

Additional information





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Additional unaudited financial information

I Additional financial information

I(i) Group capital position

Overview

Prudential applies the Insurance (Group Capital) Rules set out in the Group-wide Supervision (GWS) Framework issued by the Hong Kong Insurance Authority (IA) to determine group regulatory capital requirements (both minimum and prescribed levels). The GWS Framework became effective for Prudential upon designation by the Hong Kong IA on 14 May 2021 and replaced the local capital summation method (LCSM) which was used for determination of the 31 December 2020 Group capital position as agreed with the Hong Kong IA.

The GWS methodology is largely consistent with that previously applied under LCSM with the exception of the treatment of debt instruments which are subject to transitional arrangements under the GWS Framework. Under the GWS Framework, all debt instruments (senior and subordinated) issued by Prudential plc at the 31 December 2021 are included as GWS eligible group capital resources. This includes debt issued at the date of designation which met the transitional conditions set by the Hong Kong IA and have not since been redeemed and debt issued since the date of designation which met the qualifying conditions as set out in the Insurance (Group Capital) Rules. Under the LCSM, only specific bonds (being those subordinated debt instruments issued by Prudential plc at the date of demerger of M&G plc) were included as eligible group capital resources.

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 company GWS capital basis, a shareholder GWS capital basis is also presented, being eligible group capital resources over the GMCR and which excludes the capital resources and minimum capital requirements of these participating funds. The table below sets out the Group capital position on these two bases before allowing for the second interim dividend. The GWS group capital adequacy requirements have been met since the GWS Framework became effective for Prudential upon designation, this includes maintaining Tier 1 group capital resources in excess of the group minimum capital requirement of the supervised group.

Estimated GWS capital position based on Group Minimum Capital Requirement (GMCR)^{notes (1)(2)(3)}

Amounts attributable to Prudential plc	31 Dec 2021			31 Dec 2020		
	Total	Less policyholder	Shareholder	Total	Less policyholder	Shareholder
Eligible group capital resources (\$bn)	44.4	(27.5)	16.9	34.9	(22.1)	12.8
Group Minimum Capital Requirement (\$bn)	10.7	(7.0)	3.7	10.1	(6.7)	3.4
GWS capital surplus (over GMCR) (\$bn)	33.7	(20.5)	13.2	24.8	(15.4)	9.4
GWS coverage ratio (over GMCR) (%)	414%		454%	344%		370%
Allow for January 2022 debt redemption	(1.7)	–	(1.7)	n/a	n/a	n/a
GWS capital surplus (over GMCR) after January 2022 debt redemption (\$bn)	32.0	(20.5)	11.5	n/a	n/a	n/a
GWS coverage ratio (over GMCR) after January 2022 debt redemption (%)	398%		408%	n/a	n/a	n/a

Further detail on the Group shareholder GWS capital position is presented below at 31 December 2021 and 31 December 2020 for comparison:

31 Dec 2021 \$bn	Total Asia and Africa		Shareholder		Group
	Total Asia and Africa	Less policyholder	Asia and Africa	Unallocated to a segment	
Eligible group capital resources	40.3	(27.5)	12.8	4.1	16.9
Group Minimum Capital Requirement	10.7	(7.0)	3.7	–	3.7
GWS capital surplus (over GMCR)	29.6	(20.5)	9.1	4.1	13.2

31 Dec 2020 \$bn	Total Asia and Africa		Shareholder		Group
	Total Asia and Africa	Less policyholder	Asia and Africa	Unallocated to a segment	
Eligible group capital resources	33.7	(22.1)	11.6	1.2	12.8
Group Minimum Capital Requirement	10.1	(6.7)	3.4	–	3.4
GWS capital surplus (over GMCR)	23.6	(15.4)	8.2	1.2	9.4

Notes

- The total eligible group capital resources and total GMCR presented in the tables above reflect the Insurance (Group Capital) Rules as set out in the GWS Framework. In particular, the 31 December 2020 capital results have been restated from those previously disclosed on a LCSM basis to reflect the treatment of grandfathered debt instruments under the GWS Framework, which increased eligible group capital resources by \$1.6 billion compared to the LCSM basis. This had the effect of increasing capital surplus over the GMCR from \$7.8 billion (equivalent to a coverage ratio of 323 per cent) to \$9.4 billion (equivalent to a coverage ratio of 370 per cent) on a shareholder GWS basis. The 31 December 2020 GWS capital results are presented on a Group excluding Jackson basis and are before including the value of the Group's retained interest in Jackson.
- The 31 December 2021 GWS capital results include the value of the Group's 18.4 per cent retained economic interest in Jackson. As agreed with the Hong Kong IA this retained interest is included within the GWS eligible group capital resources valued at 60 per cent of the listed market value. At 31 December 2021 this is included within "unallocated to a segment" and contributes \$0.4 billion to the GWS capital surplus (over GMCR) and 11 percentage points to the shareholder GWS coverage ratio (over GMCR).
- The 31 December 2021 GWS capital results do not reflect the impact of the redemption of \$1.7 billion of sub-ordinated debt in January 2022 unless otherwise specified.

I Additional financial information continued

I(i) Group capital position continued

Regulatory developments in 2022

The recent trend to more risk-based capital regimes being adopted in many of the Group's markets is continuing and this impacts on the Group's GWS capital measure, which is underpinned by the local regulatory regimes of the Group's subsidiaries, joint ventures and associates. In mainland China C-ROSS Phase II becomes effective in the first quarter of 2022, the impact of which is not included in the 31 December 2021 GWS results above.

Further, in February 2022 Prudential Hong Kong Limited, the Group's insurance business in Hong Kong, made an application to the Hong Kong IA to early-adopt the new risk-based capital regime. The impact is not reflected in the 31 December 2021 GWS capital position shown above and the Group currently expects to include this change in the GWS capital position as at 30 June 2022, which remains subject to Hong Kong IA approval.

We intend to disclose the impacts of both these regulatory changes within our 2022 half year financial report as they become effective.

Sensitivity analysis

The estimated sensitivity of the shareholder GWS capital position (based on GMCR) to changes in market conditions at 31 December 2021 is shown below.

Impact of market sensitivities	31 Dec 2021	
	Surplus \$bn	Ratio %
Base position	13.2	454%
<i>Impact of:</i>		
10% increase in equity markets	0.3	5%
20% fall in equity markets	(0.6)	(2)%
40% fall in equity markets	(1.1)	(1)%
50 basis points reduction in interest rates	0.1	(10)%
100 basis points increase in interest rates	(0.8)	(12)%
100 basis points increase in credit spreads	(0.5)	(6)%

The sensitivity results above reflect the impact on continuing long-term business operations and therefore the Group's retained economic interest in Jackson, which contributed \$0.4 billion to the GWS capital surplus at 31 December 2021, is assumed to be unchanged under stress. 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.

Analysis of movement in shareholder GWS capital surplus over GMCR

A summary of the estimated movement in the shareholder LCSM capital surplus (over GMCR) excluding Jackson of \$7.8 billion at 31 December 2020 to the shareholder GWS capital surplus (over GMCR) of \$13.2 billion at 31 December 2021 on a GWS basis is set out in the table below.

	2021 \$bn
Balance at beginning of period on a LCSM basis	7.8
Treatment of grandfathered debt instruments under the GWS Framework	1.6
Restated balance at beginning of period on a GWS basis	9.4
Operating:	
Operating capital generation from the in force business	1.3
Investment in new business	(0.3)
Operating capital generation	1.0
Non-operating experience (including market movements)	0.3
Other capital movements:	
Equity raise	2.4
Subordinated debt issuance / redemption	0.1
Contribution from Prudential's retained economic interest in Jackson	0.5
Other Corporate activities	(0.1)
Other capital movements	2.9
External dividends	(0.4)
Net movement in shareholder capital surplus	3.8
Balance at end of period	13.2

The estimated movement in the shareholder GWS capital surplus (over GMCR) over 2021 is driven by:

- > *Operating capital generation of \$1.0 billion:* generated by the return on in-force business, after deducting \$0.3 billion from the strain on new business written in the period and \$0.8 billion of central and restructuring costs;
- > *Non-operating experience of \$0.3 billion:* this includes the beneficial impact on shareholder GWS capital surplus (over GMCR) from higher equity markets and increasing interest rates over the year;
- > *Equity raise of \$2.4 billion:* generated from the public offer in Hong Kong in October 2021;
- > *Subordinated debt issuance / redemption of \$0.1 billion:* the net impact of debt redeemed offset by debt raised during 2021, this includes the issuance of subordinated debt in China in June 2021 which contributed \$0.3 billion to the shareholder GWS capital surplus (over GMCR) offset by the \$(0.2) billion net effect of debt raises and redemptions undertaken by Prudential plc;
- > *Contribution from Prudential's retained economic interest in Jackson of \$0.5 billion:* comprising of \$0.3 billion from the impact of including the retained 19.7 per cent non-controlling economic interest in Jackson at the date of the demerger of Jackson from Prudential plc and \$0.2 billion from the movement in the value of the retained interest since the date of demerger along with gains realised from the share repurchase by Jackson in November 2021. As agreed with the Hong Kong IA the retained interest is included within the GWS eligible group capital resources valued at 60 per cent of market value;
- > *Other Corporate activities of \$(0.1) billion:* this is the effect on shareholder GWS capital surplus (over GMCR) of corporate transactions in the year, which in 2021 comprised of the extension of the strategic bancassurance partnership with MSB in Vietnam; and
- > *External dividends of \$(0.4) billion:* this is the payment of external cash dividends during 2021.

I Additional financial information continued

I(i) Group capital position continued

Reconciliation of GWS capital surplus (over GMCR) to EEV free surplus (excluding intangibles)

	31 Dec 2021 \$bn		
	Asia and Africa	Unallocated to a segment	Group total
Estimated total company GWS capital surplus (over GMCR)*	29.6	4.1	33.7
Less policyholder contribution	(20.5)	–	(20.5)
Estimated shareholder GWS capital surplus (over GMCR)*	9.1	4.1	13.2
Increase required capital for EEV free surplus ^{note (a)}	(0.9)	–	(0.9)
Deductions applied to EEV free surplus arising from China C-ROSS ^{note (b)}	(0.5)	–	(0.5)
Deductions applied to EEV free surplus arising from Singapore RBC ^{note (c)}	(2.1)	–	(2.1)
Other, including recognition of inadmissible assets and inclusion of surplus assets at market value ^{note (d)}	0.1	0.3	0.4
EEV free surplus excluding intangibles†	5.7	4.4	10.1

* Before allowing for the redemption of debt in January 2022.

† 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

- (a) Required capital under EEV is set at least equal to local statutory notification requirements and so can differ from the minimum capital requirement.
- (b) EEV free surplus applies the embedded value reporting approach issued by the China Association of Actuaries (CAA) as compared to the C-ROSS surplus reported for local regulatory purposes (predominantly arising from the requirement under the CAA embedded value methodology to establish a deferred profit liability within EEV net worth). This includes differences in the treatment of China subordinated debt which contributes to C-ROSS surplus for local regulatory reporting but is not included within EEV free surplus.
- (c) EEV free surplus for Singapore is based on the Tier 1 requirements under the RBC2 framework, which removes certain negative reserves permitted to be recognised in the full RBC 2 regulatory position used when calculating the shareholder GWS capital surplus (over GMCR).
- (d) The shareholder GWS capital surplus (over GMCR) restricts the valuation of certain sundry non-intangible assets. In most cases these assets are considered fully recognisable in free surplus, in addition the EEV Principles require surplus assets to be included at fair value. Within the shareholder GWS capital surplus (over GMCR), some local regulatory regimes value certain assets at cost, this also includes the difference in the valuation of the Group's retained interest in Jackson which is valued at the listed market value under EEV free surplus as compared to being valued at 60 per cent of the listed market value under GWS capital.

Reconciliation of Group IFRS shareholders' equity to shareholder GWS eligible group capital resources position

	31 Dec 2021 \$bn
Group IFRS shareholders' equity	17.1
Remove DAC, goodwill and intangibles recognised on the IFRS statement of financial position	(7.6)
Add debt treated as capital under GWS ^{note (a)}	5.7
Asset valuation differences ^{note (b)}	(2.0)
Liability valuation differences ^{note (c)}	2.7
Differences in associated net deferred tax liabilities ^{note (d)}	1.1
Other ^{note (e)}	(0.1)
Estimated shareholder GWS eligible group capital resources	16.9

Notes

- (a) 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.
- (b) 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. This also includes the difference in the valuation of the Group's retained interest in Jackson which is valued at the listed market value (equal to its fair value) under IFRS as compared to being valued at 60 per cent of the listed market value for GWS capital.
- (c) Liability valuation differences reflect differences in the basis of valuing liabilities between IFRS and local statutory valuation rules. Material differences include in Singapore where the local capital resources under RBC2 permits the recognition of certain negative reserves in the local statutory position that are not fully recognised under IFRS.
- (d) Differences in associated net deferred tax liabilities mainly results from the tax impact of changes in the valuation of assets and liabilities.
- (e) Other differences include the consequential impact on non-controlling interests arising from the other reconciling items and in China a difference from the inclusion of subordinated debt as local capital resources on a C-ROSS 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;
- > For asset management operations and other regulated entities, the capital position is derived based on the sectoral basis applicable in each jurisdiction, with minimum required capital based on the solo legal entity statutory minimum capital requirement;
- > For non-regulated entities, the capital resources are based on IFRS shareholder equity after deducting intangible assets. No required capital is held in respect of unregulated entities;
- > For entities where the Group's shareholding is less than 100 per cent, the contribution of the entity to the GWS eligible group capital resources and required capital represents the Group's share of these amounts and excludes any amounts attributable to non-controlling interests. This does not apply to investment holdings which are not part of the Group;
- > Following the demerger of Jackson from Prudential plc, the Group retains a 18.4 per cent non-controlling economic interest in Jackson. As agreed with the Hong Kong IA this retained interest is included within the GWS eligible group capital resources valued at 60 per cent of the listed market value;
- > 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; and
- > Under the GWS Framework, all debt instruments (senior and subordinated) issued by Prudential plc at the 31 December 2021 are included as GWS eligible group capital resources. This includes debt issued at the date of designation which met the transitional conditions set by the Hong Kong IA and have not since been redeemed and debt issued since the date of designation which met the qualifying conditions as set out in the Insurance (Group Capital) Rules. 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. In addition Prudential also presents a shareholder GWS capital basis which excludes the capital resources and minimum capital requirements of participating business in Hong Kong, Singapore and Malaysia.

I(ii) Analysis of adjusted operating profit by driver

This schedule classifies the Group's adjusted operating profit from continuing operations into the underlying drivers using the following categories:

- > **Spread income** represents the difference between net investment income and amounts credited to certain policyholder accounts. It excludes the operating investment return on shareholder net assets, which has been separately disclosed as expected return on shareholder assets.
- > **Fee income** represents profit driven by net investment performance, being fees that vary with the size of the underlying policyholder funds, net of investment management expenses.
- > **With-profits** represents the pre-tax shareholders' transfer from the with-profits business for the period.
- > **Insurance margin** primarily represents profit derived from the insurance risks of mortality and morbidity.
- > **Margin on revenues** primarily represents amounts deducted from premiums to cover acquisition costs and administration expenses (see below).
- > **Acquisition costs and administration expenses** represent expenses incurred in the period attributable to shareholders. These exclude items such as restructuring and IFRS 17 implementation costs, which are not included in the segment profit, as well as items that are more appropriately included in other categories (eg investment expenses are netted against investment income as part of spread income or fee income as appropriate).
- > **DAC adjustments** comprise DAC amortisation for the period, excluding amounts related to short-term fluctuations in investment returns, net of costs deferred in respect of new business written in the period.

I Additional financial information continued

I(ii) Analysis of adjusted operating profit by driver continued

The following analysis expresses certain of the Group's sources of adjusted operating profit from continuing operations as a margin of policyholder liabilities or other relevant drivers. The 2020 comparative information has been presented at both AER and CER to eliminate the impact of exchange translation.

	2021			2020 AER			2020 CER		
	Profit \$m	Average liability \$m note (a)	Margin bps note (b)	Profit \$m	Average liability \$m note (a)	Margin bps note (b)	Profit \$m	Average liability \$m note (a)	Margin bps note (b)
Spread income	312	47,270	66	296	39,895	74	304	40,113	76
Fee income	345	33,401	103	282	28,014	101	287	28,425	101
With-profits	135	84,905	16	117	73,375	16	118	73,248	16
Insurance margin	2,897			2,648			2,689		
Margin on revenues*	3,008			3,007			3,048		
Expenses:*									
Acquisition costs ^{note (c)}	(2,085)	4,194	(50)%	(1,928)	3,808	(51)%	(1,964)	3,890	(50)%
Administration expenses	(1,656)	80,968	(205)	(1,591)	68,133	(234)	(1,609)	68,758	(234)
DAC adjustments	566			382			392		
Expected return on shareholder assets*	231			212			214		
	3,753			3,425			3,479		
Share of related tax charges from joint ventures and associates ^{note (d)}	(44)			(46)			(49)		
Long-term business	3,709			3,379			3,430		
Eastspring	314			283			286		
Adjusted operating profit	4,023			3,662			3,716		

*Including amounts related to Africa operations.

Notes

- (a) The calculation of average liabilities is generally derived from opening and closing balances, with average liabilities used to derive the margin for fee income calculated using quarter-end balances to provide a more meaningful analysis. Other than the average liabilities used to calculate the administration expense margin, the average liabilities in the analysis above exclude the liabilities for the Africa operations.
- (b) Margin represents the operating return earned in the year as a proportion of the relevant class of policyholder liabilities excluding unallocated surplus.
- (c) The ratio of acquisition costs is calculated as a percentage of APE sales in the year, including with-profits sales. Acquisition costs include only those relating to shareholder-backed business. The ratio of shareholder acquisition costs to shareholder APE sales (excluding with-profits) in 2021 is 61 per cent (2020: 66 per cent on both AER and CER basis).
- (d) 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 above, the results of the joint ventures and associates are analysed by adjusted operating profit drivers and on a pre-tax basis, with related tax charges shown separately in order for the contribution from the joint ventures and associates to be included in the profit driver and margin analysis on a consistent basis with the rest of the business operations.

I(iii) Analysis of adjusted operating profit by business unit

The table below presents the 2020 results on both AER and CER bases to eliminate the impact of exchange translation.

	2021 \$m	2020 \$m		2021 vs 2020 %	
		AER	CER	AER	CER
CPL	343	251	269	37%	28%
Hong Kong	975	891	889	9%	10%
Indonesia	446	519	529	(14)%	(16)%
Malaysia	350	309	313	13%	12%
Singapore	663	574	589	16%	13%
Growth markets and other					
Philippines	110	95	96	16%	15%
Taiwan	94	85	89	11%	6%
Thailand	236	210	205	12%	15%
Vietnam	317	270	274	17%	16%
Other*	219	221	226	(1)%	(3)%
Share of related tax charges from joint ventures and associate	(44)	(46)	(49)	(4)%	(10)%
Long-term business	3,709	3,379	3,430	10%	8%
Eastspring	314	283	286	11%	10%
Adjusted operating profit	4,023	3,662	3,716	10%	8%

* Includes other growth markets and a number of small items that are not expected to reoccur.

(a) Eastspring adjusted operating profit

	2021 \$m	2020 \$m
Operating income before performance-related fees ^{note (1)}	747	646
Performance-related fees	15	7
Operating income (net of commission) ^{note (2)}	762	653
Operating expense ^{note (2)}	(403)	(336)
Group's share of tax on joint ventures' operating profit	(45)	(34)
Adjusted operating profit	314	283
Average funds managed by Eastspring Investments	\$251.7bn	\$227.1bn
Margin based on operating income ^{note (3)}	30bps	28bps
Cost/income ratio ^{note 11(v)}	54%	52%

Notes

(1) Operating income before performance-related fees for Eastspring can be further analysed as follows:

	Retail \$m	Margin bps	Institutional* \$m	Margin* bps	Total \$m	Margin* bps
2021	449	56	298	17	747	30
2020	390	52	256	17	646	28

* Institutional includes internal funds.

- (2) Operating income and expense include the Group's share of contribution from joint ventures. In the condensed consolidated income statement of the Group IFRS basis results, the net income after tax of the joint ventures and associates is shown as a single line item.
- (3) Margin represents operating income before performance-related fees as a proportion of the related funds under management (FUM). Monthly closing internal and external funds managed by Eastspring have been used to derive the average. Any funds held by the Group's insurance operations that are managed by third parties outside the Prudential Group are excluded from these amounts.

I Additional financial information continued

I(iii) Analysis of adjusted operating profit by business unit continued

(b) Eastspring total funds under management

Eastspring manages funds from external parties and also funds for the Group's insurance operations. The table below analyses the total funds managed by Eastspring.

	31 Dec 2021 \$bn	31 Dec 2020 \$bn
External funds under management, excluding funds managed on behalf of M&G plc ^{note (1)}		
Retail	68.5	66.9
Institutional	13.2	13.8
Money market funds (MMF)	12.3	13.2
	94.0	93.9
Funds managed on behalf of M&G plc ^{note (2)}	11.5	15.7
External funds under management	105.5	109.6
Internal funds under management	153.0	138.2
Total funds under management ^{note (3)}	258.5	247.8

Notes

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

	2021 \$m	2020 \$m
At 1 Jan	93,863	98,005
Market gross inflows	98,963	116,743
Redemptions	(99,862)	(126,668)
Market and other movements	992	5,783
At 31 Dec*	93,956	93,863

* The analysis of movements above includes \$12,248 million relating to Asia Money Market Funds at 31 December 2021 (31 December 2020: \$13,198 million). Investment flows for 2021 include Eastspring Money Market Funds gross inflows of \$61,949 million (2020: \$76,317 million) and net outflows of \$1,512 million (2020: net inflows of \$48 million).

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

	2021 \$m	2020 \$m
At 1 Jan	15,737	26,717
Net flows	(4,040)	(10,033)
Market and other movements	(168)	(947)
At 31 Dec	11,529	15,737

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

	31 Dec 2021		31 Dec 2020	
	\$bn	% of total	\$bn	% of total
Equity	107.1	41%	103.9	42%
Fixed income	133.6	52%	125.7	51%
Alternatives	2.7	1%	2.7	1%
Money Market Funds	15.1	6%	15.5	6%
Total funds under management	258.5	100%	247.8	100%

I(iv) 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 continuing 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 from continuing operations.

	31 Dec 2021 \$bn	31 Dec 2020 \$bn
Continuing operations:		
Internal funds	193.9	175.0
Eastspring external funds, including M&G plc (as analysed in note I(iii) above)	105.5	109.6
Total Group funds under management^{note}	299.4	284.6

Note

Total Group funds under management from continuing operations comprise:

	31 Dec 2021 \$bn	31 Dec 2020 \$bn
Total investments and cash and cash equivalents held by the continuing operations on the balance sheet	177.9	164.0
External funds of Eastspring including M&G plc	105.5	109.6
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	16.0	11.0
Total Group funds under management	299.4	284.6

I(v) 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.

	2021 \$m	2020 \$m
Net cash remitted by continuing operations:		
Insurance and asset management business	1,451	877
Other operations	-	55
Net cash remitted by business units^{note (a)}	1,451	932
Net interest paid	(314)	(294)
Tax received	-	94
Corporate activities ^{note (b)}	(322)	(432)
Centrally funded recurring bancassurance fees ^{note (c)}	(176)	(220)
Total central outflows	(812)	(852)
Holding company cash flow before dividends and other movements	639	80
Dividends paid	(421)	(814)
Operating holding company cash flow after dividends but before other movements	218	(734)
Other movements		
Issuance and redemption of debt for continuing operations	(255)	983
Hong Kong public offer and international placing	2,374	-
Other corporate activities relating to continuing operations ^{note (c)}	(199)	(954)
UK and Europe demerger costs	-	(17)
US demerger costs	(30)	(20)
Total other movements	1,890	(8)
Total holding company cash flow	2,108	(742)
Cash and short-term investments at 1 Jan	1,463	2,207
Foreign exchange movements	1	(2)
Cash and short-term investments at 31 Dec^{note (d)}	3,572	1,463

Notes

- Net cash remitted by business units comprise dividends and other transfers, net of capital injections, that are reflective of earnings and capital generation.
- Including IFRS 17 implementation and restructuring costs paid in the year. In 2021, the Group changed its basis of presenting business unit remittances to reflect net cash remittances before costs attributable to the head office functions based in Hong Kong, and to present all head office costs together within 'corporate activities'. Accordingly, the 2020 amounts have been re-presented from those previously published to reflect the change.
- Other corporate activities relating to continuing operations of \$(199) million (2020: \$(954) million) include central contributions to the funding of Asia and Africa strategic growth initiatives, principally non-recurring payments for bancassurance distribution agreements including UOB and MSB banks. In 2020, this also included one-off payments relating to the establishment of the Group's strategic bancassurance partnership with TMB Bank. Central payments for existing bancassurance distribution agreements are within the central outflows section of the holding company cash flow, reflecting the recurring nature of these amounts. Other corporate activities also include sale proceeds of \$83 million received in December 2021, following Jackson's announcement, as part of its previously disclosed \$300 million share repurchase programme, of the repurchase of 2,242,516 shares of its Class A common stock from Prudential as discussed in the Jackson section above.
- Proceeds from the Group's commercial paper programme are not included in the holding company cash and short-term investment balance.

I Additional financial information continued

I(vi) 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 continuing long-term business operations are projected as emerging into free surplus over the next 40 years. Although circa 8 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 2021 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 2021, the table also presents the future free surplus expected to be generated from the investment made in new business during 2021 over the same 40-year period.

Expected period of emergence	31 Dec 2021 \$m			
	Continuing long-term business operations			
	Expected generation from all in-force business [*]		Expected generation from new business written in 2021 [*]	
	Undiscounted	Discounted	Undiscounted	Discounted
2022	2,343	2,264	294	283
2023	2,267	2,079	219	197
2024	2,155	1,877	196	168
2025	2,014	1,679	176	143
2026	2,034	1,621	173	132
2027	1,978	1,507	179	130
2028	2,109	1,565	164	116
2029	1,706	1,167	155	104
2030	1,977	1,346	144	93
2031	1,904	1,239	153	94
2032	1,845	1,154	162	92
2033	1,807	1,088	139	77
2034	1,744	1,008	126	68
2035	1,746	976	126	64
2036	1,722	934	135	66
2037	1,702	895	116	56
2038	1,716	869	117	54
2039	1,715	838	118	52
2040	1,724	816	117	50
2041	1,688	772	125	51
2042-2046	8,150	3,388	591	221
2047-2051	7,592	2,675	591	182
2052-2056	6,759	2,025	554	143
2057-2061	5,998	1,500	536	118
Total free surplus expected to emerge in the next 40 years	66,395	35,282	5,406	2,754

* The analysis excludes amounts incorporated into VIF and required capital at 31 December 2021 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 2061.

The expected free surplus generation from new business written in 2021 can be reconciled to the new business profit as follows:

	2021 \$m
Undiscounted expected free surplus generation for years 2022 to 2061	5,406
Less: discount effect	(2,652)
Discounted expected free surplus generation for years 2022 to 2061	2,754
Discounted expected free surplus generation for years after 2061	299
Discounted expected free surplus generation from new business written in 2021	3,053
Free surplus investment in new business	(537)
Other items [*]	10
New business profit	2,526

* Other items represent the impact of the time value of options and guarantees 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 2021 \$m
Discounted expected generation from all in-force business for years 2022 to 2061	35,282
Discounted expected generation from all in-force business for years after 2061	3,640
Discounted expected generation from all in-force business at 31 December 2021	38,922
Free surplus of long-term business operations at 31 December 2021	5,960
Other items*	(236)
EEV for long-term business operations	44,646

* Other items represent the impact of the time value of options and guarantees and other non-modelled items.

The undiscounted expected free surplus generation from all in-force business at 31 December 2021 can be reconciled to the amount that was expected to be generated at 31 December 2020 as follows:

	2021 \$m	2022 \$m	2023 \$m	2024 \$m	2025 \$m	2026 \$m	Other \$m	Total \$m
2020 expected free surplus generation for years 2021 to 2060	2,156	2,084	2,085	1,978	1,928	1,895	46,950	59,076
Less: Amounts expected to be realised in the current year	(2,156)	-	-	-	-	-	-	(2,156)
Add: Expected free surplus to be generated in year 2061 (excluding 2021 new business)	-	-	-	-	-	-	816	816
Foreign exchange differences	-	(26)	(26)	(24)	(25)	(24)	(467)	(592)
New business	-	294	219	196	176	173	4,348	5,406
Operating movements	-	16	-	20	(20)	(18)		
Non-operating and other movements	-	(25)	(11)	(15)	(45)	8	3,935	3,845
2021 expected free surplus generation for years 2022 to 2061*	-	2,343	2,267	2,155	2,014	2,034	55,582	66,395

* Future expected free surplus generation includes Africa operations following the change in the Group's operating segments in 2021.

At 31 December 2021, the total free surplus expected to be generated over the next five years (2022 to 2026 inclusive) for long-term business operations, using the same assumptions and methodology as those underpinning 2021 embedded value reporting, was \$10.8 billion (31 December 2020: \$10.2 billion).

At 31 December 2021, the total free surplus expected to be generated on an undiscounted basis over the next 40 years for long-term business operations is \$66.4 billion, \$7.3 billion higher than the \$59.1 billion expected at the end of 2020. The increase is driven by new business and the effect of generally higher interest rates across the region increasing projected returns, partially offset by unfavourable foreign exchange movements.

Actual underlying free surplus generated in 2021 from long-term business in force at the end of 2020, before restructuring and IFRS 17 implementation costs, was \$2.3 billion, including \$(0.2) billion of changes in operating assumptions and experience variances. This compares with the expected 2021 realisation at the end of 2020 of \$2.2 billion and can be analysed further as follows:

	2021 \$m
Expected transfer from in-force business to free surplus in 2021	2,340
Expected return on existing free surplus	157
Changes in operating assumptions and experience variances	(173)
Underlying free surplus generated from long-term business in force before restructuring and IFRS 17 implementation costs	2,324
2021 free surplus expected to be generated at 31 December 2020	2,156

I Additional financial information continued

I(vii) Option schemes

The Group presently grants share options through two schemes and exercises of the options are satisfied by the issue of new shares. Executive Directors and eligible employees based in the UK may participate in the Prudential Savings-Related Share Option Scheme. Agents based in certain regions of Asia can participate in the Prudential International Savings-Related Share Option Scheme for Non-Employees. Further details of the schemes and accounting policies are detailed in note B2.2 of the IFRS basis consolidated financial statements.

All options were granted at nil consideration. No options have been granted to substantial shareholders, suppliers of goods or services (excluding options granted to agents under the Prudential International Savings-Related Share Option Scheme for Non-Employees) or in excess of the individual limit for the relevant scheme. The maximum share entitlement of each participant under the relevant scheme for each option granted is limited to the total savings and any bonus or interest accumulated under that participant's savings contract, divided by the exercise price. At 31 December 2021, the maximum number of shares issued or issuable under the schemes, which were approved by shareholders, to all participants would not exceed 1 per cent of the issued share capital of the Company in the preceding 12-month period.

The option schemes will terminate as follows, unless the Directors resolve to terminate the plans at an earlier date:

- > Prudential Savings-Related Share Option Scheme: 16 May 2023; and
- > Prudential International Savings-Related Share Option Scheme for Non-Employees 2012: 12 May 2022.

The weighted average share price of Prudential plc for the year ended 31 December 2021 was £14.31 (2020: £11.64).

Particulars of options granted to Directors are included in the Directors' remuneration report on page 216.

The closing prices of the shares immediately before the date on which the options were granted during the year were £13.29 for the Prudential Savings-Related Share Option Scheme.

The following analysis shows the movement in options for each of the option schemes for the year ended 31 December 2021.

Prudential Savings-Related Share Option Scheme

Date of grant	Exercise price £	Exercise period		Number of options						
		Beginning	End	Beginning of year	Granted	Exercised	Cancelled	Forfeited	Lapsed	End of year
22 Sep 15	11.11	01 Dec 20	31 May 21	8,046	–	(3,996)	–	–	(4,050)	–
21 Sep 16	11.04	01 Dec 21	31 May 22	5,378	–	(2,046)	–	–	(615)	2,717
21 Sep 17	14.55	01 Dec 20	31 May 21	23,908	–	(9,816)	–	(1,237)	(12,855)	–
21 Sep 17	14.55	01 Dec 22	31 May 23	6,347	–	(1,202)	(164)	–	(859)	4,122
29 Nov 19	11.18	01 Jan 23	30 Jun 23	67,203	–	(4,511)	(3,413)	(4,719)	(6,032)	48,528
29 Nov 19	11.18	01 Jan 25	30 Jun 25	8,049	–	(536)	–	–	–	7,513
22 Sep 20	9.64	01 Dec 23	31 May 24	74,308	–	(414)	(4,318)	(4,851)	(1,453)	63,272
22 Sep 20	9.64	01 Dec 25	31 May 26	6,286	–	–	–	–	–	6,286
08 Dec 21	12.02	01 Jan 25	30 Jun 25	–	14,664	–	–	–	–	14,664
08 Dec 21	12.02	01 Jan 27	30 Jun 27	–	2,544	–	–	–	–	2,544
				199,525	17,208	(22,521)	(7,895)	(10,807)	(25,864)	149,646

The total number of securities available for issue under the scheme is 149,646 which represents 0.005 per cent of the issued share capital at 31 December 2021.

The weighted average closing price of the shares immediately before the dates on which the options were exercised during the current period was £12.78.

The weighted average fair value of options granted under the plan in the period was £3.12.

Prudential International Savings-Related Share Option Scheme for Non-Employees

Date of grant	Exercise price £	Exercise period		Beginning of year	Number of options						End of year
		Beginning	End		Granted	Modification	Exercised	Cancelled	Forfeited	Lapsed	
22 Sep 15	9.62	01 Dec 20	31 May 21	280,079	-	-	(280,079)	-	-	-	-
21 Sep 16	9.56	01 Dec 21	31 May 22	214,845	-	7,215	(87,358)	(1,568)	-	-	133,134
21 Sep 17	12.59	01 Dec 20	31 May 21	205,980	-	-	(204,861)	(966)	-	(153)	-
21 Sep 17	12.59	01 Dec 22	31 May 23	190,274	-	6,541	-	(4,691)	(582)	-	191,542
18 Sep 18	12.07	01 Dec 21	31 May 22	193,405	-	6,887	(101,492)	(728)	(48)	-	98,024
18 Sep 18	12.07	01 Dec 23	31 May 24	129,527	-	4,349	-	(1,242)	(139)	-	132,495
02 Oct 19	9.62	01 Dec 22	31 May 23	330,931	-	11,496	-	(3,608)	-	-	338,819
02 Oct 19	9.62	01 Dec 24	31 May 25	223,165	-	7,792	-	(7,011)	(470)	-	223,476
22 Sep 20	9.64	01 Dec 23	31 May 24	198,799	-	6,503	-	(3,203)	-	-	202,099
22 Sep 20	9.64	01 Dec 25	31 May 26	153,790	-	5,085	-	(1,556)	-	-	157,319
02 Nov 21	11.89	01 Dec 24	31 May 25	-	207,910	-	-	(1,360)	-	-	206,550
02 Nov 21	11.89	01 Dec 26	31 May 27	-	189,431	-	-	-	-	-	189,431
				2,120,795	397,341	55,868	(673,790)	(25,933)	(1,239)	(153)	1,872,889

The total number of securities available for issue under the scheme is 1,872,889 which represents 0.068 per cent of the issued share capital at 31 December 2021.

The weighted average closing price of the shares immediately before the dates on which the options were exercised during the current period was £10.79.

The weighted average fair value of options granted under the plan in the period was £4.17.

I Additional financial information continued

I(viii) Selected historical financial information of Prudential

The following table sets forth Prudential's selected consolidated financial data for the years indicated, which is derived from Prudential's audited consolidated financial statements. This table is only a summary and should be read in conjunction with Prudential's consolidated financial statements and the related notes included elsewhere in this document.

In the table below, continuing operations reflect the Group's insurance and asset management businesses in Asia and Africa and central operations. Discontinued operations represent the Group's US business (Jackson) demerged in September 2021 and the Group's UK and Europe business (M&G) demerged in November 2019.

IFRS basis results

Income statement ^{note (i)}	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Continuing operations:					
Gross premiums earned	24,217	23,495	23,855	22,039	20,255
Outward reinsurance premiums	(1,844)	(1,625)	(1,116)	(771)	(850)
Earned premiums, net of reinsurance	22,373	21,870	22,739	21,268	19,405
Investment return	3,486	13,762	14,961	(2,723)	11,687
Other income	641	615	639	465	457
Total revenue, net of reinsurance	26,500	36,247	38,339	19,010	31,549
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance	(18,911)	(28,588)	(29,171)	(11,690)	(23,588)
Acquisition costs and other expenditure	(4,560)	(4,651)	(5,908)	(5,793)	(5,823)
Finance costs: interest on core structural borrowings of shareholder-financed businesses	(328)	(316)	(496)	(525)	(527)
(Loss) gain attaching to corporate transactions	(35)	(30)	(142)	(57)	83
Total charges, net of reinsurance	(23,834)	(33,585)	(35,717)	(18,065)	(29,855)
Share of profits from joint ventures and associates net of related tax	352	517	397	319	233
Profit before tax (being tax attributable to shareholders' and policyholders' returns) ^{note (ii)}	3,018	3,179	3,019	1,264	1,927
Tax charges attributable to policyholders' returns	(342)	(271)	(365)	(107)	(321)
Profit before tax attributable to shareholders' returns	2,676	2,908	2,654	1,157	1,606
Tax credit (charges) attributable to shareholders' returns	(462)	(440)	(316)	(235)	(186)
Profit from continuing operations	2,214	2,468	2,338	922	1,420
(Loss) profit from discontinued US operations	(5,027)	(283)	(385)	1,959	328
(Loss) profit from discontinued UK and Europe operations	–	–	(1,161)	1,142	1,333
(Loss) profit for the year	(2,813)	2,185	792	4,023	3,081

Basic earnings per share (in cents) ^{note (i)}	2021	2020	2019	2018	2017
Based on (loss) profit for the year attributable to the equity holders of the Company:					
Continuing operations	83.4¢	94.6¢	90.0¢	35.6¢	55.3¢
Discontinued US operations	(161.1)¢	(13.0)¢	(14.9)¢	76.1¢	12.7¢
Discontinued UK and Europe operations	–	–	(44.8)¢	44.3¢	52.0¢
Total	(77.7)¢	81.6¢	30.3¢	156.0¢	120.0¢

Dividend per share (in cents) excluding demerger dividend	2021	2020	2019	2018	2017
Dividends paid in reporting period	16.10¢	31.34¢	63.18¢	64.34¢	59.32¢

Statement of financial position at 31 Dec ^{note (iii)}	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Total assets	199,102	516,097	454,214	647,810	668,203
Total policyholder liabilities and unallocated surplus of with-profits funds	157,299	446,463	390,428	541,466	579,261
Core structural borrowings of shareholder-financed businesses	6,127	6,633	5,594	9,761	8,496
Total liabilities	181,838	493,978	434,545	625,819	646,432
Total equity	17,264	22,119	19,669	21,991	21,771

Supplementary IFRS basis results

Continuing operations ^{note (i)}	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Adjusted operating profit ^{note (iv)}	3,233	2,757	2,247	1,875	1,512
Non-operating items	(557)	151	407	(718)	94
Profit before tax attributable to shareholders	2,676	2,908	2,654	1,157	1,606
Operating earnings per share after tax and non-controlling interest (in cents)	101.5¢	86.6¢	73.4¢	62.1¢	50.4¢

Supplementary EEV basis results – continuing operations

Income statement ^{note (i)}	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
EEV operating profit ^{note (iv)}	3,543	3,401	5,151	5,088	3,987
Non-operating items	(306)	573	1,058	(533)	626
Profit attributable to shareholders	3,237	3,974	6,209	4,555	4,613
Operating earnings per share after non-controlling interest (in cents)	133.8¢	130.6¢	198.8¢	197.4¢	155.3¢

New business contribution ^{note (i)}	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Annual premium equivalent (APE) sales	4,194*	3,808*	5,243	5,050	4,934
EEV new business profit (NBP) (post-tax)*	2,526*	2,201	3,522	3,477	3,052

* Africa operations are included within the covered business from 2021 following the change in the Group's operating segments. Africa is excluded from all other years.

Embedded value at 31 Dec	2021 \$bn	2020 \$bn	2019 \$bn	2018 \$bn	2017 \$bn
EEV shareholders' equity, excluding non-controlling interests – continuing operations	47.4	41.9	38.4	27.4	23.8
Discontinued operations (US, and UK and Europe)	–	12.1	16.3	36.0	36.7
EEV shareholders' equity	47.4	54.0	54.7	63.4	60.5

Other financial information

Operating free surplus generated ^{note (i)}	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Total operating free surplus generated from continuing operations	1,179	890	762	554	397

At 31 Dec ^{note (i)}	2021 \$bn	2020 \$bn	2019 \$bn	2018 \$bn	2017 \$bn
Eastspring funds under management ^{note (v)}	258.5	247.8	241.1	192.7	187.9
Group shareholder GWS capital surplus (over GMCR) ^{note (vi)}	13.2	9.4	–	–	–

Notes

- (i) The comparative income statements for 2017 to 2020 have been re-presented from those previously published, to reflect the demerger of the Group's US operations (Jackson) in September 2021, which have been reclassified as discontinued operations.
- (ii) This measure is the formal profit (loss) before tax measure under IFRS. It is not the result attributable to shareholders.
- (iii) The comparative statements of financial position for 2017 to 2020 include the discontinued US operations as originally published. Furthermore, the 2018 and 2017 comparatives also include the Group's discontinued UK and Europe operations as originally published. The total assets and total equity as of 31 December 2021 include \$683 million in respect of the Group's 18.4 per cent retained economic interest in Jackson.
- (iv) Adjusted operating profit and EEV operating profit are determined on the basis of including longer-term investment returns, which are stated after excluding the effect of short-term fluctuations in investment returns on shareholder-backed business and gain or loss attaching to corporate transactions. Separately, for IFRS basis results, adjusted operating profit also excludes amortisation of acquisition accounting adjustments arising on the purchase of business. For EEV basis results, operating profit also excludes the effect of changes in economic assumptions and the mark-to-market value movements on core structural borrowings for shareholder-financed operations.
- (v) Eastspring total funds under management comprise funds from external parties, including funds managed on behalf of M&G plc as well as funds for the Group's insurance operations.
- (vi) The 2021 Group shareholder GWS capital surplus (over GMCR) reflects the Insurance (Group Capital) Rules as set out in the GWS Framework which became effective for Prudential in May 2021. 2020 comparative information has been re-presented on a GWS basis. The 2020 shareholder GWS capital surplus (over GMCR) is presented on a Group excluding Jackson basis and before including the value of the Group's retained interest in Jackson.

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 adjusts for the following items within total IFRS profit before tax:

- > Short-term fluctuations in investment returns on shareholder-backed business;
- > Amortisation of acquisition accounting adjustments arising on the purchase of business; and
- > Gain or loss on corporate transactions, as discussed in note D1.1 to the IFRS basis results.

More details on how adjusted operating profit is determined are included in note B1.2 of the Group IFRS basis results. A full reconciliation to profit after tax is given in note B1.1.

II(ii) Calculation of IFRS gearing ratio from continuing operations

IFRS gearing ratio is calculated as net core structural borrowings of shareholder-financed businesses divided by closing IFRS shareholders' equity plus net core structural borrowings, all in respect of continuing operations.

	31 Dec 2021 \$m	31 Dec 2020 \$m
Continuing operations:		
Core structural borrowings of shareholder-financed businesses	6,127	6,383
Less holding company cash and short-term investments	(3,572)	(1,463)
Net core structural borrowings of shareholder-financed businesses	2,555	4,920
Closing shareholders' equity	17,088	12,367
Closing shareholders' equity plus net core structural borrowings	19,643	17,287
IFRS gearing ratio	13%	28%

II(iii) Return on IFRS shareholders' equity from continuing operations

This measure is calculated as adjusted operating profit from continuing operations, after tax and non-controlling interests, divided by average shareholders' equity in respect of continuing operations.

Detailed reconciliation of adjusted operating profit from continuing operations to IFRS profit before tax for the Group is shown in note B1.1 to the Group IFRS basis results.

	2021 \$m	2020 \$m
Adjusted operating profit	3,233	2,757
Tax on adjusted operating profit	(548)	(497)
Adjusted operating profit attributable to non-controlling interests	(17)	(10)
Adjusted operating profit, net of tax and non-controlling interests	2,668	2,250
Shareholders' equity at beginning of year	12,367	10,548
Shareholders' equity at end of year	17,088	12,367
Average shareholders' equity	14,728	11,458
Operating return on average shareholders' equity (%)	18%	20%

II(iv) Calculation of IFRS 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 year.

	2021	2020
Number of issued shares at the end of the year	2,746	2,609
Closing IFRS shareholders' equity for continuing operations (\$ million)	17,088	12,367
Shareholders' equity per share (cents) for continuing operations	622¢	474¢
Closing IFRS shareholders' equity for discontinuing operations (\$ million)	–	8,511
Shareholders' equity per share (cents) for discontinued US operations	–	326¢
Group shareholders' equity per share (cents)	622¢	800¢

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.

	2021 \$m	2020 \$m
IFRS revenue	665	612
Share of revenue from joint ventures and associates	314	235
Commissions	(217)	(194)
Performance-related fees	(15)	(7)
Operating income before performance-related fees^{note}	747	646
IFRS charges	498	446
Share of expenses from joint ventures and associates	122	84
Commissions	(217)	(194)
Operating expense	403	336
Cost/income ratio (operating expense/operating income before performance-related fees)	54%	52%

Note

IFRS revenue and charges for Eastspring are included within the IFRS Income statement in 'other income' and 'acquisition costs and other 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 basis results, the net income after tax from the joint ventures and associates is shown as a single line item.

II(vi) Reconciliation of gross premiums earned to renewal insurance premiums

	2021 \$m	2020 \$m	
		AER	CER
IFRS gross premiums earned	24,217	23,495	23,722
Less: General insurance premium	(124)	(130)	(130)
Less: IFRS gross earned premium from new regular and single premium business	(6,500)	(5,112)	(5,225)
Add: Renewal premiums from joint ventures and associates ^{note}	2,295	1,957	2,036
Renewal insurance premiums	19,888	20,210	20,403
Annual premium equivalent (APE)	4,194	3,808	3,890
Life weighted premium income	24,082	24,018	24,293

Note

For the purpose of the definition of renewal premiums from joint ventures and associates in the table above, premiums for the deposit component of insurance contracts from our CPL business are excluded.

II(vii) Gross premiums earned including joint ventures and associates

	2021 \$m	2020 \$m
IFRS gross premiums earned	24,217	23,495
Gross premiums earned from joint ventures and associates	4,579	3,233
Total Group (continuing operations)	28,796	26,728

II Calculation of alternative performance measures continued

II(viii) Reconciliation of gross premiums earned to APE new business sales

The Group reports APE new business sales as a measure of the new policies sold in the year. APE 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 under IFRS 4. The use of the 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. This differs from the IFRS measure of gross premiums earned as shown below from continuing operations:

	2021 \$m	2020 \$m
Gross premiums earned	24,217	23,495
Less: premiums from in-force renewal business ^{note (a)}	(17,593)	(18,253)
Less: 90% of single premiums on new business sold in the year ^{note (b)}	(3,602)	(2,147)
Add: APE sales from joint ventures and associates on equity accounting method ^{note (c)}	1,104	820
Other adjustments ^{note (d)}	68	(107)
Annual premium equivalent (APE)	4,194	3,808

Notes

- (a) Gross premiums earned include premiums from existing in-force business as well as new business given the Group's focus on recurring premium business.
- (b) APE new business sales only include one-tenth of single premiums, recorded on policies sold in the year. Gross premiums earned include 100 per cent of such premiums.
- (c) For the purpose of reporting APE new business sales, the Group's share of amounts sold by the Group's insurance joint ventures and associates are included. Under IFRS, joint ventures and associates are equity accounted and so no amounts are included within gross premiums earned.
- (d) APE new business sales are annualised while gross premiums earned are recorded only when revenues are due. Other adjustments also reflect the inclusion of policies written in the year which are classified as investment contracts without discretionary participation features under IFRS 4, which are recorded as deposits and therefore not in gross premiums earned, and the exclusion of general insurance earned on an IFRS basis.

II(ix) Reconciliation between IFRS and EEV shareholders' equity

The table below shows the reconciliation of EEV shareholders' equity and IFRS shareholders' equity from continuing operations at the end of the year:

	31 Dec 2021 \$m	31 Dec 2020 \$m
IFRS shareholders' equity from continuing operations	17,088	12,367
Less: DAC assigned zero value for EEV purposes	(2,815)	(2,353)
Add: Value of in-force business of long-term business ^{note (a)}	35,456	34,068
Other ^{note (b)}	(2,374)	(2,156)
EEV shareholders' equity from continuing operations	47,355	41,926

Notes

- (a) EEV shareholders' equity comprises the present value of the shareholders' interest in the value of in-force business, total net worth of long-term business operations and IFRS shareholders' equity of asset management and other operations. The value of in-force business reflects the present value of expected future shareholder cash flows from long-term in-force business which are not captured as shareholders' interest on an IFRS basis. Total net worth represents the regulatory basis net assets for EEV reporting purposes, with adjustments as appropriate.
- (b) Other adjustments represent asset and liability valuation differences between IFRS and the local regulatory reporting basis used to value total net worth for long-term insurance operations. These also include the mark-to-market value movements of the Group's core structural borrowings which are fair valued under EEV but are held at amortised cost under IFRS. One of the most significant valuation differences relate to changes in the valuation of insurance liabilities.

II(x) 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 for continuing operations.

	2021	2020
Continuing operations		
EEV operating profit for the year	3,543	3,401
Operating profit attributable to non-controlling interests	(28)	(10)
EEV operating profit, net of non-controlling interest (\$ million)	3,515	3,391
Shareholders' equity at beginning of year	41,926	38,369
Shareholders' equity at end of year	47,355	41,926
Average shareholders' equity (\$ million)	44,641	40,148
Operating return on average shareholders' equity (%)	8%	8%

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 continuing long-term business operations, excluding goodwill attributable to equity holders.

	2021	2020
New business profit (\$ million)*	2,526	2,201
Average EEV basis shareholders' equity for continuing long-term business operations, excluding goodwill attributable to equity holders (\$ million)	43,754	40,382
New business profit on embedded value (%)	6%	5%

* New business profit is attributed to the shareholders of the Group before deducting the amount attributable to non-controlling interests. 2021 new business profit includes amounts related to Africa operations.

Average embedded value has been based on opening and closing EEV basis shareholders' equity for continuing long-term business operations, excluding goodwill attributable to equity holders, as follows:

	2021 \$m	2020 \$m
Shareholders' equity at beginning of year	42,861	37,902
Shareholders' equity at end of year	44,646	42,861
Average shareholders' equity for continuing long-term business operations, excluding goodwill attributable to equity holders	43,754	40,382

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 and comprehensive statement of all potential risks and uncertainties. The information given is as of the date of this document, and any forward-looking statements are made subject to the factors specified under 'Forward-looking statements'.

Prudential's approaches to managing risks are explained in the 'Risk review' section of this document.

1. Risks relating to Prudential's financial situation

1.1 The Covid-19 pandemic has significantly impacted financial market volatility and global economic activity, increased operational disruption risks for businesses and has adversely impacted Prudential's sales in affected markets and its financial condition, results of operations and prospects. The full extent of the longer-term impacts from the pandemic remains uncertain.

The Covid-19 pandemic has added significant uncertainty to the stability and outlook of equity markets, interest rates and credit spreads, and has affected market liquidity and reduced global economic activity. The potential adverse impacts to the Group of these effects are detailed in risk factor 1.2 below. However, while global growth has broadly recovered, the full extent of the long-term impact of the pandemic on financial markets and economic growth remains highly uncertain and unpredictable and will be influenced by the actions of governments, policymakers and the public. These actions, and their effectiveness, vary between markets, and may drive an uneven economic recovery, and include the extent and timing of continued measures to restrict movement and the effectiveness of vaccination programme deployment and uptake in response to current, emerging and future variants of the coronavirus. Where actions and impacts are prolonged, they may affect the solvency position of the Group's subsidiaries and prevent or limit their ability to make remittances, adversely impacting the financial condition and prospects of the Group.

The regulatory and supervisory responses to the Covid-19 pandemic have been broad and have included increased scrutiny of the operational resilience, liquidity and capital strength (including the impact of making dividend payments) of financial services companies. As some countries begin to adopt strategies to manage Covid-19 as an endemic disease, variations in the speed of economic recovery between markets, and the subsequent impact on their respective interest rates, inflation expectations and the relative strength of their currencies (and the associated impact on their foreign currency debt obligations, which may disproportionately impact emerging economies) may have broader long-term adverse economic and financial consequences for the markets in which the Group operates and the full extent of this currently remains uncertain. Various governments have effected, or may effect, the postponement of elections and other constitutional or legislative processes in response to the pandemic, and this may result in an increase in constitutional and political uncertainty in some of the markets in which the Group operates. Many governments are implementing Covid-19 vaccination and booster programmes, and variable accessibility to supplies of vaccines that are effective against current, emerging and future variants of the coronavirus has the potential to contribute to an increase in geopolitical and political tensions. The longer term political, regulatory and supervisory developments resulting from the Covid-19 pandemic remain highly uncertain.

These may include changes to government fiscal policies, laws and regulations aimed at increasing financial stability and/or measures on businesses or specific industries to contribute to, lessen or otherwise support, the financial cost to governments in addressing the pandemic. This may extend to requirements on private insurance companies and healthcare providers to cover the costs associated with the treatment of Covid-19 beyond contractual or policy terms.

The Covid-19 pandemic, and measures to contain it, have slowed economic and social activity in the Group's geographical markets. While these conditions persist, the level of sales activity in affected markets has been, and will continue to be, adversely impacted through a reduction in travel and agency and bancassurance activity. In particular, sales in the Group's Hong Kong business continue to be adversely impacted by the border restrictions in place with Mainland China. In FY 2020, during which the border closure occurred in Q1, the APE sales of the Group's Hong Kong business reduced by \$1,258 million (or 62 per cent) compared to 2019. In FY 2021, during which the border remained closed for the entire year, the APE sales of the Hong Kong business reduced by \$208 million (or 27 per cent) compared to 2020. These impacts to the APE sales of the Group's Hong Kong business were largely as a result of the border closure. Recovery in sales levels will be dependent on the timing and extent of the easing of these restrictions, with the emergence of the Covid-19 Omicron variant further increasing uncertainty to the return of Mainland China customers as well as the resumption of their demand for the Group's products in Hong Kong. These impacts may be prolonged in markets which continue to rely on containment measures based on restrictions of movement. The impact on economic activity and employment levels may result in an elevated incidence of claims, lapses, or surrenders of policies, and some policyholders may choose to defer or stop paying insurance premiums or reduce deposits into retirement plans. The pandemic may also indirectly result in elevated claims and policy lapses or surrenders, with some delay in time before being felt by the Group, due to factors such as policyholders deferring medical treatment during the pandemic, or policyholders lapsing or surrendering their policies on the expiry of grace periods for premium payments provided by the Group's businesses. The Group's assessment to date is that elevated mortality claims in some markets can be attributed to Covid-19. The full extent of the impact of the Covid-19 pandemic is currently uncertain and the Group's claims and persistency experience to date and its current insurance assumptions cannot be taken as an indicator of future potential experience from the Covid-19 pandemic which may deteriorate significantly and have a material adverse effect on Prudential's business, financial condition, results of operations and prospects. The potential longer-term impacts of the pandemic may include latent morbidity impacts from the deferral of medical treatment by policyholders. It may be a factor in increasing morbidity claims and there may be implications from other factors such as long-term post-Covid-19 symptoms (although there is currently no consensus on the longer term impact on morbidity).

Disruption to Prudential's operations may result where its employees, or those of its service partners and counterparties, contract Covid-19 or are affected by restrictions on movement; where office closures and other measures impacting working practices are effected, such as the imposition of remote working arrangements; and where quarantine requirements and isolation measures under local laws apply, and as a result of social distancing and/or other psychosocial impacts. While such measures are in place, there may also be an increase in attempts to compromise the resilience of IT systems through phishing, social engineering tactics and ransomware. Such measures, and the cycles of their relaxation and re-imposition, may also adversely impact the physical and mental health of the Group's staff, increasing the risk of operational disruption resulting from performance impairment, an increase in absenteeism, or increased levels of staff turnover, which may affect operational capacity with the potential to be exacerbated by challenges in recruitment. The operations of Prudential's service partners (which subject the Group to the risks detailed in risk factor 3.7, resulting in certain risks that Prudential does not face with respect to its wholly-owned subsidiaries) may be disrupted in different ways and to a more severe extent than the Group's operations and may impact service delivery to the Group.

In response to pandemic-related restrictions, Prudential implemented changes to its sales and distribution processes in specific markets. These include virtual face-to-face sales of its products and the online recruitment, training and, where possible, licensing of agents. Such changes may increase or introduce new operational and regulatory risks, in particular those focused on customer outcomes and conduct. A failure to implement appropriate governance and management of these new or incremental risks may adversely impact Prudential's reputation and brand and the results of its operations. In markets where the level of sales under these new processes is material or where such processes become permanent distribution channels, the commercial value of the Group's existing sale and distribution arrangements, such as bancassurance arrangements, may be adversely impacted.

1.2 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 macro-economic conditions and investment climates could have a material adverse effect on Prudential's business and profitability. Prudential operates in a macroeconomic and global financial market environment that presents significant uncertainties and potential challenges. For example, following a prolonged period of relatively low interest rates in countries relevant to Prudential, the reopening and recovery of some economies during 2021 has resulted in inflationary pressures, which if sustained or increased may drive interest rates higher, impacting the valuation of fixed income assets. Uncertainties also include the impact of factors such as the actions of central banks and governments to mitigate the impact of the Covid-19 pandemic and in response to inflationary pressures. The transition to a lower carbon economy, the timing and speed of which is uncertain, may also result in greater uncertainty, fluctuations or negative trends in asset valuations, particularly for carbon intensive sectors, and will have a bearing on inflation levels.

Global financial markets are subject to uncertainty and volatility created by a variety of factors. These factors include actual or expected slowdowns or reversals in world economic growth (particularly where this is abrupt, as has been the case with the early impact of the Covid-19 pandemic), sector specific slowdowns or deteriorations which have the potential to have contagion impacts (such as the negative developments in the China property sector), fluctuations in global energy prices, changes in monetary policy in China, the US and other jurisdictions together with their impact on the valuation of all asset classes and effect on interest rates and inflation expectations, and concerns over sovereign debt. Other factors include the increased level of geopolitical and political risk and policy-related uncertainty (including those resulting from the Russia-Ukraine conflict and the potential impact on business sentiment and the broader market resulting from regulatory tightening across sectors in China) and socio-political, climate-driven and pandemic events. The extent of the financial market and economic impact of these factors may be highly uncertain and unpredictable and influenced by the actions, including the duration and effectiveness of mitigating measures of governments, policymakers and the public.

The adverse effects of such factors could be felt principally through the following items:

- > Lower interest rates and reduced investment returns arising on the Group's portfolios including impairment of debt securities and loans, which could reduce Prudential's capital and impair its ability to write significant volumes of new business, increase the potential adverse impact of product guarantees included in non-unit-linked products with a savings component, increase reinvestment risk for some of the Group's investments from accelerated prepayments and increased redemptions and/or have a negative impact on its assets under management and profit.
- > A reduction in the financial strength and flexibility of corporate entities, as recently experienced by a number of issuers within the China property sector, which may deteriorate the credit rating profile and valuation of the Group's invested credit portfolio (and which may result in 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 counterparties who have transactions with Prudential (such as banks, reinsurers and counterparties to cash management and risk transfer or hedging transactions) to meet commitments that 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 or closed markets, determining the value at which financial instruments can be realised is highly subjective. Processes to ascertain such values require substantial elements of judgement, assumptions and estimates (which may change over time). Where the Group is required to sell its investments within a defined timeframe, such market conditions may result in the sale of these investments at below expected or recorded prices.
- > The Group holds certain investments that may, by their nature, lack liquidity or have the potential to lose liquidity rapidly, such as investment funds (including money market funds), privately placed fixed maturity securities, mortgage loans, complex structured securities and alternative investments. If these investments were required to be liquidated on short notice, the Group may experience difficulty in doing so and may be forced to sell them at a lower price than it otherwise would have been able to realise.
- > A reduction in revenue from the Group's products where fee income is linked to account values or the market value of the funds under management. In particular, decreases in equity prices impact the amount of revenue derived from fees from the unit-linked products. 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 uncertainty over the accessibility of financial resources which in extreme conditions can impact the functioning of markets and may reduce capital resources as valuations decline. This could occur where external capital is unavailable at sustainable cost, increased liquid assets are required to be held as collateral under derivative transactions or redemption restrictions are placed on Prudential's investments in illiquid funds. In addition, significant redemption requests could also be made on Prudential's issued funds and while this may not have a direct impact on the Group's liquidity, it could result in reputational damage to Prudential. The potential impact of increased illiquidity is more uncertain than for other risks such as interest rate or credit risk.

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, lapses, or surrenders of policies, and some policyholders may choose to defer or stop paying insurance premiums or reduce deposits into retirement plans. The demand for insurance products may also be adversely affected. 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 and its balance sheet and profitability. For example, this could occur if the recoverable value of intangible assets for bancassurance agreements and deferred acquisition costs are reduced. New challenges related to market fluctuations and general economic conditions may continue to emerge. For example, inflationary pressures driving higher interest rates may lead to increased lapses for some guaranteed savings products where higher levels of guarantees are offered by products of the Group's competitors, reflecting consumer demand for returns at the level of, or exceeding, inflation. Increased inflation may also adversely impact the ability of consumers to purchase insurance products, particularly in lower income customer segments.

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 is particularly true in those countries 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 with-profits products, which are impacted by the difference between actual investment returns of the with-profits 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.

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.

1.3 Geopolitical and political risks and uncertainty may adversely impact economic conditions, increase market volatility, cause operational disruption to the Group and impact 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 markets in which it operates. Such risks may include:

- > The application of government regulations, executive powers, 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;
- > International trade disputes such as the implementation of trade tariffs;
- > Withdrawals or expulsions from existing trading blocs or agreements or financial transaction systems, including those which facilitate cross-border payments;
- > The domestic application of measures restricting national airspace with respect to aircraft of specific territories, markets, companies or individuals;
- > Measures favouring local enterprises, such as changes to the maximum level of non-domestic ownership by foreign companies or differing treatment of foreign-owned businesses under regulations and tax rules; 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 measures may have an adverse impact on Prudential through their effects on the macroeconomic outlook and the environment for global financial markets. They may also increase regulatory compliance and reputational risks, or adversely impact Prudential where they apply to, and impact, the economic, business and legal and regulatory environment in specific markets or territories in which the Group, its joint venture 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. Increased geopolitical tensions may increase domestic and cross-border cyber intrusion activity and therefore increase cyber security risks. Geopolitical and political tensions may also lead to conflict, civil unrest and/or acts of civil disobedience. 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 which adversely impact Hong Kong's economy or its international trading and economic relationships, may also 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.

1.4 As a holding company, Prudential is dependent upon its subsidiaries to cover operating expenses and dividend payments.

The Group's insurance and investment management operations are generally conducted through direct and indirect subsidiaries, which are subject to the risks discussed elsewhere in this 'Risk Factors' section.

As a holding company, Prudential's principal sources of funds are remittances from subsidiaries, shareholder-backed funds, the shareholder transfer from long-term funds and any amounts that may be raised through the issuance of equity, debt and commercial paper.

Certain of Prudential's subsidiaries are subject to insurance, foreign exchange and tax laws, rules and regulations (including in relation to distributable profits that can limit their ability to make remittances). In some circumstances, including where there are changes to general market conditions, this could limit Prudential's ability to pay dividends to shareholders or to make available funds held in certain subsidiaries to cover operating expenses of other members of the Group.

A material change in the financial condition of any of Prudential's subsidiaries may have a material effect on its business, financial condition, results of operations and prospects.

1.5 Prudential is subject to the risk of potential sovereign debt credit deterioration owing to the amounts of sovereign debt obligations held in its investment portfolio.

Investing in sovereign debt creates exposure to the direct or indirect consequences of political, social or economic changes (including changes in governments, heads of state or monarchs) in the countries in which the issuers of such debt are located and to the creditworthiness of the sovereign. Investment in sovereign debt obligations involves risks not present in debt obligations of corporate issuers. In addition, the issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and Prudential may have limited recourse to compel payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by, among other factors, its cash flow situation, its relations with its central bank, the extent 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, 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 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 occasion 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 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.

1.6 Downgrades in Prudential's financial strength and credit ratings could significantly impact its competitive position and damage its relationships with creditors or trading counterparties.

Prudential's financial strength and credit ratings, which are used by the market to measure its ability to meet policyholder obligations, are an important factor affecting public confidence in Prudential's products, and as a result its competitiveness. Downgrades in Prudential's ratings as a result of, for example, decreased profitability, increased costs, increased indebtedness or other concerns could have an adverse effect on its ability to market products and retain current policyholders, and the Group's ability to compete for acquisition and strategic opportunities. Downgrades may also impact the Group's financial flexibility, including its ability to issue commercial paper at current levels and pricing. The interest rates at which Prudential is able to borrow funds are affected by its credit ratings, which are in place to measure the Group's ability to meet its contractual obligations.

In addition, changes in methodologies and criteria used by rating agencies could result in downgrades that do not reflect changes in the general economic conditions or Prudential's financial condition.

In addition, any such downgrades could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects. Prudential cannot predict what actions rating agencies may take, or what actions Prudential may therefore take in response to the actions of rating agencies, which could adversely affect its business.

Any such downgrade of the Group could have an adverse effect on Prudential's financial flexibility, requirements to post collateral under or in connection with transactions to which they are a party and ability to manage market risk exposures. In addition, the interest rates or other costs that the Group incurs in respect of its financing activities may increase as a result. A credit rating downgrade may also affect public confidence in the Group's products and may adversely impact on its ability to market products, retain current policyholders or attract new policyholders.

1.7 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. 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 transactions and the risks from the maintenance of the HK dollar peg to the US dollar.

2. Risks relating to sustainability and environmental, social and governance ('ESG') matters

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

A failure to manage the material risks associated with key ESG themes detailed below may undermine the sustainability of Prudential by adversely impacting the Group's reputation and brand, ability to attract and retain customers and employees, and therefore the results of its operations and delivery of its strategy and long-term financial success.

(a) Environmental risks

Environmental concerns, notably those associated with climate change and their social and economic impacts, present long-term risks to the sustainability of Prudential and may impact its customers and other shareholders.

Prudential's investment horizons are long term and it is therefore exposed to the potential long-term impact of climate change risks, which include the financial and non-financial impact of transition to a lower carbon economy and physical and litigation risks. The global transition to a lower carbon economy may have an adverse impact on investment valuations as the financial assets of carbon intensive companies re-price, and this could result in some asset sectors facing significantly higher costs and a reduction in demand for their products and services. The speed of this transition, and the extent to which it is orderly and managed, will be influenced by factors such as public policy, technology and changes in 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. The transition to a lower carbon economy has the potential to disproportionately impact the Asia and Africa markets in which Prudential operates and invests, and 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 country and company-level transition plans taking into consideration the impact on the economies, businesses, communities and customers in these markets.

The pace and volume of new climate-related regulation emerging across the markets in which the Group operates, the need to deliver on existing and new voluntary exclusions on investments in certain sectors, engagement and reporting commitments and the demand for externally assured reporting may give rise to compliance, operational and disclosure risks which may be increased by the multi-jurisdictional coordination required in adopting a consistent risk management approach.

The Group's ability to sufficiently understand and appropriately react to transition risk and its ability to deliver on its external carbon reduction commitments may be limited by insufficient or unreliable data on carbon exposure and transition plans for the assets in which it invests. The direct physical impacts of climate change, driven by both specific short-term climate-related events such as natural disasters and longer-term changes to climate and the natural environment, 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. Climate-driven events in countries in which 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.

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, well-being, needs, and interests of its customers and employees and the communities in which the Group or its third parties operate. Perceived inequalities and income disparities, intensified by the pandemic, have the potential to further erode social cohesion across the Group's markets which may increase operational and disruption risks for Prudential. These risks are increased as Prudential operates in multiple jurisdictions 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) 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 digital innovation, technologies and distribution methods for a broadening range of products and services. As a result, Prudential has access to extensive amounts of customer personal data, including data related to personal health, and an increasing ability to analyse and interpret this data through the use of complex tools, machine learning and artificial intelligence technologies. The Group is therefore exposed to the regulatory, ethical and reputational risks associated with customer data misuse or security breaches. These risks are explained in risk factor 3.5. The increasing digitalisation of products, services and processes may also result in new and unforeseen regulatory requirements and stakeholder expectations, including those relating to how the Group supports its customers through this transformation.

As an employer, the Group is also exposed to the risk of being unable to attract, retain and develop a diverse group of highly-skilled employees to meet the changing need of a transformative organisation. This may increase if Prudential does not implement responsible working practices or fails to recognise the benefits of diversity, ensure psychological safety for employees, or promote a culture of inclusion and sense of belonging. The potential for reputational risk extends to the Group's supply chains and its investee companies, which may be exposed to factors such as poor labour standards and abuses of human rights by third parties.

(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 poor governance.

Sustainability and ESG-related risks may directly or indirectly impact Prudential's business and the achievement of its strategic focus on providing greater and more inclusive access to good health and financial security, responsible stewardship in managing the human impact of climate change and building human and social capital with its broad range of stakeholders, which range from customers, institutional investors, employees and suppliers, to policymakers, regulators, industry organisations and local communities. A failure to transparently and consistently implement the Group's ESG strategy across operational, underwriting and investment activities, may adversely impact the financial condition and reputation of the Group and may negatively impact the Group's stakeholders, who all have expectations, concerns and aims related to ESG and sustainability matters, which may differ, both within and across the markets in which the Group operates.

In its investment activities, Prudential's stakeholders increasingly have expectations of, and place reliance on, an approach to responsible investment that demonstrates how ESG and sustainability considerations are effectively integrated into investment decisions and 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.

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. Any 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 Group restructuring, transformation programmes and acquisitions and disposals across its business. Many of these change initiatives are complex, interconnected 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, 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. Large scale restructuring of Prudential, such as the recent Jackson Demerger and changes to the Group's management and operational model have increased uncertainty for the Group's employees, which may affect operational capacity and the ability of the Group to deliver its strategy.

Additionally, there may be adverse non-financial (including operational, regulatory, conduct and reputational) implications for the Group in undertaking such initiatives, which inherently give rise to design and execution risks, and may increase existing business risks, such as placing additional strain on the operational capacity, or weakening the control environment, of the Group.

Implementing further initiatives related to significant regulatory changes, such as IFRS 17, may amplify these risks. Risks relating to these regulatory changes are explained in risk factor 4.1 below.

The speed of technological change in the business could outpace the Group's ability to anticipate all the unintended consequences that may arise from such change. Innovative technologies, such as artificial intelligence, expose Prudential to potential additional regulatory, information security, operational, ethical and conduct risks which, if inadequately managed, could result in customer detriment and reputational damage.

3.2 Prudential is exposed to ongoing risks as a result of the Jackson Demerger, which, if they materialise, could adversely affect Prudential's business.

(a) The Group continues to hold shares in Jackson but no longer has any control

On 13 September 2021, Prudential completed the Jackson Demerger (the 'Demerger'). As at 31 December 2021, the Group retains an 18.4 per cent. economic interest (and an 18.5 per cent. voting interest) in the total common stock of Jackson. The Group intends to reduce this investment to less than 10 per cent. within 12 months of the completion of the Jackson Demerger. As a result of the Demerger, Prudential no longer has the ability to control Jackson's strategic, financial and operational decisions. Jackson may fail to develop its business, meet the expectations of investors, may be subject to adverse publicity and increased legal or regulatory scrutiny, or its reported financial position may be adversely impacted by errors or limitations in its modelling and other assumptions related to its business, including the calculation of regulatory or internal capital requirements, the valuation of assets and liabilities, and determining hedging requirements. These factors may have an adverse impact on the market price of Jackson shares, which may be volatile and can go down as well as up. It is therefore possible that the value of Prudential's shareholding may be lower than anticipated, and the gross proceeds due to Prudential from any future sale may be lower than Prudential might otherwise achieve.

(b) Indemnities have been given under a Demerger Agreement by Prudential in favour of the Jackson Group

At the time of the Demerger, Prudential and Jackson entered into the Demerger Agreement. This governs the post-Jackson Demerger obligations of the Group and the Jackson Group and contains, among other provisions, indemnities under which Prudential indemnifies the Jackson Group against liabilities that may arise in connection with the business carried on by the Group (other than Jackson's business) prior to the Jackson Demerger. Prudential has the right to defend any such claim.

Although it is not anticipated that Prudential will be required to pay any substantial amount pursuant to such indemnity obligations, if any amounts payable under the indemnities are substantial, this could have a material adverse effect on the financial condition and/or results of Prudential.

(c) Prudential may incur liabilities in connection with the Jackson Demerger

In addition, in connection with the Jackson Demerger, Prudential may be subject to claims by Jackson's shareholders and other third parties for any material misstatements or omissions of material facts contained within Jackson's Form 10 registration document, or for any fraudulent, intentional or reckless misleading disclosure in connection with the Jackson Shares under the US Securities and Exchange Act of 1934. If those claims are not successfully defended, Prudential may have to pay compensation, and where this is substantial may adversely affect Prudential's business, financial condition, cash flows, results of operations and prospects.

3.3 Prudential's businesses are conducted in highly competitive environments with developing demographic trends. The profitability of the Group's businesses depend on management's ability to respond to these pressures and trends.

The markets for financial services are highly competitive, with a number of factors affecting Prudential's ability to sell its products and profitability, including price and yields offered, financial strength and ratings, range of product lines and product quality, 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 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. Technological advances, including those enabling increased capability for gathering large volumes of customer health data and developments in capabilities and tools in analysing and interpreting such data (such as artificial intelligence and machine learning), may result in increased competition to the Group, both from within and outside the insurance industry, and may increase the competition risks resulting from a failure to be able to attract sufficient numbers of skilled staff.

The Group's principal competitors include global life insurers together with regional insurers and multinational asset managers. In most markets, there are also local companies that have a material market presence.

Prudential believes that competition will intensify across all regions in response to consumer demand, digital and other technological advances (including the emergence and maturing of new distribution channels), the need for economies of scale and the consequential impact of consolidation, regulatory actions and other factors. Prudential's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures. This includes managing the potential adverse impacts to the commercial value of the Group's existing sale and distribution arrangements, such as bancassurance arrangements, in markets where new distribution channels develop.

Failure to do so may adversely impact Prudential's ability to attract and retain customers and, importantly, may limit Prudential's ability to take advantage of new business arising in the markets in which it operates, which may have an adverse impact on the Group's business, financial condition, results of operations and prospects.

3.4 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 direct or indirect loss resulting from inadequate or failed internal and external processes, systems or human error, fraud, the effects of natural or man-made catastrophic events (such as natural disasters, pandemics, cyber-attacks, acts of terrorism, civil unrest and other catastrophes) or other external events. These risks may also adversely impact Prudential through its partners. Prudential relies on the performance and operations of a number of bancassurance, product distribution, outsourcing (including external technology and data hosting) and service partners. These include back office support functions, such as those relating to IT 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 (including in relation to tax) 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 by disrupting its systems, operations, new business sales and renewals, distribution channels and services to customers, or result in the loss of confidential or proprietary data. Such risks, as well as any weaknesses in administration systems (such as those relating to policyholder records) or actuarial reserving processes, may also result in increased expenses, as well as legal and regulatory sanctions, decreased profitability, financial loss and customer conduct risk impacts, and may damage Prudential's reputation and relationship with its customers and business partners. A failure to adequately oversee service partners (or their IT and operational systems and processes) could result in significant service degradation or disruption to Prudential's business operations and 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 interconnected IT and finance systems, models, and user developed applications in its processes to perform a range of operational functions. These functions include the calculation of regulatory or internal capital requirements, the valuation of assets and liabilities and the acquisition of new business using artificial intelligence and digital applications. Many of these tools form an integral part of the information and decision-making frameworks used by Prudential and the risk of adverse consequences arising from erroneous or misinterpreted tools used in core business activities, decision-making and reporting exists. Errors or limitations in these tools, or their inappropriate usage, may lead to regulatory breaches, inappropriate decision-making, financial loss, customer detriment, inaccurate external reporting or reputational damage. The long-term nature of much of the Group's business also means that accurate records have 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 processes. During large-scale disruptive events or times of significant change, 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 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 IT, compliance and other operational systems, models and processes incorporate 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 IT systems, data and processes, as with operational systems and processes generally, may also be susceptible to failure or security/data breaches.

3.5 Attempts to access or disrupt Prudential's IT systems, and loss or misuse of personal data, could result in loss of trust from Prudential's customers and employees and reputational damage, which could have material adverse effects on the Group's business, financial condition, results of operations and prospects.

Prudential and its business partners are increasingly exposed to the risk that individuals (which includes connected persons such as employees, contractors or representatives of Prudential or its third party service providers, and unconnected persons) or groups may intentionally or unintentionally disrupt the availability, confidentiality and integrity of its IT 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. 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. 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, increasing adoption of the Group's Pulse platform and the 2020 designation of Prudential as an Internationally Active Insurance Group ('IAIG') could also increase the likelihood of Prudential being considered a target by cyber criminals. Ransomware campaigns have increased in frequency and represent an increasing threat to the financial services sector, with recent highly publicised attacks on financial services companies. The risk from untargeted but sophisticated and automated attacks remains present.

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. A failure to do so may result in regulatory scrutiny and sanctions and detriment to customers and third party partners, and may adversely impact the reputation and brand of the Group, its ability to attract and retain customers and deliver on its long-term strategy and therefore the results of its operations.

The risk to the Group of not meeting these requirements and expectations may be increased by the development of cloud-based infrastructure and the usage of digital distribution and service channels, which can collect a broader range of personal and health-related data from individuals at increased scale and speed, and the use of complex tools, machine learning and artificial intelligence technologies to process, analyse and interpret this data. New and currently unforeseeable regulatory issues may also arise from the increased use of emerging technology. Regulatory developments in cybersecurity and data protection (such as the ongoing development of a holistic data governance regime in China, including the Data Security Law, the Personal Information Protection Law, which came into effect in November 2021, the revised Measures for Cybersecurity Review and recently released draft rules on the provision of internet healthcare services) continue to progress worldwide. 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 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 venture or third party service providers. The international transfer of data may, as a global organisation, increase regulatory risks for the Group.

Although Prudential has experienced or has been affected by cyber and data breaches, to date, it has not identified a failure or breach, or an incident of data misuse in relation to its legacy and other IT systems and processes which has had a material impact on its operations. However, 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 (which, for example, can cause temporary disruption to websites and IT networks), phishing and disruptive software campaigns, and there can be no assurance that such events will not take place which may have material adverse consequential effects on Prudential's business, financial condition, results of operations and prospects.

3.6 Prudential's Pulse platform may increase existing business risks to the Group or introduce new risks as the markets in which it operates and its features, partnerships and product offerings develop.

Prudential's digital platform, Pulse, is subject to a number of the risks discussed within this 'Risk Factors' section. In particular, these include risks related to legal and regulatory compliance and the conduct of business; the execution of complex change initiatives; information security and data privacy; the use of models (including those using artificial intelligence) and the handling of personal data; the resilience and integrity of IT infrastructure and operations; and those relating to the management of third parties. These existing risks for the Group may be increased due to a number of factors:

- > The number of current and planned markets in which Pulse operates, 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 platform features and offerings 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 platform includes functionality relating to user generated content, which may expose Prudential to legal liability or reputational risk in the hosting of that content;
- > The increased volume, breadth and sensitivity of data on which the business model of Pulse is dependent and to which the Group has access, holds, analyses and processes through its models, which increases data security, privacy and usage risks. The use of complex models, including where they use artificial intelligence for critical decision-making, in the application's features and offerings may give rise to operational, conduct, litigation and reputational risks where they do not function as intended;
- > The platform and its services rely on 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 may be provided outside 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 platform, which may introduce new regulatory, operational, conduct and strategic risks for the Group. Any slowdown in digitalisation may reduce user adoption rates, the current size of the user base of Pulse and/or the development of product and service offerings, which may impact the ability of the Group to deliver its digital strategy. Regulations may be introduced which limit the permitted scope of online or digitally distributed insurance, asset management or medical services, which may restrict current or planned offerings provided by the Pulse platform. Markets may also introduce regulations with specific licensing requirements or requiring the provision of current or planned services via locally incorporated entities, which increases the regulatory and compliance risks associated with operating the Pulse platform.

A failure to implement appropriate governance and management of the incremental and new risks detailed above may adversely impact Prudential's reputation and brand, its ability to attract and retain customers, its competitiveness and its ability to deliver on its long-term strategy.

3.7 Prudential operates in certain markets with joint venture partners, minority shareholders and other 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. The financial condition, operations and reputation of Group may be adversely impacted, or the Group may face regulatory censure, in the event that any of its partners fails or is unable to meet its obligations under the arrangements, encounters financial difficulty, or fails to comply with local or international regulation and standards such as those pertaining to the prevention of financial crime. Reputational risks to the Group are amplified where any joint venture or jointly owned businesses carry the Prudential name.

A material proportion of the Group's business comes from its joint ventures in China and India. For such operations the level of control exercisable by the Group depends on the terms of the contractual agreements, 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 over the extent of the exposure to material risks 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 credit risk profile and 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 whole. This may particularly be the case where the countries in which these operations are located experience market or sector-specific slowdowns, volatility or deterioration (such as the recent negative developments in the China property sector). In addition, the level of control exercisable by the Group could be affected by changes in the maximum level of non-domestic 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. A temporary or permanent disruption to these distribution arrangements, 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 provider system failure or the prevention of financial crime) or failure to meet any regulatory requirements could adversely affect Prudential's reputation and its business, financial condition, results of operations and prospects.

3.8 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.

Prudential 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 assumption 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 assumption. If actual levels of persistency are significantly different than assumed, the Group's results of operations could be adversely affected.

In addition, Prudential's business may be adversely affected by epidemics, pandemics and other effects that give rise to a large number of deaths or additional sickness claims, as well as increases to the cost of medical claims. Pandemics, significant influenza and other epidemics have occurred a number of times historically but the likelihood, timing, or the severity of future events cannot be predicted. The effectiveness of external parties, including governmental and non-governmental organisations, in combating the spread and severity of any epidemics, as well as pharmaceutical treatments and vaccines (and their roll-outs) and non-pharmaceutical interventions, could have a material impact on the Group's claims experience. The risks to the Group resulting from the Covid-19 pandemic are included in risk factor 1.1 above.

Prudential uses reinsurance to selectively transfer mortality, morbidity and other risks. This exposes the Group to the counterparty risk of a reinsurer being unable to pay reinsurance claims or otherwise meet their commitments; the risk that a reinsurer changes reinsurance terms and conditions of coverage, or increases the price of reinsurance which Prudential is unable to pass on to its customers; the risk of ambiguity in the reinsurance terms and conditions leading to uncertainty whether an event is covered under a reinsurance contract; and the risk of being unable to replace an existing reinsurer, or find a new reinsurer, for the risk transfer being sought.

Any of the foregoing, individually or together, could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects.

4. Risks relating to legal and regulatory requirements

4.1 Prudential conducts its businesses subject to regulation and associated regulatory risks, including a change to the basis in the regulatory supervision of the Group, the effects of changes in the laws, regulations, policies and their interpretations and any accounting standards in the markets in which it operates.

Changes in government policy and legislation (including in relation to tax and data security), capital control measures on companies and individuals, regulation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which Prudential operates (including those related to the conduct of business by Prudential or its third party distributors), or decisions taken by regulators in connection with their supervision of members of the Group, which in some circumstances may be applied retrospectively, may adversely affect Prudential. The impact from any regulatory changes may be material to Prudential, for example changes may be required to its product range, distribution channels, handling and usage of data, competitiveness, profitability, capital requirements, risk management approaches, corporate or governance structure and, consequently, reported results and financing requirements. Also, regulators in jurisdictions in which Prudential operates may impose requirements affecting the allocation of capital and liquidity between different business units in the Group, whether on a geographic, legal entity, product line or other basis. Regulators may also change solvency requirements, methodologies for determining components of the regulatory or statutory balance sheet including the reserves and the level of capital required to be held by individual businesses (with implications to the Group capital position), the regulation and expectations of customer facing processes including selling practices, and could introduce changes that impact products sold or that may be sold. Furthermore, as a result of interventions by governments in light of financial and global economic conditions, there may continue to be changes in government regulation and supervision of the financial services industry, including the possibility of higher capital requirements, restrictions on certain types of transactions and enhancement of supervisory powers.

In the markets in which it operates, Prudential is subject to regulatory requirements and obligations with respect to financial crime, including anti-money laundering, and sanctions compliance, which may either impose obligations on the Group to act in a certain manner or restrict the way that it can act in respect of specified individuals, organisations, businesses and/or governments. A failure to do so may adversely impact the reputation of Prudential and/or result in the imposition of legal or regulatory sanctions or restrictions on the Group. For internationally active groups such as Prudential, operating across multiple jurisdictions increases the complexity of legal and regulatory compliance. Compliance with Prudential's legal or regulatory obligations, including those in respect of international sanctions, in one jurisdiction may conflict with the law or policy objectives of another jurisdiction, or may be seen as supporting the law or policy objectives of that jurisdiction over another, creating additional legal, regulatory compliance and reputational risks for the Group. These risks may be increased where uncertainty exists on the scope of regulatory requirements and obligations, and where the complexity of specific cases applicable to the Group is high.

Further information on specific areas of regulatory and supervisory requirements and changes are included below.

(a) Group-wide Supervision

The Hong Kong IA has been the Group-wide supervisor of Prudential since 21 October 2019. To align Hong Kong's regulatory regime with international standards and practices, the Hong Kong IA has developed a GWS Framework for multinational insurance groups under its supervision. The GWS Framework is based on a principle-based and outcome-focused approach, and allows the Hong Kong IA to exercise direct regulatory powers over the designated holding companies of multinational insurance groups. The GWS Framework became effective for Prudential upon designation by the Hong Kong IA on 14 May 2021, subject to transitional arrangements allowed in legislation which have been agreed with the Hong Kong IA.

Under the GWS Framework, all debt instruments, both senior and subordinated, issued by Prudential as at the date of designation meet the transitional conditions set by the Hong Kong IA and are included as eligible Group capital resources. Whilst the regulatory requirements have been finalised and are in effect, given the early nature of the regime, there is a risk that the interpretations of the principle-based regulatory requirements made by the Group in complying with the regulatory requirements may differ in some aspects from the interpretations made by the Hong Kong IA in their supervision of these principle-based regulatory requirements or as a result of the potential for further regulatory guidance to be issued.

(b) Global regulatory requirements and systemic risk regulation

Currently there are also a number of ongoing global regulatory developments which could impact Prudential's businesses in the many jurisdictions in which they operate. These include the work of the Financial Stability Board (the 'FSB') in the area of systemic risk including the reassessment of the designation of G-SIIs, and the Insurance Capital Standard (the 'ICS') being developed by the International Association of Insurance Supervisors (the 'IAIS'). In addition, regulators in a number of jurisdictions in which the Group operates are further developing their local capital regimes. There remains a high degree of uncertainty over the potential impact of such changes on the Group.

Efforts to curb systemic risk and promote financial stability are also under way. At the international level, the FSB continues to develop recommendations for the asset management and insurance sectors, including ongoing assessment of systemic risk measures. The IAIS has continued to focus on the following key developments.

In November 2019 the IAIS adopted the Common Framework ('ComFrame') which establishes supervisory standards and guidance focusing on the effective group-wide supervision of Internationally Active Insurance Groups ('IAIGs'). Prudential was included in the first register of IAIGs released by the IAIS on 1 July 2020 and was designated an IAIG by the Hong Kong IA following an assessment against the established criteria in ComFrame.

The IAIS has also been developing the ICS ('Insurance Capital Standard') as part of ComFrame. The implementation of ICS will be conducted in two phases: a five-year monitoring phase followed by an implementation phase. The Aggregation Method is one of the alternatives being considered to the default approach undertaken for the ICS during the monitoring period and the related proposals are being led by the National Association of Insurance Commissioners ('NAIC').

In November 2019 the FSB endorsed a new Holistic Framework ('HF'), intended for the assessment and mitigation of systemic risk in the insurance sector, for implementation by the IAIS in 2020 and has suspended G-SII designations until completion of a review to be undertaken in 2022. Many of the previous G-SII measures have already been adopted into the Insurance Core Principles ('ICPs') and ComFrame, as well as under the Hong Kong IA's GWS Framework. As an IAIG, Prudential is expected to be subject to these measures. The HF also includes a monitoring element for the identification of a build-up of systemic risk and to enable supervisors to take action where appropriate.

There continues to be material change in the regulatory guidance in this area, including several areas still in development as part of the IAIS' HF implementation and any new or changing regulations could have a further impact on Prudential. Recent developments include:

- > On 18 January 2022, the IAIS released its 2022-23 roadmap. In addition to those related to the HF and ICS, key areas of focus will include activities and initiatives focusing on operational and cyber resilience in the insurance sector including IT third-party outsourcing, climate change risk, financial inclusion, culture and conduct, diversity, equity and inclusion, fintech and policyholder protection schemes and their role in insurer resolution;
- > The IAIS is proposing to introduce liquidity metrics to be used as ancillary indicators, with the phase 2 consultation completed in January 2022;
- > A consultation on an application paper on macroprudential supervision was also launched by the IAIS in March 2021;
- > Following the publication of its 2020 Resolution Report in November 2020, the FSB released practice papers for consultation on intra-group connectedness and resolution funding for insurers, with input requested by 12 March 2022. Resolution regimes will continue to be a near term focus in the FSB's financial stability work, potentially being a key tool in informing decisions around the reformed G-SII designation. These consultations constitute the last of the FSB's systemic risk work for insurers, prior to the designation assessment planned at year end 2022; and
- > The IMF released a Financial System Stability Assessment for Hong Kong in June 2021. One of the conclusions of the report was that there is room to further strengthen the macroprudential framework by enhancing systemic risk assessment and communication.

(c) Regional regulatory regime developments, including climate-related regulatory changes

In the Group's key markets, regulatory changes and reforms are in progress, with some uncertainty on the full impact to Prudential:

- > In China, regulatory tightening across a number of industries in 2021, which may continue across other industries, has driven market volatility, heightened credit risk, adversely impacted business sentiment, with the potential for broader financial contagion. Other recent regulatory developments in China which may potentially increase compliance risk to the Group include the following:
 - Development of a holistic data governance regime in China, which have recently included the Data Security Law, the Personal Information Protection Law, and the revised Measures for Cybersecurity Review;
 - The CBIRC recently released new regulations on internet life insurance sales in China which include restrictions on the selling of certain long-term products online, effective 31 December 2021; and
 - On 26 October 2021 the National Health Commission released for public comment draft rules on the internet healthcare services, which include restrictions on online AI-driven diagnosis and treatments as well as requirements including real-time supervision by provincial internet supervision platforms and meeting financial and operational criteria, including certain risk management and corporate governance ratings. These rules may have implications for the Group's plans for its Pulse platform in China.
- > In Hong Kong, the Hong Kong IA is seeking to align the territory's insurance regime with international standards and has been developing a risk-based capital ('RBC') framework. The RBC framework will comprise three pillars: quantitative requirements, including assessment of capital adequacy and valuation; qualitative requirements, including corporate governance, Enterprise Risk Management as well as Own Risk and Solvency Assessment; and public disclosures and transparency of information. The Hong Kong IA is permitting applications for early adoption of the framework.
- > In Malaysia, Bank Negara Malaysia ('BNM'), the central bank of Malaysia, has initiated a multi-phase review of its current RBC frameworks for insurers and takaful operators which has been conducted since 2018. The review aims to ensure that the frameworks remain effective under changing market conditions, facilitate consistent and comparable capital adequacy measurement across the insurance and takaful industry, where appropriate, and achieve greater alignment with key elements of the global capital standards such as ICS, where appropriate. The timing of the effective date of the updated rules currently remains uncertain but certain changes, such as the applicable discount rate on liabilities, are expected to come into effect in 2022.
- > In China, the China Banking and Insurance Regulatory Commission ('CBIRC') announced plans for its China Risk Oriented Solvency System ('C-ROSS') Phase II in 2017. Quantitative impact studies have been performed in 2020 and 2021. On 30 December 2021, the CBIRC released the official regulation for C-ROSS II, which is effective for Q1 2022 solvency reporting.
- > In Indonesia, regulatory and supervisory focus on the insurance industry remains high. The Financial Services Authority of Indonesia, the Otoritas Jasa Keuangan ('OJK') has been revising investment linked products ('ILP') regulations with the aim of increasing insurance penetration and better protecting customer interests and improving market conduct. The final regulations are expected to be issued during 2022 and will have implications for the product strategies and insurance and compliance risks for insurers. General supervisory focus on insurer governance has increased, in particular on the autonomy of decision-making of local insurers. The OJK has also focused on consumer protection regulations more broadly and has recently enhanced regulatory requirements on IT risk management. Since the 2014 Insurance Law, the industry has been subject to regulatory expectations on the separation of conventional and Sharia business.

> In Malaysia, BNM issued a circular letter in Q1 2021 specifying requirements for the design and disclosure of ILPs which provide extension of coverage beyond the initial coverage term. These changes aim to improve the appropriateness of product design and the customer disclosures provided on ILP policy documents. The new requirements for ILP products sold since March 2021 came into effect on 22 September 2021, while for all in-force products sold prior to March 2021 the proposed effective date has been extended to 1 April 2022. The changes are expected to materially impact insurer systems, disclosures, customer communications, sales conduct and post-sale processes.

The pace and volume of climate-related regulatory changes is also increasing. Regulators including the Hong Kong Monetary Authority, the Monetary Authority of Singapore, BNM in Malaysia and the Financial Supervisory Commission in Taiwan are in the process of developing supervisory and disclosure requirements or guidelines related to the environment and climate change. It is expected that other regulators will develop similar requirements. These changes may give rise to compliance, operational and disclosure risks requiring Prudential to coordinate across multiple jurisdictions in order to apply a consistent risk management approach.

(d) IFRS 17

Prudential's consolidated accounts are prepared in accordance with current IFRS applicable to the insurance industry. In May 2017, the IASB published its standard on insurance accounting (IFRS 17, 'Insurance Contracts') which replaces the current IFRS 4 standard. Some targeted amendments to this standard, including to the effective date, were issued in June 2020 and December 2021. IFRS 17, 'Insurance Contracts', as amended, will have the effect of introducing fundamental changes to the statutory reporting of insurance entities that prepare accounts according to IFRS from 2023. The standard is subject to endorsement in the UK via the UK Endorsement Board. Prudential has a Group-wide implementation programme underway to implement this new standard. A reliable estimate of the effect of changes required to the Group's accounting policies as a result of implementing this standard, which is expected to alter the timing of IFRS profit recognition, is not yet available as implementation is underway. The implementation of this standard involves significant enhancements to the IT, actuarial and finance systems of the Group.

Apart from IFRS 17, any other changes or modification of IFRS accounting policies may also require a change in the way in which future results will be determined and/or a retrospective adjustment of reported results to ensure consistency.

(e) Inter-bank offered rate ('IBOR') reforms

In July 2014, the FSB announced widespread reforms to address the integrity and reliability of IBORs. The discontinuation of IBORs in their current form and their replacement with alternative risk-free reference rates such as the Secured Overnight Financing Rate ('SOFR') in the US and the Singapore Swap Offer Rate ('SOR') could, among other things, impact the Group through an adverse effect on the value of Prudential's assets and liabilities which are linked to or which reference IBORs, a reduction in market liquidity during any period of transition and increased legal and conduct risks to the Group arising from changes required to documentation and its related obligations to its stakeholders.

(f) 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 product lifecycle, the Group or its intermediaries may conduct business in a way that adversely impacts customer outcomes and the fair treatment of customers ('conduct risk'). This may arise through a failure to: design, provide and promote suitable products and services to customers that meet their needs, are clearly explained or deliver real value, provide and promote a high standard of customer service, appropriately 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.

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 (including those relating to the conduct of business), regulatory reviews of broader industry practices and products sold (including in relation to lines of business already closed) 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. In some cases, product providers can be held responsible 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, investment 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 (including tax) or from a course of conduct taken by Prudential, and may be class actions. 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 ('BEPS 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 envisaged by 2023. These rules will apply to Prudential where implemented into the national law of jurisdictions where it has entities within the scope of the rules. On 11 January 2022, the UK government issued a consultation on the UK implementation of these rules, with the intention of including required legislation in Finance Bill 2022-23 and for the rules to be effective from 1 April 2023. Detailed guidance from the OECD is awaited to assist with interpreting the model rules. The early indications are that some jurisdictions may also introduce a domestic minimum tax for in-scope multinationals alongside introducing the global rules. As Prudential operates in a number of jurisdictions where the effective tax rate can be less than 15 per cent, the implementation of the model rules and/or equivalent domestic minimum tax rules may have an adverse impact on the Group. Until further clarity is provided on how the OECD model rules are to be interpreted, how relevant jurisdictions will implement them and any domestic minimum tax regimes, the full extent of the long-term impact on Prudential's business, tax liabilities and profits remain uncertain.

A

Acquisition costs or expenses

Acquisition costs or expenses include the initial expenses and commissions incurred in writing new business. Typically, under IFRS, an element of acquisition costs is deferred ie not expensed in the year incurred, and instead amortised in the income statement in line with the emergence of surpluses on the related contracts.

Actual exchange rates (AER)

Actual historical exchange rates for the specific accounting period, being the average rates over the period for the income statement and the closing rates at the balance sheet date for the balance sheet.

Administration expenses

Administration expenses are expenses and renewal commissions incurred in managing existing business.

Alternative performance measures (APMs)

Alternative performance measures (APMs) are non-GAAP measures used by the Prudential Group within its annual reports to supplement disclosures prepared in accordance with widely accepted guideline and principles established by accounting standard setters, such as International Financial Reporting Standards (IFRS). These measures provide useful information to enhance the understanding of the Group's financial performance. A reconciliation of these APMs to IFRS metrics is provided in the additional unaudited financial information section of the annual report.

American Depositary Receipts (ADRs)

The stocks of most foreign companies that trade in the US markets are traded as American Depositary Receipts (ADRs). US depository banks issue these stocks. Each ADR represents one or more shares of foreign stock or a fraction of a share. The price of an ADR corresponds to the price of the foreign stock in its home market, adjusted to the ratio of the ADRs to foreign company shares.

Annual premium equivalent (APE)

A measure of new business sales, which is a key metric for the Group's management of the development and growth of the business. APE is calculated as the aggregate of annualised regular premiums from new business and one-tenth of single premiums on new business written during the period for all insurance products, including premiums for contracts designated as investment contracts under IFRS 4.

Assets under management (AUM)

Assets under management represent all assets managed or administered by or on behalf of the Group, including those assets managed by third parties. Assets under management include managed assets that are included within the Group's statement of financial position and those assets belonging to external clients outside the Prudential Group, which are therefore not included in the Group's statement of financial position. These are also referred to as 'funds under management (FUM)'.

Available for sale (AFS)

Securities that have been acquired neither for short-term sale nor to be held to maturity. AFS securities are measured at fair value on the statement of financial position with unrealised gains and losses being booked in Other Comprehensive Income instead of the income statement.

B

Bancassurance

An agreement with a bank to offer insurance and investment products to the bank's customers.

Bonuses

Bonuses refer to the non-guaranteed benefit added to participating life insurance policies and are the way in which policyholders receive their share of the profits of the policies. These include regular bonus and final bonus and the rates may vary from period to period.

C

Cash remittances

Amounts paid by our business units to the Group comprising dividends and other transfers net of capital injections, which are reflective of emerging earnings and capital generation.

Cash surrender value

The amount of cash available to a policy holder on the surrender of or withdrawal from a life insurance policy or annuity contract.

Ceding commission

In a reinsurance arrangement, an allowance (usually a percentage of the reinsurance premium) can be made by the reinsurer for part or all of a ceding company's acquisition and other costs.

China Risk-Oriented Solvency System (C-ROSS)

A regulatory framework that governs the insurance industry in China effective from 1 March 2021. The second phase of the C-ROSS was completed on 30 December 2021 to be effective in the first quarter of 2022.

Collective investment schemes (CIS)

CIS is an open-ended investment fund of pooled assets in which an investor can buy and sell units that are issued in the form of shares.

Constant exchange rates (CER)

Prudential plc reports its results at both actual exchange rates (AER) to reflect actual results and also constant exchange rates (CER) to eliminate the impact from exchange translation. CER results are calculated by translating prior year results using current period foreign currency exchange rates, ie current period average rates for the income statements and current period closing rate for the balance sheet.

Core structural borrowings

Borrowings which Prudential considers forming part of its core capital structure and excludes operational borrowings.

Credit risk

The risk of loss if another party fails to meet its obligations, or fails to do so in a timely fashion.

Currency risk

The risk that asset or liability values, cash flows, income or expenses will be affected by changes in exchange rates. Also referred to as foreign exchange risk.

D

Discretionary participation features (DPF)

A contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are likely to be a significant portion of the total contractual benefits; whose amount or timing is contractually at the discretion of the issuer; and that are contractually based on asset, fund, company or other entity performance.

Dividend cover

Dividend cover is calculated as operating profit after tax on an IFRS basis, divided by the current year interim dividend plus the proposed final dividend.

E

Endowment product

An ordinary individual life insurance product that provides the insured party with various guaranteed benefits if it survives specific maturity dates or periods stated in the policy. Upon the death of the insured party within the coverage period, a designated beneficiary receives the face value of the policy.

Environmental, Social and Governance (ESG)

ESG refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business, which is qualitative and non-financial and not readily quantifiable in monetary terms. The key features of Prudential ESG framework are its three strategic pillars: 1) making health and financial security accessible; 2) stewarding the human impacts of climate change; and 3) building social capital.

European Embedded Value (EEV)

Financial results that are prepared on a supplementary basis to the Group's consolidated IFRS results and which are prepared in accordance with a set of Principles issued by the CFO Forum of European Insurance Companies in 2016. Embedded value is a way of measuring the current value to shareholders of the future profits from life business written based on a set of assumptions.

F

Funds under management (FUM)

See 'assets under management (AUM)' above.

G

Group free surplus

Group free surplus at the end of the period comprises free surplus for the insurance businesses, representing the excess of the net worth over the required capital included in the EEV results and IFRS net assets for the asset management and other businesses, excluding goodwill. The free surplus generated during the period comprises the movement in this balance excluding foreign exchange, capital and other reserve movements. Specifically, it includes amounts emerging from the in-force operations during the year, net of amounts reinvested in writing new business, the effect of market movements and other one-off items.

Group-wide Supervision (GWS) Framework

Regulatory framework developed by the Hong Kong Insurance Authority (see below) for multinational insurance groups under its supervision. The GWS Framework is based on a principle-based and outcome-focused approach, and allows the Hong Kong Insurance Authority to exercise direct regulatory powers over the designated holding companies of multinational insurance groups.

H

Health and protection (H&P) products (also referred to as accident and health (A&H) products)

These comprise health and personal accident insurance products, which provide morbidity or sickness benefits and include health, disability, critical illness and accident coverage. Health and protection products are sold both as standalone policies and as riders that can be attached to life insurance products. Health and protection riders are presented together with ordinary individual life insurance products for the purposes of disclosure of financial information.

Hong Kong Insurance Authority (IA)

The Hong Kong IA is an insurance regulatory body responsible for the regulation and supervision of the Hong Kong insurance industry.

I

In-force

An insurance policy or contract reflected on records that has not expired, matured or otherwise been surrendered or terminated.

International Association of Insurance Supervisors (IAIS)

The IAIS is a voluntary membership organisation of insurance supervisors and regulators. It is the international standard-setting body responsible for developing and assisting in the implementation of principles, standards and other supporting material for the supervision of the insurance sector.

International Financial Reporting Standards (IFRS Standards)

Accounting standards and practices that are developed and issued by the IFRS Foundation and the International Accounting Standards Board (IASB).

Investment grade

Investments rated BBB- or above for S&P and Baa3 or above for Moody's. Generally, they are bonds that are judged by the rating agency as likely enough to meet payment obligations that banks are allowed to invest in them.

Investment-linked products or contracts

Insurance products where the surrender value of the policy is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investment or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of surrender, death or the maturity of the product, subject to surrender charges. These are also referred to as unit-linked products or unit-linked contracts.

K

Key performance indicators (KPIs)

These are measures by which the development, performance or position of the business can be measured effectively. The Group Board reviews the KPIs annually and updates them where appropriate.

L

Liquidity coverage ratio (LCR)

Prudential calculates this as assets and resources available to us that are readily convertible to cash to cover corporate obligations in a prescribed stress scenario. We calculate this ratio over a range of time horizons extending to twelve months.

Liquidity premium

This comprises the premium that is required to compensate for the lower liquidity of corporate bonds relative to swaps and the mark-to-market risk premium that is required to compensate for the potential volatility in corporate bond spreads (and hence market values) at the time of sale.

M**Million Dollar Round Table (MDRT)**

MDRT is a global, independent association of life insurance and financial services professionals that recognises professional knowledge, strict ethical conduct and outstanding client service. MDRT membership is recognised internationally as the standard of excellence in the life insurance and financial services business.

Money Market Fund (MMF)

An MMF is a type of mutual fund that has relatively low risks compared to other mutual funds and most other investments and historically has had lower returns. MMF invests in high quality, short-term debt securities and pay dividends that generally reflect short-term interest rates. The purpose of an MMF is to provide investors with a safe place to store cash or as an alternative to investing in the stock market.

Morbidity rate

Rate of sickness, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholders of health products, which contain morbidity risks.

Mortality rate

Rate of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholders of life and annuity products, which contain mortality risks.

N**Net premiums**

Life insurance premiums, net of reinsurance ceded to third-party reinsurers.

Net worth

Net assets for EEV reporting purposes that reflect the regulatory basis position, sometimes with adjustments to achieve consistency with the IFRS treatment of certain items.

New business margin

New business margin is expressed as the value of new business profit as a percentage of annual premium equivalent (APE) and the present value of new business premiums (PVNBP) expected to be received on an EEV basis.

New business profit

The profits, calculated in accordance with European Embedded Value Principles, from business sold in the financial reporting period under consideration.

Non-participating business

A life insurance policy where the policyholder is not entitled to a share of the company's profits and surplus, but receives certain guaranteed benefits. Examples include pure risk policies (eg fixed annuities, term insurance, critical illness) and unit-linked insurance contracts.

O**Operational borrowings**

Borrowings which arise in the normal course of the business, including all lease liabilities under IFRS 16.

P**Participating funds**

Distinct portfolios where the policyholders have a contractual right to receive, at the discretion of the insurer, additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The insurer may either have discretion as to the timing of the allocation of those benefits to participating policyholders or may have discretion as to the timing and the amount of the additional benefits. For Prudential the most significant participating funds are for business written in Hong Kong, Malaysia and Singapore.

Participating policies or participating business

Contracts of insurance where the policyholders have a contractual right to receive, at the discretion of the insurer, additional benefits based on factors such as investment performance, as a supplement to any guaranteed benefits. This is also referred to as with-profits business.

Persistency

The percentage of policies remaining in force from period to period.

Present value of new business premiums (PVNBP)

The present value of new business premiums 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 other assumptions made in determining the EEV new business contribution.

R**Regular premium product**

A life insurance product with regular periodic premium payments.

Renewal or recurring premiums

Renewal or recurring premiums are the subsequent premiums that are paid on regular premium products.

Rider

A supplemental plan that can be attached to a basic insurance policy, typically with payment of additional premiums.

Risk-based capital (RBC) framework

RBC is a method of measuring the minimum amount of capital set by regulators as appropriate for a reporting entity to support its overall business operations in consideration of its size and the level of risk it is faced. RBC limits the amount of risk a company can take and act as a cushion to protect a company from insolvency. RBC is intended to be a minimum regulatory capital standard and not necessarily the full amount of capital that an insurer would want to hold to meet its safety and competitive objectives. In addition, RBC is not designed to be used as a stand-alone tool in determining financial solvency of an insurance company; rather it is one of the tools that give regulators legal authority to take control of an insurance company.

S**Single premiums**

Single premium policies of insurance are those that require only a single lump sum payment from the policyholder.

Stochastic techniques

Stochastic techniques incorporate results from repeated simulations using key financial parameters which are subject to random variations and are projected into the future.

Subordinated debt

A fixed interest issue or debt that ranks below other debt in order of priority for repayment if the issuer is liquidated. Holders are compensated for the added risk through higher rates of interest.

Surrender

The termination of a life insurance policy or annuity contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract.

Surrender charge or surrender fee

The fee charged to a policyholder when a life insurance policy or annuity contract is surrendered for its cash surrender value prior to the end of the surrender charge period.

T**Takaful**

Insurance that is compliant with Islamic principles of mutual assistance and risk sharing.

Term life contracts

These contracts provide protection for a defined period and a benefit that is payable to a designated beneficiary upon death of the insured.

Time value of options and guarantees (TVOG)

The value of financial options and guarantees comprises two parts, the intrinsic value and the time value. The intrinsic value is given by a deterministic valuation on best estimate assumptions. The time value is the additional value arising from the variability of economic outcomes in the future.

Total shareholder return (TSR)

TSR represents the growth in the value of a share plus the value of dividends paid, assuming that the dividends are reinvested in the Company's shares on the ex-dividend date.

U**Unallocated surplus**

Unallocated surplus is recorded wholly as a liability and represents the excess of assets over policyholder liabilities for Prudential's with-profits funds. The balance retained in the unallocated surplus represents cumulative income arising on the with-profits business that has not been allocated to policyholders or shareholders.

Unit-linked products or unit-linked contracts

See 'investment-linked products or contracts' above.

Universal life

An insurance product where the customer pays flexible premiums, subject to specified limits, which are accumulated in an account and are credited with interest (at a rate either set by the insurer or reflecting returns on a pool of matching assets). The customer may vary the death benefit and the contract may permit the customer to withdraw the account balance, typically subject to a surrender charge.

V**Value of in-force business (VIF)**

The present value of future shareholder cash flows projected to emerge from the assets backing liabilities of the in-force covered business.

W**Whole life contracts**

A type of life insurance policy that provides lifetime protection; premiums must usually be paid for life. The sum assured is paid out whenever death occurs. Commonly used for estate planning purposes.

With-profits contracts

For Prudential, the most significant with-profits contracts are written in Hong Kong, Malaysia and Singapore. See 'participating policies or participating business' above.

With-profits funds

See 'participating funds' above.

Y**Yield**

A measure of the rate of return received from an investment in percentage terms by comparing annual income (and any change in capital) to the price paid for the investment.

Yield curve

A line graph that shows the relative yields on debt over a range of maturities typically from three months to 30 years. Investors, analysts and economists use yield curves to evaluate bond markets and interest rate expectations.

Shareholder information

Communication with shareholders

The Group maintains a corporate website containing a wide range of information relevant for private and institutional investors, including the Group's financial calendar: www.prudentialplc.com

Shareholder Meetings

The 2022 Annual General Meeting (AGM) will be held on Thursday 26 May 2022 at 10.00am. Arrangements for attendance remain under review given the ongoing restrictions arising from the Covid-19 pandemic. To ensure shareholders are able to participate fully in the AGM this year, we will provide an option to link digitally to the Meeting and would encourage shareholders to make use of this option. The 2022 AGM notice will provide more details on arrangements and how to participate. Shareholders are encouraged to watch the Company's website, regulatory news and other published notifications for any further updates in relation to the 2022 AGM arrangements.

Prudential will continue its practice of calling a poll on all resolutions and the voting results, including all proxies lodged prior to the meeting, will be displayed during the meeting and subsequently published on the Company's website.

The 2021 AGM was open to shareholders through electronic attendance, where they were able to view a live video feed of the 2021 AGM, submit voting instructions and ask direct questions to the Board. Details of the 2021 AGM, including the major items discussed at the meeting and the results of the voting, can be found on the Company's website.

In accordance with relevant legislation, shareholders holding 5 per cent or more of the fully paid up issued share capital are able to require the Directors to hold a general meeting. Written shareholder requests should be addressed to the Company Secretary at the registered office.

Company constitution

Prudential is governed by the Companies Act 2006, other applicable legislation and regulations, and provisions in its Articles of Association (Articles). Any change to the Articles must be approved by special resolution of the shareholders. There were no changes to the constitutional documents during 2021. The current Memorandum and Articles are available on the Company's website.

Issued share capital

The issued share capital as at 31 December 2021 consisted of 2,746,412,265 (2020: 2,609,489,702) ordinary shares of 5 pence each, all fully paid up and listed on the London Stock Exchange and the Hong Kong Stock Exchange. As at 31 December 2021, there were 41,532 (2020: 45,176) accounts on the register. Further information can be found in note C8 on pages 295 and 296.

Prudential also maintains secondary listings on the New York Stock Exchange (in the form of American Depositary Receipts which are referenced to ordinary shares on the main UK register) and the Singapore Stock Exchange. Prudential has maintained a sufficiency of public float throughout the reporting period as required by the Hong Kong Listing Rules.

Analysis of shareholder accounts as at 31 December 2021

Balance ranges	Total number of holdings	Percentage of holders	Total number of shares	Percentage of issued capital
1–1,000	29,170	70.23%	7,357,872	0.27%
1,001–5,000	8,803	21.20%	19,282,368	0.70%
5,001–10,000	1,375	3.31%	9,560,501	0.35%
10,001–100,000	1,291	3.11%	38,182,493	1.39%
100,001–500,000	463	1.11%	108,899,235	3.96%
500,001–1,000,000	128	0.31%	89,991,739	3.28%
1,000,001 upwards	302	0.73%	2,473,138,057	90.05%
Totals	41,532	100.00%	2,746,412,265	100.00%

Major shareholders

The table below shows the holdings of major shareholders in the Company's issued ordinary share capital, as at 31 December 2021, as notified and disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules.

As at 31 December 2021	% of total voting rights
BlackRock, Inc	5.08
Third Point LLC	5.04

No notifications have been received from year end to 8 March 2022.

Rights and obligations

The rights and obligations attaching to the Company's shares are set out in full in the Articles. There are currently no voting restrictions on the ordinary shares, all of which are fully paid, and each share carries one vote on a poll. 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 except that if a proxy is appointed by more than one member, the proxy has one vote for and one vote against if instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. Where, under an employee share plan, participants are the beneficial owners of the shares but not the registered owners, the voting rights are normally exercisable by the trustee on behalf of the registered owner in accordance with the relevant plan rules. The trustees would not usually vote on any unallocated shares held in trust but they may do so at their discretion provided it would be considered to be in the best interests of the beneficiaries of the trust and permitted under the relevant trust deed.

As at 8 March 2022, the trustees held 0.39 per cent of the issued share capital under the various plans in operation. Rights to dividends under the various schemes are set out on pages 194 to 233.

Restrictions on transfer

In accordance with English company law, shares may be transferred by an instrument of transfer or through an electronic system (currently CREST) and any transfer is not restricted except that the Directors may, in certain circumstances, refuse to register transfers of shares but only if such refusal does not prevent dealings in the shares from taking place on an open and proper basis. If the Directors make use of that power,

they must send the transferee notice of the refusal within two months. Certain restrictions may be imposed from time to time by applicable laws and regulations (for example, insider trading laws) and pursuant to the Listing Rules of both the Financial Conduct Authority and the Hong Kong Stock Exchange, as well as under the rules of some of the Group's employee share plans.

All Directors are required to hold a minimum number of shares under guidelines approved by the Board, which they would also be expected to retain as described on page 223 of the Directors' remuneration report.

Authority to issue shares

The Directors require authority from shareholders in relation to the issue of shares. Whenever shares are issued, these must be offered to existing shareholders pro rata to their holdings unless the Directors have been given authority by shareholders to issue shares without offering them first to existing shareholders. Prudential seeks authority from its shareholders on an annual basis to issue shares up to a maximum amount, of which a defined number may be issued without pre-emption.

Disapplication of statutory pre-emption procedures is also sought for rights issues. The existing authorities to issue shares, and to do so without observing pre-emption rights, are due to expire at the end of this year's AGM. Relevant resolutions to authorise share capital issuances will be put to shareholders at the AGM on 26 May 2022.

Details of shares issued during 2021 and 2020 are given in note C8 on pages 295 and 296. In accordance with the terms of a waiver granted by the Hong Kong Stock Exchange, Prudential confirms that it complies with the applicable law and regulation in the UK in relation to the holding of shares in treasury and with the conditions of the waiver in connection with the purchase of own shares and any treasury shares it may hold.

Authority to purchase own shares

The Directors also require authority from shareholders in relation to the purchase of the Company's own shares. Prudential seeks authority by special resolution on an annual basis for the buy-back of its own shares in accordance with the relevant provisions of the Companies Act 2006 and other related guidance. This authority has not been used since it was last granted at the AGM in 2021. This existing authority is due to expire at the end of this year's AGM and a special resolution to renew the authority will be put to shareholders at the AGM on 26 May 2022.

Dividend information

	Shareholders registered on the UK register and Hong Kong branch register	Holders of American Depositary Receipts	Shareholders with ordinary shares standing to the credit of their CDP securities accounts
2021 second interim dividend			
Ex-dividend date	24 March 2022	–	24 March 2022
Record date	25 March 2022	25 March 2022	25 March 2022
Payment date	13 May 2022	13 May 2022	On or around 20 May 2022

A number of dividend waivers are in place in respect of shares issued but not allocated under the Group's employee share plans. These shares are held by the trustees and will, in due course, be used to satisfy requirements under the Group's employee share plans. The dividends waived represent less than 1 per cent of the value of dividends paid during the year.

Dividend mandates

Dividends are paid directly into UK based shareholder's bank or building society accounts. UK based shareholders should contact EQ should they have any questions concerning the payment of dividends, or to provide their bank or building society account details. Alternatively, UK based shareholders may download the form from www.prudentialplc.com/investors/shareholder-information/forms

Shareholders on the UK and Hong Kong registers have the option to elect to receive their dividend in US dollars instead of pounds sterling or Hong Kong dollars respectively. More information may be found on our website www.prudentialplc.com/investors/shareholder-information/dividend/dividend-currency-election

Cash dividend alternative

The Company operates a Dividend Re-investment Plan (DRIP). UK based shareholders who have elected for the DRIP will automatically receive shares for all future dividends in respect of which a DRIP alternative is offered. The election may be cancelled at any time by the shareholder. Further details of the DRIP and the timetable are available at www.shareview.co.uk/4/Info/Portfolio/default/en/home/shareholders/Pages/ReinvestDividends.aspx

Electronic communications

Shareholders located in the UK are encouraged to elect to receive shareholder documents electronically by registering with Shareview at www.shareview.co.uk This will save on printing and distribution costs, and create environmental benefits. Shareholders who have registered

will be sent an email notification whenever shareholder documents are available on the Company's website and a link will be provided to that information. When registering, shareholders will need their shareholder reference number which can be found on their share certificate or proxy form. The option to receive shareholder documents electronically is not available to shareholders holding shares through The Central Depository (Pte) Limited (CDP). Please contact EQ if you require any assistance or further information.

Share dealing services

The Company's UK registrars, EQ, offer a postal dealing facility for buying and selling Prudential plc ordinary shares; please see the EQ address or telephone 0371 384 2248. They also offer a telephone and internet dealing service, Shareview, which provides a simple and convenient way of selling Prudential shares. For telephone sales, call 0345 603 7037 between 8.00am and 5pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing

ShareGift

Shareholders who have only a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating them to ShareGift (Registered Charity 1052686). The relevant share transfer form may be downloaded from our website www.prudentialplc.com/investors/shareholder-information/forms or from EQ. Further information about ShareGift may be obtained on +44 (0)20 7930 3737 or from www.ShareGift.org

Shareholder enquiries

For enquiries about shareholdings, including dividends and lost share certificates, please contact the Company's registrars:

Register	By post	By telephone
UK register	Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, UK.	Tel 0371 384 2035* Textel 0371 384 2255 (for hard of hearing). Lines are open from 8.30am to 5pm (UK), Monday to Friday. * Please use the country code when calling from outside the UK
Hong Kong register	Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.	Tel +852 2862 8555
Singapore register	Shareholders who have shares standing to the credit of their securities accounts with CDP in Singapore may refer queries to the CDP at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589. Enquiries regarding shares held in Depository Agent Sub-accounts should be directed to your Depository Agent or broker.	Tel +65 6535 7511
ADRs	JPMorgan Chase Bank N.A, P.O. Box 64504, St. Paul, MN 55164-0504, USA.	Tel +1 800 990 1135, or from outside the USA +1 651 453 2128 or log on to www.adr.com

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Board	
<p>Shriti Vadera Chair</p>	
<p><i>Independent Non-executive Directors</i></p> <p>Philip Remnant Senior Independent Director</p> <p>Jeremy Anderson Chua Sock Koong David Law Ming Lu Anthony Nightingale Alice Schroeder George Sartorel Tom Watjen Jeanette Wong Amy Yip</p>	<p>Group Executive Committee</p> <p><i>Executive Directors</i></p> <p>Mike Wells Group Chief Executive</p> <p>Mark FitzPatrick Group Chief Financial Officer and Chief Operating Officer</p> <p>James Turner Group Chief Risk and Compliance Officer</p>
	<p>Jolene Chen Group Human Resources Director</p> <p>Nic Nicandrou Chief Executive, Asia and Africa</p>

Shareholder contacts

Institutional analyst and investor enquiries

Tel +44 (0)20 3977 9720
Email: investor.relations@prudentialplc.com

UK Register private shareholder enquiries

Tel 0371 384 2035

International shareholders:

Tel +44 (0)121 415 7026

Hong Kong Branch Register private shareholder enquiries

Tel +852 2862 8555

US American Depositary Receipts holder enquiries

Tel +1 800 990 1135

From outside the US:

Tel +1 651 453 2128

The Central Depository (Pte) Limited shareholder enquiries

Tel +65 6535 7511

Forward-looking statements

This document may contain '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 its 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, 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 Prudential's actual future financial condition or performance or other indicated results of the entity referred to in any forward-looking statement to differ materially from those indicated in such forward-looking statement. Such factors include, but are not limited to, the impact of the ongoing Covid-19 pandemic, including adverse financial market and liquidity impacts, responses and actions taken by governments, regulators and supervisors, the impact on sales, claims and assumptions and increased product lapses, disruption to Prudential's operations (and those of its suppliers and partners), risks associated with new sales processes and technological and information security risks; future market conditions (including fluctuations in interest rates and exchange rates, inflation (including interest rate rises as a response) and deflation, the potential for a return to a sustained low-interest rate environment, the performance of financial markets generally and the impact of economic uncertainty (including as a result of geopolitical tensions and conflicts), asset valuation impacts from the transition to a lower carbon economy and derivative instruments not effectively hedging exposures arising from product guarantees); global political uncertainties, including the potential for increased friction in cross-border trade and the exercise of executive powers to restrict trade, financial transactions, capital movements and/or investment; 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 its designation as an Internationally Active Insurance Group ("IAIG"), the impact on Prudential of systemic risk and other group supervision policy standards adopted by the International Association of Insurance Supervisors; the physical, social and financial impacts of climate change and global health crises on Prudential's business and operations; the impact of not adequately responding to environmental, social and governance issues (including not properly considering the interests of Prudential's stakeholders or failing to maintain high standards of corporate governance); 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; 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; any ongoing impact on Prudential of the demerger of M&G plc and the demerger of Jackson Financial Inc.; the increased operational 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 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. These factors are not exhaustive as 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.

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

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.