

Key performance indicators

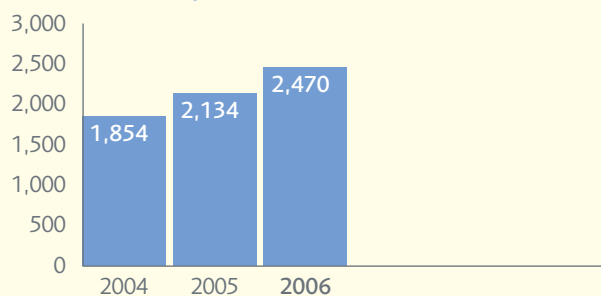
The Group's strategy is centred on optimising Prudential's competitive advantages in life assurance, becoming a leading provider of financial services for the retirement market, and on the further development of the asset management businesses. In implementing this strategy Prudential's clear aim is to secure superior growth in value for its shareholders. The following metrics represent the financial key performance indicators (KPIs) the directors use to judge the delivery of strategies and the management of the businesses: New business premiums, calculated on an Annual Premium Equivalents (APE) basis and on a Present Value of New Business Premiums (PVNBP) basis; European Embedded Value (EEV) basis new business profits; Internal rate of return (IRR) on new business; External funds under management (FUM); Holding company cash flow; EEV basis operating profit based on longer-term investment returns on long-term business and International Financial Reporting Standards (IFRS) basis operating profit based on longer-term investment returns.

New business premiums and new business profit

Prudential's focus is on value not volume, growing sales in areas that deliver the most profitable returns. In 2006 the Group grew weighted insurance sales, calculated on an APE basis, by 16 per cent and increased new business profits by 20 per cent compared to 2005 on a constant exchange rate (CER) basis.

In line with the Group's strategy to continue to deliver strong sustainable profitable sales growth, Prudential is well positioned in markets that offer highly attractive opportunities for strong organic growth over the next 10 years, and it is broadening its customer proposition and product range.

APE new business premiums £m

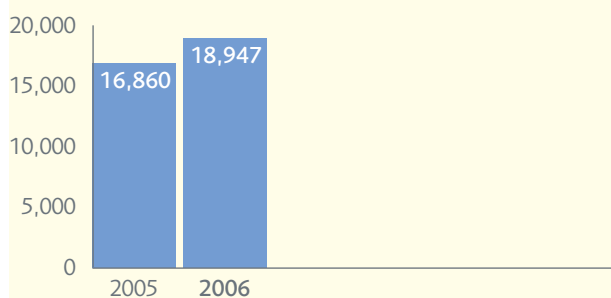


Definition: APE new business premiums

New business premiums reflect premiums attaching to covered business and premiums for contracts classified as investment products or other financial instruments under IFRS. New business premiums, on an APE basis, are calculated as the aggregate of regular new business contributions (shown on an annualised basis) plus 10 per cent single new business contributions.

2004 and 2005 comparatives are shown on a CER basis.

PVNBP £m

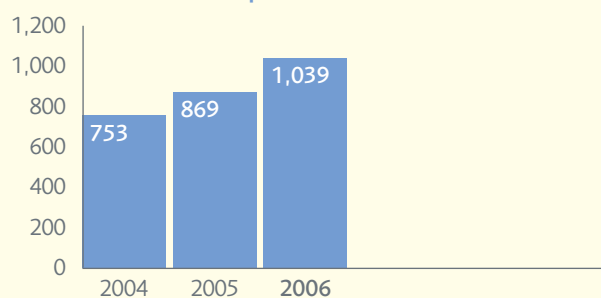


Definition: PVNBP

New business premiums, on a PVNBP basis, 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 basis new business profit.

2005 comparative is shown on a CER basis.

EEV basis new business profits £m



Definition: EEV basis new business profits

The present pre-tax value of future shareholder cash flows from new business, less a deduction for the cost of locked-in (encumbered) capital and the impact of the time value of options and guarantees.

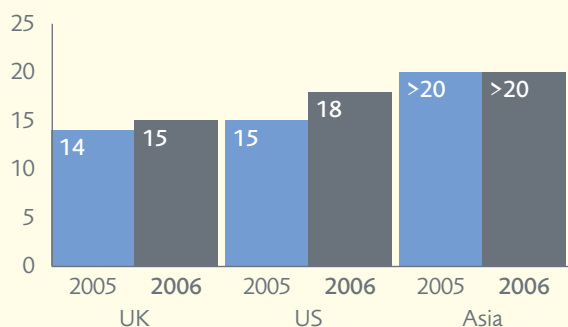
2004 and 2005 comparatives are shown on a CER basis.

Key performance indicators continued

Internal rate of return on new business

Improving capital efficiency is at the heart of Prudential's commitment to deliver superior growth in value for its shareholders. Prudential continually works to enhance the effectiveness of its capital management processes, to ensure that investment and capital allocation decisions are focused on those areas of activity that will generate the best returns to shareholders.

IRR on new business %



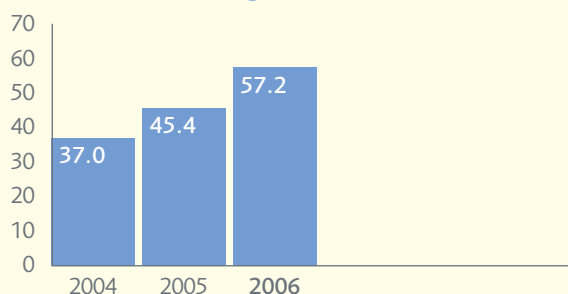
Definition: Internal rate of return on new business

The internal rate of return is equivalent to the discount rate at which the present value of the post-tax cash flows expected to be earned over the lifetime of the business written in shareholder-backed life funds is equal to the total invested capital to support the writing of the business. The capital included in the calculation of the IRR is equal to the amount required to pay acquisition costs and set up statutory reserves less premiums received, plus encumbered capital. The impact of the time value of options and guarantees is included in the calculation.

External funds under management

Prudential's focus is to grow external funds under management and deliver sustained profitable growth from its asset management businesses. In 2006 external FUM grew by 26 per cent on 2005 (CER basis). This growth has been achieved through expanding into new markets and broadening the Group's product range, and leveraging cross regional collaboration all underpinned by excellent investment performance. The fundamentals are in place to sustain this growth in the future.

External funds under management £bn



Definition: External funds under management

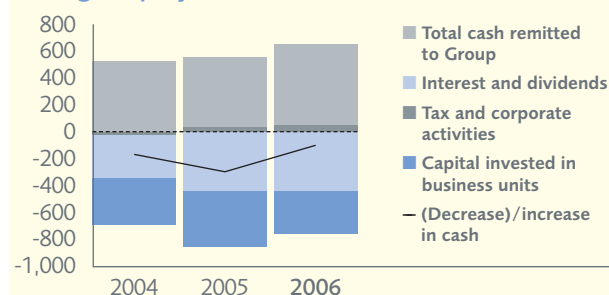
External funds under management represent the value of the total investment products managed by the M&G and Asia asset management businesses, as published in the Group's Interim and Annual Reports.

2004 and 2005 comparatives are shown on a CER basis.

Holding company cash flow

Prudential aims to generate cash for the Group without constraining the value opportunities in its businesses. The Group had a net cash outflow of £104 million in 2006, an improvement of 65 per cent on the prior year; and Asia became cash flow positive demonstrating the success of the regional business as a whole and the growing scale of the in-force books of newer markets. The Group is confident it has the capital and cash resources to fund its planned future organic growth. In 2007 the Group cash flow is expected to be positive including the cash proceeds from the sale of Egg. At an operational level the cash outflow is expected to be greater than in 2006, given the benefit this year of the regulatory change to the Financial Services Authority (FSA) reserving requirements in the UK. Taking into account plans for future growth, and a normalised level of scrip dividend it is expected that the operating cash flow will be positive in 2008.

Holding company cash flow £m



Definition: Holding company cash flow

The increase or decrease in holding company cash during the reporting period.

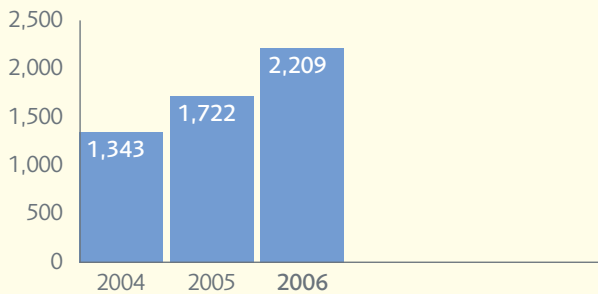
EEV basis operating profit based on longer-term investment returns on long-term business and IFRS basis operating profit based on longer-term investment returns

Prudential's objective is to achieve superior growth in value for its shareholders. This is shown by sustainable growth in operating profit, both on an EEV and IFRS basis.

In 2006 the Group delivered a 28 per cent increase on 2005 (CER basis) in EEV operating profit on its long-term business. Prudential's objective is to focus on its strengths and exploit opportunities in the local markets in which it operates. Prudential's strategy of leveraging its knowledge and expertise across product development, distribution and administration, is designed to allow it to continue to deliver operating profit growth in the future.

Total IFRS operating profit was seven per cent lower in 2006 than 2005 due to the losses in Egg during the year. However, excluding Egg, IFRS operating profit was up 14 per cent on 2005 (CER basis) reflecting the strong performance of the Group's insurance and fund management businesses.

EEV basis operating profit based on longer-term investment returns on long-term business £m

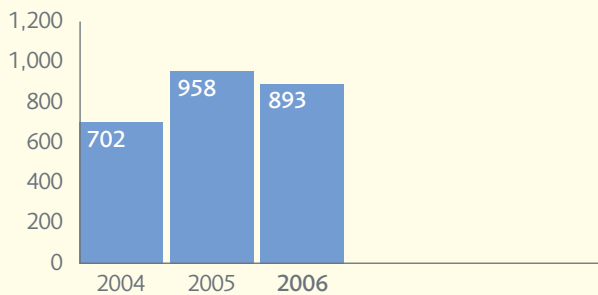


Definition: EEV basis operating profit based on longer-term investment returns on long-term business

The change in pre-tax value of EEV as a result of new business, expected investment returns and the unwind of the discount rate, the effect of changes in operating assumptions and any operating experience variances. It excludes the effect of short-term fluctuations in investment returns against the long-term assumptions, the effect of changes in economic assumptions, actuarial gains and losses on defined benefit pension schemes, the mark to market value movements on borrowings and goodwill impairment charges.

2004 and 2005 comparatives are shown on a CER basis.

IFRS basis operating profit based on longer-term investment returns £m



Definition: IFRS basis operating profit based on longer-term investment returns

These profits exclude goodwill impairment charges, short-term fluctuations in investment returns and the shareholders' share of actuarial and other gains and losses on defined benefit pension schemes.

2004 and 2005 comparatives are shown on a CER basis.