

## European Embedded Value (EEV) basis results

### Operating profit based on longer-term investment returns<sup>note (i)</sup>

#### Results analysis by business area

	Note	2012 £m	2011 £m note (v)
<b>Asia operations</b>			
New business	2	1,266	1,076
Business in force	3	694	688
Long-term business		1,960	1,764
Eastspring Investments		75	80
Development expenses		(7)	(5)
Total		2,028	1,839
<b>US operations</b>			
New business	2	873	815
Business in force	3	737	616
Long-term business		1,610	1,431
Broker-dealer and asset management		39	24
Total		1,649	1,455
<b>UK operations</b>			
New business	2	313	260
Business in force	3	553	593
Long-term business		866	853
General insurance commission		33	40
Total UK insurance operations		899	893
M&G		371	357
Total		1,270	1,250
<b>Other income and expenditure</b>			
Investment return and other income		13	22
Interest payable on core structural borrowings		(280)	(286)
Corporate expenditure		(231)	(219)
Unwind of expected asset management margin <sup>note (ii)</sup>		(56)	(53)
Total		(554)	(536)
RPI to CPI inflation measure change on defined benefit pension schemes <sup>note (iii)</sup>		–	45
Solvency II implementation costs <sup>note (iv)</sup>		(50)	(56)
Restructuring costs <sup>note (iv)</sup>		(22)	(19)
<b>Operating profit based on longer-term investment returns<sup>note (i)</sup></b>		<b>4,321</b>	<b>3,978</b>
<b>Analysed as profits (losses) from:</b>			
New business	2	2,452	2,151
Business in force	3	1,984	1,897
Long-term business		4,436	4,048
Asset management		485	461
Other results		(600)	(531)
Total		4,321	3,978

**Notes**

- (i) EEV basis operating profit based on longer-term investment returns excludes the recurrent items of short-term fluctuations in investment returns, the mark to market value movements on core borrowings, the shareholders' share of actuarial and other gains and losses on defined benefit pension schemes, and the effect of changes in economic assumptions. In addition for 2012, operating profit excludes the gain arising on the acquisition of REALIC and the dilution of the Group's holding in PPM South Africa. The amounts for these items are included in total EEV profit attributable to shareholders. The Company believes that operating profit, as adjusted for these items, better reflects underlying performance. Profit before tax and basic earnings per share include these items together with actual investment returns.
- (ii) The value of future profits or losses from asset management and service companies that support the Group's covered insurance businesses are included in the profits for new business and the in-force value of the Group's long-term business. The results of the Group's asset management operations include the profits from the management of internal and external funds. For EEV basis reporting, Group shareholders' other income is adjusted to deduct the unwind of the expected margin for the year arising from the management of the assets of the covered business (as defined in note 1(a)) by the Group's asset management businesses. The deduction is on a basis consistent with that used for projecting the results for covered insurance business. Group operating profit accordingly includes the variance between actual and expected profit in respect of management of the covered business assets.
- (iii) During 2011, the Group altered its inflation measure basis for future statutory increases to pension payments for certain tranches of its UK defined benefit pension schemes. This reflected the UK Government's decision to replace the basis of indexation from RPI with CPI. This resulted in a credit to operating profit for 2011 on an IFRS basis of £42 million and an additional £3 million recognised on the EEV basis.
- (iv) Restructuring costs comprise the charge of £(19) million recognised on an IFRS basis and an additional £(3) million recognised on the EEV basis for the shareholders' share of restructuring costs incurred by the PAC with profits fund. Solvency II implementation costs comprise the charge of £(48) million recognised on an IFRS basis and an additional £(2) million recognised on the EEV basis.
- (v) The comparative results have been prepared using previously reported average exchange rates for the year.

## European Embedded Value (EEV) basis results continued

### Summarised consolidated income statement

	Note	2012 £m	2011 £m
<b>Operating profit based on longer-term investment returns</b>			
Asia operations		2,028	1,839
US operations		1,649	1,455
UK operations:			
UK insurance operations		899	893
M&G		371	357
		1,270	1,250
Other income and expenditure		(554)	(536)
RPI to CPI inflation measure change on defined benefit pension schemes		–	45
Solvency II implementation costs		(50)	(56)
Restructuring costs		(22)	(19)
<b>Operating profit based on longer-term investment returns</b>		<b>4,321</b>	<b>3,978</b>
Short-term fluctuations in investment returns	6	538	(907)
Mark to market value movements on core borrowings	10	(380)	(14)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	7	62	23
Effect of changes in economic assumptions	8	(16)	(158)
Gain on dilution of Group's holdings	4	42	–
Gain on acquisition of REALIC	5	453	–
<b>Profit before tax attributable to shareholders (including actual investment returns)</b>		<b>5,020</b>	<b>2,922</b>
Tax attributable to shareholders' profit	12	(1,207)	(776)
<b>Profit for the year</b>		<b>3,813</b>	<b>2,146</b>
Attributable to:			
Equity holders of the Company		3,813	2,142
Non-controlling interests		–	4
<b>Profit for the year</b>		<b>3,813</b>	<b>2,146</b>

### Earnings per share (in pence)

	Note	2012	2011
Based on operating profit including longer-term investment returns, after related tax and non-controlling interests of £3,176 million (2011: £2,930 million)	13	125.0p	115.7p
Based on profit after tax and non-controlling interests of £3,813 million (2011: £2,142 million)	13	150.1p	84.6p

### Dividends per share (in pence)

	2012	2011
Dividends relating to reporting year:		
Interim dividend	8.40p	7.95p
Final dividend	20.79p	17.24p
<b>Total</b>	<b>29.19p</b>	<b>25.19p</b>
Dividends declared and paid in reporting year:		
Current year interim dividend	8.40p	7.95p
Final dividend for prior year	17.24p	17.24p
<b>Total</b>	<b>25.64p</b>	<b>25.19p</b>

**Movement in shareholders' equity (excluding non-controlling interests)**

	Note	2012 £m	2011 £m
Profit for the year attributable to equity shareholders		3,813	2,142
Items taken directly to equity:			
Exchange movements on foreign operations and net investment hedges:			
Exchange movements arising during the year		(467)	(90)
Related tax		(2)	(68)
Dividends		(655)	(642)
New share capital subscribed		17	17
Reserve movements in respect of share-based payments		42	44
Treasury shares:			
Movement in own shares in respect of share-based payment plans		(13)	(30)
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS		36	(5)
Mark to market value movements on Jackson assets backing surplus and required capital:			
Mark to market value movements arising during the year		53	96
Related tax		(18)	(34)
Net increase in shareholders' equity	11	2,806	1,430
Shareholders' equity at beginning of year (excluding non-controlling interests)	11	19,637	18,207
<b>Shareholders' equity at end of year (excluding non-controlling interests)</b>	<b>11</b>	<b>22,443</b>	<b>19,637</b>

	31 December 2012 £m			31 December 2011 £m		
	Long-term business operations	Asset management and other operations	Total	Long-term business operations	Asset management and other operations	Total
<b>Comprising:</b>						
Asia operations:						
Net assets of operations	9,462	207	9,669	8,510	211	8,721
Acquired goodwill	239	61	300	235	61	296
	9,701	268	9,969	8,745	272	9,017
US operations:						
Net assets of operations	6,032	108	6,140	5,082	113	5,195
Acquired goodwill	–	16	16	–	16	16
	6,032	124	6,156	5,082	129	5,211
UK insurance operations:						
Net assets of operations	6,772	25	6,797	6,058	29	6,087
M&G:						
Net assets of operations	–	392	392	–	229	229
Acquired goodwill	–	1,153	1,153	–	1,153	1,153
	–	1,545	1,545	–	1,382	1,382
	6,772	1,570	8,342	6,058	1,411	7,469
Other operations:						
Holding company net borrowings at market value	–	(2,282)	(2,282)	–	(2,188)	(2,188)
Other net assets	–	258	258	–	128	128
	–	(2,024)	(2,024)	–	(2,060)	(2,060)
<b>Shareholders' equity at end of year (excluding non-controlling interests)</b>	<b>22,505</b>	<b>(62)</b>	<b>22,443</b>	<b>19,885</b>	<b>(248)</b>	<b>19,637</b>
Representing:						
Net assets (liabilities)	22,266	(1,292)	20,974	19,650	(1,478)	18,172
Acquired goodwill	239	1,230	1,469	235	1,230	1,465
	22,505	(62)	22,443	19,885	(248)	19,637

## European Embedded Value (EEV) basis results continued

### Net asset value per share (in pence)

	31 December 2012	31 December 2011
Based on EEV basis shareholders' equity of £22,443 million (2011: £19,637 million)	878p	771p
Number of issued shares at year end (millions)	2,557	2,548
<b>Return on embedded value*</b>	<b>16%</b>	<b>16%</b>

\* Return on embedded value is based on EEV operating profit after related tax and non-controlling interests, as shown in note 13, as a percentage of opening EEV basis shareholders' equity.

### Summary statement of financial position

	Note	31 December 2012 £m	31 December 2011 £m†
<b>Total assets less liabilities, before deduction for insurance funds</b>		274,863	243,207
Less insurance funds:*			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds		(264,504)	(234,643)
Less shareholders' accrued interest in the long-term business		12,084	11,073
		(252,420)	(223,570)
<b>Total net assets</b>	<b>11</b>	<b>22,443</b>	<b>19,637</b>
Share capital		128	127
Share premium		1,889	1,873
IFRS basis shareholders' reserves		8,342	6,564
Total IFRS basis shareholders' equity	<b>11</b>	<b>10,359</b>	<b>8,564</b>
Additional EEV basis retained profit	<b>11</b>	<b>12,084</b>	<b>11,073</b>
<b>Total EEV basis shareholders' equity (excluding non-controlling interests)</b>	<b>11</b>	<b>22,443</b>	<b>19,637</b>

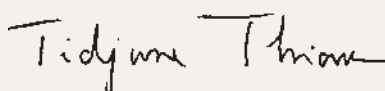
\* Including liabilities in respect of insurance products classified as investment contracts under IFRS 4.

† For IFRS reporting purposes, the Group has adopted updated US GAAP requirements for deferred acquisition costs as an improvement to its accounting policy under IFRS 4 for those operations of the Group which measure insurance assets and liabilities substantially by reference to US GAAP principles. Accordingly, the IFRS elements and additional EEV basis shareholders' interest for the comparative results for 2011 have been adjusted from those previously published for the retrospective application of the change as if the new accounting policy had always applied. This has resulted in a reallocation of £553 million for 2011 from IFRS basis shareholders' reserves to shareholders' accrued interest in the long-term business, with no overall effect on the EEV basis results.

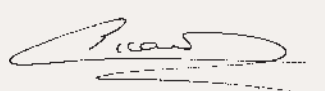
The supplementary information on pages 326 to 362 was approved by the Board of directors on 12 March 2013 and signed on its behalf.



**Paul Manduca**  
Chairman



**Tidjane Thiam**  
Group Chief Executive



**Nic Nicandrou**  
Chief Financial Officer