Companion guide to the Prudential IFRS 17 briefing

This guide supports the IFRS 17 briefing by:

a) Including the balance sheet and certain key notes from an audited set of financial information prepared to show the effect of IFRS17 on the Group's 2022 results (see page 7 onwards).
b) Showing how certain slides covering the areas listed below tie to the detailed financial information. These disclosures will be included in the Group's HY23 financial information.

Slide areas covered on pages 2-6:

- (Re)insurance contract balances
- CSM roll-forward
- Adjusted operating profit for insurance business
- Illustration for growth in insurance profit
- Opening balance sheet

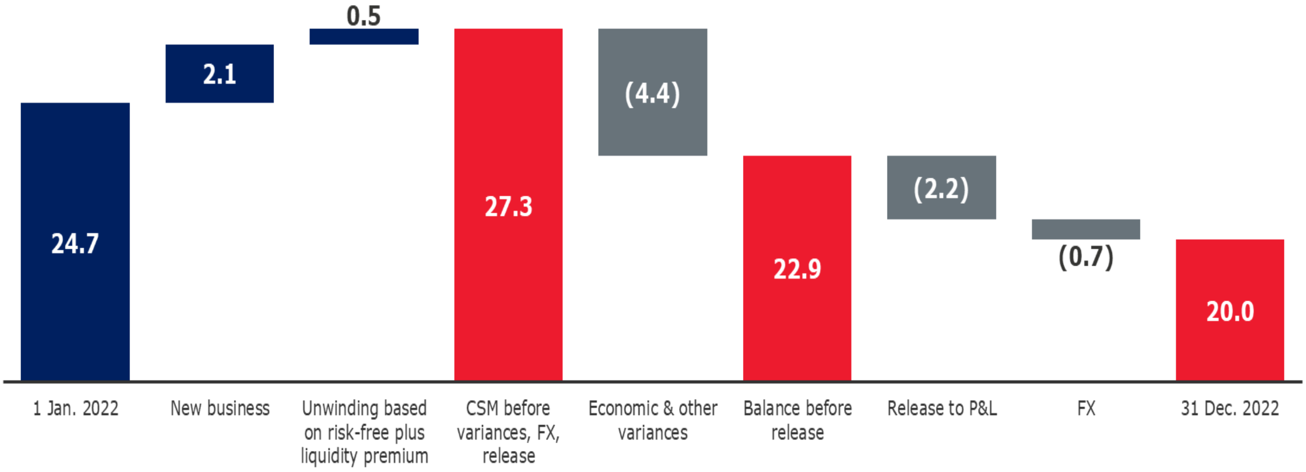
Contents

1. (Re)insurance contract liabilities (assets) – slide 7

	BEL	RA	CSM	Total
(Re)insurance contract liabilities	127.9	1.6	21.5	**151.0**
Effect of (re)insurance contract assets	(5.6)	0.6	1.0	(4.0)
Net (re)insurance contract liabilities	**122.3**	**2.2**	**22.5**	**147.0**
Add JV's & associates	15.4	0.2	2.2	17.8
Total	**137.7**	**2.4**	**24.7**	**164.8**

Presented item	US$m	IFRS 17 financial disclosures
Excluding JVs and associate		
1.1.1 (Re)insurance contract liabilities – BEL	127,912	
1.1.1.1 Insurance, liabilities	*126,438*	*Note C3.1*
1.1.1.2 Reinsurance, liabilities	*1,474*	*Note C3.1*
1.1.2 (Re)insurance contract liabilities – RA	1,615	
1.1.2.1 Insurance, liabilities	*1,661*	*Note C3.1*
1.1.2.2 Reinsurance, liabilities	*(46)*	*Note C3.1*
1.1.3 (Re)insurance contract liabilities – CSM	21,525	
1.1.3.1 Insurance, liabilities	*21,699*	*Note C3.1*
1.1.3.2 Reinsurance, liabilities	*(174)*	*Note C3.1*
1.2.1 (Re)insurance contract assets – BEL	5,570	
1.2.1.1 Insurance, assets	*3,818*	*Note C3.1*
1.2.1.2 Reinsurance, assets	*1,752*	*Note C3.1*
1.2.2 (Re)insurance contract assets – RA	(562)	
1.2.2.1 Insurance, assets	*(547)*	*Note C3.1*
1.2.2.2 Reinsurance, assets	*(15)*	*Note C3.1*
1.2.3 (Re)insurance contract assets – CSM	(1,000)	
1.2.3.1 Insurance, assets	*(2,050)*	*Note C3.1*
1.2.3.2 Reinsurance, assets	*1,050*	*Note C3.1*
Joint ventures (JV's) & associates		
1.3.1 Add JV's & associates – BEL	15,396	1.4.1 minus (1.1.1 minus 1.2.1)
1.3.2 Add JV's & associates – RA	216	1.4.2 minus (1.1.2 minus 1.2.2)
1.3.3 Add JV's & associates – CSM	2,224	1.4.3 minus (1.1.3 minus 1.2.3)
Total		
1.4.1 Total – BEL	137,738	
1.4.1.1 Insurance, net liabilities (assets)	*138,153*	*Note C3.1*
1.4.1.2 Reinsurance, net liabilities (assets)	*(415)*	*Note C3.1*
1.4.2 Total – RA	2,393	
1.4.2.1 Insurance, net liabilities (assets)	*2,443*	*Note C3.1*
1.4.2.2 Reinsurance, net liabilities (assets)	*(50)*	*Note C3.1*
1.4.3 Total – CSM	24,749	
1.4.3.1 Insurance, net liabilities (assets)	*25,948*	*Note C3.1*
1.4.3.2 Reinsurance, net liabilities (assets)	*(1,199)*	*Note C3.1*

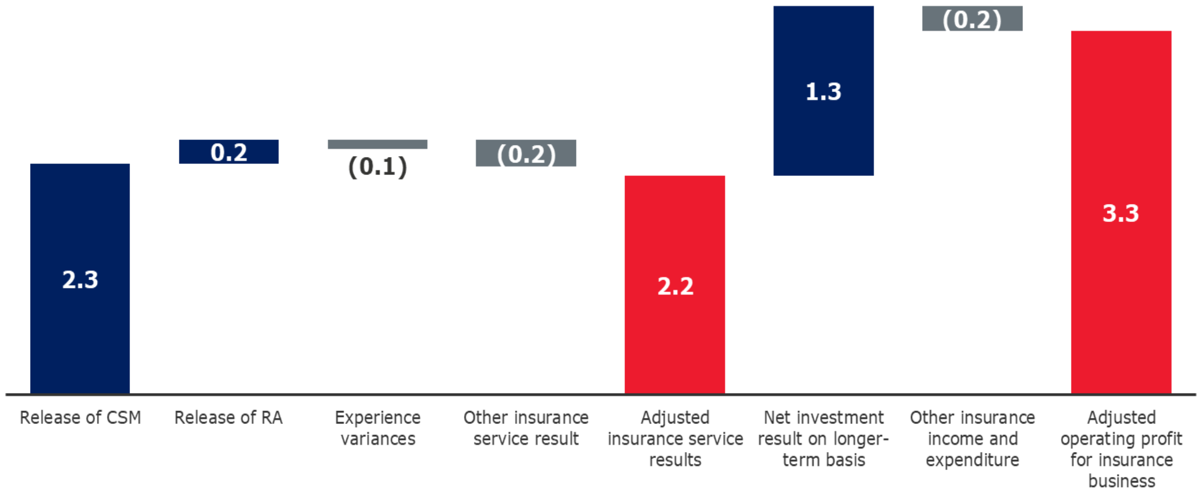
2. IFRS 17 CSM roll-forward – slide 8



Presented item	US$m	IFRS 17 financial disclosures
2.1 1 Jan. 2022	24,749	
2.1.1 Net opening balance at 1 Jan, insurance	*25,948*	*Note C3.2*
2.1.2 Net opening balance at 1 Jan, reinsurance	*(1,199)*	*Note C3.2*
2.2 New business	2,064	
2.2.1 New contracts in the period, insurance	*2,027*	*Note C3.2*
2.2.2 New contracts in the period, reinsurance	*37*	*Note C3.2*
2.3 Unwinding based on risk-free plus liquidity premium	533	
2.3.1 Accretion of interest on GMM contracts, insurance	*294*	*Note C3.2*
2.3.2 Accretion of interest on GMM contracts, reinsurance	*(39)*	*Note C3.2*
2.3.3 Expected unwind for VFA contracts	*278*	*Prudential estimate, determined using the 1-year risk-free forward rate at period-start, plus applicable liquidity premium, applied to the period-start CSM balance for VFA business*
2.4 Economic & other variances	(4,439)	
2.4.1 Changes in estimates that adjust the CSM, insurance	*(3,988)*	*Note C3.2*
2.4.2 Changes in estimates that adjust the CSM, reinsurance	*(294)*	*Note C3.2*
2.4.3 Other net finance income (expense), insurance	*117*	*Note C3.2*
2.4.4 Other net finance income (expense), reinsurance	*4*	*Note C3.2*
2.4.5 Less expected unwind for VFA contracts	*(278)*	*See reference 2.3.3*
2.5 Release to P&L	(2,242)	
2.5.1 Release of CSM to profit or loss, insurance	*(2,413)*	*Note C3.2*
2.5.2 Release of CSM to profit or loss, reinsurance	*171*	*Note C3.2*
2.6 FX	(676)	
2.6.1 Effect of movements in exchange rates, insurance	*(681)*	*Note C3.2*
2.6.2 Effect of movements in exchange rates, reinsurance	*5*	*Note C3.2*

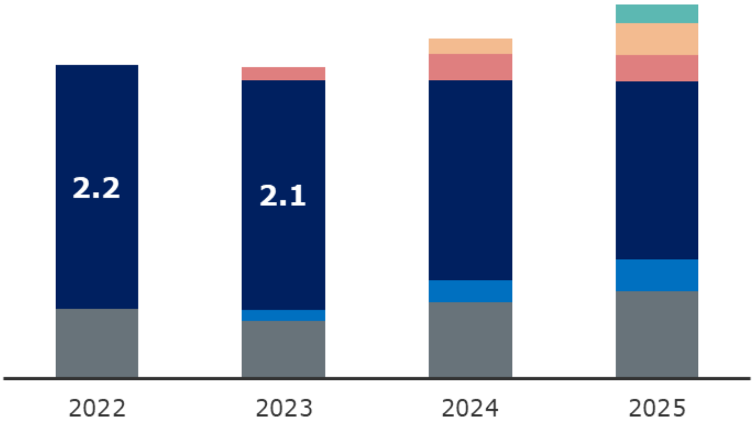
Presented item	US$m	IFRS 17 financial disclosures
2.7 31 Dec. 2022	19,989	
2.7.1 Net closing balance at 31 Dec, insurance	*21,304*	*Note C3.2*
2.7.2 Net closing balance at 31 Dec, reinsurance	*(1,315)*	*Note C3.2*

3. Adjusted operating profit for insurance business – slide 9



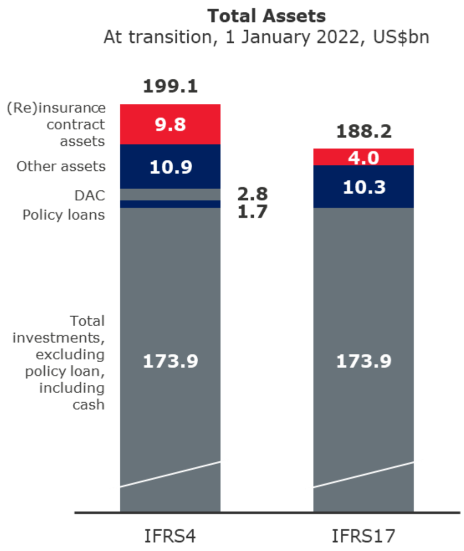
Presented item	US$m	IFRS 17 financial disclosures
3.1 Release of CSM	2,265	Note B1.3
3.2 Release of RA	179	Note B1.3
3.3 Experience variances	(66)	Note B1.3
3.4 Other insurance service result	(204)	Note B1.3
3.5 Adjusted insurance service result	2,174	Note B1.3
3.6 Net investment result on longer-term basis	1,290	Note B1.3
3.7 Other insurance income and expenditure	(188)	
3.7.1 Other insurance income and expenditure	*(98)*	*Note B1.3*
3.7.2 Share of related tax charges from joint ventures and associates	*(90)*	*Note B1.3*
3.8 Adjusted operating profit for insurance business	3,276	Note B1.3

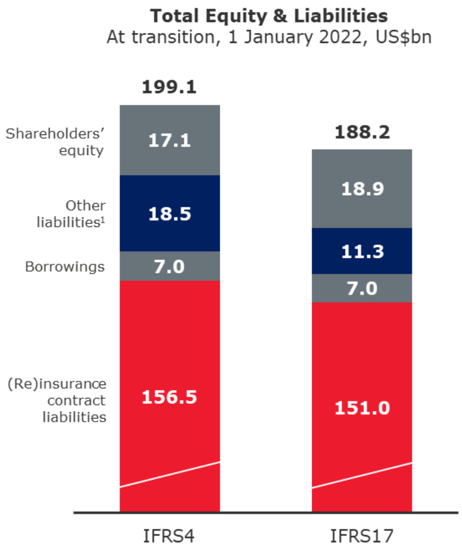
4. Illustration for growth in insurance operating profit – slide 10



Presented item	US$m	IFRS 17 financial disclosures
2022 CSM release		
4.1 2022	2,242	
4.1.1 Release of CSM to profit or loss, insurance	*2,413*	*Note C3.2*
4.1.2 Release of CSM to profit or loss, reinsurance	*(171)*	*Note C3.2*
Expected discounted runoff as at 31 Dec. 2022		
4.2 2023	2,076	
4.2.1 1 year or less – total segment, insurance	*2,200*	*Note C3.3*
4.2.2 1 year or less – total segment, reinsurance	*(124)*	*Note C3.3*

5. IFRS 4 and IFRS 17 opening balance sheet – slide 24





Presented item	IFRS 4, US$m	IFRS 17, US$m	IFRS 17 disclosures
Total assets			
5.1 Total investments, excluding policy loan, including cash	173,916	173,918	
5.1.1 Total financial investments	*168,479*	*166,748*	*Note A2.1*
5.1.2 Less policy loans	*(1,733)*	*-*	*Note A2.1*
5.1.3 Add cash and cash equivalents	*7,170*	*7,170*	*Note A2.1*
5.2 Policy loans	1,733	-	Note A2.1
5.3 Deferred acquisition costs	2,815	-	Note A2.1
5.4 Other assets	10,885	10,277	
5.4.1 Goodwill	*907*	*907*	*Note A2.1*
5.4.2 Other intangible assets	*4,043*	*4,015*	*Note A2.1*
5.4.3 Deferred tax assets	*266*	*132*	*Note A2.1*
5.4.4 Other non-investment and non-cash assets	*3,448*	*2,487*	*Note A2.1*
5.4.5 Investment properties	*38*	*38*	*Note A2.1*
5.4.6 Investment in JVs and associates accounted for using the equity method	*2,183*	*2,698*	*Note A2.1*
5.5 (Re)insurance contract assets	9,753	4,037	
5.5.1 Insurance contract assets	*NA*	*1,250*	*Note A2.1*
5.5.2 Reinsurance contract assets	*9,753*	*2,787*	*Note A2.1*
Total equity and liabilities			
5.6 (Re)insurance contract liabilities	156,485	151,052	
5.6.1 Insurance contract liabilities	*156,485*	*149,798*	*Note A2.1*
5.6.2 Reinsurance contract liabilities	*NA*	*1,254*	*Note A2.1*
5.7 Borrowings	6,988	6,988	
5.7.1 Core structural borrowings of shareholder-financed businesses	*6,127*	*6,127*	*Note A2.1*
5.7.2 Operational borrowings	*861*	*861*	*Note A2.1*
5.8 Other liabilities	18,541	11,256	
5.8.1 Non-controlling interests	*176*	*175*	*Note A2.1*
5.8.2 Investment contract liabilities without discretionary participation features	*814*	*722*	*Note A2.1*
5.8.3 Deferred tax liabilities	*2,862*	*1,167*	*Note A2.1*
5.8.4 Other liabilities	*14,689*	*9,192*	*Note A2.1*
5.9 Shareholders' equity	17,088	18,936	Note A2.1

Extracts from FY22 IFRS17 audited financial information

The results in this investor day presentation have been extracted from an audited set of financial information prepared to show the effect of IFRS17 on the Group's 2022 results. This section provides the balance sheet and certain key notes from that financial information that have been used in preparing the investor day presentation. To assist in understanding how these key disclosures tie up with the information in the investor slides, red boxes have been added to show the link between the tables prepared at the start of this guide and the detailed notes themselves.

Condensed consolidated statement of financial position

		2022 $m	
	Note	**31 Dec**	**1 Jan**
Assets			
Goodwill		890	907
Other intangible assets		3,884	4,015
Property, plant and equipment		437	495
Insurance contract assets	C3.1	1,134	1,250
Reinsurance contract assets	C3.1	1,856	2,787
Deferred tax assets		140	132
Current tax recoverable		18	20
Accrued investment income		983	1,017
Other debtors		968	955
Investment properties		37	38
Investments in joint ventures and associates accounted for using the equity method		2,259	2,698
Loans		590	771
Equity securities and holdings in collective investment schemes		57,679	61,601
Debt securities		77,016	99,154
Derivative assets		569	481
Deposits		6,275	4,741
Cash and cash equivalents		5,514	7,170
Total assets		160,249	188,232
Equity			
Shareholders' equity		16,731	18,936
Non-controlling interests		167	175
Total equity		16,898	19,111
Liabilities			
Insurance contract liabilities	C3.1	126,242	149,798
Reinsurance contract liabilities	C3.1	1,175	1,254
Investment contract liabilities without discretionary participation features		663	722
Core structural borrowings of shareholder-financed businesses		4,261	6,127
Operational borrowings		815	861
Obligations under funding, securities lending and sale and repurchase agreements		582	223
Net asset value attributable to unit holders of consolidated investment funds		4,193	5,664
Deferred tax liabilities		1,139	1,167
Current tax liabilities		208	185
Accruals, deferred income and other creditors		2,866	2,624
Provisions		206	234
Derivative liabilities		1,001	262
Total liabilities		143,351	169,121
Total equity and liabilities		160,249	188,232

Note A2.1 – Adoption of IFRS 17 and IFRS 9

		At 31 Dec 2021 (as reported under IFRS 4) $m	Effects of adoption of IFRS 17 $m Presentation changes note (i)	Measurement changes note (ii)	At 1 Jan 2022 (as restated under IFRS 17) $m
Assets					
Goodwill	5.4.1	907	–	–	907
Deferred acquisition costs and other intangible assets:					
Deferred acquisition costs	5.3	2,815	(39)	(2,776)	–
Other intangible assets	5.4.2	4,043	–	(28)	4,015
		6,858	(39)	(2,804)	4,015
Insurance contract assets	5.5.1	n/a	–	1,250	1,250
Reinsurance contract assets	5.5.2	9,753	(22)	(6,944)	2,787
Deferred tax assets	5.4.3	266	(134)	–	132
Other non-investment and non-cash assets	5.4.4	3,448	(1,022)	61	2,487
Investment properties	5.4.5	38	–	–	38
Investments in joint ventures and associates accounted for using the equity method	5.4.6	2,183	–	515	2,698
Total financial investments:					
Policy loans	5.1.2 5.2	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
	5.1.1	168,479	(1,733)	2	166,748
Cash and cash equivalents	5.1.3	7,170	–	–	7,170
Total assets		199,102	(2,950)	(7,920)	188,232
Equity					
Shareholders' equity	5.9	17,088	–	1,848	18,936
Non-controlling interests	5.8.1	176	–	(1)	175
Total equity		17,264	–	1,847	19,111
Liabilities					
Insurance contract liabilities*	5.6.1	156,485	4,243	(10,930)	149,798
Reinsurance contract liabilities	5.6.2	n/a	–	1,254	1,254
Investment contract liabilities without discretionary participation features	5.8.2	814	–	(92)	722
Core structural borrowings of shareholder-financed businesses	5.7.1	6,127	–	–	6,127
Operational borrowings	5.7.2	861	–	–	861
Deferred tax liabilities	5.8.3	2,862	(1,696)	1	1,167
Other liabilities	5.8.4	14,689	(5,497)	–	9,192
Total liabilities		181,838	(2,950)	(9,767)	169,121
Total equity and liabilities		199,102	(2,950)	(7,920)	188,232

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

Notes

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

(a) *Inclusion of insurance and reinsurance related receivable and payable balances within IFRS 17 insurance and reinsurance contract assets and liabilities*

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

(b) *Policy loans*

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

(c) *Deferred tax liabilities*

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

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

(a) *Deferred acquisition costs (DAC)*

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

(b) *Insurance and reinsurance contract assets and liabilities*

The adjustments represent insurance and reinsurance contract measurement differences between IFRS 4 and IFRS 17, which primarily relate to the following effects:

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

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

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

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

Note A3 – Critical accounting policies, estimates and judgements (extract for economic assumptions)

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

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

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

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

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

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

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

	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

Note B1.1 – Segment results

	2022 $m Full year AER note (i)
CPL	271
Hong Kong	1,162
Indonesia	205
Malaysia	340
Singapore	570
Growth markets and other note (ii)	728
Eastspring	260
Total segment profit	3,536
Other income and expenditure:	
Net investment return and other items note (iii)	(44)
Interest payable on core structural borrowings	(200)
Corporate expenditure note (iv)	(276)
Total other income and expenditure	(520)
Restructuring and IFRS 17 implementation costs	(294)
Adjusted operating profit	2,722
Short-term fluctuations in investment returns	(3,420)
Gain attaching to corporate transactions	55
Loss before tax attributable to shareholders	(643)
Tax charge attributable to shareholders' returns	(354)
Loss for the period	(997)
Attributable to:	
Equity holders of the Company	(1,007)
Non-controlling interests	10
Loss for the period	(997)

Notes

(i) Segment results are attributed to the shareholders of the Group before deducting the amount attributable to the non-controlling interests.

(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 contacts then the costs are included within the estimate of future cashflows when measuring the insurance contract under IFRS 17. In the Group's consolidated accounts, IFRS 17 requires the removal of the intercompany profit from the measurement of the insurance contract. Put another way the future cash flows include the cost to the Group (not the insurance entity) of providing the service. In the period that the service is provided the entity undertaking the service, for example Eastspring, recognises the profit it earns as part of its results. To avoid any double counting an adjustment is included with the centre's "net investment return and other items" to remove the profit margin already recognised when valuing the insurance contract.

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

Note B1.3 – Analysis of adjusted operating profit by driver

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

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

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.

	2022 $m
	Full year AER
Adjusted release of CSM[note]	2,265
Release of risk adjustment	179
Experience variances	(66)
Other insurance service result	(204)
Adjusted insurance service result[note]	2,174
Net investment result on longer-term basis[note]	1,290
Other insurance income and expenditure	(98)
Share of related tax charges from joint ventures and associates	(90)
Insurance business	3,276
Eastspring	260
Other income and expenditure	(520)
Restructuring and IFRS 17 implementation costs	(294)
Adjusted operating profit	2,722

Note

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

	2022 $m
	Full year
Release of CSM, net of reinsurance as shown in note C3.2	
Insurance	2,413
Reinsurance	(171)
	2,242
Adjustment to release of CSM for the treatment adopted for adjusted operating purposes of combining losses on onerous contracts and gains on profitable contracts that can be shared across more than one annual cohort	23
Adjusted release of CSM as shown above	2,265
Insurance service result as shown in note C3.2	
Insurance	2,396
Reinsurance	(107)
	2,289
Removal of losses or gains from reversal of losses on onerous contracts that are excluded from adjusted operating profit less the change to the release of CSM shown above	(33)
Other primarily related to policyholder tax*	(82)
Adjusted insurance service result as shown above	2,174

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

Note C3.1 – Group overview

	Excluding JVs and associate						Including JVs and associate[note]					
	Assets		Liabilities		Net liabilities (assets)		Assets		Liabilities		Net liabilities (assets)	
	Insurance $m	RI $m	Insurance $m	RI $m	Insurance $m	RI $m	Insurance $m	RI $m	Insurance $m	RI $m	Insurance $m	RI $m
As at 31 Dec 2022												
Best estimate liabilities (BEL)	3,540	508	107,582	1,162	104,042	654	3,562	652	124,297	1,193	120,735	541
Risk adjustment for non-financial risk (RA)	(505)	(39)	1,418	(44)	1,923	(5)	(502)	(21)	1,662	(47)	2,164	(26)
Contractual service margin (CSM)	(1,929)	1,387	17,239	57	19,168	(1,330)	(1,921)	1,369	19,383	54	21,304	(1,315)
Insurance contract balances[note C3.2]	1,106	1,856	126,239	1,175	125,133	(681)	1,139	2,000	145,342	1,200	144,203	(800)
Assets for insurance acquisition cash flows	28	–	3	–	(25)	–	28	–	3	–	(25)	–
Insurance and reinsurance contract (assets) liabilities	1,134	1,856	126,242	1,175	125,108	(681)	1,167	2,000	145,345	1,200	144,178	(800)
As at 1 Jan 2022 (transition date)												
Best estimate liabilities (BEL)	3,818	1,752	126,438	1,474	122,620	(278)	3,993	1,916	142,146	1,501	138,153	(415)
Risk adjustment for non-financial risk (RA)	(547)	(15)	1,661	(46)	2,208	(31)	(575)	1	1,868	(49)	2,443	(50)
Contractual service margin (CSM)	(2,050)	1,050	21,699	(174)	23,749	(1,224)	(2,161)	1,023	23,787	(176)	25,948	(1,199)
Insurance contract balances[note C3.2]	1,221	2,787	149,798	1,254	148,577	(1,533)	1,257	2,940	167,801	1,276	166,544	(1,664)
Assets for insurance acquisition cash flows	29	–	–	–	(29)	–	29	–	–	–	(29)	–
Insurance and reinsurance contract (assets) liabilities	1,250	2,787	149,798	1,254	148,548	(1,533)	1,286	2,940	167,801	1,276	166,515	(1,664)

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

Adjusted shareholders' equity

	31 Dec 2022 $m		
	Balances excluding JVs and associates	Group's share relating to JVs and associates	Total including JVs and associates
Shareholders' equity	14,472	2,259	16,731
CSM, net of reinsurance	17,838	2,151	19,989
Remove: CSM asset attaching to reinsurance contracts wholly attributable to policyholders	1,295	–	1,295
Less: Related tax adjustments	(2,295)	(509)	(2,804)
Adjusted shareholders' equity	31,310	3,901	35,211

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

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

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

Note

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

Note C3.3 – Contractual service margin

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

	31 Dec 2022 $m		
	Liabilities (Assets)		
	Total as reported on consolidated statement of financial position	Group's share relating to JVs and associates	Total segment, including Group's share relating to JVs and associates
1 year or less	1,981	219	4.2.1 2,200
After 1 year to 2 years	1,751	175	1,926
After 2 years to 3 years	1,555	155	1,710
After 3 years to 4 years	1,385	138	1,523
After 4 years to 5 years	1,217	122	1,339
After 5 years to 10 years	4,306	454	4,760
After 10 years to 15 years	2,705	292	2,997
After 15 years to 20 years	1,666	201	1,867
After 20 years	2,602	380	2,982
	19,168	2,136	21,304

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

	31 Dec 2022 $m		
	Liabilities (Assets)		
	Total as reported on consolidated statement of financial position	Group's share relating to JVs and associates	Total segment, including Group's share relating to JVs and associates
1 year or less	(122)	(2)	4.2.2 (124)
After 1 year to 2 years	(111)	2	(109)
After 2 years to 3 years	(100)	2	(98)
After 3 years to 4 years	(89)	2	(87)
After 4 years to 5 years	(80)	2	(78)
After 5 years to 10 years	(301)	5	(296)
After 10 years to 15 years	(188)	3	(185)
After 15 years to 20 years	(119)	1	(118)
After 20 years	(220)	–	(220)
	(1,330)	15	(1,315)

Forward-looking statements

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

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

- Current and future market conditions, including fluctuations in interest rates and exchange rates, inflation (including resulting interest rate rises), sustained high or low interest rate environments, the performance of financial and credit markets generally and the impact of economic uncertainty, slowdown or contraction (including as a result of the Russia-Ukraine conflict and related or other geopolitical tensions and conflicts), which may also impact policyholder behaviour and reduce product affordability;
- Asset valuation impacts from the transition to a lower carbon economy;
- Derivative instruments not effectively mitigating any exposures;
- Global political uncertainties, including the potential for increased friction in cross-border trade and the exercise of laws, regulations and executive powers to restrict trade, financial transactions, capital movements and/or investment;
- The longer-term impacts of Covid-19, including macro-economic impacts on financial market volatility and global economic activity and impacts on sales, claims, 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;
- Given Prudential’s designation as an Internationally Active Insurance Group, the impact on Prudential of systemic risk and other group supervision policy standards adopted by the International Association of Insurance Supervisors;
- The physical, social, morbidity/health and financial impacts of climate change and global health crises, which may impact Prudential's business, investments, operations and its duties owed to customers;

- Legal, policy and regulatory developments in response to climate change and broader sustainability-related issues, including the development of regulations and standards and interpretations such as those relating to ESG reporting, disclosures and product labelling and their interpretations (which may conflict and create misrepresentation risks);
- The collective ability of governments, policymakers, the Group, industry and other stakeholders to implement and adhere to commitments on mitigation of climate change and broader sustainability-related issues effectively (including not appropriately considering the interests of all Prudential's stakeholders or failing to maintain high standards of corporate governance and responsible business practices);
- The impact of competition and fast-paced technological change;
- The effect on Prudential's business and results from, in particular, mortality and morbidity trends, lapse rates and policy renewal rates;
- The timing, impact and other uncertainties of future acquisitions or combinations within relevant industries;
- The impact of internal transformation projects and other strategic actions failing to meet their objectives or adversely impacting the Group's employees;
- The availability and effectiveness of reinsurance for Prudential's businesses;
- The risk that Prudential's operational resilience (or that of its suppliers and partners) may prove to be inadequate, including in relation to operational disruption due to external events;
- Disruption to the availability, confidentiality or integrity of Prudential's information technology, digital systems and data (or those of its suppliers and partners) including the Pulse platform;
- The increased non-financial and financial risks and uncertainties associated with operating joint ventures with independent partners, particularly where joint ventures are not controlled by Prudential;
- The impact of changes in capital, solvency standards, accounting standards or relevant regulatory frameworks, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate; and
- The impact of legal and regulatory actions, investigations and disputes.

These factors are not exhaustive. Prudential operates in a continually changing business environment with new risks emerging from time to time that it may be unable to predict or that it currently does not expect to have a material adverse effect on its business. In addition, these and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. Further discussion of these and other important factors that could cause actual future financial condition or performance to differ, possibly materially, from those anticipated in Prudential's forward-looking statements can be found under the 'Risk Factors' heading of Prudential's New Release containing its Full Year 2022 Results, as well as under the 'Risk Factors' heading of Prudential's 2022 Annual Report and any subsequent filing Prudential makes with the US Securities and Exchange Commission, including any subsequent Annual Report on Form 20-F.

Any forward-looking statements contained in this presentation speak only as of the date on which they are made. Prudential expressly disclaims any obligation to update any of the forward-looking statements contained in this presentation 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 Prudential's New Release containing its Full Year 2022 Results, as well as under the 'Risk Factors' heading of Prudential's 2022 Annual Report and any subsequent filing Prudential makes with the US Securities and Exchange Commission, including any subsequent Annual Report on Form 20-F.

Cautionary statements

This presentation 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.