

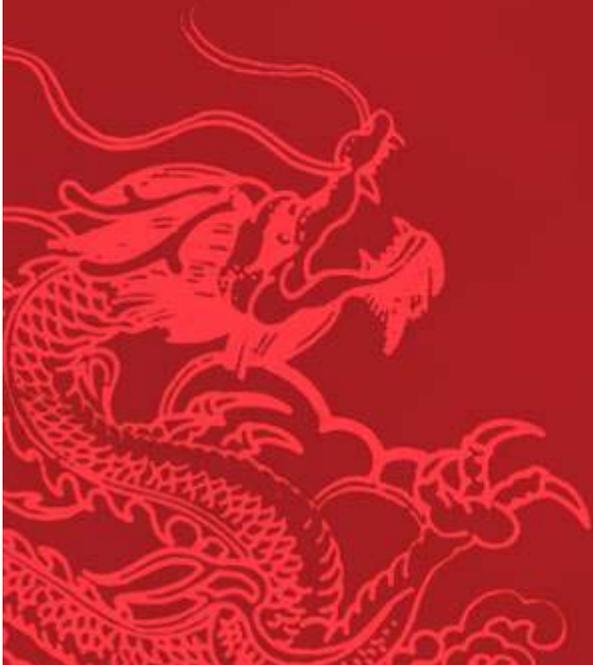


**Prudential:
Leading in Asia**

CFO Perspective

**Sandeep Malik
Prudential Corporation Asia**

1 December '06





Key messages

- Prudential Asia has **delivered an overall strong performance**
- Underpinning this performance are strategic choices **focused on the economics** of product and channel segments
- The business is **positioned to sustain profitable growth** despite market and competitive challenges
- Prudential Asia is now **starting to generate cash**, and we also see opportunities for further investment



Three topics to address

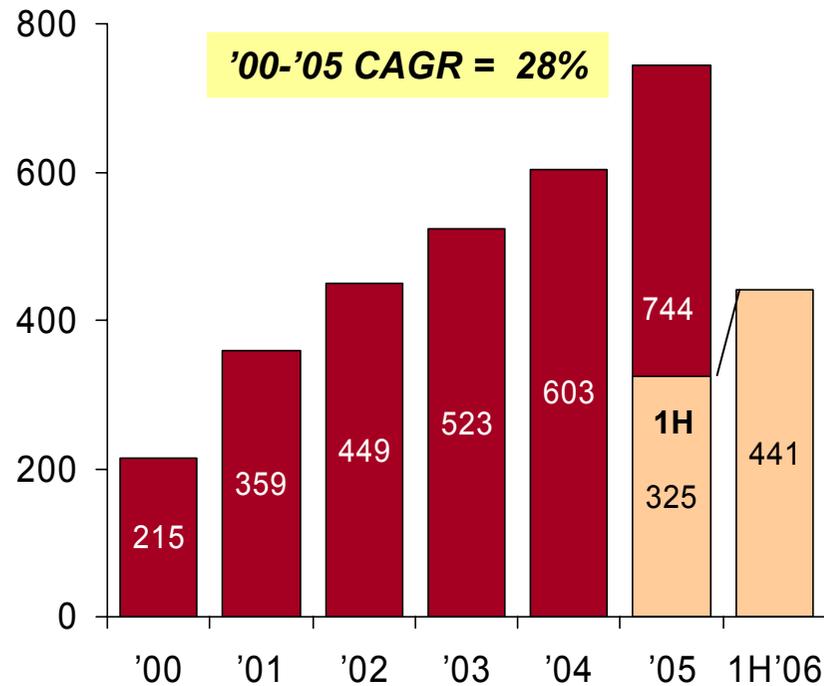
- 1. What performance has Prudential Asia delivered?**
2. What product and channel economics have driven our strategic choices?
3. How is the business positioned to sustain profitable growth?



Growth and materiality

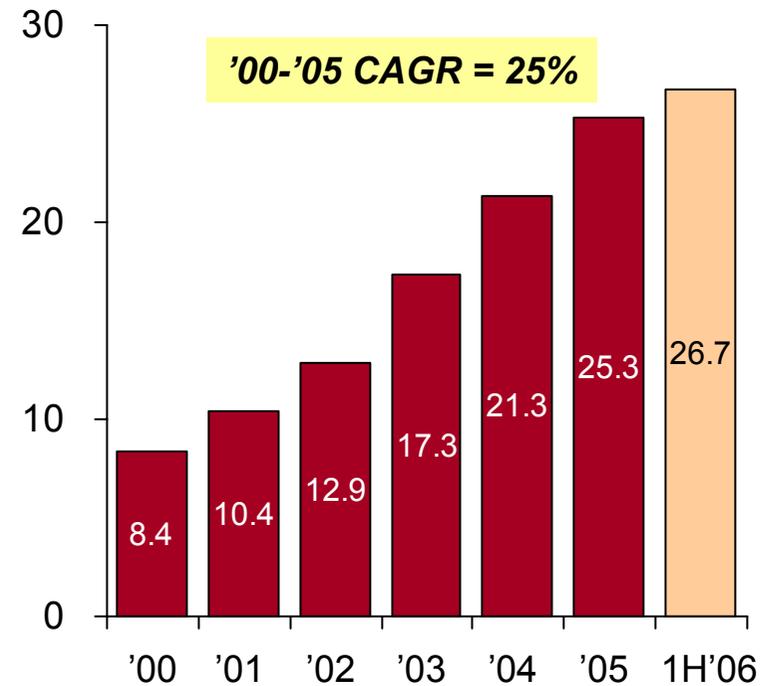
Insurance

PRU APE (£m)



Asset Management

PRU FUM (£bn)

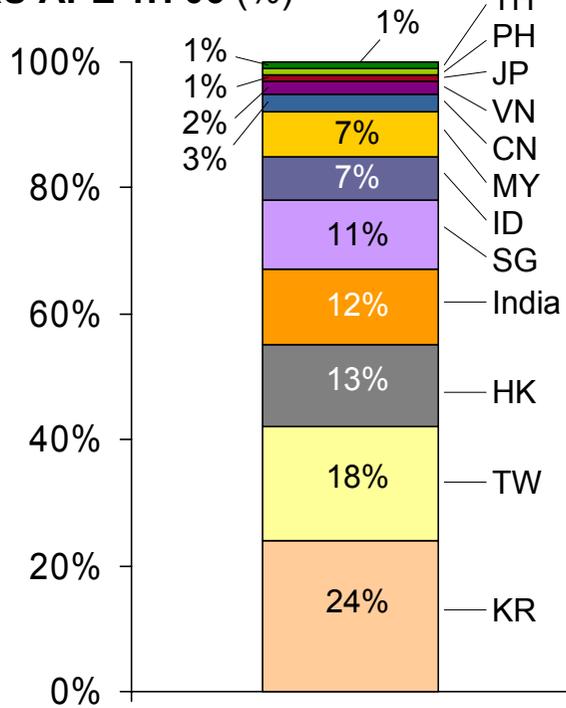




Contribution by market

Insurance

PRU APE 1H'06 (%)

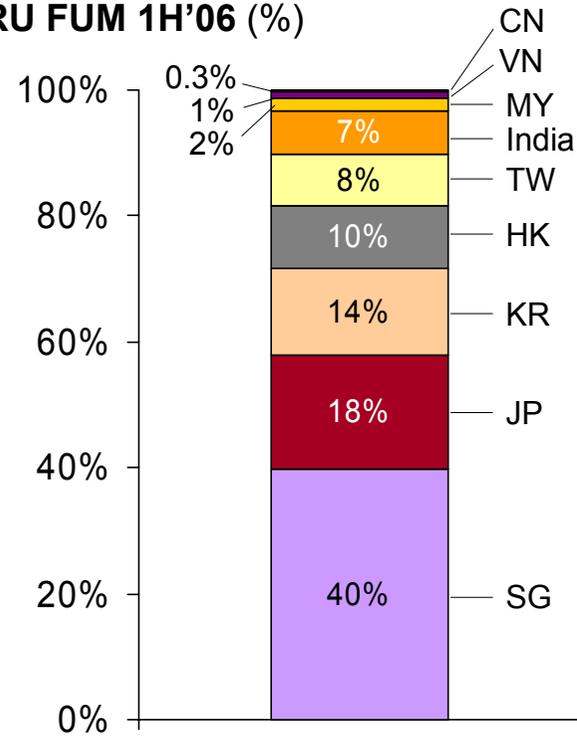


1H'06
APE (£m)

441

Asset Management

PRU FUM 1H'06 (%)



1H'06
FUM (£bn)

26.7

Note: Asset management FUM is on a contracted basis

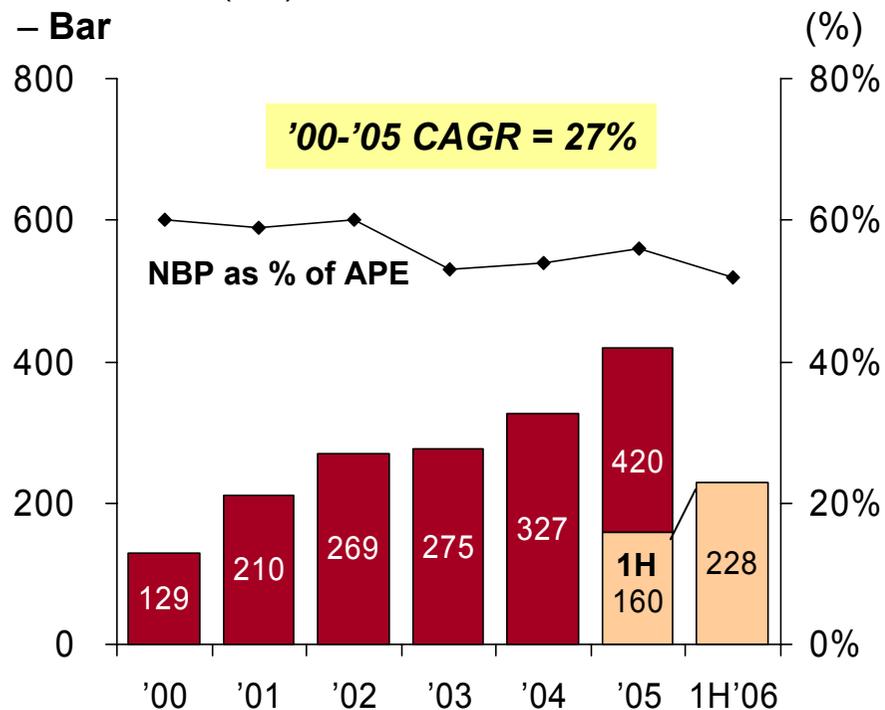


Profits and margins

Insurance

PRU NBP¹ (£m)

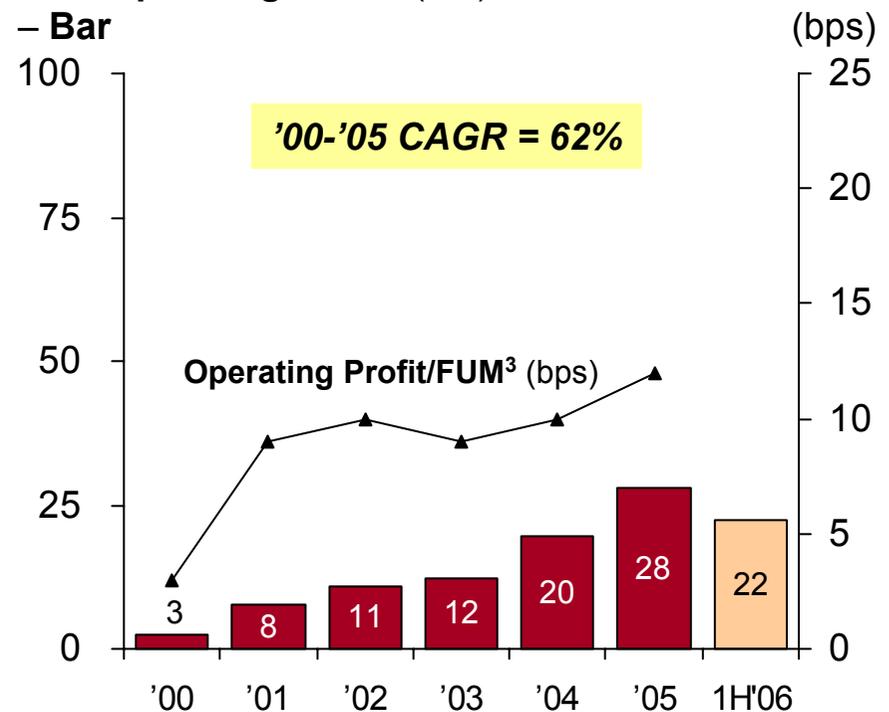
– Bar



Asset Management

PRU Operating Profit² (£m)

– Bar

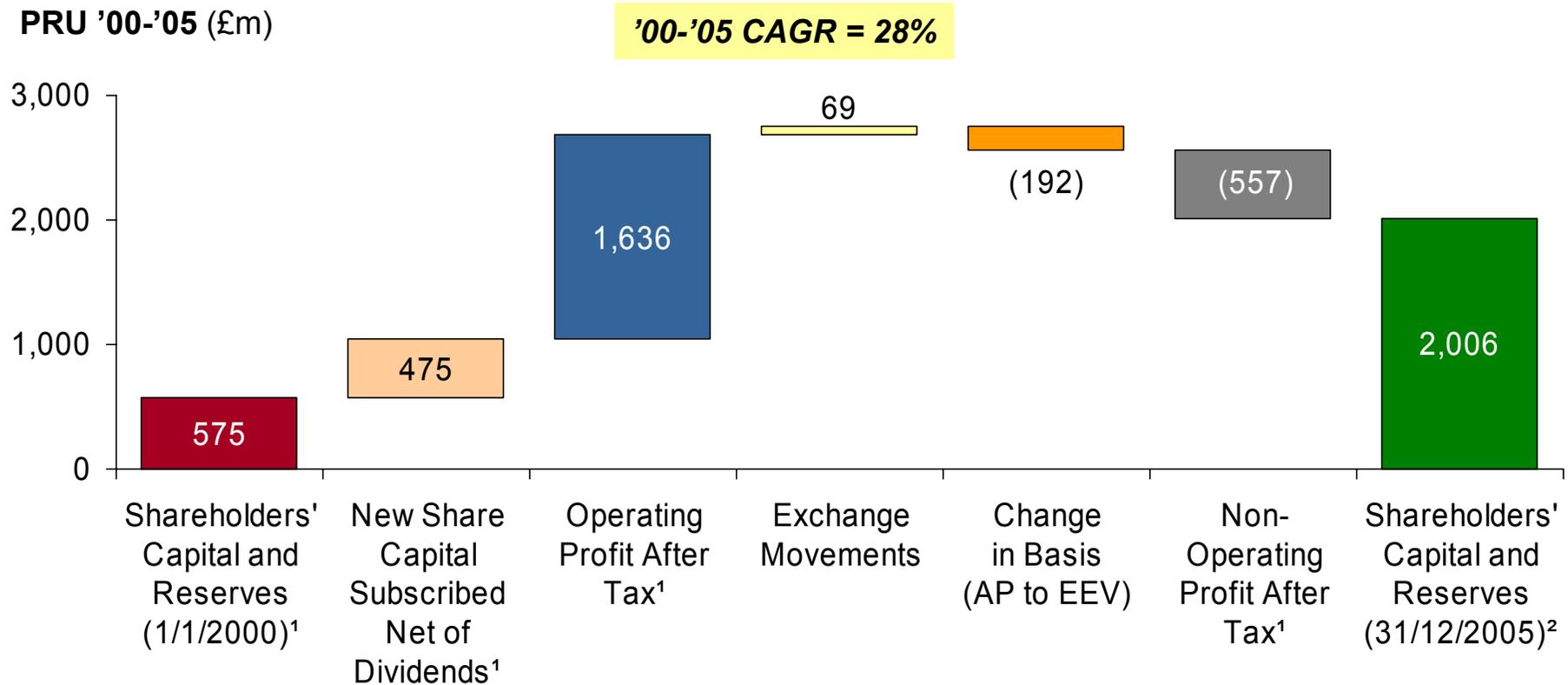


1. '05 and '06 NBP reported on EEV basis; 2. '05 Op Profit excludes £16m of charges related to bond funds in Taiwan; 3. Average FUM balance for the year



Insurance: Embedded Value ('00-'05)

Embedded value has grown by over £1.4bn



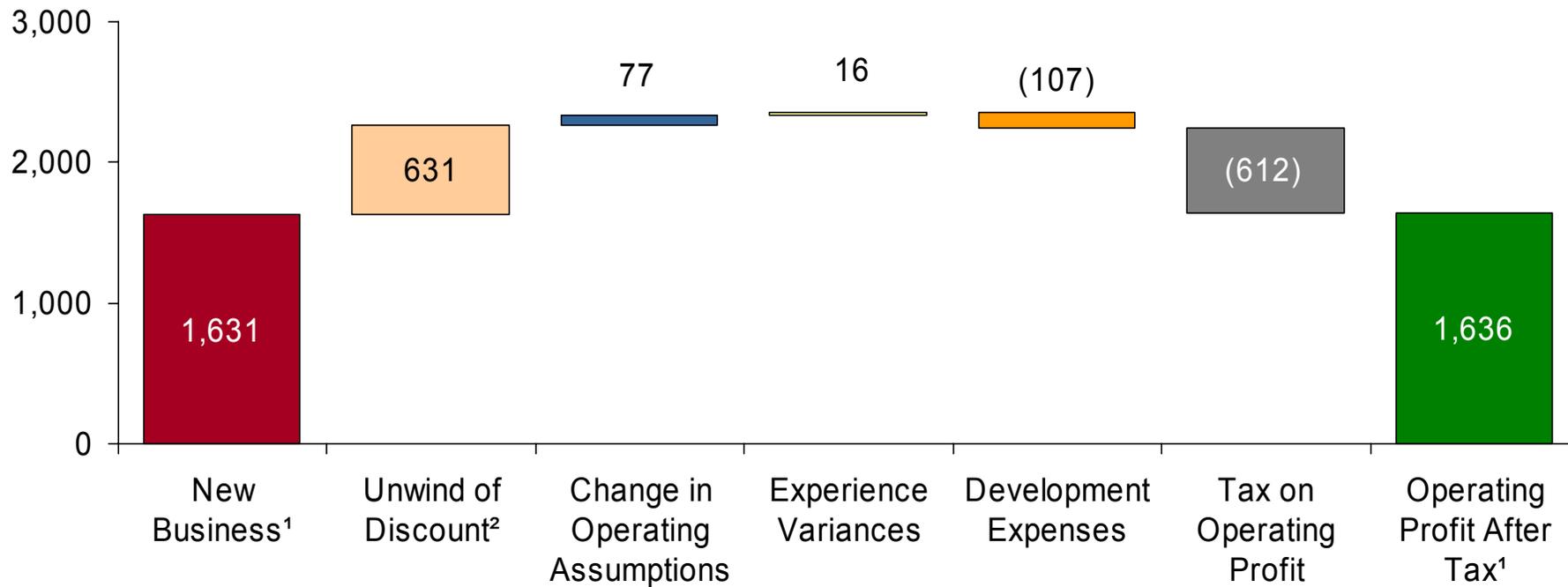
Note: Excludes goodwill; 1. '00 to '04 on achieved profits basis, '05 on EEV basis; 2. EEV basis



Insurance: Operating Profit ('00-'05)

Growth in new business is the key driver of operating profit

PRU '00-'05 (£m)



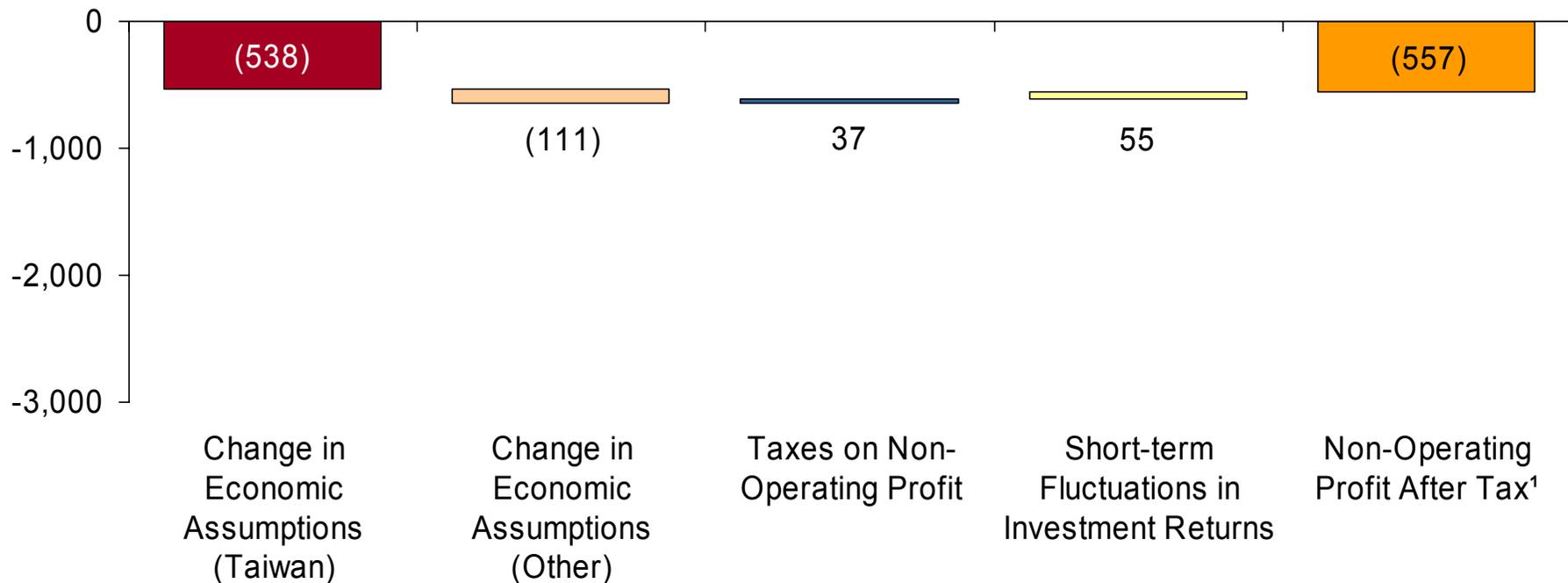
Note: Excludes goodwill; 1. '00 to '04 on achieved profits basis, '05 on EEV basis; 2. Includes other expected returns



Insurance: Non-Operating Profit ('00-'05)

Economic assumption changes in Taiwan accounted for over 90% of non-operating loss

PRU '00-'05 (£m)



Note: Excludes goodwill; 1. '00 to '04 on achieved profits basis, '05 on an EEV basis



Taiwan

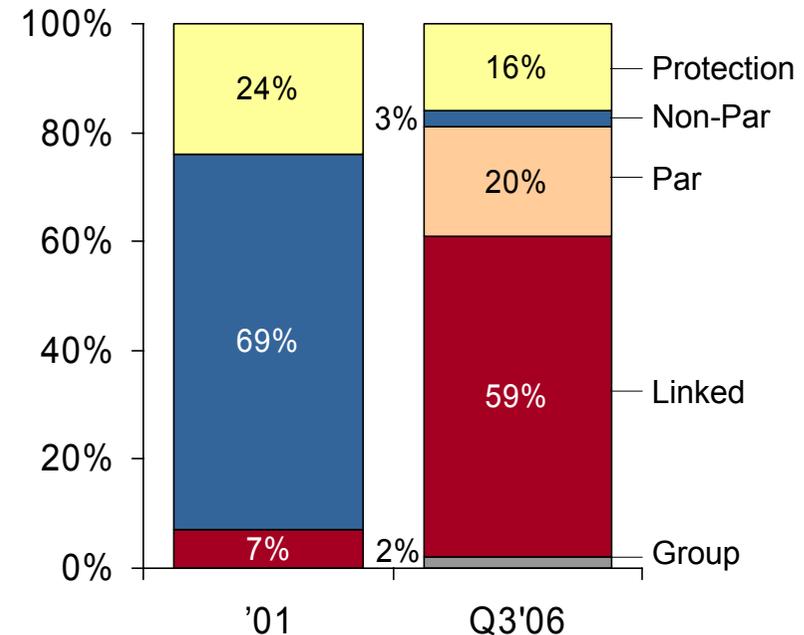
The in-force book has negative spread, but the new business is attractive

Book In-Force

- We have a negative embedded value in Taiwan of £311m arising from the negative spread in the back book, and the cash of servicing remains about £30m per year¹
- Recap from year-end 2005
 - One year delay in rise of yields and consequential changes would reduce EEV shareholder value by c. £100m
 - 100bps fall in interest rates would lower current new business margin by less than 2 percentage points

New Business Mix²

PRU APE (%)



1. Per 2005 Full Year Results Presentation on 16 March 2006; 2. Q3'06 business mix is for first nine months of 2006

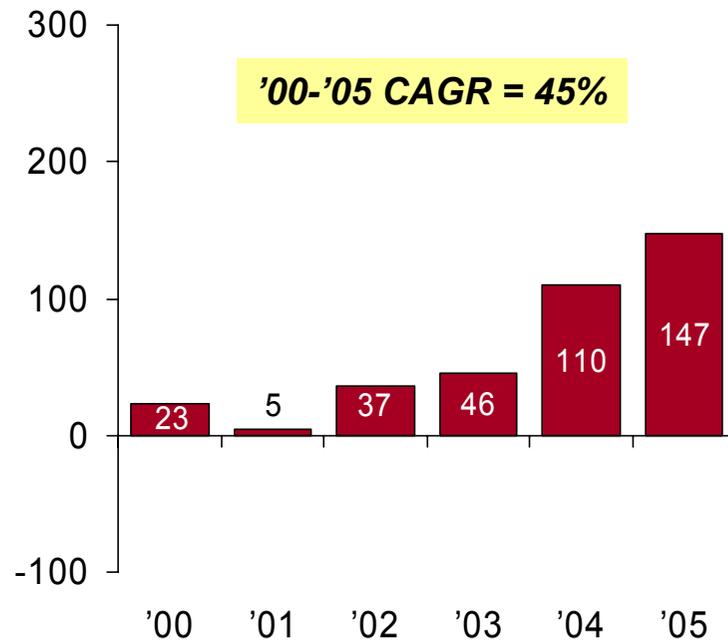


IFRS Operating Profit

Our in-force book is now generating significant IFRS operating profit

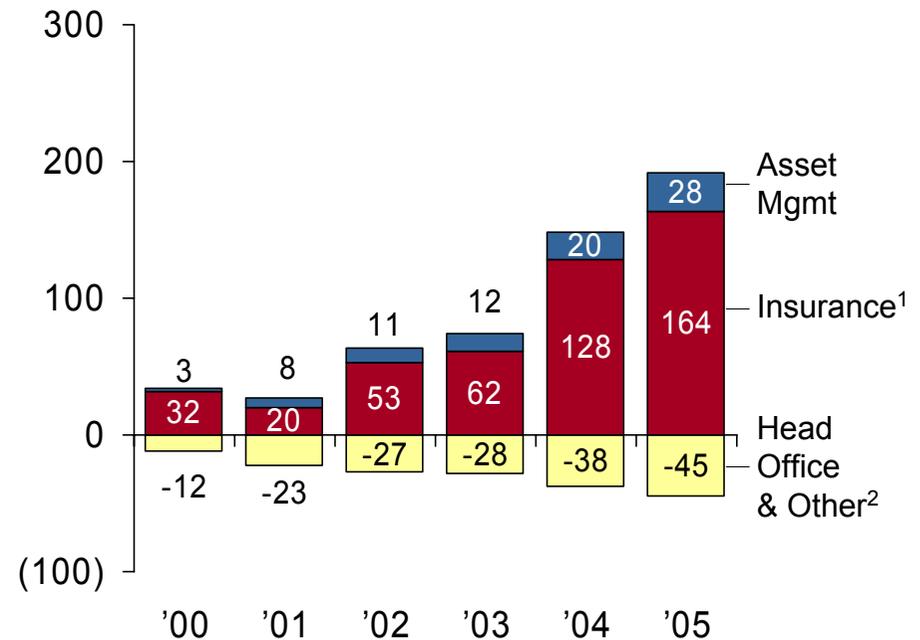
Total IFRS Operating Profit

PRU IFRS Operating Profit (£m)



IFRS Operating Profit by Business

PRU IFRS Operating Profit (£m)



Note: '05 results exclude exceptional items; 1. Includes development expenses; 2. Includes Regional Operation Hubs

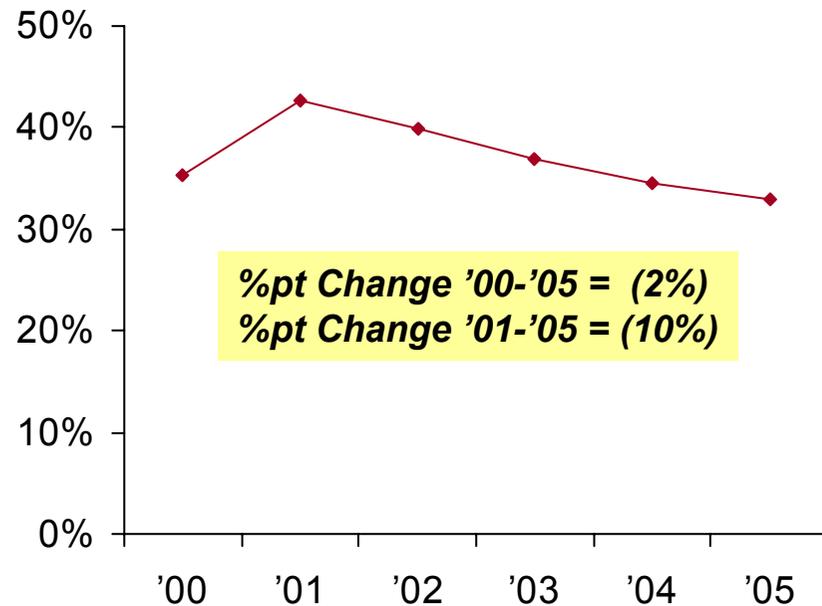


Costs

We have started to see the benefits of scale

Insurance

PRU Costs as a % of Gross Written Premiums

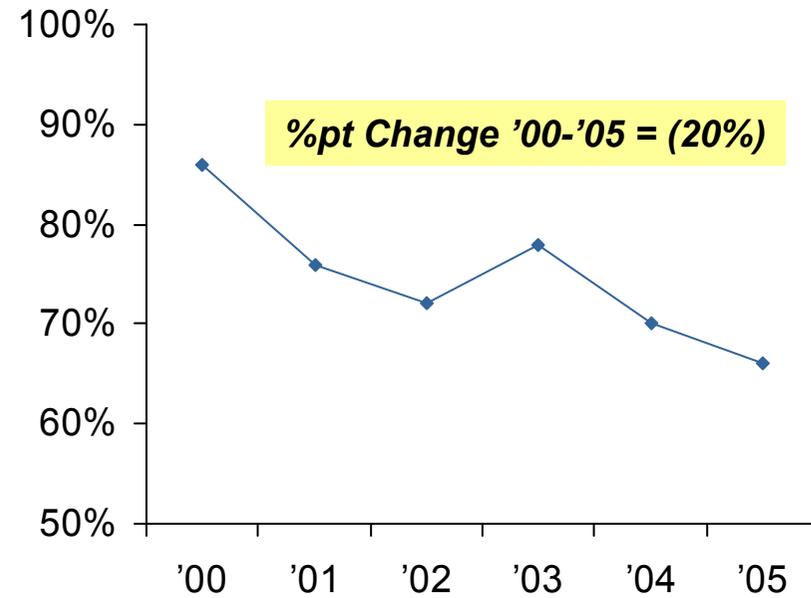


Total Cost (£m)	'00	'01	'02	'03	'04	'05
	249	428	495	585	652	744

Note: Insurance costs include commissions

Asset Management

PRU Costs as a % of Net Revenue



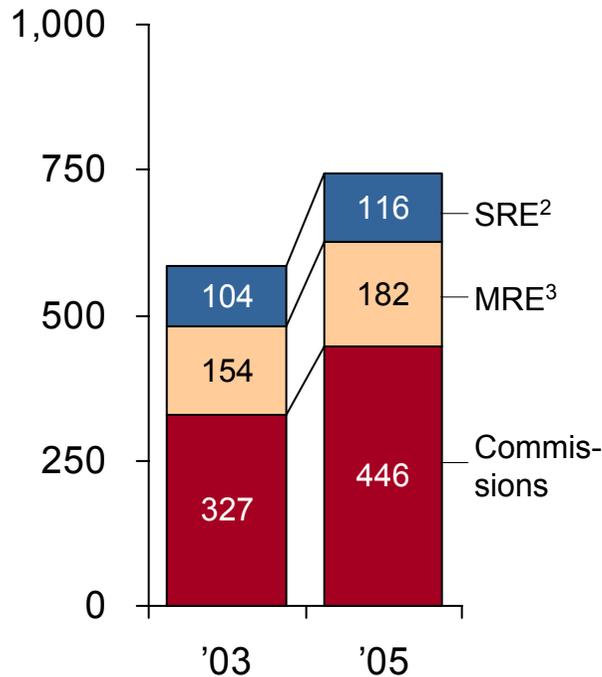
Total Cost (£m)	'00	'01	'02	'03	'04	'05
	17	25	29	35	42	50



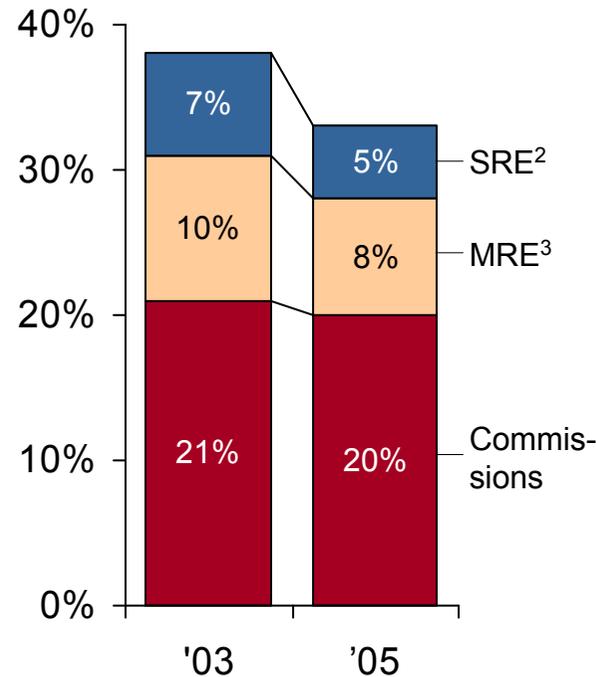
Insurance: Costs

Since 2003, insurance costs as a percentage of gross written premiums have decreased by 13%

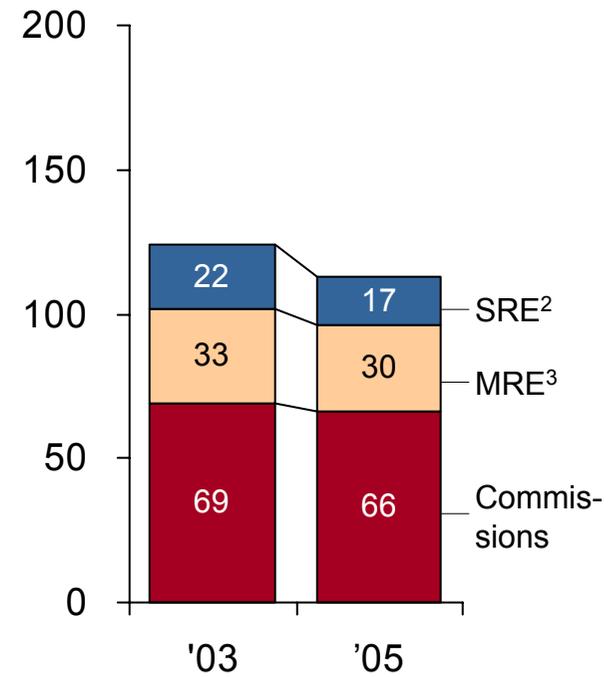
PRU Cost (£m)



PRU Cost as a % of GWP¹ (%)



PRU Cost per Policy (£)



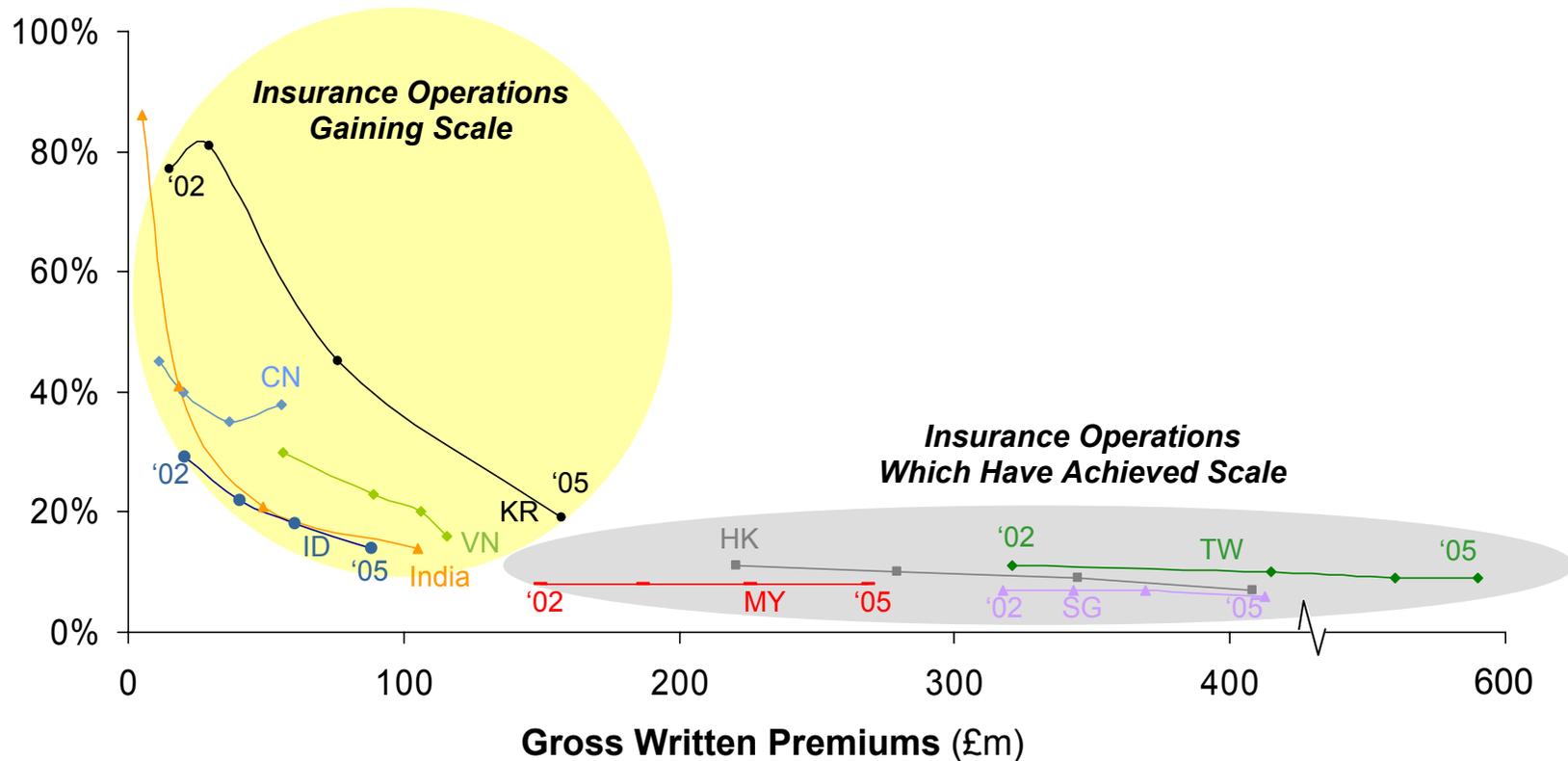
1. Gross Written Premiums; 2. Sales Related Expense; 3. Management Related Expense



Insurance: Costs ('02-'05)

There is still headroom for improvement, especially as newer insurance operations gain scale

PRU Operating Expense as % of Gross Written Premiums '02-'05 (%)



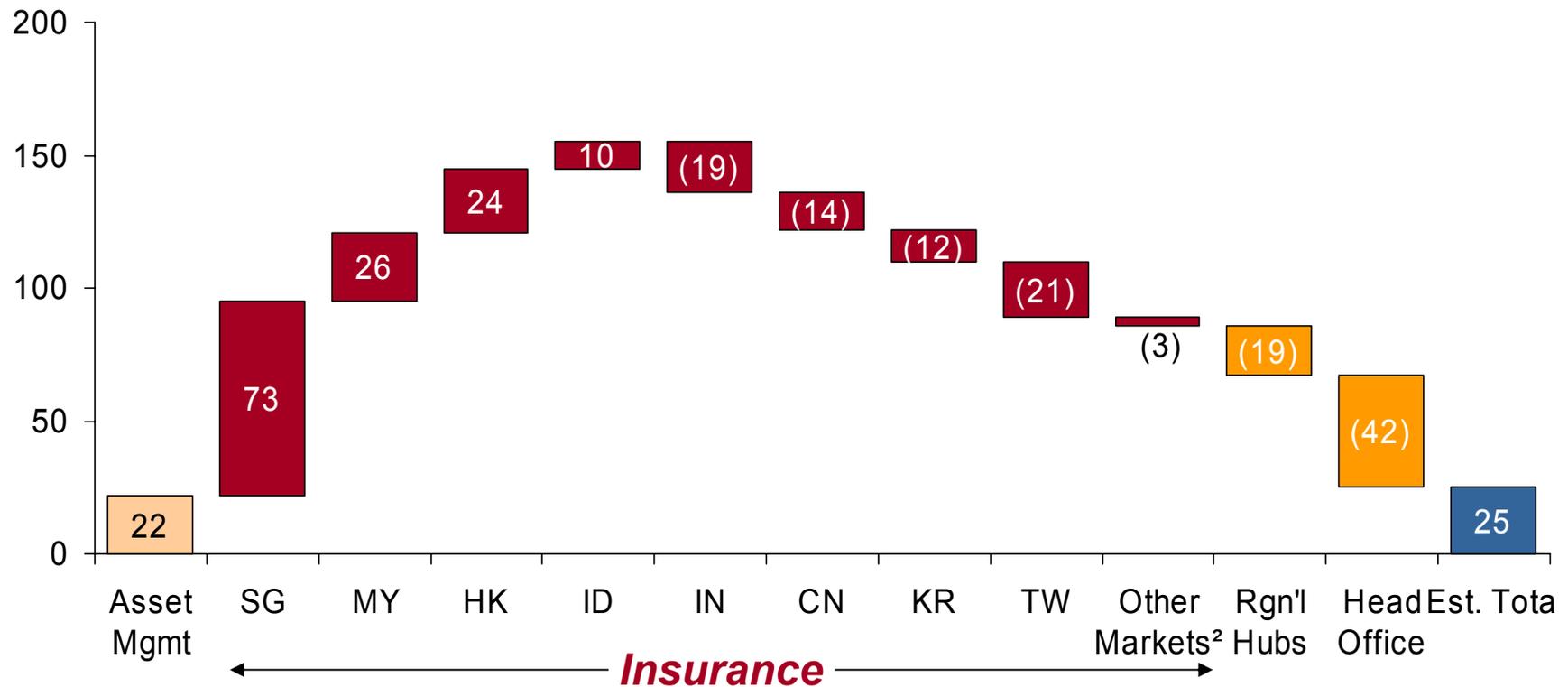
Note: Operating Expense = Management Related Expense + Sales Related Expense ; India's operating expense and GWP are on 100% interest basis



Sources and uses of capital

Prudential Asia is now starting to generate cash

PRU Net Capital Estimate '06¹ (£m)



Note: "Rgn'l Hubs" refers to Regional Operations Hubs; 1. Estimate for full year 2006, actual results may vary; 2. Japan, Vietnam, Thailand, and Philippines



What performance has Prudential Asia delivered?

Prudential Asia has delivered an overall strong performance

	CAGR '00-'05
APE	28%
Asset Management FUM	25%
NBP	27%
Embedded Value	28%
IFRS Operating Profit¹	45%

1. Excludes '05 exceptional items



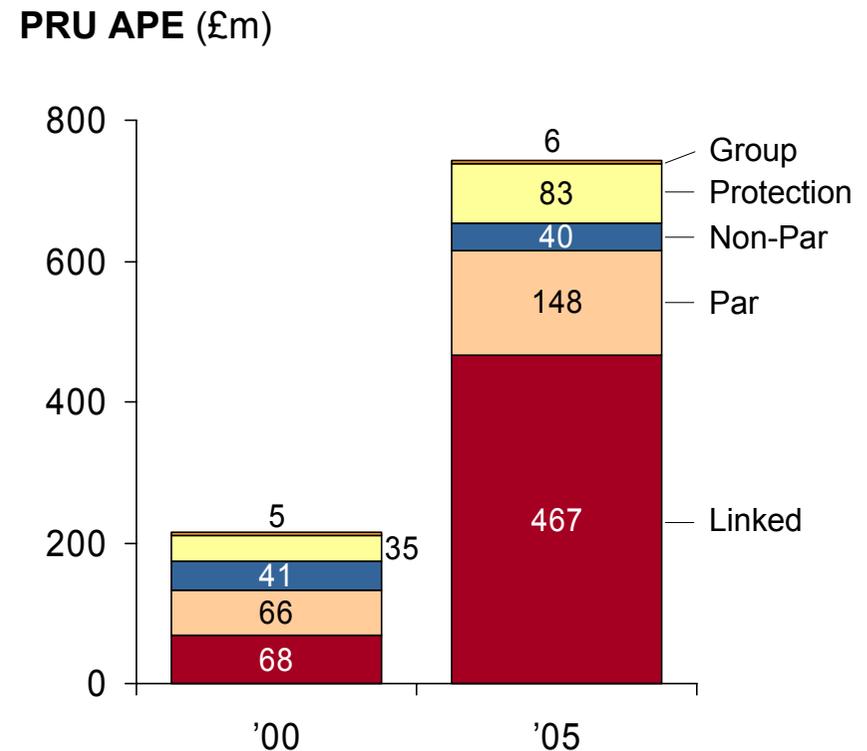
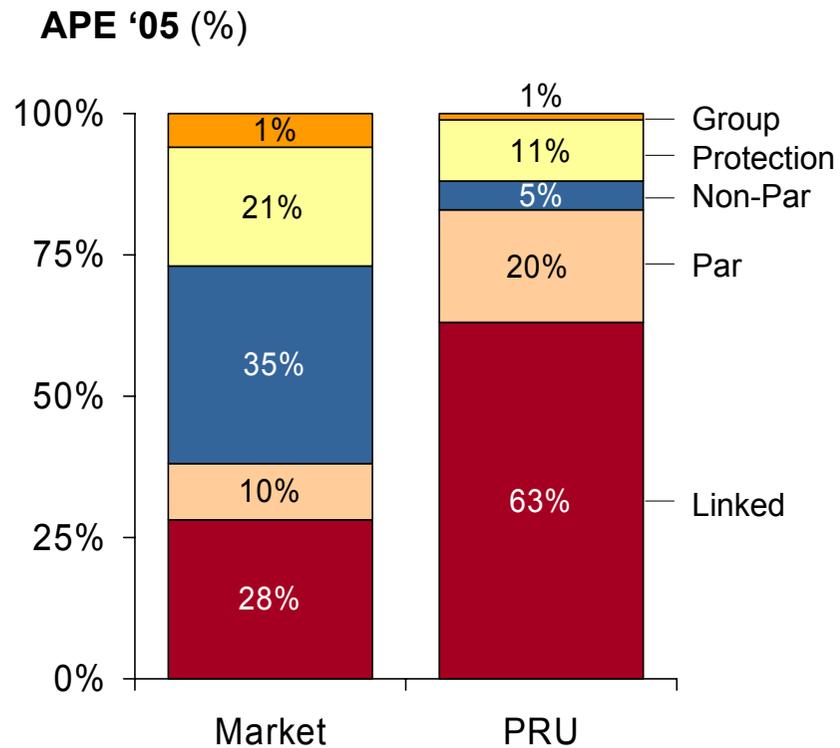
Three topics to address

1. What performance has Prudential Asia delivered?
- 2. What product and channel economics have driven our strategic choices?**
3. How is the business positioned to sustain profitable growth?



Product strategy

Our portfolio is weighted towards more profitable products



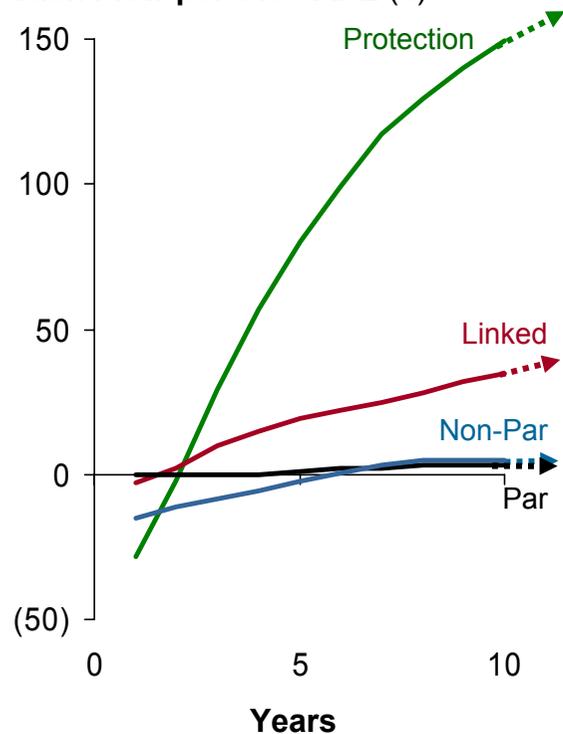


Product economics: Product type

There are considerable differences in profitability, capital efficiency and returns across product types and markets

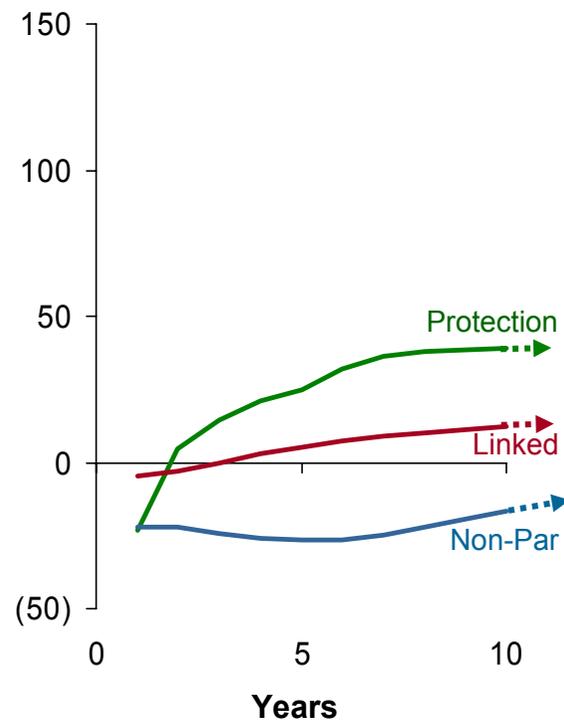
Singapore

PRU Post-Tax Discounted Cumulative Cash Flow per £100 APE (£)



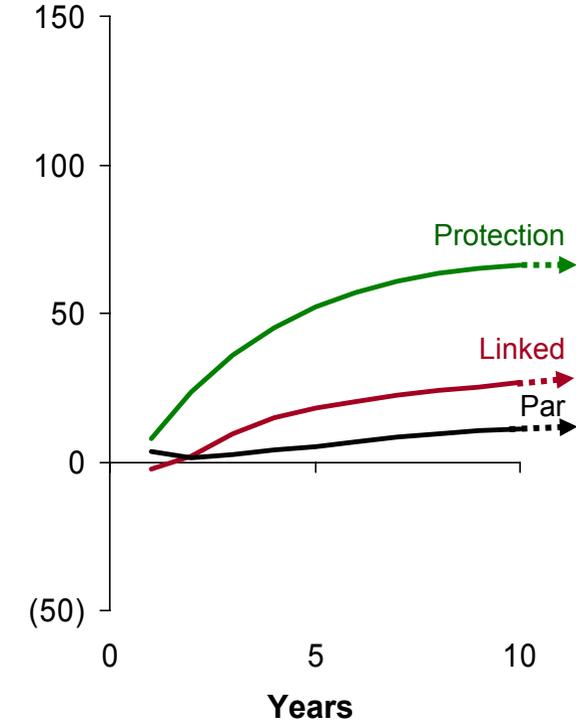
Korea

PRU Post-Tax Discounted Cumulative Cash Flow per £100 APE (£)



Indonesia

PRU Post-Tax Discounted Cumulative Cash Flow per £100 APE (£)

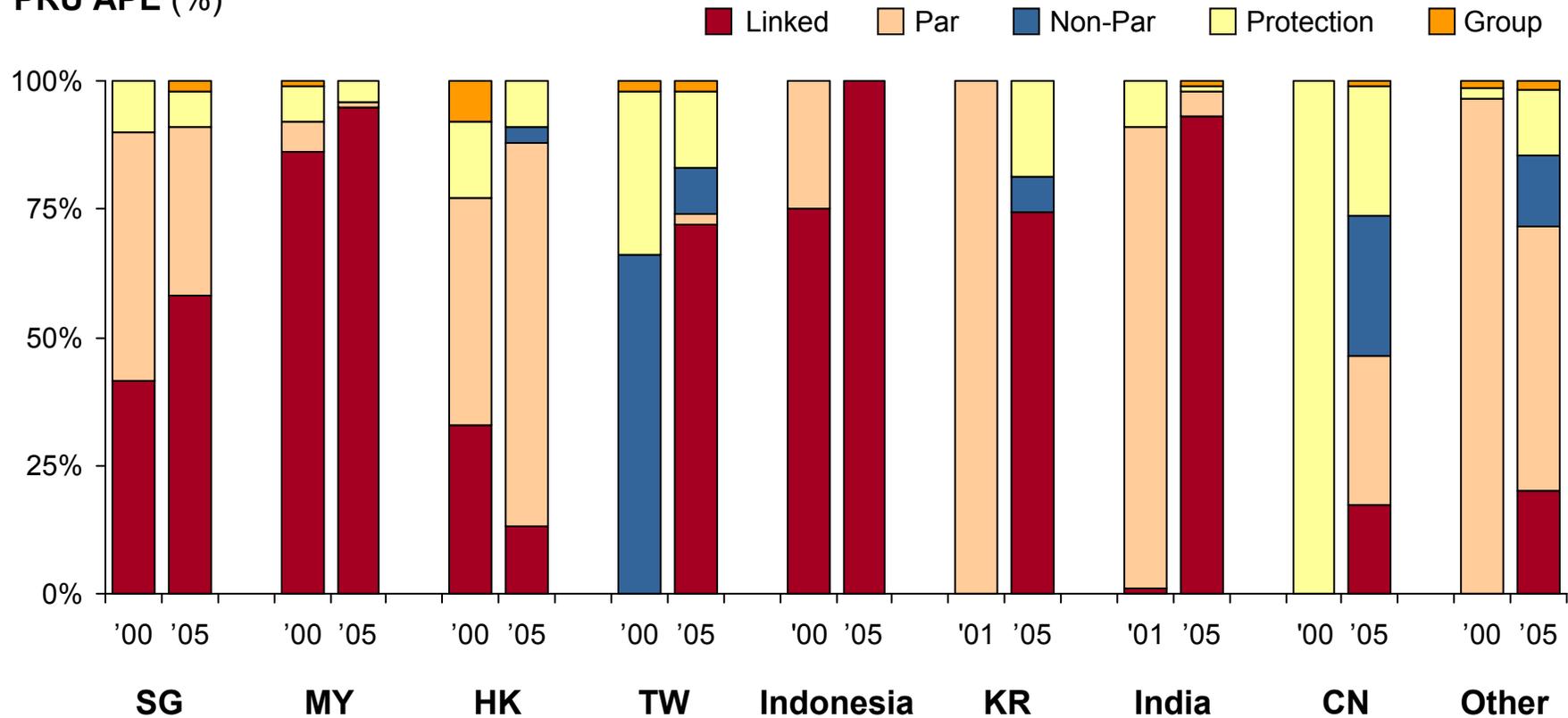




Product focus

We are continuing to invest in expanding the unit-linked product category across Asia

PRU APE (%)

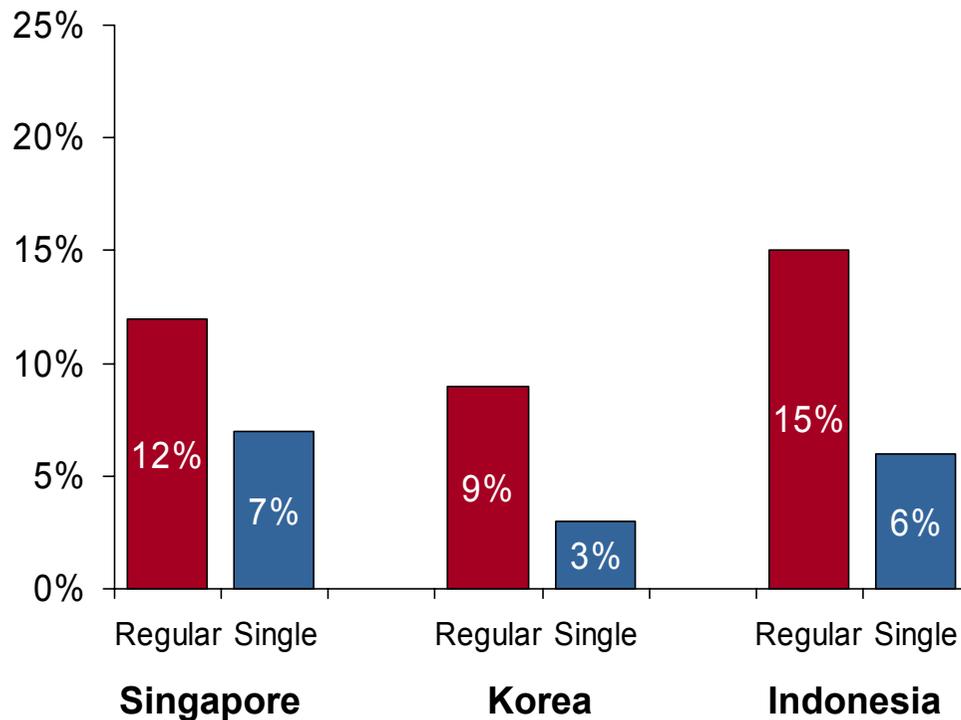




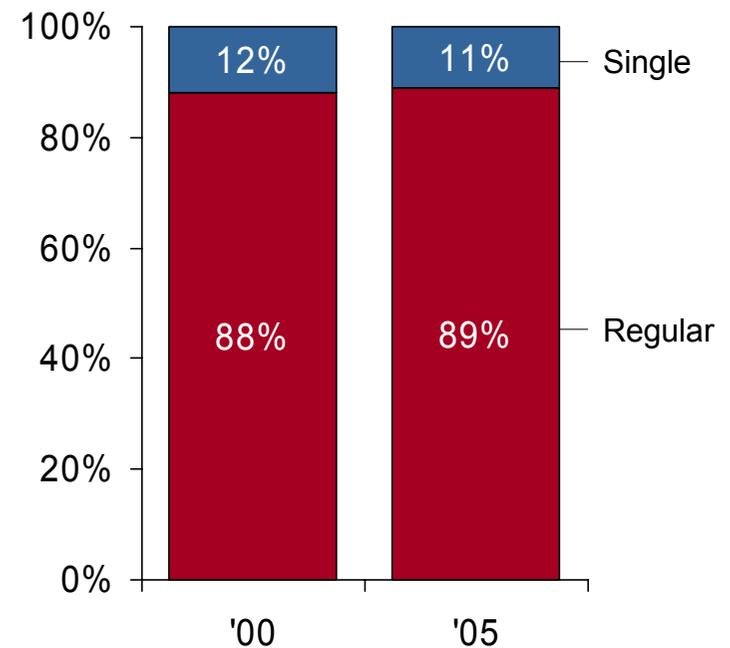
Product economics: Premium type

We focus on more profitable regular premium products

PRU NBP Margin on PVNBP Basis '05 (%)



PRU APE by Premium Type (%)





Product: Key messages

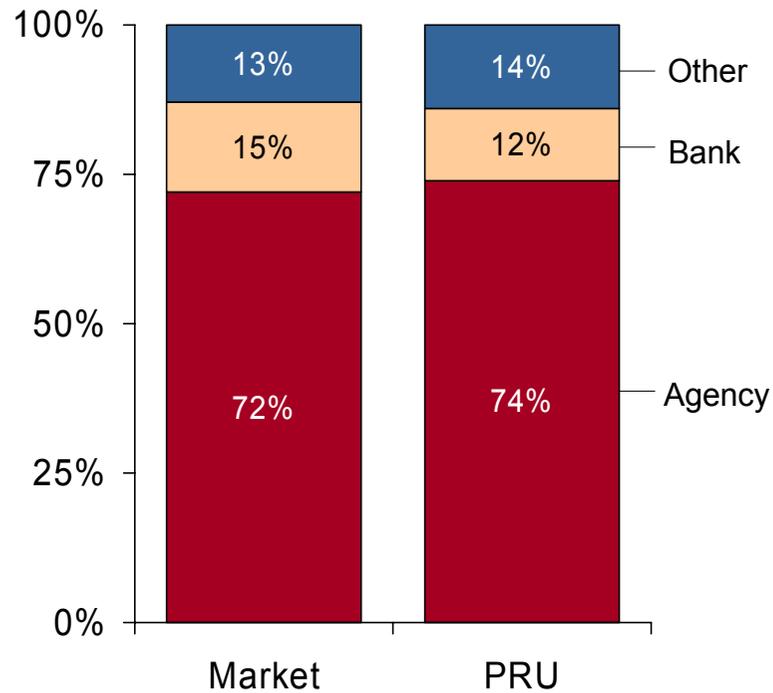
- The **economics differ significantly across the range of products** being sold in the market
- We are focused on **profitable and capital efficient products**; however, the market is selling a broad mix of products
- In particular, we have led the market in **concentrating on unit-linked products**, and the market is now following
- We also focus on **regular premium products** which are more profitable
- In addition, we see opportunity to **increase our share of protection products**



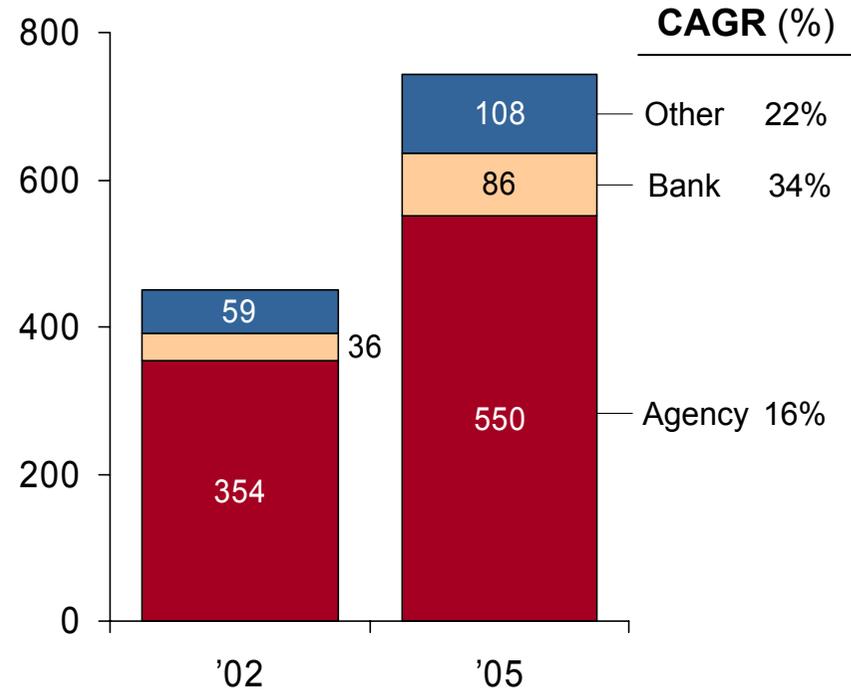
Distribution strategy

The primary distribution channel for us, and the market, is agency

APE '05 (%)



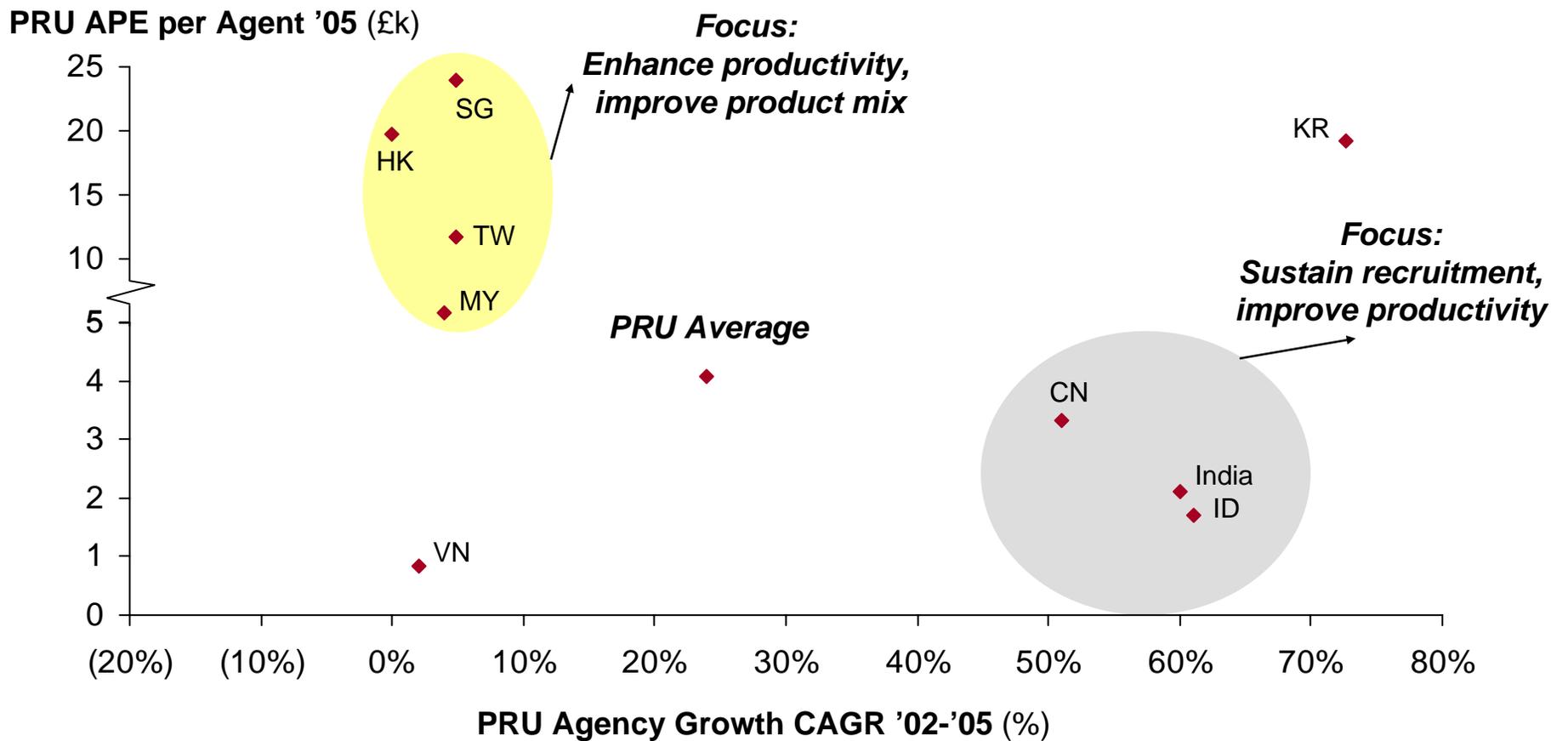
PRU APE (£m)





Agency Strategy

Our agency strategy is tailored by the stage of development of the market



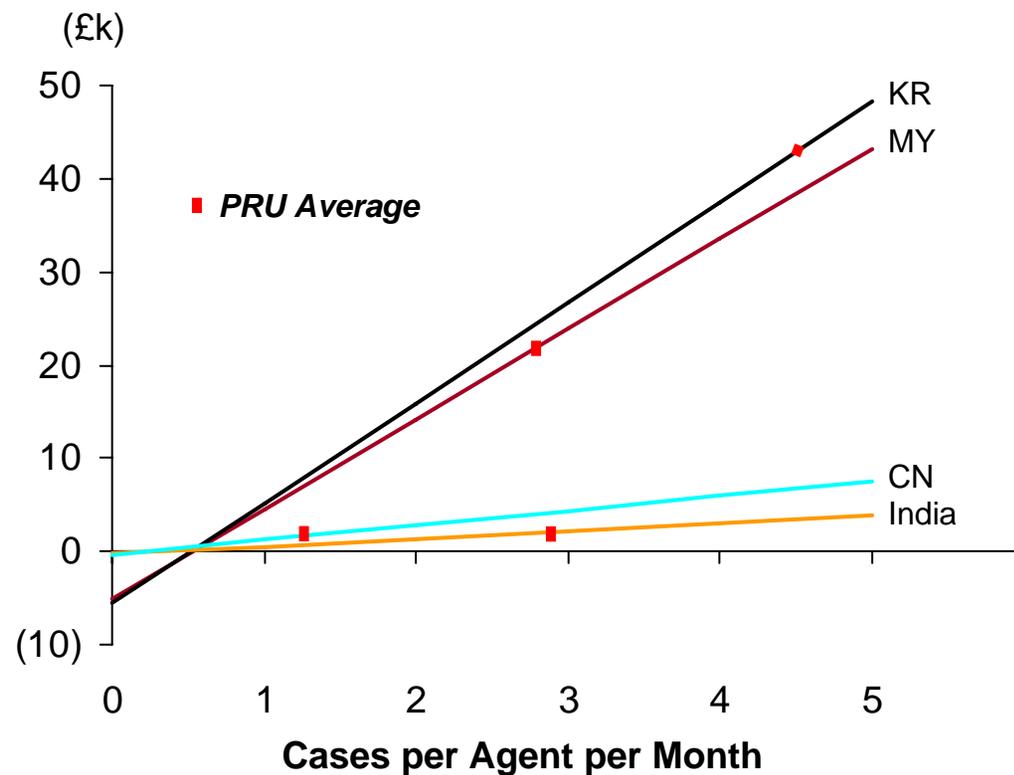
Note: India presented at 100% interest



Distribution Economics: Agency

Agent economics are highly attractive in Asia

Value of an Agent to PRU (Net of Acquisition Cost)



- Average acquisition cost for an agent is low
- On-going costs are mostly variable
- Agents are profitable even at low productivity levels

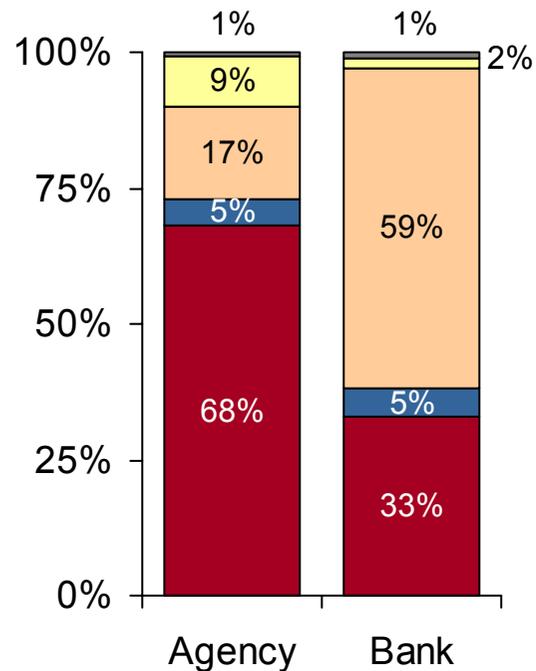
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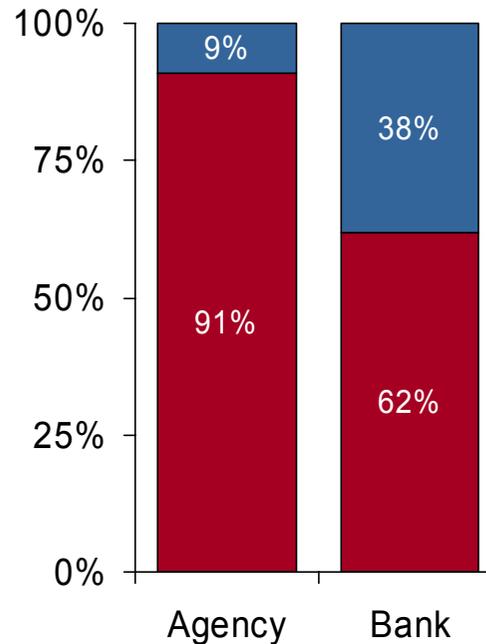
Distribution Economics: Bank

Bank distribution is profitable, but different mix of products and premium types results in lower profitability than agency

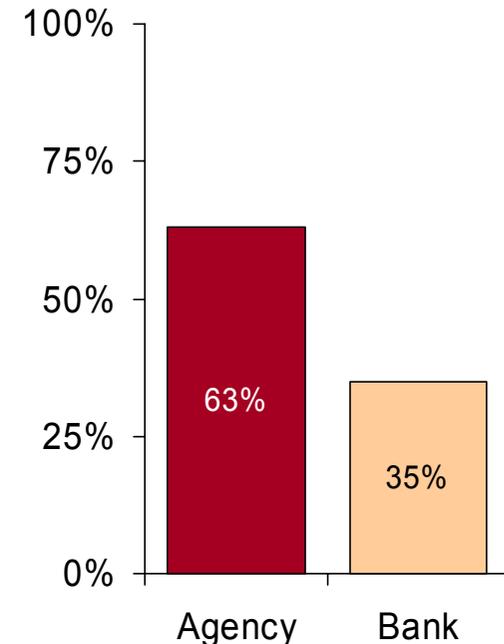
PRU APE '05 (%)



PRU APE '05 (%)



PRU NBP Margin '05 (%)



■ Linked ■ Non-Par ■ Par
■ Protection ■ Group

■ Regular Premium ■ Single Premium



Distribution: Key messages

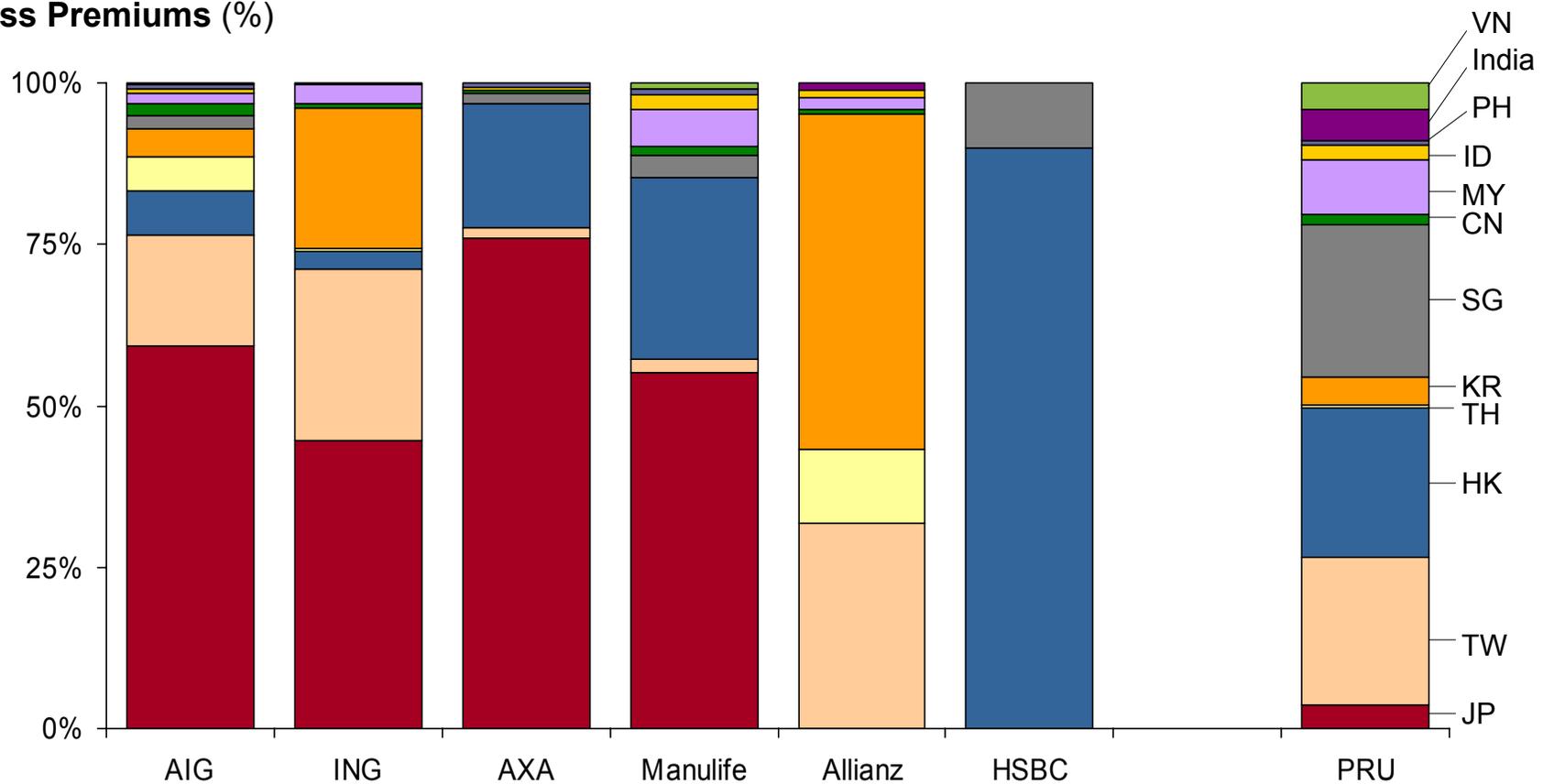
- Agency remains the dominant distribution channel in Asia today, and **agents are highly valuable**
- In **growth markets, we are focused on increasing the size** of our agency force faster than the market
- In more **developed markets, we are working to improve productivity** more quickly than the market
- Though growing and profitable, **bank distribution is less profitable than agency distribution**
- We are **selectively participating in other distribution channels**. In addition, we see opportunity in direct marketing



Geographic diversification

Prudential Asia's regional footprint is more diversified than competitors

Gross Premiums (%)



Source: Swiss Re, latest available data



Asset Management: Key messages

- Our asset management business drives our profitable growth in three ways:
 - Generating **above average fund performance** for life funds
 - Supporting our **linked product** strategy
 - Attracting and managing **external retail funds**

- As in our insurance business, we have built an asset management business **focused on the economics** of product and channel segments

- In our product mix, we **emphasise equity products**, market conditions permitting

- Our **distribution mix is multi-channel** but tailored by country market

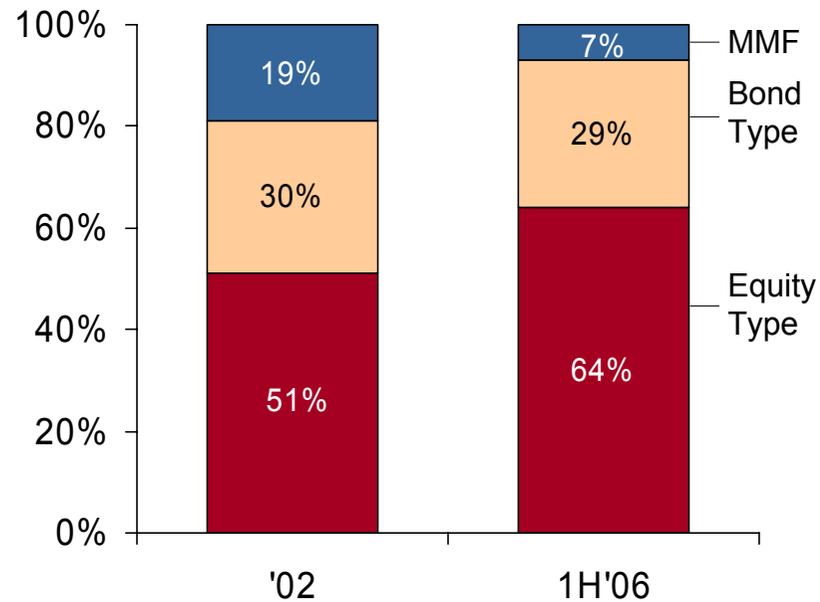


Asset Management: Product strategy

Our product mix is weighted towards more profitable equity products

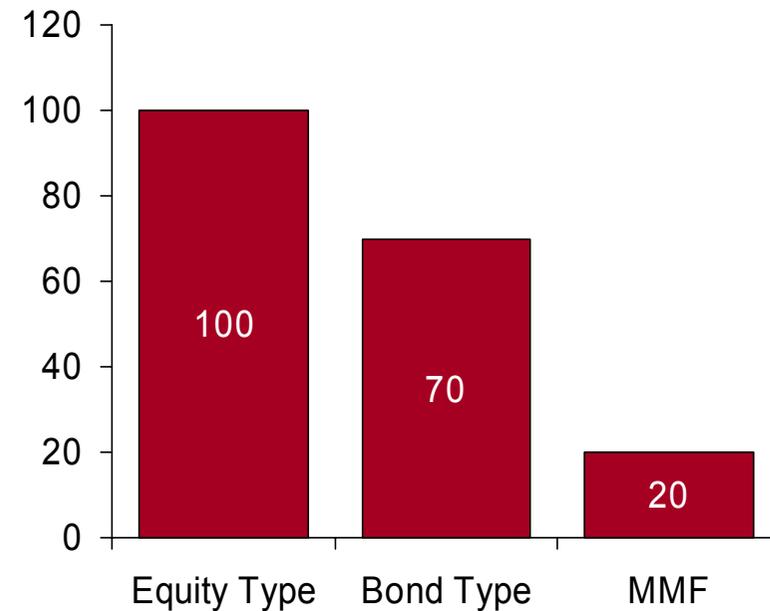
Product Mix

PRU FUM (%)



Product Pricing

PRU Gross Fee '05 (bps)

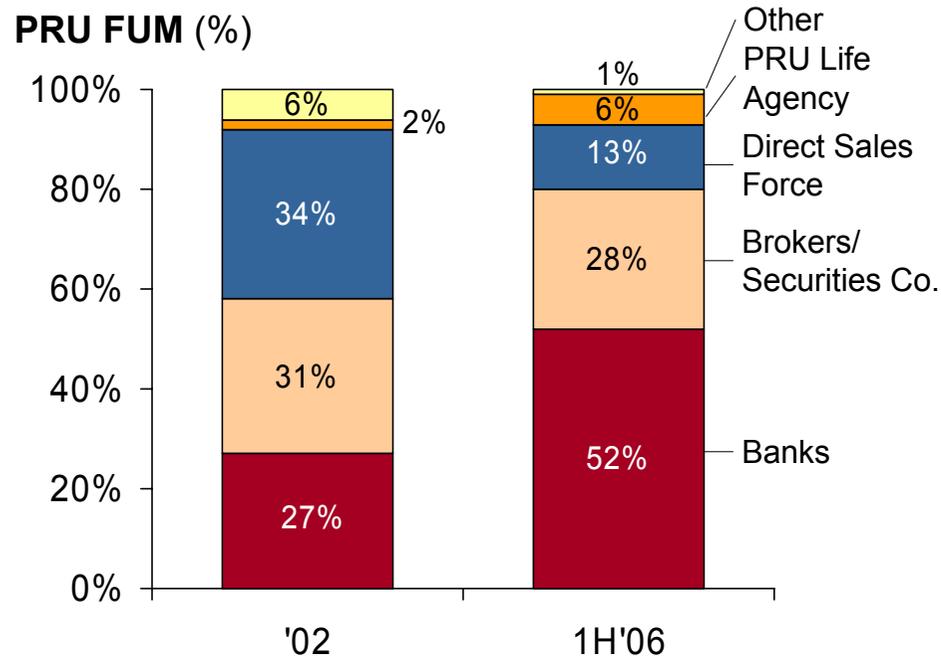




Asset Management: Distribution strategy

Multi-distribution platform with banks now accounting for over half of FUM

Distribution Mix



- We have nearly doubled the contribution from bank distribution which now accounts for over half of FUM
- Brokers and securities companies account for over a quarter of total distribution

Note: Retail mutual funds only; excludes life insurance assets under management



Three topics to address

1. What performance has Prudential Asia delivered?
2. What product and channel economics have driven our strategic choices?
- 3. How is the business positioned to sustain profitable growth?**



Margins and profit growth

We see pressure on margins but also opportunities to offset them. In addition, we see significant headroom for growth...

Sustaining Margins

- Pressure on margins
 - Increasing competitive intensity
 - Additional disclosures and customer awareness
 - Growth from lower-margin markets
 - Increased share of bank distribution
- Offsetting factors
 - Further changes to product mix (protection products, rider attachments)
 - Additional economies of scale

Headroom for Profitable Growth

- Strong fundamentals
 - Shift from cash and deposits to insurance and mutual funds
 - Strong macroeconomics
- Regulatory reform further opening up markets
- Specific new opportunities
 - Retirement/pensions
 - Direct distribution

...and expect overall strong profitable growth with New Business Profits at least doubling from 2005 to 2009

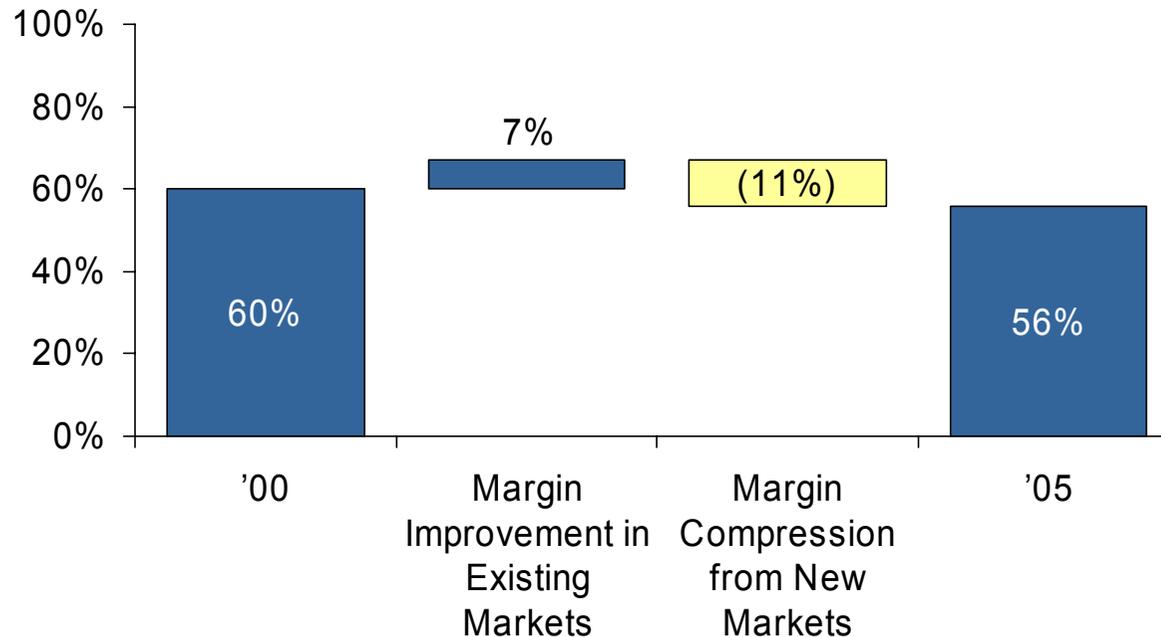


Sustaining margins

We have a good track record of sustaining margins

Impact of Geographic Mix on Margins

PRU NBP Margin (%)



- We have been able to increase margins in many markets since '00
 - Improved product mix
 - Increased rider sales
- Margins have declined as a result of growth in new markets
 - Korea, India and China

Note: Existing markets at start of '00: SG, TW, HK, MY, ID, TH, VN, PH; New markets: KR, CN, India, Japan



Headroom for profitable growth

We see headroom for profitable growth in Asia

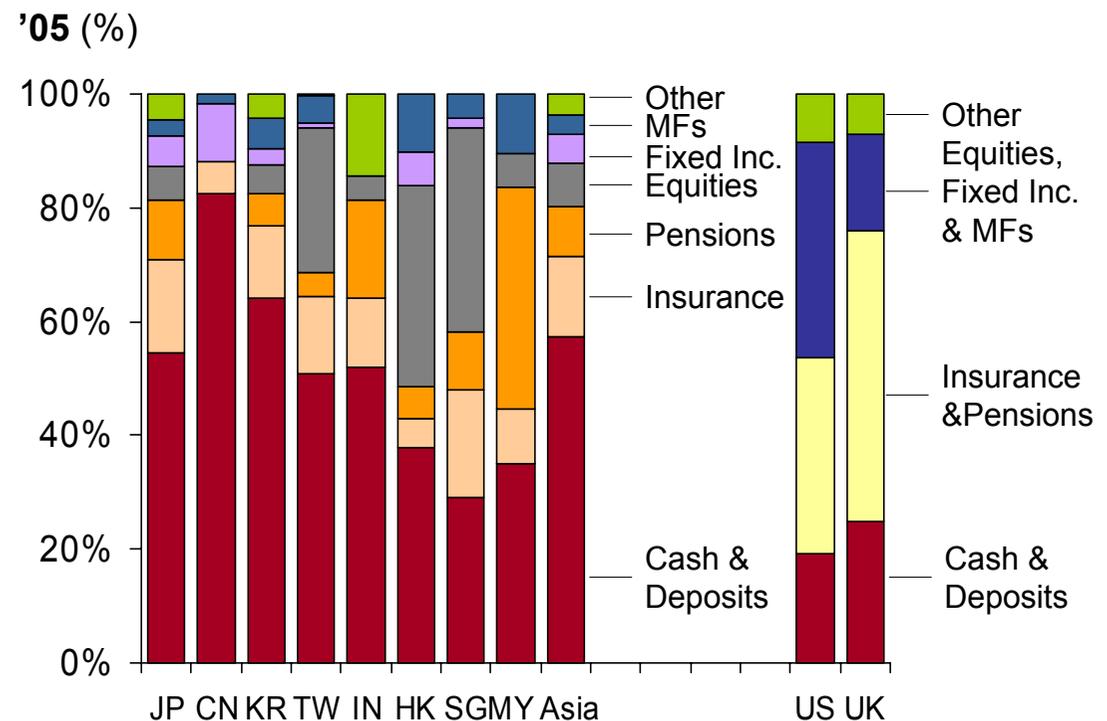
Headroom in Market

- Shift away from cash and deposits
- Strong economic growth
- Regulatory reform

Specific New Opportunities

- Demographic shift will stimulate growth from new areas
 - Retirement/pensions
 - Accident and health
 - Direct distribution

Household Financial Assets



Source: Citibank Consumer Banking Report, 2005

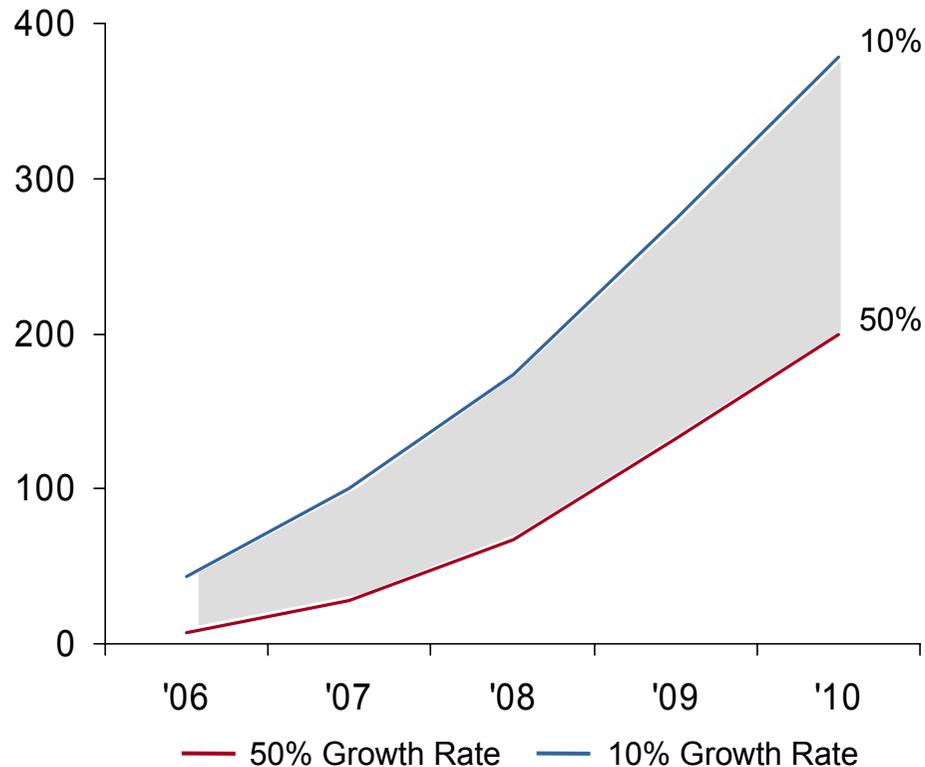


Funding growth and new opportunities

Assuming 2005 business mix, Asia will generate increasing levels of cash

PRU Asia Future Annual Cash Flows

Illustration Under Different Growth Scenarios¹ (£m)



- Cash flow scenarios assume:
 - organic growth
 - 2005 business mix and product margin
- Even at a growth rate of 50%, Asia remains self-funding with accelerating cash flows
- Pursuing new opportunities may shift the profile of the curve

1. This illustration is not a forecast of future growth rates or sales mix



Summary

- We have **delivered an overall strong performance**
- We have **built an attractive model** that is focused on profitable product and channel segments in our markets
- The business is **positioned to sustain profitable growth** despite market and competitive challenges
- Prudential Asia is now **starting to generate cash**, and we also see opportunities for further investment