Prudential PLC Half Year 2026 Results - Analyst and Investor Call (Thursday 27 August 2026)

Introduction

Alex (Operator):

Thank you for standing by and welcome to the Prudential PLC 2026 half year results Q&A audio webcast call. At this time, all participants are in listen only mode. For those on the audio line, if you wish to ask a question, please press star one on your telephone. I will now hand over to Patrick Bowes. Please go ahead.

Patrick Bowes (Chief of Investor Relations):

Thank you very much, Alex, and good afternoon, good morning everyone. Welcome to Prudential PLC's first half 2026 Results Analyst Investor Call. Before I turn over to our CEO, Anil and Ben, our CFO, I have a couple of housekeeping points. A recording of today's call will be available from Tuesday next week. Our full results package is available on our website, and I'll refer you to the disclaimers and safe harbour wordings in these documents, and they also apply to this call. Anil will start. Ben will start the call with opening remarks followed by a Q&A. And also on the call today are Angel, Dennis, Rajeev, Naveen { some of our] our group GEC members. And now let me pass over to Anil, our CEO, to start us off.

Business Review and Update

Anil Wadhwani (CEO, Prudential PLC):

Thank you, Patrick. Good morning, good afternoon, and good evening everyone, and thank you for joining us today. The strength and resilience of our multi-market multi-channel platform across our insurance and asset management businesses allow us to deliver consistent high quality growth. We've been focused on accelerating the conversion of new business profit into cash, thereby generating sustainable and growing shareholder returns. I'm really pleased with the progress we have made in the last few years and our strong track record of delivery as we transform and modernise Prudential. We have

- repositioned our Hong Kong business by substantially growing the domestic franchise. It now generates 50% of the new business profit in this key segment,\
- improved our Chinese mainland operations through better product mix, risk management, and strong levels of capital,
- demonstrated the breadth of our diversification with ASEAN markets growing new business profit by 13% and our Indian and African businesses growing double-digit APE.

Alongside our insurance operations, our asset management business grew underlying profits by 20%.

In addition, we have focused on our strong proprietary channels of agency and bancassurance driving productivity and expanding our bancassurance footprint. We launched a multi-year transformation of our agency operations with productivity and quality recruitment being the key priorities. I'm very pleased that we have reported progress in these areas in both our developed markets and our emerging ASEAN businesses.

We have built out our market-leading health and protection operations, helping our customers navigate the post-COVID medical inflation while delivering significant operating improvements.

Driving innovation, AI adoption, and high quality customer experience has been a focal point of our $1 billion investment programme in technology, in distribution, health, and customer.

We have also set clear priorities for capital allocation with a comprehensive and sustainable capital management framework. We are making good progress in delivering over $7 billion of returns to our shareholders from 2024 to 2027.

And rounding off last year, we completed a highly successful IPO of our asset management operations in India, creating substantial value for our shareholders and are in the process of returning it. Most recently, you may have seen we are moving towards meeting the initial 15% free float requirement. This will generate proceeds of approximately $0.3 billion which will be added to our 2026 share buyback.

Coming to our first half results, we continue to build on the track record of our delivery. We have invested further in our high performing business in Malaysia through increasing ownership, and we have fundamentally repositioned our India business through taking control of the two complimentary insurance platforms of life and health.

In the first half of 2026, we grew new business profit by 8%, we grew earnings per share by 17%, and free surplus generation was up 15%, as well as we increased our first interim dividend per share by 15%.

Our first half 2026 performance was well-rounded and we remained very disciplined on both quality and our execution.

I have three clear messages to our investors.

First, we remain firmly focused on the delivery of our guidance for 2026 of double-digit growth across our key financial metrics and on achieving our 2027 financial objectives.

Second, we are progressing well in our transformation agenda, continuing to build capabilities and modernising our operations and technology platform.

Third, we remain highly disciplined in allocating capital. We are investing for quality growth, driving attractive margins and sustainable growth in capital generation.

With our multi-market, multi-channel model and our drive for quality growth, I'm excited with our prospects in the growing markets of Asia and Africa.

Now I will hand it over to Ben, our CFO, to walk through the financial highlights.

Financial Highlights

Ben Bulmer (CFO, Prudential PLC):

Thanks, Anil, and hello everyone. So as Anil has mentioned, in the first half of 2026, we delivered double-digit growth in EPS, DPS, gross OFSG, and 8% growth in new business profit. We remained firmly focused on high quality growth in new business with high IRRs and short payback periods, the compounding effects of which are driving strong capital generation and earnings. The new business margin expanded 2 percentage points to 40% and further focus on improvements in agency performance and increasing the proportion of health and protection business within our new business mix provides us opportunities to continue to improve margins over the medium term.

Our embedded value per share ex goodwill reached $15.27 or £11.50, and our return on embedded value is 15% with scope to improve this further by two to three percentage points.

The management of our in-force book continues to improve and we are pleased that our underlying variances are back in positive territory.

This is an important milestone and reflects actions in strengthening claims management, growing revenue premiums and containing costs. These improvements will allow us to continue to invest in our business on a normal course basis while delivering sustainable positive variances as we move forward. We continue to benefit from strong persistency and in Hong Kong that is 99%.

We'll largely complete our capability investment programme in 2026 with an investment of between $300 and $350 million and we're confident of returning to positive variances north of $200 million in 2027. In short, we're pleased with our capital generation trajectory.

Gross OFSG is up 15% year-on-year and net OFSG is up 41%. We'll continue to build on this momentum as we work towards and beyond our 2027 objective year. The group's capital position remains highly robust and we have a conservative level of gearing. Our free surplus ratio as of 30th of June was 209% or 200% excluding the remaining net proceeds from the AMC IPO, consistent with the 175 to 200% range we've set out.

In January, we launched a combined 1.2 billion buyback to be completed by the end of 2026. And as Anil indicated with today's capital market actions, we add a further 0.3 billion of buyback to be completed by the year-end. We continue to expect to return a further 1.3 billion in 2027, all contributing to over seven billion of capital being returned to shareholders between 2024 and 2027.

In summary, we delivered a significant improvement in financial performance in the first half of 2026 with quality growth across our key financial KPIs.

Looking forward, we are firmly focused on delivering our 2026 guidance of double-digit growth in our KPIs and our 2027 financial objectives.

Prudential has leading positions in the highly attractive markets of Asia and Africa. We are generating attractive margins and are positioning the business to deliver double-digit performance for many years to come.

With that, I'll pass back to Patrick.

Q&A

Patrick Bowes:

Thank you, Ben and Anil, and I'll now hand over to Alex, our call operator, who will provide instructions and open the lines for questions. Please remember to give your name and organisation that you represent when asking your question, and also, please submit your questions online. In particular, if you're on a mobile phone and just for the benefit of everyone else to be able to hear properly, please do use the online service or dial into the VOIP. It's much clearer. So over to you, Alex.

Alex (Operator):

Thank you, Patrick. As a reminder, to ask a question, please press star one on your telephone keypad. You will hear a tone to confirm that you're in the queue. If you wish to withdraw your question, you may do so by pressing star two to cancel.

Thank you. Our first caller is Kailesh Mistry from Bank of America. Your line is now unmuted. Please go ahead.

Kailesh Mistry (BoA):

Hi, good afternoon. Thanks for taking my questions. It's Kailesh here. So first one predictably is on new business value in Hong Kong. Anil, thank you for your guidance of double-digit growth for 2026. Couple of things I wanted to unpick here. Could you help us better understand your base case for the second half? Should we think about the domestic growth continuing at the 20 plus level and the MCV at the level we saw at the first half? And also how much should we expect to be driven by margin versus volume? So that's the first question.

Second question is just on new business strain. Obviously sales up 3-4%, strain was 11% lower. What were the key drivers here and are they sustainable or should we still have the 11 to 12% of APE guidance in our mind? And then lastly, just on India very quickly, in terms of the asset management business, is your intention to meet the free float criteria and then stop at that point and keep your stake stable or are you thinking something else there and ditto on IPRU, should we expect all the proceeds to be used for reinvestment in the new entity or could we see some coming back to shareholders? Thank you.

Anil Wadhwani:

Thanks, Kailesh. Many questions there. So let me first start with the Hong Kong question and the margin question, and then I will pass on to Ben for the new business strain as well as the question on AMC and IPRU.

So firstly, let me just zoom out and give you a little bit of colour on our Hong Kong business. So I really like the shape of where our Hong Kong business is. As you would remember, Kailesh, coming out of COVID, we were highly skewed towards the Chinese mainland visitor business. We are now very much in balance. 50% is Chinese mainland and 50% is domestic. You are right in pointing out that domestic business did very well, grew by 22%, and it also underscores in many ways the focus that we've been employing on quality. We are very focused on driving our proprietary channels and the quality came through quite strongly with the seven percentage points improvements that we saw in our margins.

Additionally, we are a multi-channel growth engine model. You would have noted the strong performance on bancassurance and a combination of these factors are likely to continue in the second half of this year. To your specific question on CMV [Chinese Mainland Visitors], and I'll try and keep the answer short, we are not seeing any abatement in terms of the drivers of demand. We are constantly in touch with our agents as well as with our customers and the structural demand drivers for why Chinese mainland customers buy in Hong Kong, that seems to be very strong. So strong domestic margin improvement, strong bancassurance. We are working very hard on improving our agency performance, and that gives us the positive outlook for taking Hong Kong to double-digit for the full year, including upping our performance in the second half. I'm going to pause there and pass it on to Ben.

Ben Bulmer:

Okay. Thanks, Anil. Hi, Kailesh. So if I take these in order on new business strain, what you're seeing is the benefit of a slight shift in product mix. There's a bit more par in the mix, so we're more capital efficient. There's also some nuances in country mix. Look, what I think I'd steer you to going forwards is to continue to use 11-12% in terms of APE when you think about modelling strain. To your question on the free float, you've seen from today's actions as making steps towards meeting our free float requirements. Initially, I think as you'll recall, that was a 15% free float, but that then up to a 25% free float.

The proceeds, as you've seen, add to an already very healthy free surplus ratio, and of course we're not going to retain capital we don't need, so they're being returned to shareholders.

I think stepping back on the opportunity, India remains a very strategic market for the group and asset management more broadly, an important wealth enabler. Your question on IPL sell down, well, this firstly is subject to successful completion of our acquisition of Bharti. We are in discussions with the relevant parties around the timetable of reducing shareholdings. As we said in our presentation, we'll want to retain a portion of the proceeds from the sell-down, not just to fund the initial acquisition, but also to fund investment in the Prudential Bharti platform to accelerate growth. There will, however, be residual proceeds. We expect these to add once again to a very healthy free surplus ratio, and hopefully you can see by our behaviours what that's likely to mean.

Anil Wadhwani:

Just one additional point from my side, Kailesh. So we now have complementing channels of both life and health in India, and pleased to share that we have started writing our first set of policies on the health business from earlier this month. And remember, this is a joint venture where we have control with HCL and delighted with the fact that we've been able to launch our health business in a market as strategic as India.

Patrick Bowes:

Okay. Thanks, Anil.

Anil Wadhwani:

Thank you.

Patrick Bowes:

Over to the next one.

Alex (Operator):

Thank you. Our next caller is from Andrew Crean at Autonomous Research. Your line is now unmuted. Please go ahead.

Andrew Crean (Autonomous):

Good morning or good afternoon all. A couple of things. Ben, I think you said that the new business contribution to 2027's gross operating free surplus generation would move in line with new business in the '26 contribution, whereas I think it was up 42% in the first half. Just wanted to clarify there that you think that the contribution for '26 will be roughly 10%, or in line with new business profits growth.

Secondly, could you talk about MDRT active agent numbers in first half 2026 within your 55,000 total and how much they grew? And then thirdly, Ben, you talked about the ROEV being 15% and the scope to improve it by two to three points over time. Where do you see that coming from? Do you see it coming from stronger new business, from positive operating variances, or from shrinking the embedded value denominator? Thank you.

Anil Wadhwani:

Thanks for your questions, Andrew. So why don't we first go to the new business contribution to free surplus generation? Let Ben answer that. I'll have Naveen address your MDRT question and then we'll come back to the ROEV one.

Ben Bulmer:

Yeah, thanks. Hi Andrew.

Andrew Crean:

Hi.

Ben Bulmer:

So the 42% increase, hi, represents really two things. One, as you appreciate, is sort of moving on one policy year and the other is growth in the book. So another way to express that, if I think about the 2026 new business contribution to the 2027 target, there's a couple of things. One is actually the cash generation signature we're writing is very much in line with the 2025 cohort of new business. And that would've added, and you can see this in our accounts, $0.5 billion of contribution to 2027. So I would start with that as a base and then simply grow that by the growth we're putting on the book in 2026, if that makes sense. Do you want me to pick up the-

Andrew Crean:

Is that growth in new business profits or sales?

Ben Bulmer:

Profits, Andrew. Profits.

Andrew Crean:

Okay, thanks.

Anil Wadhwani:

Let's go to the MDRT and then we'll come to the ROEV question.

Naveen Tahilyani:

Okay. Thank you, Anil. Andrew, hi. Thanks for your question. Let me answer it like this. I think firstly, as we have shared in the past, we remain very focused on improving the productivity of our agency force. One aspect of which is growing our MDRT franchise. We are very proud that we are the number two MDRT franchise and we look to strengthen that position this year.

As you've seen from the numbers, our NBP per active has grown further 9% in H1 this year. And this has happened because of five initiatives which we will continue to accelerate through the second half of this year. Very briefly, I think the first one is we will continue to pivot the quality of our recruitment towards high quality schemes like PruVentures, which have scaled up already in markets of Hong Kong, Singapore, and Malaysia, and which have been relaunched and refurbished in markets of Indonesia and Philippines.

Second, we have launched for the first time this year a group-wide Pru MDRT programme, which kind of creates benefits, capability building and incentives for our MDRTs across all markets. And you will recall we had also made compensation changes early on in the year- favouring high productivity agents, which we expect to see some benefits come through in the second half of the year in particular.

Third, we have had good success with launch of affluent propositions. Our case sizes have increased by 6% in H1 this year. You would've noticed that number. And we are poised for some more affluent proposition launches in our key markets in the second half. So that'll be an additional filip .

Fourth, Ben already mentioned that we've pivoted quite strongly to health and protection, which has been a driver of our margins. And we have further initiatives to enhance health and protection in our agency channel.

And last but not the least, there's significant investment in AI and technology in the agency platform to drive productivity.

Our PruAction 1.0, which is our AI module for performance management is now live in Singapore at scale across 5,000 agents. And pleased to share that regular users have improved productivity by more than 13%.

Now on your specific question of what is the actual growth in the MDRT numbers, what I can share is the following, that MDRT is a full year phenomenon. We are at the half year stage and we will continue to focus on our MDRT initiatives as we grow forward. What I can share specifically is that the contribution of MDRT and the strong pipeline that we have on MDRT.

So I'm now in particular referring to agents who've already crossed 70% of MDRT threshold at the half year mark. The contribution of APE from this cohort and people who've already become MDRTs remains exactly what it was last year. So we are pretty much done on where we were last year and we will look to accelerate in the second half of this year. Thank you.

Ben Bulmer:

And then coming back to your ROEV question, Andrew. So the start point for that is double-digit growth in new business. We are a double-digit business. The opportunity for the additional two to three points is really twofold. One, completion of the investment in capability programme you're aware of, but also then improving variances. And I'm pleased with the progress we've made in that regard. As you will have seen, we're back to net positive underlying variances, positive underlying claims experience. What we'll now start to benefit from is scale coming through, ultimately, and greater operating leverage. And there's a slide in the appendix to my presentation showing our operating leverage ratio improving 40 bps in the period. So that's where you're going to see the uptick.

Patrick Bowes:

Okay, thank you. Back to Alex for the next question, please.

Alex (Operator):

Thank you. Our next caller is Nasib Ahmed from UBS. Your line is now unmuted. Please go ahead.

Nasib Ahmed (UBS):

Perfect, thank you. Thanks for taking my questions. There's three for me. Firstly, can I unpack the double-digit growth for the group in NBP regarding China broadly flat? I get Hong Kong's going to do double-digit, but what's kind of pulling up the rest of the business? Second, on Malaysia, I saw MDRT 2026 was up 4%. New business profit is pretty good as well. Where can you actually get any learnings from this Malaysia business and get them onto other places and geographies as well? And then finally on the short-term variances below the line, the 626 million, where does it come from? Is there anything that's actually economic versus non-economic in there? China's typically an economic move. Thank you.

Anil Wadhwani:

Thanks Nasib. So let me take the first one and I'll go to Naveen on the second and Ben on your third question.

So we are firmly focused on delivering our guidance of double-digit growth across a range of financial metrics and pretty much lining that up as we look at our objectives for 2027 as well. You're right in pointing out that we believe that we'll carry some of the positive developments in Hong Kong into the second half. We also believe that the growth will resume in China. We are taking a number of steps to firstly conform to the new expense regulations, as well as have a slew of actions in force to be able to get our product mix in balance. So that should hopefully get us to a positive growth in the second half in China. But at the end of the day, we are a multi-growth, or rather multi-market growth model.

So if you look at our Malaysia business, it did very well. Thailand had an outstanding first half. We believe that we can take the growth in Singapore from mid-single digit to high-single digit, if not early double-digit. And we are also starting to see a turnaround come through in our Vietnam business. So remember the Vietnamese business has been a negative growth for us, and it's starting to now flatten out to getting marginally positive. And we are hopeful that it will start to grow as we go through the second half of this year.

So we have a number of markets that will compliment some of the growth that we are going to see in Hong Kong, which gives us the belief that we will be able to get to our guidance for 2026.

I'm going to go to Malaysia, which had a very strong performance. Naveen, you want to tee that up?

Naveen Tahilyani:

Oh sure. Thanks Anil and Nasib. Thanks for the question on Malaysia.

So as you've seen in the numbers, Malaysia grew very strongly in the first half, led by an outstanding performance from agency in particular. And if you recall, agency we had shared last time had turned the corner in the second half of the year. Second half of last year I mean. And Malaysia is the one emerging ASEAN market where our agency transformation is the furthest in its implementation.

And to your specific question, there are three big learnings I think coming out of Malaysia which will sustain the performance of Malaysia through the next few quarters, but also help us in our other ASEAN markets.

The first one is focus on quality recruitment. We had talked about this last time as well that the PruVentures programme is at scale in Malaysia and we are seeing the incoming class of recruits actually drive productivity, which is five to six times the normal organic recruits. And increasingly the focus is to make sure that we have more and more share coming from the PruVenture recruits.

The second one is tailored proposition for the agency, largely on health and protection, but also a set of propositions addressing the HNI (High Net Worth Individual) and affluent needs in the Malaysian markets has worked really well in the first half for us. And those are learnings that we will also take forward to other markets, particularly Indonesia, Philippines, where we have launched PruVentures or refurbished it in the first part of this year. And we are looking to launch some of these protection and affluent propositions in the second half.

And third, very pleased to also share that Malaysia had very strong growth in active agents in the first half. This was 10% plus on the back of some of the ways of agency management initiatives that we have put in place. And again, those gave us learnings for some of the emerging ASEAN markets as we move forward.

So all in all, strong performance from Malaysia, sustainable growth as we see it going forward, particularly driven by agency and lots of learnings that we are already taking to other emerging ASEAN markets.

Anil Wadhwani:

Nasib, just one additional point from me. So while we remain positive about the growth prospects in Malaysia in the second half on account of all the reasons that Naveen has mentioned, do expect the growth to moderate in the second half versus the first half.

I'm going to go to Ben for your third question.

Ben Bulmer:

Yeah. Hi Nasib. So two elements really to the IFRS non-op result.

Firstly, lower rates in China that lowered the discount rate that we apply to the GMM contracts and lower spreads. And then secondly, higher rates more broadly across many of our markets. So there was a mark to market impact on bond holdings backing shareholder business, but also you then had the sort of discounting effect getting us to a lower present value of future profits on health and protection business. So arguably a lot of those movements [are] sort of discount rate related as opposed to underlying economics. What I would point out, I'm sure you've noticed actually, that we have positive unlocking in the CSM that goes some way to offsetting that minus 0.6[m]. There's 0.4 [m] positive of unlock and that's to do with better than expected long-term equity returns across a number of our markets.

Nasib Ahmed:

Perfect, thank you.

Patrick Bowes:

Alex, we'll go to the next one.

Alex (Operator):

Thank you. Our next caller is Michael Chang from CGSI. Your line is now unmuted. Please go ahead.

Michael Chang (CGSI):

Sure, thanks. I've got a few questions. I'll start with Mainland China. Started off the year very strongly, then obviously we've got some regulatory impacts that impacted 2Q and quite possibly a bit of the second half as well. I really appreciate the additional disclosure in terms of the quarterly trends for the Mainland China business, but can I just get a sense in terms of seasonality, what typically is a normal seasonality pattern within Mainland China? Because typically 1Q tends to be very strong and 4Q tends to be very weak. So I'm not really sure how to actually interpret the numbers as to how high 3Q base is and how low 4Q base is. When I talk to some of the other insurers, it's typically maybe about 30 or 35% in 2025, 25%, and then the last quarter might be about 15%. Is that fairly similar for Pru's mainland China business?

Secondly, I'll go across to Singapore. Singapore is a market whereby I think APE has been very strong, but margins have been lagging a bit. So maybe I can just get a sense for when margins start to turn around and when the agency performance will start to see a bit more of an improvement because it seems to be very much bancassurance driven at this stage. And then lastly, bancassurance has clearly ... Sorry, OFSG. OFSG's inflection point, taking a look at the growth as of the first half and likely for the full year we're looking at probably mid-high teens, which means that to meet the 2027 target, next year OFSG growth will be clearly at the high end of the inflection point over 20%. How then should we be thinking about or modelling going forward post 2027? Thanks.

Anil Wadhwani:

Hi Michael. So let me start with your first two questions and then I'll go to Ben for the free surplus generation one.

So in China, as you know, we have been very focused on driving transformation over the last three and a half years, and you saw that come through quite emphatically in our 2025 results. We carried that momentum quite strongly into 2026. You're right to point out that quarter one typically tends to be the door opener, which tends to be the biggest quarter in the year. We did see the impacts of a higher than expected par mix as well as regulatory changes in quarter two.

And as we look to the second half, we are focused on three things. One, we have a big comparator base in quarter three in China. July/August in specific were very strong months for us in 2025, so that is something that we have to deal with. From September onwards, the comparators start to ease quite significantly. So to your question, the shape of how we're going to grow in China, or how we deliver the new business profit in China is likely to be slightly different from what you probably witnessed in 2025.

In terms of your second question on Singapore, we saw growth both across agency and bancassurance on volumes. And the challenge for us was the new rules that came in with respect to co-payment. And this is where we had to adjust to the new health guidelines that the government introduced, which had a knock-on impact, as you rightly pointed out, on margins.

In Singapore, we provide the entire spectrum of products as you can imagine, and we have launched newer protection products to extend our health continuum, as well as launch innovative products to address the needs of the high net worth and the ultra high net worth customers. And that gives us the confidence that some of these shorter term challenges around the health or the changes to the health regulations, we will be able to offset that as we go through the second half of this year.

Remember, we are a household brand in Singapore, very strong on both agency as well as on account of our partnership with Standard Chartered and UOB in Singapore. I'm going to stop there. I'm going to go to Ben for the free surplus question.

Ben Bulmer:

Yeah, thanks Anil. Hi, Michael. So look, we're very pleased with our progress on the capital generation front, very confident in delivering our 2027 OFSG target of $4.4 billion. There's a slide in the appendix to my presentation that sets out the development of the free surplus ratio. I think it's useful to think in terms of those building blocks when you model OFSG going forwards beyond 2027.

Look, in short, the in-force generation, the expected transfer continues to grow strongly. I mean, as you know from our past comments, we've calibrated dividends and the additional recurring capital returns to be sustainable and allowing for those, we expect to be at the upper end of our free surplus range. So when you model that out, allow for the acceleration you referred to, to our objective of $4.4 billion. I think as I've said before, I'd continue to guide you to required capital growing early double-digit.

I mentioned the sort of rough yardstick to use for new business strain earlier on this call. Central costs will remain fairly flat, which I think then gives you all of the ingredients. Non-operating, a bit harder to give guidance on. As you know, that's the sort of market movements effects on regulatory balance sheets, some of which aren't necessarily economic in nature. And you can see from the slides that actually pre-capital returns, if you annualise it, we're generating mid double-digit growth in the free surplus ratio. So hopefully that gives you a sense.

Patrick Bowes:

Okay, thank you. Alex, next question please.

Alex (Operator):

Thank you. Our next caller is Michelle Ma from Citi. Your line is now unmuted. Please go ahead.

Michelle Ma (Citi):

Thank you for giving me this opportunity. This is Michelle Ma from Citi Research. So yeah, first congratulations on the results despite a very challenging environment, the very high base. So I have two questions. So first is on CPL. So I think 2026 is not a typical year given so many regulatory disruptions and the product mix changes. Just wonder, given the par products already account for almost 80% in the first half and it resulted in some notable margin deterioration, can we say we kind of finished the product mix change and currently we are quite satisfied with the product mix and the next year there won't be such kind of drastic margin deterioration and next year there won't be any kind of high base or one-off disruption? So that China business, we are confident to go back to the trajectory of high growth? This is my first question on margin deterioration and the sustainable level of growth for CPL.

The second question is Hong Kong. It's very interesting and we appreciate you share the result of your survey that in the next 12 months there are still 74% of CMV, they have planned to visit Hong Kong and 88% of them they are going to buy insurance products. Just wondering if there is any more you can disclose of this survey because we are seeing the H&P product is growing faster. Have they disclosed which type of product they will be more interested given the ongoing concern over the taxation over overseas insurance products? Just want to have a sense how our Hong Kong MCV product mix will going to change given you have done such a fantastic survey. Thank you.

Anil Wadhwani:

Hi Michelle. Thanks for this question. So let me start with the second one because, as you can imagine, we are in constant touch with our customers and with our agent partners and we've shared some of the slides in terms of the feedback that we are receiving. In fact, I'm happy to share, we've just received the feedback on the most recent survey that we conducted in August and the feedback is very much similar to what we have already shared on our slides, which gives us the confidence that the demand drivers as to why Chinese mainland visitors buy policies in Hong Kong pretty much remains intact.

And as I said, we will continue to stay close because there's a lot of news flow as you can imagine right now. And we are in constant touch with both our agents as well as our customers. So I'm going to stop there and I'm going to go to your CPL question on the first half, what are we doing in second half and specifically the guidance on margin.

Angel?

Angel Ng:

Sure. Thank you, Anil. Thank you for the question, Michelle. I think you rightfully pointed out that this year you are seeing two things happen in CPL. One is the regulatory change in the banca expense alignment and the other one is the pronounced shift of the product mix shift to par. So CPL, as you know, has been successfully shift in the product mix to par, coming up from a low single digit to 40% last year and first half is 76%. So that gives a bit of a margin compression that you're seeing. However, we have quickly pivoted to protection business in quarter two, especially in agency, which we are seeing quarter on quarter margin uplift already. Second half, we'll focus on protection product and optimising margin for par savings product. In August, actually many of the non-par products have been onboarded to most of our partner's bank. So you'll be expecting that full year we want to normalise our par mix to about 60%.

Back to you.

Anil Wadhwani:

And Michelle, just in terms of what you can expect from a margin perspective, we are right now working towards a full year margin in China of about 40% versus ~~43~~% [Editor’s correction: 45%] for the full year of 2025.

Patrick Bowes:

Okay, thank you. Next question please, Alex.

Alex (Operator):

Thank you. Our next caller is Farooq Hanif from JP Morgan. Your line is unmuted. Please go ahead.

Farooq Hanif (JP Morgan):

Hi, thank you very much. Three questions if I may. First one, actually just taking everything you've just said on new business, you've given quite a lot of detail on building blocks, just think it's very helpful. So thank you for that. But I just want to look big picture. So you used the words firmly confident on new business profit, double-digit growth for '26. I think in 1Q you said, sorry, firmly committed. In 1Q you used the word confident. I just want to know from you, I mean, is there any change here? I mean, do you think there's a very high probability you will deliver this or are you trying to say, "Guys, we're trying our best, but it's an uncertain environment"? I just want to understand the messaging that you're trying to give here because I think there's a big debate about that this morning.

Second question is long-term vision for India. You are replacing a really big partnership in life, but with a low share and has lost market share in India for a much bigger partnership where you'll have control and a health venture. I mean, at what point does this look greater than or equal to what you have already in your estimation, given if we assume a world where you get regulatory approval, et cetera?

And my last question very quickly for Ben is, I know there's been some changes in the IFRS profit and the CSM and investment margin. Can you just give any guidance on some of those items? I mean, you talked about CSM growth already, but just in the investment margin, any other items? Thank you very much.

Anil Wadhwani:

Thanks Farooq. So let me start with the first question on guidance. I'll go to Naveen on India and the IFRS one to Ben. So the short answer is we are not changing our 2026 guidance. And as I've said that we are firmly focused on executing against our half two goals to get to that guidance as well as firmly focused on our 2027 financial objectives.

We have to navigate a couple of things. One is the high comparator base, both in Hong Kong and in China in July and August, which materially starts to ease from September onwards. And again, we've given you a lot of colour both in terms of Hong Kong as well as in terms of the actions that we are enforcing in China to get the China trajectory back to where it needs to be.

The second is we obviously have to go through the transition on the expense guidelines in bancassurance. And again, Angel can give a little bit of colour in terms of what you can expect, both in terms of the new business launches as well as what it would do to pivoting back to a much more balanced set of product mix and the knock-on impact it would have on improvements of margin versus what we witnessed in the first half of this year.

So those are the things that we are navigating, but at no point in time we are changing our guidance to 2026 as well as our belief in the 2027 financial objectives. I'm going to stop there. I'll go to the India question to Naveen and then Ben, if you can pick up the IFRS one.

Naveen Tahilyani:

Okay. Thanks Anil. Hi Farooq. So as Anil already mentioned, Farooq, that India is a strategic pivot for us in terms of how we approach the market. And subject to regulatory approval of our life insurance transaction, we will have this very unique position in India of being the multinational insurer, which is straddling both the standalone health vertical as well as the life insurance vertical. And we also have this unique position that we'll be partnering with two exceptional corporate groups at HCL on the health insurance side and Bharthi on the life insurance side. And we believe these two platforms in partnerships with these excellent corporate groups will give us a significant opportunity to take a crack at the very large unmet protection gap on both mortality and morbidity side. So that's the long-term thesis.

Our priority in the next three to five years is really to build out a high quality profitable business. That's really what our aim is. And the elements of that are that we believe that there are significant customer segments who have unmet needs. And interestingly, they range from the missing middle in the health to the high net worth on the life side to the cross-border opportunity on health as well. So we will be very selective, but very sharp about the opportunities that we look to target from these two platforms.

Second, the big opportunity remains that we have an opportunity to build out agency in a quality manner, learning from what we have done in some of our other markets and focusing it on health and protection. The Indian market, particularly on the life side today, remains very heavily savings and ILP focused, and we will be looking to have a differentiated play there.

Third, Bharti, in particular, Bharti Life already has a bunch of bancassurance partnerships with some of the best banks in the country, and we'll be looking to scale that up in addition to leveraging the partnership that we have with Standard Chartered on both the life and the health franchise.

And last, I think within both HCL and Bharti, we have some very interesting opportunities in their ecosystem in both of these corporate groups. As an example, Bharti has 450 million customers out of which 50 million are postpaid and high value customers. India is a highly digital market. We'll be looking to innovate and invest in D2C digital AI to see how we take a crack at this opportunity and look to convert a reasonable fraction of these customers to our protection products, both on the life and health side. And I think the last point I will make on India is that it's a very large geography. We will be focused on about, in the next five years, to your question, in about 100-120 cities. We have a very disciplined geography strategy in terms of accessing revenue pools, but also balancing it with claims experience and profitability that we see and how we think about thoughtful build out of these channels.

Long story short, I think in the next five to 10 years, you should expect India to be a material franchise for us on multiple metrics. But in the next five years, we are looking to just build out elements of the business that I outlined. Thank you.

Anil Wadhwani:

Thanks, Naveen. Ben?

Ben Bulmer:

Yeah. Hi, Farooq. Thanks for your questions. So maybe it's best to refer to slide 34 in my pack and just walking up that table, obviously we were very pleased with the 17% growth in OPAT per share, which meant underlying OPAT growth of 13%. The non-controlling interest reduction was related to Malaysia of course, and that gave us a growth rate benefit, all of which got us to nine points of operating profit before tax growth. Within that, and I've sort of guided before, we'll continue to keep central costs tightly controlled. My restructuring cost guidance of coming in for the full year at just under $100 million remains. Moving up to the total segment result, the key part of which, or the largest part of which is of course insurance. We were very pleased with strong growth in the release from the CSM.

That was somewhat curtailed by a lower net investment result that I previously guided to, and that was driven by two things. One, asset de-risking in China, and two, lower surplus in our life businesses as a result of higher remittances. That effect will start to normalise somewhat on the growth rate as we progress through this year, and I'd expect a net investment result that's a couple of points higher.

Finally, then there's the progress we're making on variances, and as we accelerate into 2027, the benefits from that, plus lower investment in capabilities will come through the earnings results. So I think stepping back, given the strong structural growth in the CSM since inception of IFRS 17 to now, and now I think our CSM's about 30% higher than it was then. And what I've just mentioned on improving underlying variances, I'm very confident in the double-digit EPS growth outlook for the group on an IFRS basis.

Patrick Bowes:

Okay. Thanks, Ben.

Farooq Hanif:

Thank you.

Patrick Bowes:

Alex, I want to be respectful of people's time. We've got to shortly close down. We've got three more questions that we're going to take. Can we have a bit of rapid fire questioning and we'll do the rapid fire answering? Next one, please, Alex.

Alex (Operator):

Thank you. Our next caller is William Hawkins from KBW. Your line is now unmuted. Please go ahead.

William Hawkins (KBW):

Thanks, Patrick, for prejudicing me. First question, please. I am still trying to understand the outlook for new business growth. I'm sorry about that, but could you just pause again on the growth markets? And in the second half, should they be accelerating from the 10% that you've achieved in the first half because of the good stuff like Thailand and Vietnam that you're referring to? Or is there still a risk that they're decelerating because there's other big moving parts like Taiwan? So I'm sorry, that's quite a significant division and I'm still not quite clear about the different moving parts in that. And I would've thought longer term, the growth markets should be blowing through your double-digit targets, not kind of just making up with the double-digit target. So I'm just trying to get comfortable on that short term and long term, please.

And then secondly, and I'll just keep it at two questions. Again, you've already talked convincingly about productivity and the MDRT in the agency channel. I'm still slightly disappointed that there was a decline in the total number of active agents down to the 55,000. I'd thought that with Malaysia stabilising, we'd be back into growth in that number. So I appreciate there's improvement in quality. I'm still slightly uncertain about the quantity. So from your point of view, do you just not care because that's a very bad metric so long as you've got the other metrics working or at some point should the active agents be returning to growth? And if so, can you give me a thought process about the timeline for that please? Thank you.

Anil Wadhwani:

Thanks William. So on your question on growth markets, we believe that we have a range of markets in that segment that will continue to perform quite well as we look to the second half. So you could expect a double-digit to probably a mid-teens growth in the new business profit growth for these markets because as you rightly pointed out, there are significant markets like Taiwan. Thailand has done exceptionally well for us. Africa continues to grow very well. So you could expect, as I said, double-digit to mid-teens growth as we go through the second half.

On the whole agency piece, before I hand it over to Naveen, the focus on quality has been quite deliberate and we are pressing two levers, William. One is, as you've said, quality recruitment driving active agents, and we've launched a number of initiatives in that regard to be able to press forward, not only in developed, but also in emerging ASEAN markets. And the second is productivity. And you've seen year after year, we have shown measurable improvements on productivity. Firstly, because from a demand side, we are getting demand for high quality advice, but on the second front, we are also up tiering our propositions to emerging affluent as well as to affluent customers. I'm going to stop there. I'm going to have Naveen provide you a little bit of additional colour on productivity versus active agents.

Naveen Tahilyani:

Thanks, Anil. Under instruction from Patrick, I'll keep the answer rapid fire and focused. I think just coming to your specific question on actives, I just want to partition the problem. Firstly, on the developed markets, as you have seen from '23 to '25, we've grown our actives by 15% per annum, more than 15% per annum. H1 this year, developed markets, Hong Kong, Singapore, actives are stable because of high comparators and particular circumstances which we have talked of. So our problem in terms of decline of actives historically has been emerging ASEAN. I just wanted to partition the problem and focus it on emerging ASEAN. Within emerging ASEAN, if you look at our three biggest markets, Malaysia, Indonesia, Philippines, Malaysia, as I mentioned, has grown actives at 10%. Malaysia life has grown actives at 10% in H1 this year.

And coming to Indonesia and Philippines where our agency transformation remains very much in flight, we will look to improve actives, there is no doubt about that. It is not a metric we don't care about, just to be super clear about that. But what we care also about is the quality of these actives. And I take you back to the point that we made on the PruVenture recruits. If they are 6X the productivity of normal recruits, every one of those actives is six times a normal active. And we are actually pivoting away from this model of mass recruitment, part-time agency in Indonesia, Philippines and Malaysia to quality recruitment full-time agency. And therefore our actives will grow, but more importantly, the quality of those actives will also grow as we move forward. Thank you.

Patrick Bowes:

Great. Thank you.

William Hawkins:

Thank you very much.

Patrick Bowes:

Okay. Let's go to the next one, Alex. Time runs on.

Alex (Operator):

Thank you. Our next caller is Abid Hussain from Panmure Liberum. Your line is now unmuted. Please go ahead.

Abid Hussain (Panmure Liberum):

Oh, hello. Hi there. Thanks for taking my question. I'll try to be quick. So the first one is on the tax enforcement and the noise around that. Just wondering if you can share what proportion of the in-force business earnings or EV comes from the MCV par savings or other investment businesses, other investment business that might be exposed to that tax enforcement and whether you've seen any lapse behaviour changes in the recent weeks. That's the first one. And then the second one is just following on from the previous question on the agency.

So obviously the decline in the agency, the total 55K number, the decline is slowing, but just are you trying to build to a particular number that you're trying to get to on the 55K? It seems like you're pivoting away, so it might mean that we should see further decline. So I just want to get my head around that bit. And it's very, very quickly final question on Eastspring. It looks like there's a two bps revenue margin decline and the cost income ratio has gone up. Just wondering what's driving that and where should we expect that to end up? Thank you.

Anil Wadhwani:

Hi, Abid. So let me first answer the agency question and I'll go to the tax enforcement and the in-force point, Ben, and then Rajeev can pick up your cost to income ratio point. So on the agency, as we've said many times, we are pressing both levers. We are pressing the productivity lever as well as the quality recruitment leading up to the active agents. We would like to see the active agents start to grow, there's no question about it. And Naveen articulated some of the measures that we are enforcing specifically in the emerging ASEAN markets, moving away from a mass recruitment model to a more high quality model. The reason we are doing that, as I said, is on two counts. One is the customers are demanding high quality of advice. And the second is that we are pushing our propositions to more affluent and high net worth customers.

So absolutely we would like to grow the active agent base, but in tide and in sync with the productivity improvements over a period of time. I'm going to go to Ben for in-force and then Rajeev, if you can pick it up on the cost to income ratio on ESI (Eastspring).

Ben Bulmer:

Yeah. Hi, Abid. Thanks for the question. So in terms of our Hong Kong business, about half of the VIF relates to China mainland visitors. Of that, 55% is health and protection products actually, to give you a sense. Actually, of the remaining saving proportion, our savings products naturally have protection features embedded within them, so they're not pure savings or wealth products. No impact to lapses, persistency, retention ratios, phenomenally strong. And the majority of the payments, 95% plus for these products come from funds already made here in Hong Kong. So it's high quality, sticky business. People aren't buying these products for some sort of tax reason.

Anil Wadhwani:

Rajeev, you want to pick up the-

Rajeev Mittal:

Yeah, sure. Thanks, Anil. Yes, absolutely. Look, we had a very strong set of results in the first half, as you can see in the deck, strong inflows as well as very strong investment performance across our capabilities. The cost income ratio decline is largely due to the IPAMC sell down mechanics, and that's really what's driven the cost income ratio to increase. But overall, our business mix has been very positive, fee income ratios remain strong, and we're very pleased with the first half results.

Patrick Bowes:

Okay. Thank you, Rajeev. And last one, Alex, and then we will draw a close.

Alex (Operator):

Thank you. Yes. Then our final caller is Thomas Wang from Goldman Sachs. Your line is now unmuted. Please go ahead.

Thomas Wang (Goldman Sachs):

Thank you. Thank you for giving me this opportunity to ask the last couple questions. Maybe firstly, if I go back to mainland China, just to clarify, in the announcement, I think you said the full year '26 NBP will be similar to full year '25. So that's on the CER basis, right? So which would roughly imply second half will be somewhere around 10% growth. Is that the right interpretation there?

Anil Wadhwani:

The short answer is- Sorry, you had one more question. Go ahead. Go ahead, please.

Thomas Wang:

Yeah, sorry. And the second question is just on Hong Kong margin. So very, very good to see the margin expansion in the first half. Just wonder if you can give a little bit of colour on what's driving that, expense savings, because I don't think if it's product mix, what type of product or was this a premium term have lengthened? Just a little bit colour on that would be great. Thanks.

Anil Wadhwani:

Thanks, Thomas. So on the China question, I guess the short answer is it is on CER basis when we speak to the guidance for the full year, which is a similar range as compared to what we witnessed in full year 2025. So you're right there. On HK margins, I'm going to go to Ben to provide you some additional colour in terms of what's driving that.

Ben Bulmer:

Hi, Thomas. Two things really on the margin side. One is improved mix. We've done well on the H&P side of things in Hong Kong, both with mainland China visitors and the domestic segment actually. So that's given our margins a boost on a number of policies basis. Actually, we're 57-58% of our product is H&P, so we're pleased with that. There was also a little bit of a shift in mix in terms of some of our savings and protection products as a result of repricing. That gave us an additional boost there. So we're pleased with the margin uplift.

Patrick Bowes:

Okay. Thanks Ben and Anil. So I'm going to pass back to Anil to quickly close off the call. Thank you for listening in. He's got some closing remarks.

Anil Wadhwani:

Thanks, Patrick. And thanks everyone for these questions. We are going to be on the road very shortly, so we would be getting an opportunity to further this conversation face-to-face as well. But I do want to call out the tremendous dedication and the hard work of our people who have been driving the transformation now for almost four years. And you can start to see some of the fruits of labour coming through in our set of results.

I also wanted to take the opportunity to welcome Sir Douglas Flint, who's our new chair and has recently chaired his first board meeting. I, along with the management team, are looking forward to working with Sir Douglas and the rest of the board as we continue to deliver on our financial objectives.

Thank you very much and we will be staying in touch as we get on the road and hopefully we get an opportunity to see you in person. Thank you.

Patrick Bowes:

Thank you, Alex. You can close the call now.

Alex (Operator):

Thank you everyone for attending. You may now disconnect your lines.