



Prudential plc 2006 interim results

28 July 2006

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Agenda

Introduction

Mark Tucker
Group Chief Executive

Financial update

Philip Broadley
Group Finance Director

Business update

Mark Tucker
Group Chief Executive

Nick Prettejohn
Chief Executive, Prudential UK & Europe

Summary and Q&As

Mark Tucker
Group Chief Executive



Financial update

Philip Broadley, Group Finance Director

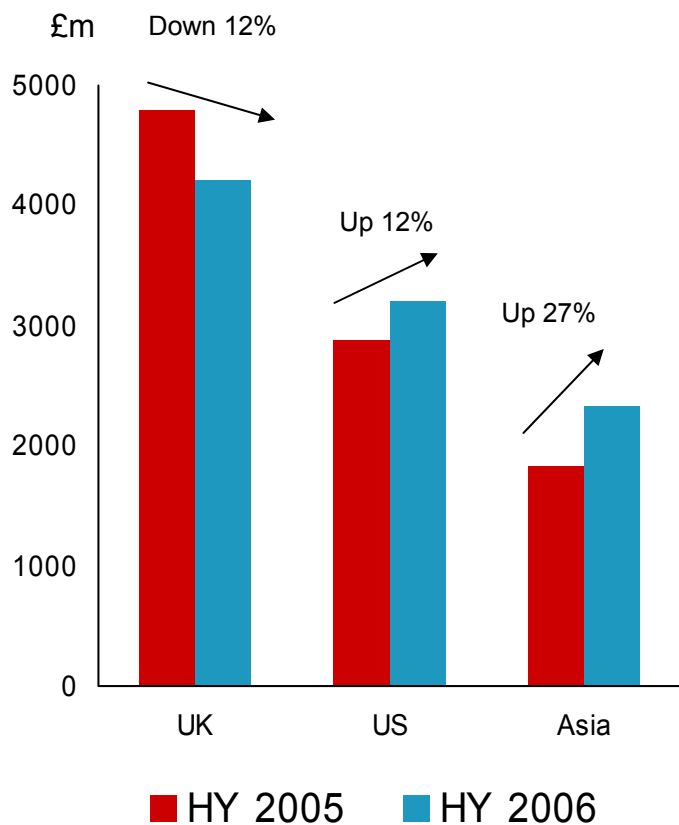
2006 Interim Results Highlights

- New business PVNBP £9.8bn up 3%; APE £1,255m up 9%
- New business profit up 17% to £504m
 - PVNBP margin up from 4.5% to 5.2%
- Record net investment flows up 136% to £5.3bn
- Total EEV basis operating profit (before UK restructuring costs) increased 17% to £980m
- Total IFRS basis operating profit (before UK restructuring costs) down 4% to £470m

Focus on new business value across the group

Driven by increased sales and group margin

PVNB Sales



New business profit	Half Year	
	2005 £m	2006 £m
UK	159	138
US	99	134
Asia	173	232
Group	431	504

Insurance sales only

	Half Year			
	PVNB Margin		APE Margin	
	2005	2006	2005	2006
UK %	3.3	3.3	30	29
US %	3.5	4.2	35	41
Asia %	9.4	10.0	52	52
Group	4.5	5.2	37	40

Insurance sales only

EEV basis in-force profit

Strong growth in in-force

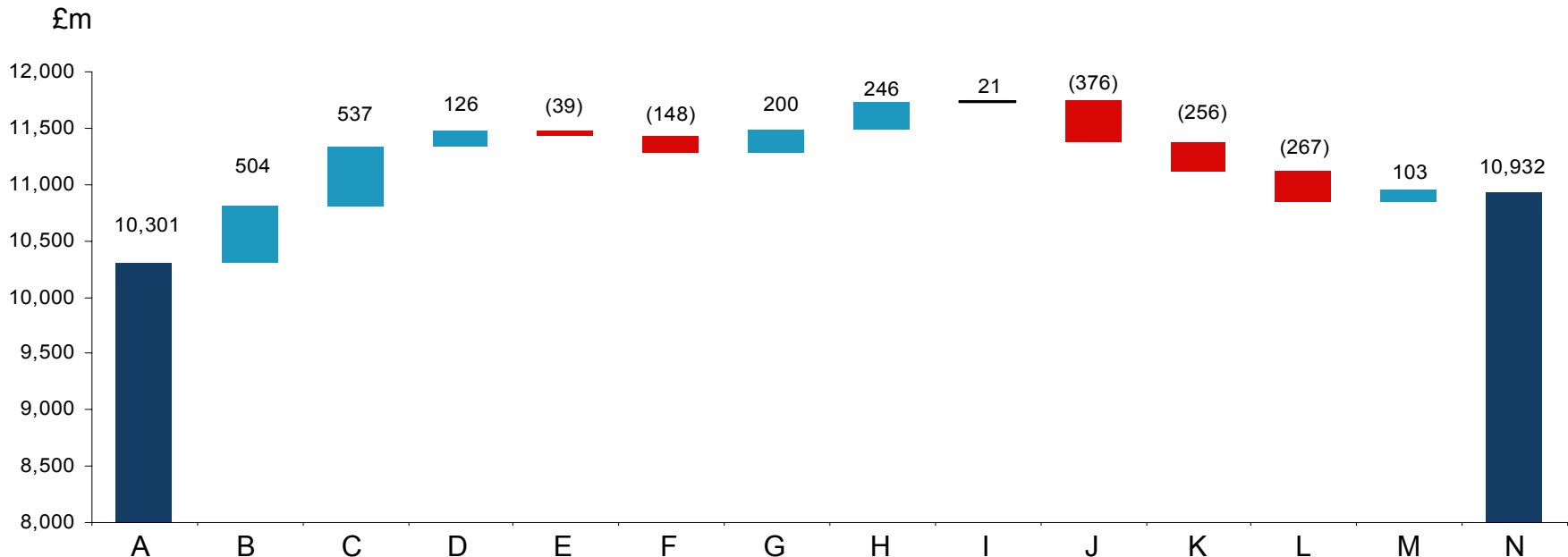
	UK £m	US £m	Asia £m	HY 2006 Total £m	HY 2005 Total £m
Unwind of discount*	259	130	138	527	375
Change in assumptions	0	1	(9)	(8)	13
Variations and other items					
Persistency	6	(4)	5	7	(3)
US spread	-	60	-	60	50
Amortisation of interest related gains	-	23	-	23	27
Other	(67)	2	(7)	(72)	(42)
Total variations and other items	(61)	81	(2)	18	32
Total inforce profit	198	212	127	537	420

- In-force result up 28% from £420m to £537m
- Higher unwind of discount reflects higher opening embedded value and increases in risk free rates
- Total variations and other items of £18m
- Other UK includes regulatory costs and losses in PruHealth and service companies

EEV basis shareholders' funds

Continued strong growth in shareholders' funds

Analysis of movement in EEV shareholders' funds: 31 December 2005 to 30 June 2006



- | | | | |
|----|--|----|--|
| A. | 2006 opening shareholders' funds | H. | Actuarial gains and losses on DB pension schemes |
| B. | Life new business profit | I. | Effect of changes in economic assumptions and time value of cost of options and guarantees |
| C. | Life in-force profits | J. | Tax |
| D. | Asset Management and other operating profit | K. | FX Movements |
| E. | Egg operating loss | L. | External dividends |
| F. | Other income and expenditure (including Asia development exp) | M. | Other* |
| G. | Short-term fluctuations in investment returns and mark-to-market movement on core borrowings | N. | HY 2006 closing shareholders' funds |

IFRS Basis Operating Profit

Underlying operating profits growing in insurance businesses and fund management

	HY 2005 £m	HY 2006 £m
UK	187	205
US	178	227
Asia	121	103
M&G	83	100
Egg	13	(39)
Other	(93)	(126)
IFRS basis operating profit before restructuring costs	489	470
UK restructuring costs	0	(17)
IFRS basis operating profit	489	453

- UK results reflect increased profits from with-profits and annuity businesses
- US benefiting from improvements in spread and fee income
- Underlying Asia result up 18% excluding exceptional profits of £34m in 2005
- Strong underlying profits from M&G
- Egg recorded a loss for the half reflecting an increase in loan bad debts and reduced PPI sales from lower new loan volumes and the cost of card acquisition

Egg

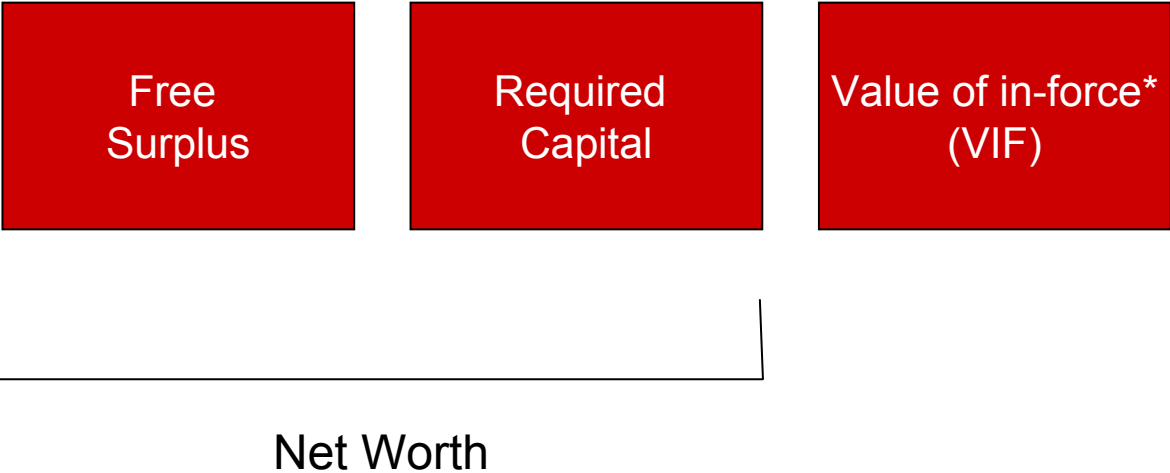
Strong card performance and difficult personal lending conditions

- Net interest income up £17m
- Growing card book and strong returns
 - 3% growth compared to market decline of 2%
 - 153k new cards through 0% offer during Q1 2006
 - £10m cost of offer in the period to be released in second half
- Personal lending
 - Returns in current market conditions not attractive
 - Higher quality but lower volumes (HY 2006: 53k HY 2005: 90k)
 - PPI income £17m lower
- Bad debts
 - Significant increases across the industry
 - Charge increased by £49m
- Egg expected to report an operating profit in second half of 2006
- Expected FCD benefit of £120m

Capital Cycle for Life Businesses

Capital Cycle for Life Businesses

Net worth and value of in-force

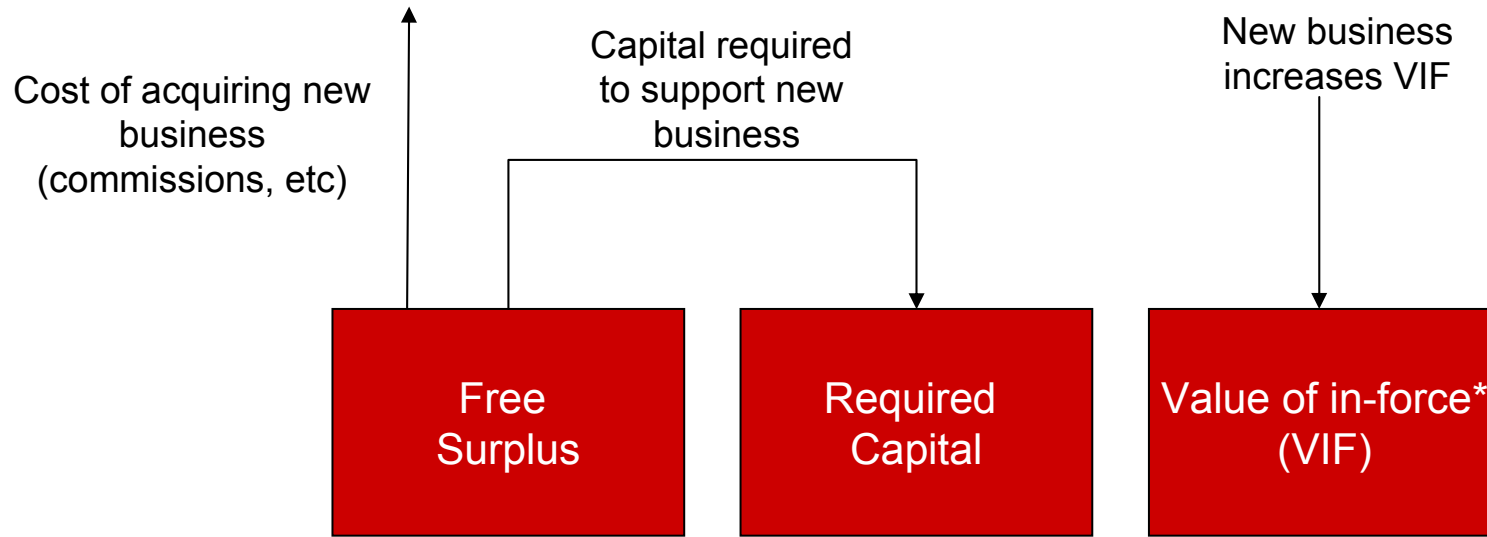


* Net of cost of capital



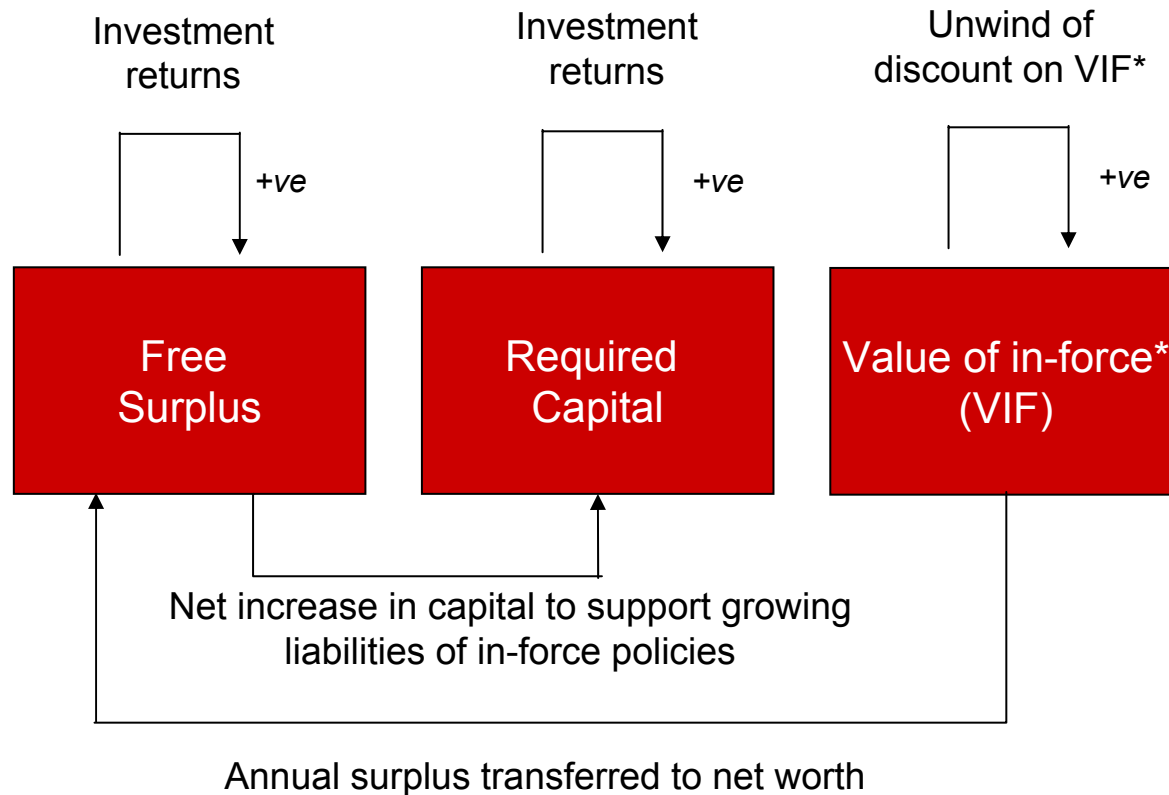
Capital Cycle for Life Businesses

Capital flows for new business



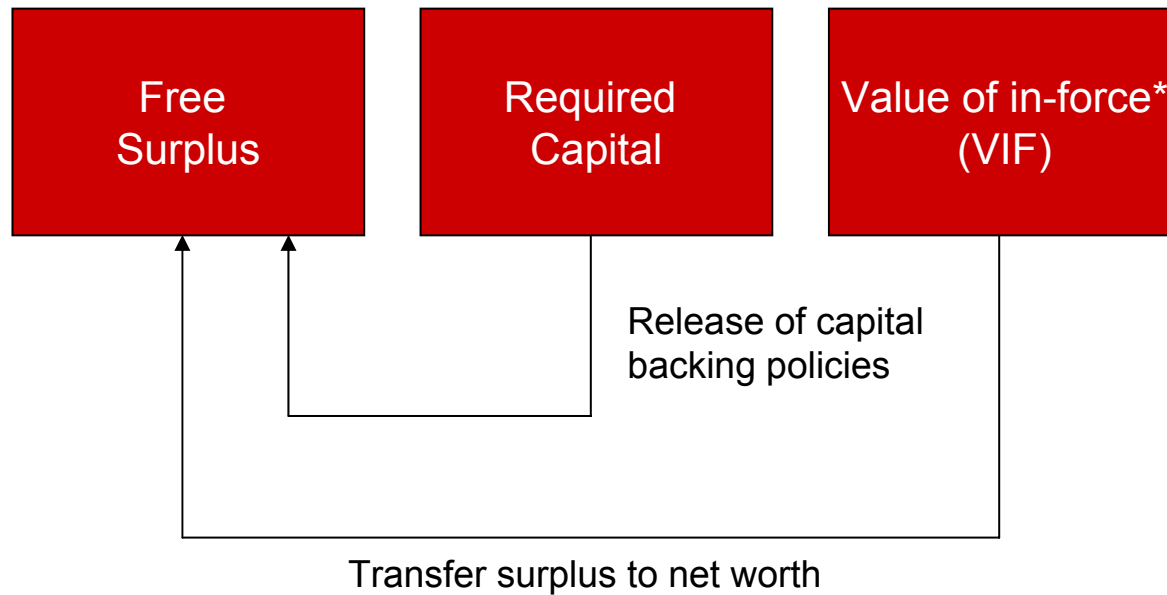
Capital Cycle for Life Businesses

Capital flows for in-force policies



Capital Cycle for Life Businesses

Capital flows for expected claims and surrenders



New Business Capital Usage

How much capital is required?

Movement in net worth and value of in-force business

HY 2006	Free surplus	Required capital	Net Worth	VIF	Total
New business contribution					
UK	(158)	112	(46)	143	97
JNL	(141)	121	(20)	107	87
Asia	(62)	7	(55)	221	166
	(361)	240	(121)	471	350

Capital requirement by business unit

- UK: £158m of capital in 2006 required to support £4,224m of PVNBP sales; at current mix approximately £3.7m per £100m of PVNBP sales
- US: £141m of capital in 2006 required to support £3,209m of PVNBP sales; at current mix, approximately £4.4m per £100m of PVNBP sales
- Asia: £62m of capital in 2006 required to support £2,328m of PVNBP sales; at current mix, approximately £2.7m per £100m of PVNBP sales

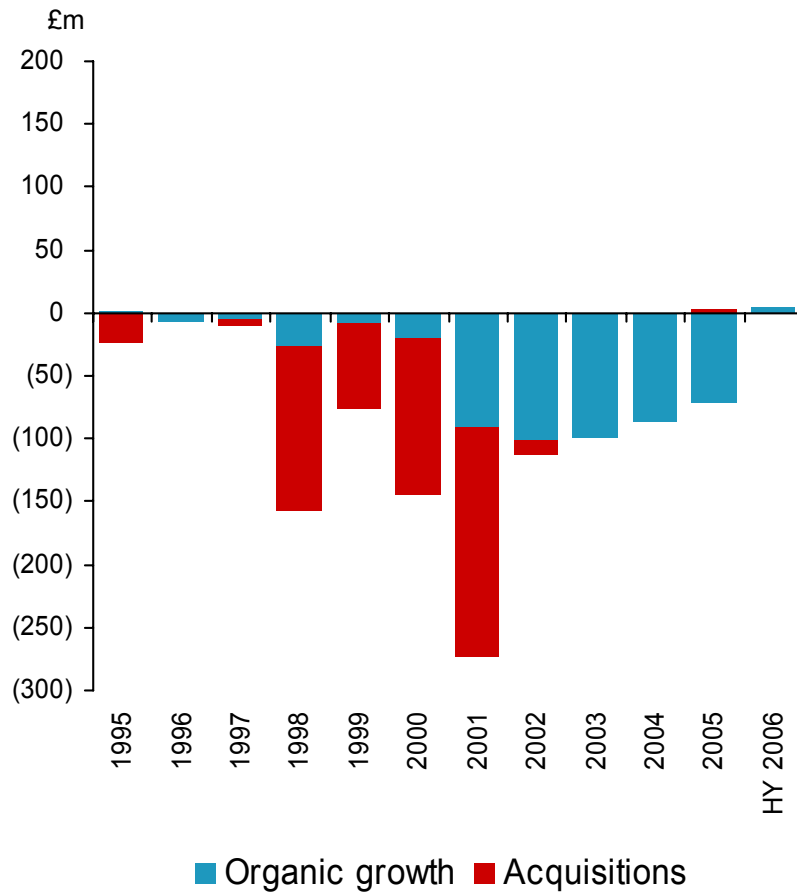
In-force Capital Generation

How much capital is generated?

HY 2006	Free surplus	Required capital	Net Worth	VIF	Total
Existing business – transfer to net worth					
UK	195	(24)	171	(171)	0
JNL	187	(133)	64	(64)	0
Asia	104	(18)	86	(86)	0
	496	(175)	321	(321)	0

Prudential Corporation Asia Actual Cash Flows

Cash flow positive in 2006

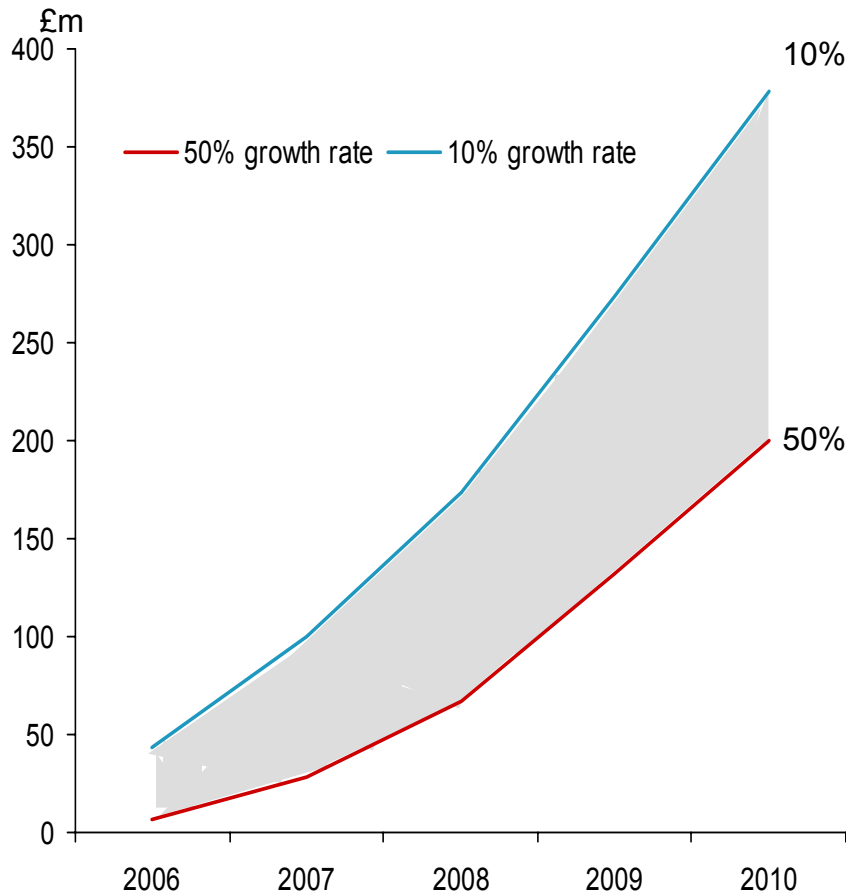


- Since 1995, net capital of £512m invested for organic growth and £543m for acquisitions
- Now generating a net cash surplus due to:
 - Consistent focus on capital efficient products, especially unit-linked
 - Increased repatriations from established markets
 - Growing scale of newer markets' in-force books

Prudential Corporation Asia Future Annual Cash Flows

Ability to self-fund significant growth

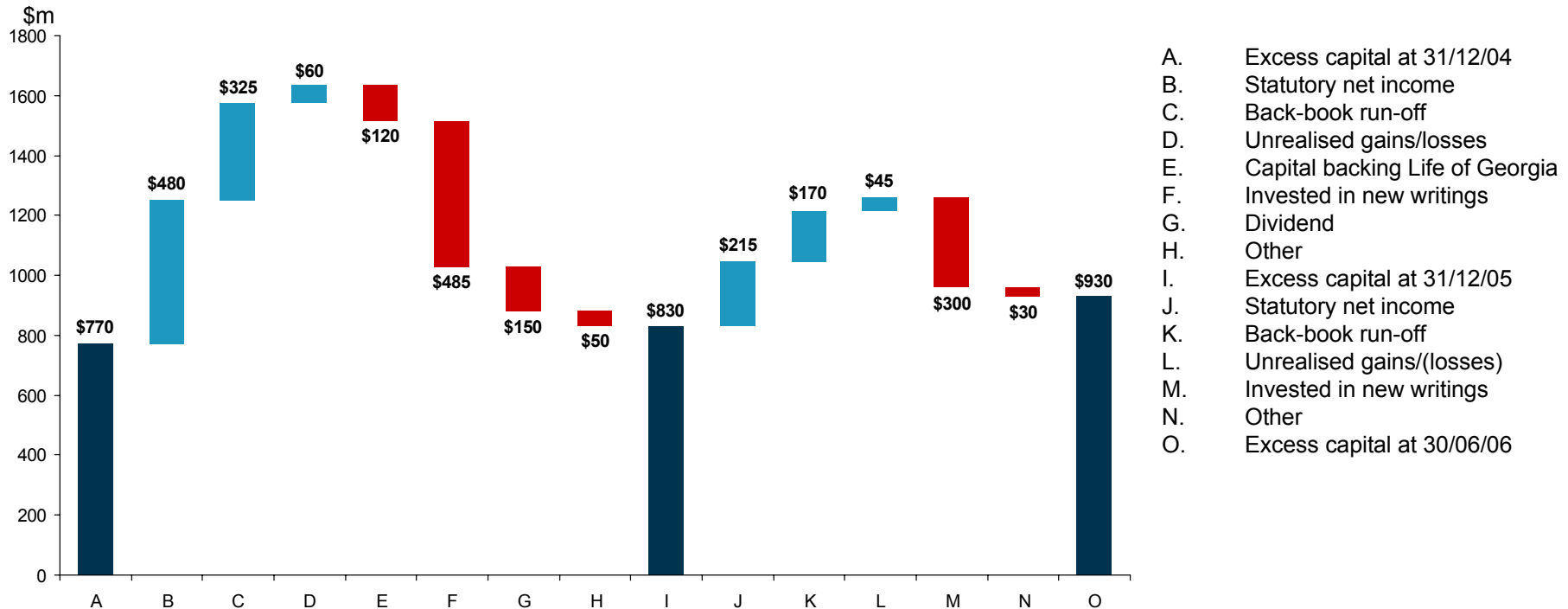
Illustration under different growth scenarios⁽¹⁾



- Cashflow scenarios assume:
 - Organic growth
 - 2005 business mix and product margin
- Even at a growth rate of 50% Asia remains self-funding with accelerating cash flows

Jackson Capital Formation

Able to fund rapid growth from strong statutory earnings and capital release

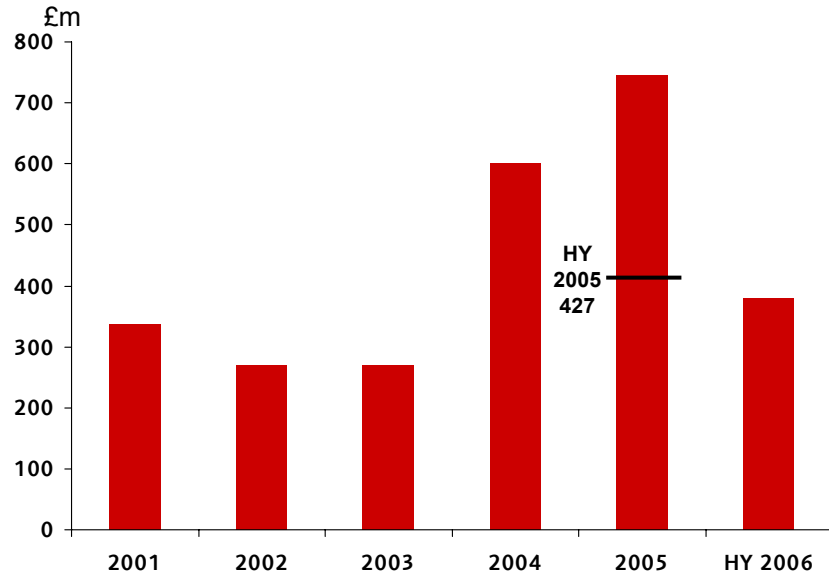


- Jackson paid a \$150m dividend to the Group in 2005 and expects to pay a \$180m dividend in 2006

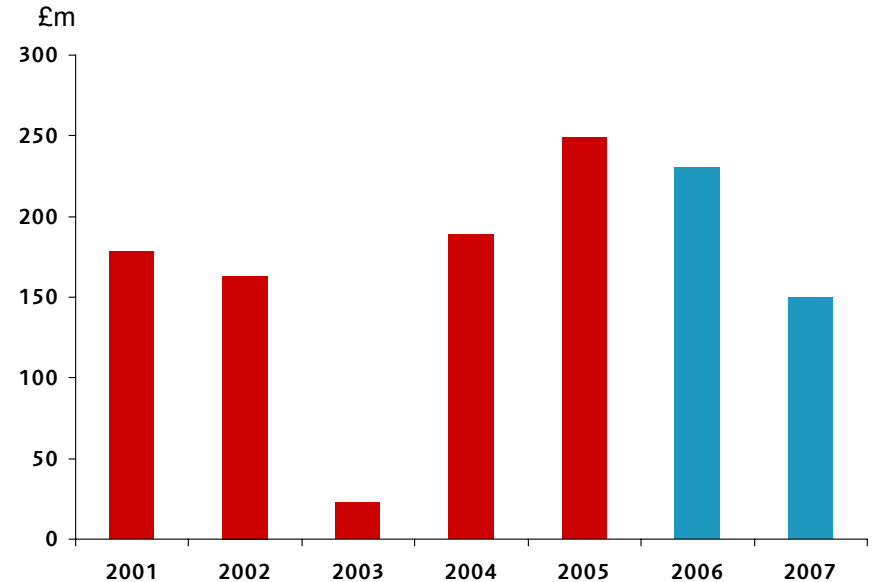
Managing the Growth in Shareholder-backed Business in the UK

Focus on value

UK shareholder-backed APE sales (1)



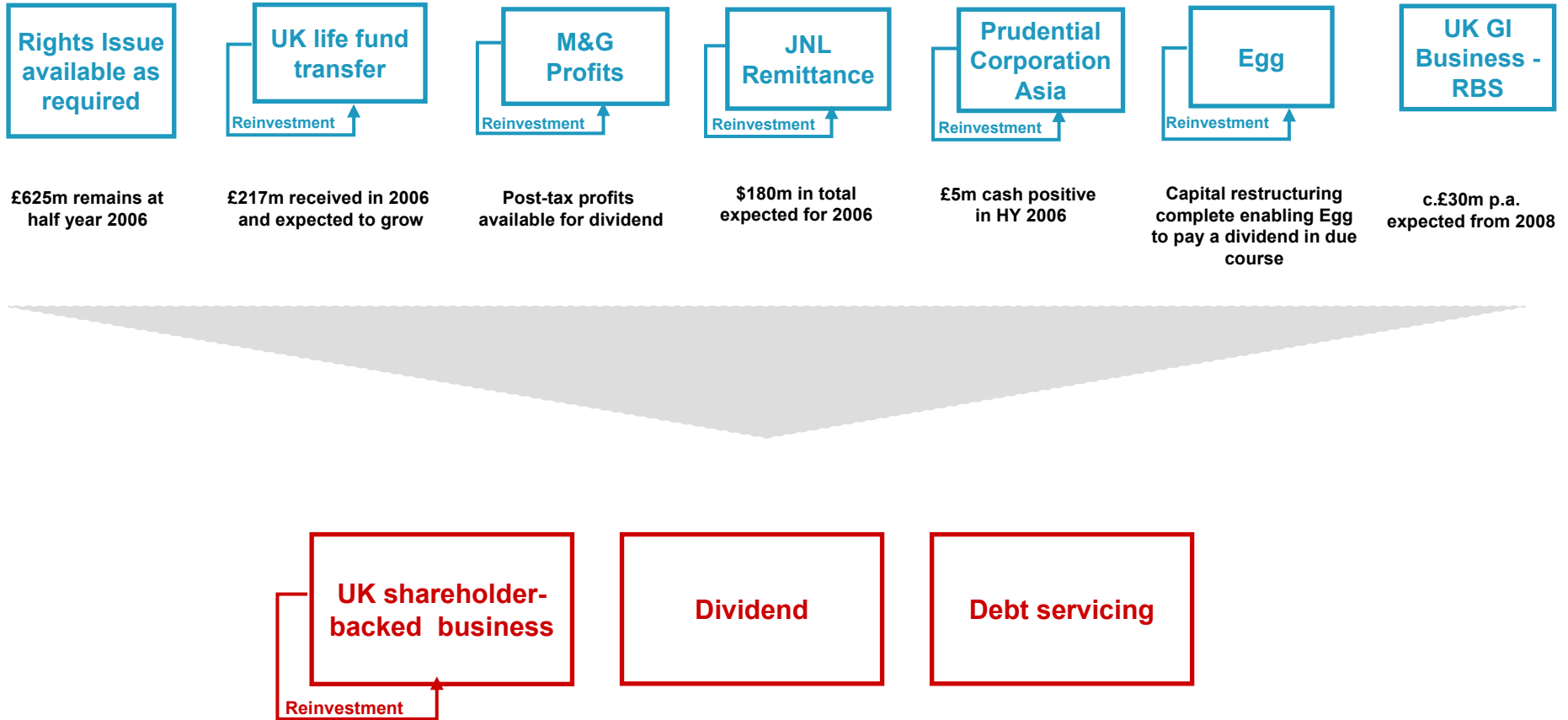
UK capital investments (2)



- Capital reducing from 2005 as growing levels of in-force business give rise to increasing capital formation

Cashflow

Cash to fund organic growth



Business Update

Mark Tucker, Group Chief Executive

Business Update

Priorities

Asia Insurance Operations

- Building distribution to continue to drive growth
- Emphasising high return, capital efficient unit-linked products
- Increasing cost efficiency

US Insurance Operations

- Focus on variable annuity market and 'baby boomer' opportunity
- Continued product innovation
- Scope to grow in chosen channels
- Diversifying the book

Asset Management

- Grow external FUM in UK and Asia
- Add value to life businesses through superior investment performance
- Leveraging cross regional collaboration

UK Operations

- Capitalise on advantages in annuities and experience in corporate pensions
- Build on diversity in distribution
- Resume development of Egg after period of uncertainty
- Deliver on cost and revenue initiatives

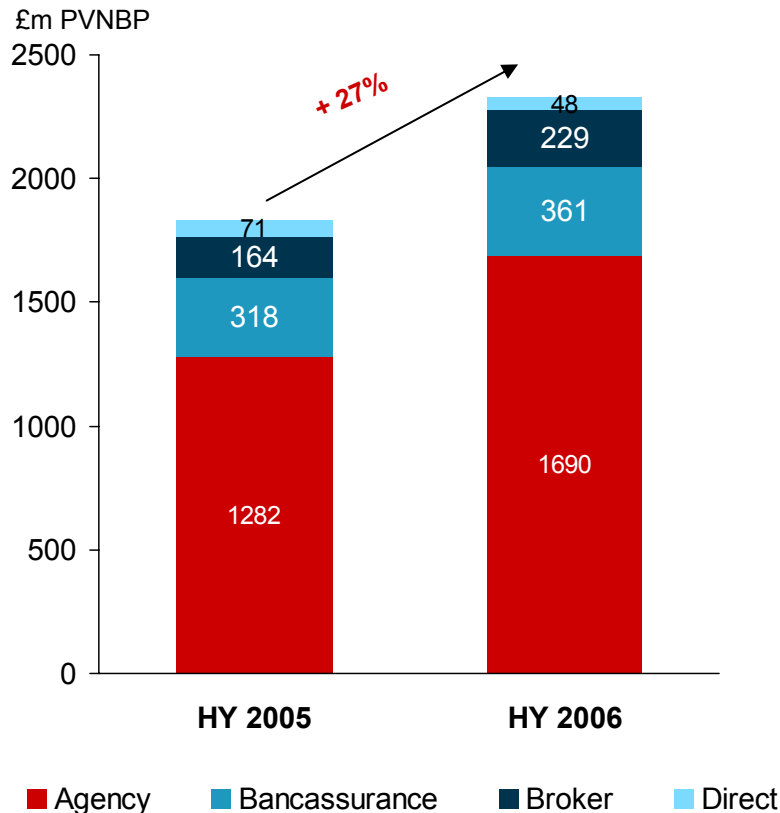
Asia Insurance Operations Highlights

- New business profit up 34%
- New business £2.3 billion up 27% on a PVNBP basis
 - India +61%
 - Korea +56%
 - China +40%
 - Singapore +32%
 - Taiwan +19%
- Strong growth in both agency sales +32% and other channels +15%
- High proportion of unit-linked sales
- Cash positive, with net remittance to the Group of £5m

Asia Insurance Operations

Growth across a broad-based distribution capability

Sales by channel

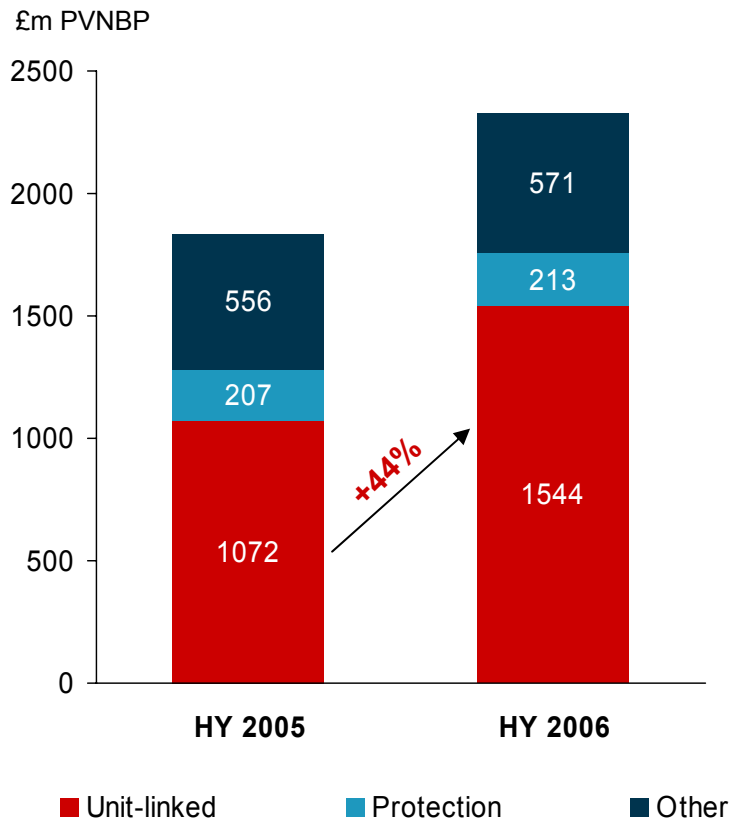


- Agent numbers up 20% at 191,000
 - Includes +25,000 in India and +13,000 in Indonesia
- Building highly productive financial consultant channel in Korea
- Significant bank distribution region-wide
- Opportunities to expand direct distribution

Asia Insurance Operations

Focus on high return capital efficient unit-linked products

Sales by product



- Customer orientated packaging of combined savings and protection products
- Unit-linked highly capital efficient
 - 66% of total sales up from 58% in H105
 - Sold in 10 markets with Vietnam launching soon
 - Strong fund performance
- New product development with Takaful licence in Malaysia
 - JV with Bank Simpanan Nasional
 - Planned launch in Q3
 - Large under-penetrated sector

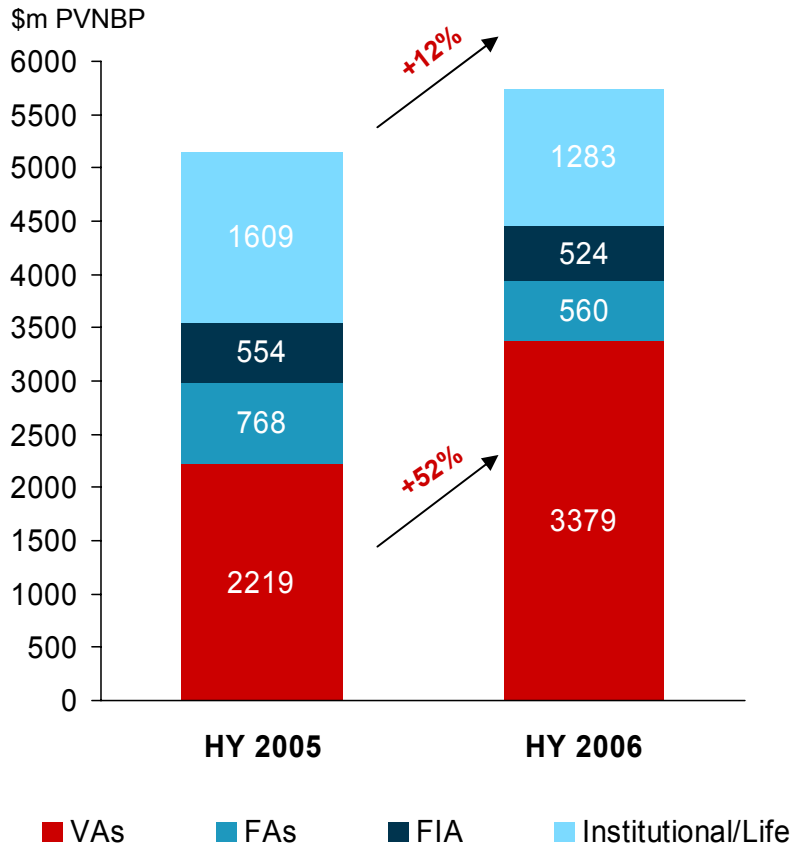
US Insurance Operations Highlights

- New business profit up 35%
- New business £3.2 billion up 12% on a PVNBP basis
 - Retail new business up 26%
- Continuing to make significant gains in variable annuity market share
 - Variable annuity sales up 52%
 - Separate Account assets \$17.6 billion up 48%
- Maintaining high levels of product innovation
- \$296 million of statutory capital generated

US Insurance Operations

Strong annuity position

Sales by product

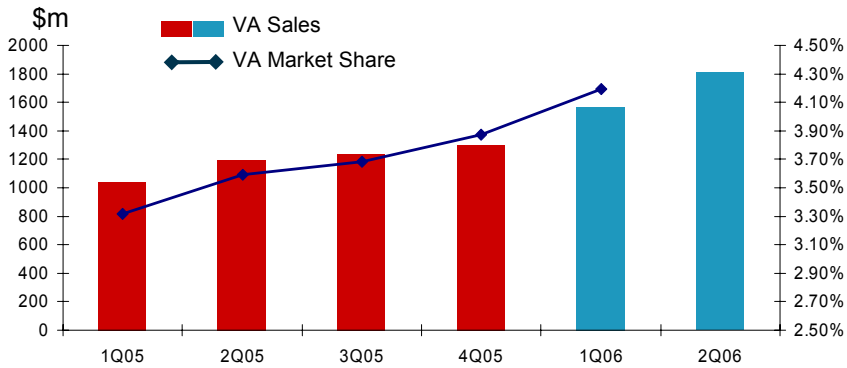


- Variable annuities
 - Top 3 net sales ⁽¹⁾
 - Perspective II No.2 by net sales ⁽¹⁾
 - Top 15 by gross sales ⁽²⁾
- Fixed index annuities
 - 8th largest provider ⁽³⁾
- Fixed annuities
 - 8th largest provider ⁽³⁾
- Conditions continue to favour variable annuities

US Insurance Operations

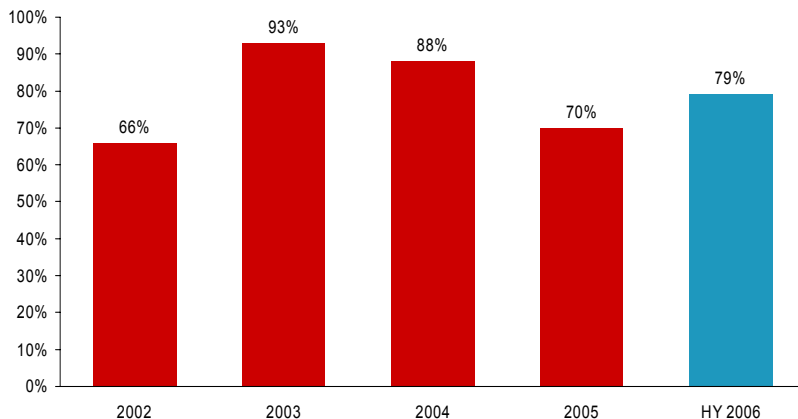
Focus on variable annuity market and 'baby boomer' opportunity

VA sales and market share



Rapid innovation

% Retail sales from product and features developed and launched in year and prior year



- Continue to expand product offering
 - Perspective Advisors II
 - Perspective L Series
 - Launched 5 new versions of lifetime GMWB's⁽¹⁾
- Scope to grow in chosen channels
 - 10.4% ⁽²⁾ market share of independent channel in Q1 06
- SQM World Class Service Award

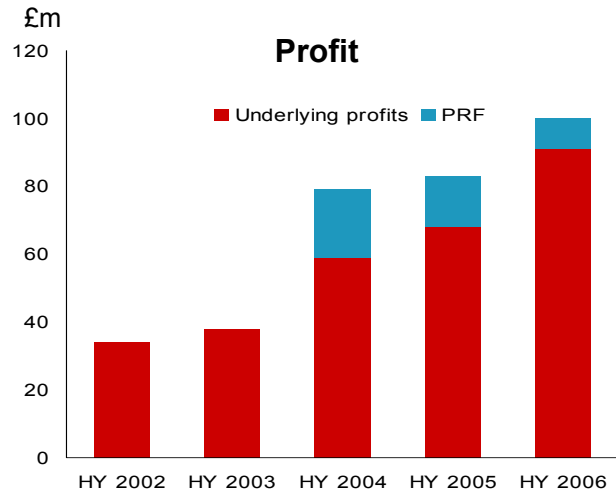
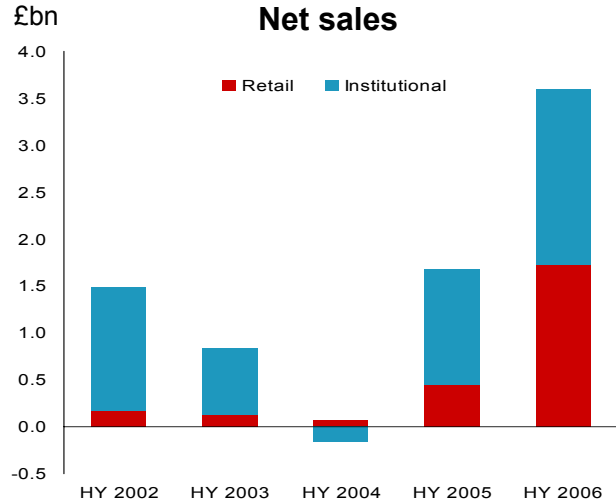
Asset Management Highlights

- Record Net Sales
 - M&G net retail sales in HY 2006 30% greater than the whole of 2005
 - Asia net sales tripled
- Strong profit growth in both M&G and Asia
- Expanding into new markets and broadening product range
 - M&G expanding in Europe and distributing through Prudential Corporation Asia
 - First mutual fund launched in China
 - No. 1 in the Indian Fund Management market
- All underpinned by excellent investment performance

Asset Management

Grow external FUM in the UK and Asia

M&G



Excellent investment performance



Growth in Net Sales

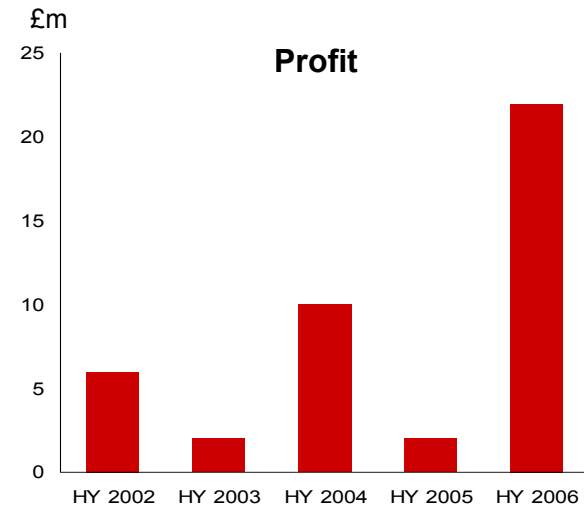
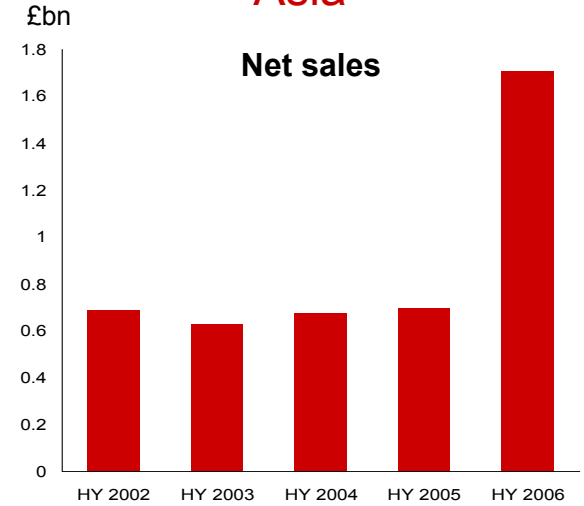


Growing FUM



Increasing profits

Asia



Asset Management

- Outstanding investment performance at M&G
 - Over 3 years 77% of M&G retail funds beat the UK sector average
 - Over 1 year all major M&G UK and global equity funds were top decile
 - Over 3 years 97% of active M&G fixed income institutional funds above benchmark
- Strong investment performance in Asia
 - Over 3 years, 80% of Asian ex-Japan Equity funds ahead of benchmark or sector average
 - Flagship Asian ex-Japan Bond Fund in top quartile over 1 year and 3 years
 - Over 3 years, 64% of all retail funds above sector average
- Adding value to life business through superior investment performance
 - Continuing to outperform the benchmark for the UK with-profit fund
- Leveraging cross regional collaboration
 - £6 billion of cross regional money managed
 - Property JV between M&G and Asian operations
 - Launched Global funds in Singapore, Malaysia and Korea
 - Curian in the US distributing M&G's Episode (Global Macro Hedge Fund)

UK Operations Highlights

- New business margins maintained against HY 2005
 - Improving retail margins, lower bulk margins
 - Continue to target 14% IRR; achieved 13% HY 2006
- New business £4.2 billion down 12% on a PVNBP basis
 - Focused on returns
 - Retail sales stable
- Organisational change implemented to provide greater focus
- Egg: difficult conditions in personal loans, card business performing well
- Increasing level of cost savings to £150 million per annum by 2009
 - £100m shareholder cost savings



Business Update

Nick Prettejohn, Chief Executive, Prudential UK & Europe

UK Operations

The last six months

Situation Analysis

- Strong assets
 - Brand
 - Financial strength
 - Diversified distribution
 - Investment capability
 - Mortality expertise
- But areas that need addressing
 - Structure lacking in focus
 - Cost base still high
 - Historically low levels of innovation

Immediate Priorities

- Create an organisational structure that works
- Major reappraisal of the cost base
- Critical review of product and distribution economics
- Leverage skills and products from other Group businesses
- Continue to target IRR of 14%

UK Operations

Restructuring and focusing the business

UK Operations

Income in Retirement	Wealth and Health	Banking	Mature Life and Pensions
Indirect Distribution		Direct Distribution	
Andy Briggs	Gary Shaughnessy	Mark Nancarrow	Gary Shaughnessy

Support Functions

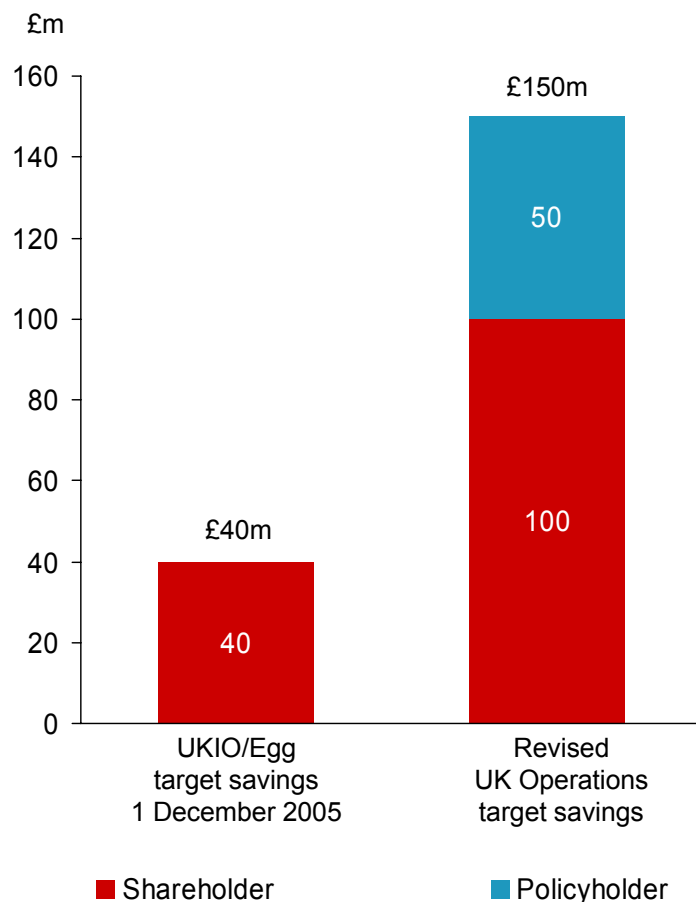
- Finance: Kieran Coleman
- Operations: Rosie Harris
- Actuarial: David Belsham
- Risk: Ian Wright
- Investment: John Betteridge
- HR: Jennifer Board

- Clear profit and balance sheet accountability
- Deliver on UKIO Egg integration
- Remove duplication
- Separate 'new' and 'legacy' business
- Engender innovation
- Begin to change the culture

UK Operations

18% reduction in the cost base by 2009

Annual Cost Savings



- Integration process developed into an end-to-end review identifying an additional £60 million per annum of shareholder savings
 - Site rationalisation
 - Functional restructuring
 - Focus on discretionary spend
- Significant savings beyond original UK/Egg target of £40m
- Bottom line IFRS and cash benefit
- Life savings EEV neutral
- One-off implementation cost of £110m
 - £50m already announced
 - Additional £60m across 2006-2008
- Potential for further cost savings

Income in Retirement

Capitalise on leadership position in a growth market

Situation analysis

- 75% of new business profit
- Retail
 - Individual annuities, more than half of the new business profit
 - Diversified distribution: over 20% of individual annuity new business from partnership vesting deals
 - Entered Equity Release market
- Wholesale
 - Leading market position
 - Returns under pressure
- Need for greater innovation
- Scope for further process improvement

Priorities

- Continue to develop the retail market
 - Retention of internal vestings
 - Develop distribution of Equity Release
- Innovate the wholesale offering
 - e.g. Structured buyout
- Continue to build partnerships in the retail and wholesale markets
- Develop more creative investment strategies alongside M&G
- Improve efficiency of quotation and new business processes in bulk annuities

Wealth & Health

Selective participation based on strict return criteria

Situation analysis

- 45% of sales, 15% of new business profit
- Material variation in returns across intermediaries
- Opportunities in profitable segments
- Cost base uncompetitive

Priorities

- Segment intermediaries and improve account management capabilities
 - Learning from Jackson
- Develop differentiated propositions in select segments
 - PruHealth target 100,000 lives by end 2006
 - New protection product
- Commercialise asset allocation capabilities
- Increase the focus on D2C opportunities
- Reduce cost

Banking

Significant value as part of a broader customer and distribution strategy

Situation analysis

- Strong card business with good returns
- Excellent customer platform
 - Although under-leveraged
- Economics of the loan market increasingly difficult
 - PPI under pressure
 - Weaker credit environment
- Cost base too high
- Limited diversification

Priorities

- Continue to develop card business
 - HY 2006 Egg balances 3% higher vs total market balances 2% lower
 - Focus on credit quality
- Reduce loans exposure
 - Hurts the short term P&L
 - Increases longer term value
- Reduce cost
- Customer retention and development
- Access opportunities for revenue synergies across the UK businesses

Mature Life & Pensions

Differentiated approach to improve returns

Situation analysis

- Represents around 60% of the life and pensions cost base
- Cost base too high
- Limited revenue generation from customer base

Priorities

- Manage as a separate business
 - Fit for purpose Customer Service
 - Appropriate levels of internal support
- Reduce cost
- Focus on persistency and rollover

Summary

A business focused on returns

- Operations restructured into four businesses with clear leadership and accountability
- Cost base reduction and greater levels of innovation required in all areas
- Profitable opportunities in each business area
 - Income in Retirement
 - Capitalise on the continuing value in individual annuities and opportunities in the bulk and equity release markets
 - Wealth & Health
 - Identify pockets of value, participate selectively based on returns
 - Banking
 - Focus on cards with selective participation in profitable loans, leverage and develop customer relationships
 - Mature Life & Pensions
 - Maximise value of back book and reduce costs
- Opportunities to leverage skills and products from across the Group



PRUDENTIAL

A growth business with strong momentum

Capital and cash to fund organic growth

Significant scope for value creation