



PRUDENTIAL

ECONOMIC CAPITAL & FINANCIAL REPORTING

2nd June 2005

This statement may contain certain “forward-looking statements” with respect to certain of Prudential's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words “believes”, “intends”, “expects”, “plans”, “seeks” and “anticipates”, and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Prudential's control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate. This may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Prudential's actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in Prudential's forward-looking statements. Prudential undertakes no obligation to update the forward-looking statements contained in this statement or any other forward-looking statements it may make.

TIMETABLE

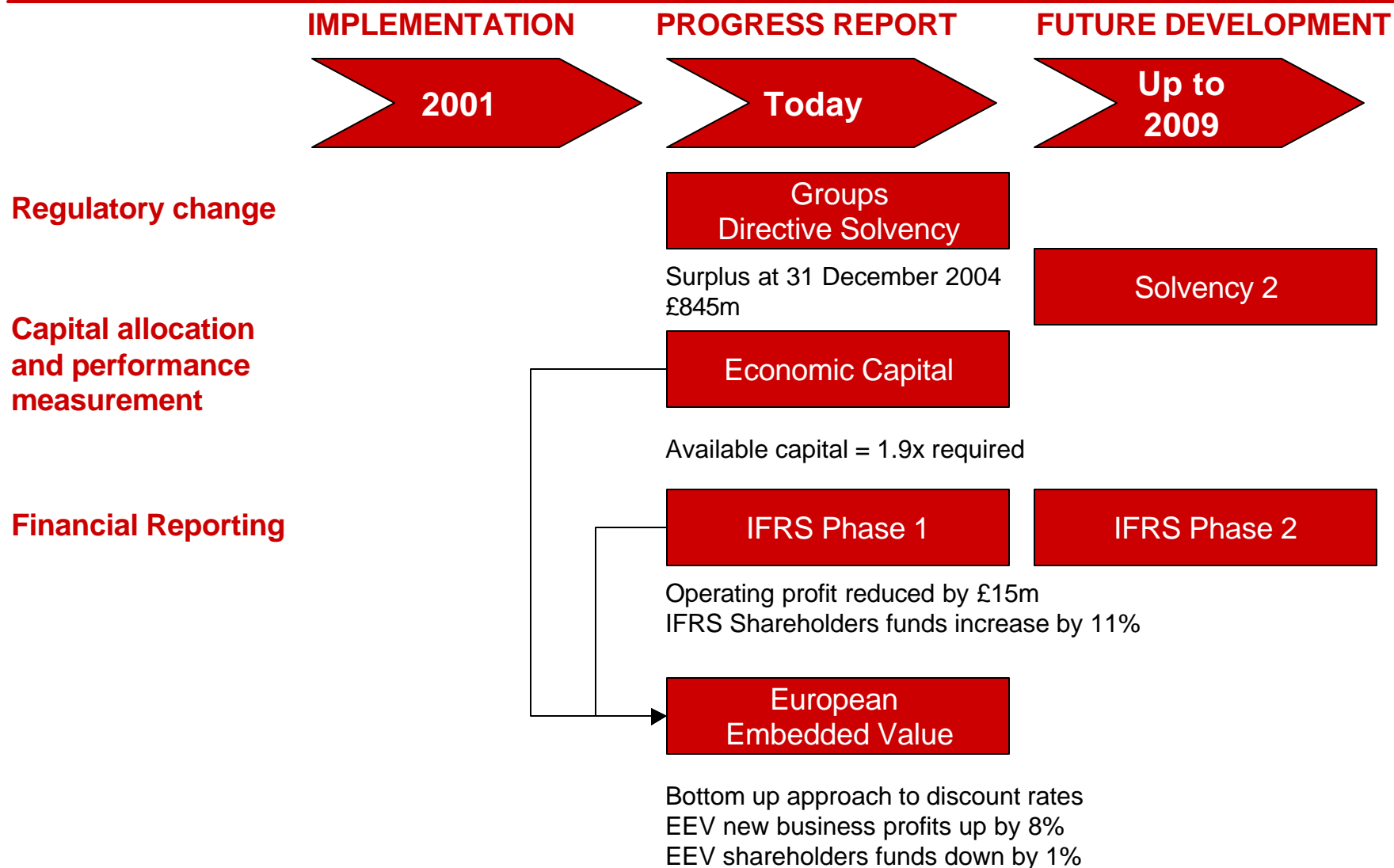
Introduction	9.30-9.40
Overview of Financial Groups Directive and results	9.40-9.50
Overview of Economic Capital modelling and results	9.50-10.15
Q&As	10.15-10.45
Impact of adoption of IFRS	10.45-11.05
Q&As	11.05-11.15
Coffee Break	11.15-11.30
Overview of European Embedded Value framework and results	11.30-12.00
Q&As	12.00-12.25
Wrap-up	12.25-12.30

TEAM

Introduction of presenters and other key finance people in attendance

Philip Broadley	Group Finance Director
Andrew Crossley	Director Group Finance and Risk
David Martin	Head of Accounting Policy and Development - Head of IFRS Project
Philip Long	Group Finance Senior Actuary - Head of Economic Capital Project - Head of FGD Project
Azim Mithani	Group Finance Senior Actuary - Head of EEV project
David Belsham	UKIO : Actuarial Director UK and Europe
Garth Jones	PCA : Chief Financial Officer
Chad Myers	JNL : Senior VP Asset and Liability Management

AN INTEGRATED APPROACH TO CAPITAL & REPORTING BASED ON ECONOMIC CAPITAL





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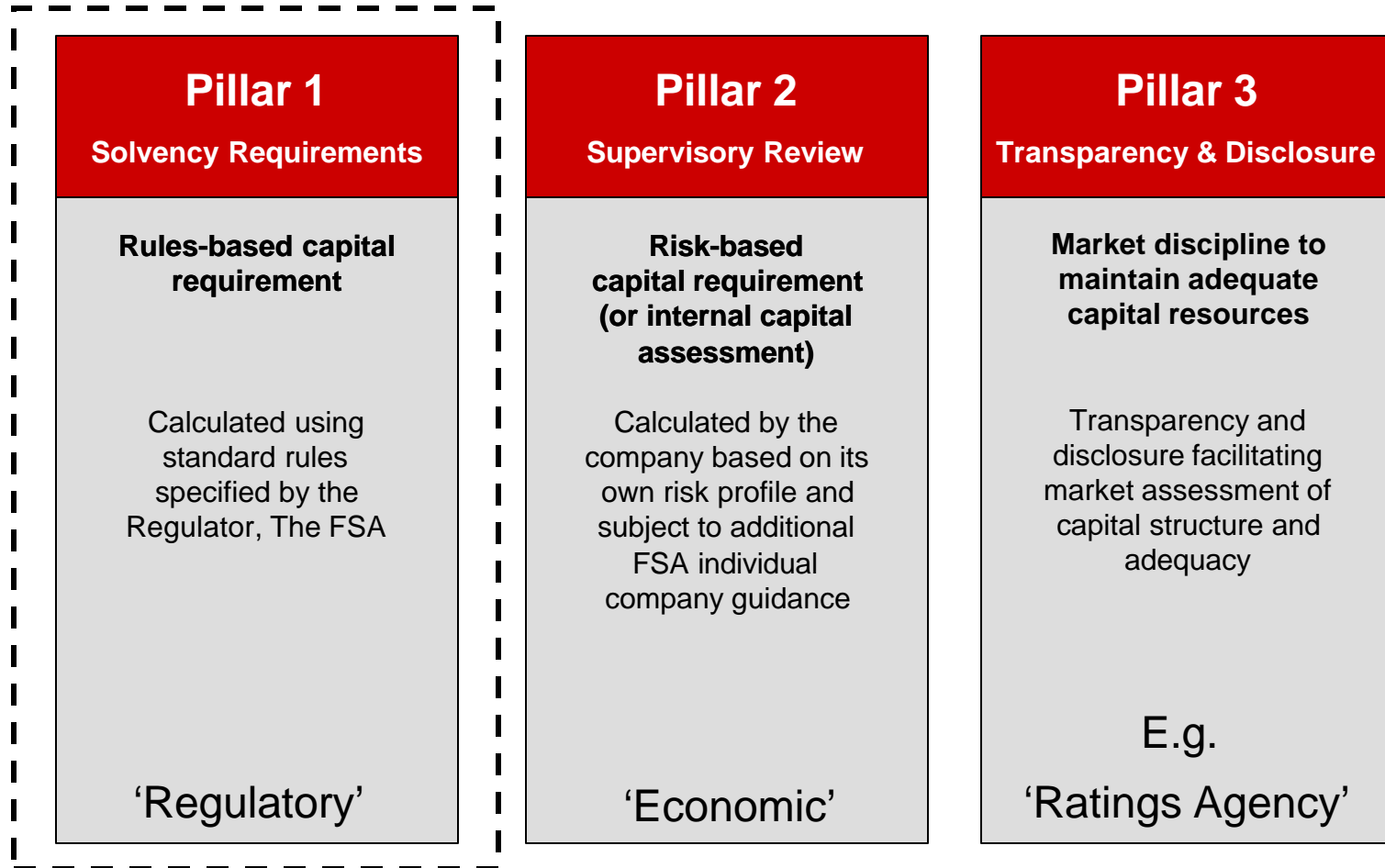
GROUPS DIRECTIVE SOLVENCY POSITION

Philip Broadley

2 June 2005

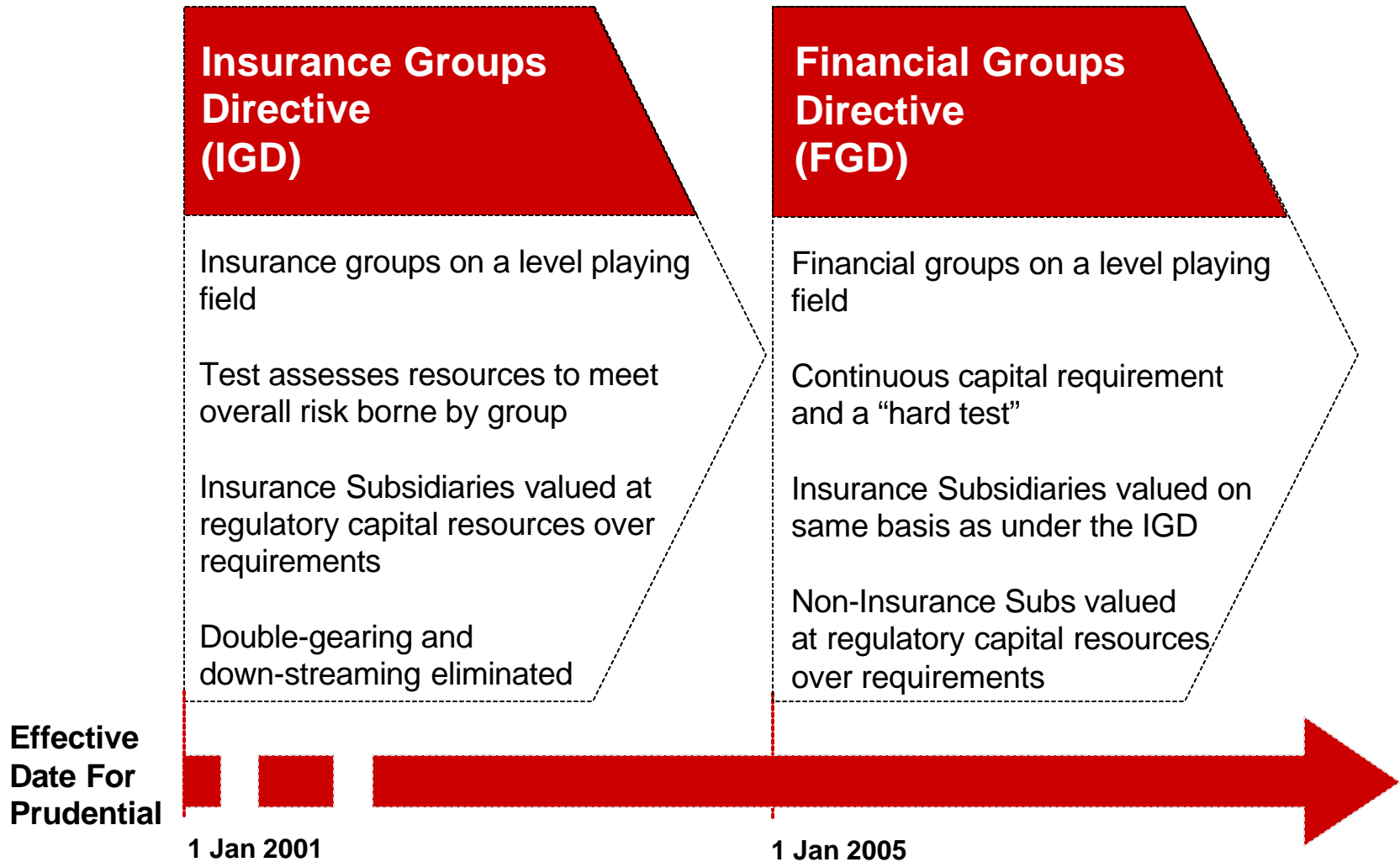
THE INSURANCE / FINANCIAL GROUPS DIRECTIVE

Capital requirements fall under pillar 1 of the evolving regulations



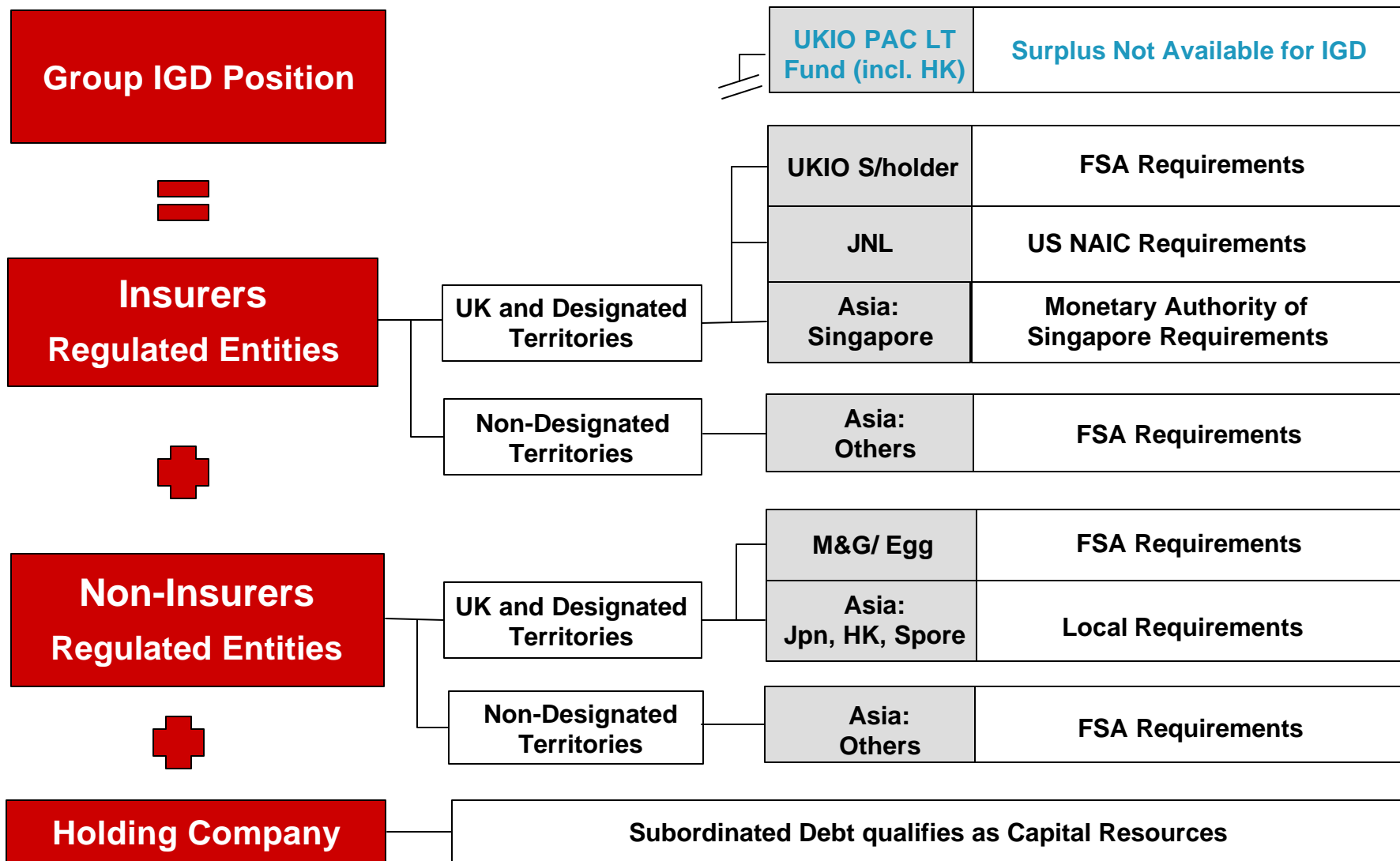
KEY IMPLICATIONS OF THE IGD AND FGD

A continuous regulatory capital requirement



THE IGD GROUP CAPITAL ADEQUACY CALCULATION

An aggregation of business unit capital resources less capital resources requirements



2004 YEAR END IGD SOLVENCY POSITION

Group surplus of £845m

CAPITAL RESOURCES LESS CAPITAL RESOURCES REQUIREMENTS

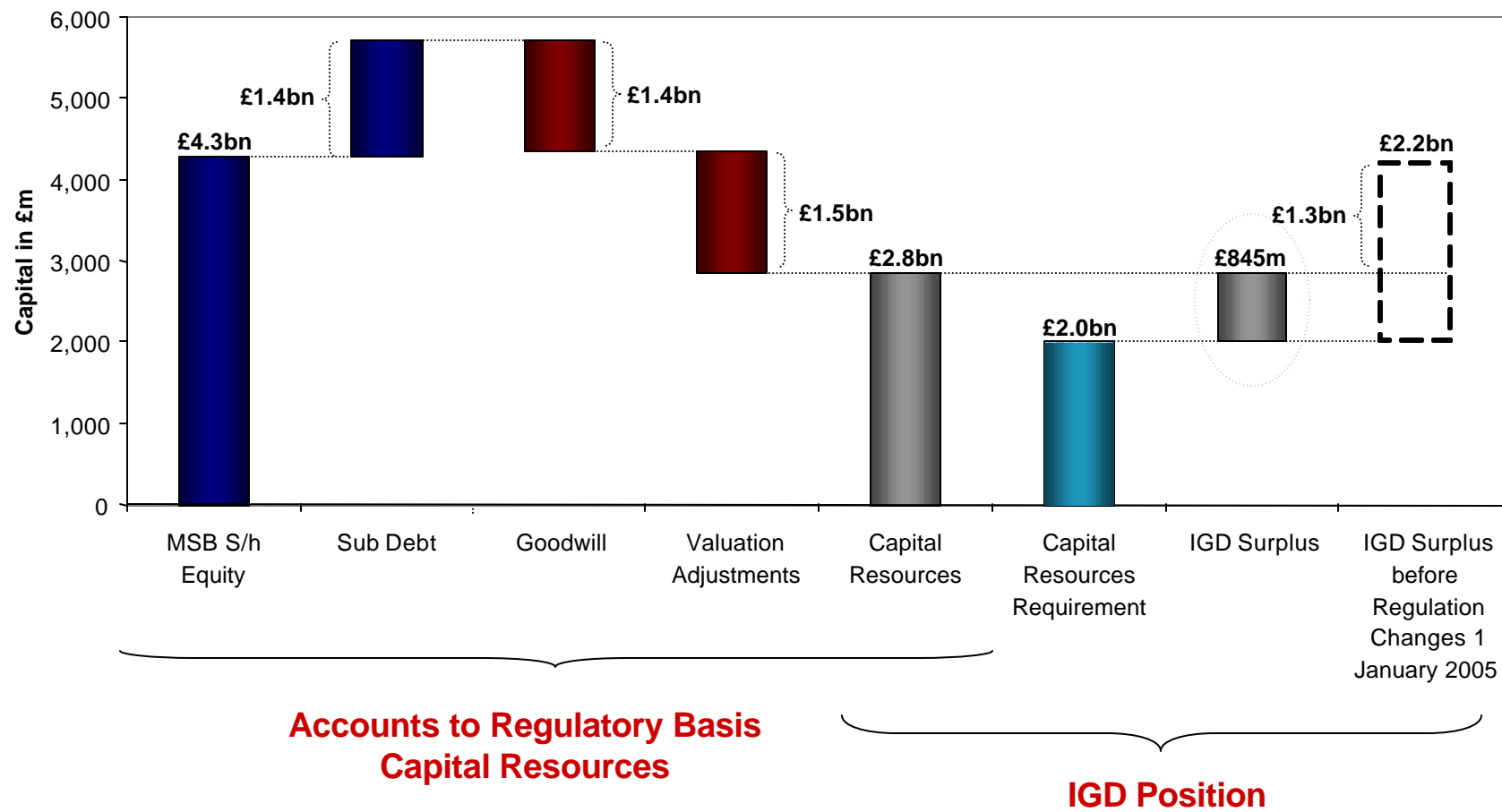
Business Unit Entities	£m
Insurers	
UK Insurance Operation (Shareholders)	520
Jackson National Life	1,418
Prudential Corporation Asia	(586)
Non-Insurers	
M&G	244
Egg	59
Other	41
TOTAL BUSINESS UNIT ENTITIES	1,696
Holding Company	
Assets in the Holding Company	229
Core debt	(2,509)
Add back Subordinated Debt qualifying as Capital Resources	1,429
TOTAL HOLDING COMPANY	(851)
GROUP SURPLUS	845

* The local statutory shareholder surplus for the Asian operations is approximately £300m

2004 YEAR END RECONCILIATION

Accounts basis shareholders' funds to IGD surplus position

GROUP IGD POSITION 2004 YEAR END





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GROUP ECONOMIC CAPITAL POSITION

Andrew Crossley

2 June 2005

THREE KEY OBJECTIVES FOR ECONOMIC CAPITAL PROJECT

Centred around shareholder value

THREE KEY OBJECTIVES

- 1** Increase value creation through improved capital allocation and performance management
- 2** Enhance risk governance as part of a comprehensive risk management framework
- 3** Demonstrate financial strength

THREE KEY PRINCIPLES FOR GROUP ECONOMIC CAPITAL

Theoretically sound methodology with a practical management focus

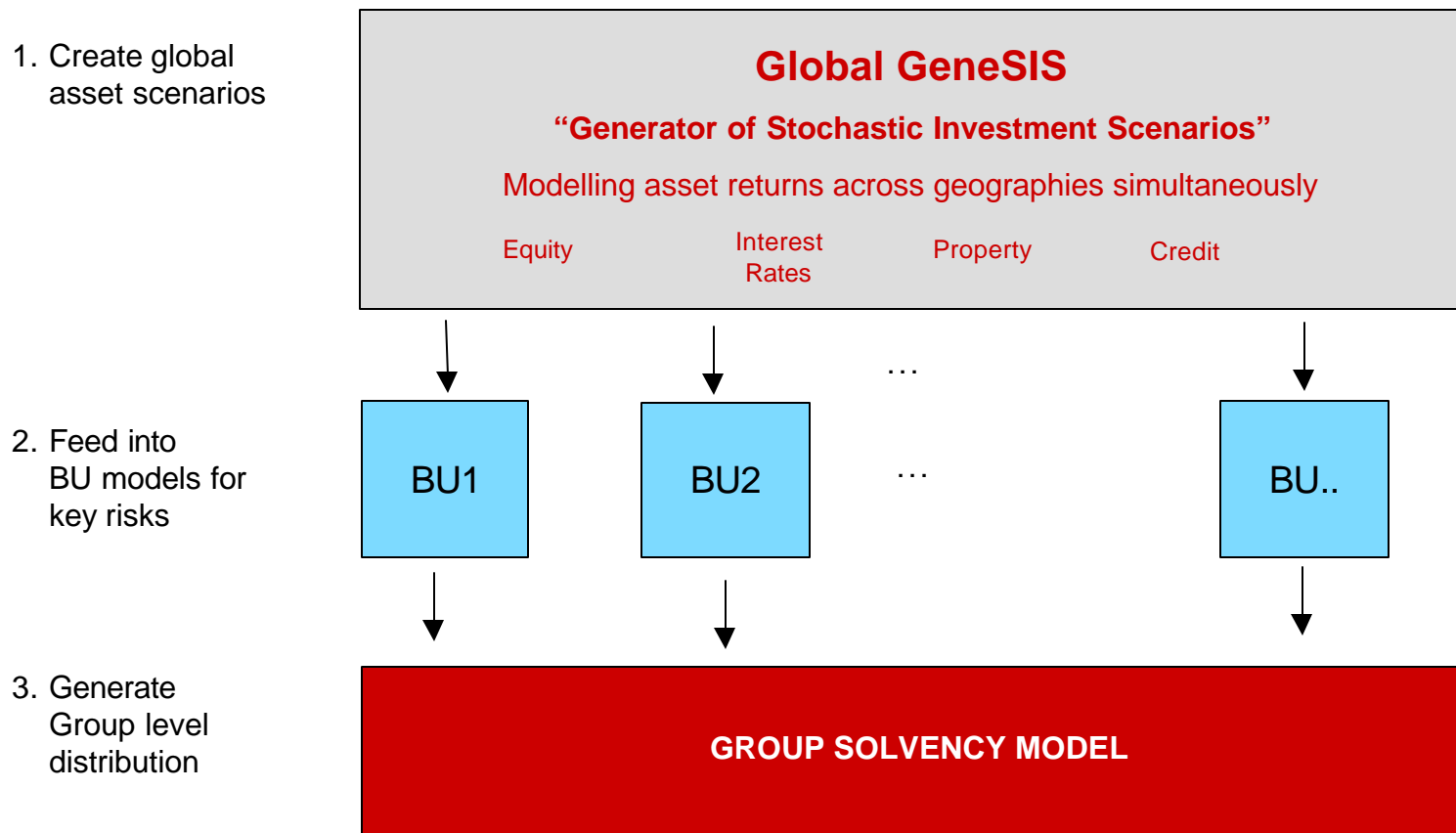
THREE KEY PRINCIPLES

- 1 Capture diversification benefits and capital mobility
- 2 Multi-year time horizon tailored to the multi-year nature of life insurance business
- 3 Comprehensive coverage but with key focus on major risk types and operations

GLOBAL, INTEGRATED STOCHASTIC SCENARIO GENERATOR AND AGGREGATION ENGINE

Principle 1 Capture diversification benefits and capital mobility

MAJOR BUSINESSES AND GROUP SOLVENCY MODEL (~80% of business)*



* Remaining 20% of business is modeled on a standalone basis and aggregated using a correlation matrix approach

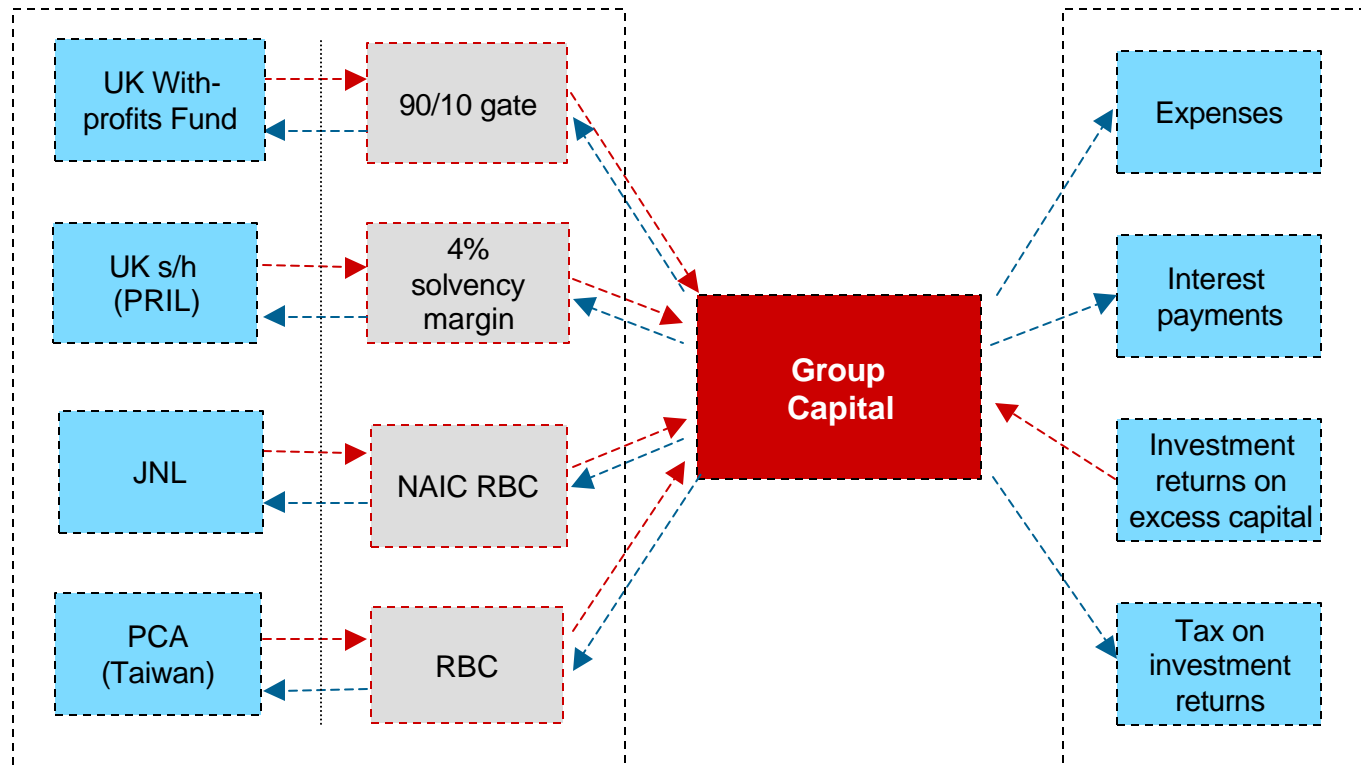
INTEGRATED VIEW OF BUSINESS UNIT SOLVENCY AND GROUP-LEVEL CASHFLOWS

Principle **1** Capture diversification benefits and capital mobility

GROUP SOLVENCY MODEL

BUSINESS UNIT SOLVENCY AND CONSTRAINTS ON CAPITAL MOBILITY

GROUP-LEVEL CASHFLOWS



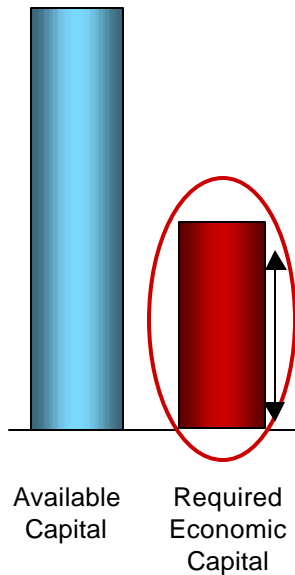
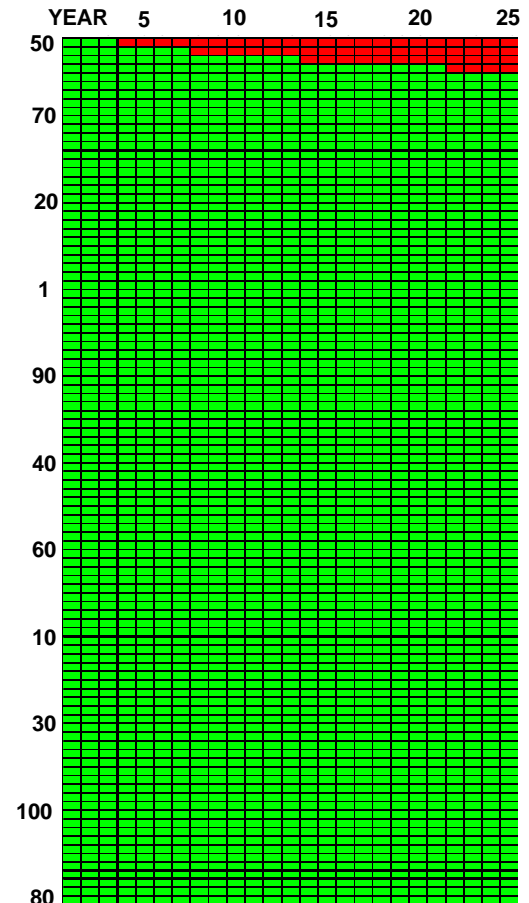
---> Cashflows to Group
---< Cashflows from Group

DETERMINED USING A STOCHASTIC ASSESSMENT OF GROUP SOLVENCY OVER 25 YEARS

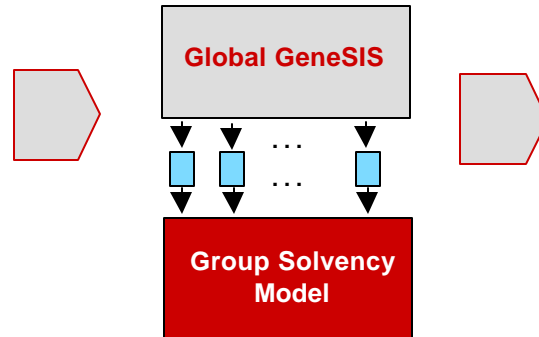
Principle **2** Multi-year time horizon tailored to the multi-year nature of life insurance business

THE CAPITAL MODELLING ITERATIVE PROCESS

- Illustration -



Step 1:
Set Initial Capital



Step 2:
Run Model

Step 3:
Assess results - **Ranked**

CALIBRATED TO A STRICT TARGET SOLVENCY LEVEL

Principle **2** Multi-year time horizon tailored to the multi-year nature of life insurance business

TARGETED LEVEL OF CONFIDENCE

- Illustration -

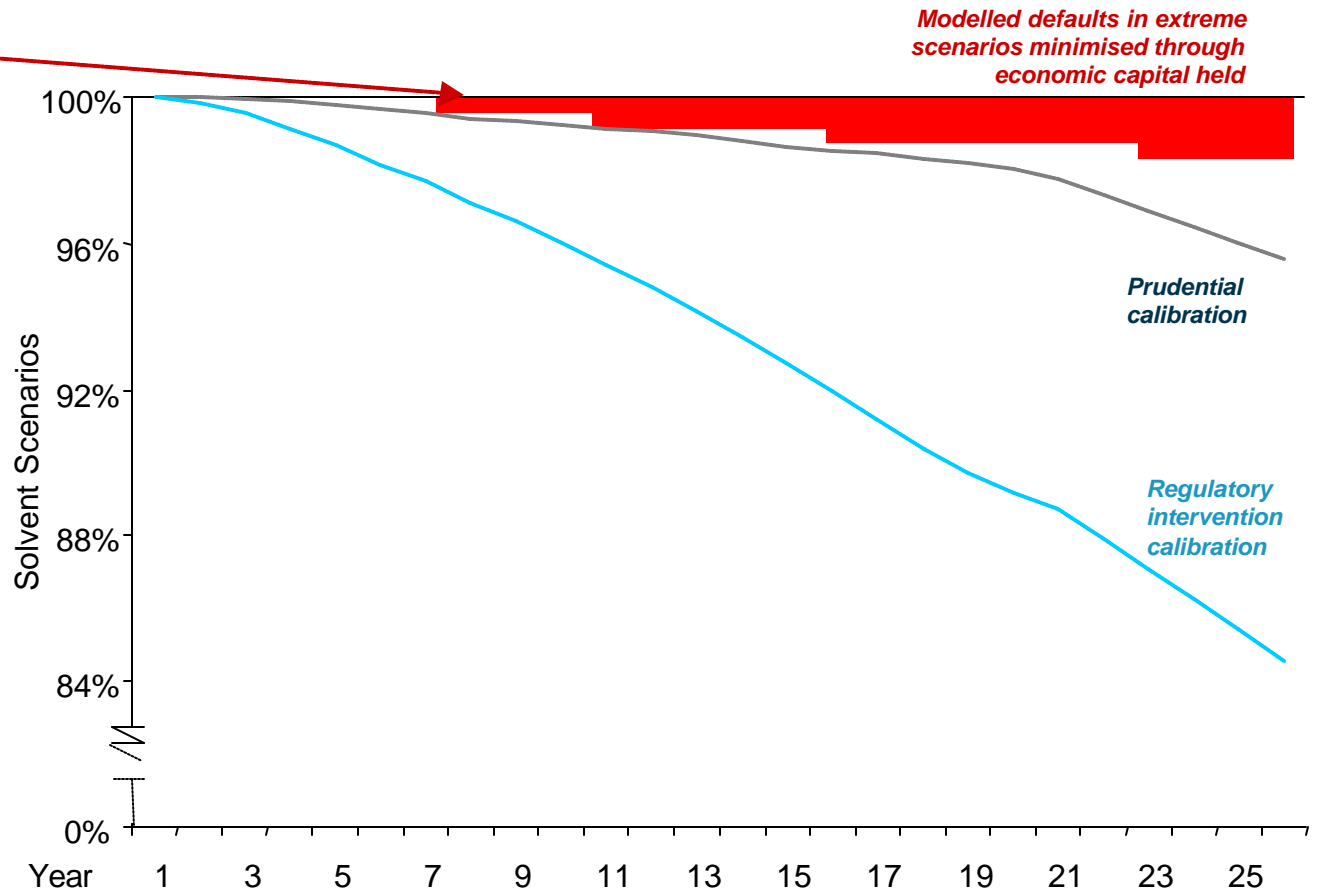
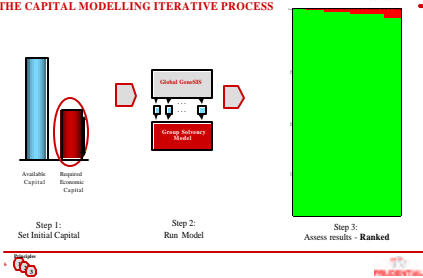
- Economic Capital is held to ensure that modelled defaults in extreme scenarios are within confidence interval

GROUP ECONOMIC CAPITAL IS DETERMINED IN A STOCHASTIC ASSESSMENT OF THE GROUP'S SOLVENCY OVER 25 YEARS

Principle **2** Multi-year time horizon tailored to the multi-year nature of life insurance business

THE CAPITAL MODELLING ITERATIVE PROCESS

- Illustration -



CAPTURES MAJORITY OF RISKS AND CASHFLOWS IN BUSINESS

Principle **3** Comprehensive coverage but with key focus on major risk types and operations

COVERAGE OF RISKS

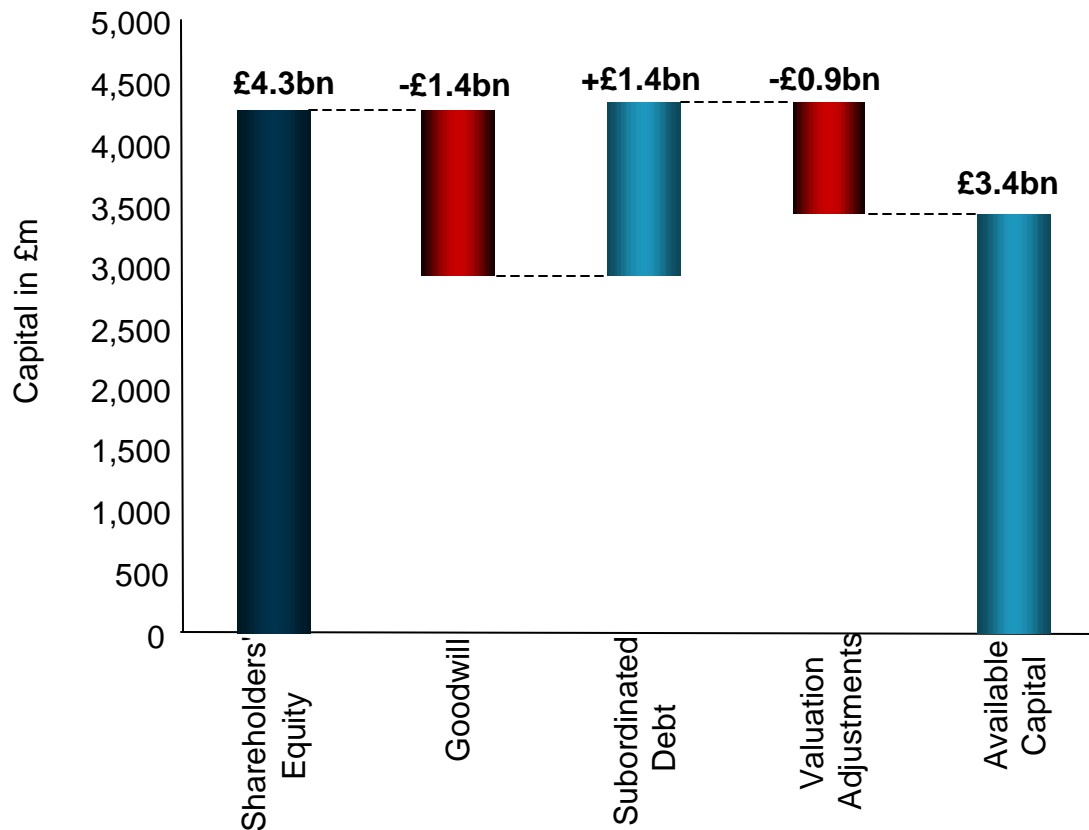


- Captured in the Group Solvency Model
- Captured on a standalone basis and aggregated via variance/covariance approach
- Captured based on regulatory capital

AVAILABLE CAPITAL

£3.4bn of available capital at end of 2004

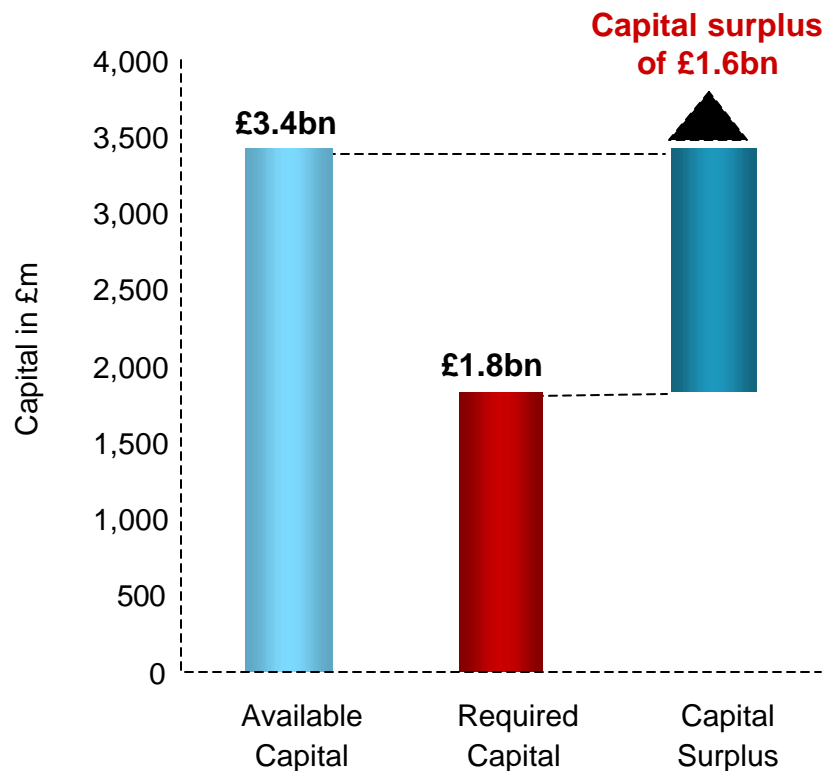
GROUP AVAILABLE CAPITAL AT 2004 YEAR END



SURPLUS CAPITAL

£1.6bn of surplus capital at end of 2004

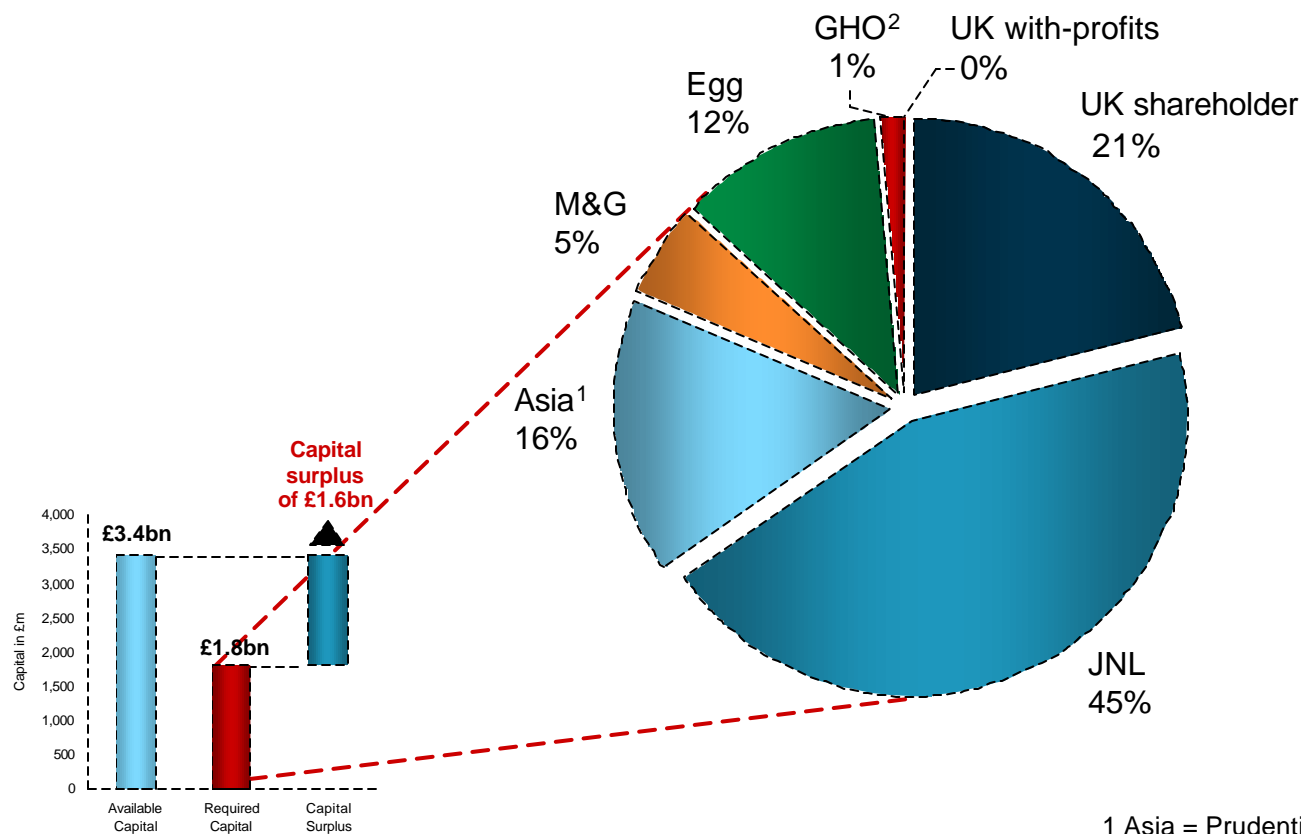
GROUP CAPITAL POSITION AT 2004 YEAR END



REQUIRED CAPITAL BY BUSINESS UNIT

Will evolve as mix of business evolves

ECONOMIC CAPITAL REQUIREMENT BY BUSINESS UNIT AT 2004 YEAR END

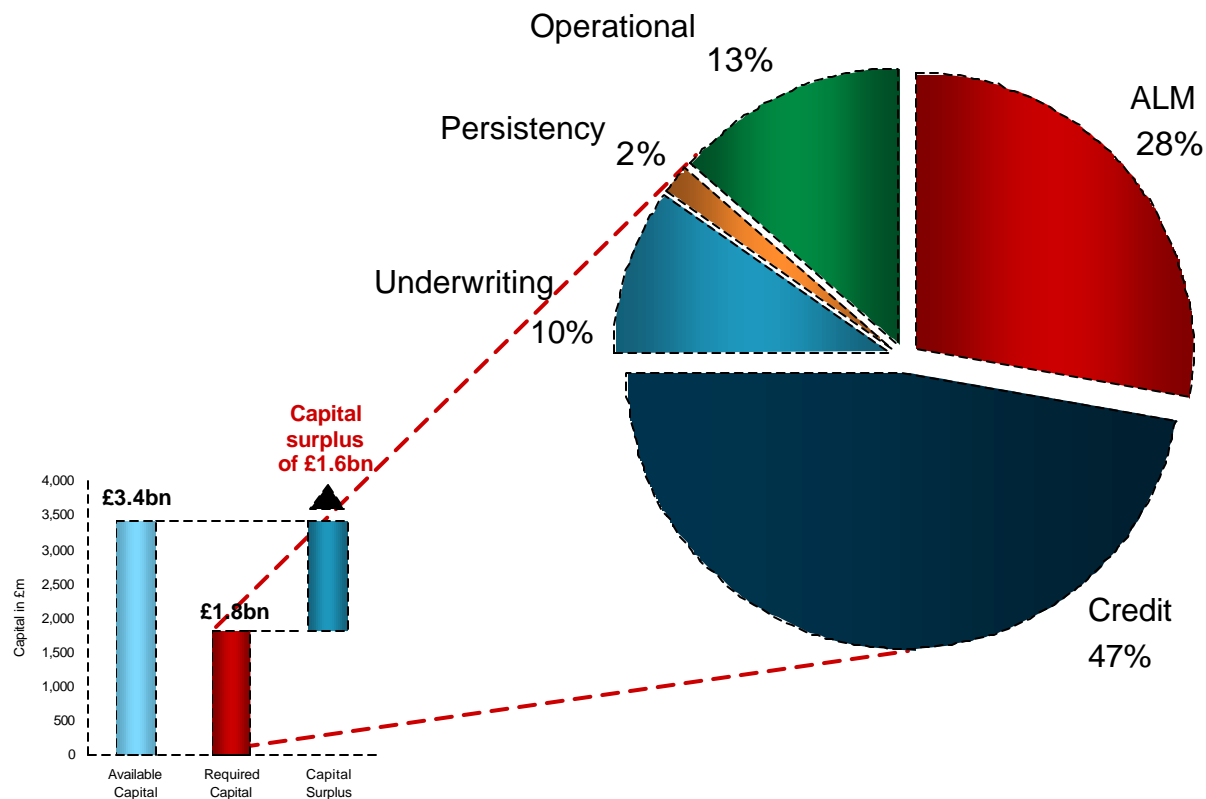


1 Asia = Prudential Corporation Asia
 2 GHO = Group Head Office

REQUIRED CAPITAL BY RISK TYPE

Will evolve as mix of business evolves

ECONOMIC CAPITAL REQUIREMENT BY RISK TYPE AT 2004 YEAR END



ECONOMIC CAPITAL – DIFFERENTIATED VIEW THAT ENHANCES DECISION MAKING

1 Value creation, **2** Enhanced risk governance and **3** Demonstrable financial strength

Business Unit Applications

Why Economic Capital?

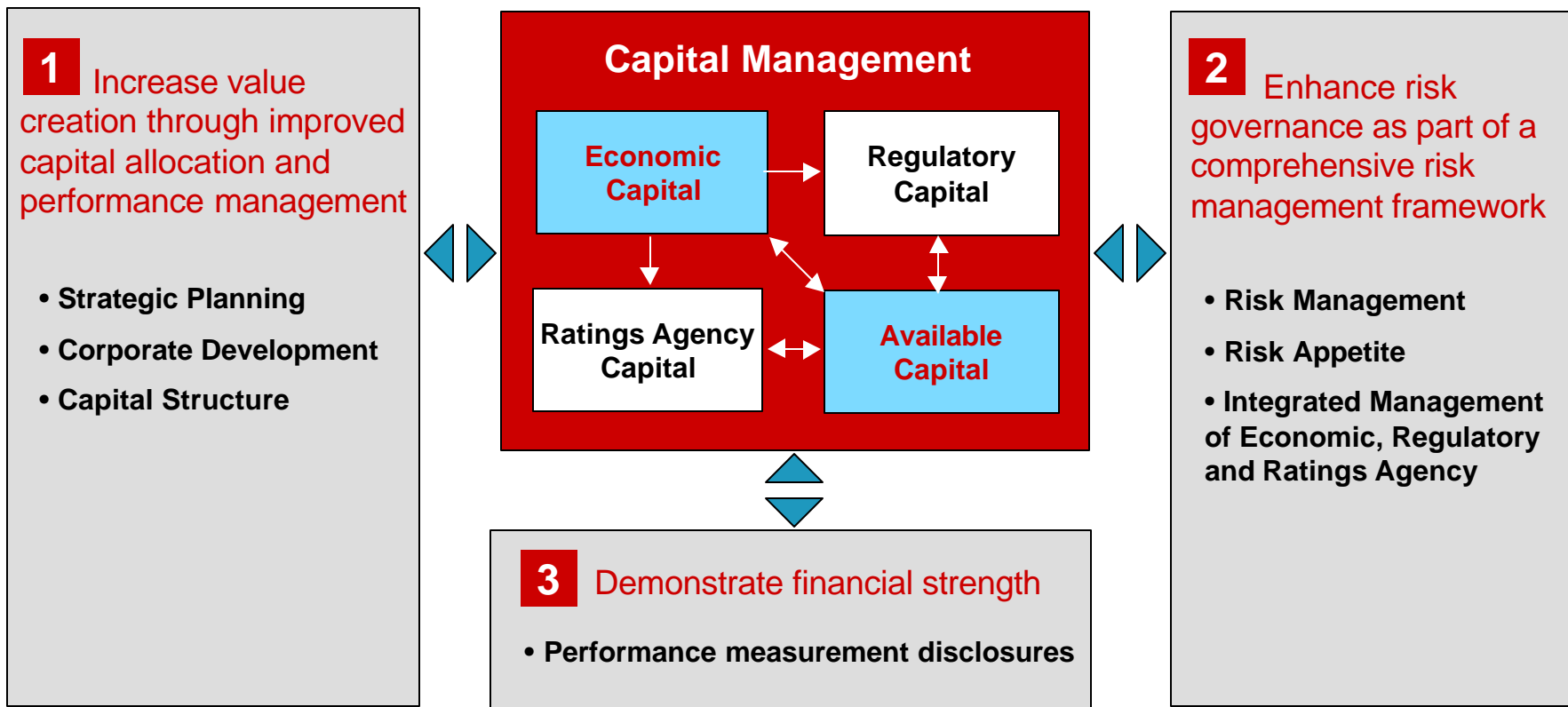
1	Product Management	<ul style="list-style-type: none">• A differentiated view of capital requirements informs better product design and pricing
2		
1	Asset Liability Management	<ul style="list-style-type: none">• Asset allocation decisions which are based on economic (not factor based) measures of risk• Active management of crediting strategies
2		
1	Hedging Strategies	<ul style="list-style-type: none">• An economic view of structural hedges that allows for a more rational and cost efficient approach to hedging
2		

Group Applications

1	Active Capital Management	<ul style="list-style-type: none">• More active deployment of capital as profitable opportunities arise across our markets
2	Risk Management	<ul style="list-style-type: none">• A holistic view of Prudential Group financial strength that is consistent with the Board's risk appetite
3		

THE ECONOMIC CAPITAL PROJECT FACILITATES OPTIMAL CAPITAL MANAGEMENT

1 Value creation, **2** Enhanced risk governance and **3** Demonstrable financial strength





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APPENDIX

TERMINOLOGY I: GROUP ECONOMIC CAPITAL AND ECONOMIC SOLVENCY

Group Economic Capital

- Group Economic Capital is the minimum amount of capital that Prudential needs to hold in order to remain **economically solvent** over a 25-year time horizon under adverse scenarios to a target default rate. These adverse scenarios are the worst of many globally correlated asset return scenarios that are stochastically generated from an economic scenario generator.

Economic Solvency

- Economic Solvency is defined as a situation in which the **Group Capital Balance** is positive in each year of each projected stochastic scenario

Group Capital Balance

- The Group Capital Balance is the amount of available capital held at Group, while ensuring that all Business Units (BUs) are solvent on the local regulatory basis. The Group Capital Balance is projected over time, capturing
 - **Capital injections** to and **capital transfers** from BUs
 - Group-level expenses
 - Interest payments on subordinated debt
 - Investment returns on Group Capital (net of tax)

Capital Injections and Transfers

- Capital injections to Business Units (BUs) reflect the amount of capital that Group needs to provide to BUs in adverse scenarios to ensure ongoing operations
 - Required if value of assets is less than the statutory value of liabilities plus regulatory solvency requirement
- Capital is transferred from BUs to Group if the market value of their assets exceeds statutory liabilities plus a solvency margin

TERMINOLOGY II: CAPITAL SURPLUS AND AVAILABLE CAPITAL

Capital Surplus

- The Group's Capital Surplus is the difference between its **Available Capital** and the **Group Economic Capital**

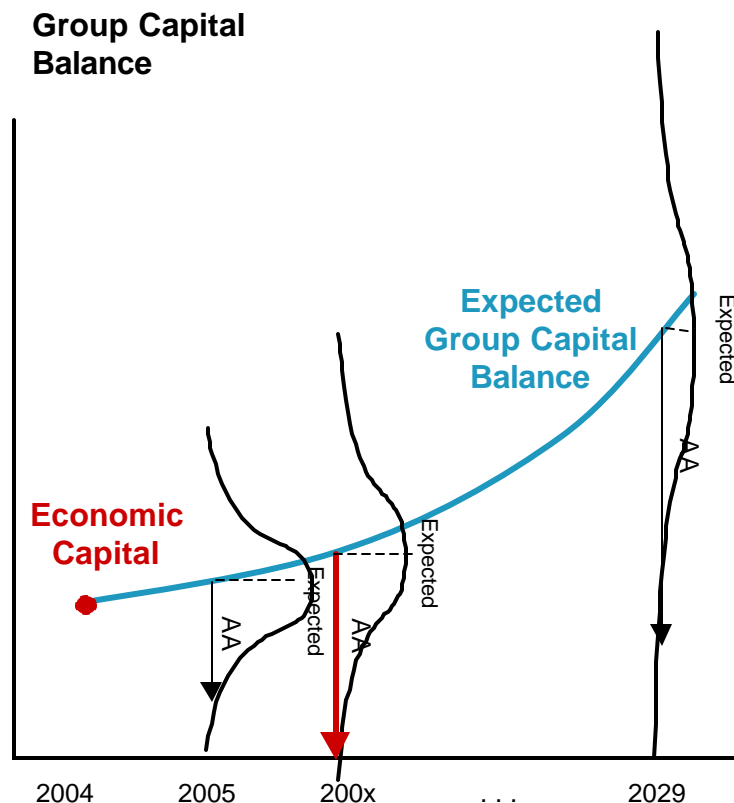
Available Capital

- Available capital is defined as the amount of capital available at the Group level to cover extreme loss events at any Business Unit within the Group
- Consistent with the FSA's definition, available capital includes
 - Shareholders' funds, excluding intangibles like goodwill and DAC
 - Innovative Tier 1 capital instruments and Tier 2 capital hybrid debt instruments
- Senior debt is excluded in order to eliminate the effect of double leverage
- Due to capital mobility constraints, the estates of participating ("with profit") funds are excluded

GROUP ECONOMIC CAPITAL IS DETERMINED IN A STOCHASTIC ASSESSMENT OF THE GROUP'S SOLVENCY OVER 25 YEARS

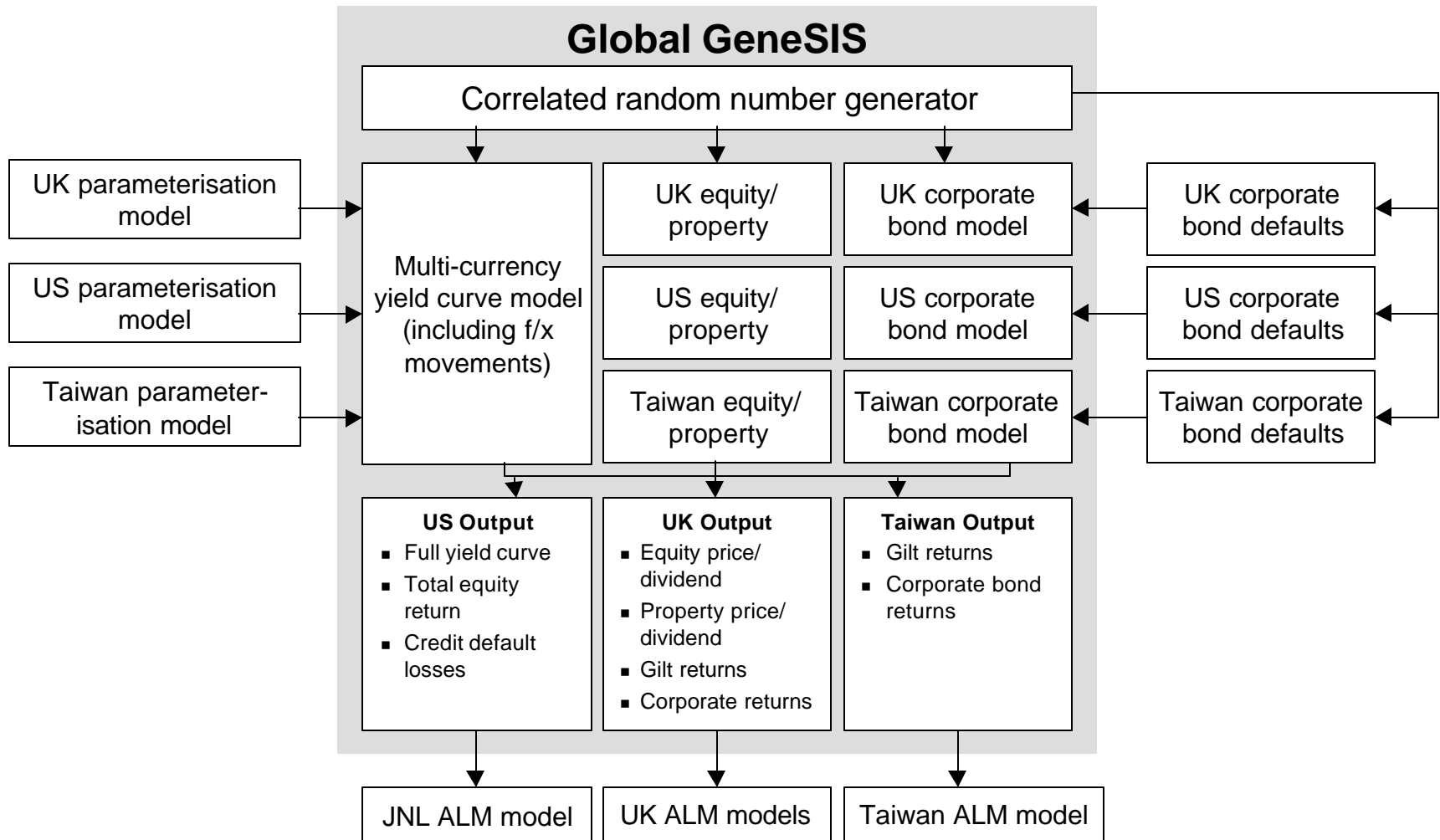
DETERMINING ECONOMIC CAPITAL

– Illustrative –



- Economic Capital is the minimum amount of capital the Group needs to hold in order to remain economically solvent over a 25-year time horizon, **in each single year**
- Solvency is defined as a situation in which the Group's available capital is positive in each future year of each stochastic simulation
- Solvency is assessed at a level of confidence implied by cumulative default probabilities of corporate bonds

THE GLOBAL GENESIS SCENARIO GENERATOR COVERS THE THREE MAIN GEOGRAPHIES SIMULTANEOUSLY



THE MULTI-YEAR APPROACH CAPTURES TIMING EFFECTS OF ANY CAPITAL LOCK-IN DUE TO LOCAL SOLVENCY REQUIREMENTS

- Illustrative Tail Scenario-

				Years
GROUP				
Start Assets	300	120	0	-110
Expenses	-20	-20	-20	-20
Cashflows to BUs	-280	-250	-250	0
Cashflows from BUs	+120	+150	+140	+330
End Assets	120	0	-110	+220
BU1				
Surplus Available to Group	-280	-250	-250	+100
BU2				
Surplus Available to Group	+100	+100	+100	+200
BU3 (90:10 Fund)				
Surplus Assets	1000	1000	900	600
Shareholder transfers	+20 ¹	+50	+40	+30

Local default avoided by injecting capital from the Group

Group default since there is insufficient available Capital in the Group

+280

+120

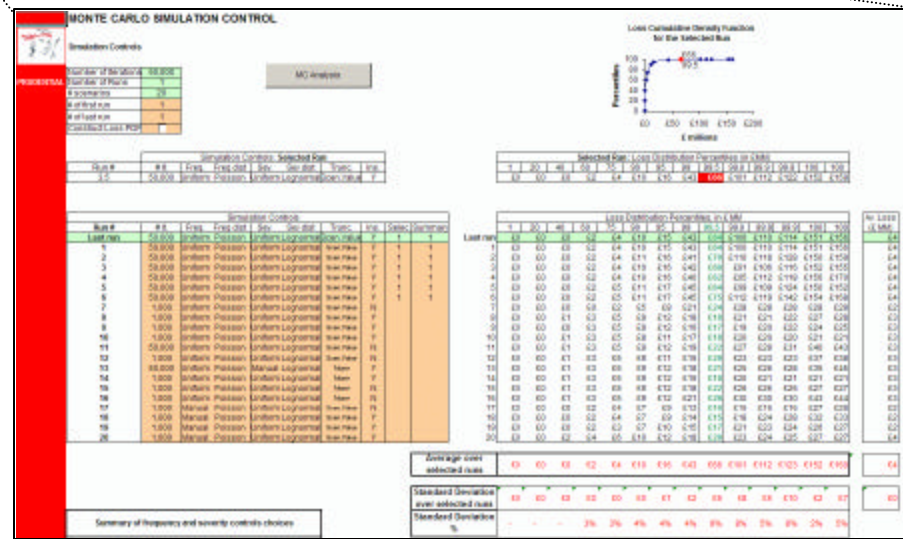
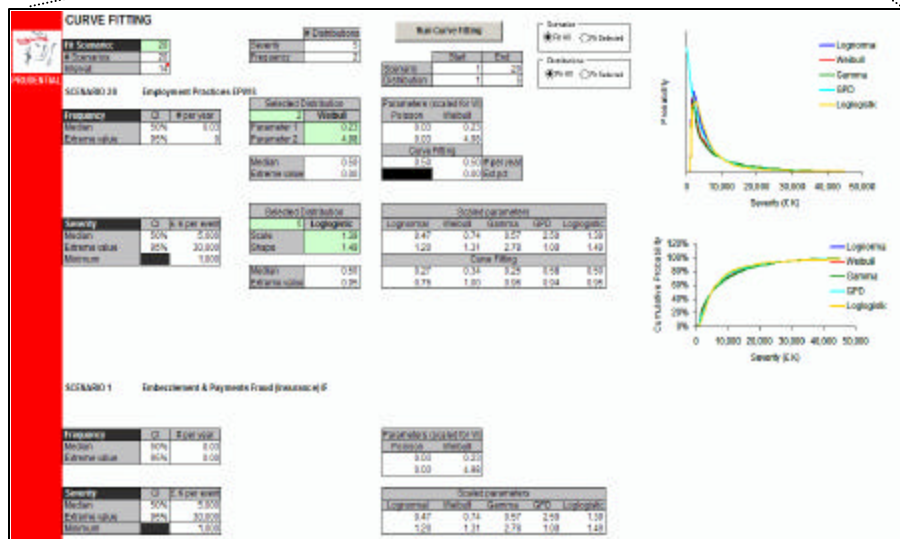
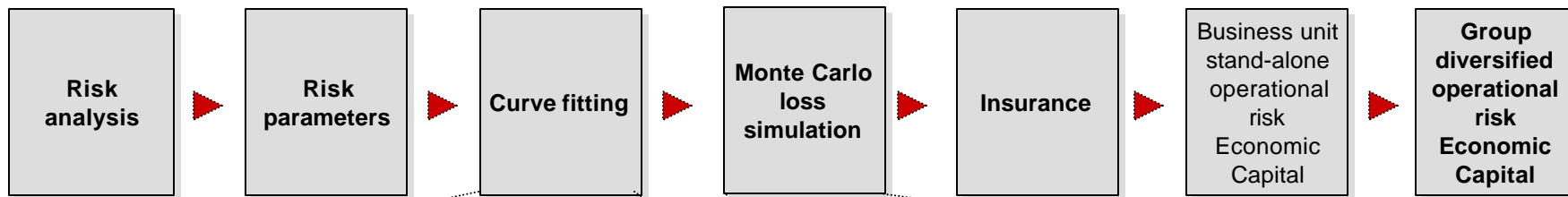
+20¹

Note: 1. Par fund cashflow to shareholders is 1/9th of Cost of Bonus

- In this example scenario we have a default under the multi-year Group Solvency Model
 - The combination of BU2, BU3 and Group capital is sufficient to fund BU1 and Group expenses in present value terms, but is not fully accessible when BU1 needs it.
 - This suggests the Group would need additional capital up-front, which could be generated by securitising BU2 profits.
- A one year mark-to-market approach would show a surplus and would thus not provide any timing insights

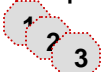
THE MODEL DRAWS ON IN-DEPTH OPERATIONAL RISK ANALYSIS TO COMPUTE CAPITAL REQUIREMENTS STOCHASTICALLY

RISK ANALYSIS AND CAPITAL MODELLING PROCESS



- Fit frequency and severity distributions to scenario parameters

- Simulate a very large number of years to determine loss distribution and capital requirements





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IFRS

David Martin

2nd June 2005

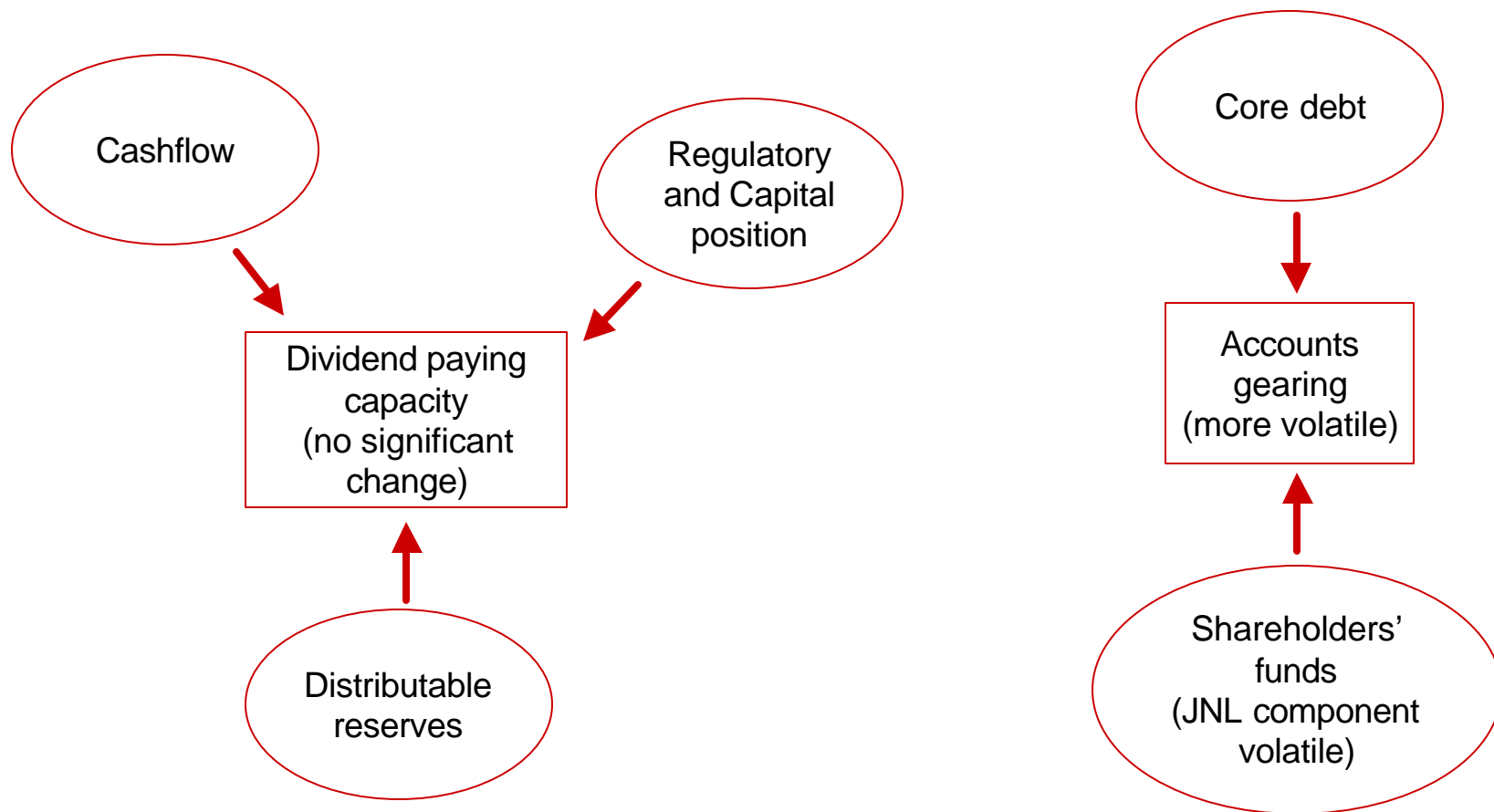
ADOPTION TIMETABLE

IFRS and Achieved Profits basis applied at half year

	2004 Full year results 2nd March	2004 New basis Comparative results 2nd June	2005 Half year results 27th July	2005 Full Year results Mid March 2006
Statutory				
MSB	✓			
IFRS		✓	✓	✓
Value Based				
Achieved Profits	✓	✓	✓	
EEV		Consequential changes for IFRS ✓		✓

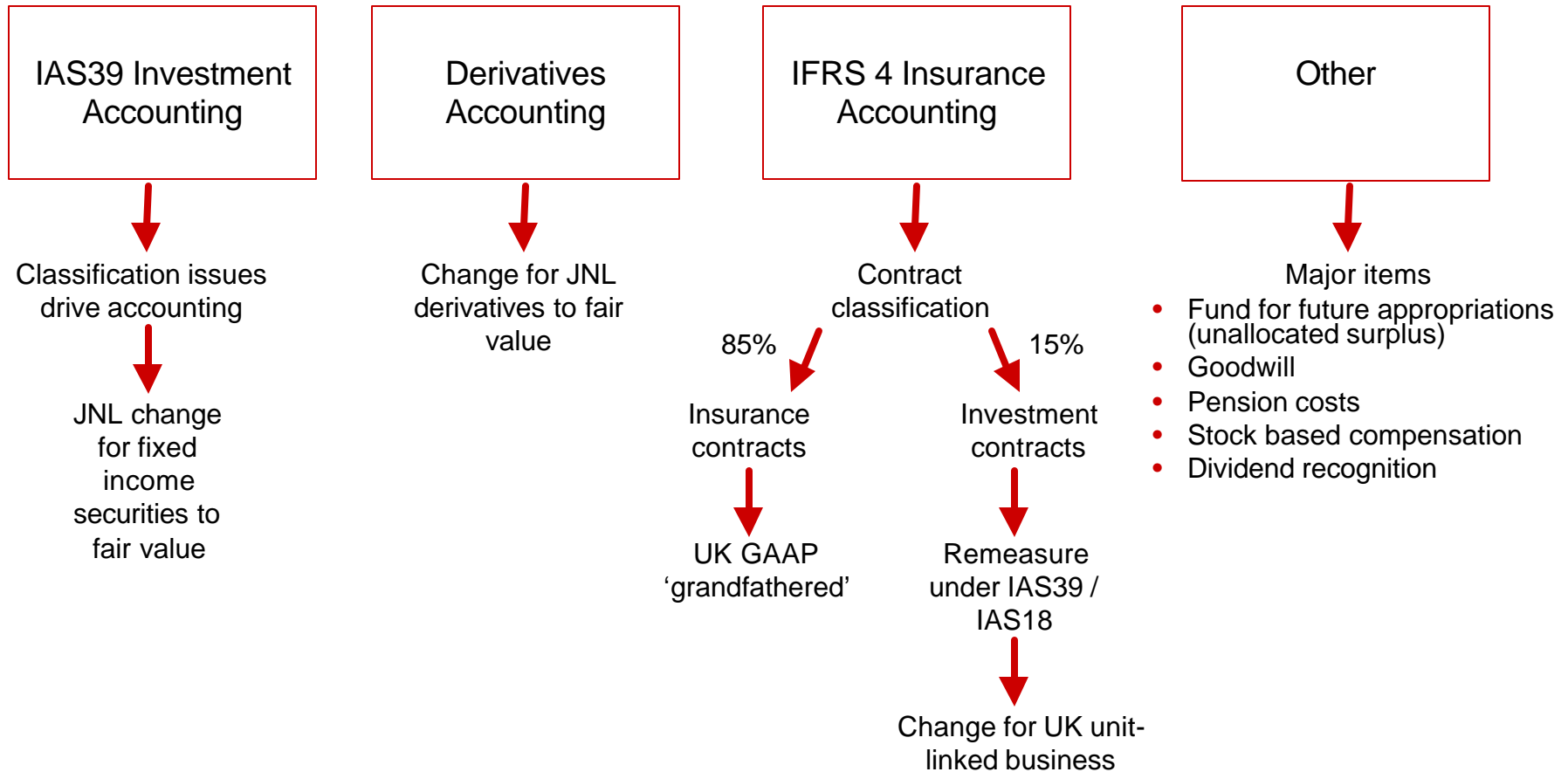
ECONOMIC MEASURES

No significant change expected, though accounts gearing more volatile



FINANCIAL REPORTING: OVERVIEW OF CHANGES TO SHAREHOLDERS PROFIT AND EQUITY

Impact limited to a few key areas



FINANCIAL REPORTING: SIGNIFICANT CHANGES

Three Prudential specific areas

Insurance assets and liabilities



Minor profit change, almost wholly restricted to UK and Europe unit-linked business

Valuation basis for JNL derivatives and fixed income securities



Change from cost to market value. Total profit more volatile for movements in derivative values

Pension costs



Deficits on defined benefit schemes recognised in shareholders' equity

2004 STATUTORY BASIS - RESTATED IFRS RESULTS

Small change to operating profit but total profit more volatile

2004 results from continuing operations	MSB £m	IFRS changes £m	Restated* IFRS basis £m
Gross written premiums	16,355	(2,259)	14,096
Operating profit based on current basis of longer-term investment returns	623	UK & Europe £(9)m Other £(6)m (15)	608
Amortisation of goodwill	(94)	94	-
Shareholders' share of actuarial gains & losses on defined benefit pension schemes	-	(7)	(7)
Short-term fluctuations in investment returns	229	JNL derivatives £144m Other £11m 155	384
Total profit before shareholder tax from continuing operations	758	227	985

* Restated IFRS basis results reflect the aggregate effect of the Group's formal adoption of IFRS standards, other than IAS 32, IAS 39, and IFRS 4, and the proforma impact of adoption of these three standards for the Group's insurance operations. The results exclude the discretionary change to the basis of longer-term investment returns described elsewhere in this presentation.

JNL INTEREST RATE SWAPS - HEDGING APPROACH

Hedge accounting not appropriate

JNL APPROACH

Economic Hedge at aggregate risk level

- Floating rate exposure
- Duration management



Portfolio approach
suited to circumstances

IAS39 APPROACH

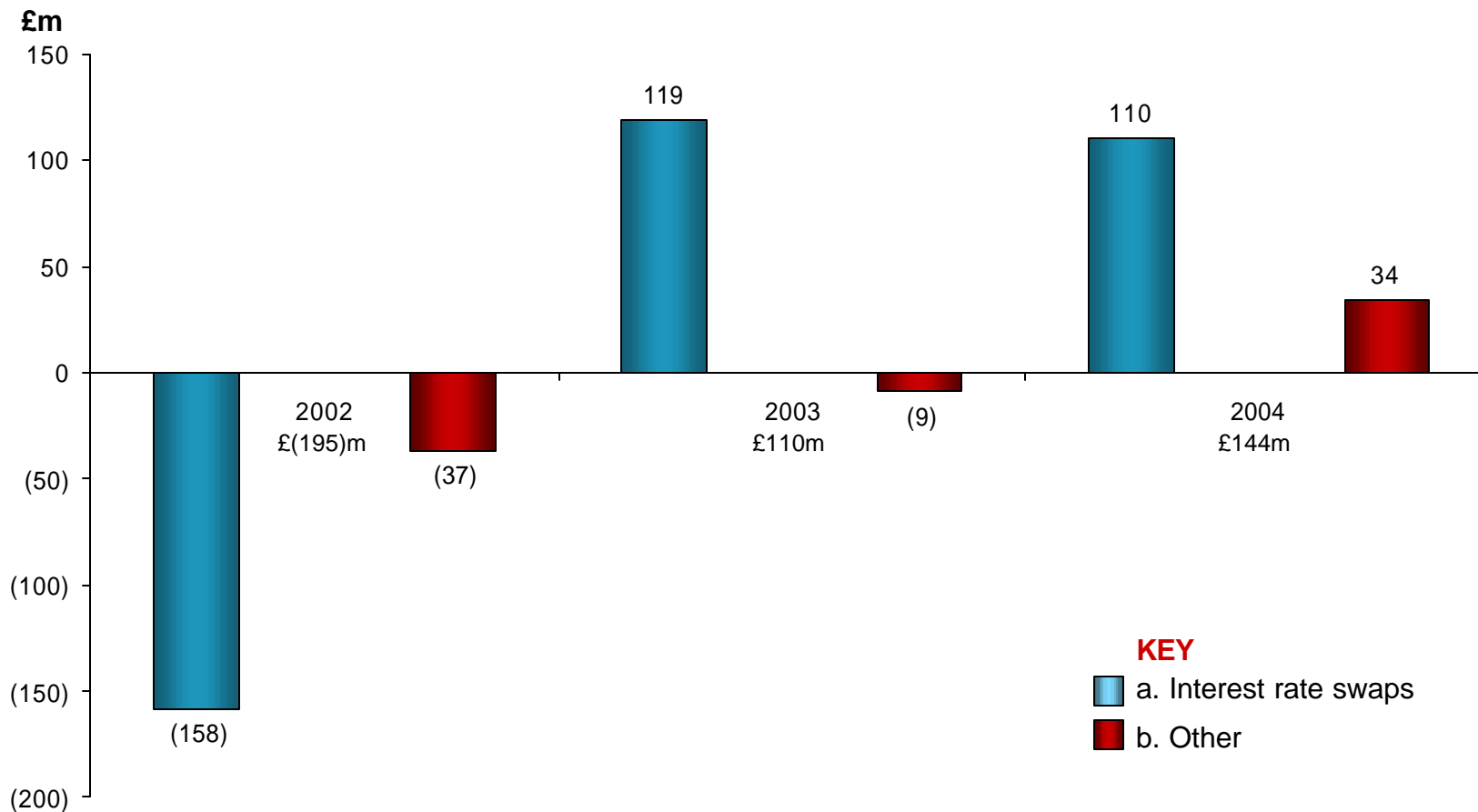
- Individual fair value hedges, at micro level; or
- “Macro Hedges” designed for banking industry
- Risk Premium effects detract from underlying hedge anyway.



Inefficient / impractical

MOVEMENT IN JNL DERIVATIVE VALUES - 2002 TO 2004

Value movements in P&L dominated by interest rate swaps



SHAREHOLDERS' FUNDS

Key changes are for JNL and pension costs

Shareholders' Funds at 31 December 2004

£m

UK GAAP Basis	4,281
JNL - fixed income securities, derivatives and shadow deferred acquisition costs, net of tax	273
UK Pension scheme deficits (net of tax)	(115)
Goodwill - reset to 1 January 2004 value	94
Final dividend - liability recognised in following period	253
Other changes	(35)
RESTATED IFRS BASIS*	4,751

PENSION COSTS - UK DEFINED BENEFIT SCHEMES

Deficits allocated between with-profit fund and shareholders' funds

IAS19 basis deficit at 31 December 2004	With-profit fund £m	Shareholders' operations £m
Assets	4,216*	
Liabilities	(4,905)	
Deficit	£(689)m*	(164)
Deferred Tax	53	49
	£(472)m	£(115)m
	↓	↓
	Reduced unallocated surplus	Reduced Shareholders' equity

42 * Scheme assets shown above include £125m of amounts in respect of the M&G scheme invested in Prudential Group insurance policies.

DISCRETIONARY CHANGE TO LONGER-TERM INVESTMENT RETURNS

Change unrelated to IFRS

Total profit before shareholder tax of continuing operations for 2004	Restated IFRS basis £m	Discretionary change to longer-term returns		Proforma IFRS £m
		JNL £100m	Asia £(9)m	
Operating profit, based on longer-term investment returns	608		91	699
Actuarial gains and losses on defined benefit pension schemes	(7)		-	(7)
Short-term fluctuations in investment returns	384		(91)	293
TOTAL	985		-	985

JNL - ALTERED LONGER-TERM RETURNS FOR FIXED INCOME SECURITIES

Revised method reflects longer-term experience rather than 5 years

	IFRS before change £m	Discretionary change £m	IFRS after change £m	
2004 Profit				
<u>Operating profit</u>				
Excluding longer-term gains and losses from fixed income securities	298	-	298	
Longer-term gains and losses from fixed income securities				
Interest related gains	51	(6)	45	Amortisation to maturity RMR charge
Credit related losses	(153)	106	(47)	
	(102)	100	(2)	
	196	100	296	
<u>Short-term fluctuations in investment returns</u>				
Excess of actual over longer-term returns	305	(100)	205	
TOTAL PROFIT	501	-	501	

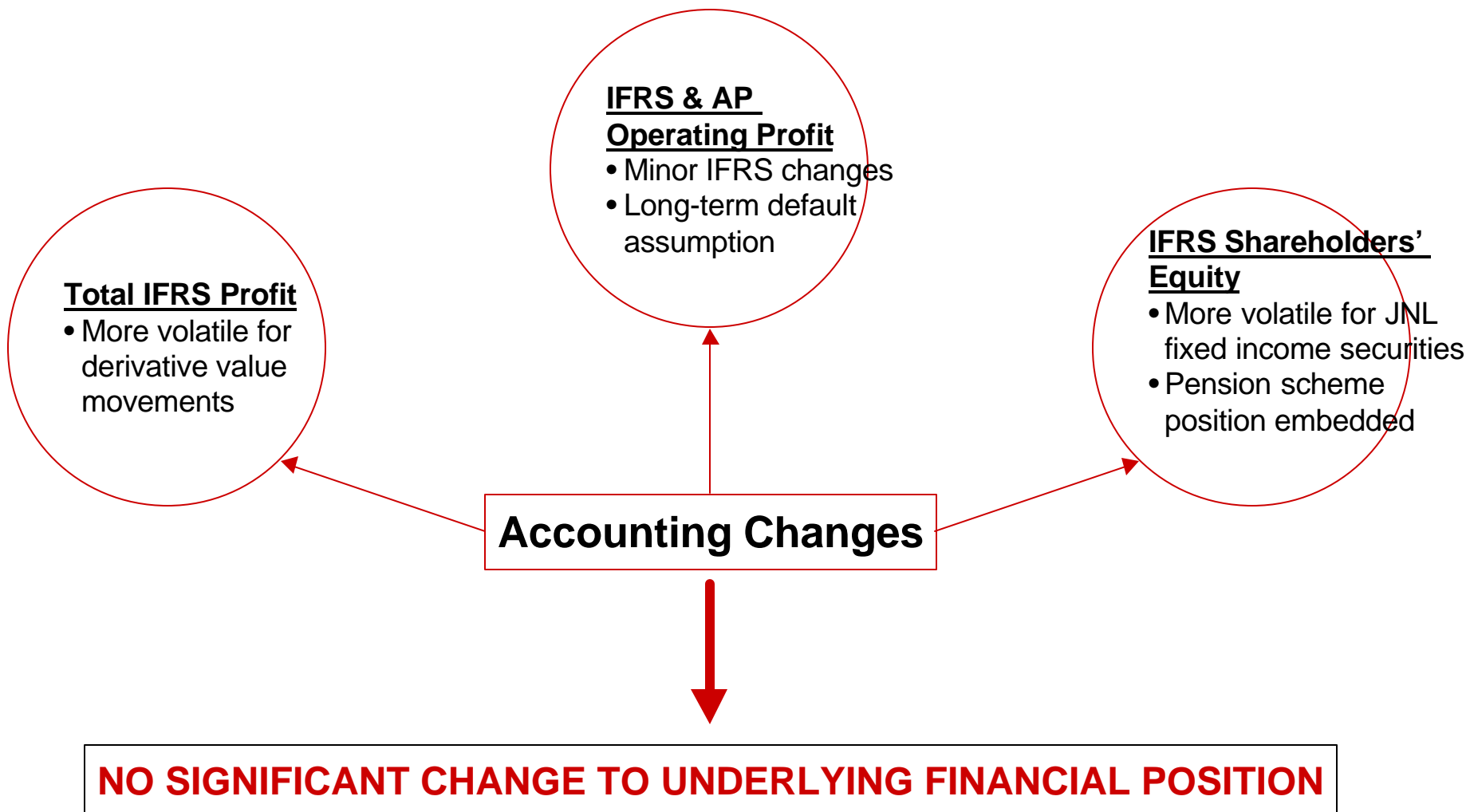
IMPACT OF CHANGES ON ACHIEVED PROFITS

AP values of in force books unaffected but other changes apply

2004 results for continuing operations	Previous basis £m	IFRS Changes			Other £m	Altered longer-term investment returns £m	Restated £m
		JNL Fixed Income Securities & Derivatives £m	Pension scheme accounting £m				
Operating profit, based on longer-term returns	1,144	-	(3)	(3)		101	1,239
Total profit before tax	1,629	-	(12)	97	Goodwill £94m Other £3m	-	1,714
Shareholders' funds, at 31 December 2004*					Dividend £253m Goodwill £94m Other £(35)m		
Statutory IFRS basis	4,281	273	(115)	312		-	4,751
Additional interest	4,315	(273)	(47)	16		-	4,011
Achieved Profits basis	8,596	-	(162)	328		-	8,762

CONCLUSION

No significant change expected for our business





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EUROPEAN EMBEDDED VALUE ("EEV")

Andrew Crossley

Philip Broadley

2nd June 2005

PRUDENTIAL'S APPROACH TO EEV

- Prudential's approach reflects intentions of the EEV principles
 - coherent and consistent allowance for risk
- 2005 interim results to be on existing achieved profits basis
- Full disclosure of 2004 results on EEV basis will be provided in December 2005
- EEV to be fully adopted for Group's 2005 year end reporting

HEADLINE EEV RESULTS

Positive Impact on Profits, Embedded Value Little Changed

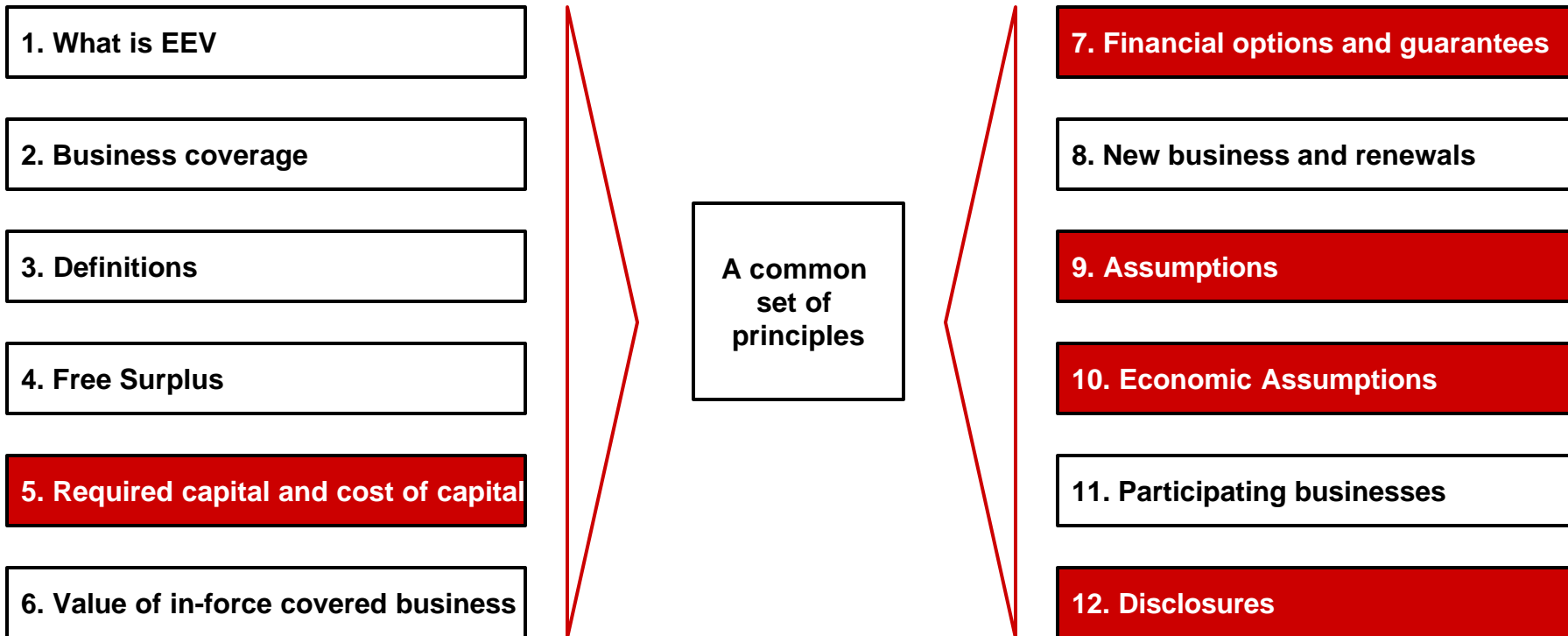
- Headline 2004 EEV Basis Results

	2004 EEV £m	2004 AP £m	Results Change
New Business Profit	741	688	+8%
New Business Margin	40%	37%	
Total Long-term Operating Profit	1,238	1,148	+8%
EEV Shareholder Funds	8,481	8,596	-1%

- No change in underlying fundamental economics of our business
- No change in fundamental capital strength of the business
- No change in cash generation profile or dividend policy of the Group

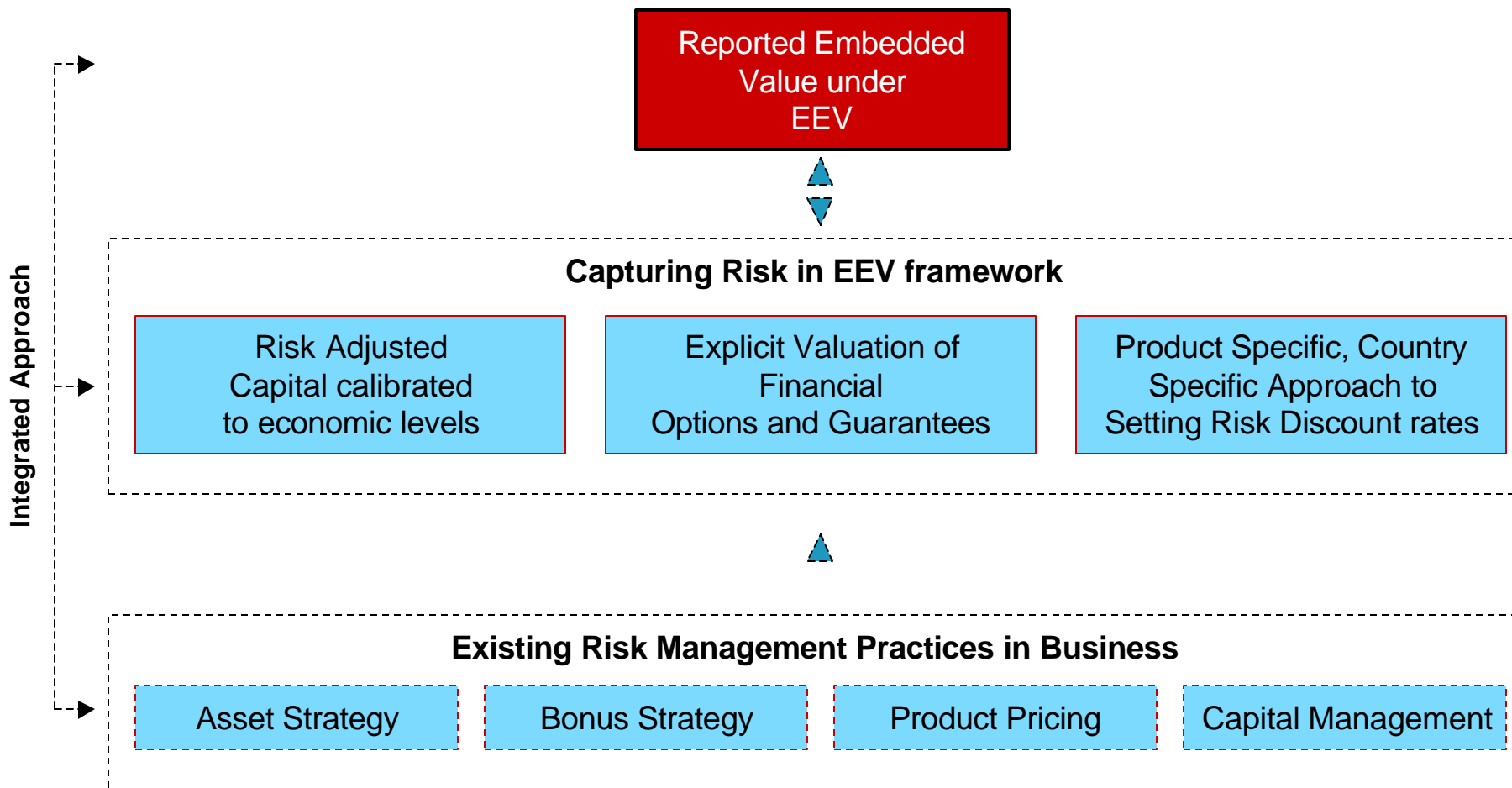
EEV PRINCIPLES

Key Principles Driving Change From Current Achieved Profits Basis



EEV FRAMEWORK ALIGNED WITH HOW WE RUN OUR BUSINESS

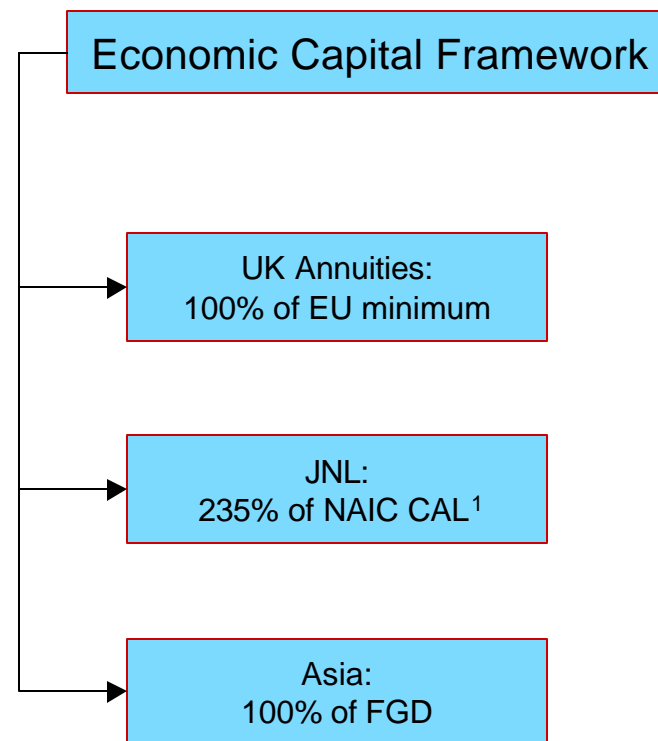
Further aligns financial reporting with existing risk management approach



CAPTURING RISK IN THE EEV FRAMEWORK: CAPITAL

Encumbered Capital consistent with Economic Capital Framework

- Economic capital model covers all major risk types
- Bottom up approach means no group diversification benefits assumed
- Encumbered capital is the greater of economic capital and local regulatory minimum
- Estate covers capital requirements for participating business

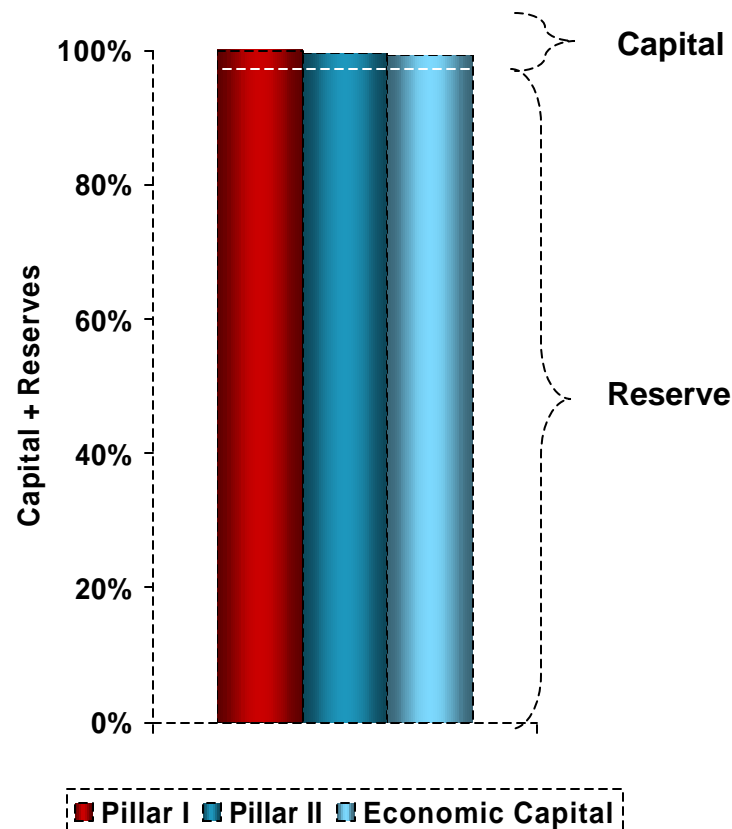


CAPTURING RISK IN THE EEV FRAMEWORK: CAPITAL

UK Annuities: EEV based on strong existing statutory position

- EEV projects capital at 100% of EU Required Minimum Margin
 - No allowance taken for significant Group diversification of annuity risks
- UK Statutory Requirements are based on the greater of EU Required Minimum Margin (Pillar I) and Internal Capital Assessment (Pillar II)
- For UK annuities, Pillar I requirement is greater than both Pillar II and Economic Capital
- Additional capital requirement over basic reserve is relatively low
 - strong reserving basis and high quality assets

UK ANNUITIES (PRIL): PILLAR I vs PILLAR II

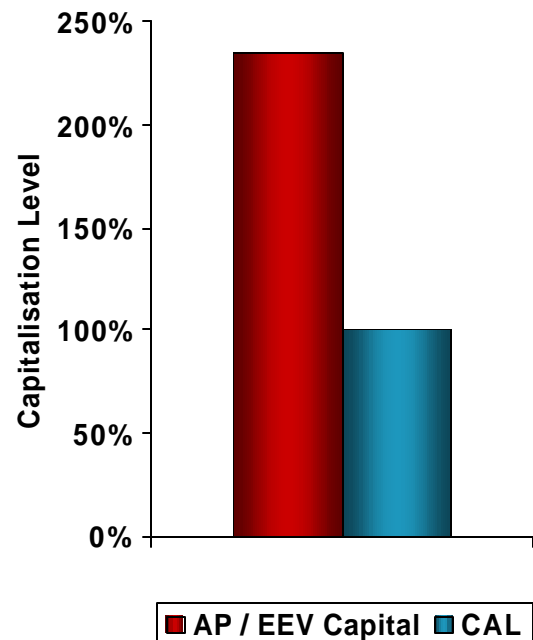


CAPTURING RISK IN THE EEV FRAMEWORK: CAPITAL

JNL: EEV based on Economic Capital which is same as AP Capital

- EEV calculations assume capital equal to 235% of NAIC CAL (470% of ACL¹)
- Capital is unchanged from encumbered levels used in AP
- Consistent with undiversified required capitalisation levels from our internal Economic Capital models

JNL: EEV CAPITAL vs STATUTORY CAPITAL

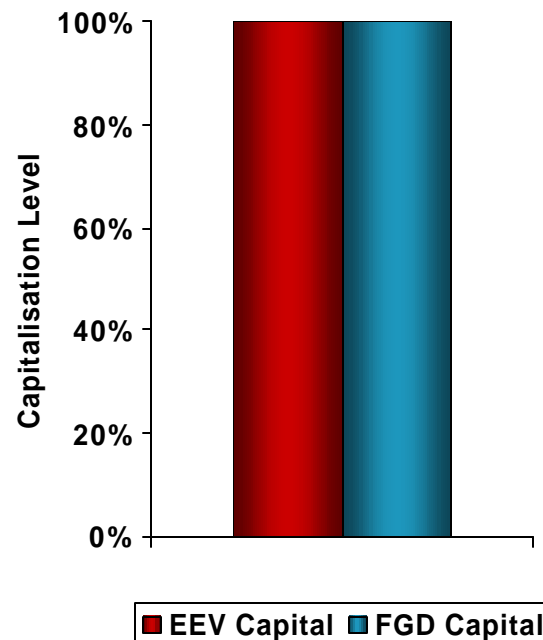


CAPTURING RISK IN THE EEV FRAMEWORK: CAPITAL

Asia: EEV based on Economic Capital which aligns to FGD Capital

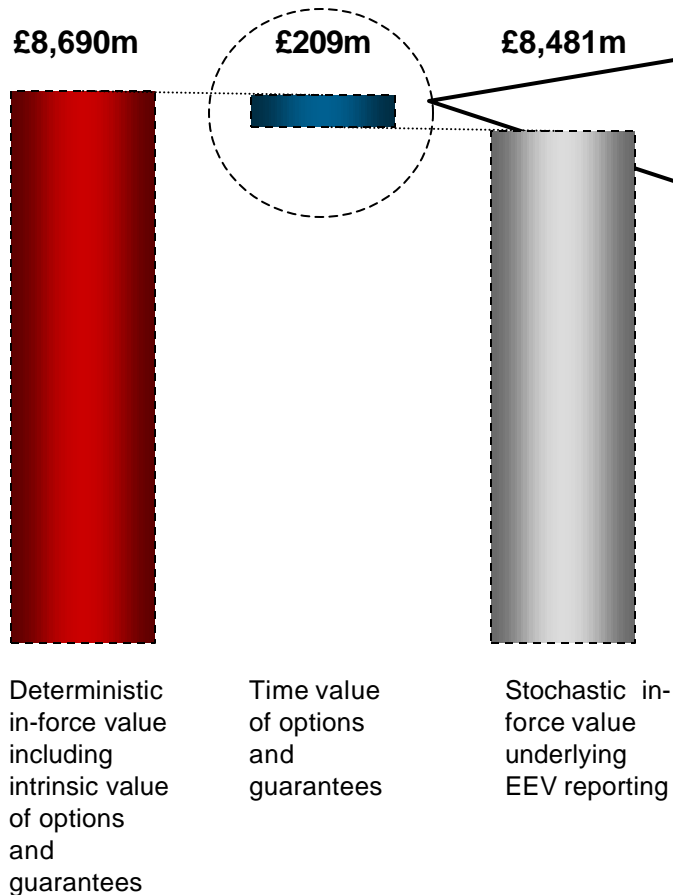
- Hold capital under EEV framework consistent with internal economic capital assessment
- Increase over local requirement for some territories
- Capital equal to FGD requirement
- In operations with segregated life funds, full estate is regarded as encumbered which is sufficient to meet capital requirements

ASIA: EEV CAPITAL vs FGD REQUIREMENTS

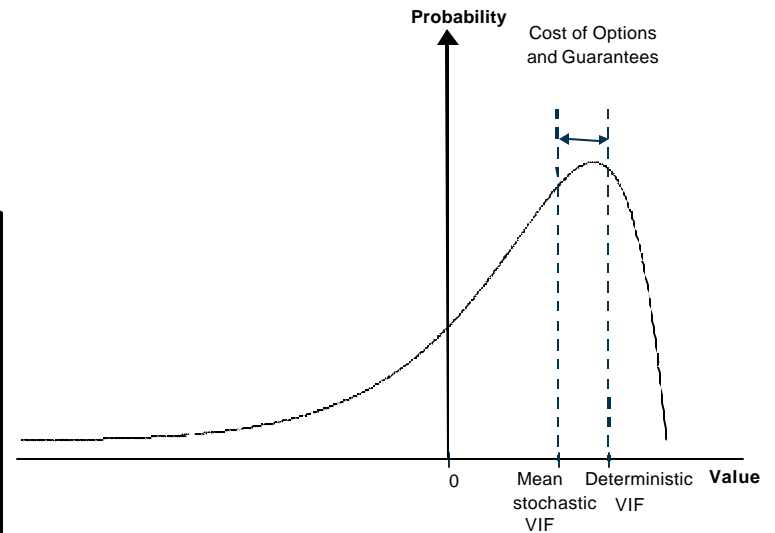


CAPTURING RISK IN THE EEV FRAMEWORK: TIME VALUE OF OPTIONS AND GUARANTEES

Time value of options and guarantees determined using stochastic techniques



$$\text{Time value of options and guarantees} = \text{Deterministic VIF} - \text{Mean stochastic VIF}$$



- For participating business, estate absorbs cost of options and guarantees except in extreme scenarios

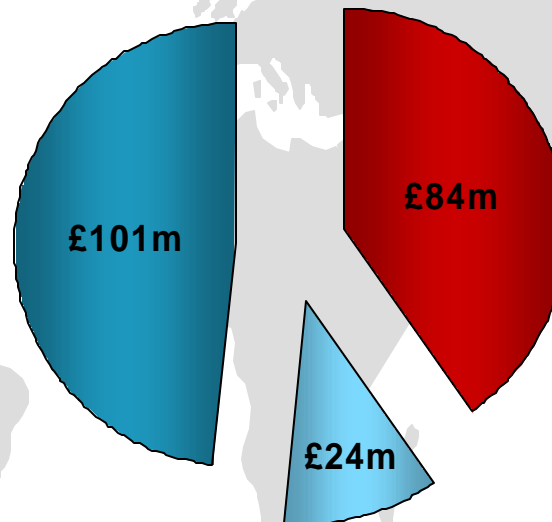
CAPTURING RISK IN THE EEV FRAMEWORK: TIME VALUE OF OPTIONS AND GUARANTEES

Comprehensive coverage of Guarantees across the Group

TOTAL TIME VALUE OF OPTIONS AND GUARANTEES : £209M

US INSURANCE OPERATIONS

- Fixed Annuity minimum guaranteed crediting rates
- VA Guarantees
- Equity Indexed Annuities



UK INSURANCE OPERATIONS

- Declared bonuses
- Smoothing costs
- Guaranteed annuities
- Pension guarantees

ASIA INSURANCE OPERATIONS

- Declared bonuses
- Guaranteed surrender values

CAPTURING RISK IN THE EEV FRAMEWORK: RISK DISCOUNT RATES

Approach consistent with Principles

- EEV principles G10.8 to G10.9 state,

*“Valuation of financing types of reinsurance and debt, including subordinated and contingent debt, should ensure that the **combined impact of their servicing costs and discount rates assumption does not distort the valuation of the underlying business.**”*

Risk discount rates may vary between product groups and territories.”

CAPTURING RISK IN THE EEV FRAMEWORK: RISK DISCOUNT RATES

Risk Discount Rates, not Cost of Capital

$$\text{Risk Discount Rate} = \text{Risk Free Rate} + \left[\text{Product Specific Beta} \times \text{Equity Risk Premium} \right] + \text{50bps Margin}$$

Drivers of Beta

- Asset Allocation
- Level of encumbered capital supporting product
- Value of future premiums relative to size of reserve
- Product charging structure / Expense base and benefit payments

Characteristics of Beta

- Reflects risk profile of underlying product cashflows
- Dynamic basis - will change as risk profile changes
- Not affected by company capital structure or franchise value
- Forward-looking measure

CAPTURING RISK IN THE EEV FRAMEWORK: RISK DISCOUNT RATES

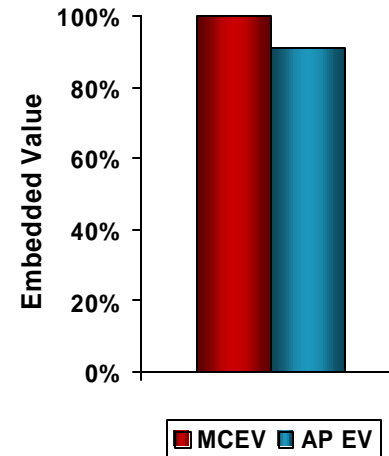
UK Annuities Value Supported by MCEV

- Close matching of assets and liabilities means limited market risk
- Main financial risks are credit and interest rate risk
- Existing achieved profits embedded value validated by reference to market consistent approach

MARKET CONSISTENT EV : APPROACH

- Certainty equivalent approach
 - Liquidity premium for illiquid liabilities
 - Cost of capital based on double taxation and other frictional costs

MCEV vs ACHIEVED PROFITS EV



CAPTURING RISKS IN THE EEV FRAMEWORK: RISK DISCOUNT RATES

Summary of Product Specific Risk Discount Rates

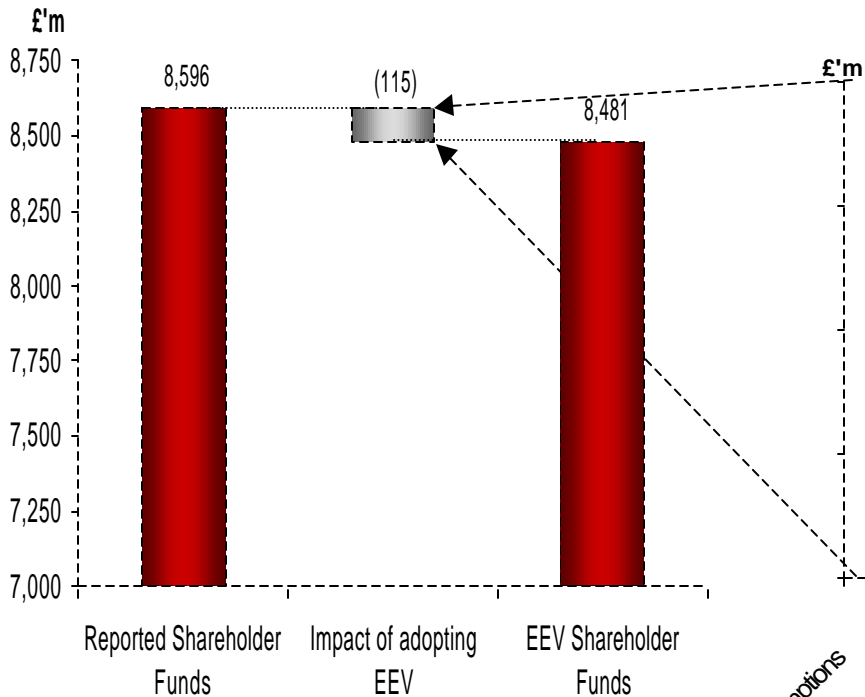
	AP Basis	EEV Basis	
	Discount Rate	Weighted in-force Discount Rate	Weighted New Business Discount Rate
UK and Europe	7.2%	7.1%	7.1%
US Operations	7.4%	5.8%	6.1%
Asia ¹	9.6%	7.9% ranges from 5.0% to 18.8% ²	8.0% ranges from 5.0% to 18.8% ²
Group	7.8%	7.2%	7.3%

EEV ADOPTION: IMPACT ON RESULTS

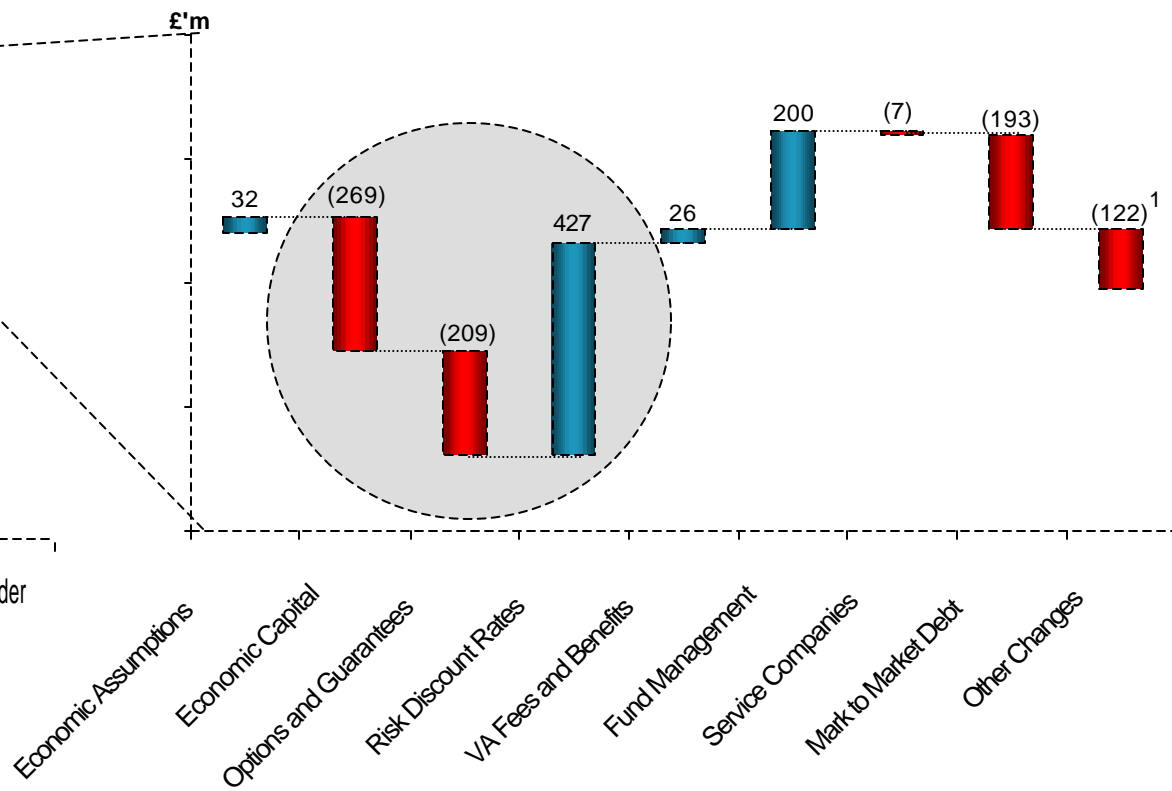
2004 EEV Shareholder Funds falls by £115m to £8,481m

RECONCILIATION OF EEV SHAREHOLDER FUNDS

TOTAL CHANGE



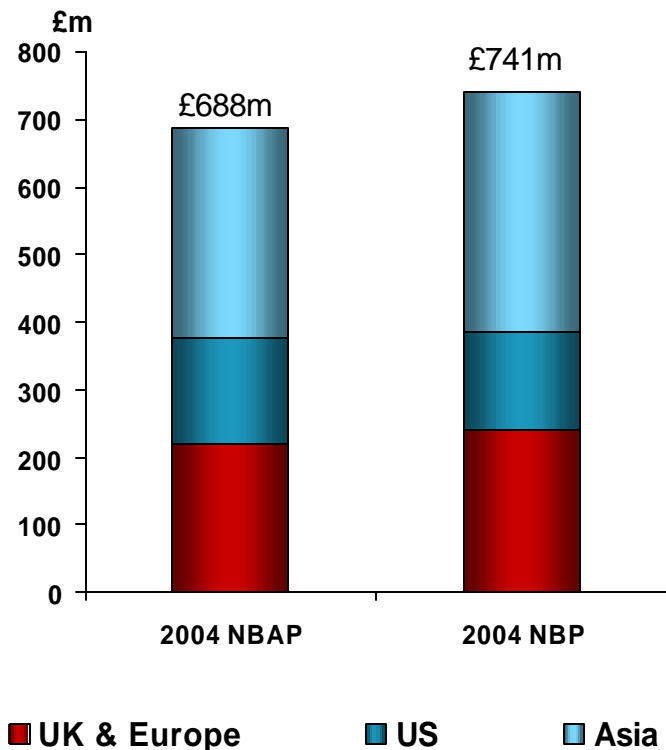
COMPONENTS OF CHANGE



EEV ADOPTION: IMPACT ON RESULTS

2004 New Business Profit Margin rises to 40%

NBAP & EEV NEW BUSINESS PROFITS 2004 NEW BUSINESS MARGIN UNDER EEV FRAMEWORK



	NBAP / APE¹	NBP / APE	NBP / PVNBP
UK and Europe (%)	27	30	3.4
US (%)	34	32	3.2
Asia (%)	54	62	10.4
GROUP (%)	37	40	5.0

Sales

APE : Annual Premium Equivalent¹

PVNBP : Present Value of New Business Premiums²

Profitability

NBAP : New Business Achieved Profits

NBP : New Business Profits under the EEV framework

¹ Annual Premium Equivalent (APE) sales comprise regular premium sales plus one-tenth of single premium insurance sales

² Present Value of New Business Premiums (PVNBP) comprise 100% of single premiums received in the year plus the discounted value of new regular premiums

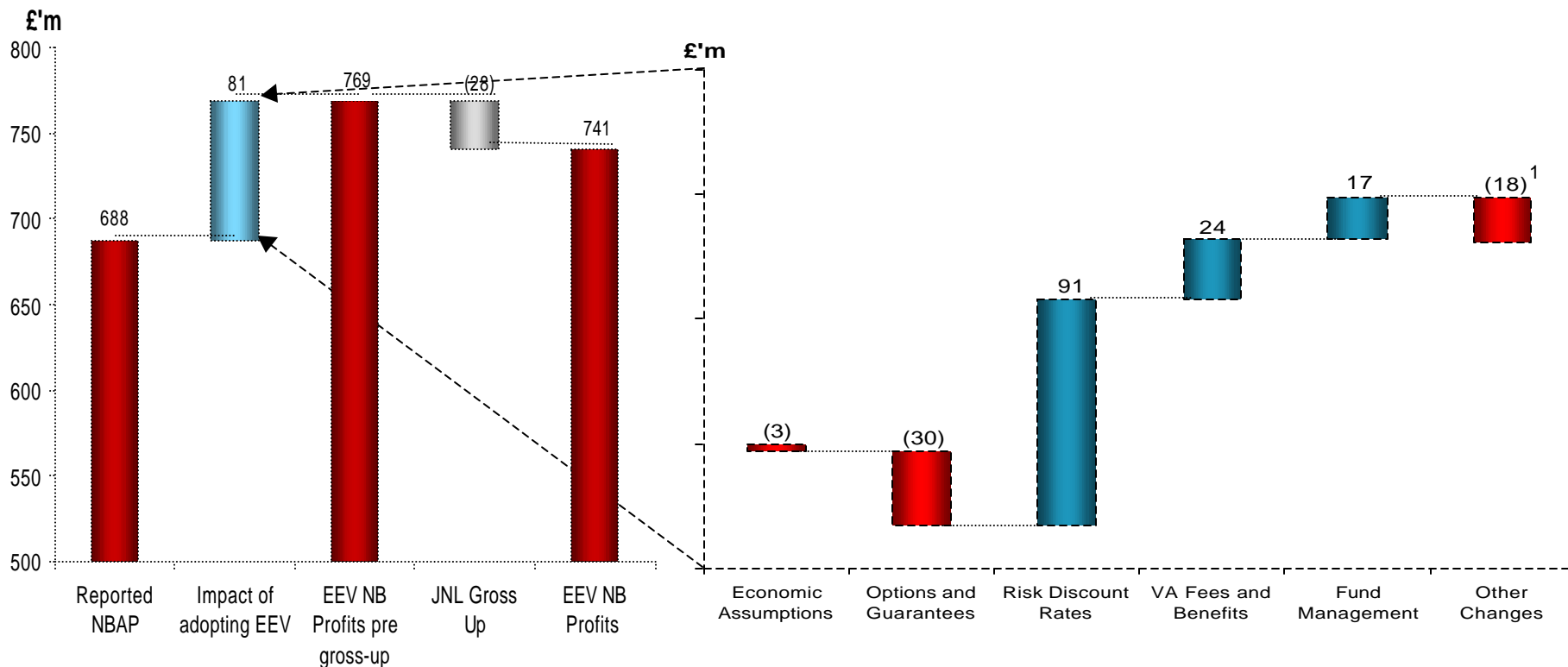
EEV ADOPTION: IMPACT ON RESULTS

New Business Profits rise by £53m (8%) to £741m

TOTAL GROUP NEW BUSINESS PROFITS

TOTAL CHANGE

COMPONENTS OF CHANGE



EEV ADOPTION: IMPACT ON RESULTS

Long-term Operating Profit up 8% to £1,238m under EEV

	Reported Operating profit (AP)	Impact of adopting EEV framework
NBAP	688	741
In-force	460	497
Total Long-Term	1,148	1,238
Fund Management		
- M&G	136	136
- US Broker Dealer, Curian & Fund Mgmt	(14)	(14)
- Asia Fund Management	19	19
Asia Development Costs	(15)	(15)
Egg*	63	63
Other	(193)	(215)
TOTAL OPERATING PROFIT FROM CONTINUING OPERATIONS	1,144	1,212

EEV ADOPTION: IMPACT ON RESULTS

Long-Term Operating profit up 17% to £1,339m on an IFRS basis

	Reported Operating profit (AP)	Impact of adopting EEV framework	Impact of adopting IFRS
NBAP	688	741	741
In-force	460	497	598
Total Long-Term	1,148	1,238	1,339
Fund Management			
- M&G	136	136	136
- US Broker Dealer, Curian & Fund Mgmt	(14)	(14)	(14)
- Asia Fund Management	19	19	19
Asia Development Costs	(15)	(15)	(15)
Egg*	63	63	61
Other	(193)	(215)	(219)
TOTAL OPERATING PROFIT FROM CONTINUING OPERATIONS	1,144	1,212	1,307

THE EEV FRAMEWORK

Summary

- Prudential's approach reflects intentions of the EEV principles
 - coherent and consistent allowance for risk
 - economic capital basis
 - financial options and guarantees explicitly valued
 - product specific discount rates that reflects risk inherent in cashflows
- Headline 2004 EEV Basis Results

	2004 EEV £m	2004 AP £m	Results Change
New Business Profit	741	688	+8%
New Business Margin	40%	37%	
Total Long-term Operating Profit	1,238	1,148	+8%
EEV Shareholder Funds	8,481	8,596	-1%



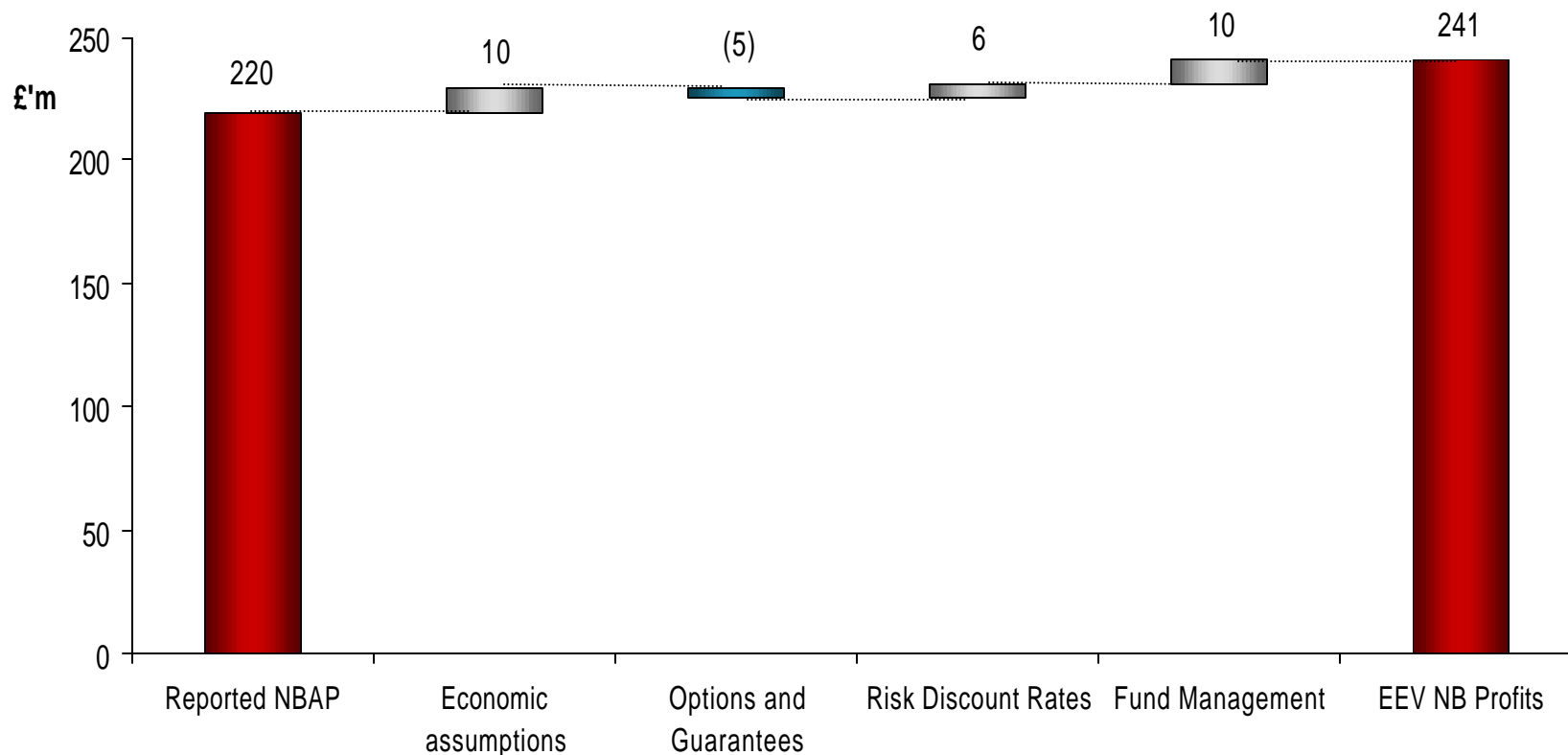
PRUDENTIAL

APPENDIX

EEV ADOPTION: IMPACT ON RESULTS

UK and Europe New Business Profits rise by £21m

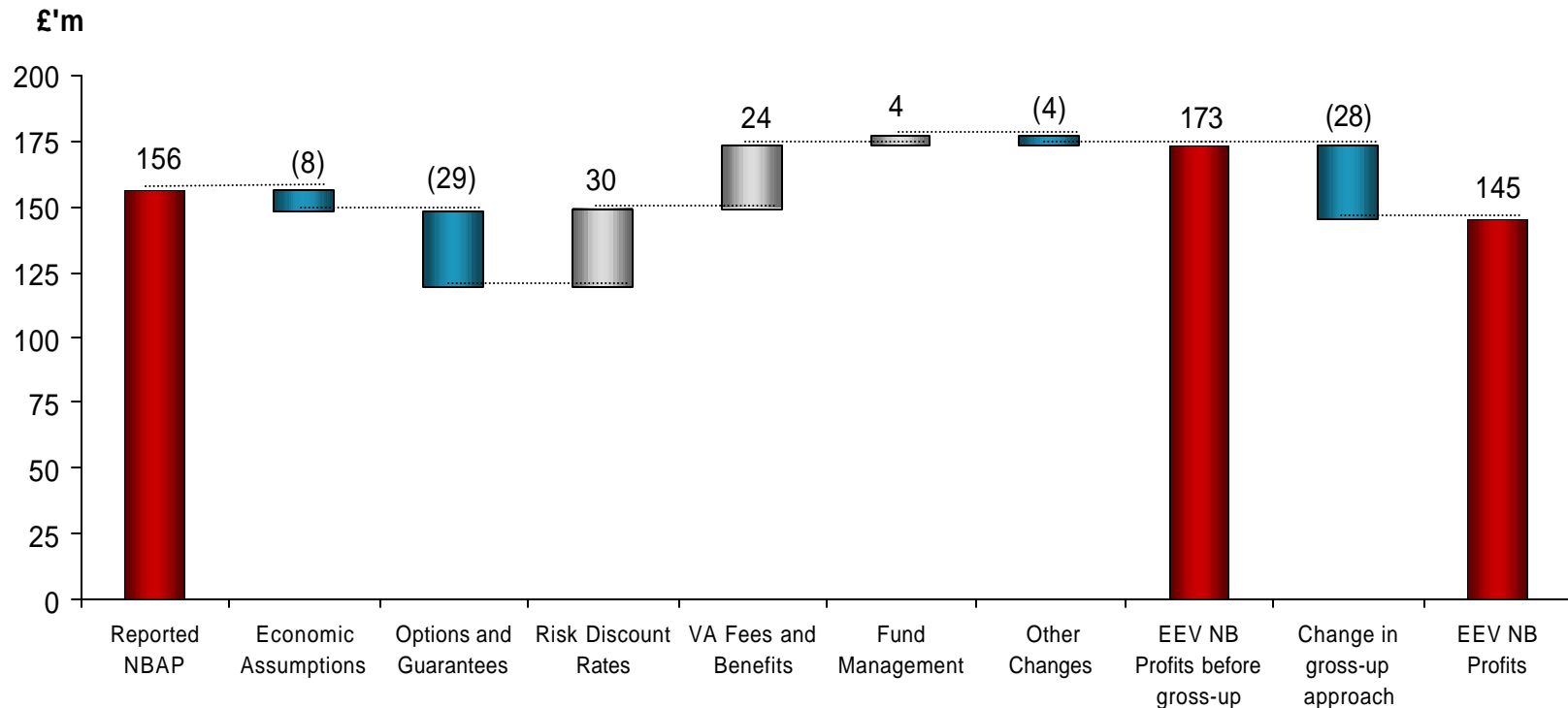
UK AND EUROPE NEW BUSINESS PROFITS



EEV ADOPTION: IMPACT ON RESULTS

JNL New Business Profits rise by by £17m before impact of gross-up approach

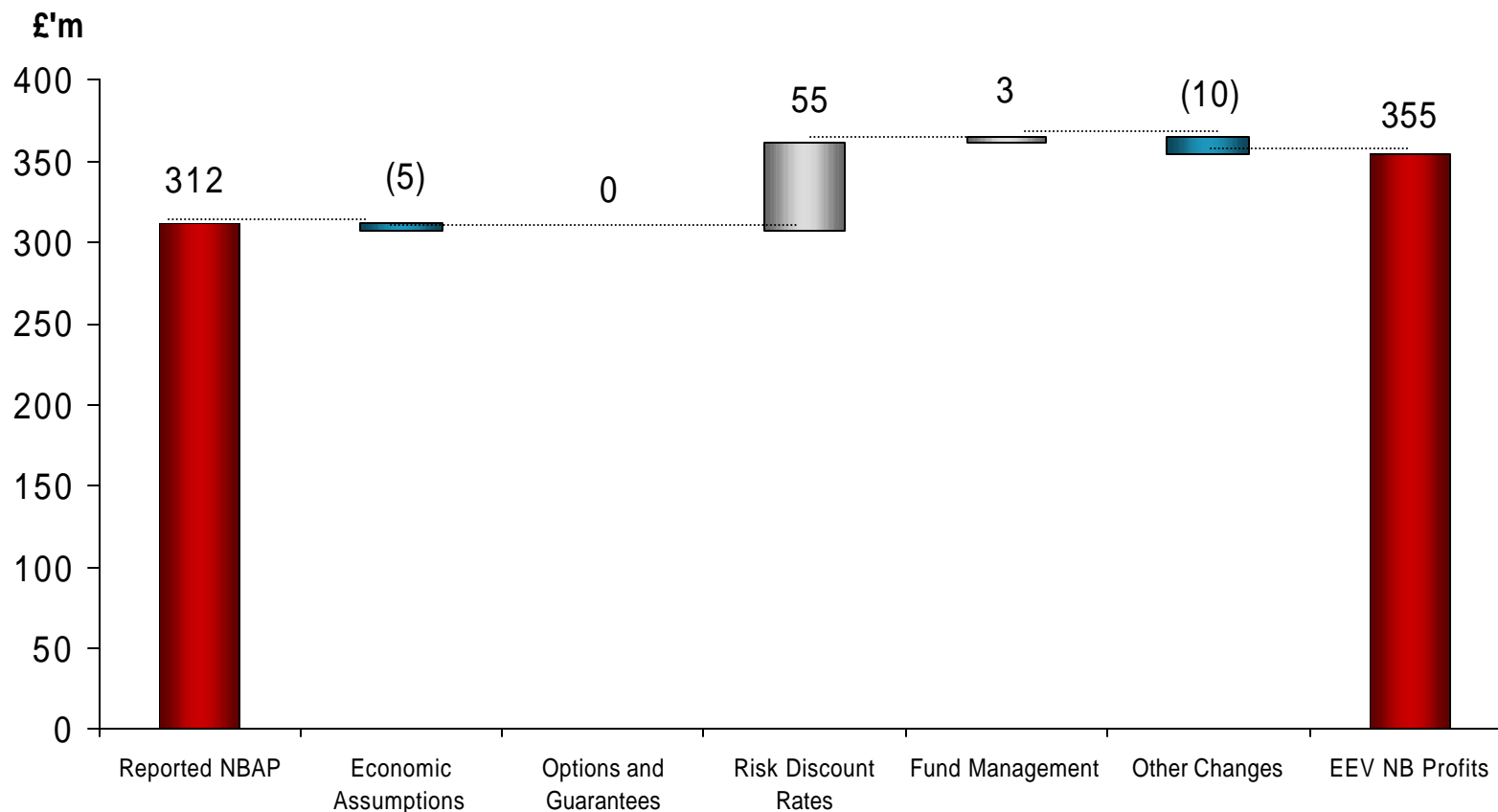
JNL NEW BUSINESS PROFITS



EEV ADOPTION: IMPACT ON RESULTS

Asia New Business Profits rise by £43m

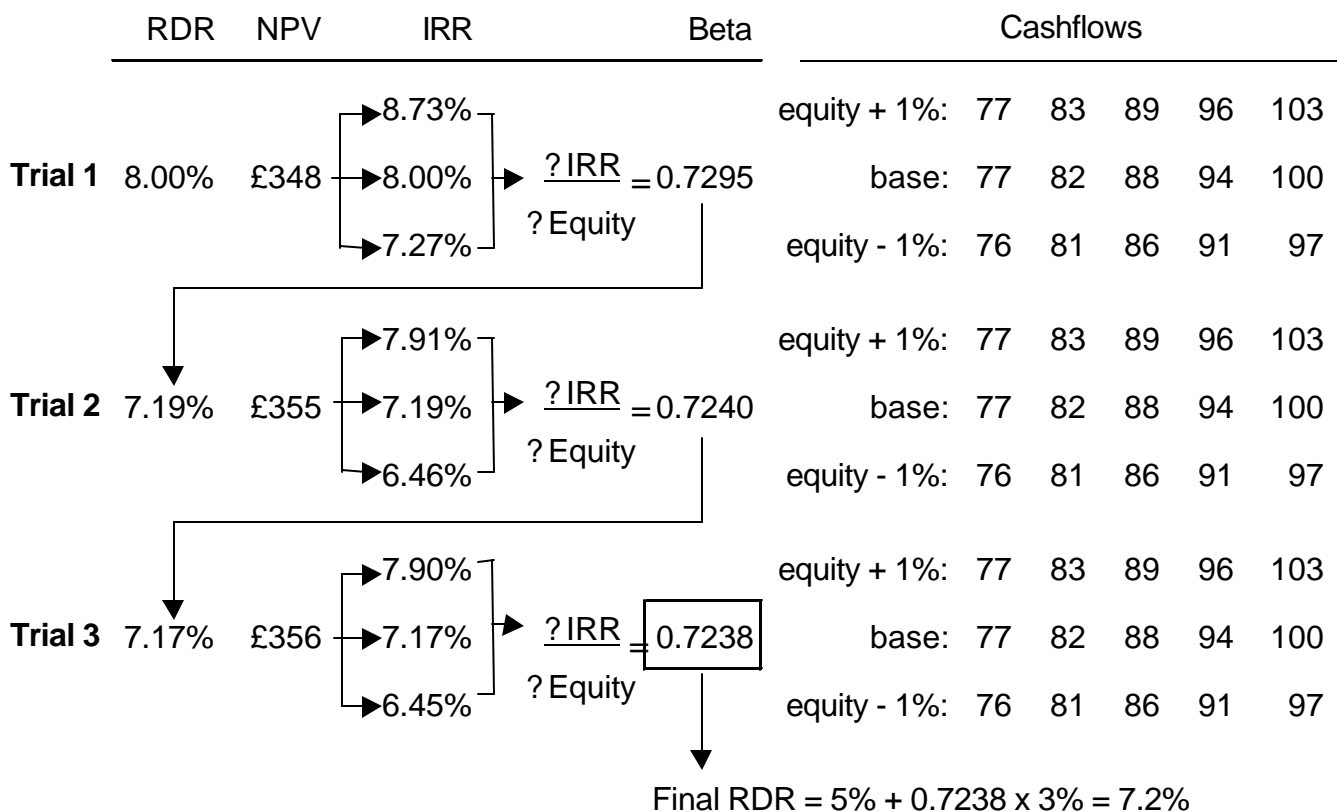
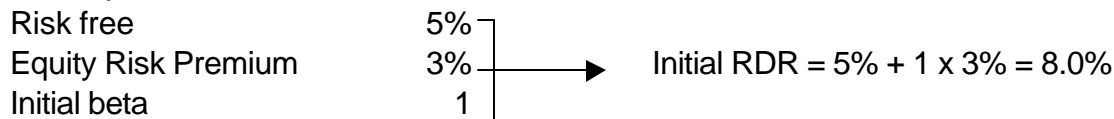
ASIA NEW BUSINESS PROFITS



RISK DISCOUNT CALCULATION EXAMPLE

Market Risk Only, Excluding 50bps margin

Assumptions



- Same 3 sets of cashflows are used throughout - base projection using EEV best estimate assumptions and equities earning ±1% (with correlated changes on other asset classes).
- Initial RDR is used to derive an 'initial investment' under the base scenario
- Change in IRR on the initial investment as a ratio of the change in equity return gives the product specific beta.
- Repeat until beta converges.



PRUDENTIAL

ECONOMIC CAPITAL & FINANCIAL REPORTING

2nd June 2005

CAPITAL MANAGEMENT AND VALUE CREATION

An integrated approach based on economic capital

