

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. 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 depository'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) and either (i) at the time a dividend was paid, Prudential was eligible for the benefits of the 24 July 2001 Treaty between the United States and the United Kingdom or (ii) such ordinary shares or ADSs were, at the time of payment, readily tradeable on an established securities market in the United States. Following the change of tax residence of Prudential from the UK to Hong Kong effective from 3 March 2023, Prudential is no longer eligible for the benefits of the Treaty, and as a result, dividends paid on or after that date with respect to ordinary shares (which are not listed on an established securities market in the United States) are not expected to be qualified dividends. Dividends received with respect to ADSs are expected to be qualified dividends, as the ADSs are expected to continue to be listed, and be viewed as readily tradeable, on the New York Stock Exchange (an established securities market in the United States). 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 2022 taxable year and does not anticipate becoming a PFIC for its 2023 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. 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.

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 shares effected 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 0.13 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 0.26 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 are exempt from Singapore income tax. This exemption will also apply in the case of a Singapore tax resident individual who receives their 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 8 per cent, increasing to 9 per cent from 1 January 2024) 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 SEC.

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 on 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 Company's website or on the websites of each of those exchanges as well as via the UK Financial Conduct Authority's National Storage Mechanism. The contents of the Company's website are not incorporated by reference into this Form 20-F.

Controls and Procedures

Management has evaluated, with the participation of Prudential plc's Chief Executive Officer and Group Chief Financial 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 2022. 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 Chief Executive Officer and Group Chief Financial Officer have concluded that as of 31 December 2022 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 Chief Executive Officer and Group Chief Financial 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 Chief Executive Officer and Group Chief Financial 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. Based on the assessment under these criteria, management has concluded that, as of 31 December 2022, 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 2022 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 2022, 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 (US). KPMG LLP's report on internal control over financial reporting is shown in the 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'. Prudential ordinary shares are also listed on the Main Board of the Hong Kong Stock Exchange and are traded in board lots of 50 shares with the short name 'PRU' and stock code 2378; and via a secondary listing are listed on the Singapore Stock Exchange, traded in board lots of 100 shares, with the stock code 'K6S'.

Prudential American Depositary Shares (ADSs) are listed for trading on the NYSE 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.

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 2022.

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	63,019	17.79	—	—
1 February - 28 February	65,223	16.84	—	—
1 March - 31 March	73,193	14.41	—	—
1 April - 30 April	4,024,410	14.63	—	—
1 May - 31 May	460,897	11.48	—	—
1 June - 30 June	196,180	12.25	—	—
1 July - 31 July	87,338	12.05	—	—
1 August - 31 August	86,540	11.90	—	—
1 September - 30 September	90,843	11.01	—	—
1 October - 31 October	175,837	9.53	—	—
1 November - 30 November	79,326	10.56	—	—
1 December - 31 December	95,680	12.96	—	—

* 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.

Principal Accountant Fees and Services

Prudential's auditor is KPMG LLP (PCAOB ID: 1118) located in London, United Kingdom. Total fees payable to KPMG are set out for the years shown below:

	Note	2022\$m	2021\$m
Audit fees:			
Audit of the Company's annual accounts	1	2.3	2.4
Audit of subsidiaries pursuant to legislation	2	4.4	5.9
		6.7	8.3
Audit-related assurance services	3	3.5	4.5
Other fees paid to auditors:			
Other assurance services		0.7	1.1
Services relating to corporate finance transactions		—	1.6
		0.7	2.7
Total fees paid to the auditor		10.9	15.5
Analysed into:			
Fees payable to the auditor attributable to the continuing operations:			
Non-audit services associated with the demerger and public offering		—	1.9
Other audit and non-audit services		10.9	11.3
		10.9	13.2
Fees payable to the auditor attributable to the discontinued US operations		—	2.3
		10.9	15.5

Notes

1. Fees of \$2.3 million in 2022 (2021: \$2.4 million) for the audit of Prudential's annual accounts comprised statutory audit fees of \$1.4 million (2021: \$1.5 million) and US reporting audit fees of \$0.9 million (2021: \$0.9 million).
2. Fees of \$4.3 million in 2022 (2021: \$5.9 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.
3. Audit-related assurance services supplied comprised EEV and interim reporting audit fees, regulatory reporting, controls reporting and other similar work. Of the audit-related assurance service fees (as defined by SEC guidance) of \$3.5 million in 2022 (2021: \$4.5 million), \$0.9 million (2021: \$0.6 million) relates to services that are required by law and regulation.

Change in Registrant's Certifying Accountant

As reported in the 2020 Form 20-F, following a rigorous tendering process the Board resolved that it intends to recommend EY for appointment as the Group's auditor for the financial year ending 31 December 2023 onwards, subject to shareholder approval at the Annual General Meeting in 2023. The Group Audit Committee is overseeing the Group's relationship with EY, their independence from Prudential and the transition plan.

A letter from KPMG LLP to the SEC was attached as Exhibit 15.2 to Prudential's 2020 Form 20-F filing.

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 US, and a substantial portion of its assets and the assets of such persons are located outside the US. As a result, it may be difficult for you to effect service of process within the US 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 US. 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 US.

Financial Statements

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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, 2022 and 2021, 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 31 December 2022, and the related notes and the disclosures marked 'audited' within the Risk Review section on pages 50 to 66 of the 2022 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 31 December 2022, 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 31 December 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended 31 December 2022, in conformity with International Financial Reporting Standards as issued by International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of 31 December 2022 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 2022 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 judgments. 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 A3.1 and C3 to the consolidated financial statements, the Company has recorded insurance contract liabilities and investment contract liabilities with discretionary participation features (policyholder liabilities) of \$ 121.5 billion as of 31 December 2022. This represented 82 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. Due to the significant measurement uncertainty associated with the estimate, subjective auditor judgment, including specialized skills and knowledge, was required in evaluating the actuarial methodology and the mortality, morbidity, lapse, and expense assumptions used in determining the liabilities. Additionally, it involved subjective auditor judgment in assessing the calibration of complex reserving models.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls, with the involvement of actuarial professionals where appropriate, over the Company's accounting process relating to the determination of insurance contract liabilities and investment contract liabilities with discretionary participation features. This included controls related to (1) the development of market inputs and actuarially determined assumptions and (2) changes to the calibration of models. We involved actuarial professionals with specialized skills and knowledge, who assisted in:

- o evaluating the Company's methodologies for selecting market inputs, assumptions relating to mortality, morbidity, lapses, and expenses by comparing them to generally accepted actuarial techniques;
- o challenging the selected inputs and assumptions where deviations from company or industry experience were identified;
- o assessing the impact of modelling and assumption changes by comparing the outcome of pre and post change model runs against our expectations.

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

As discussed in notes A3.1 and C2.2 to the consolidated financial statements, the Company has recorded level 2 and level 3 investments held at fair value of \$28.7 billion at 31 December 2022. For certain of these investments, a reliable third-party price is not readily available because the fair values are based on unobservable inputs.

We identified the assessment of the fair value of certain level 2 and level 3 investments held at fair value, which includes unlisted debt securities and unlisted equity funds, as a critical audit matter. Complex and subjective auditor judgment was involved in evaluating the significant inputs and assumptions, including liquidity premiums and credit spreads, and the pricing methodologies used in these fair value estimates. In addition, we made this determination due to the specialized skills and knowledge required to assess the estimates.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's process for estimating the fair value of certain level 2 and level 3 instruments. This included controls related to (1) the relevance and reliability of the significant inputs and assumptions used by the Company in its fair value estimates, (2) prices obtained from independent sources, including the qualitative and quantitative analysis of pricing statistics and trends and back testing recent trades, and (3) evaluation of pricing methodologies utilized by independent sources. We assessed the pricing methodologies with reference to relevant accounting standards and industry practice. We performed a retrospective review and compared the historical actual valuations with the most recently estimated valuations available at that time for a sample of unlisted equity funds in order to assess the reliability of the estimated valuations. We involved financial instrument valuation professionals with specialized skills and knowledge who assisted in developing 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.

/s/ KPMG LLP

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

London, United Kingdom
23 March 2023

Prudential plc and subsidiaries
Consolidated Income Statement
Years ended 31 December

	Note	2022 \$m	2021 \$m	2020 \$m
Continuing operations:				
Gross premiums earned	B1.3	23,344	24,217	23,495
Outward reinsurance premiums	B1.3	(1,943)	(1,844)	(1,625)
Earned premiums, net of reinsurance		21,401	22,373	21,870
Investment return	B1.3	(30,159)	3,486	13,762
Other income	B1.3	539	641	615
Total revenue, net of reinsurance		(8,219)	26,500	36,247
Benefits and claims	C3.2	17,997	(17,738)	(34,463)
Reinsurers' share of benefits and claims	C3.2	(6,168)	(971)	6,313
Movement in unallocated surplus of with-profits funds	C3.2	1,868	(202)	(438)
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance		13,697	(18,911)	(28,588)
Acquisition costs and other expenditure	B2	(3,880)	(4,560)	(4,651)
Finance costs: interest on core structural borrowings of shareholder-financed businesses		(200)	(328)	(316)
Gain (loss) attaching to corporate transactions	D1.1	55	(35)	(30)
Total charges net of reinsurance		9,672	(23,834)	(33,585)
Share of profit from joint ventures and associates, net of related tax	D6.3	29	352	517
Profit before tax (being tax attributable to shareholders' and policyholders' returns) ^{note (i)}		1,482	3,018	3,179
Tax charge attributable to policyholders' returns		(21)	(342)	(271)
Profit before tax attributable to shareholders' returns		1,461	2,676	2,908
Total tax charge attributable to shareholders' and policyholders' returns	B3.1	(475)	(804)	(711)
Remove tax charge attributable to policyholders' returns	B3.1	21	342	271
Tax charge attributable to shareholders' returns		(454)	(462)	(440)
Profit after tax from continuing operations	B1.4	1,007	2,214	2,468
Loss after tax from discontinued US operations^{note (ii)}	D1.2	—	(5,027)	(283)
Profit (loss) for the year		1,007	(2,813)	2,185

Attributable to:

Equity holders of the Company:				
From continuing operations		998	2,192	2,458
From discontinued US operations		—	(4,234)	(340)
		998	(2,042)	2,118

Non-controlling interests:

From continuing operations	9	22	10
From discontinued US operations	—	(793)	57
	9	(771)	67

Profit (loss) for the year		1,007	(2,813)	2,185
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Earnings per share (in cents)

	Note	2022	2021	2020
Based on profit attributable to equity holders of the Company:				
Basic	B4			
Based on profit from continuing operations		36.5 ¢	83.4 ¢	94.6 ¢
Based on loss from discontinued US operations ^{note (ii)}		— ¢	(161.1) ¢	(13.0) ¢
Total basic earnings per share		36.5 ¢	(77.7) ¢	81.6 ¢
Diluted				
Based on profit from continuing operations		36.5 ¢	83.4 ¢	94.6 ¢
Based on loss from discontinued US operations ^{note (ii)}		— ¢	(161.1) ¢	(13.0) ¢
Total diluted earnings per share		36.5 ¢	(77.7) ¢	81.6 ¢

Notes

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

- (ii) Discontinued operations for 2021 and 2020 related to the US operations (Jackson) that were demerged from the Group in September 2021.

The accompanying notes are an integral part of these financial statements

Prudential plc and subsidiaries
Consolidated Statement of Comprehensive Income
Years ended 31 December

	Note	2022 \$m	2021 \$m	2020 \$m
Continuing operations:				
Profit for the year		1,007	2,214	2,468
Other comprehensive (loss) income:				
Exchange movements arising during the year		(541)	(180)	233
Valuation movements on retained interest in Jackson classified as available-for-sale securities:				
Unrealised (loss) gain arising during the year		(125)	273	–
Deduct net gains included in the income statement on disposal		(62)	(23)	–
		(187)	250	–
Total items that may be reclassified subsequently to profit or loss		(728)	70	233
Total comprehensive income from continuing operations		279	2,284	2,701
Total comprehensive (loss) income from discontinued US operations	D1.2	–	(7,068)	9
Total comprehensive income (loss) for the year		279	(4,784)	2,710
Attributable to:				
Equity holders of the Company:				
From continuing operations		280	2,277	2,697
From discontinued US operations		–	(6,283)	(40)
		280	(4,006)	2,657
Non-controlling interests:				
From continuing operations		(1)	7	4
From discontinued US operations		–	(785)	49
		(1)	(778)	53
Total comprehensive income (loss) for the year		279	(4,784)	2,710

The accompanying notes are an integral part of these financial statements

Prudential plc and subsidiaries
Consolidated Statement of Changes in Equity

		Year ended 31 Dec 2022 \$m							
	Note	Share capital	Share premium	Retained earnings	Translation reserve	Available -for- sale securities reserves	Shareholders' equity	Non- controlling interests	Total equity
Reserves									
Profit for the year		—	—	998	—	—	998	9	1,007
Other comprehensive loss		—	—	—	(531)	(187)	(718)	(10)	(728)
Total comprehensive income (loss) for the year		—	—	998	(531)	(187)	280	(1)	279
Transactions with owners of the Company									
Dividends	B5	—	—	(474)	—	—	(474)	(8)	(482)
Reserve movements in respect of share-based payments		—	—	24	—	—	24	—	24
Effect of transactions relating to non-controlling interests		—	—	49	—	—	49	—	49
New share capital subscribed	C8	—	(4)	—	—	—	(4)	—	(4)
Movement in own shares in respect of share-based payment plans		—	—	(3)	—	—	(3)	—	(3)
Net increase (decrease) in equity		—	(4)	594	(531)	(187)	(128)	(9)	(137)
Balance at 1 Jan		182	5,010	10,216	1,430	250	17,088	176	17,264
Balance at 31 Dec		182	5,006	10,810	899	63	16,960	167	17,127

		Year ended 31 Dec 2021 \$m							
	Note	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserves	Shareholders' equity	Non-controlling interests	Total equity
Reserves									
Profit for the year		—	—	2,192	—	—	2,192	22	2,214
Other comprehensive (loss) income		—	—	—	(165)	250	85	(15)	70
Total comprehensive income (loss) from continuing operations		—	—	2,192	(165)	250	2,277	7	2,284
Total comprehensive (loss) income from discontinued US operations	D1.2	—	—	(4,234)	463	(2,512)	(6,283)	(785)	(7,068)
Total comprehensive (loss) income for the year		—	—	(2,042)	298	(2,262)	(4,006)	(778)	(4,784)
Transactions with owners of the Company									
Demerger dividend in specie of Jackson	B5	—	—	(1,735)	—	—	(1,735)	—	(1,735)
Other dividends	B5	—	—	(421)	—	—	(421)	(9)	(430)
Reserve movements in respect of share-based payments		—	—	46	—	—	46	—	46
Effect of transactions relating to non-controlling interests*		—	—	(32)	—	—	(32)	(278)	(310)
New share capital subscribed	C8	9	2,373	—	—	—	2,382	—	2,382
Movement in own shares in respect of share-based payment plans		—	—	(24)	—	—	(24)	—	(24)
Net increase (decrease) in equity		9	2,373	(4,288)	298	(2,262)	(3,790)	(1,065)	(4,855)
Balance at 1 Jan		173	2,637	14,424	1,132	2,512	20,878	1,241	22,119
Balance at 31 Dec		182	5,010	10,216	1,430	250	17,088	176	17,264

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

The accompanying notes are an integral part of these financial statements

Prudential plc and subsidiaries
Consolidated Statement of Changes in Equity (continued)

Year ended 31 Dec 2020 \$m									
Note	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserves	Shareholders' equity	Non-controlling interests	Total equity	
Reserves									
Profit for the year	—	—	2,458	—	—	2,458	18	2,468	
Other comprehensive income (loss) from continuing operations:	—	—	—	239	—	239	(6)	233	
Total comprehensive income from continuing operations	—	—	2,458	239	—	2,697	4	2,701	
Total comprehensive (loss) income from discontinued US operations	D1.2	—	(340)	—	300	(40)	49	9	
Total comprehensive income for the year		—	2,118	239	300	2,657	53	2,710	
Transactions with owners of the Company									
Dividends	B5	—	(814)	—	—	(814)	(18)	(832)	
Reserve movements in respect of share-based payments	—	—	89	—	—	89	—	89	
Effect of transactions relating to non-controlling interests	—	—	(484)	—	—	(484)	1,014	530	
New share capital subscribed	C8	1	12	—	—	13	—	13	
Movement in own shares in respect of share-based payment plans	—	—	(60)	—	—	(60)	—	(60)	
Net increase in equity		1	12	849	239	300	1,401	1,049	2,450
Balance at 1 Jan		172	2,625	13,575	893	2,212	19,477	192	19,669
Balance at 31 Dec		173	2,637	14,424	1,132	2,512	20,878	1,241	22,119

The accompanying notes are an integral part of these financial statements

Prudential plc and subsidiaries
Consolidated Statement of Financial Position

	Note	31 Dec 2022 \$m	31 Dec 2021 \$m
Assets			
Goodwill	C4.1	890	907
Deferred acquisition costs and other intangible assets	C4.2	7,155	6,858
Property, plant and equipment	C11	419	478
Reinsurers' share of insurance contract liabilities	C3.3	2,887	9,753
Deferred tax assets	C7.2	310	266
Current tax recoverable	C7.1	18	20
Accrued investment income	C1(vii)	1,135	1,171
Other debtors	C1(vii)	1,694	1,779
Investment properties		37	38
Investments in joint ventures and associates accounted for using the equity method		1,915	2,183
Loans	C1	2,536	2,562
Equity securities and holdings in collective investment schemes ^{note}	C1	57,679	61,601
Debt securities ^{note}	C1	76,989	99,094
Derivative assets	C2.2	569	481
Deposits		6,275	4,741
Cash and cash equivalents	C1(vi)	5,514	7,170
Total assets	C1	165,942	199,102
Equity			
Shareholders' equity		16,960	17,088
Non-controlling interests		167	176
Total equity	C1	17,127	17,264
Liabilities			
Insurance contract liabilities	C3.2	121,213	150,755
Investment contract liabilities with discretionary participation features	C3.2	309	346
Investment contract liabilities without discretionary participation features	C3.2	741	814
Unallocated surplus of with-profits funds	C3.2	3,495	5,384
Core structural borrowings of shareholder-financed businesses	C5.1	4,261	6,127
Operational borrowings	C5.2	815	861
Obligations under funding, securities lending and sale and repurchase agreements		582	223
Net asset value attributable to unit holders of consolidated investment funds		4,193	5,664
Deferred tax liabilities	C7.2	2,872	2,862
Current tax liabilities	C7.1	208	185
Accruals, deferred income and other creditors	C1(viii)	8,777	7,983
Provisions	C9	348	372
Derivative liabilities	C2.2	1,001	262
Total liabilities	C1	148,815	181,838
Total equity and liabilities	C1	165,942	199,102

Note

Included within equity securities and holdings in collective investment schemes and debt securities as at 31 December 2022 are \$1,571 million of lent securities and assets subject to repurchase agreements (31 December 2021: \$854 million).

The accompanying notes are an integral part of these financial statements

Prudential plc and subsidiaries
Consolidated Statement of Cash Flows

	Note	2022 \$m	2021 \$m	2020 \$m
Continuing operations:				
Cash flows from operating activities				
Profit before tax (being tax attributable to shareholders' and policyholders' returns)		1,482	3,018	3,179
Adjustments to profit before tax for non-cash movements in operating assets and liabilities:				
Investments		22,374	(14,553)	(20,978)
Other non-investment and non-cash assets		6,429	2,658	(7,185)
Policyholder liabilities (including unallocated surplus of with-profits funds)	C3.2	(29,208)	9,095	27,670
Other liabilities (including operational borrowings)		15	16	155
Investment income and interest payments included in profit before tax		(4,037)	(3,738)	(2,931)
Operating cash items:				
Interest receipts		2,689	2,328	1,833
Interest payments		(16)	(11)	(25)
Dividend receipts		1,523	1,480	1,305
Tax paid		(449)	(453)	(551)
Other non-cash items		276	438	381
Net cash flows from operating activities ^{note (i)}		1,078	278	2,773
Cash flows from investing activities				
Purchases of property, plant and equipment	C11	(34)	(36)	(57)
Proceeds from disposal of property, plant and equipment		-	-	6
Acquisition of business and intangibles ^{note (ii)}		(298)	(773)	(1,142)
Disposal of Jackson shares ^{note (ii)}		293	83	-
Net cash flows from investing activities		(39)	(726)	(1,193)
Cash flows from financing activities				
Structural borrowings of shareholder-financed operations: ^{note (iii)}	C5.1			
Issuance of debt, net of costs		346	995	983
Redemption of debt		(2,075)	(1,250)	-
Interest paid		(204)	(314)	(294)
Payment of principal portion of lease liabilities		(101)	(118)	(128)
Equity capital:				
Issues of ordinary share capital	C8	(4)	2,382	13
External dividends:				
Dividends paid to equity holders of the Company	B5	(474)	(421)	(814)
Dividends paid to non-controlling interests		(8)	(9)	(18)
Net cash flows from financing activities		(2,520)	1,265	(258)
Net (decrease) increase in cash and cash equivalents from continuing operations		(1,481)	817	1,322
Net decrease in cash and cash equivalents from discontinued US operations	D1.2	-	(1,621)	(339)
Cash and cash equivalents at 1 Jan		7,170	8,018	6,965
Effect of exchange rate changes on cash and cash equivalents		(175)	(44)	70
Cash and cash equivalents at 31 Dec	C1(vi)	5,514	7,170	8,018

Notes

- (i) Included in net cash flows from operating activities are dividends from joint ventures and associates of \$112 million (2021: \$175 million; 2020: \$118 million).
- (ii) Net cash flows from other investing activities include amounts paid for distribution rights and cash flows arising from the sale of subsidiaries, joint ventures and associates and investments that do not form part of the Group's operating activities.
- (iii) Structural borrowings of shareholder-financed businesses exclude borrowings to support short-term fixed income securities programmes, non-recourse borrowings of investment subsidiaries of shareholder-financed businesses and other borrowings of shareholder-financed businesses. Cash flows in respect of these borrowings are included within cash flows from operating activities. The changes in the carrying value of the structural borrowings of shareholder-financed businesses for the Group are analysed below:

	Balance at 1 Jan \$m	Cash movements \$m		Non-cash movements \$m			Balance at 31 Dec \$m
		Issuance of debt	Redemption of debt	Foreign exchange movement	Demerger of Jackson	Other movements	
2022	6,127	346	(2,075)	(147)	-	10	4,261
2021	6,633	995	(1,250)	(13)	(250)	12	6,127

The accompanying notes are an integral part of these financial statements

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Prudential plc and subsidiaries
Notes to the consolidated financial statements
31 December 2022

A Basis of preparation and accounting policies

A1 Basis of preparation and exchange rates

Prudential plc ('the Company') together with its subsidiaries (collectively, 'the Group' or 'Prudential') provides life and health insurance and asset management products in Asia and Africa. The Group is headquartered in Hong Kong.

Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS Standards as issued by the IASB and in accordance with UK-adopted international accounting standards. At 31 December 2022, there were no unadopted standards effective for the year ended 31 December 2022 which had an impact on the consolidated financial statements of the Group, and there were no differences between UK-adopted international accounting standards and IFRS Standards as issued by the IASB in terms of their application to the Group.

The Group accounting policies are the same as those applied for the year ended 31 December 2021 with the exception of the adoption of the new and amended IFRS Standards as described in note A2.

Going concern basis of accounting

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

Based on the above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue their operations for a period of at least 12 months from the date these consolidated financial statements are approved. No material uncertainties that may cast significant doubt on the ability of the Company and the Group to continue as a going concern have been identified. The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting in preparing these consolidated financial statements for the year ended 31 December 2022.

Exchange rates

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

USD : local currency	Closing rate at year end			Average rate for the year-to-date		
	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2022	31 Dec 2021	31 Dec 2020
Chinese yuan (CNY)	6.95	6.37	6.54	6.73	6.45	6.90
Hong Kong dollar (HKD)	7.81	7.80	7.75	7.83	7.77	7.76
Indian rupee (INR)	82.73	74.34	73.07	78.63	73.94	74.12
Indonesian rupiah (IDR)	15,567.50	14,252.50	14,050.00	14,852.24	14,294.88	14,541.70
Malaysian ringgit (MYR)	4.41	4.17	4.02	4.40	4.15	4.20
Singapore dollar (SGD)	1.34	1.35	1.32	1.38	1.34	1.38
Taiwan dollar (TWD)	30.74	27.67	28.10	29.81	27.93	29.44
Thai baht (THB)	34.56	33.19	30.02	35.06	32.01	31.29
UK pound sterling (GBP)	0.83	0.74	0.73	0.81	0.73	0.78
Vietnamese dong (VND)	23,575.00	22,790.00	23,082.50	23,409.87	22,934.86	23,235.84

Foreign exchange translation

In order to present the consolidated financial statements in USD, the results and financial position of entities not using USD as functional currency (ie the currency of the primary economic environment in which the entity operates) must be translated into USD.

All assets and liabilities of entities not operating in USD are converted at closing exchange rates while all income and expenses are converted at average exchange rates where this is a reasonable approximation of the rates prevailing on transaction dates. The impact of these foreign exchange translations into the Group's USD presentation currency is recorded as a separate component in the Statement of comprehensive income. Upon the disposal of the entity, the related cumulative foreign exchange translation differences are recycled from other comprehensive income to the income statement as part of the gain or loss on disposal.

The general principle for converting foreign currency transactions to the functional currency of an entity is to translate at the functional currency spot rate prevailing at the date of the transactions. Foreign currency monetary assets and liabilities are translated at the spot exchange rate for the functional currency at the reporting date. Changes resulting from the foreign exchange translations into the functional currency of the entity are recognised in the income statement.

The consolidated financial statements do not represent Prudential's statutory accounts for the purposes of the UK Companies Act. These financial statements are based on the prescribed formats. The Group's external auditors have reported on the 2022, 2021 and 2020 statutory accounts. Statutory accounts for 2021 and 2020 have been delivered to the UK Registrar of Companies and those for 2022 will be delivered following the Company's Annual General Meeting. The auditor's reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498(2) or (3) of the UK Companies Act 2006.

A2 New accounting pronouncements in 2022

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

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

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

A3 Accounting policies

A3.1 Critical accounting policies, estimates and judgements

Note A3.1 presents the critical accounting policies, estimates and judgements applied in preparing the Group's consolidated financial statements. Other accounting policies, where significant, are presented in the relevant individual notes. All accounting policies are applied consistently for the years presented and normally are not subject to changes unless new accounting standards, interpretations or amendments are introduced by the IASB.

The preparation of these consolidated financial statements requires Prudential to make accounting estimates and judgements about the amounts of assets, liabilities, revenues and expenses, which are both recognised and unrecognised (eg contingent liabilities) in the consolidated financial statements. Prudential evaluates its critical accounting estimates, including those related to long-term business provisioning and the fair value of assets as required. The notes below set out those critical accounting policies, the application of which requires the Group to make critical estimates and judgements. Also set out are further critical accounting policies affecting the presentation of the Group's results and other items that require the application of critical estimates and judgements.

(a) Critical accounting policies with associated critical estimates and judgements

Measurement of policyholder liabilities and unallocated surplus of with-profits

<p>The measurement basis of policyholder liabilities is dependent upon the classification of the contracts under IFRS 4.</p>	<p>IFRS 4 permits the continued usage of previously applied Generally Accepted Accounting Practices (GAAP) for insurance contracts and investment contracts with discretionary participating features.</p>
<p>Impacts \$146.7 billion of policyholder liabilities and unallocated surplus of with-profits funds including those held by joint venture and associates.</p>	<p>A modified statutory basis of reporting was adopted by the Group on first time adoption of IFRS Standards in 2005. This was set out in the Statement of Recommended Practice issued by the Association of British Insurers (ABI SORP). The ABI SORP was withdrawn for the accounting periods beginning in or after 2015. As used in these consolidated financial statements, the term 'grandfathered' ABI SORP refers to the requirements of the pronouncements prior to its withdrawal.</p>
<p>Policyholder liabilities are estimated based on a number of actuarial assumptions (eg mortality, morbidity, policyholder behaviour and expenses).</p>	<p>For investment contracts that do not contain discretionary participating features, IAS 39 is applied and, where the contract includes an investment management element, IFRS 15 'Revenue from Contracts with Customers' applies.</p>
<p>The Group applies judgement in determining the actuarial assumptions to be applied to estimate the future amounts due to or from the policyholder in the measurement of the policyholder liabilities.</p>	<p>The current policies applied for the Group's insurance businesses are noted below.</p> <p>Measurement of insurance contract liabilities and investment contract liabilities with discretionary participation features</p> <p>The policyholder liabilities for businesses of the insurance operations are generally determined in accordance with methods prescribed by local GAAP, adjusted to comply with the 'grandfathered' ABI SORP where necessary. Refinements to the local reserving methodology are generally treated as changes in estimates, dependent on their nature. The UK-style with-profits funds' liabilities in Hong Kong are valued under the realistic basis in accordance with the requirements of 'grandfathered' FRS 27 'Life Assurance' (issued by the UK Accounting Standards Board in 2004 and withdrawn in 2015). The realistic basis requires the value of liabilities to be calculated as the sum of a with-profits benefits reserve, future policy-related liabilities and the realistic current liabilities of the fund. In Taiwan and India, US GAAP principles are applied.</p> <p>Further details on how liabilities are determined for material product types are set out in note C3.4. This includes the approach to assumption setting including a margin for prudence. The sensitivity of the insurance operations to variations in key economic assumptions, as well as the insurance risks of mortality and morbidity, is discussed in note C6.1.</p> <p>In April 2022 Prudential Hong Kong Limited received approval from the Hong Kong IA to early adopt the new risk-based capital regime effective from 1 January 2022. The implication for IFRS reporting of the Group is as explained further in note C3.2.</p>
<p>Measurement of unallocated surplus of with-profits funds</p> <p>Unallocated surplus of with-profits funds represents the excess of assets over policyholder liabilities, determined in accordance with the Group's accounting policies, that have yet to be appropriated between policyholders and shareholders for the Group's with-profits funds in Hong Kong and Malaysia. The unallocated surplus is recorded wholly as a liability with no allocation to equity. The annual excess or shortfall of income over expenditure of the with-profits funds, after declaration and attribution of the cost of bonuses to policyholders and shareholders, is transferred to or from the unallocated surplus each period through a charge or credit to the income statement. In Hong Kong, the unallocated surplus includes the shareholders' share of expected future bonuses, with the expected policyholder share being included in policyholder liabilities. Any excess of assets over liabilities and amounts expected to be paid out by the fund on future bonuses is also included in the unallocated surplus.</p>	<p>The balance of the unallocated surplus is determined after full provision for deferred tax on unrealised appreciation or depreciation on investments.</p> <p>Liability adequacy test</p> <p>The Group performs adequacy testing on its insurance liabilities to ensure that the carrying amounts (net of related deferred acquisition costs and, where relevant, present value of acquired in-force business) is sufficient to cover current estimates of future cash outflows of the in-force policies over the expected lives. Any deficiency is immediately charged to the income statement. The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and managed together as a single portfolio which may be at an entity or business unit level, depending on how the business is managed.</p>