HY23 results presentation video transcript

Anil Wadhwani – Chief Executive Officer

Hello and welcome, I am delighted to be presenting my first set of Interim results alongside a strategic update.

I'll start with our new strategy before covering business performance. Ben Bulmer, our CFO, will go through the financial implications of our new strategy in the video that follows.

<u>Accelerating value creation through operational & financial discipline</u>

I believe Prudential is a great franchise but has not yet realised its full potential. We have an unmatched opportunity to accelerate value creation for all our stakeholders through operational and financial discipline. A separate video and presentation is available on our website going into the full detail.

We will build a sustainable growth platform, through targeted investment in capabilities and new business across the structural growth markets of Asia and Africa.

We will execute this by….

- Delivering remarkable customer experiences, to drive higher acquisition and loyalty for lifetime value creation.
- Powering our distribution forces with upgraded technology, focused on agency and bancassurance productivity and activation.
- Unlocking the enormous opportunity in health by disciplined implementation of best practices at scale across all our markets.
- Driving more consistent performance across each of our markets through changes in our organisational model and our technology platform, and
- Prioritising value creation, with a focus on generating free surplus that can then be allocated for future growth.

For our customers and employees, we aim to deliver top-quartile experiences as judged by customer net promoter score and employee engagement scores.

As a responsible asset owner and manager supporting a just and inclusive transition, we are committed to Net Zero by 2050 and targeting a 55 per cent reduction in our weighted average carbon intensity by 2030.

For shareholders, our ambition is to grow new business profit at a CAGR of 15 to 20 per cent between 2022 and 2027, underpinned by a plan to double agency, bancassurance and health new business profits.

At the same time, we will be disciplined in managing our In-Force Embedded Value, targeting to generate double-digit Gross Operating Free Surplus to support re-investment that accelerates the rate of compounding growth in embedded value.

Onto the first half numbers, that reflect the rebound as the last of Covid restrictions ended. Whilst we have strong momentum, there is much more that Prudential can deliver as we execute on our strategy.

<u>HY23 strong new business performance</u>

The power and scale of our business, the strength of our multi-market growth engines, and our distinct agency and bancassurance distribution, combined with our unique product capabilities are quite evident in our results.

We grew new business profits strongly, up 39 per cent to 1.5 billion dollars. This strong result was driven by both the domestic and Mainland Chinese visitor segments in Hong Kong, a number of our markets in ASEAN, as well as India. I am really pleased that 16 markets delivered double-digit new business profit growth.

Excluding the effects of interest rates, new business margin improved by 4 percentage points.

At the same time, the Group continues to be highly capital generative, delivering gross free surplus generation of 1.4 billion dollars;

In our first reporting period under IFRS17, overall group operating profit grew by 6 per cent to 1.5 billion dollars; and

Our in-house asset manager, Eastspring, grew its assets under management by 3 per cent to 228 billion dollars, boosted by better market levels and favourable net flows from external clients as well as our life insurance business.

And what is really important during periods of volatility, is that our capital is very strong with a GWS coverage ratio of just under 300 per cent.

Let me now walk you through the key operational highlights across our markets. Starting with Hong Kong where new business profits more than tripled to 670 million dollars.

<u>Hong Kong: Leadership in agency and MCV segment</u>

We outperformed in both the Domestic and Mainland Chinese visitor segments, taking market share and regaining the leadership position in the Mainland Chinese visitors' segment. We are winning in Hong Kong because we continue to innovate and deliver customer-led solutions.

APE sales in the second quarter of 2023 has already exceeded levels in the second quarter of 2019, despite traffic numbers being around 60 per cent of levels of 2019. Policy sizes so far have been elevated given the mix has been weighted toward savings products.

In the agency channel, we have successfully re-established our leadership position with a 75 per cent increase in the number of active agents. This drove a strong rebound in agency APE sales, increasing more than six times compared to the same period last year. We remain on track to hire 4,000 new agents by the end of the year.

Bancassurance also grew sales and new business profits underpinned by initiatives to deepen customer penetration.

Looking forward, improved levels of agent activation and a normalisation of our product mix will provide opportunities for growth in new business profit and sustainability of our margins.

Chinese Mainland: driving business mix for sustainable long-term value creation

Turning to the Chinese Mainland, CPL, our 50/50 joint venture with CITIC.

At the full year in March, I had said that we will be driving to a more balanced product mix focusing on value rather than purely volume.

We took decisive steps at the start of the second quarter to proactively withdraw from some guaranteed products in favour of higher margin annuity and higher quality longer-term pay products.

Our focus on quality growth has seen improvements in the new business profit margin despite falls in volume and we expect the effects of our proactive shift to continue in~~to~~ the second half of this year.

We believe the ongoing action by industry regulators are positive for the long-term interests of the customer and the industry as a whole.

CPL continues to focus on building a professional, high-quality agency force. We have seen significant improvements in agent productivity levels, with APE sales per active agent increasing by more than 50 per cent, supporting a 25 per cent increase in agency sales in the period.

Taiwan: outperforming the market supported by successful new product launches

In Taiwan, we remain the number one foreign player, outperforming the market where industry sales fell in the first 6 months of 2023.

There was a strong performance in the period, with new business profits up 15 per cent driven by higher sales volumes.

Once again, our success was due to enhanced customer-led solutions, for example, an innovative comprehensive participating product to meet the diversified needs of our customers, especially the younger working population.

ASEAN: Malaysia and Indonesia – Strong Momentum

ASEAN is core to our growth strategy that we have announced today. It accounted for 34 per cent of total new business profit in the first half of this year. In terms of the Group's life embedded value, ASEAN represents approximately 40 per cent of the total, similar in size to Hong Kong.

In **Malaysia**, where we have market-leading franchises in both conventional and Takaful, we delivered double-digit new business profit growth, supported by sequential quarter-on-quarter APE sales growth.

Agency delivered double-digit new business profit with our focus on protection sales leading to margin improvements. We continue to enhance our capabilities through the implementation of ~~our~~ agency development programs leading to an improvement in agent productivity.

Bancassurance grew by 36 per cent as we continue to deepen our relationships with our core bank partners.

We launched new products to cater for the evolving needs of our young family segment, as well as strengthening our health and protection offerings within the Takaful segment. This sort of customer-led innovation supports our leading customer net promotor score in Malaysia.

In Indonesia, where we are a leading player both in the traditional and the Sharia space, we are continuing to build on this strong platform and enhance our agency channel capabilities.

We have strong sales momentum, delivering three consecutive quarters of year-on-year APE growth, and an increase in agency productivity with the channel delivering 51 per cent APE growth in the first six months of this year.

Our customer-first approach in designing and delivering solutions resulted in double-digit APE growth in both health and protection, as well as in unit-linked products.

As a result, we delivered broad-based new business profit growth of 22 per cent. Our transformation of the business will continue at pace.

ASEAN: Resilient Performance - Singapore retained Top 3 position; Vietnam Outperformed Market rising to #1 in 1Q

In Singapore, we registered a resilient performance that retained top 3 market positioning, despite a challenging operating environment.

Sales of single premium participating products through the bancassurance channel were particularly affected by movements in interest rates. However, we have made progress in enhancing our capabilities and improving our business mix.

We also entered the fast-growing Financial Adviser channel in April, successfully onboarding around 150 advisors, and targeting over 600 advisors by the end of the year.

In Vietnam, the business took the number 1 position as we gained market share in a testing operating environment. The industry fell by 31 per cent in the first half of 2023, as a challenging bancassurance market landscape negatively impacted consumer confidence.

Our diversified multi-channel distribution platform underpinned the market outperformance, with total APE sales falling 18 per cent.

A decline in bancassurance APE sales was partially offset by the strong growth in our agency channel with significant improvement in productivity. Agents that are qualifying for the Million Dollar Round Table status have more than doubled in the first half of 2023.

We extended our exclusive bancassurance partnership with Vietnam International Bank, introducing new industry-leading quality standards. We see this as contributing to the healthy and sustainable development of the bancassurance segment in Vietnam.

Finally, I would like to highlight the strong new business performance in the **Philippines** and **Thailand**. Both outperformed the industry, growing new business profit more than 20 per cent, excluding the effects of interest rates. The Philippines retained its number one position in the latest public statistics available, and the Thai business retained its overall market share.

India: Optimistic on the Growth Runway Ahead

Onto India: India is an important market and we continue to be very optimistic on its growth outlook. ICICI Prudential, in which we have a 22 per cent stake, is one of the leading players in the life insurance market.

New business profit grew by 26 per cent with a continued focus on value rather than volume, with industry-leading new business profit margins.

Our joint venture in asset management recorded 12 per cent market share with assets under management up 20 per cent.

Enhancing our agency force: Focus on Activation & Productivity

Now onto Agency, the lifeblood of our company. It was once again the largest contributor to new business profits, breaking through the 1 billion dollar mark at the half year for the first time since 2019.

Our leading agency business in Asia is recognised for its scale and its focus on quality, with around 65,000 active agents and 7,000 Million Dollar Round Table agents.

We have made good progress so far this year, but there is much more to do as we look to drive repeatable success at scale across our markets. We've grown the number of active agents per month by 2 per cent but there is an opportunity to do better.

We continue to see increased agency adoption of digital tools and will focus on executing more consistently in terms of both pace and scale of implementation across all our markets. The integration of agency sales into our digital ecosystems can be incredibly powerful.

Agents using PRULeads, our activity and leads management engine, were 30 per cent more productive.

In the first half, productivity increased 61 per cent based on monthly new business profit per active agent and by 12 per cent outside of Hong Kong.

Our focus on quality business continues and we have seen strong demand for our health and protection products. This can be seen in the significant growth in health and protection new sales in the period. Improvements in our capabilities are particularly important in achieving significant growth in the Health space.

Margin was broadly flat given the shift in product mix towards savings in Hong Kong compared to the first half of last year.

Banca providing Diversification, Scale and Reach

In bancassurance, we are the number one independent franchise in Asia with new business profits of over 400 million dollars. This gives us diversification, reach and scale.

We continued to invest into our bancassurance platform, extending the reach of our network by adding 26 new bank partners in the last 12 months. We now have over 200 partners, including strategic partnerships with 10 of these.

We've focused on expanding our products and services to address our customers' health and protection needs and have continued to improve the product mix, with the health and protection contribution to bancassurance sales increasing by 2 percentage points.

Our new business profit from bancassurance declined by 11 per cent, reflecting lower contributions from China and Vietnam. However, margins held up well on an ex-economics basis.

While bancassurance margins are lower than agency, they are still healthy, and we have improved them from 26 per cent to around 40 per cent over the last 5 years.

Multi-market Growth Engines

The key to driving long-term sustainable value is having our multi-market growth engines backed by a diversified channel mix. These competitive advantages position us to capture the significant opportunities across Greater China, ASEAN, India and in due course, in Africa. In particular, we have:

- Both bancassurance and agency capability across Greater China.

- The largest multi-channel distribution franchise in ASEAN with both strong agency capabilities and high-quality bank partners in the likes of Standard Chartered, UOB and VIB.

- A very strong partner in ICICI Bank in India, continuing to work very closely with them on both the life and as well as on the asset management side.

- A diversified multi-channel distribution platform in Africa, with over 16,000 agents and access to over 1,000 distribution partnerships.

Key takeaways

To close:

In the first half of this year, Prudential delivered high-quality growth.

Our strong performance underscores the strength of having multi-market growth engines backed by our diversified channel mix. This is absolutely key to driving sustainable value in the medium to long term.

This momentum has indeed continued into the third quarter.

I believe the execution and delivery of our new strategy focused on operational and financial discipline provides an unmatched opportunity to accelerate value creation for all our stakeholders. Our people, our customers, our shareholders and importantly our communities.

I am looking forward to updating you on our performance and the progress on our new strategy

Thank you.

Ben Bulmer – Chief Financial Officer

I'm Ben Bulmer, CFO of Prudential.

Today we have announced our new strategy, focused on operational and financial discipline which will enable us to accelerate value creation for all our stakeholders. Anil, our CEO, has covered this in his presentations.

We have also announced our 2023 first half results.

So, I will cover:

- The key financial aims and priorities related to the new strategy, and how we expect these to be reflected in our financials.
- And then turn to our strong first half 2023 financial performance, including the announcement of our very first set of interim IFRS17 results.

Key Messages

I have the following key messages. Firstly, in relation to our new strategy:

- Our goal is to accelerate value creation by growing profitable new business and capital generation.

- We measure the former using new business profit, or NBP, and the latter using operating free surplus generation or OFSG.
- We have today set two financial objectives over the period 2022 to 2027.
    - Firstly, to grow NBP at a compound growth rate of 15-20% and,
    - Secondly, to grow Gross OFSG at a double-digit compound growth rate.
- Whist these are five year ambitions, the benefits to follow from the successful execution of our strategy will extend well beyond
- The key to achieving these ambitions begins with the disciplined allocation of capital, prioritising organic growth.
- We will do this whilst building free surplus to enhance strategic flexibility.
- We expect to invest around $1 billion in enhancing our core capabilities across our three strategic pillars of customer, distribution and health. This investment will be mostly weighted between 2023 and 2025.
- Our strong starting position and capital generative nature of our business model means we are very well positioned to fund this next phase of growth.

Secondly, our first half financial performance, despite a challenging environment, provides a clear demonstration of many of the key qualities on which we intend to build. In particular:

- We delivered strong and broad-based new business performance with NBP up 39%, driving 22% growth in EV operating profit, illustrating the power of our multi-market growth engine.
- Additionally, the new business contribution to the contractual service margin, or CSM, drove an annualised CSM growth of 8%. The Group IFRS operating result was up 6%.
- Finally, our solvency position is robust, underpinned by high quality, predictable in-force capital generation.

This performance reinforces our confidence in our ability to deliver our objectives, driving compounding value and capital generation and enabling us to fully capitalise on the opportunity set ahead.

<u>Accelerating value creation</u>

I'll start with our key financial aims and priorities supporting our new strategy, and particularly focus on the capital-related aspects of our ambitions.

Anil used a very similar chart in his presentation, and it neatly summarises the key financial and operational drivers supporting our aim to accelerate value creation.

Our financial model is a self-reinforcing cycle.

Firstly, we allocate capital to generate high quality new business at attractive rates of return, growing our embedded value.

We then manage the conversion of value of in-force into operating free surplus. This seeks to maximise our capacity to drive compounding capital generation through reinvestment in new business at high returns.

The successful execution of our new strategy will enhance our capacity to reinvest at these high returns.

Strategic update August 2023: Financial objectives

We have set ourselves two, inter-related, financial objectives which imply for 2027:

- NBP of between \$4.4 and \$5.4 billion.
- And Gross OFSG in excess of \$4.4 billion.

Gross OFSG is defined as in-force life OFSG, net of experience variances, together with the asset management result.

We estimate that the five year NBP growth objective, implies in IFRS terms, a 6 to 9% a year growth in the contractual service margin balance or CSM

Reinvesting capital to drive compounding growth: Priorities

I will now set out in more detail our priorities for allocating capital.

- Firstly, we will continue to target resilient capital buffers of at least 150 per cent of the prescribed capital requirements. This is designed to ensure that the Group can withstand volatility in both markets and operational experience. Our Moody's total leverage basis target continues to be between 20 and 25 per cent over the medium term.
- Then in terms of capital deployment, our number one priority is investment in new business at attractive rates of return. Our IRRs are in excess of 25% and payback periods are less than 4 years.
- The next priority is the meaningful investment we intend to make in building our core capabilities of customer, distribution and health.
- Our dividend policy retains the link between dividend growth and growth in OFSG and now reflects the completion of our programme to right-size central costs. The Board has indicated its willingness to look through the near term effects of higher investment on OFSG growth. Consequently, we expect annual dividend growth of between 7 and 9 percent in 2023 and 2024.
- In terms of our strategic investment ambitions, we want to widen our opportunity set for reinvestment at attractive returns. For example, additional banca partnerships and furthering our growth plans for the Health business. And we remain keen to increase our economic interest in our JV's and Associates; businesses we know very well.
- When deploying capital for strategic investments, we focus on IRRs and pay-back periods to ensure that we are creating value. If we are unable to find appropriate uses for that capital - and you will note that we are not short of ideas – then capital may be returned to shareholders at some point in the future.

Strong regulatory capital position with substantial free surplus flexibility

We started our strategic plan period with a very strong regulatory capital position. Let me remind you of the key components of our capital strength.

At the end of 2022 our pro-forma GWS shareholder surplus was $15.2 billion and cover ratio 302%.

Part of the available regulatory surplus, essentially the component that is value of in-force, only becomes available over time. For this reason, we use our free surplus metric to measure distributable capital. Our stock of this free surplus was $8 billion at the end of 2022, $2.7 billion of which was held centrally.

And our Moody's total leverage ratio was 20% with additional debt headroom of $1.6 billion to the upper 25% leverage boundary. As we have said before, for the right strategic reasons we would exceed this normal boundary for a period of time.

This means that we start our new strategic journey with considerable flexibility.

Substantial & compounding capacity to fund investments in growth

Looking forward, we see substantial and growing capacity for reinvestment.

Our large and highly quality book of in-force business with undiscounted cashflows of about $80 billion, provides a predictable source of future capital generation to which we add every year by writing additional cohorts of profitable new business.

The chart provides an indicative view of the development of Group free surplus stock over the plan period, starting from the opening free surplus stock of $8 billion on the previous slide. From here:

- We expect over $11 billion, or roughly one third, of our end 2022 value of in-force business and required capital, to monetise as free surplus over the next five years.
- We will add to this in-force free surplus generation by writing profitable new business over the period.
- Of course, writing new business has associated capital strain, but as I mentioned earlier the economics are very attractive.
- At the same time, we will invest in enhancing our core capabilities.
- And finally, meeting central costs and paying dividends to our shareholders.

In short, we have ample capacity to fund our organic ambitions, and expect new business growth to build our stock of free surplus further enhancing our capacity for reinvestment, strategic flexibility or return of surplus.

Investment in capabilities to accelerate value creation

I'll now turn to the financial aspects of our planned investment in capabilities.

We expect to invest about $1 billion in building core capabilities across our three strategic pillars of customer, distribution and health, with technology and data common to all three.

We currently expect about half of this investment to support distribution capabilities, a third on customer and the balance on health initiatives. This will also involve related investment in technology, people and the wealth and investment enablers. This investment will be mostly weighted between 2023 and 2025.

The cost of the investments will ultimately be borne by local businesses as beneficiaries, and evident as a "negative operating variance" in our OFSG and hence embedded value reporting.

IFRS treatment will be determined by the nature of the spend. However, we would expect a lower variance than in OFSG, depending on the level of expense deferral.

The use of shared services and centres of excellence will mean that, in time, the business will benefit from better operating leverage.

The chart illustrates that we expect limited growth in Gross OFSG during the investment phase and as we manage out short term adverse operating variances. From 2025 onwards, the gradual compounding of the new business contribution to OFSG and improving operating variances will support growth towards our 2027 Gross OFSG objective of greater than $4.4 billion.

To be clear, we do not expect the programme of investment in capabilities to impact expense levels reported at the corporate centre. Furthermore, this investment programme will not impact central restructuring costs. I will cover these shortly.

Achieving our 2027 Gross OFSG objective

To summarise, the key drivers to meet our 2027 Gross OFSG objective are:

- Firstly, delivering the $2.1 billion 2027 OFSG expected to emerge from the existing 2022 in-force book.
- Secondly, the addition to 2027 OFSG from writing profitable new business in the plan period drives the majority of the increment.
- Third, the elimination of adverse variances by managing our in-force with greater discipline.
- And finally, growth in our asset management earnings and in the investment return on our free surplus.

HY23 strong new business performance

I'll now turn to the second part of my presentation, our financial performance over the first half of 2023.

The Group delivered a strong new business performance with NBP growth of 39%. This drove encouraging growth in our Embedded Value, with EV per share up 4% over the period to 1,588 cents.

Our IFRS operating result, for the first time reporting under the IFRS17 framework, was up 6%. Our adjusted IFRS shareholders' equity was 1,324 cents.

The Group's pro-forma shareholder regulatory surplus increased to $15.5 billion with a moderately lower cover ratio of 295%.

Gross OFSG was $1.4 billion, down 2%, reflecting negative operating experience effects of $0.2 billion.

In line with our policy, the first interim dividend is calculated as one-third of the previous year's full-year ordinary dividend and is set at 6.26 cents per share, up 9%.

As Anil covered our new APE and new business profit performance extensively, I will only briefly touch on this, before covering the key points from an IFRS and capital perspective.

NBP up over 50% ex economics

Our NBP would have increased by over 50%, excluding the effect of economics under our EEV methodology.

Growth was driven by substantially higher volumes, new sales were up over 40%, and also a favourable channel and country mix.

The overall NBP margin declined 1 point over the period. Updated economic assumptions impacted the margin by 5 points.

This is evidence of very strong operational delivery in the period.

HY23: Multi-market growth engines drive NBP

The benefit of the diversification of our Asia and Africa franchise is clear from the operating segment result. Underlying this, 16 markets in Asia and Africa delivered double digit NBP growth.

The Hong Kong performance is clearly a highlight, a business I know particularly well from my past roles.

Hong Kong's new business profit increased more than three times and the new business margin over the first half was 65%. Excluding the effects of interest rate and other economic movements new business margin would have been 10 percentage points higher.

Demand for savings products across the Hong Kong business continues to be strong with volumes reflecting increased savings case sizes compared to 2019.

Looking at performance by channel, bancassurance continued to provide important scale at healthy margins. The reduction in associated NBP reflects high prior period single premium wealth management sales in markets such as Singapore. And then in this year, declines in China, where actions to diversify product mix and improve margins resulted in lower sales.

I am most pleased with the strong recovery in agency business, again validating our decision to invest in our agency franchise throughout the Covid period. Whilst this was led by Hong Kong, progress is encouraging elsewhere, including Mainland China and Indonesia.

As you can see, a great performance from our multi market and multi channel growth engines.

Building value: EEV operating profit +22%

The strong NBP performance in turn drove EEV operating profit growth of 22%.

The annualised operating return on embedded value was 10%.

And central cost items in combination were 24% lower, reflecting the completion of the right-sizing of our central overhead and lower interest costs.

We ended the period with EV up to $43.7 billion equivalent to 1,588 cents per share.

CSM annualized growth: 8%

Turning to our IFRS performance and the development of our Contractual Service Margin, or CSM.

The key driver in the period was the addition of profitable new business up 16% year-on-year adding $1.2 billion to the CSM balance.

You then have the unwind of the CSM balance of $0.8 billion. This includes an estimate of the benefit of a normalised return on associated VFA risk assets in the period. We think this is helpful as the VFA business is about 70% of our CSM and the real world returns are therefore a meaningful increment to the ‘true’ pace of CSM development.

In combination, new business and unwind increased the CSM by $2 billion, significantly ahead of the $1.2 billion release to the profit and loss, resulting in a net ‘underlying’ increase of just under $800 million. As you know, the growth of the CSM balance over time drives the growth in operating profit.

We saw favourable economic and other variance of $0.3 billion on VFA business.

The release to the income statement of $1.2 billion reflects insurance services provided in the period, and equates to a release rate of 10.6% on an annualised basis.

We finished the period with a CSM of $20.8 billion, equivalent to an annualised growth rate of 8%.

Insurance service result drives operating profit

Of the $1.6bn adjusted operating profit for insurance business, just over two thirds is accounted for by the insurance service result. The key components of this were:

- The CSM release of $1.2 billion, which is a little over half the $2.1 billion release we expected for 2023, based on end 2022 economics.
- And, the negative experience variances of just under $100 million, reflecting similar drivers to those under EEV.

Moving on from this, net investment income represents investment income on assets backing capital as well as GMM spread income. This was $612 million, down 3% year-on-year, as the impact of a lower invested asset base at the start of the year was partly offset by underlying business growth.

Looking forward to the full year, I continue to point you to the broader shape of numbers we discussed at our IFRS17 briefing. 2023 insurance profit will reflect the relatively muted CSM development in 2022 and the lower start year asset base.

The key to sustainable earnings growth going forwards is the addition of profitable cohorts of new business, driving growth in both the CSM balance and the CSM release.

Broad-based delivery; reduced central overhead

Our insurance operating profit is diversified, with Hong Kong and our Growth markets our largest segments.

The Group's operating result was up 6%, as a marginally lower insurance result was offset by a higher asset management contribution and reduced central costs.

The higher asset management result reflects a favourable swing in seed capital revaluation from a net loss in the prior period to a net gain. Excluding this, profit was 5% lower, tracking lower average AuM.

As I mentioned, we do not expect the programme of investment in capabilities to impact central corporate expenditure. We have right-sized these costs and they will be kept under tight control.

Similarly, the investment programme will not impact central restructuring costs.

Restructuring costs, IFRS17 and other costs were $120 million. Of these restructuring and IFRS17 costs accounted for $92 million. Over the year as whole, we continue to expect these to be at about two thirds of the 2022 level of $294 million.

We expect IFRS 17 costs to decrease from 2024 leading to restructuring costs reverting over time to the lower levels we typically incurred historically.

Looking forward, the Group's earnings trajectory will benefit from CSM growth as we deliver on our NBP objective.

Strong regulatory capital position with considerable financial flexibility

As I mentioned earlier, our regulatory solvency position remains very strong with an increase in surplus to $15.5 billion but with a slightly lower 295% cover ratio.

Our free surplus excluding intangibles increased to $8.4 billion from its pro-forma position at the start of the year, and our Moody's leverage is at the bottom of our target range.

At the end of June our holding company cash increased to $3.3 billion, reflecting $0.3 billion of net cash inflow after dividend payments, and $0.3 billion proceeds from the sale of our remaining shares in Jackson.

Resilient regulatory capital position

Our GWS cover ratio at 295% remains very comfortably above our risk appetite.

And, our regulatory capital position remains highly resilient to the range of macro shocks indicated.

There are a number of reasons, but this mainly reflects limited appetite for direct asset risk exposure. Our preference, when we accept market risk, is to do so within a participating or unit-linked product structure.

This is illustrated by the asset disclosures provided in the appendix to my slides. These now exclude the VFA participating funds under our IFRS 17 classification, as well as the usual unit linked and UK style with profits funds.

Key messages

To recap:

- Our goal is to accelerate value creation by growing profitable new business and capital generation.
- The key to achieving our objectives begins with the disciplined allocation of capital prioritising organic growth.
- We will do this whilst building free surplus to enhance strategic flexibility.
- We expect to invest around $1 billion in enhancing our core capabilities across our three strategic pillars of customer, distribution and health. This investment will be mostly weighted between 2023 and 2025.
- Our strong starting position and capital generative nature of our business model means we are very well positioned to fund this next phase of growth.
- Our first half financial performance, despite a challenging environment, provides a clear demonstration of many of the key qualities on which we intend to build.

This performance reinforces our confidence in our ability to deliver our objectives, driving compounding value and capital generation and enabling us to fully capitalise on the opportunity set ahead.

Thank you.