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Slide 2: Agenda

When I started this job two years ago there was a good deal of speculation about whether I would change the direction that the Group is heading. I fully expected that and what I said at the time was that there was little prospect of me changing a winning formula in the short term. I wanted to get the message across that key to this was continued delivery and "evolution not revolution." And I meant it.

I was also quite clear that a key challenge for me in focusing on shareholder value had to be to make sure that this business is well positioned to sustain both short and medium term profitability. With growth over the long-term and also to ensure that the whole of the Group is worth more than the sum of its parts. Today, I want to show you how we have progressed on meeting the challenges that I identified two years ago.

I also want to show you how our recent capital markets and operating performance has been very positive and how we've made significant advances in bringing the benefits of the Prudential Group to customers in all of the regions in which we operate especially the benefits of product and geographic diversity. Then I want to look ahead to the major growth opportunity that we see in the global retirement space, and talk about how we as a Group are in a wonderful and indeed unique position to take advantage of one of the most significant and important global trends in retail financial services.

Our global asset management expertise our product and distribution capabilities in the major retirement profit pools and our brand strength and positioning are just some of the advantages that we are building on to take a disproportionate share of the highly attractive pre and post retirement market.

Slide 3: Where We Have Come From

For those of you that may not know the Group well, we started as a UK life insurance company nearly 160 years ago. Don't worry I am not proposing to go back that far but in the Group's more recent history we have significantly changed and expanded the nature of the business.

This has come broadly in three dimensions: Firstly, building out the Group's global footprint into the most material and attractive savings and protection markets. This started with the acquisition of Jackson in the US in the mid 80s a business that has grown steadily into today's really strong position in its chosen segments. We also saw the potential in Asia and took some pretty large bets significantly ahead of our peers in key Asian markets to build an unparalleled franchise in the region. Twenty years ago we were a UK domestic life company with international outposts today our businesses in the US and Asia have outgrown the UK operation in new business profit terms and we believe there is much more to come.

The second dimension has been building up our capabilities around asset management to complement the insurance business. With the acquisition of M&G and the significant growth of the Asian fund management business we now have a global asset management capability that is really delivering benefits to our customers. It's delivering both through mutual fund products and also through superior returns on insurance monies and that feeds through into more competitive products and pricing and better profit margins.

The third is the fundamental reorientation of our UK life insurance operation, away from traditional life savings products, into individual retirement annuities where much higher returns are available to the comparatively few companies with the expertise to exploit the opportunity effectively. I would characterise the last few years as one in which we have been doing everything we can to drive and deliver performance across the Group both in our regional businesses, and across the Group as a whole and this is where I wanted to delve a bit deeper.

Slide 4: Significant profit growth across the Group

The Group's recent bottom-line performance has been very encouraging. We have been driving hard to realise the benefits from our advantaged position and this is translating into strong growth both in embedded value profits and also importantly in statutory or IFRS profits right across our life insurance and asset management businesses.   As you can see here our operating profit from these businesses has risen strongly on both an EEV and IFRS basis.

Slide 5: Individual life businesses

A key driver of this bottom-line performance is our strong growth in new business profits in each of the businesses contributing to compound annual growth for the Group of 18% over the last two years. We've also managed to increase overall margins slightly and we've improved the internal rates of return on new business. Of course Asia is a key part of this growth.

In 2006 the region accounted for pretty much half of all of our new business profits returns in the region remain highly attractive, driven by sustainable product economics going forward. This is also a region where the growth story is very compelling driven by very strong fundamentals and sustainable year on year.

We have also seen significant gains in the US. Our success here has been clearly rooted in our strategy to focus on the pre and post retirement market and in particular a focus on developing a leading variable annuity franchise. This strategy combined with market-leading product innovation and processing efficiency supports our high returns. Jackson has shown the ability to grow rapidly and increase margins as well as maintain cost leadership and deliver world-class service.

And in the UK we moved returns and margins ahead in 2006 to levels that are at least as good as you'll see from any UK insurance provider. We see tremendous potential from our focus on the growing retirement market in the UK and we have the scale, assets and capabilities to be successful here.

We see empowerment of local management in each individual market as critical to tailoring our services and products to meet local market needs. This is, and will continue to be, an enduring feature and strength of the Prudential Group. Alongside this strong local focus as a Group we benefit materially from greater capital efficiency an increased risk appetite and significant operational benefits.

Slide 6: Benefits from Prudential existing as a Group

The Group has real diversification benefits which both reduce the volatility of our profits and improve our capital position. One tangible example is illustrated on the left – We have estimated that if you were to calculate the capital requirements of the businesses on a stand-alone basis versus what we actually need the diversification within the Group has the effect of materially reducing the level of required economic capital increasing the surplus by some £1.4 billion.

This is real balance sheet efficiency and we get it from actively managing the diversity of product and market risks that the Group is exposed to. The industry has got some way to go in terms of dialogue with regulators and rating agencies in determining exactly how all this will work but the opportunity for greater capital efficiency within broader based groups is material. And as I said, we are actively managing risk and capital. We've put in place sophisticated processes that allow us to project cash flows and balance sheets for each business against thousands of scenarios which are correlated across the Group. These scenarios capture all of the major risk drivers across the Group.

So we can understand whether under certain conditions a business generates capital or it requires financial support, in a wide distribution of events including extreme scenarios. From this we can develop an aggregate position across the Group at our Double A target level of confidence. We are also constantly looking for opportunities to collaborate and to share best practices for the benefit of our customers.

Let me give you three examples of this.

1. We are using our expertise in variable annuities from Jackson in the US to help design offers for the Korean market
2. Our Asian business continues to leverage the brand heritage from Prudential in the UK in establishing trust and confidence in developing markets
3. And we are using our expertise from Jackson to build an advantaged position in UK distribution.

These and many more are in addition to all of the activity that you would expect around cost synergies.

PPMS in Mumbai is a good example of this where our 100% owned offshore Indian operation is developing standardised processes in such areas as resource management and reaping the benefits of our global pool of management talent and capabilities.

Slide 7: Delivering superior shareholder value

Our share performance is underpinned by strength on fundamentals. At the Holding Company level we expect the Group to be operating cash flow positive in 2008. In fact with the proceeds from the disposal of Egg we will be overall cash positive in 2007. In terms of sources of cash the UK life fund transfer and the US remain the biggest contributors but Asia is cash flow positive now as planned and M&G's profits are essentially cash and increasing.

In terms of uses we continue to fund the growth of the UK shareholder-backed business from the in-force book and would expect that activity to be cash positive by 2010. We increased the dividend by 5% in 2006 and we will focus on growing the dividend whilst in the medium-term maintaining a dividend cover of 2x on an IFRS basis. Over the past two years this has translated into superior total returns to our shareholders on an absolute basis, or indeed compared with returns from the FTSE 100 or World Insurance Index.

Slide 8: The retirement opportunity – money-in-motion

The retail financial services industry has a huge opportunity. It's an opportunity that arises from an ageing population and the so called "baby-boomer" generation approaching retirement. And these people need to take control of their finances to an extent we've never seen before. The retiring population will result in a large global money-in-motion phenomenon. This opportunity represents the single largest driver of growth and profitability as the biggest demographic wave in history transitions out of the workforce and into active retirement. Some estimates suggest that for US and UK alone the sums involved are as much as £7 trillion over the next 5 years.

While the balance between decumulation and accumulation differs materially at any point in time within and across regions the overall opportunity is consistent across markets. The cycle of asset accumulation and drawdown is repeatable and Prudential has the financial strength, flexibility and expertise to vary its product offering and distribution to match the changing opportunity in each market.

Slide 9: The retirement opportunity – changing needs

The aspirations and the financial needs of those heading for retirement are fundamentally different from those of preceding generations and that's where the opportunity lies. There is an increasing trend towards self-provision driven by declining government support and the switch by employers from defined benefit to defined contribution pensions.

At one level this is good news: the retiring generation have accumulated much greater wealth than their parents and grandparents and they are looking forward to a longer and more active retirement. But most retirees underestimate the scale of saving required to finance their retirement plans. There are some indications that the problem is becoming better understood but fundamentally there is too little understanding of the need to work longer and the need to phase in retirement.

A good example of this is the recent "What's My Number" campaign in Korea. This was a highly successful marketing push to educate customers on the amount they need to be saving for retirement and it's now being rolled out to other countries across the region.

There is clearly a need for a high and professional standard of both asset management and risk management to optimise growth of savings pre retirement and security of living standards in retirement. With the costs of long-term care also adding to the burden consumers face in retirement.

Search for advice sets money in motion. Consumers need and increasingly seek advice within 10 years of retirement to understand the risks they will face and to manage the deployment of their assets.

There is an emerging opportunity to attract and retain customers in proprietary and other 'sticky' relationships and maximise earnings from servicing their financial needs throughout their lifecycle and at key switching points. While financial institutions are moving to capture the opportunity winning will take a unique combination of assets and capabilities:

- It will take sophisticated risk management: That's the ability to deal with a range of complex risks including mortality and investment risks and manage long-term guarantees. We've got a balance sheet structured to take on long-term risks.
- It will take Solutions to address retirement needs: intelligent solutions that help consumers manage the increasing risks they face. We have complex products that are made simple for advisors and consumers to understand and that are flexible to meet their needs.
- And it will take Privileged access to retirement advisors: That's the ability to influence and help the advisor who is delivering the Retirement solutions. We have access to alternative distribution channels.
- And finally, it will take a trusted brand known for Retirement: consumers and advisors have great trust in our brand – whether retail or wholesale and we have significant brand awareness around the Retirement proposition.

All of these attributes are matched to Prudential's strengths and we have the incremental advantage, compared with most other market leaders in different regions of being able to draw on expertise and experience across frontiers.

Slide 10: Asia Insurance

Prudential has a unique position in Asia. We have significant scale and spread of distribution in the region. It's unparalleled and we'll continue to build on that strength supported by our continuing innovation in unit-linked and other product areas.

Although we believe that proprietary agency distribution will remain the main distribution channel in many markets for the foreseeable future we've also established a significant presence in non-agency channels. That presence now accounts for some 30% of our new business and has grown at a compound rate of 36% over the past five years.

This distribution presence is combined with market leading positions across the region – in both developed and developing markets. Our brand awareness across the region is higher than any other foreign player and it is built around the Prudence logo and on trust and listening. All of this puts us in an excellent position to dominate in retirement.

In many Asian countries the immediate focus is on retirement savings and the 'income in retirement' opportunity will take longer to emerge. We are leaders in retirement savings with advantaged propositions driving real growth in Korea, Taiwan, Singapore and Hong Kong. Japan is also a huge untapped opportunity for retirement products and services though one where great selectivity is required if we are to avoid diluting margins across the region.

We have a stated ambition of doubling Prudential Asia's 2005 new business profits by 2009 and we are well on track for this in large part fuelled by strong growth in the retirement space.

Slide 11: US Insurance

In the US, our long-term strategy has been to develop our position in the pre and post retirement market so that we are ready to meet the retirement needs of the baby boomer generation. We recognised early on the central role of advice in meeting these needs as the key to our long term success in this market. As a result Jackson has developed a business model that's clearly differentiated in the US market and especially within the Independent Broker channel the key channel for advice and what's more Jackson's business model is exceptionally difficult to replicate.

Jackson offers a total package a package that combines high-end wholesaling with experienced wholesalers who support independent brokers in the development of their businesses. They offer the only fully unbundled variable annuity product on the market and this product structure allows the advisor to advise and it gives the customer total choice. Finally all of this is backed up by a fully aligned low-cost infrastructure allowing flexibility and speed to market in product design and world class service.

This business model has been developed over the last decade by much the same team. And the results so far are proof of its success. As shown on this slide we you can see the growth in variable annuities which has outstripped market growth by some margin and the Jackson team have done it consistently over a number of years. We've also had growth in share in all channels and especially in the independent channel where we are now the Number Two provider with Number One very much in our sights.

Our view is that variable annuities with their income drawdown characteristics will continue to be a central element of retirement planning in the US. But again similar to Asia we are well aware that market conditions can change. So it's important to note that Jackson is also a top-ten player in both fixed and fixed index annuities and that VA's themselves also offer a fixed option.

You can also see the benefit of innovation coming through in other areas such as Curian our separately managed account platform in the US, which now has $2.5 billion of assets under management and in January of this year, Jackson also launched their first mutual fund products distributed through our existing wholesaler teams.

So in the US It is very much more of the same the emphasis will continue to be on innovation in the product set in what is a fast moving market as well as further development of our already substantial and market leading distribution capability. Jackson's expertise and the flexibility of its infrastructure leave us in an ideal position for profitable growth in the US market.

Slide 12: UK Insurance

In the UK our focus is also on the retirement market. We see opportunities for growth by taking advantage of some of our important existing strengths in both the retirement income and the retirement savings market. We have taken clear decisions on our participation in the UK market. Those decisions have been based on where we see we have real competitive advantages and on where we see attractive economics and returns. In doing this we have decided to exit many traditional areas of business where we see no prospect of returns to justify allocation of capital that we can better employ elsewhere in the world.

We have recently announced our withdrawal from the commoditised protection market up-front commission individual pensions and, by later this year we will also have exited up-front commission unit-linked bonds. All of these are areas where the economics in our view are structurally unattractive. They accounted for around 10% of our UK new business in 2006 and 56% of the overall UK market. This contrast in share is indicative of how determined we are to differentiate our UK operation on the basis of a strategy focused on profit.

We also decided that we would build on the strength of the Prudential brand in the UK market to combine with the operational capabilities of Discovery and some clearly differentiated products to become a serious competitor in the health and protection markets.

We've taken some tough decisions on costs and we're making good progress in determining the best route to achieve our cost reduction target of £195 million per annum. We are confident in the level of savings but we are, as we've said previously looking at a number of internal, offshoring and outsourcing options and we will finalise this later this year. And of course we've said that a Policyholder Advocate has been nominated and that we will pursue a potential re-attribution of the £8.7 billion Inherited Estate.

Prudential opted to focus on the retirement income market in the UK because it is one of the highest margin and highest return sectors in the UK. It is a market where we have a number of key advantages not least of which is our maturing personal pension's policies from the back book which stretches out over the next 30 years or so which you can see on the right there. We saw around £1.3 billion of new business from this source in 2006 and we see no reason why we can't continue to convert a high proportion of these policies into individual annuities on an annual basis going forward.

You can also see that, within this Corporate Pensions are an important source of vesting annuity business. But to be clear we don't take into account any value from rollovers into annuities when we write new schemes. This business has to stand on its own and we are targeting a 14% return.

We've also seen increasing volumes from the annuity partnerships we have in place and this combined with our internal vestings means that we don't have to compete aggressively in the intensely competitive intermediated sector of the market. However, it is important that our pricing remains competitive.

Equity release products are starting to take off in the UK market, and Prudential is very well positioned to take a leadership position in this space given our brand strength, customer base, and longevity experience. We can also build on our capabilities in the wholesale annuity market when we see opportunities that meet our return requirements. The £1.8 billion deal with Equitable that we signed earlier this year is a perfect example of that.

Slide 13: Asset management

Our asset management businesses are a central plank of the Group and they are making a growing contribution. They support the competitiveness of our life businesses through excellent investment performance and across the regions they've attracted almost £60 billion of external funds.

In the UK, M&G's profits were in excess of £200 million in 2006. It is a well-diversified business across all asset classes as you can see in the pie chart on the left. This breadth of operation provides some insulation from cyclical movements in any individual asset class although market levels in general remain a key driver of revenues and profitability. M&G has also further diversified into Europe with successful launches in a number of markets.

In Asia, as you can see on the right the level of external funds under management has grown strongly over the past 5 years and in 2006 we reported a profit of £50 million. The potential in Asia for asset management is driven by many of the same underlying fundamentals that we believe will continue to drive growth in the life sector and there is a significant opportunity for us here.   Our key focus is on Japan, Korea, India and China and again we are building geographic diversity with 10 operations across the region.

Expertise in asset management will be a critical advantage in winning in the retirement space. We are in a strong position to develop retirement savings products based on sophisticated asset allocation strategies to match customers risk profiles. This is clearly evidenced by our strength in the with-profits business – both bonds and annuities – driven by our multi-asset allocation capabilities which appeal to consumers' needs for cautious growth given longevity risk.

Lifecycle finance is another emerging area that we are participating in with products that adapt to consumers changing circumstances, risk appetites, and needs over different stages of the retirement cycle need to be underpinned by adaptable and creative asset management.

Slide 14: Conclusion

In summary then, and coming back to the main themes of this presentation that I outlined at the beginning: Strong operating performance both in the regions and at the Group level are delivering superior shareholder value and advantaged regional platforms and global capabilities place the Group in a unique position to capture a disproportionate share of the retirement opportunity around the world.

In our view this all adds up to the ability to create long term sustainable outperformance for the Group.

Thank you: I shall be pleased to answer any questions.