

B: Summary of results

B1: Segment disclosure – profit before tax

The determination of the operating segments and performance measure of the operating segments of the Group are as detailed in note A3(2)(d). Further segmentation of the income statement is provided in note F1 of these financial statements.

	Note	2012 £m	2011* £m
Asia operations			
Insurance operations ^{notes (i), (ii)}			
Operating result before gain on sale of stake in China Life of Taiwan		869	709
Gain on sale of stake in China Life of Taiwan		51	–
Total Asia insurance operations		920	709
Development expenses		(7)	(5)
Total Asia insurance operations after development expenses		913	704
Eastspring Investments		75	80
Total Asia operations		988	784
US operations			
Jackson (US insurance operations) ^{notes (i), (ii), (iii)}		964	651
Broker-dealer and asset management		39	24
Total US operations		1,003	675
UK operations			
UK insurance operations: ^{notes (i), (ii)}			
Long-term business		703	683
General insurance commission ^{note (v)}		33	40
Total UK insurance operations		736	723
M&G		371	357
Total UK operations		1,107	1,080
Total segment profit		3,098	2,539
Other income and expenditure			
Investment return and other income		13	22
Interest payable on core structural borrowings		(280)	(286)
Corporate expenditure		(231)	(219)
Total		(498)	(483)
RPI to CPI inflation measure change on defined benefit pension schemes ^{note (vi)}		–	42
Solvency II implementation costs		(48)	(55)
Restructuring costs ^{note (vii)}		(19)	(16)
Operating profit based on longer-term investment returns		2,533	2,027
Short-term fluctuations in investment returns on shareholder-backed business ^{note (viii)}		204	(220)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes ^{note (ix)}		50	21
Gain on dilution of Group's holdings	12	42	–
Amortisation of acquisition accounting adjustments arising on the purchase of REALIC	11	(19)	–
Profit before tax attributable to shareholders		2,810	1,828

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note A5.

Notes

(i) Operating profit based on longer-term investment returns

The Group provides supplementary analysis of IFRS profit before tax attributable to shareholders so as to distinguish operating profit based on longer-term investment returns from other elements of total profit. Operating profit based on longer-term investment returns is the basis on which management regularly reviews the performance of Prudential's segments as defined by IFRS 8. Further discussion on the determination of operating profit based on longer-term investment returns is provided in note A3(2)(d).

- (ii) Effect of changes to assumptions, estimates and bases of determining life assurance liabilities
The results of the Group's long-term business operations are affected by changes to assumptions, estimates and bases of preparation. These are described in notes D2(g), D3(g) and D4(g).
- (iii) Jackson operating results based on longer-term investment returns
IFRS basis operating profits for US operations include the following amounts (net of related change in amortisation of deferred acquisition costs, where applicable) so as to derive longer-term investment returns.

	2012 £m	2011 £m
Debt securities:		
Amortisation of interest-related realised gains and losses	72	67
Risk margin reserve charge for longer-term credit-related losses (see note (iv) below)	(66)	(56)
Equity type investments:		
Longer-term returns	54	51

- (iv) The risk margin reserve (RMR) charge for longer-term credit-related losses included in operating profit based on longer-term investment returns of Jackson for 2012 is based on an average annual RMR of 26 basis points (2011: 25 basis points) on average book values of US\$47.6 billion (2011: US\$44.4 billion) as shown below:

Moody's rating category (or equivalent under NAIC ratings of MBS)	2012				2011			
	Average book value US\$m	RMR %	Annual expected loss		Average book value US\$m	RMR %	Annual expected loss	
			US\$m	£m			US\$m	£m
A3 or higher	23,129	0.11	(26)	(16)	21,255	0.08	(17)	(11)
Baa1, 2 or 3	21,892	0.26	(56)	(36)	20,688	0.26	(54)	(34)
Ba1, 2 or 3	1,604	1.12	(18)	(11)	1,788	1.04	(19)	(11)
B1, 2 or 3	597	2.82	(17)	(11)	474	3.01	(14)	(9)
Below B3	342	2.44	(8)	(5)	211	3.88	(8)	(5)
Total	47,564	0.26	(125)	(79)	44,416	0.25	(112)	(70)
Related change to amortisation of deferred acquisition costs (see below)			21	13			22	14
Risk margin reserve charge to operating profit for longer-term credit-related losses			(104)	(66)			(90)	(56)

Consistent with the basis of measurement of insurance assets and liabilities for Jackson's IFRS results, the charges and credits to operating profits based on longer-term investment returns are partially offset by related changes to amortisation of deferred acquisition costs.

- (v) General insurance commission
UK operations transferred its general insurance business to Churchill in 2002, with general insurance commission representing the commission received net of expenses for Prudential-branded general insurance products as part of this arrangement.
- (vi) RPI to CPI inflation measure change
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 Retail Prices Index with Consumer Prices Index. This resulted in a credit to the operating profit before tax in 2011 of £42 million.
- (vii) Restructuring costs are incurred in the UK and represent one-off expenses incurred in securing expense savings.
- (viii) Short-term fluctuations in investment returns on shareholder-backed business.

	2012 £m	2011* £m
Insurance operations:		
Asia	76	(92)
US	(90)	(167)
UK	136	159
Other operations:		
Economic hedge value movement	(32)	-
Other	114	(120)
Total	204	(220)

General overview of defaults

The Group did not experience any defaults on its shareholder-backed debt securities portfolio in 2012 or 2011.

Asia insurance operations

The positive short-term fluctuations of £76 million in 2012 reflects unrealised gains on bond assets following a fall in yields in the period. These gains more than offset the impact of falling interest rates in Hong Kong and the transfer to operating profit of previously booked unrealised gains on the sale of the Group's stake in China Life of Taiwan. The realised gain on the sale of the Group's stake in China Life of Taiwan of £51 million is included in the Group's operating profit based on longer-term investment returns as disclosed above.

The fluctuations of £(92) million in 2011 in part reflected equity market falls in Taiwan and negative unrealised value movement on the Group's stake in China Life of Taiwan.

B: Summary of results continued

B1: Segment disclosure – profit before tax continued

US insurance operations

The short-term fluctuations in investment returns for US insurance operations comprise the following items:

	2012 £m	2011* £m
Short-term fluctuations relating to debt securities:		
Charges in the year:		
Defaults	–	–
Losses on sales of impaired and deteriorating bonds	(23)	(32)
Bond write downs	(37)	(62)
Recoveries/reversals	13	42
Total charges in the year ^{note(a)}	(47)	(52)
Less: Risk margin charge included in operating profit based on longer-term investment returns ^{note(iii)}	79	70
	32	18
Interest-related realised gains:		
Arising in the year	94	158
Less: amortisation of gains and losses arising in current and prior years to operating profit based on longer-term investment returns	(91)	(84)
	3	74
Related change to amortisation of deferred acquisition costs	(3)	(3)
Total short-term fluctuations related to debt securities	32	89
Derivatives (other than equity-related): market value movements (net of related change to amortisation of deferred acquisition costs) ^{note(b)}	135	554
Net equity hedge results (principally guarantees and derivatives, net of related change to amortisation of deferred acquisition costs) ^{note(c)}	(302)	(788)
Equity-type investments: actual less longer-term return (net of related change to amortisation of deferred acquisition costs) ^{A3(d)(i)}	23	–
Other items (net of related change to amortisation of deferred acquisition costs)	22	(22)
Total	(90)	(167)

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note A5.

Notes

(a) The charges on the debt securities of Jackson comprise the following:

	2012 £m	2011 £m
Residential mortgage-backed securities:		
Prime (including agency)	(4)	(25)
Alt-A	(1)	(1)
Sub-prime	(3)	–
Total residential mortgage-backed securities	(8)	(26)
Corporate debt securities	(14)	(14)
Other	(25)	(12)
Total	(47)	(52)

(b) The gain of £135 million (2011: gain of £554 million) is principally for the value movement of non-equity free-standing derivatives held to manage interest rate exposures, and for the GMB reinsurance asset that is considered to be a derivative under IAS 39.

Under IAS 39, unless hedge accounting is applied value movements on derivatives are recognised in the income statement. For the derivatives programme attaching to the general account business, the Group has continued its approach of not seeking to apply hedge accounting under IAS 39. This decision reflects the inherent constraints of IAS 39 for hedge accounting investments and life assurance assets and liabilities under 'grandfathered' US GAAP under IFRS 4.

(c) The amount of £(302) million (2011: £(788) million) relates to the net equity hedge accounting effect of the equity-based derivatives and associated guarantee liabilities of Jackson's variable and fixed index annuity business. The details of the value movements excluded from operating profit based on longer-term investment returns are as described in note C. The principal movements are for (i) value for free-standing and GMWB 'not for life' embedded derivatives, (ii) accounting values for GMDB and GMWB 'for life' guarantees, (iii) fee assessments and claim payments in respect of guarantee liabilities and (iv) related changes to DAC amortisation. In 2012, the charge of £(302) million principally reflects fair value movements on free-standing futures contracts and short-dated options. The movements included within the net equity hedge result include the effect of lower interest rates for which the movement was particularly significant in 2011. The value movements on derivatives held to manage this and any other interest rate exposure are included in the £135 million (2011: £554 million) described above in note (b).

In addition to the items discussed above, for US insurance operations, included within the statement of comprehensive income is an increase in net unrealised gains on debt securities classified as available-for-sale of £862 million (2011: increase in net unrealised gains of £811 million). Temporary market value movements do not reflect defaults or impairments. Additional details on the movement in the value of the Jackson portfolio are included in note D3.

UK Insurance operations

The gain on short-term fluctuations in investment returns for UK insurance operations of £136 million (2011: £159 million) principally reflect net investment gains arising in the year on fixed income assets backing the capital of the shareholder-backed annuity business.

Economic hedge value movement

This item represents the costs on short-dated hedge contracts taken out in the first half of 2012 to provide downside protection against severe equity market falls through a period of particular uncertainty with respect to the Eurozone. The hedge contracts were terminated in the second half of 2012.

Other operations

Short-term fluctuations in investment returns for Other operations in 2012 of £14 million primarily represent unrealised fair value movements on Prudential Capital's bond portfolio. Short-term fluctuations in investment returns for Other operations in 2011 of £(120) million represent unrealised value movements on investments, including centrally held swaps to manage foreign exchange and certain macroeconomic exposures of the Group.

(ix) Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes

	2012 £m	2011 £m
Actuarial gains and losses		
Actual less expected return on scheme assets	11	9
Experience gains on scheme liabilities	15	19
(Losses) gains on changes of assumptions for scheme liabilities	(40)	12
	(14)	40
Less: amount attributable to the PAC with-profits sub-fund	15	(18)
	1	22
Other gains and losses		
One-off uplift to recognise a portion of PSPS surplus	164	–
Movement in the provision for deficit funding of PSPS	–	(4)
Less: amount attributable to the PAC with-profits sub-fund	(115)	3
	49	(1)
Total	50	21

The actuarial gains and losses shown in the table above relate to the Prudential Staff Pension Scheme (PSPS), and the Scottish Amicable and M&G schemes. The amounts did not include actuarial gains and losses for the Prudential Staff Pension Scheme, for which the Group has not recognised a substantial portion of its interest in the scheme's underlying surplus.

For the 2011 comparatives, the shareholders' share of actuarial and other gains and losses on defined benefit pension schemes comprises the aggregate effect of actual less expected returns on scheme assets, experience gains and losses, the effect of changes in assumptions and altered provisions for deficit funding, where relevant. For 2012, these items also apply. However, the shareholders' share of actuarial and other gains and losses on defined benefit pension schemes also includes £49 million for the effect of partial recognition of surplus of the main Prudential Staff Pension Scheme. This credit arose from an altered funding arrangement following the 5 April 2011 triennial valuation. Further details on the Group's defined benefit pension schemes are shown in note I3.

B2: Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in employee share trusts and consolidated unit trusts and open ended investment companies (OEICs), which are treated as cancelled.

For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's only class of potentially dilutive ordinary shares are those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. No adjustment is made if the impact is anti-dilutive overall.

Earnings per share are calculated based on earnings attributable to ordinary shareholders, after related tax and non-controlling interests.

	2012						
	Note	Before tax	Tax	Non-controlling interests	Net of tax and non-controlling interests	Basic earnings per share	Diluted earnings per share
		note B1 £m	note F5 £m	£m	£m	£m	pence
Based on operating profit based on longer-term investment returns		2,533	(582)	–	1,951	76.8p	76.7p
Short-term fluctuations in investment returns on shareholder-backed business	B1	204	(26)	–	178	7.0p	7.0p
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	B1	50	(12)	–	38	1.5p	1.5p
Gain on dilution of Group's holdings	I2	42	–	–	42	1.7p	1.7p
Amortisation of acquisition accounting adjustments arising on the purchase of REALIC	I1	(19)	7	–	(12)	(0.5)p	(0.5)p
Based on profit for the year		2,810	(613)	–	2,197	86.5p	86.4p

B: Summary of results continued**B2: Earnings per share** continued

	2011* £m						
	Note	Before tax note B1 £m	Tax note F5 £m	Non- controlling interests £m	Net of tax and non- controlling interests £m	Basic earnings per share pence	Diluted earnings per share pence
Based on operating profit based on longer-term investment returns		2,027	(433)	(4)	1,590	62.8p	62.7p
Short-term fluctuations in investment returns on shareholder-backed business	B1	(220)	29	–	(191)	(7.6)p	(7.6)p
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	B1	21	(5)	–	16	0.6p	0.6p
Based on profit for the year		1,828	(409)	(4)	1,415	55.8p	55.7p

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note A5.

Number of shares

A reconciliation of the weighted average number of ordinary shares used for calculating basic and diluted earnings per share is set out as below:

	2012 millions	2011 millions
Weighted average shares for calculation of basic earnings per share	2,541	2,533
Shares under option at end of year	9	13
Number of shares that would have been issued at fair value on assumed option exercise	(6)	(8)
Weighted average shares for calculation of diluted earnings per share	2,544	2,538

B3: Dividends

	2012 £m	2011 £m
Dividends declared and paid in reporting year		
Parent company:		
Interim dividend (2012: 8.40p; 2011: 7.95p)	215	203
Final dividend for prior period (2012: 17.24p; 2011: 17.24p)	440	439
Total	655	642

Dividends paid in cash, as set in the consolidated statement of cash flows for 2012 were £655 million (2011: £642 million).

	2012 £m	2011 £m
Parent company dividends relating to reporting year:		
Interim dividend (2012: 8.40p; 2011: 7.95p)	215	203
Final dividend (2012: 20.79p; 2011: 17.24p)	532	439
Total	747	642

Dividend per share

Interim dividends are recorded in the period in which they are paid. Final dividends are recorded in the period in which they are approved by shareholders. The final dividend for the year ended 31 December 2011 of 17.24 pence per ordinary share was paid to eligible shareholders on 24 May 2012 and the 2012 interim dividend of 8.4 pence per ordinary share was paid to eligible shareholders on 27 September 2012.

The Board has decided to rebase the full year dividend upwards by 4 pence, reflecting the strong progress made in both the earnings and free surplus generation of the business and in the delivery of our financial objectives. In line with this, the directors recommend a final dividend of 20.79 pence per share (2011: 17.24 pence), which brings the total dividend for the year to 29.19 pence (2011: 25.19 pence), representing an increase of 15.9 per cent over 2011.

The 2012 final dividend of 20.79 pence per ordinary share will be paid on 23 May 2013 in sterling to shareholders on the principal register and the Irish branch register at 6.00pm BST on Tuesday, 2 April 2013 (Record Date), and in Hong Kong dollars to shareholders on the Hong Kong branch register at 4.30pm Hong Kong time on the Record Date (HK Shareholders). Holders of US American Depositary Receipts (US Shareholders) will be paid their dividends in US dollars on or about 3 June 2013. The final dividend will be paid on or about 30 May 2013 in Singapore dollars to shareholders with shares standing to the credit of their securities accounts with The Central Depository (Pte.) Limited (CDP) at 5.00pm Singapore time on the Record Date (SG Shareholders). The dividend payable to the HK Shareholders will be translated using the exchange rate quoted by the WM Company at the close of business on 12 March 2013. The exchange rate at which the dividend payable to the SG Shareholders will be translated into SG\$, will be determined by CDP. The dividend will distribute an estimated £532 million of shareholders' funds.

Shareholders on the principal register and Irish branch register will be able to participate in a Dividend Reinvestment Plan.

B4: Exchange translation**Exchange movement recognised in other comprehensive income**

	2012 £m	2011* £m
Asia operations	(87)	(28)
US operations	(187)	35
Unallocated to a segment (central funds)	60	(44)
	(214)	(37)

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note A5.

The movements for Asia and US operations reflect the application of year end exchange rates to the assets and liabilities, and average exchange rates to the income statement on translation of these operations into the presentation currency of the Group. The movement unallocated to a segment mainly reflects the translation of currency borrowings and forward contracts which have been designated as a net investment hedge against the currency risk of the net investment in Jackson.

The exchange rates applied were:

Local currency: £	Closing rate at 31 Dec 2012	Average for 2012	Closing rate at 31 Dec 2011	Average for 2011
Hong Kong	12.60	12.29	12.07	12.48
Indonesia	15,665.76	14,842.01	14,091.80	14,049.41
Malaysia	4.97	4.89	4.93	4.90
Singapore	1.99	1.98	2.02	2.02
India	89.06	84.70	82.53	74.80
Vietnam	33,875.42	33,083.59	33,688.16	33,139.22
US	1.63	1.58	1.55	1.60

B: Summary of results continued

B5: Group statement of financial position

To explain more comprehensively the assets, liabilities and capital of the Group's businesses, it is appropriate to provide analyses of the Group's statement of financial position by operating segment and type of business.

The tables below aggregate the three asset management segments for ease of presentation and hence should be read in conjunction with the associated tables on asset management in note E2.

a Group statement of financial position by operating segment

i Position at 31 December 2012

By operating segment	2012 £m							31 Dec Group total
	Insurance operations			Total insurance operations	Asset management operations E2	Unallocated to a segment (central operations)	Intra-group eliminations	
	UK D2	US D3	Asia D4					
Assets								
Intangible assets attributable to shareholders:								
Goodwill	–	–	239	239	1,230	–	–	1,469
Deferred acquisition costs and other intangible assets	105	3,222	908	4,235	14	18	–	4,267
Total	105	3,222	1,147	4,474	1,244	18	–	5,736
Intangible assets attributable to with-profits funds:								
In respect of acquired subsidiaries for venture fund and other investment purposes	178	–	–	178	–	–	–	178
Deferred acquisition costs and other intangible assets	6	–	72	78	–	–	–	78
Total ^{H1}	184	–	72	256	–	–	–	256
Total intangible assets	289	3,222	1,219	4,730	1,244	18	–	5,992
Deferred tax assets ^{H4}	183	1,889	83	2,155	107	52	–	2,314
Other non-investment and non-cash assets ^{H3,H6}	5,424	6,792	1,117	13,333	1,051	3,766	(6,113)	12,037
Investments of long-term business and other operations:								
Investment properties	10,852	24	4	10,880	–	–	–	10,880
Investments accounted for using the equity method	72	–	–	72	41	–	–	113
Financial investments:								
Loans	3,373	6,235	1,014	10,622	1,199	–	–	11,821
Equity securities and portfolio holdings in unit trusts	36,027	49,551	14,310	99,888	70	–	–	99,958
Debt securities ^{B5(c)}	83,862	32,993	21,402	138,257	1,846	–	–	140,103
Other investments	4,576	2,296	957	7,829	44	27	–	7,900
Deposits	11,131	211	1,227	12,569	84	–	–	12,653
Total investments ^{GL,H7,H8}	149,893	91,310	38,914	280,117	3,284	27	–	283,428
Properties held for sale ^{H9}	98	–	–	98	–	–	–	98
Cash and cash equivalents ^{H10}	2,638	513	1,668	4,819	1,083	482	–	6,384
Total assets	158,525	103,726	43,001	305,252	6,769	4,345	(6,113)	310,253

Note

Further segmental analysis:

The non-current assets of the Group comprise goodwill, intangible assets other than DAC and present value of acquired in-force business and property, plant and equipment included within 'Other non-investment and non-cash assets'. Items defined as financial instruments or related to insurance contracts are excluded. The Group's total non-current assets at 31 December comprise:

	2012 £m	2011 £m
UK including insurance operations, M&G and central operations	1,927	1,906
US	152	144
Asia*	640	681
Total	2,719	2,731

* No individual country in Asia held non-current assets at the end of the year which exceeds 10 per cent of the Group total.

	2012 £m							31 Dec Group total
	Insurance operations			Total insurance operations	Asset management operations E2	Unallocated to a segment (central operations)	Intra-group eliminations	
	UK D2	US D3	Asia D4					
By operating segment								
Equity and liabilities								
<i>Equity</i>								
Shareholders' equity ^{H11}	3,033	4,343	2,529	9,905	1,937	(1,483)	–	10,359
Non-controlling interests	1	–	4	5	–	–	–	5
Total equity	3,034	4,343	2,533	9,910	1,937	(1,483)	–	10,364
<i>Liabilities</i>								
Policyholder liabilities and unallocated surplus of with-profits funds:								
Insurance contract liabilities ^{H12}	84,266	90,192	34,126	208,584	–	–	–	208,584
Investment contract liabilities with discretionary participation features ^{G1}	33,464	–	348	33,812	–	–	–	33,812
Investment contract liabilities without discretionary participation features ^{G1}	16,182	2,069	127	18,378	–	–	–	18,378
Unallocated surplus of with-profits funds (reflecting application of 'realistic' basis provisions for UK regulated with-profits funds) ^{D2, H12}	10,526	–	63	10,589	–	–	–	10,589
Total policyholder liabilities and unallocated surplus of with-profits funds	144,438	92,261	34,664	271,363	–	–	–	271,363
Core structural borrowings of shareholder-financed operations: ^{H13}								
Subordinated debt	–	–	–	–	–	2,577	–	2,577
Other	–	153	–	153	275	549	–	977
Total	–	153	–	153	275	3,126	–	3,554
Operational borrowings attributable to shareholder-financed operations	127	26	7	160	1	2,084	–	2,245
Borrowings attributable to with-profits operations	1,033	–	–	1,033	–	–	–	1,033
Other non-insurance liabilities:								
Obligations under funding, securities lending and sale and repurchase agreements	1,461	920	55	2,436	–	–	–	2,436
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	2,307	25	1,851	4,183	162	–	–	4,345
Deferred tax liabilities	1,185	2,168	588	3,941	13	16	–	3,970
Current tax liabilities	237	–	49	286	8	151	–	445
Accruals and deferred income	429	–	110	539	266	28	–	833
Other creditors	2,766	611	1,601	4,978	3,771	145	(6,113)	2,781
Provisions	291	20	66	377	149	75	–	601
Derivative liabilities	1,007	645	837	2,489	150	190	–	2,829
Other liabilities	210	2,554	640	3,404	37	13	–	3,454
Total	9,893	6,943	5,797	22,633	4,556	618	(6,113)	21,694
Total liabilities	155,491	99,383	40,468	295,342	4,832	5,828	(6,113)	299,889
Total equity and liabilities	158,525	103,726	43,001	305,252	6,769	4,345	(6,113)	310,253

B: Summary of results continued

B5: Group statement of financial position continued

i Position at 31 December 2011

By operating segment	2011* £m							31 Dec Group total
	Insurance operations			Total insurance operations	Asset management operations E2	Unallocated to a segment (central operations)	Intra-group eliminations	
	UK D2	US D3	Asia D4					
Assets								
Intangible assets attributable to shareholders:								
Goodwill	–	–	235	235	1,230	–	–	1,465
Deferred acquisition costs and other intangible assets	113	3,115	977	4,205	16	13	–	4,234
Total ^{H1}	113	3,115	1,212	4,440	1,246	13	–	5,699
Intangible assets attributable to with-profits funds:								
In respect of acquired subsidiaries for venture fund and other investment purposes								
	178	–	–	178	–	–	–	178
Deferred acquisition costs and other intangible assets	6	–	83	89	–	–	–	89
Total ^{H2}	184	–	83	267	–	–	–	267
Total intangible assets	297	3,115	1,295	4,707	1,246	13	–	5,966
Deferred tax assets	231	1,392	115	1,738	129	409	–	2,276
Other non-investment and non-cash assets ^{H3,H6}	4,771	1,542	1,024	7,337	1,000	4,532	(6,231)	6,638
Investments of long-term business and other operations:								
Investment properties	10,712	35	10	10,757	–	–	–	10,757
Investments accounted for using the equity method	70	–	–	70	–	–	–	70
Financial investments:								
Loans	3,115	4,110	1,233	8,458	1,256	–	–	9,714
Equity securities and portfolio holdings in unit trusts	36,722	38,036	11,997	86,755	594	–	–	87,349
Debt securities ^{B5(c)}	77,953	27,022	17,681	122,656	1,842	–	–	124,498
Other investments	4,568	2,376	470	7,414	78	17	–	7,509
Deposits	9,287	167	1,165	10,619	89	–	–	10,708
Total investments ^{G1,H7,H8}	142,427	71,746	32,556	246,729	3,859	17	–	250,605
Properties held for sale ^{H9}	–	3	–	3	–	–	–	3
Cash and cash equivalents ^{H10}	2,965	271	1,977	5,213	1,735	309	–	7,257
Total assets	150,691	78,069	36,967	265,727	7,969	5,280	(6,231)	272,745

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note A5.

By operating segment	2011* £m							31 Dec Group total
	Insurance operations			Total insurance operations	Asset management operations E2	Unallocated to a segment (central operations)	Intra-group eliminations	
	UK D2	US D3	Asia D4					
Equity and liabilities								
Equity								
Shareholders' equity ^{H11}	2,581	3,761	2,306	8,648	1,783	(1,867)	–	8,564
Non-controlling interests	33	–	5	38	5	–	–	43
Total equity	2,614	3,761	2,311	8,686	1,788	(1,867)	–	8,607
Liabilities								
Policyholder liabilities and unallocated surplus of with-profits funds:								
Insurance contract liabilities ^{H12}	82,732	67,278	30,353	180,363	–	–	–	180,363
Investment contract liabilities with discretionary participation features ^{G1}	29,348	–	397	29,745	–	–	–	29,745
Investment contract liabilities without discretionary participation features ^{G1}	14,944	1,911	112	16,967	–	–	–	16,967
Unallocated surplus of with-profits funds (reflecting application of 'realistic' basis provisions for UK regulated with-profits funds) ^{D2, H12}	9,165	–	50	9,215	–	–	–	9,215
Total policyholder liabilities and unallocated surplus of with-profits funds	136,189	69,189	30,912	236,290	–	–	–	236,290
Core structural borrowings of shareholder-financed operations: ^{G1, H13}								
Subordinated debt	–	–	–	–	–	2,652	–	2,652
Other	–	160	–	160	250	549	–	959
Total	–	160	–	160	250	3,201	–	3,611
Operational borrowings attributable to shareholder-financed operations	103	127	141	371	13	2,956	–	3,340
Borrowings attributable to with-profits operations	972	–	–	972	–	–	–	972
Other non-insurance liabilities:								
Obligations under funding, securities lending and sale and repurchase agreements ^{H4, H14, H15}	1,945	1,169	–	3,114	–	–	–	3,114
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	2,043	18	1,101	3,162	678	–	–	3,840
Deferred tax liabilities	1,349	1,818	506	3,673	5	251	–	3,929
Current tax liabilities	553	–	116	669	106	155	–	930
Accruals and deferred income	321	–	103	424	290	22	–	736
Other creditors	2,829	548	660	4,037	4,493	245	(6,231)	2,544
Provisions	266	13	47	326	133	70	–	529
Derivative liabilities	1,298	887	480	2,665	182	207	–	3,054
Other liabilities	209	379	590	1,178	31	40	–	1,249
Total	10,813	4,832	3,603	19,248	5,918	990	(6,231)	19,925
Total liabilities	148,077	74,308	34,656	257,041	6,181	7,147	(6,231)	264,138
Total equity and liabilities	150,691	78,069	36,967	265,727	7,969	5,280	(6,231)	272,745

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note A5.

B: Summary of results continued

B5: Group statement of financial position continued

ii Group statement of financial position - additional analysis by business type

	2012 £m						2011* £m	
	Participating funds	Shareholder-backed business				Intra-group eliminations	31 Dec Group total	31 Dec Group total
Unit-linked and variable annuity		Non-linked business	Asset management operations	Unallocated to a segment (central operations)				
Assets								
Intangible assets attributable to shareholders:								
Goodwill	–	–	239	1,230	–	–	1,469	1,465
Deferred acquisition costs and other intangible assets	–	–	4,235	14	18	–	4,267	4,234
Total	–	–	4,474	1,244	18	–	5,736	5,699
Intangible assets attributable to with-profits funds:								
In respect of acquired subsidiaries for venture fund and other investment purposes	178	–	–	–	–	–	178	178
Deferred acquisition costs and other intangible assets	78	–	–	–	–	–	78	89
Total	256	–	–	–	–	–	256	267
Total intangible assets	256	–	4,474	1,244	18	–	5,992	5,966
Deferred tax assets	114	–	2,041	107	52	–	2,314	2,276
Other non-investment and non-cash assets	3,133	508	9,692	1,051	3,766	(6,113)	12,037	6,638
Investments of long-term business and other operations:								
Investment properties	8,659	622	1,599	–	–	–	10,880	10,757
Investments accounted for using the equity method	–	–	72	41	–	–	113	70
Financial investments:								
Loans	2,709	–	7,913	1,199	–	–	11,821	9,714
Equity securities and portfolio holdings in unit trusts	25,105	73,860	923	70	–	–	99,958	87,349
Debt securities	62,002	9,504	66,751	1,846	–	–	140,103	124,498
Other investments	4,745	57	3,027	44	27	–	7,900	7,509
Deposits	9,470	1,396	1,703	84	–	–	12,653	10,708
Total investments	112,690	85,439	81,988	3,284	27	–	283,428	250,605
Properties held for sale	98	–	–	–	–	–	98	3
Cash and cash equivalents	1,721	1,310	1,788	1,083	482	–	6,384	7,257
Total assets	118,012	87,257	99,983	6,769	4,345	(6,113)	310,253	272,745

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note A5.

	2012 £m						2011* £m	
	Shareholder-backed business						31 Dec Group total	31 Dec Group total
	Participating funds	Unit-linked and variable annuity	Non-linked business	Asset management operations E2	Unallocated to a segment (central operations)	Intra-group eliminations		
Equity and liabilities								
<i>Equity</i>								
Shareholders' equity	–	–	9,905	1,937	(1,483)	–	10,359	8,564
Non-controlling interests	1	–	4	–	–	–	5	43
Total equity	1	–	9,909	1,937	(1,483)	–	10,364	8,607
<i>Liabilities</i>								
Policyholder liabilities and unallocated surplus of with-profits funds:								
Contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4)	97,795	85,523	77,456	–	–	–	260,774	227,075
Unallocated surplus of with-profits funds	10,589	–	–	–	–	–	10,589	9,215
Total policyholder liabilities and unallocated surplus of with-profits funds	108,384	85,523	77,456	–	–	–	271,363	236,290
Core structural borrowings of shareholder-financed operations:								
Subordinated debt	–	–	–	–	2,577	–	2,577	2,652
Other	–	–	153	275	549	–	977	959
Total	–	–	153	275	3,126	–	3,554	3,611
Operational borrowings attributable to shareholder-financed operations	–	1	159	1	2,084	–	2,245	3,340
Borrowings attributable to with-profits operations	1,033	–	–	–	–	–	1,033	972
Deferred tax liabilities	1,086	46	2,809	13	16	–	3,970	3,929
Other non-insurance liabilities	7,508	1,687	9,497	4,543	602	(6,113)	17,724	15,996
Total liabilities	118,011	87,257	90,074	4,832	5,828	(6,113)	299,889	264,138
Total equity and liabilities	118,012	87,257	99,983	6,769	4,345	(6,113)	310,253	272,745

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note A5.

B: Summary of results continued

B5: Group statement of financial position continued

b Reconciliation of movement in policyholder liabilities and unallocated surplus of with-profits funds

A reconciliation of the total policyholder liabilities and unallocated surplus of with-profits funds of the Group from the beginning of the year to the end of the year is as follows:

	Note	Insurance operations £m			Total
		UK	US	Asia	
At 1 January 2011		135,717	60,523	28,740	224,980
<i>Comprising:</i>					
Policyholder liabilities		125,530	60,523	28,674	214,727
Unallocated surplus of with-profits funds		10,187	–	66	10,253
Premiums		6,988	12,914	5,079	24,981
Surrenders		(4,255)	(4,270)	(2,237)	(10,762)
Maturities/deaths		(7,813)	(820)	(664)	(9,297)
Net flows		(5,080)	7,824	2,178	4,922
Shareholders' transfers post-tax		(216)	–	(30)	(246)
Investment-related items and other movements		5,862	136	365	6,363
Foreign exchange translation differences		(94)	706	(341)	271
As at 31 December 2011		136,189	69,189	30,912	236,290
<i>Comprising:</i>					
Policyholder liabilities		127,024	69,189	30,862	227,075
Unallocated surplus of with-profits funds		9,165	–	50	9,215
At 1 January 2012		136,189	69,189	30,912	236,290
Premiums		8,340	14,907	5,620	28,867
Surrenders		(4,785)	(4,356)	(2,541)	(11,682)
Maturities/deaths		(8,009)	(954)	(658)	(9,621)
Net flows		(4,454)	9,597	2,421	7,564
Shareholders' transfers post-tax		(205)	–	(31)	(236)
Investment-related items and other movements		13,006	4,241	2,178	19,425
Foreign exchange translation differences		(98)	(3,678)	(816)	(4,592)
Acquisition of REALIC	II	–	12,912	–	12,912
At 31 December 2012		144,438	92,261	34,664	271,363
<i>Comprising:</i>					
Policyholder liabilities		133,912	92,261	34,601	260,774
Unallocated surplus of with-profits funds		10,526	–	63	10,589
Average policyholder liability balances*					
2012		130,468	77,497	32,732	240,697
2011		126,277	64,856	29,768	220,901

* Averages have been based on opening and closing balances and adjusted for acquisitions and disposals in the period and exclude unallocated surplus of with-profits funds.

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

The analysis includes the impact of premiums, claims and investment movements on policyholders' liabilities. The impact does not represent premiums, claims and investment movements as reported in the income statement. For example, the premiums shown above will exclude any deductions for fees/charges and claims represent the policyholder liabilities provision released rather than the claim amount paid to the policyholder.

c Debt securities and loans**i Information on the credit risks of debt securities**

	2012 £m						2011 £m
	Insurance operations			Total insurance operations	Asset management	Group total	Group total
	UK	US	Asia				
S&P – AAA	9,200	187	785	10,172	1,046	11,218	12,593
S&P – AA+ to AA-	9,623	6,343	5,523	21,489	106	21,595	17,038
S&P – A+ to A-	23,000	7,728	3,282	34,010	206	34,216	31,161
S&P – BBB+ to BBB-	17,720	10,230	1,906	29,856	235	30,091	25,860
S&P – Other	3,043	1,173	3,132	7,348	37	7,385	6,346
	62,586	25,661	14,628	102,875	1,630	104,505	92,998
Moody's – Aaa	8,446	55	1,389	9,890	135	10,025	9,615
Moody's – Aa1 to Aa3	1,420	18	271	1,709	36	1,745	806
Moody's – A1 to A3	927	21	169	1,117	–	1,117	1,352
Moody's – Baa1 to Baa3	1,385	56	375	1,816	12	1,828	1,228
Moody's – Other	307	13	112	432	–	432	318
	12,485	163	2,316	14,964	183	15,147	13,319
Implicit ratings of MBS based on NAIC valuations (see below)							
NAIC 1	–	2,934	–	2,934	–	2,934	2,577
NAIC 2	–	207	–	207	–	207	147
NAIC 3-6	–	321	–	321	–	321	368
	–	3,462	–	3,462	–	3,462	3,092
Fitch	527	184	533	1,244	21	1,265	1,039
Other	8,264	3,523	3,925	15,712	12	15,724	14,050
Total debt securities	83,862	32,993	21,402	138,257	1,846	140,103	124,498

In the table above, with the exception of some mortgage-backed securities within Jackson, Standard & Poor's (S&P) ratings have been used where available. For securities where S&P ratings are not immediately available, those produced by Moody's and then Fitch have been used as an alternative. For some mortgage-backed securities within Jackson, the table above includes these securities using the regulatory ratings detail issued by the National Association of Insurance Commissioners (NAIC). These regulatory ratings levels were established by external third parties (PIMCO for residential mortgage-backed securities and BlackRock Solutions for commercial mortgage-backed securities). Notes D2(c), D3(c), D4(c) and E2 provide further details on the credit risks of debt securities by segment.

B: Summary of results continued

B5: Group statement of financial position continued

ii Group's exposure to holdings in asset-backed securities

The Group's exposure to holdings in asset-backed securities (ABS), which comprise residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralised debt obligations (CDO) funds and other asset-backed securities, at 31 December 2012 is as follows:

	2012 £m	2011 £m
Shareholder-backed operations:		
UK insurance operations (2012: 34% AAA, 17% AA) ^{note(i)}	1,408	1,358
US insurance operations ^{D3}	5,626	5,380
Asia insurance operations ^{note(ii)}	144	176
Asset management operations ^{note(iii)}	566	594
	7,744	7,508
With-profits operations:		
UK insurance operations (2012: 60% AAA, 9% AA) ^{note(i)}	5,850	5,351
Asia insurance operations ^{note(ii)}	241	454
	6,091	5,805
Total	13,835	13,313

Notes

- (i) UK insurance operations
All of the exposure of the shareholder-backed business relates to the UK market and primarily relates to investments held by PRIL. Of the £5,850 million (2011: £5,351 million) relating to with-profits business, £1,697 million (2011: £1,314 million) relates to exposure to the US and with the remaining exposure being primarily to the UK market.
- (ii) Asia insurance operations
The Asia insurance operations' exposure to asset-backed securities is primarily held by the with-profits operations. Of the £241 million, 63 per cent (2011: £454 million, 75 per cent) are investment grade.
- (iii) Asset management operations
Asset management operations' exposure to asset-backed securities is held by Prudential Capital with no sub-prime exposure. Of the £566 million, 77 per cent (2011: £595 million, 77 per cent) are graded AAA.

iii Group sovereign debt exposure

The exposures held by the shareholder-backed business and with-profits funds in sovereign debts and bank debt securities at 31 December 2012 are given within the Risk and capital management section of the Business review under Credit risk.

iv Loans

Information on the credit quality of the portfolio of loans, which almost wholly is for amounts which are neither past due or impaired is shown in notes D2, D3, D4 and E2. Details of allowances for loans, losses and amounts past due are shown in notes G1 and G2. No additional analysis is provided of the element of loans and receivables that were neither past due nor impaired from those of the total portfolio on the grounds of the immateriality of the difference between the neither past due nor impaired element and the total portfolio.