

# Prudential plc 2007 Interim Results

1 August 2007

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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

## Q&A

## Prudential plc

### Continued delivery and momentum

	<b>2005</b>	<b>2006</b>	<b>HY07</b>
EEV operating profit growth <sup>1</sup>	+36%	+28%	+39%
IFRS operating profit growth <sup>1</sup>	+42%	+15%	+27%
Holding Company operating cash flow inflow/(outflow)	£(298)m	£(104)m	£34m <sup>2</sup>



**Philip Broadley**  
Group Finance Director

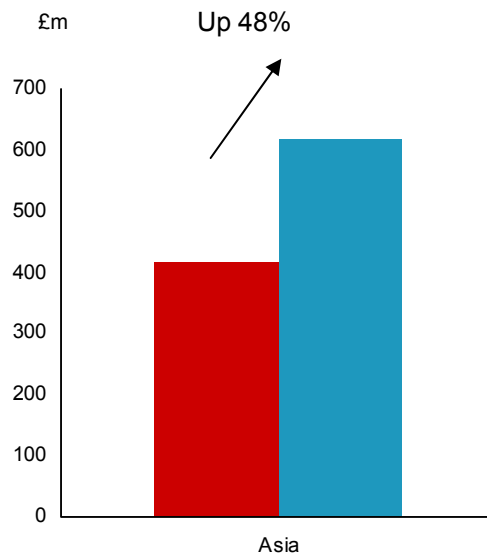
## 2007 Interim results highlights

- Total EEV operating profit on continuing operations up 39% to £1,326m<sup>1</sup>
- Total IFRS operating profit on continuing operations up 27% to £601m<sup>1</sup>
- APE sales increased 12% to £1,334m; PVNBP sales £9.7bn up 4%
- New business profit margin steady at 40%, a 12% increase in new business profit to £534m
- Operating cashflow positive for the half-year period
- Interim dividend up 5% to 5.7 pence per share

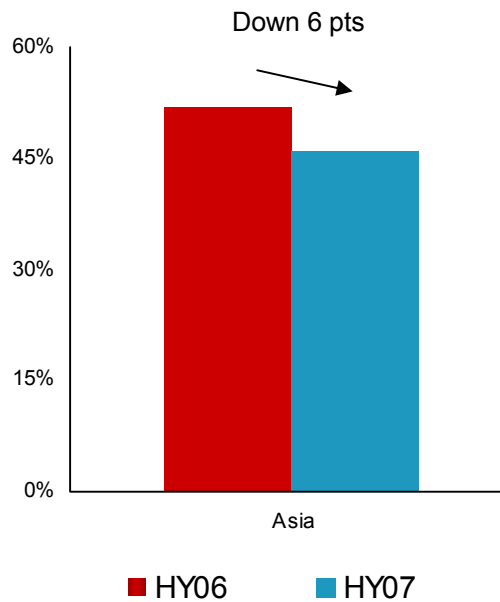
## Asia new business value

New business profits up 31%

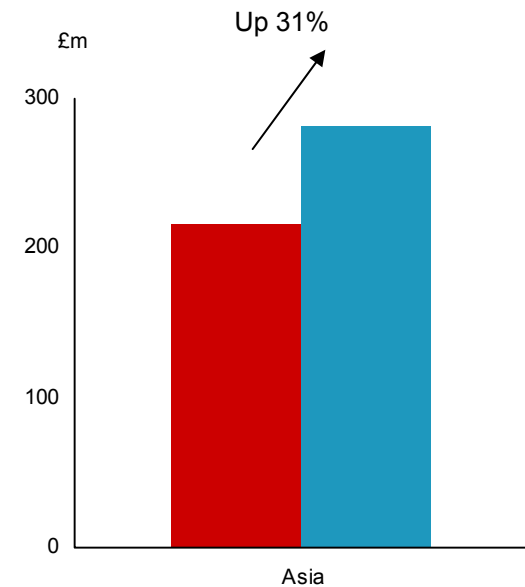
### APE sales



### Margin



### New Business Profits

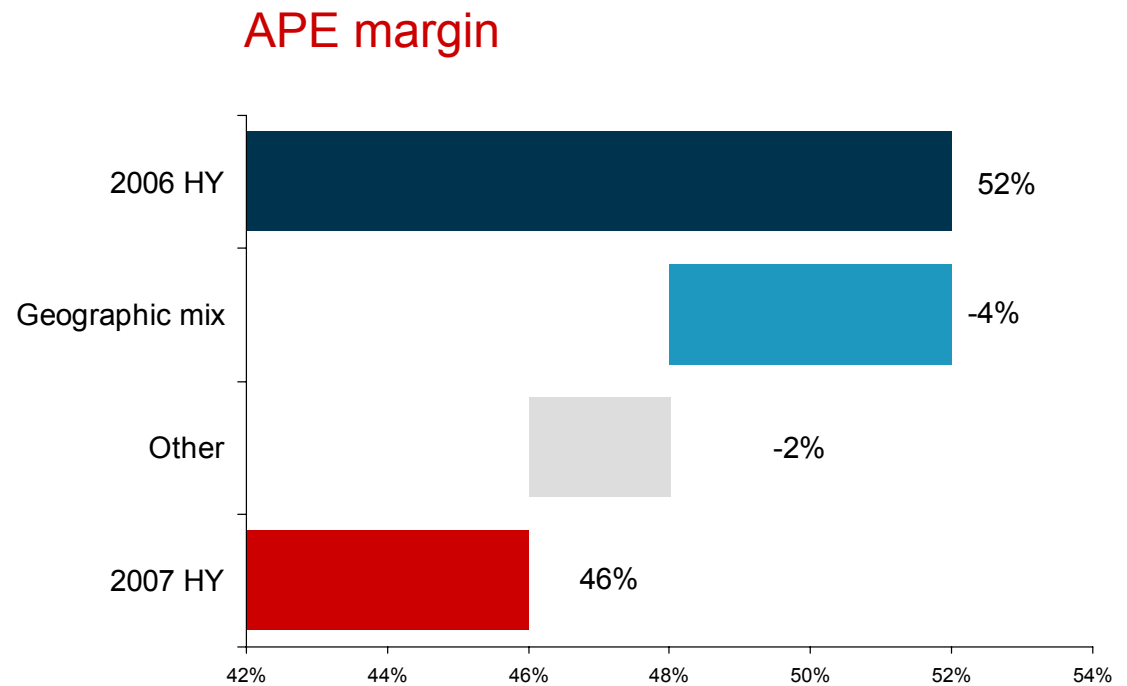


- 72% of sales were unit-linked (68% in HY06)
- Aggregate IRR on new business continues to be over 20%

## Asia new business value

### Targeting growth in New Business Profits

	HY07 NBP Growth (%)
China	53
Hong Kong	37
India	33
Korea	2
Taiwan	62
Other <sup>1</sup>	25
<b>Overall Growth (%)</b>	<b>31</b>



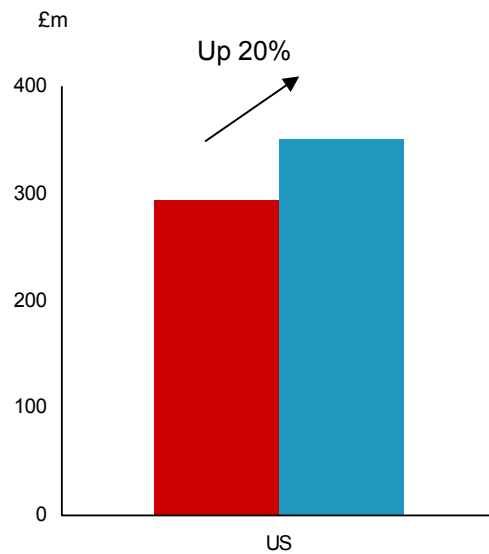
- Focus on new business profit growth
- Geographic mix is the primary driver of margin fall
- Launch of retirement campaign in Taiwan



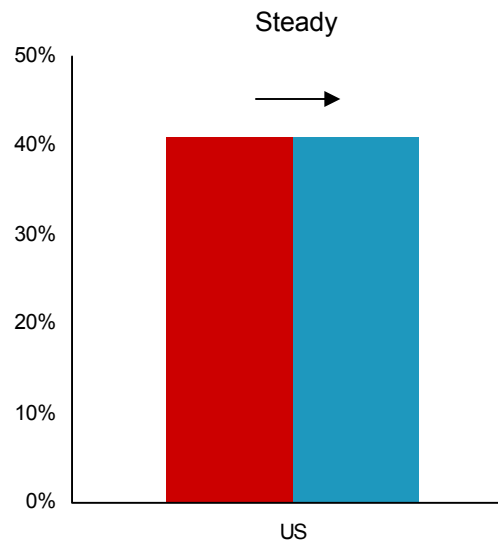
## US new business value

Strong sales growth and stable margin

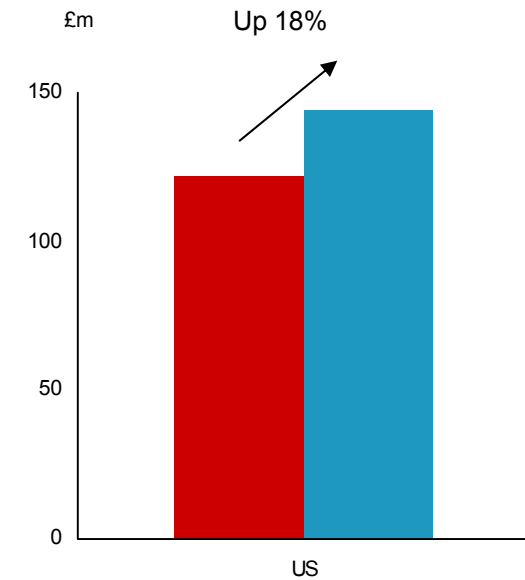
### APE sales



### Margin



### New Business Profits



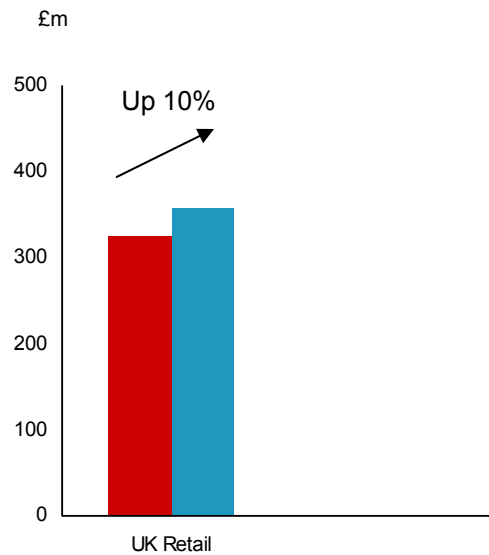
■ HY06 ■ HY07

- VA sales up 31% to £224m APE
- Institutional sales up 14% to £67m APE
- IRR on new business 18%

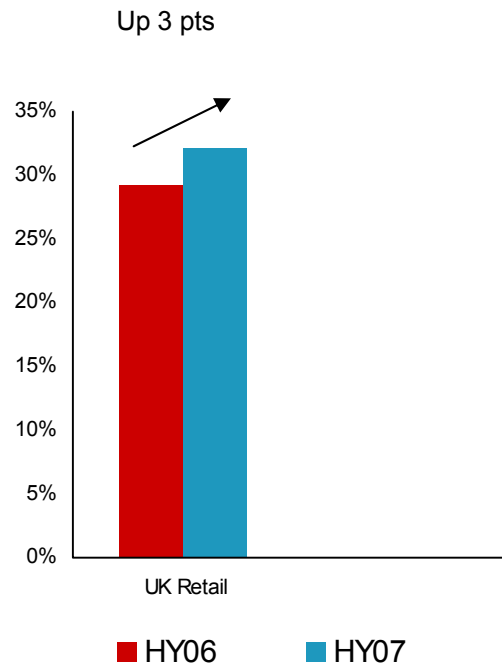
# UK new business value

## Strong retail growth and profitability

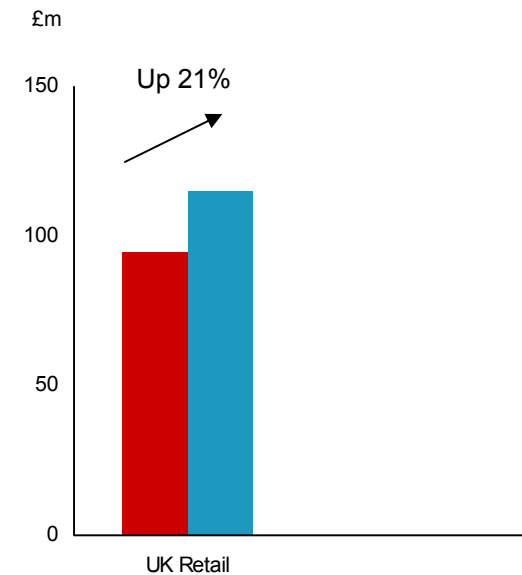
### APE sales



### Margin



### New Business Profits

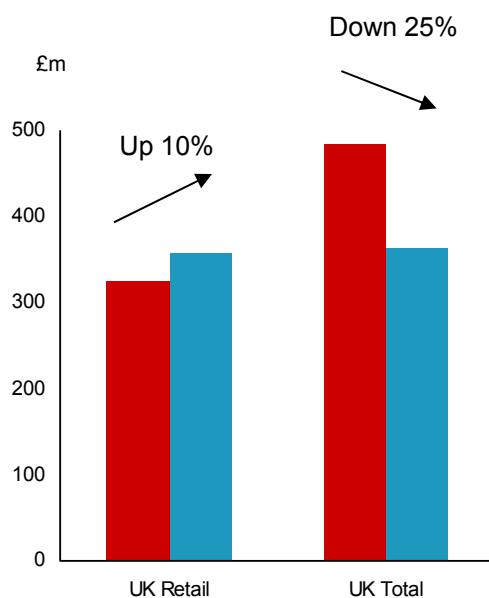


- Retail sales driven by individual annuities, with-profits bonds and corporate pensions

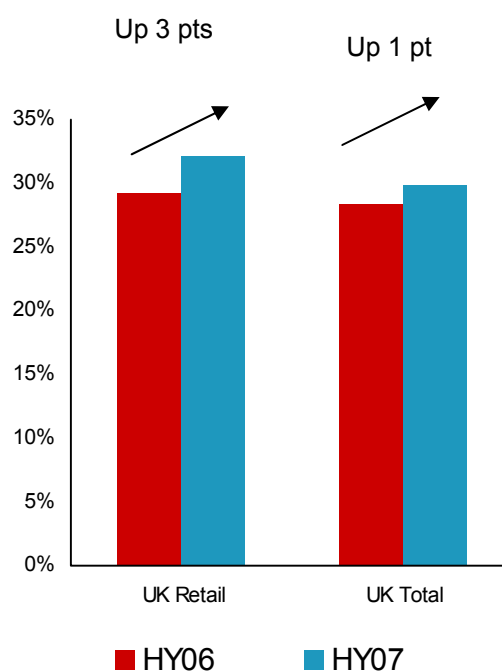
## UK new business value

### Strong retail growth and profitability

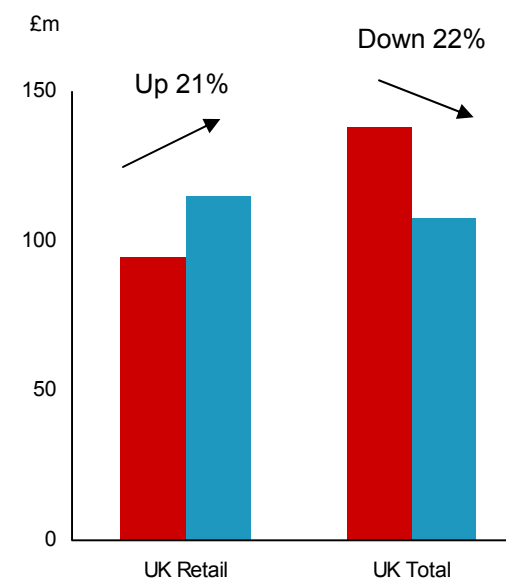
#### APE sales



#### Margin



#### New Business Profits



- Retail sales driven by individual annuities, with-profits bonds and corporate pensions
- Equitable Life deal expected to be booked in Q4
- IRR on new business 15%

## EEV basis in-force profit

Strong growth in in-force with positive variances and assumption changes

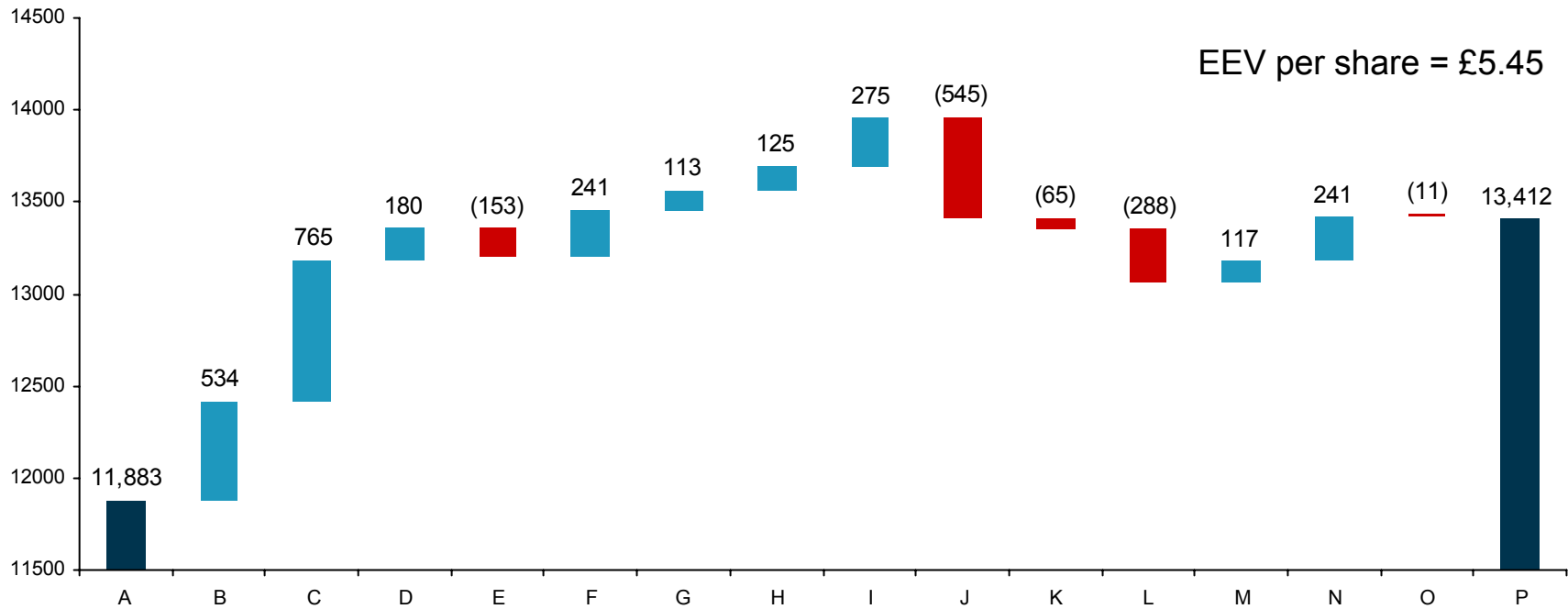
	Asia £m	US £m	UK £m	HY07 Total £m	HY06 Total £m AER
<b>Unwind of discount<sup>1</sup></b>	163	136	318	617	527
<b>Change in assumptions</b>	34	(7)	68	95	8
<b>Variance</b>					
<b>Persistency</b>	7	(1)	-	6	7
<b>US spread</b>	-	53	-	53	60
<b>Amortisation of interest related gains</b>	-	17	-	17	23
<b>Other</b>	7	2	(32)	(23)	(72)
<b>Total variances</b>	14	71	(32)	53	18
<b>Total 2007 in-force profits</b>	211	200	354	765	
<b>Total 2006 (AER) in-force profits</b>	127	212	198		537

- Increase in unwind of discount from growing in-force and rising interest rates
- Tax-related assumption changes in UK and Asia

## EEV Shareholders' funds

### Strong operating and investment performance

#### Analysis of Movement in EEV Shareholders' funds: 31 Dec 2006 to 30 Jun 2007



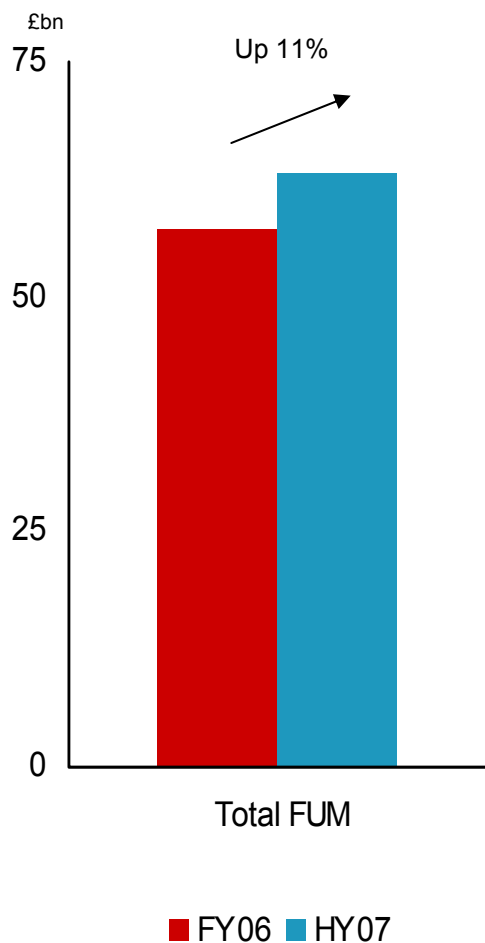
- A. 2007 opening shareholders' funds
- B. Life new business profits
- C. Life in-force profit
- D. Asset management and other operating profit
- E. Other income and expenditure (incl Asia Dev exp)
- F. Short-term fluctuations in investment returns
- G. Mark to market movement on core borrowings
- H. Actuarial gains and losses on DB pension schemes

- I. Effect changes in economic assumptions & time value of cost of options and guarantees
- J. Tax
- K. FX Movements
- L. External dividends
- M. New Share capital
- N. Egg – net profit on disposal
- O. Other
- P. 2007 HY closing shareholders' funds

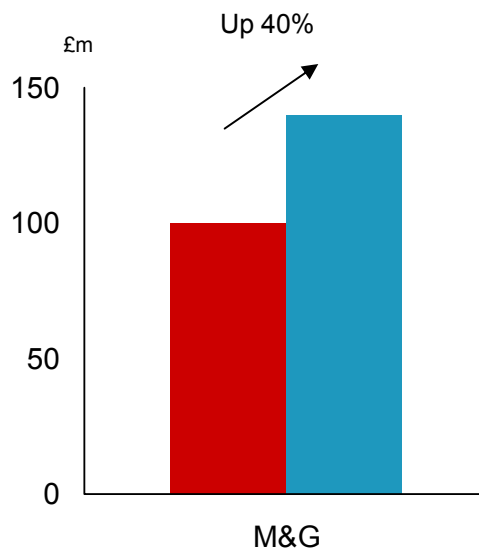
# Asset management

## Strong FUM and profit growth

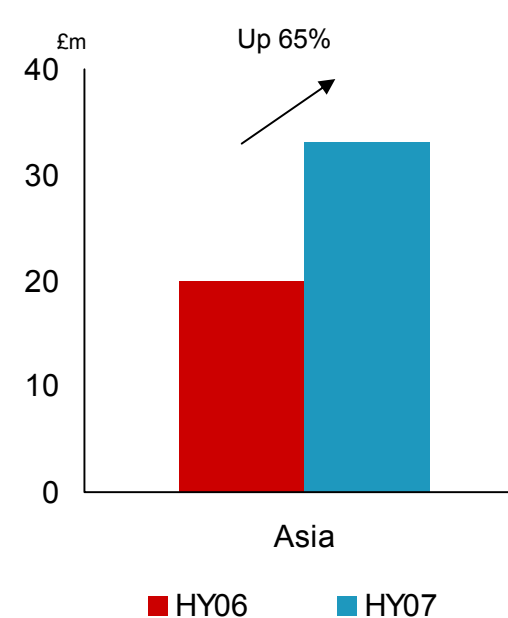
### External FUM Growth



### M&G Profits



### Asia Profits

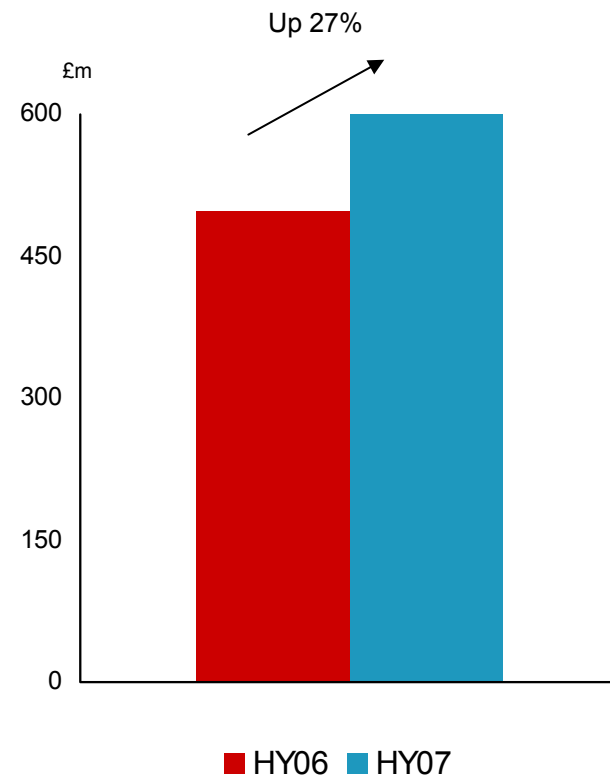


- Strong underlying profit growth
- Carried Interest in M&G in HY07 £12m (£3m in HY06)
- PRF in M&G in HY07 £1m (£6m in HY06)

## IFRS basis operating profit

Operating profit for the Group up 27% to £601m

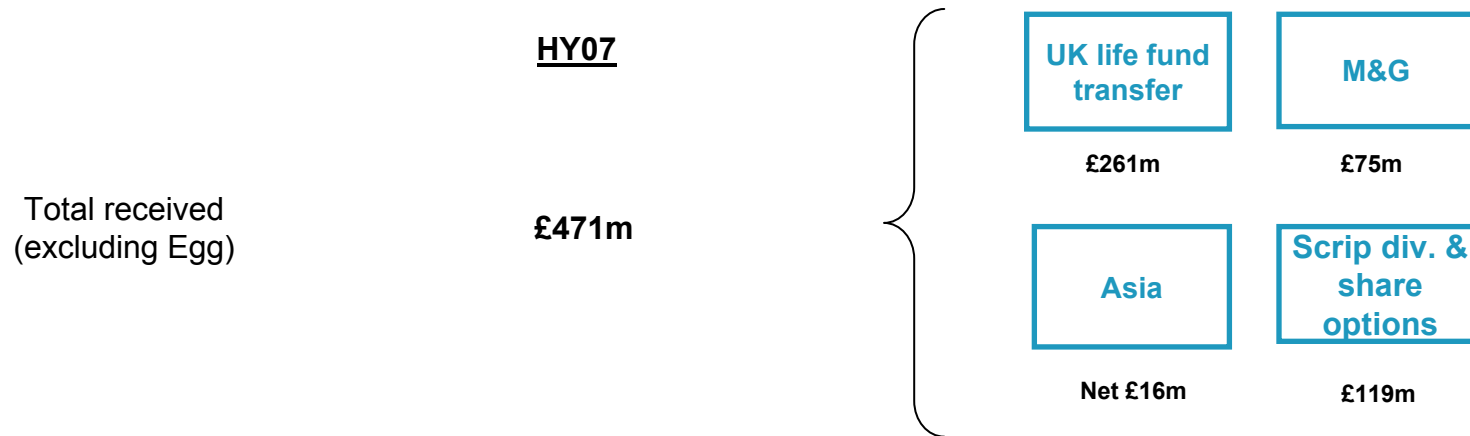
### Group



- UK up 22% to £251m
- US up 9% to £225m
- Asia up 6% to £109m
- M&G up 40% to £140m

# Cashflow

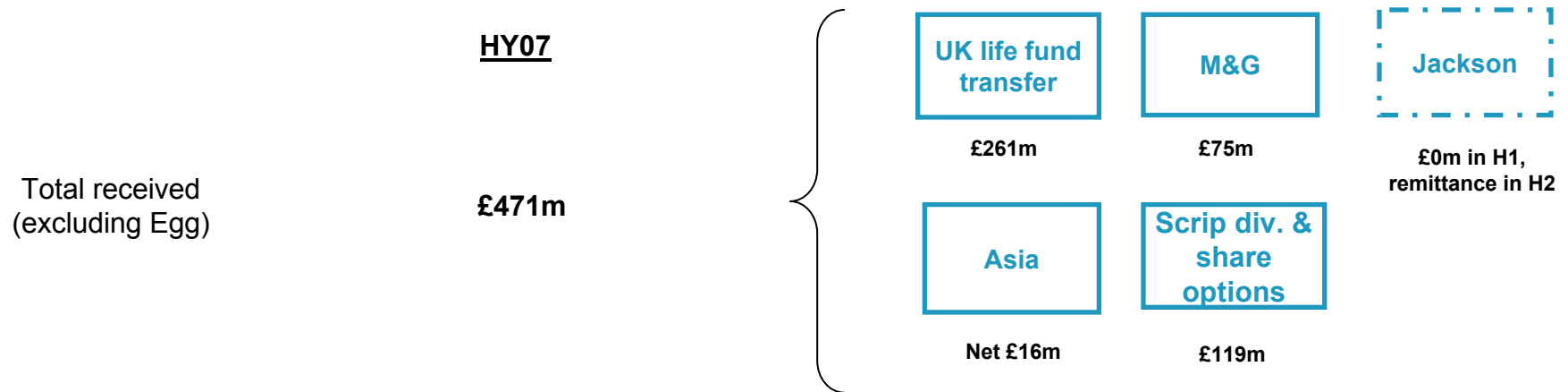
Positive operating cashflow for the group





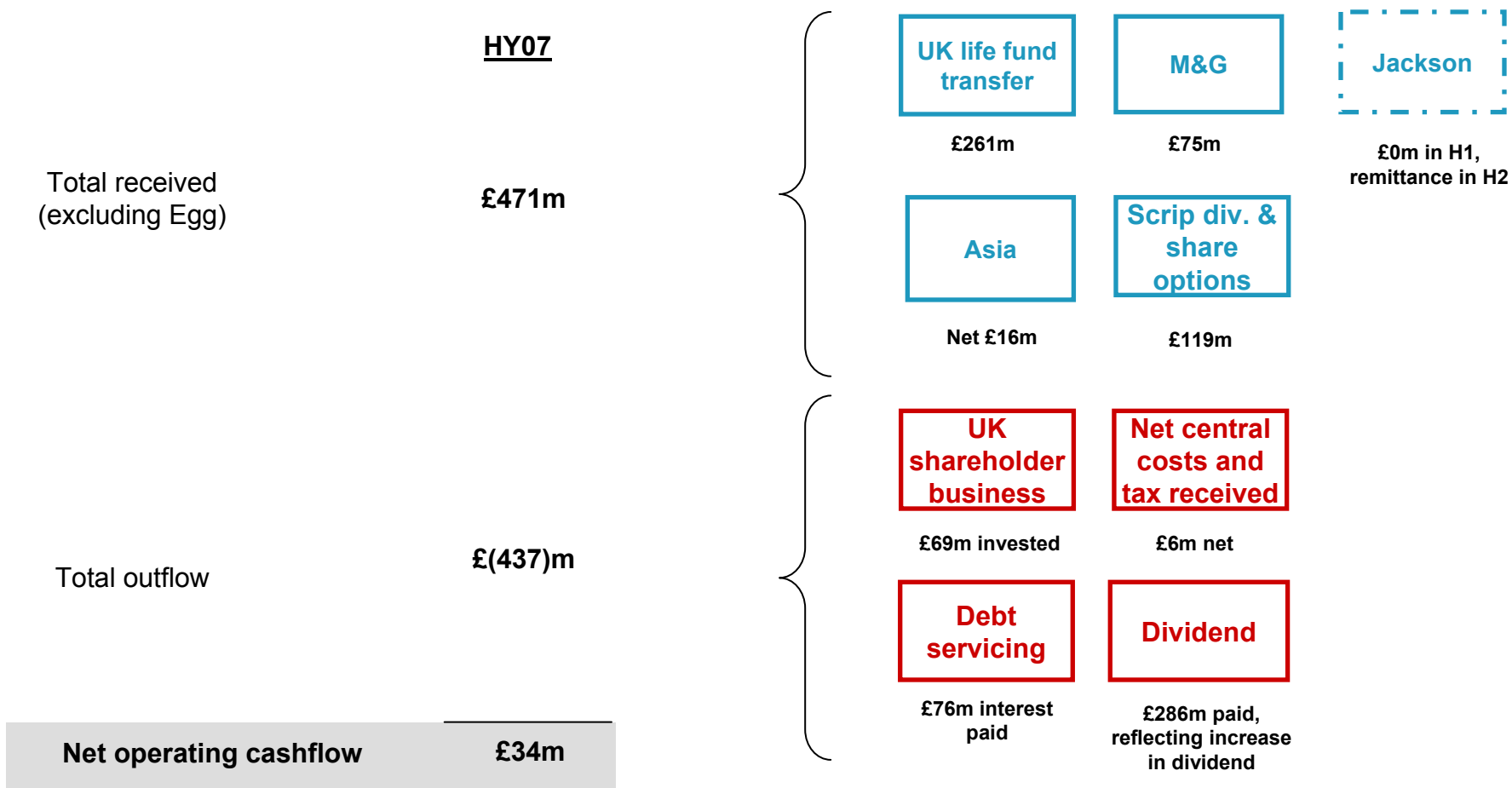
# Cashflow

## Positive operating cashflow for the group



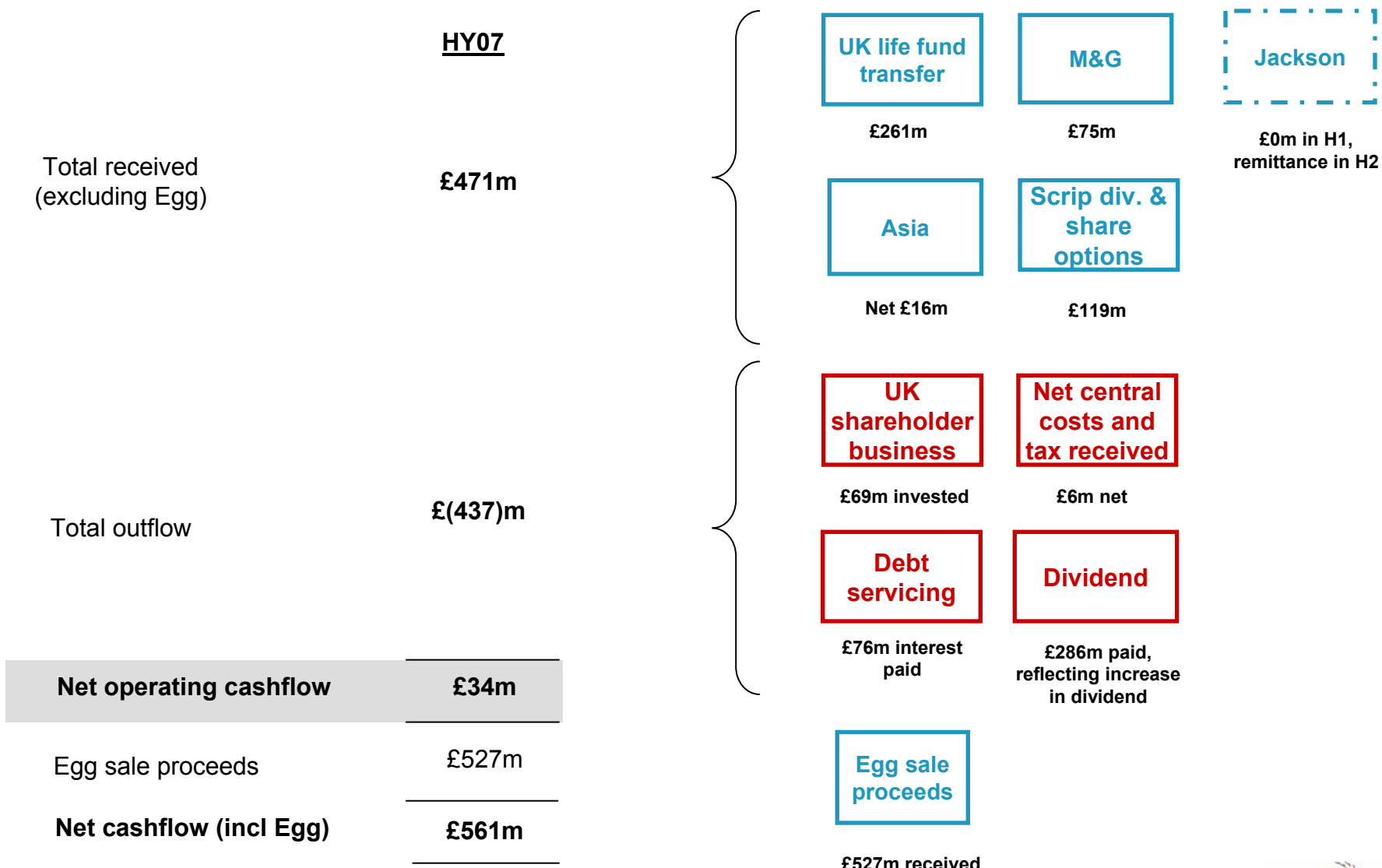
# Cashflow

## Positive operating cashflow for the group



# Cashflow

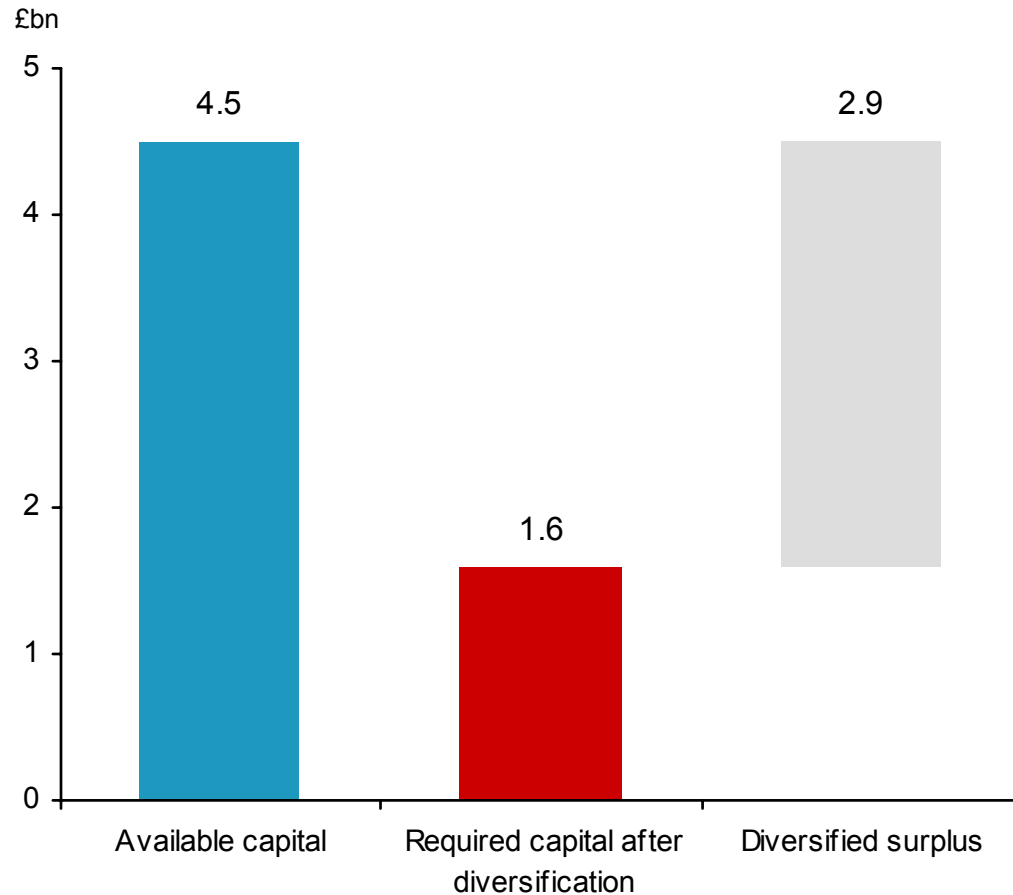
## Positive operating cashflow for the group



# Group Capital Efficiency

## Moving towards Solvency II

### Economic capital analysis



- £1.3 bn geographic diversification benefit across Business Units

## Summary

### Key points

- Retirement focus providing strong results across US, Asia and UK retail insurance businesses
- Fund management business also delivering significant profit growth
- Continued improvement in Group cashflow position

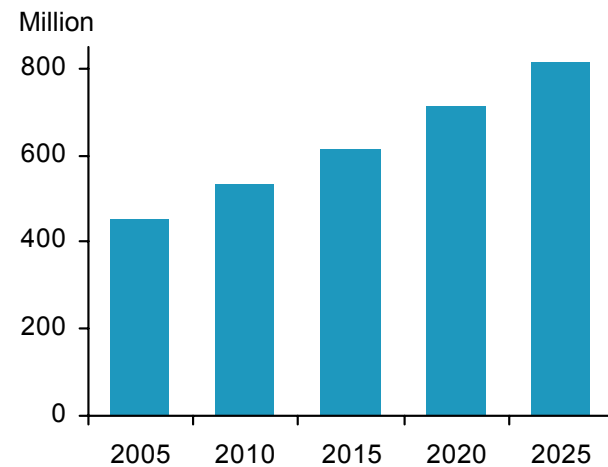


**Mark Tucker**  
Group Chief Executive

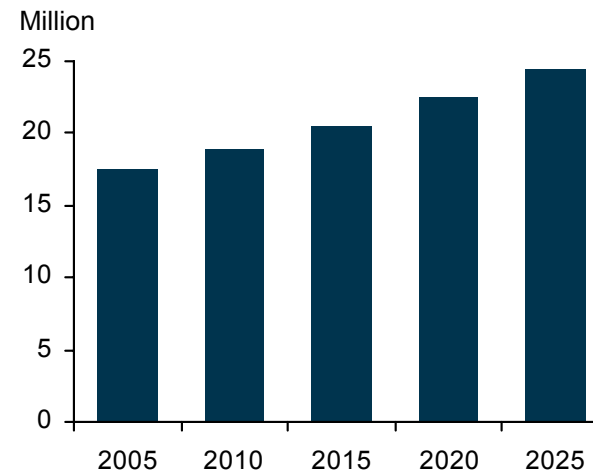
# The global retirement opportunity

## The largest wave of money-in-motion in history

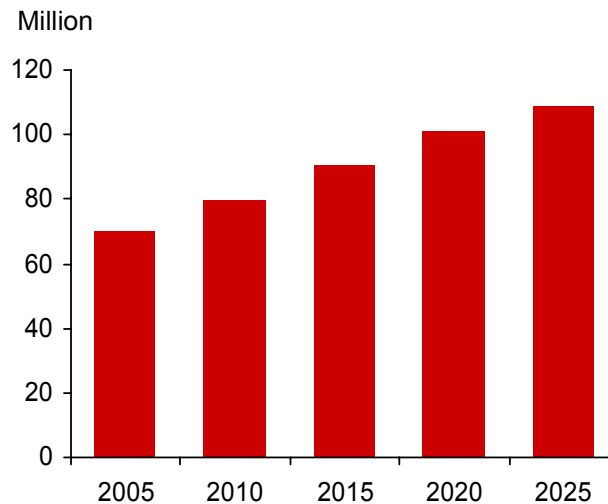
### Asia – projection of population aged 55+



### UK – Projection of population aged 55+



### US – Projection of population aged 55+



- Estimated £7 trillion of assets in the UK and US moving in to the retirement market over the next five years
- Significant retirement opportunity in Asia

## The global retirement opportunity

Prudential is well-positioned to capture the opportunity

### What it will take

### Prudential's advantaged positioning

#### Brand

- Trusted and well-established as a leader in retirement
- Strong retail presence in both UK and Asia
- Superior business reputation in US broker channel

#### Skills

- Risk management – longevity, mortality, investment
- Asset allocation capability – strong returns with low volatility
- Customer Management

#### Product

- Track record of delivering innovative solutions across the financial life cycle – accumulation, transition and decumulation

#### Access

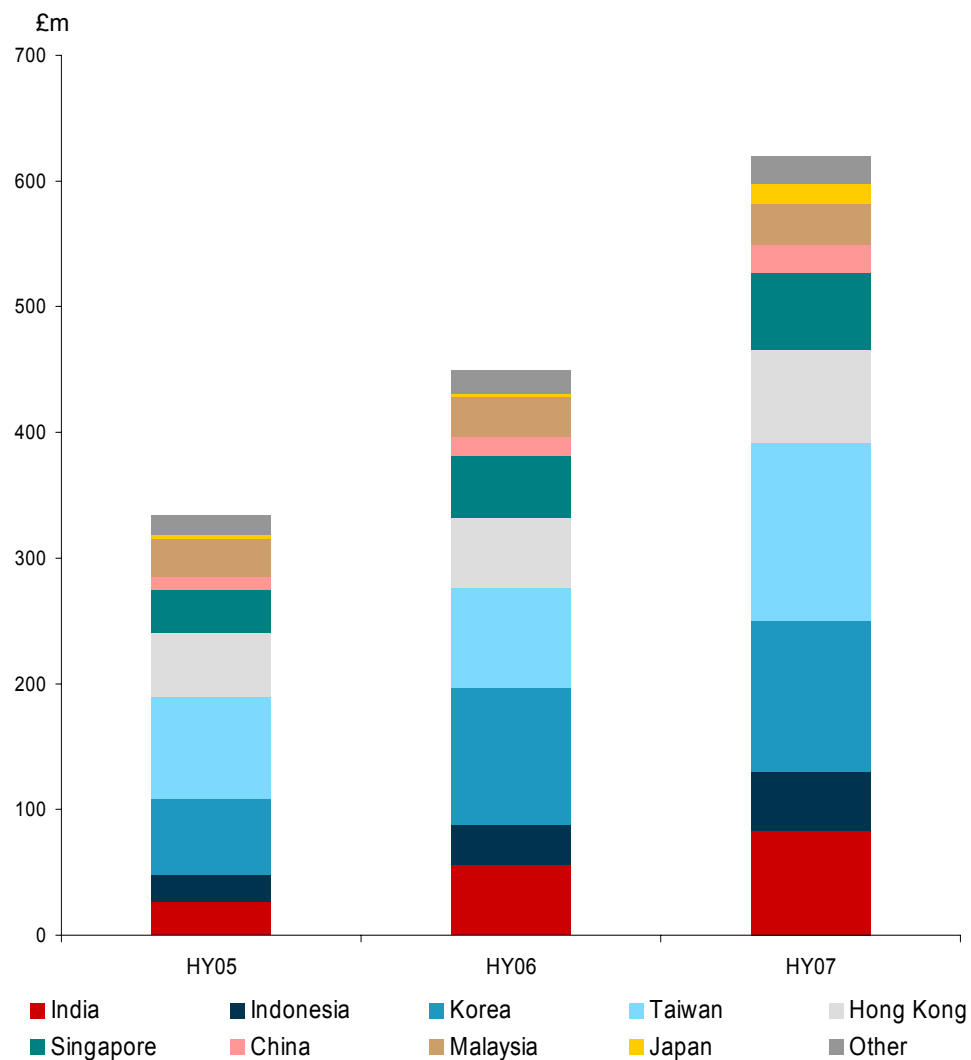
- A network of 350,000 agents in Asia; established and fast growing non-agency distribution
- Powerful advice-based distribution in the US
- Diversified distribution in the UK; segmentation of IFAs



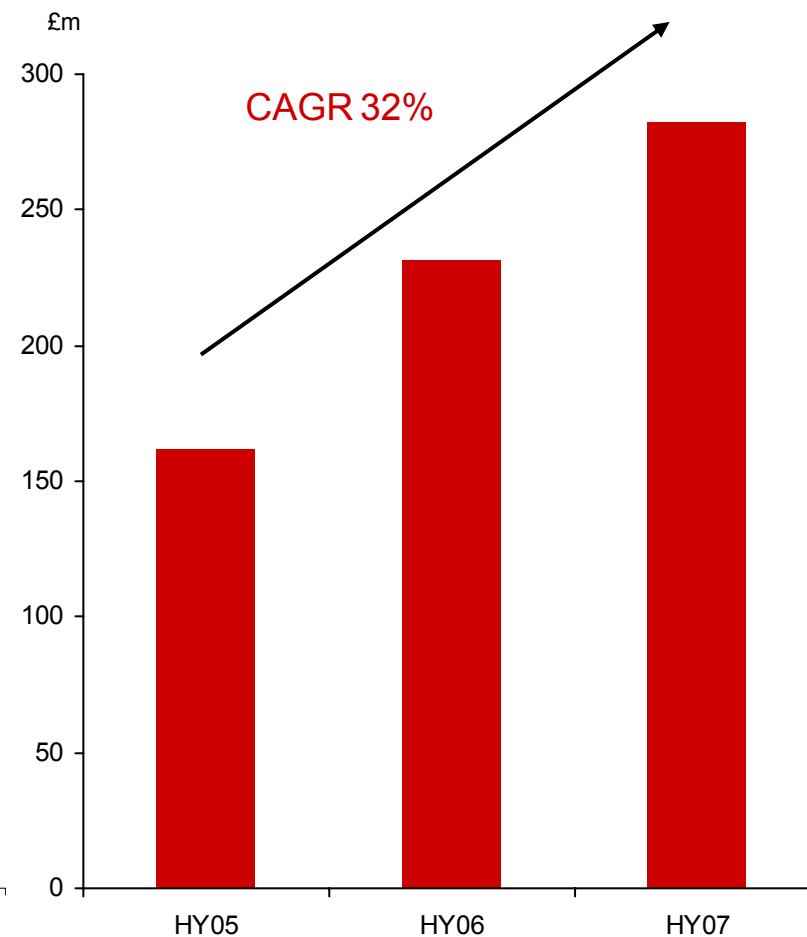
## Asia insurance operations

Strong, broad based growth supporting progress to at least double 2005 EEV NBP by 2009

### New business APE



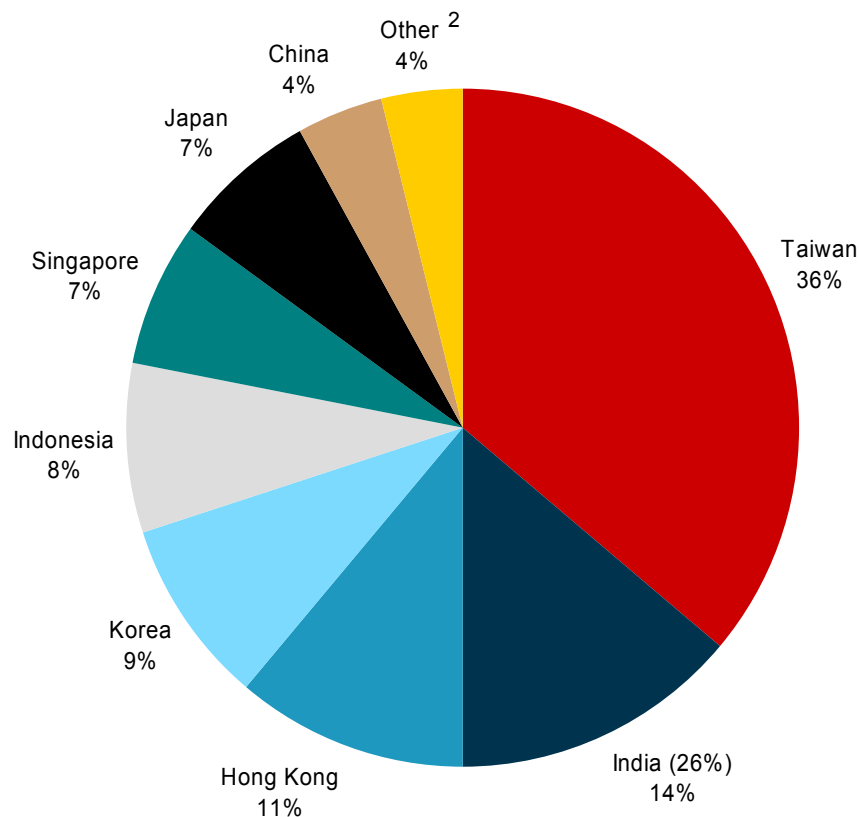
### New business profit



## Asia insurance operations

### Drivers of APE growth for HY07 from HY06

#### Contributions to £201m increase in APE<sup>1</sup>



#### Broad based growth

- Successful retirement campaign in Taiwan
- Continued geographic expansion in India:
  - June 07 583 branches up from 256 in June 06
- Continued geographic expansion in China:
  - 21 licences
- Successful campaigns in Hong Kong:
  - Ongoing retirement initiative
  - Double treasure driving growth through SCB
- Expanding distribution in Korea:
  - More FCs and GAs
  - Two new bank partners
- Building Indonesian agency:
  - Adding a net average of 1,000 agents per month

## Asia insurance operations

### Progress with priorities

#### Achieved agency scale of 350,000

- 
- India up 170%
  - China up 45%
  - Indonesia up 42%
  - Korea up 32%
- 

#### Improving agency productivity

- Singapore +27%
  - Hong Kong +20%
  - Vietnam +68%
- 

#### Expanding partnership distribution

- IBK and KB in Korea
  - Citi distribution agreement
- 

#### Developing retirement solutions

- “What’s your number?”
- 

#### Deepening customer relationships

- Anniversary up sell policy in Hong Kong
  - Cross sell direct mail in Singapore
  - Accident rider offer in Vietnam
- 

#### Launching new health products

- HY07 62% growth in new business
  - Launched new products in Singapore and India
-

## Asia insurance operations

### Capturing the significant retirement opportunity

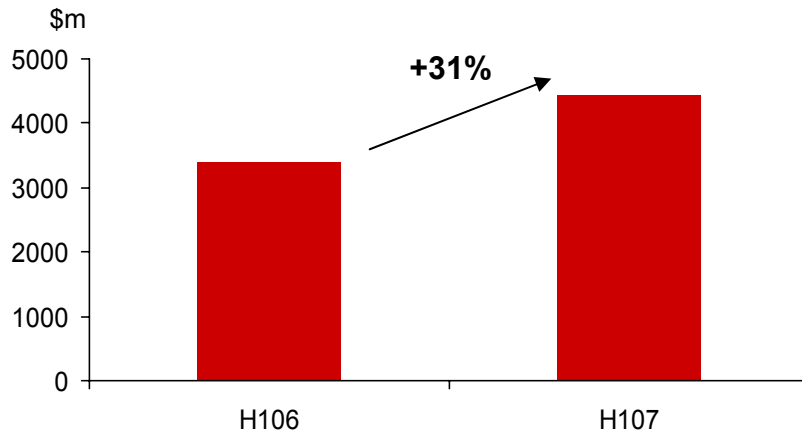
- Identified key retirement insight:
  - Targets do not know how much they need to save for retirement
- Provides solution via 'What's Your Number' campaign
- Leverages regional best practice while meeting local needs
  - Korea
  - Hong Kong
  - Taiwan
- Plans to roll out to other markets across region
- Leverages Group's variable annuity expertise



## US insurance operations

### Pre and post retirement success in Variable Annuities

#### VA sales



#### VA market share by channel<sup>1</sup>

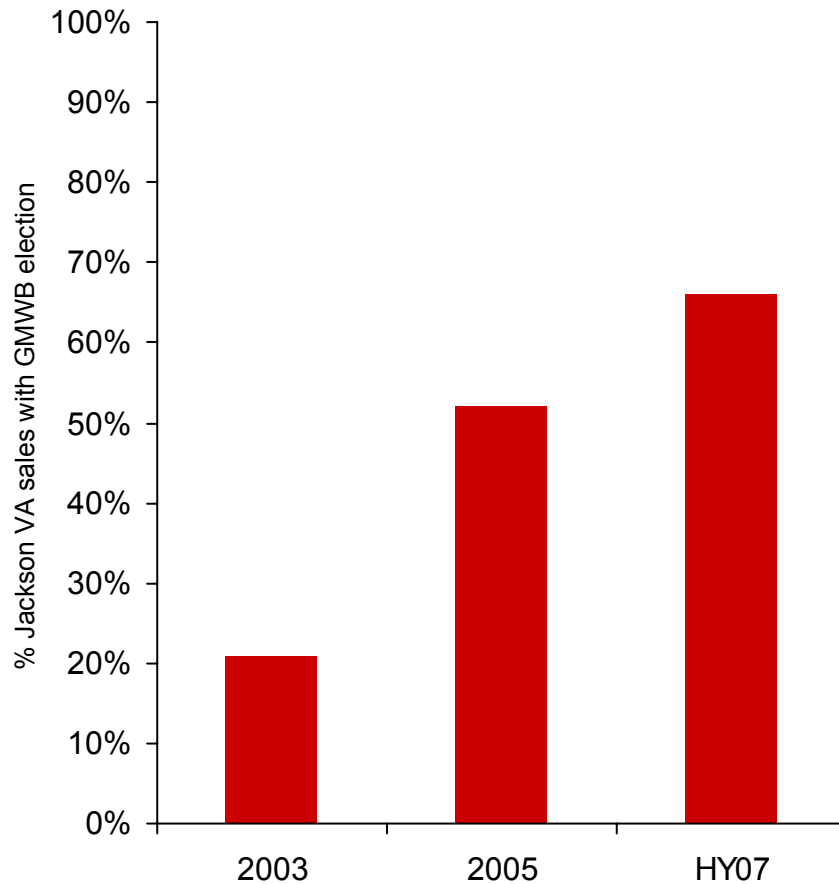
	Q107	FY06
Independent Broker Dealers	11.7%	10.8%
Regional Broker Dealers	6.7%	5.8%
Bank	3.4%	3.4%

- Increasing our distribution capacity
  - External wholesalers increased by 30% since start of 2007
  - Number of wholesaling territories increased; even more granular
- Wholesaler productivity continues to improve
- Introduced 3 new Guaranteed Minimum Withdrawal Benefits and a Guaranteed Minimum Accumulation Benefit
- Maintaining market share in fixed annuities and fixed indexed annuities

## US insurance operations

Jackson efficiently meeting consumers retirement needs

### Growing demand for GMWBs

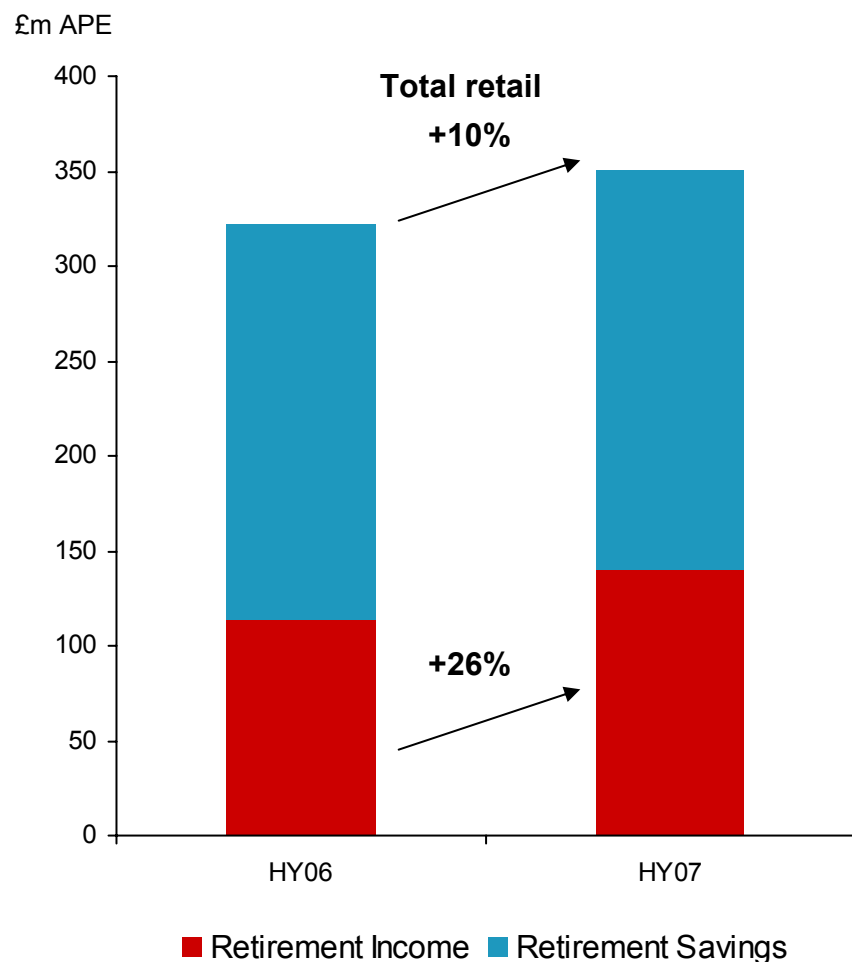


- Rapid product introduction through flexible Perspective II platform
  - 2,100 benefit combinations
  - Seven GMWB options
- Customised at point of sale
  - Lower elections than market on average
  - Market consistent pricing

## UK insurance operations

Deliver value by focusing on strengths in the retirement market

### Retail New Business



### Retirement income:

- Internal vestings +11%
- Direct and Partnership annuities +59%
- With-profit annuities +51%
- Barclays annuity distribution agreement
  - Barclays's retail customers in the UK
  - Live in H207
  - Five year agreement

### Retirement savings:

- Transitioning product range
  - Launch trail-based products focused on our multi-asset capability
- Evaluating white-label wrap options

### Health and Protection JV

- PruHealth lives covered up to 117,000
- Protection product into JV Q4 2007

## UK insurance operations

### Update on cost savings and Inherited Estate

#### Cost savings £195m annualised by 2010

- Actions to secure £115 million of savings will have been taken by end 2007
- Offshore / outsource decision mid Q4 2007 to deliver the remaining £80 million of savings
- Estimated one-off costs of delivery up to £165 million
  - Final cost to be confirmed when offshore / outsource decision taken

#### Potential reattribution of Inherited Estate

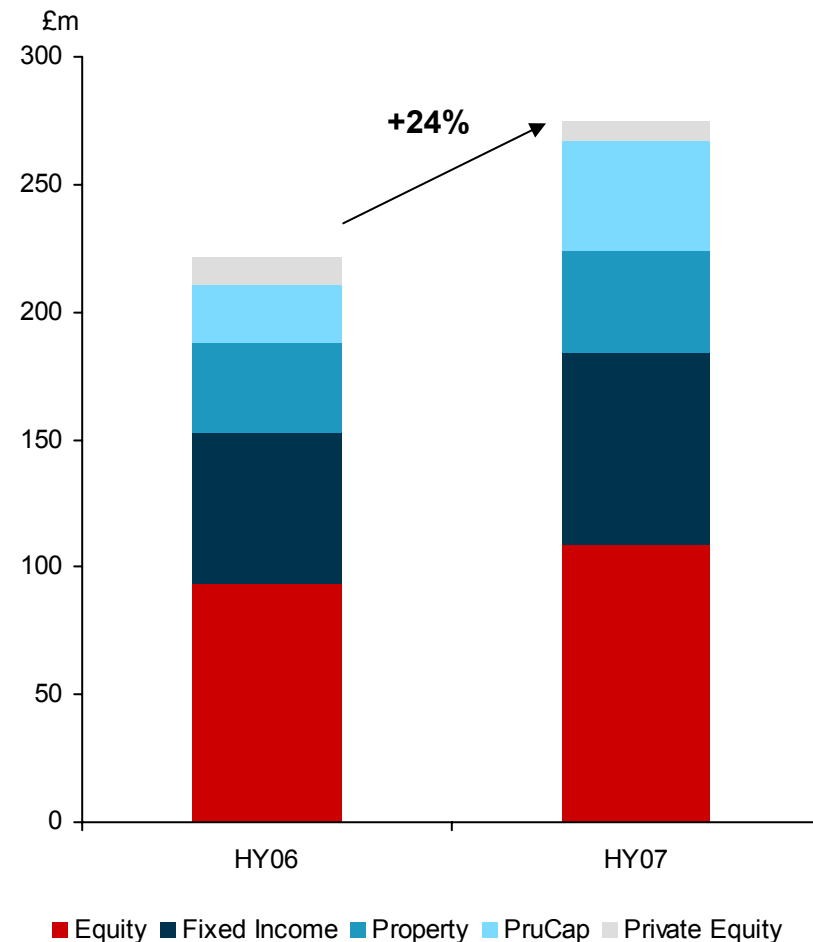
- On track to take decision on whether to proceed by end Q4
  - If provides benefits to both policyholders and shareholders



## Asset Management – M&G

Delivering value internally; growing rapidly externally

### Diversified revenues

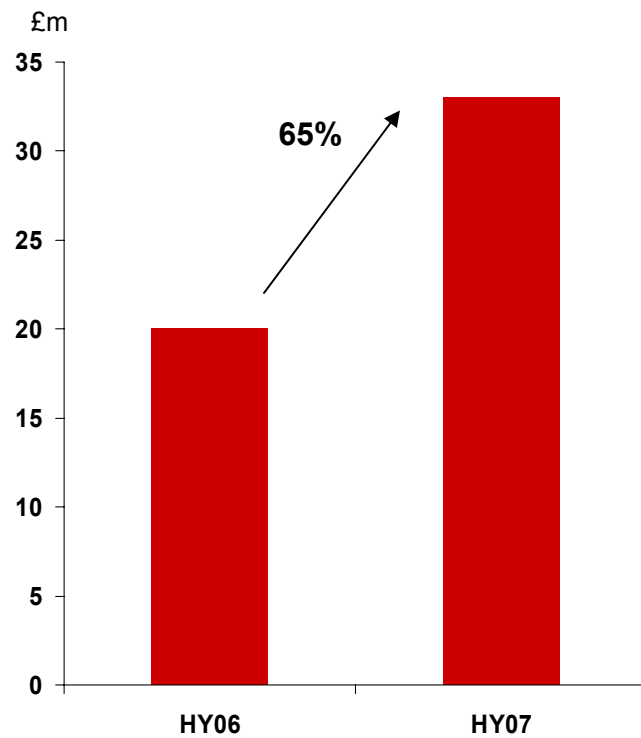


- External FUM £49 billion
- Record retail net sales
- Increasing contribution from Europe, Asia and South Africa
- Lower institutional sales but higher margin areas
- Significant product development activity

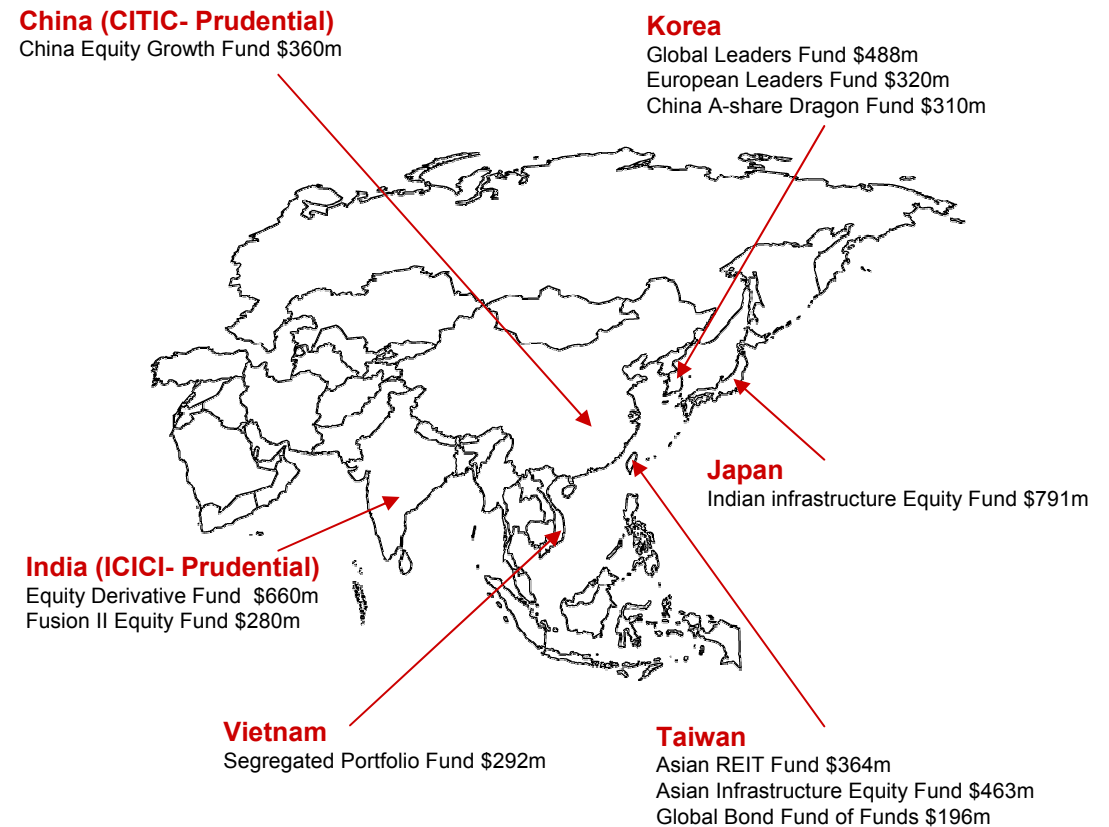
# Asset Management – Asia

Delivering value internally; growing rapidly externally

## IFRS Profits



## Major Fund Launches<sup>1</sup>





# PRUDENTIAL

- Retirement focus driving continued strong performance across insurance business
- Fund management delivering significant profit growth
- Improved Group cashflow
- Long-term sustainable profit growth