

European Embedded Value (EEV) basis results

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

Results analysis by business area

	Note	2016 £m	2015 £m notes (iii),(vi)
Asia operations			
New business	4	2,030	1,482
Business in force	5	1,044	798
Long-term business		3,074	2,280
Eastspring Investments		125	101
Total		3,199	2,381
US operations			
New business	4	790	809
Business in force	5	1,181	999
Long-term business		1,971	1,808
Broker-dealer and asset management		(3)	7
Total		1,968	1,815
UK operations <small>note (iv)</small>			
New business: <small>note (v)</small>			
Excluding UK bulk annuities	4	268	201
UK bulk annuities		–	117
		268	318
Business in force	5	375	545
Long-term business		643	863
General insurance commission		23	22
Total UK insurance operations		666	885
M&G		341	358
Prudential Capital		22	18
Total		1,029	1,261
Other income and expenditure <small>note (i)</small>		(679)	(566)
Solvency II and restructuring costs <small>note (ii)</small>		(57)	(51)
Interest received from tax settlement		37	–
Operating profit based on longer-term investment returns		5,497	4,840
Analysed as profit (loss) from:			
New business: <small>note (v)</small>			
Excluding UK bulk annuities	4	3,088	2,492
UK bulk annuities		–	117
		3,088	2,609
Business in force	5	2,600	2,342
Long-term business		5,688	4,951
Asset management and general insurance commission		508	506
Other results		(699)	(617)
		5,497	4,840

Notes

- (i) EEV basis other income and expenditure represents the post-tax IFRS basis result less the unwind of expected margins on the internal management of the assets of the covered business (as explained in note 14(a)(vii)).
- (ii) Solvency II and restructuring costs comprise the net-of-tax charge recognised on an IFRS basis and the additional amount recognised on an EEV basis for the shareholders' share incurred by the PAC with-profits fund.
- (iii) The comparative results have been prepared using previously reported average exchange rates for the year.
- (iv) The EEV basis results have been prepared in accordance with the amended EEV Principles dated April 2016, prepared by the CFO Forum of major European insurers. The 2016 results for UK insurance operations have been prepared to reflect the Solvency II regime. The 2015 results for UK insurance operations were prepared reflecting the Solvency I basis being the regime applicable for the year. There is no change to the basis of preparation for Asia and US operations.
- (v) Following Prudential's withdrawal from the UK bulk annuity market, the 2015 comparative results for UK bulk annuities new business have been presented separately.
- (vi) The Group agreed in November 2016 to sell, subject to regulatory approval, its life business in Korea. Accordingly, the presentation of the 2015 comparative EEV basis results and related notes have been adjusted from those previously published for the reclassification of the result attributable to the held for sale Korea life business, as described in note 17. This approach has been adopted consistently throughout this supplementary information.

European Embedded Value (EEV) basis results

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Post-tax summarised consolidated income statement

	Note	2016 £m	2015* £m
Asia operations		3,199	2,381
US operations		1,968	1,815
UK operations†		1,029	1,261
Other income and expenditure		(679)	(566)
Solvency II and restructuring costs		(57)	(51)
Interest received on tax settlement		37	–
Operating profit based on longer-term investment returns		5,497	4,840
Short-term fluctuations in investment returns	6	(507)	(1,215)
Effect of changes in economic assumptions	7	(60)	66
Mark to market value movements on core borrowings		(4)	221
Loss attaching to the held for sale Korea life business	17	(410)	39
Total non-operating results		(981)	(889)
Profit for the year attributable to equity holders of the Company		4,516	3,951

* The 2015 comparative results have been adjusted from those previously published for the reclassification of the results attributable to the held for sale Korea life business (see note 17 for details).
 † The 2016 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime effective from 1 January 2016 (see note 2 for details). The 2015 comparative results for UK insurance operations reflected the Solvency I basis being the regime applicable for the year.

Basic earnings per share

	2016	2015
Based on post-tax operating profit including longer-term investment returns (in pence)*	214.7p	189.6p
Based on post-tax profit attributable to equity holders of the Company (in pence)	176.4p	154.8p
Average number of shares (millions)	2,560	2,553

* The 2015 comparative results have been adjusted from those previously published for the reclassification of the results attributable to the held for sale Korea life business (see note 17 for details).

Movement in shareholders' equity

	Note	2016 £m	2015 £m
Profit for the year attributable to equity shareholders		4,516	3,951
Items taken directly to equity:			
Exchange movements on foreign operations and net investment hedges	9	4,211	244
External dividends	9	(1,267)	(974)
Mark to market value movements on Jackson assets backing surplus and required capital	9	(11)	(76)
Other movements	9	(367)	53
Net increase in shareholders' equity	9	7,082	3,198
Shareholders' equity at beginning of year			
As previously reported	9	32,359	29,161
Effect of implementation of Solvency II on 1 January 2016*	2	(473)	–
		31,886	29,161
Shareholders' equity at end of year	9	38,968	32,359

	31 Dec 2016 £m			31 Dec 2015 £m		
	Long-term business operations	Asset management and other operations	Total	Long-term business operations	Asset management and other operations	Total
Comprising:						
Asia operations	18,717	383	19,100	13,876	306	14,182
US operations	11,805	204	12,009	9,487	182	9,669
UK insurance operations*	10,307	25	10,332	9,647	22	9,669
M&G	–	1,820	1,820	–	1,774	1,774
Prudential Capital	–	22	22	–	70	70
Other operations	–	(4,315)	(4,315)	–	(3,005)	(3,005)
Shareholders' equity at end of year	40,829	(1,861)	38,968	33,010	(651)	32,359
Representing:						
Net assets excluding acquired goodwill and holding company net borrowings	40,584	961	41,545	32,777	866	33,643
Acquired goodwill	245	1,230	1,475	233	1,230	1,463
Holding company net borrowings at market value ^{note 8}	–	(4,052)	(4,052)	–	(2,747)	(2,747)
	40,829	(1,861)	38,968	33,010	(651)	32,359

* The 2016 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime effective from 1 January 2016 (see note 2 for details). The 2015 comparative results for UK insurance operations reflected the Solvency I basis being the regime applicable for the year.

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Summary statement of financial position

	Note	31 Dec 2016 £m	31 Dec 2015 £m
Total assets less liabilities, before deduction for insurance funds*		407,928	340,666
Less insurance funds:†			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds		(393,262)	(327,711)
Less shareholders' accrued interest in the long-term business	9	24,302	19,404
		(368,960)	(308,307)
Total net assets	9	38,968	32,359
Share capital		129	128
Share premium		1,927	1,915
IFRS basis shareholders' reserves		12,610	10,912
Total IFRS basis shareholders' equity	9	14,666	12,955
Additional EEV basis retained profit‡	9	24,302	19,404
Total EEV basis shareholders' equity (excluding non-controlling interests)	9	38,968	32,359

* Following its classification as held for sale, Korea life business is included in total assets at a carrying value of £105 million (see note 17 for details).

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

‡ The 2016 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime effective from 1 January 2016 (see note 2 for details). The 2015 comparative results for UK insurance operations reflect the Solvency I basis being the regime applicable for the year.

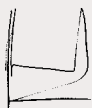
Net asset value per share

	31 Dec 2016	31 Dec 2015
Based on EEV basis shareholders' equity of £38,968 million (2015: £32,359 million) (in pence)†	1,510p	1,258p
Number of issued shares at year end (millions)	2,581	2,572
Annualised return on embedded value*	17%	17%

* Annualised return on embedded value is based on EEV post-tax operating profit, as a percentage of opening EEV basis shareholders' equity.

† The 2016 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime effective from 1 January 2016 (see note 2 for details). The 2015 comparative results for UK insurance operations reflect the Solvency I basis being the regime applicable for the year.

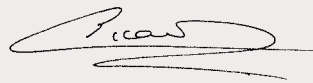
The supplementary information on pages 325 to 360 was approved by the Board of Directors on 13 March 2017.



Paul Manduca
Chairman



Mike Wells
Group Chief Executive



Nic Nicandrou
Chief Financial Officer