PRUDENTIAL

Prudential plc
保誠有限公司*

(Incorporated and registered in England and Wales with limited liability, registered number 01397169)
(Stock Code: 2378)

PRESS RELEASE AND HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The attached announcement is being released by Prudential plc on the date below.

By order of the Board
Prudential plc
Tom Clarkson
Company Secretary

30 August 2023, Hong Kong

As at the date of this announcement, the Board of Directors of Prudential plc comprises:

Chair
Shriti Vinodkant Vadera

Executive Director
Anil Wadhwani *(Chief Executive Officer)*

Independent Non-executive Directors
Jeremy David Bruce Anderson CBE, Arijit Basu, Chua Sock Koong, David John Alexander Law ACA, Ming Lu, George David Sartorel, Claudia Ricarda Rita Suessmuth Dyckerhoff, Jeanette Kai Yuan Wong and Yok Tak Amy Yip

* *For identification purposes*

NEWS RELEASE

30 August 2023

PRUDENTIAL PLC HALF YEAR 2023 RESULTS: DELIVERING A STRONG PERFORMANCE AND STRATEGIC UPDATE

Prudential plc ("Prudential"; HKEX: 2378; LSE: PRU) today announced its financial results for the six months ended 30 June 2023 along with a strategic update.

Performance highlights on a constant (and actual) exchange rate basis[1]

- New business profit[2] up 39 per cent (36 per cent) to $1,489 million, with 17 of our life markets delivering growth[3], 16 of which by double digits. Excluding the effect of interest rate and other economic movements, new business profit was up 52 per cent (48 per cent)
- APE sales[4] up 42 per cent (37 per cent) to $3,027 million
- Adjusted operating profit[5] up 6 per cent (4 per cent) to $1,462 million
- Operating free surplus generated from in-force insurance and asset management business[6] down (2) per cent ((4) per cent) to $1,438 million
- EEV operating profit[7] up 22 per cent (19 per cent) to $2,155 million. EEV shareholders equity is $43.7 billion, equivalent to 1,588 cents per share
- GWS shareholder capital surplus over GPCR of $15.5 billion[8], equivalent to a cover ratio of 295 per cent[8] (31 December 2022: 307 per cent)
- Adjusted IFRS equity[9] of $36.4 billion, up 4 per cent[10] from 31 December 2022, equivalent to 1,324 cents per share. Annualised Contractual Service Margin[11] growth of 8 per cent.
- First interim dividend of 6.26 cents per share, up 9 per cent[10] with guidance for 2023 and 2024 of expected annual growth between 7-9 per cent

Strategic update

Alongside interim results, CEO Anil Wadhwani announced a new purpose and strategy following the completion of his strategic and operational review.

Prudential's new purpose statement – For Every Life, For Every Future – reflects its mission to be the most trusted partner and protector for this generation and generations to come, by providing simple and accessible financial and health solutions.

Prudential's new strategy will build a sustainable growth platform, through targeted investment in structural growth markets across Asia and Africa by:

- Enhancing customer experiences to drive higher acquisition and loyalty for lifetime value creation;
- Technology-powered distribution with a focus on agency and bancassurance productivity and activation;
- Unlocking the health opportunity by disciplined implementation of best practices across all our markets;
- More consistent execution across each of our markets, driven through changes in our organisational model and technology platform; and
- Prioritising value creation, focusing on the generation of free surplus that can be used to invest in new business at attractive returns, core capabilities and strategic opportunities, as well as return capital to shareholders via dividends.

We believe our new strategy will accelerate value creation for all our stakeholders through operational and financial discipline, with two key financial objectives:

- Growing New Business Profit at 15-20 per cent compound annual growth between 2022 and 2027[12];
- Achieving double-digit compound annual growth in operating free surplus generated from in-force insurance and asset management business between 2022 and 2027[12].

Summary financials	Half year 2023 $m	Half year 2022 $m	Change on AER basis[1]	Change on CER basis[1]
New business profit[2]	**1,489**	1,098	36%	39%
Operating free surplus generated[13]	**1,024**	1,224	(16)%	(15)%
Operating free surplus generated from in-force insurance and asset management business[6]	**1,438**	1,503	(4)%	(2)%
Adjusted operating profit[5]	**1,462**	1,411	4%	6%
IFRS profit (loss) after tax	**947**	(1,505)	n/a	n/a

	30 Jun 2023		31 Dec 2022	
	Total	**Per share**	**Total**	**Per share**
EEV shareholders' equity	**$43.7bn**	**1,588¢**	$42.2bn	1,534¢
IFRS shareholders' equity	**$17.2bn**	**623¢**	$16.7bn	608¢
Adjusted IFRS shareholders' equity[9]	**$36.4bn**	**1,324¢**	$35.2bn	1,280¢

Commenting on his first Interim results and strategic update, CEO Anil Wadhwani, said: "The interim results demonstrate the power of our multi-engine, multi-channel business model across Asia and Africa. The business performed strongly in the first half of 2023, with new business profit up 39 per cent[14]. (up 52 per cent[14] on an ex-economics basis - i.e. excluding the effect of interest rates). APE sales were up 42 per cent[14] to $3,027 million and this sales momentum continues into the current third quarter.

"Our agency channel has rebounded strongly in all segments as Covid restrictions ended, reporting 89 per cent[14] growth in new business profit on an ex-economics basis. The bancassurance channel maintained margins (on an ex-economics basis) despite lower sales in Singapore, Vietnam and the Chinese Mainland.

"13 of 22 life markets[3] recorded positive Health & Protection new business profit growth. We continue to see increased agency adoption of digital tools. In 2022 agents using PRULeads, our activity and leads management engine, were 30 per cent more productive[15].

"Prudential has a great franchise with 175 years of history, top three positions[16] in 12 of our 14 Asia life markets and 4 of our 8 Africa life markets, scale in both agency and bancassurance, and more importantly the trust of our 18 million customers. We also have in-house investment capabilities with Eastspring managing over $220 billion of assets.

"We have today announced that we will do things differently in the way we run Prudential. With a clear strategy, operational and capital allocation priorities, we are focused on delivering sustainable value for all our stakeholders: employees, customers, shareholders and our communities.

"We are excited to write the next chapter of growth at Prudential."

Market overview and outlook

In the first half of 2023, in Hong Kong, both domestic and Chinese Mainland Visitor segments performed particularly well. APE sales from the Domestic segment grew 68 per cent and the Chinese Mainland Visitor segment has seen a significant increase in sales following the opening of the border with the mainland in February 2023. Prudential increased market share across segments and achieved the number one position in both the offshore business and in the agency channel[17]. Demand for savings products across the Hong Kong business continues to be strong with volumes reflecting increased savings case sizes compared to 2019. Product mix in terms of new policy count has started to normalise. Customer experience improvements in digital onboarding and underwriting and enhanced multi-currency options have improved both health and protection and savings offerings. In Macau, the recruitment of agents has commenced, following the opening of the branch. The new licence completes Prudential's footprint in all 11 cities in the Greater Bay Area, which has a population of over 85 million[18].

In the Chinese Mainland, the company's focus in the first half of 2023 was taking decisive steps to drive a more balanced product mix. At the start of the second quarter we actively withdrew certain guaranteed savings product from both agency and bancassurance channels. As a consequence, both agency and bancassurance channels reduced the proportion of short-term pay non-participating products sold in favour of higher quality and higher margin annuity and longer premium payment term products, particularly affecting volumes in the bancassurance channel in the second quarter. Agency still performed very strongly with APE sales up 25 per cent[14] and productivity[18] up 53 per cent. Overall, new business profit was marginally down by (3) percentage points[14] on an ex-economics basis. Margins for both agency and bancassurance improved, and in aggregate rose by 7 percentage points, on an ex-economics basis. In Taiwan, APE sales grew by 28 per cent[14] and new business profit increased with good performances from both existing and new bank partners. Participating products and tailored customer segmentation led to the business significantly outperforming the market.

Our businesses in ASEAN reflect our leading positions and the strength of our diversified multi-channel distribution franchise in this region.

- Malaysia grew APE sales by 12 per cent[14] and new business profit by 11 per cent[14] and had a leading net promoter score in both conventional and Takaful business.
- Indonesia APE sales grew 42 per cent[14] and new business profit grew 22 per cent[14] - with agency APE up particularly strongly at 51 per cent[14] and with new business profit per active agent in the period up 77 per cent. Customer medical benefits were upgraded contributing to margins reducing by 6 percentage points.
- The Philippines delivered 13 per cent[14] growth in new APE sales, with strong growth in active agents and new business profit. In Q1 2023, it was the number one player by sales in the market[19].
- Singapore showed a resilient performance with APE sales down (3) per cent[14] and new business profit down (20) per cent[14] as we maintained market positioning, despite challenging operating conditions.
- In Vietnam, industry sales fell 31 per cent largely due to weakness in the bancassurance channel[20]. We outperformed the market, reporting APE sales down (18) per cent[14], with agency APE sales up 34 per cent[14]. New business profit was down overall.

In India**,** there was continued strong momentum and high quality growth**:** new business profit was up in the first half, reflecting APE sales growth of 15 per cent[14] and an improvement of margin**.** Agency APE Sales grew 29 per cent[14], with over 17,000 new agent recruits and over 100 new distribution partners secured.

In Africa**,** we delivered a strong performance with new business profit up reflecting broad based growth across all channels and all eight African markets recorded double digit[13] APE sales growth. Overall Africa saw 31 per cent[14] APE sales growth and an 18 per cent increase in the number of active agents since the equivalent period in the prior year. It had over 220 members qualifying for 'million dollar round table' status in 2022.

At Eastspring, funds under management increased to $228 billion, reflecting net inflows of $3.3 billion (excluding money market funds and net redemptions from funds managed on behalf of M&G plc) and positive market movements. Operating profits were up 14 per cent[14] to $146 million.

Consumers in Asia remain resilient despite the challenging environment. While the outlook for Asian markets is mixed, our momentum in the first half has continued into the third quarter. This underscores the strength of our multi-market growth engine backed by our diversified channel mix, which is key to driving sustainable value in the long term.

Notes

1 Further information on actual and constant exchange rate bases is set out in note A1 of the IFRS financial statement. All results are presented in US dollars.
2 New business profit, on a post-tax basis, on business sold in the period, calculated in accordance with EEV Principles. See the basis of preparation to the EEV basis results for further explanation.
3 Of our 14 Asia life markets and 8 Africa life markets
4 APE sales is a measure of new business activity that comprises the aggregate of annualised regular premiums and one-tenth of single premiums on new business written during the year for all insurance products, including premiums for contracts designated as investment contracts under IFRS. It is not representative of premium income recorded in the IFRS financial statements. See note II of the Additional financial information for further explanation.
5 'Adjusted IFRS operating profit' refers to adjusted IFRS operating profit based on longer-term investment returns from continuing operations and is stated after excluding the effect of short-term fluctuations in investment returns against long-term assumptions and other corporate transactions. This alternative performance measure is reconciled to IFRS profit for the period of $947 million (2022: $(1,505)million) in note B1.1 of the IFRS financial results.
6 Operating free surplus generated from in-force insurance business represents amounts emerging from the in-force business during the year before deducting amounts reinvested in writing new business and excludes non-operating items. For asset management businesses, it equates to post-tax operating profit for the year. Restructuring costs are presented separately from the business unit amount. Further information is set out in 'movement in Group free surplus' of the EEV basis results.
7 EEV operating profit is based on longer-term investment returns and is stated after excluding the effect of short-term fluctuations in investment returns and other corporate transactions, and excludes the effect of changes in economic assumptions and the mark-to-market value movement on core borrowings.
8 Estimated GWS capital position reflects eligible Group capital resources in excess of the Group prescribed capital requirements (GPCR) attributable to the shareholder business, before allowing for the 2023 first cash interim dividend. Further detail on the estimated GWS capital position, including the basis of preparation, is included in note I(i) of the Additional financial information.
9 IFRS shareholders equity plus contractual service margin net of reinsurance and related tax adjustments. See note C3.1 in the IFRS financial results for further information.
10 On an actual exchange rate basis.
11 Net of reinsurance.
12 The objectives assume exchange rates at December 2022 and economic assumptions made by Prudential in calculating the EEV basis supplementary information for the year ended 31 December 2022, and are based on regulatory and solvency regimes applicable across the Group at the time the objectives were set. The objectives assume that the existing EEV and Free Surplus methodology at December 2022 will be applicable over the period.
13 Operating free surplus generated from insurance and asset management operations after investment in new business but before restructuring costs. Definition and further information is set out in 'Movement in Group free surplus' of the EEV basis results.
14 On a constant exchange rate basis.
15 Measured by cases per agent
16 As reported at full year 2022 unless specified. Sources include formal (e.g. competitors results release, local regulators and insurance association) and informal (industry exchange) market share. Ranking based on new business (APE sales, weighted full year premium or full year premium depending on availability of data) or total weighted revenue premiums, except for Hong Kong based on in-force premiums. Ranking for FY2020 for Cameroon.
17 Source: HKMA Q1 2023 market statistics.
18 Source: The Guangdong-Hong Kong-Macao Greater Bay Area Development Office.
19 Q1-2023 based on Weighted First Year Premium, Philippines Insurance Commission.
20 H1 2023 Vietnam Actuarial Network.

Contact:

Media		**Investors/analysts**	
Simon Kutner	+44 (0)7581 023260	Patrick Bowes	+852 9611 2981
Sonia Tsang	+852 5580 7525	William Elderkin	+44 (0)20 3977 9215
Sophie Sophaon	+852 6286 0229	Darwin Lam	+852 2918 6348

We expect to announce our Half Year 2023 Results to the Hong Kong Stock Exchange and to the Financial Media at **12.00pm HKT – 5.00am UKT – 12.00am ET on Wednesday, 30 August 2023.**

The announcement will be released on the London Stock Exchange at **2.00pm HKT – 7.00am UKT – 2.00am EST on Wednesday, 30 August.**

A pre-recorded presentation for analysts and investors will be available on-demand from 12pm HKT – 5.00am UKT – 12.00am ET on Wednesday, 30 August 2023 using the following link:
https://www.investis-live.com/prudential/64d25bbb0120c60d00e4d387/yelll.
A copy of the script used in the pre-recorded video will also be available on Prudential plc's website from 12pm HKT – 5.00am UKT – 12.00am ET on Wednesday, 30 August 2023.

A Q&A event for analysts and investors will be held at 4.30pm HKT – 9.30am UKT – 4.30am ET on Wednesday, 30 August.
We offer the option to join us in person or virtually.

Registration to join the Q&A event in person, at the Four Seasons Hong Kong, 8 Finance Street, Central, Hong Kong
To register to attend the event in person, please contact: investor.relations@prudentialplc.com.

Registration to view the Q&A event online
To register to watch the event and submit questions online, please do so via the following link:
https://www.investis-live.com/prudential/64d25e0c2be9e41300d405cd/twbbb.
The webcast will be available to watch afterwards using the same link.

Dial-in details
A dial-in facility will be available to listen to the event and ask questions: please allow 15 minutes ahead of the start time to join the call (lines open half an hour before the call is due to start, i.e. from 4.00pm HKT – 9.00am UKT – 4.00am ET).

Dial-in: +44 (0) 20 3936 2999 (UK and international) / 0800 358 1035 (Freephone UK), Participant access code: **759398**. Once participants have entered this code their name and company details will be taken.

Transcript
A transcript of the Q&A event will be published on the results centre page of Prudential plc's website on Monday, 4 September.

Playback facility
Please use the following for a playback facility: +44 (0) 20 3936 3001 (UK and international), replay code **949060**. This will be available from approximately 9.00pm HKT – 2.00pm UKT – 9.00am ET on Wednesday, 30 August until 6.59am HKT on Thursday, 7 September – 11.59pm UKT – 6.59pm ET on Wednesday, 6 September.

About Prudential plc
Prudential plc provides life and health insurance and asset management in 24 markets across Asia and Africa. Prudential's mission is to be the most trusted partner and protector for this generation and generations to come, by providing simple and accessible financial and health solutions. The business has dual primary listings on the Stock Exchange of Hong Kong (2378) and the London Stock Exchange (PRU). It also has a secondary listing on the Singapore Stock Exchange (K6S) and a listing on the New York Stock Exchange (PUK) in the form of American Depositary Receipts. It is a constituent of the Hang Seng Composite Index and is also included for trading in the Shenzhen-Hong Kong Stock Connect programme and the Shanghai-Hong Kong Stock Connect programme.

Prudential is not affiliated in any manner with Prudential Financial, Inc. a company whose principal place of business is in the United States of America, nor with The Prudential Assurance Company Limited, a subsidiary of M&G plc, a company incorporated in the United Kingdom.

https://www.prudentialplc.com/

Strategic and operating review

Prudential has a broad footprint across Asia and Africa that provides access to a total market that is estimated will generate almost $1 trillion[1] of incremental annual gross written premium in 2033 compared with 2022. We are a well-established brand name[2], having operated for 175 years globally and 100 years in Asia. We have top-3 positions in 12 of our 14 Asian life markets[3] and 4 of our 8 African markets. Overall, 18 million[4] customers have had the confidence to choose Prudential. We are the only large Asian focused insurer to have scale in both agency and bancassurance, as well as in-house investment capabilities with Eastspring managing over $220 billion of assets.

In February 2023 Anil Wadhwani joined as Group CEO. In his first six months he undertook a thorough strategic and operational review of the Group, meeting our customers, people, distributors, partners, regulators, investors and other capital providers. Following these discussions, Prudential is setting out, alongside the 2023 Interim Results, our revised purpose and strategy for the Group, reflecting strategic, operational and capital allocation priorities for the next five years to 2027.

Throughout Prudential's 175 years in operation, we have a long history of evolving to meet the ever-changing needs of the markets in which we operate and the customers we serve. Today we are announcing that we will do things differently in the way we run Prudential based on clear strategic, operational and capital allocation priorities.

Our Purpose

Our purpose is our platform to say who we are, what we do and where we are going as an organisation. We have revised it to make it clearer and differentiate Prudential from others in the market. It defines 'why' we are in this business and what it is we try to achieve as custodians of stakeholder value for the long term.

Our new purpose is: **For Every Life, For Every Future.**

Our mission is to be the most trusted partner and protector for this generation and generations to come by providing simple and accessible financial and health solutions.

"For Every Life" speaks to our ambition to meet the huge under-served needs of potentially four billion people[5] across our markets in Asia and Africa. With the collective wisdom of our talented people, we will partner with customers to improve their health and financial understanding so that they can build the life they want.

"For Every Future" speaks to our ambition to add value to the wider community, for a more sustainable and inclusive future. We are here to protect this generation, just as we have previous generations, and those we are yet to meet.

Our Strategy

Our strategy sets out how we will deliver on our purpose over the next five years to 2027.

We believe consistent delivery of our strategy will create value for all our stakeholders: employees, customers, shareholders and the communities in which we operate. Our strategy will be implemented to build a sustainable growth platform, through targeted investment in structural growth markets across Asia and Africa.

The implementation of our strategy will prioritise:

- Enhancing customer experiences to drive higher acquisition and loyalty for lifetime value creation.
- Technology-powered distribution with a focus on agency and bancassurance productivity and activation.
- Unlocking the health opportunity by disciplined implementation of best practices across all our markets.
- More consistent execution across each of our markets, driven through changes in our organisational model and technology platform.
- Prioritising value creation, focusing on the generation of free surplus that can be used to invest in new business at attractive returns, core capabilities and strategic opportunities as well as return capital to shareholders via dividends.

Our strategy comprises the following components:

a) Organisational model. A change in our organisational model will be key to the delivery of our strategy. Today we have 24 life insurance and asset management local market operations that are largely fragmented with different processes on key customer journeys, different standards for measuring distribution performance and inconsistent execution of our brand. We will implement changes to this model that we believe will help support the drive for quality sales and improve the economic value we can generate from our business.

b) Multi-market growth engines. The strength of our capital gives us the opportunity to invest in the multiple growth engines across Greater China, our markets within the Association of Southeast Asian Nations (ASEAN), India and Africa. Our approach to these markets is further discussed below.

c) Strategic pillars. Three initiatives that will drive our growth:

1. Enhancing customer experiences;
2. Technology-powered distribution; and
3. Transforming our health business model.

d) Group-wide enablers:

1. Open-architecture technology platform
2. Engaged people and high-performance culture; and
3. Wealth and investments capabilities.

e) Financial value creation. Our financial model means we are a natural growth compounder, with new business growing our embedded value that converts into free surplus available for reinvestment and distribution. We believe our strategy will accelerate value creation for our stakeholders through operational & financial discipline.

a) Organisational model

We have an opportunity to drive more operating leverage by replicating best practice at pace and scale across all our markets. This organisational model will be designed using the following key principles:

- Designed to have the customer at the heart of what we do;
- Continued empowerment of local market CEOs and leaders of the businesses to deliver customer solutions and focus on what matters most in each market;
- The establishment of centres of excellence and shared services across many of the functional groups – for example health, technology and data analytics – to deliver economies of skill and scale;
- Collaboration between the local markets and the centre with roles and responsibilities clearly defined; and
- Setting values that will help define the ways of working. The 'how' alongside the 'what' will therefore be an important part of our Group reward mechanism.

To deliver on our strategy, we will need to build capabilities, particularly across our three strategic pillars of customer, distribution and health, with technology and data being common to all three.

We believe these changes in our organisational model will help us drive greater consistency of experience, as well as economies of scale, providing value for both our customers and our shareholders.

b) Multi-market growth engines

A key differentiator for our business is the breadth of our access to the world's fastest-growing markets. Our markets are expected to more than double in size creating an almost $1 trillion growth opportunity[1]. Growing twice as fast as the rest of the world[6], the rapidly rising middle-class population in Asia is expected to increase the awareness of, and demand for, protection and wealth management solutions.

Asia still has low levels of life insurance penetration relative to more mature markets like the UK[7], demonstrating our runway for growth. State provision of pensions and social security is limited, leading to vast health, protection and mortality gaps. In Asia, penetration is in the low single digits[7] with protection out of pocket spend four times larger than the US[8], creating a large and growing unmet need.

Our strategic planning has taken into account how growth will be delivered across the following four regions within our geographical footprint:

- Greater China
    - Throughout this geography we seek to sustain quality growth.
    - In the Chinese Mainland, we have an established partner, CITIC, which gives us access to over 80 per cent of GDP and licenses to operate in 100 cities. We are one of the top three international players[9] there with a distinctive multi-channel platform. We have an opportunity to make our agency channel larger and more productive, complementing our multiple bancassurance partnerships.
    - In Hong Kong, we have revitalised our business, not only through the traction seen in the Chinese Mainland visitor segment but also by ensuring we continue to grow our domestic business. With our recently opened Macau branch, we are present in all 11 cities in the Greater Bay Area[10] that has an extended population of over 85 million people[11].
    - In Taiwan we are the number one foreign player[12] having developed a sustainable bancassurance channel with good margins.

- ASEAN
    - ASEAN includes a diversified range of markets. Collectively, these markets have a combined population of more than 600 million people[13] which can provide a crucial counterbalance that ensures we are not over-dependent on one single geography.
    - We have the largest multi-channel distribution franchise in this region with more than 40,000 active agents[24], or 60 per cent of the Group's total active agents. We have established bank partners including Standard Chartered, UOB and VIB.
    - We have a prominent brand and reputation across the region, and are among the leading franchises across Singapore[14], Malaysia[15] and Indonesia[16] (including the number one position in Sharia across both Malaysia[15] and Indonesia[16]) plus top 2 positions in the fast-developing markets of the Philippines[17], Vietnam[18], Cambodia[19] and Laos[20].
    - In Thailand, we continue to grow through our bancassurance business.

    - Our strategy will seek to leverage this leading platform across these markets.

- India
    - In India we will seek to grow our franchises, which will be important to our scale in Asia. With over 1.4 billion people and where the share of health expenses paid out-of-pocket are as high as 50 per cent[22], India is a compelling opportunity. We are exploring options to address the health opportunity in India.
    - We have a successful partner in ICICI Bank and continue to work closely with them on both life and asset management.

- Africa
    - Though making a relatively small contribution to our overall new business profit today, Africa's high growth rates present a longer-term opportunity.
    - We are focusing on the highest value markets where we have the strongest competitive advantage.

c) Strategic pillars

1. *Enhancing customer experiences*

In order to succeed in its broader new business profit objective, Prudential is committed to evolving from being organised around products and channels to become the most trusted partner to our customers.

The priorities are:

- Acquisition by personalised targeting: We will focus our data and technology resources to drive up the quality of leads from social media and our ecosystem of partners so that agents can more easily identify opportunities for engagement;
- Segmentation by life stage: To develop impactful propositions for our customers we will build an understanding of what our customers need based on life stages;
- Differentiated propositions: To meet customer demand for comprehensive solutions we will develop comprehensive solutions integrating products with health, well-being and wealth services as a one stop proposition for our target segments; and
- Simple tech-enabled journeys: To build competitive advantage in acquiring and retaining customers over their lifetimes, we will seek to curate a seamless end-to-end journey via a unified, scalable technology platform. With PruServices, we are increasingly able to offer self-service for simple enquiries, service and claims anytime, anywhere.

Our customer-centric strategy aims to deliver top quartile relationship net promotor scores by 2027 which will support greater retention and acquisition of customers. With a retention ratio already close to 90 per cent[23], we will focus on expanding our share of wallet with existing customers over their lifetime.

2. *Technology-powered distribution*

As a leading Asia focused insurer with scale in both agency and bancassurance channels, we are very well-placed for customer access. These channels will be complemented by our new digital customer interactions and continuous training and development of our agency force and bancassurance partners.

Agency

Prudential has one of the leading agency forces in Asia, with a total of over 70,000 active agents[24] and 7,000 agents qualifying for Million Dollar Round Table (MDRT) status[38]. Our businesses in the Chinese Mainland, Hong Kong, Malaysia, Philippines, Singapore, Thailand and Vietnam in particular show higher active agent rates than the average across the Group. The future success of our agency channel will be driven by continuous improvements in productivity and the number of active agents. To drive this, the following five priorities to boost productivity for agency have been identified:

- Upskilling the agency force: Conversion of part-time into full-time career agents;
- Refocusing agents from being solely focused on sales to being a trusted adviser;
- Quality recruitment: We will focus our recruitment approach into one centred on tailored and strategic talent sourcing;
- Training and development: That seeks to ensure we are developing the next generation of highly productive agents; and
- Enhancing customer servicing and embedding technology: We will embed digital tools that allow agents to spend more productive time with their customers.

These changes will support our ambition to increase agency new business profit by 2.5 to 3 times by 2027 through significantly increasing the number of active monthly agents and more than doubling new business profit per agent.

Bancassurance

Bancassurance provides us with significant scale and is an important source of new business. It allows us access to large numbers of customers in multiple locations using third party infrastructure. Prudential currently has more than 200 bank partners of which 10 are strategic. We have succeeded in improving bancassurance margins over time and believe there remains significant growth runway to increase the penetration of insurance products into this customer base.

For us to drive a successful bank partnership model, it is essential for us to:

- Broaden our proposition to multiple customer segments;
- Engage with our customers when and how they want with hybrid, omni-channel platforms;
- Utilise effective, targeted marketing supported by data analytics;
- Reward our bank partners for outcomes that deliver for the customer and create value; and
- Establish an operating cadence with our bank partners that ensures we deliver all of the above.

Implementing these changes will help drive our ambition by 2027 to increase new business profit from bancassurance by 1.5 to 2 times. This will be driven by increasing the penetration of our two major strategic partners from circa 8 per cent in 2022 to circa 9-11 per cent by 2027 and by supporting our margin by increasing the contribution of health and protection products.

3. *Transforming our health business model*

There is a major health insurance opportunity in Asia. Across Asia, individuals are reliant on private healthcare providers and have high out of pocket spend of around 40 per cent[7].

For many years Prudential has had substantial health and protection businesses in Malaysia, Indonesia, Hong Kong and Singapore. In 2022, the Group generated over $2 billion in gross earned premiums from health insurance.

There are substantial opportunities to grow the Group's footprint across other markets and we believe we can build value in extending beyond reimbursement. We want to become a trusted partner to our customers, playing a much-needed coordinating role across their healthcare journeys.

This ambition will require:

- Upgraded core health insurance capabilities. We will equip our distribution force with the knowledge and tools to offer more advanced products and value-added services. We will drive technical and operational efficiency through data-led risk-based pricing and straight-through-processing in underwriting and claims. Claims will be further managed by partnering with panels of preferred medical providers and using Artificial Intelligence (AI) and data analytics to detect and reduce fraud; and
- Expanding our role from payer to partner by connecting health care journeys, such as disease prevention, diagnosis, rehabilitation or chronic illness management. Our strategy is an asset-light approach focusing on digital integration with preferred partners along the health care continuum.

Delivering this efficiently across our markets will require enhanced capabilities with best practice replicated across all our markets.

We believe these actions will support our ambition for our health insurance Net Promotor Score to be top quartile by 2027, driving retention of existing customers and attracting new ones, and for our health new business profit to more than double from 2022 to 2027.

d) Group wide enablers

To support the execution of our strategy we will have three groupwide enablers. We believe this will both support our ambition for growth and management of our in-force business.

1. Open-architecture technology platform

A strong technology platform is important for all three strategic pillars in delivering superior customer and distribution experiences. It is more significant today given the pace of change with developments in AI. Pulse will remain our customer engagement application, but we will transform the underlying technology platform using the following design principles.

- Open-architecture design that ensures we can quickly adopt new market innovations and engage with partners' ecosystems in a seamless manner;
- A data platform to which we can apply generative AI and data analytics to create actions and insights;
- Refreshed operating model where there is greater collaboration between the central technology team and local markets; and
- Appropriate governance and protections for our customer data and business integrity.

2. Engaged people and high-performance culture

An engaged workforce is critical to deliver our strategy.

We aim to create an environment that allows our people to thrive, recognised through a top-quartile employee net promoter score for our people. We will focus on the following principles to create this:

- Upgraded talent capabilities, particularly within the areas of customer, distribution, health and technology;
- Development of a robust internal talent pipeline, facilitate mobility and acquire capabilities in the market where they do not exist internally; and
- Values-based leadership and aligned reward structured to help build a culture that is customer-led and performance-driven.

3. Wealth and investments capabilities

Asia's household wealth stood at over $150 trillion in 2021[25], broadly in line with North America and considerably more than Europe. By 2030 Asia and Africa will represent three-quarters of the global working age population. We believe there is scope for increasing participation in wealth management propositions across our markets, including differentiated propositions for affluent customers. Our wealth capabilities are currently focused in Singapore and Hong Kong, while our investment capabilities in Eastspring span 11 markets and manage over $220 billion of assets.

We believe that we can further leverage our internal proprietary capabilities by focusing on the following priorities:

- Providing distribution support to our top agents with a more holistic suite of tools to identify the needs of our affluent customers;
- Customising investment solutions at a much faster speed-to-market than is possible using a third party; and
- Improving consistency of investment performance through high-performance investment teams.

As an asset manager, it is our ambition to deliver outperformance relative to benchmarks. As a responsible asset owner we are supporting a just and inclusive transition to net-zero and we are targeting a 55 per cent reduction in our weighted average carbon intensity (WACI) by 2030[26].

e) Financial value creation

Delivery of our new strategy will accelerate value creation through operational and financial discipline, underpinned by improving customer, agency and bank partner propositions, as well as capturing economies of scale through our organisational model and technology platform.

We are able to invest capital to write new business that generates three times the amount invested, at internal rates of return above 25 per cent with less than four-year payback periods. Over the last 10 years, new business contributed $27 billion of growth to our embedded value, and EEV related to our life and asset management business almost tripled.

Our ability to invest at attractive returns will drive our capital allocation priorities which are as follows:

- We will continue to target resilient capital buffers such that the Group shareholder coverage ratio is above 150 per cent of the shareholder Group prescribed capital requirements to ensure the Group can withstand volatility in markets and operational experience;
- Otherwise, our priority for allocating capital will be re-investing in new business. Our resilient capital position allows us to prioritise investment in new business with an aim to write quality new business while managing the initial capital strain and capturing the economic value at attractive returns.
- Our next priority is investing around $1 billion in core capabilities, primarily in the areas of Customer, Distribution, Health and Technology;
- Our dividend policy remains linked to net operating free surplus generation which is calculated after investment in new business and capability investment;
- We will invest in inorganic opportunities where there is good strategic fit; and
- All investment decisions will be made against the alternative of returning surplus capital to shareholders but given the abundance of organic and inorganic opportunities ahead of us, we are confident that in the near-term we will be reinvesting capital at attractive returns.

To generate capital to allocate to these priorities we will also prioritise managing our in-force embedded value to ensure maximum conversion into free surplus over time. Over the next five years, based on the economic and other assumptions and methodology that underpinned our EEV reporting at the end of 2022, we expect to transfer over $11 billion from VIF and required capital to operating free surplus generated from our in-force insurance business at the end of 2022. This is before allowing for the incremental effect of new business and any return on the underlying assets backing that surplus. We will drive improved emergence of free surplus by managing claims, expense and persistency in each market. As set out above, this additional free surplus will enable our continued investment in profitable new business at attractive returns, as well as in our strategic capabilities, and support payments of dividends.

To support our ambition for growth, we have the following overarching objectives:

- Over the next five years to 2027 we will look to grow new business profits[27] across all our markets more consistently, with an objective of 15-20 per cent compound annual growth from the level of new business profits achieved in 2022*.
- Also over the next five years to 2027, we will aim for double-digit compound annual growth in Operating free surplus generated from in-force insurance and asset management business[34], from the level achieved in 2022*.

Objectives Summary*

New business profit	**Full Year 2022**	**Objective 2027**
Amount	**$2.2 billion**	$4.4 - $5.4 billion
change % (compound annual rate)		15-20%

Operating free surplus generated from in-force insurance and asset management business[34]	**Full Year 2022**	**Objective 2027**
Amount	**$2.8 billion**	>$4.4 billion
change % (compound annual rate)		Double digit

*The objectives assume exchange rates at December 2022 and economic assumptions made by Prudential in calculating the EEV basis supplementary information for the year ended 31 December 2022, and are based on regulatory and solvency regimes applicable across the Group at the time the objectives were set. The objectives assume that the existing EEV and Free Surplus methodology at December 2022 will be applicable over the period.

Financial performance for the first half of 2023

New business profit[27] from the Group increased 39 per cent[28], with 16 of our life markets[21] delivering double digit growth[28], led by Hong Kong. This reflects increased APE sales[29] (up 42 per cent[28] to $3,027 million) partially off-set by interest rate and other economic movements reflected under the active basis of our EEV methodology. Excluding these effects new business profit was up 52 per cent[28].

Our agency channel generated new business profit of $1,002 million up 74 per cent[28] (2022: $575 million[28]), reflecting an increase in APE sales of 96 per cent[28] to $1,507 million (2022: $768 million[28]) as sales recovered following the border reopening between Hong Kong and the Chinese Mainland. Reflecting this, our agency channel contributed 67 per cent of the Group's new business profit (2022: 54 per cent) and 50 per cent of the Group's APE sales (2022: 36 per cent). Excluding the effects of interest rate and other economic movements reflected under the active basis of our EEV methodology, new business profit from agency business was up 89 per cent[28].

New business profit from our bancassurance channel declined to $401 million (2022: $449 million[28]), as a result of lower APE sales of $1,098 million (2022: $1,125 million[28]), and adverse economic impacts in many markets along with proactive actions taken by our business in the Chinese Mainland, CITIC Prudential Life (CPL). These actions sought to diversify sales in order to achieve both a more balanced product mix and improved margins. Excluding the effects of interest rate and other economic movements, the bancassurance new business margin was broadly consistent with the prior year, with the positive product mix effects in CPL being offset by product mix in Singapore as the market reacted to increased interest rates.

Eastspring's funds under management and advice increased by 3 per cent[30] to $227.7 billion at 30 June 2023, from $221.4 billion at 31 December 2022, reflecting inflows from both external clients[35] and our life business as well as positive market movements.

From 1 January 2023, the Group has adopted the revised international accounting standard for insurance business, IFRS 17. Group adjusted IFRS operating profit based on longer-term investment returns (adjusted operating profit) for the first half of 2023 was $1,462 million, 6 per cent[28] higher than the first half of 2022 calculated on the new IFRS 17 basis. This reflects a 14 per cent[28] increase from our asset management business and a decline in central expenses of 11 per cent[28], reflecting both lower interest costs and corporate expenses. IFRS profit after tax for the first half of 2023 was $947 million (2022: loss of $(1,511) million[33] on a constant exchange rate basis, loss of $(1,505) million[33] on an actual exchange rate basis) with markets movements more muted than in the prior year.

Additional commentary on the performance in the first half of 2023 is included in the operational performance by market section and the financial review below.

Outlook

We believe a new strategy focused on operational and financial discipline provides an opportunity to accelerate value creation for all our stakeholders and to build a sustainable growth platform, through targeted investment in structural growth markets across Asia and Africa.

We will deliver this through:
- Enhancing customer experiences to drive growth and lifetime value;
- Upgrading the technology of our distribution forces with a focus on improving productivity and activation rates;
- Seeking to unlock the opportunity in health by disciplined implementation of best practices at scale across all our markets; and
- Driving more consistent performance across each of our markets.

Consumers in Asia remain resilient despite the challenging environment. While the outlook for Asian markets is mixed, our momentum in the first half has continued into the third quarter. This underscores the strength of our multi-market growth engine backed by our diversified channel mix, which is key to driving sustainable value in the long term. Prudential is focused on delivering this for all our stakeholders: employees, customers, shareholders and the communities in which we operate.

New business performance by market

The following commentary provides an update on the new business performance for each of the Group's segments. Discussion of the financial performance of the Group and its segments, including adjusted operating profit, is contained separately in the Financial review section of this report.

Chinese Mainland – CITIC Prudential Life (CPL)

	Actual exchange rate			Constant exchange rate	
	Half year 2023	**Half year 2022**	**Change**	**Half year 2022**	**Change**
APE sales ($m)	**394**	507	(22)%	474	(17)%
New business profit ($m)	**171**	217	(21)%	203	(16)%
New business margin (%)	**43**	43	-	43	-

Amounts included in the table above represent the Group's 50 per cent share.

Prudential's life business in the Chinese Mainland, CPL, is a 50/50 joint venture with CITIC, a leading Chinese state-owned conglomerate. CPL was our second largest contributor to the Group's APE sales in the first half of 2023 which were delivered through a balanced mix of agency and bancassurance sales. CPL saw APE sales[29] decrease by (17) per cent[28] to $394 million largely driven by lower volumes sold through the bancassurance channel partly offset by double digit APE sales growth in the agency channel and higher overall health and protection APE sales compared with the same period in 2022.

The new business profit[27] for CPL declined (16) per cent[28] in the first half of 2023, compared with the same period in 2022. This was driven by lower sales volumes and adverse economics. Excluding the effects of interest rate and other economic movements new business margin improved by seven percentage points, compared with remaining flat after the effects of economics.

Delivering customer-led solutions

During the first half of 2023, CPL continued to develop customised products addressing customers' needs at different life stages. Whole life protection products were specifically developed to meet the needs of customers and sales doubled versus last year. CPL have expanded the retirement and planning concierge village network to cover 22 institutions in seven cities.

Multi-channel distribution

CPL continues to focus on building a professional, high-quality agency force, with a strong understanding of our health, protection and retirement planning products. Following the removal of Covid-19 restrictions, APE sales through the agency channel grew 25 per cent[28] compared with the same period in 2022. A significant improvement in agent productivity was achieved with the APE sales per active agent[24] increased by more than 50 per cent[28]. CPL had over 800 agents with production levels that qualify for the Million Dollar Round Table (MDRT) in the first half of 2023.

CPL's bancassurance APE sales were impacted by our proactive actions to diversify in order to achieve both a more balanced product mix and improved margins. While we saw an increasing level of demand from the market for high interest-rate guarantee products, CPL has chosen to rebalance its sales between whole-life products and higher margin annuity and longer-premium payment term products. This rebalancing is expected to contribute to both increased new business margin and better alignment with the retirement regime promoted by the national agenda. CPL further continues to build its bancassurance distribution network, adding six new bancassurance partners over the past 12 months, and the number of bank branches increasing by more than 7 per cent to over 6,600 branches across the Chinese Mainland.

Hong Kong

	Actual exchange rate			Constant exchange rate	
	Half year 2023	**Half year 2022**	**Change**	**Half year 2022**	**Change**
APE sales ($m)	**1,027**	227	352%	227	352%
New business profit ($m)	**670**	211	218%	211	218%
New business margin (%)	**65**	93	(28)ppts	93	(28)ppts

Our business in Hong Kong increased APE sales[29] more than four times[28] to $1,027 million in the first half of 2023, with growth across all distribution channels, following the re-opening of the border with the Chinese Mainland and subsequent increase in cross-border traffic. We also saw strong growth of 68 per cent[28] in our domestic segment supported by new product launches and customer campaigns. We significantly outperformed the market and increased our market share, based on latest available market information[31]. As a result, we ranked number one in the offshore business and number one in the agency channel[31]. New customer acquisitions accounted for some 54 per cent of APE sales in the period[36]. This performance is indicative of the continued demand and value of Hong Kong life products for Chinese Mainland customers, providing them access to international investment opportunities with diversification in terms of currency and asset class, and access to sophisticated healthcare products. Our strong multi-channel distribution capabilities have meant that we are well-positioned to capture the full breadth of customer demand following the re-opening of the border between Hong Kong and the Chinese Mainland.

New business profit[27] more than tripled[28] to $670 million, largely driven by the increase in APE sales and a favourable shift in channel mix given the strong growth in agency. This was partly offset by a shift in product mix with a higher proportion of savings products from the Mainland Chinese business and the impact of higher interest rates under the active basis we adopt for our EEV methodology. Excluding the effects of interest rate and other economic movements new business margin would have been 10 percentage points higher.

Delivering customer-led solutions

Our business continues to develop its health and protection business. In the first half of 2023, we launched a new comprehensive multiple critical illness product which addresses customers family protection needs at different life stages. Our multi-currency savings product launched in 2022 has attracted strong demand from both the domestic and Chinese Mainland customers in the first half of 2023. Customer segmentation has increased our ability to identify and address specific customer needs, including across the family segment, the golden-age segment - with peace-of-mind retirement solutions - and the young adult segment. Cutting across these segments we also enhanced our wealth solutions for high-net-worth customers by prioritising service, flexibility and liquidity and saw these customers generating around 70 per cent of Hong Kong's new business profit. We recently opened our Macau branch, further strengthening our footprint in the Greater Bay Area, a region with a population of over 85 million[11].

Multi-channel distribution

Our agency APE sales increased by more than six times[28] in the first half of 2023 from the low levels seen in 2022, contributing more than 72 per cent of APE sales in the first half of 2023. APE sales to both Chinese Mainland and domestic customers grew substantially in the period. Agency APE sales for domestic customers more than doubled in the first half of 2023 while business levels for customers from the Chinese mainland recovered to pre-Covid-19 levels during the second quarter. We recruited nearly 1,200 agents in the first half of 2023 and are on track to recruit 4,000 agents by end of 2023. Our active agents[24] increased by 75 per cent with an improvement in agent productivity (measured by APE per active agent) by 2.8 times. We are the leader in the agency channel with a 33 per cent market share based on the latest available market statistics at the end of the first quarter.

We are a leading major insurer in the bancassurance channel, excluding bank owned operations, and achieved a substantial growth in both APE sales and new business profit through the bancassurance channel during the first half of 2023, underpinned by initiatives to deepen customer penetration. Our broker channel also delivered significant growth in APE sales following the reactivation of our broker network and return of Chinese Mainland business.

Indonesia

	Actual exchange rate			Constant exchange rate	
	Half year 2023	**Half year 2022**	**Change**	**Half year 2022**	**Change**
APE sales ($m)	**150**	110	36%	106	42%
New business profit ($m)	**61**	52	17%	50	22%
New business margin (%)	**41**	47	(6)ppt	47	(6)ppts

APE sales[29] for our business in Indonesia grew by 42 per cent[28] to $150 million in the first half of 2023, supported by double-digit[28] growth across both agency and bancassurance channels. Product innovations helped deliver growth, with APE sales for health and protection business increasing by 44 per cent[28], and growth in unit-linked APE sales of 37 per cent[28]. Growth in health and protection APE sales were assisted by repricing actions and medical riders upgrades.

Overall new business profit[27] grew by 22 per cent[28] to $61 million, supported by strong growth in APE sales, offset in part by the impact of the medical rider upgrades which resulted in lower margins.

Delivering customer-led solutions

Our customer-first approach in designing and delivering solutions contributed to double-digit[28] growth in APE sales for our unit-linked product compared with a decline in the market for this product segment. We have revamped our unit-linked product propositions with enhanced benefits along with an upgrade to our sales and operational processes in response to new regulations governing the design, sale, and management of unit-linked products (commonly known as PAYDI in the market). Further, we upgraded our flagship medical reimbursement riders with increased limits and enhanced benefits including the introduction of telehealth benefits and traditional medicine treatments which were well received by our customers.

Multi-channel distribution

As part of our transformation programme initiated in 2022, we accelerated agency channel growth by revamping our sales management model, upgrading our training programme, and redesigning our compensation scheme to incentivise quality sales and productivity growth. These initiatives contributed to a 51 per cent[28] increase in agency APE sales alongside a significant improvement in agency productivity.

In the bancassurance channel, we delivered APE sales growth of 15 per cent[28] in the first half of 2023. Sales momentum was particularly pronounced in higher income customer tiers. New business profit from the bancassurance channel increased by 14 per cent[28], reflecting greater APE sales volume including from Privilege Banking customers. Over the longer term we see significant opportunities for growth in all customer segments given low insurance penetration in the broader market, our existing partnerships and the added potential for new partnerships.

Malaysia

	Actual exchange rate			Constant exchange rate	
	Half year 2023	**Half year 2022**	**Change**	**Half year 2022**	**Change**
APE sales ($m)	**185**	172	8%	165	12%
New business profit ($m)	**73**	70	4%	66	11%
New business margin (%)	**39**	41	(2)ppts	40	(1)ppts

Overall APE sales[29] increased by 12 per cent[28] to $185 million in the first half of 2023, as sales momentum in our life businesses improved during the period.

New business profit[27] increased by 11 per cent[28], supported by the growth in APE sales and a favourable product mix, with a slight margin dilution reflecting a greater proportion of sales coming from bancassurance.

Delivering customer-led solutions

We continue to develop new and innovative products to address the evolving needs of our customers. For instance, we strengthened our health and protection offerings within the Takaful segment, by introducing a medical solution (PruBSN Damai) that provides coverages for mental illnesses, preventative care, and treatments based on advance medical technologies. We also enhanced our unit-linked offerings by launching a Syariah compliant socially responsible fund (Takafulink Dana ESG Global).

For our mature affluent customers looking for a strong savings proposition to either maximise potential returns or offer diversification through a diverse range of local and global funds, we launched an investment-linked savings product (PruElite Plus). For our young family segment, we launched a pre-natal care plan (PruMY Child Plus) for parents who are seeking protection for both mother and infant at one of most important life stages for the family. The product's innovative features include early protection for pregnancy from 13 weeks onwards, coverage for pregnancy complications, all structural congenital conditions (first in the market), emergency c-section for early delivery (first in the market) and child development disorders.

We also launched a new marketplace with more than 1,000 healthcare services from our notable healthcare service providers in over 200 locations nationwide, from medical check-up, diagnostic test, vaccination, and even subscription program to improve customer health and promote healthy habits.

Multi-channel distribution

We continued to drive sustainable growth of our agency through quality recruits, new agent activations, intensive training, leadership development and digital enhancement. We have a structured program of support and training for agents and leaders at each stage of their careers. We also focus on training our agents to provide quality advice to our customers. Following these initiatives, our agency channel has delivered double-digit[28] new business profit growth in the first half of 2023 compared to the same period last year, despite a marginal decrease in APE sales.

Our bancassurance channel delivered strong growth in the first half of 2023 as we continued to collaborate with our bank partners, including Standard Chartered, UOB and BSN, to strengthen our distribution platforms and offer product solutions to each bank partner's customer segments. Product launches for bancassurance included a hassle-free protection solution for Citibank customers covering 15 types of infectious diseases and new credit shield solution that enabled a successful transition of more than 90,000 credit card customers. We are well positioned to capture the opportunities from the merger of UOB and Citibank's consumer business in Malaysia, which has provided potential access to an incremental 600,000 customers.

Singapore

	Actual exchange rate			Constant exchange rate	
	Half year 2023	**Half year 2022**	**Change**	**Half year 2022**	**Change**
APE sales ($m)	**386**	390	(1)%	398	(3)%
New business profit ($m)	**198**	244	(19)%	249	(20)%
New business margin (%)	**51**	63	(12)ppts	63	(12)ppts

Overall APE sales[29] for our business in Singapore declined by (3) per cent[28] to $386 million, with higher interest rates providing a challenging operating environment especially in the first part of the period. Sales of single premium participating products through the bancassurance channel were particularly affected by movements in interest rates in the period, compared with an elevated level of sales in the comparative period. APE sales from health and protection products grew by 11 per cent[28] in the first half of 2023 compared with the first half of 2022.

New business profit[27] declined by (20) per cent[28] to $198 million, reflecting the lower mix of higher margin single premium participating products, alongside lower APE sales and adverse economics. We saw an improvement in product mix in the second quarter as compared with the first, with a higher proportion of individual health and protection business. This had a beneficial impact on margins in the second quarter, a trend which continued into July.

Delivering customer-led solutions

In 2023, we continue to drive our segment-led customer strategy in each of the high-net-worth, affluent, mass-market and enterprise segments. We enhanced our product offerings in the first half of 2023 to meet the health and wealth needs of our customers. We rolled out a suite of product offerings and professional advice through our network of financial consultants, financial advisers and our bank partners.

Within the affluent segment, we relaunched our flagship wealth accumulation products taking into account the voice of customers and improving its overall competitiveness. For younger mass market segments, we are offering affordable plans that guarantees stable income should customers be affected by disability. Our enterprise benefit business also delivered good growth with APE sales increasing by 17 per cent[28], covering around 3,000 small-to-medium enterprises and over 200,000 employees.

We continue to improve our customer experience, leveraging digital and technology in our day-to-day operations. Over 75 per cent of policies went through instant underwriting engines, which improve productivity and turnaround time. We have eGIRO in place with all banks; this allows customers to set up direct debit to pay their premiums within minutes. The quality of our customer service is reflected by a high customer retention ratio of over 95 per cent and improvement in net promoter score across purchasing, servicing and claims touchpoints.

Multi-channel distribution

APE sales for the agency channel increased by 2 per cent[28] in the first half of 2023 compared with the same period last year. Sales momentum has accelerated in the period, with APE sales in the second quarter being 7 per cent[28] higher than the first. Individual health and protection APE sales grew 24 per cent[28] in the second quarter of 2023 compared with the first quarter, demonstrating our agents' continued focus on medical reimbursement and critical illness products.

Bancassurance APE sales declined by (10) per cent[28] in the first half of 2023. Increases in interest rates significantly reduced single premium participating business, which accounted for a large proportion of sales in the first half of 2022. We have re-activated the sales of investment-linked plans, which now make up over 23 per cent of APE sales for the channel. We further widened our regular premium investment-linked proposition and witnessed strong response for our new product offerings, improving the resilience of the business and providing flexibility to our customers over the long term.

Demonstrating the benefit of our multi-channel distribution capabilities and balanced product mix, APE sales from regular premium product grew by 49 per cent[28] and contributed over 86 per cent of APE sales in the first half of 2023.

We also entered the fast-growing Financial Adviser (FA) channel in April, with over 100 FAs in place. Prudential Financial Adviser is the first financial advisory firm in the Group, and its official start of operations marks an important milestone for our business. Prudential Financial Adviser will offer a wide range of products and services including general insurance and wealth solutions, in addition to Prudential's core solutions.

Growth markets and other

	Actual exchange rate			Constant exchange rate	
	Half year 2023	**Half year 2022**	**Change**	**Half year 2022**	**Change**
APE sales ($m)	**885**	807	10%	762	16%
New business profit ($m)	**316**	304	4%	290	9%
New business margin (%)	**36**	38	(2)ppt	38	(2)ppt

The Growth markets and other segment includes our businesses in India, Thailand, Vietnam, the Philippines, Taiwan, Cambodia, Laos, Myanmar, and Africa. Our APE sales[29] increased by 16 per cent[28] to $885 million in the first half of 2023, with strong double-digit growth[28] in India, Thailand, the Philippines, Taiwan and Africa offset in part by decline in the APE sales for Vietnam. New business profit[27] was up 9 per cent[28] to $316 million, largely reflecting the increase in APE sales, offset in part by shift in country mix due to lower sales in Vietnam.

India

Our business in India, ICICI Prudential Life, is an associate in which we hold 22 per cent voting rights. ICICI Prudential Life is listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). APE sales for India grew by 15 per cent[28], with a well-diversified distribution network enabling the company to reach a wider cross-section of customers to drive growth. New business profit grew in the first six months of 2023 compared with the same period in the prior year, reflecting APE sales growth and an improvement in new business margin.

ICICI Prudential Life has continued to grow its distribution channels by recruiting over 17,000 new agents in the first half of 2023. Further, ICICI Prudential Life entered into over 100 new partnerships during the period, with the total number of partnerships reaching more than 990 including 39 banks.

ICICI Prudential Life has a comprehensive product suite to address varied customer needs through different life stages. In the first half of 2023, ICICI Prudential Life launched an innovative long-term savings product (ICICI Pru Gold) designed to enable customers meet their diverse income requirements, and a first of its kind debt fund in the life insurance market (ICICI Pru Constant Maturity Fund) in view of the prevailing interest rates trend.

Thailand

In Thailand, our APE sales grew by 20 per cent[28] in the first half of 2023, reflecting double-digit[28] growth in bancassurance through our partnerships with TTB and UOB, and a substantial increase in the contribution from employee benefit (EB) solutions. We continue to be one of the top three life insurance companies operating in the bancassurance channel[37]. New business profit increased driven by higher APE sales, while the new business margin declined due to lower interest rates in Thailand and growth in lower-margin EB business.

The integration of Citibank's operations with UOB supported a 14 per cent[28] increase in APE sales for the bancassurance channel in the first half of 2023. Our EB solutions also experienced significant growth, adding over 75,000 new lives assured over the period.

We continue to refresh our customer propositions to address the evolving health, wealth and protection needs of the Thai population. Our innovative new health propositions, including family cover, have been well received by customers. An ongoing focus on excellent customer experience through digital transformation of our on boarding, servicing and claims processes has lifted our already market-leading net promoter score higher.

Vietnam

The overall life insurance sector was significantly impacted by a fall in consumer confidence and this resulted in the industry reporting a (31) per cent sales decline in the first half of 2023. However, our business in Vietnam outperformed the market with a (18) per cent[28] decline in APE sales in the first half of 2023. The decline in APE sales from the bancassurance channel was partially offset by strong growth in our agency business with an improvement in agent productivity. Agents that are qualifying for the MDRT have more than tripled in the first half of 2023. New business profit declined, reflecting lower APE sales, offset in part by an improvement in new business margin from a more favourable channel mix and economic conditions.

In Vietnam, around 83 per cent of our new business policies are processed by smart underwriting engines, providing our customers a quick and seamless onboarding journey, while three out of four claims were processed with the assistance of automated solutions to reduce waiting time.

We extended our exclusive bancassurance partnership with Vietnam International Bank until 2036, developing new industry-leading quality standards and contributing to the healthy and sustainable development of bancassurance in Vietnam.

The Philippines

In the Philippines, overall APE sales grew by 13 per cent[28] in the first half of 2023, driven by growth in our agency channel. We continue to grow our agency channel in the Philippines with a 32 per cent growth in new recruits in the first half of 2023. New business profit increased, largely reflecting growth in APE sales.

Taiwan

In Taiwan, APE sales grew 28 per cent[28] in the first half of 2023, reflecting growth across both bancassurance and broker channels. We have outperformed the market which reported a contraction of (1.3) per cent in the first half of 2023. New business profit increased, supported by an increase in APE sales, offset in part by a lower proportion of health and protection sales.

An innovative comprehensive participating product, with protection benefits or long-term care benefits was introduced to meet diversified needs of customers, especially the young working population. In addition to a whole suite of customer-centric products, we also launched a new value-added service covering eye-care and medical transportation service for elderly customers.

Africa

Despite higher inflation leading to macro-economic uncertainties, APE sales for Africa grew by 31 per cent[28] in the first half of 2023, reflecting a strong performance across all distribution channels with all eight markets achieving double-digit[28] growth in APE sales[5]. In Africa, Prudential has an established agency force and saw an 18 per cent increase in the number of active agents since the equivalent period in the prior year. In addition, Prudential Africa has access to over 1,000 bank branches, digital, telecommunication and intermediary partnerships. Our ongoing investment in digital innovation and robust systems to digitise processes will allow us to grow at scale and provide seamless experience to better service our customer needs. Our businesses in Kenya, Zambia, and Nigeria all launched digital self-service portals to assist in improving customer service. Improved product mix, alongside the growth in APE sales, led to an increase in new business profit.

Eastspring

	Actual exchange rate			Constant exchange rate		Actual exchange rate	
	Half year 2023	Half year 2022	Change	Half year 2022	Change	Full year 2022	Change
Total funds under management or advice ($bn)	**227.7**	222.3	2%	222.7	2%	221.4	3%
Adjusted operating profit ($m)	**146**	131	11%	128	14%	260	n/a
Fee margin based on operating income (bps)	**31bps**	28bps	3bps	27bps	4bps	29bps	2bps
Cost/income ratio (%)	**53%**	55%	(2)ppts	56%	(3)ppts	55%	(2)ppts
IFRS profit after tax ($m)	**132**	117	13%	114	16%	234	n/a

Eastspring has a presence in 11 Asian markets as well as distribution offices in North America and Europe. We are a top-10 asset manager in six of these markets managing or advising $227.7 billion in assets. The firm is well placed to address the saving and investment needs of customers across the region through a team of 300 investment professionals with local market expertise.

Eastspring's total funds under management and advice (referred collectively as funds under management below) increased by 3 per cent[30] to $227.7 billion at 30 June 2023 (31 December 2022: $221.4 billion on an actual exchange rate basis), reflecting favourable net flows from external clients (excluding M&G plc) and our life insurance business as well as positive market movements. The overall asset mix has remained stable and diversified across both clients and asset classes.

With favourable market conditions at the start of the year, client interest and sales momentum were positive. The overall net inflows from third parties (excluding money market funds and funds managed on behalf of M&G plc) were $1.9 billion during the first half of 2023. Further, there was a net inflow of $1.4 billion from our life insurance business. However, this was more than offset by net outflows of $(7.1) billion following the redemption of the funds managed on behalf of M&G plc. A further fund transfer out of Eastspring by M&G plc of $1.1 billion is anticipated in the second half of the year.

Leveraging our integrated investment platform and rigorous investment framework, Eastspring's longer-term investment performance has improved significantly, with 59 per cent of funds under management outperforming their benchmarks[32] on a three-year basis (June 2022: 41 percent, December 2022: 39 per cent). This reflects the strong relative and absolute returns generated by the suite of strategies managed by in-country teams and equity strategies managed by our regional team in Singapore. On a one-year basis 35 per cent of funds under management outperformed their benchmarks[32] (June 2022: 58 percent, December 2022: 59 per cent), with this measure impacted by the relative performance of some of our larger multi-asset portfolio solutions. The absolute returns achieved by our multi-asset portfolio solutions remained positive, and we have observed improved performance, in both relative and absolute terms, on a year-to-date basis as new measures to enhance performance in a sustainable manner take effect.

Notes

1 Source: Swiss Re forecast (July 2023).
2 Source: Kantar survey.
3 As reported at full year 2022 unless specified. Sources include formal (e.g. competitors results release, local regulators and insurance association) and informal (industry exchange) market share. Ranking based on new business (APE sales, weighted full year premium or full year premium depending on availability of data) or total weighted revenue premiums, except for Hong Kong based on in-force premiums. Ranking for FY2020 for Cameroon.
4 A life customer is defined as an individual or entity who holds one or more policies with a Prudential life insurance entity, including 100 per cent of customers of the Group's joint ventures and associate. Group business is a single customer for the purpose of this definition.
5 Source: United Nations, Department of Economic and Social Affairs, Population Division , World Population Prospects 2022.
6 Source: Brookings Institution: The unprecedented expansion of the global middle class (2017).
7 Source: Swiss Re No 3/2023: World insurance: stirred, and not shaken – Insurance as percentage of GDP.
8 World Health Organisation. Out of pocket as % of Total Health Expenditure. Asia calculated as the average of the out-of-pocket percentages.
9 Ranking among foreign insurers. Source: CBIRC and company disclosures as at FY22.
10 Across Hong Kong, Macau and the Chinese Mainland
11 Source: The Guangdong-Hong Kong-Macao Greater Bay Area Development Office
12 Source: Taiwan Life Insurance Association FY22
13 Source: Economist Intelligence Unit 2023
14 Source: Life Insurance Association of Singapore (LIA). Q1 2023
15 Source: Life Insurance Association of Malaysia for conventional business and Insurance Services Malaysia (ISM) for Takaful business. Q1 2023
16 Source: AAJI Q1 2023
17 Source: Philippines Insurance Commission. Q1 23
18 Source: Vietnam Actuarial Network data sharing. Q1 23
19 Source: Insurance Association of Cambodia (IAC). Q1 23
20 Gross written premiums for 2021 (sourced from Axco Insurance Report)
21 Of our 14 Asia life markets and 8 Africa life markets
22 Source: Swiss Re: The Health protection gap in Asia (2018)
23 FY22 Excluding India, Africa, Myanmar and Laos
24 Active agents as of 30 June 2023 and represents agents who have at least sold one new policy.
25 Source: Credit Suisse – Global Wealth Report 2022
26 Our investment portfolio includes both listed equities and corporate bonds, where the assets are managed on our main portfolio management system and emissions data is available from our external data provider. Other asset classes were excluded from the calculation in absence of data or industry standard. This also excludes assets held by joint venture and associate businesses, and assets in unit-linked funds as we do not have full authority to change the investment strategies of these. The full scope and basis can be found at https://www.prudentialplc.com/~/media/Files/P/Prudential-V13/esg-report/assurance-statement-2022.pdf
27 New business profit, on a post-tax basis, on business sold in the period, calculated in accordance with EEV Principles.
28 On a constant exchange rate basis
29 APE sales is a measure of new business activity that comprises the aggregate of annualised regular premiums and one-tenth of single premiums on new business written during the year for all insurance products. See note II of the Additional unaudited financial information for further explanation.
30 On an actual exchange rate basis
31 Source: HKIA Q1 2023 market statistics
32 The value of assets under management at 30 June 2023 in funds which outperform their performance benchmark as a percentage of total assets under management at 30 June 2023, excluding assets in funds with no performance benchmark.
33 Comparatives for 2022 have been restated to reflect the retrospective application of IFRS 17. See note A2.1 to the financial statements for further information and reconciliation.
34 Operating free surplus generated from in-force insurance business represents amounts emerging from the in-force business during the year before deducting amounts reinvested in writing new business and excludes non-operating items. For asset management businesses, it equates to post-tax operating profit for the year. Restructuring costs are presented separately from the business unit amount. Further information is set out in 'movement in Group free surplus' of the EEV basis results.
35 Excluding funds managed on behalf of M&G plc
36 Individual business only
37 Source: Thailand Life Assurance Association Q2 2023
38 As at FY2022

Financial review

During the first half of 2023, we delivered growth across many of our key value measures, with broad-based growth in new business profit[2] driving higher EEV operating profit and EEV. Within IFRS, adjusted shareholders' equity[3] also increased reflecting the profit for the period and a higher contractual service margin (CSM). The first half of 2023 saw a reduction in the macroeconomic volatility with small reductions in government bond yields in many of our Asian markets and with the US 10-year yield falling by 8 basis points to 3.81 per cent. A mixed performance was seen in respect of equity index levels, with the S&P 500 index increasing by 16 per cent and the MSCI Asia excluding Japan equity index by 2 per cent, while the Hang Seng index fell by 4 per cent. Overall 2023 market movements had a relatively muted impact on EEV and adjusted shareholders' equity[3], when compared with 2022.

As in previous years, we comment on our performance in local currency terms (expressed on a constant exchange rate basis) to show the underlying business trends in periods of currency movement, unless otherwise noted.

The removal of all Covid-related restrictions, in particular the reopening of the border between Hong Kong and the Chinese Mainland and the rebound of APE sales[1], led to new business profit increasing 39 per cent[4] to $1,489 million. This was underpinned by a 42 per cent[4] growth in APE sales in the first half of 2023, which in absolute terms, exceeded the pre-pandemic levels of 2019. Excluding the effects of interest rates and other economic changes, given our active EEV reporting basis, new business profit increased by 52 per cent[4].

Group EEV operating profit increased by 22 per cent[4] to $2,155 million, largely due to higher new business profits from insurance business, an increase in the profit from Eastspring, our asset management business, and a reduction in central costs. The operating return on embedded value[5] was 10 per cent compared with 8 per cent in the first half of 2022. After allowing for the payment of the external dividend and economic effects, such as changes in interest rates, and currency movements, the Group's embedded value at 30 June 2023 was $43.7 billion (31 December 2022: 42.2 billion[6]), equivalent to 1,588 cents per share (31 December 2022: 1,534 cents per share[6]). The operating free surplus generated from in-force insurance and asset management business[7] during the period was $1,438 million, down (2) per cent[4]. Higher investment in new business of $(414) million (2022: $(268) million[4]) from higher APE sales and business mix effects, led to total operating free surplus generated from life and asset management business[7] reducing to $1,024 million (2022: $1,200 million[4]).

The Group implemented IFRS 17, the new accounting standard for insurance contracts in the first half of 2023 with comparatives restated accordingly. In line with the preliminary guidance provided with the group's 2022 results, the Group shareholders' equity at 1 January 2022, the date of transition, increased by $1.8 billion to $18.9 billion and 2022 full year adjusted operating profit[8] fell by $653 million to $2,722 million. The full year 2022 saw a loss after tax of $(997) million on an IFRS 17 basis. While IFRS 17 is an important accounting change, resulting in changes to the timing of profit recognition compared with the previous IFRS 4 approach, it does not change the total level of profit generated. As a result, it does not change the economics of our business. Our embedded value framework, which is linked to the Group's regulatory position and consequently future capital generation, is in our view more representative of shareholder value. The Group also implemented IFRS 9 Financial Instruments from 1 January 2023, with no material impact on the Group's financial statements. Further details on the transition to IFRS 17 and IFRS 9 are included in the IFRS financial results.

Group IFRS adjusted operating profit[8] was $1,462 million, up 6 per cent[4] in the first half of 2023, largely as a result of lower central costs and higher profits from Eastspring, our asset management business. The Group's total IFRS profit after tax for the period was $947 million, an improvement on the 2022 loss after tax of $(1,511) million on a constant exchange rate basis ($(1,505) million on an actual exchange rate basis) which largely reflected significant negative short-term fluctuations from higher interest rates in the first half of 2022. This compared with a relatively smaller decrease in interest rates in 2023. Adjusted shareholders' equity increased to $36.4 billion (31 December 2022: $35.2 billion[6]) driven by an increase in IFRS shareholders' equity (up 3 per cent[6]) and an increase in the Contractual Service Margin (CSM) (up 4 per cent[6]). The CSM benefited from both positive economic and other effects as well as the contribution from new business and unwind. Using a longer-term normalised return for Variable Fee Approach (VFA) business, the unwind and new business contribution would have exceeded the release in the period.

Our Group's regulatory capital position, free surplus and central liquidity positions remain robust. The Group's leverage remains near the bottom of our target range at 20 per cent, estimated on a Moody's basis[9]. As a result, supported by a clear and disciplined capital allocation policy, the Group is well positioned, with considerable financial flexibility including leverage capacity, to take advantage of the growth opportunities ahead.

The Group capital adequacy requirements are aligned with the established EEV and free surplus framework by comparing the total eligible Group capital resources with the Group's Prescribed Capital Requirement (GPCR). At 30 June 2023, the estimated shareholder surplus above the GPCR was $15.5 billion[10] (31 December 2022: $15.6 billion[6]) and cover ratio 295 per cent[11] (31 December 2022: 307 per cent before allowing for the debt redemption in January 2023).

Our capital priorities have been set out alongside our new strategy. These confirm the focus on managing the in-force portfolio to support investment in quality new business as well as investing in core capabilities. We expect to invest around $1 billion in enhancing our core capabilities across our three strategic pillars of Customer, Distribution and Health. This investment will be mostly weighted between 2023 and 2025. We have maintained our dividend policy, as described later in this report, and in line with that policy the directors have approved a dividend of 6.26 cents per share (2022: 5.74 cents per share[6]). Recognising the strong conviction we have in the Group's revised strategy, when determining the annual dividend we intend to look through the investments in new business and investments in capabilities and expect the annual dividend to grow in the range 7 – 9 per cent per annum over 2023 and 2024.

We believe that the Group's performance in the first half of the year positions us well, as we implement the new strategy, to meet our financial objectives to grow new business profit and consequently in-force insurance and asset management operating free surplus generated, as detailed in the strategic and operating review.

IFRS profit	Actual exchange rate			Constant exchange rate		Actual exchange rate
	Half year 2023 $m	**Half year 2022 $m**	**Change %**	**Half year 2022 $m**	**Change %**	**Full Year 2022 $m**
Adjusted operating profit based on longer-term investment returns before tax						
CPL	**164**	132	24	124	32	271
Hong Kong	**554**	598	(7)	597	(7)	1,162
Indonesia	**109**	118	(8)	113	(4)	205
Malaysia	**165**	193	(15)	184	(10)	340
Singapore	**270**	313	(14)	320	(16)	570
Growth markets and other	**374**	337	11	323	16	728
Insurance business	**1,636**	1,691	(3)	1,661	(2)	3,276
Asset management	**146**	131	11	128	14	260
Total segment profit	**1,782**	1,822	(2)	1,789	-	3,536
Other income and expenditure:						
Net investment income and other items	**(28)**	(4)	n/a	(4)	n/a	(44)
Interest payable on core structural borrowings	**(85)**	(103)	17	(103)	17	(200)
Corporate expenditure	**(115)**	(150)	23	(150)	23	(276)
Total other income and expenditure	**(228)**	(257)	11	(257)	11	(520)
Restructuring and IFRS 17 implementation costs	**(92)**	(154)	40	(152)	39	(294)
Adjusted operating profit	**1,462**	1,411	4	1,380	6	2,722
Short-term fluctuations in investment returns	**(287)**	(2,820)	90	(2,806)	90	(3,420)
Gains attaching to corporate transactions	**-**	62	n/a	62	n/a	55
Profit (loss) before tax attributable to shareholders	**1,175**	(1,347)	n/a	(1,364)	n/a	(643)
Tax charge attributable to shareholders' returns	**(228)**	(158)	(44)	(147)	(55)	(354)
Profit (loss) for the period	**947**	(1,505)	n/a	(1,511)	n/a	(997)

IFRS earnings per share	Actual exchange rate			Constant exchange rate		Actual exchange rate
	Half year 2023 cents	**Half year 2022 cents**	**Change %**	**Half year 2022 cents**	**Change %**	**Full year 2022 cents**
Based on adjusted operating profit, net of tax and non-controlling interest	**45.2**	40.6	11	39.9	13	79.4
Based on profit (loss) for the period, net of non-controlling interest	**34.5**	(55.1)	n/a	(55.4)	n/a	(36.8)

Adjusted operating profit[8] reflects that the assets and liabilities of our insurance businesses are held for the longer term and the Group's belief that the trends in underlying performance are better understood if the effects of short-term fluctuations in market conditions, such as changes in interest rates or equity markets, are excluded.

Group IFRS adjusted operating profit was $1,462 million, up by 6 per cent[4] largely reflecting a 14 per cent increase in profit generated by Eastspring, our asset management business and lower central costs. Adjusted operating profit for insurance business was marginally lower (down (2) per cent[4]) with economic movements in 2022 reducing the level of longer-term net investment result (which is based on opening asset values) and experience variances being higher than in the prior year as discussed further below.

Our business in the Chinese Mainland, CPL, delivered 32 per cent[4] growth in adjusted operating profit to $164 million, primarily driven by an increase in longer-term net investment result, as it has a higher investment base following increased sales of savings products in recent periods. There was also a benefit from improved claims experience in the period. During the first half of the year CPL has taken actions to diversify its sales in order to achieve a more balanced product mix, with a higher proportion of annuity and longer premium payment term products.

In Hong Kong, adjusted operating profit was $554 million, down (7) per cent[4]. A higher release of CSM, aided by increased new business sales, was more than offset by both a reduction in favourable claims experience in HY23, as all Covid restrictions were removed, and a reduced net investment return, reflecting a lower opening asset balance following adverse market movements in 2022.

In Indonesia, adjusted operating profit was (4) per cent[4] lower at $109 million, reflecting unfavourable morbidity experience on medical reimbursement products following the removal of Covid-19 restrictions and a reduction in the release of CSM reflecting the maturity of the business given lower sales levels in prior periods.

In Malaysia adjusted operating profit declined by (10) per cent[4] to $165 million, primarily driven by a normalisation of claims experience as the number of medical reimbursement cases returned to pre-pandemic levels.

In Singapore, adjusted operating profit decreased by (16) per cent[4] to $270 million, reflecting the impact of adverse market movements in 2022 which suppressed both the opening CSM and investments balances, resulting in a lower CSM release and a reduced net investment return. The business saw increased expenses as it continued to invest in distribution capabilities and technology.

The businesses comprising our Growth markets and other segment generated adjusted operating profit of $374 million, up 16 per cent[4]. This reflects an increase in the CSM release aided by new business growth and recent product mix changes and the effect of a one off sales tax provision established in HY22.These effects are partially offset by higher adverse experience variances as we continue to invest in distribution and other capabilities.

Insurance business analysis of operating profit drivers

The table below sets out the key drivers of the Group's adjusted operating profit for the insurance business as described in note B1.3 of the IFRS financial results.

	Actual exchange rate			Constant exchange rate		Actual exchange rate
	Half year 2023 $m	**Half year 2022 $m**	**Change %**	**Half year 2022 $m**	**Change %**	**Full year 2022 $m**
Adjusted Release of CSM[15]	**1,178**	1,212	(3)	1,189	(1)	2,265
Release of risk adjustment	**107**	98	9	96	11	179
Experience variances	**(92)**	(19)	n/a	(13)	n/a	(66)
Other insurance service result	**(85)**	(134)	37	(128)	34	(204)
Adjusted insurance service result	**1,108**	1,157	(4)	1,144	(3)	2,174
Net investment result on long-term basis	**612**	653	(6)	632	(3)	1,290
Other insurance income and expenditure	**(45)**	(83)	46	(80)	44	(98)
Share of related tax charges from joint ventures and associates	**(39)**	(36)	(8)	(35)	(11)	(90)
Insurance business (adjusted operating profit)	**1,636**	1,691	(3)	1,661	(2)	3,276

The release of CSM is the principle source of our IFRS 17 insurance business adjusted operating profit. The adjusted CSM release[15] in HY23 of $1,178 million (2022: $1,189 million[4]) equates to an annualised release rate of circa 11 per cent, broadly similar to the circa 10 per cent release rate seen in 2022 and consistent with the 2023 release expected as at the end of FY22. As we grow new business profit, in line with our recently announced objective, we would expect this to compound the growth of the CSM and hence lead to adjusted operating profit growth over time.

The release of the risk adjustment of $107 million (2022: $96 million[4]) represents the expiry of non-market risk in the period. As expected, this release is a relatively stable proportion of the opening balance as compared with the corresponding rate in the prior year.

Experience variances of $(92) million (2022: (13) million[4]) comprise largely of claims and expense variances (those impacting past or current service rather than future service which is reflected in CSM). Claims variances reflect unfavourable morbidity experience on some medical reimbursement products following the removal of Covid-19 restrictions. Expenses variances reflect higher spend to support our continued investment in enhancing our multi-channel distribution capabilities and in embedding technology to enhance the customer experience.

The other insurance service result of $(85) million (2022: $(128) million[4]) reflects losses on contracts that are described under IFRS 17 as 'onerous', either at inception or because changes in the period result in the CSM being exhausted. It does not mean these contracts are not profitable overall as the CSM does not allow for real world returns, which are earned over time.

The net investment result of $612 million (2022: $632 million[4]) largely reflects the long-term return on assets backing equity and capital and long-term spreads on business not accounted for under the variable fee approach. The long-term rates are applied to the opening value of assets and so falls in asset values over 2022 saw this income reduce in the first half of 2023. This effect was moderated by growth in the General Measurement Model asset base from new business in recent periods and renewal premiums.

Other income and expenditure of $(45) million (2022: $(80) million[4]) mainly relates to expenses that are not directly related to an insurance contract as defined under IFRS 17. In the first half of 2022 these expenses included a charge for the establishment of a sales tax provision that has not been repeated in the current period.

Movement in Contractual Service Margin

The CSM balance represents a discounted stock of unearned profit which will be released over time as services are provided. This balance increases due to additions from profitable new business contracts sold in the period and the unwind of the in-force book. It is also updated for any changes in expected future profitability, where applicable, including the effect of short-term market fluctuations for business measured using variable fee approach. The release of the CSM, which is the main driver of adjusted operating profit, is then calculated after allowing for these movements.

In a normalised market environment, if the contribution from new business and the unwind of the CSM balance is greater than the rate at which services are provided, then the CSM balance will increase. The new business added to the CSM will therefore be an important factor in building the CSM and we expect the compounding effect from the new business added to the CSM over time to support growth in IFRS 17 adjusted operating profit in the future. The recently announced objectives for EEV new business profit growth will act to support such CSM growth.

The table below sets out the movement of CSM over the period.

Contractual Service Margin - Net of Reinsurance

	Half year 2023 $m
Net opening balance at 1 Jan	**19,989**
New contracts in the period	**1,196**
Unwind*	**760**
Balance before variances, effect of foreign exchange and CSM release	**21,945**
Economic and other variances	**289**
CSM balance before release	**22,234**
Release of CSM to income statement	**(1,177)**
Effect of movements in exchange rates	**(237)**
Net balance at the end of period	**20,820**

*The unwind of CSM presented in this table reflects the accretion of interest on general measurement model contracts, as presented in note C3.2 to the IFRS financial results, together with the unwind of variable fee approach contracts on a long-term normalised basis. This differs from the presentation in note C3.2 to the IFRS financial results by reallocating $630 million from economic and other variances to unwind.

Profitable new business in the first half of 2023 grew the CSM by $1,196 million which combined with the unwind of the CSM balance shown in the table above of $760 million, increased the CSM by $1,956 million. This increase exceeded the release of the CSM to the income statement in the period of $(1,177) million, demonstrating the strength of our franchise and its ability to deliver future growth in CSM and ultimately adjusted new business profit.

Other movements in the CSM reflect economic and other variances to update the CSM for changes in expected future profitability including the impact of short term market effects of business accounted for under the variable fee approach. In the first half of 2023 'economic and other variances' includes $52 million for new riders added to existing base savings contracts. The incremental value from such sales in not included within the new business contribution to CSM because our IFRS17 approach considers insurance contracts as a whole. In contrast, EEV will include this amount as new business. The remainder of the positive variance includes the effects of the small reductions in bond yields in many of our markets. Movements in exchange rates had a negative impact of $(237) million impact on the closing CSM. Overall the CSM grew by an annualised growth rate of 8 per cent.

Asset management

	Actual exchange rate			Constant exchange rate		Actual exchange rate	
	Half year 2023 $m*	Half year 2022 $m*	Change %	Half year 2022 $m*	Change %	Full year 2022 $m*	Change %
External funds under management* ($bn)	**88.7**	81.5	9	79.2	12	81.9	8
Funds managed on behalf of M&G plc ($bn)	**2.4**	9.3	(74)	9.6	(75)	9.3	(74)
External funds under management ($bn)	**91.1**	90.8	-	88.8	3	91.2	-
Internal funds under management ($bn)	**107.8**	105.4	2	107.0	1	104.1	4
Internal funds under advice ($bn)	**28.8**	26.1	10	26.9	7	26.1	10
Total internal funds under management or advice ($bn)	**136.6**	131.5	4	133.9	2	130.2	5
Total funds under management and advice ($bn)	**227.7**	222.3	2	222.7	2	221.4	3
Total external net flows**	**1,857**	(1,786)	n/a	(1,681)	n/a	(1,586)	n/a
Analysis of adjusted operating profit							
Retail operating income	**210**	196	7	187	12	392	n/a
Institutional operating income	**141**	136	4	137	3	268	n/a
Operating income before performance-related fees	**351**	332	6	324	8	660	n/a
Performance-related fees	**2**	4	(50)	4	(50)	1	n/a
Operating income (net of commission)	**353**	336	5	328	8	661	-
Operating expense	**(185)**	(184)	(1)	(181)	(2)	(360)	n/a
Group's share of tax on joint ventures' adjusted operating profit	**(22)**	(21)	(5)	(19)	(16)	(41)	n/a
Adjusted operating profit	**146**	131	11	128	14	260	n/a
Adjusted operating profit after tax	**132**	117	13	114	16	234	n/a
Average funds under management or advice by Eastspring	**$228.8bn**	$241.8bn	(5)	$239.7bn	(5)	$229.4bn	n/a
Fee margin based on operating income	**31bps**	28bps	3bps	27bps	4bps	29bps	2bps
Cost/income ratio[17]	**53%**	55%	2ppts	56%	3ppts	55%	2 ppts

* Unless otherwise stated

** Excluding funds managed on behalf of M&G plc and money market funds in case of net flows.

Eastspring, the Group's asset management business, had total funds under management and advice[12] (FUM) of $227.7 billion at 30 June 2023 up $6.3 billion from 31 December 2022 (on an actual exchange rate basis) reflecting positive market movements and inflows from third parties (excluding M&G plc) and the Group's life businesses.

Third-party net inflows (excluding money market funds and funds managed on behalf of M&G plc) in the first half of 2023 were $1.9 billion (2022: net outflows of $(1.8) billion[6]), reflecting strong net flows into retail funds. This was more than offset by the net outflows of $(7.1) billion in the first half of 2023 (2022: $(0.7) billion[6]) from the expected redemption of funds managed on behalf of M&G plc.

Despite the increase in closing FUM discussed above, average FUM decreased by (5) per cent[4] compared with the same period in 2022 to $228.8 billion as a result of market movements in the prior year. Eastspring's adjusted operating profit increased by 14 per cent[4] to $146 million in the first half of 2023, reflecting a net investment gain (as compared with a net investment loss in the prior year) on shareholders' investments including seed capital. Excluding the gains and losses on shareholders' investments from both periods, operating profit was (5) per cent[4] lower, consistent with the decline in average FUM and the cost/income ratio was marginally higher. Favourable mix effects from higher retail sales and the investment gains noted above contributed to a higher fee margin of 31 bps (2022: 27bps).

Other income and expenditure

Central costs (before restructuring and IFRS 17 implementation costs) were 11 per cent[4] lower in the first half of 2023 as compared to prior period, reflecting the benefit of the targeted reduction of head office costs and the redemption of a senior debt instrument in January 2023. Interest payable on core structural borrowings reduced by $18 million in the first half of 2023 compared with the prior period. Total head office expenditure was $(115) million (2022: ($150) million[4]).

Restructuring costs of $(92) million (2022: $152 million[4]) reflect the Group's substantial and ongoing IFRS 17 project, and one-off costs associated with regulatory and other initiatives in our business. IFRS 17 costs are expected to decrease from 2024 leading to restructuring costs reverting over time to the lower levels typically incurred historically.

IFRS basis non-operating items

Non-operating items from continuing operations in the period consist of negative short-term fluctuations in investment returns of $(287) million (2022: $(2,806) million[4]). These short-term fluctuations principally arise from the impact of falling interest rates on both the actual investment return, with the divergence from the longer term return included in short-term fluctuations, and the General Measurement Model (GMM) discount rates, which, amongst other effects, increases the best estimate policyholder liabilities.

IFRS effective tax rates

In the first half of 2023, the effective tax rate on adjusted operating profit was 15 per cent (2022: 21 per cent). The decrease from the 2022 effective tax rate primarily reflects the recognition of a deferred tax asset in relation to historical tax losses, due to an increase in forecast taxable profit in the UK tax group. Excluding the impact of this credit, the effective tax rate in the first half of 2023 would be 18 per cent.

The effective tax rate on total IFRS profit in the first half of 2023 was 19 per cent (2022: negative 12 per cent), reflecting a reduction in the level of investment losses on which no tax credit is recognised.

Work is ongoing to assess the potential impact from the Organisation for Economic Co-operation and Development (OECD) proposals to implement a global minimum tax rate of 15 per cent. Some jurisdictions where Prudential has taxable presence, including the UK, either have implemented the proposals or intend to implement the proposals effective for 2024 onwards. Other jurisdictions where Prudential has taxable presence, including Hong Kong, intend to implement the proposals for 2025 onwards.

Shareholders' equity

Group IFRS shareholders' equity

	Half year 2023 $m	Half year 2022 $m	Full year 2022 $m
Profit/(loss) for the period	**947**	(1,505)	(997)
Less non-controlling interest	**(3)**	(3)	10
Profit after tax for the period attributable to shareholders	**944**	(1,508)	(1,007)
Exchange movements, net of related tax	**(185)**	(529)	(603)
Other external dividends	**(361)**	(320)	(474)
Other movements	**30**	(252)	(121)
Net increase (decrease) in shareholders' equity	**428**	(2,609)	(2,205)
Shareholders' equity at beginning of the period			
As previously reported	**16,731**	17,088	17,088
Effect of initial application of IFRS 17 & IFRS 9, net of tax	**-**	1,848	1,848
Shareholders' equity at end of the period	**17,159**	16,327	16,731
Shareholders' value per share[16]	**623¢**	594¢	608¢
Adjusted shareholders' equity[16]	**36,445**		35,211

Group IFRS shareholders' equity increased from $16.7 billion at the start of 2023 (after allowing for the effects of IFRS 17 and IFRS 9) to $17.2 billion at 30 June 2023. This largely reflects profit generated during the period, offset by dividend payments of $(0.4) billion, and exchange movements of $(0.2) billion.

In the first half of 2023, the Group completed the disposal of its remaining interest in Jackson, the Group's former US business, for cash of $273 million. This gave rise to a gain of $8 million compared to the carrying value of this interest at 31 December 2022 that is included in other movements. Following the adoption of IFRS 9, the income statement is unaffected by this transaction.

The IFRS adjusted shareholders' equity represents the sum of Group IFRS shareholders' equity and CSM, net of tax. Group's IFRS adjusted equity increased to $36.4 billion at 30 June 2023 (31 December 2022: $35.2 billion[6]) reflecting increases in IFRS shareholders' equity and the CSM. A full reconciliation to shareholders' equity is included in note C3.1 of the IFRS financial results.

EEV basis results

EEV basis results

	Actual exchange rate			Constant exchange rate	
	Half year 2023 $m	Half year 2022 $m	Change %	Half year 2022 $m	Change %
New business profit	**1,489**	1,098	36	1,069	39
Profit from in-force business	**844**	1,001	(16)	985	(14)
Operating profit from insurance business	**2,333**	2,099	11	2,054	14
Asset management	**132**	117	13	114	16
Other income and expenditure	**(310)**	(410)	24	(407)	24
Operating profit for the period	**2,155**	1,806	19	1,761	22
Non-operating profit (loss)	**182**	(5,314)	n/a	(5,307)	n/a
Profit (Loss) for the period	**2,337**	(3,508)	n/a	(3,546)	n/a
Dividends paid	**(361)**	(320)			
Foreign exchange movements	**(475)**	(1,198)			
Other movements	**19**	(258)			
Net increase (decrease) in EEV shareholders' equity	**1,520**	(5,284)			
EEV shareholders' equity at 1 Jan	**42,184**	47,355			
Effect of HK RBC	**-**	229			
EEV shareholders' equity at end of period	**43,704**	42,300			
% New business profit/average EEV shareholders' equity for insurance business operations*	**8%**	5%			
% Operating profit/average EEV shareholders' equity	**10%**	8%			

* Excluding goodwill attributable to equity holders

	Actual exchange rate	
EEV shareholders' equity	**30 Jun 2023 $m**	**31 Dec 2022 $m**
Represented by:		
CPL	**3,131**	3,259
Hong Kong	**17,496**	16,576
Indonesia	**1,763**	1,833
Malaysia	**3,557**	3,695
Singapore	**7,060**	6,806
Growth markets and other	**7,172**	6,688
Embedded value from insurance business excluding goodwill	**40,179**	38,857
Asset management and other excluding goodwill	**2,772**	2,565
Goodwill attributable to equity holders	**753**	762
Group EEV shareholders' equity	**43,704**	42,184
EEV shareholders' equity per share	**1,588¢**	1,534¢

EEV new business profit and APE sales

	Actual exchange rate						Constant exchange rate			
	Half year 2023 $m		Half year 2022 $m		Change %		Half year 2022 $m		Change %	
	APE sales	New business profit	APE sales	New business profit	APE sales	New business profit	APE sales	New business profit	APE sales	New business profit
CPL	**394**	**171**	507	217	(22)	(21)	474	203	(17)	(16)
Hong Kong	**1,027**	**670**	227	211	352	218	227	211	352	218
Indonesia	**150**	**61**	110	52	36	17	106	50	42	22
Malaysia	**185**	**73**	172	70	8	4	165	66	12	11
Singapore	**386**	**198**	390	244	(1)	(19)	398	249	(3)	(20)
Growth markets and other	**885**	**316**	807	304	10	4	762	290	16	9
Total	**3,027**	**1,489**	2,213	1,098	37	36	2,132	1,069	42	39
Total new business margin		**49%**		50%				50%		

EEV operating profit increased by 22 per cent[4] to $2,155 million, reflecting a 14 per cent[4] increase in the operating profit for the insurance business, largely reflecting higher new business profit, a 16 per cent[4] increase in the operating profit for the asset management business and an improvement in central costs. The operating return on embedded value[5] was 10 per cent (2022: 8 per cent[6]).

The operating profit from the insurance business increased 14 per cent[4] to $2,333 million, largely reflecting a 39 per cent[4] increase in new business profit to $1,489 million following a strong growth in APE sales, partly offset by a (14) per cent[4] lower profit from in-force business of $844 million. The profit from in-force business is driven by the expected return and effects of operating assumption changes and experience variances. The expected return was marginally lower at $1,117 million (2022: $1,161 million[4]), reflecting a lower opening balance to which the expected return is applied, as a result of economic movements in 2022. Operating assumption changes and experience variances were negative $(273) million on a net basis compared with $(176) million[4] in 2022. This reflects the elevated expenses supporting the continued investment in enhancing our multi-channel distribution capabilities and in embedding technology to enhance the customer experience together with unfavourable morbidity experience on some medical reimbursement products following the removal of Covid-19 restrictions.

Detailed discussion of new business performance by segment is presented in the Strategic and Operating review.

The non-operating profit of $182 million (2022: loss of $(5,307) million[4]) is largely driven by lower interest rates and increasing equity markets over the period leading to increased asset values with a consequential favourable impact on future profits.

Overall, EEV shareholders' equity increased to $43.7 billion at 30 June 2023 (31 December 2022: $42.2 billion[6]). Of this, $40.2 billion (31 December 2022: $38.9 billion[6]) relates to the insurance business operations, excluding goodwill attributable to equity holders. This amount includes our share of our India associate valued using embedded value principles. The market capitalisation of this associate at 30 June 2023 was circa $10.0 billion, which compares with a publicly reported embedded value of circa $4.3 billion at 31 March 2023.

EEV shareholders' equity on a per share basis at 30 June 2023 was 1,588 cents (31 December 2022: 1,534 cents[6]).

Group free surplus generation

Free surplus is the metric we use to measure the internal cash generation of our business operations and broadly reflects the amount of money available to our operational businesses for investing in new business, strengthening our capacity and capabilities to grow the business, and potentially paying returns to the Group. For our insurance businesses it largely represents the Group's available regulatory capital resources after allowing for the prescribed required regulatory capital held to support the policies in issue, with a number of adjustments so that the free surplus better reflects resources potentially available for distribution to the Group. For our asset management businesses, Group holding companies and other non-insurance companies, the measure is based on IFRS net assets with certain adjustments, including to exclude accounting goodwill and to align the treatment of capital with our regulatory basis. Operating free surplus generation represents amounts emerging from the in-force business during the year, net of amounts reinvested in writing new business. For asset management businesses, it equates to post-tax adjusted operating profit for the year. Further information is contained in the EEV financial results.

Analysis of movement in Group free surplus

	Actual exchange rate			Constant exchange rate	
	Half year 2023 $m	**Half year 2022 $m**	**Change %**	**Half year 2022 $m**	**Change %**
Expected transfer from in-force business and return on existing free surplus	**1,529**	1,446	6	1,410	8
Changes in operating assumptions and experience variances	**(223)**	(60)	(272)	(56)	(298)
Operating free surplus generated from in force business	**1,306**	1,386	(6)	1,354	(4)
Asset management	**132**	117	13	114	16
Operating free surplus generated from in-force insurance and asset management business	**1,438**	1,503	(4)	1,468	(2)
Investment in new business	**(414)**	(279)	(48)	(268)	(54)
Operating free surplus generated from insurance and asset management business before restructuring costs	**1,024**	1,224	(16)	1,200	(15)
Central costs and eliminations (net of tax):					
Net interest paid on core structural borrowings	**(85)**	(103)	17	(103)	17
Corporate expenditure	**(115)**	(150)	23	(150)	23
Other items and eliminations	**(21)**	(10)	(110)	(10)	(110)
Restructuring and IFRS 17 implementation costs (net of tax)	**(88)**	(146)	40	(144)	39
Net Group operating free surplus generated	**715**	815	(12)	793	(10)
Non-operating and other movements, including foreign exchange	**(125)**	(1,805)			
External cash dividends	**(361)**	(320)			
Increase (decrease) in Group free surplus before net subordinated debt redemption	**229**	(1,310)			
Net subordinated debt redemption	**(397)**	(1,699)			
Increase (decrease) in Group free surplus before amounts attributable to non-controlling interests	**(168)**	(3,009)			
Change in amounts attributable to non-controlling interests	**(5)**	(5)			
Free surplus at 1 Jan	**12,229**	14,049			
Effect of HK RBC	**-**	1,360			
Free surplus at end of period	**12,056**	12,395			
Free surplus at end of period excluding distribution rights and other intangibles	**8,409**	8,589			

Our Group generated an operating free surplus from insurance and asset management operations before restructuring costs[13] of $1,024 million, down (15) per cent[4]. Operating free surplus generated from in-force insurance and asset management business[7] was down (2) per cent[4] to $1,438 million as a result of elevated operating variances, reflecting on-going investment in the Group's multi-channel distribution capabilities and unfavourable morbidity experience on some medical reimbursement products following the removal of Covid-19 restrictions. The cost of investment in new business increased by 54 per cent[4] to $(414) million reflecting the increase in APE sales of 42 per cent[4] and changes in business mix. After allowing for lower central costs and restructuring and IFRS 17 costs, total Group free surplus generation was down (10) per cent[4] to $715 million.

After allowing for short-term market and currency losses, the redemption of debt (which is treated as capital for free surplus purposes), and the external dividend payment, free surplus at 30 June 2023 was $12.1 billion in line with the opening balance. Excluding distribution rights and other intangibles, free surplus was $8.4 billion (31 December 2022: $8.4 billion[6]; 30 June 2022: $8.6 billion[6]).

Greater China presence

Prudential has a significant footprint in the Greater China region, with businesses in the Chinese Mainland (through its holding in CPL), Hong Kong (together with its branch in Macau) and Taiwan.

The table below demonstrates the significant proportion of the Group's financial measures that were contributed by the Greater China region:

	Gross premiums earned*			New business profit		
	Half year		Full year	Half year		Full year
	2023 $m	2022 $m	2022 $m	2023 $m	2022 $m	2022 $m
Total Greater China**	**6,478**	6,983	13,103	**922**	503	912
Total Group**	**13,051**	14,609	27,783	**1,489**	1,098	2,184
Percentage of total	**50%**	48%	47%	**62%**	46%	42%

* The gross earned premium includes the Group's share of amounts earned from joint ventures and associates as disclosed in note II (vi) of the Additional financial information.

** Total Greater China represents the amount contributed by the insurance businesses in Hong Kong, Taiwan and the Group's share of the amounts earned by CPL. The Group total includes the Group's share of the amounts earned by all insurance business joint ventures and associates.

Dividend

Reflecting the Group's capital allocation priorities, a portion of capital generation will be retained for reinvestment in organic growth opportunities and for investment in capabilities, and dividends will be determined primarily based on the Group's operating capital generation after allowing for the capital strain of writing new business and recurring central costs. Dividends are expected to grow broadly in line with the growth in the Group's operating free surplus generation, and will be set taking into account financial prospects, investment opportunities and market conditions.

The Board applies a formulaic approach to first interim dividends, calculated as one-third of the previous year's full-year ordinary dividend. Accordingly, the Board has approved a 2023 first interim cash dividend of 6.26 cents per share (2022: 5.74 cents per share[8]).

Recognising the strong conviction we have in the Group's revised strategy, when determining the annual dividend we intend to look through the investments in new business and investments in capabilities and expect the annual dividend to grow in the range 7 – 9 per cent per annum over 2023 and 2024.

Group capital position

Prudential applies the Insurance (Group Capital) Rules set out in the GWS Framework issued by the Hong Kong Insurance Authority ("HKIA") to determine Group regulatory capital requirements (both minimum and prescribed levels). The GWS Group capital adequacy requirements require that total eligible Group capital resources are not less than the GPCR and that GWS Tier 1 group capital resources are not less than the GMCR. More information is set out in note I(i) of the Additional financial information.

The Group holds material participating business in Hong Kong, Singapore and Malaysia. Alongside the regulatory GWS capital basis, a shareholder GWS capital basis is also presented which excludes the contribution to the Group GWS eligible Group capital resources, the GMCR and the GPCR from these participating funds.

	30 Jun 2023			31 Dec 2022[24]		
	Shareholder	Policyholder*	Total**	Shareholder	Policyholder*	Total**
Group capital resources ($bn)	**23.4**	**14.0**	**37.4**	23.2	12.6	35.8
of which: Tier 1 capital resources[14] ($bn)	**16.4**	**1.7**	**18.1**	15.9	1.5	17.4
Group Minimum Capital Requirement ($bn)	**4.6**	**1.0**	**5.6**	4.4	0.9	5.3
Group Prescribed Capital Requirement ($bn)	**7.9**	**11.3**	**19.2**	7.6	10.1	17.7
GWS capital surplus over GPCR ($bn)	**15.5**	**2.7**	**18.2**	15.6	2.5	18.1
GWS coverage ratio over GPCR (%)	**295%**		**194%**	307%		202%
GWS Tier 1 surplus over GMCR ($bn)			**12.5**			12.1
GWS Tier 1 coverage ratio over GMCR (%)			**323%**			328%

* This allows for any associated diversification impacts between the shareholder and policyholder positions reflected in the total company results where relevant.

** The total company GWS coverage ratio over GPCR presented above represents the eligible group capital resources coverage ratio as set out in the GWS framework while the total company GWS tier 1 coverage ratio over GMCR represents the tier 1 group capital coverage ratio.

As at 30 June 2023, the estimated shareholder GWS capital surplus over the GPCR is $15.5 billion[10] (31 December 2022: $15.6 billion[8]), representing a coverage ratio of 295 per cent[11] (31 December 2022: 307 per cent[6]) and the estimated total GWS capital surplus over the GPCR is $18.2 billion (31 December 2022: $18.1 billion[6]) representing a coverage ratio of 194 per cent (31 December 2022: 202 per cent[6]).

Operating capital generation in the first half of 2023 was $0.7 billion after allowing for central costs and the investment in new business. This was offset by the payment of external dividends of $(0.4) billion to reflect payment of the 2022 second interim dividend and other capital movements of $(0.4) billion, largely reflecting the redemption of a senior debt instrument in January 2023.

The Group's GWS position is resilient to external macroeconomic movements as demonstrated by the sensitivity disclosure contained in note I(i) of the Additional financial information, alongside further information about the GWS measure.

Financing and liquidity

The Group manages its leverage on a Moody's total leverage[9] basis, which takes into account gross debt, including commercial paper, and also allows for a proportion of the surplus within the Group's with-profits funds. The Group's leverage target is to be between 20 and 25 per cent on a Moody's total leverage[9] basis over the medium term. Moody's have not stated how they will calculate leverage under IFRS 17 but have indicated that they might consider up to 50 per cent of any company's CSM as equity. This has yet to be incorporated into Moody's formal methodology and hence has not been incorporated into the Group's target above. At 30 June 2023 , we estimate that our Moody's total leverage was 20 per cent (31 December 2022: 21 per cent[6], before allowing for the £300 million senior bonds redeemed in January 2023). This would reduce to circa 14 per cent (31 December 2022: 15 per cent[6], before allowing for the £300 million senior bonds redeemed in January 2023) if a 50 per cent equity credit for the CSM was provided.

Prudential seeks to maintain its financial strength rating with applicable credit rating agencies, which derives, in part, from its high level of financial flexibility to issue debt and equity instruments, which is intended to be maintained in the future.

Net core structural borrowings of shareholder-financed businesses

	30 Jun 2023 $m			30 Jun 2022 $m			31 Dec 2022 $m		
	IFRS basis	**Mark-to-market value**	**EEV basis**	**IFRS basis**	**Mark-to-market value**	**EEV basis**	**IFRS basis**	**Mark-to-market value**	**EEV basis**
Borrowings of shareholder-financed businesses	**3,949**	**(389)**	**3,560**	4,266	(193)	4,073	4,261	(427)	3,834
Less holding company cash and short-term investments	**(3,314)**	**-**	**(3,314)**	(2,143)	-	(2,143)	(3,057)	-	(3,057)
Net core structural borrowings of shareholder-finance businesses	**635**	**(389)**	**246**	2,123	(193)	1,930	1,204	(427)	777
Moody's total leverage[9]	**20%**						21%		

The total borrowings of the shareholder-financed businesses from continuing operations were $3.9 billion[17] at 30 June 2023. After the balance sheet date, the Group redeemed a €20 million medium-term note as it fell due on 10 July 2023

On 20 January 2023 the Group redeemed £300 million ($371 million) senior bonds as they reached their maturity. In addition, the Group has a $750 million perpetual note that reached its first call date in January 2023 at which time the Group's management elected not to call it. We retain the right to call this security at par on a quarterly basis hereafter. The Group's remaining securities have contractual maturities that fall between 2029 and 2033. Further analysis of the maturity profile of borrowings is presented in note C5.1 to the IFRS financial results.

On 2 March 2023 the Group's parent company, Prudential plc, transferred all of its borrowings to a wholly-owned indirect subsidiary, Prudential Funding (Asia) plc. Prudential plc has provided a guarantee to holders of the debt instruments in the event of default by Prudential Funding (Asia) plc. Other terms of the borrowings, and the value recognised by the Group, were unchanged by this transfer.

In addition to its net core structural borrowings of shareholder-financed businesses set out above, the Group has structures in place to enable access to funding via the medium-term note programme, the US shelf programme (the platform for issuance of SEC registered bonds in the US market), a commercial paper programme and committed revolving credit facilities. All of these are available for general corporate purposes. Proceeds from the Group's commercial paper programme are not included in the holding company cash and short-term investment balance.

Prudential plc has maintained a consistent presence as an issuer in the commercial paper market for the past decade and had $529 million in issue at 30 June 2023 (31 December 2022: $501 million[6]).

As at 30 June 2023, the Group had a total of $2.6 billion of undrawn committed facilities, expiring in 2026. Apart from small drawdowns to test the process, these facilities have never been drawn, and there were no amounts outstanding at 30 June 2023.

Cash remittances

The definition of holding company cash and short-term investments was updated, with effect from 31 December 2022, following the combination of the Group's London office and Asia regional office into a single Group Head Office in 2022. The inclusion of amounts previously managed on a regional basis increased holding company cash and short term investments by $0.9 billion at 31 December 2022.

Holding company cash flow

	Actual exchange rate		
	Half year 2023 $m	**Half year 2022 $m**	**Change %**
Net cash remitted by business units[18]	**1,024**	1,009	1
Net interest paid	**(40)**	(117)	66
Corporate expenditure	**(155)**	(124)	(25)
Centrally funded recurring bancassurance fees	**(160)**	(220)	27
Total central outflows	**(355)**	(461)	23
Holding company cash flow before dividends and other movements	**669**	548	22
Dividends paid	**(361)**	(320)	(13)
Operating holding company cash flow after dividends but before other movements	**308**	228	35
Issuance and redemption of debt	**(371)**	(1,729)	79
Other corporate activities	**282**	159	77
Total other movements	**(89)**	(1,570)	94
Total holding company cash flow	**219**	(1,342)	116
Cash and short-term investments at the beginning of the year	**3,057**	3,572	(14)
Foreign exchange and other movements	**38**	(87)	144
Cash and short-term investments at the end of the period	**3,314**	2,143	55

Remittances from our businesses were $1,024 million (2022: $1,009 million[6]). Remittances were used to meet central outflows of $(355) million (2022: $(461) million[6]) and to pay dividends of $(361) million.

Central outflows include net interest paid of $(40) million (2022: $(117) million[6]), which is net of interest and similar income earned on central cash balances in the first half of 2023, largely on balances brought into the updated definition of holding company cash and short-term investments. In addition, lower interest payments were made on core structural borrowings in the first half of 2023 as compared with the same period in the prior year.

Cash outflows for corporate expenditure of $(155) million (2022: $(124) million[6]) include cash outflows for restructuring costs.

Other cash flow movements included net receipts from other corporate activities of $282 million (2022: $159 million[6] net payments) comprising largely of proceeds received from the sale of our remaining shares in Jackson Financial Inc. as well as dividends receipts. In January 2023 the Group redeemed senior bonds as they reached their maturity at a cost of $371 million.

The Group will continue to seek to manage its financial condition such that it has sufficient resources available to provide a buffer to support the retained businesses in stress scenarios and to provide liquidity to service central outflows.

Notes

1 APE sales is a measure of new business activity that comprises the aggregate of annualised regular premiums and one-tenth of single premiums on new business written during the year for all insurance products. See note II of the Additional unaudited financial information for further explanation.

2 New business profit, on a post-tax basis, on business sold in the period, calculated in accordance with EEV Principles.

3 IFRS shareholders equity plus contractual service margin net of reinsurance and related tax adjustments. See note C3.1 in the IFRS financial results for further information.

4 On a constant exchange rate basis.

5 Operating return calculated as operating profit (annualised by multiplying by two) divided by the average EEV shareholders' equity for continuing operations. See note II(x) of the Additional unaudited financial information for definition and calculation.

6 On an actual exchange rate basis.

7 Operating free surplus generated from in-force insurance business represents amounts emerging from the in-force business during the year before deducting amounts reinvested in writing new business and excludes non-operating items. For asset management businesses, it equates to post-tax operating profit for the year. Restructuring costs are presented separately from the business unit amount. Further information is set out in 'movement in Group free surplus' of the EEV basis results.

8 'Adjusted operating profit' refers to adjusted IFRS operating profit based on longer-term investment returns. This alternative performance measure is reconciled to IFRS profit for the period in note B1.1 of the IFRS financial results.

9 Calculated with no adjustment for the value of contractual service margin in equity and with 50 per cent of the with-profits estate treated as equity.

10 Estimated GWS capital resources in excess of the GPCR attributable to the shareholder business, before allowing for the 2023 first cash interim dividend. Prescribed capital requirements are set at the level at which the local regulator of a given entity can impose penalties, sanctions or intervention measures. The estimated GWS group capital adequacy requirements require that total eligible Group capital resources are not less than the GPCR.

11 Estimated GWS coverage ratio of capital resources over GPCR attributable to the shareholder business, before allowing for the 2023 first cash interim dividend.

12 30 June 2023 total funds under management or advice including external funds under management, money market funds, funds managed on behalf of M&G plc and internal funds under management or advice.

13 For insurance operations operating free surplus generated represents amounts emerging from the in-force business during the period net of amounts reinvested in writing new business and excludes non-operating items. For asset management business it equates to post-tax operating profit for the period. Restructuring costs are presented separately from the business unit amount. Further information is set out in 'movement in Group free surplus' in the EEV basis results.

14 The classification of tiering of capital under the GWS framework reflects the different local regulatory regimes along with guidance issued by the HKIA.

15 Adjusted release of CSM reflects an adjustment to the release of CSM figure as shown in note C3.2 of the IFRS financial results of $1 million (Half year 2022: $11 million, Full year 2022: $23 million) for the treatment adopted for adjusted operating purposes of combining losses on onerous contracts and gains on profitable contracts that can be shared across more than one annual cohort. See note B1.3 to the IFRS financial results for more information.

16 See note II of the Additional financial information for definition and reconciliation to IFRS balances.

17 See note C5 of the IFRS financial results for further details on the Group's borrowings.

18 Net cash amounts remitted by businesses are included in the holding company cash flow, which is disclosed in detail in note I(iv) of the Additional financial information. This comprises dividends and other transfers from businesses.

Risk review

Enabling effective risk-based decision-making in a complex world

In the face of significant market volatility and uncertainty, Prudential's Group Risk Framework, risk appetite, and robust governance have continued to enable the business to manage and control its risk exposure dynamically and effectively throughout the first half of 2023, in order to support the Group's strategy of delivering sustainable value for all our stakeholders: employees, customers, shareholders and the communities in which we operate. This section explains the main risks inherent in the business and how Prudential manages those risks, with the aim of ensuring an appropriate risk profile is maintained.

1 <u>Introduction</u>

The Group

Prudential has continued to focus on executing its strategy across Asia and Africa, underpinned by its structural growth markets, breadth of distribution channels and strong capital base. Going forward, Prudential will be focused on driving more consistent performance and accelerating value creation by changing our organisation model, building multi-market growth engines, investing in our three strategic pillars of customer, distribution and health, which are supported by our three enablers of technology, people and culture, and wealth and investments capabilities.

The Group Risk, Compliance and Security (RCS) function continues to provide risk opinions, guidance, assurance and engagement with Prudential's Group-wide supervisor, the Hong Kong Insurance Authority (IA), on critical activities, while overseeing the risks and implications to the ongoing business in order to ensure the Group remains within its approved risk appetite, at all times, against the backdrop of increased complexity of the macroeconomic, geopolitical and regulatory environments.

The first half of 2023 was characterised by declining though still elevated inflation, high interest rates and economic uncertainties, set against reconfigured national alliances and competition for energy and natural resources. The ongoing impacts to the Group are multifaceted and may be pronounced. These include increased strategic and business risks, as well as increasing insurance, product and customer conduct risks. For the Group's customers, these wider geopolitical, macroeconomic and climate change related circumstances may increase uncertainty over livelihoods, elevate costs of living, and cause challenges in affordability for essential needs and services, including insurance products - perhaps at times when they may be most needed. The complexity of meeting regulatory expectations on these issues, as governments increasingly focus on them, is expected to increase. Prudential will need to meet these challenges for its business and those of its customers in a fair and equitable way. At the same time, the Group will be expected to navigate the volatile financial environment to ensure it remains robustly capitalised and its liquidity position is resilient to sustainably deliver for the needs of its customers and the societies in which it operates. These are the key themes underpinning this report.

Against this backdrop, the Group continues to effectively leverage its risk management, compliance and security experience in more mature markets, applying it to its growth markets as appropriate to their respective risks and the extent of their challenges in this changed world, and reflective of opportunities, customer issues and needs, and local customs. Prudential will continue to apply this holistic and coordinated approach in managing the increasingly dynamic, multifaceted and often interconnected risks facing its businesses.

Macroeconomic and market environment

The global economy has remained resilient but continues to face various challenges. Headline inflation has moved down since mid-2022 on the back of declining food and energy prices, but core inflation has remained above central bank targets after the full reopening following the Covid-19 pandemic, reflecting the strong demand for services as well as the tight labour markets fuelling wage gains, particularly in the US and the UK. The improved yet elevated inflation environment has led central banks to continue raising rates. Further interest rate increases are expected to be implemented to attempt to rein in inflation, but tighter monetary conditions could exert downward pressures on growth. In emerging markets, inflation has been less severe and monetary tightening is broadly expected to have reached its peak. While inflation, after having reached decades-high levels in 2022, may have peaked in most markets where the Group operates, there are structural risks to inflation persistence, concerns of a wage-price spiral, constraining real incomes and growth to an extent capable of triggering a global recession.

Following the lifting of all pandemic-related restrictions, economic growth in the Chinese Mainland has not been as strong as the government's original plans, which has led to the loosening of both monetary and fiscal policies to improve the momentum of its economic recovery. For example, the Chinese Mainland has initiated new policy stimulus with another round of policy easing to boost consumption and private sector investment, including targeted liquidity injections into the property market, which remains lacklustre. Moreover, as the Chinese Mainland is a key driver for the global economy, its weak growth as well as unpredictable regulatory risk could weigh on the broader Asia region and the global economy's vitality going forward. Nevertheless, the Group has benefited from the reopening of the Chinese Mainland's border with Hong Kong, as evidenced by large increases in sales.

This environment of higher global interest rates and meaningful recession risk is putting pressure on banks' balance sheets and margins, which has also contributed to the demise of three significant regional banks in the US and raised concerns of a repeat of the Global Financial Crisis. The larger banks also have material unrealised losses on bonds due to the sharp increase in rates, and while they are well capitalised, the risk of a run on deposits due to social media and digital banking is heightened. This could result in uncertainties in the credit market with a pullback in both credit supply and credit demand and lead to a sharper tightening in global credit conditions. This would be broadly associated with weaker global growth, as well as country-level recessions that are deeper and longer than would otherwise be the case. With interest rates rising, Africa has seen an increase in external debt servicing costs. The rising debt servicing burden could lead to a trade-off for governments in the region between paying down debt obligations and funding longer-term social projects. The domestic debt exchange programme in Ghana is an illustration of the impact of tighter financial conditions. Similarly, weaker exchange rates in emerging markets where the Group operates may have adverse impact on Prudential's consolidated financial statements upon the translation of results into the US dollar, the Group's reporting currency. While the impact for the Group is immaterial, the devaluation in mid-June 2023 of the Nigerian naira is notable.

The macroeconomic landscape and financial markets are expected to remain challenging and highly uncertain. Ad-hoc events can disrupt market conditions unexpectedly. For example, the polarised political landscape in the US raised the prospect that the federal government could be forced into a technical default on its debt if an agreement could not be reached to raise the debt ceiling in May 2023, which temporarily led to heightened volatility in the markets. The capital and liquidity position of the Group and its local businesses continues to be actively monitored by Prudential as concerns remain from policymakers and regulators around liquidity and solvency of the financial system. Challenging macroeconomic conditions could also negatively impact the Group's new business growth, investment performance, in-force surplus generation plans and expense management.

Geopolitical landscape

The US-Chinese Mainland relationship continues to be a key focus of geopolitical tension in 2023, which resulted in risk-off sentiment towards the Chinese Mainland, leading to different degrees of decoupling affecting world supply chains and creating tougher business conditions. In turn, this has exerted pressure on policymakers in other geographies, including the Asian markets in which the Group operates.

The Chinese Mainland diplomacy has become more active following the Party Congress in March 2023, reflecting the importance it has placed on trying to stabilise its external environment while managing domestic economic pressures. President Xi's visit to Russia highlighted the continuing importance of Russia's relationship with the Chinese Mainland, and saw no progress to resolve the conflict in Ukraine. The Chinese Mainland and Russia are considering expanding the use of local currencies for trade settlements to reduce reliance on the US dollar. The Chinese Mainland also hosted a number of political meetings with leaders from Asia, Europe and Latin America, with visits by European leaders in April 2023 and US cabinet members in June and July 2023. Tensions over Taiwan remain elevated, in particular after Taiwan's President Tsai met with US House Speaker McCarthy in California in April 2023.

Bilateral relationships between India and the Chinese Mainland are expected to remain tense, largely due to long-standing border disputes. India continues to impose severe curbs on Chinese investments and has put material constraints on remittances back to the Chinese Mainland. India and the US have agreed to enhance their defence and trade relationships with an eye on the Chinese Mainland's perceived growing assertiveness in the Indo-Pacific region.

The Russia-Ukraine conflict has been protracted and remains uncertain and complex. The direct implications for the Group are immaterial, and have been regularly monitored and considered in the Group's broader scenario analysis and planning. However, challenges to supply chains, technologies and access to raw materials and energy will remain where national security concerns are heightened. Over the longer-term, the conflict, and the diplomatic and economic reactions to it, could contribute to an acceleration towards 'de-risking' specific policy areas such as technology or the divergence of markets into more distinct trading blocs, limiting the scope for flows of people, capital and data between blocs, increasing the potential operational and reputational risks for companies continuing to trade and operate between these blocs.

Geopolitical developments may trigger important legislative or regulatory changes that adversely impact Hong Kong's economy or its international trading and economic relationships, and may result in adverse sales, operational and product distribution impacts to the Group due to the territory being a key market which also hosts Group head office functions.

Societal developments

Global economic uncertainties with the rise in interest rates and elevated inflation, on top of the ongoing challenges of the uneven rebound from the pandemic, are increasingly putting pressure on household affordability and may exacerbate existing structural inequalities within societies. Government and supervisory attention is being increasingly focused on the cost of living crisis taking shape across many of the Group's markets and the contribution of the corporate sector to government tax revenues. These developments have implications for Prudential in terms of how it engages with its customers, who will, in some markets, experience real challenges in affording or maintaining insurance products at their current level of coverage. This may happen at times when that protection is needed most, and when such customers increasingly represent the vulnerable in society. In Asia, there is an increasing expectation from governments for private companies to help with affordability issues, for example, by introducing moratoria on price increases, to extend the regulatory definitions of 'vulnerable' customers to explicitly include those in need due to the current economic pressures, and to continue to promote financial inclusion in a difficult economic environment. Prudential will continue to carefully balance affordability and the impact on customers with the need to reprice products where necessary.

A high inflation environment, combined with recessionary concerns, and societal and regulatory expectations of support, may also heighten existing challenges in persistency for insurers. As has always been the case, Prudential will continue to engage with governments, regulators and supervisors on these issues. As a matter of course, the Group regularly assesses the suitability and affordability of its products, and aims to reduce their perceived complexity whilst increasing the transparency of their costs and benefits. These aims, as well as the Group's increasing focus on the sustainable digital distribution of its health and protection products via its digital platform, help to expand the financial inclusion of Prudential's products and improve customer outcomes.

The Group looks to retain the positive changes that Covid-19 accelerated, including those related to changes in traditional working practices and the use of digital services, technologies and distribution methods to customers, while monitoring and mitigating the potential increase in technology, data security or misuse and regulatory risks that these may bring. Prudential is exploring new ways of working and, as a responsible employer, is reflecting thematic trends through a coordinated suite of activities related to the upskilling of its workforce, and increasing flexibility, inclusivity and psychological safety in the workplace. The Group continues to monitor emerging social trends, including those linked to environmental change and the impacts to developing market societies associated with the transition to a lower-carbon global economy. A just and inclusive transition is central to the Group's strategy and Prudential recognises the interests from a wide range of stakeholders in the way it manages ESG and climate-related risks. The Group continues to recognise the importance of financial inclusion and the ways in which the Group's products and services meet the changing needs of affected societies. Its risk management framework is regularly reviewed to ensure the Group is best positioned to manage the changing nature of these wide-ranging risks, including activities to promote a transparent culture, and active encouragement of open discussion and learnings from mistakes.

Regulations

Prudential operates in highly regulated markets, and as the nature and focus of regulations and laws evolve, the complexity of regulatory compliance (including with respect to economic sanctions, anti-money laundering and anti-corruption) continues to increase and represents a challenge for international businesses. Geopolitical tensions have increased uncertainties and the long-term complexity of legal and regulatory compliance for Prudential's businesses operating across multiple jurisdictions. Whilst the complexity of sanctions driven by the geopolitical conflicts is elevated, the Group is experienced in managing this and has in place risk tolerance frameworks to deal with complex and conflicting risk trade-offs to guide executive decisions.

The rapid pace and high volume of regulatory changes and interventions, and swiftness of their application including those driven by the financial services industry, have the potential to increase strategic and regulatory risks for the Group's businesses. There has been an increased regulatory focus by the HKIA, Prudential's Group-wide supervisor, in particular on capital and solvency, customer experience, investment management, governance and sustainability and climate-related topics. In the Chinese Mainland, a new regulator, the National Administration of Financial Regulation (NAFR), officially replaced the China Banking and Insurance Regulatory Commission on 18 May 2023 to centralise the oversight of the financial industry with the aim to strengthen and improve its financial supervision through deepening the financial regulatory sector reform, enhancing the quality and effectiveness of financial regulation, and promoting full coverage of financial regulation in the sector. Customer protection is also centrally supervised by the NAFR.

Regulatory focus on the financial services industry remains broad and often concurrent, and includes areas such as customer conduct and protection, information security and data privacy and residency, third-party management, systemic risk regulation, corporate governance and senior management accountability. Sustainability and climate-related regulatory and reporting developments continue to develop at pace, both globally and in Asia. Developments in domestic and international capital standards continue to move forward, for example, the International Insurance Capital Standard (ICS) is being developed by the International Association of Insurance Supervisors (IAIS) due for adoption in 2025. Changes in regulations related to capital have the potential to change the extent of capital sensitivity to risk factors. The new accounting standard IFRS 17, effective from 1 January 2023, is mandatory for the Group given its UK domicile and its dual primary listings. Prudential's portfolio of transformation and regulatory change programmes have the potential to introduce new, or increase existing, regulatory risks and supervisory interest while increasing the complexity of ensuring concurrent regulatory compliance across markets driven by potential for increased intra-Group connectivity and dependencies.

In jurisdictions where Prudential operates with ongoing policy initiatives and regulatory developments which impact the way Prudential is supervised including demanding corresponding controls and maintaining the capabilities of fulfilling the existing or new regulations. These developments continue to be monitored by the Group at a market and global level and these considerations form part of the Group Risk Framework and ongoing engagement with government policymakers, industry groups and regulators.

2. Risk governance

a System of governance

Prudential has in place a system of governance that embeds a clear ownership of risk, together with risk policies and standards to enable risks to be identified, measured and assessed, managed and controlled, monitored and reported. The Group Risk Framework, owned by the Board, details Prudential's risk governance, risk management processes and risk appetite. The Group's risk governance arrangements are based on the 'three lines' model. The 'first line' is responsible for taking and managing risk, while the 'second line' provides additional challenge, expertise, oversight and scrutiny. The role of the 'third line', assumed by the independent Group-wide Internal Audit function, is to provide objective assurance on the design, effectiveness and implementation of the overall system of internal control. The Group-wide RCS function reviews, assesses, oversees and reports on the Group's aggregate risk exposure and solvency position from an economic, regulatory and credit ratings perspective.

In 2023, continuous efforts have been made to ensure the appropriateness of the level of Group governance that promotes individual accountability in decision-making and supports the overall corporate governance framework to provide sound and prudent management and oversight of the Group's business. The Group also continuously reviews the Group Risk Framework to ensure ESG considerations, which form an integral part of the wider Group governance, including climate risk considerations are appropriately reflected in policies and processes, and embedded within all business functions.

b Group Risk Framework

i. Risk governance and culture

Prudential's risk governance comprises the Board organisational structures, reporting relationships, delegation of authority, roles and responsibilities, and risk policies that have been established to make decisions and control activities on risk-related matters. The risk governance structure is led by the Group Risk Committee, supported by independent Non-executive Directors on the risk committees of the Group's major businesses. The Group Risk Committee approves changes to the Group Risk Framework and the core risk policies that support it. The Committee has direct lines of communication, reporting and oversight of the risk committees of the Group's major businesses. The Chief Risk and Compliance Officers of the Group's major businesses and the managing directors of the Group's Strategic Business Groups are also invited to the Group Executive Risk Committee, the advisory committee to the Group Chief Risk and Compliance Officer. The Chief Risk and Compliance Officers of the Group's major businesses also attend Group Risk Committee meetings on a rotational participating basis.

Risk culture is a strategic priority of the Board, which recognises its importance in the way that the Group conducts business. A Group-wide culture framework is under review to support the revised purpose and strategy for the Group. The Responsibility and Sustainability Working Group supports its responsibilities in relation to implementation of the culture framework, as well as embedding the culture aspects of the Group's ESG strategic framework and overseeing progress on diversity and inclusion initiatives. The culture framework provides principles and values that are embedded in the ways of working across the Group's functions and locations and defines how Prudential expects business to be conducted to achieve its strategic objectives, informs expectations of leadership and supports the resilience and sustainability of the Group. The components of the culture framework support sound risk management practices by requiring a focus on customers, longer-term goals and sustainability, the avoidance of excessive risk-taking, and highlighting acceptable and unacceptable behaviours. This is supported through the inclusion of risk and sustainability considerations in performance management for key executives; the building of appropriate skills and capabilities in risk management; and by ensuring that employees understand and care about their role in managing risk through open discussions, collaboration and engagement. The Group Risk Committee has a key role in providing advice to the Remuneration Committee on risk management considerations to be applied in respect of executive remuneration.

Prudential's Group Code of Business Conduct and Group Governance Manual, supported by the Group's risk-related policies, are regularly reviewed and include guiding principles on the day-to-day conduct of all its people and any organisations acting on its behalf. Supporting policies include those related to financial crime, covering anti-money laundering, sanctions, anti-bribery and corruption and conduct. The Group's third-party and outsourcing policy requires that human rights and modern slavery considerations are embedded across all of its supplier and supply chain arrangements. Procedures to allow individuals to speak out safely and anonymously against unethical behaviour and conduct are also in place.

Further details on the Group's ESG governance arrangements and strategic framework are included in the Group's 2022 ESG report.

ii. The risk management cycle

Risk identification

In accordance with provision 28 of the UK Corporate Governance Code and the GWS guidelines issued by the HKIA, top-down and bottom-up processes are in place to support Group-wide identification of principal risks. An emerging risk identification framework also exists to support the Group's preparations in managing financial and non-financial risks expected to crystallise beyond the short-term horizon. The Group performs a robust assessment and analysis of these principal and emerging risk themes through the risk identification process, the Group Own Risk and Solvency Assessment (ORSA) report and the risk assessments undertaken as part of the business planning review, including how they are managed and mitigated, which supports decision-making.

The Group's emerging risk identification process recognises the dynamic materiality of emerging risk themes, for example, the recent antitrust concerns raised within the Net Zero Insurance Alliance leading to member withdrawals. Such concerns have not spread to the Net Zero Asset Owner Alliance, of which Prudential is a member. The concept of dynamic materiality is also considered relevant in the context of the Group's monitoring of emerging themes relevant to ESG and climate-related risks, including reputation risk.

The ORSA is the ongoing process of identifying, measuring and assessing, managing and controlling, monitoring and reporting the risks to which the business is exposed. It includes an assessment of capital adequacy to ensure that the Group's solvency needs are met at all times, as well as stress and scenario testing, which includes climate scenarios and reverse stress testing. The latter requires the Group to ascertain the point of business model failure and is another tool that helps to identify the key risks and scenarios that may have a material impact on the Group. The risk profile assessment is a key output from the risk identification and risk measurement processes and is used as a basis for setting Group-wide limits, management information, assessment of solvency needs, and determining appropriate stress and scenario testing. The Group's principal risks, which are reported and managed by the Group with enhanced focus, are reviewed and updated on a regular basis.

<u>Risk measurement and assessment</u>
All identified risks are assessed based on an appropriate methodology for that risk. Quantifiable risks, which are material and mitigated by holding capital, are modelled in the Group's internal model, which is used to determine the Group Internal Economic Capital Assessment (GIECA) and is subject to independent validation and processes and controls around model changes and limitations.

<u>Risk management and control</u>
The Group's control procedures and systems focus on aligning the levels of risk-taking with the Group's strategy and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Group's risk policies define the Group's appetite to material risks and set out the risk management and control requirements to limit exposure to these risks. These policies also set out the processes to enable the measurement and management of these risks in a consistent and coherent way, including the flows of management information required. The methods and risk management tools employed to mitigate each of the Group's principal risks are detailed in section 3 below.

<u>Risk monitoring and reporting</u>
The Group's principal risks are highlighted in the management information received by the Group Risk Committee and the Board, which also includes key exposures against appetite and developments in the Group's principal and emerging risks.

iii. Risk appetite, limits and triggers

The Group is cognisant of the interests of the broad spectrum of its stakeholders (including customers, investors, employees, communities and key business partners) and that a managed acceptance of risk lies at the heart of its business. The Group seeks to generate stakeholder value by selectively taking exposure to risks, mitigated to the extent it is cost-effective to do so, and where these are an outcome of its chosen business activities and strategy. Those risks for which the Group has no tolerance are actively avoided. The Group's systems, procedures and controls are designed to manage risk appropriately, and its approach to resilience and recovery aims to maintain the Group's ability and flexibility to respond in times of stress.

Qualitative and quantitative expressions of risk appetite are defined and operationalised through risk limits, triggers and indicators. The RCS function reviews the appropriateness of these measures at least annually. The Board approves changes to the Group's aggregate risk appetite and the Group Risk Committee has delegated authority to approve changes to the system of limits, triggers and indicators.

Group risk appetite is defined and monitored in aggregate by the setting of objectives for its capital requirements, liquidity, and non-financial risk exposure, covering risks to stakeholders, including those from participating and third-party businesses. Group limits operate within these expressions of risk appetite to constrain material risks, while triggers and indicators provide additional defined points for escalation. The Group Risk Committee, supported by the RCS function, is responsible for reviewing the risks inherent in the Group's business plan and for providing the Board with a view on the risk/reward trade-offs and the resulting impact to the Group's aggregated position relative to Group risk appetite and limits, including non-financial risk considerations.

a. **Capital requirements.** Limits on capital requirements aim to ensure that in both business as usual and stressed conditions, the Group maintains adequate capital in excess of internal economic capital requirements, achieves its desired target credit rating to meet its business objectives, and supervisory intervention is avoided. The two measures in use at the Group level are the GWS group capital requirements and internal economic capital requirements, determined by the Group Internal Economic Capital Assessment (GIECA).

b. **Liquidity.** The objective of the Group's liquidity risk appetite is to help ensure that appropriate cash resources are available to meet financial obligations as they fall due in both business as usual and stressed scenarios. This is measured using a liquidity coverage ratio which considers the sources of liquidity against liquidity requirements under stress scenarios.

c. **Non-financial risks.** The non-financial risk appetite framework is in place to identify, measure and assess, manage and control, monitor and report effectively on material non-financial risks across the business. The non-financial risk appetite is framed around the perspectives of its varied stakeholders, takes into account current and expected changes in the external environment, and provides limit and trigger appetite thresholds for non-financial risk categories across the Group's locations. The Group accepts a degree of non-financial risk exposure as an outcome of its chosen business activities and strategy, and aims to manage these risks effectively to maintain its operational resilience and its commitments to customers and all stakeholders and avoid material adverse financial loss or impact to its reputation.

3 The Group's principal risks

The delivery of the Group's strategy in building long-term value for all our stakeholders, focusing on high-growth business in Asia and Africa, exposes Prudential to risks. The materialisation of these risks within the Group or in its joint ventures, associates or key third-party partners may have a financial impact and may affect the performance of products or services or the fulfilment of commitments to customers and other stakeholders, with an adverse impact on Prudential's brand and reputation. This report is focused mainly on risks to the shareholder but includes those which arise indirectly through policyholder exposures and third-party business. The Group's principal risks, which are not exhaustive, are detailed below. The Group's risk management cycle (detailed above) includes within its scope the processes for prioritising and determining the relative significance of ESG and climate-related risks, as well as those associated with implementing the Group's externally communicated commitments. The Group's 2022 ESG report includes further detail on the ESG and climate-related risks which contribute to the materiality of the Group's principal risks detailed below, including those related to the Group's operational and financial resilience, data privacy requirements and expectations, the regulatory landscape and the implementation of the Group's strategy. Further details on specific risks faced by the Group are set out in the section headed 'Risk factors'.

Risks to the Group's financial situation (including those from the external macroeconomic and geopolitical environment)

The global economic and geopolitical environment may impact on the Group directly by affecting trends in financial markets and asset values, as well as driving short-term volatility.

Risks in this category include the market risks to our investments and the credit quality of our investment portfolio as well as liquidity risk.

Global economic and geopolitical conditions

With geopolitical tensions high as national alliances and blocs evolve, the jostling of the current world order and the increasing prioritisation of national security (widely defined) have become key determinants of macroeconomic policy, with geopolitical and macroeconomic uncertainties being intertwined. Geopolitical developments and tensions, macroeconomic conditions, and broad policy-driven regulatory developments (see below), at times interconnected in the speed and manner in which they evolve, drive the operating environment and risk landscape for the Group and the level of its exposure to the principal risks outlined below.

Macroeconomic and geopolitical developments are considered material to the Group and can potentially increase operational and business disruption, regulatory and financial market risks, and have the potential to directly impact Prudential's sales and distribution networks, as well as its reputation. The potential impacts to the Group are included in the disclosures on Risk factors.

Market risks to our investments

The value of Prudential's direct investments is impacted by fluctuations in equity prices, interest rates, credit spreads, foreign exchange rates and property prices. There are also potentially indirect impact through the value of the net equity of its joint ventures and associates. Although inflation remains at decades-level highs in certain global markets, the Group's direct exposure to inflation remains modest. Exposure mainly arises through an increase in medical claims obligations, driven by rising medical prices. This exposure can be effectively managed by the business' well-established practice and ability to reprice products. Challenges for insurers linked to affordability and existing challenges in persistency are detailed in the Insurance Risks section below.

The Group has appetite for market risk where it arises from profit-generating insurance activities to the extent that it remains part of a balanced portfolio of sources of income for shareholders and is compatible with a robust solvency position. The Group's market risks are managed and mitigated by the following:

- The Group market risk policy;
- Risk appetite statements, limits and triggers;
- The Group's capital and asset liability management committees and the Group's asset and liability management policy;
- Asset and liability management activities, which include management actions such as changes in asset allocation, bonus revisions, repricing and the use of reinsurance where appropriate;
- The Group Investment Committee and Group Investment Policy;
- Hedging using derivatives, including currency forwards, bond forwards/futures, interest rate futures and swaps, and equity futures;
- The monitoring and oversight of market risks through the regular reporting of management information;
- Regular deep dive assessments; and
- The Group Critical Incident Procedure (GCIP), which defines specific governance to be invoked in the event of a critical incident, such as a significant market, liquidity or credit-related event. This includes, where necessary, the convening of a Critical Incident Group (CIG) to oversee, coordinate, and where appropriate, direct activities during a critical incident.

- **Interest rate risk, including asset liability management (ALM).** Interest rate risk is driven by the impact of the valuation of Prudential's assets (particularly government and corporate bonds) and liabilities, which are dependent on market interest rates. Prudential's appetite for interest rate risk requires that assets and liabilities should be tightly matched for exposures where assets or derivatives exist that can cover these exposures. Interest rate risk is accepted where this cannot be hedged, provided that this arises from profitable products and to the extent that such interest rate risk exposure remains part of a balanced exposure to risks and is compatible with a robust solvency position.

Sustained inflationary pressures have driven interest rates higher, these have the potential to increase further in the near-to-medium term, and may impact the valuation of fixed income investments and reduce fee income. The Group's risk exposure to rising interest rates also arises from the potential impact to the present value of future fees for unit-linked based businesses, such as in Indonesia and Malaysia, as well as the impact to the present value of the future profits for accident and health products, such as in Hong Kong. Exposure to higher interest rates also arises from the potential impact to the value of fixed income assets in the shareholder funds.

The Group's risk exposure to lower/decreased interest rates arises from the guarantees of some non-unit-linked products with a savings component, including the Hong Kong and Singapore participating and non-participating businesses. This exposure results from the potential for an asset and liability mismatch, where long-dated liabilities and guarantees are backed by short-dated assets. When this duration mismatch is not eliminated, it is monitored and managed through local risk and asset liability management committees and Group risk limits consistent with the Group's appetite for interest rate risk.

The Group Capital and ALM Committee is a management committee supporting the identification, assessment and management of key financial risks to the achievement of the Group's business objectives. The Committee also oversees ALM, solvency and liquidity risks of the local businesses as well as the declaration and management of non-guaranteed benefits for participating and universal life lines of business. Local business units are responsible for the management of their own asset and liability positions, with appropriate governance in place.

The objective of the local business unit ALM process is to meet policyholder liabilities with the returns generated from the investment assets held, while maintaining the financial strength of capital and solvency positions. The ALM strategy adopted by the local business units considers the liability profile and related assumptions of in-force business and new products to appropriately manage investment risk within ALM risk appetite, under different scenarios in accordance with policyholders' reasonable expectations, and economic and local regulatory requirements. Factors such as the availability of matching assets, diversification, currency and duration are considered as appropriate. The assumptions and methodology used in the measurement of assets and liabilities for ALM purposes conform with local solvency regulations. Assessments are carried out on an economic basis which conforms to the Group's internal economic capital methodology.

- **Equity and property investment risk.** The shareholder exposure to equity price movements arises from various sources, including from unit-linked products where fee income is linked to the market value of funds under management. Exposure also arises from participating businesses through potential fluctuations in the value of future shareholders' profits and where bonuses declared are based broadly on historical and current rates of return from the business's investment portfolios, which include equities. The Group has limited acceptance for exposures to equity risk, but accepts the equity exposure that arises on future fees (including shareholder transfers from the participating business).

  The material exposures to equity risk in the Group's businesses include CPL's exposure to equity risk through investments in equity assets for most of its products, including participating and non-participating savings products and protection and unit-linked products. The Hong Kong business and, to a lesser extent, the Singapore business contribute to the Group's equity risk exposure due to the equity assets backing participating products. The Indonesia and Malaysia businesses are exposed to equity risk through their unit-linked products, and in the case of Malaysia exposure also arises from participating and unit-linked business.

- **Foreign exchange risk.** The geographical diversity of Prudential's businesses means that it has some exposure to the risk of foreign exchange rate fluctuations. Some entities within the Group write policies, invest in assets or enter into other transactions in local currencies or currencies not linked to the Group's reporting/functional currency, the US dollar. Although this limits the effect of exchange rate movements on local operating results, it can lead to fluctuations in the Group's US dollar-reported financial statements. This risk is accepted within the Group's appetite for foreign exchange risk. In cases where a non-US dollar denominated surplus arises in an operation which is to be used to support Group capital or shareholders' interest (ie, remittances), this currency exposure may be hedged where considered economically favourable. Further, the Group generally does not have appetite for significant direct shareholder exposure to foreign exchange risks in currencies outside the markets in which it operates, but it does have some appetite for this on fee income and on equity investments within participating funds. Where foreign exchange risk arises outside appetite, currency swaps and other derivatives are used to manage the exposure.

Liquidity risk

Prudential's liquidity risk arises from the need to have sufficient liquid assets to meet policyholder and third-party payments as they fall due, considered under both business-as-usual and stressed conditions. It includes the risk arising from funds composed of illiquid assets and results from a mismatch between the liquidity profile of assets and liabilities. Liquidity risk may impact market conditions and valuation of assets in a more uncertain way than for other risks like interest rate or credit risk. It may arise, for example, where external capital is unavailable at sustainable cost, where derivatives transactions require a sudden significant need of liquid assets or cash to post as collateral to meet derivatives margin requirements, or where redemption requests are made against funds managed for external clients (both retail and institutional). Liquidity risk is considered material at the level of the Group. Prudential has no appetite for any business to have insufficient resources to cover its outgoing cash flows, or for the Group as a whole to not meet cash flow requirements from its debt obligations under any plausible scenario. The Group has significant internal sources of liquidity sufficient to meet its expected cash requirements for at least 12 months from the date the financial statements are approved, without having to resort to external sources of funding. The Group has a total of $2.6 billion of undrawn committed facilities that can be made use of, expiring in 2026. Access to further liquidity is available through the debt capital markets and the Group's extensive commercial paper programme. Prudential has maintained a consistent presence as an issuer in the market for the past decade.

A number of risk management tools are used to manage and mitigate liquidity risk, including the following:

- The Group's liquidity risk policy;
- Risk appetite statements, limits and triggers;
- Regular assessment and reporting by the Group and business units of Liquidity Coverage Ratios which are calculated under both base case and stressed scenarios;
- The Group's Liquidity Risk Management Plan, which includes details of the Group Liquidity Risk Framework as well as analysis of Group and business units liquidity risks and the adequacy of available liquidity resources under business-as-usual and stressed conditions;
- The Group's Collateral Management Framework, which sets out the approach to ensuring business units using derivatives have sufficient liquid assets or ability to raise liquidity to meet derivatives margins;
- The Group's contingency plans and identified sources of liquidity;
- The Group's ability to access the money and debt capital markets; and
- The Group's access to external committed credit facilities.

Credit risk

Credit risk is the potential for loss resulting from a borrower's failure to meet its contractual debt obligation(s). Counterparty risk, a type of credit risk, is the probability that a counterparty to a transaction defaults on its contractual obligation(s) causing the other counterparty to suffer a loss. These risks arise from the Group's investments in bonds, reinsurance arrangements, derivative contracts with third parties, and its cash deposits with banks. Credit spread risk, another type of credit risk, arises when the interest rate/return on a loan or bond is disproportionately low compared with another investment with a lower risk of default. Invested credit and counterparty risks are considered a material risk for the Group's business units.

The Group's holdings across its life portfolios are mostly in local currency and with a largely domestic investor base, which provides support to these positions. These portfolios are generally positioned towards high-quality names, including those with either government or considerable parent company balance sheet support. Areas which the Group is actively monitoring include ongoing negative developments in the global banking sector, effects of the global economic slowdown on the invested assets, the impacts of the tightening of monetary policy in the Group's key markets, higher refinancing costs, heightened geopolitical tension and protectionism, negative developments in the Chinese Mainland property sector and more widely across the Chinese Mainland economy, as well as high indebtedness in African countries. The impacts of these trends, which are being closely monitored, include potential for deterioration in the credit quality of the Group's invested credit exposures, particularly due to rising funding costs and overall credit risks, and the extent of downward pressure on the fair value of the Group's portfolios. The Group's portfolio is generally well diversified in relation to individual counterparties, although counterparty concentration is monitored in particular in local markets where depth (and therefore the liquidity of such investments) may be low. Prudential actively reviews its investment portfolio to improve the robustness and resilience of the solvency position. The Group has appetite to take credit risk to the extent that it remains part of a balanced portfolio of sources of income for shareholders and is compatible with a robust solvency position. Further detail on the Group's debt portfolio is provided below.

A number of risk management tools are used to manage and mitigate credit and counterparty credit risk, including the following:

- A credit risk policy and dealing and controls policy;
- Risk appetite statements and portfolio-level limits;
- Counterparty limits framework and concentration limits on large names;
- Collateral arrangements for derivative, secured lending reverse repurchase and reinsurance transactions which aim to provide a high level of credit protection;
- The Group Executive Risk Committee and Group Investment Committee's oversight of credit and counterparty credit risk and sector and/or name-specific reviews;
- Regular assessments and deep dives, including of individual and sector exposures subject to elevated credit risks; and
- Close monitoring or restrictions on investments that may be of concern.

The total debt securities at 30 June 2023 held by the Group's operations were $80.4 billion (31 December 2022: $77.0 billion). The majority (84 per cent, 31 December 2022: 84 per cent) of the portfolio are investments either held in unit linked funds or support insurance products where policyholders participate in the returns of a specified pool of investments[1]. The gains or losses on these investments will largely be offset by movements in policyholder liabilities[2]. The remaining 16 per cent (31 December 2022: 16 per cent) of the debt portfolio (the 'shareholder debt portfolio') are investments where gains and losses broadly impact the income statement, albeit short-term market fluctuations are recorded outside of adjusted operating profit.

- **Group sovereign debt.** Prudential invests in bonds issued by national governments. This sovereign debt holding within the shareholder debt portfolio represented 51 per cent or $6.7 billion[3] of the total shareholder debt portfolio as at 30 June 2023 (31 December 2022: 41 per cent or $4.9 billion of the shareholder debt portfolio). The particular risks associated with holding sovereign debt are detailed further in the disclosures on Risk factors.

  The total exposures held by the Group in sovereign debt securities at 30 June 2023 are given in note C1 of the Group's IFRS financial statements.

- **Corporate debt portfolio.** In the shareholder debt portfolio, corporate debt exposures totalled $5.8 billion of which $5.5 billion or 94 per cent were investment grade rated (31 December 2022: $6.6 billion of which $6.1 billion or 93 per cent were investment grade rated).
- **Bank debt exposure and counterparty credit risk.** The banking sector represents a material concentration in the Group's corporate debt portfolio which largely reflects the composition of the fixed income markets across the regions in which Prudential is invested. As such, exposure to banks is a key part of its core investments, as well as being important for the hedging and other activities undertaken to manage its various financial risks. Exposure to the sector is considered a material risk for the Group. Derivative and reinsurance counterparty credit risk exposure is managed using an array of risk management

tools, including a comprehensive system of limits. Prudential manages the level of its counterparty credit risk by reducing its exposure or using additional collateral arrangements where appropriate.

At 30 June 2023:

- 94 per cent of the Group's shareholder portfolio (excluding all government and government-related debt) is investment grade rated[4]. In particular, 60 per cent of the portfolio is rated[4] A- and above (or equivalent); and
- The Group's shareholder portfolio is well diversified: no individual sector[5] makes up more than 15 per cent of the total portfolio (excluding the financial and sovereign sectors).

The Group's sustainability and ESG-related risks
These include sustainability risks associated with environmental considerations such as climate change (including physical and transition risks), social risks arising from diverse stakeholder commitments and expectations and governance-related risks.

Material and emerging risks associated with key ESG themes may undermine the sustainability of a business by adversely impacting its reputation and brand, ability to attract and retain customers, investors, employees and distribution and other business partners, and increasing regulatory compliance and litigation risks, and therefore the results of its operations and delivery of its strategy and long-term financial success. As custodians of stakeholder value for the long term, Prudential seeks to manage sustainability risks and their potential impact on its business and stakeholders through a focus on the Group's revised purpose, and transparent and consistent implementation of its strategy in its markets and across operational, underwriting and investment activities. The Group also supports a just and inclusive transition to a lower-carbon global economy that places the societies of developing markets at the forefront of considerations, as well as provides greater and more inclusive access to good health and financial security that meets the changing needs of societies, promotes responsible stewardship in managing the human impact of climate change and building human and social capital with its broad range of stakeholders. It is enabled by strong internal governance, sound business practices and a responsible investment approach, with ESG considerations integrated into investment processes and decisions and the performance of fiduciary and stewardship duties, including voting and active engagement decisions with respect to investee companies, as both an asset owner and an asset manager. Climate risk, the Group's reporting against the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and progress on the Group's external climate-related commitments is a priority focus for the Group Risk Committee for 2023.

Regulatory interest and developments continue to increase globally and in Asia, and sustainability and ESG-related risks are high on the agenda of both local regulators and international supervisory bodies such as the International Association of Insurance Supervisors (IAIS) and the International Sustainability Standards Board (ISSB), which published its inaugural sustainability and ESG-related disclosure requirements in June 2023. The Group continues to actively engage with, and respond to, discussions, consultations and supervisory information-gathering exercises. Details of the Group's sustainability and ESG-related risks are included in the disclosure on Risk factors.

As local regulatory requirements on climate risk management and disclosures develop, the Group continues to leverage and share its Group-wide experience and knowledge with its local businesses on their ESG policies and approaches, both to provide support and to help drive consistency in their continuing embedment across Prudential's businesses. The Group Risk Framework continues to be critically evaluated and updated where required to ensure both sustainability and ESG-related considerations and risks to the Group, and the external impact from the Group's activities, are appropriately captured.

Risk management and mitigation of sustainability and ESG risks at Prudential include the following:

- A focus on enhancing access to good health and financial security, and in connection with our stakeholders, ensuring responsible stewardship of ESG and climate-related issues; clear governance arrangements, both in the definition of the roles and responsibilities of the Board and management committees for aspects of sustainability and ESG risks and through the Group Governance Manual, which include ESG and responsible business practice-linked policies, and the Group Code of Business Conduct;
- The continued embedding of sustainability and ESG risk within the Group Risk Framework and risk processes, including:
  - Consideration of the potential for dynamically-changing materiality in emerging environmental, social and governance themes and risks through emerging risk identification and evaluation processes;
  - Definition of appropriate (and longer) time horizons with respect to climate risk management and the requirement to consider time horizons where required in risk-based decision-making;
  - Reflection in the risk taxonomy that the Group can be both impacted by sustainability and ESG issues as well as having an impact on these in the external world ('double materiality');
  - The applicability of the Group's Model Risk and UDA Risk Policy to the tools used for the aggregation of the Group's carbon intensity metrics across its investment portfolios; and
  - Deep dives into emerging and increasingly material ESG themes, including climate-related risks, and development of Board-level and broader training.
- Integrating ESG considerations into investment processes and responsible supply chain management; and
- Participation in networks and industry forums and working groups such as the Net Zero Asset Owner Alliance (NZAOA), Principles for Responsible Investment (PRI) and CRO Forum to further develop understanding and support collaborative action in relation to sustainability and ESG risks such as climate change and promoting a just and inclusive transition.

Further information on the Group's ESG governance and ESG strategic framework, as well as the management of material ESG themes, are included in the Group's 2022 ESG report.

Risks from the nature of our business and our industry

These include the Group's non-financial risks including operational and transformation risks from significant change activity, information security and data privacy risk, risks associated with the Group's joint ventures and associates, and risks related to regulatory compliance, as well as insurance risks and customer conduct risks assumed by the Group in providing its products.

Non-financial risks

The complexity of Prudential, its activities and the extent of transformation in progress creates a challenging operating environment and exposure to a variety of non-financial risks which are considered to be material at a Group level. Prudential accepts a degree of non-financial risk exposure as an outcome of its chosen business activities and strategy.

Alongside the non-financial risk appetite framework, other risk policies and standards that individually engage with specific non-financial risks, including outsourcing and third-party management, business continuity, fraud, financial crime, technology and data, operations processes and extent of transformation are in place. These policies and standards include subject matter expert-led processes that are designed to identify, assess, manage and control non-financial risks, detailed below. These activities are fundamental in maintaining an effective system of internal control, and aim to ensure that non-financial risk considerations are embedded in key business decision-making, including material business approvals and in setting and challenging the Group's strategy. These activities include:

- Reviews of key non-financial risks and challenges within Group and business unit business plans during the annual planning cycle, to support business decisions;
- Corporate insurance programmes to limit the financial impact of operational risks;
- Oversight of risk management during the transformation life cycle, project prioritisation and the risks, interdependencies and possible conflicts arising from a large portfolio of transformation activities;
- Screening and transaction monitoring systems for financial crime and a programme of compliance control monitoring reviews and regular risk assessments;
- Internal and external review of cyber security capability and defences; and
- Regular updating and risk-based testing of disaster recovery plans and the Critical Incident Procedure process.

The Group's non-financial risks, which are not exhaustive, are detailed below:

- **Operations and process controls risk.** This is the risk of failure to adequately or accurately process different types of operational transactions, including customer servicing, and asset and investment management operations. The risk of operational processing errors can arise from human error, system issues or control gaps, and may occur across different types of operational tasks or activities. These errors can also lead to suboptimal customer experience and lower operational efficiency. Apart from the direct financial impacts of inaccurate processing, indirect costs may include regulatory penalties, reputational damage and resources spent to amend the errors. The Group aims to manage the risk effectively by maintaining operational resilience and honouring commitments to customers and stakeholders, whilst avoiding material adverse financial loss or impact on its reputation.

- **Transformation risk.** Transformation risk remains a material risk for Prudential, with a number of significant change programmes under way which, if not delivered and executed effectively to defined timelines, scope and cost, may negatively impact its operational capability, control environment, reputation, and ability to deliver its strategy and maintain market competitiveness. This risk may be further elevated as Prudential implements the revised strategy for the Group. Prudential's current portfolio of transformation and significant change programmes include (i) the implementation and embedding of large scale regulatory/industry changes such as the implementation of IFRS 17; (ii) the expansion of the Group's digital capabilities and use of technology, platforms and analytics; and (iii) improvement of business efficiencies through operating model changes, including those relating to the Group's central, asset management and investment oversight functions. Further detail on the risks to the Group associated with large-scale transformation and complex strategic initiatives is included in the disclosures on Risk factors.

  The Group therefore aims to ensure that, for both transformation and strategic initiatives, strong programme governance is in place with embedded risk expertise to achieve ongoing and nimble risk oversight, with regular risk monitoring and reporting to risk committees. The Group's transformation risk framework is in place alongside with the Group's existing risk policies and frameworks with the aim to ensure appropriate governance and controls are in place to mitigate these risks.

- **Outsourcing and third-party risks.** The Group's outsourcing and third-party relationships require distinct oversight and risk management processes. The Group has a number of important third-party relationships, both with market counterparties and outsourcing partners, including distribution, technology and ecosystem providers. In Asia, the Group maintains material strategic partnerships and bancassurance arrangements. These arrangements support the delivery of high level and cost-effective services to customers, but also create a reliance on the operational resilience and performance of outsourcing and business partners. The Group's requirements for the management of material outsourcing arrangements have been incorporated in its Group third-party supply and outsourcing policy, aligned to the requirements of the HKIA's GWS Framework, and which outlines the governance in place in respect of material outsourcing and third-party arrangements and the Group's monitoring and risk assessment framework. This aims to ensure that appropriate contract performance and risk mitigation measures are in place over these arrangements.

- **Model and user developed application (UDA) risk.** Erroneous or misinterpreted tools used in core business activities, decision-making and reporting could impact Prudential negatively. The Group utilises various tools and they form an integral part of operational functions including the calculation of regulatory or internal capital requirements, the valuation of assets and liabilities, determining hedging requirements, assessing projects and strategic transactions, and acquiring new business via digital platforms.

The Group has no appetite for model and UDA risk arising from failures to develop, implement and monitor appropriate risk mitigation measures. Prudential's model and UDA risk framework applies a risk-based approach to tools (including those under development) which considers a broad range of stakeholders, including policyholders, with the aim to ensure a proportionate level of risk management.

Prudential's model and UDA risk is managed and mitigated using the following:
- The Group's Model and UDA Risk Policy and relevant guidelines;
- Annual risk assessment (including model limitations, known errors and approximations) of all tools used for core business activities, decision-making and reporting;
- Maintenance of appropriate documentation for tools used;
- Implementation of controls with the aim to ensure tools are accurate and appropriately used;
- Tools are subject to rigorous and independent model validation; and
- Regular reporting to the RCS function and relevant risk and Board committees to support the measurement and management of the risk.

Technological developments, in particular in the field of artificial intelligence (AI) and the increased use of generative AI, pose new considerations on risk oversight provided under the Group Risk Framework. An oversight forum for the use of AI and key ethical principles are in place and adopted by the Group with the aim to ensure the safe use of AI.

- **Fraud Risk.** Prudential is exposed to fraud risk, including fraudulent insurance claims, transactions, or procurement of services, that are made against or through the business. The Group's counter fraud policy is in place to set out the required standards to enhance fraud detection, prevention and investigation activities with the objective to protect resources to support sustainable business growth. The policy also sets out the framework to tackle fraud with the goals of safeguarding customers, protecting local businesses and the Group's reputation, and providing assurance that fraud risk is managed within appetite. The Group continues to undertake strategic activities to monitor and evaluate the evolving fraud risk landscape, mitigate the likelihood of fraud occurring and increase the rate of detection. The Group has a mature confidential reporting system in place, through which employees and other stakeholders can report concerns relating to potential misconduct. The process and results of this system are overseen by the Group Audit Committee.

- **Financial crime risk.** As with all financial services firms, Prudential is exposed to risks relating to money laundering (the risk that the products or services of the Group are used by customers or other third parties to transfer or conceal the proceeds of crime); sanctions compliance breaches (the risk that the Group undertakes business with individuals and entities on the lists of the main sanctions regimes); and bribery and corruption (the risk that employees or associated persons seek to influence the behaviour of others to obtain an unfair advantage or receive benefits from others for the same purpose).

  Prudential operates in some high-risk markets where, for example, the acceptance of cash premiums from customers may be common practice, large-scale agency networks may be in operation where sales are incentivised by commission and fees, and concentration of exposure to politically-exposed persons may give rise to higher geopolitical risk exposure.

  The Group-wide policies on anti-money laundering, sanctions and anti-bribery and corruption risks reflect the requirements applicable to all staff in all offices and businesses. These policies are also aligned with the Group's values and behaviours that are expected across the business. Screening and transaction monitoring systems are in place with ongoing improvements and upgrades being implemented where required, and a programme of compliance control monitoring reviews is in place across the Group. The Group has continued to strengthen and enhance its financial crime risk management capability through investment in advanced analytics and AI tools. Proactive detective capabilities are being implemented across the Group and delivered through a centralised monitoring hub, to further strengthen oversight of financial crime risks in the areas of procurement and third-party management. Risk assessments are performed annually for businesses and offices across all locations. Due diligence reviews and assessments against Prudential's financial crime policies are performed as part of the Group's business acquisition process.

- **Information security and data privacy risk.** Risks related to malicious attacks on Prudential systems, service disruption, exfiltration of data, loss of data integrity and the impact on the privacy of our customer data continue to be prevalent, particularly as the accessibility of attacking tools available to potential adversaries increases. The frequency and sophistication of attacks, particularly in relation to ransomware, continues to grow globally. With a rapidly transforming technological landscape, continued expansion of Cloud services, including the adoption of a hybrid multi-cloud strategy partnering with third-party service providers, and the increased scrutiny from regulators against a backdrop of tightening data privacy regulations across Asia, security and privacy risks are material at the Group level. To mitigate the risk, the Group has adopted a holistic risk management approach, which was designed not only to prevent and disrupt potential attacks against Prudential systems but to also manage the recovery process should an attack take place successfully. It is also well understood that some attacks may still be successful despite the layered security control defence-in-depth methodology that Prudential and other mature organisations assume, and so it is essential that the Group's security strategy encompasses a cyber resilience theme focusing on its ability to respond and recover from an attack in order to maintain its reputation and customer trust.

  Globally, ransomware and distributed denial of services (DDoS) attacks have increased markedly since early 2022, in part driven by the Russia-Ukraine conflict. The Group has responded swiftly by leveraging threat intelligence information to configure security systems to mitigate any potential attacks, whether targeted or collateral, from these events. Prudential also has a number of defences in place to protect its systems from these types of attacks, including but not limited to: (i) DDoS protection for the Group's websites via web application firewall services; (ii) AI-based endpoint security software; (iii) continuous security monitoring; (iv) network-based intrusion detection; and (v) employee training and awareness campaigns to raise understanding of attacks utilising email phishing techniques. Cyber insurance coverage is in place to provide some protection against potential financial losses and the Group conducts simulation exercises for ransomware attacks to assess and develop the effectiveness of incident responses across its businesses. Cyber-attack simulation exercises have been carried out to enhance preparedness.

As the Group continues to develop and expand digital services and emerging products, its reliance on third-party service providers and business partners who specialise in niche capabilities is also increasing. In the first half of 2023, among many companies around the world, the Group's businesses in Malaysia have been affected by the global MOVEit, a vendor providing secured file transfer services, data-theft attack where a zero-day vulnerability was exploited with infringements to data security, integrity and privacy, which as a result directly impacted the Group's reputation and compliance with regulation and privacy requirements. Following the threats, various actions have been taken, including isolating the affected server, a thorough investigation, and customer and authority notifications. Lesson learnt and potential enhancements have been identified from the review and action plans have been formulated to address these. The Group has also continued to enhance its third-party management framework including the enhanced security due diligence process when onboarding new business partners and the ongoing monitoring of key business partners.

The key material risks can be summarised into three threat areas: (i) ransomware attacks, (ii) supply chain compromise and (iii) service disruption caused by cyber threats. In order for the Group to manage these risks effectively, the security strategy encompasses the ongoing maturity and development of protective and detective controls, while further expanding and uplifting its ability to react to and recover from successful attacks on both the Group's system as well as third-party partner systems.

The Group's Information Security and Privacy strategy is structured with three key pillars:

- Defending the nation – To expand coverage and maturity of protective and detective security controls in response to both the changing technology landscape, such as the adoption of new Cloud services, as well as the heightened threat actor risks. Within this pillar, continued focus on Africa business units remains in order to help ensure the same maturity level as Asia-based business units is achieved.

- Cyber resilience – To build on a number of existing security processes and formalise the development of an integrated cross-functional incident management framework that is regularly tried and tested. This includes further aligning Group incident management plans, business unit incident management plans and cyber security incident management plans along with executing a number of drills and tabletop exercises. The drills and exercises will be conducted at all levels including executive committee members and within the business units while bringing in critical key business partners such as cyber insurance providers and forensic investigation partners.

- Enabling the digital journey – To focus on introducing and building out key security controls within the digital ecosystem to ensure continued enablement of the organisation's digital strategy while improving customer experience and data security within the digital ecosystem.

With the aim to ensure the effectiveness of the Group's Information Security and Privacy controls, the Group has established different processes to review and validate the Information Security and Privacy mechanisms deployed, which include setting up a dedicated ethical hacking team to perform testing on the systems to identify potential vulnerabilities, engaging with external consultants to perform penetration testing on our systems and engaging external consultants to perform independent assessments on both our Security Operations Centre and the Information and Privacy function as a whole to further improve the efficiency of the functions. A Bug Bounty programme has been established to provide a secured and official channel for external security practitioners to report potential issues or vulnerabilities in our system. In addition, the Group has subscribed to services from the independent security consultants to continuously monitor our external security posture.

The centralised Technology Risk Management team leverages skills, tools and resources across different technology domains to provide advisory, assurance and operations support for holistic technology risk management including information security and privacy. Based on risk assessments, risk deep dives are performed on an ongoing basis on different technology domains to provide assurance of controls to manage technology risks. The Group Technology Risk Committee provides Group-wide oversight of technology risks, including information security and privacy. Technology risk management is also performed locally within business units, with inputs from subject matter experts and with oversight from local risk committees. Work continues to be undertaken in 2023 to further enhance the maturity of the hub and spoke technology risk operating model which includes organisational structure improvements, policy enhancements and enriched key risk indicators to provide a quantifiable overlay to overseeing and managing technology risks. The Group's internal audits also regularly include cybersecurity as part of its audit coverage. The Board is briefed at least twice annually on cyber security and privacy by the Group Chief Information Security Officer (CISO) and is being engaged more closely on cyber resilience with executive-level cyber tabletop exercises and risk workshops conducted in 2022 and continuing in 2023 to ensure that members have the means to enable appropriate oversight and understand the latest threats and regulatory expectations. The Group Information Security, Privacy and Data policies were developed with the aim to ensure compliance with all applicable laws and regulations, and the ethical use of customer data. In addition, these policies consider the requirements of a range of supervisory guidelines including the international standards on information security (ISO 27001/27002) and the US National Institute of Standards and Technology's Cyber Security Framework. Localised regulations or legal requirements are addressed by local policies or standards.

Risks associated with the Group's joint ventures and associates

Prudential operates, and in certain markets is required by local regulation to operate, through joint ventures and other joint ownership or third-party arrangements (including associates). A material proportion of the Group's business comes from its joint venture and associate in the Chinese Mainland and India respectively. For such operations, the level of control exercisable by the Group depends on the terms of the contractual agreements between participants. As such, the level of oversight, control and access to management information the Group is able to exercise over the extent of the exposure to material risks at these operations may be lower compared with the Group's wholly-owned businesses. Further information on the risks to the Group associated with its joint ventures and other shareholders and third parties are included in the disclosures on Risk factors.

Insurance risks

Insurance risks make up a significant proportion of Prudential's overall risk exposure. The profitability of the Group's businesses depends on a mix of factors, including levels of, and trends in, mortality (policyholders dying), morbidity (policyholders becoming ill or suffering an accident) and policyholder behaviour (variability in how customers interact with their policies, including utilisation of withdrawals, take-up of options and guarantees and persistency, ie, lapsing/surrendering of policies), and increases in the costs of claims over time (claim inflation). The risks associated with adverse experience relative to assumptions associated with product performance and customer behaviour are detailed in the disclosures on Risk factors. The Group has appetite for retaining insurance risks in the areas where it believes it has expertise and operational controls to manage the risk and where it judges it to be more value creating to do so rather than transferring the risk, and only to the extent that these risks remain part of a balanced portfolio of sources of income for shareholders and are compatible with a robust solvency position.

Whilst Covid-19 has evolved into an endemic disease, the impact of policyholders having deferred medical treatment during the pandemic (latent morbidity impacts) continues to be experienced in a number of markets. The implications from other factors such as long-term post-Covid-19 symptoms (although there is currently no consensus on the longer-term impact on morbidity) is being monitored. Inflationary pressures driving higher interest rates may lead to increased lapses for some guaranteed savings products where higher levels of guarantees are offered by products of the Group's competitors, reflecting consumer demand for returns at the level of, or exceeding, inflation. A high inflation environment, and the broader economic effects of recessionary concerns, may also increase lapses, surrenders and fraud, as well as heighten premium affordability challenges.

The principal drivers of the Group's insurance risk vary across its business units. In Hong Kong, Singapore, Indonesia and Malaysia, a significant volume of health and protection business is written and the most significant insurance risks are medical claims inflation risk, morbidity risk, and persistency risk:

- **Medical claims inflation risk:** A key assumption in these markets is the rate of medical claims inflation, which is often in excess of general price inflation. Where the cost of medical treatment increases more than expected, resulting in higher than anticipated medical claims cost passed on to Prudential, is a key risk. This risk is best mitigated by retaining the right to reprice products and appropriate overall claims limits within policies, either per type of medical treatment or in total across a policy, annually and/or over the policy lifetime. Medical reimbursement downgrade experience (where the policyholder reduces the level of the coverage/protection in order to reduce premium payments) following any repricing is also monitored by the Group's businesses. The risks to the Group's ability to reprice are included in the disclosures on Risk factors.
- **Morbidity risk:** Prudential's morbidity risk is managed through prudent product design, underwriting and claims management, and for certain products, the right to reprice where appropriate. Prudential's morbidity assumptions reflect its recent experience and expectation of future trends for each relevant line of business.
- **Persistency risk:** The Group's persistency assumptions reflect recent experience and expert judgement, especially where a lack of experience data exists, as well as any expected change in future persistency. Persistency risk is managed by appropriate controls across the product life cycle. This includes review and revisions to product design and incentive structures where required, ensuring appropriate training and sales processes, including those ensuring active customer engagement and high service quality, appropriate customer disclosures and product collaterals, use of customer retention initiatives and post-sale management through regular experience monitoring. Strong risk management and mitigation of conduct risk and the identification of common characteristics of business with high lapse rates is also crucial. Where appropriate, allowance is made for the relationship (either assumed or observed historically) between persistency and investment returns. Modelling this dynamic policyholder behaviour is particularly important when assessing the likely take-up rate of options embedded within certain products.

Prudential's insurance risks are managed and mitigated using the following:
- The Group's insurance policy, which sets out the Group's insurance risk appetite and required standards for effective insurance risk management by head office and local businesses, including processes to enable the measurement of the Group's insurance risk profile, management information flows and escalation mechanisms;
- The Group's product and underwriting risk policy, which sets out the required standards for effective product and underwriting risk management and approvals for new, or changes to existing, products (including the role of the Group), and the processes to enable the measurement of underwriting risk. The policy also describes how the Group's Customer Conduct Risk Policy is met in relation to new product approvals and current and legacy products;
- The Group's counter fraud policy (see the Fraud Risk section above);
- In product design and appropriate processes related to the management of policyholders' reasonable expectations;
- The risk appetite statements, limits and triggers;
- Using persistency, morbidity and longevity assumptions that reflect recent experience and expectation of future trends, and the use of industry data and expert judgement where appropriate;
- Using reinsurance to mitigate mortality and morbidity risks;
- Ensuring appropriate medical underwriting when policies are issued and appropriate claims management practices when claims are received in order to mitigate morbidity risk;
- Maintaining the quality of sales processes, training and using initiatives to increase customer retention in order to mitigate persistency risk;
- The use of mystery shopping to identify opportunities for improvement in sales processes and training;
- Using product repricing and other claims management initiatives in order to mitigate morbidity and medical claims inflation risk; and
- Regular deep dive assessments.

Business Concentration risk

Prudential operates in markets in both Asia and Africa via various channels and product mix; although largely diversified at the Group level, several of these markets are exposed to certain level of concentration risks. From a channel concentration perspective, some of the Group's key markets continue to rely on agency and some markets rely on bancassurance. From a product concentration perspective, some of the Group's markets focus heavily on specific product types depending on the target customer segments. Geographically, Greater China (Hong Kong, the Chinese Mainland and Taiwan) region contributes materially to the Group's top and bottom lines. To improve business resilience, the Group continues to look for opportunities to enhance business diversification by building multi-market growth engines as part of its strategy.

Customer conduct risk

Prudential's conduct of business, especially in the design and distribution of its products and the servicing of customers, is crucial in ensuring that the Group's commitment to meeting its customers' needs and expectations are met. The Group's customer conduct risk framework, owned by the Chief Executive Officer, reflects management's focus on customer outcomes.

Factors that may increase conduct risks can be found throughout the product life cycle, from the complexity of the Group's products and services to its diverse distribution channels, which include its agency workforce, virtual face-to-face sales and sales via online digital platforms. Prudential has developed a Group Customer Conduct Risk Policy which sets out five customer conduct standards that the business is expected to meet, being:

1. Treat customers fairly, honestly and with integrity;
2. Provide and promote products and services that meet customer needs, are clearly explained and that deliver real value;
3. Manage customer information appropriately, and maintain the confidentiality of customer information;
4. Provide and promote high standards of customer service; and
5. Act fairly and timely to address customer complaints and any errors found.

Prudential manages conduct risk via a range of controls that are assessed through the Group's conduct risk assessment framework, reviewed within its monitoring programmes, and overseen within reporting to its boards and committees.

Management of Prudential's conduct risk is key to the Group's strategy. Prudential's conduct risks are managed and mitigated using the following:

- The Group's code of business conduct and conduct standards, product underwriting and other related risk policies, and supporting controls including the Group's fraud risk control programme;
- A culture that supports the fair treatment of the customer, incentivises the right behaviour through proper remuneration structures, and provides a safe environment to report conduct risk-related issues via the Group's internal processes and the Speak Out program;
- Distribution controls, including monitoring programmes relevant to the type of business (insurance or asset management), distribution channel (agency, bancassurance, or digital) and ecosystem, to help ensure sales are conducted in a manner that considers the fair treatment of customers within digital environments;
- Quality of sales processes, services and training, and using other initiatives such as special requirements for vulnerable customers, to improve customer outcomes;
- Appropriate claims management and complaint handling practices; and
- Regular deep dive assessments on, and monitoring of, conduct risks and periodic conduct risk assessments.

Risks related to regulatory and legal compliance

Prudential operates in highly regulated markets and under the ever-evolving requirements and expectations of diverse and dynamic regulatory, legal and tax regimes which may impact its business or the way it is conducted. The complexity of legal and regulatory (including sanctions) compliance continues to evolve and increase, representing a challenge for international businesses. Compliance with the Group's legal or regulatory obligations (including in respect of international sanctions) in one jurisdiction may conflict with the law or policy objectives of another jurisdiction, or may be seen as supporting the law or policy objectives of one jurisdiction over another, creating additional legal, regulatory compliance and reputational risks. These risks may be increased where the scope of regulatory requirements and obligations are uncertain, and where specific cases applicable to the Group are complex. Regulatory risks cover a broad range of risks including changes in government policy and legislation, capital control measures, and new regulations at either a national or international level. The breadth of local and Group-wide regulatory arrangements presents the risk that requirements are not fully met, resulting in specific regulator interventions or actions including retrospective interpretation of standards by regulators. As the industry's use of emerging technological tools and digital services increases, this is likely to lead to new and unforeseen regulatory issues and the Group is monitoring emerging regulatory developments and standards on the governance and ethical and responsible use of technology and data. In certain jurisdictions in which Prudential operates there are a number of ongoing policy initiatives and regulatory developments which will impact the way Prudential is supervised. These developments continue to be monitored by the Group at a national and global level and these considerations form part of the Group's ongoing engagement with government policy teams, industry groups and regulators. Further information on specific areas of regulatory and supervisory focus and changes are included in the disclosures on Risk factors.

Risk management and mitigation of regulatory risk at Prudential includes:

- Proactively adapting and complying with the latest regulatory developments;
- Group and business unit-level compliance oversight and risk-based testing in respect of adherence with regulations;
- Close monitoring and assessment of our business and regulatory environment and strategic risks;
- The explicit consideration of risk themes in strategic decisions;
- Ongoing engagement with national regulators, government policy teams and international standard setters; and
- Compliance oversight to ensure adherence with in-force regulations and management of new regulatory developments, including those associated with greenwashing risk arising from exaggerated, misleading or unsubstantiated sustainability-related claims.

Notes

1 Reflecting products that are classified as Variable Fee Approach only.
2 With the exception of investments backing the shareholders' 10 per cent share of the estate within the Hong Kong participating fund.
3 Excluding assets held to cover linked liabilities and those of the consolidated investment funds.
4 Based on middle rating from Standard & Poor's, Moody's and Fitch. If unavailable, NAIC and other external ratings and then internal ratings have been used.
5 Source of segmentation: Bloomberg Sector, Bloomberg Group and Merrill Lynch. Anything that cannot be identified from the three sources noted is classified as other.

Hong Kong listing obligations
The Directors confirm that the Company has complied with all the code provisions of the Corporate Governance Code (HK Code) issued by The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Hong Kong Listing Rules) throughout the accounting period, except as described below.

The Company does not comply with provision E.1.2(d) of the HK Code which requires companies, on a comply or explain basis, to have a remuneration committee which makes recommendations to the board on the remuneration of non-executive directors. This provision is not compatible with provision 34 of the UK Corporate Governance Code issued by the Financial Reporting Council which recommends that the remuneration of non-executive directors be determined in accordance with the Articles of Association or, alternatively, by the board. Prudential has chosen to adopt a practice in line with the recommendations of the UK Corporate Governance Code.

Prudential has adopted securities dealing rules relating to transactions by Directors on terms no less exacting than required by Appendix 10 to the Hong Kong Listing Rules and by relevant UK regulations. Having made specific enquiry of all Directors, the Directors have complied with these rules throughout the period.

The Directors confirm that the financial results contained in this document have been reviewed by the Audit Committee.

2023 first interim dividend

Ex-dividend date	7 September 2023 (Hong Kong, UK and Singapore)
Record date	8 September 2023
Payment date	19 October 2023 (Hong Kong, UK and ADR holders) On or around 26 October 2023 (Singapore)

Forward-looking statements
This document contains 'forward-looking statements' with respect to certain of Prudential's (and its wholly and jointly owned businesses') plans and its goals and expectations relating to future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including statements about Prudential's (and its wholly and jointly owned businesses') beliefs and expectations and including, without limitation, commitments, ambitions and targets, including those related to ESG matters, and statements containing the words 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning, are forward-looking statements. These statements are based on plans, estimates and projections as at the time they are made, and therefore undue reliance should not be placed on them. By their nature, all forward-looking statements involve risk and uncertainty.

A number of important factors could cause actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. Such factors include, but are not limited to:

- current and future market conditions, including fluctuations in interest rates and exchange rates, inflation (including resulting interest rate rises), sustained high or low interest rate environments, the performance of financial and credit markets generally and the impact of economic uncertainty, slowdown or contraction (including as a result of the Russia-Ukraine conflict and related or other geopolitical tensions and conflicts), which may also impact policyholder behaviour and reduce product affordability;
- asset valuation impacts from the transition to a lower carbon economy;
- derivative instruments not effectively mitigating any exposures;
- global political uncertainties, including the potential for increased friction in cross-border trade and the exercise of laws, regulations and executive powers to restrict trade, financial transactions, capital movements and/or investment;
- the longer-term impacts of Covid-19, including macro-economic impacts on financial market volatility and global economic activity and impacts on sales, claims (including related to treatments deferred during the pandemic), assumptions and increased product lapses;
- the policies and actions of regulatory authorities, including, in particular, the policies and actions of the Hong Kong Insurance Authority, as Prudential's Group-wide supervisor, as well as the degree and pace of regulatory changes and new government initiatives generally;
- the impact on Prudential of systemic risk and other group supervision policy standards adopted by the International Association of Insurance Supervisors, given Prudential's designation as an Internationally Active Insurance Group;
- the physical, social, morbidity/health and financial impacts of climate change and global health crises, which may impact Prudential's business, investments, operations and its duties owed to customers;
- legal, policy and regulatory developments in response to climate change and broader sustainability-related issues, including the development of regulations and standards and interpretations such as those relating to ESG reporting, disclosures and product labelling and their interpretations (which may conflict and create misrepresentation risks);
- the collective ability of governments, policymakers, the Group, industry and other stakeholders to implement and adhere to commitments on mitigation of climate change and broader sustainability-related issues effectively (including not appropriately considering the interests of all Prudential's stakeholders or failing to maintain high standards of corporate governance and responsible business practices);
- the impact of competition and fast-paced technological change;
- the effect on Prudential's business and results from, in particular, mortality and morbidity trends, lapse rates and policy renewal rates;
- the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries;
- the impact of internal transformation projects and other strategic actions failing to meet their objectives or adversely impacting the Group's employees;
- the availability and effectiveness of reinsurance for Prudential's businesses;

- the risk that Prudential's operational resilience (or that of its suppliers and partners) may prove to be inadequate, including in relation to operational disruption due to external events;
- disruption to the availability, confidentiality or integrity of Prudential's information technology, digital systems and data (or those of its suppliers and partners) including the Pulse platform;
- the increased non-financial and financial risks and uncertainties associated with operating joint ventures with independent partners, particularly where joint ventures are not controlled by Prudential;
- the impact of changes in capital, solvency standards, accounting standards or relevant regulatory frameworks, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate; and
- the impact of legal and regulatory actions, investigations and disputes.

These factors are not exhaustive. Prudential operates in a continually changing business environment with new risks emerging from time to time that it may be unable to predict or that it currently does not expect to have a material adverse effect on its business. In addition, these and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. Further discussion of these and other important factors that could cause actual future financial condition or performance to differ, possibly materially, from those anticipated in Prudential's forward-looking statements can be found under the 'Risk Factors' heading of this document, as well as under the ‘Risk Factors’ heading of Prudential’s 2022 Annual Report. Prudential’s 2022 Annual Report is available on its website at www.prudentialplc.com.

Any forward-looking statements contained in this document speak only as of the date on which they are made. Prudential expressly disclaims any obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to the UK Prospectus Rules, the UK Listing Rules, the UK Disclosure Guidance and Transparency Rules, the Hong Kong Listing Rules, the SGX-ST Listing Rules or other applicable laws and regulations.

Prudential may also make or disclose written and/or oral forward-looking statements in reports filed with or furnished to the US Securities and Exchange Commission, the UK Financial Conduct Authority, the Hong Kong Stock Exchange and other regulatory authorities, as well as in its annual report and accounts to shareholders, periodic financial reports to shareholders, proxy statements, offering circulars, registration statements, prospectuses, prospectus supplements, press releases and other written materials and in oral statements made by directors, officers or employees of Prudential to third parties, including financial analysts. All such forward-looking statements are qualified in their entirety by reference to the factors discussed under the ‘Risk Factors’ heading of this document, as well as under the ‘Risk Factors’ heading of Prudential’s 2022 Annual Report.

Cautionary statements
This document does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to purchase, acquire, subscribe for, sell or dispose of, any securities in any jurisdiction nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, any contract therefor.

IFRS disclosures
Prudential plc Half Year 2023 results
International Financial Reporting Standards (IFRS) financial results

Condensed consolidated income statement

		2023 $m	2022* $m	
	Note	**Half year**	**Half year**	**Full year**
Insurance revenue	B1.4	**4,591**	4,159	8,549
Insurance service expenses		**(3,489)**	(2,879)	(6,267)
Net expense from reinsurance contracts held		**(83)**	(22)	(105)
Insurance service result		**1,019**	1,258	2,177
Investment return	B1.4	**7,171**	(23,872)	(29,380)
Fair value movements on investment contract liabilities		**(23)**	67	67
Net insurance finance (expense) income		**(6,496)**	21,707	27,430
Net investment result		**652**	(2,098)	(1,883)
Other revenue	B1.4	**176**	204	436
Non-insurance expenditure		**(446)**	(592)	(1,019)
Finance costs: interest on core structural borrowings of shareholder-financed businesses		**(85)**	(103)	(200)
Gain attaching to corporate transactions	D1	**–**	62	55
Share of loss from joint ventures and associates, net of related tax		**(73)**	(54)	(85)
Profit (loss) before tax *(being tax attributable to shareholders' and policyholders' returns)*[note]		**1,243**	(1,323)	(519)
Tax charge attributable to policyholders' returns		**(68)**	(24)	(124)
Profit (loss) before tax attributable to shareholders' returns	B1.1	**1,175**	(1,347)	(643)
Total tax charge attributable to shareholders' and policyholders' returns	B2	**(296)**	(182)	(478)
Remove tax charge attributable to policyholders' returns		**68**	24	124
Tax charge attributable to shareholders' returns		**(228)**	(158)	(354)
Profit (loss) for the period		**947**	(1,505)	(997)
Attributable to:				
Equity holders of the Company		**944**	(1,508)	(1,007)
Non-controlling interests		**3**	3	10
Profit (loss) for the period		**947**	(1,505)	(997)

Earnings per share (in cents)		2023	2022*	2022
	Note	**Half year**	**Half year**	**Full year**
Based on profit (loss) attributable to equity holders of the Company:	B3			
Basic		**34.5¢**	(55.1)¢	(36.8)¢
Diluted		**34.5¢**	(55.1)¢	(36.8)¢

* The Group has adopted IFRS 9, 'Financial Instruments' and IFRS 17, 'Insurance Contracts' from 1 January 2023 as described in note A2.1. Accordingly, the comparative results and the related notes have been re-presented from those previously published.

Note

This measure is the formal profit before tax measure under IFRS. It is not the result attributable to shareholders principally because total corporate tax of the Group includes those taxes on the income of consolidated with-profits and unit-linked funds that, through adjustments to benefits, are borne by policyholders. These amounts are required to be included in the tax charge under IAS 12. Consequently, the IFRS profit before tax measure is not representative of pre-tax profit attributable to shareholders.

Dividends per share (in cents)		2023	2022	
	Note	**Half year**	**Half year**	**Full year**
Dividends relating to reporting period:	B4			
First interim ordinary dividend		**6.26¢**	5.74¢	5.74¢
Second interim ordinary dividend		**–**	–	13.04¢
Total relating to reporting period		**6.26¢**	5.74¢	18.78¢
Dividends paid in reporting period:	B4			
Current year first interim dividend		**–**	–	5.74¢
Second interim ordinary dividend for prior year		**13.04¢**	11.86¢	11.86¢
Total paid in reporting period		**13.04¢**	11.86¢	17.60¢

Condensed consolidated statement of comprehensive income

	2023 $m	2022* $m	
	Half year	**Half year**	**Full year**
Profit (loss) for the period	**947**	(1,505)	(997)
Other comprehensive income (loss):			
Exchange movements arising during the period	**(199)**	(539)	(613)
Valuation movements on retained interest in Jackson classified as available-for-sale securities under IAS 39[note (i)]	**–**	(247)	(187)
Total items that may be reclassified subsequently to profit or loss[note (ii)]	**(199)**	(786)	(800)
Valuation movements on retained interest in Jackson classified as FVOCI securities under IFRS 9	**8**	–	–
Total items that will not be reclassified subsequently to profit or loss	**8**	–	–
Total comprehensive income (loss) for the period	**756**	(2,291)	(1,797)
Attributable to:			
Equity holders of the Company	**767**	(2,284)	(1,797)
Non-controlling interests	**(11)**	(7)	–
Total comprehensive income (loss) for the period	**756**	(2,291)	(1,797)

* The Group has adopted IFRS 9, 'Financial Instruments' and IFRS 17, 'Insurance Contracts' from 1 January 2023 as described in note A2.1. Accordingly, the comparative results have been re-presented from those previously published.

Notes

(i) On the adoption of IFRS 9 at 1 January 2023, the Group has elected to measure its retained interest in the equity securities of Jackson at fair value through other comprehensive income (FVOCI). The Group has subsequently disposed of its remaining interest in Jackson. In the 2022 comparatives above, these securities were measured at available-for-sale under IAS 39.

(ii) There are no related taxes on the other comprehensive income components of the Group.

Condensed consolidated statement of changes in equity

		Period ended 30 Jun 2023 $m							
	Note	Share capital	Share premium	Retained earnings	Translation reserve	Fair value reserve under IFRS 9	Share-holders' equity	Non-controlling interests	Total equity
Reserves									
Profit for the period		**–**	**–**	**944**	**–**	**–**	**944**	**3**	**947**
Other comprehensive income (loss)		**–**	**–**	**–**	**(185)**	**8**	**(177)**	**(14)**	**(191)**
Total comprehensive income (loss) for the period		**–**	**–**	**944**	**(185)**	**8**	**767**	**(11)**	**756**
Transactions with owners of the Company									
Dividends	B4	**–**	**–**	**(361)**	**–**	**–**	**(361)**	**(4)**	**(365)**
Transfer of fair value reserve following disposal of investment in Jackson		**–**	**–**	**71**	**–**	**(71)**	**–**	**–**	**–**
Reserve movements in respect of share-based payments		**–**	**–**	**(6)**	**–**	**–**	**(6)**	**–**	**(6)**
Effect of transactions relating to non-controlling interests		**–**	**–**	**(9)**	**–**	**–**	**(9)**	**–**	**(9)**
New share capital subscribed	C6	**1**	**3**	**–**	**–**	**–**	**4**	**–**	**4**
Movement in own shares in respect of share-based payment plans		**–**	**–**	**33**	**–**	**–**	**33**	**–**	**33**
Net increase (decrease) in equity		**1**	**3**	**672**	**(185)**	**(63)**	**428**	**(15)**	**413**
Balance at beginning of period		**182**	**5,006**	**10,653**	**827**	**63**	**16,731**	**167**	**16,898**
Balance at end of period		**183**	**5,009**	**11,325**	**642**	**–**	**17,159**	**152**	**17,311**

		Period ended 30 Jun 2022 $m							
	Note	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserves under IAS 39	Share-holders' equity	Non-controlling interests	Total equity
Reserves									
Profit (loss) for the period		–	–	(1,508)	–	–	(1,508)	3	(1,505)
Other comprehensive loss		–	–	–	(529)	(247)	(776)	(10)	(786)
Total comprehensive loss for the period		–	–	(1,508)	(529)	(247)	(2,284)	(7)	(2,291)
Transactions with owners of the Company									
Dividends	B4	–	–	(320)	–	–	(320)	(5)	(325)
Reserve movements in respect of share-based payments		–	–	15	–	–	15	–	15
Effect of transactions relating to non-controlling interests		–	–	(16)	–	–	(16)	–	(16)
Movement in own shares in respect of share-based payment plans		–	–	(4)	–	–	(4)	–	(4)
Net decrease in equity		–	–	(1,833)	(529)	(247)	(2,609)	(12)	(2,621)
Balance at beginning of period:									
As previously reported		182	5,010	10,216	1,430	250	17,088	176	17,264
Effect of initial application of IFRS 17 and classification overlay for IFRS 9, net of tax		–	–	1,848	–	–	1,848	(1)	1,847
As restated after effect of changes		182	5,010	12,064	1,430	250	18,936	175	19,111
Balance at end of period		182	5,010	10,231	901	3	16,327	163	16,490

Condensed consolidated statement of changes in equity (continued)

		Year ended 31 Dec 2022 $m							
	Note	**Share capital**	**Share premium**	**Retained earnings**	**Translation reserve**	**Available -for-sale securities reserves under IAS 39**	**Share-holders' equity**	**Non-controlling interests**	**Total equity**
Reserves									
Profit (loss) for the year		–	–	(1,007)	–	–	(1,007)	10	(997)
Other comprehensive loss		–	–	–	(603)	(187)	(790)	(10)	(800)
Total comprehensive loss for the period		–	–	(1,007)	(603)	(187)	(1,797)	–	(1,797)
Transactions with owners of the Company									
Dividends	B4	–	–	(474)	–	–	(474)	(8)	(482)
Reserve movements in respect of share-based payments		–	–	24	–	–	24	–	24
Effect of transactions relating to non-controlling interests		–	–	49	–	–	49	–	49
New share capital subscribed	C6	–	(4)	–	–	–	(4)	–	(4)
Movement in own shares in respect of share-based payment plans		–	–	(3)	–	–	(3)	–	(3)
Net decrease in equity		–	(4)	(1,411)	(603)	(187)	(2,205)	(8)	(2,213)
Balance at beginning of year:									
As previously reported		182	5,010	10,216	1,430	250	17,088	176	17,264
Effect of initial application of IFRS 17 and classification overlay for IFRS 9, net of tax		–	–	1,848	–	–	1,848	(1)	1,847
As restated after effect of changes		182	5,010	12,064	1,430	250	18,936	175	19,111
Balance at end of year		182	5,006	10,653	827	63	16,731	167	16,898

Condensed consolidated statement of financial position

	Note	2023 $m	2022 $m	
		30 Jun	31 Dec note (i)	1 Jan note (i)
Assets				
Goodwill	C4.1	**879**	890	907
Other intangible assets	C4.2	**3,686**	3,884	4,015
Property, plant and equipment	C1.2	**396**	437	495
Insurance contract assets	C3.1	**1,167**	1,134	1,250
Reinsurance contract assets	C3.1	**2,023**	1,856	2,787
Deferred tax assets		**168**	140	132
Current tax recoverable		**25**	18	20
Accrued investment income	C1.2	**1,017**	983	1,017
Other debtors	C1.2	**1,035**	968	955
Investment properties	C1.1	**38**	37	38
Investments in joint ventures and associates accounted for using the equity method		**2,078**	2,259	2,698
Loans	C1.1	**574**	590	771
Equity securities and holdings in collective investment schemes[note (ii)]	C1.1	**60,508**	57,679	61,601
Debt securities[note (ii)]	C1.1	**80,430**	77,016	99,154
Derivative assets	C1.1	**458**	569	481
Deposits	C1.1	**5,056**	6,275	4,741
Cash and cash equivalents	C1.1	**5,920**	5,514	7,170
Total assets		**165,458**	160,249	188,232
Equity				
Shareholders' equity		**17,159**	16,731	18,936
Non-controlling interests		**152**	167	175
Total equity		**17,311**	16,898	19,111
Liabilities				
Insurance contract liabilities	C3.1	**134,096**	126,242	149,798
Reinsurance contract liabilities	C3.1	**950**	1,175	1,254
Investment contract liabilities without discretionary participation features		**716**	663	722
Core structural borrowings of shareholder-financed businesses	C5.1	**3,949**	4,261	6,127
Operational borrowings	C5.2	**802**	815	861
Obligations under funding, securities lending and sale and repurchase agreements		**617**	582	223
Net asset value attributable to unit holders of consolidated investment funds		**2,683**	4,193	5,664
Deferred tax liabilities		**1,214**	1,139	1,167
Current tax liabilities		**247**	208	185
Accruals, deferred income and other creditors	C1.2	**2,277**	2,866	2,624
Provisions		**129**	206	234
Derivative liabilities		**467**	1,001	262
Total liabilities		**148,147**	143,351	169,121
Total equity and liabilities		**165,458**	160,249	188,232

Notes

(i) The Group has adopted IFRS 9, ‘Financial Instruments’ and IFRS 17, ‘Insurance Contracts’ from 1 January 2023 as described in note A2.1. Accordingly, the 31 December 2022 and 1 January 2022 comparative statements of financial position and related notes have been re-presented from those previously published.

(ii) Included within equity securities and holdings in collective investment schemes and debt securities as at 30 June 2023 are $1,556 million of lent securities and assets subject to repurchase agreements (31 December 2022: $1,571 million).

Condensed consolidated statement of cash flows

	Note	2023 $m Half year	2022* $m Half year	2022* $m Full year
Cash flows from operating activities				
Profit (loss) before tax *(being tax attributable to shareholders' and policyholders' returns)*		**1,243**	(1,323)	(519)
Adjustments to profit (loss) before tax for:				
Non-cash movements in operating assets and liabilities		**(71)**	2,968	1,577
Investment income and interest payments included in profit before tax		**(2,420)**	(2,065)	(3,912)
Operating cash items		**2,252**	1,981	3,647
Other non-cash items		**263**	155	285
Net cash flows from operating activities[note (i)]		**1,267**	1,716	1,078
Cash flows from investing activities				
Purchases of property, plant and equipment		**(18)**	(14)	(34)
Acquisition of business and intangibles[note (ii)]		**(197)**	(221)	(298)
Disposal of Jackson shares		**273**	171	293
Net cash flows from investing activities		**58**	(64)	(39)
Cash flows from financing activities				
Structural borrowings of shareholder-financed operations:[note (iii)]	C5.1			
Issuance of debt, net of costs		**–**	346	346
Redemption of debt		**(371)**	(2,075)	(2,075)
Interest paid		**(98)**	(117)	(204)
Payment of principal portion of lease liabilities		**(49)**	(56)	(101)
Equity capital:				
Issues of ordinary share capital	C6	**4**	–	(4)
External dividends:				
Dividends paid to the Company's shareholders	B4	**(361)**	(320)	(474)
Dividends paid to non-controlling interests		**(4)**	(5)	(8)
Net cash flows from financing activities		**(879)**	(2,227)	(2,520)
Net increase (decrease) in cash and cash equivalents		**446**	(575)	(1,481)
Cash and cash equivalents at beginning of period		**5,514**	7,170	7,170
Effect of exchange rate changes on cash and cash equivalents		**(40)**	(180)	(175)
Cash and cash equivalents at end of period		**5,920**	6,415	5,514

* The Group has adopted IFRS 9, 'Financial Instruments' and IFRS 17, 'Insurance Contracts' from 1 January 2023 as described in note A2.1. Accordingly, the comparative results have been re-presented from those previously published.

Notes

(i) Included in net cash flows from operating activities are dividends from joint ventures and associates of $62 million (half year 2022: $60 million; full year 2022: $112 million).

(ii) Cash flows from acquisition of business and intangibles include amounts paid for distribution rights. There were no acquisitions of businesses in the period.

(iii) Structural borrowings of shareholder-financed businesses exclude borrowings to support short-term fixed income securities programmes, non-recourse borrowings of investment subsidiaries of shareholder-financed businesses and other borrowings of shareholder-financed businesses. Cash flows in respect of these borrowings are included within cash flows from operating activities. The changes in the carrying value of the structural borrowings of shareholder-financed businesses for the Group are analysed below:

	Balance at beginning of period $m	Cash movements $m Issuance of debt	Cash movements $m Redemption of debt	Non-cash movements $m Foreign exchange movement	Non-cash movements $m Other movements	Balance at end of period $m
30 Jun 2023	**4,261**	**–**	**(371)**	**56**	**3**	**3,949**
30 Jun 2022	6,127	346	(2,075)	(137)	5	4,266
31 Dec 2022	6,127	346	(2,075)	(147)	10	4,261

Notes to the condensed consolidated financial statements

A Basis of preparation and accounting policies

A1 Basis of preparation and exchange rates

These consolidated interim financial statements ('interim financial statements') for the six months ended 30 June 2023 have been prepared in accordance with both IAS 34 'Interim Financial Reporting' as issued by the IASB and IAS 34 as adopted for use in the UK. The Group's policy for preparing this interim financial information is to use the accounting policies adopted by the Group in its last consolidated financial statements, as updated by any changes in accounting policies it intends to make in its next consolidated financial statements as a result of new or amended IFRS and other policy improvements. At 30 June 2023, there were no unadopted standards effective for the period ended 30 June 2023 which impacted the interim financial statements of the Group, and there were no differences between UK-adopted international accounting standards and IFRS Standards as issued by the IASB in terms of their application to the Group.

The Group has adopted IFRS 17, 'Insurance Contracts' and IFRS 9, 'Financial Instruments' (including any consequential amendments to other standards) as issued by the IASB and as adopted for use in the UK from 1 January 2023, as discussed in note A2.1. The transition date of the Group for IFRS 17 was 1 January 2022. Except for the changes from the adoption of these two standards and the new and amended IFRS Standards as described in note A2.2, the accounting policies applied by the Group in determining the IFRS financial results in these interim financial statements are the same as those previously applied in the Group's consolidated financial statements for the year ended 31 December 2022 as disclosed in the 2022 annual report.

The IFRS financial results for half year 2023 and half year 2022 are unaudited. The 2022 half year and full year IFRS financial results have been restated for the effect of a retrospective application of IFRS 17 and the classification overlay adjustment for IFRS 9, which were effective on 1 January 2023. Except for this restatement, the full year IFRS financial results have been derived from the 2022 statutory accounts. An additional statement of financial position as at 1 January 2022 is presented in these consolidated financial statements due to the retrospective application of IFRS 17 (refer to note A2.1 below for details on the effect of the retrospective application). The Group's previous auditors, KPMG, reported on the 2022 statutory accounts which have been delivered to the Registrar of Companies. The auditors' report on the 2022 statutory accounts was: (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern basis of accounting
The Directors have made an assessment of going concern covering a period of at least 12 months from the date these interim financial statements are approved. In making this assessment, the Directors have considered both the Group's current performance, solvency and liquidity and the Group's business plan taking into account the Group's principal risks, and the mitigations available to address them, as well as the results of the Group's stress and scenario testing.

Based on the above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue their operations for a period of at least 12 months from the date these interim financial statements are approved. No material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern have been identified. The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting in preparing these interim financial statements for the period ended 30 June 2023.

Exchange rates
The exchange rates applied for balances and transactions in currencies other than the presentation currency of the Group, US dollars (USD) were:

USD : local currency	Closing rate at period end			Average rate for the period to date		
	30 Jun 2023	**31 Dec 2022**	**1 Jan 2022**	**Half year 2023**	**Half year 2022**	**Full year 2022**
Chinese yuan (CNY)	**7.26**	6.95	6.37	**6.93**	6.48	6.73
Hong Kong dollar (HKD)	**7.84**	7.81	7.80	**7.84**	7.83	7.83
Indian rupee (INR)	**82.04**	82.73	74.34	**82.22**	76.23	78.63
Indonesian rupiah (IDR)	**14,992.50**	15,567.50	14,252.50	**15,042.54**	14,453.52	14,852.24
Malaysian ringgit (MYR)	**4.67**	4.41	4.17	**4.46**	4.27	4.40
Singapore dollar (SGD)	**1.35**	1.34	1.35	**1.34**	1.37	1.38
Taiwan dollar (TWD)	**31.14**	30.74	27.67	**30.56**	28.73	29.81
Thai baht (THB)	**35.33**	34.56	33.19	**34.20**	33.73	35.06
UK pound sterling (GBP)	**0.79**	0.83	0.74	**0.81**	0.77	0.81
Vietnamese dong (VND)	**23,585.00**	23,575.00	22,790.00	**23,521.79**	22,925.22	23,409.87

Certain notes to the financial statements present comparative information at constant exchange rates (CER), in addition to the reporting at actual exchange rates (AER) used throughout the interim financial statements. AER are actual historical exchange rates for the specific accounting period, being the average rates over the period for the income statement and the closing rates at the balance sheet date for the statement of financial position. CER results are calculated by translating prior period results using the current period foreign exchange rate, ie current period average rates for the income statement and current period closing rates for the statement of financial position.

A2 New accounting pronouncements in 2023

A2.1 Adoption of IFRS 17 and IFRS 9

The Group adopted IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments', including any consequential amendments to other standards, from 1 January 2023.

IFRS 17, 'Insurance contracts'

IFRS 17 introduces significant changes to the way insurance and reinsurance contracts are accounted for, albeit the scope of IFRS 17 and IFRS 4 is very similar. Therefore, nearly all of the Group's insurance and investment contracts with discretionary participation features (DPF) accounted under IFRS 4 are now accounted under IFRS 17.

IFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2005. IFRS 17 replaces this with a new measurement model that establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with DPF.

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (ie by year of issue) and each annual cohort into groups based on the profitability of contracts. Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued.

When determining "similar risks" the Group does not divide risks within a contract, eg riders sold under a single contract would not be split by risk type. The Group have therefore identified three broad categories of risks referred to as "dominant" risks, namely, protection, investment and to a less material extent longevity. The requirement "managed together" is assessed within the geographical boundary of each local business unit. Each ring-fenced fund is considered to be managed separately.

Under IFRS 17 groups of contracts are measured on initial recognition as the total of:

- Fulfilment cash flows, comprising the best estimate of the present value of future cash flows within the contract boundary that are expected to arise and an explicit risk adjustment for non-financial risk; and
- A contractual service margin (CSM) that represents the deferral of any day-one gains arising on initial recognition.

Day-one losses, any subsequent losses and reversal of those losses arising from groups of insurance contracts are recognised directly in the income statement. For groups of reinsurance contracts held, any net gains or losses at initial recognition are recognised as CSM unless the net cost of purchasing reinsurance relates to past events, in which case such net cost is recognised immediately in the income statement.

Under IFRS 17 insurance contracts are measured under the General Measurement Model (GMM), Variable Fee Approach (VFA) or Premium Allocation Approach (PAA). The Group predominantly uses the VFA and GMM, depending on the specific characteristics of the insurance contracts. The Group makes very limited use of the PAA for some small portfolios of short duration contracts. Reinsurance contracts held are measured under the GMM.

Approximately 72 per cent of the CSM (including joint ventures and associates and net of reinsurance) at transition was calculated under the VFA and relates to the Group's with-profits and shareholder-backed participating products and unit-linked products with a low proportion of protection riders. The remaining approximately 28 per cent of the CSM at transition was calculated under the GMM and includes the Group's non-profit protection products and unit-linked products with a high proportion of protection riders.

The fulfilment cash flows are updated each reporting date to reflect current conditions. For contracts with direct participating features which are accounted for under the VFA, the CSM represents the variable fee to shareholders and it is adjusted to reflect the effect of changes in economics as well as experience variances and/or assumptions changes that relate to future services. For contracts accounted for under GMM, the CSM is accreted using the locked-in discount rates and only adjusted to reflect the effect of non-economic experience variances and/or assumptions changes that relate to future services. The adjustments to the CSM are determined using the locked-in discount rates. Further information on the subsequent measurement of the CSM is contained within note C3.4(a).

IFRS 17 is applied retrospectively unless impractical to do so. The effect of adopting IFRS 17 retrospectively adjusts shareholders' equity as at the date of transition of 1 January 2022. At the transition date, the opening balance sheet for IFRS 17 is established, as set out later in this note.

With the adoption of IFRS 17, certain line items in the Group's consolidated statement of financial position have been replaced with new line items. For example, the Group now presents separately the carrying amount of portfolios of:

- Insurance contracts issued that are assets;
- Insurance contracts issued that are liabilities;
- Reinsurance contracts held that are assets; and
- Reinsurance contracts held that are liabilities.

Further, the line items in the consolidated income statement have been changed significantly compared with reporting under IFRS 4. In accordance with the IFRS 17 requirements, the following line items are no longer reported: Gross premiums earned, Outward reinsurance premiums, Benefits and claims, Reinsurers' share of benefits and claims, Movements in unallocated surplus of with-profits funds and Acquisition costs. Those are replaced with the following IFRS 17 line items:

- Insurance revenue;
- Insurance service expenses;
- Net income (expense) from reinsurance contracts held; and
- Net insurance finance income (expenses).

Approach to transition to IFRS 17

Transition refers to the determination of the opening balance sheet for the first year of comparative information presented under IFRS 17 (ie at 1 January 2022). The future cash flows and risk adjustment are measured on a current basis in the same manner as they would be calculated for subsequent measurement. The key component of transition is therefore the determination of the CSM.

The standard requires IFRS 17 to be applied retrospectively (the 'Full Retrospective Approach') unless impracticable. If a fully retrospective approach is impracticable there is an option to choose either a Modified Retrospective Approach or a Fair Value Approach. If reasonable and supportable information necessary to apply the modified retrospective approach is not available, the fair value approach must be applied.

The contractual service margin of the groups of insurance contracts transitioned under retrospective approaches (ie full retrospective approach and modified retrospective approach) has been calculated as if the Group had only prepared annual financial statements before the transition date (ie transition CSM has been measured using a year-to-date approach).

(a) Full Retrospective Approach (FRA)

Under the FRA, each group of insurance contracts has been identified, recognised and measured as if IFRS 17 had always applied. The CSM was calculated at initial recognition of a group of contracts based on the facts and circumstances at that time (ie without use of hindsight). This CSM was then rolled forward to the transition date in line with the requirements of the standard.

(b) Modified Retrospective Approach (MRA)

The objective of the MRA is to achieve the closest possible outcome to retrospective application possible using reasonable and supportable information without undue cost and effort. A number of specific modifications are permitted under the MRA. The Group has adopted the following modifications:

- To use information at the transition date to identify insurance contract groups;
- To use information at the transition date to assess eligibility for the variable fee approach; and
- To use information at the transition date to identify discretionary cash flows.

(i) General Measurement Model (GMM)

Under the MRA for GMM business, the cash flows at the date of initial recognition of a group of insurance contracts have been estimated as the cash flows at the earliest available date (ie the first year when the FRA is practicable, referred to as the "earlier date"), adjusted by the cash flows that are known to have occurred between these two dates. A number of further specific modifications are permitted. The Group has adopted the following modifications:

- To estimate the risk adjustment at the date of initial recognition as the risk adjustment at the earlier date adjusted by the expected release of risk before that date based on the risk adjustment release pattern for similar contracts;
- To estimate CSM amortisation in line with run-off of the coverage units; and
- If there is a loss component at initial recognition, to estimate the amount allocated to the loss component before the transition date using a systematic allocation consistent with the modifications adopted above.

Discount rates at the date of initial recognition were determined using observable market data at that date.

(ii) Variable Fee Approach (VFA)

Under the MRA for Variable Fee Approach business, the contractual service margin at the transition date for a group of insurance contracts has been determined as:

- The total fair value of the underlying items at that date; minus
- The fulfilment cash flows at that date; plus or minus
- An adjustment for:
  - Amounts charged to policyholders before that date;
  - Amounts paid before that date not varying with underlying items;
  - The change in the risk adjustment caused by the release from risk before that date; and minus
- An estimate of the amounts that would have been recognised in profit or loss for services provided before the transition date by comparing the remaining coverage units at the transition date with the coverage units provided under the group of contracts before the transition date.

In implementing this approach, the amounts charged to policyholders, the amounts paid not varying with underlying items and coverage units have been adjusted for the time value of money.

(c) Fair Value Approach (FVA)
The insurance contracts of the Group under the FVA generally represent groups of contracts that were written many years ago where suitable historical information required to apply the retrospective transition approaches is no longer practicably available. Under the FVA, the CSM at the transition date is the difference between the fair value of the insurance contracts, determined in accordance with IFRS 13 Fair Value Measurement, and the fulfilment cash flows at that date.

The fair value of insurance contracts has been determined as the present value of best estimate expected future cash flows plus an additional amount representing compensation a market participant would require to enter into a transaction to transfer the liability associated with the insurance contracts at the transition date. The return required by a market participant includes an allowance for both financial risk and uncertainty in non-financial risk.

The fair value has been based on the same scope of cash flows as are included in the calculation of the best estimate liability. In particular, the same contract boundaries are assumed in the calculation of the fair value and best estimate liability. However, the measurement of those cash flows need not be the same.

A number of specific modifications are permitted under the FVA. The Group has adopted the following modifications:

- To use information at the transition date to identify groups of insurance contracts;
- To use information at the transition date to assess eligibility for the VFA;
- To use information at the transition date to identify discretionary cash flows;
- To use information at the transition date to assess whether a contract meets the definition of an investment contract with DPF; and
- To group annual cohorts of business.

IFRS 9, ‘Financial Instruments’
IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. The Group met the eligibility criteria, under the amendments to IFRS 4 to apply the temporary exemption from IFRS 9, deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

The adoption of IFRS 9 has affected the following three areas:

The classification and the measurement of financial assets and liabilities
IFRS 9 redefines the classification of financial assets. Based on the way in which the assets are managed in order to generate cash flows and their contractual cash flow characteristics (whether the cash flows represent ‘solely payments of principal and interest’), financial assets are classified into one of the following categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). An option is also available at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces accounting mismatches. The Company has made the election under IFRS 9 to measure its retained interest in Jackson’s equity securities at FVOCI. Under this designation, only dividend income from this retained interest is recognised in the profit or loss of the Company. Unrealised gains and losses are recognised in other comprehensive income and there is no recycling to the profit or loss on derecognition.

A table explaining the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group’s financial assets and financial liabilities as at 1 January 2023 is set out in note C2.3.

The calculation of the impairment charge relevant for financial assets held at amortised cost or FVOCI
A new impairment model based on an expected credit loss approach replaced the incurred loss impairment model under IAS 39, resulting in earlier recognition of credit losses compared with IAS 39. This aspect is the most complex area of IFRS 9 and involves significant judgements and estimation processes.

As discussed above, the vast majority of the financial investments of the Group are held at FVTPL to which these requirements do not apply. Accordingly, no significant amount of additional impairment was recognised by the Group under the expected credit loss approach as a result of the adoption of IFRS 9.

The hedge accounting requirements which are more closely aligned with the risk management activities
The Group has not applied hedge accounting treatment under IAS 39 and therefore, there is no impact in this area for the Group upon the adoption of IFRS 9.

Effect of adoption of IFRS 17 and IFRS 9
The adoption of IFRS 17 has significant changes to the accounting for insurance and reinsurance contracts, as discussed above. The Group’s approach to transition to IFRS 17 is set out in the preceding section. The Group has restated the 2022 comparative amounts and presented a restated consolidated statement of financial position as at 1 January 2022.

The implementation of IFRS 9 has an insignificant impact on the Group’s financial statements. As permitted by IFRS 9, the Group has not restated the comparatives on initial application of the standard but the Group is taking advantage of the classification overlay as permitted by the Amendment to IFRS 17, ‘Initial Application of IFRS 17 and IFRS 9 – Comparative Information’ issued in December 2021. In accordance with this amendment, the balance sheet at 1 January 2022 reflects the change in classification of certain debt securities to amortised cost from fair value through profit and loss, certain loans to fair value through profit and loss from amortised cost and the recognition of IFRS 9 expected credit losses for certain mortgage loans that continue to be classified as amortised cost. With the exception of these changes, for which the overall net asset impact is insignificant at less than $5 million, the consolidated statement of financial position as of 1 January 2022 as restated under IFRS 17 has been presented to reflect the classification and measurement under IAS 39.

Consolidated statement of financial position at transition date 1 January 2022

The following table shows the Group's consolidated statement of financial position as at 1 January 2022 restated under the IFRS 17 basis and the summarised effects of the adoption of the new standard.

	At 31 Dec 2021 (as reported under IFRS 4) $m	Effects of adoption of IFRS 17 $m Presentation changes note (i)	Measurement changes note (ii)	At 1 Jan 2022 (as restated under IFRS 17) $m
Assets				
Goodwill	907	–	–	907
Deferred acquisition costs and other intangible assets:				
Deferred acquisition costs	2,815	(39)	(2,776)	–
Other intangible assets	4,043	–	(28)	4,015
	6,858	(39)	(2,804)	4,015
Insurance contract assets	n/a	–	1,250	1,250
Reinsurance contract assets	9,753	(22)	(6,944)	2,787
Deferred tax assets	266	(134)	–	132
Other non-investment and non-cash assets	3,448	(1,022)	61	2,487
Investment properties	38	–	–	38
Investments in joint ventures and associates accounted for using the equity method	2,183	–	515	2,698
Total financial investments:				
Policy loans	1,733	(1,733)	–	–
Other loans	829	–	(58)	771
Equity securities and holdings in collective investment schemes	61,601	–	–	61,601
Debt securities	99,094	–	60	99,154
Derivative assets	481	–	–	481
Deposits	4,741	–	–	4,741
	168,479	(1,733)	2	166,748
Cash and cash equivalents	7,170	–	–	7,170
Total assets	199,102	(2,950)	(7,920)	188,232
Equity				
Shareholders' equity	17,088	–	1,848	18,936
Non-controlling interests	176	–	(1)	175
Total equity	17,264	–	1,847	19,111
Liabilities				
Insurance contract liabilities*	156,485	4,243	(10,930)	149,798
Reinsurance contract liabilities	n/a	–	1,254	1,254
Investment contract liabilities without discretionary participation features	814	–	(92)	722
Core structural borrowings of shareholder-financed businesses	6,127	–	–	6,127
Operational borrowings	861	–	–	861
Deferred tax liabilities	2,862	(1,696)	1	1,167
Other liabilities	14,689	(5,497)	–	9,192
Total liabilities	181,838	(2,950)	(9,767)	169,121
Total equity and liabilities	199,102	(2,950)	(7,920)	188,232

* Included within insurance contract liabilities at 31 December 2021 are investment contracts with DPF and unallocated surplus of with-profits funds under IFRS 4.

Notes

(i) The presentation changes as shown in the table above principally arise from the following effects of the adoption of IFRS 17:

(a) *Inclusion of insurance and reinsurance related receivable and payable balances within IFRS 17 insurance and reinsurance contract assets and liabilities*
Under IFRS 17, the measurement of a group of insurance contracts requires inclusion of all the future cash flows within the boundary of each contract and as a result, all insurance and reinsurance related receivable and payable balances (eg premiums receivable and claims payable) that were previously separately presented on the balance sheet are now in effect included within the insurance and reinsurance contract balances under IFRS 17.

(b) *Policy loans*
Applying the same IFRS 17 measurement principles described above, policy loans related cash flows including any accrued interest income (previously included in 'Accrued investment income') are also included within the fulfilment cash flows of the associated group of insurance contracts.

(c) *Deferred tax liabilities*
In line with IAS 12, deferred tax assets and liabilities have been netted as appropriate. The deferred tax liabilities arising from expected future distributions of the Singapore with-profits funds have been reclassified to be part of the insurance contract liabilities under IFRS 17.

(ii) The measurement changes shown in the table above principally reflect the following measurement differences arising from the adoption of IFRS 17:

(a) *Deferred acquisition costs (DAC)*
Acquisition cash flows are taken into account in determining the day-one CSM of a group insurance contracts. As such, explicit assets for DAC are not required and the IFRS 4 balances are removed. DAC relating to investment contracts without discretionary participation features remains as an asset and has been reclassified to 'Other debtors' under 'Other non-investment and non-cash items'.

(b) *Insurance and reinsurance contract assets and liabilities*
The adjustments represent insurance and reinsurance contract measurement differences between IFRS 4 and IFRS 17, which primarily relate to the following effects:

- the establishment of a CSM under IFRS 17 in accordance with the transition rules, intended to represent the unamortised amount of expected future profit deferred upon initial recognition of an insurance contract for all in-force contracts;
- the establishment of an explicit risk adjustment for non-financial risk under IFRS 17;
- release of prudence in the IFRS 4 policyholder liabilities to leave the best estimate liability; and

– the change in treatment of the unallocated surplus of with-profits funds such that the shareholders' share is recognised in shareholders' equity after allowing for measurement differences between IFRS 4 and IFRS 17.

(c) Deferred tax assets and liabilities
Deferred tax balances are adjusted to reflect the deferred tax effects of the measurement adjustments arising from transition to IFRS 17 described above. The methods of calculating deferred tax are unchanged.

(d) Investments in joint ventures and associates accounted for using the equity method
The adjustments represent the Group's share of the impact of the transition of the balance sheets of the Group's life joint ventures and associate (being CPL, India and the Takaful business in Malaysia) from IFRS 4 to IFRS 17, arising principally from the measurement differences as described above.

A2.2 Adoption of other new accounting pronouncements

In addition to IFRS 17 and IFRS 9, the Group has adopted the following amendments in these interim financial statements. The adoption of these amendments has had no significant impact on the Group financial statements.

– Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of accounting policies' issued in February 2021;
– Amendments to IAS 8 'Definition of Accounting Estimates' issued in February 2021;
– Amendments to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction' issued in May 2021; and
– Amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules' issued in May 2023.

On 23 May 2023, the IASB issued amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules' referred to above, which became effective immediately and were approved for adoption in the UK on 19 July 2023. On 20 June 2023, legislation was substantively enacted in the UK to introduce the OECD's Pillar Two global minimum tax rules and a UK qualified domestic minimum top-up tax, with effect from 1 January 2024. The Group has applied the IAS 12 mandatory exemption from recognising and disclosing information on the associated deferred tax assets and liabilities at 30 June 2023.

A3 Critical accounting policies, estimates and judgements

The preparation of these financial statements requires Prudential to make accounting estimates and judgements about the amounts of assets, liabilities, revenues and expenses, which are both recognised and unrecognised (eg contingent liabilities) in the financial statements. Prudential evaluates its critical accounting estimates, including those related to insurance business provisioning and the fair value of assets as required. The notes below set out those critical accounting policies, the application of which requires the Group to make critical estimates and judgements. Also set out are further critical accounting policies affecting the presentation of the Group's results and other items that require the application of critical estimates and judgements.

(a) Critical accounting policies with associated critical estimates and judgements

Measurement of insurance and reinsurance contracts under IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. The process of determining the present value of future cashflows involves a number of estimates and judgments, which are set out below.

Determination of fulfilment cashflows used in the measurement of insurance and reinsurance contract assets and liabilities (impacts $131.9 billion of net insurance and reinsurance contract balances, excluding those held by joint ventures and associates)	
Estimates of future cash flows	The Group's process for estimating future cash flows incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. As this is a prediction of the future, significant judgement is applied in determining the assumptions that underpin the estimation of future cash flows. These assumptions include, but are not limited to operating assumptions such as morbidity, mortality, persistency and expenses, and economic assumptions such as risk free rates and illiquidity premium. Individual assumptions are set at a business unit level. The demographic assumptions are consistent with those used in other metrics such as EEV reporting. The Risk Review included in this Half Year Report discusses the insurance and market risks the Group faces and how these risks are mitigated. When estimating future cash flows, the Group takes into account current expectations of future events (other than those form future legislation or regulatory changes that have not been substantively enacted) that might affect those cash flows. Cash flows within the boundary of a contract (the Group's accounting policy on contract boundary is given below) relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include future premium receipts, payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. In relation to reinsurance contracts held, the probability weighted estimates of the present value of future cash flows includes the potential credit losses and losses from other disputes to reflect the non-performance risk of the reinsurers.
Expense assumptions used in future cash flow estimation	The Group projects estimates of future expenses relating to the fulfilment of contracts within the scope of IFRS 17 using current expense levels adjusted for inflation. Costs that are incurred in fulfilling the contracts include, but are not limited to claims handling costs, policy administration expenses, investment management expenses, income tax and other costs specifically chargeable to the policyholders under the terms of the contracts. Expenses included in estimated future cash flows comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads incurred by the insurance entities.

Determination of fulfilment cashflows used in the measurement of insurance and reinsurance contract assets and liabilities (impacts $131.9 billion of net insurance and reinsurance contract balances, excluding those held by joint ventures and associates)	
	Investment management expenses in relation to the management of the assets backing policyholder liabilities are included in the fulfilment cash flows for business using the VFA model, indirect participating business using the general model and general model non-participating business where the Group performs investment management activities to enhance benefits from insurance coverage for policyholders. The future expenses of internal asset management and other services excludes the projected future profits or losses generated by any non-insurance entities within the Group in providing those services (ie the IFRS results for the life insurance operations in the consolidated financial statements assume that the cost of internal asset management and other services will be that incurred by the Group as a whole, not the cost that will be borne by the insurance business). Most of the costs incurred by the insurance entities within the Group are considered to be incurred for the purpose of selling and fulfilling insurance contracts and are hence treated as attributable expenses. Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.
Policyholder benefits	The assumptions used to project the cash flows also reflect the actions that management would take over the duration of the projection, the time it would take to implement these actions and any expenses incurred in taking those actions. Management actions encompass, but are not confined to, investment allocation decisions, levels of regular and final bonuses and crediting rates. For participating contracts, estimated future claim payments include bonuses paid to policyholders determined by reference to the relevant profit sharing arrangement. For example, for the Group's with-profits business in Hong Kong, Singapore and Malaysia, asset shares are used to determine payments to policyholders. Where cash flows from one group of contracts affect, or are affected by, cash flows in other groups of contracts (eg for with-profits business), the fulfilment cash flows for a group include payments arising from the terms of existing contracts to policyholders in other groups and exclude payments to policyholders in the group that have been included in the fulfilment cash flows of another group.
Insurance acquisition cash flows	Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of contracts to which the group belongs. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads incurred by the insurance entities. Insurance acquisition cash flows that are directly attributable to a group of contracts (eg non-refundable commissions paid on issuance of a contract) are allocated to that group and to the groups that will include renewals of those contracts. Bancassurance payments (eg upfront payments to sell insurance contracts to distribution partners) are capitalised under IAS 38 as intangible assets and amortised on a basis to reflect the pattern in which the future economic benefits are expected to be consumed by reference to new business production levels. The amortisation of the bancassurance intangibles is considered to constitute insurance acquisition cash flows. They form part of fulfilment cash flows, only when such payments are linked to the sale of an insurance contract and are then amortised implicitly in line with the coverage unit pattern.
Determining the point of recognition and the boundary of an insurance contract	The point of initial recognition of a group of contracts is the earliest of the premium due date, the date coverage starts and, for an onerous contract, the date the contract is signed and accepted by both parties. There is limited judgement involved in relation to most contracts issued by the Group as the coverage period generally starts from the premium due date. The contract boundary defines which future cash flows are included in the measurement of a contract. The boundary of the fulfilment cash flows under IFRS 17 is considered to be the point at which the Group both no longer has substantive rights and obligations under the insurance contract to provide services or compel the policyholder to pay premiums. The contract boundary is assessed at inception and then reassessed only when there are changes in features or circumstances that alter the commercial substance of the contract or changes the products within a portfolio. The reassessment of the contract boundary for any changes is performed at the end of each reporting period. For most contracts issued by the Group, there is little judgement involved in determining the contract boundary as either a single premium is received for a contract which is expected to continue for a long period or a guaranteed premium is received for regular premium contracts. For certain contracts where the premiums are not guaranteed, more judgement is involved. When determining the boundary for these contracts various factors are taken into consideration by the Group such as the Group's ability to fully reprice the respective contract and how such contracts are managed. The Group has some immaterial business that is general insurance in nature and which is considered to have a boundary of one year. Where riders attach to and are not separated from a base contract, the contract boundary is determined based on the component of the contract which has the longest contract boundary.

Determination of fulfilment cashflows used in the measurement of insurance and reinsurance contract assets and liabilities (impacts $131.9 billion of net insurance and reinsurance contract balances, excluding those held by joint ventures and associates)

Future cash flows relating to riders which are not purchased at the inception of the base contract, but are added at a later date, are not included within the contract boundary at initial recognition. As the addition of these riders is the exercise of an option under the contract it is not considered a contract modification but is instead treated as changes in fulfilment cash flows.

Similar considerations to those applying to underlying insurance contracts apply in determining the contract boundary of groups of reinsurance contracts held.

Determination of discount rates

Discount rate and risk-free rate

The discount rate is determined on a bottom-up basis, starting with a liquid risk-free yield curve and adding an illiquidity premium to reflect the characteristics of the insurance contracts.

Risk-free rates are based on government bond yields for all currencies except HKD where risk-free rates are based on swap rates due to the higher liquidity of the HKD swap market. Yield curves are constructed by using a market-observed curve up to a last liquid point and then extrapolating to an ultimate forward rate.

Where cash flows vary based on the return on underlying items, the projected earned rate is set equal to the discount rate. Where stochastic modelling techniques are used, the projected average investment returns are calibrated to be equal to the deterministic discount rate (including the illiquidity premium).

The illiquidity premium is calculated as the yield-to-maturity on a reference portfolio of assets with similar liquidity characteristics to the insurance contracts, less the risk-free curve, and an allowance for credit risk.

The allowance for credit risk includes a credit risk premium which is derived through a lifetime projection of expected bond cash flows, allowing for the cost of downgrades and defaults, a rebalancing rate of projected downgrades and a recovery rate in the event of default.

A proportion of the reference portfolio's illiquidity premium is applied to portfolios of insurance contracts reflecting the liquidity characteristics of the insurance contracts. The liquidity characteristics are assessed from the policyholders' perspective. A product's illiquidity premium is restricted to be no greater than reasonably expected to be earned on the assets backing the insurance contract liabilities, over the duration of the insurance contracts.

The following tables set out the range of yield curves used to discount cash flows of insurance contracts for major currencies:

	30 Jun 2023 %				
	1 year	**5 years**	**10 years**	**15 years**	**20 years**
Chinese yuan (CNY)	1.86 – 2.36	2.44 – 2.87	2.67 – 3.10	2.91 – 3.35	3.05 – 3.48
Hong Kong dollar (HKD)	4.82 – 5.98	4.02 – 5.18	3.77 – 4.93	3.79 – 4.95	3.81 – 4.97
Indonesian rupiah (IDR)	5.81 – 6.36	6.15 – 6.70	6.57 – 7.12	6.80 – 7.35	6.95 – 7.50
Malaysian ringgit (MYR)	3.36 – 4.03	3.63 – 4.30	3.95 – 4.62	4.10 – 4.77	4.24 – 4.91
Singapore dollar (SGD)	3.66 – 4.62	3.11 – 4.07	3.00 – 3.96	2.79 – 3.75	2.43 – 3.39
United States dollar (USD)	5.42 – 6.43	4.13 – 5.14	3.81 – 4.82	3.83 – 4.84	4.17 – 5.18

	31 Dec 2022 %				
	1 year	**5 years**	**10 years**	**15 years**	**20 years**
Chinese yuan (CNY)	2.09 – 2.84	2.65 – 3.29	2.88 – 3.52	3.05 – 3.69	3.14 – 3.79
Hong Kong dollar (HKD)	4.85 – 6.14	3.96 – 5.25	3.78 – 5.07	3.82 – 5.11	3.84 – 5.13
Indonesian rupiah (IDR)	5.65 – 6.13	6.72 – 7.20	7.29 – 7.77	7.51 – 7.99	7.77 – 8.25
Malaysian ringgit (MYR)	3.52 – 3.91	3.91 – 4.29	4.13 – 4.52	4.35 – 4.73	4.49 – 4.88
Singapore dollar (SGD)	3.83 – 4.94	2.86 – 3.98	3.11 – 4.22	2.91 – 4.02	2.49 – 3.61
United States dollar (USD)	4.75 – 5.91	4.02 – 5.17	3.89 – 5.05	3.98 – 5.15	4.27 – 5.43

	1 Jan 2022 %				
	1 year	**5 years**	**10 years**	**15 years**	**20 years**
Chinese yuan (CNY)	2.21 – 2.60	2.63 – 2.99	2.81 – 3.19	3.00 – 3.65	3.12 – 3.71
Hong Kong dollar (HKD)	0.43 – 1.44	1.24 – 2.26	1.47 – 2.48	1.62 – 2.64	1.91 – 2.92
Indonesian rupiah (IDR)	3.43 – 4.81	5.55 – 6.93	7.04 – 8.42	7.43 – 8.81	7.74 – 9.12
Malaysian ringgit (MYR)	2.25 – 2.58	3.19 – 3.52	3.72 – 4.05	4.13 – 4.46	4.34 – 4.67
Singapore dollar (SGD)	0.60 – 1.58	1.38 – 2.35	1.72 – 2.70	1.99 – 2.97	2.14 – 3.12
United States dollar (USD)	0.38 – 1.30	1.27 – 2.20	1.53 – 2.46	1.69 – 2.61	2.01 – 2.93

Determination of risk adjustment for non-financial risk	
Risk adjustment for non-financial risk	The risk adjustment for non-financial risk reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer. The risk adjustment for non-financial risk is determined by the Group using a confidence level approach. This is implemented through the use of provisions for adverse deviations (PADs) calibrated using non-financial risk distributions and correlation assumptions. The PADs are applied to best estimate assumptions. The Group's risk adjustment allows for all insurance, persistency and expense risks and operational risks specific to uncertainty in the amount and timing of insurance contract cash flows. Reinsurance counterparty default risk is excluded from the calculation. Diversification is included on a net of reinsurance basis within each insurance entity of the Group. Diversification is not allowed for between entities. By applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows. The confidence level is calibrated over a one-year period.

Determination of coverage units	
Coverage units	The proportion of CSM recognised in profit or loss at the end of each period for a group of contracts is determined as the ratio of: – the coverage units in the period; divided by – the sum of the coverage units in the period and the present value of expected coverage units in future periods. The total number of coverage units in a group is the quantity of service provided determined by considering the quantity of benefits for each contract and its expected coverage period. The Group defines the quantity of benefits for insurance services as the maximum amount which a policyholder receives when an insured event takes place, for example the sum assured, the annual limit for a medical plan or the present value of a stream of payments. The quantity of benefits is updated each period. Investment related and investment-return services are assumed to be constant over time. Where there are multiple different services in a group of contracts (for example both insurance and investment services are provided), the quantities of benefits for the different types of service are combined using weighting factors. These weighting factors are defined as the present value of expected outflows for each type of service, determined at a contract level. The expected coverage period is the expected duration up to the contract boundary. The expected coverage period of the contracts in a group and the calculation of future coverage units allows for expected decrements (eg deaths and lapses) in each future period using current best estimate assumptions consistent with the BEL calculation. The time value of money will be reflected in future coverage units. Determination of coverage units for groups of reinsurance contracts held follow the same principles as for groups of underlying contracts.

(b) Further critical accounting policies affecting the presentation of the Group's results

Presentation of results before tax attributable to shareholders	
Profit before tax is a significant IFRS income statement item. The Group has chosen to present a measure of profit before tax attributable to shareholders which distinguishes between tax borne by shareholders and tax attributable to policyholders to support understanding of the performance of the Group. Profit before tax attributable to shareholders is $1,175 million and compares to profit before tax of $1,243 million as shown in the Consolidated income statement.	The total tax charge for the Group reflects tax that, in addition to that relating to shareholders' profit, it is also attributable to policyholders through the interest in with-profits or unit-linked funds. Reported IFRS profit before the tax measure is therefore not representative of pre-tax profit attributable to shareholders. Accordingly, in order to provide a measure of pre-tax profit attributable to shareholders, the Group has chosen to adopt an income statement presentation of the tax charge and pre-tax results that distinguishes between policyholders' and shareholders' returns.

Segmental analysis of results and earnings attributable to shareholders	
The Group uses adjusted operating profit as the segmental measure of its results. Total segmental adjusted operating profit is $1,782 million as shown in note B1.1.	The basis of calculation of adjusted operating profit is provided in note B1.2. The vast majority of the Group's investments are valued at fair value through profit and loss. Short-term fluctuations in the fair value of investments are only partially offset by the effect of economic changes on insurance contract assets and liabilities and so affect the result for the period. The Group therefore provides additional analysis of results before and after the effects of short-term fluctuations in investment returns, together with other items that are of a short-term, volatile or one-off nature.

(c) Other items requiring application of critical estimates or judgements

VFA eligibility assessment

The Group applies judgements in assessing the VFA eligibility of contracts. Application of the VFA impacts the calculation of the CSM at the balance sheet date, which in turn impacts the future year's amortisation recognised in the income statement. Unlike the GMM approach, the VFA approach absorbs economic impacts within the CSM, rather than in the profit and loss account.

The total insurance and reinsurance CSM at the balance sheet date is $20,820 million, including joint ventures and associates, and the CSM amortisation, net of reinsurance, recognised in the income statement is $1,177 million as shown in note C3.2. Approximately 72 per cent of the CSM (including joint ventures and associates and net of reinsurance) at transition was calculated under the VFA.

IFRS 17 requires the use of the VFA for insurance contracts with direct participation features, ie substantially investment-related service contracts for which, at inception:

a. the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
b. the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
c. the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

The following key judgements have been made in assessing VFA eligibility:

Definition of substantial	The term substantial is interpreted to mean greater than 50 per cent.
Contractual terms	In some circumstances contractual terms are implied by customary business practices.
Granularity of assessment	The assessment has been carried out at a contract level. However, to the extent insurance contracts in a group affect the cash flows to policyholders of contracts in other groups (referred to as "mutualisation"), eligibility for the VFA has been assessed at the level at which such mutualisation occurs (eg fund level).
Calculation basis	VFA eligibility assessments have been performed on a basis consistent with how the Group measures its realistic expectations, for example when pricing, monitoring or setting returns to policyholders.

Contracts not qualifying for the VFA are accounted for under the GMM or PAA. The PAA is not used significantly within the Group.

Carrying value of distribution rights intangible assets

The Group applies judgement to assess whether factors such as the financial performance of the distribution arrangements, or changes in relevant legislation and regulatory requirements indicate an impairment of intangible assets representing distribution rights.

To determine the impaired value, the Group estimates the discounted future expected cash flows arising from the cash generating unit containing the distribution rights.
Impacts $3,428 million of assets as shown in note C4.2.

Distribution rights relate to bancassurance partnership arrangements for the distribution of products for the term of the contractual agreement with the bank partner, for which an asset is recognised based on fees paid and fees payable not subject to performance conditions. Distribution rights impairment testing is conducted when there is an indication of an impairment.

To assess indicators of an impairment, the Group monitors a number of internal and external factors, including indications that the financial performance of the arrangement is likely to be worse than expected and changes in relevant legislation and regulatory requirements that could impact the Group's ability to continue to sell new business through the bancassurance channel, and then applies judgement to assess whether these factors indicate that an impairment has occurred.

If an impairment has occurred, a charge is recognised in the income statement for the difference between the carrying value and recoverable amount of the asset. The recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is calculated as the present value of future expected cash flows from the asset or the cash generating unit to which it is allocated.

Financial investments – Valuation	
Financial investments held at fair value, net of derivative liabilities, excluding those held by joint ventures and associates is $141,359 million as shown in note C2.2(a). Financial investments held at amortised cost represent $5,200 million of the Group's total assets. The Group estimates the fair value of financial investments that are not actively traded using quotations from independent third parties or internally developed pricing models.	The Group holds the majority of its financial investments at fair value (primarily through profit or loss). Financial investments held at amortised cost primarily comprise loans and deposits and certain debt securities held by Eastspring. Determination of fair value The fair values of the financial instruments for which fair valuation is required under IFRS Standards are determined by the use of quoted market prices for exchange-quoted investments or by using quotations from independent third parties such as brokers and pricing services or by using appropriate valuation techniques. Further details are included in note C2.1. The estimated fair value of derivative financial instruments reflects the estimated amount the Group would receive or pay in an arm's-length transaction. This amount is determined using quoted prices if exchange listed, quotations from independent third parties or valued internally using standard market practices. Quoted market prices are used to value investments having quoted prices. Actively traded investments without quoted prices are valued using prices provided by third parties such as brokers or pricing services. Financial investments measured at fair value are classified into a three-level hierarchy as described in note C2.1. If the market for a financial investment of the Group is not active, the Group establishes fair value by using quotations from independent third parties, such as brokers or pricing services, or by using internally developed pricing models. Priority is given to publicly available prices from independent sources when available, but overall the source of pricing and/or the valuation technique is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these financial investments. Details of the financial investments classified as 'level 3' to which valuation techniques are applied and the sensitivity of profit before tax to a change in the valuation of these items, are presented in note C2.2.

B Earnings performance

B1 Analysis of performance by segment

B1.1 Segment results

		2023 $m	2022 $m		2023 vs 2022 %		2022 $m
			Half year	Half year	Half year	Half year	Full year
		Half year	AER	CER	AER	CER	AER
	Note	note (i)	note (i)	note (i)	note (i)	note (i)	note (i)
CPL		**164**	132	124	24%	32%	271
Hong Kong		**554**	598	597	(7)%	(7)%	1,162
Indonesia		**109**	118	113	(8)%	(4)%	205
Malaysia		**165**	193	184	(15)%	(10)%	340
Singapore		**270**	313	320	(14)%	(16)%	570
Growth markets and other[note (ii)]		**374**	337	323	11%	16%	728
Eastspring		**146**	131	128	11%	14%	260
Total segment profit	B1.3	**1,782**	1,822	1,789	(2)%	0%	3,536
Other income and expenditure:							
Net investment return and other items[note (iii)]		**(28)**	(4)	(4)	n/a	n/a	(44)
Interest payable on core structural borrowings		**(85)**	(103)	(103)	17%	17%	(200)
Corporate expenditure[note (iv)]		**(115)**	(150)	(150)	23%	23%	(276)
Total other income and expenditure		**(228)**	(257)	(257)	11%	11%	(520)
Restructuring and IFRS 17 implementation costs[note (v)]		**(92)**	(154)	(152)	40%	39%	(294)
Adjusted operating profit	B1.2	**1,462**	1,411	1,380	4%	6%	2,722
Short-term fluctuations in investment returns		**(287)**	(2,820)	(2,806)	90%	90%	(3,420)
Gain attaching to corporate transactions	D1	**–**	62	62	n/a	n/a	55
Profit (loss) before tax attributable to shareholders		**1,175**	(1,347)	(1,364)	n/a	n/a	(643)
Tax charge attributable to shareholders' returns		**(228)**	(158)	(147)	(44)%	(55)%	(354)
Profit (loss) for the period		**947**	(1,505)	(1,511)	n/a	n/a	(997)
Attributable to:							
Equity holders of the Company		**944**	(1,508)	(1,514)	n/a	n/a	(1,007)
Non-controlling interests		**3**	3	3	n/a	n/a	10
Profit (loss) for the period		**947**	(1,505)	(1,511)	n/a	n/a	(997)

Basic earnings per share (in cents)		2023	2022		2023 vs 2022 %		2022
		Half year	Half year	Half year	Half year	Half year	Full year
	Note		AER	CER	AER	CER	AER
	B3	note (i)	note (i)	note (i)	note (i)	note (i)	note (i)
Based on adjusted operating profit, net of tax and non-controlling interest		**45.2¢**	40.6¢	39.9¢	11%	13%	79.4¢
Based on profit (loss) for the period, net of non-controlling interest		**34.5¢**	(55.1)¢	(55.4)¢	n/a	n/a	(36.8)¢

Notes

(i) Segment results are attributed to the shareholders of the Group before deducting the amount attributable to the non-controlling interests. This presentation is applied consistently throughout the document. For definitions of AER and CER refer to note A1.

(ii) The Growth markets and other segment includes non-insurance entities that support the Group's insurance business and the result for this segment is after deducting the corporate taxes arising from the life joint ventures and associates.

(iii) Net investment return and other items includes an adjustment to eliminate intercompany profits as described below. Entities within the Prudential Group can provide services to each other, the most significant example being the provision of asset management services by Eastspring to the life entities. If the associated expenses are deemed attributable to the entity's insurance contracts then the costs are included within the estimate of future cashflows when measuring the insurance contract under IFRS 17. In the Group's consolidated accounts, IFRS 17 requires the removal of the intercompany profit from the measurement of the insurance contract. Put another way the future cash flows include the cost to the Group (not the insurance entity) of providing the service. In the period that the service is provided the entity undertaking the service, for example Eastspring, recognises the profit it earns as part of its results. To avoid any double counting an adjustment is included with the centre's "net investment return and other items" to remove the benefit already recognised when valuing the insurance contract.

(iv) Corporate expenditure as shown above is for head office functions.

(v) Restructuring and IFRS 17 implementation costs include those incurred in insurance and asset management operations of $(36) million (half year 2022: $(44) million; full year 2022: $(137) million), largely comprising the costs of Group-wide projects including the implementation of IFRS 17, reorganisation programmes and initial costs of establishing new business initiatives and operations.

B1.2 Determining operating segments and performance measure of operating segments

Operating segments

The Group's operating and reported segments for financial reporting purposes are defined and presented in accordance with IFRS 8 'Operating Segments'. There have been no changes to the Group's operating segments as reported in these interim financial statements from those reported in the Group's consolidated financial statements for the year ended 31 December 2022. Operations and transactions which do not form part of any business unit are reported as 'Unallocated to a segment' and generally comprise head office functions.

Performance measure

The performance measure of operating segments utilised by the Group is IFRS operating profit based on longer-term investment returns (adjusted operating profit) as described below. This measurement basis distinguishes adjusted operating profit from other constituents of total profit or loss for the period, including short-term fluctuations in investment returns and gain or loss on corporate transactions.

Determination of adjusted operating profit

(a) Approach adopted for insurance businesses

The measurement of adjusted operating profit reflects that, for the insurance business, assets and liabilities are held for the longer term. The Group believes trends in underlying performance are better understood if the effects of short-term fluctuations in market conditions, such as changes in interest rates or equity markets, are excluded.

The method of allocating profit between operating and non-operating components involves applying longer-term rates of return to the Group's assets held by insurance entities (including joint ventures and associates). These longer-term rates of return are not applied when assets and liabilities move broadly in tandem and hence the effect on profit from short-term market movements is more muted. In summary the Group applies the following approach when attributing the *'net investment result'* between operating and non-operating profit:

- Returns on investments that meet the definition of an 'underlying item', namely those investments that determine some of the amounts payable to a policyholder such as assets within unit linked funds or with-profits funds, are recorded in adjusted operating profit on an actual return basis. The exception is for investments backing the shareholders' 10 per cent share of the estate within the Hong Kong with-profits fund. Changes in the value of these investments, including those driven by market movements, pass through the income statement with no liability offset. Consequently adjusted operating profit recognises investment return on a longer-term basis for these assets.
- For insurance contracts measured under the General Measurement Model, the impact of market movements on both the non-underlying insurance contract balances and the investments they relate to are considered together. Adjusted operating profit allows for the long-term credit spread (net of the expected defaults) or long-term equity risk premium on the debt and equity-type instruments respectively. Deducted from this amount is the unwind of the liquidity premium included in the current discount rate for the liabilities.
- A longer-term rate of return is applied to all other investments held by the Group's insurance business for the purposes of calculating adjusted operating profit. More detail on how longer-term rates are determined is set below.

The difference between the net investment result recorded in the income statement and the longer-term returns determined using the above principles is recorded as 'short-term fluctuations in investment returns' as a component of non-operating profit.

The *'insurance service result'* is recognised in adjusted operating profit in full with the exception of gains or losses that arise from market and other related movements on onerous contracts measured under the variable fee approach. If these gains and losses are capable of being offset across more than one annual cohort of the same product or fund as applicable then the adjusted operating profit is determined by amortising the net of the future profits and losses on all contracts where profits or losses can be shared. Any difference between this and the insurance service results presented in the income statement is classified as part of 'short-term fluctuations in investment returns', a *component of non-operating profit.*

(b) Determination of longer-term returns

The longer-term rates of return are estimates of the long-term trend investment returns having regard to past performance, current trends and future expectations. These rates are broadly stable from period to period but may be different between regions, reflecting, for example, differing expectations of inflation in each business unit. The assumptions are for the returns expected to apply in equilibrium conditions. The assumed rates of return do not reflect any cyclical variability in economic performance and are not set by reference to prevailing asset valuations.

For collective investment schemes that include different types of assets (eg equities and debt securities), weighted assumptions are used reflecting the asset mix underlying the relevant fund mandates.

Debt securities and loans

For debt securities and loans, the longer-term rates of return are estimates of the long-term government bond yield, plus the estimated long-term credit spread over the government bond yield, less an allowance for expected credit losses. The credit spread and credit loss assumptions reflect the mix of assets by credit rating. Longer-term rates of return range from 2.8 per cent to 7.8 per cent for all periods shown above.

Equity-type securities

For equity-type securities, the longer-term rates of return are estimates of the long-term trend investment returns for income and capital. Longer-term rates of return range from 8.6 per cent to 15.7 per cent for all periods shown above.

Derivative value movements

In the case where derivatives change the nature of other invested assets (eg by lengthening the duration of assets, hedging overseas bonds to the currency of the local liabilities, or by providing synthetic exposure to equities), the longer-term return on those invested assets reflects the impacts of the derivatives.

(c) Non-insurance businesses

For these businesses, the determination of adjusted operating profit reflects the underlying economic substance of the arrangements and excludes market related items only where it is expected these will unwind over time.

B1.3 Analysis of adjusted operating profit by driver

The table below analyses the Group's adjusted operating profit into the underlying drivers using the following categories:

- Adjusted release of CSM, which is net of reinsurance, represents the release from the CSM for the insurance services provided in the period adjusted for the reduction in CSM release that would occur if gains on profitable contracts were combined with losses on onerous contracts for those contacts where gains and losses can be shared across cohorts as described in note B1.2.
- Experience variances represent the difference between the actual amounts incurred or received in the period and that assumed within the best estimate liability for insurance and reinsurance contracts. It covers items such as claims, attributable expenses and premiums to the extent that they relate to current or past service.
- Release of risk adjustment, which is net of reinsurance, represents the amount of risk adjustment recognised in the income statement representing non-financial risk that expired in the period net of the amount that was assumed to be covered by under any reinsurance contracts in place.
- Other insurance service result primarily relates to movements on onerous contracts that impact adjusted operating profit (ie excluding those discussed in B1.2).
- Other insurance income and expenditure represent other sources of income and expenses that are not considered to be attributable to insurance contracts under IFRS 17.
- Net investment result on longer-term basis comprises the component of the 'net investment result' that has been attributed to adjusted operating profit by applying the approach as described in note B1.2.

Under IFRS, the Group's share of results from its investments in joint ventures and associates accounted for using the equity method is included as a single line in the Group's profit before tax on a net of related tax basis. In the table below, the results of the life joint ventures and associates are analysed by adjusted operating profit drivers and on a pre-tax basis, with related tax shown separately in order for the contribution from the life joint ventures and associates to be included in the profit driver analysis on a consistent basis with the rest of the insurance business operations.

	2023 $m	2022 $m		2023 vs 2022 %		2022 $m
	Half year	Half year AER	Half year CER	Half year AER	Half year CER	Full year AER
Adjusted release of CSM[note]	**1,178**	1,212	1,189	(3)%	(1)%	2,265
Release of risk adjustment	**107**	98	96	9%	11%	179
Experience variances	**(92)**	(19)	(13)	n/a	n/a	(66)
Other insurance service result	**(85)**	(134)	(128)	37%	34%	(204)
Adjusted insurance service result[note]	**1,108**	1,157	1,144	(4)%	(3)%	2,174
Net investment result on longer-term basis[note]	**612**	653	632	(6)%	(3)%	1,290
Other insurance income and expenditure	**(45)**	(83)	(80)	46%	44%	(98)
Share of related tax charges from joint ventures and associates	**(39)**	(36)	(35)	(8)%	(11)%	(90)
Insurance business	**1,636**	1,691	1,661	(3)%	(2)%	3,276
Eastspring	**146**	131	128	11%	14%	260
Other income and expenditure	**(228)**	(257)	(257)	11%	11%	(520)
Restructuring and IFRS 17 implementation costs	**(92)**	(154)	(152)	40%	39%	(294)
Adjusted operating profit	**1,462**	1,411	1,380	4%	6%	2,722

Note

The adjusted release of CSM and the adjusted insurance service result are reconciled to the information in the Analysis of movements in insurance and reinsurance contract balances by measurement component in note C3.2 (including joint ventures and associates) and the condensed consolidated income statement as follows:

	2023 $m	2022 $m	
	Half year	**Half year**	**Full year**
Release of CSM, net of reinsurance as included within Insurance service result on the consolidated income statement	**1,068**	1,088	2,013
Add amounts relating to the Group's life joint ventures and associates that are accounted for on equity-method	**109**	113	229
Release of CSM, net of reinsurance as shown in note C3.2			
Insurance	**1,223**	n/a	2,413
Reinsurance	**(46)**	n/a	(171)
	1,177	n/a	2,242
Adjustment to release of CSM for the treatment adopted for adjusted operating purposes of combining losses on onerous contracts and gains on profitable contracts that can be shared across more than one annual cohort	**1**	11	23
Adjusted release of CSM as shown above	**1,178**	1,212	2,265
Insurance service result as shown in the consolidated income statement	**1,019**	1,258	2,177
Add amounts relating to the Group's life joint ventures and associates that are accounted for on equity-method	**70**	45	112
Insurance service result as shown in note C3.2			
Insurance	**1,181**	n/a	2,396
Reinsurance	**(92)**	n/a	(107)
	1,089	n/a	2,289
Removal of losses or gains from reversal of losses on those onerous contracts that meet the criteria in note B1.2 less the change to the release of CSM shown above	**70**	(83)	(33)
Other primarily related to policyholder tax*	**(51)**	(63)	(82)
Adjusted insurance service result as shown above	**1,108**	1,157	2,174

* Other primarily relates to the offsetting of the expected and variance of the tax charge attributable to policyholders included in the insurance service result in the income statement and the actual tax charge that is presented in the IAS 12 tax line in the income statement but included in the pre-tax adjusted operating profit attributable to shareholders. These tax amounts, while presented in different lines in the consolidated income statement, are wholly attributable to policyholders with no net impact to adjusted operating profit and so have been offset in the analysis above.

In addition, net investment result on longer-term basis is reconciled to the net investment result in the condensed consolidated income statement as follows:

	2023 $m	2022 $m	
	Half year	**Half year**	**Full year**
Net investment result as shown in the consolidated income statement	**652**	(2,098)	(1,883)
Remove investment return of non-insurance entities	**(39)**	(34)	(54)
Remove short-term fluctuations in investment return included in non-operating profit*	**287**	2,820	3,420
Other items*	**(288)**	(35)	(193)
Net investment result on longer-term basis as shown above	**612**	653	1,290

* These reconciling line items include the impact from the Group's life joint ventures and associates.

B1.4 Revenue

The Group recognises insurance revenue as it satisfies its performance obligations, ie as it provides services under groups of insurance contracts. The insurance revenue relating to services provided for each period represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and comprises the following items.

- *A release of the CSM, measured based on coverage units provided;*
- *Changes in the risk adjustment for non-financial risk relating to current services;*
- *Claims and other insurance service expenses for the period expected at the beginning of the year; and*
- *Other amounts, if any, for example, experience adjustments for premium receipts for current or past services.*

In addition, the Group allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period using the same amortisation factor used to amortise CSM. The Group recognises the allocated amount, adjusted for interest accretion, as insurance revenue and an equal amount as insurance service expenses.

Non-distinct investment components are excluded from insurance revenue and insurance service expenses.
Policy fees charged on investment contracts without discretionary participation features for asset management and policy administration fees are recognised when related services are provided.

	Half year 2023 $m									
	Insurance operations[note (i)]									
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Eastspring	Inter-segment elimination	Total segment	Unallocated to a segment	Total
Insurance revenue	**1,582**	**551**	**566**	**946**	**946**	**–**	**–**	**4,591**	**–**	**4,591**
Other revenue[note (ii)]	**11**	**2**	**–**	**1**	**17**	**145**	**–**	**176**	**–**	**176**
Total revenue from external customers	**1,593**	**553**	**566**	**947**	**963**	**145**	**–**	**4,767**	**–**	**4,767**
Intra-group revenue	**–**	**–**	**–**	**–**	**–**	**103**	**(103)**	**–**	**–**	**–**
Interest income	**540**	**40**	**133**	**444**	**393**	**3**	**–**	**1,553**	**61**	**1,614**
Dividend and other investment income	**410**	**81**	**79**	**273**	**65**	**2**	**–**	**910**	**7**	**917**
Investment appreciation (depreciation)	**2,345**	**36**	**(69)**	**1,234**	**1,128**	**4**	**–**	**4,678**	**(38)**	**4,640**
Total revenue	**4,888**	**710**	**709**	**2,898**	**2,549**	**257**	**(103)**	**11,908**	**30**	**11,938**

	Half year 2022 $m									
	Insurance operations[note (i)]									
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Eastspring	Inter-segment elimination	Total segment	Unallocated to a segment	Total
Insurance revenue	1,386	539	507	864	863	–	–	4,159	–	4,159
Other revenue[note (ii)]	14	–	–	2	7	181	–	204	–	204
Total revenue from external customers	1,400	539	507	866	870	181	–	4,363	–	4,363
Intra-group revenue	–	–	–	–	1	106	(107)	–	–	–
Interest income	477	39	110	387	303	1	–	1,317	3	1,320
Dividend and other investment income	338	103	103	321	66	–	–	931	19	950
Investment appreciation (depreciation)	(17,659)	(161)	(603)	(5,403)	(2,327)	(17)	–	(26,170)	28	(26,142)
Total revenue	(15,444)	520	117	(3,829)	(1,087)	271	(107)	(19,559)	50	(19,509)

	Full year 2022 $m									
	Insurance operations[note (i)]									
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Eastspring	Inter-segment elimination	Total segment	Unallocated to a segment	Total
Insurance revenue	2,840	1,070	1,029	1,815	1,795	–	–	8,549	–	8,549
Other revenue[note (ii)]	65	6	–	1	33	330	–	435	1	436
Total revenue from external customers	2,905	1,076	1,029	1,816	1,828	330	–	8,984	1	8,985
Intra-group revenue	–	–	–	–	1	199	(200)	–	–	–
Interest income	927	83	208	724	601	4	–	2,547	50	2,597
Dividend and other investment income	689	77	183	576	107	1	–	1,633	25	1,658
Investment appreciation (depreciation)	(23,615)	(69)	(386)	(6,679)	(2,860)	(21)	–	(33,630)	(5)	(33,635)
Total revenue	(19,094)	1,167	1,034	(3,563)	(323)	513	(200)	(20,466)	71	(20,395)

Notes

(i) The Group's share of the results from the joint ventures and associates including CPL that are equity accounted for is presented in a single line within the Group's profit before tax on a net of related tax basis, and therefore not shown in the analysis of revenue line items above.

(ii) Other revenue comprises revenue from external customers and consists primarily of revenue from the Group's asset management business of $145 million (half year 2022: $181 million; full year 2022: $330 million).

B2 Tax charge

The total tax charge in the income statement is as follows:

	2023 $m	2022 $m	
	Half year	**Half year**	**Full year**
Hong Kong	**(63)**	(57)	(106)
Indonesia	**(27)**	(17)	(27)
Malaysia	**(43)**	32	(44)
Singapore	**(91)**	46	(61)
Growth markets and other	**(66)**	(171)	(210)
Eastspring	**(14)**	(14)	(26)
Total segment	**(304)**	(181)	(474)
Unallocated to a segment (central operations)	**8**	(1)	(4)
Total tax charge	**(296)**	(182)	(478)
Analysed by:			
Current tax	**(238)**	(255)	(481)
Deferred tax	**(58)**	73	3
Total tax charge	**(296)**	(182)	(478)

Profit before tax includes Prudential's share of profit after tax from the joint ventures and associates that are equity-accounted for. Therefore, the actual tax charge in the income statement does not include tax arising from the results of joint ventures and associates including CPL.

The actual shareholder tax rates of the relevant business operations are shown below:

	Half year 2023 %							
	Hong Kong	**Indonesia**	**Malaysia**	**Singapore**	**Growth markets and other**	**Eastspring**	**Other operations**	**Total attributable to shareholders**
Tax rate on adjusted operating profit	**5%**	**21%**	**22%**	**16%**	**22%**	**10%**	**3%**	**15%**
Tax rate on profit before tax attributable to shareholders' returns	**5%**	**22%**	**23%**	**16%**	**13%**	**10%**	**2%**	**19%**

	Half year 2022 %							
	Hong Kong	**Indonesia**	**Malaysia**	**Singapore**	**Growth markets and other**	**Eastspring**	**Other operations**	**Total attributable to shareholders**
Tax rate on adjusted operating profit	5%	22%	22%	15%	41%	11%	0%	21%
Tax rate on profit before tax attributable to shareholders' returns	(3)%	22%	(50)%	17%	85%	11%	0%	(12)%

	Full year 2022 %							
	Hong Kong	**Indonesia**	**Malaysia**	**Singapore**	**Growth markets and other**	**Eastspring**	**Other operations**	**Total attributable to shareholders**
Tax rate on adjusted operating profit	4%	19%	26%	16%	33%	10%	0%	20%
Tax rate on profit before tax attributable to shareholders' returns	(7)%	16%	25%	63%	40%	10%	(1)%	(55)%

B3 Earnings per share

	Half year 2023					
	Before tax $m	Tax $m	Non-controlling interests $m	Net of tax and non-controlling interests $m	Basic earnings per share cents	Diluted earnings per share cents
Based on adjusted operating profit	**1,462**	**(221)**	**(3)**	**1,238**	**45.2¢**	**45.2¢**
Short-term fluctuations in investment returns	**(287)**	**(7)**	**–**	**(294)**	**(10.7)¢**	**(10.7)¢**
Gain attaching to corporate transactions	**–**	**–**	**–**	**–**	**–¢**	**–¢**
Based on profit for the period	**1,175**	**(228)**	**(3)**	**944**	**34.5¢**	**34.5¢**

	Half year 2022					
	Before tax $m	Tax $m	Non-controlling interests $m	Net of tax and non-controlling interests $m	Basic earnings per share cents	Diluted earnings per share cents
Based on adjusted operating profit	1,411	(296)	(4)	1,111	40.6¢	40.6¢
Short-term fluctuations in investment returns	(2,820)	138	1	(2,681)	(98.0)¢	(98.0)¢
Gain attaching to corporate transactions	62	–	–	62	2.3¢	2.3¢
Based on profit for the period	(1,347)	(158)	(3)	(1,508)	(55.1)¢	(55.1)¢

	Full year 2022					
	Before tax $m	Tax $m	Non-controlling interests $m	Net of tax and non-controlling interests $m	Basic earnings per share cents	Diluted earnings per share cents
Based on adjusted operating profit	2,722	(539)	(11)	2,172	79.4¢	79.4¢
Short-term fluctuations in investment returns	(3,420)	185	1	(3,234)	(118.2)¢	(118.2)¢
Gain attaching to corporate transactions	55	–	–	55	2.0¢	2.0¢
Based on profit for the year	(643)	(354)	(10)	(1,007)	(36.8)¢	(36.8)¢

Basic earnings per share are calculated based on earnings attributable to ordinary shareholders, after related tax and non-controlling interests, divided by the weighted average number of ordinary shares outstanding during the period, excluding those held in employee share trusts, which are treated as cancelled. For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's only class of potentially dilutive ordinary shares are those share options granted to employees where the exercise price is less than the average market price of the ordinary shares during the period. No adjustment is made if the impact is anti-dilutive overall.

The weighted average number of shares for calculating basic and diluted earnings per share, which excludes those held in employee share trusts, is set out as below:

	2023	2022	
Number of shares (in millions)	**Half year**	**Half year**	**Full year**
Weighted average number of shares for calculation of basic earnings per share	**2,740**	2,736	2,736
Shares under option at end of period	**1**	–	1
Shares that would have been issued at fair value on assumed option price at end of period	**(1)**	–	(1)
Weighted average number of shares for calculation of diluted earnings per share	**2,740**	2,736	2,736

B4 Dividends

	Half year 2023		Half year 2022		Full year 2022	
	Cents per share	$m	Cents per share	$m	Cents per share	$m
Dividends relating to reporting period:						
First interim dividend	**6.26¢**	**172**	5.74¢	158	5.74¢	154
Second interim dividend	**–**	**–**	–	–	13.04¢	359
Total relating to reporting period	**6.26¢**	**172**	5.74¢	158	18.78¢	513
Dividends paid in reporting period:						
Current year first interim dividend	**–**	**–**	–	–	5.74¢	154
Second interim dividend for prior year	**13.04¢**	**361**	11.86¢	320	11.86¢	320
Total paid in reporting period	**13.04¢**	**361**	11.86¢	320	17.60¢	474

First and second interim dividends are recorded in the period in which they are paid.

Dividend per share

On 19 October 2023, Prudential will pay a first interim dividend of 6.26 cents per ordinary share for the year ending 31 December 2023. The first interim dividend will be paid to shareholders recorded on the UK register at 6.00pm (British Summer Time) or on the HK branch register at 4.30pm (Hong Kong Time) on 8 September 2023 (Record Date) and also to the holders of US American Depositary Receipts (ADRs) as at 8 September 2023. The first interim dividend will be paid on or about 26 October 2023 to shareholders with shares standing to the credit of their securities accounts with The Central Depository (Pte) Limited (CDP) at 5.00pm (Singapore Time) on the Record Date.

Shareholders holding shares on the UK or HK share registers will continue to receive their dividend payments in either GBP or HKD respectively, unless they elect to receive dividend payments in USD. Elections must be made through the relevant UK or HK share registrar on or before 29 September 2023. The corresponding amounts per share in GBP and HKD are expected to be announced on or about 9 October 2023. The USD to GBP and HKD conversion rates will be determined by the actual rates achieved by Prudential buying those currencies prior to the subsequent announcement.

Holders of ADRs will continue to receive their dividend payments in USD. Shareholders holding an interest in Prudential shares through CDP in Singapore will continue to receive their dividend payments in SGD at an exchange rate determined by CDP.

Shareholders on the UK register are eligible to participate in a Dividend Reinvestment Plan.

C Financial position

C1 Group assets and liabilities

C1.1 Group investments by business type
The analysis below is structured to show the investments of the Group's subsidiaries by reference to the differing degrees of policyholder and shareholder economic interest of the different types of business.

Debt securities are analysed below according to the issuing government for sovereign debt and to credit ratings for the rest of the securities.

The Group uses the middle of the Standard & Poor's, Moody's and Fitch ratings, where available. Where ratings are not available from these rating agencies, local external rating agencies' ratings and lastly internal ratings have been used. Securities with none of the ratings listed above are classified as unrated and included under the 'below BBB- and unrated' category. The total securities (excluding sovereign debt) that were unrated at 30 June 2023 were $1,127 million (31 December 2022: $1,152 million). Additionally, government debt is shown separately from the rating breakdowns in order to provide a more focused view of the credit portfolio.

In the table below, AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB- ratings. Financial assets which fall outside this range are classified as below BBB-.

The following table classifies assets into those that primarily back the Group's participating funds that are measured under the variable fee approach, those backing unit-linked funds, other investments held within the insurance entities, Eastspring's investments and those that are unallocated to a segment (principally centrally held investments).

In terms of the investments held by the insurance businesses, those within funds with policyholder participation and those within unit-linked funds represent underlying items. The gains or losses on these investments will be offset by movements in policyholder liabilities and therefore adjusted operating profit reflects the actual investment return on these assets. The exception is for investments backing the shareholders' 10 per cent share of the estate within the Hong Kong with-profits fund. Changes in the value of these investments, including those driven by market movements, pass through the income statement with no liability offset. Consequently adjusted operating profit recognises investment return on a longer-term basis for these assets.

In terms of other assets held within the insurance entities, these largely comprise assets backing IFRS shareholders' equity or are non-underlying items backing General Measurement Model liabilities and therefore these other investments are recognised in adjusted operating profit at a longer-term rate.

	30 Jun 2023 $m						
	Asia and Africa						
	Insurance						
	Funds with policyholder participation*	Unit-linked funds	Other	Eastspring	Total	Unallocated to a segment	Group total
Debt securities:							
Sovereign debt							
Indonesia	**408**	**637**	**460**	**–**	**1,505**	**–**	**1,505**
Singapore	**3,330**	**571**	**943**	**–**	**4,844**	**–**	**4,844**
Thailand	**1**	**3**	**1,612**	**–**	**1,616**	**–**	**1,616**
United Kingdom	**–**	**4**	**44**	**–**	**48**	**–**	**48**
United States	**23,364**	**18**	**1,756**	**–**	**25,138**	**–**	**25,138**
Vietnam	**3,084**	**27**	**180**	**–**	**3,291**	**–**	**3,291**
Other (predominantly Asia)	**4,056**	**672**	**1,675**	**27**	**6,430**	**–**	**6,430**
Subtotal	**34,243**	**1,932**	**6,670**	**27**	**42,872**	**–**	**42,872**
Other government bonds							
AAA	**1,421**	**89**	**137**	**–**	**1,647**	**–**	**1,647**
AA+ to AA-	**85**	**11**	**22**	**–**	**118**	**–**	**118**
A+ to A-	**694**	**114**	**234**	**–**	**1,042**	**–**	**1,042**
BBB+ to BBB-	**231**	**51**	**71**	**–**	**353**	**–**	**353**
Below BBB- and unrated	**487**	**15**	**76**	**–**	**578**	**–**	**578**
Subtotal	**2,918**	**280**	**540**	**–**	**3,738**	**–**	**3,738**
Corporate bonds							
AAA	**1,175**	**169**	**234**	**–**	**1,578**	**–**	**1,578**
AA+ to AA-	**2,527**	**356**	**932**	**–**	**3,815**	**–**	**3,815**
A+ to A-	**10,141**	**540**	**2,291**	**–**	**12,972**	**–**	**12,972**
BBB+ to BBB-	**8,938**	**711**	**2,019**	**–**	**11,668**	**–**	**11,668**
Below BBB- and unrated	**2,487**	**583**	**356**	**2**	**3,428**	**–**	**3,428**
Subtotal	**25,268**	**2,359**	**5,832**	**2**	**33,461**	**–**	**33,461**
Asset-backed securities							
AAA	**194**	**1**	**66**	**–**	**261**	**–**	**261**
AA+ to AA-	**16**	**2**	**2**	**–**	**20**	**–**	**20**
A+ to A-	**46**	**1**	**10**	**–**	**57**	**–**	**57**
BBB+ to BBB-	**15**	**–**	**3**	**–**	**18**	**–**	**18**
Below BBB- and unrated	**2**	**1**	**–**	**–**	**3**	**–**	**3**
Subtotal	**273**	**5**	**81**	**–**	**359**	**–**	**359**
Total debt securities[notes (i)(iii)]	**62,702**	**4,576**	**13,123**	**29**	**80,430**	**–**	**80,430**
Loans:							
Mortgage loans	**99**	**–**	**45**	**–**	**144**	**–**	**144**
Other loans	**430**	**–**	**–**	**–**	**430**	**–**	**430**
Total loans	**529**	**–**	**45**	**–**	**574**	**–**	**574**
Equity securities and holdings in collective investment schemes:							
Direct equities	**17,352**	**11,637**	**156**	**106**	**29,251**	**–**	**29,251**
Collective investment schemes	**22,670**	**7,070**	**1,514**	**3**	**31,257**	**–**	**31,257**
Total equity securities and holdings in collective investment schemes	**40,022**	**18,707**	**1,670**	**109**	**60,508**	**–**	**60,508**
Other financial investments[note (ii)]	**2,416**	**403**	**1,503**	**96**	**4,418**	**1,096**	**5,514**
Total financial investments	**105,669**	**23,686**	**16,341**	**234**	**145,930**	**1,096**	**147,026**
Investment properties	**–**	**–**	**38**	**–**	**38**	**–**	**38**
Cash and cash equivalents	**900**	**699**	**1,410**	**159**	**3,168**	**2,752**	**5,920**
Total investments	**106,569**	**24,385**	**17,789**	**393**	**149,136**	**3,848**	**152,984**

	31 Dec 2022 $m						
	Asia and Africa						
	Insurance						
	Funds with policyholder participation*	Unit-linked funds	Other	Eastspring	Total	Unallocated to a segment	Group total
Debt securities:							
Sovereign debt							
Indonesia	565	589	400	3	1,557	–	1,557
Singapore	3,240	507	917	67	4,731	–	4,731
Thailand	–	–	1,456	–	1,456	–	1,456
United Kingdom	–	4	–	–	4	–	4
United States	21,580	54	257	–	21,891	–	21,891
Vietnam	2,263	12	135	–	2,410	–	2,410
Other (predominantly Asia)	3,663	646	1,666	27	6,002	–	6,002
Subtotal	31,311	1,812	4,831	97	38,051	–	38,051
Other government bonds							
AAA	1,480	85	108	–	1,673	–	1,673
AA+ to AA-	112	21	20	–	153	–	153
A+ to A-	765	139	233	–	1,137	–	1,137
BBB+ to BBB-	327	77	99	–	503	–	503
Below BBB- and unrated	483	22	67	–	572	–	572
Subtotal	3,167	344	527	–	4,038	–	4,038
Corporate bonds							
AAA	1,094	181	268	–	1,543	–	1,543
AA+ to AA-	2,356	385	1,151	–	3,892	–	3,892
A+ to A-	9,233	524	2,345	–	12,102	–	12,102
BBB+ to BBB-	9,515	1,325	2,344	1	13,185	–	13,185
Below BBB- and unrated	2,918	444	454	–	3,816	–	3,816
Subtotal	25,116	2,859	6,562	1	34,538	–	34,538
Asset-backed securities							
AAA	228	5	85	–	318	–	318
AA+ to AA-	7	1	2	–	10	–	10
A+ to A-	25	–	9	–	34	–	34
BBB+ to BBB-	17	–	6	–	23	–	23
Below BBB- and unrated	2	1	1	–	4	–	4
Subtotal	279	7	103	–	389	–	389
Total debt securities[notes (i)(iii)]	59,873	5,022	12,023	98	77,016	–	77,016
Loans:							
Mortgage loans	92	–	48	–	140	–	140
Other loans	450	–	–	–	450	–	450
Total loans	542	–	48	–	590	–	590
Equity securities and holdings in collective investment schemes:							
Direct equities	15,000	11,379	202	61	26,642	266	26,908
Collective investment schemes	22,015	6,760	1,992	2	30,769	2	30,771
Total equity securities and holdings in collective investment schemes	37,015	18,139	2,194	63	57,411	268	57,679
Other financial investments[note (ii)]	3,010	379	1,599	107	5,095	1,749	6,844
Total financial investments	100,440	23,540	15,864	268	140,112	2,017	142,129
Investment properties	–	–	37	–	37	–	37
Cash and cash equivalents	1,563	749	1,266	127	3,705	1,809	5,514
Total investments	102,003	24,289	17,167	395	143,854	3,826	147,680

* Represents investments held to support insurance products where policyholders participate in the returns of a specified pool of investments (excluding unit-linked policies) that are measured using the variable fee approach.

Notes

(i) Of the Group's debt securities, the following amounts were held by the consolidated investment funds:

	30 Jun 2023 $m	31 Dec 2022 $m
Debt securities held by consolidated investment funds	**10,769**	11,899

(ii) Other financial investments comprise derivative assets and deposits.

(iii) The credit ratings, information or data contained in this report which are attributed and specifically provided by Standard & Poor's, Moody's and Fitch Solutions and their respective affiliates and suppliers ('Content Providers') is referred to here as the 'Content'. Reproduction of any Content in any form is prohibited except with the prior written permission of the relevant party. The Content Providers do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. The Content Providers expressly disclaim liability for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold any such investment or security, nor does it address the suitability of an investment or security and should not be relied on as investment advice.

C1.2 Other assets and liabilities

Property, plant and equipment (PPE)

At 30 June 2023, there are PPE of $396 million (31 December 2022: $437 million). During half year 2023, the Group made additions of $37 million of PPE (full year 2022: $83 million), of which $19 million relates to right-of-use assets (full year 2022: $49 million).

Accrued investment income and other debtors

At 30 June 2023, there are accrued investment income and other debtors of $2,052 million (31 December 2022: $1,951 million), of which $1,918 million (31 December 2022: $1,882 million) are expected to be settled within one year.

Accruals, deferred income and other creditors

At 30 June 2023, there are accruals, deferred income and other liabilities of $2,277 million (31 December 2022: $2,866 million), of which $2,078 million (31 December 2022: $2,686 million) are due within one year.

C2 Fair value measurement

C2.1 Determination of fair value

The fair values of the financial instruments for which fair valuation is required under IFRS Standards are determined by the use of quoted market prices for exchange-quoted investments, or by using quotations from independent third parties, such as brokers and pricing services or by using appropriate valuation techniques.

The estimated fair value of derivative financial instruments reflects the estimated amount the Group would receive or pay in an arm's-length transaction. This amount is determined using quoted prices if exchange listed, quotations from independent third parties or valued internally using standard market practices.

The fair value of the subordinated and senior debt issued by the Group is determined using quoted prices from independent third parties.

Valuation approach for level 2 fair valued assets and liabilities

A significant proportion of the Group's level 2 assets are corporate bonds, structured securities and other non-national government debt securities. These assets, in line with market practice, are generally valued using a designated independent pricing service or quote from third-party brokers. These valuations are subject to a number of monitoring controls, such as comparison to multiple pricing sources where available, monthly price variances, stale price reviews and variance analysis on prices achieved on subsequent trades. For further detail on the valuation approach for level 2 fair valued assets and liabilities, refer to note C2.1 of the Group IFRS financial statements for the year ended 31 December 2022.

Valuation approach for level 3 fair valued assets and liabilities

Investments valued using valuation techniques include financial investments which by their nature do not have an externally quoted price based on regular trades, and financial investments for which markets are no longer active as a result of market conditions, eg market illiquidity.

The Group's valuation policies, procedures and analyses for instruments categorised as level 3 are overseen by Business Unit committees as part of the Group's wider financial reporting governance processes. The procedures undertaken include approval of valuation methodologies, verification processes, and resolution of significant or complex valuation issues. In addition, the Group has minimum standards for independent price verification to ensure valuation accuracy is regularly independently verified. Adherence to this policy is monitored across the business units.

C2.2 Fair value measurement hierarchy of Group assets and liabilities

(a) Assets and liabilities carried at fair value on the statement of financial position

The table below shows the assets and liabilities carried at fair value analysed by level of the IFRS 13 'Fair Value Measurement' defined fair value hierarchy. This hierarchy is based on the inputs to the fair value measurement and reflects the lowest level input that is significant to that measurement.

All assets and liabilities held at fair value are classified as fair value through profit or loss at 30 June 2023. At 31 December 2022 $266 million of financial assets were classified as available-for-sale under IAS 39 related to the Group's retained interest in Jackson's equity securities. All assets and liabilities held at fair value are measured on a recurring basis.

Financial instruments at fair value

	30 Jun 2023 $m			
	Level 1	**Level 2**	**Level 3**	
	Quoted prices (unadjusted) in active markets	**Valuation based on significant observable market inputs**	**Valuation based on significant unobservable market inputs**	**Total**
		note (i)	note (ii)	
Loans	**–**	**427**	**3**	**430**
Equity securities and holdings in collective investment schemes	**52,124**	**7,159**	**1,225**	**60,508**
Debt securities	**60,343**	**20,049**	**38**	**80,430**
Derivative assets	**329**	**129**	**–**	**458**
Derivative liabilities	**(182)**	**(285)**	**–**	**(467)**
Total financial investments, net of derivative liabilities	**112,614**	**27,479**	**1,266**	**141,359**
Investment contract liabilities without discretionary participation features	**–**	**(716)**	**–**	**(716)**
Net asset value attributable to unit holders of consolidated investment funds	**(2,683)**	**–**	**–**	**(2,683)**
Total financial instruments at fair value	**109,931**	**26,763**	**1,266**	**137,960**
Percentage of total (%)	**80%**	**19%**	**1%**	**100%**

	31 Dec 2022 $m			
	Level 1	**Level 2**	**Level 3**	
	Quoted prices (unadjusted) in active markets	**Valuation based on significant observable market inputs**	**Valuation based on significant unobservable market inputs**	**Total**
		note (i)	note (ii)	
Loans	–	447	3	450
Equity securities and holdings in collective investment schemes	49,725	7,130	824	57,679
Debt securities	57,148	19,763	38	76,949
Derivative assets	82	487	–	569
Derivative liabilities	(778)	(223)	–	(1,001)
Total financial investments, net of derivative liabilities	106,177	27,604	865	134,646
Investment contract liabilities without discretionary participation features	–	(663)	–	(663)
Net asset value attributable to unit holders of consolidated investment funds	(4,193)	–	–	(4,193)
Total financial instruments at fair value	101,984	26,941	865	129,790
Percentage of total (%)	78%	21%	1%	100%

Notes

(i) Of the total level 2 debt securities of $20,049 million at 30 June 2023 (31 December 2022: $19,763 million), $10 million (31 December 2022: $37 million) are valued internally.

(ii) At 30 June 2023, the Group held $1,266 million (31 December 2022: $865 million) of net financial instruments at fair value within level 3. This represents less than 1.0 per cent of the total fair valued financial assets, net of financial liabilities, for all periods and comprises the following:

- Equity securities and holdings in collective investment schemes of $1,225 million (31 December 2022: $824 million) consisting primarily of property and infrastructure funds held by the participating funds, which are externally valued using the net asset value of the invested entities. Equity securities of $1 million (31 December 2022: $1 million) are internally valued, representing less than 0.1 per cent for all periods of the total fair valued financial assets net of financial liabilities. Internal valuations are inherently more subjective than external valuations; and
- Other sundry individual financial instruments of a net asset of $41 million (31 December 2022: $41 million).

Of the net financial instruments of $1,266 million at 30 June 2023 (31 December 2022: $865 million) referred to above:

- A net asset of $1,233 million (31 December 2022: $830 million) is held by the Group's with-profits and unit-linked funds and therefore shareholders' profit and equity are not immediately impacted by movements in the valuation of these financial instruments; and
- The remaining level 3 investments comprise a net asset of $33 million (31 December 2022: $35 million) and are primarily corporate bonds valued using external prices adjusted to reflect the specific known conditions relating to these bonds (eg distressed securities). If the value of all these level 3 financial instruments decreased by 10 per cent, the change in valuation would be $(3) million (31 December 2022: $(4) million), which would reduce shareholders' equity by this amount before tax.

(b) Transfers into and transfers out of levels

The Group's policy is to recognise transfers into and out of levels as of the end of each reporting period except for material transfers which are recognised as of the date of the event or change in circumstances that caused the transfer. Transfers are deemed to have occurred when there is a material change in the observed valuation inputs or a change in the level of trading activities of the securities.

During the first half of 2023, the transfers between levels within the portfolios were primarily transfers from level 1 to level 2 of $1,128 million and transfers from level 2 to level 1 of $993 million. These transfers primarily reflect the change in the observed valuation inputs of equity securities and debt securities and, in certain cases, the change in the level of trading activities of the securities. There were no transfers from level 3 to level 2 and no transfers into level 3 in the period.

Reconciliation of movements in level 3 assets and liabilities measured at fair value

The following table reconciles the value of level 3 fair valued assets and liabilities at the beginning of the period to that presented at the end of the period.

Total investment return recorded in the income statement represents interest and dividend income, realised gains and losses, unrealised gains and losses on the assets classified at fair value through profit and loss and foreign exchange movements on an individual entity's overseas investments. Total gains and losses recorded in other comprehensive income comprises the translation of investments into the Group's presentational currency of US dollars.

	Half year 2023 $m			
	Loans	**Equity securities and holdings in collective investment schemes**	**Debt securities**	**Group total**
Balance at beginning of period	**3**	**824**	**38**	**865**
Total gains in income statement[note]	**–**	**14**	**3**	**17**
Total losses recorded in other comprehensive income	**–**	**(28)**	**(3)**	**(31)**
Purchases and other additions	**–**	**417**	**–**	**417**
Sales	**–**	**(2)**	**–**	**(2)**
Balance at end of period	**3**	**1,225**	**38**	**1,266**

	Full year 2022 $m			
	Loans	**Equity securities and holdings in collective investment schemes**	**Debt securities**	**Group total**
Balance at beginning of year	5	577	58	640
Total losses in income statement[note]	(2)	(31)	(2)	(35)
Total losses recorded in other comprehensive income	–	(6)	(3)	(9)
Purchases and other additions	–	305	–	305
Sales	–	(21)	–	(21)
Transfers out of level 3	–	–	(15)	(15)
Balance at end of year	3	824	38	865

Note

Of the total net gains in the income statement of $17 million at half year 2023 (full year 2022: net losses of $(35) million), $19 million (full year 2022: net losses of $(12) million) relates to net unrealised gains and losses of financial instruments still held at the end of the period, which can be analysed as follows:

	Half year 2023 $m	**Full year 2022 $m**
Loans	**–**	(2)
Equity securities and holdings in collective investment schemes	**16**	(8)
Debt securities	**3**	(2)
Total net gains (losses)	**19**	(12)

(c) Assets and liabilities at amortised cost and their fair value

The table below shows the financial assets and liabilities carried at amortised cost on the statement of financial position and their fair value. Deposits, cash and cash equivalents, accrued investment income, other debtors, accruals, deferred income and other creditors are excluded from the analysis below, as these are carried at amortised cost which approximates fair value.

	30 Jun 2023 $m		31 Dec 2022 $m	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Assets:				
Debt securities	**–**	**–**	67	67
Loans	**144**	**173**	140	206
Liabilities:				
Core structural borrowings of shareholder-financed businesses	**(3,949)**	**(3,560)**	(4,261)	(3,834)
Operational borrowings (excluding lease liabilities)	**(554)**	**(554)**	(516)	(516)
Obligations under funding, securities lending and sale and repurchase agreements	**(617)**	**(617)**	(582)	(582)
Total net financial liabilities at amortised cost	**(4,976)**	**(4,558)**	(5,152)	(4,659)

The fair value of the assets and liabilities in the table above, with the exception of the subordinated and senior debt issued by the Group, has been estimated from the discounted cash flows expected to be received or paid. The fair value of the subordinated and senior debt issued by the Group is determined using quoted prices from independent third parties.

C2.3 Additional information on financial instruments

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2023 (date of initial application). The effects of the reclassification of financial assets as a result of transition to IFRS 9 is not material.

Financial instruments			**1 Jan 2023 $m**	
	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying value under IAS 39**	**New carrying value under IFRS 9**
Financial assets				
Loans[note (i)]	Amortised cost	Amortised cost	**140**	**140**
Loans/debt securities[note (ii)]	Amortised cost	Mandatorily at fair value through profit or loss	**26**	**27**
Loans	Fair value through profit or loss	Mandatorily at fair value through profit or loss	**450**	**450**
Equity securities and portfolio holdings in collective investment schemes	Fair value through profit or loss	Mandatorily at fair value through profit or loss	**57,414**	**57,414**
Equity securities	Available-for-sale	Fair value through other comprehensive income	**265**	**265**
Debt securities held by Eastspring[note (iii)]	Fair value through profit or loss	Amortised cost	**67**	**67**
Other Debt securities	Fair value through profit or loss	Mandatorily at fair value through profit or loss	**76,922**	**76,922**
Derivative assets	Fair value through profit or loss	Mandatorily at fair value through profit or loss	**569**	**569**
Accrued investment income	Loans and receivables	Amortised cost	**983**	**983**
Deposits	Loans and receivables	Amortised cost	**6,275**	**6,275**
Cash and cash equivalents	Loans and receivables	Amortised cost	**5,514**	**5,514**
Other debtors[note (i)]	Loans and receivables	Amortised cost	**968**	**968**
Financial liabilities				
Investment contract liabilities	Fair value through profit or loss	Mandatorily at fair value through profit or loss	**663**	**663**
Derivative liabilities	Fair value through profit or loss	Mandatorily at fair value through profit or loss	**1,001**	**1,001**
Core structural borrowings of shareholder-financed businesses	Amortised cost	Amortised cost	**4,261**	**4,261**
Operational borrowings	Amortised cost	Amortised cost	**815**	**815**
Obligations under funding, securities lending and sale and repurchase agreements	Amortised cost	Amortised cost	**582**	**582**
Net asset value attributable to unit holders of consolidated investment funds	Fair value through profit or loss	Designated at fair value through profit or loss	**4,193**	**4,193**
Accruals, deferred income and other creditors[note (i)]	Amortised cost	Amortised cost	**2,866**	**2,866**

Notes

(i) In accordance with IFRS 17 requirements policy loans and debtor and creditor balances that are related to insurance contracts are included within the measurement of insurance contract liabilities. Therefore, the amounts for these balance sheet line items as presented in this table do not include such balances.

(ii) Certain securities that were classified as loans at amortised cost under IAS 39 were reclassified to debt securities at fair value through profit or loss under IFRS 9 aligning to how these securities are managed.

(iii) Under IAS 39, debt securities held by Eastspring were classified as FVTPL. The Group has reclassified these debt securities to the amortised cost category under IFRS 9 to align to how Eastspring manages these securities in order to generate cash flows.

C3 Insurance and reinsurance contracts

C3.1 Group overview

The table below provides an analysis of portfolio of insurance and reinsurance (RI) contract assets and liabilities held on the Group's statement of financial position:

	Excluding JVs and associates						Including JVs and associates[note]					
	Assets		Liabilities		Net liabilities (assets)		Assets		Liabilities		Net liabilities (assets)	
	Insurance $m	RI $m	Insurance $m	RI $m	Insurance $m	RI $m	Insurance $m	RI $m	Insurance $m	RI $m	Insurance $m	RI $m
As at 30 Jun 2023												
Best estimate liabilities (BEL)	**3,676**	**794**	**114,648**	**952**	**110,972**	**158**	**3,710**	**927**	**132,680**	**992**	**128,970**	**65**
Risk adjustment for non-financial risk (RA)	**(533)**	**(76)**	**1,490**	**(40)**	**2,023**	**36**	**(531)**	**(59)**	**1,732**	**(43)**	**2,263**	**16**
Contractual service margin (CSM)	**(2,007)**	**1,305**	**17,958**	**38**	**19,965**	**(1,267)**	**(2,004)**	**1,294**	**20,081**	**29**	**22,085**	**(1,265)**
Insurance contract balances[note C3.2]	**1,136**	**2,023**	**134,096**	**950**	**132,960**	**(1,073)**	**1,175**	**2,162**	**154,493**	**978**	**153,318**	**(1,184)**
Assets for insurance acquisition cash flows	**31**	**–**	**–**	**–**	**(31)**	**–**	**31**	**–**	**–**	**–**	**(31)**	**–**
Insurance and reinsurance contract (assets) liabilities	**1,167**	**2,023**	**134,096**	**950**	**132,929**	**(1,073)**	**1,206**	**2,162**	**154,493**	**978**	**153,287**	**(1,184)**
As at 31 Dec 2022												
Best estimate liabilities (BEL)	3,540	508	107,582	1,162	104,042	654	3,562	652	124,297	1,193	120,735	541
Risk adjustment for non-financial risk (RA)	(505)	(39)	1,418	(44)	1,923	(5)	(502)	(21)	1,662	(47)	2,164	(26)
Contractual service margin (CSM)	(1,929)	1,387	17,239	57	19,168	(1,330)	(1,921)	1,369	19,383	54	21,304	(1,315)
Insurance contract balances[note C3.2]	1,106	1,856	126,239	1,175	125,133	(681)	1,139	2,000	145,342	1,200	144,203	(800)
Assets for insurance acquisition cash flows	28	–	3	–	(25)	–	28	–	3	–	(25)	–
Insurance and reinsurance contract (assets) liabilities	1,134	1,856	126,242	1,175	125,108	(681)	1,167	2,000	145,345	1,200	144,178	(800)
As at 1 Jan 2022 (transition date)												
Best estimate liabilities (BEL)	3,818	1,752	126,438	1,474	122,620	(278)	3,993	1,916	142,146	1,501	138,153	(415)
Risk adjustment for non-financial risk (RA)	(547)	(15)	1,661	(46)	2,208	(31)	(575)	1	1,868	(49)	2,443	(50)
Contractual service margin (CSM)	(2,050)	1,050	21,699	(174)	23,749	(1,224)	(2,161)	1,023	23,787	(176)	25,948	(1,199)
Insurance contract balances[note C3.2]	1,221	2,787	149,798	1,254	148,577	(1,533)	1,257	2,940	167,801	1,276	166,544	(1,664)
Assets for insurance acquisition cash flows	29	–	–	–	(29)	–	29	–	–	–	(29)	–
Insurance and reinsurance contract (assets) liabilities	1,250	2,787	149,798	1,254	148,548	(1,533)	1,286	2,940	167,801	1,276	166,515	(1,664)

Note

The Group's investment in joint ventures and associates is accounted for on an equity method and the Group's share of insurance and reinsurance contract liabilities and assets as shown above relate to the life business of CPL, India and Takaful business in Malaysia.

Adjusted shareholders' equity

	30 Jun 2023 $m			31 Dec 2022 $m		
	Balances excluding JVs and associates	Group's share relating to JVs and associates	Total including JVs and associates	Balances excluding JVs and associates	Group's share relating to JVs and associates	Total including JVs and associates
Shareholders' equity	**15,081**	**2,078**	**17,159**	14,472	2,259	16,731
CSM, net of reinsurance	**18,698**	**2,122**	**20,820**	17,838	2,151	19,989
Remove: CSM asset attaching to reinsurance contracts wholly attributable to policyholders	**1,305**	**–**	**1,305**	1,295	–	1,295
Less: Related tax adjustments	**(2,341)**	**(498)**	**(2,839)**	(2,295)	(509)	(2,804)
Adjusted shareholders' equity	**32,743**	**3,702**	**36,445**	31,310	3,901	35,211

	1 Jan 2022 (transition date) $m		
	Balances excluding JVs and associates	Group's share relating to JVs and associates	Total including JVs and associates
Shareholders' equity	16,238	2,698	18,936
CSM, net of reinsurance	22,525	2,224	24,749
Remove: CSM asset attaching to reinsurance contracts wholly attributable to policyholders	1,144	–	1,144
Less: Related tax adjustments	(2,531)	(527)	(3,058)
Adjusted shareholders' equity	37,376	4,395	41,771

C3.2 Analysis of movements in insurance and reinsurance contract balances by measurement component

An analysis of movements in insurance and reinsurance contract balances by measurement component and including joint ventures and associates is set out below:

	Half year 2023 $m							
	Insurance				Reinsurance			
	BEL	RA	CSM	Total	BEL	RA	CSM	Total
Opening assets	(3,562)	502	1,921	(1,139)	(652)	21	(1,369)	(2,000)
Opening liabilities	124,297	1,662	19,383	145,342	1,193	(47)	54	1,200
Net opening balance at 1 Jan	**120,735**	**2,164**	**21,304**	**144,203**	**541**	**(26)**	**(1,315)**	**(800)**
Changes that relate to future service								
Changes in estimates that adjust the CSM	(990)	80	910	–	(36)	23	13	–
Changes in estimates that result in losses or reversal of losses on onerous contracts	128	(12)	–	116	7	–	–	7
New contracts in the period	(1,296)	154	1,184	42	(9)	(3)	12	–
	(2,158)	222	2,094	158	(38)	20	25	7
Changes that relate to current service								
Release of CSM to profit or loss	–	–	(1,223)	(1,223)	–	–	46	46
Release of risk adjustment to profit or loss	–	(119)	–	(119)	–	12	–	12
Experience adjustments	(258)	–	–	(258)	(2)	–	–	(2)
	(258)	(119)	(1,223)	(1,600)	(2)	12	46	56
Changes that relate to past service								
Adjustments to assets/liabilities for incurred claims	261	–	–	261	29	–	–	29
Insurance service result	**(2,155)**	**103**	**871**	**(1,181)**	**(11)**	**32**	**71**	**92**
Net finance (income) expense from insurance contracts								
Accretion of interest on GMM contracts	67	20	153	240	12	(1)	(23)	(12)
Other net finance (income) expense	7,350	2	1	7,353	(113)	9	(5)	(109)
	7,417	22	154	7,593	(101)	8	(28)	(121)
Total amount recognised in income statement	**5,262**	**125**	**1,025**	**6,412**	**(112)**	**40**	**43**	**(29)**
Effect of movements in exchange rates	(1,420)	(26)	(244)	(1,690)	–	2	7	9
Total amount recognised in comprehensive income	**3,842**	**99**	**781**	**4,722**	**(112)**	**42**	**50**	**(20)**
Cash flows								
Premiums received (paid) net of ceding commission	13,353	–	–	13,353	(686)	–	–	(686)
Insurance acquisition cash flows	(2,532)	–	–	(2,532)	–	–	–	–
Claims and other insurance service expenses paid	(6,388)	–	–	(6,388)	–	–	–	–
Recoveries from reinsurance	–	–	–	–	327	–	–	327
Total cash flows	**4,433**	**–**	**–**	**4,433**	**(359)**	**–**	**–**	**(359)**
Other changes[note]	(40)	–	–	(40)	(5)	–	–	(5)
Closing assets	(3,710)	531	2,004	(1,175)	(927)	59	(1,294)	(2,162)
Closing liabilities	132,680	1,732	20,081	154,493	992	(43)	29	978
Net closing balance at 30 Jun	**128,970**	**2,263**	**22,085**	**153,318**	**65**	**16**	**(1,265)**	**(1,184)**

	Full year 2022 $m							
	Insurance				Reinsurance			
	BEL	RA	CSM	Total	BEL	RA	CSM	Total
Opening assets	(3,993)	575	2,161	(1,257)	(1,916)	(1)	(1,023)	(2,940)
Opening liabilities	142,146	1,868	23,787	167,801	1,501	(49)	(176)	1,276
Net opening balance at 1 Jan	138,153	2,443	25,948	166,544	(415)	(50)	(1,199)	(1,664)
Changes that relate to future service								
Changes in estimates that adjust the CSM	4,214	(226)	(3,988)	–	284	10	(294)	–
Changes in estimates that result in losses or reversal of losses on onerous contracts	162	(52)	–	110	(17)	–	–	(17)
New contracts in the period	(2,210)	259	2,027	76	(37)	–	37	–
	2,166	(19)	(1,961)	186	230	10	(257)	(17)
Changes that relate to current service								
Release of CSM to profit or loss	–	–	(2,413)	(2,413)	–	–	171	171
Release of risk adjustment to profit or loss	–	(184)	–	(184)	–	5	–	5
Experience adjustments	(119)	–	–	(119)	(80)	–	–	(80)
	(119)	(184)	(2,413)	(2,716)	(80)	5	171	96
Changes that relate to past service								
Adjustments to assets/liabilities for incurred claims	133	1	–	134	28	–	–	28
Insurance service result	2,180	(202)	(4,374)	(2,396)	178	15	(86)	107
Net finance (income) expense from insurance contracts								
Accretion of interest on GMM contracts	182	13	294	489	(8)	(6)	(39)	(53)
Other net finance (income) expense	(28,612)	(12)	117	(28,507)	1,215	10	4	1,229
	(28,430)	1	411	(28,018)	1,207	4	(35)	1,176
Total amount recognised in income statement	(26,250)	(201)	(3,963)	(30,414)	1,385	19	(121)	1,283
Effect of movements in exchange rates	(3,070)	(78)	(681)	(3,829)	3	5	5	13
Total amount recognised in comprehensive income	(29,320)	(279)	(4,644)	(34,243)	1,388	24	(116)	1,296
Cash flows								
Premiums received (paid) net of ceding commission	27,916	–	–	27,916	(1,013)	–	–	(1,013)
Insurance acquisition cash flows	(3,690)	–	–	(3,690)	–	–	–	–
Claims and other insurance service expenses paid	(12,241)	–	–	(12,241)	–	–	–	–
Recoveries from reinsurance	–	–	–	–	567	–	–	567
Total cash flows	11,985	–	–	11,985	(446)	–	–	(446)
Other changes[note]	(83)	–	–	(83)	14	–	–	14
Closing assets	(3,562)	502	1,921	(1,139)	(652)	21	(1,369)	(2,000)
Closing liabilities	124,297	1,662	19,383	145,342	1,193	(47)	54	1,200
Net closing balance at 31 Dec	120,735	2,164	21,304	144,203	541	(26)	(1,315)	(800)

Note

Other changes include movements in insurance contract liabilities arising from adjustments to remove the incurred non-cash expenses (such as depreciation, amortisation) from insurance contract asset/liability balance.

C3.3 Contractual service margin

The following tables illustrate when the Group expects to recognise the remaining contractual service margin in profit or loss after the reporting date based on the assumptions and economics in place at 31 December 2022. Future new business is excluded. The amounts shown include the Group's share of the amounts in respect of the life joint ventures and associates of CPL, India and Takaful business in Malaysia. These are accounted for under the equity method in a single line in the consolidated statement of financial position and hence are not included in the CSM balance presented in the aforementioned statement.

(a) Insurance contracts – expected recognition of the contractual service margin on a discounted basis

	31 Dec 2022 $m Liabilities (Assets)		
	Total as reported on consolidated statement of financial position	Group's share relating to JVs and associates	Total segment, including Group's share relating to JVs and associates
1 year or less	1,981	219	2,200
After 1 year to 2 years	1,751	175	1,926
After 2 years to 3 years	1,555	155	1,710
After 3 years to 4 years	1,385	138	1,523
After 4 years to 5 years	1,217	122	1,339
After 5 years to 10 years	4,306	454	4,760
After 10 years to 15 years	2,705	292	2,997
After 15 years to 20 years	1,666	201	1,867
After 20 years	2,602	380	2,982
	19,168	2,136	21,304

(b) Reinsurance contracts – expected recognition of the contractual service margin on a discounted basis

	31 Dec 2022 $m Liabilities (Assets)		
	Total as reported on consolidated statement of financial position	Group's share relating to JVs and associates	Total segment, including Group's share relating to JVs and associates
1 year or less	(122)	(2)	(124)
After 1 year to 2 years	(111)	2	(109)
After 2 years to 3 years	(100)	2	(98)
After 3 years to 4 years	(89)	2	(87)
After 4 years to 5 years	(80)	2	(78)
After 5 years to 10 years	(301)	5	(296)
After 10 years to 15 years	(188)	3	(185)
After 15 years to 20 years	(119)	1	(118)
After 20 years	(220)	–	(220)
	(1,330)	15	(1,315)

C3.4 Products and determining contract liabilities

(a) Measurement of insurance and reinsurance contracts

Separating components

A contract has an investment component if there is an amount (which could be zero) that the contract requires the entity to repay to the policyholder in all circumstances that have commercial substance. The surrender value, net of policy loans (where these exist), is accounted as the investment component of a contract. Participating and non-participating (such as whole-life and endowment) contracts have explicit surrender values. There are a relatively small number of products that do not have a surrender value, and the investment components of these contracts are determined on a case-by-case basis.

At inception, the Group is required to separate distinct investment components, distinct services other than insurance contract services and embedded derivatives from an insurance contract and account for them as if they were stand-alone contracts. An investment is distinct if and only if (a) the insurance and investment components are not highly interrelated and (b) a contract with equivalent terms is, or could be, sold separately in the same market or jurisdiction.

The non-distinct investment components are excluded from insurance revenue and insurance service expenses.

Asset management services for investments held under an insurance contract are not separated.

Subsequent measurement of CSM

The CSM of each group of contracts is calculated at each reporting date as follows.

The carrying amount of the CSM of contracts measured under the GMM at each reporting date is the carrying amount at the start of the year, adjusted for: (a) the CSM of any new contracts that are added to the group in the year; (b) interest accreted at locked-in discount rate; (c) changes in fulfilment cash flows arising from operating assumption changes that relate to future services except for those relating to onerous contracts; (d) the effect of currency exchange differences on the CSM; and (e) the amount of CSM recognised in profit or loss in the year based on the coverage units.

The carrying amount of the CSM of contracts measured under the VFA at each reporting date is the carrying amount at the start of the year, adjusted for: (a) the CSM of any new contracts that are added to the group in the year; (b) the change in the amount of the Group's share of the fair value of the underlying items; (c) changes in fulfilment cash flows arising from both operating and economic assumption changes that relate to future services except for those relating to onerous contracts; (d) the effect of currency exchange differences on the CSM; and (e) the amount of CSM recognised in profit or loss in the year based on the coverage units.

The table below provides a description of the material features of each of the key products written by the Group, together with the measurement model used to determine their contract liabilities under IFRS 17.

Contract type	Description and material features	Measurement model
With-profits contracts (written in Hong Kong, Singapore and Malaysia)	Provides savings and/or protection where the basic sum assured can be enhanced by a profit share (or bonus) from the underlying fund as determined at the discretion of the local business unit. With-profits products often offer a guaranteed maturity or surrender value. Declared regular bonuses are guaranteed once vested. Future bonus rates and cash dividends are not guaranteed. Market value adjustments and surrender penalties are used for certain products where the law permits such adjustments. Guarantees are predominantly supported by the segregated funds and their estates. Additional health and protection benefits can be provided through riders (which are not separated from the base with-profits contracts).	All with-profits contracts of the Group written in Hong Kong, Singapore and Malaysia are measured using the VFA model. The shareholders' share of the excess of the assets of the with-profits funds over policyholder liabilities is recognised within shareholders' equity.
Other participating contracts	Similar to the with-profits contracts, other participating contracts include savings and/or protection elements, with policyholders and shareholders sharing in the returns of the underlying funds.	Other participating contracts of the Group are measured under the VFA model except for the contracts that are written by the Group's life joint venture, CPL, where the GMM approach is applied.
Unit-linked contracts	Combines savings with health and protection riders (which, under IFRS 17, are not separated from the base contract). The cash value of the policy primarily depends on the value of the underlying unitised funds.	Unit-linked contracts are measured either under the VFA or the GMM depending on the relative size of the savings and protection benefits of the contract. The larger the protection component the more likely the contract is required to be measured under the GMM.
Health and protection – Shareholder-backed participating critical illness contracts	Shareholder-backed participating critical illness contracts are written by the Group's Hong Kong business. These products combine critical illness and death benefits with a savings element. These are whole life products and have regular premium payments with a limited payment term.	Shareholder-backed participating critical illness contracts are measured under the VFA.
Health and protection - Other	In addition to supplementary heath and protection contract products attached to with-profits and unit-linked contracts described above, the Group also offers stand-alone health and protection products. These are non-participating contracts that provide mortality and/or morbidity benefits including health, disability, critical illness and accident coverage.	Stand-alone non-par health and protection (excluding shareholder-backed participating critical illness) contracts are measured under the GMM.
Non-participating term, whole life and endowment assurance contracts	Non-participating savings and/or protection where the benefits are guaranteed, determined by a set of defined market-related parameters, or determined at the discretion of the local business unit. These products often offer a guaranteed maturity and/or surrender value. It is common in Asia for regulations or market-driven demand and competition to provide some form of capital value protection and minimum crediting interest rate guarantees. This is reflected within the guaranteed maturity and surrender values. Guarantees are supported by shareholders.	These contracts are measured under the GMM.

(b) Reinsurance contracts held

The reinsurance contracts held primarily relate to protection business written in Hong Kong. The Group's Hong Kong business cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined blocks of business, on a co-insurance, surplus, quota share, or catastrophe excess of loss basis. The amount of each risk retained depends on the evaluation of the specific risk, subject to certain circumstances, to internally set maximum limits based on characteristics of coverage.

As required by IFRS 17, all reinsurance contracts held by the Group are measured using the General Measurement Model.

A group of reinsurance contracts held is recognised on the following date:

– Reinsurance contracts held by the Group that provide proportionate coverage: The later of the start date of the coverage period, and the date on which any underlying insurance contract is initially recognised. This applies to the Group's quota share reinsurance contracts.
– Other (non-proportionate) reinsurance contracts held by the Group: The earlier of beginning of the coverage period of the group of reinsurance contracts or the recognition date of an underlying onerous group of insurance contracts issued.
– Reinsurance contracts held acquired via a business acquisition/combination: The date of the business acquisition/ combination.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if the net cost of purchasing reinsurance relates to past events, the Group recognises the net cost immediately in profit or loss.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is measured in the same way as the underlying insurance contracts under GMM.

Reinsurance contracts held are subject to the same modification requirements as insurance contracts.

C4 Intangible assets

C4.1 Goodwill

Goodwill shown on the consolidated statement of financial position at 30 June 2023 represents amounts allocated to businesses in Asia and Africa in respect of both acquired asset management and life businesses. There has been no impairment as at 30 June 2023.

	30 Jun 2023 $m	31 Dec 2022 $m
Carrying value at beginning of period	**890**	907
Exchange differences	**(11)**	(17)
Carrying value at end of period	**879**	890

C4.2 Other intangible assets

	Half year 2023 $m			Full year 2022 $m
	Distribution rights note (i)	Other intangibles note (ii)	Total	Total
Balance at beginning of period	**3,630**	**254**	**3,884**	4,015
Additions	**–**	**37**	**37**	289
Amortisation to the income statement	**(190)**	**(26)**	**(216)**	(349)
Disposals and transfers	**–**	**(2)**	**(2)**	(6)
Exchange differences and other movements	**(12)**	**(5)**	**(17)**	(65)
Balance at end of period	**3,428**	**258**	**3,686**	3,884

Notes

(i) Distribution rights relate to amounts that have been paid or have become unconditionally due for payment as a result of past events in respect of the bancassurance partnership arrangements for the bank distribution of Prudential's insurance products for a fixed period of time. The distribution rights amounts are amortised on a basis to reflect the pattern in which the future economic benefits are expected to be consumed by reference to new business production levels.

(ii) Included within other intangibles are software and licence fees.

C5 Borrowings

C5.1 Core structural borrowings of shareholder-financed businesses

	30 Jun 2023 $m	31 Dec 2022 $m
Subordinated debt:		
US$750m 4.875% Notes	**750**	750
€20m Medium Term Notes 2023 note (ii)	**22**	21
£435m 6.125% Notes 2031	**550**	520
US$1,000m 2.95% Notes 2033	**995**	995
Senior debt: note (i)		
£300m 6.875% Notes 2023 note (ii)	**–**	361
£250m 5.875% Notes 2029	**299**	281
US$1,000m 3.125% Notes 2030	**987**	987
US$350m 3.625% Notes 2032	**346**	346
Total core structural borrowings of shareholder-financed businesses	**3,949**	4,261

Notes

(i) The senior debt ranks above subordinated debt in the event of liquidation.

(ii) The £300 million notes were redeemed on 20 January 2023.The €20 million Medium Term Notes were redeemed on 10 July 2023.

C5.2 Operational borrowings

	30 Jun 2023 $m	31 Dec 2022 $m
Borrowings in respect of short-term fixed income securities programmes (commercial paper)	**529**	501
Lease liabilities under IFRS 16	**248**	299
Other borrowings	**25**	15
Total operational borrowings	**802**	815

C6 Share capital, share premium and own shares

Issued shares of 5p each fully paid:	30 Jun 2023 Number of ordinary shares	30 Jun 2023 Share capital $m	30 Jun 2023 Share premium $m	31 Dec 2022 Number of ordinary shares	31 Dec 2022 Share capital $m	31 Dec 2022 Share premium $m
Balance at beginning of period	**2,749,669,380**	**182**	**5,006**	2,746,412,265	182	5,010
Shares issued under share-based schemes	**3,545,909**	**1**	**3**	3,257,115	–	2
Shares issued under Hong Kong public offer and international placing in 2021	**–**	**–**	**–**	–	–	(6)
Balance at end of period	**2,753,215,289**	**183**	**5,009**	2,749,669,380	182	5,006

Options outstanding under save as you earn schemes to subscribe for shares at each period end shown below are as follows:

	Number of shares to subscribe for	Share price range from (in pence)	Share price range to (in pence)	Exercisable by year
30 Jun 2023	**1,490,940**	**737p**	**1,455p**	**2028**
31 Dec 2022	1,858,292	737p	1,455p	2028

Transactions by Prudential plc and its subsidiaries in Prudential plc shares
The Group buys and sells Prudential plc shares in relation to its employee share schemes through the trusts established to facilitate the delivery of shares under employee incentive plans.

During half year 2023, the trusts purchased 2.9 million shares in respect of employee incentive plans at a cost of $42.2 million (full year 2022: 5.5 million at a cost of $76.7 million). The cost in USD shown has been calculated from the share prices in pounds sterling using the monthly average exchange rate for the month in which those shares were purchased. A portion of these share purchases were made on the Hong Kong Stock Exchange with the remainder being made on the London Stock Exchange.

Other than as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any Prudential plc listed securities during half year 2023.

D Other information

D1 Corporate transactions

The gain attaching to corporate transactions as shown on the condensed consolidated income statement for half year 2022 of $62 million and full year 2022 of $55 million arose largely from the sale of shares relating to the Group's retained interest in Jackson post the demerger. Following the introduction of IFRS 9 at 1 January 2023, the Group's holding in Jackson was classified as fair value through other comprehensive income and so the gain on the share disposal during the first half of 2023 has not been recycled to the income statement in accordance with the requirements of the standard. As at 30 June 2023 the Group had disposed of its entire holding in Jackson.

D2 Contingencies and related obligations

There have been no material changes to the Group's contingencies and related obligations in the six months ended 30 June 2023.

The Group is involved in various litigation and regulatory proceedings. While the outcome of such litigation and regulatory issues cannot be predicted with certainty, the Group believes that their ultimate outcome will not have a material adverse effect on the Group's financial condition, results of operations, or cash flows. Litigation developments during the period include a case regarding a historic transaction connected to the legal and beneficial ownership of 49 per cent of the ordinary shares of the holding company of Prudential Assurance Malaysia Berhad. Prudential currently owns 51 per cent of this entity but consolidates the entity at 100 per cent reflecting the economic interest of the Group. Prudential has been successful at court hearings relating to the transaction concerned both in the first instance and at the subsequent appeal stage. In July 2023, the Federal Court, which is Malaysia's highest Court, granted leave to allow the appellant to further appeal the case in the Federal Court.

D3 Post balance sheet events

First interim ordinary dividend
The 2023 first interim ordinary dividend approved by the Board of Directors after 30 June 2023 is as described in note B4.

D4 Related party transactions

There were no transactions with related parties during the six months ended 30 June 2023 which have had a material effect on the results or financial position of the Group.

The nature of the related party transactions of the Group has not changed from those described in note D4 to the Group's consolidated financial statements for the year ended 31 December 2022.

Statement of Directors' responsibilities

The Directors (who are listed below) are responsible for preparing the Half Year Financial Report in accordance with applicable law and regulations.

Accordingly, the Directors confirm that to the best of their knowledge:

- the condensed consolidated financial statements have been prepared in accordance with IAS 34, *'Interim Financial Reporting'*, as adopted for use in the UK;

- the Half Year Financial Report includes a fair review of information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the six months ended 30 June 2023, and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place during the six months ended 30 June 2023 and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the Group's consolidated financial statements for the year ended 31 December 2022 that could do so.

Prudential plc Board of Directors:

Chair
Shriti Vadera

Executive Director
Anil Wadhwani

Independent Non-executive Directors
Jeremy Anderson CBE
Arijit Basu
Chua Sock Koong
David Law ACA
Ming Lu
George Sartorel
Claudia Suessmuth Dyckerhoff
Jeanette Wong
Amy Yip

29 August 2023

Independent review report to Prudential plc

Conclusion
We have been engaged by Prudential plc (the "Company" or the "Group") to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity, Condensed consolidated statement of financial position, Condensed consolidated statement of cash flows and related notes A1 to D4. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 "Interim Financial Reporting" (IAS 34), IAS 34 as issued by the International Accounting Standards Board (IASB) and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion
We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note A1, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards and International Financial Reporting Standards as issued by the IASB. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted IAS 34 and IAS 34 as issued by the IASB.

Conclusions Relating to Going Concern
Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of the directors
The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information
In reviewing the half-yearly report, we are responsible for expressing to the Group a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report
This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
29 August 2023

European Embedded Value (EEV) financial results

Description of EEV basis reporting

The EEV financial results have been prepared in accordance with the EEV Principles issued by the European Insurance CFO Forum in 2016. All results are stated net of tax and converted using actual exchange rates (AER) unless otherwise stated. AER are actual historical exchange rates for the relevant accounting period. Constant exchange rate (CER) results are calculated by translating prior period results using current period foreign currency exchange rates, ie current period average rates for the income statement and current period closing rates for the balance sheet. Where appropriate, the EEV financial results include the effects of adoption of IFRS Standards.

The Directors are responsible for the preparation of the supplementary information in accordance with the EEV Principles. In preparing the EEV basis supplementary information, the Directors have satisfied themselves that the Group remains a going concern. Further information is provided in note A1 of the IFRS financial results.

EEV Results Highlights

	Half year 2023	Half year 2022				Full year 2022
		AER		CER		AER
	$m	$m	% change	$m	% change	$m
New business profitnote (i)	**1,489**	1,098	36%	1,069	39%	2,184
Annual premium equivalent (APE)note (i)	**3,027**	2,213	37%	2,132	42%	4,393
New business margin (APE) (%)	**49%**	50%	(1)ppt	50%	(1)ppt	50%
Present value of new business premiums (PVNBP)	**14,430**	11,728	23%	11,435	26%	22,406
Operating free surplus generatednotes (i)(ii)	**1,024**	1,224	(16)%	1,200	(15)%	2,193
EEV operating profitnotes (i)(iii)	**2,155**	1,806	19%	1,761	22%	3,952
EEV operating profit, net of non-controlling interests	**2,144**	1,796	19%	1,751	22%	3,923
Operating return on average EEV shareholders' equity, net of non-controlling interests (%)note (iv)	**10%**	8%				9%
Closing EEV shareholders' equity, net of non-controlling interests	**43,704**	42,300	3%	41,907	4%	42,184
Closing EEV shareholders' equity, net of non-controlling interests per share (in cents)	**1,588¢**	1,539¢	3%	1,524¢	4%	1,534

Notes

(i) Results are presented before deducting the amounts attributable to non-controlling interests. This presentation is applied consistently throughout this document, unless stated otherwise.

(ii) Operating free surplus generated is for long-term and asset management businesses only, before restructuring and IFRS 17 implementation costs, centrally incurred costs and eliminations.

(iii) Group EEV operating profit is stated after restructuring and IFRS 17 implementation costs, centrally incurred costs and eliminations.

(iv) Operating return on average EEV shareholders' equity is calculated as EEV operating profit for the period as a percentage of average EEV basis shareholders' equity. Half year profits are annualised by multiplying by two.

European Embedded Value (EEV) basis results

Basis of Preparation

IFRS profit for insurance contracts largely reflects the level of services provided for a given period. Unearned future profits expected on those same insurance contracts are contained in a separate liability called the contractual service margin. These future profits have been derived on a risk neutral basis, namely without allowing for the real world investment return that will be earned on the assets held. By contrast, EEV reflects all future profits, with no equivalent liability to the contractual service margin, but values those profits on a risk adjusted real world basis, namely allowing for the future investment returns that are expected to be earned by the assets held but uses a higher discount rate that allows for the uncertainties in these cash flows. The value of future new business is excluded from the embedded value. The EEV Principles provide consistent definitions of the components of EEV, a framework for setting assumptions and an approach to the underlying methodology and disclosures. The EEV Principles were designed to provide guidance and common principles that could be understood by both users and preparers alongside prescribing a minimum level of disclosures to enable users to understand an entity's methodology, assumptions and key judgements as well as the sensitivity of an entity's EEV to key assumptions. Results prepared under the EEV Principles represent the present value of the shareholders' interest in the post-tax future profits (generally on a local statutory basis) expected to arise from the current book of long-term business, after sufficient allowance has been made for the aggregate risks in the business. The shareholders' interest in the Group's long-term business is the sum of the shareholders' total net worth and the value of in-force business.

For the purposes of preparing EEV results, insurance joint ventures and associates are included at the Group's proportionate share of their embedded value and not at their market value. Asset management and other non-insurance subsidiaries, joint ventures and associates are included in the EEV results at the Group's proportionate share of IFRS shareholders' equity, with central Group debt shown on a market value basis. Further information is contained in note 4.

Key features of the Group's EEV methodology include:

– *Economic assumptions:* The projected post-tax profits assume a level of future investment return and are discounted using a risk discount rate. Both the risk discount rate and the investment return assumptions are updated at each valuation date to reflect current market risk-free rates, such that changes in market risk-free rates impact all projected future cash flows. Risk-free rates, and hence investment return assumptions, are based on observable market data, with current market risk-free rates assumed to remain constant throughout the projection, with no trending or mean reversion to longer-term assumptions. Different products will be sensitive to different assumptions, for example, participating products or products with guarantees are likely to benefit disproportionately from higher assumed investment returns.

– *Time value of financial options and guarantees:* Explicit quantified allowances are made for the time value of financial options and guarantees (TVOG). The TVOG is determined by weighting the probability of outcomes across a large number of different economic scenarios and is typically less applicable to health and protection business that generally contains more limited financial options or guarantees. At 30 June 2023, the TVOG is \$(308) million (31 December 2022: \$(151) million). The magnitude of the TVOG at 30 June 2023 would be approximately equivalent to a circa 7 basis point (31 December 2022: 3 basis point) increase in the weighted average risk discount rate.

– *Allowance for risk in the risk discount rates:* Risk discount rates are set equal to the risk-free rate at the valuation date plus product-specific allowances for market and non-market risks. Risks that are explicitly captured elsewhere, such as via the TVOG, are not included in the risk discount rates.

  The allowance for market risk is based on a product-by-product assessment of the sensitivity of shareholder cash flows to varying market returns. This approach reflects the inherent market risk in each product group and results in lower risk discount rates for products where the majority of shareholder profit is uncorrelated to market risk and appropriately higher risk discount rates for products where there is greater market exposure for shareholders.

  For example, for health and protection products, which represent 51 per cent of the value of in-force business (30 June 2022: 56 per cent, 31 December 2022: 51 per cent) and 37 per cent of new business profit (30 June 2022: 42 per cent, 31 December 2022: 43 per cent), the major sources of shareholder profits are underwriting profits or fixed shareholder charges which have low market risk sensitivity. The proportion of health and protection business varies with interest rates as well as the mix of business sold in the current period.

  The construct of UK-style with-profits or similar participating funds in some business units (representing 27 per cent of the value of in-force (30 June 2022: 22 per cent, 31 December 2022: 26 per cent) and 12 per cent of new business profit (30 June 2022: 19 per cent, 31 December 2022: 18 per cent)) reduce the market volatility of both policyholder and shareholder cash flows due to smoothed bonus declarations and for some markets the presence of an estate. Accordingly, 78 per cent of the value of in-force (30 June 2022: 78 per cent, 31 December 2022: 77 per cent) is products with low market risk sensitivity and this is reflected in the overall risk discount rate.

  For unit-linked products where fund management charges fluctuate with the investment return, a portion of the profits will typically be more sensitive to market risk due to the higher proportion of equity-type assets in the investment portfolio resulting in a higher risk discount rate. This business represents 16 per cent of the value of in-force (30 June 2022: 15 per cent, 31 December 2022: 17 per cent) and 3 per cent of the value of new business profit (30 June 2022: 12 per cent, 31 December 2022: 11 per cent) which limits the impact on the overall risk discount rate.

The remaining parts of the business (6 per cent of the value of in-force business (30 June 2022: 7 per cent, 31 December 2022: 6 per cent) and 48 per cent of the value of new business (30 June 2022: 27 per cent, 31 December 2022: 28 per cent)) relate to other products not covered by the above. The high proportion of new business in the current period reflects the higher proportion of savings product in Hong Kong as the border reopened.

The allowance for non-market risk comprises a base Group-wide allowance of 50 basis points plus additional allowances for emerging market risk where appropriate. At 30 June 2023, the total allowance for non-market risk is equivalent to a $(3.0) billion (31 December 2022: $(2.8) billion) reduction, or around (7) per cent (31 December 2022: (7) per cent) of the embedded value.

Movement in Group EEV Shareholders' Equity

		2023 $m			2022 $m	
		Half year			Half year	Full year
		Insurance and asset management operations	Other (central) operations	Group total	Group total	Group total
New business profit	1	**1,489**	**–**	**1,489**	1,098	2,184
Profit from in-force business	2	**844**	**–**	**844**	1,001	2,358
Long-term business		**2,333**	**–**	**2,333**	2,099	4,542
Asset management		**132**	**–**	**132**	117	234
Operating profit from long-term and asset management businesses		**2,465**	**–**	**2,465**	2,216	4,776
Other income (expenditure)	4	**–**	**(221)**	**(221)**	(263)	(542)
Operating profit (loss) before restructuring and IFRS 17 implementation costs		**2,465**	**(221)**	**2,244**	1,953	4,234
Restructuring and IFRS 17 implementation costs		**(33)**	**(56)**	**(89)**	(147)	(282)
Operating profit (loss) for the period		**2,432**	**(277)**	**2,155**	1,806	3,952
Short-term fluctuations in investment returns	2	**323**	**(11)**	**312**	(5,201)	(6,874)
Effect of changes in economic assumptions	2	**(92)**	**–**	**(92)**	(806)	(1,571)
Profit attaching to corporate transactions		**–**	**–**	**–**	62	57
Mark-to-market value movements on core structural borrowings	5	**–**	**(38)**	**(38)**	631	865
Non-operating results		**231**	**(49)**	**182**	(5,314)	(7,523)
Profit (loss) for the period		**2,663**	**(326)**	**2,337**	(3,508)	(3,571)
Non-controlling interests share of (profit) loss		**(11)**	**–**	**(11)**	(10)	(29)
Profit (loss) for the period attributable to equity holders of the Company		**2,652**	**(326)**	**2,326**	(3,518)	(3,600)
Equity items:						
Foreign exchange movements on operations		**(496)**	**21**	**(475)**	(1,198)	(1,195)
Intra-group dividends and investment in operations[note (i)]		**(958)**	**958**	**–**	–	–
Other external dividends		**–**	**(361)**	**(361)**	(320)	(474)
New share capital subscribed		**–**	**4**	**4**	–	(4)
Other movements[note (ii)]		**122**	**(96)**	**26**	(248)	(127)
Net increase (decrease) in shareholders' equity		**1,320**	**200**	**1,520**	(5,284)	(5,400)
Shareholders' equity at beginning of period		**40,262**	**1,922**	**42,184**	47,355	47,355
Effect of HK RBC		**–**	**–**	**–**	229	229
Shareholders' equity at beginning of period after adoption of HK RBC		**40,262**	**1,922**	**42,184**	47,584	47,584
Shareholders' equity at end of period		**41,582**	**2,122**	**43,704**	42,300	42,184
Contribution to Group EEV:						
At end of period:						
Long-term business	2	**40,179**	**–**	**40,179**	38,965	38,857
Asset management and other	4	**650**	**2,122**	**2,772**	2,586	2,565
Shareholders' equity, excluding goodwill attributable to equity holders		**40,829**	**2,122**	**42,951**	41,551	41,422
Goodwill attributable to equity holders		**753**	**–**	**753**	749	762
Shareholders' equity at end of period		**41,582**	**2,122**	**43,704**	42,300	42,184
At beginning of period:						
Long-term business	2	**38,857**	**–**	**38,857**	44,646	44,646
Asset management and other	4	**643**	**1,922**	**2,565**	1,931	1,931
Shareholders' equity, excluding goodwill attributable to equity holders		**39,500**	**1,922**	**41,422**	46,577	46,577
Goodwill attributable to equity holders		**762**	**–**	**762**	778	778
Shareholders' equity at beginning of period		**40,262**	**1,922**	**42,184**	47,355	47,355

Movement in Group EEV Shareholders' Equity (continued)

EEV shareholders' equity per share (in cents)note (iii)	2023 $m Half year Insurance and asset management operations	2023 $m Half year Other (central) operations	2023 $m Half year Group total	2022 $m Half year Group total	2022 $m Full year Group total
At end of period:					
Based on shareholders' equity, net of goodwill attributable to equity holders	**1,483¢**	**77¢**	**1,560¢**	1,511¢	1,507¢
Based on shareholders' equity at end of period	**1,511¢**	**77¢**	**1,588¢**	1,539¢	1,534¢
At beginning of period:					
Based on shareholders' equity, net of goodwill attributable to equity holders	**1,437¢**	**70¢**	**1,507¢**	1,696¢	1,696¢
Based on shareholders' equity at beginning of period	**1,464¢**	**70¢**	**1,534¢**	1,725¢	1,725¢

EEV basis basic earnings per sharenote (iv)	2023 Half year Before non-controlling interests $m	2023 Half year After non-controlling interests $m	2023 Half year Basic earnings per share cents	2022 Half year Basic earnings per share cents	2022 Full year Basic earnings per share cents
Based on operating profit	**2,155**	**2,144**	**78.2¢**	65.6¢	143.4¢
Based on profit (loss) for the period	**2,337**	**2,326**	**84.9¢**	(128.6)¢	(131.6)¢

Notes

(i) Intra-group dividends represent dividends that have been paid in the period. Investment in operations reflects movements in share capital.

(ii) Other movements include reserve movements in respect of share-based payments, treasury shares and intra-group transfers between operations that have no overall effect on the Group's shareholders' equity.

(iii) Based on the number of issued shares at 30 June 2023 of 2,753 million shares (30 June 2022: 2,749 million shares; 31 December 2022: 2,750 million shares).

(iv) Based on weighted average number of issued shares of 2,740 million shares in half year 2023 (half year 2022: 2,736 million shares; full year 2022: 2,736 million shares).

Movement in Group Free Surplus

Operating free surplus generation is the financial metric we use to measure the internal cash generation of our business operations and for our life operations is generally based on (with adjustments as discussed below) the capital regimes that apply locally in the various jurisdictions in which the Group operates. It represents amounts emerging from the in-force business during the year, net of amounts reinvested in writing new business. For asset management businesses, it equates to post-tax adjusted operating profit for the year.

For insurance business, free surplus is generally based on (with adjustments including recognition of certain intangibles and other assets that may be inadmissible on a regulatory basis) the excess of the regulatory basis net assets (EEV total net worth) over the EEV capital required to support the covered business. For shareholder-backed businesses, the level of EEV required capital has been based on the Group Prescribed Capital Requirements (GPCR) used in our GWS reporting as set out in note 6.1(e). Adjustments are also made to enable free surplus to be a better measure of shareholders' resources available for distribution as described in the reconciliation to GWS surplus as disclosed in note I(i) of the Additional financial information.

For asset management and other non-insurance operations (including the Group's central operations), free surplus is taken to be IFRS basis shareholders' equity, net of goodwill attributable to shareholders, with central Group debt recorded as free surplus to the extent that it is classified as capital resources under the Group's capital regime.

A reconciliation of EEV free surplus to the GWS shareholder capital surplus over group minimum capital requirements is also set out in note I(i) of the Additional financial information.

		2023 $m			2022 $m	
		Half year			Half year	Full year
	Note	**Insurance and asset management operations**	**Other (central) operations**	**Group total**	**Group total**	**Group total**
Expected transfer from in-force business		**1,399**	**–**	**1,399**	1,287	2,406
Expected return on existing free surplus		**130**	**–**	**130**	159	347
Changes in operating assumptions and experience variances		**(223)**	**–**	**(223)**	(60)	(227)
Operating free surplus generated from in-force long-term business	2	**1,306**	**–**	**1,306**	1,386	2,526
Investment in new business[note (i)]	2	**(414)**	**–**	**(414)**	(279)	(567)
Long-term business		**892**	**–**	**892**	1,107	1,959
Asset management		**132**	**–**	**132**	117	234
Operating free surplus generated from long-term and asset management businesses		**1,024**	**–**	**1,024**	1,224	2,193
Other income and expenditure	4	**–**	**(221)**	**(221)**	(263)	(542)
Restructuring and IFRS 17 implementation costs		**(32)**	**(56)**	**(88)**	(146)	(277)
Operating free surplus generated		**992**	**(277)**	**715**	815	1,374
Non-operating free surplus generated[note (ii)]		**(53)**	**(13)**	**(66)**	(1,310)	(1,924)
Free surplus generated for the period		**939**	**(290)**	**649**	(495)	(550)
Equity items:						
Net cash flows paid to parent company[note (iii)]		**(1,024)**	**1,024**	**–**	–	–
Other external dividends		**–**	**(361)**	**(361)**	(320)	(474)
Foreign exchange movements on operations		**(110)**	**21**	**(89)**	(247)	(316)
New share capital subscribed		**–**	**4**	**4**	–	(4)
Other movements and timing differences		**188**	**(162)**	**26**	(248)	(127)
Net movement in free surplus before non-controlling interest and before net subordinated debt issuance/redemption		**(7)**	**236**	**229**	(1,310)	(1,471)
Net subordinated debt redemption		**–**	**(397)**	**(397)**	(1,699)	(1,699)
Net movement in free surplus before non-controlling interest		**(7)**	**(161)**	**(168)**	(3,009)	(3,170)
Change in amounts attributable to non-controlling interests		**(5)**	**–**	**(5)**	(5)	(10)
Balance at the beginning of the period (as previously reported)		**6,678**	**5,551**	**12,229**	14,049	14,049
Effect of HK RBC		**–**	**–**	**–**	1,360	1,360
Balance at beginning of period		**6,678**	**5,551**	**12,229**	15,409	15,409
Balance at end of period		**6,666**	**5,390**	**12,056**	12,395	12,229
Representing:						
Free surplus excluding distribution rights and other intangibles		**5,723**	**2,686**	**8,409**	8,589	8,390
Distribution rights and other intangibles		**943**	**2,704**	**3,647**	3,806	3,839
Balance at end of period		**6,666**	**5,390**	**12,056**	12,395	12,229

Movement in Group Free Surplus (continued)

		2023 $m			2022 $m	
		30 Jun			30 Jun	31 Dec
Contribution to Group free surplus:	**Note**	**Insurance and asset management operations**	**Other (central) operations**	**Group total**	**Group total**	**Group total**
At end of period:						
Long-term business	2	**6,016**	**–**	**6,016**	5,960	6,035
Asset management and other	4	**650**	**5,390**	**6,040**	6,435	6,194
Total		**6,666**	**5,390**	**12,056**	12,395	12,229
At beginning of period:						
Long-term business	2	**6,035**	**–**	**6,035**	5,960	5,960
Asset management and other	4	**643**	**5,551**	**6,194**	8,089	8,089
Total		**6,678**	**5,551**	**12,229**	14,049	14,049

Notes

(i) Free surplus invested in new business primarily represents acquisition costs and amounts set aside for required capital.

(ii) Non-operating free surplus generated for other operations represents the post-tax IFRS basis short-term fluctuations in investment returns, the movement in the mark-to-market value adjustment on core structural borrowings which did not meet the qualifying conditions as set out in the Insurance (Group Capital) Rules and gain or loss on corporate transactions for other entities.

(iii) Net cash flows to parent company reflect the cash remittances as included in the holding company cash flow at transaction rates. The difference to the intra-group dividends and investment in operations in the movement in EEV shareholders' equity primarily relates to intra-group loans, foreign exchange and other non-cash items.

Notes on the EEV financial results

1 Analysis of new business profit and EEV for long-term business operations

	Half year 2023					
	New business profit (NBP) $m	Annual premium equivalent (APE) $m	Present value of new business premiums (PVNBP) $m	New business Margin (APE) %	New business Margin (PVNBP) %	Closing EEV shareholders' equity, excluding goodwill $m
CPL (Prudential's share)	**171**	**394**	**1,481**	**43%**	**12%**	**3,131**
Hong Kong	**670**	**1,027**	**5,364**	**65%**	**12%**	**17,496**
Indonesia	**61**	**150**	**629**	**41%**	**10%**	**1,763**
Malaysia	**73**	**185**	**915**	**39%**	**8%**	**3,557**
Singapore	**198**	**386**	**2,441**	**51%**	**8%**	**7,060**
Growth markets and other	**316**	**885**	**3,600**	**36%**	**9%**	**7,172**
Total long-term operations	**1,489**	**3,027**	**14,430**	**49%**	**10%**	**40,179**

	Half year 2022 (AER)					
	New business profit (NBP) $m	Annual premium equivalent (APE) $m	Present value of new business premiums (PVNBP) $m	New business Margin (APE) %	New business Margin (PVNBP) %	Closing EEV shareholders' equity, excluding goodwill $m
CPL (Prudential's share)	217	507	2,119	43%	10%	3,302
Hong Kong	211	227	1,774	93%	12%	17,246
Indonesia	52	110	442	47%	12%	1,956
Malaysia	70	172	845	41%	8%	3,524
Singapore	244	390	3,184	63%	8%	6,712
Growth markets and other	304	807	3,364	38%	9%	6,225
Total long-term operations	1,098	2,213	11,728	50%	9%	38,965

	Half year 2022 (CER)					
	New business profit (NBP) $m	Annual premium equivalent (APE) $m	Present value of new business premiums (PVNBP) $m	New business Margin (APE) %	New business Margin (PVNBP) %	Closing EEV shareholders' equity, excluding goodwill $m
CPL (Prudential's share)	203	474	1,982	43%	10%	3,043
Hong Kong	211	227	1,771	93%	12%	17,269
Indonesia	50	106	424	47%	12%	1,944
Malaysia	66	165	809	40%	8%	3,328
Singapore	249	398	3,253	63%	8%	6,902
Growth markets and other	290	762	3,196	38%	9%	6,083
Total long-term operations	1,069	2,132	11,435	50%	9%	38,569

	Full year 2022 (AER)					
	New business profit (NBP) $m	Annual premium equivalent (APE) $m	Present value of new business premiums (PVNBP) $m	New business Margin (APE) %	New business Margin (PVNBP) %	Closing EEV shareholders' equity, excluding goodwill $m
CPL (Prudential's share)	387	884	3,521	44%	11%	3,259
Hong Kong	384	522	3,295	74%	12%	16,576
Indonesia	125	247	1,040	51%	12%	1,833
Malaysia	159	359	1,879	44%	8%	3,695
Singapore	499	770	6,091	65%	8%	6,806
Growth markets and other	630	1,611	6,580	39%	10%	6,688
Total long-term operations	2,184	4,393	22,406	50%	10%	38,857

Note
The movement in new business profit from long-term operations is analysed as follows:

	$m
Half year 2022 new business profit	1,098
Foreign exchange movement	(29)
Sales volume	449
Effect of changes in interest rates and other economic assumptions	(137)
Business mix, product mix and other items	108
Half year 2023 new business profit	**1,489**

2 Analysis of movement in net worth and value of in-force business for long-term business operations

	2023 $m					2022 $m	
	Half year					Half year	Full year
	Free surplus	Required capital	Net worth	Value of in-force business	Embedded value note (i)	Embedded value note (i)	Embedded value note (i)
Balance at beginning of period							
Balance at beginning of period (as previously reported)	**6,035**	**5,556**	**11,591**	**27,266**	**38,857**	44,646	44,646
Effect of HK RBC	**–**	**–**	**–**	**–**	**–**	229	229
Balance at beginning of period	**6,035**	**5,556**	**11,591**	**27,266**	**38,857**	44,875	44,875
New business contribution	**(414)**	**228**	**(186)**	**1,675**	**1,489**	1,098	2,184
Existing business – transfer to net worth	**1,399**	**(178)**	**1,221**	**(1,221)**	**–**	–	–
Expected return on existing business[note (ii)]	**130**	**40**	**170**	**947**	**1,117**	1,183	2,559
Changes in operating assumptions, experience variances and other items[note (iii)]	**(223)**	**(5)**	**(228)**	**(45)**	**(273)**	(182)	(201)
Operating profit before restructuring and IFRS 17 implementation costs	**892**	**85**	**977**	**1,356**	**2,333**	2,099	4,542
Restructuring and IFRS 17 implementation costs	**(28)**	**–**	**(28)**	**(1)**	**(29)**	(32)	(116)
Operating profit	**864**	**85**	**949**	**1,355**	**2,304**	2,067	4,426
Non-operating result[note (iv)]	**(53)**	**(28)**	**(81)**	**312**	**231**	(6,014)	(8,469)
Profit (loss) for the period	**811**	**57**	**868**	**1,667**	**2,535**	(3,947)	(4,043)
Non-controlling interests share of (profit) loss	**(2)**	**–**	**(2)**	**(6)**	**(8)**	(7)	(22)
Profit (loss) for the period attributable to equity holders of the Company	**809**	**57**	**866**	**1,661**	**2,527**	(3,954)	(4,065)
Foreign exchange movements	**(103)**	**(44)**	**(147)**	**(333)**	**(480)**	(1,156)	(1,146)
Intra-group dividends and investment in operations	**(843)**	**–**	**(843)**	**–**	**(843)**	(832)	(999)
Other movements[note (v)]	**118**	**–**	**118**	**–**	**118**	32	192
Balance at end of period	**6,016**	**5,569**	**11,585**	**28,594**	**40,179**	38,965	38,857

(i) Total embedded value

The total embedded value for long-term business operations at the end of each period shown below, excluding goodwill attributable to equity holders, can be analysed further as follows:

	2023 $m	2022 $m	
	30 Jun	30 Jun	31 Dec
Value of in-force business before deduction of cost of capital and time value of options and guarantees	**29,636**	28,442	28,126
Cost of capital	**(734)**	(693)	(709)
Time value of options and guarantees[note]	**(308)**	(368)	(151)
Net value of in-force business	**28,594**	27,381	27,266
Free surplus	**6,016**	5,960	6,035
Required capital	**5,569**	5,624	5,556
Net worth	**11,585**	11,584	11,591
Embedded value	**40,179**	38,965	38,857

Note

The time value of options and guarantees (TVOG) arises from the variability of economic outcomes in the future and is, where appropriate, calculated as the difference between an average outcome across a range of economic scenarios, calibrated around a central scenario, and the outcome from the central economic scenario, as described in note 6.1(d). At 30 June 2023, the TVOG is $(308) million, with the substantial majority arising in Hong Kong. The TVOG reflects the variability of guaranteed benefit payouts across the range of economic scenarios around interest rates at the valuation date and represents some of the market risk for the key products in Hong Kong. As this market risk is explicitly allowed for via the TVOG, no further adjustment is made for this within the EEV risk discount rate, as described in note 6.1(h).

(ii) Expected return on existing business

The expected return on existing business reflects the effect of changes in economic and operating assumptions in the current period, as described in note 6.2(c). The movement in this amount compared to the prior period from long-term operations is analysed as follows:

	$m
Half year 2022 expected return on existing business	1,183
Foreign exchange movement	(22)
Effect of changes in interest rates and other economic assumptions	(81)
Growth in opening value of in-force business and other items	37
Half year 2023 expected return on existing business	**1,117**

(iii) Changes in operating assumption, experience variances and other items

Overall the total impact of operating assumption changes, experience variances and other items in half year 2023 was $(273) million (half year 2022: $(182) million; full year 2022: $(201) million) comprising changes in operating assumptions of $49 million in half year 2023 (half year 2022: $61 million; full year 2022: $32 million) and experience variances and other items of $(322) million (half year 2022: $(243) million; full year 2022: $(233) million).

(iv) Non-operating results

The EEV non-operating result from long-term operations can be summarised as follows:

	2023 $m	2022 $m	
	Half year	**Half year**	**Full year**
Short-term fluctuations in investment returns[note (i)]	**323**	(5,208)	(6,893)
Effect of change in economic assumptions[note (ii)]	**(92)**	(806)	(1,571)
Loss attaching to corporate transactions	**–**	–	(5)
Non-operating results	**231**	(6,014)	(8,469)

Notes

(i) The credit of $323 million in short-term fluctuations in investment returns mainly reflects higher expected investment returns given movements in interest rates, with many markets seeing a fall in the first half of 2023, and rising equity markets in some regions.

(ii) The charge of $(92) million for effect of change in economic assumptions primarily arises from decreases in interest rates in many markets with the effect of lower assumed fund earned rates that impact projected future cash flows being marginally greater than the benefit from future interest rates.

(v) Other reserve movements

Other movements include reserve movements in respect of intra-group loans and other intra-group transfers between operations that have no overall effect on the Group's shareholders' equity.

3 Sensitivity of results for long-term business operations to alternative economic assumptions

The tables below show the sensitivity of the embedded value and the new business profit for insurance business operations to:

- 1 per cent and 2 per cent increases in interest rates and 0.5 per cent decrease in interest rates. This allows for consequential changes in the assumed investment returns for all asset classes, market values of fixed interest assets, local statutory reserves, capital requirements and risk discount rates (but excludes changes in the allowance for market risk);
- 1 per cent rise in equity and property yields;
- 1 per cent and 2 per cent increases in the risk discount rates. The main driver for changes in the risk discount rates from period to period is changes in interest rates, the impact of which is expected to be partially offset by a corresponding change in assumed investment returns, the effect of which is not included in the risk discount rate sensitivities. The impact of higher investment returns can be approximated as the difference between the sensitivity to increases in interest rates and the sensitivity to increases in risk discount rates;
- For embedded value only, 20 per cent fall in the market value of equity and property assets; and
- For embedded value only, holding the group minimum capital requirements (GMCR) under the GWS Framework in contrast to EEV required capital based on the group prescribed capital requirements (GPCR). This reduces the level of capital and therefore the level of charge deducted from the embedded value for the cost of locked-in required capital. This has the effect of increasing EEV.

The sensitivities shown below are for the impact of instantaneous and permanent changes (with no trending or mean reversion) on the embedded value of long-term business operations and include the combined effect on the value of in-force business and net assets (including derivatives) held at the valuation dates indicated. The results only allow for limited management actions, such as changes to future policyholder bonuses, where applicable. If such economic conditions persisted, the financial impacts may differ to the instantaneous impacts shown below. In this case, management could also take additional actions to help mitigate the impact of these stresses. No change in the mix of the asset portfolio held at the valuation date is assumed when calculating sensitivities, while changes in the market value of those assets are recognised. The sensitivity impacts are expected to be non-linear. To aid understanding of this non-linearity, impacts of both a 1 per cent and 2 per cent increase to interest rates and risk discount rates are shown.

If the changes in assumptions shown in the sensitivities were to occur, the effects shown below would be recorded within two components of the profit analysis for the following period, namely the effect of changes in economic assumptions and short-term fluctuations in investment returns. In addition to the sensitivity effects shown below, the other components of the profit for the following period would be calculated by reference to the altered assumptions, for example new business profit and expected return on existing business.

New business profit from long-term business

	Half year 2023 $m	Full year 2022 $m
New business profit	**1,489**	2,184
Sensitivity to alternative economic assumptions:		
Interest rates and consequential effects – 2% increase	**(54)**	220
Interest rates and consequential effects – 1% increase	**(25)**	134
Interest rates and consequential effects – 0.5% decrease	**12**	(97)
Equity/property yields – 1% rise	**87**	160
Risk discount rates – 2% increase	**(449)**	(551)
Risk discount rates – 1% increase	**(254)**	(309)

Embedded value of long-term business

	30 Jun 2023 $m	31 Dec 2022 $m
Embedded value	**40,179**	38,857
Sensitivity to alternative economic assumptions:		
Interest rates and consequential effects – 2% increase	**(4,202)**	(3,988)
Interest rates and consequential effects – 1% increase	**(2,242)**	(2,067)
Interest rates and consequential effects – 0.5% decrease	**1,181**	1,058
Equity/property yields – 1% rise	**2,002**	1,884
Equity/property market values – 20% fall	**(1,969)**	(1,840)
Risk discount rates – 2% increase	**(7,852)**	(7,371)
Risk discount rates – 1% increase	**(4,462)**	(4,155)
Group minimum capital requirements	**116**	117

New business sensitivities vary with changes in business mix and APE sales volumes. In particular the directional movements in the new business profit interest rate sensitivities from 31 December 2022 to 30 June 2023 reflect the movements in the business unit mix driven by the increase in the APE sales growth in Hong Kong, which is more sensitive to changes in the risk discount rates than the level of future investment returns.

For a 1 per cent increase in assumed interest rates, the $(2,242) million negative effect comprises a $(4,462) million negative impact of increasing the risk discount rate by 1 per cent, partially offset by a $2,220 million benefit from assuming 1 per cent higher investment returns. Similarly, for a 2 per cent increase in assumed interest rates the $(4,202) million negative effect comprises a $(7,852) million negative impact of increasing the risk discount rates by 2 per cent, partially offset by a $3,650 million benefit from higher assumed investment returns. Finally, for a 0.5 per cent decrease in assumed interest rates, there would be a $1,181 million positive effect reflecting the benefit of a 0.5 per cent reduction in risk discount rates being partially offset by lower assumed investment returns. These offsetting impacts are sensitive to economics and the net impact can therefore change from period to period depending on the current level of interest rates.

In order to illustrate the impact of varying specific economic assumptions, all other assumptions are held constant in the sensitivities above and, therefore, the actual changes in embedded value were these economic effects to materialise may differ from the sensitivities shown. For example, market risk allowances within the risk discount rate may change if interest rates change and these are not allowed for in the above. If market risk allowances were changed as expected when interest rates are increased by 1 per cent, the expected reduction in EEV would be $(2,009) million (compared with the $(2,242) million impact shown above). Similarly, if interest rates actually decreased by 0.5 per cent, it would lead to a $1,039 million increase (compared with the $1,181 million increase shown above).

4 EEV results for other (central) operations

EEV results for other income and expenditure represents the post-tax IFRS results for other (central) operations (before restructuring and IFRS 17 implementation costs). It mainly includes interest costs on core structural borrowings and corporate expenditure for head office functions that are not recharged/allocated to the insurance and asset management business.

Certain costs incurred within the head office functions are recharged to the insurance operations and recorded within the results for those operations. The assumed future expenses within the value of in-force business for insurance operations allow for amounts expected to be recharged by the head office functions on a recurring basis. Other costs that are not recharged to the insurance operations are shown as part of other income and expenditure for the current period and are not included within the projection of future expenses for in-force insurance business.

In line with the EEV Principles, the allowance for the future costs of internal asset management services within the EEV results for long-term insurance operations excludes the projected future profits or losses generated by any non-insurance entities within the Group in providing those services (ie the EEV for long-term insurance operations includes the projected future profit or loss from asset management and service companies that support the Group's covered insurance businesses). Following the implementation of IFRS 17, a similar adjustment is made to eliminate the intra-group profit within the results of central operations.

The EEV shareholders' equity for other operations is taken to be IFRS shareholders' equity, with central Group debt shown on a market value basis. Free surplus for other operations is taken to be IFRS shareholders' equity, net of goodwill attributable to equity holders, with central Group debt recorded as free surplus to the extent that it is classified as capital resources under the Group's capital regime. Under the GWS Framework, debt instruments issued at the date of designation which met the transitional conditions set by the Hong Kong IA are included as GWS eligible group capital resources. In addition, debt issued since the date of designation which met the qualifying conditions as set out in the Insurance (Group Capital) Rules are also included as GWS eligible group capital resources.

Shareholders' equity for other (central) operations can be compared across metrics as shown in the table below.

	2023 $m	**2022 $m**	
	30 Jun	**30 Jun**	**31 Dec**
IFRS basis shareholders' equity	**1,733**	1,758	1,495
Mark-to-market value adjustment on central borrowings[note 5]	**389**	193	427
EEV basis shareholders' equity	**2,122**	1,951	1,922
Debt instruments treated as capital resources	**3,268**	3,849	3,629
Free surplus of other (central) operations	**5,390**	5,800	5,551

5 Net core structural borrowings of shareholder-financed businesses

	2023 $m			2022 $m					
	30 Jun			30 Jun			31 Dec		
	IFRS basis note (ii)	Mark-to-market value adjustment note (iii)	EEV basis at market value	IFRS basis	Mark-to-market value adjustment note (iii)	EEV basis at market value	IFRS basis note (ii)	Mark-to-market value adjustment note (iii)	EEV basis at market value
Holding company cash and short-term investments note (i)	**(3,314)**	**–**	**(3,314)**	(2,143)	–	(2,143)	(3,057)	–	(3,057)
Central borrowings:									
Subordinated debt	**2,317**	**(265)**	**2,052**	2,289	(173)	2,116	2,286	(306)	1,980
Senior debt	**1,632**	**(124)**	**1,508**	1,977	(20)	1,957	1,975	(121)	1,854
Total central borrowings	**3,949**	**(389)**	**3,560**	4,266	(193)	4,073	4,261	(427)	3,834
Net core structural borrowings of shareholder-financed businesses	**635**	**(389)**	**246**	2,123	(193)	1,930	1,204	(427)	777

Notes

(i) Holding company includes centrally managed Group holding companies. The definition of holding company cash and short-term investments was updated at 31 December 2022 ie holding company includes central holding and service companies. Further information is provided in note I(iv) of the Additional financial information.

(ii) As recorded in note C5.1 of the IFRS financial results.

(iii) The movement in the value of core structural borrowings includes issuances and redemptions in the period and foreign exchange effects for pounds sterling denominated debts. The movement in the mark-to-market value adjustment can be analysed as follows:

	2023 $m	2022 $m	
	Half year	Half year	Full year
Mark-to-market value adjustment at beginning of period	**(427)**	438	438
Credit included in the income statement	**38**	(631)	(865)
Mark-to-market value adjustment at end of period	**(389)**	(193)	(427)

6 Methodology and accounting presentation

6.1 Methodology

(a) Covered business

The EEV basis results for the Group are prepared for ‘covered business’ as defined by the EEV Principles. Covered business represents the Group’s long-term insurance business (including the Group’s investments in joint venture and associate insurance operations), for which the value of new and in-force contracts is attributable to shareholders. The definition of long-term insurance business comprises those contracts falling under the definition for regulatory purposes.

The EEV results for the Group’s covered business are then combined with the post-tax IFRS results of the Group’s asset management and other operations (including interest costs on core structural borrowings and corporate expenditure for head office functions that is not recharged/allocated to the insurance operations), with an adjustment to deduct the unwind of expected margins on the internal management of the assets of the covered business. Under the EEV Principles, the results for covered business incorporate the projected margins of attaching internal asset management, as described in note (g) below.

(b) Valuation of in-force and new business

The EEV basis results are prepared incorporating best estimate assumptions about all relevant factors including levels of future investment returns, persistency, mortality, morbidity and expenses, as described in note 7(c). These assumptions are used to project future cash flows. The present value of the projected future cash flows is then calculated using a discount rate, as shown in note 7(a), which reflects both the time value of money and all other non-diversifiable risks associated with the cash flows that are not otherwise allowed for.

The total profit that emerges over the lifetime of an individual contract as calculated under the EEV basis is the same as that calculated under the IFRS basis. Since the EEV basis reflects discounted future cash flows, under the EEV methodology the profit emergence is advanced, thus more closely aligning the timing of the recognition of profit with the efforts and risks of current management actions, particularly with regard to business sold during the period.

New business

In determining the EEV basis value of new business, premiums are included in projected cash flows on the same basis of distinguishing regular and single premium business as set out in the Group’s new business sales reporting.

New business premiums reflect those premiums attaching to the covered business, including premiums for contracts classified as investment contracts under IFRS 17. New business premiums for regular premium products are shown on an annualised basis.

New business profit represents profit determined by applying operating and economic assumptions as at the end of the period. New business profitability is a key metric for the Group’s management of the development of the business. In addition, new business margins are shown by reference to annual premium equivalent (APE) and the present value of new business premiums (PVNBP). These margins are calculated as the percentage of the value of new business profit to APE and PVNBP. APE is calculated as the aggregate of regular premiums on new business written in the period and one-tenth of single premiums. PVNBP is calculated as the aggregate of single premiums and the present value of expected future premiums from regular premium new business, allowing for lapses and the other assumptions made in determining the EEV new business profit.

(c) Cost of capital
A charge is deducted from the embedded value for the cost of locked-in required capital supporting the Group's long-term business. The cost is the difference between the nominal value of the capital held and the discounted value of the projected releases of this capital, allowing for post-tax investment earnings on the capital.

The EEV results are affected by the movement in this cost from period to period, which comprises a charge against new business profit and generally a release in respect of the reduction in capital requirements for business in force as this runs off.

Where required capital is held within a with-profits long-term fund, the value placed on surplus assets within the fund is already adjusted to reflect its expected release over time and so no further adjustment to the shareholder position is necessary.

(d) Financial options and guarantees
Nature of financial options and guarantees
Participating products, principally written in the Chinese Mainland, Hong Kong, Malaysia, Singapore and Taiwan, have both guaranteed and non-guaranteed elements. These products provide returns to policyholders through bonuses that are smoothed. There are two types of bonuses: regular and final. Regular bonuses are declared once a year and, once credited, are guaranteed in accordance with the terms of the particular products. Final bonuses are guaranteed only until the next bonus declaration.

There are also various non-participating long-term products with guarantees. The principal guarantees are those for whole-of-life contracts with floor levels of policyholder benefits that typically accrue at rates set at inception and do not vary subsequently with market conditions. Similar to participating products, the policyholder charges incorporate an allowance for the cost of providing these guarantees, which, for certain whole-of-life products in Hong Kong, remains constant throughout varying economic conditions, rather than reducing as the economic environment improves and vice versa.

Time value
The value of financial options and guarantees comprises the intrinsic value (arising from a deterministic valuation on best estimate assumptions) and the time value (arising from the variability of economic outcomes in the future).

Where appropriate (ie where financial options and guarantees are explicitly valued under the EEV methodology), a full stochastic valuation has been undertaken to determine the time value of financial options and guarantees. The economic assumptions used for the stochastic calculations are consistent with those used for the deterministic calculations. Assumptions specific to the stochastic calculations reflect local market conditions and are based on a combination of actual market data, historic market data and an assessment of long-term economic conditions. Common principles have been adopted across the Group for the stochastic asset models, such as separate modelling of individual asset classes with an allowance for correlations between various asset classes. Details of the key characteristics of each model are given in note 7(b).

In deriving the time value of financial options and guarantees, management actions in response to emerging investment and fund solvency conditions have been modelled. Management actions encompass, but are not confined to, investment allocation decisions, levels of regular and final bonuses and credited rates. Bonus rates are projected from current levels and varied in accordance with assumed management actions applying in the emerging investment and fund solvency conditions. In all instances, the modelled actions are in accordance with approved local practice and therefore reflect the options available to management.

(e) Level of required capital and net worth
In adopting the EEV Principles, Prudential has based required capital on the applicable local statutory regulations, including any amounts considered to be required above the local statutory minimum requirements to satisfy regulatory constraints.

For shareholder-backed businesses, the level of required capital has been based on the GPCR.

- For CPL operations, the level of required capital follows the approach for embedded value reporting issued by the China Association of Actuaries (CAA) reflecting the C-ROSS regime. The CAA has started a project to assess whether any changes are required to the embedded value guidance in the Chinese Mainland given changes in regulatory rules, regulations and the external market environment since the standard was first issued. To date, no outcomes have been proposed by the CAA and Prudential has made no change to its EEV basis for CPL in half year 2023. At such time that there is a new basis, Prudential will consider the effect of proposals.
- For Hong Kong participating business, the HK RBC regime recognises the value of future shareholder transfers on an economic basis as available capital with an associated required capital. Within EEV, the shareholder value of participating business continues to be recognised as VIF with no recognition within free surplus and no associated required capital.
- For Singapore life operations, the level of net worth and required capital is based on the Tier 1 Capital position under the risk-based capital framework (RBC2), which removes certain negative reserves permitted to be recognised in the full RBC2 regulatory position applicable to the Group's GWS capital position, in order to better reflect free surplus and its generation.

Free surplus is the shareholders' net worth in excess of required capital. For the Hong Kong business, the HK RBC framework requires liabilities to be valued on a best estimate basis and capital requirements to be risk based. EEV free surplus excludes regulatory surplus that arises where HK RBC technical provisions are lower than policyholder asset shares or cash surrender values to more realistically reflect how the business is managed.

(f) With-profits business and the treatment of the estate
For the Group's relevant operations, the proportion of surplus allocated to shareholders from the with-profits funds has been based on the applicable profit distribution between shareholders and policyholders. The EEV methodology includes the value attributed to the shareholders' interest in the residual estate of the in-force with-profits business. In any scenarios where the total assets of the life fund are insufficient to meet policyholder claims in full, the excess cost is fully attributed to shareholders. As required, adjustments are also made to reflect any capital requirements for with-profits business in excess of the capital resources of the with-profits funds.

(g) Internal asset management

In line with the EEV Principles, the in-force and new business results from long-term business include the projected future profit or loss from asset management and service companies that support the Group's covered insurance businesses. The results of the Group's asset management operations include the current period profit from the management of both internal and external funds. EEV basis shareholders' other income and expenditure is adjusted to deduct the expected profit anticipated to arise in the current period in the opening VIF from internal asset management and other services. This deduction is on a basis consistent with that used for projecting the results for covered insurance business. Accordingly, Group operating profit includes the actual profit earned in respect of the management of these assets.

(h) Allowance for risk and risk discount rates

Overview

Under the EEV Principles, discount rates used to determine the present value of expected future cash flows are set by reference to risk-free rates plus a risk margin.

The risk-free rates are largely based on local government bond yields at the valuation date and are assumed to remain constant throughout the projection, with no trending or mean reversion to longer-term assumptions that cannot be observed in the current market.

The risk margin reflects any non-diversifiable risk associated with the emergence of distributable earnings that is not allowed for elsewhere in the valuation. In order to better reflect differences in relative market risk volatility inherent in each product group, Prudential sets the risk discount rates to reflect the expected volatility associated with the expected future shareholder cash flows for each product group in the embedded value model, rather than at a Group level.

Where financial options and guarantees are explicitly valued under the EEV methodology, risk discount rates exclude the effect of these product features.

The risk margin represents the aggregate of the allowance for market risk and allowance for non-diversifiable non-market risk. No allowance is required for non-market risks where these are assumed to be fully diversifiable.

Market risk allowance

The allowance for market risk represents the beta multiplied by the equity risk premium.

The beta of a portfolio or product measures its relative market risk. The risk discount rates reflect the market risk inherent in each product group and hence the volatility of product-specific cash flows. These are determined by considering how the profit from each product is affected by changes in expected returns across asset classes. By converting this into a relative rate of return, it is possible to derive a product-specific beta. This approach contrasts with a top-down approach to market risk where the risks associated with each product are not directly reflected in the valuation basis.

The Group's methodology allows for credit risk in determining the best estimate returns and through the market risk allowance, which covers expected long-term defaults, a credit risk premium (to reflect the volatility in downgrade and default levels) and short-term downgrades and defaults.

Allowance for non-diversifiable non-market risks

The majority of non-market and non-credit risks are considered to be diversifiable. An allowance for non-diversifiable non-market risks is estimated as set out below.

A base level allowance of 50 basis points is applied to cover the non-diversifiable non-market risks associated with the Group's covered business. For the Group's businesses in less mature markets (such as the Philippines, Thailand and Africa) additional allowances of 250 basis points, or higher where there is more uncertainty, are applied. The level and application of these allowances are reviewed and updated based on an assessment of the Group's exposure and experience in the markets. For the Group's business in more mature markets, no additional allowance is necessary. At 30 June 2023, the total allowance for non-diversifiable non-market risk is equivalent to a $(3.0) billion, or (7) per cent, reduction to the embedded value of long-term business operations.

(i) Foreign currency translation

Foreign currency profits and losses have been translated at average exchange rates for the period. Foreign currency transactions are translated at the spot rate prevailing at the date of the transactions. Foreign currency assets and liabilities have been translated at closing exchange rates. The principal exchange rates are shown in note A1 of the Group IFRS financial results.

(j) Taxation

In determining the post-tax profit for the period for covered business, the overall tax rate includes the impact of tax effects determined on a local regulatory basis. Tax payments and receipts included in the projected future cash flows to determine the value of in-force business are calculated using tax rates that have been announced and substantively enacted by the end of the reporting period.

6.2 Accounting presentation

(a) Analysis of post-tax profit or loss
To the extent applicable, the presentation of the EEV profit or loss for the period is consistent with the classification between operating and non-operating results that the Group applies for the analysis of IFRS results. Operating results are determined as described in note (b) below and incorporate the following:

- New business profit, as defined in note 6.1(b) above;
- Expected return on existing business, as described in note (c) below;
- The impact of routine changes of estimates relating to operating assumptions, as described in note (d) below; and
- Operating experience variances, as described in note (e) below.

In addition, operating results include the effect of changes in tax legislation, unless these changes are one-off and structural in nature, or primarily affect the level of projected investment returns, in which case they are reflected as a non-operating result.

Non-operating results comprise:

- Short-term fluctuations in investment returns;
- Mark-to-market value movements on core structural borrowings;
- Effect of changes in economic assumptions; and
- The impact of corporate transactions, if any, undertaken in the period.

Total profit or loss in the period attributable to shareholders and basic earnings per share include these items, together with actual investment returns. The Group believes that operating profit, as adjusted for these items, better reflects underlying performance.

(b) Investment returns included in operating profit
For the investment element of the assets covering the total net worth of long-term insurance business, investment returns are recognised in operating results at the expected long-term rates of return. These expected returns are calculated by reference to the asset mix of the portfolio.

(c) Expected return on existing business
Expected return on existing business comprises the expected unwind of discounting effects on the opening value of in-force business and required capital and the expected return on existing free surplus. The unwind of discount and the expected return on existing free surplus are determined after adjusting for the effect of changes in economic and operating assumptions in the current period on the embedded value at the beginning of the period, for example, the unwind of discount on the value of in-force business and required capital is determined after adjusting both the opening value and the risk discount rates for the effect of changes in economic and operating assumptions in the current period.

(d) Effect of changes in operating assumptions
Operating profit includes the effect of changes to operating assumptions on the value of in-force business at the end of the reporting period. For presentational purposes the effect of changes is delineated to show the effect on the opening value of in-force business as operating assumption changes, with the experience variances subsequently being determined by reference to the assumptions at the end of the reporting period, as discussed below.

(e) Operating experience variances
Operating profit includes the effect of experience variances on operating assumptions, such as persistency, mortality, morbidity, expenses and other factors, which are calculated with reference to the assumptions at the end of the reporting period.

(f) Effect of changes in economic assumptions
Movements in the value of in-force business at the beginning of the period caused by changes in economic assumptions, net of the related changes in the time value of financial options and guarantees, are recorded in non-operating results.

7 Assumptions

(a) Principal economic assumptions

The EEV results for the Group's covered business are determined using economic assumptions where both the risk discount rates and long-term expected rates of return on investments are set with reference to risk-free rates of return at the end of the reporting period. Both the risk discount rate and expected rates of return are updated at each valuation date to reflect current market risk-free rates, with the effect that changes in market risk-free rates impact all projected future cash flows. The risk-free rates of return are largely based on local government bond yields and are assumed to remain constant throughout the projection, with no trending or mean reversion to longer-term assumptions that cannot be observed in the current market. The risk-free rates of return are shown below for each of the Group's insurance operations. Expected returns on equity and property assets and corporate bonds are derived by adding a risk premium to the risk-free rate based on the Group's long-term view and, where relevant, allowing for market volatility.

As described in note 6.1(h), risk discount rates are set equal to the risk-free rate at the valuation date plus allowances for market risk and non-diversifiable non-market risks appropriate to the features and risks of the underlying products and markets.

Risks that are explicitly allowed for elsewhere in the EEV basis, such as via the cost of capital and the time value of options and guarantees, as set out in note 2(i), are not included in the risk discount rates.

	Risk discount rate %					
	New business			In-force business		
	2023	2022		2023	2022	
	30 Jun	30 Jun	31 Dec	30 Jun	30 Jun	31 Dec
CPL	**7.2**	7.4	7.4	**7.2**	7.4	7.4
Hong Kong note (i)	**4.6**	3.9	4.8	**5.4**	4.5	5.5
Indonesia	**9.1**	10.7	10.0	**9.8**	11.3	10.6
Malaysia	**5.7**	6.1	5.8	**6.3**	6.7	6.5
Philippines	**13.6**	14.6	14.5	**13.6**	14.6	14.5
Singapore	**4.9**	4.9	5.0	**5.1**	5.1	5.2
Taiwan	**3.6**	3.4	3.5	**4.1**	4.1	4.0
Thailand	**9.9**	10.4	10.0	**9.9**	10.4	10.0
Vietnam	**4.2**	5.3	6.9	**4.4**	5.1	6.7
Total weighted average note (ii)	**5.9**	6.5	6.9	**6.0**	5.9	6.4

	10-year government bond yield %			Equity return (geometric) %		
	2023	2022		2023	2022	
	30 Jun	30 Jun	31 Dec	30 Jun	30 Jun	31 Dec
CPL	**2.7**	2.9	2.9	**6.7**	6.9	6.9
Hong Kong note (i)	**3.8**	3.0	3.9	**7.3**	6.5	7.4
Indonesia	**6.6**	7.9	7.3	**10.8**	12.1	11.5
Malaysia	**3.9**	4.3	4.1	**7.4**	7.8	7.6
Philippines	**6.4**	7.4	7.3	**10.6**	11.6	11.5
Singapore	**3.0**	3.0	3.1	**6.5**	6.5	6.6
Taiwan	**1.3**	1.3	1.3	**5.3**	5.3	5.3
Thailand	**2.6**	3.1	2.7	**6.9**	7.4	7.0
Vietnam	**2.7**	3.4	5.0	**7.0**	7.6	9.3
Total weighted average (new business) note (ii)	**3.9**	3.8	4.2	**7.2**	7.2	7.5
Total weighted average (in-force business) note (ii)	**3.8**	3.6	4.0	**7.3**	7.2	7.6

Notes

(i) For Hong Kong, the assumptions shown are for US dollar denominated business. For other businesses, the assumptions shown are for local currency denominated business.

(ii) Total weighted average assumptions have been determined by weighting each business's assumptions by reference to the EEV basis new business profit and the closing net value of in-force business. The changes in the risk discount rates for individual businesses reflect the movements in the local government bond yields, changes in the allowance for market risk (including as a result of changes in asset mix) and changes in product mix.

(iii) Expected long-term inflation assumptions range from 1.5 per cent to 5.5 per cent for all periods shown above.

(b) Stochastic assumptions
Details are given below of the key characteristics of the models used to determine the time value of financial options and guarantees as referred to in note 6.1(d).

- The stochastic cost of guarantees is primarily of significance for the Hong Kong, Malaysia, Singapore, Taiwan and Vietnam businesses;
- The principal asset classes are government bonds, corporate bonds and equity;
- The interest rates are projected using a stochastic interest rate model calibrated to the current market yields;
- The equity returns are assumed to follow a log-normal distribution;
- The corporate bond return is calculated based on a risk-free return plus a mean-reverting spread;
- The volatility of equity returns ranges from 17 per cent to 35 per cent for all periods; and
- The volatility of government bond yields ranges from 1.1 per cent to 2.0 per cent for all periods.

(c) Operating assumptions
Best estimate assumptions are used for projecting future cash flows, where best estimate is defined as the mean of the distribution of future possible outcomes. The assumptions are reviewed actively and changes are made when evidence exists that material changes in future experience are reasonably certain. Where experience is expected to be adverse over the short term, a provision may be established.

Assumptions required in the calculation of the time value of financial options and guarantees, for example relating to volatilities and correlations, or dynamic algorithms linking liabilities to assets, have been set equal to the best estimates and, wherever material and practical, reflect any dynamic relationships between the assumptions and the stochastic variables.

Demographic assumptions
Persistency, mortality and morbidity assumptions are based on an analysis of recent experience, and reflect expected future experience. When projecting future cash flows for medical reimbursement business that is repriced annually, explicit allowance is made for expected future premium inflation and separately for future medical claims inflation.

Expense assumptions
Expense levels, including those of the service companies that support the Group's long-term business, are based on internal expense analysis and are appropriately allocated to acquisition of new business and renewal of in-force business. For mature business, in general, it is Prudential's policy not to take credit for future cost reduction programmes until the actions to achieve the savings have been delivered. An allowance is made for short-term required expenses that are not representative of the longer-term expense loadings of the relevant businesses. At 30 June 2023, the allowance held for these costs across the Group was $(120) million. If future expense overruns are expected to be short-lived, they are capitalised and subsequently amortised against future overruns.

Expenses comprise costs borne directly and costs recharged from the Group head office functions that are attributable to the long-term insurance (covered) business. The assumed future expenses for the long-term insurance business allow for amounts expected to be recharged by the head office functions. Development expenses are allocated to covered business and are charged as incurred.

Corporate expenditure, which is included in other income and expenditure, comprises expenditure of the Group head office functions that is not recharged/allocated to the long-term insurance or asset management operations, primarily for corporate-related activities that are charged as incurred, together with restructuring and IFRS 17 implementation costs incurred across the Group as recorded in note B1.1 of the Group IFRS financial results.

Tax rates
The assumed long-term effective tax rates for operations reflect the expected incidence of taxable profit or loss in the projected future cash flows as explained in note 6.1(j). The local standard corporate tax rates applicable are as follows:

	%
CPL	25.0
Hong Kong	16.5% on 5% of premium income
Indonesia	22.0
Malaysia	24.0
Philippines	25.0
Singapore	17.0
Taiwan	20.0
Thailand	20.0
Vietnam	20.0

8 Insurance new business

AER	Single premiums			Regular premiums			Annual premium equivalents (APE)			Present value of new business premiums (PVNBP)		
	2023 $m	2022 $m		2023 $m	2022 $m		2023 $m	2022 $m		2023 $m	2022 $m	
	Half year	Half year	Full year	Half year	Half year	Full year	Half year	Half year	Full year	Half year	Half year	Full year
CPL note (i)	**397**	858	1,254	**355**	421	759	**394**	507	884	**1,481**	2,119	3,521
Hong Kong	**116**	656	842	**1,015**	162	438	**1,027**	227	522	**5,364**	1,774	3,295
Indonesia	**132**	120	250	**137**	98	222	**150**	110	247	**629**	442	1,040
Malaysia	**46**	45	99	**180**	168	350	**185**	172	359	**915**	845	1,879
Singapore	**535**	1,715	2,628	**332**	219	507	**386**	390	770	**2,441**	3,184	6,091
Growth markets:												
Africa	**4**	4	9	**84**	75	148	**85**	76	149	**170**	151	308
Cambodia	**1**	–	–	**9**	7	18	**9**	7	18	**38**	30	69
India note (ii)	**130**	135	273	**115**	106	196	**128**	120	223	**619**	609	1,148
Laos	**–**	–	–	**–**	–	–	**–**	–	–	**1**	–	1
Myanmar	**–**	–	–	**3**	1	3	**3**	1	3	**8**	4	6
Philippines	**38**	36	61	**90**	84	176	**94**	87	182	**331**	297	615
Taiwan	**54**	86	157	**335**	271	486	**339**	281	503	**1,254**	994	1,835
Thailand	**71**	72	150	**111**	92	220	**118**	99	235	**470**	394	932
Vietnam	**8**	66	99	**108**	130	288	**109**	136	298	**709**	885	1,666
Total	**1,532**	3,793	5,822	**2,874**	1,834	3,811	**3,027**	2,213	4,393	**14,430**	11,728	22,406

Notes

(i) New business in CPL is included at Prudential's 50 per cent interest in the joint venture.

(ii) New business in India is included at Prudential's 22 per cent interest in the associate.

(iii) The table above is provided as an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profit for shareholders. The amounts shown are not, and not intended to be, reflective of revenue recorded in the Group IFRS income statement.

9 Post balance sheet events

First interim ordinary dividend

The 2023 first interim ordinary dividend approved by the Board of Directors after 30 June 2023 is as described in note B4 of the IFRS financial results.

Independent review report to Prudential plc

Conclusion

We have been engaged by Prudential plc ('the Company' or 'the Group') to review the European Embedded Value ('EEV') Financial Results in the half-yearly financial report for the six months ended 30 June 2023 which comprise the EEV Results Highlights, Basis of Preparation, the Movement in Group EEV Shareholders' Equity, the Movement in Group Free Surplus and the related explanatory notes 1 to 9. The EEV Financial Results should be read in conjunction with the condensed set of IFRS financial statements in the half-yearly financial report. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the EEV Financial Results.

Based on our review, nothing has come to our attention that causes us to believe that the EEV Financial Results in the half-yearly financial report for the six months ended 30 June 2023 are not prepared, in all material respects, in accordance with the European Embedded Value Principles issued by the European Insurance CFO Forum in 2016 ('the EEV Principles'), using the methodology and assumptions set out in the notes to the EEV Financial Results.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of Matter - basis of preparation for the EEV Financial Results

We draw attention to the Basis of Preparation of the EEV Financial Results. The EEV Financial Results are prepared to provide additional information to the users of the half-yearly financial report. As a result, the EEV Financial Results may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE 2410 (UK), however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the EEV Financial Results in accordance with the EEV Principles using the methodology and assumptions set out in the notes to the EEV Financial Results.

In preparing the EEV Financial Results, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the EEV Financial Results, we are responsible for expressing to the Group a conclusion on the EEV Financial Results in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with the terms of our engagement letter to provide a review conclusion to the Company on the EEV Financial Results. Our review of the EEV Financial Results has been undertaken so that we might state to the Company those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
29 August 2023

Index to the additional financial information*

* The additional financial information is not covered by the EY independent review opinions.

I Additional financial information

I(i) Group capital position

Prudential applies the Insurance (Group Capital) Rules set out in the Group-wide Supervision (GWS) Framework issued by the Hong Kong IA to determine group regulatory capital requirements (both minimum and prescribed levels). For regulated insurance entities, the capital resources and required capital included in the GWS capital measure for Hong Kong IA Group regulatory purposes are based on the local solvency regime applicable in each jurisdiction. The Group holds material participating business in Hong Kong, Singapore and Malaysia. Alongside the total regulatory GWS capital basis, a shareholder GWS capital basis is also presented which excludes the contribution to the Group GWS eligible group capital resources, the Group Minimum Capital Requirements (GMCR) and the Group Prescribed Capital Requirements (GPCR) from these participating funds.

Estimated GWS capital position

As at 30 June 2023, the estimated shareholder GWS capital surplus over the GPCR is $15.5 billion (31 December 2022: $15.6 billion), representing a coverage ratio of 295 per cent (31 December 2022: 307 per cent) and the estimated total GWS capital surplus over the GPCR is $18.2 billion (31 December 2022: $18.1 billion), representing a coverage ratio of 194 per cent (31 December 2022: 202 per cent). The estimated Group Tier 1 capital resources are $18.1 billion with headroom over the GMCR of $12.5 billion (31 December 2022: $12.1 billion), representing a coverage ratio of 323 per cent (31 December 2022: 328 per cent).

	30 Jun 2023			31 Dec 2022 note (1)			
	Shareholder	**Add policyholder** note (3)	**Total** note (4)	**Shareholder**	**Add policyholder** note (3)	**Total** note (4)	**Change in total** note (5)
Group capital resources ($bn)	**23.4**	**14.0**	**37.4**	23.2	12.6	35.8	1.6
of which: Tier 1 capital resources ($bn) note (2)	**16.4**	**1.7**	**18.1**	15.9	1.5	17.4	0.7
Group Minimum Capital Requirement ($bn)	**4.6**	**1.0**	**5.6**	4.4	0.9	5.3	0.3
Group Prescribed Capital Requirement ($bn)	**7.9**	**11.3**	**19.2**	7.6	10.1	17.7	1.5
GWS capital surplus over GPCR ($bn)	**15.5**	**2.7**	**18.2**	15.6	2.5	18.1	0.1
GWS coverage ratio over GPCR (%)	**295%**		**194%**	307%		202%	(8)ppt
GWS Tier 1 surplus over GMCR ($bn)			**12.5**			12.1	0.4
GWS Tier 1 coverage ratio over GMCR (%)			**323%**			328%	(5)ppt

Notes

(1) The 31 December 2022 GWS capital results do not reflect the impact of the redemption of $0.4 billion of senior debt in January 2023. Allowing for this redemption reduces the estimated shareholder GWS capital surplus over GPCR to $15.2 billion with a coverage ratio of 302 per cent and reduces the estimated total GWS capital surplus over GPCR to $17.7 billion with a coverage ratio of 200 per cent. The total GWS Tier 1 over GMCR capital position is unaffected by this redemption.

(2) The classification of tiering of capital under the GWS framework reflects the different local regulatory regimes along with guidance issued by the Hong Kong IA. At 30 June 2023, total Tier 1 capital resources of $18.1 billion comprises: $23.4billion of total shareholder capital resources; less $(3.6) billion of Prudential plc issued sub-ordinated and senior Tier 2 debt capital; less $(3.4) billion of local regulatory tiering classifications which are classified as GWS Tier 2 capital resources primarily in Singapore and the Chinese Mainland; plus $1.7 billion of Tier 1 capital resources in policyholder funds.

(3) This allows for any associated diversification impacts between the shareholder and policyholder positions reflected in the total company results where relevant.

(4) The total company GWS coverage ratio over GPCR presented above represents the eligible group capital resources coverage ratio as set out in the GWS framework while the total company GWS tier 1 coverage ratio over GMCR represents the tier 1 group capital coverage ratio.

(5) Refer to section on Material changes in GMCR, GPCR, tier 1 group capital and eligible group capital resources below.

GWS sensitivity analysis
The estimated sensitivity of the GWS capital position (based on the GPCR) to changes in market conditions as at 30 June 2023 and 31 December 2022 are shown below, for both the shareholder and the total capital position.

	Shareholder			
	30 Jun 2023		31 Dec 2022	
Impact of market sensitivities	**Surplus ($bn)**	**Coverage ratio**	**Surplus ($bn)**	**Coverage ratio**
Base position	**15.5**	**295%**	15.6	307%
Impact of:				
10% increase in equity markets	**0.3**	**(5)%**	0.3	(3)%
20% fall in equity markets	**(1.9)**	**(11)%**	(1.9)	(14)%
50 basis points reduction in interest rates	**0.7**	**11%**	0.4	4%
100 basis points increase in interest rates	**(1.4)**	**(17)%**	(1.1)	(15)%
100 basis points increase in credit spreads	**(0.8)**	**(12)%**	(0.8)	(9)%

	Total			
	30 Jun 2023		31 Dec 2022	
Impact of market sensitivities	**Surplus ($bn)**	**Coverage ratio**	**Surplus ($bn)**	**Coverage ratio**
Base position	**18.2**	**194%**	18.1	202%
Impact of:				
10% increase in equity markets	**1.0**	**0%**	1.2	1%
20% fall in equity markets	**(3.7)**	**(11)%**	(3.6)	(12)%
50 basis points reduction in interest rates	**0.3**	**3%**	0.0	0%
100 basis points increase in interest rates	**(0.8)**	**(4)%**	(0.6)	(3)%
100 basis points increase in credit spreads	**(1.2)**	**(6)%**	(1.2)	(6)%

The sensitivity results above reflect the impact on the Group's long-term business operations as at the valuation dates. The sensitivity results assume instantaneous market movements and reflect all consequential impacts as at the valuation date. These results also allow for limited management actions such as changes to future policyholder bonuses and rebalancing investment portfolios where relevant. If such economic conditions persisted, the financial impacts may differ to the instantaneous impacts shown above. In this case, management could also take additional actions to help mitigate the impact of these stresses. These actions include, but are not limited to, market risk hedging, further rebalancing of investment portfolios, increased use of reinsurance, repricing of in-force benefits, changes to new business pricing and the mix of new business being sold.

GWS Risk Appetite and capital management
The Group's capital management framework focuses on achieving sustainable, profitable growth and retaining a resilient balance sheet.

The Group monitors regulatory capital, economic capital and rating agency capital metrics and manages the business within its risk appetite by remaining within its economic and regulatory capital limits. In respect of regulatory capital limits, a capital buffer above the GPCR is held to ensure the Group can withstand volatility in markets and operational experience, with capital resources remaining sufficient to cover the GPCR even after significant stresses. The calibration of the capital buffer reflects the Group's risk profile and the external economic environment, and is set and reviewed regularly by the Board.

Typically, this requires a Group shareholder coverage ratio of above 150 per cent of the shareholder GPCR to be maintained and de-risking management actions will be taken as necessary to maintain this buffer. No maximum limit on the GWS coverage ratio has been set. While the GWS shareholder capital position is a key metric for assessing regulatory solvency, and for risk management, there are some elements of the shareholder GWS capital surplus which will only become available as cash flow for distribution over time. The Group's Free Surplus metric is a better measure of the shareholder capital available for distribution, and is used as the primary metric for assessing the Group's sources and uses of capital in the Group's capital management framework, and underpinning the Group's dividend policy.

At 30 June 2023, the Group's Free Surplus stock (excluding distribution rights and other intangibles) was $8.4 billion, compared to the GWS shareholder surplus of $15.5 billion and a reconciliation is shown below.

The uses of capital, for both organic and inorganic opportunities, are assessed by reference to expected shareholder returns and payback periods, relative to risk-adjusted hurdle rates which are set centrally.

Reflecting the Group's capital allocation priorities, a portion of the free surplus generated in each period will be retained for reinvestment in new business and capabilities, particularly the areas of Customer, Distribution, Health and Technology, and dividends will be determined primarily based on the Group's operating free surplus generation after allowing for the capital strain of writing new business and recurring central costs. Recognising the strong conviction we have in the Group's revised strategy, when determining the annual dividend we intend to look through the investments in new business and investments in capabilities and expect the annual dividend to grow in the range 7 – 9 per cent per annum over 2023 and 2024. To the extent that free surplus arises which is not required to support organic and inorganic growth opportunities, consideration will be given to returning capital to shareholders.

Separate from the capital management framework applied for shareholder-owned capital, the capital held in ring-fenced with-profits funds supports policyholder investment freedom, which increases expected returns for our with-profits funds' customers. GWS policyholder capital surplus is not available for distribution out of the ring-fenced funds other than as a defined proportion distributable to shareholders when policyholder bonuses are declared. Policyholder fund capital surplus is deployed over time to increase investment risk in the with-profits funds in order to target higher customer returns, or distributed as higher customer bonuses, in line with the specific with-profits bonus policies which apply to each ring-fenced fund. The result of applying these policies is that the aggregate policyholder fund GPCR coverage ratio is typically lower than the GPCR shareholder coverage ratio.

The total GWS coverage ratio, which is an aggregate of the policyholder and shareholder capital positions, is therefore usually lower than the shareholder coverage ratio, but also less sensitive in stress scenarios, as is shown in the GWS sensitivity analysis section above as at 30 June 2023. The total GWS coverage ratio is the Group's regulatory solvency metric to which Group supervision applies, and this total regulatory coverage ratio is managed to ensure it remains above the GPCR by applying separate shareholder and policyholder risk appetite limits, as described above.

Analysis of movement in total regulatory GWS capital surplus (over GPCR)
A summary of the movement in the 31 December 2022 regulatory GWS capital surplus (over GPCR) of $18.1 billion to $18.2 billion at 30 June 2023 is set out in the table below.

	Half year 2023 $bn
Total GWS surplus at 1 Jan (over GPCR)	**18.1**
Shareholder free surplus generation	
In force operating capital generation	**1.1**
Investment in new business	**(0.4)**
Total operating free surplus generation	**0.7**
External dividends	**(0.4)**
Non-operating movements including market movements	**(0.1)**
Other capital movements (including foreign exchange movements)	**(0.4)**
Movement in free surplus (see EEV basis results for further detail)	**(0.2)**
Other movements in GWS shareholder surplus not included in free surplus	**0.1**
Movement in contribution from GWS policyholder surplus **(over GPCR)**	**0.2**
Net movement in GWS capital surplus (over GPCR)	**0.1**
Total GWS surplus at 30 Jun (over GPCR)	**18.2**

Further detail on the movement in free surplus of $(0.2) billion is included in the Movement in Group free surplus section of the Group's EEV basis results.

Other movements in GWS shareholder surplus not included in free surplus are driven by the differences described in the reconciliation shown later in this section. This includes movements in distribution rights and other intangibles (which are expensed on day one under the GWS requirements) and movements in the restriction applied to free surplus to better reflect shareholder resources that are available for distribution.

Material changes in GMCR, GPCR, tier 1 group capital and eligible group capital resources
Detail on the material changes in GPCR, GMCR, eligible group capital resources and tier 1 group capital are provided below.

- Total eligible capital resources has increased by $1.6 billion to $37.4 billion at 30 June 2023 (31 December 2022: $35.8 billion). This includes a $0.7 billion increase in tier 1 group capital to $18.1 billion (31 December 2022: $17.4 billion). The increase in total eligible capital resources and tier 1 group capital is primarily driven by positive operating capital generation over the period, partially offset by external dividends paid, debt redeemed and foreign exchange movements over the period.
- Total regulatory GPCR has increased by $1.5billion to $19.2 billion at 30 June 2023 (31 December 2022: $17.7 billion) and the total regulatory GMCR has increased by $0.3 billion to $5.6 billion at 30 June 2023 (31 December 2022: $5.3 billion). The increase in GPCR and GMCR is primarily driven by new business sold over the period, partially offset by the release of capital as the policies mature or are surrendered and foreign exchange movements over the period.

Reconciliation of Free Surplus to total regulatory GWS capital surplus (over GPCR)

	30 Jun 2023 $bn		
	Capital resources	**Required capital**	**Surplus**
Free surplus excluding distribution rights and other intangibles*	**14.0**	**5.6**	**8.4**
Restrictions applied in free surplus for China C-ROSS II[note (1)]	**1.9**	**1.5**	**0.4**
Restrictions applied in free surplus for HK RBC[note (2)]	**5.7**	**0.7**	**5.0**
Restrictions applied in free surplus for Singapore RBC[note (3)]	**2.0**	**0.1**	**1.9**
Other	**(0.2)**	**0.0**	**(0.2)**
Add GWS policyholder surplus contribution	**14.0**	**11.3**	**2.7**
Total regulatory GWS capital surplus (over GPCR)	**37.4**	**19.2**	**18.2**

* As per the "Free surplus excluding distribution rights and other intangibles" shown in the statement of Movement in Group free surplus of the Group's EEV basis results.

Notes

(1) Free surplus applies the embedded value reporting approach issued by the China Association of Actuaries (CAA) in the Chinese Mainland and includes a requirement to establish a deferred profit liability within EEV net worth which leads to a reduction in EEV free surplus as compared to the C-ROSS II surplus reported for local regulatory purposes. Further differences relate to the treatment of subordinated debt within CPL which is excluded from EEV free surplus and which contributes to C-ROSS II surplus for local regulatory reporting.

(2) EEV free surplus for Hong Kong under the HK RBC regime excludes regulatory surplus that is not considered distributable immediately. This includes HK RBC technical provisions that are lower than policyholder asset shares or cash surrender floors as well as the value of future shareholder transfers from participating business (net of associated required capital) which are included in the shareholder GWS capital position.

(3) EEV free surplus for Singapore is based on the Tier 1 requirements under the RBC2 framework, which excludes certain negative reserves permitted to be recognised in the full RBC 2 regulatory position used when calculating the GWS capital surplus (over GPCR).

Reconciliation of Group IFRS shareholders' equity to Group total GWS capital resources

	30 Jun 2023 $bn
Group IFRS shareholders' equity	**17.2**
Remove goodwill and intangibles recognised on the IFRS consolidated statement of financial position	**(4.4)**
Add debt treated as capital under GWS[note (1)]	**3.6**
Asset valuation differences[note (2)]	**(0.8)**
Remove IFRS 17 contractual service margin (CSM) (including joint ventures and associates)[note (3)]	**20.8**
Liability valuation (including insurance contracts) differences excluding IFRS 17 CSM [note (4)]	**(0.1)**
Differences in associated net deferred tax liabilities[note (5)]	**0.9**
Other[note (6)]	**0.2**
Group total GWS capital resources	**37.4**

Notes

(1) As per the GWS Framework, debt in issuance at the date of designation that satisfy the criteria for transitional arrangements and qualifying debt issued since the date of designation are included as Group capital resources but are treated as liabilities under IFRS.

(2) Asset valuation differences reflect differences in the basis of valuing assets between IFRS and local statutory valuation rules, including deductions for inadmissible assets. Differences include for some markets where government and corporate bonds are valued at book value under local regulations but are valued at market value under IFRS.

(3) The IFRS 17 contractual service margin (CSM) represents a discounted stock of unearned profit which is released over time as services are provided. On a GWS basis the level of future profits will be recognised within the capital resources to the extent permitted by the local solvency reserving basis. Any restrictions applied by the local solvency bases (such as zeroization of future profits) is captured in the liability valuation differences line.

(4) Liability valuation differences (excluding the CSM) reflect differences in the basis of valuing liabilities between IFRS and local statutory valuation rules. This includes the negative impact of moving from the IFRS 17 best estimate reserving basis to a more prudent local solvency reserving basis (including any restrictions in the recognition of future profits) offset by the fact that certain local solvency regimes capture some reserves within the required capital instead of the capital resources.

(5) Differences in associated net deferred tax liabilities mainly results from the tax impact of changes in the valuation of assets and liabilities

(6) Other differences mainly reflect the inclusion of subordinated debt in Chinese Mainland as local capital resources on a C-ROSS II basis as compared to being held as a liability under IFRS.

Basis of preparation for the Group GWS capital position
Prudential applies the Insurance (Group Capital) Rules set out in the GWS Framework to determine group regulatory capital requirements (both minimum and prescribed levels). The summation of local statutory capital requirements across the Group is used to determine group regulatory capital requirements, with no allowance for diversification between business operations. The GWS eligible group capital resources is determined by the summation of capital resources across local solvency regimes for regulated entities and IFRS shareholders' equity (with adjustments described below) for non-regulated entities.

In determining the GWS eligible group capital resources and required capital the following principles have been applied:

- For regulated insurance entities, capital resources and required capital are based on the local solvency regime applicable in each jurisdiction, with minimum required capital set at the solo legal entity statutory minimum capital requirements and prescribed capital requirement set at the level at which the local regulator of a given entity can impose penalties, sanctions or intervention measures;
- The classification of tiering of eligible capital resources under the GWS framework reflects the different local regulatory regimes along with guidance issued by the Hong Kong IA. In general, if a local regulatory regime applies a tiering approach then this should be used to determine tiering of capital on a GWS capital basis, where a local regulatory regime does not apply a tiering approach then all capital resources should be included as Group Tier 1 capital. For non-regulated entities tiering of capital is determined in line with the Insurance (Group Capital) Rules.
- For asset management operations and other regulated entities, the capital position is derived based on the sectoral basis applicable in each jurisdiction, with minimum required capital based on the solo legal entity statutory minimum capital requirement;
- For non-regulated entities, the capital resources are based on IFRS shareholder equity after deducting intangible assets. No required capital is held in respect of unregulated entities;
- For entities where the Group's shareholding is less than 100 per cent, the contribution of the entity to the GWS eligible group capital resources and required capital represents the Group's share of these amounts and excludes any amounts attributable to non-controlling interests. This does not apply to investment holdings which are not part of the Group;
- Investments in subsidiaries, joint ventures and associates (including, if any, loans that are recognised as capital on the receiving entity's balance sheet) are eliminated from the relevant holding company to prevent the double counting of capital resources;
- Under the GWS Framework, debt instruments in issuance at the date of designation that satisfy the criteria for transitional arrangements and qualifying debt issued since the date of designation are included in eligible group capital resources as tier 2 group capital;
- At 30 June 2023 all debt instruments with the exception of the senior debt issued in 2022 are included as Group capital resources. The eligible amount permitted to be included as Group capital resources for transitional debt is based on the net proceeds amount translated using 31 December 2020 exchange rates for debt not denominated in US dollars;
- The total company GWS capital basis is the capital measure for Hong Kong IA Group regulatory purposes as set out in the GWS framework. This framework defines the eligible group capital resources coverage ratio (or total company GWS coverage ratio over GPCR as presented above) as the ratio of total company eligible group capital resources to the total company GPCR and defines the tier 1 group capital coverage ratio (or total company GWS tier 1 coverage ratio over GMCR as presented above) as the ratio of total company tier 1 group capital to the total company GMCR; and
- Prudential also presents a shareholder GWS capital basis which excludes the contribution to the Group GWS eligible group capital resources, the GMCR and GPCR from participating business in Hong Kong, Singapore and Malaysia. In Hong Kong the present value of future shareholder transfers from the participating business are included in the shareholder GWS eligible capital resources along with an associated required capital, this is in line with the local solvency presentation. The shareholder GWS coverage ratio over GPCR presented above reflects the ratio of shareholder eligible group capital resources to the shareholder GPCR.

I(ii) Analysis of total segment profit by business unit

The table below presents the half year 2023 results on both AER and CER bases to eliminate the impact of exchange translation.

	2023 $m	2022 $m		2023 vs 2022 %		2022 $m
	Half year	Half year AER	Half year CER	Half year AER	Half year CER	Full year AER
CPL	**164**	132	124	24%	32%	271
Hong Kong	**554**	598	597	(7)%	(7)%	1,162
Indonesia	**109**	118	113	(8)%	(4)%	205
Malaysia	**165**	193	184	(15)%	(10)%	340
Singapore	**270**	313	320	(14)%	(16)%	570
Growth markets and other						
Philippines	**59**	62	58	(5)%	2%	131
Taiwan	**54**	57	54	(5)%	0%	116
Thailand	**52**	64	64	(19)%	(19)%	116
Vietnam	**192**	220	214	(13)%	(10)%	402
Other	**56**	(30)	(32)	287%	275%	53
Share of related tax charges from joint ventures and associate	**(39)**	(36)	(35)	(8)%	(11)%	(90)
Insurance business	**1,636**	1,691	1,661	(3)%	(2)%	3,276
Eastspring	**146**	131	128	11%	14%	260
Total segment profit	**1,782**	1,822	1,789	(2)%	0%	3,536

(a) Eastspring adjusted operating profit

	2023 $m	2022 AER $m	
	Half year	Half year	Full year
Operating income before performance-related fees[note (1)]	**351**	332	660
Performance-related fees	**2**	4	1
Operating income (net of commission)[note (2)]	**353**	336	661
Operating expense[note (2)]	**(185)**	(184)	(360)
Group's share of tax on joint ventures' operating profit	**(22)**	(21)	(41)
Adjusted operating profit	**146**	131	260
Average funds managed or advised by Eastspring	**$228.8bn**	$241.8bn	$229.4bn
Margin based on operating income[note (3)]	**31bps**	28bps	29bps
Cost/income ratio[note II(v)]	**53%**	55%	55%

Notes

(1) Operating income before performance-related fees for Eastspring can be further analysed as follows (institutional below includes internal funds under management or under advice):

	Retail $m	Margin bps	Institutional $m	Margin bps	Total $m	Margin bps
Half year 2023	**210**	**58**	**141**	**18**	**351**	**31**
Half year 2022	196	52	136	16	332	28
Full year 2022	392	54	268	17	660	29

(2) Operating income and expense include the Group's share of contribution from joint ventures. In the consolidated income statement of the Group IFRS financial results, the net income after tax of the joint ventures and associates is shown as a single line item. A reconciliation is provided in note II(v) of this additional information.

(3) Margin represents operating income before performance-related fees as a proportion of the related funds under management or advice. Half year figures have been annualised by multiplying by two. Monthly closing internal and external funds managed or advised by Eastspring have been used to derive the average. Any funds held by the Group's insurance operations that are not managed or advised by Eastspring are excluded from these amounts.

(b) Eastspring total funds under management or advice

Eastspring manages funds from external parties and also funds for the Group's insurance operations. In addition, Eastspring advises on certain funds for the Group's insurance operations where the investment management is delegated to third-party investment managers. The table below analyses the total funds managed or advised by Eastspring.

	30 Jun 2023 $bn	31 Dec 2022 AER $bn
External funds under management, excluding funds managed on behalf of M&G plc note (1)		
Retail	**65.2**	60.1
Institutional	**11.7**	11.3
Money market funds (MMF)	**11.8**	10.5
	88.7	81.9
Funds managed on behalf of M&G plc note (2)	**2.4**	9.3
External funds under management	**91.1**	91.2
Internal funds:		
Internal funds under management	**107.8**	104.1
Internal funds under advice	**28.8**	26.1
	136.6	130.2
Total funds under management or advice note (3)	**227.7**	221.4

Notes

(1) Movements in external funds under management, excluding those managed on behalf of M&G plc, are analysed below:

	Half year 2023 $m	Full year 2022 AER $m
At beginning of period	**81,949**	93,956
Market gross inflows	**44,910**	81,942
Redemptions	**(42,327)**	(84,397)
Market and other movements	**4,236**	(9,552)
At end of period*	**88,768**	81,949

* The analysis of movements above includes $11,848 million relating to Asia Money Market Funds at 30 June 2023 (31 December 2022: $10,495 million). Investment flows for half year 2023 include Eastspring Money Market Funds gross inflows of $33,742 million (full year 2022: $61,063 million) and net inflows of $727 million (full year 2022: net outflows of $(869) million).

(2) Movements in funds managed on behalf of M&G plc are analysed below:

	Half year 2023 $m	Full year 2022 AER $m
At beginning of period	**9,235**	11,529
Net flows	**(7,116)**	(765)
Market and other movements	**237**	(1,529)
At end of period	**2,356**	9,235

(3) Total funds under management or advice are analysed by asset class below:

	30 Jun 2023						31 Dec 2022* AER	
	Funds under management		Funds under advice		Total		Total	
	$bn	% of total	$bn	% of total	$bn	% of total	$bn	% of total
Equity	**48.0**	**24%**	**1.3**	**5%**	**49.3**	**22%**	45.5	21%
Fixed income	**39.1**	**20%**	**3.2**	**11%**	**42.3**	**18%**	47.9	22%
Multi-asset	**96.7**	**49%**	**24.3**	**84%**	**121.0**	**53%**	114.1	51%
Alternatives	**2.1**	**1%**	**–**	**–**	**2.1**	**1%**	2.2	1%
Money Market Funds	**13.0**	**6%**	**–**	**–**	**13.0**	**6%**	11.7	5%
Total funds	**198.9**	**100%**	**28.8**	**100%**	**227.7**	**100%**	221.4	100%

* The presentation of asset classes has been altered to better reflect the Eastspring management view and how products are sold and marketed to clients. Multi-asset funds include a mix of debt, equity and other investments. Comparatives have been restated to be prepared on a comparable basis.

I(iii) Group funds under management

For Prudential's asset management businesses, funds managed on behalf of third parties are not recorded on the balance sheet. They are, however, a driver of profitability. Prudential therefore analyses the movement in the funds under management each period, focusing on those which are external to the Group and those primarily held by the Group's insurance businesses. The table below analyses the funds of the Group held in the balance sheet and the external funds that are managed by Prudential's asset management businesses.

	30 Jun 2023 $bn	31 Dec 2022 AER $bn
Internal funds	**173.9**	166.3
Eastspring external funds, including M&G plc (as analysed in note I(ii) above)	**91.1**	91.2
Total Group funds under management note	**265.0**	257.5

Note

Total Group funds under management comprise:

	30 Jun 2023 $bn	31 Dec 2022 AER $bn
Total investments and cash and cash equivalents held on the balance sheet*	**155.1**	149.9
External funds of Eastspring, including M&G plc	**91.1**	91.2
Internally managed funds held in joint ventures and associates, excluding assets attributable to external unit holders of the consolidated collective investment schemes and other adjustments	**18.8**	16.4
Total Group funds under management	**265.0**	257.5

* Includes "Investment in joint ventures and associates accounted for using the equity method" as shown on the balance sheet

I(iv) Holding company cash flow

The holding company cash flow describes the movement in the cash and short-term investments of the centrally managed group holding companies and differs from the IFRS cash flow statement, which includes all cash flows in the period including those relating to both policyholder and shareholder funds. The holding company cash flow is therefore a more meaningful indication of the Group's central liquidity.

	2023 $m	2022 $m	
	Half year	**Half year**	**Full year**
Net cash remitted by business units note (1)	**1,024**	1,009	1,304
Net interest paid note (2)	**(40)**	(117)	(204)
Corporate expenditure note (3)	**(155)**	(124)	(232)
Centrally funded recurring bancassurance fees	**(160)**	(220)	(220)
Total central outflows	**(355)**	(461)	(656)
Holding company cash flow before dividends and other movements	**669**	548	648
Dividends paid	**(361)**	(320)	(474)
Operating holding company cash flow after dividends but before other movements	**308**	228	174
Other movements			
Issuance and redemption of debt	**(371)**	(1,729)	(1,729)
Other corporate activities note (4)	**282**	159	248
Total other movements	**(89)**	(1,570)	(1,481)
Net movement in holding company cash flow	**219**	(1,342)	(1,307)
Cash and short-term investments at beginning of period note (5)	**3,057**	3,572	3,572
Foreign exchange movements	**38**	(87)	(113)
Inclusion of amounts at 31 Dec from additional centrally managed entities note (6)	**–**	–	905
Cash and short-term investments at end of period	**3,314**	2,143	3,057

Notes

(1) Net cash remitted by business units comprise dividends and other transfers, net of capital injections, that are reflective of earnings and capital generation.

(2) Following the update to the definition of holding company cash and short term investments at 31 December 2022, higher levels of interest and investment income were earned in the first half of 2023, largely on the balances brought into the updated definition. This together with lower interest payments this led to a reduction in net interest paid in the first half of 2023 as compared with the prior period.

(3) Including IFRS 17 implementation and restructuring costs paid in the period.

(4) Cash inflows from Other corporate activities were $282 million (half year 2022: $159 million and full year 2022: $248 million) and largely related to proceeds received from the sales of shares in Jackson together with dividends from Jackson.

(5) Proceeds from the Group's commercial paper programme are not included in the holding company cash and short-term investments balance.

(6) The definition of holding company cash and short-term investments was updated, with effect from 31 December 2022, following the combination of the Group's London office and Asia regional office into a single Group Head Office in 2022. This updated definition includes all cash and short-term investments held by central holding and service companies, including amounts previously managed on a regional basis. These balances are now being centrally managed by the Group's Treasury function. This refinement increased holding company cash and short-term investment balances by $0.9 billion at 31 December 2022.

The table below shows the reconciliation of the Cash and cash equivalents of Unallocated to a segment (Central operations) held on the IFRS balance sheet and Cash and short-term investments at 30 June 2023:

	30 Jun 2023 $m	31 Dec 2022 $m
Cash and cash equivalents of Central operations held on balance sheet note C1	**2,752**	1,809
Less: amounts from commercial paper	**(529)**	(501)
Add: Deposits with credit institutions of Central operations held on balance sheet	**1,091**	1,749
Cash and short-term investments	**3,314**	3,057

I(v) New business schedules

The format of the schedules is consistent with the distinction between insurance and investment products as applied for previous reporting periods. Insurance products refer to those classified as contracts of insurance business for local regulatory reporting purposes. New business premiums reflect those premiums attaching to covered business, including premiums from contracts designed as investment contracts under IFRS reporting. Regular premium products are shown on an annualised basis.

The details shown for insurance products include contributions from contracts that are classified under IFRS 17, 'Insurance Contracts', as not containing significant insurance risk. These products are described as investment contracts or other financial instruments under IFRS 17, primarily represent unit-linked business and which are included on the balance sheet as investment contracts and similar contracts written in insurance operations.

Investment products referred to in the tables for funds under management are unit trusts, mutual funds and similar types of retail fund management arrangements. These are unrelated to insurance products that are classified as investment contracts under IFRS 17, as described in the preceding paragraph, although similar IFRS recognition and measurement principles apply to the acquisition costs and fees attaching to this type of business.

Annual premium equivalent (APE) and new business profit (NBP) are determined using the EEV methodology set out in note 6 of our EEV basis results supplement. In determining the EEV basis value of new business written in the period when policies incept, premiums are included at projected cash flows on the same basis of distinguishing regular and single premium business as set out for local statutory basis reporting. APE sales are subject to rounding.

Schedule A Insurance new business (AER and CER)

AER	**Single premiums**			**Regular premiums**			**APE**			**PVNBP**		
	2023 Half year $m	**2022 Half year $m**	**+/(-) %**	**2023 Half year $m**	**2022 Half year $m**	**+/(-) %**	**2023 Half year $m**	**2022 Half year $m**	**+/(-) %**	**2023 Half year $m**	**2022 Half year $m**	**+/(-) %**
CPL (Prudential's 50% share)	**397**	858	(54)%	**355**	421	(16)%	**394**	507	(22)%	**1,481**	2,119	(30)%
Hong Kong	**116**	656	(82)%	**1,015**	162	527%	**1,027**	227	352%	**5,364**	1,774	202%
Indonesia	**132**	120	10%	**137**	98	40%	**150**	110	36%	**629**	442	42%
Malaysia	**46**	45	2%	**180**	168	7%	**185**	172	8%	**915**	845	8%
Singapore	**535**	1,715	(69)%	**332**	219	52%	**386**	390	(1)%	**2,441**	3,184	(23)%
Growth markets:												
Africa	**4**	4	–	**84**	75	12%	**85**	76	12%	**170**	151	13%
Cambodia	**1**	–	–	**9**	7	29%	**9**	7	29%	**38**	30	27%
India (Prudential's 22% share)	**130**	135	(4)%	**115**	106	8%	**128**	120	7%	**619**	609	2%
Laos	–	–	–	–	–	–	–	–	–	**1**	–	–
Myanmar	**–**	–	–	**3**	1	200%	**3**	1	200%	**8**	4	100%
Philippines	**38**	36	6%	**90**	84	7%	**94**	87	8%	**331**	297	11%
Taiwan	**54**	86	(37)%	**335**	271	24%	**339**	281	21%	**1,254**	994	26%
Thailand	**71**	72	(1)%	**111**	92	21%	**118**	99	19%	**470**	394	19%
Vietnam	**8**	66	(88)%	**108**	130	(17)%	**109**	136	(20)%	**709**	885	(20)%
Total insurance operations	**1,532**	3,793	(60)%	**2,874**	1,834	57%	**3,027**	2,213	37%	**14,430**	11,728	23%

CER	**Single premiums**			**Regular premiums**			**APE**			**PVNBP**		
	2023 Half year $m	**2022 Half year $m**	**+/(-) %**	**2023 Half year $m**	**2022 Half year $m**	**+/(-) %**	**2023 Half year $m**	**2022 Half year $m**	**+/(-) %**	**2023 Half year $m**	**2022 Half year $m**	**+/(-) %**
CPL (Prudential's 50% share)	**397**	802	(50)%	**355**	394	(10)%	**394**	474	(17)%	**1,481**	1,982	(25)%
Hong Kong	**116**	655	(82)%	**1,015**	161	530%	**1,027**	227	352%	**5,364**	1,771	203%
Indonesia	**132**	115	15%	**137**	95	44%	**150**	106	42%	**629**	424	48%
Malaysia	**46**	43	7%	**180**	161	12%	**185**	165	12%	**915**	809	13%
Singapore	**535**	1,752	(69)%	**332**	223	49%	**386**	398	(3)%	**2,441**	3,253	(25)%
Growth markets:												
Africa	**4**	3	33%	**84**	65	29%	**85**	65	31%	**170**	131	30%
Cambodia	**1**	-	-	**9**	7	29%	**9**	7	29%	**38**	30	27%
India (Prudential's 22% share)	**130**	126	3%	**115**	98	17%	**128**	111	15%	**619**	564	10%
Laos	**-**	-	-	**-**	-	-	**-**	-	-	**1**	-	-
Myanmar	**-**	-	-	**3**	1	200%	**3**	1	200%	**8**	3	167%
Philippines	**38**	34	12%	**90**	79	14%	**94**	83	13%	**331**	281	18%
Taiwan	**54**	82	(34)%	**335**	256	31%	**339**	264	28%	**1,254**	935	34%
Thailand	**71**	71	-	**111**	91	22%	**118**	98	20%	**470**	389	21%
Vietnam	**8**	64	(88)%	**108**	126	(14)%	**109**	133	(18)%	**709**	863	(18)%
Total insurance operations	**1,532**	3,747	(59)%	**2,874**	1,757	64%	**3,027**	2,132	42%	**14,430**	11,435	26%

Schedule B Insurance new business APE and PVNBP (AER and CER)

APE	2022 $m AER		2022 $m CER		2023 $m AER
	H1	H2	H1	H2	H1
CPL (Prudential's 50% share)	507	377	474	385	**394**
Hong Kong	227	295	227	295	**1,027**
Indonesia	110	137	106	137	**150**
Malaysia	172	187	165	190	**185**
Singapore	390	380	398	397	**386**
Growth markets:					
Africa	76	73	65	71	**85**
Cambodia	7	11	7	11	**9**
India (Prudential's 22% share)	120	103	111	102	**128**
Laos	–	–	–	–	**–**
Myanmar	1	2	1	2	**3**
Philippines	87	95	83	97	**94**
Taiwan	281	222	264	225	**339**
Thailand	99	136	98	143	**118**
Vietnam	136	162	133	164	**109**
Total insurance operations	2,213	2,180	2,132	2,219	**3,027**

PVNBP	2022 $m AER		2022 $m CER		2023 $m AER
	H1	H2	H1	H2	H1
CPL (Prudential's 50% share)	2,119	1,402	1,982	1,439	**1,481**
Hong Kong	1,774	1,521	1,771	1,507	**5,364**
Indonesia	442	598	424	603	**629**
Malaysia	845	1,034	809	1,045	**915**
Singapore	3,184	2,907	3,253	3,033	**2,441**
Growth markets:					
Africa	151	157	131	150	**170**
Cambodia	30	39	30	39	**38**
India (Prudential's 22% share)	609	539	564	533	**619**
Laos	–	1	–	1	**1**
Myanmar	4	2	3	3	**8**
Philippines	297	318	281	326	**331**
Taiwan	994	841	935	855	**1,254**
Thailand	394	538	389	567	**470**
Vietnam	885	781	863	795	**709**
Total insurance operations	11,728	10,678	11,435	10,896	**14,430**

Note

Comparative results for the first half (H1) and second half (H2) of 2022 are presented on both actual exchange rates (AER) and constant exchange rates (CER). The H2 amounts are presented on year-to-date average exchange rates (including the effect of retranslating H1 results for movements in average exchange rates between H1 and the year-to-date).

Schedule C Insurance new business profit and margin (AER and CER)

	2022 AER		2022 CER		2023 AER
	HY	FY	HY	FY	HY
New business profit ($m)					
CPL (Prudential's 50% share)	217	387	203	376	**171**
Hong Kong	211	384	211	384	**670**
Indonesia	52	125	50	124	**61**
Malaysia	70	159	66	157	**73**
Singapore	244	499	249	515	**198**
Growth markets and other	304	630	290	619	**316**
Total insurance business	1,098	2,184	1,069	2,175	**1,489**
New business margin (NBP as a % of APE)					
CPL	43%	44%	43%	44%	**43%**
Hong Kong	93%	74%	93%	74%	**65%**
Indonesia	47%	51%	47%	51%	**41%**
Malaysia	41%	44%	40%	44%	**39%**
Singapore	63%	65%	63%	65%	**51%**
Growth markets and other	38%	39%	38%	39%	**36%**
Total insurance business	50%	50%	50%	50%	**49%**
New business margin (NBP as a % of PVNBP)					
CPL	10%	11%	10%	11%	**12%**
Hong Kong	12%	12%	12%	12%	**12%**
Indonesia	12%	12%	12%	12%	**10%**
Malaysia	8%	8%	8%	8%	**8%**
Singapore	8%	8%	8%	8%	**8%**
Growth markets and other	9%	10%	9%	10%	**9%**
Total insurance business	9%	10%	9%	10%	**10%**

Schedule D Investment flows and FUM (AER)

	2022 $m		2023 $m
Eastspring:	H1	H2	H1
Third-party retail:[note]			
Opening FUM	68,516	58,407	**60,143**
Net flows:			
- Gross Inflows	11,050	8,504	**10,776**
- Redemptions	(12,808)	(8,520)	**(8,736)**
	(1,758)	(16)	**2,040**
Other movements	(8,351)	1,752	**3,060**
Closing FUM	58,407	60,143	**65,243**
Third-party institutional:			
Opening FUM	13,192	10,988	**11,311**
Net flows:			
- Gross Inflows	561	763	**392**
- Redemptions	(589)	(547)	**(575)**
	(28)	216	**(183)**
Other movements	(2,176)	107	**550**
Closing FUM	10,988	11,311	**11,678**
Total third-party closing FUM (excluding MMF and funds held on behalf of M&G plc)	69,395	71,454	**76,921**

Note
Mandatory Provident Fund (MPF) product flows in Hong Kong are included at Prudential's 36 per cent interest in the Hong Kong MPF business.

II Calculation of alternative performance measures

Prudential uses alternative performance measures (APMs) to provide more relevant explanations of the Group's financial position and performance. This section sets out explanations for each APM and reconciliations to relevant IFRS balances.

II(i) Reconciliation of adjusted operating profit to profit before tax

Adjusted operating profit presents the operating performance of the business. This measurement basis distinguishes adjusted operating profit from other constituents of total profit or loss for the period, including short-term fluctuations in investment returns and gain or loss on corporate transactions.

More details on how adjusted operating profit is determined are included in note B1.2 of the Group IFRS financial results. A full reconciliation to profit after tax is given in note B1.1 of the Group IFRS financial results.

II(ii) Adjusted shareholders' equity

Following the implementation of IFRS 17, the Group has introduced a new IFRS equity measure termed 'Adjusted IFRS shareholders' equity', which is calculated by adding the IFRS 17 expected future profit (CSM) to IFRS shareholders' equity for all entities in the Group (including joint ventures and associates). Management believe this is a helpful measure that provides a reconciliation to the embedded value framework which is often used for valuations. The main difference between the Group's EEV measure and adjusted shareholders' equity is economics as explained in note II(viii).

	30 Jun 2023 $m	31 Dec 2022 $m
IFRS shareholders' equity as reported in the financial statements	**17,159**	16,731
Add: CSM, including joint ventures and associates and net of reinsurance*	**20,820**	19,989
Remove: CSM asset attaching to reinsurance contracts wholly attributable to policyholders*	**1,305**	1,295
Less: Related deferred tax adjustments for the above*	**(2,839)**	(2,804)
Adjusted shareholders' equity	**36,445**	35,211

* See note C3.1 of the Group IFRS financial results for the split of the balances excluding joint ventures and associates and the Group's share relating to joint ventures and associates.

II(iii) Return on IFRS shareholders' equity

This measure is calculated as adjusted operating profit, after tax and non-controlling interests, divided by average IFRS shareholders' equity.

Detailed reconciliation of adjusted operating profit to IFRS profit before tax for the Group is shown in note B1.1 to the Group IFRS financial results. Half year profits are annualised by multiplying by two.

	Half year 2023 $m	Full year 2022 $m
Adjusted operating profit	**1,462**	2,722
Tax on adjusted operating profit	**(221)**	(539)
Adjusted operating profit attributable to non-controlling interests	**(3)**	(11)
Adjusted operating profit, net of tax and non-controlling interests	**1,238**	2,172
IFRS shareholders' equity at beginning of period	**16,731**	18,936
IFRS shareholders' equity at end of period	**17,159**	16,731
Average IFRS shareholders' equity	**16,945**	17,834
Operating return on average IFRS shareholders' equity (%)	**15%**	12%

II(iv) Calculation of shareholders' equity per share

IFRS shareholders' equity per share is calculated as closing IFRS shareholders' equity divided by the number of issued shares at the end of the periods.

	30 Jun 2023	31 Dec 2022
Number of issued shares at the end of the period (million shares)	**2,753**	2,750
Closing IFRS shareholders' equity ($ million)	**17,159**	16,731
Group IFRS shareholders' equity per share (cents)	**623¢**	608¢
Closing adjusted shareholders' equity ($ million)	**36,445**	35,211
Group adjusted shareholders' equity per share (cents)	**1,324¢**	1,280¢

II(v) Calculation of Eastspring cost/income ratio

The cost/income ratio is calculated as operating expenses, adjusted for commissions and share of contribution from joint ventures and associates, divided by operating income, adjusted for commission, share of contribution from joint ventures and associates and performance-related fees.

	2023 $m	2022 $m	
	Half year	Half year	Full year
IFRS revenue	**257**	271	513
Share of revenue from joint ventures and associates	**158**	149	303
Commissions and other	**(62)**	(84)	(155)
Performance-related fees	**(2)**	(4)	(1)
Operating income before performance-related fees[note]	**351**	332	660
IFRS charges	**185**	205	398
Share of expenses from joint ventures and associates	**62**	63	117
Commissions and other	**(62)**	(84)	(155)
Operating expense	**185**	184	360
Cost/income ratio (operating expense/operating income before performance-related fees)	**53%**	55%	55%

Note
IFRS revenue and charges for Eastspring are included within the IFRS Income statement in 'other revenue' and 'non-insurance expenditure' respectively. Operating income and expense include the Group's share of contribution from joint ventures and associates. In the condensed consolidated income statement of the Group IFRS financial results, the net income after tax from the joint ventures and associates is shown as a single line item.

II(vi) Insurance premiums

New business sales are provided as an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profits for shareholders. The Group reports Annual Premium Equivalent (APE) new business sales as a measure of the new policies sold in the period, which is calculated as the aggregate of regular premiums and one-tenth of single premiums on new business written during the period for all insurance products, including premiums for contracts designated as investment contracts and excluded from the scope of IFRS 17. The use of one-tenth of single premiums is to normalise policy premiums into the equivalent of regular annual payments. This measure is commonly used in the insurance industry to allow comparisons of the amount of new business written in a period by life insurance companies, particularly when the sales contain both single premium and regular premium business.

Renewal or recurring premiums are the subsequent premiums that are paid on regular premium products. Gross premiums earned is the measure of premiums as defined under the previous IFRS 4 basis and reflects the aggregate of single and regular premiums of new business sold in the year and renewal premiums on business sold in previous years but excludes premiums for policies classified as investment contracts without discretionary participation features under IFRS, which are recorded as deposits. Gross premiums earned is no longer a metric presented under IFRS 17 and is not directly reconcilable to primary statements. The Group believes that renewal premiums and gross premiums earned are useful measures of the Group's business volumes and growth during the period.

	2023 $m	2022 $m	
	Half year	Half year	Full year
Gross premiums earned	**10,961**	12,241	23,344
Gross premiums earned from joint ventures and associates	**2,090**	2,368	4,439
Total Group, including joint ventures and associates	**13,051**	14,609	27,783
Renewal insurance premiums	**8,922**	9,288	18,675
Annual premium equivalent (APE)	**3,027**	2,213	4,393
Life weighted premium income	**11,949**	11,501	23,068

II(vii) Reconciliation between EEV new business profit and IFRS new business CSM

	2023 $m	2022 $m	
	Half year	Half year	Full year
EEV new business profit	**1,489**	1,098	2,184
Economics and other[note (1)]	**(411)**	(181)	(424)
New rider sales[note (2)]	**(42)**	(51)	(66)
Related tax on IFRS new business CSM[note (3)]	**160**	191	370
IFRS new business CSM	**1,196**	1,057	2,064

Notes
(1) EEV is calculated using 'real-world' economic assumptions that are based on the expected returns on the actual assets held with an allowance for risk in the risk discount rate. Under IFRS 17, 'risk neutral' economic assumptions are applied with assets assumed to earn and the cash flows discounted at risk free plus liquidity premium (where applicable). Both measures update these assumptions each period end based on current interest rates.

(2) Under EEV, new business profit arising from additional or new riders attaching to existing contracts, product upgrades and top-ups are reported as current period new business profit. Under IFRS 17 reporting, new business profit from such rider sales and upgrades are required to be treated as experience variances of the existing contracts.
(3) IFRS 17 new business CSM is gross of tax, while EEV new business profit is net of tax. Accordingly, the related tax that on the IFRS 17 new business CSM is added back. All of the other reconciling items in the table have been presented net of related taxes.

II(viii) Reconciliation between EEV shareholders' equity and IFRS shareholders' equity

The table below shows the reconciliation of EEV shareholders' equity and IFRS shareholders' equity at the end of the periods:

	30 Jun 2023 $m	31 Dec 2022 $m
EEV shareholders' equity	**43,704**	42,184
Adjustments for non-market risk allowance:		
Remove: Allowance for non-market risks in EEV note (1)	**2,972**	2,760
Add: IFRS risk adjustment, net of related deferred tax adjustments note (2)	**(1,951)**	(1,803)
Mark-to-market value adjustment of the Group's core structural borrowings note (3)	**(389)**	(427)
Economics and other valuation differences note (4)	**(7,891)**	(7,503)
Adjusted IFRS shareholders' equity (see note II(ii))	**36,445**	35,211
Remove: CSM, including joint ventures and associates and net of reinsurance	**(20,820)**	(19,989)
Add: CSM asset attaching to reinsurance contracts wholly attributable to policyholders	**(1,305)**	(1,295)
Add: Related deferred tax adjustments for the above	**2,839**	2,804
IFRS shareholders' equity	**17,159**	16,731

Notes
(1) The allowance for non-diversifiable non-market risk in EEV comprises a base Group-wide allowance of 50 basis points plus additional allowances for emerging market risk where appropriate.
(2) Includes the Group's share of joint ventures and associates and net of reinsurance.
(3) The Group's core structural borrowings are fair valued under EEV but are held at amortised cost under IFRS.
(4) EEV is calculated using 'real-world' economic assumptions that are based on the expected returns on the actual assets held with an allowance for risk in the risk discount rate. Under IFRS 17, 'risk neutral' economic assumptions are applied with the cash flows discounted using risk free plus liquidity premium (where applicable). Other valuation differences include contract boundaries and non-attributable expenses which are small.

II(ix) Calculation of return on embedded value

Operating return on embedded value is calculated as the EEV operating profit for the period as a percentage of average EEV basis shareholders' equity. Half year profits are annualised by multiplying by two.

	2023 $m	2022 $m	
	Half year	**Half year**	**Full year**
EEV operating profit for the period	**2,155**	1,806	3,952
Operating profit attributable to non-controlling interests	**(11)**	(10)	(29)
EEV operating profit, net of non-controlling interests	**2,144**	1,796	3,923
Shareholders' equity at beginning of period	**42,184**	47,584[1]	47,584[1]
Shareholders' equity at end of period	**43,704**	42,300	42,184
Average shareholders' equity	**42,944**	44,942	44,884
Operating return on average shareholders' equity (%)	**10%**	8%	9%

[1] Opening shareholders' equity at 1 January 2022 has been adjusted for early adoption of the HK RBC regime.

New business profit over embedded value is calculated as the EEV new business profit for the period (annualised by multiplying by 2) as a percentage of average EEV basis shareholders' equity for insurance business operations, excluding goodwill attributable to equity holders.

	2023	2022	
	Half year	**Half year**	**Full year**
New business profit ($ million)*	**1,489**	1,098	2,184
Average EEV shareholders' equity for insurance business operations, excluding goodwill attributable to equity holders ($ million)	**39,518**	41,920	41,866
New business profit on embedded value (%)	**8%**	5%	5%

* New business profit is attributed to the shareholders of the Group before deducting the amount attributable to non-controlling interests.

Average embedded value has been based on opening and closing EEV basis shareholders' equity for insurance business operations, excluding goodwill attributable to equity holders, as follows:

	2023 $m	2022 $m	
	Half year	**Half year**	**Full year**
Shareholders' equity at beginning of period	**38,857**	44,875[1]	44,875[1]
Shareholders' equity at end of period	**40,179**	38,965	38,857
Average shareholders' equity	**39,518**	41,920	41,866

[1] Opening shareholders' equity at 1 January 2022 has been adjusted for early adoption of the HK RBC regime.

Risk factors

A number of risk factors may affect the financial condition, results of operations and/or prospects of Prudential and its wholly and jointly owned businesses, as a whole, and, accordingly, the trading price of Prudential's shares. The risk factors mentioned below should not be regarded as a complete, exhaustive and comprehensive statement of all potential risks and uncertainties. The information given is as of the date of this document, and any forward-looking statements are made subject to the factors specified under 'Forward-looking statements'.

Prudential's approaches to managing risks are explained in the 'Risk review' section of this document.

1. RISKS RELATING TO PRUDENTIAL'S FINANCIAL SITUATION

1.1 Prudential's businesses are inherently subject to market fluctuations and general economic conditions, each of which may adversely affect the Group's business, financial condition, results of operations and prospects.

Uncertainty, fluctuations or negative trends in global and national macroeconomic conditions and investment climates could have a material adverse effect on Prudential's business, financial condition and results of operations, including as a result of increased strategic, business, insurance, product and customer conduct risks. Prudential operates in a macroeconomic and global financial market environment that continues to present significant uncertainties and potential challenges. For example, while headline inflation has moved down since mid-2022, on the back of declining food and energy prices, core inflation has remained well above central bank targets. As a result, central banks have continued to raise rates to attempt to rein in inflation. Further interest rate increases are expected in some jurisdictions and tighter monetary policies could exert downward pressures on growth. In the major emerging markets, inflation has generally been less severe and monetary tightening is broadly expected to have reached its peak. Nevertheless, this environment of higher global interest rates and meaningful recession risk is putting pressure on banks' balance sheets and margins. This could result in a pullback in both credit supply and credit demand and lead to a sharper tightening in global credit conditions. In the Chinese Mainland, the recovery has been led by services while manufacturing and import growth remain weak and authorities have initiated new policy stimulus to respond to the signs of softness. The weak growth in the Chinese Mainland could weigh on the broader Asian region and the global economy's vitality going forward. Furthermore, while Covid-19 has evolved into an endemic disease, the broader long-term impacts of Covid-19 continue to cause uncertainty to financial market volatility, global economic activity and impact on sales, as well as insurance experience. Such uncertainties may apply for a prolonged period of time. The transition to a lower carbon economy, the timing and speed of which is uncertain and will vary by country, may also result in greater uncertainty, fluctuations or negative trends in asset valuations and reduced liquidity, particularly for carbon intensive sectors, and may have a bearing on inflation levels.

Global financial markets are also subject to uncertainty and volatility created by a variety of other factors. These factors include actual or expected changes in both monetary and regulatory policy in the Chinese Mainland, the US and other jurisdictions together with their impact on base interest rates and the valuation of all asset classes and inflation expectations; slowdowns or reversals in world or regional economic growth (particularly where this is abrupt, as has been the case with the Covid-19 lockdowns or the impact of the Russia-Ukraine conflict and geopolitical tensions); and sector-specific slowdowns or deteriorations which have the potential to have contagion impacts (such as challenges in the US and EU banking sector, increasing risk in the US commercial real estate sector, and the negative developments in the Chinese Mainland property sector and more widely across the Chinese Mainland economy). Other factors include fluctuations in global commodity and energy prices, concerns on the serviceability of sovereign debt in certain economies (particularly as central banks continue to raise rates in response to high inflation and the high indebtedness across countries in Africa, such as the sovereign debt restructuring in Ghana), the increased level of geopolitical and political risk and policy-related uncertainty (including those resulting from the ongoing Russia-Ukraine conflict and tensions between the Chinese Mainland and countries such as the US and India, as well as regulatory tightening across sectors in the Chinese Mainland), and socio-political, climate-driven and pandemic events. The extent of the financial market and economic impact of these factors may be highly uncertain and unpredictable and influenced by the actions, including the duration and effectiveness of mitigating measures of governments, policymakers and the public.

The adverse effects of such factors could be felt principally through the following items:

– Changes to interest rates could reduce Prudential's capital strength and impair its ability to write significant volumes of new business. Increases in interest rates could adversely impact the financial condition of the Group through changes in the present value of future fees for unit-linked businesses and/or the present value of future profits for accident and health products; and/or reduce the value of the Group's assets and/or have a negative impact on its assets under management and profit. Decreases in interest rates could increase the potential adverse impact of product guarantees included in non-unit-linked products with a savings component; reduce investment returns arising on the Group's portfolios; impact the valuation of debt securities; and/or increase reinvestment risk for some of the Group's investments from accelerated prepayments and increased redemptions.

– A reduction in the financial strength and flexibility of corporate entities, as experienced by a number of issuers within the Chinese Mainland property sector and the US commercial real estate sector, which may result in a deterioration of the credit rating profile and valuation of the Group's invested credit portfolio (and which may lead to an increase in regulatory capital requirements for the Group or its businesses), increased credit defaults and debt restructurings and wider credit and liquidity spreads resulting in realised and unrealised credit losses. Regulations imposing or increasing restrictions on the amount of company debt financing, such as those placing limits on debt or liability ratios, may also reduce the financial flexibility of corporate entities. Similarly, securitised assets in the Group's investment portfolio are subject to default risk and may be adversely impacted by delays or failures of borrowers to make payments of principal and interest when due. Where a widespread deterioration in the financial strength of corporate entities occurs, any assumptions on the ability and willingness of governments to provide financial support may need to be revised.

- Failure of, or legal, regulatory or reputational restrictions on the Group's ability to deal with, counterparties who have transactions with Prudential (such as banks, reinsurers and counterparties to cash management and risk transfer or hedging transactions) to meet commitments could give rise to a negative impact on Prudential's financial position and on the accessibility or recoverability of amounts due or the adequacy of collateral. Geographic or sector concentrations of counterparty credit risk could exacerbate the impact of these events where they materialise.

- Estimates of the value of financial instruments becoming more difficult because in certain illiquid, volatile or closed markets, determining the value at which financial instruments can be realised is highly subjective. Processes to ascertain such values require substantial elements of judgement, assumptions and estimates (which may change over time). Where the Group is required to sell its investments within a defined timeframe, such market conditions may result in the sale of these investments at below expected or recorded prices.

- Illiquidity of the Group's investments. The Group holds certain investments that may, by their nature, lack liquidity or have the potential to lose liquidity rapidly, such as investment funds (including money market funds), privately placed fixed maturity securities, mortgage loans, complex structured securities and alternative investments. If these investments were required to be liquidated on short notice, the Group may experience difficulty in doing so and may be forced to sell them at a lower price than it otherwise would have been able to realise.

- A reduction in revenue from the Group's products where fee income is linked to account values or the market value of the funds under management. Sustained inflationary pressures which may drive higher interest rates may also impact the valuation of fixed income investments and reduce fee income.

- Increased illiquidity, which includes the risk that expected cash inflows from investments and operations will not be adequate to meet the Group's anticipated short-term and long-term policyholder benefits and expense payment obligations. Increased illiquidity also adds to the uncertainty over the accessibility of financial resources which in extreme conditions could impact the functioning of markets and reduce capital resources as valuations decline. This could occur where external capital is unavailable at sustainable cost, increased liquid assets are required to be held as collateral under derivative transactions or redemption restrictions are placed on Prudential's investments in illiquid funds. In addition, significant redemption requests could also be made on Prudential's issued funds and while this may not have a direct impact on the Group's liquidity, it could result in reputational damage to Prudential. The potential impact of increased illiquidity is more uncertain than for other risks such as interest rate or credit risk.

For some non-unit-linked products with a savings component it may not be possible to hold assets which will provide cash flows to match those relating to policyholder liabilities. This may particularly be the case in those markets where bond markets are less developed or where the duration of policyholder liabilities is longer than the duration of bonds issued and available in the market, and in certain markets where regulated premium and claim values are set with reference to the interest rate environment prevailing at the time of policy issue. This results in a mismatch due to the duration and uncertainty of the liability cash flows and the lack of sufficient assets of a suitable duration. While this residual asset/liability mismatch risk can be managed, it cannot be eliminated. If interest rates in these markets are lower than those used to calculate premium and claim values over a sustained period, this could have a material adverse effect on Prudential's reported profit and the solvency of its business units. In addition, part of the profit from the Group's operations is related to bonuses for policyholders declared on participating products, which are impacted by the difference between actual investment returns of the participating fund (which are broadly based on historical and current rates of return on equity, real estate and fixed income securities) and minimum guarantee rates offered to policyholders. This profit could be lower in particular in a sustained low interest rate environment.

In general, upheavals in the financial markets may affect general levels of economic activity, employment and customer behaviour. As a result, insurers may experience an elevated incidence of claims, frauds, lapses, partial withdrawals or surrenders of policies, and some policyholders may choose to defer or stop paying insurance premiums or reduce deposits into retirement plans. Uncertainty over livelihoods, elevated cost of living and challenges in affordability may adversely impact the demand for insurance products, and increase regulatory risk in meeting regulatory definitions and expectations with respect to vulnerable customers (see risk factor 3.8). In addition, there may be a higher incidence of counterparty failures. If sustained, this environment is likely to have a negative impact on the insurance sector over time and may consequently have a negative impact on Prudential's business, balance sheet and profitability. For example, this could occur if the recoverable value of intangible assets for bancassurance agreements is reduced. New challenges related to market fluctuations and general economic conditions may continue to emerge. For example, sustained inflationary pressures driving interest rates to even higher levels may lead to increased lapses for some guaranteed savings products where higher levels of guarantees are offered by products of the Group's competitors, reflecting consumer demand for returns at the level of, or exceeding, inflation. High inflation, combined with an economic downturn or recession, may also result in affordability challenges, adversely impacting the ability of consumers to purchase insurance products. Rising inflation, via medical claims inflation (with rising medical import prices a factor under current market conditions), may adversely impact the profitability of the Group's businesses.

Any of the foregoing factors and events, individually or together, could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects.

1.2 Geopolitical and political risks and uncertainty may adversely impact economic conditions, increase market volatility and regulatory compliance risks, cause operational disruption to the Group and impact the implementation of its strategic plans, which could have adverse effects on Prudential's business, financial condition, results of operations and prospects.

The Group is exposed to geopolitical and political risks and uncertainty in the diverse markets in which it operates. Such risks may include:

- The application of government regulations, executive powers, sanctions, protectionist or restrictive economic and trade policies or measures adopted by businesses or industries which increase trade barriers or restrict trade, sales, financial transactions, or the transfer of capital, investment, data or other intellectual property, with respect to specific territories, markets, companies or individuals;
- An increase in the volume and pace of domestic regulatory changes, including those applying to specific sectors;
- The increased adoption or implementation of laws and regulations which may purport to have extra-territorial application;
- Withdrawals or expulsions from existing trading blocs or agreements or financial transaction systems, including those which facilitate cross-border payments;
- The implementation of measures favouring local enterprises including changes to the maximum level of non-domestic ownership by foreign companies, differing treatment of foreign-owned businesses under regulations and tax rules, or international trade disputes affecting foreign companies; and
- Measures which require businesses of overseas companies to operate through locally incorporated entities or with requirements on minimum local representation on executive or management committees.

The above risks may have an adverse impact on Prudential through their effects on the macroeconomic outlook and the environment for global regional and national financial markets. Prudential may also face heightened sanctions risk driven by geopolitical conflicts as well as increase reputational risks. The above risks may also adversely impact the economic, business, legal and regulatory environment in specific markets or territories in which the Group, its joint ventures or jointly owned businesses, sales and distribution networks, or third-party service providers have operations. For internationally active groups such as Prudential, operating across multiple jurisdictions, such measures may also add to the complexity of legal and regulatory compliance and increase the risk of conflicts between the requirements of one jurisdiction and another. See risk factor 4.1 below.

Geopolitical and political risks and uncertainty may also adversely impact the Group's operations and its operational resilience. Increasing geopolitical and political tensions may lead to conflict, civil unrest and/or disobedience as well as increases in domestic and cross-border cyber intrusion activity. Such events could impact operational resilience by disrupting Prudential's systems, operations, new business sales and renewals, distribution channels and services to customers, which may result in a reduction in contributions from business units to the central cash balances and profit of the Group, decreased profitability, financial loss, adverse customer impacts and reputational damage and may impact Prudential's business, financial condition, results of operations and prospects.

Legislative or regulatory changes and geopolitical or political risks which adversely impact Hong Kong's international trading and economic relationships, may result in adverse sales, operational and product distribution impacts to the Group due to the territory being a key market which also hosts Group head office functions.

1.3 As a holding company, Prudential is dependent upon its subsidiaries to cover operating expenses and dividend payments.

The Group's insurance and asset management operations are generally conducted through direct and indirect subsidiaries, which are subject to the risks discussed elsewhere in this 'Risk factors' section.

As a holding company, Prudential's principal sources of funds are remittances from subsidiaries, shareholder-backed funds, the shareholder transfer from long-term funds and any amounts that may be raised through the issuance of equity, debt and commercial paper.

Certain of Prudential's subsidiaries are subject to insurance, asset management, foreign exchange and tax laws, rules and regulations (including in relation to distributable profits that can limit their ability to make remittances). In some circumstances, including where there are changes to general market conditions, this could limit Prudential's ability to pay dividends to shareholders or to make available funds held in certain subsidiaries to cover operating expenses of other members of the Group.

A material change in the financial condition of any of Prudential's subsidiaries may have a material effect on its business, financial condition, results of operations and prospects.

1.4 Prudential's investment portfolio is subject to the risk of potential sovereign debt credit deterioration.

Investing in sovereign debt creates exposure to the direct or indirect consequences of geopolitical or political, social or economic changes (including changes in governments, heads of state or monarchs), military conflicts, pandemics and associated disruption, and other events affecting the markets in which the issuers of such debt are located and the creditworthiness of the sovereign. Investment in sovereign debt obligations involves risks not present in debt obligations of corporate issuers. In addition, the issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due (or in their agreed currency) in accordance with the terms of such debt, and Prudential may have limited recourse to compel payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by, among other factors, its cash flow situation, its relations with its central bank, the extent and availability of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward local and international lenders, geopolitical tensions and conflicts and the political constraints to which the sovereign debtor may be subject.

Moreover, governments may use a variety of techniques, such as intervention by their central banks or imposition of regulatory controls or taxes, to devalue their currencies' exchange rates, or may adopt monetary, fiscal and other policies (including to manage their debt burdens) that have a similar effect, all of which could adversely impact the value of an investment in sovereign debt even in the absence of a technical default. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issuers.

In addition, if a sovereign default or other such events described above were to occur, as has happened on certain occasions in the past, other financial institutions may also suffer losses or experience solvency or other concerns, which may result in Prudential facing additional risks relating to investments in such financial institutions that are held in the Group's investment portfolio. There is also risk that public perceptions about the stability and creditworthiness of financial institutions and the financial sector generally might be adversely affected as might counterparty relationships between financial institutions.

If a sovereign were to default on or restructure its obligations, or adopt policies that devalued or otherwise altered the currencies in which its obligations were denominated, this could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects.

1.5 Downgrades in Prudential's financial strength and credit ratings could significantly impact its competitive position and damage its relationships with creditors or trading counterparties.

Prudential's financial strength and credit ratings, which are used by the market to measure its ability to meet policyholder obligations, are an important factor affecting public confidence in Prudential's products, and as a result its competitiveness. Downgrades in Prudential's ratings as a result of, for example, decreased profitability, increased costs, increased indebtedness or other concerns could have an adverse effect on its ability to market products and retain current policyholders, as well as the Group's ability to compete for acquisition and strategic opportunities. Downgrades may also impact the Group's financial flexibility, including its ability to issue commercial paper at acceptable levels and pricing. The interest rates at which Prudential is able to borrow funds are affected by its credit ratings, which are in place to measure the Group's ability to meet its contractual obligations.

In addition, changes in methodologies and criteria used by rating agencies could result in downgrades that do not reflect changes in the general economic conditions or Prudential's financial condition.

In addition, any such downgrades could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects. Prudential cannot predict what actions rating agencies may take, or what actions Prudential may take in response to any such actions, which could adversely affect its business.

Any such downgrade of the Group could have an adverse effect on Prudential's financial flexibility, requirements to post collateral under or in connection with transactions and ability to manage market risk exposures. In addition, the interest rates or other costs that the Group incurs in respect of its financing activities may increase as a result. A credit rating downgrade may also affect public confidence in the Group's products and may adversely impact its ability to market products, retain current policyholders or attract new policyholders.

1.6 Prudential is subject to the risk of exchange rate fluctuations owing to the geographical diversity of its businesses.

Due to the geographical diversity of Prudential's businesses, Prudential is subject to the risk of exchange rate fluctuations. Prudential's operations generally write policies and invest in assets denominated in local currencies, but in some markets Prudential also write policies and invest in assets denominated in non-local currencies, primarily in the US dollar. Although this practice limits the effect of exchange rate fluctuations on local operating results, it can lead to fluctuations in Prudential's consolidated financial statements upon the translation of results into the Group's presentation currency. This exposure is not currently separately managed. The Group presents its consolidated financial statements in US dollars. The results of some entities within the Group are not denominated in or linked to the US dollar and some enter into transactions which are conducted in non-US dollar currencies. Prudential is subject to the risk of exchange rate fluctuations from the translation of the results of these entities and non-US dollar transactions and the risks from the maintenance of the HK dollar peg to the US dollar. In cases where a non-US dollar denominated surplus arises in an operation which is to be used to support Group capital or shareholders' interest (ie remittances), this currency exposure may be hedged where considered economically favourable. Prudential is also subject to the residual risks arising from currency swaps and other derivatives that are used to manage the currency exposure.

2. RISKS RELATING TO SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) MATTERS

2.1 The failure to understand and respond effectively to the risks associated with ESG factors could adversely affect Prudential's achievement of its long-term strategy.

A failure to manage the material risks associated with key ESG themes detailed below may inhibit the Group's ability to meet its ESG commitments and undermine its sustainability credentials by adversely impacting the Group's reputation and brand, and its ability to attract and retain customers and employees, and therefore the results of its operations and delivery of its strategy and long-term financial success.

(a) Environmental risks

Environmental concerns, notably those associated with climate change and their social and economic impacts, but also including those associated with biodiversity and nature degradation, present long-term risks to the sustainability of Prudential and may impact its customers and other stakeholders.

Prudential's investment horizons are long term, and it is therefore exposed to the potential long-term impact of climate change risks, which include the financial and non-financial impact of the transition to a lower carbon economy, physical, reputational and shareholder, customer or third-party litigation risks. The global transition to a lower carbon economy may have an adverse impact on investment valuations and liquidity as the financial assets of carbon intensive companies re-price, and this could result in some asset sectors facing significantly higher costs and a reduction in demand for their products and services. The speed of this transition, and the extent to which it is orderly and managed, will be influenced by factors such as changes in public policy, technology and market or investor sentiment. The potential impact of these factors on the valuation of investments may also have a broader economic impact that may adversely affect customers and their demand for the Group's products. Direct physical risks associated with the impacts of climate change combined with the potential economic impacts of the transition to a lower carbon economy have the potential to disproportionately impact the Asia and Africa markets in which Prudential operates and invests. The Group's stakeholders increasingly expect and/or rely on the Group to support an orderly, inclusive and sustainable transition based on an understanding of relevant market and company-level transition plans taking into consideration the impact on the economies, businesses, communities and customers in these markets.

The Group's ability to sufficiently understand and appropriately respond to transition risk and its ability to deliver on its external carbon reduction commitments and the implementation of ESG considerations in existing or new sustainability or climate-orientated investment strategies and products may be limited by insufficient or unreliable data on carbon exposure, transition plans of the investee company assets in which it invests or inability to divest as planned. The direct physical impacts of climate change, including shorter-term event driven (acute) physical risks and those associated with longer-term shifts in climate patterns (chronic physical risks), are likely to become increasingly significant factors in the mortality and morbidity risk assessments for the Group's insurance product underwriting and offerings and their associated claims profiles. Such short-term and long-term environmental changes in markets where Prudential or its key third parties operate could adversely impact the Group's operational resilience and its customers, which may potentially occur through migration or displacement both within and across borders.

The pace and volume of global standards and sustainability and climate-related regulations emerging across the markets in which the Group operates, the need to deliver on existing and new exclusions or restrictions on investments in certain sectors, engagement and reporting commitments and the demand for externally assured reporting may give rise to compliance, operational, disclosure and litigation risks which may be increased by the multi-jurisdictional coordination required in adopting a consistent risk management approach. The launch of sustainability-focused funds or products, or the (method of) incorporation of ESG considerations in the investment process for existing products, may increase the risks related to the perceived fulfilment of fiduciary duties to customers and investors by the Group's appointed asset managers and may increase regulatory compliance, customer conduct, product disclosure and litigation risks. Prudential's voluntary memberships of, or participation within, industry organisations and groups or their initiatives may increase stakeholder expectations of the Group's acquiescence or compliance with their publicised positions or aims. The reputational and litigation risks of the Group may subsequently increase where the stated positions or aims of such industry organisations or their initiatives continue to evolve, or where jurisdictions interpret their objectives as adversely impacting on markets or consumers, including for example, perceived conflicts with anti-trust laws. See risk factor 4.1 for details of sustainability and ESG-related regulatory and supervisory developments with potential impacts the Group.

A failure to understand, manage and provide greater transparency of its exposure to these climate-related risks may have increasingly adverse implications for Prudential and its stakeholders.

(b) Social risks

Social risks that could impact Prudential may arise from a failure to consider the rights, diversity, wellbeing, changing needs, human rights and interests of its customers and employees and the communities in which the Group or its third parties operate. Perceived or actual inequity and income disparities (both with developed markets and within the Group's markets), intensified by the pandemic, have the potential to further erode social cohesion across the Group's markets which may increase operational and disruption risks for Prudential and impact the delivery of the Group's strategy on developing affordable and accessible products to meet the needs of people across these markets. Direct physical impacts of climate change and deterioration of the natural environment and the global transition to a lower carbon economy may disproportionately impact the stability of livelihoods and health of lower socioeconomic groups within the markets in which the Group operates. These risks are heightened as Prudential operates in multiple jurisdictions that are particularly vulnerable to climate change, with distinct local cultures and considerations.

Evolving social norms and emerging population risks associated with public health trends (such as an increase in obesity and mental health deterioration) and demographic changes (such as population urbanisation and ageing), as well as migration due to factors including climate-related developments, may affect customer lifestyles and therefore may impact the level of claims under the Group's insurance product offerings.

As a provider of insurance and investment services, the Group is increasingly focused on making its products more accessible through the use of digital services, technologies and distribution methods to customers. As a result, Prudential has access to extensive amounts of customer personal data, including data related to personal health, and an increasing ability to analyse and interpret this data through the use of complex tools, machine learning and artificial intelligence technologies. The Group is therefore exposed to increase in technology risk as well as regulatory, ethical and reputational risks associated with customer data misuse or security breaches. These risks are explained in risk factor 3.5. The increasing digitalisation of products, services and processes may also result in new and unforeseen regulatory requirements and stakeholder expectations, including those relating to how the Group supports its customers through this transformation.

Failure to foster an inclusive, diverse and open environment for the Group's employees in accordance with the principles of the Universal Declaration of Human Rights and of the International Labour Organisation's core labour standards could impact the ability to attract and/or retain employees and increase potential reputational risk. The business practices within the Group's third-party supply chain and investee companies with regards to topics including labour standards, respect of human rights and modern slavery also expose the Group to potential reputational risk.

(c) Governance

A failure to maintain high standards of corporate governance may adversely impact the Group and its customers and employees and increase the risk of poor decision-making and a lack of oversight and management of its key risks. Poor governance may arise where key governance committees have insufficient independence, a lack of diversity, skills or experience in their members, or unclear (or insufficient) oversight responsibilities and mandates. Inadequate oversight over remuneration also increases the risk of poor senior management behaviours.

Prudential operates across multiple jurisdictions and has a group and subsidiary governance structure which may add further complexity to these considerations. Participation in joint ventures or partnerships where Prudential does not have direct overall control, and the use of third-party service providers, increase the potential for reputational risks arising from inadequate governance.

Sustainability and ESG-related risks may directly or indirectly impact Prudential's business and the achievement of its strategic focus on providing greater and more inclusive access to good health and financial security, responsible stewardship in managing the human impact of climate change and building human and social capital with its broad range of stakeholders, which range from customers, institutional investors, employees and suppliers, to policymakers, regulators, industry organisations and local communities. A failure to transparently and consistently implement the Group's ESG strategy across its local businesses and operational, underwriting and investment activities, as well as a failure to implement and uphold responsible business practices, may adversely impact the financial condition and reputation of the Group. This may also negatively impact the Group's stakeholders, who all have expectations, concerns and aims related to sustainability and ESG matters, which may differ, both within and across the markets in which the Group operates. In its investment activities, Prudential's stakeholders increasingly have expectations of, and place reliance on, an approach to responsible investment that demonstrates how sustainability and ESG considerations are effectively integrated into investment decisions, responsible supply chain management and the performance of fiduciary and stewardship duties. These duties include effective implementation of exclusions, voting and active engagement decisions with respect to investee companies, as both an asset owner and an asset manager, in line with internally defined procedures and external commitments. The increased demands and expectations of stakeholders for transparency and disclosure of the activities that support these duties further heightens disclosure risks for the Group, including those associated with potentially overstating or mis-stating the positive environmental or societal impacts of the Group's activities, products and services (eg greenwashing).

3. RISKS RELATING TO PRUDENTIAL'S BUSINESS ACTIVITIES AND INDUSTRY

3.1 The implementation of large-scale transformation, including complex strategic initiatives, gives rise to significant design and execution risks and may affect Prudential's operational capability and capacity. Failure of these initiatives to meet their objectives may adversely impact the Group and the delivery of its strategy.

Where required in order to implement its business strategies for growth, meet customer needs, improve customer experiences, strengthen operational resilience, meet regulatory and industry requirements and maintain market competitiveness, Prudential from time to time undertake corporate restructuring, transformation programmes and acquisitions/disposals across its business. Many such change initiatives are complex, inter-connected and/or of large scale, and include improvement of business efficiencies through operating model changes, advancing the Group's digital capability, expanding strategic partnerships and industry and regulatory-driven change. There may be a material adverse effect on Prudential's business, employees, customers, financial condition, results of operations and prospects if these initiatives incur unplanned costs, are subject to implementation delays, or fail to fully meet their objectives. Leadership changes and changes to the business and operational model of the Group increase uncertainty for its employees, which may affect operational capacity and the ability of the Group to deliver its strategy. There may also be adverse implications for the Group in undertaking transformation initiatives such as placing additional strain on employees, operational capacity, and weakening the control environment. Implementing initiatives related to the revised strategy for the Group, control environment transformation, significant accounting standard changes, such as IFRS 17, and other regulatory changes in major businesses of the Group, such as those related to the agency transformation at the Indonesia businesses, may amplify these risks. Risks relating to these regulatory changes are explained in risk factor 4.1 below.

The speed of technological change in the business could outpace the Group's ability to anticipate all the unintended consequences that may arise from such change. Innovative technologies, such as artificial intelligence, expose Prudential to potential additional regulatory, information security, privacy, operational, ethical and conduct risks which, if inadequately managed, could result in customer detriment and reputational damage.

3.2 Prudential's businesses are conducted in highly competitive environments with rapidly developing demographic trends. The profitability of the Group's businesses depends on management's ability to respond to these pressures and trends.

The markets for financial services are highly competitive, with a number of factors affecting Prudential's ability to sell its products and profitability, including price and yields offered, financial strength and ratings, range of product lines and product quality, ability to implement and comply with regulatory changes, the imposition of regulatory sanctions, brand strength and name recognition, investment management performance and fund management trends, historical bonus levels, the ability to respond to developing demographic trends, customer appetite for certain savings products (which may be impacted by broader economic pressures) and technological advances. In some of its markets, Prudential faces competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or have higher bonus rates. Further, heightened competition for talented and skilled employees, agents and independent financial advisers may limit Prudential's potential to grow its business as quickly as planned or otherwise implement its strategy. Technological advances, including those enabling increased capability for gathering large volumes of customer health data and developments in capabilities and tools in analysing and interpreting such data (such as artificial intelligence and machine learning), may result in increased competition to the Group, both from within and outside the insurance industry, and may increase the competition risks resulting from a failure to be able to attract or retain talent.

The Group's principal competitors include global life insurers, regional insurers and multinational asset managers. In most markets, there are also local companies that have a material market presence.

Prudential believes that competition will intensify across all regions in response to consumer demand, digital and other technological advances (including the emergence and maturing of new distribution channels), the need for economies of scale and the consequential impact of consolidation, regulatory actions and other factors. Prudential's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures. This includes managing the potential adverse impacts to the commercial value of the Group's existing sale and distribution arrangements, such as bancassurance arrangements, in markets where new distribution channels develop.

Failure to do so may adversely impact Prudential's ability to attract and retain customers and, importantly, may limit Prudential's ability to take advantage of new business arising in the markets in which it operates, which may have an adverse impact on the Group's business, financial condition, results of operations and growth prospects.

3.3 Adverse experience in the operational risks inherent in Prudential's business, and those of its material outsourcing partners, could disrupt its business functions and have a negative impact on its business, financial condition, results of operations and prospects.

Operational risks are present in all of Prudential's businesses, including the risk of loss arising from inadequate or failed internal processes, systems or human error, fraud, the effects of natural or man-made catastrophic events (such as natural disasters, pandemics, cyber-attacks, acts of terrorism, civil unrest and other catastrophes) or other external events. These risks may also adversely impact Prudential through its partners. Prudential relies on the performance and operations of a number of bancassurance, product distribution, outsourcing (including but not limited to external technology, data hosting and payments) and service partners. These include back office support functions, such as those relating to technology infrastructure, development and support and customer-facing operations and services, such as product distribution and services (including through digital channels) and investment operations. This creates reliance upon the resilient operational performance of these partners and exposes Prudential to the risk that the operations and services provided by these partners are disrupted or fail. Further, Prudential operates in extensive and evolving legal and regulatory environments which adds to the complexity of the governance and operation of its business processes and controls.

Exposure to such risks could impact Prudential's operational resilience and ability to perform necessary business functions when there are disruptions to its systems, operations, new business sales and renewals, distribution channels and services to customers, or result in the loss of confidential or proprietary data. Such risks, as well as any weaknesses in administration systems (such as those relating to policyholder records) or actuarial reserving processes, may also result in increased expenses, as well as legal and regulatory sanctions, decreased profitability, financial loss and customer conduct risk impacts. This could damage Prudential's reputation and relationship with its customers and business partners. A failure to adequately oversee service partners (or their technology and operational systems and processes) could result in significant service degradation or disruption to Prudential's business operations and services to its customers, which may have reputational or conduct risk implications and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Prudential's business requires the processing of a large number of transactions for a diverse range of products. It also employs complex and inter-connected technology and finance systems, models, and user-centric applications in its processes to perform a range of operational functions. These functions include the calculation of regulatory or internal capital requirements, the valuation of assets and liabilities and the acquisition of new business using artificial intelligence and digital applications. Many of these tools form an integral part of the information and decision-making frameworks used by Prudential and the risk of adverse consequences arising from erroneous or misinterpreted tools used in core business activities, decision-making and reporting exists. Errors or limitations in these tools, or their inappropriate usage, may lead to regulatory breaches, inappropriate decision-making, financial loss, customer detriment, inaccurate external reporting, or reputational damage. The long-term nature of much of the Group's business also means that accurate records are to be maintained securely for significant time periods.

The performance of the Group's core business activities and the uninterrupted availability of services to customers rely significantly on, and require significant investment in, resilient IT applications, infrastructure and security architectural design, data governance and management and other operational systems, personnel, controls, and mature processes. During large-scale disruptive events or times of significant change, or due to other factors impacting operational performance including adequacy of skilled/experienced personnel, the resilience and operational effectiveness of these systems and processes at Prudential and/or its third-party service providers may be adversely impacted. In particular, Prudential and its business partners are making increasing use of emerging technological tools and digital services, or forming strategic partnerships with third parties to provide these capabilities. Automated distribution channels and services to customers increase the criticality of providing uninterrupted services. A failure to implement appropriate governance and management of the incremental operational risks from emerging technologies may adversely impact Prudential's reputation and brand, the results of its operations, its ability to attract and retain customers and its ability to deliver on its long-term strategy and therefore its competitiveness and long-term financial success.

Although Prudential's technology, compliance and other operational systems, models and processes incorporate strong governance and controls designed to manage and mitigate the operational and model risks associated with its activities, there can be no complete assurance as to the resilience of these systems and processes to disruption or that governance and controls will always be effective. Due to human error, among other reasons, operational and model risk incidents do occur from time to time and no system or process can entirely prevent them. Prudential's legacy and other technology systems, data and processes, as with operational systems and processes generally, may also be susceptible to failure or security/data breaches.

3.4 Attempts to access or disrupt Prudential's technology systems, and loss or misuse of personal data, could result in loss of trust from Prudential's customers and employees and reputational damage, which could have material adverse effects on the Group's business, financial condition, results of operations and prospects.

Prudential and its business partners are increasingly exposed to the risk that individuals (which includes connected persons such as employees, contractors or representatives of Prudential or its third-party service providers, and unconnected persons) or groups may intentionally or unintentionally disrupt the availability, confidentiality and integrity of its technology systems or compromise the integrity and security of data (both corporate and customer), including disruption from ransomware (malicious software designed to restrict Prudential's access to data until the payment of a sum of money and to exfiltrate data with a threat to publicly expose Prudential data if a ransom payment is not paid), and untargeted but sophisticated and automated attacks. Where these risks materialise, this could result in disruption to key operations, make it difficult to recover critical data or services or damage assets, any of which could result in loss of trust from Prudential's customers and employees, reputational damage and direct or indirect financial loss. The escalation of the Russia-Ukraine conflict coincided with a significant increase in reported cyber threats and attacks during 2022. Cyber-security threats continue to evolve globally in sophistication and potential significance. Prudential's increasing profile in its current markets and those in which it is entering, growing customer interest in interacting with their insurance providers and asset managers through the internet and social media, improved brand awareness, and increasing adoption of the Group's digital platforms could also increase the likelihood of Prudential being considered a target by cyber criminals. Ransomware campaigns have increased in frequency and represent an increasing threat to the financial services sector, with recent highly publicised attacks on financial services companies.

There is an increasing requirement and expectation on Prudential and its business partners not only to hold the data of customers, shareholders and employees securely, but also to ensure its ongoing accuracy and that it is being used in a transparent, appropriate and ethical way, including in decision-making where automated processes are employed. As Prudential and its business partners increasingly adopt digital technology in business operations, the data the Group generates creates an opportunity to enhance customer engagement while maintaining a responsibility to keep customers' personal data safe. Prudential adheres to data minimisation and 'privacy-by-design' principles, ensuring that the Group only collects and uses data for its intended purpose and does not retain it longer than necessary, and that privacy elements are present both at the onset and throughout the Group's entire data processes. The handling of customer's data is governed by specific policies and frameworks, such as the Group Information Security Policy, the Group Privacy Policy and the Group Data Policy. A failure to adhere to these polices may result in regulatory scrutiny and sanctions and detriment to customers and third-party partners, and may adversely impact the reputation and brand of the Group, its ability to attract and retain customers and deliver on its long-term strategy and therefore the results of its operations.

The risk to the Group of not meeting these requirements and expectations may be increased by the development of cloud-based infrastructure and the usage of digital distribution and service channels, which can collect a broader range of personal and health-related data from individuals at increased scale and speed, and the use of complex tools, machine learning and artificial intelligence (AI) technologies to process, analyse and interpret this data. New and currently unforeseeable regulatory, reputational and operational issues may also arise from the increased use of emerging technology such as generative AI which require careful consideration and guardrails established to enable its safe use. Regulatory developments in cybersecurity and data protection continue to progress worldwide. In 2023, the momentum in focus on data privacy continues to increase, with regulators in Asia introducing new data privacy laws or enhancing existing ones (eg new data protection laws in Vietnam in June 2023 and extensive amendments to the Korean data privacy law). Such developments may increase the complexity of requirements and obligations in this area, in particular where they include national security restrictions or impose differing and/or conflicting requirements compared with those of other jurisdictions. These risks may also increase the financial and reputational implications for Prudential of regulatory non-compliance or a significant breach of IT systems or data, including at its joint ventures or third-party service providers. The international transfer of data may, as a global organisation, increase regulatory risks for the Group.

Prudential has been, and likely will continue to be, subject to potential damage from computer viruses, unauthorised access and cyber-security attacks such as 'denial of service' attacks, phishing and disruptive software campaigns. Despite the multi-layers security defences in place, there can be no assurance that such events will not take place which may have material adverse consequential effects on Prudential's business, financial condition, results of operations and prospects. To that end, the Group's security strategy encompasses a cyber resilience theme focusing on its ability to respond and recover from an attack in order to maintain its reputation and customer trust.

3.5 Prudential's digital platforms may heighten existing business risks to the Group or introduce new risks as the markets in which it operates, and its partnerships and product offerings evolve.

Prudential's digital platforms are subject to a number of risks discussed within this 'Risk factors' section. In particular, these include risks related to legal and regulatory compliance and the conduct of business; the execution of complex change initiatives; information security and data privacy; the use of models (including those using artificial intelligence) and the handling of personal data; the resilience and integrity of IT infrastructure and operations; and those relating to the management of third parties. These existing risks for the Group may be increased due to a number of factors:

- The number of current and planned markets in which Prudential's digital platforms operate, each with their own laws and regulations, regulatory and supervisory authorities, the scope of application of which may be uncertain or change at pace, may increase regulatory compliance risks;
- The implementation of planned digital platforms and services, which may require the delivery of complex, inter-connected change initiatives across current and planned markets. This may give rise to design and execution risks, which could be amplified where these change initiatives are delivered concurrently;

- The increased volume, breadth and sensitivity of data on which the business model of the platform is dependent and to which the Group has access, holds, analyses and processes through its models, which increases data security, privacy and usage risks. The use of complex models, including where they use artificial intelligence for critical decision-making, in the application's features and offerings may give rise to ethical, operational, conduct, litigation and reputational risks where they do not function as intended;
- Reliance on and/or collaboration with a number of third-party partners and providers, which may vary according to the market. This may increase operational disruption risks to the uninterrupted provision of services to customers, regulatory compliance and conduct risks, and the potential for reputational risks; and
- Support for, and development of, the platform being provided outside of some of the individual markets in which the platform operates, which may increase the complexity of local legal and regulatory compliance.

New product offerings and functionality may be developed and provided through the digital platforms, which may introduce new regulatory, operational, conduct and strategic risks for the Group. Regulations may be introduced, which limit the permitted scope of online or digitally distributed insurance and asset management services, and may restrict current or planned offerings provided by the platform.

A failure to implement appropriate governance and management of the incremental and new risks detailed above may adversely impact Prudential's reputation and brand, its ability to attract and retain customers, its competitiveness and its ability to deliver on its long-term strategy. In response, the Group has enhanced its governance framework in the first half of 2023 to better oversee the implementation and risk management of digital platforms. This includes the establishment of digital governance forums that oversee digital transformation from various dimensions such as customer centricity, strategic, financial, operational and risk management.

3.6 Prudential operates in certain markets with joint venture partners and other shareholders and third parties. These businesses face the same risks as the rest of the Group and also give rise to certain risks to Prudential that the Group does not face with respect to its wholly-owned subsidiaries.

Prudential operates, and in certain markets is required by local regulation to operate, through joint ventures and other joint ownership or third-party arrangements (including associates). The financial condition, operations and reputation of the Group may be adversely impacted, or the Group may face regulatory censure, in the event that any of its partners fails or is unable to meet its obligations under the arrangements, encounters financial difficulty, or fails to comply with local or international regulation and standards such as those pertaining to the prevention of financial crime. Reputational risks to the Group are amplified where any joint ventures or jointly owned businesses carry the Prudential name.

A material proportion of the Group's business comes from its joint venture and associate businesses in the Chinese Mainland and India, respectively. For such operations the level of control exercisable by the Group depends on the terms of the contractual agreements as well as local regulatory constraints applicable to the joint venture and associate businesses, such as listing requirements, in particular, those terms providing for the allocation of control among, and continued cooperation between, the participants. As a result, the level of oversight, control and access to management information the Group is able to exercise at these operations may be lower compared to the Group's wholly-owned businesses. This may increase the uncertainty for the Group over the financial condition of these operations, including the valuation of their investment portfolios and the extent of their invested credit and counterparty credit risk exposure, resulting in heightened risks to the Group as a whole. This may particularly be the case where the geographies in which these operations are located experience market or sector-specific slowdowns, disruption, volatility or deterioration (such as the negative developments in the Chinese Mainland property sector and more widely across the Chinese Mainland economy). In addition, the level of control exercisable by the Group could be affected by changes in the maximum level of foreign ownership imposed on foreign companies in certain jurisdictions. The exposure of the Group to the risks detailed in risk factor 3.1 above may also increase should the Group's strategic initiatives include the expansion of the Group's operations through joint ventures or jointly owned businesses.

In addition, a significant proportion of the Group's product distribution is carried out through agency arrangements and contractual arrangements with third-party service providers not controlled by Prudential, such as bancassurance arrangements, and the Group is therefore dependent upon the continuation of these relationships. The effectiveness of these arrangements, or temporary or permanent disruption to them, such as through significant deterioration in the reputation, financial position or other circumstances of the third-party service providers, material failure in controls (such as those pertaining to the third-party service providers' systems failure or the prevention of financial crime), regulatory changes affecting the governance, operation, or failure to meet any regulatory requirements could adversely affect Prudential's reputation and its business, financial condition, results of operations and prospects.

3.7 Adverse experience relative to the assumptions used in pricing products and reporting business results could significantly affect Prudential's business, financial condition, results of operations and prospects.

In common with other life insurers, the profitability of the Group's businesses depends on a mix of factors including mortality and morbidity levels and trends, policy surrenders and take-up rates on guarantee features of products, investment performance and impairments, unit cost of administration and new business acquisition expenses.

The Group's businesses are subject to inflation risk. In particular, the Group's medical insurance businesses are also exposed to medical inflation risk. The potential adverse impacts to the profitability of the Group's businesses from the upheavals in financial markets and levels of economic activity on customer behaviours are described in risk factor 1.1 above. While the Group has the ability to re-price some of its products, the frequency of re-pricing may need to be increased. Such repricing is dependent on the availability of operational and resource capacity to do so, as well as the Group's ability to implement such re-pricing in light of the increased regulatory and societal expectations reflecting the affordability of insurance products and the protection of vulnerable customers, as well as the commercial considerations of the markets the Group operates in. The profitability of the Group's businesses also may be adversely impacted by medical reimbursement downgrade experience following any re-pricing.

Prudential, like other insurers, needs to make assumptions about a number of factors in determining the pricing of its products, for setting reserves, and for reporting its capital levels and the results of its long-term business operations. A further factor is the assumptions that Prudential makes about future expected levels of the rates of early termination of products by its customers (known as persistency). This is relevant to a number of lines of business in the Group. Prudential's persistency assumptions reflect a combination of recent past experience for each relevant line of business and expert judgement, especially where a lack of relevant and credible experience data exists. Any expected change in future persistency is also reflected in the assumptions. If actual levels of persistency are significantly different than assumed, the Group's results of operations could be adversely affected.

In addition, Prudential's business may be adversely affected by epidemics, pandemics and other effects that give rise to a large number of deaths or additional sickness claims, as well as increases to the cost of medical claims. Pandemics, significant influenza and other epidemics have occurred a number of times historically, but the likelihood, timing, or the severity of future events cannot be predicted. The effectiveness of external parties, including governmental and non-governmental organisations, in combating the spread and severity of any epidemics, as well as pharmaceutical treatments and vaccines (and their rollouts) and non-pharmaceutical interventions, could have a material impact on the Group's claims experience.

The longer-term effects of Covid-19 have included, and may continue to include, latent morbidity impacts from the deferral of medical treatment by policyholders. It may be a factor in increasing morbidity claims and there may be implications from other factors such as long-term post-Covid-19 symptoms (although there is currently no consensus on the longer-term impact on morbidity).

Prudential uses reinsurance to selectively transfer mortality, morbidity and other risks. This exposes the Group to the counterparty risk of a reinsurer being unable to pay reinsurance claims or otherwise meet their commitments; the risk that a reinsurer changes reinsurance terms and conditions of coverage, or increases the price of reinsurance which Prudential is unable to pass on to its customers; the risk of ambiguity in the reinsurance terms and conditions leading to uncertainty whether an event is covered under a reinsurance contract; and the risk of being unable to replace an existing reinsurer, or find a new reinsurer, for the risk transfer being sought.

Any of the foregoing, individually or together, could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects.

4. RISKS RELATING TO LEGAL AND REGULATORY REQUIREMENTS

4.1 Prudential conducts its businesses subject to regulation and associated regulatory risks, including a change to the basis in the regulatory supervision or intervention of the Group, the level of regulatory scrutiny arising from the Group's reported events, the effects and pace of changes in the laws, regulations, policies and their interpretations and any industry/accounting standards in the markets in which it operates.

Changes in government policy and legislation (including in relation to tax and data security), capital control measures on companies and individuals, regulation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which Prudential operates (including those related to the conduct of business by Prudential or its third-party distributors), or decisions taken by regulators in connection with their supervision of members of the Group, which in some circumstances may be applied retrospectively, may adversely affect Prudential. The impact from any regulatory changes may be material to Prudential, for example changes may be required to its product range, distribution channels, handling and usage of data, competitiveness, profitability, capital requirements, risk management approaches, corporate or governance structure, financial and non-financial disclosures and reported results and financing requirements. Changes in regulations related to capital have the potential to change the extent of sensitivity of capital to market factors. Also, regulators in jurisdictions in which Prudential operates may impose requirements affecting the allocation of capital and liquidity between different business units in the Group, whether on a geographic, legal entity, product line or other basis. Regulators may also change solvency requirements, methodologies for determining components of the regulatory or statutory balance sheet including the reserves and the level of capital required to be held by individual businesses (with implications to the Group capital position), and the regulation and expectations of customer-facing processes including selling practices, and could introduce changes that impact products sold or that may be sold. Furthermore, as a result of interventions by governments in light of financial and global economic conditions, there may continue to be changes in government regulation and supervision of the financial services industry, including the possibility of higher capital requirements, restrictions on certain types of transactions and enhancement of supervisory powers.

In the markets in which it operates, Prudential is subject to regulatory requirements and obligations with respect to financial crime, including anti-money laundering, and sanctions compliance, which may either impose obligations on the Group to act in a certain manner or restrict the way that it can act in respect of specified individuals, organisations, businesses and/or governments. A failure to do so may adversely impact the reputation of Prudential and/or result in the imposition of legal or regulatory sanctions or restrictions on the Group. For internationally active groups such as Prudential, operating across multiple jurisdictions increases the complexity and volume of legal and regulatory compliance. Compliance with Prudential's legal or regulatory obligations, including those in respect of international sanctions, in one jurisdiction may conflict with the law or policy objectives of another jurisdiction, or may be seen as supporting the law or policy objectives of that jurisdiction over another, creating additional legal, regulatory compliance and reputational risks for the Group. Geopolitical developments, such as the Russia-Ukraine conflict, US-Chinese Mainland and India-Chinese Mainland tensions, may result in an increase in the volume and complexity of international sanctions. These risks may be increased where uncertainty exists on the scope of regulatory requirements and obligations, and where the complexity of specific cases applicable to the Group is high.

Further information on specific areas of regulatory and supervisory requirements and changes are included below.

(a) Group-wide Supervision (GWS)

To align Hong Kong's regulatory regime with international standards and practices, the Hong Kong Insurance Authority (IA) developed its GWS Framework for multinational insurance groups under its supervision based on a principles-based and outcome-focused approach, which allows the Hong Kong IA to exercise direct regulatory powers over the designated holding companies of multinational insurance groups. The GWS Framework became effective for Prudential upon designation by the Hong Kong IA on 14 May 2021. Prudential has in place a monitoring mechanism and controls to promote constructive engagement with the Hong Kong IA as its Group-wide supervisor to ensure ongoing sustainable compliance.

(b) Global regulatory requirements and systemic risk regulation

Currently there are a number of ongoing global regulatory developments which could impact Prudential's businesses in the many jurisdictions in which they operate. These include the work of the Financial Stability Board (the FSB) in the area of systemic risk including assessing and mitigating systemic risk through the Holistic Framework (HF) (replacing the Global Systemically Important Insurer G-SII designations) and the Insurance Capital Standard (the ICS) both being developed by the International Association of Insurance Supervisors (the IAIS). There is a risk attached to the manner in which regulators may choose to implement the HF and ICS which could lead to additional burdens or adverse impacts to the Group. As a result, there remains a high degree of uncertainty over the potential impact of such changes on the Group.

On 9 December 2022 the FSB announced its decision to discontinue the annual identification of G-SII in favour of the HF for the assessment and mitigation of systemic risk in the insurance sector. The FSB will continue to receive an annual update on the outcomes of the IAIS's global monitoring exercise which will include IAIS's assessment of systemic risk. The FSB reserves the right to publicly express its views on whether an individual insurer is systemically important in the global context and the application of any necessary HF supervisory policy measures to address such systemic importance. In November 2025, the FSB will review the process for assessing and mitigating systemic risk under the HF. In response to this review the FSB will, as necessary, adjust its process which could include reinstating an updated G-SII identification process.

Many of the prior G-SII measures have been adopted into IAIS's Insurance Core Principles (ICPs) and ComFrame, described below, as well as under the Hong Kong IA's GWS Framework. As an IAIG, Prudential is subject to these measures. The HF also includes a monitoring element for the identification of a build-up of systemic risk and to enable supervisors to take action where appropriate. The FSB reserves the right to publicly express its views on whether an individual insurer is systemically important in the global context and the application of any necessary policy measures to address such systemic importance. The FSB will also continue to review the process of assessing and mitigating systemic risk based on the HF and may adjust the process, including bringing back G-SII designations if deemed necessary. As the guidance is still developing there remains some uncertainty on how these new approaches to the global regulation of insurers will impact the Group.

In November 2019 the IAIS adopted the Common Framework (ComFrame) which establishes supervisory standards and guidance focusing on the effective group-wide supervision of Internationally Active Insurance Groups (IAIGs). Prudential was included in the first register of IAIGs released by the IAIS on 1 July 2020 and was designated an IAIG by the Hong Kong IA following an assessment against the established criteria in ComFrame.

The ICS is a consolidated group-wide capital standard for IAIGs. The implementation of ICS is being conducted in two phases: a five-year monitoring phase, which commenced at the beginning of 2020, followed by an implementation phase. An alternative to the ICS called the 'Aggregation Method' has also been developed in the United States by the National Association of Insurance Commissioners; the IAIS is in the process of evaluating whether it produces comparable outcomes to the ICS.

(c) Regional regulatory regime developments, including climate-related regulatory changes

In the first half of 2023, regulators in Asia continued to focus on the financial and operational resilience of the insurance industry as well as customer and policyholder protection. New regulations were continuously, and often concurrently, issued in a number of markets to (1) manage insurance and financial risks, including capital and solvency, and (2) implement effective customer protection, information security and data privacy and residency, third-party and technology risk management controls with appropriate corporate governance.

In some of the Group's key markets, major regulatory changes and reforms are in progress, with some uncertainty on the full impact to Prudential:

- In the Chinese Mainland, regulatory developments across a number of industries including the financial sector, have continued at pace, potentially increasing compliance risk to the Group. Recent regulatory developments in the Chinese Mainland include the following:
    - The National Administration of Financial Regulation (NAFR) officially replaced the China Banking and Insurance Regulatory Commission (CBIRC) on 18 May with the aim to strengthen and improve its financial supervision through deepening the financial regulatory sector reform, enhancing the quality and effectiveness of financial regulation, and promoting full coverage of financial regulation in the sector. Financial institutions and their obligations to customers, including customer protection, are centrally supervised by the NAFR going forward; and
    - The amendment of the Insurance Law of People's Republic of China is in progress with emphasis on corporate governance including appointment of directors, fiduciary duties, and supervision of participating and investment-linked product (ILP) policies. Consultation is ongoing.

- In Indonesia, regulatory and supervisory focus on the insurance industry remains high. The Financial Services Authority of Indonesia, the Otoritas Jasa Keuangan (OJK) is planning to replace the existing regulation on anti-money laundering (AML) and counter-terrorist financing (CTF). To strengthen the financial sector, the OJK has drafted the revised regulations on consumer protection and complaints handling. Key proposed changes include a defined scope of customer protection violations, agent commission disclosures, and semi-annual filing of complaints. Industry consultation is ongoing.
- In Malaysia, the BNM has initiated a multi-phase review of its current risk-based capital (RBC) frameworks for insurers and takaful operators since 2019, which include quantitative impact studies carried out in 2022, the issuance of exposure drafts and a parallel run planned in 2023, prior to the potential full implementation targeting by end of 2024. According to the BNM's regulatory calendar, new regulatory developments in customer conduct are anticipated. The BNM has revised its policy on Management of Customer Information and Permitted Disclosure in April 2023 with immediate effect. The policy sets out requirements regarding controls in collection, storage, use, transmission, sharing, disclosure and disposal of customer information. Furthermore, a new regulation on professionalism of agents will come into effect on 1 January 2024, which requires additional fit and proper and due diligence procedures as enhanced agent onboarding and screening requirements.
- In Hong Kong, the revised Guideline on AML and CTF (GL3) has been published with an effective date on 1 June 2023. The Hong Kong Government also proposed to establish a Policyholder Protection Scheme in December 2022 as a safety net for policyholders in the event of an insurer's insolvency. A full consideration of the public views is expected when finalising the proposal to establish a Policyholder Protection Scheme.
- In Thailand, the Bank of Thailand imposed a restriction to prevent banks from sending links via SMS, emails or social media to collect personal data from 9 March 2023 onwards. The same practice is expected for the insurance sector and such regulatory development is being monitored.
- In Vietnam, the amended Insurance Law took effect on 1 January 2023. The new law also contains provisions on RBC, with a five-year grace period, effective from 1 January 2028. The Vietnamese Government also issued a decree on 17 April 2023 for personal data privacy guidance with an effective date of 1 July 2023. It provides definitions of personal data with examples of sensitive personal data, the rights of data subjects, and notification and data transfer requirements pertaining to the use of data.
- In the Philippines, the financial product and customer service requirements were issued by the Insurance Commission in March 2023 with an 18-month transition period for the adoption. The new requirements include product and service disclosures, demanding a systematic approach for customer assistance and conduct risk management, as well as additional complaints filing.
- In India, the Insurance Regulatory and Development Authority of India (IRDAI) continues to focus on industry reform. A new income tax rule took effect from 1 April 2023, which makes maturity proceeds of insurance policies taxable for policies issued from this date with annual premiums exceeding INR 500,000. Another IRDAI regulation issued in March 2023 removed commission payment limits for insurers, aimed to give more operational flexibility to insurers and enhance insurance penetration.

The increasing use of emerging technological tools and digital services across industry, is likely to lead to new and unforeseen regulatory requirements and issues, including expectations regarding the governance and ethical and responsible use of technology, artificial intelligence and data. Distribution and product suitability linked to innovation continues to set the pace of conduct regulatory change in Asia. Prudential falls under the scope of these conduct regulations requiring that regulatory changes are appropriately implemented.

The pace and volume of climate-related regulatory changes is also increasing. Regulators including the Hong Kong IA, the Monetary Authority of Singapore, the BNM in Malaysia and the Financial Supervisory Commission in Taiwan are in the process of developing supervisory and disclosure requirements or guidelines related to environmental and climate change risk management. Other regulators are expected to develop, or are at the early stages of developing, similar requirements. While the Hong Kong IA has yet to propose any insurance-specific regulations on sustainability and climate, it has regularly emphasised its increasing focus in this area in order to support Hong Kong's position as a regional green finance hub, and industry consultations are expected from the Hong Kong IA in 2023. International regulatory and supervisory bodies, such as the International Sustainability Standards Board (ISSB) and Taskforce on Nature-related Disclosures, are progressing on global sustainability and ESG-related disclosure requirements. Recent high-profile examples of government and regulatory enforcement and civil actions against companies for misleading investors on sustainability and ESG-related information demonstrate that disclosure, reputational and litigation risks remain high and may increase, in particular as companies increase their disclosures or product offerings in this area. These changes and developments may give rise to regulatory compliance, customer conduct, operational, reputational and disclosure risks requiring Prudential to coordinate across multiple jurisdictions in order to apply a consistent risk management approach.

The rapid pace and high volume of regulatory changes and interventions, and swiftness of their application including those driven by the financial services industry, have been observed in recent years across many of the Group's markets. The transformation and regulatory changes have the potential to introduce new, or increase existing, regulatory risks and supervisory interest while increasing the complexity of ensuring concurrent regulatory compliance across markets driven by potential for increased intra-Group connectivity and dependencies. In jurisdictions with ongoing policy initiatives and regulatory developments which will impact the way Prudential is supervised, these developments are monitored at market and group level and inform the Group's risk framework and engagement with government policy makers, industry groups and regulators.

(d) IFRS 17

IFRS 17 became effective from 1 January 2023 and the first external reporting under this basis is from half year 2023. The new standard requires a fundamental change to accounting, presentation and disclosures for insurance contracts as well as the application of significant judgement and new estimation techniques. These changes mean that investors, rating agencies and other stakeholders may take time to gain familiarity with the new standard and to interpret the Group's business performance and dynamics. In addition, comparison with previous financial reporting periods will be more challenging in the short term. New systems, processes and controls have been developed to align with the new IFRS17 basis, and are expected to mature over time. In the short term there may be increased operational risk associated with these new systems and processes.

Apart from IFRS 17, any other changes or modification of IFRS accounting policies may also require a change in the way in which future results will be determined and/or a retrospective adjustment of reported results to ensure consistency.

(e) Investor contribution schemes

Various jurisdictions in which Prudential operates have created investor compensation schemes that require mandatory contributions from market participants in some instances in the event of a failure of a market participant. As a major participant in the majority of its chosen markets, circumstances could arise in which Prudential, along with other companies, may be required to make such contributions.

4.2 The conduct of business in a way that adversely impacts the fair treatment of customers could have a negative impact on Prudential's business, financial condition, results of operations and prospects or on its relations with current and potential customers.

In the course of its operations and at any stage of the customer and product lifecycle, the Group or its intermediaries may conduct business in a way that adversely impacts customer outcomes and the fair treatment of customers ('conduct risk'). This may arise through a failure to design, provide and promote suitable products and services to customers that meet their needs, are clearly explained or deliver real value, provide and promote a high standard of customer service, appropriately and responsibly manage customer information, or appropriately handle and assess complaints. A failure to identify or implement appropriate governance and management of conduct risk may result in harm to customers and regulatory sanctions and restrictions, and may adversely impact Prudential's reputation and brand, its ability to attract and retain customers, its competitiveness, and its ability to deliver on its long-term strategy. There is an increased focus by regulators and supervisors on customer protection, suitability, and inclusion across the markets in which the Group operates, therefore increasing regulatory compliance and reputational risks to the Group in the event the Group is unable to effectively implement the regulatory changes and reforms stated in risk factor 4.1 above.

Prudential is, and in the future may continue to be, subject to legal and regulatory actions in the ordinary course of its business on matters relevant to the delivery of customer outcomes. Such actions relate, and could in the future relate, to the application of current regulations or the failure to implement new regulations, regulatory reviews of broader industry practices and products sold (including in relation to lines of business that are no longer active) in the past under acceptable industry or market practices at the time and changes to the tax regime affecting products. Regulators may also focus on the approach that product providers use to select third-party distributors and to monitor the appropriateness of sales made by them and the responsibility of product providers for the deficiencies of third-party distributors.

There is a risk that new regulations introduced may have a material adverse effect on the sales of the products by Prudential and increase Prudential's exposure to legal risks. Any regulatory action arising out of the Group's position as a product provider could have an adverse impact on the Group's business, financial condition, results of operations and prospects, or otherwise harm its reputation.

4.3 Litigation, disputes and regulatory investigations may adversely affect Prudential's business, financial condition, cash flows, results of operations and prospects.

Prudential is, and may in the future be, subject to legal actions, disputes and regulatory investigations in various contexts, including in the ordinary course of its insurance, asset management and other business operations. These legal actions, disputes and investigations may relate to aspects of Prudential's businesses and operations that are specific to Prudential, or that are common to companies that operate in Prudential's markets. Legal actions and disputes may arise under contracts, regulations or from a course of conduct taken by Prudential, including class action litigation. Although Prudential believes that it has adequately provided in all material respects for the costs of litigation and regulatory matters, no assurance can be provided that such provisions are sufficient. Given the large or indeterminate amounts of damages sometimes sought, other sanctions that might be imposed and the inherent unpredictability of litigation and disputes, it is possible that an adverse outcome could have an adverse effect on Prudential's business, financial condition, cash flows, results of operations and prospects.

4.4 Changes in tax legislation may result in adverse tax consequences for the Group's business, financial condition, results of operations and prospects.

Tax rules, including those relating to the insurance industry, and their interpretation may change, possibly with retrospective effect in any of the jurisdictions in which Prudential operates. Significant tax disputes with tax authorities, and any change in the tax status of any member of the Group or in taxation legislation or its scope or interpretation could affect Prudential's business, financial condition, results of operations and prospects.

The Organisation for Economic Co-operation and Development (OECD) is currently undertaking a project intended to modernise the global international tax system, commonly referred to as Base Erosion and Profit-Shifting 2.0. The project has two pillars. The first pillar is focused on the allocation of taxing rights between jurisdictions for in-scope multinational enterprises that sell cross-border goods and services into countries with little or no local physical presence. The second pillar is focused on developing a global minimum tax rate of 15 per cent applicable to in-scope multinational enterprises.

On 8 October 2021 the OECD issued a statement setting out the high level principles which have been agreed by over 130 jurisdictions involved in the project. Based on the 8 October 2021 OECD statement, Prudential does not expect to be affected by proposals under the first pillar given they include an exemption for regulated financial services companies.

On 20 December 2021 the OECD published detailed model rules for the second pillar, with implementation of the rules initially envisaged by 2023. These rules will apply to the Group when implemented into the national law of jurisdictions where it has entities within the scope of the rules. On 14 March 2022 the OECD issued detailed guidance to assist with interpreting the model rules.

As part of the OECD's development of the implementation framework, the OECD published guidance on safe harbours, and public consultations on information returns and tax certainty on 20 December 2022, and additional administrative guidance on 2 February 2023.

A number of jurisdictions in which the Group has operations have commenced the process of introducing the OECD model rules into domestic tax law through domestic consultations and/or issuing proposed domestic legislation. Some jurisdictions where the Group has operations may or will implement the OECD model rules with effect from 1 January 2024; other jurisdictions, including Hong Kong, have indicated the likely implementation will be from 1 January 2025. As the Group operates in a number of jurisdictions where the effective tax rate can be less than 15 per cent, the implementation of the model rules and/or equivalent domestic minimum tax rules may have an adverse impact on the Group. Until all expected OECD documents are published and details of implementing domestic legislation in relevant jurisdictions are available, the full extent of the long-term impact on the Group's business, tax liabilities and profits remain uncertain.