

Prudential PLC (2378 HK)

Asia-focus leading player; border-reopening tailwinds in 2023

As a leading global player in the life insurance and wealth management industry, Prudential PLC (Pru) re-positioned its business focus exclusively to the emerging markets in Asia and Africa subsequent to the demergers from European and US operations in 2019 and 2021. With extensive geographic footprint supported by multi-channel distributions, Pru is poised for capturing sustainable, long-term growth spurred by increasing protection and wealth management demands from the affluent Asian population. The long-awaited HK-Mainland border reopening and recovery in the South East Asian (SEA) markets serve as sentiment boosters for the insurer's new business growth momentum to pick up as entering into 2023.

- Long-awaited HK-Mainland border reopening bringing recovery of HK biz.** Pru operates with extensive exposure to Hong Kong market, evidenced by a 58% contribution of new business profit (NBP) generated from Prudential HK in 2019 vs only 37% gained by AIA HK during the equivalent period. Given eased restrictions from both mainland China and HK governments coming into effect, we expect Pru will benefit more from the upcoming HK-Mainland border reopening compared to peers. The pent-up demands of Mainland China Visitors (MCVs) will boost new business growth in Hong Kong once the border reopens.
- Expected recovery in SEA markets in 2H22-2023.** With progressive reopening schemes implemented in the South East Asian (SEA) countries i.e. Singapore, Indonesia, Malaysia since 2Q22, we expect to see rebound in new business momentum across these regions in 2H22-1H23, propped by surging protection demands and a low base given stringent COVID restrictions curbing agent movement and business activities throughout the year in 2H21-1H22.
- Inclusions in HSCI and SZ-HK Stock Connect incrementing fund flows.** After the demerger from M&G in 2019 and subsequent spin-off from Jackson in 2021, Pru became an Asia-focused life insurer and asset manager ever since. In September 2022, Pru was included as one of the constituent stocks of Hang Seng China Index (HSCI) and added to the SZ-HK Stock Connect. Such inclusions in the widely traded indices attract investment fund flows.
- Valuation:** We adopt the P/EV valuation based on Gordon Growth Model to peg the target price for Prudential at HK\$143.0/share, reflecting 1.1x FY23E P/EV. Our key assumptions include: 1) expected market return at 10%; 2) risk-free rate at 3%; 3) company beta as 0.9; 4) cost of equity (COE) at 9.3%; 5) long-term growth rate at 3%; and 6) a sustainable return on EEV at 10%. Initiate BUY.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Net premiums earned (US\$ mn)	21,870	22,373	24,177	27,502	30,896
YoY growth (%)	(49.7)	2.3	8.1	13.7	12.3
Net profit/(losses) (US\$ mn)	2,118	(2,042)	1,249	2,061	2,658
Operating EPS (USD)	0.84	0.97	0.93	1.08	1.24
YoY growth (%)	169.5	n.a	n.a	64.9	29.0
Consensus operating EPS (USD)	n.a	0.83	0.89	1.14	1.30
P/E (x)	16.7	n.a	29.9	18.1	14.1
P/B (x)	1.7	2.1	2.1	2.0	1.8
Yield (%)	0.7	0.8	0.9	0.8	0.8
ROE (%)	1.2	1.2	0.9	1.4	1.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Initiation)

Target Price	HK\$143.00
Up/Downside	+35.4%
Current Price	HK\$105.6

China Financials Sector

Gigi Chen, CFA
 (852) 3916 3739
 gigichen@cmbi.com.hk

Nika MA
 (852) 3900 0805
 nikama@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	290,328
Avg 3 mths t/o (HK\$ mn)	8.38
52w High/Low (HK\$)	144.00/68.75
Total Issued Shares (mn)	2,749

Source: Bloomberg

Shareholding Structure

BlackRock	8.56%
Vanguard	8.0%

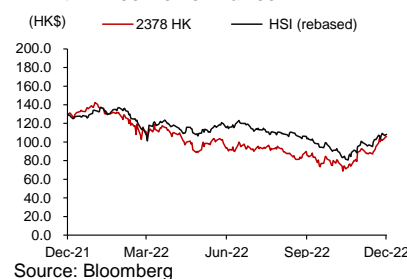
Source: Bloomberg.

Share Performance

	Absolute	Relative
1-mth	18.4%	4.7%
3-mth	17.3%	15.7%
6-mth	12.7%	21.2%

Source: Bloomberg

12-mth Price Performance



Auditor: KPMG LLP

Contents

Investment Thesis	3
Long-awaited HK-Mainland border reopening bringing HK biz recovery	3
Expected recovery in the SEA markets in 2H22-2023	3
Inclusions in HSCI and SZ-HK Stock Connect incrementing fund flows.....	5
Insurtech synergies from partnerships with Google.....	5
Focus Charts	6
A leading player of life insurance and wealth management	9
Extensive geographic footprint repositioning a pure play in Asia & Africa	9
Multi-channel distribution enhanced by strong Banca and digital Pulse	10
Broadening product mix shifting towards H&P amid COVID headwinds	12
Top-performing pan-Asian asset manager in creation synergies to life	13
Resilient GWS capital position sustains shareholder value proposition	15
Distinctive geographic footprint navigating to resilient performance	18
Financial Forecast	29
Income Statement	29
Balance Sheet.....	30
EV Statement	31
Valuation	32
P/EV vs RoEV approach based on Gordon Growth Model	32
Valuation comparison with major peers	33
Financial Summary.....	34
Appendix A: Profile of Board of Directors & Management.....	35
Appendix B: Regional market Forex/Equity Index/Bond Yields	37

Investment Thesis

As a leading player of life insurance and asset management business reputable for global brand awareness, Prudential plc has expanded its footprint to 23 markets across the continents of Asia and Africa. After spinning off its M&G business and Jackson business in 2019 and 2021 respectively, Pru's APE (annual premium equivalents, equivalent to ANP) and NBP (new business profit, equivalent to VNB) are predominated by Asia markets, consisting of approx. 97% APE from 13 operating markets in Asia. The diversified geographic coverage secures the insurer's new business growth amid macroeconomic uncertainties by partially offsetting losses in some markets with gains achieved in others.

Long-awaited HK-Mainland border reopening bringing HK biz recovery

In the largest market of the Group in terms of NBP, Pru HK faced significant pressure over the past three years amid COVID restrictions and border lockdowns. In 2019, before the COVID pandemic, 61% of Pru HK's NBP came from Mainland China Visitors (MCVs). The border lockdown starting from Feb 2020 quickly cut down the MCVs' APE contribution to close to zero, and led to a sharp decline of HK NBP in 2020. However, Pru managed to reserve the capacity of MCV sales over the past three years, as the insurer directed the previously MCV-focused agents towards local business rather than simply cutting them off.

In Dec 2022, the mainland Chinese government has started to ease its zero-Covid policies across cities, pivoting away from the lockdowns and centralized quarantine. On 13 Dec 2022, HK government officially removed the Amber Code restrictions allowing all inbound travelers to scrap the previously mandatory used contact-tracking app. As the mainland and HK governments are both easing stringent COVID-related movement restrictions, we expect the resumption in quarantine-free travels cross border between Hong Kong and mainland China to be highly possible in 1Q23. Compared to AIA, Prudential plc operates with much more exposure to HK domestic markets, evidenced by a 58% contribution of NBP generated from Prudential HK in 2019 vs only 37% of value of new business (VNB) resulted from AIA HK in the equivalent year. We believe Prudential will benefit more from the forthcoming border re-opening schedules, and cross-market pent-up demands are likely to boost the insurer's new business momentum in HK since the start of 2023.

Expected recovery in the SEA markets in 2H22-2023

In 2H21, Pru's key markets in South East Asia region, i.e. Indonesia, Singapore, Malaysia, etc., are suffered from Omicron outbreaks, and some of these countries faced lockdown measures which lead to a slowdown in new business sales. In 1H22, the pandemic situations in South East Asia gradually eased, and the governments lifted restriction measures, as shown in the following table. In 2H22 and 2023, we believe the low base effect will kick in and the NBP growth in South East Asia markets will pick up.

Figure 1: Timeline of COVID restrictions in Singapore, FY20-1H22

Timeline		Covid-19 government restrictions			
* Font in colors below represents the level of strictness of Covid-19 lockdown measures, whereas RED implies the strictest, ORANGE implies moderate, and BLACK implies normalized regulatory measures.					
FY20	Apr - Jun	1) Enacted the "Covid-19 Control Order"; 2) set off stringent preventive measures namely "circuit breaker lockdown"; On June 1, government launched three-phased approach for economic activities with Phase I initiated; limited group size at 2.			
	Jul - Dec	1) In July, executed Phase II of re-opening plan; 2) expanded group size from 2 to 5; 2) In December, started Phase III of re-opening plan; 2) expanded group size from 5 to 8.			
1H21	Jan - Apr	Maintained Phase III, with limited group size of 8	1H22	Jan - Apr	Maintained in "transition phase" of re-opening
	May - Jun	1) Reverted to Phase II, due to emergence of Delta; 2) Lockdown twice; 3) Limited group size back to 5.		Mar	On 29 Mar, eased outdoor mask wearing & expanded group size to 10.
2H21	Jul - Aug	Maintained Phase II, with limited group size b/w 2-5	2H22	Aug	Lifted all COVID restrictions; indoor mask wearing chg. to optional.
	Aug - Sep	Only allowed vaccinated person to use the services			
	Oct	Phased out zero-COVID strategy			
	Nov - Dec	Gradual re-opening; proceeded into "transition phase"			

Source: CMBIGM

Figure 2: Timeline of COVID restrictions in Malaysia, FY20-1H22

Timeline		Covid-19 government restrictions			
* Font in colors below represents the level of strictness of Covid-19 lockdown measures, whereas RED implies the strictest, ORANGE implies moderate, and BLACK implies normalized regulatory measures.					
FY20	Apr - Jun	1) Enacted the "Covid-19 Control Order"; 2) set off stringent preventive measures namely "circuit breaker lockdown"; On June 1, government launched three-phased approach for economic activities with Phase I initiated; limited group size at 2.			
	Jul - Dec	1) In July, executed Phase II of re-opening plan; 2) expanded group size from 2 to 5; 2) In December, started Phase III of re-opening plan; 2) expanded group size from 5 to 8.			
1H21	Jan - Apr	Maintained Phase III, with limited group size of 8	1H22	Jan - Apr	Maintained in "transition phase" of re-opening
	May - Jun	1) Reverted to Phase II, due to emergence of Delta; 2) Lockdown twice; 3) Limited group size back to 5.		Mar	On 29 Mar, eased outdoor mask wearing & expanded group size to 10.
2H21	Jul - Aug	Maintained Phase II, with limited group size b/w 2-5	2H22	Aug	Lifted all COVID restrictions; indoor mask wearing chg. to optional.
	Aug - Sep	Only allowed vaccinated person to use the services			
	Oct	Phased out zero-COVID strategy			
	Nov - Dec	Gradual re-opening; proceeded into "transition phase"			

Source: CMBIGM

Figure 3: Timeline of COVID restrictions in Indonesia, FY20-1H22

Timeline		Covid-19 government restrictions			
* Font in colors below represents the level of strictness of Covid-19 lockdown measures, whereas RED implies the strictest, ORANGE implies moderate, and BLACK implies normalized regulatory measures.					
FY20	Mar - May	Local government implemented large-scale social restrictions(PSBB), incl. limits on public transportation, size of group gathering, compulsory mask wearing, etc.			
	Jun	Eased PSBB restrictions given a slowdown in affected cases			
		Tightened PSBB restrictions in multiple areas, with caseload ramp up			
1H21	Jan	Central government implemented Community Activities Restrictions Enforcement (PPKM) for new variant	1H22	Jan - Mar	Maintained on-and-off chg. among PPKM Level 2-4 in multiple areas.
	Jan - Feb	Sustained PPKM: 1) 25% working at office & 75% WFH; 2) 50% capacity allowed for religious worship; 3) 25% capacity allowed in restaurants/malls		May	Optional outdoor mask wearing; removal of testing for fully-vaccinated travelers
	Feb - Jun	Transitioned to loosening PPKM, incl. restrictions eased to 50% WFO & 50% WFH			
2H21	Jul	Escalated Emergency PPKM with tightened restrictions: 1) 100% WFH for non-essential sectors; 2) Closed places for worship, restaurants, and malls; 3) Re-classified mechanisms into 4 levels	2H22	Sep	Officially announced the Covid-19 heading to an endemic phase
	Aug - Dec	Chg. among PPKM Level 2-4 restrictions			

Source: CMBIGM

Inclusions in HSCI and SZ-HK Stock Connect incrementing fund flows

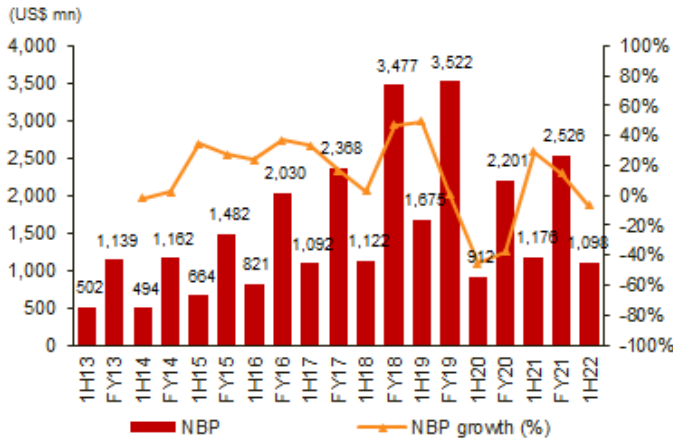
Prudential plc has been dual primary listed in HKEX and London Stock Exchange (LSE) since 2010. As the life insurer demerged M&G plc (UK and EU insurance business and M&G Investment) in 2019 and spun off Jackson Financial Inc. (US insurance business) in 2021, Prudential plc became an Asia-focused life insurer and asset manager. Hence, the stock is qualified for inclusion of Asia indexes. In Aug 2022, Hang Seng Indexes Company announced that Prudential plc would be included as a constituent stock of HSCI starting from 5 September. Simultaneously, the stock was included in the Shenzhen-HK stock connect. We believe the inclusions will attract more investments and fund flows into the listed insurer.

Insurtech synergies from partnerships with Google

On 10 October 2022, Prudential plc announced that it has formed a strategic partnership with Google Cloud, further deepening the cooperation between the two companies which started in 2019. Prudential plc targets to leverage Google's cloud infrastructure, AI and data analytic applications to enhance Pru's integrated digital platform, Pulse. We expect the partnership will further strengthen Pru's sales and service capacity of health and wealth management business.

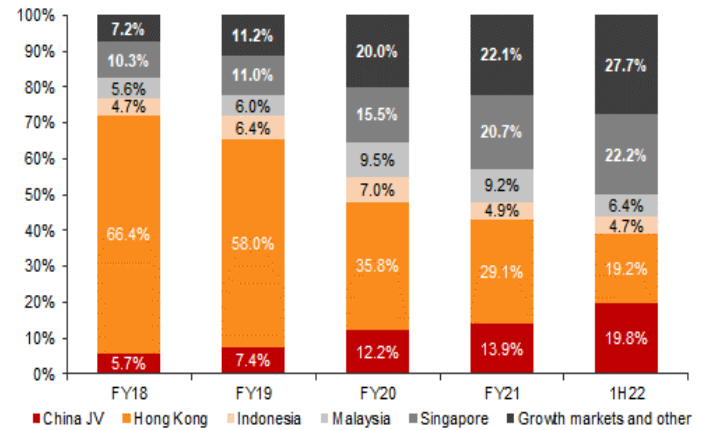
Focus Charts

Figure 4: Prudential Asia NBP & NBP YoY (1H16-1H22)



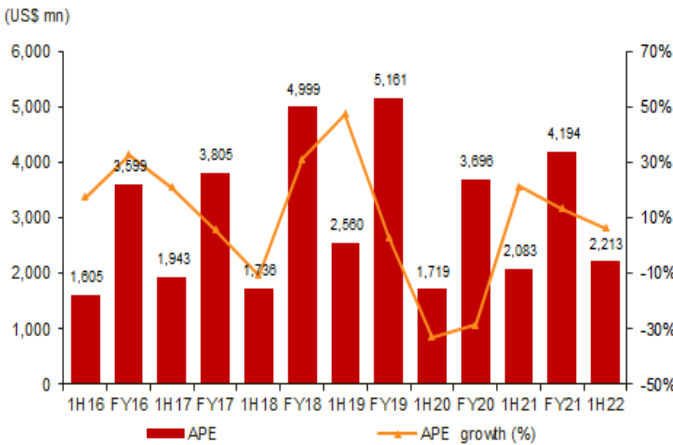
Source: Company data, CMBIGM

Figure 5: Prudential Asia NBP breakdown by country



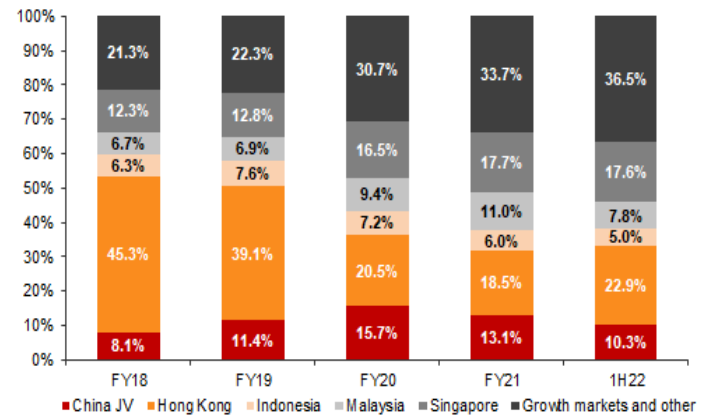
Source: Company data, CMBIGM

Figure 6: Prudential Asia APE & YoY (1H16-1H22)



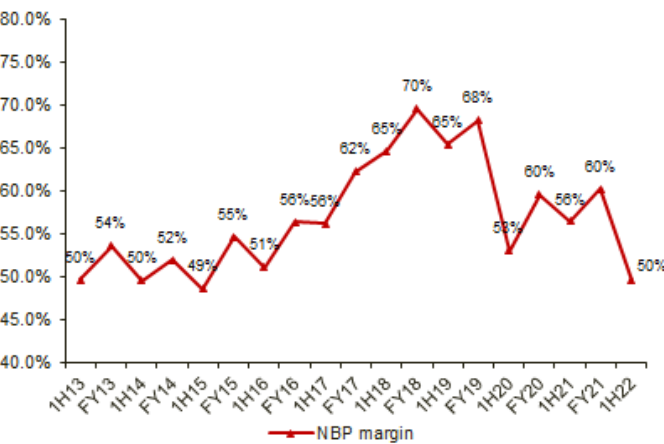
Source: Company data, CMBIGM

Figure 7: Prudential Asia APE breakdown by country



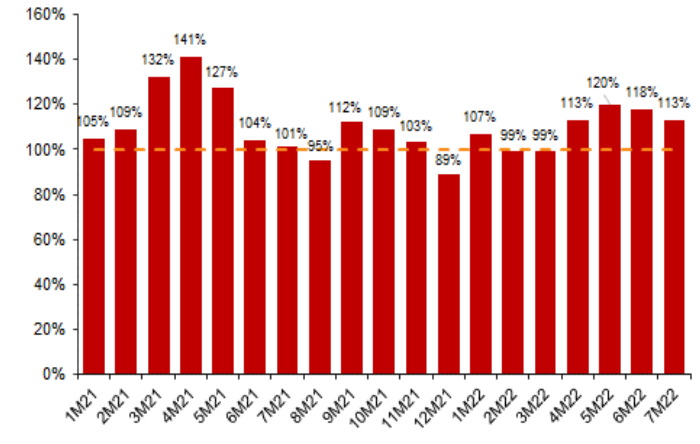
Source: Company data, CMBIG

Figure 8: Prudential Asia NBP margin (APE basis)



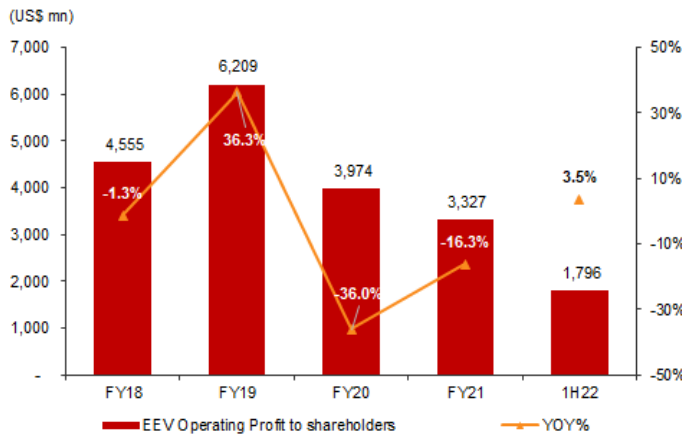
Source: Company data, CMBIGM

Figure 9: Prudential Asia Mon. APE YoY%, 1M21-7M22



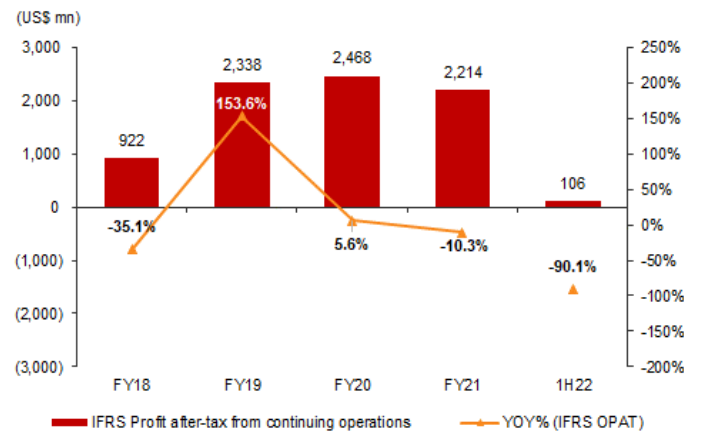
Source: Company data, CMBIGM

Figure 10: Prudential Asia EEV OPAT & OPAT YoY%



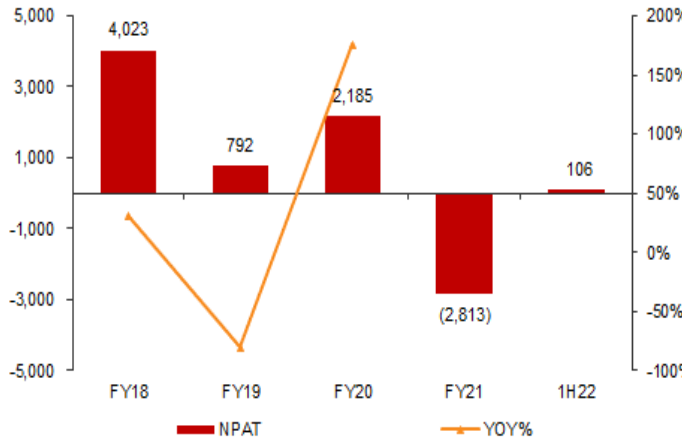
Source: Company data, CMBIGM

Figure 11: Prudential Asia IFRS OPAT & OPAT YoY%



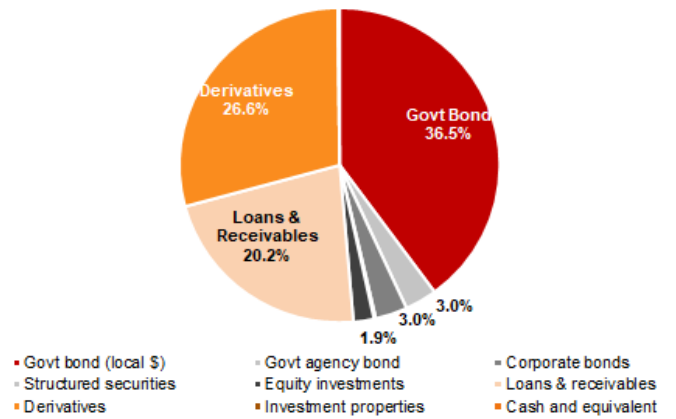
Source: Company data, CMBIGM

Figure 12: Prudential Asia NPAT & NPAT YoY%



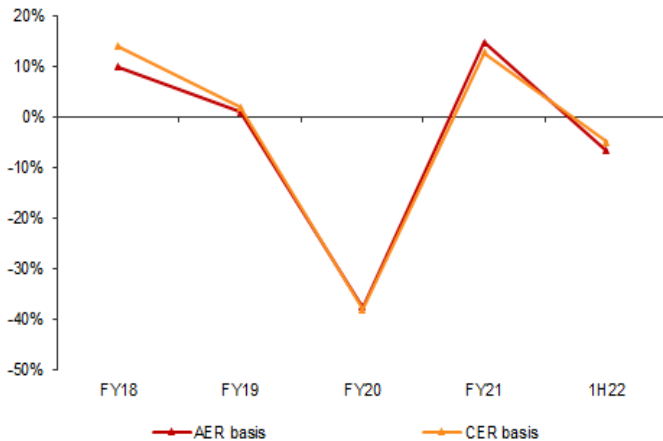
Source: Company data, CMBIGM

Figure 13: Prudential Asia Investment Portfolio in 1H22



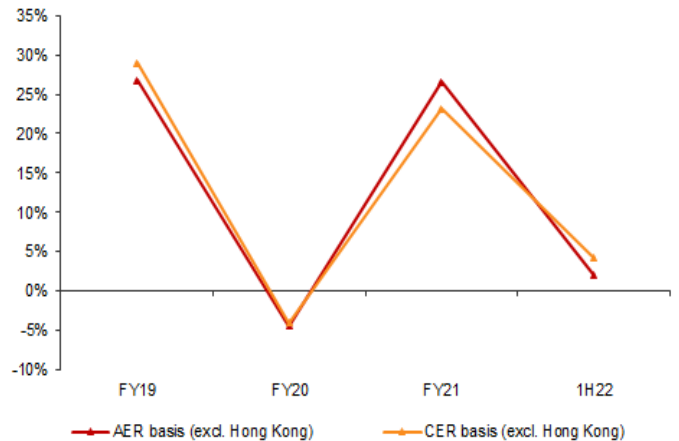
Source: Company data, CMBIGM

Figure 14: PRU Asia NBP Growth on AER & CER



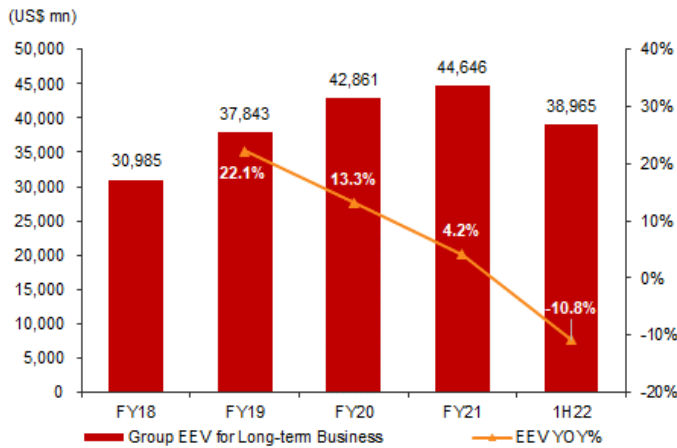
Source: Company data, CMBIGM

Figure 15: PRU Asia excl. HK NBP Growth AER & CER



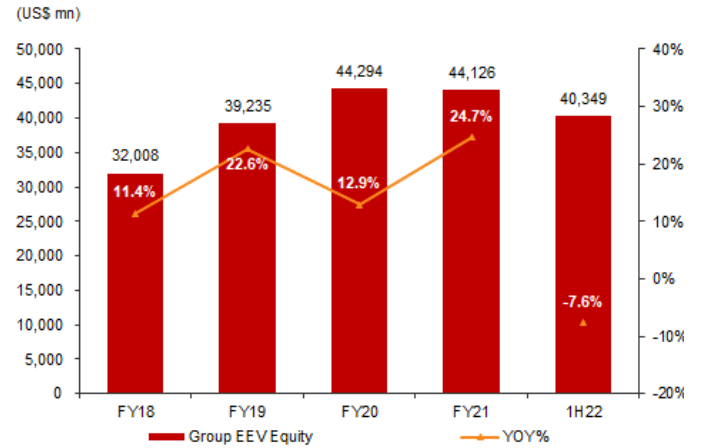
Source: Company data, CMBIGM

Figure 16: Prudential Asia EEV & EEV YoY%



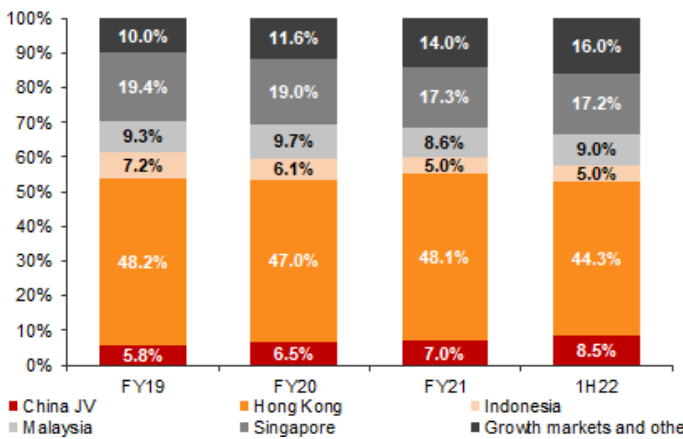
Source: Company data, CMBIGM

Figure 17: Prudential Asia EEV Equity & YoY%



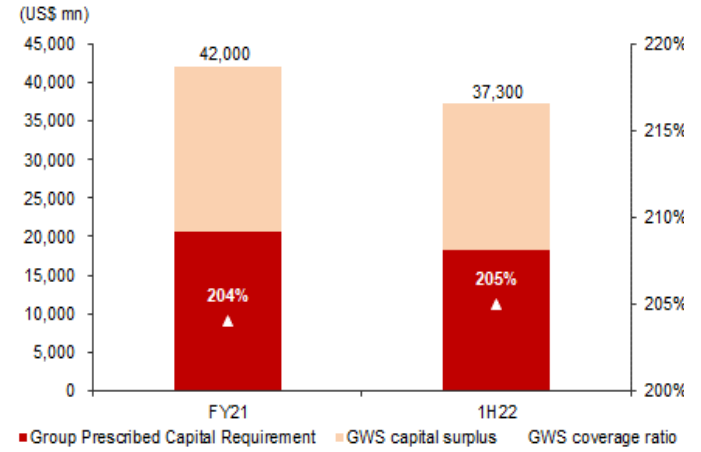
Source: Company data, CMBIGM

Figure 18: Prudential EEV breakdown by country



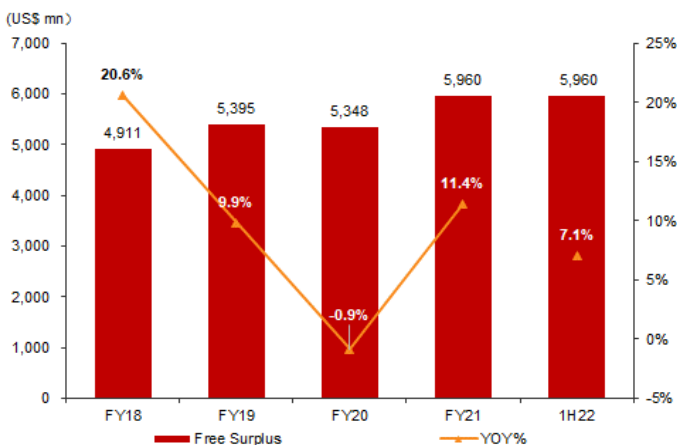
Source: Company data, CMBIGM

Figure 19: Group capital position in FY21 and 1H22



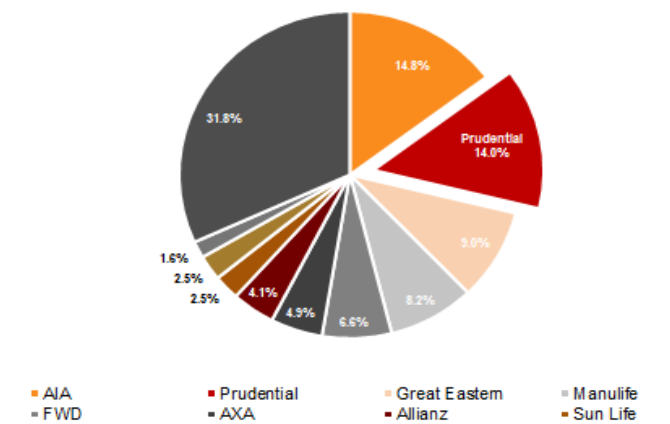
Source: Company data, CMBIGM; *Note: LCSM stands for Local Capital Summation Method under the group-wide supervision (GWS) framework set by HKIA.

Figure 20: Prudential Free Surplus & Free Surplus YoY%



Source: Company data, CMBIGM

Figure 21: Prudential APE market share in SEA (%)



Source: Company data, CMBIGM, NMG | *Note: Data in FY21, SEA markets refer to Thailand, Indonesia, Malaysia, the Philippines, Singapore and Vietnam.

A leading player of life insurance and wealth management

Founded in 1848, Prudential plc (2378 HK/PRU LN) is a multinational insurance company dual headquartered in both Hong Kong and London, UK. Ranking as the top three in 11 out of its 13 operating Asian life markets, the insurer provides a wide assortment of life, health insurance and investment products and services to customers through its multi-channel integrated distribution model including 530,000 agents and 170 bancassurance partners expanding across over 27,600 bank branches by 1H22. Its asset management division, Eastspring, had an aggregate of US\$222.3bn assets under management as of 1H22. Subsequently after the demerger of European operations in October 2019, and the following US operations in September 2021, the insurer now shifts its primary focus to the secular growth markets in Asia and Africa. In Asia, its business spans across Mainland China, Hong Kong, Indonesia, Malaysia, Singapore, India, Taiwan, Vietnam, Laos, the Philippines, Cambodia, Thailand and Myanmar, in which the markets exposed with low insurance penetration rate yet high pent-up demands from increasing size of affluent population that will contribute to sustainable, long-term value growth for the Group. Aside from Asia, the insurer operates in eight markets in Africa as well.

Extensive geographic footprint repositioning a pure play in Asia & Africa

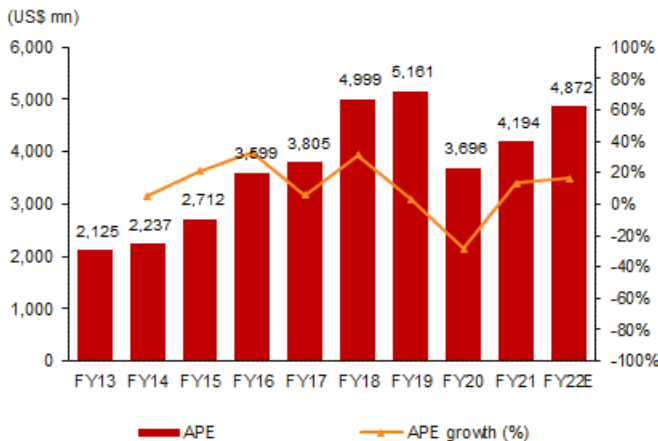
Prudential plc has established its presence in Hong Kong for over 57 years. Since its listing on the Main Board of the Hong Kong Stock Exchange in 2010, the Group recorded sustainable value growth in respect of both value of new business (NBP, also known as “New Business Profits” as reported) and annualized premiums equivalent (APE, also known as “Annualized New Premiums” or “ANP” as used by other peers) on a like-for-like basis throughout the pre-pandemic years. Following the demerger of European operations in October 2019 and subsequently the US division, Jackson Financial Inc. (Jackson), in September 2021, the Group has shifted its primary business focus exclusively to the high-growth markets in Asia and Africa, where wealth accumulation escalated among increasing size of affluent population and yet life products are still relatively underpenetrated.

Across Asia, the Group’s largest life and protection operations span across Mainland China, Hong Kong, Indonesia, Malaysia, Singapore and Other Growth markets covering in total 19.3mn life customers by 30 June 2022. Among which, Chinese Mainland business is tapped via a joint venture managed with CITIC and operated as CITIC Prudential Life (CPL). As shown in Figure. 22, Pru’s Greater China (~46%) and ASEAN markets (~45%) together contributed 91% APE sales in 1H22, displaying the diversified effects of an Asia pure-play.

During years of development, Prudential Asia’s APE rose 13.5% YoY to US\$4,194mn, driving up a NBP increase of 14.8% YoY to US\$2,526mn in FY21, showing a strong growth recovery since the pandemic outbreak. In the first half of 2022, in face of challenges from changing macro environments at the backdrop of geopolitical headwinds and resurging COVID restrictions, the Group resulted in sluggish NBP growth and descending new business margin across geographic markets, except for Singapore. Despite downside risk exposures, the Group remained resilient on the APE basis, given its Asia-centric operating strategy targeting on the long-term growth opportunities across life and asset management segments in these markets, and managed to achieve APE growth in 8 out of 13 Asia life markets as well as in its Africa business by 30 June 2022. Such resilience is indivisible from the Group’s diversified geographic exposure to which the APE sales performance varying by operating results of product and distribution mix, can be balanced across regions.

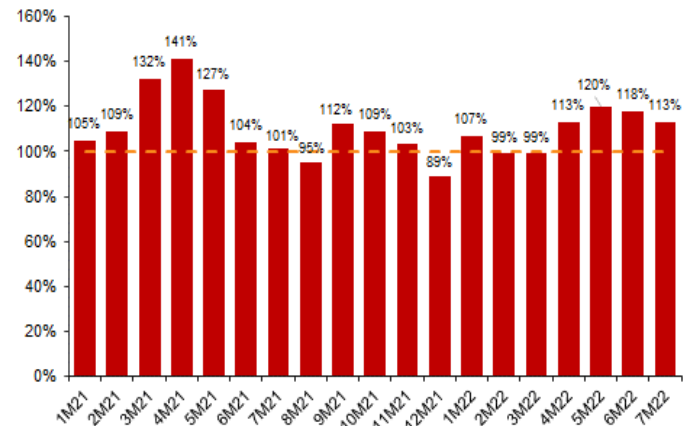
Beyond this, a sequence of strategic actions regarding the company’s shares and top management decisions implying the Group’s shifting focus on Asian market investors included: (i) equity raising of US\$2.4bn in September 2021 ([link](#)); (ii) inclusion as Hang Seng Composite Index(HSCI) constituent since 5 September 2022 ([link](#)), increasing stock liquidity and enabling the company to be considered for the Shenzhen-Hong Kong Connect program for trading by Mainland Chinese investors. To further tap into China business and increase Asian investor base, the Group based its top management in Asia incl. the new Group CEO, Anil Wadhvani, who will join on 25 February 2023 and will be based in Hong Kong ([link](#)).

Figure22: Prudential Asia annual APE & YoY%(FY13-FY22E)



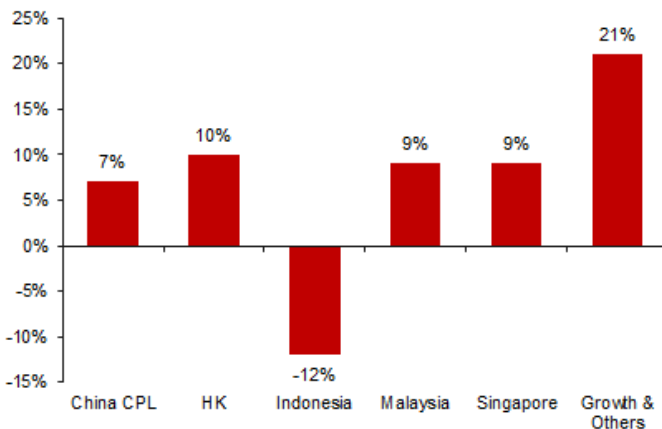
Source: Company data, CMBIGM; | *Note: FY22E based on CMBIGM estimates; including business in Africa

Figure23: Prudential Asia monthly APE YoY% (1M21-7M22)



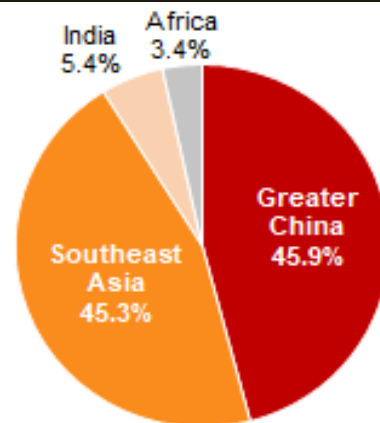
Source: Company data, CMBIGM; | *Note: including business in Africa

Figure 24: IFRS operating profit YoY% by markets, 1H22



Source: Company data, CMBIGM; | *Note: including business in Africa

Figure25: Prudential Asia APE by operating regions, 1H22



Source: Company data, CMBIGM;

*Note:

- (i) Greater China incl. business in Mainland China(CPL), Hong Kong, and Taiwan;
- (ii) Southeast Asia incl. business in nine ASEAN markets as Indonesia, Malaysia, Singapore, Cambodia, Laos, Myanmar, the Philippines, Thailand and Vietnam;
- (iii) Mainland China new business sales incl.50% Pru’s interests in CPL;
- (iv) India new business sales incl. 22% Pru’s interests in the associate.

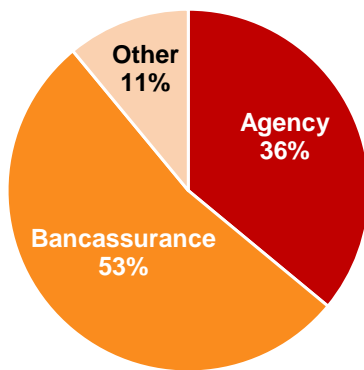
Multi-channel distribution enhanced by strong Banca and digital Pulse

Prudential adopts a multi-channel and integrated distribution model to quickly adapt and flexibly respond to markets in order to match with each respective local customer’s needs. By end June 2022, the Group’s distribution network involves agency force of approx.

530,000 agents and 170 bank partners giving access to 27,600 bank outlets primarily targeting in Asia. Among which, Prudential’s mainland China JV delivered strong bancassurance sales in 1H22, resulting in a 28% year-over-year growth on APE sales. Given CPL’s competitive strengths on China bancassurance, the entity developed 11 new banca partnerships within one year that boosted in-coverage bank branches by 50% to 6,100 by end June 2022. The result of such a shift in channel mix towards bancassurance in the Group’s mainland China business created incremental markets for new business sales in volatile market contexts.

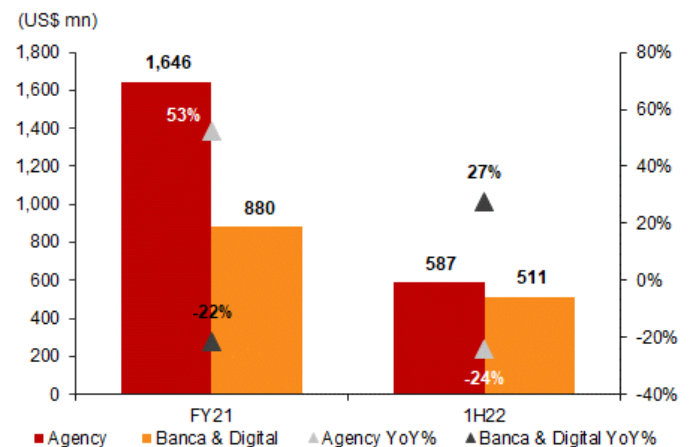
Aside from traditional channels of agency and bancassurance partnerships, the Group launched its digital-enabled tool, Pulse, to accelerate innovation and eventually translating into improved operational efficiency. The app-based tool enables mobile applications and lead generation that help boost agency sales by providing customers more accessible service on-hands. By 30 June 2022, Pulse has accumulated 4.8mn leads with a generation of APE sales in US\$158mn, accounting for one-quarter of total agency APE in the first half of the year. Looking forward on Pulse, the Group’s aspiration is to function it as a complementary app for sourcing and managing new business whilst enhancing customer experience, and meanwhile on expectations for future operational efficiency as its digital model evolves.

Figure 26: Prudential APE sales by distribution mix, 1H22



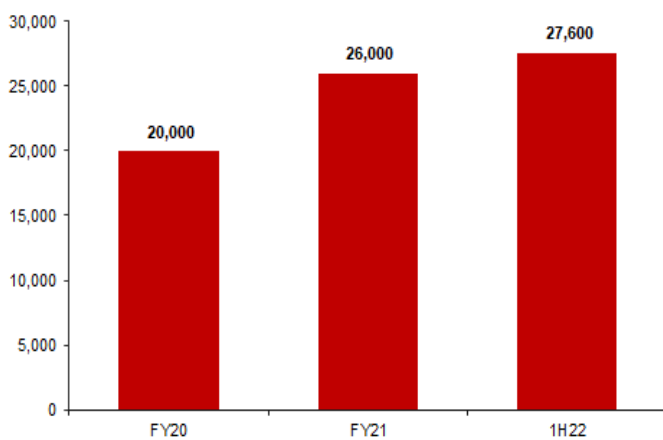
Source: Company data, CMBIGM

Figure 27: Prudential NBP & YoY% by distribution mix



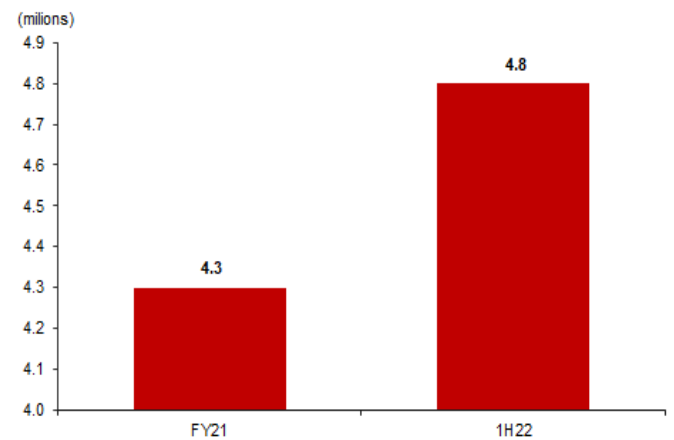
Source: Company data, CMBIGM

Figure 28: Prudential’s access to bank outlets (FY20-1H22)



Source: Company data, CMBIGM

Figure 29: Prudential’s digital Pulse lead generation



Source: Company data, CMBIGM

Broadening product mix shifting towards H&P amid COVID headwinds

As a multinational life insurer re-positioning to capture Asia-centric opportunities, Prudential offers a wide assortment of life and health, and investment-linked products in match with the health, wealth, retirement needs among affluent customers in these rapidly growing markets. To simply put by types, the Group's product offerings can be categorized into four groups incl. participating contracts, non-participating savings, health and protection, and investment-linked savings, as shown in Figure.27, a presence of each relatively well-balanced share at 28%, 27%, 24% and 21%, respectively, of total APE by 1H22. In each geographic region, the Group as well develops its proprietary offerings catering to the fast-changing yet deeply rooted over-long-term customer demands. For instance, in Indonesia, Sharia business is developed to align with the insurance needs of local Muslim population; and in Malaysia, Takaful products provided further broaden the delivery of Islamic solutions.

Apart from traditional insurance contracts, new and innovative products launched every year diversify the Group's product portfolios. By end 2021, over 200 new and revamped products were released, among which 90 were new D2C products empowered by digital capabilities. In the first half of 2022, 90 new products were launched with 19 D2C-enabled. Rather geographically innovative, in December 2021, CPL launched a new critical illness product targeting domestic demands in the Greater Bay Area (GBA) in China, which served as the first pivot after local regulatory changes to critical illness plans, and that has achieved progressive results accounting for 12% of CPL's total critical sales in the first half of 2022.

Although wide ranges of products have been developed given continuous innovations, a product mix shifts towards lower-ticket-size Health & Protection and savings products from conventional high-yield non-participating, i.e. critical illness policies, becoming a common trend since the pandemic as customers across markets seeking protections yet getting more sensitive to higher payments amidst inflationary uncertainties. In Hong Kong, domestic H&P products accounted for 75% total NBP in 2021, and continued to contribute to new business sales in 1H22. In Indonesia and Malaysia, H&P policies accounted for high proportions of total NBP, at a level of 78% and 68% respectively in 1H22. Under such circumstances, ongoing shifts towards high return H&P and savings products are now in place and we expect them to continue driving the Group's value proposition in the life sector.

Regarding Takaful and Sharia business, the Group maintains its leading position in both markets given top-ranking market shares at 30% in Malaysia Takaful and 29% in Indonesia Sharia. In Malaysia, a new H&P product, BSN Sakinah, was launched in 1H22 targeting to diversify sales in banca distribution, and by end June 2022, the product reinforced Takaful H&P new premiums sales, namely APE, to 67% YoY, versus 64% at the beginning of year.

Top-performing pan-Asian asset manager in creation synergies to life

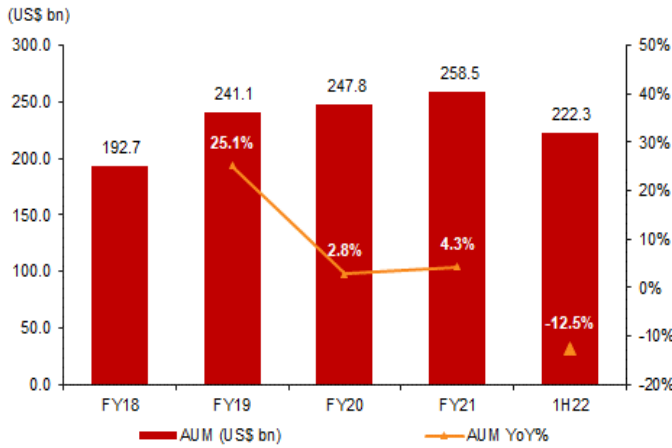
Ranking as a top-10 asset manager in 6 out of 11 operating markets across Asia, the Group's asset management division Eastspring Investments (notably Eastspring) provides a broad range of products and services catering to the investment needs of both Asian savers and global investors, generating considerable synergies to the Group's core business focusing on life and health insurance and protections concurrently.

Founded in 1994, the asset manager leverages its expertise in equity, fixed income, multi-asset, quantitative and alternative strategies striking for best-in-class management for both of its institutional and retail clients. By collaborating with the Group's insurance business, Eastspring's investment experience underpins the long-term structural growth and development of insurance products, whilst serving the needs of external third-party clients. The net inflows of capital from the Group's insurance arms enhance the asset manager's investment capabilities in strengthening existing business with higher risk-adjusted returns.

Guided by aforementioned synergies, the asset manager achieved US\$258.5bn fund under management by 31 December 2021, implying 4.3% year-on-year growth from 2020 despite a volatile macro environment. The fund under management by end June 2022 was US\$222bn, a relative drawdown compared to the same period in prior year given rising global uncertainties in the first half of 2022. By composition, however, total funds under management can be sorted into i) external funds, including the proportion managed on behalf of M&G plc, and ii) internal funds, primarily held by the Group's continuing insurance businesses. As shown in Figure 30, the trend of external funds under management, including the portion managed on behalf of M&G plc, decreased over years since 2019 which generated capital outflows, yet partially offset by the year-over-year increases of internal fund sources. The outflows can be attributable to certain profit taking and asset rebalancing in equity markets given strong market volatility, and fund redemptions by M&G plc, equivalent to net outflows of US\$4.0bn in 2021 and US\$0.9bn, by estimation, in 2022 respectively. Despite the movements of FUM, the asset manager maintains investment scalability and flexibility in managing an overall growing size of multi-class of assets globally.

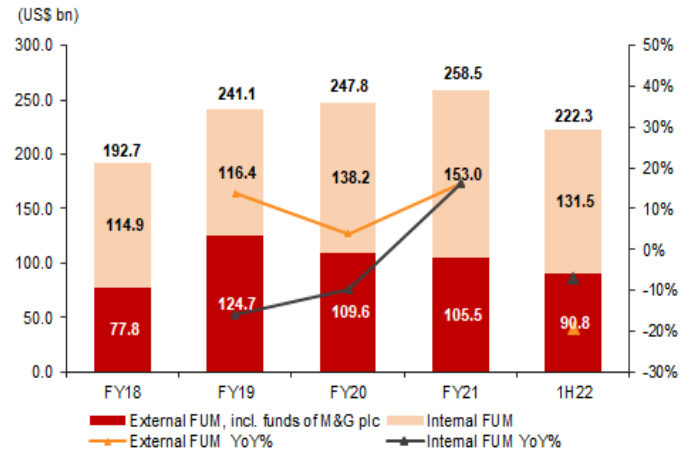
Despite fund scalability, Eastspring outperforms in terms of profitability over years as well, as measured by year-on-year growths in adjusted operating profit (Figure.31) and IFRS profit after tax (Figure.32). Resultant decline in 1H22 was in line with the descending outcomes in funds under management during the same period correspondence to challenging market conditions. Driven by huge development potential, the asset manager pays great attention to tap into underlying demands in India and Mainland China focusing on the group of retail, primarily the high-net-worth (HNW) individual in the regions. By end June 2022, Eastspring has established a share in funds under management of US\$30.9bn in India and US\$12.4bn in Mainland China, respectively. In Mainland China, more specifically, the Group's life joint-venture CPL established its asset management company, Prudential-CITIC Asset Management Co., committed to the growing demands for savings and retirement planning by taking full advantages of the local partner's bancassurance and brokerage channel strengths. This multi-layered local structure also creates synergies for new assets and profits growth for the Group's asset management business as a whole.

Figure 30: Eastspring fund under management & YoY%



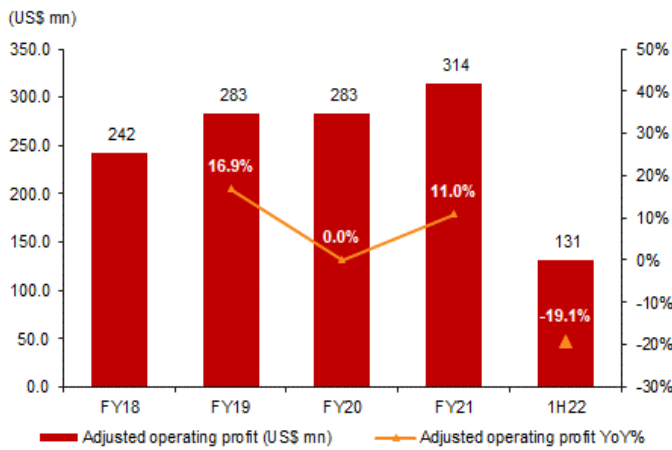
Source: Company data, CMBIGM

Figure 31: Eastspring FUM's external & internal sources



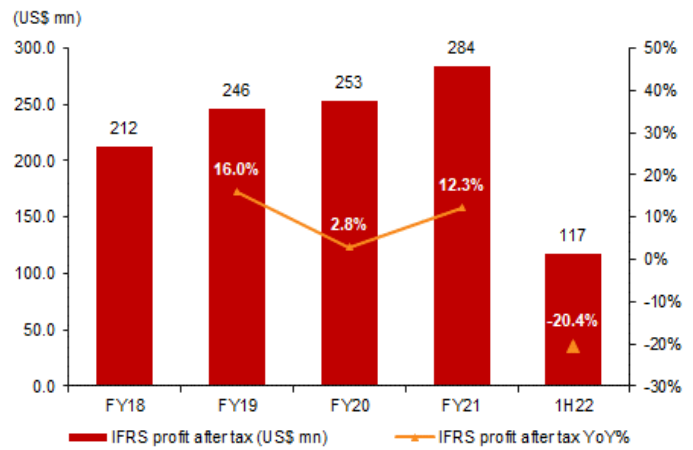
Source: Company data, CMBIGM

Figure 32: Eastspring adjusted operating profit & YoY%



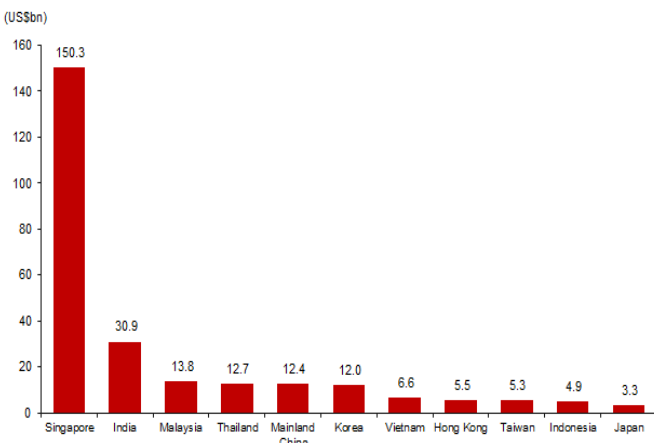
Source: Company data, CMBIGM

Figure 33: Eastspring IFRS profit after tax & YoY%



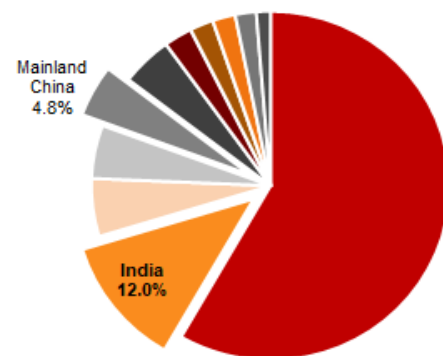
Source: Company data, CMBIGM

Figure 34: Eastspring FUM contributions by markets, FY21



Source: Company data, CMBIGM

Figure 35: Eastspring FUM shares of India and China, FY21



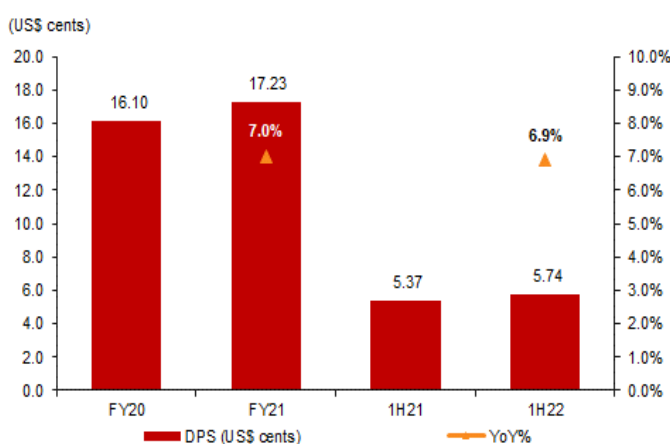
Source: Company data, CMBIGM

Resilient GWS capital position sustains shareholder value proposition

Sustainable dividend per share and total dividends growth amid structural changes

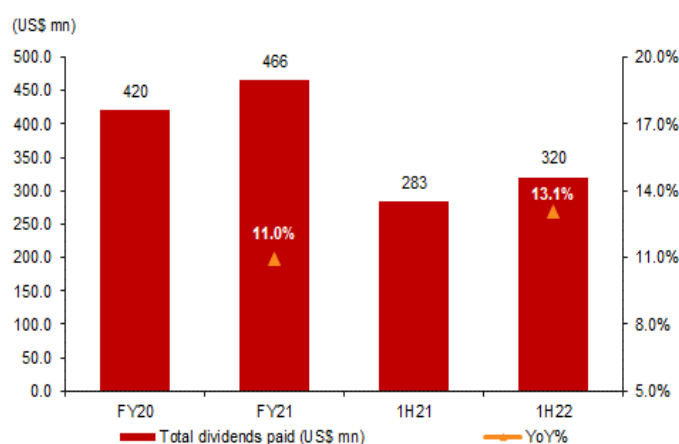
Upon completion of strategic re-positioning in 2021, the Group develops its locally rooted capacities in the secular Asian and African growth markets to generate new business dynamics that can deliver the Group's shareholders distinctive value-added propositions over a long-term prospect. In 1H22, the Group's shareholders benefited from a dividend in cash with US\$5.74 cents per share, versus US\$5.37 cents per share and US\$17.23 cents per share paid in 1H21 and end 2021 respectively, representing approx. 7% year-on-year increase in dividend distributions. Aside from capital reserved for business reinvestments, an increasing dividend allocation reflects the group's priorities in generating and returning more values back to its shareholders, of which the amount is determined based on the Group's operating capital generation, net of recurring central costs and restructuring costs.

Figure36: Group dividends per share, semi-annual basis



Source: Company data, CMBIGM

Figure37: Total Group dividends paid, semi-annual basis



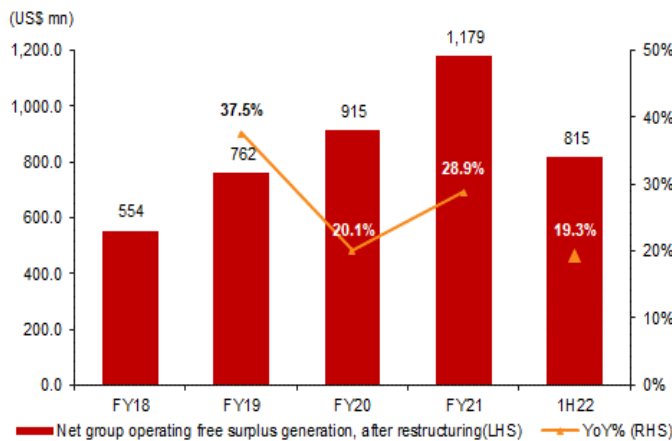
Source: Company data, CMBIGM

Strong GWS capital position driven by robust net operating free surplus generation

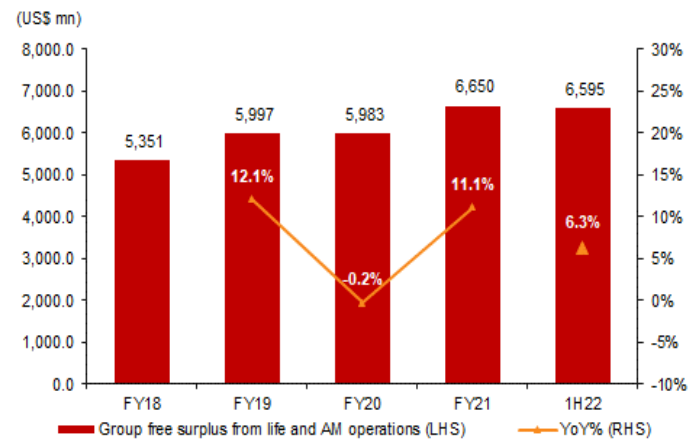
Evidenced by a like-for-like increase in dividends paid, the Group's resilient capital position is indivisible of the Group's internal cash generation from continuing operations in life and asset management businesses across jurisdictions and, more specifically, the capital generation in excess of minimum capital applied by local regulatory authorities. Guided by the Group-wide Supervision (GWS) Framework issued by Hong Kong Insurance Authority (HKIA), the Group determines its regulatory minimum and prescribed capital requirements following two essential set out rules, namely, (i) the Group's total eligible capital resources are no less than the Group Prescribed Capital Requirements (GPCR) and, (ii) GWS tier-1 group capital resources are no less than the Group Minimum Capital Requirements (GMCR). Simply put, following the trend to move to risk-based capital regimes (RBC) progressively onwards, the GWS group capital adequacy requirements enhance a group-level capital management, in particular for multinationals, with categorized capital standard lines, versus merely a single measure of Group minimum capital requirement (GMCR) in prior periods. Additionally, local regulatory capital regimes strike impacts on the Group's GWS capital basis with changes applied to local subsidiaries, joint ventures, and associates, suchlike the C-ROSS Phase II taking effect in Mainland China since 1Q22, and an early adoption approval received from HKIA for new RBC regimes to be executed in Hong Kong this April.

Notwithstanding more rigid capital requirements, the Group's strong GWS capital position relies on the year-on-year growth of net Group operating free surplus generated from

continuing operations, after recurring central costs and restructuring expenses. Despite a decline in growth in 2020, the net operating free surplus generation maintained strong growth exceeding 20% on a like-for-like basis in recent years, indicating the Group's strong internal cash generation that supports both the solvency and capital surplus generation to be further applied to writing new businesses or dividend payouts. Besides, free surplus generation from continuing operations in life and asset management business, the Group's two core operating segments, recorded sustainable growth of above 10%, whilst a minor drop in 2020 due to the outbreak of COVID-19 pandemic.

Figure38: Net Group operating free surplus generation


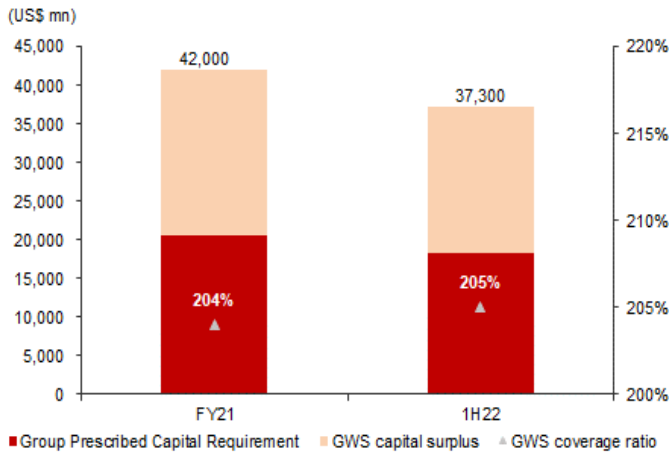
Source: Company data, CMBIGM | *Note: figures before 2020 excl. operating free surplus generated from the US operations.

Figure39: Free surplus generation from life and AM operations


Source: Company data, CMBIGM | *Note: The above free surplus generation incl. only the portion from continuing operations in life and AM businesses, and may not be equivalent to the Group's total amount.

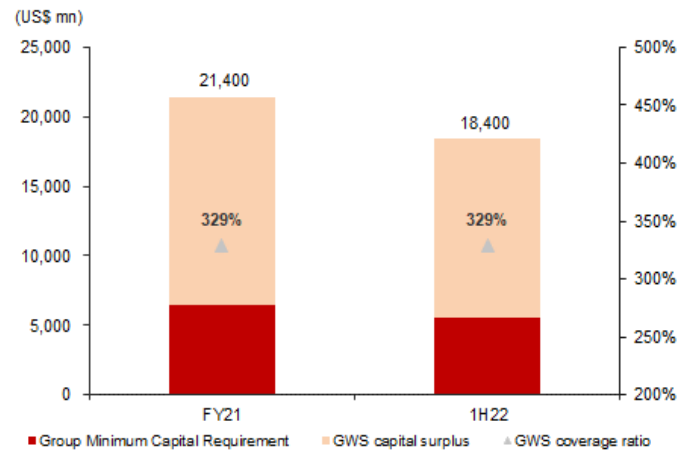
Given the prescribed capital requirement (GPCR) newly applied in 1H22, the GWS capital surplus and corresponding coverage ratios were adjusted upon changes with reporting in comparable figures as of 2021 and 1H22. On 31 December 2021, the Group's GWS capital surplus over GPCR amounted to US\$21.4bn and the corresponding GWS coverage ratio, presented by comparing total eligible group capital resources to GPCR, achieved 204%. In the first half of 2022, it further ticked up to 205% driven by US\$1.7 bn debt redemption in 1M22. On a GMCR basis, the increases in GWS shareholder surplus and corresponding coverage ratio were even more evident, where the capital surplus over GMCR increased by US\$9.3bn due to impacts of Hong Kong RBC and C-ROSS II, and the GMCR-based coverage ratio for shareholders increased from 408% to 545% post regulatory changes. Looking forward, the regulatory entity HKIA will primarily focus on the GWS capital position on GPCR rather than GMCR basis, as a more indicative measure under the HK RBC regime.

Figure40: GPCR-based Group capital position in FY21/1H22



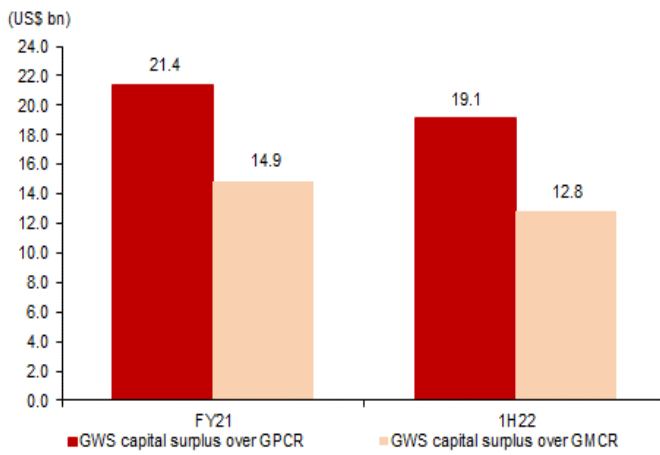
Source: Company data, CMBIGM

Figure41: GMCR-based Group capital position in FY21/1H22



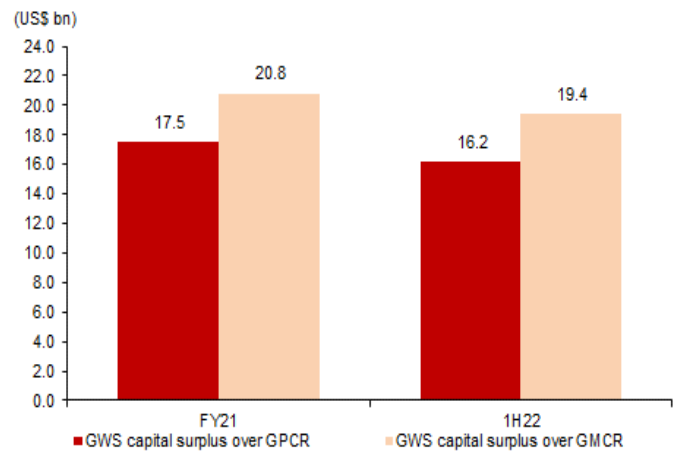
Source: Company data, CMBIGM

Figure 42: Group-based GWS capital surplus



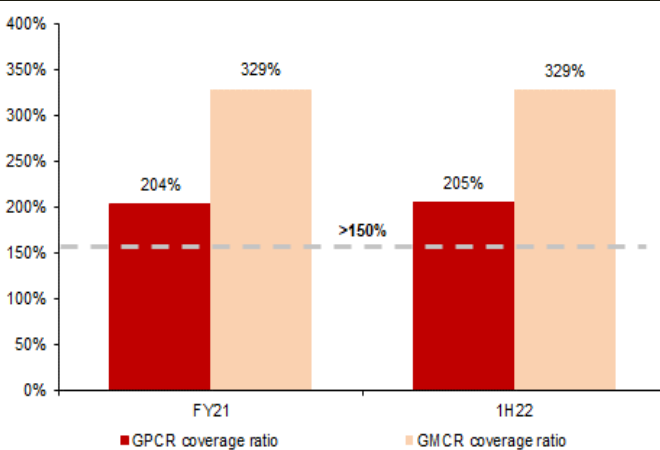
Source: Company data, CMBIGM

Figure 43: Shareholder-based GWS capital surplus



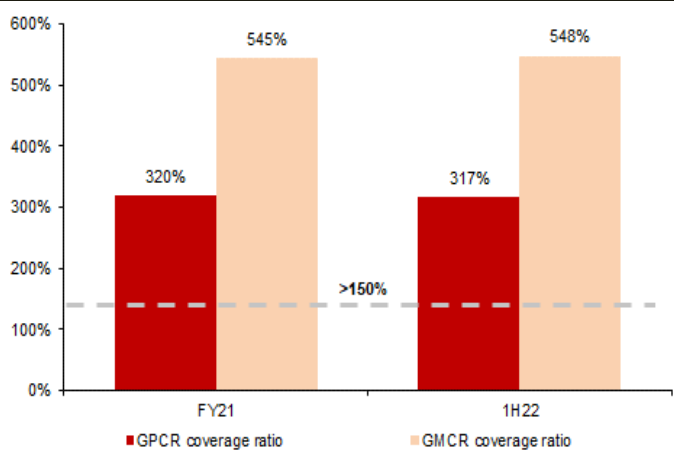
Source: Company data, CMBIGM; | *Note: shareholder-based capital excl. the portion of participating funds distributable to policyholders.

Figure 44: Group-based GWS coverage ratio



Source: Company data, CMBIGM; | *Note: 150% is the regulatory minimum requirement for GMCR coverage ratio.

Figure 45: Shareholder-based GWS coverage ratio

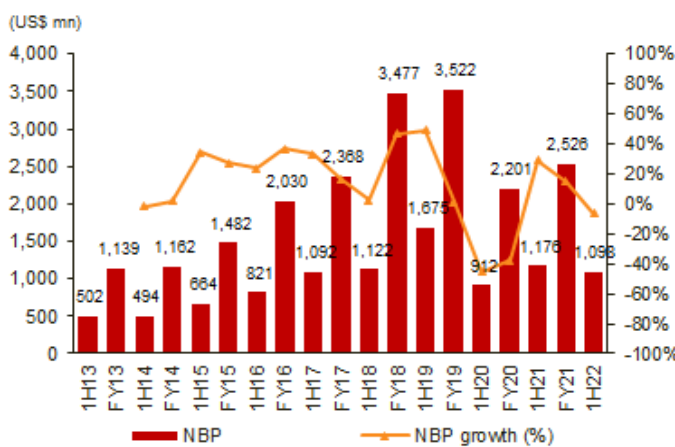


Source: Company data, CMBIGM; | *Note: shareholder-based capital excl. the portion of participating funds distributable to policyholders. 150% is the regulatory minimum for GMCR coverage ratio.

Distinctive geographic footprint navigating to resilient performance

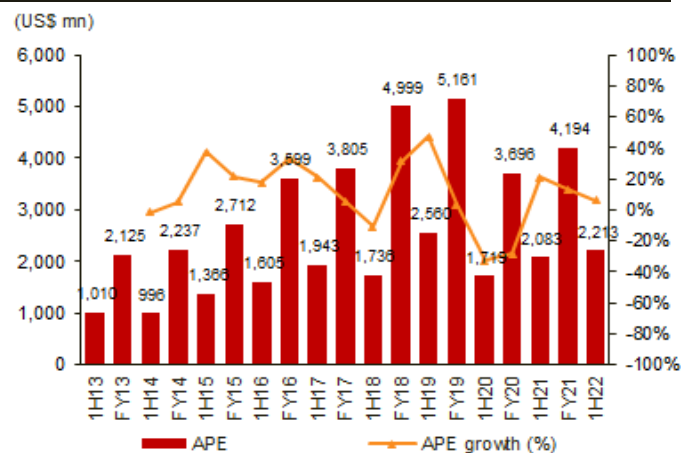
With a widespread presence of geographic regions across Asia and Africa, Prudential has well positioned its life insurance and asset management businesses to take advantage of opportunities in low insurance penetration amongst rising customer awareness on savings and protections within these markets. For life insurance business, the insurer pursues robust growth across Mainland China, Hong Kong, Indonesia, Malaysia and Singapore ranking top 3 in market share across 11 Asian life markets. Among which, the greatest opportunities to be tapped in near future are in Mainland China, India, Indonesia and Thailand. For asset management business, Eastspring, the leading Asia-based asset manager owns total AUM of US\$222bn, driving value with ranks at top 10 in 6 out of 11 Asian locations. Apart from the five leading markets, the insurer's Growth Markets and Other segment include India, Thailand, Vietnam, the Philippines, Cambodia, Laos, Taiwan, Myanmar and eight countries in Africa, all jointly contributing to the resilient outperformance.

Figure 46: Prudential Asia NBP (1H13-1H22, Semi-annual)



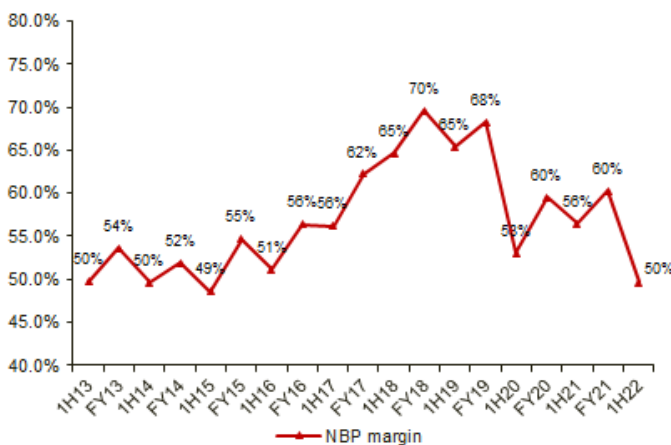
Source: Company data, CMBIGM

Figure 47: Prudential Asia APE (1H13-1H22, Semi-annual)



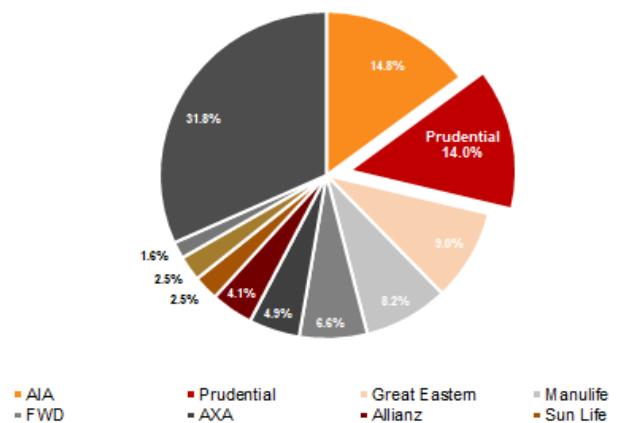
Source: Company data, CMBIGM

Figure 48: Prudential Asia NBP margin (%), Semi-annual



Source: Company data, CMBIGM

Figure 49: Pru life APE market share in SEA (%)



Source: Company data, CMBIGM, HKIA | *Note: Data in FY21, defined as market new business sales (APE) covering both individual and group premium income.

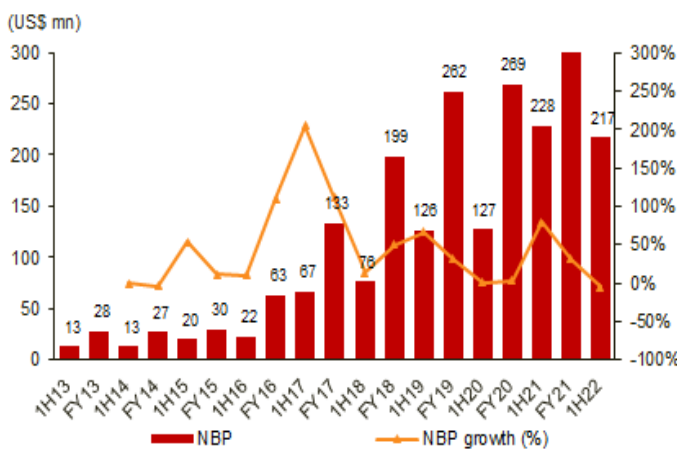
Prudential Mainland China – CITIC Prudential Life (CPL)

Prudential’s Chinese Mainland business operates through a joint venture incorporated with the CITIC Group, a Chinese state-owned conglomerate, via the entity named CITIC-Prudential Life Insurance Company, also known as CPL, in which Prudential and CITIC each owns 50% of interests. The joint venture is primarily engaged in underwriting insurance and investment contracts with key targets on expansions of sales to Mainland China customers, turning the mainland market into one of the most rapidly growing and influential markets of the insurer. As of 30 June 2022, CPL achieved 13% year-on-year growth in annualized premiums earned, measured by Annualized Premiums Equivalent (APE), to US\$507mn albeit stringent COVID-related restrictions and an upswing in market volatility. In the first half of 2022, CPL has expanded to 23 branches covering 99 cities nationwide with ongoing achievements stricken in both distribution and product mix, contributing to overall market share growth from 0.71% to 0.77% compared to last year.

With regard to distribution channels, CPL reported robust APE growth in bancassurance with 28% year-on-year increase, partially offsetting a year-on-year decline of 11% from the agency channel. Driven by a strategic layout, as of 30 June 2022, CPL increased the number of cooperated bank branches by 50% to an aggregate of above 6,100, by involving additional 11 partnerships in support of sales of long-term savings products. For product mix, despite headwinds of regulatory changes unfavorable to critical illness product provisions, CPL focused on sales of innovative medical plans and launched a new critical illness plan tailor-made to the needs of customers in the Greater Bay Area (GBA). Due to resilient demands for health and protection policies, these innovative lower-ticket-size sales corresponded well to support growth in face of the industry-wide adversity of life.

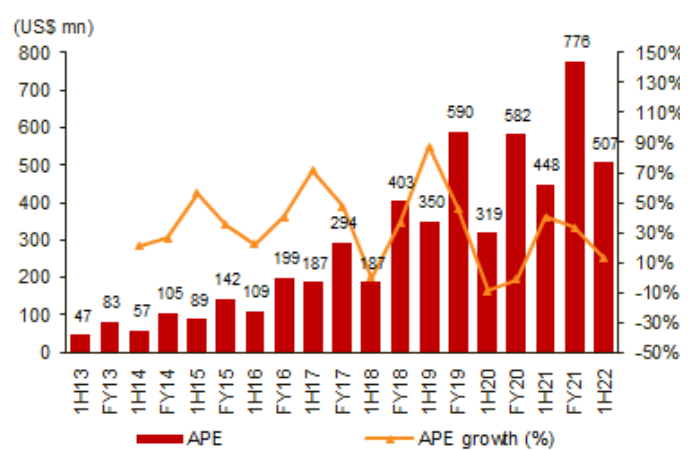
NBP recorded a 4% decline on the constant exchange rate basis, resulting from adverse shifts in both distribution and product mix. The combined effects of mix towards bancassurance sales rather than agent, and the plunge in critical illness products sales both contributed to the NBP margin decline from 51% to 43%.

Figure 50: Prudential China JV NBP & YoY%, 1H13-1H22



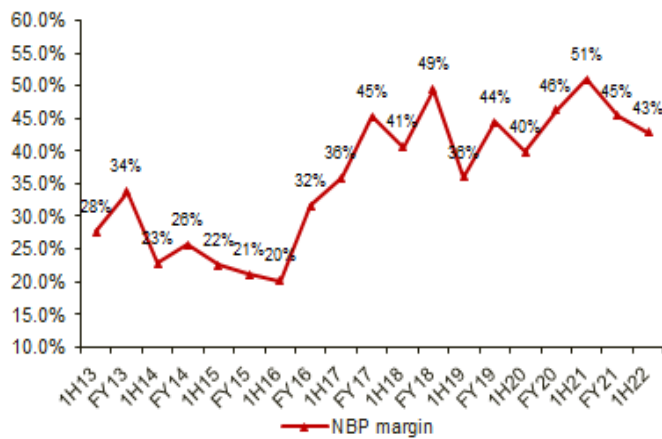
Source: Company data, CMBIGM

Figure 51: Prudential China JV APE & YoY%, 1H13-1H22



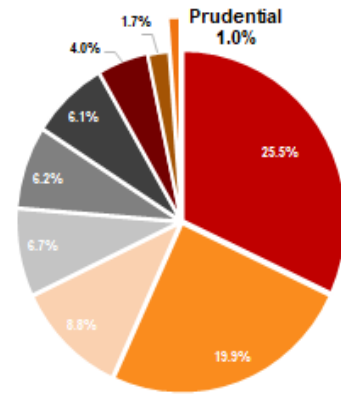
Source: Company data, CMBIGM

Figure 52: Prudential China JV NBP margin (%)



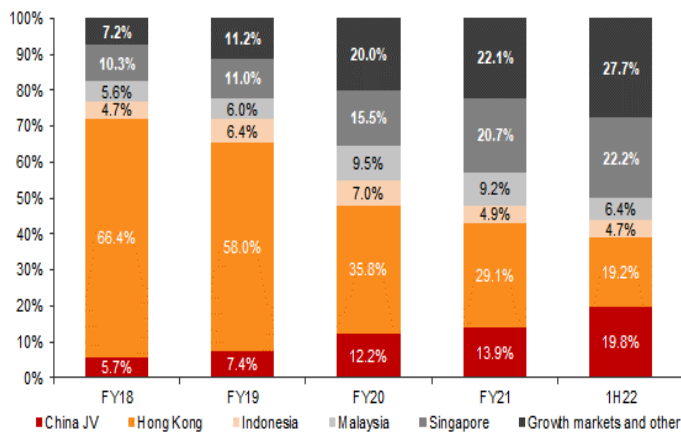
Source: Company data, CMBIGM

Figure 53: Prudential life APE market share in China (%)



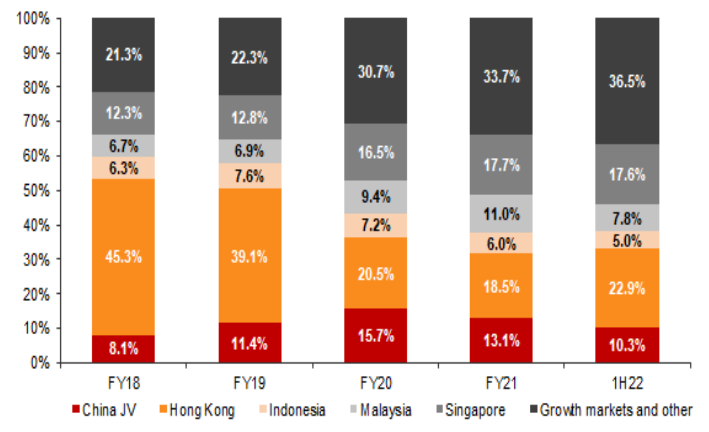
Source: Company data, CMBIGM, IA China | *Note: Data in FY20, defined as market new business sales (APE) covering both individual and group premium income.

Figure 54: Prudential NBP Breakdown by Country



Source: Company data, CMBIGM

Figure 55: Prudential APE Breakdown by Country



Source: Company data, CMBIGM

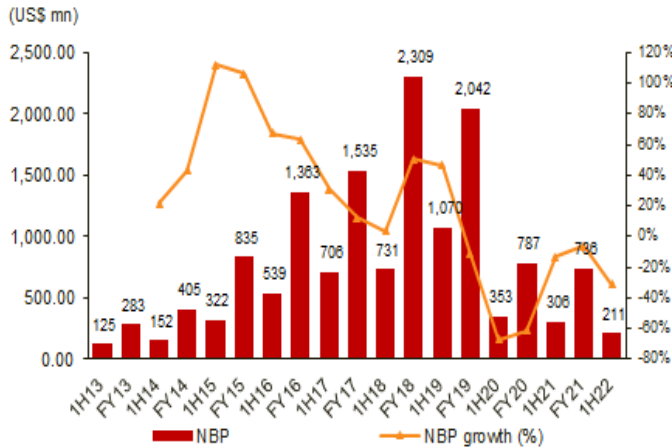
Prudential Hong Kong

Founded with a history of over 57 years, Prudential Hong Kong has long positioned as a resilient platform over years, which showed robust performance from time to time in both omni-channel services and product innovations. Concerning to the fifth wave of COVID resurgence throughout the first quarter to mid-April, the insurer’s operational results bore negative impacts amongst overall dialing back of societal economic activities and offline business exposure, dipping 10% in overall APE sales and rippling to a 31% decline in NBP as of 30 June 2022, on a constant exchange rate basis. To cater for need-based customer demands under the COVID-19, the insurer shows quick response by shifting product mix to health and protection (H&P) products and serving a total of 1.35mn customers with contributions to agency sales increase of over 40%. The product mix enhancements also benefit agency NBP margin growth by 11 pts, notwithstanding a 28-percentage-point slide in NBP margin in the first half of year.

Aside from product innovations, Prudential Hong Kong demonstrates its platform resilience among omni-channels predominantly outstanding in strategic banca partnerships. Despite headwinds exposed to agency activities, the insurer transitioned to focus on banca sales and ranked top one in terms of strategic bank partnerships amongst fierce competitions in local life markets. Reputable for its long-standing partnerships with Standard Chartered Bank, the insurer managed to achieve a 5 % increase in bancassurance sales over the period of 1H22. Moreover, digital self-servicing transactions prospered as a COVID-derivative mounting to 195 thousand, with a solid customer retention rate of above 98% as of 30 June 2022. Looking forward, with the reopening pivot to be realized, the recovery

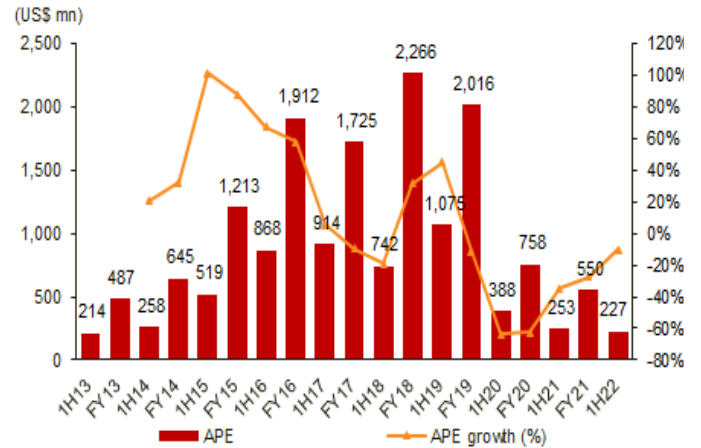
momentum is expected to boost rebound in agency sales from Mainland China Visitors (MCVs) conducive to the insurer's long-run development within Hong Kong local life market.

Figure 56: Prudential Hong Kong NBP (1H13-1H22)



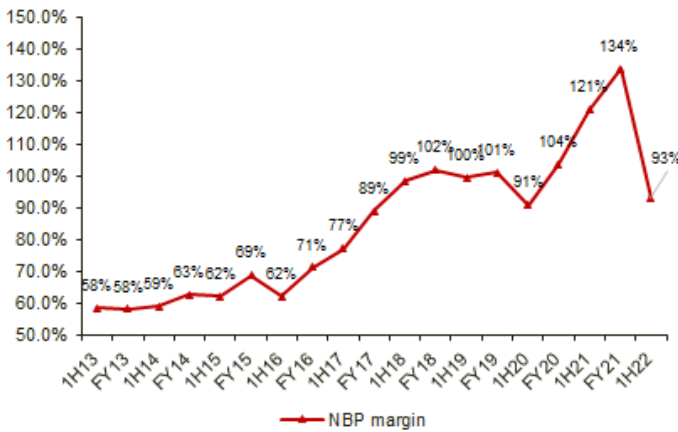
Source: Company data, CMBIGM

Figure 57: Prudential Hong Kong APE (1H13-1H22)



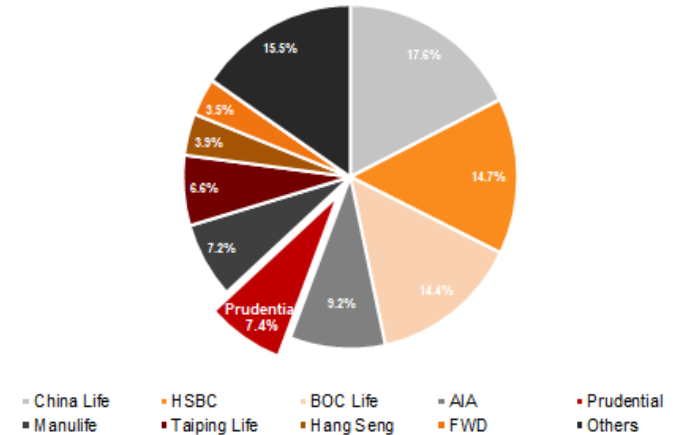
Source: Company data, CMBIGM

Figure 58: Prudential Hong Kong NBP margin (%)



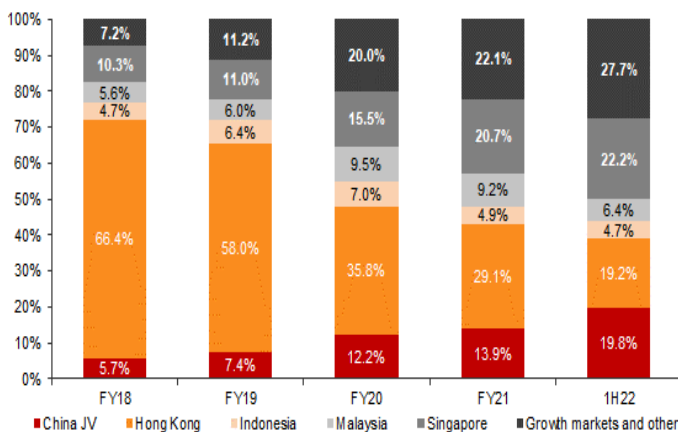
Source: Company data, CMBIGM

Figure 59: Pru Life APE market share in Hong Kong (%)



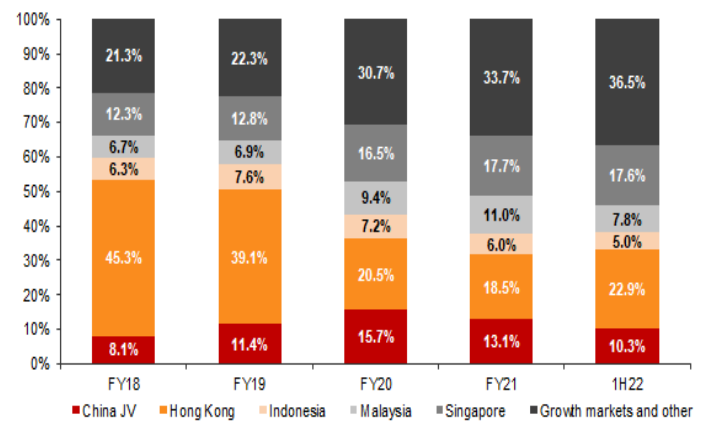
Source: Company data, CMBIGM, HKIA | *Note: Data in FY21, defined as market new business sales (APE) covering both individual and group premium income.

Figure 60: Prudential NBP Breakdown by Country



Source: Company data, CMBIGM

Figure 61: Prudential APE Breakdown by Country



Source: Company data, CMBIGM

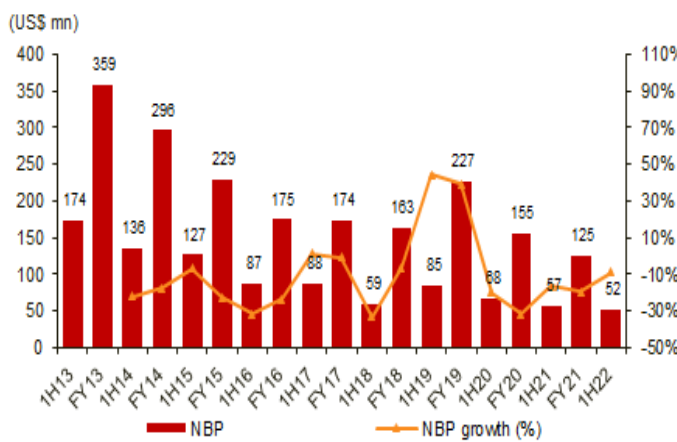
■ Prudential Indonesia

Indonesia is one of the most rapidly growing yet still underpenetrated life markets, with merely 1.4% life penetration as of end 2021, waiting to be tapped in South-east Asia. Indonesia drives long-run value creation amongst vast growth opportunities in both general life insurance and Syariah life business. In April 2022, the launch of Prudential Syariah Life Assurance (PSLA), a standalone Syariah life business, further enhanced the market leading position among competitive insurers within this underexploited yet potential region.

In the first half of 2022, overall APE sales dropped 5% given stringent COVID-19-related restrictions caused by a striking peak of infections in February which adversely affected agent sales activities during the period. Even though restrictions had been eased through multi-level regional variations, agent sales fell 8% comparatively year-on-year whilst bancassurance sales stayed flat in the same period. NBP declined 7% year-on-year on a constant exchange basis, reflecting partially the reductions in APE sales and a relatively small dip in NBP margin. Over the period, the new business margin drop can be attributable to mix effects from rising interest rates, lower agency mix for high-margin sales contribution and regulatory changes in government taxation.

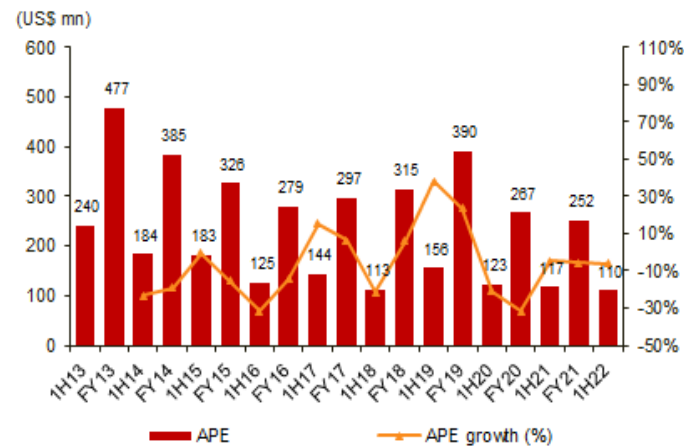
For Syariah Life Assurance business, on 1 April 2022, Prudential successfully acquired the license for legal authorizations to be separated from its conventional life business segment, which marked as a milestone to further penetrate among Muslim populations and enhance its market leading position within the segment. Although overall APE sales of the segment fell 8% in the first six months this year, Syariah business drove new growth supplies and constituted over a quarter of overall Indonesia APE sales as of 30 June 2022, and would continuously contribute value to the insurer’s strategic market propositions. Given the giant shoulder of Indonesia’s Syariah business, we believe Prudential’s future growth would be indivisible to this value-added segment catering to demands of a diverse mass of population.

Figure 62: Prudential Indonesia NBP & YoY, 1H13-1H22



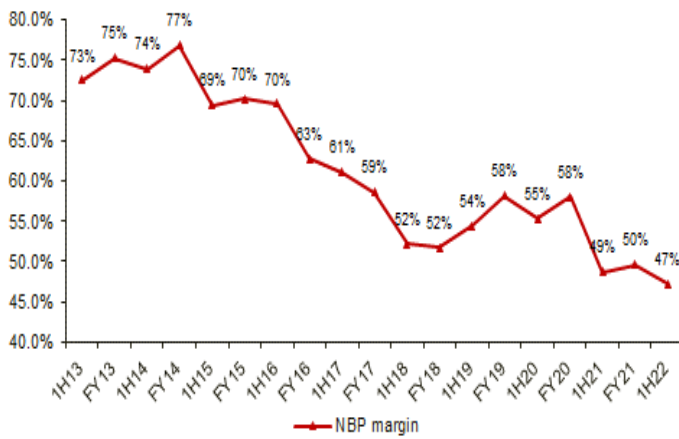
Source: Company data, CMBIGM

Figure63: Prudential Indonesia APE & YoY, 1H13-1H22



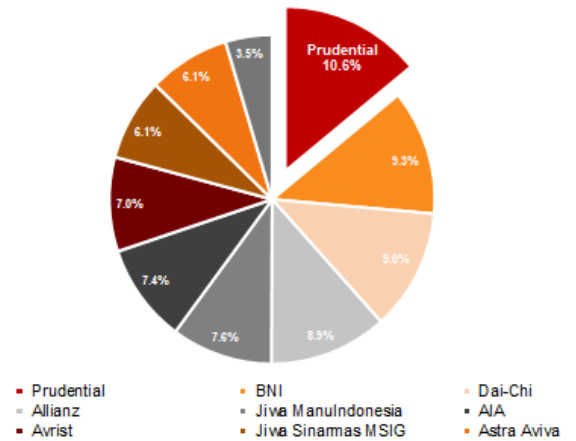
Source: Company data, CMBIGM

Figure 64: Prudential Indonesia NBP margin (%)



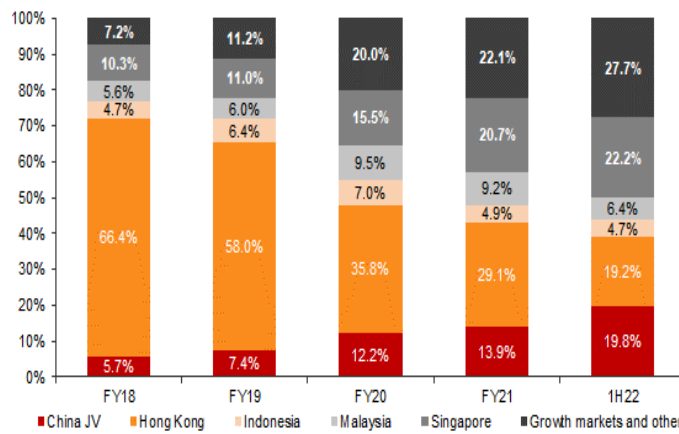
Source: Company data, CMBIGM

Figure 65: Pru life APE market share in Indonesia (%)



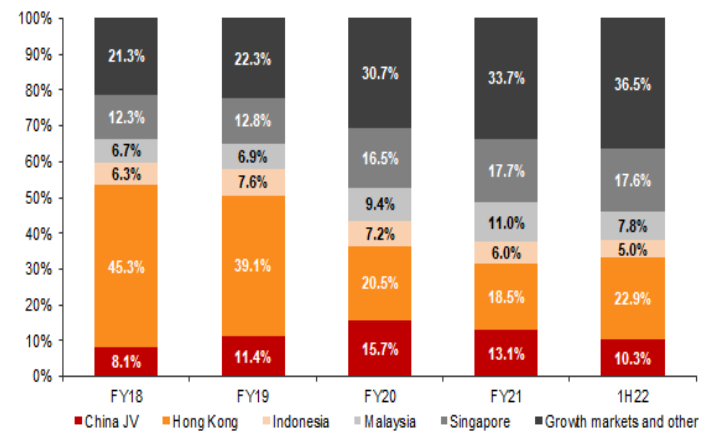
Source: Company data, CMBIGM, TLAA | *Note: Data in FY21, defined as market new business sales (APE) covering both individual and group premium income.

Figure 66: Prudential NBP Breakdown by Country



Source: Company data, CMBIGM

Figure 67: Prudential APE Breakdown by Country



Source: Company data, CMBIGM

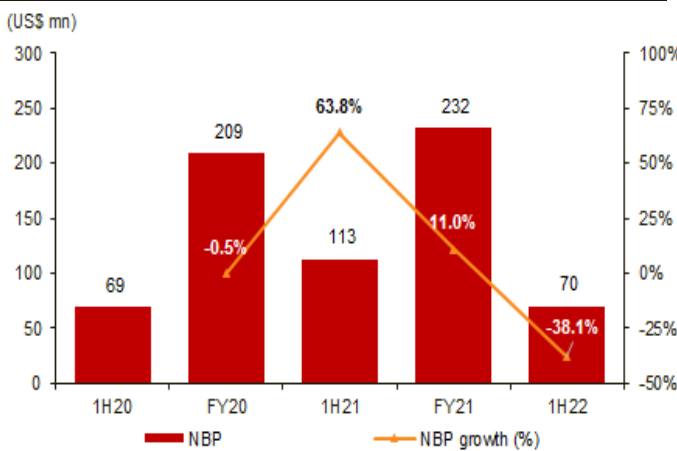
■ Prudential Malaysia

Prudential Malaysia owns leading market positions in both the conventional life and Takaful business with a history of operations for over 97 years. Similar to the Syariah business in Indonesia, the Takaful segment caters for the potential demands of Muslim population resided in Malaysia, which represent a substantial market with incremental opportunities to be further tapped for new business growth. The new business performance measured by APE sales hit a peak by end 2021, amounted to US\$232mn with a year-over-year increase of 31% on a constant exchange basis. Although agency productivity remained strong throughout the prior year which propped up the new business sales and value growth even under stringent COVID-related movement restrictions, both APE and NBP were on the slide when entering into 1H22 with each dropped by 15% and 36% as of 30 June 2022 respectively. Among which, the distribution contributions performed divergently given 31% fall for agency APE, partially offsetting by a 33% increase in the bancassurance channel.

With economic recovery following eased year-long COVID movement restrictions, the agent sales force increased by 10% during the first half of 2022, with the total agency force reaching over 24,300 backed by bolstering campaigns. By leveraging a multi-channel distribution strategy across competitive bank partners, Prudential Malaysia continues to edge its sales through bancassurance, which contributed to comprehensive value growth with primary provisions of health and protection products and investment-linked product offerings, matching the needs of customers amid COVID-19 uncertainty. In the first half of 2022, the sales in bancassurance contributed to 37% of total APE, significantly higher than a weighting of 24% compared to the equivalent period in 2021.

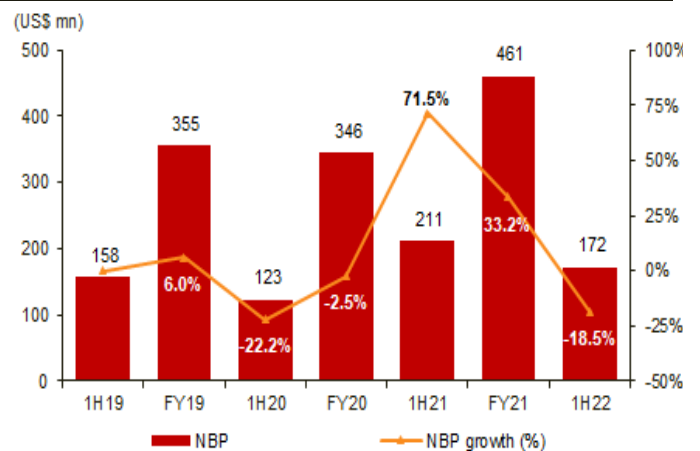
Takaful business, likewise to the conventional life segment, continues to invest in agency force and bancassurance channels to maintain market-leading position with consolidated resources in distribution and product mix offerings. In the first half of 2022, the Takaful segment implied a 22% year-over-year drop compared to the prior year reflecting impacts of a non-recurring repricing action occurred in 2021. Despite the one-off effect that caused a dip, the Takaful business outperforms other life competitors on new business sales and value growth given years of resilient performance and partnerships with banks incl. SCB and UOB. Echoing with the trend of health and protections, the new product launch i.e. the BSN Sakinah health and protection boosted H&P sales contributions in Takaful to a record 67%.

Figure 68: Prudential Malaysia NBP (1H20-1H22)



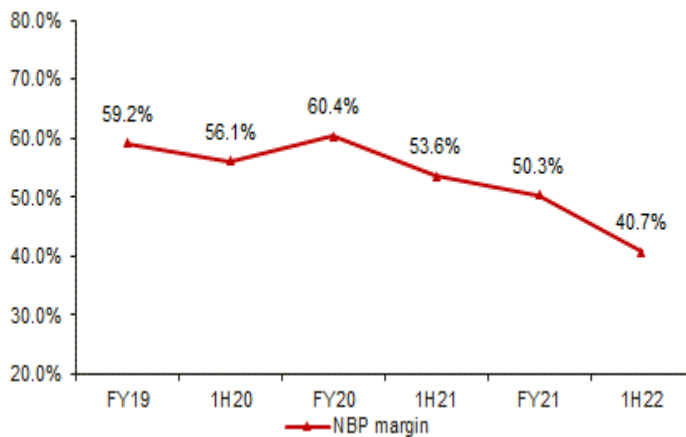
Source: Company data, CMBIGM; *Note: The NBP of Malaysia was not separately disclosed before 1H20.

Figure 69: Prudential Malaysia APE (1H19-1H22)



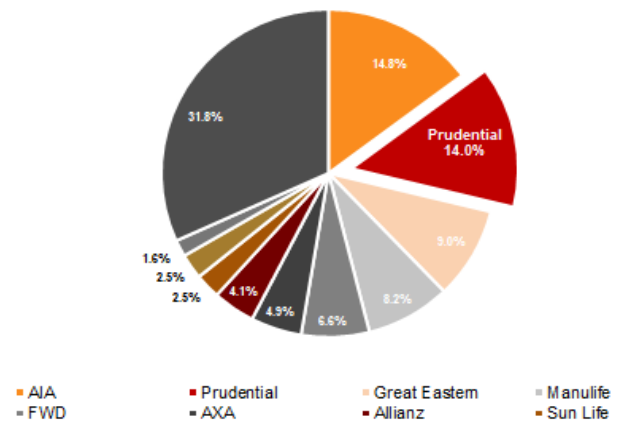
Source: Company data, CMBIGM; *Note: The Annualized Premiums Equivalent (APE) of Malaysia was disclosed in GBP (£) before 1H19.

Figure 70: Prudential Malaysia NBP margin (%)



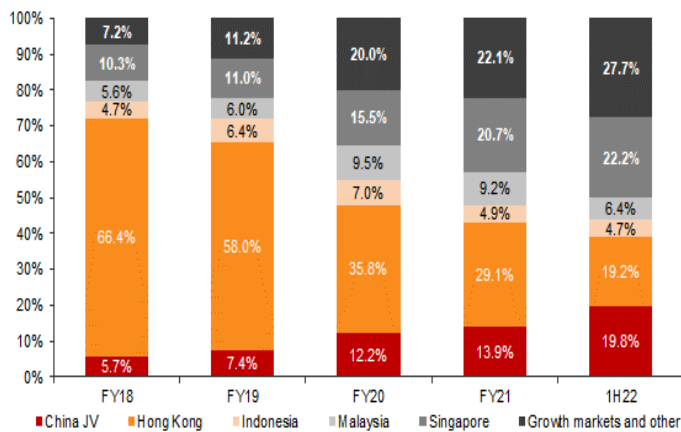
Source: Company data, CMBIGM

Figure 71: Pru life APE market share in SEA (%)



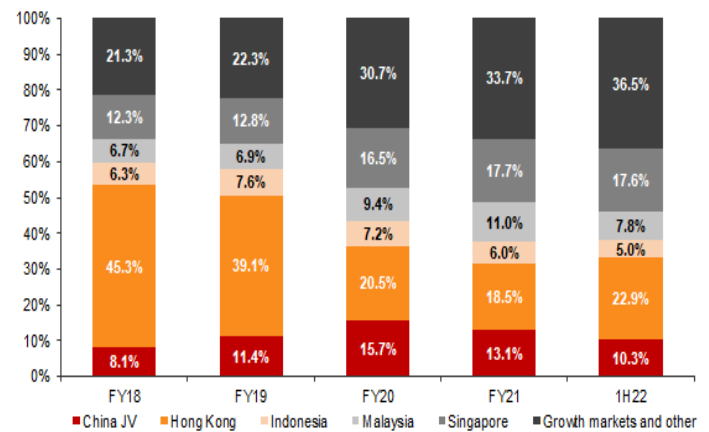
Source: Company data, CMBIGM, MAS | *Note: Data in FY21, defined as market new business sales (APE) covering both individual and group premium income.

Figure 72: Prudential NBP breakdown by country



Source: Company data, CMBIGM

Figure 73: Prudential APE breakdown by country



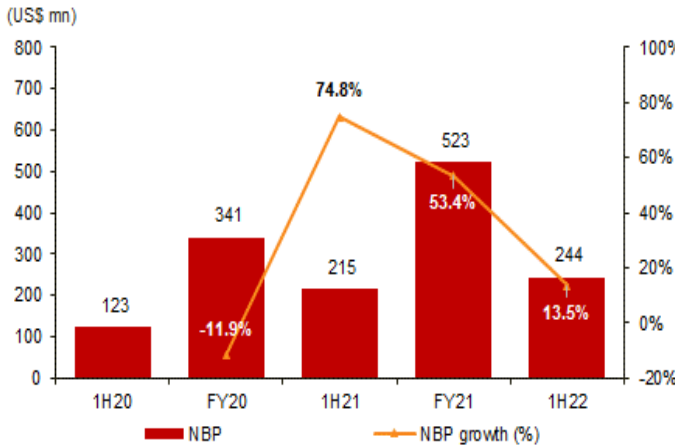
Source: Company data, CMBIGM

■ **Prudential Singapore**

Prudential Singapore stands as one of the most outstanding life insurers operating with a long history for over 90 years well known for provisions of protections, savings and investment-linked products. With existing high penetration rate, the prospects for future growth in life insurance sales and margin improvements in Singapore locate among affluent and high-net-worth customers, whose demands for health and legacy planning products and flexible retirement solutions remain significant to prop up the market’s profitability. In the first half of 2022, total APE sales increased 5% to US\$390mn on the constant exchange basis, primarily thanks to the rebound of sales in 2Q22, given eased COVID-19 restrictions that hampered agent movement and business activities in 1Q22. Bancassurance remained strong by contributing 22% in that 5% total APE sales year-on-year growth. From the product angle, the mix of single premium business surged from 30% to 44% during the period reflecting increasing sales in high-margin products and solutions to high-net-worth customers with focus on their respective savings and legacy planning, leading to 16% growth in NBP and 6 basis point improvement in NBP margin on constant basis.

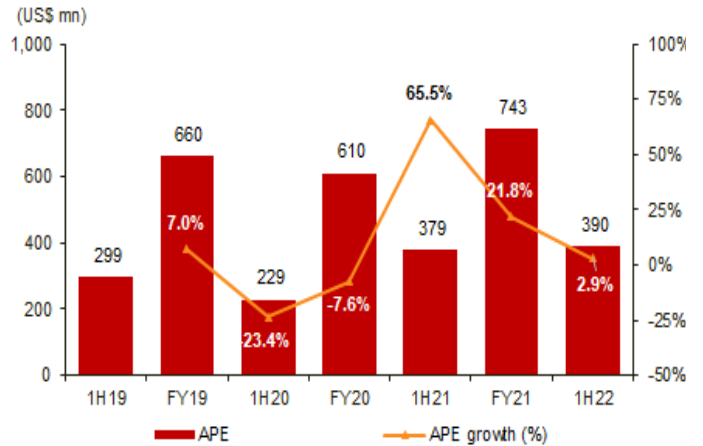
By tapping into the affluent market with progressive upgrades in product mix offerings towards higher-margin legacy planning and retirement savings, Prudential Singapore has potential in delving into life business of high quality and generating long-run value in nature.

Figure 74: Prudential Singapore NBP (1H20-1H22)



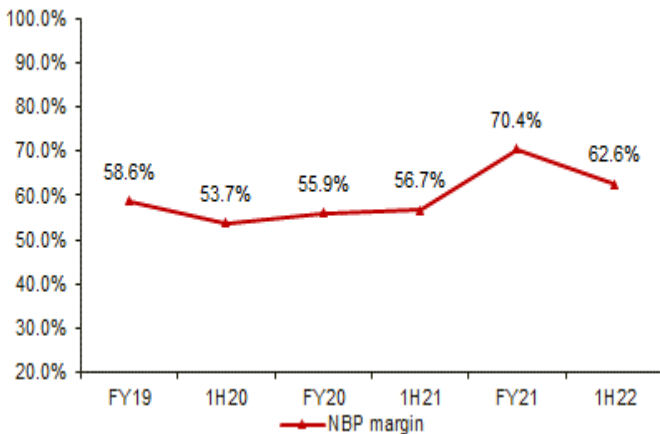
Source: Company data, CMBIGM; *Note: The NBP of Malaysia was not separately disclosed before 1H20.

Figure 75: Prudential Singapore APE (1H19-1H22)



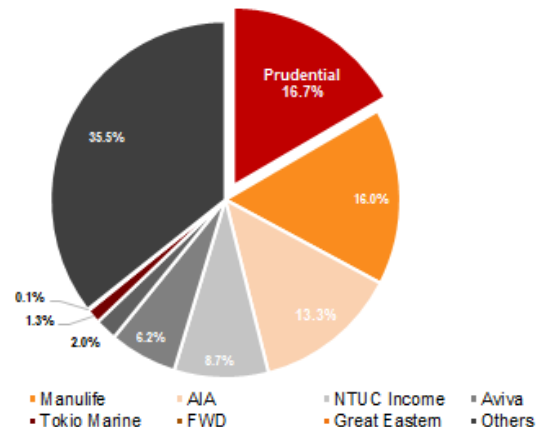
Source: Company data, CMBIGM; *Note: The Annualized Premiums Equivalent (APE) of Malaysia was disclosed in GBP (£) before 1H19.

Figure 76: Prudential Singapore NBP margin (%)



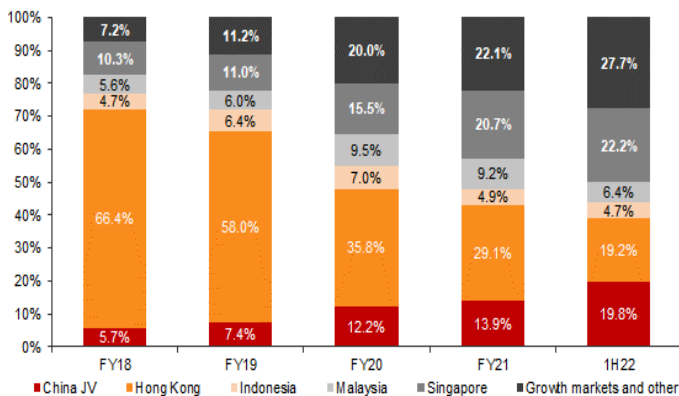
Source: Company data, CMBIGM

Figure 77: Pru life APE market share in Singapore (%)



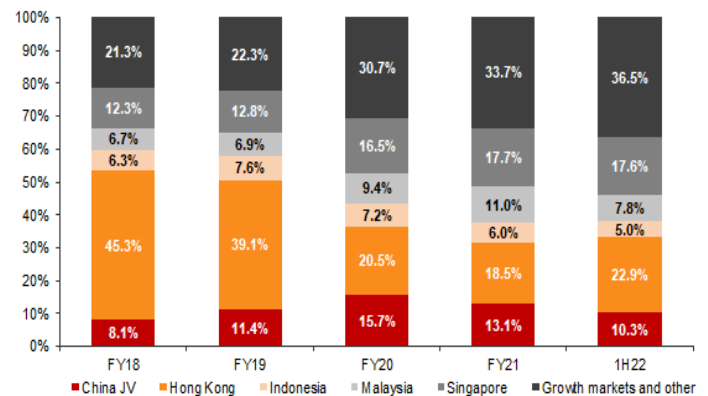
Source: Company data, CMBIGM, NMG | *Note: Data in FY21, SEA markets refer Thailand, Indonesia, Malaysia, the Philippines, Singapore and Vietnam.

Figure 78: Prudential NBP breakdown by country



Source: Company data, CMBIGM

Figure 79: Prudential APE breakdown by country



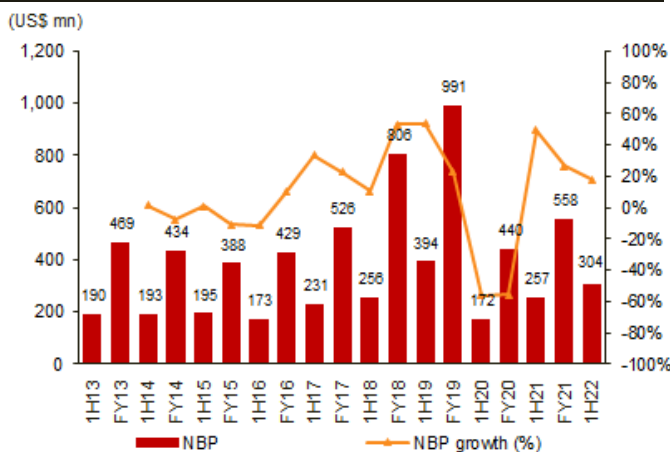
Source: Company data, CMBIGM

■ **Prudential Growth Markets and Others**

Prudential growth markets and other segment include operating performances across the Southeast Asian regions and Africa that include India, Thailand, Vietnam, the Philippines, Taiwan, and eight African countries include Nigeria, Ghana, Uganda, Kenya, Zambia, Cameroon, Togo, and Côte D'ivoire. In the first half of 2022, Prudential growth markets within the abovementioned regions reported resilient APE sales and NBP with an increase of 24% and 22%, respectively, measured on a constant exchange basis. Among which, Taiwan, India, Vietnam and Africa delivered double-digit growth in APE sales during the period despite complexity with different COVID-related restrictions. New business margin stayed flat at 38% on base of APE.

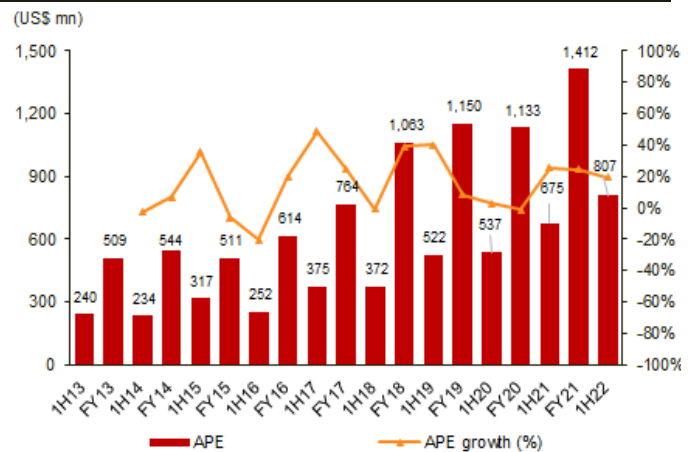
Among these top performing growth markets, Prudential Taiwan grew 55% year-on-year in APE sales outperforming all other major peers, primarily driven by a new, non-exclusive partnership with TSB helping to boost the sales in bancassurance. NBP also rebounded significantly by leveraging advantages in both existing collaboration with TBB for new product sales and a shift to upgrading product mix. Prudential India achieved 11% increase in APE sales in the first half of 2022, driven by agent sales rebound under relaxing COVID-related restrictions. NBP grew by 29% year-on-year owing to a product mix shift to high-quality group and non-participating policies in which pulled up overall profitability. Thailand market rose 9% in total APE sales compared to sluggish sales in the equivalent period a year ahead. NBP saw significant upside momentum surging 72% year-on-year in 1H22, given successful introductions of new investment products, i.e. TTB Senior Saver and TTB Value Saver, as well as progressive developments in group business i.e. staff plans. Vietnam saw a 19% increase in APE sales in the first half of this year, propped by growth in both agency and bancassurance channels. In Vietnam, the partnership with SeABank provides room for future bancassurance growth. Prudential Philippines remained as one of the leading market players in life insurance with its APE sales up by 5% year-on-year in 1H22. In Africa, the region gained 17% in total APE, mainly supported by double-digit increases in six out of eight markets. Group business contributed 32% growth in APE sales.

Figure 80: Pru Other Growth Markets NBP (1H13-1H22)



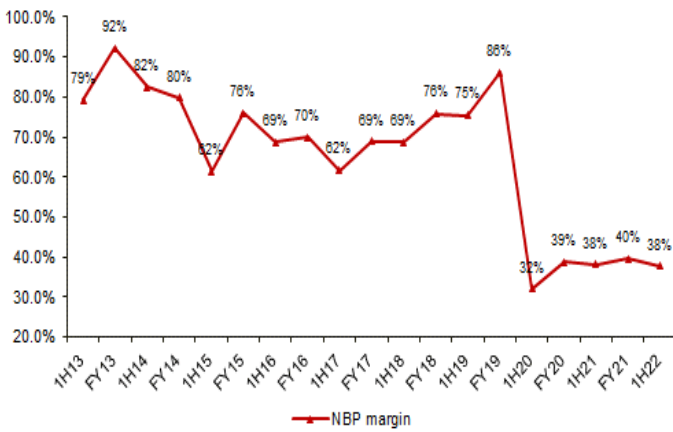
Source: Company data, CMBIGM

Figure81: Pru Other Growth Markets APE (1H13-1H22)



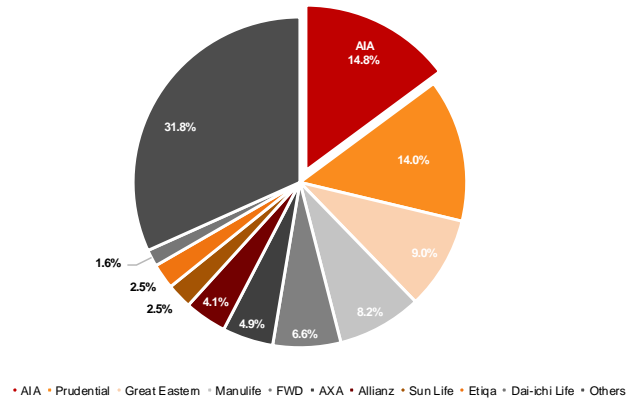
Source: Company data, CMBIGM

Figure 82: Pru Other Growth Markets NBP margin (%)



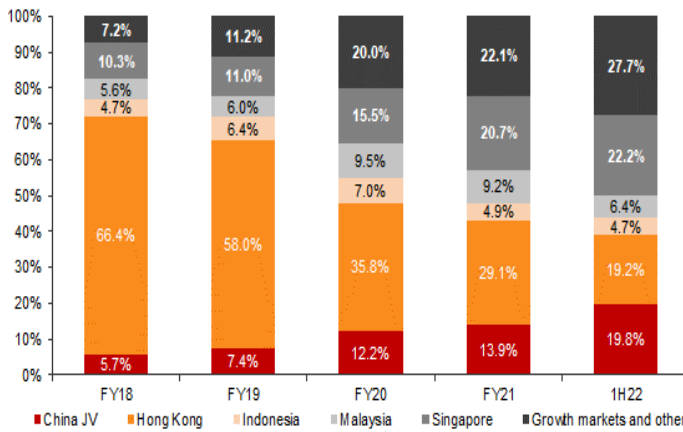
Source: Company data, CMBIGM

Figure 83: Pru life APE market share in SEA (%)



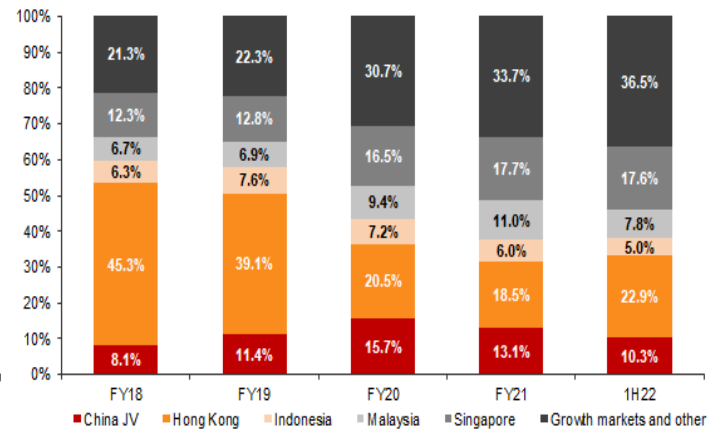
Source: Company data, CMBIGM, NMG | *Note: Data in FY21, SEA markets refer to Thailand, Indonesia, Malaysia, the Philippines, Singapore and Vietnam.

Figure 84: Prudential NBP breakdown by country



Source: Company data, CMBIGM

Figure 85: Prudential APE breakdown by country



Source: Company data, CMBIGM

Financial Forecast

Income Statement

(US\$mn)	2020	2021	2022E	2023E	2024E
Net premiums & fee income	21,870	22,373	24,177	27,502	30,896
Total Investment income	13,762	3,486	(22,027)	2,694	2,685
Other operating income	615	641	443	504	568
Total revenues	36,247	26,500	2,593	30,700	34,149
Net Insurance & investment contract benefits	(28,588)	(18,911)	4,777	(21,793)	(23,865)
Commission expenses of insurance operations	(1,771)	(1,584)	(1,675)	(1,864)	(2,047)
G&A expenses	(2,880)	(2,976)	(3,317)	(3,559)	(3,938)
Finance costs	(316)	(328)	(349)	(349)	(349)
Other expenses	(30)	(35)	(35)	(35)	(35)
Total expenses	(33,585)	(23,834)	(600)	(27,600)	(30,235)
Share of profit or loss of associates & JVs	517	352	352	352	352
Profit / Loss before tax from continuing operations	3,179	3,018	2,345	3,452	4,266
Income tax	(711)	(804)	(625)	(920)	(1,136)
Net profit / Loss from continuing operations	2,468	2,214	1,720	2,533	3,130
Profit / Loss from discontinued operations, net of tax	(283)	(5,027)	-	-	-
Minority interests	(67)	771	(472)	(472)	(472)
Perpetual securities	-	-	-	-	-
Net Profit / Loss attribute to shareholder	2,118	(2,042)	1,249	2,061	2,658
Non-operating items	(639)	(5,275)	(1,943)	(1,643)	(1,586)
OPBT from continuing operations	2,757	3,233	3,192	3,704	4,244
Tax on operating profit before tax	(497)	(548)	(638)	(741)	(849)
OPAT	2,260	2,685	2,554	2,963	3,395
Minority interests	(10)	(17)	10	10	10
OPAT attribute to shareholder	2,250	2,668	2,564	2,974	3,405

Source: Company data, CMBIGM estimates

Balance Sheet

(US\$mn)	2020	2021	2022E	2023E	2024E
Intangible assets	961	907	907	907	907
Investments in associates & JV	1,962	2,183	2,401	2,641	2,906
PP&E	893	478	526	578	636
Investment property	23	38	37	42	48
Reinsurance assets	46,595	9,753	10,728	11,801	12,981
DAC	20,345	6,858	7,392	7,986	8,639
Financial investments	427,400	168,479	164,998	186,978	211,356
Cash and cash equivalents	8,018	7,170	7,022	7,957	8,995
Assets classified as held-for-sale	1,427	1,171	1,288	1,417	1,559
Other assets	8,473	2,065	2,272	2,499	2,749
Total assets	516,097	199,102	197,571	222,807	250,774
Insurance contract liabilities	436,787	150,755	145,760	167,305	190,891
Investment contract liabilities	4,459	1,160	1,378	1,627	1,906
Deferred ceding commission	5,975	5,664	5,664	5,664	5,664
Borrowings	9,077	6,988	6,988	6,988	6,988
Derivative financial instruments	482	262	288	317	349
Provisions	350	372	409	450	495
Deferred tax liabilities	6,075	2,862	3,148	3,463	3,809
Current tax liabilities	280	185	204	224	246
Other liabilities	9,768	223	1,602	1,895	2,222
Liabilities directly associated with assets classified as	15,508	7,983	8,781	9,659	10,625
Total liabilities	488,761	176,454	174,223	197,592	223,195
Shareholders' equity	20,878	17,088	17,492	19,047	21,079
Perpetual securities	-	-	-	-	-
Non-controlling interests	1,241	176	202	233	268
Total equity	22,119	17,264	17,695	19,280	21,347
Total liabilities and equities	516,097	199,102	197,571	222,807	250,774

Source: Company data, CMBIGM estimates

EV Statement

(US\$mn)	2020	2021	2022E	2023E	2024E
EEV at the beginning of the period (1)	54,711	54,007	47,355	40,992	44,976
Adjustment (2)	(4,261)	(9,853)	-	-	-
Adjusted EEV (3)	50,450	44,154	47,355	40,992	44,976
NBP (4)	2,201	2,526	2,364	2,687	3,005
<i>NBP growth YoY</i>	<i>-37.5%</i>	<i>14.8%</i>	<i>-6.4%</i>	<i>13.6%</i>	<i>11.9%</i>
Profit from existing business (5)	1,200	1,017	869	851	905
Expected return	1,926	1,630	1,328	1,242	1,215
Experience variances	253	284	341	409	491
Other operating assumption changes	(979)	(897)	(800)	(800)	(800)
EEV operating return before tax (7) = (4+5+6)	3,401	3,543	3,233	3,537	3,911
Investment return variances (8)	1,937	(1,040)	(7,000)	-	-
Economic tax and assumption changes (9)	(996)	412	(1,000)	-	-
Other non-operating variance (10)	(368)	322	-	-	-
EV return before tax and other adjustments (11) = (7+8)	3,974	3,237	(4,767)	3,537	3,911
Currency effect (12)	563	(460)	(2,000)	-	-
Capital movement (13)	-	-	-	-	-
Dividend distribution (14)	(814)	(421)	(441)	(398)	(546)
Financing (15)	-	-	-	-	-
Others (16)	(166)	845	845	845	845
EV return (17) = sum (11 -> 16)	3,557	3,201	(6,363)	3,984	4,210
EEV at end of period (3) + (17)	54,007	47,355	40,992	44,976	49,186
Goodwill & other intangibles	821	778	778	778	778
EEV equity	54,828	48,133	41,770	45,754	49,964

Source: Company data, CMBIGM estimates

Valuation

We adopt the P/EV valuation approach and peg Pru's target price at HK\$143. Our valuation approach based on Gordon Growth Model incl. core assumptions as: 1) a normalized RoEV of 10%, 2) cost of equity at 9.3% (calc. with 3% risk free rate, 10% required return and a beta of 0.9), and 3) terminal growth of 3%. Our target price is based on FY23E EV estimate.

Looking forward, we expect that the pent-up demands from MCV business in Hong Kong and progressive recovery in the SEA markets underscore an upside for NBP momentum in 2023. The fundamental growth in new business value driven by growing demands of Asian affluent population serves to support the insurer's long-term share price performance.

P/EV vs RoEV approach based on Gordon Growth Model

The P/EV valuation we applied relies on the Gordon Growth Model. Our key assumptions include: 1) expected market return of 10%; 2) risk-free rate of 3%; 3) beta of 0.9; 4) COE of 9.3%; 5) long-term growth rate of 3%; and 6) sustainable return on EEV of 10%. For other actuarial assumptions, we did not apply any adjustment to provided EEV assumptions.

Figure 86: Valuation based on P/EV vs RoEV based on Gordon Growth Model (GGM)

	2022E	2023E	2024E
Required return	10.0%	10.0%	10.0%
Risk free rate	3.0%	3.0%	3.0%
Risk premium	7.0%	7.0%	7.0%
Beta	0.90	0.90	0.90
COE	9.3%	9.3%	9.3%
RoEEV (nomalized)	10.0%	10.0%	10.0%
Terminal growth rate	3.0%	3.0%	3.0%
P/EV multiple	1.1x	1.1x	1.1x
EEV (US\$m)	40,992	44,976	49,186
Fair value (US\$m)	45,547	49,974	54,651
# of shares	2,749	2,749	2,749
Target price (US\$)	16.57	18.18	19.88
Exchange rate (US\$/HK\$)	7.85	7.85	7.85
Target price (HK\$)	130.05	142.69	156.04

Source: Company data, CMBIGM estimates

We conduct a sensitivity analysis on P/EV multiple based on the assumptions of Cost of Equity, namely COE, and terminal growth for PRU's European Embedded Value (EEV).

Figure 87: P/EV sensitivity to discount rate and terminal growth

	1.1x	Terminal growth										
		0.00%	0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
COE	7.0%	1.4x	1.5x	1.5x	1.5x	1.6x	1.7x	1.8x	1.9x	2.0x	2.2x	2.5x
	7.5%	1.3x	1.4x	1.4x	1.4x	1.5x	1.5x	1.6x	1.6x	1.7x	1.8x	2.0x
	8.0%	1.3x	1.3x	1.3x	1.3x	1.3x	1.4x	1.4x	1.4x	1.5x	1.6x	1.7x
	8.5%	1.2x	1.2x	1.2x	1.2x	1.2x	1.3x	1.3x	1.3x	1.3x	1.4x	1.4x
	9.0%	1.1x	1.1x	1.1x	1.1x	1.1x	1.2x	1.2x	1.2x	1.2x	1.2x	1.3x
	9.5%	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x
	10.0%	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x
	10.5%	1.0x	1.0x	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x
	11.0%	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x	0.8x	0.8x
	11.5%	0.9x	0.9x	0.9x	0.9x	0.8x	0.8x	0.8x	0.8x	0.8x	0.8x	0.8x
	12.0%	0.8x	0.8x	0.8x	0.8x	0.8x	0.8x	0.8x	0.8x	0.8x	0.7x	0.7x

Source: Company data, CMBIGM estimates

Valuation comparison with major peers

The below table shows the valuation metrics of Prudential's major regional peers, based on consensus forecasts. They are trading at an average 2022E P/BV of 5.6x and 2022E P/EV of 2.4x.

Figure 88: Pan-Asian life insurers valuation trading comps

Company	Ticker	Price (LC)	Mkt cap (LC bn)	P/BV			P/EV			New Business Multiplier		
				FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
AIA	1299 HK	84.1	990.7	7.5 x	5.1 x	3.8 x	2.7 x	2.5 x	2.2 x	31.7 x	26.3 x	20.5 x
Ping An *	2318 HK	50.8	946.9	1.2 x	1.1 x	1.0 x	1.1 x	1.0 x	0.9 x	2.1 x	0.5 x	-2.4 x
HDFC Life	HDFCLIFE IN	580.4	1,247.3	12.8 x	7.4 x	4.2 x	4.2 x	3.8 x	3.5 x	4.2 x	3.4 x	2.8 x
SBI Life	SBILIFE IN	1,269.8	1,270.7	10.8 x	10.1 x	9.3 x	3.4 x	2.6 x	2.0 x	n.a.	n.a.	n.a.
ICICI Prudential	IPRU IN	453.6	652.5	6.4 x	6.6 x	6.8 x	2.0 x	1.9 x	1.8 x	18.0 x	12.9 x	9.2 x
ICICI Lombard	ICICIGI IN	1,243.7	610.8	7.3 x	6.2 x	5.2 x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bajaj Finserv	BJFIN IN	1,623.1	2,585.2	3.9 x	3.6 x	3.3 x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Max Financial Services	MAXF IN	705.1	243.3	6.0 x	5.0 x	4.2 x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average				7.0 x	5.6 x	4.7 x	2.7 x	2.4 x	2.1 x	14.0 x	10.8 x	7.5 x

Source: Company data, Bloomberg, CMBIGM estimates;

* Note: trading comps of Ping An (2318 HK) are based on CMBIGM estimates whilst other insurers' per share multiples are derived from Bloomberg consensus. Share price and relevant FX rate are as of market close on 14 Dec 2022.

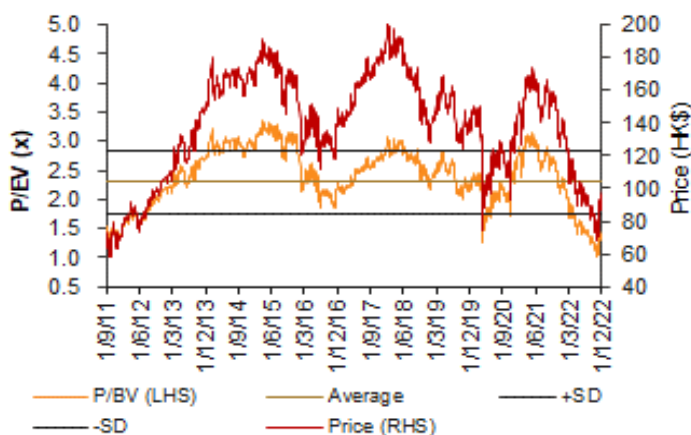
Figure 89: Pan-Asian life insurers' operating metrics

Company	ROE			ROA			Operating ROEV			NBP margin		
	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Prudential	-10.8%	16.7%	17.1%	-0.6%	1.5%	1.6%	7.0%	9.1%	9.2%	60.2%	59.8%	59.3%
Ping An *	12.9%	11.9%	14.1%	1.0%	1.0%	1.1%	11.5%	12.7%	13.3%	25.3%	20.6%	22.3%
HDFC Life	17.6%	10.9%	13.5%	0.9%	0.6%	0.8%	-	-	-	26.1%	27.4%	28.3%
SBI Life	15.2%	13.7%	14.8%	0.7%	0.6%	0.7%	-	-	-	n.a.	n.a.	n.a.
ICICI Prudential	11.7%	8.3%	11.2%	0.5%	0.3%	0.5%	15.2%	11.0%	7.9%	25.1%	28.0%	31.2%
ICICI Lombard	21.7%	15.4%	17.1%	3.9%	2.8%	3.2%	-	-	-	n.a.	n.a.	n.a.
Bajaj Finserv	13.3%	12.0%	15.7%	1.7%	1.5%	2.2%	-	-	-	n.a.	n.a.	n.a.
Max Financial Services	15.5%	7.0%	16.9%	0.5%	0.2%	0.8%	-	-	-	n.a.	n.a.	n.a.

Source: Company data, Bloomberg, CMBIGM estimates

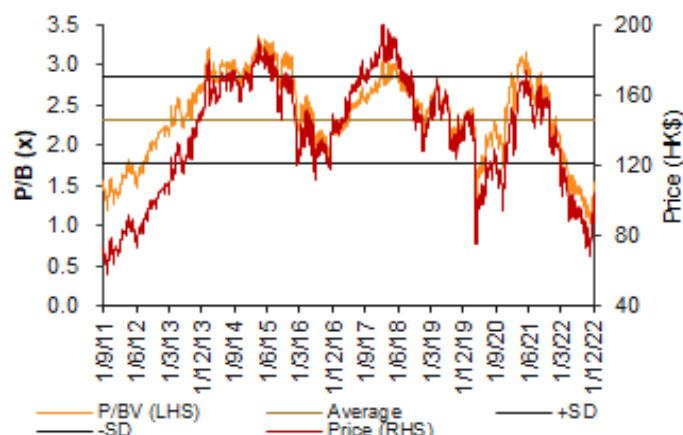
Note: operating metrics of Ping An (2318 HK) are based on CMBIGM estimates whilst other insurers' multiples are derived from Bloomberg consensus.

Figure 90: PRU 12M forward P/EV band



Source: Company data, CMBIGM estimates | Note: Share price and relevant FX rate are as of market close on 14 Dec 2022.

Figure 91: PRU 12M forward P/B band



Source: Company data, CMBIGM estimates | Note: Share price and relevant FX rate are as of market close on 14 Dec 2022.

Financial Summary

Income statement						Key ratios					
YE Dec 31 (USD mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE Dec 31 (USD mn)	FY20A	FY21A	FY22E	FY23E	FY24E
GWP & Fee income	23,495	24,217	26,170	29,769	33,443	GWP growth	(47.9)	3.1	8.1	13.7	12.3
Less: Premiums to	-1,625	-1,844	-1,993	-2,267	-2,546	Total revenue growth	(61.3)	(26.9)	(90.2)	1,084.0	11.2
Net premiums earned	21,870	22,373	24,177	27,502	30,896	Net profit growth	170.5	(196.4)	(161.2)	65.0	29.0
Investment Income	13,762	3,486	-22,027	2,694	2,685	EV growth	(1.3)	(12.3)	(13.4)	9.7	9.4
Total Revenue	36,247	26,500	2,593	30,700	34,149	Net investment yields	0.5	0.8	1.2	1.3	1.3
						Total investment yields	9.8	0.8	(12.7)	1.5	1.3
Net ins & invt contract	-28,588	-18,911	4,777	-21,793	-23,865						
Commission expenses	-1,771	-1,584	-1,675	-1,864	-2,047	Underwriting metrics (%)					
G&A expenses	-2,880	-2,976	-3,317	-3,559	-3,938	FYRP growth	(30.4)	3.8	8.0	13.9	12.5
Other expenses	-346	-363	-384	-384	-384	Renewal growth	(2.0)	(6.2)	(35.4)	13.9	12.5
Total Expenses	-33,585	-23,834	-600	-27,600	-30,235	NBP growth	(36.4)	(9.9)	(6.4)	13.6	11.9
Associates and JVs	2,662	2,666	1,993	3,100	3,914	NBP (USD mn):					
Profit / Loss before tax	3,179	3,018	2,345	3,452	4,266	China JV	269	352	352	395	442
						Hong Kong	787	736	549	653	718
Income tax	-711	-804	-625	-920	-1,136	Indonesia	155	125	118	124	137
Less: minority interests	-67	771	-472	-472	-472	Malaysia	209	232	171	180	189
Net profit/loss to	2,118	-2,042	1,249	2,061	2,658	Singapore	341	523	546	600	660
						Growth markets & Others	440	558	628	734	859
						NBP margins (APE basis):	48.9	60.2	52.0	51.9	51.6
						China JV	46.2	45.4	40.0	40.0	40.0
						Hong Kong	103.8	133.8	105.0	100.0	100.0
						Indonesia	58.1	49.6	47.0	47.0	47.0
						Malaysia	60.4	50.3	39.5	39.5	39.5
						Singapore	55.9	70.4	68.0	68.0	68.0
						Growth markets & Others	35.3	39.5	38.0	38.0	38.0
						US	31.3	0.0	0.0	0.0	0.0
						Returns:					
						ROEEV	(1.3)	(13.1)	(14.4)	9.3	8.9
						Operating ROEEV	6.3	7.0	7.3	8.2	8.3
						Core ROEEV	6.3	7.4	6.4	7.9	8.0
						Per share data:					
						EPS (USD)	0.82	-0.78	0.45	0.75	0.97
						DPS (USD)	0.16	0.17	0.13	0.18	0.23
						EEVPS (USD)	20.70	17.24	14.91	16.36	17.89
						BVPS (USD)	8.04	6.50	6.37	6.93	7.67

Source: Company data, CMBIGM estimates

Appendix A: Profile of Board of Directors & Management

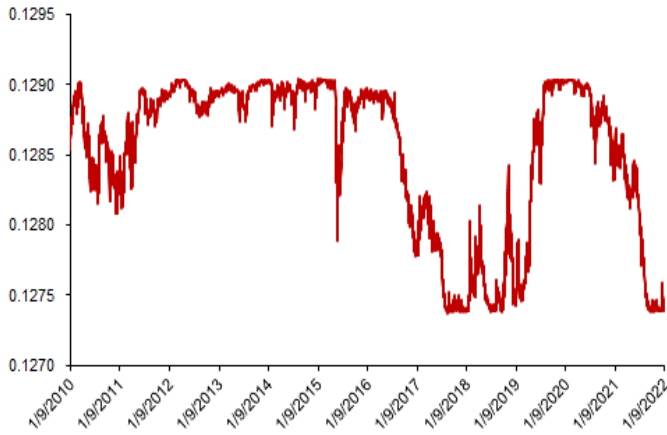
Name	Date of appointment	Position
Ms. Baroness Shriti Vinodkant Vadera	May 2020	Chair of the Board; Chair of the Nomination and Governance Committee
Mr. Anil Wadhvani	Feb 2023	Group CEO
Mr. Mark Thomas FitzPatrick	Jan 2017	Interim Group CEO, Group Chief Operating Officer
Mr. Stuart James Turner	Mar 2018	Group Chief Financial Officer (will step down from the Board in Jan 2023, but will remain Group CFO)
The Hon. Philip John Remnant	Jan 2013	Senior Independent Director (to retire in May 2023)
Mr. Jeremy David Bruce Anderson	Jan 2020	Independent Non-executive Director; Chairman of the Risk Committee, Senior Independent Director (starting from May 2023)
Mr. Arijit Basu	Sep 2022	Independent Non-executive Director
Mr. Chua Sock Koong (蔡淑君)	May 2021	Independent Non-executive Director; Chairman of the Remuneration Committee
Mr. David John Alexander Law	Sep 2015	Independent Non-executive Director; Chairman of the Audit Committee
Mr. Ming Lu (路明)	May 2021	Independent Non-executive Director
Mr. George David Sartorel	Jan 2022	Independent Non-executive Director; Chairman of the Responsibility & Sustainability Working Group
Mr. Thomas Ros Watjen	July 2017	Independent Non-executive Director (to leave the Board in May 2023)
Ms. Jeanette Kai Yuan Wong (王开源)	May 2021	Independent Non-executive Director
Ms. Yok Tak Amy Yip (叶约德)	Sep 2019	Independent Non-executive Director
Ms. Claudia Suessmuth-Dyckerhoff	Jan 2023	Independent Non-executive Director

Name	Date of appointment	Position
Ms. Jolene Chen (陈秀文)		Group Human Resources Director
Mr. Avnish Kalra		Group Chief Risk & Compliance Officer
Mr. Solmaz Altin		Managing Director, Strategic Business Group (India, Indonesia, Malaysia, the Philippines, Laos, Myanmar, Cambodia and Africa)
Ms. Lilian Ng		Managing Director, Strategic Business Group (Mainland China, Hong Kong and Taiwan)
Mr. Seck Wai-Kwong		Chief Executive Officer, Eastspring
Mr. Dennis Tan		Managing Director, Strategic Business Group (Singapore, Thailand and Vietnam) and CEO, Prudential Assurance Company Singapore

Source: Company data, CMBIGM

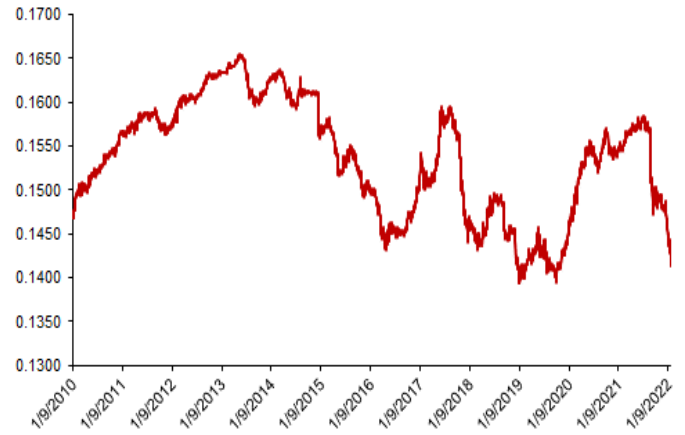
Appendix B: Regional market Forex/Equity Index/Bond Yields

Figure 92: HKD/USD exchange rate in 2010-2022



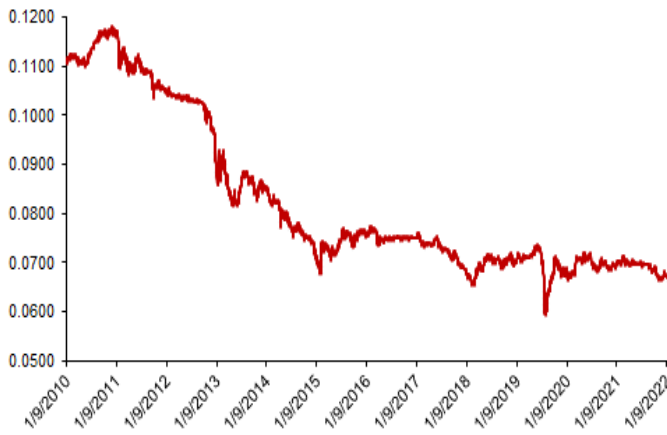
Source: Company data, CMBIGM

Figure 93: CNY/USD exchange rate in 2010-2022



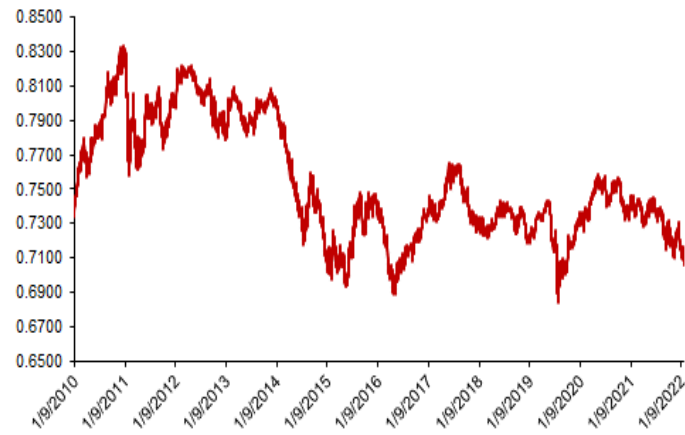
Source: Company data, CMBIGM

Figure 94: IDR/USD exchange rate in 2010-2022



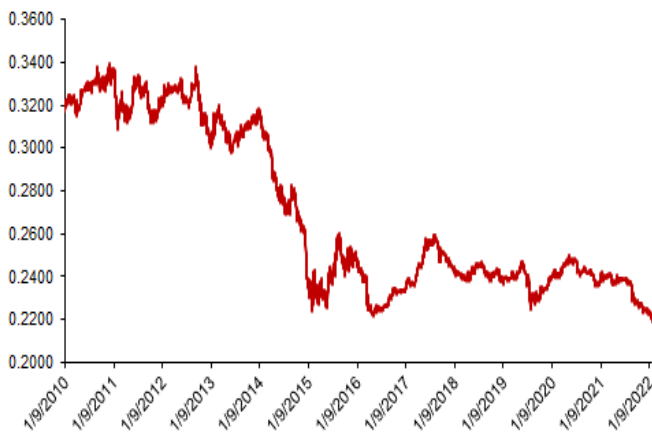
Source: Company data, CMBIGM

Figure 95: SGD/USD exchange rate in 2010-2022



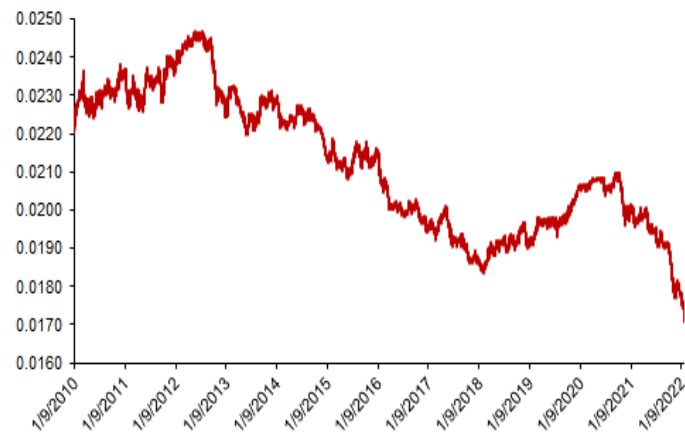
Source: Company data, CMBIGM

Figure 96: MYR/USD exchange rate in 2010-2022



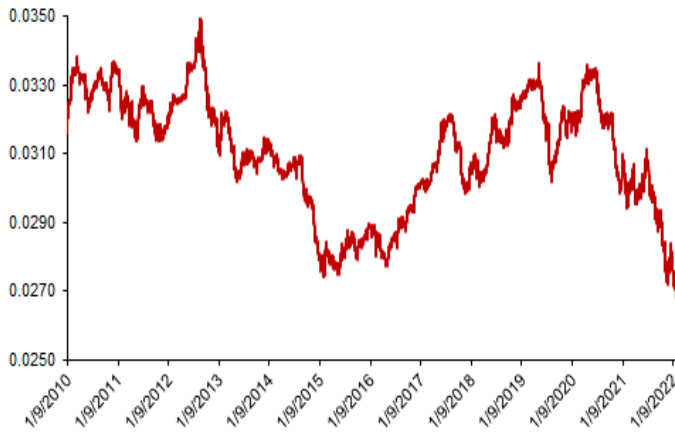
Source: Company data, CMBIGM

Figure 97: PHP/USD exchange rate in 2010-2022



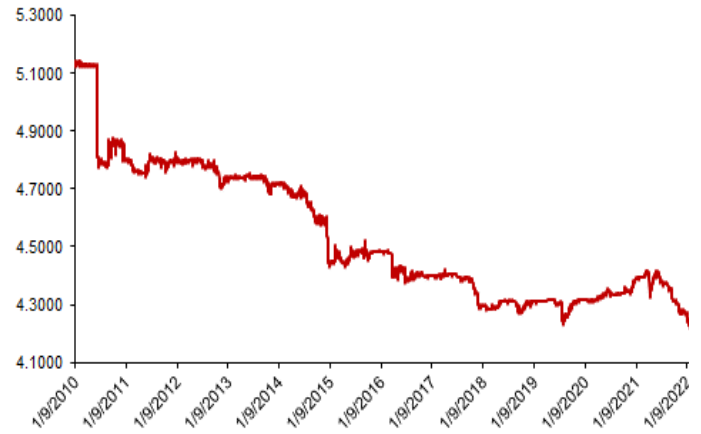
Source: Company data, CMBIGM

Figure 98: THB/USD exchange rate in 2010-2022



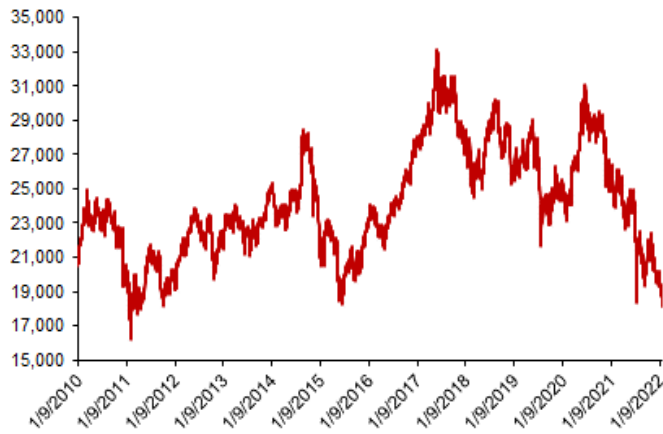
Source: Company data, CMBIGM

Figure 99: VND/USD exchange rate in 2010-2022



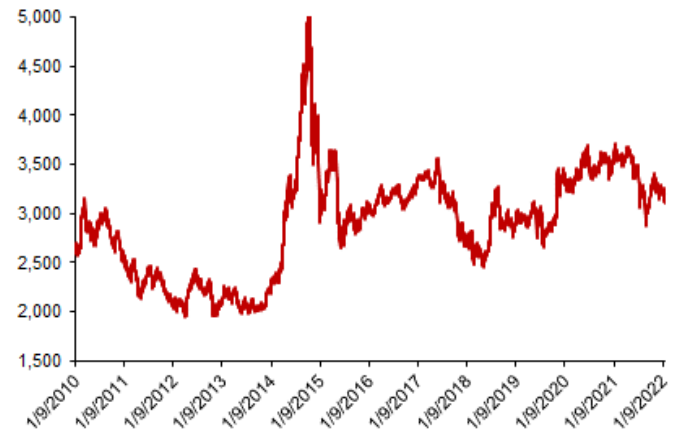
Source: Company data, CMBIGM

Figure 100: Hong Kong HSI Index in 2010-2022



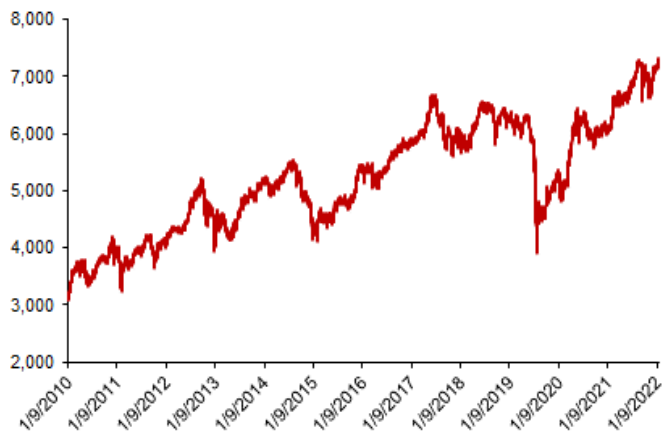
Source: Company data, CMBIGM

Figure 101: China SHCOMP Index in 2010-2022



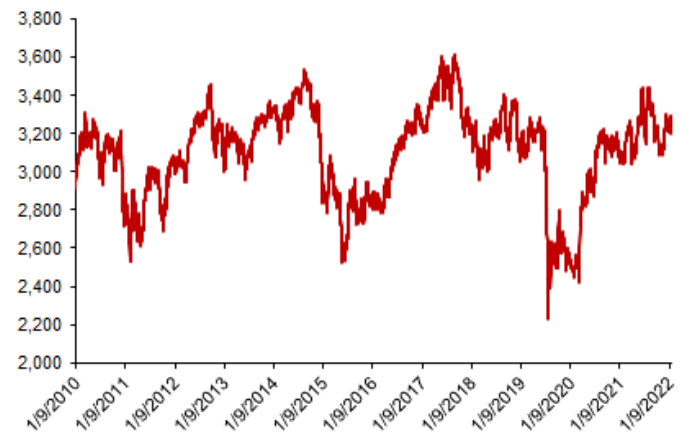
Source: Company data, CMBIGM

Figure 102: Indonesia JCI Index in 2010-2022



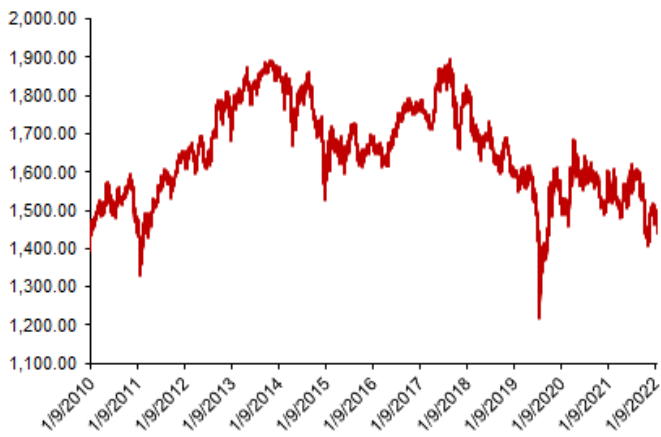
Source: Company data, CMBIGM

Figure 103: Singapore STI Index in 2010-2022



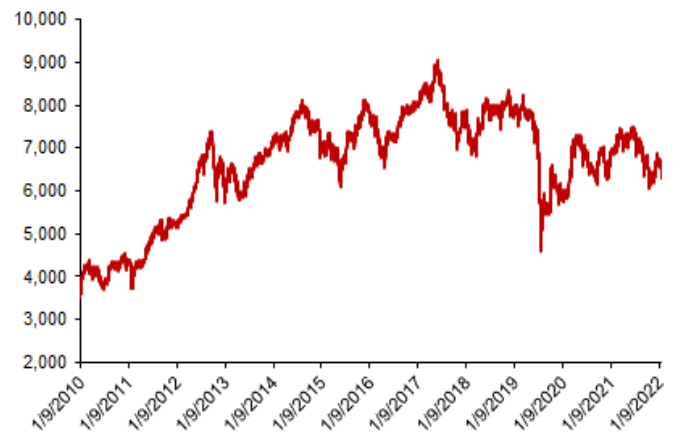
Source: Company data, CMBIGM

Figure 104: Malaysia FBKLCI Index in 2010-2022



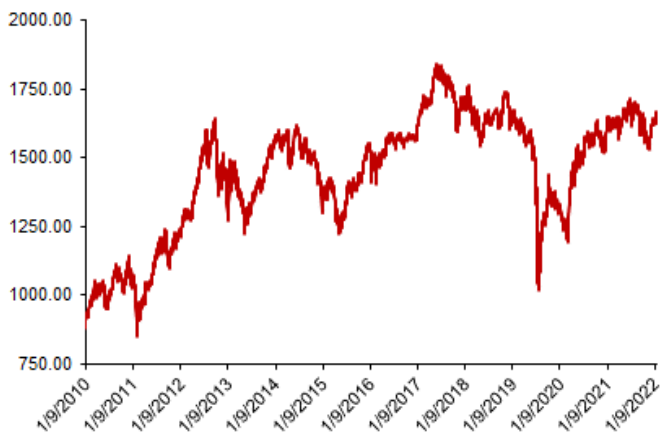
Source: Company data, CMBIGM

Figure 105: The Philippines PCOMP Index in 2010-2022



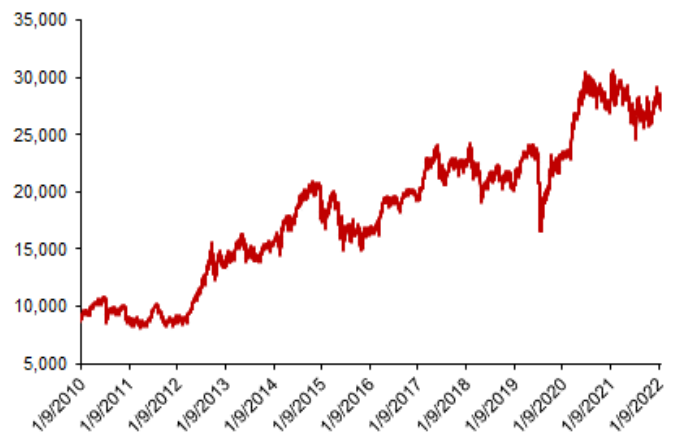
Source: Company data, CMBIGM

Figure 106: Thailand SET Index in 2010-2022



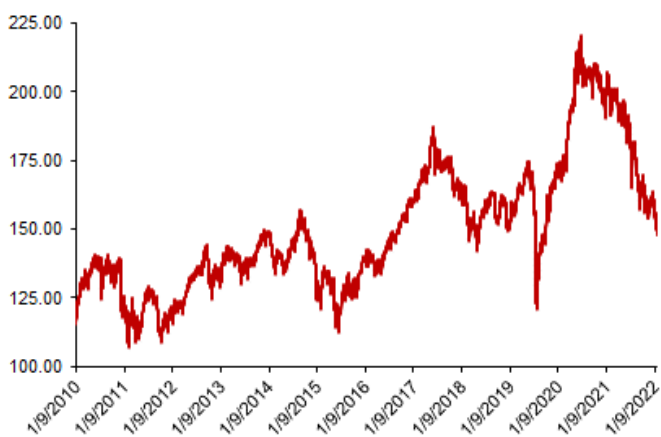
Source: Company data, CMBIGM

Figure 107: Japan Nikkei 225 Index in 2010-2022



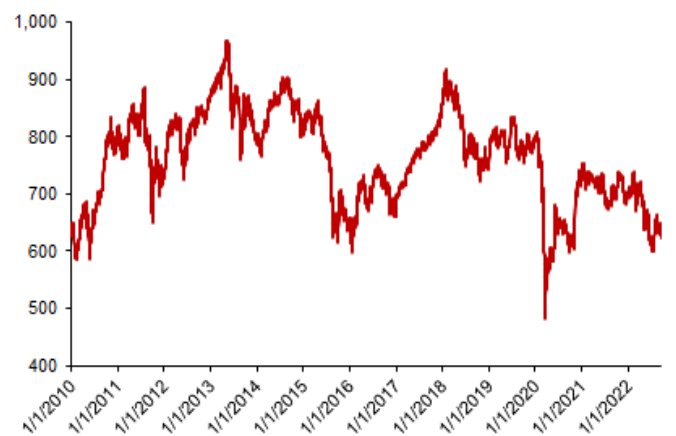
Source: Company data, CMBIGM

Figure 108: MSCI AC Asia ex Japan Index in 2010-2022



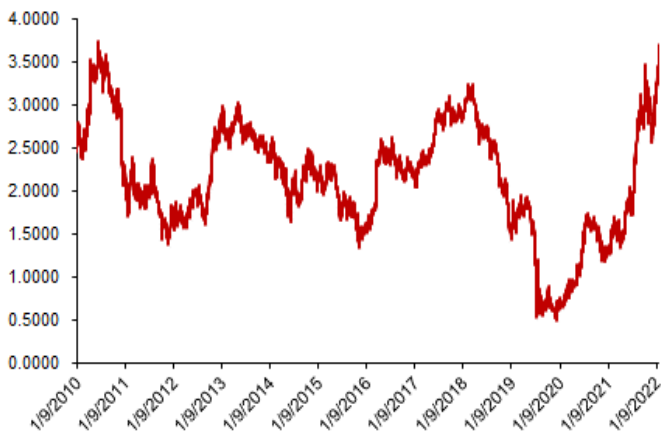
Source: Company data, CMBIGM

Figure 109: MSCI AC ASEAN Index in 2010-2022



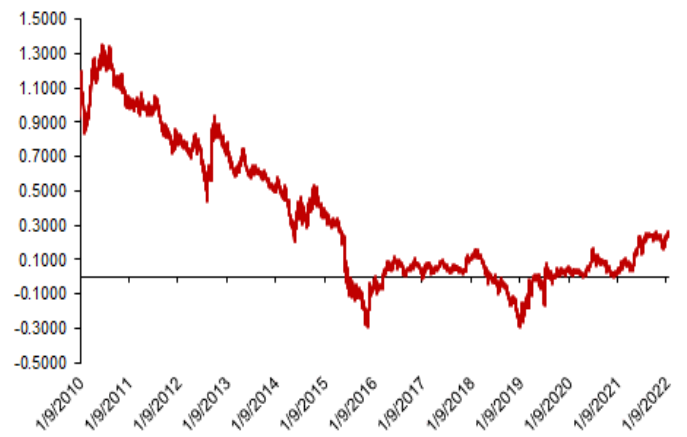
Source: Company data, CMBIGM

Figure 110: US 10YR Gov. Bond Yield (USGG10Y)



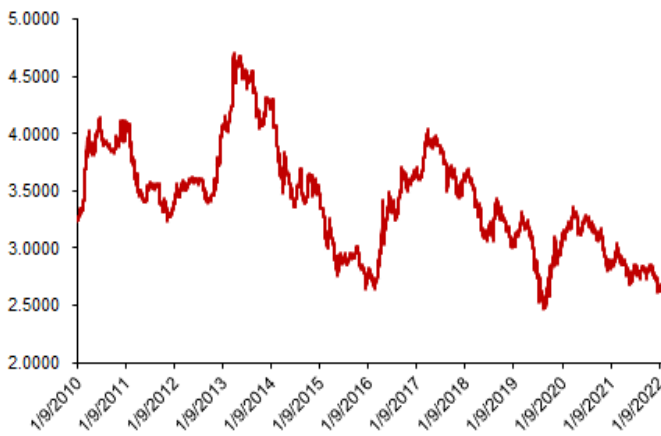
Source: Company data, CMBIGM

Figure 111: HK 10YR Gov. Bond Yield (GBFCY10Y)



Source: Company data, CMBIGM

Figure 112: China 10YR Gov. Bond Yield (GCNY10Y)



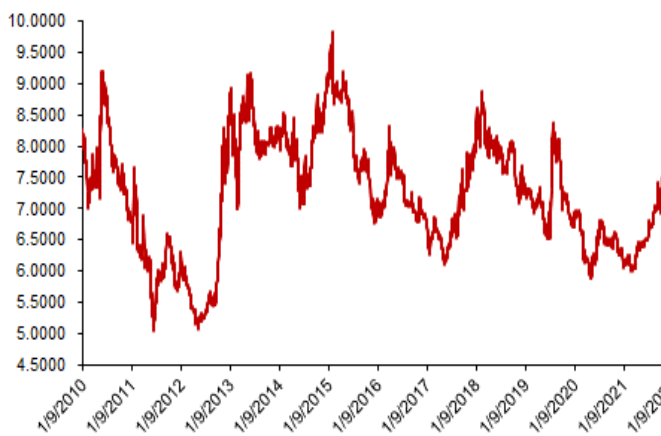
Source: Company data, CMBIGM

Figure 113: Japan 10YR Gov. Bond Yield (GJGB10Y)



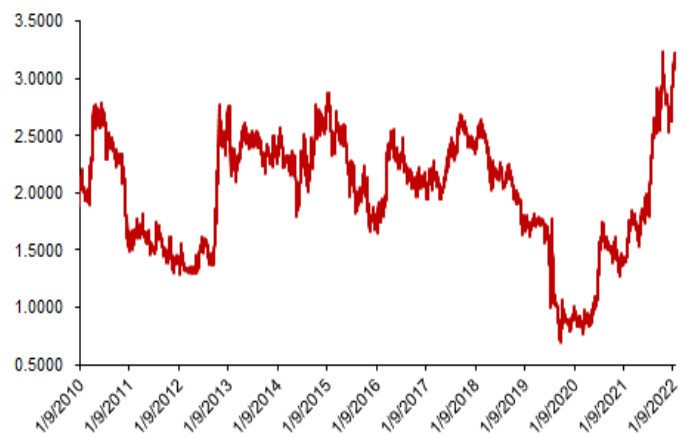
Source: Company data, CMBIGM

Figure 114: Indonesia 10YR Gov. Bond Yield (GIDN10Y)



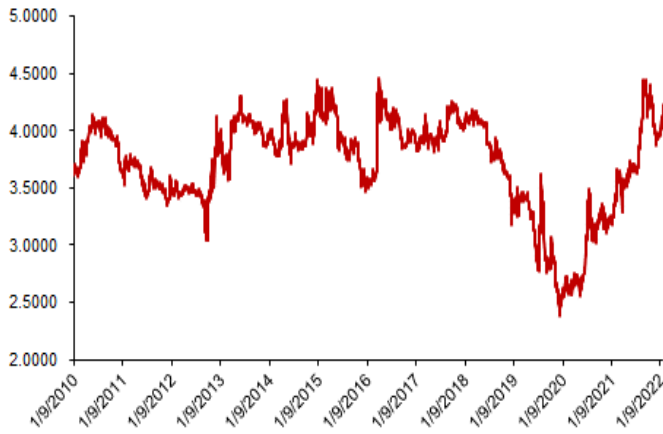
Source: Company data, CMBIGM

Figure 115: Singapore 10YR Gov. Bond Yield (MASB10Y)



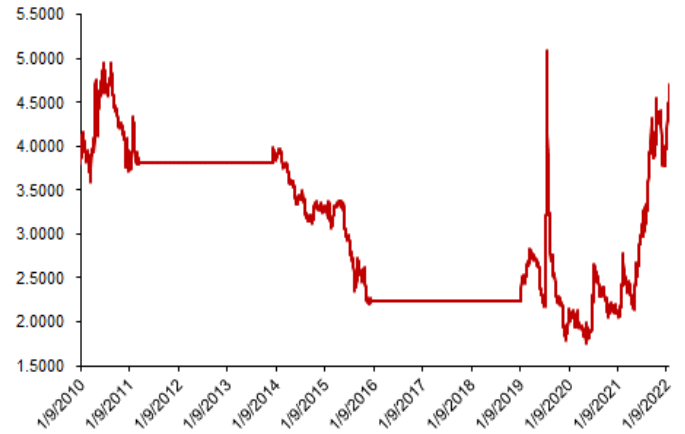
Source: Company data, CMBIGM

Figure 116: Malaysia 10YR Gov. Bond Yield (MAGY10Y)



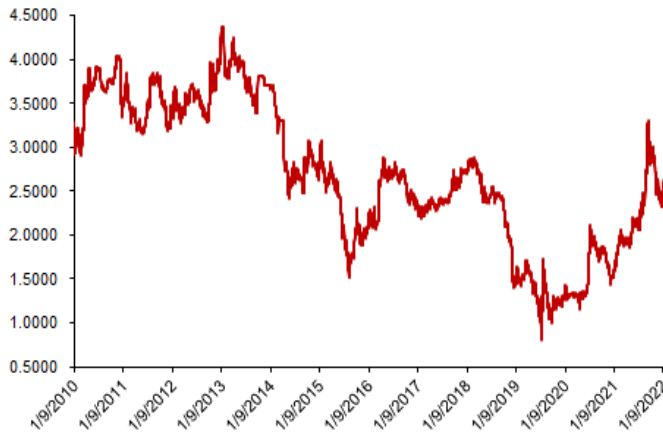
Source: Company data, CMBIGM

Figure 117: Philippines 10YR Gov. Bond Yield (GPUS10Y)



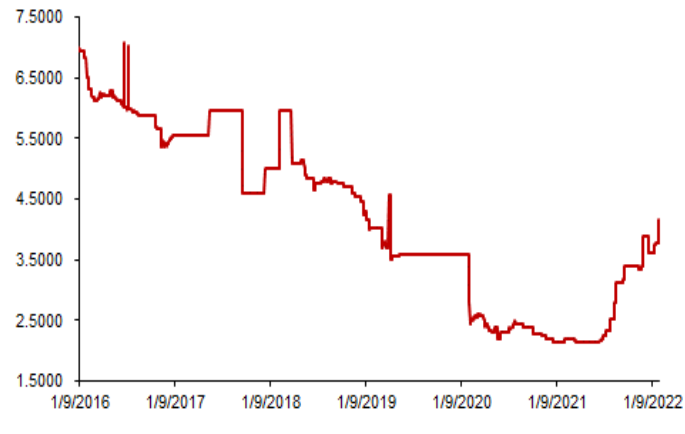
Source: Company data, CMBIGM

Figure 118: Thailand 10YR Gov. Bond Yield (GVTL10Y)



Source: Company data, CMBIGM

Figure 119: Vietnam 10YR Gov. Bond Yield (GGVF10Y)



Source: Company data, CMBIGM

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.