Material Contracts

On 25 September 2019, Prudential and M&G entered into a demerger agreement (the "Demerger Agreement"). The Demerger Agreement sets forth the primary terms and conditions pursuant to which the Demerger was effected. The Demerger Agreement also governs the post-Demerger obligations and restrictions of each of the parties thereto, including, among others, obligations in respect of data sharing, intercompany debt, third party-dealings and the treatment of confidential information.

Specifically, the Demerger Agreement provides that, for a period of ten years after completion, Prudential and M&G, as applicable, must deliver to the other party certain corporate and personal data as reasonably requested, subject to certain exceptions as agreed to by the parties. Additionally, in connection with the announcement of a possible change of control within two years after completion, the Demerger Agreement provides that the party not affected by the change of control may require the other party to delete confidential information held by such other party. The Demerger Agreement also sets forth the mechanisms by which any pre-Demerger guarantees, indemnities or other assurances given by Prudential or M&G to the other are released. Generally, the beneficiary of such a guarantee, indemnitee or assurance must seek to obtain the guarantor's release from the guarantor's obligations thereunder and, pending release, indemnify the guarantor against all liabilities and costs arising under or by reason of the guarantee and ensure that the guarantor's exposure under the guarantee is not increased.

The Demerger Agreement also contains mutual cross indemnities under which Prudential and M&G, as applicable, must indemnify the other party against losses, costs, damages and expenses of any kind suffered or arising directly or indirectly from or in consequence of the business carried on by Prudential (other than the M&G business) and M&G, as applicable, prior to the Demerger. Pursuant to the Demerger Agreement, Prudential and M&G are obliged to satisfy any claims made by the other party in respect of such indemnities, subject to the right of M&G or Prudential, as applicable, to defend any such claim. The mutual cross indemnities set forth in the Demerger Agreement are unlimited in terms of amount and duration.

Exchange Controls

Other than the requirement to report certain events and transactions to HM Revenue & Customs, there are currently no UK laws, decrees or regulations that restrict the export or import of capital, including, but not limited to, foreign exchange controls, or that affect the remittance of dividends or other payments to non-UK residents or to US holders of Prudential's securities, except as otherwise set forth under 'Taxation' in this section.

Taxation

The following is a summary, under current law and practice, of the principal UK tax, US federal income tax, Hong Kong and Singapore tax considerations relating to an investment by a US taxpayer in Prudential ordinary shares or ADSs. This summary applies to you only if:

- You are an individual US citizen or resident, a US corporation, or otherwise subject to US federal income tax on a net income basis in respect of your holding of Prudential ordinary shares or ADSs;
- You hold Prudential ordinary shares or ADSs or shares held or traded in Singapore through the Central Depository (CDP) as a capital asset for tax purposes;
- If you are an individual, you are not resident in the United Kingdom for UK tax purposes, and do not hold Prudential ordinary shares or ADSs for the purposes of a trade, profession, or vocation that you carry on in the United Kingdom through a branch or agency or if you are a corporation, you are not resident in the UK for UK tax purposes and do not hold the securities for the purpose of a trade carried on in the United Kingdom through a permanent establishment in the United Kingdom; and
- You are not domiciled in the UK for inheritance tax purposes.

This summary does not address any tax consideration other than certain UK tax, US federal income tax, Hong Kong tax and Singapore tax considerations and does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, and does not address the tax treatment of investors that are subject to special rules. Prudential has assumed that you are familiar with the tax rules applicable to investments in securities generally and with any special rules to which you may be subject. You should consult your own tax advisers regarding the tax consequences of the ownership of Prudential ordinary shares or ADSs in the context of your own particular circumstances.

The discussion is based on laws, treaties, judicial decisions, and regulatory interpretations in effect on the date hereof, all of which are subject to change possibly retrospectively.

Beneficial owners of ADSs will be treated as owners of the underlying Prudential ordinary shares for US federal income tax purposes and for purposes of the 24 July 2001 Treaty between the United States and the United Kingdom. Deposits and withdrawals of Prudential ordinary shares in exchange for ADSs generally will not result in the realisation of gain or loss for US federal income tax purposes.

UK Taxation of Dividends

UK tax is not required to be withheld in the United Kingdom at source from cash dividends paid to US resident holders.

UK Taxation of Capital Gains

A holder of Prudential ordinary shares or ADSs who for UK tax purposes is a US corporation that is not resident in the United Kingdom will not be liable for UK taxation on capital gains realised on the disposal of Prudential ordinary shares or ADSs unless at the time of disposal:

– The holder carries or has carried on a trade in the United Kingdom through a permanent establishment in the United Kingdom, and
– The Prudential ordinary shares or ADSs are or have been used, held or acquired for use by or for the purposes of such trade or permanent establishment.

Subject to the comments in the following paragraph, a holder of Prudential ordinary shares or ADSs who, for UK tax purposes, is an individual who is not resident in the United Kingdom will not be liable for UK taxation on capital gains realised on the disposal of Prudential ordinary shares or ADSs unless at the time of the disposal:

– The holder carries or has carried on a trade in the United Kingdom through a branch or agency, and
– The Prudential ordinary shares or ADSs are or have been used, held, or acquired for use by or for the purposes of such trade or for the purposes of such branch or agency.

A holder of Prudential ordinary shares or ADSs who is an individual who is temporarily a non-UK resident for UK tax purposes will, in certain circumstances, become liable to UK tax on capital gains in respect of gains realised while he or she was not resident in the UK.

UK Inheritance Tax

Prudential ordinary shares which are registered on the main Prudential share register are assets situated in the United Kingdom for the purposes of UK inheritance tax (the equivalent of US estate and gift tax). Prudential ADSs are likely to be treated in the same manner as the underlying Prudential ordinary shares and as situated in the United Kingdom. Subject to the discussion of the UK-US estate tax treaty in the next paragraph, UK inheritance tax may apply if an individual who holds Prudential ordinary shares which are registered on the main Prudential share register or ADSs gifts them or dies even if he or she is neither domiciled in the United Kingdom nor deemed to be domiciled there under UK law. For inheritance tax purposes, a transfer of Prudential ordinary shares or ADSs at less than full market value may be treated, to the extent of the undervalue, as a gift for these purposes. Special inheritance tax rules apply (1) to gifts if the donor retains some benefit, (2) to close companies and (3) to trustees of settlements. Prudential ordinary shares which are registered on the Hong Kong branch register should not be treated as situated in the United Kingdom for the purpose of UK inheritance tax.

However, as a result of the UK-US estate tax treaty, Prudential ordinary shares which are registered on the main Prudential share register or ADSs held by an individual who is domiciled in the United States for the purposes of the UK-US estate tax treaty and who is not a UK national will, subject to special rules relating to trusts and settlements, not be subject to UK inheritance tax on that individual's death or on a gift of the Prudential ordinary shares or ADSs unless the Prudential ordinary shares or ADSs:

– Are part of the business property of a permanent establishment of an enterprise in the United Kingdom, or
– Pertain to a fixed base in the UK used for the performance of independent personal services.

The UK-US estate tax treaty provides a credit mechanism if the Prudential ordinary shares or ADSs are subject to both UK inheritance tax and to US estate and gift tax.

UK Stamp Duty and Stamp Duty Reserve Tax

Relevant legislation provides that, subject to certain exemptions, UK stamp duty would be payable on a transfer of, and UK stamp duty reserve tax (SDRT) would be payable upon a transfer or issue of, Prudential ordinary shares to the depositary of Prudential ordinary shares that is responsible for issuing ADSs (the 'ADS Depositary'), or a nominee or agent of the ADS depositary, in exchange for American Depositary Receipts (ADRs) representing ADSs. For this purpose, the current rate of stamp duty and SDRT is 1.5 per cent (rounded up, in the case of stamp duty, to the nearest £5).

However, as a result of case law, HMRC's current position is that they will not seek to levy a 1.5 per cent SDRT charge on an issue of UK shares to a person providing clearance services or issuing depositary receipts, wherever located. HMRC do not, however, agree that the relevant case law extends to transfers of shares to a person providing clearance services or issuing depositary receipts, wherever located, where that transfer is not an integral part of an issue of share capital. It is recommended that, should this charge arise, independent professional tax advice be sought without delay.

Provided that the instrument of transfer is not executed in the United Kingdom no UK stamp duty should be required to be paid on any transfer of Prudential ADRs representing ADSs. Based on Prudential's understanding of HMRC's application of the exemption from SDRT for depositary receipts a transfer of Prudential ADRs representing ADSs should not, in practice, give rise to a liability to SDRT.

Subject to the special rules relating to clearance services and issuers of depositary receipts, a transfer for value of Prudential ordinary shares (but excluding Prudential ordinary shares registered on the Hong Kong branch register unless the instruments of transfer are executed in the UK), as opposed to ADSs, will generally give rise to a charge to UK stamp duty, other than where the amount or value of the consideration for the transfer is £1,000 or under and the transfer instrument is certified to that effect, at the rate of 0.5 per cent (rounded up to the nearest £5). The rate is applied to the amount or value of the consideration payable for the relevant Prudential ordinary shares. To the extent that UK stamp duty is paid on a transfer of Prudential ordinary shares, no SDRT should generally be payable on the agreement for that transfer.

Subject to certain special rules relating to clearance services and issuers of depositary receipts, a transfer of ordinary shares from a nominee to their beneficial owner (other than on sale), including a transfer of underlying Prudential ordinary shares from the ADS Depositary or its nominee to an ADS holder, is not subject to UK stamp duty or SDRT. No UK SDRT should be payable on an agreement to transfer Prudential ordinary shares registered on the Hong Kong branch registers, subject to the special rule relating to clearance services and issuers of depositary receipts.

UK stamp duty is usually paid by the purchaser. Although SDRT is generally the liability of the purchaser, any such tax payable on the transfer or issue of Prudential ordinary shares to the ADS Depositary or its nominee would be payable by the ADS Depositary as the issuer of the ADSs. In accordance with the terms of the Deposit Agreement, the ADS Depositary will recover an amount in respect of such tax from the initial holders of the ADSs. However, due to HMRC's position set out above, it is likely that no such tax will be charged in relation to an issue of Prudential ordinary shares into the ADS Depositary.

US Federal Income Tax Treatment of Distributions on Prudential Ordinary Shares or ADSs

If Prudential pays dividends, you must include those dividends in your income when you receive them. The dividends will be treated as foreign source income. You should determine the amount of your dividend income by converting pounds sterling into US dollars at the exchange rate in effect on the date of your (or the depositary's, in the case of ADSs) receipt of the dividend. Subject to certain exceptions for short-term and hedged positions, the US dollar amount of dividends received by an individual will be subject to taxation at a lower rate than ordinary income if the dividends are 'qualified dividends.' Dividends received with respect to the ordinary shares or ADSs will be qualified dividends if Prudential was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). Based on the nature of its business activities and its expectations regarding such activities in the future, Prudential believes that it was not treated as a PFIC within the meaning of the Code with respect to its 2019 taxable year. In July 2019 the U.S. Department of the Treasury issued proposed regulations amending the PFIC rules under sections 1291, 1297 and 1298 of the Code. Prudential is monitoring the development of the proposed regulations which, if finalised in 2020, will become effective for the 2021 taxable year.

US Federal Income Tax Treatment of Capital Gains

If you sell your Prudential ordinary shares or ADSs, you will recognise a US source capital gain or loss equal to the difference between the US dollar value of the amount realised on the disposition and the US dollar basis in the ordinary shares of the ADSs. A gain on the sale of Prudential ordinary shares or ADSs held for more than one year will be treated as a long-term capital gain. The net long-term capital gain generally is subject to taxation at a lower rate than ordinary income. Your ability to offset capital losses against ordinary income is subject to limitations.

US Federal Medicare Tax on Net Investment Income

A 3.8 per cent surtax will generally apply to the net investment income of individuals whose modified adjusted gross income exceeds certain threshold amounts. For 2019, these amounts are $200,000 in the case of single taxpayers, $250,000 in the case of married taxpayers filing joint returns, and $125,000 in the case of married taxpayers filing separately. Net investment income includes, among other items, dividends, interest, and net gain from the disposition of property (other than certain property held in a trade or business).

US Information Reporting and Backup Withholding

Under the US tax code, a US resident holder of Prudential ordinary shares or ADSs may be subject, under certain circumstances, to information reporting and possibly backup withholding with respect to dividends and proceeds from the sale or other disposition of Prudential ordinary shares or ADSs, unless the US resident holder provides proof of an applicable exemption or correct taxpayer identification number and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under the backup withholding rules is not additional tax and may be refunded or credited against the US resident holder's federal income tax liability, so long as the required information is furnished to the IRS.

US Foreign Account Tax Compliance Act ('FATCA') provisions

FATCA requires Foreign Financial Institutions ('FFI's) (such as Prudential plc and many of its subsidiaries) to identify US customers and report certain information on accounts held by US persons and US-owned foreign entities to either their domestic tax authority (where there is an appropriate intergovernmental agreement in place) for onwards transmission to the Internal Revenue Service ('IRS'), or directly to the IRS on an annual basis. Failure to report can potentially lead to a 30 per cent withholding tax on certain US payments made to the FFI. The 30 per cent withholding requirement applies generally with respect to US source interest, dividends and other fixed and determinable payments to persons who do not satisfy the FATCA requirements. The majority of countries where Prudential plc has affected subsidiaries have now entered into intergovernmental agreements with the US to simplify compliance for FFIs in those countries and minimise the risk of withholding, while still meeting the reporting obligations to the US. Prudential plc and its affected subsidiaries have established policies and procedures to ensure compliance with FATCA, including filing applicable reports.

Hong Kong Taxation of Dividends

No tax will be payable in Hong Kong in respect of dividends Prudential pays to its US resident holders. Dividends distributed to Prudential's US resident holders will be free of withholding taxes in Hong Kong.

Hong Kong Taxation on gains of sale

No tax is imposed in Hong Kong in respect of capital gains. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where the trading gains are derived from or arise in Hong Kong will be chargeable to Hong Kong profits tax. Hong Kong profits tax is currently charged at the rate of 16.5 per cent on corporations and at a maximum rate of 15 per cent on individuals. Certain categories of taxpayers whose business consists of buying and selling shares are likely to be regarded as deriving trading gains rather than capital gains (eg financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from the sale of the Prudential ordinary share by US resident holders effected on the Hong Kong Stock Exchange will be considered to be derived from Hong Kong. A liability for Hong Kong profits tax would thus arise in respect of trading gains derived by US resident holders from the sale of Prudential ordinary shareseffected on the Hong Kong Stock Exchange where such trading gains are realised by US resident holders from a business carried on in Hong Kong.

Hong Kong Stamp duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1 per cent on the higher of the consideration for or the value of the Prudential ordinary shares, will be payable by the purchaser on a purchase and by the seller on a sale of Prudential ordinary shares where the transfer is required to be registered in Hong Kong (ie a total of 0.2 per cent is ordinarily payable on a sale and purchase transaction involving ordinary shares). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of ordinary shares.

Hong Kong Estate duty

Hong Kong estate duty has been abolished with effect to all deaths occurring on or after 11 February 2006.

Singapore Taxation on gains of sale

Disposal of the Prudential ordinary shares

Singapore does not impose tax on capital gains. However, gains of an income nature may be taxable in Singapore. There are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital in nature. Gains arising from the disposal of the Prudential ordinary shares by US resident holders may be construed to be of an income nature and subject to Singapore income tax, especially if they arise from activities which are regarded as the carrying on of a trade or business and the gains are sourced in Singapore.

Adoption of FRS 109 for Singapore Tax Purposes

Any US resident holders who apply, or who are required to apply, the Singapore Financial Reporting Standard 109 Financial Instruments (FRS 109) for the purposes of Singapore income tax may be required to recognise gains or losses (not being gains or losses in the nature of capital) in accordance with the provisions of FRS 109 (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal is made. Taxpayers who may be subject to such tax treatment should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Prudential ordinary shares.

Singapore Taxation of Dividend distributions

As Prudential is incorporated in England and Wales and is not tax resident in Singapore for Singapore tax purposes, dividends paid by Prudential will be considered as sourced outside Singapore (unless the Prudential ordinary shares are held as part of a trade or business carried out in Singapore in which event the US resident holders of such shares may be taxed on the dividends as they are derived).

Foreign-sourced dividends received or deemed received in Singapore by a US resident individual not resident in Singapore is exempt from Singapore income tax. This exemption will also apply in the case of a Singapore tax resident individual who receives his foreign-sourced income in Singapore on or after 1 January 2004 (except where such income is received through a partnership in Singapore).

Foreign-sourced dividends received or deemed received by corporate investors in Singapore (including US investors carrying on trade or business in Singapore) will ordinarily be liable to Singapore tax. However, foreign-sourced income in the form of dividends, branch profits and service income received or deemed to be received in Singapore by Singapore tax resident companies on or after 1 June 2003 can be exempt from tax if certain prescribed conditions are met, including the following:

I. such income is subject to tax of a similar character to income tax (by whatever name called) under the law of the territory from which such income is received; and
II. at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15 per cent.

Certain concessions and clarifications have also been announced by the Inland Revenue Authority of Singapore with respect to such conditions.

Singapore Stamp duty

As Prudential is incorporated in England and Wales and the Prudential ordinary shares are not registered on any register kept in Singapore, no stamp duty is payable in Singapore:

(i) On the issuance of the Prudential ordinary shares; and
(ii) On any transfer of the Prudential ordinary shares.

Prudential ordinary shares held or traded in Singapore through CDP will be registered on the HK Register. As such, Hong Kong stamp duty will be payable on a transfer of Prudential ordinary shares held or traded in Singapore through CDP. Please refer to the description under the Hong Kong stamp duty section above.

All persons, including US resident holders, who hold or transact in Prudential ordinary shares in Singapore through the SGX-ST and/or CDP should expect that they will have to bear Hong Kong stamp duty in respect of transactions in Prudential ordinary shares effected in Singapore through the SGX-ST and/or CDP. Such persons should consult their brokers, or custodians for information regarding what procedures may be instituted for collection of Hong Kong stamp duty from them.

Singapore Estate duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

Singapore Goods and Services Tax

There is no Goods and Services Tax (GST) payable in Singapore on the subscription or issuance of the Prudential ordinary shares. The clearing fees, instruments of transfer deposit fees and share withdrawal fees are subject to GST at the prevailing standard-rate (currently 7 per cent) if the services are provided by a GST registered person to a holder of the Prudential ordinary shares. However, such fees could be zero-rated when provided to a US resident holder of the Prudential ordinary shares belonging outside Singapore provided certain conditions are met. For a holder of the Prudential ordinary shares belonging in Singapore who is registered for GST, the GST incurred is generally not recoverable as input tax credit from the Inland Revenue Authority of Singapore unless certain conditions are satisfied. These GST-registered holders of the Prudential ordinary shares should seek the advice of their tax advisors on these conditions.

Documents on Display

Prudential is subject to the informational requirements of the Securities Exchange Act of 1934 applicable to foreign private issuers. In accordance with these requirements, Prudential files its annual report on Form 20-F and other documents with the Securities and Exchange Commission.

The SEC maintains a website that contains reports and other information regarding registrants. All the SEC filings made electronically by registrants including Prudential can be accessed at www.sec.gov. Prudential's SEC filings are also available in our corporate website at www.prudentialplc.com.

Prudential also files reports and other documents with the London, Hong Kong and Singapore stock exchanges. This information may be viewed on the websites of each of those exchanges as well as via the UK Financial Conduct Authority's National Storage Mechanism. All reports and other documents filed with each of the exchanges are also published on Prudential's website. The contents of this website are not incorporated by reference into this Form 20-F.

Controls and Procedures

Management has evaluated, with the participation of Prudential plc's Group Chief Executive and Group Chief Financial Officer and Chief Operating Officer, the effectiveness of Prudential plc's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (Exchange Act)) as of 31 December 2019. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon Prudential plc's evaluation, Prudential plc's Group Chief Executive and Group Chief Financial Officer and Chief Operating Officer have concluded that as of 31 December 2019 Prudential plc's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by Prudential plc in the reports Prudential plc files and submits under the Exchange Act is recorded, processed, summarised and reported, within the time periods specified in the applicable rules and forms and that it is accumulated and communicated to Prudential plc's management, including Prudential plc's Group Chief Executive and Group Chief Financial Officer and Chief Operating Officer, as appropriate to allow timely decisions regarding required disclosure.

Prudential plc is required to undertake an annual assessment of the effectiveness of internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act 2002 (Section 404). In accordance with the requirements of Section 404 the following report is provided by management in respect of Prudential plc's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Management's Annual Report on Internal Control over Financial Reporting

Management acknowledges its responsibility for establishing and maintaining adequate internal control over financial reporting for Prudential plc. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Management has conducted, with the participation of Prudential plc's Group Chief Executive and Group Chief Financial Officer and Chief Operating Officer, an evaluation of the effectiveness of internal control over financial reporting based on the criteria set forth in '2013 Internal Control — Integrated Framework' issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment under these criteria, management has concluded that, as of 31 December 2019, Prudential plc's internal control over financial reporting was effective.

In addition, there have been no changes in Prudential plc's internal control over financial reporting during 2019 that have materially affected, or are reasonably likely to affect materially, Prudential plc's internal control over financial reporting.

KPMG LLP, which has audited the consolidated financial statements of Prudential plc for the year ended 31 December 2019, has also audited the effectiveness of Prudential plc's internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). KPMG LLP's report on internal control over financial reporting is shown on page 243 in the Consolidated Financial Statements section.

Listing Information

Prudential ordinary shares are listed on the Premium Listing segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange under the symbol 'PRU'. Since 25 May 2010, Prudential ordinary shares have been listed on the Main Board of the Hong Kong Stock Exchange and are traded in board lots of 500 shares with the short name 'PRU' and stock code 2378; and as a secondary listing on the Singapore Stock Exchange, also traded in board lots of 500 shares, with the abbreviated name 'PRU 500'.

Prudential American Depositary Shares (ADSs) have been listed for trading on the New York Stock Exchange since 28 June 2000 under the symbol 'PUK'.

Trading on the Singapore Stock Exchange may be infrequent for certain periods during the year. This does not have any material impact on the liquidity of the Group.

Description of Securities Other than Equity Securities

Payments received from the ADR Depositary

Direct payments

J.P. Morgan Chase Bank, N.A. is the depositary (ADR Depositary) of Prudential's ADR program. The ADR Depositary has agreed to reimburse Prudential for certain reasonable expenses related to Prudential's ADR program and incurred by Prudential in connection with the ADR program. The reimbursements shall be used by Prudential for actual expenses incurred in connection with the program during the contract year (year ending 18 May in each year), including but not limited to, expenses related to US investor relations servicing, US investor presentations, financial advertising and public relations.

No reimbursements were made in 2019.

Fees or charges payable by ADR holders

The ADR holders of Prudential are required to pay the following fees to the ADR Depositary for general depositary services:

Category	ADR Depositary actions	Associated fee or charge
Depositing or surrendering the underlying shares	Each person to whom ADRs are delivered against deposits of shares, and each person surrendering ADRs for withdrawal of deposited securities	Up to US$5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs delivered or surrendered
Cable fee	Cable fee for delivery of underlying shares in the home market on the back of a cancellation	US$25 for each delivery
Currency charges	Charges incurred by the ADR Depositary in the conversion of foreign currency into US Dollars	Amount paid by the ADR Depositary, and such charges are reimbursable out of such foreign currency

Purchases of Equity Securities by Prudential plc and Affiliated Purchasers

The following table sets forth information with respect to purchases made by or on behalf of Prudential or any 'affiliated purchasers' (as that term is defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of Prudential's ordinary shares or American depositary shares for the year ended 31 December 2019.

Period	Total Number of Shares Purchased*	Average Price Paid Per Share (£)	Total Number of Shares Purchased at Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under Plans or Programs
1 January –31 January	75,165	18.43	-	-
1 February –29 February	71,044	19.58	-	-
1 March –31 March	68,497	20.22	-	-
1 April –30 April	2,638,429	20.49	-	-
1 May –31 May	73,417	21.11	-	-
1 June –30 June	217,800	20.59	-	-
1 July –31 July	60,514	21.84	-	-
1 August –31 August	72,671	18.14	-	-
1 September –30 September	73,284	18.00	-	-
1 October –31 October	178,359	17.65	-	-
1 November –30 November	75,904	17.25	-	-
1 December –31 December	68,573	17.18	-	-

* The shares listed in this column were acquired by employee benefit trusts during the year to satisfy future obligations to deliver shares under the Company's employee incentive plans, the savings related share option scheme and the share participation plan.

Prior to the demerger of M&G plc in October 2019, the Group consolidated a number of authorised investment funds of M&G that hold shares in Prudential plc. These funds were deconsolidated upon the demerger.

Principal Accountant Fees and Services

Total fees payable to KPMG for the fiscal years ended 31 December are set out below:

	2019 $m	2018 $m
Audit fees:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**2.2**	2.8
Audit of subsidiaries pursuant to legislation	**9.5**	12.3
	11.7	15.1
Audit-related assurance services*	**10.1**	6.3
Other fees paid to auditors:		
Other assurance services	**1.3**	1.5
Services relating to corporate finance transactions	**7.3**	0.3
All other services	**-**	1.2
	8.6	3.0
Total fees paid to the auditor	**30.4**	24.4
Analysed into:		
Fees payable to the auditor attributable to the continuing operations:		
Non-audit services associated with the demerger of the UK and Europe operations†	**11.7**	1.0
Other audit and non-audit services	**15.3**	15.1
	27.0	16.1
Fees payable to the auditor attributable to the discontinued UK and Europe operations	**3.4**	8.3
	30.4	24.4

* Of the audit-related assurance service fees (as defined by SEC guidance) of $10.1 million in 2019 (2018: $6.3 million), $5.5 million relates to services that are required by law.

† Of the $11.7 million one-off non-audit services fees in 2019 associated with the demerger of the UK and Europe operations, $4.4 million was for audit-related assurance services and $7.3 million was for services relating to corporate finance transactions. In 2018, the $1.0 million was for all other services associated with the preparation for the demerger.

In addition, there were fees incurred by pension schemes of $0.1 million (2018: $0.3 million; 2017: $0.1 million) for audit services These pension schemes were transferred to UK and Europe operations in 2019 as part of the demerger.

2019

Fees of $2.2 million for the audit of Prudential's annual accounts comprised statutory audit fees of $1.3 million and US reporting audit fees of $0.9 million. Fees of $9.5 million for audit of subsidiaries pursuant to legislation mainly related to the audit of local and statutory accounts and to statutory audit work in connection with the submission of results to be consolidated in Prudential's annual accounts.

Fees of $10.1 million for audit related assurance services supplied comprised EEV and interim reporting audit fees of $0.9 million, services associated with the demerger of UK and Europe operations, controls reporting and other similar work. Audit related assurance service fees above is higher than the amount disclosed in note B2.4 of the consolidated financial statements due to differences in audit fee reporting requirements between the SEC (as reported in this section) and the UK legislation as reported in the consolidated financial statements.

Total other fees of $8.6 million included $7.3 million in connection with corporate finance transaction services associated with the demerger of the UK and Europe operations and $1.3 million for other assurance services.

2018

Fees of $2.8 million for the audit of Prudential's annual accounts comprised statutory audit fees of $1.2 million, US reporting audit fees of $0.7 million and other audit fees of $0.9 million. Fees of $12.3 million for audit of subsidiaries pursuant to legislation mainly related to the audit of local and statutory accounts and to statutory audit work in connection with the submission of results to be consolidated in Prudential's annual accounts.

Fees of $6.3 million for audit related assurance services supplied comprised interim and regulatory reporting, controls reporting and other similar work.

Fees of $1.5 million for all other assurance services included $0.7 million in connection with Solvency II reporting and disclosures and $0.8 million for other services. Total other fees are $3.0 million.

Limitations on Enforcement of US Laws Against Prudential, Its Directors, Management and Others

Prudential plc is a public limited company incorporated and registered in England and Wales. Most of its directors and executive officers are resident outside the United States, and a substantial portion of its assets and the assets of such persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons or to enforce against them or Prudential plc in US courts judgements obtained in US courts predicated upon the civil liability provisions of the federal securities laws of the United States. We believe that there may be doubt as to the enforceability in England and Wales, in original actions or in actions for enforcement of judgements of US courts, of liabilities predicated solely upon the federal securities laws of the United States.

Financial Statements

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KPMG

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Prudential plc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Prudential plc and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and the disclosures marked 'audited' within the Group Risk Framework section on pages 70 to 90 of the 2019 Form 20-F of the Company, and the condensed financial statement Schedule II (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting within the Controls and Procedures section of the 2019 Form 20-F of the Company. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of insurance contract liabilities and investment contract liabilities with discretionary participation features

As discussed in notes A4.1 and C4 to the consolidated financial statements, the Company had recorded insurance contract liabilities and investment contract liabilities with discretionary participation features (policyholder liabilities) of $381 billion as of December 31, 2019. This represented 88 per cent of the Company's total liabilities.

We identified the evaluation of insurance contract liabilities and investment contract liabilities with discretionary participation features as a critical audit matter because it involved subjective auditor judgement and required specialised skills and knowledge in evaluating certain assumptions used in determining the liabilities. This assessment encompassed the evaluation of key economic and operating assumptions, which are outlined below for the Company's different insurance segments. Additionally, it involved significant auditor judgement in assessing the design and calibration of complex reserving models.

For the US insurance operations, the evaluation of the guarantees in the variable annuity ('VA') business was complex as it involved exercising significant auditor judgement in evaluating market inputs and actuarially determined assumptions. Market inputs include, but are not limited to, expected market rates of return, fund performance, and discount rates. Actuarially determined assumptions include, but are not limited to, mortality, benefit utilisation, and persistency.

For the Asia insurance operations, the evaluation of the policyholder liabilities involved exercising significant auditor judgement over the evaluation of mortality, morbidity, persistency, and expense assumptions.

The primary procedures we performed to address this critical audit matter included the following:

– Tested certain internal controls over the Company's accounting process relating to the determination of policyholder liabilities, including controls over:

  - The development of market inputs and actuarially determined assumptions;
  - The relevance and reliability of significant data and attributes used to develop the market inputs and actuarially determined assumptions; and
  - The process of updating the Company's models to reflect the selected market inputs and actuarially determined assumptions as well as any changes to the calibration of the models.

– Involved actuarial professionals with specialised skills and knowledge, who assisted in:

  - Evaluating the Company's methodologies for selecting market inputs, assumptions relating to mortality, benefit utilisation and persistency (US), and assumptions relating to mortality, morbidity, persistency, and expense (Asia) by comparing them to generally accepted actuarial techniques;
  - Challenging the selected inputs and assumptions where expert judgement was applied or deviations from company or industry experience were identified;
  - Assessing the impact of modelling and assumption changes by comparing the outcome of pre and post change model runs against our expectations;
  - In the US, independently recalculating the liabilities for a selection of individual policies and comparing the results of those calculations to the Company's estimates.

Assessment of fair value of certain level 2 and level 3 investments held at fair value

As discussed in notes A4.1 and C3 to the consolidated financial statements, the Company had recorded level 2 and level 3 investments held at fair value of $77 billion at December 31, 2019. For certain of these investments, a reliable third party price is not readily available because the fair values are based on unobservable inputs. The valuation of these instruments is complex and can involve significant judgement in selecting the inputs into the valuation, including liquidity premiums and credit spreads.

We identified the assessment of the fair value of certain level 2 and level 3 investments held at fair value as a critical audit matter due to the complexity and level of auditor judgement involved in evaluating the inputs and assumptions used in these fair value estimates. In addition, we made this determination due to the specialised skills and knowledge required to assess the estimates.

The primary procedures we performed to address this critical audit matter included the following:

– Tested certain internal controls over the Company's process for estimating the fair value of certain level 2 and level 3 instruments. This included controls over:

  - The relevance and reliability of key inputs used by the Company in its fair value estimates;
  - The prices obtained from independent sources, including the qualitative and quantitative analysis of pricing statistics and trends and back testing recent trades; and
  - The evaluation of pricing methodologies utilised by independent sources, including the sources of inputs and methods used to determine the relevant assumptions.

– Assessed the pricing methodologies with reference to relevant accounting standards and industry practice.

– Utilised financial instrument valuation professionals with specialised skills and knowledge to develop an independent estimate of the fair value of a sample of unlisted debt securities and compared that estimate to the Company's fair value estimate.

– Performed a retrospective test and compared the historical actual valuations with the most recently estimated valuations available for a sample of funds in order to assess the reliability of the estimated valuations.

Evaluation of certain assumptions impacting estimated gross profits used in the calculation of amortisation of US deferred acquisition costs ('DAC')

As discussed in notes A4.1 and C5.2 to the consolidated financial statements, the Company has US DAC of $12 billion at 31 December 2019, a substantial portion of which relates to annuities and will be amortised into income in proportion to estimated gross profits of the relevant contracts.

We identified the evaluation of certain assumptions impacting estimated gross profits used in the calculation of amortisation of US DAC as a critical audit matter because of the complex and subjective judgement involved, which required specialised skills and knowledge. Specifically, a high degree of judgement was required in evaluating certain assumptions including mortality and lapses. In addition, for the US variable annuity business, a high degree of judgement was required in assessing the methodology used to derive the long-term investment return and future hedge costs.

The primary procedures we performed to address this critical audit matter included the following:

- Tested certain internal controls over the Company's process for estimating future gross profits. These included controls over:

    - The development of the actuarially determined assumptions, as well as the assumptions for investment returns and future hedge costs, used to estimate the gross profits;
    - The relevance and reliability of significant data and attributes used to develop these assumptions;
    - The process of updating the Company's models to reflect the selected assumptions as well as any changes to the calibration of the models.

- Involved actuarial professionals with specialised skills and knowledge who assisted in:

    - Evaluating the Company's process for selecting actuarially determined assumptions, as well as the assumption for investment returns and future hedge costs;
    - Challenging the selected inputs and assumptions where expert judgement was applied or deviations from company or industry experience were identified;
    - Independently recalculating the estimated gross profits for a selection of individual policies and comparing the results of those calculations to the Company's estimates;
    - Comparing the emergence of actual gross profits against the Company's previous estimates of gross profits by analysing the differences with reference to the selected assumptions and market inputs.

/s/KPMG LLP

We have served as the Company's auditor since 1999.

London, United Kingdom
20 March 2020

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Prudential plc and subsidiaries
Consolidated income statement
Years ended 31 December

	Note	2019 $m	2018* $m	2017* $m
Continuing operations:				
Gross premiums earned		**45,064**	45,614	39,800
Outward reinsurance premiums		**(1,583)**	(1,183)	(1,304)
Earned premiums, net of reinsurance	B1.4	**43,481**	44,431	38,496
Investment return	B1.4	**49,555**	(9,117)	35,574
Other income	B1.4	**700**	531	1,319
Total revenue, net of reinsurance	B1.4	**93,736**	35,845	75,389
Benefits and claims	C4.1(iii)	**(85,475)**	(26,518)	(63,718)
Reinsurers' share of benefits and claims	C4.1(iii)	**2,985**	1,598	1,330
Movement in unallocated surplus of with-profits funds	C4.1(iii)	**(1,415)**	1,494	(1,420)
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance	B1.4	**(83,905)**	(23,426)	(63,808)
Acquisition costs and other expenditure	B2	**(7,283)**	(8,527)	(8,649)
Finance costs: interest on core structural borrowings of shareholder-financed businesses		**(516)**	(547)	(548)
(Loss) gain on disposal of businesses and corporate transactions	D1.1	**(142)**	(107)	292
Total charges net of reinsurance	B1.4	**(91,846)**	(32,607)	(72,713)
Share of profit from joint ventures and associates net of related tax	D7	**397**	319	233
Profit before tax *(being tax attributable to shareholders' and policyholders' returns)*[note]		**2,287**	3,557	2,909
Remove tax charge attributable to policyholders' returns		**(365)**	(107)	(321)
Profit before tax attributable to shareholders' returns	B1.1	**1,922**	3,450	2,588
Total tax charge attributable to shareholders' and policyholders' returns	B4.1	**(334)**	(676)	(1,161)
Remove tax charge attributable to policyholders' returns		**365**	107	321
Tax credit (charge) attributable to shareholders' returns	B4.1	**31**	(569)	(840)
Profit from continuing operations		**1,953**	2,881	1,748
Discontinued UK and Europe operations' profit after tax	D2	**1,319**	1,142	1,333
Re-measurement of discontinued operations on demerger	D2	**188**	—	—
Cumulative exchange loss recycled from other comprehensive income	D2	**(2,668)**	—	—
(Loss) profit from discontinued operations		**(1,161)**	1,142	1,333
Profit for the year		**792**	4,023	3,081
Attributable to:				
Equity holders of the Company				
From continuing operations		**1,944**	2,877	1,747
From discontinued operations		**(1,161)**	1,142	1,333
Non-controlling interests from continuing operations		**9**	4	1
Profit for the year		**792**	4,023	3,081

Earnings per share (in cents)	Note	**2019**	**2018***	**2017**
Based on profit attributable to equity holders of the Company:	B5			
Basic				
Based on profit from continuing operations		**75.1¢**	111.7¢	68.0¢
Based on (loss) profit from discontinued operations		**(44.8)¢**	44.3¢	52.0¢
		30.3¢	156.0¢	120.0¢
Diluted				
Based on profit from continuing operations		**75.1¢**	111.7¢	67.9¢
Based on (loss) profit from discontinued operations		**(44.8)¢**	44.3¢	52.0¢
		30.3¢	156.0¢	119.9¢

* The 2018 and 2017 comparative results have been re-presented from those previously published to reflect the change in the Group's presentation currency from pounds sterling to US dollars (as described in note A1) and the reclassification of the Group's UK and Europe operations as discontinued operations in 2019 (as described in note A2).

Note

This measure is the formal profit before tax measure under IFRS. It is not the result attributable to shareholders principally because total corporate tax of the Group includes those 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.

The accompanying notes are an integral part of these financial statements