

PRUDENTIAL PLC
Form 6-K
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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, 2016

PRUDENTIAL PUBLIC LIMITED COMPANY

(Translation of registrant's name into English)

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

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

Form 20-F Form 40-F

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

Yes No

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

European Embedded Value (EEV) Basis Results

POST-TAX OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS

Results analysis by business area

| | Note | 2015 £m | 2014 £m note (iii) |
|--|-----------|---------|-----------------------|
| Asia operations | | | |
| New business | 3 | 1,490 | 1,162 |
| Business in force | 4 | 831 | 738 |
| Long-term business | | 2,321 | 1,900 |
| Eastspring Investments | | 101 | 78 |
| Total | | 2,422 | 1,978 |
| US operations | | | |
| New business | 3 | 809 | 694 |
| Business in force | 4 | 999 | 834 |
| Long-term business | | 1,808 | 1,528 |
| Broker-dealer and asset management | | 7 | 6 |
| Total | | 1,815 | 1,534 |
| UK operations* | | | |
| New business | 3 | 318 | 259 |
| Business in force | 4 | 545 | 476 |
| Long-term business | | 863 | 735 |
| General insurance commission | | 22 | 19 |
| Total UK insurance operations | | 885 | 754 |
| M&G | | 358 | 353 |
| Prudential Capital | | 18 | 33 |
| Total | | 1,261 | 1,140 |
| Other income and expenditure | note (i) | (566) | (531) |
| Solvency II and restructuring costs | note (ii) | (51) | (36) |
| Results of the sold PruHealth and PruProtect businesses | | - | 11 |
| Operating profit based on longer-term investment returns | | 4,881 | 4,096 |
| Analysed as profit (loss) from: | | | |
| New business* | 3 | 2,617 | 2,115 |
| Business in force* | 4 | 2,375 | 2,048 |
| Long-term business* | | 4,992 | 4,163 |
| Asset management | | 484 | 470 |
| Other results | | (595) | (537) |
| | | 4,881 | 4,096 |

*In order to show the UK long-term business on a comparable basis, the 2014 comparative results exclude the contribution from the sold PruHealth and PruProtect businesses which is shown separately.

Notes

(i) EEV basis other income and expenditure represents the post-tax IFRS basis result less the unwind of expected margins on the internal management of the assets of the covered business (as explained in note 13(a)(vii)) and an adjustment for the shareholders' share of the pension costs attributable to the with-profits business.

(ii)

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Solvency II and restructuring costs comprise the net of tax charge recognised on an IFRS basis and the additional amount recognised on the EEV basis for the shareholders' share incurred by the PAC with-profits fund.

(iii) The comparative results have been prepared using previously reported average exchange rates for the year.

Basic earnings per share

| | 2015 | 2014 |
|--|--------|--------|
| Based on post-tax operating profit including longer-term investment returns (in pence) | 191.2p | 160.7p |
| Based on post-tax profit attributable to equity holders of the Company (in pence) | 154.8p | 170.4p |
| Average number of shares (millions) | 2,553 | 2,549 |

POST-TAX SUMMARISED CONSOLIDATED
INCOME STATEMENT

| | Note | 2015 £m | 2014 £m |
|---|------|---------|---------|
| Asia operations | | 2,422 | 1,978 |
| US operations | | 1,815 | 1,534 |
| UK operations* | | 1,261 | 1,140 |
| Other income and expenditure | | (566) | (531) |
| Solvency II and restructuring costs | | (51) | (36) |
| Results of the sold PruHealth and PruProtect businesses | | - | 11 |
| Operating profit based on longer-term investment returns | | 4,881 | 4,096 |
| Short-term fluctuations in investment returns | 5 | (1,208) | 763 |
| Effect of changes in economic assumptions | 6 | 57 | (369) |
| Mark to market value movements on core borrowings | | 221 | (187) |
| Gain on sale of PruHealth and PruProtect** | | - | 44 |
| Costs of domestication of Hong Kong branch | | - | (4) |
| Total non-operating (loss) profit | | (930) | 247 |
| Profit for the year attributable to equity holders of the Company | | 3,951 | 4,343 |

*In order to show the UK long-term business on a comparable basis, the 2014 comparative results exclude the contribution from the sold PruHealth and PruProtect businesses which is shown separately.

**In November 2014, PAC completed the sale of its 25 per cent equity stake in the PruHealth and PruProtect businesses to Discovery Group Europe Limited resulting in a gain of £44 million in 2014.

MOVEMENT IN SHAREHOLDERS' EQUITY

| | Note | 2015 £m | 2014 £m |
|--|------|---------|---------|
| Profit for the year attributable to equity shareholders | | 3,951 | 4,343 |
| Items taken directly to equity: | | | |
| Exchange movements on foreign operations and net investment hedges | | 244 | 737 |
| Dividends | | (974) | (895) |
| New share capital subscribed | | 7 | 13 |
| Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes | | 25 | (11) |
| Reserve movements in respect of share-based payments | | 39 | 106 |
| Treasury shares | | (18) | (54) |
| Mark to market value movements on Jackson assets backing surplus and required capital | | (76) | 77 |
| Net increase in shareholders' equity | 9 | 3,198 | 4,316 |

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| | | | |
|--|---|--------|--------|
| Shareholders' equity at beginning of year: | | | |
| As previously reported | 9 | 29,161 | 24,856 |
| Effect of the domestication of Hong Kong branch on 1 January 2014* | | - | (11) |
| | | 29,161 | 24,845 |
| Shareholders' equity at end of year | 9 | 32,359 | 29,161 |

*On 1 January 2014, the Hong Kong branch of PAC was transferred to separate subsidiaries established in Hong Kong. The overall EEV basis effect of £(11) million represents the cost of holding higher required capital levels in the stand-alone Hong Kong shareholder-backed long-term insurance business.

| Comprising: | 31 Dec 2015 £m | | | 31 Dec 2014 £m | | |
|-------------------------------------|---|--|---------|-------------------------------------|--|---------|
| | Long-term business operations note 9 | Asset management and other operations | Total | Long-term business operations | Asset management and other operations | Total |
| Asia operations | 13,876 | 306 | 14,182 | 12,545 | 274 | 12,819 |
| US operations | 9,487 | 182 | 9,669 | 8,379 | 157 | 8,536 |
| UK insurance operations | 9,647 | 22 | 9,669 | 8,433 | 19 | 8,452 |
| M&G | - | 1,774 | 1,774 | - | 1,572 | 1,572 |
| Prudential Capital | - | 70 | 70 | - | 74 | 74 |
| Other operations | - | (3,005) | (3,005) | - | (2,292) | (2,292) |
| Shareholders' equity at end of year | 33,010 | (651) | 32,359 | 29,357 | (196) | 29,161 |

| Representing: | 31 Dec 2015 £m | | | 31 Dec 2014 £m | | |
|--|----------------|---------|---------|----------------|---------|---------|
| Net assets excluding acquired goodwill and holding company net borrowings | 32,777 | 866 | 33,643 | 29,124 | 1,542 | 30,666 |
| Acquired goodwill | 233 | 1,230 | 1,463 | 233 | 1,230 | 1,463 |
| Holding company net borrowings at market value note 7 | - | (2,747) | (2,747) | - | (2,968) | (2,968) |
| | 33,010 | (651) | 32,359 | 29,357 | (196) | 29,161 |

SUMMARY STATEMENT OF FINANCIAL POSITION

| | Note | 31 Dec 2015 £m | 31 Dec 2014 £m |
|--|------|----------------------|----------------------|
| Total assets less liabilities, before deduction for insurance funds | | 340,666 | 326,633 |
| Less insurance funds:* | | | |
| Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds | | (327,711) | (314,822) |
| Less shareholders' accrued interest in the long-term business | | 19,404 | 17,350 |
| | | (308,307) | (297,472) |
| Total net assets | 9 | 32,359 | 29,161 |
| Share capital | | 128 | 128 |
| Share premium | | 1,915 | 1,908 |
| IFRS basis shareholders' reserves | | 10,912 | 9,775 |
| Total IFRS basis shareholders' equity | 9 | 12,955 | 11,811 |

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| | | | |
|---|---|--------|--------|
| Additional EEV basis retained profit | 9 | 19,404 | 17,350 |
| Total EEV basis shareholders' equity (excluding non-controlling interests) | 9 | 32,359 | 29,161 |
| * Including liabilities in respect of insurance products classified as investment contracts under IFRS 4. | | | |

Net asset value per share

| | | |
|---|--------|--------|
| | 31 Dec | 31 Dec |
| | 2015 | 2014 |
| Based on EEV basis shareholders' equity of £32,359 million (2014: £29,161 million) (in pence) | 1,258p | 1,136p |
| Number of issued shares at year end (millions) | 2,572 | 2,568 |
| Annualised return on embedded value* | 17% | 16% |
| * Annualised return on embedded value is based on EEV post-tax operating profit, as a percentage of opening EEV basis shareholders' equity. | | |

NOTES ON THE EEV BASIS RESULTS

1 Basis of preparation

The EEV basis results have been prepared in accordance with the EEV Principles issued by the European Insurance CFO Forum in May 2004, subsequently supplemented by Additional Guidance on EEV Disclosure issued in October 2005. The impact of Solvency II is not reflected in these results in line with the guidance issued by the CFO Forum in October 2015 (see note 15 for further details). Where appropriate, the EEV basis results include the effects of adoption of EU-endorsed IFRS.

The directors are responsible for the preparation of the supplementary information in accordance with the EEV Principles. The auditors have reported on the 2015 EEV basis results supplement to the Company's statutory accounts for 2015. Their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. Except for the change in presentation of the operating results for UK operations to show separately the contribution from the sold PruHealth and PruProtect businesses and the presentation of Prudential Capital as a separate segment, the 2014 results have been derived from the EEV basis results supplement to the Company's statutory accounts for 2014. The supplement included an unqualified audit report from the auditors.

A detailed description of the EEV methodology and accounting presentation is provided in note 13.

2 Results analysis by business area

The 2014 comparative results are shown below on both actual exchange rates (AER) and constant exchange rates (CER) bases. The 2014 CER comparative results are translated at 2015 average exchange rates.

Annual premium and contribution equivalents (APE) note 16

| | Note | 2015 £m | 2014 £m | | % change | |
|-----------------|------|---------|---------|-------|----------|-----|
| | | | AER | CER | AER | CER |
| Asia operations | | 2,853 | 2,237 | 2,267 | 28% | 26% |
| US operations | | 1,729 | 1,556 | 1,677 | 11% | 3% |
| UK operations* | | 1,025 | 834 | 834 | 23% | 23% |

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Total* 3 5,607 4,627 4,778 21% 17%

*In order to show the UK long-term business on a comparable basis, the 2014 comparative results exclude the contribution from the sold PruHealth and PruProtect businesses.

Post-tax operating profit

| | Note | 2015 £m | 2014 £m | | % change | |
|--|------|---------|---------|-------|----------|--------|
| | | | AER | CER | AER | CER |
| Asia operations | | | | | | |
| New business | 3 | 1,490 | 1,162 | 1,168 | 28% | 28% |
| Business in force | 4 | 831 | 738 | 735 | 13% | 13% |
| Long-term business | | 2,321 | 1,900 | 1,903 | 22% | 22% |
| Eastspring Investments | | 101 | 78 | 79 | 29% | 28% |
| Total | | 2,422 | 1,978 | 1,982 | 22% | 22% |
| US operations | | | | | | |
| New business | 3 | 809 | 694 | 748 | 17% | 8% |
| Business in force | 4 | 999 | 834 | 899 | 20% | 11% |
| Long-term business | | 1,808 | 1,528 | 1,647 | 18% | 10% |
| Broker-dealer and asset management | | 7 | 6 | 7 | 17% | - |
| Total | | 1,815 | 1,534 | 1,654 | 18% | 10% |
| UK operations* | | | | | | |
| New business | 3 | 318 | 259 | 259 | 23% | 23% |
| Business in force | 4 | 545 | 476 | 476 | 14% | 14% |
| Long-term business | | 863 | 735 | 735 | 17% | 17% |
| General insurance commission | | 22 | 19 | 19 | 16% | 16% |
| Total UK insurance operations | | 885 | 754 | 754 | 17% | 17% |
| M&G | | 358 | 353 | 353 | 1% | 1% |
| Prudential Capital | | 18 | 33 | 33 | (45)% | (45)% |
| Total | | 1,261 | 1,140 | 1,140 | 11% | 11% |
| Other income and expenditure | | (566) | (531) | (531) | (7)% | (7)% |
| Solvency II and restructuring costs | | (51) | (36) | (36) | (42)% | (42)% |
| Results of the sold PruHealth and PruProtect businesses | | - | 11 | 11 | (100)% | (100)% |
| Operating profit based on longer-term investment returns | | 4,881 | 4,096 | 4,220 | 19% | 16% |
| Analysed as profit (loss) from: | | | | | | |
| New business* | 3 | 2,617 | 2,115 | 2,175 | 24% | 20% |
| Business in force* | 4 | 2,375 | 2,048 | 2,110 | 16% | 13% |
| Total long-term business* | | 4,992 | 4,163 | 4,285 | 20% | 16% |
| Asset management | | 484 | 470 | 472 | 3% | 3% |
| Other results | | (595) | (537) | (537) | (11)% | (11)% |
| | | 4,881 | 4,096 | 4,220 | 19% | 16% |

* In order to show the UK long-term business on a comparable basis, the 2014 comparative results exclude the contribution from the sold PruHealth and PruProtect businesses, which is shown separately.

Post-tax profit

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| | Note | 2015 £m | 2014 £m | | % change | |
|--|------|---------|---------|-------|----------|--------|
| | | | AER | CER | AER | CER |
| Operating profit based on longer-term investment returns | | 4,881 | 4,096 | 4,220 | 19% | 16% |
| Short-term fluctuations in investment returns | 5 | (1,208) | 763 | 771 | (258)% | (257)% |
| Effect of changes in economic assumptions | 6 | 57 | (369) | (389) | 115% | 115% |
| Other non-operating profit (loss) | | 221 | (147) | (147) | 250% | 250% |
| Total non-operating (loss) profit | | (930) | 247 | 235 | (477)% | (496)% |
| Profit for the year attributable to shareholders | | 3,951 | 4,343 | 4,455 | (9)% | (11)% |

Basic earnings per share (in pence)

| | 2015 | 2014 | | % change | |
|---|--------|--------|--------|----------|-------|
| | | AER | CER | AER | CER |
| Based on post-tax operating profit including longer-term investment returns | 191.2p | 160.7p | 165.6p | 19% | 15% |
| Based on post-tax profit | 154.8p | 170.4p | 174.8p | (9)% | (11)% |

3 Analysis of new business contribution

(i) Group summary

| | 2015 | | | New business margin | |
|---------------------------|--|---|-----------------------------------|---------------------|---------|
| | Annual premium and contribution equivalents (APE) £m note 16 | Present value of new business premiums (PVNBP) £m note 16 | New business contribution £m note | APE % | PVNBP % |
| Asia operations note (ii) | 2,853 | 15,208 | 1,490 | 52 | 9.8 |
| US operations | 1,729 | 17,286 | 809 | 47 | 4.7 |
| UK insurance operations | 1,025 | 9,069 | 318 | 31 | 3.5 |
| Total | 5,607 | 41,563 | 2,617 | 47 | 6.3 |

| | 2014 | | | New business margin | |
|--|--|---|-----------------------------------|---------------------|---------|
| | Annual premium and contribution equivalents (APE) £m note 16 | Present value of new business premiums (PVNBP) £m note 16 | New business contribution £m note | APE % | PVNBP % |
| | 2,237 | 12,331 | 1,162 | 52 | 9.4 |

| | | | | | |
|--------------------------|-----------|-------|--------|-------|-----|
| Asia operations | note (ii) | | | | |
| US operations | | 1,556 | 15,555 | 694 | 45 |
| UK insurance operations* | | 834 | 7,305 | 259 | 31 |
| Total* | | 4,627 | 35,191 | 2,115 | 46 |
| | | | | | 6.0 |

*In order to show the UK long-term business on a comparable basis, the 2014 comparative results exclude the contribution from the sold PruHealth and PruProtect businesses.

Note

The increase in new business contribution of £502 million from £2,115 million for 2014 to £2,617 million for 2015 comprises an increase on a CER basis of £442 million and an increase of £60 million for foreign exchange effects. The increase of £442 million on the CER basis comprises a contribution of £377 million for higher sales volumes, a £21 million effect of higher long-term interest rates (generated by the active basis of setting economic assumptions) (analysed as Asia £(2) million, US £20 million and UK £3 million) and a £44 million impact of pricing, product and other actions.

(ii) Asia operations – new business contribution by territory

| | 2015 £m | 2014 £m | |
|-----------------------|---------|---------|-------|
| | | AER | CER |
| China | 30 | 27 | 29 |
| Hong Kong | 835 | 405 | 436 |
| India | 18 | 12 | 12 |
| Indonesia | 229 | 296 | 282 |
| Korea | 8 | 11 | 11 |
| Taiwan | 28 | 29 | 30 |
| Other | 342 | 382 | 368 |
| Total Asia operations | 1,490 | 1,162 | 1,168 |

4 Operating profit from business in force

(i) Group summary

| | 2015 £m | | | Total note |
|---|---------------------------|--------------------------|-----------------------------------|------------|
| | Asia operations note (ii) | US operations note (iii) | UK insurance operations note (iv) | |
| Unwind of discount and other expected returns | 749 | 472 | 488 | 1,709 |
| Effect of changes in operating assumptions | 12 | 115 | 55 | 182 |
| Experience variances and other items | 70 | 412 | 2 | 484 |
| Total | 831 | 999 | 545 | 2,375 |

| | 2014 £m | | | Total note |
|--|---------------------------|--------------------------|-----------------------------------|------------|
| | Asia operations note (ii) | US operations note (iii) | UK insurance operations note (iv) | |

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| | | | | |
|---|-----|-----|-----|-------|
| Unwind of discount and other expected returns | 648 | 382 | 410 | 1,440 |
| Effect of changes in operating assumptions | 52 | 86 | - | 138 |
| Experience variances and other items | 38 | 366 | 66 | 470 |
| Total | 738 | 834 | 476 | 2,048 |

Note

The movement in operating profit from business in force of £327 million from £2,048 million for 2014 to £2,375 million for 2015 comprises:

| | 2015 £m |
|---|---------|
| Increase in unwind of discount and other expected returns: | |
| Effects of changes in: | |
| Interest rates | 6 |
| Foreign exchange | 22 |
| Growth in opening value and other items | 241 |
| | 269 |
| Year-on-year change in effects of operating assumptions, experience variances and other items | 58 |
| Net increase in operating profit from business in force | 327 |

(ii) Asia operations

| | 2015 £m | 2014 £m |
|---|---------|---------|
| Unwind of discount and other expected returnsnote (a) | 749 | 648 |
| Effect of changes in operating assumptions: | | |
| Mortality and morbiditynote (b) | 63 | 27 |
| Persistency and withdrawalsnote (c) | (46) | (17) |
| Expense | (1) | (5) |
| Othernote (d) | (4) | 47 |
| | 12 | 52 |
| Experience variances and other items: | | |
| Mortality and morbiditynote (e) | 58 | 23 |
| Persistency and withdrawalsnote (f) | 20 | 44 |
| Expensenote (g) | (32) | (27) |
| Other including development expenses | 24 | (2) |
| | 70 | 38 |
| Total Asia operations | 831 | 738 |

Notes

- (a) The increase in unwind of discount and other expected returns of £101 million from £648 million for 2014 to £749 million for 2015 comprises an effect of £119 million for the growth in the opening in-force value, partially offset by a £(10) million decrease from changes in interest rates and an £(8) million decrease for foreign exchange effects.
- (b) The 2015 credit of £63 million for mortality and morbidity assumptions mainly reflects the effect of lower projected mortality rates for traditional and linked business in Malaysia. The 2014 credit of £27 million reflected a number of offsetting items, including the effect of reduced projected mortality rates in Hong Kong.
- (c) The 2015 charge of £(46) million for persistency assumption changes comprises positive and negative contributions from our various operations, with positive persistency updates on health and protection products

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being more than offset by negative effects for unit-linked business. The 2014 charge of £(17) million mainly reflected increased partial withdrawal assumptions on unit-linked business in Korea.

- (d) The 2014 credit of £47 million for other assumption changes reflected a number of offsetting items, including modelling improvements and those arising from asset allocation changes in Hong Kong.
- (e) The positive mortality and morbidity experience variance in 2015 of £58 million (2014: £23 million) mainly reflects better than expected experience in Hong Kong and Indonesia.
- (f) The positive £20 million for persistency and withdrawals experience in 2015 (2014: £44 million) is driven mainly by favourable experience in Hong Kong.
- (g) The expense experience variance in 2015 is negative £(32) million (2014: £(27) million). The variance principally arises in operations which are currently sub-scale (China, Malaysia Takaful and Taiwan) and from short-term overruns in India.

(iii) US operations

| | 2015 £m | 2014 £m |
|--|---------|---------|
| Unwind of discount and other expected returnsnote (a) | 472 | 382 |
| Effect of changes in operating assumptions: | | |
| Persistencynote (b) | 139 | 55 |
| Other | (24) | 31 |
| | 115 | 86 |
| Experience variances and other items: | | |
| Spread experience variancernote (c) | 149 | 192 |
| Amortisation of interest-related realised gains and lossesnote (d) | 70 | 56 |
| Othernote (e) | 193 | 118 |
| | 412 | 366 |
| Total US operations | 999 | 834 |

Notes

- (a) The increase in unwind of discount and other expected returns of £90 million from £382 million for 2014 to £472 million for 2015 comprises a £56 million effect for the underlying growth in the in-force book, a £30 million foreign currency translation effect, and a £4 million impact of the 10 basis points increase in US 10-year treasury rates.
- (b) The credit of £139 million in 2015 (2014: £55 million) for persistency assumption changes principally relates to reduced lapse rates for variable annuity business to more closely align to recent experience.
- (c) The spread assumption for Jackson is determined on a longer-term basis, net of provision for defaults (see note 14 (ii)). The spread experience variance in 2015 of £149 million (2014: £192 million) includes the positive effect of transactions previously undertaken to more closely match the overall asset and liability duration. The reduction compared to the prior year reflects the effects of declining yields in the portfolio caused by the prolonged low interest rate environment.
- (d) The amortisation of interest-related gains and losses reflects the fact that when bonds that are neither impaired nor deteriorating are sold and reinvested there will be a consequent change in the investment yield. The realised gain or loss is amortised into the result over the year when the bonds would have otherwise matured to better reflect the long-term returns included in operating profits.
- (e) Other experience variances of £193 million in 2015 (2014: £118 million) include the effects of positive persistency experience and other favourable experience variances. The 2015 result benefits from higher levels of tax relief from prior period adjustments.

(iv) UK insurance operations

2015 £m 2014 £m

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| | | |
|---|-----|-----|
| Unwind of discount and other expected returnsnote (a) | 488 | 410 |
| Reduction in future UK corporate tax ratenote (b) | 55 | - |
| Othernote (c) | 2 | 66 |
| Total UK insurance operations | 545 | 476 |

Notes

- (a) The increase in unwind of discount and other expected returns of £78 million from 2014 of £410 million to £488 million for 2015 comprises an effect of £66 million reflecting the underlying growth in the in-force book and a £12 million effect of the 20 basis points increase in gilt yields.
- (b) The £55 million credit in 2015 for the change in UK corporate tax rates reflects the beneficial effect of applying lower corporation tax rates (note 14) to future life profits from in-force business in the UK.
- (c) Other items of £2 million (2014: £66 million) comprise the following:

| | 2015 £m | 2014 £m |
|--|---------|---------|
| Longevity reinsurancenote (d) | (134) | (8) |
| Impact of specific management actions in second half of 2015 ahead of Solvency II note (e) | 75 | - |
| Other itemsnote (f) | 61 | 74 |
| | 2 | 66 |

- (d) During 2015 we extended our longevity reinsurance programme to cover an additional £6.4 billion of annuity liabilities at a net cost of £(134) million. Of this total, some £4.8 billion was transacted in the second half of 2015 at a net cost of £(88) million.
- (e) The £75 million benefit arose from the specific management actions taken in the second half of 2015 to position the balance sheet more efficiently under the new Solvency II regime.
- (f) The credit of £61 million for 2015 comprises assumption updates and experience variances for mortality, expense, persistency and other items.

5 Short-term fluctuations in investment returns

Short-term fluctuations in investment returns included in profit for the year arise as follows:

(i) Group summary

| | 2015 £m | 2014 £m |
|----------------------------------|---------|---------|
| Asia operationsnote (ii) | (206) | 439 |
| US operationsnote (iii) | (753) | (166) |
| UK insurance operationsnote (iv) | (194) | 583 |
| Other operationsnote (v) | (55) | (93) |
| Total | (1,208) | 763 |

(ii) Asia operations

The short-term fluctuations in investment returns for Asia operations comprise:

| | 2015 £m | 2014 £m |
|-----------|---------|---------|
| Hong Kong | (144) | 178 |
| Indonesia | (53) | 35 |
| Singapore | (104) | 92 |
| Taiwan | 44 | 23 |
| Other | 51 | 111 |

| | | |
|---------------------------|-------|-----|
| Total Asia operationsnote | (206) | 439 |
|---------------------------|-------|-----|

Note

For 2015, the charge of £(144) million in Hong Kong, £(53) million in Indonesia and £(104) million in Singapore principally arise from unrealised losses on bonds backing surplus assets driven by increases in long-term interest rates (as shown in note14(i)) and from the effect of falls in equity markets in the region. The credit of £44 million in Taiwan arises from unrealised gains on bonds following the decrease in long-term interest rates.

(iii) US operations

The short-term fluctuations in investment returns for US operations comprise:

| | 2015 £m | 2014 £m |
|---|---------|---------|
| Investment return related experience on fixed income securitiesnote (a) | (17) | 31 |
| Investment return related impact due to changed expectation of profits on in-force variable annuity business in future periods based on current period separate account return, net of related hedging activity and other itemsnote (b) | (736) | (197) |
| Total US operations | (753) | (166) |

Notes

(a) The (charge) credit relating to fixed income securities comprises the following elements:

- the impact on portfolio yields of changes in the asset portfolio in the year;
- the excess of actual realised gains and losses over the amortisation of interest-related realised gains and losses recorded in the profit and loss account; and
- credit experience (versus the longer-term assumption).

(b) This item reflects the net impact of:

- changes in projected future fees and future benefit costs arising from the effect of market fluctuations on the growth in separate account asset values in the current reporting period; and
- related hedging activity arising from realised and unrealised gains and losses on equity-related hedges and interest rate options, and other items.

(iv) UK insurance operations

The short-term fluctuations in investment returns for UK insurance operations comprise:

| | 2015 £m | 2014 £m |
|---|---------|---------|
| Shareholder-backed annuitynote (a) | (88) | 310 |
| With-profits, unit-linked and othernote (b) | (106) | 273 |
| Total UK insurance operations | (194) | 583 |

Notes

(a) Short-term fluctuations in investment returns for shareholder-backed annuity business comprise:

- (losses) gains on surplus assets compared to the expected long-term rate of return reflecting (increases) reductions in corporate bond and gilt yields;
 - the difference between actual and expected default experience; and
- the effect of mismatching for assets and liabilities of different durations and other short-term fluctuations in investment returns.

(b) The £(106) million fluctuation in 2015 for with-profits, unit-linked and other business represents the impact of achieving a 3.1 per cent pre-tax return on the with-profits fund (including unallocated surplus) compared to the assumed rate of return of 5.4 per cent (2014: total return of 9.5 per cent compared to assumed rate of 5.0 per cent). This line also includes the effect of a partial hedge of future shareholder transfers expected to emerge from the UK's with-profits sub-fund entered into to protect future shareholder with-profit transfers from declines in the UK equity market.

(v) Other operations

Short-term fluctuations in investment returns for other operations of £(55) million (2014: £(93) million) include unrealised value movements on investments held outside our main life operations.

6 Effect of changes in economic assumptions

The effects of changes in economic assumptions for in-force business included in the profit for the year arise as follows:

(i) Group summary

| | 2015 £m | 2014 £m |
|----------------------------------|---------|---------|
| Asia operationsnote (ii) | (148) | (269) |
| US operationsnote (iii) | 109 | (77) |
| UK insurance operationsnote (iv) | 96 | (23) |
| Total | 57 | (369) |

(ii) Asia operations

The effect of changes in economic assumptions for Asia operations comprises:

| | 2015 £m | 2014 £m |
|---------------------------|---------|---------|
| Hong Kong | 100 | (121) |
| Indonesia | (15) | 25 |
| Malaysia | (30) | 11 |
| Singapore | (50) | (42) |
| Taiwan | (97) | (21) |
| Other | (56) | (121) |
| Total Asia operationsnote | (148) | (269) |

Note

The negative 2015 effect in Malaysia, Indonesia and Singapore reflects the impact of valuing future health and protection profits at higher discount rates, driven by the increase in long-term interest rates in these countries (see note 14(i)). The negative effect in Taiwan is driven by a decrease in fund earned rates reflecting the decline in long-term interest rates and changes to the asset portfolio mix. The positive impact in Hong Kong is driven by the effect of higher assumed future fund earned rates for participating business.

(iii) US operations

The effect of changes in economic assumptions for US operations comprises:

| | 2015 £m | 2014 £m |
|--|---------|---------|
| Variable annuity business | 104 | (228) |
| Fixed annuity and other general account business | 5 | 151 |
| Total US operationsnote | 109 | (77) |

Note

For 2015, the credit of £109 million mainly reflects the increase in the assumed separate account return and reinvestment rates for variable annuity business, following the 10 basis points increase in the US treasury rate (2014: decrease of 90 basis points), resulting in higher projected fee income and a decrease in projected benefit costs.

(iv) UK insurance operations

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The effect of changes in economic assumptions for UK insurance operations comprises:

| | 2015 £m | 2014 £m |
|---|---------|---------|
| Shareholder-backed annuity businessnote (a) | (56) | 352 |
| With-profits and other businessnote (b) | 152 | (375) |
| Total UK insurance operations | 96 | (23) |

Notes

- (a) For shareholder-backed annuity business the overall negative (2014: positive) effect reflects the change in the present value of projected spread income arising mainly from the increase (2014: reduction) in the risk discount rates as shown in note 14(iii).
- (b) The credit of £152 million in 2015 reflects the net effect of changes in fund earned rates and risk discount rates (as shown in note 14 (iii)), driven by the 20 basis points increase in gilt rates (2014: decrease of 130 basis points), together with the impact from changes in the composition of the asset portfolio.

7 Net core structural borrowings of shareholder-financed operations

| | 31 Dec 2015 £m | | | 31 Dec 2014 £m | | |
|---|---|---------------------------------|------------------|----------------|---------------------------------|------------------|
| | IFRS basis | Mark to market value adjustment | EEV market value | IFRS basis | Mark to market value adjustment | EEV market value |
| Holding company* cash and short-term investments | (2,173) | - | (2,173) | (1,480) | - | (1,480) |
| Core structural borrowings – central fundsnote | 4,567 | 353 | 4,920 | 3,869 | 579 | 4,448 |
| Holding company net borrowings | 2,394 | 353 | 2,747 | 2,389 | 579 | 2,968 |
| Core structural borrowings – Prudential Capital | 275 | - | 275 | 275 | - | 275 |
| Core structural borrowings – Jackson | 169 | 55 | 224 | 160 | 42 | 202 |
| Net core structural borrowings of shareholder-financed operations | 2,838 | 408 | 3,246 | 2,824 | 621 | 3,445 |
| * | Including central finance subsidiaries. | | | | | |

Note

In June 2015, the Company issued core structural borrowings of £600 million 5.00 per cent subordinated notes due in 2055. The proceeds, net of discount adjustment and costs, were £590 million.

8 Analysis of movement in free surplus

For EEV covered business, free surplus is the excess of the regulatory basis net assets for EEV reporting purposes (net worth) over the capital required to support the covered business. Where appropriate, adjustments are made to the net worth so that backing assets are included at fair value rather than cost so as to comply with the EEV Principles. Free surplus for asset management operations and the UK general insurance commission is taken to be IFRS basis post-tax earnings and shareholders' equity.

(i) Underlying free surplus generated

The 2014 comparative results are shown below on both actual exchange rates (AER) and constant exchange rates (CER) bases. The 2014 CER comparative results are translated at 2015 average exchange rates.

| | 2015 £m | | 2014 £m | | % change | |
|-----------------|---------|-----|---------|-----|----------|-----|
| | AER | CER | AER | CER | AER | CER |
| Asia operations | 985 | 860 | 851 | 15% | 16% | |

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| | | | | | |
|---|-------|-------|-------|-------|-------|
| Underlying free surplus generated from in-force life business | | | | | |
| Investment in new businessnotes (ii)(a), (ii)(g) | (413) | (346) | (352) | (19)% | (17)% |
| Long-term business | 572 | 514 | 499 | 11% | 15% |
| Eastspring Investmentsnote (ii)(b) | 101 | 78 | 79 | 29% | 28% |
| Total | 673 | 592 | 578 | 14% | 16% |
| US operations | | | | | |
| Underlying free surplus generated from in-force life business | 1,426 | 1,191 | 1,284 | 20% | 11% |
| Investment in new businessnote (ii)(a) | (267) | (187) | (201) | (43)% | (33)% |
| Long-term business | 1,159 | 1,004 | 1,083 | 15% | 7% |
| Broker-dealer and asset managementnote (ii)(b) | 7 | 6 | 7 | 17% | - |
| Total | 1,166 | 1,010 | 1,090 | 15% | 7% |
| UK insurance operations* | | | | | |
| Underlying free surplus generated from in-force life business | 878 | 637 | 637 | 38% | 38% |
| Investment in new businessnote (ii)(a) | (65) | (65) | (65) | - | - |
| Long-term business | 813 | 572 | 572 | 42% | 42% |
| General insurance commissionnote (ii)(b) | 22 | 19 | 19 | 16% | 16% |
| Total | 835 | 591 | 591 | 41% | 41% |
| M&Gnote (ii)(b) | 358 | 353 | 353 | 1% | 1% |
| Prudential Capitalnote (ii)(b) | 18 | 33 | 33 | (45)% | (45)% |
| Underlying free surplus generated | 3,050 | 2,579 | 2,645 | 18% | 15% |
| Representing: | | | | | |
| Long-term business:* | | | | | |
| Expected in-force cashflows (including expected return on net assets) | 2,730 | 2,374 | 2,436 | 15% | 12% |
| Effects of changes in operating assumptions, operating experience variances and other operating items | 559 | 314 | 336 | 78% | 66% |
| Underlying free surplus generated from in-force life business | 3,289 | 2,688 | 2,772 | 22% | 19% |
| Investment in new businessnotes (ii)(a), (ii)(g) | (745) | (598) | (618) | (25)% | (21)% |
| Total long-term business* | 2,544 | 2,090 | 2,154 | 22% | 18% |
| Asset management and general insurance commissionnote (ii)(b) | 506 | 489 | 491 | 3% | 3% |

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Underlying free surplus generated 3,050 2,579 2,645 18% 15%

*In order to show the UK long-term business on a comparable basis, the 2014 comparative results exclude the contribution from the sold PruHealth and PruProtect businesses.

(ii) Movement in free surplus

| | 2015 £m | | 2014 £m | |
|---|----------------------------|---|--|--|
| | Long-term business note 10 | Asset management and UK general insurance commission note (b) | Free surplus of long-term business, asset management and UK general insurance commission | Free surplus of long-term business, asset management and UK general insurance commission |
| Long-term business and asset management operations | | | | |
| Underlying movement:* | | | | |
| Investment in new business notes (a), (g) | (745) | - | (745) | (598) |
| Business in force: | | | | |
| Expected in-force cash flows (including expected return on net assets) | 2,730 | 506 | 3,236 | 2,863 |
| Effects of changes in operating assumptions, operating experience variances and other operating items | 559 | - | 559 | 314 |
| | 2,544 | 506 | 3,050 | 2,579 |
| Disposal of Japan Life business note (h) | 23 | - | 23 | - |
| Gain on sale of PruHealth and PruProtect | - | - | - | 130 |
| Other non-operating items note (c) | (407) | (53) | (460) | (266) |
| | 2,160 | 453 | 2,613 | 2,443 |
| Net cash flows to parent company note (d) | (1,271) | (354) | (1,625) | (1,482) |
| Exchange movements, timing differences and other items note (e) | 560 | 159 | 719 | 130 |
| Net movement in free surplus | 1,449 | 258 | 1,707 | 1,091 |
| Balance at beginning of year: | | | | |
| As previously reported | 4,193 | 866 | 5,059 | 4,003 |
| Effect of domestication of Hong Kong branch** | - | - | - | (35) |
| Balance at end of year note (g) | 5,642 | 1,124 | 6,766 | 5,059 |
| Representing: | | | | |
| Asia operations | 1,503 | 245 | 1,748 | 1,560 |
| US operations | 1,567 | 166 | 1,733 | 1,557 |
| UK operations | 2,572 | 713 | 3,285 | 1,942 |
| | 5,642 | 1,124 | 6,766 | 5,059 |
| Balance at beginning of year: | | | | |
| Asia operations | 1,347 | 213 | 1,560 | 1,379 |
| US operations | 1,416 | 141 | 1,557 | 1,074 |

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| | | | | |
|---------------|-------|-----|-------|-------|
| UK operations | 1,430 | 512 | 1,942 | 1,550 |
| | 4,193 | 866 | 5,059 | 4,003 |

*In order to show the UK long-term business on a comparable basis, the 2014 comparative underlying movement in free surplus excludes the contribution from the sold PruHealth and PruProtect businesses.

**On 1 January 2014, the Hong Kong branch of PAC was transferred to separate subsidiaries established in Hong Kong. The 2014 EEV basis results included opening adjustments arising from the transfer of capital that was previously held within the UK business in respect of the Hong Kong branch operations and additional capital requirements arising from the newly established subsidiaries with an overall effect of £(35) million.

Notes

- (a) Free surplus invested in new business represents amounts set aside for required capital and acquisition costs.
- (b) Free surplus for asset management operations and the UK general insurance commission is taken to be IFRS basis post-tax earnings and shareholders' equity.
- (c) Non-operating items are principally short-term fluctuations in investment returns and the effect of changes in economic assumptions for long-term business operations.
- (d) Net cash flows to parent company for long-term business operations reflect the flows as included in the holding company cash flow at transaction rates.
- (e) Exchange movements, timing differences and other items represent:

| | 2015 £m | | |
|--|--------------------|--|-------|
| | Long-term business | Asset management and UK general insurance commission | Total |
| Exchange movementsnote 10 | 67 | 3 | 70 |
| Mark to market value movements on Jackson assets backing surplus and required capitalnote 9 | (76) | - | (76) |
| Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes | 14 | 8 | 22 |
| Other itemsnote (f) | 555 | 148 | 703 |
| | 560 | 159 | 719 |

- (f) Other items include the effect of intra-group loans, contingent loan repayments as shown in note 10(i), timing differences arising on statutory transfers and other non-cash items. For 2015, other items for long-term business include the effect of a classification change of £702 million from Other operations to UK insurance operations in order to align with Solvency II segmental reporting.
- (g) Investment in new business includes the annual amortisation charge of amounts incurred to secure exclusive distribution rights through our bancassurance partners at a rate that reflects the pattern in which the future economic benefits are expected to be consumed by reference to new business levels. Included within the overall free surplus balance of our Asia life entities is £287 million representing unamortised amounts incurred to secure exclusive distribution rights through bancassurance partners. These amounts exclude £971 million of Asia distribution rights intangibles that are financed by loan arrangements from central companies, the costs of which are allocated to the Asia life segment as the amortisation cost is incurred.
- (h) The credit of £23 million in free surplus in 2015 reflects the release of required capital and transfer of value of in-force business on the completion of the sale of the Japan Life business (see note 10).

9 Reconciliation of movement in shareholders' equity

| | 2015 £m | | | Other | Group |
|--|-------------------------------|----|------------------|-------|-------|
| | Long-term business operations | | Total operations | | Total |
| | US | UK | | | |

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| | Asia operations operations note (i) | insurance operations | long-term business operations | | note (i) | |
|---|---|----------------------|-------------------------------------|---------|----------|--------|
| Operating profit (based on longer-term investment returns) | | | | | | |
| Long-term business: | | | | | | |
| New businessnote 3 | 1,490 | 809 | 318 | 2,617 | - | 2,617 |
| Business in forecnote 4 | 831 | 999 | 545 | 2,375 | - | 2,375 |
| | 2,321 | 1,808 | 863 | 4,992 | - | 4,992 |
| Asset management | - | - | - | - | 484 | 484 |
| Other results | - | (1) | (28) | (29) | (566) | (595) |
| Operating profit based on longer-term investment returns | 2,321 | 1,807 | 835 | 4,963 | (82) | 4,881 |
| Total non-operating (loss) profit | (354) | (654) | (98) | (1,106) | 176 | (930) |
| Profit for the year | 1,967 | 1,153 | 737 | 3,857 | 94 | 3,951 |
| Other items taken directly to equity | | | | | | |
| Exchange movements on foreign operations and net investment hedges | (157) | 510 | - | 353 | (109) | 244 |
| Intra-group dividends (including statutory transfers) and investment in operationsnote (ii) | (472) | (465) | (215) | (1,152) | 1,152 | - |
| External dividends | - | - | - | - | (974) | (974) |
| Other movementsnote (iii) | (7) | (14) | 692 | 671 | (618) | 53 |
| Mark to market value movements on Jackson assets backing surplus and required capital | - | (76) | - | (76) | - | (76) |
| Net increase in shareholders' equity | 1,331 | 1,108 | 1,214 | 3,653 | (455) | 3,198 |
| Shareholders' equity at beginning of year | 12,312 | 8,379 | 8,433 | 29,124 | 37 | 29,161 |
| Shareholders' equity at end of year | 13,643 | 9,487 | 9,647 | 32,777 | (418) | 32,359 |
| Representing: | | | | | | |
| Statutory IFRS basis shareholders' equity: | | | | | | |
| Net assets (liabilities) | 3,723 | 4,154 | 5,118 | 12,995 | (1,503) | 11,492 |
| Goodwill | - | - | - | - | 1,463 | 1,463 |
| Total IFRS basis shareholders' equity | 3,723 | 4,154 | 5,118 | 12,995 | (40) | 12,955 |
| Additional retained profit (loss) on an EEV basisnote (iv) | 9,920 | 5,333 | 4,529 | 19,782 | (378) | 19,404 |
| EEV basis shareholders' equity | 13,643 | 9,487 | 9,647 | 32,777 | (418) | 32,359 |
| Balance at beginning of year: | | | | | | |
| Statutory IFRS basis shareholders' equity: | | | | | | |
| Net assets (liabilities) | 3,315 | 4,067 | 3,785 | 11,167 | (819) | 10,348 |
| Goodwill | - | - | - | - | 1,463 | 1,463 |
| Total IFRS basis shareholders' equity | 3,315 | 4,067 | 3,785 | 11,167 | 644 | 11,811 |
| Additional retained profit (loss) on an EEV basisnote (iv) | 8,997 | 4,312 | 4,648 | 17,957 | (607) | 17,350 |
| EEV basis shareholders' equity | 12,312 | 8,379 | 8,433 | 29,124 | 37 | 29,161 |

Notes

- (i) For the purposes of the table above, goodwill of £233 million (2014: £233 million) related to Asia long-term operations is included in Other operations.
- (ii) Intra-group dividends (including statutory transfers) represent dividends that have been declared in the year and amounts accrued in respect of statutory transfers. Investments in operations reflect increases in share capital. The amounts included in note 8 for these items are as per the holding company cash flow at transaction rates. The

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difference primarily relates to intra-group loans, timing differences arising on statutory transfers and other non-cash items.

- (iii) Other movements include the effect of a classification change of £702 million from Other operations to UK insurance operations in order to align with Solvency II segmental reporting, which has no overall effect on the Group's EEV. Other movements also includes a credit of £25 million (2014: a charge of £(11) million) for the shareholders' share of actuarial and other gains and losses on the defined benefit pension schemes.
- (iv) The additional retained loss on an EEV basis for Other operations primarily represents the mark to market value adjustment for holding company net borrowings of a charge of £(353) million (2014: £(579) million), as shown in note 7.

10 Reconciliation of movement in net worth and value of in-force for long-term business

| | 2015 £m | | | | Total |
|--|------------------------|------------------|-----------------|--|-------------------------------|
| | Free surplus note 8 | Required capital | Total net worth | Value of in-force business note (iii) | long-term business operations |
| Group | | | | | |
| Shareholders' equity at beginning of year | 4,193 | 4,556 | 8,749 | 20,375 | 29,124 |
| New business contributionnote (ii) | (745) | 493 | (252) | 2,869 | 2,617 |
| Existing business – transfer to net worth | 2,611 | (355) | 2,256 | (2,256) | - |
| Expected return on existing businessnote 4 | 119 | 129 | 248 | 1,461 | 1,709 |
| Changes in operating assumptions and experience variancesnote 4 | 588 | 88 | 676 | (10) | 666 |
| Solvency II and restructuring costs | (29) | - | (29) | - | (29) |
| Operating profit based on longer-term investment returns | 2,544 | 355 | 2,899 | 2,064 | 4,963 |
| Disposal of Japan Life business | 23 | (48) | (25) | 25 | - |
| Other non-operating items | (407) | (216) | (623) | (483) | (1,106) |
| Profit from long-term business | 2,160 | 91 | 2,251 | 1,606 | 3,857 |
| Exchange movements on foreign operations and net investment hedges | 67 | 57 | 124 | 229 | 353 |
| Intra-group dividends (including statutory transfers) and investment in operationsnote (i) | (1,373) | - | (1,373) | 221 | (1,152) |
| Other movementsnote (v) | 595 | - | 595 | - | 595 |
| Shareholders' equity at end of year | 5,642 | 4,704 | 10,346 | 22,431 | 32,777 |
| Representing: | | | | | |
| Asia operations | | | | | |
| Shareholders' equity at beginning of year | 1,347 | 1,327 | 2,674 | 9,638 | 12,312 |
| New business contributionnote (ii) | (413) | 124 | (289) | 1,779 | 1,490 |
| Existing business – transfer to net worth | 974 | (77) | 897 | (897) | - |
| Expected return on existing businessnote 4 | 30 | 43 | 73 | 676 | 749 |
| Changes in operating assumptions and experience variancesnote 4 | (19) | 65 | 46 | 36 | 82 |
| Operating profit based on longer-term investment returns | 572 | 155 | 727 | 1,594 | 2,321 |
| Disposal of Japan Life business | 23 | (48) | (25) | 25 | - |
| Other non-operating items | 61 | (6) | 55 | (409) | (354) |
| Profit from long-term business | 656 | 101 | 757 | 1,210 | 1,967 |
| | (21) | (42) | (63) | (94) | (157) |

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| | | | | | |
|--|-------|-------|-------|--------|--------|
| Exchange movements on foreign operations and net investment hedges | | | | | |
| Intra-group dividends and investment in operations | (472) | - | (472) | - | (472) |
| Other movements | (7) | - | (7) | - | (7) |
| Shareholders' equity at end of year | 1,503 | 1,386 | 2,889 | 10,754 | 13,643 |
| US operations | | | | | |
| Shareholders' equity at beginning of year | 1,416 | 1,710 | 3,126 | 5,253 | 8,379 |
| New business contributionnote (ii) | (267) | 284 | 17 | 792 | 809 |
| Existing business – transfer to net worth | 1,064 | (196) | 868 | (868) | - |
| Expected return on existing businessnote 4 | 42 | 49 | 91 | 381 | 472 |
| Changes in operating assumptions and experience variancesnote 4 | 321 | 22 | 343 | 184 | 527 |
| Solvency II and restructuring costs | (1) | - | (1) | - | (1) |
| Operating profit based on longer-term investment returns | 1,159 | 159 | 1,318 | 489 | 1,807 |
| Other non-operating items | (541) | (162) | (703) | 49 | (654) |
| Profit from long-term business | 618 | (3) | 615 | 538 | 1,153 |
| Exchange movements on foreign operations and net investment hedges | 88 | 99 | 187 | 323 | 510 |
| Intra-group dividends | (465) | - | (465) | - | (465) |
| Other movements | (90) | - | (90) | - | (90) |
| Shareholders' equity at end of year | 1,567 | 1,806 | 3,373 | 6,114 | 9,487 |
| UK insurance operations | | | | | |
| Shareholders' equity at beginning of year | 1,430 | 1,519 | 2,949 | 5,484 | 8,433 |
| New business contributionnote (ii) | (65) | 85 | 20 | 298 | 318 |
| Existing business – transfer to net worth | 573 | (82) | 491 | (491) | - |
| Expected return on existing businessnote 4 | 47 | 37 | 84 | 404 | 488 |
| Changes in operating assumptions and experience variancesnote 4 | 286 | 1 | 287 | (230) | 57 |
| Solvency II and restructuring costs | (28) | - | (28) | - | (28) |
| Operating profit based on longer-term investment returns | 813 | 41 | 854 | (19) | 835 |
| Other non-operating items | 73 | (48) | 25 | (123) | (98) |
| Profit from long-term business | 886 | (7) | 879 | (142) | 737 |
| Intra-group dividends (including statutory transfers)note (i) | (436) | - | (436) | 221 | (215) |
| Other movementsnote (v) | 692 | - | 692 | - | 692 |
| Shareholders' equity at end of year | 2,572 | 1,512 | 4,084 | 5,563 | 9,647 |

Notes

(i) For UK insurance operations, the amounts shown for intra-group dividends (including statutory transfers) in free surplus of £(436) million and in the value of in-force of £221 million include the impact of intragroup contingent loan repayments during the year. Contingent loan funding represents amounts whose repayment to the lender is contingent upon future surpluses emerging from certain contracts specified under the arrangement. If insufficient surplus emerges on those contracts, there is no recourse to other assets of the Group and the liability is not payable to the degree of shortfall.

(ii) New business contribution per £1 million of free surplus invested:

| 2015 £m | | | | 2014 £m | | | |
|------------|--------------|------------|--------------|------------|--------------|------------|--------------|
| | | | Total | | | | Total |
| | | | UK long-term | | | | UK long-term |
| Asia | US insurance | operations | business | Asia | US insurance | operations | business* |
| operations | operations | operations | operations | operations | operations | operations | operations |
| 1,490 | 809 | 318 | 2,617 | 1,162 | 694 | 259 | 2,115 |

| | | | | | | | | |
|--|-------|-------|------|-------|-------|-------|------|-------|
| Post-tax new business contribution ^{note 3} | | | | | | | | |
| Free surplus invested in new business | (413) | (267) | (65) | (745) | (346) | (187) | (65) | (598) |
| Post-tax new business contribution per £1 million of free surplus invested | 3.6 | 3.0 | 4.9 | 3.5 | 3.4 | 3.7 | 4.0 | 3.5 |

*In order to show the UK long-term business on a comparable basis, the 2014 comparatives exclude the contribution from the sold PruHealth and PruProtect businesses.

(iii) The value of in-force business comprises the value of future margins from current in-force business less the cost of holding required capital as shown below:

| | 31 Dec 2015 £m | | | | 31 Dec 2014 £m | | | |
|---|-----------------|-------------------------|----------------------------------|---------|-----------------|-------------------------|----------------------------------|--------|
| | Asia operations | US insurance operations | UK long-term business operations | Total | Asia operations | US insurance operations | UK long-term business operations | Total |
| Value of in-force business before deduction of cost of capital and time value of guarantees | 11,280 | 7,355 | 5,817 | 24,452 | 10,168 | 5,914 | 5,756 | 21,838 |
| Cost of capital | (438) | (229) | (254) | (921) | (417) | (199) | (272) | (888) |
| Cost of time value of guarantees ^{note (iv)} | (88) | (1,012) | - | (1,100) | (113) | (462) | - | (575) |
| Net value of in-force business | 10,754 | 6,114 | 5,563 | 22,431 | 9,638 | 5,253 | 5,484 | 20,375 |

(iv) The increase in the cost of time value of guarantees for US operations from £(462) million in 2014 to £(1,012) million in 2015 primarily relates to variable annuity business, mainly arising from the level of equity market performance.

(v) Other movements for UK insurance operations include the effect of a classification change, as discussed in note 9(iii).

11 Expected transfer of value of in-force business to free surplus

The discounted value of in-force business and required capital can be reconciled to the 2015 and 2014 totals in the tables below for the emergence of free surplus as follows:

| | 2015 £m | 2014 £m |
|---|---------|---------|
| Required capital ^{note 10} | 4,704 | 4,556 |
| Value of in-force (VIF) ^{note 10} | 22,431 | 20,375 |
| Add back: deduction for cost of time value of guarantees ^{note 10} | 1,100 | 575 |
| Expected cash flow from sale of Japan Life business | - | (23) |
| Other items ^{note} | (1,948) | (1,382) |
| Total | 26,287 | 24,101 |

Note

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‘Other items’ represent amounts incorporated into VIF where there is no definitive timeframe for when the payments will be made or receipts received. In particular, other items includes the deduction of the value of the shareholders’ interest in the estate, the value of which is derived by increasing final bonus rates so as to exhaust the estate over the lifetime of the in-force with-profits business. This is an assumption to give an appropriate valuation. To be conservative this item is excluded from the expected free surplus generation profile below.

Cash flows are projected on a deterministic basis and are discounted at the appropriate risk discount rate. The modelled cash flows use the same methodology underpinning the Group’s embedded value reporting and so are subject to the same assumptions and sensitivities.

The table below shows how the VIF generated by the in-force business and the associated required capital is modelled as emerging into free surplus over future years.

| | 2015 £m | | | | | | |
|-------------------------|--|-----------|------------|-------------|-------------|-------------|-----------|
| | Expected period of conversion of future post tax distributable earnings and required capital flows to free surplus | | | | | | |
| | 2015 Total as shown above | 1-5 years | 6-10 years | 11-15 years | 16-20 years | 21-40 years | 40+ years |
| Asia operations | 11,858 | 3,916 | 2,552 | 1,669 | 1,115 | 2,055 | 551 |
| US operations | 8,740 | 4,361 | 2,752 | 1,129 | 383 | 115 | - |
| UK insurance operations | 5,689 | 2,097 | 1,498 | 962 | 576 | 544 | 12 |
| Total | 26,287 | 10,374 | 6,802 | 3,760 | 2,074 | 2,714 | 563 |
| | 100% | 40% | 26% | 14% | 8% | 10% | 2% |

| | 2014 £m | | | | | | |
|-------------------------|--|-----------|------------|-------------|-------------|-------------|-----------|
| | Expected period of conversion of future post tax distributable earnings and required capital flows to free surplus | | | | | | |
| | 2014 Total as shown above | 1-5 years | 6-10 years | 11-15 years | 16-20 years | 21-40 years | 40+ years |
| Asia operations | 10,859 | 3,660 | 2,289 | 1,553 | 1,026 | 1,874 | 457 |
| US operations | 7,471 | 3,867 | 2,298 | 873 | 334 | 99 | - |
| UK insurance operations | 5,771 | 2,111 | 1,464 | 973 | 606 | 604 | 13 |
| Total | 24,101 | 9,638 | 6,051 | 3,399 | 1,966 | 2,577 | 470 |
| | 100% | 40% | 25% | 14% | 8% | 11% | 2% |

12 Sensitivity of results to alternative assumptions

(a) Sensitivity analysis – economic assumptions

The tables below show the sensitivity of the embedded value as at 31 December and the new business contribution after the effect of required capital for 2015 and 2014 to:

— 1 per cent increase in the discount rates;

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1 per cent increase and decrease in interest rates, including all consequential changes (assumed investment returns for all asset classes, market values of fixed interest assets, risk discount rates);

- 1 per cent rise in equity and property yields;
- 10 per cent fall in market value of equity and property assets (embedded value only);
- The statutory minimum capital level (by contrast to EEV basis required capital), (for embedded value only);
 - 5 basis point increase in UK long-term expected defaults; and
 - 10 basis point increase in the liquidity premium for UK annuities.

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised economic conditions.

New business contribution

| | 2015 £m | | | | 2014 £m | | | |
|--|-----------------|-------------------------|----------------------------------|--|-----------------|-------------------------|-----------------------------------|--|
| | Asia operations | US insurance operations | UK long-term business operations | Total UK long-term business operations | Asia operations | US insurance operations | UK long-term business operations* | Total UK long-term business operations |
| New business contribution ^{note 3} | 1,490 | 809 | 318 | 2,617 | 1,162 | 694 | 259 | 2,115 |
| Discount rates – 1% increase | (260) | (38) | (40) | (338) | (176) | (27) | (38) | (241) |
| Interest rates – 1% increase | 28 | 80 | 7 | 115 | 13 | 61 | (15) | 59 |
| Interest rates – 1% decrease | (78) | (127) | (9) | (214) | (52) | (101) | 19 | (134) |
| Equity/property yields – 1% rise | 73 | 95 | 20 | 188 | 46 | 73 | 12 | 131 |
| Long-term expected defaults – 5 bps increase | - | - | (8) | (8) | - | - | (10) | (10) |
| Liquidity premium – 10 bps increase | - | - | 16 | 16 | - | - | 20 | 20 |

*In order to show the UK long-term business on a comparable basis, the 2014 comparative results exclude the contribution from the sold PruHealth and PruProtect businesses.

Embedded value of long-term business operations

| | 31 Dec 2015 £m | | | | 31 Dec 2014 £m | | | |
|--|-----------------|-------------------------|----------------------------------|--|-----------------|-------------------------|----------------------------------|--|
| | Asia operations | US insurance operations | UK long-term business operations | Total UK long-term business operations | Asia operations | US insurance operations | UK long-term business operations | Total UK long-term business operations |
| Shareholders' equity ^{note 9} | 13,643 | 9,487 | 9,647 | 32,777 | 12,312 | 8,379 | 8,433 | 29,124 |
| Discount rates – 1% increase | (1,448) | (271) | (586) | (2,305) | (1,214) | (268) | (602) | (2,084) |
| Interest rates – 1% increase | (380) | (46) | (328) | (754) | (462) | (232) | (362) | (1,056) |
| Interest rates – 1% decrease | 132 | (93) | 426 | 465 | 211 | 16 | 452 | 679 |
| Equity/property yields – 1% rise | 506 | 514 | 271 | 1,291 | 435 | 365 | 282 | 1,082 |
| Equity/property market values – 10% fall | (246) | (411) | (373) | (1,030) | (221) | (129) | (380) | (730) |
| Statutory minimum capital | 148 | 162 | 4 | 314 | 129 | 139 | 4 | 272 |
| Long-term expected defaults – 5 bps increase | - | - | (141) | (141) | - | - | (139) | (139) |
| Liquidity premium – 10 bps increase | - | - | 282 | 282 | - | - | 278 | 278 |

The sensitivities shown above are for the impact of instantaneous changes on the embedded value of long-term business operations and include the combined effect on the value of in-force business and net assets at the balance sheet dates indicated. If the change in assumption shown in the sensitivities were to occur, then the effect shown above would be recorded within two components of the profit analysis for the following year. These are for the effect of economic assumption changes and short-term fluctuations in investment returns. In addition to the sensitivity effects shown above, the other components of the profit for the following year would be calculated by reference to the altered assumptions, for example new business contribution and unwind of discount, together with the effect of other changes such as altered corporate bond spreads. In addition for changes in interest rates, the effect shown above for Jackson would also be recorded within the fair value movements on assets backing surplus and required capital which are taken directly to shareholders' equity.

(b) Sensitivity analysis – non-economic assumptions

The tables below show the sensitivity of embedded value as at 31 December and the new business contribution after the effect of required capital for 2015 and 2014 to:

- 10 per cent proportionate decrease in maintenance expenses (a 10 per cent sensitivity on a base assumption of £10 per annum would represent an expense assumption of £9 per annum);
- 10 per cent proportionate decrease in lapse rates (a 10 per cent sensitivity on a base assumption of 5 per cent would represent a lapse rate of 4.5 per cent per annum); and
 - 5 per cent proportionate decrease in base mortality and morbidity rates (ie increased longevity).

New business contribution

| | 2015 £m | | | | 2014 £m | | | |
|---|-----------------|-------------------------|----------------------------------|--|-----------------|-------------------------|-----------------------------------|--|
| | Asia operations | US insurance operations | UK long-term business operations | Total UK long-term business operations | Asia operations | US insurance operations | UK long-term business operations* | Total UK long-term business operations |
| New business contribution ^{note 3} | 1,490 | 809 | 318 | 2,617 | 1,162 | 694 | 259 | 2,115 |
| Maintenance expenses – 10% decrease | 28 | 8 | 2 | 38 | 23 | 8 | 3 | 34 |
| Lapse rates – 10% decrease | 112 | 25 | 9 | 146 | 88 | 27 | 6 | 121 |
| Mortality and morbidity – 5% decrease | 50 | 1 | (13) | 38 | 52 | 2 | (20) | 34 |
| Change representing effect on: | | | | | | | | |
| Life business | 50 | 1 | 1 | 52 | 52 | 2 | 1 | 55 |
| UK annuities | - | - | (14) | (14) | - | - | (21) | (21) |

*In order to show the UK long-term business on a comparable basis, the 2014 comparatives exclude the contribution from the sold PruHealth and PruProtect businesses.

Embedded value of long-term business operations

| | 31 Dec 2015 £m | | | | 31 Dec 2014 £m | | | |
|--|-----------------|-------------------------|----------------------------------|--|-----------------|-------------------------|----------------------------------|--|
| | Asia operations | US insurance operations | UK long-term business operations | Total UK long-term business operations | Asia operations | US insurance operations | UK long-term business operations | Total UK long-term business operations |

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| | | | | | | | | |
|---------------------------------------|--------|-------|-------|--------|--------|-------|-------|--------|
| Shareholders' equity note 9 | 13,643 | 9,487 | 9,647 | 32,777 | 12,312 | 8,379 | 8,433 | 29,124 |
| Maintenance expenses – 10% decrease | 153 | 80 | 68 | 301 | 136 | 71 | 56 | 263 |
| Lapse rates – 10% decrease | 508 | 394 | 75 | 977 | 422 | 354 | 67 | 843 |
| Mortality and morbidity – 5% decrease | 449 | 172 | (299) | 322 | 433 | 163 | (347) | 249 |
| Change representing effect on: | | | | | | | | |
| Life business | 449 | 172 | 11 | 632 | 433 | 163 | 9 | 605 |
| UK annuities | - | - | (310) | (310) | - | - | (356) | (356) |

13 Methodology and accounting presentation

(a) Methodology

Overview

The embedded value is the present value of the shareholders' interest in the earnings distributable from assets allocated to covered business after sufficient allowance has been made for the aggregate risks in that business. The shareholders' interest in the Group's long-term business comprises:

- the present value of future shareholder cash flows from in-force covered business (value of in-force business), less deductions for:
 - the cost of locked-in required capital; and
 - the time value of cost of options and guarantees;
 - locked-in required capital; and
 - the shareholders' net worth in excess of required capital (free surplus).

The value of future new business is excluded from the embedded value.

Notwithstanding the basis of presentation of results (as explained in note 13(b)(iii)) no smoothing of market or account balance values, unrealised gains or investment return is applied in determining the embedded value or profit. Separately, the analysis of profit is delineated between operating profit based on longer-term investment returns and other constituent items (as explained in note 13(b)(i)).

(i) Covered business

The EEV results for the Group are prepared for 'covered business', as defined by the EEV Principles. Covered business represents the Group's long-term insurance business, including the Group's investments in joint venture insurance operations, for which the value of new and in-force contracts is attributable to shareholders. The post-tax EEV basis results for the Group's covered business are then combined with the post-tax IFRS basis results of the Group's other operations. Under the EEV Principles, the results for covered business incorporate the projected margins of attaching internal asset management, as described in note 13(a)(vii).

The definition of long-term business operations is consistent with previous practice and comprises those contracts falling under the definition for regulatory purposes together with, for US operations, contracts that are in substance the same as guaranteed investment contracts (GICs) but do not fall within the technical definition.

Covered business comprises the Group's long-term business operations, with two exceptions:

- the closed Scottish Amicable Insurance Fund (SAIF) which is excluded from covered business. SAIF is a ring-fenced sub-fund of the Prudential Assurance Company (PAC) long-term fund, established by a Court approved Scheme of Arrangement in October 1997. SAIF is closed to new business and the assets and liabilities of the fund are wholly attributable to the policyholders of the fund.
- the presentational treatment of the Group's principal defined benefit pension scheme, the Prudential Staff Pension Scheme (PSPS). The partial recognition of the surplus for PSPS is recognised in 'Other' operations.

A small amount of UK group pensions business is also not modelled for EEV reporting purposes.

(ii) Valuation of in-force and new business

The embedded value results are prepared incorporating best estimate assumptions about all relevant factors including levels of future investment returns, expenses, persistency, mortality and morbidity (as described in note 14). These assumptions are used to project future cash flows. The present value of the future cash flows is then calculated using a discount rate which reflects both the time value of money and the non-diversifiable risks associated with the cash flows that are not otherwise allowed for.

New business

In determining the EEV basis value of new business, premiums are included in projected cash flows on the same basis of distinguishing annual and single premium business as set out for statutory basis reporting.

New business premiums reflect those premiums attaching to covered business, including premiums for contracts classified as investment products for IFRS basis reporting. New business premiums for regular premium products are shown on an annualised basis. Internal vesting business is classified as new business where the contracts include an open market option.

The post-tax contribution from new business represents profits determined by applying operating assumptions as at the end of the year.

For UK immediate annuity business and single premium Universal Life products in Asia, primarily in Singapore, the new business contribution is determined by applying economic assumptions reflecting point-of-sale market conditions. This is consistent with how the business is priced as crediting rates are linked to yields on specific assets and the yield is locked in when the assets are purchased at the point of sale of the policy. For other business within the Group, end-of-year economic assumptions are used.

New business profitability is a key metric for the Group's management of the development of the business. In addition, post-tax new business margins are shown by reference to annual premium equivalents (APE) and the present value of new business premiums (PVNBP). These margins are calculated as the percentage of the value of new business profit to APE and PVNBP. APE is calculated as the aggregate of regular new business amounts and one-tenth of single new business amounts. PVNBP is calculated as equalling single premiums plus the present value of expected premiums of new regular premium business, allowing for lapses and other assumptions made in determining the EEV new business contribution.

Valuation movements on investments

With the exception of debt securities held by Jackson, investment gains and losses during the year (to the extent that changes in capital values do not directly match changes in liabilities) are included directly in the profit for the year and shareholders' equity as they arise.

The results for any covered business conceptually reflect the aggregate of the IFRS results and the movements on the additional shareholders' interest recognised on the EEV basis. Thus the start point for the calculation of the EEV results for Jackson, as for other businesses, reflects the market value movements recognised on the IFRS basis.

However, in determining the movements on the additional shareholders' interest, the basis for calculating the Jackson EEV result acknowledges that, for debt securities backing liabilities, the aggregate EEV results reflect the fact that the value of in-force business instead incorporates the discounted value of future spread earnings. This value is not

affected generally by short-term market movements on securities that, broadly speaking, are held for the longer term.

Fixed income securities backing the free surplus and required capital for Jackson are accounted for at fair value. However, consistent with the treatment applied under IFRS for Jackson securities classified as available-for-sale, movements in unrealised appreciation (depreciation) on these securities are accounted for in equity rather than in the income statement, as shown in the movement in shareholders' equity.

(iii) Cost of capital

A charge is deducted from the embedded value for the cost of capital supporting the Group's long-term business. This capital is referred to as required capital. The cost is the difference between the nominal value of the capital and the discounted value of the projected releases of this capital allowing for investment earnings (post-tax) on the capital.

The annual result is affected by the movement in this cost from year to year which comprises a charge against new business profit and generally a release in respect of the reduction in capital requirements for business in force as this runs off.

Where required capital is held within a with-profits long-term fund, the value placed on surplus assets in the fund is already discounted to reflect its release over time and no further adjustment is necessary in respect of required capital.

(iv) Financial options and guarantees

Nature of financial options and guarantees in Prudential's long-term business

Asia operations

Subject to local market circumstances and regulatory requirements, the guarantee features described below in respect of UK business broadly apply to similar types of participating contracts principally written in Hong Kong, Singapore and Malaysia. Participating products have both guaranteed and non-guaranteed elements.

There are also various non-participating long-term products with guarantees. The principal guarantees are those for whole-of-life contracts with floor levels of policyholder benefits that accrue at rates set at inception and do not vary subsequently with market conditions.

US operations (Jackson)

The principal financial options and guarantees in Jackson are associated with the fixed annuity and variable annuity (VA) lines of business.

Fixed annuities provide that, at Jackson's discretion, it may reset the interest rate credited to policyholders' accounts, subject to a guaranteed minimum. The guaranteed minimum return varies from 1.0 per cent to 5.5 per cent for both years, depending on the particular product, jurisdiction where issued, and date of issue. For 2015, 87 per cent (2014: 86 per cent) of the account values on fixed annuities are for policies with guarantees of 3 per cent or less. The average guarantee rate is 2.6 per cent (2014: 2.7 per cent).

Fixed annuities also present a risk that policyholders will exercise their option to surrender their contracts in periods of rapidly rising interest rates, possibly requiring Jackson to liquidate assets at an inopportune time.

Jackson issues VA contracts where it contractually guarantees to the contract holder either: a) return of no less than total 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 specified contract anniversary. These guarantees include benefits that are payable at specified dates during the accumulation period (Guaranteed Minimum Withdrawal Benefit (GMWB)), as death benefits (Guaranteed Minimum Death Benefits (GMDB)) or as income benefits (Guaranteed Minimum Income Benefits (GMIB)). These guarantees generally protect the policyholder's value in the event of poor equity market

performance. Jackson hedges the GMDB and GMWB guarantees through the use of equity options and futures contracts, and fully reinsures the GMIB guarantees.

Jackson also issues fixed index annuities that enable policyholders to obtain a portion of an equity-linked return while providing a guaranteed minimum return. The guaranteed minimum returns are of a similar nature to those described above for fixed annuities.

UK insurance operations

For covered business the only significant financial options and guarantees in the UK insurance operations arise in the with-profits fund.

With-profits products provide returns to policyholders through bonuses that are smoothed. There are two types of bonuses - annual and final. Annual bonuses are declared once a year and, once credited, are guaranteed in accordance with the terms of the particular product. Unlike annual bonuses, final bonuses are guaranteed only until the next bonus declaration. The PAC with-profits fund also held a provision on the Pillar I Peak 2 basis of £47 million at 31 December 2015 (31 December 2014: £50 million) to honour guarantees on a small number of guaranteed annuity option products.

The Group's main exposure to guaranteed annuity options in the UK is through the non-covered business of SAIF. A provision on the Pillar I Peak 2 basis of £412 million was held in SAIF at 31 December 2015 (31 December 2014: £549 million) to honour the guarantees. As described in note 13(a)(i), the assets and liabilities are wholly attributable to the policyholders of the fund. Therefore the movement in the provision has no direct impact on shareholders.

Time value

The value of financial options and guarantees comprises two parts. One is given by a deterministic valuation on best estimate assumptions (the intrinsic value). The other part arises from the variability of economic outcomes in the future (the time value). Where appropriate, a full stochastic valuation has been undertaken to determine the time value of the financial options and guarantees.

The economic assumptions used for the stochastic calculations are consistent with those used for the deterministic calculations. Assumptions specific to the stochastic calculations reflect local market conditions and are based on a combination of actual market data, historic market data and an assessment of long-term economic conditions. Common principles have been adopted across the Group for the stochastic asset models, for example, separate modelling of individual asset classes but with an allowance for correlation between the various asset classes. Details of the key characteristics of each model are given in notes 14(iv), (v) and (vi).

In deriving the time value of financial options and guarantees, management actions in response to emerging investment and fund solvency conditions have been modelled. Management actions encompass, but are not confined to investment allocation decisions, levels of reversionary and terminal bonuses and credited rates. Bonus rates are projected from current levels and varied in accordance with assumed management actions applying in the emerging investment and fund solvency conditions.

In all instances, the modelled actions are in accordance with approved local practice and therefore reflect the options actually available to management. For the PAC with-profits fund, the actions assumed are consistent with those set out in the Principles and Practices of Financial Management which explains how regular and final bonus rates within the discretionary framework are determined, subject to the general legislative requirements applicable.

(v) Level of required capital

In adopting the EEV Principles, Prudential has based required capital on its internal targets subject to it being at least the local statutory minimum requirements. For with-profits business written in a segregated life fund, as is the case in Asia and the UK, the capital available in the fund is sufficient to meet the required capital requirements. For

shareholder-backed business the following capital requirements apply:

- Asia operations: the level of required capital has been set to an amount at least equal to the higher of local statutory requirements and the internal target;
- US operations: the level of required capital has been set at 250 per cent of the risk-based capital required by the National Association of Insurance Commissioners (NAIC) at the Company Action Level (CAL); and
- UK insurance operations: the capital requirements are set to an amount at least equal to the higher of Solvency I Pillar I and Pillar II requirements for shareholder-backed business of UK insurance operations as a whole.

(vi) With-profits business and the treatment of the estate

The proportion of surplus allocated to shareholders from the PAC with-profits fund has been based on the present level of 10 per cent. The value attributed to the shareholders' interest in the estate is derived by increasing final bonus rates (and related shareholder transfers) so as to exhaust the estate over the lifetime of the in-force with-profits business. In any scenarios where the total assets of the life fund are insufficient to meet policyholder claims in full, the excess cost is fully attributed to shareholders. Similar principles apply, where appropriate, for other with-profits funds of the Group's Asia operations.

(vii) Internal asset management

The new business and in-force results from long-term business include the projected value of profits or losses from asset management and service companies that support the Group's covered insurance businesses. The results of the Group's asset management operations include the current year profits from the management of both internal and external funds. EEV basis shareholders' other income and expenditure is adjusted to deduct the unwind of the expected internal asset management profit margin for the year. The deduction is on a basis consistent with that used for projecting the results for covered insurance business. Group operating profit accordingly includes the variance between actual and expected profit in respect of management of the covered business assets.

(viii) Allowance for risk and risk discount rates

Overview

Under the EEV Principles, discount rates used to determine the present value of future cash flows are set by reference to risk-free rates plus a risk margin. The risk margin should reflect any non-diversifiable risk associated with the emergence of distributable earnings that is not allowed for elsewhere in the valuation. Prudential has selected a granular approach to better reflect differences in market risk inherent in each product group. The risk discount rate so derived does not reflect an overall Group market beta but instead reflects the expected volatility associated with the cash flows for each product category in the embedded value model.

Since financial options and guarantees are explicitly valued under the EEV methodology, discount rates under EEV are set excluding the effect of these product features.

The risk margin represents the aggregate of the allowance for market risk, additional allowance for credit risk where appropriate, and allowance for non-diversifiable non-market risk. No allowance is required for non-market risks where these are assumed to be fully diversifiable.

Market risk allowance

The allowance for market risk represents the beta multiplied by an equity risk premium. Except for UK shareholder-backed annuity business (as explained below) such an approach has been used for the Group's businesses.

The beta of a portfolio or product measures its relative market risk. The risk discount rates reflect the market risk inherent in each product group and hence the volatility of product cash flows. These are determined by considering how the profits from each product are affected by changes in expected returns on various asset classes. By converting this into a relative rate of return it is possible to derive a product-specific beta.

Product level betas reflect the most recent product mix to produce appropriate betas and risk discount rates for each major product grouping.

Additional credit risk allowance

The Group's methodology is to allow appropriately for credit risk. The allowance for total credit risk is to cover:

- expected long-term defaults;
- credit risk premium (to reflect the volatility in downgrade and default levels); and
- short-term downgrades and defaults.

These allowances are initially reflected in determining best estimate returns and through the market risk allowance described above. However, for those businesses largely backed by holdings of debt securities these allowances in the projected returns and market risk allowances may not be sufficient and an additional allowance may be appropriate.

The practical application of the allowance for credit risk varies depending upon the type of business as described below:

Asia operations

For Asia operations, the allowance for credit risk incorporated in the projected rates of return and the market risk allowance are sufficient. Accordingly no additional allowance for credit risk is required.

The projected rates of return for holdings of corporate bonds comprise the risk-free rate plus an assessment of long-term spread over the risk-free rate.

US operations (Jackson)

For Jackson business, the allowance for long-term defaults is reflected in the risk margin reserve (RMR) charge which is deducted in determining the projected spread margin between the earned rate on the investments and the policyholder crediting rate.

The risk discount rate incorporates an additional allowance for credit risk premium and short-term downgrades and defaults as shown in note 14(ii). In determining this allowance a number of factors have been considered. These factors, in particular, include:

- How much of the credit spread on debt securities represents an increased credit risk not reflected in the RMR long-term default assumptions, and how much is liquidity premium (which is the premium required by investors to compensate for the risk of longer-term investments which cannot be easily converted into cash, and converted at the fair market value). In assessing this effect, consideration has been given to a number of approaches to estimating the liquidity premium by considering recent statistical data; and
- Policyholder benefits for Jackson fixed annuity business are not fixed. It is possible in adverse economic scenarios to pass on a component of credit losses to policyholders (subject to guarantee features) through lower investment return rates credited to policyholders. Consequently, it is only necessary to allow for the balance of the credit risk in the risk discount rate.

The level of the additional allowance is assessed at each reporting period to take account of prevailing credit conditions and as the business in force alters over time. The additional allowance for variable annuity business has been set at one-fifth of the non-variable annuity business to reflect the proportion of the allocated holdings of general account debt securities.

The level of allowance differs from that for UK annuity business for investment portfolio differences and to take account of the management actions available in adverse economic scenarios to reduce crediting rates to policyholders, subject to guarantee features of the products.

UK operations

(1) Shareholder-backed annuity business

For Prudential's UK shareholder-backed annuity business, Prudential has used a market consistent embedded value (MCEV) approach to derive an implied risk discount rate which is then applied to the projected best estimate cash flows.

In the annuity MCEV calculations, as the assets are generally held to maturity to match long duration liabilities, the future cash flows are discounted using the swap yield curve plus an allowance for liquidity premium based on Prudential's assessment of the expected return on the assets backing the annuity liabilities after allowing for:

- expected long-term defaults, derived as a percentage of historical default experience based on Moody's data for the period 1970 to 2009, and the definition of the credit rating assigned to each asset held is the second highest credit rating published by Moody's, Standard & Poor's and Fitch;
- a credit risk premium, derived as the excess over the expected long-term defaults, of the 95th percentile of historical cumulative defaults based on Moody's data for the period 1970 to 2009, and subject to a minimum margin over expected long-term defaults of 50 per cent;
 - an allowance for a 1-notch downgrade of the asset portfolio subject to credit risk; and
 - an allowance for short-term downgrades and defaults.

For the purposes of presentation in the EEV results, the results on this basis are reconfigured. Under this approach the projected earned rate of return on the debt securities held is determined after allowing for expected long-term defaults and, where necessary, an additional allowance for an element of short-term downgrades and defaults to bring the allowance in the earned rate up to best estimate levels. The allowances for credit risk premium, 1-notch downgrade and the remaining element of short-term downgrade and default allowances are incorporated into the risk margin included in the discount rate, shown in note 14(iii).

(2) With-profits fund non-profit annuity business

For UK non-profit annuity business including that attributable to the PAC with-profits fund, the basis for determining the aggregate allowance for credit risk is consistent with that applied for UK shareholder-backed annuity business (as described above). The allowance for credit risk for this business is taken into account in determining the projected cash flows to the with-profits fund, which are in turn discounted at the risk discount rate applicable to all of the projected cash flows of the fund.

(3) With-profits fund holdings of debt securities

The UK with-profits fund holds debt securities as part of its investment portfolio backing policyholder liabilities and unallocated surplus. The assumed earned rate for with-profit holdings of corporate bonds is defined as the risk-free rate plus an assessment of the long-term spread over gilts, net of expected long-term defaults. This approach is similar to that applied for equities and properties for which the projected earned rate is defined as the risk-free rate plus a long-term risk premium.

Allowance for non-diversifiable non-market risks

The majority of non-market and non-credit risks are considered to be diversifiable. Finance theory cannot be used to determine the appropriate component of beta for non-diversifiable non-market risks since there is no observable risk premium associated with it that is akin to the equity risk premium. Recognising this, a pragmatic approach has been applied.

A base level allowance of 50 basis points is applied to cover the non-diversifiable non-market risks associated with the Group's businesses. For the Group's US business and UK business other than shareholder-backed annuity, no additional allowance is necessary. For UK shareholder-backed annuity business a further allowance of 50 basis points is used to reflect the longevity risk which is of particular relevance. For the Group's Asia operations in China, Indonesia, the Philippines, Taiwan, Thailand and Vietnam, additional allowances are applied for emerging market risk ranging from 100 to 250 basis points.

(ix) Foreign currency translation

Foreign currency profits and losses have been translated at average exchange rates for the year. Foreign currency assets and liabilities have been translated at year end rates of exchange. The principal exchange rates are shown in note A1 of the IFRS statements.

(x) Taxation

In determining the post-tax profit for the year for covered business, the overall tax rate includes the impact of tax effects determined on a local regulatory basis. Tax payments and receipts included in the projected cash flows to determine the value of in-force business are calculated using rates that have been announced and substantively enacted by the end of the reporting year.

(xi) Inter-company arrangements

The EEV results for covered business incorporate annuities established in the PAC non-profit sub-fund from vesting pension policies in SAIF (which is not covered business). The EEV results also incorporate the effect of the reinsurance arrangement of non-profit immediate pension annuity liabilities of SAIF to PRIL. In addition, the free surplus and value of in-force business are calculated after taking account of the impact of contingent loan arrangements between Group companies (movements in the contingent loan liability are reflected via the projected cash flows in the value of in-force and the related funding is reflected in free surplus).

(b) Accounting presentation

(i) Analysis of post-tax profit

To the extent applicable, the presentation of the EEV post-tax profit for the year is consistent in the classification between operating and non-operating results with the basis that the Group applies for the analysis of IFRS basis results. Operating results reflect underlying results including longer-term investment returns (which are determined as described in note 13(b)(ii) below) and incorporate the following:

- new business contribution, as defined in note 13(a)(ii);
- unwind of discount on the value of in-force business and other expected returns, as described in note 13(b)(iii) below;
- the impact of routine changes of estimates relating to non-economic assumptions, as described in note 13(b)(iv) below; and
- non-economic experience variances, as described in note 13(b)(v) below.

In order to show the UK long-term business result on a comparable basis, the presentation of 2014 results has been adjusted to show the results of the sold PruHealth and PruProtect businesses separately.

Non-operating results comprise the recurrent items of:

- short-term fluctuations in investment returns;
- the mark to market value movements on core borrowings; and
- the effect of changes in economic assumptions.

In addition, non-operating profit includes:

- the effect on free surplus generated from the disposal of the Japan Life business in 2015;
- the gain on sale of the PruHealth and PruProtect businesses in 2014; and
- the costs associated with the domestication of the Hong Kong branch which became effective on 1 January 2014.

Total profit attributable to shareholders and basic earnings per share include these items, together with actual investment returns. The Group believes that operating profit, as adjusted for these items, better reflects underlying performance.

(ii) Investment returns included in operating profit

For the investment element of the assets covering the net worth of long-term insurance business, investment returns are recognised in operating results at the expected long-term rate of return. These expected returns are calculated by reference to the asset mix of the portfolio. For the purpose of calculating the longer-term investment return to be included in the operating result of the PAC with-profits fund of UK operations, where assets backing the liabilities and unallocated surplus are subject to market volatility, asset values at the beginning of the reporting period are adjusted to remove the effects of short-term market movements as explained in note 13(b)(iii) below.

For the purpose of determining the long-term returns for debt securities of US operations for fixed annuity and other general account business, a risk margin charge is included which reflects the expected long-term rate of default based on the credit quality of the portfolio. For Jackson, interest-related realised gains and losses are amortised to the operating results over the maturity period of the sold bonds and for equity-related investments, a long-term rate of return is assumed, which reflects the aggregation of end-of-year risk-free rates and equity risk premium. For US variable annuity separate account business, operating profit includes the unwind of discount on the opening value of in-force adjusted to reflect end-of-year projected rates of return with the excess or deficit of the actual return recognised within non-operating profit, together with the related hedging activity.

For UK annuity business, rebalancing of the asset portfolio backing the liabilities to policyholders may, from time to time, take place to align it more closely with the internal benchmark of credit quality that management applies. Such rebalancing will result in a change in the projected yield on the asset portfolio and the allowance for default risk. The net effect of these changes is included in the result for the year.

(iii) Unwind of discount and other expected returns

The unwind of discount and other expected returns is determined by reference to:

- the value of in-force business at the beginning of the year (adjusted for the effect of current period economic and operating assumption changes); and
- required capital and surplus assets.

In applying this general approach, the unwind of discount included in operating profit for the with-profits business of UK insurance operations is determined by reference to the opening value of in-force, as adjusted for the effects of short-term investment volatility due to market movements (ie smoothed). In the summary statement of financial position and for total profit reporting, asset values and investment returns are not smoothed. At 31 December 2015 the shareholders' interest in the smoothed surplus assets used for this purpose only, were £58 million lower (31 December 2014: £194 million lower) than the surplus assets carried in the statement of financial position.

(iv) Effect of changes in operating assumptions

Operating profit includes the effect of changes to non-economic assumptions on the value of in-force at the end of the year. For presentational purposes the effect of change is delineated to show the effect on the opening value of in-force as operating assumption changes, with the experience variance subsequently being determined by reference to the end-of-year assumptions (see note 13(b)(v) below).

(v) Operating experience variances

Operating profit includes the effect of experience variances on non-economic assumptions, such as persistency, mortality and morbidity, expenses and other factors, which are calculated with reference to the end-of-year assumptions.

(vi) Effect of changes in economic assumptions

Movements in the value of in-force business at the beginning of the year caused by changes in economic assumptions, net of the related change in the time value of cost of options and guarantees, are recorded in non-operating results.

14 Assumptions

Principal economic assumptions

The EEV basis results for the Group's operations have been determined using economic assumptions where the long-term expected rates of return on investments and risk discount rates are set by reference to year end rates of return on government bonds. Expected returns on equity and property asset classes and corporate bonds are derived by adding a risk premium, based on the Group's long-term view, to the risk-free rate.

The total profit that emerges over the lifetime of an individual contract as calculated using the embedded value basis is the same as that calculated under the IFRS basis. Since the embedded value basis reflects discounted future cash flows, under this methodology the profit emergence is advanced, thus more closely aligning the timing of the recognition of profit with the efforts and risks of current management actions, particularly with regard to business sold during the year.

(i) Asia operations notes

(b), (c)

| | Risk discount rate % | | | | | | Expected | |
|--|----------------------|-------------|-------------|-------------|---------------------------------|-------------|-----------------------|-------------|
| | New business | | In force | | 10-year government bond yield % | | long-term Inflation % | |
| | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2015 | 31 Dec 2014 |
| China | 9.4 | 10.2 | 9.4 | 10.2 | 2.9 | 3.7 | 2.5 | 2.5 |
| Hong Kong notes (b), (c) | 3.7 | 3.7 | 3.7 | 3.7 | 2.3 | 2.2 | 2.3 | 2.3 |
| Indonesia | 12.8 | 12.0 | 12.8 | 12.0 | 8.9 | 7.9 | 5.0 | 5.0 |
| Korea | 6.1 | 6.7 | 5.7 | 6.5 | 2.1 | 2.6 | 3.0 | 3.0 |
| Malaysian note (c) | 6.6 | 6.6 | 6.7 | 6.6 | 4.2 | 4.1 | 2.5 | 2.5 |
| Philippines | 11.3 | 10.8 | 11.3 | 10.8 | 4.6 | 4.0 | 4.0 | 4.0 |
| Singapore note (c) | 4.3 | 4.3 | 5.1 | 5.0 | 2.6 | 2.3 | 2.0 | 2.0 |
| Taiwan | 4.0 | 4.2 | 3.9 | 4.1 | 1.0 | 1.6 | 1.0 | 1.0 |
| Thailand | 9.3 | 9.5 | 9.3 | 9.5 | 2.5 | 2.7 | 3.0 | 3.0 |
| Vietnam | 13.8 | 14.0 | 13.8 | 14.0 | 7.1 | 7.2 | 5.5 | 5.5 |
| Total weighted risk discount rate note (a) | 5.9 | 6.9 | 6.4 | 6.6 | | | | |

Notes

(a) The weighted risk discount rates for Asia operations shown above have been determined by weighting each country's risk discount rates by reference to the post-tax EEV basis new business result and the closing value of in-force business. The changes in the risk discount rates for individual Asia territories reflect the movements in government bond yields, together with the effects of movements in the allowance for market risk and changes in product mix.

(b) For Hong Kong the assumptions shown are for US dollar denominated business. For other territories, the assumptions are for local currency denominated business.

(c) Equity risk premiums in Asia range from 3.5 per cent to 8.6 per cent (2014: from 3.5 per cent to 8.7 per cent). The mean equity return assumptions for the most significant equity holdings of the Asia operations were:

| | 31 Dec 2015 % | 31 Dec 2014 % |
|-----------|---------------|---------------|
| Hong Kong | 6.3 | 6.2 |
| Malaysia | 10.2 | 10.1 |
| Singapore | 8.6 | 8.3 |

(ii) US operations

| | 31 Dec 2015 % | 31 Dec 2014 % |
|---|------------------|------------------|
| Assumed new business spread margins:* | | |
| Fixed annuity business:** | | |
| January to June issues | 1.25 | 1.5 |
| July to December issues | 1.5 | 1.5 |
| Fixed index annuity business: | | |
| January to June issues | 1.5 | 2.0 |
| July to December issues | 1.75 | 2.0 |
| Institutional business | 0.7 | 0.7 |
| Allowance for long-term defaults included in projected spreadnote 13 (a)(viii) | 0.24 | 0.25 |
| Risk discount rate: | | |
| Variable annuity: | | |
| Risk discount rate | 6.8 | 6.9 |
| Additional allowance for credit risk included in risk discount ratenote 13 (a)(viii) | 0.2 | 0.2 |
| Non-variable annuity: | | |
| Risk discount rate | 3.9 | 3.9 |
| Additional allowance for credit risk included in risk discount ratenote 13 (a)(viii) | 1.0 | 1.0 |
| Weighted average total: | | |
| New business | 6.7 | 6.7 |
| In force | 6.2 | 6.2 |
| US 10-year treasury bond rate at end of year | 2.3 | 2.2 |
| Pre-tax expected long-term nominal rate of return for US equities | 6.3 | 6.2 |
| Expected long-term rate of inflation | 2.8 | 2.8 |
| Equity risk premium | 4.0 | 4.0 |
| S&P equity return volatilitynote (v) | 18.0 | 18.0 |
| * including the proportion of variable annuity business invested in the general account and fixed index annuity business, the assumed spread margin grades up linearly by 25 basis points to a long-term assumption over five years. | | |
| ** including the proportion of variable annuity business invested in the general account. | | |

(iii) UK insurance operations

| | 31 Dec 2015 % | 31 Dec 2014 % |
|--|------------------|------------------|
| Shareholder-backed annuity business: | | |
| Risk discount rate:note | | |
| New business | 5.7 | 6.5 |
| In force | 7.4 | 6.9 |
| Pre-tax expected long-term nominal rate of return for shareholder-backed annuity business:note | | |
| New business | 3.5 | 4.1 |
| In force | 3.5 | 3.2 |
| Other business: | | |
| Risk discount rate:* | | |
| New business | 5.6 | 5.5 |
| In force | 5.7 | 5.9 |
| Pre-tax expected long-term nominal rates of investment return: | | |
| UK equities | 6.4 | 6.2 |

| | | |
|--------------------------------------|------------|------------|
| Overseas equities | 6.3 to 9.4 | 6.2 to 9.0 |
| Property | 5.2 | 4.9 |
| 15-year gilt rate | 2.4 | 2.2 |
| Corporate bonds | 4.1 | 3.8 |
| Expected long-term rate of inflation | 3.1 | 3.0 |
| Equity risk premium | 4.0 | 4.0 |

* The 2014 risk discount rates exclude the sold PruHealth and PruProtect businesses.

Note

For shareholder-backed annuity business, the movements in the pre-tax long-term nominal rates of return and risk discount rates for new and in-force businesses reflect the effect of changes in asset yields (based on average yields for new business).

Stochastic assumptions

Details are given below of the key characteristics of the models used to determine the time value of the financial options and guarantees as referred to in note 13(a)(iv).

- (iv) Asia operations
- The stochastic cost of guarantees is primarily of significance for the Hong Kong, Korea, Malaysia, Singapore and Taiwan operations.
 - The principal asset classes are government and corporate bonds.
 - The asset return models are similar to the models as described for UK insurance operations below.
 - The volatility of equity returns ranges from 18 per cent to 35 per cent, and the volatility of government bond yields ranges from 0.9 per cent to 2.3 per cent for both years.

- (v) US operations (Jackson)
- Interest rates and equity returns are projected using a log-normal generator reflecting historical market data.
 - Corporate bond returns are based on treasury yields plus a spread that reflects current market conditions.
 - The volatility of equity returns ranges from 18 per cent to 27 per cent, and the standard deviation of interest rates ranges from 2.2 per cent to 2.5 per cent for both years.

- (vi) UK insurance operations
- Interest rates are projected using a stochastic interest rate model calibrated to the current market yields.
 - Equity returns are assumed to follow a log-normal distribution.
 - The corporate bond return is calculated based on a risk-free bond return plus a mean-reverting spread.
 - Property returns are also modelled on a risk-free bond return plus a risk premium with a stochastic process reflecting total property returns.
 - The standard deviation of equities and property ranges from 15 per cent to 20 per cent for both years.

Operating assumptions

Best estimate assumptions

Best estimate assumptions are used for the cash flow projections, where best estimate is defined as the mean of the distribution of future possible outcomes. The assumptions are reviewed actively and changes are made when evidence exists that material changes in future experience are reasonably certain.

Assumptions required in the calculation of the value of options and guarantees, for example relating to volatilities and correlations, or dynamic algorithms linking liabilities to assets, have been set equal to the best estimates and, wherever material and practical, reflect any dynamic relationships between the assumptions and the stochastic variables.

Demographic assumptions

Persistency, mortality and morbidity assumptions are based on an analysis of recent experience, but also reflect expected future experience. Where relevant, when calculating the time value of financial options and guarantees, policyholder withdrawal rates vary in line with the emerging investment conditions according to management's expectations.

Expense assumptions

Expense levels, including those of service companies that support the Group's long-term business operations, are based on internal expense analysis investigations and are appropriately allocated to acquisition of new business and renewal of in-force business. Exceptional expenses are identified and reported separately. For mature business, it is Prudential's policy not to take credit for future cost reduction programmes until the savings have been delivered. For businesses which are currently sub-scale (China, Malaysia Takaful and Taiwan), and India (where the business model is being adapted as the industry continues to adjust to regulatory changes), expense overruns are reported where these are expected to be short-lived.

For Asia operations, the expenses comprise costs borne directly and recharged costs from the Asia regional head office, that are attributable to covered business. The assumed future expenses for these operations also include projections of these future recharges. Development expenses are charged as incurred.

Corporate expenditure, which is included in other income and expenditure, comprises:

- expenditure for Group head office, to the extent not allocated to the PAC with-profits funds, together with Solvency II implementation and restructuring costs, which are charged to the EEV basis results as incurred; and
- expenditure of the Asia regional head office that is not allocated to the covered business or asset management operations which is charged as incurred. These costs are primarily for corporate related activities and are included within corporate expenditure.

Tax rates

The assumed long-term effective tax rates for operations reflect the incidence of taxable profits and losses in the projected cash flows as explained in note 13(a)(x).

The local standard corporate tax rates applicable for the most significant operations are as follows:

| Standard corporate tax rates | % |
|------------------------------|--|
| Asia operations: | |
| Hong Kong | 16.5* |
| Indonesia | 25.0 |
| Malaysia | 2015: 25.0; from 2016: 24.0 |
| Singapore | 17.0 |
| US operations | 35.0 |
| UK operations** | 2015: 20.0; from 2017: 19.0; from 2020: 18.0 |

* 16.5 per cent on 5 per cent of premium income

**The impact of the reductions in future UK corporate tax rates on the opening value of in-force business is £55 million as shown in note 4(iv)(b).

15 Effect of Solvency II on EEV basis results on 1 January 2016

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

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For the UK insurance operations Solvency II will impact the EEV results as it changes the local regulatory valuation of net worth and capital requirements, affecting the components of the EEV and the expected profile of free surplus generation. In line with guidance provided by the CFO Forum in October 2015, the impact of Solvency II on the UK EEV has not been included in the results presented in this section. An early estimate on the likely impact of Solvency II on the EEV net worth and value of in-force business is provided in section D of the additional unaudited information.

16 New business premiums and contributionsnote (i)

| | Single | | Regular | | Annual premium and contribution equivalents (APE) note 13(a)(ii) | | Present value of new business premiums (PVNBP) note 13(a)(ii) | |
|---|--------|--------|---------|-------|--|-------|---|--------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Group insurance operations | | | | | | | | |
| Asia | 2,120 | 2,272 | 2,641 | 2,010 | 2,853 | 2,237 | 15,208 | 12,331 |
| US | 17,286 | 15,555 | - | - | 1,729 | 1,556 | 17,286 | 15,555 |
| UKnote (iv) | 8,463 | 6,681 | 179 | 166 | 1,025 | 834 | 9,069 | 7,305 |
| Group totalnote (iv) | 27,869 | 24,508 | 2,820 | 2,176 | 5,607 | 4,627 | 41,563 | 35,191 |
| Asia insurance operations | | | | | | | | |
| Cambodia | - | - | 8 | 3 | 8 | 3 | 38 | 16 |
| Hong Kong | 546 | 419 | 1,158 | 603 | 1,213 | 645 | 7,007 | 3,861 |
| Indonesia | 230 | 280 | 303 | 357 | 326 | 385 | 1,224 | 1,619 |
| Malaysia | 100 | 117 | 201 | 189 | 211 | 201 | 1,208 | 1,284 |
| Philippines | 146 | 121 | 44 | 39 | 59 | 51 | 287 | 248 |
| Singapore | 454 | 677 | 264 | 289 | 309 | 357 | 2,230 | 2,683 |
| Thailand | 69 | 92 | 88 | 74 | 95 | 83 | 422 | 392 |
| Vietnam | 6 | 4 | 82 | 61 | 83 | 61 | 343 | 247 |
| SE Asia operations including Hong Kong | 1,551 | 1,710 | 2,148 | 1,615 | 2,304 | 1,786 | 12,759 | 10,350 |
| Chinanote (ii) | 308 | 239 | 111 | 81 | 142 | 105 | 739 | 550 |
| Korea | 182 | 212 | 123 | 92 | 141 | 113 | 780 | 609 |
| Taiwan | 45 | 83 | 127 | 116 | 131 | 124 | 442 | 462 |
| Indianote (iii) | 34 | 28 | 132 | 106 | 135 | 109 | 488 | 360 |
| Total Asia insurance operations | 2,120 | 2,272 | 2,641 | 2,010 | 2,853 | 2,237 | 15,208 | 12,331 |
| US insurance operations | | | | | | | | |
| Variable annuities | 11,977 | 10,899 | - | - | 1,198 | 1,090 | 11,977 | 10,899 |
| Elite Access (variable annuity) | 3,144 | 3,108 | - | - | 314 | 311 | 3,144 | 3,108 |
| Fixed annuities | 477 | 527 | - | - | 48 | 53 | 477 | 527 |
| Fixed index annuities | 458 | 370 | - | - | 46 | 37 | 458 | 370 |
| Wholesale | 1,230 | 651 | - | - | 123 | 65 | 1,230 | 651 |
| Total US insurance operations | 17,286 | 15,555 | - | - | 1,729 | 1,556 | 17,286 | 15,555 |
| UK and Europe insurance operationsnote (iv) | | | | | | | | |
| Individual annuities | 565 | 1,065 | - | - | 57 | 106 | 565 | 1,065 |
| Bonds | 3,327 | 2,934 | - | - | 333 | 294 | 3,328 | 2,937 |
| Corporate pensions | 175 | 92 | 135 | 138 | 152 | 147 | 600 | 592 |
| Individual pensions | 1,185 | 508 | 32 | 22 | 150 | 72 | 1,295 | 595 |
| Income drawdown | 1,024 | 352 | - | - | 102 | 35 | 1,024 | 352 |

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| | | | | | | | | |
|---|--------|--------|-------|-------|-------|-------|--------|--------|
| Other products | 679 | 20 | 12 | 6 | 80 | 9 | 749 | 54 |
| Total Retailnote (iv) | 6,955 | 4,971 | 179 | 166 | 874 | 663 | 7,561 | 5,595 |
| Wholesale | 1,508 | 1,710 | - | - | 151 | 171 | 1,508 | 1,710 |
| Total UK and Europe insurance operationsnote (iv) | 8,463 | 6,681 | 179 | 166 | 1,025 | 834 | 9,069 | 7,305 |
| Group totalnote (iv) | 27,869 | 24,508 | 2,820 | 2,176 | 5,607 | 4,627 | 41,563 | 35,191 |

Notes

- (i) The tables shown above are provided as an indicative volume measure of transactions undertaken in the reporting year 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.
- (ii) New business in China is included at Prudential's 50 per cent interest in the China life operation.
- (iii) New business in India is included at Prudential's 26 per cent interest in the India life operation.
- (iv) The 2014 UK and Europe insurance operations comparatives have been adjusted to exclude the contribution from the sold PruHealth and PruProtect businesses (APE sales of £23 million and PVNBP of £166 million), following the disposal of our 25 per cent interest in the businesses in November 2014.

Additional Unaudited Financial Information

A New Business

BASIS OF PREPARATION

The format of the schedules is consistent with the distinction between insurance and investment products as applied for previous financial reporting periods. With the exception of some US institutional business, products categorised as 'insurance' refer to those classified as contracts of long-term insurance business for regulatory reporting purposes, ie falling within one of the classes of insurance specified in part II of Schedule 1 to the Regulated Activities Order under Prudential Regulation Authority 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. Internal vesting business is classified as new business where the contracts include an open market option. New business premiums reflect those premiums attaching to covered business, including premiums for contracts designed as investment products for IFRS reporting.

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.

Post-tax New Business Profit has been determined using the European Embedded Value (EEV) methodology set out in our EEV basis results supplement.

In determining the EEV basis value of new business written in the period policies incept, premiums are included in projected cash flows on the same basis of distinguishing annual and single premium business as set out for statutory

basis reporting.

Annual premium equivalent (APE) sales are subject to rounding.

Notes to Schedules A(i) to A(ix)

(1) Prudential plc reports its results using both actual exchange rates (AER) and constant exchange rates (CER) so as to eliminate the impact of exchange translation.

| Local currency: £ | | Full year 2015* | Full year 2014* | Full year 2015 vs Full year 2014 appreciation (depreciation) of local currency against GBP* |
|-------------------|--------------|-----------------|-----------------|---|
| China | Average Rate | 9.61 | 10.15 | 6% |
| | Closing Rate | 9.57 | 9.67 | 1% |
| Hong Kong | Average Rate | 11.85 | 12.78 | 8% |
| | Closing Rate | 11.42 | 12.09 | 6% |
| India | Average Rate | 98.08 | 100.53 | 2% |
| | Closing Rate | 97.51 | 98.42 | 1% |
| Indonesia | Average Rate | 20,476.93 | 19,538.56 | (5)% |
| | Closing Rate | 20,317.71 | 19,311.31 | (5)% |
| Malaysia | Average Rate | 5.97 | 5.39 | (10)% |
| | Closing Rate | 6.33 | 5.45 | (14)% |
| Singapore | Average Rate | 2.10 | 2.09 | (0)% |
| | Closing Rate | 2.09 | 2.07 | (1)% |
| Thailand | Average Rate | 52.38 | 53.51 | 2% |
| | Closing Rate | 53.04 | 51.30 | (3)% |
| US | Average Rate | 1.53 | 1.65 | 8% |
| | Closing Rate | 1.47 | 1.56 | 6% |
| Vietnam | Average Rate | 33,509.21 | 34,924.62 | 4% |
| | Closing Rate | 33,140.64 | 33,348.46 | 1% |

*Average rate is for the 12 month period to 31 December.

- (1a) Insurance new business for overseas operations are converted using the year-to-date average exchange rate applicable at the time (AER). 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.
- (1b) Insurance new business for overseas operations for 2014 has been calculated using constant exchange rates (CER).
- (1c) Constant exchange rates have been used to calculate insurance new business for overseas operations for all periods in 2014 and 2015.
- (2) Annual Equivalents, calculated as regular new business contributions plus 10 per cent of single new business contributions, are subject to rounding. Present value of new business premiums (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 made for lapses and other assumptions applied in determining the EEV new business profit.
- (3) 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.
- (4) New business in India is included at Prudential's 26 per cent interest in the India life operation.
- (5) Balance Sheet figures have been calculated at the closing exchange rate.

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- (6) New business in China is included at Prudential's 50 per cent interest in the China life operation.
- (7) Mandatory Provident Fund (MPF) product sales in Hong Kong are included at Prudential's 36 per cent interest in Hong Kong MPF operation.
- (8) Investment flows for the year exclude year-to-date Eastspring Money Market Funds (MMF) gross inflows of £89,553 million (2014: £67,749 million) and net inflows of £1,066 million (2014: £10 million). Investment flows for the discrete fourth quarter exclude MMF gross inflows of £19,176 million (2014: £17,353 million) and net inflows of £304 million (2014: net outflows of £(48) million).
- (9) Excludes Curian Variable Series Trust funds (internal funds under management).
- (10) Total Group Investment Operations funds under management exclude MMF funds under management of £6,006 million at 31 December 2015 (31 December 2014: £4,801 million).
- (11) The 2014 UK and Europe insurance operations comparatives have been adjusted to exclude PruHealth and PruProtect APE sales of £23 million, new business profit of £11 million and PVNBP of £166 million, following the disposal of our 25 per cent interest in the businesses in November 2014.

Schedule A(i) – New Business Insurance Operations (Actual Exchange Rates)

| | Single | | Regular | | Annual | | | PVNBP(2) | | | | |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | | |
| | YTD £m | YTD £m | YTD £m | YTD £m | +/ (%) | YTD £m | YTD £m | +/ (%) | YTD £m | YTD £m | +/ (%) | |
| Group Insurance Operations | | | | | | | | | | | | |
| Asia (1a) | 2,120 | 2,272 | (7)% | 2,641 | 2,010 | 31% | 2,853 | 2,237 | 28% | 15,208 | 12,331 | 23% |
| US(1a) | 17,286 | 15,555 | 11% | - | - | N/A | 1,729 | 1,556 | 11% | 17,286 | 15,555 | 11% |
| UK(11) | 8,463 | 6,681 | 27% | 179 | 166 | 8% | 1,025 | 834 | 23% | 9,069 | 7,305 | 24% |
| Group Total (11) | 27,869 | 24,508 | 14% | 2,820 | 2,176 | 30% | 5,607 | 4,627 | 21% | 41,563 | 35,191 | 18% |
| Asia Insurance Operations(1a) | | | | | | | | | | | | |
| Cambodia | - | - | N/A | 8 | 3 | 167% | 8 | 3 | 167% | 38 | 16 | 138% |
| Hong Kong | 546 | 419 | 30% | 1,158 | 603 | 92% | 1,213 | 645 | 88% | 7,007 | 3,861 | 81% |
| Indonesia | 230 | 280 | (18)% | 303 | 357 | (15)% | 326 | 385 | (15)% | 1,224 | 1,619 | (24)% |
| Malaysia | 100 | 117 | (15)% | 201 | 189 | 6% | 211 | 201 | 5% | 1,208 | 1,284 | (6)% |
| Philippines | 146 | 121 | 21% | 44 | 39 | 13% | 59 | 51 | 16% | 287 | 248 | 16% |
| Singapore | 454 | 677 | (33)% | 264 | 289 | (9)% | 309 | 357 | (13)% | 2,230 | 2,683 | (17)% |
| Thailand | 69 | 92 | (25)% | 88 | 74 | 19% | 95 | 83 | 14% | 422 | 392 | 8% |
| Vietnam | 6 | 4 | 50% | 82 | 61 | 34% | 83 | 61 | 36% | 343 | 247 | 39% |
| SE Asia Operations inc. Hong Kong | 1,551 | 1,710 | (9)% | 2,148 | 1,615 | 33% | 2,304 | 1,786 | 29% | 12,759 | 10,350 | 23% |
| China(6) | 308 | 239 | 29% | 111 | 81 | 37% | 142 | 105 | 35% | 739 | 550 | 34% |
| Korea | 182 | 212 | (14)% | 123 | 92 | 34% | 141 | 113 | 25% | 780 | 609 | 28% |
| Taiwan | 45 | 83 | (46)% | 127 | 116 | 9% | 131 | 124 | 6% | 442 | 462 | (4)% |
| India(4) | 34 | 28 | 21% | 132 | 106 | 25% | 135 | 109 | 24% | 488 | 360 | 36% |
| Total Asia Insurance Operations | 2,120 | 2,272 | (7)% | 2,641 | 2,010 | 31% | 2,853 | 2,237 | 28% | 15,208 | 12,331 | 23% |
| US Insurance Operations(1a) | | | | | | | | | | | | |

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| | | | | | | | | | | | | |
|--|--------|----------|-------|-------|-------|------|-------|-------|-------|--------|----------|-------|
| Variable annuities Elite Access (variable annuity) | 11,977 | 10,899 | 10% | - | - | N/A | 1,198 | 1,090 | 10% | 11,977 | 10,899 | 10% |
| Fixed annuities | 3,144 | 3,108 | 1% | - | - | N/A | 314 | 311 | 1% | 3,144 | 3,108 | 1% |
| Fixed index annuities | 477 | 527 | (9)% | - | - | N/A | 48 | 53 | (9)% | 477 | 527 | (9)% |
| Wholesale | 458 | 370 | 24% | - | - | N/A | 46 | 37 | 24% | 458 | 370 | 24% |
| Total US Insurance Operations | 1,230 | 651 | 89% | - | - | N/A | 123 | 65 | 89% | 1,230 | 651 | 89% |
| UK & Europe Insurance Operations(11) | 17,286 | 15,555 | 11% | - | - | N/A | 1,729 | 1,556 | 11% | 17,286 | 15,555 | 11% |
| Individual annuities | 565 | 1,065 | (47)% | - | - | N/A | 57 | 106 | (46)% | 565 | 1,065 | (47)% |
| Bonds | 3,327 | 2,934 | 13% | - | - | N/A | 333 | 294 | 13% | 3,328 | 2,937 | 13% |
| Corporate pensions | 175 | 92 | 90% | 135 | 138 | (2)% | 152 | 147 | 3% | 600 | 592 | 1% |
| Individual pensions | 1,185 | 508 | 133% | 32 | 22 | 45% | 150 | 72 | 108% | 1,295 | 595 | 118% |
| Income drawdown | 1,024 | 352 | 191% | - | - | N/A | 102 | 35 | 191% | 1,024 | 352 | 191% |
| Other products | 679 | 203,295% | | 12 | 6 | 100% | 80 | 9 | 789% | 749 | 541,287% | |
| Total Retail | 6,955 | 4,971 | 40% | 179 | 166 | 8% | 874 | 663 | 32% | 7,561 | 5,595 | 35% |
| Wholesale | 1,508 | 1,710 | (12)% | - | - | N/A | 151 | 171 | (12)% | 1,508 | 1,710 | (12)% |
| Total UK & Europe Insurance Operations | 8,463 | 6,681 | 27% | 179 | 166 | 8% | 1,025 | 834 | 23% | 9,069 | 7,305 | 24% |
| Group Total (11) | 27,869 | 24,508 | 14% | 2,820 | 2,176 | 30% | 5,607 | 4,627 | 21% | 41,563 | 35,191 | 18% |

Schedule A(ii) – New Business Insurance Operations (Constant Exchange Rates)

Note: In schedule A(ii) constant exchange rates have been used to calculate insurance new business for overseas operations for 2014.

| | Single | | Regular | | Annual Equivalents(2) | | | PVNBP(2) | | | |
|---------------------------------------|-----------|-------------------|-----------|-----------|--------------------------|-----------|-----------|------------|-----------|-------------------|-------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | |
| | YTD £m | YTD +/- (%) £m | YTD £m | YTD £m | +/- (%) | YTD £m | YTD £m | +/- (%) | YTD £m | YTD +/- (%) £m | |
| Group Insurance Operations | | | | | | | | | | | |
| Asia (1a) (1b) | 2,120 | 2,300 (8)% | 2,641 | 2,037 | 30% | 2,853 | 2,267 | 26% | 15,208 | 12,502 | 22% |
| US(1a) (1b) | 17,286 | 16,768 3% | - | - | N/A | 1,729 | 1,677 | 3% | 17,286 | 16,768 | 3% |
| UK(11) | 8,463 | 6,681 27% | 179 | 166 | 8% | 1,025 | 834 | 23% | 9,069 | 7,305 | 24% |
| Group Total (11) | 27,869 | 25,749 8% | 2,820 | 2,203 | 28% | 5,607 | 4,778 | 17% | 41,563 | 36,575 | 14% |
| Asia Insurance Operations(1a) (1b) | | | | | | | | | | | |
| Cambodia | - | - N/A | 8 | 3 | 167% | 8 | 3 | 167% | 38 | 17 | 124% |
| Hong Kong | 546 | 452 21% | 1,158 | 651 | 78% | 1,213 | 696 | 74% | 7,007 | 4,164 | 68% |
| Indonesia | 230 | 267 (14)% | 303 | 340 | (11)% | 326 | 367 | (11)% | 1,224 | 1,545 | (21)% |
| Malaysia | 100 | 105 (5)% | 201 | 170 | 18% | 211 | 181 | 17% | 1,208 | 1,158 | 4% |
| Philippines | 146 | 127 15% | 44 | 41 | 7% | 59 | 54 | 9% | 287 | 260 | 10% |
| Singapore | 454 | 673 (33)% | 264 | 287 | (8)% | 309 | 354 | (13)% | 2,230 | 2,664 | (16)% |
| Thailand | 69 | 94 (27)% | 88 | 76 | 16% | 95 | 85 | 12% | 422 | 401 | 5% |

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|--|--------|--------|-------|-------|-------|------|-------|-------|-------|--------|--------|--------|
| Vietnam | 6 | 4 | 50% | 82 | 63 | 30% | 83 | 63 | 32% | 343 | 258 | 33% |
| SE Asia Operations inc. Hong Kong | 1,551 | 1,722 | (10)% | 2,148 | 1,631 | 32% | 2,304 | 1,803 | 28% | 12,759 | 10,467 | 22% |
| China(6) | 308 | 252 | 22% | 111 | 86 | 29% | 142 | 111 | 28% | 739 | 581 | 27% |
| Korea | 182 | 213 | (15)% | 123 | 92 | 34% | 141 | 113 | 25% | 780 | 610 | 28% |
| Taiwan | 45 | 85 | (47)% | 127 | 119 | 7% | 131 | 128 | 2% | 442 | 475 | (7)% |
| India(4) | 34 | 28 | 21% | 132 | 109 | 21% | 135 | 112 | 21% | 488 | 369 | 32% |
| Total Asia Insurance Operations | 2,120 | 2,300 | (8)% | 2,641 | 2,037 | 30% | 2,853 | 2,267 | 26% | 15,208 | 12,502 | 22% |
| US Insurance Operations(1a) (1b) | | | | | | | | | | | | |
| Variable annuities Elite Access (variable annuity) | 11,977 | 11,749 | 2% | - | - | N/A | 1,198 | 1,175 | 2% | 11,977 | 11,749 | 2% |
| Fixed annuities | 3,144 | 3,351 | (6)% | - | - | N/A | 314 | 335 | (6)% | 3,144 | 3,351 | (6)% |
| Fixed index annuities | 477 | 568 | (16)% | - | - | N/A | 48 | 57 | (16)% | 477 | 568 | (16)% |
| Wholesale | 458 | 398 | 15% | - | - | N/A | 46 | 40 | 15% | 458 | 398 | 15% |
| Total US Insurance Operations | 1,230 | 702 | 75% | - | - | N/A | 123 | 70 | 76% | 1,230 | 702 | 75% |
| UK & Europe Insurance Operations(11) | | | | | | | | | | | | |
| Individual annuities | 565 | 1,065 | (47)% | - | - | N/A | 57 | 106 | (46)% | 565 | 1,065 | (47)% |
| Bonds | 3,327 | 2,934 | 13% | - | - | N/A | 333 | 294 | 13% | 3,328 | 2,937 | 13% |
| Corporate pensions | 175 | 92 | 90% | 135 | 138 | (2)% | 152 | 147 | 3% | 600 | 592 | 1% |
| Individual pensions | 1,185 | 508 | 133% | 32 | 22 | 45% | 150 | 72 | 108% | 1,295 | 595 | 118% |
| Income drawdown | 1,024 | 352 | 191% | - | - | N/A | 102 | 35 | 191% | 1,024 | 352 | 191% |
| Other products | 679 | 203 | 295% | 12 | 6 | 100% | 80 | 9 | 789% | 749 | 54 | 1,287% |
| Total Retail | 6,955 | 4,971 | 40% | 179 | 166 | 8% | 874 | 663 | 32% | 7,561 | 5,595 | 35% |
| Wholesale | 1,508 | 1,710 | (12)% | - | - | N/A | 151 | 171 | (12)% | 1,508 | 1,710 | (12)% |
| Total UK & Europe Insurance Operations | 8,463 | 6,681 | 27% | 179 | 166 | 8% | 1,025 | 834 | 23% | 9,069 | 7,305 | 24% |
| Group Total (11) | 27,869 | 25,749 | 8% | 2,820 | 2,203 | 28% | 5,607 | 4,778 | 17% | 41,563 | 36,575 | 14% |

Schedule A(iii) – Total Insurance New Business APE – By Quarter (Actual Exchange Rates)

| | 2014 | | | | 2015 | | | |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Group Insurance Operations | | | | | | | | |
| Asia (1a) | 507 | 489 | 548 | 693 | 681 | 685 | 655 | 832 |
| US(1a) | 432 | 439 | 364 | 321 | 400 | 457 | 421 | 451 |
| UK (11) | 230 | 189 | 209 | 206 | 169 | 341 | 252 | 263 |
| Group Total (11) | 1,169 | 1,117 | 1,121 | 1,220 | 1,250 | 1,483 | 1,328 | 1,546 |
| Asia Insurance Operations(1a) | | | | | | | | |
| Cambodia | - | 1 | 1 | 1 | 2 | 1 | 3 | 2 |
| Hong Kong | 128 | 130 | 166 | 221 | 246 | 273 | 283 | 411 |

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| | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| Indonesia | 86 | 98 | 80 | 121 | 93 | 90 | 64 | 79 |
| Malaysia | 43 | 48 | 48 | 62 | 54 | 51 | 47 | 59 |
| Philippines | 11 | 11 | 13 | 16 | 14 | 15 | 15 | 15 |
| Singapore | 87 | 85 | 86 | 99 | 72 | 81 | 71 | 85 |
| Thailand | 25 | 17 | 18 | 23 | 28 | 20 | 21 | 26 |
| Vietnam | 11 | 12 | 16 | 22 | 13 | 21 | 21 | 28 |
| SE Asia Operations inc. Hong Kong | 391 | 402 | 428 | 565 | 522 | 552 | 525 | 705 |
| China(6) | 38 | 19 | 23 | 25 | 56 | 33 | 26 | 27 |
| Korea | 26 | 22 | 32 | 33 | 31 | 43 | 38 | 29 |
| Taiwan | 24 | 30 | 34 | 36 | 28 | 33 | 32 | 38 |
| India(4) | 28 | 16 | 31 | 34 | 44 | 24 | 34 | 33 |
| Total Asia Insurance Operations | 507 | 489 | 548 | 693 | 681 | 685 | 655 | 832 |
| US Insurance Operations(1a) | | | | | | | | |
| Variable annuities | 317 | 297 | 260 | 216 | 272 | 334 | 307 | 285 |
| Elite Access (variable annuity) | 69 | 80 | 80 | 82 | 74 | 92 | 81 | 67 |
| Fixed annuities | 12 | 15 | 14 | 12 | 11 | 12 | 12 | 13 |
| Fixed index annuities | 8 | 10 | 10 | 9 | 10 | 11 | 11 | 14 |
| Wholesale | 26 | 37 | - | 2 | 33 | 8 | 10 | 72 |
| Total US Insurance Operations | 432 | 439 | 364 | 321 | 400 | 457 | 421 | 451 |
| UK & Europe Insurance Operations(11) | | | | | | | | |
| Individual annuities | 36 | 27 | 23 | 20 | 14 | 14 | 15 | 14 |
| Bonds | 63 | 67 | 77 | 87 | 76 | 80 | 83 | 94 |
| Corporate pensions | 40 | 39 | 38 | 30 | 33 | 43 | 31 | 45 |
| Individual pensions | 12 | 15 | 21 | 24 | 27 | 35 | 38 | 50 |
| Income drawdown | 5 | 7 | 11 | 12 | 14 | 25 | 32 | 31 |
| Other products | 1 | 3 | 2 | 3 | 5 | 27 | 21 | 27 |
| Total Retail | 157 | 158 | 172 | 176 | 169 | 224 | 220 | 261 |
| Wholesale | 73 | 31 | 37 | 30 | - | 117 | 32 | 2 |
| Total UK & Europe Insurance Operations | 230 | 189 | 209 | 206 | 169 | 341 | 252 | 263 |
| Group Total(11) | 1,169 | 1,117 | 1,121 | 1,220 | 1,250 | 1,483 | 1,328 | 1,546 |

Schedule A(iv) – Total Insurance New Business APE – By Quarter (2014 at Constant Exchange Rates)

Note: In schedule A(iv) constant exchange rates have been used to calculate insurance new business for overseas operations for all periods in 2014. Discrete quarters in 2015 are presented on actual exchange rates.

| | 2014 | | | | 2015 | | | |
|-------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Q1 £m | Q2 £m | Q3 £m | Q4 £m | Q1 £m | Q2 £m | Q3 £m | Q4 £m |
| Group Insurance Operations | | | | | | | | |
| Asia(1b) | 517 | 500 | 560 | 690 | 681 | 685 | 655 | 832 |

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| | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| US(1b) | 468 | 483 | 398 | 328 | 400 | 457 | 421 | 451 |
| UK (11) | 230 | 189 | 209 | 206 | 169 | 341 | 252 | 263 |
| Group Total(11) | 1,215 | 1,172 | 1,167 | 1,224 | 1,250 | 1,483 | 1,328 | 1,546 |
| Asia Insurance Operations(1b) | | | | | | | | |
| Cambodia | - | 1 | 1 | 1 | 2 | 1 | 3 | 2 |
| Hong Kong | 139 | 141 | 184 | 232 | 246 | 273 | 283 | 411 |
| Indonesia | 82 | 94 | 76 | 115 | 93 | 90 | 64 | 79 |
| Malaysia | 40 | 43 | 42 | 56 | 54 | 51 | 47 | 59 |
| Philippines | 11 | 13 | 13 | 17 | 14 | 15 | 15 | 15 |
| Singapore | 87 | 85 | 86 | 96 | 72 | 81 | 71 | 85 |
| Thailand | 26 | 18 | 18 | 23 | 28 | 20 | 21 | 26 |
| Vietnam | 11 | 14 | 16 | 22 | 13 | 21 | 21 | 28 |
| SE Asia Operations inc. Hong Kong | 396 | 409 | 436 | 562 | 522 | 552 | 525 | 705 |
| China(6) | 40 | 21 | 25 | 25 | 56 | 33 | 26 | 27 |
| Korea | 27 | 22 | 32 | 32 | 31 | 43 | 38 | 29 |
| Taiwan | 25 | 31 | 35 | 37 | 28 | 33 | 32 | 38 |
| India(4) | 29 | 17 | 32 | 34 | 44 | 24 | 34 | 33 |
| Total Asia Insurance Operations | 517 | 500 | 560 | 690 | 681 | 685 | 655 | 832 |
| US Insurance Operations(1b) | | | | | | | | |
| Variable annuities | 343 | 327 | 285 | 220 | 272 | 334 | 307 | 285 |
| Elite Access (variable annuity) | 75 | 88 | 87 | 85 | 74 | 92 | 81 | 67 |
| Fixed annuities | 13 | 16 | 15 | 13 | 11 | 12 | 12 | 13 |
| Fixed index annuities | 9 | 11 | 11 | 9 | 10 | 11 | 11 | 14 |
| Wholesale | 28 | 41 | - | 1 | 33 | 8 | 10 | 72 |
| Total US Insurance Operations | 468 | 483 | 398 | 328 | 400 | 457 | 421 | 451 |
| UK & Europe Insurance Operations(11) | | | | | | | | |
| Individual annuities | 36 | 27 | 23 | 20 | 14 | 14 | 15 | 14 |
| Bonds | 63 | 67 | 77 | 87 | 76 | 80 | 83 | 94 |
| Corporate pensions | 40 | 39 | 38 | 30 | 33 | 43 | 31 | 45 |
| Individual pensions | 12 | 15 | 21 | 24 | 27 | 35 | 38 | 50 |
| Income drawdown | 5 | 7 | 11 | 12 | 14 | 25 | 32 | 31 |
| Other products | 1 | 3 | 2 | 3 | 5 | 27 | 21 | 27 |
| Total Retail | 157 | 158 | 172 | 176 | 169 | 224 | 220 | 261 |
| Wholesale | 73 | 31 | 37 | 30 | - | 117 | 32 | 2 |
| Total UK & Europe Insurance Operations | 230 | 189 | 209 | 206 | 169 | 341 | 252 | 263 |
| Group Total(11) | 1,215 | 1,172 | 1,167 | 1,224 | 1,250 | 1,483 | 1,328 | 1,546 |

Schedule A(v) – Total Insurance New Business APE – By Quarter (2015 and 2014 at Constant Exchange Rates)

Note:

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In schedule A(v) constant exchange rates have been used to calculate insurance new business for overseas operations for all periods in 2014 and 2015 ie the average exchange rate for the year ended 31 December 2015 is applied to each discrete quarter for 2014 and 2015.

| | 2014 | | | | 2015 | | | |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Q1 £m | Q2 £m | Q3 £m | Q4 £m | Q1 £m | Q2 £m | Q3 £m | Q4 £m |
| Group Insurance Operations | | | | | | | | |
| Asia(1c) | 517 | 500 | 560 | 690 | 661 | 676 | 675 | 841 |
| US(1c) | 468 | 483 | 398 | 328 | 396 | 459 | 427 | 447 |
| UK (11) | 230 | 189 | 209 | 206 | 169 | 341 | 252 | 263 |
| Group Total(11) | 1,215 | 1,172 | 1,167 | 1,224 | 1,226 | 1,476 | 1,354 | 1,551 |
| Asia Insurance Operations(1c) | | | | | | | | |
| Cambodia | - | 1 | 1 | 1 | 2 | 1 | 3 | 2 |
| Hong Kong | 139 | 141 | 184 | 232 | 244 | 273 | 287 | 409 |
| Indonesia | 82 | 94 | 76 | 115 | 88 | 88 | 68 | 82 |
| Malaysia | 40 | 43 | 42 | 56 | 50 | 48 | 49 | 64 |
| Philippines | 11 | 13 | 13 | 17 | 13 | 15 | 16 | 15 |
| Singapore | 87 | 85 | 86 | 96 | 70 | 81 | 71 | 87 |
| Thailand | 26 | 18 | 18 | 23 | 26 | 20 | 23 | 26 |
| Vietnam | 11 | 14 | 16 | 22 | 13 | 20 | 22 | 28 |
| SE Asia Operations inc. | 396 | 409 | 436 | 562 | 506 | 546 | 539 | 713 |
| Hong Kong | | | | | | | | |
| China(6) | 40 | 21 | 25 | 25 | 56 | 32 | 27 | 27 |
| Korea | 27 | 22 | 32 | 32 | 30 | 41 | 41 | 29 |
| Taiwan | 25 | 31 | 35 | 37 | 27 | 33 | 32 | 39 |
| India(4) | 29 | 17 | 32 | 34 | 42 | 24 | 36 | 33 |
| Total Asia Insurance Operations | 517 | 500 | 560 | 690 | 661 | 676 | 675 | 841 |
| US Insurance Operations(1c) | | | | | | | | |
| Variable annuities | 343 | 327 | 285 | 220 | 269 | 336 | 310 | 283 |
| Elite Access (variable annuity) | 75 | 88 | 87 | 85 | 73 | 92 | 83 | 66 |
| Fixed annuities | 13 | 16 | 15 | 13 | 11 | 12 | 12 | 13 |
| Fixed index annuities | 9 | 11 | 11 | 9 | 10 | 11 | 12 | 13 |
| Wholesale | 28 | 41 | - | 1 | 33 | 8 | 10 | 72 |
| Total US Insurance Operations | 468 | 483 | 398 | 328 | 396 | 459 | 427 | 447 |
| UK & Europe Insurance Operations(11) | | | | | | | | |
| Individual annuities | 36 | 27 | 23 | 20 | 14 | 14 | 15 | 14 |
| Bonds | 63 | 67 | 77 | 87 | 76 | 80 | 83 | 94 |
| Corporate pensions | 40 | 39 | 38 | 30 | 33 | 43 | 31 | 45 |
| Individual pensions | 12 | 15 | 21 | 24 | 27 | 35 | 38 | 50 |
| Income drawdown | 5 | 7 | 11 | 12 | 14 | 25 | 32 | 31 |

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| | | | | | | | | |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Other products | 1 | 3 | 2 | 3 | 5 | 27 | 21 | 27 |
| Total Retail | 157 | 158 | 172 | 176 | 169 | 224 | 220 | 261 |
| Wholesale | 73 | 31 | 37 | 30 | - | 117 | 32 | 2 |
| Total UK & Europe | | | | | | | | |
| Insurance Operations | 230 | 189 | 209 | 206 | 169 | 341 | 252 | 263 |
| Group Total(11) | 1,215 | 1,172 | 1,167 | 1,224 | 1,226 | 1,476 | 1,354 | 1,551 |

Schedule A(vi) – Investment Operations – By Quarter (Actual Exchange Rates)

| | 2014 | | | | 2015 | | | |
|---------------------------------------|---------|---------|---------|----------|----------|----------|----------|----------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Group Investment Operations | | | | | | | | |
| Opening FUM | 143,916 | 147,914 | 153,849 | 157,533 | 162,380 | 169,345 | 163,488 | 155,365 |
| Net Flows:(8) | 2,571 | 4,123 | 2,893 | 2,930 | 2,990 | (804) | (2,314) | (909) |
| - Gross Inflows | 12,146 | 14,045 | 12,847 | 13,670 | 17,512 | 14,566 | 11,839 | 10,553 |
| - Redemptions | (9,575) | (9,922) | (9,954) | (10,740) | (14,522) | (15,370) | (14,153) | (11,462) |
| Other Movements | 1,427 | 1,812 | 791 | 1,917 | 3,975 | (5,053) | (5,809) | 2,230 |
| Total Group Investment Operations(10) | 147,914 | 153,849 | 157,533 | 162,380 | 169,345 | 163,488 | 155,365 | 156,686 |
| M&G | | | | | | | | |
| Retail | | | | | | | | |
| Opening FUM | 67,202 | 68,981 | 71,941 | 73,012 | 74,289 | 75,673 | 69,158 | 63,464 |
| Net Flows: | 1,291 | 2,493 | 1,531 | 1,371 | 558 | (3,976) | (3,939) | (3,501) |
| - Gross Inflows | 7,305 | 7,468 | 6,801 | 7,414 | 8,592 | 5,672 | 3,760 | 3,076 |
| - Redemptions | (6,014) | (4,975) | (5,270) | (6,043) | (8,034) | (9,648) | (7,699) | (6,577) |
| Other Movements | 488 | 467 | (460) | (94) | 826 | (2,539) | (1,755) | 838 |
| Closing FUM | 68,981 | 71,941 | 73,012 | 74,289 | 75,673 | 69,158 | 63,464 | 60,801 |
| Comprising amounts for: | | | | | | | | |
| UK | 42,199 | 42,392 | 41,756 | 40,705 | 41,143 | 38,701 | 36,457 | 35,738 |
| Europe (excluding UK) | 25,244 | 27,927 | 29,622 | 31,815 | 32,675 | 28,726 | 25,388 | 23,524 |
| South Africa | 1,538 | 1,622 | 1,634 | 1,769 | 1,855 | 1,731 | 1,619 | 1,539 |
| | 68,981 | 71,941 | 73,012 | 74,289 | 75,673 | 69,158 | 63,464 | 60,801 |
| Institutional(3) | | | | | | | | |
| Opening FUM | 58,787 | 59,736 | 60,830 | 61,572 | 62,758 | 63,838 | 64,242 | 63,845 |
| Net Flows: | 152 | 275 | 138 | (164) | 122 | 921 | 1,243 | 1,564 |
| - Gross Inflows | 1,655 | 2,894 | 2,295 | 2,185 | 3,712 | 2,449 | 3,312 | 3,053 |
| - Redemptions | (1,503) | (2,619) | (2,157) | (2,349) | (3,590) | (1,528) | (2,069) | (1,489) |
| Other Movements | 797 | 819 | 604 | 1,350 | 958 | (517) | (1,640) | 195 |
| Closing FUM | 59,736 | 60,830 | 61,572 | 62,758 | 63,838 | 64,242 | 63,845 | 65,604 |
| Total M&G Investment Operations | 128,717 | 132,771 | 134,584 | 137,047 | 139,511 | 133,400 | 127,309 | 126,405 |
| PPM South Africa FUM included in | | | | | | | | |
| Total M&G | 4,720 | 4,815 | 4,905 | 5,203 | 5,456 | 5,108 | 4,628 | 4,365 |
| Eastspring - excluding MMF(8) | | | | | | | | |
| Third Party Retail(7) | | | | | | | | |

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|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Opening FUM | 16,109 | 16,753 | 18,259 | 19,893 | 21,893 | 25,687 | 26,017 | 24,175 |
| Net Flows: | 540 | 1,063 | 1,127 | 1,640 | 2,133 | 2,102 | 225 | 391 |
| - Gross Inflows | 2,546 | 3,285 | 3,583 | 3,760 | 5,007 | 6,082 | 4,439 | 3,726 |
| - Redemptions | (2,006) | (2,222) | (2,456) | (2,120) | (2,874) | (3,980) | (4,214) | (3,335) |
| Other Movements | 104 | 443 | 507 | 360 | 1,661 | (1,772) | (2,067) | 975 |
| Closing FUM(5) | 16,753 | 18,259 | 19,893 | 21,893 | 25,687 | 26,017 | 24,175 | 25,541 |

Third Party Institutional Mandates

| | | | | | | | | |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Opening FUM | 1,818 | 2,444 | 2,819 | 3,056 | 3,440 | 4,147 | 4,071 | 3,881 |
| Net Flows: | 588 | 292 | 97 | 83 | 177 | 149 | 157 | 637 |
| - Gross Inflows | 640 | 398 | 168 | 311 | 201 | 363 | 328 | 698 |
| - Redemptions | (52) | (106) | (71) | (228) | (24) | (214) | (171) | (61) |
| Other Movements | 38 | 83 | 140 | 301 | 530 | (225) | (347) | 222 |
| Closing FUM(5) | 2,444 | 2,819 | 3,056 | 3,440 | 4,147 | 4,071 | 3,881 | 4,740 |

Total Eastspring Investment Operations

| | | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|--------|
| 19,197 | 21,078 | 22,949 | 25,333 | 29,834 | 30,088 | 28,056 | 30,281 |
|--------|--------|--------|--------|--------|--------|--------|--------|

US

| | | | | | | | | |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Curian - FUM(5) (9) | 6,781 | 6,948 | 7,421 | 7,933 | 8,557 | 8,078 | 4,526 | 1,891 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|

Schedule A(vii) – Total Insurance New Business Profit (Actual Exchange Rates)

| | 2014 | | | | 2015 | | | |
|--|------|-------|-------|-------|------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | YTD | YTD | YTD | YTD | YTD | YTD | YTD | YTD |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| New Business Profit(1a) | | | | | | | | |
| Total Asia Insurance Operations | 243 | 494 | 775 | 1,162 | 309 | 664 | 976 | 1,490 |
| Total US Insurance Operations | 195 | 376 | 530 | 694 | 153 | 371 | 557 | 809 |
| Total UK & Europe Insurance Operations(11) | 88 | 139 | 200 | 259 | 34 | 155 | 231 | 318 |
| Group Total (11) | 526 | 1,009 | 1,505 | 2,115 | 496 | 1,190 | 1,764 | 2,617 |

Annual Equivalent(1a) (2)

| | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Asia Insurance Operations | 507 | 996 | 1,544 | 2,237 | 681 | 1,366 | 2,021 | 2,853 |
| Total US Insurance Operations | 432 | 871 | 1,235 | 1,556 | 400 | 857 | 1,278 | 1,729 |
| Total UK & Europe Insurance Operations(11) | 230 | 419 | 628 | 834 | 169 | 510 | 762 | 1,025 |
| Group Total(11) | 1,169 | 2,286 | 3,407 | 4,627 | 1,250 | 2,733 | 4,061 | 5,607 |

New Business Margin (NBP as % of APE)

| | | | | | | | | |
|---------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Total Asia Insurance Operations | 48% | 50% | 50% | 52% | 45% | 49% | 48% | 52% |
| | 45% | 43% | 43% | 45% | 38% | 43% | 44% | 47% |

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| | | | | | | | | |
|--|-----|-----|-----|-----|-----|-----|-----|-----|
| Total US Insurance Operations | | | | | | | | |
| Total UK & Europe Insurance Operations | 38% | 33% | 32% | 31% | 20% | 30% | 30% | 31% |
| Group Total | 45% | 44% | 44% | 46% | 40% | 44% | 43% | 47% |

| | | | | | | | | |
|--|-------|--------|--------|--------|-------|--------|--------|--------|
| PVNB(1a) (2) | | | | | | | | |
| Total Asia Insurance Operations | 2,690 | 5,378 | 8,408 | 12,331 | 3,643 | 7,340 | 10,847 | 15,208 |
| Total US Insurance Operations | 4,323 | 8,703 | 12,352 | 15,555 | 3,998 | 8,574 | 12,782 | 17,286 |
| Total UK & Europe Insurance Operations(11) | 2,024 | 3,644 | 5,459 | 7,305 | 1,450 | 4,524 | 6,815 | 9,069 |
| Group Total(11) | 9,037 | 17,725 | 26,219 | 35,191 | 9,091 | 20,438 | 30,444 | 41,563 |

| | | | | | | | | |
|--|------|------|------|------|------|------|------|------|
| New Business Margin (NBP as % of PVNB) | | | | | | | | |
| Total Asia Insurance Operations | 9.0% | 9.2% | 9.2% | 9.4% | 8.5% | 9.0% | 9.0% | 9.8% |
| Total US Insurance Operations | 4.5% | 4.3% | 4.3% | 4.5% | 3.8% | 4.3% | 4.4% | 4.7% |
| Total UK & Europe Insurance Operations | 4.3% | 3.8% | 3.7% | 3.5% | 2.3% | 3.4% | 3.4% | 3.5% |
| Group Total | 5.8% | 5.7% | 5.7% | 6.0% | 5.5% | 5.8% | 5.8% | 6.3% |

Schedule A(viii) – Total Insurance New Business Profit (2014 at Constant Exchange Rates)

Note: In schedule A(viii) constant exchange rates have been used to calculate insurance new business for overseas operations for all periods in 2014. The year-to-date amounts for 2015 are presented on actual exchange rates.

| | 2014 | | | | 2015 | | | |
|--|------|-------|-------|-------|------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | YTD | YTD | YTD | YTD | YTD | YTD | YTD | YTD |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| New Business Profit(1b) | | | | | | | | |
| Total Asia Insurance Operations | 245 | 499 | 785 | 1,168 | 309 | 664 | 976 | 1,490 |
| Total US Insurance Operations | 211 | 411 | 579 | 748 | 153 | 371 | 557 | 809 |
| Total UK & Europe Insurance Operations(11) | 88 | 139 | 200 | 259 | 34 | 155 | 231 | 318 |
| Group Total(11) | 544 | 1,049 | 1,564 | 2,175 | 496 | 1,190 | 1,764 | 2,617 |
| Annual Equivalent(1b) (2) | | | | | | | | |
| Total Asia Insurance Operations | 517 | 1,017 | 1,577 | 2,267 | 681 | 1,366 | 2,021 | 2,853 |
| Total US Insurance Operations | 468 | 951 | 1,349 | 1,677 | 400 | 857 | 1,278 | 1,729 |
| Total UK & Europe Insurance Operations(11) | 230 | 419 | 628 | 834 | 169 | 510 | 762 | 1,025 |

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| | | | | | | | | |
|--|-------|--------|--------|--------|-------|--------|--------|--------|
| Group Total(11) | 1,215 | 2,387 | 3,554 | 4,778 | 1,250 | 2,733 | 4,061 | 5,607 |
| New Business Margin (NBP as % of APE) | | | | | | | | |
| Total Asia Insurance Operations | 47% | 49% | 50% | 52% | 45% | 49% | 48% | 52% |
| Total US Insurance Operations | 45% | 43% | 43% | 45% | 38% | 43% | 44% | 47% |
| Total UK & Europe Insurance Operations | 38% | 33% | 32% | 31% | 20% | 30% | 30% | 31% |
| Group Total | 45% | 44% | 44% | 46% | 40% | 44% | 43% | 47% |
| PVNBP(1b) (2) | | | | | | | | |
| Total Asia Insurance Operations | 2,740 | 5,493 | 8,587 | 12,502 | 3,643 | 7,340 | 10,847 | 15,208 |
| Total US Insurance Operations | 4,682 | 9,506 | 13,493 | 16,768 | 3,998 | 8,574 | 12,782 | 17,286 |
| Total UK & Europe Insurance Operations(11) | 2,024 | 3,644 | 5,459 | 7,305 | 1,450 | 4,524 | 6,815 | 9,069 |
| Group Total(11) | 9,446 | 18,643 | 27,539 | 36,575 | 9,091 | 20,438 | 30,444 | 41,563 |
| New Business Margin (NBP as % of PVNBP) | | | | | | | | |
| Total Asia Insurance Operations | 8.9% | 9.1% | 9.1% | 9.3% | 8.5% | 9.0% | 9.0% | 9.8% |
| Total US Insurance Operations | 4.5% | 4.3% | 4.3% | 4.5% | 3.8% | 4.3% | 4.4% | 4.7% |
| Total UK & Europe Insurance Operations | 4.3% | 3.8% | 3.7% | 3.5% | 2.3% | 3.4% | 3.4% | 3.5% |
| Group Total | 5.8% | 5.6% | 5.7% | 5.9% | 5.5% | 5.8% | 5.8% | 6.3% |

Schedule A(ix) – Total Insurance New Business Profit (2015 and 2014 at Constant Exchange Rates)

Note: In schedule A(ix) constant exchange rates have been used to calculate insurance new business for overseas operations for all periods in 2014 and 2015, ie the average exchange rates for the year ended 31 December 2015 are applied to each period for 2014 and 2015.

| | 2014 | | | | 2015 | | | |
|--|------|-------|-------|-------|------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | YTD | YTD | YTD | YTD | YTD | YTD | YTD | YTD |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Post-tax analysis | | | | | | | | |
| New Business Profit(1c) | | | | | | | | |
| Total Asia Insurance Operations | 245 | 499 | 785 | 1,168 | 299 | 651 | 972 | 1,490 |
| Total US Insurance Operations | 211 | 411 | 579 | 748 | 152 | 370 | 558 | 809 |
| Total UK & Europe Insurance Operations(11) | 88 | 139 | 200 | 259 | 34 | 155 | 231 | 318 |
| Group Total(11) | 544 | 1,049 | 1,564 | 2,175 | 485 | 1,176 | 1,761 | 2,617 |

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Annual Equivalent(1c) (2)

| | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Asia Insurance Operations | 517 | 1,017 | 1,577 | 2,267 | 661 | 1,337 | 2,012 | 2,853 |
| Total US Insurance Operations | 468 | 951 | 1,349 | 1,677 | 396 | 855 | 1,282 | 1,729 |
| Total UK & Europe Insurance Operations(11) | 230 | 419 | 628 | 834 | 169 | 510 | 762 | 1,025 |
| Group Total(11) | 1,215 | 2,387 | 3,554 | 4,778 | 1,226 | 2,702 | 4,056 | 5,607 |

New Business Margin (NBP as % of APE)

| | | | | | | | | |
|--|-----|-----|-----|-----|-----|-----|-----|-----|
| Total Asia Insurance Operations | 47% | 49% | 50% | 52% | 45% | 49% | 48% | 52% |
| Total US Insurance Operations | 45% | 43% | 43% | 45% | 38% | 43% | 44% | 47% |
| Total UK & Europe Insurance Operations | 38% | 33% | 32% | 31% | 20% | 30% | 30% | 31% |
| Group Total | 45% | 44% | 44% | 46% | 40% | 44% | 43% | 47% |

PVNBP(1c) (2)

| | | | | | | | | |
|--|-------|--------|--------|--------|-------|--------|--------|--------|
| Total Asia Insurance Operations | 2,740 | 5,493 | 8,587 | 12,502 | 3,539 | 7,190 | 10,799 | 15,208 |
| Total US Insurance Operations | 4,682 | 9,506 | 13,493 | 16,768 | 3,960 | 8,547 | 12,815 | 17,286 |
| Total UK & Europe Insurance Operations(11) | 2,024 | 3,644 | 5,459 | 7,305 | 1,450 | 4,524 | 6,815 | 9,069 |
| Group Total(11) | 9,446 | 18,643 | 27,539 | 36,575 | 8,949 | 20,261 | 30,429 | 41,563 |

New Business Margin (NBP as % of PVNBP)

| | | | | | | | | |
|--|------|------|------|------|------|------|------|------|
| Total Asia Insurance Operations | 8.9% | 9.1% | 9.1% | 9.3% | 8.4% | 9.1% | 9.0% | 9.8% |
| Total US Insurance Operations | 4.5% | 4.3% | 4.3% | 4.5% | 3.8% | 4.3% | 4.4% | 4.7% |
| Total UK & Europe Insurance Operations | 4.3% | 3.8% | 3.7% | 3.5% | 2.3% | 3.4% | 3.4% | 3.5% |
| Group Total | 5.8% | 5.6% | 5.7% | 5.9% | 5.4% | 5.8% | 5.8% | 6.3% |

B Reconciliation of expected transfer of value of in-force business and required capital to free surplus

The tables below show how the value of in-force business (VIF) generated by the in-force long-term business and the associated required capital is modelled as emerging into free surplus over the next 40 years. Although a small amount (less than 3 per cent) of the Group's embedded value emerges after this date, analysis of cash flows emerging in the years shown in the tables is considered most meaningful. The modelled cash flows use the same methodology underpinning the Group's embedded value reporting and so are subject to the same assumptions and sensitivities used to prepare our 2015 results.

The impact of Solvency II which is effective from 1 January 2016 is not reflected in the analysis below in line with the guidance issued by the CFO Forum. The new regulatory regime will not impact the free surplus generation profile of our operations in Asia and the US as Solvency II does not act as the local constraint on the ability to distribute profits to the Group. For these businesses free surplus generation will continue to be driven by local regulatory and target capital requirements. For the UK insurance operations Solvency II will alter free surplus generation and an early estimate is provided in section D of the additional unaudited information.

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In addition to showing the amounts, both discounted and undiscounted, expected to be generated from all in-force business at 31 December 2015, the tables also present the expected future free surplus to be generated from the investment made in new business during 2015 over the same 40-year period.

Expected transfer of value of in-force business (VIF) and required capital to free surplus

| Expected period of emergence | 2015 £m | | | | | | | |
|--|---|--------|--------|--------|--|-------|-----|-------|
| | Undiscounted expected generation from all in-force business at 31 December* | | | | Undiscounted expected generation from 2015 long-term new business written* | | | |
| | Asia | US | UK | Total | Asia | US | UK | Total |
| 2016 | 1,015 | 1,120 | 486 | 2,621 | 148 | 276 | 28 | 452 |
| 2017 | 962 | 991 | 510 | 2,463 | 140 | 120 | 28 | 288 |
| 2018 | 926 | 951 | 506 | 2,383 | 150 | 131 | 29 | 310 |
| 2019 | 905 | 970 | 503 | 2,378 | 134 | 65 | 29 | 228 |
| 2020 | 871 | 1,018 | 499 | 2,388 | 139 | 106 | 33 | 278 |
| 2021 | 889 | 982 | 498 | 2,369 | 123 | 106 | 31 | 260 |
| 2022 | 887 | 921 | 489 | 2,297 | 128 | 88 | 29 | 245 |
| 2023 | 871 | 894 | 491 | 2,256 | 124 | 157 | 28 | 309 |
| 2024 | 844 | 755 | 478 | 2,077 | 118 | 140 | 29 | 287 |
| 2025 | 817 | 680 | 466 | 1,963 | 123 | 129 | 29 | 281 |
| 2026 | 800 | 606 | 454 | 1,860 | 105 | 110 | 26 | 241 |
| 2027 | 789 | 512 | 437 | 1,738 | 109 | 95 | 24 | 228 |
| 2028 | 766 | 447 | 424 | 1,637 | 102 | 85 | 24 | 211 |
| 2029 | 740 | 386 | 411 | 1,537 | 100 | 76 | 23 | 199 |
| 2030 | 724 | 328 | 398 | 1,450 | 108 | 69 | 22 | 199 |
| 2031 | 699 | 276 | 383 | 1,358 | 96 | 55 | 21 | 172 |
| 2032 | 681 | 272 | 373 | 1,326 | 94 | 48 | 20 | 162 |
| 2033 | 661 | 166 | 353 | 1,180 | 91 | 42 | 20 | 153 |
| 2034 | 648 | 130 | 331 | 1,109 | 89 | 35 | 20 | 144 |
| 2035 | 636 | 102 | 313 | 1,051 | 94 | 30 | 18 | 142 |
| 2036-2040 | 3,020 | 190 | 1,255 | 4,465 | 429 | 48 | 81 | 558 |
| 2041-2045 | 2,659 | - | 1,081 | 3,740 | 396 | - | 104 | 500 |
| 2046-2050 | 2,342 | - | 470 | 2,812 | 368 | - | 43 | 411 |
| 2051-2055 | 2,056 | - | 261 | 2,317 | 350 | - | 26 | 376 |
| Total free surplus expected to emerge in the next 40 years | 26,208 | 12,697 | 11,870 | 50,775 | 3,858 | 2,011 | 765 | 6,634 |

*The analysis excludes amounts incorporated into VIF at 31 December 2015 where there is no definitive timeframe for when the payments will be made or receipts received. In particular it excludes the value of the shareholders' interest in the estate. It also excludes any free surplus emerging after 2055.

The above amounts can be reconciled to the new business amounts as follows:

| | 2015 £m | | | |
|--|---------|-------|-------|---------|
| | Asia | US | UK | Total |
| Undiscounted expected free surplus generation for years 2016 to 2055 | 3,858 | 2,011 | 765 | 6,634 |
| Less: discount effect | (2,138) | (725) | (392) | (3,255) |
| Discounted expected free surplus generation for years 2016 to 2055 | 1,720 | 1,286 | 373 | 3,379 |

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| | | | | |
|---|-------|-------|------|-------|
| Discounted expected free surplus generation for years 2055+ | 153 | - | 2 | 155 |
| Less: Free surplus investment in new businessnote 8 | (413) | (267) | (65) | (745) |
| Other items** | 30 | (210) | 8 | (172) |
| Post-tax EEV new business profitnote 3 | 1,490 | 809 | 318 | 2,617 |

**Other items represent the impact of the time value of options and guarantees on new business, foreign exchange effects and other non-modelled items. Foreign exchange effects arise as EEV new business profit amounts are translated at average exchange rates and the expected free surplus generation uses year end closing rates.

The undiscounted expected free surplus generation from all in-force business at 31 December 2015 shown below can be reconciled to the amount that was expected to be generated as at 31 December 2014 as follows:

| Group | 2015 £m | 2016 £m | 2017 £m | 2018 £m | 2019 £m | 2020 £m | Other £m | Total £m |
|--|------------|------------|------------|------------|------------|------------|-------------|-------------|
| 2014 expected free surplus generation | | | | | | | | |
| for years 2015 - 2054 | 2,513 | 2,336 | 2,228 | 2,141 | 2,179 | 2,079 | 33,666 | 47,142 |
| Less: Amounts expected to be realised | | | | | | | | |
| in the current year | (2,513) | | | | | | | (2,513) |
| Add: Expected free surplus to be generated in year 2055* | | | | | | | 355 | 355 |
| Foreign exchange differences | | 29 | 28 | 27 | 31 | 27 | (165) | (23) |
| New business | | 452 | 288 | 310 | 228 | 278 | 5,078 | 6,634 |
| Operating movements | | 5 | 35 | 25 | 50 | 29 | | |
| Non-operating and other movements | | (201) | (116) | (120) | (110) | (25) | (392) | (820) |
| 2015 expected free surplus generation | | | | | | | | |
| for years 2016 - 2055 | - | 2,621 | 2,463 | 2,383 | 2,378 | 2,388 | 38,542 | 50,775 |
| Asia | 2015 £m | 2016 £m | 2017 £m | 2018 £m | 2019 £m | 2020 £m | Other £m | Total £m |
| 2014 expected free surplus generation | | | | | | | | |
| for years 2015 - 2054 | 953 | 920 | 883 | 846 | 819 | 796 | 19,360 | 24,577 |
| Less: Amounts expected to be realised | | | | | | | | |
| in the current year | (953) | | | | | | - | (953) |
| Add: Expected free surplus to be generated in year 2055* | | | | | | | 315 | 315 |
| Foreign exchange differences | | (23) | (22) | (19) | (19) | (20) | (466) | (569) |
| New business | | 148 | 140 | 150 | 134 | 139 | 3,147 | 3,858 |
| Operating movements | | 3 | - | (20) | 6 | (15) | | |
| Non-operating and other movements | | (33) | (39) | (31) | (35) | (29) | (827) | (1,020) |
| 2015 expected free surplus generation | | | | | | | | |
| for years 2016 - 2055 | - | 1,015 | 962 | 926 | 905 | 871 | 21,529 | 26,208 |
| US | 2015 £m | 2016 £m | 2017 £m | 2018 £m | 2019 £m | 2020 £m | Other £m | Total £m |

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| | | | | | | | | | |
|--|---------|------------------------------|------|------|------|-------|-------|--|---------|
| 2014 expected free surplus generation | | | | | | | | | |
| for years 2015 - 2054 | 1,054 | 902 | 844 | 792 | 866 | 801 | 5,271 | | 10,530 |
| Less: Amounts expected to be realised | | | | | | | | | |
| in the current year | (1,054) | | | | | | | | (1,054) |
| Add: Expected free surplus to be generated in year 2055* | | | | | | | | | |
| Foreign exchange differences | | 52 | 50 | 46 | 50 | 47 | 301 | | 546 |
| New business | | 276 | 120 | 131 | 65 | 106 | 1,313 | | 2,011 |
| Operating movements | | 4 | 22 | 30 | 35 | 40 | | | |
| Non-operating and other movements | | (114) | (45) | (48) | (46) | 24 | 762 | | 664 |
| 2015 expected free surplus generation | | | | | | | | | |
| for years 2016 - 2055 | - | 1,120 | 991 | 951 | 970 | 1,018 | 7,647 | | 12,697 |
| UK | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Other | | Total |
| | £m | £m | £m | £m | £m | £m | £m | | £m |
| 2014 expected free surplus generation | | | | | | | | | |
| for years 2015 - 2054 | 506 | 514 | 501 | 503 | 494 | 482 | 9,035 | | 12,035 |
| Less: Amounts expected to be realised | | | | | | | | | |
| in the current year | (506) | | | | | | | | (506) |
| Add: Expected free surplus to be generated in year 2055* | | | | | | | 40 | | 40 |
| New business | | 28 | 28 | 29 | 29 | 33 | 618 | | 765 |
| Operating movements | | (2) | 13 | 15 | 9 | 4 | | | |
| Non-operating and other movements | | (54) | (32) | (41) | (29) | (20) | (327) | | (464) |
| 2015 expected free surplus generation | | | | | | | | | |
| for years 2016 - 2055 | - | 486 | 510 | 506 | 503 | 499 | 9,366 | | 11,870 |
| * | | Excluding 2015 new business. | | | | | | | |

At 31 December 2015 the total free surplus expected to be generated over the next five years (2016 to 2020 inclusive), using the same assumptions and methodology as those underpinning our 2015 embedded value reporting was £12.2 billion, an increase of £1.2 billion from the £11.0 billion expected over the same period at the end of 2014.

This increase primarily reflects the new business written in 2015, which is expected to generate £1,556 million of free surplus over the next five years.

At 31 December 2015 the total free surplus expected to be generated on an undiscounted basis in the next 40 years is £50.8 billion, up from the £47.1 billion expected at the end of 2014 reflecting the effect of new business written across all three business operations of £6.6 billion and a positive foreign exchange translation effect of £0.4 billion. These positive effects have been offset by a £(0.8) billion adverse effect reflecting operating, market assumption changes and other items. In Asia, these principally reflect the impact of falls in equity market returns and bond values. In the US these mainly reflect higher future separate account growth due to the increase in interest rates, together with improved persistency. Offsetting these positive impacts is the negative effect of lower than expected separate account growth in the year due to broadly flat equity market returns in 2015. In the UK, these mainly arise from the effect of longevity

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reinsurance transactions entered into during the year and the effect of a partial hedge to protect future shareholder with-profits transfers from declines in UK equity markets. The longevity reinsurance transactions executed this year had the effect of accelerating the generation of future free surplus into 2015. The overall growth in the Group's undiscounted value of free surplus reflects our ability to write both growing and profitable new business.

Actual underlying free surplus generated in 2015 from life business in-force at the end of 2015 was £3.3 billion including £0.6 billion of changes in operating assumptions and experience variances. This compares with the expected 2015 realisation at the end of 2014 of £2.5 billion. This can be analysed further as follows:

| | Asia £m | US £m | UK £m | Total £m |
|---|------------|----------|----------|-------------|
| Transfer to free surplus in 2015 | 974 | 1,064 | 573 | 2,611 |
| Expected return on free assets | 30 | 42 | 47 | 119 |
| Changes in operating assumptions and experience variances | (19) | 320 | 258 | 559 |
| Underlying free surplus generated from in-force life business in 2015 | 985 | 1,426 | 878 | 3,289 |
| 2015 free surplus expected to be generated at 31 December 2014 | 953 | 1,054 | 506 | 2,513 |

The equivalent discounted amounts of the undiscounted expected transfers from in-force business and required capital into free surplus shown previously are as follows:

| Expected period of emergence | 2015 £m | | | | 2015 £m | | | |
|------------------------------|--|-------|-----|-------|---|-----|----|-------|
| | Discounted expected generation from all in-force business at 31 December | | | | Discounted expected generation from long-term 2015 new business written | | | |
| | Asia | US | UK | Total | Asia | US | UK | Total |
| 2016 | 969 | 1,081 | 457 | 2,507 | 141 | 267 | 28 | 436 |
| 2017 | 851 | 902 | 452 | 2,205 | 122 | 110 | 25 | 257 |
| 2018 | 766 | 817 | 424 | 2,007 | 122 | 112 | 24 | 258 |
| 2019 | 701 | 785 | 395 | 1,881 | 103 | 52 | 24 | 179 |
| 2020 | 629 | 776 | 369 | 1,774 | 101 | 79 | 25 | 205 |
| 2021 | 597 | 706 | 347 | 1,650 | 84 | 76 | 22 | 182 |
| 2022 | 558 | 625 | 320 | 1,503 | 83 | 58 | 20 | 161 |
| 2023 | 512 | 574 | 302 | 1,388 | 75 | 97 | 18 | 190 |
| 2024 | 464 | 459 | 276 | 1,199 | 68 | 81 | 18 | 167 |
| 2025 | 421 | 388 | 253 | 1,062 | 66 | 71 | 17 | 154 |
| 2026 | 388 | 330 | 232 | 950 | 52 | 56 | 14 | 122 |
| 2027 | 362 | 261 | 209 | 832 | 51 | 45 | 13 | 109 |
| 2028 | 333 | 216 | 190 | 739 | 45 | 38 | 12 | 95 |
| 2029 | 304 | 177 | 174 | 655 | 42 | 32 | 11 | 85 |
| 2030 | 282 | 145 | 157 | 584 | 43 | 27 | 10 | 80 |
| 2031 | 258 | 118 | 142 | 518 | 37 | 20 | 9 | 66 |
| 2032 | 239 | 113 | 129 | 481 | 34 | 16 | 8 | 58 |
| 2033 | 220 | 62 | 115 | 397 | 32 | 13 | 7 | 52 |
| 2034 | 206 | 49 | 101 | 356 | 30 | 11 | 7 | 48 |
| 2035 | 192 | 41 | 89 | 322 | 31 | 9 | 6 | 46 |
| 2036-2040 | 807 | 115 | 289 | 1,211 | 126 | 16 | 23 | 165 |
| 2041-2045 | 565 | - | 183 | 748 | 97 | - | 22 | 119 |

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| | | | | | | | | |
|---|--------|-------|-------|--------|-------|-------|-----|-------|
| 2046-2050 | 403 | - | 51 | 454 | 76 | - | 7 | 83 |
| 2051-2055 | 280 | - | 21 | 301 | 59 | - | 3 | 62 |
| Total discounted free surplus expected to emerge in the next 40 years | 11,307 | 8,740 | 5,677 | 25,724 | 1,720 | 1,286 | 373 | 3,379 |

The above amounts can be reconciled to the Group's financial statements as follows:

| | |
|--|---------|
| | 2015 £m |
| Discounted expected generation from all in-force business for years 2016-2055 | 25,724 |
| Discounted expected generation from all in-force business for years after 2055 | 563 |
| Discounted expected generation from all in-force business at 31 December 2015 ^{note 11} | 26,287 |
| Add: Free surplus of life operations held at 31 December 2015 ^{notes 8,10} | 5,642 |
| Less: Time value of guarantees ^{note 11} | (1,100) |
| Other non-modelled items ^{note 11} | 1,948 |
| Total EEV for life operations ^{note 10} | 32,777 |

C Foreign currency source of key metrics

The tables below show the Group's key free surplus, IFRS and EEV metrics analysis by contribution by currency group:

Free surplus and IFRS 2015 results

| | Underlying free surplus generated | Pre-tax operating profit | Shareholders' funds |
|--------------------------------|-----------------------------------|--------------------------|---------------------|
| | % | % | % |
| | note (2) | notes (2),(3),(4) | notes (2),(3),(4) |
| US\$ linked ⁽¹⁾ | 11 | 16 | 14 |
| Other Asia currencies | 11 | 17 | 19 |
| Total Asia | 22 | 33 | 33 |
| UK sterling ^{(3),(4)} | 40 | 25 | 46 |
| US\$ ⁽⁴⁾ | 38 | 42 | 21 |
| Total | 100 | 100 | 100 |

EEV 2015 results

| | Post-tax new business profits | Post-tax operating profit | Shareholders' funds |
|--------------------------------|-------------------------------|---------------------------|---------------------|
| | % | % | % |
| | notes (2),(3),(4) | | notes (2),(3),(4) |
| US\$ linked ⁽¹⁾ | 44 | 38 | 30 |
| Other Asia currencies | 13 | 12 | 14 |
| Total Asia | 57 | 50 | 44 |
| UK sterling ^{(3),(4)} | 12 | 13 | 32 |
| US\$(4) | 31 | 37 | 24 |
| Total | 100 | 100 | 100 |

Notes

(1) US\$ linked – comprising the Hong Kong and Vietnam operations where the currencies are pegged to the US dollar and the Malaysia and Singapore operations where the currencies are managed against a basket of currencies including the US dollar.

(2) Includes long-term, asset management business and other businesses.

- (3) For operating profit and shareholders' funds, UK sterling includes amounts in respect of central operations as well as UK insurance operations and M&G.
- (4) For shareholders' funds, the US\$ grouping includes US\$ denominated core structural borrowings. Sterling operating profits include all interest payable as sterling denominated, reflecting interest rate currency swaps in place.

D Effect of Solvency II on EEV basis results on 1 January 2016

(i) Group summary

The Solvency II framework is effective from 1 January 2016. For our operations in Asia and the US there is no impact on the EEV results since Solvency II does not act as the local constraint on the ability to distribute profits to the Group. The embedded value and profile of free surplus generation for these businesses will continue to be driven by local regulatory and target capital requirements. For the UK insurance operations Solvency II will impact the EEV results as it changes the local regulatory valuation of net worth and capital requirements, affecting the components of the EEV and the expected profile of free surplus generation. In line with guidance provided by the CFO Forum in October 2015, the impact of Solvency II on the UK EEV has not been included in the main supplementary reporting. An early estimate on the likely impact of Solvency II on the EEV net worth and value of in-force business, together with the impact on free surplus generation is provided in this section of the additional unaudited information.

The impact of Solvency II on the EEV net worth and value of in-force business reported on 1 January 2016 are shown below:

Adjustment to shareholders' equity at 1 January 2016

| | Total EEV £m |
|---|--------------|
| Long-term insurance operations | |
| As reported at 31 December 2015 ^{note 10} | 32,777 |
| Opening adjustment at 1 January 2016 | |
| Solvency II impact on net worth | 3,108 |
| Solvency II impact on net VIF | (3,412) |
| Total opening adjustments at 1 January 2016 ^{note} | (304) |
| Long-term insurance operations as at 1 January 2016 | 32,473 |

Note

The Solvency II framework requires technical provisions to be valued on a best estimate basis and capital requirements to be risk-based. It also requires the establishment of a risk margin (which for business in-force at 31 December 2015 can be broadly offset by transitional measures). As a result of applying this framework the EEV net worth increased by £3,108 million following the release of the prudent regulatory margins previously included under Solvency I, and also from the recognition within net worth of a portion of future shareholder transfers expected from the with-profits fund. The higher net worth is mirrored by increases in required capital reflecting the higher solvency capital requirements of the new regime.

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

- the release of prudent regulatory margins and recognition of a portion of future shareholders transfers within Net Worth leads to a corresponding reduction in VIF;
 - the run-off of the risk margin, net of transitional measures, is now captured in VIF;
- the cost of capital deducted from gross VIF increases as a result of higher Solvency II capital requirements;

The overall impact of these changes is to reduce the value of in-force by £3,412 million. The overall impact on the Group's EEV of the above changes is a reduction of £304 million.

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(ii) Expected transfer of value of in-force business and required capital to free surplus

The tables below show how the UK value of in-force business and the associated required capital is expected to emerge into free surplus over the next 40 years. A comparison is shown between the current Solvency I and Solvency II regimes. A small amount (less than 3 per cent) of the Group's embedded value emerges after this date. The modelled cashflows use the methodology underpinning the Group's embedded value reporting, updated under Solvency II.

(a) Undiscounted expected generation from all in-force business at 31 December 2015 is as follows:

| Expected period of emergence | Undiscounted expected generation 2015 £m | | | | | |
|--|--|--------|------------|-------------|--------|------------|
| | UK insurance operations | | | Group Total | | |
| | Solvency II | | | Solvency II | | |
| | As reported | basis | Difference | As reported | basis | Difference |
| 2016 | 486 | 527 | 41 | 2,621 | 2,662 | 41 |
| 2017 | 510 | 560 | 50 | 2,463 | 2,513 | 50 |
| 2018 | 506 | 549 | 43 | 2,383 | 2,426 | 43 |
| 2019 | 503 | 542 | 39 | 2,378 | 2,417 | 39 |
| 2020 | 499 | 535 | 36 | 2,388 | 2,424 | 36 |
| 2021 | 498 | 539 | 41 | 2,369 | 2,410 | 41 |
| 2022 | 489 | 531 | 42 | 2,297 | 2,339 | 42 |
| 2023 | 491 | 526 | 35 | 2,256 | 2,291 | 35 |
| 2024 | 478 | 513 | 35 | 2,077 | 2,112 | 35 |
| 2025 | 466 | 504 | 38 | 1,963 | 2,001 | 38 |
| 2026 | 454 | 493 | 39 | 1,860 | 1,899 | 39 |
| 2027 | 437 | 475 | 38 | 1,738 | 1,776 | 38 |
| 2028 | 424 | 462 | 38 | 1,637 | 1,675 | 38 |
| 2029 | 411 | 447 | 36 | 1,537 | 1,573 | 36 |
| 2030 | 398 | 429 | 31 | 1,450 | 1,481 | 31 |
| 2031 | 383 | 410 | 27 | 1,358 | 1,385 | 27 |
| 2032 | 373 | 505 | 132 | 1,326 | 1,458 | 132 |
| 2033 | 353 | 479 | 126 | 1,180 | 1,306 | 126 |
| 2034 | 331 | 446 | 115 | 1,109 | 1,224 | 115 |
| 2035 | 313 | 416 | 103 | 1,051 | 1,154 | 103 |
| 2036-2040 | 1,255 | 1,614 | 359 | 4,465 | 4,824 | 359 |
| 2041-2045 | 1,081 | 1,228 | 147 | 3,740 | 3,887 | 147 |
| 2046-2050 | 470 | 539 | 69 | 2,812 | 2,881 | 69 |
| 2051-2055 | 261 | 292 | 31 | 2,317 | 2,348 | 31 |
| Total free surplus expected to emerge in the next 40 years | 11,870 | 13,561 | 1,691 | 50,775 | 52,466 | 1,691 |

(b) The equivalent discounted amounts of the undiscounted totals shown above are as follows:

| Expected period of emergence | Discounted expected generation 2015 £m | | | | | |
|------------------------------|--|-------|------------|-------------|-------|------------|
| | UK insurance operations | | | Group Total | | |
| | Solvency II | | | Solvency II | | |
| | As reported | basis | Difference | As reported | basis | Difference |
| 2016 | 457 | 513 | 56 | 2,507 | 2,563 | 56 |

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| | | | | | | |
|--|-------|-------|-------|--------|--------|-------|
| 2017 | 452 | 524 | 72 | 2,205 | 2,277 | 72 |
| 2018 | 424 | 491 | 67 | 2,007 | 2,074 | 67 |
| 2019 | 395 | 462 | 67 | 1,881 | 1,948 | 67 |
| 2020 | 369 | 433 | 64 | 1,774 | 1,838 | 64 |
| 2021 | 347 | 412 | 65 | 1,650 | 1,715 | 65 |
| 2022 | 320 | 384 | 64 | 1,503 | 1,567 | 64 |
| 2023 | 302 | 359 | 57 | 1,388 | 1,445 | 57 |
| 2024 | 276 | 331 | 55 | 1,199 | 1,254 | 55 |
| 2025 | 253 | 306 | 53 | 1,062 | 1,115 | 53 |
| 2026 | 232 | 282 | 50 | 950 | 1,000 | 50 |
| 2027 | 209 | 257 | 48 | 832 | 880 | 48 |
| 2028 | 190 | 235 | 45 | 739 | 784 | 45 |
| 2029 | 174 | 215 | 41 | 655 | 696 | 41 |
| 2030 | 157 | 195 | 38 | 584 | 622 | 38 |
| 2031 | 142 | 176 | 34 | 518 | 552 | 34 |
| 2032 | 129 | 208 | 79 | 481 | 560 | 79 |
| 2033 | 115 | 186 | 71 | 397 | 468 | 71 |
| 2034 | 101 | 166 | 65 | 356 | 421 | 65 |
| 2035 | 89 | 146 | 57 | 322 | 379 | 57 |
| 2036-2040 | 289 | 501 | 212 | 1,211 | 1,423 | 212 |
| 2041-2045 | 183 | 279 | 96 | 748 | 844 | 96 |
| 2046-2050 | 51 | 116 | 65 | 454 | 519 | 65 |
| 2051-2055 | 21 | 52 | 31 | 301 | 332 | 31 |
| Total free surplus expected to emerge in the next 40 years | 5,677 | 7,229 | 1,552 | 25,724 | 27,276 | 1,552 |

(c) The above amounts can be reconciled to the Group's financial statements as follows:

Reconciliation of discounted expected free surplus generation to EEV

| | As reported £m | Solvency II basis £m | Impact £m |
|--|-------------------|----------------------------|--------------|
| Discounted expected generation from all in-force business for years 2016-2055 | 25,724 | 27,276 | 1,552 |
| Discounted expected generation from all in-force business for years after 2055 | 563 | 578 | 15 |
| Discounted expected generation from all in-force business at 31 December 2015 | 26,287 | 27,854 | 1,567 |
| Add: Free surplus of life operations held at 31 December 2015 | 5,642 | 3,958 | (1,684) |
| Less: Time value of guarantees | (1,100) | (1,100) | - |
| Other non-modelled items | 1,948 | 1,761 | (187) |
| Total EEV for insurance operations | 32,777 | 32,473 | (304) |
| Representing: | | | |
| Asia | 13,643 | 13,643 | - |
| US | 9,487 | 9,487 | - |
| UK | 9,647 | 9,343 | (304) |
| Total EEV for insurance operations | 32,777 | 32,473 | (304) |

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 2016

PRUDENTIAL PUBLIC LIMITED COMPANY

By: /s/ Nic Nicandrou

Nic Nicandrou
CFO