



**Prudential:
Leading in Asia**

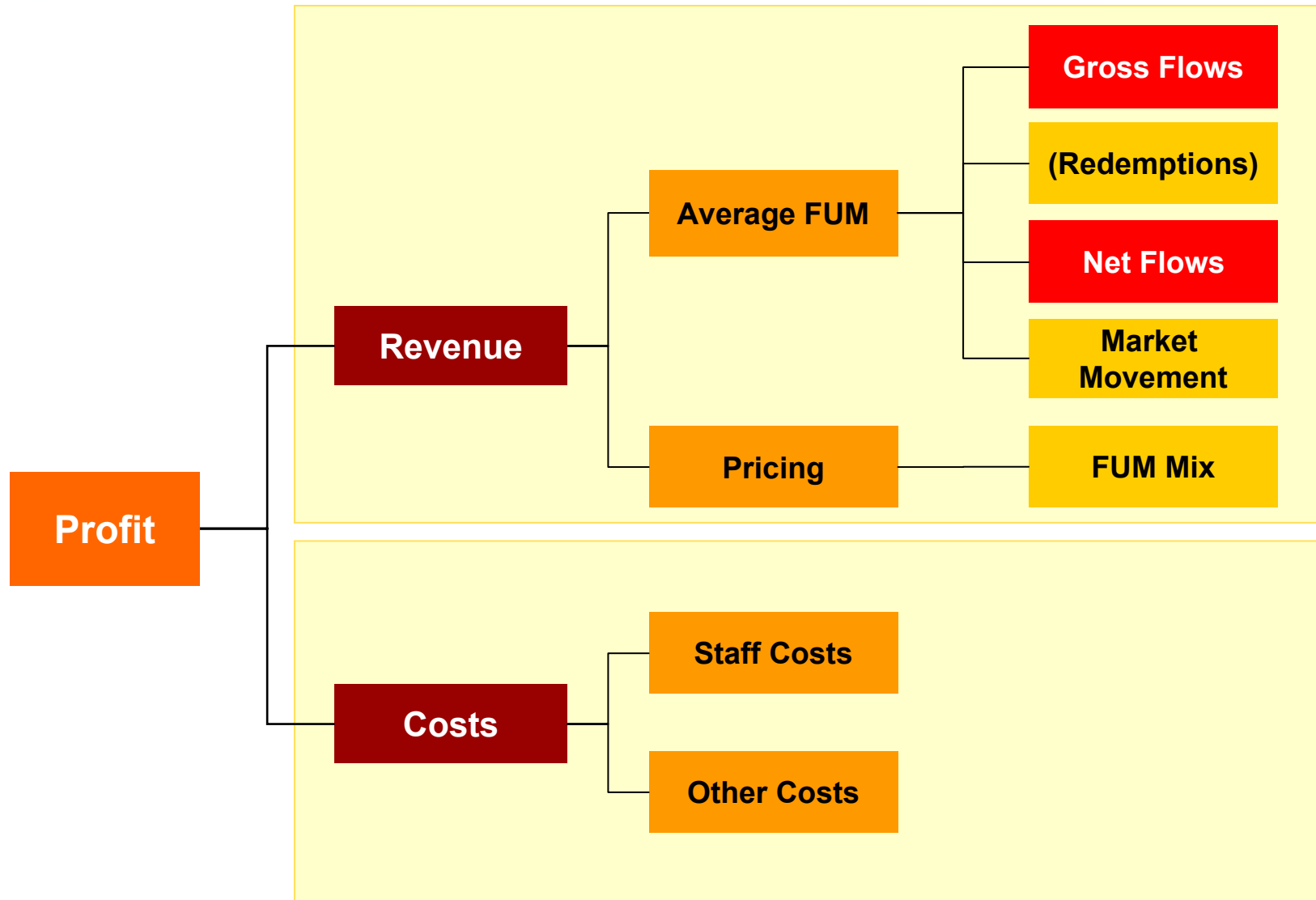
Creating Material Earnings

**Ted Pull
Prudential Corporation Asia
1 December 2006**





Profit drivers

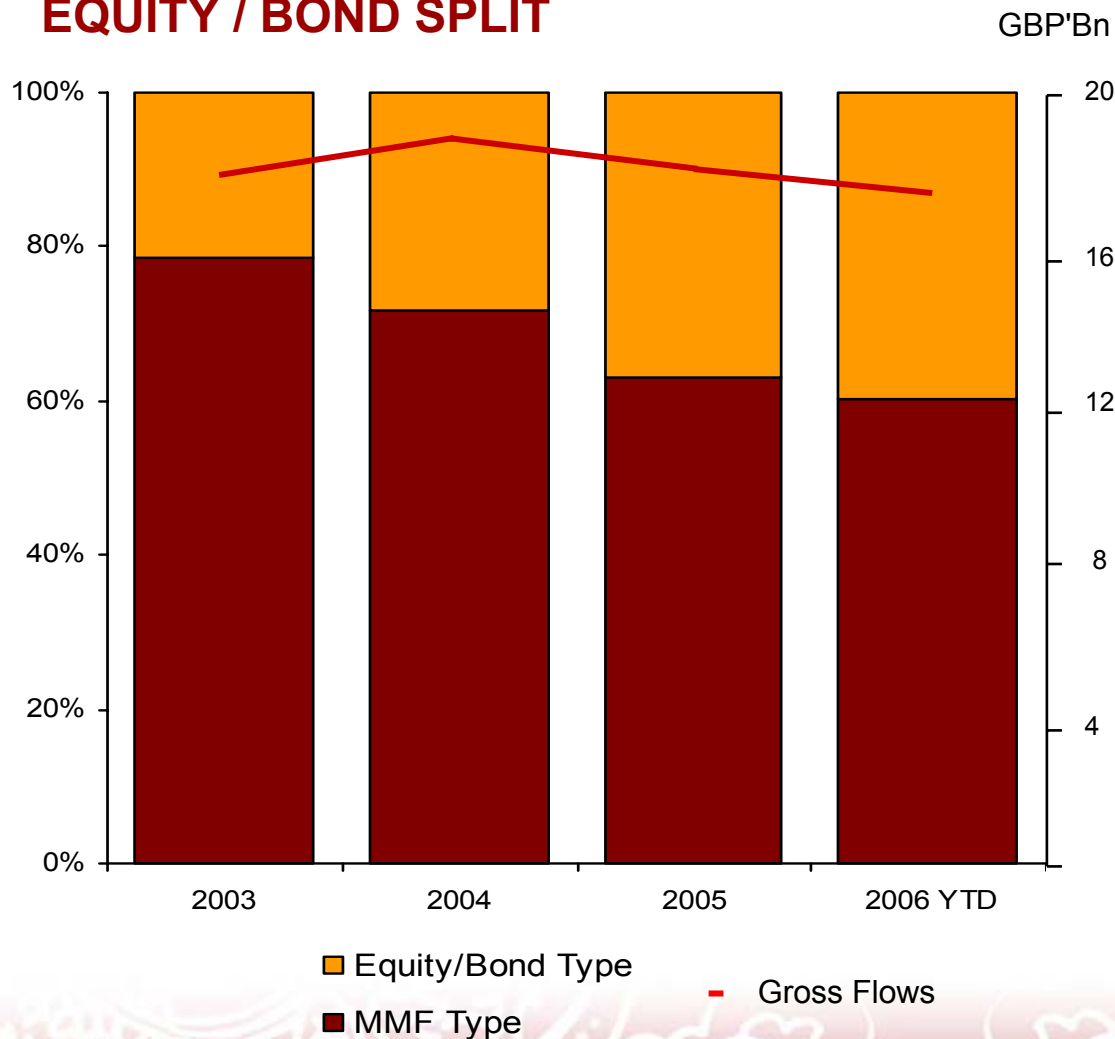




Gross Inflows

Material and dominated by Money Market Funds

MONEY MARKET FUNDS AND EQUITY / BOND SPLIT



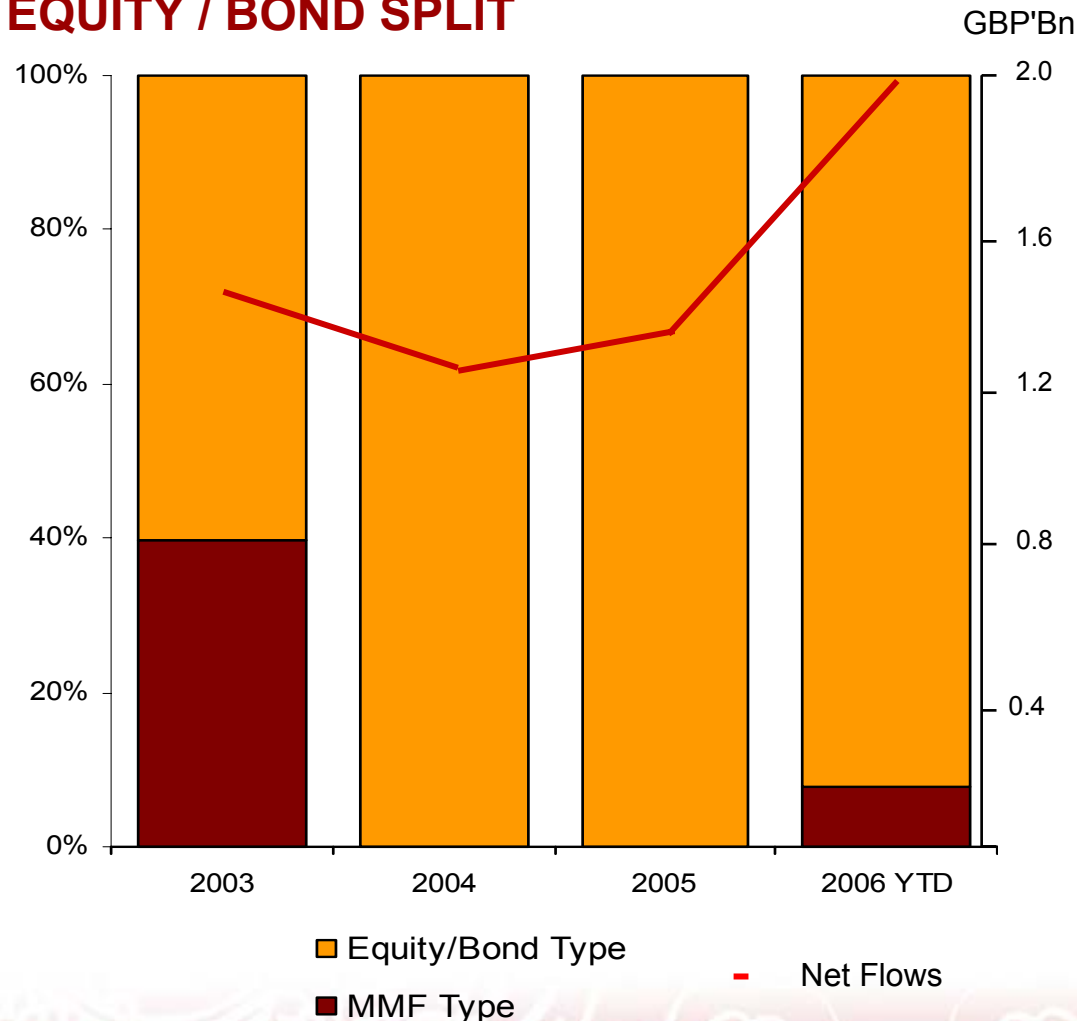
- YTD 2006* Gross Flows of **GBP 17.9 Bn.**
- Total Money Market Funds (MMF) Gross flows decreased from 78% in 2003 to 60% of total Gross Flows YTD 2006.
- Two markets dominate our MMF Gross flows in 2006 - India and Taiwan (82% of gross flows YTD)

* 15 Nov 2006



Net Inflows Predominantly Equity and Bond Funds

MONEY MARKET FUNDS AND EQUITY / BOND SPLIT



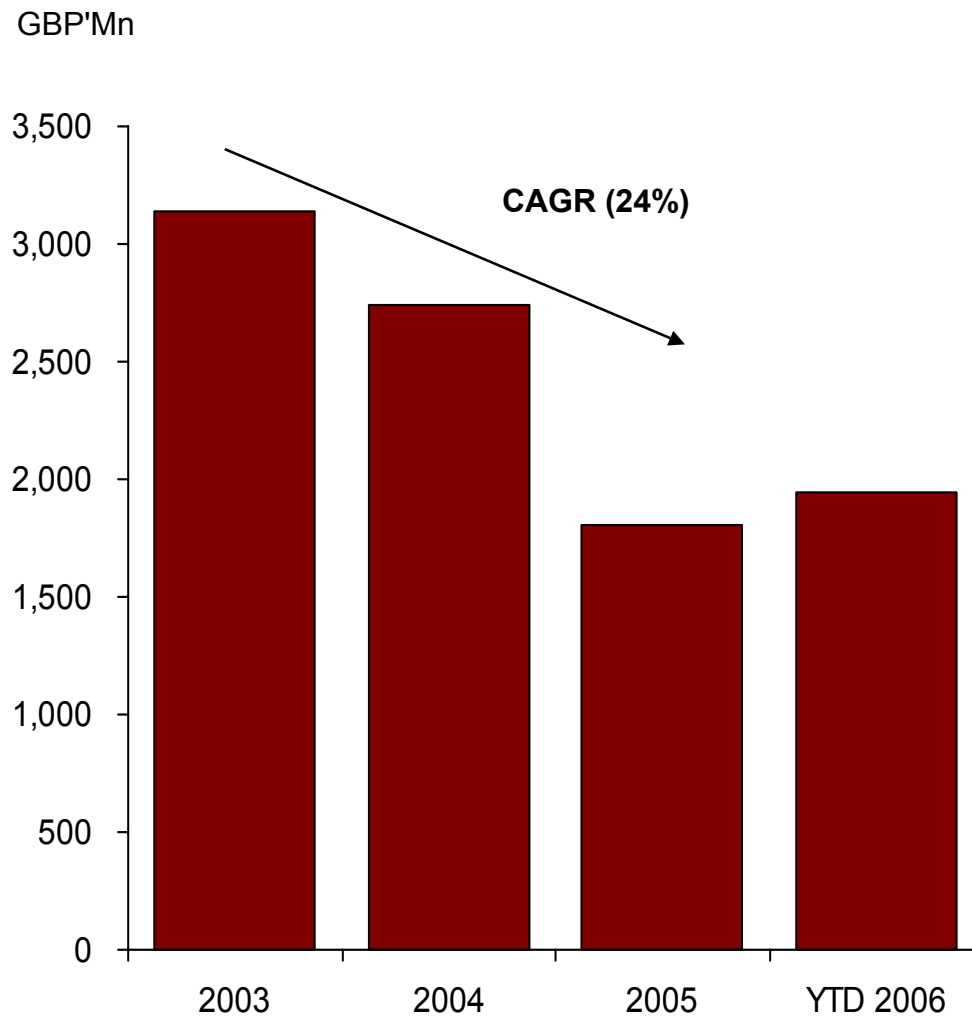
- YTD 2006* record Net Flows of **GBP 2 Bn.**
- Net outflows of MMF in 2004 and 2005
- MMF is still an important asset class offering choice to customers and a “first step” conversion of cash and deposits to mutual fund products.

* 15 Nov 2006



MMF FUM

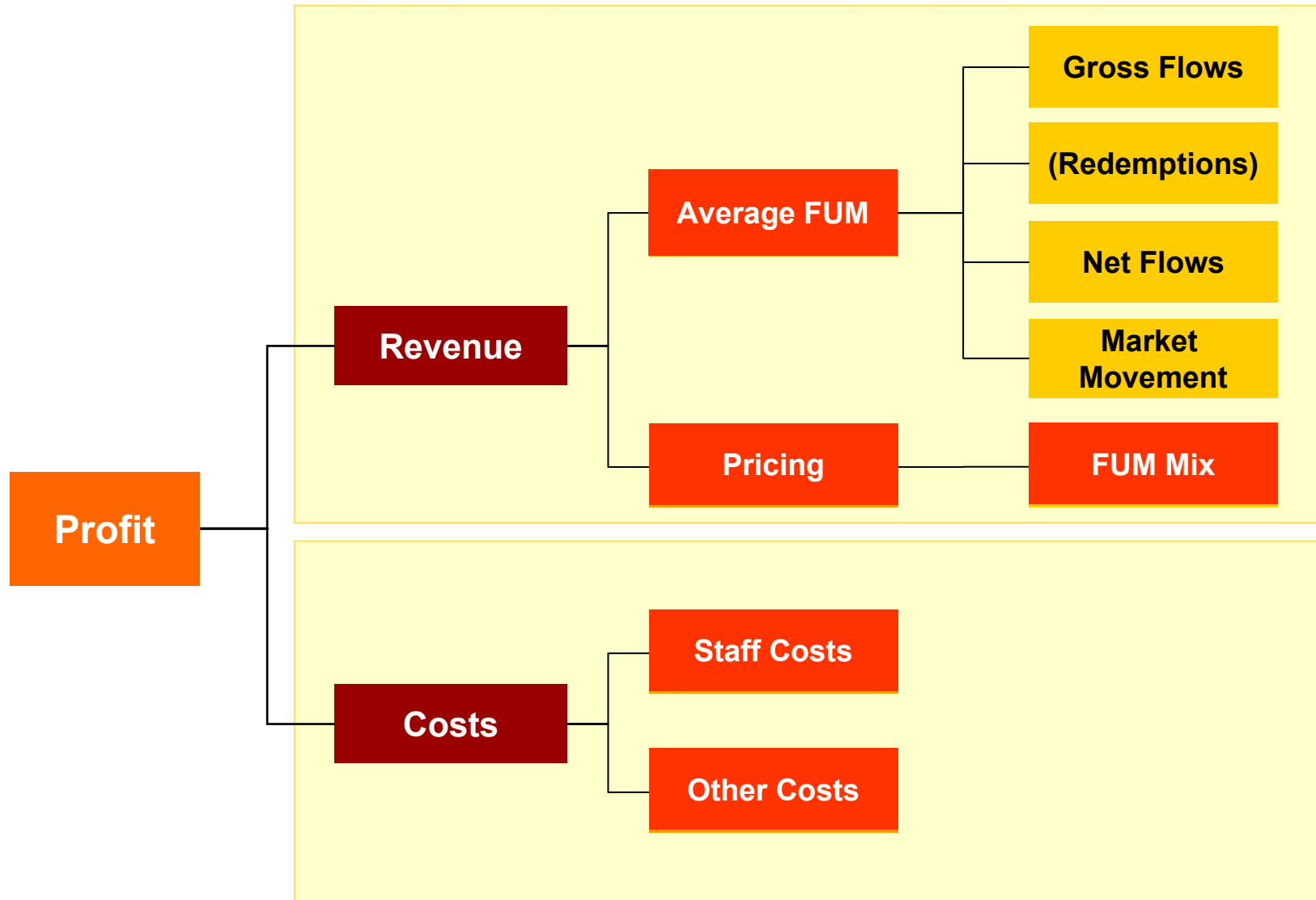
Still sizeable and profitable



- YTD 2006* money market fund FUM of **GBP 1.9 Bn.**
- MMF remains a profitable asset class given low cost of service.
- Material Gross inflows into MMF Funds, which have relatively low persistency, do not have an adverse impact on our business, its stability and sustainability of earnings.



Profit drivers

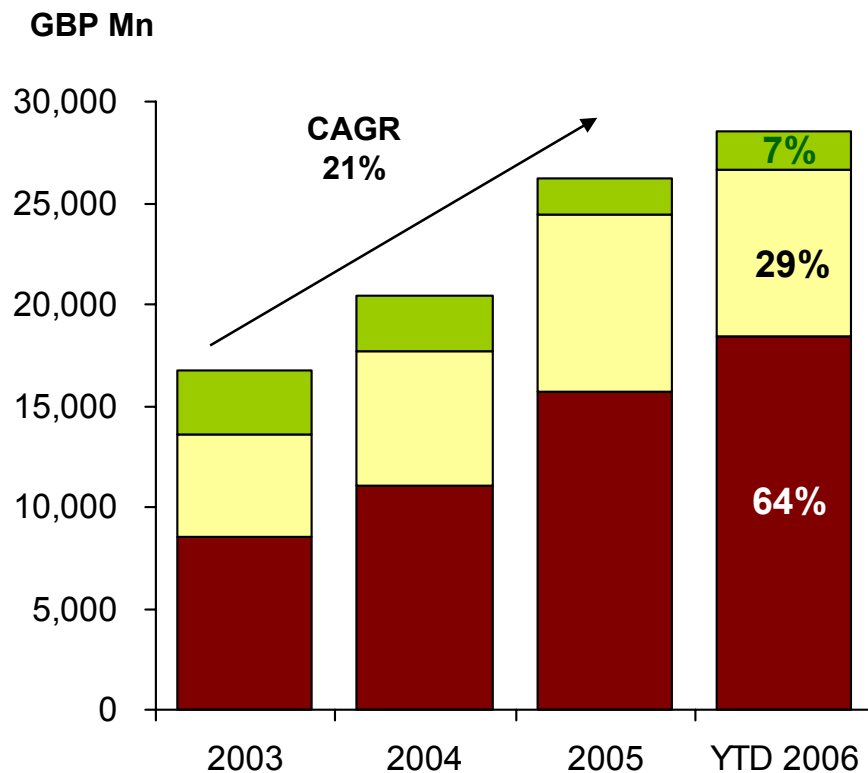




Total FUM

Growing and improving asset class mix

FUM of GBP 28.6bn YTD 2006*



**CAGR
03 to 05**

(24%)

32%

36%

PRICING (Retail)

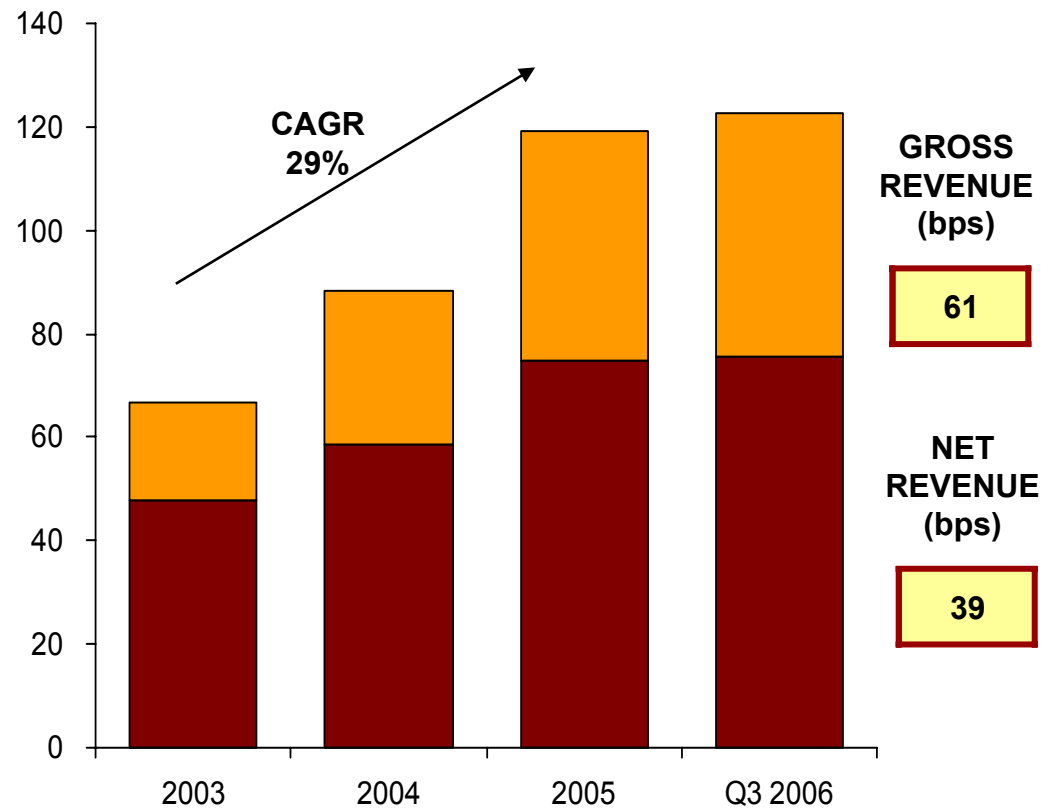
Asset Class	Gross Fee (bps)	Net Fee (bps)
MMF Type	20	15
Bond Type	70	45
Equity Type	100	75



Revenue Growing faster than FUM

GROSS AND NET REVENUE

GBP Mn



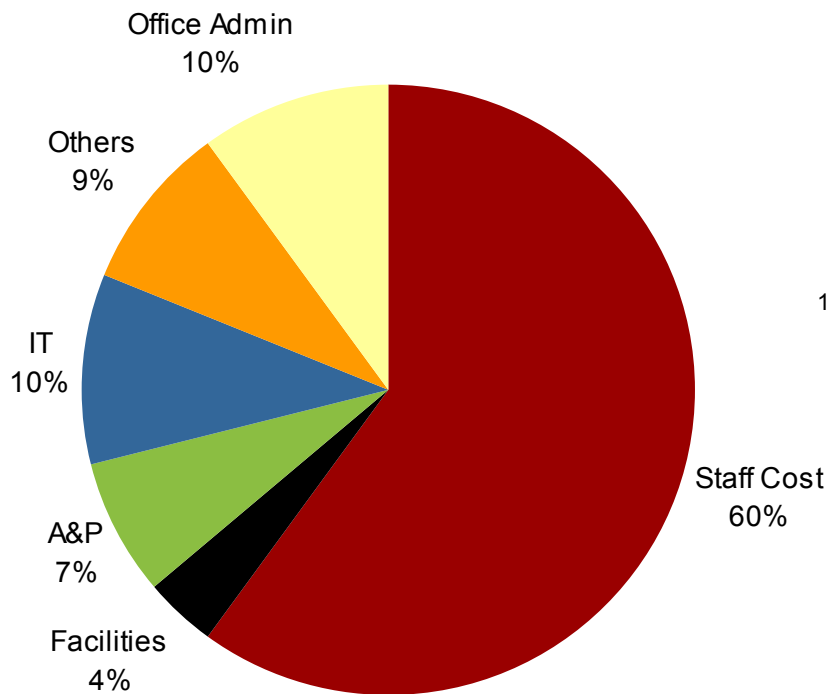
- Gross Revenue calculated from gross fees paid by customer. Net Revenue deducts costs of sales – distributor commission
- Net revenue equivalent to gross profit.
- Higher growth rate of Net Revenue reflects FUM with higher fees and inherent benefits of persistency



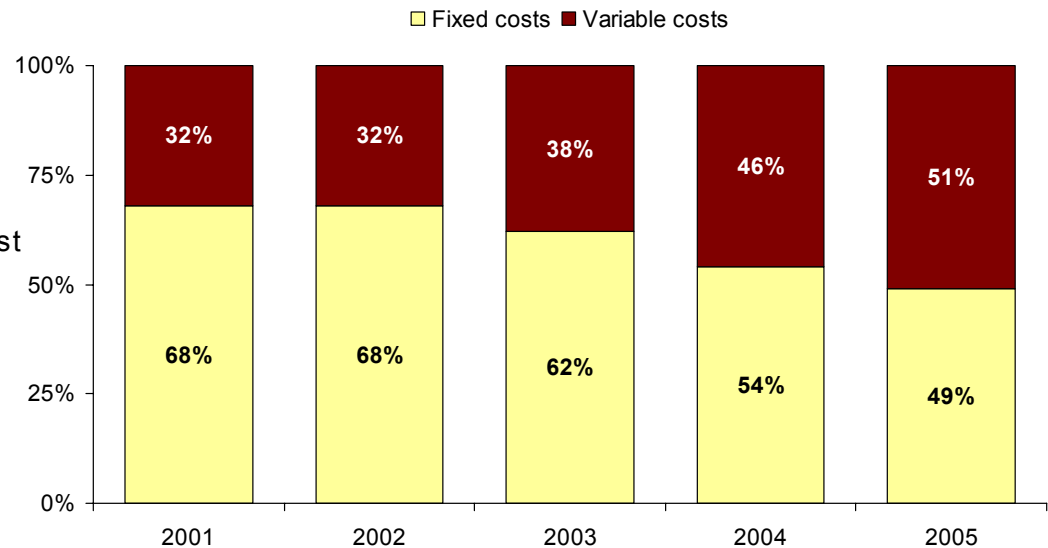
Operating Costs

Building a scalable platform

TOTAL OPERATING COST- FY 2005



- Operating costs are relatively fixed in nature and tend to increase in “step” phases rather than in line with growth in FUM and revenues
- Operating costs net of cost of sales

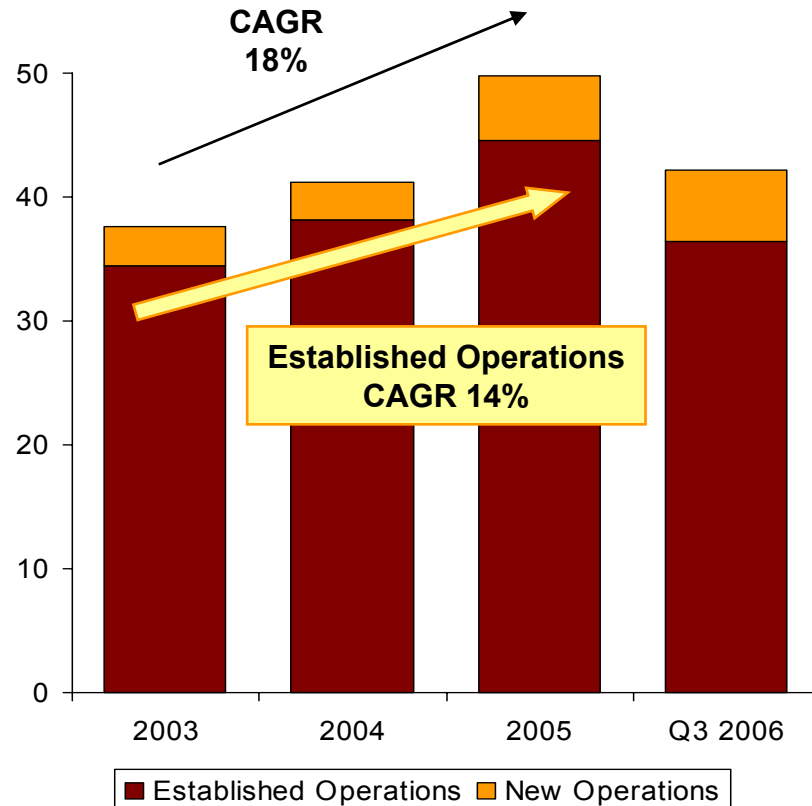




Operating Cost Growing slower than revenue

TOTAL OPERATING COST

GBP Mn



No. of operations

8

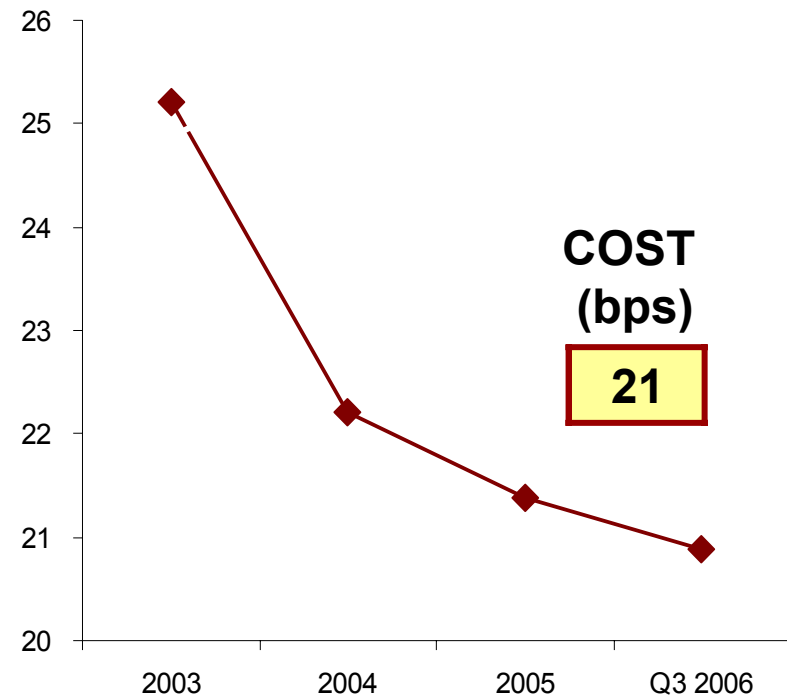
8

10

10

OPERATING COST PER UNIT FUM

bps

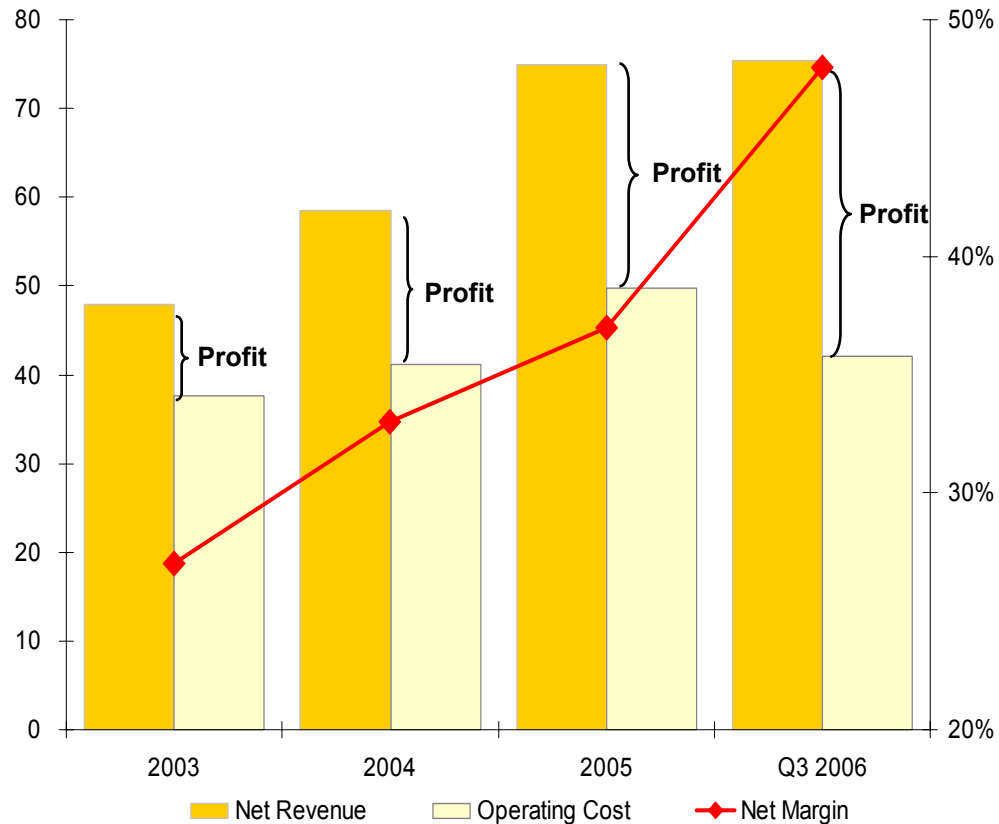


- Scale nature of business reduces average operating cost as FUM grows.



Net Margin Improving as benefits of scale take effect

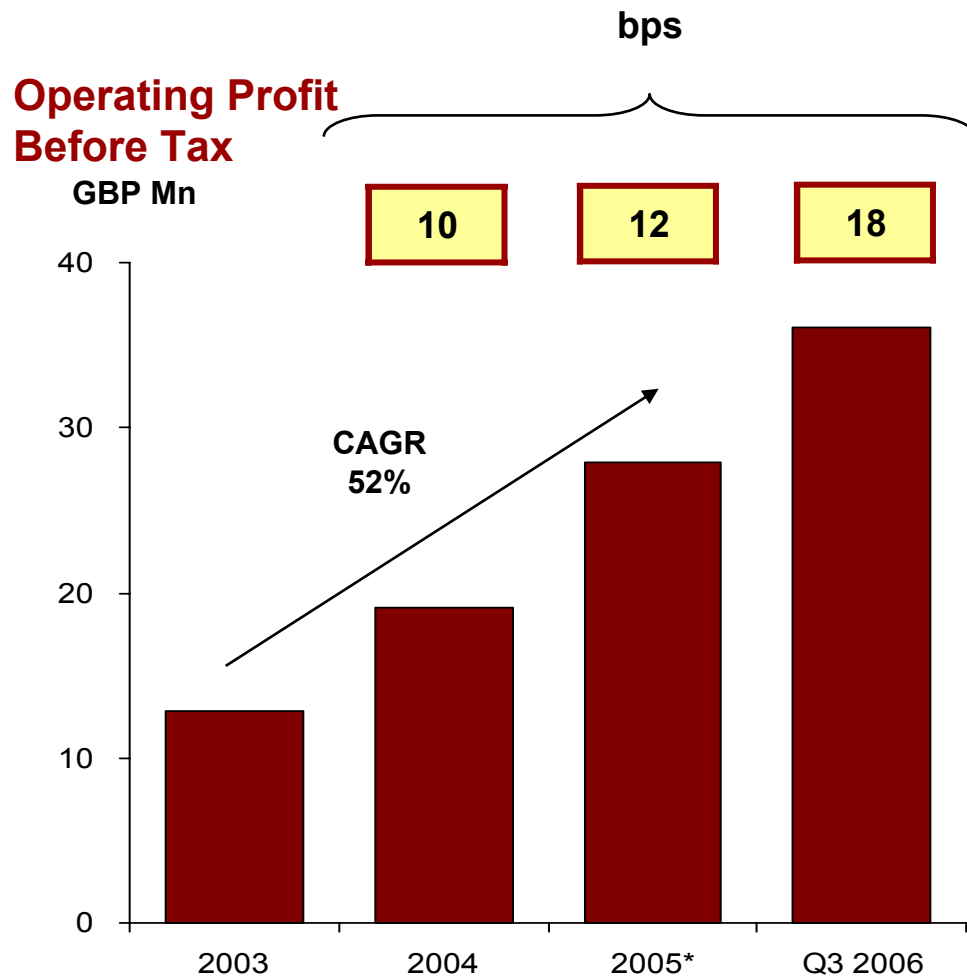
GBP'Mn



- Superior growth rate of net revenue over operating costs resulting in a widening gap between revenues and costs.
- Net margin increased from 27% in 2003 to 48% by Q3 2006



Operating Profits Before Tax Generating significant earnings growth



- Q3 2006 PBT of **GBP 36m** is **130%** of full year 2005 and **188%** of same period last year
- Growth in earnings driven by retail mutual fund operations.

* Before Exceptional Item



Summary

Material but we are looking to future growth

