

## ADDITIONAL FINANCIAL INFORMATION

### I (a): ANALYSIS OF LONG-TERM INSURANCE BUSINESS PRE-TAX IFRS OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS BY DRIVER

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

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

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

	Half year 2011 £m				
	Asia	US	UK	Unallocated	Total
Spread income	46	380	122	–	548
Fee income	67	327	29	–	423
With-profits	17	–	154	–	171
Insurance margin	225	113	7	–	345
Margin on revenues	560	–	105	–	665
Expenses:					
Acquisition costs	(349)	(485)	(93)	–	(927)
Administration expenses	(242)	(195)	(60)	–	(497)
DAC adjustments	(11)	192	(1)	–	180
Expected return on shareholder assets	11	36	69	–	116
Long-term business operating profit	324	368	332	–	1,024
Asset management operating profit	43	17	199	–	259
General insurance commission	–	–	21	–	21
RPI to CPI inflation measure change on defined benefit schemes	–	–	–	42	42
Other income and expenditure*	–	–	–	(288)	(288)
<b>TOTAL OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS</b>	<b>367</b>	<b>385</b>	<b>552</b>	<b>(246)</b>	<b>1,058</b>

\* Including restructuring and Solvency II implementation costs.

	Half year 2010 <sup>i</sup> £m				
	Asia	US	UK	Unallocated	Total
Spread income	39	344	83	–	466
Fee income	52	240	29	–	321
With-profits	17	–	154	–	171
Insurance margin	202	118	(4)	–	316
Margin on revenues	474	–	145	–	619
Expenses:					
Acquisition costs	(318)	(408)	(97)	–	(823)
Administration expenses	(225)	(167)	(61)	–	(453)
DAC adjustments	15	142	(2)	–	155
Expected return on shareholder assets	3	58	60	–	121
Long-term business operating profit	259	327	307	–	893
Asset management operating profit	36	15	143	–	194
General insurance commission	–	–	23	–	23
Other income and expenditure*	–	–	–	(265)	(265)
Total operating profit based on longer-term investment returns	295	342	473	(265)	845

	Full year 2010 £m				
	Asia	US	UK	Unallocated	Total
Spread income	70	692	251	–	1,013
Fee income	122	506	60	–	688
With-profits	32	–	310	–	342
Insurance margin	392	188	12	–	592
Margin on revenues	1,018	–	223	–	1,241
Expenses:					
Acquisition costs	(656)	(851)	(167)	–	(1,674)
Administration expenses	(467)	(344)	(113)	–	(924)
DAC adjustments	2	517	(1)	–	518
Expected return on shareholder assets	19	125	98	–	242
Long-term business operating profit	532	833	673	–	2,038
Asset management operating profit	72	22	284	–	378
General insurance commission	–	–	46	–	46
Other income and expenditure*	–	–	–	(521)	(521)
Total operating profit based on longer-term investment returns	604	855	1,003	(521)	1,941

\* Including restructuring and Solvency II implementation costs.

#### Note

- i In the second half of 2010, the Company amended the presentation of IFRS operating profit for its US insurance operations to remove the net equity hedge accounting effect (incorporating related amortisation of deferred acquisition costs) and include it in short-term fluctuations. Accordingly, the half year 2010 operating profit has been amended to remove the positive £123 million effect.

## ADDITIONAL FINANCIAL INFORMATION CONTINUED

### I (a): ANALYSIS OF LONG-TERM INSURANCE BUSINESS PRE-TAX IFRS OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS BY DRIVER > CONTINUED

#### Margin analysis of long-term insurance business

The following analysis expresses certain of the Group's sources of operating profit as a margin of policyholder liabilities or other suitable driver. The margin is on an annualised basis in which half year profits are annualised by multiplying by two. Details of the Group's average policyholder liability balances are given in note Z.

	Total								
	Half year 2011			Half year 2010			Full year 2010		
	Profit £m	Average Liability £m	Margin bps	Profit £m	Average Liability £m	Margin bps	Profit £m	Average Liability £m	Margin bps
<b>Long-term business</b>									
Spread income	548	56,815	193	466	53,852	173	1,013	53,858	188
Fee income	423	68,564	123	321	51,997	123	688	57,496	120
With-profits	171	92,701	37	171	87,291	39	342	89,693	38
Insurance margin	345			316			592		
Margin on revenues	665			619			1,241		
Expenses:									
Acquisition costs*	(927)	1,824	(51)%	(823)	1,662	(50)%	(1,674)	3,492	(48)%
Administration expenses	(497)	125,379	(79)	(453)	105,849	(86)	(924)	111,354	(83)
DAC adjustments	180			155			518		
Expected return on shareholder assets	116			121			242		
Operating profit	1,024			893			2,038		

\* The ratio for acquisition costs is calculated as a percentage of APE including with-profits sales together with Japan (half year 2011 Japanese sales: £nil; half year and full year 2010: £7 million). Acquisition costs include only those relating to shareholders.

	Asia								
	Half year 2011			Half year 2010			Full year 2010		
	Profit £m	Average Liability £m	Margin bps	Profit £m	Average Liability £m	Margin bps	Profit £m	Average Liability £m	Margin bps
<b>Long-term business</b>									
Spread income	46	5,241	176	39	4,155	188	70	4,393	159
Fee income	67	12,973	103	52	10,287	101	122	11,222	109
With-profits	17	11,214	30	17	9,711	35	32	10,135	32
Insurance margin	225			202			392		
Margin on revenues	560			474			1,018		
Expenses:									
Acquisition costs*	(349)	743	(47)%	(318)	720	(44)%	(656)	1,508	(44)%
Administration expenses	(242)	18,214	(266)	(225)	14,442	(312)	(467)	15,615	(299)
DAC adjustments	(11)			15			2		
Expected return on shareholder assets	11			3			19		
Operating profit	324			259			532		

\* The ratio for acquisition costs is calculated as a percentage of APE including with-profits sales together with Japan (half year 2011 Japanese sales: £nil; half year and full year 2010: £7 million). Acquisition costs include only those relating to shareholders.

#### Analysis of Asian operating profit drivers

- **Spread income** has increased from £39 million in 2010 to £46 million in 2011. There has been a small fall in margin from 188 bps in 2010 to 176 bps in 2011 principally due to lower investment returns in China in 2011.
- **Fee income** has increased in absolute terms by 29 per cent to £67 million broadly in line with increased unit linked liabilities following improved equity markets and positive net flows into unit linked business.
- **Insurance margin** has increased by £23 million from £202 million in 2010 to £225 million in 2011. This reflects the continued growth in the in-force book, which has a relatively high proportion of risk-based products.
- **Margin on revenues** has increased by £86 million to £560 million reflecting the ongoing growth in the size of the portfolio. During the period the new business mix has moved towards those countries that levy higher premium charges (e.g. Indonesia and Malaysia).
- **Acquisition costs** – Acquisition costs have increased by 10 per cent, ahead of the 3 per cent increase in sales. This trend is distorted by the changes in country mix, particularly by the reduction of sales in India. Excluding India, acquisition costs were 15 per cent higher, compared to APE sales growth of 17 per cent.

The analysis above uses shareholder acquisition costs as a proportion of total APE. If with-profits sales were excluded from the denominator the acquisition cost ratio would become half year 2011: 60 per cent, half year 2010: 53 per cent and full year 2010: 53 per cent. (Excluding India, half year 2011: 62 per cent, half year 2010: 60 per cent and full year 2010: 58 per cent).

- **Administration expenses** have increased from £225 million in 2010 to £242 million in 2011. The administration expense ratio has improved from 312 bps in 2010 to 266 bps in 2011 as we continue to see the benefits of operational leverage.
- **Expected return** on shareholder assets has increased to £11 million primarily due to higher shareholder assets and lower investment expenses in the period.

## ADDITIONAL FINANCIAL INFORMATION CONTINUED

### I (a): ANALYSIS OF LONG-TERM INSURANCE BUSINESS PRE-TAX IFRS OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS BY DRIVER > CONTINUED

	US								
	Half year 2011			Half year 2010			Full year 2010		
	Profit £m	Average Liability £m	Margin bps	Profit £m	Average Liability £m	Margin bps	Profit £m	Average Liability £m	Margin bps
<b>Long-term business</b>									
Spread income	380	29,011	262	344	29,317	235	692	28,496	243
Fee income	327	33,604	195	240	22,465	214	506	25,921	195
With-profits	–			–	–	–	–		
Insurance margin	113			118			188		
Margin on revenues	–			–			–		
Expenses:									
Acquisition costs*	(485)	672	(72)%	(408)	560	(73)%	(851)	1,164	(73)%
Administration expenses	(195)	62,615	(62)	(167)	51,782	(65)	(344)	54,417	(63)
DAC adjustments	192			142			517		
Expected return on shareholder assets	36			58			125		
Operating profit	368			327			833		

\* The ratios for acquisition costs is calculated as a percentage of APE.

#### Analysis of US operating profit drivers:

- **Spread income** benefited by £53 million in 2011 from the effect of transactions entered into during 2010 to more closely match the overall asset and liability duration (2010: £44 million). The increase in spread margin from 235 bps in 2010 to 262 bps in 2011 is due primarily to decreased crediting rates on fixed annuities.
- **Fee income** margins are based on the average of the opening and closing separate account balances, while earned fees are mainly calculated daily based on the separate account balance. The first half of 2010 experienced a large fall in equity markets at the end of that period. Using an average based on month end separate account balances in local currency, margins were 197 bps at half year 2011 (half year 2010: 201 bps; full year 2010: 200 bps). Separate account values increased in 2011 both as a result of the contribution from strong sales and positive equity market performance.
- **Insurance margin** represents operating profits from insurance risks, including variable annuity guarantees and other sundry net income. Positive net flows into variable annuity business with life contingent and other guarantees have helped lead to a small improvement in the margin in local currency. However, exchange rate movements resulted in a small decline in the margin from £118 million in 2010 to £113 million in 2011.
- **Acquisition costs** have increased in absolute terms compared to half year 2010 due to the significant increase in sales volumes. However, acquisition costs as a percentage of APE is modestly lower at 72 per cent in 2011.
- **Administration expenses** increased to £195 million in half year 2011, compared to £167 million in the first half of 2010, primarily as a result of higher asset-based commission paid on the larger 2011 separate account balance. These asset-based commissions paid upon policy anniversary dates are treated as an administration expense in this analysis as opposed to a cost of acquisition. Notwithstanding the higher levels of asset-based commission, the administration expense ratio has reduced from 65 bps to 62 bps reflecting the benefits of operational leverage.

	UK								
	Half year 2011			Half year 2010			Full year 2010		
	Profit £m	Average Liability £m	Margin bps	Profit £m	Average Liability £m	Margin bps	Profit £m	Average Liability £m	Margin bps
<b>Long-term business</b>									
Spread income	122	22,563	108	83	20,380	81	251	20,969	120
Fee income	29	21,987	26	29	19,245	30	60	20,353	29
With-profits	154	81,487	38	154	77,580	40	310	79,558	39
Insurance margin	7			(4)			12		
Margin on revenues	105			145			223		
Expenses:									
Acquisition costs*	(93)	409	(23)%	(97)	382	(25)%	(167)	820	(20)%
Administration expenses	(60)	44,550	(27)	(61)	39,625	(31)	(113)	41,322	(27)
DAC adjustments	(1)			(2)			(1)		
Expected return on shareholder assets	69			60			98		
Operating profit	332			307			673		

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

#### Analysis of UK operating profit drivers:

- **Spread income** has increased by £39 million to £122 million in 2011 reflecting in a higher margin of 108 bps, up from 81 bps last year. The 27 bps improvement to margin is due to the bulk annuity deal written in the first half of 2011 together with the benefit to yields of transactions undertaken in the period to improve the quality of the annuity investment portfolio.
- **Margin on revenues** represents premium charges for expenses and other sundry operating income amounts of the UK business. Lower amounts were recorded in the first half of 2011 (£105 million) as compared to the first half of 2010 (£145 million) mainly as a result of expense assumption changes on annuity business in 2010 not being repeated in the first half of 2011.
- **Insurance margin** has improved by £11 million from negative £4 million in 2010 to positive £7 million in 2011, primarily reflecting improved profitability in PruHealth, following the acquisition of Standard Life Healthcare, and higher sales in PruProtect together with the benefit of lower new business strain on those sales.
- **Acquisition costs** as a percentage of new business sales has fallen from 25 per cent in 2010 to 23 per cent in 2011. This is principally due to the impact of the bulk annuity deal written in the period which contributed £28 million APE with a relatively modest level of acquisition costs.

The ratio above considers the percentage of shareholder acquisition costs as a percentage of total APE sales. It is therefore impacted by the level of with-profit sales in the year. Acquisition costs as a percentage of shareholder-backed new business sales were 44 per cent in half year 2011 (51 per cent in half year 2010; 36 per cent in full year 2010), the improvement over half year 2010 principally due to the bulk annuity deal as set out above.

- **Administration expenses** have remained broadly consistent with the prior year at £60 million (2010: £61 million), whilst average policyholder liabilities for shareholder-backed business in 2011 have increased by 12 per cent from the first half of 2010. Correspondingly, the margin, expressed as shareholder administration costs compared to the policyholder liabilities of shareholder-backed business, has fallen from 31 bps in the first half of 2010 to 27 bps in same period in 2011. This is primarily the result of cost savings initiatives initiated by the UK in line with the business's stated objectives.

## ADDITIONAL FINANCIAL INFORMATION CONTINUED

### I (b): ASIAN OPERATIONS - ANALYSIS OF IFRS OPERATING PROFIT BY TERRITORY

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

	2011 £m		2010 £m	
	Half year	Half year	Half year	Full year
Underlying operating profit				
China	–	6		5
Hong Kong	31	27		51
India	22	15		24
Indonesia	95	70		157
Japan	–	(2)		(6)
Korea	9	6		12
Malaysia	57	45		97
Philippines	1	1		2
Singapore	72	56		129
Taiwan	(8)	–		(4)
Thailand	2	(1)		2
Vietnam	19	21		43
Other	1	(1)		5
Non-recurrent items <sup>note ii</sup>	25	19		19
<b>TOTAL INSURANCE OPERATIONS<sup>note i</sup></b>	<b>326</b>	<b>262</b>		<b>536</b>
Development expenses	(2)	(3)		(4)
<b>TOTAL LONG-TERM BUSINESS OPERATING PROFIT</b>	<b>324</b>	<b>259</b>		<b>532</b>
Asset management	43	36		72
<b>TOTAL ASIAN OPERATIONS</b>	<b>367</b>	<b>295</b>		<b>604</b>

#### Notes

i Analysis of operating profit between new and in-force business

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

	2011 Half year £m	2010 Half year £m	2010 Full year £m
New business strain (excluding Japan)	(31)	(42)	(56)
Japan	–	(1)	(1)
New business strain (including Japan)	(31)	(43)	(57)
Business in force	357	305	593
Total	326	262	536

The IFRS new business strain corresponds to approximately four per cent of new business APE premiums for half year 2011 (half year 2010: approximately six per cent; full year 2010: approximately four per cent).

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

ii Non-recurrent items of £25 million in half year 2011 (2010: £19 million), represents a small number of items that are not anticipated to reoccur in subsequent periods.

**I (c): ANALYSIS OF ASSET MANAGEMENT OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS**

	Half year 2011 £m				
	M&G <sup>1</sup>	Asia <sup>1</sup>	PruCap	US	Total
Operating income before performance-related fees	351	98	55	125	629
Performance-related fees	15	3	–	–	18
Operating income*	366	101	55	125	647
Operating expense	(194)	(58)	(28)	(108)	(388)
<b>OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS</b>	172	43	27	17	259
Average funds under management (FUM) <sup>†</sup>	£200.5bn	£52.2bn			
Margin based on operating income <sup>†</sup>	37 bps	39 bps			
Cost/income ratio <sup>‡</sup>	55%	59%			

	Half year 2010 £m				
	M&G <sup>1</sup>	Asia <sup>1</sup>	PruCap	US	Total
Operating income before performance-related fees	299	91	43	114	547
Performance-related fees	3	1	–	–	4
Operating income*	302	92	43	114	551
Operating expense	(180)	(56)	(22)	(99)	(357)
Operating profit based on longer-term investment returns	122	36	21	15	194
Average funds under management (FUM) <sup>†</sup>	£176.0bn	£44.2bn			
Margin based on operating income <sup>†</sup>	34 bps	41 bps			
Cost/income ratio <sup>‡</sup>	60%	62%			

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

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

† Margin represents annualised operating income as a proportion of the related funds under management. Half year figures have been annualised by multiplying by two. Opening and closing internal and external funds managed by the respective entity have been used to derive the average. Any funds held by the Group's insurance operations which are managed by third parties outside of the Prudential Group are excluded from these amounts.

‡ Cost/income ratio is calculated as cost as a percentage of income excluding performance-related fees.



## ADDITIONAL FINANCIAL INFORMATION CONTINUED

### I (c): ANALYSIS OF ASSET MANAGEMENT OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS > CONTINUED

#### Note

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

	M&G					
	Operating income <sup>*</sup>					
	Retail £m	Margin of FUM <sup>†**</sup> bps	Institutional <sup>§</sup> £m	Margin of FUM <sup>†</sup> bps	Total £m	Margin of FUM <sup>†</sup> bps
30 Jun 2011	209	95	157	20	366	37
30 Jun 2010	165	102	137	19	302	34
31 Dec 2010	345	93	287	19	632	34

  

	Asia					
	Operating income <sup>*</sup>					
	Retail £m	Margin of FUM <sup>†</sup> bps	Institutional <sup>§</sup> £m	Margin of FUM <sup>†</sup> bps	Total £m	Margin of FUM <sup>†</sup> bps
30 Jun 2011	61	61	40	25	101	39
30 Jun 2010	59	64	33	25	92	41
31 Dec 2010	120	62	71	26	191	40

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

\*\*As noted above, the margins on operating income are based on the average of the opening and closing FUM balances. For M&G, if a monthly average FUM had been used in calculating the retail returns for half year 2011 and half year 2010, the retail margins would have been 96 bps for half year 2011 and 98 bps for half year 2010.

† Margin represents annualised operating income as a proportion of the related funds under management (FUM). Half year figures have been annualised by multiplying by two. Opening and closing internal and external funds managed by the respective entity have been used to derive the average. Any funds held by the Group's insurance operations which are managed by third parties outside of the Prudential Group are excluded from these amounts.

§ Institutional includes internal funds.

**II (a): IFRS SHAREHOLDERS' FUNDS SUMMARY BY BUSINESS UNIT AND NET ASSET VALUE PER SHARE**
**i Shareholders' fund summary**

	2011 £m	2010 £m	
	30 Jun	30 Jun	31 Dec
<b>ASIAN OPERATIONS</b>			
Insurance operations			
Net assets of operation	2,030	1,757	1,913
Acquired goodwill	239	235	236
Total	2,269	1,992	2,149
Asset management			
Net assets of operation	212	180	197
Acquired goodwill	61	61	61
Total	273	241	258
Total	2,542	2,233	2,407
<b>US OPERATIONS</b>			
Jackson (net of surplus note borrowings)	3,764	3,905	3,815
Broker-dealer and asset management operations:			
Net assets of operation	108	111	106
Acquired goodwill	16	16	16
Total	124	127	122
Total	3,888	4,032	3,937
<b>UK OPERATIONS</b>			
Insurance operations:			
Long-term business operations	2,294	1,920	2,115
Other	48	17	33
Total	2,342	1,937	2,148
M&G			
Net assets of operation	310	190	254
Acquired goodwill	1,153	1,153	1,153
Total	1,463	1,343	1,407
Total	3,805	3,280	3,555
<b>OTHER OPERATIONS</b>			
Holding company net borrowings	(2,117)	(2,293)	(2,035)
Shareholders' share of provision for future deficit funding of the Prudential Staff Pension Scheme (net of tax)	(8)	(13)	(10)
Other net assets (liabilities)	391	(78)	177
Total	(1,734)	(2,384)	(1,868)
<b>TOTAL OF ALL OPERATIONS</b>	<b>8,501</b>	<b>7,161</b>	<b>8,031</b>

**ii Net asset value per share**

	2011 £m	2010 £m	
	30 Jun	30 Jun	31 Dec
Closing equity shareholders' funds	8,501	7,161	8,031
Net asset value per share attributable to equity shareholders (in pence) <sup>note i</sup>	334p	282p	315p

**Note**

- i Based on the closing issued share capital as at:
- 30 June 2011 of 2,548 million shares;
  - 30 June 2010 of 2,539 million shares; and
  - 31 December 2010 of 2,546 million shares.

## ADDITIONAL FINANCIAL INFORMATION CONTINUED

### III (a): FUNDS UNDER MANAGEMENT

#### i Summary

	2011 £bn		2010 £bn	
	30 Jun	31 Dec	30 Jun	31 Dec
Business area				
Asian operations	32.2		27.8	30.9
US operations	67.2		58.7	63.6
UK operations	146.4		136.3	145.2
Internal funds under management	245.8		222.8	239.7
External funds <sup>note i</sup>	103.7		86.5	100.4
<b>TOTAL FUNDS UNDER MANAGEMENT</b>	<b>349.5</b>		<b>309.3</b>	<b>340.1</b>

#### Note

- i External funds shown above for 30 June 2011 of £103.7 billion (30 June 2010: £86.5 billion; 31 December 2010: £100.4 billion) comprise £115.2 billion (30 June 2010: £96.0 billion; 31 December 2010: £111.4 billion) in respect of investment products as published in the New Business schedule, less £11.5 billion (30 June 2010: £9.5 billion; 31 December 2010: £11.0 billion) that are classified within internal funds.

#### ii Internal funds under management - analysis by business area

	Asian operations			US operations			UK operations			Total		
	2011 30 Jun £bn	2010 30 Jun £bn	2010 31 Dec £bn	2011 30 Jun £bn	2010 30 Jun £bn	2010 31 Dec £bn	2011 30 Jun £bn	2010 30 Jun £bn	2010 31 Dec £bn	2011 30 Jun £bn	2010 30 Jun £bn	2010 31 Dec £bn
Investment												
properties <sup>note i</sup>	–	–	–	0.1	0.1	0.1	11.5	11.4	11.5	11.6	11.5	11.6
Equity securities	14.2	12.5	14.5	36.2	24.6	31.5	40.6	34.6	40.7	91.0	71.7	86.7
Debt securities	15.4	12.4	14.1	25.3	27.4	26.4	76.5	73.5	75.9	117.2	113.3	116.4
Loans	1.2	1.4	1.3	4.1	4.5	4.2	3.7	3.7	3.8	9.0	9.6	9.3
Other investments and deposits	1.4	1.5	1.0	1.5	2.1	1.4	14.1	13.1	13.3	17.0	16.7	15.7
Total	32.2	27.8	30.9	67.2	58.7	63.6	146.4	136.3	145.2	245.8	222.8	239.7

#### Note

- i As included in the investments section of the consolidated statement of financial position at 30 June 2011 except for £0.5 billion (30 June 2010: £0.2 billion; 31 December 2010: £0.4 billion) properties which are held-for-sale or occupied by the Group and, accordingly under IFRS, are included in other statement of financial position captions.

### III (b): EFFECT OF FOREIGN CURRENCY RATE MOVEMENTS ON RESULTS

#### i Rates of exchange

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

The following translation rates have been applied:

Local currency: £	Closing	Average	Closing	Average	Closing	Average
	2011 30 Jun	2011 30 Jun	2010 30 Jun	2010 30 Jun	2010 31 Dec	2010 31 Dec
Hong Kong	12.49	12.58	11.65	11.85	12.17	12.01
Indonesia	13,767.54	14,133.01	13,562.15	14,007.05	14,106.51	14,033.41
Malaysia	4.85	4.90	4.84	5.04	4.83	4.97
Singapore	1.97	2.03	2.09	2.13	2.01	2.11
India	71.77	72.74	69.49	69.83	70.01	70.66
Vietnam	33,048.21	33,110.56	28,545.59	28,806.01	30,526.26	29,587.63
USA	1.61	1.62	1.50	1.53	1.57	1.55

#### ii Effect of rate movements on results

##### IFRS basis results

	2011 £m	2010 £m	
	As published Half year	Memorandum Half year notes i and ii	Memorandum Full year note i
Asian operations:			
Long-term operations	326	259	532
Development expenses	(2)	(3)	(4)
Total Asian insurance operations after development costs	324	256	528
Asset management	43	36	73
Total Asian operations	367	292	601
US operations:			
Jackson <sup>note ii</sup>	368	308	796
Broker-dealer, asset management and Curian operations	17	14	21
Total US operations	385	322	817
UK operations:			
Long-term business	332	307	673
General insurance commission	21	23	46
Total UK insurance operations	353	330	719
M&G	199	143	284
Total UK operations	552	473	1,003
Total segment profit	1,304	1,087	2,421
Other income and expenditure	(253)	(240)	(450)
RPI to CPI inflation measure change on defined benefit pension schemes	42	–	–
Solvency II implementation costs	(27)	(22)	(45)
Restructuring costs	(8)	(3)	(26)
Operating profit from continuing operations based on longer-term investment returns	1,058	822	1,900
Shareholders' funds	8,501	7,034	8,003

## ADDITIONAL FINANCIAL INFORMATION CONTINUED

### III (b): EFFECT OF FOREIGN CURRENCY RATE MOVEMENTS ON RESULTS > CONTINUED

#### EEV basis results

	2011 £m	2010 £m	
	As published Half year	Memorandum Half year note i	Memorandum Full year note i
Asian operations:			
New business:			
Excluding Japan	465	393	896
Japan	–	(1)	(1)
Total	465	392	895
Business in force	309	239	536
Long-term operations	774	631	1,431
Asset management	43	36	73
Development expenses	(2)	(3)	(4)
Total Asian operations	815	664	1,500
US operations			
New business	458	341	728
Business in force	373	289	667
Jackson	831	630	1,395
Broker-dealer, asset management and Curian operations	17	14	21
Total US operations	848	644	1,416
UK operations			
New business	146	135	365
Business in force	391	314	571
Long-term business	537	449	936
General insurance commission	21	23	46
Total insurance	558	472	982
M&G	199	143	284
Total UK operations	757	615	1,266
Other income and expenditure	(281)	(262)	(494)
RPI to CPI inflation measure change of defined benefit pension schemes	45	–	–
Solvency II implementation costs	(28)	(22)	(46)
Restructuring costs	(9)	(5)	(28)
Operating profit from continuing operations based on longer-term investment returns	2,147	1,634	3,614
Shareholders' funds	18,993	16,329	18,115

#### Notes

i The 'as published' operating profit for 2011 and 'memorandum' operating profit for 2010 have been calculated by applying average 2011 exchange rates (CER).

The 'as published' shareholders' funds for 2011 and 'memorandum' shareholders' funds for 2010 have been calculated by applying closing period end 2011 exchange rates.

ii In the second half of 2010, the Company amended the presentation of IFRS operating profit for its US operations to remove the net equity hedge accounting effect (incorporating related amortisation of deferred acquisition costs) and include it in short-term fluctuations in investment returns. Accordingly, the half year 2010 operating profit has been amended to remove the positive £123 million effect. The half year 2010 operating profit has been amended accordingly.

### III (c): OPTION SCHEMES

The Group maintains four share option schemes satisfied by the issue of new shares. UK-based executive directors are eligible to participate in the UK Savings Related Share Option Scheme and Asia-based executives can participate in the International Savings Related Share Option Scheme. Dublin-based employees are eligible to participate in the Prudential International Assurance Sharesave Plan and Hong Kong-based agents can participate in the Non-employee Savings Related Share Option Scheme. Further details of the schemes and accounting policies are detailed in Note I4 of the IFRS basis consolidated financial statements in the 2010 Annual Report.

All options were granted at £nil consideration. No options have been granted to substantial shareholders, suppliers of goods or services (excluding options granted to agents under the Non-employee Savings Related Share Option Scheme) or in excess of the individual limit for the relevant scheme.

The options schemes will terminate as follows, unless the directors resolve to terminate the plans at an earlier date:

- UK Savings Related Share Option Scheme: 8 May 2013
- International Savings Related Share Option Scheme: 31 May 2021
- Prudential International Assurance Sharesave Plan: 3 August 2019
- Non-employee Savings Related Share Option Scheme: 9 May 2012

The weighted average share price of Prudential plc for the period ended 30 June 2011 was £6.99 (2010: £5.53).

The following analyses show the movement in options for each of the option schemes for the six month period ended 30 June 2011. No options were granted in the period.

#### UK Savings Related Share Option Scheme

Date of grant	Exercise price £	Exercise period		Beginning of period	Number of options					End of period
		Beginning	End		Granted	Exercised	Cancelled	Forfeited	Lapsed	
01 Oct 2003	3.62	01 Dec 2010	31 May 2011	2,775	–	1,850	–	–	925	–
15 Apr 2004	3.46	01 Jun 2011	30 Nov 2011	17,946	–	11,860	–	–	–	6,086
30 Sep 2004	3.43	01 Dec 2011	31 May 2012	8,430	–	985	–	–	56	7,389
12 Apr 2005	3.87	01 Jun 2012	30 Nov 2012	12,222	–	–	–	–	184	12,038
29 Sep 2005	4.07	01 Dec 2010	31 May 2011	10,597	–	9,411	–	–	–	1,186
29 Sep 2005	4.07	01 Dec 2012	31 May 2013	9,492	–	237	–	–	183	9,072
20 Apr 2006	5.65	01 Jun 2011	30 Nov 2011	13,884	–	11,438	–	–	–	2,446
20 Apr 2006	5.65	01 Jun 2013	30 Nov 2013	7,564	–	–	–	–	121	7,443
28 Sep 2006	4.75	01 Dec 2011	31 May 2012	48,003	–	2,283	–	–	475	45,245
28 Sep 2006	4.75	01 Dec 2013	31 May 2014	13,325	–	–	–	–	–	13,325
26 Apr 2007	5.72	01 Jun 2010	30 Nov 2010	3,558	–	495	–	–	198	2,865
26 Apr 2007	5.72	01 Jun 2012	30 Nov 2012	8,337	–	–	–	–	1,146	7,191
26 Apr 2007	5.72	01 Jun 2014	30 Nov 2014	503	–	–	–	–	–	503
27 Sep 2007	5.52	01 Dec 2010	31 May 2011	25,033	–	21,910	–	–	3,123	–
27 Sep 2007	5.52	01 Dec 2012	31 May 2013	17,870	–	–	–	–	243	17,627
27 Sep 2007	5.52	01 Dec 2014	31 May 2015	1,668	–	–	–	–	–	1,668
25 Apr 2008	5.51	01 Jun 2011	30 Nov 2011	50,952	–	31,384	682	–	1,705	17,181
25 Apr 2008	5.51	01 Jun 2013	30 Nov 2013	28,220	–	168	–	–	953	27,099
25 Apr 2008	5.51	01 Jun 2015	30 Nov 2015	1,670	–	–	–	–	–	1,670
25 Sep 2008	4.38	01 Dec 2011	31 May 2012	153,998	–	5,814	2,058	1,315	4,400	140,411
25 Sep 2008	4.38	01 Dec 2013	31 May 2014	49,036	–	401	–	765	517	47,353
25 Sep 2008	4.38	01 Dec 2015	31 May 2016	14,857	–	709	–	–	1,117	13,031
27 Apr 2009	2.88	01 Jun 2012	30 Nov 2012	3,138,322	–	96,748	11,986	23,282	76,184	2,930,122
27 Apr 2009	2.88	01 Jun 2014	30 Nov 2014	1,993,530	–	23,690	13,022	9,766	48,581	1,898,471
27 Apr 2009	2.88	01 Jun 2016	30 Nov 2016	202,734	–	4,090	5,686	–	9,556	183,402
25 Sep 2009	4.25	01 Dec 2012	31 May 2013	264,812	–	5,991	5,634	213	6,647	246,327
25 Sep 2009	4.25	01 Dec 2014	31 May 2015	101,327	–	601	1,462	–	1,593	97,671
28 Sep 2010	4.61	01 Dec 2013	31 May 2014	314,557	–	1,228	11,076	6,318	11,252	284,683
28 Sep 2010	4.61	01 Dec 2015	31 May 2016	134,638	–	–	334	–	–	134,304
				6,649,860	–	231,293	51,940	41,659	169,159	6,155,809

The total number of securities available for issue under the scheme is 6,155,809, which represents 0.242 per cent of the issued share capital at 30 June 2011.

The weighted average closing price of the shares immediately before the dates on which the options were exercised during the current period was £7.21.

## ADDITIONAL FINANCIAL INFORMATION CONTINUED

### III (c): OPTION SCHEMES > CONTINUED

#### International Savings Related Share Option Scheme

Date of grant	Exercise price £	Exercise period		Beginning of period	Number of options					End of period
		Beginning	End		Granted	Exercised	Cancelled	Forfeited	Lapsed	
12 Apr 2005	3.87	01 Jun 2010	30 Nov 2010	758	–	–	–	–	758	–
20 Apr 2006	5.65	01 Jun 2011	30 Nov 2011	820	–	–	–	–	–	820
28 Sep 2006	4.75	01 Dec 2011	31 May 2012	709	–	–	–	–	–	709
26 Apr 2007	5.72	01 Jun 2010	30 Nov 2010	88,610	–	–	–	854	87,756	–
26 Apr 2007	5.72	01 Jun 2012	30 Nov 2012	17,847	–	–	–	–	–	17,847
27 Sep 2007	5.52	01 Dec 2010	31 May 2011	40,465	–	9,891	4,185	–	4,204	22,185
25 Apr 2008	5.51	01 Jun 2011	30 Nov 2011	27,068	–	5,861	–	256	739	20,212
25 Apr 2008	5.51	01 Jun 2013	30 Nov 2013	4,192	–	–	–	–	–	4,192
25 Sep 2008	4.38	01 Dec 2011	31 May 2012	236,700	–	–	10,937	654	–	225,109
25 Sep 2008	4.38	01 Dec 2013	31 May 2014	6,951	–	–	–	–	–	6,951
27 Apr 2009	2.88	01 Jun 2012	30 Nov 2012	1,906,105	–	5,466	11,854	48,443	–	1,840,342
27 Apr 2009	2.88	01 Jun 2014	30 Nov 2014	90,029	–	–	–	3,609	–	86,420
25 Sep 2009	4.25	01 Dec 2012	31 May 2013	132,837	–	979	11,196	4,928	–	115,734
25 Sep 2009	4.25	01 Dec 2014	31 May 2015	2,682	–	–	–	1,950	–	732
28 Sep 2010	4.61	01 Dec 2013	31 May 2014	175,050	–	–	4,923	1,208	–	168,919
28 Sep 2010	4.61	01 Dec 2015	31 May 2016	6,501	–	–	–	–	–	6,501
				2,737,324	–	22,197	43,095	61,902	93,457	2,516,673

The total number of securities available for issue under the scheme is 2,516,673, which represents 0.099 per cent of the issued share capital at 30 June 2011.

The weighted average closing price of the shares immediately before the dates on which the options were exercised during the current period was £7.25.

#### Prudential International Assurance Sharesave Plan

Date of grant	Exercise price £	Exercise period		Beginning of period	Number of options					End of period
		Beginning	End		Granted	Exercised	Cancelled	Forfeited	Lapsed	
27 Sep 2007	5.52	01 Dec 2010	31 May 2011	618	–	618	–	–	–	–
25 Sep 2008	4.38	01 Dec 2011	31 May 2012	1,520	–	–	–	–	829	691
27 Apr 2009	2.88	01 Jun 2012	30 Nov 2012	30,320	–	–	–	–	–	30,320
27 Apr 2009	2.88	01 Jun 2014	30 Nov 2014	6,567	–	–	–	–	–	6,567
25 Sep 2009	4.25	01 Dec 2012	31 May 2013	2,426	–	–	–	–	–	2,426
				41,451	–	618	–	–	829	40,004

The total number of securities available for issue under the scheme is 40,004, which represents 0.002 per cent of the issued share capital at 30 June 2011.

The weighted average closing price of the shares immediately before the dates on which the options were exercised during the current period was £7.10.

## Non-employee Savings Related Share Option Scheme

Date of grant	Exercise price £	Exercise period		Beginning of period	Number of options					End of period
		Beginning	End		Granted	Exercised	Cancelled	Forfeited	Lapsed	
28 Sep 2006	4.75	01 Dec 2011	31 May 2012	8,577	-	-	-	-	-	8,577
26 Apr 2007	5.72	01 Jun 2010	30 Nov 2010	13,533	-	-	-	-	13,533	-
26 Apr 2007	5.72	01 Jun 2012	30 Nov 2012	15,557	-	-	-	-	-	15,557
27 Sep 2007	5.52	01 Dec 2010	31 May 2011	19,595	-	11,988	-	-	-	7,607
27 Sep 2007	5.52	01 Dec 2012	31 May 2013	5,748	-	-	-	-	-	5,748
25 Apr 2008	5.51	01 Jun 2011	30 Nov 2011	20,951	-	1,311	-	-	-	19,640
25 Apr 2008	5.51	01 Jun 2013	30 Nov 2013	4,195	-	-	-	-	-	4,195
25 Sep 2008	4.38	01 Dec 2011	31 May 2012	42,741	-	-	1,587	-	-	41,154
25 Sep 2008	4.38	01 Dec 2013	31 May 2014	17,135	-	-	3,427	-	-	13,708
27 Apr 2009	2.88	01 Jun 2012	30 Nov 2012	897,848	-	-	8,525	-	-	889,323
27 Apr 2009	2.88	01 Jun 2014	30 Nov 2014	749,908	-	-	14,774	-	-	735,134
25 Sep 2009	4.25	01 Dec 2012	31 May 2013	50,612	-	-	-	-	-	50,612
25 Sep 2009	4.25	01 Dec 2014	31 May 2015	11,717	-	-	-	-	-	11,717
28 Sep 2010	4.61	01 Dec 2013	31 May 2014	1,136,477	-	-	3,486	-	-	1,132,991
28 Sep 2010	4.61	01 Dec 2015	31 May 2016	379,253	-	-	-	-	-	379,253
				3,373,847	-	13,299	31,799	-	13,533	3,315,216

The total number of securities available for issue under the scheme is 3,315,216, which represents 0.130 per cent of the issued share capital at 30 June 2011.

The weighted average closing price of the shares immediately before the dates on which the options were exercised during the current period was £7.11.

### Employees

Our approach to our employees is as disclosed within the Corporate Responsibility Review section of our 2010 Annual Report and this has not changed substantially in the six month period ended 30 June 2011.