Business and Jackson demerger update for 2021 Annual General Meeting

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Presentation

Mike Wells

Group CEO, Prudential plc

Good morning everybody and welcome to the conference call on our first quarter 2021 trading update, in advance of today's AGM. I am Mike Wells, I am group CEO. I am joined today by Mark FitzPatrick, group CFO and COO, Nic Nicandrou, our CEO of Asia, and Ben Bulmer, interim CFO of PCA.

We are going to cover two key areas today. Firstly, the performance of our continuing operations in Asia and Africa over the first three months of this year, and secondly, an update on the timing of the US merger.

As you heard in our prelims in March, we have a clear strategic focus on structural growth opportunities in Asia and Africa. We have the scale and diversity of our franchise, the strength of our multi-channel distribution model, and high-quality execution. Our business model is showing resilience most recently, during the COVID pandemic, and with high quality and high level of customer retention.

I would like to pay tribute to our colleagues who have worked so hard for another quarter, again, made more difficult by the current macro environment.

So let me walk you through some of the key aspects of our first quarter trading update, which clearly shows a very strong performance in the first three months of 2021. Asia and Africa APE sales were up 14% and new business profits were up 21% compared to Q1 2020. Excluding Hong Kong, APE sales are up 35% and new business profits were up 64% with favourable product and channel mix, consistent with our ongoing focus on health and protection.

In the first quarter of 2021, our China joint venture was our largest business in terms of APE sales and new business profits. In Hong Kong, we had lower sales of the ongoing border restrictions continue to limit severely cross border business from China. And as you will be aware, a number of countries and markets continued to experience significant COVID related disruption, for example, in India, Indonesia, Thailand and the Philippines. Nevertheless, we are pleased that our Asia and Africa businesses have continued to build on the momentum established over the third and fourth quarters of 2020, with the first quarter of 2021 sales 4% above those in the fourth quarter of 2020.

Our multi-channel model continues to perform well with all channels delivering growth. APE sales to our bank partners were 18% higher. And we have continued the rapid build out of our digital capabilities, again led by Pulse, our health and wellness platform. APE sales associated with Pulse represented about 9% of our first quarter 2021 APE in the markets where Pulse is available.

And finally, Eastspring's total funds under management were $242 billion at the end of March 2021.

Moving on to our capital position. On the current LCSM method, we ended the first quarter with a shareholder cover ratio of 319%, after allowing for the 2020 second interim dividend. Excluding the US completely, this ratio would have been higher at 331%. And as we have indicated previously, we are well positioned for the transition to the new group-wide supervisory model. Under that new model, again largely consistent with that applied under the current regime.

Our initial analysis indicates that all debt instruments, senior and subordinated, issued by Prudential will meet the grandfathering conditions set out by HKIA, and if this is confirmed, the group ex US shareholder LCSM ratio of 331% would increase by around 50 percentage points to 381%.

So finally, an update on the US and the timing of the demerger. Over the first quarter of 2021, Jackson's new business premiums were in line with trends seen in the second half of 2020. Sales of variable annuities were higher than in the first quarter of 2020. Sales of fixed indexed annuities and fixed annuities in the same period remain at historic low levels following earlier pricing actions.

We have received the US insurance regulatory approvals for the demerger and the regulatory review of the draft Form 10 is ongoing. Jackson will now need to include its Q1 2021 financials in the Form 10. We are now expecting the demerger to occur in the second half of 2021, subject to shareholder and regulatory approvals. As previously announced, Prudential is considering raising new equity of around $2.5 to 3 billion following the completion of the Jackson demerger. Our preferred route is a fully marketed global offering to institutional investors concurrent with a public offering in Hong Kong to retail investors.

We think the strong first quarter performance reflects the strength of our business model and our multi-channel distribution platform, and we see scope for further compounding growth for our shareholders as we continue to execute our strategy with discipline and enhance our performance. Thank you, and let us get to our Q&A, please. We have an AGM shortly, so I would ask that both the questions and on our side the answers to be respectful of a number of others who may also have questions. Over to you, operator.

Q&A

Operator: If you would like to ask any questions, please press star followed by one on your telephone keypad now. If you change your mind at any time, please press star two to remove the question. And as a reminder, it is star followed by one to ask any questions today. And the first question we have comes from Jon Hocking from Morgan Stanley. So please go ahead, Jon. Your line is open.

Jon Hocking (Morgan Stanley): Hi there. I have just got two questions, please, both on capital. In the release, firstly, you talk about $0.4 billion of operating capital generation in the first quarter on the LCSM basis. That seems to be sort of running a bit below where you were last year, I think you were averaging about $0.5 billion. On that point, is there anything unusual in the Q1 run rate? And what is the Jackson contribution to that $0.4 billion? That is the first question.

And the second question, on the GWS framework, you mentioned that the solvency ratio is 50 points higher on that basis. Is that mainly on the available capital side, given the comments you made about the senior debt? Thank you.

Mike Wells: Mark, do you want to go ahead and take this?

Mark FitzPatrick: Sure. Jon, hi, good day. Good morning. So firstly, in terms of your numbers, the 0.4 that we referred to is ex Jackson. And there is nothing particularly unusual in the run rate. Really, I suppose it is impacted by market conditions and rates. So there is not anything particular that we see in there that we feel the need to call out.

And then in terms of the GWS component, we said we are expecting that to come through imminently. And would expect the only real change we see in terms of LCSM versus GWS is really the element of the senior debt that we expect to be able to have included.

Jon Hocking: Okay, thank you, Mark.

Operator: Thank you. We now have the next question from Farooq Hanif of Credit Suisse. So Farooq, please go ahead.

Farooq Hanif (Credit Suisse): Hi, everybody. Well done on the sales. Just a quick one on Jackson first. So is there anything that you can say that has been a complexity in the approval process that has sort of caused a delay? Or is it just, you know, the bureaucratic process over the Form 10?

So if you could answer that, and then secondly, what thoughts can you give us on Eastspring and the outflows that we are seeing at the moment? Just kind of what you see as driving that, and whether there could be an improvement coming down the line? Thank you.

Mike Wells: Okay, thank you. I will take the first one and, Nic, I will give you the piece on Eastspring if we could. So there is obviously very little we can say with a live filing with the regulator, and I do not want to add any adjectives to that. But you see, the balance of the regulatory approvals are in place, and we continue to work at pace, and closely with the regulator on the Form 10. But unfortunately, given it is live, and you have seen the multiple updates to it, you know, there are parts of the workstream that are in our control, and there are parts that are not in our control. And we are fully committed, the board is fully committed. You have seen the balance of the work around it from a regulatory point of view, and you will see us continue to focus on the completion of this at pace, but beyond that, there is not much more that I can say.

Nic, do you want to comment on Eastspring?

Nic Nicandrou: Thank you, Mike. Good morning, Farooq. So, in Eastspring, third Party flows were slightly negative, about 0.4 billion down in the quarter. And really what is happening is with the rise in rates, the value of bond funds going down, we have seen a number of investors asset allocate out. So that negative 0.4 was negative 1.3 on bonds, about 0.9 on equities and so that is what we saw.

Outside that, clearly, we have very strong life company flows. We had a continuation of M&G's divestment programme. Net-net though, taken all together, our flows were positive and the drop from 248 billion at the beginning of the year to 242 billion at the end of the first quarter was mostly markets and FX related. Flows were net-net positive, taking in the internal monies as well.

Farooq Hanif: Thank you very much.

Operator: Thank you. We now have the next question from Andrew Crean of Autonomous. So Andrew, please go ahead when you are ready.

Andrew Crean (Autonomous Research): Thank you. Good morning. Two questions if I can. Firstly, can I just, I know you do not want to talk about it, but you said that parts are not in your control in terms of the Jackson demerger process. You had to pull the debt issuance because you were still I think in legal wrangles with your former CFO and CEO of Jackson. Are there still parts which are not in control which are subject to further legal definition? And are you clear to do the debt issuance currently? That is the first question.

Second question is, when you talk about confidence that Hong Kong sales will return when the border reopens, do you see sales returning to the old levels? Or do you see, in addition to that, a sort of pent-up demand from the period when the border was closed so that you will see for a time very much elevated sales?

Mike Wells: So Andrew, the settlement with the two individuals you were referencing is behind us. It is agreed, and the relevant information is in the public domain. So and again, you see the capital position in your update on Jackson. So I do not want to get into where we are specifically with the regulator. But when I say things that are controlled, there is no workstreams related that are Jackson related or group related that are open, but there is a process with the regulator that we are responding to, and, you know, we will continue that at pace. But again, I cannot get into this. We were never allowed in this to discuss the specifics, and we are confident that we can get this to where it needs to get to the terms of completion.

Andrew Crean: [Inaudible] Something must have happened in the last 14 days? Because you said you were going to do it in the second quarter, 13 days ago.

Mike Wells: Yeah, no. And we had expectations of getting things done, and certain timetables, and we had estimates on when we thought certain responses would come. And it is nothing more than that. We are not getting into it. You know, if you think of the outcome of a call like this, if I critique or comment on the regulatory work, then that in itself would create an event. I am not going to do that. So, they are doing their job. We are doing our job.

Andrew Crean: Okay, thanks.

Mike Wells: Nic, do you want to comment on Hong Kong?

Nic Nicandrou: Sure. Hi, Andrew. So, we are confident that the mainland Chinese will come into Hong Kong to buy products. We continue to survey not only in the Greater Bay Area but beyond. We, in many of the, and frankly all of the product advantages that the Hong Kong sector has and Prudential within that remain, so there is no change there.

To your question on what rate, yes, I do expect there to be a pent-up demand. And I think it will come back strongly. But as I have said before, stronger than if you like an underlying run rate. But I have said before, what the biggest influence is, is what is the phasing of opening up? Is it just going to be Guangdong? Is it just going to be the nearby provinces? Is it going to be all of China, and an infinite number of combinations in between?

So yes, demand is there. It should be fuel for some pent up, we are convinced of that, but what we do not know is the phasing of opening up and that is going to be the biggest determinant.

Andrew Crean: Thank you.

Operator: Thank you. The next question we have from the phone line comes from Scott Russell at Macquarie Capital, so Scott, please go ahead. Your line is open.

Scott Russell (Macquarie Capital): Morning all. Two questions on the Asian sales if I can, firstly on China. Could I inquire about a bit more detail about the trend? It looks as though the margin is over 50% in China for the first quarter, which is probably the best first quarter, I am not going to get into the history, but if I look at historical first half, seasonally a lower margin in the first half, it does look quite exceptional. So I am trying to get a sense for the sustainability of that. It appears the agency channel was, the higher margin was a factor, so a favourable channel mix. But I suppose I would like to get a little bit more about product mix, and particularly in light of the change in product design of critical illness products, which I think took place in about February, does not look like it affected the CITIC-Pru JV much at all.

The second question is about the contrast between Indonesia and Malaysia. Malaysia, new business profit growth, very strong; Indonesia, surprisingly weak. Both markets had movement restrictions during at least January and possibly longer. I am trying to understand a little more why Indonesia just continues to plumb new lows in terms of new business profit. Thank you.

Mike Wells: Thanks, Scott. Nic, do you want to address both of those?

Nic Nicandrou: Will do, Mike. So, hello, Scott. In China, business has pretty much returned to normality, and, you know, against this much more normal backdrop, our sales demonstrate what we have been saying for a while in terms of the quality and the strength of our joint venture franchise. Now, clearly, the headlines are flattered by a very low comparative, and indeed, the timing on some sales campaigns this year, and we had a campaign earlier in the year on critical illness ahead of the change in the definitions.

So, you know, in relation to the trends, perhaps a better way, given the how disruptive 1Q 2020 was, a better way to assess progress is maybe comparing the first quarter of this year with the first quarter of 2019. And there you would see sales up by 38%, clearly both channels up and new business profits up nearly three times.

So yes, the margin has improved significantly. And behind these improvements, really, there are four reasons. Clearly some of them are volume related, some of them are mix related. Firstly, there has been a shift, and we have talked about this, towards our higher margin products over the last two years, particularly benefiting this quarter from a successful critical illness campaign as well as sunsetting the previous product. You know, we had a very strong performance. We have since launched the new product; it was launched earlier this month and we will go again for the rest of the year with the revised product.

Secondly, we have seen an improvement in agency productivity and economics. Again, a lot of hard yards here rather than a single reason. We have been prioritising for some time, longer term savings, health and protection products, and a strategy that has seen margin from that channel improve in the first quarter to 83%, clearly much bigger than in the past.

The third reason is the continued expansion of our bank channel. There is a very strong product discipline here which again saw margin from that channel go up to 45%, much stronger than last year or the year before.

And fourthly, the geographic expansion. We are in more cities now than we were two years ago, 99 this year, 87 the year before. And every quarter, every year that goes by we go deeper in our existing cities. So again, compared with 1Q 2019, we grew share in 18 out of the 20 provinces.

So you know, a lot of hard work quarter after quarter to help deliver and you are quite right, this is our best first quarter ever, and one where not only are we delivering strong performance relative to our history, but also relative to markets.

Sustainability, I mean it will be mix dependent as we go forward, it will be channel dependent as we go forward. There are different campaigns. But the structural improvement in our businesses over the last few years is palpable.

On Indonesia and Malaysia, no, the two have not managed the COVID situation in similar ways. Indonesia has been one very long period of every weak being worse than the other. And in fact, the peak for Indonesia happened around February. It then stabilised and then again we find ourselves in a period now where we are seeing a real spike in infections. So Indonesia has been one long continuous spike, if you like, with no levelling off, or no return like you have seen in most other markets. Malaysia has not been that. There have been spikes. There worst one was towards the end of January, but its impact was very short lived.

The Malaysian numbers are strong on the back of a very strong quarter for the market, there is a base effect that you are seeing there. The conventional market was up 30%. The takaful market was up a little higher than that. Clearly, we benefited from the base effect, but also from all the additional capabilities that we have built over the last few years that have given us the outperformance that you see. And a very strong growth within these numbers for the takaful business where sales nearly doubled.

Indonesia, as I said, is impacted. We continue to launch new products, we continue to push hard the much more affordable, if you like, lower ticket products. Sales are down, but remember that the first quarter of last year was largely undisturbed in Indonesia; we were up 41% Q1 2020 over Q1 2019. So we are comparing against the highest quarter last year.

Our run rate in Q1 despite the disruption was better than Q2 and Q3 last year, and even though our sales may be down, the number of cases that we are selling is up 70%. So you know, we broadened the offering, we are selling to the mid income segment, and, you know, the business is structurally in a much, much better place to go and run hard once we get back to normality, and that will be driven by the rate of vaccination in that market. Around 5% of Indonesia has been vaccinated. I mean, the numbers are big, so it will take a little while before we get to, if you like, to a reasonable proportion of the population being vaccinated.

It is the one market that has found it the hardest to get to grips with this, and that continues, but our business within that is getting better and better.

Scott Russell: Thanks, Nic, and I appreciate the detail, the country detail here, the APE sales and the business profit. Is that something that you plan to release quarterly going forward?

Mark FitzPatrick: It is Mark here. Scott, it is not something that we are committing to because we do not normally do quarterly updates. I think that just given the other components as well, we thought it would be very helpful just to be able to give a balanced perspective on how the business is doing.

Scott Russell: That is great.

Mark FitzPatrick: We also have a capital markets day you would have seen coming up on the 2nd of June, and we wanted to be able to get some of the numbers out to give us more flexibility to talk more fully about that.

Scott Russell: Okay, got it. Thank you.

Operator: Thank you, Scott. We now have the next question from Greig Paterson from KBW, so please go ahead, Greig. Your line is open.

Greig Paterson (KBW): Morning, gentlemen, can you hear me?

Mike Wells: We can, Greig.

Greig Paterson: You have added Africa to the new business profit. I wonder if you can just tell us what the number for APE and new business profit is in Africa, and maybe you can talk about your plans of further expanding maybe to South Africa or something like that.

And the second question is on the new GWS regime. You mentioned the 381. I was wondering what sort of level of coverage you will be targeting in the medium to long term for that ratio. Thank you.

Mike Wells: So no plans on South Africa. Why do we not do Mark, you talk about capital and then Nic, you talk about the success that the teams are having in Africa. Greig, thanks for the question. The business is doing really well and the teams are really performing well there.

Greig Paterson: So could we have the APE and NBP as well, please?

Mark FitzPatrick: Certainly. So, Greig, in terms of the GWS component, we are expecting that to come out imminently. The aspect of looking at what kind of target range, because it is so new, as I have said before, I think we want to see it settle down. I think we want to see how the market comes to look and how our business runs under the GWS regime. So no plans in the short term to kind of set anything up, and I think often, when we think of our business and we think of the capital levels, it is about our ability to reinvest back into the business. So you have seen the phenomenal opportunities that we have had in the past, how we have capitalise on those and has given rise to some of these great results that the guys have delivered out in Asia and Africa. But I will let Nic talk about the Africa piece.

Nic Nicandrou: Okay, maybe starting with the numbers, so on APE, Africa contributed 37 to the total this year, up 32%. On NBP, it contributed nine. The prior year was not restated for the NBP for Africa, so that gives you the numbers.

Look, on the progress, yes, we continue the work that we started in the eight markets that we are in, we continue to see growth across all channels. We are seeing, we are pushing, we are seeing greater integration as we go forward between the initiatives that we are undertaking in Asia with those in Africa, a key one of that was the launch of Pulse, which is in now in five markets in Africa.

And on the capital markets day on the 2nd June, there will be a session dedicated on that, and we will be able to add even more colour at that session, Greig.

Greig Paterson: Thank you. That was great. Cheers.

Operator: Thank you. We now have the next question from Blair Stewart of Bank of America. So please go ahead, Blair. Your line is open.

Blair Stewart (Bank of America): Thank you. Good morning, gents. Most of mine have been answered, but I have got three quick ones.

Nic, can you comment a little on the campaign effect in China? There is an element of fire sale, it seems, in Q1 from the old product, can you just comment a little bit on what impact that had?

Secondly on Jackson, one thing you referenced was the need to put the Q1 figures into the new filings. I am assuming that that was something you did not expect to have to do. And just as a side question on Jackson, is there any outstanding litigation in place or is that all gone now?

And a final question, a very quick one, is the timing of the capital raise. Is that still planned for after the demerger? Thank you.

Mike Wells: Okay, so I will do a couple of those just out of time. So, yes, on the timing, the capital raise is post demerger. No, there is no outstanding litigation with Jackson. And to be a little bit more robust to Andrew's question, I think what has changed in the last 14 days is there is a requirement in the US on the freshness of the financials. So we effectively had until yesterday, and, you know, the regulatory process in the US requires a certain age of the financials to be valid for anything related to capital. And just to remind everybody the process, if the regulator approved Monday, you would have to publish the circular, you would have an FCA approval with a 14-day notice period, you have a vote to the shareholders, and then we would have the shares issued in approximately two weeks. So you can see where this pushes us, you know, past the target that we had set out, but there is a requirement that their financials have a certain ageing to them, and unfortunately, we bumped into that.

Adding those back was one of the contingencies that we anticipated, but it was not our first choice, but it just happened to be where we are timing wise.

Nic, do you want to comment on the campaign in China?

Nic Nicandrou: I mean, Mike and Blair have said, and that is why I focused on kind of two years on a comparative versus two years ago. Yes, there was, you know, there was an impact, it was only in January, and really points to the underlying structural improvement of that business, whilst recognising, yes, there is some timing, there is some effect of that. The underlying business is improving, and we have high hopes for the new product we have just launched.

Blair Stewart: Thanks, Nic.

Operator: We now have the next question from Ashik Musaddi from JP Morgan. So Ashik, please go ahead, your line is open.

Ashik Musaddi (JP Morgan): Yeah, thank you. And I just have a couple of questions if I may. First of all, is it possible to get a bit of sense about where the Jackson's RBC ratio has moved? Now the reason I am asking is because markets have rallied this year so far and I remember that there was some [hedge] issue with Jackson in the past in terms of RBC. So has that negatively impacted, positively impacted? Any sort of number would be great, but any direction would help as well.

Then the second question I would have is on the RBC ratio. I mean, if I look at the some of the documents on the SEC website, the ratio, target ratio of 500-525%, whereas you are suggesting a target ratio of north of 450%. Now, north of 450 does mean it could be 500 to 525, but is there any difference between the two? Any thoughts on that would be helpful.

And just one question on Indonesia. I mean, you have changed the product structure and made it a lot lower ticket size, because if I look at the premium down 14%, but Nic mentioned, I think volumes up 70%. I mean, what is the rationale behind it? I mean, any thoughts on that would be very helpful.

Mike Wells: Okay, in general with Pulse and some of the, you know, our capabilities now product wise, we are fine going to different size product categories, different price points with clients, different consumer groups than we have historically been at. I will let Nic give you a little more colour on Indonesia.

Mark, do you want to talk about capital in the US in general terms?

Mark FitzPatrick: Sure. So in general terms, from an RBC perspective, when markets are up in terms of S&P and the like, and there are a low level of statutory reserves, in excess of kind of [cash]account surrender values as I said in the past, then we will incur hedge losses with limited releases of the underlying statutory reserve, and there will also be by definition a limited DTA admissibility. So overall direction is in those kind of market conditions, you would expect to see Jackson's TAC coming down as a result of that kind of component, and you would expect to see some move in terms of the CAL coming down as well as a result of some of those reserves going down to kind of cash surrender value component. So those kind of mechanics are still fluid through the quarter.

As for the document on the regulator's website, under pain of death, I am not allowed to kind of comment on that document until it is really finalised. So I think once that is done, we will be able comment more fully.

Ashik Musaddi: That is okay. Thank you.

Nic Nicandrou: Do you want me to expand on Indonesia, Mike?

Mike Wells: Yes, please, Nic.

Nic Nicandrou: I mean, I think we have covered it. I think the capabilities of the business here and the ability to distribute and the ability to manufacture, the ability to make money out of lower case products has been hugely enhanced over lower case size products over the last two years.

I mean, candidly, I mean, remember, Ashik, we are not in the single premium space. So we operate in the regular premium space. Over 90% of what we sell in Indonesia is regular premium. And the traditional investment linked products that are a very significant case size, $800 to $1,000 a year, US dollars.

Now, given the backdrop in the environment, we wanted to offer people the opportunity that did not want to make that size commitment, given the backdrop, to be able to buy the protection that they need a much more affordable case size, for as little as $100, to buy whether it is medical, hospitalisation, term insurance, for example, or even a simple, simple, critical illness. And it has found favour with the Islamic community. You know, we are the biggest Sharia insurer in the market, 400,000 customers, population 220 million. They tend to be more the mid income people, and they are the ones that were the least, if you like least provided for, least penetrated segments. So that is what is driving, is saying we have the capability to build it, to make good profits from it, and to distribute it to a community, to a segment that is highly under-penetrated.

So our Sharia sales were flat, the NBP from that product line was up 17% and we sold two and a half times Sharia cases than we did the previous year. So it is a very deliberate move at a time where people are looking for protection, more affordable, simpler products. And that is what we are doing, you know, rather than going for the single premium space, which is what a lot of insurers and distributors are doing in Indonesia at the moment.

Ashik Musaddi: That is a very good model. So thank you. Thank you for this explanation.

Operator: Thank you. We now have the next question from Stefano Dardi from BTG. So, Stefano, please go ahead when you are ready.

Stefano Dardi (BTG): Hello, thank you for taking my question and thank you for the presentation. Most of my questions have been answered and I realise you have already given a lot of colour on Jackson, but I think it would be helpful to finesse a little bit better the timeframe, because now it has gone from imminent to second half, which is a very open ended concept, whereas my impression from what you were saying earlier is, it is just a matter of refreshing the financials, then, again, we are looking at Q3 potentially, the first part of Q3, as opposed to, again, an open ended timeframe that kind of sets back the equity story a little bit relative to where people were expecting you would be. Thank you.

Mike Wells: Stefano, I appreciate that we are not narrowing it down, but there is an element of predicting regulatory models in this that we are trying to stay away from. And we do know the workstreams involved in the turnarounds. Typically on financials, if you look at the regulator's site, it takes them a couple of weeks to review fresh financials. That is their guidance, if you look at their public information.

So again, I do not want to get into forecasting their workstreams at this point and this sort of climate, so I apologise for the open-endedness of it. But I think we should comment on things we can control, and obviously work at pace to get everything done and over the line as fast as we possibly can and we want to make sure everybody understands that is the focus.

And I think I have been clear, there are no new issues that Jackson, you see the capital levels are robust, you see the other regulatory approvals are now in line. So, you know, it is not something that we can say we know when it is going to finish, just given, you know, we respect the regulator's role and what they need to do process-wise is defined by them.

So, but I do appreciate the open-ended nature of the way we have said it, but I think we are being realistic that we know what we can control and we know what we need to just respond to. So that is the intent. It is not intended to, you know, imply anything else.

Stefano Dardi: Thank you for the clarification. And just one more point on this; do you have any high-level thoughts on whether you would expect the distribution to be taxable or not to shareholders in the UK?

Mike Wells: Mark, you are probably better qualified than me to discuss the UK tax code.

Mark FitzPatrick: Yeah, Stefano, the details for that will be in the circular and we have got quite a lot of detail in there. So when the circular comes out, that will run through all the tax implications, because it will differ depending upon the basis of the shareholding.

Stefano Dardi: Okay, that is great. Thank you very much.

Operator: We now have the final question on the phone lines from Larissa Van Deventer of Barclays. So, Larissa, please go ahead when you are ready.

Larissa Van Deventer (Barclays): Thank you very much and good morning. Two very quick ones. Just if you have any sense of the timing of the border reopening, you are certain about the uncertainty of the nature of the roll over, but if you have any sense on timing closer to the ground?

And the other one on the bancassurance channel, you have made several additional investments in the last few years. Are those all fully operational? And were they fully operational in the first quarter? Or is there a roll out that is going to come through in the remainder of the year?

Mike Wells: Nic, why do you not if you do not mind answer those two and then I will wrap up, and I appreciate everyone staying right to the time. Thank you.

Nic Nicandrou: Okay, let me start with the second one. Clearly, we extended in Vietnam with Maritime Bank from the beginning of April so that clearly was not fully operational. Remember, we were working with them in the south of the country, but now we can work with them in central and north. Not fully operational.

The big effort this quarter, well, the first quarter of the year was operationalising the new relationship with TTB or TMB, as it was called previously in Thailand. You know, we were ready in all branches, we trained 5,500 of the bank's staff. In the course of the first quarter 96% of the 900-odd branches were activated, so we did not get a sale in every single one of them. And only around 60% of the sellers made a sale. So there is still room to go there, and of course, everywhere else we continue to push hard.

On Hong Kong, maybe to give you a little more colour in answering your question, the fourth wave came to an end in in early Q2, and in the recent curve, average local COVID cases are now nil or single digit numbers. The vaccination programme started end of February, and so far we have 15% of the population that has been vaccinated at least once and 9% that has been vaccinated twice.

No date has been set for reopening, but we are beginning to see some relaxation of measures. And just to give you two examples, from 29th April, Hong Kong residents that were trapped or stranded in China can return under the return to Hong Kong scheme, without a 14-day quarantine, subject to a negative PCR test. There are quotas on that, but I am seeing some movement from China into Hong Kong.

From 12th May, any person arriving from China that are not Hong Kong residents will only have to quarantine for seven days if they have been vaccinated. So people can travel, they will have to quarantine, but they need the vaccination. The next review will be the 28th May and beyond that, the government is talking about a "come to Hong Kong" scheme. They are talking about a business bubble with China, again, subject to quotas. But that is Hong Kong opening itself up to travel from China. Of course, this is a two-way gate, so to speak, and for now, for anyone returning to China, they have to do two weeks' quarantine and that has not changed. And China's position is that they would need to see Hong Kong get to zero cases and stay there for a bit before really relaxing the measures that are currently in place, which is, as I said, the two weeks' quarantine. That is where we are.

Larissa Van Deventer: Thank you.

Mike Wells: Thanks, Nic. I think we have always suspected some sort of staged opening, so we continue to look for progress there.

Well, thank you, everybody, we are right up to the time we agreed and I appreciate you attending the call and all your questions. Our hybrid AGM starts at 11 am UK time, so if you are dialling into that, we will speak again shortly. And if not, we look forward to seeing you on our investor conference on 2nd June, and the interims again on 11th August, and the US team will do a virtual roadshow for those of you who are looking for that post the effectiveness from the SEC registration is the way that process works.

So to close out, I would just say I think our first quarter business update demonstrates the further delivery in the Asia and African strategy, our focus on execution and again, the quality of the business. And I am confident that we remain well positioned to capture the future long term growth opportunities in Asia and Africa. And you have our commitment, we will stay focused on every aspect of getting the US demerger across the finish line here.

So, thank you very much for your time today. And I hope everyone has a good day. Goodbye.

[END OF TRANSCRIPT]