Prudential **14th March 2008**

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Mark Tucker: Good morning and welcome to our 2007 Results presentation.

I am delighted to be presenting an outstanding set of results this morning. 2007 has been a very strong year for Prudential, both absolutely and relative to our peer group, and our figures show the strong growth momentum that the Group has achieved over the last three years.

This morning I'd like to talk about the 2007 results in the context also of our three year performance. I'll also remind you about our strategic growth drivers which remain both powerful and highly positive for the medium and long term. Our results demonstrate clearly that we've delivered on our past promises, and I'm also confident that we are in a very strong position to continue our outperformance in the future.

Our strategy remains clear: We will focus primarily on the enormous opportunities offered by the retirement market around the world. Quite simply, that's where the major growth trends in our industry are to be found. The cycle of asset accumulation and income drawdown will vary by market, but over time it is both repeatable and sustainable. This means we can capture wave after wave of value, based on our financial strength; our trusted brands; our investment and risk management skills and our local products and distribution expertise. We remain very confident that the implementation of our retirement-led strategy with a tight focus on generating profitable growth and excellent delivery will continue to drive sustainable value for our shareholders.

So, on to the headlines: As you can see, all the key financial metrics are up 20% or more. Growth in new business profit was up 22%; EEV operating profit increased by 25% and IFRS operating profit up 20%. The cash profile of the Group continued to improve and overall the capital position of the Group remains very robust. Obviously there is currently a lot of focus on the credit environment, and as I said at our new business figures in January, we came into this environment in a relatively defensive position. We had been actively managing upwards the quality of our credit portfolio over the last couple of years. Indeed, in the UK with-profit fund, we bought significant credit protection. As a consequence of our actions and our defensive

positioning there has not been any significant impact on our results and, as Philip will tell you later, there are no defaults in our debt securities portfolio. Reflecting our continuing confidence in the business we are proposing a 5% increase in the final dividend. That means that the full year dividend is also up 5% and our dividend cover is now at 1.9 times.

This slide demonstrates that what we have achieved and delivered in 2007 is a continuation of the momentum derived from our retirement-led strategy. Since 2004 EEV operating profit has doubled, growing at a compound rate of 28%, as we have continued to expand and grow our operations. Within the 2007 results, Asia's overall contribution passed £1 billion for the first time. Indeed, life profit for the regions has more than doubled over the last three years, benefiting from a combination of high growth with high margins and the increasing scale of the in-force portfolio. Our business in Asia has gone from strength to strength.

We have also seen excellent growth in both the UK and the US. Life EEV in these two key markets is growing at compound annual rates of 21% here in the UK and at 18% in the US over that period. You can add to that M&G growing at 23% compound and our Asian Fund Management growing even faster, at over 50% compound. I think you've got to keep in mind that along with growth in EEV profit we have also achieved a near-doubling of IFRS profit in the same three year period, and this has been achieved with significant contributions from all of our businesses.

Turning to the balance sheet, momentum in operating performance as I've just described is supporting the rapid growth in EEV shareholders funds. Since the end of 2004 the balance sheet has expanded by just over £6 billion, which represents an increase of over 70%. We are achieving high levels of growth and, most importantly, we are combining that with maintaining average margins at above 40% for the Group as a whole. We're also achieving high levels of return on our capital and, as I've mentioned on numerous previous occasions, as a senior management team we continue to maintain a very clear focus on value over volume.

Geographic diversifications of earnings and risk are absolutely fundamental to the Prudential model. Over three quarters of our new business profit now comes from Asia and the US, and that's clearly a powerful value driver. Looking at Life EEV operating profit, the scale of our achievements in Asia, as I've just mentioned, means that the region now accounts for some 40% of

our business on this measure. On an IFRS basis, the UK Life business remains a very significant contributor with a combined strength and success of the with-profit fund and a growing contribution from the shareholder annuity business. In addition, the rapid growth achieved in our asset management businesses means that they now account for around a quarter of our IFRS profits.

Overall we have maintained strong momentum in our operating performance and the cash flow of the Group has continued to strengthen. We have achieved that performance by implementing a clear strategy and by delivering excellence in the implementation of our plan across all of our markets.

What I would like to do now is briefly remind you what we have been doing to build and sustain our performance. Looking first at Asia, where I trust you will allow me to say that Barry and his team have had an immensely impressive, even spectacular year. The key aim for the Asian business is to grow the absolute level of new business profit. We set a target to at least double 2005 new business profit by 2009 and, given the growth we have achieved to date and expect to achieve going forward, we will deliver this target a year early.

We set out our priorities in Asia at the end of 2006 and we are making excellent progress on all funds. Building distribution power remains key, and we will continue to build scale in the agency force. Critically, we will also remain very focused on agency management and training to enhance productivity and protect the quality of the business that we write.

We also continue to grow the breadth of the non-agency distribution channels by bringing in new partners. For example in Korea we've added new distribution partnerships with the Industrial Bank of Korea and Kookmin Bank and, in Taiwan, we extended our regional relationship with Standard Chartered. We have also made good progress in establishing a region-wide relationship to more effectively up-sell and cross-sell to our existing customers. We will step this up over the coming months. In 2008 we will continue to also build out our retirement business, and further develop our position in the health market.

There's a powerful cultural drive in Asia for individuals to save and protect. There's also an ever-growing awareness of the availability of efficient investment vehicles. It's these powerful trends and the scale of

demographics that underpin the future growth of the region, and that's especially true in terms of regular premium business, which has been at the core of our development. This, as you know, is very high quality business which we have more than doubled in the last three years. In addition and over time, particularly through the expansion of our non-agency distribution, we are also gaining an ever-increasing share of the single premium market as it develops. A range of top class partners and an international range of investment linked products including local Asian and M&G products have supported our success. As you know, Barry and his team are very much looking forward to seeing those of you that can make it to Hong Kong and Jakarta in late April. It will be a great trip that will give you much more insight into our business and its future prospects in the world's fastest growing region.

On to the US, where it's been another great year of success for Clark and his team; as you know, the key market we've been focusing on here is the variable annuity market, and you can see from the graph Jackson has materially outperformed the market. A big part of that outperformance has been in the independent broker dealer channel, which in itself now accounts for over one third of all the VA sales in the US. Our flagship product, Perspective II, has been the top selling product in that channel in each of the last five years. Regional broker dealer business also continues to grow, as does new business through the bank channel.

You know and I have said before that we are not price-led. We have an advice-based proposition and we have a sector-leading wholesale team which we grew by 25% during the year and, importantly, while growing that team, we also increased productivity per wholesaler. Effective servicing by the wholesaler team and supporting our product flexibility requires the right technology base. For Jackson this technology with internationally recognised world class service is a key and very important differentiator.

Our success in the VA market has changed the shape of the US business. Over the last few years the general account has remained relatively stable, and we have been conservative in our approach in the fixed annuity market. Importantly, the growth in the separate account has improved the balance and diversification of our business profile and earning streams. In addition, the Life of Georgia acquisition has added to our Life underwriting profits. What does that mean in overall terms? It means now that 31% of the overall earnings of Jackson is now in fee-based business. Looking back only one

year, that percentage would have been around 23% and spread earnings a year ago would have accounted for 49%, compared to 41% today.

We are growing the overall IFRS earnings strongly in the US and our greater diversification now gives us a much higher quality and more stable overall earnings profile. Jackson remains in a very strong position in the US market. The flow over time and assets will continue to be fuelled by the baby boomer generation and we remain very confident that over time we can continue to take a greater and more profitable share. I have just said that it's a model based on advice and not price-led, and I think if you add to that, we have a 17 basis points cost advantage over the top 25 in the peer group, you can see that it's a complete model. Last but not least, it's also important to note that we can deal in all economic conditions. We remained in 2007 Top 10 in both the fixed annuity and the fixed index annuity markets.

Let's move on to the UK – almost a year ago to the day, Nick set out our strategy, the core of which was built around three key themes: Firstly, our acknowledged capabilities and strength in the retirement income market, with a concentration on risk-based products that offer higher returns and greater visibility over cash flows. Secondly, a reshaping of our approach in the retirement savings market and finally, taking the necessary action to reduce the expense base. Surrounding all of this we have been quite explicit that in all three our strategy is based on value and not volume.

Let me take each one in turn. First, looking at retirement income, our leading position in the retail annuity market continues to be supported by the strong internal flows from maturing pensions which contributed to around 50% of individual annuity sales in 2007. Combined with our growing partnership business we have a very strong base for this business. You will have seen in today's announcements that we have made some changes to annuitant mortality, where our position remains conservative. In a few minutes Philip will take some time to go through what we have done and why.

In addition to individual annuities we are also extending successfully into the lifetime mortgage market, and we have launched an income drawdown product. Our approach in wholesale remains consistent and value-driven. The very significant Equitable deal, indeed the largest deal seen for many years, played to all our strengths and was an excellent transaction for both Prudential and the Equitable policyholders.

Moving on to retirement savings, where we targeted a major change and we've worked hard to improve returns, we have exited the structurally unprofitable areas of the market such as single premium pensions and commoditised protection, and we have launched our factory priced product suite. We have also put a renewed emphasis on cautiously managed investment products. Our action, combined with the volatility in the markets, has meant that we saw a real resurgence in capital efficient with-profit sales, up 21% to £230 million APE across all product types in 2007, and representing a third of overall volumes.

Investment performance in the with-profit fund has been truly excellent and the fund was ranked first in the WM Company Survey, based on growth investment performance over 1, 3, 5 and 10 years, and we believe we have also achieved market-leading performance in 2007. Corporate pensions is an area where we said we would target an increase in returns through being more selective and reducing costs. The IRR increased to 9% compared to 6% in 2006 and we still need to see further improvements, but this is the right progress. And on costs we are again making excellent progress. By the end of 2007 £115 million of cost savings of £195 million had been delivered and plans are in place to deliver the additional £80 million. The outsourcing agreement concluded at the end of 2007 will allow us to remove fixed costs from our operations and to achieve significant operating efficiencies, thereby materially reducing future expense risk. On the estate and reattribution our work is continuing and, as previously announced, a decision will be made by the end of the first half.

2007 was another tremendous year for our asset management businesses. Profits from M&G and Asia combined were up 30% and these have more than doubled over the last three years. External funds under management increased to almost £70 billion. In tougher market conditions, particularly in the second half, M&G had its second highest inflows ever, following on from a record in 2006. M&G and Michael and his team have built a strong UK market position across both the retail and the institutional sectors, based primarily on their excellent long-term investment performance and multi-asset capabilities. Since 2003 they have successfully extended their retail operations into mainland Europe where they now manage around £4 billion. Asset management in Asia is now also a significant contributor to Group profits, generating over £70 million in 2007, which is more than 50% up on 2006. External funds under management increased by 39% to £17 billion,

with 71 new funds launched across the region, with particular success in India, Korea, Japan and Taiwan.

We are continuing to expand our distribution reach with regional relationships established in 2007, with both Citi and HSBC, and we are also expanding geographically, launching in Hong Kong and the United Arab Emirates this year. Region wide we have built scale through our trusted brand; our investment management skills and our local product and distribution expertise. The long-term prospects are excellent.

Now, after whetting your appetite and having Andrew back in the room, we'd like you to hear more about these outstanding performance figures, and I'd like to hand over to Philip.

Philip Broadley: Thank you, Mark, and good morning everyone. First I think I probably ought to begin with an apology, because I know that a number of you would rather be at Cheltenham races today – at least one voice from the front row, but I can assure you my remarks on longevity coming later are every bit as thrilling as a day at the races.

There are three parts to my presentation this morning. In a moment I'll take you through the results. I won't try to summarise everything that's in the press release, but I'll instead, in the first section, review performance against our KPIs; look at the growth in embedded value in shareholders' funds; update you on cash flow at the holding company level and then look at returns on invested capital. In the second section I'll talk about three specific topics within the results that I think are of interest; I'll look at Asia and comment on trends in EEV margin and on the emergence of statutory profits. I'll then go on to talk about our exposure to debt securities and their related credit risk, and then explain the strengthening of our assumptions for longevity in the in-force annuity business. The third section of my presentation will be around capital formation within the insurance businesses. That's something I presented on a couple of years ago and I thought it was a good time to return to it and show you how capital is being used.

So, first the KPIs; 2007 was indeed an outstanding year for the Group. New business profits rose 22%, just ahead of the sales growth announced at the end of January and average margins across the Group are steady at 42%. The total embedded value operating profit increased by 25% to over £2.5 billion for the first time, and it's also worth noting that overall the effect of

variances and assumption changes on the results was positive. Statutory profit was also strong with the IFRS result up 20% to 1.2 billion. We've seen growth in Jackson's profits as growing level of fee incomes is received from the VA book and we also saw strong growth in asset management profits in M&G and also in the asset management business in Asia.

We'll be finalising our regulatory returns to the FSA over the next few weeks, but we estimate today that our regulatory capital surplus at the end of the year under the insurance group's directive was about £1.4 billion. That's an improvement of £400 million over the year. We benefited from the sale of Egg and it's also worth noting that our regulatory capital position is struck after taking account of realised credit impairments. I'll talk more about the elements of the operating cash flow in a moment and just so you know that our full year dividend is covered 1.9 times against the previously stated target of two times cover.

Embedded value shareholders funds per share have grown from £5.45 per share at the half year, to £5.98 at the end of the year, so total EEV shareholders funds are now not far off at £15 billion. Detailed movement is provided in your schedules, but there are a few points on my usual waterfall chart that I would like to mention. First, in column B, the new business profits as a percentage of opening embedded value, just over 10%, reflecting the relatively high margin of our new business compared to our peer group.

Secondly, and alongside it in column C, £1.3 billion of profit from our in-force steadily increasing as our in-force business is growing. Then again, one column along in column D, we generate over £300 million now of profits from asset management on our other businesses. Fourthly, in column G, there's over £700 million of profit from economic assumption changes, mostly arising in the UK and Asia. Mark's commented on the growth in embedded value that we've seen over the last three years; underlying it there's been a significant gearing to new business with high growth levels; effective management of our in-force business with overall positive experience and operating assumption variances and investment management outperformance against our long-run assumptions.

Here's the usual view of holding company cash flow: Operating cash flow improved by £22 million on 2006. We had a net operating outflow of £82 million and after receiving the cash sale proceeds of Egg, a net inflow of £445 million. At the end of the year we held cash in short term investments of just

less than £1.5 billion in the holding company. Looking at some of the main items of cash inflow, the UK Life fund transfer was £261 million, up from £217 million the year before. Following the bonus announcement that we made at the end of February this year, we can anticipate a life fund transfer of about £280 million to be received in the first half of this year.

The US, M&G and Asia all increased their net remittances to the holding company. Although we received the benefit of scrip dividend take-up ahead of our expectations, this was more than off-set by two other items. There was a reduction in tax relief at the holding company level and also a ruling by the tax commissioners against our treatment of tax on certain interest rate swaps, and we also had an increase in head office costs as we met all of the costs of investigating the potential reattribution of the inherited estate. Balancing this, the cost of debt service was lower because we have a smaller amount of net debt. The Group remains on target to meet its commitment of a positive operating cash flow in 2008, assuming both a normalised level of scrip dividend take up and no further adverse change to our tax position.

Now I want to show you the returns being earned on new business written, to show how this has progressed over the last few years. Overall we continue to achieve good returns across the three insurance businesses. Asia is continuing to earn returns over its 20% target for the region. As a reminder we aim to achieve a target return of at least 10 percentage points over the risk discount rate in each of the markets where we operate. The risk discount rates vary from 5% in Japan to 16.75% in Indonesia and Vietnam, a reflection of the risk in each of the individual country markets.

In the US returns have continued to grow over the last few years. This is mainly as a result of the increasing proportion of variable annuity sales in the business mix. And in the UK our focus on the value of new business over volume is demonstrated by the stable returns that are being achieved by our strategy of focused participation. This year the structure of the Equitable Life back book transaction was such that only a small amount of shareholder capital was required and this boosted the IRR achieved this year to 18%, but even without that the IRR would have been 14%, in line with our stated target.

I have also shown on the slide our growth in the new business profits in each of the insurance businesses over the last three years. I'll talk more about Asia in a moment, but in the US new business profit growth of 19% this year

was largely driven by variable annuity sales. In the UK profits grew 4% on flat sales, so there was a slight improvement in margin, but new business margins within UK retail were up 17%, primarily due to higher sales and margin from annuities and with-profit bonds.

Turning now to some specific topics and starting with Asia, new business profits for the region grew at an impressive 34% over 2006. The total EEV operating profit reflects not only this increase but also positive overall assumption changes and growth in unwind, to register a 34% growth too. IFRS profits continue on a more steady trajectory. There's more detail that we've provided this time both in the OFR about the IFRS breakdown across the region, but let me make a few comments as well: The IFRS profits from our insurance business grew by 7%; the mature markets of Singapore, Malaysia and Hong Kong together produced £153 million of statutory profits, up 15% from last year. Most other countries are now profitable on a statutory basis, but offsetting this there are some operations that made IFRS losses, including £43 million in India, a relatively new business which I'll talk more about in a moment, and a loss of £16 million in Japan. In addition to the statutory profit from the insurance businesses, it's also worth noting, as I mentioned, the Asia Fund Management business contributing £72 million of statutory profit, up 53% on last year.

Let me talk a bit more about the average margin in Asia, and let me start by repeating a point we've made before. Our Asia insurance businesses are focused on the growth of new business profit in each of the individual country markets. We're not aiming to achieve a target margin for the region as a whole. On the slide you can see the strong growth on the left-hand side of new business profits in some of our key markets. On the bar chart on the right-hand side of the screen, there's the movement between the margin levels from 2006 to 2007. The key factor continues to be the geographic mix of new business written, but it's not just a question of more business being written in lower margin countries. Taiwan's growth in sales over the higher than average margin; that's had a positive effect which has been offset by the lower proportion of total sales now coming from the traditional higher margin territories like Singapore and Malaysia.

The margin in India has reduced as we've rebased the expense assumptions for India to incorporate the effect on unit costs of the current expansion into rural areas and the resulting margin level leads to a reduction in new business profits for the period but, to put this into context, the Indian business opened

593 new branches in 2007 and the business as a whole sold over 2.3 million new policies, increasing the in-force policy count by over 70% in a year. Overall, if we'd written 2007 sales for the same margins in each country, as in 2006, we'd have had an average margin of 51%; the other 1 percentage point change reflecting some changes to product margin following revised economic and operating assumptions in individual territories.

I thought it might be helpful to illustrate how new business profit turns into both statutory profit and then capital by showing the development of a single country market, and I've chosen Indonesia, as many of you, I hope, will be visiting it with us next month. And on the chart you can see the growth in new business profit in the dark blue, and IFRS profit alongside, and capital injections and remittances in red below and above the line. The business in Indonesia we launched in 1995. It sells primarily unit linked business, which is very capital efficient; the sales growth has been strong and new business profit trends have also been attractive. The business became profitable on a statutory basis relatively quickly and as you can see, it's now generating significant EEV and IFRS profits. And the growth and profitability is such that the release of capital from the back book is now more than sufficient to support new business being written. From start-up to 2001 we invested £18 million in the country and since 2004 we've been able to repatriate £49 million. We therefore had a return of twice our initial investment and we've been able to create the market leading business in a country that has considerable further potential as you'll see next month.

Credit risk is an inevitable feature of our business and let me, over the next few slides, set out our exposure to debt securities across the Group, explain how we account for the changing values of debt securities, particularly looking at Jackson and also confirm our limited exposure to certain types of security that have been of concern to the market as a whole. There is a whole lot more information on this subject published today; we provided extensive breakdown of our investment portfolio by asset type and quality. Normally this would all be in the annual report, but we brought forward its publication, including a special section on it on your analyst pack and on the websites. I won't go through all the detail now, but I hope this material will give you an understanding of the relatively high credit quality of the portfolios.

In summary, we have just under £84 billion of debt securities across the Group as part of our total investments of £204 billion. They're held in each region and also some by M&G. And this chart just gives a breakdown of the

securities held within each of the businesses, but it's important to note that in the UK two thirds of the debt securities are held in the With-Profits Fund. If I can try to summarise our accounting for debt securities in a sentence, it's that all such assets are carried at fair value and one way or another the changes in fair value of assets backing shareholder liabilities are reflected in shareholders funds in our statutory accounts. The great majority of our assets are publicly traded and 92% of our debt securities as a whole across the Group have been valued using market bid prices.

Within the US, 85% of Jackson's debt securities were similarly valued at market bid and where we use internal models these are calibrated to market data. Of the 8% of the Group's total portfolio valued, using models, most assets are private debt securities held by the long term by the With-Profits Fund, PRIL, the annuity business, or Jackson. As part of their year-end work our auditors have tested our valuations and have not proposed any adjustments to our carrying values. It's also worth stressing that no securities in the portfolio defaulted in 2007 and when earlier this year Standard & Poor's downgraded over 6,000 sub-prime bonds we were pleased to note that Jackson held none of these issues. We've in fact only had two downgrades on sub-prime holdings of about £9 million.

Jackson's actual credit losses amounted to £78 million last year and let me now show you how we account for those. Jackson's income statement reflects bond write-downs on securities that are judged to be other than temporarily impaired at the balance sheet date together with realised losses on sales of impaired and deteriorating bonds. These amounts are offset by any recoveries that are made from sales of written down bonds above their carrying value. And much of the realised losses this year arose from the deliberate repositioning of the portfolio away from certain BBB issues that we judged poorly priced for the risk. And this total charge of £78 million is taken in the profit for the year, £48 million of it is in the operating profit, that's a long term default charge, and the remaining £30 million is included in short term fluctuations in investment returns. We then take the movement for unrealised losses on unimpaired securities direct to shareholders equity.

This year there's an unrealised value movement in reserves of £244 million reflecting the impact of widening credit spreads, partially offset by reduced US interest rates. In the balance sheet we have unimpaired securities whose fair value in aggregate is £136 million less than their book value. This includes £439 million of unrealised losses, offset by £303 million of unrealised

gains on securities trading at or above par. And so while the focus is understandably on securities trading below book value it's important not to lose sight of the fact that for every Dollar of securities fair valued below book we have 80 cents of securities fair valued above book. And also Jackson holds all of its securities with the intent and the ability to hold them for the longer term.

Finally, on this topic, I thought it would just be worth confirming our exposure to sub-prime and Altay securities and also our very limited exposure to the monolines. On sub-prime and Alt A the position really hasn't changed from our last update to you on the half year. Jackson's got less than £240 million of sub-prime mortgage securities, all of which are in AAA issues; the underlying mortgages in these securities are all fixed rate and secured by first charges on the properties with £660 million of exposure to Alt A, 77% of which are in AAA issues and 17% in AA. There's a very small exposure in the insurance of our Taiwan and Japanese insurance companies. Direct monoline exposure, £27 million; our shareholders funds in the UK have £422 million of securities as well as a wrap guarantee that's mainly in PFI investments. There's £155 million of similar exposure in Jackson, but in all cases the original decision to purchase the security and the decision to hold it rests on our underlying assessment of the issuer; we've never relied on the monoline guarantee itself. The Group's exposure to CDOs totalled £377 million, most of it's in Jackson, 65% of this exposure is AAA rated and there's a £4 million direct exposure to sub-prime ABS.

Moving on from credit to longevity, where clearly, annuitant mortality is a key risk for the UK business. We've long recognised the uncertainty surrounding future rates of annuitant mortality improvement as one of the key risks to both profits and solvency in the UK annuity companies and we therefore set our overall assumptions of a cautious basis. And we've been earmarking emerging strength in other assumptions against the risk of mortality improving faster than expected. As we've looked at the emerging trends we've come to the view that the unadjusted medium cohort basis is no longer a reasonable best estimate assumption for mortality improvement and the results of this year-end therefore include a strengthening of longevity assumptions. The financial effect on in-force business is neutral if we've reallocated the various implicit margins held elsewhere in our basis that we've discussed on previous occasions.

So let me take you through now what we observe. The graph shows the rate of annual mortality improvements that have been observed for two groups of males born in 1937, i.e. the men who celebrated their 70th birthday last year. You see the rate of improvement in mortality of the male population in England and Wales as a whole – that's the red line – and in blue, you see the data of the continuous mortality investigation population for that smaller group who hold life policies. And what the lines are showing are how much better the 1937 birth group's mortality has been relative to the people born in 1937 who reached the equivalent age one year earlier. If we now add in, in the next line, the CMI data for pensioners, i.e. those who are receiving an annuity and you look at the three lines together, and you can begin to see indications that the rate of improvement is falling. And it's for this reason, combined with the fact that the medium cohort has provided a reasonable explanation of our own portfolio experience and that of pensioners generally in the wider market, that we continue to base our assumption on the medium cohort, which is projected to do that.

Now, while we believe that the rate of improvement will continue to fall, we do not believe that the rate will ultimately fall to zero as the medium cohort extrapolates and to counter it we've underpinned the medium cohort basis by 1.75% floor in the annual improvement in male mortality assumed in EEV a stronger floor of 2.25% on IFRS, because the population data shows what you might have heard as referred to before as the rectangularisation of longevity, whereby more and more people live to 80 or 90, but there's no obvious extension to the overall lifespan we believe that rates of improvement will be less marked for older lives. Our improvement assumptions therefore reduce to zero on a straight line basis between ages 90 and 120, and you can see that on the far right hand side of the graph.

So the strengthening from our previous business as equivalent basis is equivalent to an additional 1.5 years of life from male age 60, taking our average life expectancy for the typical annuity customer up to 26.7 years. We've done the same thing, by the way, in terms of strengthening our assumptions for female improvements in mortality and applied the same approach to our defined benefit pension scheme. The cost of strengthening the longevity assumption has been fully met from a release of margins held in our other assumptions. The effect is neutral on an EEV basis and actually gives rise to a positive release under IFRS. The principal margin releases include, for example, one for our allowance for defaults, which we've set at very prudent levels in line with the very poor experience we had in 2001 and

2002, also from expenses where a release of reserves is possible following recent achieved expense reductions and also from the reserves against more complex benefit structures. We believe the resulting assumptions going forward remain adequate in relation to our expected experience.

My third main topic is capital usage and formation. You may recall these three red boxes; the free surplus, required capital and value of in-force from my presentation a couple of years ago when I explained the movement between them. Very briefly, when we write new business we have to set aside capital to back it and we move capital out of free surplus into required capital. And additionally we lose capital from the free surplus for the cost of acquisition of business, including commissions. Offsetting this, the value of new business is incremental to the total value of in-force. As the liabilities of our policies increase over time the level of required capital to back the business increases and that comes from further transfers from free surplus. Each year there's also a transfer of profit from in-force and we have the benefit of earning investment income on our capital. Expected claims and surrenders give rise to a release of required capital and also over transfer of profit from in-force to free surplus. So if we turn all of that into numbers (and again the detail here is in your schedules), last year we used just over £500 million of capital in acquiring new business, we had a transfer of in-force values for free surplus of nearly £1 billion and an overall increase in our free surplus of £743 million. So this I hope gives you a sense of the strong capital generation within our insurance businesses that funds our growth in capital efficient new business that we write across the Group.

Well, that's it from me – well, almost – in a moment I'll hand back to Mark to conclude and chair the Q&A, but this is my sixteenth and last results presentation, so perhaps you'll permit me to end with a couple of personal comments. First, to thank all of you on buy and sell side for the conversations we've had over the last eight years; they've been challenging; they've been thought provoking, but I've never lost sight of the fact that I'm merely an agent for the shareholders, so your opinions have been interesting and they have influenced what we've done. All too often though, I have to say, we've spent a lot of time talking about the never ending quest for a definitive insurance accounting standard, something to which we seem no nearer eight years on. And as a result the time we spend talking about accounting can be almost as long as the time we spend talking about strategy, which is a great pity because the strategic story is a great one.

As you've heard today, all of the businesses have contributed to performance. Asia's growth over eight years has been spectacular. The business is five times the size now in AP terms than it was in 2000. The management team has an unrelenting focus on value and the determination to deliver more, so it's been a great pleasure to work with Mark and these guys in the front row over the last eight years, and it's been a privilege to be Prudential's Finance Director. Mark.

Mark Tucker: Thank you, Philip. I think I also can't let the moment pass without, on behalf of the Prudential Board particularly, thanking Phillip for all his energies and efforts and support over the last eight years. I think we know we will miss his great contribution, his insights and also his immensely different sense of humour, both here and day to day, but I think clearly from all of us, we wish Phillip all the best for the future and great success.

Moving on to outlook, there is clearly an ongoing nervousness and volatility in the markets and it's pretty clear that we are entering a period of slower economic growth, particularly in the US and the UK. However, notwithstanding this, we believe that our retirement-led strategy and our business model with its geographic mix and diversification are very robust and will continue to deliver sustainable value. The fundamentals underpinning economic growth in Asia remain powerful and as I said earlier we will deliver the doubling of new business profit a year early. Our record of outperformance in the US is set to continue through the cycle and in the UK our value driven strategy has delivered market leading returns and we have already de-emphasised those lines which might have been more sensitive to market conditions. Clearly our asset management businesses are more directly influenced by market movements, but they too are well placed to capitalise on their strong market positions and even stronger investment performance track records. Critically for us the demographic, economic and social factors driving our business will continue and in my view we are ideally positioned to capture a bigger share of that growth. We have a clear agenda to do that and to my mind and the mind of the Board and my executive team the prospect for the Group remain positive.

What I'd like to do is end at that point and start now with questions, so we have the executive team here and we're happy to take questions. We have the two ladies are able to ask – I think, again, please if you could give your rank and serial number would be helpful.

Andy Hughes (J P Morgan): Thanks very much. Two questions in the spirit of Philip's disclosure; one on strategy and one on accounting. The first one on strategy, you're obviously bringing your target forward in Asia. Could you give us an update about how the business in Asia is progressing at the moment given the economic conditions, presumably you're quite positive about that? And the other question is regarding the accounting treatment; it seems quite odd to see such a big economic variance, a positive risk discount rate movement and risk margin reducing at a time when the debt market values moved as well. I was wondering how you look at the profitability of the business, because presumably the embedded value discount rate now is quite low relative to some of the economic assumptions that have been used.

Mark Tucker: Let me begin by saying – and then let Barry say a few words – but let me begin by saying with Asia I think the clear sign of our confidence and belief in that market is by announcing the bringing forward of the targets. I think we have to achieve something like a 20% plus growth in new business profits this year. So we remain very positive; it's a diversified model and it's a business that is firing on all cylinders.

Barry Stowe: You might assume that given the fact that we have historically and continue now to rely heavily on unit-linked business to drive the life business that the volatility in the capital markets might have some impact on those sales, but the reality is – and I think we've talked about this before and it's a very important point to understand is that – 86% of our business that we write is essentially fairly modest recurring premium business. People are saving for the long term; they are not particularly focussed on which fund they choose; they tend in any event to choose a more balanced fund versus something that is more speculative in nature and that continues to be the case. To the extent that we have seen any significant impact in the first quarter, it has been really around the funds that people choose or in some instances people switching from Fund A to Fund B, but in terms of the volatility having an impact on the life business, the distribution dynamic and the nature of the product really mitigates that to a very large degree.

Philip Broadley: I think it's still as much a strategy question as it is an accounting one actually, because it's about what decisions you're making for the long term, when as you say, discount rates, credit spreads, arguably at the end of the year and today are somewhat differently priced from where you might expect them to be over long term. The views we're taking about participation in UK annuities or institutional business in the US or whatever

are based around the long term fundamentals that we think those products have.

Raghu Hariharan (FPK): Can you give us a sense of proportionality – what is the size of your annuity VIF – so £312 million is what portion of annuity VIF? What's the average duration of annuitants in your portfolio and how does this assumption change extend that kind of duration? And, lastly, in terms of price competition, considering that across the UK insurance you have different insurers on different bases, how does that affect your new business competitive position considering that annuity is such a key component of your strategy?

David Belsham: Just to give you a sense of this, we're assuming a 65 year old male will live to about age 87 on a realistic basis for our in-force business and just on a sort of survival curve, about 40% will live to age 90; 25% will live to age 93 and about 7% will live to age 100. And for females it's clearly stronger than that, so we will assume about 25% of females live to age 96 and probably 12% or 13% will live to age 100. Now that's the in force realistic assumption.

When we move to pillar one we have to be more prudent, so we add a further year to two years to that, and when we write new business we also assume stronger assumptions than the in-force, because in the new business market you have the effect of anti-selection from the enhanced annuity market, so about 20% of business now is enhanced, so these are the impaired lives. You can get a better deal with impairment and it does mean that we have to take a stronger assumption for new business than your in-force, so again we add a year or two for that as well and there's a lot of science behind it, but it's that sort of order of numbers. So hopefully that actually gives you a sense of the scale of the longevity assumption. We base all this on all the statistics that Philip was showing you; those little lines took about three months to produce, but having done all the statistics, we do apply these common sense tests to get to the age profile of the annuitants in a survival time model.

David Belsham: I can't answer the % of VIF offhand I'm afraid, given that it didn't change the VIF in total because we had all the margins that we've told you about in previous sessions that we've held back deliberately and accumulated, we've ended up with the same VIF as we had in the first place.

Mark Tucker: Nick, can you take the competition question.

Nick: It's a good question. rather than commenting extensively on other people's strategies, I should comment on our own, in the annuities market which is to be economically rational. So we look at what the long term returns are that we can achieve on our annuity business and price accordingly. I have to say that some of the people who are pricing aggressively in the individual annuity market are probably making a loss on an MCEV basis right now and potentially quite a significant loss. We have chosen to be pretty disciplined in the individual annuity market and we will continue to be so. In the wholesale market I think there is probably an even wider diversity of economic approach, if I can call it that, from an approach which says we will only write business where it's economically rational to do so based prudent longevity assumptions and sensible investment assumptions, through the other end of the scale to what I might perhaps just dignify as a kind of hit and hope approach.

Mark Tucker: You have a fourth question but you would say second?

Raghu Hariharan (FPK): Just on the US business, I was just wondering, given that there's huge volatility in this market, one of the activities that you can't hedge is policyholder behaviour, so if you can give us a sense of on your GMWB products, what are you seeing and how are your hedges performing. Are you happy with the kind of assumptions you have and how actuals are performing?

Clark Manning: In the GMWBs, it's early on in the cycle, but I'd say we haven't noticed any change in policyholder behaviour. What we've seen historically is that about 25% of the people who purchase a GMWB actually start making withdrawals from it in the near term and that hasn't changed materially. Our pricing assumptions are that when the benefit goes in the money, that people will exercise by beginning their withdrawals fairly efficiently, that over about a two year period you get to a substantial proportion of the people making withdrawals and making those withdrawals in an efficient fashion. We do that to be conservative – that's not necessarily what I expect because if you think about it, your typical pensioner holding a GMWB, their goal is not to maximize the value of the option against the company, their goal is to have a stable income stream, but we price that way because we do not like to take risks on unobserved data.

As far as how the hedges are performing, hedges are performing well. We were fairly conservative on a wide range of fronts at Jackson last year, particularly going into the second half of last year. We measure our hedging position against the present value of expected benefits plus the expected value of the fees on those benefits which is more conservative than industry practices and we over-hedged that position; we actually had a short position relative to the market at year end of about $250 million on that position just because we didn't like the outlook.

Blair Stewart (Merrill Lynch): Two questions; with the deterioration in credit markets since the end of the year, could you comment as best you can on what that's meant so far this year for you in terms of mark to market effects? And, secondly, you've made comments in the past Mark, about being interested in making bolt-on acquisitions in the US; has the volatility markets put you off that or are you still looking at that?

Clark Manning: If you look at where the mark on our portfolio was at late in February, the gross losses in the portfolio were approximately $1.2 billion. The net losses, if you offset gains, were about $80 million and so what you see is some deterioration I think that works out to, in the gross loss position, about £200 million worth of deterioration, but nothing shocking relative to a $46.5 billion portfolio, given the state of the markets. We like our investment positioning relative to the market.

Relative to bolt-ons, I actually think, given the volatility in the market, that's a help for bolt-ons. We've been looking fairly continuously over the last couple of years and the problem is that the pricing cycle for properties, for insurance properties is very tied to the business cycle; it's very pro-cyclical and so things have been very expensive.

I've said in the past we'll look at ten things for everything that we buy because we're very happy to walk away if we don't like the returns and while price to book ratios in the US have been high, what has happened right now is price to book ratios are much lower, some people are conceivably looking to dispose of properties because of their capital situation and there's not a lot of money around chasing those and there's not leverage to apply on those calculations for banks and private equity firms that may want to purchase. So, actually, the pricing cycle is working to our benefit. If you look at the nature of the cash flows we would be looking for, life insurance stable cash

flows, that's really going to be not affected very much by the cycle that we're in right now. So I'm not making any announcements, but I think that the cycle is actually helpful for what we want to do on bolt-ons given our return thresholds.

Jon Hocking (Morgan Stanley): I've got three questions. In terms of hedge costs in the US, what are you seeing in terms of hedge costs? Are we in a situation where those are going to have to be passed on to customers and what impact on demand could that have? Secondly, in Asia, what proportion of new business profits are coming from health care and I wondered if you could give us some guidance on how that's going to pan out? And then just finally, in terms of the implicit margins in the UK annuity business, what proportion crudely have we seen released today?

Clark Manning: What you're seeing right now is that long term volatility in the US has increased from a long term average of around 21% to where you're seeing at the ten year point on the S&P 500 maybe 28-29% right now, so that's been a pretty good increase. We don't hedge exactly at the ten year, so what we're saying is probably about 25% volatility right now in what we have and we're comfortable with our pricing relative to that. If it ends up being a permanent change in volatility, which I do not expect because there is just no actual realised volatility that supports that pricing level, then we and everybody else are going to have to move our pricing up somewhat, but we're pretty comfortable with our pricing right now.

Mark Tucker: Proportion of new business profits from health products, Barry?

Barry Stowe: As you know we put a lot of emphasis, starting in 2007, on health insurance and we're making very good progress. To answer your question in terms of APE which is a number I know right off the top of my head, it's a little over 10%; the NBP number would be slightly higher than that and I'll tell you why using a specific example. As part of this health care initiative the first product that we launched was a new product in Singapore which launched last May. Historically, prior to the launch of that product in Singapore we've been selling an average of a few hundred policies a month; between mid May when the product was launched and the end of the year we sold about 65000 policies. The margin on those products is very strong and as a result of that initiative the sales continue not quite at that frothy level but at a very strong level; you actually saw the margins in Singapore tip up even in an environment where on the life side, more business shifting from

recurring premium which is higher margin to single premium which by its nature is a little lower margin, so hopefully I guess the bottom line is that we are making progress already in growing the health business. The margins are strong and you can already see some examples in the business where it is having a specific impact.

Mark Tucker: Traditionally it's been around just under 10%; accident health. The initiatives – Barry put in place last year are beginning to come through materially and we've sold something like 130 000 new policies.

Barry Stowe: Yes, in the launches, the principal markets where we launched in addition to the Singapore example I gave you were India and Hong Kong. India came online in September, Hong Kong in November and it's approaching 150 000 policies in those three markets, so having a good impact in India as well.

Philip Broadley: Implicit margins, as I said John, we think they remain adequate and I think what I'd suggest is if David just gives you a view of for example the default margin, you get a sense of how comfortable and how prudent we think we remain.

David Belsham: Yes, on defaults on the annuities we start with the overall corporate bond, gross yield. We then take off expected defaults which we take to be between 100% and 200% of Moody's data since 1970 and 100 to 200 depends on credit rating because we assume the future will be worse than the past. We then take another allowance for risk by actually adding on the excess of the 95th percentile of Moody's data over the last 30 years over the median so that we move into the tail of the Moody's data and that will be the normal sort of assumption we'd hold. This year end we have actually seen quite a big widening in spreads, so our assumption is that there will be some down downgrades during the course of 2008. So, for the purpose of this year end, we've got an additional reserve that starts with each bond from the worst of its current rating according to Fitch, Moody's and S&P, and then we assume that the entire portfolio downgrades. Now, I should stress that's not what our investment managers tell us is going to happen, that just gives you a sense of the sort of things that actuaries do in terms of setting margins, so that's a flavour of the sort of a strength of that particular assumption.

Greig Paterson (KBW). One is a request; I always get your Asian equity sensitivities wrong. I wonder if you could provide those by country, so that

we've got more clarity on how those turn out. Second one is in the US, I wonder if you could give us some idea on what year to date trading has been like in the VA market. And, thirdly, your Chief Actuary mentioned that your average duration is 22 years for a 65 year old male – Friends Provident and Aviva are using 23.5 years – does that mean we can expect another significant adjustment in 2008?

David Belsham: As I said we're very happy with the work we do on mortality in terms of setting our assumptions. We use a combination of statistical methods and common sense. I've given you the sort of the common sense part of it. On the statistical methods we use, many of you will have seen the report that came out from the CMI listing hundreds of different methods and we've used most of those, for instance, you can take lots of cubic polynomials, fit them together and get a very nice smooth surface that you can fit to your past mortality and then you project that forward. We look at causes of death, so we've seen the fantastic improvement in heart disease over the last ten years. We do believe that the effect of that will start to fade and that's purely a mathematical thing; there are now far fewer people dying of heart disease, therefore as that continues to improve the overall impact on mortality will be far lower. So we do all of this analysis and we've now made our assumptions explicit and we're very comfortable with those, so we're not anticipating any immediate change, I have to say.

Mark Tucker: Clark, can you give a sense of some of the product mix shift and perhaps why the cycle may be different this time.

Clark Manning: Yes, I think we liked our position coming into this year; we like our position a great deal because we have a great deal of momentum, share gains in all channels; I think we have the largest absolute gain in market share in the industry last year. So, coming into this year, we're in very good shape. Now, you know, obviously VA's trade relative to the market, so when the market is as bad as its been recently, that's going to have some knock-on effects in the VAs, but what we and other observers have also flagged is that the impact of guarantees may make it a little less cyclical than it has been historically. By the same token, if you look at expected purchaser behaviour and the shape of the yield curve, typically if you get a steeper yield curve that's going to be a better environment to write fixed annuities at reasonable margins.

Mark Tucker: Yes, I think the important point I think to emphasise as well Clark is that we are top ten in all three.

Clark Manning: We are top ten in all three, well we're number eleven in VAs but top ten in the channels in which we participate, just to be precise.

James Pearce (Cazenove): David has mentioned common sense to us a couple of times, I'm struggling to understand the common sense of assuming higher investment returns this year when equities are down and your opening government bond yield assumptions are lower. Second question for Philip, inevitably, is about accounting – can you give us your thoughts about why the earnings growth is so much faster than the dividend growth and why both IFRS and embedded value earnings are such poor indicators of shareholder cash flows?

Philip Broadley: The IFRS and EEV cash lag, well first of all there is no one version of IFRS so those who seek to compare the European peer group using current IFRS accounting are comparing historic French GAAP to historic Dutch to historic German and also in a number of territories in Asia which have accounted using US GAAP. So IFRS is not a single consistent framework and, as I think many of you know, there are all sorts of adjustments to it in terms of deferred acquisition costs and so on, which means it doesn't give an indicator of, it's not a particularly good indicator of cash flow, not least because in our case also the shareholder transfer from the UK Life fund remains a very important contributor of cash.

In terms of trying to plot our own dividend profile in the future, a number of you I know have attempted to model the holding company cash flow over the medium term using some of the indicators that I've given at past result sessions, and I think that's probably the best way of trying to interpret how the operating cash flow may improve. Bear in mind also that we have said that we want to get to a target dividend cover of two times, and we were at 1.9 at the end of the year. So I think that's probably the shortest way of trying to say how you can best look at the expected cash flows and how that might translate into dividend.

Mark Tucker: To add to that, as you know James, it's effectively a timing difference and I think we still have very substantial opportunities to grow this business and we'll take those opportunities.

Philip Broadley: Can I just make two more comments? I've given you the specific profile of Indonesia today which is not unrepresentative of territories in Asia and the progress from capital going in, new business profit and IFRS coming out, and also if you were to go back over the several years now that I've been disclosing the IFRS profit of Hong Kong, Malaysia, Singapore together and look at that trajectory you will also get a sense of how that lags by a number of years, the new business profits coming out from those territories and I daresay the guys will talk more about that specifically in Asia next month.

Mark Tucker: Sorry, there was a first part of your question James.

James Pierce (Cazenove): I just wanted to understand, you know, why it's common sense to assume higher investment returns this year given all equity markets are turning out and given lower opening government bond rates?

Philip Broadley: Well, I think on that you might be arguing for a return to achieved profits with passive assumptions because what we have done is take what is observed in the market and the embedded value is derived from that, but perhaps we can talk about that one later James?

Mark Tucker: Yes, it's fairly mechanical.

Christian Dinesen (Merrill Lynch): If we can return to the credit theme for a moment please. The very helpful update you gave year to date of a $1.2 billion gross loss and $80 million net loss, you didn't have any defaults in '07. Was there any defaults in those numbers? And the second question is – if you are going to do a release of margins held in other assumptions to include defaults perhaps you could compare them to your '01/'02 experience, perhaps you could give us a little bit of, maybe quantification or explanation why you think that that's justified at this moment in time, at least when you work in the credit market it doesn't look all that much better, is there for example a portfolio with a higher average rating, maybe you could give us an indication of the amount of money you spent on credit hedging or something that gives us an explanation of how you see it differently to '01/'02 please?

Philip Broadley: No defaults in '07 and no defaults year to date in '08. On the second part of the question the release of margins related to investments amount to £48 million of the £312 million, so it's a relatively small part. And I refer you back to the explanation David gave of the reserve

for credits. Based on Moody's rates since 1970, 100% of that level for triple BBBs, up to 200% of observed default experience in AAAs because we don't think there've been enough of them. So there is strength in those reserves, plus all the additional margins that David mentioned. So putting all of that together, I think gives you a sense of the reserves that we have which are modelled on the basis of tail events rather than best estimate events of credit default.

Mark Tucker: It may be worth Clark maybe spending a couple of seconds on that as well to give you a sense, particularly because of the US experience.

Clark Manning: What I'd actually like to do here is, we have with us today Leandra Knes who runs PPMA our investment management affiliate in the US that manages Jackson's general account and I think she could give you a sense of how we're running the portfolio.

Leandra Knes: My background is as an analyst as well and so if I was sitting in your shoes I would be asking, why will the next credit cycle not be the same as 2001/2002 was for the United States? And I can assure you we have taken a number steps that we are confident will serve us well. The first is: before 2001 we actually were organised analytically in a way where we did not have dedicated credit analysts. Our portfolio managers were also part-time credit analysts. So, in a 2001 re-organisation, we now have 21 dedicated credit analysts with an average years of experience of 12 years per analyst, they cover between 40 to 50 names each and each and every credit that goes into the Jackson portfolio is actually underwritten by an investment committee so, in other words, there's a credit committee rating and an internal rating. So, while we certainly look at agency ratings, there is reliance on the internal ratings done by the analysts. So that's one.

Also in this re-organisation we set up a world-class quantitative analysis group. Actually took a person from Merrill Lynch on this and he really brought us into a stage where we feel we are really leading edge – so that's a second thing which is a positive change. Thirdly, we went to a modified total return way of managing the portfolio. Prior to 2001 we were far more buy and hold. On total return, as you well know, when you start to see a diminution in credit worthiness you tend to trade out, so we certainly are not holding the large, lumpy positions we did in 2001. Last, but not least, we manage now to an index that has been extremely positive because as you know promotes

diversification, our position size is far more appropriately matched vis-à-vis our peers and, as you know, US insurance is a relative game.

So in summary I would like to say that we are far more confident that these measures will serve us well throughout any potential credit downturn.

Bruno Paulson (Sanford Bernstein): On the IFRS in the UK, if you strip out the with profits and the mortality changes, you had about a £100 million of profit in '07, what I was wondering is how that was split between the profit of the growing annuity book and the rest and how fast the profit on the annuity book is evolving? And linked to that, the UK non-with profit took up 140 million this year which I think was bit lower than you originally expected. What's the likely track of the UK absorbance of capital over the next few years.

Philip Broadley: The capital injections into the UK remain on track to continue to decrease to be neutral by 2010, so by 2010 the shareholder business will be self financing. We haven't broken down the IFRS but the majority of that IFRS profit is indeed from annuity activity, and again given the profiles of that business and how it is growing and becoming self financing you'd also expect the IFRS profit growth from the shareholder annuity business to growth steadily from here.

Bruno Paulson (Sanford Bernstein): And the second question, arguably controversially, given that the spreads on a lot of assets classes have blown out a long way largely or partly due to liquidity concerns and the fact that you're in a strong capital position and have no liquidity restraints, is there any appetite to exploit the current very distressed prices in a lot of asset classes for instance by closing out the CDS position you took last summer?

Philip Broadley: Not particularly controversial in terms of the fact that we are looking at opportunities to invest new money at current prices.

Mark Tucker: There is some sensitivity, we are taking some quite serious positions but I think given we have the potential to move markets, I think that's commercially too sensitive to go into any depth about.

Hanni Sabbagh (Viking): On the $1.2 billion of gross unrealised losses I wonder if you can just give us some more details on those with regards to what

percentage of the value of the affected assets that is, what the duration of the unrealised losses they are and what the ratings of those assets are?

Philip Broadley: The answers to all of those questions are in the 30 pages that have been published and so to try and do that now would really just be reading stuff from the list, it is all there and if there are things that are missing then do come back to us and we'll try to answer.

Hanni Sabbagh (Viking): I guess the main question is just given the rules of 20% impairment for six months where you actually have to take them through the earnings, how close are some of those unrealized losses to being impaired?

Clark Manning: As of late February we had about $300 million trading below 80 under the OTTI rules. If stuff remains trading below 80 for more than six months we need to consider it for impairment, so if the markets remain locked up then we will have to start looking at that midyear and in the third quarter. It's a relatively contained number in the context of the portfolio.

Andrew Crean (Citi): A couple of questions, firstly where is you embedded value now and where would it be under market consistent embedded value? I hope you'd expect me to ask that question and also how would the new business fare under market consistent? The other question more strategically on Asia – you're clearly growing fast and it's becoming a greater proportion of your business, clearly it's an area where there is quite a bit of debate about the valuation of Asian businesses. Would you do anything structural, consider anything structural in terms of trying to show the value to the market, minority floats or anything or is it just a question of continuing grinding away with visits to the Asian operations?

Mark Tucker: I think Andrew, as you would expect, the answer to your first question is short. We've been working hard at the MCEV but we said we'd come back later this year and we'll give those figures in depth later this year, we're not giving any individual figures at this point in time. In terms of Asia I think I wouldn't be alone as a Chief Executive in being sort of frustrated about our share price. On Asia part of it is getting increased disclosure, we have the visit of the analyst community to Hong Kong and Jakarta next month and we will continue to look at things to be able to raise the profile and ensure the value comes out in some way. I think we have absolutely no plans at this point in time for a separate Asian listing.

Philip Broadley: I'm not sure if trying to do an embedded value on a daily basis is terribly meaningful but the sensitivities are there in the schedules, if you want to try and estimate it. We have not sought to do that for publication.

Tony Silverman (Standard & Poor's Equity Research): You had a slide as usual showing capital generation and I was wondering what change that had led to in your core borrowings which is a number which appears in your annual report. Secondly you provided a figure in the past on what the deduction from embedded value would be if you assumed level interest rate in Taiwan, I wondered if you had that. And finally just coming back to Asia and strategy, there has been comment around about Chinese partners being potentially interested in you and I think Mark you commented on this in an interview at Davos. I just wondered if conceivably there are any attributes that a partner would have, that would interest you for example a Chinese Bank with a big retail network?

Mark Tucker: Sure let me take that in a reverse order Tony. I think in terms of potential partners clearly I won't speak of and won't comment on market rumour or speculation on any individual companies. I think if you look at it from our point of view what can a strategic partner bring? They can bring cash and capital which we don't need and they can bring perhaps connections and potentially a customer base. We have a successful and expanding business in Asia particularly and we remain very confident of the growth there so at this point in time hopefully that gives you a sense of where we are. In terms of deductions for embedded value interest rates in Taiwan, there's been no material change to the figures we've given previously so they're at the same levels.

Philip Broadley: And core borrowing is to be found in note P on page 28 Tony which I'm sure you haven't had the opportunity to get to yet. It fell by just over £100 million in terms of borrowings offset by the holding company cash. So it actually fell from £1.5 at the end of last year to just over a billion this year. The 2007 senior debt matured which we had already pre-financed.

Mark Tucker: We have one last question.

Marcus Barnard (Pali): Firstly your Asia money market funds, in light of the credit crunch can you say what's going on there is there more activity, more redemptions more money going in or is it about the same? And secondly, I think in note P on page 28 you're about 6% geared from memory. Is that a

figure you're comfortable with, I know you're under geared because you sold Egg but can you see yourself doing something to change that gearing figure or is it something you're happy to run with?

Philip Broadley: Unlikely to be doing anything in current markets, but as I've said on a couple of previous occasions we do have capacity to raise subordinated debt, our plans will continue to be to replace the senior debt as it falls due or to re-finance that maturing debt with fresh hybrid but not obviously in the short term.

Mark Tucker: And money market funds, Barry?

Barry Stowe: We have seen more movement of money market funds out of equity funds particularly in India but it's important to understand that that's sort of a natural dynamic this time of the year in India as you approach tax season at the end of this month. So it might be a little more exaggerated then we might normally see but yes we are seeing that. Other markets there is some modest movement to money market from equity but the equity actually in terms of the net inflows the equity is actually still pretty strong so we're pretty optimistic.

Mark Tucker: I think at that point with no other questions, thank you very much for coming and listening this morning. The Executive Team will be here so any questions which you would continue to like to ask we will all be around. Thank you.