

PRUDENTIAL PLC  
Form 6-K  
March 09, 2011

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, 2011

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-

Enclosures: Final Results part 3

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## Y Defined benefit pension schemes

The Group liability in respect of defined benefit pension schemes is as follows:

|  | 2010<br>£m | 2009<br>£m |
|--|------------|------------|
| Economic position:   |            |            |
| Deficit, gross of deferred tax, based on scheme assets held, including investments in Prudential insurance policies:                               |            |            |
| Attributable to the PAC with-profits fund (i.e. absorbed by the liability for unallocated surplus)   | (106)      | (122)      |
| Attributable to shareholder-backed operations (i.e. shareholders' equity)  | (114)      | (128)      |
| Economic deficit   | (220)      | (250)      |
| Exclude: investments in Prudential insurance liabilities (offset on consolidation in the Group financial statements against insurance liabilities) | (227)      | (187)      |
| Deficit under IAS 19 included in Provisions in the statement of financial position   | (447)      | (437)      |

The Group business operations operate a number of pension schemes. The largest defined benefit scheme is the principal UK scheme, namely the Prudential Staff Pension Scheme (PSPS). The Group also operates two smaller defined benefit schemes for UK employees in respect of Scottish Amicable and M&G. For all three schemes the projected unit method was used for the most recent full actuarial valuations. There is also a small defined benefit scheme in Taiwan but as part of the sale of the Taiwan agency business completed in June 2009, the Group settled the majority of the obligations under the scheme as a significant number of employees transferred out.

The underlying position on an economic basis reflects the assets (including investments in Prudential policies that are offset against liabilities to policyholders on the Group consolidation) and the liabilities of the schemes. At 31 December 2010, the investments in Prudential policies comprise £118 million (2009: £101 million) for PSPS and £227 million (2009: £187 million) for the M&G scheme.

Separately, the economic financial position also includes the effect of the application of IFRIC 14, 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. For PSPS, where there are constraints in the trust deed to prevent the company access, the surplus is not recognised and a liability for additional funding is established.

Under IFRIC 14, at 31 December 2010, the Group has not recognised the underlying PSPS surplus of £485 million, gross of deferred tax (2009: £513 million) and has recognised a liability for deficit funding to 30 June 2012 for PSPS of £47 million gross of deferred tax (2009: £75 million).

Defined benefit schemes in the UK are generally required to be subject to full actuarial valuation every three years in order to assess the appropriate level of funding for schemes in relation to their commitments. These valuations include assessments of the likely rate of return on the assets held within the separate trustee administered funds. PSPS was last actuarially valued as at 5 April 2008. This valuation demonstrated the scheme to be 106 per cent funded by reference to the Scheme Solvency Target that forms the basis of the scheme's statutory funding objective. No formal deficit plan was required. However, in recognition of the fall in value of the Scheme's investments between 5 April 2008 and the completion of the actuarial valuation, an additional funding akin to deficit funding was agreed by the Trustees. This is subject to a reassessment when the next valuation is completed. The total contributions being currently made by the Group into the scheme, representing the annual accrual cost and deficit funding, are £50 million per annum. Deficit funding for PSPS is apportioned in the ratio of 70/30 between the PAC life fund and shareholder-backed operations

following detailed consideration in 2005 of the sourcing of previous contributions.

The valuation of the Scottish Amicable Pension Scheme as at 31 March 2008 demonstrated the scheme to be 91 per cent funded. Based on this valuation, deficit funding amounts designed to eliminate the actuarial deficit over a seven year period were made from July 2009 of £7.3 million per annum. Since the valuation date, there has been deterioration in the funding level. During 2010, the Group agreed to pay additional funding of £5.8 million per annum from October 2010 until the conclusion of the next formal valuation, or until the funding level reaches 90 per cent, whichever is the earlier. The IAS 19 deficit of the Scottish Amicable Pension Scheme at 31 December 2010 of £146 million (2009: £139 million) has been allocated approximately 50 per cent to the PAC with-profits fund and 50 per cent to the shareholders' fund.

The valuation of the M&G pension scheme as at 31 December 2008 was finalised in January 2010 and demonstrated the scheme to be 76 per cent funded. Based on this valuation, deficit funding amounts designed to eliminate the actuarial deficit over a five year period have been made from January 2010 of £14.1 million per annum for the first two years and £9.3 million per annum for the subsequent three years. The IAS 19 deficit of the M&G pension scheme on an economic basis at 31 December 2010 was £27 million (2009: £36 million) and is wholly attributable to shareholders.

The next triennial valuations for the PSPS, Scottish Amicable and M&G pension schemes are scheduled to take place as at 5 April 2011, 31 March 2011 and 31 December 2011, respectively.

(i) Assumptions

The actuarial assumptions used in determining benefit obligations and the net periodic benefit costs for the years ended 31 December were as follows:

|  | 2010 | 2009 |
|--|------|------|
|  | %    | %    |
| Discount rate*   | 5.45 | 5.8  |
| Rate of increase in salaries                           | 5.55 | 5.7  |
| Rate of inflation                                      | 3.55 | 3.7  |
| Rate of increase of pensions in payment for inflation: |      |      |
| Guaranteed (maximum 5%)                                | 3.55 | 3.7  |
| Guaranteed (maximum 2.5%)**                            | 2.5  | 2.5  |
| Discretionary**  | 2.5  | 2.5  |
| Expected returns on plan assets                        | 5.9  | 4.5  |

\* The discount rate has been determined by reference to an "AA" corporate bond index adjusted, where applicable, to allow for the difference in duration between the index and the pension liabilities.

\*\* The rates of 2.5 per cent are those for PSPS. Assumed rates of increase of pensions in payments for inflation for all other schemes are 3.55 per cent in 2010 (2009: 3.7 per cent).

The calculations are based on current actuarially calculated mortality estimates with a specific allowance made for future improvements in mortality. The 2010 specific allowance is in line with a custom calibration of the 2009 mortality model from the Continuous Mortality Investigation Bureau of the Institute and Faculty of Actuaries ("CMI").

The tables used for PSPS immediate annuities in payment at 31 December 2010 were:

Male: 108.6 per cent PNMA 00 with improvements in line with a custom calibration of the CMI's 2009 mortality model, with a long-term mortality improvement rate of 1.75 per cent per annum; and  
 Female: 103.4 per cent PNFA 00 with improvements in line with a custom calibration of the CMI's 2009 mortality model, with a long-term mortality improvement rate of 1.00 per cent per annum.

In July 2010, the UK Government announced plans to use the Consumer Price Index (CPI) in place of the Retail Price Index (RPI) in its determination of the statutory minimum pension increases for private sector occupational pension schemes. In December 2010, the Government published the statutory revaluation order for 2011 which confirms the change to use CPI. In addition, the Government has also published in December 2010 a consultation paper which sets out the Government's views on the impact of the switch from RPI to CPI will have on the private sector occupational pension schemes. The consultation period closed on 2 March 2011.

For the Group's UK defined benefit schemes, the pensions in deferment and/or pensions in payment for certain tranches of these schemes are subject to statutory increases in accordance with the schemes' rules and may therefore be affected by the Government's decision to change the indexation from RPI to CPI. Other tranches, where RPI is specified in the scheme rules, are unaffected.

The above has no impact on the results for the year ended 31 December 2010. The impact of this change, if and when made, will be recognised in a future period. Using the underlying information as at 31 December 2010 the estimated effect of such a change would give rise to an accounting benefit of approximately £30 million to the Group's operating profit based on longer-term investment returns and profit attributable to shareholders before tax and £20 million to shareholders' equity.

(ii) Estimated pension scheme deficit - economic basis

Movements on the pension scheme deficit (determined on the 'economic basis') are as follows, with the effect of the application of IFRIC 14 being shown separately:

|  | Surplus<br>(deficit)<br>in scheme<br>at 1<br>January<br>2010<br>£m | 2010<br>(Charge) credit to<br>income statement<br>Operating<br>results<br>(based on longer-term<br>investment returns)<br>(note a)<br>£m | Actuarial<br>and other<br>gains and<br>losses<br>(note b)<br>£m | Contributions<br>paid<br>£m | Surplus<br>(deficit)<br>in scheme<br>at 31 Dec<br>2010<br>(note c)<br>£m |
|--|--|--|---|-----------------------------|--|
| All schemes  |  |  |   |                             |  |
| Underlying position (without the effect of IFRIC 14) |  |  |   |                             |  |
| Surplus (deficit)                                    | 338  | (7)  | (109)   | 90                          | 312  |
| Less: amount attributable to PAC with-profits fund   | (285)  | (11)   | 71  | (39)                        | (264)  |
| Shareholders' share:                                 |  |  |   |                             |  |
| Gross of tax surplus (deficit)                       | 53   | (18)   | (38)  | 51                          | 48   |
| Related tax  | (15)   | 5  | 11  | (14)                        | (13)   |
| Net of shareholders' tax                             | 38   | (13)   | (27)  | 37                          | 35   |
| Effect of IFRIC 14                                   |  |  |   |                             |  |
| Surplus (deficit)                                    | (588)  | (38)   | 94  | -                           | (532)  |

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|  |       |      |      |      |       |
|--|-------|------|------|------|-------|
| Less: amount attributable to PAC with-profits fund | 407   | 29   | (66) | -    | 370   |
| Shareholders' share:                               |       |      |      |      |       |
| Gross of tax surplus (deficit)                     | (181) | (9)  | 28   | -    | (162) |
| Related tax  | 51    | 2    | (9)  | -    | 44    |
| Net of shareholders' tax                           | (130) | (7)  | 19   | -    | (118) |
| With the effect of IFRIC 14                        |       |      |      |      |       |
| Surplus (deficit)                                  | (250) | (45) | (15) | 90   | (220) |
| Less: amount attributable to PAC with-profits fund | 122   | 18   | 5    | (39) | 106   |
| Shareholders' share:                               |       |      |      |      |       |
| Gross of tax surplus (deficit)                     | (128) | (27) | (10) | 51   | (114) |
| Related tax  | 36    | 7    | 2    | (14) | 31    |
| Net of shareholders' tax                           | (92)  | (20) | (8)  | 37   | (83)  |

Notes

(a) The components of the (charge) credit to operating results (gross of allocation of the share attributable to the PAC with-profits fund) are as follows:

|   | 2010  | 2009  |
|---|-------|-------|
|   | £m    | £m    |
| Service cost                              | (38)  | (34)  |
| Finance (expense) income:                 |       |       |
| Interest on pension scheme liabilities    | (294) | (277) |
| Expected return on assets                 | 325   | 240   |
| Total charge without the effect IFRIC 14  | (7)   | (71)  |
| Effect of IFRIC 14 for pension schemes    | (38)  | 23    |
| Total charge after the effect of IFRIC 14 | (45)  | (48)  |

The net charge to operating profit (gross of the share attributable to the PAC with-profits fund) of £45 million (2009: £48 million) is made up of a charge of £27 million (2009: £29 million) relating to PSPS and a charge of £18 million (2009: £19 million) for other schemes. This net charge represents:

|  | 2010 | 2009 |
|--|------|------|
|  | £m   | £m   |
| Underlying IAS 19 charge for other pension schemes                   | (18) | (19) |
| Cash costs for PSPS  | (23) | (25) |
| Unwind of discount on opening provision for deficit funding for PSPS | (4)  | (4)  |
|  | (45) | (48) |

Consistent with the derecognition of the Company's interest in the underlying IAS 19 surplus of PSPS, the charge to operating profit on longer-term investment returns for PSPS reflects the cash cost of contributions for ongoing service of active members. In addition, the charge to the operating results also includes a charge for the unwind of discount on the opening provision for deficit funding for PSPS.

(b) The components of the credit (charge) for actuarial and other gains and losses (gross of allocation of the share attributable to the PAC with-profits fund (but for 2009 excluding the charge relating to the Taiwan agency business sold in that year)) are as follows:

|                                       | 2010 | 2009 |
|---------------------------------------|------|------|
|                                       | £m   | £m   |
| Actual less expected return on assets | 306  | 108  |

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|   |       |       |
|---|-------|-------|
| Losses on changes of assumptions for plan liabilities             | (411) | (521) |
| Experience (losses) gains on liabilities                          | (4)   | 76    |
| Total charge without the effect of IFRIC 14                       | (109) | (337) |
| Effect of IFRIC 14 for pension schemes                            | 94    | 182   |
| Actuarial and other gains and losses after the effect of IFRIC 14 | (15)  | (155) |

The net charge for actuarial and other gains and losses is recorded within the income statement but, within the segmental analysis of profit, the shareholders' share of actuarial and other gains and losses (i.e. net of allocation of the share to the PAC with-profits funds) is excluded from operating profit based on longer-term investment returns.

The 2010 actuarial losses of £109 million primarily reflects the effect of decrease in risk discount rates and the change in the economic assumptions underlying PSPS commutation factors partially offset by the effect of decreases in inflation rates and the excess of market returns over long-term assumption.

Consistent with the derecognition of the Company's interest in the underlying IAS 19 surplus of PSPS, the actuarial gains and losses do not include those of PSPS. In addition, as a result of applying of IFRIC 14, the Group has recognised a provision for deficit funding in respect of PSPS. The change in 2010 in relation to this provision recognised above as other gains and losses on defined benefit pension schemes was £nil (2009: £48 million).

(c) On the 'economic basis', after including the underlying assets represented by the investments in Prudential insurance policies as scheme assets, the underlying statements of financial position of the schemes at 31 December were:

|  | 2010    | 2009    |
|--|---------|---------|
|  | £m      | £m      |
| Equities   | 825     | 1,096   |
| Bonds  | 4,203   | 3,686   |
| Properties   | 228     | 287     |
| Cash-like investments                                      | 748     | 443     |
| Total value of assets                                      | 6,004   | 5,512   |
| Present value of benefit obligations                       | (5,692) | (5,174) |
|  | 312     | 338     |
| Effect of the application of IFRIC 14 for pension schemes: |         |         |
| Derecognition of PSPS surplus                              | (485)   | (513)   |
| Adjust for deficit funding for PSPS                        | (47)    | (75)    |
| Pre-tax deficit  | (220)   | (250)   |

(iii) Sensitivity of the pension scheme liabilities of the PSPS, Scottish Amicable and M&G pension schemes to key variables

The table below shows the sensitivity of the underlying PSPS, Scottish Amicable and M&G pension scheme liabilities at 31 December 2010 of £4,866 million, £572 million and £254 million respectively (2009: £4,436 million, £515 million and £223 million) to changes in discount rates and inflation rates. In addition, the table below shows the sensitivity of the underlying PSPS, Scottish Amicable and M&G pension scheme liabilities at 31 December 2010 to changes to mortality rate assumptions.

|               |                                      | 2010   |
|---------------|--------------------------------------|--|
| Assumption    | Change in assumption                 | Impact on scheme liabilities on IAS 19 basis |
| Discount rate | Decrease by 0.2% from 5.45% to 5.25% | Increase in scheme liabilities by:           |

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|                   |  |                                    |                   |      |
|-------------------|--|------------------------------------|-------------------|------|
|                   |  |                                    | PSPS              | 3.6% |
|                   |  |                                    | Scottish Amicable | 5.2% |
|                   |  |                                    | M&G               | 5.1% |
| Discount rate     | Increase by 0.2% from 5.45% to 5.65%   | Decrease in scheme liabilities by: |                   |      |
|                   |  |                                    | PSPS              | 3.5% |
|                   |  |                                    | Scottish Amicable | 4.9% |
|                   |  |                                    | M&G               | 4.8% |
| Rate of inflation | Decrease by 0.2% from 3.55% to 3.35% with consequent reduction in salary increases | Decrease in scheme liabilities by: |                   |      |
|                   |  |                                    | PSPS              | 1.0% |
|                   |  |                                    | Scottish Amicable | 5.0% |
|                   |  |                                    | M&G               | 4.5% |
| Mortality rate    | Increase life expectancy by 1 year   | Increase in scheme liabilities by: |                   |      |
|                   |  |                                    | PSPS              | 2.1% |
|                   |  |                                    | Scottish Amicable | 2.5% |
|                   |  |                                    | M&G               | 2.9% |

2009

|                   |  |  |                   |       |
|-------------------|--|--|-------------------|-------|
|                   |  | Impact on scheme liabilities on IAS 19 basis |                   |       |
| Assumption        | Change in assumption   | Increase in scheme liabilities by:           |                   |       |
| Discount rate     | Decrease by 0.2% from 5.8% to 5.6%   |  | PSPS              | 3.50% |
|                   |  |  | Scottish Amicable | 5.20% |
|                   |  |  | M&G               | 4.90% |
| Discount rate     | Increase by 0.2% from 5.8% to 6.0%   | Decrease in scheme liabilities by:           |                   |       |
|                   |  |  | PSPS              | 3.20% |
|                   |  |  | Scottish Amicable | 4.80% |
|                   |  |  | M&G               | 4.90% |
| Rate of inflation | Decrease by 0.2% from 3.7% to 3.5% with consequent reduction in salary increases | Decrease in scheme liabilities by:           |                   |       |
|                   |  |  | PSPS              | 0.90% |
|                   |  |  | Scottish Amicable | 4.90% |
|                   |  |  | M&G               | 4.50% |

The sensitivity of the underlying pension scheme liabilities to changes in discount, inflation and mortality rates as shown above does not directly equate to an impact on the profit or loss attributable to shareholders or shareholders' equity due to the effect of the application of IFRIC 14 on PSPS and the allocation of a share of the interest in financial position of the PSPS and Scottish Amicable schemes to the PAC with-profits fund as described above.

The sensitivity to the changes in the key variables as shown in the table above has no significant impact on the pension costs included in the Group's operating results. This is due to the pension costs charged in each of the periods presented being derived largely from market conditions at the beginning of the period. After applying IFRIC 14 and to the extent attributable to shareholders, any residual impact from the changes to these variables is reflected as actuarial gains and losses on defined benefit pension schemes within the supplementary analysis of profits. The relevance of this to each of the three UK schemes is described further below.

For PSPS, the underlying surplus of the scheme of £485 million (2009: £513 million) has not been recognised under IFRIC 14. Any change in the underlying scheme liabilities to the extent that it is not sufficient to alter PSPS into a liability in excess of the deficit funding provision will not have an impact on the Group's results and financial position. Based on the underlying financial position of PSPS as at 31 December 2010, none of the changes to the underlying scheme liabilities for the changes in the variables shown in the table above have had an impact on the Group's 2010 results and financial position.



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In the event that a change in the PSPS scheme liabilities results in a deficit position for the scheme which is recognisable, the deficit recognised affects the Group's results and financial position only to the extent of the amounts attributable to shareholder operations. The amounts attributable to the PAC with-profits fund are absorbed by the liability for unallocated surplus and have no direct effect on the profit or loss attributable to shareholders or shareholders' equity.

The deficit of the Scottish Amicable pension scheme has been allocated 50 per cent to the PAC with-profits fund and 50 per cent to the shareholders. Accordingly, half of the changes to the scheme liabilities for the changes in the variables shown in the table above would have had an impact on the Group's shareholder results and financial position. The M&G pension scheme is wholly attributable to shareholders.

Z Policyholder liabilities

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

Group insurance operations

|  | Insurance operations |          |            |             |
|--|----------------------|----------|------------|-------------|
|  | UK<br>£m             | US<br>£m | Asia<br>£m | Total<br>£m |
| At 1 January 2009                                | 115,961              | 45,361   | 21,069     | 182,391     |
| Premiums   | 6,867                | 9,177    | 3,807      | 19,851      |
| Surrenders                                       | (3,971)              | (3,255)  | (1,201)    | (8,427)     |
| Maturities/Deaths                                | (7,239)              | (733)    | (342)      | (8,314)     |
| Net flows  | (4,343)              | 5,189    | 2,264      | 3,110       |
| Shareholders transfers post tax                  | (202)                | -        | (20)       | (222)       |
| Change in reserving basis in Malaysia            | -                    | -        | (63)       | (63)        |
| Assumption changes (shareholder-backed business) | (46)                 | -        | (4)        | (50)        |
| Investment-related items and other movements     | 14,118               | 2,986    | 4,242      | 21,346      |
| Foreign exchange translation differences         | 707                  | (5,225)  | (2,069)    | (6,587)     |
| Disposal of Taiwan agency business               | -                    | -        | (3,508)    | (3,508)     |
| At 31 December 2009 / 1 January 2010             | 126,195              | 48,311   | 21,911     | 196,417     |
| Comprising:                                      |                      |          |            |             |
| - Policyholder liabilities                       | 116,229              | 48,311   | 21,858     | 186,398     |
| - Unallocated surplus of with-profits funds      | 9,966                | -        | 53         | 10,019      |
| Premiums   | 7,890                | 11,735   | 4,308      | 23,933      |
| Surrenders                                       | (3,779)              | (3,598)  | (2,241)    | (9,618)     |
| Maturities/Deaths                                | (7,303)              | (769)    | (498)      | (8,570)     |
| Net flows  | (3,192)              | 7,368    | 1,569      | 5,745       |
| Shareholders transfers post tax                  | (223)                | -        | (24)       | (247)       |
| Assumption changes (shareholder-backed business) | (46)                 | -        | 19         | (27)        |
| Investment-related items and other movements     | 13,218               | 3,464    | 2,216      | 18,898      |
| Foreign exchange translation differences         | (208)                | 1,380    | 2,081      | 3,253       |
| Dilution of holding in PruHealth                 | (27)                 | -        | -          | (27)        |
| Acquisition of UOB Life Assurance Limited        | -                    | -        | 968        | 968         |
| As at 31 December 2010                           | 135,717              | 60,523   | 28,740     | 224,980     |
| Comprising:                                      |                      |          |            |             |
| - Policyholder liabilities                       | 125,530              | 60,523   | 28,674     | 214,727     |
| - Unallocated surplus of with-profits funds      | 10,187               | -        | 66         | 10,253      |

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Average policyholder liability balances\*

|      |         |        |        |         |
|------|---------|--------|--------|---------|
| 2010 | 120,880 | 54,417 | 25,750 | 201,047 |
| 2009 | 111,969 | 46,837 | 19,630 | 178,436 |

\* Adjusted for acquisition and disposals in the period and excluding 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.

Premiums, surrenders and maturities / deaths represent the amounts impacting policyholder liabilities and may not represent the total cash paid / received (for example, premiums are net of any deductions to cover acquisition costs and claims represents the policyholder liabilities released).

UK insurance operations

A reconciliation of the total policyholder liabilities and unallocated surplus of with-profits funds of UK insurance operations is as follows:

|  | SAIF and PAC<br>with-profits<br>sub-fund<br>£m | Other shareholder-backed<br>funds and subsidiaries<br>Unit-linked<br>liabilities<br>£m | Annuity and<br>other<br>long-term<br>business<br>£m | Total<br>£m |
|--|--|--|---|-------------|
| At 1 January 2009  | 82,108   | 16,318   | 17,535  | 115,961     |
| Premiums   | 3,271  | 1,860  | 1,736   | 6,867       |
| Surrenders   | (2,394)  | (1,535)  | (42)  | (3,971)     |
| Maturities/Deaths  | (5,147)  | (670)  | (1,422)   | (7,239)     |
| Net flows (note (a))   | (4,270)  | (345)  | 272   | (4,343)     |
| Shareholders transfers post tax                                | (202)  | -  | -   | (202)       |
| Switches   | (270)  | 270  | -   | -           |
| Assumption changes (shareholder-backed business)<br>(note (c)) | -  | -  | (46)  | (46)        |
| Investment-related items and other movements (note (b))        | 9,365  | 2,849  | 1,904   | 14,118      |
| Foreign exchange translation differences                       | 764  | (57)   | -   | 707         |
| At 31 December 2009 / 1 January 2010                           | 87,495   | 19,035   | 19,665  | 126,195     |
| Comprising:  |  |  |   |             |
| - Policyholder liabilities                                     | 77,529   | 19,035   | 19,665  | 116,229     |
| - Unallocated surplus of with-profits<br>funds                 | 9,966  | -  | -   | 9,966       |
| Premiums   | 3,311  | 2,301  | 2,278   | 7,890       |
| Surrenders   | (2,453)  | (1,272)  | (54)  | (3,779)     |
| Maturities/Deaths  | (5,079)  | (726)  | (1,498)   | (7,303)     |
| Net flows (note (a))   | (4,221)  | 303  | 726   | (3,192)     |
| Shareholders transfers post tax                                | (223)  | -  | -   | (223)       |
| Switches   | (236)  | 236  | -   | -           |
| Assumption changes (shareholder-backed business)<br>(note (c)) | -  | -  | (46)  | (46)        |
| Investment-related items and other movements (note (b))        | 9,165  | 2,097  | 1,956   | 13,218      |
| Dilution of holding in PruHealth                               | -  | -  | (27)  | (27)        |

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|   |        |        |        |         |
|---|--------|--------|--------|---------|
| Foreign exchange translation differences    | (207)  | -      | (1)    | (208)   |
| At 31 December 2010                         | 91,773 | 21,671 | 22,273 | 135,717 |
| Comprising:                                 |        |        |        |         |
| - Policyholder liabilities                  | 81,586 | 21,671 | 22,273 | 125,530 |
| - Unallocated surplus of with-profits funds | 10,187 | -      | -      | 10,187  |
| Average policyholder liability balances*    |        |        |        |         |
| 2010  | 79,558 | 20,353 | 20,969 | 120,880 |
| 2009  | 75,692 | 17,677 | 18,600 | 111,969 |

\*Excluding the unallocated surplus of the with-profits funds and as adjusted for corporate transactions in the period.

Notes

- (a) Net flows of negative £3,192 million have improved from negative £4,343 million in 2009, principally as a result of increased premiums due to the bulk annuity transaction in 2010 and improved unit-linked flows.
- (b) Investment-related items and other movements of £13,218 million across fund types reflected the continued strong performance of UK equity markets in 2010, as well as the continued increase in value of debt securities.
- (c) Assumption changes principally represent the net impact of changes to the mortality assumptions and expense assumptions.

US insurance operations

|   | Variable annuity separate account liabilities<br>£m | Fixed annuity, GIC and other business<br>£m | Total<br>£m |
|---|---|---|-------------|
| At 1 January 2009                                       | 14,538  | 30,823                                      | 45,361      |
| Premiums  | 4,667   | 4,510                                       | 9,177       |
| Surrenders  | (882)   | (2,373)                                     | (3,255)     |
| Maturities/Deaths                                       | (199)   | (534)                                       | (733)       |
| Net flows (note (b))                                    | 3,586   | 1,603                                       | 5,189       |
| Transfers from general to separate account              | 984   | (984)                                       | -           |
| Investment-related items and other movements (note (c)) | 3,368   | (382)                                       | 2,986       |
| Foreign exchange translation differences (note (a))     | (1,837)   | (3,388)                                     | (5,225)     |
| At 31 December 2009 / 1 January 2010                    | 20,639  | 27,672                                      | 48,311      |
| Premiums  | 7,420   | 4,315                                       | 11,735      |
| Surrenders  | (1,403)   | (2,195)                                     | (3,598)     |
| Maturities/Deaths                                       | (259)   | (510)                                       | (769)       |
| Net flows (note (b))                                    | 5,758   | 1,610                                       | 7,368       |
| Transfers from general to separate account              | 1,411   | (1,411)                                     | -           |
| Investment-related items and other movements (note (c)) | 2,875   | 589   | 3,464       |
| Foreign exchange translation differences (note (a))     | 520   | 860   | 1,380       |
| At 31 December 2010                                     | 31,203  | 29,320                                      | 60,523      |
| Average policyholder liability balances                 |   |   |             |
| 2010  | 25,921  | 28,496                                      | 54,417      |
| 2009  | 17,589  | 29,248                                      | 46,837      |

Notes

(a)

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Movements in the year have been translated at an average rate of 1.55 (2009: 1.57). The closing balance has been translated at closing rate of 1.57 (2009: 1.61). Differences upon retranslation are included in foreign exchange translation differences of £1,380 million (2009: £5,525 million).

- (b) Net flows for the year were £7,368 million compared with £5,189 million in 2009, driven largely by increased new business volumes for the variable annuity business.
- (c) Positive investment-related items and other movements in variable annuity separate account liabilities of £2,875 million in 2010 and £3,368 million in 2009 represent increases in the US equity market during the respective periods. Fixed annuity, GIC and other business investment and other movements primarily reflects the movement in the valuation of the product guarantees and interest credited to policyholder accounts. In 2010, interest credited exceeded the small reduction in the guarantee valuation to give an overall increase in liabilities. In 2009, there was a more significant fall in the valuation of guarantees.

Asian insurance operations

|   | With-profits<br>business<br>£m | Unit-linked<br>liabilities<br>£m | Other<br>£m | Total<br>£m |
|---|--------------------------------|----------------------------------|-------------|-------------|
| At 1 January 2009                                       | 8,094                          | 7,220                            | 5,755       | 21,069      |
| Premiums  |                                |                                  |             |             |
| New business (note (b))                                 | 46                             | 643                              | 517         | 1,206       |
| In-force  | 777                            | 1,223                            | 601         | 2,601       |
|   | 823                            | 1,866                            | 1,118       | 3,807       |
| Surrenders  | (361)                          | (666)                            | (174)       | (1,201)     |
| Maturities/Deaths                                       | (253)                          | (19)                             | (70)        | (342)       |
| Net flows   | 209                            | 1,181                            | 874         | 2,264       |
| Shareholders transfers post tax                         | (20)                           | -                                | -           | (20)        |
| Change in reserving basis in Malaysia (note (d))        | -                              | (9)                              | (54)        | (63)        |
| Change in other reserving basis                         | -                              | -                                | (4)         | (4)         |
| Investment-related items and other movements (note (e)) | 1,431                          | 2,661                            | 150         | 4,242       |
| Foreign exchange translation differences (note (a))     | (853)                          | (612)                            | (604)       | (2,069)     |
| Disposal of Taiwan agency business (note (f))           | -                              | (724)                            | (2,784)     | (3,508)     |
| At 31 December 2009 / At 1 January 2010                 | 8,861                          | 9,717                            | 3,333       | 21,911      |
| Comprising:   |                                |                                  |             |             |
| - Policyholder liabilities                              | 8,808                          | 9,717                            | 3,333       | 21,858      |
| - Unallocated surplus of with-profits funds             | 53                             | -                                | -           | 53          |
| Premiums  |                                |                                  |             |             |
| New business (note (b))                                 | 141                            | 1,072                            | 452         | 1,665       |
| In-force  | 897                            | 1,130                            | 616         | 2,643       |
|   | 1,038                          | 2,202                            | 1,068       | 4,308       |
| Surrenders(note (c))                                    | (441)                          | (1,572)                          | (228)       | (2,241)     |
| Maturities/Deaths                                       | (326)                          | (40)                             | (132)       | (498)       |
| Net flows (note (b))                                    | 271                            | 590                              | 708         | 1,569       |
| Shareholders transfers post tax                         | (24)                           | -                                | -           | (24)        |
| Change in other reserving basis                         | -                              | -                                | 19          | 19          |
| Investment-related items and other movements (note (e)) | 693                            | 1,405                            | 118         | 2,216       |
| Foreign exchange translation differences (note (a))     | 719                            | 1,009                            | 353         | 2,081       |
| Acquisition of UOB Life Assurance Limited (note (g))    | 504                            | 3                                | 461         | 968         |
| At 31 December 2010                                     | 11,024                         | 12,724                           | 4,992       | 28,740      |
| Comprising:   |                                |                                  |             |             |
| - Policyholder liabilities                              | 10,958                         | 12,724                           | 4,992       | 28,674      |
|   | 66                             | -                                | -           | 66          |

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|   |        |        |       |        |
|---|--------|--------|-------|--------|
| - Unallocated surplus of with-profits funds |        |        |       |        |
| Average policyholder liability balances*    |        |        |       |        |
| 2010  | 10,135 | 11,222 | 4,393 | 25,750 |
| 2009  | 8,371  | 8,107  | 3,152 | 19,630 |

\*Adjusted for transactions in the period and excluding the unallocated surplus of with-profits funds.

Notes

- (a) Movements in the year have been translated at the average exchange rate for the year ended 31 December 2010. The closing balance has been translated at the closing spot rates as at 31 December 2010. Differences upon retranslation are included in foreign exchange translation differences of positive £2,081 million in 2010 (2009: negative £2,069 million).
- (b) The increase in policyholder liabilities due to new business premium for the unit-linked business was predominantly driven by an increase in sales during the year of individual linked products.
- (c) Following the recovery of the stock markets in Asia in late 2009 and 2010, policyholders in Asia took the opportunity to capitalise on the increased value of their unit-linked policies through withdrawals, principally in Indonesia, Malaysia, and India.
- The depressed state of the investment markets in late 2008 and 2009 resulted in both the number of, and average value of, withdrawals of investment related products decreasing.
- (d) The change in reserving basis in Malaysia of £63 million reflects the change made following the adoption of a risk based capital (RBC) approach to the local regulatory reporting in that country.
- (e) The positive investment related items and other movements in 2010 for with-profits (£693 million) and unit-linked business (£1,405 million) are mainly driven from Asian equity market gains in the period.
- (f) The disposal of Taiwan agency business reflects the liabilities transferred at the date of disposal.
- (g) The acquisition of UOB Life Assurance Limited reflects the liabilities acquired at the date of acquisition.

Duration of policyholder liabilities

|  | 2010                               |                                     |   |         | 2009                    |                         |                            |         |
|--|------------------------------------|-------------------------------------|---|---------|-------------------------|-------------------------|----------------------------|---------|
|  | UK insurance operations (note (i)) | US insurance operations (note (ii)) | Asian insurance operations (note (iii)) | Total   | UK insurance operations | US insurance operations | Asian insurance operations | Total   |
|  | £m                                 | £m                                  | £m                                      | £m      | £m                      | £m                      | £m                         | £m      |
| Insurance contract liabilities   | 84,152                             | 58,641                              | 28,498                                  | 171,291 | 77,655                  | 46,346                  | 21,712                     | 145,713 |
| Investment contract liabilities with discretionary participation features    | 25,613                             | -                                   | 119                                     | 25,732  | 24,780                  | -                       | 100                        | 24,880  |
| Investment contract liabilities without discretionary participation features | 15,765                             | 1,882                               | 57                                      | 17,704  | 13,794                  | 1,965                   | 46                         | 15,805  |
|  | 125,530                            | 60,523                              | 28,674                                  | 214,727 | 116,229                 | 48,311                  | 21,858                     | 186,398 |

The tables above show the carrying value of the policyholder liabilities. Separately, the Group uses cash flow projections of expected benefit payments as part of the determination of the value of in-force business when preparing EEV basis results. The tables in the accompanying notes below show the maturity profile of the cash flows used for that purpose for insurance contracts, as defined by IFRS, i.e. those containing significant insurance risk, and

investment contracts, which do not.

The cash flow projections of expected benefit payments used in the maturity profile tables are from value of in-force business and exclude the value of future new business, including vesting of internal pension contracts. The maturity tables have been prepared on a discounted basis.

Notes

(i) UK insurance operations

|                           | With-profits business |           |                     | Annuity business<br>(insurance contracts) |        |        | Other     |           |                      | Total   |
|---------------------------|-----------------------|-----------|---------------------|---|--------|--------|-----------|-----------|----------------------|---------|
|                           | Insurance             |           | Investment<br>Total | PAL                                       | PRIL   | Total  | Insurance |           | Investments<br>Total |         |
|                           | contracts             | contracts |                     |   |        |        | contracts | contracts |                      |         |
| 2010                      | £m                    | £m        | £m                  | £m  | £m     | £m     | £m        | £m        | £m                   | £m      |
| Policyholders liabilities | 43,691                | 25,613    | 69,304              | 12,282                                    | 16,442 | 28,724 | 11,737    | 15,765    | 27,502               | 125,530 |
|                           | %                     | %         | %                   | %   | %      | %      | %         | %         | %                    | %       |
| Expected maturity:        |                       |           |                     |   |        |        |           |           |                      |         |
| 0 to 5 years              | 46                    | 31        | 40                  | 32  | 29     | 30     | 35        | 29        | 32                   | 36      |
| 5 to 10 years             | 25                    | 25        | 25                  | 25  | 23     | 24     | 26        | 21        | 23                   | 24      |
| 10 to 15 years            | 13                    | 19        | 16                  | 18  | 17     | 18     | 18        | 20        | 19                   | 17      |
| 15 to 20 years            | 7                     | 14        | 10                  | 12  | 13     | 12     | 10        | 11        | 11                   | 11      |
| 20 to 25 years            | 4                     | 8         | 6                   | 7   | 8      | 8      | 6         | 8         | 7                    | 7       |
| over 25 years             | 5                     | 3         | 3                   | 6   | 10     | 8      | 5         | 11        | 8                    | 5       |

|                           | With-profits business |           |                     | Annuity business<br>(Insurance contracts) |        |        | Other     |           |                      | Total   |
|---------------------------|-----------------------|-----------|---------------------|---|--------|--------|-----------|-----------|----------------------|---------|
|                           | Insurance             |           | Investment<br>Total | PAL                                       | PRIL   | Total  | Insurance |           | Investments<br>Total |         |
|                           | contracts             | contracts |                     |   |        |        | contracts | contracts |                      |         |
| 2009                      | £m                    | £m        | £m                  | £m  | £m     | £m     | £m        | £m        | £m                   | £m      |
| Policyholders liabilities | 40,780                | 24,780    | 65,560              | 11,969                                    | 14,292 | 26,261 | 10,614    | 13,794    | 24,408               | 116,229 |
|                           | %                     | %         | %                   | %   | %      | %      | %         | %         | %                    | %       |
| Expected maturity:        |                       |           |                     |   |        |        |           |           |                      |         |
| 0 to 5 years              | 50                    | 29        | 41                  | 32  | 31     | 32     | 34        | 35        | 35                   | 38      |
| 5 to 10 years             | 26                    | 25        | 26                  | 25  | 23     | 24     | 25        | 22        | 23                   | 25      |
| 10 to 15 years            | 13                    | 19        | 15                  | 18  | 17     | 17     | 18        | 19        | 18                   | 16      |
| 15 to 20 years            | 6                     | 14        | 9                   | 11  | 12     | 12     | 11        | 11        | 11                   | 10      |
| 20 to 25 years            | 3                     | 9         | 6                   | 7   | 8      | 7      | 7         | 6         | 6                    | 6       |
| over 25 years             | 2                     | 4         | 3                   | 7   | 9      | 8      | 5         | 7         | 7                    | 5       |

Notes

- (a) The cash flow projections of expected benefit payments used in the maturity profile table above are from value of in-force business and exclude the value of future new business, including vesting of internal pension contracts.
- (b) Benefit payments do not reflect the pattern of bonuses and shareholder transfers in respect of the with-profits business.

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- (c) Investment contracts under Other comprise certain unit-linked and similar contracts accounted for under IAS 39 and IAS 18.
- (d) For business with no maturity term included within the contracts, for example with-profits investment bonds such as Prudence Bonds, an assumption is made as to likely duration based on prior experience.

(ii) US insurance operations

|                          | 2010  |                        |             | 2009  |                        |             |
|--------------------------|---|------------------------|-------------|---|------------------------|-------------|
|                          | Fixed annuity and other business (including GICs and similar contracts)<br>£m | Variable annuity<br>£m | Total<br>£m | Fixed annuity and other business (including GICs and similar contracts)<br>£m | Variable annuity<br>£m | Total<br>£m |
| Policyholder liabilities | 29,320  | 31,203                 | 60,523      | 27,672  | 20,639                 | 48,311      |
|                          | %   | %                      | %           | %   | %                      | %           |
| Expected maturity:       |   |                        |             |   |                        |             |
| 0 to 5 years             | 50  | 50                     | 50          | 52  | 50                     | 51          |
| 5 to 10 years            | 27  | 29                     | 28          | 27  | 28                     | 28          |
| 10 to 15 years           | 11  | 12                     | 12          | 10  | 12                     | 11          |
| 15 to 20 years           | 5   | 6                      | 5           | 5   | 6                      | 5           |
| 20 to 25 years           | 3   | 2                      | 3           | 3   | 2                      | 2           |
| Over 25 years            | 4   | 1                      | 2           | 3   | 2                      | 3           |

(iii) Asian insurance operations

|                          | 2010<br>£m | 2009<br>£m |
|--------------------------|------------|------------|
| Policyholder liabilities | 28,674     | 21,858     |
| Expected maturity:       | %          | %          |
| 0 to 5 years             | 24         | 24         |
| 5 to 10 years            | 20         | 21         |
| 10 to 15 years           | 15         | 15         |
| 15 to 20 years           | 12         | 12         |
| 20 to 25 years           | 10         | 9          |
| Over 25 years            | 19         | 19         |

AA Sensitivity analysis

Sensitivity of IFRS basis profit or loss and equity to market and other risks

Overview of risks by business unit

The financial and insurance assets and liabilities attaching to the Group's life assurance business are, to varying degrees, subject to market and insurance risk and other changes of experience assumptions that may have a material effect on IFRS basis profit or loss and equity.

Market risk is the risk that the fair value or future cash flows of a financial instrument or, in the case of liabilities of insurance contracts, their carrying value will fluctuate because of changes in market prices. Market risk comprises

three types of risk, namely:

- Currency risk: due to changes in foreign exchange rates;
- interest rate risk: due to changes in market interest rates; and
- other price risk: due to fluctuations in market prices (other than those arising from interest rate risk or currency risk).

Policyholder liabilities relating to the Group's life assurance businesses are also sensitive to the effects of other changes in experience, or expected future experience, such as for mortality, other insurance risk and lapse risk. In addition, the profitability of the Group's life assurance businesses and asset management business, is indirectly affected by the performance of the assets covering policyholder liabilities and related capital.

Three key points are to be noted, namely:

- The Group's with-profit and unit-linked funds absorb most market risk attaching to the funds' investments. Except for second order effects, for example on asset management fees and shareholders' share of cost of bonuses for with-profits business, shareholder results are not directly affected by market value movements on the assets of these funds;
- the Group's shareholder results are most sensitive to market risks for assets of the shareholder-backed business; and
- the main exposures of the Group's IFRS basis results to market risk for life assurance operations on investments of the shareholder-backed business are for debt securities.

The most significant items for which the IFRS basis shareholders' profit or loss and equity for the Group's life assurance business is sensitive to these variables are shown in the following tables. The distinction between direct and indirect exposure is not intended to indicate the relative size of the sensitivity.

|  | Market and credit risk   | Liabilities/unallocated surplus | Other exposure   | Insurance and lapse risk                           |
|--|--|---------------------------------|--|--|
| Type of business   | Investments/derivatives  |                                 |  |  |
| UK insurance operations  |  |                                 |  |  |
| With-profits business (including Prudential Annuities Limited) | Net neutral direct exposure (Indirect exposure only)   |                                 | Investment performance subject to smoothing through declared bonuses | Persistency risk to future shareholder transfers   |
| SAIF sub-fund  | Net neutral direct exposure (Indirect exposure only)   |                                 | Asset management fees earned by M&G                                  |  |
| Unit-linked business   | Net neutral direct exposure (Indirect exposure only)   |                                 | Investment performance through asset management fees                 | Persistency risk                                   |
| Shareholder-backed annuity business                            | Asset/liability mismatch risk<br>Credit risk<br>Interest rate risk for assets in excess of liabilities i.e. representing shareholder capital |                                 |  | Mortality experience and assumptions for longevity |



US insurance operations

|   |   |  |   |
|---|---|--|---|
| All business  | Currency risk   |  | Persistency risk  |
| Variable annuity business                                 | Net effect of market risk arising from incidence of guarantee features and variability of asset management fees offset by derivative hedging programme  |  |   |
| Fixed indexed annuity business                            | Derivative hedge programme to the extent not fully hedged against liability and fund performance  | Incidence of equity participation features |   |
| Fixed indexed annuities, Fixed annuities and GIC business | Credit risk<br>Interest rate risk   |  | Spread difference between earned rate and rate credited to policyholders<br>Lapse risk but the effects of extreme events are mitigated by the use of swaption contracts |
|   | These risks are reflected in volatile profit or loss and shareholders' equity for derivative value movements and impairment losses, and, in addition, for shareholders' equity for value movements on fixed income securities classified as 'available for sale' under IAS 39 |  |   |

Asian insurance operations

|                            |  |                          |  |
|----------------------------|--|--------------------------|--|
| All business               | Currency risk  |                          | Mortality and morbidity risk<br>Persistency risk                     |
| With-profits business      | Net neutral direct exposure (Indirect exposure only) |                          | Investment performance subject to smoothing through declared bonuses |
| Unit-linked business       | Net neutral direct exposure (Indirect exposure only) |                          | Investment performance through asset management fees                 |
| Non-participating business | Interest rate and price risk                         | Long-term interest rates |  |

IFRS shareholder results - Exposures for market and other risk

Key Group exposures

The IFRS operating profit based on longer-term investment returns for UK insurance operations has high potential sensitivity for changes to longevity assumptions affecting the carrying value of liabilities to policyholders for shareholder-backed annuity business. In addition, at the total IFRS profit level the result is sensitive to temporary value movements on assets backing IFRS equity.

For Jackson at the level of operating profit based on longer-term investment returns, the results are sensitive to market conditions to the extent of income earned on spread-based products not mitigated by the interest derivative programmes and second order equity-based exposure in respect of variable annuity asset management fees. Further information is given below under the US operations section of market and credit risk.

Jackson's derivative programme is used to substantially mitigate equity market risk attaching to its equity-based products and interest rate risk associated with its spread-based products. Movements in interest rates and credit spreads materially affect the carrying value of derivatives which are used to manage the liabilities to policyholders and backing investment assets of fixed annuity and other general account business. Combined with the use of US GAAP measurement (as grandfathered under IFRS 4) for the asset and liabilities for the insurance contract liabilities, which is largely insensitive to current period market movements, the Jackson total profit (i.e. including short-term fluctuations in investment returns) is very sensitive to market movements. In addition to these effects the Jackson IFRS equity is sensitive to the impact of interest rate and credit spread movements on the value of fixed income securities. Movements in unrealised appreciation on these securities are included as movement in equity (i.e. outside the income statement).

For Asian operations, the operating profit based on longer-term investment returns is mainly affected by the impact of market levels on unit-linked business persistency, and other insurance risk.

At the total IFRS profit level the Asian result is affected by short-term value movements on the asset portfolio for non-linked shareholder-backed business.

M&G profits are affected primarily by movements in the growth in funds under management and by the effect any impairment on the loan book and fair value movements on debt securities held by Prudential Capital.

Market and credit risk  
UK insurance operations  
With-profits business

- With-profits business  
Shareholder results of UK with-profits business are sensitive to market risk only through the indirect effect of investment performance on declared policyholder bonuses.

The investment assets of the PAC with-profits fund are subject to market risk. However, changes in their carrying value, net of related changes to asset-share liabilities of with-profit contracts, affect the level of unallocated surplus of the fund. As unallocated surplus is accounted for as a liability under IFRS, movements in its value do not affect shareholders' profit or equity.

The shareholder results of the UK with-profits fund correspond to the shareholders' share of the cost of bonuses declared on the with-profits business. This currently corresponds to one-ninth of the cost of bonuses declared. Investment performance is a key driver of bonuses, and hence the shareholders' share of cost of bonuses. Due to the 'smoothed' basis of bonus declaration the sensitivity to investment performance in a single year is low. However, over multiple periods it is important.

- Prudential Annuities Limited (PAL)

PAL's business is not with-profits, it writes annuity business. However, as PAL is owned by the PAC with-profits sub-fund, changes in the carrying value of PAL's assets and liabilities are reflected in the liability for unallocated surplus which as described above, do not affect shareholder results.

- Scottish Amicable Insurance Fund (SAIF)

SAIF is a ring-fenced fund in which, apart from asset management fees, shareholders have no interest. Accordingly, the Group's IFRS profit and equity are insensitive to the direct effects of market risk attaching to SAIF's assets and

liabilities.

#### Shareholder-backed business

The factors that may significantly affect the IFRS results of UK shareholder-backed business are the mortality experience and assumptions and credit risk attaching to the annuity business of Prudential Retirement Income Limited and the PAC non-profit sub-fund.

- **Prudential Retirement Income Limited (PRIL)**

The assets covering PRIL's liabilities are principally debt securities and other investments that are held to match the expected duration and payment characteristics of the policyholder liabilities. These liabilities are valued for IFRS reporting purposes by applying discount rates that reflect the market rates of return attaching to the covering assets. Except to the extent of any asset/liability duration mismatch which is reviewed regularly, and exposure to credit risk, the sensitivity of the Group's results to market risk for movements in the carrying value of PRIL's liabilities and covering assets is broadly neutral on a net basis.

The main market risk sensitivity for PRIL arises from interest rate risk on the debt securities which substantially represent IFRS equity. This equity comprises the net assets held within the long-term fund of the company that cover regulatory basis liabilities that are not recognised for IFRS reporting purposes, for example contingency reserves, and shareholder capital held outside the long-term fund.

The principal items affecting the IFRS results for PRIL are mortality experience and assumptions and credit risk.

- **PAC non-profit sub-fund**

The PAC non-profit sub-fund principally comprises annuity business previously written by Scottish Amicable Life, credit life, unit-linked and other non-participating business.

The financial assets covering the liabilities for those types of business are subject to market risk. However, for the annuity business the same considerations as described above for PRIL apply, whilst the liabilities of the unit-linked business change in line with the matching linked assets. Other liabilities of the PAC non-profit sub-fund are broadly insensitive to market risk.

- **Other shareholder-backed unit-linked business**

Due to the matching of policyholder liabilities to attaching asset value movements the UK unit-linked business is not directly affected by market or credit risk. The principal factor affecting the IFRS results is investment performance through asset management fees.

#### US insurance operations

##### Jackson

The IFRS basis results of Jackson are highly sensitive to market risk on the assets covering liabilities other than variable annuity business segregated in the separate accounts.

Invested assets covering liabilities (other than the separate accounts) and related capital comprise principally debt securities classified as available-for-sale. Value movements for these securities are reflected as movements in shareholders' equity through the statement of comprehensive income. Other invested assets and derivatives are carried at fair value with the value movements reflected in the income statement.

By contrast, the IFRS insurance liabilities for business written by Jackson, by the application of grandfathered GAAP under IFRS 4, are measured on US GAAP bases which with the exception of certain items covered by the equity hedging programme, are generally insensitive to temporary changes in market conditions or the short-term returns on the attaching asset portfolios.

These differences in carrying value of debt securities, other invested assets, derivatives and insurance liabilities give rise to potentially significant volatility in the IFRS income statement and shareholders' equity. As with other shareholder-backed business the profit or loss for Jackson is presented by distinguishing the result for the year

between an operating result based on longer-term investment returns and short-term fluctuations in investment returns. In this way the most significant direct effect of market changes that have taken place to the Jackson result are separately identified.

Excluding these short-term effects, the factors that most significantly affect the Jackson IFRS operating result based on long-term investment returns are:

- Variable annuity business -effect of market risk arising from the variability of asset management fees
- Fixed annuity business - the spread differential between the earned rate and the rate credited to policyholders; and
- Fixed index annuity business - the spread differential between the earned rate and the rate credited to policyholders.

In addition, the total profit for Jackson is affected by the level of impairment losses on the debt securities portfolio, net effect of market risk arising from the incidence and valuation of guarantee features, guaranteed benefit payments and equity index participation features, offset by variability of benefit related fees and equity derivative hedging performance, short-term value movements on derivatives held to manage the fixed annuity and other general account business, and other temporary value movements on portfolio investments classified as fair value through profit and loss.

The Group has amended its presentation of operating profit for its US insurance operations to remove the net equity hedge accounting effect and include it in short-term fluctuations as explained further in note C. Following this change the operating profit based on longer-term investment returns of the US insurance operations of £833 million for 2010 (2009: £618 million) excludes £367 million (2009: £159 million) negative net equity hedge accounting effects, net of related change to amortisation of deferred acquisition costs. The presentation of results for 2009 has been amended accordingly.

Following this change the US insurance operating profit of £833 million for 2010 excludes the market related impacts comprised of £367 million of net equity hedging losses, net of related change to amortisation of deferred acquisition costs (2009: losses of £159 million), representing the movement in fair value of free standing equity derivatives and the movement in the accounting value of Jackson's liabilities for variable and fixed index annuity guarantees, for which a significant proportion are not fair valued, together with the associated fees and claims included in reserves. These net amounts are highly variable and not representative of underlying performance based on longer-term investment returns and have therefore been included in short-term fluctuations. The presentation of results for 2009 has been amended accordingly.

#### Asian insurance operations

For Asian with-profits business the same features apply as described above for UK with-profits business. Similarly, as for other parts of the Group, for unit-linked business the main factor affecting IFRS basis results is investment performance through asset management fees.

The sensitivity of the IFRS basis results of the Group's Asian operations to market risk is primarily restricted to the non-participating business.

This sensitivity is primarily reflected through the volatility of asset returns coupled with the fact that the accounting carrying value of liabilities to policyholders are only partially sensitive to changed market conditions. As for UK shareholder-backed operations and Jackson, the IFRS profit is distinguished in the Group's segmental analysis so as to distinguish operating profits based on longer-term investment return and short-term fluctuations in investment returns.

#### Insurance and lapse risk

The features described above cover the main sensitivities of IFRS profit and loss and equity for market, insurance and credit risk. Lapse and longevity risk may also be a key determination of IFRS basis results with variable impacts.

In the UK, adverse persistency experience can affect the level of profitability from with-profits and unit-linked business. For with-profits business in any given year, the amount represented by the shareholders' share of cost of bonus may only be marginally affected. However, altered persistency trends may affect future expected shareholder transfers.

By contrast, Group IFRS operating profit is particularly sensitive to longevity outlook that results in changes of assumption for the UK shareholder-backed annuity business.

Jackson is sensitive to lapse risk. However, Jackson uses swaption derivatives to ameliorate the effect of a sharp rise in interest rates, which would be the most likely cause of a sudden change in policyholder behaviour.

In Asia adverse persistency experience can impact the IFRS profitability of certain business written in the region. This risk is managed at a business unit level through monthly monitoring of experience and the implementation of management actions as necessary. These actions could include product enhancements, increased management focus on premium collection as well as other customer retention efforts. The potential financial impact of lapses is often mitigated through the specific features of the products, e.g. surrender charges.

#### Impact of diversification on risk exposure

The Group enjoys significant diversification benefits. This arises because not all risk scenarios will happen at the same time and across all geographic regions. The Group tests the sensitivities of results to different correlation factors such as:

#### Correlation across geographic regions

- Financial risk factors
- Non-financial risk factors.

#### Correlation across risk factors

- Longevity risk
- Expenses
- Persistency
- Other risks.

The effect of Group diversification is to significantly reduce the aggregate standalone volatility risk to IFRS operating profit based on longer-term investment returns. The effect is almost wholly explained by the correlations across risk types, in particular longevity risk.

#### (i) UK insurance operations

The risks to which the IFRS basis results of the UK insurance operations are sensitive are asset/liability matching, mortality experience and payment assumptions for shareholder-backed annuity business. Further details are described below.

#### With-profits business

##### SAIF

Shareholders have no interest in the profits of SAIF but are entitled to the asset management fees paid on the assets of the fund.

#### With-profits sub-fund business

For with-profits business (including non-participating business of PAL which is owned by the WPSF) adjustments to liabilities and any related tax effects are recognised in the income statement. However, except for any impact on the annual declaration of bonuses, shareholders' profit for with-profits business is unaffected. This is because IFRS basis

profits for with-profits business, which are determined on the same basis as on preceding UK GAAP, solely reflect one-ninth of the cost of bonuses declared for the year.

The main factors that influence the determination of bonus rates are the return on the investments of the fund, the effect of inflation, taxation, the expenses of the fund chargeable to policyholders and the degree to which investment returns are smoothed. Mortality and other insurance risk are relatively minor factors.

Unallocated surplus represents the excess of assets over policyholder liabilities of the fund. As unallocated surplus of the WPSF is recorded as a liability, movements in its value do not affect shareholders' profits or equity.

The level of unallocated surplus is particularly sensitive to the level of investment returns on the portion of the life fund assets that represents the surplus.

#### Shareholder-backed annuity business

Profits from shareholder-backed annuity business are most sensitive to:

- The extent to which the duration of the assets held closely matches the expected duration of the liabilities under the contracts. Assuming close matching, the impact of short-term asset value movements as a result of interest rate movements will broadly offset changes in the value of liabilities caused by movements in valuation rates of interest;
- Actual versus expected default rates on assets held;
- The difference between long-term rates of return on corporate bonds and risk-free rates;
- The variance between actual and expected mortality experience;
- The extent to which expected future mortality experience gives rise to changes in the measurement of liabilities; and
- Changes in renewal expense levels.

A decrease in assumed mortality rates of one per cent would decrease gross profits by approximately £53 million (2009: £44 million). A decrease in credit default assumptions of five basis points would increase gross profits by £119 million (2009: £91 million). A decrease in renewal expenses (excluding asset management expenses) of five per cent would increase gross profits by £23 million (2009: £17 million). The effect on profits would be approximately symmetrical for changes in assumptions that are directionally opposite to those explained above.

#### Unit-linked and other business

Unit-linked and other business represents a comparatively small proportion of the in-force business of the UK insurance operations.

Profits from unit-linked and similar contracts primarily arise from the excess of charges to policyholders, for management of assets under the Company's stewardship, over expenses incurred. The former is most sensitive to the net accretion of funds under management as a function of new business and lapse and timing of death. The accounting impact of the latter is dependent upon the amortisation of acquisition costs in line with the emergence of margins (for insurance contracts) and amortisation in line with service provision (for the investment management component of investment contracts). By virtue of the design features of most of the contracts which provide low levels of mortality cover, the profits are relatively insensitive to changes in mortality experience.

#### Shareholder exposure to interest rate risk and other market risk

By virtue of the fund structure, product features and basis of accounting, the policyholder liabilities of the UK insurance operations are, except for pension annuity business, not generally exposed to interest rate risk. For pension annuity business, liabilities are exposed to fair value interest rate risk. However, the net exposure to the PAC WPSF (for PAL) and shareholders (for liabilities of PRIL and the non-profit sub-fund) is very substantially ameliorated by virtue of the close matching of assets with appropriate duration. The level of matching from period to period can vary

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depending on management actions and economic factors so it is possible for a degree of mis-matching profits or losses to arise.

The close matching by the Group of assets of appropriate duration to annuity liabilities is based on maintaining economic and regulatory capital. The measurement of liabilities under capital reporting requirements and IFRS is not the same with contingency reserves and some other margins for prudence within the assumptions required under the FSA regulatory solvency basis not included for IFRS reporting purposes. As a result IFRS equity is higher than regulatory capital and therefore more sensitive to interest rate risk.

The estimated sensitivity of the UK non-linked shareholder-backed business (principally pension annuities business) to a movement in interest rates is as follows.

|  | 2010 £m          |                  |                   |                   | 2009 £m          |                  |                   |                   |
|--|------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
|  | A decrease of 2% | A decrease of 1% | An increase of 1% | An increase of 2% | A decrease of 2% | A decrease of 1% | An increase of 1% | An increase of 2% |
| Carrying value of debt securities and derivatives            | 6,547            | 2,938            | (2,434)           | (4,481)           | 5,372            | 2,422            | (2,020)           | (3,731)           |
| Policyholder liabilities                                     | (5,977)          | (2,723)          | 2,109             | 3,929             | (5,125)          | (2,304)          | 1,905             | 3,498             |
| Related deferred tax effects                                 | (154)            | (58)             | 88                | 149               | (69)             | (33)             | 32                | 65                |
| Net sensitivity of profit after tax and shareholders' equity | 416              | 157              | (237)             | (403)             | 178              | 85               | (83)              | (168)             |

In addition the shareholder-backed portfolio of UK non-linked insurance operations covering liabilities and shareholders' equity includes equity securities and investment property. Excluding any second order effects on the measurement of the liabilities for future cash flows to the policyholder, a fall in their value would have given rise to the following effects on pre-tax profit, profit after tax, and shareholders' equity.

|  | 2010 £m           |                   | 2009 £m           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | A decrease of 20% | A decrease of 10% | A decrease of 20% | A decrease of 10% |
| Pre-tax profit   | (302)             | (151)             | (292)             | (146)             |
| Related deferred tax effects                                 | 82                | 41                | 82                | 41                |
| Net sensitivity of profit after tax and shareholders' equity | (220)             | (110)             | (210)             | (105)             |

A 10 or 20 per cent increase in their value would have an approximately equal and opposite effect on profit and shareholders' equity to the sensitivities shown above. The market risk sensitivities shown above reflect the impact of temporary market movements and, therefore, the primary effect of such movements would, in the Group's segmental analysis of profits, be included within the short-term fluctuations in investment returns.

In the equity risk sensitivity analysis given above, the Group has considered the impact of an instantaneous 20 per cent fall in equity markets. If equity markets were to fall by more than 20 per cent, the Group believes that this would not be an instantaneous fall but rather this would be expected to occur over a period of time during which the Group would be able to put in place mitigating management actions.

(ii) US insurance operations

## Currency fluctuations

Consistent with the Group's accounting policies, the profits of the Group's US operations are translated at average exchange rates and shareholders' equity at the closing rate for the reporting period. For 2010, the rates were US\$1.55 (2009: US\$1.57) and US\$1.57 (2009: US\$1.61) to £1 sterling, respectively. A 10 per cent increase or decrease in these rates would reduce or increase profit (loss) before tax attributable to shareholders, profit (loss) for the year and shareholders' equity attributable to US insurance operations respectively as follows:

|   | A 10% increase in<br>exchange rates |            | A 10% decrease in<br>exchange rates |            |
|---|-------------------------------------|------------|-------------------------------------|------------|
|   | 2010<br>£m                          | 2009<br>£m | 2010<br>£m                          | 2009<br>£m |
| Profit (loss) before tax attributable to shareholders<br>(note (i)) | (41)                                | (44)       | 50                                  | 54         |
| Profit (loss) for the year  | (31)                                | (54)       | 37                                  | 65         |
| Shareholders' equity attributable to US insurance<br>operations     | (347)                               | (274)      | 424                                 | 335        |

## Note

(i) Sensitivity on profit (loss) before tax i.e. aggregate of the operating profit based on longer-term investment returns and short-term fluctuations.

## Other sensitivities

The principal determinants of variations in operating profit based on longer-term returns are:

- Growth in the size of assets under management covering the liabilities for the contracts in force;
- Variations in fees and other income, offset by variations in market value adjustment payments and, where necessary, strengthening of liabilities;
- Spread returns for the difference between investment returns and rates credited to policyholders; and
- Amortisation of deferred acquisition costs.

For term business, acquisition costs are deferred and amortised in line with expected premiums. For annuity business, acquisition costs are deferred and amortised in line with expected gross profits on the relevant contracts. For interest-sensitive business, the key assumption is the expected long-term spread between the earned rate and the rate credited to policyholders, which is based on an annual spread analysis. In addition, expected gross profits depend on mortality assumptions, assumed unit costs and terminations other than deaths (including the related charges) all of which are based on a combination of actual experience of Jackson, industry experience and future expectations.

A detailed analysis of actual experience is measured by internally developed mortality and persistency studies. For variable annuity business, the key assumption is the expected long-term level of equity market returns, which for 2010 and 2009 was 8.4 per cent per annum implemented using a mean reversion methodology. These returns affect the level of future expected profits through their effects on the fee income and the required level of provision for guaranteed minimum death benefit claims. The mean reversion methodology dampens the impact of equity market movements during a particular year, but does not fully eliminate the effects of movements in the equity markets.

In addition, the mean reversion methodology includes both a cap and a floor that determine the maximum impact that the methodology may have. The projected rates of return are capped at no more than 15 per cent for each of the next five years.



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Except to the extent of mortality experience, which primarily affects profits through variations in claim payments and GMDB reserves, the profits of Jackson are relatively insensitive to changes in insurance risk.

Exposure to equity risk

Variable annuity contracts related

Jackson issues variable contracts through its separate accounts for which investment income and investment gains and losses accrue to, and investment risk is borne by, the contract holder (traditional variable annuities). It also issues variable annuity and life contracts through separate accounts where it contractually guarantees to the contract holder (variable contracts with guarantees) either a) return of no less than deposits made to the contract adjusted for any partial withdrawals, b) total deposits made to the contract adjusted for any partial withdrawals plus a minimum return, or c) the highest contract value on a specified anniversary date adjusted for any withdrawals following the contract anniversary. These guarantees include benefits that are payable in the event of death (GMDB), annuitisation (GMIB), at specified dates during the accumulation period (GMWB) or at the end of a specified period (GMAB).

At 31 December 2010 and 2009, Jackson had variable annuity contracts with guarantees, for which the net amount at risk ("NAR") is generally the amount of guaranteed benefit in excess of current account value, as follows:

31 December 2010

|  | Minimum return | Account value<br>£m | Net amount<br>at risk<br>£m | Weighted<br>average<br>attained age | Period<br>until<br>expected<br>annuitisation |
|--|----------------|---------------------|-----------------------------|-------------------------------------|--|
| Return of net deposits plus a minimum return   |                |                     |                             |                                     |  |
| GMDB   | 0-6%           | 25,540              | 2,106                       | 64.0 years                          |  |
| GMWB - Premium only  | 0%             | 2,742               | 149                         |                                     |  |
| GMWB - For life  | 0-5%**         | 1,996               | 415*                        |                                     |  |
| GMAB - Premium only  | 0%             | 48                  | 1                           |                                     |  |
| Highest specified anniversary account value minus<br>withdrawals post-anniversary  |                |                     |                             |                                     |  |
| GMDB   |                | 3,742               | 466                         | 63.3 years                          |  |
| GMWB - Highest anniversary<br>only   |                | 2,010               | 343                         |                                     |  |
| GMWB - For life  |                | 852                 | 196*                        |                                     |  |
| Combination net deposits plus minimum return,<br>highest specified anniversary account value minus<br>withdrawals post-anniversary |                |                     |                             |                                     |  |
| GMDB   | 0-6%           | 1,768               | 311                         | 65.7 years                          |  |
| GMIB   | 0-6%           | 1,933               | 418                         |                                     | 5.1 years                                    |
| GMWB -For life   | 0-8%**         | 15,025              | 672*                        |                                     |  |

31 December 2009

|  | Minimum return | Account value<br>£m | Net amount<br>at risk<br>£m | Weighted<br>average<br>attained age | Period until<br>expected<br>annuitisation |
|--|----------------|---------------------|-----------------------------|-------------------------------------|---|
| Return of net deposits plus a minimum return |                |                     |                             |                                     |   |
| GMDB   | 0-6%           | 16,915              | 2,834                       | 63.8 years                          |   |
| GMWB - Premium only                          | 0%             | 2,505               | 277                         |                                     |   |

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|  |        |       |      |            |
|--|--------|-------|------|------------|
| GMWB - For life  | 0-5%** | 1,240 | 471* |            |
| GMAB - Premium only  | 0%     | 27    | 2    |            |
| Highest specified anniversary account value minus withdrawals post-anniversary   |        |       |      |            |
| GMDB   |        | 2,933 | 691  | 62.8 years |
| GMWB - Highest anniversary only  |        | 1,694 | 496  |            |
| GMWB - For life  |        | 811   | 258* |            |
| Combination net deposits plus minimum return, highest specified anniversary account value minus withdrawals post-anniversary |        |       |      |            |
| GMDB   | 0-6%   | 1,307 | 384  | 65.1 years |
| GMIB   | 0-6%   | 1,815 | 488  | 5.9 years  |
| GMWB -For life   | 0-7%** | 6,934 | 568* |            |

\* The NAR for GMWB "For life" has been estimated as the present value of future expected benefit payments remaining after the amount of the "not for life " guaranteed benefit is zero.

\*\*Ranges shown based on simple interest. The upper limits of five per cent, seven per cent and eight per cent simple interest are approximately equal to 4.1 per cent, 5.5 per cent and six per cent respectively, on a compound interest basis over a typical 10-year bonus period.

Account balances of contracts with guarantees were invested in variable separate accounts as follows:

|                   | 2010   | 2009   |
|-------------------|--------|--------|
|                   | £m     | £m     |
| Mutual fund type: |        |        |
| Equity            | 23,841 | 15,477 |
| Bond              | 3,417  | 2,340  |
| Balanced          | 3,345  | 2,186  |
| Money market      | 451    | 522    |
| Total             | 31,054 | 20,525 |

Jackson is exposed to equity risk through the options embedded in the fixed indexed liabilities and GMDB and GMWB guarantees included in certain VA benefits as illustrated above. This risk is managed using a comprehensive equity hedging programme to minimise the risk of a significant economic impact as a result of increases or decreases in equity market levels while taking advantage of naturally offsetting exposures in Jackson's operations. Jackson purchases external futures and options that hedge the risks inherent in these products, while also considering the impact of rising and falling separate account fees.

As a result of this hedging programme, if the equity markets were to increase further in the future, Jackson's free-standing derivatives would decrease in value. However, over time, this movement would be broadly offset by increased separate account fees and reserve decreases, net of the related changes to amortisation of deferred acquisition costs. Due to the nature of the free-standing and embedded derivatives, this hedge, while highly effective on an economic basis, may not completely mute the immediate impact of equity market movements as the free-standing derivatives reset immediately while the hedged liabilities reset more slowly and fees are recognised prospectively. The opposite impacts would be observed if the equity markets were to decrease.

At 31 December 2010 based on the hedges in place at that time, it is estimated that an immediate decrease in the equity markets of 10 per cent would result in an accounting benefit, net of related DAC amortisation, before tax of up to £100 million (2009: £60 million), excluding the impact on future separate account fees. After related deferred tax there would have been an estimated increase in shareholders' equity at 31 December 2010 of up to £60 million (2009: £40 million). An immediate decrease in the equity markets of 20 per cent is estimated to result in an accounting

benefit, net of related DAC amortisation, before tax of up to £170 million (2009: £110 million), excluding the impact on future separate account fees. After related deferred tax there would have been an estimated increase in shareholders' equity at 31 December 2010 of up to £110 million (2009: £80 million). An immediate increase in the equity markets of 10 and 20 per cent is estimated to result in an approximately equal and opposite estimated effect on profit and shareholders' equity as that disclosed above for a decrease.

The actual impact on financial results would vary contingent upon the volume of new product sales and lapses, changes to the derivative portfolio, correlation of market returns and various other factors including volatility, interest rates and elapsed time.

#### Other exposure to equity risk

In addition to the above, Jackson is also exposed to equity risk from its holding of equity securities, partnerships in investment pools and other financial derivatives.

A range of reasonably possible movements in the value of equity securities, partnerships in investment pools and other financial derivatives have been applied to Jackson's holdings at 31 December 2010 and 31 December 2009. The table below shows the sensitivity to a 10 and 20 per cent fall in value and the impact that this would have on pre-tax profit, net of related changes in amortisation of DAC, profit after tax and shareholders' equity.

|   | 2010 £m              |                      | 2009 £m              |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | A decrease<br>of 20% | A decrease<br>of 10% | A decrease<br>of 20% | A decrease<br>of 10% |
| Pre-tax profit, net of related changes in amortisation of DAC | (143)                | (72)                 | (117)                | (58)                 |
| Related deferred tax effects                                  | 50                   | 25                   | 41                   | 20                   |
| Net sensitivity of profit after tax and shareholders' equity  | (93)                 | (47)                 | (76)                 | (38)                 |

A 10 or 20 per cent increase in their value is estimated to have an approximately equal and opposite effect on profit and shareholders' equity to the sensitivities shown above.

In the equity risk sensitivity analysis given above, the Group has considered the impact of an instantaneous 20 per cent fall in equity markets. If equity markets were to fall by more than 20 per cent, the Group believes that this would not be an instantaneous fall but rather this would be expected to occur over a period of time during which the Group would be able to put in place mitigating management actions.

#### Exposure to interest rate risk

Notwithstanding the market risk exposure previously described, except in the circumstances of interest rate scenarios where the guarantee rates included in contract terms are higher than crediting rates that can be supported from assets held to cover liabilities, the accounting measurement of fixed annuity liabilities of Jackson products is not generally sensitive to interest rate risk. This position derives from the nature of the products and the US GAAP (as 'grandfathered' under IFRS 4) basis of measurement. The GMWB features attaching to variable annuity business (other than "for-life") represents embedded derivatives which are fair valued and so will be sensitive to changes in interest rate.

Debt securities and related derivatives are marked to fair value. Value movements on derivatives, again net of related changes to amortisation of DAC and deferred tax, are recorded within profit and loss. Fair value movements on debt securities, net of related changes to amortisation of DAC and deferred tax, are recorded within other comprehensive income. The estimated sensitivity of these items and policyholder liabilities to a one per cent and two per cent decrease and increase in interest rates at 31 December 2010 and 2009 is as follows:

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|  | 2010 £m       |               |               |               | 2009 £m       |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | A 2% decrease | A 1% decrease | A 1% increase | A 2% increase | A 2% decrease | A 1% decrease | A 1% increase | A 2% increase |
| Profit and loss  |               |               |               |               |               |               |               |               |
| Direct effect  |               |               |               |               |               |               |               |               |
| Derivatives value change                                 | 842           | 363           | (277)         | (529)         | (319)         | (148)         | 159           | 370           |
| Policyholder liabilities                                 | (547)         | (243)         | 219           | 416           | (418)         | (185)         | 170           | 334           |
| Related effect on amortisation of DAC                    | 47            | 23            | (34)          | (63)          | 364           | 162           | (156)         | (328)         |
| Pre-tax profit effect                                    |               |               |               |               |               |               |               |               |
| Operating profit based on longer-term investment returns | 579           | 245           | (181)         | (345)         | (144)         | (62)          | 56            | 109           |
| Short-term fluctuations in investment returns            | (237)         | (102)         | 89            | 169           | (229)         | (109)         | 117           | 267           |
|  | 342           | 143           | (92)          | (176)         | (373)         | (171)         | 173           | 376           |
| Related effect on charge for deferred tax                | (120)         | (50)          | 32            | 62            | 131           | 60            | (60)          | (131)         |
| Net profit effect  | 222           | 93            | (60)          | (114)         | (242)         | (111)         | 113           | 245           |
| Other comprehensive income                               |               |               |               |               |               |               |               |               |
| Direct effect on carrying value of debt securities       | 2,663         | 1,454         | (1,454)       | (2,663)       | 2,183         | 1,179         | (1,179)       | (2,183)       |
| Related effect on amortisation of DAC                    | (1,174)       | (641)         | 641           | 1,174         | (764)         | (413)         | 413           | 764           |
| Related effect on movement in deferred tax               | (521)         | (285)         | 285           | 521           | (497)         | (268)         | 268           | 497           |
| Net effect   | 968           | 528           | (528)         | (968)         | 922           | 498           | (498)         | (922)         |
| Total net effect on IFRS equity                          | 1,190         | 621           | (588)         | (1,082)       | 680           | 387           | (385)         | (677)         |

(iii) Asian insurance operations

Sensitivity of IFRS basis profit and equity to market and other risks

Currency translation

Consistent with the Group's accounting policies, the profits of the Asian insurance operations are translated at average exchange rates and shareholders' equity at the closing rate for the reporting period.

A 10 per cent increase or decrease in these rates would have reduced or increased profit before tax attributable to shareholders, profit for the year and shareholders' equity, excluding goodwill, attributable to Asian operations respectively as follows:

|  | A 10% increase in exchange rates |       | A 10% decrease in exchange rates |      |
|--|----------------------------------|-------|----------------------------------|------|
|  | 2010                             | 2009  | 2010                             | 2009 |
|  | £m                               | £m    | £m                               | £m   |
| Profit before tax attributable to shareholders (note(i))                   | (65)                             | (40)  | 80                               | 49   |
| Profit for the year  | (58)                             | (35)  | 71                               | 43   |
| Shareholders' equity, excluding goodwill, attributable to Asian operations | (193)                            | (129) | 236                              | 158  |

Note

(i)

Sensitivity on profit before tax i.e. aggregate of the operating profit based on longer-term investment returns, short-term fluctuations in investment returns, and actuarial gains and losses on defined benefit pension schemes but excluding the loss on sale and results for Taiwan agency business.

Other risks

With-profits business

Similar principles to those explained for UK with-profits business apply to profit emergence for the Asian with-profits business.

Correspondingly, the profit emergence reflects bonus declaration and is relatively insensitive to period by period fluctuations in insurance risk or interest rate movements.

Unit-linked business

As for the UK insurance operations, the profits and shareholders' equity related to the Asian operations is primarily driven by charges related to invested funds. For the Asian operations, substantially all of the contracts are classified as insurance contracts under IFRS 4, i.e. containing significant insurance risk. The sensitivity of profits and equity to changes in insurance risk is minor and, to interest rate risk, not material.

Other business

Interest rate risk

Asian operations offer a range of insurance and investment products, predominately with-profits and non-participating term, whole life endowment and unit-linked. Excluding with-profit and unit-linked business, the results of the Asian business are sensitive to the vagaries of routine movements in interest rates.

For the purposes of analysing sensitivity to variations in interest rates, it has been determined for the majority of territories that a movement of 1 per cent in the 10 year government bond rate can be considered reasonably possible. At 31 December 2010, 10 year government bond rates vary from territory to territory and range from 1.1 per cent to 12.25 per cent (2009: 1.3 per cent to 11.45 per cent). Exception to this arises in Japan and Taiwan where reasonably possible interest rate movements have been determined as 0.5 per cent (2009: Japan and Taiwan 0.5 per cent). These reasonably possible changes would have the following impact:

|   | 2010 £m                           | 2009 £m                           |
|---|-----------------------------------|-----------------------------------|
|   | A decrease<br>of 1% (note<br>(i)) | A decrease<br>of 1% (note<br>(i)) |
| Pre-tax profit                          | 110                               | 91                                |
| Related deferred tax (where applicable) | (41)                              | (22)                              |
| Net effect on profit and equity         | 69                                | 69                                |

Note

(i) One per cent sensitivity has been used in all territories (except Japan and Taiwan (0.5 per cent)) (2009: Japan and Taiwan 0.5 per cent)

The pre-tax impacts, if they arose, would mostly be recorded within the category short-term fluctuations in investments returns in the Group's segmental analysis of profit before tax.

At 31 December 2010, an increase in the rates of one per cent (Japan and Taiwan (0.5 per cent) (2009: one per cent except Japan and Taiwan 0.5 per cent) is estimated to have the effect of decreasing pre-tax profit by £112 million (2009: £109 million). After adjusting these results for deferred tax the reasonable possible effect on shareholders' equity is a decrease of £82 million (2009: £83 million).

Equity price risk

The non-linked shareholder business has limited exposure to equity and property investment (£515 million at 31 December 2010). Generally changes in equity and property investment values are not automatically matched by

investments in policyholder liabilities. However for the Vietnam business, to the extent that equity investment appreciation is realised through sales of securities then policyholders' liabilities are adjusted to the extent that policyholders participate.

The estimated sensitivity to a 10 and 20 per cent change in equity and property prices for shareholder-backed Asian other business, which would be reflected in the short-term fluctuation component of the Group's segmental analysis of profit before tax, at 31 December 2010 and 2009 would be as follows:

|   | 2010 £m           |                   | 2009 £m           |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | A decrease of 20% | A decrease of 10% | A decrease of 20% | A decrease of 10% |
| Pre-tax profit                          | (103)             | (52)              | (58)              | (29)              |
| Related deferred tax (where applicable) | 10                | 5                 | 8                 | 4                 |
| Net effect on profit and equity         | (93)              | (47)              | (50)              | (25)              |

A 10 or 20 per cent increase in their value is estimated to have an approximately equal and opposite effect on profit and shareholders' equity to the sensitivities shown above.

In the equity risk sensitivity analysis given above the Group has considered the impact of an instantaneous 20 per cent fall in equity markets. If equity markets were to fall by more than 20 per cent, the Group believes that this would not be an instantaneous fall but rather this would be expected to occur over a period of time during which the Group would be able to put in place mitigating management actions.

#### Insurance risk

Many of the territories in Asia are exposed to mortality/morbidity risk and provision is made within IFRS policyholder liabilities on a prudent regulatory basis to cover the potential exposure. If these prudent assumptions were strengthened by five per cent (estimated at one in ten year shock) then it is estimated that post tax IFRS profit would be impacted by approximately £21 million (2009: £9 million) (with a corresponding change to IFRS shareholders' equity). Mortality/morbidity has a symmetrical effect on portfolio and so a weakening of mortality/morbidity assumptions would have an approximately equal and opposite similar impact.

#### (iv) Asset management operations#

##### Currency translation

Consistent with the Group's accounting policies, the profits of the Asia and PPM America asset management operations are translated at average exchange rates and shareholders' equity at the closing rate for the reporting period. The rates for the most significant operations are given in note VII.

A 10 per cent increase in the relevant exchange rates would have reduced reported profit before tax attributable to shareholders and shareholders' equity, excluding goodwill attributable to Asia and PPM America asset management operations, by £9 million (2009: £5 million) and £28 million (2009: £23 million) respectively.

##### Other sensitivities to other financial risks for asset management operations

The principal sensitivities to other financial risk of asset management operations are credit risk on the bridging loan portfolio of the Prudential Capital operation and the indirect effect of changes to market values of funds under management. Due to the nature of the asset management operations there is limited direct sensitivity to movements in interest rates. Total debt securities held at 31 December 2010 by asset management operations were £1,574 million (2009: £1,164 million), the majority of which are held by the Prudential Capital operation. Debt securities held by M&G and Prudential Capital are in general variable rate bonds and so market value is limited in sensitivity to interest rate movements and consequently any change in interest rates would not have a material impact on profit or

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shareholder's equity. Asset management operations do not hold significant investments in property or equities.

AB Share capital, share premium and own shares

|                                      |   | 2010                            |                        |                        |
|--------------------------------------|---|---------------------------------|------------------------|------------------------|
|                                      |   | Number of<br>ordinary<br>shares | Share<br>capital<br>£m | Share<br>premium<br>£m |
| Issued shares of 5p each fully paid: |   |                                 |                        |                        |
|                                      | At 1 January 2010   | 2,532,227,471                   | 127                    | 1,843                  |
|                                      | Shares issued under share option schemes                                | 2,455,227                       | -                      | 13                     |
|                                      | Shares issued in lieu of cash dividends                                 | 10,911,808                      | -                      | 62                     |
|                                      | Reserve movements in respect of shares issued in lieu of cash dividends | -                               | -                      | (62)                   |
|                                      | At 31 December 2010   | 2,545,594,506                   | 127                    | 1,856                  |
|                                      |   | 2009                            |                        |                        |
|                                      |   | Number of ordinary shares       | Share<br>capital<br>£m | Share<br>premium<br>£m |
| Issued shares of 5p each fully paid: |   |                                 |                        |                        |
|                                      | At 1 January 2009   | 2,496,947,688                   | 125                    | 1,840                  |
|                                      | Shares issued under share option schemes                                | 605,721                         | -                      | 3                      |
|                                      | Shares issued in lieu of cash dividends                                 | 34,674,062                      | 2                      | 136                    |
|                                      | Reserve movements in respect of shares issued in lieu of cash dividends | -                               | -                      | (136)                  |
|                                      | At 31 December 2009   | 2,532,227,471                   | 127                    | 1,843                  |

Amounts recorded in share capital represent the nominal value of the shares issued. The difference between the proceeds received on issue of shares, net of issue costs, and the nominal value of shares issued is credited to the share premium account.

Shares issued in lieu of cash dividends are considered to take the legal form of bonus issue shares and have been accounted for as such.

At 31 December 2010, there were options outstanding under Save As You Earn schemes to subscribe for 12,802,482 (2009: 12,230,833) shares at prices ranging from 288 pence to 572 pence (2009: 266 pence to 572 pence) and exercisable by the year 2016 (2009: 2016).

The cost of own shares of £75 million as at 31 December 2010 (2009: £75 million) is deducted from retained earnings. The Company has established trusts to facilitate the delivery of shares under employee incentive plans and savings-related share option schemes. At 31 December 2010, 4.5 million (2009: 5.3 million) Prudential plc shares with a market value of £30 million (2009: £34 million) were held in such trusts. Of this total, 4.4 million (2009: 4.8 million) shares were held in trusts under employee incentive plans. In 2010, the Company purchased 5.7 million (2009: 3.4 million) shares in respect of employee incentive plans at a cost of £32 million (2009: £17 million). The maximum number of shares held in the year was 5.3 million which was at the beginning of the year.

Of the total shares held in trust 0.1 million (2009: 0.5 million) were held by a qualifying employee share ownership trust. These shares are expected to be fully distributed in the future on maturity of savings-related share option

schemes.

The shares purchased each month are as follows:

| 2010       | Number of shares | Share Price |           | Cost<br>£  |
|------------|------------------|-------------|-----------|------------|
|            |                  | Low<br>£    | High<br>£ |            |
| January    | 9,338            | 6.38        | 6.38      | 59,530     |
| February   | 11,638           | 5.68        | 5.68      | 66,046     |
| March      | 3,908,274        | 5.16        | 6.09      | 20,884,460 |
| April      | 11,129           | 5.63        | 5.63      | 62,601     |
| May        | 14,638           | 5.59        | 5.59      | 81,753     |
| June       | 190,991          | 5.26        | 5.66      | 1,075,712  |
| July       | 13,457           | 5.14        | 5.14      | 69,102     |
| August     | 10,016           | 5.86        | 5.86      | 58,644     |
| September  | 13,727           | 5.25        | 5.84      | 78,539     |
| October    | 11,634           | 6.37        | 6.37      | 74,108     |
| November   | 385,321          | 5.74        | 6.49      | 2,244,770  |
| December   | 1,153,611        | 6.04        | 6.65      | 7,445,358  |
| 2010 Total | 5,733,774        |             |           | 32,200,623 |

The shares purchased each month are as follows:

| 2009       | Number of shares | Share Price |           | Cost<br>£  |
|------------|------------------|-------------|-----------|------------|
|            |                  | Low<br>£    | High<br>£ |            |
| January    | 19,852           | 3.83        | 3.94      | 76,575     |
| February   | 19,926           | 3.52        | 3.52      | 70,140     |
| March      | 1,112,209        | 2.02        | 3.50      | 3,837,968  |
| April      | 22,164           | 3.38        | 3.38      | 74,859     |
| May        | 32,416           | 4.45        | 6.59      | 173,242    |
| June       | 26,594           | 4.44        | 7.31      | 145,230    |
| July       | 342,062          | 3.86        | 4.03      | 1,374,929  |
| August     | 14,059           | 4.85        | 4.85      | 68,144     |
| September  | 12,435           | 5.50        | 5.50      | 68,393     |
| October    | 10,332           | 6.34        | 6.34      | 65,453     |
| November   | 10,576           | 6.04        | 6.04      | 63,879     |
| December   | 1,739,591        | 6.06        | 6.35      | 10,941,847 |
| 2009 Total | 3,362,216        |             |           | 16,960,659 |

The Group has consolidated a number of authorised investment funds where it is deemed to control these funds under IFRS. Some of these funds hold shares in Prudential plc. The total number of shares held by these funds at 31 December 2010 was 9.8 million (2009: 10.6 million) and the cost of acquiring these shares of £47 million (2009: £50 million) is included in the cost of own shares. The market value of these shares as at 31 December 2010 was £65 million (2009: £67 million).

During 2010 and 2009 respectively, these funds made 833,618 net disposals and 1,414,263 net acquisitions of Prudential shares for a net decrease of £3 million and a net increase of £3 million to book cost.

All share transactions were made on an exchange other than the Stock Exchange of Hong Kong.

The Company did not buy back any of its own shares during 2010 or 2009.



## AC Post balance sheet events

In January 2011, the Company issued US\$550 million 7.75 per cent Tier 1 subordinated debt, primarily to retail investors. The proceeds, net of costs, were US\$539 million and are intended to finance the repayments of the €500 million Tier 2 subordinated notes in December 2011.

## Additional Unaudited Financial Information

## 1 Analysis of long-term insurance business pre-tax IFRS operating profit based on longer-term investment returns by driver

This schedule classifies the Group's pre-tax operating earnings from long-term insurance operations into the underlying drivers of those profits, using the following categories:

- (i) Spread income represents the difference between net investment income (or premium income in the case of the UK annuities new business) and amounts credited to policyholder accounts. It excludes the longer-term investment return on assets in excess of those covering shareholder-backed policyholder liabilities, which has been separately disclosed as expected return on shareholder assets.
- (ii) Fee income represents profits driven by net investment performance, being asset management fees that vary with the size of the underlying policyholder funds net of investment management expenses.
- (iii) With-profits business represents the shareholders' transfer from the with-profits fund in the period. Insurance margin primarily represents profits derived from the insurance risks of mortality, morbidity and persistency.
- (v) Margin on revenues primarily represents amounts deducted from premiums to cover acquisition costs and administration expenses.
- (vi) Acquisition costs and administration expenses represent expenses incurred in the period attributable to shareholders. It excludes items such as restructuring costs and Solvency II costs which are not included in the segment profit for insurance as well as items that are more appropriately included in other source of earnings lines (e.g. investment expenses are netted off investment income as part of spread income or fee income as appropriate).
- (vii) DAC adjustments comprises DAC amortisation for the period, excluding amounts related to short-term fluctuations, net of costs deferred in respect of new business.

## Analysis of pre-tax IFRS operating profit by source

|                                       | 2010  |       |       |             |         |
|---------------------------------------|-------|-------|-------|-------------|---------|
|                                       | Asia  | US    | UK    | Unallocated | Total   |
|                                       | £m    | £m    | £m    | £m          | £m      |
| Spread income                         | 70    | 692   | 251   | -           | 1,013   |
| Fee income                            | 122   | 506   | 60    | -           | 688     |
| With-profits                          | 32    | -     | 310   | -           | 342     |
| Insurance margin                      | 392   | 188   | 12    | -           | 592     |
| Margin on revenues                    | 1,018 | -     | 223   | -           | 1,241   |
| Expenses                              |       |       |       |             |         |
| Acquisition costs                     | (656) | (851) | (167) | -           | (1,674) |
| Administration expenses               | (467) | (344) | (113) | -           | (924)   |
| DAC adjustments                       | 2     | 517   | (1)   | -           | 518     |
| Expected return on shareholder assets | 19    | 125   | 98    | -           | 242     |
| Long-term business operating profit   | 532   | 833   | 673   | -           | 2,038   |
| Asset management operating profit     | 72    | 22    | 284   | -           | 378     |
| GI commission                         | -     | -     | 46    | -           | 46      |

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|  |     |     |       |       |       |
|--|-----|-----|-------|-------|-------|
| Other income and expenditure*                                  | -   | -   | -     | (521) | (521) |
| Total operating profit based on longer-term investment returns | 604 | 855 | 1,003 | (521) | 1,941 |

|  | 2009 (i) |       |       |             |         |
|--|----------|-------|-------|-------------|---------|
|  | Asia     | US    | UK    | Unallocated | Total   |
|  | £m       | £m    | £m    | £m          | £m      |
| Spread income  | 31       | 524   | 198   | -           | 753     |
| Fee income   | 80       | 324   | 54    | -           | 458     |
| With-profits   | 29       | -     | 281   | -           | 310     |
| Insurance margin   | 253      | 154   | 41    | -           | 448     |
| Margin on revenues   | 766      | -     | 275   | -           | 1,041   |
| Expenses   |          |       |       |             |         |
| Acquisition costs  | (605)    | (690) | (192) | -           | (1,487) |
| Administration expenses  | (382)    | (259) | (173) | -           | (814)   |
| DAC adjustments  | 150      | 467   | (3)   | -           | 614     |
| Expected return on shareholder assets                          | 25       | 98    | 125   | -           | 248     |
| Non-recurrent release of reserves for Malaysia life operations | 63       | -     | -     | -           | 63      |
| Long-term business operating profit                            | 410      | 618   | 606   | -           | 1,634   |
| Asset management operating profit                              | 55       | 4     | 238   | -           | 297     |
| GI commission  | -        | -     | 51    | -           | 51      |
| Other income and expenditure*                                  | -        | -     | -     | (418)       | (418)   |
| Total operating profit based on longer-term investment returns | 465      | 622   | 895   | (418)       | 1,564   |

\*Including restructuring and Solvency II implementation costs.

|  | 2008 (i) |       |       |             |       |         |
|--|----------|-------|-------|-------------|-------|---------|
|  | Asia     | US    | UK    | Unallocated | Total |         |
|  | £m       | £m    | £m    | £m          | £m    |         |
| Spread income  | 38       | 461   | 35    | -           | 534   |         |
| Fee income   | 54       | 292   | 57    | -           | 403   |         |
| With-profits   | 30       | -     | 395   | -           | 425   |         |
| Insurance margin   | 198      | 161   | (12)  | -           | 347   |         |
| Margin on revenues   | 672      | -     | 314   | -           | 986   |         |
| Expenses   |          |       |       |             |       |         |
| Acquisition costs  |          | (619) | (451) | (172)       | -     | (1,242) |
| Administration expenses  |          | (331) | (217) | (212)       | -     | (760)   |
| DAC adjustments  |          | 173   | -     | 32          | -     | 205     |
| Expected return on shareholder assets                          |          | 16    | 89    | 108         | -     | 213     |
| Long-term business operating profit                            |          | 231   | 335   | 545         | -     | 1,111   |
| Asset management operating profit                              |          | 52    | 7     | 286         | -     | 345     |
| GI commission  |          | -     | -     | 44          | -     | 44      |
| Other income and expenditure*                                  |          | -     | -     | -           | (288) | (288)   |
| Total operating profit based on longer-term investment returns |          | 283   | 342   | 875         | (288) | 1,212   |

\*Including restructuring and Solvency II implementation costs.

(i) During 2010 the Group amended its presentation of operating profit for its US insurance operations to remove the net equity hedge accounting effect associated with Jackson's variable annuity and fixed index annuity products, which are now classified in the Group's supplementary analysis of profit before tax attributable to shareholders as

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part of short term fluctuations in investment returns. 2009 and 2008 operating profit have been amended accordingly and so net equity hedge effects of £159 million negative and £71 million positive have been removed from the previously stated operating profits of £1,405 million and £1,283 million to give a restated value of £1,564 million and £1,212 million, respectively.

Margin analysis of long-term insurance business

The following analysis expresses certain of the Group's sources of operating profit as a margin of policyholder liabilities or other suitable driver. Details of the Group's average policyholder liability balances are given in note Z.

|  | 2010         |                 |               | Total        |                 |               | 2008         |                 |               |
|--|--------------|-----------------|---------------|--------------|-----------------|---------------|--------------|-----------------|---------------|
|  | Average      |                 |               | Average      |                 |               | Average      |                 |               |
| Long-term business                                 | Profit<br>£m | Liability<br>£m | Margin<br>bps | Profit<br>£m | Liability<br>£m | Margin<br>bps | Profit<br>£m | Liability<br>£m | Margin<br>bps |
| Spread income                                      | 1,013        | 53,858          | 188           | 753          | 51,000          | 148           | 534          | 44,281          | 121           |
| Fee income   | 688          | 57,496          | 120           | 458          | 43,373          | 106           | 403          | 38,850          | 104           |
| With-profits                                       | 342          | 89,693          | 38            | 310          | 84,063          | 37            | 425          | 89,075          | 48            |
| Insurance margin                                   | 592          |                 |               | 448          |                 |               | 347          |                 |               |
| Margin on revenues                                 | 1,241        |                 |               | 1,041        |                 |               | 986          |                 |               |
| Expenses   |              |                 |               |              |                 |               |              |                 |               |
| Acquisition costs*                                 | (1,674)      | 3,492           | (48%)         | (1,487)      | 2,896           | (51%)         | (1,242)      | 2,879           | (43%)         |
| Administration expenses                            | (924)        | 111,354         | (83)          | (814)        | 94,373          | (86)          | (760)        | 83,131          | (91)          |
| DAC adjustments                                    | 518          |                 |               | 614          |                 |               | 205          |                 |               |
| Expected return on shareholder assets              | 242          |                 |               | 248          |                 |               | 213          |                 |               |
| Non-recurrent release of reserve for Malaysia Life | -            |                 |               | 63           |                 |               | -            |                 |               |
| Operating profit                                   | 2,038        |                 |               | 1,634        |                 |               | 1,111        |                 |               |

|                    | 2010         |                 |               | Asia         |                 |               | 2008         |                 |               |
|--------------------|--------------|-----------------|---------------|--------------|-----------------|---------------|--------------|-----------------|---------------|
|                    | Average      |                 |               | Average      |                 |               | Average      |                 |               |
| Long-term business | Profit<br>£m | Liability<br>£m | Margin<br>bps | Profit<br>£m | Liability<br>£m | Margin<br>bps | Profit<br>£m | Liability<br>£m | Margin<br>bps |
| Spread income      | 70           | 4,393           | 159           | 31           | 3,152           | 98            | 38           | 2,421           | 157           |
| Fee income         | 122          | 11,222          | 109           | 80           | 8,107           | 99            | 54           | 6,419           | 84            |
| With-profits       | 32           | 10,135          | 32            | 29           | 8,371           | 35            | 30           | 7,168           | 42            |
| Insurance margin   | 392          |                 |               | 253          |                 |               | 198          |                 |               |
| Margin on revenues | 1,018        |                 |               | 766          |                 |               | 672          |                 |               |
| Expenses           |              |                 |               |              |                 |               |              |                 |               |
| Acquisition costs* | (656)        | 1,508           | (44%)         | (605)        | 1,261           | (48%)         | (619)        | 1,216           | (51%)         |
|                    | (467)        | 15,615          | (299)         | (382)        | 11,259          | (339)         | (331)        | 8,840           | (374)         |

|  |     |     |     |
|--|-----|-----|-----|
| Administration expenses                            |     |     |     |
| DAC adjustments                                    | 2   | 150 | 173 |
| Expected return on shareholder assets              | 19  | 25  | 16  |
| Non-recurrent release of reserve for Malaysia Life | -   | 63  | -   |
| Operating profit                                   | 532 | 410 | 231 |

\* The ratio for acquisition costs is calculated as a percentage of APE including with-profits sales and Japan (2010: £7 million; 2009: £52 million). Acquisition costs include only those relating to shareholders.

#### Analysis of Asian operating profit drivers

- Spread income has increased from £31 million in 2009 to £70 million in 2010. This increase arises primarily as a result of improved investment return in Vietnam (where the return in 2009 was particularly low compared to both 2008 and 2010) and additional dividend income received in Japan.
- Fee income has increased both in absolute terms by £42 million and as an improvement in margin, which has increased 10bps to 109bps. This primarily relates in a change in mix towards those countries with a higher asset management fee margin (e.g. Indonesia) from countries where fees charged are lower.
- Insurance margin has increased by £139 million from £253 million in 2009 to £392 million in 2010. This reflects the continued growth in the in-force book, which has a relatively high proportion of risk-based products. 2010 includes £19 million relating to reserving changes in India and China.
- Margin on revenues has increased by £252 million reflecting the growth in the size of the portfolio and changes in country mix.
- Acquisition costs - the costs as a percentage of APE new business sales has fallen over the period 2008-2010 reflecting management's continued focus on capital management activities, such as the closure of Japan to new business in the first quarter of 2010 and changes to business and country mix. The analysis above uses shareholder acquisition costs as a proportion of total APE, excluding with profits sales from the denominator the margin would become 2010: 53 per cent, 2009: 56 per cent and 2008: 58 per cent.
- Administration expense margin has reduced from 339 bps in 2009 in part reflecting operational leverage benefit and a shift in mix towards countries with highly efficient business models (e.g. Indonesia).

|                    | US      |           |        |         |           |        |         |           |        |
|--------------------|---------|-----------|--------|---------|-----------|--------|---------|-----------|--------|
|                    | 2010    |           |        | 2009    |           |        | 2008    |           |        |
|                    | Average |           | Margin | Average |           | Margin | Average |           | Margin |
|                    | Profit  | Liability |        | Profit  | Liability |        | Profit  | Liability |        |
|                    | £m      | £m        | bps    | £m      | £m        | bps    | £m      | £m        | bps    |
| Long-term business |         |           |        |         |           |        |         |           |        |
| Spread income      | 692     | 28,496    | 243    | 524     | 29,248    | 179    | 461     | 25,322    | 182    |
| Fee income         | 506     | 25,921    | 195    | 324     | 17,589    | 184    | 292     | 14,783    | 198    |
| With-profits       | -       | -         | -      | -       | -         | -      | -       | -         | -      |
| Insurance margin   | 188     | -         | -      | 154     | -         | -      | 161     | -         | -      |
| Margin on revenues | -       | -         | -      | -       | -         | -      | -       | -         | -      |
| Expenses           |         |           |        |         |           |        |         |           |        |
| Acquisition costs  | (851)   | 1,164     | (73%)  | (690)   | 912       | (76%)  | (451)   | 716       | (63%)  |
|                    | (344)   | 54,417    | (63)   | (259)   | 46,837    | (55)   | (217)   | 40,105    | (54)   |

|                                       |     |     |     |
|---------------------------------------|-----|-----|-----|
| Administration expenses               |     |     |     |
| DAC adjustments                       | 517 | 467 | -   |
| Expected return on shareholder assets | 125 | 98  | 89  |
| Operating profit                      | 833 | 618 | 335 |

Analysis of US operating profit drivers:

- Spread income benefited from the effect of transactions to more closely match the overall asset and liability duration in 2010. Excluding this effect (£108 million), spread margin in 2010 would have been 205 bps. The increase over the 2009 margin of 179 bps is due in part to decreased crediting rates on fixed annuities.
- Fee income margins are based on the average of the opening and closing separate account balances. In normal years this is expected to be a reasonable proxy for the average balances throughout the year. In 2009 separate account flows were weighted towards the end of the year artificially lowering the 2009 margin. Using an average based on end of month balances, margins show little movement between years, (2010: 200bps; 2009: 203bps; 2008: 200bps) indicating that absolute revenue amounts are growing in line with separate accounts values. Separate account values increased between 2008 and 2010 both as a result of strong sales and improving equity markets.
- Insurance margin represents operating profits from insurance risks, including variable annuity guarantees and other sundry net income. Positive net flows into variable annuity business with life contingent and other guarantees have helped improved the margin from £154 million in 2009 to £188 million in 2010.
- Acquisition costs have increased in 2010 in absolute terms compared to 2009 following an increase in sales volumes. However acquisition costs as a percentage of APE has fallen from 76 per cent in 2009 to 73 per cent in 2010 as more advisors are electing to take asset based commission, which is paid over the life of the policy based on fund value. This asset based-commission is treated as an administration expense in this analysis as opposed to a cost of acquisition, resulting in a lower acquisition cost ratio but a higher administration expenses margin.

2008 acquisition costs as a percentage of APE sales was 63 per cent, lower than 2009 and 2010. This is primarily because sales of GICs in 2008 (APE £120 million), on which no acquisition costs are incurred, reduces the margin for that year. Excluding GIC APE sales the acquisition cost ratio for 2008 becomes 76 per cent, in line with 2009.

- Administration expenses margin has increased to 63 bps in 2010 partly as a result of higher asset based commission, which lowers acquisition costs but increases the expenses classified as administration expenses in the table above.

|                    | UK             |                   |        |                |                   |        |                |                   |        |
|--------------------|----------------|-------------------|--------|----------------|-------------------|--------|----------------|-------------------|--------|
|                    | 2010           |                   |        | 2009           |                   |        | 2008           |                   |        |
|                    | Average Profit | Average Liability | Margin | Average Profit | Average Liability | Margin | Average Profit | Average Liability | Margin |
| Long-term business | £m             | £m                | bps    | £m             | £m                | bps    | £m             | £m                | bps    |
| Spread income      | 251            | 20,969            | 120    | 198            | 18,600            | 106    | 35             | 16,538            | 21     |
| Fee income         | 60             | 20,353            | 29     | 54             | 17,677            | 31     | 57             | 17,648            | 32     |
| With-profits       | 310            | 79,558            | 39     | 281            | 75,692            | 37     | 395            | 81,907            | 48     |
| Insurance margin   | 12             |                   |        | 41             |                   |        | (12)           |                   |        |
| Margin on revenues | 223            |                   |        | 275            |                   |        | 314            |                   |        |

|                                       |       |        |       |       |        |       |       |        |       |
|---------------------------------------|-------|--------|-------|-------|--------|-------|-------|--------|-------|
| Expenses                              |       |        |       |       |        |       |       |        |       |
| Acquisition costs*                    | (167) | 820    | (20%) | (192) | 723    | (27%) | (172) | 947    | (18%) |
| Administration expenses               | (113) | 41,322 | (27)  | (173) | 36,277 | (48)  | (212) | 34,186 | (62)  |
| DAC adjustments                       | (1)   |        |       | (3)   |        |       | 32    |        |       |
| Expected return on shareholder assets | 98    |        |       | 125   |        |       | 108   |        |       |
| Operating profit                      | 673   |        |       | 606   |        |       | 545   |        |       |

\* The ratio for acquisition costs is calculated as a percentage of APE including with-profits sales. Acquisition costs include only those relating to shareholders.

#### Analysis of UK operating profit drivers:

Spread income has increased by £53 million to £251 million in 2010 reflecting in a higher margin of 120 bps, up from 106 bps last year. The improved margin primarily reflects the beneficial impacts of the bulk annuity deal written in 2010, improved margins on retail annuity new business and improved spread on equity release business following its closure to new business. Spread income was lower in 2008 due to lower margins on new business and the establishment of credit default and deflation reserves in that year in light of the credit crisis offset by the impact of actions to rebalance the credit portfolio.

Fee income has increased by 11 per cent to £60 million broadly in line with the value of unit-linked liabilities following the improvement in equity markets.

- Margin on revenues represents premiums charges for expenses and other sundry net income received by the UK. Lower amounts were recorded in 2010 (£223 million) compared to 2009 (£275 million) reflecting, in part, lower premiums from shareholder-backed retail business in 2010 as compared to 2009.
- Insurance margin has fallen by £29 million to £12 million in 2010 reflecting that 2009 included a one-off benefit of £34 million in respect of a longevity swap on certain aspects of the UK's annuity back-book liabilities, which was not repeated in 2010.
- Acquisition costs as a percentage of new business sales has fallen from 27 per cent in 2009 to 20 per cent in 2010. This reflects in part the impact of the bulk annuity deal which contributed £88 million APE in the period with a relatively low level of acquisition costs, together with the closure of equity release to new business as well as on-going cost saving initiatives.

The ratio above expresses the percentage of shareholder acquisition costs as a percentage of total APE sales. It is therefore impacted by the level of with-profit sales in the year. Acquisition costs as a percentage of shareholder-backed new business sales were 36 per cent in 2010 (49 per cent in 2009), with the most significant impact being the effect of the bulk annuity deal.

- Administration expenses have fallen by £60 million to £113 million and the ratio from 48 bps in 2009 to 27 bps in 2010. This is primarily the result of cost savings initiatives initiated by the UKIO in line with the business's stated objectives.

## 2 Asian operations - analysis of operating profit by territory

Operating profit based on longer-term investment returns for Asian operations are analysed as follows:

|      |      |
|------|------|
| 2010 | 2009 |
|------|------|

|   | £m   | £m   |
|---|------|------|
| China(note (ii))                          | (12) | 4    |
| Hong Kong                                 | 51   | 48   |
| India(note (iii))                         | 60   | 12   |
| Indonesia                                 | 157  | 102  |
| Japan                                     | (6)  | (18) |
| Korea                                     | 12   | 6    |
| Malaysia                                  |      |      |
| - Underlying results                      | 97   | 65   |
| - Exceptional credit(note (i))            |      | 63   |
| Philippines                               | 2    | 2    |
| Singapore                                 | 129  | 112  |
| Taiwan bancassurance business (note (iv)) | (4)  | (7)  |
| Thailand                                  | 2    | (1)  |
| Vietnam                                   | 43   | 30   |
| Other                                     | 5    | (2)  |
| Total insurance operations (note (v))     | 536  | 416  |
| Development expenses                      | (4)  | (6)  |
| Total long-term business operating profit | 532  | 410  |
| Asset management                          | 72   | 55   |
| Total Asian operations                    | 604  | 465  |

## Notes

- (i) For the Malaysia life business, under the basis applied previously, 2008 IFRS basis liabilities were determined on the local regulatory basis using prescribed interest rates such that a high degree of prudence resulted. As of 1 January 2009, the local regulatory basis has been replaced by the Malaysian authority's risk-based capital (RBC) framework. In the light of this development; the Company has re-measured the liabilities by reference to the method applied under the new RBC framework, which is more realistic than the previous approach, but with an overlay constraint to the method such that negative reserves derived at an individual policyholder level are not included. This change has resulted in a one-off release from liabilities at 1 January 2009 of £63 million.
- (ii) China's operating loss of £12 million is after a net charge of £17 million for local reserving changes and associated impacts that have been reflected in the Group's IFRS accounts. Excluding this effect, China's underlying result is a £5 million profit.
- (iii) The operating profit of £60 million from India, a joint venture, includes £36 million arising from changes that improve the reserving estimation technique. Excluding this effect, India's underlying result is a profit of £24 million.

## (iv) Sale of Taiwan agency business

In order to facilitate comparisons of operating profit based on longer-term investment returns that reflect the Group's retained operations, the results attributable to the Taiwan agency business for which the sale process was completed in June 2009 are excluded from analysis of operating profit.

## (v) Analysis of operating profit between new and in-force business

The result for insurance operations comprises amounts in respect of new business and business in-force as follows:

|                                       | 2010<br>£m | 2009<br>£m |
|---------------------------------------|------------|------------|
| New business strain (excluding Japan) | (56)       | (72)       |
| Japan                                 | (1)        | (6)        |
| New business strain (including Japan) | (57)       | (78)       |
| Business in force                     | 593        | 494        |
| Total                                 | 536        | 416        |

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The IFRS new business strain corresponds to approximately four per cent of new business APE premiums for 2010 (2009: approximately six per cent of new business APE).

The strain reflects the aggregate of the pre-tax regulatory basis strain to net worth after IFRS adjustments for deferral of acquisition costs and deferred income where appropriate.

3 Analysis of asset management operating profit based on longer-term investment returns

|  | 2010     |         |        |       |       |
|--|----------|---------|--------|-------|-------|
|  | M&G(i)   | Asia(i) | PruCap | US    | Total |
|  | £m       | £m      | £m     | £m    | £m    |
| Operating income before performance-related fees         | 615      | 185     | 88     | 229   | 1,117 |
| Performance-related fees                                 | 17       | 6       | -      | -     | 23    |
| Operating income*  | 632      | 191     | 88     | 229   | 1,140 |
| Operating expense  | (386)    | (119)   | (50)   | (207) | (762) |
| Operating profit based on longer-term investment returns | 246      | 72      | 38     | 22    | 378   |
| Average funds under management (FUM)**                   | 186.5 bn | 47.2 bn |        |       |       |
| Margin based on operating income**                       | 34 bps   | 40 bps  |        |       |       |
| Cost / income ratio***                                   | 63%      | 64%     |        |       |       |

|  | 2009     |         |        |       |       |
|--|----------|---------|--------|-------|-------|
|  | M&G(i)   | Asia(i) | PruCap | US    | Total |
|  | £m       | £m      | £m     | £m    | £m    |
| Operating income before performance-related fees         | 470      | 157     | 89     | 183   | 899   |
| Performance-related fees                                 | 12       | 3       | -      | -     | 15    |
| Operating income*  | 482      | 160     | 89     | 183   | 914   |
| Operating expense  | (305)    | (105)   | (28)   | (179) | (617) |
| Operating profit based on longer-term investment returns | 177      | 55      | 61     | 4     | 297   |
| Average funds under management (FUM)**                   | 157.5 bn | 39.6 bn |        |       |       |
| Margin based on operating income**                       | 31 bps   | 40 bps  |        |       |       |
| Cost / income ratio***                                   | 65%      | 67%     |        |       |       |

|   | 2008     |         |        |       |       |
|---|----------|---------|--------|-------|-------|
|   | M&G(i)   | Asia(i) | PruCap | US    | Total |
|   | £m       | £m      | £m     | £m    | £m    |
| Operating income before performance-related fees        | 480      | 144     | 123    | 139   | 886   |
| Performance-related fees                                | 43       | 3       | -      | -     | 46    |
| Operating income*                                       | 523      | 147     | 123    | 139   | 932   |
| Operating expense                                       | (295)    | (95)    | (65)   | (132) | (587) |
| Operating profit based on longer-term investment return | 228      | 52      | 58     | 7     | 345   |
| Average funds under management (FUM)**                  | 154.0 bn | 36.9 bn |        |       |       |



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|                                    |        |        |
|------------------------------------|--------|--------|
| Margin based on operating income** | 34 bps | 40 bps |
| Cost / income ratio***             | 61%    | 66%    |

(i) M&G and Asia asset management businesses can be further analysed as follows:

|      | M&G                                   |     |                 |     |                       |     | Asia                                  |     |                 |    |                       |     |     |
|------|---------------------------------------|-----|-----------------|-----|-----------------------|-----|---------------------------------------|-----|-----------------|----|-----------------------|-----|-----|
|      | Operating income*                     |     |                 |     |                       |     | Operating income*                     |     |                 |    |                       |     |     |
|      | Margin of Institutional+ Retail FUM** |     | Margin of FUM** |     | Margin of Total FUM** |     | Margin of Institutional+ Retail FUM** |     | Margin of FUM** |    | Margin of Total FUM** |     |     |
|      | £m                                    | bps | £m              | bps | £m                    | bps |                                       | £m  | bps             | £m | bps                   | £m  | bps |
| 2010 | 345                                   | 93  | 287             | 19  | 632                   | 34  | 2010                                  | 120 | 62              | 71 | 26                    | 191 | 40  |
| 2009 | 255                                   | 102 | 227             | 17  | 482                   | 31  | 2009                                  | 98  | 60              | 62 | 27                    | 160 | 40  |
| 2008 | 243                                   | 122 | 280             | 21  | 523                   | 34  | 2008                                  | 91  | 59              | 56 | 26                    | 147 | 40  |

\* Operating income is net of commissions and includes performance related fees.

\*\* Margin represents operating income as a proportion of the related funds under management (FUM).

Opening and closing internal and external funds managed by the respective entity have been used to derive the average. Any funds held by the Group's insurance operations which are managed by third parties outside of the Prudential Group are excluded from these amounts.

\*\*\* Cost / income ratio is calculated as cost as a percentage of income excluding performance-related fees.  
+ Institutional includes internal funds.

4 Shareholders' funds summary by business unit and net asset value per share

(i) Shareholders' fund summary

|  | 2010  | 2009  |
|--|-------|-------|
|  | £m    | £m    |
| Asian operations                               |       |       |
| Insurance operations                           |       |       |
| Net assets of operation                        | 1,913 | 1,382 |
| Acquired goodwill                              | 236   | 80    |
| Total  | 2,149 | 1,462 |
| Asset management                               |       |       |
| Net assets of operation                        | 197   | 161   |
| Acquired goodwill                              | 61    | 61    |
| Total  | 258   | 222   |
| Total  | 2,407 | 1,684 |
| US operations                                  |       |       |
| Jackson (net of surplus note borrowings)       | 3,815 | 3,011 |
| Broker-dealer and asset management operations: |       |       |
| Net assets of operation                        | 106   | 95    |
| Acquired goodwill                              | 16    | 16    |
| Total  | 122   | 111   |
| Total  | 3,937 | 3,122 |

UK operations

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|                         |   |         |         |
|-------------------------|---|---------|---------|
| Insurance operations:   |   |         |         |
|                         | Long-term business operations   | 2,115   | 1,902   |
|                         | Other   | 33      | 37      |
|                         | Total   | 2,148   | 1,939   |
| M&G                     |   |         |         |
|                         | Net assets of operation   | 254     | 173     |
|                         | Acquired goodwill   | 1,153   | 1,153   |
|                         | Total   | 1,407   | 1,326   |
|                         | Total   | 3,555   | 3,265   |
| Other operations        |   |         |         |
|                         | Holding company net borrowings  | (2,035) | (1,754) |
|                         | Shareholders' share of provision for future deficit funding of the Prudential Staff |         |         |
|                         | Pension Scheme (net of tax)   | (10)    | (16)    |
|                         | Other net assets (liabilities)  | 177     | (30)    |
| Total                   |   | (1,868) | (1,800) |
| Total of all operations |   | 8,031   | 6,271   |

(ii) Net asset value per share

|   | 2010  | 2009  |
|---|-------|-------|
|   | £m    | £m    |
| Closing equity shareholders' funds                                      | 8,031 | 6,271 |
| Net asset value per share attributable to equity shareholders(note (i)) | 315 p | 248 p |

Note

Based on the closing issued share capital as at 31 December 2010 of 2,546 million shares (2009: 2,532 million shares).

(i)

5 Memorandum fair value of Jackson's GMDB and GMWB liabilities

The IFRS accounting for minimum death and withdrawal benefits guarantees of the Group's US insurance operations has a mixed measurement approach.

'Not for life' Guaranteed Minimum Withdrawal Benefits (GMWB) are accounted for as 'embedded derivatives'. Where the economic characteristics and risks of embedded derivatives are not closely related to the economic characteristics and risks of the host insurance contract, and where the contract is not measured at fair value with the changes in fair value recognised in the income statement, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with IAS 39. In Jackson, the embedded derivative liabilities for GMWB liabilities are fair valued using the economic assumptions shown below, in line with IAS 39 (FAS 157 - Fair Value Measurements.)

Where a significant insurance element is present, such as for Guaranteed Minimum Death Benefit (GMDB) and 'for life' GMWB, the guarantees are accounted for as part of the accounting applied to the host insurance contracts. Under IFRS4, the insurance contract accounting applied prior to IFRS adoption has continued to be applied. Accordingly for US variable annuity business the US GAAP standards applicable to insurance contract accounting are applied. Consistent with that approach, the GMDB and 'for life' GMWB guarantees are valued under FASB ASC Topic 944

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(sub-topics 944-20, 944-40 and 944-80) Financial Services - Insurance - Separate Accounts, formerly known as "SOP03-1" (Statement of Position 03-1: "Accounting and Reporting by Insurance Enterprises Contracts and for Separate Accounts").

The two reserving methodologies typically produce quite different patterns of results. It is the variation in assumptions, and the way the two reserving methods react to emerging experience, that produces potentially significant differences in reserve patterns through time.

Both methods determine a hypothetical fee or charge (referred to in the rest of this note as "fee assessment") that is anticipated to fund future projected benefit payments arising using the assumptions applicable for that method. After determination at issue, the FAS 157 fee assessment is fixed for the life of the policy, so that variations in experience from that assumed at issue, as well as cash flow timing issues, will create a liability or asset as the value of future benefits becomes more or less, respectively, than the value of the fee assessments.

The SOP 03-1 fee assessment, on the other hand, is recomputed at each valuation date to take into account emerging experience and cash flow timing differences. After redetermination based on valuation date parameters, the new fee assessment is applied retrospectively from issue date to recompute the current reserve provision. This retrospective aspect of the calculation is not present in the FAS 157 methodology.

The chart below compares the assumption bases for the two methods in general terms as well as showing representative comparative values as of December 31, 2010. The comparative values for the projected earned rate and AA corporate bond rate are the 10-year rate in both cases, and the comparative value for volatility is the 5-year rate.

| Assumption        | SOP 03-1          | IAS 39 (FAS 157)  |
|-------------------|-------------------|---|
| Fund earned rate  | 8.4 % before fees | Quoted rate swap curve<br>(10-year rate:- 3.4% before fees) |
| Discount rate     | 8.4%              | AA corporate rate curve<br>(10-year rate:- 4.8%)            |
| Equity volatility | 15%               | Implied curve<br>(5 year volatility:- 24% )                 |

To provide an approximate translation of values from the SOP 03-1 basis to the IAS 39 basis, the table below shows estimates of the impact of changing each primary economic assumption from the SOP 03-1 values to the IAS 39 values.

Two other items are shown in addition: a reconciling item to account for the difference in how each method adjusts for emerging economic experience (labelled as the "method" component below), and a further adjustment to recognise the impact of additional fees collected over and above those considered for reserving purposes (i.e. the difference between fees actually collected and the hypothetical fee assessment referenced earlier).

### Guaranteed Benefit Liability Supplemental Disclosure as of 31 December 2010

|  | Note | GMDB | GMWB<br>"for life" | GMWB<br>"not for<br>life" | Total |
|--|------|------|--------------------|---------------------------|-------|
| As recorded in I the 31 December 2010<br>financial statements: |      | £m   | £m                 | £m                        | £m    |
| --SOP 03-1   | 1    | 220  | 29                 |                           | 249   |

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|  |   |       |       |     |              |
|--|---|-------|-------|-----|--------------|
| --IAS 39 fair value                                  | 1 |       |       | 201 | 201          |
| Total per 31 December 2010<br>financial statements   |   |       |       |     | 450          |
| Change in assumed fund<br>earned rate                | 2 | 375   | 25    | n/a | 400          |
| Change in discount rate                              | 3 | 200   | 50    | n/a | 250          |
| Change in equity volatility<br>assumption            | 4 | 225   | 0     | n/a | 225          |
| Change in method                                     | 5 | (150) | (25)  | n/a | (175)<br>700 |
| Hypothetical IAS 39 basis fair<br>value              | 6 | 870   | 280   |     | 1,150        |
| Adjustment to full fees                              | 7 | (200) | (600) |     | (800)        |
| Hypothetical fair value with<br>full fee recognition | 8 | 670   | (320) |     | 350          |

Notes

- 1 Note GMWB benefits have reported components on both an SOP 03-1 and IAS 39 basis.
- 2 Change in fund earned rate: 8.4 per cent to 3.4 per cent, producing significantly higher values of future benefit payments due to lower future assumed fund growth and therefore greater potential for future guaranteed benefit payouts. For GMWBs, future fee income is less dramatically affected, given that for most benefit forms fee income is based on a more stable benefit base rather than a current account value.
- 3 Change in discount rate: 8.4 per cent to 4.8 per cent, producing significantly higher values, both for future benefit payments and future fees, with a net increase in liability. The absolute impact of this item will be influenced not only by the rate difference, but also by current market conditions, as the proportional impact of a particular rate change will be diluted if applied to a lower absolute value of future cash flows.
- 4 Change in equity volatility assumption: 15 per cent to 24 per cent, producing higher values, primarily for future benefit payments. The impact is muted for GMWBs due primarily to the length of time until benefit payments occur, and also by the SOP 03-1 methodology itself.
- 5 Generally, it is expected that the SOP 03-1 methodology will "lag" market events in terms of reflecting their impact in the reserve calculation. This is because of the retrospective aspect of the calculation described above. This line item is also the balancing item in the reconciliation so contains any cross-effects from other variables.
- 6 Representation of an approximate hypothetical IAS 39 (FAS 157) value were all guaranteed benefits to be reported on this basis.
- 7 Value of actual fees collected, on an IAS 39 assumption basis, over and above those already considered in the reserve calculation. The reserve calculation restricts the level of future guarantee fees to a level that is sufficient to meet the expected benefit payments at issue using at issue assumptions to avoid profit recognition at inception.
- 8 Resulting modified hypothetical IAS 39 (FAS 157) value including adjustment for the value of fees in excess of those considered in the reserve calculation.

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In all cases, values shown above, were they to be reflected in actual financial statements, would be significantly offset by an adjustment to deferred acquisition costs, which is impacted by changes in gross profit elements of the variable annuity product. Thus, for example, it might be expected that the GMDB impacts shown would be offset by some 70 to 75 per cent of the change illustrated, and the GMWB impacts shown would be offset by some 50-55% of the change illustrated. The table below illustrates the approximate impact on shareholders' equity.

Estimated impact on Shareholders' Equity

|   | Accounts<br>carrying value<br>to hypothetical<br>IAS 39 basis<br>fair value | Accounts<br>carrying<br>value to<br>hypothetical<br>fair value with<br>full fee<br>recognition |
|---|---|--|
| Estimated increase/(decrease) in liability            | 700   | (100)  |
| Related adjustments to:                               |   |  |
| DAC   | (475)   | (50)   |
| Deferred tax  | (75)  | 50   |
| Estimated Decrease/(increase) in Shareholders' Equity | 150   | (100)  |

All numbers rounded to the nearest £25 million.

6 Funds under management

(i) Summary

|                                 | 2010<br>£bn | 2009<br>£bn |
|---------------------------------|-------------|-------------|
| Business area                   |             |             |
| Asian operations                | 30.9        | 23.7        |
| US operations                   | 63.6        | 49.6        |
| UK operations                   | 145.2       | 135.6       |
| Internal funds under management | 239.7       | 208.9       |
| External funds (note (i))       | 100.4       | 80.9        |
| Total funds under management    | 340.1       | 289.8       |

Note

(i) External funds shown above for 2010 of £100.4 billion (2009: £80.9 billion) comprise £111.4 billion (2009: £89.8 billion) in respect of investment products, as published in the New Business schedules (see schedule VIII) less £11.0 billion (2009: £8.9 billion) that are classified within internal funds.

(ii) Internal funds under management - analysis by business area

|                                       | Asian operations |             | US operations |             | UK operations |             | Total       |             |
|---------------------------------------|------------------|-------------|---------------|-------------|---------------|-------------|-------------|-------------|
|                                       | 2010<br>£bn      | 2009<br>£bn | 2010<br>£bn   | 2009<br>£bn | 2010<br>£bn   | 2009<br>£bn | 2010<br>£bn | 2009<br>£bn |
| Investment<br>properties(note<br>(i)) | -                | -           | 0.1           | 0.1         | 11.5          | 11.0        | 11.6        | 11.1        |
| Equity securities                     | 14.5             | 11.4        | 31.5          | 21.0        | 40.7          | 37.0        | 86.7        | 69.4        |
| Debt securities                       | 14.1             | 10.0        | 26.4          | 22.8        | 75.9          | 69.1        | 116.4       | 101.9       |

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|                       |      |      |      |      |       |       |       |       |
|-----------------------|------|------|------|------|-------|-------|-------|-------|
| Loans and receivables | 1.3  | 1.2  | 4.2  | 4.3  | 3.8   | 3.3   | 9.3   | 8.8   |
| Other investments     | 1.0  | 1.1  | 1.4  | 1.4  | 13.3  | 15.2  | 15.7  | 17.7  |
| Total                 | 30.9 | 23.7 | 63.6 | 49.6 | 145.2 | 135.6 | 239.7 | 208.9 |

Note

(i) As included in the investments section of the consolidated statement of financial position at 31 December 2010 except for £0.4 billion (2009: £0.2 billion) investment properties which are held-for-sale or occupied by the Group and, accordingly under IFRS, are included in other statement of financial position captions.

7 Foreign currency translation

(i) Rates of exchange

The profit and loss accounts of foreign subsidiaries are translated at average exchange rates for the year. Assets and liabilities of foreign subsidiaries are translated at closing exchange rates. Foreign currency borrowings that have been used to provide a hedge against Group equity investments in overseas subsidiaries are also translated at closing exchange rates. The impact of these translations is recorded as a component of the movement in shareholders' equity.

The following translation rates have been applied:

|                   | Closing<br>2010 | Average<br>2010 | Closing<br>2009 | Average<br>2009 |
|-------------------|-----------------|-----------------|-----------------|-----------------|
| Local currency: £ |                 |                 |                 |                 |
| Hong Kong         | 12.17           | 12.01           | 12.52           | 12.14           |
| Indonesia         | 14,106.51       | 14,033.41       | 15,171.52       | 16,173.28       |
| Malaysia          | 4.83            | 4.97            | 5.53            | 5.51            |
| Singapore         | 2.01            | 2.11            | 2.27            | 2.27            |
| India             | 70.01           | 70.66           | 75.15           | 75.70           |
| Vietnam           | 30,526.26       | 29,587.63       | 29,832.74       | 27,892.39       |
| USA               | 1.57            | 1.55            | 1.61            | 1.57            |

(ii) Effect of rate movements on results

|  | As published<br>2010<br>(note (i))<br>£m | Memorandum<br>2009<br>(note (i)<br>and (ii))<br>£m |
|--|--|--|
| IFRS basis results                                       |  |  |
| Asian operations:  |  |  |
| Long-term operations                                     | 536                                      | 451  |
| Development expenses                                     | (4)                                      | (6)  |
| Total Asian insurance operations after development costs | 532                                      | 445  |
| Asset management   | 72                                       | 58   |
| Total Asia operations                                    | 604                                      | 503  |
| US operations  |  |  |
| Jackson(note (iii))                                      | 833                                      | 626  |
| Broker-dealer, asset management and Curian operations    | 22                                       | 4  |
| Total US operations                                      | 855                                      | 630  |
| UK operations  |  |  |
| Long-term business                                       | 673                                      | 606  |
| General insurance commission                             | 46                                       | 51   |

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|   |       |       |
|---|-------|-------|
| Total UK insurance operations   | 719   | 657   |
| M&G   | 284   | 238   |
| Total UK operations   | 1,003 | 895   |
| Total segment profit  | 2,462 | 2,028 |
| Other income and expenditure  | (450) | (396) |
| Solvency II implementation costs  | (45)  | (23)  |
| Restructuring costs   | (26)  | -     |
| Operating profit from continuing operations based on longer-term investment returns | 1,941 | 1,609 |
| Shareholders' funds   | 8,031 | 6,473 |

|   | As published<br>2010<br>(note (i))<br>£m | Memorandum<br>2009<br>(note (i) and (ii))<br>£m |
|---|--|---|
| EEV basis results   |  |   |
| Asian operations:   |  |   |
| New business:   |  |   |
| Excluding Japan   | 902                                      | 783   |
| Japan   | (1)                                      | (13)  |
| Total   | 901                                      | 770   |
| Business in force   | 549                                      | 420   |
| Long-term operations  | 1,450                                    | 1,190   |
| Asset management  | 72                                       | 58  |
| Development expenses  | (4)                                      | (6)   |
| Total Asia operations   | 1,518                                    | 1,242   |
| US operations   |  |   |
| New business  | 761                                      | 673   |
| Business in force   | 697                                      | 576   |
| Jackson   | 1,458                                    | 1,249   |
| Broker-dealer, asset management and Curian operations                               | 22                                       | 4   |
| Total US operations   | 1,480                                    | 1,253   |
| UK operations   |  |   |
| New business  | 365                                      | 230   |
| Business in force   | 571                                      | 640   |
| Long-term business  | 936                                      | 870   |
| General insurance commission  | 46                                       | 51  |
| Total insurance   | 982                                      | 921   |
| M&G   | 284                                      | 238   |
| Total UK operations   | 1,266                                    | 1,159   |
| Other income and expenditure  | (494)                                    | (434)   |
| Solvency II implementation costs  | (46)                                     | -   |
| Restructuring costs   | (28)                                     | (27)  |
| Operating profit from continuing operations based on longer-term investment returns | 3,696                                    | 3,193   |
| Shareholders' funds   | 18,207                                   | 15,904  |

Notes

(i) The 'as published' operating profit for 2010 and 'memorandum' operating profit for 2009 have been calculated by applying average 2010 exchange rates (CER).

The 'as published' shareholders' funds for 2010 and memorandum' shareholders' funds for 2009 have been calculated by applying closing period end 2010 exchange rates.

(ii) The 2009 operating profit of Asian long-term operations excludes the results of the Taiwan agency business for which the sale process was completed in June 2009.

(iii) The Company has amended the presentation of IFRS operating profit for its US insurance operations to remove the net equity hedge accounting credit/charge (incorporating related amortisation of deferred acquisition costs) and include it in short-term fluctuations. The 2009 'memorandum' operating profit amounts have been amended accordingly.

8 New Business Schedules

BASIS OF PREPARATION

The new business schedules are provided as an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profits for shareholders. The amounts shown are not, and not intended to be, reflective of premium income recorded in the IFRS income statement.

The format of the schedules is consistent with the distinction between insurance and investment products as applied for previous financial reporting periods. Products categorised as "insurance" refer to those classified as contracts of long-term insurance business for regulatory reporting purposes, i.e. falling within one of the classes of insurance specified in part II of Schedule 1 to the Regulated Activities Order under FSA regulations.

The details shown for insurance products include contributions for contracts that are classified under IFRS 4 "Insurance Contracts" as not containing significant insurance risk. These products are described as investment contracts or other financial instruments under IFRS. Contracts included in this category are primarily certain unit-linked and similar contracts written in UK Insurance Operations, and Guaranteed Investment Contracts and similar funding agreements written in US Operations.

New business premiums for regular premium products are shown on an annualised basis. Department of Work and Pensions rebate business is classified as single recurrent business. Internal vesting business is classified as new business where the contracts include an open market option.

Investment products referred to in the tables for funds under management are unit trusts, mutual funds and similar types of retail fund management arrangements. These are unrelated to insurance products that are classified as investment contracts under IFRS 4, as described in the preceding paragraph, although similar IFRS recognition and measurement principles apply to the acquisition costs and fees attaching to this type of business.

Notes to Schedules 8(a) - 8(f)

(1a) Insurance and investment new business for overseas operations has been calculated using average exchange rates. The applicable rate for Jackson is 1.55.

(1b) Insurance and investment new business for overseas operations for 2009 has been calculated using constant exchange rates. The applicable rate for Jackson is 1.55.

(2) New business values are all presented pre-tax.

(3) Annual Equivalents, calculated as regular new business contributions plus ten per cent of single new business contributions, are subject to roundings. PVNBPs are calculated as equalling single premiums plus the present value of expected premiums of new regular premium business. In determining the present value, allowance is



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made for lapses and other assumptions applied in determining the EEV new business profit.

- (4) Balance includes segregated and pooled pension funds, private finance assets and other institutional clients. Other movements reflect the net flows arising from the cash component of a tactical asset allocation fund managed by PPM South Africa.
- (5) New business in India is included at Prudential's 26 per cent interest in the India life operation.
- (6) Balance Sheet figures have been calculated at the closing exchange rate.
- (7) Sales are converted using the year to date average exchange rate applicable at the time. The sterling results for individual quarters represent the difference between the year to date reported sterling results at successive quarters and will include foreign exchange movements from earlier periods.
- (8) New business in China is included at Prudential's 50 per cent interest in the China life operation.
- (9) Mandatory Provident Fund (MPF) product sales in Hong Kong are included at Prudential's 36 per cent interest in Hong Kong MPF operation.

Schedule 8(a) - Reported Exchange Rates  
Prudential plc - NEW BUSINESS -2010  
INSURANCE OPERATIONS

|                                | Single            |                   |         | Regular           |                   |         | Annual<br>Equivalents(3) |                   |         | PVNBP             |                   |         |
|--------------------------------|-------------------|-------------------|---------|-------------------|-------------------|---------|--------------------------|-------------------|---------|-------------------|-------------------|---------|
|                                | 2010<br>YTD<br>£m | 2009<br>YTD<br>£m | +/- (%) | 2010<br>YTD<br>£m | 2009<br>YTD<br>£m | +/- (%) | 2010<br>YTD<br>£m        | 2009<br>YTD<br>£m | +/- (%) | 2010<br>YTD<br>£m | 2009<br>YTD<br>£m | +/- (%) |
| Group Insurance Operations     |                   |                   |         |                   |                   |         |                          |                   |         |                   |                   |         |
| Asia - ex                      |                   |                   |         |                   |                   |         |                          |                   |         |                   |                   |         |
| Japan(1a)                      | 1,104             | 785               | 41%     | 1,391             | 1,131             | 23%     | 1,501                    | 1,209             | 24%     | 7,493             | 5,982             | 25%     |
| US(1a)                         | 11,417            | 8,885             | 29%     | 22                | 24                | (8%)    | 1,164                    | 912               | 28%     | 11,572            | 9,048             | 28%     |
| UK                             | 5,656             | 4,768             | 19%     | 254               | 246               | 3%      | 820                      | 723               | 13%     | 6,842             | 5,902             | 16%     |
| Group Total - ex               |                   |                   |         |                   |                   |         |                          |                   |         |                   |                   |         |
| Japan                          | 18,177            | 14,438            | 26%     | 1,667             | 1,401             | 19%     | 3,485                    | 2,844             | 23%     | 25,907            | 20,932            | 24%     |
| Japan                          | 13                | 57                | (77%)   | 6                 | 46                | (87%)   | 7                        | 52                | (87%)   | 39                | 263               | (85%)   |
| Group Total                    | 18,190            | 14,495            | 26%     | 1,673             | 1,447             | 16%     | 3,492                    | 2,896             | 21%     | 25,946            | 21,195            | 22%     |
| Asian Insurance Operations(1a) |                   |                   |         |                   |                   |         |                          |                   |         |                   |                   |         |
| Hong Kong                      | 107               | 94                | 14%     | 276               | 232               | 19%     | 287                      | 241               | 19%     | 1,693             | 1,414             | 20%     |
| Indonesia                      | 141               | 41                | 244%    | 269               | 186               | 45%     | 283                      | 190               | 49%     | 1,011             | 671               | 51%     |
| Malaysia                       | 58                | 63                | (8%)    | 198               | 140               | 41%     | 204                      | 146               | 40%     | 1,153             | 814               | 42%     |
| Philippines                    | 64                | 14                | 357%    | 17                | 10                | 70%     | 23                       | 11                | 109%    | 108               | 39                | 177%    |
| Singapore                      | 318               | 297               | 7%      | 143               | 98                | 46%     | 175                      | 128               | 37%     | 1,357             | 1,033             | 31%     |
| Thailand                       | 15                | 14                | 7%      | 25                | 14                | 79%     | 26                       | 16                | 63%     | 100               | 54                | 85%     |
| Vietnam                        | 1                 | 1                 | 0%      | 41                | 35                | 17%     | 41                       | 35                | 17%     | 148               | 128               | 16%     |
| SE Asia Operations inc.        |                   |                   |         |                   |                   |         |                          |                   |         |                   |                   |         |
| Hong Kong                      | 704               | 524               | 34%     | 969               | 715               | 36%     | 1,039                    | 767               | 35%     | 5,570             | 4,153             | 34%     |
| China(8)                       | 103               | 72                | 43%     | 48                | 38                | 26%     | 58                       | 45                | 29%     | 336               | 253               | 33%     |
| India(5)                       | 85                | 47                | 81%     | 180               | 163               | 10%     | 188                      | 168               | 12%     | 582               | 581               | 0%      |
| Korea                          | 66                | 38                | 74%     | 89                | 118               | (25%)   | 96                       | 122               | (21%)   | 486               | 568               | (14%)   |
| Taiwan                         | 146               | 104               | 40%     | 105               | 97                | 8%      | 120                      | 107               | 12%     | 519               | 427               | 22%     |
|                                | 1,104             | 785               | 41%     | 1,391             | 1,131             | 23%     | 1,501                    | 1,209             | 24%     | 7,493             | 5,982             | 25%     |

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Total Asia  
Operations - ex  
Japan

US Insurance  
Operations(1a)

|                 |        |       |       |    |    |      |       |     |       |        |       |       |
|-----------------|--------|-------|-------|----|----|------|-------|-----|-------|--------|-------|-------|
| Fixed Annuities | 836    | 1,053 | (21%) | -  | -  | 0%   | 84    | 105 | (20%) | 836    | 1,053 | (21%) |
| Fixed Index     |        |       |       |    |    |      |       |     |       |        |       |       |
| Annuities       | 1,089  | 1,433 | (24%) | -  | -  | 0%   | 109   | 143 | (24%) | 1,089  | 1,433 | (24%) |
| Life            | 11     | 10    | 10%   | 22 | 24 | (8%) | 23    | 25  | (8%)  | 166    | 173   | (4%)  |
| Variable        |        |       |       |    |    |      |       |     |       |        |       |       |
| Annuities       | 9,481  | 6,389 | 48%   | -  | -  | 0%   | 948   | 639 | 48%   | 9,481  | 6,389 | 48%   |
| Total US        |        |       |       |    |    |      |       |     |       |        |       |       |
| Insurance       |        |       |       |    |    |      |       |     |       |        |       |       |
| Operations      | 11,417 | 8,885 | 29%   | 22 | 24 | (8%) | 1,164 | 912 | 28%   | 11,572 | 9,048 | 28%   |

UK & Europe  
Insurance

Operations  
Direct and  
Partnership

|                  |        |        |        |       |       |     |       |       |        |        |        |        |
|------------------|--------|--------|--------|-------|-------|-----|-------|-------|--------|--------|--------|--------|
| Annuities        | 593    | 590    | 1%     | -     | -     | 0%  | 59    | 59    | 0%     | 593    | 590    | 1%     |
| Intermediated    |        |        |        |       |       |     |       |       |        |        |        |        |
| Annuities        | 221    | 242    | (9%)   | -     | -     | 0%  | 22    | 24    | (8%)   | 221    | 242    | (9%)   |
| Internal Vesting |        |        |        |       |       |     |       |       |        |        |        |        |
| Annuities        | 1,235  | 1,357  | (9%)   | -     | -     | 0%  | 124   | 136   | (9%)   | 1,235  | 1,357  | (9%)   |
| Total Individual |        |        |        |       |       |     |       |       |        |        |        |        |
| Annuities        | 2,049  | 2,189  | (6%)   | -     | -     | 0%  | 205   | 219   | (6%)   | 2,049  | 2,189  | (6%)   |
| Corporate        |        |        |        |       |       |     |       |       |        |        |        |        |
| Pensions         | 228    | 192    | 19%    | 198   | 191   | 4%  | 221   | 210   | 5%     | 1,099  | 1,007  | 9%     |
| On-shore Bonds   | 1,660  | 1,444  | 15%    | -     | -     | 0%  | 166   | 145   | 15%    | 1,660  | 1,444  | 15%    |
| Other Products   | 774    | 881    | (12%)  | 56    | 55    | 2%  | 133   | 143   | (7%)   | 1,089  | 1,200  | (9%)   |
| Wholesale        | 945    | 62     | 1,424% | -     | -     | 0%  | 95    | 6     | 1,483% | 945    | 62     | 1,424% |
| Total UK &       |        |        |        |       |       |     |       |       |        |        |        |        |
| Europe Insurance |        |        |        |       |       |     |       |       |        |        |        |        |
| Ops              | 5,656  | 4,768  | 19%    | 254   | 246   | 3%  | 820   | 723   | 13%    | 6,842  | 5,902  | 16%    |
| Group Total - ex |        |        |        |       |       |     |       |       |        |        |        |        |
| Japan            | 18,177 | 14,438 | 26%    | 1,667 | 1,401 | 19% | 3,485 | 2,844 | 23%    | 25,907 | 20,932 | 24%    |

The Prudential's European operation is based in Ireland and sells products into Jersey, Guernsey, Isle of Man, Gibraltar, Cyprus, Malta, Belgium, Spain and UK.

Schedule 8(b) - Current Exchange Rates  
Prudential plc - NEW BUSINESS -2010  
INSURANCE OPERATIONS

| Single | 2010<br>YTD | 2009<br>YTD +/- (%) | Regular     |             |            | Annual<br>Equivalents(3) |                     |             | PVNBP       |            |  |
|--------|-------------|---------------------|-------------|-------------|------------|--------------------------|---------------------|-------------|-------------|------------|--|
|        |             |                     | 2010<br>YTD | 2009<br>YTD | +/-<br>(%) | 2010<br>YTD              | 2009<br>YTD +/- (%) | 2010<br>YTD | 2009<br>YTD | +/-<br>(%) |  |

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|                                  | £m     | £m     | £m    | £m    | £m    | £m    | £m    | £m    | £m    | £m     | £m     | £m    |
|----------------------------------|--------|--------|-------|-------|-------|-------|-------|-------|-------|--------|--------|-------|
| Group Insurance Operations       |        |        |       |       |       |       |       |       |       |        |        |       |
| Asia - ex                        |        |        |       |       |       |       |       |       |       |        |        |       |
| Japan(1b)                        | 1,104  | 840    | 31%   | 1,391 | 1,216 | 14%   | 1,501 | 1,300 | 15%   | 7,493  | 6,407  | 17%   |
| US(1b)                           | 11,417 | 9,000  | 27%   | 22    | 24    | (8%)  | 1,164 | 924   | 26%   | 11,572 | 9,165  | 26%   |
| UK                               | 5,656  | 4,768  | 19%   | 254   | 246   | 3%    | 820   | 723   | 13%   | 6,842  | 5,902  | 16%   |
| Group Total - ex                 |        |        |       |       |       |       |       |       |       |        |        |       |
| Japan                            | 18,177 | 14,608 | 24%   | 1,667 | 1,486 | 12%   | 3,485 | 2,947 | 18%   | 25,907 | 21,474 | 21%   |
| Japan                            | 13     | 61     | (79%) | 6     | 50    | (88%) | 7     | 56    | (88%) | 39     | 284    | (86%) |
| Group Total                      | 18,190 | 14,669 | 24%   | 1,673 | 1,536 | 9%    | 3,492 | 3,003 | 16%   | 25,946 | 21,758 | 19%   |
| Asian Insurance Operations(1b)   |        |        |       |       |       |       |       |       |       |        |        |       |
| Hong Kong                        | 107    | 95     | 13%   | 276   | 234   | 18%   | 287   | 244   | 18%   | 1,693  | 1,429  | 18%   |
| Indonesia                        | 141    | 47     | 200%  | 269   | 214   | 26%   | 283   | 219   | 29%   | 1,011  | 773    | 31%   |
| Malaysia                         | 58     | 70     | (17%) | 198   | 156   | 27%   | 204   | 163   | 25%   | 1,153  | 901    | 28%   |
| Philippines                      | 64     | 14     | 357%  | 17    | 11    | 55%   | 23    | 12    | 92%   | 108    | 42     | 157%  |
| Singapore                        | 318    | 320    | (1%)  | 143   | 106   | 35%   | 175   | 138   | 27%   | 1,357  | 1,115  | 22%   |
| Thailand                         | 15     | 16     | (6%)  | 25    | 15    | 67%   | 26    | 17    | 53%   | 100    | 59     | 69%   |
| Vietnam                          | 1      | 1      | 0%    | 41    | 33    | 24%   | 41    | 33    | 24%   | 148    | 121    | 22%   |
| SE Asia Operations inc.          |        |        |       |       |       |       |       |       |       |        |        |       |
| Hong Kong                        | 704    | 563    | 25%   | 969   | 769   | 26%   | 1,039 | 826   | 26%   | 5,570  | 4,440  | 25%   |
| China(8)                         | 103    | 74     | 39%   | 48    | 39    | 23%   | 58    | 46    | 26%   | 336    | 259    | 30%   |
| India(5)                         | 85     | 51     | 67%   | 180   | 174   | 3%    | 188   | 179   | 5%    | 582    | 622    | (6%)  |
| Korea                            | 66     | 42     | 57%   | 89    | 131   | (32%) | 96    | 135   | (29%) | 486    | 633    | (23%) |
| Taiwan                           | 146    | 110    | 33%   | 105   | 103   | 2%    | 120   | 114   | 5%    | 519    | 453    | 15%   |
| Total Asia Operations - ex       |        |        |       |       |       |       |       |       |       |        |        |       |
| Japan                            | 1,104  | 840    | 31%   | 1,391 | 1,216 | 14%   | 1,501 | 1,300 | 15%   | 7,493  | 6,407  | 17%   |
| US Insurance Operations(1b)      |        |        |       |       |       |       |       |       |       |        |        |       |
| Fixed Annuities                  | 836    | 1,067  | (22%) | -     | -     | 0%    | 84    | 107   | (21%) | 836    | 1,067  | (22%) |
| Fixed Index Annuities            | 1,089  | 1,452  | (25%) | -     | -     | 0%    | 109   | 145   | (25%) | 1,089  | 1,452  | (25%) |
| Life                             | 11     | 10     | 10%   | 22    | 24    | (8%)  | 23    | 25    | (8%)  | 166    | 175    | (5%)  |
| Variable Annuities               | 9,481  | 6,471  | 47%   | -     | -     | 0%    | 948   | 647   | 47%   | 9,481  | 6,471  | 47%   |
| Total US Insurance Operations    |        |        |       |       |       |       |       |       |       |        |        |       |
| Operations                       | 11,417 | 9,000  | 27%   | 22    | 24    | (8%)  | 1,164 | 924   | 26%   | 11,572 | 9,165  | 26%   |
| UK & Europe Insurance Operations |        |        |       |       |       |       |       |       |       |        |        |       |
| Direct and Partnership Annuities | 593    | 590    | 1%    | -     | -     | 0%    | 59    | 59    | 0%    | 593    | 590    | 1%    |
|                                  | 221    | 242    | (9%)  | -     | -     | 0%    | 22    | 24    | (8%)  | 221    | 242    | (9%)  |

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|                                 |        |        |        |       |       |     |       |       |        |        |        |        |
|---------------------------------|--------|--------|--------|-------|-------|-----|-------|-------|--------|--------|--------|--------|
| Intermediated Annuities         |        |        |        |       |       |     |       |       |        |        |        |        |
| Internal Vesting Annuities      | 1,235  | 1,357  | (9%)   | -     | -     | 0%  | 124   | 136   | (9%)   | 1,235  | 1,357  | (9%)   |
| Total Individual Annuities      | 2,049  | 2,189  | (6%)   | -     | -     | 0%  | 205   | 219   | (6%)   | 2,049  | 2,189  | (6%)   |
| Corporate Pensions              | 228    | 192    | 19%    | 198   | 191   | 4%  | 221   | 210   | 5%     | 1,099  | 1,007  | 9%     |
| On-shore Bonds                  | 1,660  | 1,444  | 15%    | -     | -     | 0%  | 166   | 145   | 15%    | 1,660  | 1,444  | 15%    |
| Other Products                  | 774    | 881    | (12%)  | 56    | 55    | 2%  | 133   | 143   | (7%)   | 1,089  | 1,200  | (9%)   |
| Wholesale                       | 945    | 62     | 1,424% | -     | -     | 0%  | 95    | 6     | 1,483% | 945    | 62     | 1,424% |
| Total UK & Europe Insurance Ops | 5,656  | 4,768  | 19%    | 254   | 246   | 3%  | 820   | 723   | 13%    | 6,842  | 5,902  | 16%    |
| Group Total - ex Japan          | 18,177 | 14,608 | 24%    | 1,667 | 1,486 | 12% | 3,485 | 2,947 | 18%    | 25,907 | 21,474 | 21%    |

Schedule 8(c) - Reported Exchange Rates

PRUDENTIAL PLC - NEW BUSINESS - 2010

TOTAL INSURANCE NEW BUSINESS APE - BY QUARTER

|   | 2009 |     |     |     | 2010 |     |     |       |
|---|------|-----|-----|-----|------|-----|-----|-------|
|   | Q1   | Q2  | Q3  | Q4  | Q1   | Q2  | Q3  | Q4    |
|   | £m   | £m  | £m  | £m  | £m   | £m  | £m  | £m    |
| Group Insurance Operations                  |      |     |     |     |      |     |     |       |
| Asia - ex Japan(1a)(7)                      | 276  | 248 | 282 | 403 | 359  | 354 | 353 | 435   |
| US(1a)(7)                                   | 184  | 208 | 249 | 272 | 255  | 305 | 290 | 314   |
| UK  | 180  | 197 | 158 | 189 | 193  | 189 | 166 | 272   |
| Group Total - ex Japan                      | 640  | 652 | 689 | 864 | 807  | 848 | 809 | 1,021 |
| Japan(1a)(7)                                | 17   | 12  | 11  | 12  | 7    | -   | -   | -     |
| Group Total                                 | 656  | 664 | 700 | 876 | 814  | 848 | 809 | 1,021 |
| Asian Insurance Operations(1a)(7)           |      |     |     |     |      |     |     |       |
| Hong Kong                                   | 46   | 49  | 55  | 91  | 68   | 62  | 65  | 92    |
| Indonesia                                   | 38   | 46  | 43  | 64  | 61   | 68  | 59  | 95    |
| Malaysia                                    | 24   | 29  | 32  | 62  | 36   | 41  | 52  | 75    |
| Philippines                                 | 2    | 2   | 3   | 4   | 5    | 5   | 6   | 7     |
| Singapore                                   | 22   | 30  | 29  | 48  | 33   | 42  | 43  | 57    |
| Thailand                                    | 4    | 3   | 4   | 4   | 5    | 8   | 7   | 6     |
| Vietnam                                     | 5    | 9   | 9   | 11  | 8    | 10  | 10  | 13    |
| SE Asia Operations inc. Hong Kong           | 141  | 168 | 175 | 284 | 216  | 236 | 242 | 345   |
| China(8)                                    | 11   | 11  | 13  | 11  | 14   | 13  | 15  | 16    |
| India(5)                                    | 56   | 20  | 40  | 52  | 73   | 46  | 48  | 21    |
| Korea                                       | 37   | 29  | 30  | 26  | 22   | 24  | 23  | 27    |
| Taiwan                                      | 31   | 20  | 26  | 30  | 34   | 35  | 25  | 26    |
| Total Asian Insurance Operations - ex Japan | 276  | 248 | 282 | 403 | 359  | 354 | 353 | 435   |

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|                             |     |     |     |     |     |     |     |       |
|-----------------------------|-----|-----|-----|-----|-----|-----|-----|-------|
| US Insurance                |     |     |     |     |     |     |     |       |
| Operations(1a)(7)           |     |     |     |     |     |     |     |       |
| Fixed Annuities             | 48  | 22  | 14  | 21  | 18  | 24  | 24  | 18    |
| Fixed Index Annuities       | 25  | 33  | 48  | 38  | 30  | 30  | 24  | 25    |
| Life                        | 6   | 6   | 6   | 6   | 6   | 5   | 6   | 6     |
| Variable Annuities          | 105 | 147 | 180 | 207 | 201 | 246 | 236 | 265   |
| Total US Insurance          |     |     |     |     |     |     |     |       |
| Operations                  | 184 | 208 | 249 | 272 | 255 | 305 | 290 | 314   |
| UK & Europe Insurance       |     |     |     |     |     |     |     |       |
| Operations                  |     |     |     |     |     |     |     |       |
| Direct and Partnership      |     |     |     |     |     |     |     |       |
| Annuities                   | 13  | 14  | 15  | 17  | 20  | 16  | 14  | 9     |
| Intermediated Annuities     | 6   | 8   | 6   | 5   | 6   | 6   | 5   | 5     |
| Internal Vesting annuities  | 39  | 34  | 30  | 33  | 33  | 31  | 29  | 31    |
| Total Individual Annuities  | 58  | 56  | 50  | 55  | 59  | 53  | 48  | 45    |
| Corporate Pensions          | 52  | 62  | 41  | 55  | 60  | 62  | 48  | 51    |
| On-shore Bonds              | 34  | 42  | 34  | 35  | 33  | 36  | 41  | 56    |
| Other Products              | 35  | 35  | 33  | 41  | 40  | 38  | 27  | 28    |
| Wholesale                   | 1   | 1   | 1   | 3   | 1   | -   | 2   | 92    |
| Total UK & Europe Insurance |     |     |     |     |     |     |     |       |
| Operations                  | 180 | 197 | 158 | 189 | 193 | 189 | 166 | 272   |
| Group Total - ex Japan      | 640 | 652 | 689 | 864 | 807 | 848 | 809 | 1,021 |

Schedule 8(d) - Current Exchange Rates

PRUDENTIAL PLC - NEW BUSINESS - 2010

TOTAL INSURANCE NEW BUSINESS APE - BY QUARTER

|                            | 2009 |     |     |     | 2010 |     |     |       |
|----------------------------|------|-----|-----|-----|------|-----|-----|-------|
|                            | Q1   | Q2  | Q3  | Q4  | Q1   | Q2  | Q3  | Q4    |
|                            | £m   | £m  | £m  | £m  | £m   | £m  | £m  | £m    |
| Group Insurance Operations |      |     |     |     |      |     |     |       |
| Asia - ex Japan(1b)(7)     | 285  | 267 | 314 | 434 | 359  | 354 | 353 | 435   |
| US(1b)(7)                  | 171  | 207 | 261 | 285 | 255  | 305 | 290 | 314   |
| UK                         | 180  | 197 | 158 | 189 | 193  | 189 | 166 | 272   |
| Group Total - ex Japan     | 636  | 671 | 733 | 908 | 807  | 848 | 809 | 1,021 |
| Japan(1b)(7)               | 17   | 14  | 13  | 13  | 7    | -   | -   | -     |
| Group Total                | 653  | 685 | 746 | 921 | 814  | 848 | 809 | 1,021 |

Asian Insurance

Operations(1b)(7)

|             |    |    |    |    |    |    |    |    |
|-------------|----|----|----|----|----|----|----|----|
| Hong Kong   | 43 | 49 | 58 | 94 | 68 | 62 | 65 | 92 |
| Indonesia   | 45 | 53 | 50 | 71 | 61 | 68 | 59 | 95 |
| Malaysia    | 25 | 32 | 36 | 70 | 36 | 41 | 52 | 75 |
| Philippines | 2  | 2  | 3  | 5  | 5  | 5  | 6  | 7  |
| Singapore   | 22 | 32 | 32 | 52 | 33 | 42 | 43 | 57 |
| Thailand    | 4  | 4  | 5  | 4  | 5  | 8  | 7  | 6  |
| Vietnam     | 5  | 8  | 9  | 11 | 8  | 10 | 10 | 13 |

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|   |     |     |     |     |     |     |     |       |
|---|-----|-----|-----|-----|-----|-----|-----|-------|
| SE Asia Operations inc. Hong Kong           | 146 | 180 | 193 | 307 | 216 | 236 | 242 | 345   |
| China(8)                                    | 10  | 11  | 13  | 12  | 14  | 13  | 15  | 16    |
| India(5)                                    | 56  | 23  | 45  | 55  | 73  | 46  | 48  | 21    |
| Korea                                       | 42  | 32  | 34  | 27  | 22  | 24  | 23  | 27    |
| Taiwan                                      | 31  | 21  | 29  | 33  | 34  | 35  | 25  | 26    |
| Total Asian Insurance Operations - ex Japan | 285 | 267 | 314 | 434 | 359 | 354 | 353 | 435   |
| US Insurance Operations(1b)(7)              |     |     |     |     |     |     |     |       |
| Fixed Annuities                             | 45  | 23  | 16  | 23  | 18  | 24  | 24  | 18    |
| Fixed Index Annuities                       | 23  | 33  | 50  | 39  | 30  | 30  | 24  | 25    |
| Life  | 6   | 6   | 6   | 7   | 6   | 5   | 6   | 6     |
| Variable Annuities                          | 97  | 145 | 189 | 216 | 201 | 246 | 236 | 265   |
| Total US Insurance Operations               | 171 | 207 | 261 | 285 | 255 | 305 | 290 | 314   |
| UK & Europe Insurance Operations            |     |     |     |     |     |     |     |       |
| Direct and Partnership Annuities            | 13  | 14  | 15  | 17  | 20  | 16  | 14  | 9     |
| Intermediated Annuities                     | 6   | 8   | 6   | 5   | 6   | 6   | 5   | 5     |
| Internal Vesting annuities                  | 39  | 34  | 30  | 33  | 33  | 31  | 29  | 31    |
| Total Individual Annuities                  | 58  | 56  | 50  | 55  | 59  | 53  | 48  | 45    |
| Corporate Pensions                          | 52  | 62  | 41  | 55  | 60  | 62  | 48  | 51    |
| On-shore Bonds                              | 34  | 42  | 34  | 35  | 33  | 36  | 41  | 56    |
| Other Products                              | 35  | 35  | 33  | 41  | 40  | 38  | 27  | 28    |
| Wholesale                                   | 1   | 1   | 1   | 3   | 1   | -   | 2   | 92    |
| Total UK & Europe Insurance Operations      | 180 | 197 | 158 | 189 | 193 | 189 | 166 | 272   |
| Group Total - ex Japan                      | 636 | 671 | 733 | 908 | 807 | 848 | 809 | 1,021 |

Schedule 8 (e) - Reported Exchange Rates  
PRUDENTIAL PLC - NEW BUSINESS - 2010  
INVESTMENT OPERATIONS - BY QUARTER

|                                   | 2009     |          |          |          | 2010     |          |          |          |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                   | Q1<br>£m | Q2<br>£m | Q3<br>£m | Q4<br>£m | Q1<br>£m | Q2<br>£m | Q3<br>£m | Q4<br>£m |
| Group Investment Operations       |          |          |          |          |          |          |          |          |
| Opening FUM                       | 62,279   | 61,703   | 72,336   | 85,016   | 89,780   | 96,746   | 96,015   | 104,451  |
| Net Flows                         | 2,725    | 7,344    | 2,898    | 2,450    | 1,203    | 3,173    | 1,802    | 2,712    |
| - Gross Inflows                   | 19,154   | 25,567   | 26,394   | 24,942   | 24,173   | 27,182   | 25,727   | 29,887   |
| - Redemptions                     | (16,429) | (18,223) | (23,496) | (22,492) | (22,970) | (24,009) | (23,925) | (27,175) |
| Other Movements                   | (3,301)  | 3,289    | 9,782    | 2,314    | 5,763    | (3,904)  | 6,634    | 4,211    |
| Total Group Investment Operations | 61,703   | 72,336   | 85,016   | 89,780   | 96,746   | 96,015   | 104,451  | 111,374  |

M&G

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|                                    |          |          |          |          |          |          |          |          |
|------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Retail                             |          |          |          |          |          |          |          |          |
| Opening FUM                        | 19,142   | 19,671   | 23,324   | 28,504   | 31,059   | 34,069   | 33,724   | 38,232   |
| Net Flows                          | 2,207    | 1,863    | 1,656    | 1,790    | 1,454    | 1,922    | 1,742    | 2,298    |
| - Gross Inflows                    | 3,325    | 3,126    | 3,315    | 3,802    | 4,190    | 4,450    | 3,986    | 5,285    |
| - Redemptions                      | (1,118)  | (1,263)  | (1,659)  | (2,012)  | (2,736)  | (2,528)  | (2,244)  | (2,987)  |
| Other Movements                    | (1,678)  | 1,790    | 3,524    | 765      | 1,556    | (2,267)  | 2,766    | 1,976    |
| Closing FUM                        | 19,671   | 23,324   | 28,504   | 31,059   | 34,069   | 33,724   | 38,232   | 42,506   |
| Institutional(4)                   |          |          |          |          |          |          |          |          |
| Opening FUM                        | 27,855   | 26,865   | 32,597   | 37,731   | 39,247   | 42,155   | 41,946   | 44,694   |
| Net Flows                          | 336      | 4,219    | 856      | 551      | 435      | 863      | (206)    | 597      |
| - Gross Inflows                    | 1,083    | 5,097    | 2,495    | 2,632    | 2,151    | 2,581    | 1,630    | 2,099    |
| - Redemptions                      | (747)    | (878)    | (1,639)  | (2,081)  | (1,716)  | (1,718)  | (1,836)  | (1,502)  |
| Other Movements                    | (1,326)  | 1,513    | 4,278    | 965      | 2,473    | (1,072)  | 2,954    | 1,529    |
| Closing FUM                        | 26,865   | 32,597   | 37,731   | 39,247   | 42,155   | 41,946   | 44,694   | 46,820   |
| Total M&G Investment Operations    |          |          |          |          |          |          |          |          |
|                                    | 46,536   | 55,921   | 66,235   | 70,306   | 76,224   | 75,670   | 82,926   | 89,326   |
| Asia                               |          |          |          |          |          |          |          |          |
| Equity/Bond/Other(9)               |          |          |          |          |          |          |          |          |
| Opening FUM                        | 10,570   | 10,038   | 10,636   | 12,492   | 13,122   | 14,923   | 14,497   | 15,825   |
| Net Flows                          | (370)    | 174      | 322      | 57       | 166      | 1,031    | 446      | 103      |
| - Gross Inflows                    | 911      | 1,083    | 1,725    | 1,512    | 1,713    | 3,414    | 3,248    | 3,423    |
| - Redemptions                      | (1,281)  | (909)    | (1,403)  | (1,455)  | (1,547)  | (2,383)  | (2,802)  | (3,320)  |
| Other Movements                    | (162)    | 424      | 1,534    | 573      | 1,635    | (1,457)  | 882      | 430      |
| Closing FUM                        | 10,038   | 10,636   | 12,492   | 13,122   | 14,923   | 14,497   | 15,825   | 16,358   |
| Third Party Institutional Mandates |          |          |          |          |          |          |          |          |
| Opening FUM                        | 789      | 799      | 859      | 1,008    | 1,450    | 1,549    | 1,604    | 1,680    |
| Net Flows                          | 1        | 2        | (2)      | 372      | 5        | 125      | (39)     | -        |
| - Gross Inflows                    | 24       | 10       | 5        | 378      | 12       | 137      | 14       | 12       |
| - Redemptions                      | (23)     | (8)      | (7)      | (6)      | (7)      | (12)     | (53)     | (12)     |
| Other Movements                    | 9        | 58       | 151      | 70       | 94       | (70)     | 115      | 127      |
| Closing FUM                        | 799      | 859      | 1,008    | 1,450    | 1,549    | 1,604    | 1,680    | 1,807    |
| MMF                                |          |          |          |          |          |          |          |          |
| Opening FUM                        | 3,873    | 4,286    | 4,882    | 5,281    | 4,902    | 4,050    | 4,244    | 4,020    |
| Net Flows                          | 554      | 1,095    | 115      | (321)    | (857)    | (768)    | (141)    | (286)    |
| - Gross Inflows                    | 13,808   | 16,248   | 18,854   | 16,618   | 16,107   | 16,600   | 16,849   | 19,068   |
| - Redemptions                      | (13,254) | (15,153) | (18,739) | (16,939) | (16,964) | (17,368) | (16,990) | (19,354) |
| Other Movements                    | (141)    | (499)    | 284      | (58)     | 5        | 962      | (83)     | 149      |
| Closing FUM                        | 4,286    | 4,882    | 5,281    | 4,902    | 4,050    | 4,244    | 4,020    | 3,883    |
| Total Asian Investment Operations  |          |          |          |          |          |          |          |          |
|                                    | 15,123   | 16,377   | 18,781   | 19,474   | 20,522   | 20,345   | 21,525   | 22,048   |

US

## Retail

|                      |       |       |       |       |       |       |       |       |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Opening FUM          | 50    | 44    | 38    | -     | -     | -     | -     | -     |
| Net Flows            | (3)   | (9)   | (49)  | 1     | -     | -     | -     | -     |
| - Gross Inflows      | 3     | 3     | -     | -     | -     | -     | -     | -     |
| - Redemptions        | (6)   | (12)  | (49)  | 1     | -     | -     | -     | -     |
| Other Movements      | (3)   | 3     | 11    | (1)   | -     | -     | -     | -     |
| Closing FUM          | 44    | 38    | -     | -     | -     | -     | -     | -     |
| Curian Capital - FUM | 1,613 | 1,646 | 2,041 | 2,260 | 2,708 | 2,781 | 3,038 | 3,457 |

## Schedule 8 (f) - Reported Exchange Rates

PRUDENTIAL PLC - NEW BUSINESS - 2010

TOTAL INSURANCE NEW BUSINESS PROFIT AND MARGIN (% APE AND % PVNBP)

|   | 2009  |       |       |       | 2010  |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
|   | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    |
|   | YTD   | YTD   | YTD   | YTD   | YTD   | YTD   | YTD   | YTD   |
|   | £m    | £m    | £m    | £m    | £m    | £m    | £m    | £m    |
| Annual Equivalent(3)                        |       |       |       |       |       |       |       |       |
| Total Asian Insurance Operations - ex Japan | 276   | 524   | 806   | 1,209 | 359   | 713   | 1,066 | 1,501 |
| Total US Insurance Operations               | 184   | 392   | 640   | 912   | 255   | 560   | 850   | 1,164 |
| Total UK & Europe Insurance Operations      | 180   | 376   | 534   | 723   | 193   | 382   | 548   | 820   |
| Group Total - ex Japan                      | 640   | 1,292 | 1,980 | 2,844 | 807   | 1,655 | 2,464 | 3,485 |
| Japan                                       | 17    | 29    | 40    | 52    | 7     | 7     | 7     | 7     |
| Group Total                                 | 657   | 1,321 | 2,020 | 2,896 | 814   | 1,662 | 2,471 | 3,492 |
| New business profit(2)                      |       |       |       |       |       |       |       |       |
| Total Asian Insurance Operations - ex Japan | 136   | 286   | 465   | 725   | 183   | 396   | 621   | 902   |
| Total US Insurance Operations               | 140   | 292   | 482   | 664   | 175   | 361   | 532   | 761   |
| Total UK & Europe Insurance Operations      | 60    | 122   | 169   | 230   | 69    | 135   | 192   | 365   |
| Group Total - ex Japan                      | 336   | 700   | 1,116 | 1,619 | 427   | 892   | 1,345 | 2,028 |
| Japan                                       | (4)   | (9)   | (12)  | (12)  | (1)   | (1)   | (1)   | (1)   |
| Group Total                                 | 332   | 691   | 1,104 | 1,607 | 426   | 891   | 1,344 | 2,027 |
| New business margin (% of APE)              |       |       |       |       |       |       |       |       |
| Total Asian Insurance Operations - ex Japan | 49%   | 55%   | 58%   | 60%   | 51%   | 56%   | 58%   | 60%   |
| Total US Insurance Operations               | 76%   | 74%   | 75%   | 73%   | 69%   | 64%   | 63%   | 65%   |
| Total UK & Europe Insurance Operations      | 33%   | 32%   | 32%   | 32%   | 36%   | 35%   | 35%   | 45%   |
| Group Total - ex Japan                      | 53%   | 54%   | 56%   | 57%   | 53%   | 54%   | 55%   | 58%   |
| Japan                                       | (24%) | (31%) | (30%) | (23%) | (14%) | (14%) | (14%) | (14%) |
| Group Total                                 | 51%   | 52%   | 55%   | 56%   | 52%   | 54%   | 54%   | 58%   |



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PVNB(3)

|  |       |       |        |        |       |        |        |        |
|--|-------|-------|--------|--------|-------|--------|--------|--------|
| Total Asian Insurance Operations -<br>ex Japan | 1,297 | 2,551 | 3,987  | 5,982  | 1,581 | 3,316  | 5,071  | 7,493  |
| Total US Insurance Operations                  | 1,840 | 3,889 | 6,360  | 9,048  | 2,538 | 5,569  | 8,457  | 11,572 |
| Total UK & Europe Insurance<br>Operations      | 1,490 | 3,062 | 4,372  | 5,902  | 1,557 | 3,081  | 4,463  | 6,842  |
| Group Total - ex Japan                         | 4,627 | 9,502 | 14,719 | 20,932 | 5,676 | 11,966 | 17,991 | 25,907 |
| Japan  | 82    | 155   | 212    | 263    | 32    | 34     | 36     | 39     |
| Group Total                                    | 4,709 | 9,657 | 14,931 | 21,195 | 5,708 | 12,000 | 18,027 | 25,946 |

New business profit(2)

|  |     |     |       |       |     |     |       |       |
|--|-----|-----|-------|-------|-----|-----|-------|-------|
| Total Asian Insurance Operations -<br>ex Japan | 136 | 286 | 465   | 725   | 183 | 396 | 621   | 902   |
| Total US Insurance Operations                  | 140 | 292 | 482   | 664   | 175 | 361 | 532   | 761   |
| Total UK & Europe Insurance<br>Operations      | 60  | 122 | 169   | 230   | 69  | 135 | 192   | 365   |
| Group Total - ex Japan                         | 336 | 700 | 1,116 | 1,619 | 427 | 892 | 1,345 | 2,028 |
| Japan  | (4) | (9) | (12)  | (12)  | (1) | (1) | (1)   | (1)   |
| Group Total                                    | 332 | 691 | 1,104 | 1,607 | 426 | 891 | 1,344 | 2,027 |

New business margin (% of  
PVNB(3))

|  |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| Total Asian Insurance Operations -<br>ex Japan | 10.5%  | 11.2%  | 11.7%  | 12.1%  | 11.6%  | 11.9%  | 12.2%  | 12.0%  |
| Total US Insurance Operations                  | 7.6%   | 7.5%   | 7.6%   | 7.3%   | 6.9%   | 6.5%   | 6.3%   | 6.6%   |
| Total UK & Europe Insurance<br>Operations      | 4.0%   | 4.0%   | 3.9%   | 3.9%   | 4.4%   | 4.4%   | 4.3%   | 5.3%   |
| Group Total - ex Japan                         | 7.3%   | 7.4%   | 7.6%   | 7.7%   | 7.5%   | 7.5%   | 7.5%   | 7.8%   |
| Japan  | (4.9%) | (5.8%) | (5.7%) | (4.6%) | (3.1%) | (2.9%) | (2.8%) | (2.6%) |
| Group Total                                    | 7.1%   | 7.2%   | 7.4%   | 7.6%   | 7.5%   | 7.4%   | 7.5%   | 7.8%   |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date 09 March 2011

PRUDENTIAL PUBLIC LIMITED COMPANY

By: /s/ Clive Burns

Clive Burns  
Head of Group Secretariat