Supplementary information

Date: 19 March 2009

PRUDENTIAL PLC

2008 Results

SUPPLEMENTARY INFORMATION*

Other information

*Comparative results - change of accounting policy for pension schemes

The Company has adopted IFRIC 14 for pension schemes. As a result of this change the comparative results for 2007 have been adjusted. Further details are provided in schedules 13 and 25.

2008 Results

EEV basis results - Earnings per share, return on embedded value and net asset value per share

2008

Earnings per share	**Operating profit, based on longer-term investment returns**	**Short-term fluctuations in investment returns**	**Mark to market value movements on core borrowings (note 1.1b)**	**Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes**	**Changes in economic assumptions and time value of cost of options and guarantees**	**Loss for the year from continuing operations**
	Schedule 3	Schedule 6	Schedule 6	Schedule 6	Schedule 6	**Total**
Basic earnings per share (note 1.1a)	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Profit (loss) before tax	**2,961**	**(5,127)**	**656**	**(15)**	**(581)**	**(2,106)**
Tax (Schedule 7)	**(765)**	**1,411**		**3**	**122**	**771**
Profit (loss) after tax	**2,196**	**(3,716)**	**656**	**(12)**	**(459)**	**(1,335)**
Minority interests (note 1.1c)	**(5)**	**1**			**1**	**(3)**
Profit (loss) after tax and minority interests	**2,191**	**(3,715)**	**656**	**(12)**	**(458)**	**(1,338)**
Earnings per share (pence)	**88.6p**	**(150.3)p**	**26.6p**	**(0.5)p**	**(18.5)p**	**(54.1)p**

Notes

1.1a The average number of shares for 2008 was 2,472 million. The average number of shares reflects the average number in issue adjusted for shares held by employee trusts and consolidated unit trusts and OEICs which are treated as cancelled.

1.1b Core borrowings of the Group are marked to market value under EEV. As the liabilities are generally held to maturity or for the long-term, no deferred tax asset or liability has been established on the difference (compared to IFRS) in carrying value. Accordingly, no deferred tax charge is recorded in the results against the 2008 credit.

1.1c The minority interest share of after tax operating profit mainly relates to Asian operations, principally Taiwan.

Return on embedded value

	Schedule cross reference	**2008**
Operating profit, based on longer-term investment returns, after related tax and minority interests	As above	**£2,191m**
Opening equity shareholders' funds	13	**£14,600m**
Return on embedded value		**15.0%**

Net asset value per share

		2008
Closing equity shareholders' funds	8	**£14,956m**
Net asset value per share attributable to equity shareholders (note 1.1d)		**599p**

Note

1.1d Based on the closing issued share capital as at 31 December 2008 of 2,497 million shares.

EEV basis results - Earnings per share, return on embedded value and net asset value per share

2007

Earnings per share	Operating profit, based on longer-term investment returns	Short-term fluctuations in investment returns	Mark to market value movements on core borrowings (note 1.2b)	Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	Changes in economic assumptions and time value of cost of options and guarantees	Profit for the year from continuing operations	Profit for the year from discontinued operations (note 1.2d)	Profit for the year
	Schedule 3	Schedule 6	Schedule 6	Schedule 6	Schedule 6	Total		Total
Basic earnings per share (note 1.2a)	£m	£m	£m	£m	£m	£m	£m	£m
Profit before tax	2,530	174	223	(5)	748	3,670	222	3,892
Tax (Schedule 7)	(692)	(22)		-	(213)	(927)	19	(908)
Profit after tax	1,838	152	223	(5)	535	2,743	241	2,984
Minority interests (note 1.2c)	(17)	(2)			(2)	(21)		(21)
Profit after tax and minority interests	1,821	150	223	(5)	533	2,722	241	2,963
Earnings per share (pence)	74.5p	6.1p	9.1p	(0.2)p	21.8p	111.3p	9.9p	121.2p

1.2a The average number of shares for 2007 was 2,445 million. The average number of shares reflects the average number in issue adjusted for shares held by employee trusts and consolidated unit trusts and OEICs which are treated as cancelled.

1.2b Core borrowings of the Group are marked to market value under EEV. As the liabilities are generally held to maturity or for the long-term, no deferred tax asset or liability has been established on the difference (compared to IFRS) in carrying value. Accordingly, no deferred tax charge is recorded in the results against the 2007 credit.

1.2c The minority interest share of after tax operating profit mainly relates to Asian operations, principally Taiwan and, until the change of management arrangements on 29 September 2007, the Group's life operations in China.

1.2d Discontinued operations relate to Egg.

Return on embedded value	Schedule cross reference	2007
Operating profit, based on longer-term investment returns, after related tax and minority interests	As above	£1,821m
Opening equity shareholders' funds	13	£11,803m
Return on embedded value		15.4%

Net asset value per share		2007
Closing equity shareholders' funds	8	£14,600m
Net asset value per share attributable to equity shareholders (note 1.2e)		591p

Note

1.2e Based on the closing issued share capital as at 31 December 2007 of 2,470 million shares.

2008 Results

EEV basis results - Basis of preparation, methodology and economic assumptions

1 Basis of preparation of results

The EEV basis results have been prepared in accordance with the EEV Principles issued by the CFO Forum of European Insurance Companies in May 2004 and expanded by the Additional Guidance on EEV Disclosures published in October 2005. Where appropriate the EEV basis results include the effects of adoption of International Financial Reporting Standards (IFRS).

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 for which the value of new and in-force contracts is attributable to shareholders. The EEV basis results for the Group's covered business are then combined with the IFRS basis results of the Group's other operations.

The definition of long-term business operations is consistent with previous practice and comprises those contracts falling under the definition of long-term insurance business 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. Under the EEV Principles, the results for covered business incorporate the projected margins of attaching internal asset management.

With two principal exceptions, covered business comprises the Group's long-term business operations. The principal exceptions are for the closed Scottish Amicable Insurance Fund (SAIF) and for the presentational treatment of the financial position of two of the Group's defined benefit pension schemes. A very small amount of UK group pensions business is also not modelled for EEV reporting purposes.

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.

As regards the Group's defined benefit pension schemes, the liabilities attaching to the Prudential Staff Pension Scheme (PSPS) and Scottish Amicable Pension Scheme are excluded from the EEV value of UK operations and included in the total for Other operations. The amounts are partially attributable to the PAC with-profits fund and shareholder backed long-term business and partially to other parts of the Group. In addition to the amounts recognised as attributable to shareholders under IFRS basis, a 10 per cent share of the amount attributable to the PAC with-profits fund is recognised for EEV reporting purposes.

2 Methodology

Embedded value

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:

- present value of future shareholder cash flows from in-force covered business (value of in-force business), less a deduction for the cost of locked-in (encumbered) capital;

- locked-in (encumbered) capital; and

- shareholders' net worth in excess of encumbered capital (free surplus)

The value of future new business is excluded from the embedded value. In determining the embedded value or the profit before tax no smoothing of market account balance values, unrealised gains or investment returns is applied. Separately, the analysis of profit is delineated between operating profit based on longer-term investment returns and other constituent items as described in note 4.

Valuation of new business

The contribution from new business represents profits determined by applying non-economic assumptions as at the end of the year.

In determining the new business contribution for UK immediate annuity and lifetime mortgage business, which is interest rate sensitive, it is appropriate to use point of sale economic assumptions, consistent with how the business is priced. For other business within the Group end of period economic assumptions are used.

Level of encumbered capital

In adopting the EEV Principles, Prudential has based encumbered capital on its internal targets for economic capital, subject to it being at least the local statutory minimum requirements. Economic capital is assessed using internal models but, when applying the EEV Principles, Prudential does not take credit for the significant diversification benefits that exist within the Group. For with-profits business written in a segregated life fund, as is the case in the Asia and the UK, the capital available in the fund is sufficient to meet the encumbered capital requirements. For shareholder-backed business the following capital requirements apply:

• Asian operations: the economic capital requirement is substantially higher than local statutory requirements in total. Economic capital requirements vary by territory, but in aggregate, the encumbered capital is broadly equivalent to the amount required under the Insurance Groups Directive (IGD).

• US operations: the level of encumbered capital has been set to an amount at least equal to 235 per cent of the risk-based capital required by the National Association of Insurance Commissioners (NAIC) at the Company Action Level (CAL), which is sufficient to meet the economic capital requirement.

• UK insurance operations: the economic capital requirements for annuity business are fully met by Pillar I requirements being four per cent of mathematical reserves, which are also sufficient to meet Pillar II requirements. For unit-linked and other shareholder-backed business the encumbered capital held reflects the statutory minimum Pillar I requirement, as required by the UK regulatory authorities.

Valuation movements on investments

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

The results for any covered business conceptually reflects 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 are broadly speaking held with the intent and ability to be retained 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 securities classified as available-for-sale, movements in unrealised appreciation on these securities are accounted for in equity rather than in the income statement, as shown in the Reconciliation of movement in shareholders' funds (schedule 9).

3 Economic assumptions

(a) Deterministic assumptions

In most countries, the long-term expected rates of return on investments and risk discount rates are set by reference to period end rates of return on cash or fixed interest securities. For the Group's Asian operations, the active basis is appropriate for business written in Japan, Korea and US dollar denominated business written in Hong Kong. Except in respect of the projected returns of holdings of Asian debt and equity securities for those countries where long-term fixed interest markets are less established, the 'active' basis of assumption setting has been applied in preparing the results of all the Group's US and UK long-term business operations.

For countries where long-term fixed interest markets are less established, investment return assumptions and risk discount rates are based on an assessment of longer-term economic conditions. Except for the countries listed above, this basis is appropriate for the Group's Asian operations. Similarly, the projected returns on holdings of Asian securities in these territories by other Group businesses are set on the same basis.

Expected returns on equity and property asset classes in respect of each territory are derived by adding a risk premium, also based on the long-term view of Prudential's economists, to the risk-free rate. In Asia, equity risk premiums range from 3.0 per cent to 7.0 per cent (2007: 3.0 per cent to 6.0 per cent). In the US and the UK, the equity risk premium is 4.0 per cent above risk-free rates for both 2008 and 2007.

Assumed investment returns reflect the expected future returns on the assets held and allocated to the covered business at the valuation date.

The tables below summarise the principal financial assumptions:

Asian Operations

31 Dec 2008	China %	Hong Kong (notes iii, iv, v) %	India %	Indonesia %	Japan %	Korea %	Malaysia (notes iv, v) %	Philippines %	Singapore (notes iv, v) %	Taiwan (notes ii, v) %	Thailand %	Vietnam %
Risk discount rate:												
New business	**11.75**	**3.8**	**14.25**	**15.25**	**4.8**	**8.2**	**9.1**	**15.75**	**6.15**	**9.1**	**13.0**	**16.75**
In force	**11.75**	**3.9**	**14.25**	**15.25**	**4.8**	**8.2**	**9.0**	**15.75**	**6.85**	**9.7**	**13.0**	**16.75**
Expected long-term rate of inflation	**4.0**	**2.25**	**5.0**	**6.0**	**0.7**	**2.75**	**2.75**	**5.0**	**1.75**	**2.25**	**3.0**	**6.0**
Government bond yield	**8.25**	**2.3**	**9.25**	**10.25**	**1.6**	**4.3**	**6.5**	**9.25**	**4.25**	**5.5**	**6.75**	**10.25**

31 Dec 2007	China %	Hong Kong (notes iii, iv, v) %	India %	Indonesia %	Japan %	Korea %	Malaysia (notes iv, v) %	Philippines %	Singapore (notes iv, v) %	Taiwan (notes ii, v) %	Thailand %	Vietnam %
Risk discount rate:												
New business	11.75	5.7	15.75	16.75	5.1	9.7	9.3	15.75	6.4	9.1	13.0	16.75
In force	11.75	6.0	15.75	16.75	5.1	9.7	9.1	15.75	6.8	9.8	13.0	16.75
Expected long-term rate of inflation	4.0	2.25	5.0	6.0	0.0	2.75	2.75	5.0	1.75	2.25	3.0	6.0
Government bond yield	8.25	4.1	9.25	10.25	2.0	5.8	6.5	9.25	4.25	5.5	6.75	10.25

	Asia total 31 Dec 2008 %	Asia total 31 Dec 2007 %
Weighted risk discount rate (note (i))		
New business	**8.8**	9.5
In force	**7.8**	8.7

Notes

Asian operations - economic assumptions

(i) The weighted risk discount rates for Asian operations shown above have been determined by weighting each country's risk discount rates by reference to the EEV basis operating result for new business and the closing value of in-force business.

(ii) For traditional business in Taiwan, the economic scenarios used to calculate the 2008 and 2007 EEV basis results reflect the assumption of a phased progression of the bond yields from the current rates applying to the assets held to the long-term expected rates.

For 2008 the projections assume that in the average scenario, the current bond yields at 31 December 2008 of 1.4 per cent trend towards 5.5 per cent at 31 December 2018. This compares to the 2007 results for which the projections assume that in the average scenario, the current bond yields at 31 December 2007 of around 2.5 per cent trend towards 5.5 per cent at 31 December 2013.

The expected long term rate is a function of expectation of inflation and real rates of interest, on which the Company has taken external expert advice. It is considered that the outlook for long-term interest rates in Asia will be strongly influenced by the trend in the projection of comparable US long-term real interest rates. Consequently, assessment of the expected rates for Taiwan has taken into account the structural factors of government borrowing, savings rates, short-term interest rates, government intervention and non-market influences that could affect Taiwanese real interest rates over the projection period. Together with a central inflation projection for Taiwan, the Company considers that the long term rate of 5.5 per cent is appropriate in the longer-term.

In projecting forward the Fund Earned Rate, allowance is made for the mix of assets in the fund, future investment strategy, and further market value depreciation of bonds held as a result of assumed future yield increases. These factors, together with the assumption of the phased progression in bond yields, give rise to an average assumed Fund Earned Rate that changes from 6.6 per cent for 2008 to 6.7 per cent for 2019. The assumed Fund Earned Rate falls to 3.35 per cent in 2009 and subsequently to 1.2 per cent in 2010, then increases to 5.15 per cent by 2018. Thereafter, the assumed Fund Earned Rate fluctuates around a target of 6.7 per cent. This projection compares with that applied for the 2007 results of a grading from an assumed rate of 0.5 per cent for 2007 to 6.4 per cent for 2014.

Consistent with the EEV methodology applied, a constant discount rate has been applied to the projected cash flows.

On 20 February 2009, the Company announced that it had agreed to transfer the agency business of the Taiwan Life business to China Life. Further details are given in schedule 14.

(iii) The assumptions shown are for US dollar denominated business which comprises the largest proportion of the in-force Hong Kong business.

(iv) The mean equity return assumptions for the most significant equity holdings in the Asian operations were:

	31 Dec 2008 %	31 Dec 2007 %
Hong Kong	6.2	8.1
Malaysia	12.5	12.5
Singapore	10.2	9.3

To obtain the mean, an average over all simulations of the accumulated return at the end of the projection period is calculated. The annual average return is then calculated by taking the root of the average accumulated return minus 1.

(v) For 2008 and 2007, cash rates rather than government bond yields were used in setting the risk discount rates for Malaysia, Singapore, Taiwan and for Hong Kong dollar denominated business.

US operations (Jackson)	31 Dec 2008 %	31 Dec 2007 %
Risk discount rate (note (i)):		
New business	**4.6**	7.0
In force	**3.9**	6.0
Expected long-term spread between earned rate and rate credited to policyholders for single premium deferred annuity business	**1.75**	1.75
US 10-year treasury bond rate at end of period	**2.3**	4.1
Pre-tax expected long-term nominal rate of return for US equities	**6.3**	8.1
Expected long-term rate of inflation	**1.5**	2.4

Notes:

(i) The risk discount rates at 31 December 2008 for new business and business in-force for US operations reflect weighted rates based on underlying rates of 6.2 per cent for variable annuity (VA) business and 3.0 per cent for other business. The decrease in the weighted discount rates reflects the decrease in the US 10-year treasury bond rate of 180 bps and a change in the product mix with the 2008 results seeing an increase in the proportion of new and in-force business arising from other than VA business.

(ii) Credit risk treatment

The projected cash flows incorporate the expected long-term spread between the earned rate and rate credited to policyholders. The projected earned rates reflect book value yields which are adjusted over time to reflect projected reinvestment rates. The expected spread incorporates a Risk Margin Reserve (RMR) allowance of 25 basis points for longer-term defaults as described in note 4.

In the event that longer-term default levels are higher then, unlike for UK annuity business where policyholder benefits are not changeable, Jackson has some discretion to adjust crediting rates, subject to contract guarantee levels and general market competition considerations.

The results for Jackson reflect the application of the low discount rates shown above. In the event that US 10-year treasury rates increase, the altered embedded value results would reflect a lower contribution from fixed annuity business and a partially offsetting increase for variable annuity business as the projected earned rate, as well as the discount rate, would increase for this type of business.

The book value yields, net of RMR allowance, are in excess of the risk discount rate. To correct for the anomalous effect that would otherwise occur, no credit has been taken for the cost of capital benefit that this feature would give rise to for fixed annuity business.

UK insurance operations	31 Dec 2008 %	31 Dec 2007 %
Shareholder-backed annuity business:		
Risk discount rate (notes (i) and (iv)):		
New business	**9.6**	7.8
In force	**12.0**	7.8
Pre-tax expected long-term nominal rate of return for shareholder-backed annuity business (note (iii)):		
Fixed annuities	**6.4 to 6.7**	5.4 to 5.6
Inflation-linked annuities	**5.7 to 5.8**	5.0 to 5.2
Other business:		
Risk discount rate (notes (ii) and (iv)):		
New business	**6.7**	7.0
In force	**6.75**	7.9
Pre-tax expected long-term nominal rates of investment return:		
UK equities	**7.7**	8.55
Overseas equities	**6.3 to 10.25**	8.1 to 10.2
Property	**6.0**	6.8
Gilts	**3.7**	4.55
Corporate bonds - with-profits funds (notes (iv) and (v))	**5.2**	6.0
- other business	**5.2**	6.25
Expected long-term rate of inflation	**3.0**	3.2
Post-tax expected long-term nominal rate of return for the PAC with-profits fund:		
Pension business (where no tax applies)	**6.6**	7.85
Life business	**5.8**	6.9

Notes:

(i) The new business risk discount rate for shareholder-backed annuity business for 2008 reflects the assets allocated to back new business with an allowance for credit risk based on point of sale market conditions, consistent with how the business was priced. The allowance for credit risk for new business at point of sale is determined using the same methodology for in-force business described in note (iv) below.

(ii) The risk discount rates for new business and business in force for UK insurance operations other than shareholder-backed annuities reflect weighted rates based on the type of business.

(iii) The pre-tax rates of return for shareholder-backed annuity business are based on the gross redemption yield on the backing assets net of a best estimate allowance for future defaults.

(iv) Credit spread treatment

For with-profits business, the embedded value reflects the discounted value of future shareholder transfers. These transfers are directly affected by the level of projected rates of return on investments, including debt securities. Given the current exceptional fixed interest market conditions, and the Company's expectation that the widening of credit spreads observed in 2008 will not be maintained, the Company considers that it is most appropriate to assume an unchanged level of credit spreads, an unchanged level of longer-term default allowance and an unchanged risk discount rate methodology relative to those used at 31 December 2007.

For UK annuity business, different dynamics apply both in terms of the nature of the business and the EEV methodology applied. For this type of business the assets are generally held to maturity to match long duration liabilities. It is therefore appropriate under EEV methodology to include a liquidity premium in the economic basis used. The appropriate EEV risk discount rate is set in order to equate the EEV with a "market consistent embedded value" including liquidity premium. The liquidity premium is derived from the yield on the assets held after deducting an appropriate allowance for credit risk. For Prudential Reitrement Income Limited (PRIL), which has approximately 90 per cent of UK shareholder-backed annuity business, the allowance for credit risk at 31 December 2008 is made up of:

(a) 16 bps for fixed annuities and 13 bps for inflation-linked annuities in respect of long-term expected defaults; this is derived by applying Moody's data from 1970 onwards uplifted by between 100 per cent (B) and 200 per cent (AAA) according to credit rating, to the asset portfolios.

(b) 11 bps for fixed annuities and 9 bps for inflation-linked annuities in respect of long-term credit risk premium for the potential volatility in default levels; this is derived by applying the 95th worst percentile from Moody's data from 1970 onwards, to the asset portfolios.

(c) 56 bps for fixed annuities and 48 bps for inflation-linked annuities in respect of additional short-term credit risk, reflecting the extreme market conditions at 31 December 2008; this is derived as 25 per cent of the increase in credit spreads over swaps that has occurred since 31 December 2006 based on a set of externally published indices weighted to reflect the asset mix.

On a weighted basis for fixed annuities and inflation-linked annuities the allowance is 15 bps for long-term expected defaults, 11 bps for long-term credit risk premium, and 54 bps for short-term credit risk.

Pillar I reserves are calculated using a similar allowance for credit risk. For EEV reporting the allowance for short-term credit risk is assumed to be released gradually over the five year period following the valuation date.

The Pillar I allowance of 80 bps per annum is financially equivalent to 185 bps for the years 2009 to 2011 and 45 bps thereafter for the life of the book.

The overall allowance for credit risk is prudent by comparison with historic rates of default and would be sufficient to withstand a wide range of extreme credit events over the expected lifetime of the annuity business.

The risk discount rate for new business profits reflects the assets allocated to back new business and an allowance for credit risk based on point of sale market conditions, consistent with how the business was priced. The allowance for credit risk at the point of sale is determined using the same methodology for in-force business. In both cases, the allowance for credit risk included in setting the discount rate reflects the three constituent elements of long-term expected defaults, long-term credit risk premiums and additional short-term credit risk.

(v) The assumed long-term rate for corporate bonds for 2007 for with-profits business was determined after taking account of the purchase of credit default swaps.

(b) Stochastic assumptions

The economic assumptions used for the stochastic calculations are consistent with those used for the deterministic calculations described above. Assumptions specific to the stochastic calculations, such as the volatilities of asset returns, reflect local market conditions and are based on a combination of actual market data, historic market data and an assessment of longer-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 allowance for correlation between the various asset classes.

Details are given below of the key characteristics and calibrations of each model.

Asian operations

The same asset return models as used in the UK, appropriately calibrated, have been used for the Asian operations as described for UK insurance operations below. The principal asset classes are government and corporate bonds. Equity holdings are much lower than in the UK whilst property holdings do not represent a significant investment asset.

The stochastic cost of guarantees is primarily only of significance for the Hong Kong, Malaysia, Singapore and Taiwan operations.

The mean stochastic returns are consistent with the mean deterministic returns for each country. The expected volatility of equity returns for 2008 ranges from 18 per cent to 30 per cent (2007: 18 per cent to 25 per cent) and the volatility of government bond yields ranges from 1.4 per cent to 2.4 per cent (2007: 1.3 per cent to 2.5 per cent).

US operations (Jackson)

• Interest rates are projected using a log-normal generator calibrated to actual market data;

• Corporate bond returns are based on Treasury securities plus a spread that has been calibrated to current market conditions and varies by credit quality; and

• Variable annuity equity and bond returns have been stochastically generated using a log-normal model with parameters determined by reference to historical data. The volatility of equity fund returns for both 2008 and 2007 ranges from 18.6 per cent to 28.1 per cent depending on risk class, and the standard deviation of bond returns ranges from 1.5 per cent to 1.6 per cent (2007: 1.4 per cent to 1.7 per cent).

UK insurance operations

• Interest rates are projected using a two-factor model calibrated to actual market data;

• The risk premium on equity assets is assumed to follow a log-normal distribution;

• The corporate bond return is calculated as the return on a zero-coupon bond plus a spread. The spread process is a mean reverting stochastic process; and

• Property returns are modelled in a similar fashion to corporate bonds, namely as the return on a riskless bond, plus a risk premium, plus a process representative of the change in residual values and the change in value of the call option on rents.

Mean returns have been derived as the annualised arithmetic average return across all simulations and durations.

For each projection year, standard deviations have been calculated by taking the square root of the annualised variance of the returns over all the simulations. These have been averaged over all durations in the projection. For equity and property, the standard deviations relate to the total return on these assets. The standard deviations applied to both 2008 and 2007 are as follows:

	%
Equities:	
UK	18.0
Overseas	16.0
Property	15.0

4 Accounting presentation

Analysis of profit before tax

To the extent applicable, presentation of the EEV profit for the year is consistent with the basis that the Group applies for analysis of IFRS basis profits before shareholder taxes between operating and non-operating results. Operating results reflect the underlying results of the Group's continuing operations including longer-term investment returns. Operating results include the impact of routine changes of estimates and non-economic assumptions. Non operating results comprise short-term fluctuations in investment returns, the shareholders' share of actuarial and other gains and losses on defined benefit pension schemes, the mark to market value movements on core borrowings and the effect of changes in economic assumptions and changes in the time value of cost of options and guarantees.

Operating profit

Investment returns, including investment gains, in respect of long-term insurance business are recognised in operating results at the expected long-term rate of return. For the purpose of calculating the longer-term investment return to be included in the operating results of UK operations, where equity holdings are a significant proportion of investment portfolios, values of assets at the beginning of the reporting period are adjusted to remove the effects of short-term market volatility.

For the purposes of determining the long-term returns for debt securities of shareholder-backed operations, 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 risk-free rates and equity risk premium. For US variable annuity separate account business, operating profit reflects the expected longer-term rate 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 risk adjusted yield on the assets used to determine the valuation interest rate for calculating the carrying value of policyholder liabilities. Operating profit includes the effect of rebalancing the portfolio calibrated to investment conditions at 31 December 2006 i.e. prior to the exceptional spread widening in 2007 and 2008. Non-operating profit incorporates the effect of rebalancing calibrated by reference to changes to credit spreads since 31 December 2006.

Previously, for the purpose of presentation of the Group's operating results, the return on capital held centrally to back the economic capital requirements for the Taiwan life business has been allocated to the operating result for Asian operations with a consequent reduction in Group shareholders' other income for EEV basis reporting. In the 2008 results this approach has no longer been applied. The presentation of the 2007 comparative results has been adjusted accordingly, as explained in note 5b(ii) on schedule 5.

Effect of changes in economic assumptions and time value of cost of options and guarantees

Movements in the value of in-force business caused by changes in economic assumptions and the time value of cost of options and guarantees resulting from changes in economic factors are recorded in non-operating results.

2007 Results

EEV basis results - Operating profit based on longer-term investment returns (note 3a)

Summary results

	Schedule cross reference	2008 £m	2007 £m
Profits from:			
New Business	4	**1,307**	1,205
Business in force	5	**1,625**	1,319
Long-term business		**2,932**	2,524
Asia development expenses		**(26)**	(15)
Other operating results:			
UK general insurance commission		**44**	4
Asian asset management operations		**52**	72
US broker-dealer and asset management		**10**	13
Curian		**(3)**	(5)
M&G		**286**	254
Other income and expenditure			
Investment return and other income (note 3b)		**47**	49
Interest payable on core structural borrowings		**(172)**	(168)
Corporate expenditure:			
Group Head Office		**(130)**	(129)
Asia Regional Head Office		**(41)**	(38)
Charges for share-based payments for Prudential schemes		**(6)**	(11)
Total other income and expenditure		**(302)**	(297)
Total other operating results		**87**	41
Restructuring costs (note 3c)		**(32)**	(20)
Total operating profit from continuing operations based on longer-term investment returns before tax		**2,961**	2,530

Notes

3a Reconciliation with total profit before tax

The Group analyses its EEV basis results so as to distinguish operating profit based on longer-term investment returns from other constituent elements of total profit. The other constituent elements i.e. the items excluded from operating profit based on longer-term investment are explained on schedule 6.

3b Investment return and other income

	2008 £m	2007 £m
IFRS basis (as shown on schedule 16)	**89**	86
Less: Projected asset management result in respect of covered business incorporated in opening EEV value of in-force business *	**(42)**	(37)
EEV basis	**47**	49

*Total EEV basis results for asset management operations reflect the aggregate of the experience variance between the actual and expected contribution from managing internal long-term business funds falling within the scope of covered business, and the contribution from managing external and other internal funds. The asset management results for business unit operations shown above reflect the IFRS result. The adjustment to other income is that required to derive the correct overall EEV contribution.

3c Restructuring costs have been incurred as follows:

	2008 £m	2007 £m
UK insurance operations	**14**	8
Unallocated corporate	**18**	12
Total	**32**	20

The charge of £32 million (2007: £20 million) comprises £28 million (2007: £19 million) recognised on the IFRS basis and an additional £4 million (2007: £1 million) recognised on the EEV basis for the shareholders' share of costs incurred by the PAC with-profits fund.

3d Comparative results

The results for continuing operations shown above exclude those in respect of discontinued banking operations, which were sold on 1 May 2007. In addition to the effect of the adoption of IFRIC 14 for pension schemes, as detailed on schedule 13, the 2007 comparatives reflect some minor adjustments as detailed on schedule 4 (notes 4g and 4i) and schedule 5 (notes 5b(ii) and 5d(iii)).

2008 Results

EEV basis results - New business profit and margins

Operating profits from new long-term insurance business

	2008 Pre-tax (note 4c) £m	2008 Tax £m	2008 Post-tax (schedule 10.1 note 10.1b) £m	2007 Pre-tax (note 4c) £m	2007 Tax £m	2007 Post-tax (schedule 10.1 note 10.1b) £m
Asian operations	**741**	**(191)**	**550**	643	(170)	473
US operations (note 4b)	**293**	**(103)**	**190**	285	(100)	185
UK insurance operations (note 4e)	**273**	**(76)**	**197**	277	(77)	200
	1,307	**(370)**	**937**	1,205	(347)	858

Margins on new business premiums

2008	**New Business Premiums (note 4d) Single £m**	**Regular £m**	**Annual Premium and Contribution Equivalent (APE) £m**	**Present Value of New Business Premiums (PVNBP) £m**	**Pre-Tax New Business Contribution £m**	**New Business Margin (note 4e) (APE) %**	**(PVNBP) %**
Asian operations (notes 4a, 4f and 4g)	**1,457**	**1,216**	**1,362**	**7,308**	**741**	**54**	**10.1**
US operations	**6,917**	**24**	**716**	**7,140**	**293**	**41**	**4.1**
UK insurance operations (notes 4e, 4h and 4i)	**6,929**	**254**	**947**	**8,081**	**273**	**29**	**3.4**
Total	**15,303**	**1,494**	**3,025**	**22,529**	**1,307**	**43**	**5.8**

2007	New Business Premiums (note 4d) Single £m	Regular £m	Annual Premium and Contribution Equivalent (APE) £m	Present Value of New Business Premiums (PVNBP) £m	Pre-Tax New Business Contribution £m	New Business Margin (note 4e) (APE) %	(PVNBP) %
Asian operations (notes 4a, 4f and 4g)	1,793	1,108	1,287	6,906	643	50	9.3
US operations	6,515	19	671	6,666	285	42	4.3
UK insurance operations (notes 4e, 4h and 4i)	6,632	247	910	7,736	277	30	3.6
Total	14,940	1,374	2,868	21,308	1,205	42	5.7

Notes

4a

Asian operations	**New business margin (APE) 2008 %**	2007 %
Hong Kong	**79**	73
Korea	**34**	37
Taiwan (note 4f)	**59**	58
India	**19**	12
China (note 4g)	**52**	50
Indonesia	**58**	55
Other	**72**	61
Weighted average for all Asian operations	**54**	50

4b US operations - net of tax profits from new long-term insurance business

	2008 £m	2007 £m
Before capital charge	**193**	197
Capital charge (see notes 8a and 8d on schedule 8)	**(3)**	(12)
After capital charge	**190**	185

4c Profits from asset management of covered business

Included within pre-tax new business profits shown in the table above are profits arising from asset management business falling within the scope of covered business of:

	2008 £m	2007 £m
Asian operations	**35**	44
US operations	**4**	1
UK insurance operations	**13**	11
Total	**52**	56

4d 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. Department of Work and Pensions (DWP) rebate business is classified as single recurrent business. Internal vesting business is classified as new business where the contracts include an open market option.

Notes (continued)

4e New business margins are shown on two bases, namely the margins by reference to Annual Premium and Contribution Equivalents (APE) and the Present Value of New Business Premiums (PVNBP). APEs are calculated as the aggregate of regular new business amounts and one tenth of single new business amounts. PVNBPs are 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.

In determining the EEV basis value of new business written in the year the 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.

In general, as described in schedule 2, the use of point of sale or end of period economic assumptions is not significant in determining the new business contribution for different types of business and across financial reporting periods. However, to obtain proper measurement of the new business contribution for business which is interest rate sensitive, it is appropriate to use point of sale economic assumptions, consistent with how the business was priced. In practice, the only area within the Group where this has a material effect, particularly in light of the dislocation of markets in 2008, is for UK shareholder-backed annuity and lifetime mortgage business. The 2008 results for shareholder-backed annuity and lifetime mortgage business have been prepared on the basis of point of sale, rather than end of period economic assumptions which previously applied for EEV reporting. New business profits would have been £111 million lower if end of year economic assumptions had been applied. The reduction is reflected in non-operating profit. The £111 million primarily reflects the level of credit spread widening since the point of sale. For 2007, the effect of the use of point of sale market conditions would not have been material.

New business contributions for all business represent profits determined by applying non-economic assumptions as at the end of the year.

4f The results for Asian operations include those of the Taiwanese life operations for which the Company agreed to transfer its agency business to China Life on 20 February 2009. Details are included in schedule 14.

4g The tables for Asian operations above reflect the inclusion of CITIC-Prudential Life Insurance Company Ltd, the Group's life operation in China as a 50 per cent held joint venture for 2008 and 2007 reflecting the economic interest throughout both years. Previously, for presentational purposes, the 2007 results reflected the inclusion of CITIC-Prudential as a subsidiary undertaking up to 29 September 2007 and 50 per cent thereafter following the change of management arrangement after this date, with appropriate minority interest accounting to reflect the 50 per cent economic interest. The presentation of the operating profit for 2007 has been adjusted to allocate £10 million of profit from the result for new business to business in-force to prevent distortion of the published new business margin.

4h The tables above include for 2007 the transfer of 62,000 with-profits annuity policies from Equitable Life on 31 December 2007 with assets of approximately £1.7 billion. The transfer represented an APE of £174 million.

4i To align with the treatment in the 2008 results, the tables for UK insurance operations above for 2007 reflect the inclusion of the Group's UK health insurance joint venture operation, PruHealth, with an APE of £13 million and PVNBP of £107 million.

2008 Results

EEV basis results - Operating profit from business in force

	2008 £m	2007 £m
Asian operations (note 5b)		
Unwind of discount and other expected returns (note 5a)	**434**	340
Changes in operating assumptions (note 5b(i))	**135**	54
Experience variances and other items (note 5b(ii))	**(1)**	5
	568	399
US operations (note 5c)		
Unwind of discount and other expected returns (note 5a):		
On value of in-force business and required capital	**176**	187
On surplus assets	**57**	53
Spread experience variance (note 5c(i))	**54**	99
Amortisation of interest-related realised gains and losses	**28**	37
Changes in operating assumptions (note 5c(ii))	**(17)**	(24)
Other	**(5)**	(10)
	293	342
UK insurance operations (note 5d)		
Unwind of discount and other expected returns (note 5a)	**569**	592
Effect of change in UK corporate tax rate (note 5d(i))	**-**	67
Annuity business (note 5d(ii)):		
Mortality strengthening	**-**	(312)
Release of margins	**-**	312
	-	0
Other items (note 5d(iii))	**195**	(81)
	764	578
Total	**1,625**	1,319

Notes

5a Unwind of discount and other expected returns

For Asian operations and UK insurance operations, unwind of discount and other expected returns is determined by reference to the value of in-force business, required capital and surplus assets at the start of the year as adjusted for the effect of changes in economic and operating assumptions reflected in the current year. For the unwind of discount for UK insurance operations included in operating results based on longer-term returns a further adjustment is made. For UK insurance operations the amount represents the unwind of discount on the value of in-force business at the beginning of the year (adjusted for the effect of current year assumption changes), the expected return on smoothed surplus assets retained within the PAC with-profits fund and the expected return on shareholders' assets held in other UK long-term business operations. Surplus assets retained within the PAC with-profits fund are smoothed for this purpose to remove the effects of short-term investment volatility from operating results. In the balance sheet and for total profit reporting, asset values and investment returns are not smoothed. For US operations the return on surplus assets is shown separately.

5b Asian operations

(i) Changes in operating assumptions

The effect of changes in operating assumptions represent the following:

	2008 £m	2007 £m
Mortality and morbidity[1]	**58**	17
Expense[2]	**26**	51
Persistency[3]	**36**	(51)
Effect of change in corporate tax rates[4]	**15**	32
Other	**-**	5
	135	54

Notes

[1] The favourable effect of £58 million relating to mortality and morbidity assumption changes mainly relates to Singapore of £34 million, Taiwan of £18 million and Hong Kong of £15 million, which reflect actual experience across most products, offset by a charge in Malaysia of £(19) million which reflects negative morbidity experience on A&H products.

[2] The favourable overall net effect of £26 million for expense assumption changes in 2008 mainly relates to a reduction in investment management expenses. The credit of £51 million for 2007 mainly relates to Singapore (£37 million) and Korea (£21 million) both due to increases in investment margins.

[3] The favourable effect of the change in persistency assumptions of £36 million in 2008 predominately arises in Singapore of £90 million, Hong Kong of £28 million and Malaysia of £21 million which reflect altered lapse rates, arising from recent experience, offset by charges in Taiwan of £(45) million and Korea of £(44) million mainly relating to premium holidays. The charge of £(51) million for the effect of changes in persistency assumptions in 2007 mainly arise in Singapore (£(29) million) as a result of changes in a number of product related features and updated maturity assumptions in Taiwan (£(15) million) from an increase in lapse rates, reflecting recent experience.

[4] The effect of change in corporate tax rates represents the effect of incorporating the benefit arising from the reduction in the corporate tax rate in Indonesia for 2008 and in China, Malaysia and Singapore for 2007.

(ii) Experience variances and other items

Experience variances and other items of a charge of £(1) million (2007: credit of £5 million) include a credit of £36 million (2007: £47 million) for favourable mortality and morbidity experience variance relating to better than expected experience across most territories, offset by a charge of £(34) million (2007: £(27) million) for expense experience variances and £(3) million (2007: £(4) million) of other charges. Also for 2007 there is a charge of £(11) million in respect of Vietnam for higher than expected investment fees payable on asset managers' performance.

The negative expense experience variance of £(34) million for 2008 includes £(11) million arising in Korea, reflecting lower sales, and includes a charge of £(9) million for expense overruns for China which is at a relatively early stage of development, for which the expenses for new business are in excess of the target levels factored into the valuation of new business. On the basis of current plans the target level for expenses for this operation is planned to be attained in 2012. The negative experience variance in 2007 of £(27) million arose in China of £(12) million and India of £(15) million.

The 2007 comparative result has been increased by £10 million for the adjustment in respect of China (as explained in note 4g on schedule 4) and reduced by £(4) million for the discontinuance of the allocation of notional return on centrally held economic capital in respect of Taiwan from shareholders' other income to the result for Asian operations. Other income is increased by an equivalent amount. Total profits are unaffected by these adjustments.

5c US operations

(i) Spread experience variance

The spread assumption for Jackson is determined on a longer-term basis net of a provision for defaults, with impairment losses in excess of the provision for defaults taken through short-term fluctuations in investment returns.

(ii) Changes in operating assumptions

The effect of changes in operating assumptions for US operations is as follows:

	2008 £m
Mortality[1]	31
Variable Annuity (VA) fees[2]	29
Effect of adjustments for certain reserves, surplus note borrowing and required capital	
Interest Maintenance Reserve (IMR)[3]	(10)
Variable Annuity Statutory Reserves[4]	(68)
Required Capital[5]	17
Surplus note borrowings[6]	-
Total[7]	(61)
Other	(16)
	(17)

[1] The effect of changes in mortality assumptions reflect lower mortality rates for life products consistent with recent experience.

[2] The effect of change in assumption in respect of VA fees represents an overall increase in the level of projected advisory fees for variable annuity business.

[3] The IMR is a statutory liability in respect of realised gains on the sale of bonds which, on a regulatory basis, are amortised to income over time in line with the duration of the bonds sold. The 2008 results reflect this reserve as an explicit liability, consistent with the regulatory basis which, after the effects of discounting results in a charge to embedded value of £(10) million.

[4] The statutory reserves are primarily in respect of guarantees on variable annuity products in excess of the surrender value. The impact of including these amounts as explicit liabilities, consistent with the regulatory basis, after the effects of discounting, results in a charge to embedded value of £(68) million.

[5] The adjustment in respect of required capital represents a current year refinement to reduce the required capital to align the amount with the required level which has been set as an amount at least equal to 235 per cent of the risk-based capital required by National Association of Insurance Commissioners at the Company Action Level, which is sufficient to meet the economic capital requirement. The decrease results in an associated benefit from a reduction in the cost of capital of £17 million.

[6] The surplus note borrowings have been reflected as contributing to the capital in the net worth but with the obligation deducted from the value of in-force business, with an overall net nil effect on the embedded value.

[7] The adjustments in respect of the IMR, variable annuity reserves, surplus note borrowing and required capital detailed in (iii) to (vi) above also resulted in a post-tax net reallocation from free surplus and required capital of £(110) million and £(137) million respectively to the value of in-force of £207 million, as detailed in note 10.1f on schedule 10.1.

5d UK insurance operations

(i) Effect of change in UK corporate tax rate

The comparative results for 2007 of £67 million reflect the effects of the change to reduce the UK corporate tax rate from 30 per cent to 28 per cent in projecting the tax cash flows attaching to in-force business.

(ii) Annuity business

For UK insurance operations there is a net nil charge or credit for the 2008 and 2007 results. However, the 2007 results for annuity business have been determined after a strengthening of explicit mortality assumptions and the release of excess margins in the aggregate liabilities that had previously been set aside as an indirect extra allowance for longevity related risks.

The overall impact of the assumption changes and release of margins for 2007 is as follows:

	£m
Strengthening of mortality assumptions	(312)
Release of margins:	
Projected benefit related	144
Investment related	82
Expense related	29
Other	57
	312
	0

(iii) Other items

Other items for UK insurance operations in 2008 are in aggregate a credit of £195 million. Consistent with the methodology applied in previous years, this amount includes a credit of £118 million resulting from part of the effect of rebalancing the asset portfolio backing annuity business on the valuation interest rate for determining Pillar I liabilities. The rebalancing reflects changes to the portfolio to more closely align the credit quality with management benchmark. The £118 million effect of rebalancing included in operating profit reflects longer-term levels of credit spread evident as at 31 December 2006 i.e. prior to the exceptional credit spread widening in 2007 and 2008. The additional increase in the Pillar I valuation interest rate due to rebalancing at the credit spreads at which assets were traded in 2008 is reflected within non-operating profit together with, via the increase in discount rate, the additional allowance for credit risk for the portfolio as a whole as described in note 6d on schedule 6.

The £195 million credit also includes a cost of capital charge of £(34) million for the effect of holding the short-term credit risk reserve for statutory reporting and releasing it over an assumed five year period. Also included in operating profit for business in-force is a credit of £56 million in respect of the release of certain annuity business reserves, a credit of £24 million in respect of the release of prior period provisions relating to Credit Life business, and a net credit of £31 million for other items.

The charge of £(81) million for 2007 includes £(13) million in respect of annual licence fee payments, £(36) million of costs associated with product and distribution development, £(14) million for expense over-runs in respect of a tariff agreement with SAIF and £(19) million for other items which includes a credit of £1 million for a positive persistency experience.

The annual licence fee payments are made by shareholder-backed subsidiaries of UK insurance operations, via a service company, to the PAC with-profits sub-fund for the right to use trademarks and for the goodwill associated with the purchase of the business of the Scottish Amicable Life Assurance Society in 1997. The licence fee arrangements run to 2017.

For 2007, the expense over-runs arising from the tariff arrangement in respect of SAIF of £14 million were borne by a service company. The arrangement was in place until the end of 2007 and was onerous to shareholders.

The 2007 comparative result has been reduced by £4 million in respect of the separate disclosure of UK general insurance commission. Total operating profit from UK insurance operations is unaffected by this adjustment.

2008 Results

EEV basis results - Items excluded from operating profit

Total EEV (loss) profit from continuing operations before tax comprises:	2008 £m	2007 £m
Operating profit from continuing operations based on longer-term investment returns (as analysed on schedule 3	**2,961**	2,530
Items excluded from operating profit:		
Short-term fluctuations in investment returns (note 6a)	**(5,127)**	174
Mark to market value movements on core borrowings (note 6b)	**656**	223
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes (note 6c)	**(15)**	(5)
Effect of changes in economic assumptions and time value of cost of options and guarantees (note 6d)	**(581)**	748
(Loss) Profit from continuing operations before tax	**(2,106)**	3,670

Notes

6a Short-term fluctuations in investment returns	2008 £m	2007 £m
Insurance operations:		
Asian (note 6a(i))	**(1,063)**	226
US (note 6a(ii))	**(1,344)**	(9)
UK (note 6a(iii))	**(2,407)**	(42)
Other operations (note 6a(iv))	**(313)**	(1)
Total	**(5,127)**	174

Notes

(i) Asian operations

	2008 £m
Singapore	**(310)**
Hong Kong	**(284)**
Taiwan	**(163)**
Other operations	**(306)**
	(1,063)

For Singapore and Hong Kong, the short-term fluctuation in investment returns primarily reflects the effect of substantial equity market falls on unit-linked and with-profits business. For unit-linked business, the short-term fluctuation in investment returns reflects the reduction in the value of the asset base and the consequent effect on the projection of future management fees. For with-profits business, the short-term fluctuation in investment returns reflects the difference between the shareholders' 10 per cent interest in the value movements on the assets and the unwind of discount on the opening shareholders' interest in the surplus.

The short-term fluctuations in investment returns for Taiwan principally reflect the equity market fall and a £(40) million value reduction for an investment in a CDO fund.

For 2007, the short-term fluctuations in investment returns for Asian operations of £226 million arose mainly from favourable equity investment performance in most territories, principally in Hong Kong of £102 million, Vietnam of £66 million and Singapore of £38 million offset by a negative fluctuation in Taiwan of £(26) million principally due to a £(30) million value reduction for an investment in a CDO fund.

(ii) US operations (Jackson)

The short-term fluctuations in investment returns for US operations primarily reflect the impact of impairment losses on debt securities and the effects on the value of variable annuity business of adverse movements in US equity markets. The fluctuations for US operations comprise the following items:

	2008 £m	2007 £m
Realised impairment losses:		
Actual losses on fixed income securities	**(466)**	(78)
Less: Risk margin charge included in operating profit	**54**	48
	(412)	(30)
Loss due to changed expectation of profits from fees on in-force variable annuity business in future periods based on current period equity returns, net of related hedging activity*	**(733)**	(16)
Actual less longer-term return on equity-type securities	**(148)**	51
Other	**(51)**	(14)
	(1,344)	(9)

* This adjustment arises due to the market returns being lower than the assumed longer-term rate of return. This gives rise to lower than expected year end values of variable annuity assets under management with a resulting effect on the projected value of future account values and hence future profitability from altered fees. For 2008, the US equity market returns were approximately negative 38.5 per cent compared to the assumed longer-term rate of return of 5.8 per cent.

(iii) UK insurance operations

The short-term fluctuations in investment returns for UK insurance operations for 2008 arise on the following types of business:

	2008 £m
With-profits (note (a))	(2,083)
Shareholder-backed annuity (note (b))	(213)
Unit-linked and other (note (c))	(111)
	(2,407)

(a) For with-profits business the charge represents the negative actual investment return on the PAC with-profits fund of (19.7) per cent against an assumed rate of 6.6 per cent.

(b) Short-term fluctuations in investment returns on shareholder-backed annuity business represents the unrealised loss on surplus assets and default experience.

(c) The charge of £(111) million relates primarily to unit-linked business and predominantly represents the capitalised loss of future fees from the fall in market values experienced during the year.

For 2007, the short-term fluctuations in investment returns for UK insurance operations of £(42) million primarily reflects value movements on the bond holdings of PRIL's shareholders' funds due to the net effect of widened credit spreads and reduced interest rates together with the difference between the actual investment returns for the with-profits life fund of 7.2 per cent and the gross long-term assumed rate of 7.85 per cent.

(iv) Other

The charge of £313 million for short-term fluctuations of other operations arises from:

	2008 £m
Sale of investment in India mutual fund in May 2008 giving rise to a transfer to operating profit of £47m for the crystallised gain, and value reduction in the period, prior to sale, of £24m	**(71)**
Unrealised value movements on swaps held centrally to manage Group assets and liabilities	**(38)**
Unrealised value movements, net of hedge effects, on Prudential Capital's bond portfolio	**(190)**
Unrealised value movements on a centrally held investment	**(14)**
	(313)

6b Mark to market value movements on core borrowings

	2008 £m	2007 £m
US operations	**37**	9
Other operations	**619**	214
Total	**656**	223

Core borrowings of the Group are marked to market value under EEV. The figures in the table above reflect the movement in the difference between market and IFRS carrying values. As the liabilities are generally held to maturity or for the long-term, no deferred tax asset or liability has been established on the difference (compared to IFRS) in carrying value. Accordingly, no deferred tax charge is recorded in the results in respect of the 2008 credit of £656 million (2007: £223 million).

6c Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes

The loss of £(15) million (2007: loss of £(5) million) included within (loss) profit before tax reflects the shareholders' share of actuarial and other gains and losses on the Group's defined benefit pension schemes and can be analysed as follows:.

	2008 £m	2007 £m
PSPS	**(5)**	-
M&G pension scheme	**(9)**	5
Scottish Amicable pension scheme	**2**	(10)
Taiwan	**(3)**	-
Total	**(15)**	(5)

On the EEV basis this (charge) gain includes a 10 per cent share of the actuarial gains and losses on the share attributable to the PAC with-profits fund for the Scottish Amicable Pension Scheme. Consistent with the derecognition of the Company's interest in the underlying surplus for PSPS, under the change of accounting policy described in schedule 13, it is not appropriate to report actuarial gains and losses for PSPS. The other losses for PSPS of £(5) million represents the charge during 2008 in the provision for the deficit funding obligation.

6d Effect of changes in economic assumptions and time value of cost of options and guarantees

The (losses) profits on changes in economic assumptions and time value of cost of options and guarantees resulting from changes in economic factors for in-force business included within the (loss) profit from continuing operations before tax (including actual investment returns) arise as follows:

	2008			2007		
	Change in economic assumptions £m	**Change in time value of cost of options and guarantees £m**	**Total £m**	Change in economic assumptions £m	Change in time value of cost of options and guarantees £m	Total £m
Asian operations (note 6d(i))	**(34)**	**8**	**(26)**	201	9	210
US operations (note 6d(ii))	**267**	**11**	**278**	81	8	89
UK insurance operations (notes 6d(iii) and (iv))	**(783)**	**(50)**	**(833)**	466	(17)	449
Total	**(550)**	**(31)**	**(581)**	748	0	748

Notes

(i) The effect of changes in economic assumptions in Asia for 2008 of a charge of £(34) million includes a negative effect in Taiwan of £(185) million reflecting a charge of £(239) million for the impact of extending the phased bond yield progression period in Taiwan out by five years from 31 December 2013 to 31 December 2018, as described in schedule 2, offset by the impact in other territories, mainly reflecting the reduction in risk discount rates.

(ii) The credit for the effect of changes in economic assumptions for 2008 for US operations of £267 million primarily arises as a result of the impact of a change in the risk discount rate of £454 million, partially offset by the impact of a decrease in the variable annuity separate account return of £(230) million, both movements reflecting the 180 bps reduction in the 10-year Treasury rate as shown in schedule 2.

(iii) The effect of changes in economic assumptions of a charge of £(783) million for UK insurance operations comprises the effect of:

	Shareholder-backed annuity business (note (a)) £m	With-profits and other business (note (b)) £m	2008 £m
Increase (decrease) in portfolio yields	83	(1,082)	(999)
(Increase) decrease in risk discount rates	(394)	668	274
Other changes	(6)	(52)	(58)
	(317)	(466)	(783)

Notes

(a) For shareholder-backed annuity business (i.e. held in PRIL and the PAC non-profit sub-fund) the impact of the change in risk discount rates of £(394) million includes £(400) million in respect of strengthening credit risk assumptions (excluding the strengthening required in respect of the £2.8 billion rebalancing the asset portfolios). The impact of the change in portfolio yields of £83 million includes a profit of £231 million in respect of the rebalancing, calculated by reference to changes in credit spreads since 31 December 2006.

(b) For with-profits and other business the decrease in fund earned rates and risk discount rates primarily reflects the reduction in gilt rates of (0.85) per cent.

(iv) The effect of changes in time value of cost of options and guarantees of a charge of £(50) million primarily relates to with-profits business reflecting the effect of the reduction in fund earned rates as described in note 6d(iii)(b) above.

EEV basis results - Tax (credit) charge attributable to shareholders' (loss) profit from continuing operations

	2008 £m	2007 £m
Tax charge on operating profit from continuing operations based on longer-term investment returns		
Long-term business (note 7a):		
Asian operations (notes 7b and 7c)	**329**	252
US operations	**205**	197
UK insurance operations (notes 7b and 7c)	**269**	236
	803	685
Other operations	**(38)**	7
Total tax charge on operating profit from continuing operations based on longer-term investment returns (note 7c)	**765**	692
Tax (credit) charge on items not included in operating profit		
Tax (credit) charge on short-term fluctuations in investment returns	**(1,411)**	22
Tax (credit) charge on shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	**(3)**	-
Tax (credit) charge on effect of changes in economic assumptions and time value of cost of options and guarantees	**(122)**	213
Total tax (credit) charge on items not included in operating profit from continuing operations (note 7d)	**(1,536)**	235
Tax (credit) charge on (loss) profit on ordinary activities from continuing operations (including tax on actual investment returns)	**(771)**	927

Notes

7a The profit for the year for covered business is in most cases calculated initially at the post-tax level. The post-tax profit for covered business is then grossed up for presentation purposes at the effective rates of tax applicable to the countries and periods concerned. In the UK, the effective rate is the UK corporation tax rate of 28 per cent which took effect from 1 April 2008. For Jackson, the US federal rate of 35 per cent is applied to gross up movements on the value of in-force business. Effects on statutory tax for the period affect the overall tax rate. For Asia, similar principles apply subject to the availablility of taxable profits.

7b Including tax relief on Asia development expenses and restructuring costs borne by UK insurance operations.

7c The tax charge for 2008 includes the notional tax gross up of £4 million attaching to the change of corporate tax rate in Indonesia and in 2007 of £26 million attaching to the change of corporate tax rates in China, Malaysia, Singapore and the UK.

7d The 2007 comparatives for the tax charges for continuing operations shown above exclude discontinued banking operations, which were sold on 1 May 2007.

2008 Results

EEV basis results - Shareholders' funds summary

	2008 £m	2007 £m
Asian operations		
Long-term business (note 8a)		
Net assets of operations - EEV basis shareholders' funds	**5,264**	3,726
Acquired goodwill (note 8e)	**111**	111
Asset management (note 8g)		
Net assets of operations	**167**	111
Acquired goodwill (note 8e)	**61**	61
	5,603	4,009
US operations		
Jackson (net of surplus note borrowings of £154 million (2007 : £147 million) (note 8f)		
Shareholders' funds before capital charge	**4,357**	3,689
Capital charge (note 8d)	**(18)**	(84)
EEV basis shareholders' funds	**4,339**	3,605
Broker-dealer and asset management operations (note 8g)	**114**	81
	4,453	3,686
UK operations (notes 8a and 8b)		
Long-term business operations		
Smoothed shareholders' funds (note 8c)	**5,437**	6,031
Actual shareholders' funds less smoothed shareholders' funds	**(518)**	466
EEV basis shareholders' funds	**4,919**	6,497
M&G (note 8g)		
Net assets of operations	**147**	271
Acquired goodwill (note 8e)	**1,153**	1,153
	6,219	7,921
Other operations		
Holding company net borrowings at market value (note 8f)	**(818)**	(873)
Other net liabilities (note 8g)	**(501)**	(143)
	(1,319)	(1,016)
Total	**14,956**	14,600

Notes

8a A charge is deducted from the annual result and embedded value for the cost of capital supporting the Group's long-term business operations. This capital is referred to as encumbered 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 (net of tax) on the capital. Where encumbered capital is held within a with-profits sub-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 encumbered capital.

8b The proportion of surplus allocated to shareholders from the UK with-profits business has been based on the present level of 10 per cent. Future bonus rates have been set at levels which would fully utilise the assets of the with-profits fund over the lifetime of the business in force

8c UK long-term business smoothed shareholders' funds reflect an adjustment to the assets of the PAC with-profits fund, for the purposes of determining the unwind of discount included in operating profits, to remove the short-term volatility in market values of assets. Shareholders' funds in the balance sheet are determined on an unsmoothed basis.

8d In determining the cost of capital for Jackson, it has been assumed that an amount at least equal to 235 per cent of the risk-based capital required by the National Association of Insurance Commissioners (NAIC) at the Company Action Level must be retained. The related capital charge reflects the assumptions discussed in schedule 2, together with the adjustments to required capital described in note 5c(ii) on schedule 5.

8e Under IFRS, goodwill is not amortised, but is subject to impairment testing. Goodwill attaching to venture fund investment subsidiaries of the PAC with-profits fund that are consolidated under IFRS is not included in the table above as the goodwill attaching to these companies is not relevant to the analysis of shareholders' funds.

8f Net core structural borrowings of shareholder-financed operations comprise:

	IFRS 2008 £m	Mark to market value adjustment 2008 £m	EEV 2008 £m	IFRS 2007 £m	Mark to market value adjustment 2007 £m	EEV 2007 £m
Holding company* cash and short-term investments	**1,165**	**-**	**1,165**	1,456	-	1,456
Core structural borrowings - Central funds (at market value) (note)	**(2,785)**	**802**	**(1,983)**	(2,367)	38	(2,329)
Holding company net borrowings	**(1,620)**	**802**	**(818)**	(911)	38	(873)
Core structural borrowings - Jackson (at market value)	**(173)**	**19**	**(154)**	(125)	(22)	(147)
	(1,793)	**821**	**(972)**	(1,036)	16	(1,020)

*Including central finance subsidiaries

Note

EEV basis holding company borrowings comprising:

	2008 £m	2007 £m
Perpetual subordinated capital securities (Innovative Tier 1)	**(513)**	(679)
Subordinated debt (Lower Tier 2)	**(737)**	(817)
Senior debt	**(733)**	(833)
	(1,983)	(2,329)

In accordance with the EEV Principles, core borrowings are carried at market value.

8g With the exception of the share of pension scheme deficit attributable to the PAC with-profits fund, which is included in 'Other operations' net liabilities, and the borrowings as described in note 8f, the amounts shown for the items in the table above that are referenced to this note have been determined on the statutory IFRS basis.

The overall pension scheme deficit, net of tax, attributable to shareholders relating to the Prudential Staff Pension and Scottish Amicable Pension schemes is determined as shown below:

	2008 £m	2007 £m
IFRS basis deficit (relating to shareholder-backed operations)	**(31)**	(41)
Additional EEV deficit (relating to shareholders' 10 per cent share of the IFRS basis deficit attributable to the PAC with-profits fund)	**(6)**	(9)
EEV basis	**(37)**	(50)

2008 Results

EEV basis results - Reconciliation of movement in shareholders' funds

	Schedule cross reference	Long-term business operations: Asian operations £m	US operations £m	UK insurance operations £m	Total long-term business operations £m	Other operations £m	Group Total £m
Operating profit from continuing operations (based on longer-term investment returns)							
Long-term business:							
New business	4	**741**	**293**	**273**	**1,307**		**1,307**
Business in force	5	**568**	**293**	**764**	**1,625**		**1,625**
		1,309	**586**	**1,037**	**2,932**		**2,932**
Asia development expenses		**(26)**			**(26)**		**(26)**
UK general insurance commission						**44**	**44**
M&G						**286**	**286**
Asian asset management operations						**52**	**52**
US broker-dealer and asset management						**10**	**10**
Curian						**(3)**	**(3)**
Other income and expenditure						**(302)**	**(302)**
Restructuring costs				**(14)**	**(14)**	**(18)**	**(32)**
returns	3	**1,283**	**586**	**1,023**	**2,892**	**69**	**2,961**
Short-term fluctuations in investment returns	6	**(1,063)**	**(1,344)**	**(2,407)**	**(4,814)**	**(313)**	**(5,127)**
Mark to market value movements on core borrowings	6		**37**		**37**	**619**	**656**
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	6	**(3)**			**(3)**	**(12)**	**(15)**
Effect of changes in economic assumptions and time value of cost of options and guarantees	6	**(26)**	**278**	**(833)**	**(581)**		**(581)**
Profit (loss) from continuing operations before tax (including actual investment returns)		**191**	**(443)**	**(2,217)**	**(2,469)**	**363**	**(2,106)**
Tax (charge) credit attributable to shareholders' profit (loss):							
Tax on operating profit		**(329)**	**(205)**	**(269)**	**(803)**	**38**	**(765)**
Tax on short-term fluctuations in investment returns		**167**	**492**	**683**	**1,342**	**69**	**1,411**
Tax on shareholders' share of actuarial and other gains and losses on defined benefit pension schemes		**1**			**1**	**2**	**3**
Tax on effect of changes in economic assumptions and time value of cost of options and guarantees		**(14)**	**(97)**	**233**	**122**		**122**
Total tax (charge) credit	7	**(175)**	**190**	**647**	**662**	**109**	**771**
Minority interests		**2**		**(1)**	**1**	**(4)**	**(3)**
Profit (loss) for the year		**18**	**(253)**	**(1,571)**	**(1,806)**	**468**	**(1,338)**
Exchange movements (note 9a)		**1,170**	**1,264**		**2,434**	**(424)**	**2,010**
Related tax						**119**	**119**
Intra group dividends (including statutory transfer)		**(36)**	**(169)**	**(296)**	**(501)**	**501**	**0**
External dividends						**(453)**	**(453)**
Reserve movements in respect of share-based payments						**18**	**18**
Investment in operations (note 9b)		**389**		**322**	**711**	**(711)**	**0**
Other transfers (note 9d)		**(3)**	**40**	**(33)**	**4**	**(4)**	**0**
Movement in own shares in respect of share-based payment plans						**3**	**3**
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS						**(25)**	**(25)**
New share capital subscribed						**170**	**170**
Mark to market value movements on Jackson assets backing surplus and required capital			**(148)**		**(148)**		**(148)**
Net increase (decrease) in shareholders' equity		**1,538**	**734**	**(1,578)**	**694**	**(338)**	**356**
Shareholders' equity at 1 January 2008 - as previously published	13	**3,726**	**3,605**	**6,497**	**13,828**	**951**	**14,779**
- effect of adoption of principles of IFRIC 14 for pension schemes	13	**-**	**-**	**-**	**-**	**(179)**	**(179)**
- after adoption of IFRIC 14	8	**3,726**	**3,605**	**6,497**	**13,828**	**772**	**14,600**
Shareholders' equity at 31 December 2008	8	**5,264**	**4,339**	**4,919**	**14,522**	**434**	**14,956**
Analysed as:							
Statutory IFRS basis shareholders' equity	21	**2,056**	**1,698**	**1,655**	**5,409**	**(351)**	**5,058**
Additional retained profit on an EEV basis		**3,208**	**2,641**	**3,264**	**9,113**	**785**	**9,898**
EEV basis shareholders' equity at 31 December 2008 (note 9c)	8	**5,264**	**4,339**	**4,919**	**14,522**	**434**	**14,956**
Comprising:							
Free surplus		**(240)**	**501**	**186**	**447**		
Required capital		**1,789**	**1,400**	**928**	**4,117**		
Value of in-force business before deduction of cost of capital and of guarantees		**4,590**	**2,838**	**4,263**	**11,691**		
Cost of capital		**(869)**	**(18)**	**(372)**	**(1,259)**		
Cost of time value of guarantees		**(6)**	**(382)**	**(86)**	**(474)**		
		5,264	**4,339**	**4,919**	**14,522**		

Notes

9a Profits are translated at average exchange rates, consistent with the method applied for statutory IFRS basis results. The amounts recorded above for exchange rate movements reflect the difference between 2008 and 2007 exchange rates as applied to shareholders' funds at 1 January 2008 and the difference between 31 December 2008 and average 2008 rates for profits.

9b Investment in operations reflects increases in share capital. This includes certain non-cash items as detailed in note 10.2j on schedule 10.2.

9c For the purposes of the table above, goodwill related to Asia long-term operations (as shown on schedule 8) is included in Other operations.

9d Other transfers (from) to long-term business operations to other operations represent:

	Asian operations £m	US operations £m	UK insurance operations £m	Total long-term business operations £m
Adjustment for net of tax asset management projected profits of covered business	(15)	(3)	(17)	**(35)**
Other adjustments	12	43	(16)	**39**
	(3)	40	(33)	**4**

2008 Results

EEV basis results - Reconciliation of 2008 movement in net worth and value of in-force business (note 10.1a)

Summary by business unit	Free surplus (note 10.1d) £m	Required capital £m	Total net worth £m	Value of in-force business (note 10.1e) £m	Total long-term business £m
Shareholders' equity at 1 January 2008	1,468	2,870	4,338	9,490	13,828
New business contribution (note 10.1b	(825)	472	(353)	1,290	937
Existing business - transfer to net worth	1,413	(416)	997	(997)	-
Expected return on existing business	53	130	183	718	901
Changes in operating assumptions and experience variances					
Adjustments in respect of certain statutory reserves, required capital and surplus note borrowings	(187)	(137)	(324)	284	(40)
Effect of establishment and increase in allowance for short-term credit risk under the statutory (Pillar I) reporting*	(770)	41	(729)	705	(24)
Other	(64)	169	105	210	315
	(1,021)	73	(948)	1,199	251
Changes in non-operating assumptions and experience variances and minority interests	(915)	165	(750)	(3,145)	(3,895)
(Loss) on ordinary activities after tax and minority interests from long-term business	(1,295)	424	(871)	(935)	(1,806)
Exchange movements	76	823	899	1,535	2,434
Intra group dividends (including statutory transfer) and investment in operations	342	-	342	(132)	210
Mark to market value movements on Jackson assets backing surplus and required capital	(148)	-	(148)	-	(148)
Other transfers to net worth (note 10.1g)	4	-	4	-	4
Shareholders' equity at 31 December 2008 (note 10.1h)	447	4,117	4,564	9,958	14,522
Representing:					
Asian operations					
Shareholders' equity at 1 January 2008	49	907	956	2,770	3,726
New business contribution	(243)	42	(201)	751	550
Existing business - transfer to net worth	459	(85)	374	(374)	-
Expected return on existing business	(8)	61	53	283	336
Changes in operating assumptions and experience variances	(181)	178	(3)	71	68
Changes in non-operating assumptions and experience variances and minority interests	(521)	256	(265)	(671)	(936)
Profit on ordinary activities after tax and minority interests for long-term business	(494)	452	(42)	60	18
Exchange movements	(145)	430	285	885	1,170
Intra-group dividends (including statutory transfer) and investment in operations	353		353		353
Other transfers from net worth	(3)		(3)		(3)
Shareholders' equity at 31 December 2008	(240)	1,789	1,549	3,715	5,264
US operations					
Shareholders' equity at 1 January 2008	1,147	1,072	2,219	1,386	3,605
New business contribution	(289)	265	(24)	214	190
Existing business - transfer to net worth	379	(226)	153	(153)	-
Expected return on existing business	37	40	77	75	152
Changes in operating assumptions and experience variances					
Adjustments in respect of certain statutory reserves, required capital and surplus note borrowings (note 10.1f)	(110)	(137)	(247)	207	(40)
Other	(1)	(7)	(8)	87	79
	(111)	(144)	(255)	294	39
Changes in non-operating assumptions and experience variances and minority interests	(606)		(606)	(28)	(634)
(Loss) on ordinary activities after tax and minority interests for long-term business	(590)	(65)	(655)	402	(253)
Exchange movements	221	393	614	650	1,264
Intra-group dividends (including statutory transfer) and investment in operations	(169)		(169)		(169)
Mark to market value movements on Jackson assets backing surplus and required capital	(148)		(148)		(148)
Other transfers to net worth	40		40		40
Shareholders' equity at 31 December 2008	501	1,400	1,901	2,438	4,339
UK insurance operations					
Shareholders' equity at 1 January 2008	272	891	1,163	5,334	6,497
New business contribution	(293)	165	(128)	325	197
Existing business - transfer to net worth	575	(105)	470	(470)	-
Expected return on existing business	24	29	53	360	413
Changes in operating assumptions and experience variances					
Adjustment in respect of certain statutory reserves (note 10.1f)	(77)	-	(77)	77	-
Effect of establishment and increase in allowance for short-term credit risk under statutory (Pillar I) reporting*	(770)	41	(729)	705	(24)
Other	118	(2)	116	52	168
	(729)	39	(690)	834	144
Changes in non-operating assumptions and experience variances and minority interests	212	(91)	121	(2,446)	(2,325)
(Loss) on ordinary activities after tax and minority interests for long-term business	(211)	37	(174)	(1,397)	(1,571)
Intra-group dividends (including statutory transfer) and investment in operations	158		158	(132)	26
Other transfers from net worth	(33)		(33)		(33)
Shareholders' equity at 31 December 2008	186	928	1,114	3,805	4,919

* This adjustment reflects the reserve for short-term credit risk that was established for Pillar I reporting subsequent to the EEV full year 2007 basis results announced in March 2008 and the movement in 2008.

Summary by business unit

Notes

10.1a All figures shown are net of tax.

10.1b The movements arising from new business contribution are as follows:

	2008 £m	2007 £m
Free surplus	**(825)**	(544)
Required capital	**472**	308
Total net worth	**(353)**	(236)
Value of in-force business	**1,290**	1,094
Total long-term business (schedule 4)	**937**	858

10.1c New business capital usage

	Free surplus £m	Annual Premium Equivalent (APE) (Schedule 4) £m	New business Capital usage Per £100m APE £m
Asian operations	**(243)**	**1,362**	18
US operations	**(289)**	**716**	40
UK insurance operations	**(293)**	**947**	31
	(825)	**3,025**	27

10.1d Free surplus is the market value of the net worth in excess of the capital required to support the covered business. Where appropriate, adjustments are made to the regulatory basis net worth from the local regulatory basis so as to include backing assets movements at fair value rather than cost so as to comply with the EEV principles.

10.1e Value of in-force business includes the value of future margins from current in-force business less the cost of holding encumbered capital.

10.1f Adjustments in respect of certain statutory reserves, required capital and surplus note borrowings.

The charge of £40 million to total EEV represents the cost of capital relating to the reallocation of certain items from net worth to the value of in-force business for US and UK operations. These adjustments related to the following items:

	2008 £m				
	Free surplus £m	Required capital £m	Net worth £m	Value of in-force business £m	Total long-term business £m
Interest Maintenance Reserve (IMR) and certain statutory reserves relating to variable annuity business[1]	(404)		(404)	353	(51)
Required capital[2]	137	(137)	0	11	11
Surplus note borrowings[3]	157	–	157	(157)	–
Subtotal	(110)	(137)	(247)	207	(40)
UK insurance operations[4]	(77)		(77)	77	0
Total	(187)	(137)	(324)	284	(40)

1 These reserves represent additional prudent reserves recognised for local regulatory purposes and comprise reductions in free surplus of £(45) million in respect of the Interest Maintenance Reserve (IMR) and £(359) million relating to certain statutory reserves for variable annuity business. The value of in-force business reflects an increase of £38 million in respect of the IMR and £315 million in respect of the reallocation of other statutory reserves. The IMR is a statutory liability in respect of realised gains on the sale of bonds which, on a regulatory basis, are amortised to income over time, in line with the duration of the bonds sold. The statutory reserves are in respect of guarantees on variable annuity products in excess of the surrender value. Previously for EEV basis reporting, the IMR and these certain statutory variable annuity reserves were immediately released from the value of in-force business and treated as elements of free surplus. Their reallocation to the value of in-force business reflects the reinstatement of these amounts as explicit liabilities, consistent with the regulatory basis.

2 The adjustment to reduce required capital for US operations represents a current year refinement to align the amount with the required level which has been set as an amount at least equal to 235 per cent of the risk-based capital required by National Association of Insurance Commissioners at the Company Action Level, which is sufficient to meet the economic capital requirement.

3 The surplus note borrowings have been reflected as contributing to the capital in the net worth but with the obligation deducted from the value of in-force business.

4 These reserves represent additional prudent reserves recognised for local regulatory purposes.

10.1g Other transfers from net worth

	2008 (as per note 9d on schedule 9) £m
Adjustment for net of tax asset management projected profits of covered business	**(35)**
Other adjustments	**39**
	4

10.1h Included in EEV basis shareholders' funds of long-term business operations of £14,522 million (2007: £13,828 million) is £409 million (2007: £349 million) in respect of asset management business falling within the scope of covered business as follows:

	2008 £m	2007 £m
Asian operations	**273**	204
US operations	**19**	12
UK insurance operations	**117**	133
	409	349

2008 Results

EEV basis results - Group analysis of underlying business activity

The following analysis show the movement in embedded value arising from the Group's underlying business activity and the effects of the current extraordinary market conditions.

Group

	Free Surplus (note 10.2b) £m	Required Capital (note 10.2c) £m	Net Worth £m	Value of in-force £m	Total £m
Underlying movement					
New business	(825)	472	(353)	1,290	937
Business in force - expected transfer	1,413	(416)	997	(997)	0
- unwind of discount, effects of changes in operating assumptions, operating experience variance and other operating items	(11)	299	288	928	1,216
	577	355	932	1,221	2,153
Investment movements and economic effects:					
UKIO additional credit provisions (note 10.2d)	(770)	41	(729)	705	(24)
Jackson impairment losses in excess of longer term expected returns net of defaults	(268)	0	(268)	0	(268)
Other investment movements and effect of changes in economic assumptions (note 10.2e)	(647)	165	(482)	(3,145)	(3,627)
	(1,685)	206	(1,479)	(2,440)	(3,919)
Net cash flows to parent company (note 10.2h)	(166)	0	(166)	(132)	(298)
Other items (note 10.2i)	253	686	939	1,819	2,758
Net movement	(1,021)	1,247	226	468	694
Balance at 1 January 2008	1,468	2,870	4,338	9,490	13,828
Balance at 31 December 2008	447	4,117	4,564	9,958	14,522

Notes

10.2a All figures are shown net of tax.

10.2b Free surplus is the market value of the net worth in excess of the capital required to support the covered business. Where appropriate adjustments are made to the regulatory basis net worth from the local regulatory basis so as to include backing assets movements at fair value rather than cost so as to comply with the EEV principles.

10.2c Prudential has based required capital on its internal targets for economic capital subject to it being at least the local statutory minimum requirements, as described in schedule 2.

10.2d The increase in UKIO credit provisions reflects the allowances explained in schedule 2.

10.2e Other investment movements and effect of changes in economic assumptions represent:

	Free Surplus (note 10.2b) £m	Required Capital (note 10.2c) £m	Net Worth £m	Value of in-force £m	Total £m
Other investment movements (note 10.2f)	(681)	(27)	(708)	(2,496)	(3,204)
Effect of changes in economic assumptions (note 10.2g)	34	192	226	(649)	(423)
	(647)	165	(482)	(3,145)	(3,627)

10.2f Investment movements primarily reflect temporary market movements on the portfolio of investments held by the Group's shareholder-backed operations together with the shareholders' 10 per cent interest in the value movements on the assets in the with-profits funds.

10.2g The underlying movement in free surplus includes £85 million for the effect of rebalancing the asset portfolio for UK annuity business as described in note 5d on schedule 5. The effect of changes in economic assumptions on free surplus includes a credit of £166 million in respect of rebalancing as described in schedule 6.

10.2h Net cash flow to or from parent company reflects the flows for long-term business operations as included in the holding company cash flow at transaction rate.

10.2i Other items represent:

	Free Surplus (note 10.2b) £m	Required Capital (note 10.2c) £m	Net Worth £m	Value of in-force £m	Total £m
Exchange movements (schedule 9)	76	823	899	1,535	2,434
Mark to market value movements on Jackson assets backing surplus and required capital	(148)		(148)		(148)
Other (note 10.2j)	325	(137)	188	284	472
	253	686	939	1,819	2,758

10.2j The effect of other items on total embedded value of £472 million primarily relate to the impact on free surplus of an intra-group capital adjustment in respect of UK insurance operations of £320 million, an adjustment for funds loaned to the parent company of £133 million from Singapore and an adjustment of £50 million to reflect the cash flows to parent company at year end rates of exchange, consistent with the closing embedded value. Also included is a net overall charge of £(40) million for the reallocation of certain statutory reserves for UK insurance and US operations, an adjustment to required capital and the reallocation of surplus note borrowings for US operations. The effect of these adjustments is a decrease in free surplus of £(187) million, a reduction in required capital of £(137) million and an increase in the value of in-force business of £284 million.

2008 Results

EEV basis results - 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 analysis of free surplus crystallisation as follows:

	£m
Required capital (schedule 10.1)	4,117
Value of in-force (VIF) (schedule 10.1)	9,958
Add: Cost of time value of guarantees	474
Other items	(181)
	14,368

Other items includes 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 value of the Estate from the expected free surplus generation profile below. Offset against this value are amounts treated as capital for regulatory purposes (and hence treated as capital for net worth purposes) but which are deducted in full against the VIF (i.e. the full undiscounted value).

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

The table below shows how the VIF generated by the in-force business at 31 December 2008 and the associated required capital is modelled as emerging into free surplus over future years.

	2008					
		Expected period of conversion of future post tax distributable earnings and required capital flows to free surplus				
	Total	1-5 years	6-10 years	11-15 years	16-20 years	20+ years
	£m	£m	£m	£m	£m	£m
Asian operations	5,373	1,746	1,150	859	564	1,054
US operations	4,374	2,415	1,167	460	180	152
UK insurance operations	4,621	2,297	975	600	389	360
Total	14,368	6,458	3,292	1,919	1,133	1,566
		45%	23%	13%	8%	11%

EEV basis results - Sensitivity of results to alternative assumptions

1. Sensitivity to changes in economic assumptions

The tables below show the sensitivity of the embedded value as at 31 December 2008 (31 December 2007) and the new business contribution after the effect of encumbered capital for 2008 and 2007 to:

- 1 per cent increase in the discount rates
- 1 per cent increase and decrease in interest rates, including all consequential changes (assumed investment returns for all assets 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 (not applicable for new business contribution); an
- Holding company statutory minimum capital (by contrast to economic capital)

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

2008	Asian operations £m	US operations £m	UK insurance operations £m	Total long-term business operations £m
New business profit for 2008				
As reported (schedule 4)	**741**	**293**	**273**	**1,307**
Discount rates - 1% increase	**(88)**	**(25)**	**(52)**	**(165)**
Interest rates - 1% increase	**(20)**	**21**	**(5)**	**(4)**
Interest rates - 1% decrease	**23**	**(47)**	**6**	**(18)**
Equity/property yields - 1% rise	**30**	**28**	**15**	**73**
Embedded value of long-term operations at 31 December 2008				
As reported (schedule 9)	**5,264**	**4,339**	**4,919**	**14,522**
Discount rates - 1% increase	**(564)**	**(170)**	**(361)**	**(1,095)**
Interest rates - 1% increase (note 12a)	**0**	**(123)**	**(98)**	**(221)**
Interest rates - 1% decrease (note 12a)	**(36)**	**19**	**121**	**104**
Equity/property yields - 1% rise	**294**	**114**	**276**	**684**
Equity/property market values - 10% fall	**(129)**	**(117)**	**(381)**	**(627)**
Statutory minimum capital	**513**	**11**	**5**	**529**

2007	Asian operations £m	US operations £m	UK insurance operations £m	Total long-term business operations £m
New business profit for 2007				
As reported (schedule 4)	643	285	277	1,205
Discount rates - 1% increase	(77)	(29)	(36)	(142)
Interest rates - 1% increase	(16)	5	(5)	(16)
Interest rates - 1% decrease	13	(18)	5	0
Equity/property yields - 1% rise	33	30	15	78
Embedded value of long-term operations at 31 December 2007				
As reported (schedule 9)	3,726	3,605	6,497	13,828
Discount rates - 1% increase	(386)	(129)	(534)	(1,049)
Interest rates - 1% increase (note 12a)	(29)	(120)	(95)	(244)
Interest rates - 1% decrease (note 12a)	2	17	113	132
Equity/property yields - 1% rise	234	58	405	697
Equity/property market values - 10% fall	(136)	(63)	(519)	(718)
Statutory minimum capital	315	59	8	382

Notes

12a Asian operations

	2008			2007		
	Embedded value of long-term operations	**Interest rates**		Embedded value of long-term operations	Interest rates	
		1% increase	**1% decrease**		1% increase	1% decrease
	£m	**£m**	**£m**	£m	£m	£m
Established markets	**3,981**	**(115)**	**151**	2,704	(77)	83
Taiwan (note 12b)	**(205)**	**126**	**(194)**	(12)	67	(91)
Korea	**338**	**(7)**	**6**	304	(7)	7
Indonesia	**314**	**(8)**	**10**	180	(3)	2
Other	**836**	**4**	**(9)**	550	(9)	1
Total Asian operations	**5,264**	**0**	**(36)**	3,726	(29)	2

12b Taiwan sensitivity to starting bond rates (i.e. the starting bond rate for the progression to the assumed long-term rate)

	2008			2007		
	Embedded value at 31 Dec 2008	**1% increase in the starting bond rates**	**1% decrease in the starting bond rates**	Embedded value at 31 Dec 2007	1% increase in the starting bond rates	1% decrease in the starting bond rates
	£m	**£m**	**£m**	£m	£m	£m
Taiwan	**(205)**	**154**	**(165)**	(12)	73	(57)

If it had been assumed in preparing the 2008 results for Taiwan that interest rates remained at the current level of around 1.4 per cent until 31 December 2009 and the progression period in bond yields was delayed by a year so as to end on 31 December 2019, there would have been a reduction in the Taiwan embedded value of £(74) million.

2. Sensitivity to changes in non-economic assumptions

The tables below show the sensitivity of the embedded value as at 31 December 2008 (31 December 2007) and the new business contribution after the effect of encumbered capital for 2008 and 2007 to:

- 10 per cent proportionate decrease in maintenance expenses (a 10 per cent sensitivity on a base expense assumption of £10 per annum would represent an expense assumptio 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 (i.e. increased longevity).

2008	**Asian operations £m**	**US operations £m**	**UK insurance operations £m**	**Total long-term business operations £m**
New business profit for 2008				
As reported (schedule 4)	**741**	**293**	**273**	**1,307**
Maintenance expenses - 10% decrease	**22**	**6**	**7**	**35**
Lapse rates - 10% decrease	**62**	**23**	**11**	**96**
Mortality and morbidity - 5% decrease	**27**	**6**	**(20)**	**13**
Change representing effect on:				
Life business	**27**	**6**	**0**	**33**
Annuity business	**0**	**0**	**(20)**	**(20)**
Embedded value of long-term operations at 31 December 2008				
As reported (schedule 9)	**5,264**	**4,339**	**4,919**	**14,522**
Maintenance expenses - 10% decrease	**92**	**45**	**36**	**173**
Lapse rates - 10% decrease	**194**	**177**	**80**	**451**
Mortality and morbidity - 5% decrease	**172**	**121**	**(71)**	**222**
Change representing effect on:				
Life business	**172**	**121**	**5**	**298**
Annuity business	**0**	**0**	**(76)**	**(76)**

2007	Asian operations £m	US operations £m	UK insurance operations £m	Total long-term business operations £m
New business profit for 2007				
As reported (schedule 4)	643	285	277	1,205
Maintenance expenses - 10% decrease	20	6	8	34
Lapse rates - 10% decrease	62	19	8	89
Mortality and morbidity - 5% decrease	21	4	(14)	11
Change representing effect on:				
Life business	21	4	0	25
Annuity business	0	0	(14)	(14)
Embedded value of long-term operations at 31 December 2007				
As reported (schedule 9)	3,726	3,605	6,497	13,828
Maintenance expenses - 10% decrease	54	30	36	120
Lapse rates - 10% decrease	142	123	87	352
Mortality and morbidity - 5% decrease	98	74	(103)	69
Change representing effect on:				
Life business	98	74	9	181
Annuity business	0	0	(112)	(112)

2008 Results

EEV basis results - Adoption of the principles of IFRIC 14 for pension schemes

To provide consistency with the basis applied for IFRS reporting, the EEV basis results reflect the adoption of the principles of IFRIC 14 for pension schemes.

The impact of the adoption is shown below.

(a) Effect on the EEV profits and movements in shareholders' equity

	2008			2007		
	Previous basis £m	Effect of adoption £m	Revised basis (schedule 1.1) £m	As published £m	Effect of adoption £m	After change (schedule 1.2) £m
Operating profit from continuing operations based on longer-term investment returns	**2,992**	**(31)**	**2,961**	2,542	(12)	2,530
Short term fluctuations in investment returns	**(5,127)**		**(5,127)**	174		174
Mark to market value movements on core borrowings	**656**		**656**	223		223
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	**17**	**(32)**	**(15)**	116	(121)	(5)
Effect of changes in economic assumptions and time value of cost of options and guarantees	**(581)**		**(581)**	748		748
(Loss) profit before tax	**(2,043)**	**(63)**	**(2,106)**	3,803	(133)	3,670
Tax	**754**	**17**	**771**	(961)	34	(927)
(Loss) profit after tax	**(1,289)**	**(46)**	**(1,335)**	2,842	(99)	2,743
Discontinued operations	**-**		**-**	241	-	241
Less: minority interests	**(3)**		**(3)**	(21)	-	(21)
(Loss) profit for the year	**(1,292)**	**(46)**	**(1,338)**	3,062	(99)	2,963
Other movements in reserves	**1,694**		**1,694**	(166)	-	(166)
Shareholders' equity at the beginning of the year	**14,779**	**(179)**	**14,600**	11,883	(80)	11,803
Shareholders' equity at the end of the year (schedule 8)	**15,181**	**(225)**	**14,956**	14,779	(179)	14,600

The changes reflect the aggregate of those under IFRS and the shareholders' 10 per cent interest in the PAC with-profits element of the effect of the adoption of IFRIC 14 for pension schemes reflected under EEV reporting.

(b) Effect on the EEV earnings per share on the 2007 comparative figures

2007 **Basic earnings per share (schedule 1.2)**	**Profit before tax £m**	**Tax £m**	**Profit after tax £m**	**Minority interests £m**	**Profit after tax and minority interests £m**	**Earnings per share (pence)**
Continuing operations						
On operating profit, based on longer-term investment returns, after related tax and minority interests:						
as previously published	2,542	(694)	1,848	(17)	1,831	74.9p
effect of adoption of IFRIC 14 for pension schemes	(12)	2	(10)	-	(10)	(0.4)p
after adoption of IFRIC 14 for pension schemes	2,530	(692)	1,838	(17)	1,821	74.5p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns	174	(22)	152	(2)	150	6.1p
Adjustment for effect of mark to market value movements on core borrowings	223	-	223	-	223	9.1p
Adjustment for post-tax effect of shareholders' share of actuarial and other gains and losses on defined benefit pension schemes:						
as previously published	116	(32)	84	-	84	3.4p
effect of adoption of IFRIC 14 for pension schemes	(121)	32	(89)	-	(89)	(3.6)p
after adoption of IFRIC 14 for pension schemes	(5)	0	(5)	-	(5)	(0.2)p
Adjustment for post-tax effect of changes in economic assumptions and time value of cost of options and guarantees	748	(213)	535	(2)	533	21.8p
On profit for the year after tax and minority interests from continuing operations	3,670	(927)	2,743	(21)	2,722	111.3p
On profit for the year after tax and minority interests from discontinued operations	222	19	241	-	241	9.9p
On profit for the year after tax and minority interests	3,892	(908)	2,984	(21)	2,963	121.2p

Date: 19 March 2009

2008 Results

EEV basis results - Intended sale of legacy agency book and agency force in Taiwan to China Life Insuran

On 20 February 2009, the Company announced that it had entered into an agreement to sell the assets and liabilities of its business and its agency force in Taiwan to China Life Insurance Company Ltd of Taiwan for the nominal sum of NT$1. In will invest £45 million to purchase a 9.95 per cent stake in China Life through a share placement. The business being transf per cent of Prudential's in-force liabilities in Taiwan and includes Prudential's legacy interest rate guaranteed products. The to regulatory approval.

After taking account of EEV shareholders' funds at 31 December 2008 of the business and restructuring and other cost shareholders' equity is expected to increase by approximately £90 million.

The movement in shareholders' EEV equity of the Taiwan life business for 2008 comprised:

Operating profit based on longer-term investment returns from:
New business
Business in force
Total
Short-term fluctuations in investment returns
Effect of changes in economic assumptions and time value of cost of options and guarantees
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes
Loss before tax
Total tax
Minority interests
Loss for the financial year
Investment by parent company (note 14a)
Exchange and other reserve movements
Net movement
Shareholders' equity at 1 January 2008
Shareholders' equity at 31 December 2008

Note

14a Comprising £66 million for solvency capital and £27 million for business development.

2008 Results

IFRS basis results - Earnings per share, return on shareholder value and net asset value per share

2008

Basic earnings per share (note 15.1a)	Operating profit, based on longer-term investment returns £m	Short-term fluctuations in investment returns £m	Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes Schedule 24 £m	Loss for the year from continuing operations Total £m
Profit (loss) before tax	**1,347**	**(1,783)**	**(14)**	**(450)**
Tax (Schedule 18)	**(292)**	**348**	**3**	**59**
Profit (loss) after tax	**1,055**	**(1,435)**	**(11)**	**(391)**
Minority interests	**(4)**	**(1)**		**(5)**
(Profit) loss after tax and minority interests	**1,051**	**(1,436)**	**(11)**	**(396)**
Earnings per share (pence)	**42.5p**	**(58.1)p**	**(0.4)p**	**(16.0)p**

Notes

15.1a The average number of shares for 2008 was 2,472 million. The average number of shares reflects the average number in issue adjusted for shares held by employee trusts and consolidated unit trusts and OEICs which are treated as cancelled.

Return on shareholder value	Schedule cross reference	2008
Operating profit, based on longer-term investment returns, after related tax and minority interests	As above	**£1,051m**
Opening equity shareholders' funds	21	**£6,062m**
Return on shareholder value		**17.3%**

Net asset value per share

		2008
Closing equity shareholders' funds	21	**£5,058m**
Net asset value per share attributable to equity shareholders (note 15.1b)		**203p**

15.1b Based on the closing issued share capital as at 31 December 2008 of 2,497 million shares.

2008 Results

IFRS basis results - Earnings per share, return on shareholder value and net asset value per share

2007

Basic earnings per share (note 15.2a)	Operating profit, based on longer-term investment returns £m	Short-term fluctuations in investment returns £m	Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes Schedule 24 £m	Profit for the year from continuing operations Total £m	Profit for the year from discontinued operations £m	Profit for the year £m
Profit (loss) before tax	1,201	(137)	(1)	1,063	222	1,285
Tax (Schedule 18)	(381)	26	1	(354)	19	(335)
Profit (loss) after tax	820	(111)	-	709	241	950
Minority interests	(4)	1		(3)		(3)
(Profit) loss after tax and minority interests	816	(110)	-	706	241	947
Earnings per share (pence)	33.3p	(4.5)p	(0.0)p	28.8p	9.9p	38.7p

Notes

15.2a The average number of shares for 2008 was 2,445 million. The average number of shares reflects the average number in issue adjusted for shares held by employee trusts and consolidated unit trusts and OEICs which are treated as cancelled.

15.2b Discontinued operations relate to Egg banking operations.

Return on shareholder value

	Schedule cross reference	2007
Operating profit, based on longer-term investment returns, after related tax and minority interests	As above	£816m
Opening equity shareholders' funds	21	£5,424m
Return on shareholder value		15.0%

Net asset value per share

		2007
Closing equity shareholders' funds	21	£6,062m
Net asset value per share attributable to equity shareholders (note 15.2c)		245p

15.2c Based on the closing issued share capital as at 31 December 2007 of 2,470 million shares.

2008 Results

IFRS basis results - Supplementary analysis of (loss) profit from continuing operations before tax attributable to shareholders

	Schedule cross reference	2008 £m	2007 £m
Asian operations			
Insurance operations	17.1	**321**	189
Asset management	19	**52**	72
Development expenses		**(26)**	(15)
Total		**347**	246
US operations			
Jackson	17.1	**406**	444
Broker-dealer and asset management	19	**10**	13
Curian	19	**(3)**	(5)
Total		**413**	452
UK operations			
Long-term business	17.1	**545**	524
General insurance commission		**44**	4
		589	528
M&G	19	**286**	254
Total		**875**	782
Other income and expenditure			
Investment return and other income		**89**	86
Interest payable on core structural borrowings		**(172)**	(168)
Corporate expenditure			
Group Head Office		**(130)**	(129)
Asia Regional Head Office		**(41)**	(38)
Charge for share-based payments for Prudential schemes		**(6)**	(11)
Total		**(260)**	(260)
Restructuring costs		**(28)**	(19)
Operating profit from continuing operations based on longer-term investment returns		**1,347**	1,201
Short-term fluctuations in investment returns on shareholder-backed business		**(1,783)**	(137)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	24	**(14)**	(1)
(Loss) profit from continuing operations before tax attributable to shareholders	15	**(450)**	1,063

2008 Results

IFRS basis results - Analysis of pre-tax IFRS operating profit by driver

(a) Analysis of long-term insurance pre-tax IFRS operating profit 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 four broad categories:

i) Investment return and asset management fees - This represents profits driven by investment performance, being asset management fees that vary with the size of the underlying policyholder funds net of investment management expenses and profits derived from spread, being the difference between investment income (or premium income in the case of the UK annuities new business) and amounts credited to policyholder accounts. The table below separately identifies net spread income from net fee income.

ii) Net expense margin - represents expenses charged to the profit and loss account (excluding those borne by the with-profits fund and those products where earnings are purely protection driven) including amounts relating to movements in deferred acquisition costs, net of any fees or premium loadings related to expenses. Jackson DAC amortisation (net of hedging effects), which is intended to be part of the expense margin, has been separately highlighted in the table below.

iii) *Insurance margin* - profits derived from the insurance risks of mortality, morbidity and persistency including fees earned on variable annuity guarantees.

iv) *With-profits business* - shareholders' transfer from the with-profits fund in the period.

Other represents a mixture of other income and expenses that are not directly allocated to the underlying drivers, including non-recurring items

It has been assumed that operating assumption changes should be included within insurance margin unless another category is more suitable. In 2008 the only item included outside of insurance margin was the operating assumption changes for shareholder annuity business in the UK which was principally driven by changes to the credit default reserving methodology and hence was included in investment spread. No such allocations were made in 2007.

	2008 £m			
	Asia	**US**	**UK**	**Total**
Investment spread	**38**	**550**	**143**	**731**
Asset management fees	**53**	**292**	**57**	**402**
Net expense margin	**(59)**	**(192)**	**(114)**	**(365)**
DAC amortisation (Jackson only) (schedule 17.3)		**(450)**		**(450)**
Net insurance margin	**259**	**122**	**(12)**	**369**
With-profits business	**30**	**0**	**395**	**425**
Other	**-**	**84**	**76**	**160**
Total	**321**	**406**	**545**	**1,272**

	2007 £m			
	Asia	US	UK	Total
Investment spread	36	533	219	788
Asset management fees	38	266	60	364
Net expense margin	(102)	(186)	(138)	(426)
DAC amortisation (Jackson only)		(286)		(286)
Net insurance margin	191	122	9	322
With-profits business	26	0	394	420
Other	-	(5)	(20)	(25)
Total	189	444	524	1,157

(b) Analysis of Group pre-tax IFRS operating profit by driver

An analysis of Group pre-tax IFRS operating profit has also been provided and is based on the long-term insurance operations table above with the following additions:

• The results of Group asset management operations have been included within asset management fees.

• UK general insurance commission of £44 million (2007: £4 million) has been included within the other income line.

• Group Head Office (GHO) expenses consist of other operating income and expenditure, UK restructuring costs and development costs.

IFRS Operating profit

	2008 £m	2007 £m
Investment spread	**731**	788
Asset management fees	**747**	698
Net expense margin	**(365)**	(426)
DAC amortisation (Jackson only)	**(450)**	(286)
Net Insurance margin	**369**	322
With-profits business	**425**	420
Other	**204**	(21)
GHO expenses	**(314)**	(294)
Total	**1,347**	1,201

2008 Results

IFRS basis results - operating profit (loss) based on longer-term investment returns for Asian operations

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

	2008 £m	2007 £m
China	**(3)**	(1)
Hong Kong	**33**	40
India	**(6)**	(43)
Indonesia	**55**	35
Japan	**3**	(15)
Korea	**12**	(13)
Malaysia	**46**	40
Philippines	**5**	3
Singapore	**83**	73
Taiwan	**60**	45
Thailand	**(2)**	(2)
Vietnam	**37**	32
Prudential Services Asia	**(2)**	(5)
Total insurance operations (note 17.2a)	**321**	189
Asset management	**52**	72
Development expenses	**(26)**	(15)
Total Asian operations (note 17.2b)	**347**	246

Notes

17.2a 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:

	2008 £m	2007 £m
New business strain	**(100)**	(136)
Business in force	**421**	325
Total	**321**	189

The IFRS new business loss corresponds to approximately 7 per cent of new business APE premiums for 2008.

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

17.2b Deferral and amortisation of acquisition costs

Under IFRS, the basis of accounting for insurance assets and liabilities reflects 'grandfathered' GAAP under the Modified Statutory Basis. In general, this requires the deferral and amortisation of acquisition costs in line with the emergence of margins. In 2008, the basis of deferral and amortisation has been adjusted for a number of territories to better reflect the MSB requirement as follows:

For the India life operation, reflecting the initial development stage of the business, acquisition costs had previously not been deferred. In 2008, £19 million of deferred acquisition costs, net of amortisation in the year, has been established.

For the Korea life business, the deferral of acquisition costs had previously followed the local regulatory basis as being an appropriate proxy for the MSB basis. The regulatory basis is subject to constraints in respect of assumptions for expense loadings, the amortisation period, and the DAC balance not being higher than the cash surrender value. This basis is no longer appropriate and on adjusting the basis £9 million of DAC has been established that reflects a revised estimate of the 1 January 2008 balance and a charge of £26 million for current year acquisition costs (net of amortisation) for applying the more appropriate basis.

For Singapore, refinements have been made with a £21 million benefit (of which £7 million relates to the 1 January 2008 position) where the local risk based capital approach does not provide an appropriate basis of implicit allowance for acquisition costs for certain products.

In Hong Kong, adjustments have been made with a net overall effect of £10 million.

2008 Results

IFRS basis results - US variable annuity business - amortisation of deferred acquisition costs

Under IFRS 4, the Group applies US GAAP to the insurance assets and liabilities of Jackson. Under the US GAAP standard FAS 97, acquisition costs for Jackson's fixed and variable annuity business are deferred and then amortised in line with the expected emergence of margins. The amortisation profile is dependant on assumptions of which, for variable annuity business, the key assumption is the expected level of equity market returns. For 2008 and recent previous years a rate of 8.4 per cent has been applied using, as is industry practice, a mean reversion methodology.

The mean reversion methodology is applied with the objective of adjusting the amortisation of deferred acquisition costs that would otherwise be highly volatile for the fact that the expected level of future gross profits fluctuates for altered variable annuity asset values arising from changes in equity market levels at the end of each reporting period.

The mean reversion methodology achieves this objective by dynamic adjustment to the level of expectations of short-term future investment returns. Under the methodology the projected returns for the next five years are, for the purposes of determining the amortisation profile, set so that normally combined with the actual returns for the current and preceding two years the average rate of return is 8.4 per cent. The mean reversion methodology does, however, include a cap of 15 per cent per annum on the project return for each of the five years. For 2008 this capping effect applied to restrict the projected returns below the 20 per cent per annum level that would have otherwise applied. Projected returns after the next five years are set at 8.4 per cent.

In 2008, US equity market indices fell by some 38.5 per cent. If there had been no mean reversion methodology in place there would have been an increased amortisation charge of approximately £250 million.

However, as noted above, the mean reversion methodology allows for a substantial, but not complete, recovery of the lost fund value. As a result, DAC amortisation, reflected in the 2008 results after incorporating the mean reversion, has instead increased by some £140 million, of which £40 million arises due to the capping feature.

2008 Results

IFRS basis results - UK credit risk provisions and effects of portfolio rebalancing

For IFRS reporting, the results for UK shareholder-backed annuity business are particularly sensitive to the allowances made for credit risk. The allowance is reflected in the deduction from the valuation rate of interest for discounting projected future annuity payments to policyholders that would have otherwise applied. The valuation rate that is applied includes a liquidity premium that reflects the residual element of current bond spreads over swap rates after providing for the credit risk allowance.

The weighted components of the bond spread over swap rates for shareholder-backed fixed and linked annuity business for PRIL on the IFRS basis at 31 December 2008 based on the asset mix at that date are as follows:

2008	**Pillar I regulatory basis (bps)**	**Adjustment from regulatory to IFRS basis (bps)**	**IFRS (bps)**
Bond spread over swap rates (note (i))	**323**	**-**	**323**
Credit risk allowance			
Long-term expected defaults (note (ii))	**15**	**-**	**15**
Long-term credit risk premium (note (iii))	**11**	**-**	**11**
Short-term allowance for credit risk (note (iv))	**54**	**(25)**	**29**
Total credit risk allowance	**80**	**(25)**	**55**
Liquidity premium	**243**	**25**	**268**

By comparison, for 2007, the weighted components of the bond spread over swap rates for shareholder-backed fixed and linked annuity business on the IFRS basis at 31 December 2007 based on the asset mix of the portfolio at that date were as follows:

2007	Pillar I regulatory basis (bps)	Adjustment from regulatory to IFRS basis (bps)	IFRS (bps)
Bond spread over swap rates (note (i))	76	-	76
Credit risk allowance			
Long-term expected defaults (note (ii))	13	-	13
Long-term credit risk premium (note (iii))	10	(3)	7
Short-term allowance for credit risk (note (iv))	10	(10)	-
Total credit risk allowance	33	(13)	20
Liquidity premium	43	13	56

Notes

(i) Bond spread over swap rates reflect market observed data to credit spreads.

(ii) Long-term expected defaults; this is derived by applying Moody's data from 1970 to 2004 uplifted by between 100 per cent (B) and 200 per cent (AAA) according to credit rating on the annuity asset portfolio. The credit rating assigned to each asset held is based on external credit rating and for this purpose the credit rating assigned to each asset held is the lowest credit rating published by Moody's, Standard and Poors and Fitch.

(iii) Long-term credit risk premium; this provides compensation against the risk of potential volatility in the level of defaults and is derived by applying the 95th percentile from Moody's data from 1970 to 2004 to the annuity asset portfolio.

(iv) During the second half of 2007, corporate bond spreads widened significantly and the methodology was reviewed to ensure that it still made appropriate allowance for credit risk. As a result of this review a short-term allowance for credit risk was established to allow for the concern that credit ratings applied by rating agencies to individual bonds might be over optimistic.

The short-term allowance for credit risk assumed in the Pillar I solvency valuation has been determined as 25 per cent of the increase in corporate bond spreads (as estimated from the movements in published corporate bond indices) since 31 December 2006.

The approach for IFRS, however, aims to establish liabilities that are closer to 'best estimate'. The very prudent Pillar I regulatory basis reflects the overriding objective of ensuring sufficient provisions and capital to ensure payments to policyholders can be made. In previous years long-term IFRS default assumptions where set mid-way between the EEV and Pillar I assumptions. At 31 December 2008, in light of the increase in uncertainty surrounding future credit default experience, the IFRS long-term assumptions have been strengthened to bring them into line with the long-term Pillar I default assumptions. In addition a short-term allowance for credit risk has been established but at a lower level than allowed for in the Pillar I regulatory basis.

In total, for 2008, the effect of changes to the allowance for credit risk and the effect of portfolio rebalancing in PRIL and the PAC non-profit sub-fund gives rise to a charge of £23 million. The amount including a charge of £413 million for additional risk allowance in line with the assumptions shown above for the portfolio as a whole. Partially offsetting this is a credit of £390 million for the effect of £2.8 billion of portfolio rebalancing to more closely align with management benchmark. The credit reflects the additional yield expected after allowing for additional credit risk arising from the rebalancing.

IFRS basis results - Reconciliation of tax charge on (loss) profits attributable to shareholders for continuing operations

2008	**Asian insurance operations £m**	**US insurance operations £m**	**UK insurance operations £m**	**Other operations £m**	**Total £m**
(Loss) profit before tax attributable to shareholders:					
Operating profit based on longer-term investment returns, net of attributable restructuring costs and development expenses	**295**	**406**	**535**	**111**	**1,347**
Short-term fluctuations in investment returns	**(200)**	**(1,058)**	**(212)**	**(313)**	**(1,783)**
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes (schedule 24)	**(3)**	**-**	**-**	**(11)**	**(14)**
Total	**92**	**(652)**	**323**	**(213)**	**(450)**
Expected tax rate (note 18a):					
Operating profit based on longer-term investment returns	**24%**	**35%**	**28%**	**23%**	**29%**
Short-term fluctuations in investment returns	**27%**	**35%**	**28%**	**28%**	**32%**
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	**25%**	**-**	**-**	**28%**	**27%**
Total	**16%**	**35%**	**28%**	**28%**	**42%**
Expected tax credit (charge) based on expected tax rates:					
Operating profit based on longer-term investment returns	**(70)**	**(142)**	**(150)**	**(26)**	**(388)**
Short-term fluctuations in investment returns	**54**	**370**	**59**	**88**	**571**
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	**1**	**-**	**-**	**3**	**4**
Total	**(15)**	**228**	**(91)**	**65**	**187**
Variance from expected tax charge (note 18b):					
Operating profit based on longer-term investment returns	**(35)**	**17**	**57**	**57**	**96**
Short-term fluctuations in investment returns	**(23)**	**(173)**	**(8)**	**(19)**	**(223)**
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	**-**	**-**	**-**	**(1)**	**(1)**
Total	**(58)**	**(156)**	**49**	**37**	**(128)**
Actual tax credit (charge):					
Operating profit based on longer-term investment returns	**(105)**	**(125)**	**(93)**	**31**	**(292)**
Short-term fluctuations in investment returns	**31**	**197**	**51**	**69**	**348**
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	**1**	**-**	**-**	**2**	**3**
Total	**(73)**	**72**	**(42)**	**102**	**59**
Actual tax rate: operating profit based on longer-term investment returns	**36%**	**31%**	**17%**	**(28%)**	**22%**
: total	**79%**	**11%**	**13%**	**48%**	**13%**

2007	Asian insurance operations £m	US insurance operations £m	UK insurance operations £m	Other operations £m	Total (note 16c) £m
Profit before tax attributable to shareholders:					
Operating profit based on longer-term investment returns, net of attributable restructuring costs and development expenses	174	444	521	62	1,201
Short-term fluctuations in investment returns	(71)	(18)	(47)	(1)	(137)
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	-	-	-	(1)	(1)
Total	103	426	474	60	1,063
Expected tax rate (note 18a):					
Operating profit based on longer-term investment returns	21%	35%	30%	28%	30%
Short-term fluctuations in investment returns	25%	35%	30%	28%	28%
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	-	-	-	28%	28%
Total	18%	35%	30%	28%	31%
Expected tax credit (charge) based on expected tax rates:					
Operating profit based on longer-term investment returns	(37)	(155)	(156)	(17)	(365)
Short-term fluctuations in investment returns	18	6	14	0	38
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	-	-	-	0	0
Total	(19)	(149)	(142)	(17)	(327)
Variance from expected tax charge:					
Operating profit based on longer-term investment returns	(12)	22	(25)	(1)	(16)
Short-term fluctuations in investment returns	(17)	1	(2)	6	(12)
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	-	-	-	1	1
Total	(29)	23	(27)	6	(27)
Actual tax credit (charge):					
Operating profit based on longer-term investment returns	(49)	(133)	(181)	(18)	(381)
Short-term fluctuations in investment returns	1	7	12	6	26
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	-	-	-	1	1
Total	(48)	(126)	(169)	(11)	(354)
Actual tax rate: operating profit based on longer-term investment returns	28%	30%	35%	29%	32%
: total	47%	30%	36%	18%	33%

Notes

18a Expected tax rates for profit attributable to shareholders

Expected tax rates shown in the table above reflect the corporate tax rates generally applied to taxable profits of the relevant country jurisdictions. For Asian operations the expected tax rates reflect the corporate tax rate weighted by reference to the source of profits of the operations contributing to the aggregate business result.

18b Variances from expected tax results attributable to shareholders

For 2008, the principal variances arise from differences between the standard corporation tax rate and actual rates due to a number of factors, including:

(a) For Asian long-term operations, tax losses in several jurisdictions which are not expected to be available for relief against future profits, and losses on investments in jurisdictions which do not provide corresponding tax relief;

(b) For Jackson, the inability to fully recognise deferred tax assets on losses being carried forward, which has partially been offset by the benefit of a deduction from taxable income of a proportion of dividends received attributable to the variable annuity business;

(c) For UK insurance operations, prior year adjustments arising from the routine revisions of tax returns, the settlement of outstanding issues with HM Revenue & Customs at an amount below that previously provided and the different tax bases of UK life business; and

(d) For Other operations, the settlement of issues with HMRC at amounts below those previously provided and a reduction in amounts previously provided on outstanding issues with HMRC which has been partially offset by the inabiliity to recognise a deferred tax asset on various tax losses.

2008 Results

IFRS basis results - Asset management operations

The profit included in the income statement in respect of asset management operations is as follows:

	M&G £m	US £m	Asia £m	**Total 2008 £m**	Total 2007 £m
Revenue (note 19a)	53	409	202	**664**	1,397
Charges (note 19a)	28	(402)	(150)	**(524)**	(1,053)
Profit before tax	81	7	52	**140**	344
Comprising:					
Operating profit based on longer-term investment returns (note 19b)	286	7	52	**345**	334
Short-term fluctuations in investment returns	(195)	-	-	**(195)**	5
Actuarial (losses) gains on defined benefit pension schemes	(10)	-	-	**(10)**	5
	81	7	52	**140**	344

Notes

19a Included within revenue for M&G are realised and unrealised net losses of £673 million in respect of consolidated investment funds and Prudential Capital. The investment funds are managed on behalf of third parties and are consolidated under IFRS in recognition of the control arrangements for the funds. The investment losses in respect of the investment funds are non-recourse to M&G and the Group and are added back through charges and consequently there is no impact on the profit before tax. Excluding the anomaly in respect of the consolidated investment funds the revenue for M&G would be £494 million and the charges, £413 million.

19b M&G operating profit based on longer-term investment returns

	2008 £m	2007 £m
Asset management fee income	**455**	482
Other income	**25**	30
Staff costs	**(184)**	(224)
Other costs	**(111)**	(113)
Underlying profit before performance-related fees	**185**	175
Performance-related fees	**43**	28
Operating profit from asset management operation	**228**	203
Operating profit from Prudential Capital (note 19c)	**58**	51
Total M&G operating profit based on longer-term investment returns	**286**	254

The difference between the fees and other income shown above in respect of the asset management operation and the revenue figure for M&G shown in the main table primarily relates to income and investment gains (losses) earned by Prudential Capital and by investment funds controlled by the asset management operation which are consolidated under IFRS.

19c Operating profit from Prudential Capital includes a £28 million charge for an impairment loss on a holding in Lehman Brothers.

IFRS basis results - Shareholders' funds summary

	2008 £m	2007 £m
Asian operations		
Insurance operations		
Net assets of operation	**2,056**	1,258
Acquired goodwill	**111**	111
	2,167	1,369
Asset management		
Net assets of operation	**167**	111
Acquired goodwill	**61**	61
	228	172
Total	**2,395**	1,541
US operations		
Jackson (net of surplus note borrowings (note 20a))	**1,698**	2,690
Broker-dealer, asset management and Curian operations	**114**	81
Total	**1,812**	2,771
UK operations		
Insurance operations	**1,655**	1,364
M&G		
Net assets of operation	**147**	271
Acquired goodwill	**1,153**	1,153
	1,300	1,424
Total	**2,955**	2,788
Other operations		
Holding company net borrowings (note 20a)	**(1,620)**	(911)
Shareholders' share of deficit on the Prudential Staff and Scottish Amicable defined benefit pension schemes (net of tax) (note 24b on schedule 24)	**(31)**	(41)
Other net liabilities	**(453)**	(86)
Total	**(2,104)**	(1,038)
Total	**5,058**	6,062

Note

20a Net core structural borrowings of shareholder-financed operations comprise:

	2008 £m	2007 £m
Core structural borrowings of shareholder-financed operations:		
Perpetual subordinated capital securities (Innovative Tier 1*)	**1,059**	763
Subordinated notes (Lower Tier 2*)	**928**	807
Senior debt:		
2009	**249**	248
2023	**300**	300
2029	**249**	249
Holding company total	**2,785**	2,367
Less: Holding company** cash and short-term investments (recorded within the consolidated balance sheet)	**(1,165)**	(1,456)
Holding company net borrowings	**1,620**	911
Jackson surplus notes (Lower Tier 2*)	**173**	125
Net core structural borrowings of shareholder-financed operations	**1,793**	1,036

* These debt classifications are consistent with the treatment of capital for regulatory purposes, as defined in the FSA handbook.

** Including central finance subsidiaries.

2008 Results

IFRS basis results - Summary movement on Group IFRS shareholders' equity

	Schedule cross reference	2008 £m	2007 £m
(Loss) profit before tax attributable to shareholders	15	**(450)**	1,063
Tax attributable to shareholders' profits	18	**59**	(354)
(Loss) profit from continuing operations after tax		**(391)**	709
Discontinued operations (net of tax)		**-**	241
(Loss) profit for the period		**(391)**	950
Less: minority interests		**(5)**	(3)
(Loss) profit attributable to equity holders of the Company		**(396)**	947
Items recognised directly in shareholders' equity:			
Exchange translation movements			
Gross		**631**	11
Related tax		**119**	2
Unrealised valuation movements on securities classified as available-for-sale for US insurance operations			
Gross valuation movements		**(2,710)**	(244)
Related change in amortisation of deferred income and acquisition costs		**1,070**	88
Related tax		**569**	53
Other items recognised directly in shareholders' equity		**-**	(4)
Total of items of income and expense recognised directly in equity		**(321)**	(94)
Total income and expense for the year attributable to shareholders		**(717)**	853
Dividends		**(453)**	(426)
New share capital subscribed		**170**	182
Other movements		**(4)**	29
Net (decrease) increase in shareholders' equity		**(1,004)**	638
At beginning of period:			
As previously published		**6,201**	5,488
Effect of the adoption of IFRIC 14 for pension schemes	25	**(139)**	(64)
After adoption of IFRIC 14 for pension schemes		**6,062**	5,424
Shareholders' equity at end of the period	20	**5,058**	6,062

2008 Results

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

Group insurance operations

A reconciliation of the total policyholder liabilities and unallocated surplus of with-profit funds of the Group is as follows:

	Insurance operations			
	UK (schedule 22.2) £m	US (schedule 22.3) £m	Asia (schedule 22.4) £m	Total £m
At 1 January 2007	133,904	31,746	12,889	**178,539**
Premiums	8,853	6,352	3,958	**19,163**
Surrenders	(4,528)	(3,476)	(1,032)	**(9,036)**
Maturities/Deaths	(6,787)	(490)	(395)	**(7,672)**
Shareholders transfers post tax	(279)	-	(21)	**(300)**
Investment-related items and other movements	7,194	1,225	1,458	**9,877**
Foreign exchange translation differences	(67)	(509)	322	**(254)**
At 31 December 2007/1 January 2008	138,290	34,848	17,179	**190,317**
Premiums	9,372	6,728	4,162	**20,262**
Surrenders	(4,281)	(3,852)	(1,191)	**(9,324)**
Maturities/Deaths	(8,324)	(564)	(354)	**(9,242)**
Shareholders transfers post tax	(284)	0	(23)	**(307)**
Investment-related items and other movements	(16,331)	(4,552)	(4,293)	**(25,176)**
Foreign exchange translation differences	(2,481)	12,753	5,589	**15,861**
At 31 December 2008	**115,961**	**45,361**	**21,069**	**182,391**

The items above represent the amounts attributable to changes in policyholder liabilities and unallocated surplus of with-profit funds as a result of each of the components listed.

Date: 19 March 2009 **Schedule 22.2**

2008 Results

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

UK insurance operations

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

		Other funds and subsidiaries		
	SAIF and PAC with-profits sub-fund	Unit-linked liabilities	Annuity and other long-term business	Total
	£m	£m	£m	£m
At 1 January 2007	101,616	18,187	14,101	**133,904**
Premiums	4,459	2,115	2,279	**8,853**
Surrenders	(2,879)	(1,636)	(13)	**(4,528)**
Maturities/Deaths	(4,987)	(790)	(1,010)	**(6,787)**
Shareholders transfers post tax	(279)	-	-	**(279)**
Switches	(352)	352	-	**-**
Assumption changes (shareholder backed business)	-	-	(34)	**(34)**
Investment-related items and other movements	6,256	749	223	**7,228**
Foreign exchange translation differences	(62)		(5)	**(67)**
At 31 December 2007/1 January 2008	103,772	18,977	15,541	**138,290**
Premiums	3,157	2,435	3,780	**9,372**
Surrenders	(2,336)	(1,838)	(107)	**(4,281)**
Maturities/Deaths	(6,309)	(666)	(1,349)	**(8,324)**
Shareholders transfers post tax	(284)	-	-	**(284)**
Switches	(360)	360	-	**-**
Assumption changes (shareholder backed business)	-	-	447	**447**
Investment-related items and other movements	(13,049)	(2,952)	(777)	**(16,778)**
Foreign exchange translation differences	(2,483)	2	-	**(2,481)**
At 31 December 2008	**82,108**	**16,318**	**17,535**	**115,961**

2008 Results

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

US insurance operations

A reconciliation of the total policyholder liabilities of US insurance operations is as follows:

	Variable annuity separate account liabilities £m	Fixed annuity, GIC and other business £m	Total £m
At 1 January 2007	11,367	20,379	**31,746**
Premiums	3,970	2,382	**6,352**
Surrenders	(960)	(2,516)	**(3,476)**
Maturities/Deaths	(92)	(398)	**(490)**
Investment-related items and other movements	914	311	**1,225**
Foreign exchange translation differences	(172)	(337)	**(509)**
At 31 December 2007/1 January 2008	15,027	19,821	**34,848**
Premiums	2,637	4,091	**6,728**
Surrenders	(1,053)	(2,799)	**(3,852)**
Maturities/Deaths	(161)	(403)	**(564)**
Investment-related items and other movements (note 22.3a)	(6,288)	1,736	**(4,552)**
Foreign exchange translation differences	4,376	8,377	**12,753**
At 31 December 2008	**14,538**	**30,823**	**45,361**

Note

22.3a The positive investment-related items and other movements during 2008 within Fixed annuity, GIC and other business principally represents interest credited to policyholder accounts and increases in reserves for variable annuity guarantees. Variable annuity separate account liabilities are mainly impacted by market movements.

2008 Results

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

Asian insurance operations

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

	With-profits business £m	Unit-linked liabilities £m	Other £m	Total £m
At 1 January 2007	5,500	4,134	3,255	**12,889**
Premiums	860	2,457	641	**3,958**
Surrenders	(146)	(689)	(197)	**(1,032)**
Maturities/Deaths	(183)	(52)	(160)	**(395)**
Shareholders transfer post tax	(21)	-	-	**(21)**
Investment-related items and other movements	441	914	103	**1,458**
Foreign exchange translation differences	96	207	19	**322**
At 31 December 2007/1 January 2008	6,547	6,971	3,661	**17,179**
Premiums	1,038	2,261	863	**4,162**
Surrenders	(354)	(614)	(223)	**(1,191)**
Maturities/Deaths	(181)	(14)	(159)	**(354)**
Shareholders transfers post tax	(23)	-	-	**(23)**
Investment-related items and other movements (note 22.4a)	(1,320)	(3,158)	185	**(4,293)**
Foreign exchange translation differences	2,387	1,774	1,428	**5,589**
At 31 December 2008	**8,094**	**7,220**	**5,755**	**21,069**

Note

22.4a The positive investment-related items and other movements seen within Other during 2008 are principally driven from unwinding the discounted liabilities using the valuation interest rate. Unit-linked and with-profits are mainly impacted by market movements.

2008 Results

IFRS basis results

Duration of policyholder liabilities

The Group's liabilities to policyholders at 31 December 2008 as included in the Group balance sheet comprise:

	UK insurance operations (note 23a) £m	US insurance operations (note 23b) £m	Asian insurance operations (note 23c) £m	Total £m
Insurance contract liabilities	72,756	42,476	20,798	136,030
Investment contract liabilities with discretionary participation features	23,367	-	79	23,446
Investment contract liabilities without discretionary participation features	11,584	2,885	32	14,501
	107,707	**45,361**	**20,909**	**173,977**

The tables below show the carrying value of the policyholder liabilities. Separately, the Group uses cash flow projections of expected benefit payments as part of the determination of the value of in-force business when preparing EEV basis results. The tables below also show the maturity profile of the cash flows used for 2008 for that purpose for insurance contracts, as defined by IFRS, i.e. those containing significant insurance risk, and investment contracts, which do not.

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

Notes

23a UK insurance operations

	With-profits business			Annuity business (Insurance contracts)			Other			Total
	Insurance contracts	Investment contracts	Total	PAL	PRIL	Total	Insurance contracts	Investment contracts	Total	
2008	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Policyholder liabilities	39,010	23,367	62,377	11,477	12,513	23,990	9,756	11,584	21,340	107,707
	%	%	%	%	%	%	%	%	%	
Expected maturity:										
0 to 5 years	47	26	38	30	29	29	31	32	32	
5 to 10 years	26	23	25	24	23	23	23	22	23	
10 to 15 years	13	19	15	18	17	18	18	18	18	
15 to 20 years	7	15	10	12	13	13	12	12	12	
20 to 25 years	4	11	7	8	8	8	8	7	7	
Over 25 years	3	6	5	8	10	9	8	9	8	

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

(iii) Investment contracts under Other comprise certain unit-linked and similar contracts accounted for under IAS 39 and IAS 18.

(iv) For business with no maturity term included within the contracts, for example with-profits investment bonds such as Prudence Bond, an assumption is made as to likely duration based on prior experience.

(v) The maturity tables shown above have been prepared on a discounted basis.

23b US insurance operations

2008	Fixed annuity and other business (including GICs and similar contracts)* £m	Variable annuity £m	Total £m
Policyholder liabilities	30,823	14,538	45,361
	%	**%**	
Expected maturity:			
0 to 5 years	49	46	
5 to 10 years	26	28	
10 to 15 years	11	14	
15 to 20 years	6	7	
20 to 25 years	3	3	
Over 25 years	5	2	

*Insurance contract liabilities of £27,938m and liabilities of investment contracts without discretionary participation features of £2,885m.

23c Asian insurance

The Group uses cash flow projections of expected benefit payments as part of the determination of the value of in-force business when preparing EEV basis results. The maturity profile of the cash flows, taking account of expected future premiums and investment returns, is as follows:

2008	£m
Policyholder liabilities	20,909
	%
Expected maturity:	
0 to 5 years	23
5 to 10 years	21
10 to 15 years	15
15 to 20 years	13
20 to 25 years	10
Over 25 years	18

2008 Results

IFRS basis results - Retirement benefits - summary of financial position of defined benefit pension schemes

	Surplus (deficit) in scheme at 1 January 2008	(Charge) credit to income statement: Operating results (based on longer-term investment returns) (note 24d)	(Charge) credit to income statement: Actuarial and other gains and losses (note 24e)	Contributions paid	Exchange translation difference	Surplus (deficit) in scheme at 31 December 2008
	£m	£m	£m	£m	£m	£m
PRUDENTIAL STAFF PENSION SCHEME (PSPS)						
Previous basis (before adoption of IFRIC 14 for accounting for pension schemes)						
PSPS surplus	528	53	68	79		728
Less: amount attributable to PAC with-profits fund	(365)	(48)	(47)	(45)		(505)
Shareholders' share:						
Pre-tax (deficit) surplus	163	5	21	34		223
Related tax	(46)	(1)	(6)	(10)		(63)
Net of shareholders' tax	117	4	15	24		160
Effect of adoption of IFRIC 14 for accounting for pension schemes (notes 24c, 24d and 24e)						
PSPS surplus (deficit)	(630)	(82)	(81)			(793)
Less: amount attributable to PAC with-profits fund	436	58	56			550
Shareholders' share:						
Pre-tax (deficit) surplus	(194)	(24)	(25)			(243)
Related tax	55	6	7			68
Net of shareholders' tax	(139)	(18)	(18)			(175)
After adoption of IFRIC 14 for accounting for pension schemes						
PSPS surplus (deficit)	(102)	(29)	(13)	79		(65)
Less: amount attributable to PAC with-profits fund	71	10	9	(45)		45
Shareholders' share:						
Pre-tax (deficit) surplus	(31)	(19)	(4)	34		(20)
Related tax	9	5	1	(10)		5
Net of shareholders' tax	(22)	(14)	(3)	24		(15)
OTHER DEFINED BENEFIT PENSION SCHEMES						
Other schemes	(81)	(7)	(8)	16	(4)	(84)
Less: amount attributable to PAC with-profits fund	27	0	(2)	(3)		22
Shareholders' share:						
Pre-tax (deficit) surplus	(54)	(7)	(10)	13	(4)	(62)
Related tax	13	2	4	(3)		16
Net of shareholders' tax	(41)	(5)	(6)	10	(4)	(46)
ALL DEFINED BENEFIT PENSION SCHEMES						
All pension schemes	(183)	(36)	(21)	95	(4)	(149)
Less: amount attributable to PAC with-profits fund	98	10	7	(48)		67
Shareholders' share:						
Pre-tax (deficit) surplus	(85)	(26)	(14)	47	(4)	(82)
Related tax	22	7	5	(13)		21
Net of shareholders' tax	(63)	(19)	(9)	34	(4)	(61)

Notes

24a The table reflects the financial position of the defined benefit schemes on an 'economic basis'. This is the IAS 19 basis adjusted to include scheme assets invested in Prudential Group insurance policies. At 31 December 2008, M&G Pension Scheme had invested £157 million in Prudential Group insurance policies. The PSPS scheme has also invested £103 million of scheme assets in Prudential Group insurance policies, however the Company's interest in the financial position of PSPS is affected by the adoption of IFRIC 14 for pension schemes as explained in schedule 25.

24b The principal defined benefit pension scheme is PSPS. In the UK there are two smaller schemes, the Scottish Amicable Pension Scheme and the M&G Pension Scheme, with a combined deficit at 31 December 2008 of £67 million gross of tax. There is also a small scheme in Taiwan, which at 31 December 2008 had a deficit gross of tax of £17 million.

The shareholders' share of the aggregate deficit for PSPS and the Scottish Amicable Scheme at 31 December 2008 was £31 million (net of related tax) and is recorded within the Other operations shareholders' funds shown on schedule 20.

The IAS 19 service costs and employer contributions for ongoing service of current employees have been apportioned in the ratio relevant to current activity. Reflecting these two elements, at 31 December 2008, the total share of the deficits on PSPS and the smaller Scottish Amicable scheme attributable to the PAC with-profits fund amounted to a deficit of £67 million and a deficit after related tax relief of £60 million.

24c The Company has adopted IFRIC 14 for pension schemes as explained in schedule 25.
The effect of the adoption of IFRIC 14 for pension schemes on the Group's interest in the financial position of PSPS at 1 January 2008 is as follows:

	Derecognition of surplus	Set up obligation for deficit funding until 5 April 2010	Effect of adoption of IFRIC 14
	£m	£m	£m
Gross asset (liability)	(528)	(102)	(630)
Less: amount attributable to PAC with-profits fund	365	71	436
Shareholders' share:			
Gross of tax	(163)	(31)	(194)
Related tax	46	9	55
Net of shareholders' tax	(117)	(22)	(139)

IFRS basis results - Retirement benefits - summary of financial position of defined benefit pension schemes (continued)

24d The components of the (charge) credit to operating profit (gross of allocation of the share attributable to the PAC with-profits fund) are as follows:

	PSPS £m	Other schemes £m	Total £m
Service cost	(26)	(19)	(45)
Finance (expense) income:			
Interest on pension scheme liabilities	(250)	(39)	(289)
Expected return on assets	299	37	336
Curtailment credit	30	14	44
Total credit (charge) without the effect of the adoption of IFRIC 14	53	(7)	46
Effect of adoption of IFRIC 14 for pension schemes	(82)	0	(82)
Total credit (charge) after the adoption of IFRIC 14	(29)	(7)	(36)

The net charge to operating profit (gross of the share attributable to the PAC with-profits fund) of £36 million is made up of a charge of £29 million relating to PSPS and a charge of £7 million for other schemes.

This net charge represents:

	£m
Underlying IAS 19 charge for other pension schemes	(7)
Cash costs for PSPS	(25)
Unwind of discount on opening provision for deficit funding for PSPS	(4)
	(36)

Consistent with the derecognition of the Company's interest in the underlying IAS 19 surplus of PSPS, the effect of the adoption of IFRIC 14 on operating results based on longer-term investment returns is to replace the usual IAS 19 pension charges and credits with the cash cost of contributions for ongoing service of active members. The usual IAS 19 pension charges and credits for PSPS include the service costs, finance income and curtailment credit as shown in the table above. As a result of the adoption of IFRIC 14, the movements between the two reporting dates impacted reflect the payment of cash contributions for ongoing service for active members. In addition, the charge to the operating results also includes a charge for the unwind of discount on the opening provision for deficit funding for PSPS.

24e The components of the credit (charge) for actuarial gains and losses (gross of allocation of the share attributable to the PAC with-profits fund) are as follows:

	PSPS £m	Other schemes £m	Total £m
Actual less expected return on assets	(259)	(97)	(356)
Gains on changes of assumptions for plan liabilities	200	71	271
Experience gains on liabilities	127	18	145
Total charge without the effect of the adoption of IFRIC 14	68	(8)	60
Effect of adoption of IFRIC 14 for pension schemes	(81)	0	(81)
Actuarial and other gains and losses after the adoption of IFRIC 14	(13)	(8)	(21)

The net charge for actuarial and other gains and losses is recorded within the income statement but, within the supplementary analysis of profit, it is excluded from operating profit based on longer-term investment returns.

The 2008 shareholders' share of actuarial losses for other schemes of £(8) million reflects the shortfall of market returns over long term assumptions partially offset by the effect of decreases in inflation rates and of an increase in risk discount rate.

Consistent with the derecognition of the Company's interest in the underlying IAS 19 surplus of PSPS, the actuarial gains and losses do not include those of PSPS. In addition, as a result of the adoption of IFRIC 14, the Group has recognised a provision for deficit funding to 5 April 2010 in respect of PSPS. The change in 2008 in relation to this provision is recognised above as other gains and losses on defined benefit pension schemes of £13 million.

The experience gains on the underlying PSPS scheme liabilities relates mainly to the 'true-up' reflecting improvements in data consequent upon the ongoing triennial valuation of PSPS.

24f The actuarial assumptions applied in determining the underlying pension scheme liabilities of the UK schemes are as follows:

	1 January 2008 %	31 December 2008 %
Discount rate	5.9	6.1
Rate of increase in salaries	5.3	5.0
Price inflation	3.3	3.0
Rate of increase of pensions in payment for inflation:		
Guaranteed (maximum 5 per cent)	3.3	3.0
Guaranteed (maximum 2.5 per cent)	2.5	2.5
Discretionary	2.5	2.5

The discount rate at 31 December 2008 of 6.1 per cent has been determined by reference to an 'AA' corporate bond index adjusted to allow for the difference in duration between the index and the pension liabilities.

The current mortality assumptions are as follows:

Male: 100 per cent PMA92 with CMIR17 improvements to the valuation date and medium cohort improvements subject to a floor of 1.75 per cent up to the age of 90, decreasing linearly to zero by the age of 120.

Female: 100 per cent PFA92 with CMIR17 improvements to the valuation date and 75 per cent medium cohort improvements subject to a floor of 1.0 per cent up to the age of 90, decreasing linearly to zero by the age of 120.

24g The underlying balance sheet of the pension schemes on an economic basis before the effect of the adoption of IFRIC 14 for pension schemes is as follows:

	2008			2007		
	PSPS £m	Other schemes £m	Total £m	PSPS £m	Other schemes £m	Total £m
Equities	823	213	1,036	1,278	265	1,543
Bonds	2,430	277	2,707	1,134	249	1,383
Properties	283	18	301	545	54	599
Cash-like investments	1,267	6	1,273	1,932	5	1,937
Total value of assets	4,803	514	5,317	4,889	573	5,462
Present value of benefit obligations	(4,075)	(598)	(4,673)	(4,361)	(654)	(5,015)
Pre-tax surplus/(deficit)	728	(84)	644	528	(81)	447

The PSPS has entered into a derivatives based strategy to match the duration and inflation profile of its liabilities. This involved a reallocation from other investments to cash-like investments with an interest and inflation swap overlay. In broad terms, the scheme is committed to making a series of payments related to LIBOR on a nominal amount and in return the scheme receives a series of fixed and inflation-linked payments which match a proportion of its liabilities. As at 31 December 2008, the nominal value of the interest and inflation swaps amounted to £1.2 billion and £0.3 billion respectively.

IFRS basis results - Retirement benefits - summary of financial position of defined benefit pension schemes (continued)

24h Sensitivity of the underlying penson scheme liabilities to key variables

The table below shows the sensitivity of the underlying PSPS, Scottish Amicable and M&G pension scheme liabilities at 31 December 2008 of £4,075 million, £354 million and £157 million respectively (2007: £4,361 million, £454 million and £189 million respectively) to changes in discount rates and inflation rates.

(a) 2008

Assumption	**Change in assumption**	**Impact on scheme liabilities on IAS 19 basis**	
Discount rate	Decrease by 0.2% from 6.1% to 5.9%	Increase in scheme liabilities by:	
		PSPS	3.3%
		Scottish Amicable	4.9%
		M&G	4.5%
Discount rate	Increase by 0.2% from 6.1% to 6.3%	Decrease in scheme liabilities by:	
		PSPS	3.1%
		Scottish Amicable	4.6%
		M&G	4.2%
Rate of inflation	Decrease by 0.2% from 3.0% to 2.8% with consequent reduction in salary increases	Decrease scheme liabilities by:	
		PSPS	0.8%
		Scottish Amicable	4.5%
		M&G	3.8%

(b) 2007

Assumption	Change in assumption	Impact on scheme liabilities on IAS 19 basis	
Discount rate	Decrease by 0.2% from 5.9% to 5.7%	Increase in scheme liabilities by:	
		PSPS	3.5%
		Scottish Amicable	5.3%
		M&G	4.8%
Discount rate	Increase by 0.2% from 5.9% to 6.1%	Decrease in scheme liabilities by:	
		PSPS	3.4%
		Scottish Amicable	5.1%
		M&G	4.5%
Rate of inflation	Decrease by 0.2% from 3.3% to 3.1% with consequent reduction in salary increases	Decrease scheme liabilities by:	
		PSPS	1.3%
		Scottish Amicable	5.0%
		M&G	4.4%

IFRS basis results - Effect of adoption of IFRIC 14 for pension schemes

(a) The reason for the adoption of IFRIC 14

The Group has adopted IFRIC 14 for pension schemes in 2008. IFRIC 14 gives guidance on assessing the limit in IAS 19 on the amount of surplus in a defined benefit pension scheme that can be recognised as an asset thereby providing reliable and more relevant information. The recognition of an asset is restricted to those that are demonstrably recoverable, either by refund or reduction in future contributions. It also addresses when a minimum funding requirement might give rise to a liability. The assessment of recoverability and any additional liability is made by reference to the terms of the Trust Deed of pension schemes and, unless substantively enacted or contractually agreed, with no account taken of potential changes to current funding arrangements.

This adoption of the principles of IFRIC 14 has had an effect on the Group's interest in the financial position of the Group's main UK defined benefit pension scheme, the Prudential Staff Pension Scheme (PSPS). The effect relates solely to the accounting measurement of the Group's interest in the financial position of PSPS. Adoption of the principles of IFRIC 14 does not affect the Group's interest in the Group's other defined benefit pension schemes.

Under the terms of the Trust Deed, the Group has no unconditional right of refund to any surplus in PSPS. Also, the Group has no ability under the guidance in IFRIC 14 to anticipate a reduction in the level of future contributions for ongoing services from those currently being paid. In addition, the Group currently has a five-year deficit funding arrangement in place as agreed with the Trustees of the PSPS following the last triennial valuation of PSPS as at 5 April 2005.

The asset and liabilities of PSPS are unaffected by the impact of the adoption of IFRIC 14. PSPS is managed on an economic basis for the longer-term benefit of its current and deferred pensioners and active members. The surplus in PSPS is available to absorb future adverse asset value movements and, if required, strengthening in mortality assumptions. The fluctuating nature of the surplus is demonstrated by the increase in the underlying gross surplus from £528m at 31 December 2007 to £728m at 31 December 2008 as shown in schedule 24.

(b) The summary effect of the adoption of IFRIC 14

In respect of the position at 31 December 2008, the Group has not recognised the underlying PSPS pension surplus of £728m (£615m net of deferred tax), reflecting the difference between the market value of the scheme assets and the discounted value of the liabilities, which would have otherwise been recognised as an asset on its balance sheet under the previous policy. In addition, the Group has recognised a liability for deficit funding to 5 April 2010 of £65m (£55m net of deferred tax) in respect of PSPS. Of these, the amounts attributable to shareholders are £223m (£160m net of deferred tax) for the surplus not recognised as an asset and £20m (£15m net of deferred tax) for the additional liability for deficit funding. In total the impact on shareholders' equity at 31 December 2008 is a reduction of £175m as shown in note (c) below.

The 2008 and 2007 comparative figures have been adjusted accordingly for the adoption of IFRIC 14.

(c) Effect on the Group's supplementary analysis of profits and movement in shareholders' equity

	2008			2007		
	Previous basis £m	**Effect of adoption of IFRIC 14 £m**	**Revised basis £m**	As previously published £m	Effect of adoption of IFRIC 14 £m	After change £m
Operating profit based on longer-term investment returns (schedule 16)	**1,371**	**(24)**	**1,347**	1,213	(12)	1,201
Short-term fluctuations in investment returns on shareholder-backed business	**(1,783)**	**-**	**(1,783)**	(137)	-	(137)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	**11**	**(25)**	**(14)**	90	(91)	(1)
(Loss) profit before tax	**(401)**	**(49)**	**(450)**	1,166	(103)	1,063
Tax	**46**	**13**	**59**	(382)	28	(354)
Loss (profit) after tax	**(355)**	**(36)**	**(391)**	784	(75)	709
Profit from discontinued operations	**-**	**-**	**-**	241	-	241
Less Minority interests	**(5)**	**-**	**(5)**	(3)	-	(3)
Loss (profit) for the year	**(360)**	**(36)**	**(396)**	1,022	(75)	947
Other movements in reserves	**(608)**	**-**	**(608)**	(309)	-	(309)
Shareholders' equity at the beginning of the year	**6,201**	**(139)**	**6,062**	5,488	(64)	5,424
Shareholders' equity at the end of the year (schedule 21)	**5,233**	**(175)**	**5,058**	6,201	(139)	6,062

(d) Effect on the Group's 2007 earnings per share comparative figures

2007	Profit before tax	Tax	Profit after tax	Minority interests	Profit after tax and minority interests	Earnings per share
Basic earnings per share (schedule 15.2)	£m	£m	£m	£m	£m	(pence)
Continuing operations						
On operating profit, based on longer-term investment returns, after related tax and minority interests						
As previously published	1,213	(383)	830	(4)	826	33.8p
Effect of adoption of IFRIC 14 for pension schemes	(12)	2	(10)	0	(10)	(0.5)p
After adoption of IFRIC 14 for pension schemes	1,201	(381)	820	(4)	816	33.3p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns	(137)	26	(111)	1	(110)	(4.5)p
Adjustment for post-tax effect of shareholders' share of actuarial gains and losses on defined benefit pension schemes:						
As previously published	90	(25)	65	-	65	2.6p
Effect of adoption of IFRIC 14 for pension schemes	(91)	26	(65)	-	(65)	(2.6)p
After adoption of IFRIC 14 for pension schemes	(1)	1	0	-	0	0.0p
On profit for the year after tax and minority interests for continuing operations	1,063	(354)	709	(3)	706	28.8p
On profit for the year after tax and minority interests for discontinued operations	222	19	241	-	241	9.9p
Based on profit for the year	1,285	(335)	950	(3)	947	38.7p

Date: 19 March 2009

2008 Results

IFRS basis results - Intended sale of legacy agency book and agency force in Taiwan to China Life Insurance of Tai

On 20 February 2009, the Company announced that it had entered into an agreement to sell the assets and liabilitie distribution business and its agency force in Taiwan to China Life Insurance Company Ltd of Taiwan for the nominal sum c to regulatory approval. In addition, the Company will invest £45 million to purchase a 9.95 per cent stake in China Life t placement. The business to be transferred represents 94 per cent of Prudential's' in-force liabilities in Taiwan and incluc legacy interest rate guaranteed products with IFRS basis gross assets at 31 December 2008 of £4.5 billion.

The estimated loss on transfer after allowing for restructuring costs is £595 million. However, on completion there will be a the Company's Insurance Group's Directive surplus of approximately £800 million.

The movement in shareholders' IFRS equity for the total Taiwan life business for 2008 comprised:

Operating profit based on longer-term investment returns
Short-term fluctuations in investment returns
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes
Loss before tax
Total tax
Loss for the financial year
Minority interests
Investment by parent company (note 26b)
Exchange and other reserve movements
Net movement
Shareholders' equity at 1 January 2008
Shareholders' equity at 31 December 2008 (note 26a)

Notes

26a The carrying value of the IFRS equity reflects the application of 'grandfathered' US GAAP under IFRS 4. This does designed to include the cost of holding economic capital, to support the legacy interest rate guaranteed products as reporting under the Company's supplementary reporting basis under European Embedded Value principles.

26b Comprising £66 million for solvency capital and £27 million for business development.

2008 Results

Funds under management - summary

	2008 £bn	2007 £bn
Business Area (as analysed on schedule 27.2)		
Asian operations	**21.9**	18.3
US operations	**46.3**	38.8
UK operations	**125.6**	147.8
Internal funds under management	**193.8**	204.9
External funds (note 27.1a)	**55.5**	62.5
Total funds under management	**249.3**	267.4

Note

27.1a External funds shown above for 2008 of £55.5 billion (2007: £62.5 billion) comprise £62.3 billion (2007: £68.7 billion) in respect of investment products, as published in the 2008 New Business results on Schedule 32, less £6.8 billion (2007: £6.2 billion) that are classified within internal funds.

Internal funds under management - analysis by business area

	Asian operations		US operations		UK operations		Group total (Schedule 27.1) (Note 27.2a)	
	2008 £bn	2007 £bn	**2008 £bn**	2007 £bn	**2008 £bn**	2007 £bn	**2008 £bn**	2007 £bn
Investment properties	**0.1**	0.0	**0.1**	0.0	**12.2**	14.5	**12.4**	14.5
Equity securities	**8.1**	9.9	**15.1**	15.5	**38.9**	60.8	**62.1**	86.2
Debt securities	**11.1**	6.9	**24.3**	19.0	**59.8**	58.1	**95.2**	84.0
Loans and receivables	**1.7**	1.1	**5.1**	3.3	**3.7**	3.5	**10.5**	7.9
Other investments	**0.9**	0.4	**1.7**	1.0	**11.0**	10.9	**13.6**	12.3
Total	**21.9**	18.3	**46.3**	38.8	**125.6**	147.8	**193.8**	204.9

Note

27.2a As included in the investments section of the consolidated balance sheet at 31 December 2008 except for £0.4 billion (2007: £0.8 billion) investment properties which are held-for-sale, under development or occupied by the Group and, accordingly under IFRS, are included in other balance sheet captions.

Foreign currency translation: 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 currency translations is recorded as a component of the movement in shareholders' equity.

The following translation rates have been applied:

Local currency : £	**Closing 2008**	**Average 2008**	Closing 2007	Average 2007
Hong Kong	**11.14**	**14.42**	15.52	15.62
Japan	**130.33**	**192.09**	222.38	235.64
Malaysia	**5.02**	**6.15**	6.58	6.88
Singapore	**2.07**	**2.61**	2.87	3.02
Taiwan	**47.28**	**58.24**	64.56	65.75
USA	**1.44**	**1.85**	1.99	2.00

Foreign currency translation: Effect of rate movements on results

EEV basis results	**2008 As published (note 28.2a) £m**	2007 As published £m	2007 Memorandum (note 28.2a) £m
Asian operations			
New business	**741**	643	693
Business in force	**568**	399	442
Long-term operations	**1,309**	1,042	1,135
Asset management	**52**	72	78
Development expenses	**(26)**	(15)	(17)
Total Asian operations	**1,335**	1,099	1,196
US operations			
New business	**293**	285	308
Business in force	**293**	342	370
Jackson	**586**	627	678
Broker-dealer, asset management and Curian operations	**7**	8	9
Total US operations	**593**	635	687
UK operations			
New business	**273**	277	277
Business in force	**764**	578	578
Long-term business	**1,037**	855	855
General insurance commission	**44**	4	4
Total insurance	**1,081**	859	859
M&G	**286**	254	254
Total UK operations	**1,367**	1,113	1,113
Other income and expenditure	**(302)**	(297)	(300)
Restructuring costs	**(32)**	(20)	(20)
Operating profit from continuing operations based on longer-term investment returns	**2,961**	2,530	2,676
Shareholders' funds	**14,956**	14,600	16,447

IFRS basis results	**2008 As published (note 28.2a) £m**	2007 As published £m	2007 Memorandum (note 28.2a) £m
Asian operations			
Long-term operations	**321**	189	212
Asset management	**52**	72	78
Development expenses	**(26)**	(15)	(17)
Total Asian operations	**347**	246	273
US operations			
Jackson	**406**	444	480
Broker-dealer, asset management and Curian operations	**7**	8	9
Total US operations	**413**	452	489
UK operations			
Long-term business	**545**	524	524
General insurance commission	**44**	4	4
Total UK insurance operations	**589**	528	528
M&G	**286**	254	254
Total UK operations	**875**	782	782
Other income and expenditure	**(260)**	(260)	(263)
Restructuring costs	**(28)**	(19)	(19)
Operating profit from continuing operations based on longer-term investment returns	**1,347**	1,201	1,262
Shareholders' funds	**5,058**	6,062	6,765

Note

28.2a The 'as published' operating profit for 2008 and 'memorandum' operating profit for 2007 have been calculated by applying average 2008 exchange rates.

The 'as published' shareholders' funds for 2008 and 'memorandum' shareholders' funds for 2007 have been calculated by applying closing year end 2008 exchange rates.

2008 Results

New Business at constant exchange rates

Annual premium equivalent insurance product sales (note 28.3b)	**2008 As published (note 28.3a) £m**	2007 As published £m	2007 Memorandum (note 28.3a) £m
Asian operations	**1,362**	1,287	1,369
US operations	**716**	671	724
UK operations	**947**	910	910
Total	**3,025**	2,868	3,003

Present value of new business premiums (PVNBP)			
Asian operations	**7,308**	6,906	7,407
US operations	**7,140**	6,666	7,205
UK operations	**8,081**	7,736	7,736
Total	**22,529**	21,308	22,348

Gross investment product inflows			
Asian operations	**46,957**	38,954	40,875
US operations	**36**	60	65
M&G	**16,154**	14,745	14,745
Total	**63,147**	53,759	55,685

Total insurance and investment product flows			
Insurance	**16,797**	16,314	17,091
Investment	**63,147**	53,759	55,685
Total	**79,944**	70,073	72,776

Notes

28.3a The 'as published' results for 2008 and 'memorandum' results for 2007 have been calculated by applying average 2008 exchange rates.

28.3b The annual premium equivalent sales for insurance products shown above include contributions for contracts that are classified as 'investment contracts' under IFRS 4 as they do not contain significant insurance risk. Additional details on the basis of preparation are shown on schedule 39.

PRUDENTIAL PLC - NEW BUSINESS - FULL YEAR 2008

TOTAL INSURANCE AND INVESTMENT NEW BUSINESS

	UK			US [1a]			Asia [1a]			Total		
	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)
Total Insurance Products	**7,183**	6,879	4%	**6,941**	7,063	(2%)	**2,673**	3,149	(15%)	**16,797**	17,091	(2%)
Total Investment Products Gross Inflows [2]	**16,154**	14,745	10%	**36**	65	(45%)	**46,957**	40,875	15%	**63,147**	55,685	13%
	23,337	21,624	8%	**6,977**	7,128	(2%)	**49,630**	44,024	13%	**79,944**	72,776	10%

INSURANCE OPERATIONS

	Single			Regular			Total			Annual Equivalents [3]		
	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)
UK Insurance Operations												
Product Summary												
Internal Vesting annuities	**1,600**	1,399	14%	**-**	-	-	**1,600**	1,399	14%	**160**	140	14%
Direct and Partnership Annuities	**703**	842	(17%)	**-**	-	-	**703**	842	(17%)	**70**	84	(17%)
Intermediated Annuities	**497**	555	(10%)	**-**	-	-	**497**	555	(10%)	**50**	56	(11%)
Total Individual Annuities	**2,800**	2,796	0%	**-**	-	-	**2,800**	2,796	0%	**280**	280	0%
Income Drawdown [13]	**75**	34	121%	**-**	-	-	**75**	34	121%	**8**	3	167%
Equity Release	**242**	156	55%	**-**	-	-	**242**	156	55%	**24**	16	50%
Individual Pensions	**115**	38	203%	**3**	1	200%	**118**	39	203%	**14**	5	200%
Corporate Pensions	**221**	283	(22%)	**88**	84	5%	**309**	367	(16%)	**110**	112	(2%)
Unit Linked Bonds	**109**	243	(55%)	**-**	-	-	**109**	243	(55%)	**11**	24	(54%)
With-Profit Bonds	**869**	297	193%	**-**	-	-	**869**	297	193%	**87**	30	190%
Protection	**-**	-	-	**6**	5	20%	**6**	5	20%	**6**	5	20%
Offshore Products	**551**	434	27%	**4**	4	0%	**555**	438	27%	**59**	47	26%
Pru Health [12]	**-**	-	-	**16**	13	23%	**16**	13	23%	**16**	13	23%
Total Retail Retirement	**4,982**	4,281	16%	**117**	107	9%	**5,099**	4,388	16%	**615**	535	15%
Corporate Pensions	**227**	198	15%	**116**	115	1%	**343**	313	10%	**139**	135	3%
Other Products	**132**	190	(31%)	**21**	25	(16%)	**153**	215	(29%)	**34**	44	(23%)
DWP Rebates	**153**	143	7%	**-**	-	-	**153**	143	7%	**15**	14	7%
Total Mature Life and Pensions	**512**	531	(4%)	**137**	140	(2%)	**649**	671	(3%)	**188**	193	(3%)
Total Retail	**5,494**	4,812	14%	**254**	247	3%	**5,748**	5,059	14%	**803**	728	10%
Wholesale Annuities	**1,417**	1,799	(21%)	**-**	-	-	**1,417**	1,799	(21%)	**142**	180	(21%)
Credit Life	**18**	21	(14%)	**-**	-	-	**18**	21	(14%)	**2**	2	0%
Total UK Insurance Operations	**6,929**	6,632	4%	**254**	247	3%	**7,183**	6,879	4%	**947**	910	4%
Channel Summary												
Direct and Partnership	**2,352**	2,385	(1%)	**215**	212	1%	**2,567**	2,597	(1%)	**450**	451	(0%)
Intermediated	**2,990**	2,284	31%	**39**	35	11%	**3,029**	2,319	31%	**338**	263	29%
Wholesale	**1,434**	1,820	(21%)	**-**	-	-	**1,434**	1,820	(21%)	**144**	182	(21%)
Sub-Total	**6,776**	6,489	4%	**254**	247	3%	**7,030**	6,736	4%	**932**	896	4%
DWP Rebates	**153**	143	7%	**-**	**-**	-	**153**	143	7%	**15**	14	7%
Total UK Insurance Operations	**6,929**	6,632	4%	**254**	247	3%	**7,183**	6,879	4%	**947**	910	4%
US Insurance Operations [1a]												
Fixed Annuities	**1,724**	619	179%	**-**	-	-	**1,724**	619	179%	**172**	62	177%
Fixed Index Annuities	**501**	483	4%	**-**	-	-	**501**	483	4%	**50**	48	4%
Variable Annuities	**3,491**	4,922	(29%)	**-**	-	-	**3,491**	4,922	(29%)	**349**	492	(29%)
Life	**7**	8	(13%)	**24**	20	20%	**31**	28	11%	**25**	21	19%
Sub-Total Retail	**5,723**	6,032	(5%)	**24**	**20**	20%	**5,747**	6,052	(5%)	**596**	623	(4%)
Guaranteed Investment Contracts	**857**	441	94%	**-**	-	-	**857**	441	94%	**86**	44	95%
GIC - Medium Term Note	**337**	570	(41%)	**-**	-	-	**337**	570	(41%)	**34**	57	(40%)
Total US Insurance Operations	**6,917**	7,043	(2%)	**24**	20	20%	**6,941**	7,063	(2%)	**716**	724	(1%)
Asian Insurance Operations [1a]												
China [10]	**63**	53	19%	**32**	28	14%	**95**	81	17%	**38**	33	15%
Hong Kong	**507**	543	(7%)	**154**	127	21%	**661**	670	(1%)	**205**	181	13%
India [6]	**60**	27	122%	**202**	183	10%	**262**	210	25%	**208**	186	12%
Indonesia	**94**	121	(22%)	**167**	113	48%	**261**	234	12%	**176**	125	41%
Japan	**115**	150	(23%)	**30**	27	11%	**145**	177	(18%)	**42**	42	0%
Korea	**78**	165	(53%)	**211**	223	(5%)	**289**	388	(26%)	**219**	240	(9%)
Malaysia	**28**	46	(39%)	**99**	87	14%	**127**	133	(5%)	**102**	92	11%
Singapore	**341**	684	(50%)	**78**	77	1%	**419**	761	(45%)	**112**	145	(23%)
Taiwan	**153**	149	3%	**189**	246	(23%)	**342**	395	(13%)	**204**	261	(22%)
Other [4]	**18**	40	(55%)	**54**	60	(10%)	**72**	100	(28%)	**56**	64	(13%)
Total Asian Insurance Operations	**1,457**	1,978	(26%)	**1,216**	1,171	4%	**2,673**	3,149	(15%)	**1,362**	1,369	(1%)
Group Total	**15,303**	15,653	(2%)	**1,494**	1,438	4%	**16,797**	17,091	(2%)	**3,025**	3,003	1%

PRUDENTIAL PLC - NEW BUSINESS - FULL YEAR 2008

TOTAL INSURANCE AND INVESTMENT NEW BUSINESS

	UK			US (1b)			Asia (1b)			Total		
	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)
Total Insurance Products	**7,183**	6,879	4%	**6,941**	6,534	6%	**2,673**	2,901	(8%)	**16,797**	16,314	3%
Total Investment Products Gross Inflows (2)	**16,154**	14,745	10%	**36**	60	(40%)	**46,957**	38,954	21%	**63,147**	53,759	17%
	23,337	21,624	8%	**6,977**	6,594	6%	**49,630**	41,855	19%	**79,944**	70,073	14%

INSURANCE OPERATIONS

	Single			Regular			Total			Annual Equivalents (3)		
	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)
UK Insurance Operations												
Product Summary												
Internal Vesting annuities	**1,600**	1,399	14%	**-**	-	-	**1,600**	1,399	14%	**160**	140	14%
Direct and Partnership Annuities	**703**	842	(17%)	**-**	-	-	**703**	842	(17%)	**70**	84	(17%)
Intermediated Annuities	**497**	555	(10%)	**-**	-	-	**497**	555	(10%)	**50**	56	(11%)
Total Individual Annuities	**2,800**	2,796	0%	**-**	-	-	**2,800**	2,796	0%	**280**	280	0%
Income Drawdown (13)	**75**	34	121%	**-**	-	-	**75**	34	121%	**8**	3	167%
Equity Release	**242**	156	55%	**-**	-	-	**242**	156	55%	**24**	16	50%
Individual Pensions	**115**	38	203%	**3**	1	200%	**118**	39	203%	**14**	5	200%
Corporate Pensions	**221**	283	(22%)	**88**	84	5%	**309**	367	(16%)	**110**	112	(2%)
Unit Linked Bonds	**109**	243	(55%)	**-**	-	-	**109**	243	(55%)	**11**	24	(54%)
With-Profit Bonds	**869**	297	193%	**-**	-	-	**869**	297	193%	**87**	30	190%
Protection	**-**	-	-	**6**	5	20%	**6**	5	20%	**6**	5	20%
Offshore Products	**551**	434	27%	**4**	4	0%	**555**	438	27%	**59**	47	26%
Pru Health (12)	**-**	-	-	**16**	13	23%	**16**	13	23%	**16**	13	23%
Total Retail Retirement	**4,982**	4,281	16%	**117**	107	9%	**5,099**	4,388	16%	**615**	535	15%
Corporate Pensions	**227**	198	15%	**116**	115	1%	**343**	313	10%	**139**	135	3%
Other Products	**132**	190	(31%)	**21**	25	(16%)	**153**	215	(29%)	**34**	44	(23%)
DWP Rebates	**153**	143	7%	**-**	-	-	**153**	143	7%	**15**	14	7%
Total Mature Life and Pensions	**512**	531	(4%)	**137**	140	(2%)	**649**	671	(3%)	**188**	193	(3%)
Total Retail	**5,494**	4,812	14%	**254**	247	3%	**5,748**	5,059	14%	**803**	728	10%
Wholesale Annuities	**1,417**	1,799	(21%)	**-**	-	-	**1,417**	1,799	(21%)	**142**	180	(21%)
Credit Life	**18**	21	(14%)	**-**	-	-	**18**	21	(14%)	**2**	2	0%
Total UK Insurance Operations	**6,929**	6,632	4%	**254**	247	3%	**7,183**	6,879	4%	**947**	910	4%
Channel Summary												
Direct and Partnership	**2,352**	2,385	(1%)	**215**	212	1%	**2,567**	2,597	(1%)	**450**	451	(0%)
Intermediated	**2,990**	2,284	31%	**39**	35	11%	**3,029**	2,319	31%	**338**	263	29%
Wholesale	**1,434**	1,820	(21%)	**-**	-	-	**1,434**	1,820	(21%)	**144**	182	(21%)
Sub-Total	**6,776**	6,489	4%	**254**	247	3%	**7,030**	6,736	4%	**932**	896	4%
DWP Rebates	**153**	143	7%	**-**	-	-	**153**	143	7%	**15**	14	7%
Total UK Insurance Operations	**6,929**	6,632	4%	**254**	247	3%	**7,183**	6,879	4%	**947**	910	4%
US Insurance Operations (1b)												
Fixed Annuities	**1,724**	573	201%	**-**	-	-	**1,724**	573	201%	**172**	57	202%
Fixed Index Annuities	**501**	446	12%	**-**	-	-	**501**	446	12%	**50**	45	11%
Variable Annuities	**3,491**	4,554	(23%)	**-**	-	-	**3,491**	4,554	(23%)	**349**	455	(23%)
Life	**7**	7	0%	**24**	19	26%	**31**	26	19%	**25**	20	25%
Sub-Total Retail	**5,723**	5,580	3%	**24**	**19**	26%	**5,747**	5,599	3%	**596**	577	3%
Guaranteed Investment Contracts	**857**	408	110%	**-**	-	-	**857**	408	110%	**86**	41	110%
GIC - Medium Term Note	**337**	527	(36%)	**-**	-	-	**337**	527	(36%)	**34**	53	(36%)
Total US Insurance Operations	**6,917**	6,515	6%	**24**	19	26%	**6,941**	6,534	6%	**716**	671	7%
Asian Insurance Operations (1b)												
China (10)	**63**	45	40%	**32**	24	33%	**95**	69	38%	**38**	29	31%
Hong Kong	**507**	501	1%	**154**	117	32%	**661**	618	7%	**205**	167	23%
India (6)	**60**	26	131%	**202**	177	14%	**262**	203	29%	**208**	180	16%
Indonesia	**94**	118	(20%)	**167**	109	53%	**261**	227	15%	**176**	121	45%
Japan	**115**	122	(6%)	**30**	22	36%	**145**	144	1%	**42**	34	24%
Korea	**78**	179	(56%)	**211**	241	(12%)	**289**	420	(31%)	**219**	259	(15%)
Malaysia	**28**	41	(32%)	**99**	78	27%	**127**	119	7%	**102**	82	24%
Singapore	**341**	593	(42%)	**78**	67	16%	**419**	660	(37%)	**112**	126	(11%)
Taiwan	**153**	132	16%	**189**	218	(13%)	**342**	350	(2%)	**204**	231	(12%)
Other (4)	**18**	36	(50%)	**54**	55	(2%)	**72**	91	(21%)	**56**	59	(5%)
Total Asian Insurance Operations	**1,457**	1,793	(19%)	**1,216**	1,108	10%	**2,673**	2,901	(8%)	**1,362**	1,287	6%
Group Total	**15,303**	14,940	2%	**1,494**	1,374	9%	**16,797**	16,314	3%	**3,025**	2,868	5%

PRUDENTIAL PLC - NEW BUSINESS - FULL YEAR 2008

INVESTMENT OPERATIONS

2008	Gross Inflows £m	Redemptions £m	Net Inflows £m	Opening FUM £m	Closing FUM £m	Variance %
M&G (9)						
Retail	9,040	(6,945)	**2,095**	**22,320**	**19,142**	**(14%)**
Institutional (5)	7,114	(5,802)	**1,312**	**28,901**	**27,855**	**(4%)**
Total M&G	16,154	(12,747)	**3,407**	**51,221**	**46,997**	**(8%)**
Asia (9)						
India	968	(1,100)	**(132)**	**2,493**	**1,567**	**(37%)**
Taiwan	992	(947)	**45**	**2,016**	**1,156**	**(43%)**
Korea	1,413	(1,317)	**96**	**3,031**	**1,878**	**(38%)**
Japan	1,070	(857)	**213**	**7,359**	**3,211**	**(56%)**
Other Mutual Fund Operations (11)	1,602	(1,145)	**457**	**3,492**	**2,758**	**(21%)**
Total Asian Equity/Bond/Other	6,045	(5,366)	**679**	**18,391**	**10,570**	**(43%)**
MMF						
India	33,896	(34,072)	**(176)**	**1,586**	**1,562**	**(2%)**
Taiwan	4,047	(3,610)	**437**	**863**	**1,421**	**65%**
Korea	1,933	(1,955)	**(22)**	**494**	**474**	**(4%)**
Other Mutual Fund Operations	780	(727)	**53**	**345**	**416**	**21%**
Total Asian MMF	40,656	(40,364)	**292**	**3,288**	**3,873**	**18%**
Total Asia Retail Mutual Funds	46,701	(45,730)	**971**	**21,679**	**14,443**	**(33%)**
Third Party Institutional Mandates	256	(372)	**(116)**	**1,547**	**789**	**(49%)**
Total Asian Investment Operations	46,957	(46,102)	**855**	**23,226**	**15,232**	**(34%)**
US						
Retail	36	(32)	**4**	**76**	**50**	**(34%)**
Total US	36	(32)	**4**	**76**	**50**	**(34%)**
Total Investment Products	63,147	(58,881)	**4,266**	**74,523**	**62,279**	**(16%)**

2007	Gross Inflows £m	Redemptions £m	Net Inflows £m
M&G			
Retail	8,690	(5,970)	**2,720**
Institutional (5)	6,055	(3,817)	**2,238**
Total M&G	14,745	(9,787)	**4,958**
Asia (9)			
India	1,196	(1,080)	**116**
Taiwan	2,117	(1,726)	**391**
Korea	2,115	(2,352)	**(237)**
Japan	2,913	(1,469)	**1,444**
Other Mutual Fund Operations (11)	2,283	(1,623)	**660**
Total Asia Equity/Bond/Other	10,624	(8,250)	**2,374**
MMF			
India	24,968	(24,172)	**796**
Taiwan	2,563	(2,384)	**179**
Korea	2,023	(2,137)	**(114)**
Other Mutual Fund Operations	482	(359)	**123**
Total Asian MMF	30,036	(29,052)	**984**
Total Asia Retail Mutual Funds	40,660	(37,302)	**3,358**
Third Party Institutional Mandates	215	(118)	**97**
Total Asian Investment Operations	40,875	(37,420)	**3,455**
US			
Retail	65	(4)	**61**
Total US	65	(4)	**61**
Total Investment Products	55,685	(47,211)	**8,474**

2008 Movement Relative to 2007	Gross Inflows %	Redemptions %	Net Inflows %
M&G			
Retail	4%	(16%)	**(23%)**
Institutional (5)	17%	(52%)	**(41%)**
Total M&G	10%	(30%)	**(31%)**
Asia (9)			
India	(19%)	(2%)	**(214%)**
Taiwan	(53%)	45%	**(88%)**
Korea	(33%)	44%	**141%**
Japan	(63%)	42%	**(85%)**
Other Mutual Fund Operations (11)	(30%)	29%	**(31%)**
Total Asia Equity/Bond/Other	(43%)	35%	**(71%)**
MMF			
India	36%	(41%)	**(122%)**
Taiwan	58%	(51%)	**144%**
Korea	(4%)	9%	**81%**
Other Mutual Fund Operations	62%	(103%)	**(57%)**
Total Asian MMF	35%	(39%)	**(70%)**
Total Asian Retail Mutual Funds	15%	(23%)	**(71%)**
Third Party Institutional Mandates	19%	(215%)	**(220%)**
Total Asian Investment Operations	15%	(23%)	**(75%)**
US			
Retail	(45%)	(700%)	**(93%)**
Total US	(45%)	(700%)	**(93%)**
Total Investment Products	13%	(25%)	**(50%)**

US (7)	2008 Q4 YTD £m	2007 Q4 YTD £m	+/- (%)
Curian Capital			
External Funds Under Administration	**1,818**	2,413	(25%)

PRUDENTIAL PLC - NEW BUSINESS - FULL YEAR 2008

INVESTMENT OPERATIONS

2008	Opening FUM £m	Gross Inflows £m	Redemptions £m	Net Inflows £m	Other Movements £m	Market & Currency Movements £m	Net Movement In FUM £m	Closing FUM £m
M&G (9)								
Retail	**22,320**	9,040	(6,945)	**2,095**	-	(5,273)	**(3,178)**	**19,142**
Institutional (5)	**28,901**	7,114	(5,802)	**1,312**	91	(2,449)	**(1,046)**	**27,855**
Total M&G	**51,221**	16,154	(12,747)	**3,407**	91	(7,722)	**(4,224)**	**46,997**
Asia (9)								
India	**2,225**	968	(1,100)	**(132)**	(104)	(422)	**(658)**	**1,567**
Taiwan	**1,476**	992	(947)	**45**	-	(365)	**(320)**	**1,156**
Korea	**2,946**	1,413	(1,317)	**96**	(177)	(987)	**(1,068)**	**1,878**
Japan	**4,313**	1,070	(857)	**213**	-	(1,315)	**(1,102)**	**3,211**
Other Mutual Fund Operations (11)	**2,537**	1,602	(1,145)	**457**	(13)	(223)	**221**	**2,758**
Total Asian Equity/Bond/Other	**13,497**	6,045	(5,366)	**679**	(294)	(3,312)	**(2,927)**	**10,570**
MMF								
India	**1,416**	33,896	(34,072)	**(176)**	16	306	**146**	**1,562**
Taiwan	**632**	4,047	(3,610)	**437**	-	352	**789**	**1,421**
Korea	**480**	1,933	(1,955)	**(22)**	(21)	37	**(6)**	**474**
Other Mutual Fund Operations	**252**	780	(727)	**53**	-	111	**164**	**416**
Total Asian MMF	**2,780**	40,656	(40,364)	**292**	(5)	806	**1,093**	**3,873**
Total Asia Retail Mutual Funds	**16,277**	46,701	(45,730)	**971**	(299)	(2,506)	**(1,834)**	**14,443**
Third Party Institutional Mandates	**1,116**	256	(372)	**(116)**	-	(211)	**(327)**	**789**
Total Asian Investment Operations	**17,393**	46,957	(46,102)	**855**	(299)	(2,717)	**(2,161)**	**15,232**
US								
Retail	**55**	36	(32)	**4**	4	(13)	**(5)**	**50**
Total US	**55**	36	(32)	**4**	4	(13)	**(5)**	**50**
Total Investment Products	**68,669**	63,147	(58,881)	**4,266**	(204)	(10,452)	**(6,390)**	**62,279**

2007	Opening FUM £m	Gross Inflows £m	Redemptions £m	Net Inflows £m	Other Movements £m	Market & Currency Movements £m	Net Movement In FUM £m	Closing FUM £m
M&G								
Retail	**19,176**	8,690	(5,970)	**2,720**	-	424	**3,144**	**22,320**
Institutional (5)	**25,770**	6,055	(3,817)	**2,238**	(246)	1,139	**3,131**	**28,901**
Total M&G	**44,946**	14,745	(9,787)	**4,958**	(246)	1,563	**6,275**	**51,221**
Asia (9)								
India	**1,290**	1,158	(1,046)	**112**	192	631	**935**	**2,225**
Taiwan	**969**	1,876	(1,529)	**347**	-	160	**507**	**1,476**
Korea	**2,952**	2,288	(2,544)	**(256)**	(235)	485	**(6)**	**2,946**
Japan	**2,816**	2,374	(1,198)	**1,176**	-	321	**1,497**	**4,313**
Other Mutual Fund Operations (11)	**1,468**	2,011	(1,429)	**582**	54	433	**1,069**	**2,537**
Total Asia Equity/Bond/Other	**9,495**	9,707	(7,746)	**1,961**	11	2,030	**4,002**	**13,497**
MMF								
India	**709**	24,175	(23,404)	**771**	(267)	203	**707**	**1,416**
Taiwan	**467**	2,271	(2,112)	**159**	-	6	**165**	**632**
Korea	**609**	2,189	(2,312)	**(123)**	(21)	15	**(129)**	**480**
Other Mutual Fund Operations	**133**	424	(316)	**108**	-	11	**119**	**252**
Total Asian MMF	**1,918**	29,059	(28,144)	**915**	(288)	235	**862**	**2,780**
Total Asia Retail Mutual Funds	**11,413**	38,766	(35,890)	**2,876**	(277)	2,265	**4,864**	**16,277**
Third Party Institutional Mandates	**840**	188	(103)	**85**	-	191	**276**	**1,116**
Total Asian Investment Operations	**12,253**	38,954	(35,993)	**2,961**	(277)	2,456	**5,140**	**17,393**
US								
Retail	**-**	60	(4)	**56**	-	(1)	**55**	**55**
Total US	**-**	60	(4)	**56**	-	(1)	**55**	**55**
Total Investment Products	**57,199**	53,759	(45,784)	**7,975**	(523)	4,018	**11,470**	**68,669**

2008 Movement Relative to 2007	Opening FUM %	Gross Inflows %	Redemptions %	Net Inflows %	Other Movements %	Market & Currency Movements %	Net Movement In FUM %	Closing FUM %
M&G								
Retail	**16%**	4%	(16%)	**(23%)**	-	(1,344%)	**(201%)**	**(14%)**
Institutional (5)	**12%**	17%	(52%)	**(41%)**	137%	(315%)	**(133%)**	**(4%)**
Total M&G	**14%**	10%	(30%)	**(31%)**	137%	(594%)	**(167%)**	**(8%)**
Asia (9)								
India	**72%**	(16%)	(5%)	**(218%)**	(154%)	(167%)	**(170%)**	**(30%)**
Taiwan	**52%**	(47%)	38%	**(87%)**	-	(328%)	**(163%)**	**(22%)**
Korea	**(0%)**	(38%)	48%	**138%**	25%	(304%)	**(17,700%)**	**(36%)**
Japan	**53%**	(55%)	28%	**(82%)**	-	(510%)	**(174%)**	**(26%)**
Other Mutual Fund Operations (11)	**73%**	(20%)	20%	**(21%)**	(124%)	(152%)	**(79%)**	**9%**
Total Asia Equity/Bond/Other	**42%**	(38%)	31%	**(65%)**	(2,773%)	(263%)	**(173%)**	**(22%)**
MMF								
India	**100%**	40%	(46%)	**(123%)**	106%	51%	**(79%)**	**10%**
Taiwan	**35%**	78%	(71%)	**175%**	-	5,767%	**378%**	**125%**
Korea	**(21%)**	(12%)	15%	**82%**	0%	147%	**95%**	**(1%)**
Other Mutual Fund Operations	**89%**	84%	(130%)	**(51%)**	-	909%	**38%**	**65%**
Total Asian MMF	**45%**	40%	(43%)	**(68%)**	98%	243%	**27%**	**39%**
Total Asian Retail Mutual Funds	**43%**	20%	(27%)	**(66%)**	(8%)	(211%)	**(138%)**	**(11%)**
Third Party Institutional Mandates	**33%**	36%	(261%)	**(236%)**	-	(210%)	**(218%)**	**(29%)**
Total Asian Investment Operations	**42%**	21%	(28%)	**(71%)**	(8%)	(211%)	**(142%)**	**(12%)**
US								
Retail	**-**	(40%)	(700%)	**(93%)**	-	(1,200%)	**(109%)**	**(9%)**
Total US	**-**	(40%)	(700%)	**(93%)**	-	(1,200%)	**(109%)**	**(9%)**
Total Investment Products	**20%**	17%	(29%)	**(47%)**	61%	(360%)	**(156%)**	**(9%)**

US	**2008 Q4 YTD £m**	**2007 Q4 YTD £m**	**+/- (%)**
Curian Capital			
External Funds Under Administration	**1,818**	1,743	4%

PRUDENTIAL PLC - NEW BUSINESS - QUARTER 4 2008 VERSUS QUARTER 4 2007

INSURANCE OPERATIONS

	Single			Regular			Total			Annual Equivalents		
	Q4 2008 £m	Q4 2007 £m	+/-(%)	Q4 2008 £m	Q4 2007 £m	+/-(%)	Q4 2008 £m	Q4 2007 £m	+/-(%)	Q4 2008 £m	Q4 2007 £m	+/-(%)
UK Insurance Operations												
Product Summary												
Internal Vesting annuities	**471**	369	28%	**-**	-	-	**471**	369	28%	**47**	37	27%
Direct and Partnership Annuities	**153**	184	(17%)	**-**	-	-	**153**	184	(17%)	**15**	18	(17%)
Intermediated Annuities	**96**	126	(24%)	**-**	-	-	**96**	126	(24%)	**10**	13	(23%)
Total Individual Annuities	**720**	679	6%	**-**	**-**	-	**720**	679	6%	**72**	68	6%
Income Drawdown [13]	**21**	14	50%	**-**	-	-	**21**	14	50%	**2**	1	100%
Equity Release	**54**	48	13%	**-**	-	-	**54**	48	13%	**5**	5	0%
Individual Pensions	**63**	11	473%	**1**	-	-	**64**	11	482%	**7**	1	600%
Corporate Pensions	**67**	162	(59%)	**24**	26	(8%)	**91**	188	(52%)	**31**	42	(26%)
Unit Linked Bonds	**21**	43	(51%)	**-**	-	-	**21**	43	(51%)	**2**	4	(50%)
With-Profit Bonds	**218**	114	91%	**-**	-	-	**218**	114	91%	**22**	11	100%
Protection	**-**	-	-	**2**	2	0%	**2**	2	0%	**2**	2	0%
Offshore Products	**104**	129	(19%)	**1**	1	0%	**105**	130	(19%)	**11**	14	(21%)
Pru Health [12]	**-**	-	-	**2**	3	(33%)	**2**	3	(33%)	**2**	3	(33%)
Total Retail Retirement	**1,268**	1,200	6%	**30**	32	(6%)	**1,298**	1,232	5%	**157**	152	3%
Corporate Pensions [14]	**-**	30	-	**28**	29	(3%)	**28**	59	(53%)	**28**	32	(13%)
Other Products	**19**	47	(60%)	**4**	5	(20%)	**23**	52	(56%)	**6**	10	(40%)
DWP Rebates	**50**	14	257%	**-**	-	-	**50**	14	257%	**5**	1	400%
Total Mature Life and Pensions	**69**	91	(24%)	**32**	**34**	**(6%)**	**101**	125	(19%)	**39**	43	(9%)
Total Retail	**1,337**	1,291	4%	**62**	66	(6%)	**1,399**	1,357	3%	**196**	195	1%
Wholesale Annuities	**47**	1,754	(97%)	**-**	-	-	**47**	1,754	(97%)	**5**	175	(97%)
Credit Life	**7**	4	75%	**-**	-	-	**7**	4	75%	**1**	-	-
Total UK Insurance Operations	**1,391**	3,049	(54%)	**62**	66	(6%)	**1,453**	3,115	(53%)	**201**	371	(46%)
Channel Summary												
Direct and Partnership	**623**	648	(4%)	**54**	59	(8%)	**677**	707	(4%)	**116**	124	(6%)
Intermediated	**664**	627	6%	**8**	7	14%	**672**	634	6%	**74**	70	6%
Wholesale	**54**	1,760	(97%)	**-**	-	-	**54**	1,760	(97%)	**5**	176	(97%)
Sub-Total	**1,341**	3,035	(56%)	**62**	**66**	(6%)	**1,403**	3,101	(55%)	**196**	370	(47%)
DWP Rebates	**50**	14	257%	**-**	-	-	**50**	14	257%	**5**	1	400%
Total UK Insurance Operations	**1,391**	3,049	(54%)	**62**	66	(6%)	**1,453**	3,115	(53%)	**201**	371	(46%)
US Insurance Operations [1b][8]												
Fixed Annuities	**583**	152	284%	**-**	-	-	**583**	152	284%	**58**	15	287%
Fixed Index Annuities	**184**	104	77%	**-**	-	-	**184**	104	77%	**18**	10	80%
Variable Annuities	**895**	1,137	(21%)	**-**	-	-	**895**	1,137	(21%)	**90**	114	(21%)
Life	**1**	2	(50%)	**6**	6	0%	**7**	8	(13%)	**6**	6	0%
Sub-Total Retail	**1,663**	1,395	19%	**6**	**6**	0%	**1,669**	1,401	19%	**172**	146	18%
Guaranteed Investment Contracts	**42**	148	(72%)	**-**	-	-	**42**	148	(72%)	**4**	15	(73%)
GIC - Medium Term Note	**16**	(4)	500%	**-**	-	-	**16**	(4)	500%	**2**	-	-
Total US Insurance Operations	**1,721**	1,539	12%	**6**	6	0%	**1,727**	1,545	12%	**178**	160	11%
Asian Insurance Operations [1b][8]												
China [10]	**16**	18	(11%)	**9**	8	13%	**25**	26	(4%)	**11**	10	10%
Hong Kong	**47**	178	(74%)	**41**	35	17%	**88**	213	(59%)	**46**	53	(13%)
India [6]	**7**	6	17%	**34**	53	(36%)	**41**	59	(31%)	**35**	54	(35%)
Indonesia	**9**	53	(83%)	**46**	38	21%	**55**	91	(40%)	**47**	43	9%
Japan	**21**	40	(48%)	**6**	6	0%	**27**	46	(41%)	**8**	10	(20%)
Korea	**15**	60	(75%)	**35**	61	(43%)	**50**	121	(59%)	**37**	67	(45%)
Malaysia	**6**	21	(71%)	**35**	29	21%	**41**	50	(18%)	**36**	31	16%
Singapore	**35**	168	(79%)	**22**	21	5%	**57**	189	(70%)	**26**	38	(32%)
Taiwan	**10**	33	(70%)	**70**	36	94%	**80**	69	16%	**71**	39	82%
Other [4]	**4**	15	(73%)	**14**	22	(36%)	**18**	37	(51%)	**14**	24	(42%)
Total Asian Insurance Operations	**170**	592	(71%)	**312**	**309**	**1%**	**482**	901	(47%)	**329**	368	(11%)
Group Total	**3,282**	5,180	(37%)	**380**	381	(0%)	**3,662**	5,561	(34%)	**708**	899	(21%)

INVESTMENT OPERATIONS

		Opening FUM £m	Gross Inflows £m	Redemptions £m	Net Inflows £m	Other Movements £m	Market & Currency Movements £m	Net Movement In FUM £m	Closing FUM £m
M&G [5]	Q4 2008	**49,994**	4,040	(4,775)	**(735)**	110	(2,372)	**(2,997)**	**46,997**
	Q4 2007	**49,907**	3,933	(2,568)	**1,365**	(123)	72	**1,314**	**51,221**
	+/-(%)	**0%**	3%	(86%)	**(154%)**	189%	(3,394%)	**(328%)**	**(8%)**
Asia Retail Mutual Funds [1	Q4 2008	**13,594**	12,529	(12,618)	**(89)**	(6)	944	**849**	**14,443**
	Q4 2007	**15,120**	10,842	(10,346)	**496**	(125)	786	**1,157**	**16,277**
	+/-(%)	**(10%)**	16%	(22%)	**(118%)**	95%	20%	**(27%)**	**(11%)**
Asia Third Party	Q4 2008	**755**	16	(24)	**(8)**	-	42	**34**	**789**
	Q4 2007	**980**	167	(76)	**91**	-	45	**136**	**1,116**
	+/-(%)	**(23%)**	(90%)	68%	**(109%)**	-	(7%)	**(75%)**	**(29%)**
US Retail Mutual Funds	Q4 2008	**58**	4	(8)	**(4)**	2	(6)	**(8)**	**50**
	Q4 2007	**32**	27	(2)	**25**	-	(2)	**23**	**55**
	+/-(%)	**81%**	(85%)	(300%)	**(116%)**	-	(200%)	**(135%)**	**(9%)**
Total Investment Products	Q4 2008	**64,401**	16,589	(17,425)	**(836)**	106	(1,392)	**(2,122)**	**62,279**
	Q4 2007	**66,039**	14,969	(12,992)	**1,977**	(248)	901	**2,630**	**68,669**
	+/-(%)	**(2%)**	11%	(34%)	**(142%)**	143%	(254%)	**(181%)**	**(9%)**

PRUDENTIAL PLC - NEW BUSINESS - QUARTER 4 2008 VERSUS QUARTER 3 2008

INSURANCE OPERATIONS

	Single			Regular			Total			Annual Equivalents		
	Q4 2008 £m	Q 3 2008 £m	+/-(%)	Q4 2008 £m	Q 3 2008 £m	+/-(%)	Q4 2008 £m	Q 3 2008 £m	+/-(%)	Q4 2008 £m	Q 3 2008 £m	+/-(%)
UK Insurance Operations												
Product Summary												
Internal Vesting annuities	**471**	408	15%	**-**	-	-	**471**	408	15%	**47**	41	15%
Direct and Partnership Annuities	**153**	177	(14%)	**-**	-	-	**153**	177	(14%)	**15**	18	(17%)
Intermediated Annuities	**96**	116	(17%)	**-**	-	-	**96**	116	(17%)	**10**	12	(17%)
Total Individual Annuities	**720**	701	3%	**-**	**-**	-	**720**	701	3%	**72**	70	3%
Income Drawdown (13)	**21**	24	(13%)	**-**	-	-	**21**	24	(13%)	**2**	2	0%
Equity Release	**54**	71	(24%)	**-**	-	-	**54**	71	(24%)	**5**	7	(29%)
Individual Pensions	**63**	20	215%	**1**	1	0%	**64**	21	205%	**7**	3	133%
Corporate Pensions	**67**	60	12%	**24**	26	(8%)	**91**	86	6%	**31**	32	(3%)
Unit Linked Bonds	**21**	21	0%	**-**	-	-	**21**	21	0%	**2**	2	0%
With-Profit Bonds	**218**	233	(6%)	**-**	-	-	**218**	233	(6%)	**22**	23	(4%)
Protection	**-**	-	-	**2**	1	100%	**2**	1	100%	**2**	1	100%
Offshore Products	**104**	126	(17%)	**1**	1	0%	**105**	127	(17%)	**11**	14	(21%)
Pru Health (12)	**-**	-	-	**2**	6	(67%)	**2**	6	(67%)	**2**	6	(67%)
Total Retail Retirement	**1,268**	1,256	1%	**30**	35	(14%)	**1,298**	1,291	1%	**157**	161	(2%)
Corporate Pensions (14)	**-**	54	-	**28**	26	8%	**28**	80	(65%)	**28**	31	(10%)
Other Products	**19**	36	(47%)	**4**	6	(33%)	**23**	42	(45%)	**6**	10	(40%)
DWP Rebates	**50**	-	-	**-**	-	-	**50**	-	-	**5**	-	-
Total Mature Life and Pensions	**69**	90	(23%)	**32**	**32**	**0%**	**101**	122	(17%)	**39**	41	(5%)
Total Retail	**1,337**	1,346	(1%)	**62**	67	(7%)	**1,399**	1,413	(1%)	**196**	202	(3%)
Wholesale Annuities	**47**	1,063	(96%)	**-**	-	-	**47**	1,063	(96%)	**5**	106	(95%)
Credit Life	**7**	4	75%	**-**	-	-	**7**	4	75%	**1**	-	-
Total UK Insurance Operations	**1,391**	2,413	(42%)	**62**	67	(7%)	**1,453**	2,480	(41%)	**201**	308	(35%)
Channel Summary												
Direct and Partnership	**623**	582	7%	**54**	55	(2%)	**677**	637	6%	**116**	113	3%
Intermediated	**664**	764	(13%)	**8**	12	(33%)	**672**	776	(13%)	**74**	88	(16%)
Wholesale	**54**	1,067	(95%)	**-**	-	-	**54**	1,067	(95%)	**5**	107	(95%)
Sub-Total	**1,341**	2,413	(44%)	**62**	**67**	(7%)	**1,403**	2,480	(43%)	**196**	308	(36%)
DWP Rebates	**50**	-	-	**-**	-	-	**50**	-	-	**5**	-	-
Total UK Insurance Operations	**1,391**	2,413	(42%)	**62**	67	(7%)	**1,453**	2,480	(41%)	**201**	308	(35%)
US Insurance Operations (1b)(8)												
Fixed Annuities	**583**	506	15%	**-**	-	-	**583**	506	15%	**58**	51	14%
Fixed Index Annuities	**184**	121	52%	**-**	-	-	**184**	121	52%	**18**	12	50%
Variable Annuities	**895**	799	12%	**-**	-	-	**895**	799	12%	**90**	80	13%
Life	**1**	2	(50%)	**6**	7	(14%)	**7**	9	(22%)	**6**	7	(14%)
Sub-Total Retail	**1,663**	1,428	16%	**6**	**7**	(14%)	**1,669**	1,435	16%	**172**	150	15%
Guaranteed Investment Contracts	**42**	310	(86%)	**-**	-	-	**42**	310	(86%)	**4**	31	(87%)
GIC - Medium Term Note	**16**	5	220%	**-**	-	-	**16**	5	220%	**2**	1	100%
Total US Insurance Operations	**1,721**	1,743	(1%)	**6**	7	(14%)	**1,727**	1,750	(1%)	**178**	181	(2%)
Asian Insurance Operations (1b)(8)												
China (10)	**16**	12	33%	**9**	8	13%	**25**	20	25%	**11**	9	22%
Hong Kong	**47**	114	(59%)	**41**	35	17%	**88**	149	(41%)	**46**	46	0%
India (6)	**7**	13	(46%)	**34**	46	(26%)	**41**	59	(31%)	**35**	47	(26%)
Indonesia	**9**	17	(47%)	**46**	40	15%	**55**	57	(4%)	**47**	42	12%
Japan	**21**	26	(19%)	**6**	3	100%	**27**	29	(7%)	**8**	6	33%
Korea	**15**	13	15%	**35**	58	(40%)	**50**	71	(30%)	**37**	59	(37%)
Malaysia	**6**	8	(25%)	**35**	26	35%	**41**	34	21%	**36**	27	33%
Singapore	**35**	30	17%	**22**	19	16%	**57**	49	16%	**26**	22	18%
Taiwan	**10**	13	(23%)	**70**	35	100%	**80**	48	67%	**71**	36	97%
Other (4)	**4**	4	0%	**14**	11	27%	**18**	15	20%	**14**	11	27%
Total Asian Insurance Operations	**170**	250	(32%)	**312**	**281**	**11%**	**482**	531	(9%)	**329**	306	8%
Group Total	**3,282**	4,406	(26%)	**380**	**355**	**7%**	**3,662**	4,761	(23%)	**708**	796	(11%)

INVESTMENT OPERATIONS

		Opening FUM £m	Gross Inflows £m	Redemptions £m	Net Inflows £m	Other Movements £m	Market & Currency Movements £m	Net Movement In FUM £m	Closing FUM £m
M&G (5)	Q4 2008	**49,994**	4,040	(4,775)	**(735)**	110	(2,372)	**(2,997)**	**46,997**
	Q3 2008	**51,699**	4,623	(2,918)	**1,705**	-	(3,410)	**(1,705)**	**49,994**
	+/-(%)	**(3%)**	(13%)	(64%)	**(143%)**	-	30%	**(76%)**	**(6%)**
Asia Retail Mutual Funds (15)	Q4 2008	**13,594**	12,529	(12,618)	**(89)**	(6)	944	**849**	**14,443**
	Q3 2008	**14,845**	11,552	(12,213)	**(661)**	(23)	(567)	**(1,251)**	**13,594**
	+/-(%)	**(8%)**	8%	(3%)	**87%**	74%	266%	**168%**	**6%**
Asia Third Party	Q4 2008	**755**	16	(24)	**(8)**	-	42	**34**	**789**
	Q3 2008	**841**	17	(46)	**(29)**	-	(57)	**(86)**	**755**
	+/-(%)	**(10%)**	(6%)	48%	**72%**	-	174%	**140%**	**5%**
US Retail Mutual Funds	Q4 2008	**58**	4	(8)	**(4)**	2	(6)	**(8)**	**50**
	Q3 2008	**62**	5	(9)	**(4)**	1	(1)	**(4)**	**58**
	+/-(%)	**(6%)**	(20%)	11%	**0%**	100%	(500%)	**(100%)**	**(14%)**
Total Investment Products	Q4 2008	**64,401**	16,589	(17,425)	**(836)**	106	(1,392)	**(2,122)**	**62,279**
	Q3 2008	**67,447**	16,197	(15,186)	**1,011**	(22)	(4,035)	**(3,046)**	**64,401**
	+/-(%)	**(5%)**	2%	(15%)	**(183%)**	582%	66%	**30%**	**(3%)**

PRUDENTIAL PLC - NEW BUSINESS - FULL YEAR 2008

TOTAL INSURANCE AND INVESTMENT NEW BUSINESS

	UK			US [1a]			Asia [1a]			Total		
	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)
Total Insurance Products	**7,183**	6,879	4%	**6,941**	7,063	(2%)	**2,673**	3,149	(15%)	**16,797**	17,091	(2%)
Total Investment Products Gross Inflows [2]	**16,154**	14,745	10%	**36**	65	(45%)	**46,957**	40,875	15%	**63,147**	55,685	13%
	23,337	21,624	8%	**6,977**	7,128	(2%)	**49,630**	44,024	13%	**79,944**	72,776	10%

INSURANCE OPERATIONS

	Single			Regular			Total			PVNBP		
	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)
UK Insurance Operations												
Product Summary												
Internal Vesting annuities	**1,600**	1,399	14%	**-**	-	-	**1,600**	1,399	14%	**1,600**	1,399	14%
Direct and Partnership Annuities	**703**	842	(17%)	**-**	-	-	**703**	842	(17%)	**703**	842	(17%)
Intermediated Annuities	**497**	555	(10%)	**-**	-	-	**497**	555	(10%)	**497**	555	(10%)
Total Individual Annuities	**2,800**	2,796	0%	**-**	-	-	**2,800**	2,796	0%	**2,800**	2,796	0%
Income Drawdown [13]	**75**	34	121%	**-**	-	-	**75**	34	121%	**75**	34	121%
Equity Release	**242**	156	55%	**-**	-	-	**242**	156	55%	**242**	156	55%
Individual Pensions	**115**	38	203%	**3**	1	200%	**118**	39	203%	**124**	42	195%
Corporate Pensions	**221**	283	(22%)	**88**	84	5%	**309**	367	(16%)	**645**	737	(12%)
Unit Linked Bonds	**109**	243	(55%)	**-**	-	-	**109**	243	(55%)	**109**	243	(55%)
With-Profit Bonds	**869**	297	193%	**-**	-	-	**869**	297	193%	**869**	297	193%
Protection	**-**	-	-	**6**	5	20%	**6**	5	20%	**38**	26	46%
Offshore Products	**551**	434	27%	**4**	4	0%	**555**	438	27%	**573**	455	26%
Pru Health [12]	**-**	-	-	**16**	13	23%	**16**	13	23%	**146**	107	36%
Total Retail Retirement	**4,982**	4,281	16%	**117**	107	9%	**5,099**	4,388	16%	**5,621**	4,893	15%
Corporate Pensions	**227**	198	15%	**116**	115	1%	**343**	313	10%	**653**	604	8%
Other Products	**132**	190	(31%)	**21**	25	(16%)	**153**	215	(29%)	**219**	276	(21%)
DWP Rebates	**153**	143	7%	**-**	-	-	**153**	143	7%	**153**	143	7%
Total Mature Life and Pensions	**512**	531	(4%)	**137**	140	(2%)	**649**	671	(3%)	**1,025**	1,023	0%
Total Retail	**5,494**	4,812	14%	**254**	247	3%	**5,748**	5,059	14%	**6,646**	5,916	12%
Wholesale Annuities	**1,417**	1,799	(21%)	**-**	-	-	**1,417**	1,799	(21%)	**1,417**	1,799	(21%)
Credit Life	**18**	21	(14%)	**-**	-	-	**18**	21	(14%)	**18**	21	(14%)
Total UK Insurance Operations	**6,929**	6,632	4%	**254**	247	3%	**7,183**	6,879	4%	**8,081**	7,736	4%
Channel Summary												
Direct and Partnership	**2,352**	2,385	(1%)	**215**	212	1%	**2,567**	2,597	(1%)	**3,268**	3,313	(1%)
Intermediated	**2,990**	2,284	31%	**39**	35	11%	**3,029**	2,319	31%	**3,226**	2,460	31%
Wholesale	**1,434**	1,820	(21%)	**-**	-	-	**1,434**	1,820	(21%)	**1,434**	1,820	(21%)
Sub-Total	**6,776**	6,489	4%	**254**	247	3%	**7,030**	6,736	4%	**7,928**	7,593	4%
DWP Rebates	**153**	143	7%	**-**	**-**	-	**153**	143	7%	**153**	143	7%
Total UK Insurance Operations	**6,929**	6,632	4%	**254**	247	3%	**7,183**	6,879	4%	**8,081**	7,736	4%
US Insurance Operations [1a]												
Fixed Annuities	**1,724**	619	179%	**-**	-	-	**1,724**	619	179%	**1,724**	619	179%
Fixed Index Annuities	**501**	483	4%	**-**	-	-	**501**	483	4%	**501**	483	4%
Variable Annuities	**3,491**	4,922	(29%)	**-**	-	-	**3,491**	4,922	(29%)	**3,491**	4,922	(29%)
Life	**7**	8	(13%)	**24**	20	20%	**31**	28	11%	**230**	170	35%
Sub-Total Retail	**5,723**	6,032	(5%)	**24**	**20**	20%	**5,747**	6,052	(5%)	**5,946**	6,194	(4%)
Guaranteed Investment Contracts	**857**	441	94%	**-**	-	-	**857**	441	94%	**857**	441	94%
GIC - Medium Term Note	**337**	570	(41%)	**-**	-	-	**337**	570	(41%)	**337**	570	(41%)
Total US Insurance Operations	**6,917**	7,043	(2%)	**24**	20	20%	**6,941**	7,063	(2%)	**7,140**	7,205	(1%)
Asian Insurance Operations [1a]												
China [10]	**63**	53	19%	**32**	28	14%	**95**	81	17%	**230**	197	17%
Hong Kong	**507**	543	(7%)	**154**	127	21%	**661**	670	(1%)	**1,612**	1,295	24%
India [6]	**60**	27	122%	**202**	183	10%	**262**	210	25%	**747**	752	(1%)
Indonesia	**94**	121	(22%)	**167**	113	48%	**261**	234	12%	**649**	509	28%
Japan	**115**	150	(23%)	**30**	27	11%	**145**	177	(18%)	**217**	263	(17%)
Korea	**78**	165	(53%)	**211**	223	(5%)	**289**	388	(26%)	**1,097**	1,171	(6%)
Malaysia	**28**	46	(39%)	**99**	87	14%	**127**	133	(5%)	**570**	528	8%
Singapore	**341**	684	(50%)	**78**	77	1%	**419**	761	(45%)	**961**	1,208	(20%)
Taiwan	**153**	149	3%	**189**	246	(23%)	**342**	395	(13%)	**1,037**	1,265	(18%)
Other [4]	**18**	40	(55%)	**54**	60	(10%)	**72**	100	(28%)	**188**	219	(14%)
Total Asian Insurance Operations	**1,457**	1,978	(26%)	**1,216**	1,171	4%	**2,673**	3,149	(15%)	**7,308**	7,407	(1%)
Group Total	**15,303**	15,653	(2%)	**1,494**	1,438	4%	**16,797**	17,091	(2%)	**22,529**	22,348	1%

PRUDENTIAL PLC - NEW BUSINESS - FULL YEAR 2008

TOTAL INSURANCE AND INVESTMENT NEW BUSINESS

	UK			US (1b)			Asia (1b)			Total		
	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)
Total Insurance Products	**7,183**	6,879	4%	**6,941**	6,534	6%	**2,673**	2,901	(8%)	**16,797**	16,314	3%
Total Investment Products Gross Inflows (2)	**16,154**	14,745	10%	**36**	60	(40%)	**46,957**	38,954	21%	**63,147**	53,759	17%
	23,337	21,624	8%	**6,977**	6,594	6%	**49,630**	41,855	19%	**79,944**	70,073	14%

INSURANCE OPERATIONS

	Single			Regular			Total			PVNBP		
	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)	FY 2008 £m	FY 2007 £m	+/-(%)
UK Insurance Operations												
Product Summary												
Internal Vesting annuities	**1,600**	1,399	14%	**-**	-	-	**1,600**	1,399	14%	**1,600**	1,399	14%
Direct and Partnership Annuities	**703**	842	(17%)	**-**	-	-	**703**	842	(17%)	**703**	842	(17%)
Intermediated Annuities	**497**	555	(10%)	**-**	-	-	**497**	555	(10%)	**497**	555	(10%)
Total Individual Annuities	**2,800**	2,796	0%	**-**	-	-	**2,800**	2,796	0%	**2,800**	2,796	0%
Income Drawdown (13)	**75**	34	121%	**-**	-	-	**75**	34	121%	**75**	34	121%
Equity Release	**242**	156	55%	**-**	-	-	**242**	156	55%	**242**	156	55%
Individual Pensions	**115**	38	203%	**3**	1	200%	**118**	39	203%	**124**	42	195%
Corporate Pensions	**221**	283	(22%)	**88**	84	5%	**309**	367	(16%)	**645**	737	(12%)
Unit Linked Bonds	**109**	243	(55%)	**-**	-	-	**109**	243	(55%)	**109**	243	(55%)
With-Profit Bonds	**869**	297	193%	**-**	-	-	**869**	297	193%	**869**	297	193%
Protection	**-**	-	-	**6**	5	20%	**6**	5	20%	**38**	26	46%
Offshore Products	**551**	434	27%	**4**	4	0%	**555**	438	27%	**573**	455	26%
Pru Health (12)	**-**	-	-	**16**	13	23%	**16**	13	23%	**146**	107	36%
Total Retail Retirement	**4,982**	4,281	16%	**117**	107	9%	**5,099**	4,388	16%	**5,621**	4,893	15%
Corporate Pensions	**227**	198	15%	**116**	115	1%	**343**	313	10%	**653**	604	8%
Other Products	**132**	190	(31%)	**21**	25	(16%)	**153**	215	(29%)	**219**	276	(21%)
DWP Rebates	**153**	143	7%	**-**	-	-	**153**	143	7%	**153**	143	7%
Total Mature Life and Pensions	**512**	531	(4%)	**137**	140	(2%)	**649**	671	(3%)	**1,025**	1,023	0%
Total Retail	**5,494**	4,812	14%	**254**	247	3%	**5,748**	5,059	14%	**6,646**	5,916	12%
Wholesale Annuities	**1,417**	1,799	(21%)	**-**	-	-	**1,417**	1,799	(21%)	**1,417**	1,799	(21%)
Credit Life	**18**	21	(14%)	**-**	-	-	**18**	21	(14%)	**18**	21	(14%)
Total UK Insurance Operations	**6,929**	6,632	4%	**254**	247	3%	**7,183**	6,879	4%	**8,081**	7,736	4%
Channel Summary												
Direct and Partnership	**2,352**	2,385	(1%)	**215**	212	1%	**2,567**	2,597	(1%)	**3,268**	3,313	(1%)
Intermediated	**2,990**	2,284	31%	**39**	35	11%	**3,029**	2,319	31%	**3,226**	2,460	31%
Wholesale	**1,434**	1,820	(21%)	**-**	-	-	**1,434**	1,820	(21%)	**1,434**	1,820	(21%)
Sub-Total	**6,776**	6,489	4%	**254**	247	3%	**7,030**	6,736	4%	**7,928**	7,593	4%
DWP Rebates	**153**	143	7%	**-**	-	-	**153**	143	7%	**153**	143	7%
Total UK Insurance Operations	**6,929**	6,632	4%	**254**	247	3%	**7,183**	6,879	4%	**8,081**	7,736	4%
US Insurance Operations (1b)												
Fixed Annuities	**1,724**	573	201%	**-**	-	-	**1,724**	573	201%	**1,724**	573	201%
Fixed Index Annuities	**501**	446	12%	**-**	-	-	**501**	446	12%	**501**	446	12%
Variable Annuities	**3,491**	4,554	(23%)	**-**	-	-	**3,491**	4,554	(23%)	**3,491**	4,554	(23%)
Life	**7**	7	0%	**24**	19	26%	**31**	26	19%	**230**	158	46%
Sub-Total Retail	**5,723**	5,580	3%	**24**	19	26%	**5,747**	5,599	3%	**5,946**	5,731	4%
Guaranteed Investment Contracts	**857**	408	110%	**-**	-	-	**857**	408	110%	**857**	408	110%
GIC - Medium Term Note	**337**	527	(36%)	**-**	-	-	**337**	527	(36%)	**337**	527	(36%)
Total US Insurance Operations	**6,917**	6,515	6%	**24**	19	26%	**6,941**	6,534	6%	**7,140**	6,666	7%
Asian Insurance Operations (1b)												
China (10)	**63**	45	40%	**32**	24	33%	**95**	69	38%	**230**	167	38%
Hong Kong	**507**	501	1%	**154**	117	32%	**661**	618	7%	**1,612**	1,196	35%
India (6)	**60**	26	131%	**202**	177	14%	**262**	203	29%	**747**	728	3%
Indonesia	**94**	118	(20%)	**167**	109	53%	**261**	227	15%	**649**	494	31%
Japan	**115**	122	(6%)	**30**	22	36%	**145**	144	1%	**217**	214	1%
Korea	**78**	179	(56%)	**211**	241	(12%)	**289**	420	(31%)	**1,097**	1,267	(13%)
Malaysia	**28**	41	(32%)	**99**	78	27%	**127**	119	7%	**570**	472	21%
Singapore	**341**	593	(42%)	**78**	67	16%	**419**	660	(37%)	**961**	1,047	(8%)
Taiwan	**153**	132	16%	**189**	218	(13%)	**342**	350	(2%)	**1,037**	1,121	(7%)
Other (4)	**18**	36	(50%)	**54**	55	(2%)	**72**	91	(21%)	**188**	200	(6%)
Total Asian Insurance Operations	**1,457**	1,793	(19%)	**1,216**	1,108	10%	**2,673**	2,901	(8%)	**7,308**	6,906	6%
Group Total	**15,303**	14,940	2%	**1,494**	1,374	9%	**16,797**	16,314	3%	**22,529**	21,308	6%

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PRUDENTIAL PLC - NEW BUSINESS - QUARTER 4 2008 VERSUS QUARTER 4 2007

INSURANCE OPERATIONS

	Single			Regular			Total			PVNBP		
	Q4 2008 £m	Q4 2007 £m	+/-(%)	Q4 2008 £m	Q4 2007 £m	+/-(%)	Q4 2008 £m	Q4 2007 £m	+/-(%)	Q4 2008 £m	Q4 2007 £m	+/-(%)
UK Insurance Operations												
Product Summary												
Internal Vesting annuities	**471**	369	28%	**-**	-	-	**471**	369	28%	**471**	369	28%
Direct and Partnership Annuities	**153**	184	(17%)	**-**	-	-	**153**	184	(17%)	**153**	184	(17%)
Intermediated Annuities	**96**	126	(24%)	**-**	-	-	**96**	126	(24%)	**96**	126	(24%)
Total Individual Annuities	**720**	679	6%	**-**	**-**	-	**720**	679	6%	**720**	679	6%
Income Drawdown (13)	**21**	14	50%	**-**	-	-	**21**	14	50%	**21**	14	50%
Equity Release	**54**	48	13%	**-**	-	-	**54**	48	13%	**54**	48	13%
Individual Pensions	**63**	11	473%	**1**	-	-	**64**	11	482%	**67**	13	415%
Corporate Pensions	**67**	162	(59%)	**24**	26	(8%)	**91**	188	(52%)	**190**	354	(46%)
Unit Linked Bonds	**21**	43	(51%)	**-**	-	-	**21**	43	(51%)	**21**	43	(51%)
With-Profit Bonds	**218**	114	91%	**-**	-	-	**218**	114	91%	**218**	114	91%
Protection	**-**	-	-	**2**	2	0%	**2**	2	0%	**12**	6	100%
Offshore Products	**104**	129	(19%)	**1**	1	0%	**105**	130	(19%)	**110**	135	(19%)
Pru Health (12)	**-**	-	-	**2**	3	(33%)	**2**	3	(33%)	**17**	26	(35%)
Total Retail Retirement	**1,268**	1,200	6%	**30**	32	(6%)	**1,298**	1,232	5%	**1,430**	1,432	(0%)
Corporate Pensions (14)	**-**	30	-	**28**	29	(3%)	**28**	59	(53%)	**132**	135	(2%)
Other Products	**19**	47	(60%)	**4**	5	(20%)	**23**	52	(56%)	**53**	70	(24%)
DWP Rebates	**50**	14	257%	**-**	-	-	**50**	14	257%	**50**	14	257%
Total Mature Life and Pensions	**69**	91	(24%)	**32**	**34**	**(6%)**	**101**	125	(19%)	**235**	219	7%
Total Retail	**1,337**	1,291	4%	**62**	66	(6%)	**1,399**	1,357	3%	**1,665**	1,651	1%
Wholesale Annuities	**47**	1,754	(97%)	**-**	-	-	**47**	1,754	(97%)	**47**	1,754	(97%)
Credit Life	**7**	4	75%	**-**	-	-	**7**	4	75%	**7**	4	75%
Total UK Insurance Operations	**1,391**	3,049	(54%)	**62**	66	(6%)	**1,453**	3,115	(53%)	**1,719**	3,409	(50%)
Channel Summary												
Direct and Partnership	**623**	648	(4%)	**54**	59	(8%)	**677**	707	(4%)	**887**	964	(8%)
Intermediated	**664**	627	6%	**8**	7	14%	**672**	634	6%	**730**	670	9%
Wholesale	**54**	1,760	(97%)	**-**	-	-	**54**	1,760	(97%)	**54**	1,760	(97%)
Sub-Total	**1,341**	3,035	(56%)	**62**	**66**	(6%)	**1,403**	3,101	(55%)	**1,671**	3,394	(51%)
DWP Rebates	**50**	14	257%	**-**	-	-	**50**	14	257%	**50**	14	257%
Total UK Insurance Operations	**1,391**	3,049	(54%)	**62**	66	(6%)	**1,453**	3,115	(53%)	**1,719**	3,409	(50%)
US Insurance Operations (1b)(8)												
Fixed Annuities	**583**	152	284%	**-**	-	-	**583**	152	284%	**583**	152	284%
Fixed Index Annuities	**184**	104	77%	**-**	-	-	**184**	104	77%	**184**	104	77%
Variable Annuities	**895**	1,137	(21%)	**-**	-	-	**895**	1,137	(21%)	**895**	1,137	(21%)
Life	**1**	2	(50%)	**6**	6	0%	**7**	8	(13%)	**85**	54	57%
Sub-Total Retail	**1,663**	1,395	19%	**6**	**6**	0%	**1,669**	1,401	19%	**1,747**	1,447	21%
Guaranteed Investment Contracts	**42**	148	(72%)	**-**	-	-	**42**	148	(72%)	**42**	148	(72%)
GIC - Medium Term Note	**16**	(4)	500%	**-**	-	-	**16**	(4)	500%	**16**	(4)	500%
Total US Insurance Operations	**1,721**	1,539	12%	**6**	6	0%	**1,727**	1,545	12%	**1,805**	1,591	13%
Asian Insurance Operations (1b)(8)												
China (10)	**16**	18	(11%)	**9**	8	13%	**25**	26	(4%)	**66**	65	2%
Hong Kong	**47**	178	(74%)	**41**	35	17%	**88**	213	(59%)	**450**	424	6%
India (6)	**7**	6	17%	**34**	53	(36%)	**41**	59	(31%)	**141**	219	(36%)
Indonesia	**9**	53	(83%)	**46**	38	21%	**55**	91	(40%)	**154**	192	(20%)
Japan	**21**	40	(48%)	**6**	6	0%	**27**	46	(41%)	**12**	66	(82%)
Korea	**15**	60	(75%)	**35**	61	(43%)	**50**	121	(59%)	**220**	284	(23%)
Malaysia	**6**	21	(71%)	**35**	29	21%	**41**	50	(18%)	**193**	186	4%
Singapore	**35**	168	(79%)	**22**	21	5%	**57**	189	(70%)	**208**	326	(36%)
Taiwan	**10**	33	(70%)	**70**	36	94%	**80**	69	16%	**363**	151	140%
Other (4)	**4**	15	(73%)	**14**	22	(36%)	**18**	37	(51%)	**48**	78	(38%)
Total Asian Insurance Operations	**170**	592	(71%)	**312**	**309**	**1%**	**482**	901	(47%)	**1,855**	1,991	(7%)
Group Total	**3,282**	5,180	(37%)	**380**	381	(0%)	**3,662**	5,561	(34%)	**5,379**	6,991	(23%)

INVESTMENT OPERATIONS

		Opening FUM £m	Gross Inflows £m	Redemptions £m	Net Inflows £m	Other Movements £m	Market & Currency Movements £m	Net Movement In FUM £m	Closing FUM £m
M&G (5)	Q4 2008	**49,994**	4,040	(4,775)	**(735)**	110	(2,372)	**(2,997)**	**46,997**
	Q4 2007	**49,907**	3,933	(2,568)	**1,365**	(123)	72	**1,314**	**51,221**
	+/-(%)	**0%**	3%	(86%)	**(154%)**	189%	(3,394%)	**(328%)**	**(8%)**
Asia Retail Mutual Funds (	Q4 2008	**13,594**	12,529	(12,618)	**(89)**	(6)	944	**849**	**14,443**
	Q4 2007	**15,120**	10,842	(10,346)	**496**	(125)	786	**1,157**	**16,277**
	+/-(%)	**(10%)**	16%	(22%)	**(118%)**	95%	20%	**(27%)**	**(11%)**
Asia Third Party	Q4 2008	**755**	16	(24)	**(8)**	-	42	**34**	**789**
	Q4 2007	**980**	167	(76)	**91**	-	45	**136**	**1,116**
	+/-(%)	**(23%)**	(90%)	68%	**(109%)**	-	(7%)	**(75%)**	**(29%)**
US Retail Mutual Funds	Q4 2008	**58**	4	(8)	**(4)**	2	(6)	**(8)**	**50**
	Q4 2007	**32**	27	(2)	**25**	-	(2)	**23**	**55**
	+/-(%)	**81%**	(85%)	(300%)	**(116%)**	-	(200%)	**(135%)**	**(9%)**
Total Investment Products	Q4 2008	**64,401**	16,589	(17,425)	**(836)**	106	(1,392)	**(2,122)**	**62,279**
	Q4 2007	**66,039**	14,969	(12,992)	**1,977**	(248)	901	**2,630**	**68,669**
	+/-(%)	**(2%)**	11%	(34%)	**(142%)**	143%	(254%)	**(181%)**	**(9%)**

PRUDENTIAL PLC - NEW BUSINESS - QUARTER 4 2008 VERSUS QUARTER 3 2008

INSURANCE OPERATIONS

	Single			Regular			Total			PVNBP		
	Q4 2008 £m	Q 3 2008 £m	+/-(%)	Q4 2008 £m	Q 3 2008 £m	+/-(%)	Q4 2008 £m	Q 3 2008 £m	+/-(%)	Q4 2008 £m	Q 3 2008 £m	+/-(%)
UK Insurance Operations												
Product Summary												
Internal Vesting annuities	**471**	408	15%	**-**	-	-	**471**	408	15%	**471**	408	15%
Direct and Partnership Annuities	**153**	177	(14%)	**-**	-	-	**153**	177	(14%)	**153**	177	(14%)
Intermediated Annuities	**96**	116	(17%)	**-**	-	-	**96**	116	(17%)	**96**	116	(17%)
Total Individual Annuities	**720**	701	3%	**-**	**-**	-	**720**	701	3%	**720**	701	3%
Income Drawdown [13]	**21**	24	(13%)	**-**	-	-	**21**	24	(13%)	**21**	24	(13%)
Equity Release	**54**	71	(24%)	**-**	-	-	**54**	71	(24%)	**54**	71	(24%)
Individual Pensions	**63**	20	215%	**1**	1	0%	**64**	21	205%	**67**	22	205%
Corporate Pensions	**67**	60	12%	**24**	26	(8%)	**91**	86	6%	**190**	175	9%
Unit Linked Bonds	**21**	21	0%	**-**	-	-	**21**	21	0%	**21**	21	0%
With-Profit Bonds	**218**	233	(6%)	**-**	-	-	**218**	233	(6%)	**218**	233	(6%)
Protection	**-**	-	-	**2**	1	100%	**2**	1	100%	**12**	10	20%
Offshore Products	**104**	126	(17%)	**1**	1	0%	**105**	127	(17%)	**110**	132	(17%)
Pru Health [12]	**-**	-	-	**2**	6	(67%)	**2**	6	(67%)	**17**	50	(66%)
Total Retail Retirement	**1,268**	1,256	1%	**30**	35	(14%)	**1,298**	1,291	1%	**1,430**	1,439	(1%)
Corporate Pensions [14]	**-**	54	-	**28**	26	8%	**28**	80	(65%)	**132**	145	(9%)
Other Products	**19**	36	(47%)	**4**	6	(33%)	**23**	42	(45%)	**53**	47	13%
DWP Rebates	**50**	-	-	**-**	-	-	**50**	-	-	**50**	-	-
Total Mature Life and Pensions	**69**	90	(23%)	**32**	**32**	**0%**	**101**	122	(17%)	**235**	192	22%
Total Retail	**1,337**	1,346	(1%)	**62**	67	(7%)	**1,399**	1,413	(1%)	**1,665**	1,631	2%
Wholesale Annuities	**47**	1,063	(96%)	**-**	-	-	**47**	1,063	(96%)	**47**	1,063	(96%)
Credit Life	**7**	4	75%	**-**	-	-	**7**	4	75%	**7**	4	75%
Total UK Insurance Operations	**1,391**	2,413	(42%)	**62**	67	(7%)	**1,453**	2,480	(41%)	**1,719**	2,698	(36%)
Channel Summary												
Direct and Partnership	**623**	582	7%	**54**	55	(2%)	**677**	637	6%	**887**	802	11%
Intermediated	**664**	764	(13%)	**8**	12	(33%)	**672**	776	(13%)	**730**	828	(12%)
Wholesale	**54**	1,067	(95%)	**-**	-	-	**54**	1,067	(95%)	**54**	1,067	(95%)
Sub-Total	**1,341**	2,413	(44%)	**62**	**67**	(7%)	**1,403**	2,480	(43%)	**1,671**	2,697	(38%)
DWP Rebates	**50**	-	-	**-**	-	-	**50**	-	-	**50**	-	-
Total UK Insurance Operations	**1,391**	2,413	(42%)	**62**	67	(7%)	**1,453**	2,480	(41%)	**1,719**	2,698	(36%)
US Insurance Operations [1b][8]												
Fixed Annuities	**583**	506	15%	**-**	-	-	**583**	506	15%	**583**	506	15%
Fixed Index Annuities	**184**	121	52%	**-**	-	-	**184**	121	52%	**184**	121	52%
Variable Annuities	**895**	799	12%	**-**	-	-	**895**	799	12%	**895**	799	12%
Life	**1**	2	(50%)	**6**	7	(14%)	**7**	9	(22%)	**85**	57	49%
Sub-Total Retail	**1,663**	1,428	16%	**6**	**7**	(14%)	**1,669**	1,435	16%	**1,747**	1,483	18%
Guaranteed Investment Contracts	**42**	310	(86%)	**-**	-	-	**42**	310	(86%)	**42**	310	(86%)
GIC - Medium Term Note	**16**	5	220%	**-**	-	-	**16**	5	220%	**16**	5	220%
Total US Insurance Operations	**1,721**	1,743	(1%)	**6**	7	(14%)	**1,727**	1,750	(1%)	**1,805**	1,798	0%
Asian Insurance Operations [1b][8]												
China [10]	**16**	12	33%	**9**	8	13%	**25**	20	25%	**66**	53	25%
Hong Kong	**47**	114	(59%)	**41**	35	17%	**88**	149	(41%)	**450**	328	37%
India [6]	**7**	13	(46%)	**34**	46	(26%)	**41**	59	(31%)	**141**	156	(10%)
Indonesia	**9**	17	(47%)	**46**	40	15%	**55**	57	(4%)	**154**	159	(3%)
Japan	**21**	26	(19%)	**6**	3	100%	**27**	29	(7%)	**12**	42	(71%)
Korea	**15**	13	15%	**35**	58	(40%)	**50**	71	(30%)	**220**	283	(22%)
Malaysia	**6**	8	(25%)	**35**	26	35%	**41**	34	21%	**193**	152	27%
Singapore	**35**	30	17%	**22**	19	16%	**57**	49	16%	**208**	206	1%
Taiwan	**10**	13	(23%)	**70**	35	100%	**80**	48	67%	**363**	167	117%
Other [4]	**4**	4	0%	**14**	11	27%	**18**	15	20%	**48**	43	12%
Total Asian Insurance Operations	**170**	250	(32%)	**312**	**281**	**11%**	**482**	531	(9%)	**1,855**	1,589	17%
Group Total	**3,282**	4,406	(26%)	**380**	**355**	**7%**	**3,662**	4,761	(23%)	**5,379**	6,085	(12%)

INVESTMENT OPERATIONS

		Opening FUM £m	Gross Inflows £m	Redemptions £m	Net Inflows £m	Other Movements £m	Market & Currency Movements £m	Net Movement In FUM £m	Closing FUM £m
M&G [5]	Q4 2008	**49,994**	4,040	(4,775)	**(735)**	110	(2,372)	**(2,997)**	**46,997**
	Q3 2008	**51,699**	4,623	(2,918)	**1,705**	-	(3,410)	**(1,705)**	**49,994**
	+/-(%)	**(3%)**	(13%)	(64%)	**(143%)**	-	30%	**(76%)**	**(6%)**
Asia Retail Mutual Funds [15]	Q4 2008	**13,594**	12,529	(12,618)	**(89)**	(6)	944	**849**	**14,443**
	Q3 2008	**14,845**	11,552	(12,213)	**(661)**	(23)	(567)	**(1,251)**	**13,594**
	+/-(%)	**(8%)**	8%	(3%)	**87%**	74%	266%	**168%**	**6%**
Asia Third Party	Q4 2008	**755**	16	(24)	**(8)**	-	42	**34**	**789**
	Q3 2008	**841**	17	(46)	**(29)**	-	(57)	**(86)**	**755**
	+/-(%)	**(10%)**	(6%)	48%	**72%**	-	174%	**140%**	**5%**
US Retail Mutual Funds	Q4 2008	**58**	4	(8)	**(4)**	2	(6)	**(8)**	**50**
	Q3 2008	**62**	5	(9)	**(4)**	1	(1)	**(4)**	**58**
	+/-(%)	**(6%)**	(20%)	11%	**0%**	100%	(500%)	**(100%)**	**(14%)**
Total Investment Products	Q4 2008	**64,401**	16,589	(17,425)	**(836)**	106	(1,392)	**(2,122)**	**62,279**
	Q3 2008	**67,447**	16,197	(15,186)	**1,011**	(22)	(4,035)	**(3,046)**	**64,401**
	+/-(%)	**(5%)**	2%	(15%)	**(183%)**	582%	66%	**30%**	**(3%)**

PRUDENTIAL PLC - NEW BUSINESS SCHEDULES

BASIS OF PREPARATION

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

The format of the schedules is consistent with the distinction between insurance and investment products as applied for previous financial reporting periods. Products categorised as "insurance" refer to those classified as contracts of long-term insurance business for regulatory reporting purposes, i.e. falling within one of the classes of insurance specified in part II of Schedule 1 to the Regulated Activities Order under FSA regulations.
The details shown for insurance products include contributions for contracts that are classified under IFRS 4 "Insurance Contracts" as not containing significant insurance risk. These products are described as investment contracts or other financial instruments under IFRS. Contracts included in this category are primarily certain unit-linked and similar contracts written in UK Insurance Operations, and Guaranteed Investment Contracts and similar funding agreements written in US Operations.

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

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

Notes to Schedules 29-38

(1a) Insurance and investment new business for overseas operations has been calculated using constant exchange rates. The applicable rate for Jackson is 1.85.

(1b) Insurance and investment new business for overseas operations has been calculated using actual exchange rates. The applicable rate for Jackson is 1.85 (2007:2.00).

(2) Represents cash received from sale of investment products.

(3) Annual Equivalents, calculated as regular new business contributions plus 10 per cent single new business contributions, are subject to roundings. PVNBPs are calculated as equalling single premiums plus the present value of expected premiums of new regular premium business. In determining the present value, allowance is made for lapses and other assumptions applied in determining the EEV new business profit.

(4) In Asia, 'Other' insurance operations include Thailand, the Philippines and Vietnam.

(5) 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.

(6) New business in India is included at Prudential's 26 per cent interest in the India life operation.

(7) Balance sheet figures have been calculated at the closing exchange rate. The 2007 balance is shown on a constant exchange rate.

(8) Sales are converted using the year to date average exchange rate applicable at the time. The sterling results for individual quarters represent the difference between the year to date reported sterling results at successive quarters and will include foreign exchange movements from earlier periods.

(9) £234m of FUM reported under Prudential Asian funds operations relate to M&G's products distributed through Asian operations and this amount is also included in M&G's FUM.

(10) All premiums for China are shown at 50 per cent shown on a like for like basis, reflecting the constant economic interest before and after management changes made at the end of Q3 2007 in line with the original agreement with CITIC.

(11) Mandatory Provident Fund (MPF) product sales in Hong Kong are included at Prudential's 36 per cent interest in Hong Kong MPF operation.

(12) Sales for PruHealth are included in the UK Sales schedule. Prior quarters for 2008 and 2007 have been restated. The APE and PVNBP sales by quarter (rounded) are as follows:

	APE £m		PVNBP £m	
	2008	2007	2008	2007
Q1	3	4	32	29
Q2	5	3	47	26
Q3	6	3	50	26
Q4	2	3	17	26
Total	16	13	146	107

(13) Income Drawdown has been reallocated from Individual Annuities product line. The APE and PVNBP sales by quarter (rounded) are as follows:

	APE £m		PVNBP £m	
	2008	2007	2008	2007
Q1	1	1	13	5
Q2	2	1	17	6
Q3	2	1	24	9
Q4	2	1	21	14
Total	8	3	75	34

(14) UK Fourth Quarter Mature Life and Pensions Corporate Pension sales include a £15m (£2m APE) Single Premium product reallocation to Individual Pensions.

(15) Incorporated into the Opening FUM for Q4 is £191m related to inflows in Q3 in respect of the India Provident Fund. In Q4 this product has been reclassified out of Retail Mutual Funds. Therefore the Q4 Gross Inflows and Closing FUM reflect this reduction of £191m.

RISK FACTORS

A number of factors (risk factors) affect Prudential's operating results and financial condition and, accordingly, the trading price of its shares. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. The information given is as of the date of this report, is not updated, and any forward-looking statements are made subject to the reservations specified below under "Forward-Looking Statements".

Prudential's businesses are inherently subject to market fluctuations and general economic conditions.

Prudential's businesses are inherently subject to market fluctuations and general economic conditions. Uncertain or negative trends in international economic and investment climates which have adversely affected Prudential's business and profitability could be repeated, or prolonged, or could worsen. The adverse effects of such trends, including the unprecedented market dislocation across asset classes and geographical markets witnessed since mid-2008, have been and would be felt principally through the following:

- reduced investment returns, could impair its ability to write significant volumes of new business as a result of market volatility, which would have a negative impact on Prudential's assets under management and profit;

- higher credit defaults and wider credit and liquidity spreads resulting in realised and unrealised credit losses, as recently experienced when illiquidity and credit spreads reached all-time highs;

- Prudential in the normal course of business enters into a variety of transactions, including derivative transactions, with counterparties. Failure of any of these counterparties to discharge their obligations, or where adequate collateral is not in place, could have an adverse impact on Prudential's results; and

- in certain illiquid or closed markets, determining the value at which financial instruments can be realised is highly subjective. Processes to ascertain value and estimates of value require substantial elements of judgement, assumptions and estimates (which may change over time). Increased illiquidity also adds to uncertainty over the accessibility of financial resources and may reduce capital resources as valuations decline.

In the United Kingdom, a significant part of Prudential's shareholders' profit is related to bonuses for policyholders declared on its with-profits products, which are broadly based on historic and current rates of return on equity, real estate and fixed income securities, as well as Prudential's expectations of future investment returns. For all lines of business, fluctuations in financial risk factors will affect the Company's results. In 2008, Prudential has had to operate against a challenging background of unprecedented volatility in capital and equity markets, interest rates and widespread economic uncertainty.

In the United States, fluctuations in interest rates can affect results from Jackson National Life Insurance Company (Jackson), which has a significant spread-based business and where the majority of investments are in fixed-income securities. The spread is the difference between the rate of return Jackson is able to earn on the assets backing the policyholders' liabilities and the amounts that are credited to policyholders in the form of benefit increases, subject to minimum crediting rates. During

2008, the US financial services industry faced an unprecedented array of challenges: the S&P 500 index fell by 38.5 per cent, government interest rates fell to historic lows, and global markets experienced a significant increase in volatility. In addition, credit markets seized and global credit spreads widened to historic levels. These factors have significantly contributed to the substantial increases in Jackson's unrealised losses. Jackson also writes a significant amount of variable annuities that offer capital or income protection guarantees. There could be unforseen market circumstances where the derivatives that it enters into to hedge its market risks may not fully offset its losses, and any cost of the guarantees that remain unhedged will also affect the Company's results.

For some non unit-linked products, in particular those written in some of the Group's Asian operations, it may not be possible to hold assets which will provide cash flows to exactly match those relating to policyholder liabilities. This is particularly true in those countries where bond markets are not developed and in certain markets such as Taiwan where regulated surrender values are set by regulators with reference to the interest rate environment prevailing at time of policy issue. This results in a mismatch due to the duration and uncertainty of the liability cash flows and the lack of sufficient assets of a suitable duration. This residual asset/liability mismatch risk can be managed but not eliminated. Where interest rates in these markets remain lower than interest rates used to calculate surrender values over a sustained period this could have an adverse impact on the Group's reported profit.

Prudential is subject to the risk of exchange rate fluctuations owing to the geographical diversity of its businesses.

Due to the geographical diversity of Prudential's businesses, it is subject to the risk of exchange rate fluctuations. Prudential's international operations in the United States and Asia, which represent a significant proportion of operating profit and shareholders' funds, generally write policies and invest in assets denominated in local currency. Although this practice limits the effect of exchange rate fluctuations on local operating results, it can lead to significant fluctuations in Prudential's consolidated financial statements upon translation of results into pounds sterling. The currency exposure relating to the translation of reported earnings is not separately managed. Consequently, this could impact on the Group's gearing ratios (defined as debt over debt plus shareholders' funds). The impact of gains or losses on currency translations is recorded as a component within the statement of changes in equity.

Prudential conducts its businesses subject to regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations and any accounting standards in the markets in which it operates.

Changes in government policy, legislation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which Prudential operates, which in some circumstances may be applied retrospectively, may adversely affect Prudential's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements. For instance, regulators in jurisdictions in which Prudential operates may change the level of capital required to be held by individual businesses. Also these changes could include possible changes in the regulatory framework for pension arrangements and policies, the regulation of selling practices and solvency requirements. Furthermore, as a result of the recent interventions by governments in response to global economic conditions, it is widely expected that there will be a substantial increase in government regulation and supervision of the financial services industry, including the possibility of higher capital requirements, restrictions on certain types of transaction structure, and enhanced supervisory powers.

The current EU Insurance Groups Directive (IGD) requires European financial services groups to demonstrate net aggregate surplus capital in excess of solvency requirements at the Group level in respect of shareholder-owned entities. The test is a continuous requirement, so that Prudential needs to maintain a somewhat higher amount of regulatory capital at the Group level than otherwise necessary in respect of some of its individual businesses to accommodate, for example, short-term movements in global foreign exchange rates, interest rates, deterioration in credit quality and equity markets. In addition, changes in the local regulatory environment of countries where this is deemed equivalent to the EU could affect the calculation of the Group's solvency position. The application of Solvency II, the new European Union solvency framework for insurers, to international groups is still unclear and there is a risk of inconsistent application in different member states which may place Prudential at a competitive disadvantage to other European and non-European financial services groups.

Various jurisdictions in which Prudential operates have created investor compensation schemes that require mandatory contributions from market participants in some instances in the event of a failure of a market participant. As a major participant in the majority of its chosen markets, circumstances could arise where Prudential, along with other companies, may be required to make additional material contributions.

The Group's accounts are prepared in accordance with current international financial reporting standards (IFRS) applicable to the insurance industry. The International Accounting Standards Board (IASB) introduced a framework that it described as Phase I that permitted insurers to continue to use the statutory basis of accounting that existed in their jurisdictions prior to January 2005. The IASB has published proposals in its Phase II discussion paper that would introduce significant changes to the statutory reporting of insurance entities that prepare accounts according to IFRS. It is uncertain in what form the proposals in the discussion paper will be taken forward into a definitive IFRS and when such changes might take effect.

European Embedded Value (EEV) basis results are published as supplementary information. The EEV basis is a value based reporting method for Prudential's long-term business which is used by market analysts and which underpins a significant part of the key performance indicators used by the Company's management for both internal and external reporting purposes. In June 2008, in an effort to improve still further the consistency and transparency of embedded value reporting, the Chief Financial Officers' (CFO) Forum published the initial Market Consistent Embedded Value (MCEV) Principles. The CFO Forum announced on 19 December, 2008, that it would be reviewing the Principles given the current turbulent markets. They acknowledged that the MCEV principles were designed during a period of relatively stable market conditions and their application could, in turbulent markets, lead to misleading results. The review may lead to changes to the published MCEV Principles or the issuance of guidance. On completion of this review, Prudential will consider its approach to them. If Prudential adopts the new Principles, this will result in a restatement of reported EEV results and change the reporting basis of future results.

The resolution of several issues affecting the financial services industry could have a negative impact on Prudential's reported results or on its reputation or on its relations with current and potential customers.

Prudential is, and in the future may be, subject to legal and regulatory actions in the ordinary course of its business, both in the United Kingdom and internationally. This could be a review of business sold in the past under previously acceptable market practices at the time such as the requirement in the United Kingdom to provide redress to certain past purchasers of pension and mortgage endowment policies, changes to the tax regime affecting products and regulatory reviews on products sold and industry practices, including in the latter case businesses it has closed.

Regulators particularly, but not exclusively, in the United States and the United Kingdom are moving towards a regime based on principles-based regulation which brings an element of uncertainty. These regulators are increasingly interested in the approach that product providers use to select third-party distributors. In some case product providers can be held responsible for the deficiencies of third-party distributors.

In the United States, federal and state regulators have focused on, and continue to devote substantial attention to, the mutual fund, fixed index and variable annuity and insurance product industries. This includes new regulations in respect of the suitability of broker-dealers' sales of certain products. As a result of publicity relating to widespread perceptions of industry abuses, there have been numerous regulatory inquiries and proposals for legislative and regulatory reforms.

In Asia, regulatory regimes are developing at different speeds, driven by a combination of global factors and local considerations. There is a risk that new requirements are retrospectively applied to sales made prior to their introduction.

Litigation and disputes may adversely affect Prudential's profitability and financial condition.

Prudential is, and may be in the future, subject to legal actions and disputes in the ordinary course of its insurance, investment management and other business operations. These legal actions and disputes may relate to aspects of Prudential's businesses and operations that are specific to Prudential, or that are common to companies that operate in Prudential's markets. Legal actions and disputes may arise under contracts, regulations or from a course of conduct taken by Prudential, and may be class actions. Although Prudential believes that it has adequately provisioned in all material aspects for the costs of litigation and regulatory matters, no assurance can be provided that such provisions are sufficient. Given the large or indeterminate amounts of damages sometimes sought, and the inherent unpredictability of litigation and disputes, it is possible that an adverse outcome could, from time to time, have an adverse effect on Prudential's results of operation or cash flows.

Prudential's businesses are conducted in highly competitive environments with developing demographic trends and Prudential's continued profitability depends on its management's ability to respond to these pressures and trends.

The markets for financial services in the United Kingdom, United States and Asia are highly competitive, with several factors affecting Prudential's ability to sell its products and its continued profitability, including price and yields offered, financial strength and ratings, range of product lines and product quality, brand strength and name recognition, investment management performance, historical bonus levels, developing demographic trends and customer appetite for certain savings products. In some of its markets Prudential faces competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or have higher bonus rates or claims-paying ratios. Further, heightened competition for talented and skilled employees with local experience, particularly in Asia, may limit the Group's potential to grow its business as quickly as planned.

Within the United Kingdom, Prudential's principal competitors in the life insurance market include many of the major retail financial services companies including, in particular, Aviva, Legal & General, Lloyds Banking Group and Standard Life.

Jackson's competitors in the United States include major stock and mutual insurance companies, mutual fund organizations, banks and other financial services companies such as AIG, AXA, Hartford, Lincoln National, MetLife and TIAA-CREF.

In Asia, the Group's main regional competitors are international financial companies, including AIG, Allianz, AXA, ING and Manulife. In a number of markets, local companies have a very significant market presence.

Prudential believes competition will intensify across all regions in response to consumer demand, technological advances, the impact of consolidation, regulatory actions and other factors. Prudential's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures.

Downgrades in Prudential's financial strength and credit ratings could significantly impact its competitive position and hurt its relationships with creditors or trading counterparties.

Prudential's financial strength and credit ratings, which are used by the market to measure its ability to meet policyholder obligations, are an important factor affecting public confidence in most of Prudential's products, and as a result its competitiveness. Changes in methodologies and criteria used by rating agencies could result in downgrades that do not reflect changes in the general economic conditions or Prudential's financial condition. Downgrades in Prudential's ratings could have an adverse effect on its ability to market products and retain current policyholders. In addition, the interest rates Prudential pays on its borrowings are affected by its debt credit ratings, which are in place to measure Prudential's ability to meet its contractual obligations.

Prudential's long-term senior debt is rated as A2 (stable outlook) by Moody's, A+ (stable outlook) by Standard & Poor's and AA– (stable outlook) by Fitch.

Prudential's short-term debt is rated as P-1 by Moody's, A-1 by Standard & Poor's and F1+ by Fitch.

Prudential Assurance Company's (PAC's) financial strength is rated Aa1 (rating under review for possible downgrade) by Moody's, AA+ (negative outlook) by Standard & Poor's and AA+ (stable outlook) by Fitch.

Adverse experience in the operational risks inherent in Prudential's business could have a negative impact on its results of operations.

Operational risks are present in all of Prudential's businesses, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events. Prudential's business is dependent on processing a large number of complex transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes. In addition, Prudential outsources several operations, including in the United Kingdom a significant part of its back office and customer-facing functions as well as a number of IT functions. In turn, Prudential is reliant upon the operational processing performance of its outsourcing partners.

Further, because of the long-term nature of much of Prudential's business, accurate records have to be maintained for significant periods. Prudential's systems and processes incorporate controls which are designed to manage and mitigate the operational risks associated with its activities. For example, any weakness in the administration systems or actuarial reserving processes could have an impact on its results of operations during the effective period. Prudential has not experienced or identified any operational risks in its systems or processes during 2008, or which have subsequently caused, or are expected to cause, a significant negative impact on its results of operations.

Adverse experience against the assumptions used in pricing products and reporting business results could significantly affect Prudential's results of operations.

Prudential needs to make assumptions about a number of factors in determining the pricing of its products and for reporting the results of its long-term business operations. For example, the assumption that Prudential makes about future expected levels of mortality is particularly relevant for its United Kingdom annuity business. In exchange for a premium equal to the capital value of their accumulated pension fund, pension annuity policyholders receive a guaranteed payment, usually monthly, for as long as they are alive. Prudential conducts rigorous research into longevity risk, using data from its substantial annuitant portfolio. As part of its pension annuity pricing and reserving policy, Prudential United Kingdom assumes that current rates of mortality continuously improve over time at levels based on adjusted data from the Continuous Mortality Investigations (CMI) medium cohort table projections (as published by the Institute and Faculty of Actuaries). If mortality improvement rates significantly exceed the improvement assumed, Prudential's results of operations could be adversely affected.

A further example is the assumption that Prudential makes about future expected levels of the rates of early termination of products by its customers (persistency). This is particularly relevant to its lines of business other than its United Kingdom annuity business. Prudential's persistency assumptions reflect recent past experience for each relevant line of business. Any expected deterioration in future persistency is also reflected in the assumption. If actual levels of future persistency are significantly different from those assumed, Prudential's results of operations could be adversely affected.

In common with other industry participants, the profitability of the Group's businesses depends on a mix of factors including mortality and morbidity trends, policy surrender rates, investment performance, unit cost of administration and new business acquisition expense.

As a holding company, Prudential is dependent upon its subsidiaries to cover operating expenses and dividend payments.

Prudential's insurance and investment management operations are generally conducted through direct and indirect subsidiaries. As a holding company, Prudential's principal sources of funds are dividends from subsidiaries, shareholder-backed funds, the shareholder transfer from Prudential's long-term funds and any amounts that may be raised through the issuance of equity, debt and commercial paper. Certain of the subsidiaries are regulated and therefore have restrictions that can limit the payment of dividends, which in some circumstances could limit the Group's ability to pay dividends to shareholders.

Prudential operates in a number of markets through joint ventures and other arrangements with third parties. These arrangements involve certain risks that Prudential does not face with respect to its consolidated subsidiaries.

Prudential operates, and in certain markets is required by local regulation to operate, through joint ventures. Prudential's ability to exercise management control over its joint venture operations and its investment in them depends on the terms of the joint venture agreements, in particular, the allocation of control among, and continued co-operation between, the joint venture participants. Prudential may also face financial or other exposure in the event that any of its joint venture partners fails to meet its obligations under the joint venture or encounters financial difficulty. In addition, a significant proportion of the Group's product distribution is carried out through arrangements with third parties not controlled by Prudential and is dependent upon continuation of these relationships. A temporary or permanent disruption to these distribution arrangements could affect Prudential's results of operations.

Prudential's Articles of Association contain an exclusive jurisdiction provision.

Under Prudential's Articles of Association, certain legal proceedings may only be brought in the courts of England and Wales. This applies to legal proceedings between a shareholder (in its capacity as such) against Prudential and/or its directors and/or its professional service providers. It also applies to legal proceedings between Prudential and its directors and/or Prudential and Prudential's professional service providers that arise in connection with legal proceedings between the shareholder and such professional service provider. This provision could make it difficult for US and other non-UK shareholders to enforce their shareholder rights.