

Prudential plc - Conversation with CEO Philippines

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Introduction

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Welcome

Thank you for joining us for this first of a series of snapshot sessions to further introduce you to some of the leadership teams of our operations.

Joining us today in Manila is Nic Nicandrou, CEO of Asia and Africa, and Eng Teng, the CEO of the Philippines Operations. We will have about 15 to 20 minutes of discussion between Nic and Eng Teng. And then following that, 15 to 20 minutes further of questions and answers from yourselves. The conference call host will then explain how to pose your questions via the conference call in much the same way as we do for our results call.

So over to you, Nic.

Management Q&A

Nic Nicandrou: Thank you, Patrick. Good morning, good afternoon, good evening, everyone. And welcome to this. As Patrick said, today, I am in Manila. I am visiting Philippines business. In fact, we are connecting with you today from our PRUHouse premises, which were recently launched a couple of weeks or so ago. They are designed to offer flexible accommodation facilities to 22 agency groups in an environment that really is here to promote creativity and teamwork.

In fact, just to get a sense for what it is that we are trying to do here. We will upload a video of the launch event alongside the recording of this meeting.

Before we start with the interview, I just want to look back to our very recent full year 2021 results. We were pleased with the very strong, high-quality and resilient performance, which was underscored by the very strong underlying demand for the products and services that we offer across Asia and Africa, not least reinforced by the recent pandemic.

The Philippines is part of our business, part of our portfolio that is reported under Growth Markets, and I wanted to have the opportunity to introduce Eng Teng Wong, who is our new CEO here in the Philippines. He has been in the role for a few months. Thank you, Eng. Thanks for joining us.

Eng Teng Wong: You are most welcome, Nic.

Nic Nicandrou: And thank you for hosting me for the visit, indeed, hosting this session. So with no further ado, let us get to the questions that no doubt are in everyone's minds.

Starting with the first one. You have been CEO for now six months. Just tell us a little bit about your recent career with Prudential? And what aspects of this are you going to bring to bear and how you are going to help the business grow from here?

Eng Teng Wong: Thank you, Nick, and to all the audience. I am delighted to be here. I joined Prudential Life business in Malaysia in January 2014, taking up a leadership position in technology and subsequently operations over four years from 2014 to 2018. And that gave me opportunities to work very closely with the agency workforce, enabling the on boarding of

new agents, enabling and empowering agents to then originate sales using the e-submission tool that we developed in Malaysia. And we took about three years to fully roll out to all agency workforce. And that was the first experience that I am actually bringing to bear in the Philippines.

And in the last few months, we experienced a phenomenal improvements in terms of not just the availability of these two equivalent in the Philippines but the agency workforce today is able to engage customers anytime anywhere, even on public holidays or weekends, to deliver sales, to deliver more importantly protection for Filipinos and families to the tune of millions of APE on weekends and public holidays.

The second experience that allows me to really also bring to bear in a market like Philippines. Philippines itself is an early adopter of technology. In early 2020, we rolled out PRUHouse by leveraging the Group's strength in technology investment to bring to bear affordable and accessible healthcare and customer-centric solutions for Filipinos. And that way we allow ourselves to be more prominently featured to the society. And we just had a great meeting with the regulator here, sharing some of the early successes.

Just a quick number and I can elaborate later. Last year, we actually delivered 57,000 micro policies to Filipinos and that actually contributed to a follow-on sales of another US\$30 million, about 17% of our business last year. So, I will share more a bit later. Thank you, Nic, for taking this on.

Nic Nicandrou: Thank you for that. And of course, the fact that you were involved with Pulse at the centre from day one, and supported the development of the tool and the roll out across the markets, puts you in a unique place to now utilise it in a market in order to bring services and products to many more millions of customers that we have been able to do historically.

Eng Teng Wong: Yeah. That is right, Nic.

Nic Nicandrou: So please remind the audience why the Philippines is such an important market? What is it that makes the Philippines an attractive market? And why is it important? Why should investors be interested in it from a Prudential perspective?

Eng Teng Wong: The Philippines is the second largest market in Southeast Asia just after Indonesia, in terms of the size of population. As of the end of last year, we had 111 million population here. And out of this, about 38% of them are forecast to be in Gen-Z. And that group is even bigger if you include millennials. And the economy is growing fast, is forecast to be actually clocking at 7-9% this year. And last year, during the pandemic, it managed to deliver 5.6%. And in the next few years beyond this year, is projected to grow at 6%. So huge opportunity.

What is even more exciting is the level of penetration of insurance in this market at the moment against GDP is only about 1.2%. And that actually give us vast opportunity to tap on a huge gap, US\$32 billion in terms of protection gap. And today, 54% of the healthcare is paid out of pocket. So huge opportunities for Pru Life UK to reach out and serve the underserved and unserved market.

In addition, there are 4.6 million overseas Filipinos workers("OFW") working around the world on an annual basis. They remit about US\$13.7 billion, and that is equivalent to about

US\$3,000 per OFW per year. We can certainly tap on that, and very soon, likely we will be the first to launch a family-oriented intergenerational product to really target this Group of customers beyond just the current traditional customer base that we have.

And on top of that, to really cement our position as the number one insurer in the Philippines, we are having the biggest youngest agency workforce, and that allows us to reach out to many parts of Philippines. At the moment, we are focusing on the top five cities: Metro Manila, Cebu, Davao, Baguio and also Cagayan.

And in this case, we also have a full suite of products targeting the mass segment and also the high net worth. Last year, over 25 years we have 750,000 customers, about 100,000 of them are high net worth and the balance in mass. And for high-net-worth customers, we have products ranging from savings to investment to unit-linked to really protect the needs and generate wealth with these customers.

As for the mass, we have bite-sized products from personal accident for junior, cancer protection, infectious disease, dengue, so on and so forth. What is most important about all this is really to provide accessible and affordable insurance protection for Filipinos and family in this market.

Nic Nicandrou: That is great to hear. And it is good to get some good colour on the business from a customer perspective and also the products. Can you say a little more about one of our core strengths, which is agency, just some details around the shape of that agency, the size of that agency force? And talk a little more about some areas where we have brought new products to the markets and we have innovated because we have a reputation of being innovators in this market. Say a little more about that?

Eng Teng Wong: Thank you, Nic. Our agency workforce is number one in size in the Philippines. 31,000 of them, right. And is the youngest agency workforce, and about 85% of them are in Gen-Z or millennials. And this really matches with the demographics of population in the Philippines.

And in this case, all this agency workforce, they are well trained. They are continuously upskilled to reach out to customers across the Philippines. Earlier, I talked about the focus in five cities. And in this case, we have also looked at potential opportunities to really bring not just individual protection products, but soon we are likely going to be the first insurer in the Philippines to launch early I talked about intergenerational cancer protection product that includes cancer critical units.

All these agents are looking forward to this launch because not only they are able to talk to customers individually, but also to the family. And as the economy is reopening, the excitement is high. Everywhere I go, people are more ready to meet our agents and the product innovation really allows us to actually scale.

And in addition to that, the agents today, 10,000 out of 31,000 of them, are able to feed on the leads that we pass on to them to have further conversations with these bite-sized customers. And from there, that resulted in the earlier number I shared, US\$30 million of online to offline sales last year or 17% of the total business that we contributed last year.

And this year as we ramp up that capability, we are set to deliver even more exciting growth through agency workforce truly able to really provide high-touch professional advice and assistance to many Filipinos and families.

Nic Nicandrou: Thank you, Eng Teng. As I wander around this facility, I am just struck by the number of women that are agents. Tell us a little more about that and why it is important in the Philippines?

Eng Teng Wong: Absolutely, Nic. Wonderful. Out of 31,000 agents, 69% of them are women. And in this matriarchal society, the woman leads and manages finances of family. So it is absolutely important to have women connect with more women, helping and blessing more women and women are the ones who take care of the family. I am one of the living example. So I am really excited. So a lot of women leaders are really helping us to grow even more in terms of building the agency network.

And during pandemic, one of the constraints that we faced was the limited number of exams that we could actually send our people to actually go through the accreditation. As the economy reopens, we really hope that the regulator is able to actually support the need and the demand to have more offsite examination with opportunity to even leverage technology to provide online examination as well so that the whole opportunities for Filipinos to join the industry, not only in terms of getting new livelihoods for those who are not able to find jobs but what is even more important is to help reach out to many more Filipinos and family in line with the financial inclusion vision that the country has.

Nic Nicandrou: You referenced earlier how we are first to innovate in a number of products, the recent example being what we are about to launch in a month or so on the family critical illness. Of course, just for the benefit of the audience, we were also first to bring unit-linked savings business to the Philippines in 2002.

Eng Teng Wong: Yes, Nic. Very good.

Nic Nicandrou: And of course, as we build out since then, we have built out the suite of products to include all other forms of protection. Just give the audience a sense of how important and how the weight of protection that we do in our sales and why that is important?

Eng Teng Wong: That is right. So with this full range of health and protection product last year, 30% of our business are actually generated from this health and protection, and we see increasing need. And despite the pandemic, with the increased level of awareness, Filipinos are more ready to speak to us to actually fulfil their unmet needs in health and protection. And last year, the agency workforce itself grew by 25% and this health and protection really allows the family, the Filipinos to really make sure that they have the safety net.

And this is what we call high-quality resilient business. And in terms of another angle to that, the regular pay constitutes about 95% of our business and single pay is only 5%. So this is what I call high-quality business.

During the pandemic, we deliberately heightened our level of engagement with the customers, providing them the additional convenience to make sure that they are able to pay their premium conveniently from wherever they are so that they can continue to enjoy the protection benefits that they well deserve.

Nic Nicandrou: It is very important. Another feature of the Philippines is that it is becoming an increasingly digitised society. Can you give some examples to the audience of what it is that we are doing in the digital space?

Eng Teng Wong: Absolutely. If I look at the opportunities here, from the demographics, we can actually tell 75% out of 111 million population, they are online. They are very active in social media and also they spend hours and hours in Facebook. And not just Facebook, there are many other social media tools over here that are popular – Viber, WhatsApp, Telegram, etc. The whole idea for this generation of users, they like to actually engage virtually, fast, and in this case, that is where the financial awareness and literacy can be promoted by the effort that we put together leveraging Prudential Group.

In March 2020, we launched Pulse by Prudential. And in a market like Philippines, this is the third country we launched. And in terms of performance, it is actually the best because last year alone, we actually blessed 57,000 policyholders buying bite-sized products from us and these are generally aged from 20 to 35. And that is the kind of engagement we have.

And talking about accessibility and affordability, that itself today is less of a problem because we have bite-sized products like PRUPersonal Accident for Junior is only costing \$1 per year in terms of premium. And this is currently the best-selling products because we see behavioural change amongst parents. They just need \$1 per child per year.

Wonderful. So Filipinos get the chance to really have access at the convenience of mobile phone using Pulse to bless their family members.

Nic Nicandrou: That is great to hear. Well done, Eng Teng. We said earlier that we have achieved number one in 2020, and that we have done that on the back of a very strong channel in our agency. So how do you improve on the agency channel performance from here?

Eng Teng Wong: Thank you, Nic. Last year was indeed a very, very challenging year. It is not only COVID. The Philippines was hit by Super Typhoon Odette in December. Just to give some data to share. 86% of our business last year was done virtually. The number of agency workforce in terms of strength dwindled because the new recruitment and licensing was actually limited because of drastically reduced number of offsite examination centres that we can send our people to.

However, we demonstrated resilience in our business. The whole agency workforce capitalised on what we call the suite of products by investing time to learn and then to engage customers more regularly. They saved time by not having to travel to meet the customers. They reach out using social media. They spent time explaining to customers the benefits of some of these products, customer-centric products. They explained to them patiently.

Initially, it was still a challenge, but we were amongst the first to make sure that we are able to deliver end-to-end right from engagement to the actual sale of the product. And on that note, in fact, we are grateful to the regulator who allows us to do virtual face-to-face, including payments.

And this behaviour today, this practice today I believe personally will continue even as the economy reopens. And that allows us to move out what we call activity ratio and productivity

to more than compensate the drop in the size of the new manpower joining us. And on top of that, even during pandemic, we increased the number of MDRTs by 54%. And today, we have over 400 MDRTs qualified and we are the biggest in this.

And what is the ambition on this? We will continue to grow. Last point to share just on the skilling and also uplifting of the capability of our people. And with the common basically shared purpose of blessing more Filipinos, some of these MDRTs, they are perpetually moving out through the untiring labour of love in terms of their performance to move to COT, core-of-the-table, and top of the table.

As of last month, we already had four MDRTs this year. And one of them out of the four is actually aiming for double TOT, and in industry it does not even have double TOT. And we are going to create the first award for double TOT this year.

Nic Nicandrou: Fantastic. My final question before we go to the open Q&A is let us talk a little about your ambition beyond agency. What are some of the other potential routes to market that we are working on at the moment?

Eng Teng Wong: Thank you, Nic. Very good question. So last year, in December, we signed a new partnership with a digital banking service provider, CIMB, that does not have any operating branch in the Philippines. And we are going to jointly benefit by tapping on each other's customer base, mostly younger segment.

In the last four years since they started, they have actually acquired six million customers. So that allows us to be confident starting next month to launch our maiden, what we call, customer-centric retail credit plus protection product next month. And through this initiative, we will be able to reach out to many more customers who are not the customer of Prudential or Pru Life UK today.

And that allows us to then feed these leads into our largest and youngest agency workforce, highly tech-savvy, who are then able to have more meaningful conversation with these customers. And I am confident that that will actually lift our performance even more and faster. And in addition, there are many popular partner ecosystems who are also like-minded like us, because we really want to reach more Filipinos and families with a common aim to lift and increase the level of financial inclusion.

We are already working with some of these partners to actually put these products into their ecosystems, providing the added convenience in the form of the additional routes to market, whereby consumers can just buy all these products easily. And they only need to download Pulse when they need to get the service in terms of giving their policy details, in terms of basically asking for more to actually get what their needs to be fulfilled.

So last point to share also, it is also early success for us. In addition to these partnership channels, we last year managed to acquire a few large, what we call, enterprise business customers. I would just like to share two of them. One of them is Intellicare. The other one is Vega. So on monthly basis, we are able to onboard thousands and thousands of employees of these organisations to be part of our individual customers.

So in this case, we are very confident that more names are being worked through at the moment in the pipeline. And in this case, not just individual customers but also small medium enterprises customers and their employees. And this to me is a virtuous cycle. The

employees of this SME may also be having relatives or friends in other SMEs than we have more referrals coming through. So I'm equally excited with this new route to market, Nic.

Nic Nicandrou: Now it is very important with 17% of our sales, as you said earlier, [Editors change: "associated with Pulse"]

Eng Teng Wong: That is correct.

Nic Nicandrou: Around 3-4% coming from Group schemes. Already the initiatives are paying dividends and helping us grow the business.

Eng Teng Wong: That is right.

Nic Nicandrou: With a million SMEs in this market, there is plenty to go for. So the targets will get even tougher as we go from here. And really on the digitisation piece, the reason digital is important tying up with ecosystems, some of which you mentioned and some of which I know are in flight, and we will come to announce in the fullness of time.

These are key because they are a main gateway to tapping into the 30 million mass market segment today, which is massively underserved. Eng Teng, thank you for that brief introduction to your business.

Eng Teng Wong: Thank you, Nic.

Nic Nicandrou: I think it is time now to hand back to Lauren, and go to the audiences' Q&As. So over to you, Lauren.

Audience Q&A

Greig Paterson (KBW): Just one quick statistic. I wonder if you could just give me the APE split between bancassurance and agency last year? And the second thing, well, I noted in the presentation, but you also spoke about your new arrangement with CIMB. I note there was pre-speculation that that a virtual bank was tying up with another partner in Indonesia. I know Nic, you have spoken about Indonesia and bancassurance. I was just trying to understand how that relationship is in terms of bancassurance, how CIMB is splitting up, because it surprised me that you only got one country and potentially not the other.

Nic Nicandrou: Do you have the split of how much is coming from agency versus other channels?

Eng Teng Wong: Agency is our primary channel, is actually about 95% or more. Earlier, we talked about the enterprise business about 3% and the rest is banca and other small opportunities.

Nic Nicandrou: Yeah. Just maybe to expand, bancassurance is not as dominant a channel in the Philippines as it is in other markets. I am talking about the sector overall. Part of the reason of what has been holding bancassurance back in the Philippines is regulation.

There are rules that prevent, as Eng Teng said earlier, sales from happening in the premises. So banks tend to refer. It then tends to go outside the branch to a salesperson. Then the salesperson has to arrange the meetings. It is just not as slick, there is more friction in the system.

One of the topics that we were bringing up with the regulator earlier today is how we can work together to change that, because it is not something that we are now seeing in many of our markets. So it is relatively small in the sector. And for us, our relationships at the moment are with the Robinsons Bank. We are in our fourth year of relationship. It is going well. And having met the management team on this trip, they have very ambitious plans on growing the business. And of course, they are part of a much bigger conglomerate.

Eng Teng Wong: JG Summit.

Nic Nicandrou: Yeah. Do you want to say a bit on that?

Eng Teng Wong: Yeah. Just a quick introduction to JG Summit. JG Summit owns airlines in addition to banks. They have huge retail mall. They have a property development arm. And one of the opportunities that we are already working with them and is really giving us very good return is as the market reopens as the property development blooms, we are in a position to provide that credit protection for the lives of all these property owners or investors.

And on top of that, Nic earlier mentioned, we are really working very well with Robinsons Bank. Last year, we announced the launch of the co-branded card. And last week, in fact, we held a special event for our high-net-worth customers, officially launching our platinum card that has many, many benefits that even allows us to tap into the group we want, the goal we want loyalty points, that allows customers to then enjoy the convenience and services or products from the whole conglomerate. So there are a lot of initiatives soon to be launched. I am really very excited.

And the last point to share is really about making sure that we do well by focusing on top three rather than doing a few here and there. So please, watch out this space as we announce that will be really touching the hearts of customers, Filipinos and families in this country.

Nic Nicandrou: Well, thank you Eng Teng. And that is why I said this. Regulation is lighter in terms of how we work with ecosystems, both physical, so it has different components of the JG Summit Group are also digital. At the moment when it comes to the banking sector, or to bancassurance, there are more restrictions that we see in other markets.

Nevertheless, we are developing the DNA with a relatively small player. We are now branching into effectively a digital-only bank very quickly. CIMB tend to work with different firms across different parts of Asia. And clearly, in some markets, in the Philippines specifically, they are only present in a digital format. And they have selected us over the next few years to participate with them, not least because today in the Philippines, we are only really one of two firms that can supply bite-sized small products. So that is why they have selected us. Lauren, next question please.

Thomas Wang (Goldman Sachs): Just maybe firstly in terms of the product mix there. Can you just give us a little bit more detail in terms of how much is the unit-linked beside the 30% health and protection?

And then the second question, if I can have, is if I look at the market share for Pru in Philippines, the market share gain really happening in 2019-2020. So what was driving that

market share gain? Is this particular product or particular strategy? And then why do you think so, or how long do you think that the competitor could potentially catch up there?

Nic Nicandrou: Okay. Very good questions. Maybe I will do the first one and you can talk about how we got to number one, how we defended it and how you think we are going to stay there. So unit-linked is the only savings product that we offer in the Philippines. That is right, yeah?

Eng Teng Wong: Yes.

Nic Nicandrou: So it is the vast majority. So it is the roughly 30% health and protection and 70% is effectively coming from unit-linked. But how did we gain share over 2020 and in the recent years?

Eng Teng Wong: I think the main secret is we are the largest and youngest agency workforce, earlier mentioned. It is not just about the number. It is also about the intentional training programmes that we empower the agents right from the day they join to the point that they reach an MDRT status, and they are still having opportunities to grow to become leaders, what we call MDRT builders.

And to stretch it further, they can even move higher, to be an area manager, to be a district manager and soon maybe even a district builder. So they see a clear career path with help all the way. And on top of that what is also important for us is that in addition to the manpower size and training, this is also about the full range of products that we have, plus the leads that we generate {Editors change;" associated with"] Pulse, earlier I talked about. So all these numbers in terms of leads, give agents more opportunities to engage customers to actually nurture these leads and to convert them, right? 17% of the business was delivered last year through these form. Leads in the past, there was not any.

And actually, without that 17%, we might have not retained the number one position. So it is really about the most professional agency workforce, young and biggest, ongoing training upskilling, plus the leads that we pass on to them to actually then convert. And this year, we would likely be able and we will be able to even improve the conversion rate, because the more we practice, the better we get.

Nic Nicandrou: There is a couple of other factors, and this came in a session we were having earlier today around consumer trends in the Philippines and how they have changed over the last couple of years. And one of the strong trends that we have seen during the pandemic in the Philippines is how quickly people here adopted to a technology, whether it is online shopping, whether it is the social media tools you referenced, the proportion of people that are using social media. All of that just bounced back up and bounced up and, if you like, grew significantly in this period. It is a young population.

So the fact that we were able very quickly to pivot to using virtual face-to-face tools put us at a competitive advantage to everyone else. 86% of our sales done last year was done through agency, were done through remote selling tools.

In fact, in the fourth quarter of 2020, that was 84%. And the percentages in Q2 and Q3 in 2020 were in the high 60s. So people pivoted to using technology, digital tools. And because we have a young agency force, they were able to make that transition extremely quickly.

The other thing that the team did here, because of the very broad product set and because of what I said at the beginning, the reinforcement of the need for protection in a population that is vastly underpenetrated during a pandemic, meant that organisations such as ourselves with a very broad product set, one that now offered products at much lower price points, we were able to reach many more first-time buyers than we have ever done in our history.

The number of new customers that we added in 2021 was up 84% to 280,000. And we doubled the number of policies in 2021 compared to 2020 that we sold in the health and protection space. So it was effectively a very resilient performance, and the resilience came from the youth of this team from the availability of good technology to support our distributors, our agents in this and a very broad product set that was further expanded to reach even more people than previously.

And I think that sets us fair more to the point as we go forward. As things normalise, not only are we going to be able to do everything that we did before, but with these additional strengths, we will be able to have more impact than at any point in our history. Thank you, Thomas, for your question.

Andrew Crean (Autonomous Research): I had a couple of questions. Firstly, just looking at your number of customers divided by your agents. The customers per agent is only about 24 each. And I wonder whether you could talk a little bit more in detail as to the barbell of your agency force. Do you have a very high productivity among some agents and then a large tail of agents who are really not doing very much?

And then secondly, just in quality terms, where are we in terms of the Philippines' journey on IFRS profitability? Because obviously we saw many years ago this huge ramp up in sales drive very fast rate of profitability in Indonesia. Where are you in that journey?

Eng Teng Wong: Nic, I take the first part of the question.

Nic Nicandrou: Yeah, I will take the second.

Eng Teng Wong: So to give you a bit more colour, in fact, the highest number of manpower we used to have prior to pandemic was usually around 40-odd-thousand, right? And on an annual basis, we actually do annual contract maintenance with the agents. For those who did not manage to meet the minimum performance threshold, we actually let them go. And these are the typical part-time agents. So this is where the opportunity lies for us.

As we recruit, we get better and better. We encourage the full-time participation in the industry right from the beginning of the recruitment drive. And we have specific programmes to support, including mentorship, from the recruiter or the leaders that allows us to increase the product per agent, as you highlighted.

And with the availability of bite-sized product today, in terms of the average case size per agent, we see a steady rise in that, because we believe we have actually solved the problem of accessibility and affordability that will actually bring up even more in terms of average number of policies for agents.

Nic Nicandrou: Yeah. We have to remember it is still, if you like, a very nascent market. The fact that 31,000 agency force. As you said, you have 439 MDRTs just tells you, reinforces the nascent nature of the agency. Clearly, MDRTs are running many tens of customers in any given year.

There is a very significant throughput. In any given year, a relatively high proportion of our agents are year one agents. And because Eng Teng enforces, like we do everywhere else in our markets, the contract maintenance terms, if they have not quite made, as a rookie, the one in 30 days, the three in 60, the five in 90. So if you have not sold nine policies in the first 90 days, we tend to rotate them quite quickly.

Now, clearly, the challenge is, how do we get more to stick more of them to do it and modernise or at least industrialise the higher performing ones. New training that we are now giving them on PruXpress, which is effectively the training modules that are hosted on Pulse, warmer leads that we are giving them through Pulse, the activity management tools is all helping improve the stickability, the performance, the quality of what we do. And therefore, what we expect to see from here is a continuously improving ratio.

But it's still a nascent, the frontier market for agency and we are working hard, as I said, to modernise that and to have more that are full-time and highly produced.

In relation to the IFRS profits, I think the 16% was the growth in 2021. For the first time, our operating profits exceeded the \$100 million milestone. Congratulations, Eng Teng. I think that reflects that growing number of customers, but increasingly certainly over the last five, six years, a growing proportion of the in-force book that is coming from health and protection.

So it is more of an underwriting, more technical profits coming through that underpinning that performance. And as I said, just the rising regular premium, which is growing double-digit. So a very strong relationship between the growth in renewal premiums and IFRS profitability. Thank you, Andrew. Can we go to the next question, please?

Larissa Van Deventer (Barclays): I was hoping that you could comment on margins in two ways. The first one if you can give us an indication of your PVNBP margin? And the second one is you can comment on the impact that these bite-sized products have. So basically, do they add to the margin, or do they detract from it, and the size versus the nature of the product?

Nic Nicandrou: Okay. Let me take the question on margin. I mean, the margins that we are achieving in the Philippines are actually similar to other businesses that we have, maybe such as Indonesia, that are in an equivalent development and maturity phase when it comes to insurance products.

Also, when you look at while we do report, we give you the margin for, Prudential Insurance Growth Markets. The average in our last reported set of numbers was around the 40% mark. And if you like, that is a good sign. That is indicative of what we are able to achieve for June in the Philippines.

And clearly, as we grow the business, as we get even more benefit of scale, as we grow the proportion of critical illness products, as we grow the proportion of credit life protection that Eng Teng referenced earlier, that we are looking to effectively provide more of that not only to Robinson Bank, but to some of the other payment platforms that we are looking to work with in the future, then there is a road map. There is a pathway to improving the margins from here.

Let us talk a little more about the bite-sized products. Well, okay. I mean, as Eng Teng said, the premiums are very small. So we have sold 57,000 bite-sized products. The average premium of those are about \$11 just to give you a sense. So it is not about if they are never going to make a meaningful contribution to APE, never mind, NBP.

But what is sold is protection. I mean, clearly, on a standalone basis, they do make a profit. But that is before, if you like, amortising the cost of investment that we are making in Pulse.

Where the benefit comes is that, firstly, someone comes in, downloads Pulse. This happens here, like it happens everywhere else in our businesses. But I think Philippines is leading the way. A user would then avail themselves of some of the services, whether it is a fitness. That tends to be very popular here, some of the nutrition, very health conscious, not least given the young age of the population.

They then do bite-sized products, as if you like, another point of engagement with the Pru. At that stage, we have enough information about them to pass them on to agents as very well nurtured leads. And really the power of it comes from then converting those leads into a full premium sale. And we did around 33,000 such cases last year at a decent premium of about 750-odd-dollars. And you begin to see how that made up around 17% of the \$177 million of APE that our business achieved in this market.

And that really is what is contributing more and more to the growth of our business. APE grew 26%. NBP grew by roughly the same level. And Pulse users, once they go through the online to offline route is what is driving both an improving margin but also overall growth in APE and NBP. Thank you for your questions.

Patrick Bowes: We have got a couple of questions, which I will aggregate together on Pulse. The first one is from Farooq Hanif at JP Morgan, who is asking, what has contributed to the success of Pulse in terms of sales in the Philippines? And then Blair Stewart is asking also on Pulse, which is, why only a third of the agents are taking leads direct from Pulse? And just asking for clarity on the definition of a Pulse sale, i.e., both a direct sale from lead from the Pulse system, but also an agent booking business onto Pulse. That is it for the moment.

Nic Nicandrou: Okay. So what Pulse contributed?

Eng Teng Wong: The opportunities, as I highlighted earlier, 75% of the population, they are actually online social media tech-savvy. So Pulse came at an opportune time in quarter one 2020, just before the pandemic. And as we launched, it gained a lot of traction because people like to stay active, a lot of cyclists in this country. When we did a virtual, just a contest, lot of people joined and we created so many different communities. Some are interested in nutrition like, Nic, you mentioned. Some are interested in health. Some are interested to just share photos amongst themselves.

So we, then based on these data, created or co-created products based on their feedback. And on top of that, there are certain seasons in this country that we are really tapping on as well, knowing that for example, around May-June, that is usually dry season, dengue is prevalent. So we learn from Malaysia, the first country who launched dengue. We actually launched here too.

So in summary, two key aspects. There are many young active users social media we tap on onto a Pulse ecosystem. Based on the data, we create bite-sized product. And then based on

the seasons in this country, we also created those products. And in summary, there are probably nine categories of products and there are many different variants that we also introduced. On a monthly basis, we can turn on and off different products just to make sure that we continue to build interest and engage with these users of Pulse and hence resulting in the first level of 57,000 sales last year.

And this year, in fact, learning from last year, we even refined these product offerings. The \$1 US personal accident for junior, when we first launched personal accident, the year before the success was limited because the adults, they were not so keen. The younger segment, the children are then more interested because the parents are interested.

So we continuously learn based on data that we get, either through sales data or behavioural data. And the last point to share about Pulse is really make sure that we not only put products onto it. We have curated content. Like this month, this is the International Month for Women. We have a lot of curated content about women's health, finances and so on to increase the regular engagements or what we call the MAUs, monthly active users. And that also resulted in some of these users buying products, for example, cancer protection, breast cancer in this case from us.

Nic Nicandrou: I think the secret why the Philippines has done better in terms of building our Pulse is no more complicated than we have a youthful business. If you look at the average age of our staff, what was it that you said earlier? 75-76% that are millennials and Gen-Z.

Eng Teng Wong: Yeah, Gen Z.

Nic Nicandrou: We have a youthful distribution force. You said 80%?

Eng Teng Wong: Yeah, 85%.

Nic Nicandrou: 85% are also Gen-Z or millennials. And you have a customer base that is also quite young. So if you like, it starts with ourselves the fact that we have a young team in a country that is very tech-savvy. Then they are very fast and first to take up the ideas that are coming out from the centre that as you were building those solutions at the centre, the Philippines were very first to grab them and run with them and improve on them.

So they were first to the party so to speak. And that is why it is that much more embedded in this business relative to some of the others. But the others are catching up fast as well. So they are only just lagging behind.

Now as to why only a third of the agents are now receiving leads through Pulse, like every other market, we have to prove the concept. Yes, they are young. Yes, they wanted to be part of the pilot. But we have to prove it to them. And then they act as the role models to go and be ambassadors, if you like, in order to get their colleagues, other agency groups to follow. They have to prove that if you receive a lead, you are going to be that much more productive.

And then you get this snowball effect. It starts a little slow, notwithstanding the youthful nature of the distribution post, but then it snowballs quite quickly. It was not until the latter part of last year that we started feeding more and more of these leads. Not every single one of those 10,000. In fact, it is only a fraction completed. But it just goes to show how much

more potential there is, as this thing gets better down, as I said, in an agency force in a business, which is so young in age.

So very exciting as these tools get even more traction as we go forward. Thank you for those questions. Any more, Patrick?

Patrick Bowes: No, there are no more questions on the webcast.

Nic Nicandrou: All right. Well, look, let me then close the session, if I may. I want to thank you for joining us in this inaugural snapshot session and thank you for the questions. I hope you liked the format. I would be interested in any feedback that you may have. Please let us know, let Patrick and the IR team know, as we have a number of similar interactions planned with CEOs of other businesses over the coming months. Eng Teng, thank you for answering the questions so fully, so comprehensively.

Eng Teng Wong: My pleasure, Nic.

Nic Nicandrou: Thank you and your team for not only hosting me on this visit, but also for hosting this session in your new agency premises.

Eng Teng Wong: PRUHouse.

Nic Nicandrou: PRUHouse. By way of final remarks, I want to take the opportunity to make and to remind everyone on the call of three key points.

One is that, as an insurance and asset management group that is now fully focused on Asia and Africa, we are phenomenally well-positioned in the sweet spot of the global insurance market, where the drivers of growth are structural. We talk about the protection gap. We talk about economic growth and we also talk about very favourable demographics.

The second point is that we have a strong brand, and almost second to none product development capability, which allows us to innovate and be first to market. We heard about some examples here in the Philippines, enabling us to access now all customer segments, not just the affluent.

And the third point is that our growing digital assets are now allowing us to grow even faster into new customer bases, but they are also helping us improve the productivity of our agency and also of our banca channel. And again, Philippines is leading the way amongst our markets in turning that mission and vision into reality.

I look forward to seeing you at the next edition of this series. Thank you for joining us and God bless you.

Eng Teng Wong: Yeah. Thank you.

[END OF TRANSCRIPT]