Prudential PLC Half Year 2025 Results Analyst and Investor Call

Wednesday, 27th August 2025

Introduction

Patrick Bowes

Chief of Investor Relations, Prudential PLC

Good afternoon and good morning to everyone. Welcome to Prudential PLC's Half Year 2025 Results Analyst and Investor Call. Before I turn the call over to Anil, our CEO, and Ben, our CFO, a couple of housekeeping points. A recording of today's call will be available from Tuesday next week, and our full results package is available on our website. Anil and Ben will start the call with opening remarks followed by a Q&A, as you have just heard.

And just a quick word on recent developments we have shared with the market already regarding the potential listing of our shares in ICICI Prudential Asset Management Company. We published the draft prospectus on the 9th July. However, we remain under a number of restrictions as to what we can say about this, given the next stage of the process is to undergo a series of regulatory reviews. We will provide you with further updates in due course.

With that, let me pass over to Anil, our CEO, to start us off. Anil.

Business Review and Update

Anil Wadhwani

CEO, Prudential PLC

Thank you Patrick. Good morning, good afternoon and good evening, everyone. Thank you for joining us today for our 2025 first half results and capital management update. I am very pleased with our financial performance in the first half of 2025, during which we delivered both high-quality growth and enhanced shareholder returns. We achieved double-digit growth across our key financial metrics in line with the guidance we gave earlier in the year. We have reached an inflection point in our operating free surplus generation, enabling us to update our capital management programme and increase shareholder returns. This demonstrates the strength of our business model and its ability to generate sustainable cash returns.

New business profit and adjusted operating profit per share both grew 12%. Gross operating free surplus generation grew 14%, and dividends per share increased 13%. These results reflect strong momentum across our core markets, the sharpness of our execution, and our relentless focus on writing high-quality new business, effectively managing in-force and improving our variances.

I am also very pleased that we have now settled the dividend claim in Malaysia. Having reached the inflection point in our capital generation and reflecting our confidence in the future, we have announced today a capital management update alongside an enhanced capital allocation framework. Including the completion by the end of this year of our existing share repurchase programme, we expect to return, in total, more than $5 billion to shareholders between 2024 and 2027. Any initial net proceeds from the potential IPO of the Asset Management business in India will be in addition to this. Ben will cover our capital management update in more detail.

We are now halfway through our strategic transformation launched in August 2023 and are making good progress across our key priorities. We continue to invest to accelerate value creation across our markets, actively pursuing structural growth opportunities as well as addressing areas that need improvement. We have invested $400 million in targeted initiatives, including modernising our technology, processes, and capabilities. Through these investments, we are accelerating our platform improvements, enhancing customer engagement, and driving operational effectiveness at scale. They are underpinned by an increased focus on the use of data, predictive analytics and AI across the business. We are investing to make Prudential a stronger, future-ready business.

While the macro environment remains volatile, we are very well positioned, given our multi-channel and our multi-market franchise. This is demonstrated by our broad-based new business profit growth, including 16% growth in our Hong Kong market and 34% growth in Indonesia. We have clear plans to continue to strengthen our performance, including in distribution and addressing areas of underperformance.

Our multi-channel distribution model is one of our greatest strengths, and we have a good balance between agency and bancassurance. Agency is our primary distribution channel, and we have one of the largest forces in the Asian insurance industry. We see significant value in further strengthening it. Our agency strategy focuses on driving high-quality, profitable growth through quality recruitment, career progression towards MDRT and digital capabilities that boost both productivity and activation. Further developing our agency capabilities and accelerating our performance is a top priority for us, and we are activating bespoke change management programmes in our markets.

In bancassurance, the continued focus on strategic relationships and training has underpinned our strong performance, with 14 markets delivering double-digit growth in new business profit. We have also recently successfully activated a new partnership with Bank Syariah Indonesia. We are also building on the foundation of our health transformation efforts to further accelerate growth in health and protection sales. These efforts will be instrumental in unlocking the next phase of sustainable, high-quality growth.

Reflecting on our strategic progress and investments in the growth drivers of our business, we are confident we will carry the momentum in the second half and beyond. This keeps us firmly on track to achieve our 2027 financial objectives.

Today, I am delighted to be joined on the call by the leadership team responsible for our businesses and would now like to hand it over to Ben Bulmer, our CFO, to walk through the financial highlights. Ben.

Financial Highlights

Ben Bulmer

CFO, Prudential PLC

Thanks, Anil, and hello everyone. And our first half 2025 financial performance reflects a positive start to the year as we continue to focus on accelerating growth in value and capital generation in line with our strategy. We delivered double-digit growth across our primary financial KPIs, we are on track for our 2025 guidance, and we remain confident in achieving our 2027 financial objectives.

Growth in our in-force profit and the ongoing capital return improved our return on embedded value to 15%, and there is more to come. Net of the dividend payment, embedded value per share, excluding goodwill at the end of the period was $13.24, equivalent to £9.66. We have reached the inflection point in our capital generation trajectory, with gross operating free surplus generation, or OFSG, up 14% year-on-year, whilst our net OFSG is up 20%. As we indicated in March, we have updated our capital allocation framework, reflecting both our strong capitalisation and our confidence in the strategic progress we are making, which is driving improved organic capital generation.

Let me spend a couple of moments on our capital management update. Our enhanced capital allocation framework reflects a move to a total return orientation in respect of the distribution of our holding company free cash flow. We have updated our guidance for ordinary dividend per share growth rates and announced that from 2026, shareholders will also benefit from additional capital returns. This framework is intended to set a recurring and sustainable basis for returns going forward. In terms of ordinary dividends, our policy is unchanged. We have given guidance of greater than 10% dividend per share growth each year from 2025 to 2027, building on the 13% dividend per share growth in 2024. We will commence additional recurring capital returns in 2026, and we expect a buyback of $500 million in 2026 and a further return of $600 million in 2027. And as we previously said, capital above our established 175 to 200% operating range will be assessed regularly. And if deemed excess, then capital will be returned to shareholders.

Lastly, we expect to complete our current $2 billion share buyback by the end of this year. Overall, this means we are planning to return to shareholders over $5 billion between 2024 and 2027, and this is before assuming any initial net proceeds of the proposed IPO of India asset management business.

In terms of financial performance in the period, we remain focused on writing quality new business with strong underlying capital generation. Our product IRRs remain above 25%, and our shareholder payback periods are less than four years. The $1.3 billion in new business profit added over the period, up 12%, reflects our continued focus on quality, driven by our actions to reprice products and improve mix. The NBP margin expanded two percentage points to 38% compared with the first half of last year. As a result, the addition to 2027 capital emergence from first half 2025 new business increased by 27% year-on-year, much faster than APE growth during the same period. Management of our in-force book continues to improve, with variances between actual and expected cash flows before investing in capabilities continuing to meaningfully reduce. Underlying this improvement are a range of ongoing actions, including repricing, enhanced claims management, cost containment, and the benefits of a return to higher margin new business growth. We expect our core operating variances to return to our historic positive levels in 2027.

In summary, as a result of the financial performance and execution to date of our strategy, we remain confident in achieving our 2027 financial objectives. With that, I will pass back to Patrick to open the Q&A.

Q&A

Michael Chang (CGSI): Thanks a lot. And thanks for giving me the opportunity to ask the first question. Let me say congrats on a very solid set of results. I primarily have two questions. The first question relates to the agency business. I really like the chart on page ten of the slide pack because it gave an idea in terms of areas of strength as well as areas of improvement. And areas of improvement, typically means that you do have plans for improving those areas. So if I can just focus on maybe the two major markets, say, Mainland China, areas for improvement, what is the outlook on that front? Because I think it was flagged in the results release that there are a number of regulatory changes which are occurring right now. But then, it was also flagged that in terms of agent numbers, agent growth was actually quite strong in terms of new agency recruits, up 45%. So maybe you could elaborate a bit more on the Mainland China business.

And then in terms of areas of strength, Hong Kong clearly stands out. Agency new business value growth is very solid. And in terms of agency recruitment, it has been strong for a number of years. So maybe you can shed some light on the profile of these recruits and how sustainable is the strong agent growth?

Then my second question would relate to capital management. So capital management, Ben, I appreciate that the detail given on the capital management framework, the buyback amount for 2026 and 2027, but maybe you can shed some light on how these amounts are determined because investors, they do focus on sustainability. They actually might like to understand if you were to project going forward, because the free surplus generation, the value of in-force monetisation, that is all disclosed. How should we think about the framework for future buybacks? Is it something like one of your peers, whereby 75% of net OFSG or other considerations? And maybe also related to that, on page six, insofar that there is a chart on the total capital returns in 2026 and 2027. Does that mean that the Indian AMC IPO, should it go ahead, the capital will be returned over two years? Thanks a lot.

Anil Wadhwani: Thanks, Michael. Let me start with the agency question, and I will then flip it to Ben to answer the capital management one. Firstly, at a high level, we, as you know, have a significantly strong balance between agency and bancassurance. And within that, we clearly understand that agency is an area of key focus for us, given the fact that it continues to be our primary acquisition channel, contributing to 55% of new business profit.

Specifically to your question on Mainland China, we have a change management programme that we have instituted in China. You rightly pointed out that our new recruits are up 45%, very much in line with the focus that we have employed on quality recruitment. And we have launched our PRUVenture programme, which is our flagship quality recruitment programme in China. I think we are starting to now see some early evidence of that change management programme come through with our active agents, up 6%. And I believe, based on the measures that we are putting in, the agency channel in China will start to complement the strong bancassurance performance that we continue to see in China mainland. And that is on account of our strong relationships both with CITIC Bank as well as with Standard Chartered.

With respect to regulatory changes, and again, this is very much in line with what we had expected, I think the regulatory changes are very much focused on ensuring greater retention of agents, ensuring that the agents have a decent source of income, which is spread over a period of time. And again, this is pretty much in sync with what we are trying to do, which is drive quality, resulting into greater activation and greater productivity.

In terms of your Hong Kong question on agency, very pleased, by the way, firstly, with the Hong Kong performance. I like the shape of our Hong Kong performance, a good balance between agency and bancassurance, good balance between domestic and MCV. And if you remember, when I got into my role two and a half years back, I had flagged off that we would like to strengthen our performance in domestic to complement our MCV, and towards that, our active agents are up 11%. Our productivity NBP per active agent is up 4%, and our recruitment continues to be on track to deliver greater than 4,000 new recruits in 2025. Very much like the shape of our Hong Kong business and the measures that we are taking, and we remain highly confident that we will carry the trajectory that we set for ourselves in first half into the second.

I am now going to flip it to Ben for the capital management question.

Ben Bulmer: Yes, thanks, Anil, and hi, Michael. In terms of capital management, the update reflects our confidence in our business model. Really, the strength of our balance sheet and also the progress we have made in our strategy means we have reached the capital inflection point. That has enabled us to then pivot to a total return proposition. As I mentioned in my opening remarks, that is funded by sustained annual net capital generation. And you need to remember to apply the 70% remittance to the holding company. There are [editor's change] a few slides in my deck, Michael, that set out the building blocks to enable you to project that, but to keep things simple, we have given numerical guidance to the end of 2027. I think the important point is we have provided a durable framework. Sustainability has been very important to us when thinking about this. We are a double-digit growth company, not just in value, but also in the conversion of that value to cash and capital generation. So we expect growing capital generation.

The Board will regularly review the quantum and form of the additional returns to ensure that is in the best interests of all of our shareholders. And as we have said, they will additionally review any residual capital over and above that 200% free surplus ratio. And if that is deemed excess, that too will be returned to shareholders.

I think I missed Michael's third question, India AMC returns. Michael, as you heard at the top of the call, we are under regulatory restrictions as to what we can say about the timing and quantum of those returns. You are right, they have been included on our slides. You should take that as indicative.

Larissa van Deventer (Barclays): Thank you very much. And good morning. Two quick questions from my side, please. The first one on outlook and the second one on margin, which relates to the outlook. You said that you have reached an inflection point in capital generation, which gives you confidence in your ability to generate sustainable cash returns. What is the key driver of that confidence? And then also, what are the main risks to not reaching your 2027 objectives? Related to that, your margin expanded by 2.3 percentage points, but it is still over 19 percentage points lower than that of one of your key competitors, recognising that the geographical distribution would impact the margin. But how much scope of margin improvement do you consider possible that would be derived from scale benefits, product mix, cost cutting, and the like, please? Thank you.

Anil Wadhwani: Thanks, Larissa. Let me take the first question on outlook, and then I will flip it to Ben for the margin question. As I mentioned in my opening comments that we remain highly confident to carry the trajectory of the first half into the second. And the results that we were able to deliver in first half underscores the strength of our business model, double digit, pretty much across all the metrics. Our results obviously are driven by the relentless focus that we are employing on writing quality business, as well as the focus on converting that quality business to cash. And we like the balance between bancassurance and agency. I did mention earlier that bancassurance continues to perform quite well. I am not satisfied on agency performance in a few of our markets. Hong Kong, Singapore, Indonesia stable to growing on agency, but I think we have a potential in markets like Malaysia and Vietnam, where industry related challenges are not only impacting Prudential, they are [editor's change] it is impacting the whole sector. And we have a very clear line of sight in terms of actions to be able to change the momentum in these couple of markets.

I have already spoken to the opportunity in China. And again, we have a specific change management programme on agency in China that, again, I am confident will start to show some demonstrable results. And again, a combination of this plus the investments, Larissa, that we are making in the growth drivers of our business, be it expansion of our distribution. Just to give you one example there, we are yet to fully activate the Bank Syariah Indonesia partnership. That is a significant partnership for us in a critical market. And we are just getting started there, focusing on customer experience, growing our health and protection business. And that gives us the confidence that not only will we be able to deliver the 2025 guidance, but it firmly keeps us on track to delivering the 2027 objectives, both on new business profit and on cash. Ben.

Ben Bulmer: Thanks, Anil. Hi, Larissa. So on margins, we continue to see the opportunity to improve medium term. I was pleased to see another two points of margin improvement come through at the half year. That is on top of the two points you saw last year. And in short, the way we look at this is a four-fold opportunity. Firstly repricing, and you have seen considerable activity here. And that is benefiting the cash flows and their contribution to 2027 quite visibly. Secondly, I think to your point, operating leverage and building scale. I am pleased in the first half of the year to see renewal premiums up 11%. So there is a scalability in growing expense allowables coming back into the platform. And then finally, improved health and protection contribution in the mix and an improved agency contribution. So I think plenty of opportunity, medium term, for us to continue improving trajectory, margins wise.

Farooq Hanif (JP Morgan): Hi, everybody. Thanks very much. I am looking at the slide which shows your capital generation converting into free cash flow. And obviously you are not giving a pay-out ratio guidance here. You are looking at your situation every year to look at what your recurring buyback will be. But it seems to me that you are going to have a big jump, obviously, in 2027, in your net free surplus generation, because you get to your targets, you do not have investment costs anymore, which will then drive a big jump in free cash flow, I am hoping, to the Holdco. Does that mean in 2028 there is a potential here for a leap in what you are able to pay for your buyback?

My second question is, looking overall, correct me if I am wrong, but it looks like your active agents are flattish to down, but your productivity engagement is up a lot, at 10%. Can you give us a guide to where that is going, those two metrics, in the future, what is driving those? And then very quickly, what is driving your banca margin improvement? And is there scope for further margin improvement in banca? Thank you.

Anil Wadhwani: Thanks for your question. I will flip it to Ben to start with the first question on OFSG conversion. And then I will come to active agents and banca margins, if that is all right. Ben.

Ben Bulmer: Thanks. Hi Farooq. You are right. Growing capital generation translates into a materially higher growing holding company free cash flow. As I mentioned in my video, that acceleration in growth, OFSG, between 2024 and 2027 means we are broadly doubling holding company free cash flow over the period. The total returns we set out are funded by sustained annual net capital generation. And we are paying out the majority of the flow. As I mentioned earlier, we have not given numbers beyond 2027, but I think provided an enduring framework and the building blocks to help get that.

Anil Wadhwani: Thanks, Ben. Farooq, if I may go to your question on active agents. So the way we think about growing our agency new business profit is through two levels. One is to drive active agents, and the second one is to drive productivity. And you are absolutely right in pointing out that the 10% new business profit per active agent gain that we saw are offsetting the decline that we saw in active agents.

Now, I did refer to some of the measures that we are putting in place to energise our active agents, and specifically in the ASEAN markets like Malaysia, like Vietnam, like Philippines. I think these are large agency markets that require and have the opportunity for us to drive greater activity. Again, the focus areas are very much what we had referred to earlier, which is quality recruitment, ensuring that we are investing in our technology platform, both to drive activity and productivity, as well as up-tiering our agents to MDRT. We are the second largest MDRT force globally, and our MDRTs increased by 3%. So we will press both the levers, active agents, and, as I said, I am confident that the measures will start to show an improvement on active agents. But we also, on the other hand, have the productivity lever to be able to, as I said, drive both these to the goals that we have for 2027.

Banca margins again, yes, banca again doing very well. And in my view, banca targets probably will be achieved well in advance of the 2027 guidance that we have given. So that in many ways creates a little bit of a headroom and an opportunity for us. The margins were driven by a few factors. One, product mix. Second is we have referred to some of the pricing actions, so they were applicable both on agency and bancassurance. So that obviously translates to a better outcome. And then the geography mix. Hong Kong obviously had a bigger share or a bigger contribution in the first half. So a combination of these factors, Farooq, led to the banca margins being higher.

Nasib Ahmed (UBS): Hi. Thanks for taking my questions. So firstly, on the perimeter of the business, you had the exits in Africa. Is there anything more in terms of the geographies that you would like to exit in Africa or elsewhere? And then related to the perimeter, you have got the Malaysian dividend issue resolved, but you still do not own 50% of the business, roughly 50%. Is there a way to get that back onto the books and pay the third party? That is around the perimeter.

Second question around variances. Ben, you mentioned you want to get back to the historical positive levels. In 2020, I think it was more than $200 million. Is that the level that we are thinking of in 2027?

And then finally, on the $1 billion capability investment, you are halfway through the plan and you have only invested $400 million. I think, Anil, you mentioned in the past if you do not need to, you will not spend the full $1 billion. But it seems like the run rate is a little bit lower than $1 billion. Is that the right way of thinking about that one? Thank you.

Anil Wadhwani: Thanks, Nasib. Why do we not take the variances question first, and then I will come back to the perimeter question as well as the Malaysia one. Ben, you want to get us started on the...?

Ben Bulmer: Yeah, yeah, I am happy to do that. So you will have seen in our results that setting aside investment in capabilities, our business-as-usual variances more than halved. As I said earlier, I am expecting to return to that historic pre-COVID norm of positive variances within our objective period. You are broadly right in terms of your quantum. I am confident we are going to get there. We are continuing to focus on driving underwriting profitability across the business. We are now seeing much improved claims experience thanks to a lot of management actions. We are continuing to invest, as you know, in capabilities to drive both growth and scale. And to that end, renewal premiums are growing very strongly. And finally, we have opportunities around cost containment and operating leverage. And one example of that, if you like, is the positive jaws between net OFSG growth rates and gross OFSG growth rates because we are containing central costs. And we will continue to do that going forwards.

So I think we have plenty of opportunity. I am confident we are going to get back to our historic strong positives in 2027.

Anil Wadhwani: Thanks, Ben. Nasib, coming to your exits in Africa, in terms of the Francophone market, yes. So that is also a good illustration of the focus that we are employing on deploying shareholder capital, where we believe we have a more than fair chance to win and scale. And we did not see that opportunity in the Francophone markets. The Anglophone markets are doing well. In fact, in the first half, those markets still continues to grow north of 20%. And as I have said, that as the businesses evolve and get more mature in Africa, they provide us the potential to complement the growth profile of the markets that we have in Asia. And that is something that, again, the management team is quite focused on in driving forward.

To your Malaysian question, yes, so we are happy with the settlement of the claim. We will look at opportunities. But I cannot speak too much to it. Needless to say, they have to be commercially viable and in the interest of shareholders. But as I said, I cannot comment further on that topic.

Dominic O'Mahony (BNP Paribas): Hello, thank you for taking questions. I have got three, if that is all right. The first is just on new business and any impact you are seeing at all on appetite for US dollar-denominated product. I had thought maybe there would be some disruption from some of the geopolitics and the currency movements, but actually the MCV business has been very strong. Just any reflections on what you are seeing in terms of appetite.

And the second is, thank you for the disclosure on the 2027 contribution from the new business. The +27% is super strong. I wonder if you might just unpack it a little bit. It is clearly well ahead of the new business profit growth. We are running forward a year, which gives you a small positive as well. But what else is going on in there? Is it that the shape of the surplus emergencee is coming forward in time? Anything else you could do to unpack that would be great.

And then the last question is just a clarification really on dividend policy specifically. You have been very clear that it is unchanged, but maybe I misunderstood it before. If you just flow through the OFSG net of strain and central items, you have a very, very large increase through to 2027. And I think consensus and I have DPS growth in excess of 20% last time I checked. Should I be a bit more nuanced in the way I think about this? So, for instance, a big contributor is the change in the variances from negative to positive. Should I be looking through that, or actually would you say no, no, go back to the headline net OFSG and that is a good guide for the dividend? Thank you.

Anil Wadhwani: Thanks, Dominic. Let me start with the new business question, specifically on MCV and whether the attraction has faded away in terms of US dollar products. The short answer is no. And we continue to see strong demand. The traffic flows on MCV in the first half grew 10% as compared to same period last year. I think the core demand drivers continue to be intact, whether that is the propositions that we offer in Hong Kong, the multi-currency options, including the US dollar, as well as there is a natural attraction for the health and protection infrastructure that Hong Kong has to offer. So we continue to see that demand continue and have not seen any of the volatility that you alluded to impact the customer demand coming through in the MCV segment.

To your second question, I will flip it in a moment to Ben. So, yes, the 27% improvement in terms of cash contribution to 2027 objectives for the cohort of business that we wrote in the first half of 2025[Editor's change] :], again, underscores the focus that we are employing on quality new business that accelerates to cash. And I think that is an important differentiator. And this comes on the back of the improvement that we saw last year of 36%.

I am going to stop there and flip it to Ben to see whether he has any further comments to give you a little bit of colour on that, and then to the dividend policy.

Ben Bulmer: Yes. Thanks, Anil. Hi, Dom. So, pleased really to see the 27% increase on the back of the 36% increase a year ago. And this is driven by repricing. It is driven by repricing of some health products, but largely savings products. And the importance of repricing savings products essentially makes this channel agnostic, if you like, it benefits both channels. And it is repricing that has driven a lot of margin improvements last year and this year, and, as Anil touched on earlier, is driving margin improvements on the banca channel. There is a little bit, Dom, on terms of the changing of the timing of cash flows, but also the absolute level of profit to the shareholder from some of these products. Clearly, we need to look at things carefully to balance shareholder returns and policyholder returns, but thus far, I am pleased with the progress we have made. And we will continue to look for opportunities for repricing.

I think one of the key things to take away is the confidence the repricing has given me in terms of our 2027 OFSG objective. And in short, that means whilst there are [Editor's change] opportunities, looking forwards, to continue to improve our business mix, more H&P, more agency, we are not reliant upon that as a result of the savings repricing that we have done.

Ben Bulmer: To your question on dividend policy, I think the short answer is yes, in terms of the look-through to your specific point. Really, you should view that guidance in the context of the total return proposition that we have set out. So, in short, growing annual net capital generation supports a minimum level of growth in total ordinary dividend per share across 2025, 2026 and 2027, and then the $1.1 billion of additional returns over and above that. There is no change to the Group's dividend policy. And in a nutshell, that is to grow broadly in line with net OFSG over the medium term. So we have looked through the upswing, if you like, you get in the acceleration of capital generation as a result of variance, switching to positive in the interest of a prudent and sustainable dividend path. That guidance we have given in terms of growth rate is intended to build on the 13% the Board declared last year.

Andrew Crean (Autonomous): Thanks. Coming back to a question I do not think you answered, which was what is the timing of the remaining $0.6 billion of investment in the business, as to how that hits 2025, 2026 and 2027 was one question. The second question is around the active agents. Could you say what the fall in the active agent numbers was in the first half 2025? And also what you expect the growth rate in active agents to be in 2026 and 2027, please.

Anil Wadhwani: Well, thanks, Andrew. So let me give you a little bit of colour on the $1 billion investment programme that we announced two years back when we announced a new strategy. So, as I mentioned previously, we have invested $400 million to expand our distribution, to enhance our customer experience capabilities, to modernise our technology platform, as well as we successfully have now been able to stand up the health business. And that is putting us in a position of strength, both in terms of growing our health business, Andrew, but also being able to successfully mitigate some of the challenges that we are seeing on account of the regulatory changes that are impacting the health business. You could expect $220 million [Editor: in total] by the end of this year. And for 2026, we are expecting to invest another about $200-250 million. And that is really what we wanted to aim for, because the majority of the investments we wanted to book end by 2026, so that you then start to see the flow-through impact in 2027 and beyond 2027. As we get into 2027, you will see some reductions come through. But as I said, at all times, we are very conscious of the fact that we are building capabilities that are going to give us enduring returns over a period of time. And to the extent that we can meet our 2027 objectives more efficiently, then that opens up optionalities for us.

In terms of your active agents, our active agents was down 7% year-on-year. As I look to 2026 and 2027, we are looking at a growth rate of about 7 to 10% is what we would have gone for on a year-on-year basis. And by the way, as I said, based on the measures that we have taken, we expect that to improve in the second half of this year, going into 2026 and then further going into 2027.

Patrick Bowes: I am going to go to the online questions I have had. And it is from William Hawkins at KBW, who has two questions. One has two parts to it. The first part is, is there any seasonality in terms of the split between agency and banca that we expect for 2025, given that there was some seasonality in 2024? And therefore, will the 2025 H1 figure change in any way as you go through to the rest of the year? And then secondly, are there any particular key drivers by market or product or distribution channel that will influence the growth momentum from now until the end of the target period?

And then the finance question, which is, how do you think about the remittance ratio? And are there any ways that you feel that you can affect the remittance ratio? Are there any particular actions that you are imagining that you are going to be able to undertake? So those are the two questions from William.

Anil Wadhwani: Well, thanks for those questions. And let me start with the seasonality question. So again, the short answer is yes. We typically can see first half skewed towards bancassurance. And as we transition to the second, the skew changes more towards agency. We saw that last year. I do not believe you are going to see a different trend this year. And again, as I said, to my mind, that is unique about us because we have scale in both on bancassurance and on agency. And importantly, we have been able to demonstrate that we can deliver respectable margins on bancassurance, including the six percentage points that we saw in terms of margin improvements on bancassurance in the first half of this year.

Our key drivers, yes, there is both distribution as well as new product ideas. Just to illustrate one example of that, I did refer earlier that we have not still activated the Bank Syariah Indonesia partnership fully. Bank Syariah Indonesia is one of the largest bank and the largest Sharia bank in Indonesia. 230 million Muslims clearly under penetrated. We see that as a significant opportunity to drive sustained momentum in an important market and a strategic market like Indonesia. Likewise, I did make reference on the fact that we are focused on driving quality agency recruitment, and we are, again, seeing some good traction under our PRUVenture programme, which now contributes to 7% of the total new recruits.

And as we keep rolling out these two different markets, I believe there is an opportunity for us to improve the mix of the quality recruits. And I think that is important for us because the productivity of these agents are to the tune of about 4 to 5x as compared to agents that do not come through this programme. And I think that is, again, going to be an important driver of growth as we think about the second half, as well as 2026 and 2027.

And again, on product ideas, I again made a reference specifically in Singapore. We did launch multiple products focused on health and protection and high net worth. We did see the traction as we closed out the second quarter. And we believe that that traction will continue into the third quarter. And that is why my confidence that Singapore will come back in the second half of this year. And likewise, we have new products in Indonesia. We have new products in Hong Kong. And again, as I said, it takes a little bit of time to get to maturity, but we remain confident that both on distribution and product, we have enough ideas to be able to drive our momentum forward.

I am going to go to Ben on remittance ratio.

Ben Bulmer: So, William, in terms of how we think about the total return proposition and the key levers to drive that, ultimately it comes back to focus on shareholder value creation and accelerating holding company free cash flows. So the building blocks being, of course, quality new business, management of the in-force book, and capital discipline, exactly the same building blocks that I expect to accelerate our return on embedded value. Once you have used those building blocks and allowing for that operating range, as we have said, 70% of that capital generation comes to Holdco. The returns are then the majority of the flow. And as I said earlier, this is an enduring framework. We are a double-digit business. Sustainability is important to us. So I think really, they are the key drivers.

Michelle Ma (Citi): Thank you, management, for giving me this opportunity. This is Michelle Ma from Citibank. So congratulations on the very solid set of results. My first question is about Hong Kong. So Hong Kong in the first half, growth rate is about 15%, and it has already achieved the double digit in the first quarter. We try to back up the second quarter trend. It seems like it is around like 20-something. It is a little bit against our observation on the ground because the whole Hong Kong life insurance industry is really booming in the second quarter. So just want to understand if there are any technical reasons behind this little bit slower than my expectation growth for Hong Kong. Is that because the underwriting process takes time? And some of the June's policies maybe will be counted in July. So yes, the first question is I want to check on the Hong Kong second quarter trend. And also after the change of illustrative rate cap, how is the momentum in the third quarter? So have we experienced some notable drop in the demand, especially for MCV business? And how is the new product margin versus the pre-change version? This is the first question.

The second question is to John. Mr John [Editor's note: John Cai] joined the company, I think, about three months of time. So I just want to get your initial thoughts, your view, how you compare PRU with your previous industry experience. And according to your observation, what is the strength of PRU and what are the areas you believe you will particularly focus on? Thank you.

Anil Wadhwani: Thanks, Michelle. Allow me to first answer the Hong Kong question, and you had multiple questions within the Hong Kong question. And then I will go to John, and I will ask him to provide his perspective and his observations. Going back to where I started on Hong Kong, I liked the shape of our Hong Kong business. I like the balance between agency and bancassurance. And remember, Michelle, 90% of the mix of new business profit in Hong Kong is delivered through agency and bancassurance. And that is important for us. Why? Because it allows us to control the customer experience. Importantly, it allows us to control the margins, which improved by one percentage point. And as I said, I also like the balance between the domestic and MCV, which was one of the key objectives that I had to be able to provide the counterbalance on the strengths that we have on MCV by boosting our volumes in the domestic segment.

You are right to point out, and your math is correct, that our quarter two new business profit improved to 20%. And there is one important factor that I would like to leave with you, and we mentioned that previously, is that our focus continues to remain on quality new business that converts to cash on an accelerated basis. And towards that, overall, the cohort of the business that we wrote in 2025 contributed to greater than 27% as compared to the cohort of business that we wrote in the first half of 2024. So I think that balance is important for us and something that we intend to keep as we go into the second half, as well as into 2026.

The illustration caps, you are right. I think it is a healthy step and a step in the right direction by the regulators. And again, we have not seen impact of that come through as we have transitioned to quarter three. And on product margins, as I mentioned earlier, we do not see an impact as well in the second half. Our product margins are continue to be quite robust and, as I said, improved by one percentage point in the first half of this year. I am going to quickly turn to John. John, any comments that you might have.

John Cai: Thanks, Anil. First of all, I will not comment on our competitor, but I want to come to Prudential. I think first of all, we have very strong brand in Asia, and we have one of the largest agency in Asia, with the second largest MDRTs. So that is the three foundations we are going to build out. But as you know, for agency, we are not looking for magic. We are looking for basics. So what are we going to continue to drive is driving further productivity and further activation ratio. We are going to continue to drive our MDRTs. And now we are going to continue to drive our quality recruitment. So I am very, very excited in the market now, very low penetration. So it means a lot of opportunity for us to grow. In the meantime, our customers still prefer a face-to-face agency as a choice of purchasing. So that is the huge opportunity for us.

Anil Wadhwani: Michelle, just one additional comment to your earlier question on Hong Kong. I should have mentioned that while we have significant strengths in bancassurance and agency, we are also looking at building our relationship with a quality set of brokers. But at the same time, also being very watchful of some of the regulatory changes that are likely to impact the broker channel. So, for example, the referral fee cap that is likely to get in force as of 1st October, as well as the spreading of commission that is likely to come in force in January. I thought I would probably add that to just give you a little bit of extra colour.

Andrew Sinclair (Bank of America): Thank you. Three for me, please. First on capital management. You have talked about the potential additional returns in excess of 200%, but it looks to me that even with what you have announced today, even if the dividend grows well in excess of 10%, you are still going to be miles above the 200% top end of that range for the foreseeable future. So what is the timescale and plan to get into that 175 to 200% range that you said is the right place to operate?

Second, just on the new business margin seasonality, I think you said it should improve quarter-on-quarter through the year. Just any colour in any particular regions where you think there should be material changes in margins, anywhere we should not expect any margin improvement through the rest of 2025? Just any colour there.

And third was just on Mainland China. Good to see the mix evolving towards par products. Just can you give us a little bit of a reminder of where we are on the back book of non-par? Where is the earned yield, where is the reinvestment rate, and what is the average guarantee on that book today would be helpful. Thank you very much.

Anil Wadhwani: Thanks, Andy. I am going to flip it to Ben. And then if there are any additional comments that I might have, I will come on the back of that.

Ben Bulmer: Hi, Andy. Maybe I will go in reverse order if you like. I think your third question was on China. Actually, CPL used to sell a lot of par business in China many, many years ago. So when you look at the general account assets, and there is that snapshot slide in the appendix to my own slides on that, about 40% of that actually backs par business. In terms of cost of liabilities, and where we are today, both actual and expected returns are sufficient to cover cost of liabilities. As you will appreciate, because it is par, you can vary that cost of liability through time. The business has done a lot of repricing over the years. And I think backing up from a capital management perspective, again, confident that there will be no need to put any further contributions into CPL in 2025. They are continuing to look at actions to drive further resilience on the balance sheet on top of de-risking and repricing. And we were pleased that they have been recently awarded status to enable them to issue perpetual debt locally. And that will count to their core and comprehensive solvency.

On margins and ability to drive margins going forwards, it is basically the four points I alluded to earlier. There is, I think, to your point, a seasonality thing. We typically see a greater proportion of bancassurance in the mix, bancassurance having a very healthy margin and improving year on year, but still lower than agency. So as we progress through the year, I think you will start to see a more positive channel mix come through. That will benefit margins on top of the repricing actions we have taken. And of course, as I said, there is opportunity on the health and protection side as well. We have been pleased with growth in the health space, 16% compound needed from 2024 to 2027 [Editor's corrections]. We will continue to focus strongly on that.

In terms of, I think your first question then was capital management and potential returns in excess of 200%. As you are seeing, we have not changed that target corridor of 175 to 200%. That reflects both risk appetite and the nature of our business. I am expecting to operate slightly above the upper end of that on the back of today's announcement. And there will be a practicality element to this as well, Andy, in terms of needing to earnings stress and remit surplus up to Group to fund then shareholder commitment. So there is always an element of timing.

In terms of the 200% free-surplus ratio review trigger, that is something the Board will regularly review. And what they do there is to look at capital over and above that ratio over the medium term. And we will think to opportunities to reinvest, but look to market conditions as well. I think today was about returns from flow. In terms of returns from stock, the most obvious example will of course be the IPO, a corporate event, but the Board will review capital over and above that 200% ratio, as I say, on a regular basis.

Abid Hussain (Panmure Liberum): Hello, everyone. I have still three questions left, I think, the first one is on management actions. So, really good to see that the new business profit growth margins are improving. And it feels like you have delivered that despite all of the businesses yet to fire on all cylinders. I think you have called out some of the actions that are left to take. But I am just wondering if you can call out any additional action that you are yet to take, but specifically the impact that will have on the margin improvement or scale or both of new business going forward. So that is the first question, on management actions.

And the second question is on the net OFSG. Good to see that the cash conversion from new business is improving. And so I think we should expect faster growth in the net operating free surplus generation number relative to the gross number. But I am just wondering what sort of delta are you expecting between the gross and the net growth? Is it a material delta, or is there something else that we need to consider in that mix?

And then the final question is on capital distributions. What share price would you stop a share buyback? At the current share price, it makes sense to me that you continue with the share buyback. I think you are still trading below embedded value and whichever other metrics you are focusing on. The stock has moved up from 50% year-to-date. But if it moves up over your timeframe, another 50%, does that shift the thinking?

Anil Wadhwani: Thanks, Abid. So let me start with the first question, and I will flip it to Ben for the second and the third one. So on management actions, clearly pleased. And as you can tell, this is a big focus area for the global executive team to be able to drive the right quality. And towards that, I mentioned it, Ben referred that as well. Some of the repricing actions that we have taken both across savings and health and protection products are starting to flow through, interestingly, both in the agency channel as well as in the bancassurance channel.

I think if you look forward, just to keep things simple, as we see greater traction on agency and agency being higher margin than bancassurance, that would be a good driver. And if we get a better balance between, or I should say, a higher proportion of agency versus bancassurance, that will have a knockon impact on health and protection mix as well. So that is where the engines of margin improvements lie. And that is really what we are trying to focus on, in addition to some of the repricing actions that we alluded to in the previous part of the conversation. Ben, net OFSG and capital distribution.

Ben Bulmer: So in terms of net OFSG, Abid, yeah, I am pleased with the geared effect that you see coming through. In short, that represents lower growth rates in central costs. And as I mentioned earlier, we are going to continue to contain central costs. Of course, you have, in this period, a lower growth in terms of new business strain versus that gross OFSG. When you project forwards, in terms of the building blocks, there is obviously the acceleration of the gross number to our objective. Required capital, I would guide you to early double-digit growth. On strain, giving you the other components, and that is going to increase broadly in proportion to our new business volumes. And I would guide you to H1 2025 strain as a percent of APE to being a pretty sensible jumping off point. And then, as I say, central costs remaining fairly flat.

Anil Wadhwani: The third question on capital distribution.

Ben Bulmer: At what share price, would we stop [share buybacks], I think we are a long way off that.

Thomas Wang (Goldman Sachs): Thank you. Thank you for accommodating me for this. A couple of questions, hopefully short ones. Firstly, first half agency NBP, I think up 4%. So growth was really mainly driven from bancassurance. I think Hong Kong agency is up double digits. So just want to understand which market is showing weakness in agency channel in the first half.

The second point, I think I am looking at page 52 of this presentation. The required capital actually up, looks like about 10% in the first half. Just want to understand how we should think about this required capital growth over the next couple of years, because 10% in just a six-month period looks relatively fast, which might put some constraint to your free surplus, given the 200% ratio. So any colour here will be helpful. Thanks.

Anil Wadhwani: Thanks, Thomas. So going back to the agency point, and as I mentioned earlier, you cannot paint agency performance with a single brush. We believe that Hong Kong, Indonesia, Singapore stable to growing. And again, you can see the quality of that business, as well as some of the actions, result into some high quality outputs for us on agency. I think the markets that have been challenging for us have been Malaysia and Vietnam on account of some of the industry led changes that are [Editor's change] impacting the entire sector. And you can see that more broadly reflected in the entire industry. And we have, again, action plans and feel confident that we will be able to convert that momentum. It will take us a couple of quarters, specifically in these two markets of Malaysia and Vietnam. In China, we have a change management programme that I alluded to. We are striving very hard to make agency complement the strong growth that we continue to witness on the bancassurance channel. We are starting to see some green shoots. So, for example, our active agents in China was up 6%. Our recruitment was up by north of 40%. And that gives us the confidence that we are on the right track because, again, China continues to be an important focus area as we manage the balance between quality growth and prudent risk management.

I am going to stop there and go to Ben for the last question.

Ben Bulmer: Yeah. Thanks, Anil. Hi, Thomas. So on required capital growth, when you think about modeling going forwards, I suggest you use very early double-digit growth rates.

Patrick Bowes: I think that takes all the questions. Anil, do you want do a closing comment, and then we will call the call.

Anil Wadhwani: Now, firstly, thank you for joining us. And thank you for the questions. Ben and I are going to be on road shortly, so we will be seeing many of you in person. And we look forward to continuing the conversations. But thank you very much for joining us today.

[END OF TRANSCRIPT]