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 FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 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

20 March 2024, 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

20 March 2024

PRUDENTIAL PLC FULL YEAR 2023 RESULTS: CONTINUING STRONG PERFORMANCE

Prudential plc ("Prudential"; HKEX: 2378; LSE: PRU) today announced its financial results for the year ended 31 December 2023.

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

- New business profit up 45 per cent (43 per cent) to $3,125 million. Excluding the effect of interest rate and other economic movements, new business profit up 47 per cent (45 per cent)
- Operating free surplus generated from in-force insurance and asset management business of $2,740 million (2022: $2,725 million ($2,760 million))
- Adjusted operating profit up 8 per cent (6 per cent) to $2,893 million
- EEV shareholders' equity is up 7 per cent to $45.3 billion, equivalent to 1,643 cents per share, on an AER basis.
- GWS shareholder capital surplus over GPCR of $16.1 billion, equivalent to a cover ratio of 295 per cent (31 December 2022: 307 per cent)
- Second interim dividend of 14.21 cents per share, 20.47 cents per share for the full year, up 9 per cent

Commenting on the Results, CEO Anil Wadhwani, said: "These are a very strong set of results while operating in a challenging macro environment, with new business profit up 45 per cent driven by a relentless focus on execution in our markets in Asia and Africa. It is also an illustration of the strength of both our agency and bancassurance distribution channels as well as an affirmation of our leadership position in many key markets.

"It has been six months since the launch of our new strategy and it's highly encouraging to see the early progress on our strategic objectives of improving our customer experience, driving technology powered distribution and transforming our business model in Health. We have on-boarded senior leadership talent in Health, Technology and added to our talent in our key markets as we continue to strengthen our capabilities in line with our strategic priorities.

"We delivered an excellent financial and operational performance in 2023 and deployed increased levels of capital in new business, enhancing core capabilities and expanding distribution. Sales growth has continued in the first two months of 2024. Given the relentless execution focus in implementing our strategy, we are increasingly confident in achieving our 2027 financial and strategic objectives and in accelerating value creation for our shareholders."

Summary financials	**2023 $m**	2022 $m	Change on AER basis	Change on CER basis
New business profit	**3,125**	2,184	43 %	45 %
Operating free surplus generated	**2,007**	2,193	(8) %	(8) %
Operating free surplus generated from in-force insurance and asset management business	**2,740**	2,760	(1) %	1 %
Adjusted operating profit	**2,893**	2,722	6 %	8 %
IFRS profit (loss) after tax	**1,712**	(997)	n/a	n/a

	31 Dec 2023		31 Dec 2022	
	Total	**Per share**	Total	Per share
EEV shareholders' equity	**$45.3bn**	**1,643¢**	$42.2bn	1,534¢
IFRS shareholders' equity	**$17.8bn**	**647¢**	$16.7bn	608¢
Adjusted IFRS shareholders equity	**$37.3bn**	**1,356 ¢**	$35.2bn	1,280¢

Notes

The summary financials presented above are the key financial metrics Prudential's management use to assess and manage the performance and position of the business. In addition to the metrics prepared in accordance with IFRS standards - IFRS profit after tax and IFRS shareholders' equity - additional metrics are prepared on alternative bases. The presentation of these key metrics is not intended to be considered as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS Standards. The definitions of the key metrics we use to discuss our performance in this press release are set out in the "Definition of performance metrics" section later in this document, including, where relevant, references to where these metrics are reconciled to the most directly comparable IFRS measure.

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.

IFRS 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.

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We expect to announce our Full Year 2023 Results to the Hong Kong Stock Exchange and to the UK Financial Media at ***12.00pm HKT – 4.00am UKT – 12.00am ET on Wednesday, 20 March 2024.***

The announcement will be released on the London Stock Exchange at ***3.00pm HKT – 7.00am UKT – 3.00am ET on Wednesday, 20 March.***

A pre-recorded presentation for analysts and investors will be available on-demand from 12.00pm HKT – 4.00am UKT – 12.00am ET on Wednesday, 20 March 2024 using the following link: https://www.investis-live.com/prudential/65d35e48da722d0c002fb172/hsrt . A copy of the script used in the recorded video will also be available from 12.00pm HKT – 4.00am UKT – 12.00am ET on Wednesday, 20 March 2024 on Prudential plc's website.

A Q&A event for analysts and investors will be held at 4.30pm HKT – 8.30am UKT – 4.30am ET on Wednesday, 20 March 2024. We offer the option to join us in person or virtually.

Registration to join the Q&A event in person, in the Four Seasons Hong Kong, 8 Finance Street, Central, Hong Kong

To register to attend the event in person, please respond to this message.

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/65d362b6d0d520120026534a/taer 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, ie from ***4.00pm HKT – 8.00am UKT – 4.00am ET)***.

Dial-in: +44 (0) 20 3936 2999 (UK and international) / 0800 358 1035 (Freephone UK), Participant access code: ***131313***. Once participants have entered this code their name and company details will be taken.

Playback facility

Please use the following for a playback facility: +44 (0) 20 3936 3001 (UK and international), replay code 703056. This will be available from approximately 10.00pm HKT – 2.00pm UKT – 10.00am ET on Wednesday, 20 March until 6.59am HKT on Thursday, 4 April – 11.59pm UKT – 6.59pm ET on Wednesday, 3 April 2024.

Transcript

Following the call a transcript will be published on the results centre page of the Prudential plc's website on Monday, 25 March.

***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/

Well positioned for future opportunities

Prudential has been operating in global life markets for 175 years. We are a household name[1] in markets that place great value on brand. Today, we deliver our life insurance solutions to over 18 million customers in large and fast-growing markets across Asia and Africa. 'Large' because the combined population of the markets we operate in stands at approximately four billion[2]; 'Fast-growing' as it is estimated that our markets will collectively generate incremental annual gross written premiums of almost US$1 trillion[3] in 2033 compared with 2022.

We hold the top three positions in 10 out of the 14 Asian life markets[4] in which we have a presence. We are in the top five in six of our eight African markets[4]. Our multi-channel agency and bancassurance distribution platform of scale has around 68,000 average monthly active agents. We are the number one independent insurer in Asia bancassurance[5], and our Asia-based in-house investment arm, Eastspring, has over US$ 237 billion in assets under management and is ranked in the top 10 in six of its markets[6].

In 2023, we grew new business profit by 45 per cent to $3,125 million, in excess of the 37 per cent increase in APE sales. Sales growth has continued in the first two months of 2024.

In August we set out our renewed purpose and strategy for the next five years to 2027, together with the key metrics we will use to measure our success.

Our purpose - For Every Life, For Every Future - defines why we are in this business and what we seek to achieve as custodians of stakeholder value for the long term.

Our strategy sets out our priorities and objectives over the next five years to realise our purpose and how we will create value for all our stakeholders: our customers, our employees, our shareholders and our communities.

The components of our strategy are:

- our multi-market growth engines;
- our strategic pillars;
- our group-wide enablers; and
- our organisational model design.

We believe carrying out the actions to deliver the strategy will transform the business and enable us to take greater advantage of the opportunities open to us.

We have commenced executing the steps outlined in our updated strategy announced in August. This includes changes in the strategic areas of customer, distribution and health and in our operational model. We have complimented the existing leadership teams with key hires. 2024 will be a pivotal year as we deepen our execution capabilities in the areas most important to us.

We are seeing early signs of progress across our strategic pillars;

- in customer, four business units[9] in 2023 are ranked in the top quartile for customer relationship Net Promoter Score (NPS), compared to three in 2022, out of the ten business units[9] that have a standardised approach for measuring customer advocacy. Four further business units[9] improved their rankings by at least a quartile;
- in agency distribution, we grew average new business profit per active agent by 59 per cent contributing to a 75 per cent increase in Agency new business profit;
- in bancassurance, we continued to expand our bancassurance partner network and increased the proportion of APE sales from health and protection business in this channel from 6 per cent in 2022 to over 7 per cent in 2023; and
- in health, new business profit grew 20 per cent to $330 million.

Further detail on our initial progress on the key strategic pillars and enablers is set out later in this report.

To demonstrate our commitment to delivering shareholder value through the new strategy, we introduced two new financial objectives[7]:

- to grow new business profit to 2027 at a rate of 15-20 per cent compound annual growth from the level achieved in 2022; and
- for the same period to deliver double digit compound annual growth in operating free surplus generated from in-force insurance and asset management business.

Alongside our early successes in delivering against our strategy we have seen a strong financial performance in 2023 as discussed below.

As in previous years, we discuss our performance in this report on a constant currency basis[8], unless stated otherwise. We discuss our financial position on an actual exchange rates basis, unless otherwise noted. The definitions of the key metrics we use to discuss our performance are set out in the "Definition of performance metrics" section later in this document.

New business profit

	Full Year 2022 Actual exchange rate	Full Year 2023	Objective 2027[7] Implied amount
Amount	$2.2 billion	**$3.1 billion**	**$4.4 – $5.4 billion**

Our business generated new business profit of $3,125 million for the year, demonstrating substantial progress towards our 2027 objective.

Operating free surplus generated from in-force insurance and asset management business

	Full Year 2022 Actual exchange rate	Full Year 2023	Objective 2027[7] Implied amount
Amount	$2.8 billion	**$2.7 billion**	**>$4.4 billion**

The $2,740 million of operating free surplus that we generated from in-force insurance and asset management business for the year is broadly flat when compared with the prior year, as we continue to invest as planned in our strategic pillars and new business over the next couple of years. The gradual compounding of the new business contribution and improving operating variances will support progress towards our 2027 financial objective.

Our performance reflects the breadth and broad based nature of our markets, with new business profit growing in 17 of our 22 life markets and an increased market share in seven of our Asian life markets[4].

Our agency channel delivered new business profit of $2,096 million, an increase of 75 per cent. This reflects both APE sales growth of 67 per cent and favourable business mix effects along with a 37 per cent increase in new business profit from health and protection products. Agency sales accounted for 48 per cent of total APE sales and circa two-thirds of the Group’s new business profits.

Bancassurance new business profit fell 8 per cent to $793 million in 2023 primarily due to challenging market conditions in the Chinese Mainland and Vietnam. Excluding these two markets, new business profit increased by 23 per cent with 11 markets delivering double-digit growth. APE sales through the bancassurance channel increased 3 per cent compared with 2022, supported by growth in Hong Kong and Taiwan, offset by significant reductions in sales volumes in the Chinese Mainland and Vietnam.

Hong Kong was a significant contributor to growth accounting for 45 per cent of new business profits in the period both its new business profit and APE sales grew by over three times the prior year level. This growth was diversified across distribution channels and products. We see an opportunity for sustained growth in Hong Kong as the drivers of demand from domestic and Chinese Mainland visitors remain intact.

Eastspring's funds under management and advice increased by 7 per cent (on an actual exchange rates basis) to $237.1 billion, reflecting positive market movements and inflows from external clients and our life business. These positive movements were offset by expected outflows of funds managed on behalf of M&G plc.

During 2023 the Group adopted IFRS 17, a new accounting standard for insurance that significantly altered the Group's IFRS reporting. More details on the change and its impact are set out in the Financial Review. On the IFRS 17 metric, Group adjusted IFRS operating profit for the year was $2,893 million, 8 per cent higher than 2022 calculated on a consistent basis and using constant exchange rates. IFRS profit after tax for 2023 was $1,712 million (2022: loss after tax of $(1,005) million on a constant exchange rate basis, loss after tax of $(997) on an actual exchange rate basis).

The substantial increase in new business reported above led to materially higher investment in new business of $(733) million (2022: $(552) million). This resulted in lower group operating free surplus, despite reduced central costs including interest expense and restructuring costs. The Group's capital position remains strong, with an estimated shareholder surplus above the Group's Prescribed Capital Requirement of $16.1 billion at 31 December 2023 (31 December 2022: $15.6 billion on an actual exchange rate basis) and a cover ratio of 295 per cent (31 December 2022: 302 per cent after allowing for the debt redemption in January 2023).

Reflecting the Group's strong capital position and in line with its policy the Directors have approved a second interim dividend per share of 14.21 cents per share (2022: 13.04 cent per share), for a total 2023 divided of 20.47 cents per share (2022: 18.78 cents per share), an increase of 9 per cent over the prior year.

Focus on our three strategic pillars

1. **Enhancing customer experiences** – we are committed to putting customer advocacy at the heart of our business and becoming their trusted partner. We have the following priorities:

   - to support customer **acquisition by personalised targeting** – allowing us to more easily identify engagement opportunities;
   - to curate comprehensive customer-led **differentiated proposition** offerings with **segmentation by life stages;** and
   - to offer seamless end-to-end customer experiences through **simple tech-enabled journeys** combining technology with human care and understanding.

By focusing on these priorities we believe we will drive new customer acquisition and existing customer retention.

We have standardised our approach to measuring and analysing customer advocacy across ten business units[9]. Our approach is centred around net promoter scores, which measure how likely customers are to recommend Prudential. We have seen initial traction in 2023 with four of our business units[9] in the top quartile (up from three in 2022). Eight out of ten business units[9] moved up at least one quartile or remained in 1st quartile in the latest relationship net promoter scores results. The improvement seen has been led by leadership initiatives that prioritise the voice of customers in our business. These include the launch of a monthly CEO customer experience forum in our markets, together with a proactive approach to following up with customers who report unsatisfactory experiences. We empowered employees to listen to the voices of our customers through the introduction of service huddles. These meetings bring together employees across a range of functions to discuss recent customer feedback and collectively identify solutions for customer pain points. We will continue this journey in 2024 and beyond with more customer advocacy initiatives and actions.

To achieve our ambition of having ten business units[9] in the top quartile relationship NPS in their respective markets by 2027, we will further strengthen our efforts around customer advocacy. We will do this by investing in common platforms and frameworks, institutionalising best practices, deploying digital and data capabilities in customer acquisition, servicing and engagement. We will deliver these capabilities at pace and scale across all markets with a unified customer organisation structure, which will give us a strong foundation to support the achievement of our ambitions. We plan to drive customer advocacy by; setting high service standards, continuously listening to customer feedback and acting on it, re-designing our customer journey and using robust portfolio management to engage new customers, increase repeated sales and improve loyalty.

We measure our success using relationship net promoter scores across the organisation. We aim to be top quartile for ten business units[9] by 2027. For our customer retention rate we have an ambition of achieving between 90 per cent and 95 per cent by 2027. During 2023 we saw a slight decline in the customer retention rate to 86 per cent (2022: 89 per cent) which was affected by an industry-wide fall in consumer sentiment in Vietnam. We see customer base growth and improving net promoter scores for each transactional touchpoint as the building blocks of our overall relationship net promoter score.

2. **Technology-powered distribution** – empowering our agency force with best-in-class technologies and solutions, deepening our bank partner base through segmented propositions and creating omnichannel customer journeys will enable us to reach more customers and strengthen relationships with existing ones.

Agency

We have around 68,000 average monthly active agents and, over 9,000 who qualify for Million Dollar Round Table (MDRT) status. Prudential has one of the leading agency forces in Asia.

We have the ambition to increase agency new business profit by 2.5 to 3 times from the 2022 level by 2027, through significantly increasing the number of active monthly agents and more than doubling new business profit per agent over the same period.

In 2023, the number of average active agents per month increased by three per cent and average monthly new business profit per active agent increased by 59 per cent to over $2,800.

We continue to focus on quality recruitment through tailored and **strategic talent sourcing**. Our signature career switcher programme for existing professionals is active in seven markets and recruited over 4,500 advisors. On average these advisors were six times more productive in their first year than other typical agent recruits. In Hong Kong, we introduced a Top Talent Professional recruitment programme tapping into over 100 high profile talent immigrants sponsored by government. In Singapore, we inaugurated Prudential Financial Advisers to attract professional financial planners who are committed to offering holistic advice on both insurance and investment solutions.

We continue to **upskill our agency force** by enhancing the career path and learning journey for our agents. This equips them with the necessary knowledge, skills and tools to be a **trusted advisor** to our customers. We integrated our activity and leads management engine with customer campaigns to scale up and enhance the productivity of our agents. 115,000 agents used PruForce, our technology-driven distribution platform, which we believe enhances agent effectiveness. Over four million leads were generated and distributed to the agency force using PruLeads, our digital leads platform in PruForce, across our markets in 2023. Assisted by this technology, our agents converted 8 per cent of these leads into new sales to meet customers' needs and financial goals.

We are upskilling the next generation of highly productive agents via our on-demand **learning and development** platform, which offers personalised curriculums to assist agents in engaging, nurturing and converting prospects. Agency leaders are being trained to become the next generation of professional team-builders through structured leadership development programmes.

Bancassurance

Bancassurance provides incremental access to large numbers of customers in multiple locations using third-party infrastructure. It is a significant source of new business for the Group. Our 200 bank partners include 10 key strategic partners, including two joint venture and associate partners.

The penetration rate in our seven strategic bank partners (excluding our joint venture and associate partners and our partner in Cambodia and Laos) in the year was 7.8 per cent (2022: circa 7.6 per cent).

We are building on the performance seen in 2023 by delivering against our strategic priorities.

We are **broadening our customer proposition** to offer attractive health and protection propositions and by penetrating the high net worth and premium segments. Overall, we sold around 1 million new policies in 2023, with regular premium policies contributing to more than 90 per cent of APE sales. APE sales of health and protection products through bancassurance partners increased 26 per cent in the year, representing over half of the policies sold through the channel and over 7 per cent of total APE sales in 2023 (2022: 6 per cent). We see increasing the contribution of health and protection products to our bancassurance channel as a key step in achieving our bancassurance new business profit growth ambition.

We are developing **omni-channel customer journeys backed by analytics** to engage with our customers. For example in Thailand, we innovated with a new simple in-branch digital referral model with a key strategic partner, which enables us to reach potentially over 7,000 customers and will help them achieve their medium term saving and protection goals.

To expand bank penetration further, we will deploy **integrated data-led marketing** to target customers more effectively. In early 2024 we launched a structured customer engagement program with UOB, powered by analytics. The programme supports sales staff in recommending suitable insurance offerings during their interactions with customers.

We **reward our bank partners for outcomes that deliver for the customer and create value**. We have introduced new reward mechanisms with our strategic partners to deliver win-win solutions for customers, partners and shareholders.

We also aim to offer our bank partners' staff **learning and development** via integrated modern and digital learning platforms that can provide modular, on-demand, training.

We continue to expand our bancassurance network. In Thailand, our new 10-year partnership with CIMB became effective at the end of 2023. In the first two months of partnership, its APE sales had already accounted for 6 per cent of Thailand bancassurance APE sales.

In Vietnam, we extended our partnership with VIB until 2036. Our agreement with VIB incorporates a first-in-market approach to strengthen the control of business quality, demonstrating our joint commitment to serve customers better.

Our key strategic partner, UOB, successfully integrated the ex-Citi franchise across four of our markets, giving us access to an additional 2.4 million bank customers.

We have established an **operating cadence** with our strategic partners and we will continue to drive aligned strategic direction and execution through partnership steering committees both at Group and local levels to ensure we deliver on all our priorities.

By focusing on these priorities we believe we will meet our ambition to increase new business profit from bancassurance by 2027 to be 1.5 to 2 times that seen in 2022.

3. **Transforming the health business model** – we believe there are substantial opportunities to further grow our health business by becoming a trusted partner to our customers and playing a much-needed coordinating role across their healthcare journeys. We are focusing on the following priorities:

- **Upgrading our core health insurance proposition** - we are accelerating development of more advanced, segment-specific and sustainable products. This includes incorporating risk-based pricing and value-added services, such as enhancing the in-network benefits of existing as-charged products to cater to our customers' evolving healthcare needs. We are also adopting practices that are utilised elsewhere in the Group to assist with managing customer affordability and continuity of coverage - for example, in Indonesia and Malaysia, we are introducing regular repricing of health products. In addition, we are supporting our agents' efforts to distribute health products through enhanced recognition, reward and training initiatives. We are also strengthening our health branding campaigns to highlight Prudential's aim to become a trusted partner for its health customers. Operational excellence is being further enhanced by straight-through-processing and AI-enabled digitalisation of underwriting and claims journeys. We believe increased automation and enhanced analytics will deliver better customer experience as well as further protect us against claims fraud and abuse, for example, by implementing AI-driven detection models.
- **Expanding our role through connecting health-care journeys using an asset-light approach** - we will implement guided care pathways and case management to help customers better navigate through their healthcare journey. By leveraging our streamlined preferred medical provider partners, we will ensure high-quality and cost-effective care. Examples include scoring and tiering of network hospitals based on outcome and cost in Indonesia and Malaysia, regional arrangements for breast cancer treatment in Thailand by a leading hospital group, and developing case management and concierge capabilities in Indonesia, Singapore and Hong Kong.

We have developed an operational plan across our major health markets of Malaysia, Indonesia, Hong Kong and Singapore with clear accountabilities, performance metrics, timelines and deliverables. In early 2024, we appointed Arjan Toor as Health CEO, who will be based in Singapore and has joined us from Cigna. We are allocating dedicated resources and will be recruiting further key talent at both local and Group levels to manage health insurance as a line of business in order to drive business performance and accelerate growth. We are exploring health opportunities in India.

In 2023, our health business across the Group contributed $330 million to new business profit, an increase of 20 per cent. By focusing on the priorities above we are committed to achieving our ambitions to deliver a top-quartile health insurance Net Promoter Score by 2027, growing our customer base and profitability, and doubling our health new business profit from 2022 to 2027.

Focus on our three strategic enablers

To capture the growth opportunities that we have identified in each of the strategic pillars above, we have three enablers:

Enabler#1: Open-architecture technology platform

Our long-term programme is changing our **technology operating model.** By delivering **superior customer and distribution experiences,** our new model will support our three strategic pillars - Customer, Distribution and Health. Data privacy and customer information security are critical focus areas for this function and we are investing substantial amounts in infrastructure, systems and culture to support this.

In respect of our wholly owned operations technology driven core competencies that are consistent across these markets will be housed on an open architecture platform. Our strategy focuses on i.) creating new, common capabilities with greater collaboration between central **centres of excellence** and local market teams; ii.) improving resiliency; iii.) efficiency; and iv) using **AI and data analytics** throughout our whole organisation.

We intend to move our applications in different markets to a common platform, to help provide a uniform user experience, improve our efficiency, increase operational reliability and create new global capabilities as we switch to modular and standardised applications. We aim to cut the number of our applications by more than half by 2027. We have begun this journey with the introduction of our PruServices 2.0 Web in Malaysia in January 2024. PruServices 2.0 Web offers an improved and simplified customer experience with immediate customer feedback and as we roll it out across our markets, we will be able to retire 15 customer service applications. Similarly, PruForce, the technology-driven distribution platform for our agents, will offer a consistent set of features for our agents across our markets, enabling us to retire 26 agency-related applications.

Improving the reliability of our technology infrastructure is key. We have added a service integration and management layer to oversee our outsourced technology infrastructure and operations services. This is to ensure the performance and dependability of our systems. We also invested in tooling capabilities to improve the efficiency of infrastructure monitoring, spot high risk or vulnerable areas that need more support and upgrades, to enhance our overall system availability. As a result, we lowered the number of monthly incidents by 60 per cent, and improved recovery times by 40 per cent in 2023.

We have also finalised our technology organisation operating model, which brings together our technology talent pool across the business into a single integrated team. This new operating model will leverage the experience and skills of our talent pool in specific markets for the benefit of the whole business. It also captures efficiencies by removing duplication of functions and skills. As part of the new operating model, we are also building teams centred around global technology products for our customer and agency pillars. We plan to deploy similar teams for other business areas and group functions by the end of 2024.

In addition, we have developed advanced platforms that store the key data of our operations in our main markets. This enables us to deploy advanced analytics and AI for high value purposes. For example, using GenAI to help our call centre agents shorten customer enquiry times. In a test run in one market, product enquiry times were cut from more than four minutes to less than 30 seconds. We are now testing this on real-time customer enquiries as well as in two other markets. We are also working on utilising analytics and AI more across our strategic pillars and those group functions that use the open architecture platform. We continue to invest in our machine learning operations capabilities to build AI and machine learning models of scale. Our aim is to embed analytics and AI within the culture of our organisation. In line with this, we are looking to design and develop tailored training for all our employees across all levels, locations and functions, along with adoption programmes to help our employees make use of analytics and AI in their daily work life. To facilitate these programmes, we are setting up an AI lab to foster innovation and creativity internally, while also attracting external talent and ideas. The lab will help us try out new capabilities that we can then grow and use at scale across the organisation. Through these initiatives, we plan to deliver at least two high-value analytics and AI use cases per strategic pillar this year for use in our markets.

Innovation in AI is also being undertaken at our Joint Ventures. For example, by utilising AI technology, CPL has shortened the underwriting of non-standard cases from three days to one and a half hours. Meanwhile, the claims payment turnaround has shortened from 1.29 days in 2022 to 0.45 days in 2023.

Enabler#2: Engaged people and high-performance culture

An engaged workforce is critical to the delivery of our strategy and we are working with our people to create a culture that is customer led and performance-driven.

We aim to create an environment that allows our people to thrive, connect, grow, and succeed. We will focus on the following priorities to deliver this:

- Promote **values-based leadership** and **aligned reward structure** to help build a culture that is customer-led and performance-driven;
- Build **strategic capabilities** through targeted talent acquisition and internal talent development, particularly within the areas of customer, distribution, health and technology;
- Develop a **robust internal talent pipeline** through succession planning, facilitating **mobility** and focused development plans, in tandem with efforts to accelerate development of female leaders; and
- Standardise, simplify, and digitalise end-to-end people processes to enhance the employee experience.

By focusing on these priorities, we aim to create a better workplace experience as we make the required shifts across the organisation to achieve our strategy.

The PruWay (our values) was co-created with our employees and launched in September 2023 following the launch of our Strategy and Purpose. Progress has been made in activating the PruWay and engaging the organisation on our values and desired behaviours. By engaging with the Group's senior leaders in a series of workshops and with the wider workforce through the Group Executive Committee (GEC), we have started the process of internalising and translating a set of value statements into day-to-day actions. We call these PruSteps. The Group's senior leaders will be involved in embedding the PruWay deeper into the organisation through workshops that will touch all employees in 2024.

To drive a high-performance culture, a refreshed performance and pay model will be implemented in 2024. The emphasis will be to align personal and team goals to our strategy and the PruWay. This is to ensure we establish an environment where highly engaged employees consistently demonstrate behaviour and practice our values. To do this, we will communicate the value proposition on what a high-performance culture means and build our capability to uplift the strength of our workforce through meaningful and effective development conversations.

To build a robust talent pipeline we are in the process of implementing a consistent succession planning and talent development process to enhance the robustness and sustainability of our leadership bench strength.

Through these measures we seek to improve the engagement of all our employees with an ambition to have top-quartile employee engagement by 2027.

Enabler#3: Wealth and investments capabilities

Wealth and Investment is a key enabler to help us deliver on our purpose.

We plan to enhance our wealth and investment capabilities by leveraging Eastspring and our investment office as well as providing **distribution support** to our top agents to better serve our wealth customers.

We are committed to **product innovation** to enable us to offer a wide variety of customised wealth solutions that meet our customers' needs for wealth appreciation, wealth protection, wealth succession and retirement, and to provide our distribution teams with the tools and training they need to serve our wealth customers better.

The cornerstone of helping customers meet their financial goals is the delivery of positive investment performance and the creation of appropriate delivery mechanisms to achieve this. Consideration of asset allocations, mandates and selection of investment managers for Prudential insurance policies sits with the life companies, overseen by the Group Investment Officer. Eastspring's specific investment skills and track record in certain asset classes along with its investment wrapper design capabilities are being harnessed alongside third-party capabilities.

We are formulating a series of wealth management products that can be used by advisors to create investment outcomes that can adapt and meet their customer needs overtime. These may include a combination of passive and active investment strategies. The packaging of these strategies into discretionary fund management options provides the client with the potential to invest in a spectrum of asset management styles over their lifetimes and as their financial circumstances change.

Eastspring has focused on developing its human resources both in terms of human capital and internal performance benchmarking. A CIO has been appointed in February 2024, who will be responsible for the day to day management of the investment teams. A new head of distribution was also appointed in February 2024.

Eastspring is supporting the training and development needs of our Prudential Financial Advisers (PFA) distribution force, a force of over 500 financial advisors who offer a more holistic suite of products outside of our core Prudential insurance offerings. Already, products from seven general insurance and two life firms are included in the range, broadening the suite of products for legacy planning for high-net-worth individuals and retirement plans to meet the needs of a rapidly ageing population. The range is expected to expand further in 2024 and a thousand additional advisors are planned to be added to PFA in due course.

We continue to strengthen our wealth team and are enhancing our go-to-market investment updates for customers and distribution teams. We see opportunities to better meet our customers needs for wealth accumulation, wealth protection, wealth succession and retirement. Through high-performance investment teams we will seek to drive continual improvement in customer outcomes across the wealth life-cycle.

Implementing our Organisational Model

Changes to our organisational model are being made to enable us to deliver consistent performance across the Group and to prioritise value creation when deploying capital across our markets.

These changes include the complementing of existing teams and structures with additional skills and capabilities through the sourcing of selected new talent, reskilling existing talent and changing reporting and responsibilities across teams.

We believe our new organisational model, together with our commitment to invest in building out our capabilities further, will harness economies of scale and generate value for all our stakeholders.

By implementing changes to our organisational model and by combining the technology platform changes we are making, including the roll-out of best practices across our markets, we are confident we can deliver a consistently high level of service to our customers and our partners over the long term.

Outlook

We delivered an excellent financial and operational performance in 2023 and deployed increased levels of capital in new business, enhancing core capabilities and expanding distribution. Sales growth has continued in the first two months of 2024. Given the relentless execution focus in implementing our strategy, we are increasingly confident in achieving our 2027 financial and strategic objectives and in accelerating value creation for our shareholders.

Notes

1. Source: Kantar survey.
2. Source: United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects 2022.
3. Source: Swiss Re forecast (July 2023).
4. As reported at full year 2023 unless otherwise specified. Sources include formal (eg competitors results release, local regulators and insurance association) and informal (industry exchange) market share. Ranking based on new business (APE sales, weighted new business premium, full year premium or weighted first year premium) or Gross Written Premium depending on availability of data. Rankings in the case of Chinese Mainland, Taiwan and Myanmar are among foreign insurers, and for India is among private companies. Countries based on nine months ended September 2023: Philippines, Ghana (Africa) and Kenya (Africa) and full year 2022: Laos, Zambia (Africa) and Togo (Africa) and full year 2020: Nigeria (Africa).
5. Source: Based on FY2022 data from local regulators, industry associations and Prudential' internal data. Estimates are based on market intelligence, if data is not publicly available.
6. Source: As reported at full year 2023. Sources include local regulators, asset management association, investment data providers and research companies (e.g. Morningstar, Lipper). Rankings are based on total funds under management (including discretionary funds, where available) of onshore domiciled funds or public mutual funds of the respective markets.
7. 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 existing EEV and Free Surplus methodology at December 2022 will be applicable over the period.
8. See note A1 to the IFRS financial statements for more detail on our exchange rate presentation.
9. Business units equate to legal entities.

Financial review

Strong and diversified financial performance

Prudential delivered a strong 2023 financial performance. This highlights the value of our diversification across geography and by distribution channel. We introduced two new financial objectives as an integral part of the Group's strategy update. In 2023 we made good progress towards our 2027 new business profit objective and are on track with our related 2027 objective for operating free surplus generated from in-force insurance and asset management business. 2023 also saw higher EEV operating profit and shareholders' equity, as well as higher Group adjusted operating profit following CSM growth.

2023 saw an improvement in economic performance of the countries in which we operate. There was still volatility although this reduced over the course of the year. Government bond yields in many of our Asian markets reduced while the US 10-year yield closed the year relatively stable at 3.9 per cent. Equity market performance varied considerably, with the S&P 500 index increasing by 24 per cent, the MSCI Asia excluding Japan equity index by 4 per cent, while the Hang Seng index fell by 14 per cent.

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. We discuss our financial position on an actual exchange rates basis, unless otherwise noted. The definitions of the key metrics we use to discuss our performance in this report are set out in the 'Definition of performance metrics' section later in this document.

New business profit was up 45 per cent to $3,125 million, led by Hong Kong, with a double-digit growth in 12 of our 22 markets following the removal of all pandemic-related restrictions, in particular the reopening of the border between Hong Kong and the Chinese Mainland and consequential rebound of APE sales. Further, we saw a 34 per cent increase in the new business profit for health and protection products contributing to 40 per cent of our new business profit, while the new business profit for savings product grew by 54 per cent. This was underpinned by a 37 per cent growth in APE sales, which, in absolute terms, exceeded the pre-pandemic level of 2019. Excluding the effects of interest rates and other economic changes, given our active EEV reporting basis, new business profit increased by 47 per cent.

Group EEV operating profit increased by 17 per cent to $4,546 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 was 10 per cent compared with 9 per cent in 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 31 December 2023 was $45.3 billion (31 December 2022: $42.2 billion on an actual exchange rate basis), equivalent to 1,643 cents per share (31 December 2022: 1,534 cents per share on an actual exchange rate basis). The operating free surplus generated from in-force insurance and asset management business during the period was $2,740 million, broadly flat when compared to prior year. Investment in new business of $(733) million (2022: $(552) million) reflected higher APE sales and business mix effects. As a result total operating free surplus generated from life and asset management business reduced to $2,007 million (2022: $2,173 million).

The Group implemented IFRS 17, the new accounting standard for insurance contracts in 2023 with comparatives restated accordingly. In line with the preliminary guidance provided with the Group's 2022 results (on an actual exchange rates basis), 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 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 underlying 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 was $2,893 million, up 8 per cent in 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 $1,712 million, an improvement on the 2022 loss after tax of $(1,005) million on a constant exchange rate basis (loss of $(997) million on an actual exchange rate basis). The swing in result largely reflects changes in short-term fluctuations in interest rates. There was a modest decrease in interest rates in 2023 compared with interest rates increasing significantly in 2022.

Adjusted shareholders' equity increased to $37.3 billion (31 December 2022: $35.2 billion on an actual exchange rate basis), equivalent to 1,356 cents per share (31 December 2022: 1,280 cents per share on an actual exchange rate basis), driven by an increase in IFRS shareholders' equity (up 7 per cent) and an increase in the Contractual Service Margin (CSM) (up 5 per cent). The CSM benefited from 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 by $1.7 billion, equivalent to a net increase of 9 per cent in the CSM compared with the start of year position.

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.

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 31 December 2023, the estimated shareholder surplus above the GPCR was $16.1 billion (31 December 2022: $15.6 billion on an actual exchange rates basis) and cover ratio 295 per cent (31 December 2022: 307 per cent before allowing for the debt redemption in January 2023 and 302 per cent after the redemption).

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. In 2023, we have allocated capital to investing in higher new business at attractive rates of return, in developing our customer, distribution, health and technology capabilities and we intend to deploy $1billion as part of our updated strategy. In line with our capital allocation priorities (as set out in the Capital Management section below) excess capital, if and when it emerges, would be returned to shareholders.

The Group's dividend policy is unchanged and described later in this report. Recognising the strong conviction we have in the Group's strategy, when determining the annual dividend we look through the investments in new business and investments in capabilities. The Board has approved a second interim dividend of 14.21cents per share (2022: 13.04 cents per share up 9 per cent). When this is combined with the first interim dividend the Group's total 2023 dividend is 20.47 cents per share (2022: 18.78 cents per share), an increase of 9 per cent. The Board intends to maintain this approach, and continues to expect the 2024 annual dividend to grow in the range 7 - 9 per cent.

The Group is carrying out a number of actions to support the development of liquidity in the trading of its shares on the Hong Kong Stock Exchange, following its capital raise in 2021. In 2024, the Group is actively exploring the use of scrip dividends, including issuance only on the Hong Kong line and the dilutive effect being neutralised by a share buy back on the London line.

The Group executed a $41 million share repurchase programme in January 2024 to neutralise the 2023 Employee and agent share scheme issuance. It intends to make further repurchases in the future to offset the expected dilution from the vesting of awards under employee and agent share schemes.

We believe that the Group's performance during 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	
	2023 $m	2022 $m	Change %	2022 $m	Change %
CPL	**368**	271	36	258	43
Hong Kong	**1,013**	1,162	(13)	1,162	(13)
Indonesia	**221**	205	8	200	11
Malaysia	**305**	340	(10)	329	(7)
Singapore	**584**	570	2	585	–
Growth markets and other	**746**	728	2	715	4
Insurance business	**3,237**	3,276	(1)	3,249	–
Asset management	**280**	260	8	255	10
Total segment profit	**3,517**	3,536	(1)	3,504	–
Other income and expenditure:					
Investment return and other items	**(21)**	(44)	52	(44)	52
Interest payable on core structural borrowings	**(172)**	(200)	14	(200)	14
Corporate expenditure	**(230)**	(276)	17	(277)	17
Other income and expenditure	**(423)**	(520)	19	(521)	19
Restructuring and IFRS 17 implementation costs	**(201)**	(294)	32	(293)	31
Adjusted operating profit	**2,893**	2,722	6	2,690	8
Non-operating items:					
Short-term fluctuations in investment returns	**(774)**	(3,420)	77	(3,404)	77
(Loss) gain attaching to corporate transactions	**(22)**	55	n/a	55	n/a
Profit (loss) before tax attributable to shareholders	**2,097**	(643)	n/a	(659)	n/a
Tax charge attributable to shareholders' returns	**(385)**	(354)	(9)	(346)	(11)
Profit (loss) for the year	**1,712**	(997)	n/a	(1,005)	n/a

IFRS earnings per share

	Actual exchange rate			Constant exchange rate	
	2023 cents	2022 cents	Change %	2022 cents	Change %
Based on adjusted operating profit, net of tax and non-controlling interest	**89.0¢**	79.4¢	12	78.5¢	13
Based on profit (loss) for the year, net of non-controlling interest	**62.1¢**	(36.8¢)	n/a	(37.0¢)	n/a

Adjusted operating profit reflects that the assets and liabilities of our insurance businesses are held for the longer term and the Group believes 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 $2,893 million, up by 8 per cent, largely reflecting a 10 per cent increase in profit generated by Eastspring, our asset management business, and lower central costs. Adjusted operating profit for insurance business was at similar levels of 2022, with economic movements in 2022 reducing the level of longer-term net investment result (which is based on opening asset values), largely offset by a higher insurance service result.

Detailed discussion of IFRS financial performance by segment, including the detailed analysis of asset management business is presented in the section on 'Performance by market'.

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	
	2023 $m	2022 $m	Change %	2022 $m	Change %
Adjusted release of CSM [1]	**2,205**	2,265	(3)	2,242	(2)
Release of risk adjustment	**218**	179	22	178	22
Experience variances	**(118)**	(66)	(79)	(62)	(90)
Other insurance service result	**(109)**	(204)	47	(195)	44
Adjusted insurance service result	**2,196**	2,174	1	2,163	2
Net investment result on longer-term basis	**1,241**	1,290	(4)	1,271	(2)
Other insurance income and expenditure	**(122)**	(98)	(24)	(100)	(22)
Share of related tax charges from joint ventures and associates	**(78)**	(90)	13	(85)	8
Insurance business	**3,237**	3,276	(1)	3,249	–

The release of CSM is the principal source of our IFRS 17 insurance business adjusted operating profit. The adjusted CSM release[1] in FY2023 of $2,205 million (2022: $2,242 million) equates to an annualised release rate of circa 9.5 per cent, broadly similar to the release rate seen in 2022 and broadly consistent with the 2023 release expected as at the end of 2022.

The release of the risk adjustment of $218 million (2022: $178 million) 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 $(118) million (2022: $(62) million) comprise largely of claims and expense variances (those impacting past or current service rather than future service which is reflected in CSM). A small element of the elevated expenses reflects the investment in our strategic pillars consistent with our Strategy.

The other insurance service result of $(109) million (2022: $(195) million) largely 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 losses in 2022 were largely as a result of adverse economic conditions which have stabilised in 2023.

The net investment result of $1,241 million (2022: $1,271 million) 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, following the adverse market movements in 2022 saw this source of income reduce in 2023. Growth in the General Measurement Model asset base from new business in recent periods and renewal premiums offset some of this reduction.

Other income and expenditure of $(122) million (2022: $(100) million) mainly relates to expenses that are not directly related to an insurance contract as defined under IFRS 17.

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 objectives announced in August for EEV new business profit growth will act to support such CSM growth. As we grow new business profit, in line with our recently announced financial objectives, we would expect this to generate growth of the CSM and hence lead to adjusted operating profit growth over time.

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

Contractual Service Margin Net of reinsurance

	2023 $m
Net Opening Balance at 1 Jan	**19,989**
New contracts in the year	**2,348**
Unwind*	**1,563**
Balance before variances, effect of foreign exchange and CSM release	**23,900**
Economic and other variances	**(619)**
CSM balance before release	**23,281**
Release of CSM to income statement	**(2,208)**
Effect of movements in exchange rates	**(61)**
Net balance at the end of the period	**21,012**

* 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 the CSM related to 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 $1,303 million from economic and other variances to unwind.

Profitable new business in 2023 grew the CSM by $2,348 million which combined with the unwind of the CSM balance shown in the table above of $1,563 million, increased the CSM by $3,911 million. This increase exceeded the release of the CSM to the income statement in the period of $(2,208) million, demonstrating the strength of our franchise and its ability to deliver future growth in CSM and ultimately adjusted operating 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 2023 'economic and other variances' includes $117 million for new riders added to existing base savings contracts. The incremental value from such sales is 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 variance includes the effects of the operating variances and assumption changes on future profits and the impact of a reduction in interest rates and changes in equity indices. Movements in exchange rates had a negative impact of $(61) million on the closing CSM. Overall the CSM grew by 5 per cent, or 9 per cent excluding the effect of economic and other variances and exchange rates.

Other income and expenditure

Central costs (before restructuring and IFRS 17 implementation costs) were 19 per cent lower in 2023 as compared to the prior year, 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 $28 million in 2023 compared with the prior year. Total head office expenditure was $(230) million (2022: ($277) million). Net investment return and other items improved by $23 million from increased investment returns on Group Treasury following the increase in interest rates.

Restructuring costs of $(201) million (2022: $(293) million) reflect the Group's project to implement and embed IFRS 17, and one-off costs associated with regulatory and other initiatives in our business. IFRS 17 costs are expected to decrease but in 2024 will be replaced by investment to enhance Eastspring's operating model and improve our back office efficiency and scalability. From the end of 2024, restructuring costs are expected to revert over time to the lower levels typically incurred historically.

IFRS basis non-operating items

Non-operating items in the year consist of negative short-term fluctuations in investment returns of $(774) million (2022: $(3,404) million) and $(22) million of costs associated with corporate transactions (2022: gain of $55 million).

These short-term fluctuations principally arise from our business in the Chinese Mainland reflecting negative equity returns as well as the impact from lower interest rates on the discount rate for General Measurement Model (GMM) best estimate insurance liabilities.

IFRS effective tax rates

In 2023, the effective tax rate on adjusted operating profit was 15 per cent (2022: 20 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, together with a reduction from 2022 to 2023 in head office costs for which no tax credit is recognised.

The effective tax rate on total IFRS profit in 2023 was 18 per cent (2022: negative 55 per cent), reflecting a reduction in the level of investment losses on which no tax credit is recognised.

During 2023, jurisdictions around the world, including some relevant to Prudential, commenced implementation of the OECD global minimum tax rules. For those jurisdictions where the rules will apply to Prudential for the 2024 financial period, management's assessment is that the new tax rules (which involve comparing a jurisdiction's effective tax rate to the global minimum effective tax rate of 15 per cent) are not expected to have a material impact on the IFRS tax charge for 2024. From 2025 onwards, the new tax rules are expected to be effective in Hong Kong (where Prudential plc is now tax resident), at which point the new rules will apply to the whole Prudential group. Management continues to assess the likely impact on the 2025 and subsequent financial periods and guidance on the potential impact will be provided in due course.

Total tax contributions

The Group continues to make significant tax contributions in the jurisdictions in which it operates, with $969 million remitted to tax authorities in 2023, slightly lower than the equivalent amount of $1,009 million remitted in 2022 (on an actual exchange rate basis).

Tax strategy

The Group publishes its tax strategy annually which, in addition to complying with the mandatory UK (Finance Act 2016) requirements, also includes a number of additional disclosures which provide insight into the Group's tax contributions. An updated version of the tax strategy, including 2023 data, will be available on the Group's website before 31 May 2024.

Shareholders' equity

Group IFRS shareholders' equity

	2023 $m	2022 $m
Profit /(loss) for the year	**1,712**	(997)
Less non-controlling interest	**11**	10
Profit (loss) after tax for the year attributable to shareholders	**1,701**	(1,007)
Exchange movements, net of related tax	**(124)**	(603)
External dividends	**(533)**	(474)
Other movements	**48**	(121)
Net increase/(decrease) in shareholders' equity	**1,092**	(2,205)
Shareholders' equity at beginning of the year		–
As previously reported	**16,731**	17,088
Effect of initial application of IFRS 17 & IFRS 9, net of tax	**–**	1,848
Shareholders' equity at end of the year	**17,823**	16,731
Shareholders' value per share [3]	**647¢**	608¢
Adjusted shareholders equity [3]	**37,346**	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 $17.8 billion at 31 December 2023. This largely reflects profit generated during the period, offset by dividend payments of $(0.5) billion, and exchange movements of $(0.1) billion.

In 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 $37.3 billion at 31 December 2023 (31 December 2022: $35.2 billion) 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 financial results

	Actual exchange rate			Constant exchange rate	
	2023 $m	2022 $m	Change %	2022 $m	Change %
New business profit	**3,125**	2,184	43	2,149	45
Profit from in-force business	**1,779**	2,358	(25)	2,345	(24)
Operating profit from insurance business	**4,904**	4,542	8	4,494	9
Asset management	**254**	234	9	230	10
Other income and expenditure	**(612)**	(824)	26	(823)	26
Operating profit for the year	**4,546**	3,952	15	3,901	17
Non-operating results	**(834)**	(7,523)	89	(7,530)	89
Profit (loss) for the year	**3,712**	(3,571)	n/a	(3,629)	n/a
External dividends	**(533)**	(474)			
Foreign exchange movements	**(134)**	(1,195)			
Other movements	**21**	(160)			
Net increase (decrease) in EEV shareholders' equity	**3,066**	(5,400)			
EEV shareholders' equity at 1 Jan after effect of HKRBC	**42,184**	47,584			
EEV shareholders' equity at end of year	**45,250**	42,184			
% New business profit/average EEV shareholders' equity for insurance business operations*	**8%**	5%			
% Operating profit/average EEV shareholders' equity	**10%**	9%			

* Excluding goodwill attributable to equity holders

EEV shareholders' equity	31 Dec 2023 $m	31 Dec 2022 $m
Represented by:		
CPL	**3,038**	3,259
Hong Kong	**17,702**	16,576
Indonesia	**1,509**	1,833
Malaysia	**3,709**	3,695
Singapore	**7,896**	6,806
Growth markets and other	**7,674**	6,688
Embedded value from insurance business excluding goodwill	**41,528**	38,857
Asset management and other excluding goodwill	**2,955**	2,565
Goodwill attributable to equity holders	**767**	762
Group EEV shareholders' equity	**45,250**	42,184
EEV shareholders' equity per share	**1,643¢**	1,534¢

APE new business sales (APE sales) and EEV new business profit

	Actual exchange rate						Constant exchange rate			
	2023 $m		2022 $m		Change %		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	**534**	**222**	884	387	(40)	(43)	840	368	(36)	(40)
Hong Kong	**1,966**	**1,411**	522	384	277	267	523	384	276	267
Indonesia	**277**	**142**	247	125	12	14	240	122	15	16
Malaysia	**384**	**167**	359	159	7	5	347	154	11	8
Singapore	**787**	**484**	770	499	2	(3)	791	512	(1)	(5)
Growth markets and other	**1,928**	**699**	1,611	630	20	11	1,546	609	25	15
Total	**5,876**	**3,125**	4,393	2,184	34	43	4,287	2,149	37	45
Total new business margin		**53%**		50%				50%		

Group EEV operating profit increased by 17 per cent to $4,546 million, reflecting a 9 per cent increase in the operating profit for the insurance business, largely reflecting higher new business profit, a 10 per cent increase in the operating profit for the asset management business and an improvement in central costs. The operating return on average embedded value was 10 per cent (2022: 9 per cent).

The operating profit from the insurance business increased to $4,904 million, largely reflecting a 45 per cent increase in new business profit to $3,125 million following growth in APE sales, partly offset by a (24) per cent fall in profit from in-force business to $1,779 million. The profit from in-force business is driven by the expected return and the effects of operating assumption changes and experience variances. The expected return was lower at $2,122 million (2022: $2,531 million), 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 $(343) million on a net basis compared with $(186) million in 2022. This reflects short-term industry-wide increases in lapses in Vietnam, following negative consumer sentiment in the wider industry, along with unfavourable morbidity experience on some medical reimbursement products following the removal of Covid-19 restrictions. We have also continued to invest in our strategic capabilities.

The non-operating loss of $(834) million (2022: loss of $(7,530) million) is largely driven by the combined impact of negative equity returns in Chinese Mainland and Hong Kong, with interest rate falls and narrowing credit spreads in many of our markets in the year. These effects were more muted than in the prior year.

Overall, EEV shareholders' equity increased to $45.3 billion at 31 December 2023 (31 December 2022: $42.2 billion). Of this, $41.5 billion (31 December 2022: $38.9 billion) relates to the insurance business operations, excluding goodwill attributable to equity shareholders. This amount includes our share of our India associate valued using embedded value principles. The market capitalisation of this associate at 31 December 2023 was circa $9.3 billion, which compares with a publicly reported embedded value of circa $4.6 billion at 30 September 2023.

EEV shareholders' equity on a per share basis at 31 December 2023 was 1,643 cents (31 December 2022: 1,534 cents).

Greater China presence

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

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

	Gross premiums earned*		New business profit	
	2023 $m	2022 $m	2023 $m	2022 $m
Total Greater China†	**12,859**	13,103	**1,870**	912
Total Group†	**26,221**	27,783	**3,125**	2,184
Percentage of total	**49%**	47%	**60%**	42%

Comparatives stated on a AER basis

* 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.

Capital management

We aim 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. 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 Requirement 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. Based on the economic and other assumptions and methodology that underpinned our EEV reporting at the end of 2023, we expect to transfer over $9 billion by end of 2027 from VIF and required capital to operating free surplus generated from our in-force insurance business at the end of 2023. 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. 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 returns to shareholders including dividends.

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	
	2023 $m	2022 $m	Change %	2022 $m	Change %
Expected transfer from in-force business and return on existing free surplus	**2,869**	2,753	4	2,711	6
Changes in operating assumptions and experience variances	**(383)**	(227)	(69)	(216)	(77)
Operating free surplus generated from in-force insurance business	**2,486**	2,526	(2)	2,495	—
Asset management	**254**	234	9	230	10
Operating free surplus generated from in-force insurance and asset management business	**2,740**	2,760	(1)	2,725	1
Investment in new business	**(733)**	(567)	(29)	(552)	(33)
Operating free surplus generated from insurance and asset management business	**2,007**	2,193	(8)	2,173	(8)
Central costs and eliminations (net of tax):					
Net interest paid on core structural borrowings	**(172)**	(200)	14	(200)	14
Corporate expenditure	**(230)**	(276)	17	(277)	17
Other items and eliminations	**(18)**	(66)	73	(66)	73
Restructuring and IFRS 17 implementation costs (net of tax)	**(192)**	(277)	31	(275)	30
Net Group operating free surplus generated	**1,395**	1,374	2	1,355	3
Non-operating and other movements, including foreign exchange	**(206)**	(2,371)			
External cash dividends	**(533)**	(474)			
Increase (decrease) in Group free surplus before net subordinated debt redemption	**656**	(1,471)			
Net subordinated debt redemption	**(421)**	(1,699)			
Increase (decrease) in Group free surplus before amounts attributable to non-controlling interests	**235**	(3,170)			
Change in amounts attributable to non-controlling interests	**(9)**	(10)			
Free surplus at beginning of year	**12,229**	15,409			
Free surplus at end of year	**12,455**	12,229			
Free surplus at end of year excluding distribution rights and other intangibles	**8,518**	8,390			

Operating free surplus generated from in-force insurance and asset management business was broadly flat at $2,740 million when compared with the prior year. The cost of investment in new business increased by 33 per cent to $(733) million largely reflecting the increase in APE sales of 37 per cent. As a consequence, the Group generated an operating free surplus from insurance and asset management operations before restructuring costs of $2,007 million, down (8) per cent compared to 2022.

After allowing for lower central costs and restructuring and IFRS 17 costs, total Group free surplus generation was up 3 per cent to $1,395 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 31 December 2023 was $12.5 billion as compared to $12.2 billion at the start of the year. Excluding distribution rights and other intangibles, free surplus was $8.5 billion (31 December 2022: $8.4 billion).

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.

Recognising the strong conviction we have in the Group's new strategy, the Board indicated alongside the strategy update in August 2023, that when determining the annual dividend, it intended to look through the investments in new business and investments in capabilities, and expected the annual dividend to grow in the range 7 – 9 per cent per annum over 2023 and 2024.

The Board has applied this approach to determining the 2023 second interim cash dividend, and has approved a 2023 second interim cash dividend of 14.21 cents per share (2022: 13.04 cents per share). Combined with the first interim cash dividend of 6.26 cents per share (2022: 5.74 cents per share), the Group's total 2023 cash dividend is 20.47 cents per share (2022: 18.78 cents per share), an increase of 9 per cent.

The Board intends to maintain this approach, and continues to expect the 2024 annual dividend to grow in the range 7 - 9 per cent.

Group capital position

The Prudential Group 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.

	31 Dec 2023			31 Dec 2022		
	Shareholder	**Policyholder***	**Total†**	Shareholder	Policyholder*	Total†
Group capital resources ($bn)	**24.3**	**14.3**	**38.6**	23.2	12.6	35.8
of which: Tier 1 capital resources ($bn)	**17.1**	**1.2**	**18.3**	15.9	1.5	17.4
Group Minimum Capital Requirement ($bn)	**4.8**	**1.1**	**5.9**	4.4	0.9	5.3
Group Prescribed Capital Requirement ($bn)	**8.2**	**11.4**	**19.6**	7.6	10.1	17.7
GWS capital surplus over GPCR ($bn)	**16.1**	**2.9**	**19.0**	15.6	2.5	18.1
GWS coverage ratio over GPCR (%)	**295%**		**197%**	307 %		202 %
GWS Tier 1 surplus over GMCR ($bn)			**12.4**			12.1
GWS Tier 1 coverage ratio over GMCR (%)			**313%**			328 %

* This allows for any associated diversification impacts between the shareholder and policyholder positions reflected in 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 capital coverage ratio.

As at 31 December 2023, the estimated shareholder GWS capital surplus over the GPCR is $16.1 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 $19.0 billion (31 December 2022: $18.1 billion) representing a coverage ratio of 197 per cent (31 December 2022: 202 per cent). During January 2023 the Group redeemed $0.4 billion of senior debt equivalent to a reduction of 5 percentage points to the shareholders' GWS coverage ratio over GPCR measured at 31 December 2022 and a 2 percentage points reduction to total GWS coverage ratio over GPCR measured at the same date.

Operating capital generation in 2023 was $1.4 billion after allowing for central costs and the investment in new business. This was offset by the payment of external dividends of $(0.5) billion.

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 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 basis over the medium term. Moody's have not finalised how they will calculate leverage under IFRS 17 but are consulting on a proposal to 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 31 December 2023, we estimate that our Moody's total leverage was 20 per cent[2] (31 December 2022: 21 per cent[2], 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, 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

	31 Dec 2023 $m			31 Dec 2022 $m		
	IFRS basis	**Mark-to-market value**	**EEV basis**	IFRS basis	Mark-to-market value	EEV basis
Borrowings of shareholder-financed businesses	**3,933**	**(274)**	**3,659**	4,261	(427)	3,834
Less: holding company cash and short-term investments	**(3,516)**	**–**	**(3,516)**	(3,057)	–	(3,057)
Net core structural borrowings of shareholder-financed businesses	**417**	**(274)**	**143**	1,204	(427)	777
Moody's total leverage	**20%**			21 %		

The total borrowings of the shareholder-financed businesses were $3.9 billion at 31 December 2023 (31 December 2022: $4.3 billion). The Group had central cash resources of $(3.5) billion at 31 December 2023 (31 December 2022: $(3.1) billion), resulting in net core structural borrowings of the shareholder-financed businesses of $0.4 billion at end of 31 December 2023 (31 December 2022: $1.2 billion). We have not breached any of the requirements of our core structural borrowings nor modified any of their terms during 2023.

On 20 January 2023 the Group redeemed £300 million ($371 million) senior bonds as they reached their maturity, and on 10 July 2023 the Group redeemed a €20m ($22 million) medium-term note as it fell due on 10 July 2023. 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 the 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 $699 million in issue at 31 December 2023 (31 December 2022: $501 million).

As at 31 December 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 31 December 2023. The Group has reviewed its requirements for committed facilities and after the balance sheet date on15 February 2024, the Group renewed its undrawn committed facilities for a total of $1.6 billion expiring 2029.

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 the holding company cash and short-term investment by $0.9 billion at 31 December 2022.

Holding company cash flow

	Actual exchange rate		
	2023 $m	2022 $m	Change %
Net cash remitted by businesses units	**1,611**	1,304	24
Net interest paid	**(51)**	(204)	75
Corporate expenditure	**(271)**	(232)	(17)
Centrally funded recurring bancassurance fees	**(182)**	(220)	17
Total central outflows	**(504)**	(656)	23
Holding company cash flow before dividends and other movements	**1,107**	648	71
Dividends paid	**(533)**	(474)	(12)
Operating holding company cash flow after dividends but before other movements	**574**	174	230
Other movements			
Issuance and redemption of debt	**(393)**	(1,729)	77
Other corporate activities	**226**	248	(9)
Total other movements	**(167)**	(1,481)	89
Net movement in holding company cash flow	**407**	(1,307)	n/a
Cash and short-term investments at the beginning of the year	**3,057**	3,572	
Foreign exchange and other movements	**52**	(113)	
Inclusion of amounts at 31 Dec from additional centrally managed entities	**–**	905	
Cash and short-term investments at the end of the year	**3,516**	3,057	

Remittances from our businesses were $1,611 million (2022: $1,304 million).The remittances are net of cash advanced to CPL, our joint venture business in the Chinese Mainland, of $176 million in anticipation of a future capital injection, as previously announced in December 2023. Remittances were used to meet central outflows of $(504) million (2022: $(656) million) and to pay dividends of $(533) million (2022: $(474) million).

Central outflows include net interest paid of $(51) million (2022: $(204) million), which is net of interest and similar income earned on central cash balances in 2023, largely on balances brought into the updated definition of holding company cash and short-term investments at the end of 2022. In addition, lower interest payments were made on core structural borrowings in 2023 as compared with the prior year.

Cash outflows for corporate expenditure of $(271) million (2022: $(232) million) include cash outflows for restructuring costs.

Other cash flow movements included net receipts from other corporate activities of $226 million (2022: $248 million) comprising largely of proceeds received from the sale of our remaining shares in Jackson Financial Inc. as well as dividend receipts. In 2023, the Group redeemed senior bonds as they reached their maturity at a cost of $393 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) 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 $(3) million (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.

(2) 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.
(3) See note II of the Additional unaudited financial information for definition and reconciliation to IFRS balances.

Delivering through our multi-market growth engines

The following commentary provides an overview of each of the Group's segments, together with a discussion of their 2023 financial performance.

As in previous years, we discuss our performance on a constant currency basis, unless stated otherwise. The definitions of the key metrics we use to discuss our performance in this report are set out in the 'Definition of performance metrics' section later in this document, including, where relevant, references to where these metrics are reconciled to the most directly comparable IFRS measure.

Chinese Mainland – CITIC Prudential Life (CPL)

	Actual exchange rate			Constant exchange rate	
	2023	2022	Change	2022	Change
APE sales ($m)	**534**	884	(40)%	840	(36)%
New business profit ($m)	**222**	387	(43)%	368	(40)%
New business margin (%)	**42**	44	(2)ppts	44	(2)ppts
Adjusted operating profit ($m)	**368**	271	36%	258	43%
IFRS (loss) after tax ($m)	**(577)**	(345)	(67)%	(328)	(76)%

Amounts included in the table above represents 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 benefits from the strong brands of both shareholders with a truly multi-distribution platform offering a diverse set of products to meet customers' needs.

CPL is an established franchise with an extensive footprint across 23 branches covering 102 cities. CPL is focused on the affluent and advanced affluent segments of the market where personal income levels from these segments have more economic resilience and which are still significantly under penetrated. CPL has a high quality agency force and an extensive network of 62 bancassurance partners with access to over 5,600 branches across the Chinese Mainland.

During December 2023 Prudential announced that it was providing additional growth capital to CPL of RMB1.25 billion (US$176 million) in cash, with CITIC, its joint venture partner providing an equal amount. The additional capital supports new business growth and improves CPL's regulatory capitalisation. The business will be focused on margin maintenance, strong risk management through a rebalanced product mix and seeking quality growth in its agency channel through targeted agent recruitment and improved productivity and from improved penetration of its customer bases of its bank partners.

Financial performance

During 2023 CPL pro-actively diversified its products with a pivot towards whole-life products and higher margin annuity and longer-premium payment term products. The re-pricing approach was ratified by the regulator in the second half of 2023 with further regulatory guidance on expense control for the bancassurance channel, and was implemented well ahead of the industry.

Consequently, 2023 saw new business profit in CPL fall by (40) per cent reflecting both lower volumes and adverse economic impacts. Bancassurance channel sales declined driven by the regulatory reform on expense control of the channel mentioned above, which was partially offset by growth in the agency channel. Excluding the effects of interest rates and other economic movements, new business margin grew by six percentage points as a result of actions to rebalance the product proposition. Including the effects of economics the new business margin declined by two percentage points.

CPL has grown long term protection APE sales by 27 per cent with strong whole life protection propositions and enhanced critical illness features targeting elderly and infants.

CPL's agency business saw an increase in APE sales and new business profit reflecting an increase in the productivity of our agents and a high agent activation rate. We have seen an increase in agent productivity in the year, both in terms of policies sold per agent (up 11 per cent) and new business profit per agent (up 26 per cent). The agents provisionally qualified for the Million Dollar Round Table (MDRT) in 2023 increased by 19 per cent to more than 1,000 along with an increase in new agents by 6 per cent.

As previously noted, during 2023 CPL proactively rebalanced its bancassurance sales mix between whole-life products and higher margin annuity and longer-premium payment term products. CPL's bancassurance business was further affected by expense regulatory reforms during the second half of the year. As a result APE sales through the bancassurance channel fell materially. We see the recent regulatory driven transformations as conducive to the long-term development of the insurance industry particularly on health and protection and retirement. We believe these transformations and other actions in 2023, leave CPL well positioned to grow in the future.

The adjusted operating profit for our business in the Chinese Mainland, CPL, increased by 43 per cent to $368 million, reflecting an increased longer-term net investment result given a higher asset base from increased sales of savings products in recent years and a reduction in the losses from the contracts classified as onerous under IFRS 17. The IFRS loss after tax for the year was $(577) million compared to $(328) million in the prior year, reflecting lower than expected equity returns and the net impact of falling interest rates on insurance assets and liabilities.

Hong Kong

	Actual exchange rate			Constant exchange rate	
	2023	2022	Change	2022	Change
APE sales ($m)	**1,966**	522	277 %	523	276 %
New business profit ($m)	**1,411**	384	267 %	384	267 %
New business margin (%)	**72**	74	(2)ppts	73	(1)ppts
Adjusted operating profit ($m)	**1,013**	1,162	(13) %	1,162	(13) %
IFRS profit/ (loss) after tax ($m)	**976**	(742)	n/a	(742)	n/a

In Hong Kong, Prudential is a trusted household brand, with a premium agency force and is among the top three life insurers[1].

In 2023, we significantly outperformed the market increasing our market share, resulting in a number one ranking for the offshore business[1]. Our premier agency force and strong partnership with Standard Chartered Bank position us well to address the unique needs of the customers across different life stages, including comprehensive health and protection solutions and long-term savings and retirement solutions to address the wealth accumulation, retirement and legacy planning needs. We are well positioned to serve the needs of Chinese Mainland customers, which include diversification of currency and asset class, professional financial advice across a broad product spectrum and access to high-quality medical care available in Hong Kong. Our surveys of potential Chinese Mainland customers report consistent demand for long term savings and health and protection products. With our newly opened Macau branch, we are present in all 11 cities[2] in the Greater Bay Area, with a population of over 85 million people[3].

Financial performance

New business profit increased by 267 per cent to $1,411 million, largely reflecting the increase in APE sales.

APE sales for our business in Hong Kong increased by 276 per cent to $1,966 million in 2023, reflecting the strong demand from both Domestic customers and Chinese Mainland visitors as borders reopened in early 2023, with growth across all distribution channels. The Hong Kong economy continued to recover year-on-year led by inbound tourism and domestic demand, with over 26 million people from the Chinese Mainland visiting Hong Kong in 2023. Visitor numbers in the year were circa 60 per cent of that in 2019, before the Covid-19 pandemic, while APE sales to Chinese Mainland visitors in the same period were circa 1.1 times of that in 2019, but marginally still below the levels of 2018, prior to any Covid-19 related disruption. In addition, we also saw growth of 36 per cent in our domestic segment supported by new product launches and customer campaigns.

While savings products contribute the majority of APE sales, due to large case sizes, on a policy count basis, health and protection sales represented 58 per cent of new policy issuances, reflecting the growth in both agency and bancassurance channels.

We increased APE sales in our health business by 22 per cent and generated a new business profit for health business of $86 million, covering more than 550,000 customers.

Our agency channel contributed to 70 per cent of APE sales, with robust growth of 352 per cent supported by domestic and Chinese Mainland customers. We have reached our recruitment target of hiring 4,000 agents in 2023, the vast majority of which have already had regulatory approval. Our active agents increased by 72 per cent with an increase in monthly new business profit per active agent by 128 per cent, contributing to an increase in agency channel new business profit of 294 per cent.

Our bancassurance channel also saw significant growth with APE sales up 52 per cent. The proportion of APE sales comprising health and protection products increased from 5 per cent in 2022 to 13 per cent in 2023, which, together with the growth in APE sales, contributed to an increase in new business profit of 93 per cent. Of the overall bancassurance APE sales, around 68 per cent were from 'new to insurance' customers compared to 50 per cent in 2022, reflecting strong demand for our products. In advance of the reopening of border with the Chinese Mainland, we reactivated our broker network which delivered significant increase in APE sales increasing our market share and ranking in broker channel.

Overall the new business margin for Hong Kong was broadly stable at 72 per cent (2022: 73 per cent), reflecting a favourable shift in channel mix to the growing agency business, offset by the impact of product mix shifts reflecting higher case sizes of relatively lower margin savings products sold to Chinese Mainland customers. Economic impacts only marginally decreased the margin. Normalisation of savings product case sizes, combined with an increase in the proportion of health and protection sales, led to favourable product mix shifts and margins increasing in the second half of the year.

In Hong Kong, adjusted operating profit was $1,013 million, down (13) per cent mainly due to reduced net investment return associated with lower opening asset balances following adverse market movements in 2022 and a lower level of positive claims and expense variance as a result of our continued investment in our strategic pillars.

The IFRS profit after tax for our Hong Kong business was $976 million compared to a loss after tax of $(742) million in 2022. The loss in 2022 largely reflected investment losses given the large increase in interest rates in that period. This compares to a more stable interest rate environment in 2023.

Indonesia

	Actual exchange rate			Constant exchange rate	
	2023	2022	Change	2022	Change
APE sales ($m)	**277**	247	12%	240	15%
New business profit ($m)	**142**	125	14%	122	16%
New business margin (%)	**51**	51	– ppts	51	– ppts
Adjusted operating profit ($m)	**221**	205	8%	200	11%
IFRS profit after tax ($m)	**156**	108	44%	104	50%

In Indonesia, we are among the top three life insurers in both the conventional and Syariah markets[1]. We continue to offer innovative products, through a diversified distribution network. We have a leading premier agency force with a 29 per cent agency market share[1], contributing around 80 per cent of overall APE sales. Through our dedicated Syariah life insurance entity, we are well positioned to meet the growing demands for Syariah solutions and support the growth of the Syariah community and economy.

Financial performance

Overall new business profit grew by 16 per cent to $142 million, marginally above the growth in APE sales. In the second half of 2023, new business profit grew slower than in the first half but was still a double-digit percentage increase supported by a strategic pivot from individual linked products to traditional life products and a favourable shift in channel mix towards agency business. We have revamped our unit-linked product propositions with enhanced benefits in response to new regulations governing the design, sale and management of unit-linked products (commonly known as PAYDI in the market). APE sales for our business in Indonesia grew by 15 per cent to $277 million. Health and protection APE sales grew by 18 per cent in 2023 assisted by repricing actions and medical riders upgrades.

Our diversified distribution network comprises our high quality agency force, a long-standing partnership with Standard Chartered Bank and UOB, other bank partnerships and direct marketing.

APE sales for the agency channel increased by 18 per cent. The growth in agency channel sales was achieved amidst a wider industry slowdown and we saw monthly new business profit per active agent increase by 7 per cent. This was supported by our transformation programme that commenced in 2022, where 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 as well as successful repricing. We have over 1,100 agents provisionally qualified for the Million Dollar Round Table (MDRT) in 2023, an increase of over 40 per cent from the prior year.

In the bancassurance channel, our strategic partnerships provide us an opportunity to provide solutions across a wide spectrum of customer segments. We saw a marginal increase in APE sales from our bancassurance channel. We continue to drive high margin health and protection business, with over 38 per cent of APE sales in the bancassurance channel from health and protection products. The integration of Citi Bank with UOB, which commenced in the fourth quarter of 2023, is now completed and we will be able to offer comprehensive solutions to the expanded customer base. We see long-term growth opportunities given our existing partnerships and potential for new partnerships.

The adjusted operating profit for Indonesia increased by $21 million to $221 million in 2023, following the non-repeat of losses that arose on a small portfolio of contracts that were classified as onerous under the IFRS 17 methodology in 2022.

The IFRS profit after tax for our business in Indonesia increased from $104 million to $156 million, reflecting the benefits described above along with reduced negative short-term investment variances in 2023 following the drop in interest rates during the year compared to higher interest rates in 2022.

Malaysia

	Actual exchange rate			Constant exchange rate	
	2023	2022	Change	2022	Change
APE sales ($m)	**384**	359	7%	347	11%
New business profit ($m)	**167**	159	5%	154	8%
New business margin (%)	**43**	44	(1)ppts	44	(1)ppts
Adjusted operating profit ($m)	**305**	340	(10)%	329	(7)%
IFRS profit after tax ($m)	**257**	178	44%	173	49%

In Malaysia, we are a leading life insurer and the largest Takaful operator[1] with 18 per cent and 22 per cent market share respectively. In the young segment, we continue to provide comprehensive investment linked propositions along with various health and protection riders, while in the case of the family segment, we provide core investment linked propositions, affordable health solution and savings solutions.

In Malaysia, our diversified distribution network is complemented by a premier agency force and our bank partnerships with Standard Chartered Bank, UOB and Bank Simpanan Nasional.

Our conventional and Takaful business in Malaysia featured among the top five in Life insurance customer satisfaction survey conducted by 'Bank Negara Malaysia'.

The metrics in the segment table above reflect the Group's 100 per cent economic interest in the Malaysian conventional Life business (Prudential Assurance Malaysia Berhad or PAMB) and the Group's interest in the Takaful joint venture.

Prudential currently owns 51 per cent of the ordinary shares of the holding company of PAMB and a 49 per cent share in the Takaful joint venture.

Market liberalisation measures were introduced by BNM, the Malaysian insurance regulator, in April 2009, which increased the limit to 70 per cent on foreign equity ownership for insurance companies and Takaful operators in Malaysia. A higher foreign equity limit beyond 70 per cent for insurance companies will be considered by BNM on a case by case basis, for example for companies who financially support expansion of providing insurance coverage to the most vulnerable in Malaysian society through the National B40 Protection Trust Fund.

We are focused on further strengthening our franchise in Malaysia through enhancing recruitment and activation of the agency force, increasing customer penetration and breadth of our bank partners as well as actively managing our health portfolio and we will deploy capital as needed to support growth.

Financial performance

New business profit for our businesses in Malaysia grew 8 per cent to $167 million. This growth reflects an increase in APE sales of 11 per cent to $384 million, primarily driven by growth in the bancassurance channel, due to marketing campaigns and supported by the merger of UOB and Citibank that has widened the number of accessible customers. The growth in APE sales from the bancassurance channel was offset in part by a marginal decline in the agency channel.

We recruited more than 6,800 agents in 2023, and more than 550 agents provisionally qualified for Million Dollar Round Table (MDRT). Following these initiatives, we saw an increase in monthly new business profit per active agent resulting in an 8 per cent increase in new business profit, despite a marginal decline in APE sales. We continue to take actions to improve productivity by developing programs to support both new and established agents which have seen productivity increase consistently each quarter since the start of 2023.

We maintained the market leadership position in the conventional bancassurance channel, demonstrating the strength of our strategic bank partnerships. We continue to provide comprehensive propositions for the diverse needs of customers in each of the high net worth, affluent and mass market segments and we seek to increase the penetration into our bank partners' customer base. Overall we saw a 36 per cent increase in the APE sales through the bancassurance channel leading to double digit growth in new business profit.

The adjusted operating profit for our business in Malaysia declined by (7) per cent to $305 million, primarily driven by a normalisation of claims experience as the number of medical reimbursement cases returned to pre-pandemic levels.

The IFRS profit after tax for our business in Malaysia increased from $173 million to $257 million, primarily reflecting the positive impacts from the decline in interest rates in Malaysia, compared to increasing interest rates in 2022.

Singapore

	Actual exchange rate			Constant exchange rate	
	2023	2022	Change	2022	Change
APE sales ($m)	**787**	770	2%	791	(1)%
New business profit ($m)	**484**	499	(3)%	512	(5)%
New business margin (%)	**61**	65	(4)ppts	65	(4)ppts
Adjusted operating profit ($m)	**584**	570	2%	585	–%
IFRS profit/ (loss) after tax ($m)	**512**	(7)	n/a	(7)	n/a

In Singapore, we are one of the market leaders in protection, savings and investment-linked plans[1]. We have been serving the financial needs of Singapore residents for more than 90 years, delivering a suite of product offerings and professional advice through our network of agents and financial advisors and our bank partners. Through our two strategic partners, UOB and Standard Chartered Bank, we gain access to the retail, commercial banking, and high net worth customer base of two established banks in Singapore.

We remain focused on our customers and seek to address their needs across the life stages. In the affluent segment, we offer comprehensive health and retirement solutions. We are one of the key players in the integrated Shield market (private insurance coverage that integrates with the national MediShield Life scheme), and continue to explore innovative partnerships with healthcare and technology providers to enhance our offerings. For the younger generation, we continually improve our investment-linked propositions and expand options for ESG - themed investments for customers. Finally, we serve the small and medium enterprise (SME) segment for the employee benefit business.

We received external recognition by winning No.1 Insurer The Straits Times Singapore's Best Customer Service 2023/24 survey.

Financial performance

2023 saw a challenging operating environment for the life insurance industry in Singapore due to higher interest rates, particularly in the first part of the year. New business profit declined by (5) per cent to $484 million, reflecting a smaller proportion of relatively high margin single premium participating products, alongside lower APE sales.

In this context, APE sales declined by (1) per cent to $787 million. Regular premium sales have seen steady growth across 2023, with higher new business volume observed in each quarter compared with the same period in the prior year, and overall achieving double-digit growth in the year. However, sales of single premium participating products through the bancassurance channel were particularly affected by movements in interest rates in the period, contrasting with the elevated level of sales in the comparative period particularly in the first half when interest rates were favourable. In contrast overall APE sales momentum was positive in the second half of the year, with APE sales in the third quarter and fourth quarter increasing on the prior quarter driven by the expansion in regular premium business.

While individual health and protection business have remained at a stable level in our product mix, we saw a shift in customer interest and new business sales towards investment-linked policies. While new business profit margin for the year declined overall, we saw sequential improvement across quarters during the year with growing momentum in sales of higher margin individual protection and investment-linked business.

Our enterprise benefit business delivered good growth with APE sales increasing by 9 per cent, covering around 3,000 small-to-medium enterprises and over 200,000 employees. Our Shield APE grew 9 per cent over last year as we increase the provision of value-added and wellness related services to customers.

Overall new business profit from the Agency channel improved by 4 per cent in the year, reflecting positive product mix effects from a growth in the proportion of sales from Shield and higher margin individual protection products. APE sales for the agency channel decreased by (4) per cent in the year. Regular premium APE sales in our agency channel grew 4 per cent compared with the prior year.

At the end of 2023 our total financial consultant force, of agents and financial advisors increased by 3 per cent when compared with 2022. Our number of eligible Agency MDRT members remained stable at over 1,280 agents in 2023.

We launched Prudential Financial Advisor channel in April 2023, which is the first financial advisory firm in the Prudential Group. PFA will offer a wide range of products and services including general insurance and wealth solutions, in addition to Prudential's core solutions in whole and term life, health & protection, savings, retirement and employee benefits. With this, we aim to cater to the growing and diverse needs of various customer segments in Singapore, as well as boost financial representative recruitment.

Reflecting the decline in high margin single premium products, bancassurance new business profit declined by (24) per cent in the year. However, bancassurance APE sales increased 2 per cent compared with the prior year. Pivoting to customer needs in this environment we have launched regular premium investment linked products and sales of these products gathered momentum in the second half of 2023. The level of regular premium business in bancassurance channel stands at 81 per cent overall in 2023, 41 percentage points higher than 2022.

Our adjusted operating profit for our business in Singapore remained at similar level at $584 million, with the higher release of CSM and risk adjustment offset by a lower net investment return, following the adverse market movements in 2022 lowering the opening investment balances.

The IFRS profit after tax for our Singapore business was $512 million compared with a loss after tax of $(7) million in 2022. This largely reflected higher investment losses in 2022 following the significant increase in interest rates in that year.

Growth markets and other

	Actual exchange rate			Constant exchange rate	
	2023	2022	Change	2022	Change
APE sales ($m)	**1,928**	1,611	20%	1,546	25%
New business profit ($m)	**699**	630	11%	609	15%
New business margin (%)	**36**	39	(3)ppts	39	(3)ppts
Adjusted operating profit ($m)	**746**	728	2%	715	4%
IFRS profit after tax ($m)	**775**	314	147%	304	155%

Our growth markets and other segment incorporates our life businesses Thailand, Vietnam, the Philippines, Cambodia, Laos and Myanmar in the ASEAN region, as well as those in India, Taiwan, and Africa.

Life new business profits grew by 15 per cent to $699 million, the second largest segment in the Group, and APE sales grew 25 per cent to $1,928 million.

There was a small fall in overall new business margin as a result of country mix following a fall in consumer sentiment and hence lower sales in Vietnam.

The adjusted operating profit was $746 million, up 4 per cent. This reflects an increase in the release of CSM and net investment return aided by recent new business growth. These effects are partially offset by the elevated expenses supporting the continued investment in our strategic pillars together with less favourable claims experience.

The IFRS profit after tax and adjusted operating profit for Growth market and others also includes the tax charge on the profits for joint venture life business in Chinese Mainland and Malaysia. The IFRS profit after tax in the Growth market and other segment increased from $304 million to $775 million, largely reflecting significant investment losses in 2022 from higher interest rates in most of our markets.

A detailed discussion of new business performance by key businesses in presented below.

Thailand

In Thailand we are focused on our bancassurance channel supported by alternative distribution methods including digital, agency, direct marketing and brokerage. New business profit declined by 6 per cent, largely as a result of interest rate changes. APE sales grew by 4 per cent following a high base in 2022, benefiting from double-digit growth from our UOB bank partnership and an increase in the contribution of Group employee benefit (EB) solutions.

Our distribution partnerships have benefited in the year through the integration of the Citi and UOB organisations in Thailand. We also revamped our online application platform ('PRUPlus') to improve reliability and enhance the seller and customer experience. At the end of 2023 we invested in a new bancassurance partnership with CIMB, becoming the exclusive life insurance partner of CIMB Thai. Prudential Thailand seeks to accelerate its growth plans building on the fact that it is already the third largest bancassurance player in the market[1].

Vietnam

Prudential is the leading life insurance company in Vietnam, which has the third-largest population in ASEAN, and operates with a diversified distribution mix.

New business profit for our business in Vietnam declined materially, albeit there was an improvement in new business margins, particularly from the bancassurance business and interest rate effects. APE sales declined by 33 per cent, against an overall market decline of 41 per cent, reflecting an industry-wide fall in consumer sentiment. However, the business's focus on customers and the strength of its agency force has seen it outperform the market, increase its market share and retain the number one position in the market.

We continue to expand our geographical footprint in urban areas through technology-powered agency and bancassurance channels. Our diversified distribution includes our established agency force, which includes more than 1,500 agents provisionally qualified for Million Dollar Round Table (MDRT), and seven exclusive bank partnerships.

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. We continue to focus on improving sales quality and strengthening our relationships with our bank partners to widen our reach to customers through their combined 800 branches in Vietnam.

The Philippines

We are the market leader in the Philippines with 17 per cent market share[1] by weighted new business premium, based on the latest available market data reflecting the core strength of our leading agency force. With our young and digitally empowered agency force, we have one of the largest agency forces in the country. Competition for quality agents is strong and we have taken steps to retain talent. We continue to offer a wide range of products to meet our customers' savings and protection needs. New business profit in 2023 delivered double-digit growth, despite a marginal (2) per cent decline in APE sales reflecting a favourable impact from product mix and economic tailwinds. We will continue to strengthen our distribution network through onboarding and nurturing high-quality agents, equipped by digital capabilities, as well as continue to enhance customer experiences through offering comprehensive solutions and seamless customer experiences.

India

Our associate business in India, ICICI Prudential Life, successfully accomplished its objective to double its 2019 new business profit by 2023 through its '4P' strategic framework for Premium growth, Protection focus, Persistency improvement and Productivity enhancement.

New business profit was up 2 per cent with the uplift from APE sales growth being offset by adverse economics and a greater proportion of savings products being sold in the year.

APE sales for ICICI Prudential Life grew by 10 per cent, with a well-diversified distribution network enabling the company to reach a wider cross-section of customers to drive growth. The diverse distribution network comprises more than 200,000 agents including the addition of 40,000 new agents in 2023 and 42 bank partnerships with access to more than 20,000 bank branches.

To enhance distribution capabilities, ICICI Prudential has introduced 'ICICI Pru Stack' a set of platform capabilities encompassing digital tools and analytical abilities. This provides distribution partners with greater information on customers and their needs, and has enabled simplification of the buying journey, with approximately 40 per cent of long-term savings policies now issued on the same day as the purchase process starts.

ICICI Prudential Life, of which we hold 22 per cent, is amongst the top-four private life insurance companies in India and is listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in India.

Taiwan

Taiwan is the fifth-largest life insurance market in Asia[4], with a population of 24 million. Prudential is a leading insurance company in Taiwan among foreign players with an overall APE market share of 8 per cent in 2023, 3 percentage points higher than 2022. It also delivered the highest year-on-year growth rate in the industry during 2023.

Our business in Taiwan provides solutions for long-term savings and protection to our target market segments. Families remains a key customer segment for Prudential Taiwan with 31,000 new customers acquired from this segment (an increase in the year of 104 per cent).

In Taiwan we saw 86 per cent APE sales growth in 2023, supported by a diversified channel mix in bancassurance and brokerage channels, with strong local bank partners performance as supported by key products campaign and initiatives. Our newly nurtured bank partners delivered over double-digit APE sales growth compared to last year, and contributed to 34 per cent of APE sales in 2023. The sales performance was attributable to our offering of tailored solutions to fulfil specific customer needs across saving, protection and medical needs in different life stages with different currencies. New business profit rose, driven by this increase in APE sales as well as favourable product mix changes. The business is focused on further improving margins.

Africa

Despite macro-economic uncertainties and in particular higher inflation, APE sales for Africa grew by 26 per cent in 2023, with double-digit growth in both agency and bancassurance sales. Six out of the eight markets delivered double-digit growth in the new business profit in the year. This resulted from an improved channel and product mix, alongside the growth in APE sales, which led to 33 per cent increase in new business profit.

In Africa, Prudential has an established agency force with over 300 agents who qualified for Million Dollar Round Table membership. In addition, Prudential Africa has added 13 additional bank partners in the year, given us access to over 1,700 bank branches in total.

We will continue to focus our investment and capital on those markets which are large and in which we see the long-term attractive returns.

Eastspring

	Actual exchange rate			Constant exchange rate	
	2023	2022	Change	2022	Change
Total funds under management ($bn)	**237.1**	221.4	7%	222.2	7%
Adjusted operating profit ($m)	**280**	260	8%	255	10%
Fee margin based on operating income (bps)	**31**	29	2bps	28	3bps
Cost/income ratio (%)	**53**	55	2ppts	55	2ppts
IFRS profit after tax ($m)	**254**	234	9%	230	10%

Eastspring is the asset management arm of the Group. Its funds under management or advice (referred collectively as funds under management or FUM) of $237.1 billion includes $38.5 billion that represents our 49 per cent share in funds managed by ICICI Prudential Asset Management Company (IPAMC) in India and $9.7 billion that represents our 49 per cent share in funds managed by CITIC-Prudential Fund Management Company Limited (CPFMC) in China. Eastspring has $141.0 billion of funds under management on behalf of the Prudential Group.

Investment performance

Eastspring's investment performance saw 44 per cent of FUM outperforming their benchmarks over the past year (2022: 59 per cent) and 50 per cent of FUM outperforming their benchmarks over the past three years (2022: 39 per cent). Whilst, there was a decline in one-year outperformance when compared to 2022 mainly driven by underperformance in three multi-asset portfolios, the Singapore-based Value Equity teams continued their substantial outperformance. Both the Growth Equities and Active Quantitative strategies also posted positive aggregate returns across one and three years. The Singapore-based Fixed Income team was also able to turnaround the underperformance experienced in 2022, with 90 per cent of FUM outperforming their benchmarks in 2023. We continued to upgrade our investment and risk management platform for multi-asset strategies and investment performance improved in the fourth quarter of 2023 compared to the prior quarter.

Eastspring also continued to develop its investment platform and capabilities through a series of strategic hires, notably in portfolio risk management and fixed income, and through investment process enhancements across the various teams. Further work was progressed in integrating Eastspring's investment performance for wholly-owned businesses and aligning common investment practices, including research.

Eastspring continued to be recognised for its achievements, being named Best Emerging Markets Equity Manager by Citywire Asia Asset Management Awards for the second consecutive year and Best Value Investing Manager regionally by Asia Asset Management.

Broadening distribution capabilities

Eastspring's strategy is anchored on understanding its clients and delivering strong capabilities and products for their bespoke needs. In 2023, Eastspring continued to extend and deepen its relationships with third-party clients and Prudential Life Companies which has generated positive net inflows.

Eastspring continued to build retail partnerships with distributors and banks. Notably in Japan, the firm expanded its partnerships to more than 120 retail distributors and converged 22,800 attendees through 274 workshops and client seminars.

Across the institutional business, the firm has seen success in its international markets of the Americas, Europe, Taiwan and Thailand.

Accelerating responsible investing

Eastspring's commitment to responsible investing is embedded across its business.

Across its markets, Eastspring is focused on driving sustainable solutions on three fronts. First, Eastspring extended its engagement programme beyond climate change to include themes of palm oil, unsustainable timber, and modern slavery. Second, the firm enhanced its ESG data analytics to support investment activities via the creation of a proprietary ESG assessment visualiser and enhanced client reporting tools for climate risk, UN Sustainable Development Goal alignment and Scope 3 carbon emissions. Third, the firm published its first Responsible Investment Report and improved its United Nations Principles for Responsible Investment (UNPRI) assessment.

Open-architecture technology platform

Eastspring has embarked on a multi-year firm-wide transformation journey to modernise its business. This includes upgrading its operating model for robustness and scalability, as well as enhancing its control environment.

Through HERA, Eastspring's proprietary cloud-native Data & AI platform, Eastspring is making good progress in its ambition to become a data-driven organisation. Eastspring is already seeing benefits from its early efforts in the form of an automated Finance 'data-mart' for end to end reporting, optimising insights across markets, and building robust data for monitoring and regulatory purposes. The platform has also powered climate insights for our portfolio and strengthened real-time risk management through its investment risk insights.

Joint venture growth initiatives

In India, IPAMC strengthened its distribution capabilities, servicing a direct client base spread across 300 cities in India. This resulted a 17 per cent increase in IPAMC's client base to over 9 million; of which around 33 per cent were direct clients. In addition, IPAMC broadened its product suite into the alternatives segment focused on private equity and private credit, and raised $324 million (100 per cent shareholding basis). Reflecting net inflows coupled with a favourable equity market performance, FUM for IPAMC grew by 28 per cent (on actual exchange rate basis).

In China, CPFMC is looking to broaden its product suite with new fixed income and quantitative products. CPFMC also strengthened its distribution capabilities with 14 new partnerships, comprising of 10 bank wealth management companies and 4 securities firms. The depth of our partnership, including the e-commerce platforms has generated strong net inflows, primarily from money market funds supporting a 8 per cent increase (on actual exchange rate basis) in FUM for CPFMC, despite the challenging economic environment.

Financial performance

	Actual exchange rate			Constant exchange rate	
	2023	2022	Change	2022	Change
	$m*	$m*	%	$m*	%
External funds under management ($bn)	**94.2**	81.9	15	81.3	16
Funds managed on behalf of M&G plc ($bn)	**1.9**	9.3	(80)	9.4	(80)
External funds under management ($bn)	**96.1**	91.2	5	90.7	6
Internal funds under management ($bn)	**110.0**	104.1	6	104.9	5
Internal funds under advice ($bn)	**31.0**	26.1	19	26.6	17
Total internal funds under management or advice ($bn)	**141.0**	130.2	8	131.5	7
Total funds under management or advice ($bn)	**237.1**	221.4	7	222.2	7
Total external net flows†	**4,054**	(1,586)	n/a	(1,538)	n/a
Analysis of adjusted operating profit					
Retail operating income‡	**353**	319	11	311	14
Institutional operating income‡	**347**	341	2	342	1
Operating income before performance-related fees	**700**	660	6	653	7
Performance-related fees	**(2)**	1	n/a	1	n/a
Operating income (net of commission)	**698**	661	6	654	7
Operating expense	**(372)**	(360)	(3)	(359)	(4)
Group's share of tax on joint ventures' adjusted operating profit	**(46)**	(41)	(12)	(40)	(15)
Adjusted operating profit	**280**	260	8	255	10
Adjusted operating profit after tax	**254**	234	9	230	10
Average funds managed by Eastspring	**225.9**	229.4	(2)	229.9	(2)
Fee margin based on operating income	**31bps**	29bps	2bps	28bps	3bps
Cost/income ratio	**53%**	55%	2ppts	55%	2ppts

* Unless otherwise stated.
† Excluding funds managed on behalf of M&G plc.
‡ During the year Eastspring has reclassified its funds under management, and associated income, between retail and institutional categories. Amounts are now classified as retail or institutional based on whether the owner of the holding is a retail or institutional investor. Under the previous basis amounts were classified based on the nature of the investment vehicle in which the amounts were invested. The revised classification presents the funds held by each client type on a more consistent basis, which aligns with typical differences in fee rate basis for each client type. Prior period figures are restated accordingly.

Eastspring's total funds under management and advice (FUM) increased by 7 per cent to $237.1 billion (31 December 2022: $221.4 billion on actual exchange rate), reflecting favourable market movements, and net inflows from third parties (excluding M&G plc) and the Group's life business. In 2023, there was a shift in overall asset mix from bonds to equity and multi-assets funds, while the overall assets remain well diversified across both clients and asset classes.

Third party net inflows (excluding money market funds and funds managed on behalf of M&G plc) were $4.1 billion (2022: net outflows of $(1.5) billion) reflecting inflows into higher margin retail funds. This was more than offset by net outflows of $(7.6) billion (2022: $(0.8) billion) from the expected redemption of funds managed on behalf of M&G plc, with further net outflows of about $(0.6) billion expected in 2024. In addition, net inflows from Prudential's life business were $2.3 billion (2022: $8.0 billion).

The average FUM decreased by (2) per cent compared to 7 per cent increase in closing FUM, largely reflecting the adverse market movements in 2022. Eastspring's adjusted operating profit increased by 10 per cent to $280 million, reflecting a circa $20 million net investment gain, reported within operating income before performance-related fees (as compared with a net investment loss of circa $10 million in the prior year) on shareholders' investments including seed capital. Excluding the gains and losses on shareholders' investments from both periods, operating profit was (2) per cent lower, consistent with the decline in average FUM. There was an improvement in the fee margin and cost/income ratio, reflecting the higher mix from retail equity funds and the investment gains as noted above.

Notes

(1) As reported at full year 2023 unless otherwise specified. Sources include formal (eg competitors results release, local regulators and insurance association) and informal (industry exchange) market share. Ranking based on new business (APE sales, weighted new business premium, full year premium or weighted first year premium) or Gross Written Premium depending on availability of data. Rankings in the case of Chinese Mainland, Taiwan and Myanmar are among foreign insurers, and for India is among private companies. Countries based on nine months ended September 2023: Hong Kong, Philippines, Ghana (Africa) and Kenya (Africa) and full year 2022: Laos, Zambia (Africa) and Togo (Africa) and full year 2020: Nigeria (Africa).
(2) Across Hong Kong, Macau and the Chinese Mainland.
(3) Source: The Guangdong-Hong Kong-Macao Greater Bay Area Development Office.
(4) Source: Swiss Re Institute

Thoughtful risk management through advocating the interests of our people, customers, regulators and shareholders

1 Introduction

Prudential's Group Risk Framework, risk appetite and robust governance have enabled the business to manage and control its risk exposure throughout market volatility and uncertainty in 2023 to support the Group's strategy of delivering sustainable value for all our stakeholders. As Prudential focuses on executing its new strategy across Asia and Africa, the Group-wide Risk, Compliance and Security (RCS) function has continued to provide risk advice, recommendations and assurance, as well as engage 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 with the goal of ensuring that the Group remains within its approved risk appetite. The Group effectively leverages 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 under the complex operating environment, and reflective of opportunities, customer issues and needs, and local customs. Prudential will continue to take a holistic and coordinated approach in managing the increasingly dynamic, multifaceted and often interconnected risks facing its businesses.

Below we explain how we manage risk, including through our risk governance framework and processes. We then describe the principal risks the Group faces, including how each principal risk is managed and mitigated, followed by a detailed description of the specific risk factors that may affect our business, the Group and our stakeholders.

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 within the risk appetite, while the 'second line' provides additional independent challenge, expertise and oversight to support risk and compliance management. 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 regularly reviews the Group Risk Framework and supporting policies, including to ensure sustainability considerations, which form an integral part of the wider Group governance, 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 and compliance policies that have been established to enable business decision-making with respect to control activities and risk-related matters. The Group Risk Committee (GRC) leads the risk governance structure, supported by independent Non-executive Directors on the risk committees of the Group's major businesses. The GRC approves changes to the Group Risk Framework and the core risk and compliance policies that support it, and 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 GRC meetings on a rotational basis.

Risk culture is a strategic priority of the Board, which recognises its importance in the way the Group conducts business. A revised set of fundamental values was rolled out across the Group in 2023, referred to as 'The PruWay', that serves as the Group's guiding principles to ethical and authentic conduct. These values apply equally to all members of Prudential and its affiliates. The Responsibility & Sustainability Working Group (RSWG) supports its responsibilities in relation to implementation of sound culture considerations in the ways we operate, as well as embedding the Group's Sustainability Strategy and overseeing progress on customer, culture, people and community matters. The PruWay defines how Prudential expects business to be conducted to achieve its strategic objectives, to build a culture of trust and transparency that allows our people to thrive, and to deliver sustainable value for all our stakeholders: customers, employees, shareholders and the communities in which we operate.

The Group Risk Framework and underlying policies 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 by: the inclusion of risk and sustainability considerations in performance management and remuneration for key executives; the building of appropriate skills and capabilities in risk management; and ensuring that employees understand and care about their role in managing risk through open discussions, collaboration and engagement. The GRC 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 Conduct and Group Governance Manual, supported by the Group's risk-related policies, are reviewed regularly. A revised Group Code of Conduct (the Code) was launched in November 2023 to further enhance risk culture and awareness underpinning operational and financial discipline. The Code lays down the principles and guidelines that outline the ethical standards and responsibilities of the organisation and our people. Supporting policies include those related to financial crime, covering anti-money laundering, sanctions, anti-bribery and corruption, conduct, conflicts of interest, confidential and proprietary information and securities dealing. The Group's Third-Party Supply and Outsourcing Policy requires that human rights and modern slavery considerations are embedded in material supplier arrangements. Procedures to allow individuals to speak out safely and anonymously against unethical behaviours and conduct violations are also in place.

Further details on the Group's sustainability governance arrangements and strategic framework are included in the Group's 2023 Sustainability Report.

ii. The risk management cycle

The Group Own Risk and Solvency Assessment (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 that also includes climate scenarios.

Risk identification

The Group identifies principal risks in accordance with provision 28 of the UK Corporate Governance Code and the Group-wide Supervision (GWS) guidelines issued by the HKIA. The Group performs a robust assessment and analysis of principal and emerging risk themes through the risk identification process, the Group 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. Top-down and bottom-up processes are in place to support Group-wide identification of principal risks. The Group's principal risks, which are reported and managed by the Group with enhanced focus, are reviewed and updated on a regular basis.

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's emerging risk identification process recognises the dynamic materiality of emerging risk themes, whereby the topics and the associated risks that are important to the Group and its respective key stakeholders can change over time, often very quickly. This is often seen for sustainability (including environmental, social and governance (ESG) and climate-related) risks, which impact the Group's reputation given evolving stakeholder expectations.

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 and assessment of management actions which could be taken to conserve and aid stakeholder value creation.

Risk measurement and assessment

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) with robust processes and controls on model changes. The GIECA model and results are subject to independent validation.

Risk management and control

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, not absolute, assurance against material misstatement or loss. The Group's risk policies define the Group's appetite for material risks and set out the risk management and control requirements to limit exposure. 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. Stress and scenario testing is also in place to assess the robustness of capital adequacy and liquidity and the appropriateness of risk limits, as well as to support recovery planning. This includes reverse stress testing which 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 methods and risk management tools employed to mitigate each of the Group's principal risks are detailed in section 3 below.

Risk monitoring and reporting

The Group's principal risks are highlighted in the management information received by the GRC 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 aims to balance the interests of the broad spectrum of its stakeholders (including customers, investors, employees, communities and key business partners) and understands that a well-managed acceptance of risk lies at the heart of its business. The Group generates 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 GRC 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 GRC, 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.

1. **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 and regulatory capital requirements, achieves its desired target credit rating to meet its business objectives, and the need for supervisory intervention is avoided. The two measures in use at the Group level are the GWS and GIECA capital requirements.

2. **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.

3. **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, accounts for 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 inevitably requires the acceptance of certain risks. The materialisation of any 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 fulfillment of commitments to customers and other stakeholders, with an adverse impact on Prudential's brand and reputation.

This section provides a high-level overview of the principal risks faced by the Group including the key tools used to manage and mitigate each risk. A detailed description of these and other risks is presented under the heading 'Risk factors', below. The Group's 2023 Sustainability Report includes further detail on the sustainability (including ESG and climate-related) risks which contribute to the materiality of the Group's principal risks detailed below.

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

The global economic and geopolitical environment may impact 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

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 in 2023, core inflation has remained well above central bank targets and central banks may need to maintain tight monetary policies to rein in inflation, which could exert downward pressures on growth. In the major emerging markets, inflation has generally been less severe and monetary policies have been less restrictive. However, this environment of relatively high global interest rates presents a meaningful recession risk and 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. Challenges in the US and EU banking sector increased risk in the US commercial real estate sector. The weak growth and concerns around the Chinese Mainland property sector not only put a toll on the Chinese Mainland economy and place downward pressure on China interest rate, but could also weigh on the broader Asian region and the global economy's vitality going forward. A number of issuers within the Chinese Mainland property sector and the US commercial real estate sector experienced a reduction in financial strength and flexibility of corporate entities in 2023, although the overall impact to the Group's invested credit portfolio was immaterial due to our diversified investment strategy. The serviceability of sovereign debt also posed some concerns in certain economies (particularly the high indebtedness across countries in Africa, such as the sovereign debt restructuring in Ghana).

Geopolitical tensions between Russia and Ukraine, Israel and Gaza, as well as the Chinese Mainland and countries such as the United States and India, continued to contribute to the slow and/or negative global or regional economic growth in 2023. These conflicts may lead to further realignment among blocs or global polarisation and decoupling.

Macroeconomic and geopolitical developments are considered material to the Group and can potentially increase operational and business disruption (including sanctions) and 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 sections 1.1 and 1.2 of the Risk factors.

Risk description	Risk management
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 is 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 as well as potential impact on customers from an affordability perspective. Medical inflation risk as well as 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; – The Group Capital and Asset Liability Management (ALM) Committee and Group ALM Policy; – 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 and swaps, 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. High interest rates, driven by sustained inflationary pressures, 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 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, Singapore and CPL's 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.	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. The Group'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. When asset and liability 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.

Risk description	Risk management
Market risks to our investments continued	
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 businesses' investment portfolios, which include equities. 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.	The Group has limited acceptance for exposures to equity risk from non-participating products if it is not rewarded for taking the equity risk. The Group accepts equity exposure that arises from future fees (including shareholder transfers from the participating businesses) but limits its exposure to policyholder guarantees by hedging against equity movements and guarantees where it is considered economically optimal to do so. Where equity risk is accepted, it is explicitly defined by the strategic asset allocation, as well as monitored and managed through local risk and ALM committees. Overall exposure to equity risk from the participating businesses is also managed through Group risk limits consistent with the Group's appetite for equity risk.
Foreign exchange risk The geographical diversity of Prudential's businesses means that it is exposed 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 further detailed in section 1.6 of the Risk factors.	The Group accepts the currency risk that emerges from profits retained locally to support the growth of the Group's business and the translation risks from capital being held in the local currency of the business to meet local regulatory and market requirements. However, in cases where a surplus arising in an overseas operation supports Group capital or shareholders' interest (ie remittances), this exposure is hedged if it is economically optimal to do so. The Group does not accept significant shareholder exposures to foreign exchange risks in currencies outside the local territory. Foreign exchange risk is managed by the Group Capital and ALM Committee through the implementation of asset allocation on funds which captures the exposure to non-local-denominated assets.
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 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.	The Group 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 $1.6 billion of undrawn committed facilities that can be made use of, expiring in 2029. 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; – 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; – The Group's Collateral Management Framework; – 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.

Risk Description	Risk management

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 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 total debt securities at 31 December 2023 held by the Group's operations were $83.1 billion (31 December 2022: $77.0 billion). The majority (83 per cent, 31 December 2022: 84 per cent) of the portfolio are investments either held in unit-linked funds or that 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 17 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 55 per cent or $7.8 billion[3] of the total shareholder debt portfolio as at 31 December 2023 (31 December 2022: 41 per cent or $4.9 billion). The particular risks associated with holding sovereign debt are detailed further in the disclosures in the Risk factors. The total exposures held by the Group in sovereign debt securities at 31 December 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 $5.4 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, considered to be a material risk for the Group, as well as being important for the hedging and other activities undertaken to manage its various financial risks.

At 31 December 2023:

- 94 per cent of the Group's shareholder portfolio (excluding all government and government-related debt) is investment grade rated[4]. In particular, 59 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 13 per cent of the total portfolio (excluding the financial and sovereign sectors).

The Group's holdings across its life portfolios are mostly in local currency and with a largely domestic investor base. 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 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, the ongoing downsizing of 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 closely monitored trends 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, particularly in local markets where depth (and therefore the liquidity of such investments) may be low. The Group has appetite to accept 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. This risk is further detailed in sections 1.4 and 1.5 of the Risk factors.

The Group actively reviews its investment portfolio to improve the robustness and resilience of the solvency position. A number of risk management tools are used to manage and mitigate credit and counterparty credit risk, including the following:

- The Group Credit Risk Policy and the Group Dealing Controls Policy;
- The Global Counterparty Limit 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; and
- The Group Executive Risk Committee and Group Investment Committee's oversight of credit and counterparty credit risk and sector and/or name-specific reviews.

Exposure to the banking 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.

Risk description	Risk management
The Group's sustainability (including ESG and climate-related) risks	
These include sustainability risks associated with environmental considerations such as climate change (including physical and transition risks), societal risks arising from diverse stakeholder commitments and expectations and governance-related risks.	
Material and emerging risks associated with key sustainability themes may undermine the long-term success of a business by adversely impacting its reputation and brand, and ability to attract and retain customers, investors, employees and distribution and other business partners, and therefore the results of its operations and delivery of its strategy and long-term financial success. The Group's sustainability strategy is centered on three key pillars (providing simple and accessible health and financial protection, investing responsibly and creating a sustainable business), each of which increases the expectations of the Group's stakeholders with regards to the Group's potential external environmental and social impact. Sustainability risks arise from the activities that support implementation of the Group's strategy, which include developing sustainable and inclusive offerings, continuing to decarbonise the Group's investment portfolio in a science-informed approach to facilitate becoming a net zero asset owner by 2050 whilst financing a just and inclusive transition, and advancing the diversity, equity and inclusion and belonging strategy to empower existing employees. Potential regulatory compliance and litigation risks exist globally and across Asia, as sustainability-related topics remain high on the agenda of both local regulators and international supervisory bodies, including the International Association of Insurance Supervisors (IAIS) and the International Sustainability Standards Board (ISSB), which published its inaugural sustainability and climate-related disclosure requirements in June 2023. Delivery of the Group's Sustainability Strategy, including the decarbonisation commitments and the development of sustainable and inclusive offerings, heightens the risk of accusations of misleading or unsubstantiated representations to the extent of the environmental or societal impact of the Group's activities and the sustainability features of new products (eg greenwashing), which subsequently increases the risk of potential litigation or reputational damage. Further details of the Group's sustainability-related risks and regulations are included in sections 2.1 and 4.1 of the Risk factors.	As custodians of stakeholder value for the long term, the Group seeks to manage sustainability risks and their potential impact on its business and stakeholders through transparent and consistent implementation of its strategy in its markets and across operational, underwriting and investment activities. It is enabled by strong internal governance, sound business practices and a responsible investment approach, with sustainability-related considerations integrated into investment processes and decisions and the performance of fiduciary and stewardship duties, including via 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, remain a priority focus for the GRC for 2024. Further information on the Group's sustainability governance and strategy, as well as the management of material sustainability themes, is included in the Group's 2023 Sustainability Report. The Group participates in networks, 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 risks and promoting a just and inclusive transition. The Group also actively engages with, and responds to, discussions, consultations and information-gathering exercises with local regulators, international supervisory bodies and global industry standard setters. The Group Risk Framework continues to be critically evaluated and updated where required to ensure both sustainability-related considerations and risks to the Group, including those arising from stakeholder expectations of the external impact of the Group's activities, are appropriately captured. Risk management and mitigation of sustainability risks are embedded within the Group Risk Framework and risk processes, including: – Consideration within the emerging risk identification and evaluation processes that emerging sustainability themes and the associated risks can potentially quickly change from immaterial to material (dynamic-materiality); – Reflection in the risk taxonomy that the Group can be both impacted by sustainability issues as well as having an impact on these in the external world ('double materiality'); – The addition of 'social and environmental responsibility' as a strategic risk within the risk taxonomy to consider the potential risks arising from the external impact of the Group's activities; – Workshops and function-wide training on specific risk themes, including sustainability risk principles, greenwashing risk and the risks associated with delivery of the Group's external responsible investment commitments; – 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; and – Deep dives into emerging and increasingly material sustainability themes, including climate-related risks, and development of Board-level and broader Group-wide training.

Risk description	Risk management

Risks from the nature of our business and our industry

These include the Group's non-financial risks including operations processes, change management, information security, IT infrastructure and data privacy, as well as customer conduct, legal and regulatory compliance risks. Insurance risks and business concentration risks are also assumed by the Group in providing its products. Furthermore, there are risks associated with the oversight of the Group's joint ventures and associates stemming from our operation in certain markets.

Non-financial risks

Risk description	Risk management
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. The Group's non-financial risks, which are not exhaustive and discussed further in section 3 of the Risk factors, are outlined below.	Alongside the Non-Financial Risk Appetite Framework, other risk policies and standards are in place that individually engage with specific non-financial risks, including operations processes, change management, third-party and outsourcing management, business continuity, fraud, financial crime as well as information security, IT infrastructure and data privacy. These policies and standards include subject matter expert-led processes that are designed to identify, assess, manage and control non-financial risks, including: – Reviews of key non-financial risks and challenges within Group and business units' 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; – Regular updating and risk-based testing of disaster recovery plans and the Critical Incident Procedure process; – Established processes to deliver the highest quality of service to fulfil customers' needs and expectations; and – Active engagement in and monitoring of regulatory developments.
Operations processes risk Operations processes risk is the risk of failure to adequately or accurately process different types of operational transactions, including customer servicing and asset and investment management operations. Due to human error, among other reasons, operations and process control incidents do occur from time to time and no system or process can entirely prevent occurrence.	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. Further detail on the risks to the Group arising from system issues or control gaps is included in sections 3.1 and 3.3 in the Risk factors.
Change management risk Change management risk remains a material risk for Prudential, with a number of significant change programmes under way which, if not delivered and executed effectively with adequate and capable resources to defined timelines, scope and cost, may negatively impact its operational capability, control environment, employees, reputation and ability to deliver its strategy and maintain market competitiveness. The current portfolio of transformation and significant change programmes includes (i) the implementation and embedding of large-scale regulatory/industry changes; (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 section 3.1 of the Risk factors.	The Group 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 the Group's existing risk policies and frameworks with the aim to ensure appropriate governance and controls are in place to mitigate these risks. The Group also enhanced its governance framework in 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. In addition, Prudential is continuously enhancing strategic capabilities through internal talent development and talent acquisition. Developing an engaged workforce that provides adequate resources for our people to manage change, connect, grow and succeed is one of the priorities for the company.

Risk description	Risk management
Non-financial risks continued	
Third-party and outsourcing management risk 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, with both market counterparties and outsourcing partners, including distribution, technology and ecosystem providers. The Group maintains material strategic partnerships and bancassurance arrangements, which create a reliance on the operational resilience and performance of outsourcing and business partners. This risk is explored in more depth in section 3.3 of the Risk factors.	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. In addition, the Group Third-Party Risk Oversight Framework is in place to set out the Group's third-party risk management and oversight standards that guide the Group senior management and RCS function to oversee, challenge and manage the Group's third-party risk profile in a consistent and coherent way.
Model risk Model risk is the risk of adverse financial, regulatory, operational, or reputational impact, or misinformed business and strategic decision-making resulting from reliance on a model or user-developed application (UDA) that is inaccurate, incorrect or misused. 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. Technological developments, in particular in the field of artificial intelligence (AI) and the increased use of generative AI, pose new considerations on model risk oversight provided under the Group Risk Framework.	The Group has no appetite for model or UDA related incidents leading to regulatory breaches. There is limited appetite for failures to develop, implement and monitor appropriate risk mitigation measures to manage model and UDA risk. The Group's model and UDA risk is managed and mitigated via the Model and UDA Risk Framework which applies a risk-based approach to tools (including those under development) with the aim to ensure a proportionate level of risk management. The framework requirements include: – Set of risk oversight, management and governance requirements; – Regular risk assessment requirements of all tools taking into account potential impact on various stakeholders, including policyholders; and – Regular independent validation (including limitations, known errors and approximations) of all Group critical tools. An oversight forum for the use of AI and ensuring compliance with the key ethical principles is also 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 and analytics-led tooling are 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 undertakes 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.

Risk description	Risk management
Non-financial risks continued	
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 improper benefits). Further detail on the risks to the Group associated with operating in high-risk markets is included in section 3.6 of the Risk factors.	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. Screening and transaction monitoring systems are 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 the Group's financial crime policies are performed as part of the Group's business acquisition process.
Information security, IT infrastructure and data privacy risks 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 remain prevalent, particularly as the accessibility of attacking tools available to potential adversaries increases. Regulatory developments in cyber security and data protection are progressing worldwide and may increase the complexity of requirements and obligations required for companies. Further detail on the risks to the Group associated with operating in high-risk markets is included in sections 3.4 and 3.5 of the Risk factors.	The Group adheres to data minimisation and 'privacy-by-design' principles, where data is only collected and used for its intended purpose and is not retained longer than necessary. The handling of customers' data is governed by specific policies and frameworks, such as the Group Information Security Policy, the Group Privacy Policy and the Group Data Policy, to ensure compliance with all applicable laws and regulations, and the ethical use of customer data. Despite the rise in ransomware activity due to the availability of ransomware exploit toolkits and Ransomware-as-a-Service (RaaS) for threat actors, the Group has a number of defences in place to protect its systems from cyber security attacks. Prudential has adopted a holistic risk management approach which is designed to prevent and disrupt potential attacks against the Group as well as third-party partner systems and to manage the recovery process should an attack take place. Other defences include, but are not limited to: (i) distributed denial of services (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 cyber attack simulation exercises have been carried out to enhance preparedness. The Group has also established various processes to ensure the effectiveness of information security and privacy mechanisms deployed, which include setting up a dedicated ethical hacking team to perform testing on the Group's systems to identify potential vulnerabilities, engaging external consultants to perform penetration testing on our systems, and engaging external consultants to perform independent assessments on both security operations centre and the information and privacy function as a whole to further improve the efficiency of the functions. A private Bug Bounty Programme has also been established to provide a mechanism for invited external security practitioners to report security issues and vulnerabilities. This is further supported by a Vulnerability Disclosure Programme that allows independent security researchers to report security issues and vulnerabilities via the Prudential websites. The Group has subscribed to services from independent security consultants to continuously monitor our external security posture. 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 2023, among many companies around the world, the Group's businesses in Malaysia were affected by the global MOVEit data-theft attack, where a zero-day vulnerability was exploited at MOVEit, a software solution providing secured file transfer services, with infringements to data security, integrity and privacy. As a result, this incident directly impacted the Group's reputation and compliance with

Non-financial risks continued

Risk description	Risk management
Information security, IT infrastructure and data privacy risks continued	regulatory and data privacy requirements. Following the threats, various actions have been taken, including isolating the affected server, a thorough investigation, and customer and authority notifications. Potential enhancements have been identified from the review and specific actions have been implemented to address these. Apart from this event, the Group did not experience any cyber security and data breaches with a material impact on its business strategy, operations or financial condition in 2023. In addition, the Group is proactively monitoring possible advanced social engineering attacks related to corporate activities, for example, deepfakes, the use of AI-generated synthetic medium to imitate senior executives to conduct fraudulent activities. The Group is taking steps to mitigate such attacks, pragmatic measures include raising regular cyber security awareness, implementing robust preventative and detective controls, and having a well-defined incident response plan as part of a wider cyber resilience strategy. The Group Infrastructure Policy was revamped in 2023 to ensure comprehensive governance and assurance of our technology components. A new enterprise operating model was designed based on an innovation-led technology operations structure, mature internal capabilities, and an aligned outsourcing model. Furthermore, businesses remained focused on digital ecosystems for strategic growth in 2023. A resiliency enhancement programme has been put in place to enhance capabilities in managing disruptions or failures on system platforms serving our customers. This includes implementing robust measures such as identifying and removing single-points-of-failure (SPOF) infrastructure, disaster recovery plans, and backup systems. Alongside continuous technology development, the Group's Technology Risk Management function is primarily responsible for technology risk identification, assessment, mitigation, monitoring and reporting across different technology domains to provide advisory, assurance and operations support for holistic technology risk management including information security and privacy. Specifically, key risk indicators have been enhanced to cover key technology risk areas, annual risk assessment is conducted to identify specific risks, priorities and focus areas, and deep-dive reviews are conducted on different technology domains to provide assurance of controls to manage technology risks. In addition, the Group Technology Risk Committee is a sub-committee of the Group Executive Risk Committee, which oversees the effectiveness of technology risk management including information security and privacy across the Group. Work was undertaken in 2023 to further enhance the maturity of the 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 cyber security as part of its audit coverage. Cyber and privacy risks are reported regularly to the GRC by the Group Chief Technology Risk Officer. In addition, the GRC and Group Audit Committee receive more detailed briefings at least twice annually from the Group Chief Technology Officer. Both the Group Chief Technology Risk Officer and Group Chief Technology Officer are experienced professionals with more than 20 years of experience in information technology and cyber security. Further, the Group Executive Committee (GEC) participates in annual cyber tabletop exercises and risk workshops to ensure members are well equipped to respond to a cyber or information security incident and fully understand the latest threats and regulatory expectations.

Risk description	Risk management
Non-financial risks continued	
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 is met. The Group's Customer Conduct Risk Framework reflects management's focus on customer outcomes. Factors that may increase conduct risk 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.	The Group has developed a Group Customer Conduct Risk Policy which sets out five customer conduct standards that the business is expected to meet, being: – Treat customers fairly, honestly and with integrity; – Provide and promote products and services that meet customer needs, are clearly explained and that deliver real value; – Manage customer information appropriately, and maintain the confidentiality of customer information; – Provide and promote high standards of customer service; and – Act fairly and promptly to address customer complaints and any errors found. Conduct risk is managed 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 the Group's conduct risk is key to the Group's strategy. Prudential's conduct risks are managed and mitigated using the following, among other tools: – The Group's Code of 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 programme; – 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 use of 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.
Legal and regulatory compliance risk 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 the business 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. In certain jurisdictions in which Prudential operates there are several ongoing policy initiatives and regulatory developments which will impact the way Prudential is supervised. Further information on specific areas of regulatory and supervisory focus and changes are included in section 4 of the Risk factors.	Regulatory developments are 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. Risk management and mitigation of regulatory risk at Prudential includes a comprehensive set of compliance and financial crime operating arrangements, such as policies, procedures, reporting protocols, risk management measures, disclosures and training, to ensure ongoing compliance with regulatory and legal obligations. Appropriate controls or tools have been systematically integrated into the daily operations of Prudential: – Close monitoring and assessment of our business controls and regulatory landscape, with explicit compliance consideration of risk themes in strategic decisions and cross-border activities including payments; – Ongoing engagement with national regulators, government policy teams and international standard setters; and – Compliance oversight to ensure adherence to new regulatory developments, including those associated with greenwashing risk.

Risk description	Risk management
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 behavior are detailed in section 3.7 of the 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. Inflationary and other economic pressures have also impacted morbidity experience in several markets. Elevated interest rates may lead customers to lapse in preference for alternate saving options that offer higher levels of guarantees. 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.	Insurance risks are managed and mitigated using the following, among other methods: – The Group's Insurance Policy; – 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); – 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 and 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; and – Using product repricing and other claims management initiatives in order to mitigate morbidity and medical claims inflation 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. The cost of medical treatment could increase more than expected, resulting in higher than anticipated medical claims cost passed on to Prudential.	This risk is best managed 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.
Morbidity risk Morbidity risk is the risk of deviations in the future frequency and magnitude of non-fatal accident and sickness claims relative to initial assumptions that are adverse to shareholder value. It can be influenced by a range of factors including: inflationary, economic and other pressures on the cost of medical treatment; medical advances which can reduce the incidence and improve recovery rates of serious health conditions but can also increase diagnosis rates and/or increase treatment costs of certain conditions; government and regulatory policies; opportunistic activities (including fraud); and natural events (including pandemics). Morbidity risk can also result from: product design features that incentivise adverse policyholder behaviour; inappropriate or insufficiently informed initial assumptions; claims volatility due to random fluctuation or a large-scale systemic event; insufficient recognition of an individual's medical; financial and/or and other relevant circumstances during the policy application assessment process; and/or ineffective claims assessments leading to payment of claims that are inconsistent with the insurance product's contract and/or best practice.	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.

Risk description	Risk management

Insurance risks continued

Persistency risk Persistency risk results from adverse changes in policy surrenders, paid-ups and other policy discontinuances. In general, lower persistency experience results in deterioration of profits and shareholder value and can be an indicator of inadequate sales quality controls, and can elevate conduct, reputational and regulatory risks. Persistency risk generally stems from misalignment between customer needs and purchased product as a result of insufficient product collaterals and/or sales process, insufficient post-sale communication and engagement with the customer leading to a deterioration of appreciation of the value of their policy, operational barriers to premium renewal payment, and/or changes in policyholder circumstances resulting from external drivers.	Persistency risk is managed by appropriate controls across the product life cycle. These include: 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.

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 levels of concentration risk. From a channel concentration perspective, some of the Group's key markets 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, the Greater China (Hong Kong, the Chinese Mainland and Taiwan) region contributes materially to the Group's top and bottom lines. Uncertainties in macroeconomic and geopolitical conditions as well as regulatory changes may elevate business concentration risk including any potential slowdown in business from Mainland Chinese visitors and in the Chinese Mainland, and adversely impact the Group's business and financial condition.	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.

Risks associated with the oversight of 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 associates. For such operations, the level of control exercisable by the Group depends on the terms of the contractual agreements between participants. Whilst the joint ventures and associates are run as separate entities, the Group's interests are best safeguarded by our ability to effectively oversee and influence these joint venture and associates in a way that is proportionate to our ownership level and control. Further information on the risks to the Group associated with its joint ventures and other shareholders and third parties are included in section 3.6 of the Risk factors.	The Group exercises primary oversight and control over joint ventures and associates through our nominated directors and other representatives on the Board and Board Committees, whose appointments are subject to regular review. The Group has effective access to management information on these businesses via the Board and Board Committees, the businesses' public disclosures, and established regular touchpoints with key business functions of these organisations (eg audit). Key updates on joint ventures and associates are provided to the Group's governance such as the Risk Committee and the Audit Committee.

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 ranking 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.

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'.

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.

Global financial markets are subject to uncertainty and volatility created by a variety of factors. Examples of these factors include: actual or expected changes in both monetary and regulatory policies 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 from geopolitical conflicts and/or global issues such as pandemics, etc.; and sector-specific, for examples in banking, real estate, etc., slowdowns or deteriorations which have the potential to have contagion impacts. Other factors include fluctuations in global commodity and energy prices, concerns over the serviceability of sovereign debt in certain economies, the increased level of geopolitical and political risk and policy-related uncertainty, socio-political and climate-driven events, etc. 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. 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 by 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 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 may result in a deterioration of the credit rating profile and valuation of the Group's invested credit portfolio (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 Prudential's counterparties (such as banks, reinsurers and counterparties to cash management and risk transfer or hedging transactions) to meet commitments, or legal, regulatory or reputational restrictions on the Group's ability to deal with these counterparties, 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 time frame, 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 could experience difficulty in doing so and could 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 if 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 3.7). 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;
- An increase in military tensions, regional hostilities or new conflicts which may disrupt business operations, investments and growth;
- Withdrawals or expulsions from existing trading blocs or agreements or financial transaction systems, or fragmentation of 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;
- Increased costs due to government mandates or regulations imposing a financial contribution to the government as a condition for doing business; 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 sanction risks driven by geopolitical conflicts as well as increased 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 subjected 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 the 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 that are different to investment in the 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 financial position, 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 important factors 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, retain current policyholders and attract new policyholders, as well as the Group's ability to compete for acquisition and strategic opportunities. Downgrades could have an adverse effect on the Group's financial flexibility, including its ability to issue commercial paper at acceptable levels and pricing, requirements to post collateral under or in connection with transactions, and ability to manage market risk exposures. 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.

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 writes policies and invests 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 (including environmental, social and governance (ESG) and climate-related) matters

2.1 The failure to understand and respond effectively to the risks associated with sustainability factors could adversely affect Prudential's achievement of its long-term strategy.

A failure to manage the material risks associated with key sustainability themes, including those detailed below, may inhibit the Group's ability to meet its sustainability-related 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 its 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 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 in some asset sectors re-price as a result of increased operating 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 versus disorderly and reactive, 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 with consideration given to 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 sustainability 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 such as increasingly frequent and severe hurricanes and wildfires, and those associated with longer-term shifts in climate patterns such as elevated temperatures and prolonged drought (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. Similarly, nature-related physical risks can impact life and health liabilities where, for example, pollution, poor water quality, waste contamination and overexploitation of the natural environment can all contribute to biodiversity degradation, which in turn can potentially pose threats to human health. 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, environmental 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 sustainability considerations within 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 subsequently 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 including ESG and climate-related regulatory and supervisory developments with potential impacts for 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 within developed markets and within the Group's markets), intensified by the recent 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, together with the actions that support 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 and biodiversity degradation, 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 potential 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 (AI) technologies. The Group is therefore exposed to an increase in technology risk, including potential unintended consequences from algorithmic bias, as well as regulatory, ethical and reputational risks associated with customer data misuse or security breaches. These risks are explained in risk factors 3.4 and 3.5 below. 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 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 risks may directly or indirectly impact Prudential's business and the achievement of its strategic focus on providing greater and more accessible health and financial protection, responsible stewardship and investment within the Group's market to support a just and inclusive transition, developing a sustainable business that delivers a positive impact on 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 Sustainability 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 matters, which may differ, both within and across stakeholder groups and 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 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 misstating 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 undertakes 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 or 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 AI, expose Prudential to potential additional regulatory, information security, privacy, operational, ethical and conduct risks. Specifically, the increasing use of AI could lead to increased scrutiny from regulators, potential bias in decision-making processes, and unforeseen vulnerabilities in information security. The ethical implications of AI use, such as data privacy and transparency in automated decisions, are also potential areas of concern. If inadequately managed, these risks 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 its 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 for analysing and interpreting such data (such as AI 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 use of AI to improve operational efficiency and enhance customer experiences), 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, misconduct, 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 if there are disruptions to its systems, operations, new business sales and renewals, distribution channels and services to customers, or could 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 AI 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 Cyber security risks, including attempts to access or disrupt Prudential's technology systems, and loss or misuse of personal data, could have potential adverse financial impacts on the Group and could result in loss of trust from Prudential's customers and employees and reputational damage, which in turn 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 targeted and untargeted but sophisticated 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 vast amount of personal and financial data held by financial services companies makes them attractive targets for cyber crime groups. The ease and accessibility of ransomware exploit toolkits and Ransomware-as-a-Service (RaaS) for threat actors contribute to the increase in ransomware activity. At the same time, 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.

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. Various policies and frameworks are in place to govern the handling of customers' data. 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 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 requires careful consideration and guardrails established to enable its safe use. Regulatory developments in cyber security and data protection continue to progress worldwide. In 2023, the momentum in focus on data privacy continued 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-layered security defences in place, there can be no assurance that such events will not take place and they may have material adverse consequential effects on Prudential's business, financial condition, results of operations and prospects.

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. 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 digital platforms are dependent and to which the Group has access, holds, analyses and processes through its models, increases data security, privacy and usage risks. Furthermore, the use of complex models, including where AI is used for critical decision-making, in an application's features and offerings may give rise to ethical, operational, conduct, litigation and reputational risks if 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 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, its ability to deliver on its long-term strategy and the financial position of the Group.

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 and sustainability (including climate-related) risks (see risk factor 2 above). 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; and 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 their governance or operation, or their 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 reprice some of its products, the frequency of repricing 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 repricing 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 the medical reimbursement downgrade experience following any repricing.

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 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 roll-outs) and non-pharmaceutical interventions, could have a material impact on the Group's claims experience.

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 of 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.

Any non-compliance with government policy and legislation, financial 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 business conduct of Prudential or its 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. Further, the impact from regulatory changes may be material to Prudential, for instance, changes may be required to its product range, distribution channels, sales and servicing practices, handling of data, competitiveness, profitability, capital requirements, risk management approaches, corporate or governance structure, financial and non-financial disclosures and reported results and financing requirements. Other changes in capital-related regulations have the potential to change the extent of sensitivity of capital to market factors, 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). 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, potentially resulting in tightened customer protection, higher capital requirements, restrictions on transactions and enhancement of supervisory powers.

In the markets in which Prudential operates, it is subject to regulatory requirements for ongoing operations as well as 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 including cross-border activities increases the complexity and volume of legal and regulatory compliance challenges. 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 and global tensions may also lead to realignment among blocs or global polarisation and decoupling, which may lead to 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 or changes are included below.

a Group-wide Supervision (GWS)

The Hong Kong Insurance Authority (Hong Kong IA) is the Group-wide supervisor for Prudential. The Hong Kong IA's Group-wide Supervision (GWS) Framework applies 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. Prudential has in place various monitoring mechanisms and controls to ensure ongoing sustainable compliance and to promote constructive engagement with the Hong Kong IA as its Group-wide supervisor.

b Global regulatory developments and systemic risk regulation

There are a number of ongoing global regulatory developments which could potentially impact Prudential's businesses in the many jurisdictions in which they operate. Mandated by the Financial Stability Board (FSB), this work includes standard setting and guidance in the areas of systemic risk (including climate-related risks) and the Insurance Capital Standard (ICS).

For the insurance sector, the International Association of Insurance Supervisors (IAIS) continues to monitor and assess systemic risk through the Holistic Framework (HF) which effectively replaced the Global Systemically Important Insurer (G-SII) designations in 2019. The FSB continues 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. Following 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 Common Framework (ComFrame), described below, as well as under the Hong Kong IA's GWS Framework. As an Internationally Active Insurance Group (IAIG), Prudential is subject to these measures.

The IAIS's ComFrame establishes quantitative and qualitative supervisory standards and guidance focusing on the effective Group-wide supervision of IAIGs. The ICS is the quantitative element of ComFrame and a consolidated capital standard in the final phase of development, coming into effect in 2025. Prudential has been designated an IAIG by the Hong Kong IA following an assessment against the established qualitative criteria in ComFrame, and will be required to either adopt ICS or demonstrate its current Group capital supervisory framework to be outcome-equivalent with ICS.

The development of ICS has been 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 US by the National Association of Insurance Commissioners; the IAIS is in the process of evaluating whether it produces comparable outcomes to the ICS.

There is a risk attached to the manner in which regulators from member jurisdictions 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 degree of uncertainty over the potential impact of such changes on the Group.

c Regional regulatory regime developments

In 2023, regulators in the markets in which we operate continued to focus on the financial resilience of the insurance industry (including to address issues of solvency and rising interest rates), the protection of customers in relation to product and service performances and operational soundness with appropriate governance and controls. New regulations and guidelines were issued in several markets whereby the industry is required to assess, monitor and manage non-financial and financial risks, including insurance risk, capital and solvency. Business conduct and consumer protection remain the key priorities for regulators in Asia, with emphases on product design, remuneration structure, marketing literature, sales and servicing practices, and various operational processes including specifically for investment management and oversight of third parties and technology vendors.

Major regulatory changes and reforms are in progress in some of the Group's key markets, 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, potentially increasing compliance risk to the Group. Key regulatory developments in the Chinese Mainland include the following:
  - As part of the regulatory reform, the Chinese government has consolidated oversight of the financial industry directly under the State Council and announced a new national financial regulator, the National Financial Regulatory Administration (NFRA) to replace the China Banking and Insurance Regulatory Commission (CBIRC) on 18 May 2023. The NFRA is authorised to overall supervise and regulate the Chinese Mainland banking and insurance markets to ensure financial institutions operate in a stable manner in compliance with the law and meet their obligations to customers. Key changes implemented by the NFRA include: reductions in statutory valuation interest rates for life insurance products, which are expected to lower pricing interest rate, effective from July 2023; and solvency relief measures through the China Risk Oriented Solvency System Phase II (C-ROSS II), effective from September 2023. In early 2024, further regulatory changes have been issued including: reductions in crediting rates for universal life products; requirements on consistency between reported and incurred bancassurance commissions and expenses; and new measures for setting requirements for insurance sales conduct, product design, marketing and disclosures.
  - The amendment of the Insurance Law of the 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. The implementation timeline is yet to be announced.
- In Indonesia, regulatory and supervisory focus on the insurance industry remains high. In 2023, the Otoritas Jasa Keuangan (OJK) issued a five-year industry roadmap with plans to establish an insurance industry that upholds high integrity, strengthens consumer and public protection, and supports national economic growth. The roadmap covers areas to enhance policyholder protection as well as other aspects on licensing, data, capital, products, actuarial, risk and controls. Implementation of this roadmap is in three phases from 2023 to 2027, including foundation strengthening, consolidation and momentum creation, and alignment and growth.
- In Malaysia, Bank Negara Malaysia (BNM) has initiated a multi-phase review of its current risk-based capital (RBC) frameworks for insurers and Takaful operators since 2019, which includes quantitative impact studies carried out in 2022, the issuance of exposure drafts and a parallel run in 2023, prior to the potential full implementation targeting by the end of 2024 at the earliest. BNM also revised its policy on Management of Customer Information and Permitted Disclosures in April 2023, which 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 came into effect on 1 January 2024, requiring additional 'fit and proper' and due diligence procedures as enhanced agent onboarding and screening requirements.
- In Hong Kong, the revised Guideline GL3 on anti-money laundering (AML) and counter-terrorism financing (CTF) was published with an effective date of 1 June 2023. The Hong Kong Government also proposed to establish a Policy Holders' Protection Scheme in December

2022 as a safety net for policyholders in the event of an insurer's insolvency. Public views were sought in 2023 and the legislation process is expected to commence in the second half of 2024 at the earliest.

- In Singapore, the Monetary Authority of Singapore (MAS) has designated the Group's Singapore business as a domestic systemically important insurer. Furthermore, in order to mitigate money laundering risk in the financial sector as a whole, the MAS has been soliciting feedback from industry stakeholders to improve anti-money laundering standards. Further regulatory developments are expected.
- In Thailand, the Office of Insurance Commission presented draft amendments to the life and non-life insurance laws in December 2023, aimed at elevating governance standards within the insurance industry. The amendments are currently under review.
- In Vietnam, the amended Insurance Law took effect on 1 January 2023. The new law contains provisions on RBC, with a five-year grace period, effective from 1 January 2028. The Vietnamese Government also issued a decree for personal data privacy guidance with an effective date of 1 July 2023, which 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. Another implementing circular of the Insurance Law issued in November 2023 also requires mandatory voice recording for sales, agency remuneration limits, and a cooling-off period for lending customers.
- In the Philippines, financial product and customer service requirements were issued by the Insurance Commission in March 2023 with an 18-month transition period for adoption. The new requirements include product and service disclosures, a systematic approach to 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. Its 'Insurance for All by 2047' proposal aims to ensure that every citizen and enterprise in India has adequate life, health and property insurance cover. The IRDAI is promoting the use of technology, such as big data, AI and machine learning, to transform the insurance landscape in the country, in order to become the sixth-largest insurance market by 2032. 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 which have annual premiums exceeding INR 500,000. Another IRDAI regulation issued in March 2023 removed commission payment limits for insurers, with the aim of giving more operational flexibility to insurers and enhancing insurance penetration.

The increasing use of emerging technological tools and digital services across the industry is likely to lead to new and unforeseen regulatory requirements and issues, including expectations regarding the governance, ethical and responsible use of technology, AI and data. Distribution and product suitability linked to innovation continues to set the pace of conduct regulatory change in Asia. Prudential falls within the scope of these conduct regulations, requiring that regulatory changes are appropriately implemented.

The pace and volume of sustainability-related regulatory changes including ESG and climate-related changes are 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 different 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. In 2023, the Hong Kong IA invited Hong Kong authorised insurers to participate in a survey regarding their implementation of climate risk management practices. The purpose of the survey was for the Hong Kong IA to understand any gaps and challenges faced by the insurance sector in managing climate-related financial risks and to develop appropriate guidance for insurers. 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 climate-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. International and local regulatory and industry bodies are beginning to establish principles and standards with regards to the use of sustainability and ESG nomenclature in the labelling of investment products. 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.

A rapid pace and high volume of regulatory changes and interventions, and the 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 the 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 policymakers, industry groups and regulators.

d IFRS 17

IFRS 17 became effective from 1 January 2023 and the first external reporting under this basis was in 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 IFRS 17 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 to 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 life cycle, 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, thereby 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. Due to the complexity of the rules, the implementation date was subsequently postponed to commence no earlier than 2024 to provide multinational enterprises and tax authorities sufficient time to prepare. 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 transitional safe harbours on 20 December 2022, and additional administrative guidance on 2 February 2023, 17 July 2023 and 18 December 2023 providing further updates and clarifications on how to interpret the model rules. The OECD is expected to publish further new guidance in 2024 which will affect the interpretation of already implemented legislation.

A number of jurisdictions in which the Group has operations – Japan, Korea, Luxembourg, Vietnam and the UK – have implemented either a global minimum tax or a domestic minimum tax at a rate of 15 per cent, in line with the OECD proposals, effective for 2024 onwards. Malaysia has implemented both the global minimum tax and domestic minimum tax effective for 2025 onwards. Other jurisdictions where Prudential has a taxable presence, including Hong Kong, Singapore and Thailand, intend to implement the proposals for 2025 onwards.

For those jurisdictions where either a global minimum tax or a domestic minimum tax or both have been implemented with effect for 2024, no material impact to the Group's IFRS tax charge for the 2024 financial year is expected. The implementation of a global minimum tax and a domestic minimum tax in Malaysia effective for 2025 is not expected to have a material impact for the Group's IFRS tax charge for the 2025 financial year. These assessments consider a number of factors including whether the transitional safe harbour is expected to apply based on the most recent filings of tax returns, country-by-country reporting and financial statements of the relevant entities. In some jurisdictions a global minimum tax but not a domestic minimum tax regime has been implemented and the Group's operations in that jurisdiction will not be subject to the rules as they are wholly domestic operations.

For those jurisdictions, such as Hong Kong and Singapore, where the proposals are expected to be implemented with effect from 2025 onwards, work is ongoing to assess the potential impact and guidance will be provided in due course. As a result, the full extent of the long-term impact on the Group's business, tax liabilities and profits remains uncertain.

In addition to the global minimum tax and domestic minimum tax rules, both Korea and Luxembourg have also implemented an undertaxed profits rule effective for 2025 onwards. The undertaxed profits rule is intended as a backstop provision to deal with jurisdictions in case of any delay or not implementing the global minimum tax or domestic minimum tax rules. As the rules in Hong Kong (where Prudential plc has been tax-resident since 3 March 2023) are expected to be in force and would apply to Prudential plc from 2025, the undertaxed profits rules implemented in Korea and Luxembourg are not expected to have any practical application to the Group.

Definitions of Performance Metrics

Adjusted operating profit

Adjusted IFRS operating profit based on longer-term investment returns. This alternative performance measure is reconciled to IFRS profit for the year in note B1.1 of the IFRS financial results and a fuller definition given in note B.1.2.

Adjusted shareholder equity

Adjusted shareholders' equity represents the sum of Group IFRS shareholders' equity and CSM, net of reinsurance (unless attaching wholly to policyholders) and tax.
See note C 3.1 (B) and II(ii) of the additional information for reconciliation to IFRS shareholders' equity.

Agency new business profit

New business profit generated from the agency channel.

Annual premium equivalent (APE) sales

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(vi) of the additional information for further explanation.

Average monthly active agents

An active agent is defined as agents that sell at least one case with a Prudential life insurance entity in the month. Average active agents per month is expressed for each reporting period as the sum of active agents in each month divided by the number of months in the period.

Bancassurance new business profit

New business profit generated from the bancassurance channel.

Customer numbers

A customer is defined as a unique individual or entity who holds one or more policies, that has premiums paid, 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.

Customer relationship net promoter score (NPS)

Net Promoter Score on overall strength of customer relationship, based on customers' survey responses to how likely they would be to recommend Prudential. It measures the response on a scale of 0 - 10 where 9 or 10 are Promoters, 7 or 8 are Passives and 0 - 6 are Detractors. The score equates to the percentage of promoters less percentage of detractors.

Customer retention rate

Calculated as the number of customers at the beginning of the period minus exits during the year (net of reinstatement) over the number of customers at the beginning of the period.

Eastspring total funds under management or advice

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.

Eastspring investment performance - percentage of funds under management outperforming benchmarks

This measure represents funds under management at the balance sheet date held in funds which outperform their performance benchmark as a percentage of total funds under management over the time period stated (1 or 3 years). Total funds under management exclude funds with no performance benchmark.

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. See note II(v) to the additional information for calculation.

EEV shareholders' equity

Shareholders' equity prepared in accordance with the EEV Principles issued by the European Insurance CFO Forum in 2016.

See note II(viii) of the additional information for reconciliation to IFRS shareholders' equity.

EEV Shareholders' value per share

EEV shareholders' equity per share is calculated as closing EEV shareholders' equity divided by the number of issued shares at the end of the period. See EEV basis results for calculation.

GWS capital surplus over GPCR

Estimated GWS capital resources in excess of the GPCR attributable to the shareholder business, before allowing for the 2023 second 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.

GWS coverage ratio

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

Health new business profit

New business profit from health products, which typically are annually renewable and would involve diagnosis and treatment from licensed physicians/medical facilities. Critical illness products paying lump sum benefits are not in scope.

IFRS Shareholders' value 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 period. See note II(iv) to the additional information for calculation

Moody's total leverage basis

Leverage measure calculated as the Group gross debt, including commercial paper as a proportion of the sum of IFRS shareholders' equity, 50 per cent of the surplus in the Group's with-profit funds and the Groups gross debt including commercial paper. Calculated with no adjustment for the value of contractual service margin in equity.

Net cash remitted by business units

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, net of capital injections, that are reflective of earnings and capital generation.

Net zero

A state in which greenhouse gas emissions from activities in the value chain of an organisation are reduced as close to zero as possible, with any residual emissions balanced by removals from the atmosphere, in a time frame consistent with the Paris Agreement. Our ambition is that the assets we hold on behalf of our insurance companies will be net zero by 2050, as part of Prudential's signatory requirements to the UN-Convened Net Zero Asset Owner Alliance (NZAOA).

New business profit

Presented on a post-tax basis, on business sold in the year, calculated in accordance with EEV principles.

New business profit is reconciled to IFRS new business CSM in note II(vii) to the additional information.

New Business Profit on embedded value (New business profit/average EEV shareholders' equity for insurance business operations)

Calculated as new business profit divided by the average EEV shareholders' equity for insurance business operations, excluding goodwill attributable to equity holders. See note II(ix) of the additional for calculation.

Net Group operating free surplus generated

Operating Free Surplus Generated (see definition below) less Central costs, eliminations, restructuring costs and IFRS 17 costs, net of tax.

New Business Profit per active agent

Average monthly agency new business profit divided by the active agents per month. Includes 100 per cent of new business profit and active agents in Joint Ventures and Associates.

Operating Free Surplus Generated from insurance and asset management business

Operating free surplus generated: For insurance operations free surplus generated represents amounts emerging from the in-force business 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 excluded.

Operating free surplus generated from in-force insurance and asset management business

Operating free surplus generated from in-force insurance and asset management business: Operating free surplus generated from in-force insurance business which 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.

Operating return on embedded value (Operating profit/average EEV shareholders' equity)

Calculated as EEV operating profit divided by the average EEV shareholders' equity for continuing operations. See note II(ix) of the additional for calculation.

Penetration rate of strategic bank customer base

Number of Prudential customers as percentage of total bank customers. The measure and target pertains to seven strategic bank partners (excluding partners of joint ventures and associates and partnerships in, Cambodia and Laos).

Tier 1 capital resources

Tier 1 capital in accordance with the classification of tiering capital under the GWS framework which reflects the different local regulatory regimes along with guidance issued by the Hong Kong IA.

Weighted Average Carbon Intensity (WACI)

Reflects a portfolio's exposure to carbon-intensive companies, expressed in tCO2e/$m revenue. The WACI is currently the market standard for measuring the carbon footprint of an investment portfolio, as described by global disclosure frameworks such as the Taskforce for Climate-related Financial Disclosures (TCFD).

Basis for Strategic Objectives

New business profit growth objective

Our new business growth objective assumes average exchange rates of 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. Assume that the existing EEV and Free Surplus methodology at December 2022 will be applicable over the period.

Operating free surplus generated from in-force insurance and asset management business growth objective

Our Operating free surplus generated from in-force insurance and asset management business growth objective assumes average exchange rates of 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. Assume that the existing EEV and Free Surplus methodology at December 2022 will be applicable over the period.

Shareholder Information

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 sustainability (including ESG and climate-related) 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, conflict in the Middle East, 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 sustainability (including ESG and climate-related) 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 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 operations or 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 dispute

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.

Any forward-looking statements contained in this document speak only as of the date on which they are made. Prudential expressly disclaim 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.

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.

2023 Second interim dividend

Ex-dividend date	28 March 2024 (UK and Hong Kong)
	1 April 2024 (Singapore)
Record date	2 April 2024
Payment date	16 May 2024 (UK, Hong Kong and ADR holders) On or around 23 May 2024 (Singapore)

The total number of Prudential plc shares in issue as at 31 December 2023 was 2,753,520,756. Each ordinary share carries the right to one vote on a poll at general meetings of Prudential plc. If votes are cast on a show of hands, each shareholder present in person or by proxy, or in the case of a corporation, each of its duly authorised corporate representatives, has one vote.

Corporate Governance

Corporate governance codes – statement of compliance

The Company has dual primary listings in Hong Kong (main board listing) and London (premium listing) and has adopted a governance structure based on the Hong Kong and UK Corporate Governance Codes (the HK and UK Codes).

The Board confirms that, for the year under review, the Company has applied the principles and complied with the provisions of the UK Code. The Company has also complied with the provisions of the HK Code, other than provision E.1.2(d), which requires companies, on a comply or explain basis, to have a remuneration committee which makes recommendations to a main board on the remuneration of non-executive directors. This provision is not compatible with provision 34 of the UK Code, 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 Code.

> The HK Code is available from www.hkex.com.hk

> The UK Code is available from www.frc.org.uk

IFRS disclosures

Prudential plc 2023 results

International Financial Reporting Standards (IFRS) financial results

Consolidated income statement

	Note	2023 $m	2022* $m
Insurance revenue	B1.4	**9,371**	8,549
Insurance service expense:			
Claims incurred		**(2,913)**	(2,563)
Directly attributable expenses incurred		**(1,258)**	(1,221)
Amortisation of insurance acquisition cash flows		**(2,745)**	(2,453)
Other insurance service expenses		**(197)**	(30)
		(7,113)	(6,267)
Net expense from reinsurance contracts held		**(171)**	(105)
Insurance service result		**2,087**	2,177
Investment return:			
Interest revenue calculated using the effective interest method		**340**	237
Other investment return on financial investments		**9,423**	(29,617)
	B1.4	**9,763**	(29,380)
Fair value movement on investment contract liabilities		**(24)**	67
Net insurance and reinsurance finance income (expense):			
Net finance (expense) income from insurance contracts		**(8,839)**	28,623
Net finance income (expense) from reinsurance contracts held		**191**	(1,193)
		(8,648)	27,430
Net investment result		**1,091**	(1,883)
Other revenue	B1.4	**369**	436
Non-insurance expenditure	B2	**(990)**	(1,019)
Finance costs: interest on core structural borrowings of shareholder-financed businesses		**(172)**	(200)
(Loss) gain attaching to corporate transactions	B1.1	**(22)**	55
Share of loss from joint ventures and associates, net of related tax		**(91)**	(85)
Profit (loss) before tax (being tax attributable to shareholders' and policyholders' returns) note		**2,272**	(519)
Tax charge attributable to policyholders' returns		**(175)**	(124)
Profit (loss) before tax attributable to shareholders' returns		**2,097**	(643)
Total tax charge attributable to shareholders' and policyholders' returns	B3.1	**(560)**	(478)
Remove tax charge attributable to policyholders' returns		**175**	124
Tax charge attributable to shareholders' returns	B3.2	**(385)**	(354)
Profit (loss) for the year		**1,712**	(997)
Attributable to:			
Equity holders of the Company		**1,701**	(1,007)
Non-controlling interests		**11**	10
Profit (loss) for the year		**1,712**	(997)

Earnings per share (in cents)	Note	2023	2022*
Based on profit (loss) attributable to equity holders of the Company:	B4		
Basic		**62.1¢**	(36.8)¢
Diluted		**61.9¢**	(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.

Consolidated statement of comprehensive income

	2023 $m	2022* $m
Profit (loss) for the year	**1,712**	(997)
Other comprehensive income (loss):		
Exchange movements arising during the year	**(135)**	(613)
Valuation movements on retained interest in Jackson classified as available-for-sale under IAS 39: note		
Unrealised (loss) arising during the year		(125)
Deduct net gains included in the income statements on disposal		(62)
		(187)
Total items that may be reclassified subsequently to profit or loss	**(135)**	(800)
Valuation movements on retained interest in Jackson classified as fair value through other comprehensive income under IFRS 9 note	**8**	
Total items that will not be reclassified subsequently to profit or loss	**8**	
Total comprehensive income (loss) for the year	**1,585**	(1,797)
Attributable to:		
Equity holders of the Company	**1,585**	(1,797)
Non-controlling interests	**–**	–
Total comprehensive income (loss) for the year	**1,585**	(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.

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

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Retained earnings	Translation reserve	Fair value reserve under IFRS 9	Share-holders' equity	Non-controlling interests	Total equity
		Year ended 31 Dec 2023 $m							
Reserves									
Profit for the year		–	–	1,701	–	–	1,701	11	1,712
Other comprehensive (loss) income		–	–	–	(124)	8	(116)	(11)	(127)
Total comprehensive income (loss) for the year		–	–	1,701	(124)	8	1,585	–	1,585
Transactions with owners of the Company									
Dividends	B5	–	–	(533)	–	–	(533)	(7)	(540)
Transfer of fair value reserve following disposal of investment in Jackson		–	–	71	–	(71)	–	–	–
Reserve movements in respect of share-based payments		–	–	(5)	–	–	(5)	–	(5)
Effect of transactions relating to non-controlling interests		–	–	16	–	–	16	–	16
New share capital subscribed	C8	1	3	–	–	–	4	–	4
Movement in own shares in respect of share-based payment plans		–	–	25	–	–	25	–	25
Net increase (decrease) in equity		1	3	1,275	(124)	(63)	1,092	(7)	1,085
Balance at 1 Jan		182	5,006	10,653	827	63	16,731	167	16,898
Balance at 31 Dec		183	5,009	11,928	703	–	17,823	160	17,983

	Note	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale reserve under IAS 39	Share-holders' equity	Non-controlling interests	Total equity
		Year ended 31 Dec 2022* $m							
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 year		–	–	(1,007)	(603)	(187)	(1,797)	–	(1,797)
Transactions with owners of the Company									
Dividends	B5	–	–	(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	C8	–	(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 1 Jan									
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 of 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 31 Dec		182	5,006	10,653	827	63	16,731	167	16,898

* 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.

Consolidated statement of financial position

	Note	31 Dec 2023 $m	31 Dec 2022 $m note (i)	1 Jan 2022 $m note (i)
Assets				
Goodwill	C4.1	**896**	890	907
Other intangible assets	C4.2	**3,986**	3,884	4,015
Property, plant and equipment		**374**	437	495
Insurance contract assets	C3.1	**1,180**	1,134	1,250
Reinsurance contract assets	C3.1	**2,426**	1,856	2,787
Deferred tax assets	C7.2	**156**	140	132
Current tax recoverable	C7.1	**34**	18	20
Investments in joint ventures and associates accounted for using the equity method		**1,940**	2,259	2,698
Investment properties	C1	**39**	37	38
Loans	C1	**578**	590	771
Equity securities and holdings in collective investment schemes note (ii)	C1	**64,753**	57,679	61,601
Debt securities note (ii)	C1	**83,064**	77,016	99,154
Derivative assets	C2.2	**1,855**	569	481
Deposits	C1	**5,870**	6,275	4,741
Accrued investment income		**1,003**	983	1,017
Other debtors		**1,161**	968	955
Cash and cash equivalents		**4,751**	5,514	7,170
Total assets		**174,066**	160,249	188,232
Equity				
Shareholders' equity		**17,823**	16,731	18,936
Non-controlling interests		**160**	167	175
Total equity		**17,983**	16,898	19,111
Liabilities				
Insurance contract liabilities	C3.1	**139,840**	126,242	149,798
Reinsurance contract liabilities	C3.1	**1,151**	1,175	1,254
Investment contract liabilities without discretionary participation features	C2.2	**769**	663	722
Core structural borrowings of shareholder-financed businesses	C5.1	**3,933**	4,261	6,127
Operational borrowings	C5.2	**941**	815	861
Obligations under funding, securities lending and sale and repurchase agreements		**716**	582	223
Net asset value attributable to unit holders of consolidated investment funds		**2,711**	4,193	5,664
Deferred tax liabilities	C7.2	**1,250**	1,139	1,167
Current tax liabilities	C7.1	**275**	208	185
Accruals, deferred income and other creditors		**4,035**	2,866	2,624
Provisions		**224**	206	234
Derivative liabilities	C2.2	**238**	1,001	262
Total liabilities		**156,083**	143,351	169,121
Total equity and liabilities		**174,066**	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 31 December 2023 are $2,001 million of lent securities and assets subject to repurchase agreements (31 December 2022: $1,571 million).

Consolidated statement of cash flows

	Note	2023 $m	2022* $m
Cash flows from operating activities			
Profit (loss) before tax (being tax attributable to shareholders' and policyholders' returns)		**2,272**	(519)
Adjustments to profit before tax for non-cash movements in operating assets and liabilities:			
Investments		**(14,539)**	22,717
Other non-investment and non-cash assets		**23**	(35)
Insurance and reinsurance contract assets and liabilities		**12,787**	(20,440)
Other non-insurance liabilities		**42**	(665)
Investment income and interest payments included in profit before tax		**(4,378)**	(3,912)
Operating cash items:			
Interest receipts		**2,872**	2,589
Interest payments		**(75)**	(16)
Dividend receipts		**1,650**	1,523
Tax paid		**(406)**	(449)
Other non-cash items		**584**	285
Net cash flows from operating activities note (i)		**832**	1,078
Cash flows from investing activities			
Purchases of property, plant and equipment		**(44)**	(34)
Proceeds from disposal of property, plant and equipment		**2**	–
Acquisition of business and intangibles note (ii)		**(415)**	(298)
Cash advanced to CPL note (i)		**(176)**	–
Disposal of Jackson shares		**273**	293
Net cash flows from investing activities		**(360)**	(39)
Cash flows from financing activities			
Structural borrowings of shareholder-financed operations: note (iii)			
Issuance of debt, net of costs		**–**	346
Redemption of debt		**(393)**	(2,075)
Interest paid		**(188)**	(204)
Payment of principal portion of lease liabilities		**(93)**	(101)
Equity capital:			
Issues of ordinary share capital	C8	**4**	(4)
External dividends:			
Dividends paid to equity holders of the Company	B5	**(533)**	(474)
Dividends paid to non-controlling interests		**(7)**	(8)
Net cash flows from financing activities		**(1,210)**	(2,520)
Net decrease in cash and cash equivalents		**(738)**	(1,481)
Cash and cash equivalents at 1 Jan		**5,514**	7,170
Effect of exchange rate changes on cash and cash equivalents		**(25)**	(175)
Cash and cash equivalents at 31 Dec		**4,751**	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 $209 million (2022: $112 million). Cash advanced to CPL, the Group's joint venture in the Chinese Mainland, of $176 million was made in anticipation of a future capital injection as described in note D3.

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

(iii) Structural borrowings of shareholder-financed businesses exclude borrowings to support short-term fixed income securities programmes, lease liabilities 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:

		Cash movements $m		Non-cash movements $m		
	Balance at 1 Jan $m	Issuance of debt	Redemption of debt	Foreign exchange movement	Other movements	Balance at 31 Dec $m
2023	**4,261**	**–**	**(393)**	**58**	**7**	**3,933**
2022	6,127	346	(2,075)	(147)	10	4,261

Notes to the consolidated financial statements

A Basis of preparation

A1 Basis of preparation and exchange rates

Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS Standards as issued by the IASB and UK-adopted international accounting standards. At 31 December 2023, there were no unadopted standards effective for the year ended 31 December 2023 which had an impact on the consolidated 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 consolidated 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 financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2023 but is derived from those accounts. The auditors have reported on the 2023 statutory accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies, and those for 2023 will be delivered following the Company's Annual General Meeting. The auditors' report 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 to 31 March 2025, being at least 12 months from the date these consolidated 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, as described further in the Risk review section (including the Viability statement).

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 to 31 March 2025, being at least 12 months from the date these consolidated financial statements are approved. No material uncertainties that may cast significant doubt on the ability of the Company and 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 consolidated financial statements for the year ended 31 December 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 year end			Average rate for the year to date	
	31 Dec 2023	31 Dec 2022	1 Jan 2022	**2023**	2022
Chinese yuan (CNY)	7.09	6.95	6.37	7.09	6.73
Hong Kong dollar (HKD)	7.81	7.81	7.80	7.83	7.83
Indian rupee (INR)	83.21	82.73	74.34	82.60	78.63
Indonesian rupiah (IDR)	15,397.00	15,567.50	14,252.50	15,230.82	14,852.24
Malaysian ringgit (MYR)	4.60	4.41	4.17	4.56	4.40
Singapore dollar (SGD)	1.32	1.34	1.35	1.34	1.38
Taiwan dollar (TWD)	30.69	30.74	27.67	31.17	29.81
Thai baht (THB)	34.37	34.56	33.19	34.80	35.06
UK pound sterling (GBP)	0.78	0.83	0.74	0.80	0.81
Vietnamese dong (VND)	24,262.00	23,575.00	22,790.00	23,835.92	23,409.87

Foreign exchange translation

Certain notes to the consolidated financial statements present comparative information at constant exchange rates (CER), in addition to the reporting at actual exchange rates (AER) used throughout the consolidated financial statements. AER are actual historical exchange rates for the specific accounting year, being the average rates over the year 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 year results using the current year foreign exchange rate, ie current year average rates for the income statement and current year 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 on onerous contracts 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 (as described below) 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, on initial recognition 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 discount rates determined at the date of initial recognition (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 for GMM business are determined using the locked-in discount rates. Further information on the subsequent measurement of the CSM is contained within note C3.4.

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 in the section 'Effect of adoption of IFRS 17 and IFRS 9' below.

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).

Determination of discount rates

IFRS 17 enables discount rates to be calculated on a top-down or bottom-up basis. The Group elects to determine discount rates 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. Government bond yields and swap rates are obtained from publicly available data sources. 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, (in particular, corporate bonds) 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. The allowance for credit risk varies by currency ranging between 20bps and 56bps at 31 December 2023 (31 December 2022: between 23bps and 56bps) .

A proportion of the reference portfolio's illiquidity premium (either 0%, 50% or 100%) is applied to portfolios of insurance contracts reflecting the liquidity characteristics of the insurance contracts. The liquidity characteristics are assessed from the policyholders' perspective. Consideration is given to the nature of premiums, the level of underwriting, and the surrender and other benefit features of the portfolios. 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. The range reflects the proportion of illiquidity premium applied by business unit and portfolio.

	31 Dec 2023 %				
	1 year	**5 years**	**10 years**	**15 years**	**20 years**
Chinese yuan (CNY)	**2.07 - 2.33**	**2.41 - 2.67**	**2.59 - 2.85**	**2.70 - 2.96**	**2.76 - 3.02**
Hong Kong dollar (HKD)	**4.76 - 5.23**	**3.75 - 4.22**	**3.76 - 4.23**	**3.89 - 4.36**	**3.95 - 4.42**
Indonesian rupiah (IDR)	**6.47 - 6.96**	**6.63 - 7.12**	**6.73 - 7.22**	**6.94 - 7.43**	**7.03 - 7.52**
Malaysian ringgit (MYR)	**3.31 - 3.56**	**3.67 - 3.92**	**3.78 - 4.03**	**4.09 - 4.34**	**4.33 - 4.58**
Singapore dollar (SGD)	**3.62 - 4.37**	**2.67 - 3.42**	**2.71 - 3.46**	**2.77 - 3.52**	**2.74 - 3.49**
United States dollar (USD)	**4.81 - 5.64**	**3.86 - 4.69**	**3.90 - 4.73**	**4.01 - 4.84**	**4.36 - 5.19**

	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

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. Prudential has adopted the Modified Retrospective Approach for cohorts of business for which expected cash flows at the date of initial recognition are not available but where actual historic cash flows are available. If reasonable and supportable information necessary to apply the modified retrospective approach is not available, the fair value approach must be applied.

The CSM 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).

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.

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.

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.

Variable Fee Approach (VFA)
Under the MRA for VFA business, the CSM 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.

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.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of groups of insurance contracts has therefore been interpreted as the compensation that a market participant would require for taking on the relevant obligation under the contracts.

The fair value has been determined using a cost of capital approach by reference to a quantum of capital required to be held in order to fulfil the contracts and a required return on that capital. Expected cash flows and the required locked-in capital are projected forward over the duration of the groups of contracts and discounted at the required rate of return. These calculations are based on the following key assumptions:

- The expected cash flows reflect the future cost that a market participant would expect to incur in fulfilling the obligations under the contracts. 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.
- The required locked-in capital is the level of capital realistically required for a business to operate in the relevant jurisdiction.
- The required rate of return is compensation the Group would expect a market participant to require to enter into a transaction to transfer the liability associated with the insurance contracts at the transition date. This return has been determined using the Capital Asset Pricing Model, including allowance for both financial risk and uncertainty in non-financial risk.

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.

The allocation of opening CSM by transition approach is given in note C3.2(b), alongside a segmental split.

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 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. This was the only investment classified at FVOCI at 1 January 2023.

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 the section 'Effect of adoption of IFRS 17 and IFRS 9' below.

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 $m	Effects of adoption of IFRS 17 $m		At 1 Jan 2022 $m
	(as reported under IFRS 4)	Presentation changes note(i)	Measurement changes note (ii)	(as restated under IFRS 17)
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:
- 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.
- *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.
- *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:
- *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'.
- *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.
- *Tax*
  - Current tax assets and liabilities are calculated for each entity in the Group based on local tax rules, and the basis of tax varies between jurisdictions. For insurance entities in the Group, the current tax is calculated based on either the financial statements prepared under local generally accepted accounting principles (GAAP), or the regulatory return prepared under relevant regulatory rules, or on an alternative basis (for example, Hong Kong, where most life insurance business is taxed by

reference to net premiums). Current tax assets and liabilities at transition date are not impacted by the adoption of IFRS 17 at Group level as the adoption for the Group financial statements has no impact on local tax calculations. For jurisdictions where the basis of tax is the local financial statements, current tax assets and liabilities will be calculated applying IFRS 17 if and when the standard is adopted locally, and subject to local tax rules for transitional adjustments. The impact of any such local adoption on the Group financial statements will be considered when relevant.

  - 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. Where insurance and reinsurance contract assets and liabilities give rise to a tax deduction or taxable income when they are recovered or settled, measurement changes to these balances, without equal changes in current taxable income, give rise to corresponding changes to the deferred tax balances at the tax rates expected to apply when the deferred tax assets or liabilities are realised or settled.

- *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 consolidated 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. Further details are provided in notes B3.2 and C7.2.

B Earnings performance

B1 Analysis of performance by segment

B1.1 Segment results

	Note	2023 $m	2022 $m		2023 vs 2022 %	
			AER	CER	AER	CER
		note (i)	note (i)	note (i)	note (i)	note (i)
CPL		**368**	271	258	36 %	43 %
Hong Kong		**1,013**	1,162	1,162	(13)%	(13)%
Indonesia		**221**	205	200	8 %	11 %
Malaysia		**305**	340	329	(10)%	(7)%
Singapore		**584**	570	585	2 %	0 %
Growth markets and other note (ii)		**746**	728	715	2 %	4 %
Eastspring		**280**	260	255	8 %	10 %
Total segment profit	B1.3	**3,517**	3,536	3,504	(1)%	0 %
Other income and expenditure unallocated to a segment:						
Net investment return and other items note (iii)		**(21)**	(44)	(44)	52 %	52 %
Interest payable on core structural borrowings		**(172)**	(200)	(200)	14 %	14 %
Corporate expenditure note (iv)		**(230)**	(276)	(277)	17 %	17 %
Total other expenditure		**(423)**	(520)	(521)	19 %	19 %
Restructuring and IFRS 17 implementation costs note (v)		**(201)**	(294)	(293)	32 %	31 %
Adjusted operating profit	B1.2	**2,893**	2,722	2,690	6 %	8 %
Short-term fluctuations in investment returns		**(774)**	(3,420)	(3,404)	77 %	77 %
(Loss) gain attaching to corporate transactions		**(22)**	55	55	n/a	n/a
Profit (loss) before tax attributable to shareholders		**2,097**	(643)	(659)	n/a	n/a
Tax charge attributable to shareholders' returns	B3.2	**(385)**	(354)	(346)	(9)%	(11)%
Profit (loss) for the year		**1,712**	(997)	(1,005)	n/a	n/a
Attributable to:						
Equity holders of the Company		**1,701**	(1,007)	(1,014)	n/a	n/a
Non-controlling interests		**11**	10	9	10 %	22 %
Profit (loss) for the year		**1,712**	(997)	(1,005)	n/a	n/a

Basic earnings per share (in cents)	Note	2023	2022		2023 vs 2022 %	
			AER	CER	AER	CER
		note (i)	note (i)	note (i)	note (i)	note (i)
Based on adjusted operating profit, net of tax and non-controlling interest	B4	**89.0 ¢**	79.4 ¢	78.5 ¢	12 %	13 %
Based on profit (loss) for the year, net of non-controlling interest	B4	**62.1 ¢**	(36.8)¢	(37.0)¢	n/a	n/a

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 item' 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 $(81) million (2022: $(137) million), largely comprising the costs of Group-wide projects including the implementation of IFRS 17 (this includes one-off costs associated with embedding 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 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 year, including short-term fluctuations in investment returns and gain or loss on corporate transactions. Note B1.1 shows the reconciliation from adjusted operating profit to total profit (loss) for the year.

A comparison of the Group's 2022 adjusted operating profit under the previous IFRS 4 basis and the IFRS 17 basis is provided below:

	2022 $m
IFRS 4 basis adjusted operating profit as previously published	3,375
Difference	(653)
IFRS 17 basis adjusted operating profit	2,722

IFRS 17 adjusted operating profit is circa $650 million lower than under IFRS4 in 2022. This broadly comprises:

- a circa $200 million reduction from the prohibition of day-one profit recognition from new business under IFRS17;
- a circa $250 million reduction from changes in the subsequent timing of profit recognition, mainly related to differences on protection products; and
- a circa $200 million reduction due to a one-off uplift in IFRS4 arising as a result of the adoption of Risk Based Capital in Hong Kong.

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. This concept was previously applied under IFRS 4, but the changing measurement model under IFRS 17 has impacted how such short-term fluctuations are determined.

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 GMM, 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 illiquidity premium included in the current discount rate for the liabilities.
- Some GMM BEL components are calculated by reference to the investment return of assets, even if the BEL component itself is not considered an underlying item, for example the BEL component related to future fee income or a guarantee. In these cases for the purposes of determining operating profit, the BEL component is calculated assuming a longer-term investment return and any difference between the actual return arising in the period and the longer-term investment return is taken to non-operating profit. There is no impact on the balance sheet of this allocation.
- 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 details on how longer-term rates are determined are set out 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 year to year 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 8.4 per cent for 2023 (2022: 2.8 per cent to 7.8 per cent).

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 2023 and 2022.

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

Management assesses adjusted operating profit by breaking it down into the key components that drive performance each period. This analysis changes from the previous IFRS 4 driver breakdown as the new IFRS 17 measurement model leads to different drivers being relevant. The new basis is not directly reconcilable to the old basis.

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 contracts where gains and losses can be shared across cohorts as described in note B1.2.
- 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. The only difference between the amount shown in the table below and the amount included within Insurance service result on the consolidated income statement is the amount relating to the Group's life joint ventures and associates that use the equity method of accounting.
- 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.
- Other insurance service result primarily relates to movements on onerous contracts that impact adjusted operating profit (ie excluding those discussed in B1.2).
- 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.
- 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.
- Share of related tax charges from joint ventures and associates represents the related tax on the adjusted operating profit of the Group's life joint ventures and associates accounted for using the equity method. 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 %	
		AER	CER	AER	CER
Adjusted release of CSM note (i)	**2,205**	2,265	2,242	(3)%	(2)%
Release of risk adjustment	**218**	179	178	22 %	22 %
Experience variances	**(118)**	(66)	(62)	(79)%	(90)%
Other insurance service result	**(109)**	(204)	(195)	47 %	44 %
Adjusted insurance service result note (i)	**2,196**	2,174	2,163	1 %	2 %
Net investment result on longer-term basis note (ii)	**1,241**	1,290	1,271	(4)%	(2)%
Other insurance income and expenditure	**(122)**	(98)	(100)	(24)%	(22)%
Share of related tax charges from joint ventures and associates	**(78)**	(90)	(85)	13 %	8 %
Insurance business	**3,237**	3,276	3,249	(1)%	0 %
Eastspring	**280**	260	255	8 %	10 %
Other income and expenditure	**(423)**	(520)	(521)	19 %	19 %
Restructuring and IFRS 17 implementation costs	**(201)**	(294)	(293)	32 %	31 %
Adjusted operating profit, as reconciled to profit (loss) for the year in note B1.1	**2,893**	2,722	2,690	6 %	8 %

Notes

(i) The adjusted release of CSM and the adjusted insurance service result are reconciled to the information in the consolidated income statement as follows:

	2023 $m	2022 $m
Release of CSM, net of reinsurance as included within Insurance service result on the consolidated income statement	**1,990**	2,013
Add amounts relating to the Group's life joint ventures and associates that are accounted for on equity-method	**218**	229
Release of CSM, net of reinsurance as shown in note C3.2		
Insurance	**2,414**	2,413
Reinsurance	**(206)**	(171)
	2,208	2,242
Adjustment to release of CSM for the treatment adopted for adjusted operating profit purposes of combining losses on onerous contracts and gains on profitable contracts that can be shared across more than one annual cohort	**(3)**	23
Adjusted release of CSM as shown above	**2,205**	2,265

	2023 $m	2022 $m
Insurance service result as shown in the consolidated income statement	**2,087**	2,177
Add amounts relating to the Group's life joint ventures and associates that are accounted for on equity-method	**148**	112
Insurance service result as shown in note C3.2		
Insurance	**2,424**	2,396
Reinsurance	**(189)**	(107)
	2,235	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	**68**	(33)
Other primarily related to policyholder tax*	**(107)**	(82)
Adjusted insurance service result as shown above	**2,196**	2,174

* Other primarily relates to the revenue recognised to cover the tax charge attributable to policyholders that is included in the insurance service result in the income statement. This revenue is fully offset by the actual tax charge attributable to policyholders that is included, as required by IAS 12, in the tax line in the income statement resulting in no net impact to profit after tax and so have been offset in the analysis of adjusted operating profit.

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

	2023 $m	2022 $m
Net investment result as shown in the consolidated income statement	**1,091**	(1,883)
Remove investment return of non-insurance entities	**(142)**	(53)
Remove short-term fluctuations in investment return included in non-operating profit*	**774**	3,420
Other items*	**(482)**	(194)
Net investment result on longer-term basis as shown above	**1,241**	1,290

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

B1.4 Revenue

	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
Amounts relating to changes in the liability for remaining coverage:										
Expected claims and other directly attributable expenses	1,089	582	642	970	670	–	–	3,953	–	3,953
Change in risk adjustment for non-financial risk	73	35	24	55	41	–	–	228	–	228
Release of CSM for services provided	787	187	203	478	538	–	–	2,193	–	2,193
Other adjustments note (ii)	73	32	31	45	71	–	–	252	–	252
Recovery of insurance acquisition cash flows	1,207	306	234	435	563	–	–	2,745	–	2,745
Insurance revenue	3,229	1,142	1,134	1,983	1,883	–	–	9,371	–	9,371
Other revenue note (iii)	22	4	4	–	39	299	–	368	1	369
Total revenue from external customers	3,251	1,146	1,138	1,983	1,922	299	–	9,739	1	9,740
Intra-group revenue	–	–	–	–	–	184	(184)	–	–	–
Interest income	1,033	92	239	785	627	7	–	2,783	164	2,947
Dividend and other investment income	775	93	151	528	117	3	–	1,667	7	1,674
Investment appreciation (depreciation)	2,155	50	177	1,490	1,309	4	–	5,185	(43)	5,142
Investment return	3,963	235	567	2,803	2,053	198	(184)	9,635	128	9,763
Total revenue	7,214	1,381	1,705	4,786	3,975	497	(184)	19,374	129	19,503

	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
Amounts relating to changes in the liability for remaining coverage:										
Expected claims and other directly attributable expenses	969	438	563	935	736	–	–	3,641	–	3,641
Change in risk adjustment for non-financial risk	53	33	20	33	30	–	–	169	–	169
Release of CSM for services provided	737	274	215	442	513	–	–	2,181	–	2,181
Other adjustments note (ii)	30	16	–	27	32	–	–	105	–	105
Recovery of insurance acquisition cash flows	1,051	309	231	378	484	–	–	2,453	–	2,453
Insurance revenue	2,840	1,070	1,029	1,815	1,795	–	–	8,549	–	8,549
Other revenue note (iii)	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 depreciation	(23,615)	(69)	(386)	(6,679)	(2,860)	(21)	–	(33,630)	(5)	(33,635)
Investment return	(21,999)	91	5	(5,379)	(2,151)	183	(200)	(29,450)	70	(29,380)
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 adjustments comprise experience adjustment for premium receipts relating to past and current services provided under insurance contracts and insurance revenue earned from contracts measured under the PAA.

(iii) Other revenue comprises revenue from external customers and consists primarily of revenue from the Group's asset management business of $299 million (2022: $330 million).

B1.5 Additional segmental analysis of profit after tax

	2023 $m	2022 $m
CPL note	(577)	(345)
Hong Kong	976	(742)
Indonesia	156	108
Malaysia	257	178
Singapore	512	(7)
Growth markets and other note	775	314
Eastspring	254	234
Total segment	2,353	(260)
Unallocated to a segment (central operations)	(641)	(737)
Total profit (loss) after tax	**1,712**	(997)

Note
The Growth markets and other segment comprises all other Asia and Africa insurance businesses alongside other amounts that are not included in the segment profit of an individual business unit, including tax on life joint ventures and associates that are accounted for on an equity-method basis. Accordingly, on the segmental analysis of the profit after tax basis above, the amount shown for CPL is before tax (with its tax being included in the Growth markets and other segment). The Group's share of CPL's post-tax result was $(366) million (2022: $(275) million).

B2 Tax charge

B2.1 Total tax charge by nature

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

	2023 $m	2022 $m
Hong Kong	(129)	(106)
Indonesia	(43)	(27)
Malaysia	(98)	(44)
Singapore	(174)	(61)
Growth markets and other	(103)	(210)
Eastspring	(26)	(26)
Total segment note	(573)	(474)
Unallocated to a segment (central operations)	13	(4)
Total tax charge note	**(560)**	(478)

Note
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.

B2.2 Reconciliation of effective tax rate

In the reconciliation below, the expected tax rate reflects the corporation tax rates that are expected to apply to the taxable profit or loss for the year. It reflects the corporation tax rates of each jurisdiction weighted by reference to the amount of profit or loss contributing to the aggregate result. The reconciliation of the expected to actual tax charge/credit and the percentage impact of reconciliation items on shareholder effective tax rate are provided below.

	2023		2022	
	$m	%	$m	%
Profit (loss) before tax (being tax attributable to shareholders' and policyholders' returns)	2,272		(519)	
Tax charge attributable to policyholders' returns note (i)	(175)		(124)	
Profit (loss) before tax attributable to shareholders' returns	2,097		(643)	
Tax (charge) credit at the expected rate	(399)	19 %	85	13 %
Effects of recurring tax reconciliation items:				
Income not taxable or taxable at concessionary rates note (ii)	80	(4) %	61	9 %
Deductions and losses not allowable for tax purposes note (iii)	(136)	6 %	(196)	(30) %
Items related to taxation of life insurance businesses note (iv)	137	(7) %	(129)	(20) %
Deferred tax adjustments including unrecognised tax losses	13	(1) %	(45)	(7) %
Effect of results of joint ventures and associates note (v)	(38)	2 %	(32)	(5) %
Irrecoverable withholding taxes note (vi)	(63)	3 %	(55)	(9) %
Other	(2)	1 %	(15)	(2) %
Total charge on recurring items	(9)	0 %	(411)	(64) %
Effects of non-recurring tax reconciliation items:				
Adjustments to tax charge in relation to prior years note (vii)	42	(2) %	1	0 %
Movements in provisions for open tax matters note (viii)	(15)	1 %	(40)	(6) %
Adjustments in relation to business disposals and corporate transactions	(4)	0 %	11	2 %
Total credit (charge) on non-recurring items	23	(1) %	(28)	(4) %
Tax charge attributable to shareholders' returns	(385)		(354)	
Tax charge attributable to policyholders' returns note (i)	(175)		(124)	
Tax charge attributable to shareholders' and policyholders' returns	(560)		(478)	
Profit before tax attributable to shareholders' returns analysed into:				
Adjusted operating profit	2,893		2,722	
Non-operating result note (ix)	(796)		(3,365)	
Profit (loss) before tax attributable to shareholders' returns	2,097		(643)	
Tax charge attributable to shareholders' returns analysed into:				
Tax charge on adjusted operating profit	(444)		(539)	
Tax credit on non-operating result note (ix)	59		185	
Tax charge attributable to shareholders' returns	(385)		(354)	
Actual tax rate on:				
Adjusted operating profit:				
Including non-recurring tax reconciling items note (x)	15%		20%	
Excluding non-recurring tax reconciling items	16%		18%	
Profit before tax attributable to shareholders' returns note (x)	18%		(55)%	

Notes

(i) The tax charge attributable to policyholders of $(175) million (2022: $(124) million) is equal to the profit before tax attributable to policyholders as a result of accounting for policyholder income after the deduction of expenses on a post-tax basis.

(ii) Income not taxable or taxable at concessionary rates primarily relates to non-taxable investment income in Growth markets and Singapore.

(iii) Deductions and losses not allowable for tax purposes primarily relates to non-deductible head office costs in Other operations.

(iv) Items related to taxation of life insurance businesses primarily relates to Hong Kong where the taxable profit is computed as 5 per cent of net insurance premiums.

(v) Profit before tax includes Prudential's share of profit after tax from the joint ventures and associates. Therefore, the actual tax charge does not include tax arising from profit or loss of joint ventures and associates and is reflected as a reconciling item.

(vi) The Group incurs withholding tax on remittances received from certain jurisdictions and on certain investment income. Where these withholding taxes cannot be offset against corporate income tax or otherwise recovered, they represent a cost to the Group. Irrecoverable withholding tax on remittances is included in Other operations and is not allocated to any segment. Irrecoverable withholding tax on investment income is included in the relevant segment where the investment income is reflected.

(vii) Adjustments to tax charge in relation to prior years primarily relates to 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.

(viii) The statement of financial position contains the following provisions in relation to open tax matters.

	2023 $m
Balance at 1 Jan	**(79)**
Movements in the current year included in tax charge attributable to shareholders	**(15)**
Other movements (including interest arising on open tax matters and amounts included in the Group's share of profits from joint ventures and associates, net of related tax)	**1**
Balance at 31 Dec	**(93)**

(ix) 'Non-operating result' is used to refer to items excluded from adjusted operating profit and includes short-term investment fluctuations in investment returns and corporate transactions. The tax charge on non-operating result is calculated using the tax rates applicable to investment profit or loss recorded in the non-operating result for each entity, and then adjusting for any discrete items included in the total tax charge that relate specifically to the amounts (other than investment related profit or loss) included in the non-operating result. The difference between this tax on non-operating result and the tax charge calculated on profit before tax is the tax charge on adjusted operating profit.

(x) The actual tax rates of the relevant business operations are shown below:

	2023 %							
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Eastspring	Other operations	Total attributable to shareholders
Tax rate on adjusted operating profit	**7 %**	**22 %**	**22 %**	**16 %**	**20 %**	**9 %**	**2 %**	**15 %**
Tax rate on profit before tax	**7 %**	**22 %**	**20 %**	**16 %**	**11 %**	**9 %**	**2 %**	**18 %**

	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	(7)%	16 %	25 %	63 %	40 %	10 %	(1)%	(55)%

Actual tax rates on adjusted operating profit for each segment for 2022 prepared applying IFRS 17 as shown in the table above are generally consistent with the tax rates previously published for 2022 results prepared applying IFRS 4. The tax rates on adjusted operating profit for Growth markets and other and the Group total as shown in the table above differ from the equivalent tax rates previously published under IFRS 4 for 2022 due primarily to differences in the proportions of adjusted operating profit contributed by entities with different tax rates. Actual tax rates on profit before tax for 2022 prepared under IFRS 17 differ from the equivalent tax rates previously published under IFRS 4 for 2022 primarily due to non-taxable and non-deductible amounts, such as investment gains or losses, making up a different proportion of total profit before tax for each segment and the Group total under each standard.

B3 Earnings per share

	2023					
	Before tax	Tax	Non-controlling interests	Net of tax and non-controlling interests	Basic earnings per share	Diluted earnings per share
	$m	$m	$m	$m	cents	cents
Based on adjusted operating profit	**2,893**	**(444)**	**(11)**	**2,438**	**89.0 ¢**	**88.7 ¢**
Short-term fluctuations in investment returns	**(774)**	**59**	**–**	**(715)**	**(26.1)¢**	**(26.0)¢**
Loss attaching to corporate transactions	**(22)**	**–**	**–**	**(22)**	**(0.8)¢**	**(0.8)¢**
Based on profit for the year	**2,097**	**(385)**	**(11)**	**1,701**	**62.1 ¢**	**61.9 ¢**

For 2023, the weighted average number of shares for calculating basic earnings per share, which excludes those held in employee share trusts, is 2,741 million. After including a dilutive effect of the Group's share options and awards (see note B2.2) of 6 million, the weighted average number of shares for calculating diluted earnings per share is, 2,747 million.

	2022					
	Before tax	Tax	Non-controlling interests	Net of tax and non-controlling interests	Basic earnings per share	Diluted earnings per share
	$m	$m	$m	$m	cents	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 loss for the year	(643)	(354)	(10)	(1,007)	(36.8)¢	(36.8)¢

For 2022, the weighted average number of shares for calculating basic and diluted earnings per share, which excludes those held in employee share trusts, was 2,736 million. As the Group made a loss for the year in 2022, the potential ordinary shares from the Group's share options and awards (see note B2.2) would be anti-dilutive and therefore not included in the diluted earnings per share calculation as it is not permissible for the diluted earnings per share to be greater than the basic earnings per share.

B4 Dividends

	2023		2022	
	Cents per share	$m	Cents per share	$m
Dividends relating to reporting year:				
First interim dividend	**6.26 ¢**	**172**	5.74 ¢	154
Second interim dividend	**14.21 ¢**	**392**	13.04 ¢	359
Total relating to reporting year	**20.47 ¢**	**564**	18.78 ¢	513
Dividends paid in reporting year:				
Current year first interim dividend	**6.26 ¢**	**172**	5.74 ¢	154
Second interim dividend for prior year	**13.04 ¢**	**361**	11.86 ¢	320
Total paid in reporting year	**19.30 ¢**	**533**	17.60 ¢	474

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

Dividend per share

The 2023 first interim dividend of 6.26 cents per ordinary share was paid to eligible shareholders on 19 October 2023.

On 16 May 2024, Prudential will pay a second interim dividend of 14.21 cents per ordinary share for the year ended 31 December 2023. The second interim dividend will be paid to shareholders recorded on the UK register at 6.00pm (British Summer Time) and to shareholders on the HK branch register at 4.30pm (Hong Kong Time) on 2 April 2024 (Record Date), and also to the Holders of US American Depositary Receipts (ADRs) as at 2 April 2024. The second interim dividend will be paid on or about 23 May 2024 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 24 April 2024. The corresponding amounts per share in GBP and HKD are expected to be announced on or about 2 May 2024. 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 31 December 2023 were $1,181 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 GMM liabilities and therefore the returns on these other investments are recognised in adjusted operating profit at a longer-term rate.

	31 Dec 2023 $m						
	Asia and Africa						
	Insurance						
	Funds with policyholder participation note (i)	Unit-linked funds	Other	Eastspring	Total	Unallocated to a segment	Group total
Debt securities							
Sovereign debt							
Indonesia	393	611	525	–	1,529	–	1,529
Singapore	3,006	607	929	–	4,542	–	4,542
Thailand	2	4	1,957	–	1,963	–	1,963
United Kingdom	–	5	87	–	92	–	92
United States	23,552	84	2,351	–	25,987	–	25,987
Vietnam	3,143	30	173	–	3,346	–	3,346
Other (predominantly Asia)	4,375	664	1,732	28	6,799	–	6,799
Subtotal	34,471	2,005	7,754	28	44,258	–	44,258
Other government bonds							
AAA	1,533	94	119	–	1,746	–	1,746
AA+ to AA-	120	17	29	–	166	–	166
A+ to A-	689	95	239	–	1,023	–	1,023
BBB+ to BBB-	271	57	56	–	384	–	384
Below BBB- and unrated	502	11	63	2	578	–	578
Subtotal	3,115	274	506	2	3,897	–	3,897
Corporate bonds							
AAA	1,214	147	243	–	1,604	–	1,604
AA+ to AA-	2,716	440	934	–	4,090	–	4,090
A+ to A-	10,918	460	2,179	–	13,557	1	13,558
BBB+ to BBB-	9,466	714	2,055	–	12,235	1	12,236
Below BBB- and unrated	2,280	500	356	–	3,136	–	3,136
Subtotal	26,594	2,261	5,767	–	34,622	2	34,624
Asset-backed securities							
AAA	174	2	54	–	230	–	230
AA+ to AA-	6	–	2	–	8	–	8
A+ to A-	30	–	7	–	37	–	37
BBB+ to BBB-	7	–	2	–	9	–	9
Below BBB- and unrated	–	1	–	–	1	–	1
Subtotal	217	3	65	–	285	–	285
Total debt securities notes (ii)(iv)	64,397	4,543	14,092	30	83,062	2	83,064
Loans							
Mortgage loans	65	–	83	–	148	–	148
Other loans	430	–	–	–	430	–	430
Total loans	495	–	83	–	578	–	578
Equity securities and holdings in collective investment schemes							
Direct equities	18,711	12,075	182	128	31,096	–	31,096
Collective investment schemes	24,529	7,546	1,580	2	33,657	–	33,657
Total equity securities and holdings in collective investment schemes	43,240	19,621	1,762	130	64,753	–	64,753
Other financial investments note (iii)	2,893	396	1,707	101	5,097	2,628	7,725
Total financial investments	111,025	24,560	17,644	261	153,490	2,630	156,120
Investment properties	–	–	39	–	39	–	39
Cash and cash equivalents	1,054	647	1,287	173	3,161	1,590	4,751
Total investments	112,079	25,207	18,970	434	156,690	4,220	160,910

	31 Dec 2022 $m						
	Asia and Africa						
	Insurance						
	Funds with policyholder participation note (i)	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 note (ii)	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 (iii)	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

Notes
(i) Funds with policyholder participation represent 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.
(ii) Of the Group's debt securities, the following amounts were held by the consolidated investment funds:

	31 Dec 2023 $m	31 Dec 2022 $m
Debt securities held by the consolidated investment funds	**11,116**	11,899

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

C2 Measurement of financial assets and liabilities

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. Climate change does not directly impact fair values particularly where these are built on observable inputs (ie level 1 and level 2), which represent the majority of the Group's financial instruments as discussed below.

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.

When prices are not available from pricing services, quotes are sourced directly from brokers. Prudential seeks to obtain a number of quotes from different brokers so as to obtain the most comprehensive information available on their executability. The selected quote is the one which best represents an executable quote for the security at the measurement date.

Generally, no adjustment is made to the prices obtained from independent third parties. Adjustments are made in only limited circumstances, where it is determined that the third-party valuations obtained do not reflect fair value (eg either because the value is stale and/or the values are extremely diverse in range). Securities valued in such manner are classified as level 3 where these significant inputs are not based on observable market data.

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 Valuation hierarchy

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 FVTPL at 31 December 2023. At 31 December 2022, $266 million of financial assets classified as AFS under IAS 39 related to the Group's retained interest in Jackson, which was disposed of in 2023. All assets and liabilities held at fair value are measured on a recurring basis.

Financial instruments at fair value

	31 Dec 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 note (iii)	Total
Loans	–	430	–	430
Equity securities and holdings in collective investment schemes	56,327	5,562	2,864	64,753
Debt securities note (i)	64,004	19,020	40	83,064
Derivative assets	1,460	395	–	1,855
Derivative liabilities	(58)	(180)	–	(238)
Total financial investments, net of derivative liabilities	121,733	25,227	2,904	149,864
Investment contract liabilities without DPF note (ii)	–	(769)	–	(769)
Net asset value attributable to unit holders of consolidated investment funds	(2,711)	–	–	(2,711)
Total financial instruments at fair value	119,022	24,458	2,904	146,384
Percentage of total (%)	81%	17%	2%	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 (iii)	
Loans	–	447	3	450
Equity securities and holdings in collective investment schemes	49,725	7,130	824	57,679
Debt securities note (i)	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 DPF note (ii)	–	(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$19,020 million at 31 December 2023 (31 December 2022: $19,763 million), $10 million (31 December 2022: $37 million) are valued internally.

(ii) For Investment contract liabilities without DPF, it is assumed that these investment contracts are not quoted in an active market and do not have readily available published prices and that their fair values are determined using valuation techniques. It is assumed that all significant inputs used in the valuation are observable and these investment contract liabilities are classified in level 2.

(iii) At 31 December 2023, the Group held $2,904 million (31 December 2022: $865 million) of net financial instruments at fair value within level 3. This represents 2 per cent (2022: less than one per cent) of the total fair valued financial assets, net of financial liabilities and comprises the following:

- Equity securities and holdings in collective investment schemes of $2,864 million (31 December 2022: $823 million) are externally valued using the net asset value of the invested entities and consist primarily of property and infrastructure funds held by the participating funds. Equity securities of $1 million (31 December 2022: $1 million) are internally valued. Internal valuations are inherently more subjective than external valuations; and
- Other sundry individual financial instruments of a net asset of $40 million (31 December 2022: $41 million).

Of the net financial instruments of $2,904 million (31 December 2022: $865 million) referred to above:

- A net asset of $2,866 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 $38 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 $(4) million (31 December 2022: $(4) million), which would reduce shareholders' equity by this amount before tax.

C3 Insurance and reinsurance contracts

The amounts recorded in the balance sheet as insurance and reinsurance contract asset and liabilities are set out in the table below (on the left hand side), broken out into their component parts. Additionally presented on the right hand side are the same amounts but including the Group's share of the relevant amounts of its joint venture and associates, which are equity accounted for on the statement of financial position and hence all assets and liabilities of those businesses are included in a separate line.

Management believe that the movement in the CSM is a key driver for understanding changes in profitability from period to period and as the Group's share of the results of the joint ventures and associates are included in the Group's adjusted operating and total profit, it is relevant to understand the movement in insurance assets and liabilities including those entities too.

C3.1 Group overview

(a) Analysis of Group insurance and reinsurance contract assets and liabilities

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 (i)					
	Assets		Liabilities		Net liabilities (assets)		Assets		Liabilities		Net liabilities (assets)	
	Insurance	RI	Insurance	RI	Insurance	RI	Insurance	RI	Insurance	RI	Insurance	RI
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
					note (ii)						note (ii)	
As at 31 Dec 2023												
Best estimate liabilities (BEL)	**3,952**	**1,175**	**120,115**	**1,182**	**116,163**	**7**	**3,998**	**1,315**	**139,673**	**1,222**	**135,675**	**(93)**
Risk adjustment for non-financial risk (RA)	**(631)**	**(84)**	**1,713**	**(21)**	**2,344**	**63**	**(630)**	**(67)**	**1,969**	**(24)**	**2,599**	**43**
Contractual service margin (CSM)	**(2,173)**	**1,335**	**18,011**	**(10)**	**20,184**	**(1,345)**	**(2,176)**	**1,321**	**20,176**	**(19)**	**22,352**	**(1,340)**
Insurance contract balances	**1,148**	**2,426**	**139,839**	**1,151**	**138,691**	**(1,275)**	**1,192**	**2,569**	**161,818**	**1,179**	**160,626**	**(1,390)**
Assets for insurance acquisition cash flows	**32**	**–**	**1**	**–**	**(31)**	**–**	**32**	**–**	**1**	**–**	**(31)**	**–**
Insurance and reinsurance contract (assets) liabilities	**1,180**	**2,426**	**139,840**	**1,151**	**138,660**	**(1,275)**	**1,224**	**2,569**	**161,819**	**1,179**	**160,595**	**(1,390)**
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	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	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)

Notes

(i) The Group's investments in JVs and associates are 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.

(ii) At 31 December 2023 and 2022 the Group's exposure to credit risk arising from insurance contracts issued is not material to the Group as premiums receivable from an individual party (policyholders and intermediaries) is not material to the Group.

(b) Adjusted shareholders' equity

	31 Dec 2023 $m			31 Dec 2022 $m			1 Jan 2022 (transition date) $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	Balances excluding JVs and associates	Group's share relating to JVs and associates	Total including JVs and associates
Shareholders' equity	**15,883**	**1,940**	**17,823**	14,472	2,259	16,731	16,238	2,698	18,936
CSM, net of reinsurance	**18,839**	**2,173**	**21,012**	17,838	2,151	19,989	22,525	2,224	24,749
Remove: CSM asset attaching to reinsurance contracts wholly attributable to policyholders	**1,367**	**–**	**1,367**	1,295	–	1,295	1,144	–	1,144
Less: Related tax adjustments	**(2,347)**	**(509)**	**(2,856)**	(2,295)	(509)	(2,804)	(2,531)	(527)	(3,058)
Adjusted shareholders' equity	**33,742**	**3,604**	**37,346**	31,310	3,901	35,211	37,376	4,395	41,771

C3.2 Analysis of movements in insurance and reinsurance contract balances (including JVs and associates)

(a) 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 the Group's share of insurance and reinsurance contract liabilities and assets relate to the life JVs and associates is set out below:

Including JVs and associates 2023 $m	Insurance				Reinsurance			
	BEL	RA	CSM note (b)	Total	BEL	RA	CSM note (b)	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	(1,142)	341	801	–	62	43	(105)	–
Changes in estimates that result in losses or reversal of losses on onerous contracts	224	(8)	–	216	(93)	–	–	(93)
New contracts in the year	(2,687)	317	2,429	59	86	(6)	(81)	(1)
	(3,605)	650	3,230	275	55	37	(186)	(94)
Changes that relate to current service								
Release of CSM to profit or loss	–	–	(2,414)	(2,414)	–	–	206	206
Release of risk adjustment to profit or loss	–	(242)	–	(242)	–	27	–	27
Experience adjustments	(170)	–	–	(170)	50	–	–	50
	(170)	(242)	(2,414)	(2,826)	50	27	206	283
Changes that relate to past service								
Adjustments to assets/liabilities for incurred claims	130	(3)	–	127	–	–	–	–
Insurance service result	(3,645)	405	816	(2,424)	105	64	20	189
Net finance (income) expense from insurance and reinsurance contracts								
Accretion of interest on GMM contracts	158	52	307	517	(3)	(3)	(47)	(53)
Other net finance (income) expense	10,379	(20)	(12)	10,347	(155)	9	–	(146)
	10,537	32	295	10,864	(158)	6	(47)	(199)
Total amount recognised in income statement	6,892	437	1,111	8,440	(53)	70	(27)	(10)
Effect of movements in exchange rates	(49)	(2)	(63)	(114)	2	(1)	2	3
Total amount recognised in comprehensive income	6,843	435	1,048	8,326	(51)	69	(25)	(7)
Cash flows								
Premiums received net of ceding commissions paid	26,224	–	–	26,224	(1,137)	–	–	(1,137)
Insurance acquisition cash flows	(4,802)	–	–	(4,802)	–	–	–	–
Claims and other insurance service expenses net of recoveries from reinsurance received*	(13,144)	–	–	(13,144)	554	–	–	554
Total cash flows	8,278	–	–	8,278	(583)	–	–	(583)
Other changes note	(181)	–	–	(181)	–	–	–	–
Closing assets	(3,998)	630	2,176	(1,192)	(1,315)	67	(1,321)	(2,569)
Closing liabilities	139,673	1,969	20,176	161,818	1,222	(24)	(19)	1,179
Net closing balance at 31 Dec	135,675	2,599	22,352	160,626	(93)	43	(1,340)	(1,390)

	Including JVs and associates 2022 $m							
	Insurance				Reinsurance			
	BEL	RA	CSM note (b)	Total	BEL	RA	CSM note (b)	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 and reinsurance 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 net of ceding commissions paid	27,916	–	–	27,916	(1,013)	–	–	(1,013)
Insurance acquisition cash flows	(3,690)	–	–	(3,690)	–	–	–	–
Claims and other insurance service expenses net of recoveries from reinsurance received*	(12,241)	–	–	(12,241)	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)

Including investment component.

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.
Accretion of interest includes interest on policy loans.

(b) Analysis of CSM by transition approach including JVs and associates

	Insurance contracts (including JVs and associates)							
	2023 $m				2022 $m			
	Contracts under MRA	Contracts under FVA	Other contracts*	Total CSM	Contracts under MRA	Contracts under FVA	Other contracts*	Total CSM
Balance at 1 Jan	2,033	4,102	15,169	21,304	2,467	5,355	18,126	25,948
Changes that relate to future service								
Changes in estimates that adjust the CSM	117	496	188	801	(92)	(707)	(3,189)	(3,988)
New contracts in the year	–	–	2,429	2,429	–	–	2,027	2,027
	117	496	2,617	3,230	(92)	(707)	(1,162)	(1,961)
Changes that relate to current service								
Release of CSM to profit or loss	(247)	(458)	(1,709)	(2,414)	(250)	(511)	(1,652)	(2,413)
	(130)	38	908	816	(342)	(1,218)	(2,814)	(4,374)
Net finance income (expenses) from insurance contracts	66	9	220	295	83	54	274	411
Effect of movements in exchange rates	(47)	(6)	(10)	(63)	(175)	(89)	(417)	(681)
Balance at 31 Dec	1,922	4,143	16,287	22,352	2,033	4,102	15,169	21,304

* Other contracts represent groups of insurance contracts measured under the full retrospective approach at the transition date, 1 January 2022 and groups of contracts recognised on or after the transition date.

The majority of the CSM on transition on insurance contracts under MRA arises from CPL while the majority of the CSM on transition under FVA arises from the Hong Kong and Singapore businesses.

The transition approach adopted by the Group's main business segments for the different cohorts of their insurance contracts is summarised in the table below. The overlap between approaches reflects the fact that the approaches used vary by insurance contract portfolio and year of issue (cohort).

	FRA	MRA	FVA
	Cohort	Cohort	Cohort
CPL	n/a	2016 – 2021	Pre 2016
Hong Kong	2010 – 2021	n/a	Pre 2010
Singapore	2009 – 2021	n/a	Pre 2009
Malaysia	2010 – 2021 (Unit-linked) 2010-2021 (Non Participating)	2000 - 2009 (Unit-linked)	Pre 1999 (Unit-linked) Pre-2009 (Non-participating) Pre-2021 (Other)
Indonesia note (i)	2010 – 2021	2007 – 2009	Pre 2007
Growth markets and other note (ii)	See note	See note	See note

Notes

(i) The cohorts shown are in respect of Indonesia's unit-linked portfolios.

(ii) CSM on transition for Growth markets primarily arises from Vietnam, Taiwan and the Philippines. Vietnam has applied the FRA for cohorts from 2013 – 2021, MRA for cohorts from 2008 – 2012 and FVA for cohorts prior to 2013. Taiwan and the Philippines have applied the FRA for cohorts from 2010 – 2021 and FVA for all cohorts prior to 2010.

	Reinsurance contracts (including JVs and associates)							
	2023 $m				2022 $m			
	Contracts under MRA	Contracts under FVA	Other contracts*	Total CSM	Contracts under MRA	Contracts under FVA	Other contracts*	Total CSM
Balance at 1 Jan	–	(55)	(1,260)	(1,315)	–	(46)	(1,153)	(1,199)
Changes that relate to future service								
Changes in estimates that adjust the CSM	–	(17)	(88)	(105)	–	(22)	(272)	(294)
New contracts in the year	–	–	(81)	(81)	–	–	37	37
	–	(17)	(169)	(186)	–	(22)	(235)	(257)
Changes that relate to current service								
Release of CSM to profit or loss	–	10	196	206	–	10	161	171
	–	(7)	27	20	–	(12)	(74)	(86)
Net finance income (expenses) from reinsurance contracts	–	(2)	(45)	(47)	–	(1)	(34)	(35)
Effect of movements in exchange rates	–	1	1	2	–	4	1	5
Balance at 31 Dec	–	(63)	(1,277)	(1,340)	–	(55)	(1,260)	(1,315)

* Other contracts represent groups of reinsurance contracts measured under the full retrospective approach at the transition date, 1 January 2022 and groups of contracts recognised on or after the transition date.

The CSM on transition on reinsurance contracts held primarily arises from the Hong Kong segment, which has predominantly applied the FRA to transition reinsurance cohorts from 2010 – 2021 and the FVA for reinsurance cohorts prior to 2010.

(c) Additional analysis of insurance and reinsurance contract balances by segment

The table below provides an analysis of portfolio of insurance and reinsurance contract balances, excluding assets for insurance acquisition cash flows, by segment. The balances presented include Group's share of insurance contract balances relating to the life business of CPL, India and Takaful business in Malaysia, which are accounted for on an equity method in the consolidated statement of financial position.

	Insurance $m				Reinsurance $m			
	BEL	RA	CSM	Total	BEL	RA	CSM	Total
As at 31 Dec 2023								
CPL	**13,029**	**152**	**1,652**	**14,833**	**4**	**(3)**	**(22)**	**(21)**
Hong Kong	**60,761**	**776**	**8,536**	**70,073**	**(44)**	**84**	**(1,429)**	**(1,389)**
Indonesia	**2,197**	**206**	**739**	**3,142**	**22**	**(7)**	**(6)**	**9**
Malaysia	**5,910**	**357**	**2,127**	**8,394**	**26**	**(7)**	**6**	**25**
Singapore	**31,770**	**687**	**4,962**	**37,419**	**(146)**	**3**	**149**	**6**
Growth markets and other	**22,008**	**421**	**4,336**	**26,765**	**45**	**(27)**	**(38)**	**(20)**
Total insurance segments	**135,675**	**2,599**	**22,352**	**160,626**	**(93)**	**43**	**(1,340)**	**(1,390)**
As at 31 Dec 2022								
CPL	10,989	149	1,699	12,837	2	(3)	(21)	(22)
Hong Kong	54,347	482	7,857	62,686	465	17	(1,405)	(923)
Indonesia	2,032	199	1,046	3,277	8	(3)	–	5
Malaysia	5,452	334	2,241	8,027	31	(7)	(2)	22
Singapore	28,752	629	4,522	33,903	40	(3)	141	178
Growth markets and other	19,163	371	3,939	23,473	(5)	(27)	(28)	(60)
Total insurance segments	120,735	2,164	21,304	144,203	541	(26)	(1,315)	(800)

Summarised movement analysis of insurance and reinsurance contract balances by segment

	Insurance $m						
	CPL	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Total insurance segments
Net opening balance at 1 Jan 2022	11,273	80,186	3,720	8,342	36,643	26,380	166,544
Insurance service result	(73)	(696)	(117)	(242)	(546)	(722)	(2,396)
Net finance income (expenses) from insurance contracts							
Accretion of interest on GMM contracts	206	37	37	95	31	83	489
Other net finance (income) expense	87	(21,912)	26	(77)	(4,956)	(1,675)	(28,507)
	293	(21,875)	63	18	(4,925)	(1,592)	(28,018)
Total amount recognised in income statement	220	(22,571)	(54)	(224)	(5,471)	(2,314)	(30,414)
Effect of movements in exchange rates	(1,019)	(153)	(307)	(454)	117	(2,013)	(3,829)
Total amount recognised in comprehensive income	(799)	(22,724)	(361)	(678)	(5,354)	(4,327)	(34,243)
Total cash flows	2,363	5,216	(69)	366	2,684	1,425	11,985
Other changes	–	8	(13)	(3)	(70)	(5)	(83)
Net closing balance at 31 Dec 2022 / 1 Jan 2023	**12,837**	**62,686**	**3,277**	**8,027**	**33,903**	**23,473**	**144,203**
Insurance service result	**(98)**	**(755)**	**(146)**	**(254)**	**(598)**	**(573)**	**(2,424)**
Net finance income (expenses) from insurance contracts							
Accretion of interest on GMM contracts	**227**	**(1)**	**43**	**100**	**6**	**142**	**517**
Other net finance (income) expense	**692**	**3,646**	**145**	**498**	**2,657**	**2,709**	**10,347**
	919	**3,645**	**188**	**598**	**2,663**	**2,851**	**10,864**
Total amount recognised in income statement	**821**	**2,890**	**42**	**344**	**2,065**	**2,278**	**8,440**
Effect of movements in exchange rates	**(259)**	**(11)**	**46**	**(336)**	**621**	**(175)**	**(114)**
Total amount recognised in comprehensive income	**562**	**2,879**	**88**	**8**	**2,686**	**2,103**	**8,326**
Total cash flows	**1,434**	**4,509**	**(186)**	**364**	**884**	**1,273**	**8,278**
Other changes	**–**	**(1)**	**(37)**	**(5)**	**(54)**	**(84)**	**(181)**
Net closing balance at 31 Dec 2023	**14,833**	**70,073**	**3,142**	**8,394**	**37,419**	**26,765**	**160,626**

	Reinsurance $m						
	CPL	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Total insurance segments
Net opening balance at 1 Jan 2022	(25)	(1,663)	8	15	59	(58)	(1,664)
Insurance service result	6	63	–	10	4	24	107
Net finance income (expenses) from reinsurance contracts							
Accretion of interest on GMM contracts	(1)	(45)	–	1	(1)	(7)	(53)
Other net finance (income) expense	–	1,246	(1)	1	(6)	(11)	1,229
	(1)	1,201	(1)	2	(7)	(18)	1,176
Total amount recognised in income statement	5	1,264	(1)	12	(3)	6	1,283
Effect of movements in exchange rates	1	4	(1)	–	4	5	13
Total amount recognised in comprehensive income	6	1,268	(2)	12	1	11	1,296
Total cash flows	(3)	(535)	(1)	(5)	118	(20)	(446)
Other changes	–	7	–	–	–	7	14
Net closing balance at 31 Dec 2022 / 1 Jan 2023	**(22)**	**(923)**	**5**	**22**	**178**	**(60)**	**(800)**
Insurance service result	**8**	**135**	**2**	**9**	**17**	**18**	**189**
Net finance income (expenses) from reinsurance contracts							
Accretion of interest on GMM contracts	**(1)**	**(38)**	**–**	**1**	**(8)**	**(7)**	**(53)**
Other net finance (income) expense	**–**	**(154)**	**(6)**	**–**	**1**	**13**	**(146)**
	(1)	**(192)**	**(6)**	**1**	**(7)**	**6**	**(199)**
Total amount recognised in income statement	**7**	**(57)**	**(4)**	**10**	**10**	**24**	**(10)**
Effect of movements in exchange rates	**3**	**(2)**	**(1)**	**(1)**	**(1)**	**5**	**3**
Total amount recognised in comprehensive income	**10**	**(59)**	**(5)**	**9**	**9**	**29**	**(7)**
Total cash flows	**(9)**	**(407)**	**9**	**(6)**	**(181)**	**11**	**(583)**
Other changes	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net closing balance at 31 Dec 2023	**(21)**	**(1,389)**	**9**	**25**	**6**	**(20)**	**(1,390)**

(d) Contractual service margin

The following tables illustrate when the Group expects to recognise the remaining CSM in profit or loss after the reporting date based on the assumptions and economics in place at the year ends shown. Future new business is excluded.

(i) Insurance contracts – expected recognition of the CSM

	31 Dec 2023 $m		
	Total as reported on the consolidated statement of financial position	**Group's share relating to JVs and associates**	**Total including Group's share relating to JVs and associates**
1 year or less	**2,041**	**226**	**2,267**
After 1 year to 2 years	**1,780**	**190**	**1,970**
After 2 years to 3 years	**1,586**	**165**	**1,751**
After 3 years to 4 years	**1,412**	**146**	**1,558**
After 4 years to 5 years	**1,283**	**127**	**1,410**
After 5 years to 10 years	**4,604**	**474**	**5,078**
After 10 years to 15 years	**2,924**	**293**	**3,217**
After 15 years to 20 years	**1,781**	**195**	**1,976**
After 20 years	**2,773**	**352**	**3,125**
Total CSM	**20,184**	**2,168**	**22,352**

	31 Dec 2022 $m		
	Total as reported on the consolidated statement of financial position	Group's share relating to JVs and associates	Total 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
Total CSM	19,168	2,136	21,304

(ii) Reinsurance contracts – expected recognition of the CSM

	31 Dec 2023 $m		
	Total as reported on the consolidated statement of financial position	**Group's share relating to JVs and associates**	**Total including Group's share relating to JVs and associates**
1 year or less	**(177)**	**(2)**	**(179)**
After 1 year to 2 years	**(132)**	**–**	**(132)**
After 2 years to 3 years	**(103)**	**1**	**(102)**
After 3 years to 4 years	**(85)**	**1**	**(84)**
After 4 years to 5 years	**(74)**	**1**	**(73)**
After 5 years to 10 years	**(268)**	**3**	**(265)**
After 10 years to 15 years	**(173)**	**2**	**(171)**
After 15 years to 20 years	**(113)**	**–**	**(113)**
After 20 years	**(220)**	**(1)**	**(221)**
Total CSM	**(1,345)**	**5**	**(1,340)**

	31 Dec 2022 $m		
	Total as reported on the consolidated statement of financial position	Group's share relating to JVs and associates	Total 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)
Total CSM	(1,330)	15	(1,315)

C3.3 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. The non-distinct investment components are excluded from insurance revenue and insurance service expenses.

At initial recognition, the Group is required to separate the following components and account for them as if they were stand-alone contracts.

- Distinct investment components. An investment component 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.
- Embedded derivatives that do not meet the definition of an insurance contract and whose economic characteristics and risks are not closely related to those of the host contract.
- Distinct services other than insurance contract services. A service component is distinct if it is not highly interrelated with the insurance component and the entity provides no significant service in integrating the service component with the insurance component

There are no material instances within the Group where distinct investment components, distinct services or embedded derivatives are separated from insurance contracts.

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 and variances 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 and variances 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.

The fair value of underlying items of the Group's direct participating contracts at 31 December 2023, excluding the Group's share of the amounts that relate to life JVs and associates, is $127,570 million (31 December 2022: $115,489 million). The Group's direct participating contracts are the contracts that are measured under the VFA model and as discussed in the table above comprise primarily the Group's with-profits, unit-linked and shareholder-backed participating critical illness contracts. Those underlying items comprise primarily investments in debt securities, equity securities and holdings in collective investment schemes. The underlying items also include the related reinsurance assets and the policyholders' interest in the excess net assets of relevant participating funds.

C4 Intangible assets

C4.1 Goodwill

Goodwill shown on the consolidated statement of financial position 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 31 December 2023 and 2022.

	2023 $m	2022 $m
Carrying value at 1 Jan	890	907
Exchange differences	6	(17)
Carrying value at 31 Dec	**896**	890

C4.2 Other intangible assets

	2023 $m			2022 $m		
	Distribution rights note (i)	Other intangibles note (ii)	Total	Distribution rights note (i)	Other intangibles note (ii)	Total
Balance at 1 Jan						
Cost	5,176	489	5,665	5,037	425	5,462
Accumulated amortisation	(1,546)	(235)	(1,781)	(1,255)	(192)	(1,447)
	3,630	254	3,884	3,782	233	4,015
Additions	415	83	498	206	83	289
Amortisation charge	(330)	(49)	(379)	(301)	(48)	(349)
Disposals and transfers	–	(6)	(6)	–	(6)	(6)
Exchange differences and other movements	(6)	(5)	(11)	(57)	(8)	(65)
Balance at 31 Dec	3,709	277	3,986	3,630	254	3,884
Comprising:						
Cost	5,585	537	6,122	5,176	489	5,665
Accumulated amortisation	(1,876)	(260)	(2,136)	(1,546)	(235)	(1,781)

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

	31 Dec 2023 $m	31 Dec 2022 $m
Subordinated debt:		
US$750m 4.875% Notes	750	750
€20m Medium Term Notes 2023 note (ii)	–	21
£435m 6.125% Notes 2031	551	520
US$1,000m 2.95% Notes 2033	996	995
Senior debt: note (i)		
£300m 6.875% Notes 2023 note (ii)	–	361
£250m 5.875% Notes 2029	301	281
US$1,000m 3.125% Notes 2030	988	987
US$350m 3.625% Notes 2032	347	346
Total core structural borrowings of shareholder-financed businesses	**3,933**	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

	31 Dec 2023 $m	31 Dec 2022 $m
Borrowings in respect of short-term fixed income securities programmes (commercial paper)	699	501
Lease liabilities under IFRS 16	234	299
Other borrowings	8	15
Total operational borrowings	**941**	815

C6 Risk and sensitivity analysis

Group overview

The Group's risk framework and the management of risks attaching to the Group's consolidated financial statements including financial assets, financial liabilities and insurance liabilities, together with the inter-relationship with the management of capital, have been included in the Risk review report.

The financial and insurance assets and liabilities on the Group's statement of financial position are, to varying degrees, subject to market and insurance risk and other changes of assumptions that may have an effect on IFRS basis profit or loss and shareholders' equity as described below. The market and insurance risks and also sustainability-related risks, including how they affect Group's operations and how these are managed are discussed in the Risk review report referred to above. The sustainability-related risks discussed in the Risk review report include in particular the potential long-term impact of environmental risks associated with climate change (including physical and transition risks) on the Group's investments and liabilities.

Sensitivity analyses of IFRS profit or loss, shareholders' equity and CSM to key market and other risks for the insurance operations are provided in section C6.1 below. The sensitivity analyses provided show the effect on profit after tax, shareholders' equity and CSM to changes in the relevant risk variables, all of which are considered to be reasonably possible at the relevant balance sheet date. The sensitivities reflect consequential impacts from market movements at the valuation date.

The sensitivity of the Group's Eastspring and central operations to market risks is discussed in section C6.2.

The Group benefits from diversification benefits achieved through the geographical spread of the Group's operations and, within those operations, through a broad mix of product types. The simplified sensitivities below are calculated at the individual business unit level and aggregated to show the Group impact and no group level adjustments are made.

Relevant correlation factors include:

- Correlation across geographic regions for both financial and non-financial risk factors; and
- Correlation across risk factors for mortality and morbidity, expenses, persistency and other risks.

The geographical diversity of the Group's business means that it has some exposure to the risk of foreign exchange rate fluctuations where a group undertaking has a functional currency that differs to US dollar, the Group's presentational currency. Consistent with the Group's accounting policies, the profits of these business units are translated at average exchange rates and shareholders' equity at the closing rate for the reporting period. For 2023 and 2022, the rates for the most significant operations are given in note A1. The Group has no exposure to currency fluctuation from business units that operate in USD, or currencies pegged to the USD (such as HKD), and reduced exposure to currencies partially managed to the USD within a basket of currencies (such as SGD). The impact of changes of foreign exchange rates on the Group's assets and liabilities from the above exposure is recorded as part of Other comprehensive income and in 2023 represented a loss of $124 million (2022: loss of $603 million) which corresponds to 1 per cent of opening shareholders' equity (2022: 3 per cent). Additionally note B1.1 'Segment Results' shows the Group's segment and total profit for 2022 as if it had been prepared using the same exchange rates as 2023, giving an indication of how foreign exchange rates impact the Group's profit and loss.

A 10 per cent increase (strengthening of the US dollar) or decrease (weakening of the US dollar) in these rates would have reduced or increased profit for the year and shareholders' equity of the Group respectively as follows:

	31 Dec 2023 $m		31 Dec 2022 $m	
Change in local currency to $ exchange rates	**Decrease of 10%**	**Increase of 10%**	Decrease of 10%	Increase of 10%
Profit after tax for the year	**152**	**(124)**	49	(40)
Shareholders' equity	**1,256**	**(1,028)**	1,182	(967)

The Group is also exposed to foreign exchange gains and losses on assets and liabilities held by the Group's undertakings in a currency other than their functional currency. These will often be managed by derivatives or by having assets and liabilities that match in terms of currency.

C6.1 Insurance operations

(a) Sensitivity to key market risks

The table below shows the sensitivity of profit after tax, shareholders' equity and CSM as at 31 December 2023 and 2022 for insurance segments to the following market risks:

- 1 per cent increase and 0.5 per cent decrease in observable risk-free interest rates (as described in note A3.1(a)) in isolation and subject to a floor of zero; and
- Instantaneous 10 per cent rise and 20 per cent fall in the market value of equity and property assets. The equity risk sensitivity analysis assumes that all equity indices fall by the same percentage.

The sensitivities below only allow for limited management actions such as changes to policyholder bonuses and re-pricing for medical business, where applicable. If the economic conditions set out in the sensitivities persisted, the financial impacts may differ to the instantaneous impacts shown below. Given the continuous risk management processes in place, management could take additional actions to help mitigate the impact of these stresses, including (but not limited to) increased use of reinsurance, repricing of in-force benefits, changes to new business pricing and the mix of new business being sold.

The impact of changes in interest rates and equity values impacts both assets and liabilities. For assets backing insurance contract liabilities and those related liabilities, these impacts will vary depending on whether insurance contracts are classified as VFA or GMM. In addition there will be impacts from other shareholder assets that back IFRS shareholders equity rather than insurance contract liabilities. The vast majority of the Group's investments are classified as FVTPL and so movements as a result of interest rate and equity markets directly impact profit, unless they are offset by corresponding movements in the Group's liabilities.

For VFA contracts (which include the majority of the Group's participating and unit-linked contracts but not all as discussed in note A2.1) movements in underlying assets are matched by a movement in insurance liabilities. Changes in BEL and risk adjustment as a result of a change in discount rate or from changes in the variable fee (that is dependent on the value of underlying assets) are taken as a change to the CSM with no immediate impact on profit or shareholders' equity. There will however be an impact on profit and shareholders' equity from changes to the CSM amortisation as a result of changes both to the CSM and the discounting of the coverage units. Onerous contracts with no CSM will also have impacts going directly to the income statement.

For GMM contracts, the CSM is calculated on a locked-in basis (ie using discount rates applied at the dates of initial recognition of each group of contracts), whereas the BEL and risk adjustment are calculated using a current discount rate. This accounting mismatch passes through the income statement. The impact will depend on whether the BEL is an asset or a liability. For BEL assets, which are largely offset by CSM liabilities, (ie for certain protection contracts where future premiums are expected to exceed future claims and expenses) increases in interest rates will reduce the BEL asset with no impact on the CSM liability and hence reduce profit. For a BEL liability, where the BEL and CSM liabilities are backed by invested assets, (eg certain Universal Life contracts) there are likely to be offsetting asset impacts (for example BEL liabilities and bond values will both reduce as interest rates increase) and the impact on profit will be dependent on any mismatches between assets and liabilities together with the impact of the CSM being calculated on a locked-in basis.

For other shareholder assets, that are not backing insurance contract liabilities increases in interest rates and falls in equity markets reduce asset values, which under the Group's accounting policy pass directly through the income statement and hence reduce profit (vice-versa for decreases in interest rates and increases in equity markets).

The income statement volatilities stated above lead to a volatility in the shareholders' equity to the same extent.

Base values	**2023 $m**	2022 $m
Profit (loss) after tax for the year from insurance segments	**2,099**	(494)
Group shareholders' equity as at 31 Dec	**17,823**	16,731
CSM as at 31 Dec including JVs and associates	**21,012**	19,989

Insurance segments	**31 Dec 2023 $m**		31 Dec 2022 $m	
Interest rates and consequential effects	**Decrease of 0.5%**	**Increase of 1%**	Decrease of 0.5%	Increase of 1%
Increase/(decrease) to shareholders' equity and profit after tax:				
Financial assets	**6,815**	**(12,004)**	5,873	(10,362)
Net insurance contract liabilities (including CSM)	**(7,332)**	**12,191**	(6,120)	10,295
Net effect on shareholders' equity and profit after tax [note]	**(328)**	**24**	(127)	(165)
Increase/(decrease) to CSM liability:				
CSM	**358**	**(880)**	220	(850)

Insurance segments	**31 Dec 2023 $m**		31 Dec 2022 $m	
Equity/property market values	**Decrease of 20%**	**Increase of 10%**	Decrease of 20%	Increase of 10%
Increase/(decrease) to shareholders' equity and profit after tax:				
Financial assets	**(13,359)**	**6,681**	(11,884)	5,939
Net insurance contract liabilities (including CSM)	**12,288**	**(6,254)**	10,927	(5,571)
Net effect on shareholders' equity and profit after tax [note]	**(822)**	**327**	(735)	283
Increase/(decrease) to CSM liability:				
CSM	**(1,392)**	**618**	(1,303)	550

Note

The net effect on shareholders' equity and profit after tax reflects the net pre-tax effect on the financial assets and net insurance contract liabilities shown above, together with the pre-tax effect on other non-insurance liabilities and the related tax impact.

The sensitivity of the insurance segments presented as a whole at a given point in time will also be affected by a change in the relative size of the individual businesses. Changes to the results of the Africa insurance operations from interest rate or equity price changes would not materially impact the Group's results.

The Group uses the segment measure 'Adjusted operating profit' to review the performance of the business (see note B1.2 for how this measure is determined). The impact on 'Adjusted operating profit' will be more muted than on total profit as long-term asset returns are assumed for surplus assets and long-term spreads are assumed for GMM business. Adjusted operating profit will be impacted by changes in CSM amortisation for VFA business following the impact of economic changes on underlying assets and discount rates that impact the value of variable fees, and on the value of onerous contracts losses (or reversal thereof) taken directly to the income statement. The changes in CSM amortisation result from changes both to the CSM and the discounting of the coverage units.

The pre-tax adjusted operating profit impacts for a decrease of 0.5 per cent and an increase of 1 per cent in interest rates at 31 December 2023 were $(30) million and $33 million, respectively (2022: $(47) million and $54 million, respectively).

The pre-tax adjusted operating profit impacts for a decrease of 20 per cent and an increase of 10 per cent in equity/property market values at 31 December 2023 were $(186) million and $83 million, respectively (2022: $(157) million and $66 million, respectively).

(b) Sensitivity to insurance risk

For insurance operations, adverse persistency experience can impact the overall IFRS profitability of certain types of business written. This risk is managed at a business unit level through regular monitoring of experience and the implementation of management actions as necessary. These actions could include product enhancements, increased management focus on premium collection, as well as other customer retention efforts. The potential financial impact of lapses is often mitigated through the specific features of the products, eg surrender charges, or through the availability of premium holiday or partial withdrawal policy features. The effects of these management actions have not been factored into the sensitivities below.

In addition many of the business units are exposed to mortality and morbidity risk and changes in maintenance expense level.

Changes to the assumed levels of persistency, mortality, morbidity and expenses from that when the contract is first recognised will impact the overall profitability of the insurance contract. These risks are managed on a portfolio basis and reinsurance can be used to mitigate the risk the Group has. In particular for certain medical contracts, product repricing is a key management action that is embedded in the process to mitigate morbidity risk. A degree of medical product repricing is assumed to have been undertaken in the mortality and morbidity sensitivity results shown in the table below.

In terms of the impact on the Group's financial results, changes to shareholders' equity or profit or loss will occur over the life of the contract, as changes to future cash flows from altered assumptions are recognised as an increase or decrease of CSM (except for onerous contracts), which is then amortised to profit and loss (and hence shareholders' equity) over time.

The table below shows how the shareholders' equity and CSM would have increased or decreased if changes in the future assumptions in insurance risk that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that the other variables remain constant.

	2023 $m			
	Net effect on shareholders' equity and profit after tax		**Net effect on CSM**	
Sensitivity to insurance risk:	**Gross of reinsurance**	**Net of reinsurance**	**Gross of reinsurance**	**Net of reinsurance**
Maintenance expenses – 10% increase	**(77)**	**(71)**	**(420)**	**(427)**
Lapse rates – 10% increase	**(88)**	**(76)**	**(1,363)**	**(1,496)**
Mortality and morbidity – 5% increase	**(131)**	**(96)**	**(638)**	**(261)**

	2022 $m			
	Net effect on shareholders' equity and profit after tax		Net effect on CSM	
Sensitivity to insurance risk:	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Maintenance expenses – 10% increase	(58)	(57)	(365)	(365)
Lapse rates – 10% increase	(78)	(70)	(1,179)	(1,274)
Mortality and morbidity – 5% increase	(88)	(79)	(548)	(217)

The pre-tax adjusted operating profit impacts, net of reinsurance, for a 10 per cent increase in maintenance expenses, a 10 per cent increase in lapse rates and a 5 per cent increase in mortality and morbidity were $(61) million, $(95) million and $(85) million, respectively (2022: $(53) million, $(69) million and $(67) million, respectively).

A 10 per cent decrease in the maintenance expense and lapse rate assumptions would have a broadly similar opposite effect on profit and shareholders' equity to the sensitivities shown above. The effect from a 5 per cent decrease in mortality and morbidity assumptions is dependent on the degree of product repricing assumed to have been undertaken.

C6.2 Eastspring and central operations

The profit for the year of Eastspring is sensitive to the level of assets under management, as this significantly affects the value of management fees earned by the business in the current and future periods. Assets under management will rise and fall as market conditions change, with a consequential impact on profitability.

Eastspring holds a small amount of investments direct on its balance sheet, including investments in respect of seeding capital into retail funds it sells to third parties (see note C1). Eastspring's profit will therefore have some exposure to the market movements of these investments.

At 31 December 2023 Central operations did not hold significant financial investments other than short-term deposits and money market funds held by the Group's treasury function for liquidity purposes and so there is immaterial sensitivity to market movements.

C7 Tax assets and liabilities

C7.1 Current tax

At 31 December 2023, of the $34 million (31 December 2022: $18 million) current tax recoverable, the majority is expected to be recovered within 12 months after the reporting period.

At 31 December 2023, the current tax liability of $275 million (31 December 2022: $208 million) includes $93 million (31 December 2022: $79 million) of provisions for uncertain tax matters. Further detail is provided in note B3.2.

C7.2 Deferred tax

The statement of financial position contains deferred tax assets of $156 million (31 December 2022: $140 million) and deferred tax liabilities of $1,250 million (31 December 2022: $1,139 million), which are presented on a net basis in each of the categories below for the purpose of this movement analysis only:

	2023 $m			
	Net deferred tax (assets) liabilities at 1 Jan	**Movement in income statement**	**Other movements including foreign exchange movements**	**Net deferred tax (assets) liabilities at 31 Dec**
Unrealised losses or gains on investments	**(129)**	**268**	**(10)**	**129**
Balances relating to insurance and reinsurance contracts	**1,255**	**(87)**	**2**	**1,170**
Short-term temporary differences	**(96)**	**2**	**–**	**(94)**
Unused tax losses	**(31)**	**(79)**	**(1)**	**(111)**
Net deferred tax liabilities note	**999**	**104**	**(9)**	**1,094**

	2022 $m					
	Net deferred tax (assets) liabilities at 1 Jan	Effect of initial application of IFRS 17 and classification overlay of IFRS 9	Restated net deferred tax (assets) liabilities at 1 Jan	Movement in income statement	Other movements including foreign exchange movements	Net deferred tax (assets) liabilities at 31 Dec
Unrealised losses or gains on investments	239	–	239	(361)	(7)	(129)
Balances relating to insurance and reinsurance contracts	2,091	(1,092)	999	297	(41)	1,255
Short-term temporary differences	333	(469)	(136)	29	11	(96)
Unused tax losses	(67)	–	(67)	32	4	(31)
Net deferred tax liabilities note	2,596	(1,561)	1,035	(3)	(33)	999

Note

Deferred tax assets and deferred tax liabilities in the statement of financial position are offset at an entity level (or in some cases at a jurisdiction level where relevant tax grouping rules apply) as permitted under IAS 12.

The Group has applied the mandatory exemption from recognising and disclosing information on the associated deferred tax assets and liabilities at 31 December 2023 as required by the amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules' referred to in note A2.2.

C8 Share capital, share premium and own shares

Issued shares of 5p each fully paid	2023 Number of ordinary shares	2023 Share capital $m	2023 Share premium $m	2022 Number of ordinary shares	2022 Share capital $m	2022 Share premium $m
Balance at 1 Jan	**2,749,669,380**	**182**	**5,006**	2,746,412,265	182	5,010
Shares issued under share-based schemes	**3,851,376**	**1**	**3**	3,257,115	–	2
Shares issued under Hong Kong public offer and international placing in 2022	**–**	**–**		–	–	(6)
Balance at 31 Dec	**2,753,520,756**	**183**	**5,009**	2,749,669,380	182	5,006

Options outstanding under save as you earn schemes to subscribe for shares at each year 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
31 Dec 2023	**1,671,215**	**737p**	**1,455p**	**2029**
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 ('own shares') in relation to its employee share schemes through the trusts established to facilitate the delivery of shares under employee incentive plans.

During the year, the trusts purchased a total number of shares of 3,888,138 (2022: 5,498,486) and the cost of acquiring these shares, including shares purchased for members under employee share purchase plans was $54 million (2022: $77 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. At 31 December 2023, 10.0 million (31 December 2022: 12.6 million) Prudential plc shares were held in the trusts.

Other than as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any Prudential plc listed securities during 2023. Subsequent to the year end, the Company commenced and completed a share repurchase programme in January 2024 in respect of 3,851,376 ordinary shares as disclosed in note D2.

D Other information

D1 Contingencies and related obligations

The Group is involved in various litigation and regulatory proceedings from time to time. 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 year 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. The appeals process is ongoing.

D2 Post balance sheet events

Dividends

The 2023 second interim dividend approved by the Board of Directors after 31 December 2023 is as described in note B5.

Share repurchase programme to neutralise 2023 employee and agent share scheme issuance

On 16 January 2024, the Company announced that the share repurchase programme in respect of 3,851,376 ordinary shares that it announced on 5 January 2024 and commenced on 8 January has been completed. The purpose of the share repurchase programme was to offset dilution from the vesting of awards under employee and agent share schemes during 2023. The Company has repurchased 3,851,376 ordinary shares in aggregate (representing 0.14 per cent of the total number of ordinary shares in issue at the end of the year (as disclosed in note C8)) at a volume weighted average price of £8.2676 per ordinary share for a total consideration of approximately £32 million.

European Embedded Value (EEV) basis results

Description of EEV basis reporting

The EEV basis 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 year results using current year foreign currency exchange rates, ie current year average rates for the income statement and current year closing rates for the balance sheet.

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 to the IFRS consolidated financial statements.

EEV results highlights

	2023	2022			
		AER		CER	
	$m	$m	% change	$m	% change
New business profit note (i)	**3,125**	2,184	43%	2,149	45%
Annual premium equivalent (APE) note (i)	**5,876**	4,393	34%	4,287	37%
New business margin (APE) (%)	**53%**	50%	+3pp	50%	+3pp
Present value of new business premiums (PVNBP)	**28,737**	22,406	28%	22,080	30%
Operating free surplus generated notes (i)(ii)	**2,007**	2,193	(8)%	2,173	(8)%
Operating free surplus generated from in-force insurance and asset management business notes (i)(ii)	**2,740**	2,760	(1)%	2,725	1%
EEV operating profit notes (i)(iii)	**4,546**	3,952	15%	3,901	17%
EEV operating profit, net of non-controlling interests	**4,526**	3,923	15%	3,872	17%
Operating return on average EEV shareholders' equity, net of non-controlling interests (%)	**10%**	9%			
Closing EEV shareholders' equity, net of non-controlling interests	**45,250**	42,184	7%	42,038	8%
Closing EEV shareholders' equity, net of non-controlling interests per share (in cents)	**1,643¢**	1,534¢	7%	1,529¢	7%

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 and is stated 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.

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 (including a liquidity premium), 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 5.

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 and do not revert to longer-term rates over time. 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 31 December 2023, the TVOG is $(290) million (31 December 2022: $(151) million). The magnitude of the TVOG at 31 December 2023 would be approximately equivalent to a 6 basis point (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 (31 December 2022: 51 per cent) and 40 per cent of new business profit (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 (31 December 2022: 26 per cent) and 14 per cent of new business profit (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 (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 13 per cent of the value of in-force (31 December 2022: 17 per cent) and 4 per cent of the value of new business profit (31 December 2022: 11 per cent) which limits the impact on the overall risk discount rate.

The remaining parts of the business, 9 per cent of the value of in-force business (31 December 2022: 6 per cent) and 42 per cent of the value of new business (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 31 December 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
	Note	Insurance and asset management operations	Other (central) operations	Group total	Group total
New business profit	1	**3,125**	**–**	**3,125**	2,184
Profit from in-force business	2	**1,779**	**–**	**1,779**	2,358
Long-term business		**4,904**	**–**	**4,904**	4,542
Asset management		**254**	**–**	**254**	234
Operating profit from long-term and asset management businesses		**5,158**	**–**	**5,158**	4,776
Other income (expenditure)	5	**–**	**(420)**	**(420)**	(542)
Operating profit (loss) before restructuring and IFRS 17 implementation costs		**5,158**	**(420)**	**4,738**	4,234
Restructuring and IFRS 17 implementation costs		**(72)**	**(120)**	**(192)**	(282)
Operating profit (loss) for the year		**5,086**	**(540)**	**4,546**	3,952
Short-term fluctuations in investment returns	2	**(62)**	**(8)**	**(70)**	(6,874)
Effect of changes in economic assumptions	2	**(589)**	**–**	**(589)**	(1,571)
(Loss) profit attaching to corporate transactions		**–**	**(22)**	**(22)**	57
Mark-to-market value movements on core structural borrowings	6	**–**	**(153)**	**(153)**	865
Non-operating results		**(651)**	**(183)**	**(834)**	(7,523)
Profit (loss) for the year		**4,435**	**(723)**	**3,712**	(3,571)
Non-controlling interests share of (profit)		**(20)**	**–**	**(20)**	(29)
Profit (loss) for the year attributable to equity holders of the Company		**4,415**	**(723)**	**3,692**	(3,600)
Equity items:					
Foreign exchange movements on operations		**(135)**	**1**	**(134)**	(1,195)
Intra-group dividends and investment in operations note (i)		**(1,702)**	**1,702**	**–**	–
External dividends		**–**	**(533)**	**(533)**	(474)
New share capital subscribed		**–**	**4**	**4**	(4)
Other movements note (ii)		**118**	**(81)**	**37**	(127)
Net increase (decrease) in shareholders' equity		**2,696**	**370**	**3,066**	(5,400)
Shareholders' equity at beginning of year note (v)		**40,262**	**1,922**	**42,184**	47,584
Shareholders' equity at end of year		**42,958**	**2,292**	**45,250**	42,184
Contribution to Group EEV:					
At end of year:					
Long-term business	2	**41,528**	**–**	**41,528**	38,857
Asset management and other	5	**663**	**2,292**	**2,955**	2,565
Shareholders' equity, excluding goodwill attributable to equity holders		**42,191**	**2,292**	**44,483**	41,422
Goodwill attributable to equity holders		**767**	**–**	**767**	762
Shareholders' equity at end of year		**42,958**	**2,292**	**45,250**	42,184
At beginning of year:					
Long-term business note (v)	2	**38,857**	**–**	**38,857**	44,875
Asset management and other	5	**643**	**1,922**	**2,565**	1,931
Shareholders' equity, excluding goodwill attributable to equity holders		**39,500**	**1,922**	**41,422**	46,806
Goodwill attributable to equity holders		**762**	**–**	**762**	778
Shareholders' equity at beginning of year note (v)		**40,262**	**1,922**	**42,184**	47,584

EEV shareholders' equity per share (in cents) note (iii)	2023 Insurance and asset management operations	2023 Other (central) operations	2023 Group total	2022 Group total
At end of year:				
Based on shareholders' equity, net of goodwill attributable to equity holders	**1,532¢**	**83¢**	**1,615¢**	1,507¢
Based on shareholders' equity at end of year	**1,560¢**	**83¢**	**1,643¢**	1,534¢
At beginning of year:				
Based on shareholders' equity, net of goodwill attributable to equity holders	**1,437¢**	**70¢**	**1,507¢**	1,696¢
Based on shareholders' equity at beginning of year	**1,464¢**	**70¢**	**1,534¢**	1,725¢

EEV basis basic earnings per share note (iv)	2023 Before non-controlling interests $m	2023 After non-controlling interests $m	2023 Basic earnings per share cents	2022 Basic earnings per share cents
Based on operating profit	**4,546**	**4,526**	**165.1¢**	143.4¢
Based on profit (loss) for the year	**3,712**	**3,692**	**134.7¢**	(131.6)¢

Notes

(i) Intra-group dividends represent dividends that have been paid in the year. Investment in operations reflects movements in share capital.
(ii) Other movements include reserve movements in respect of valuation changes on the retained interest in Jackson prior to its disposal in 2023, 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 31 December 2023 of 2,754 million shares (31 December 2022: 2,750 million shares).
(iv) Based on weighted average number of issued shares of 2,741 million shares in 2023, which excludes those held in employee share trusts (2022: 2,736 million shares).
(v) Balance at the beginning of the year after the adoption of HK RBC.

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 (Group Wide Supervision) reporting as set out in note 7.1(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 unaudited financial information. For asset management and other non-insurance operations (including the Group's central operations), free surplus is taken to be IFRS 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 unaudited financial information.

		2023 $m			2022 $m
	Note	Insurance and asset management operations	Other (central) operations	Group total	Group total note (i)
Expected transfer from in-force business		**2,635**	**–**	**2,635**	2,406
Expected return on existing free surplus		**234**	**–**	**234**	347
Changes in operating assumptions and experience variances		**(383)**	**–**	**(383)**	(227)
Operating free surplus generated from in-force long-term business		**2,486**	**–**	**2,486**	2,526
Investment in new business note (i)		**(733)**	**–**	**(733)**	(567)
Long-term business	2	**1,753**	**–**	**1,753**	1,959
Asset management		**254**	**–**	**254**	234
Operating free surplus generated from long-term and asset management businesses		**2,007**	**–**	**2,007**	2,193
Other income (expenditure)		**–**	**(420)**	**(420)**	(542)
Restructuring and IFRS 17 implementation costs		**(72)**	**(120)**	**(192)**	(277)
Operating free surplus generated		**1,935**	**(540)**	**1,395**	1,374
Non-operating free surplus generated note (ii)		**(188)**	**(35)**	**(223)**	(1,924)
Free surplus generated for the year		**1,747**	**(575)**	**1,172**	(550)
Equity items:					
Net cash flows paid to parent company note (iii)		**(1,611)**	**1,611**	**–**	–
External dividends		**–**	**(533)**	**(533)**	(474)
Foreign exchange movements on operations		**(25)**	**1**	**(24)**	(316)
New share capital subscribed		**–**	**4**	**4**	(4)
Other movements and timing differences		**27**	**10**	**37**	(127)
Net movement in free surplus before non-controlling interests and before net subordinated debt redemption		**138**	**518**	**656**	(1,471)
Net subordinated debt redemption	6	**–**	**(421)**	**(421)**	(1,699)
Net movement in free surplus before non-controlling interests		**138**	**97**	**235**	(3,170)
Change in amounts attributable to non-controlling interests		**(9)**	**–**	**(9)**	(10)
Balance at beginning of year note (iv)		**6,678**	**5,551**	**12,229**	15,409
Balance at end of year		**6,807**	**5,648**	**12,455**	12,229
Representing:					
Free surplus excluding distribution rights and other intangibles		**5,663**	**2,855**	**8,518**	8,390
Distribution rights and other intangibles		**1,144**	**2,793**	**3,937**	3,839
Balance at end of year		**6,807**	**5,648**	**12,455**	12,229

Contribution to Group free surplus:	Note	2023 $m Insurance and asset management operations	2023 $m Other (central) operations	2023 $m Group total	2022 $m Group total
At end of year:					
Long-term business	2	6,144	–	6,144	6,035
Asset management and other	5	663	5,648	6,311	6,194
Free surplus at end of year		6,807	5,648	12,455	12,229
At beginning of year:					
Long-term business note (iv)	2	**6,035**	**–**	**6,035**	7,320
Asset management and other	5	**643**	**5,551**	**6,194**	8,089
Free surplus at beginning of year note (iv)		**6,678**	**5,551**	**12,229**	15,409

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 (central) 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, other non-cash items, and foreign exchange.

(iv) Balance at the beginning of the year after the adoption of HK RBC.

Notes on the EEV basis results

1 Analysis of new business profit and EEV for insurance business operations

	2023					
	New business profit (NBP)	Annual premium equivalent (APE)	Present value of new business premiums (PVNBP)	New business margin (APE)	New business margin (PVNBP)	Closing EEV shareholders' equity, excluding goodwill
	$m	$m	$m	%	%	$m
CPL (Prudential's share)	**222**	**534**	**2,020**	**42%**	**11%**	**3,038**
Hong Kong	**1,411**	**1,966**	**10,444**	**72%**	**14%**	**17,702**
Indonesia	**142**	**277**	**1,136**	**51%**	**13%**	**1,509**
Malaysia	**167**	**384**	**1,977**	**43%**	**8%**	**3,709**
Singapore	**484**	**787**	**5,354**	**61%**	**9%**	**7,896**
Growth markets and other	**699**	**1,928**	**7,630**	**36%**	**9%**	**7,674**
Total long-term operations	**3,125**	**5,876**	**28,561**	**53%**	**11%**	**41,528**

	2022 (AER)					
	New business profit (NBP)	Annual premium equivalent (APE)	Present value of new business premiums (PVNBP)	New business margin (APE)	New business margin (PVNBP)	Closing EEV shareholders' equity, excluding goodwill
	$m	$m	$m	%	%	$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

	2022 (CER)					
	New business profit (NBP)	Annual premium equivalent (APE)	Present value of new business premiums (PVNBP)	New business margin (APE)	New business margin (PVNBP)	Closing EEV shareholders' equity, excluding goodwill
	$m	$m	$m	%	%	$m
CPL (Prudential's share)	368	840	3,346	44%	11%	3,195
Hong Kong	384	523	3,296	73%	12%	16,568
Indonesia	122	240	1,014	51%	12%	1,853
Malaysia	154	347	1,813	44%	8%	3,542
Singapore	512	791	6,254	65%	8%	6,921
Growth markets and other	609	1,546	6,357	39%	10%	6,616
Total long-term operations	2,149	4,287	22,080	50%	10%	38,695

Note

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

	$m
2022 new business profit	2,184
Foreign exchange movement	**(35)**
Sales volume	**796**
Effect of changes in interest rates and other economic assumptions	**(37)**
Business mix, product mix and other items	**217**
2023 new business profit	**3,125**

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

	2023 $m					2022 $m
	Free surplus	Required capital	Net worth	Value of in-force business	Embedded value note (i)	Embedded value note (i)
Balance at beginning of year after adoption of HK RBC	**6,035**	**5,556**	**11,591**	**27,266**	**38,857**	44,875
New business contribution	**(733)**	**582**	**(151)**	**3,276**	**3,125**	2,184
Existing business – transfer to net worth	**2,635**	**(261)**	**2,374**	**(2,374)**	**–**	-
Expected return on existing business note (ii)	**234**	**236**	**470**	**1,652**	**2,122**	2,559
Changes in operating assumptions, experience variances and other items note(iii)	**(383)**	**(70)**	**(453)**	**110**	**(343)**	(201)
Operating profit before restructuring and IFRS 17 implementation costs	**1,753**	**487**	**2,240**	**2,664**	**4,904**	4,542
Restructuring and IFRS 17 implementation costs	**(55)**	**–**	**(55)**	**–**	**(55)**	(116)
Operating profit	**1,698**	**487**	**2,185**	**2,664**	**4,849**	4,426
Non-operating result note (iv)	**(188)**	**(36)**	**(224)**	**(427)**	**(651)**	(8,469)
Profit (loss) for the year	**1,510**	**451**	**1,961**	**2,237**	**4,198**	(4,043)
Non-controlling interests share of (profit) loss	**(2)**	**(1)**	**(3)**	**(10)**	**(13)**	(22)
Profit (loss) for the year attributable to equity holders of the Company	**1,508**	**450**	**1,958**	**2,227**	**4,185**	(4,065)
Foreign exchange movements	**(21)**	**(22)**	**(43)**	**(93)**	**(136)**	(1,146)
Intra-group dividends and investment in operations	**(1,502)**	**–**	**(1,502)**	**–**	**(1,502)**	(999)
Other movements note (v)	**124**	**–**	**124**	**–**	**124**	192
Balance at end of year	**6,144**	**5,984**	**12,128**	**29,400**	**41,528**	38,857

(i) Total embedded value

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

	31 Dec 2023 $m	31 Dec 2022 $m
Value of in-force business before deduction of cost of capital and time value of options and guarantees	**30,436**	28,126
Cost of capital	**(746)**	(709)
Time value of options and guarantees note	**(290)**	(151)
Net value of in-force business	**29,400**	27,266
Free surplus	**6,144**	6,035
Required capital	**5,984**	5,556
Net worth	**12,128**	11,591
Embedded value	**41,528**	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 7.1(d). At 31 December 2023, the TVOG is $(290) million, with the substantial majority arising in Hong Kong.

(ii) Expected return on existing business

The expected return on existing business comprises the expected unwind of discounting effects on the opening value of in-force business and required capital (after allowing for updates to economic and operating assumptions) and the expected return on existing free surplus, as described in note 7.2(c). The movement in this amount compared to the prior year from long-term operations is analysed as follows:

	$m
2022 expected return on existing business	2,559
Foreign exchange movement	**(28)**
Effect of changes in interest rates and other economic assumptions	**(513)**
Growth in opening value of in-force business and other items	**104**
2023 expected return on existing business	**2,122**

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

Overall, the total impact of operating assumption changes, experience variances and other items in 2023 was $(343) million (2022: $(201) million), comprising changes in operating assumptions of $85 million in 2023 (2022: $32 million) and experience variances and other items of $(428) million (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
Short-term fluctuations in investment returns note (i)	**(62)**	(6,893)
Effect of change in economic assumptions note(ii)	**(589)**	(1,571)
Loss attaching to corporate transactions	**–**	(5)
Non-operating results	**(651)**	(8,469)

Notes

(i) Short-term fluctuations in investment returns of $(62) million mainly reflect the impact of lower than expected equity returns in some regions broadly offset by higher than expected bond gains, following the decrease in interest rates in many markets during the year.

(ii) The charge of $(589) million for the effect of changes in economic assumptions primarily arises from decreases in interest rates and credit spreads in some markets, resulting in lower fund earned rate that impact future cashflows, partially offset by the positive effect of lower risk discount rates. The effects and impacts vary between businesses and products.

(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 insurance business operations

(a) Sensitivity analysis – economic assumptions

The tables below show the sensitivity of the new business profit and the embedded value 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 at the end of that period, for example, new business profit and expected return on existing business are calculated with reference to end of period economic assumptions.

New business profit from insurance business

	2023 $m	2022 $m
New business profit	**3,125**	2,184
Sensitivity to alternative economic assumptions:		
Interest rates and consequential effects – 2% increase	**(175)**	220
Interest rates and consequential effects – 1% increase	**(88)**	134
Interest rates and consequential effects – 0.5% decrease	**35**	(97)
Equity/property yields – 1% rise	**139**	160
Risk discount rates – 2% increase	**(917)**	(551)
Risk discount rates – 1% increase	**(529)**	(309)

Embedded value of insurance business

	31 Dec 2023 $m	31 Dec 2022 $m
Embedded value note	**41,528**	38,857
Sensitivity to alternative economic assumptions:		
Interest rates and consequential effects – 2% increase	**(4,154)**	(3,988)
Interest rates and consequential effects – 1% increase	**(2,172)**	(2,067)
Interest rates and consequential effects – 0.5% decrease	**1,133**	1,058
Equity/property yields – 1% rise	**1,856**	1,884
Equity/property market values – 20% fall	**(1,863)**	(1,840)
Risk discount rates – 2% increase	**(8,015)**	(7,371)
Risk discount rates – 1% increase	**(4,516)**	(4,155)
Group minimum capital requirements	**117**	117

Note
Embedded value includes Africa operations following the change in the Group's operating segments in 2023. In the context of the Group, Africa's results are not materially impacted by the above sensitivities.

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 31 December 2023 reflect the significantly higher new business levels in 2023 along with a greater proportion of sales to Hong Kong.

For a 1 per cent increase in assumed interest rates, the $(2,172) million negative effect comprises a $(4,516) million negative impact of increasing the risk discount rate by 1 per cent, partially offset by a $2,344 million benefit from assuming 1 per cent higher investment returns. Similarly, for a 2 per cent increase in assumed interest rates the $(4,154) million negative effect comprises a $(8,015) million negative impact of increasing the risk discount rates by 2 per cent, partially offset by a $3,861 million benefit from higher assumed investment returns. Finally, for a 0.5 per cent decrease in assumed interest rates, there would be a $1,133 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 would likely be increased within the risk discount rate if interest rates increased by 1 per cent, leading to a reduction of $(1,969) million (compared with the $(2,172) million impact shown above). However, if interest rates actually decreased by 0.5 per cent, it would lead to a $1,043 million increase (compared with the $1,133 million increase shown above).

(b) Sensitivity analysis – non-economic assumptions

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

- 10 per cent proportionate decrease in maintenance expenses (for example, a 10 per cent sensitivity on a base assumption of $10 per annum would represent an expense assumption of $9 per annum);
- 10 per cent proportionate decrease in lapse rates (for example, a 10 per cent sensitivity on a base assumption of 5.0 per cent would represent a lapse rate of 4.5 per cent per annum); and
- 5 per cent proportionate decrease in base mortality (ie increased longevity) and morbidity rates.

New business profit from insurance business

	2023 $m	2022 $m
New business profit	**3,125**	2,184
Maintenance expenses – 10% decrease	**61**	48
Lapse rates – 10% decrease	**212**	134
Mortality and morbidity – 5% decrease	**114**	99

Embedded value of insurance business

	31 Dec 2023 $m	31 Dec 2022 $m
Embedded value	**41,528**	38,857
Maintenance expenses – 10% decrease	**440**	411
Lapse rates – 10% decrease	**1,806**	1,533
Mortality and morbidity – 5% decrease	**1,514**	1,300

4 Expected transfer of value of in-force business and required capital to free surplus for long-term business operations on a discounted basis

The table below shows how the value of in-force business (VIF) and the associated required capital for long-term business operations are projected as emerging into free surplus over future years. Cash flows are projected on a deterministic basis and are discounted at the appropriate risk discount rate. The modelled cash flows use the same methodology underpinning the Group's EEV reporting and so are subject to the same assumptions and sensitivities. The projected emergence of VIF and required capital into free surplus in 2023 will be the starting point for expected free surplus generation next year, after updating for operating and economic assumption changes. See note I(v) of the additional financial information for further detail.

	Total expected	Expected period of conversion of future post-tax distributable earnings and required capital flows to free surplus at 31 Dec					
	Emergence	1-5 years	6-10 years	11-15 years	16-20 years	21-40 years	40+ years
2023 ($m)	**35,223**	**9,897**	**6,744**	**4,884**	**3,749**	**7,590**	**2,359**
(%)	**100%**	**28%**	**19%**	**14%**	**11%**	**21%**	**7%**
2022 ($m)	32,648	9,764	6,038	4,360	3,424	6,910	2,152
(%)	100%	30%	19%	13%	10%	21%	7%

The required capital and value of in-force business for long-term business operations can be reconciled to the total discounted emergence of future free surplus shown above as follows:

	31 Dec 2023 $m	31 Dec 2022 $m
Required capital note 2	**5,984**	5,556
Value of in-force business (VIF) note 2	**29,400**	27,266
Other items *	**(161)**	(174)
Long-term business operations	**35,223**	32,648

*'Other items' represent the impact of the TVOG and amounts incorporated into VIF where there is no definitive time frame for when the payments will be made or receipts received. These items are excluded from the expected free surplus generation profile above.

5 EEV basis 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 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 operations can be compared across metrics as shown in the table below.

	2023 $m	2022 $m
IFRS shareholders' equity	**2,018**	1,495
Mark-to-market value adjustment on central borrowings note 6	**274**	427
EEV shareholders' equity	**2,292**	1,922
Debt instruments treated as capital resources	**3,356**	3,629
Free surplus of other (central) operations	**5,648**	5,551

6 Net core structural borrowings of shareholder-financed businesses

	31 Dec 2023 $m			31 Dec 2022 $m		
	IFRS basis	Mark-to -market value adjustment	EEV basis at market value	IFRS basis	Mark-to -market value adjustment	EEV basis at market value
	note (ii)	note (iii)		note (ii)	note (iii)	
Holding company cash and short-term investments note (i)	**(3,516)**	**–**	**(3,516)**	(3,057)	–	(3,057)
Central borrowings:						
Subordinated debt	**2,297**	**(205)**	**2,092**	2,286	(306)	1,980
Senior debt	**1,636**	**(69)**	**1,567**	1,975	(121)	1,854
Total central borrowings	**3,933**	**(274)**	**3,659**	4,261	(427)	3,834
Net core structural borrowings of shareholder-financed businesses	**417**	**(274)**	**143**	1,204	(427)	777

Notes

(i) Holding company includes centrally managed Group holding companies and service companies.

(ii) As recorded in note C5.1 of the IFRS consolidated financial statements.

(iii) The movement in the value of core structural borrowings includes redemptions in the year 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
Mark-to-market value adjustment at beginning of year	**(427)**	438
Credit (charge) included in the income statement	**153**	(865)
Mark-to-market value adjustment at end of year	**(274)**	(427)

7 Methodology and accounting presentation

7.1 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 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 8(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 8(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 8(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, 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 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 long-term business EEV includes the projected future profit 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 and do not revert to longer-term rates over time.

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. 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. The level and application of these allowances are reviewed and updated based on assessment of the Group's exposure and experience in the markets.

At 31 December 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 insurance 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 statements.

(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.

7.2 Accounting presentation

(a) Analysis of post-tax profit

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 7.1(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 year.

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.

8 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 projected future cash flows. The risk-free rates of return are largely based on local government bond yields and are assumed to remain constant and do not revert to longer-term rates over time. 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 7.1(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 %				10-year government bond yield %		Equity return (geometric) %	
	New business		In-force business					
	31 Dec 2023	31 Dec 2022	**31 Dec 2023**	31 Dec 2022	**31 Dec 2023**	31 Dec 2022	**31 Dec 2023**	31 Dec 2022
CPL	**7.1**	7.4	**7.1**	7.4	**2.6**	2.9	**6.6**	6.9
Hong Kong note (i)	**4.7**	4.8	**5.5**	5.5	**3.9**	3.9	**7.4**	7.4
Indonesia	**9.0**	10.0	**9.9**	10.6	**6.7**	7.3	**11.0**	11.5
Malaysia	**5.6**	5.8	**6.2**	6.5	**3.8**	4.1	**7.3**	7.6
Philippines	**12.3**	14.5	**12.3**	14.5	**6.1**	7.3	**10.3**	11.5
Singapore	**4.6**	5.0	**4.8**	5.2	**2.7**	3.1	**6.2**	6.6
Taiwan	**3.3**	3.5	**4.2**	4.0	**1.3**	1.3	**5.3**	5.3
Thailand	**10.0**	10.0	**10.0**	10.0	**2.8**	2.7	**7.0**	7.0
Vietnam	**3.7**	6.9	**4.1**	6.7	**2.3**	5.0	**6.6**	9.3
Total weighted average (new business) note (ii)	**5.6**	6.9	**n/a**	n/a	**3.8**	4.2	**7.2**	7.5
Total weighted average (in-force business) note (ii)	**n/a**	n/a	**5.9**	6.4	**3.6**	4.0	**7.1**	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 allowances for market risk (including as a result of changes in asset mix), and, if applicable, non-diversifiable non-market risk, and changes in product mix.

(iii) Expected long-term inflation assumptions range from 1.5 per cent to 5.5 per cent for both years 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 7.1(d).

- The stochastic cost of guarantees is primarily of significance for the Hong Kong, Vietnam, Taiwan, Singapore and Malaysia businesses;
- The principal asset classes are government bonds, corporate bonds and equity;
- Interest rates are projected using a stochastic interest rate model calibrated to the current market yields;
- 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 both years; and
- The volatility of government bond yields ranges from 1.1 per cent to 2.0 per cent for both years.

(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, it is Prudential's policy not to take credit for future cost reduction programmes until the actions to achieve the savings have been delivered. Expense overruns are reported where these are expected to be short-lived, including businesses that are growing rapidly or are sub-scale.

Expenses comprise costs borne directly and costs recharged/allocated from the Group head office functions in London and Hong Kong 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/allocated by the head office functions.

Corporate expenditure, which is included in other income and expenditure, comprises expenditure of the Group head office functions in London and Hong Kong 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.

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 7.1(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

9 Insurance new business

	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
CPL note (i)	**487**	1,254	**485**	759	**534**	884	**2,020**	3,521
Hong Kong	**235**	842	**1,942**	438	**1,966**	522	**10,444**	3,295
Indonesia	**230**	250	**254**	222	**277**	247	**1,136**	1,040
Malaysia	**93**	99	**375**	350	**384**	359	**1,977**	1,879
Singapore	**989**	2,628	**688**	507	**787**	770	**5,354**	6,091
Growth markets:								
Africa	**8**	9	**157**	148	**158**	149	**326**	308
Cambodia	**1**	–	**18**	18	**18**	18	**74**	69
India note (ii)	**270**	273	**206**	196	**233**	223	**1,145**	1,148
Laos	**–**	–	**–**	–	**–**	–	**2**	1
Myanmar	**–**	–	**6**	3	**6**	3	**19**	6
Philippines	**56**	61	**170**	176	**175**	182	**612**	615
Taiwan	**132**	157	**882**	486	**895**	503	**3,308**	1,835
Thailand	**143**	150	**232**	220	**246**	235	**999**	932
Vietnam	**19**	99	**195**	288	**197**	298	**1,321**	1,666
Total	**2,663**	5,822	**5,610**	3,811	**5,876**	4,393	**28,737**	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 IFRS consolidated income statement.

10 Post balance sheet events

Dividends

The second interim dividend for the year ended 31 December 2023, which was approved by the Board of Directors after 31 December 2023, is described in note B5 of the Group IFRS consolidated financial statements.

Share repurchase programme to neutralise 2023 employee and agent share scheme issuance

On 16 January 2024, the Company announced that the share repurchase programme in respect of 3,851,376 ordinary shares that it announced on 5 January 2024 and commenced on 8 January has been completed. The purpose of the share repurchase programme was to offset dilution from the vesting of awards under employee and agent share schemes during 2023. The Company has repurchased 3,851,376 ordinary shares in aggregate (representing 0.14 per cent of the total number of ordinary shares in issue at the end of the year (as disclosed in note C8)) at a volume weighted average price of £8.2676 per ordinary share for a total consideration of approximately £32 million.

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 31 December 2023, the estimated shareholder GWS capital surplus over the GPCR is $16.1 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 $19.0 billion (31 December 2022: $18.1 billion), representing a coverage ratio of 197 per cent (31 December 2022: 202 per cent). The estimated Group Tier 1 capital resources are $18.3 billion with headroom over the GMCR of $12.4 billion (31 December 2022: $12.1 billion), representing a coverage ratio of 313 per cent (31 December 2022: 328 per cent).

	31 Dec 2023			31 Dec 2022 note (1)			
	Shareholder	**Add policyholder**	**Total**	Shareholder	Add policyholder	Total	Change in total
		note (3)	**note (4)**		note (3)	note (4)	note (5)
Group capital resources ($bn)	**24.3**	**14.3**	**38.6**	23.2	12.6	35.8	2.8
of which: Tier 1 capital resources ($bn) note (2)	**17.1**	**1.2**	**18.3**	15.9	1.5	17.4	0.9
Group Minimum Capital Requirement ($bn)	**4.8**	**1.1**	**5.9**	4.4	0.9	5.3	0.6
Group Prescribed Capital Requirement ($bn)	**8.2**	**11.4**	**19.6**	7.6	10.1	17.7	1.9
GWS capital surplus over GPCR ($bn)	**16.1**	**2.9**	**19.0**	15.6	2.5	18.1	0.9
GWS coverage ratio over GPCR (%)	**295 %**		**197 %**	307 %		202 %	(5)%
GWS Tier 1 surplus over GMCR ($bn)			**12.4**			12.1	0.3
GWS Tier 1 coverage ratio over GMCR (%)			**313 %**			328 %	(15)%

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 31 December 2023, total Tier 1 capital resources of $18.3 billion comprises: $24.3 billion of total shareholder capital resources; less $(3.6) billion of Prudential plc issued sub-ordinated and senior Tier 2 debt capital; less $(3.6) billion of local regulatory tiering classifications which are classified as GWS Tier 2 capital resources primarily in Singapore and the Chinese Mainland; plus $1.2 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 31 December 2023 and 31 December 2022 are shown below, for both the shareholder and the total capital position.

	Shareholder			
	31 Dec 2023		31 Dec 2022	
Impact of market sensitivities	**Surplus ($bn)**	**Coverage ratio**	Surplus ($bn)	Coverage ratio
Base position	**16.1**	**295 %**	15.6	307 %
Impact of:				
10% increase in equity markets	**0.4**	**(3)%**	0.3	(3)%
20% fall in equity markets	**(2.5)**	**(17)%**	(1.9)	(14)%
50 basis points reduction in interest rates	**0.7**	**11 %**	0.4	4%
100 basis points increase in interest rates	**(2.1)**	**(25)%**	(1.1)	(15)%
100 basis points increase in credit spreads	**(1.0)**	**(12)%**	(0.8)	(9)%

	Total			
	31 Dec 2023		31 Dec 2022	
Impact of market sensitivities	**Surplus ($bn)**	**Coverage ratio**	Surplus ($bn)	Coverage ratio
Base position	**19.0**	**197 %**	18.1	202 %
Impact of:				
10 % increase in equity markets	**1.2**	**1%**	1.2	1 %
20 % fall in equity markets	**(4.0)**	**(13)%**	(3.6)	(12) %
50 basis points reduction in interest rates	**0.4**	**3%**	0.0	0 %
100 basis points increase in interest rates	**(1.4)**	**(8)%**	(0.6)	(3) %
100 basis points increase in credit spreads	**(1.4)**	**(7)%**	(1.2)	(6) %

The sensitivity results above reflect the impact on the Group's insurance 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 31 December 2023, the Group's Free Surplus stock (excluding distribution rights and other intangibles) was $8.5 billion, compared to the GWS shareholder surplus of $16.1 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 in 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 our conviction in the Group's revised strategy, when determining the annual dividend we look through the investments in new business and investments in capabilities and continue to expect the 2024 annual dividend to grow in the range of 7 to 9 per cent. 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 31 December 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 $19.0 billion at 31 December 2023 is set out in the table below.

	2023 $bn
Total GWS surplus at 1 Jan (over GPCR)	**18.1**
Shareholder free surplus generation	
In force operating capital generation	**2.1**
Investment in new business	**(0.7)**
Total operating free surplus generation	**1.4**
External dividends	**(0.5)**
Non-operating movements including market movements	**(0.2)**
Other capital movements (including foreign exchange movements)	**(0.5)**
Movement in free surplus (see EEV basis results for further detail)	**0.2**
Other movements in GWS shareholder surplus not included in free surplus	**0.3**
Movement in contribution from GWS policyholder surplus (over GPCR)	**0.4**
Net movement in GWS capital surplus (over GPCR)	**0.9**
Total GWS surplus at 31 Dec (over GPCR)	**19.0**

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 $2.8 billion to $38.6 billion at 31 December 2023 (31 December 2022: $35.8 billion). This includes a $0.9 billion increase in tier 1 group capital to $18.3 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 year, partially offset by external dividends paid, debt redeemed and market movements over the year.
- Total regulatory GPCR has increased by $1.9 billion to $19.6 billion at 31 December 2023 (31 December 2022: $17.7 billion) and the total regulatory GMCR has increased by $0.6 billion to $5.9 billion at 31 December 2023 (31 December 2022: $5.3 billion). The increase in GPCR and GMCR is primarily driven by new business sold over the year, partially offset by the release of capital as the policies mature or are surrendered and market movements over the year.

Reconciliation of Free Surplus to total regulatory GWS capital surplus (over GPCR)

	31 Dec 2023 $bn		
	Capital resources	Required capital	Surplus
Free surplus excluding distribution rights and other intangibles*	**14.5**	**6.0**	**8.5**
Restrictions applied in free surplus for China C-ROSS II note (1)	**1.7**	**1.4**	**0.3**
Restrictions applied in free surplus for HK RBC note (2)	**6.1**	**0.7**	**5.4**
Restrictions applied in free surplus for Singapore RBC note(3)	**2.0**	**0.1**	**1.9**
Add GWS policyholder surplus contribution	**14.3**	**11.4**	**2.9**
Total regulatory GWS capital surplus (over GPCR)	**38.6**	**19.6**	**19.0**

* 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

	31 Dec 2023 $bn
Group IFRS shareholders' equity	**17.8**
Remove goodwill and intangibles recognised on the IFRS consolidated statement of financial position	**(4.7)**
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)	**21.0**
Liability valuation (including insurance contracts) differences excluding IFRS 17 CSM note (4)	**0.5**
Differences in associated net deferred tax liabilities note (5)	**0.9**
Other note (6)	**0.3**
Group total GWS capital resources	**38.6**

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 interest 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 31 December 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 2022 results on both AER and CER bases to eliminate the impact of exchange translation.

	2023 $m	2022 $m		2023 vs 2022 %	
		AER	CER	AER	CER
CPL	**368**	271	258	36 %	43 %
Hong Kong	**1,013**	1,162	1,162	(13)%	(13)%
Indonesia	**221**	205	200	8 %	11 %
Malaysia	**305**	340	329	(10)%	(7)%
Singapore	**584**	570	585	2 %	0 %
Growth markets and other					
Philippines	**146**	131	129	11 %	13 %
Taiwan	**115**	116	111	(1)%	4 %
Thailand	**120**	116	117	3 %	3 %
Vietnam	**357**	402	395	(11)%	(10)%
Other	**86**	53	48	62 %	79 %
Share of related tax charges from joint ventures and associate	**(78)**	(90)	(85)	13 %	8 %
Insurance business	**3,237**	3,276	3,249	(1)%	0 %
Eastspring	**280**	260	255	8 %	10 %
Total segment profit	**3,517**	3,536	3,504	(1)%	0 %

(a) Eastspring adjusted operating profit

	2023 $m	2022 AER $m
Operating income before performance-related fees note (1)	**700**	660
Performance-related fees	**(2)**	1
Operating income (net of commission) note (2)	**698**	661
Operating expense note (2)	**(372)**	(360)
Group's share of tax on joint ventures' operating profit	**(46)**	(41)
Adjusted operating profit	**280**	260
Average funds managed or advised by Eastspring	**$225.9bn**	$229.4bn
Margin based on operating income note (3)	**31bps**	29bps
Cost/income ratio note II(v)	**53%**	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). As stated in section (b) below, during the year the Group has reclassified funds under management and associated income between Retail and Institutional.

	Retail $m	Margin bps	Institutional $m	Margin bps	Total $m	Margin bps
2023	**353**	**67**	**347**	**20**	**700**	**31**
2022	319	64	341	19	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. 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.

During the year the Group has reclassified its funds under management, and associated income, between retail and institutional categories. Amounts are now classified as retail or institutional based on whether the owner of the holding, where known, is a retail or institutional investor. Under the previous basis amounts were classified based on the nature of the investment vehicle in which the amounts were invested. The revised classification presents the funds held by each client type on a more consistent basis, which aligns with typical differences in fee rate basis for each client type. Comparatives have been restated to be on a comparable basis.

	31 Dec 2023 $bn	31 Dec 2022 AER $bn
External funds under management, excluding funds managed on behalf of M&G plc note (1)		
Retail	**50.8**	42.7
Institutional	**31.6**	28.7
Money market funds (MMF)	**11.8**	10.5
	94.2	81.9
Funds managed on behalf of M&G plc note (2)	**1.9**	9.3
External funds under management	**96.1**	91.2
Internal funds:		
Internal funds under management	**110.0**	104.1
Internal funds under advice	**31.0**	26.1
	141.0	130.2
Total funds under management or advice note (3)	**237.1**	221.4

Notes

(1) Movements in external funds under management, excluding those managed on behalf of M&G plc, are analysed below:

	2023 $m	2022 AER $m
At 1 Jan	**81,949**	93,956
Market gross inflows	**91,160**	81,942
Redemptions	**(85,983)**	(84,397)
Market and other movements	**6,997**	(9,552)
At 31 Dec*	**94,123**	81,949

* The analysis of movements above includes $11,775 million relating to Asia Money Market Funds at 31 December 2023 (31 December 2022: $10,495 million). Investment flows for 2023 include Eastspring Money Market Funds gross inflows of $66,340 million (2022: $61,063 million) and net inflows of $1,123 million (2022: net outflows of $(869) million).

(2) Movements in funds managed on behalf of M&G plc are analysed below:

	2023 $m	2022 AER $m
At 1 Jan	**9,235**	11,529
Net flows	**(7,604)**	(765)
Market and other movements	**293**	(1,529)
At 31 Dec	**1,924**	9,235

(3) Total funds under management or advice are analysed by asset class below:

	31 Dec 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	**50.7**	**25%**	**1.4**	**5%**	**52.1**	**22 %**	45.5	21 %
Fixed income	**40.6**	**20%**	**3.3**	**11%**	**43.9**	**19 %**	47.9	22 %
Multi-asset	**99.9**	**48%**	**26.2**	**84%**	**126.1**	**53 %**	114.1	51 %
Alternatives	**2.0**	**1%**	**0.1**	**0%**	**2.1**	**1 %**	2.2	1 %
Money Market Funds	**12.9**	**6%**	**–**	**0%**	**12.9**	**5 %**	11.7	5 %
Total funds	**206.1**	**100%**	**31.0**	**100%**	**237.1**	**100 %**	221.4	100 %

* The presentation of asset classes has been expanded 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 presented 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 year, 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.

	31 Dec 2023 $bn	31 Dec 2022 AER $bn
Internal funds	**183.3**	166.3
Eastspring external funds, including M&G plc (as analysed in note I(ii) above)	**96.1**	91.2
Total Group funds under management note	**279.4**	257.5

Note
Total Group funds under management comprise:

	31 Dec 2023 $bn	31 Dec 2022 AER $bn
Total investments held on the balance sheet*	**162.9**	149.9
External funds of Eastspring, including M&G plc	**96.1**	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	**20.4**	16.4
Total Group funds under management	**279.4**	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 year 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 AER $m
Net cash remitted by business units note (1)	**1,611**	1,304
Net interest paid note (2)	**(51)**	(204)
Corporate expenditure note (3)	**(271)**	(232)
Centrally funded recurring bancassurance fees	**(182)**	(220)
Total central outflows	**(504)**	(656)
Holding company cash flow before dividends and other movements	**1,107**	648
Dividends paid	**(533)**	(474)
Operating holding company cash flow after dividends but before other movements	**574**	174
Other movements		
Issuance and redemption of debt	**(393)**	(1,729)
Other corporate activities note (4)	**226**	248
Total other movements	**(167)**	(1,481)
Net movement in holding company cash flow	**407**	(1,307)
Cash and short-term investments at 1 Jan note (5)	**3,057**	3,572
Foreign exchange movements	**52**	(113)
Inclusion of amounts at 31 Dec from additional centrally managed entities note (6)	**–**	905
Cash and short-term investments at 31 Dec	**3,516**	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. The remittances are net of cash advanced to CPL of $176 million in anticipation of a future capital injection as described in Note D3 of the IFRS financial statements.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 2023, largely on the balances brought into the updated definition. This together with lower interest payments led to a reduction in net interest paid in 2023 as compared with the prior year.
(2) Including IFRS 17 implementation and restructuring costs paid in the year.
(3) Cash inflows for other corporate activities were $226 million (2022: $248 million) comprising largely of proceeds received from the sale of our remaining shares in Jackson Financial Inc., as well as dividend receipts.
(4) Proceeds from the Group's commercial paper programme are not included in the holding company cash and short-term investments balance, as shown in the reconciliation below.
(5) 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 unallocated to a segment (Central operations)held on the IFRS balance sheet (as shown in note C1) and Cash and short-term investments at 31 December as shown above:

	31 Dec 2023 $m	31 Dec 2022 $m
Cash and cash equivalents of Central operations held on balance sheet	**1,590**	1,809
Less: amounts from commercial paper	**(699)**	(501)
Add: Deposits with credit institutions of Central operations held on balance sheet	**2,625**	1,749
Cash and short-term investments	**3,516**	3,057

I(v) Reconciliation of EEV expected transfer of value of in-force business and required capital to free surplus

The table below shows how the EEV value of in-force business (VIF) and the associated required capital for long-term insurance business operations are projected as emerging into free surplus over the next 40 years. Although circa 6 per cent of the embedded value emerges after this date, analysis of cash flows emerging in the years shown is considered most meaningful. The modelled cash flows use the same methodology underpinning the Group's embedded value reporting and so are subject to the same assumptions and sensitivities used to prepare our 2023 results.

In addition to showing the amounts, on both a discounted and undiscounted basis, expected to be generated from all in-force business at 31 December 2023, the table also presents the future free surplus expected to be generated from the investment made in new business during 2023 over the same 40-year period.

	31 Dec 2023 $m			
	Expected generation from all in-force business*		Expected generation from new business written in 2023*	
Expected period of emergence	Undiscounted	Discounted	Undiscounted	Discounted
2024	2,360	2,274	294	283
2025	2,325	2,118	195	173
2026	2,314	1,989	207	175
2027	2,283	1,849	199	161
2028	2,171	1,667	209	159
2029	2,122	1,538	209	151
2030	2,068	1,422	199	139
2031	2,057	1,335	204	133
2032	2,072	1,272	198	124
2033	2,023	1,177	214	127
2034	1,997	1,091	242	136
2035	1,995	1,032	243	129
2036	1,972	969	224	115
2037	1,980	924	231	112
2038	1,964	868	224	103
2039	1,965	826	201	91
2040	1,979	788	201	86
2041	1,990	751	202	83
2042	1,985	710	200	79
2043	1,983	674	207	77
2044-2048	9,852	2,837	968	319
2049-2053	9,900	2,131	944	243
2054-2058	9,740	1,526	983	205
2059-2063	9,738	1,096	899	141
Total free surplus expected to emerge in the next 40 years	80,835	32,864	8,097	3,544

* The analysis excludes amounts incorporated into VIF and required capital at 31 December 2023 where there is no definitive time frame for when the payments will be made or receipts received. It also excludes any free surplus projected to emerge after 2063.

The expected free surplus generation from new business written in 2023 can be reconciled to the new business profit as follows:

	2023 $m
Undiscounted expected free surplus generation for years 2024 to 2063	8,097
Less: discount effect	(4,553)
Discounted expected free surplus generation for years 2024 to 2063	3,544
Discounted expected free surplus generation for years after 2063	278
Discounted expected free surplus generation from new business written in 2023	3,822
Free surplus investment in new business	(733)
Other items*	36
New business profit	3,125

* Other items represent the impact of the TVOG on new business, foreign exchange effects and other non-modelled items. Foreign exchange effects arise as EEV new business profit amounts are translated at average exchange rates and the expected free surplus generation is translated at closing rates.

The discounted expected free surplus generation from in-force business can be reconciled to the embedded value for long-term business operations as follows:

	31 Dec 2023 $m
Discounted expected generation from all in-force business for years 2024 to 2063	**32,864**
Discounted expected generation from all in-force business for years after 2063	**2,359**
Discounted expected generation from all in-force business at 31 Dec 2023	**35,223**
Free surplus of long-term business operations at 31 Dec 2023	**6,144**
Other items*	**161**
EEV for long-term business operations	**41,528**

* Other items represent the impact of the TVOG and other non-modelled items.

The undiscounted expected free surplus generation from all in-force business at 31 December 2023 can be reconciled to the amount that was expected to be generated at 31 December 2022 as follows:

	2023 $m	2024 $m	2025 $m	2026 $m	2027 $m	2028 $m	Other $m	Total $m
2022 expected free surplus generation for years 2023 to 2062	**2,658**	**2,327**	**2,201**	**2,155**	**2,087**	**2,010**	**66,078**	**79,516**
Less: Amounts expected to be realised in the current year	**(2,658)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,658)**
Add: Expected free surplus to be generated in year 2063 (excluding 2023 new business)	**–**	**–**	**–**	**–**	**–**	**–**	**1,957**	**1,957**
Foreign exchange differences	**–**	**(9)**	**(9)**	**(9)**	**(9)**	**(8)**	**(245)**	**(289)**
New business	**–**	**294**	**195**	**207**	**199**	**209**	**6,993**	**8,097**
Operating movements	**–**	**(70)**	**6**	**25**	**85**	**38**	**487**	**571**
Non-operating and other movements	**–**	**(182)**	**(68)**	**(64)**	**(79)**	**(78)**	**(5,888)**	**(6,359)**
2023 expected free surplus generation for years 2024 to 2063		**2,360**	**2,325**	**2,314**	**2,283**	**2,171**	**69,382**	**80,835**

At 31 December 2023, the total free surplus expected to be generated over the next five years (2024 to 2028 inclusive) for long-term business operations, using the same assumptions and methodology as those underpinning 2023 embedded value reporting, was $11.5 billion (31 December 2022: $11.4 billion).

At 31 December 2023, the total free surplus expected to be generated on an undiscounted basis over the next 40 years for long-term business operations is $80.8 billion, $1.3 billion higher than the $79.5 billion expected at the end of 2022. The increase is driven by new business offset by the effect of adverse market and other movements.

Actual underlying free surplus generated in 2023 from long-term business in force at the end of 2022, before restructuring and IFRS 17 implementation costs, was $2.5 billion, after allowing for $(0.4) billion of changes in operating assumptions and experience variances. This compares with the expected 2023 realisation at the end of 2022 of $2.7 billion and can be analysed further as follows:

	2023 $m
Expected transfer from in-force business to free surplus	**2,635**
Expected return on existing free surplus	**234**
Changes in operating assumptions and experience variances	**(383)**
Underlying free surplus generated from long-term business in force before restructuring and IFRS 17 implementation costs	**2,486**
2023 free surplus expected to be generated at 31 December 2022	**2,658**

I(vi) 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 year 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	2022	+/(-)	**2023**	2022	+/(-)	**2023**	2022	+/(-)	**2023**	2022	+/(-)
	$m	$m	%	**$m**	$m	%	**$m**	$m	%	**$m**	$m	%
CPL (Prudential's 50% share)	**487**	1,254	(61)%	**485**	759	(36)%	**534**	884	(40)%	**2,020**	3,521	(43)%
Hong Kong	**235**	842	(72)%	**1,942**	438	343%	**1,966**	522	277%	**10,444**	3,295	217%
Indonesia	**230**	250	(8)%	**254**	222	14%	**277**	247	12%	**1,136**	1,040	9%
Malaysia	**93**	99	(6)%	**375**	350	7%	**384**	359	7%	**1,977**	1,879	5%
Singapore	**989**	2,628	(62)%	**688**	507	36%	**787**	770	2%	**5,354**	6,091	(12)%
Growth markets:												
Africa	**8**	9	(11)%	**157**	148	6%	**158**	149	6%	**326**	308	6%
Cambodia	**1**	–	–	**18**	18	–	**18**	18	–	**74**	69	7%
India (Prudential's 22% share)	**270**	273	(1)%	**206**	196	5%	**233**	223	4%	**1,145**	1,148	0%
Laos	**–**	–	–	**–**	–	–	**–**	–	–	**2**	1	100%
Myanmar	**–**	–	–	**6**	3	100%	**6**	3	100%	**19**	6	217%
Philippines	**56**	61	(8)%	**170**	176	(3)%	**175**	182	(4)%	**612**	615	0%
Taiwan	**132**	157	(16)%	**882**	486	81%	**895**	503	78%	**3,308**	1,835	80%
Thailand	**143**	150	(5)%	**232**	220	5%	**246**	235	5%	**999**	932	7%
Vietnam	**19**	99	(81)%	**195**	288	(32)%	**197**	298	(34)%	**1,321**	1,666	(21)%
Total insurance operations	**2,663**	5,822	(54)%	**5,610**	3,811	47%	**5,876**	4,393	34%	**28,737**	22,406	28%

CER

	Single premiums			Regular premiums			APE			PVNBP		
	2023	2022	+/(-)	**2023**	2022	+/(-)	**2023**	2022	+/(-)	**2023**	2022	+/(-)
	$m	$m	%	**$m**	$m	%	**$m**	$m	%	**$m**	$m	%
CPL (Prudential's 50% share)	**487**	1,191	(59)%	**485**	721	(33)%	**534**	840	(36)%	**2,020**	3,346	(40)%
Hong Kong	**235**	842	(72)%	**1,942**	439	342%	**1,966**	523	276%	**10,444**	3,296	217%
Indonesia	**230**	244	(6)%	**254**	216	18%	**277**	240	15%	**1,136**	1,014	12%
Malaysia	**93**	95	(2)%	**375**	337	11%	**384**	347	11%	**1,977**	1,813	9%
Singapore	**989**	2,698	(63)%	**688**	521	32%	**787**	791	(1)%	**5,354**	6,254	(14)%
Growth markets:												
Africa	**8**	8	–	**157**	125	26%	**158**	125	26%	**326**	256	27%
Cambodia	**1**	–	–	**18**	18	–	**18**	18	–	**74**	69	7%
India (Prudential's 22% share)	**270**	260	4%	**206**	186	11%	**233**	212	10%	**1,145**	1,092	5%
Laos	**–**	–	–	**–**	–	–	**–**	–	–	**2**	1	100%
Myanmar	**–**	–	–	**6**	3	100%	**6**	3	100%	**19**	6	217%
Philippines	**56**	60	(7)%	**170**	172	(1)%	**175**	178	(2)%	**612**	602	2%
Taiwan	**132**	151	(13)%	**882**	465	90%	**895**	480	86%	**3,308**	1,756	88%
Thailand	**143**	151	(5)%	**232**	222	5%	**246**	237	4%	**999**	939	6%
Vietnam	**19**	98	(81)%	**195**	283	(31)%	**197**	293	(33)%	**1,321**	1,636	(19)%
Total insurance operations	**2,663**	5,798	(54)%	**5,610**	3,708	51%	**5,876**	4,287	37%	**28,737**	22,080	30%

Schedule B Insurance new business APE and PVNBP (AER and CER)

APE

	AER				CER			
	2023 $m		2022 $m		**2023 $m**		2022 $m	
	H1	**H2**	H1	H2	**H1**	**H2**	H1	H2
CPL (Prudential's 50% share)	**394**	**140**	507	377	**386**	**148**	464	376
Hong Kong	**1,027**	**939**	227	295	**1,028**	**938**	227	296
Indonesia	**150**	**127**	110	137	**149**	**128**	105	135
Malaysia	**185**	**199**	172	187	**180**	**204**	161	186
Singapore	**386**	**401**	390	380	**384**	**403**	396	395
Growth markets:								
Africa	**85**	**73**	76	73	**78**	**80**	60	65
Cambodia	**9**	**9**	7	11	**9**	**9**	7	11
India (Prudential's 22% share)	**128**	**105**	120	103	**127**	**106**	111	101
Laos	**–**	**–**	–	–	**–**	**–**	–	–
Myanmar	**3**	**3**	1	2	**3**	**3**	1	2
Philippines	**94**	**81**	87	95	**93**	**82**	82	96
Taiwan	**339**	**556**	281	222	**333**	**562**	258	222
Thailand	**118**	**128**	99	136	**116**	**130**	96	141
Vietnam	**109**	**88**	136	162	**107**	**90**	131	162
Total insurance operations	**3,027**	**2,849**	2,213	2,180	**2,993**	**2,883**	2,099	2,188

PVNBP

	AER				CER			
	2023 $m		2022 $m		**2023 $m**		2022 $m	
	H1	**H2**	H1	H2	**H1**	**H2**	H1	H2
CPL (Prudential's 50% share)	**1,481**	**539**	2,119	1,402	**1,449**	**571**	1,939	1,407
Hong Kong	**5,364**	**5,080**	1,774	1,521	**5,371**	**5,073**	1,773	1,523
Indonesia	**629**	**507**	442	598	**622**	**514**	419	595
Malaysia	**915**	**1,062**	845	1,034	**895**	**1,082**	791	1,022
Singapore	**2,441**	**2,913**	3,184	2,907	**2,428**	**2,926**	3,236	3,018
Growth markets:								
Africa	**170**	**156**	151	157	**155**	**171**	119	137
Cambodia	**38**	**36**	30	39	**38**	**36**	30	39
India (Prudential's 22% share)	**619**	**526**	609	539	**616**	**529**	562	530
Laos	**1**	**1**	–	1	**1**	**1**	–	1
Myanmar	**8**	**11**	4	2	**8**	**11**	3	3
Philippines	**331**	**281**	297	318	**329**	**283**	279	323
Taiwan	**1,254**	**2,054**	994	841	**1,228**	**2,080**	917	839
Thailand	**470**	**529**	394	538	**462**	**537**	382	557
Vietnam	**709**	**612**	885	781	**699**	**622**	851	785
Total insurance operations	**14,430**	**14,307**	11,728	10,678	**14,301**	**14,436**	11,301	10,779

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)

	AER				CER			
	2023		2022		2023		2022	
	HY	FY	HY	FY	HY	FY	HY	FY
New business profit ($m)								
CPL (Prudential's 50% share)	**171**	222	217	387	**167**	222	**199**	368
Hong Kong	**670**	1,411	211	384	**671**	1,411	**211**	384
Indonesia	**61**	142	52	125	**60**	142	**49**	122
Malaysia	**73**	167	70	159	**71**	167	**65**	154
Singapore	**198**	484	244	499	**197**	484	**248**	512
Growth markets and other	**316**	699	304	630	**311**	699	**284**	609
Total insurance business	**1,489**	3,125	1,098	2,184	**1,477**	3,125	**1,056**	2,149
New business margin (NBP as a % of APE)								
CPL	**43 %**	42 %	43 %	44 %	**43 %**	42 %	**43 %**	44 %
Hong Kong	**65 %**	72 %	93 %	74 %	**65 %**	72 %	**93 %**	73 %
Indonesia	**41 %**	51 %	47 %	51 %	**40 %**	51 %	**47 %**	51 %
Malaysia	**39 %**	43 %	41 %	44 %	**39 %**	43 %	**40 %**	44 %
Singapore	**51 %**	61 %	63 %	65 %	**51 %**	61 %	**63 %**	65 %
Growth markets and other	**36 %**	36 %	38 %	39 %	**36 %**	36 %	**38 %**	39 %
Total insurance business	**49 %**	53 %	50 %	50 %	**49 %**	53 %	**50 %**	50 %
New business margin (NBP as a % of PVNBP)								
CPL	**12 %**	11 %	10 %	11 %	**12 %**	11 %	**10 %**	11 %
Hong Kong	**12 %**	14 %	12 %	12 %	**12 %**	14 %	**12 %**	12 %
Indonesia	**10 %**	13 %	12 %	12 %	**10 %**	13 %	**12 %**	12 %
Malaysia	**8 %**	8 %	8 %	8 %	**8 %**	8 %	**8 %**	8 %
Singapore	**8 %**	9 %	8 %	8 %	**8 %**	9 %	**8 %**	8 %
Growth markets and other	**9 %**	9 %	9 %	10 %	**9 %**	9 %	**9 %**	10 %
Total insurance business	**10 %**	11 %	9 %	10 %	**10 %**	11 %	**9 %**	10 %

Schedule D Investment flows and FUM (AER)

	2023 $m		2022 $m	
Eastspring:	H1	H2	H1	H2
Third-party retail: note (i)(ii)				
Opening FUM	**42,696**	**46,551**	46,644	42,080
Net flows:				
- Gross Inflows	**7,237**	**10,738**	7,470	4,809
- Redemptions	**(5,337)**	**(7,110)**	(8,117)	(4,476)
	1,900	**3,628**	(647)	333
Other movements	**1,955**	**600**	(3,917)	283
Closing FUM	**46,551**	**50,779**	42,080	42,696
Third-party institutional: note (ii)				
Opening FUM	**28,758**	**30,369**	35,063	27,315
Net flows:				
- Gross Inflows	**3,932**	**2,914**	4,143	4,618
- Redemptions	**(3,975)**	**(4,344)**	(5,282)	(4,750)
	(43)	**(1,430)**	(1,139)	(132)
Other movements	**1,654**	**2,630**	(6,609)	1,575
Closing FUM	**30,369**	**31,569**	27,315	28,758
Total third-party closing FUM (excluding MMF and funds held on behalf of M&G plc)	**76,920**	**82,348**	69,395	71,454

Note
(i) 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) During the year the Group has reclassified its funds under management, and associated income, between retail and institutional categories. Amounts are now classified as retail or institutional based on whether the owner of the holding, where known, is a retail or institutional investor, as described in I(ii)(b).

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 year, 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 to the IFRS consolidated financial statements. A full reconciliation to profit after tax is given in note B1.1 to the IFRS consolidated financial statements.

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).

	31 Dec 2023 $m	31 Dec 2022 $m
IFRS shareholders' equity as reported in the financial statements	**17,823**	16,731
Add: CSM, including joint ventures and associates and net of reinsurance*	**21,012**	19,989
Remove: CSM asset attaching to reinsurance contracts wholly attributable to policyholders*	**1,367**	1,295
Less: Related deferred tax adjustments for the above*	**(2,856)**	(2,804)
Adjusted shareholders' equity	**37,346**	35,211

* See note C3.1 to the Group IFRS consolidated financial statements 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.

	2023 $m	2022 $m
Adjusted operating profit	**2,893**	2,722
Tax on adjusted operating profit	**(444)**	(539)
Adjusted operating profit attributable to non-controlling interests	**(11)**	(11)
Adjusted operating profit, net of tax and non-controlling interests	**2,438**	2,172
IFRS shareholders' equity at beginning of year	**16,731**	18,936
IFRS shareholders' equity at end of year	**17,823**	16,731
Average IFRS shareholders' equity	**17,277**	17,834
Operating return on average IFRS shareholders' equity (%)	**14 %**	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.

	31 Dec 2023	31 Dec 2022
Number of issued shares at the end of the year (million shares)	**2,754**	2,750
Closing IFRS shareholders' equity ($ million)	**17,823**	16,731
Group IFRS shareholders' equity per share (cents)	**647¢**	608¢
Closing adjusted shareholders' equity ($ million)	**37,346**	35,211
Group adjusted shareholders' equity per share (cents)	**1,356¢**	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
IFRS revenue	**497**	513
Share of revenue from joint ventures and associates	**330**	303
Commissions and other	**(129)**	(155)
Performance-related fees	**2**	(1)
Operating income before performance-related fees note	**700**	660
IFRS charges	**376**	398
Share of expenses from joint ventures and associates	**125**	117
Commissions and other	**(129)**	(155)
Operating expense	**372**	360
Cost/income ratio (operating expense/operating income before performance-related fees)	**53%**	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 year, which is calculated as the aggregate of 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 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 year.

	2023 $m	2022 $m
Gross premiums earned	**22,248**	23,344
Gross premiums earned from joint ventures and associates	**3,973**	4,439
Total Group, including joint ventures and associates	**26,221**	27,783
Renewal insurance premiums	**18,125**	18,675
Annual premium equivalent (APE)	**5,876**	4,393
Life weighted premium income	**24,001**	23,068

II(vii) Reconciliation between EEV new business profit and IFRS new business CSM

	2023 $m	2022 $m
EEV new business profit	**3,125**	2,184
Economics and other note (1)	**(1,006)**	(424)
New rider sales note (2)	**(94)**	(66)
Related tax on IFRS new business CSM note (3)	**323**	370
IFRS new business CSM	**2,348**	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 years:

	31 Dec 2023 $m	31 Dec 2022 $m
EEV shareholders' equity	**45,250**	42,184
Adjustments for non-market risk allowance:		
Allowance for non-market risks in EEV note (1)	**2,968**	2,760
IFRS risk adjustment, net of related deferred tax adjustments note (2)	**(2,279)**	(1,803)
Mark-to-market value adjustment of the Group's core structural borrowings note (3)	**(274)**	(427)
Economics and other valuation differences note (4)	**(8,319)**	(7,503)
Adjusted shareholders' equity note II(ii)	**37,346**	35,211
Remove: CSM, including joint ventures and associates and net of reinsurance	**(21,012)**	(19,989)
CSM asset attaching to reinsurance contracts wholly attributable to policyholders	**(1,367)**	(1,295)
Add: Related deferred tax adjustments for the above	**2,856**	2,804
IFRS shareholders' equity	**17,823**	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 year as a percentage of average EEV basis shareholders' equity.

	2023 $m	2022 $m
EEV operating profit for the year	**4,546**	3,952
Operating profit attributable to non-controlling interests	**(20)**	(29)
EEV operating profit, net of non-controlling interests	**4,526**	3,923
Shareholders' equity at beginning of year	**42,184**	47,584
Shareholders' equity at end of year	**45,250**	42,184
Average shareholders' equity	**43,717**	44,884
Operating return on average shareholders' equity (%)	**10%**	9%

New business profit over embedded value is calculated as the EEV new business profit for the year as a percentage of average EEV basis shareholders' equity for insurance business operations, excluding goodwill attributable to equity holders. New business profit is attributed to the shareholders of the Group before deducting the amount attributable to non-controlling interests.

	2023 $m	2022 $m
New business profit	**3,125**	2,184
Average EEV shareholders' equity for insurance business operations, excluding goodwill attributable to equity holders	**40,193**	41,866
New business profit on embedded value (%)	**8%**	5%

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
Shareholders' equity at beginning of year	**38,857**	44,875
Shareholders' equity at end of year	**41,528**	38,857
Average shareholders' equity	**40,193**	41,866