

# PRUDENTIAL PLC

## 2005 Results

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Date: 16 March 2006

Schedule 1.1

## 2005 Results

### EEV basis results

#### 2005

	Schedule cross reference	Pre-tax £m	Tax (Schedule 7) £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	Earnings per share (pence)
<b>Basic earnings per share (note 1.1a)</b>							
<u>Continuing operations</u>							
From operating profit, based on longer-term investment returns, after related tax and minority interests		1,712	(363)	1,349	(10)	1,339	56.6p
Adjustment for goodwill impairment charge		(120)		(120)		(120)	(5.1)p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns	6	1,001	(343)	658	(2)	656	27.8p
Adjustment for post-tax effect of actuarial and other gains and losses on defined benefit pension schemes	6	(47)	14	(33)	-	(33)	(1.4)p
Adjustment for post-tax effect of changes in economic assumptions and time value of cost of options and guarantees	6	(302)	39	(263)	-	(263)	(11.1)p
Total continuing operations		2,244	(653)	1,591	(12)	1,579	66.8p
Discontinued operations (note 1.1b)		3	0	3	0	3	0.1p
Based on profit for the year after minority interests		2,247	(653)	1,594	(12)	1,582	66.9p

#### Notes

1.1a The average number of shares for 2005 was 2,365m.

1.1b Discontinued operations relate to Egg France and Egg's Funds Direct operation.

**2005 Results****EEV basis results****2004 comparative results**

		Restated results				Post-tax and minority interests	Earnings per share
	Schedule cross reference	Pre-tax £m	Tax (schedule 7) £m	Post-tax £m	Minority interests £m	£m	(pence)
Basic earnings per share (note 1.2a)							
Continuing operations							
From operating profit, based on longer-term investment returns, after related tax and minority interests		1,274	(350)	924	(8)	916	43.2p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns	6	570	(189)	381	(18)	363	17.1p
Adjustment for post-tax effect of actuarial and other gains and losses on defined benefit pension schemes	6	(12)	5	(7)	-	(7)	(0.3)p
Adjustment for post-tax effect of changes in economic assumptions and time value of cost of options and guarantees	6	(48)	(19)	(67)	-	(67)	(3.2)p
Total continuing operations		1,784	(553)	1,231	(26)	1,205	56.8p
Discontinued operations							
From operating profit		(40)	1	(39)	10	(29)	(1.5)p
Adjustment for post-tax profit on business disposals (note 1.2b)		45	(19)	26	-	26	1.4p
Adjustment for post-tax Egg France closure and Funds Direct cost (note 1.2b)		(113)	32	(81)	17	(64)	(3.0)p
Total discontinued operations		(108)	14	(94)	27	(67)	(3.1)p
Based on profit for the year after minority interests		1,676	(539)	1,137	1	1,138	53.7p

**Notes**

1.2a The average number of shares for 2004 after adjusting for changes arising from the adoption of IFRS was 2,121m.

1.2b Discontinued operations relate to Jackson Federal Bank, Egg France and Egg's Funds Direct operation, and the sale of the stake in Life Assurance Holding Corporation Limited.

**Basis of preparation and economic assumptions**

**(1) Basis of preparation of results for long-term business operations**

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

The EEV results for the Group include the results for the covered business on the EEV basis. These results are then combined with the IFRS basis results for the Group's other operations.

With two exceptions, covered business comprises the Group's long-term business operations. The definition of long-term business operations is consistent with previous practice under the Modified Statutory Basis and Achieved Profits basis reporting and comprises those contracts falling under the definition of long-term insurance business for regulatory purposes together with, for US Operations, contracts that are in substance the same as Guaranteed Investment Contracts but do not fall within the technical definition. Under the EEV principles, the results for covered business now include the projected margins of attaching internal fund management.

The exceptions are for the closed Scottish Amicable Insurance Fund (SAIF) and in respect of the Group's defined benefit pension schemes. SAIF is closed to new business and the assets and liabilities of the fund are wholly attributable to the policyholders of the fund. As regards the Group's defined benefit pension schemes, the deficits attaching to the Prudential Staff Pension Scheme and Scottish Amicable Pension Scheme are excluded. These deficits are partially attributable to the PAC with-profits fund and shareholder backed long-term business.

Previously, the Group has reported supplementary information on the Achieved Profits basis for its interim and full year financial reporting. The adoption of EEV basis reporting in place of Achieved Profits basis reporting reflects developments through the CFO Forum to achieve a better level of consistency, an improved embedded value methodology, and is applied by the major European insurance companies in their financial reporting.

Except where indicated in this announcement, the Group has applied the same methodology as previously advised with the announcement of 2004 EEV results on 13 December 2005.

**(2) Economic assumptions**

**Deterministic**

In most countries, the long-term expected rates of return on investments and risk discount rates are set by reference to period end rates of return on fixed interest securities. This 'active' basis of assumption setting has been applied in preparing the results of all the Group's UK and US long-term business operations. For the Group's Asian operations, the active basis is appropriate for business written in Japan, Korea and US dollar denominated business written in Hong Kong.

An exception to this general rule is that for countries where long-term fixed interest markets are underdeveloped, investment return assumptions and risk discount rates are based on an assessment of longer-term economic conditions. Except for the countries listed above, this basis is appropriate for the Group's Asian operations.

Expected returns on equity and property asset classes are derived by adding a risk premium, based on the long-term view of Prudential's economists in respect of each territory, to the risk free rate. In the UK the equity risk premium is 4.0% (2004 - 3.0%) above risk free rates. The equity risk premium in the US is also 4.0% (2004 - 3.0%). In Asia, equity risk premiums range from 3.0% to 5.75%. Assumptions for other asset classes, such as corporate bond spreads, are set consistently as best estimate assumptions.

The investment return assumptions as derived above are applied to the actual assets held at the valuation date to derive the overall fund-earned rate.

The table below summarises the principal financial assumptions.

	31 Dec 2005	31 Dec 2004
<b>UK Insurance Operations</b>		
Risk discount rate		
New business	7.55%	7.1%
In-force	7.7%	7.1%
Pre-tax expected long-term nominal rates of investment return:		
UK equities	8.1%	7.6%
Overseas equities	8.1% to 8.75%	7.3% to 8.3%
Property	6.4%	6.3%
Gilts	4.1%	4.6%
Corporate bonds	4.9%	5.5%
Expected long-term rate of inflation	2.9%	2.9%
Post-tax expected long-term nominal rate of return:		
Pension business (where no tax applies)	7.1%	6.8%
Life business	6.3%	5.9%
<b>US Operations (Jackson National Life)</b>		
Risk discount rate:		
New business	6.9%	6.1%
In-force	6.1%	5.8%
Expected long-term spread between earned rate and rate credited to policyholders for single premium deferred annuity business	1.75%	1.75%
US 10 year treasury bond rate at end of period	4.4%	4.3%
Pre-tax expected long-term nominal rate of return for US Equities	8.4%	7.3%
Expected long-term rate of inflation	2.4%	2.6%

**Basis of preparation and economic assumptions (continued)**

**(2) Economic assumptions (continued)**

**Asian Operations**

	China 31 Dec 2005	Hong Kong (iii) 31 Dec 2005	India 31 Dec 2005	Indonesia 31 Dec 2005	Japan 31 Dec 2005	Korea 31 Dec 2005	China 31 Dec 2004	Hong Kong (iii) 31 Dec 2004	India 31 Dec 2004	Indonesia 31 Dec 2004	Japan 31 Dec 2004	Korea 31 Dec 2004
Risk discount rate												
New business	12.0%	5.9%	16.5%	17.5%	5.0%	10.3%	10.0%	4.7%	16.0%	18.75%	5.0%	7.1%
In-force	12.0%	6.15%	16.5%	17.5%	5.0%	10.3%	10.0%	5.0%	16.0%	18.75%	5.0%	7.1%
Expected long-term rate of inflation	4.0%	2.25%	5.5%	6.5%	0.0%	2.75%	3.0%	2.25%	5.25%	7.75%	0.0%	2.75%
Government bond yield	9.0%	4.8%	10.5%	11.5%	1.8%	5.8%	7.25%	4.9%	10.25%	13.0%	1.9%	3.9%
	Malaysia 31 Dec 2005	Philippines 31 Dec 2005	Singapore 31 Dec 2005	Taiwan (ii) 31 Dec 2005	Thailand 31 Dec 2005	Vietnam 31 Dec 2005	Malaysia 31 Dec 2004	Philippines 31 Dec 2004	Singapore 31 Dec 2004	Taiwan (ii) 31 Dec 2004	Thailand 31 Dec 2004	Vietnam 31 Dec 2004
Risk discount rate												
New business	9.4%	16.5%	6.7%	9.0%	13.75%	16.5%	9.0%	16.25%	6.3%	7.1%	13.5%	15.5%
In-force	9.0%	16.5%	6.8%	9.4%	13.75%	16.5%	8.7%	16.25%	6.4%	8.2%	13.5%	15.5%
Expected long-term rate of inflation	3.0%	5.5%	1.75%	2.25%	3.75%	5.5%	3.0%	5.25%	2.25%	2.25%	3.75%	4.5%
Government bond yield	7.5%	10.5%	4.5%	5.5%	7.75%	10.5%	7.0%	10.5%	5.0%	5.5%	7.75%	9.75%
	<b>Asia Total 31 Dec 2005</b>						<b>Asia Total 31 Dec 2004</b>					
Weighted risk discount rate (i)												
New business						9.8%		8.0%				
In-force						8.4%		7.9%				

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

(ii) For traditional business in Taiwan, the economic scenarios used to calculate 2005 EEV basis results reflect the assumption of a phased progression of the bond yields from the current rates to the long-term expected rates. The projections assume that, in the average scenario, the current bond yields of around 2% trend towards 5.5% at 31 December 2012. Allowance is made for the mix of assets in the fund, our future investment strategy and the market value depreciation of the bonds as a result of the assumed yield increases. This gives rise to an average assumed Fund Earned Rate that trends from 2.3% to 5.4% in 2013 and falls below 2.3% for seven years due to the depreciation of bond values as yields rise. Thereafter, the Fund Earned Rate fluctuates around a target of 5.9%. This compares to a grading of 3.4% at 31 December 2004 to 5.9% by 31 December 2012 for the 2004 results. Consistent with our EEV methodology, a constant discount rate has been applied to the projected cash flows.

(iii) Assumptions for US dollar denominated business which comprises the larger proportion of the in-force Hong Kong business.

(iv) Assumed equity yields

The most significant equity holdings in the Asian Operations are in Hong Kong, Singapore and Malaysia. The mean equity return assumptions for these three territories at 31 December 2005 (2004) were 8.6% (7.3%), 9.3% (9.75%) and 12.8% (12.25%) respectively. To obtain the mean, an average over all simulations of the accumulated return at the end of the projection period is calculated. The annual average return is then calculated by taking the root of the average accumulated return minus 1.

**Stochastic**

The economic assumptions used for the stochastic calculations are consistent with those used for the deterministic calculations described above. Assumptions specific to the stochastic calculations, such as the volatilities of asset returns, reflect local market conditions and are based on a combination of actual market data, historic market data and an assessment of longer-term economic conditions. Common principles have been adopted across the Group for the stochastic asset models, for example, separate modelling of individual asset classes but with allowance for correlation between the various asset classes.

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

**UK Insurance Operations**

- ☐ Interest rates are projected using a two-factor model calibrated to actual market data.
- ☐ The risk premium on equity assets is assumed to follow a log-normal distribution.
- ☐ The corporate bond return is calculated as the return on a zero-coupon bond plus a spread. The spread process is a mean reverting stochastic process.
- ☐ Property returns are modelled in a similar fashion to corporate bonds, namely as the return on a riskless bond, plus a risk premium, plus a process representative of the change in residual values and the change in value of the call option on rents.

The rates to which the model has been calibrated are set out below:

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

Standard deviations have been calculated by taking the annualised variance of the returns over all the simulations, taking the square root and averaging over all durations in the projection. For bonds the standard deviations relate to the yields on bonds of the average portfolio duration. For equity and property, they relate to the total returns on these assets. The standard deviations applied are as follows:

	<b>Standard Deviation</b>
Government bond yield	2.0%
Corporate bond yield	5.5%
Equities	
UK	18.0%
Overseas	16.0%
Property	15.0%

Basis of preparation and economic assumptions (continued)

(2) Economic assumptions (continued)

Jackson National Life

- Interest rates are projected using a log-normal generator calibrated to actual market data.
- Corporate bond returns are based on Treasury securities plus a spread that has been calibrated to current market conditions and varies by credit quality.
- Variable annuity equity and bond returns have been stochastically generated using a regime-switching log-normal model with parameters determined by reference to historical data. The volatility of equity fund returns ranges from 18.6% to 28.1% depending on risk class, and the standard deviation of returns to bond funds ranges from 1.4% to 1.8%.

Asian Operations

The same asset return model, as used in the UK, appropriately calibrated, has been used for the Asian operations. The principal asset classes are government and corporate bonds. Equity holdings are much lower than in the UK whilst property is not held as an investment asset.

The stochastic valuations are only of significance for the Hong Kong, Singapore, Malaysia and Taiwan operations.

The mean returns are consistent with the mean deterministic returns for each country. The volatility of equity fund returns ranges from 18% to 26%, and the volatility of bond yields ranges from 1.6% to 8.9%.

(3) Level of encumbered capital

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

The table below summarises the level of encumbered capital as a percentage of the relevant statutory requirement.

	Capital as a percentage of relevant statutory requirement
UK Business (excluding annuities)	100% of EU Minimum
UK Annuity Business	100% of EU Minimum
Jackson National Life	235% of Company Action Level
Asian Operations	100% of Financial Conglomerates Directive requirement

**2005 Results****EEV basis results****Summary results**

	Schedule ref	2005 £m	2004 £m
<b>Operating profit of continuing operations, based on longer-term investment returns</b>			
Profits (losses) from:			
New Business	4	867	741
Business in force	5	876	587
Long-term business		1,743	1,328
Asia development expenses		(20)	(15)
Other operating results			
M&G		163	136
Egg		44	61
US Broker-dealer and fund management		24	15
Curian		(10)	(29)
Asian fund management operations		12	19
Other income and expenditure			
Investment return and other income (note 3a)		42	0
Interest payable on core structural borrowings		(175)	(154)
Corporate expenditure:			
Group Head Office		(70)	(51)
Asia Regional Head office		(30)	(29)
Charges for share-based payments for Prudential schemes		(11)	(7)
		(244)	(241)
Total other operating results		(11)	(39)
Total operating profit from continuing operations based on longer-term investment returns		1,712	1,274

3a **Investment return and other income**

	2005 £m	2004 £m
IFRS basis	87	44
Less: Allocation of investment return on centrally held capital in respect of Asian business to operating result of Asian operations	(21)	(22)
Less: Projected fund management result in respect of covered business incorporated in opening EEV value	(24)	(22)
EEV basis	42	0

**2005 Results****EEV basis results**

	2005			2004		
	Pre-tax (note 4c) £m	Tax £m	Post-tax £m	Pre-tax £m	Tax £m	Post-tax £m
<b>Operating profits from new long-term insurance business</b>						
UK Insurance Operations	243	(73)	170	241	(72)	169
Jackson National Life (note 4b)	211	(74)	137	145	(51)	94
Asian Operations	413	(124)	289	355	(105)	250
	867	(271)	596	741	(228)	513

**Margins on new business premiums**

2005	New Business Premiums (note 4d)		Annual premium equivalent (APE)	Present value of New Business Premiums (PVNBP)	Pre-Tax New business Contribution	New Business Margin (note 4e)	
	Single	Regular				(APE)	(PVNBP)
	£m	£m	£m	£m	£m	%	%
UK Insurance Operations	7,085	191	900	7,593	243	27	3.2
Jackson National Life	5,009	14	515	5,135	211	41	4.1
Asian Operations (note 4a)	837	648	731	4,039	413	56	10.2
Total	12,931	853	2,146	16,767	867	41	5.2

2004	New Business Premiums (note 4d)		Annual premium equivalent (APE)	Present value of New Business Premiums (PVNBP)	Pre-Tax New business Contribution	New Business Margin (note 4e)	
	Single	Regular				(APE)	(PVNBP)
	£m	£m	£m	£m	£m	%	%
UK Insurance Operations	6,357	181	817	7,012	241	30	3.4
Jackson National Life	4,408	12	453	4,506	145	32	3.2
Asian Operations (note 4a)	662	510	576	3,404	355	62	10.4
Total	11,427	703	1,846	14,922	741	40	5.0

		New Business Margin as a percentage of APE	
		2005 %	2004 %
4a	Asian Operations		
	Hong Kong	60	64
	Korea	37	36
	Taiwan	51	62
	India	29	27
	Other	74	73
	Total	56	62

4b		2005 £m	2004 £m
	Jackson National Life net of tax profits		
	Pre capital charge	150	106
	Capital charge (see note 8a on schedule 8)	(13)	(12)
	Post capital charge	137	94

**4c Profits from fund management of covered business**

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

	2005 £m	2004 £m
UK Insurance Operations	7	10
Jackson National Life	2	4
Asian Operations	10	3
	19	17

4d New business premiums reflect those premiums attaching to covered business including premiums for contracts classified as investment products for IFRS basis reporting. New business premiums for regular premium products are shown on an annualised basis. Department of Work and Pensions rebate business is classified as single recurrent business. Internal vesting business is classified as new business where the contracts include an open market option.

4e New business margins are shown on two bases, namely the margins by reference to Annual Premium Equivalents (APE) and the Present Value of New Business Premiums (PVNBP). APEs are calculated as the aggregate of regular new business premiums and one tenth of single new business premiums. PVNBPs are calculated as equalling single premiums plus the present value of expected new business premiums of regular premium business, allowing for lapses and other assumptions made in determining the EEV new business contribution. The table above excludes margins for SAIF new business.

In determining the EEV basis value of new business written in the year the policies incept, premiums are included in projected cash flows on the same basis of distinguishing annual and single premium business as set out for statutory basis reporting.

New business contributions are determined by applying the economic and non-economic assumptions applying at the end of the year. The contributions represent profits at the end of the year.



**2005 Results****EEV basis results**

	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>
<b>Operating profit from business in force of continuing operations</b>		
<b>UK Insurance Operations</b>		
Unwind of discount and other expected returns (note 5a)	<b>424</b>	351
Cost of strengthened persistency assumption (note 5b(i))	<b>(148)</b>	(73)
Mortality related cost of capital charge (note 5b(ii))	<b>(47)</b>	-
Other items (note 5b(iii))	<b>(46)</b>	(33)
	<b>183</b>	245
<b>Jackson National Life</b>		
Unwind of discount and other expected returns (note 5a):		
On value of in-force and required capital	<b>160</b>	123
On surplus assets (over target surplus)	<b>52</b>	36
Spread experience variance	<b>89</b>	41
Amortisation of interest related realised gains and losses	<b>53</b>	54
Profit on repricing Term contracts	<b>140</b>	-
Profit (loss) from changes to other operating assumptions	<b>10</b>	(4)
Other	<b>26</b>	(13)
	<b>530</b>	237
<b>Asian Operations</b>		
Unwind of discount and other expected returns (note 5a)	<b>162</b>	120
Change in operating assumptions	<b>(9)</b>	(24)
Experience variances and other items	<b>10</b>	9
	<b>163</b>	105
<b>Total</b>	<b>876</b>	587

**Notes****5a** Unwind of discount and other expected returns.

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

For JNL the return on surplus assets is shown separately. Also for JNL the unwind of discount and "other" profits have been adjusted by £26m and £(26)m respectively from amounts previously published for refinements to the basis of calculation.

**5b** UK Insurance Operations**(i)** Changes in persistency assumptions

The £148m cost of strengthened persistency assumptions applies to a number of products, primarily in respect of with-profit bonds.

The £73m cost of strengthened persistency assumptions for 2004 related to the closed book of personal pensions policies sold by the now discontinued direct sales force.

**(ii)** Mortality related cost of capital charge

The £47m charge primarily relates to the cost of capital attaching to liability strengthening on the regulatory basis for annuity business.

**(iii)** Other items

Other charges of £46m include £45m of costs associated with complying with regulatory requirements including Sarbanes-Oxley, product and distribution development, £19m of negative experience variances and other net positive items of £18m. In determining the appropriate expense assumptions for 2005 account has been taken of the cost synergies that are expected to arise with some certainty from the initiative announced on 1 December 2005 from UK Insurance Operations working more closely with Egg and M&G. Without this factor there would have been a charge for altered expense assumptions of approximately £55m. The charge for other items for 2004 includes £21m of costs associated with complying with new regulatory requirements and restructuring and £12m of negative experience variances.

**2005 Results****EEV basis results****Items excluded from operating profit**

	2005 £m	2004 £m
<b>Short-term fluctuations in investment returns</b>		
Long-term business:		
UK Insurance Operations (note 6a)	994	408
Jackson National Life (note 6b)	65	103
Asian Operations (note 6c)	41	91
Share of investment return of funds managed by PPM America, that are consolidated into the Group results, but attributable to external investors	0	9
Share of profits of venture investment companies and property partnerships of the PAC with-profits fund that are consolidated into the Group results but are attributable to external investors	1	9
Movement in mark to market value of core structural borrowings held centrally	(65)	(63)
Other operations	(35)	13
<b>Total</b>	<b>1,001</b>	<b>570</b>

**Notes****6a UK Insurance Operations**

Short-term fluctuations in investment returns represent the difference between total investment returns in the year attributable to shareholders on the EEV basis and the return included within operating profit as described on Schedule 4. The £994m of fluctuations in 2005 reflects the PAC life fund investment return earned in the year of 20%.

**6b Jackson National Life - Summary**

	2005 £m	2004 £m
<b>Short-term fluctuations comprise:</b>		
Actual investment return on investments less long-term returns included within operating profit:		
Actual realised gains less default assumption and amortisation of interest related realised gains and losses for fixed maturity securities	5	51
Actual less long-term return on equity based investments and other items	58	22
Investment return related gain due primarily to changed expectation of profits on in-force variable annuity business in future periods based on current period equity returns	4	36
Mark to market value of core structural borrowings	(2)	(6)
	<b>65</b>	<b>103</b>

The main factor in respect of the £58m for equity based investments and other items for 2005 was the excess of actual return over the long-term assumption for investments in limited partnership.

**6c Asian Operations**

Short-term fluctuations for Asian operations in 2005 principally arose in Hong Kong.

**Actuarial and other gains and losses on defined benefit pension schemes**

The charge of £47m (£12m) included in total profit reflects the shareholders' share of actuarial and other gains and losses on the Group's defined benefit pension schemes. On the EEV basis, this includes a 10% share of the actuarial and other gains and losses on the share of the deficit attributable to the PAC with-profits fund for the Prudential Staff and Scottish Amicable pension schemes. The 2005 charge of £47m includes a charge of £43m for altered renewal expense assumptions arising from the prospective increase in employer contributions for the Prudential Staff Pension Scheme for future service of active members as distinct from deficit funding.

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

The profits (losses) on changes in economic assumptions and time value of cost of options and guarantees resulting from changes in economic factors for in-force business included within the profit on ordinary activities before tax arise are as follows:

	2005			2004		
	Change in economic assumptions	Change in time value of cost of options and guarantees	Total	Change in economic assumptions	Change in time value of cost of options and guarantees	Total
	£m	£m	£m	£m	£m	£m
UK Insurance Operations	(81)	31	(50)	40	46	86
Jackson National Life	(3)	11	8	(53)	6	(47)
Asian Operations (note 6d)	(265)	5	(260)	(113)	26	(87)
<b>Total</b>	<b>(349)</b>	<b>47</b>	<b>(302)</b>	<b>(126)</b>	<b>78</b>	<b>(48)</b>

6d Consistent with prior periods for the Taiwan operation, the projections include an assumption of phased progression of the bond yields of around 2% towards 5.5% at 31 December 2012 as described in the section on economic assumptions of this announcement. This takes into account the effect on bond values of interest rate movements. The principal cause of the £265m charge for the effect of changed economic assumptions is the reduction in short-term earned rates in Taiwan. This reduction has the effect of delaying the emergence of the expected long term rate

**2005 Results****EEV basis results**

	2005 £m	2004 £m
<b>Tax charge attributable to shareholders</b>		
<b><u>Continuing operations</u></b>		
<u>Tax charge (credit) on operating profit (loss) based on longer-term investment returns</u>		
Long-term business (note 7b):		
UK Insurance Operations	127	142
Jackson National Life	204	116
Asian Operations (note 7a)	162	119
	493	377
Other operations	(130)	(27)
<u>Total tax on operating profit of continuing operations</u>	<u>363</u>	<u>350</u>
<u>Tax charge (credit) on items not included in operating profit</u>		
Tax charge on short-term fluctuations in investment returns	343	189
Tax credit on actuarial and other gains and losses of defined benefit pension schemes	(14)	(5)
Tax (credit) charge on loss from changes in economic assumptions and time value of cost of options and guarantees	(39)	19
<u>Total tax charge on items not included in operating profit of continuing operations</u>	<u>290</u>	<u>203</u>
<u>Total continuing operations</u>	<u>653</u>	<u>553</u>

**Notes**

7a Including tax relief on development expenses.

7b The profit for the year for covered business is in most cases calculated initially at the post-tax level. The post-tax profit for covered business is then grossed up for presentation purposes at the effective rates of tax applicable to the countries and periods concerned. In the UK this is the UK corporation tax rate of 30%. For Jackson National Life the federal rate of 35% is applied to gross up movements on the value of in-force business. Effects on statutory tax for the period affect the overall tax rate. For Asia, similar principles apply subject to the availability of taxable profits.

**2005 Results****EEV basis results**

	2005 £m	2004 £m
<b>Shareholders' funds summary (note 8a)</b>		
<b>UK Insurance Operations (note 8b)</b>		
Long-term business operations		
Smoothed shareholders' funds (note 8c)	4,558	4,067
Actual shareholders' funds less smoothed shareholders' funds	574	161
EEV basis shareholders' funds	5,132	4,228
<b>M&amp;G (note 8g)</b>		
Net assets of operations	245	297
Acquired goodwill (note 8e)	1,153	1,153
<b>Egg (note 8g)</b>		
	303	273
	<b>6,833</b>	<b>5,951</b>
<b>US Operations</b>		
Jackson National Life net of surplus note borrowings (note 8f)		
Before capital charge		
Excluding assets in excess of target surplus	2,566	1,817
Assets in excess of target surplus	899	769
Capital charge (note 8d)	3,465	2,586
After capital charge (note 8a) - EEV basis shareholders' funds	(117)	(80)
Broker-dealer, fund management, and Curian operations (note 8g)	3,348	2,506
	70	64
	<b>3,418</b>	<b>2,570</b>
<b>Asian Operations</b>		
Long-term business		
Net assets of operations - EEV basis shareholders' funds	1,988	1,565
Acquired goodwill (note 8e)	111	231
Fund management (note 8g)		
Net assets of operations	82	66
Acquired goodwill (note 8e)	61	61
	<b>2,242</b>	<b>1,923</b>
<b>Other Operations (note 8g)</b>		
Holding company net borrowings (note 8f)	(1,724)	(1,299)
Pension scheme deficits (net of tax) attributable to shareholders (note 8g)	(142)	(152)
Other net liabilities	(326)	(379)
	<b>(2,192)</b>	<b>(1,830)</b>
<b>Total</b>	<b>10,301</b>	<b>8,614</b>

**Notes**

8a A charge is deducted from the annual result and balance sheet value for the cost of capital supporting solvency requirements for the Group's long-term business operations. The cost is the difference between the nominal value of solvency capital and the present value, at risk discount rates, of the projected releases of this capital and the investment earnings on the capital. Where solvency capital is held within a with-profits long-term fund, the value placed on surplus assets in the fund is already discounted to reflect its release over time and no further adjustment is necessary in respect of solvency capital.

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

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

8d In determining the cost of capital of Jackson National Life, it has been assumed that an amount equal to 235% of the risk based capital required by the National Association of Insurance Commissioners (NAIC) at the Company Action Level must be retained. The impact of the related capital charge is to reduce Jackson National Life's shareholders' funds by £117m (2004 £80m).

8e Goodwill

Under IFRS, subject to impairment testing, goodwill is no longer amortised from the date of adoption ie 1 January 2004. Acquired goodwill of the Japan life business has been subject to an impairment charge of £120m and included in the 2005 results.

Goodwill attaching to venture fund investment subsidiaries of the PAC with-profits fund that are consolidated under IFRS are not included in the table above as the goodwill attaching to these companies is not relevant to the analysis of shareholders' funds.

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

	2005 £m	2004 £m
Holding company cash and short-term investments	1,128	1,561
Core structural borrowings - central funds	(2,852)	(2,860)
Holding Company	(1,724)	(1,299)
Core structural borrowings - Jackson National Life	(183)	(162)
	<b>(1,907)</b>	<b>(1,461)</b>

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

8g With the exception of the share of pension scheme deficits attributable to the PAC with-profits fund and the borrowings as described in note 8f, the amounts shown for the items in the table above that are referenced to this note have been determined on the statutory IFRS basis (see schedule 16). The net of tax deficits for the defined benefit pension schemes on an IFRS basis are in aggregate £153m (£136m). This comprises £113m (£105m) in respect of the Prudential Staff and Scottish Amicable pension schemes (PSPS and SAPS) and £40m (£21m) for the M&G and Taiwan schemes. Details are shown in schedule 17. The deficits of £142m (£152m) shown above for other operations comprise the IFRS basis deficits for PSPS and SAPS augmented by £29m (£47m) for the shareholders' share of the net of tax deficit attributable to the PAC with-profits fund. The total deficit, net of tax attributable to all pension schemes in the Group's EEV results is £182m (£173m).

Date: 16 March 2006

Schedule 9

**2005 Results****EEV basis results**

	Schedule Cross Reference	Long-term business operations					Other Operations	Group Total
		Insurance Operations	UK National Life	Jackson Life	Asian Operations	Total Long-term Business Operations		
		£m	£m	£m	£m	£m	£m	£m
<b>Reconciliation of movement in shareholders funds</b>								
Operating profit (including investment return based on longer-term rates of returns)								
Long-term business								
New business	4	243	211		413	867		867
Business in force	5	183	530		163	876		876
		426	741		576	1,743		1,743
Asia development expenses					(20)	(20)		(20)
M&G							163	163
Egg							44	44
Asian fund management operations							12	12
US broker-dealer and fund management							24	24
Curian							(10)	(10)
Other income and expenditure							(244)	(244)
Operating profit from continuing operations based on longer-term investment returns	3	426	741		556	1,723	(11)	1,712
Goodwill impairment charge (note 8e in schedule 8)							(120)	(120)
Short-term fluctuations in investment returns	6	995	65		41	1,101	(100)	1,001
Actuarial and other gains and losses on defined benefit pension schemes	6	(43)			3	(40)	(7)	(47)
guarantees	6	(50)	8		(260)	(302)		(302)
Profit on ordinary activities before tax		1,328	814		340	2,482	(238)	2,244
Tax on profits of continuing operations								
Tax on operating profit		(127)	(204)		(162)	(493)	130	(363)
Tax on short-term fluctuations in investment returns		(299)	(23)		(12)	(334)	(9)	(343)
Tax on actuarial and other gains and losses of defined benefit pension schemes		13				13	1	14
Tax on effect of changes in economic assumptions and time value of cost of options and guarantees		15	(3)		27	39		39
Total tax charge	7	(398)	(230)		(147)	(775)	122	(653)
Discontinued operations (net of tax)							3	3
Minority interests		(2)				(2)	(10)	(12)
Profit (loss) for the financial year		928	584		193	1,705	(123)	1,582
Transition adjustment, net of tax, on adoption of IAS 32, IAS 39 and IFRS 4 at 1 January 2005							(25)	(25)
Unrealised valuation movements on securities classified as available-for-sale							(1)	(1)
Movement on cash flow hedges							(4)	(4)
Exchange movements (note 9a)			318		190	508	(131)	377
Related tax							65	65
Development costs included above (net of tax) borne centrally					2	2	(2)	
Intra-group dividends (including statutory transfer)		(234)	(226)		(53)	(513)	513	
External dividends							(380)	(380)
Reserve movements in respect of share based payments							15	15
Investment in operations (note 9b)		224	170		107	501	(501)	
Adjustment for net of tax losses of Curian subsidiary owned by Jackson National Life			(2)			(2)	2	
Adjustment for economic capital for Asia operations held centrally					(15)	(15)	15	
Adjustment for net of tax fund management projected profits of covered business		(14)	(2)		(1)	(17)	17	
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS							3	3
Proceeds from issues of share capital by parent company							55	55
Net increase in shareholders' capital and reserves		904	842		423	2,169	(482)	1,687
Shareholders' capital and reserves at 1 January 2005:	8	4,228	2,506		1,565	8,299	315	8,614
Shareholders' capital and reserves at 31 December 2005	8	5,132	3,348		1,988	10,468	(167)	10,301
Analysed as:								
Statutory IFRS basis shareholders' funds	16	1,141	2,899		1,034	5,074	120	5,194
Additional shareholders' interest on EEV basis		3,991	449		954	5,394	(287)	5,107
EEV basis shareholders funds (note 9c)	8	5,132	3,348		1,988	10,468	(167)	10,301
Components of EEV basis shareholders' funds of long-term business operations:								
Free surplus		148	899		(212)	835		
Required capital		710	1,198		974	2,882		
Value of in force before deduction of cost of capital and of guarantees		4,529	1,511		1,771	7,811		
Cost of capital		(192)	(117)		(539)	(848)		
Cost of time value of guarantees		(63)	(143)		(6)	(212)		
		5,132	3,348		1,988	10,468		

**Notes**

9a Profits are translated at average exchange rates, consistent with the method applied for statutory IFRS basis results. The amounts recorded above for exchange rate movements reflect the difference between year end 2004 and 2005 exchange rates as applied to shareholders' funds at 1 January 2005 and the difference between 31 December 2005 and average 2005 rates for profits.

9b Investment in operations reflects increases in share capital. This includes certain non cash items as a result of timing differences.

9c For the purposes of the table above, goodwill relating to Asian long-term operations (as shown on Schedule 8) is included in 'Other operations'.

**2005 Results****EEV basis results**

	Notes	Free Surplus £m	Required Capital £m	Total Net Worth (note 10c) £m	Value of In Force (note 10d) £m	Total Long-term Business £m
<b>Reconciliation of Net Worth and Value of In-force business for 2005</b>						
<b>Shareholders' capital and reserves at 1 January 2005</b>		<b>636</b>	<b>2,264</b>	<b>2,900</b>	<b>5,399</b>	<b>8,299</b>
New business contribution (schedule 4) (note 10b)		(562)	409	(153)	749	596
Expected return on existing business		5		5	566	571
Existing business - transfer to net worth		850	(146)	704	(704)	-
Change of assumption and experience variances		46	10	56	7	63
Non-operating changes of assumption and experience variances and minority interests		(161)	143	(18)	493	475
<b>Profit on ordinary activities after tax and minority interests for long-term business:</b>		<b>178</b>	<b>416</b>	<b>594</b>	<b>1,111</b>	<b>1,705</b>
Exchange rate movements		69	191	260	248	508
Amounts injected, released and transferred to/from life and related businesses		(48)	11	(37)	(7)	(44)
<b>Shareholders' capital and reserves at 31 December 2005</b>		<b>835</b>	<b>2,882</b>	<b>3,717</b>	<b>6,751</b>	<b>10,468</b>

**Notes**

10a All figures shown are net of tax.

10b The movements arising from the new business contributions are:

	2005 £m	2004 £m
Free surplus	(562)	(502)
Required capital	409	390
Total net worth	(153)	(112)
Value of in force	749	625
Total long-term business	596	513

The analysis of movements for 2004's new business contribution has been restated from the amounts published on 13 December 2005.

10c Net worth consists of statutory solvency capital (or economic capital where higher) and unencumbered capital.

10d Value of in-force business includes the value of future margins from current in force business less the cost of holding encumbered capital.

10e Discontinued operations refers to Jackson Federal Bank.

10f Included in EEV basis shareholders' funds of long-term business operations of £10,468m (£8,299m) is £174m (£200m) in respect of fund management business falling within the scope of covered business as follows:

	2005 £m	2004 £m
UK Insurance Operations	120	123
Jackson National Life	12	20
Asian Operations	42	57
	<b>174</b>	<b>200</b>

**2005 Results****EEV basis results****SENSITIVITY OF RESULTS TO ALTERNATIVE ASSUMPTIONS****1. Sensitivity to changes in economic assumptions**

The tables below show the sensitivity of the embedded value as at 31 December 2005 (2004) and the new business contribution after the effect of required capital.

- 1% increase in the discount rates
- 1% increase and decrease in interest rates, including all consequential changes (assumed investment returns for all asset classes, market values of fixed interest assets, risk discount rates)
- 1% rise in equity and property yields
- 10% fall in market value of equity and property assets (not applicable for new business contribution)
- Holding company statutory minimum capital (by contrast to economic capital)

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

	UK Insurance Operations £m	Jackson National Life £m	Asian Operations £m	Total Long-term £m
<b>2005</b>				
<b>New business profit for 2005</b>				
As reported (schedule 4)	243	211	413	867
Discount rates - 1% increase	(49)	(27)	(46)	(122)
Interest rates - 1% increase	(4)	2	(6)	(8)
Interest rates - 1% decrease	(5)	(26)	3	(28)
Equity/property yields - 1% rise	13	24	20	57
<b>Embedded value of long-term operations at 31 December 2005</b>				
As reported (schedule 9)	5,132	3,348	1,988	10,468
Discount rates - 1% increase	(432)	(133)	(236)	(801)
Interest rates - 1% increase (note 11a)	108	(144)	49	13
Interest rates - 1% decrease (note 11a)	(142)	55	(126)	(213)
Equity/property yields - 1% rise	297	42	136	475
Equity/property market values - 10% fall	(480)	(85)	(75)	(640)
Statutory minimum capital	0	79	431	510

**Notes**

11a	2005 - Asian Operations	Embedded value of long-term operations £m	Interest rates		% of embedded value	
			1% increase £m	1% decrease £m	1% increase	1% decrease
	Established markets	1,844	(57)	49	(3%)	3%
	Taiwan (note 11b)	(311)	106	(174)	34%	(56%)
	Korea	136	(3)	3	(2%)	2%
	Vietnam	127	3	(2)	2%	(2%)
	Other	192	0	(2)	0%	(1%)
		1,988	49	(126)	2%	(6%)

**11b Taiwan sensitivity to starting bond rates (i.e. the starting bond rate for the progression to the assumed long-term rate)**

	Embedded value at 31 Dec 2005 £m	1% increase in the starting bond rates £m	1% decrease in the starting bond rates £m
Taiwan	(311)	104	(108)

**2005 Results****EEV basis results****SENSITIVITY OF RESULTS TO ALTERNATIVE ASSUMPTIONS****1. Sensitivity to changes in economic assumptions (continued)**

	UK Insurance Operations £m	Jackson National Life £m	Asian Total Operations £m	long term £m
<b>2004</b>				
<b>New business profit for 2004</b>				
As reported (schedule 4)	241	145	355	741
Discount rates - 1% increase	(40)	(22)	(42)	(104)
Interest rates - 1% increase	(4)	(1)	(5)	(10)
Interest rates - 1% decrease	(1)	(33)	3	(31)
Equity/property yields - 1% rise	13	16	13	42
<b>Embedded value of long-term operations at 31 December 2004</b>				
As reported (schedule 9)	4,228	2,506	1,565	8,299
Discount rates - 1% increase	(366)	(83)	(218)	(667)
Interest rates - 1% increase	144	(109)	(14)	21
Interest rates - 1% decrease	(179)	30	(32)	(181)
Equity/property yields - 1% rise	264	24	98	386
Equity/property market values - 10% fall	(416)	(54)	(44)	(514)
Statutory minimum capital	0	43	326	369

**2. Sensitivity to changes in non-economic assumptions**

The tables below show the sensitivity of the embedded value as at 31 December 2005 (2004) and the new business contribution after the effect of required capital to:

- 10% proportionate decrease in maintenance expenses (a 10% sensitivity on a base expense assumption of £10 p.a. would represent an expense assumption of £9 p.a.).
- 10% proportionate decrease in lapse rates (a 10% sensitivity on a base assumption of 5% would represent a lapse rate of 4.5% p.a.)
- 5% proportionate decrease in base mortality and morbidity rates (i.e. increased longevity)

	UK Insurance Operations £m	Jackson National Life £m	Asian Total Operations £m	long term £m
<b>2005</b>				
<b>New business profit for 2005</b>				
As reported (schedule 4)	243	211	413	867
Maintenance expenses - 10% decrease	8	5	10	23
Lapse rates - 10% decrease	7	18	39	64
Mortality and morbidity - 5% decrease	(39)	5	13	(21)
Change representing effect on:				
Life business	1	2	13	16
Annuity business (note 11c)	(40)	3	0	(37)
<b>Embedded value of long-term operations for 2005</b>				
As reported (schedule 9)	5,132	3,348	1,988	10,468
Maintenance expenses - 10% decrease	33	36	45	114
Lapse rates - 10% decrease	68	90	87	245
Mortality and morbidity - 5% decrease	(62)	90	69	97
Change representing effect on:				
Life business	9	83	69	161
Annuity business (note 11c)	(71)	7	0	(64)



**2005 Results****EEV basis results****SENSITIVITY OF RESULTS TO ALTERNATIVE ASSUMPTIONS****2. Sensitivity to changes in non-economic assumptions (continued)**

	UK Insurance Operations £m	Jackson National Life £m	Asian Total Operations £m	long term £m
<b>2004</b>				
<b>New business profit for 2004</b>				
As reported (schedule 4)	241	145	355	741
Maintenance expenses - 10% decrease	7	4	12	23
Lapse rates - 10% decrease	9	13	28	50
Mortality and morbidity - 5% decrease	(24)	3	8	(13)
Change representing effect on:				
Life business	1	1	8	10
Annuity business (note 11c)	(25)	2	0	(23)
<b>Embedded value of long-term operations for 2004</b>				
As reported (schedule 9)	4,228	2,506	1,565	8,299
Maintenance expenses - 10% decrease	32	33	45	110
Lapse rates - 10% decrease	67	44	78	189
Mortality and morbidity - 5% decrease	(68)	69	43	44
Change representing effect on:				
Life business	3	65	43	111
Annuity business (note 11c)	(71)	4	0	(67)

**Note**

**11c** The JNL annuity sensitivity for mortality and morbidity relates to variable annuity business.

**2005 Results****IFRS basis results****2005**

	Statutory IFRS results					
	Pre-tax £m	Tax (Schedule 15) £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	Earnings per share (pence)
<b>Basic earnings per share (note 12.1a)</b>						
<u>Continuing operations</u>						
Based on operating profit based on longer-term investment returns, after related tax and minority interests	957	(186)	771	(10)	761	32.2p
Adjustment for goodwill impairment charge	(120)	-	(120)	-	(120)	(5.1)p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns (Schedule 14)	211	(70)	141	(2)	139	5.9p
Adjustment for post-tax shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	(50)	15	(35)	-	(35)	(1.5)p
Total continuing operations	998	(241)	757	(12)	745	31.5p
Adjustment for post-tax operating results of discontinued operations (note 12.1b)	3	0	3	0	3	0.1p
Based on profit for the year after tax and minority interests	1,001	(241)	760	(12)	748	31.6p

Notes

12.1a The average number of shares for 2005 was 2,365m.

12.1b Discontinued operations relate to Egg France and Egg's Funds Direct operation.

**2005 Results****IFRS basis results****2004 comparative results**

	Pro forma IFRS results (note 12.2b)					
	Pre-tax £m	Tax (Schedule 15) £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	Earnings per share (pence)
<b>Basic earnings per share (note 12.2a)</b>						
<u>Continuing operations</u>						
Based on operating profit based on longer-term investment returns, after related tax and related minority interests	699	(210)	489	(8)	481	22.7p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns (Schedule 14)	293	(82)	211	(18)	193	9.0p
Adjustment for post-tax shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	(7)	2	(5)	-	(5)	(0.2)p
	985	(290)	695	(26)	669	31.5p
<u>Discontinued operations</u>						
From operating profit after tax and minority interest (note 12.2c)	(40)	1	(39)	10	(29)	(1.5)p
Adjustment for post-tax profit on business disposals	45	(19)	26	-	26	1.4p
Adjustment for post-tax Egg France closure cost	(113)	32	(81)	17	(64)	(3.0)p
	(108)	14	(94)	27	(67)	(3.1)p
Based on profit for the year after tax and minority interests	877	(276)	601	1	602	28.4p

**Notes**

- 12.2a The restated average number of shares for 2004 was 2,121m.
- 12.2b References to 'pro forma IFRS' reflect the impact of the application of IAS 39 (Financial instruments) and IFRS 4 (Insurance contracts) for insurance operations, in addition to the other required IFRS changes for 2004 comparative results. The Group adopted IAS 39 and IFRS 4 for insurance and other operations on 1 January 2005.
- 12.2c Discontinued operations relate to Jackson Federal Bank, Egg France and Egg's Funds Direct operation, and the sale of the stake in Life Assurance Holding Corporation Limited.

**2005 Results****IFRS basis results**

<b>US Operations - Summary of operating results</b>	<b>2005 US\$m</b>	<b>2004 US\$m</b>	<b>2005 £m</b>	<b>2004 £m</b>
IFRS operating result for continuing operations (note 13a)				
Jackson National Life (note 13b)	<b>633</b>	542	<b>348</b>	296
Broker-dealer and fund management result	<b>44</b>	27	<b>24</b>	15
Curian	<b>(19)</b>	(53)	<b>(10)</b>	(29)
Operating profit from continuing operations before tax	<b>658</b>	516	<b>362</b>	282
Average exchange rates			<b>1.82</b>	1.83

**Notes**

13a The result of Jackson Federal Bank, which was sold in 2004, has been excluded from the above analysis and included within the results of discontinued operations

13b IFRS basis operating profits include the following longer-term investment returns (net of related change in amortisation of deferred acquisition costs)

	<b>2005 US\$m</b>	<b>2004 US\$m</b>	<b>2005 £m</b>	<b>2004 £m</b>
Longer-term returns on debt securities:				
Amortisation of interest related gains (net of related change in amortisation of deferred acquisition costs)	<b>83</b>	83	<b>46</b>	45
Risk margin reserve charge in respect of credit related losses (net of related change in amortisation of deferred acquisition costs) (note 13c)	<b>(81)</b>	(86)	<b>(45)</b>	(47)
Total	<b>2</b>	(3)	<b>1</b>	(2)
Longer-term returns on equity type investments	<b>69</b>	57	<b>38</b>	31

13c The risk margin reserve (RMR) charge for 2005 is based on an average annual RMR charge of 24 basis points on a book value of US\$43.3bn.

**2005 Results****IFRS basis results**

	Statutory IFRS 2005 £m	Pro forma IFRS 2004 £m
<b>Short-term fluctuations in investment returns</b>		
Long-term business :		
Jackson National Life (note 14a)	178	205
Asian Operations	32	37
UK Insurance Operations	35	20
Share of investment return of funds managed by PPM America that are consolidated into Group results but attributable to external investors	0	9
Share of profits of venture investment companies and property investment companies of the PAC with-profits fund that are consolidated into Group results but attributable to external investors	1	9
Other operations	(35)	13
	<b>211</b>	<b>293</b>

**Note****14a Jackson National Life**

Short-term fluctuations comprise actual returns on investments less longer-term returns (net of related change in amortisation of deferred acquisition costs) as follows:

	Statutory IFRS 2005 £m	Pro forma IFRS 2004 £m
Actual gains less longer-term return on debt securities	2	41
Actual gains less longer-term return on equity type investments	31	18
Other	23	2
Movement in market value of derivatives used for economic hedging purposes	122	144
	<b>178</b>	<b>205</b>

**2005 Results****IFRS basis results**

	Statutory IFRS 2005 £m	Pro forma IFRS 2004 £m
<b>Tax charge attributable to shareholders</b>		
<b><u>Continuing operations</u></b>		
Tax charge (credit) on operating profit (loss) based on longer-term investment returns		
Long-term business:		
UK Insurance Operations	117	85
Jackson National Life	123	101
Asian Operations (note 15a)	63	38
Other operations (note 15b)	(117)	(14)
Total tax on operating profit of continuing operations	186	210
Tax charge on short-term fluctuations in investments returns	70	82
Tax credit on actuarial and other gains and losses on defined benefit pension schemes	(15)	(2)
Total continuing operations	241	290
<b><u>Discontinued operations</u></b>		
Tax charge (credit) on operating profit (loss)	0	(1)
Tax charge on profit on business disposals	-	19
Tax credit on Egg France closure costs	-	(32)
Total discontinued operations	0	(14)
Total tax charge attributable to shareholders	241	276

**Notes**

15a Includes tax relief on Asia development expenses.

15b The large tax credit in 2005 is due to a number of factors including:

- (i) The settlement of outstanding issues with HM Revenue and Customs at amounts below those previously provided.
- (ii) Prior year adjustments arising from routine revisions to tax returns.
- (iii) The benefit from Egg's previously unused French losses.

**2005 Results****IFRS basis results**

	Statutory IFRS 2005 £m	Pro forma IFRS 2004 £m
<b>Shareholders' funds analysis</b>		
<b>UK Operations</b>		
Long-term business operations	1,141	867
M&G		
Net assets of operation	245	297
Acquired goodwill	1,153	1,153
	1,398	1,450
Egg - Group share of net assets	303	273
Total	2,842	2,590
<b>US Operations</b>		
Jackson National Life (net of surplus note borrowings) (note 16a)		
With debt securities and derivative instruments on an amortised cost basis	2,764	2,295
Impact of marking debt securities and derivative instruments to fair value (net of related change in amortisation of deferred income and acquisition costs and tax)	135	273
	2,899	2,568
With debt securities and derivative instruments on a fair value basis		
Broker-dealer, fund management and Curian operations	70	64
Total	2,969	2,632
<b>Asian Operations</b>		
Long-term business		
Net assets of operation	1,034	750
Acquired goodwill	111	231
	1,145	981
Fund management		
Net assets of operation	82	66
Acquired goodwill	61	61
	143	127
Total	1,288	1,108
<b>Other Operations</b>		
Holding company net borrowings (note 16a)	(1,466)	(1,106)
Shareholders' share of deficits on the Prudential Staff and Scottish Amicable defined benefit pension schemes (net of tax) (schedule 17)	(113)	(105)
Other net liabilities	(326)	(379)
Total	(1,905)	(1,590)
<b>Total</b>	<b>5,194</b>	<b>4,740</b>

**Notes**

16a	Net core structural borrowings of shareholder-financed operations (excluding Egg) comprise:	2005 £m	2004 £m
	Holding company cash and short-term investments	1,128	1,561
	Core structural borrowings - central funds	(2,594)	(2,667)
	Holding company	(1,466)	(1,106)
	Core structural borrowings - Jackson National Life	(145)	(130)
		(1,611)	(1,236)

## 2005 Results

IFRS basis results

Retirement benefits - summary of financial position of defined benefit pension schemes	Deficit in schemes at 1 Jan 2005 £m	Operating results (note 17c) £m	Charge to income statement		Contributions paid £m	Deficit in schemes at 31 Dec 2005 (note 17a) £m
			Actuarial gains and losses (note 17d) £m	Actuarial and other gains and losses Charge for revised attribution of PSPS deficit (note 17e) £m		
Prudential Staff Pension Scheme (PSPS)	(626)	(22)	209		19	(420)
Other defined benefit schemes	(74)	(21)	(38)		10	(123)
Total Group position	(700)	(43)	171		29	(543)
Less: amount attributable to PAC with-profits fund	525	22	(139)	(63)	(16)	329
Shareholders' share of deficit:						
Pre-tax	(175)	(21)	32	(63)	13	(214)
Related tax	49	6	(9)	19	(4)	61
Net of shareholders' tax	(126)	(15)	23	(44)	9	(153)

Notes

- 17a The table reflects the financial position of the defined benefit schemes on an 'economic basis'. This is the IAS 19 basis adjusted to include scheme assets invested in Prudential Group insurance policies. At 31 December 2005, M&G pension scheme and PSPS had invested £147m and £106m respectively, in Prudential Group insurance policies.
- 17b The principal defined benefit pension scheme is the Prudential Staff Pension Scheme. In the UK there are two smaller schemes, the Scottish Amicable Pension Scheme and the M&G Pension Scheme with deficits at 31 December 2005 of £113m gross of tax. There is also a small scheme in Taiwan which at 31 December 2005 had a deficit gross of tax of £10m.
- 17c The components of the charge to operating profit (gross of allocation of the share attributable to the PAC with-profits fund) are as follows:
- |  |             |
|--|-------------|
|  | £m          |
| Service cost (current charge only)     | (65)        |
| Finance (expense) income:              |             |
| Interest on pension scheme liabilities | (257)       |
| Expected return on assets              | 279         |
| Total charge                           | <u>(43)</u> |
- 17d The components of the credit for actuarial gains and losses (gross of allocation of the share attributable to the PAC with-profits fund) are as follows:
- |   |            |
|---|------------|
|   |            |
| Actual less expected return on assets                 | 544        |
| Experience losses on liabilities                      | 1          |
| Losses on changes of assumptions for plan liabilities | (374)      |
| Total credit  | <u>171</u> |
- The credit for actuarial gains and losses is recorded within the income statement but, within the supplementary analysis of profit, is excluded from operating profit based on longer-term investment returns.
- Included within the charge of £374m for changes in assumptions is a credit for past service costs of £115m for a reduction in the assumed level of discretionary increases for future pensions in payment for PSPS from 2.8% to 2.5%. The actuarial losses on changes of assumptions for plan liabilities also relate to a reduction in the discount rate from 5.3% to 4.8%. Mortality assumptions have not been altered from the 31 December 2004 position.
- 17e Amounts attributed to the PAC with-profits fund for 2005 reflect the current estimate of 70% for PSPS, while for 2004 the amounts attributed reflect the then current estimate of 80%. The additional pretax loss to shareholder operations of £63m reflects the changed estimate of the life fund share of PSPS.



**2005 Results****IFRS basis results****Basis of preparation**

The IFRS basis results included in these supplementary schedules have been prepared on two bases, namely "statutory IFRS" and "pro forma IFRS".

The statutory IFRS basis results for 2005 provide analysis of the results included in the 2005 financial statements and include the effects of adoption of IAS 32, IAS 39 and IFRS 4 from 1 January 2005 as formally applied by the Group to its insurance and non-insurance operations.

The pro forma IFRS basis results are provided as supplementary information and are not the results that will form part of the Group's financial statements. These results reflect the combined effect of the statutory IFRS 2004 results included in the 2005 financial statements as comparative results, and the estimated effect on the Group's results for 2004 if IAS 32, IAS 39 and IFRS 4 had been applied from 1 January 2004 to the Group's insurance operations.

**Transition adjustment at 1 January 2005**

On formal adoption of IAS 32, IAS 39 and IFRS 4 at 1 January 2005 the Group's IFRS basis results incorporate a transition adjustment to shareholders' equity, as follows :

	<b>Previously published UK GAAP £m</b>	<b>Financial Statements Statutory IFRS £m</b>	<b>Supplementary Information Pro forma IFRS £m</b>
Shareholders' equity at 31 December 2004	4,281	4,489	4,740
Transition adjustment:			
Insurance operations	-	251	-
	4,281	4,740	4,740
Banking and other non-insurance operations	-	(25)	(25)
Shareholders' equity at 1 January 2005	4,281	4,715	4,715

The amounts for shareholders' equity at 1 January 2005 following the transition adjustments are £10m different from those published at the interim stage. This is due to refinements in the IFRS methodology for measuring assets and liabilities of certain unit-linked and similar contracts.

**2005 Results**

<b>Funds under management - summary</b>	<b>2005 £bn</b>	<b>2004 £bn</b>
Business Area (schedule 20)		
UK Operations (excluding UK Banking Operations)	<b>134.3</b>	115.8
UK Banking Operations	<b>9.8</b>	11.1
US Operations	<b>38.0</b>	29.5
Asian Operations	<b>11.3</b>	8.1
Internal funds under management (note 20a)	<b>193.4</b>	164.5
External funds (note 19a)	<b>40.6</b>	32.1
Total funds under management	<b>234.0</b>	196.6

**Note**

19a External funds shown above comprise £47.3bn in respect of investment products as published in the 2005 New Business results, less £6.7bn that are classified within internal funds.

## 2005 Results

Internal funds under management - analysis by business area

	Investment properties		Equity securities		Debt securities		Loans and receivables		Other investments		Total	
	2005 £bn	2004 £bn	2005 £bn	2004 £bn	2005 £bn	2004 £bn	2005 £bn	2004 £bn	2005 £bn	2004 £bn	2005 £bn	2004 £bn
UK Operations (excluding UK Banking Operations)	14.0	13.4	58.2	45.5	51.4	48.5	1.1	1.4	9.6	7.0	134.3	115.8
UK Banking Operations	0.0	0.0	0.0	0.0	2.1	3.5	7.4	7.6	0.3	0.0	9.8	11.1
US Operations	0.1	0.0	8.8	5.5	24.3	20.3	3.6	3.0	1.2	0.7	38.0	29.5
Asian Operations	0.1	0.0	5.0	3.5	4.7	4.1	1.1	0.4	0.4	0.1	11.3	8.1
Group Total (note 20a)	14.2	13.4	72.0	54.5	82.5	76.4	13.2	12.4	11.5	7.8	193.4	164.5

Note

20a As included in the investments section of the consolidated balance sheet except for £1.0bn (2004: £0.1bn) investment properties which are held for sale, under development or occupied by the Group and accordingly under IFRS are included in other balance sheet captions.

Date: 16 March 2006

**Schedule 21.1**

**2005 Results**

**Foreign currency translation: Rates of exchange**

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

The following translation rates have been applied:

Local currency : £	Year end 2005	Average 2005	Year end 2004	Average 2004
Hong Kong	13.31	14.15	14.92	14.27
Japan	202.63	200.13	196.73	198.08
Malaysia	6.49	6.89	7.30	6.96
Singapore	2.85	3.03	3.13	3.10
Taiwan	56.38	58.47	60.84	61.10
USA	1.72	1.82	1.92	1.83

**2005 Results****Foreign currency translation: Effect of rate movements on results**

	As published	As published	Memorandum using
	2005 £m	(note 21.2b)	2005
<b>EEV basis results</b>		2004 £m	exchange rates
			(note 21.2a)
			2004 £m
US Operations			
New business	211	145	146
Business in force	530	237	238
Jackson National Life	741	382	384
Broker-dealer, fund management and Curian operations	14	(14)	(14)
Total US Operations	755	368	370
Asian Operations			
New business	413	355	365
Business in force	163	105	108
Long-term operations	576	460	473
Fund management	12	19	20
Total Asian Operations (before development expenses)	588	479	493
Other Operations	369	427	425
Operating profit from continuing operations based on longer-term investment returns	1,712	1,274	1,288
Shareholders' funds	10,301	8,614	8,998

	As published	Pro forma	Memorandum using
	2005 £m	(note 21.2c)	2005
<b>IFRS basis results</b>		2004 £m	exchange rates
			(note 21.2a)
			2004 £m
US Operations			
Jackson National Life	348	296	298
Broker dealer, fund management and Curian	14	(14)	(14)
Total US Operations	362	282	284
Asian Operations			
Long-term operations	195	117	119
Fund management	12	19	20
Total Asian Operations (before development expenses)	207	136	139
Other Operations	388	281	280
Operating profit from continuing operations based on longer-term investment returns	957	699	703
Shareholders' funds	5,194	4,740	4,837

**Notes**

- 21.2a The memorandum results for 2004 and 2005 have been calculated by applying average 2005 exchange rates to operating profit and exchange rates at 31 December 2005 to shareholders' funds at the period ends.
- 21.2b The 2004 European Embedded Value basis results are as published on 13 December 2005.
- 21.2c The pro forma 2004 IFRS basis results reflect the estimated effect on the Group's results as if IAS 32, IAS 39 and IFRS 4 had been applied from 1 January 2004 to the Group's insurance operations.

Date: 16 March 2006

**Schedule 21.3**

**2005 Results**

<b><u>Foreign currency translation: Effect of rate movements on New Business results</u></b>	<b>As published</b>	<b>As published</b>	Memorandum using
			2005 exchange rates (note 21.3a)
<b>Annual premium equivalent insurance product sales</b>	<b>2004 £m</b>	<b>2004 £m</b>	<b>2004 £m</b>
UK Operations	900	817	817
US Operations	515	453	456
Asian Operations	731	576	594
Total	2,146	1,846	1,867
<b>Gross investment product inflows</b>			
M&G	7,916	5,845	5,845
US Operations	414	418	421
Asian Operations	18,457	19,068	19,906
Total	26,787	25,331	26,172
<b>Total insurance and investment product flows</b>			
Insurance	13,784	12,130	12,191
Investment	26,787	25,331	26,172
Total	40,571	37,461	38,363

**Note**

21.3a The memorandum results for 2004 have been calculated by applying average 2005 exchange rates

## PRUDENTIAL PLC - NEW BUSINESS - FULL YEAR 2005

## TOTAL INSURANCE AND INVESTMENT NEW BUSINESS

	UK			US <sup>(1a)</sup>			Asia <sup>(1a)</sup>			Total		
	FY 2005 £m	FY 2004 £m	+/- (%)	FY 2005 £m	FY 2004 £m	+/- (%)	FY 2005 £m	FY 2004 £m	+/- (%)	FY 2005 £m	FY 2004 £m	+/- (%)
Total Insurance Products	7,276	6,539	11%	5,023	4,451	13%	1,485	1,201	24%	13,784	12,191	13%
Total Investment Products - Gross Inflows <sup>(2)</sup>	7,916	5,845	35%	-	-	-	18,457	19,906	(7%)	26,373	25,751	2%
<b>Group Total</b>	<b>15,192</b>	<b>12,384</b>	<b>23%</b>	<b>5,023</b>	<b>4,451</b>	<b>13%</b>	<b>19,942</b>	<b>21,108</b>	<b>(6%)</b>	<b>40,157</b>	<b>37,943</b>	<b>6%</b>

## INSURANCE OPERATIONS

	Single			Regular			Total			Annual Equivalents <sup>(3)</sup>		
	FY 2005 £m	FY 2004 £m	+/- (%)	FY 2005 £m	FY 2004 £m	+/- (%)	FY 2005 £m	FY 2004 £m	+/- (%)	FY 2005 £m	FY 2004 £m	+/- (%)
<b>UK Insurance Operations :</b>												
<i>Direct to Customer:</i>												
Individual Pensions	12	8	50%	8	8	0%	20	16	25%	9	9	0%
Life - With Profit Bond	15	11	36%	1	1	0%	16	12	33%	3	2	50%
Life - Other	2	-	-	2	1	100%	4	1	300%	2	1	100%
Individual Annuities	720	630	14%	-	-	-	720	630	14%	72	63	14%
<b>Sub-Total</b>	<b>749</b>	<b>649</b>	<b>15%</b>	<b>11</b>	<b>10</b>	<b>10%</b>	<b>760</b>	<b>659</b>	<b>15%</b>	<b>86</b>	<b>75</b>	<b>15%</b>
DWP Rebates	244	265	(8%)	-	-	-	244	265	(8%)	24	27	(11%)
<b>Total</b>	<b>993</b>	<b>914</b>	<b>9%</b>	<b>11</b>	<b>10</b>	<b>10%</b>	<b>1,004</b>	<b>924</b>	<b>9%</b>	<b>110</b>	<b>101</b>	<b>9%</b>
<i>Business to Business:</i>												
Corporate Pensions	242	153	58%	146	137	7%	388	290	34%	170	152	12%
Individual Annuities	212	229	(7%)	-	-	-	212	229	(7%)	21	23	(9%)
Bulk Annuities	511	474	8%	-	-	-	511	474	8%	51	47	9%
<b>Total</b>	<b>965</b>	<b>856</b>	<b>13%</b>	<b>146</b>	<b>137</b>	<b>7%</b>	<b>1,111</b>	<b>993</b>	<b>12%</b>	<b>243</b>	<b>223</b>	<b>9%</b>
<i>Intermediated Distribution :</i>												
Individual Pensions	65	55	18%	18	17	6%	83	72	15%	25	23	9%
Corporate Pensions	43	134	(68%)	7	8	(13%)	50	142	(65%)	11	21	(48%)
Life - With Profit Bond	159	231	(31%)	-	-	-	159	231	(31%)	16	23	(30%)
Life - Other Bond	947	770	23%	-	-	-	947	770	23%	95	77	23%
Life - Other	6	-	-	6	5	20%	12	5	140%	7	5	40%
Individual Annuities	995	1,180	(16%)	-	-	-	995	1,180	(16%)	100	118	(15%)
<b>Sub-Total</b>	<b>2,215</b>	<b>2,370</b>	<b>(7%)</b>	<b>31</b>	<b>30</b>	<b>3%</b>	<b>2,246</b>	<b>2,400</b>	<b>(6%)</b>	<b>253</b>	<b>267</b>	<b>(5%)</b>
DWP Rebates	83	89	(7%)	-	-	-	83	89	(7%)	8	9	(11%)
<b>Total</b>	<b>2,298</b>	<b>2,459</b>	<b>(7%)</b>	<b>31</b>	<b>30</b>	<b>3%</b>	<b>2,329</b>	<b>2,489</b>	<b>(6%)</b>	<b>261</b>	<b>276</b>	<b>(5%)</b>
<i>Partnerships :</i>												
Life - With Profit Bond	-	3	-	-	-	-	-	3	-	-	0	-
Life - Other	814	787	3%	3	2	50%	817	789	4%	84	81	4%
Individual Annuities	295	141	109%	-	-	-	295	141	109%	30	14	114%
Bulk Annuities	1,519	1,108	37%	-	-	-	1,519	1,108	37%	152	111	37%
<b>Total</b>	<b>2,628</b>	<b>2,039</b>	<b>29%</b>	<b>3</b>	<b>2</b>	<b>50%</b>	<b>2,631</b>	<b>2,041</b>	<b>29%</b>	<b>266</b>	<b>206</b>	<b>29%</b>
<b>Total :</b>												
Individual Pensions	77	63	22%	26	25	4%	103	88	17%	34	31	10%
Corporate Pensions	285	287	(1%)	153	145	6%	438	432	1%	182	174	5%
Life - With Profit Bond	174	245	(29%)	1	1	0%	175	246	(29%)	18	26	(31%)
Life - Other Bond	947	770	23%	-	-	-	947	770	23%	95	77	23%
Life - Other	822	787	4%	11	8	38%	833	795	5%	93	87	7%
Individual Annuities	2,222	2,180	2%	-	-	-	2,222	2,180	2%	222	218	2%
Bulk Annuities	2,030	1,582	28%	-	-	-	2,030	1,582	28%	203	158	28%
<b>Sub-Total</b>	<b>6,557</b>	<b>5,914</b>	<b>11%</b>	<b>191</b>	<b>179</b>	<b>7%</b>	<b>6,748</b>	<b>6,093</b>	<b>11%</b>	<b>847</b>	<b>770</b>	<b>10%</b>
DWP Rebates	327	354	(8%)	-	-	-	327	354	(8%)	33	35	(6%)
<b>Total</b>	<b>6,884</b>	<b>6,268</b>	<b>10%</b>	<b>191</b>	<b>179</b>	<b>7%</b>	<b>7,075</b>	<b>6,447</b>	<b>10%</b>	<b>879</b>	<b>806</b>	<b>9%</b>
<i>European Insurance Operations : <sup>(1a)</sup></i>												
Insurance Products	201	89	126%	-	3	-	201	92	118%	20	12	67%
<b>Total European Insurance Operations</b>	<b>201</b>	<b>89</b>	<b>126%</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>201</b>	<b>92</b>	<b>118%</b>	<b>20</b>	<b>12</b>	<b>67%</b>
<b>Total UK Insurance Operations</b>	<b>7,085</b>	<b>6,357</b>	<b>11%</b>	<b>191</b>	<b>182</b>	<b>5%</b>	<b>7,276</b>	<b>6,539</b>	<b>11%</b>	<b>900</b>	<b>818</b>	<b>10%</b>
<i>US Insurance Operations : <sup>(1a)</sup></i>												
Fixed Annuities	788	1,138	(31%)	-	-	-	788	1,138	(31%)	79	114	(31%)
Fixed Index Annuities	616	432	43%	-	-	-	616	432	43%	62	43	44%
Variable Annuities	2,605	1,995	31%	-	-	-	2,605	1,995	31%	261	200	31%
Life <sup>(9)</sup>	11	16	(31%)	14	12	17%	25	28	(11%)	15	14	7%
<b>Sub-total Retail</b>	<b>4,020</b>	<b>3,581</b>	<b>12%</b>	<b>14</b>	<b>12</b>	<b>17%</b>	<b>4,034</b>	<b>3,593</b>	<b>12%</b>	<b>416</b>	<b>370</b>	<b>12%</b>
Guaranteed Investment Contracts	355	181	96%	-	-	-	355	181	96%	36	18	100%
GIC - Medium Term Note	634	677	(6%)	-	-	-	634	677	(6%)	63	68	(7%)
<b>Total US Insurance Operations</b>	<b>5,009</b>	<b>4,439</b>	<b>13%</b>	<b>14</b>	<b>12</b>	<b>17%</b>	<b>5,023</b>	<b>4,451</b>	<b>13%</b>	<b>515</b>	<b>456</b>	<b>13%</b>
<i>Asian Insurance Operations : <sup>(1a)</sup></i>												
China	17	9	89%	23	16	44%	40	25	60%	25	17	47%
Hong Kong	289	258	12%	83	79	5%	372	337	10%	112	105	7%
India (@26%) <sup>(9)</sup>	4	5	(20%)	57	34	68%	61	39	56%	57	35	63%
Indonesia	42	35	20%	42	26	62%	84	61	38%	46	30	53%
Japan	30	17	76%	4	7	(43%)	34	24	42%	7	9	(22%)
Korea	29	41	(29%)	132	68	94%	161	109	48%	135	72	88%
Malaysia	9	7	29%	66	62	6%	75	69	9%	67	63	6%
Singapore	284	203	40%	58	48	21%	342	251	36%	86	68	26%
Taiwan	124	92	35%	150	149	1%	274	241	14%	162	158	3%
Other <sup>(4)</sup>	9	8	13%	33	37	(11%)	42	45	(7%)	34	38	(11%)
<b>Total Asian Insurance Operations</b>	<b>837</b>	<b>675</b>	<b>24%</b>	<b>648</b>	<b>526</b>	<b>23%</b>	<b>1,485</b>	<b>1,201</b>	<b>24%</b>	<b>732</b>	<b>594</b>	<b>23%</b>
<b>Group Total</b>	<b>12,931</b>	<b>11,471</b>	<b>13%</b>	<b>853</b>	<b>720</b>	<b>18%</b>	<b>13,784</b>	<b>12,191</b>	<b>13%</b>	<b>2,146</b>	<b>1,867</b>	<b>15%</b>

## PRUDENTIAL PLC - NEW BUSINESS - FULL YEAR 2005

## TOTAL INSURANCE AND INVESTMENT NEW BUSINESS

	UK			US <sup>(1b)</sup>			Asia <sup>(1b)</sup>			Total		
	FY 2005	FY 2004	+/- (%)	FY 2005	FY 2004	+/- (%)	FY 2005	FY 2004	+/- (%)	FY 2005	FY 2004	+/- (%)
	£m	£m		£m	£m		£m	£m		£m	£m	
Total Insurance Products	7,276	6,538	11%	5,023	4,420	14%	1,485	1,172	27%	13,784	12,130	14%
Total Investment Products - Gross Inflows <sup>(2)</sup>	7,916	5,845	35%	-	-	-	18,457	19,068	(3%)	26,373	24,913	6%
<b>Group Total</b>	<b>15,192</b>	<b>12,383</b>	<b>23%</b>	<b>5,023</b>	<b>4,420</b>	<b>14%</b>	<b>19,942</b>	<b>20,240</b>	<b>(1%)</b>	<b>40,157</b>	<b>37,043</b>	<b>8%</b>

## INSURANCE OPERATIONS

	Single			Regular			Total			Annual Equivalents <sup>(3)</sup>		
	FY 2005	FY 2004	+/- (%)	FY 2005	FY 2004	+/- (%)	FY 2005	FY 2004	+/- (%)	FY 2005	FY 2004	+/- (%)
	£m	£m		£m	£m		£m	£m		£m	£m	
<b>UK Insurance Operations :</b>												
<i>Direct to Customer:</i>												
Individual Pensions	12	8	50%	8	8	0%	20	16	25%	9	9	0%
Life - With Profit Bond	15	11	36%	1	1	0%	16	12	33%	3	2	50%
Life - Other	2	-	-	2	1	100%	4	1	300%	2	1	100%
Individual Annuities	720	630	14%	-	-	-	720	630	14%	72	63	14%
<b>Sub-Total</b>	<b>749</b>	<b>649</b>	<b>15%</b>	<b>11</b>	<b>10</b>	<b>10%</b>	<b>760</b>	<b>659</b>	<b>15%</b>	<b>86</b>	<b>75</b>	<b>15%</b>
DWP Rebates	244	265	(8%)	-	-	-	244	265	(8%)	24	27	(11%)
<b>Total</b>	<b>993</b>	<b>914</b>	<b>9%</b>	<b>11</b>	<b>10</b>	<b>10%</b>	<b>1,004</b>	<b>924</b>	<b>9%</b>	<b>110</b>	<b>101</b>	<b>9%</b>
<i>Business to Business:</i>												
Corporate Pensions	242	153	58%	146	137	7%	388	290	34%	170	152	12%
Individual Annuities	212	229	(7%)	-	-	-	212	229	(7%)	21	23	(9%)
Bulk Annuities	511	474	8%	-	-	-	511	474	8%	51	47	9%
<b>Total</b>	<b>965</b>	<b>856</b>	<b>13%</b>	<b>146</b>	<b>137</b>	<b>7%</b>	<b>1,111</b>	<b>993</b>	<b>12%</b>	<b>243</b>	<b>223</b>	<b>9%</b>
<i>Intermediated Distribution :</i>												
Individual Pensions	65	55	18%	18	17	6%	83	72	15%	25	23	9%
Corporate Pensions	43	134	(68%)	7	8	(13%)	50	142	(65%)	11	21	(48%)
Life - With Profit Bond	159	231	(31%)	-	-	-	159	231	(31%)	16	23	(30%)
Life - Other Bond	947	770	23%	-	-	-	947	770	23%	95	77	23%
Life - Other	6	-	-	6	5	20%	12	5	140%	7	5	40%
Individual Annuities	995	1,180	(16%)	-	-	-	995	1,180	(16%)	100	118	(15%)
<b>Sub-Total</b>	<b>2,215</b>	<b>2,370</b>	<b>(7%)</b>	<b>31</b>	<b>30</b>	<b>3%</b>	<b>2,246</b>	<b>2,400</b>	<b>(6%)</b>	<b>253</b>	<b>267</b>	<b>(5%)</b>
DWP Rebates	83	89	(7%)	-	-	-	83	89	(7%)	8	9	(11%)
<b>Total</b>	<b>2,298</b>	<b>2,459</b>	<b>(7%)</b>	<b>31</b>	<b>30</b>	<b>3%</b>	<b>2,329</b>	<b>2,489</b>	<b>(6%)</b>	<b>261</b>	<b>276</b>	<b>(5%)</b>
<i>Partnerships :</i>												
Life - With Profit Bond	-	3	-	-	-	-	-	3	-	-	0	-
Life - Other	814	787	3%	3	2	50%	817	789	4%	84	81	4%
Individual Annuities	295	141	109%	-	-	-	295	141	109%	30	14	114%
Bulk Annuities	1,519	1,108	37%	-	-	-	1,519	1,108	37%	152	111	37%
<b>Total</b>	<b>2,628</b>	<b>2,039</b>	<b>29%</b>	<b>3</b>	<b>2</b>	<b>50%</b>	<b>2,631</b>	<b>2,041</b>	<b>29%</b>	<b>266</b>	<b>206</b>	<b>29%</b>
<b>Total :</b>												
Individual Pensions	77	63	22%	26	25	4%	103	88	17%	34	31	10%
Corporate Pensions	285	287	(1%)	153	145	6%	438	432	1%	182	174	5%
Life - With Profit Bond	174	245	(29%)	1	1	0%	175	246	(29%)	18	26	(31%)
Life - Other Bond	947	770	23%	-	-	-	947	770	23%	95	77	23%
Life - Other	822	787	4%	11	8	38%	833	795	5%	93	87	7%
Individual Annuities	2,222	2,180	2%	-	-	-	2,222	2,180	2%	222	218	2%
Bulk Annuities	2,030	1,582	28%	-	-	-	2,030	1,582	28%	203	158	28%
<b>Sub-Total</b>	<b>6,557</b>	<b>5,914</b>	<b>11%</b>	<b>191</b>	<b>179</b>	<b>7%</b>	<b>6,748</b>	<b>6,093</b>	<b>11%</b>	<b>847</b>	<b>770</b>	<b>10%</b>
DWP Rebates	327	354	(8%)	-	-	-	327	354	(8%)	33	35	(6%)
<b>Total</b>	<b>6,884</b>	<b>6,268</b>	<b>10%</b>	<b>191</b>	<b>179</b>	<b>7%</b>	<b>7,075</b>	<b>6,447</b>	<b>10%</b>	<b>879</b>	<b>806</b>	<b>9%</b>
<i>European Insurance Operations : <sup>(1b)</sup></i>												
Insurance Products	201	89	126%	-	2	-	201	91	121%	20	11	82%
<b>Total European Insurance Operations</b>	<b>201</b>	<b>89</b>	<b>126%</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>201</b>	<b>91</b>	<b>121%</b>	<b>20</b>	<b>11</b>	<b>82%</b>
<b>Total UK Insurance Operations</b>	<b>7,085</b>	<b>6,357</b>	<b>11%</b>	<b>191</b>	<b>181</b>	<b>6%</b>	<b>7,276</b>	<b>6,538</b>	<b>11%</b>	<b>900</b>	<b>817</b>	<b>10%</b>
<i>US Insurance Operations : <sup>(1b)</sup></i>												
Fixed Annuities	788	1,130	(30%)	-	-	-	788	1,130	(30%)	79	113	(30%)
Fixed Index Annuities	616	429	44%	-	-	-	616	429	44%	62	43	44%
Variable Annuities	2,605	1,981	31%	-	-	-	2,605	1,981	31%	261	198	32%
Life <sup>(9)</sup>	11	16	(31%)	14	12	17%	25	28	(11%)	15	14	7%
<b>Sub-total Retail</b>	<b>4,020</b>	<b>3,556</b>	<b>13%</b>	<b>14</b>	<b>12</b>	<b>17%</b>	<b>4,034</b>	<b>3,568</b>	<b>13%</b>	<b>416</b>	<b>368</b>	<b>13%</b>
Guaranteed Investment Contracts	355	180	97%	-	-	-	355	180	97%	36	18	100%
GIC - Medium Term Note	634	672	(6%)	-	-	-	634	672	(6%)	63	67	(6%)
<b>Total US Insurance Operations</b>	<b>5,009</b>	<b>4,408</b>	<b>14%</b>	<b>14</b>	<b>12</b>	<b>17%</b>	<b>5,023</b>	<b>4,420</b>	<b>14%</b>	<b>515</b>	<b>453</b>	<b>14%</b>
<i>Asian Insurance Operations : <sup>(1b)</sup></i>												
China	17	9	89%	23	16	44%	40	25	60%	25	17	47%
Hong Kong	289	255	13%	83	78	6%	372	333	12%	112	104	8%
India (@26%) <sup>(9)</sup>	4	5	(20%)	57	33	73%	61	38	61%	57	34	68%
Indonesia	42	38	11%	42	28	50%	84	66	27%	46	32	44%
Japan	30	17	76%	4	7	(43%)	34	24	42%	7	9	(22%)
Korea	29	36	(19%)	132	60	120%	161	96	68%	135	64	111%
Malaysia	9	7	29%	66	61	8%	75	68	10%	67	62	8%
Singapore	284	199	43%	58	47	23%	342	246	39%	86	67	28%
Taiwan	124	88	41%	150	143	5%	274	231	19%	162	152	7%
Other <sup>(4)</sup>	9	8	13%	33	37	(11%)	42	45	(7%)	34	38	(11%)
<b>Total Asian Insurance Operations</b>	<b>837</b>	<b>662</b>	<b>26%</b>	<b>648</b>	<b>510</b>	<b>27%</b>	<b>1,485</b>	<b>1,172</b>	<b>27%</b>	<b>732</b>	<b>576</b>	<b>27%</b>
<b>Group Total</b>	<b>12,931</b>	<b>11,427</b>	<b>13%</b>	<b>853</b>	<b>703</b>	<b>21%</b>	<b>13,784</b>	<b>12,130</b>	<b>14%</b>	<b>2,146</b>	<b>1,846</b>	<b>16%</b>



## PRUDENTIAL PLC - NEW BUSINESS - FULL YEAR 2005

## INVESTMENT OPERATIONS

	Opening FUM £m	Gross inflows £m	Redemptions £m	Net inflows £m	Other movements £m	Market & currency movements £m	Net movement in FUM £m	Closing FUM £m
<b>2005</b>								
<b>M&amp;G</b>								
Retail	11,613	3,842	(2,497)	1,345	-	1,669	3,014	14,627
Institutional <sup>(5)</sup>	17,092	4,074	(1,557)	2,517	(229)	2,189	4,477	21,569
<b>Total M&amp;G</b> <sup>(11)</sup>	<b>28,705</b>	<b>7,916</b>	<b>(4,054)</b>	<b>3,862</b>	<b>(229)</b>	<b>3,858</b>	<b>7,491</b>	<b>36,196</b>
<b>Asia</b>								
India <sup>(10)</sup>	2,144	10,181	(10,034)	147	(1,192)	366	(679)	1,465
Taiwan	1,797	2,379	(3,124)	(745)	-	248	(497)	1,300
Korea	1,427	3,529	(2,603)	926	(21)	471	1,376	2,803
Japan	1,638	1,487	(582)	905	-	152	1,057	2,695
Other Mutual Fund Operations	583	800	(604)	196	-	62	258	841
<b>Total Asian Mutual Fund Operations</b>	<b>7,589</b>	<b>18,376</b>	<b>(16,947)</b>	<b>1,429</b>	<b>(1,213)</b>	<b>1,299</b>	<b>1,515</b>	<b>9,104</b>
Hong Kong MPF Products (@36%) <sup>(6)</sup>	244	79	(30)	49	-	44	93	337
Third Party Institutional Mandates	705	2	(153)	(151)	-	137	(14)	691
<b>Total Asia Other</b>	<b>949</b>	<b>81</b>	<b>(183)</b>	<b>(102)</b>	<b>-</b>	<b>181</b>	<b>79</b>	<b>1,028</b>
<b>Total Asian Investment Operations</b> <sup>(11)</sup>	<b>8,538</b>	<b>18,457</b>	<b>(17,130)</b>	<b>1,327</b>	<b>(1,213)</b>	<b>1,480</b>	<b>1,594</b>	<b>10,132</b>
<b>Total Investment Products (M&amp;G &amp; Asia)</b>	<b>37,243</b>	<b>26,373</b>	<b>(21,184)</b>	<b>5,189</b>	<b>(1,442)</b>	<b>5,338</b>	<b>9,085</b>	<b>46,328</b>
<b>2004</b>								
<b>M&amp;G</b>								
Retail	10,144	1,954	(1,537)	417	-	1,052	1,469	11,613
Institutional <sup>(5)</sup>	14,048	3,891	(2,304)	1,587	145	1,312	3,044	17,092
<b>Total M&amp;G</b>	<b>24,192</b>	<b>5,845</b>	<b>(3,841)</b>	<b>2,004</b>	<b>145</b>	<b>2,364</b>	<b>4,513</b>	<b>28,705</b>
<b>Asia</b>								
India	2,049	9,129	(9,068)	61	(21)	55	95	2,144
Taiwan	2,666	5,696	(6,550)	(854)	-	(15)	(869)	1,797
Korea	933	2,132	(1,696)	436	(42)	99	493	1,426
Japan	411	1,392	(123)	1,269	-	(42)	1,227	1,638
Other Mutual Fund Operations	341	422	(184)	238	-	4	242	583
<b>Total Asian Mutual Fund Operations</b>	<b>6,400</b>	<b>18,771</b>	<b>(17,621)</b>	<b>1,150</b>	<b>(63)</b>	<b>101</b>	<b>1,188</b>	<b>7,588</b>
Hong Kong MPF Products (@36%) <sup>(6)</sup>	196	74	(26)	48	-	-	48	244
Third Party Institutional Mandates	552	222	(140)	82	-	71	153	705
<b>Total Asia Other</b>	<b>748</b>	<b>296</b>	<b>(166)</b>	<b>130</b>	<b>-</b>	<b>71</b>	<b>201</b>	<b>949</b>
<b>Total Asian Investment Operations</b>	<b>7,148</b>	<b>19,067</b>	<b>(17,787)</b>	<b>1,280</b>	<b>(63)</b>	<b>172</b>	<b>1,389</b>	<b>8,537</b>
<b>Total Investment Products (M&amp;G &amp; Asia)</b>	<b>31,340</b>	<b>24,912</b>	<b>(21,628)</b>	<b>3,284</b>	<b>82</b>	<b>2,536</b>	<b>5,902</b>	<b>37,242</b>
<b>2005 movement relative to 2004</b>								
<b>M&amp;G</b>								
Retail	14%	97%	(62%)	223%	-	59%	105%	26%
Institutional <sup>(5)</sup>	22%	5%	32%	59%	(258%)	67%	47%	26%
<b>Total M&amp;G</b>	<b>19%</b>	<b>35%</b>	<b>(6%)</b>	<b>93%</b>	<b>(258%)</b>	<b>63%</b>	<b>66%</b>	<b>26%</b>
<b>Asia</b>								
India	5%	12%	(11%)	141%	(5576%)	565%	(815%)	(32%)
Taiwan	(33%)	(58%)	52%	13%	-	1753%	43%	(28%)
Korea	53%	66%	(53%)	112%	50%	376%	179%	97%
Japan	299%	7%	(373%)	(29%)	-	462%	(14%)	65%
Other Mutual Fund Operations	71%	90%	(228%)	(18%)	-	1450%	7%	44%
<b>Total Asian Mutual Fund Operations</b>	<b>19%</b>	<b>(2%)</b>	<b>4%</b>	<b>24%</b>	<b>(1825%)</b>	<b>1186%</b>	<b>28%</b>	<b>20%</b>
Hong Kong MPF Products (@36%) <sup>(6)</sup>	24%	7%	(15%)	2%	-	-	94%	38%
Third Party Institutional Mandates	28%	(99%)	(9%)	(284%)	-	93%	(109%)	(2%)
<b>Total Asia Other</b>	<b>27%</b>	<b>(73%)</b>	<b>(10%)</b>	<b>(178%)</b>	<b>-</b>	<b>155%</b>	<b>(61%)</b>	<b>8%</b>
<b>Total Asian Investment Operations</b>	<b>19%</b>	<b>(3%)</b>	<b>4%</b>	<b>4%</b>	<b>(1825%)</b>	<b>760%</b>	<b>15%</b>	<b>19%</b>
<b>Total Investment Products (M&amp;G &amp; Asia)</b>	<b>19%</b>	<b>6%</b>	<b>2%</b>	<b>58%</b>	<b>(1859%)</b>	<b>110%</b>	<b>54%</b>	<b>24%</b>

US <sup>(7)</sup>Curian Capital  
External Funds under AdministrationFY 2005  
£mFY 2004  
£m

+/- (%)

973

615

58%

PRUDENTIAL PLC - NEW BUSINESS - QUARTER 4 2005 VERSUS QUARTER 4 2004 <sup>(8)</sup>

## INSURANCE OPERATIONS

	Single			Regular			Total			Annual Equivalents <sup>(3)</sup>		
	Q4 2005 £m	Q4 2004 £m	+/- (%)	Q4 2005 £m	Q4 2004 £m	+/- (%)	Q4 2005 £m	Q4 2004 £m	+/- (%)	Q4 2005 £m	Q4 2004 £m	+/- (%)
<b>UK Insurance Operations :</b>												
<i>Direct to Customer:</i>												
Individual Pensions	2	2	0%	2	2	0%	4	4	0%	2	2	0%
Life - With Profit Bond	4	2	100%	-	-	-	4	2	100%	0	0	0%
Life - Other	2	-	-	-	-	-	2	-	-	0	-	-
Individual Annuities	178	166	7%	-	-	-	178	166	7%	18	17	6%
<b>Sub-Total</b>	<b>186</b>	<b>170</b>	<b>9%</b>	<b>2</b>	<b>2</b>	<b>0%</b>	<b>188</b>	<b>172</b>	<b>9%</b>	<b>21</b>	<b>19</b>	<b>11%</b>
DWP Rebates	10	13	(23%)	-	-	-	10	13	(23%)	1	1	0%
<b>Total</b>	<b>196</b>	<b>183</b>	<b>7%</b>	<b>2</b>	<b>2</b>	<b>0%</b>	<b>198</b>	<b>185</b>	<b>7%</b>	<b>22</b>	<b>20</b>	<b>10%</b>
<i>Business to Business:</i>												
Corporate Pensions	81	45	80%	54	33	64%	135	78	73%	62	38	63%
Individual Annuities	61	68	(10%)	-	-	-	61	68	(10%)	6	7	(14%)
Bulk Annuities	98	222	(56%)	-	-	-	98	222	(56%)	10	22	(55%)
<b>Total</b>	<b>240</b>	<b>335</b>	<b>(28%)</b>	<b>54</b>	<b>33</b>	<b>64%</b>	<b>294</b>	<b>368</b>	<b>(20%)</b>	<b>78</b>	<b>67</b>	<b>16%</b>
<i>Intermediated Distribution :</i>												
Individual Pensions	15	10	50%	4	1	300%	19	11	73%	6	2	200%
Corporate Pensions	11	7	57%	1	2	(50%)	12	9	33%	2	3	(33%)
Life - With Profit Bond	40	43	(7%)	-	-	-	40	43	(7%)	4	4	0%
Life - Other Bond	265	250	6%	-	-	-	265	250	6%	27	25	8%
Life - Other	2	-	-	2	1	100%	4	1	300%	2	1	100%
Individual Annuities	209	326	(36%)	-	-	-	209	326	(36%)	21	33	(36%)
<b>Sub-Total</b>	<b>542</b>	<b>636</b>	<b>(15%)</b>	<b>7</b>	<b>4</b>	<b>75%</b>	<b>549</b>	<b>640</b>	<b>(14%)</b>	<b>61</b>	<b>68</b>	<b>(10%)</b>
DWP Rebates	3	(3)	-	-	-	-	3	(3)	-	0	(0)	0%
<b>Total</b>	<b>545</b>	<b>633</b>	<b>(14%)</b>	<b>7</b>	<b>4</b>	<b>75%</b>	<b>552</b>	<b>637</b>	<b>(13%)</b>	<b>62</b>	<b>67</b>	<b>(7%)</b>
<i>Partnerships :</i>												
Life - With Profit Bond	-	-	-	-	-	-	-	-	-	-	-	-
Life - Other	185	214	(14%)	1	-	-	186	214	(13%)	20	21	(5%)
Individual Annuities	149	53	181%	-	-	-	149	53	181%	15	5	200%
Bulk Annuities	-	1,108	-	-	-	-	-	1,108	-	-	111	-
<b>Total</b>	<b>334</b>	<b>1,375</b>	<b>(76%)</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>335</b>	<b>1,375</b>	<b>(76%)</b>	<b>34</b>	<b>138</b>	<b>(75%)</b>
<b>Total :</b>												
Individual Pensions	17	12	42%	6	3	100%	23	15	53%	8	4	100%
Corporate Pensions	92	52	77%	55	35	57%	147	87	69%	64	40	60%
Life - With Profit Bond	44	45	(2%)	-	-	-	44	45	(2%)	4	5	(20%)
Life - Other Bond	265	250	6%	-	-	-	265	250	6%	27	25	8%
Life - Other	189	214	(12%)	3	1	200%	192	215	(11%)	22	22	0%
Individual Annuities	597	613	(3%)	-	-	-	597	613	(3%)	60	61	(2%)
Bulk Annuities	98	1,330	(93%)	-	-	-	98	1,330	(93%)	10	133	(92%)
<b>Sub-Total</b>	<b>1,302</b>	<b>2,516</b>	<b>(48%)</b>	<b>64</b>	<b>39</b>	<b>64%</b>	<b>1,366</b>	<b>2,555</b>	<b>(47%)</b>	<b>194</b>	<b>291</b>	<b>(33%)</b>
DWP Rebates	13	10	30%	-	-	-	13	10	33%	1	1	0%
<b>Total</b>	<b>1,315</b>	<b>2,526</b>	<b>(48%)</b>	<b>64</b>	<b>39</b>	<b>64%</b>	<b>1,379</b>	<b>2,565</b>	<b>(46%)</b>	<b>196</b>	<b>292</b>	<b>(33%)</b>
<i>European Insurance Operations :</i>												
Insurance Products	47	18	161%	-	1	-	47	19	147%	5	3	67%
<b>Total European Insurance Operations</b>	<b>47</b>	<b>18</b>	<b>161%</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>47</b>	<b>19</b>	<b>147%</b>	<b>5</b>	<b>3</b>	<b>67%</b>
<b>Total UK Insurance Operations</b>	<b>1,362</b>	<b>2,544</b>	<b>(46%)</b>	<b>64</b>	<b>40</b>	<b>60%</b>	<b>1,426</b>	<b>2,584</b>	<b>(45%)</b>	<b>200</b>	<b>294</b>	<b>(32%)</b>
<i>US Insurance Operations : <sup>(8)</sup></i>												
Fixed Annuities	149	282	(47%)	-	-	-	149	282	(47%)	15	28	(46%)
Fixed Index Annuities	155	136	14%	-	-	-	155	136	14%	16	14	14%
Variable Annuities	735	492	49%	-	-	-	735	492	49%	74	49	51%
Life <sup>(9)</sup>	3	6	(50%)	4	3	33%	7	9	(22%)	4	4	0%
<b>Sub-total Retail</b>	<b>1,042</b>	<b>916</b>	<b>14%</b>	<b>4</b>	<b>3</b>	<b>33%</b>	<b>1,046</b>	<b>919</b>	<b>14%</b>	<b>108</b>	<b>95</b>	<b>14%</b>
Guaranteed Investment Contracts	49	74	(34%)	-	-	-	49	74	(34%)	5	7	(29%)
GIC - Medium Term Note	9	48	(81%)	-	-	-	9	48	(81%)	1	5	(80%)
<b>Total US Insurance Operations</b>	<b>1,100</b>	<b>1,038</b>	<b>6%</b>	<b>4</b>	<b>3</b>	<b>33%</b>	<b>1,104</b>	<b>1,041</b>	<b>6%</b>	<b>114</b>	<b>107</b>	<b>7%</b>
<i>Asian Insurance Operations :</i>												
China	8	3	167%	8	5	60%	16	8	100%	9	5	80%
Hong Kong	88	94	(6%)	28	23	22%	116	117	(1%)	37	32	16%
India (@26%) <sup>(8)</sup>	1	1	0%	16	8	100%	17	9	89%	16	8	100%
Indonesia	6	11	(45%)	13	8	63%	19	19	0%	14	9	56%
Japan	11	5	120%	-	2	-	11	7	57%	1	3	(67%)
Korea	18	6	200%	41	20	105%	59	26	127%	43	21	105%
Malaysia	1	2	(50%)	20	22	(9%)	21	24	(13%)	20	22	(9%)
Singapore	90	45	100%	19	16	19%	109	61	79%	28	21	33%
Taiwan	29	24	21%	40	48	(17%)	69	72	(4%)	43	50	(14%)
Other <sup>(4)</sup>	2	2	0%	9	10	(10%)	11	12	(8%)	9	10	(10%)
<b>Total Asian Insurance Operations</b>	<b>254</b>	<b>193</b>	<b>32%</b>	<b>194</b>	<b>162</b>	<b>20%</b>	<b>448</b>	<b>355</b>	<b>26%</b>	<b>219</b>	<b>181</b>	<b>21%</b>
<b>Group Total</b>	<b>2,716</b>	<b>3,775</b>	<b>(28%)</b>	<b>262</b>	<b>205</b>	<b>28%</b>	<b>2,978</b>	<b>3,980</b>	<b>(25%)</b>	<b>534</b>	<b>583</b>	<b>(8%)</b>

## INVESTMENT OPERATIONS (M&amp;G and Asia)

	M&G <sup>(5)</sup>			Asia Mutual Funds			Asia Other			Total Investment Products		
	Q4 2005 £m	Q4 2004 £m	+/- (%)	Q4 2005 £m	Q4 2004 £m	+/- (%)	Q4 2005 £m	Q4 2004 £m	+/- (%)	Q4 2005 £m	Q4 2004 £m	+/- (%)
<b>Opening FUM</b>	<b>33,760</b>	<b>25,876</b>	<b>30%</b>	<b>8,296</b>	<b>6,540</b>	<b>27%</b>	<b>980</b>	<b>788</b>	<b>24%</b>	<b>43,036</b>	<b>33,204</b>	<b>30%</b>
Gross inflows	2,316	2,393	(3%)	4,056	5,051	(20%)	22	128	(83%)	6,394	7,572	(16%)
Less redemptions	(1,189)	(1,006)	(18%)	(3,684)	(4,121)	11%	(11)	(5)	(120%)	(4,884)	(5,132)	5%
Net flows	1,127	1,387	(19%)	372	930	(60%)	11	123	(91%)	1,510	2,440	(38%)
Other movements	(74)	122	(161%)	(6)	(11)	45%	-	-	-	(80)	111	(172%)
Market and currency movements	1,382	1,321	5%	444	129	244%	37	39	(5%)	1,863	1,489	25%
<b>Net movement in FUM</b>	<b>2,436</b>	<b>2,830</b>	<b>(14%)</b>	<b>811</b>	<b>1,048</b>	<b>(23%)</b>	<b>48</b>	<b>161</b>	<b>(70%)</b>	<b>3,295</b>	<b>4,039</b>	<b>(18%)</b>
<b>Closing FUM</b>	<b>36,196</b>	<b>28,705</b>	<b>26%</b>	<b>9,104</b>	<b>7,588</b>	<b>20%</b>	<b>1,028</b>	<b>949</b>	<b>8%</b>	<b>46,328</b>	<b>37,242</b>	<b>24%</b>

PRUDENTIAL PLC - NEW BUSINESS - QUARTER 4 2005 VERSUS QUARTER 3 2005 <sup>(8)</sup>

## INSURANCE OPERATIONS

	Single			Regular			Total			Annual Equivalents <sup>(3)</sup>		
	Q4 2005	Q3 2005	+/- (%)	Q4 2005	Q3 2005	+/- (%)	Q4 2005	Q3 2005	+/- (%)	Q4 2005	Q3 2005	+/- (%)
	£m	£m		£m	£m		£m	£m		£m	£m	
<b>UK Insurance Operations :</b>												
<i>Direct to Customer:</i>												
Individual Pensions	2	2	0%	2	2	0%	4	4	0%	2	2	0%
Life - With Profit Bond	4	4	0%	-	-	-	4	4	0%	0	0	0%
Life - Other	2	-	-	-	-	-	2	-	-	0	-	-
Individual Annuities	178	178	0%	-	-	-	178	178	0%	18	18	0%
<b>Sub-Total</b>	<b>186</b>	<b>184</b>	<b>1%</b>	<b>2</b>	<b>2</b>	<b>0%</b>	<b>188</b>	<b>186</b>	<b>1%</b>	<b>21</b>	<b>20</b>	<b>5%</b>
DWP Rebates	10	-	-	-	-	-	10	-	-	1	-	-
<b>Total</b>	<b>196</b>	<b>184</b>	<b>7%</b>	<b>2</b>	<b>2</b>	<b>0%</b>	<b>198</b>	<b>186</b>	<b>6%</b>	<b>22</b>	<b>20</b>	<b>10%</b>
<i>Business to Business:</i>												
Corporate Pensions	81	46	76%	54	25	116%	135	71	90%	62	30	107%
Individual Annuities	61	54	13%	-	-	-	61	54	13%	6	5	20%
Bulk Annuities	98	93	5%	-	-	-	98	93	5%	10	9	11%
<b>Total</b>	<b>240</b>	<b>193</b>	<b>24%</b>	<b>54</b>	<b>25</b>	<b>116%</b>	<b>294</b>	<b>218</b>	<b>35%</b>	<b>78</b>	<b>44</b>	<b>77%</b>
<i>Intermediated Distribution :</i>												
Individual Pensions	15	11	36%	4	5	(20%)	19	16	19%	6	6	0%
Corporate Pensions	11	9	22%	1	2	(50%)	12	11	9%	2	3	(33%)
Life - With Profit Bond	40	44	(9%)	-	-	-	40	44	(9%)	4	4	0%
Life - Other Bond	265	209	27%	-	-	-	265	209	27%	27	21	29%
Life - Other	2	1	100%	2	2	0%	4	3	33%	2	2	0%
Individual Annuities	209	228	(8%)	-	-	-	209	228	(8%)	21	23	(9%)
<b>Sub-Total</b>	<b>542</b>	<b>502</b>	<b>8%</b>	<b>7</b>	<b>9</b>	<b>(22%)</b>	<b>549</b>	<b>511</b>	<b>7%</b>	<b>61</b>	<b>59</b>	<b>3%</b>
DWP Rebates	3	-	-	-	-	-	3	-	-	0	-	-
<b>Total</b>	<b>545</b>	<b>502</b>	<b>9%</b>	<b>7</b>	<b>9</b>	<b>(22%)</b>	<b>552</b>	<b>511</b>	<b>8%</b>	<b>62</b>	<b>59</b>	<b>5%</b>
<i>Partnerships :</i>												
Life - With Profit Bond	-	-	-	-	-	-	-	-	-	-	-	-
Life - Other	185	203	(9%)	1	2	(50%)	186	205	(9%)	20	22	(9%)
Individual Annuities	149	52	187%	-	-	-	149	52	187%	15	5	200%
Bulk Annuities	-	44	-	-	-	-	-	44	-	-	4	-
<b>Total</b>	<b>334</b>	<b>299</b>	<b>12%</b>	<b>1</b>	<b>2</b>	<b>(50%)</b>	<b>335</b>	<b>301</b>	<b>11%</b>	<b>34</b>	<b>32</b>	<b>6%</b>
<b>Total :</b>												
Individual Pensions	17	13	31%	6	7	(14%)	23	20	15%	8	8	0%
Corporate Pensions	92	55	67%	55	27	104%	147	82	79%	64	33	94%
Life - With Profit Bond	44	48	(8%)	-	-	-	44	48	(8%)	4	5	(20%)
Life - Other Bond	265	209	27%	-	-	-	265	209	27%	27	21	29%
Life - Other	189	204	(7%)	3	4	(25%)	192	208	(8%)	22	24	(8%)
Individual Annuities	597	512	17%	-	-	-	597	512	17%	60	51	18%
Bulk Annuities	98	137	(28%)	-	-	-	98	137	(28%)	10	14	(29%)
<b>Sub-Total</b>	<b>1,302</b>	<b>1,178</b>	<b>11%</b>	<b>64</b>	<b>38</b>	<b>68%</b>	<b>1,366</b>	<b>1,216</b>	<b>12%</b>	<b>194</b>	<b>156</b>	<b>24%</b>
DWP Rebates	13	-	-	-	-	-	13	-	0%	1	-	-
<b>Total</b>	<b>1,315</b>	<b>1,178</b>	<b>12%</b>	<b>64</b>	<b>38</b>	<b>68%</b>	<b>1,379</b>	<b>1,216</b>	<b>13%</b>	<b>196</b>	<b>156</b>	<b>26%</b>
<i>European Insurance Operations :</i>												
Insurance Products	47	34	38%	-	-	-	47	34	38%	5	3	67%
<b>Total European Insurance Operations</b>	<b>47</b>	<b>34</b>	<b>38%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47</b>	<b>34</b>	<b>38%</b>	<b>5</b>	<b>3</b>	<b>67%</b>
<b>Total UK Insurance Operations</b>												
<b>Total UK Insurance Operations</b>	<b>1,362</b>	<b>1,212</b>	<b>12%</b>	<b>64</b>	<b>38</b>	<b>68%</b>	<b>1,426</b>	<b>1,250</b>	<b>14%</b>	<b>200</b>	<b>159</b>	<b>26%</b>
<i>US Insurance Operations : <sup>(6)</sup></i>												
Fixed Annuities	149	229	(35%)	-	-	-	149	229	(35%)	15	23	(35%)
Fixed Index Annuities	155	164	(5%)	-	-	-	155	164	(5%)	16	16	0%
Variable Annuities	735	686	7%	-	-	-	735	686	7%	74	69	7%
Life <sup>(6)</sup>	3	2	50%	4	4	0%	7	6	17%	4	4	0%
<b>Sub-total Retail</b>	<b>1,042</b>	<b>1,081</b>	<b>(4%)</b>	<b>4</b>	<b>4</b>	<b>0%</b>	<b>1,046</b>	<b>1,085</b>	<b>(4%)</b>	<b>108</b>	<b>112</b>	<b>(4%)</b>
Guaranteed Investment Contracts	49	119	(59%)	-	-	-	49	119	(59%)	5	12	(58%)
GIC - Medium Term Note	9	10	(10%)	-	-	-	9	10	(10%)	1	1	0%
<b>Total US Insurance Operations</b>	<b>1,100</b>	<b>1,210</b>	<b>(9%)</b>	<b>4</b>	<b>4</b>	<b>0%</b>	<b>1,104</b>	<b>1,214</b>	<b>(9%)</b>	<b>114</b>	<b>125</b>	<b>(9%)</b>
<i>Asian Insurance Operations :</i>												
China	8	5	60%	8	6	33%	16	11	45%	9	7	29%
Hong Kong	88	54	63%	28	20	40%	116	74	57%	37	25	48%
India <sup>(@26%) <sup>(6)</sup></sup>	1	1	0%	16	14	14%	17	15	13%	16	14	14%
Indonesia	6	8	(25%)	13	12	8%	19	20	(5%)	14	13	8%
Japan	11	8	38%	-	1	-	11	9	22%	1	2	(50%)
Korea	18	2	800%	41	31	32%	59	33	79%	43	31	39%
Malaysia	1	2	(50%)	20	17	18%	21	19	11%	20	17	18%
Singapore	90	77	17%	19	15	27%	109	92	18%	28	23	22%
Taiwan	29	23	26%	40	55	(27%)	69	78	(12%)	43	57	(25%)
Other <sup>(4)</sup>	2	3	(33%)	9	8	13%	11	11	0%	9	8	13%
<b>Total Asian Insurance Operations</b>	<b>254</b>	<b>183</b>	<b>39%</b>	<b>194</b>	<b>179</b>	<b>8%</b>	<b>448</b>	<b>362</b>	<b>24%</b>	<b>219</b>	<b>197</b>	<b>11%</b>
<b>Group Total</b>												
<b>Group Total</b>	<b>2,716</b>	<b>2,605</b>	<b>4%</b>	<b>262</b>	<b>221</b>	<b>19%</b>	<b>2,978</b>	<b>2,826</b>	<b>5%</b>	<b>534</b>	<b>481</b>	<b>11%</b>

## INVESTMENT OPERATIONS (M&amp;G and Asia)

	M&G <sup>(5)</sup>			Asia Mutual Funds			Asia Other			Total Investment Products		
	Q4 2005	Q3 2005	+/- (%)	Q4 2005	Q3 2005	+/- (%)	Q4 2005	Q3 2005	+/- (%)	Q4 2005	Q3 2005	+/- (%)
	£m	£m		£m	£m		£m	£m		£m	£m	
<b>Opening FUM</b>	<b>33,760</b>	<b>31,171</b>	<b>8%</b>	<b>8,296</b>	<b>9,388</b>	<b>(12%)</b>	<b>980</b>	<b>900</b>	<b>9%</b>	<b>43,036</b>	<b>41,459</b>	<b>4%</b>
Gross inflows	2,316	2,021	15%	4,056	4,938	(18%)	22	20	10%	6,394	6,979	(8%)
Less redemptions	(1,189)	(966)	(23%)	(3,684)	(4,554)	19%	(11)	(9)	(22%)	(4,884)	(5,529)	12%
Net flows	1,127	1,055	7%	372	385	(3%)	11	11	0%	1,510	1,451	4%
Other movements	(74)	(35)	(111%)	(6)	(1,161)	99%	-	-	-	(80)	(1,196)	93%
Market and currency movements	1,382	1,569	(12%)	444	(316)	241%	37	69	(46%)	1,863	1,322	41%
Net movement in FUM	2,436	2,589	(6%)	811	(1,093)	174%	48	80	(40%)	3,295	1,576	109%
<b>Closing FUM</b>	<b>36,196</b>	<b>33,760</b>	<b>7%</b>	<b>9,104</b>	<b>8,296</b>	<b>10%</b>	<b>1,028</b>	<b>980</b>	<b>5%</b>	<b>46,328</b>	<b>43,036</b>	<b>8%</b>

## PRUDENTIAL PLC - NEW BUSINESS - FULL YEAR 2005

### Notes to Schedules 22 to 26

The format of the tables shown is consistent with the distinction between insurance and investment products as applied for previous financial reporting periods. With the exception of US institutional business products categorised as "insurance" refer to those classified as contracts of long-term insurance business for regulatory reporting purposes, i.e. falling within one of the classes of insurance specified in part II of Schedule 1 to the Regulated Activities Order under FSA regulations.

The details shown for insurance products include contributions for contracts that are classified under IFRS 4 "Insurance Contracts" as not containing significant insurance risk. These products are described as investment contracts or other financial instruments under IFRS. Contracts included in this category are primarily certain unit-linked and similar contracts written in UK Insurance Operations and Guaranteed Investment Contracts and similar funding agreements written in US Operations.

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

- (1a) Insurance and investment new business for overseas operations has been calculated using constant exchange rates. The applicable rate for Jackson National Life is 1.82
- (1b) Insurance and investment new business for overseas operations has been calculated using average exchange rates. The applicable rate for Jackson National Life is 1.82 (2004: 1.83).
- (2) Represents cash received from sale of investment products.
- (3) Annual Equivalents, calculated as regular new business contributions plus 10% single new business contributions, are subject to roundings.
- (4) In Asia, 'Other' insurance operations include Thailand, the Philippines and Vietnam.
- (5) Balance includes segregated and pooled pension funds, private finance assets and other institutional clients. Other movements reflect the net flows arising from the cash component of a tactical asset allocation fund managed by PPM South Africa.
- (6) New business in India is included at Prudential's 26% interest in the India life operation. Mandatory Provident Fund (MPF) product sales in Hong Kong are included at Prudential's 36% interest in the Hong Kong MPF operation.
- (7) Balance sheet figures have been calculated at the closing exchange rate. The 2004 balance is shown on a constant exchange rate.
- (8) Sales are converted using the year to date average exchange rate applicable at the time. The sterling results for individual quarters represent the difference between the year to date reported sterling results at successive quarters and will include foreign exchange movements from earlier periods
- (9) US life sales for 2004 have been restated to be consistent with the presentation of Full Year 2004 results.
- (10) On 26 August 2005, Prudential's joint venture partner in the Prudential ICICI Asset Management Company purchased an additional 6% share ownership. As a result, Prudential no longer consolidates the company as a subsidiary. 2004 results are reported at 100%.
- (11) £56m of FUM reported under Prudential Asian funds operations relates to M&G's products distributed through those Asian operations and this amount is also included in M&G's FUM.