

## Key performance indicators

The Group's strategy centres on optimising Prudential's competitive advantages to capture the ever-increasing revenue and value from the material opportunities in the global retirement market, while continuing to develop our life assurance and 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 Premium (PVNBP) basis; European Embedded Value (EEV) basis new business profits; Internal rate of return (IRR) on new business; External funds under management (FUM); EEV basis operating profit based on longer-term investment returns on long term business; International Financial Reporting Standards (IFRS) basis operating profit based on longer-term investment returns; and holding company cash flow.

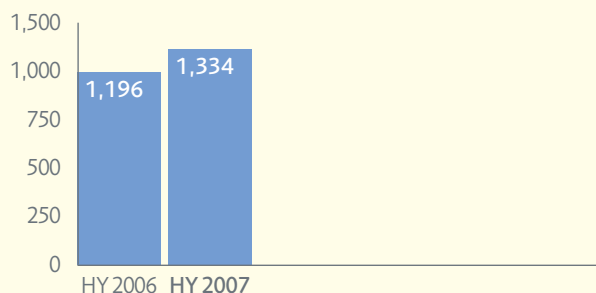
### Overview of the KPIs

#### New business premiums and new business profit

Prudential's focus remains on growing sales in areas that deliver the most profitable returns. In the first half of 2007, the Group grew weighted insurance sales, calculated on an APE basis, by 12 per cent and increased new business profits by 12 per cent compared to the first half of 2006 on a constant exchange rate (CER) basis. Sales on a PVNBP basis increased by four per cent to £9.7 billion (HY 2006: £9.3 billion).

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



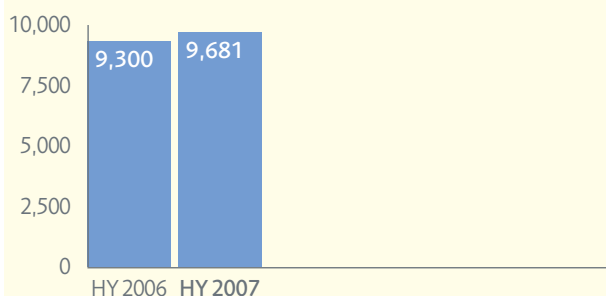
#### Definition: APE new business premiums

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 of single new business contributions.

The 2006 comparative is shown on a Constant Exchange Rate (CER) basis.

#### PVNBP £m

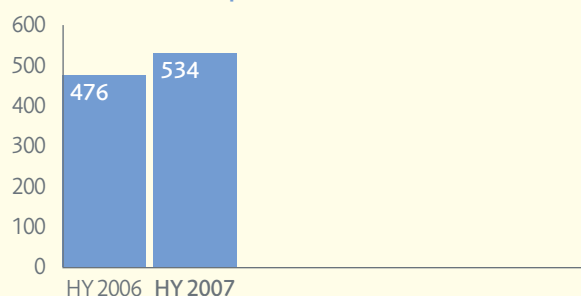


#### Definition: PVNBP

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 new business profit.

The 2006 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.

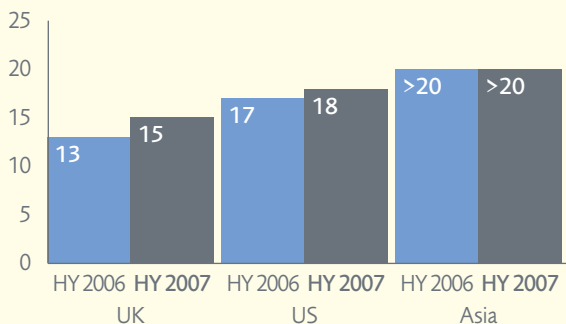
The 2006 comparative is shown on a CER basis.

## 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 %



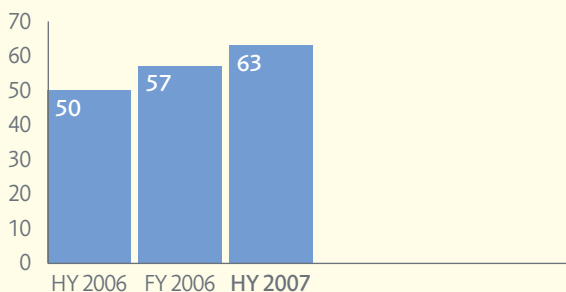
#### Definition: Internal rate of return on new business

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. At 30 June 2007, external FUM was £63 billion compared with £57 billion at 31 December 2006 (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

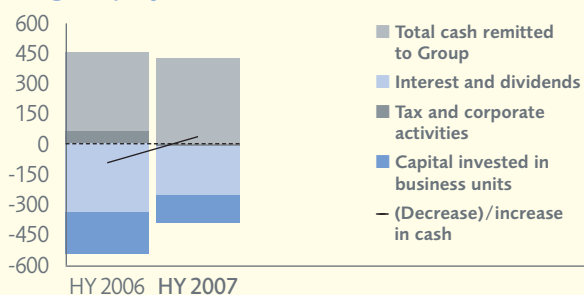
External funds under management represent principally the value of the total investment products managed by the M&G and Asia asset management businesses, as published in the Group's Interim and Annual Reports.

The 2006 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 positive operating cash flow of £34 million in the first six months of 2007, an improvement of £128 million on the same period in 2006. This was mainly due to a high scrip dividend take up of £117 million, as well as strong performances from the life and asset management businesses, including the UK with-profits fund. Additionally, the Group received £527 million from the disposal of Egg (net of expenses). The Group is confident that it has the capital and cash resources to fund its planned future organic growth.

#### Holding company cash flow £m



#### Definition: Holding company cash flow

The increase or decrease in holding company cash and short term investments 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**

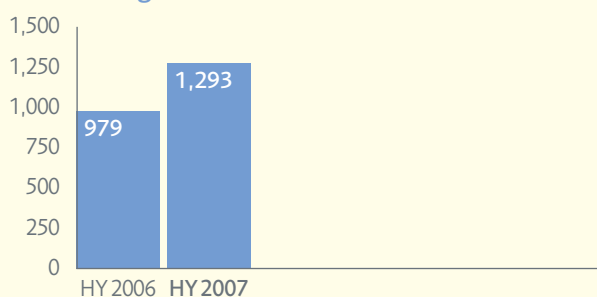
Prudential's objective is to achieve superior growth in value for its shareholders. This is shown by sustainable growth in operating profit, both on an EEV and IFRS basis.

In the first half of 2007 the Group delivered a 32 per cent increase on the same period in 2006 (CER basis) in EEV operating profit on its long-term business.

Prudential focuses on its strength and 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 based on longer-term investment returns on continuing operations was 27 per cent higher in the first half of 2007 than the same period in 2006 (CER basis) reflecting the strong performance of the Group's UK and US insurance businesses. The 2006 comparative has been restated to exclude the performance of Egg, the sale of which was completed in May 2007.

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

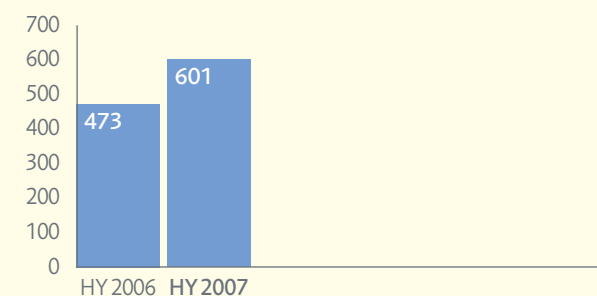


**Definition: EEV basis operating profit based on longer-term investment returns on long-term business**

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, the effect of the change in time value of the cost of options and guarantees, shareholders' share of actuarial gains and losses on defined benefit pension schemes and the mark to market value movements on borrowings.

The 2006 comparative is 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 short-term fluctuations in investment returns and the shareholders' share of actuarial gains and losses on defined benefit pension schemes.

The 2006 comparative is shown on a CER basis.