

IFRS disclosures
Prudential plc Half Year 2022 results
International Financial Reporting Standards (IFRS) financial results

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Condensed Consolidated Income Statement

| | Note | 2022 \$m Half year | 2021 \$m Half year | 2021 \$m Full year |
|---|------|-----------------------|-----------------------|-----------------------|
| Continuing operations: | | | | |
| Gross premiums earned | | 12,241 | 11,521 | 24,217 |
| Outward reinsurance premiums | | (919) | (898) | (1,844) |
| Earned premiums, net of reinsurance | B1.3 | 11,322 | 10,623 | 22,373 |
| Investment return | | (24,570) | 738 | 3,486 |
| Other income | | 253 | 331 | 641 |
| Total revenue, net of reinsurance | B1.3 | (12,995) | 11,692 | 26,500 |
| Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance | C3.2 | 14,826 | (7,748) | (18,911) |
| Acquisition costs and other expenditure | B2 | (1,632) | (2,402) | (4,560) |
| Finance costs: interest on core structural borrowings of shareholder-financed businesses | | (103) | (164) | (328) |
| Gain (loss) attaching to corporate transactions | D1.1 | 62 | (56) | (35) |
| Total charges, net of reinsurance | | 13,153 | (10,370) | (23,834) |
| Share of profit from joint ventures and associates, net of related tax | | 16 | 179 | 352 |
| Profit before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>) ^{note (i)} | | 174 | 1,501 | 3,018 |
| Remove tax credit (charge) attributable to policyholders' returns | | 126 | (238) | (342) |
| Profit before tax attributable to shareholders' returns | B1.1 | 300 | 1,263 | 2,676 |
| Total tax charge attributable to shareholders' and policyholders' returns | B3.1 | (68) | (431) | (804) |
| Remove tax (credit) charge attributable to policyholders' returns | | (126) | 238 | 342 |
| Tax charge attributable to shareholders' returns | B3.1 | (194) | (193) | (462) |
| Profit after tax from continuing operations | B1.4 | 106 | 1,070 | 2,214 |
| Loss after tax from discontinued US operations ^{note (ii)} | D1.2 | – | (5,707) | (5,027) |
| Profit (loss) for the period | | 106 | (4,637) | (2,813) |

Attributable to:

| | | | | |
|-------------------------------------|--|-----|---------|---------|
| Equity holders of the Company: | | | | |
| From continuing operations | | 104 | 1,063 | 2,192 |
| From discontinued US operations | | – | (5,073) | (4,234) |
| | | 104 | (4,010) | (2,042) |
| Non-controlling interests: | | | | |
| From continuing operations | | 2 | 7 | 22 |
| From discontinued US operations | | – | (634) | (793) |
| | | 2 | (627) | (771) |
| Profit (loss) for the period | | 106 | (4,637) | (2,813) |

Earnings per share (in cents)

| | Note | 2022 Half year | 2021 Half year | 2021 Full year |
|--|------|-------------------|-------------------|-------------------|
| Based on profit attributable to equity holders of the Company: | | | | |
| Basic | | | | |
| Based on profit from continuing operations | | 3.8¢ | 40.9¢ | 83.4¢ |
| Based on loss from discontinued US operations | | –¢ | (195.1)¢ | (161.1)¢ |
| Total basic earnings per share | | 3.8¢ | (154.2)¢ | (77.7)¢ |
| Diluted | | | | |
| Based on profit from continuing operations | | 3.8¢ | 40.9¢ | 83.4¢ |
| Based on loss from discontinued US operations | | –¢ | (195.1)¢ | (161.1)¢ |
| Total diluted earnings per share | | 3.8¢ | (154.2)¢ | (77.7)¢ |

Dividends per share (in cents)

| | Note | 2022 Half year | 2021 Half year | 2021 Full year |
|---|------|-------------------|-------------------|-------------------|
| Dividends relating to reporting period: | | | | |
| B5 | | | | |
| First interim ordinary dividend | | 5.74¢ | 5.37¢ | 5.37¢ |
| Second interim ordinary dividend | | – | – | 11.86¢ |
| Total relating to reporting period | | 5.74¢ | 5.37¢ | 17.23¢ |
| Dividends paid in reporting period: | | | | |
| B5 | | | | |
| Current year first interim dividend | | – | – | 5.37¢ |
| Second interim ordinary dividend for prior year | | 11.86¢ | 10.73¢ | 10.73¢ |
| Total paid in reporting period | | 11.86¢ | 10.73¢ | 16.10¢ |

Notes

- (i) This measure is the formal profit before tax measure under IFRS. It is not the result attributable to shareholders principally because total corporate tax of the Group includes those taxes on the income of consolidated with-profits and unit-linked funds that, through adjustments to benefits, are borne by policyholders. These amounts are required to be included in the tax charge of the Company under IAS 12. Consequently, the IFRS profit before tax measure is not representative of pre-tax profit attributable to shareholders as it is determined after deducting the cost of policyholder benefits and movements in the liability for unallocated surplus of with-profits funds after adjusting for tax borne by policyholders.
- (ii) Discontinued operations for half year and full year 2021 related to the US operations (Jackson) that were demerged from the Group in September 2021.

Condensed Consolidated Statement of Comprehensive Income

| | | 2022 \$m | 2021 \$m | |
|---|------|--------------|-----------|-----------|
| | Note | Half year | Half year | Full year |
| Continuing operations: | | | | |
| Profit for the period | | 106 | 1,070 | 2,214 |
| Other comprehensive income (loss): | | | | |
| Exchange movements arising during the period | | (523) | (163) | (180) |
| Valuation movements on retained interest in Jackson classified as available-for-sale securities | | (247) | – | 250 |
| Total items that may be reclassified subsequently to profit or loss | | (770) | (163) | 70 |
| Total comprehensive (loss) income from continuing operations | | (664) | 907 | 2,284 |
| Total comprehensive loss for the period from discontinued US operations | D1.2 | – | (6,574) | (7,068) |
| Total comprehensive loss for the period | | (664) | (5,667) | (4,784) |
| Attributable to: | | | | |
| Equity holders of the Company: | | | | |
| From continuing operations | | (656) | 905 | 2,277 |
| From discontinued US operations | | – | (5,844) | (6,283) |
| | | (656) | (4,939) | (4,006) |
| Non-controlling interests: | | | | |
| From continuing operations | | (8) | 2 | 7 |
| From discontinued US operations | | – | (730) | (785) |
| | | (8) | (728) | (778) |
| Total comprehensive loss for the period | | (664) | (5,667) | (4,784) |

Condensed Consolidated Statement of Changes in Equity

| Period ended 30 Jun 2022 \$m | | | | | | | | | |
|--|---------------|---------------|-------------------|---------------------|---|----------------------|---------------------------|--------------|--|
| Note | Share capital | Share premium | Retained earnings | Translation reserve | Available -for-sale securities reserves | Shareholders' equity | Non-controlling interests | Total equity | |
| Reserves | | | | | | | | | |
| Profit for the period | - | - | 104 | - | - | 104 | 2 | 106 | |
| Other comprehensive loss | - | - | - | (513) | (247) | (760) | (10) | (770) | |
| Total comprehensive income (loss) for the period | - | - | 104 | (513) | (247) | (656) | (8) | (664) | |
| Transactions with owners of the Company | | | | | | | | | |
| Dividends | B5 | - | (320) | - | - | (320) | (5) | (325) | |
| Reserve movements in respect of share-based payments | - | - | 15 | - | - | 15 | - | 15 | |
| Effect of transactions relating to non-controlling interests | - | - | (14) | - | - | (14) | - | (14) | |
| Movement in own shares in respect of share-based payment plans | - | - | (4) | - | - | (4) | - | (4) | |
| Net decrease in equity | - | - | (219) | (513) | (247) | (979) | (13) | (992) | |
| Balance at beginning of period | 182 | 5,010 | 10,216 | 1,430 | 250 | 17,088 | 176 | 17,264 | |
| Balance at end of period | 182 | 5,010 | 9,997 | 917 | 3 | 16,109 | 163 | 16,272 | |

| Period ended 30 Jun 2021 \$m | | | | | | | | | |
|---|---------------|---------------|-------------------|---------------------|---|----------------------|---------------------------|--------------|--|
| Note | Share capital | Share premium | Retained earnings | Translation reserve | Available -for-sale securities reserves | Shareholders' equity | Non-controlling interests | Total equity | |
| Reserves | | | | | | | | | |
| Profit for the period | - | - | 1,063 | - | - | 1,063 | 7 | 1,070 | |
| Other comprehensive loss | - | - | - | (158) | - | (158) | (5) | (163) | |
| Total comprehensive income (loss) from continuing operations | - | - | 1,063 | (158) | - | 905 | 2 | 907 | |
| Total comprehensive loss from discontinued US operations | D1.2 | - | (5,073) | - | (771) | (5,844) | (730) | (6,574) | |
| Total comprehensive loss for the period | - | - | (4,010) | (158) | (771) | (4,939) | (728) | (5,667) | |
| Transactions with owners of the Company | | | | | | | | | |
| Dividends | B5 | - | (283) | - | - | (283) | (3) | (286) | |
| Reserve movements in respect of share-based payments | - | - | 77 | - | - | 77 | - | 77 | |
| Effect of transactions relating to non-controlling interests | - | - | (10) | - | - | (10) | - | (10) | |
| New share capital subscribed | C8 | - | 8 | - | - | 8 | - | 8 | |
| Movement in own shares in respect of share-based payment plans | - | - | (18) | - | - | (18) | - | (18) | |
| Net increase (decrease) in equity | - | 8 | (4,244) | (158) | (771) | (5,165) | (731) | (5,896) | |
| Balance at beginning of period | 173 | 2,637 | 14,424 | 1,132 | 2,512 | 20,878 | 1,241 | 22,119 | |
| Balance at end of period | 173 | 2,645 | 10,180 | 974 | 1,741 | 15,713 | 510 | 16,223 | |

Condensed Consolidated Statement of Changes in Equity (continued)

| Year ended 31 Dec 2021 \$m | | | | | | | | | |
|---|------|---------------|---------------|-------------------|---------------------|--|----------------------|---------------------------|---------------|
| | Note | Share capital | Share premium | Retained earnings | Translation reserve | Available-for-sale securities reserves | Shareholders' equity | Non-controlling interests | Total equity |
| Reserves | | | | | | | | | |
| Profit for the year | | – | – | 2,192 | – | – | 2,192 | 22 | 2,214 |
| Other comprehensive (loss) income | | – | – | – | (165) | 250 | 85 | (15) | 70 |
| Total comprehensive income (loss) from continuing operations | | – | – | 2,192 | (165) | 250 | 2,277 | 7 | 2,284 |
| Total comprehensive (loss) income from discontinued US operations | D1.2 | – | – | (4,234) | 463 | (2,512) | (6,283) | (785) | (7,068) |
| Total comprehensive (loss) income for the year | | – | – | (2,042) | 298 | (2,262) | (4,006) | (778) | (4,784) |
| Transactions with owners of the Company | | | | | | | | | |
| Demerger dividend in specie of Jackson | B5 | – | – | (1,735) | – | – | (1,735) | – | (1,735) |
| Other dividends | B5 | – | – | (421) | – | – | (421) | (9) | (430) |
| Reserve movements in respect of share-based payments | | – | – | 46 | – | – | 46 | – | 46 |
| Effect of transactions relating to non-controlling interests* | | – | – | (32) | – | – | (32) | (278) | (310) |
| New share capital subscribed | C8 | 9 | 2,373 | – | – | – | 2,382 | – | 2,382 |
| Movement in own shares in respect of share-based payment plans | | – | – | (24) | – | – | (24) | – | (24) |
| Net increase (decrease) in equity | | 9 | 2,373 | (4,208) | 298 | (2,262) | (3,790) | (1,065) | (4,855) |
| Balance at beginning of year | | 173 | 2,637 | 14,424 | 1,132 | 2,512 | 20,878 | 1,241 | 22,119 |
| Balance at end of year | | 182 | 5,010 | 10,216 | 1,430 | 250 | 17,088 | 176 | 17,264 |

* The \$(278) million in full year 2021 related to the derecognition of Athene's non-controlling interest upon the demerger of Jackson.

Condensed Consolidated Statement of Financial Position

| | | 2022 \$m | 2021 \$m | |
|--|------|----------------|----------------|----------------|
| | Note | 30 Jun | 30 Jun | 31 Dec |
| Assets | | | | |
| Goodwill | C4.1 | 871 | 926 | 907 |
| Deferred acquisition costs and other intangible assets | C4.2 | 6,750 | 6,525 | 6,858 |
| Property, plant and equipment | | 405 | 525 | 478 |
| Reinsurers' share of insurance contract liabilities | | 2,750 | 9,891 | 9,753 |
| Deferred tax assets | C7 | 378 | 298 | 266 |
| Current tax recoverable | | 22 | 23 | 20 |
| Accrued investment income | | 1,187 | 1,092 | 1,171 |
| Other debtors | | 2,076 | 2,238 | 1,779 |
| Investment properties | | 35 | 39 | 38 |
| Investments in joint ventures and associates accounted for using the equity method | C1 | 2,010 | 2,056 | 2,183 |
| Loans | C1 | 2,429 | 2,440 | 2,562 |
| Equity securities and holdings in collective investment schemes ^{note (i)} | C1 | 57,497 | 60,466 | 61,601 |
| Debt securities ^{note (i)} | C1 | 79,119 | 92,728 | 99,094 |
| Derivative assets | | 182 | 485 | 481 |
| Deposits | | 4,762 | 3,344 | 4,741 |
| Assets held for distribution ^{note (ii)} | | – | 335,750 | – |
| Cash and cash equivalents | | 6,415 | 6,295 | 7,170 |
| Total assets | C1 | 166,888 | 525,121 | 199,102 |
| Equity | | | | |
| Shareholders' equity | | 16,109 | 15,713 | 17,088 |
| Non-controlling interests | | 163 | 510 | 176 |
| Total equity | C1 | 16,272 | 16,223 | 17,264 |
| Liabilities | | | | |
| Contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4) | C3.2 | 123,529 | 144,809 | 151,915 |
| Unallocated surplus of with-profits funds | C3.2 | 4,568 | 6,273 | 5,384 |
| Core structural borrowings of shareholder-financed businesses | C5.1 | 4,266 | 6,404 | 6,127 |
| Operational borrowings | C5.2 | 854 | 895 | 861 |
| Obligations under funding, securities lending and sale and repurchase agreements | | 799 | 396 | 223 |
| Net asset value attributable to unit holders of consolidated investment funds | | 4,549 | 5,770 | 5,664 |
| Deferred tax liabilities | C7 | 2,699 | 2,735 | 2,862 |
| Current tax liabilities | | 253 | 200 | 185 |
| Accruals, deferred income and other liabilities | | 8,103 | 8,017 | 7,983 |
| Provisions | | 225 | 227 | 372 |
| Derivative liabilities | | 771 | 412 | 262 |
| Liabilities held for distribution ^{note (ii)} | | – | 332,760 | – |
| Total liabilities | C1 | 150,616 | 508,898 | 181,838 |
| Total equity and liabilities | C1 | 166,888 | 525,121 | 199,102 |

Notes

- (i) Included within equity securities and holdings in collective investment schemes and debt securities as at 30 June 2022 are \$1,384 million of lent securities and assets subject to repurchase agreements (30 June 2021: \$1,006 million; 31 December 2021: \$854 million).
- (ii) Assets and liabilities held for distribution at 30 June 2021 related to the Group's US operations (Jackson) which were classified as discontinued operations in half year 2021 and demerged in September 2021.

Condensed Consolidated Statement of Cash Flows

| | Note | 2022 \$m Half year | 2021 \$m Half year | Full year |
|---|------|-----------------------|-----------------------|----------------|
| Continuing operations: | | | | |
| Cash flows from operating activities | | | | |
| Profit before tax <i>(being tax attributable to shareholders' and policyholders' returns)</i> | | 174 | 1,501 | 3,018 |
| Adjustments to profit before tax for non-cash movements in operating assets and liabilities: | | | | |
| Investments | | 21,017 | (5,651) | (14,553) |
| Other non-investment and non-cash assets | | 6,446 | 2,693 | 2,658 |
| Policyholder liabilities (including unallocated surplus of with-profits funds) | | (25,972) | 2,424 | 9,095 |
| Other liabilities (including operational borrowings) | | 74 | 105 | 16 |
| Other items ^{note (i)} | | (23) | 156 | 44 |
| Net cash flows from operating activities ^{note (ii)} | | 1,716 | 1,228 | 278 |
| Cash flows from investing activities | | | | |
| Net cash flows from purchases and disposals of property, plant and equipment | | (14) | (19) | (36) |
| Net cash flows from other investing activities ^{note (iii)} | | (50) | (773) | (690) |
| Net cash flows from investing activities | | (64) | (792) | (726) |
| Cash flows from financing activities | | | | |
| Structural borrowings of shareholder-financed operations: ^{note (iv)} | C5.1 | | | |
| Issuance of debt, net of costs | | 346 | – | 995 |
| Redemption of debt | | (2,075) | – | (1,250) |
| Interest paid | | (117) | (163) | (314) |
| Payment of principal portion of lease liabilities | | (56) | (54) | (118) |
| Equity capital: | | | | |
| Issues of ordinary share capital | | – | 8 | 2,382 |
| External dividends: | | | | |
| Dividends paid to the Company's shareholders | B5 | (320) | (283) | (421) |
| Dividends paid to non-controlling interests | | (5) | (3) | (9) |
| Net cash flows from financing activities | | (2,227) | (495) | 1,265 |
| Net (decrease) increase in cash and cash equivalents from continuing operations | | (575) | (59) | 817 |
| Net decrease in cash and cash equivalents from discontinued US operations | D1.2 | – | (460) | (1,621) |
| Cash and cash equivalents at beginning of period | | 7,170 | 8,018 | 8,018 |
| Effect of exchange rate changes on cash and cash equivalents | | (180) | (43) | (44) |
| Cash and cash equivalents at end of period | | 6,415 | 7,456 | 7,170 |
| Comprising: | | | | |
| Cash and cash equivalents from continuing operations | | 6,415 | 6,295 | 7,170 |
| Cash and cash equivalents from discontinued US operations | D1.2 | – | 1,161 | – |

Notes

- (i) Other items include adjustments to profit before tax in respect of non-cash items together with operational interest receipts and payments, dividend receipts and tax paid.
- (ii) Included in net cash flows from operating activities are dividends from joint ventures and associates of \$60 million (half year 2021: \$114 million; full year 2021: \$175 million).
- (iii) Net cash flows from other investing activities include amounts paid for distribution rights and cash flows arising from the sale of subsidiaries, joint ventures and associates and investments that do not form part of the Group's operating activities.
- (iv) Structural borrowings of shareholder-financed businesses exclude borrowings to support short-term fixed income securities programmes, non-recourse borrowings of investment subsidiaries of shareholder-financed businesses and other borrowings of shareholder-financed businesses. Cash flows in respect of these borrowings are included within cash flows from operating activities. The changes in the carrying value of the structural borrowings of shareholder-financed businesses for the Group are analysed below:

| | Balance at beginning of period \$m | Cash movements \$m | | Non-cash movements \$m | | | Balance at end of period \$m |
|-------------|---|---------------------|-----------------------|------------------------------|------------------------|--------------------|---------------------------------------|
| | | Issuance of debt | Redemption of debt | Foreign exchange movement | Demerger of Jackson | Other movements | |
| 30 Jun 2022 | 6,127 | 346 | (2,075) | (137) | – | 5 | 4,266 |
| 30 Jun 2021 | 6,633 | – | – | 14 | (250) | 7 | 6,404 |
| 31 Dec 2021 | 6,633 | 995 | (1,250) | (13) | (250) | 12 | 6,127 |

Notes to the financial statements

A Basis of preparation

A1 Basis of preparation and exchange rates

These condensed consolidated interim financial statements ('interim financial statements') for the six months ended 30 June 2022 have been prepared in accordance with both IAS 34 'Interim Financial Reporting' as issued by the IASB and IAS 34 as adopted for use in the UK. The Group's policy for preparing this interim financial information is to use the accounting policies adopted by the Group in its last consolidated financial statements, as updated by any changes in accounting policies it intends to make in its next consolidated financial statements as a result of new or amended IFRS and other policy improvements. At 30 June 2022, there were no unadopted standards effective for the period ended 30 June 2022 which impacted the interim financial statements of the Group, and there were no differences between UK-adopted international accounting standards and IFRS Standards as issued by the IASB in terms of their application to the Group.

The accounting policies applied by the Group in determining the IFRS financial results in this report are the same as those previously applied in the Group's consolidated financial statements for the year ended 31 December 2021, as disclosed in the 2021 annual report, aside from those discussed in note A2 below.

The IFRS financial results for half year 2022 and half year 2021 are unaudited. The 2021 full year IFRS financial results have been derived from the 2021 statutory accounts. The auditors have reported on the 2021 statutory accounts which have been delivered to the Registrar of Companies. The auditors' report was: (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern basis of accounting

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

Based on the above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue their operations for a period of at least 12 months from the date that these interim financial statements are approved. No material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern have been identified. The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting in preparing these interim financial statements for the period ended 30 June 2022.

Exchange rates

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

| USD : local currency | Closing rate at period end | | | Average rate for the period to date | | |
|-------------------------|----------------------------|-------------|-------------|-------------------------------------|----------------|----------------|
| | 30 Jun 2022 | 30 Jun 2021 | 31 Dec 2021 | Half year 2022 | Half year 2021 | Full year 2021 |
| Chinese yuan (CNY) | 6.69 | 6.46 | 6.37 | 6.48 | 6.47 | 6.45 |
| Hong Kong dollar (HKD) | 7.85 | 7.77 | 7.80 | 7.83 | 7.76 | 7.77 |
| Indian rupee (INR) | 78.97 | 74.33 | 74.34 | 76.23 | 73.33 | 73.94 |
| Indonesian rupiah (IDR) | 14,897.50 | 14,500.00 | 14,252.50 | 14,453.52 | 14,273.32 | 14,294.88 |
| Malaysian ringgit (MYR) | 4.41 | 4.15 | 4.17 | 4.27 | 4.10 | 4.15 |
| Singapore dollar (SGD) | 1.39 | 1.34 | 1.35 | 1.37 | 1.33 | 1.34 |
| Taiwan dollar (TWD) | 29.73 | 27.86 | 27.67 | 28.73 | 28.02 | 27.93 |
| Thai baht (THB) | 35.35 | 32.06 | 33.19 | 33.73 | 30.83 | 32.01 |
| UK pound sterling (GBP) | 0.82 | 0.72 | 0.74 | 0.77 | 0.72 | 0.73 |
| Vietnamese dong (VND) | 23,265.00 | 23,016.00 | 22,790.00 | 22,925.22 | 23,044.83 | 22,934.86 |

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

A2 New accounting pronouncements

The IASB has issued the following new accounting pronouncements to be effective from 1 January 2022, unless otherwise stated:

- Amendments to IAS 37 'Onerous contracts – Cost of Fulfilling a Contract' issued in May 2020;
- Annual Improvements to IFRS Standards 2018-2020 issued in May 2020;
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use' issued in May 2020; and
- Reference to the Conceptual Framework – Amendments to IFRS 3 'Business combination' issued in May 2020.

The adoption of these pronouncements has had no significant impact on the Group interim financial statements.

In addition, in 2023 IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments' will become effective. The Group has a Group-wide implementation programme to implement IFRS 17 and IFRS 9. The programme is responsible for setting Group-wide accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes. During half year 2022 the Group has made significant progress with the testing of new actuarial and finance systems in our preparations for IFRS 17 adoption in 2023. Elements of the detailed calculation methodology remain subject to wider discussion and debate in the industry. It is not currently practicable to provide reliable estimates of the quantitative impact on the Group's results and financial position. A further update on our IFRS 17 progress will be provided in our FY 22 financial statements.

B Earnings performance

B1 Analysis of performance by segment

B1.1 Segment results

| | 2022 \$m | | 2021 \$m | | 2022 vs 2021 % | | 2021 \$m |
|--|----------|-----------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | Note | Half year note (i) | Half year AER note (i) | Half year CER note (i) | Half year AER note (i) | Half year CER note (i) | Full year AER note (i) |
| Continuing operations: | | | | | | | |
| CPL | | 149 | 139 | 139 | 7% | 7% | 343 |
| Hong Kong | | 501 | 460 | 457 | 9% | 10% | 975 |
| Indonesia | | 196 | 225 | 222 | (13)% | (12)% | 446 |
| Malaysia | | 190 | 184 | 175 | 3% | 9% | 350 |
| Singapore | | 340 | 320 | 312 | 6% | 9% | 663 |
| Growth markets and other ^{note (ii)} | | 522 | 479 | 463 | 9% | 13% | 932 |
| Eastspring | | 131 | 162 | 155 | (19)% | (15)% | 314 |
| Total segment profit | | 2,029 | 1,969 | 1,923 | 3% | 6% | 4,023 |
| Other income (expenditure): | | | | | | | |
| Investment return and other income | | 39 | – | – | n/a | n/a | 21 |
| Interest payable on core structural borrowings | | (103) | (164) | (164) | 37% | 37% | (328) |
| Corporate expenditure ^{note (iii)} | | (150) | (157) | (151) | 4% | 1% | (298) |
| Total other income (expenditure) | | (214) | (321) | (315) | 33% | 32% | (605) |
| Restructuring and IFRS 17 implementation costs^{note (iv)} | | (154) | (77) | (77) | (100)% | (100)% | (185) |
| Adjusted operating profit | B1.2 | 1,661 | 1,571 | 1,531 | 6% | 8% | 3,233 |
| Short-term fluctuations in investment returns on shareholder-backed business ^{note (v)} | | (1,383) | (212) | (234) | (552)% | (491)% | (458) |
| Amortisation of acquisition accounting adjustments | | (5) | (2) | (2) | (150)% | (150)% | (5) |
| Gain (loss) attaching to corporate transactions | D1.1 | 27 | (94) | (94) | n/a | n/a | (94) |
| Profit before tax attributable to shareholders | | 300 | 1,263 | 1,201 | (76)% | (75)% | 2,676 |
| Tax charge attributable to shareholders' returns | B3 | (194) | (193) | (176) | (1)% | (10)% | (462) |
| Profit from continuing operations | | 106 | 1,070 | 1,025 | (90)% | (90)% | 2,214 |
| Loss from discontinued US operations | D1.2 | – | (5,707) | (5,707) | n/a | n/a | (5,027) |
| Profit (loss) for the period | | 106 | (4,637) | (4,682) | n/a | n/a | (2,813) |

Attributable to:

Equity holders of the Company:

| | | | | | | |
|---------------------------------|-----|---------|---------|-------|-------|---------|
| From continuing operations | 104 | 1,063 | 1,018 | (90)% | (90)% | 2,192 |
| From discontinued US operations | – | (5,073) | (5,073) | n/a | n/a | (4,234) |
| | 104 | (4,010) | (4,055) | n/a | n/a | (2,042) |

Non-controlling interests:

| | | | | | | |
|-------------------------------------|------------|----------------|----------------|------------|------------|----------------|
| From continuing operations | 2 | 7 | 7 | (71)% | (71)% | 22 |
| From discontinued US operations | – | (634) | (634) | n/a | n/a | (793) |
| | 2 | (627) | (627) | n/a | n/a | (771) |
| Profit (loss) for the period | 106 | (4,637) | (4,682) | n/a | n/a | (2,813) |

Basic earnings per share (in cents)

| | 2022 | | 2021 | | 2022 vs 2021 % | | 2021 |
|---|------|-----------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | Note | Half year note (i) | Half year AER note (i) | Half year CER note (i) | Half year AER note (i) | Half year CER note (i) | Full year AER note (i) |
| Based on adjusted operating profit, net of tax and non-controlling interest, from continuing operations | B4 | 49.2¢ | 51.6¢ | 50.5¢ | (5)% | (3)% | 101.5¢ |
| Based on profit from continuing operations, net of non-controlling interest | | 3.8¢ | 40.9¢ | 39.2¢ | (91)% | (90)% | 83.4¢ |
| Based on loss from discontinued US operations, net of non-controlling interest | | –¢ | (195.1)¢ | (195.1)¢ | n/a | n/a | (161.1)¢ |

Notes

- Segment results are attributed to the shareholders of the Group before deducting the amount attributable to the non-controlling interests. This presentation is applied consistently throughout the document. For definitions of AER and CER refer to note A1.
- Adjusted operating profit for growth markets and other includes other items of \$160 million (half year 2021: \$167 million on an AER basis and \$161 million on a CER basis; full year 2021: \$217 million on an AER basis) which in the first half of 2022 comprised largely of the impact of the adoption of the Risk-Based Capital regime in Hong Kong (as discussed further in note C3.2) offset by corporate taxes for life joint ventures and associates and provisions for sales and premium tax.
- Corporate expenditure as shown above is for head office functions in London and Hong Kong.
- Restructuring and IFRS 17 implementation costs include those incurred in insurance and asset management operations of \$(44) million (half year 2021: \$(33) million; full year 2021: \$(101) million).

- (v) In general, the short-term fluctuations reflect the value movements on shareholders' assets and policyholder liabilities (net of reinsurance) arising from market movements in the period. In half year 2022, rising interest rates and widening credits spreads across a number of the Group's life insurance markets led to unrealised bond losses which more than offset the impact of higher discount rates on policyholder liabilities under the local reserving basis applied. The interest rates rises in the first half of 2022 were more substantial than that seen in the first half 2021. Short-term fluctuations also reflect losses on equities backing shareholder-backed business following market movements in the period (compared with equity gains in the prior period) and the impact of refinements to the reserving basis in Hong Kong following the adoption of the Risk-Based Capital regime as discussed further in note C3.2.

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

Operating segments

The Group's operating segments for financial reporting purposes are defined and presented in accordance with IFRS 8 'Operating Segments' on the basis of the management reporting structure and its financial management information. Under the Group's management and reporting structure, its chief operating decision maker is the Group Executive Committee (GEC), chaired by the Group Chief Executive. There have been no changes to the Group's operating segments as reported in these interim financial statements from those reported in the Group's consolidated financial statements for the year ended 31 December 2021.

Performance measure

The performance measure of operating segments utilised by the Group is IFRS operating profit based on longer-term investment returns (adjusted operating profit) as described below. This measurement basis distinguishes adjusted operating profit from other constituents of total profit or loss for the period as follows:

- 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.

The determination of adjusted operating profit for investment and liability movements is as described in note B1.2 of the Group's consolidated financial statements for the year ended 31 December 2021.

For debt securities at 30 June 2022, the level of unamortised interest-related realised gains and losses related to previously sold bonds was a net gain of \$211 million (30 June 2021: \$414 million; 31 December 2021: \$515 million).

For equity-type securities, the longer-term rates of return are estimates of the long-term trend investment returns for income and capital having regard to past performance, current trends and future expectations. Different rates apply to different categories of equity-type securities.

For insurance operations, investments in equity securities held for non-linked shareholder-backed business at 30 June 2022 amounted to \$5,756 million (30 June 2021: \$5,447 million; 31 December 2021: \$6,073 million). The longer-term rates of return applied in half year 2022 ranged from 4.6 per cent to 16.9 per cent (half year 2021: 5.5 per cent to 16.9 per cent; full year 2021: 5.5 per cent to 16.9 per cent) with the rates applied varying by business unit.

B1.3 Additional segmental analysis of revenue

| | Half year 2022 \$m | | | | | | | | | |
|--|--|-----------|----------|-----------|--------------------------|------------|---------------------------|---------------|---------------------------|----------|
| | Insurance operations ^{note (i)} | | | | | | | | | |
| | Hong Kong | Indonesia | Malaysia | Singapore | Growth markets and other | Eastspring | Inter-segment elimination | Total segment | Un-allocated to a segment | Total |
| Gross premiums earned | 4,672 | 809 | 934 | 3,616 | 2,210 | – | – | 12,241 | – | 12,241 |
| Outward reinsurance premiums | (771) | (18) | (29) | (70) | (31) | – | – | (919) | – | (919) |
| Earned premiums, net of reinsurance | 3,901 | 791 | 905 | 3,546 | 2,179 | – | – | 11,322 | – | 11,322 |
| Other income ^{note (ii)} | 14 | 4 | – | 9 | 45 | 181 | – | 253 | – | 253 |
| Total external revenue | 3,915 | 795 | 905 | 3,555 | 2,224 | 181 | – | 11,575 | – | 11,575 |
| Intra-group revenue | – | – | – | – | 1 | 106 | (107) | – | – | – |
| Interest income | 510 | 39 | 115 | 395 | 317 | 1 | – | 1,377 | 3 | 1,380 |
| Dividend and other investment income | 338 | 103 | 103 | 321 | 66 | – | – | 931 | 19 | 950 |
| Investment (depreciation) appreciation | (17,752) | (144) | (557) | (6,134) | (2,324) | (17) | – | (26,928) | 28 | (26,900) |
| Total revenue, net of reinsurance | (12,989) | 793 | 566 | (1,863) | 284 | 271 | (107) | (13,045) | 50 | (12,995) |

| | Half year 2021 \$m | | | | | | | | | |
|--|--|-----------|----------|-----------|--------------------------|------------|---------------------------|---------------|---------------------------|---------|
| | Insurance operations ^{note (i)} | | | | | | | | | |
| | Hong Kong | Indonesia | Malaysia | Singapore | Growth markets and other | Eastspring | Inter-segment elimination | Total segment | Un-allocated to a segment | Total |
| Gross premiums earned | 4,776 | 871 | 929 | 2,934 | 2,011 | – | – | 11,521 | – | 11,521 |
| Outward reinsurance premiums | (767) | (28) | (22) | (55) | (26) | – | – | (898) | – | (898) |
| Earned premiums, net of reinsurance | 4,009 | 843 | 907 | 2,879 | 1,985 | – | – | 10,623 | – | 10,623 |
| Other income ^{note (ii)} | 24 | 5 | 1 | 10 | 57 | 234 | – | 331 | – | 331 |
| Total external revenue | 4,033 | 848 | 908 | 2,889 | 2,042 | 234 | – | 10,954 | – | 10,954 |
| Intra-group revenue | – | – | – | – | – | 106 | (106) | – | – | – |
| Interest income | 528 | 46 | 117 | 462 | 303 | 1 | – | 1,457 | – | 1,457 |
| Dividend and other investment income | 214 | 33 | 101 | 186 | 39 | – | – | 573 | – | 573 |
| Investment (depreciation) appreciation | (1,444) | (135) | (280) | 817 | (259) | 9 | – | (1,292) | – | (1,292) |
| Total revenue, net of reinsurance | 3,331 | 792 | 846 | 4,354 | 2,125 | 350 | (106) | 11,692 | – | 11,692 |

| | Full year 2021 \$m | | | | | | | | | |
|--|--|-----------|----------|-----------|--------------------------|------------|---------------------------|---------------|---------------------------|---------|
| | Insurance operations ^{note (i)} | | | | | | | | | |
| | Hong Kong | Indonesia | Malaysia | Singapore | Growth markets and other | Eastspring | Inter-segment elimination | Total segment | Un-allocated to a segment | Total |
| Gross premiums earned | 10,032 | 1,724 | 1,900 | 6,246 | 4,315 | – | – | 24,217 | – | 24,217 |
| Outward reinsurance premiums | (1,557) | (43) | (47) | (137) | (60) | – | – | (1,844) | – | (1,844) |
| Earned premiums, net of reinsurance | 8,475 | 1,681 | 1,853 | 6,109 | 4,255 | – | – | 22,373 | – | 22,373 |
| Other income ^{note (ii)} | 52 | 12 | – | 22 | 117 | 437 | – | 640 | 1 | 641 |
| Total external revenue | 8,527 | 1,693 | 1,853 | 6,131 | 4,372 | 437 | – | 23,013 | 1 | 23,014 |
| Intra-group revenue | – | – | – | – | 1 | 217 | (218) | – | – | – |
| Interest income | 934 | 87 | 220 | 707 | 618 | 3 | – | 2,569 | 1 | 2,570 |
| Dividend and other investment income | 679 | 74 | 160 | 506 | 86 | – | – | 1,505 | 19 | 1,524 |
| Investment appreciation (depreciation) | 57 | 34 | (300) | (29) | (361) | 8 | – | (591) | (17) | (608) |
| Total revenue, net of reinsurance | 10,197 | 1,888 | 1,933 | 7,315 | 4,716 | 665 | (218) | 26,496 | 4 | 26,500 |

Notes

- (i) CPL, Prudential's life business in the Chinese Mainland, is a 50/50 joint venture with CITIC and is accounted for using the equity method under IFRS. The Group's share of its results is presented in a single line within the Group's profit before tax on a net of related tax basis and therefore not shown in the analysis of revenue line items above. Revenue from external customers of CPL (Prudential's share) in half year 2022 is \$1,605 million (half year 2021: \$1,307 million; full year 2021: \$3,052 million).
- (ii) Other income comprises income from external customers and consists primarily of revenue from the Group's asset management business of \$181 million (half year 2021: \$234 million; full year 2021: \$437 million). The remaining other income consists primarily of policy fee revenue from external customers and asset management rebate revenue from external fund managers.

B1.4 Additional segmental analysis of profit after tax

| | 2022 \$m | 2021 \$m | |
|--|------------|--------------|--------------|
| | Half year | Half year | Full year |
| CPL | (28) | 148 | 278 |
| Hong Kong | (613) | 441 | 1,068 |
| Indonesia | 131 | 179 | 362 |
| Malaysia | 119 | 135 | 265 |
| Singapore | 63 | 141 | 394 |
| Growth markets and other ^{note (i)} | 617 | 330 | 434 |
| Eastspring | 117 | 147 | 284 |
| Total segment | 406 | 1,521 | 3,085 |
| Unallocated to a segment (central operations) ^{note (ii)} | (300) | (451) | (871) |
| Total profit after tax from continuing operations | 106 | 1,070 | 2,214 |

Notes

- (i) The Growth markets and other segment comprises all other Asia and Africa insurance businesses alongside other amounts that are not included in the segment profit of an individual business unit including tax on life joint ventures and associates and other items that are not representative of the underlying segment trading for the period, in line with the presentation used by management when assessing the performance of the underlying segments internally.
- (ii) Comprising other income and expenditure of \$(214) million (half year 2021: \$(321) million; full year 2021: \$(605) million) attributable to the head office functions in London and Hong Kong and \$(154) million (half year 2021: \$(77) million; full year 2021: \$(185) million) of restructuring and IFRS 17 implementation costs as shown in note B1.1, \$7 million (half year 2021: \$(4) million; full year 2021: \$(25) million) of short-term fluctuations on investment returns, \$62 million (half year 2021: \$(56) million; full year 2021: \$(35) million) from corporate transactions as shown in note D1.1 and related tax of \$(1) million (half year 2021: \$7 million; full year 2021: \$(21) million).

B2 Acquisition costs and other expenditure

| | 2022 \$m | 2021 \$m | |
|--|----------------|----------------|----------------|
| | Half year | Half year | Full year |
| Acquisition costs incurred for insurance policies | (1,120) | (1,026) | (2,089) |
| Acquisition costs deferred | 426 | 373 | 848 |
| Amortisation of acquisition costs | (249) | (186) | (343) |
| Administration costs and other expenditure (net of other reinsurance commission) ^{note} | (1,572) | (1,542) | (3,128) |
| Movements in amounts attributable to external unit holders of consolidated investment funds | 883 | (21) | 152 |
| Total acquisition costs and other expenditure from continuing operations | (1,632) | (2,402) | (4,560) |

Note

Included in total administration costs and other expenditure is depreciation of property, plant and equipment of \$(71) million (half year 2021: \$(85) million; full year 2021: \$(169) million), of which \$(53) million (half year 2021: \$(62) million; full year 2021: \$(123) million) relates to the right-of-use assets recognised under IFRS 16 and interest on the IFRS 16 lease liabilities of \$(5) million (half year 2021: \$(6) million; full year 2021: \$(13) million).

B3 Tax charge

B3.1 Total tax charge by nature

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

| | 2022 \$m | 2021 \$m | |
|--|-------------|--------------|--------------|
| | Half year | Half year | Full year |
| Continuing operations: | | | |
| Attributable to shareholders: | | | |
| Hong Kong | (29) | (16) | (40) |
| Indonesia | (38) | (45) | (74) |
| Malaysia | (35) | (28) | (71) |
| Singapore | (3) | (23) | (67) |
| Growth markets and other | (74) | (73) | (159) |
| Eastspring | (14) | (15) | (30) |
| Total segment | (193) | (200) | (441) |
| Unallocated to a segment (central operations) | (1) | 7 | (21) |
| Tax charge attributable to shareholders | (194) | (193) | (462) |
| Attributable to policyholders: | | | |
| Hong Kong | (30) | (40) | (79) |
| Indonesia | 5 | (2) | 4 |
| Malaysia | (4) | (2) | (2) |
| Singapore | 155 | (194) | (261) |
| Growth markets and other | — | — | (4) |
| Tax credit (charge) attributable to policyholders | 126 | (238) | (342) |
| Total tax charge from continuing operations | (68) | (431) | (804) |
| Analysed by: | | | |
| Current tax | (255) | (189) | (399) |
| Deferred tax | 187 | (242) | (405) |
| Total tax charge from continuing operations | (68) | (431) | (804) |

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

The reconciliation of the expected to actual tax charge attributable to shareholders is provided in B3.2 below. The tax credit (charge) attributable to policyholders of \$126 million (half year 2021: \$(238) million; full year 2021: \$(342) million) above is equal to the profit before tax attributable to policyholders. This is the result of accounting for policyholder income after the deduction of expenses and movement in unallocated surpluses on an after-tax basis.

B3.2 Reconciliation of shareholder effective tax rate

In the reconciliation below, the expected tax rate reflects the corporation tax rates that are expected to apply to the taxable profit or loss of the continuing operations. It reflects the corporation tax rates of each jurisdiction weighted by reference to the amount of profit or loss contributing to the aggregate result from continuing operations.

| | 2022 | | 2021 | | | |
|--|---|-------------------------------|---|-------------------------------|---|-------------------------------|
| | Half year | | Half year | | Full year | |
| | Tax attributable to shareholders \$m | Percentage impact on ETR % | Tax attributable to shareholders \$m | Percentage impact on ETR % | Tax attributable to shareholders \$m | Percentage impact on ETR % |
| Continuing operations | | | | | | |
| Adjusted operating profit | 1,661 | | 1,571 | | 3,233 | |
| Non-operating result ^{note (i)} | (1,361) | | (308) | | (557) | |
| Profit before tax | 300 | | 1,263 | | 2,676 | |
| Tax charge at the expected rate | (65) | 22% | (259) | 21% | (539) | 20% |
| Effects of recurring tax reconciliation items: | | | | | | |
| Income not taxable or taxable at concessionary rates ^{note (ii)} | 47 | (16)% | 33 | (3)% | 63 | (2)% |
| Deductions not allowable for tax purposes ^{note (iii)} | (135) | 45% | (34) | 3% | (92) | 3% |
| Items related to taxation of life insurance businesses ^{note (iv)} | 49 | (16)% | 71 | (6)% | 177 | (7)% |
| Deferred tax adjustments including unrecognised tax losses ^{note (v)} | (48) | 16% | (70) | 5% | (111) | 4% |
| Effect of results of joint ventures and associates ^{note (vi)} | 2 | (1)% | 37 | (3)% | 80 | (3)% |
| Irrecoverable withholding taxes ^{note (vii)} | (30) | 10% | (35) | 3% | (60) | 2% |
| Other | (12) | 4% | 2 | 0% | (8) | 1% |
| Total (charge) credit on recurring items | (127) | 42% | 4 | (1)% | 49 | (2)% |
| Effects of non-recurring tax reconciliation items: | | | | | | |
| Adjustments to tax charge in relation to prior years | (1) | 1% | 6 | 0% | (11) | 0% |
| Movements in provisions for open tax matters ^{note (viii)} | (1) | 0% | 59 | (5)% | 47 | (2)% |
| Impact of changes in local statutory tax rates | – | 0% | 8 | (1)% | 6 | 0% |
| Adjustments in relation to business disposals and corporate transactions | – | 0% | (11) | 1% | (14) | 1% |
| Total (charge) credit on non-recurring items | (2) | 1% | 62 | (5)% | 28 | (1)% |
| Total actual tax charge | (194) | 65% | (193) | 15% | (462) | 17% |
| Analysed into: | | | | | | |
| Tax on adjusted operating profit | (314) | | (222) | | (548) | |
| Tax on non-operating result ^{note (i)} | 120 | | 29 | | 86 | |
| Actual tax rate on: | | | | | | |
| Adjusted operating profit: | | | | | | |
| Including non-recurring tax reconciling items ^{note (ix)} | 19% | | 14% | | 17% | |
| Excluding non-recurring tax reconciling items | 19% | | 19% | | 18% | |
| Total profit ^{note (ix)} | 65% | | 15% | | 17% | |

Notes

- 'Non-operating result' is used to refer to items excluded from adjusted operating profit and includes short-term investment fluctuations in investment returns on shareholder-backed business, corporate transactions and amortisation of acquisition accounting adjustments.
- Income not taxable or taxable at concessionary rates primarily relates to non-taxable investment income in Singapore and Malaysia.
- Deductions not allowable for tax purposes primarily relates to non-deductible investment losses in Growth markets.
- Items related to taxation of life insurance businesses primarily relates to Hong Kong where the taxable profit is computed as 5 per cent of net insurance premiums.
- The unrecognised tax losses reconciling amount reflects losses arising where it is unlikely that relief for the losses will be available in future periods.
- Profit before tax includes Prudential's share of profit after tax from the joint ventures and associates. Therefore, the actual tax charge does not include tax arising from profit or loss of joint ventures and associates and is reflected as a reconciling item.
- The Group incurs withholding tax on remittances received from certain jurisdictions and on certain investment income. Where these withholding taxes cannot be offset against corporate income tax or otherwise recovered, they represent a cost to the Group. Irrecoverable withholding tax on remittances is included in Other operations and is not allocated to any segment. Irrecoverable withholding tax on investment income is included in the relevant segment where the investment income is reflected.
- The statement of financial position contains the following provisions in relation to open tax matters.

| | Half year 2022 \$m |
|--|--------------------|
| Balance at beginning of period | 42 |
| Movements in the current period included in tax charge attributable to shareholders | 1 |
| Provisions utilised in the period | – |
| Other movements (including interest arising on open tax matters and amounts included in the Group's share of profits from joint ventures and associates, net of related tax) | – |
| Balance at end of period | 43 |

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

| | Half year 2022 % | | | | | | | |
|---------------------------------------|------------------|-----------|----------|-----------|--------------------------|------------|------------------|------------------------------------|
| | Hong Kong | Indonesia | Malaysia | Singapore | Growth markets and other | Eastspring | Other operations | Total attributable to shareholders |
| Tax rate on adjusted operating profit | 6% | 22% | 23% | 14% | 25% | 11% | 0% | 19% |
| Tax rate on profit before tax | (5)% | 22% | 23% | 5% | 11% | 11% | 0% | 65% |
| | Half year 2021 % | | | | | | | |
| | Hong Kong | Indonesia | Malaysia | Singapore | Growth markets and other | Eastspring | Other operations | Total attributable to shareholders |
| Tax rate on adjusted operating profit | 4% | 20% | 18% | 16% | 14% | 9% | 2% | 14% |
| Tax rate on profit before tax | 4% | 20% | 17% | 14% | 18% | 9% | 2% | 15% |
| | Full year 2021 % | | | | | | | |
| | Hong Kong | Indonesia | Malaysia | Singapore | Growth markets and other | Eastspring | Other operations | Total attributable to shareholders |
| Tax rate on adjusted operating profit | 5% | 17% | 21% | 15% | 22% | 10% | (3)% | 17% |
| Tax rate on profit before tax | 4% | 17% | 21% | 15% | 27% | 10% | (2)% | 17% |

B4 Earnings per share

| Half year 2022 | | | | | | |
|--|-------------------|------------|----------------------------------|---|-----------------------------------|-------------------------------------|
| | Before tax \$m | Tax \$m | Non-controlling interests \$m | Net of tax and non-controlling interests \$m | Basic earnings per share cents | Diluted earnings per share cents |
| Based on adjusted operating profit | 1,661 | (314) | (4) | 1,343 | 49.2¢ | 49.2¢ |
| Short-term fluctuations in investment returns on shareholder-backed business | (1,383) | 118 | 2 | (1,263) | (46.2)¢ | (46.2)¢ |
| Amortisation of acquisition accounting adjustments | (5) | - | - | (5) | (0.2)¢ | (0.2)¢ |
| Gain attaching to corporate transactions | 27 | 2 | - | 29 | 1.0¢ | 1.0¢ |
| Based on profit for the period | 300 | (194) | (2) | 104 | 3.8¢ | 3.8¢ |

| Half year 2021 | | | | | | |
|--|-------------------|------------|----------------------------------|---|-----------------------------------|-------------------------------------|
| | Before tax \$m | Tax \$m | Non-controlling interests \$m | Net of tax and non-controlling interests \$m | Basic earnings per share cents | Diluted earnings per share cents |
| Based on adjusted operating profit | 1,571 | (222) | (7) | 1,342 | 51.6¢ | 51.6¢ |
| Short-term fluctuations in investment returns on shareholder-backed business | (212) | 26 | - | (186) | (7.2)¢ | (7.2)¢ |
| Amortisation of acquisition accounting adjustments | (2) | - | - | (2) | (0.1)¢ | (0.1)¢ |
| Loss attaching to corporate transactions | (94) | 3 | - | (91) | (3.4)¢ | (3.4)¢ |
| Based on profit from continuing operations | 1,263 | (193) | (7) | 1,063 | 40.9¢ | 40.9¢ |
| Based on loss from discontinued US operations | | | | (5,073) | (195.1)¢ | (195.1)¢ |
| Based on loss for the period | | | | (4,010) | (154.2)¢ | (154.2)¢ |

| Full year 2021 | | | | | | |
|--|-------------------|------------|----------------------------------|---|-----------------------------------|-------------------------------------|
| | Before tax \$m | Tax \$m | Non-controlling interests \$m | Net of tax and non-controlling interests \$m | Basic earnings per share cents | Diluted earnings per share cents |
| Based on adjusted operating profit | 3,233 | (548) | (17) | 2,668 | 101.5¢ | 101.5¢ |
| Short-term fluctuations in investment returns on shareholder-backed business | (458) | 81 | (5) | (382) | (14.5)¢ | (14.5)¢ |
| Amortisation of acquisition accounting adjustments | (5) | - | - | (5) | (0.2)¢ | (0.2)¢ |
| Loss attaching to corporate transactions | (94) | 5 | - | (89) | (3.4)¢ | (3.4)¢ |
| Based on profit from continuing operations | 2,676 | (462) | (22) | 2,192 | 83.4¢ | 83.4¢ |
| Based on loss from discontinued US operations | | | | (4,234) | (161.1)¢ | (161.1)¢ |
| Based on loss for the year | | | | (2,042) | (77.7)¢ | (77.7)¢ |

Basic earnings per share are calculated based on earnings attributable to ordinary shareholders, after related tax and non-controlling interests, divided by the weighted average number of ordinary shares outstanding during the period, excluding those held in employee share trusts, which are treated as cancelled. For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's only class of potentially

dilutive ordinary shares are those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period. No adjustment is made if the impact is anti-dilutive overall.

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

| Number of shares (in millions) | 2022 | 2021 | |
|---|-----------|-----------|-----------|
| | Half year | Half year | Full year |
| Weighted average number of shares for calculation of basic earnings per share | 2,736 | 2,601 | 2,628 |
| Shares under option at end of period | – | 2 | 2 |
| Shares that would have been issued at fair value on assumed option price at end of period | – | (2) | (2) |
| Weighted average number of shares for calculation of diluted earnings per share | 2,736 | 2,601 | 2,628 |

B5 Dividends

| | Half year 2022 | | Half year 2021 | | Full year 2021 | |
|---|-----------------|-----|-----------------|-----|-----------------|-----|
| | Cents per share | \$m | Cents per share | \$m | Cents per share | \$m |
| Dividends relating to reporting period: | | | | | | |
| First interim ordinary dividend | 5.74¢ | 158 | 5.37¢ | 140 | 5.37¢ | 140 |
| Second interim ordinary dividend | – | – | – | – | 11.86¢ | 326 |
| Total relating to reporting period | 5.74¢ | 158 | 5.37¢ | 140 | 17.23¢ | 466 |
| Dividends paid in reporting period: | | | | | | |
| Current year first interim ordinary dividend | – | – | – | – | 5.37¢ | 138 |
| Second interim ordinary dividend for prior year | 11.86¢ | 320 | 10.73¢ | 283 | 10.73¢ | 283 |
| Total paid in reporting period | 11.86¢ | 320 | 10.73¢ | 283 | 16.10¢ | 421 |

First and second interim dividends are recorded in the period in which they are paid. In addition to the dividends shown in the table above, on 13 September 2021, following approval by the Group's shareholders, Prudential plc demerged its US operations (Jackson) via a dividend in specie of \$1,735 million.

Dividend per share

On 27 September 2022, Prudential will pay a first interim ordinary dividend of 5.74 cents per ordinary share for the year ending 31 December 2022. The first interim dividend will be paid to shareholders included on the UK register at 6.00pm BST and to shareholders on the HK register at 4.30pm Hong Kong time on 19 August 2022 (Record Date) and also to the Holders of US American Depositary Receipts (ADRs) as at 19 August 2022. The first interim dividend will be paid on or about 4 October 2022 to shareholders with shares standing to the credit of their securities accounts with The Central Depository (Pte) Limited (CDP) at 5.00pm Singapore time on the Record Date. Shareholders holding shares on the UK or Hong Kong share registers will continue to receive their dividend payments in either GBP or HKD respectively, unless they elect otherwise. Shareholders holding shares on the UK or Hong Kong registers may elect to receive dividend payments in USD. Elections must be made through the relevant UK or Hong Kong share registrar on or before 5 September 2022 (UK) and 9 September 2022 (HK), respectively. The corresponding amounts per share in GBP and HKD are expected to be announced on or about 16 September 2022. The USD to GBP and HKD conversion rates will be determined by the actual rates achieved by Prudential buying those currencies prior to the subsequent announcement. Holders of ADRs will continue to receive their dividend payments in USD. Shareholders holding an interest in Prudential shares through CDP in Singapore will continue to receive their dividend payments in SGD at an exchange rate determined by CDP.

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

C Financial position

C1 Group assets and liabilities by business type

The analysis below is structured to show the investments and other assets and liabilities of the Group by reference to the differing degrees of policyholder and shareholder economic interest of the different types of business.

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

The Group uses the middle of the Standard & Poor's, Moody's and Fitch ratings, where available. Where ratings are not available from these rating agencies, local external rating agencies' ratings and lastly internal ratings have been used. Securities with none of the ratings listed above are classified as unrated and included under the 'below BBB- and unrated' category. The total securities (excluding sovereign debt) that were unrated at 30 June 2022 were \$1,056 million (30 June 2021: \$986 million; 31 December 2021: \$1,130 million). Additionally, government debt is shown separately from the rating breakdowns in order to provide a more focused view of the credit portfolio.

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

30 Jun 2022 \$m

| Asia and Africa | | | | | | | | | |
|--|------------------------------|-----------------------------|-------------------|------------|-------------------|---------|----------------------------------|---|----------------|
| Insurance | | | | | | | | | |
| | With- profits note (i) | Unit- linked note (i) | Other note (i) | Eastspring | Elimina- tions | Total | Unallo- cated to a segment | Elimination of intra-group debtors and creditors | Group total |
| Debt securities: | | | | | | | | | |
| Sovereign debt | | | | | | | | | |
| Indonesia | 496 | 614 | 445 | 9 | - | 1,564 | - | - | 1,564 |
| Singapore | 3,176 | 525 | 767 | 54 | - | 4,522 | - | - | 4,522 |
| Thailand | - | - | 1,222 | - | - | 1,222 | - | - | 1,222 |
| United Kingdom | - | 5 | - | - | - | 5 | - | - | 5 |
| United States | 20,961 | 22 | 3,262 | - | - | 24,245 | - | - | 24,245 |
| Vietnam | - | 13 | 2,813 | - | - | 2,826 | - | - | 2,826 |
| Other (predominantly Asia) | 1,940 | 709 | 3,334 | 27 | - | 6,010 | - | - | 6,010 |
| Subtotal | 26,573 | 1,888 | 11,843 | 90 | - | 40,394 | - | - | 40,394 |
| Other government bonds | | | | | | | | | |
| AAA | 1,361 | 77 | 131 | - | - | 1,569 | - | - | 1,569 |
| AA+ to AA- | 101 | 13 | 27 | - | - | 141 | - | - | 141 |
| A+ to A- | 757 | 125 | 257 | - | - | 1,139 | - | - | 1,139 |
| BBB+ to BBB- | 288 | 44 | 64 | - | - | 396 | - | - | 396 |
| Below BBB- and unrated | 234 | 20 | 424 | - | - | 678 | - | - | 678 |
| Subtotal ^{note (vi)} | 2,741 | 279 | 903 | - | - | 3,923 | - | - | 3,923 |
| Corporate bonds | | | | | | | | | |
| AAA | 1,055 | 171 | 392 | - | - | 1,618 | - | - | 1,618 |
| AA+ to AA- | 1,890 | 363 | 1,594 | - | - | 3,847 | - | - | 3,847 |
| A+ to A- | 7,020 | 529 | 4,129 | - | - | 11,678 | - | - | 11,678 |
| BBB+ to BBB- | 7,657 | 1,419 | 3,948 | 1 | - | 13,025 | - | - | 13,025 |
| Below BBB- and unrated | 2,507 | 424 | 1,395 | - | - | 4,326 | - | - | 4,326 |
| Subtotal ^{note (vi)} | 20,129 | 2,906 | 11,458 | 1 | - | 34,494 | - | - | 34,494 |
| Asset-backed securities | | | | | | | | | |
| AAA | 135 | 5 | 95 | - | - | 235 | - | - | 235 |
| AA+ to AA- | 6 | 1 | 4 | - | - | 11 | - | - | 11 |
| A+ to A- | 22 | - | 14 | - | - | 36 | - | - | 36 |
| BBB+ to BBB- | 14 | - | 8 | - | - | 22 | - | - | 22 |
| Below BBB- and unrated | 2 | 1 | 1 | - | - | 4 | - | - | 4 |
| Subtotal ^{note (vi)} | 179 | 7 | 122 | - | - | 308 | - | - | 308 |
| Total debt securities ^{note (ii)} | 49,622 | 5,080 | 24,326 | 91 | - | 79,119 | - | - | 79,119 |
| Loans: | | | | | | | | | |
| Mortgage loans | - | - | 141 | - | - | 141 | - | - | 141 |
| Policy loans | 1,392 | - | 378 | - | - | 1,770 | - | - | 1,770 |
| Other loans | 509 | - | 9 | - | - | 518 | - | - | 518 |
| Total loans | 1,901 | - | 528 | - | - | 2,429 | - | - | 2,429 |
| Equity securities and holdings in collective investment schemes: | | | | | | | | | |
| Direct equities | 11,344 | 11,305 | 2,088 | 60 | - | 24,797 | 325 | - | 25,122 |
| Collective investment schemes | 21,802 | 6,901 | 3,668 | 2 | - | 32,373 | 2 | - | 32,375 |
| Total equity securities and holdings in collective investment schemes | 33,146 | 18,206 | 5,756 | 62 | - | 57,170 | 327 | - | 57,497 |
| Other financial investments ^{note (iii)} | 1,164 | 377 | 2,427 | 96 | - | 4,064 | 880 | - | 4,944 |
| Total financial investments | 85,833 | 23,663 | 33,037 | 249 | - | 142,782 | 1,207 | - | 143,989 |
| Investment properties | - | - | 35 | - | - | 35 | - | - | 35 |
| Investments in joint ventures and associates accounted for using the equity method | - | - | 1,715 | 295 | - | 2,010 | - | - | 2,010 |
| Cash and cash equivalents | 785 | 768 | 1,977 | 149 | - | 3,679 | 2,736 | - | 6,415 |
| Reinsurers' share of insurance contract liabilities | 2 | - | 2,748 | - | - | 2,750 | - | - | 2,750 |
| Other assets ^{note (iv)} | 1,557 | 172 | 9,298 | 709 | (56) | 11,680 | 3,419 | (3,410) | 11,689 |
| Total assets | 88,177 | 24,603 | 48,810 | 1,402 | (56) | 162,936 | 7,362 | (3,410) | 166,888 |
| Shareholders' equity | - | - | 13,308 | 1,043 | - | 14,351 | 1,758 | - | 16,109 |
| Non-controlling interests | - | - | 42 | 121 | - | 163 | - | - | 163 |
| Total equity | - | - | 13,350 | 1,164 | - | 14,514 | 1,758 | - | 16,272 |
| Contract liabilities and unallocated surplus of with-profits funds | 78,981 | 23,037 | 26,079 | - | - | 128,097 | - | - | 128,097 |
| Core structural borrowings | - | - | - | - | - | - | 4,266 | - | 4,266 |
| Operational borrowings | 128 | 3 | 89 | 12 | - | 232 | 622 | - | 854 |
| Other liabilities ^{note (v)} | 9,068 | 1,563 | 9,292 | 226 | (56) | 20,093 | 716 | (3,410) | 17,399 |
| Total liabilities | 88,177 | 24,603 | 35,460 | 238 | (56) | 148,422 | 5,604 | (3,410) | 150,616 |
| Total equity and liabilities | 88,177 | 24,603 | 48,810 | 1,402 | (56) | 162,936 | 7,362 | (3,410) | 166,888 |

| 30 Jun 2021 3m | | | | | | | | | | |
|--|------------------------------|-----------------------------|-------------------|------------|-------------------|---------|---------------------------------|--------------------------------|---|----------------|
| Asia and Africa | | | | | | | | | | |
| Insurance | | | | | | | | | | |
| | With -profits note (i) | Unit- linked note (i) | Other note (i) | Eastspring | Elimina- tions | Total | US (discont'd) note (vii) | Unallocated to a segment | Elimina- tion of intra- group debtors and creditors | Group total |
| Debt securities: | | | | | | | | | | |
| Sovereign debt | | | | | | | | | | |
| Indonesia | 362 | 589 | 568 | 1 | – | 1,520 | – | – | – | 1,520 |
| Singapore | 3,673 | 587 | 939 | 78 | – | 5,277 | – | – | – | 5,277 |
| Thailand | – | – | 1,847 | 16 | – | 1,863 | – | – | – | 1,863 |
| United Kingdom | – | 7 | – | – | – | 7 | – | – | – | 7 |
| United States | 26,233 | 45 | 2,917 | – | – | 29,195 | – | – | – | 29,195 |
| Vietnam | – | 17 | 2,799 | – | – | 2,816 | – | – | – | 2,816 |
| Other (predominantly Asia) | 1,951 | 692 | 3,790 | 18 | – | 6,451 | – | – | – | 6,451 |
| Subtotal | 32,219 | 1,937 | 12,860 | 113 | – | 47,129 | – | – | – | 47,129 |
| Other government bonds | | | | | | | | | | |
| AAA | 1,630 | 83 | 276 | – | – | 1,989 | – | – | – | 1,989 |
| AA+ to AA- | 79 | 4 | 12 | – | – | 95 | – | – | – | 95 |
| A+ to A- | 641 | 115 | 298 | – | – | 1,054 | – | – | – | 1,054 |
| BBB+ to BBB- | 83 | 26 | 110 | – | – | 219 | – | – | – | 219 |
| Below BBB- and unrated | 85 | 13 | 369 | – | – | 467 | – | – | – | 467 |
| Subtotal ^{note(vi)} | 2,518 | 241 | 1,065 | – | – | 3,824 | – | – | – | 3,824 |
| Corporate bonds | | | | | | | | | | |
| AAA | 935 | 227 | 449 | – | – | 1,611 | – | – | – | 1,611 |
| AA+ to AA- | 1,950 | 393 | 1,777 | – | – | 4,120 | – | – | – | 4,120 |
| A+ to A- | 7,909 | 645 | 4,976 | – | – | 13,530 | – | – | – | 13,530 |
| BBB+ to BBB- | 9,324 | 1,281 | 4,938 | – | – | 15,543 | – | – | – | 15,543 |
| Below BBB- and unrated | 3,938 | 1,050 | 1,775 | 1 | – | 6,764 | – | – | – | 6,764 |
| Subtotal ^{note(vi)} | 24,056 | 3,596 | 13,915 | 1 | – | 41,568 | – | – | – | 41,568 |
| Asset-backed securities | | | | | | | | | | |
| AAA | 64 | 6 | 63 | – | – | 133 | – | – | – | 133 |
| AA+ to AA- | 1 | 1 | – | – | – | 2 | – | – | – | 2 |
| A+ to A- | 19 | – | 17 | – | – | 36 | – | – | – | 36 |
| BBB+ to BBB- | 16 | – | 10 | – | – | 26 | – | – | – | 26 |
| Below BBB- and unrated | 6 | 2 | 2 | – | – | 10 | – | – | – | 10 |
| Subtotal ^{note(vi)} | 106 | 9 | 92 | – | – | 207 | – | – | – | 207 |
| Total debt securities ^{note(iii)} | 58,899 | 5,783 | 27,932 | 114 | – | 92,728 | – | – | – | 92,728 |
| Loans: | | | | | | | | | | |
| Mortgage loans | – | – | 154 | – | – | 154 | – | – | – | 154 |
| Policy loans | 1,302 | – | 353 | – | – | 1,655 | – | – | – | 1,655 |
| Other loans | 618 | – | 13 | – | – | 631 | – | – | – | 631 |
| Total loans | 1,920 | – | 520 | – | – | 2,440 | – | – | – | 2,440 |
| Equity securities and holdings in collective investment schemes: | | | | | | | | | | |
| Direct equities | 10,506 | 13,007 | 2,541 | 85 | – | 26,139 | – | – | – | 26,139 |
| Collective investment schemes | 23,936 | 7,476 | 2,907 | 6 | – | 34,325 | – | 2 | – | 34,327 |
| Total equity securities and holdings in collective investment schemes | 34,442 | 20,483 | 5,448 | 91 | – | 60,464 | – | 2 | – | 60,466 |
| Other financial investments ^{note (iii)} | 1,140 | 195 | 2,373 | 93 | – | 3,801 | – | 28 | – | 3,829 |
| Total financial investments | 96,401 | 26,461 | 36,273 | 298 | – | 159,433 | – | 30 | – | 159,463 |
| Investment properties | – | – | 39 | – | – | 39 | – | – | – | 39 |
| Investments in joint ventures and associates accounted for using the equity method | – | – | 1,771 | 285 | – | 2,056 | – | – | – | 2,056 |
| Cash and cash equivalents | 945 | 1,000 | 1,406 | 177 | – | 3,528 | – | 2,767 | – | 6,295 |
| Reinsurers' share of insurance contract liabilities | 221 | – | 9,670 | – | – | 9,891 | – | – | – | 9,891 |
| Other assets ^{note (iv)} | 1,663 | 284 | 8,643 | 795 | (67) | 11,318 | – | 3,598 | (3,289) | 11,627 |
| Assets held for distribution ^{note (vii)} | – | – | – | – | – | – | 335,760 | – | (10) | 335,750 |
| Total assets | 99,230 | 27,745 | 57,802 | 1,555 | (67) | 186,265 | 335,760 | 6,395 | (3,299) | 525,121 |
| Shareholders' equity | – | – | 13,287 | 1,079 | – | 14,366 | 2,667 | (1,320) | – | 15,713 |
| Non-controlling interests | – | – | 40 | 137 | – | 177 | 333 | – | – | 510 |
| Total equity | – | – | 13,327 | 1,216 | – | 14,543 | 3,000 | (1,320) | – | 16,223 |
| Contract liabilities and unallocated surplus of with-profits funds | | | | | | | | | | |
| Core structural borrowings | 89,243 | 25,615 | 36,224 | – | – | 151,082 | – | – | – | 151,082 |
| Operational borrowings | – | – | – | – | – | – | – | 6,404 | – | 6,404 |
| Other liabilities ^{note (v)} | 156 | – | 107 | 21 | – | 284 | – | 611 | – | 895 |
| Liabilities held for distribution ^{note (vii)} | 9,831 | 2,130 | 8,144 | 318 | (67) | 20,356 | – | 700 | (3,299) | 17,757 |
| Total liabilities | – | – | – | – | – | – | 332,760 | – | – | 332,760 |
| Total equity and liabilities | 99,230 | 27,745 | 57,802 | 339 | (67) | 171,722 | 332,760 | 7,715 | (3,299) | 508,898 |
| | 99,230 | 27,745 | 57,802 | 1,555 | (67) | 186,265 | 335,760 | 6,395 | (3,299) | 525,121 |

| Asia and Africa | | | | | | | | | |
|--|------------------------------|-----------------------------|-------------------|------------|-------------------|---------|--------------------------------|---|----------------|
| Insurance | | | | | | | | | |
| | With -profits note (i) | Unit- linked note (i) | Other note (i) | Eastspring | Elimina- tions | Total | Unallocated to a segment | Elimination of intra-group debtors and creditors | Group total |
| Debt securities: | | | | | | | | | |
| Sovereign debt | | | | | | | | | |
| Indonesia | 414 | 598 | 609 | 11 | – | 1,632 | – | – | 1,632 |
| Singapore | 3,684 | 550 | 1,068 | 126 | – | 5,428 | – | – | 5,428 |
| Thailand | – | – | 1,577 | 3 | – | 1,580 | – | – | 1,580 |
| United Kingdom | – | 7 | – | – | – | 7 | 226 | – | 233 |
| United States | 28,552 | 47 | 3,525 | – | – | 32,124 | – | – | 32,124 |
| Vietnam | – | 20 | 3,022 | – | – | 3,042 | – | – | 3,042 |
| Other (predominantly Asia) | 2,030 | 720 | 4,001 | 21 | – | 6,772 | – | – | 6,772 |
| Subtotal | 34,680 | 1,942 | 13,802 | 161 | – | 50,585 | 226 | – | 50,811 |
| Other government bonds | | | | | | | | | |
| AAA | 1,472 | 86 | 246 | – | – | 1,804 | – | – | 1,804 |
| AA+ to AA- | 45 | 2 | 12 | – | – | 59 | – | – | 59 |
| A+ to A- | 667 | 119 | 304 | – | – | 1,090 | – | – | 1,090 |
| BBB+ to BBB- | 121 | 16 | 116 | – | – | 253 | – | – | 253 |
| Below BBB- and unrated | 204 | 15 | 450 | – | – | 669 | – | – | 669 |
| Subtotal ^{note(vi)} | 2,509 | 238 | 1,128 | – | – | 3,875 | – | – | 3,875 |
| Corporate bonds | | | | | | | | | |
| AAA | 1,222 | 236 | 411 | – | – | 1,869 | – | – | 1,869 |
| AA+ to AA- | 2,203 | 359 | 1,858 | – | – | 4,420 | – | – | 4,420 |
| A+ to A- | 9,046 | 675 | 5,294 | – | – | 15,015 | – | – | 15,015 |
| BBB+ to BBB- | 9,523 | 1,711 | 5,105 | – | – | 16,339 | – | – | 16,339 |
| Below BBB- and unrated | 4,009 | 678 | 1,827 | – | – | 6,514 | – | – | 6,514 |
| Subtotal ^{note(vi)} | 26,003 | 3,659 | 14,495 | – | – | 44,157 | – | – | 44,157 |
| Asset-backed securities | | | | | | | | | |
| AAA | 88 | 6 | 74 | – | – | 168 | – | – | 168 |
| AA+ to AA- | 6 | 1 | 4 | – | – | 11 | – | – | 11 |
| A+ to A- | 26 | – | 17 | – | – | 43 | – | – | 43 |
| BBB+ to BBB- | 15 | – | 9 | – | – | 24 | – | – | 24 |
| Below BBB- and unrated | 2 | 2 | 1 | – | – | 5 | – | – | 5 |
| Subtotal ^{note(vi)} | 137 | 9 | 105 | – | – | 251 | – | – | 251 |
| Total debt securities ^{note (ii)} | 63,329 | 5,848 | 29,530 | 161 | – | 98,868 | 226 | – | 99,094 |
| Loans: | | | | | | | | | |
| Mortgage loans | – | – | 150 | – | – | 150 | – | – | 150 |
| Policy loans | 1,365 | – | 368 | – | – | 1,733 | – | – | 1,733 |
| Other loans | 668 | – | 11 | – | – | 679 | – | – | 679 |
| Total loans | 2,033 | – | 529 | – | – | 2,562 | – | – | 2,562 |
| Equity securities and holdings in collective investment schemes: | | | | | | | | | |
| Direct equities | 10,290 | 12,812 | 2,286 | 84 | – | 25,472 | 683 | – | 26,155 |
| Collective investment schemes | 23,950 | 7,704 | 3,787 | 3 | – | 35,444 | 2 | – | 35,446 |
| Total equity securities and holdings in collective investment schemes | 34,240 | 20,516 | 6,073 | 87 | – | 60,916 | 685 | – | 61,601 |
| Other financial investments ^{note (iii)} | 1,561 | 149 | 2,318 | 106 | – | 4,134 | 1,088 | – | 5,222 |
| Total financial investments | 101,163 | 26,513 | 38,450 | 354 | – | 166,480 | 1,999 | – | 168,479 |
| Investment properties | – | – | 38 | – | – | 38 | – | – | 38 |
| Investments in joint ventures and associates accounted for using the equity method | – | – | 1,878 | 305 | – | 2,183 | – | – | 2,183 |
| Cash and cash equivalents | 905 | 911 | 1,444 | 181 | – | 3,441 | 3,729 | – | 7,170 |
| Reinsurers' share of insurance contract liabilities | 225 | – | 9,528 | – | – | 9,753 | – | – | 9,753 |
| Other assets ^{note (iv)} | 1,184 | 166 | 9,191 | 759 | (51) | 11,249 | 3,608 | (3,378) | 11,479 |
| Total assets | 103,477 | 27,590 | 60,529 | 1,599 | (51) | 193,144 | 9,336 | (3,378) | 199,102 |
| Shareholders' equity | – | – | 14,289 | 1,120 | – | 15,409 | 1,679 | – | 17,088 |
| Non-controlling interests | – | – | 45 | 131 | – | 176 | – | – | 176 |
| Total equity | – | – | 14,334 | 1,251 | – | 15,585 | 1,679 | – | 17,264 |
| Contract liabilities and unallocated surplus of with-profits funds | 94,002 | 25,651 | 37,646 | – | – | 157,299 | – | – | 157,299 |
| Core structural borrowings | – | – | – | – | – | – | 6,127 | – | 6,127 |
| Operational borrowings | 142 | – | 106 | 18 | – | 266 | 595 | – | 861 |
| Other liabilities ^{note (v)} | 9,333 | 1,939 | 8,443 | 330 | (51) | 19,994 | 935 | (3,378) | 17,551 |
| Total liabilities | 103,477 | 27,590 | 46,195 | 348 | (51) | 177,559 | 7,657 | (3,378) | 181,838 |
| Total equity and liabilities | 103,477 | 27,590 | 60,529 | 1,599 | (51) | 193,144 | 9,336 | (3,378) | 199,102 |

Notes

- (i) 'With-profits' comprises the with-profits assets and liabilities of the Hong Kong, Malaysia and Singapore operations. 'Unit-linked' comprises the assets and liabilities held in the unit-linked funds. 'Other' includes assets and liabilities of other participating business and other non-linked shareholder-backed business.
- (ii) Of the Group's debt securities, the following amounts were held by the consolidated investment funds:

| | 2022 \$m | 2021 \$m | |
|---|----------|----------|--------|
| | 30 Jun | 30 Jun | 31 Dec |
| Continuing operations: | | | |
| Debt securities held by consolidated investment funds | 12,090 | 14,791 | 15,076 |

- (iii) Other financial investments comprise derivative assets and deposits.
- (iv) Of total 'Other assets' at 30 June 2022, there are:
- Property, plant and equipment (PPE) of \$405 million (30 June 2021: \$525 million; 31 December 2021: \$478 million). During half year 2022, the Group made additions of \$26 million of PPE (half year 2021: \$24 million; full year 2021: \$95 million), of which \$12 million relates to right-of-use assets (half year 2021: \$5 million; full year 2021: \$59 million).
 - Premiums receivable of \$718 million (30 June 2021: \$758 million; 31 December 2021: \$912 million), of which \$688 million (30 June 2021: \$715 million; 31 December 2021: \$872 million) are due within one year.
- (v) Within 'Other liabilities' at 30 June 2022 are accruals, deferred income and other liabilities of \$8,103 million (30 June 2021: \$8,017 million; 31 December 2021: \$7,983 million), of which \$5,737 million (30 June 2021: \$7,133 million; 31 December 2021: \$5,972 million) are due within one year.
- (vi) The credit ratings, information or data contained in this report which are attributed and specifically provided by Standard & Poor's, Moody's and Fitch Solutions and their respective affiliates and suppliers ('Content Providers') is referred to here as the 'Content'. Reproduction of any Content in any form is prohibited except with the prior written permission of the relevant party. The Content Providers do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. The Content Providers expressly disclaim liability for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold any such investment or security, nor does it address the suitability of an investment or security and should not be relied on as investment advice.
- (vii) Assets and liabilities held for distribution at 30 June 2021 related to the Group's US operations (Jackson) which were classified as discontinued operations in half year 2021 and demerged in September 2021, as discussed in note D1.2. The condensed consolidated statement of financial position at 30 June 2021 has been presented after the elimination of all intragroup balances between the continuing and discontinued US operations.

C2 Fair value measurement

C2.1 Determination of fair value

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

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

Other than the loans which have been designated at fair value through profit or loss, the carrying value of loans and receivables is presented net of provisions for impairment. The fair value of loans is estimated from discounted cash flows expected to be received. The discount rate used is updated for the market rate of interest where applicable.

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

The fair value of financial liabilities (other than subordinated debt, senior debt and derivative financial instruments) is determined using discounted cash flows of the amounts expected to be paid.

Valuation approach for level 2 fair valued assets and liabilities

A significant proportion of the Group's level 2 assets are corporate bonds, structured securities and other non-national government debt securities. These assets, in line with market practice, are generally valued using a designated independent pricing service or quote from third-party brokers. These valuations are subject to a number of monitoring controls, such as comparison to multiple pricing sources where available, monthly price variances, stale price reviews and variance analysis on prices achieved on subsequent trades. For further detail on the valuation approach for level 2 fair valued assets and liabilities, refer to note C2.1 of the Group IFRS financial statements for the year ended 31 December 2021.

Valuation approach for level 3 fair valued assets and liabilities

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

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

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

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

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

All assets and liabilities held at fair value are classified as fair value through profit or loss at 30 June 2022, except for \$325 million of financial assets classified as available-for-sale (30 June 2021: nil; 31 December 2021: \$909 million). In the current year all of this related to the Group's retained interest in Jackson's equity securities (30 June 2021: nil; 31 December 2021: \$683 million). All assets and liabilities held at fair value are measured on a recurring basis. As of 30 June 2022, the Group did not have any financial instruments that are measured at fair value on a non-recurring basis.

Financial instruments at fair value

| | 30 Jun 2022 \$m | | | Total |
|---|--|--|---|---------|
| | Level 1 | Level 2 | Level 3 | |
| | Quoted prices (unadjusted) in active markets | Valuation based on significant observable market inputs note (i) | Valuation based on significant unobservable market inputs note (ii) | |
| Loans | – | 471 | 4 | 475 |
| Equity securities and holdings in collective investment schemes | 49,727 | 7,193 | 577 | 57,497 |
| Debt securities | 57,125 | 21,954 | 40 | 79,119 |
| Derivative assets | 48 | 134 | – | 182 |
| Derivative liabilities | (461) | (310) | – | (771) |
| Total financial investments, net of derivative liabilities | 106,439 | 29,442 | 621 | 136,502 |
| Investment contract liabilities without discretionary participation features | – | (727) | – | (727) |
| Net asset value attributable to unit holders of consolidated investment funds | (4,546) | (3) | – | (4,549) |
| Total financial instruments at fair value | 101,893 | 28,712 | 621 | 131,226 |
| Percentage of total (%) | 78% | 22% | 0% | 100% |

Analysed by business type:

Financial investments, net of derivative liabilities at fair value:

| | | | | |
|--|---------|--------|-----|---------|
| With-profits | 66,775 | 15,612 | 503 | 82,890 |
| Unit-linked | 21,201 | 2,084 | 4 | 23,289 |
| Non-linked shareholder-backed business | 18,463 | 11,746 | 114 | 30,323 |
| Total financial investments net of derivative liabilities, at fair value | 106,439 | 29,442 | 621 | 136,502 |
| Percentage of total (%) | 78% | 22% | 0% | 100% |

| | | | | |
|--|----------------|---------------|------------|----------------|
| Total financial investments net of derivative liabilities, at fair value | 106,439 | 29,442 | 621 | 136,502 |
| Other financial liabilities at fair value | (4,546) | (730) | – | (5,276) |
| Total financial instruments at fair value | 101,893 | 28,712 | 621 | 131,226 |

| | 30 Jun 2021 \$m | | | Total |
|---|--|--|---|---------|
| | Level 1 | Level 2 | Level 3 | |
| | Quoted prices (unadjusted) in active markets | Valuation based on significant observable market inputs note (i) | Valuation based on significant unobservable market inputs note (ii) | |
| Continuing operations: | | | | |
| Loans | – | 560 | 5 | 565 |
| Equity securities and holdings in collective investment schemes | 52,299 | 7,695 | 472 | 60,466 |
| Debt securities | 75,221 | 17,475 | 32 | 92,728 |
| Derivative assets | 391 | 94 | – | 485 |
| Derivative liabilities | (192) | (220) | – | (412) |
| Total financial investments, net of derivative liabilities | 127,719 | 25,604 | 509 | 153,832 |
| Investment contract liabilities without discretionary participation features | – | (825) | – | (825) |
| Net asset value attributable to unit holders of consolidated investment funds | (5,770) | – | – | (5,770) |
| Total financial instruments at fair value | 121,949 | 24,779 | 509 | 147,237 |
| Percentage of total (%) | 83% | 17% | 0% | 100% |

Analysed by business type:

Financial investments net of derivative liabilities, at fair value

| | | | | |
|--|---------|--------|-----|---------|
| With-profits | 80,526 | 12,874 | 415 | 93,815 |
| Unit-linked | 25,279 | 985 | – | 26,264 |
| Non-linked shareholder-backed business | 21,914 | 11,745 | 94 | 33,753 |
| Total financial investments net of derivative liabilities, at fair value | 127,719 | 25,604 | 509 | 153,832 |
| Percentage of total (%) | 83% | 17% | 0% | 100% |

| | | | | |
|--|----------------|---------------|------------|----------------|
| Total financial investments net of derivative liabilities, at fair value | 127,719 | 25,604 | 509 | 153,832 |
| Other financial liabilities at fair value | (5,770) | (825) | – | (6,595) |
| Total financial instruments at fair value | 121,949 | 24,779 | 509 | 147,237 |

| | 31 Dec 2021 \$m | | | |
|---|---|---|--|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| | Quoted prices (unadjusted) in active markets | Valuation based on significant observable market inputs note (i) | Valuation based on significant unobservable market inputs note (ii) | |
| Loans | – | 616 | 5 | 621 |
| Equity securities and holdings in collective investment schemes | 54,107 | 6,917 | 577 | 61,601 |
| Debt securities | 76,049 | 22,987 | 58 | 99,094 |
| Derivative assets | 359 | 122 | – | 481 |
| Derivative liabilities | (146) | (116) | – | (262) |
| Total financial investments, net of derivative liabilities | 130,369 | 30,526 | 640 | 161,535 |
| Investment contract liabilities without discretionary participation features | – | (814) | – | (814) |
| Net asset value attributable to unit holders of consolidated investment funds | (5,618) | (46) | – | (5,664) |
| Total financial instruments at fair value | 124,751 | 29,666 | 640 | 155,057 |
| Percentage of total (%) | 81% | 19% | 0% | 100% |

Analysed by business type:

| | | | | |
|--|----------------|---------------|------------|----------------|
| Financial investments net of derivative liabilities, at fair value | | | | |
| With-profits | 82,489 | 15,438 | 506 | 98,433 |
| Unit-linked | 24,024 | 2,343 | 5 | 26,372 |
| Non-linked shareholder-backed business | 23,856 | 12,745 | 129 | 36,730 |
| Total financial investments net of derivative liabilities, at fair value | 130,369 | 30,526 | 640 | 161,535 |
| Percentage of total (%) | 81% | 19% | 0% | 100% |
| Total financial investments net of derivative liabilities, at fair value | 130,369 | 30,526 | 640 | 161,535 |
| Other financial liabilities at fair value | (5,618) | (860) | – | (6,478) |
| Total financial instruments at fair value | 124,751 | 29,666 | 640 | 155,057 |

Notes

- (i) Of the total level 2 debt securities of \$21,954 million at 30 June 2022, (30 June 2021: \$17,475 million; 31 December 2021: \$22,987 million), \$33 million (30 June 2021: \$163 million; 31 December 2021: \$24 million) are valued internally.
- (ii) At 30 June 2022, the Group held \$621 million (30 June 2021: \$509 million; 31 December 2021: \$640 million) of net financial instruments at fair value within level 3. This represents less than 0.5 per cent of the total fair valued financial assets, net of financial liabilities, for all periods and comprises the following:
- Equity securities and holdings in collective investment schemes of \$577 million (30 June 2021: \$472 million; 31 December 2021: \$577 million) consisting primarily of property and infrastructure funds held by the participating funds, which are externally valued using the net asset value of the invested entities. Equity securities of \$1 million (30 June 2021: \$4 million; 31 December 2021: \$1 million) are internally valued, representing less than 0.1 per cent for all periods of the total fair valued financial assets net of financial liabilities. Internal valuations are inherently more subjective than external valuations; and
 - Other sundry individual financial instruments of a net asset of \$44 million (30 June 2021: \$37 million; 31 December 2021: \$63 million).

Of the net financial instruments of \$621 million at 30 June 2022 (30 June 2021: \$509 million; 31 December 2021: \$640 million) referred to above:

- A net asset of \$507 million (30 June 2021: \$415 million; 31 December 2021: \$511 million) is held by the Group's with-profits and unit-linked funds and therefore shareholders' profit and equity are not impacted by movements in the valuation of these financial instruments; and
- A net asset of \$114 million (30 June 2021: \$94 million; 31 December 2021: \$129 million) is held to support non-linked shareholder-backed business, of which \$112 million (30 June 2021: \$90 million; 31 December 2021: \$112 million) are primarily private equity investments and corporate bonds externally valued using the net asset value of the invested entities and external prices adjusted to reflect the specific known conditions relating to these bonds (eg distressed securities) and are therefore inherently less subjective than internal valuations. If the value of all these level 3 financial instruments decreased by 10 per cent, the change in valuation would be \$(11) million (30 June 2021: \$(9) million; 31 December 2021: \$(26) million), which would reduce shareholders' equity by this amount before tax. All of this amount would pass through the income statement substantially as part of short-term fluctuations in investment returns outside of adjusted operating profit.

(b) Transfers into and transfers out of levels

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

During the first half of 2022, the transfers between levels within the portfolios were primarily transfers from level 1 to level 2 of \$3,867 million and transfers from level 2 to level 1 of \$1,603 million. These transfers primarily reflect the change in the observed valuation inputs of equity securities and debt securities and, in certain cases, the change in the level of trading activities of the securities. There were transfers from level 3 to level 2 of \$15 million in the period.

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

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

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

| Half year 2022 \$m | | | | |
|---|-------|---|-----------------|-------------|
| | Loans | Equity securities and holdings in collective investment schemes | Debt securities | Group total |
| Balance at beginning of period | 5 | 577 | 58 | 640 |
| Total losses in income statement ^{note} | (1) | (47) | (1) | (49) |
| Total losses recorded in other comprehensive income | – | (14) | (2) | (16) |
| Purchases and other additions | – | 61 | – | 61 |
| Transfers out of level 3 | – | – | (15) | (15) |
| Balance at end of period | 4 | 577 | 40 | 621 |

| Half year 2021 \$m | | | | |
|--|-------|---|-----------------|-------------|
| | Loans | Equity securities and holdings in collective investment schemes | Debt securities | Group total |
| Continuing operations | | | | |
| Balance at beginning of period | 6 | 445 | 33 | 484 |
| Total (losses) gains in income statement ^{note} | (1) | 21 | – | 20 |
| Total losses recorded in other comprehensive income | – | (5) | (1) | (6) |
| Purchases and other additions | – | 11 | – | 11 |
| Balance at end of period | 5 | 472 | 32 | 509 |

| Full year 2021 \$m | | | | |
|--|-------|---|-----------------|-------------|
| | Loans | Equity securities and holdings in collective investment schemes | Debt securities | Group total |
| Continuing operations | | | | |
| Balance at beginning of year | 6 | 445 | 33 | 484 |
| Total (losses) gains in income statement ^{note} | (1) | 6 | (3) | 2 |
| Total losses recorded in other comprehensive income | – | (5) | (2) | (7) |
| Purchases and other additions | – | 143 | – | 143 |
| Transfers (out of) into level 3 | – | (12) | 30 | 18 |
| Balance at end of year | 5 | 577 | 58 | 640 |

Note

Of the total net (losses) gains in the income statement of \$(49) million at half year 2022 (half year 2021: \$20 million; full year 2021: \$2 million), \$(26) million (half year 2021: \$20 million; full year 2021: \$2 million) relates to net unrealised gains and losses of financial instruments still held at the end of the period, which can be analysed as follows:

| | 2022 \$m | 2021 \$m | |
|---|-------------|-----------|-----------|
| | Half year | Half year | Full year |
| Loans | (1) | (1) | (1) |
| Equity securities and holdings in collective investment schemes | (24) | 21 | 6 |
| Debt securities | (1) | – | (3) |
| Total net (losses) gains | (26) | 20 | 2 |

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

The table below shows the financial assets and liabilities carried at amortised cost on the statement of financial position and their fair value. Cash deposits, accrued income, other debtors, accruals, deferred income and other liabilities are excluded from the analysis below, as these are carried at amortised cost which approximates fair value. The carrying value of investment contracts with discretionary participation features is on an IFRS 4 basis, which is also excluded from the analysis below, as it is impractical to determine the fair value of these contracts due to the lack of a reliable basis to measure participation features.

| | 2022 \$m | | 2021 \$m | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | 30 Jun | | 30 Jun | | 31 Dec | |
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| Assets: | | | | | | |
| Loans | 1,954 | 2,103 | 1,875 | 2,245 | 1,941 | 2,152 |
| Liabilities: | | | | | | |
| Core structural borrowings of shareholder-financed businesses | (4,266) | (4,073) | (6,404) | (7,029) | (6,127) | (6,565) |
| Operational borrowings (excluding lease liabilities) | (568) | (568) | (500) | (500) | (514) | (514) |
| Obligations under funding, securities lending and sale and repurchase agreements | (799) | (799) | (396) | (396) | (223) | (223) |
| Total net financial assets (liabilities) at amortised cost | (3,679) | (3,337) | (5,425) | (5,680) | (4,923) | (5,150) |

C3 Policyholder liabilities and unallocated surplus

C3.1 Policyholder liabilities and unallocated surplus by business type

(a) Movement in policyholder liabilities and unallocated surplus of with-profits funds

The items below represent the amount attributable to changes in policyholder liabilities and unallocated surplus of with-profits funds as a result of each of the components listed for the insurance operations of the Group. The policyholder liabilities shown include investment contracts without discretionary participation features (as defined in IFRS 4) and their full movement in the period. The items are shown gross of external reinsurance.

| | Half year 2022 \$m | | | Total |
|--|-----------------------|--|----------------|----------|
| | With-profits business | Shareholder-backed business Unit-linked liabilities | Other business | |
| At beginning of period | 94,002 | 34,756 | 48,496 | 177,254 |
| Comprising: | | | | |
| Policyholder liabilities on the balance sheet | 88,618 | 25,651 | 37,646 | 151,915 |
| Unallocated surplus of with-profits funds on the balance sheet ^{note (i)} | 5,384 | – | – | 5,384 |
| Group's share of policyholder liabilities relating to joint ventures and associates ^{note (ii)} | – | 9,105 | 10,850 | 19,955 |
| Premiums: ^{note (iii)} | | | | |
| New business | 1,456 | 1,231 | 1,607 | 4,294 |
| In-force | 2,867 | 1,219 | 2,694 | 6,780 |
| | 4,323 | 2,450 | 4,301 | 11,074 |
| Surrenders: ^{notes (iii)(iv)} | (558) | (1,426) | (293) | (2,277) |
| Maturities/deaths/other claim events | (993) | (127) | (842) | (1,962) |
| Net flows | 2,772 | 897 | 3,166 | 6,835 |
| Shareholders' transfers post tax | (74) | – | – | (74) |
| Investment-related items and other movements ^{note (v)} | (16,422) | (2,396) | (12,391) | (31,209) |
| Foreign exchange translation differences ^{note (vi)} | (1,297) | (1,522) | (1,563) | (4,382) |
| At end of period | 78,981 | 31,735 | 37,708 | 148,424 |
| Comprising: | | | | |
| Policyholder liabilities on the balance sheet | 74,413 | 23,037 | 26,079 | 123,529 |
| Unallocated surplus of with-profits funds on the balance sheet ^{note (i)} | 4,568 | – | – | 4,568 |
| Group's share of policyholder liabilities relating to joint ventures and associates ^{note (ii)} | – | 8,698 | 11,629 | 20,327 |

| | Half year 2021 \$m | | | Total Asia and Africa |
|--|-----------------------|--|----------------|-----------------------|
| | With-profits business | Shareholder-backed business Unit-linked liabilities | Other business | |
| Continuing operations: | | | | |
| At beginning of period | 86,410 | 32,506 | 46,639 | 165,555 |
| Comprising: | | | | |
| Policyholder liabilities on the balance sheet | 81,193 | 25,433 | 38,107 | 144,733 |
| Unallocated surplus of with-profits funds on the balance sheet ^{note (i)} | 5,217 | – | – | 5,217 |
| Group's share of policyholder liabilities relating to joint ventures and associates ^{note (ii)} | – | 7,073 | 8,532 | 15,605 |
| Premiums: ^{note (iii)} | | | | |
| New business | 900 | 1,237 | 942 | 3,079 |
| In-force | 3,617 | 1,211 | 2,469 | 7,297 |
| | 4,517 | 2,448 | 3,411 | 10,376 |
| Surrenders: ^{notes (iii)(iv)} | (393) | (1,724) | (410) | (2,527) |
| Maturities/deaths/other claim events | (852) | (101) | (505) | (1,458) |
| Net flows | 3,272 | 623 | 2,496 | 6,391 |
| Shareholders' transfers post-tax | (62) | – | – | (62) |
| Investment-related items and other movements ^{note (v)} | 201 | 997 | (2,994) | (1,796) |
| Foreign exchange translation differences ^{note (vi)} | (578) | (532) | (230) | (1,340) |
| At end of period | 89,243 | 33,594 | 45,911 | 168,748 |
| Comprising: | | | | |
| Policyholder liabilities on the balance sheet | 82,970 | 25,615 | 36,224 | 144,809 |
| Unallocated surplus of with-profits funds on the balance sheet ^{note (i)} | 6,273 | – | – | 6,273 |
| Group's share of policyholder liabilities relating to joint ventures and associates ^{note (ii)} | – | 7,979 | 9,687 | 17,666 |
| Average policyholder liability balances ^{note (vii)} | | | | |
| Half year 2022 | 81,516 | 33,245 | 43,102 | 157,863 |
| Half year 2021 | 82,082 | 33,050 | 46,275 | 161,407 |

Notes

- (i) Unallocated surplus of with-profits funds represents the excess of assets over policyholder liabilities, determined in accordance with the Group's accounting policies, that have yet to be appropriated between policyholders and shareholders for the Group's with-profits funds in Hong Kong and Malaysia. In Hong Kong, the unallocated surplus includes the shareholders' share of expected future bonuses, with the expected policyholder share being included in policyholder liabilities. Any excess of assets over liabilities and amounts expected to be paid out by the fund on future bonuses is also included in the unallocated surplus.
- (ii) The Group's investments in joint ventures and associates are accounted for on an equity method and the Group's share of the policyholder liabilities as shown above relate to the life business of CPL, India and the Takaful business in Malaysia.

- (iii) The analysis includes the impact of premiums, claims and investment movements on policyholders' liabilities. The impact does not represent premiums, claims and investment movements as reported in the income statement. For example, premiums shown above are after any deductions for fees/charges; claims (surrenders, maturities, deaths and other claim events) shown above represent the policyholder liabilities provision released rather than the claims amount paid to the policyholder. The analysis also includes net flows of the Group's insurance joint ventures and associate.
- (iv) The rate of surrenders for shareholder-backed business (expressed as a percentage of opening policyholder liabilities) was 2.1 per cent in half year 2022 (half year 2021: 2.7 per cent).
- (v) Investment-related items and other movements in the first half of 2022 primarily represents the effects of higher interest rates on the discount rates applied in the measurement of the policyholder liabilities, together with bond losses due to rising interest rates and lower level of investment returns from equities following the falls in equity markets. Other business also includes the effect of the early adoption of the Risk-based Capital Regime in Hong Kong as discussed in note C3.2 below.
- (vi) Movements in the period have been translated at the average exchange rates for the period ended 30 June 2022 and 2021. The closing balance has been translated at the closing spot rates as at 30 June 2022 and 2021. Differences upon retranslation are included in foreign exchange translation differences.
- (vii) Average policyholder liabilities have been based on opening and closing balances, adjusted for any acquisitions, disposals and other corporate transactions arising in the period, and exclude unallocated surplus of with-profits funds.

C3.2 Reconciliation of gross and reinsurers' share of policyholder liabilities and unallocated surplus

Further analysis of the movement in the period of the Group's gross contract liabilities, reinsurers' share of insurance contract liabilities and unallocated surplus of with-profits funds (excluding those held by joint ventures and associates) is provided below:

| | Half year 2022 \$m | | |
|---|----------------------|---|---|
| | Contract liabilities | Reinsurers' share of insurance contract liabilities | Unallocated surplus of with-profits funds |
| At beginning of period | 151,915 | (9,753) | 5,384 |
| (Income) expense included in the income statement ^{note (i)} | (25,193) | 6,942 | (779) |
| Other movements ^{note (ii)} | 69 | — | — |
| Foreign exchange translation differences | (3,262) | 61 | (37) |
| At end of period | 123,529 | (2,750) | 4,568 |

| | Half year 2021 \$m | | |
|--|----------------------|---|---|
| | Contract liabilities | Reinsurers' share of insurance contract liabilities | Unallocated surplus of with-profits funds |
| At beginning of period | 441,246 | (46,595) | 5,217 |
| Reclassification of US operations as held for distribution | (296,513) | 35,232 | — |
| Expense included in the income statement ^{note (i)} | 1,354 | 1,450 | 1,070 |
| Other movements ^{note (ii)} | 25 | — | — |
| Foreign exchange translation differences | (1,303) | 22 | (14) |
| At end of period | 144,809 | (9,891) | 6,273 |

Notes

- (i) The total charge for benefit and claims in half year 2022 shown in the income statement comprises the amounts shown as '(Income) expense included in the income statement' in the table above together with claims paid of \$(4,406) million in the period (half year 2021: \$(4,143) million) and claim amounts attributable to reinsurers of \$202 million (half year 2021: \$269 million).
- (ii) Other movements include premiums received and claims paid on investment contracts without discretionary participating features, which are taken directly to the statement of financial position in accordance with IAS 39.

The segmental analysis of the total charge for benefit and claims and movement in unallocated surplus, net of reinsurance in the income statement is shown below. The CPL segment is a joint venture accounted for using the equity method under IFRS, with the Group's share of its results net of related tax presented in a single line within the Group's profit before tax, and therefore not shown in the analysis of benefit and claims items below.

| | Half year 2022 \$m | | | | | |
|---|--------------------|-----------|----------|-----------|--------------------------|---------------|
| | Hong Kong | Indonesia | Malaysia | Singapore | Growth markets and other | Total segment |
| Claims incurred, net of reinsurance | (894) | (609) | (533) | (1,345) | (887) | (4,268) |
| Decrease in policyholder liabilities, net of reinsurance | 13,090 | 187 | 157 | 2,865 | 2,016 | 18,315 |
| Movement in unallocated surplus of with-profits funds | 660 | — | 119 | — | — | 779 |
| Benefits and claims and movement in unallocated surplus, net of reinsurance | 12,856 | (422) | (257) | 1,520 | 1,129 | 14,826 |

| | Half year 2021 \$m | | | | | |
|---|--------------------|-----------|----------|-----------|--------------------------|---------------|
| | Hong Kong | Indonesia | Malaysia | Singapore | Growth markets and other | Total segment |
| Claims incurred, net of reinsurance | (818) | (602) | (482) | (1,346) | (755) | (4,003) |
| (Increase) decrease in policyholder liabilities, net of reinsurance | (369) | 266 | (68) | (2,197) | (307) | (2,675) |
| Movement in unallocated surplus of with-profits funds | (1,121) | — | 51 | — | — | (1,070) |
| Benefits and claims and movement in unallocated surplus, net of reinsurance | (2,308) | (336) | (499) | (3,543) | (1,062) | (7,748) |

Hong Kong Risk-based Capital Regime

In April 2022, the Group's Hong Kong life business (PHKL) received approval from the Hong Kong Insurance Authority to early adopt the Hong Kong Risk-based Capital (HK RBC) regime with effect from 1 January 2022. In light of this development and given that the measurement technique set out within the local regulatory basis has been applied by PHKL to calculate IFRS liabilities, the Group has refined the reserving methodology of PHKL by reference to the method applied under the new HK RBC regime. Under the basis previously applied, liabilities of non-participating business were generally determined on a net premium valuation basis to determine the future policyholder benefit provisions, subject to minimum floors. Using the principles underpinning the HK RBC regime, the IFRS reserving basis has been refined at 30 June 2022 to one that is based on a gross premium valuation basis (including an allowance for the uncertainty of non-hedgeable risks), subject to minimum floors. Depending on the product, the minimum floor is set at the policyholder's asset share or guaranteed cash surrender value or at a constraint that on day one no negative reserve exists at a product level. This new measurement technique better estimates the liability and brings the estimation basis for PHKL more in line with that used by the Group's other insurance operations. This change of estimate has reduced policyholder liabilities (net of reinsurance) and increased profit before tax for the first half of 2022 by \$945 million.

There has been no change to the reserving basis for with-profits liabilities, which under the Group's accounting policy are valued under the realistic basis in accordance with the requirements of the "grandfathered" UK standard FRS 27 'Life Assurance'.

C4 Intangible assets

C4.1 Goodwill

Goodwill shown on the consolidated statement of financial position at 30 June 2022 represents amounts allocated to businesses in Asia and Africa in respect of both acquired asset management and life businesses. There has been no impairment as at 30 June 2022.

| | 2022 \$m | 2021 \$m | |
|--|------------|------------|------------|
| | 30 Jun | 30 Jun | 31 Dec |
| Carrying value at beginning of period | 907 | 961 | 961 |
| Exchange differences | (36) | (35) | (54) |
| Carrying value at end of period | 871 | 926 | 907 |

C4.2 Deferred acquisition costs and other intangible assets

| | 2022 \$m | 2021 \$m | |
|---|--------------|--------------|--------------|
| | 30 Jun | 30 Jun | 31 Dec |
| Shareholder-backed business: | | | |
| DAC related to insurance contracts as classified under IFRS 4 | 2,845 | 2,468 | 2,776 |
| DAC related to investment management contracts, including life assurance contracts classified as financial instruments and investment management contracts under IFRS 4 | 39 | 37 | 39 |
| DAC related to insurance and investment contracts | 2,884 | 2,505 | 2,815 |
| Distribution rights | 3,626 | 3,765 | 3,782 |
| Present value of acquired in-force policies for insurance contracts as classified under IFRS 4 | 22 | 31 | 28 |
| Other intangibles | 180 | 150 | 184 |
| Present value of acquired in-force and other intangibles | 3,828 | 3,946 | 3,994 |
| Total of DAC and other intangible assets attributable to shareholders ^{note (i)} | 6,712 | 6,451 | 6,809 |
| Other intangible assets, including computer software, attributable to with-profits funds | 38 | 74 | 49 |
| Total of deferred acquisition costs and other intangible assets | 6,750 | 6,525 | 6,858 |

Notes

(i) Movement in DAC and other intangible assets attributable to shareholders is shown below:

| | 2022 \$m | | | | 2021 \$m | |
|--|--------------|----------------------------------|---------------------------------|--------------------|--------------------|--------------------|
| | DAC | Distribution rights note (ii) | Other intangibles note (iii) | Half year Total | Half year Total | Full year Total |
| Balance at beginning of period | 2,815 | 3,782 | 212 | 6,809 | 20,275 | 20,275 |
| Removal of discontinued US operations | — | — | — | — | (13,881) | (13,881) |
| Additions | 426 | 44 | 27 | 497 | 475 | 1,185 |
| Amortisation to the income statement | (249) | (143) | (27) | (419) | (331) | (651) |
| Disposals and transfers | — | — | (3) | (3) | (3) | (7) |
| Exchange differences and other movements | (108) | (57) | (7) | (172) | (84) | (112) |
| Balance at end of period | 2,884 | 3,626 | 202 | 6,712 | 6,451 | 6,809 |

- (ii) Distribution rights relate to amounts that have been paid or have become unconditionally due for payment as a result of past events in respect of the bancassurance partnership arrangements for the bank distribution of Prudential's insurance products for a fixed period of time. The distribution rights amounts are amortised on a basis to reflect the pattern in which the future economic benefits are expected to be consumed by reference to new business production levels.
- (iii) Other intangibles comprise present value of acquired in-force (PVIF) related to insurance contracts and other intangible assets such as software rights. Software rights include additions of \$17 million, amortisation of \$(13) million, disposals of \$(2) million, foreign exchange of \$(6) million and closing balance at 30 June 2022 of \$110 million (30 June 2021: \$81 million; 31 December 2021: \$114 million).

C5 Borrowings

C5.1 Core structural borrowings of shareholder-financed businesses

| | 2022 \$m | 2021 \$m | |
|--|--------------|--------------|--------------|
| | 30 Jun | 30 Jun | 31 Dec |
| Subordinated debt: | | | |
| US\$250m 6.75% Notes ^{note (i)} | – | 250 | – |
| US\$300m 6.5% Notes ^{note (i)} | – | 300 | – |
| US\$700m 5.25% Notes ^{note (i)} | – | 700 | – |
| US\$1,000m 5.25% Notes ^{note (i)} | – | 1,000 | 1,000 |
| US\$725m 4.375% Notes ^{note (iii)} | – | 725 | 725 |
| US\$750m 4.875% Notes | 749 | 747 | 748 |
| €20m Medium Term Notes 2023 | 21 | 24 | 23 |
| £435m 6.125% Notes 2031 | 524 | 596 | 584 |
| US\$1,000m 2.95% Notes 2033 ^{note (ii)} | 995 | – | 995 |
| Senior debt: ^{note (iv)} | | | |
| £300m 6.875% Notes 2023 | 363 | 411 | 404 |
| £250m 5.875% Notes 2029 | 282 | 317 | 313 |
| \$1,000m 3.125% Notes 2030 | 986 | 984 | 985 |
| \$350m 3.625% Notes 2032 ^{note (v)} | 346 | – | – |
| Bank loans: | | | |
| \$350m Loan 2024 ^{note (v)} | – | 350 | 350 |
| Total core structural borrowings of shareholder-financed businesses | 4,266 | 6,404 | 6,127 |

Notes

- (i) The US\$250 million, US\$300 million, US\$700 million notes were redeemed on 23 December 2021 and the US\$1,000 million notes were redeemed on 20 January 2022 using the proceeds from the issuance of ordinary shares in October 2021.
- (ii) In November 2021, the Company issued US\$1,000 million 2.95 per cent subordinated debt maturing on 3 November 2033 with proceeds, net of costs, of \$995 million.
- (iii) The US\$725 million note was redeemed on 20 January 2022 using the proceeds from the US\$1,000 million subordinated debt issued in November 2021.
- (iv) The senior debt ranks above subordinated debt in the event of liquidation.
- (v) In March 2022, the Company issued US\$350 million 3.625 per cent senior debt maturing on 24 March 2032 with proceeds, net of costs, of \$346 million, which was used to redeem the US\$350 million bank loan in May 2022.

C5.2 Operational borrowings

| | 2022 \$m | 2021 \$m | |
|---|------------|------------|------------|
| | 30 Jun | 30 Jun | 31 Dec |
| Shareholder-financed business: | | | |
| Borrowings in respect of short-term fixed income securities programmes (commercial paper) | 544 | 500 | 500 |
| Lease liabilities under IFRS 16 | 177 | 239 | 209 |
| Other borrowings | 5 | – | 10 |
| Operational borrowings attributable to shareholder-financed businesses | 726 | 739 | 719 |
| With profits business: | | | |
| Lease liabilities under IFRS 16 | 109 | 156 | 138 |
| Other borrowings | 19 | – | 4 |
| Operational borrowings attributable to with-profits businesses | 128 | 156 | 142 |
| Total operational borrowings | 854 | 895 | 861 |

C6 Sensitivity analysis to key market risks

The Group's risk framework and the management of risks attaching to the Group's financial statements including financial assets, financial liabilities and insurance liabilities, together with the inter-relationship with the management of capital, have been included in the Risk review report. The following sections set out the sensitivity of the Group's profit or loss and shareholders' equity to instantaneous changes in interest rates and equity levels, which are then assumed to remain unchanged for the long term. Further information of the Group's sensitivity to key risks was set out in the Group's financial statements for the year ended 31 December 2021.

C6.1 Insurance operations

The table below shows the sensitivity of shareholders' equity as at 30 June 2022, 30 June 2021 and 31 December 2021 for insurance operations to the following market risks:

- 1 per cent increase and 0.5 per cent decrease in interest rates (based on local government bond yields at the valuation date) in isolation and subject to a floor of zero; and
- Instantaneous 10 per cent rise and 20 per cent fall in the market value of equity and property assets. The equity risk sensitivity analysis assumes that all equity indices fall by the same percentage.

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

Where liabilities are valued using historic average rates for a short period (ie up to three years), the valuation interest rates are adjusted to assume a parallel increase or decrease in the interest rates used in the averaging approach to reflect the impact that could be seen in the near term. These sensitivities do not include credit risk sensitivities, such as movements in credit spreads, and hence the valuation of debt securities and policyholder liabilities. A one-letter credit downgrade in isolation (ie ignoring any consequential change in valuation) would not have a material impact on IFRS profit or shareholders' equity.

| Net effect on shareholders' equity from insurance operations | 2022 \$m | 2021 \$m | |
|--|----------|----------|--------|
| | 30 Jun | 30 Jun | 31 Dec |
| Shareholders' equity of insurance operations | 13,308 | 13,287 | 14,289 |
| Sensitivity to key market risks: ^{note} | | | |
| Interest rates and consequential effects – 1% increase | (680) | (533) | (796) |
| Interest rates and consequential effects – 0.5% decrease | 121 | (381) | 137 |
| Equity/property market values – 10% rise | 305 | 387 | 372 |
| Equity/property market values – 20% fall | (750) | (803) | (787) |

Note

The effect from the changes in interest rates or equity and property prices above, if they arose, would impact profit after tax for the insurance operations and would mostly be recorded within short-term fluctuations in investment returns. The impact on profit after tax would be the same as the net effect on shareholders' equity. In the context of the Group, the results of the Africa insurance operations are not materially impacted by interest rate or equity rate changes.

The degree of sensitivity of the results of the non-linked shareholder-backed business of the insurance operations to movements in interest rates depends upon the degree to which the liabilities under the 'grandfathered' IFRS 4 measurement basis reflects market interest rates from period to period. This varies by business unit.

For example:

- Certain businesses (Taiwan and India) apply US GAAP, for which the results can be more sensitive as the effect of interest rate movements on the backing investments may not be offset by liability movements; and
- The level of options and guarantees in the products written in a particular business unit will affect the degree of sensitivity to interest rate movements.

The sensitivity of the insurance operations presented as a whole at a given point in time will also be affected by a change in the relative size of the individual businesses.

The 'increase of 1%' sensitivities reflects that, for many operations the impact of interest rate movements on the value of government and corporate bond investments dominates, namely bonds are expected to decrease in value as interest rates increase to a greater extent than the offsetting decrease in liabilities from a corresponding change in discount rates. This arises because the discount rate in some operations does not fluctuate in line with interest rate movements.

Following a general increase in interest rates over 2021 and first half of 2022, under a 0.5% decrease interest rate scenario for most operations asset gains exceed the increases in liabilities resulting in an overall small positive impact of an instantaneous decrease of rates.

Movements in equities backing with-profits and unit-linked business have been excluded from the equity and property sensitivities as they are generally matched by an equal movement in insurance liabilities (including unallocated surplus of with-profits funds). The impact on changes to future profitability as a result of changes to the asset values within unit-linked or with-profits funds have not been included in the instantaneous sensitivity above. The estimated sensitivities shown above include equity and property investments held by the Group's joint venture and associate businesses. Generally, changes in equity and property investment values held outside unit-linked and with-profits funds are not directly offset by movements in non-linked policyholder liabilities. For Hong Kong's non-participating business, liabilities largely reflect asset shares post the adoption of HK RBC and therefore the consequential movements in equities are offset by movements in policyholder liabilities.

C6.2 Eastspring and central operations

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

Eastspring holds a small amount of investments direct on its balance sheet, including investments in respect of seeding capital into retail funds it sells to third parties (see note C.1). Eastspring's profit will therefore have some exposure to the market movements of these investments.

At 30 June 2022, the Group's central operations held a 14.3 per cent (31 December 2021: 18.4 per cent) economic interest in the equity securities of Jackson. These equity securities are listed on the New York Stock Exchange and classified as 'available-for-sale' with a fair value of \$325 million at 30 June 2022 (31 December 2021: \$683 million). If the value of these securities decreased by 20 per cent, the change in valuation would be \$(65) million (31 December 2021: \$(137) million), which would reduce shareholders' equity by this amount before tax, all of which would pass through other comprehensive income outside of the profit or loss.

C7 Deferred tax assets and liabilities

The statement of financial position contains the following deferred tax assets and liabilities in relation to:

| Half year 2022 \$m | | | | |
|---|--------------------------------|------------------------------|--|--------------------------|
| | Balance at beginning of period | Movement in income statement | Other movements including foreign exchange movements | Balance at end of period |
| Deferred tax assets | | | | |
| Unrealised losses or gains on investments | 3 | 173 | (7) | 169 |
| Balances relating to investment and insurance contracts | 34 | 1 | (34) | 1 |
| Short-term temporary differences | 162 | 32 | (10) | 184 |
| Unused tax losses | 67 | (41) | (2) | 24 |
| Total deferred tax assets | 266 | 165 | (53) | 378 |

| | | | | |
|---|----------------|-----------|------------|----------------|
| Deferred tax liabilities | | | | |
| Unrealised losses or gains on investments | (242) | 99 | 6 | (137) |
| Balances relating to investment and insurance contracts | (2,125) | (52) | 113 | (2,064) |
| Short-term temporary differences | (495) | (25) | 22 | (498) |
| Total deferred tax liabilities | (2,862) | 22 | 141 | (2,699) |

| | Half year 2021 \$m | | | | |
|---|--------------------------------------|---|------------------------------------|---|--------------------------------|
| | Balance at beginning of period | Removal of discontinued US operations | Movement in income statement | Other movements including foreign exchange movements | Balance at end of period |
| Deferred tax assets | | | | | |
| Unrealised losses or gains on investments | — | — | 1 | — | 1 |
| Balances relating to investment and insurance contracts | 87 | — | (1) | (37) | 49 |
| Short-term temporary differences | 4,662 | (4,513) | 5 | (3) | 151 |
| Unused tax losses | 109 | (29) | 16 | 1 | 97 |
| Total deferred tax assets | 4,858 | (4,542) | 21 | (39) | 298 |

| | | | | | |
|---|----------------|--------------|--------------|-----------|----------------|
| Deferred tax liabilities | | | | | |
| Unrealised losses or gains on investments | (1,063) | 691 | 73 | 2 | (297) |
| Balances relating to investment and insurance contracts | (1,765) | – | (322) | 71 | (2,016) |
| Short-term temporary differences | (3,247) | 2,832 | (14) | 7 | (422) |
| Total deferred tax liabilities | (6,075) | 3,523 | (263) | 80 | (2,735) |

| | Full year 2021 \$m | | | | |
|---|------------------------------------|---|------------------------------------|---|---------------------------|
| | Balance at beginning of year | Removal of discontinued US operations | Movement in income statement | Other movements including foreign exchange movements | Balance at end of year |
| Deferred tax assets | | | | | |
| Unrealised losses or gains on investments | — | — | 3 | — | 3 |
| Balances relating to investment and insurance contracts | 87 | — | (16) | (37) | 34 |
| Short-term temporary differences | 4,662 | (4,513) | 15 | (2) | 162 |
| Unused tax losses | 109 | (29) | (14) | 1 | 67 |
| Total deferred tax assets | 4,858 | (4,542) | (12) | (38) | 266 |

| | | | | | |
|---|----------------|--------------|--------------|-----------|----------------|
| Deferred tax liabilities | | | | | |
| Unrealised losses or gains on investments | (1,063) | 691 | 127 | 3 | (242) |
| Balances relating to investment and insurance contracts | (1,765) | – | (433) | 73 | (2,125) |
| Short-term temporary differences | (3,247) | 2,832 | (87) | 7 | (495) |
| Total deferred tax liabilities | (6,075) | 3,523 | (393) | 83 | (2,862) |

C8 Share capital, share premium and own shares

| | 30 Jun 2022 | | | 30 Jun 2021 | | | 31 Dec 2021 | | |
|--|---------------------------------|-------------------------|-------------------------|---------------------------------|-------------------------|-------------------------|---------------------------------|-------------------------|-------------------------|
| | Number of ordinary shares | Share capital \$m | Share premium \$m | Number of ordinary shares | Share capital \$m | Share premium \$m | Number of ordinary shares | Share capital \$m | Share premium \$m |
| Issued shares of 5p each fully paid: | | | | | | | | | |
| Balance at beginning of period | 2,746,412,265 | 182 | 5,010 | 2,609,489,702 | 173 | 2,637 | 2,609,489,702 | 173 | 2,637 |
| Shares issued under share- based schemes | 2,902,591 | – | – | 6,121,839 | – | 8 | 6,142,213 | – | 8 |
| Shares issued under Hong Kong public offer and international placing in 2021 ^{note} | – | – | – | – | – | – | 130,780,350 | 9 | 2,365 |
| Balance at end of period | 2,749,314,856 | 182 | 5,010 | 2,615,611,541 | 173 | 2,645 | 2,746,412,265 | 182 | 5,010 |

Note

In October 2021, Prudential completed the issuance of new ordinary shares on the Hong Kong Stock Exchange, resulting in net proceeds and an increase in shareholders' equity of \$2.4 billion. The proceeds from this issuance were used to redeem high coupon debt instruments of US\$2.3 billion in total in December 2021 and January 2022, with the remainder used to increase Prudential's central stock of liquidity, as originally intended and disclosed in Prudential's prospectus for the issuance. Further details are provided in note C8 of the Group's consolidated financial statements for the year ended 31 December 2021.

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

| | Number of shares to subscribe for | Share price range | | Exercisable by year |
|--------------------|--------------------------------------|-------------------|---------------|------------------------|
| | | from | to | |
| 30 Jun 2022 | 1,734,638 | 964p | 1,455p | 2027 |
| 30 Jun 2021 | 1,774,131 | 964p | 1,455p | 2026 |
| 31 Dec 2021 | 2,022,535 | 964p | 1,455p | 2027 |

Transactions by Prudential plc and its subsidiaries in Prudential plc shares

The Group buys and sells Prudential plc shares ('own shares') in relation to its employee share schemes. The cost of own shares of \$271 million at 30 June 2022 (30 June 2021: \$261 million; 31 December 2021: \$267 million) is deducted from retained earnings. The Company has established trusts to facilitate the delivery of shares under employee incentive plans. At 30 June 2022, 12.7 million (30 June 2021: 11.4 million; 31 December 2021: 11.7 million) Prudential plc shares with a market value of \$157 million (30 June 2021: \$217 million; 31 December 2021: \$201 million) were held in such trusts, all of which are for employee incentive plans. The maximum number of shares held during the period was 12.7 million which was in June 2022.

Within the trusts, shares are notionally allocated by business unit reflecting the employees to which the awards were made.

The trusts purchased the following number of shares in respect of employee incentive plans:

| | Number of shares purchased (in millions) | Cost \$m |
|-----------------------|--|-------------|
| Half year 2022 | 5.2 | 69.9 |
| Half year 2021 | 2.8 | 60.1 |
| Full year 2021 | 3.8 | 81.2 |

The cost in USD shown has been calculated from the share prices in pounds sterling using the monthly average exchange rate for the month in which those shares were purchased.

A portion of the share purchases in respect of employee incentive plans as shown in the table above were made on the Hong Kong Stock Exchange with the remainder being made on the London Stock Exchange.

D Other information

D1 Corporate transactions

D1.1 Gain (loss) attaching to corporate transactions

| | 2022 \$m | 2021 \$m | |
|--|-------------|-----------|-----------|
| | Half year | Half year | Full year |
| Gain (loss) attaching to corporate transactions as shown separately on the condensed consolidated income statement ^{note} | 62 | (56) | (35) |
| Loss arising on reinsurance transaction undertaken by the Hong Kong business | (35) | (38) | (59) |
| Total gain (loss) attaching to corporate transactions^{note B1.1} | 27 | (94) | (94) |

Note

The gain (loss) attaching to corporate transactions includes a gain of \$60 million (half year 2021: nil; full year 2021: \$23 million) from the sale of shares relating to the Group's retained interest in Jackson post the demerger. Corporate transactions in 2021 also included amounts incurred by Prudential plc (half year 2021: \$(28) million; full year 2021: \$(30) million) in connection with the separation of Jackson and \$(28) million of payment for the termination of loss of office made to the former chief executive of Jackson.

D1.2 Discontinued US operations

On 13 September 2021, the Group completed the separation of its US operations (Jackson) through a demerger, whereby the Group retained a 19.9 per cent non-controlling voting interest (19.7 per cent economic interest). In accordance with IFRS 5 *'Non-current assets held for sale and discontinued operations'*, the US operations were classified as discontinued. The 2021 income statement included the results of Jackson up to 13 September 2021, the date of demerger.

The retained interest in Jackson is reported within the consolidated statement of financial position as a financial investment at fair value and is included in 'Unallocated to a segment (central operations)' for segmental analysis. This investment has been classified as available-for-sale under IAS 39. In December 2021, Jackson repurchased 2.2 million shares of its Class A common stock from Prudential, reducing Prudential's remaining economic interest in Jackson to 18.4 per cent as of 31 December 2021 (18.5 per cent voting interest). During the first six months of 2022, further transactions have reduced the Group's holding to 14.3 per cent economic interest (14.3 per cent voting interest) at 30 June 2022, realising a gain of \$60 million. The fair value of the Group's holding at 30 June 2022 was \$325 million.

The results for the discontinued US operations presented in the consolidated financial statements for the period up to the demerger in September 2021 are analysed below.

(a) Income statement

| | 2021 \$m | |
|---|----------------|----------------|
| | Half year | Full year |
| Total revenue, net of reinsurance | 35,379 | 45,972 |
| Total charge, net of reinsurance | (33,209) | (43,655) |
| Profit before tax | 2,170 | 2,317 |
| Tax charge | (370) | (363) |
| Profit after tax | 1,800 | 1,954 |
| Remeasurement to fair value ^{note (i)} | (7,507) | (8,259) |
| Cumulative valuation movements on available-for-sale debt securities, net of related tax and change in DAC, and net investment hedges recycled from other comprehensive income ^{note (ii)} | – | 1,278 |
| Loss for the period | (5,707) | (5,027) |
| Attributable to: | | |
| Equity holders of the Company | (5,073) | (4,234) |
| Non-controlling interests | (634) | (793) |
| Loss for the period | (5,707) | (5,027) |

Notes

- (i) The loss on remeasurement to fair value on demerger was recognised in accordance with IFRIC 17, *'Distribution of non-cash assets to owners'* as described above.
- (ii) In accordance with IFRS, as a result of the demerger of Jackson, accumulated balances previously recognised through other comprehensive income relating to financial instruments held by Jackson classified as available-for-sale and historical net investment hedges were recycled from other comprehensive income to the results of discontinued operations in the consolidated income statement. Total shareholders' equity is unchanged as a result of this recycling.

(b) Total comprehensive income

| | 2021 \$m | |
|--|----------------|----------------|
| | Half year | Full year |
| Loss for the period | (5,707) | (5,027) |
| Other comprehensive loss: | | |
| Valuation movements on available-for-sale debt securities, net of related tax and change in DAC | (867) | (763) |
| Cumulative valuation movements on available-for-sale debt securities, net of related tax and change in DAC, and net investment hedges recycled through profit or loss at the point of demerger | – | (1,278) |
| Other comprehensive loss for the period | (867) | (2,041) |
| Total comprehensive loss for the period | (6,574) | (7,068) |
| Attributable to: | | |
| Equity holders of the Company | (5,844) | (6,283) |
| Non-controlling interests | (730) | (785) |
| Total comprehensive loss for the period | (6,574) | (7,068) |

(c) Cash flows

| | 2021 \$m | |
|--|-----------|-----------|
| | Half year | Full year |
| Net cash flows from operating activities | (442) | (423) |
| Net cash flows from financing activities ^{note} | (18) | 2,329 |
| Cash divested upon demerger | – | (3,527) |
| Net decrease in cash and cash equivalents | (460) | (1,621) |
| Cash and cash equivalents at beginning of period | 1,621 | 1,621 |
| Cash and cash equivalents at end of period | 1,161 | – |

Note

Financing activities in full year 2021 largely reflected the issuance of debt of \$2,350 million. No dividends were paid by Jackson during 2021 prior to demerger.

D2 Contingencies and related obligations

The Group is involved in various litigation and regulatory proceedings. While the outcome of such litigation and regulatory issues cannot be predicted with certainty, the Group believes that their ultimate outcome will not have a material adverse effect on the Group's financial condition, results of operations, or cash flows.

There have been no material changes to the Group's contingencies and related obligations in the six months ended 30 June 2022.

D3 Post balance sheet events**First interim ordinary dividend**

The 2022 first interim ordinary dividend approved by the Board of Directors after 30 June 2022 is as described in note B5.

D4 Related party transactions

There were no transactions with related parties during the six months ended 30 June 2022 which have had a material effect on the results or financial position of the Group.

The nature of the related party transactions of the Group has not changed from those described in note D4 to the Group's consolidated financial statements for the year ended 31 December 2021.

Statement of Directors' Responsibilities

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

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

- the condensed consolidated financial statements have been prepared in accordance with IAS 34, *'Interim Financial Reporting'*, as adopted for use in the UK;
- the Half Year Financial Report includes a fair review of information required by:
 - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the six months ended 30 June 2022, and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place during the six months ended 30 June 2022 and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the Group's consolidated financial statements for the year ended 31 December 2021 that could do so.

Prudential plc Board of Directors:

Chair

Shriti Vadera

Executive Directors

Mark FitzPatrick CA

James Turner FCA FCSI FRM

Independent Non-executive Directors

Lord Remnant CBE FCA

Jeremy Anderson CBE

Chua Sock Koong

David Law ACA

Ming Lu

George Sartorel

Thomas Watjen

Jeanette Wong

Amy Yip

9 August 2022

Independent Review Report to Prudential plc

Conclusion

We have been engaged by Prudential plc ('the Company' or 'the Group') to review the condensed set of consolidated financial statements in the Half Year Financial Report for the six months ended 30 June 2022 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Cash Flows and the related explanatory notes (collectively the 'condensed set of financial statements').

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half Year Financial Report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ('ISRE (UK) 2410') issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the Half Year Financial Report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

The Half Year Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Year Financial Report in accordance with the DTR of the UK FCA.

As disclosed in note A1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The Directors are responsible for preparing the condensed set of financial statements included in the Half Year Financial Report in accordance with IAS 34 as adopted for use in the UK.

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half Year Financial Report based on our review. Our conclusion, including our conclusion relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review of the condensed set of financial statements has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Stuart Crisp

for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
London
E14 5GL
9 August 2022