

#### 4 Acquisition of bancassurance partnership agreement and subsidiaries

##### 2013

##### Partnership agreement with Thanachart Bank and purchase of Thanachart Life Assurance Company Limited

On 3 May 2013, the agreement Prudential plc, through its subsidiary Prudential Life Assurance (Thailand) Public Company Limited (Prudential Thailand), entered into in November 2012 to establish an exclusive 15-year partnership with Thanachart Bank Public Company Limited (Thanachart Bank) to develop jointly their bancassurance business in Thailand was launched. At the same time Prudential Thailand completed the acquisition of 100 per cent of the voting interest in Thanachart Life Assurance Company Limited (Thanachart Life), a wholly-owned life insurance subsidiary of Thanachart Bank.

The consideration for the transaction is THB 18.981 billion (£412 million), of which THB 17.500 billion (£380 million) was settled in cash on completion in May 2013 with a further payment of THB 0.946 billion (£20 million), for adjustments to reflect the net asset value as at completion date, paid in July 2013. In addition, a deferred payment of THB 0.535 billion (£12 million) is payable 12 months after completion. The acquired assets are comprised of:

	£m
Acquired assets:	
Net worth (including acquisition of distribution rights)	386
Value of in force acquired	26
Transaction consideration	412

The purchase consideration paid was equivalent to the fair value of the acquired assets and liabilities assumed. No goodwill has been recognised.

##### 2012

##### Acquisition of Reassure America Life Insurance Company (REALIC)

On 4 September 2012, the Group through its indirect wholly-owned subsidiary Jackson National Life Insurance Company, completed the acquisition of 100 per cent issued share capital of SRLC America Holding Corp. and its primary operating subsidiary Reassure America Life Insurance Company (REALIC). REALIC is a US-based insurance company whose business model was to acquire, through purchase or reinsurance, closed blocks of insurance business, primarily life assurance risks. REALIC did not and does not write new business. The purchase consideration, which remains subject to final agreement under the terms of the transaction with Swiss Re, is £370 million (US\$587 million).

In full year 2012, the gain of £453 million arising from the acquisition of REALIC was excluded from the Group's EEV operating profit based on longer-term investment returns.

#### 5 Short-term fluctuations in investment returns

Short-term fluctuations in investment returns, net of the related change in the time value of cost of options and guarantees, arise as follows:

##### (i) Group summary

	2013 £m		2012* £m	
	Half year	Half year	Half year	Full year
Insurance operations:				
Asia <sup>note (ii)</sup>	(282)	199	362	
US <sup>note (iii)</sup>	(404)	(62)	(254)	
UK <sup>note (iv)</sup>	(92)	25	315	
	(778)	162	423	
Other operations:				
Other <sup>note (v)</sup>	(30)	62	119	
Economic hedge value movement <sup>note (vi)</sup>	–	(15)	(32)	
Total	(808)	209	510	

\* As adjusted from 2012 results previously published for the adoption of revised IAS 19 and the effect of the Japan Life business sale agreement – see note 1.