

European Embedded Value (EEV) basis results

Pre-tax operating profit based on longer-term investment returns

Results analysis by business area

	Note	2013 £m	2012 £m note (ii)
Asia operations			
New business	2	1,460	1,266
Business in force*	3	927	692
Long-term business*		2,387	1,958
Eastspring investments*		74	69
Development expenses		(2)	(7)
Total*		2,459	2,020
US operations			
New business	2	1,086	873
Business in force	3	1,135	737
Long-term business		2,221	1,610
Broker-dealer and asset management		59	39
Total		2,280	1,649
UK operations			
New business	2	297	313
Business in force	3	736	553
Long-term business		1,033	866
General insurance commission		29	33
Total UK insurance operations		1,062	899
M&G (including Prudential Capital)		441	371
Total		1,503	1,270
Other income and expenditure			
Investment return and other income		10	13
Interest payable on core structural borrowings		(305)	(280)
Corporate expenditure		(263)	(231)
Unwind of expected asset management margin ^{note(i)}		(61)	(56)
Total		(619)	(554)
Solvency II implementation costs		(31)	(50)
Restructuring costs		(12)	(22)
Pre-tax operating profit based on longer-term investment returns*		5,580	4,313
Analysed as profits (losses) from:			
New business	2	2,843	2,452
Business in force*	3	2,798	1,982
Long-term business*		5,641	4,434
Asset management*		574	479
Other results		(635)	(600)
Total*		5,580	4,313

* The Group has adopted the new accounting standard on 'Joint arrangements' (IFRS 11) from 1 January 2013. This has resulted in a reallocation of £(8) million in 2013 (2012: £(6) million) from the tax charge on operating profit based on longer-term investment returns to the pre-tax result for Eastspring investments, with no effect on the net of tax EEV basis results. In addition, the Group agreed in July 2013 to sell, dependent on regulatory approval, its closed book life insurance business in Japan. Accordingly, the presentation of the 2012 comparative EEV basis results and related notes have been adjusted from those previously published for the retrospective application of this standard and for the reclassification of the result attributable to the held for sale Japan life business, as described in note 18. This approach has been adopted consistently throughout this supplementary information.

Notes

- (i) The value of profits or losses from asset management and service companies that support the Group's covered insurance businesses (as defined in note 15(a)) 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 profit margin for the year arising from the management of the assets of the covered business 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.
- (ii) The comparative results have been prepared using previously reported average exchange rates for the year.

Summarised consolidated income statement

	Note	2013 £m	2012 £m
Pre-tax operating profit based on longer-term investment returns			
Asia operations*		2,459	2,020
US operations		2,280	1,649
UK operations:			
UK insurance operations		1,062	899
M&G (including Prudential Capital)		441	371
		1,503	1,270
Other income and expenditure		(619)	(554)
Solvency II implementation costs		(31)	(50)
Restructuring costs		(12)	(22)
Pre-tax operating profit based on longer-term investment returns*		5,580	4,313
(Loss) profit attaching to held for sale Japan life business*	4	(35)	21
Short-term fluctuations in investment returns*	5	(819)	510
Effect of changes in economic assumptions*	6	821	(2)
Mark to market value movements on core borrowings		152	(380)
Costs of domestication of Hong Kong branch	12	(35)	–
Gain on acquisition of REALIC†	4	–	453
Gain on dilution of Group's holdings†		–	42
Total non-operating profit*	9	84	644
Profit before tax attributable to shareholders (including actual investment returns)*		5,664	4,957
Tax attributable to shareholders' profit*	10	(1,306)	(1,188)
Profit for the year attributable to equity holders of the Company*		4,358	3,769

* The 2012 comparative results have been adjusted retrospectively from those previously published for the adoption of IFRS 11 and revised 'Employee benefits' (IAS 19) and for the reclassification of the result attributable to the held for sale Japan life business - see note 18.

† During 2012, the Group completed the acquisition of REALIC generating a gain of £453 million and M&G reduced its holding in PPM South Africa resulting in a reclassification from a subsidiary to an associate and a gain on dilution of £42 million.

Earnings per share (in pence)

	Note	2013	2012*
Based on post-tax operating profit including longer-term investment returns of £4,204 million (2012*: £3,174 million)	11	165.0p	124.9p
Based on post-tax profit of £4,358 million (2012*: £3,769 million)	11	171.0p	148.3p

* The 2012 comparative results have been adjusted retrospectively from those previously published for the adoption of IFRS 11 and revised IAS 19 - see note 18.

Dividends per share (in pence)

	2013	2012
Dividends relating to reporting year:		
Interim dividend	9.73p	8.40p
Final dividend	23.84p	20.79p
Total	33.57p	29.19p
Dividends declared and paid in reporting year:		
Current year interim dividend	9.73p	8.40p
Final dividend for prior year	20.79p	17.24p
Total	30.52p	25.64p

European Embedded Value (EEV) basis results continued

Movement in shareholders' equity

	Note	2013 £m	2012 £m
Profit for the year attributable to equity shareholders*		4,358	3,769
Items taken directly to equity:			
Exchange movements on foreign operations and net investment hedges:			
Exchange movements arising during the year		(1,077)	(467)
Related tax		–	(2)
Dividends		(781)	(655)
New share capital subscribed		6	17
Post-tax shareholders' share of actuarial and other gains and losses on defined benefit pension schemes*		(53)	44
Reserve movements in respect of share-based payments		98	42
Treasury shares:			
Movement in own shares in respect of share-based payment plans		(10)	(13)
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS		(31)	36
Mark to market value movements on Jackson assets backing surplus and required capital:			
Mark to market value movements arising during the year		(149)	53
Related tax		52	(18)
Net increase in shareholders' equity	9	2,413	2,806
Shareholders' equity at beginning of year	9	22,443	19,637
Shareholders' equity at end of year	9	24,856	22,443

* The 2012 comparative results have been adjusted retrospectively from those previously published for the adoption of revised IAS19 - see note 18.

Comprising	31 Dec 2013 £m			31 Dec 2012 £m		
	Long-term business operations	Asset management and other operations	Total	Long-term business operations	Asset management and other operations	Total
Asia operations:						
Net assets of operations	10,305	194	10,499	9,462	207	9,669
Acquired goodwill	231	61	292	239	61	300
	10,536	255	10,791	9,701	268	9,969
US operations:						
Net assets of operations	6,966	118	7,084	6,032	108	6,140
Acquired goodwill	–	16	16	–	16	16
	6,966	134	7,100	6,032	124	6,156
UK insurance operations:						
Net assets of operations	7,342	22	7,364	6,772	25	6,797
M&G:						
Net assets of operations	–	449	449	–	392	392
Acquired goodwill	–	1,153	1,153	–	1,153	1,153
	–	1,602	1,602	–	1,545	1,545
	7,342	1,624	8,966	6,772	1,570	8,342
Other operations:						
Holding company net borrowings at market value ^{note7}	–	(2,373)	(2,373)	–	(2,282)	(2,282)
Other net assets	–	372	372	–	258	258
	–	(2,001)	(2,001)	–	(2,024)	(2,024)
Shareholders' equity at end of year	24,844	12	24,856	22,505	(62)	22,443
Representing:						
Net assets (liabilities)	24,613	(1,218)	23,395	22,266	(1,292)	20,974
Acquired goodwill	231	1,230	1,461	239	1,230	1,469
	24,844	12	24,856	22,505	(62)	22,443

Net asset value per share

	31 Dec 2013	31 Dec 2012
Based on EEV basis shareholders' equity of £24,856 million (2012: £22,443 million) (in pence)	971p	878p
Number of issued shares at year end (millions)	2,560	2,557
Return on embedded value*	19%	16%

* Return on embedded value is based on EEV post-tax operating profit, as shown in note 11, as a percentage of opening EEV basis shareholders' equity.

Summary statement of financial position

	Note	31 Dec 2013 £m	31 Dec 2012 £m
Total assets less liabilities, before deduction for insurance funds*		288,826	271,768
Less insurance funds†			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds*		(279,176)	(261,409)
Less shareholders' accrued interest in the long-term business		15,206	12,084
		(263,970)	(249,325)
Total net assets	9	24,856	22,443
Share capital		128	128
Share premium		1,895	1,889
IFRS basis shareholders' reserves		7,627	8,342
Total IFRS basis shareholders' equity	9	9,650	10,359
Additional EEV basis retained profit	9	15,206	12,084
Total EEV basis shareholders' equity (excluding non-controlling interests)	9	24,856	22,443

* The 2012 comparative results have been adjusted retrospectively from those previously published for the adoption of IFRS 11 - see note 18.

† Including liabilities in respect of insurance products classified as investment contracts under IFRS 4. For 2013 the policyholder liabilities of the held for sale Japan life business are included in total assets less liabilities, before deduction for insurance funds.

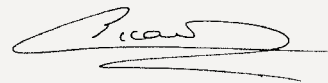
The supplementary information on pages 296 to 330 was approved by the Board of directors on 11 March 2014.



Paul Manduca
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