



PRUDENTIAL

Prudential plc Full Year 2009 Unaudited Results

March 2010



PRUDENTIAL

2009 Financial Headlines

New business

- Group life retail new business sales up 11% to £2.9 billion APE
- Group life total new business up 1% to £2.9 billion APE
- Group new business profit up 34% to £1.6 billion; average IRR > 20%
- Asset Management net inflows £15 billion (2008: £4.3 billion)

Operating profit

- EEV operating profit up 8% to £3.1 billion
- IFRS operating profit up 10% to £1.4 billion

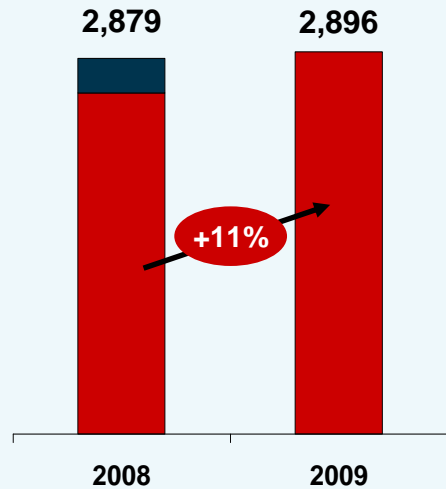
Balance sheet, capital and cash

- Embedded value shareholders' funds £15.3 billion (2008: £15 billion)
- IFRS shareholders' funds £6.3 billion (2008: £5.1 billion)
- IGD surplus £3.4 billion (2008: £1.5 billion)
- Life and asset management Free Surplus £2.5 billion (2008: £0.9 billion)
- Net Holding Company operating cash flow £38 million (2008: £54 million)
- Full year dividend increased by 5% to 19.85 pence per share

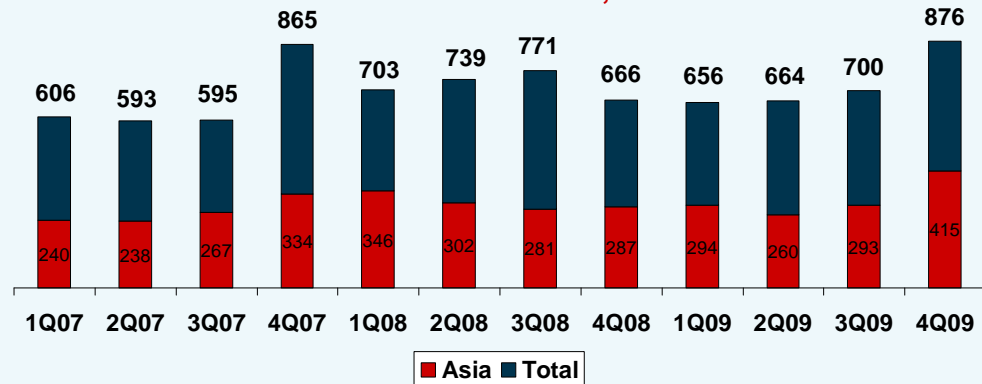
Focusing on value over volume

Resilient life new business performance – APE at AER, £m

Total APE

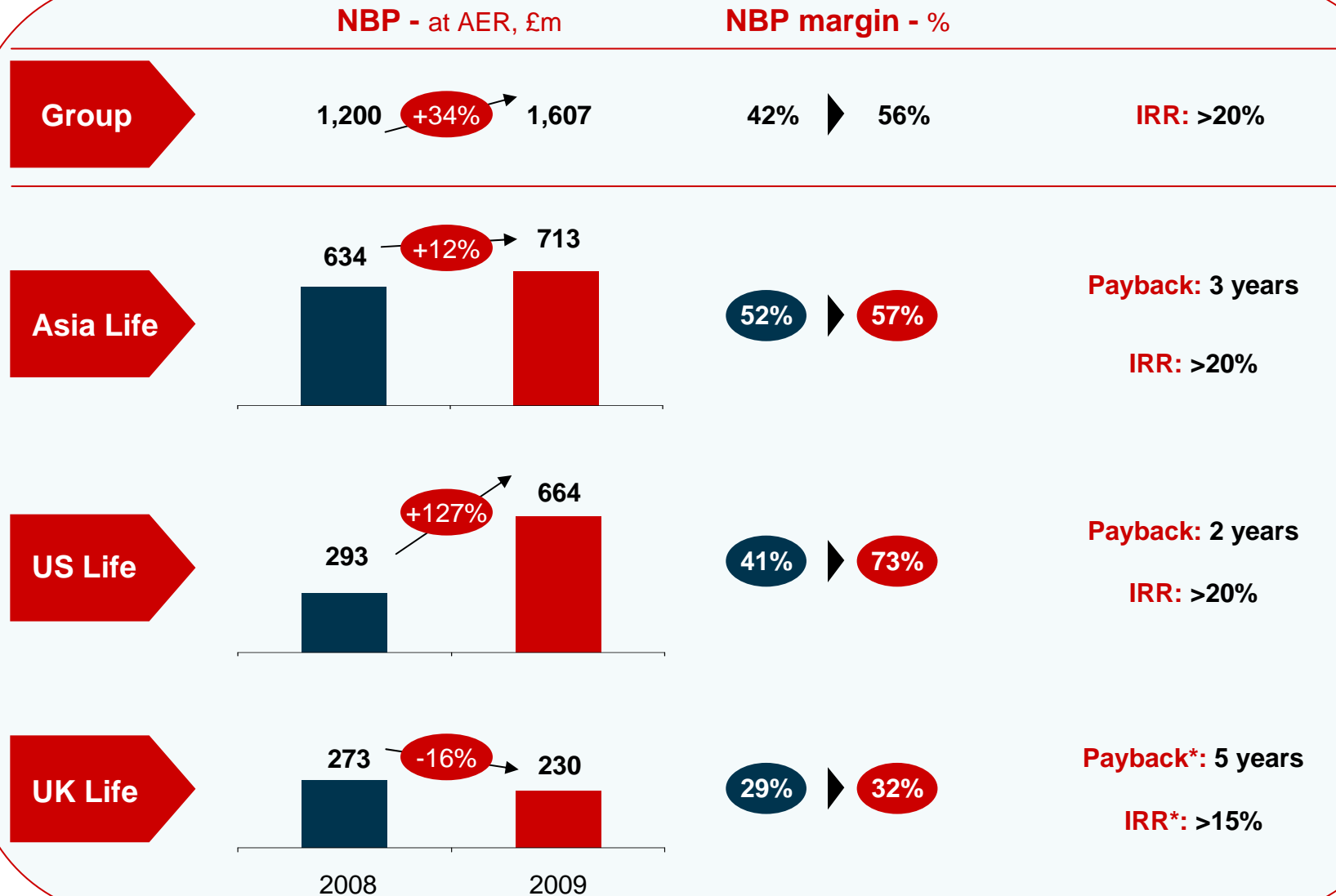


Quarterly Sales trend * APE at AER, £m



Focusing on value over volume

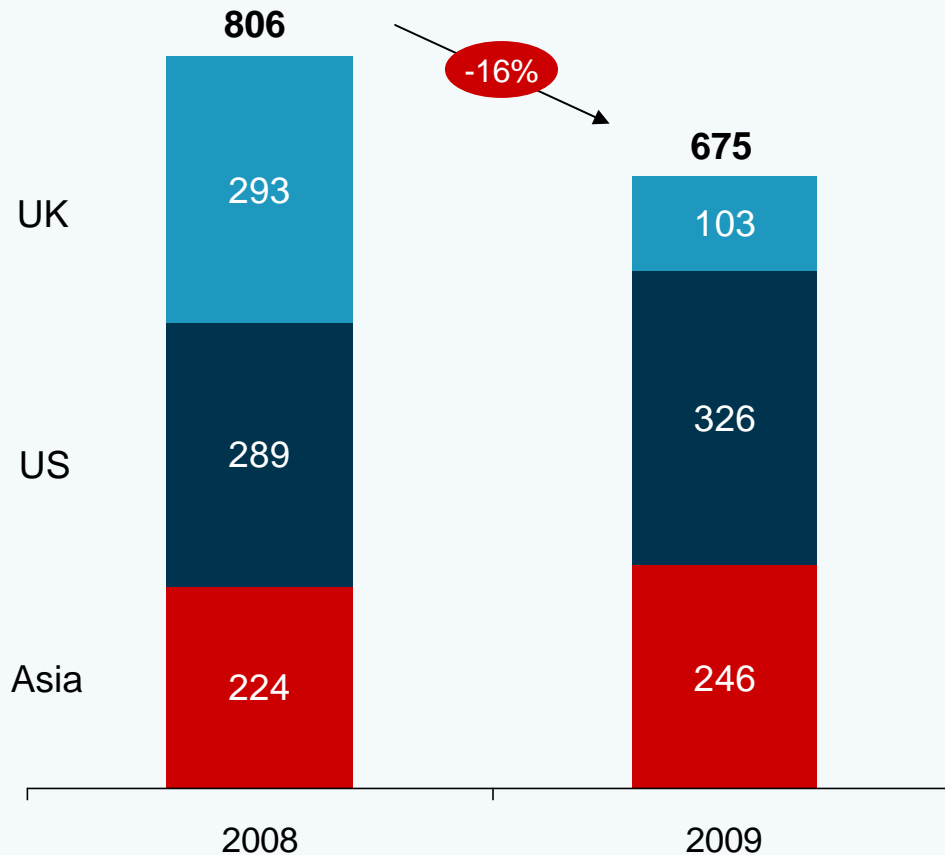
EEV new business profit, IRR and payback



Investment in new business

Controlling investment and focusing on the highest returns

EEV New business investment* – at AER, £m



- Managed appetite for capital intensive products:
 - UK bulk annuities
 - US institutional products
 - US fixed annuities
- Additional allocation to US due to exceptional high return and short payback conditions

Financial Review

Financial Review

- **Performance on key financial metrics**

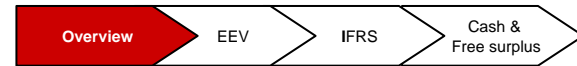
- EEV
- IFRS
- Cash and Free Surplus
- IGD and Unrealised Losses

Financial Performance

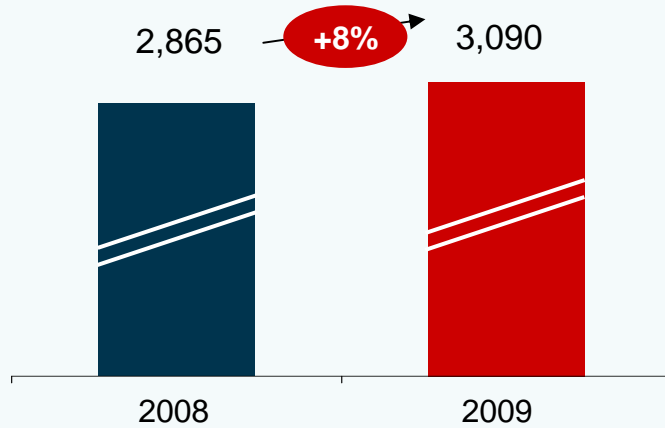
- Executed strategy to optimise value of new business and conserve capital
- Strong operating performance across all businesses
- Powerful underlying free surplus generation
- Action taken to strengthen the capital position

Group KPI Overview

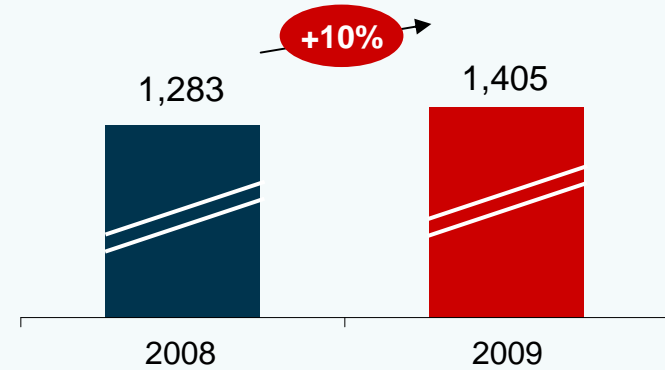
Balanced approach to performance management



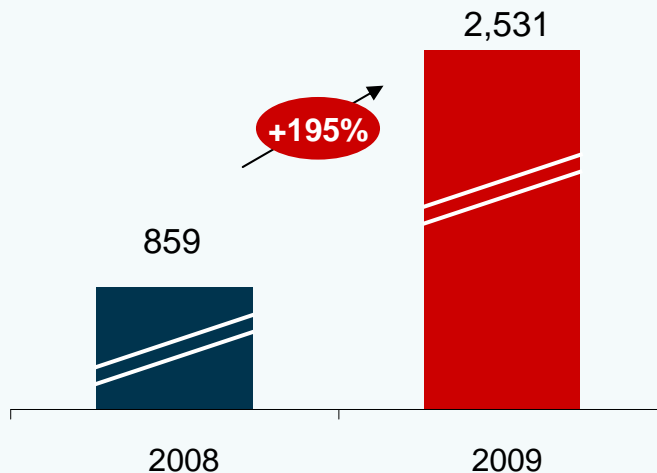
EEV Operating Profit - at AER, £m



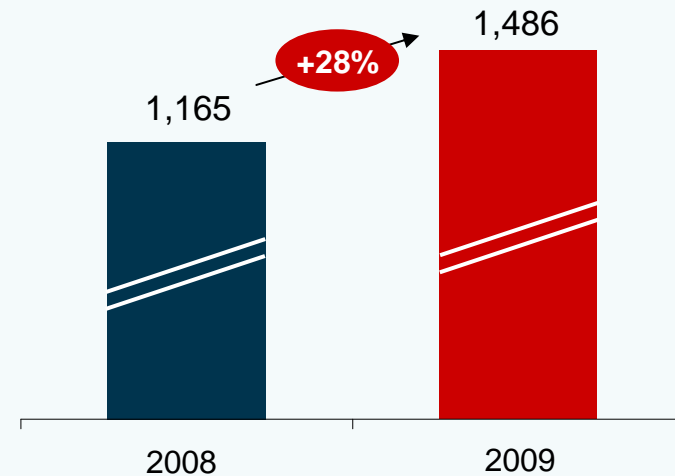
IFRS Operating Profit - at AER, £m



Free surplus* - at AER, £m

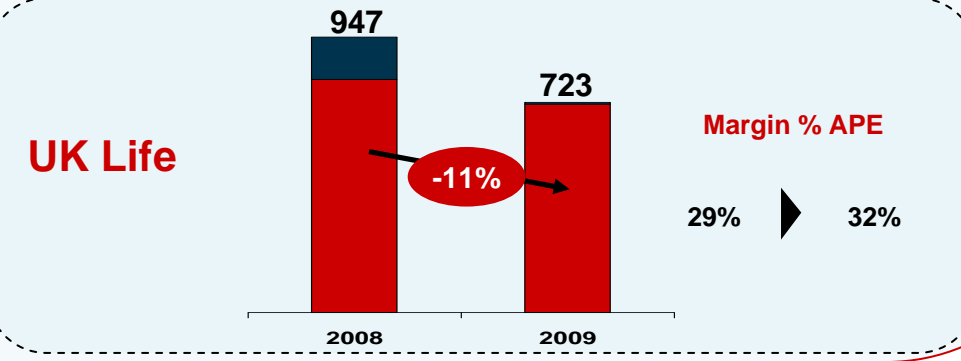
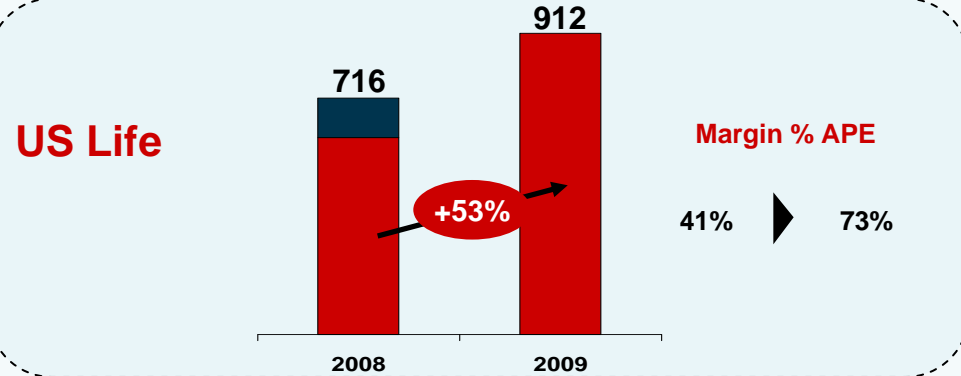
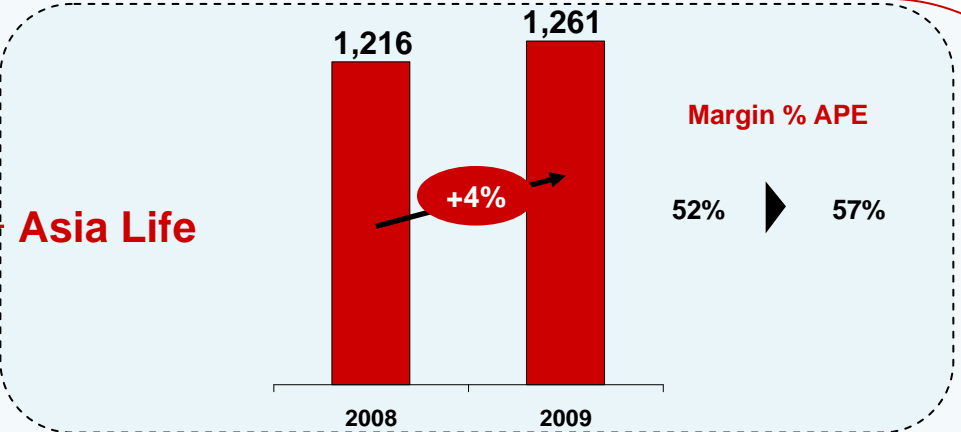
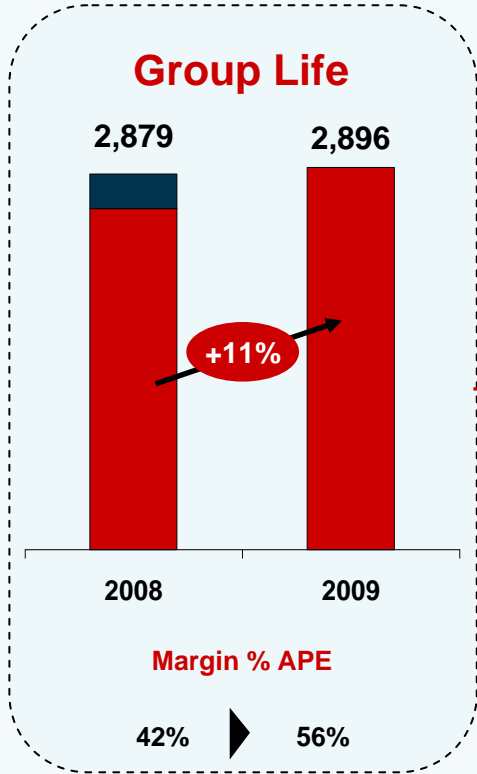


Group central cash resources - at AER £m



Focusing on Value Over Volume

Resilient life new business performance – APE at AER, £m



Note: Growth % are for retail only

Asia – New Business Margins

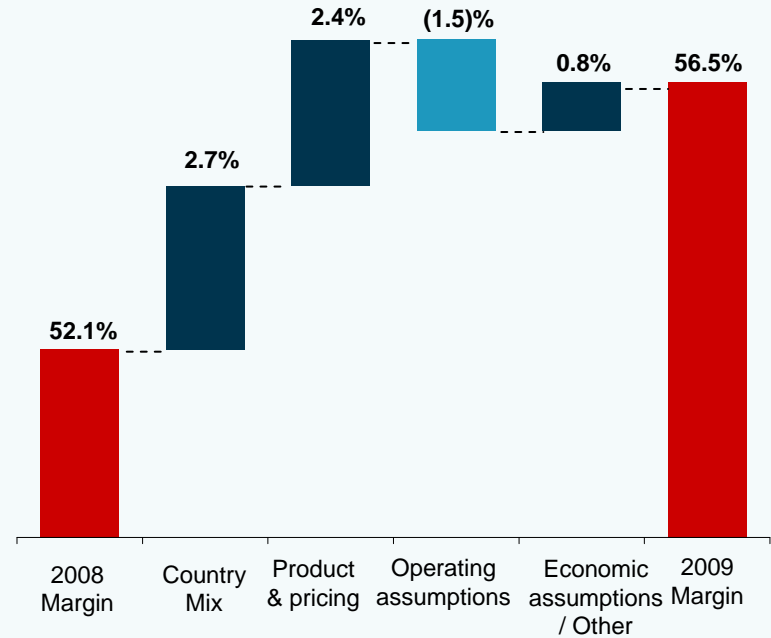
Increased health and protection new business improving margins

Margin - % APE

	2008	2009
South East Asia including Hong Kong	75%	78%
North East Asia*	27%	22%
China	51%	50%
India	19%	19%

Total Asia Life	52%	57%
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Movement in margin – % APE



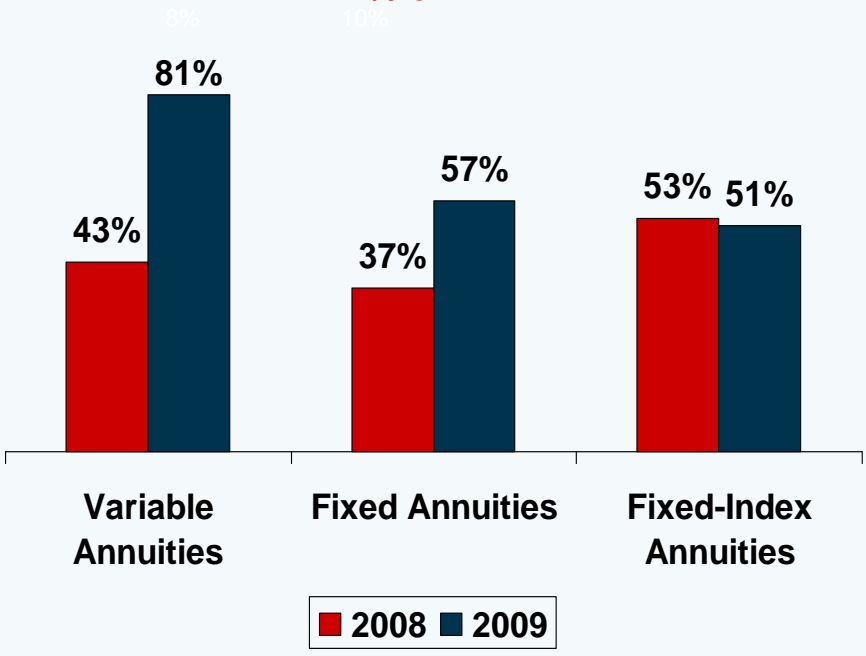
* Restated for comparative purposes to show only the retained Taiwan bank distribution operation. The Taiwan agency business, which was sold in June 2009 is excluded.

US – New Business Margins

Benefiting from pricing action, customer behaviour and credit market conditions

Movement in margin by product

– % of APE



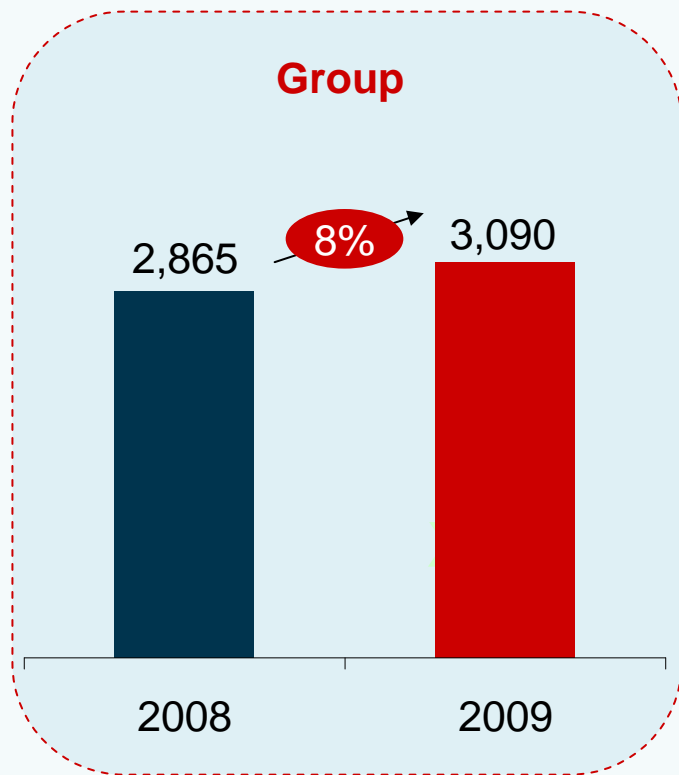
- **Variable Annuities**
 - Re-priced guarantees, benefit changes and richer mix
 - Reduced GMWB utilisation assumptions
 - Increased target spread on fixed option
 - Positive effect on rising risk-free rates

- **Fixed Annuities**
 - Increased target spread
 - Partially offset by higher Risk Discount Rate including the introduction of an additional allowance for credit risk

- **Fixed-Indexed Annuities**
 - Increased target spread
 - Offset by mix effects and higher Risk Discount Rate

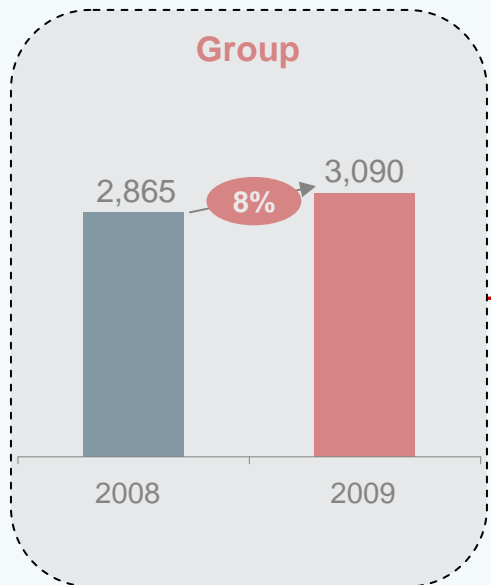
EEV Operating Profit – Group

EEV Operating Profit – at AER, £m

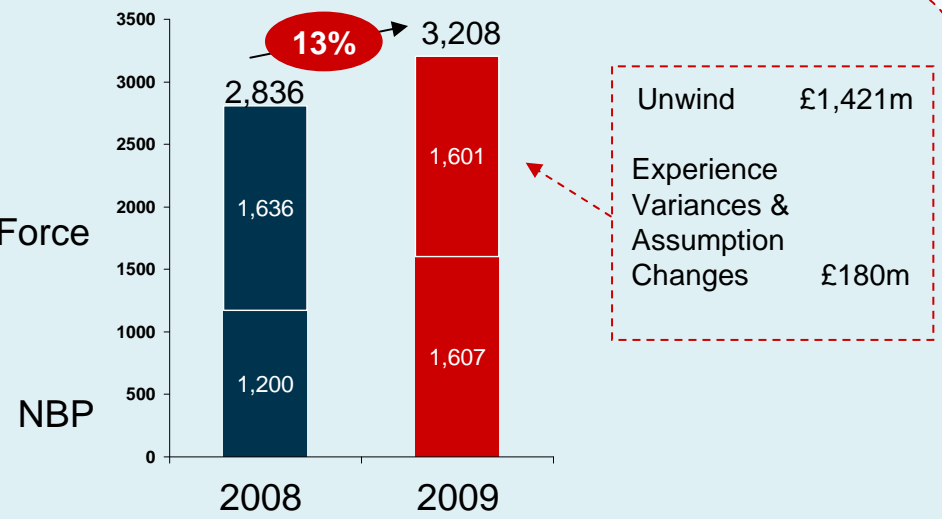


EEV Operating Profit – Group

EEV Operating Profit – at AER, £m

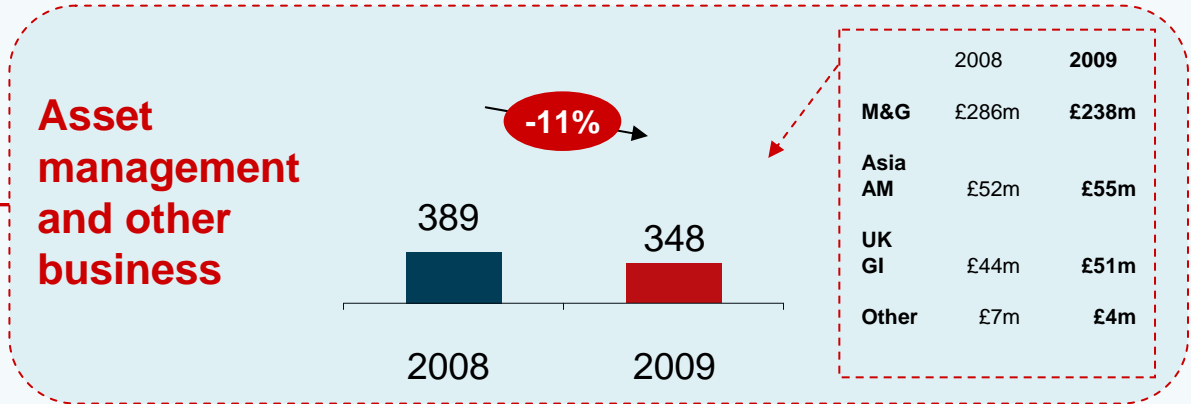
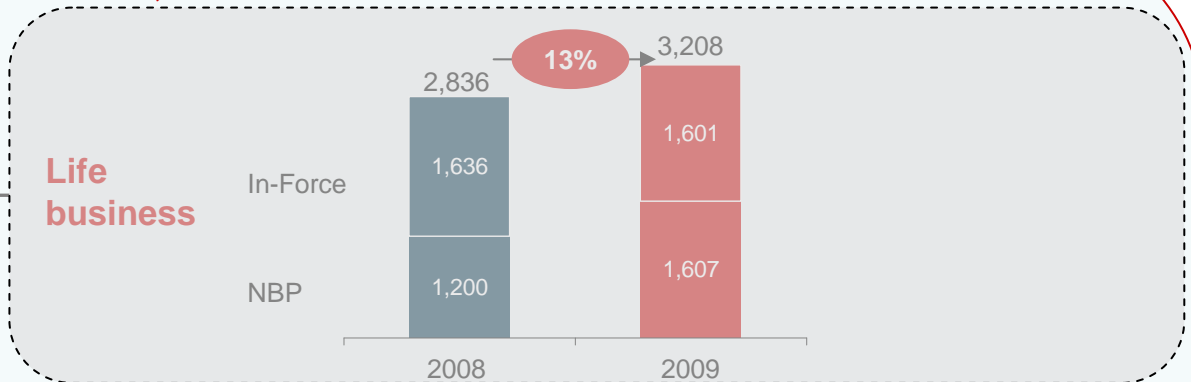
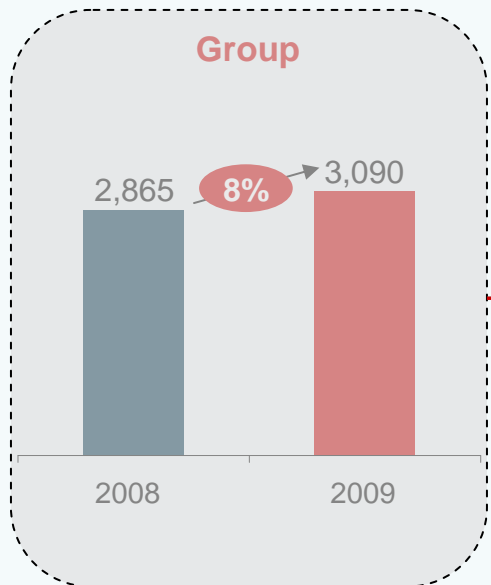


Life business



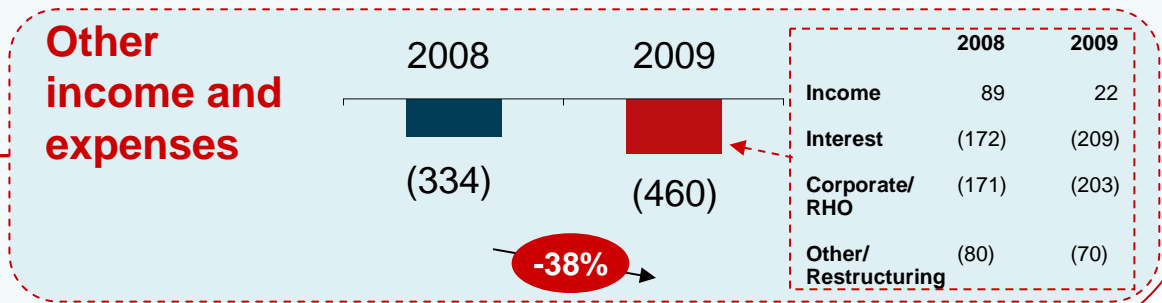
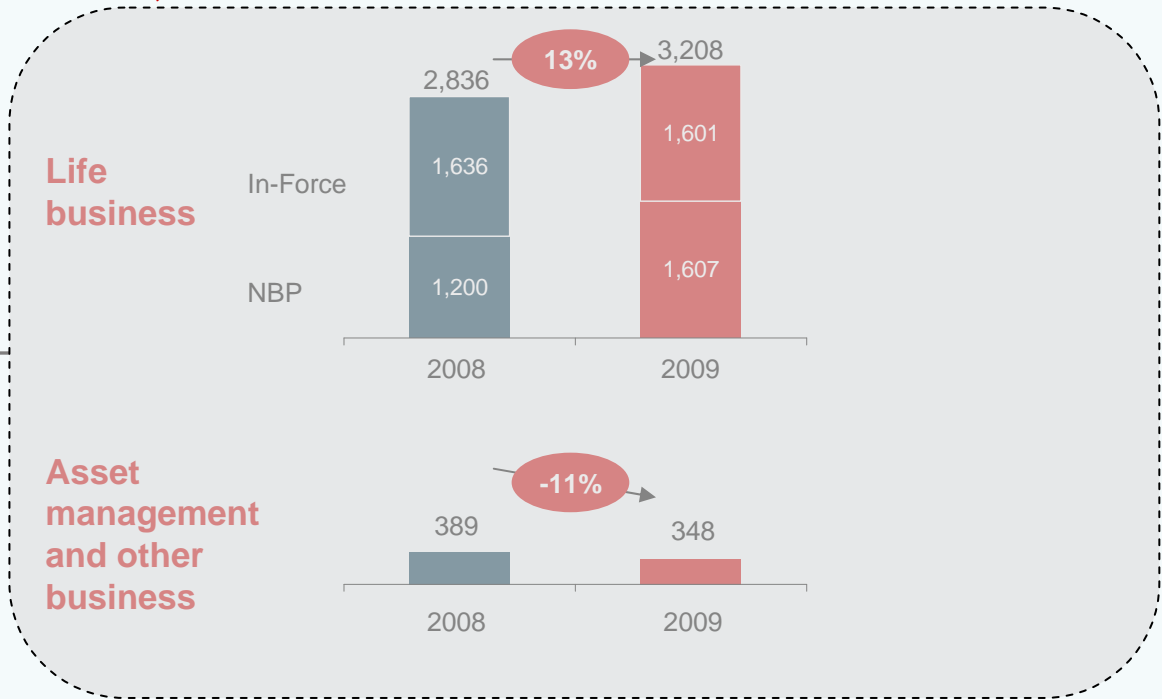
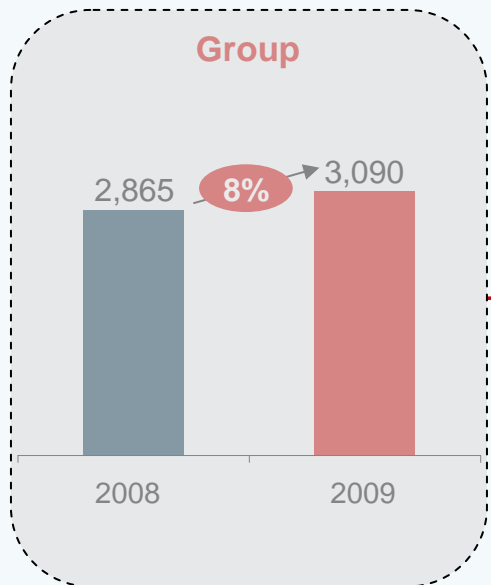
EEV Operating Profit – Group

EEV Operating Profit – at AER, £m



EEV Operating Profit – Group

EEV Operating Profit – at AER, £m



EEV Operating Profit – Life In-Force Business

EEV Operating Profit from in-force business – at AER, £m

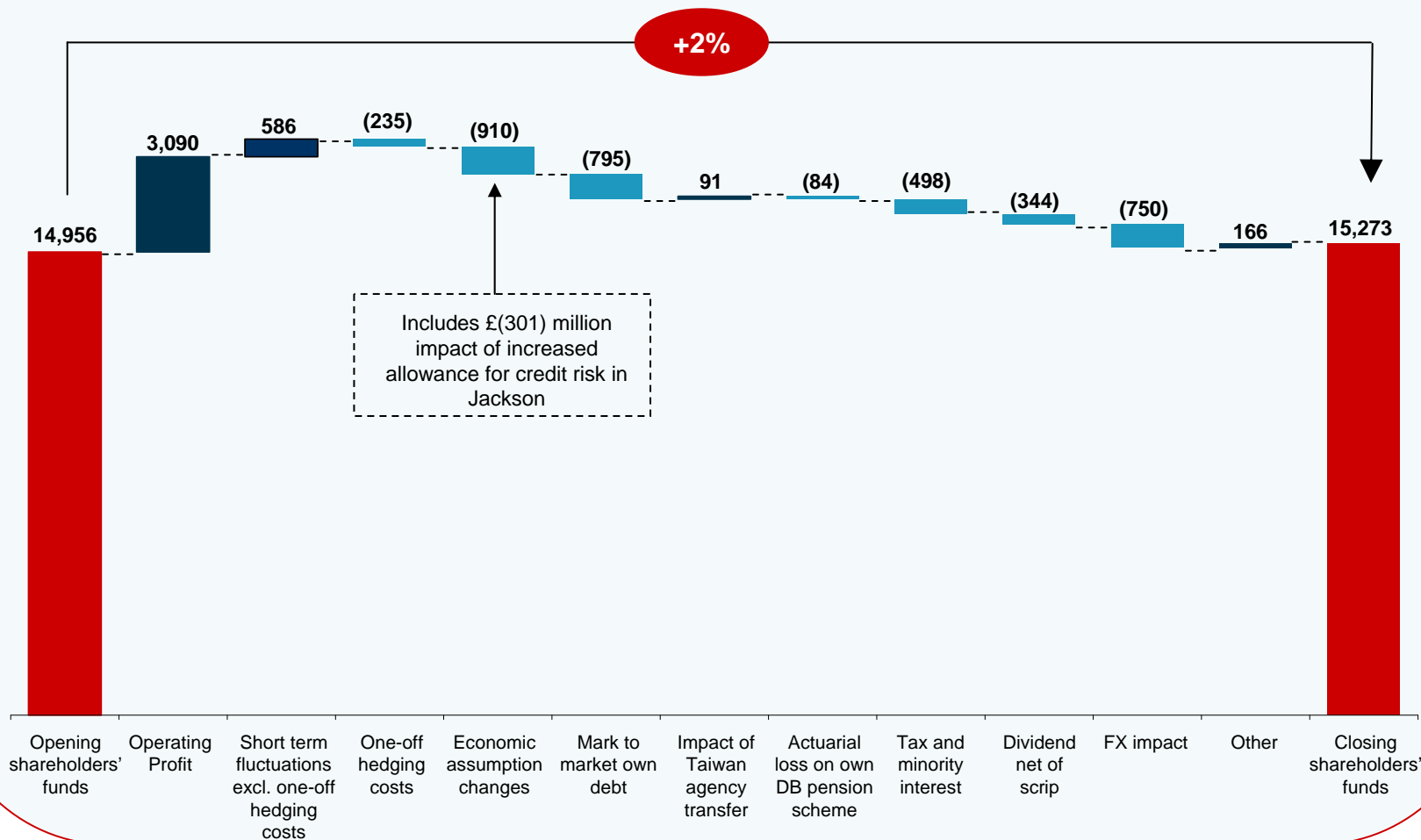
	Unwind of discount and other expected returns		Changes in operating assumptions		Experience variances	
	2008	2009	2008	2009	2008	2009
Asia	409	489	165	(12)	5	(85)
US	233	344	(17)	101	77	124
UK	569	588	-	-	195	52
Total	1,211	1,421	148	89	277	91

EEV in-force operating profit £1,601 million (2008: £1,636 million)

Analysis of movement in EEV shareholders' funds – at AER, £m

Per Share = £5.99

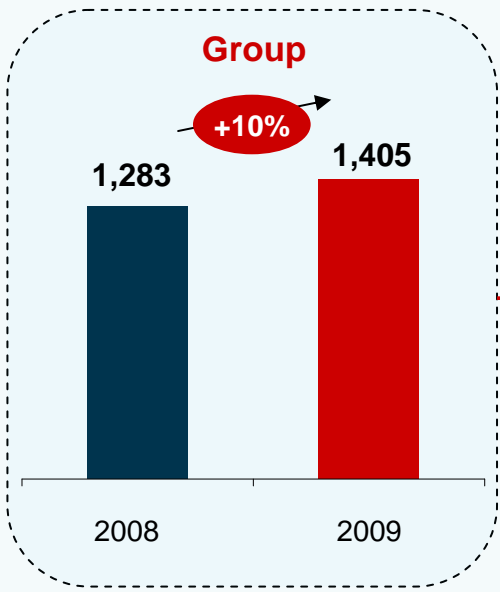
Per Share = £6.03



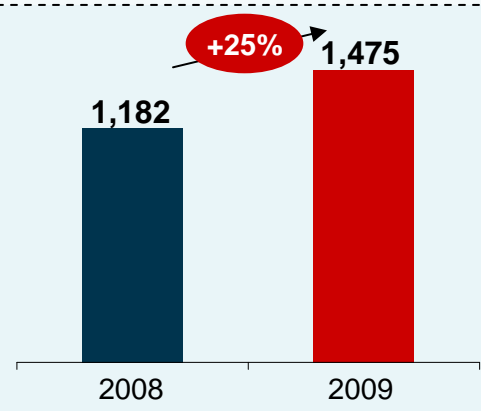
IFRS Operating Profit - Group

IFRS Operating Profit

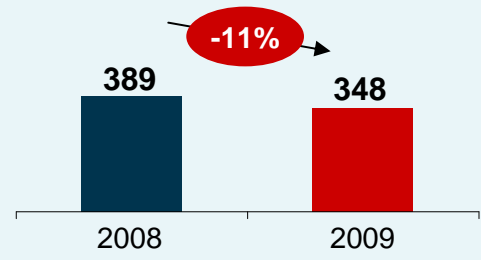
– at AER, £m



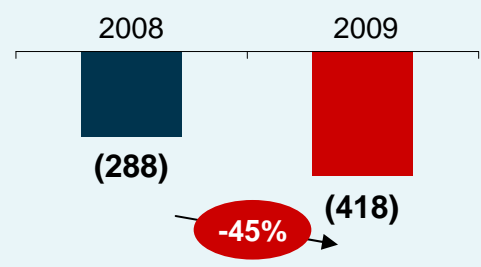
Life business



Asset management and other businesses

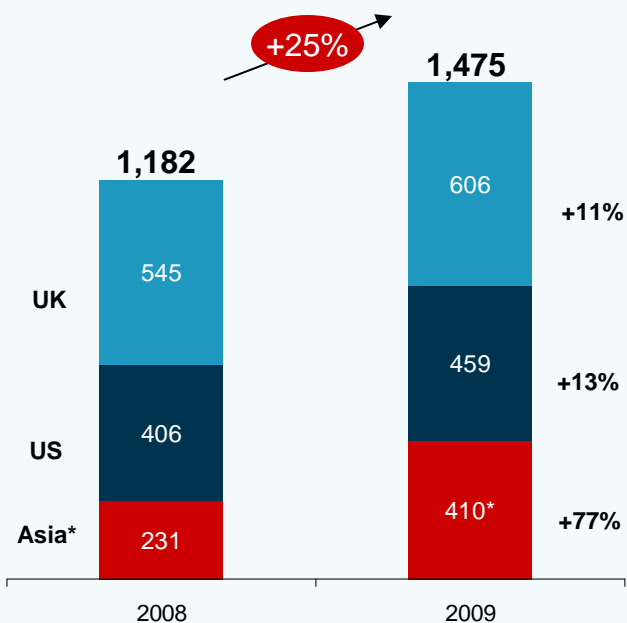


Other income and expenses / restructuring



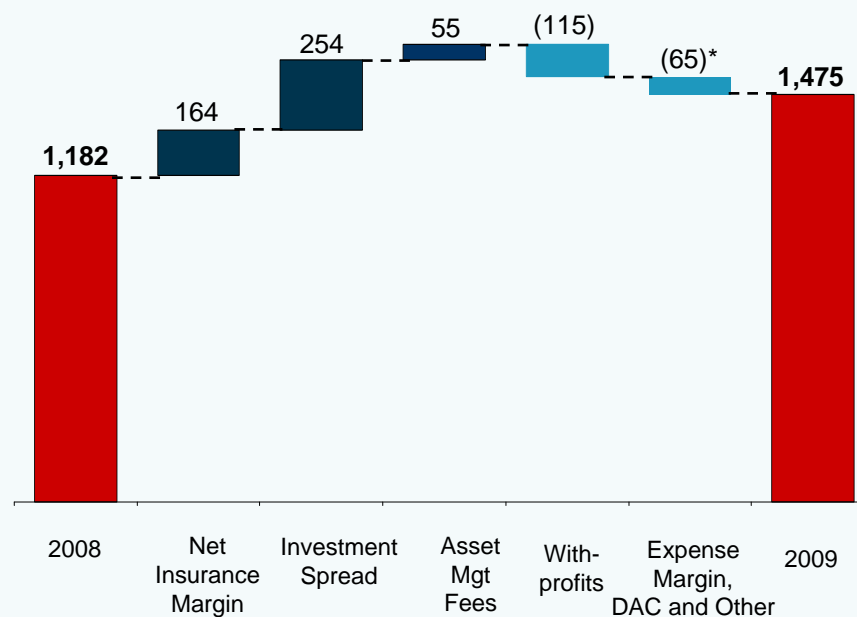
Life operating profit by region

- at AER, £m



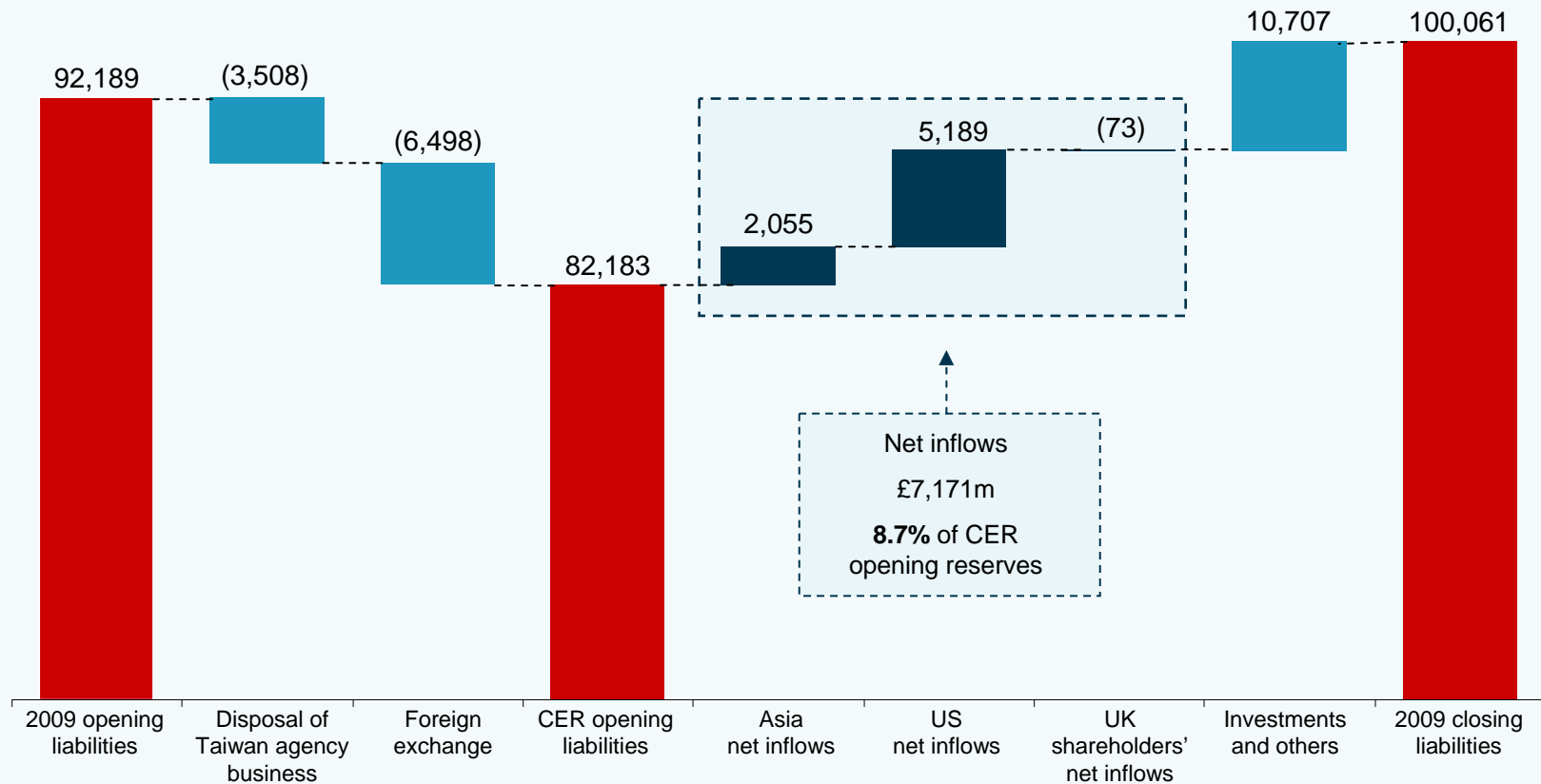
Growth in life operating profit by driver

- at AER, £m



Policyholder Liabilities – Shareholder-Backed Business

Policyholder liabilities roll-forward – at AER, £m

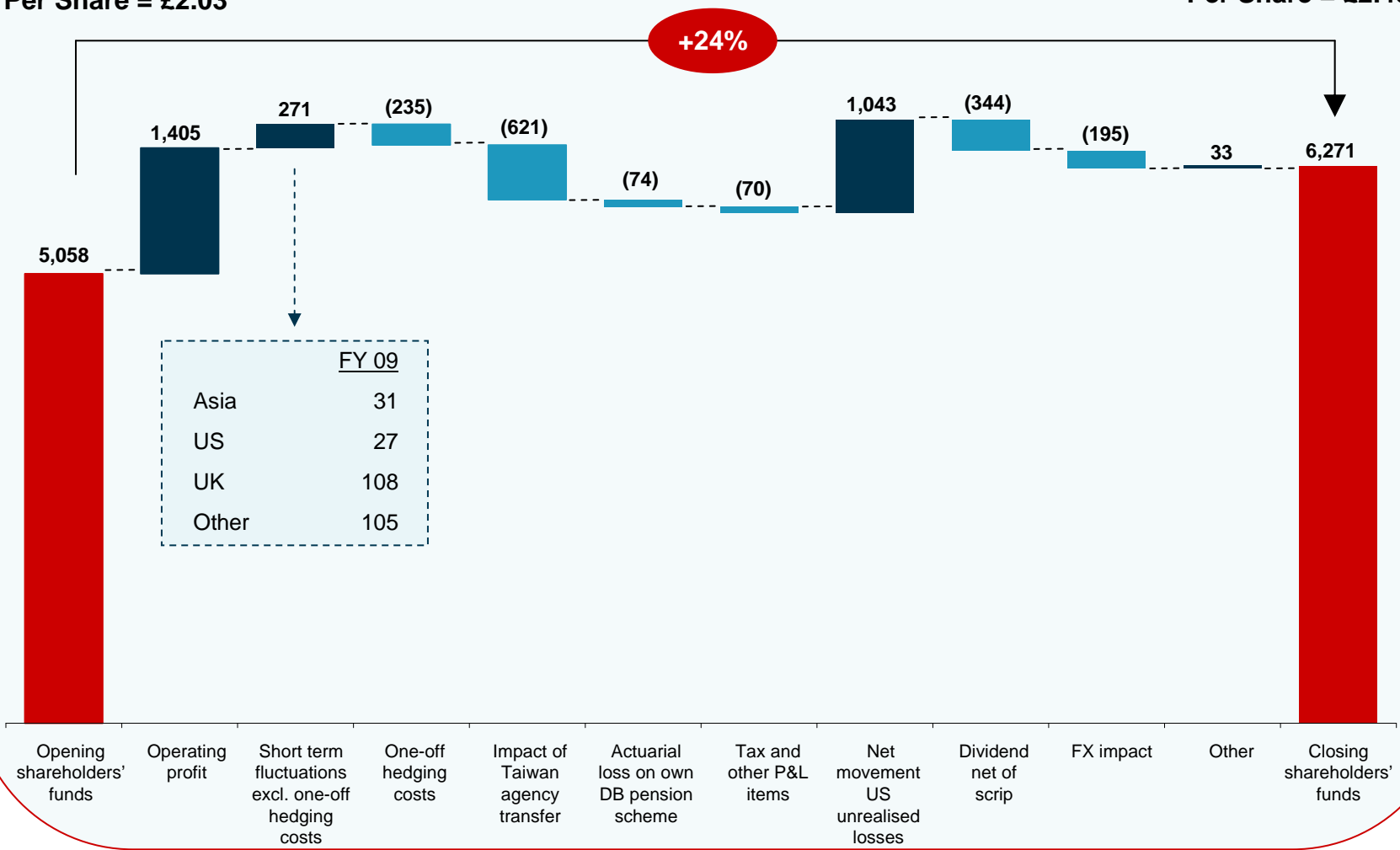


Analysis of movement in IFRS shareholders' funds – AER £m

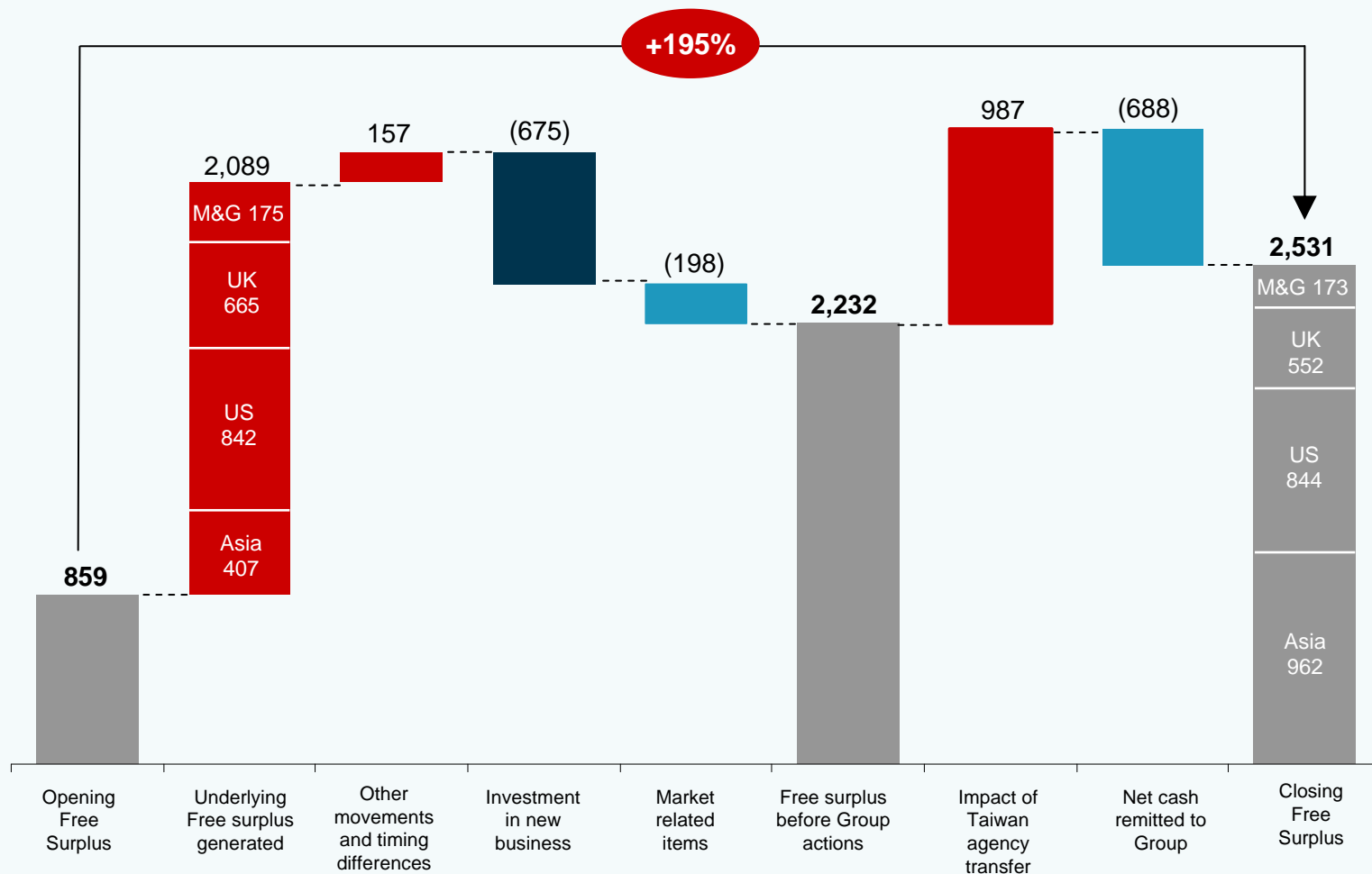
Per Share = £2.03

Per Share = £2.48

+24%

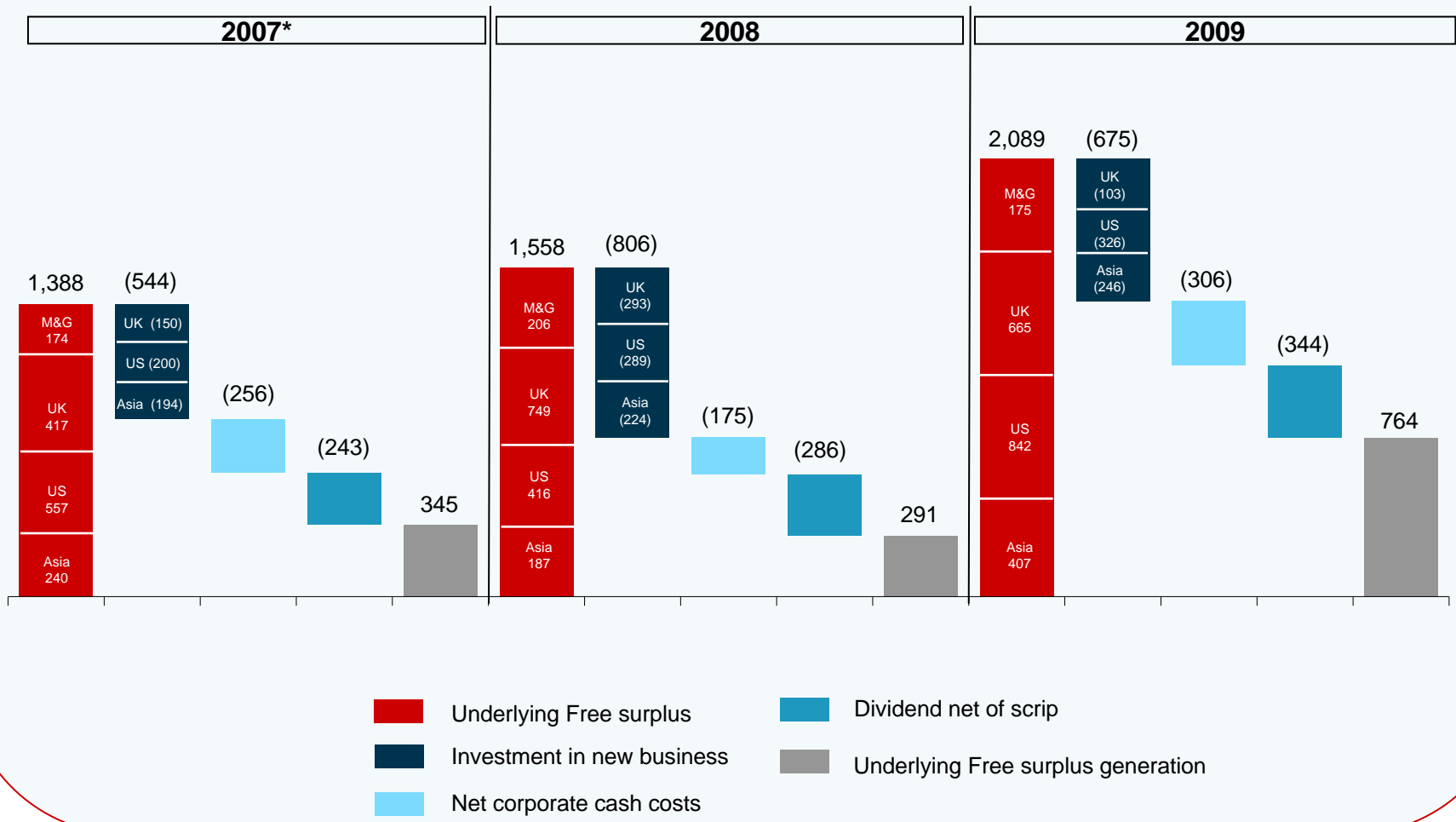


Evolution of Free Surplus – AER, £m



Underlying Cash Generation Covers Dividend

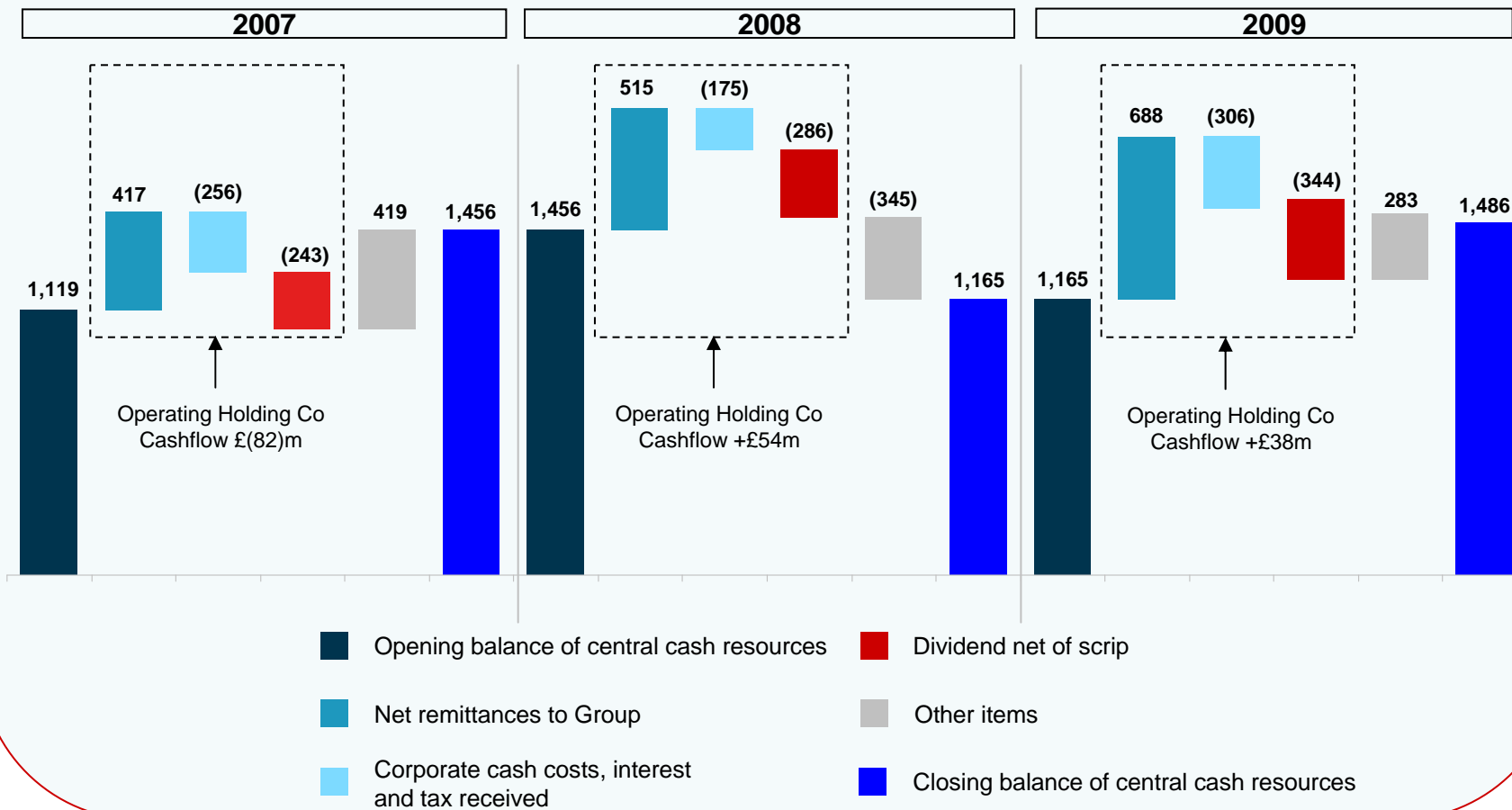
Underlying Free Surplus generation – at AER, £m



* 2007 including Taiwan agency business

Robust Central Cash Position of £1.5 billion

Development of Central cash resources – at AER, £m

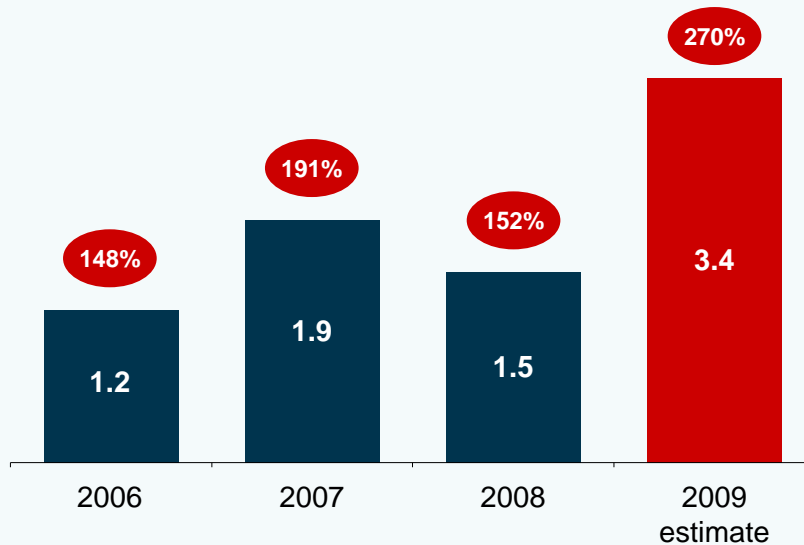


Note: In addition the Group has significant internal liquidity and £2.1 billion of undrawn external committed facilities

IGD Capital

Strengthened IGD surplus of £3.4bn

IGD Surplus – £ bn



 Solvency Ratio

IGD Capital - Movement in 2009 (£bn)

YE08		1.5
Net capital generation	1.1	
JNL credit impacts	(0.4)	
Total impact from BU activity		0.7
Dividend (net of scrip)		(0.3)
Interest and others		(0.6)
Taiwan sale		0.8
Hybrid issuances		0.9
Capital Restructuring		0.9
Other		(0.5)
YE09		3.4

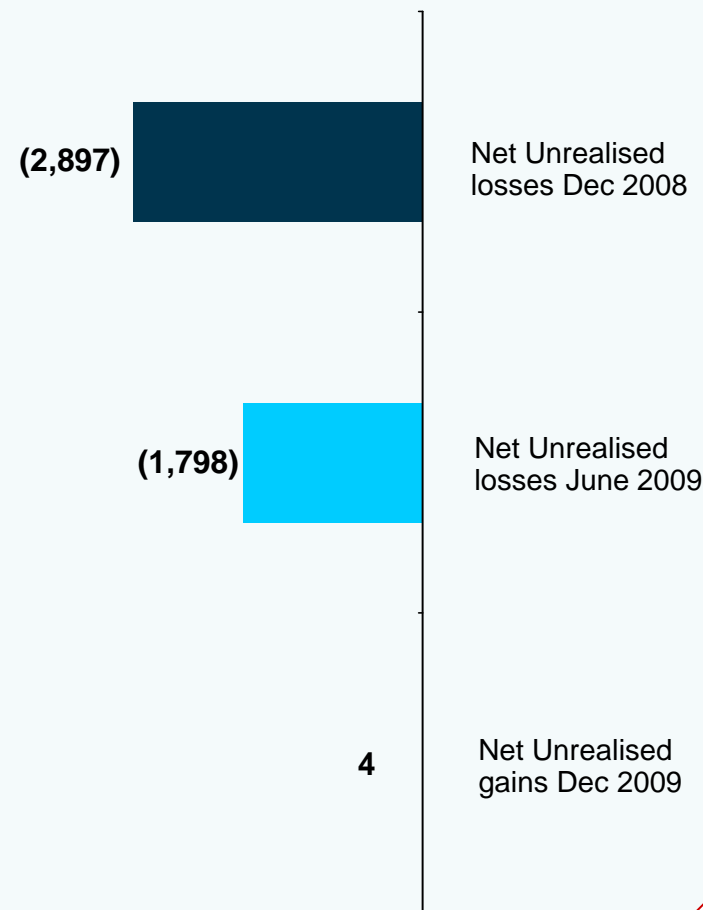
Credit Charges and Unrealised Losses

Net unrealised losses improve by £2.9bn

Breakdown of IFRS losses – at AER, £m

	Asia	US	UK	Total
Defaults	0	0	11	11
Realised losses	0	1	0	1
Impairments	0	630	0	630
Total	0	631	11	642

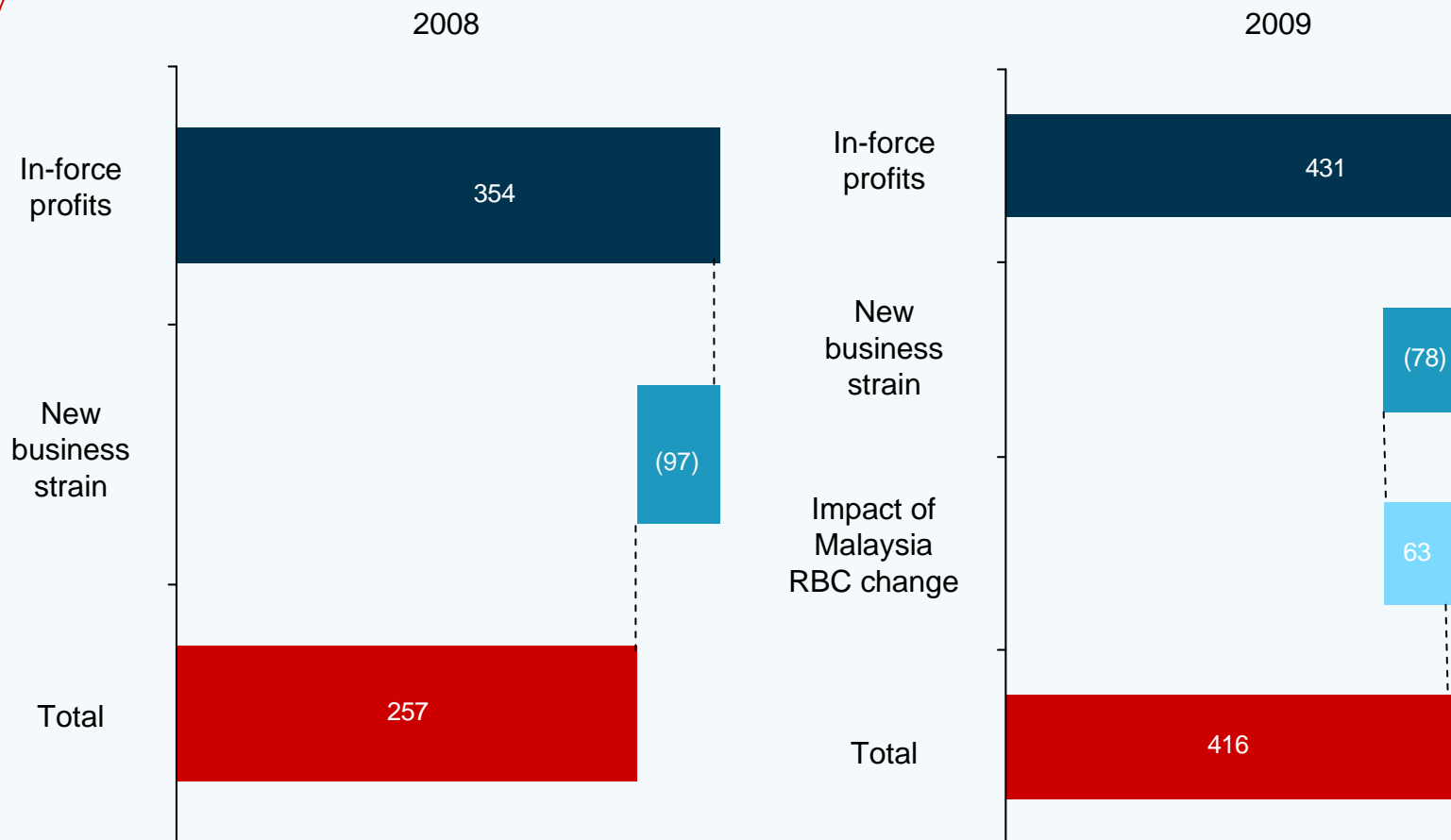
US net unrealised losses – at AER, £m



Appendix

IFRS Operating Profit – Asia Life

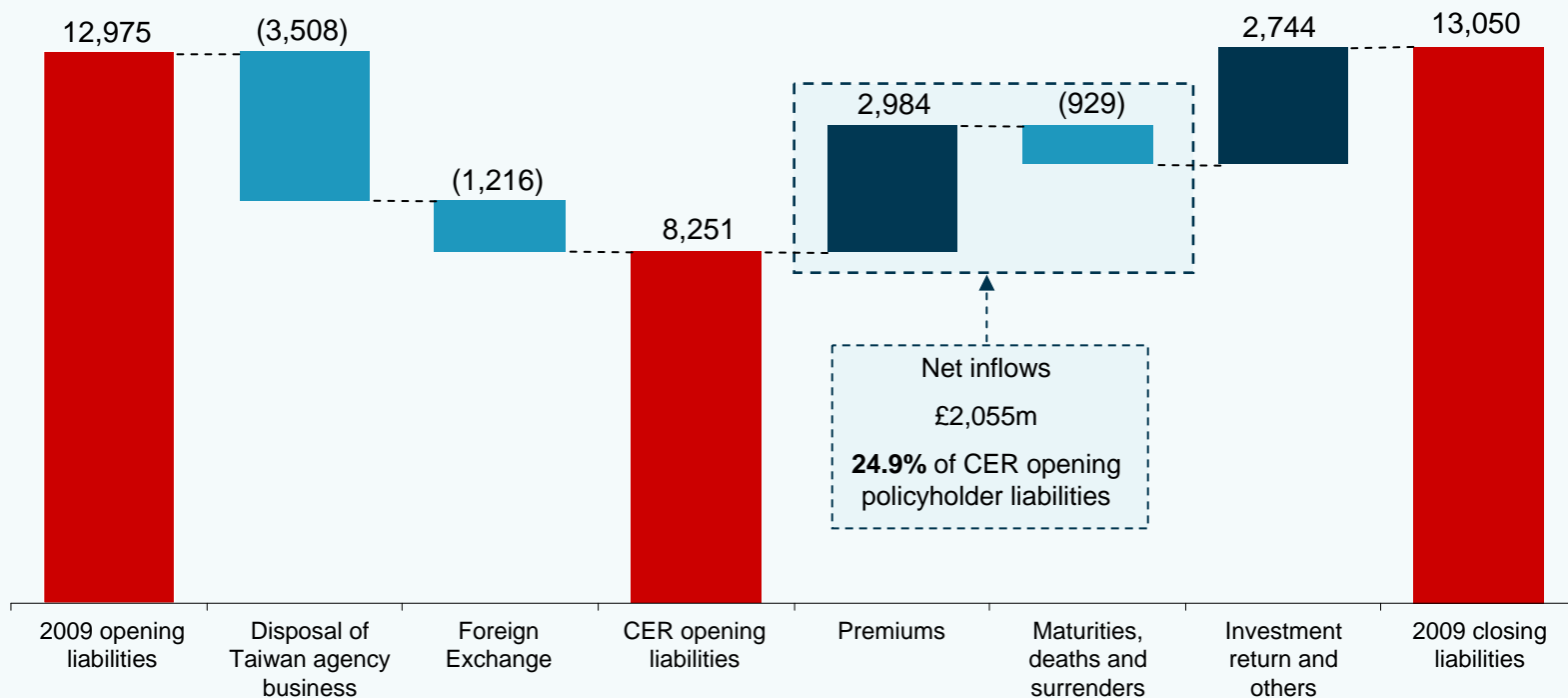
Breakdown of Asia life IFRS Operating Profit – at AER, £m



Policyholder Liabilities – Shareholder-Backed Business

Asia

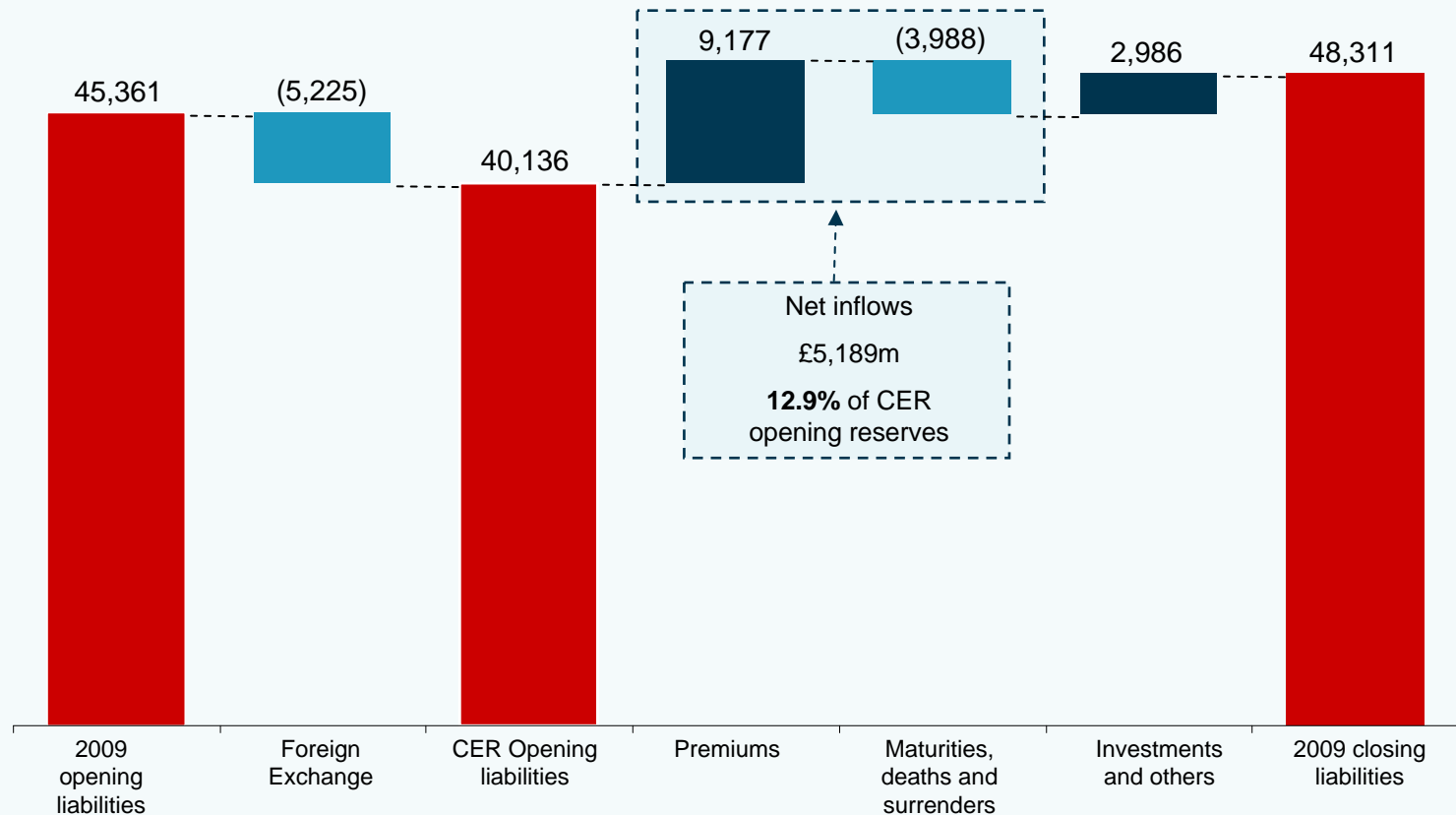
Policyholder liabilities roll-forward – at AER, £m



Policyholder Liabilities – Shareholder-Backed Business

US

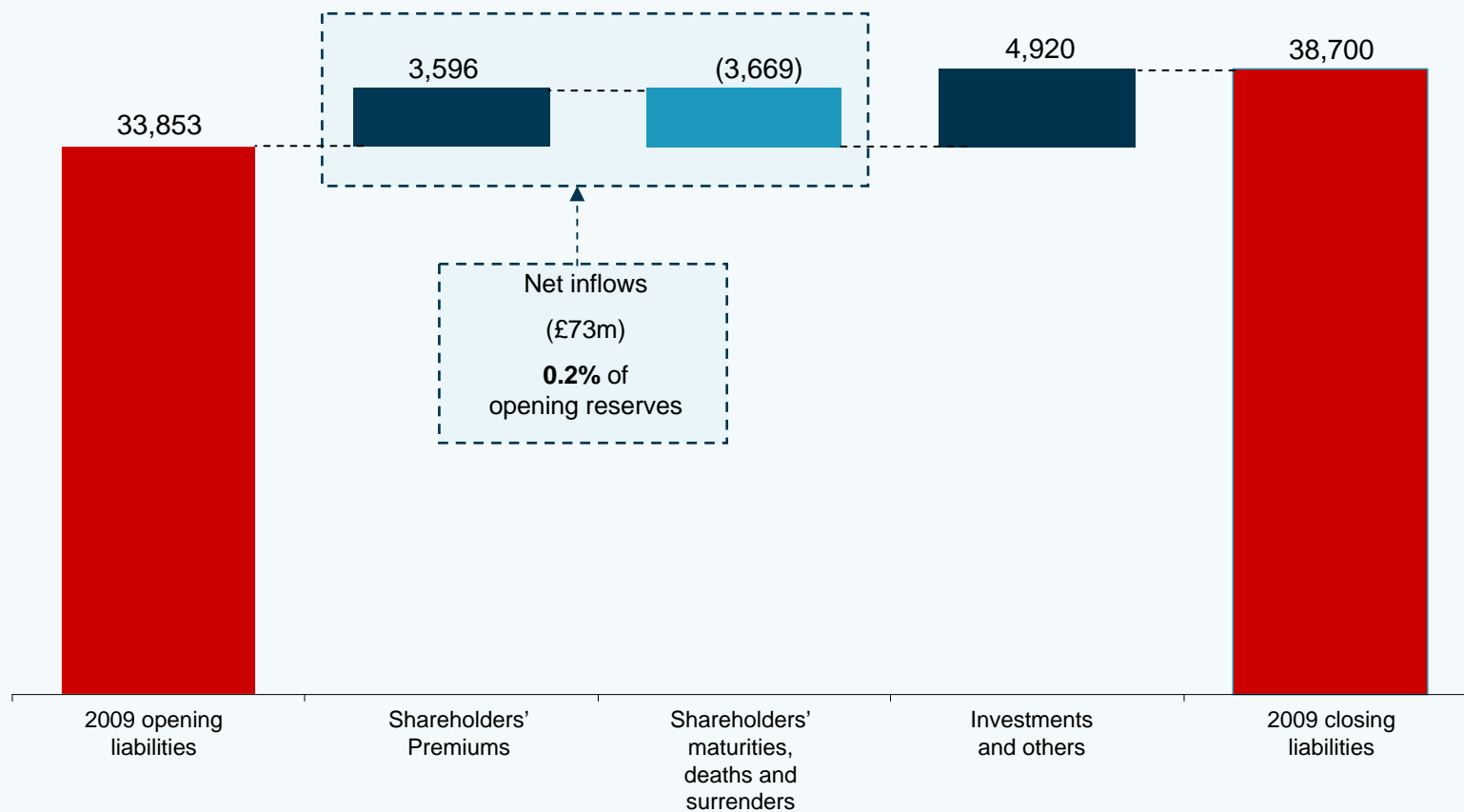
Policyholder liabilities roll-forward – 2008 to 2009, at AER, £m



Policyholder Liabilities – Shareholder-Backed Business

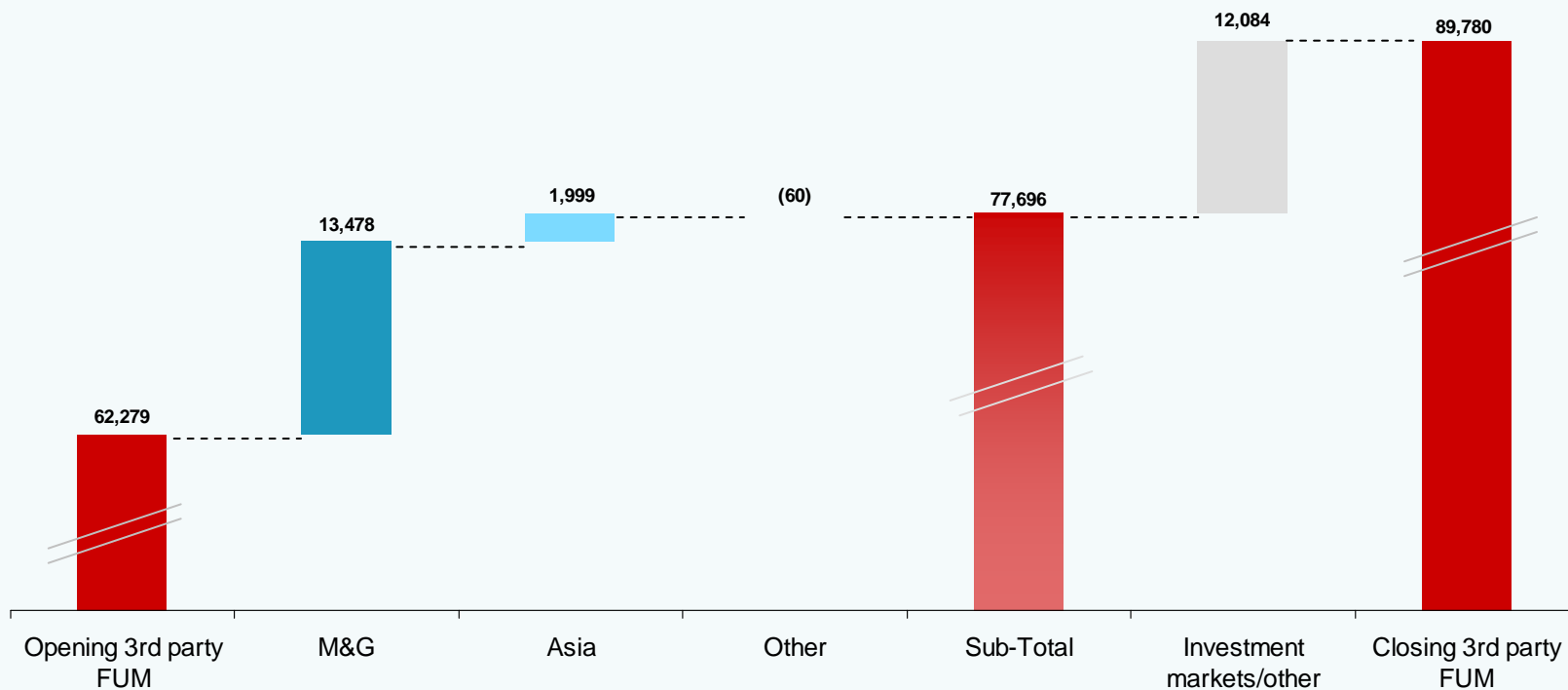
UK

Policyholder liabilities roll-forward – 2008 to 2009, at AER, £m



Group Net Inflows 3rd Party Asset Management

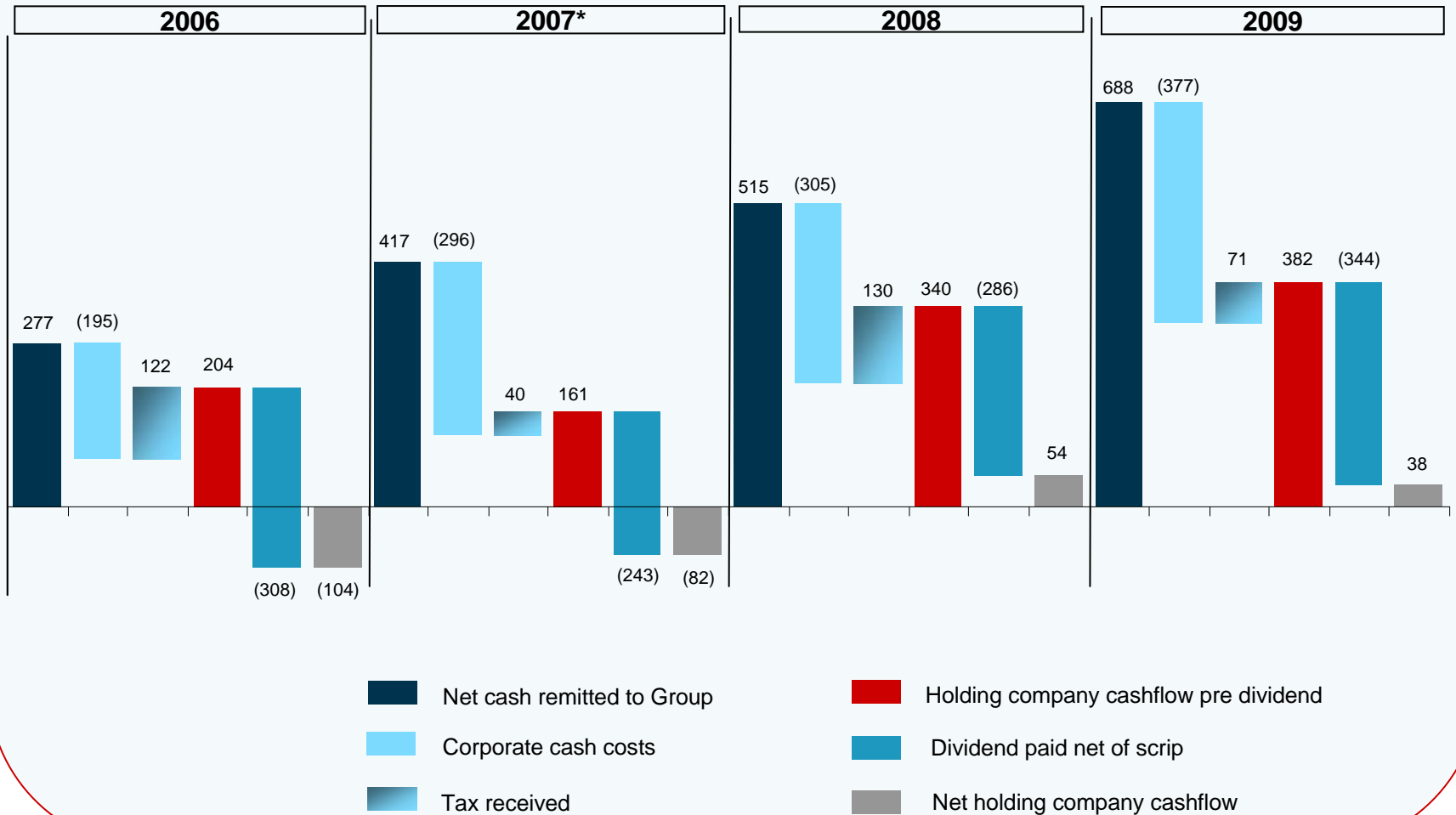
Asset Management movement in 3rd party FUM – at AER £m



Holding Company Cash Flows

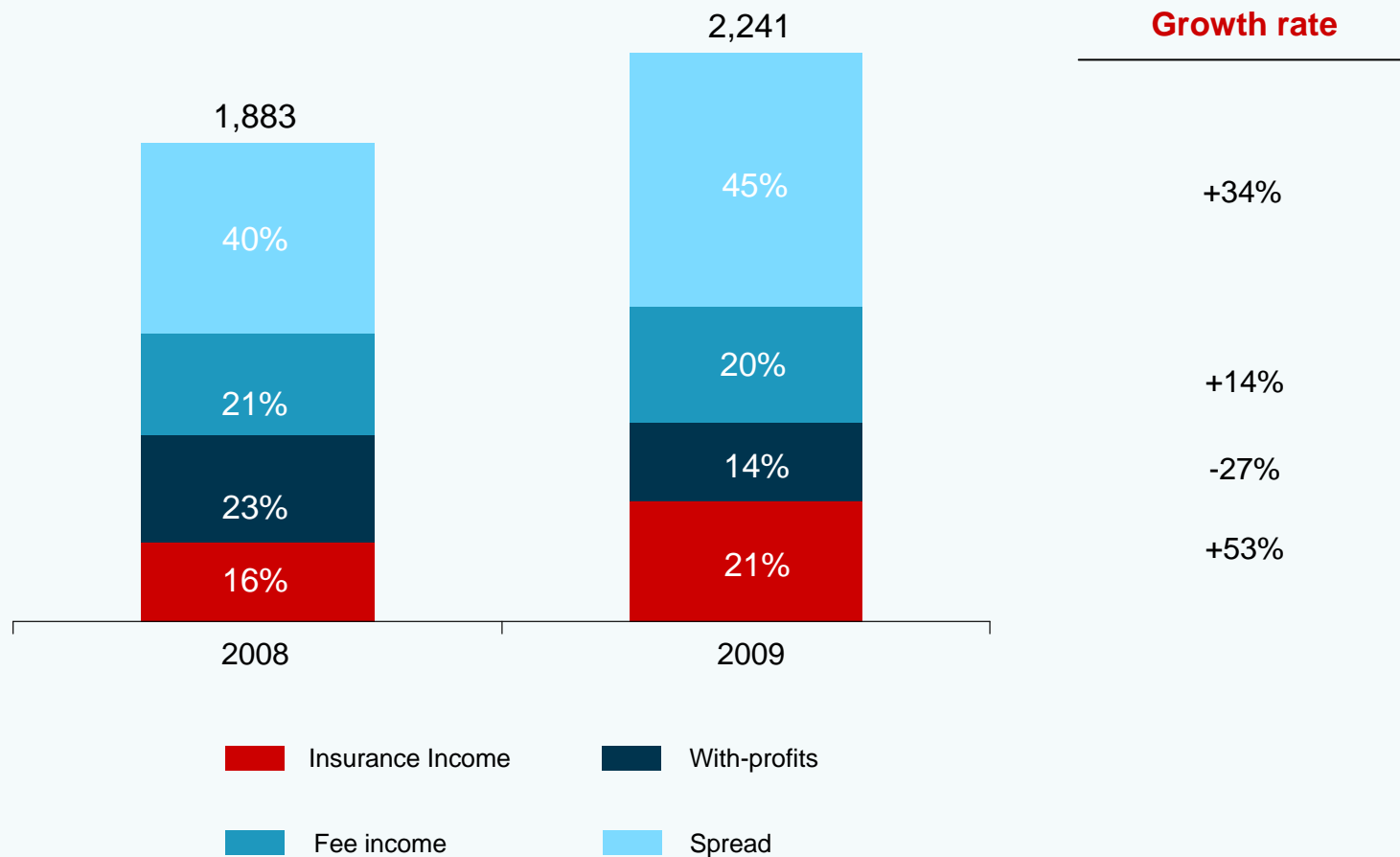
Upstream cash from operations to meet corporate needs

Holding Company cash flow – at AER, £m



Sources of IFRS Operating Profit – Total Long-Term Business

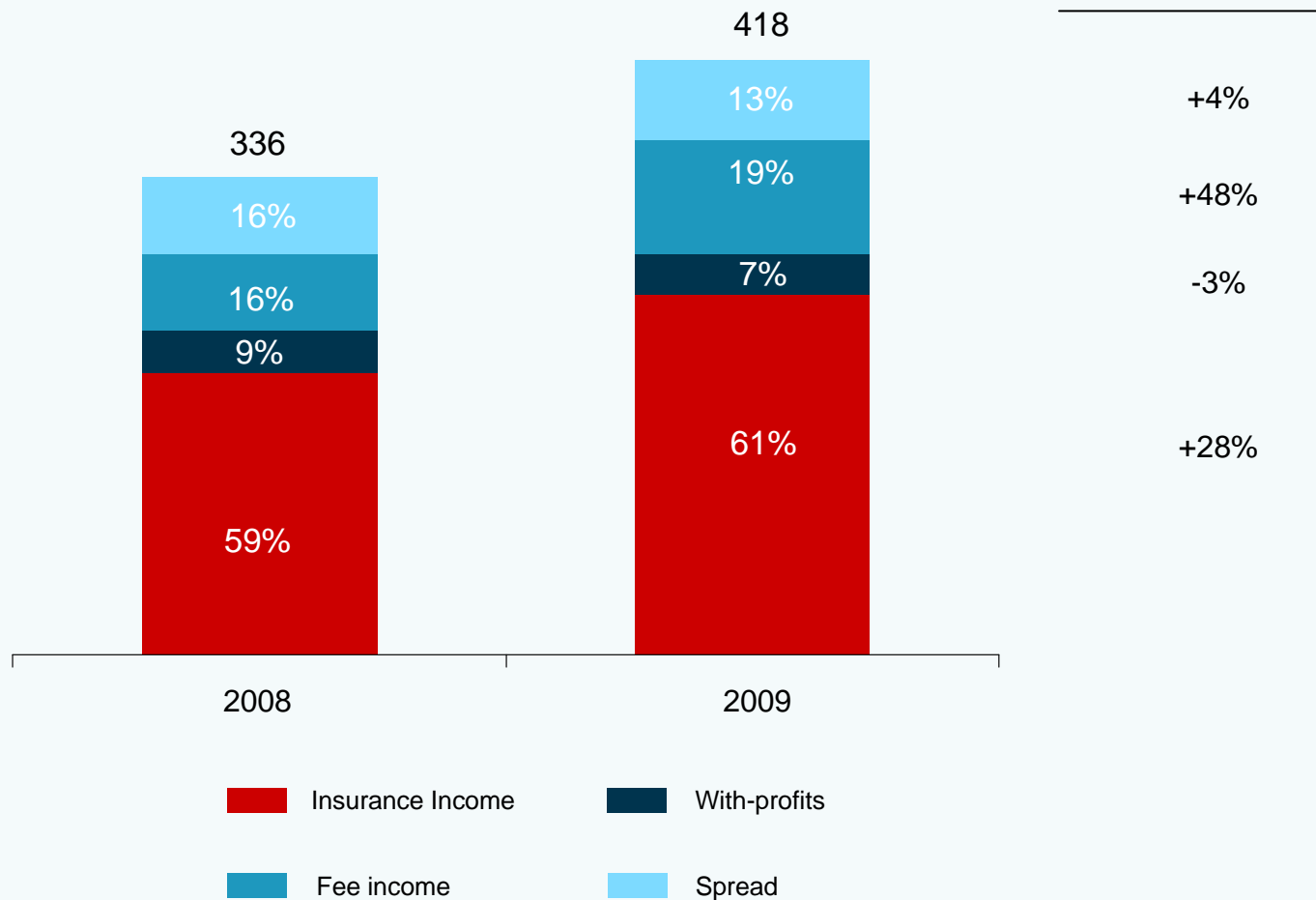
IFRS Operating Profit* – at AER, £m



* Excluding net expense margin, DAC amortization, and other items

Sources of IFRS Operating Profit – Asia

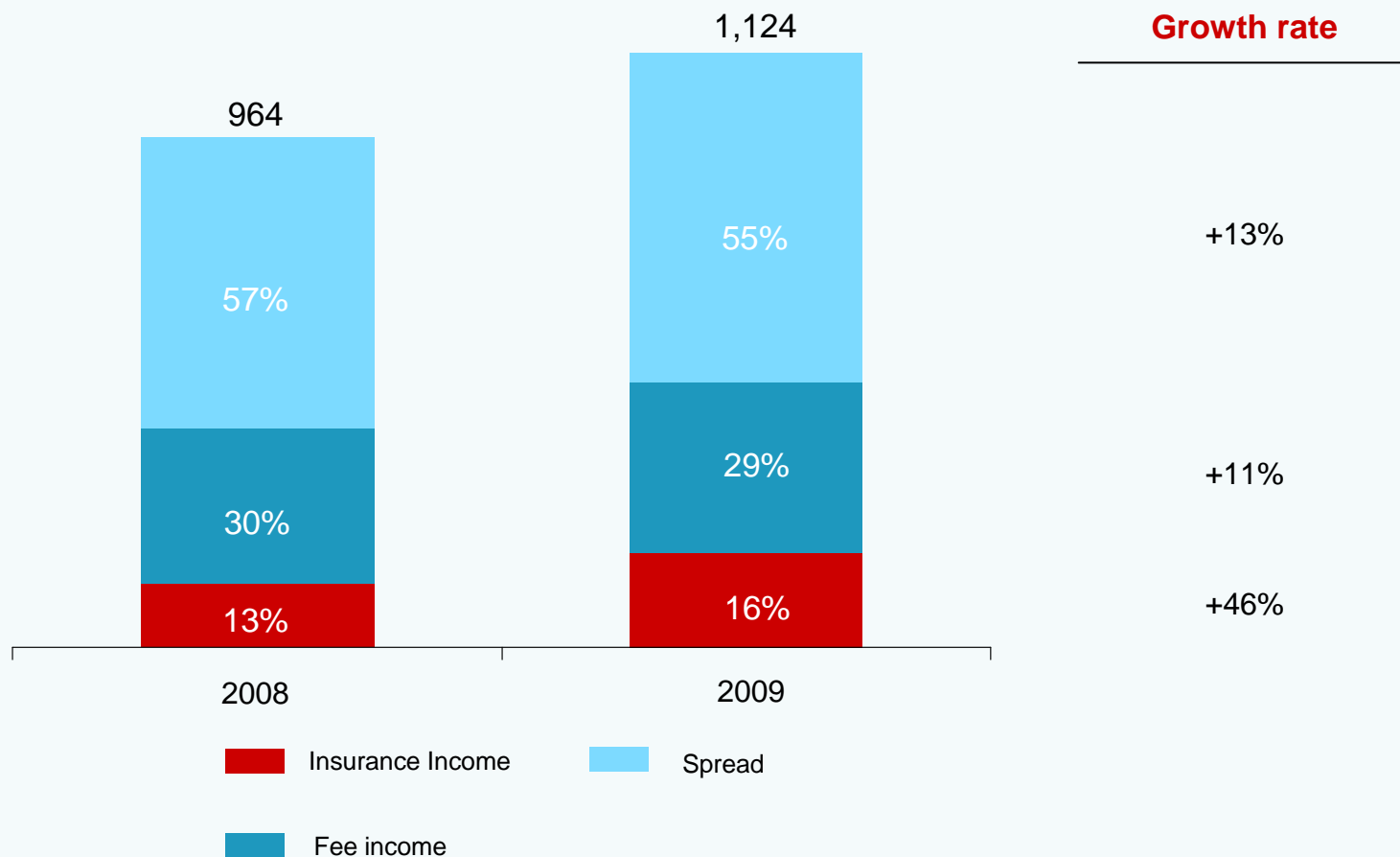
IFRS Operating Profit* – at AER, £m



* Excluding net expense margin and other items

Sources of IFRS Operating Profit – US

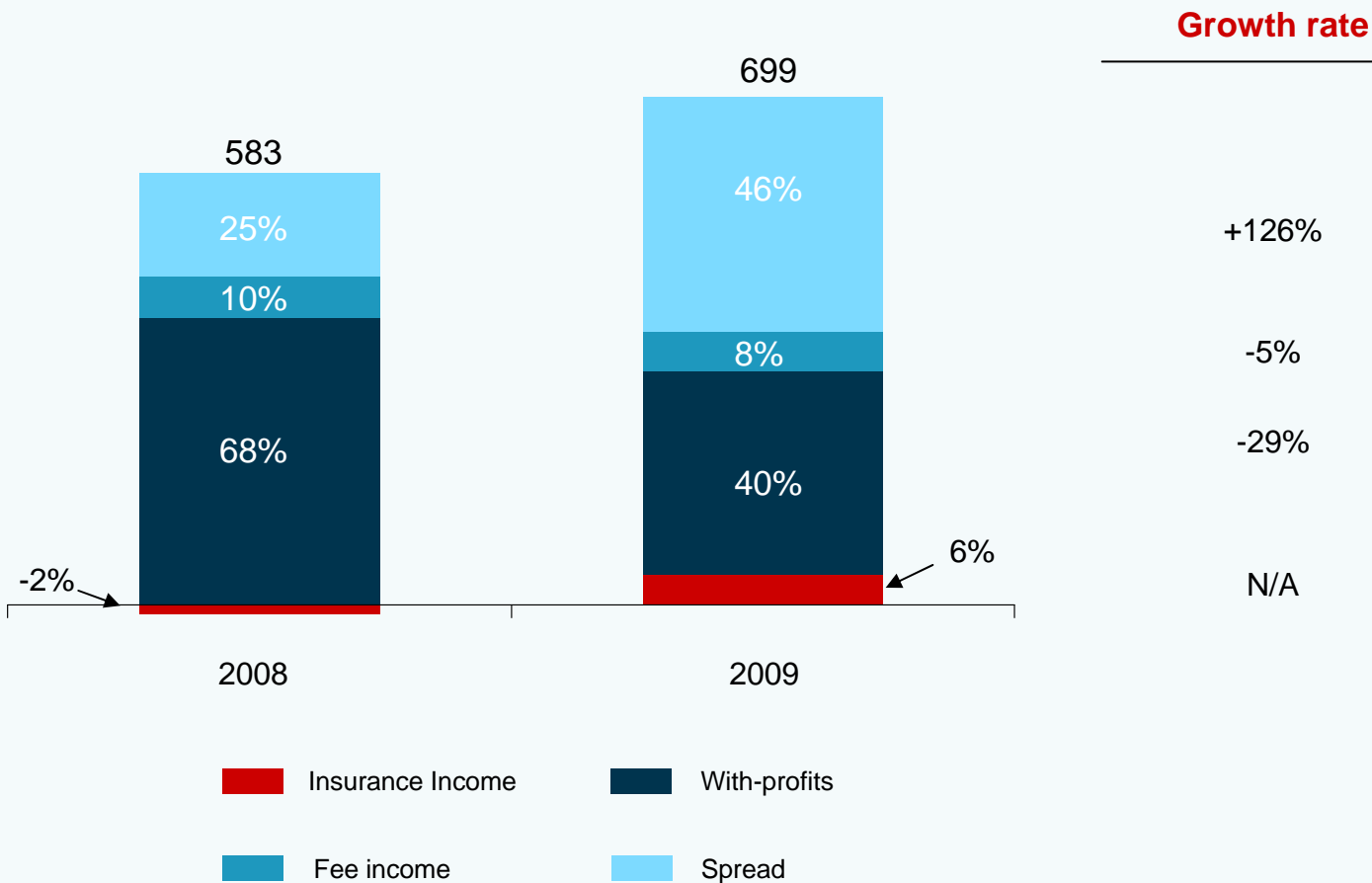
IFRS Operating Profit* – at AER, £m



* Excluding net expense margin, DAC amortization, and other items

Sources of IFRS Operating Profit – UK

IFRS Operating Profit* – at AER, £m



* Excluding net expense margin and other items

Invested Assets – Group Overview

Shareholder assets 30% of total group assets

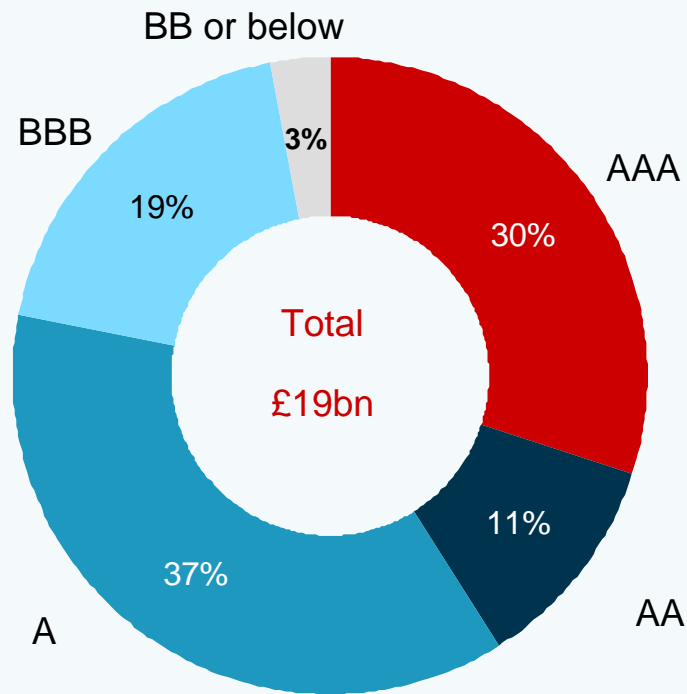
Breakdown of invested assets – 2009, £bn

	Total Group	PAR Funds	Unit-Linked	Shareholders				
				Asia Life	US Life	UK Life	Other	Total
Debt securities	101.7	47.3	8.9	2.5	22.8	19.0	1.2	45.5
Equity	69.4	30.0	38.6	0.3	0.4	0.0	0.1	0.8
Property Investments	10.9	8.8	0.7	0.0	0.0	1.4	0.0	1.4
Commercial mortgage loans	4.6	0.1	0.0	0.0	3.8	0.7	0.0	4.5
Other loans	4.2	1.7	0.0	0.4	0.5	0.2	1.4	2.5
Deposits	12.8	9.6	0.7	0.5	0.5	1.4	0.1	2.5
Other Investments	5.1	3.5	0.1	0.2	0.9	0.1	0.3	1.5
Total	208.7	101.0	49.0	3.9	28.9	22.8	3.1	58.7

UK Asset Quality – Credit Reserve

Enough to withstand significant default and downgrade risk

UK shareholder debt securities portfolio by rating*



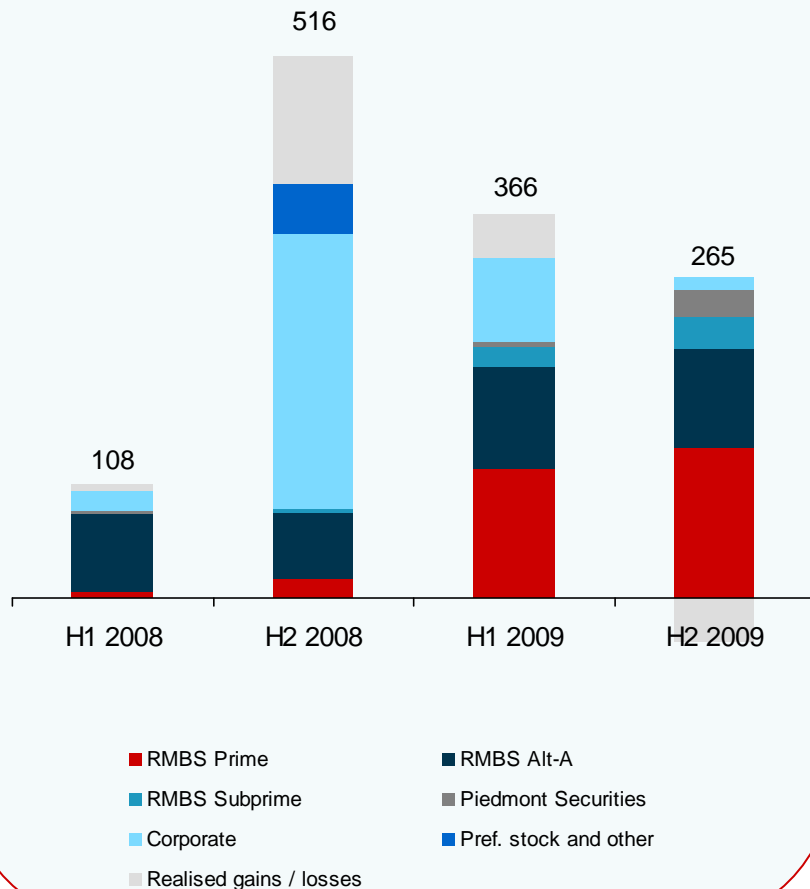
78% A or above

Strength of the £1.6bn credit reserve

- £11m of defaults and no net realised losses
- Sold down bank subordinated debt holdings in H2 2009
- Rolled over unused default provision and higher average credit quality **
 - Pillar 1 (IGD) 71bps (2008: 80bps)
 - IFRS 47bps (2008: 55 bps)
- Pillar 1 and EEV assumptions equivalent to 41% of current spread (2008: 25%) **

US Impairments; EEV Credit Reserve Established

Pre-tax impairments and other credit losses – at AER, £m

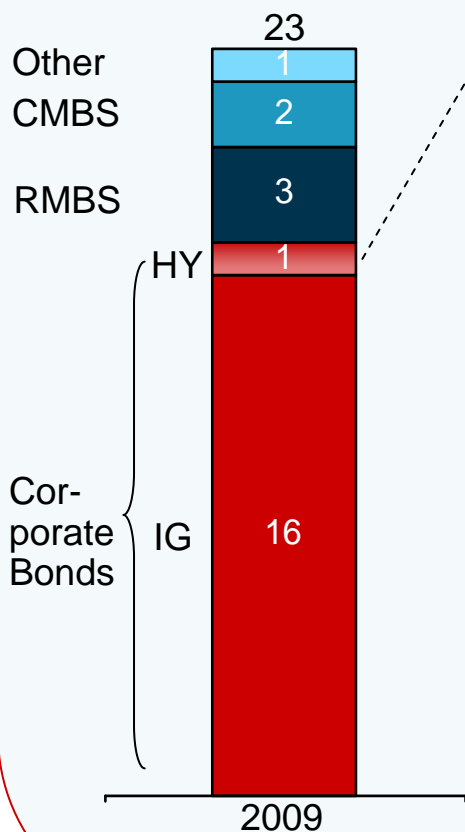


US EEV credit reserve

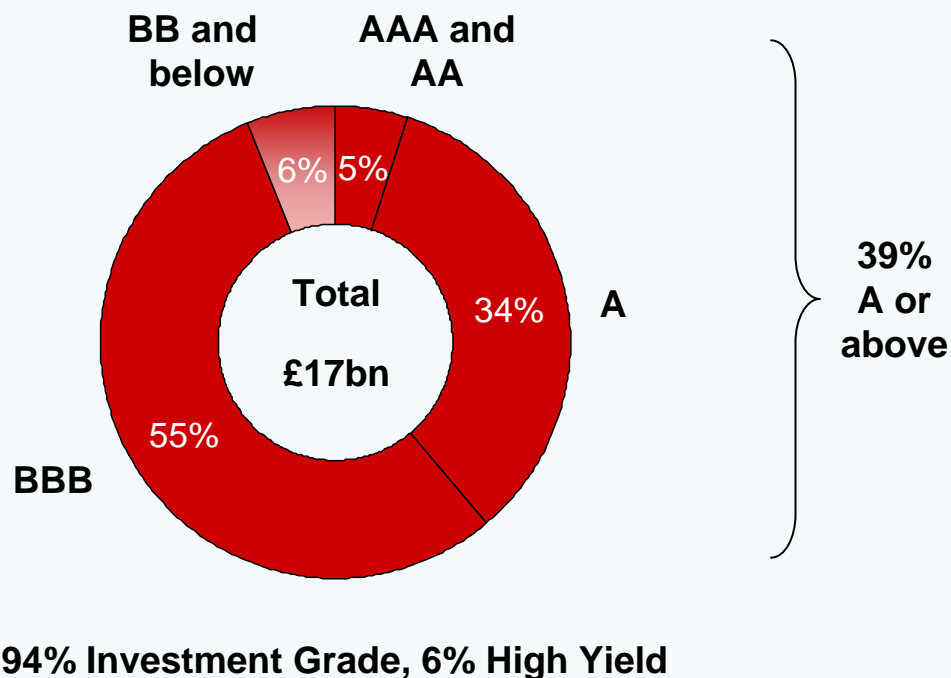
- US shareholder debt portfolio: £23 billion
- Continue to charge Risk Margin Reserve to EEV and IFRS operating profit based on applying Moody's default experience by rating category
 - 2009 27 bps (2008:23 bps)
- In 2009 additional EEV reserve established of 150 bps equivalent to £301 million pre-tax
- Accounting does not allow similar reserve for IFRS
- No impact on statutory basis therefore IGD unaffected

US Asset Quality – Corporate Debt Portfolio (1/3)

US shareholder debt securities portfolio – Fair value, £bn



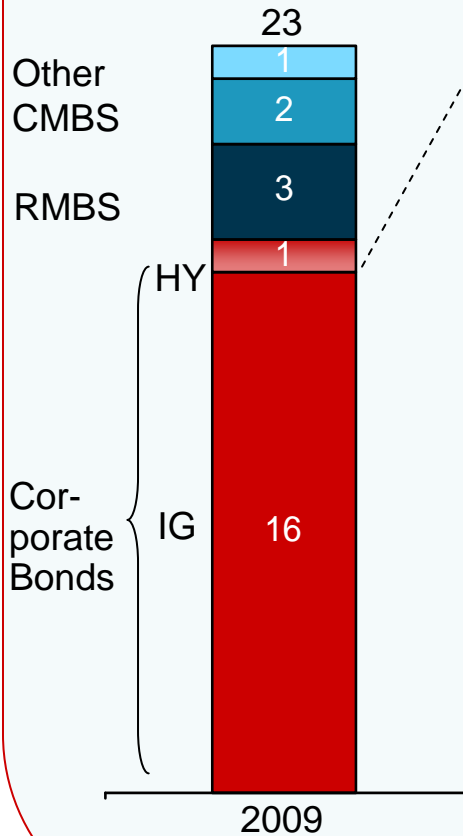
Corporate bond portfolio, % by rating



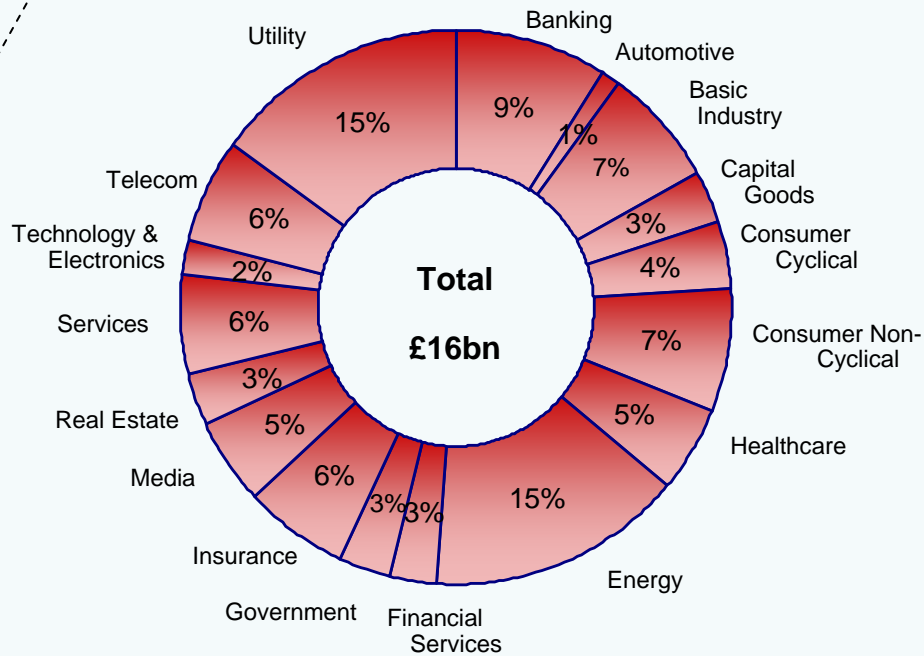
Corporate Bonds includes £378m of US treasury securities

US Asset Quality – Corporate Debt Portfolio (2/3)

US shareholder debt securities portfolio – Fair value, £bn



Investment Grade corporate bond portfolio, % by sector

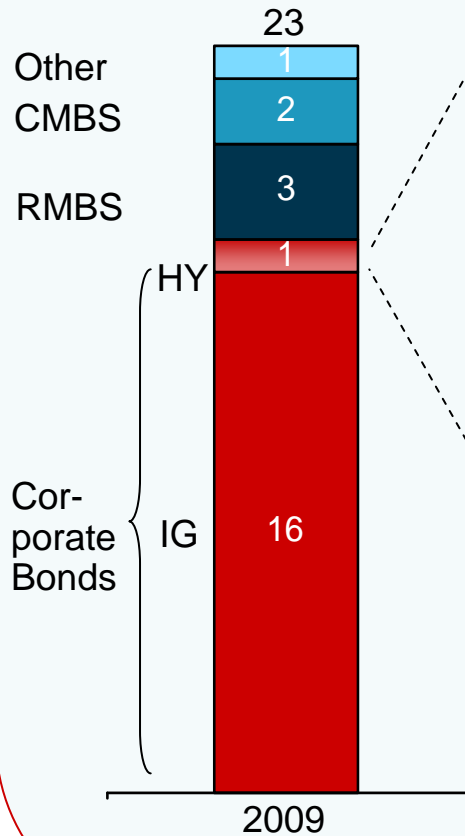


- Portfolio spread over 509 issuers, with an average holding of £30m

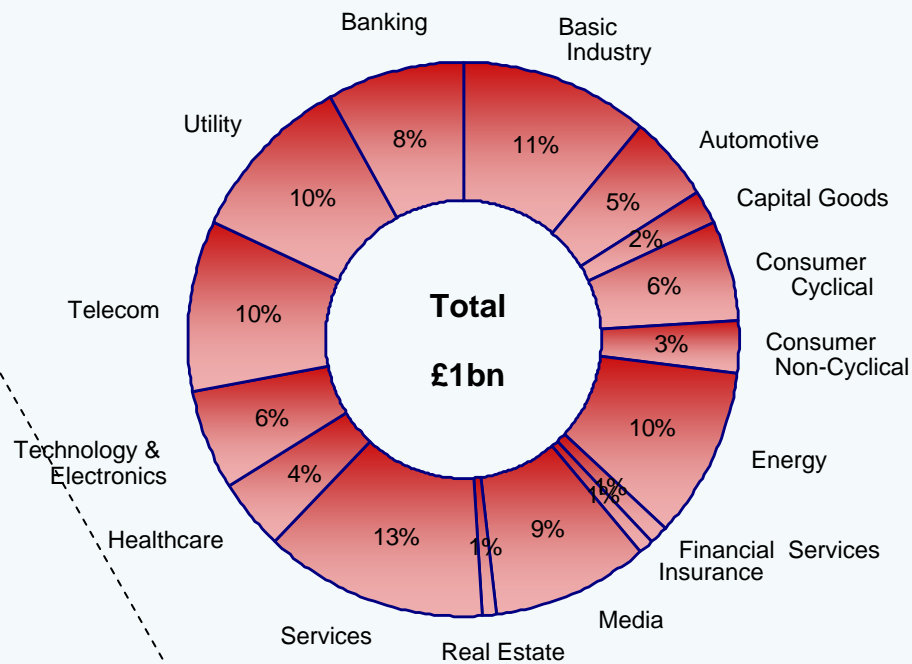
Corporate Bonds includes £378m of US treasury securities

US Asset Quality – Corporate Debt Portfolio (3/3)

US shareholder debt securities portfolio – Fair value, £bn



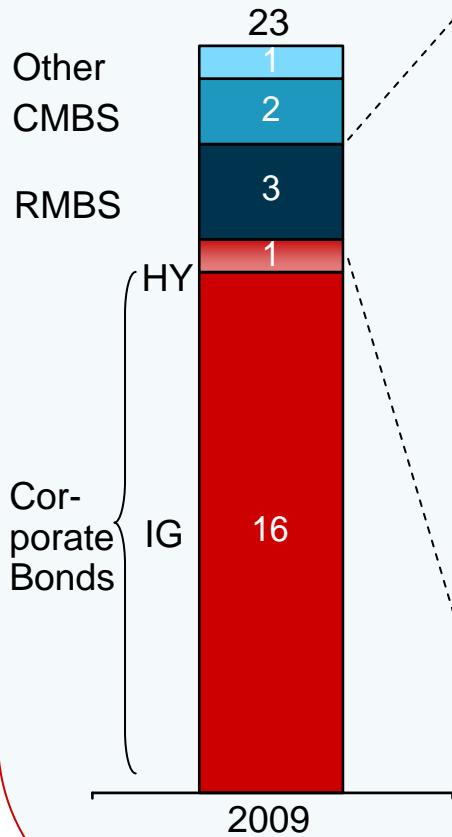
High Yield corporate bond portfolio, % by sector



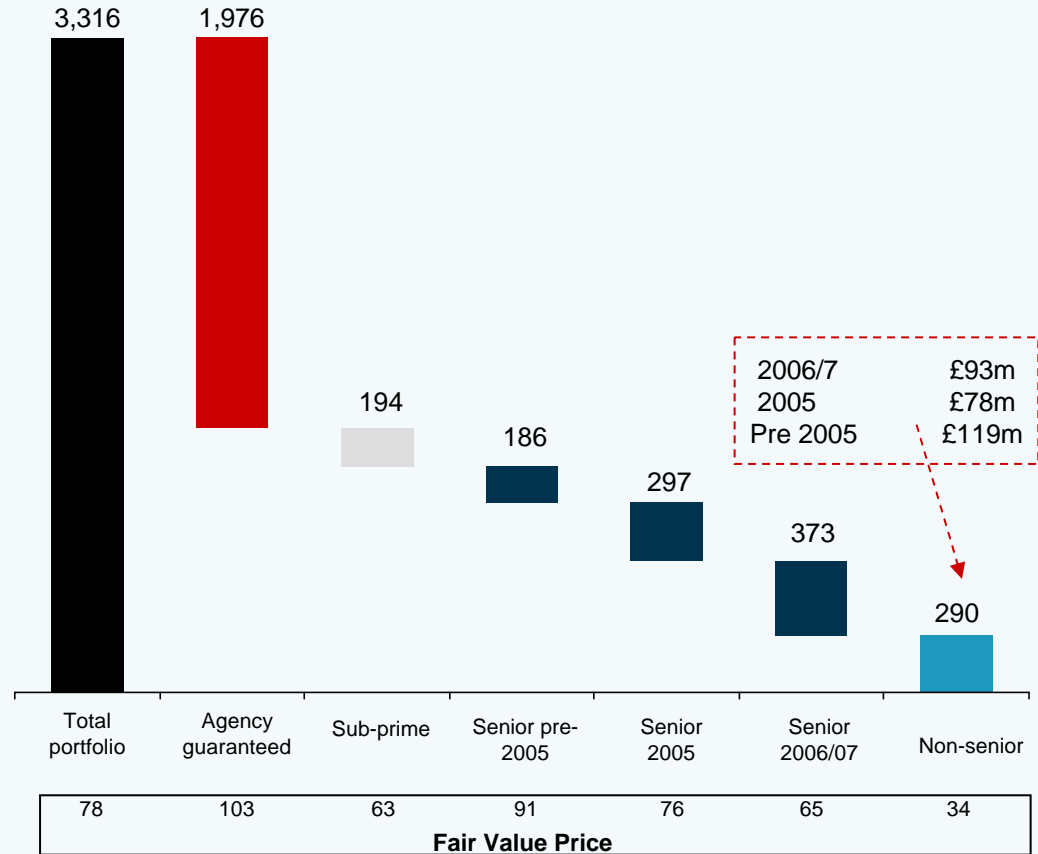
- Portfolio spread across 123 issuers, with an average holding of £8m

US Asset Quality – RMBS Portfolio

US shareholder debt securities portfolio – Fair value, £bn



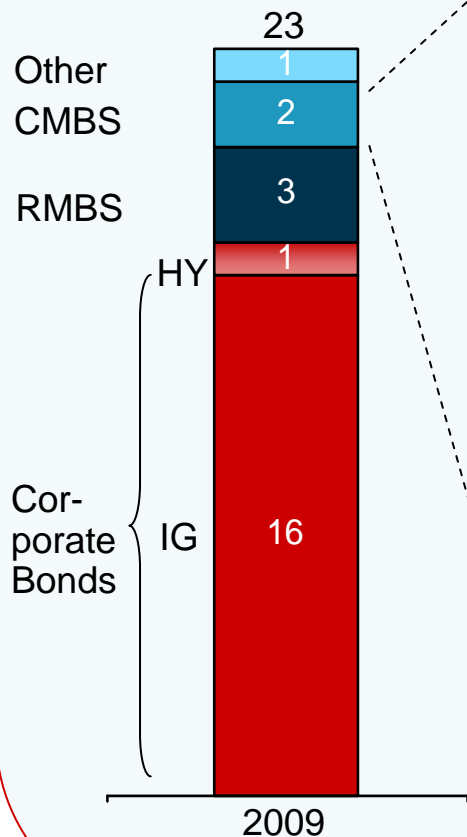
RMBS portfolio



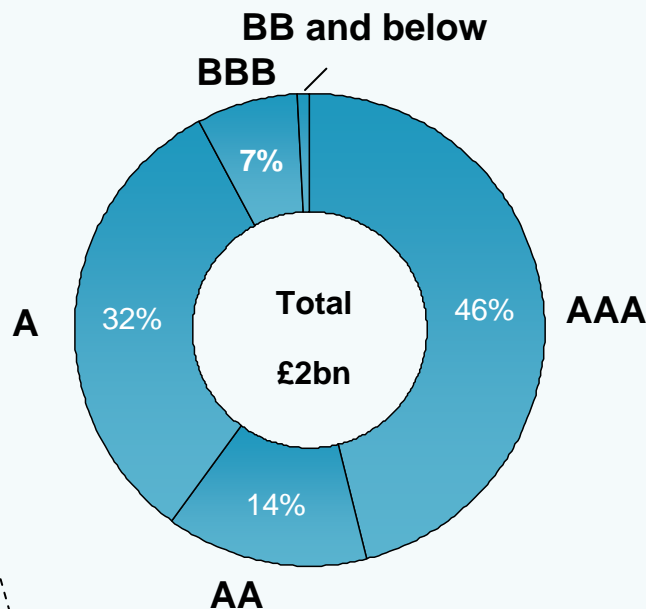
US Asset Quality – CMBS Portfolio

US shareholder debt securities portfolio –

Fair value, £bn



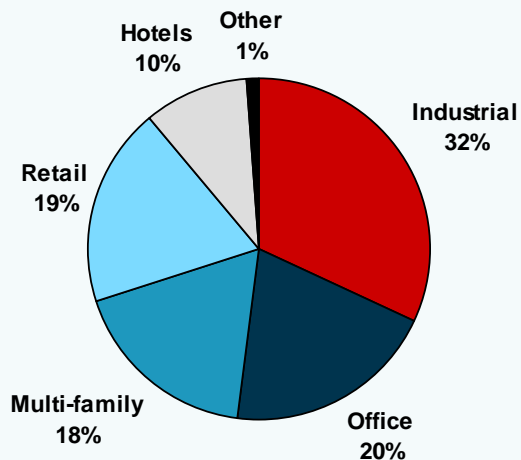
CMBS portfolio, % by rating



- Average credit enhancement of the portfolio is 30%
- 87% of the portfolio has credit enhancement of at least 20%
- 76% of the portfolio is invested in Senior originally AAA-rated tranches
- £ 374m in subordinate/mezz tranches of which 96% is from pre 2005 vintages

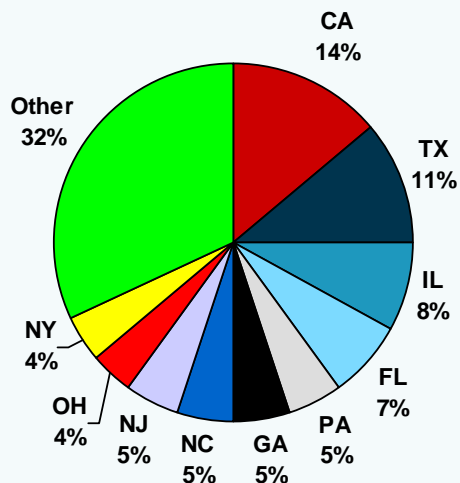
US Asset Quality – Commercial Loans

Commercial loans by sector - %



- US Commercial Loans of £4 billion
- Portfolio performance:
 - Delinquent loans £16 million
 - Restructured loans £54 million
 - Impairments £9 million

Commercial loans by State - %

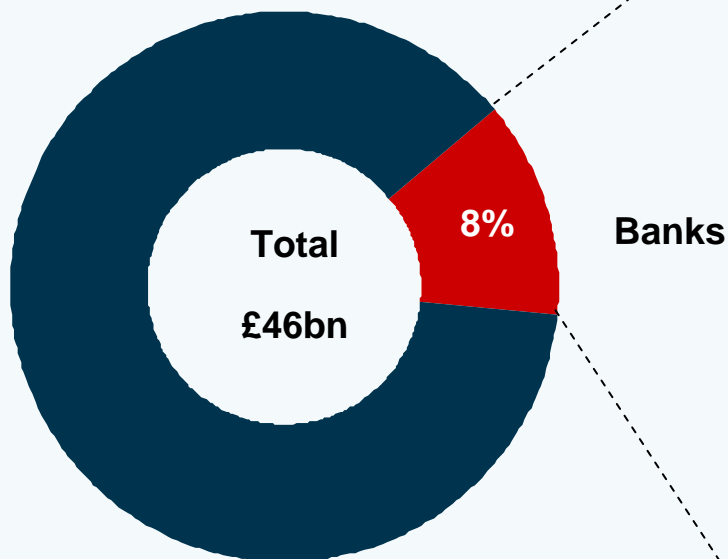


- Portfolio metrics:
 - Average loan size £6 million
 - Largest loan size £137 million
 - LTV based on latest appraisal 58%
 - LTV based on re-underwriting 74%

Exposure to the Banking Sector

Limited exposure to Tier 1 and Tier 2 hybrid

Breakdown of the shareholder debt securities portfolio, %



Exposure to Tier 1 and Tier 2 Hybrid debt of banks

– £m

	UK	US	Other	Total
Tier 1	153	134	301	588
Tier 2	886	874	1,224	2,984

Less than 2%

Key Tier 1 and Tier 2 exposures to UK Banks

– £m

	Lloyds Group	Barclays	RBS	HSBC	Other	Total
Tier 1	0	54	0	41	58	153
Tier 2	161	221	79	200	225	886