for group. Maybe some directional colour, please?

Jens Reisch: Yeah, thanks for the question. I mean, Indonesia, traditionally, we have had through agents and also through our banks, a fairly strong foothold in the upper market but it has been largely served through our protection offerings, where we are leading in Indonesia, whether it's health, critical illness or protection. There is a big, at the moment, opportunity, which is also on the investment side for high net worth. We have just launched not long ago, Prestige by Prudential, which is our offering, tailored and designed for our best customers. At the moment, we already identified 3,000, mostly in banks, but also in agency.

And I think the other opportunity, which is highlighted is on the SME segment. We, I think, have the strongest leading brand, we have the leading distribution. And I think we are now active since one and a half years to also offer employee benefit. We call it Business for Pulse, our offering, basically, for SMEs in Indonesia; 64 million SMEs employing 121 million people. It's the backbone of the economy with 60% share and it's underserved. And I think here we have the unique opportunity with our agents being present in 150 cities, but we have a fully, actually now, digital offering also in SME.

So, of course, margin's going to be different by various segments and it's, at the end, of course, adding up of different offerings to different segments. But most importantly, I think we have diversified and we are active in all the segments, yeah.

Nic Nicandrou: Thank you for that Jens. I mean, clearly, to express our – I mean, we know our NBP by segment. To express it as a percentage of the market, we need market information and that's not readily available. But the profitability of what we do should be higher than the market because we concentrate on the high quality end of that market. Nearly three-quarters of the APE that we write is protection oriented and not many of the players in the industry do that. And a very high proportion, depending on the quarter or the year, in their high 80%s, 90% tends to be regular premium business. The vast majority of the market tends to be bank-driven single premium business, which is lower profitability.

So, overall, I would expect our share of the valuable pool on the sales that we make each year to be more than our share of APE. Next question, James.

James: Nic, may we speak about India next because we have a question that's been submitted by Farooq Hanif. Farooq says this: India is a fairly competitive market and I believe the market leader LIC will be listing soon. What gives you confidence that you can widen the H&P ownership in India and address what has historically been a weak market?

Nic Nicandrou: Thank you Farooq for your question. Kannan, please if you could address it.

NS Kannan: Thank you Nic and thank you very much Farooq for your question. You're absolutely right. LIC is the dominant player in the market even today. After 20 years of liberalisation of the sector, they have about 40% market share but I just wanted to assure you that even in a very highly competitive 24-player market, we have a sum assured market share, which ultimately talks about how much of insurance element we have sold to the customers, of 12.5%. And we are the market leaders among the private players, second only to LIC. So that's how we have been able to build this franchise.

So yes, LIC is a dominant player, very well-known household brand name but we have been competing in this market for 20 years, with the leadership in some assured market share among the private players.

You alluded to LIC listing soon. Yes, that's what the government has announced but we see it as a positive move, because the insurance sector will get researched even more, the transparency will become even more and it is good for everybody, is what we feel. And more investors, more analysts will cover the sector, which is good for everyone, including us.

You talked about H&P specifically. Here, we are proud of the fact that we are the market leaders in retail protection business in the country. With LIC and all the other players operating, there are only about seven players who are very strong in this segment because as you know, it requires very strong underwriting capabilities, good reinsurance backup, and also investment for the future, and capital. So these are the elements which very few players can really write a cheque today in the market. So that competition is confined to about seven, eight players. We believe that we are the pioneers in that market.

And to combine the two questions, I would only say that LIC has so far been dominating the savings in business, whereas we are the market leaders in the retail protection business. Currently, we are 16% of our product mix in the form of protection, which about three years' back it was just about 5%. And I have articulated in our video on what our strategy has been in terms of the product mix, which has led to expansion of our VNB by 32% per annum in the last five years. And I believe that we can, in the medium term, get over 20% broadly in terms of a protection product mix.

Currently, given the COVID environment, there are supply constraints in terms of inability to do the medical examinations and so on but given the under-penetration, which Nic talked about \$16-18 trillion of under-penetration in protection, and the fact that we are the market leaders in retail protection, we think there is a lot of runway to move the protection further in our product mix.

I hope that answers your question, Farooq, and let me hand it back to Nic. Thank you.

Nic Nicandrou: Over to you, James.

James: So Nic, thanks for that and to Farooq for your question. We have another question. It comes from Larissa van Deventer and Larissa asks the panellists this: How do you see your growth trajectory in Africa and how meaningful can it become within the greater Prudential? Is your main focus on organic growth or do you plan to enter into partnerships? She says. Which countries and products do you consider to be most promising? Thank you, Larissa.

Nic Nicandrou: Wilf, I think we've reconnected with you. Over to you, please.

Wilf Blackburn: Thanks, Nic and thanks again for the question, Larissa. Yeah, we do see long-term potential for us in Africa. As I mentioned, the demographic trends, the population trends, the rapidly aging population that will happen, all bodes very, very well for the future for Prudential in Africa.

We're addressing the opportunities in several different ways. In some of the markets, we've come in and we've bought small companies, and we've invested the Prudential know-how capability experience in those and we've grown organically with the market. Ghana would be a good example. That was our first entry seven years ago. We bought a company with a 1% market share ranking number 15. We now have an 8% market share ranking number four in the market. And there have been other markets where we see similar opportunity to grow and to shape the market.

There are some other markets where we see that partnering is the best way to grow with the market. A good example of that would be in Nigeria. And, of course, Nigeria is a huge market. It's the seventh most populous country in the world today and already a large market. So there we've partnered with the largest bank, Zenith Bank, and we've been able to combine our capabilities with their know-how and their insights on their customers and grow very rapidly.

I think you saw Jim, our Chairman, in the video talk about how we've moved over the past couple of years, from being in 10 states in Africa to now being in 36. That's one of our fastest-growing businesses. We've achieved this through partnering. Last year we grew at around 71% and it now represents around 35% of our markets.

So it will be a combination of different approaches, some partnering, some greenfields and some acquisitions, as we've demonstrated in the past. The markets we're in today give us access to about 30% of the population, but there are still many opportunities ahead, to grow within our existing markets and to enter new markets. And of course, we'll apply our normal strategic criteria to assessing which markets to go in.

Larissa, in respect of your question about the products, we're seeing many similar characteristics to Asia. People have the savings needs – they're investing increasingly, for the long term – and also, the protection needs. And that's been, of course, highlighted and become more evident over the past year. In Asia, we're finding that there's a huge amount of traction with Pulse, which will be operational and live in all of our African markets by the end of the year. It's currently in six. And so we're seeing these digitally savvy consumers interested in the health, interested, therefore, in the protection. So we're seeing, just as we've seen in Asia, opportunities for us both in the savings and in the protection space, particularly the health protection space, Larissa.

Nic Nicandrou: Yes, thank you Wilf. Larissa, it's an opportunity we can't ignore. Many similarities with how we started in Asia, and we're reaping the rewards of investments that our predecessors have made. So, when it will become meaningful remains to be seen, but we're committed to the continent. Thank you for your question. James, over to the next one, please.

James: Thank you, again, Larissa, and panellists, let's return to the subject of India. There's a question online from Trevor Moss. Trevor asks: You described India as very far behind in

terms of protection gap, and also nowhere when it comes to retirement savings. How quickly might you hope it could catch up? Is there a regulatory/political push towards this direction?

Nic Nicandrou: Okay. Thank you for that question. Kannan, back to you. And then if you can hand off to Nimesh as well, the role that the asset management sector can play in supporting the retirement solution. Thank you.

NS Kannan: Thank you, Nic and thank you Trevor, for this question. You're absolutely right, that when it comes to protection, it is a very under-penetrated market. Just to put some numbers to this under-penetration, based on our estimates, only 10% of the addressable population is covered today for protection. And if you really look at the protection as a percentage of GDP, that is sum assured of protection policies, where term policy as a percentage of GDP, it's only about 19% today. If you look at some of our peers in Asia, they will be probably 150%. So, there is a huge under-penetration and a long leeway in terms of growth in this business.

So, yes, there are a lot of steps which are being taken, not only by the government and the regulator, but also from the company's perspective in terms of trying to increase the penetration. But from your perspective, as well as a company from our perspective, it's suffice to say that it is a multi-decade opportunity. I believe that in the medium term of this multi-decade opportunity, it will grow at least a double of the GDP growth rate, nominal GDP growth rate in the country.

You asked about the question about regulators. On their path, regulators are completely focused on increasing the penetration; I just wanted to assure you. In every conversation we have with the regulators, they talk about growth and under-penetration. So it's a very refreshing conversation we have had with them. They keep asking us proactively on what measures they should take to increase the penetration. And more recently, they've also asked the companies to introduce standardised products with standard terms and conditions, simple terms and conditions, so that the mass market can start buying protection.

So that is a move coming from the regulator. On the government side, a few years back, they introduced what is called the Prime Minister's scheme, insurance scheme, very low ticket policies, they ensure coverage of protection. So, there is a good amount of tailwind coming from the regulators as well as the government to push this agenda forward.

The last point on protection I want to also talk about is this pandemic has only increased the awareness about the under-penetration and the need to buy. So, in the last year, in the initial phase periods of pandemic, we could see a huge increase in terms of the login. As I answered a previous question, there have been some delays in terms of execution because of the physical constraints on the supply side, but I want to assure you that the pandemic has only accelerated the process of buying protection.

Finally, on the retirement, the good news is that it is under-penetrated. The good news is also that recently, a few years back, the government has introduced what is called the National Pension System, to make sure that they can expand the penetration of retirement savings in the country. We have 100% owned subsidiary in this space, managing the funds from the private sector. And more recently, it has been opened up for the government sector as well, of these funds. And once the accumulation phase gets over, we have a synergy with the parent, which is us, in terms of buying annuities from us.

So again, it is a huge opportunity for us. Just put a number here, it's about 7-8% of our GDP, is the retirement assets. You would see Trevor, rest of the country, it is multiple of GDP in some domains. So again, a lot of push from the government, a lot of push from the companies, and over a period of time, we do believe that it's a great opportunity. Just to put in context, last year, we doubled our annuity sales, thanks to this under-penetration opportunity.

So with this, I would hand it to Nimesh who can talk about the asset management company's perspective on this low penetration on retirement. Thank you Trevor once again for the question.

Nimesh Shah: Thank you Kannan. Retirement is a space that the asset management industry has always looked at very closely. We have specific schemes towards retirement but the whole company, ICICI Prudential, has always focused on retirement as a space. And instead of focusing on pure equity products or pure debt products, we as a company, around five, six years, along with Prudential, we created a category in India called as dynamic asset allocation products, which are essentially a mix of equity and debt, depending on the levels of the market and make it a very conservative product. I think the whole retirement space is exactly what it wants, that you remove the aggression out of the equity funds and make it more conservative.

So, that space has grown big time. We manage around a fund of more than \$4 billion on that but more or less, it is the retirement money which has come into that particular category. So, I believe that category in India needs to be more structured and we are in the business of doing that. So both life insurance industry as well as asset management industry, as more and more financialisation of savings is happening, this sector is growing. And we've got a huge industry to get this market share from. And where I'm coming from, the asset management industry is only 20% of the banking industry in the country. So that is where the real growth is coming. The bank deposits in the country as a country matures, as you cross \$2,000 per capita, the depositor is becoming an investor. So instead of putting money – the retired person, instead of putting in deposits, is getting towards becoming an investor. So, that's where the big opportunity on retirement products are.

So asset allocation, where we, ICICI Prudential, has always focused on that, where we have around 26% market share in the market on this particular case.

Nic Nicandrou: Thank you Nimesh. I think fantastic opportunity in that particular market. I'll just repeat what Kannan said, 7% of AUM as a percentage of GDP in formal retirement pools. Whilst the asset management industry can support the accumulation phase, particularly by moving money away from deposits, into investments that can work harder for you. Inflation doesn't eat away at them. The life sector can work not only in the accumulation, but also the decumulation space and up until now, or at least today, annuities is something that only life companies – in other words, the decumulation stage, only life companies can offer, but we're well placed, as Kannan said, to meet that need.

James, over to the next question.

James: Thank you very much, Nic. We have got a live caller. It's Andrew Crean. Andrew, can you just remind us please of the company you represent and your question as well?

Andrew Crean: Thank you, it's Andrew Crean from Autonomous. I wanted to ask a question on China and the agency growth there. I suspect – and there's a lot of runway of growth in China and I suspect the speed with which you exploit it is constrained by your ability to build agency forces at speed. Could you give us some idea as to the rate of growth in your Chinese agency force over the last five years? And what do you plan for the next five years? Do you think, in broad terms, that you can accelerate the growth in your agency plant in China?

Nic Nicandrou: Thank you, Andrew. Lilian, over to you please.

Lilian Ng: Okay, thank you Andrew for that question. Obviously, agency has a unique role. I mean, I think as you saw in our video and also Nic's presentation earlier, it's about making sure we equip them to give the relevant advice to customers. So, it's not about the speed of growth, it's about how we can actually equip our agent at pace. And we've done that through firstly, pivot to more a systematic way of recruiting our agents through profiling. And that has worked. So you heard about us talking about the Pru DNA. This is where it's actually originated from, is in China, using technology to identify agents, identify and recruit that are suitable for this line of career.

So, once they're in, we actually make sure that they have the relevant learning and training so that they are equipped to offer advice. So, the constraint is actually how fast can we actually equip our agents to do so. And as we said, there's been a lot of runway. So what we've done is we have put in place a lot of tools to support them, because what do we do for our agents, giving tools, giving knowledge and giving capabilities.

Now, as a result of that, we've been able to grow their productivity. So, it's about each of the agents' productivity. So in 2020, we've been able to grow their case count productivity by over 33%. And one thing that we are very proud of is actually moving our agents to that professional agency echelon. And in 2020, we've been able to triple actually, the number of MDRT qualifiers in the business and that is how we're actually moving our agency force and this is how we're going to grow our agency force.

So, it's not – obviously, number is important, but it's about the active number and also, we want to make sure that per agent, the productivity continues to grow and continues to grow that way to address customer needs. Thank you.

Nic Nicandrou: Thank you, Lilian. Yes, compared to 2015 – if we compared to 2020 to 2015, we had double the number of agents doing business in 2020 compared to 2015 but as Lilian said, as we go forward, a lot of it will be productivity, and more full-time type agents. We don't poach in China. We try and recruit them, we use the same model as we do in other parts of Asia. In other words, trying to bring them in from university, or maybe it's their second job and actually build their capabilities, the need-based selling, whilst it's still teachable. So, in the newer cities, the newer provinces, if you like the tenure of our agents will be shorter than in some of the places where we've been for a long, long time.

Next question, James.

James: Well, before we go to the next question, a gentle reminder to investors that we have less than 10 minutes – we've got just about seven and a half minutes to take your questions or register them online. After this there'll be a panel where we shift our focus from market to capabilities. But we've got a question from Greig Paterson, and it's on the Mainland China

Border (MCB) Hong Kong business. Greig asks you this: When Macau opened up the red tape around testing and visas – sorry, let me repeat. When Macau opened up, the red tape around testing and visas held back mainland traveling and APE sold by competitors. Will Hong Kong have the same inertia when the HK/MCB is allowed to happen again?

Nic Nicandrou: Okay, so, Derek, over to you. Is there a lesson in the way Macau opened its border with China in the way perhaps Hong Kong opens its border with China?

Derek Yung: Yeah, thank you Nic and thank you Greig for the question. I think we can look at the question from two fronts. Just pinpointing on Macau, right, there is a lot of interest in GBA right now and Macau definitely is a part of our GBA strategy because nine plus two, plus – nine cities in China, Macau and Hong Kong. And then we are definitely looking into the opportunities in Macau and we are planning to apply for a license. And Macau will definitely come for our Hong Kong business strategically and drive incremental business opportunity. That is one, right?

And on the other front, if Hong Kong is appearing – I mean, the border is being reopened, I would definitely see there is a demand that the MCV customer will come again, be it they come for shopping, property and then talk about the healthcare, the child care demand will definitely be there. But it will be in stages and then that will be in phases, I believe. So, I am pretty much optimistic that the MCV business will be coming back but it will take some time.

Nic Nicandrou: Thank you, Derek. Greig, it's the number one priority of the Hong Kong government to open the border with China. So, when that moment comes, I'm sure any lessons from Macau will be learned and I think if there are any teething problems, the people here are quite efficient and they will sort them out very quickly. So, I don't think it's teething problems that will impact the rate at which that market, those flows return. As I always said, it will be the shape of the – it will depend on how many places in China are allowed to travel to Hong Kong, as that opening up expands from being the neighbouring province into other provinces as we go across China.

Next question James?

James: So, the next question is a twofold one, and it comes from Trevor Moss. On Thailand, Trevor asks, you talked about bundled products; bundling health, wealth and retirement. Please describe in more detail. And the second question: You talked about diversifying distribution further, especially banks. Please put some colour on the potential here.

Nic Nicandrou: So Robin, over to you. You referenced in your video the opportunity to bundle products with TMB. So that would be a good place to start. And then across to Lilian on diversifying distribution further; where else can we go within banks?

Robin Spencer: Okay. Thanks, Nic, and thanks Trevor for the question. Look, I think probably worth just positioning a little bit on TMB Bank first. Obviously, TMB merged with Thanachart, creating TTB. It's now the sixth largest bank by deposits; it's got 10 million customers, 6 million of which are new to the Pru. Of their clients, about a million are classified as high net-worth or affluent clients and it's that market that at the moment, we have a penetration rate of only about 3.7%. And a lot of that would actually be historically either credit loan policies or standalone, non-power endowment policies.

The real opportunity for us in that segment is, given the growth – and we're expecting that segment to almost triple over the next 10 years. Our real opportunity is to look at how we can bundle the wealth products and health products together but in particular, look at how we can bring unit – the Eastspring business and the Eastspring products and how can we bundle those together with the insurance offerings. One of the really good things from a government perspective here in terms of reinforcing the need for savings, is you actually get an allowance from a tax relief perspective both on any mutual funds that you're spending – you invest in as well as life insurance.

So we think there's a really big opportunity for us to actually look at packaging those mutual funds together with health and protection, as we spoke about earlier, where the penetration is tiny in the banks at the moment. And really for that high net-worth segment, really reach out through the wealth part of the bank to give those customers new types of products which aren't available in the market at the moment.

With that, I'll hand back to Lilian on the second part of question.

Lilian Ng: Thank you very much, Robin. I think we've been very successful with our bank partnership, but mainly focusing on the mass affluent segment. So we've done that very well and we've also used a more face-to-face way to penetrate that segment but there's still a lot of opportunities. If I just quote for example, SCB, which has been our partner for over 20 years, our penetration is still less than 10%. So, there's a lot more room that we can grow on and I think, as you saw in the video, there's about 10 million customers that we can attract.

So what we have, now working with our bank partners, is make sure that we are tackling each of the segment differently. So, for example, from the high net worth, which we're going to put in our wealth management platform and working together with the bank. I think what is most exciting is actually on the mass segment. As we said, how do the mass actually go to the bank now? They go through with their mobile. So what we're doing is we're putting our protection product on the mobile so you get access by the mass segment of the bank.

And the other segment that we are focusing on is actually the SME segment which are normally the business banking customers of the bank. And you saw earlier in the video with Business at Pulse which obviously is something that we are very proud of and I'm sure our colleagues later on can describe. So, overall, we are diversifying the customer segment with our bank distributions to optimise the opportunities there. Thank you, Nic.

Nic Nicandrou: Thank you, Robin. And thank you, Lilian. If I may add, clearly, yes, as Jens said earlier, we'd like to work with a mass market bank in Indonesia but beyond that, really we've got plenty to go for in the relationships that we have. If we take SCB or TTB, the recent exclusive deals that we've done in Vietnam, that gives us access to 25 million customers. If we were to add ICICI and CITIC, that brings the number to 150 million. If we were then to add all the other banks with whom we're dealing – not on an exclusive basis, on an open basis – that doubles the 150 million to 300 million. And the number of customers today that have come from banks is just around the 4 million mark. So there's plenty to go for in all the relationships that we have, particularly on the mass segment side. Thank you for that question.

James: Well, we are out of time, but we really want to squeeze in one more question while we still can. To all the panellists, this question comes from Andrew Baker. Andrew asks you: Can you please provide an update on the potential tax deferred pension opportunity in China?

Nic Nicandrou: Okay, thank you, Andrew, back to you, Lilian.

Lilian Ng: Okay. I think one of the agenda from this day is obviously looking at the aging populations. And so, other than looking at the public pensions, they are now working with the private sector to provide for the pensions. So, we have CPL has actually participated in the first round of driving some of the tax exempt, deferred pensions products. We understand there is now a second round that they are actually testing with more domestic insurers now, and I think there's many opportunities. So once that is broader, obviously, we'd love to participate in driving the accumulation side with the insurance company. So yes, lots of opportunities and areas that we are working on.

Nic Nicandrou: Thank you, Lilian.

James: So, if you have nothing to add there, Nic, we're going to wrap up this panel. Thank you very much for all of your questions and to Nic, Lilian, Derek, Jens, Robin, Wilf, Kannan and Nimesh for providing your insight and expertise. Now, before we move to the panel discussion on capabilities, we're going to take a very quick five-minute pause. May I ask you to be back at your screens by 20.55 PM Hong Kong time, that's five minutes to the hour where you are, we'd be very grateful and we look forward to seeing you in five minutes.

[END OF TRANSCRIPT]