Asia	CER			RER	
	Half year 2008 £m	Half year 2007 £m	Change %	Half year 2007 £m	Change %
APE sales	**727**	639	14	619	17
NBP	**336**	291	15	282	19
NBP margin (% APE)	**46%**	46%		46%	
NBP margin (% PVNBP)	**8.7%**	8.6%		8.6%	
Total EEV basis operating profit*	**553**	510	8	493	12
Total IFRS operating profit*	**102**	80	28	76	34

* Operating profit from long-term operations excluding fund management operations, development and Asia regional head office expenses.

Introduction

The current economic environment in Asia reflects some uncertainty. Rising commodity prices are putting downward pressure on growth, fuelling inflation and sparking some social unrest and the ramifications of the credit crisis have the potential to slow international investment in Asia. The MSCI Ex Japan Index is down approximately 23 per cent against the same time last year and back at the same level as June 2006. Bonds are at historically high valuations.

However, Prudential firmly believes that while the volatility of the financial markets can have an impact on customers' sentiment, the fundamental economic and social changes under way in Asia will continue to drive strong demand for savings and protection products for the foreseeable future. This is supported by experience during other times of economic stress such as the 1997/98 Asian Crisis and the SARS related downturn.

Therefore Prudential's strategy in Asia remains securely in place with the emphasis on building high quality, multi-channel distribution that delivers customer-centric and profitable products, with an increasing emphasis on retirement solutions. The specific priorities for each market vary reflecting the considerable diversity of each country within the region and also the position of our operations within those countries. Asia remains on-track to deliver the doubling of 2005 new business profits in 2008.

During the first half of 2008, good progress has been made in a number of areas:

Average agent numbers in the first six months of 2008 have increased by 29 per cent compared to the first half of 2007 and are up 21 per cent over the full year 2007. At 30 June 2008 there were 423,000 agents including 286,000 in India. Average agent productivity over the same period measured in terms of APE per agent, excluding Taiwan which had an exceptional second quarter last year, has remained in line with the first half of 2007 as although the activity rate has increased by five per cent, the number of cases per active agent has declined by a similar amount reflecting the more challenging economic environment. Average case size is in line with last year.

New business booked through Prudential's successful bank distribution network increased by 56 per cent over the period compared to last year and generated 20 per cent of total APE up from 14 per cent. Prudential and Standard Chartered Bank recently announced the renewal and extension of their original bank distribution agreement covering Hong Kong, Singapore and Malaysia and the inclusion of Japan and Thailand within this master agreement for the first time too.

Sales of health and protection products, including riders attached to life policies, during the first six months of 2008 were £152 million, 56 per cent up from the same period last year. They accounted for 21 per cent of the sales mix up from 15 per cent last year. This reflects the increased focus on these strategically significant and profitable products. Average new business profit margins were 83 per cent on standalone health and protection sales. New products and marketing campaigns are planned for the second half of the year.

As the financial challenges people will face related to retirement increase in Asia over the coming years, Prudential is developing a new holistic approach to provide retirement solutions that encompasses asset accumulation, protection and income generation. During the first half of this year, Prudential commenced consumer and distributor testing of new propositions with a view to rolling out a new retirement strategy in 2009. In the meantime the business continues to raise awareness of retirement savings with refreshed 'What's your number?' campaigns in Hong Kong and Taiwan.

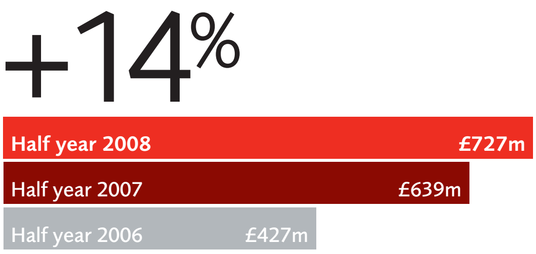
Although the business's primary focus is the considerable headroom for the acquisition of new customers, as at 30 June 2008 Prudential already has over 11.5 million customers in Asia, up from 8.5 million a year ago, who are a very valuable asset in terms of cross sell and up sell opportunities. In India, health products are being successfully telemarketed, similarly in Indonesia, Malaysia and Singapore upgraded medical products are being successfully up-sold. In Korea good momentum is being seen with a campaign to revisit existing customers.

Prudential already has a uniquely advantaged platform in Asia and the plans in action will continue to strengthen our position and enable us to capture an increasing share of the material value that is set to emerge from the region over the coming years.

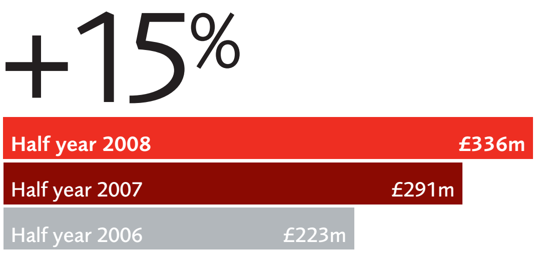
Business unit review
Insurance operations
Asia continued

Financial performance
Average APE sales grew 14 per cent on first half of 2007 to £727 million. On a comparable basis taking into account the change in consolidation basis for China Life effected for the fourth quarter last year, the growth rate is 17 per cent. Excluding Taiwan, due to the exceptional sales performance in 2007, Asia grew by 29 per cent during the first half of 2008. The proportion of linked business remains high at 70 per cent.

Asia APE sales £m



Asia new business profits £m



These strong performances came from a wide range of drivers that continue to demonstrate the success of Prudential's regional model.

In Indonesia very successful management of the agency model has seen average agent numbers up 62 per cent compared to the same period last year and average agent productivity rates up nine per cent. Takaful products continue to be popular and generated 24 per cent of APE in the first half. Average new business margin was 51 per cent down from 54 per cent in 2007 as a result of increasing credit life business from our bank distribution channel.

Hong Kong had a very strong first half in 2008 with sales growing by 53 per cent supported by marketing activity for retirement planning and the successful launch of the new PRUlink Wealth Builder and PRUlink Wealth, the operation's first two back-end loaded index linked products. Average new business margins remain high at 66 per cent up from 62 per cent in the first half of 2007 due to an increased proportion of linked products.

In India there was a slower first quarter this year where growth was 41 per cent, but during the second quarter growth rates in India accelerated to 56 per cent bringing the half year to 45 per cent. Average agent numbers are up 25 per cent with average agent productivity improving by 10 per cent, despite the expansion into more rural areas. Average new business margin was 16 per cent down from 20 per cent in the first half of 2007 due to a change in expense assumptions reported at year-end 2007.

In Japan the 56 per cent growth in the first half has been driven largely by Term Life products in the first quarter. The tax advantages of these products were reduced in April this year. New business APE reduced in the second quarter 2008 by 23 per cent compared to the second quarter last year and this slow down in new business volume is expected to continue for the rest of this year. The business is now focusing on Variable Annuity products and a new hospital cash product being launched in the third quarter.

Korea's new business growth of eight per cent for the first half 2008 is good given the competitive nature of the market and a particularly volatile stock market. Based on market share estimates for May, PCA Life Korea rose one place to 12th. Average new business margin remained level compared to the first half of 2007 at 33 per cent.

On a comparable basis to 2007, APE sales in China were up by 58 per cent driven by a 35 per cent increase in average agent numbers and an 86 per cent increase in average agent productivity. In the second quarter CITIC Prudential Life Insurance was notified that it had been awarded a preparatory licence for Fujian Province, China. Located in the wealthier coastal southeastern region, Fujian province has a population of over 35 million. Average new business margin was 51 per cent up from 44 per cent in 2007 as linked products became a larger proportion of the new business mix.

In Malaysia the Takaful business continues to grow strongly, up 82 per cent on last year and representing 27 per cent of the total APE, up from 17 per cent last year. Total new business was up 11 per cent and the momentum is encouraging with the second quarter up 23 per cent against the same quarter last year.

In Singapore sales have been affected by changes in the Central Provident Fund investment limits effective from 1 April 2008 and first half sales recorded a three per cent decrease. The comparatives in Singapore are likely to be challenging for the rest of the year.

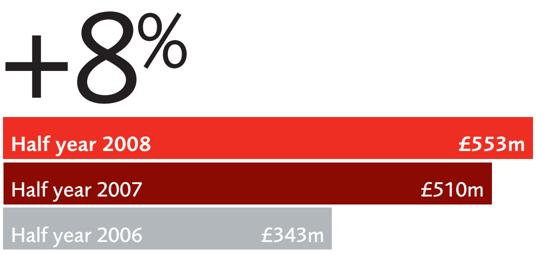
As previously mentioned, Taiwan had an exceptional year last year with the very successful launch of the 'What's your number?' campaign in the second quarter. However, the business remains in a very strong position with average agent numbers up 11 per cent and encouraging results from its new bank distribution agreement with Standard Chartered Bank. Estimates of its market share indicate that in the year to May 2008, PCA Life Taiwan increased to 3.7 per cent, up from 3.2 per cent at the same time last year. Average new business margin was 51 per cent up from 42 per cent in the first half of 2007.

Vietnam, Thailand and Philippines have continued the strong growth seen in 2007 with collective first half APE sales of £30 million, up 25 per cent on last year. Unit linked products were launched in Vietnam in January and they represented six per cent of the country's sales in the first half.

Asia's overall average NBP margin remains constant over the first half of 2007 at 46 per cent with some net positives in product mix and margins up one per cent at the country level being offset by changes in country mix down one per cent.

Total EEV operating profit was £553 million. In-force EEV operating profits of £217 million are a reduction of one per cent on 2007. There were a number of one-off items in 2007, for example the corporation tax changes in Singapore and China which, after grossing up notional tax, gave rise to a pre-tax benefit of £25 million. Excluding these one-offs in-force profits are increasing steadily with the realisation of value inherent in the business. Operating assumption changes are positive £15 million. Operating variances remain small in the context of the Asian business reflecting the robustness of our operating assumptions. Experience variances are net negative £19 million principally reflecting negative expense experience of £30 million for operations which are at a relatively early stage of development. There is also negative persistency experience of £11 million mainly arising in Korea due to greater than expected premium holidays and negative £14 million for other items. These are partially offset by positive £23 million mortality and morbidity experience variances spread across all operations and positive £13 million in respect of the investment return on capital held centrally in respect of Taiwan.

Asia EEV basis operating profit £m



IFRS operating profits before development expenses for the first half of 2008 were £102 million, up 28 per cent on the same period in 2007 incorporating a complex mix of drivers including higher new business strain in Hong Kong on the new back-end loaded product and higher profits from Indonesia where new business is profitable on the IFRS basis in its first year. India continues to invest in its branch expansion programme giving rise to expense over-runs. Overall new business strain for Asia represented approximately 10 per cent of APE in line with 2007.

IRR for Asia was in excess of 20 per cent for the first half of 2008. In Asia, Prudential targets IRR on new business to be at least 10 percentage points above the country risk discount rate, where these vary from five to 17 per cent.

Asia repatriated £148 million to Group net of tax in the first half and received injections of £137 million principally to fund growth in India and fund solvency in Japan and Korea.

Asia has no credit defaults in the first half of 2008. However, the short-term fluctuations include a charge of £37 million for fair value reductions in investments in a Taiwan CDO fund of £29 million and Leverage Super Senior notes in Japan of £8 million.

Prudential continues to deliver strong, broad based and profitable growth in Asia from its well established platform. The demographics and environment in Asia remain as compelling as ever and the business is expected to carry on growing at a fast pace.

Business unit review
Insurance operations
United States

United States		CER		RER	
	Half year 2008 £m	Half year 2007 £m	Change %	Half year 2007 £m	Change %
APE sales	**356**	351	1	352	1
NBP	**137**	144	(5)	144	(5)
NBP margin (% APE)	**38%**	41%		41%	
NBP margin (% PVNBP)	**3.9%**	4.1%		4.1%	
Total EEV basis operating profit*	**354**	344	3	344	3
Total IFRS operating profit*	**232**	218	6	218	6

* Based on longer-term investment returns excludes broker dealer, fund management and Curian.

Introduction
The United States is the largest retirement savings market in the world and continues to grow rapidly. At the end of 2007, total retirement assets in the US exceeded US$17.6 trillion, up from US$16.5 trillion at the end of 2006 (Source: Investment Company Institute). As 78 million baby boomers (Source: US Census Bureau) move into retirement, these assets will shift from asset accumulation to income distribution. Currently, US$1.6 trillion of assets are generating retirement income. This amount is estimated to grow to US$7.3 trillion by 2017 (Source: Financial Research Corporation).

Despite these favourable demographics, US life insurers face challenges from both within and outside the industry. The industry remains highly fragmented, with the top 15 annuity companies sharing only 74 per cent of the total market share in 2007 (Source: LIMRA). Competition is intensifying through aggressive price competition, especially in the variable annuity market.

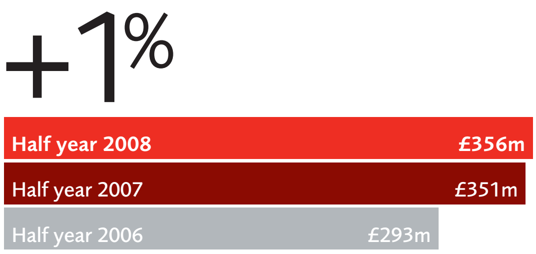
The S&P index decreased 13 per cent during the first six months of 2008 and 15 per cent from June 2007 (total for 2007: increase of 3.5 per cent). During the same periods, the US equity markets also experienced significant volatility.

Financial performance
Jackson National Life Insurance Company (Jackson) delivered APE sales of £356 million in the first half of 2008, representing a one per cent increase from the same period in 2007 and the highest level of total sales in Jackson's history. APE retail sales in the first half of 2008 were £274 million, down four per cent over the same period in 2007 and represent the second highest level of sales during the first half in the company's history. This decline was primarily driven by lower variable annuity sales. On a PVNBP basis, new business sales were £3.5 billion.

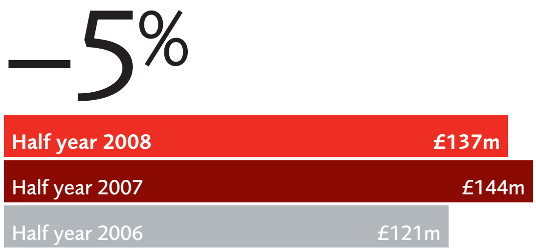
These achievements demonstrate the diversification of Jackson's product portfolio and the resilience of Jackson's business model despite volatile equity markets and a deteriorating macroeconomic environment experienced in the first six months of 2008.

Variable annuity APE sales of £180 million in the first half of 2008 were 20 per cent down on the same period in 2007. The significant volatility in US equity markets during the second half of 2007 continued into 2008 and price competition in the variable annuity market has remained intense. Jackson remains disciplined on the pricing of variable annuities. In the first quarter of 2008 Jackson ranked fourth in variable annuity net flows and had the lowest outflows as a percentage of variable annuity inflows in the industry.

US APE sales £m



US new business profits £m



In the first half of 2008, Jackson maintained its track record for product innovation by enhancing its variable annuity offering, with the addition of two new guaranteed minimum withdrawal benefits (GMWBs) and two new portfolio investment options. Jackson also introduced new fixed annuity products designed specifically for the bank channel and a new fixed index annuity that offers a selection of two market indices and two contract lengths.

Jackson seeks to employ capital profitably in the retirement space. The internal rate of return on new business was 18 per cent in the first half of 2008, in line with the same period last year.

Fixed annuity APE sales of £63 million were 121 per cent up on the same period of 2007 reflecting a higher customer propensity towards fixed-rate products in a period of declining equity markets. Jackson ranked ninth in the traditional deferred fixed annuity market in the first quarter of 2008 with a market share of 3.1 per cent, up from the tenth position at the end of December 2007.

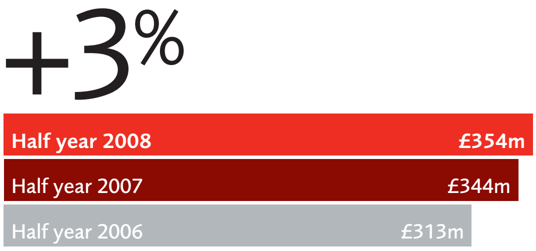
Fixed index annuity sales continue to be affected by difficult market conditions. Jackson's APE sales of £20 million in the first half of 2008 were nine per cent down on the same period of 2007. Jackson ranked tenth in the fixed index annuity market in the first quarter of 2008 with a market share of 3.4 per cent.

Institutional APE sales of £83 million in the first half of 2008 were up 26 per cent on the same period of 2007. Jackson continues to participate in this market on an opportunistic basis when margins are attractive.

EEV basis new business profits of £137 million were five per cent below the prior year, reflecting a shift in the mix of business toward fixed annuities as well as increased sales of institutional business with shorter durations. Specifically, new business profits of variable annuities decreased by 15 per cent, from £103 million at 30 June 2007 to £88 million at 30 June 2008 as a result of lower sales, while new business profits of fixed annuities increased nearly four times from £4 million to £15 million.

Total EEV basis operating profit for the long-term business in the first half of 2008 was £354 million compared to £344 million in the prior year at CER. In-force EEV profits of £217 million were nine per cent above prior year profit of £200 million at CER. Experience variances were £33 million lower than the corresponding period in 2007 mainly due to lower spread income. Operating assumption changes were £44 million, including a credit of £29 million for changes to mortality assumptions, a credit of £27 million relating to a change of projected product fees for variable annuity business and a net charge of £12 million for other items.

US EEV basis operating profit £m



IFRS operating profit for the long-term business was £232 million, up six per cent on the prior year of £218 million at CER, primarily reflecting higher fee income from the variable annuity business and favourable hedging results from the impact of market movements during the period. The decision to acquire additional hedging protection in the derivative markets in 2007 at favourable prices demonstrated its value in the IFRS operating profit in the context of falling equity markets experienced in the first half of 2008.

Jackson's IFRS operating profit continues to diversify across the various lines of business. Specifically, operating profit from the variable annuity and other fee-based business increased from 32 per cent at 30 June 2007 to 42 per cent at 30 June 2008, while profit from the spread-based business fell from 44 per cent to 43 per cent for the first half of 2008.

Jackson's overall credit exposure is well within Group risk parameters and Jackson continues to manage it proactively.

Total credit losses impacting Jackson's IFRS income statement were £108 million (2007: £19 million). This includes £103 million of writedowns on securities. Within the £103 million is £82 million of losses from Jackson's residential mortgage-backed securities (RMBS) book. Impairments are determined by first undertaking detailed cash flow projections to identify those securities where an economic loss of principal is anticipated – in this case £38 million of losses. However, the accounting loss also includes a deduction of £43 million to reflect reduced market value. Out of the total charge of £108 million in the income statement, £23 million is booked as the RMR default charge to the operating result, to reflect the longer-term expectation for impairment, with the excess shown in short-term fluctuations in investment returns.

For securities classified as available-for-sale under IAS 39, at 30 June 2008 there was an increase in the net unrealised loss position to £(813) million from £(136) million at 31 December 2007. This increase reflects declines in the market value of residential mortgage-backed securities and broader distressed pricing due to illiquidity in the market as well as increasing credit spreads.

Jackson remains confident of the quality of its overall portfolio of £18 billion of debt securities. Some 82 per cent of its gross unrealised loss is on investment grade securities. Of the £270 million of gross unrealised losses on securities with a fair value of less than 80 per cent of book value, only £31 million is on securities rated as non-investment grade. In addition, there have been no credit defaults in the investment portfolio and downgrades were minimal. Jackson maintains its ability and intent to hold its debt securities for the longer term.

Business unit review
Insurance operations
United Kingdom

United Kingdom	Half year 2008 £m	CER Half year 2007 £m	CER Change %	RER Half year 2007 £m	RER Change %
APE sales	430	363	18	363	18
NBP	129	108	19	108	19
NBP margin (% APE)	30%	30%		30%	
NBP margin (% PVNBP)	3.6%	3.7%		3.7%	
Total EEV basis operating profit*	504	462	9	462	9
Total IFRS operating profit*	286	251	14	251	14

* Based on longer-term investment returns.

Introduction

During the first half of 2008, Prudential UK continued to focus on the increasing need for retirement solutions through competing selectively in areas of the market where it can generate attractive returns. With an ageing population and the concentration of UK wealth in the mass affluent and high net worth sectors, the retirement and near-retirement segment is set to be the fastest-growing market. Low savings rates and high levels of consumer debt, combined with a shift in responsibility for providing income during retirement from Government and employers towards individuals, have resulted in individuals being inadequately provided for during increasingly long periods of retirement.

Prudential UK has a unique combination of competitive advantages including its significant longevity experience, multi-asset investment capabilities and its brand and financial strength which put it in a strong position to pursue its value driven strategy in its two principal businesses: Retail and Wholesale.

Prudential UK's Retail business is focusing on savings and income for those customers nearing or in retirement and aims to continue to drive profitable growth in its core annuities operation, grow its presence in the equity release market and maximise the opportunities in retirement savings on the back of its strong multi-asset performance record.

The significant 25-year pipeline of internal vestings annuity business from maturing individual and corporate pension policies, where Prudential UK offers a competitive proposition for its internal vestings customers, is enhanced by strategic partnerships with third parties where Prudential UK is the recommended annuity provider for customers vesting their pension at retirement. Prudential UK, with approximately 1.5 million annuities in payment, is the largest provider in the UK market.

Investing in property has been an increasingly important component for many people saving for their retirement. With an estimated £725 billion owned by pensioners in property in the UK, pensioners can consider options such as equity release to help deliver an adequate income in retirement. This is likely to become increasingly important as people live longer and the cost of living continues to rise.

Prudential UK's total retail with-profits business has performed very strongly across a range of products. This demonstrates clearly that with-profits, when invested in an actively managed, well-run and financially strong fund, can produce good returns for the cautious investor. Prudential's with-profits products offer a medium- to long-term, medium risk investment, with exposure to a diverse range of assets, skilled management of those assets and smoothed returns, all of which are particularly important to many customers against the backdrop of market volatility.

Prudential UK continues to be a market leader in the corporate pensions market where it is a provider to over 20 per cent of FTSE 350 companies and the largest provider of pension schemes to the UK public sector. Prudential UK now administers corporate pensions to over 640,000 members.

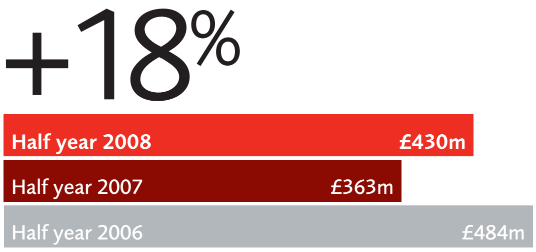
Our joint venture with Discovery to provide Health and Protection insurance based on rewarding healthy lifestyles with lower premiums continues to grow rapidly. At the end of June, PruHealth covered approximately 175,000 lives.

Prudential UK's strategy in Wholesale is to participate selectively in bulk annuity and back-book buyouts. Prudential UK will maintain a strict focus on value, only participating in transactions that generate an acceptable rate of return.

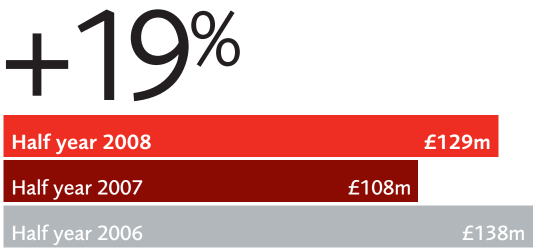
Financial performance

In an environment of volatile capital and equity markets, a decline in the housing market and general economic uncertainty, Prudential UK has delivered a strong set of figures. Total UK APE sales in the first half of the year grew by 18 per cent to £430 million and new business profit increased 19 per cent to £129 million. Sales in the second quarter were 33 per cent higher than the same period last year. The average new business margin for the half year was maintained at 30 per cent.

UK APE sales £m



UK new business profits £m



Retail sales of £398 million were 11 per cent higher than 2007. Individual annuities continued to deliver substantial sales volume. Sales growth was driven by strong performances in with-profits bonds and offshore products, supplemented by good sales of corporate pensions and encouraging growth in its equity release range. Prudential UK also completed a bulk annuity reinsurance contract with Goldman Sachs for the reinsurance of £30 million APE of Rothesay Life's non-profit annuity business. Prudential and Goldman Sachs will consider opportunities for future cooperation to provide joint solutions in selected situations in the defined benefit scheme risk management market.

Individual annuity sales at the half year of £141 million were in line with those achieved in the first half of 2007, with the second quarter sales up four per cent on the same period last year. This good performance in the second quarter was underpinned by a continued focus on the strong internal vestings pipeline which contributed more than 50 per cent of total individual annuity sales.

Prudential UK is now the market leader in the lifetime mortgage market, with over a 25 per cent share in the second quarter of 2008, based on new business advances. Sales in the second quarter were 40 per cent higher than in the first quarter of 2008. Total half-year sales of £12 million were 71 per cent higher than the first half of 2007. Prudential UK is now seeing strong contributions from the intermediary and direct markets as well as steadily increasing drawdowns from existing customers.

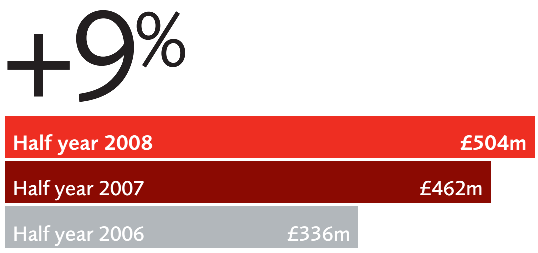
Prudential UK's total retail with-profits business has performed very strongly across a range of products, with total sales of £183 million up 32 per cent on the first half of 2007. Sales of with-profits bonds of £48 million were up 182 per cent on the first half of 2007, reflecting the strength of Prudential's with-profits fund performance and an increasing demand for this type of product.

Offshore sales of £34 million were up 48 per cent on the first half of 2007, driven by strong sales in the UK, which have been reinforced with the launch of our new open architecture Portfolio Account in March 2008.

Half-year corporate pensions sales of £126 million were two per cent higher than those achieved in the same period last year. Existing accounts in the public sector performed strongly and we also secured Nationwide's deposit based Additional Voluntary Contribution (AVC) business, affirming our status as a leading provider in this market. However, sales within Prudential UK's shareholder-backed business, where pricing is extremely competitive and where it maintained its strict pricing discipline rather than matching competitor pricing, fell by 11 per cent.

Total new business profits of £129 million were 19 per cent higher than the same period in 2007. Retail new business profits grew by 10 per cent to £124 million. The Wholesale new business profit of £5 million reflects the bulk annuity contract completed with Goldman Sachs, which met our target return criteria and was inclusive of the costs of the Wholesale operation. This performance demonstrates the continuing benefits of selectively participating in product lines that deliver sustained sales growth while at the same time maintaining a pricing discipline that ensures attractive returns. An average new business margin of 30 per cent was achieved in the first half of 2008, consistent with the same period last year.

UK EEV basis operating profit £m



EEV basis operating profit based on longer-term investment returns of £504 million, before restructuring costs of £5 million, was up nine per cent on the first half of 2007. The in-force operating profit of £375 million was up six per cent on the first half of 2007, although 2007 benefited from the £67 million positive operating assumption change reflecting the change in the long-term tax rate assumption from 30 per cent to 28 per cent.

Prudential UK continues to manage actively the retention of its in-force book. During 2008, experience at an aggregate level has been in line with our long-term assumptions.

IFRS operating profit increased 14 per cent to £286 million before restructuring costs of £4 million. This included £198 million of profits attributable to the with-profits business, reflecting strong long-term investment performance and its impact on terminal bonuses.

Prudential UK writes with-profits annuity, with-profits bond and with-profits corporate pension business in its life fund, with other products backed by shareholder capital. There were no defaults in Prudential Retirement Income Limited (PRIL) in the first half of 2008 and PRIL has no direct exposure to the US sub-prime market.

The weighted average post-tax IRR on the shareholder capital allocated to new business growth in the UK was 15 per cent.

The agreement announced in 2007 with Capita to outsource a large proportion of Prudential UK's in-force and new business policy administration commenced in April 2008. This agreement will deliver £60 million per annum of savings to Prudential UK and is an important element in achieving its total cost savings target of £195 million by the end of 2010. This contract also provides a significant reduction in long-term expense risk by providing certainty on per-policy costs as the number of policies in the mature life and pensions book decreases over the coming years. Unit costs per policy are expected to reduce by over 30 per cent by 2011.

Financial strength of the UK long-term fund

The PAC's long-term fund remains very strong. On a realistic valuation basis, with liabilities recorded on a market consistent basis, the free assets are valued at approximately £7.7 billion at 30 June 2008, before a deduction for the risk capital margin. The financial strength of PAC is rated AA+ (stable outlook) by Standard & Poor's, Aa1 (negative outlook) by Moody's and AA+ (stable outlook) by Fitch Ratings.

In the first half of the year, Prudential's with-profits life fund has been impacted by the difficult conditions in financial markets, with negative returns from its holdings in equities, property and bonds. The fund returned negative 6.8 per cent gross in the first half of the year.

In the light of the significantly wider level of credit spreads in major markets, the decision was taken earlier in the year to progressively close the hedge on the fund's credit exposure that had been taken out in 2007 at a profit.

In anticipation of much higher volatility in financial markets, the decision was also taken to reduce Prudential's equity exposure, for tactical purposes in that part of the fund attributed to the estate, which was beneficial.

Although market conditions remain extremely testing, they provide some value opportunities for investors with a long-term investment horizon.

Business unit review
Asset management
M&G

Global
The Group's asset management businesses provide value to the insurance businesses within the Group by delivering sustained superior performance. They are also important profit generators in their own right, having low capital requirements and generating significant cash flow for the Group.

The asset management businesses are well placed to capitalise on their leading market positions and strong track records in investment performance to deliver net flows and profit growth as well as strategically diversifying the Group's investment propositions in retail financial services markets that are increasingly favouring greater product transparency, greater cross-border opportunities and more open-architecture investment platforms. Wholesale profit streams are also growing.

The Group's asset management businesses operate different models and under different brands tailored to their markets and strengths. However, they continue to work together by managing money for each other with clear regional specialism, distribute each others' products and share knowledge and expertise, such as credit research.

Each business and its performance in the first half of 2008 is summarised below.

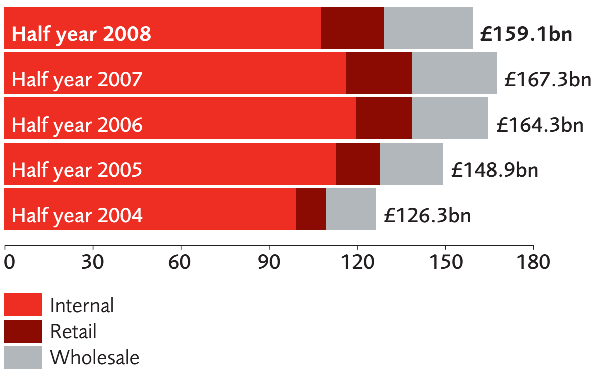
M&G
M&G comprises the M&G asset management business and Prudential Capital.

M&G asset management

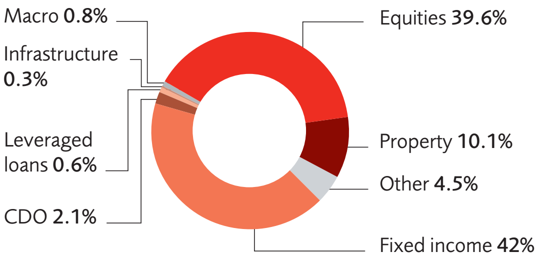
Introduction
M&G is Prudential's UK and European asset management business. It manages £ 159 billion of assets, of which £108 billion relate to Prudential's long-term funds, £30 billion to wholesale and £21 billion to retail clients. M&G aims to maximise profitable growth by operating in areas of the retail and wholesale markets where it has a leading position and competitive advantage.

M&G's core strategy is to focus on the delivery of superior investment performance in all classes in which it invests and thereby offer attractive products in a variety of macro-economic environments. As one of the largest active managers in the UK, M&G has expertise in all major asset classes and also has a leading position in a number of specialist areas such as leveraged loans, structured credit, infrastructure and macro investment.

M&G funds under management by client type £bn



M&G diversity by asset type



M&G has a strong and well-established presence in its home UK market. However, a growing proportion of its business is sourced from Europe, South Africa and Asia (distributed by Prudential Corporation Asia).

M&G's diversity by client type, asset class and geography is central to the sustainability of its earnings in the current challenging environment. Stability is derived from the internal client and M&G's long-established direct retail business, while growth opportunities are provided by geographic expansion,

M&G	Half year 2008 £m	CER Half year 2007 £m	CER Change %	RER Half year 2007 £m	RER Change %
Net investment flows	2,437	3,367	(28)	3,367	(28)
Revenue	235	225	4	225	4
Other income	12	14	(14)	14	(14)
Staff costs	(101)	(110)	8	(110)	8
Other costs	(42)	(33)	(27)	(33)	(27)
Underlying profit before performance-related fees	104	96	8	96	8
Performance-related fees	9	12	(25)	12	(25)
Operating profit from M&G asset management operations	113	108	4	108	4
Operating profit from Prudential Capital	33	32	3	32	3
Total IFRS operating profit	146	140	4	140	4

Business unit review
Asset management
M&G continued

diversification into specialist investment areas and leadership in developing newer distribution opportunities such as third party on-line platforms.

M&G's retail business aims to obtain maximum value from a single manufacturing function through a multi-channel, multi-geography distribution approach. Its wholesale business centres on leveraging the skills developed primarily for internal funds to create higher-margin products for external clients.

Financial performance

The markets in which M&G operates have endured a difficult period since the onset of problems in the credit market in the second half of 2007. Declines in underlying value across asset classes have impacted funds under management, and hence revenue.

Against this challenging backdrop, M&G has delivered a strong first half performance, with an overall underlying profit result of £104 million, compared to £96 million in 2007.

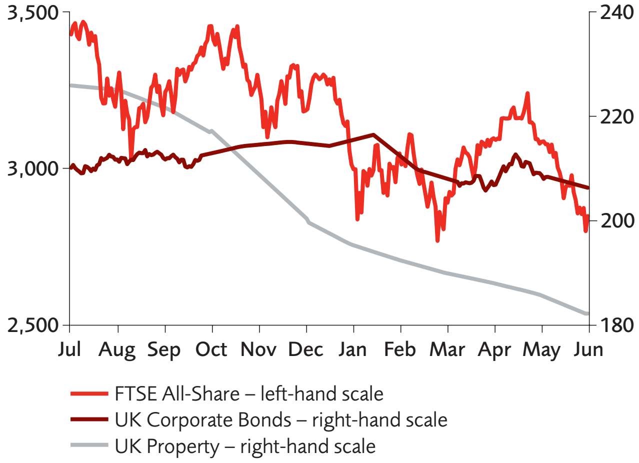
In addition, M&G earned £9 million in performance related fees (2007: £12 million).

This profit performance was driven, in part, by the full year effect of new business won in 2007 as well as positive net sales of £2.4 billion received in the first half of 2008 (2007: £3.4 billion). This is a strong net positive result in market conditions that are dramatically different to those experienced in the first half of 2007.

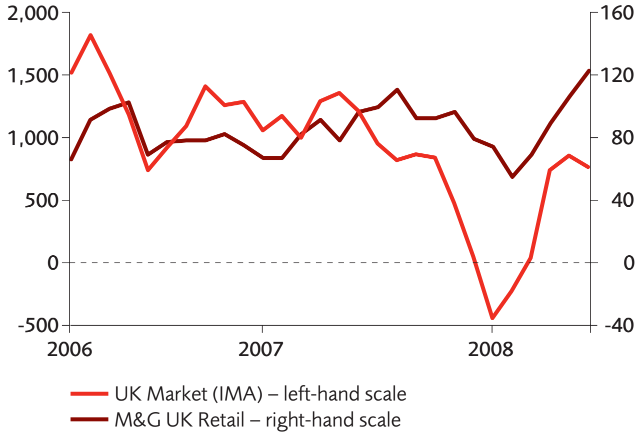
Net retail fund inflows were £881 million (2007: £1.7 billion), a good result in a period where both the UK and European asset management industries saw a much more significant fall in net flows. M&G's wholesale net fund inflows also proved very resilient in the first half of 2008, with inflows of £1.6 billion (2007: £1.6 billion).

M&G believes that this success in winning and keeping business is primarily the result of strong investment performance. Over the three years to end June 2008, 71 per cent of M&G's retail funds produced top or second quartile performance, representing 92 per cent of funds under management. M&G's excellent performance is further underlined by a number of awards won in the first half of the year, including being named Best Global Group by Investment Week and Best Larger Equity Fund House by Morningstar. In addition the M&G Recovery and Global Basics funds have received Lipper awards in Switzerland, Austria, France, Germany, Italy and Spain.

Movements in key market indices



M&G UK net retail sales £m



Pudential Capital

Prudential Capital manages Prudential's balance sheet for profit through leveraging Prudential's market position. The business has three strategic objectives: to operate a first class wholesale and capital markets interface; to realise profitable proprietary opportunities within a tightly controlled risk framework; and to provide professional treasury services to Prudential. Prudential Capital generates revenue by structuring transactions, providing bridging finance, and operating a securities lending and cash management business for Prudential and its clients.

Driven by strong securities lending performance, operating profit at the half year of £33 million was three per cent up against the same period in 2007. Dividends of £14 million were remitted to the holding company.

Business unit review
Asset management
Asia

Asia	CER Half year 2008 £m	CER Half year 2007 £m	CER Change %	RER Half year 2007 £m	RER Change %
Net investment flows	1,642	1,777	(8)	1,662	(1)
Total IFRS operating profit	29	34	(15)	33	(12)

Introduction

Prudential's asset management business in Asia supports the insurance operations, and has established itself as an increasingly material retail business in its own right. Today it has retail operations in 10 markets and has more top five market share positions than many other regional players in Asia.

Despite the downturn in the equity markets in the first half of 2008 product innovation has continued with the launch of a number of new funds. PRUPIM Vietnam Fund is one of the country's first institutional property funds. In Taiwan, the PCA Green Solution Fund which seeks to deliver long-term capital growth by investing in climate change related global firms and is the country's third largest IPO. In China, our joint venture with CITIC introduced its third fund, the Blue Chip Fund. PCA Asset Korea launched PCA Emerging Asia Equity Fund in the first quarter of 2008. In the second quarter, several structured funds were launched in response to the demand for lower-risk products.

We have also continued to expand the breadth and depth of our distribution network in Asia. PCA Asset Japan established our third relationship with a mega brokerage, this time with Nomura. In the United Arab Emirates (UAE), our business based in Dubai now has 15 distribution agreements.

Taiwan obtained three institutional mandates with funds under management (FUM) of £116 million in the first half of the year. This includes a domestic equity investment mandate from Taiwan's New Labor Pension Fund over a three-year period.

Against a volatile market environment, we are taking the opportunity to enhance our investment processes and manufacturing capabilities. This is firstly achieved through strengthening the investment team by hiring talented and experienced portfolio managers and product specialists. Other efforts include enhancing our research coverage, developing new technology applications to facilitate product manufacturing and strengthening of active management of our portfolio risk. We are also building our capabilities to include opportunistically Latin American and other Europe, Middle East and Africa regions.

Financial performance

Our Asian asset management business delivered £1.6 billion of net inflows in the first half of 2008. These were eight per cent lower compared to the same period in 2007 as India and Japan in particular have seen lower net equity flows in this period due to volatility of the equity markets. Of the £1.6 billion net flows, 57 per cent were in longer-term equity and fixed income products, and the remaining 43 per cent in shorter-term money market funds, compared to 23 per cent for the first half last year. Taiwan recorded the strongest inflows for the first half of this year.

Total third party funds under management were £15.7 billion, a decrease of nine per cent compared to the second half of 2007, but up five per cent on the first half of 2007. Hong Kong, India and Taiwan were the main contributors to the year-on-year growth, with funds under management increasing by 27 per cent, 24 per cent and 17 per cent respectively.

Prudential has successfully built a material and profitable fund management business in Asia. Despite the dominance of domestic asset management houses in most Asian countries, our fund management business has established leadership positions in Asia. As of the end of May 2008, our businesses in India and Singapore have secured the second and third positions in the respective mutual fund markets. In Japan, our business is ranked second amongst foreign asset management companies in the market in terms of net fund flows gathered year-to-date. We remain confident that the business is in an ideal position to capitalise on the growth opportunities in Asia.

Business unit review
Asset management
United States

US asset management

PPM America manages assets for Prudential's US, UK and Asian affiliates and provides investment services to other affiliated and unaffiliated institutional clients including collateralised debt obligations (CDO), private equity funds, institutional accounts and mutual funds.

IFRS operating profit in the first half of 2008 was £1 million, down from £4 million in the same period in 2007 at CER due to losses on consolidated investment vehicles that more than offset continued growth of the fixed income portfolio managed on behalf of the US insurance operations.

	CER			RER	
PPM America	**Half year 2008 £m**	Half year 2007 £m	Change %	Half year 2007 £m	Change %
Total IFRS operating profit	**1**	4	(75)	4	(75)

Curian Capital

Curian Capital (Curian), a specialised asset management company that provides innovative fee-based separately managed accounts, continues to build its position in the US retail asset management market with total assets under management at the end of June 2008 of £1.7 billion, consistent with year end 2007 at CER, as new deposits offset the impact of market declines during the first half of 2008.

Curian gross investment flows were £339 million in the first half of 2008, up seven per cent on the same period of 2007.

	CER			RER	
Curian	**Half year 2008 £m**	Half year 2007 £m	Change %	Half year 2007 £m	Change %
Gross investment flows	**339**	316	7	317	7
Revenue	**13**	9	44	9	44
Costs	**(13)**	(11)	18	(11)	18
Total IFRS operating profit/(loss)	**0**	(2)	(100)	(2)	(100)

US broker-dealer

National Planning Holdings, the Group's US independent broker-dealer network, comprises four broker-dealer firms, INVEST Financial Corporation, Investment Centers of America, National Planning Corporation and SII Investments.

IFRS operating profit of £5 million was in line with half year 2007.

	CER			RER	
Broker-dealer	**Half year 2008 £m**	Half year 2007 £m	Change %	Half year 2007 £m	Change %
Revenue	**161**	146	10	146	10
Costs	**(156)**	(141)	11	(141)	11
Total IFRS operating profit	**5**	5	0	5	0