

PRUDENTIAL PLC
Form 6-K
March 14, 2017

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of March, 2017

PRUDENTIAL PUBLIC LIMITED COMPANY

(Translation of registrant's name into English)

LAURENCE POUNTNEY HILL,
LONDON, EC4R 0HH, ENGLAND
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports
under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information
contained in this Form is also thereby furnishing the information to the
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant
in connection with Rule 12g3-2(b): 82-

European Embedded Value (EEV) Basis Results
Post-tax operating profit based on longer-term investment returns
Results analysis by business area

		2016 £m	2015 £m
	Note		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 operationsnote (iv)			
New business:note (v)			
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 expenditurenote (i)		(679)	(566)
Solvency II and restructuring costsnote (ii)		(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:note (v)			
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.

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

Comprising:	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
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

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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 valuenote 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.

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 9 38,968 32,359
non-controlling
interests)

* 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.

Notes on the EEV basis results

1 Basis of preparation

The EEV basis results have been prepared in accordance with the EEV Principles dated April 2016, prepared by the European Insurance CFO Forum. There is no change to the EEV methodology. The 2016 results for UK insurance operations have been prepared on a basis that reflects the Solvency II regime, as discussed in note 2 below. The 2015 comparative 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 the US operations. Where appropriate, the EEV basis results include the effects of adoption of EU-endorsed IFRS.

The directors are responsible for the preparation of the supplementary information in accordance with the EEV Principles. The auditors have reported on the 2016 EEV basis results supplement to the Company's statutory accounts for 2016. Their report was (i) unqualified, and (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. Except for the change in presentation of the results of the operating and non-operating results for Asia operations to show separately the contribution from the held for sale Korea life business (see note 17 for details), the 2015 results have been derived from the EEV basis results supplement to the Company's statutory accounts for 2015. The supplement included an unqualified audit report from the auditors.

A detailed description of the EEV methodology and accounting presentation is provided in note 14.

2 Effect of Solvency II implementation on EEV basis results on 1 January 2016

The Solvency II framework is effective from 1 January 2016. For our operations in Asia and the US there is no impact on the EEV results since Solvency II does not act as the local constraint on the ability to distribute profits to the Group. The embedded value for these businesses will continue to be driven by local regulatory and target capital

requirements. For the UK insurance operations, Solvency II has an impact on the EEV results as it changes the local regulatory valuation of net worth and capital requirements, affecting the components of the EEV.

The impact of Solvency II on EEV shareholders' equity on 1 January 2016 is shown below:

Total EEV basis shareholders' equity	£m
As reported at 31 December 2015	32,359
Opening adjustment at 1 January 2016 for long-term business operations	
Effect of implementation of Solvency II on net worthnote (a)	2,760
Effect of implementation of Solvency II on net value of in-force business (VIF)note (b)	(3,233)
	(473)
Group total shareholders' equity as at 1 January 2016note (c)	31,886

Notes

(a) The Solvency II framework requires technical provisions to be valued on a best estimate basis and capital requirements to be risk-based. It also requires the establishment of a risk margin (which for business in force at 31 December 2015 can be broadly offset by transitional measures). As a result of applying this framework the EEV net worth increased by £2,760 million reflecting the release of the prudent regulatory margins previously included under Solvency I, and also from the recognition within net worth of a portion of future shareholder transfers expected from the with-profits fund. The higher net worth incorporated increases in required capital reflecting the higher solvency capital requirements of the new regime.

(b) The net value of in-force business (VIF) is correspondingly impacted as follows:

- the release of prudent regulatory margins and recognition of a portion of future with-profits business shareholders' transfers within net worth lead to a corresponding reduction in the VIF;
 - the run-off of the risk margin, net of transitional measures, is now captured in VIF; and
 - the cost of capital deducted from the gross VIF increases as a result of the higher Solvency II capital requirements.
- The overall impact of these changes was to reduce the value of in-force by £(3,233) million.

(c) At 1 January 2016 the effect of these changes was a net reduction in EEV shareholders' equity of £(473) million.

The impact of Solvency II in 2016 for UK insurance operations is estimated to have reduced total operating profit from new and in-force business by £(39) million.

3 Results analysis by business area