



Prudential plc 2006 Full Year Results

15 March 2007

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Prudential plc

2006 full year results

- Strong growth in EEV operating profit
 - Insurance + 28%
 - Asset Management + 46%
- Maintaining a clear focus on value
 - Average margins on life new business remain high at 42% (2005:41%)
 - IRRs on new business improved
- Cash position continues to improve, capital position robust
 - Group operating cashflow expected to be positive in 2008
 - FCD surplus estimated at £1 billion
- Full year dividend increased by 5% to 17.14 pence
 - Two times dividend cover in medium term

Agenda

2006 Financial Results

Philip Broadley

Group Review

UK Insurance Operations

Nick Prettejohn

US, Asia and Asset Management

Mark Tucker

Questions



2006 Full Year Results

Philip Broadley

Full Year 2006 Results

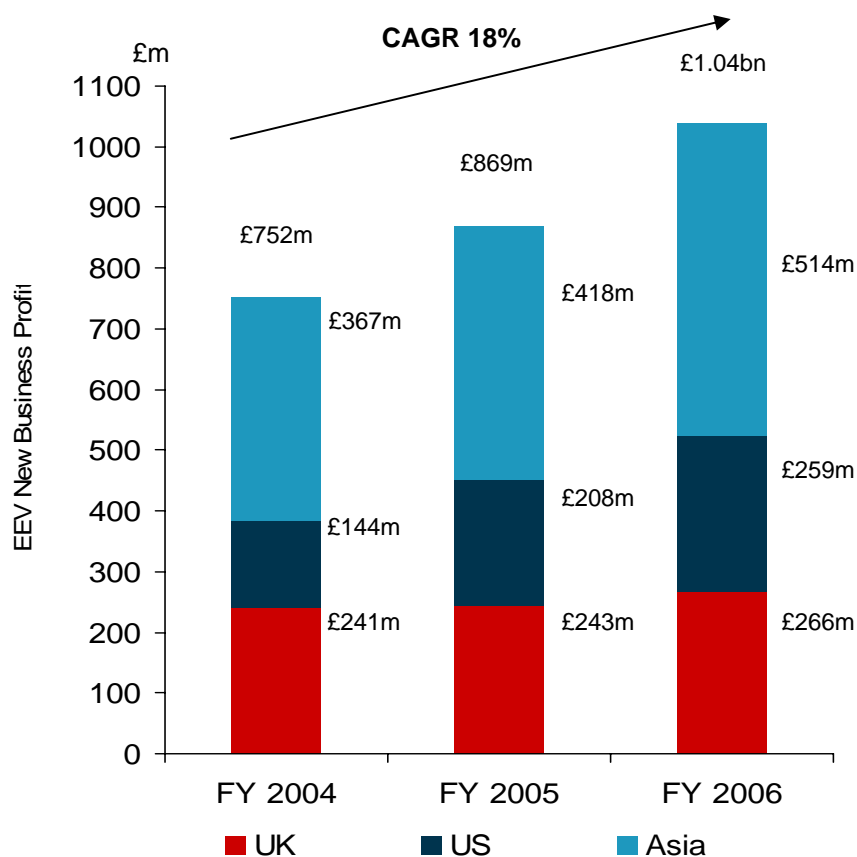
A growth business with strong momentum

- Group APE new business up 16% to £2.47 billion
- New business profits up 20% to £1.04 billion
- EEV long-term operating profit up 28% to £2.2 billion
- IFRS operating profit down 7% to £893 million
- Third party FUM up 23% to £57.2 billion
- Holding Company cash flow is a £104 million outflow in 2006
- Full year dividend up 5% to 17.14 pence

EEV Basis: New business profit and margins

High gearing to new business profit

Value added by new business



New business margins

% of APE	FY 2004 ²	FY 2005 ²	FY 2006
UK ¹ (%)	30	27	30
US (%)	32	41	42
Asia (%)	62	56	54
Group¹	40	41	42

Insurance Sales Only

% of PVNBP	FY 2004 ²	FY 2005 ²	FY 2006
UK ¹ (%)	3.4	3.1	3.4
US (%)	3.2	4.1	4.2
Asia (%)	10.4	10.2	10
Group¹	5.0	5.1	5.5

Insurance Sales Only

New business margins and IRR: UK Insurance Operations

Improving profitability and returns in the UK

	FY 2005	FY 2006
Overall Margin (%)	27	30
Overall IRR (%)	14	15

New business margins and IRR: US Insurance Operations

Strong margin and IRR growth

	FY 2005	FY 2006
Variable annuity (%)	50	49
Fixed annuity (%)	23	16
Fixed index annuity (%)	26	30
Institutional (%)	35	39
Life (%)	67	48
Overall Margin (%)	41	42
Overall IRR (%)	15	18

New business margins and IRR: Asia Insurance Operations

High profitability and IRR

	FY 2005 ²	FY 2006
China	51	43
Hong Kong (%)	60	69
Korea (%)	37	35
Taiwan (%)	51	55
India (%)	29	23
Other ¹ (%)	76	72
Overall margin (%)	56	54
Overall IRR (%)	>20	>20

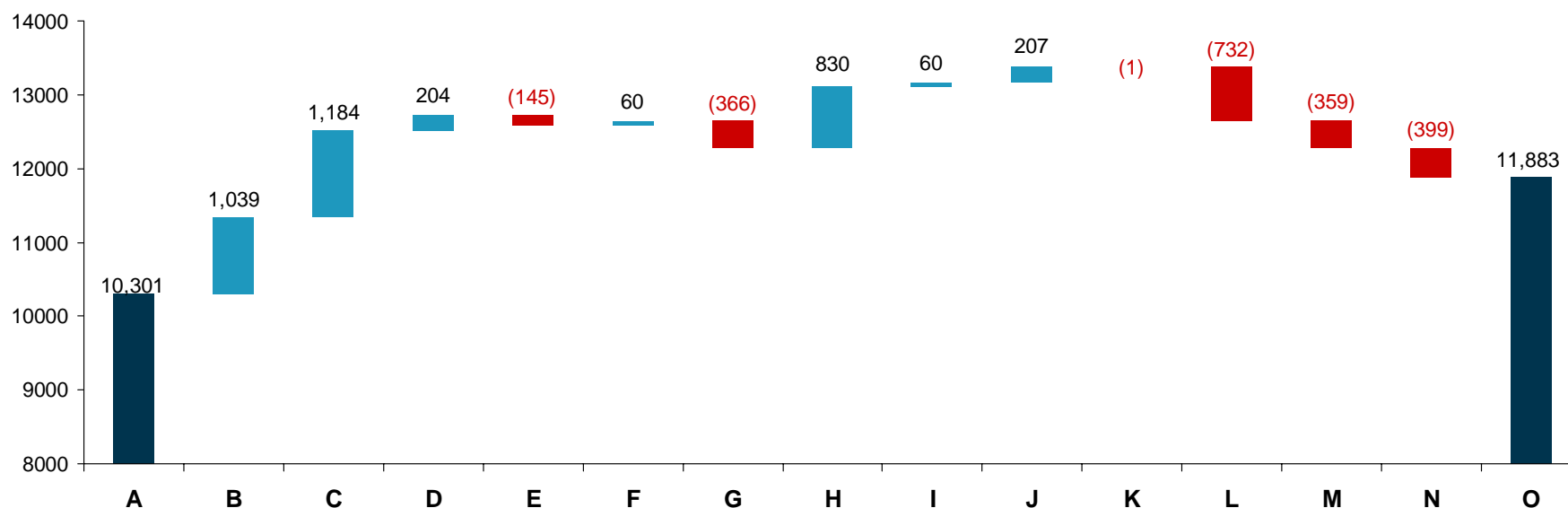
EEV basis: In-force profit
Strong growth in in-force

	UK	US	Asia	2006 Total	2005 Total
	£m	£m	£m	£m	£m
Unwind of discount ¹	530	251	254	1035	797
Change in operating assumptions	0	(7)	45	38	(56)
Variiances and other items					
Persistency	(9)	(4)	6	(7)	15
US spread	0	118	0	118	88
Amortisation of interest related gains	0	45	0	45	52
Other	(101)	46	10	(45)	(23)
Total in-force profit	420	449	315	1,184	873

EEV shareholders' funds

Strong operating and investment performance

Analysis of movement in EEV shareholders' funds: 31 Dec 2005 to 31 Dec 2006



A. 2006 opening shareholders' funds

- B. Life new business profit
- C. Life in-force profits
- D. M&G
- E. Egg operating profit
- F. Other non-life operations
- G. Other income and expenditure (incl Asia dev exp and UK restructuring)
- H. Short-term fluctuations in investment returns

I. Time value of cost of options and guarantees

- J. Actuarial gains and losses on DB schemes
- K. Economic assumptions changes
- L. Tax minority interest and others
- M. FX Movements
- N. External dividends
- O. 2006 closing shareholders' funds**

IFRS basis operating profit

Operating profit down by 7%

	2005	2006
	£m	£m
UK	400	500
US	358	408
Asia ¹	181	174
Asia Asset Management	11	50
M&G	163	204
Egg	44	(145)
Net Interest Expense	(88)	(119)
Others ²	(111)	(129)
IFRS Basis Operating Profit before Restructuring Costs	958	943
Restructuring Costs	0	(50)
IFRS Basis Operating Profit after Restructuring Costs	958	893

Holding company cashflow

Cashflow developing in line with plans

	2005 ² £m	2006 £m
Cash remitted by business units		
UK life fund transfer ¹	194	217
UK other dividends (including special dividend)	103	0
JNL	85	110
Asia	73	175
M&G	62	94
Egg	0	0
Total cash remitted to Group	517	596
Net interest paid	(115)	(128)
Dividends paid	(378)	(399)
Scrip dividends and share options	55	91
Cash remittances after interest and dividends	79	160
Tax received	107	122
Corporate Activities	(66)	(67)
Cash flow before investment in businesses	120	215
Capital invested in business units:		
UK	(249)	(172)
Asia	(169)	(147)
Total capital invested in business units	(418)	(319)
Decrease in cash	(298)	(104)

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2006 UK Insurance Operations

Operational highlights

- Retail APE up 14%
- New business profit up 9% to £266m
- IRR up from 14% to 15%
- APE margin up from 27% to 30%
- Shareholder capital investment in line with expectations and falling
- Strong investment performance; 2007 with-profits transfer will increase by 20% to £261m

What we said in July

A business focused on returns not volume

- Significant strengths
 - longevity expertise
 - internal vestings pipeline
 - multi-asset management and investment track record
 - brand
- Weaknesses
 - costs too high
 - significant proportion of premium adding little or no value

Retirement Income

A high margin, high return business

2006	APE £m	NB Profit £m	Margin ¹	APE Growth
Retail (Annuities and Equity Release)	280	159	57%	26%
Wholesale (Bulks, Back Books and Credit Life)	212	76	36%	(26)%
Total	492	235	48%	(3)%

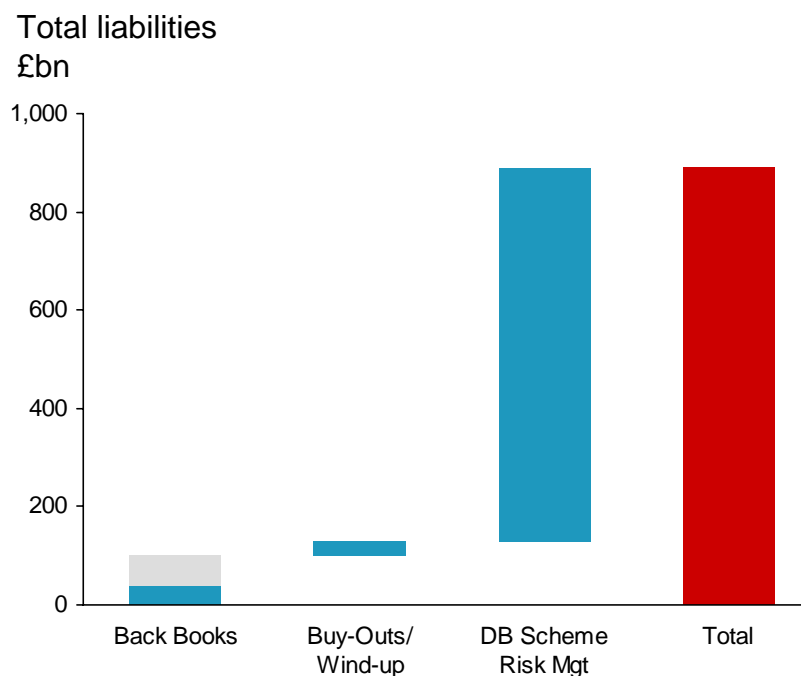
Wholesale Retirement Income

Bringing distinctive capabilities to three market segments

Prudential brings unique set of capabilities to bear.....

- Longevity risk management
 - 1 in 4 annuities in the UK
- Operational scale and major transaction experience
 - 1 million annuities in payment
 - 3 back book (Part VII) transfers
 - >400 bulk buy-outs
- M&G and PMG Investment strength
 - £27bn fixed interest assets²
- Very strong with-profits capability

Material market opportunity with 3 distinct segments¹.....



Priorities

Deliver value by focusing on our strengths in the retirement market

Wholesale

1. Build on proven strengths

Retail
Retirement

2. Build on proven strengths in retirement income

3. Concentrate on only those areas which utilise our multi-asset investment capability in retirement savings

4. Exit areas where returns are structurally low

Health &
Protection

5. Use brand strength in partnership with Discovery

Mature Life &
Pensions

6. Deliver the embedded value through cost reduction and continued management of persistency

7. Pursue potential reattribution of the inherited estate

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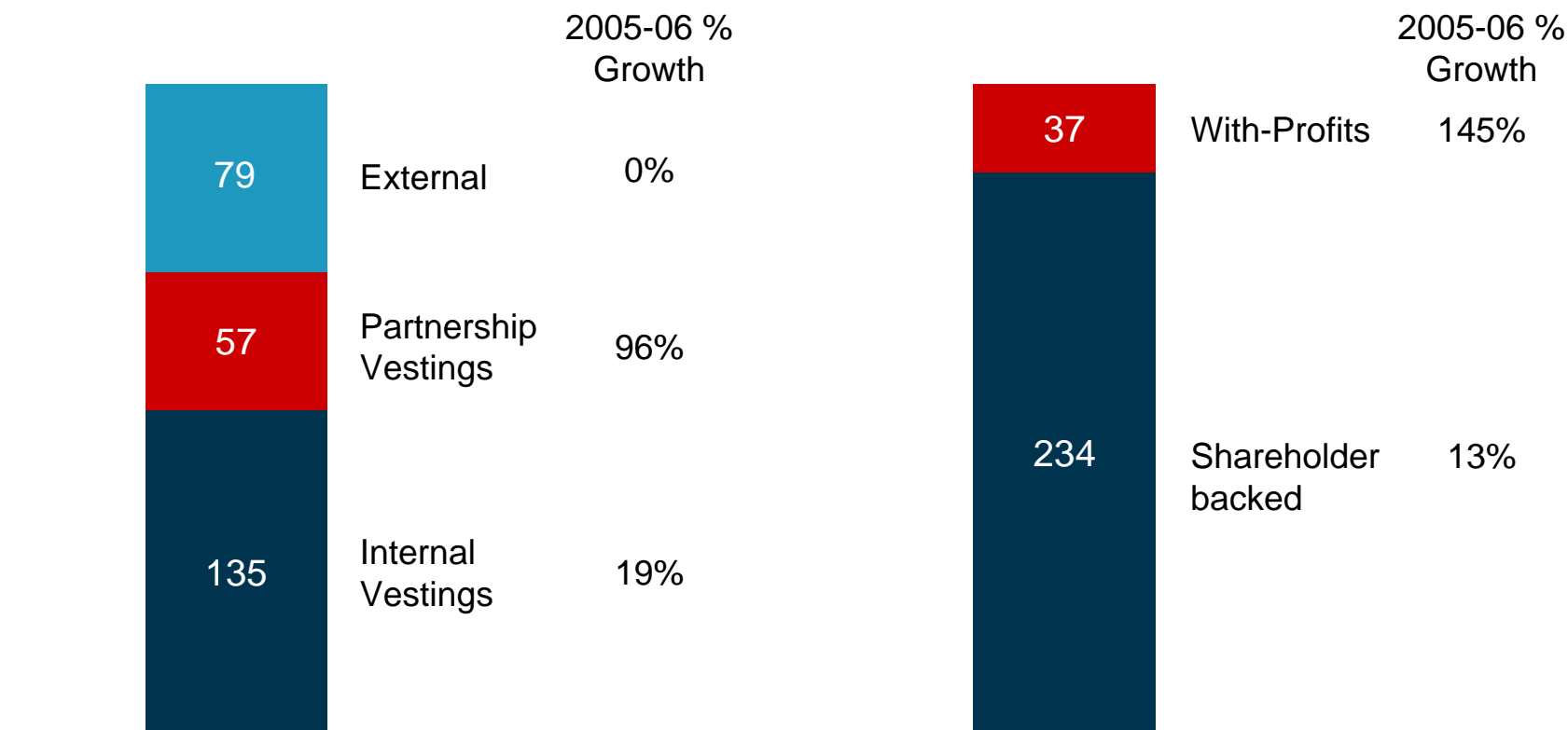
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Retail Retirement Income: Individual Annuities

High quality channel mix, growing with-profits

2006 Channel mix, APE £m

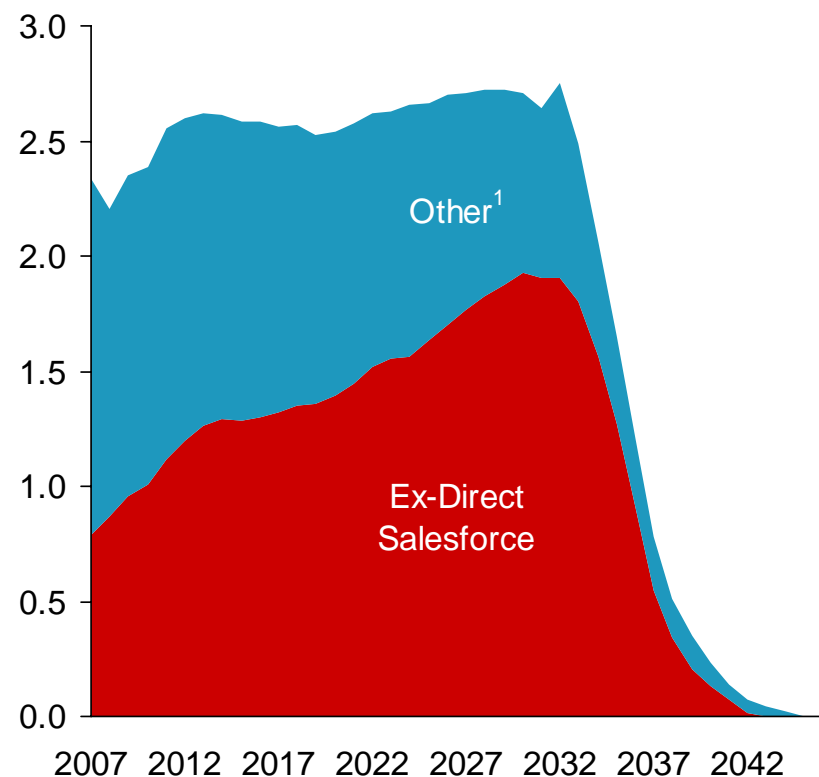
2006 Product mix, APE £m



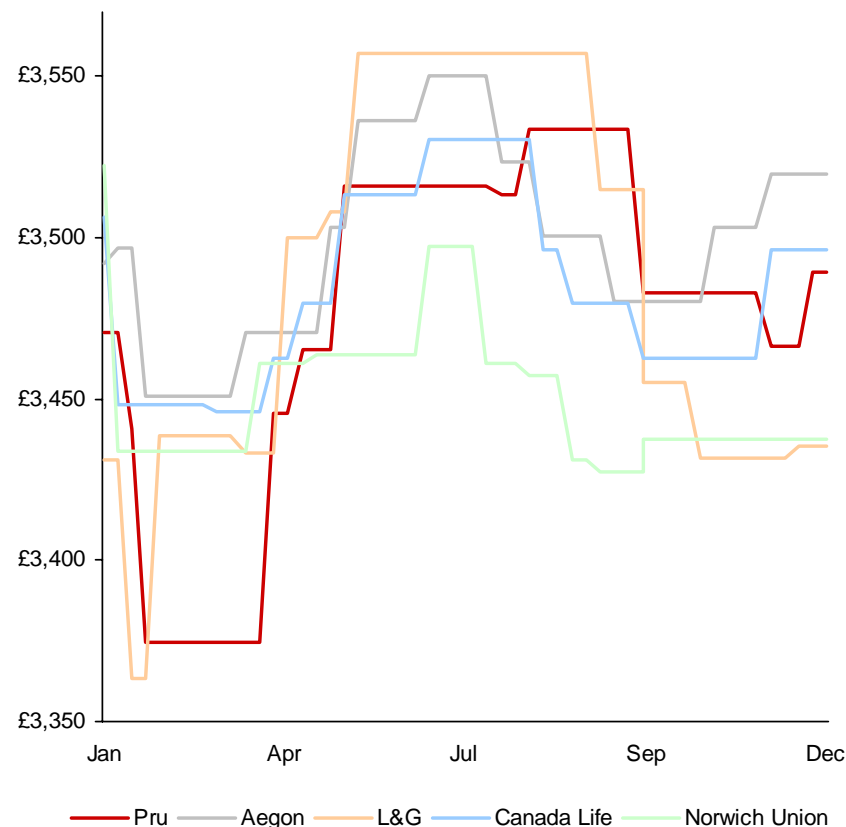
Retail Retirement Income: Individual Annuities

Strong pipeline and pricing discipline

Internal vestings pipeline, £bn



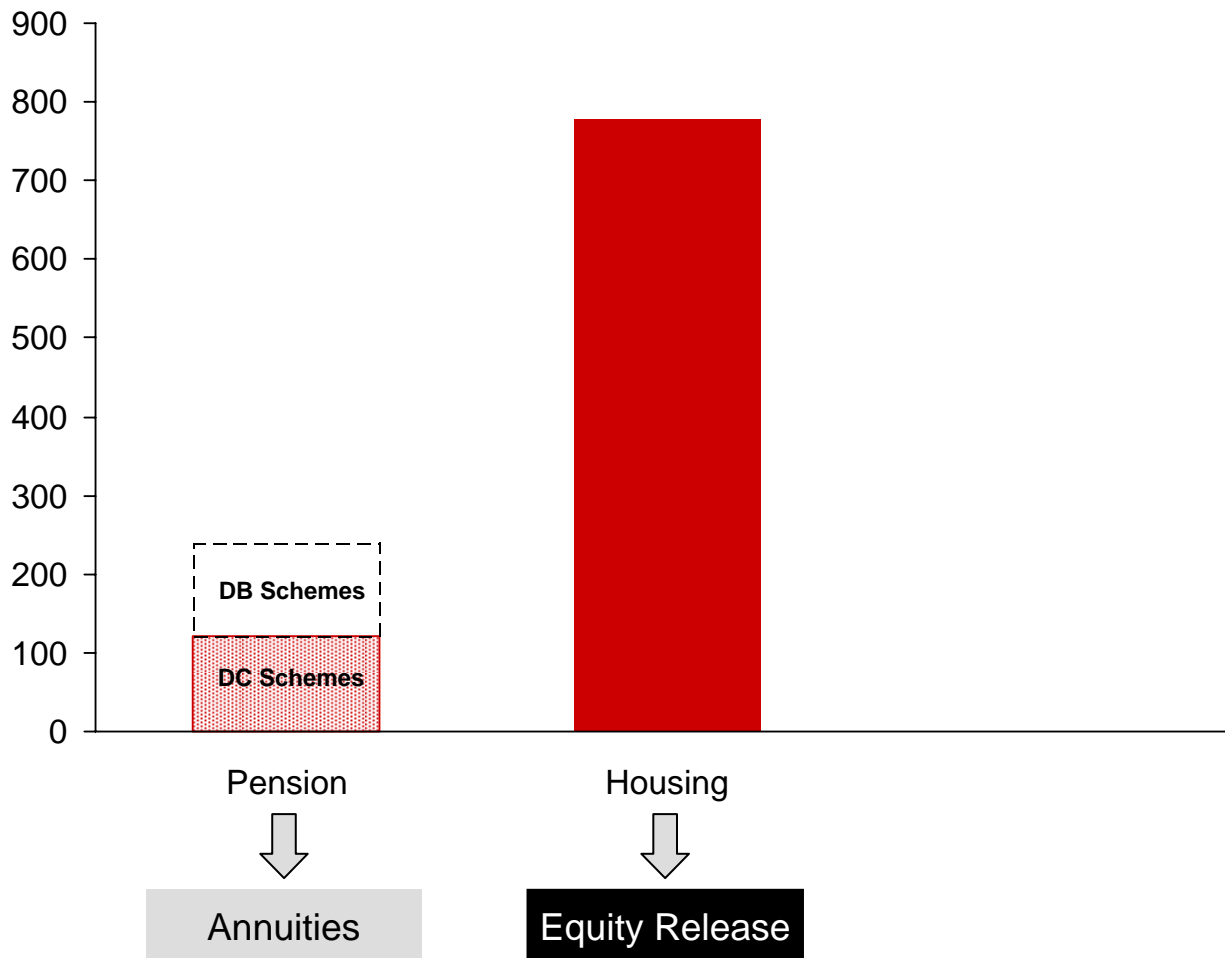
2006 External market annuity rates, p.a.²



Retail Retirement Income: Equity Release

Annuities are just one source of retirement income

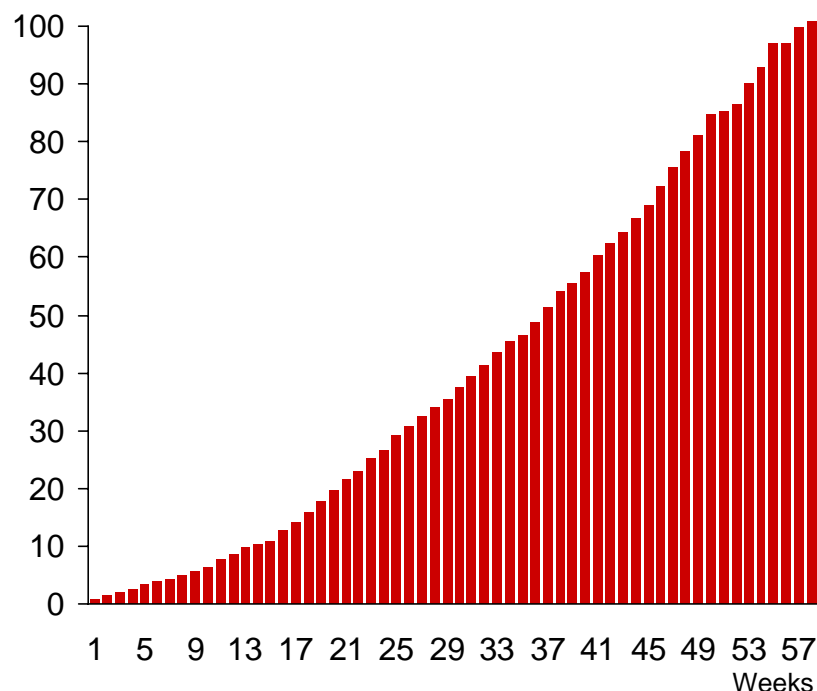
Total assets (55-64 year olds), £bn



Retail Retirement Income: Equity Release

Significant market opportunity

Cumulative weekly advances, £m

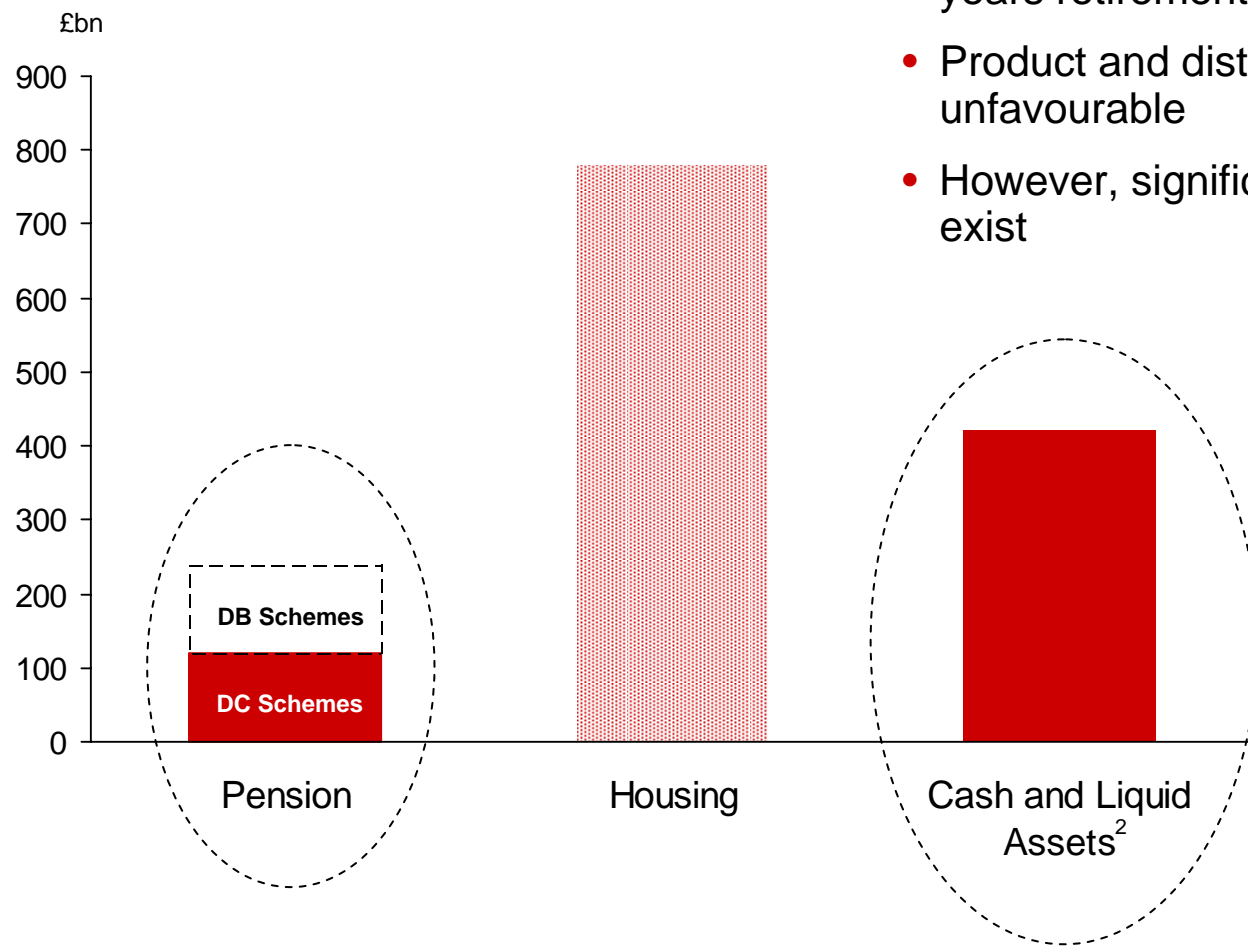


- £100m advances from a standing start
 - 37% drawdown market share
 - 8% share of total market
- Diversified channel mix¹
 - Direct: 27%
 - Intermediaries: 73%
- Award winning equity release product
 - 3 national awards in 2006²
- Grow direct distribution
 - Expand face-to-face advisers with demand
 - Sell to our existing customer base
- Targeted intermediary support to Equity Release specialists

Retirement Savings

Real need, but a challenging market

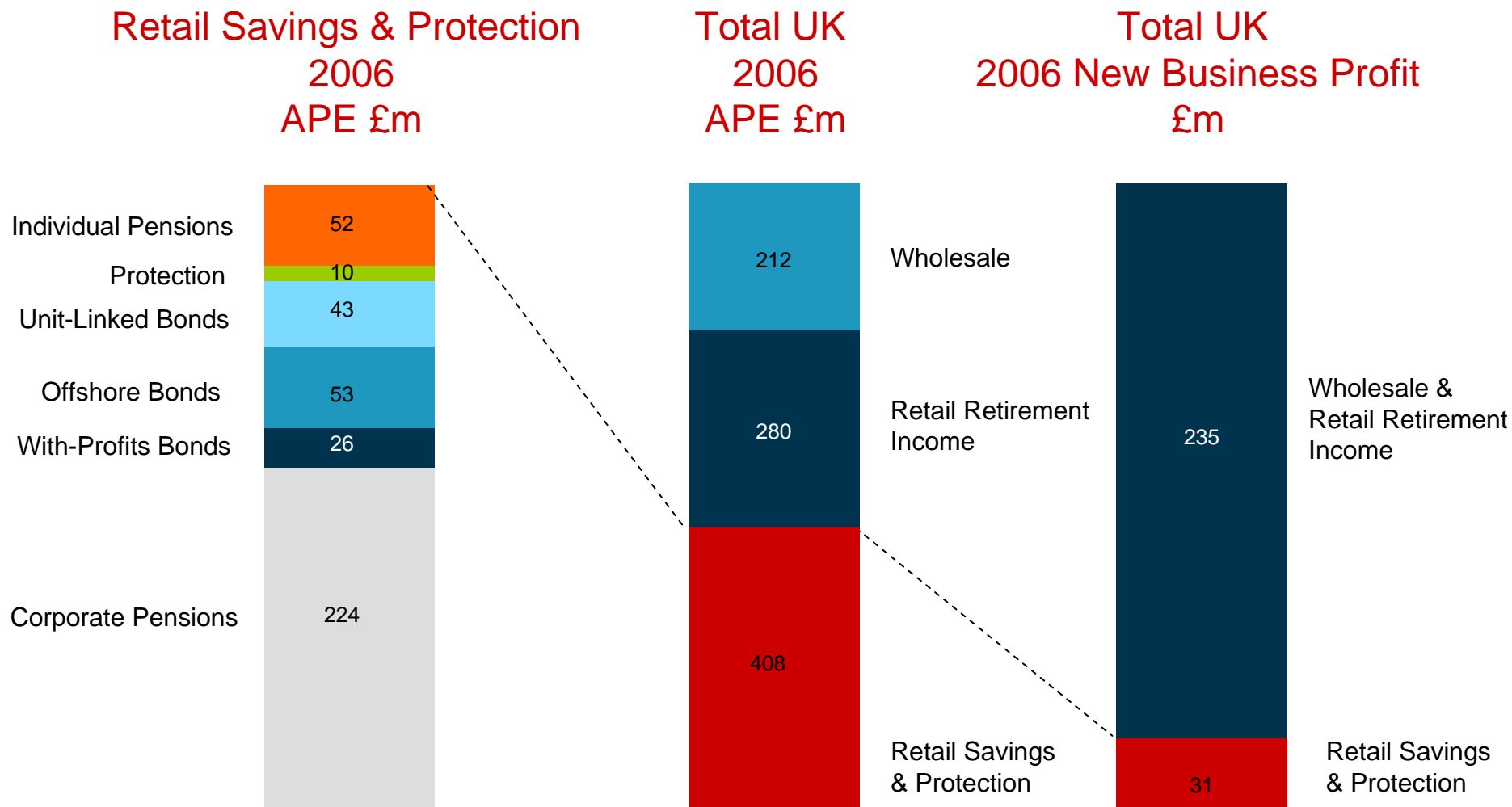
Total assets (55-64 year olds)¹



- Inflation-proofing a key need given 20+ years retirement expectancy
- Product and distribution economics often unfavourable
- However, significant pockets of value do exist

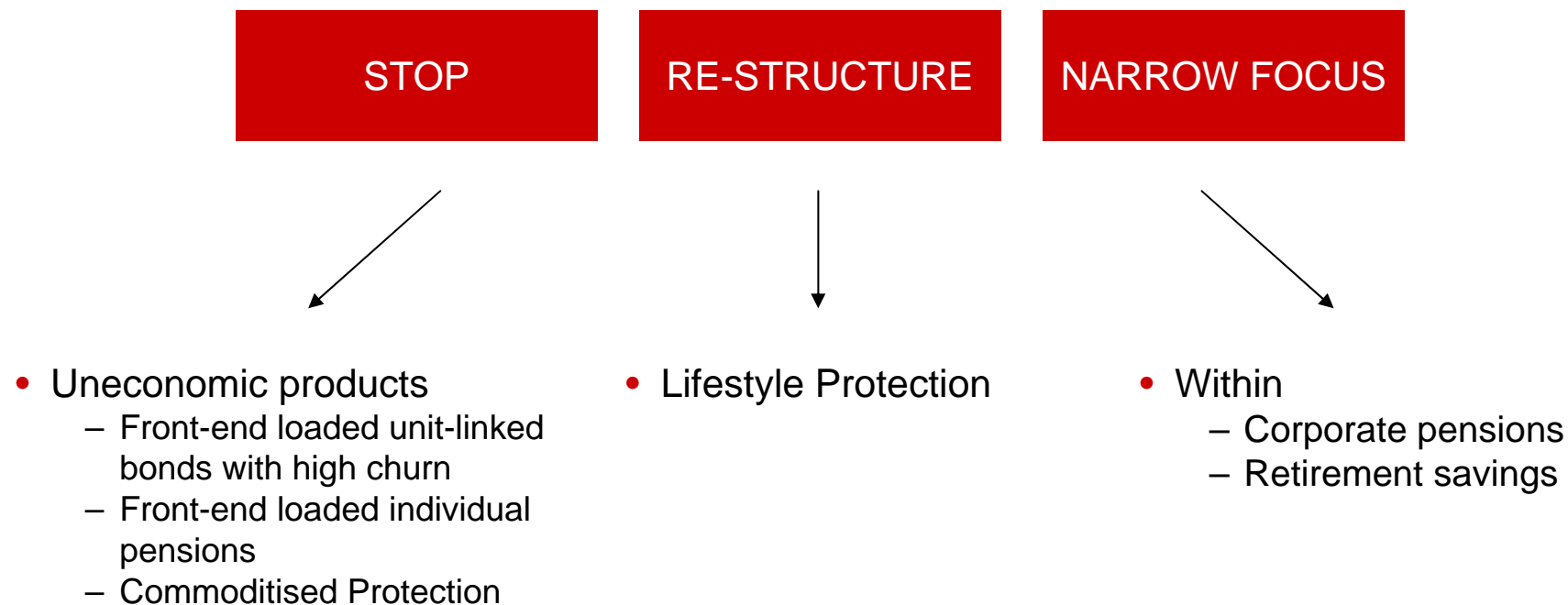
Retirement Savings and Protection

45% of total sales, but only 12% of total new business profit



Retirement Savings and Protection

A fundamental refocusing of the business



Stop: Uneconomic products

Exit products with structurally low returns

High upfront costs and long pay back

Actions

- Exit

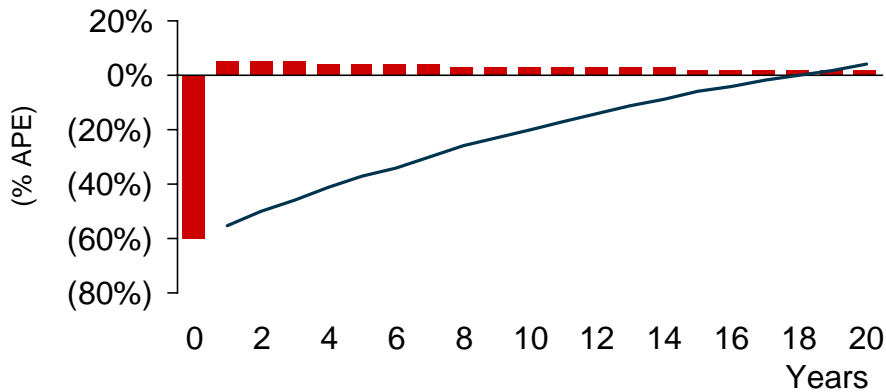
- Front-end loaded individual pensions (completed Q4 2006) ✓

- Commoditised protection (completed Q1 2007) ✓

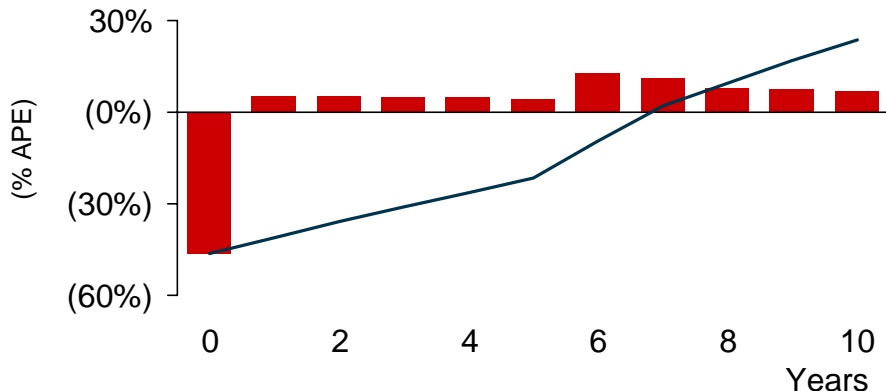
- Transition from front-end loaded unit-linked bonds (from Q3 2007)

- Product areas represent 56% of current UK retail life and pensions market¹

Typical Market Regular Pension Cashflow

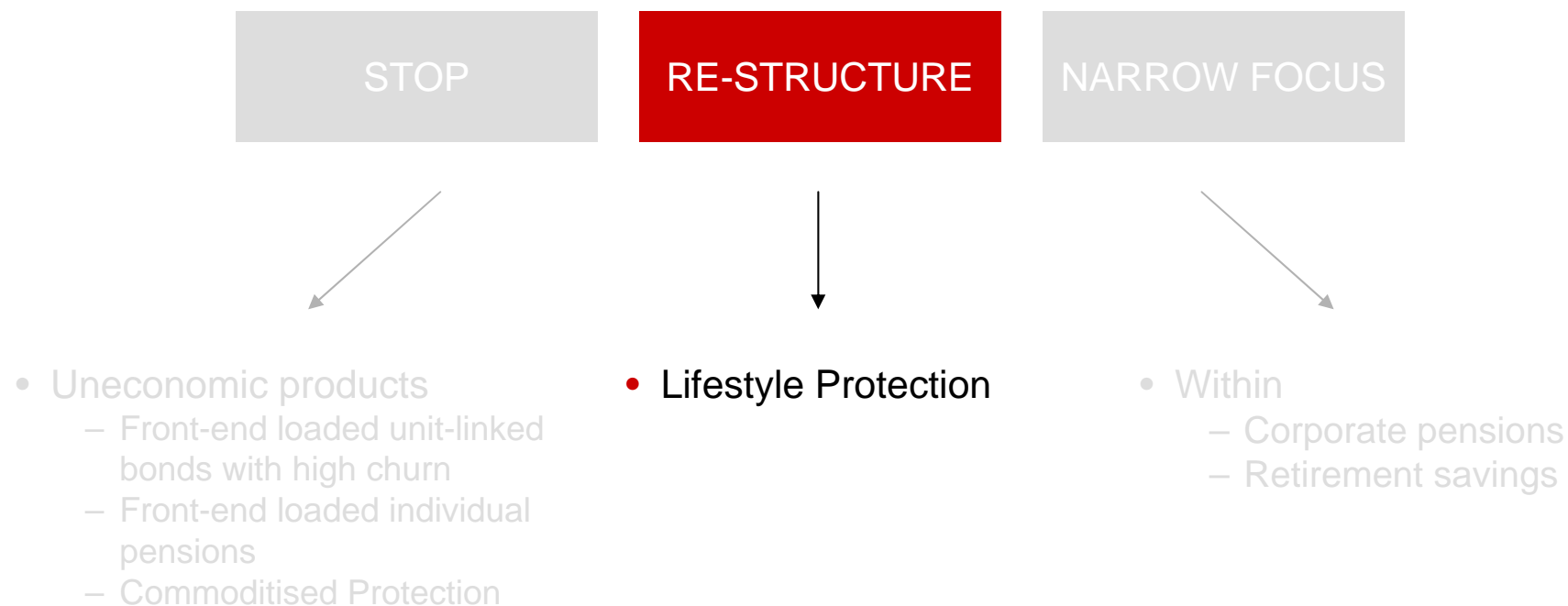


Typical Market UL Bond Cashflow



Retirement Savings and Protection

A fundamental refocusing of the business



Re-Structure: Lifestyle Protection Protection and Health in Joint Venture with Discovery

- Prudential and Discovery already working successfully on PruHealth
- Innovative Flexible Protection product
- Based on successful “Vitality” product model from South Africa

Actions

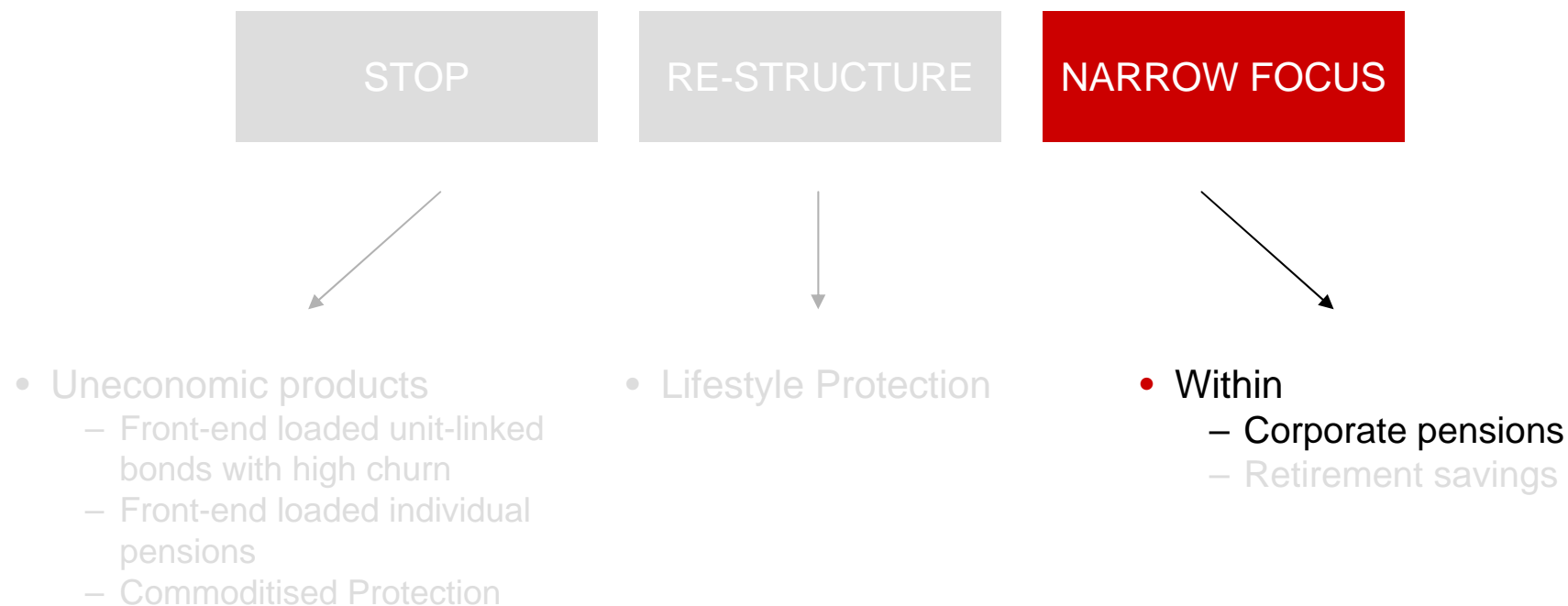
- Continue to grow PruHealth
 - 200,000 customers planned for year end
- UK Flexible Protection launched successfully
 - Sesame and AWD live Feb 2007
- Move Flexible Protection into PruHealth Joint Venture with Discovery (Q3 07)
 - Separate management team

PRU HEALTH



Retirement Savings and Protection

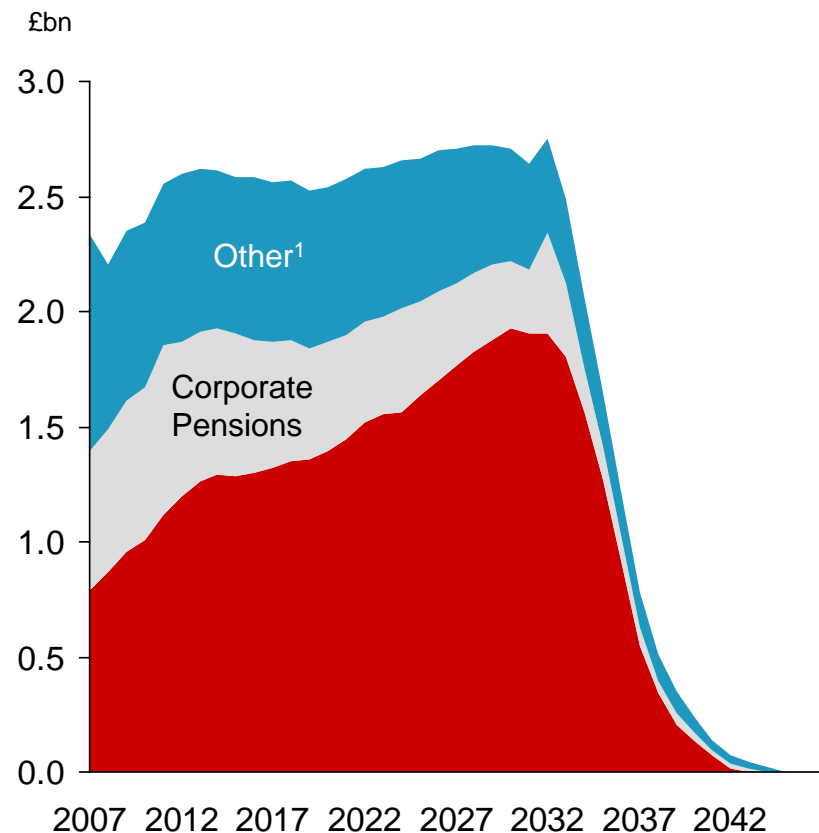
A fundamental refocusing of the business



Narrow Focus: Corporate Pensions

Target 14% IRR in 2009

Internal vestings pipeline



Corporate Pensions Economics

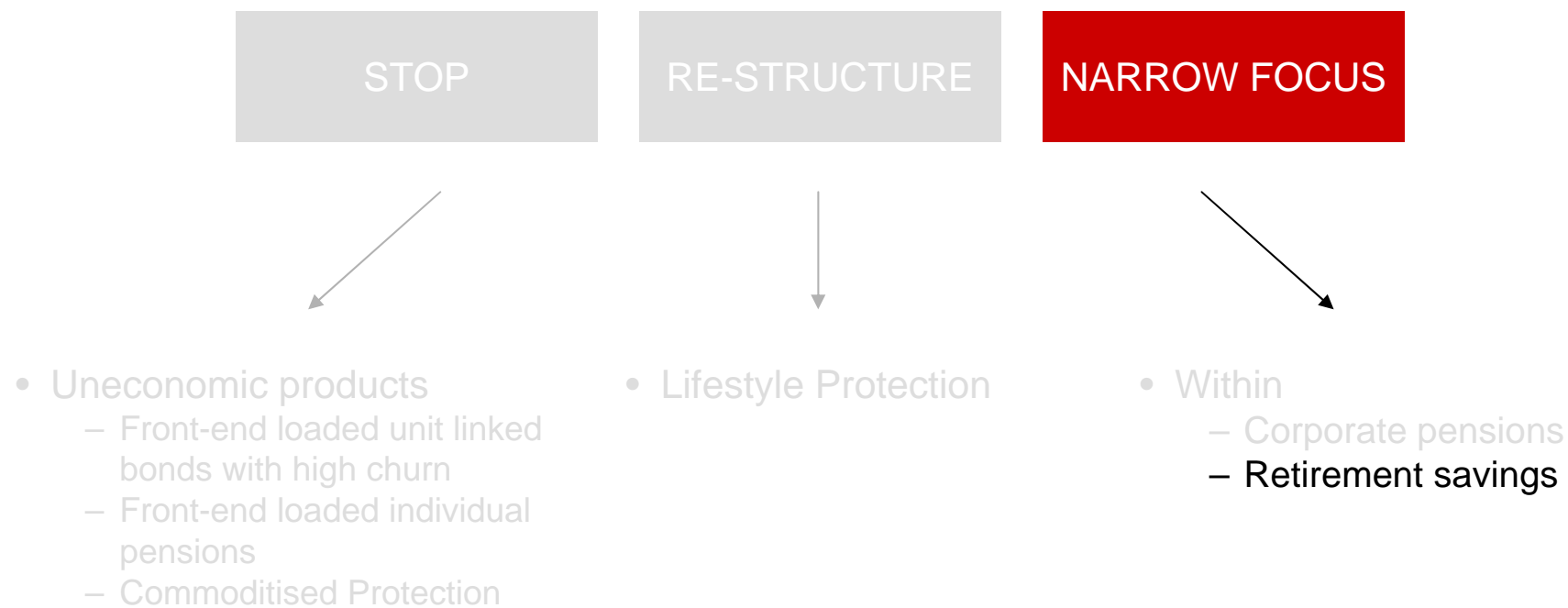
	2004	2005	2006
Sales, APE £m	174	182	224
NB Profit, £m ²	3	12	13
APE margin, % ³	2	7	6
Shareholder capital invested, £m	30	17	12
IRR, % ⁴	3	6	6

Actions

- Hold costs as volume grows
- Maintain pricing discipline
 - Increasing proportion of schemes with more scheme members, higher case sizes and better expected persistency
 - Focus on with-profits opportunities and top-ups
- Continue to focus on vestings' conversion rate

Retirement Savings and Protection

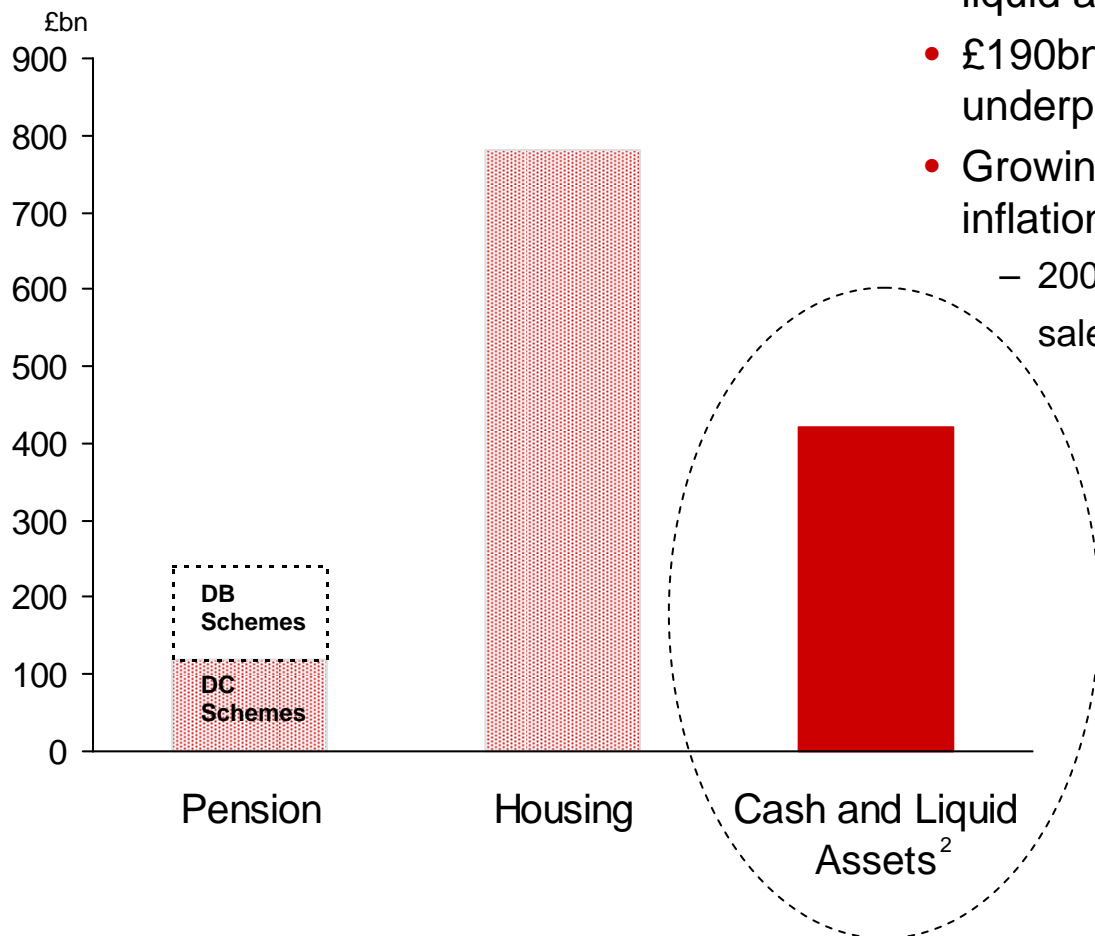
A fundamental refocusing of the business



Narrow Focus: Retirement Savings

Market opportunity in a growth sector

Total assets (55-64 year olds)¹

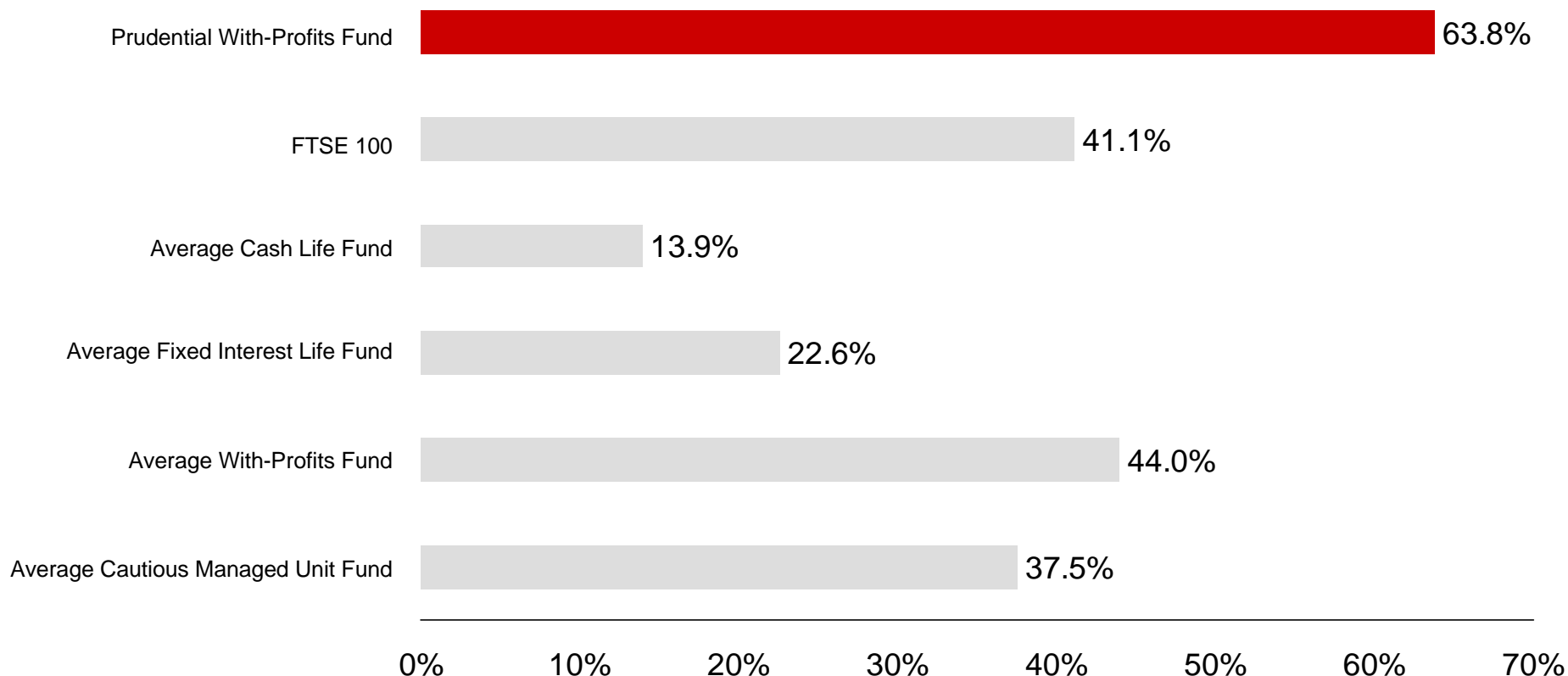


- 55-64 age group hold £420bn in cash and liquid assets
- £190bn invested in average or underperforming with-profit funds
- Growing consumer demand for lower volatility inflation protection
 - 2006 Cautious Managed sector >£2bn gross sales, 67% market growth 2002-06

Narrow Focus: Retirement Savings

Superior capability that has delivered excellent returns

5 yr return to end 2006



Narrow Focus: Retirement Savings

Streamlined products design

Before

- Differentiation by “bells and whistles” and price
- Too many bespoke products
- Front-end loaded

High capital strain,
low IRR

After

- Differentiation by investment performance and guarantees
- Multiple tax wrappers around one core
- Factory-gate pricing designed for fee based Intermediaries

Lower capital strain,
higher IRR

Narrow Focus: Retail retirement

Build on new intermediary distribution model

- Adapting successful Jackson National sales model
 - Salesforce re-organisation completed Q4 2006
 - Technology underpin to account and activity management
 - Salesforce.com implemented Jan 2007
 - Active value-based segmentation of accounts
- Costs reduced by 17% (£13m)
- Increased investment in the top 10% of relationships
- Tools to help the intermediary succeed
 - White-labelled wrap
 - PruDirect

Focused retail retirement business

- Real and growing need as life expectancy increases
- Plays to our brand strength
- Founded on our annuities business and customer base
- Recognises that 80% of retirement assets are not annuitised¹
- Feeds the future annuities pipeline through corporate pensions

High margin, attractive IRR and long-term growth potential

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Mature Life and Pensions

Preserve flow of new business and deliver embedded value

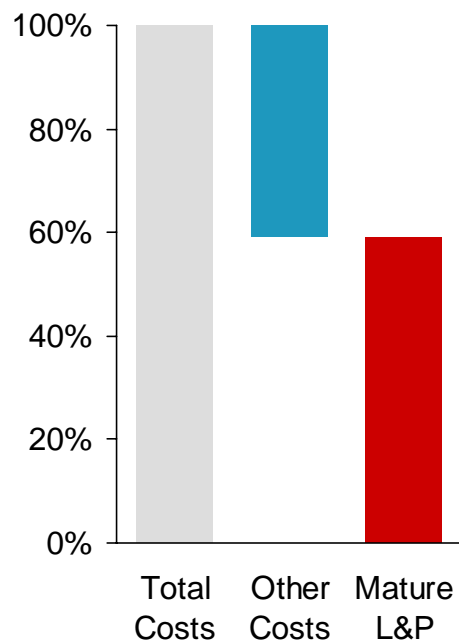
Guiding principles to our approach....

- Access to back book is critical to new business flow, especially internal vestings
- Cost can be managed down to generate positive value
- Investment in active management of persistency pays results
- Re-attribution of the Estate should be pursued and our back book strategy must maximise our chances of achieving attribution successfully

Mature Life and Pensions

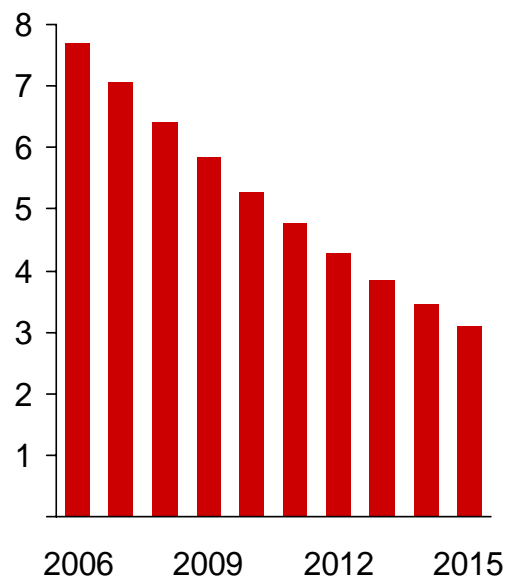
Cut costs to overcome back book cost challenges

Cost concentration



Declining MLP policy count

MLP Policy count (millions)¹



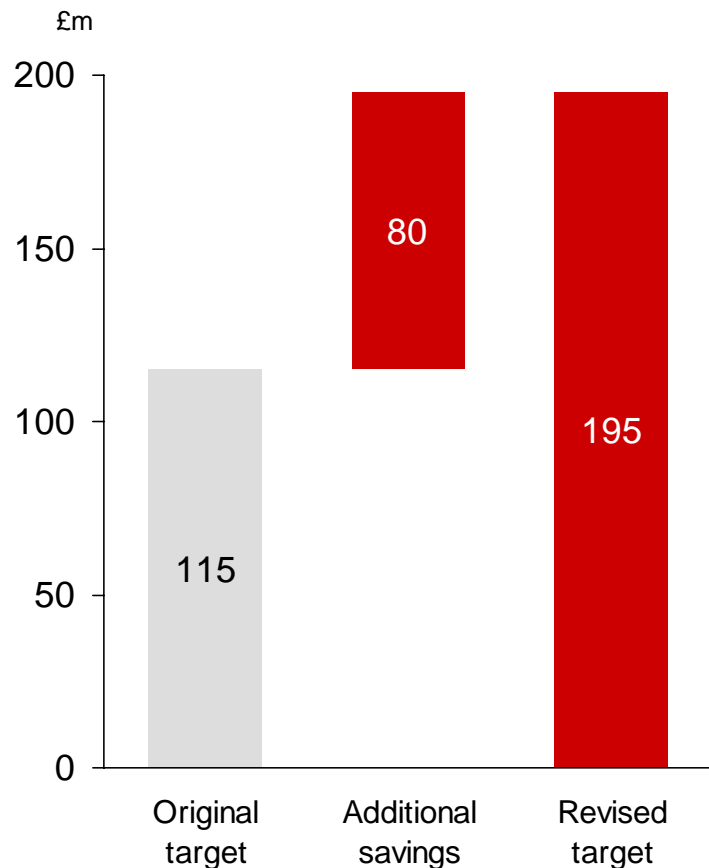
Process

- Costs will be saved by:
 - System rationalisation (22 down to c. 5)
 - Overhead reduction
- Benchmark internal plan developed
 - Further development of Mumbai offshore facility
- Complete process to determine implementation approach
 - Progressing internal option to next level of detail
 - Detailed evaluation of shortlist of potential outsourcing partners
 - Approach confirmed by Q4 2007

Overall cost reduction

Revised cost saving target of £195m

UKIO Cost Savings



Process

- Actions taken to deliver 65% of £115m cost target previously announced¹
- Revised cost saving target of £195m p.a. by 2010
 - Expected to have a small positive EEV impact (current estimate £60m)
 - Consequential benefit to new business profit
 - Up to £165m total estimated restructuring cost²

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UK Financial Profile

Continued emphasis on value

- Capital requirements reducing as shareholder in-force book matures and new business profile changes
 - Cash positive in 2010 for shareholder backed business
 - Key dependencies include individual annuities, back-book and credit life volume
- Overall 14% IRR target to be maintained
 - Potential uplift from cost reduction and improved product mix if market conditions don't change
- Retail volume growth may fall in short-term as we refocus retirement savings products
 - Over 5 years, growth in line with market (5-10% p.a.) can be achieved
- Wholesale volume will be lumpy and returns driven

Summary

Focus on our strengths in the retirement market

Wholesale

- Opportunistic approach
- Margin discipline

Retail Retirement Annuities Equity Release Retirement Savings

- Growth of high margin, high return business
- Narrow focus on retirement savings
- Top line growth 5-10% per annum in medium term

Mature Life & Pensions

- Further cost reduction
- Capture vestings pipeline
- Continued focus on persistency
- Pursuit of potential re-attribution

Joint Venture Health Protection

- Specialist focus on growth

Maintain 14% IRR target
£195m cost reduction target
Reducing cash requirements for shareholder business



Group Review US, Asia and Asset Management

Mark Tucker

US Insurance Operations

2006 highlights

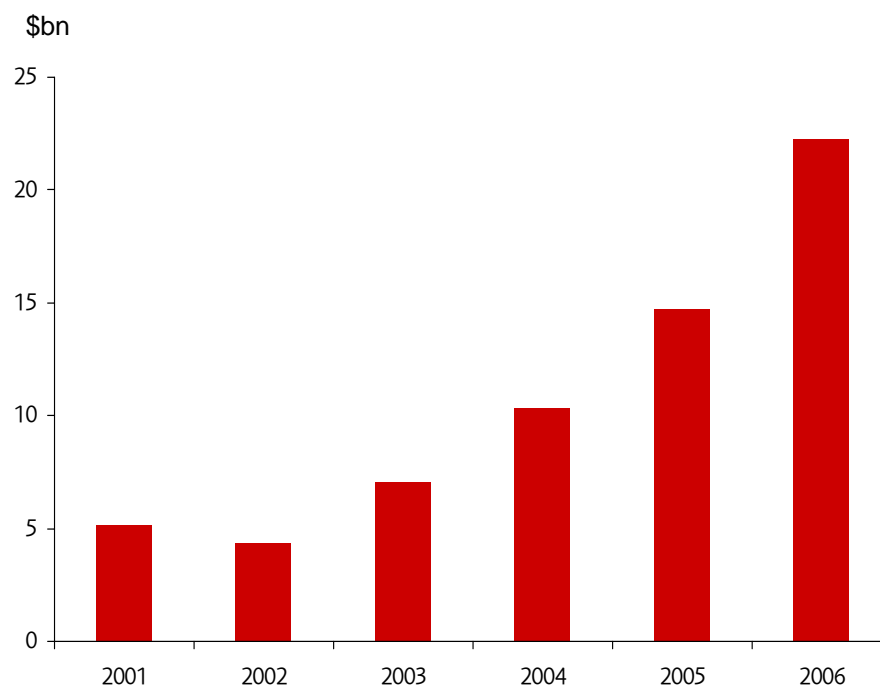
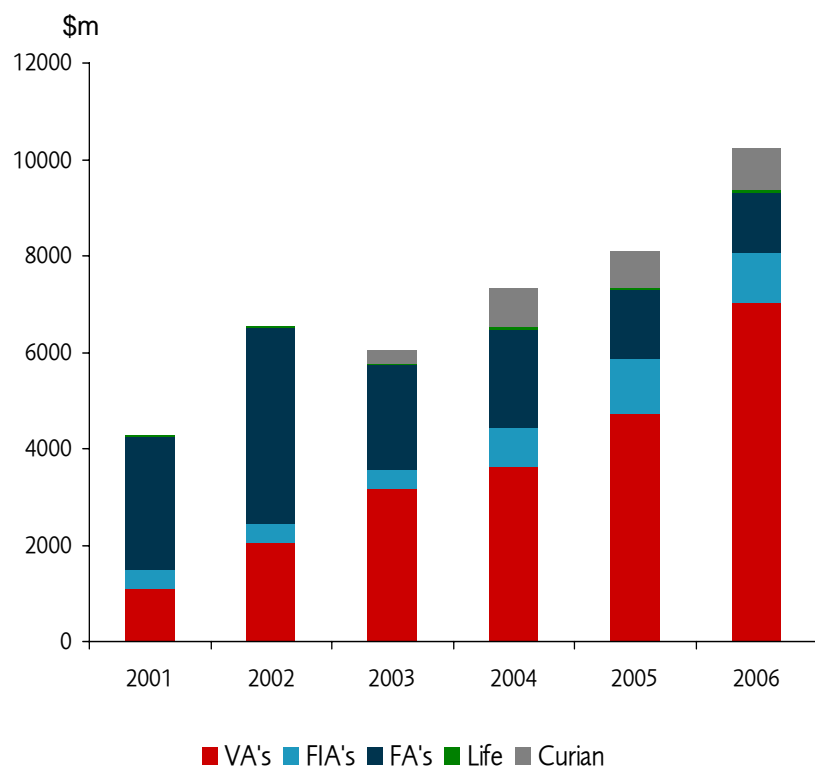
- New business profit + 25%
 - 18% IRR
- New business APE + 21%
 - Retail sales growing at twice market growth rates
 - Over 80% of retail sales from products and features launched in 2005 and 2006
- Increasing diversity of earnings
- Maintaining expense advantage and high levels of customer service
 - Jackson 46 bps, average top 25 producers 63 bps
 - SQM World Class Customer Service Award
- Strong capital generation
 - \$393 million of statutory capital generated
 - Growing remittance to Group: \$200 million in 2006

US Insurance Operations

Focus on variable annuity market and 'baby boomer' opportunity

Rapid growth in retail sales

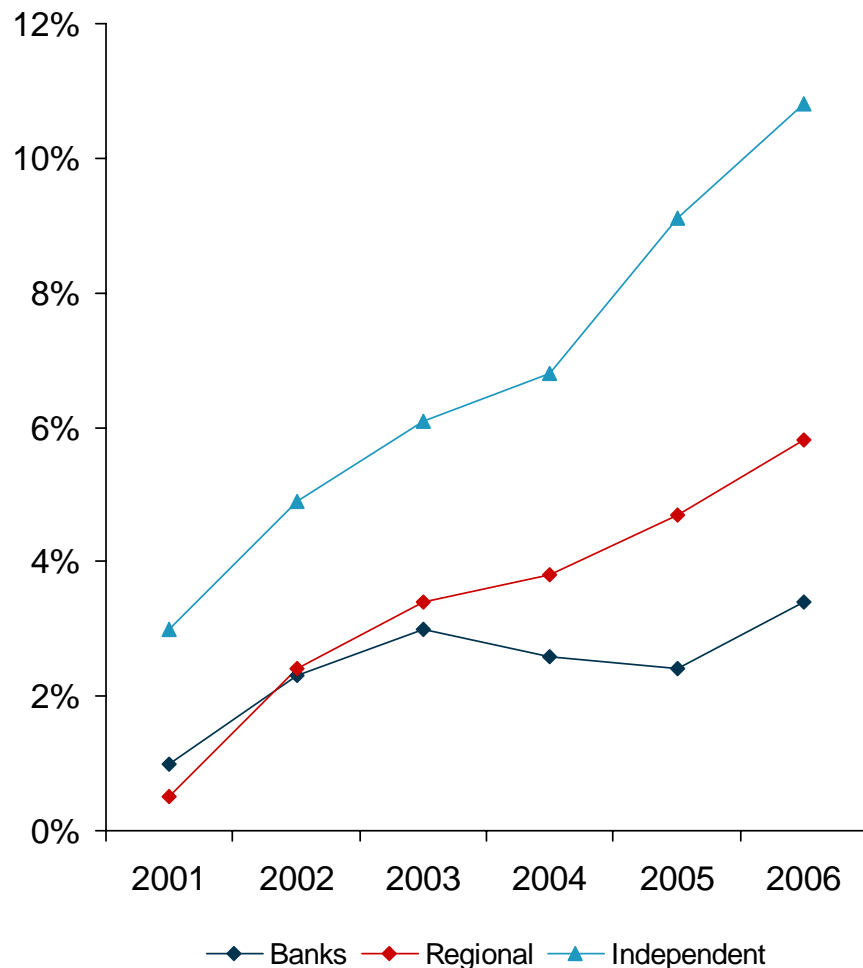
Significant growth in Separate Account



US Insurance Operations

Scope to grow in chosen channels

Variable Annuity market share by channel



- No.2 in independent channel
- Significant gains in Regional Broker Dealers
- Developing our approach in bank channel

US Insurance Operations 2007 Priorities

- Continue to take market share in variable annuities
 - Extend the product range
 - Expand distribution capability and improve productivity
 - Re-working our approach in the bank channel
- Maintain positioning in Fixed Annuities and Fixed Index Annuities
 - Upgrade products
- Maintain administration cost leadership and further improve service quality
- Build NPH¹ towards a top 5 position and Curian towards break-even
- Bolt-on acquisitions where return requirements are met

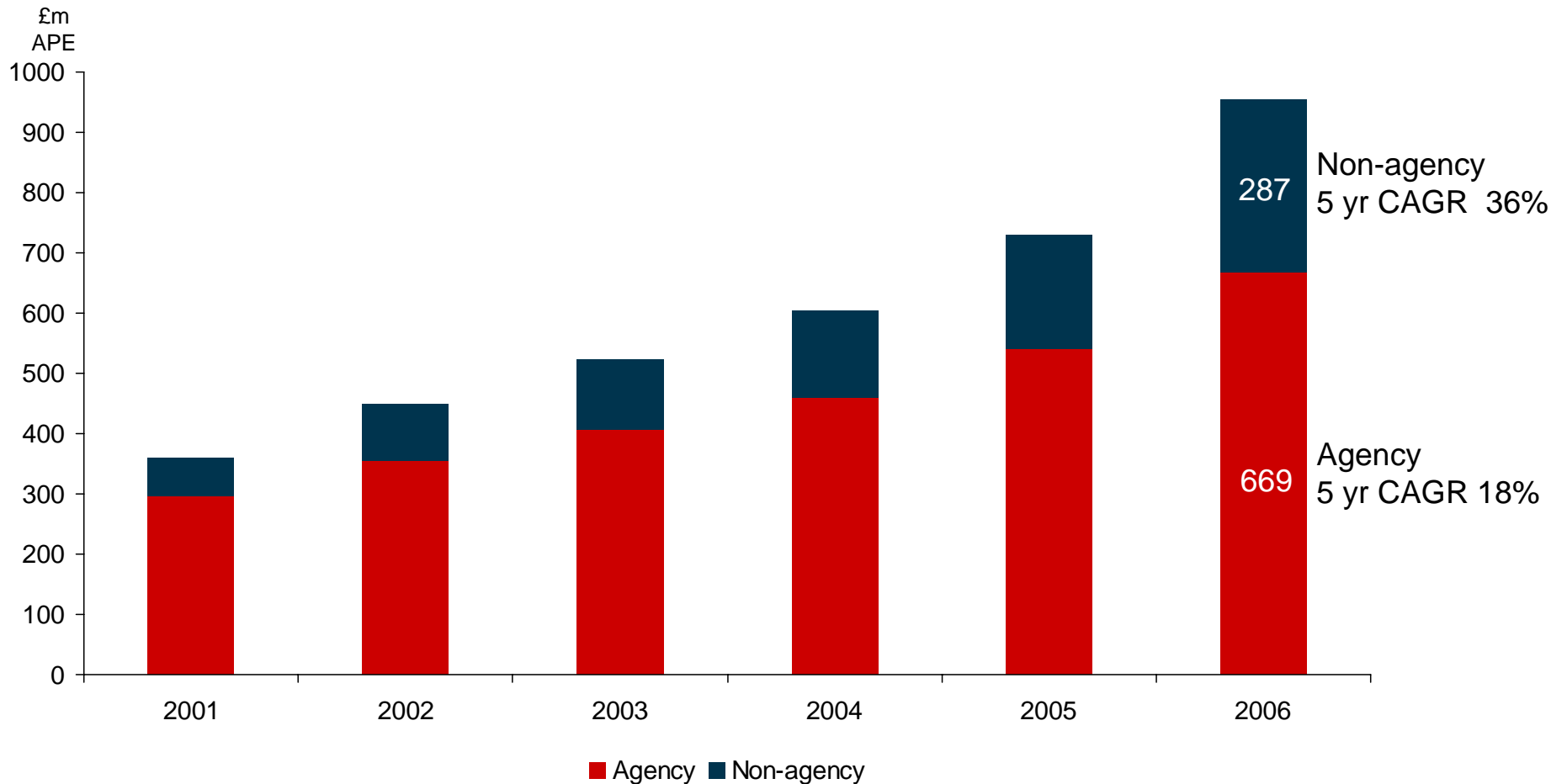
Asia Insurance Operations 2006 highlights

- New business profit + 23%
 - > 20% IRR
- New business APE + 30%
 - India +95%
 - China +56%
 - Indonesia +54%
 - Korea +54%
 - Hong Kong +26%
 - Singapore +23%
- Expanded distribution capability
 - 285,000 agents
 - Broad base of non-agency distribution
- Improving expense efficiency
 - Expense ratio 10.7% (2005: 11.3%)
- Cash positive, net remittance to the Group £28 million
 - Increasingly cash positive

Asia Insurance Operations

Rapid growth: Successful evolution of multi channel distribution

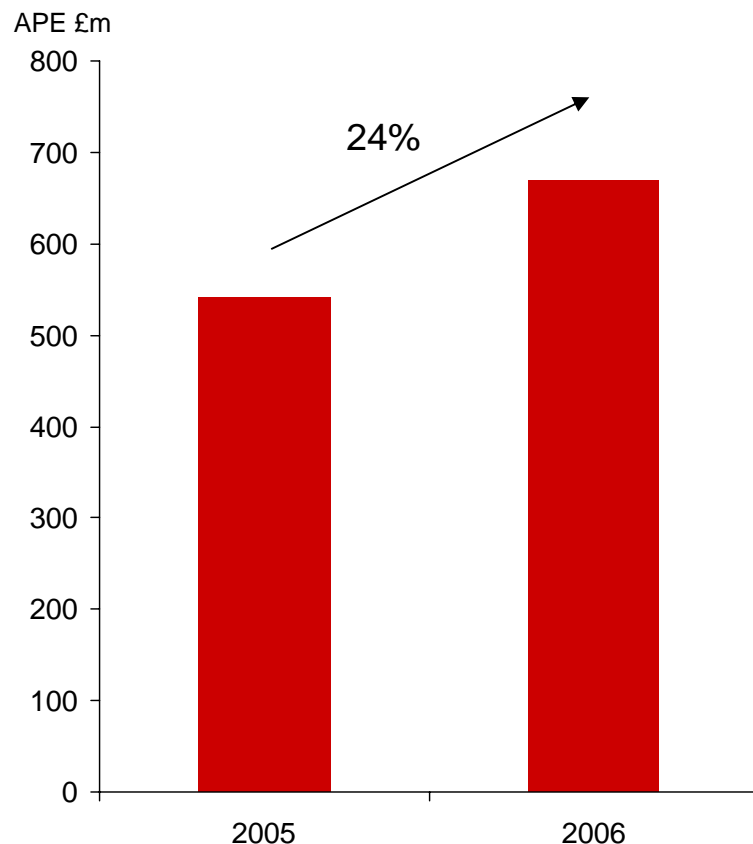
Asia new business



Asia Insurance Operations

Driving agency scale and productivity 2006

Agency sales



Focus: Sustain recruitment, improve productivity

	Growth in agent no.s	Increase / (decrease) in average agent productivity
India	+165%	0%
China	+49%	+13%
Indonesia	+49%	(17%)

Focus: Enhance productivity

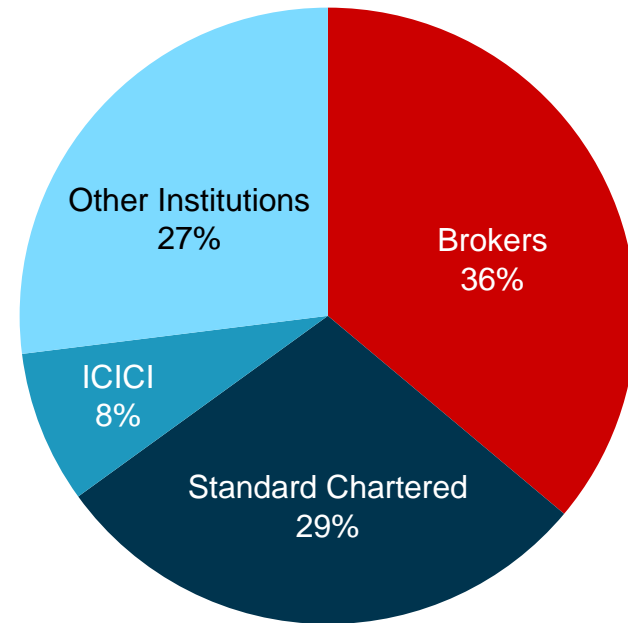
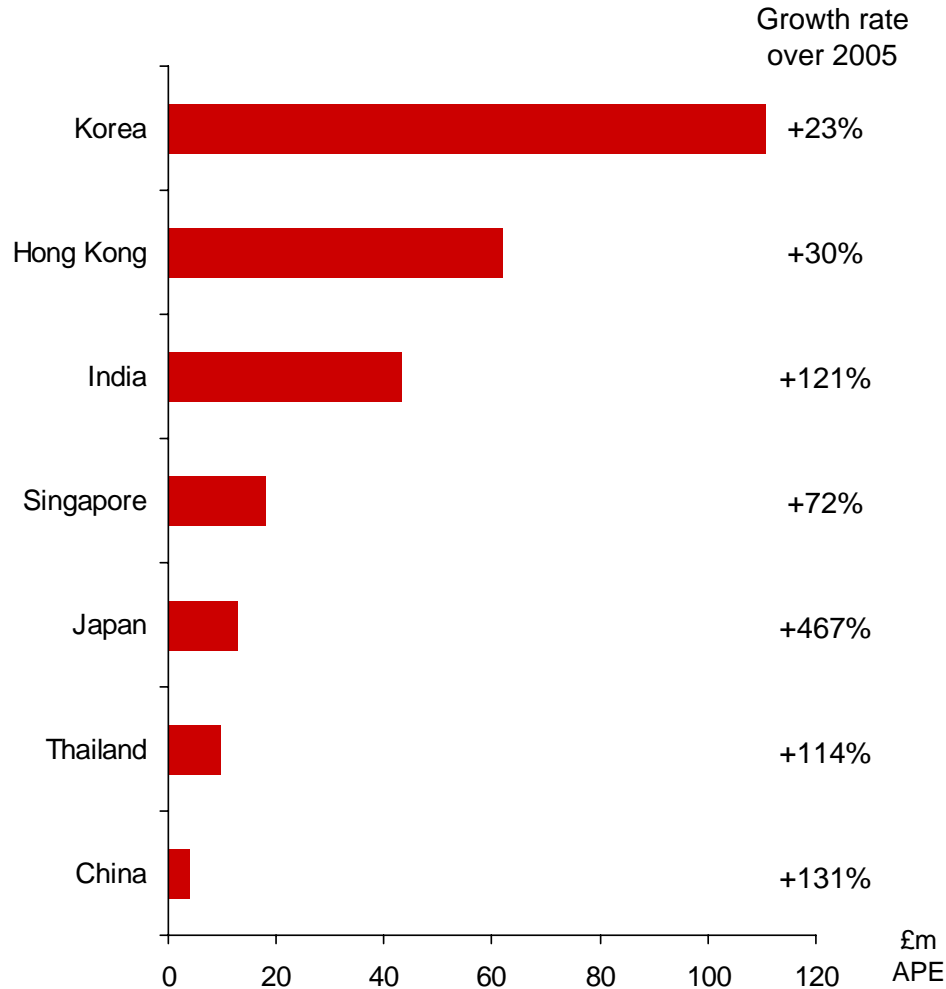
	Growth in agent no.s	Increase in average agent productivity
Hong Kong	+10%	+15%
Singapore	0%	+12%
Malaysia	+11%	0%

Asia Insurance Operations

Contribution from non-agency channels increasing strongly

Strong growth in partnership distribution

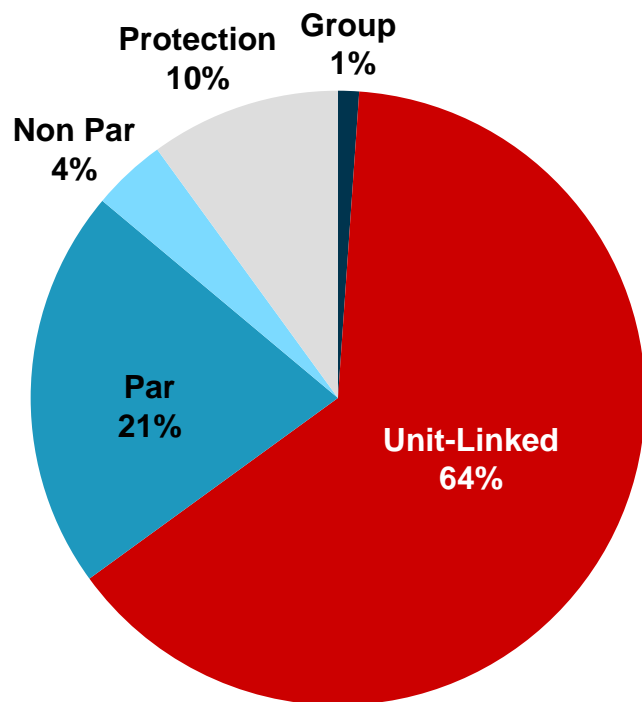
Well diversified non-agency distribution



Asia Insurance Operations

Profitable, innovative product portfolio

Emphasis on linked products



Continuing evolution of product portfolio

- Comprehensive fund options supporting unit linked products including new funds launched in 2006:
 - PRU link Global Basic Fund in Singapore
 - China Equity Fund in Hong Kong
- Increasing emphasis on packaging core products for retirement solutions:
 - Variable unit-linked in Korea
 - PRUretirement and Retirement Income in Hong Kong
- New product initiatives in 2006:
 - Universal Life in Malaysia
 - Diabetes Care in India
 - Takaful in Malaysia

Asia Insurance Operations

Priorities for 2007: on track to at least double 2005 NBP by 2009

- Agency - scale and productivity
- Improve and expand distribution partnerships
- Continued product innovation

plus...

- Deepen and strengthen relationship with over 7 million customers
 - Pilots to be launched in Singapore, HK and Malaysia Q407
- Retirement
 - Comprehensive review underway
- Direct distribution in markets with proven potential
 - Upgrading of capabilities underway
- Health product strategy

Asset Management

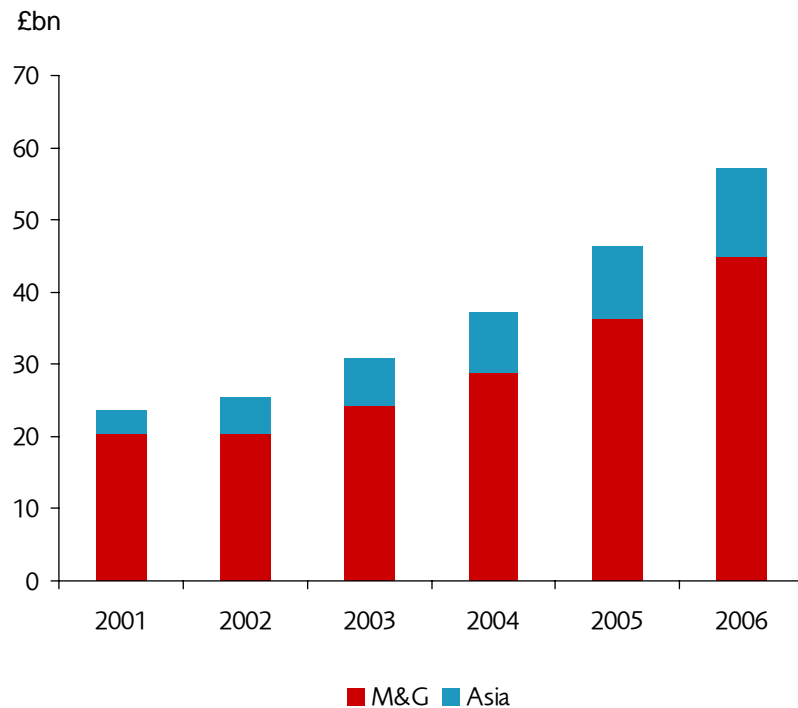
Strong growth in external FUM in UK, Europe and Asia

Record net inflows in 2006:

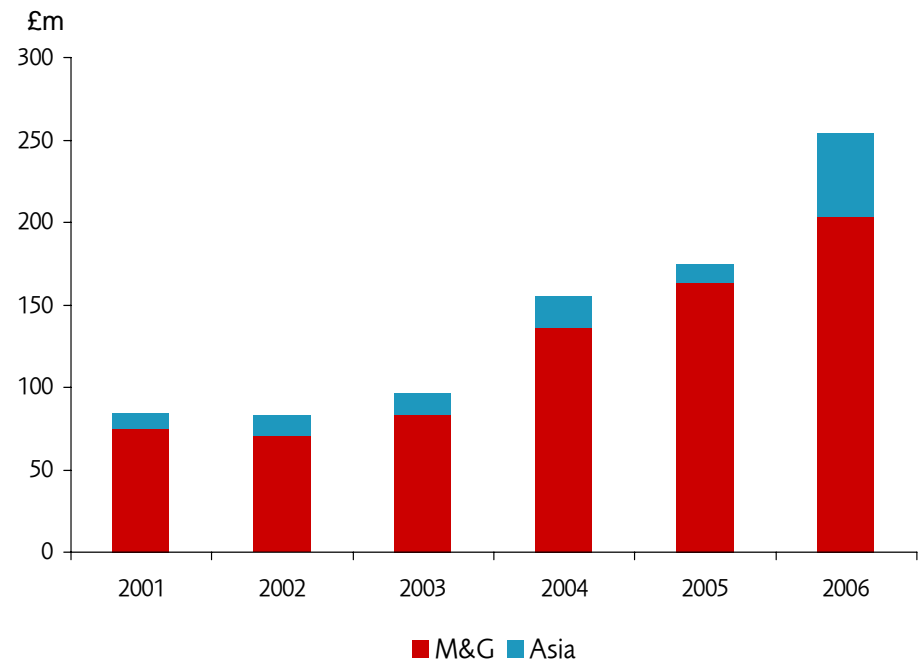
M&G: £6.1bn, +58%;

Asia: £2.5bn, +91%

External Funds Under Management



Strong increase in profits



Asset Management

Investment performance and recognition



Retail mutual funds	<ul style="list-style-type: none"> Over 3 years 70% of M&G retail funds above median, 43% in the top quartile Best overall group (large) – Lipper Fund Awards 2007
Institutional	<ul style="list-style-type: none"> 86% of funds beating benchmark over 1 year 90% of funds beating benchmark over 3 years
Structured credit	<ul style="list-style-type: none"> European CDO manager of the year, ISR magazine
Life funds	<ul style="list-style-type: none"> Life Fund continues to outperform benchmarks and competitors £185m of added value to Annuity funds in 2006



Mutual funds	<ul style="list-style-type: none"> 72% of funds outperformed benchmarks over 1 and 3 years Out-performance in Korea and India across all asset classes
Life funds	<ul style="list-style-type: none"> All Asian equity and fixed income ILPs outperformed benchmark over 3 years All balanced funds outperformed benchmark over 1 and 3 years



Life funds	<ul style="list-style-type: none"> Exceeded benchmark for credit impairments, total return, spreads and private equity gains UK life mandate outperformed benchmark over 1 and 3 years Equities significantly beat 1 and 3 years Index performance Obtained Fitch highest rating as CLO manager
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Asset Management 2007 Priorities

- Sustaining investment performance remains the overall focus



- Develop new distribution opportunities
 - Leverage scale and capabilities to develop innovative products
 - Deliver attractive returns
-
- Capitalise on growth opportunities, particularly Japan, Korea, India, China
 - Expand distribution reach
 - Distribute offshore product range across Asia
 - Expand capabilities e.g. Real Estate, Global and Emerging Markets.
-
- Jackson launch into Mutual Fund market, January 2007
 - Expanding the customer base
 - Funds based on existing VA investment strategies



PRUDENTIAL

A growth business with strong momentum

Improving cash position

Significant scope for value creation