Delivering growth across many key performance measures

The Group delivered a resilient financial performance for the year against a backdrop of Covid-19-related disruption during the first half of 2022 in many of our markets and the broader macroeconomic and geopolitical volatility, discussed further below. The diversity of our business in terms of its geography, its multi-channel distribution and its customer-centric product suite positions us well to take advantage of the long-term opportunities as our markets recover from the effects of Covid-19.

The Group's 2022 financial performance saw us deliver growth across many of our key performance measures, with APE sales[1], operating free surplus generated[2], EEV operating profit and IFRS adjusted operating profit[3] all higher than the prior year[4]. Although our new business profit generation[5] of $2.2 billion was lower, this largely reflected the impact of economic effects under our EEV framework, notably in Hong Kong. Our markets outside of Hong Kong delivered combined new business profit growth of 5 per cent[4]. IFRS profit for the year was also negatively impacted by the increases in interest rates and decreases in equity market values in the year, as further discussed below and in the section headed IFRS basis non-operating items.

2022 saw considerable macroeconomic volatility, characterised in many markets by lower equity index levels, material increases in government bond yields and widening corporate bond spreads. The MSCI Asia excluding Japan equity index fell (24) per cent, the Hang Seng index fell by (15) per cent and the CSI 300 index fell by (22) per cent while the S&P 500 index fell by (19) per cent. Government bond yields in many of our markets ended the year higher with the US 10-year yield increasing by 236 basis points to 3.9 per cent. As well as their impact on IFRS profit for the year, lower associated asset values and consequent impact on fee generating account balances, together with the impact of higher discount rates under our active EEV methodology, contributed to a fall in our embedded value in the year.

The year also saw the US dollar increase in value relative to many currencies globally, resulting in a translation headwind. As in previous years, we comment on our performance in local currency terms (expressed on a constant exchange rate basis) to show the underlying business trends in periods of currency movement, unless otherwise noted.

In 2022, the Group reported a 9 per cent[4] increase in APE sales to $4,393 million while new business profit was (11) per cent[4] lower at $2,184 million. This encouraging APE sales performance, despite Covid-19-related disruption during the first half of the year, reflects the benefit of our diversification across geography, channel and products. APE sales were broadly balanced between Greater China[6] and South-east[7] Asia across our four main product groups, with an emphasis on health and protection, and across distribution channels with our bancassurance channel providing notable resilience in periods of disruption for our agency salesforce. Given the active basis of our EEV methodology, rising interest rates led to both higher risk discount rates and higher assumed fund earned rates being applied. As a consequence, there was an overall negative impact on EEV new business margins in many markets, particularly in Hong Kong which led to a reduction in new business profit in the year to $2.2 billion (2021: $2.4 billion[4]). Agency distribution and health and protection products remain our most important value drivers.

Group EEV operating profit increased by 15 per cent[4] to $3,952 million largely due to 13 per cent[4] growth in operating returns from the long-term business. This reflects the higher expected return from underlying business growth and higher interest rates, partially offset by lower new business profit and a lower benefit from assumption changes than was seen in the prior year. Operating return on embedded value[8] was 9 per cent compared with 8 per cent in 2021. After allowing for economic effects, such as changes in interest rates, currency movements and the payment of the external dividend, the Group's embedded value at 31 December 2022 was $42.2 billion (31 December 2021: $47.4 billion[9]), equivalent to 1,534 cents per share (31 December 2021: 1,725 cents per share[9]). The operating free surplus generated from insurance and asset management business (after investment in new business) during the year was $2,193 million, up 9 per cent[4], reflecting the underlying in-force business growth and the positive effect of interest rate rises.

Group adjusted operating profit was up 8 per cent[4] to $3,375 million, reflecting a 6 per cent[4] increase in operating profit from the insurance and asset management business and an improvement in central costs of 26 per cent[4] reflecting lower interest costs. Adjusted operating profit from our long-term business was up 7 per cent[4] to $3,846 million despite the Covid-19-related headwinds seen over the last few years. The Group has completed its programme to deliver a targeted reduction in central operating expenses of $70 million[10] a year from the start of 2023 which, combined with previously completed savings, represents delivery of central cost reduction programmes since 2018 that in total have saved $250 million[11] a year. The Group's total IFRS profit after tax from continuing operations was $1,007 million (2021: profit of $2,143 million on a constant exchange rate basis and $2,214 million on an actual exchange rate basis), reflecting negative short-term fluctuations from higher interest rates and lower equity markets during the year. These negative effects were offset in part by the benefit from refinements to the reserving basis following the adoption of the Hong Kong Risk-Based Capital regime (HK RBC) for which we received approval from the regulator in April 2022, effective from 1 January 2022. The IFRS reserving basis for Hong Kong was refined to reflect the measurement techniques applied within HK RBC, leading to a reduction in policyholder liabilities (net of reinsurance) and an increase in profit before tax of $945 million[9]. This was allocated between operating and non-operating profit in line with the Group's usual principles.

Our Group's regulatory capital position, free surplus and central liquidity positions remain robust. The Group's leverage remains near the bottom of our target range at 20 per cent, estimated on a Moody's basis, after allowing for the redemption of a £300 million senior bond in January 2023. As a result, supported by a clear and disciplined capital allocation policy, the Group is well positioned, with considerable financial flexibility including leverage capacity, to take advantage of the growth opportunities ahead.

The Group aligns its capital adequacy requirements with the established EEV and free surplus framework by comparing the total eligible Group capital resources with the Group's Prescribed Capital Requirement (GPCR) and this is explained further in the capital management section below. At 31 December 2022, the estimated shareholder surplus above the GPCR was $15.6 billion[12] (31 December 2021: $17.5 billion[9]) and cover ratio 307 per cent[13] (31 December 2021: 320 per cent[9]). The surplus reduced due to adverse market movements in the year, reducing available capital more than the reduction in capital requirements.

During the year, the Group adopted both HK RBC for the Hong Kong business and the China Risk Oriented Solvency System Phase II (C-ROSS II) requirements in the Chinese Mainland with an improvement to the shareholder GWS capital surplus of total eligible group capital resources over the Group Minimum Capital Requirement (GMCR) at 1 January 2022 by $9.3 billion[14], increasing the coverage ratio[15] from 408 per cent to 545 per cent (after allowing for the debt redemption in January 2022). The GWS coverage ratio at 1 January 2022 measured on GPCR basis after the regulatory changes was 320 per cent. The Group's free surplus increased by $1.4 billion as a result of the change on 1 January 2022. This is less than the increase in GWS surplus as free surplus excludes regulatory surplus and the HK RBC technical provisions for GWS are lower than policyholder asset shares or cash surrender floors, to reflect more realistically the surplus which can be remitted. The effect of the HK RBC implementation increased EEV by $0.2 billion.

With effect from 1 January 2023, IFRS 17, the new accounting standard for insurance contracts that replaces IFRS 4, becomes effective and the Group's IFRS reporting will be prepared on this basis from half year 2023. While this is an important step for the Group and the wider insurance industry, this new accounting framework has no impact on the Group's capital generation or management, operating free surplus generation, business strategy, EEV basis results or dividend policy. Similarly, the new IFRS 17 framework has no impact on the total level of profit generated over the life of the policy, but it does change the timing of profit recognition. Upon transition from our IFRS 4 grandfathered local GAAP measures to IFRS 17, we expect an increase in opening shareholders' equity of between $1.8 billion and $2.7 billion from the $17.1 billion dollars recorded under IFRS 4 at 31 December 2021. This reflects the release of prudent margins from our legacy accounting basis, particularly in Hong Kong, recognition of the shareholders' share of the inherited estate within the with-profit funds and the net impact of timing differences in the pattern of profit recognition. We have yet to complete the production of our half-year and full-year 2022 comparatives using the IFRS 17 accounting standard but we estimate that the net impact of timing differences between the two accounting bases will decrease the adjusted IFRS 17 operating profit for 2022 by between $650 million and $850 million compared with IFRS 4. The remaining uncertainty in the estimated impact will be addressed once full-year IFRS 17 results have been completed on the end state systems. Further disclosure of the impact on 2022 results will be provided in June 2023.

IFRS profit

		Actual exchange rate		Constant exchange rate	
	2022 $m	**2021** $m	**Change** %	**2021** $m	**Change** %
Adjusted operating profit based on longer-term investment returns before tax from continuing operations					
CPL	**368**	343	7	329	12
Hong Kong	**1,036**	975	6	969	7
Indonesia	**343**	446	(23)	429	(20)
Malaysia	**364**	350	4	330	10
Singapore	**678**	663	2	646	5
Growth markets and other	**1,057**	932	13	880	20
Long-term business adjusted operating profit	**3,846**	3,709	4	3,583	7
Asset management	**260**	314	(17)	299	(13)
Total segment profit from continuing operations	**4,106**	4,023	2	3,882	6
Net investment income and other items	**39**	21	86	21	86
Interest payable on core structural borrowings	**(200)**	(328)	39	(328)	39
Corporate expenditure	**(276)**	(298)	7	(280)	1
Other income and expenditure	**(437)**	(605)	28	(587)	26
Total adjusted operating profit before tax and restructuring and IFRS 17 implementation costs	**3,669**	3,418	7	3,295	11
Restructuring and IFRS 17 implementation costs	**(294)**	(185)	(59)	(178)	(65)
Total adjusted operating profit before tax	**3,375**	3,233	4	3,117	8
Non-operating items:					
Short-term fluctuations in investment returns on shareholder-backed business	**(1,915)**	(458)	(318)	(435)	(340)
Amortisation of acquisition accounting adjustments	**(10)**	(5)	(100)	(5)	(100)
Profit (loss) attaching to corporate transactions	**11**	(94)	n/a	(91)	n/a
Profit from continuing operations before tax attributable to shareholders	**1,461**	2,676	(45)	2,586	(44)
Tax charge attributable to shareholders' returns	**(454)**	(462)	2	(443)	(2)
Profit from continuing operations for the year	**1,007**	2,214	(55)	2,143	(53)
Loss from discontinued operations for the year, net of related tax	**–**	(5,027)	n/a	(5,027)	n/a
Profit (loss) for the year	**1,007**	(2,813)	n/a	(2,884)	n/a

IFRS earnings per share

	2022 cents	Actual exchange rate 2021 cents	Actual exchange rate Change %	Constant exchange rate 2021 cents	Constant exchange rate Change %
Basic earnings per share based on adjusted operating profit after tax from continuing operations	**100.5**	101.5	(1)	97.7	3
Basic earnings per share based on:					
Total profit after tax from continuing operations	**36.5**	83.4	(56)	80.6	(55)
Total loss after tax from discontinued operations	**–**	(161.1)	n/a	(161.2)	n/a

Segment profit from continuing insurance and asset management business increased by 6 per cent[4] to $4,106 million despite a challenging environment over recent periods. All our major long-term business segments, other than Indonesia, delivered growth, demonstrating the resilient and diversified nature of our business. The 7 per cent[4] growth in the adjusted operating profit of our long-term business was partially offset by a decline in Eastspring's adjusted operating profit following adverse market movements and seed capital losses over the year. After allowing for a 26 per cent[4] reduction in central expenditure and higher restructuring and IFRS 17 implementation costs, total adjusted operating profit before tax increased to $3,375 million, an 8 per cent[4] increase compared with 2021.

CPL, our joint venture business in the Chinese Mainland, delivered a 12 per cent[4] increase in adjusted operating profit to $368 million reflecting growth in the underlying in-force portfolio from higher sales volumes in recent years and improved operating experience during the year.

In Hong Kong, our adjusted operating profit increased by 7 per cent[4] to $1,036 million benefiting from the accumulating nature of the asset shares underpinning our flagship critical illness product, higher levels of profits from our with-profits business given the ageing of certain cohorts, and the impact from changes to underlying product profit profiles as a result of the adoption of the risk-based capital regime previously discussed.

In Indonesia, adjusted operating profit reduced by (20) per cent[4] to $343 million reflecting lower new business sales in recent years, lower fee income from unit-linked business due to adverse market movements and higher medical claims levels, specifically in the second half of the year, as the country emerged from the restrictions of the pandemic and policyholders felt more comfortable in undertaking usual medical activity.

In Malaysia, adjusted operating profit registered growth of 10 per cent[4] to $364 million supported by the growth of our in-force business with shareholder-backed renewal premiums increasing by 8 per cent[4].

In Singapore, adjusted operating profit increased by 5 per cent[4] to $678 million, reflecting the continued growth of our in-force business with shareholder-backed renewal premiums rising 9 per cent[4] alongside higher profits from our with-profits business, offset in part by the impact on revenue from adverse market movements.

The businesses comprising our Growth markets and other segment generated adjusted operating profit of $1,057 million, up 20 per cent[4]. This includes other items of $211 million (2021: $217 million on an actual exchange rate basis and $208 million on a constant exchange rate basis) which in 2022 comprised largely the impact of the adoption of the HK RBC (as discussed further in note C3.2 of the IFRS financial results). The adjusted operating profit for the Growth markets (excluding other items) increased by 26 per cent[4] to $846 million, driven by Thailand and India. Thailand achieved 24 per cent[4] growth in adjusted operating profit following growth in new business over recent years as we upscaled the business through our bank partnerships with TMB Thanachart Bank (TTB) and United Overseas Bank (UOB), while India saw improved claims experience in the period, following the spike in Covid-19 cases seen in 2021[16].

Long-term insurance business adjusted operating profit drivers

Profit margin analysis of long-term insurance continuing operations[17]

			Actual exchange rate		Constant exchange rate	
	2022		2021		2021	
	$m	Margin bps	$m	Margin bps	$m	Margin bps
Spread income	**307**	**72**	312	66	299	65
Fee income	**331**	**102**	345	103	329	103
With-profits	**160**	**20**	135	16	133	16
Insurance margin	**3,219**		2,897		2,795	
Other income	**3,429**		3,239		3,105	
Total life insurance income	**7,446**		6,928		6,661	
Expenses:						
Acquisition costs	**(2,346)**	**(53)%**	(2,085)	(50)%	(2,000)	(50)%
Administration expenses	**(1,732)**	**(230)**	(1,656)	(205)	(1,581)	(201)
DAC adjustments	**554**		566		545	
Share of related tax charges from joint ventures and associates	**(76)**		(44)		(42)	
Long-term business pre-tax adjusted operating profit	**3,846**		3,709		3,583	

Long-term business adjusted operating profit grew 7 per cent[4] to $3,846 million (2021: $3,583 million[4]), driven principally by 15 per cent[4] growth in insurance margin-related revenues. This increase arises both from the growth of our business in the current and recent years, supported by our focus on recurring premium health and protection products, and from the adoption of HK RBC in the year. While medical claims have begun to normalise (and increase) as people return to usual claim patterns post the pandemic, this has been balanced by a fall in mortality claims in the year.

Fee income increased by 1 per cent[4], reflecting premium contributions largely offset by unfavourable market movements, while spread income increased by 3 per cent[4], reflecting in-force business growth with the improvement in margin primarily driven by the impact of rising interest rates.

With-profits earnings relate to the shareholders' share in bonuses declared to policyholders. As these bonuses are typically weighted towards the end of a contract, under IFRS, with-profit earnings consequently emerge only gradually over time. The 20 per cent[4] growth in with-profits earnings reflects the ongoing growth and aging of certain cohorts within these portfolios.

Other income primarily represents amounts deducted from premiums to cover acquisition costs and administration expenses. As such, the growth of 10 per cent[4] from 2021 largely reflects premium growth in the year for our shareholder-backed business. Acquisition costs increased in the year, driven by higher APE sales as compared with the prior year. Administration expenses, including renewal commissions, increased by 10 per cent[4], reflecting in-force business growth and sales and premium tax-related provisions. Both acquisition costs and administration expenses reflect our continued investment in the business to enhance and maintain our capabilities for future growth.

Asset management

		Actual exchange rate		Constant exchange rate	
	2022 $m	**2021** $m	**Change** %	**2021** $m	**Change** %
External funds under management* ($bn)	**81.9**	94.0	(13)	87.5	(6)
Funds managed on behalf of M&G plc ($bn)	**9.3**	11.5	(19)	11.6	(20)
External funds under management ($bn)	**91.2**	105.5	(14)	99.1	(8)
Internal funds under management ($bn)	**104.1**	124.2	(16)	123.6	(16)
Internal funds under advice ($bn)	**26.1**	28.8	(9)	28.9	(10)
Total internal funds under management or advice ($bn)	**130.2**	153.0	(15)	152.5	(15)
Total funds under management or advice ($bn)	**221.4**	258.5	(14)	251.6	(12)
Total external net flows*,[18]	**(1,586)**	613	n/a	765	n/a
Analysis of adjusted operating profit					
Retail operating income	**392**	449	(13)	424	(8)
Institutional operating income	**268**	298	(10)	289	(7)
Operating income before performance-related fees	**660**	747	(12)	713	(7)
Performance-related fees	**1**	15	(93)	15	(93)
Operating income (net of commission)	**661**	762	(13)	728	(9)
Operating expense	**(360)**	(403)	11	(387)	7
Group's share of tax on joint ventures' adjusted operating profit	**(41)**	(45)	9	(42)	2
Adjusted operating profit	**260**	314	(17)	299	(13)
Adjusted operating profit after tax	**234**	284	(18)	271	(14)
Average funds under management or advice by Eastspring	**$229.4bn**	$251.7bn	(9)%	$240.9bn	(5)%
Fee margin based on operating income	**29bps**	30bps	(1)bp	30bps	(1)bp
Cost/income ratio[19]	**55%**	54%	+1ppt	54%	+1ppt

* Excluding funds managed on behalf of M&G plc.

Eastspring, the Group's asset management business, had total funds under management or advice[20] of $221.4 billion at 31 December 2022 (31 December 2021: $251.6 billion on a constant exchange rate basis). Compared with 2021, Eastspring's average funds under management or advice decreased by (5) per cent[4] to $229.4 billion (2021: $240.9 billion[4]), reflecting adverse market movements during the year, partially offset by net inflows.

We saw total net inflows of $4.5 billion over 2022 (2021: $5.8 billion[4]) which included internal net inflows from our insurance businesses totalling $7.8 billion (2021: $10.4 billion[4]). These flows were partially offset by third-party outflows (excluding money market funds and funds managed on behalf of M&G plc) of $(1.6) billion (2021: net inflows of $0.8 billion[4]), primarily from our bond funds in the retail business following increases in interest rates throughout the year, and $(0.8) billion (2021: $(3.9) billion[4]) of net outflows from funds managed on behalf of M&G plc.

Eastspring's adjusted operating profit of $260 million was down (13) per cent[4] compared with the prior year, reflecting a decline in the average funds under management or advice and losses on shareholder investments including seed capital in its retail funds, compared with gains in 2021. Operating income before gains and losses on shareholder investments and performance related fees was (4) per cent[4] lower, reflecting a (5) per cent[4] decline in average funds under management or advice. Despite a 7 per cent[4] reduction in operating costs, the cost/income ratio increased marginally to 55 per cent (2021: 54 per cent[4]) due to the effect of mark-to-market movements on shareholders' investments.

Other income and expenditure

Central costs (before restructuring and IFRS 17 implementation costs) were 26 per cent[4] lower than the prior period reflecting the benefit of the debt reduction programme completed in January 2022. Interest payable on core structural borrowings reduced by $128 million compared with 2021. Total head office expenditure was $(276) million (2021: $(280) million[4]) and the Group has completed its programme to deliver a targeted reduction in central operating expenses of around $70 million[10] of cost savings from 2023. Net investment income and other items for the year was $39 million (2021: $21 million[4]).

Restructuring costs of $(294) million (2021: $(178) million[4]) reflect the Group's substantial and ongoing IFRS 17 project, and one-off costs associated with cost saving, regulatory and other initiatives in our business. IFRS 17 costs are expected to remain elevated until the standard is fully implemented in 2023.

IFRS basis non-operating items

Non-operating items from continuing operations in the year consist mainly of negative short-term fluctuations in investment returns on shareholder-backed business of $(1,915) million (2021: $(435) million[4]) and a gain of $11 million from corporate transactions (2021: loss of $(91) million[4]).

The increase in the level of short-term fluctuations reflects the significant increase in interest rates during the year compared with 2021 and the fall in equity markets during the year, compared with equity market gains in 2021. Decreases in bond values from rising interest rates are not fully offset by reductions in policyholder liabilities as assets held will exceed liabilities, given the need to hold capital in line with local regulations, while some regimes have policyholder liabilities that do not directly reflect changes in interest rates or reprice more slowly than assets. This loss was offset in part from the benefit arising from the early adoption of the HK RBC.

The adverse movements in investment returns largely occurred in Hong Kong and the Chinese Mainland and resulted in the losses after tax for those segments.

Corporate transactions include a $62 million realised gain from the sale of 8.7 million shares in Jackson Financial Inc. during 2022. At 31 December 2022, we held 9.2 per cent of the shares[21] in Jackson Financial Inc. which had a fair value of $266 million. Further information on corporate transactions is presented in note D1.1 to the IFRS financial results.

IFRS effective tax rates for continuing operations

In 2022, the effective tax rate on adjusted operating profit was 18 per cent, broadly aligned with the prior year rate of 17 per cent.

The effective tax rate on total IFRS profit in 2022 was 31 per cent (2021: 17 per cent), reflecting the adverse impact of investment losses on which no tax credit is recognised.

From 2024 onwards, the effective tax rate on adjusted operating profit is likely to be impacted by a combination of the Organisation for Economic Co-operation and Development (OECD) proposals to implement a global minimum tax rate of 15 per cent and some jurisdictions where Prudential operates implementing a domestic minimum tax based on the OECD proposals. Through 2021, 2022 and early 2023, the OECD has issued model rules, guidance and a number of supplementary documents. Further OECD documents are expected during the course of 2023. A number of jurisdictions where Prudential has operations either have already issued or intend to issue draft legislation to implement the OECD rules into domestic tax law. Detailed analysis and consideration of all of these documents is ongoing.

Total tax contributions from continuing operations

The Group continues to make significant tax contributions in the jurisdictions in which it operates, with $1,009 million remitted to tax authorities in 2022. This was similar to the equivalent amount of $1,071 million[9] remitted in 2021 after allowing for movements in exchange rates.

Change of tax residence of Prudential plc

In 2022 the Prudential Board decided, in the context of having demerged M&G plc in 2019 and Jackson Financial Inc. in 2021 and its now exclusive focus on the growth markets of Asia and Africa, that the roles of the Chief Executive Officer and Group Chief Financial Officer would be based in Asia, where Prudential's largest businesses, the Group's regulator and the rest of the senior management team are located. As a result of these actions the tax residence of Prudential plc has changed to Hong Kong with effect from 3 March 2023. This is an immediate consequence of a Board meeting of that date in Hong Kong, where the Board now regularly meets, and also the commencement of the new Chief Executive Officer's employment in Hong Kong on 25 February 2023. The change of tax residence to Hong Kong is not expected to impact materially the Group's total corporate income tax payment amounts or the location of those payments. Of the $1,009 million total taxes remitted in 2022, over $950 million related to our Asian and African insurance and asset management businesses who pay and collect taxes where they do business and where they make investments. None of these tax remittances will be affected by Prudential plc changing tax residence. This change does not impact Prudential plc's legal structure or place of incorporation which remains in the UK. Further detail, including tax guidance for relevant shareholders, can be found at www.prudentialplc.com.

Tax strategy

The Group publishes its tax strategy annually which, in addition to complying with the mandatory UK (Finance Act 2016) requirements, also includes a number of additional disclosures, including a country-by-country disclosure of revenues, profits, average employee numbers and taxes for all jurisdictions where more than $5 million tax was paid. This disclosure is included as a way of demonstrating that our tax footprint (ie where we pay taxes) is consistent with our business footprint. An updated version of the tax strategy, including 2022 data, will be available on the Group's website before 31 May 2023.

Shareholders' equity

Group IFRS shareholders' equity

	2022 $m	**2021** $m
Adjusted operating profit after tax attributable to shareholders from continuing operations	**2,750**	2,668
Profit from continuing operations for the year	**1,007**	2,214
Less non-controlling interest from continuing operations	**(9)**	(22)
Profit after tax for the year attributable to shareholders from continuing operations	**998**	2,192
Net decrease in shareholders' equity from discontinued operations (see note D1.2 in the IFRS financial results)	**–**	(6,283)
Demerger dividend in-specie of Jackson	**–**	(1,735)
Exchange movements, net of related tax	**(531)**	(165)
Other external dividends	**(474)**	(421)
Issue of equity shares	**(4)**	2,382
Other (including revaluation of Jackson residual interest since demerger)	**(117)**	240
Decrease in shareholders' equity	**(128)**	(3,790)
Shareholders' equity at beginning of the year	**17,088**	20,878
Shareholders' equity at end of the year	**16,960**	17,088
Shareholders' value per share[19]	**617¢**	622¢

Group IFRS shareholders' equity decreased marginally to $17.0 billion at 31 December 2022, reflecting profit generated during the year, offset by dividend payments of $(0.5) billion, adverse exchange movements of $(0.5) billion and movements including the revaluation of the residual interest in Jackson Financial Inc.

Greater China presence

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

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

	Gross premiums earned*		New business profit	
	2022 $m	**2021** $m	**2022** $m	**2021** $m
Total Greater China**	**13,103**	14,335	**912**	1,181
Total Group**	**27,783**	28,796	**2,184**	2,526
Percentage of total	**47%**	50%	**42%**	47%

* The gross earned premium amount shown above differs from that shown in the income statement as the above number includes the Group's share of amounts earned by associates and JVs. The gross earned premium amount reflects the Group's IFRS accounting policies. A reconciliation to the amount included in the income statements is included in note II of the Additional unaudited financial information.

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

EEV basis results

EEV basis results from continuing operations

		Actual exchange rate		Constant exchange rate	
	2022 $m	**2021** $m	**Change** %	**2021** $m	**Change** %
New business profit	**2,184**	2,526	(14)	2,443	(11)
Profit from in-force business	**2,358**	1,630	45	1,588	48
Operating profit from long-term business	**4,542**	4,156	9	4,032	13
Asset management	**234**	284	(18)	271	(14)
Other income and expenditure[22]	**(824)**	(897)	8	(874)	6
Operating profit for the year from continuing operations	**3,952**	3,543	12	3,429	15
Non-operating loss	**(7,523)**	(306)	(2,358)	(261)	(2,782)
(Loss) profit for the year from continuing operations	**(3,571)**	3,237	(210)	3,168	(213)
Dividends paid	**(474)**	(421)			
Share capital issued	**(4)**	2,382			
Foreign exchange movements	**(1,195)**	(460)			
Other movements	**(156)**	691			
Net (decrease) increase in EEV shareholders' equity from continuing operations	**(5,400)**	5,429			
EEV shareholders' equity from continuing operations at 1 Jan	**47,355**	41,926			
Effect of HK RBC	**229**	–			
EEV shareholders' equity from continuing operations at 31 Dec	**42,184**	47,355			
% New business profit/average EEV shareholders' equity for continuing long-term business operations*	**5%**	6%			
% Operating profit/average EEV shareholders' equity for continuing operations	**9%**	8%			

* Excluding goodwill attributable to equity holders.

		Actual exchange rate
EEV shareholders' equity	**31 Dec 2022** $m	**31 Dec 2021** $m
Represented by:		
CPL	**3,259**	3,114
Hong Kong	**16,576**	21,460
Indonesia	**1,833**	2,237
Malaysia	**3,695**	3,841
Singapore	**6,806**	7,732
Growth markets and other	**6,688**	6,262
Embedded value from long-term business excluding goodwill	**38,857**	44,646
Asset management and other excluding goodwill	**2,565**	1,931
Goodwill attributable to equity holders	**762**	778
Group EEV shareholders' equity	**42,184**	47,355
EEV shareholders' equity per share	**1,534¢**	1,725¢

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

	2022 $m		Actual exchange rate 2021 $m		Actual exchange rate Change %		Constant exchange rate 2021 $m		Constant exchange rate Change %	
	APE sales	New business profit	APE sales	New business profit	APE sales	New business profit	APE sales	New business profit	APE sales	New business profit
CPL	**884**	**387**	776	352	14	10	743	337	19	15
Hong Kong	**522**	**384**	550	736	(5)	(48)	546	731	(4)	(47)
Indonesia	**247**	**125**	252	125	(2)	–	243	120	2	4
Malaysia	**359**	**159**	461	232	(22)	(31)	434	219	(17)	(27)
Singapore	**770**	**499**	743	523	4	(5)	724	510	6	(2)
Growth markets and other	**1,611**	**630**	1,412	558	14	13	1,323	526	22	20
Total	**4,393**	**2,184**	4,194	2,526	5	(14)	4,013	2,443	9	(11)
Total new business margin		**50%**		60%				61%		

EEV operating profit from continuing operations increased by 15 per cent[4] to $3,952 million, reflecting increased operating profit from the in-force business and an improvement in central costs; partially offset by a decline in the contribution from new business profit and lower profit from the asset management business. The operating return on embedded value was 9 per cent (2021: 8 per cent[9]).

The profit from long-term business is driven by the expected return and effects of operating assumption changes and operating experience variances. The expected return increased 50 per cent[4] to $2,559 million, reflecting the combined effects of underlying business growth and, more significantly, the impact of higher interest rates. Operating assumption changes and experience variances were negative $(201) million on a net basis compared with $(116) million[4] in 2021, reflecting a lower level of favourable assumption changes in the current year.

APE sales increased by 9 per cent[4] to $4,393 million and related new business profit decreased by (11) per cent[4], reflecting the impact of higher interest rates and business mix effects. Excluding economic effects new business profit was $2,357 million, a fall of (4) per cent[4] from the prior year. Detailed discussion of new business performance by segment is presented in the Strategic and operating review.

The non-operating loss of $(7,523) million (2021: loss of $(261) million[4]) is driven largely by rising interest rates and falling equity markets over the year leading to reduced asset values with a consequential impact on future profits. Higher interest rates also increased risk discount rates, which have a negative effect on health and protection profits. This negative effect more than outweighed the benefit on our savings products of increases to the assumed level of future investment returns.

Overall, EEV shareholders' equity from continuing operations decreased at 31 December 2022 to $42.2 billion (31 December 2021: $47.4 billion[9]). Of this, $38.9 billion (31 December 2021: $44.6 billion[9]) relates to the long-term business. This amount includes our share of our India associate valued using embedded value principles. The market capitalisation of this associate at 31 December 2022 was circa $7.8 billion, which compares with a publicly reported embedded value of circa $4.0 billion at 30 September 2022.

EEV shareholders' equity on a per share basis at 31 December 2022 was 1,534 cents (31 December 2021: 1,725 cents[9]).

Group free surplus generation from continuing operations

Free surplus is the metric we use to measure the internal cash generation of our business operations and broadly reflects the amount of money available to our operational businesses for investing in new business, strengthening our capacity and capabilities to grow the business, and potentially paying returns to the Group. For our insurance businesses it largely represents the Group's available regulatory capital resources after allowing for the prescribed required regulatory capital held to support the policies in issue, with a number of adjustments so that the free surplus better reflects resources potentially available for distribution to the Group. For our asset management businesses, Group holding companies and other non-insurance companies, the measure is based on IFRS net assets with certain adjustments, including to exclude accounting goodwill and to align the treatment of capital with our regulatory basis. Operating free surplus generation represents amounts emerging from the in-force business during the year, net of amounts reinvested in writing new business. For asset management businesses, it equates to post-tax adjusted operating profit for the year. Further information is contained in note 8.1(e) of the EEV basis results.

Analysis of movement in Group free surplus

		Actual exchange rate		Constant exchange rate	
	2022 $m	2021 $m	Change %	2021 $m	Change %
Expected transfer from in-force business and return on existing free surplus	**2,753**	2,497	10	2,408	14
Changes in operating assumptions and experience variances	**(227)**	(173)	(31)	(158)	(44)
Operating free surplus generated from long-term business before restructuring costs	**2,526**	2,324	9	2,249	12
Investment in new business	**(567)**	(537)	(6)	(516)	(10)
Asset management	**234**	284	(18)	271	(14)
Operating free surplus generated from life business and asset management before restructuring costs	**2,193**	2,071	6	2,004	9
Central costs and eliminations (net of tax):					
Net interest paid on core structural borrowings	**(200)**	(328)	39	(328)	39
Corporate expenditure	**(276)**	(292)	5	(261)	(6)
Other items and eliminations	**(66)**	(103)	36	(118)	44
Restructuring and IFRS 17 implementation costs (net of tax)	**(277)**	(169)	(64)	(162)	(71)
Net Group operating free surplus generated for continuing operations	**1,374**	1,179	17	1,135	21
Non-operating and other movements, including foreign exchange	**(2,367)**	330			
Recognition of residual interest in Jackson at demerger	**–**	493			
External cash dividends	**(474)**	(421)			
Share capital issued	**(4)**	2,382			
Treatment of grandfathered debt instruments under the GWS Framework[23]	**–**	1,995			
(Decrease) increase in Group free surplus from continuing operations before net subordinated debt redemption	**(1,471)**	5,958			
Net subordinated debt redemption	**(1,699)**	(232)			
(Decrease) increase in Group free surplus from continuing operations before amounts attributable to non-controlling interests	**(3,170)**	5,726			
Change in amounts attributable to non-controlling interests	**(10)**	(21)			
Free surplus at 1 Jan from continuing operations	**14,049**	8,344			
Effect of HK RBC	**1,360**	–			
Free surplus at 31 Dec from continuing operations	**12,229**	14,049			
Free surplus at 31 Dec excluding distribution rights and other intangibles	**8,390**	10,083			

Our Group generated an operating free surplus from insurance and asset management operations before restructuring costs of $2,193 million, up 9 per cent[4], largely reflecting the underlying business growth from our in-force insurance book and positive effects of interest rates. The cost of investment in new business increased by 10 per cent[4] broadly in line with the increase in APE sales of 9 per cent[4], with the benefit from regulatory changes in Hong Kong and higher interest rates offset by changes in business mix. After allowing for lower interest payments on the Group's central debt and higher restructuring and IFRS 17 costs, total Group free surplus generation was up 21 per cent[4] to $1,374 million.

Operating free surplus generated was offset by the negative impact of market and currency movements in the period. After allowing for these losses, the redemption of debt (which is treated as capital for free surplus purposes), the external dividend payment and the $1.4 billion benefit from adopting HK RBC at 1 January 2022, free surplus at 31 December 2022 was $12.2 billion. Excluding distribution rights and other intangibles it was $8.4 billion. In January 2023 Group free surplus was reduced by $0.4 billion following the redemption of a £300 million senior bond.

Dividend

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

The Board has approved a 2022 second interim cash dividend of 13.04 cents per share (2021: 11.86 cents per share[9]). Combined with the first interim cash dividend of 5.74 cents per share (2021: 5.37 cents per share[9]), the Group's total 2022 cash dividend is 18.78 cents per share (2021: 17.23 cents per share[9]), an increase of 9 per cent[9].

Group capital position

Prudential applies the Insurance (Group Capital) Rules set out in the GWS Framework issued by the Hong Kong Insurance Authority to determine Group regulatory capital requirements (both minimum and prescribed levels). The GWS Group capital adequacy requirements require that total eligible Group capital resources are not less than the GPCR and that GWS Tier 1 group capital resources are not less than the GMCR. In line with the changes at half year 2022 and the updated GWS disclosure guidelines issued by the Hong Kong Insurance Authority in December 2022, the GWS capital disclosures present the Group capital position by comparing the total eligible group capital resources to the GPCR, aligned with the basis of our EEV capital requirements. In addition, the total regulatory Tier 1 capital resources relative to the GMCR is also disclosed. More information is set out in note I(i) of the Additional unaudited financial information.

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

During the year, Group adopted C-ROSS Phase II requirements in the Chinese Mainland and the HK RBC for the Hong Kong business following the receipt of approval from the Hong Kong Insurance Authority to early-adopt the new Risk-Based Capital regime effective from 1 January 2022. These changes are estimated to have increased the GWS shareholder surplus over the GMCR by $9.3 billion[14] and to have increased the corresponding coverage ratio from 408 per cent to 545 per cent[15] as at 31 December 2021, after allowing for the $1.7 billion debt redemption in January 2022. As at 31 December 2021 the corresponding GWS shareholder capital surplus over the GPCR is estimated to have been $17.5 billion[12] with a corresponding GWS coverage ratio of 320 per cent[13]. When including the contribution from ring-fenced policyholder funds, the total surplus over the GPCR is estimated to have been $21.4 billion[12], with a corresponding GWS coverage ratio of 204 per cent[13].

As at 31 December 2022, the estimated shareholder GWS capital surplus over the GPCR is $15.6 billion[12] (31 December 2021: $17.5 billion[9]), representing a coverage ratio of 307 per cent[13] (31 December 2021: 320 per cent[9]) and the estimated total GWS capital surplus over the GPCR is $18.1 billion[12] (31 December 2021: $21.4 billion[9]) representing a coverage ratio of 202 per cent[13] (31 December 2021: 204 per cent[9]). The estimated Group Tier 1 capital resources are $17.4 billion[25] with estimated GWS Tier 1 surplus over the GMCR of $12.1 billion[14] (31 December 2021: $14.9 billion[9]), representing a coverage ratio of 328 per cent[15] (31 December 2021: 328 per cent[9]).

The Group shareholder GWS capital surplus over the GPCR reduced by $(1.9) billion[9] to $15.6 billion at 31 December 2022. Operating capital generation in the period was $1.4 billion after allowing for central costs and investment in new business. The impact of non-operating and other items, including market movements, were negative overall and reduced surplus by $(2.8) billion. Dividends of $0.5 billion were paid to shareholders in respect of the 2022 first interim dividend.

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

	31 Dec 2022 (post regulatory updates)			31 Dec 2021[24] (post regulatory updates)		
	Shareholder	Policyholder*	Total†	Shareholder	Policyholder*	Total†
Group capital resources ($bn)	**23.2**	**12.6**	**35.8**	25.5	16.5	42.0
of which: Tier 1 capital resources[25] ($bn)	**15.9**	**1.5**	**17.4**	17.9	3.5	21.4
Group Minimum Capital Requirement ($bn)	**4.4**	**0.9**	**5.3**	4.7	1.8	6.5
Group Prescribed Capital Requirement ($bn)	**7.6**	**10.1**	**17.7**	8.0	12.6	20.6
GWS capital surplus over GPCR ($bn)	**15.6**	**2.5**	**18.1**	17.5	3.9	21.4
GWS coverage ratio over GPCR (%)	**307%**		**202%**	320%		204%
GWS coverage ratio (over GMCR) (%)			**12.1**			14.9
GWS Tier 1 coverage ratio over GMCR (%)			**328%**			328%

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

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

The 31 December 2022 GWS capital results do not reflect the impact of the redemption of $0.4 billion of senior debt in January 2023. Allowing for this redemption reduces the shareholder GWS capital surplus over GPCR to $15.2 billion with a coverage ratio of 302 per cent and reduces the total GWS capital surplus over GPCR to $17.7 billion with a coverage ratio of 200 per cent. The total GWS Tier 1 over GMCR capital position is unaffected by this redemption.

GWS risk appetite and capital management

The Group's capital management framework focuses on achieving sustainable, profitable growth and retaining a resilient balance sheet.

The Group monitors regulatory capital, economic capital and rating agency capital metrics and manages the business within its risk appetite by remaining within its economic and regulatory capital limits. In respect of regulatory capital limits, a capital buffer above the GPCR is held to ensure the Group can withstand volatility in markets and operational experience, with capital resources remaining sufficient to cover the GPCR even after significant stresses. The calibration of the capital buffer reflects the Group's risk profile and the external economic environment, and is set and reviewed regularly by the Board.

Typically, this requires a Group shareholder coverage ratio of above 150 per cent of the shareholder GPCR to be maintained and de-risking management actions will be taken as necessary to maintain this buffer. No maximum limit on the GWS coverage ratio has been set. While the GWS shareholder capital position is a key metric for assessing regulatory solvency, and for risk management, there are some elements of the shareholder GWS capital surplus which will only become available as cash flow for distribution over time. The Group's Free Surplus metric is a better measure of the shareholder capital available for distribution, and is used as the primary metric for assessing the Group's sources and uses of capital in the Group's capital management framework, and underpinning the Group's dividend policy.

At 31 December 2022, the Group's Free Surplus stock (excluding distribution rights and other intangibles) was $8.4 billion, compared with the GWS shareholder surplus of $15.6 billion and a reconciliation is shown in note I(i) of the Additional unaudited financial information.

The uses of capital, for both organic and inorganic opportunities, are assessed by reference to expected shareholder returns and payback periods, relative to risk-adjusted hurdle rates which are set centrally.

Reflecting the Group's capital allocation priorities, a portion of the free surplus generated in each period will be retained for reinvestment in the business, and dividends will be determined primarily based on the Group's operating free surplus generation after allowing for the capital strain of writing new business and recurring central costs (on a right-sized basis). To the extent that free surplus arises which is not required to support organic and inorganic growth opportunities, consideration will be given to returning capital to shareholders.

Separate from the capital management framework applied for shareholder-owned capital, the capital held in ring-fenced with-profits funds supports policyholder investment freedom, which increases expected returns for our with-profits funds' customers. GWS policyholder capital surplus is not available for distribution out of the ring-fenced funds other than as a defined proportion distributable to shareholders when policyholder bonuses are declared. Policyholder fund capital surplus is deployed over time to increase investment risk in the with-profits funds in order to target higher customer returns, or distributed as higher customer bonuses, in line with the specific with-profits bonus policies which apply to each ring-fenced fund. The result of applying these policies is that the aggregate policyholder fund GPCR coverage ratio is typically lower than the GPCR shareholder coverage ratio.

The total GWS coverage ratio, which is an aggregate of the policyholder and shareholder capital positions, is therefore usually lower than the shareholder coverage ratio, but also less sensitive in stress scenarios, as is shown in the GWS sensitivity analysis section above as at 31 December 2022. The total GWS coverage ratio is the Group's regulatory solvency metric to which Group supervision applies, and this total regulatory coverage ratio is managed to ensure it remains above the GPCR by applying separate shareholder and policyholder risk appetite limits, as described above.

Financing and liquidity

At 31 December 2022, the Group's net gearing ratio as defined in the table below was 7 per cent, after reflecting the refined definition of holding company cash and short-term investments as discussed below, but excluding the impact of the redemption on 20 January 2023 of the £300 million senior bond, with a carrying value of $361 million at 31 December 2022. The Group manages its leverage on a Moody's total leverage basis, which differs from the above by taking into account gross debt, including commercial paper, and also allows for a proportion of the surplus within the Group's with-profits funds. We estimate the Moody's total leverage at 31 December 2022 to be 21 per cent (31 December 2021: 26 per cent[9]). After allowing for the redemption in January 2023 of the £300 million senior bond we estimate that Moody's total leverage would be 20 per cent.

Prudential is targeting a Moody's total leverage ratio of around 20 to 25 per cent over the medium term. Prudential may operate outside this range temporarily to take advantage of growth opportunities with attractive risk-adjusted returns as they arise, while still preserving its strong credit ratings.

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

Net core structural borrowings of shareholder-financed businesses

	31 Dec 2022 $m			31 Dec 2021 $m		
	IFRS basis	Mark-to-market value	EEV basis	IFRS basis	Mark-to-market value	EEV basis
Borrowings of shareholder-financed businesses	**4,261**	**(427)**	**3,834**	6,127	438	6,565
Less: holding company cash and short-term investments[26]	**(3,057)**	**–**	**(3,057)**	(3,572)	–	(3,572)
Net core structural borrowings of shareholder-financed businesses	**1,204**	**(427)**	**777**	2,555	438	2,993
Net gearing ratio*	**7%**			13%		

* Net core structural borrowings from continuing operations as proportion of IFRS shareholders' equity from continuing operations plus net core structural borrowings from continuing operations, as set out in note II of the Additional unaudited financial information.

The total borrowings of the shareholder-financed businesses from continuing operations were $4.3 billion at 31 December 2022 and the Group had central cash resources of $3.1 billion[26] at the same date resulting in net core structural borrowings of the shareholder-financed businesses of $1.2 billion. We have complied with all of the covenants and undertakings of our core structural borrowings and have not modified any of their terms during 2022.

The Group has two securities that reach maturity in 2023; the £300 million senior bonds that were redeemed on 20 January 2023 and a €20 million medium-term note that falls due in July 2023. In addition, the Group has a $750 million perpetual note that reached its first call date in January 2023 at which time the Group's management elected not to call it. We retain the right to call this security at par on a quarterly basis hereafter. The Group's remaining securities have contractual maturities that fall between 2029 and 2033. Further analysis of the maturity profile of borrowings is presented in note C2.3 to the IFRS financial results.

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

Prudential plc has maintained a consistent presence as an issuer in the commercial paper market for the past decade and had $501 million in issue at 31 December 2022 (31 December 2021: $500 million[9]).

As at 31 December 2022, the Group had a total of $2.6 billion of undrawn committed facilities, expiring in 2026. Apart from small drawdowns to test the process, these facilities have never been drawn, and there were no amounts outstanding at 31 December 2022.

Cash remittances

Holding company cash flow

		Actual exchange rate	
	2022 $m	2021 $m	Change %
Net cash remitted by business units[27]	**1,304**	1,451	(10)
Net interest paid	**(204)**	(314)	35
Corporate expenditure[28]	**(232)**	(322)	28
Centrally funded recurring bancassurance fees	**(220)**	(176)	(25)
Total central outflows	**(656)**	(812)	19
Holding company cash flow before dividends and other movements	**648**	639	
Dividends paid	**(474)**	(421)	
Operating holding company cash flow after dividends but before other movements	**174**	218	
Issuance and redemption of debt	**(1,729)**	(255)	
Hong Kong public offer and international placing	**–**	2,374	
Other corporate activities	**248**	(199)	
US demerger costs	**–**	(30)	
Total other movements	**(1,481)**	1,890	
Total holding company cash flow	**(1,307)**	2,108	
Cash and short-term investments at the beginning of the year	**3,572**	1,463	
Foreign exchange and other movements	**(113)**	1	
Inclusion of amounts at 31 Dec from additional centrally managed entities	**905**	–	
Cash and short-term investments at the end of the year	**3,057**	3,572	

Remittances from our businesses were $1,304 million (2021: $1,451 million[9]). Remittances were used to meet central outflows of $(656) million (2021: $(812) million[9]) and to pay dividends of $(474) million. Central outflows include net interest paid of $(204) million (2021: $(314) million[9]), corporate expenditure of $(232) million (2021: $(322) million[9]) and centrally funded recurring bancassurance fees of $(220) million (2021: $(176) million[9]).

Other cash flow movements included net receipts from other corporate activities of $248 million (2021: $(199) million[9] net payments) comprising proceeds of $315 million received from the sales of shares in Jackson Financial Inc. together with dividends from Jackson Financial Inc., partially offset by cash provided for investment by the businesses mainly in digital infrastructure. Our debt redemption and refinancing programme was completed in January 2022 at a cost of $1,725 million. We also settled a bank loan in the year funded by the issue of new senior debt at a net outflow of $4 million.

The definition of holding company cash and short-term investments has been updated, with effect from 31 December 2022, following the combination of the Group's London office and Asia regional office into a single Group Head Office in 2022. This updated definition includes all cash and short-term investments held by central holding and service companies, including amounts previously managed on a regional basis. These balances are now being centrally managed by the Group's Treasury function. This refinement increased holding company cash and short-term investment balances by $0.9 billion at 31 December 2022. After reflecting this refinement, cash and short-term investments totalled $3.1 billion at 31 December 2022 (31 December 2021: $3.6 billion[9]). The redemption of debt in January 2023 reduced this balance by $371 million.

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

Notes

1 APE sales is a measure of new business activity that comprises the aggregate of annualised regular premiums and one-tenth of single premiums on new business written during the year for all insurance products, including premiums for contracts designated as investment contracts under IFRS 4. It is not representative of premium income recorded in the IFRS financial results. See note II of the Additional unaudited financial information for further explanation.

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

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

4 On a constant exchange rate basis.

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

6 Greater China comprises of our businesses in the Chinese Mainland, Hong Kong and Taiwan.

7 South-east Asia comprises of our businesses in Asia excluding the Chinese Mainland, Hong Kong, Taiwan and India.

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

9 On an actual exchange rate basis.

10 As compared with full year 2021 actual expenditure of $298 million and assuming no significant change in current exchange rates.

11 Represents previously referred to $70 million costs savings from the start of 2023, compared with full year 2021 actual expenditure, together with $180 million of cost savings delivered from the start of 2021 compared with full year 2018 actual expenditure.

12 Estimated GWS capital resources in excess of the GPCR attributable to the shareholder business, before allowing for the 2022 second cash interim dividend. Prescribed capital requirements are set at the level at which the local regulator of a given entity can impose penalties, sanctions or intervention measures. The estimated GWS group capital adequacy requirements require that total eligible Group capital resources are not less than the GPCR.

13 Estimated GWS coverage ratio of capital resources over GPCR attributable to the shareholder business, before allowing for the 2022 second cash interim dividend.

14 Estimated GWS capital resources in excess of the GMCR attributable to the shareholder business, before allowing for the 2022 second cash interim dividend. Under the GWS Framework, all debt instruments (senior and subordinated) issued by Prudential plc at 30 June 2022 are included as GWS eligible group capital resources.

15 Estimated GWS coverage ratio of capital resources over GMCR attributable to shareholder business, before allowing for the 2022 second cash interim dividend.

16 Our World in Data, India confirmed Covid-19 cases.

17 For discussion on the basis of preparation of the sources of earnings in the table see note I(ii) of the Additional unaudited financial information.

18 Excludes Money Market Funds.

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

20 Full year 2022 total funds under management or advice including external funds under management, money market funds, funds managed on behalf of M&G plc and internal funds under management or advice.

21 Jackson Financial Inc. shares held by Prudential as a percentage of Jackson Financial Inc. Shares disclosed as outstanding as at 31 December 2022.

22 Other income and expenditure includes restructuring and IFRS 17 implementation costs.

23 Debt not denominated in USD is translated using exchange rates as at 31 December 2020 for the purposes of grandfathering.

24 31 December 2021 comparative amounts include the effect of the adoption of HK RBC, C-ROSS Phase II and the redemption of $1,725 million of sub-ordinated debt completed in January 2022.

25 The classification of tiering of capital under the GWS framework reflects the different local regulatory regimes along with guidance issued by the Hong Kong IA.

26 The definition of holding company cash and short-term investments has been updated, with effect from 31 December 2022, following the combination of the Group's London office and Asia regional office into a single Group Head Office in 2022. This updated definition includes all cash and short-term investments held by central holding and service companies, including amounts previously managed on a regional basis. These balances are now being centrally managed by the Group's Treasury function.

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

28 Including IFRS 17 implementation and restructuring costs paid in the year.