Prudential plc - Update on separation of Jackson

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Transformation Update

Mike Wells

Group Chief Executive, Prudential plc

Welcome

Welcome to our call everybody today and I appreciate you doing this on short notice. Today is an update on our next phase in the transformation of Prudential plc into a pure play Asia and Africa group with obviously exciting growth opportunities. At the start of this pandemic, I said that during this uncertain period that the company would be providing more frequent updates to investors, the wider market community and all of our stakeholders. Today's communication should be seen in that context.

Key Priorities

As you will have heard me say on a number of occasions over the past year, we have two key priorities. One, to pursue at pace a fully independent Jackson and second, to ensure our investors fully benefit from the opportunities of Asia and Africa. The developments that we are announcing today support both of those priorities.

Jackson

Let us start with Jackson with three key points. First is the acceleration of our plan for a full separation of Jackson in Q2 2021. We intend to conduct a demerger whereby the majority of Jackson's shares will be distributed to existing Prudential shareholders. This will lead to the earlier creation of a separate, fully-independent Jackson than would have been possible through a minority IPO. Shareholders and various regulatory approvals will be required but the Board has determined that this is the right path to take.

Second, the appointment of Steve Kandarian. Steve will be an Independent Non-Executive Chair of Jackson's Board of Directors, and Steve is a well-regarded industry figure. He was previously CEO of MetLife and he will bring tremendous expertise and tremendous experience to Jackson.

Third, good progress is being made with other steps to complete the proposed demerger in the second quarter of this year; namely in the debt raising and the regulatory process underway. You will have also seen that from 31st December 2020 Jackson is revising the modelling for calculating reserves and capital for US statutory reporting. That is in respect to its hedge programme.

As I mentioned, our full-year audited 2020 results will be out on 3rd March when we can go into more detail, as you are used to. However, for this short call today with me are several other key members of the leadership team including Mark FitzPatrick, Nic Nicandrou, Michael Falcon and Axel André, CEO and CFO of Jackson respectively. All here to join us and answer your questions as best we can, given the environment and the processes we have underway.

Jackson

Michael Falcon

Chief Executive Officer, Jackson

Good morning to everybody. Let me start by echoing Mike's remarks that we are really proud and happy to share the news of Steve Kandarian's appointment as Jackson's Non-Executive Chair. We look forward to his official arrival effective 1st February. His appointment marks another key step on our path towards becoming an independent public company.

Actions Taken

As Mike mentioned in this morning's release, we confirm several actions we have taken to position Jackson as an independent US life insurance company and we continue to move forward. We are actively engaged with the rating agencies, with our banks and our regulators. We place a high value on those relationships. Jackson remains committed to building on our decades-long history of helping US retirement savers by offering valuable product solutions supported by excellent service and a strong balance sheet. Our expectation is that at the time of demerger Jackson will have an RBC ratio between 425% and 450% with a total financial leverage ratio of between 25% and 30%. The proceeds from debt or hybrid security issuance prior to separation will be retained by Jackson and largely held at our operating company. As we have said previously, we are committed to a strong credit rating and capitalisation and we are confident on our path forward.

Hedge Modelling under US Statutory Accounting

This morning's announcement also addresses changes Jackson is making to our hedge modelling approach under US statutory accounting, which are the standards used for US insurance regulatory reporting. At the outset, I would like to emphasise that we are not changing our approach to hedging or the manner in which we execute it. Rather we are changing how we model the anticipated future net benefits of our hedge programme under the US statutory accounting for variable annuities. We are making this modelling change to refine a simplification that we made in our modelling last year and because it has benefits on a go-forward basis, including enabling us to better track and communicate the performance of our hedge programme against objectives.

However, the change in approach will result in a one-time reduction in the level of hedging credit that Jackson will recognise under the statutory accounting regime. We estimate that reduction to be around 80 RBC points at year-end 2020. At year-end, as we have noted in the release earlier, we expect our RBC ratio to be in the range of 340% to 355%. When preliminary results are released by the Group on 3rd March we will of course provide detail on the RBC roll forward from last year, just as we always do. Again, this change does not affect our approach to hedging or the effectiveness of our hedge programme, which continues to perform well and as expected. It is a one-time change in our statutory accounting approach which we will reflect at year-end 2020. The change does not have an explicit impact on GAAP or IFRS financial reporting, nor does it change the underlying fundamental health and economics of our in-force business.

Jackson is well-positioned on our path through the planned demerger to trade as an independently-listed company. The management team at Jackson and myself are keenly focused on moving this process to completion in the second quarter and we look forward to building our business in the years to come.

Prudential Group

Mike Wells

Group Chief Executive, Prudential plc

Key Points

Trading update

Turning to the key points now for the Prudential Group, we have also given you a brief update on trading for last year and despite quite extraordinary markets and operating conditions, the businesses across the Group have proved resilient, adaptable and agile. In particular, we can confirm that the overall quarterly sales trajectory in Asia has continued to improve during the second half of 2020. We will give you the full picture when we are due to report our full year results on 3rd March.

Demerger hastens transformation

By pivoting to a demerger, we are able to complete the transformation of Pru into a business that is purely focused on our exciting growth opportunities in Africa and Asia sooner than would have been possible with the minority IPO. To spell this out, under the IPO route Prudential in all likelihood could still have been a majority owner of Jackson for some considerable time to come and a demerger means that within the next six months Prudential will be down to a very small stake in Jackson.

Well-positioned for investment opportunities

We want the new Prudential to be in the best possible position to take advantage of the full range of opportunities that we have to invest in, in terms of growth. This means having a capital structure and a leverage position which reflect our position as a growth-oriented business. We have invested heavily in Asia for many years and we have never passed on a deal we wanted because of lack of financial flexibility. That said, as we confirmed today, the new Prudential once Jackson has separated will have a pro forma debt to equity ratio somewhere in the low-30%s which is above where our pure-play operating model and our target 20-25 mid-term plans. Prudential is and will be a highly capital generative business and just through the normal course of business we would be able to get down to an appropriate level of leverage in just a year or two.

Potential equity raise

However, the pure-play Asia Prudential is, as I said, a new company and we want that new company to have the best possible start in life and with further financial flexibility to invest in growth opportunities. That is why we have said today that we are considering raising $2.5-3 billion in equity with the objective of increasing the Group's investor base in Asia. Such a transaction if executed would maintain and enhance the Group's financial flexibility in light of the breadth of opportunities to invest in for growth. The exercise will allow us to get to our medium-term leverage targets faster and to take advantage of the recovery in our Asian and African markets, build future new business value and grow our embedded value for those regions.

I am sure you will appreciate at these early stages we cannot comment on timings. We are limited in comments we can make on process and other details than what we have said in today's news release. We will be able to give you more updates in due course.

Looking Ahead

Finally, looking ahead, while the pandemic still has a long way to run and its impacts will no doubt continue to be felt in the balance of 2021, overall the quarterly sales trajectory in Asia has continued to improve during the second half of 2020 and we anticipate our operating performance for 2020 to be in line with current expectations. In particular, our teams continue to get better and better at adapting to the restrictions caused by Covid and meeting the needs of our customers. We are well-positioned for growth and today's announcement shows we are moving at pace in executing on our strategy.

Q&A

Patrick Bowes (Director of IR, Prudential plc): As you have heard we have our results due out on 3rd March and you will appreciate that we have a number of legal and regulatory limitations in providing details over and above what we have announced today. Following those results there will be a number of documents for the proposed demerger. In respect of the listing of Jackson in the US, this will be what is called a Form 10 and for the Group a UK Circular to Prudential shareholders. There will be much more information in due course. On that basis, please bear in mind when asking your questions today for the next 45 minutes or so.

Andrew Crean (Autonomous Research): Good morning all. I have got three questions. Firstly, can you comment at all on headquarters costs now that you are demerging and getting a clean break from the US business, as to whether you will keep both London and Hong Kong and whether there are any further cuts there?

Secondly, you talk about the debt in the Pru group but could you talk about the LCSM, which was 334% at the half-year, what it looks like on a pro forma basis. I think you said that the group-wide supervision ratio would be roughly in line, so if you could talk a bit more on that. Then thirdly you talked a lot about management teams in Jackson. What are the management plans for the existing business?

Mike Wells: Andrew, thank you, good morning. Mark FitzPatrick, can I ask you to comment on the headquarters and the LCSM? I guess a general comment, Andrew, on the management team, we have been working, I would say on an evolving model for getting to the cost targets we discussed and also to improve the speed at which we make decisions in Asia. We have made a number of structural changes last year in our management model, specifically who reports to Nic and treating the more mature businesses both in expectation and in line of communication differently than our developing markets. Nic, why do you not spend a couple of minutes after explaining the objectives of that workstream and how that is working, since you have got a little bit of history with that?

Mark FitzPatrick (CFO and COO, Prudential plc): Andrew, good morning to you. In terms of the run rate central costs, if you recall we previously committed to a reduction of $180 million saving by FY21, which we said at the half-year we are on track on and I will be able to update you more on that on 3rd March. We also indicated at the half-year a further $70 million of saving through right-sizing the head office costs given the expected evolution of the footprint of the business. We are still on track for that and we are still looking at that. That is the $0.25 billion of headquarter costs that we are looking to reduce and well on our way to doing that.

In terms of LCSM, you are quite right the half-year group LCSM number was 334%. The RBC changes that have been announced today and in isolation are equivalent to in the ballpark of about a 15-20 percentage point reduction in group LCSM shareholder position. We will announce full details of the year-end capital position alongside the results in early March but that hopefully gives you a sense of the overall scale that we are talking about. Thank you.

Nic Nicandrou (Chief Executive, Prudential Corporation Asia): Hello Andrew. About a year ago we made a number of changes to the management architecture at PCA. I was Chairman of the China business from day one. No change there. But the other four big businesses of Hong Kong, Singapore, Malaysia, Indonesia, Eastspring, their CEOs report directly to me. All the other more developing markets were grouped together and have since been led by Wilf Blackburn, who you would have met at the Singapore Investor Day. As I said, that has been in place for a year and designed to accelerate and speed up the decision making of the larger businesses, ensuring that the other developing businesses have more full-time oversight and support.

Actually, this structure has helped us respond with considerable agility and helped us accelerate many of the new capabilities that we have added in the course of last year in the face of the pandemic and roll them out much more effectively and faster. The interaction with London has not changed. I have always participated in the Executive Committee. I participate at the Board, so the focus and the support that I get has remained unchanged. It is very much appreciated.

Mike Wells: In general, the consolidation of the support functions has been going on for the same time period. So, HR, Risk, Compliance are now all based in Hong Kong for the Group. The teams are working together between London and One IFC, our Hong Kong facility in single teams. There is no longer a regional office concept. There is a single operating model. We have been getting a lot of those efficiencies you asked about on the cost side by just consolidating teams and getting them to work. It gives us an advantage on the clock and it also talents in key markets. We are very pleased with the way it is going so far.

Andrew Crean: Great, thank you.

Jon Hocking (Morgan Stanley): Morning everybody, I have got three questions, please. First, in terms of the indicative capital raise of $2.5-3 billion, is that purely for deleveraging and for expandatory capex in Asia or is there some underlying strengthening of the new Hong Kong group ratio in that number?

The second question, in terms of the deleveraging, you are talking about 20-25% in the medium-term in terms of leverage ratio? I am assuming that is including some book value growth. Can you put a dollar number please on the 2021 deleveraging in terms of what that might be?

Then finally on Jackson, in terms of the 80 points RBC reduction from the modelling change on the statutory basis, does that suggest that there is going to be an increased level of statutory capital generation going forward in RBC points, given you have taken a hit upfront? Thank you.

Mike Wells: Thanks, Jon, good morning. I think I am going to have Mark handle the first two and then Michael Falcon, if you would join us for the third one. Jon, directionally as you know we have got some more expensive debt that we would like to retire. The first call on the capital; but Mark, do you want to go through the detailed bit as we can in this environment?

Mark FitzPatrick: Jon, hi, good morning to you. The potential equity raise that we are considering would in essence help us to accelerate the intended deleveraging and also enhance the financial flexibility for the growth strategy that we talk about in Asia. We have about $2.25 billion worth of relatively expensive debt that is either past first call or due to pass first call in July ~~the next quarter~~ [editors correction to July]. Redeeming that would increase our financial flexibility and put us towards the lower part of that 20-25% range as a medium-term range that we speak about in the announcement today. That I think is a key element in terms of that piece and hopefully that gives you a sense in terms of how we are looking at the potential raise and how we are looking to use the potential raise. The potential saving if we were to go down to the $2.25 billion on interest costs would be about $125 million per annum.

Michael Falcon: Jon, hello, thanks for the question. The impact of the modelling change in terms of the credit we receive in the capital calculation under stat, does not impact either the installed book or go-forward business in terms of capital generation from the business. There is no impact on the underlying economics of the health of our book, which we are obviously pleased with.

Jon Hocking: Okay, thank you.

Larissa Van Deventer (Barclays Capital): Good morning, two quick questions from my side, please, the first one leading into the second. If you could please comment. You mentioned the continued acceleration and growth in Asia as a recovery of the first lockdown. Could you give us a sense of what is happening under the current Covid situations and also on the reopening of the border between Hong Kong and mainland China?

In relation to that you talk about the deleveraging but you also speak of growth opportunities. Could you give us a sense of where in Asia you would look to invest if you were to do the potential capital raise?

Mike Wells: Nic, I think you are best positioned given you are there. Why do you not comment on the three? They blend into an update on the feeling on the ground and a status update on the borders and where you see opportunity.

Nic Nicandrou: Okay. Good morning, Larissa. Again, within the confines of what we can say at this stage and mindful that we will give you a full trading update at the prelims, what can I say in response to your question? The first thing is despite, if you like, ongoing disruptions which are varied in both severity and duration in different markets, the business has successfully deployed not only its existing strengths but also its new digital and physical capabilities, many of which we talked about at the interims, to achieve what I would characterise as a strong rebound in Q3 and a good sequential progress in Q4.

When I am talking about what are the capabilities, what do I mean, I mean capabilities such as establishing virtual sales. We said at the interims that they accounted for 37% of all agency sales in Q2 and that percentage remains meaningful in the third and fourth quarters, not only for agency but also for the bank channel. I also mean capabilities such as the Pulse-led customer engagement and acquisition, where we have doubled the number of downloads from the 8 million we announced in August. At the same time, we have broadened our digital offering and accelerated the sales to Pulse subscribers from referrals to agents. I also mean capabilities such as the launching of very many new health and protection products. We are now offering simpler, standalone cover at lower price points which has enabled us to tap into the much-increased demand which has been driven by the backdrop into these products. As a result of this, the trend that we reported at the half-year of seven businesses growing the health and protection mix, continued in the second half.

And finally, I mean capabilities such as those that come from stepping up our agent recruitment. We stepped up our recruitment in the first half. We said at the time it was up 7% and after that it’s a tailwind in the second half, as did the expansion of our reach in the first half to 19,000 bank branches in that channel following the addition of new partnerships. So, if I can stop there on that as a teaser for now, as I said more colour on 3rd March.

In relation to your question on the Covid situation, some markets are the same, some markets have improved, and some markets have deteriorated. Maybe a bit more colour. Countries such as Philippines and Indonesia have never had Covid under control, so we've had to live with that pretty much throughout the year since March and that continues, there is no change there. In places such as Malaysia, Hong Kong and Thailand, we've seen some deterioration at the back end of the year or indeed some imposition of additional restrictions early in this year. Places like China, Taiwan and Vietnam, where we saw a return to normality after the first quarter, that normality pretty much continued and remains the case. The one place where we've seen an improvement is in Singapore, where from the beginning of January, there's been a lifting of some of the restrictions.

Now, all that said, and to Mike's earlier comment, we now have many more tools, much more experience and better know-how on how to face into all this type of backdrop. Currently our approach and mindset is to pretty much go for growth irrespective.

As to the question of where there are opportunities to grow, I mean the answer is everywhere. The markets remain under-penetrated, the current backdrop has increased and reinforced in people's minds the importance of protecting themselves and indeed having enough protection. There are investments that we're making in both our physical route to market, whether it's agency or bank, the investment that we're making in our digital routes to market through Pulse, the investment that we're making in automating and streamlining our servicing. And there are one or two gaps that we have in one or two markets. We've talked historically about expanding our access and our presence in the bank channels in Indonesia that we're looking to plug at the earliest available opportunity.

So, there's no shortage of opportunities, no shortage of new product type areas to invest in, whether it's retirement or protection, and really the enhanced financial flexibility that the capital raise will bring lends further support to our growth ambitions as we go forward.

Larissa Van Deventer: Is it fair to assume the protection products are relatively low capital in their requirement?

Nic Nicandrou: Are they low capital? It depends whether they're whole of life, or whether they're term.

Larissa Van Deventer: No, pure protection. Because you mentioned that is what you're focussing on writing at the moment. But those are relatively capital-light investments?

Nic Nicandrou: We're focussing on addressing all the needs, and saving needs and health and protection needs are abundant. The backdrop has increased, the demand for health and protection. Health and protection is not capital light, not as capital light as linked or with-profits business, in fact, because we have to put risk capital behind to protect against a claim.

Under new regimes, RBC regimes, which is what we're evolving to in many of our markets, where we can take credits for future premiums, those regimes make this business more attractive from a capital perspective.

Larissa Van Deventer: Thank you.

Mike Wells: So again, I know we've got a few new people on the phone, but that focus is on recurring premium health and protection business. And again, we have multiple channels for taking that to market; bank, digital and our successful agency force. And from a range of capital intensity, Nic sort of went through that, we have Par which is very efficient, unit linked very efficient. Some of these products have more traditional capital strain but they also have very attractive payback and return-on-equity metrics. Thank you for your questions.

Larissa Van Deventer: You're welcome.

Farooq Hanif (Credit Suisse): Hi everybody, thanks for the opportunity. First question is on ambitions for liquidity in Hong Kong. You've implied that you're going to raise as much as possible in Hong Kong. Do you think this will be enough and what are your plans going forward to further increase that?

Second question, forgive me if you've said this already, taking the half year, what would your LCSM be excluding Jackson RBC ratio in that ratio? Just to get a sense of that.

And then last question is, what is your thinking process behind retaining the 20% in JNL and how are you going to think about allocating the value to those JNL shares in the group? Just qualitatively, if you can help us with that. Thank you.

Mike Wells: So again, we're subject to regulatory comments and approvals we can't say, but our intent would be to speak to 20% as an investment with the flexibility to sell down opportunistically but also because we see value in the company for the shareholders as far as Jackson.

The capital raise that we have proposed, the size to what we think we need, there is not a plan for access or we would have disclosed that, but I'll let Mark give a little more colour on that, and LCSM.

Mark FitzPatrick: Thanks. So in terms of the half year LCSM number, we indicated that the RBC change that we announced today would have an impact on about 15 to 20 percentage points in the group LCSM position. So pro forma for the separation of Jackson, we estimate the LCSM would be in the 300s, but it's not a constraint, it's not a constraining factor at all.

Farooq Hanif: And, sorry, just to come back on the liquidity longer term. Do you think it's a concern that you need to address to sort of rebalance some of that liquidity towards Hong Kong going forward, and how much do you think you would have to do that? Is that going to be an area of potential significant news flow going forward? Thank you.

Mike Wells: No, I think we said all along in that, that we started this journey that alignment of regulatory some of our future opportunities, our capital base, needed to be accomplished. Doing that there's obviously tremendous demand from investors in that part of the market, interest in the company, and we think that there's a chance to tap into that. There's also – I think it's good for all our shareholders regardless of where they're sitting.

And then the other pieces, we continue to move towards embedded value being a better metric to measure the recurring cashflow we were just talking about in the last question, and that tends to be the lens of investors in that market. And I think the other on that's not trivial, is that assuming we pursue a successful Hong Kong equity listing, and I caveat this for all the various regulatory requirements we have to step through here on this call today, but it also is supportive of extending our retail brand even further, because there is a retail element in that market place.

So, I think there's a number of benefits for us in that market place. But again, the sizing was based on what we think is current efficiency of capital, reducing expensive debt, giving us a little bit of headroom and getting to targets that we think produce the highest returns for our shareholders. We think it would be an appropriate enough, period, it's not an implication that there's more to come. Does that answer your question?

Farooq Hanif: Thank you very much.

Mike Wells: Thank you.

Blair Stewart (Bank of America): Thanks, good morning, good evening to Nic. Three questions from me. Firstly, just on Jackson and the change to the stat capital modelling, that's obviously having a very significant cascading impact which leads to an equity raise, which is unpleasant for the market. So, I'm just wondering why that change now? Was the modelling not compliant with the requirements in the past? So just to try and get an idea what's changed in your own thinking. And also why, if you are effectively putting more capital in or receiving less capital credit, same thing, why does that not have an impact on future statutory profits or capital?

My second question is the IPO versus demerger route. I'm just intrigued as to why you've abandoned the IPO route, given that market conditions are probably better if anything than they were when you first announced it? And obviously the timing of selling down in an IPO would not have been a surprise to you back then. So, what's changed in your thinking and what feedback have you had from investors on appetite for a demerger and what will you do to combat flowback by way of investor education etc in the US?

And thirdly, and I suspect this will be a short answer, but is there anything you can say on Jackson National strategy going forward with a new chair in place? Thank you.

Mike Wells: Good morning, it's Mike. I think I can get a couple of those. Michael Falcon, the capital model, the first piece I'm going to let you answer. On the IPO versus demerger, Blair, what changed, I think, is the continued volatility in markets, the timing. You asked about investor feedback; we got a tremendous amount of feedback from our investors across the board. The highest way to generate our shareholder value was execution certainty, and timing. So, if you look at today is a perfect example, I agree with you, two weeks ago you'd have said equity markets are up, rates are up, you're bringing an IPO, it's a wonderful day. You do it today and it would have been a difficult day. The demerger has a fraction of the market sensitivity, market hurdles to clear. It's quicker, we're out quicker, they're independent quicker, which gives them – their own trading characteristics are better.

On flowback and managing the creation of a new investor base, there's already a – I'm going to be very careful here what I say because again they are in filings – but obviously the normal processes for a company doing these sorts of things would be roadshows and meeting with institutional investors that buy these shares in North America. And we're well aware of the playbook for companies in that sense.

And then the other comment on leverage. So, you can see, from a rating point of view and from a capital generation point of view, we don't need to do a capital raise. We're doing this because we think it accelerates the shape and the ability to address opportunities, the ability to pay down that expensive debt faster. We can do this organically but we just think it positions the firm more competitively quicker. So, there is no need to do a capital raise in the sense of rating pressure and things post-Jackson. I would separate those two events.

Michael, you want to talk about capital modelling?

Michael Falcon: Blair, good to hear your voice, just not see your face. One day we'll all be together again in person. So, your first question relative to Jackson, why now and why doesn't it have an ongoing impact. So, the change in statutory capital modelling is not related to the underlying economics of our business. It's related to the computational model by which we get credit for the hedge programming capital, and that component changed with the VM21 regime that we adopted early last year. In the course of that, we made a simplifying assumption, as everybody does in models, and in reviewing that this year, and as part of the process and preparation for Jackson on the path to public, we found that one of those assumptions was inconsistent with what the intent of it was. And so, we've corrected that and adjusted it and it's a one-time change.

So, I would think of it as a rationing, a recalibration of the sort of thermometer where that is. And that's the answer of why it doesn't have an impact in terms of capital on the go-forward basis. Not like we're taking something upfront from the future and bringing it now and so the future flows are different. This doesn't affect the economic value generation. And as you know all too well, there are gaps in how economics of VA would perform relative to the statutory construct around the VA.

Blair Stewart: Can I just ask there, Michael, sorry to interrupt, but does that mean that you hold more statutory capital? Is that the impact of the change?

Michael Falcon: No, it means that the capital level raises to get to a similar level of RBC, if you will. It's an adjustment to the credit that we received in the computation.

Blair Stewart: Okay, so my read of that is that you hold more stat capital, which I would assume, given you've talked about the inefficiencies of having a low capital requirement and low stat capital in the past, that there would be efficiencies of having more stat capital. But we can maybe defer to that, but that's why I'm slightly surprised that having more capital doesn't generate more efficiencies going forward, given you've talked about the inefficiencies in the past.

Michael Falcon: From the standpoint of capital going up, you do have changes in terms of macro, hedge overlay and other things like that, but that's not the focus of the change. You know, there's changes in the underlying required capital too, that increase. So, it's not – we can follow up later, but it's not accretive or diminutive in terms of go-forward position.

Blair Stewart: Thank you.

Michael Falcon: On the strategy, some of that we'll have to wait for the Form 10, because I'm going to defer into the normal process around this going forward. But suffice it to say we remain committed to the US retirement market and we see that as large, dynamic and growing, and we're going to be very, very excited to attack that market as an independent company.

Blair Stewart: Thank you.

Mike Wells: Thanks Blair. Patrick, how are we on time? Can we take one more? I know we committed to get you off a quarter after, I'm just conscious that we have one more in the queue.

Dominic O'Mahony (Exane BNP Paribas): Hi folks, thank you for taking our questions. I have two. Most of my questions on the US, I think, have already been answered, thank you for the clear answers. Can I ask one small clarification? So, the 80 points of RBC ratio you've pointed to, can you give us a split of the effect from requirement versus capital, or at least just qualitatively an indication of that?

And then secondly, just turning to Asia, Nic, you were very clear about going for growth despite the Covid effects. I wanted to ask you about Hong Kong. Clearly there is a feature there which is that mainland Chinese have to be there physically to buy new products, and that's an important part of your business. Can you tell us what the state of the agency force is in Hong Kong? Have you been growing it, have you had any attrition of agents, seeing as there isn't much business from the mainlanders and so they're stepping away? Can you give us some update on that please? Thank you.

Mike Wells: Yes, and I apologise, I realise we did not answer Larissa's question earlier on the border is not open between China and Hong Kong, to make sure we're clear on that. Nic, why don't you go first – I'm sorry, Michael why don't you go first on the US piece? And then Nic, let's go to Asia, Hong Kong.

Michael Falcon: Yes, so on the components of the 80-point drop, the answer is we will give them just as we always do in the roll-forward of RBC at the full-year results. We'll break out the impacts relative to both capital and required capital in the context of the way we present that usually. But no additional information now, other than the estimated range of where we're going to be, where we expect to be at separation and the impact of the change.

Mike Wells: Nic, Hong Kong, what's the agency force?

Nic Nicandrou: Thank you, Mike, and apologies, no you're right, I didn't answer Larissa's question in relation to that. As you said, the border remains closed. So, has there been any attrition? No. The agency count is actually up in Hong Kong overall. Clearly, we've retained the agents that are registered with us, whether they are focussed exclusively on mainland China or not. We saw a lot of the agents that did the majority of their business with mainland China customers, we saw a lot of those pivot into the domestic market and we've been able to feed them leads from the half a million or so downloads that we had on Pulse from domestic customers in Hong Kong. So, as I said, they've pivoted their focus into domestic and to support the building of a customer base, we've used the tools that came with the Pulse investment that we made across the region including Hong Kong.

Dominic O'Mahony: Very helpful, thank you.

Patrick Bowes: Mike, we're probably out of time now. So if you want to go to closing remarks.

Mike Wells: I can do that now. Dominic, thanks for your question. Obviously, we need to close the call now. So, I just want to thank everybody for your attention today in joining us on short notice. Obviously, we look forward to spending some more time and give you a much more granular look at the beginning of March in terms of your questions and the key successes that we're seeing in the company. I hope everybody stays safe. And again, thank you for your time and have a good day.

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