



Prudential plc 2007 Full Year Results

14 March 2008

This statement may contain certain 'forward-looking statements' with respect to certain of Prudential's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words 'believes', 'intends', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Prudential's control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate. This may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Prudential's actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in Prudential's forward-looking statements. Prudential undertakes no obligation to update the forward-looking statements contained in this statement or any other forward-looking statements it may make.

Agenda

Group Review

Mark Tucker

Financial Review

Philip Broadley

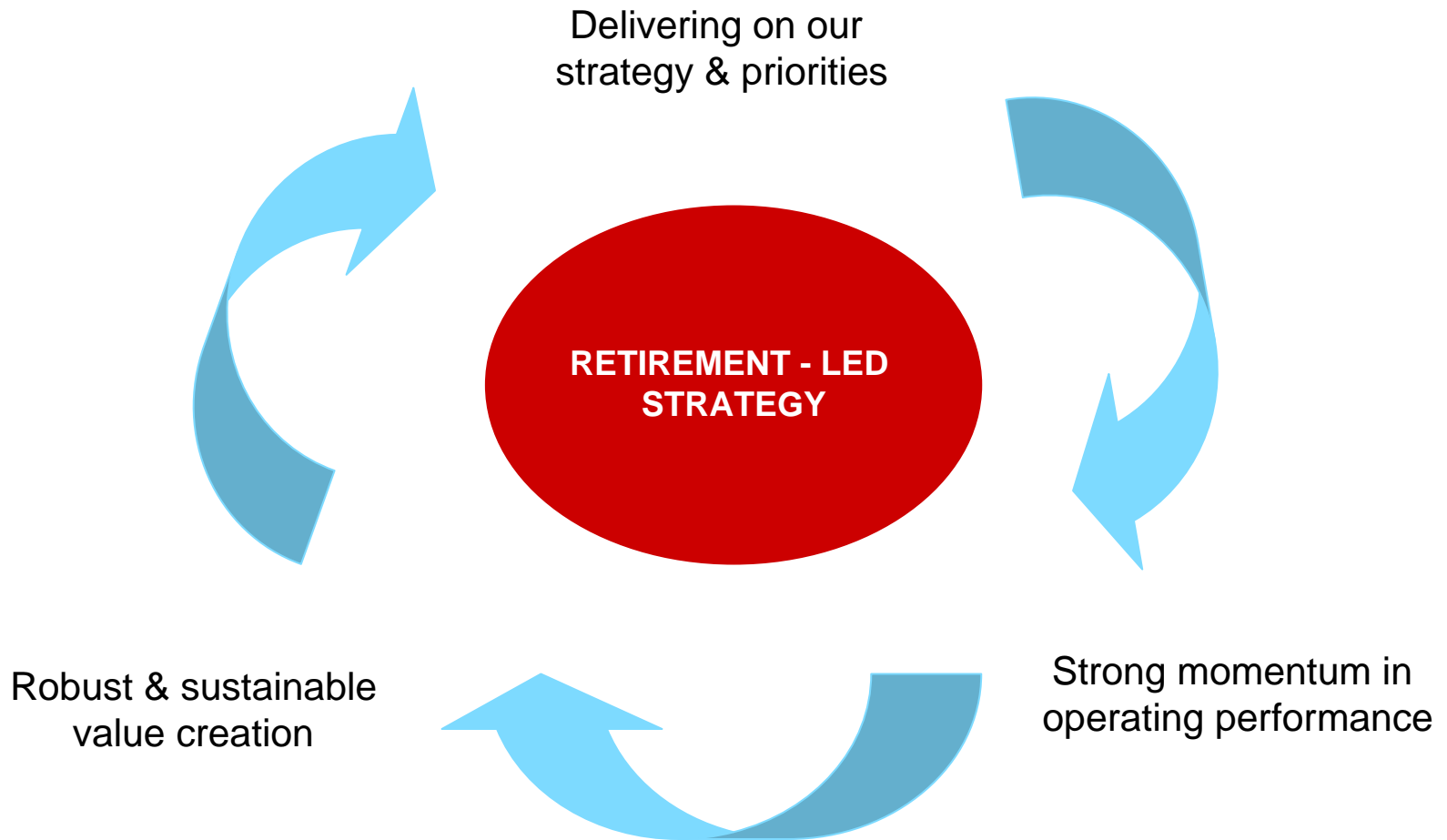
Outlook

Mark Tucker

Questions

Group Review

Capturing sustainable value



Group Review

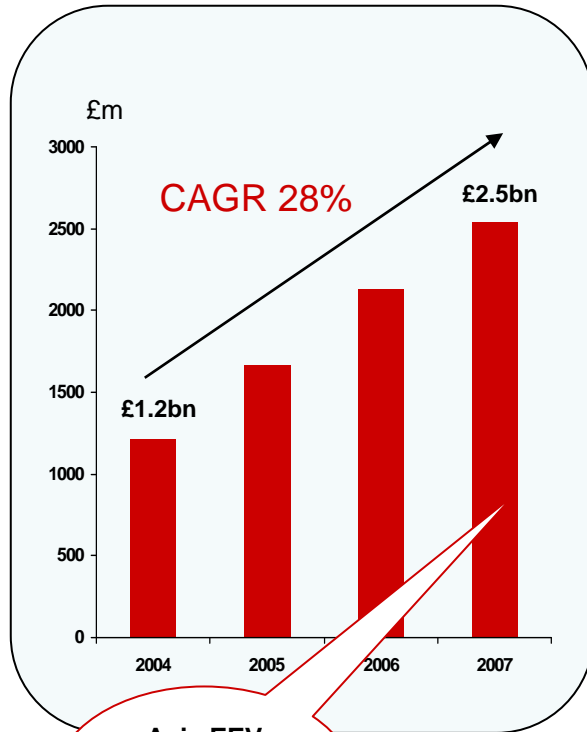
2007 financial headlines

- Group new business profit up 22% to £1.2 billion
- EEV operating profit up 25% to £2.5 billion
- IFRS operating profit up 20% to £1.2 billion
- Group Return on Embedded Value 15.4% (2006: 14.5%*)
- Embedded value shareholders' funds £14.8 billion (2006: £11.9 billion*)
- On track for operating cash positive in 2008; robust capital position
- Full year dividend up 5% to 18 pence; cover 1.9 times

Group Review

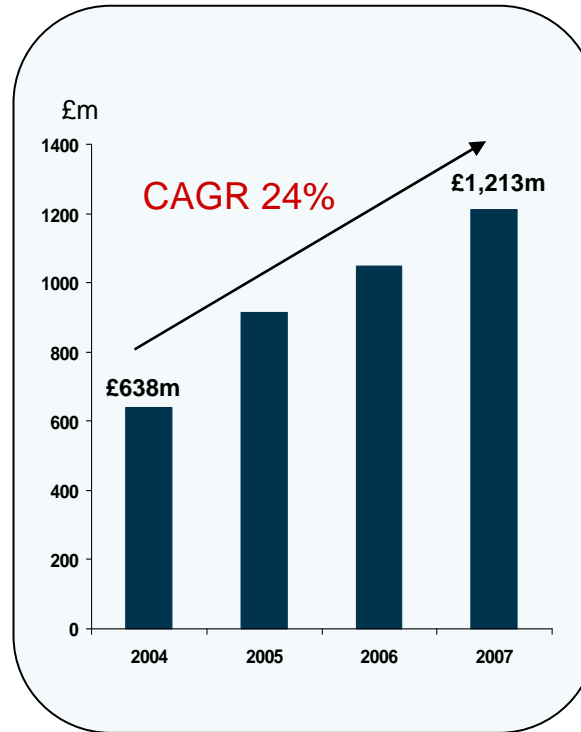
Strong momentum in performance

**EEV operating profit¹
doubled over 3 years**

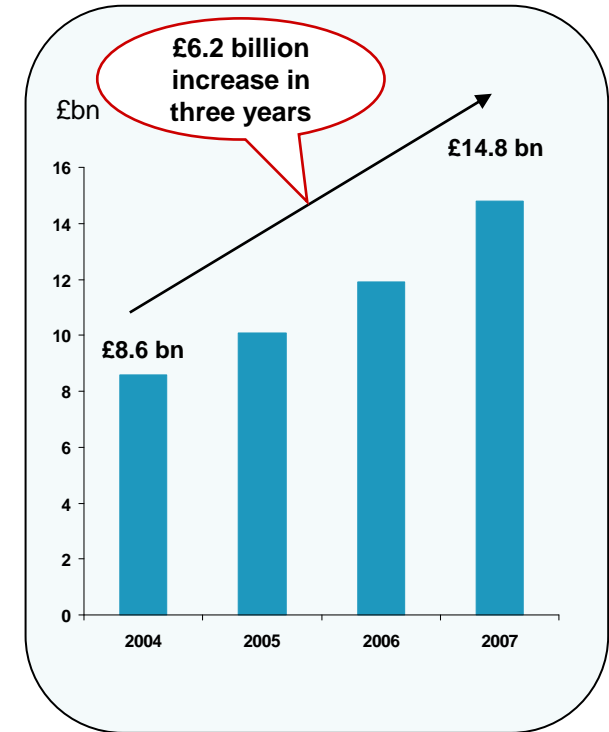


Asia EEV
operating
profit passes
£1 billion

**IFRS operating profit¹
almost doubled over 3 years**



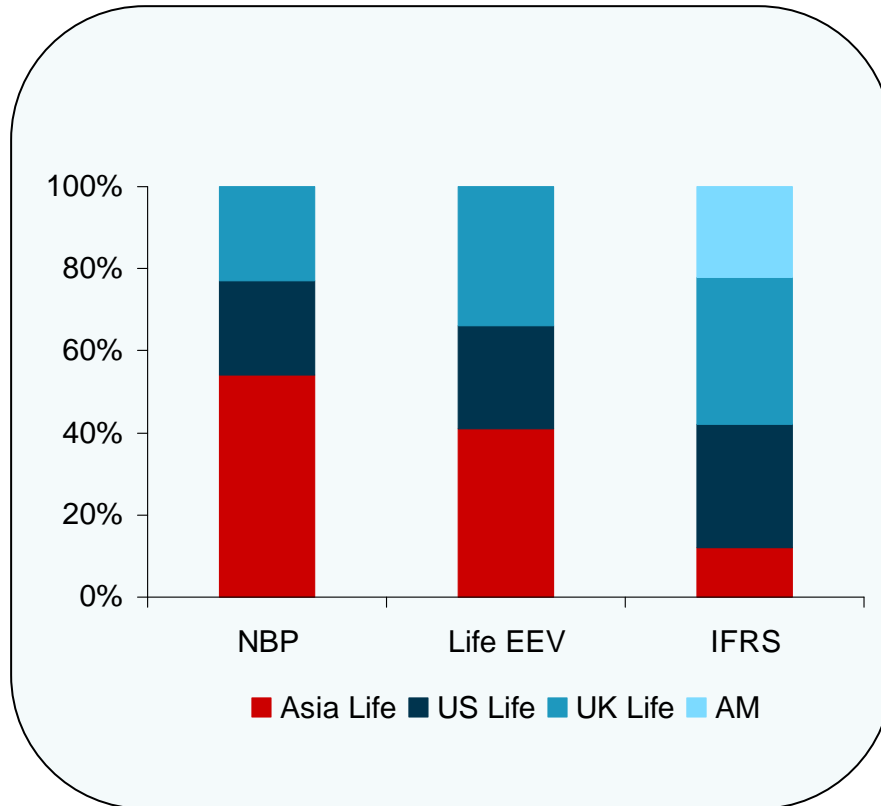
EEV shareholders' funds



Group Review

Diversified earnings

2007 contribution to profit



- **Over 75% of new business profit generated overseas**
 - High growth in Asia and the US
 - Value driven positioning in UK
- **Two-thirds of Life EEV operating profit generated overseas**
 - Rapidly growing Asian in-force
- **Approaching 50% of IFRS operating profit generated overseas**
 - UK life; strong with-profits and growing annuity profits
 - Continuing investment in developing markets in Asia
 - Asset Management; rapid growth in M&G and in Asia

NBP: Life new business profit

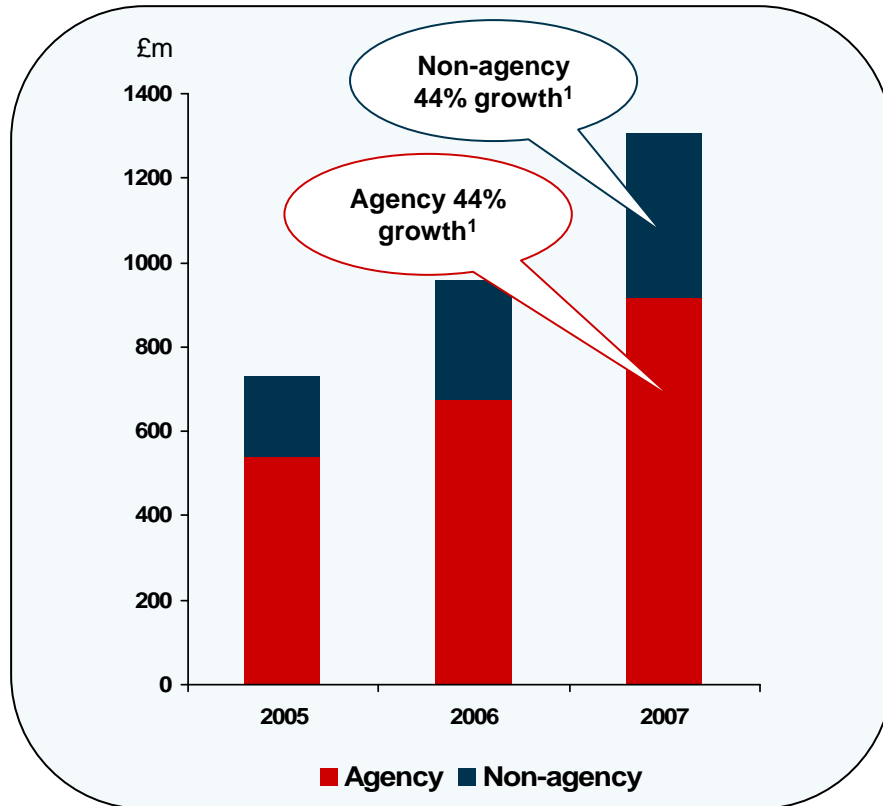
Life EEV: Life EEV operating profit before tax; including Asia development costs

7 IFRS: IFRS operating profit on continuing operations before central items and restructuring costs

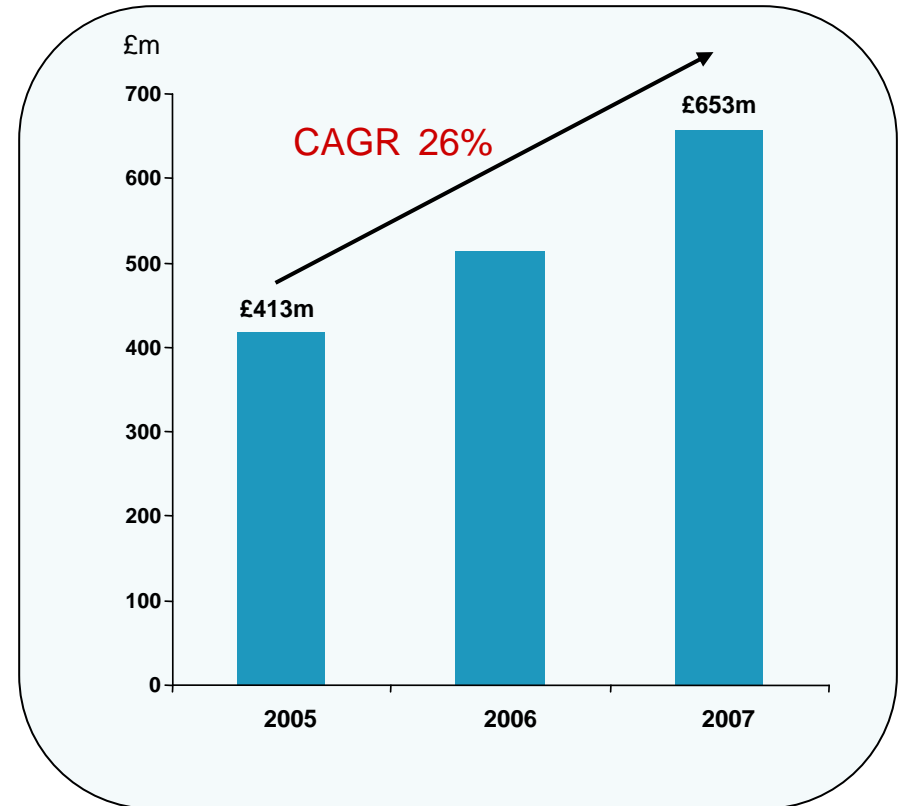
Asia insurance operations

We expect to deliver doubling of 2005 EEV NBP a year early

New business APE



New business profit



At actual exchange rates

8 1. APE growth rate at constant exchange rates

Asia insurance operations

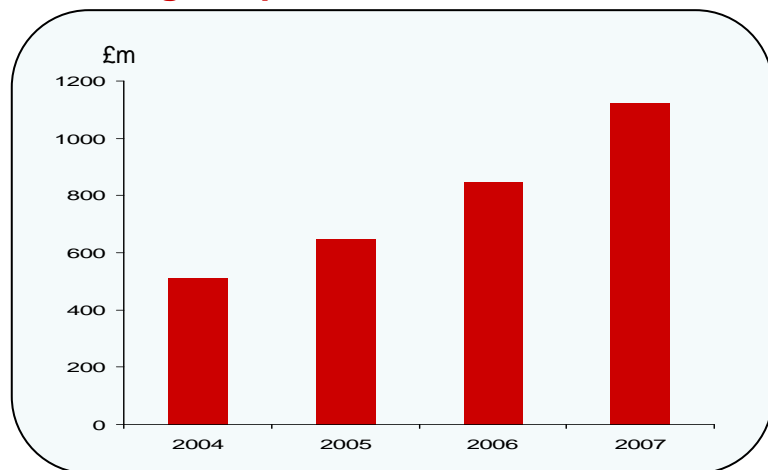
Building capabilities in 2007 to access significant growth potential

- **Growing agency scale**
 - India +50%; Indonesia +49%; China +34%; Korea +27%
- **Improving agency productivity**
 - Vietnam +67%; Hong Kong +24%; Singapore +21%
- **Building partnership distribution**
 - Record sales through SCB and extended partnership to include Taiwan
 - New partners in Korea expand capacity
 - Citi distribution agreement
- **Introducing systematic deepening of customer relationships**
 - Initiatives in Hong Kong, Singapore and Vietnam
- **Developing retirement solutions**
 - ‘What’s your number?’ campaigns
 - New retirement orientated Variable Annuity in Taiwan
- **New health products**
 - Launched products in Singapore, India and Hong Kong
 - 125,000 new policies sold

Asia insurance operations

Powerful savings, protection and investment culture driving growth

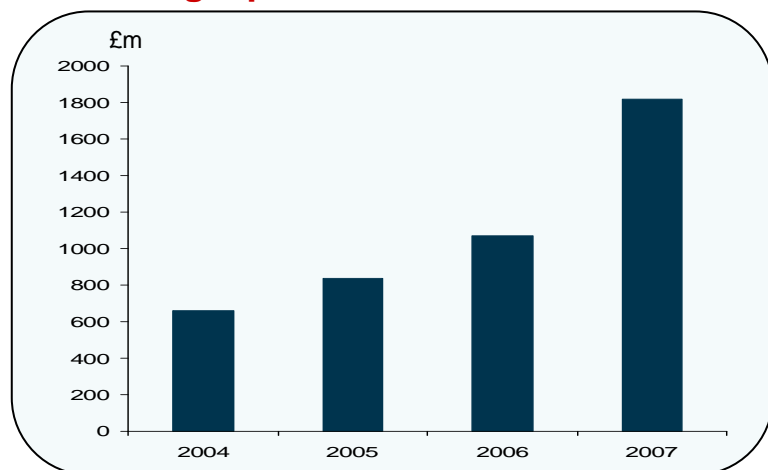
Regular premium new business



- **Emphasis on long-term savings and protection**

- 86% of new business on an APE basis
- Success in combining unit-linked and protection
- High quality agency force
- Momentum from retirement initiatives

Single premium new business



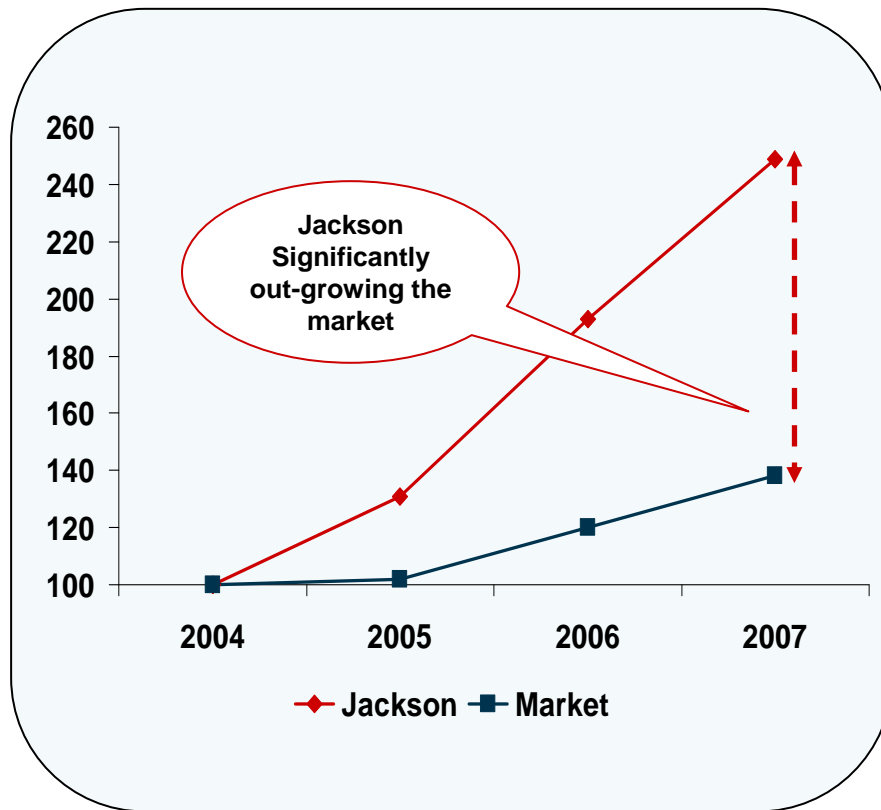
- **Growing investment orientated business**

- Attractive deposit alternatives
- Particular success via bank distribution
- Unit-linked and Par products

US insurance operations

Advice based model driving long-term out-performance in variable annuities

Relative growth in variable annuities (indexed to 2004)

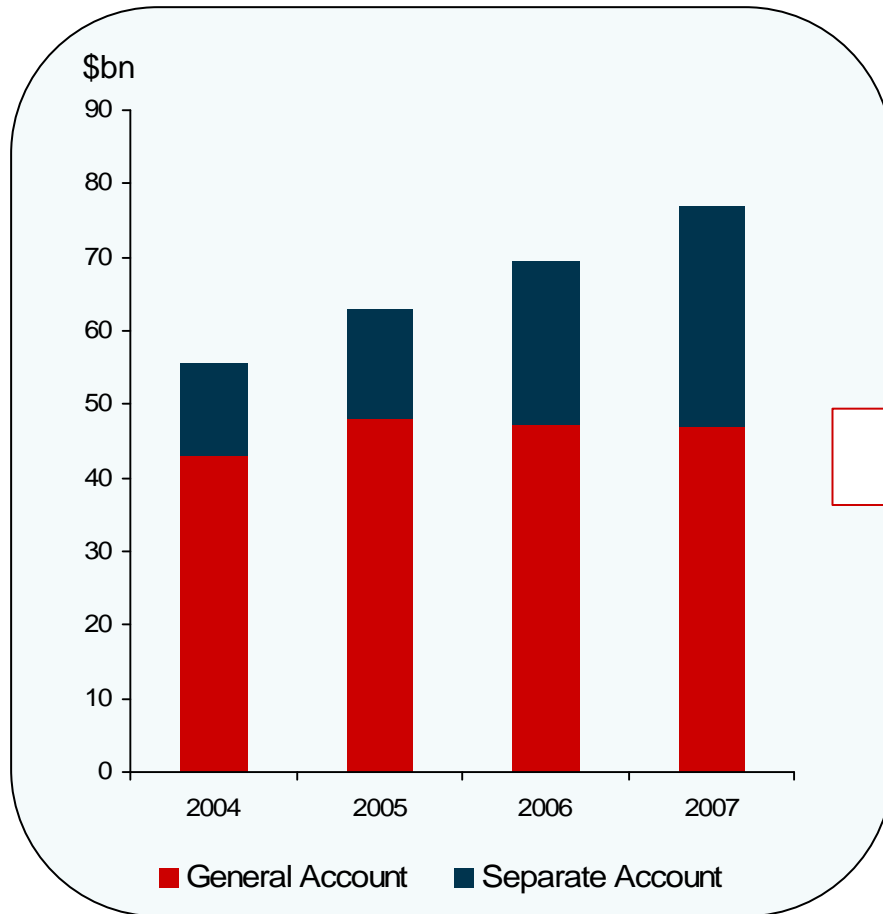


- **Success in fast growing IBD channel**
 - No.2 with 10.8% share
 - 76% of Jackson's 2007 sales
 - PII top-selling contract 2003-2007
- **Growing share in RBD and bank channels**
 - RBD No.6 with 7.2% share
 - Banks No.8 with 4.4% share
- **VA wholesalers increased by 25% in 2007**
 - Higher average productivity per wholesaler
- **Continuing product innovation**
 - > 2300 benefit combinations
 - Significant advantage from flexibility

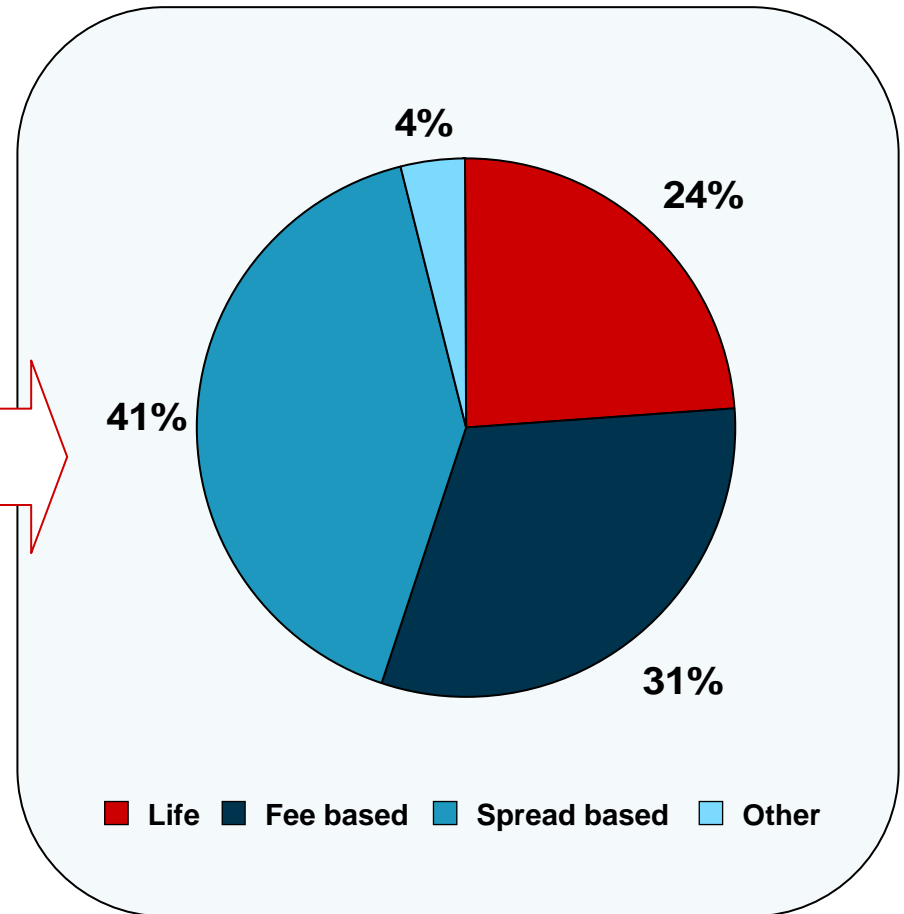
US insurance operations

Diversified business with high quality earnings profile

Statutory admitted assets



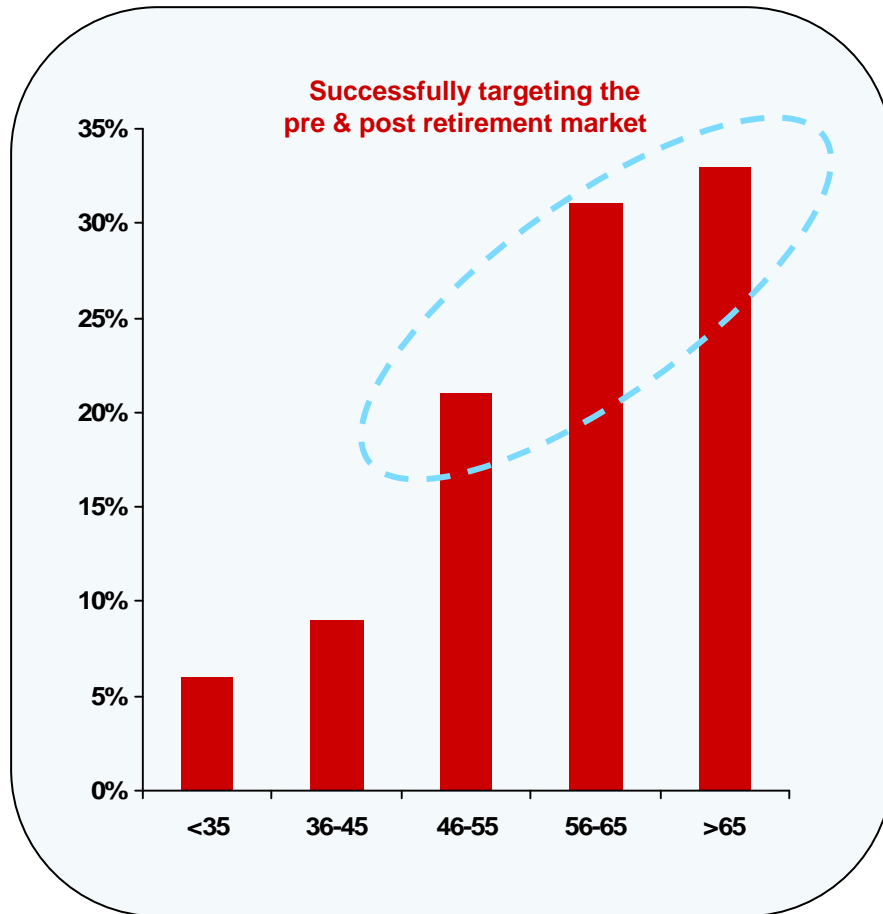
IFRS life operating profit



US insurance operations

A significant retirement opportunity that plays to Jackson's strengths

Jackson customer age profile 2007



- Two-thirds of Jackson VA sales include a GMWB
- 78 million 'baby boomers' will continue to grow the market
- Differentiated model based on advice, customisation and flexibility, not price
- Expense advantage and world class service
 - 17bps advantage over top 25
- Maintain top-ten position in fixed and fixed-index annuities

UK insurance operations

Delivering on our strategy

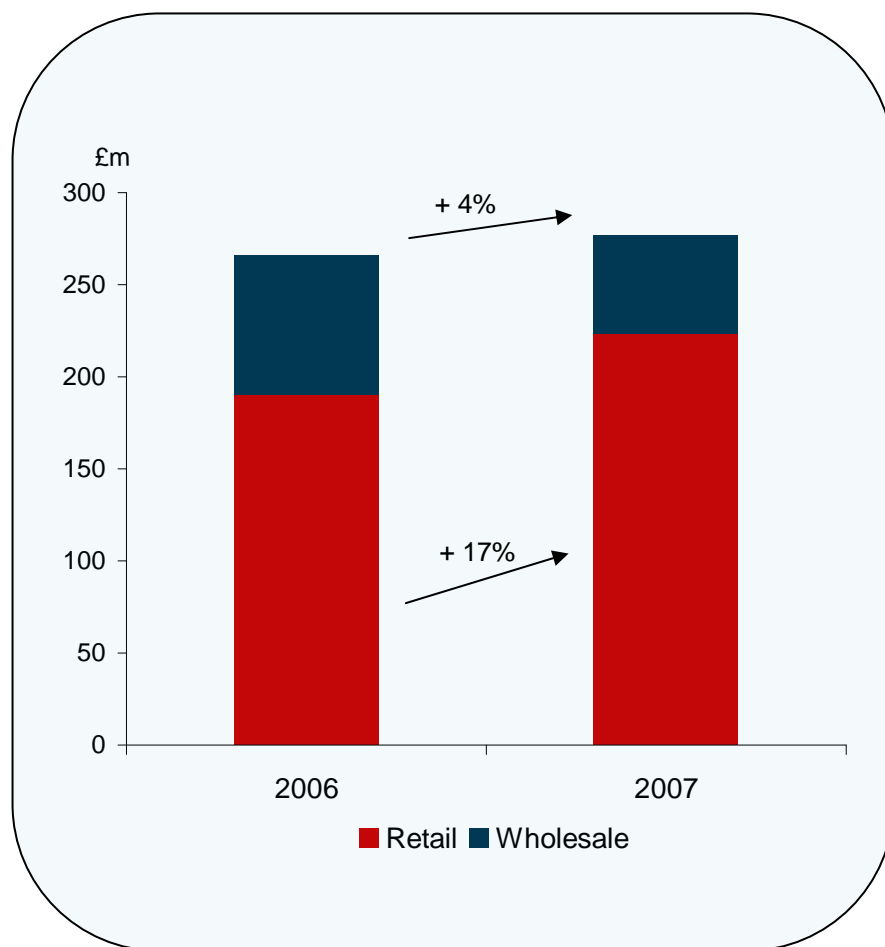
- Focus on strengths in retirement income
- Re-shape and simplify retirement savings to improve returns
- Take the required action on the cost base
- Maintaining high margins and returns relative to the market

UK Insurance Operations

Focus on strengths in retirement income

- **Individual annuities**
 - One in four annuities in the UK written by Prudential
 - 50% of new business from internal vestings
 - 30% of new business from direct and partnerships
 - Market leader in with-profit annuities
 - Conservative view of longevity
 - Maintain pricing discipline
- **Developing broader market position**
 - Lifetime Mortgage
 - Income drawdown product launched
- **Selective in wholesale market based on returns**
 - £1.7bn Equitable Life transaction completed

UK New Business Profit



UK insurance operations

Implementing change to support growth and returns

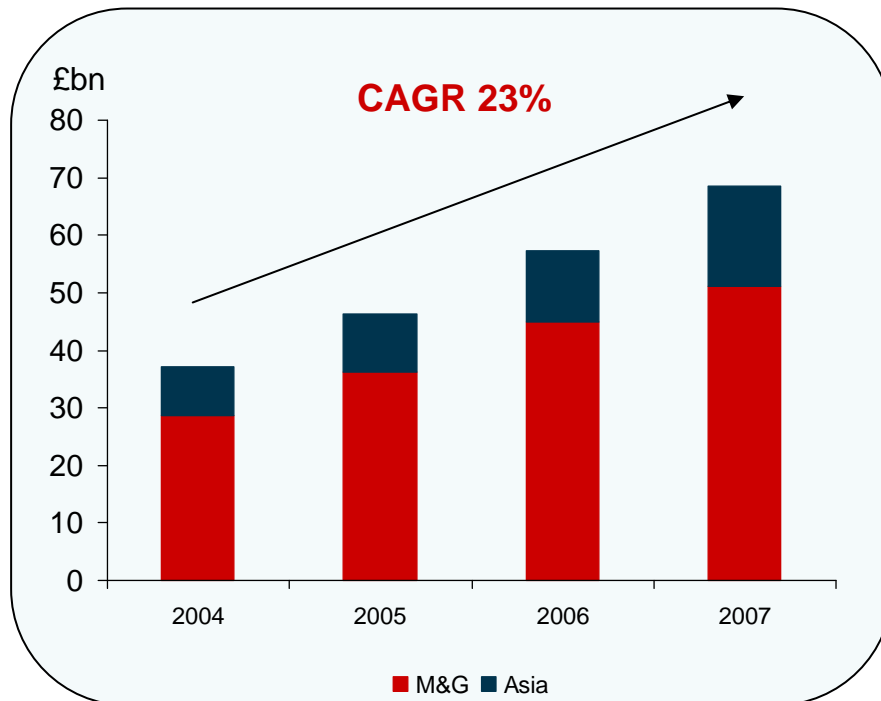
- **Reshape retirement savings business**
 - Exited structurally unprofitable market segments and launched factory-gate product suite
 - Emphasis on cautious managed products; £231m APE of with-profit new business up 21%
 - Improving returns on Corporate Pensions; IRR 9% (2006: 6%)
- **Plans in place to deliver target £195m cost savings**
 - £115 million of target delivered by the end of 2007
 - Policy administration outsourcing significantly reduces future expense risk
 - Net £60 million benefit to Embedded Value by 2011
- **Update on Inherited Estate and reattribution in first half of 2008**

Asset Management

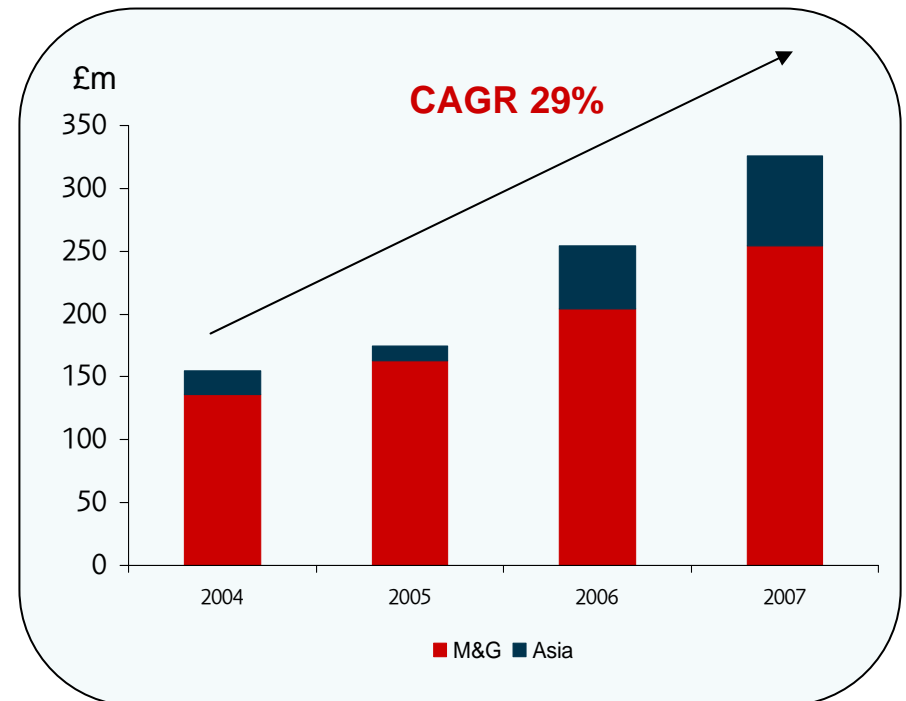
Operating profit more than doubling over three years

- £8 billion of net inflows across UK, Europe and Asia
 - Second highest annual inflows in M&G's history
 - Maintaining strong growth in Asia

External funds under management



Operating profit





Philip Broadley
Group Finance Director

Contents

1. Group results

- KPIs
- EEV shareholders' funds
- Holding company cashflow
- New business profit and IRRs

2. Specific topics

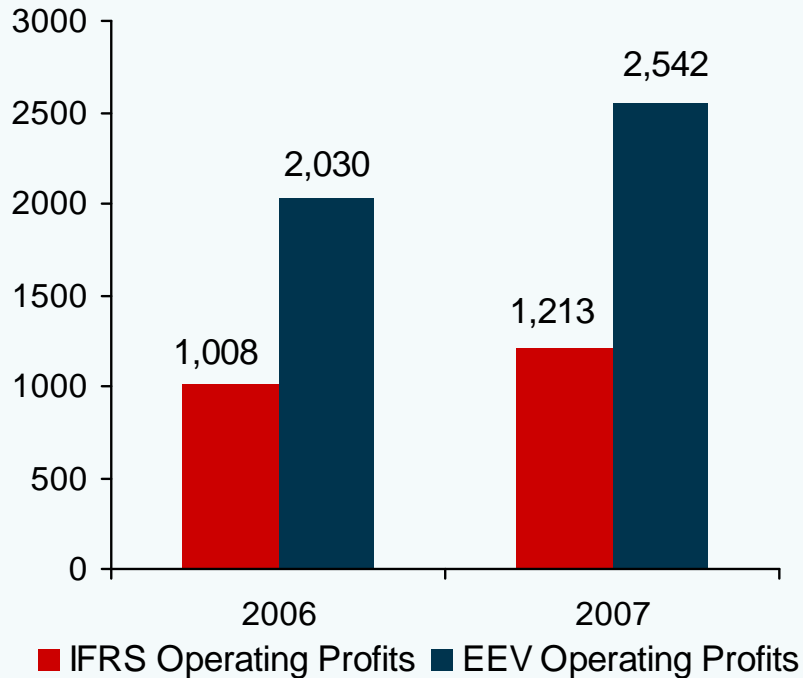
- Asia growth and margin
- Credit risk
- UK longevity

3. Capital formation and usage

Group KPI highlights

Continuation of momentum in the 2007 performance

Operating Profits £m* (CER)



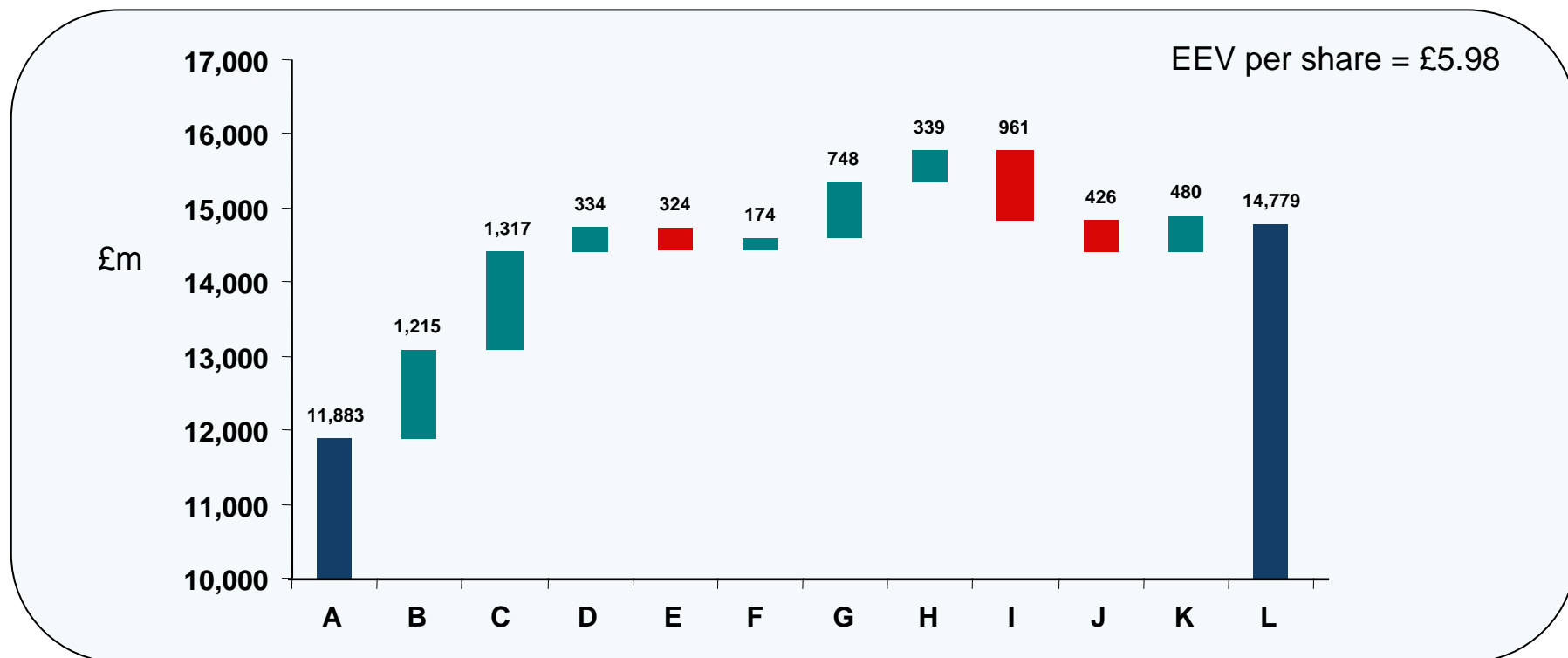
In 2007...

- APE sales up 21% to £2.9 bn
- NBP up 22% to over £1.2 bn
- Margin steady at 42%
- EEV operating profit up 25% to over £2.5 bn
- IFRS operating profit up 20% to £1.2 bn
- IGD surplus estimated to be c£1.4 bn (2006: £1.0 bn)
- Group cash inflow of £445m. Operating cash outflow reduced to -£82m
- Dividend cover of 1.9 times

EEV shareholders' funds

Strong operating and investment performance

Analysis of Movement in EEV shareholders' funds: 31 Dec 2006 to 31 Dec 2007



A. 2007 opening shareholders' funds

B. Life new business profits

C. Life in-force profit

D. Asset management & other operating profit

E. Other income & expenditure (incl Asia dev exp and restructuring costs)

F. Short-term fluctuations in investment returns

G. Effect changes in economic assumptions & time value of cost of options & guarantees

H. Mark to market movement on core borrowings, Actuarial gains and losses on DB pension schemes,

I. Tax

J. Dividends

K. Other

L. 2007 closing shareholders' funds

Cashflow

Improved cashflow for the Group

	FY07			
Total received (excluding Egg)	£742m	}	UK life fund transfer	M&G
			£261m	£139m
Total outflow	£(824)m	}	Asia	Scrip div. & share options
			Net £37m	£183m
Net operating cashflow	£(82)m	}	UK shareholder business	Net central costs less tax received
			£142m net	£160m net
Egg sale proceeds	£527m	}	Debt servicing	Dividend
			£96m net interest paid	£426m paid, reflecting increase in dividend
Net cashflow (incl Egg)	£445m	}	Egg sale proceeds	
			£527m received	

IRR and profit growth by business unit

Growing new business profits in all business units and returns remain strong

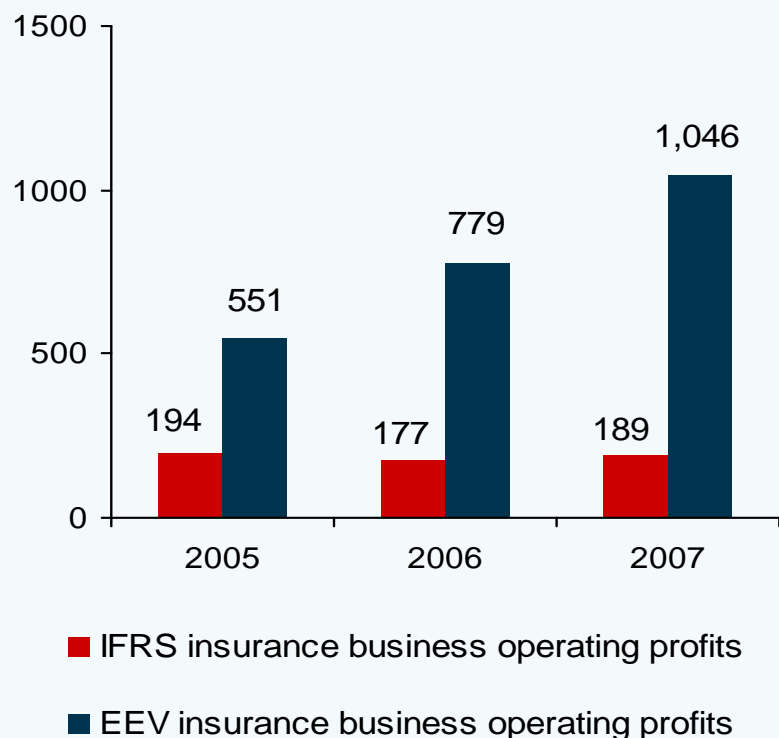
	FY 2005	FY 2006	FY 2007
Asia IRR	>20%	>20%	>20%
Asia NBP Growth	+13%	+23%	+34%
US IRR	15%	18%	19%
US NBP Growth	+45%	+25%	+19%
UK IRR	14%	15%	18%*
UK NBP Growth	+1%	+9%	+4%

* Excluding Equitable backbook, IRR 14%

Asia – Insurance highlights

Strong and sustained growth

Operating Profits £m* (CER)



In 2007...

- APE sales up 44% to £1,306m
- NBP up 34% to over £650m
- Margin at 50%
- EEV operating profit* up 34% to £1,046m (CER)
- IFRS operating profit* up 7% to £189m (CER), after India and Japan life company losses of £43m and £16m respectively
- Asia net cashflow to Group of £37m

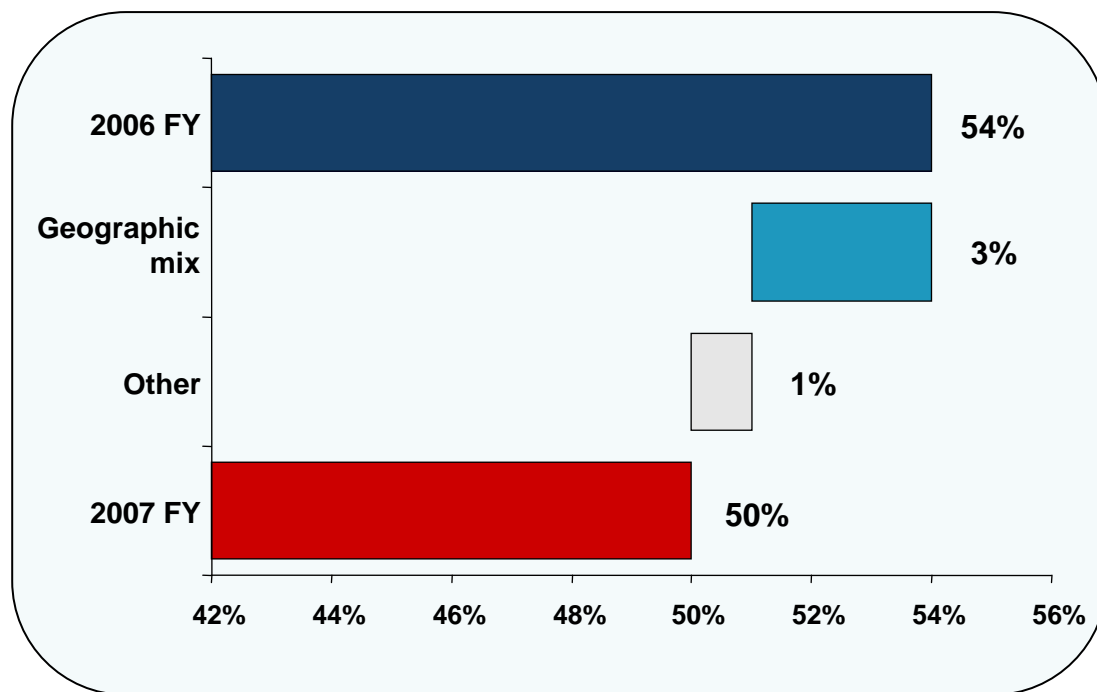
Asia - New business profitability

Targeting growth in new business profits

FY07 NBP Growth

China	47%
Hong Kong	40%
Korea	31%
Taiwan	80%
Other ¹	22%
India	(13)%
Overall Growth (%)	34%

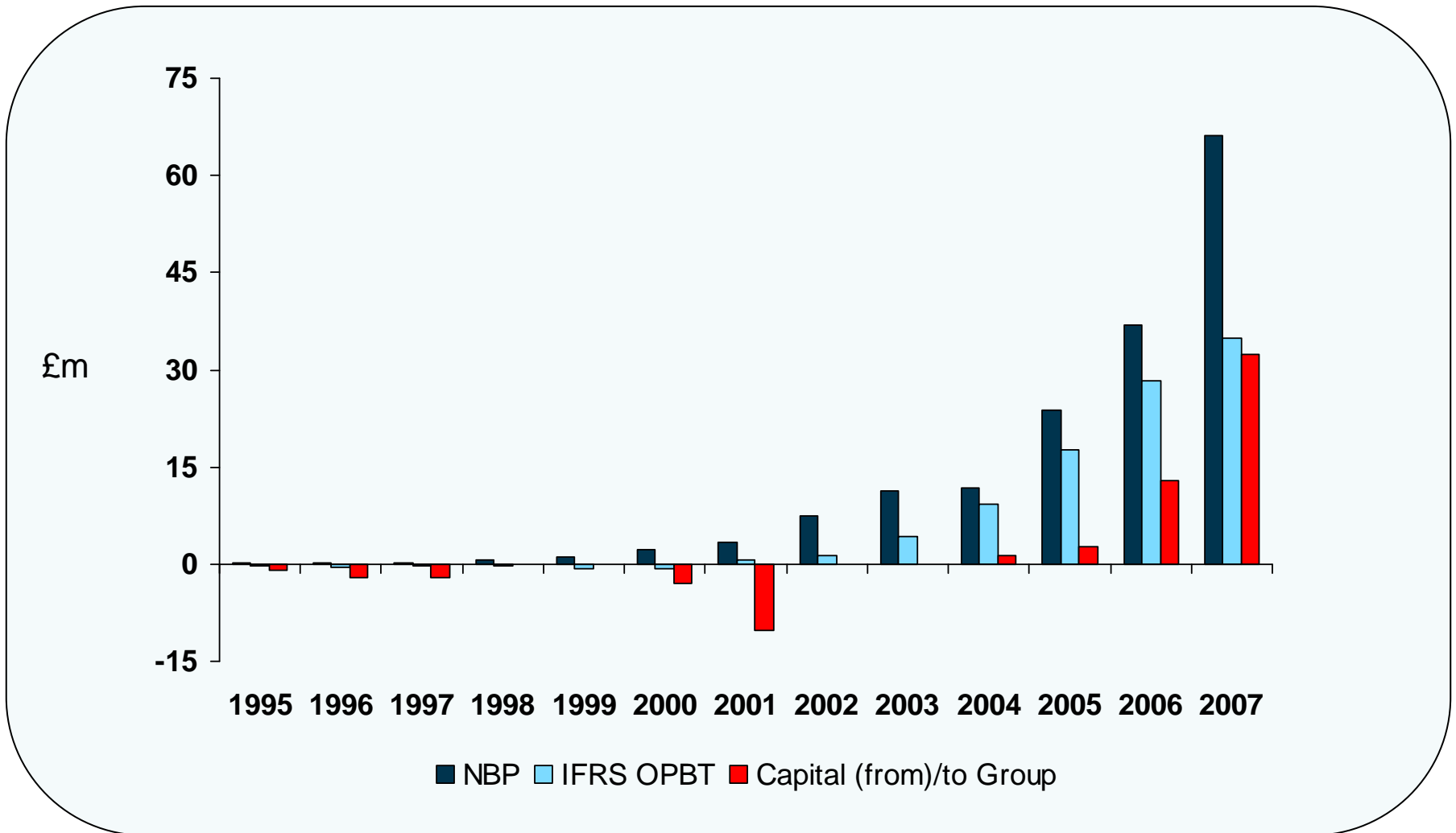
2007 Average Asia margin movement



- Focus is on new business profit growth in each territory
- Geographic mix is the primary driver of average margin fall
- Negative India NBP growth reflects rebasing of expense assumptions incorporating branch expansion strategy: 593 new branches opened in 2007

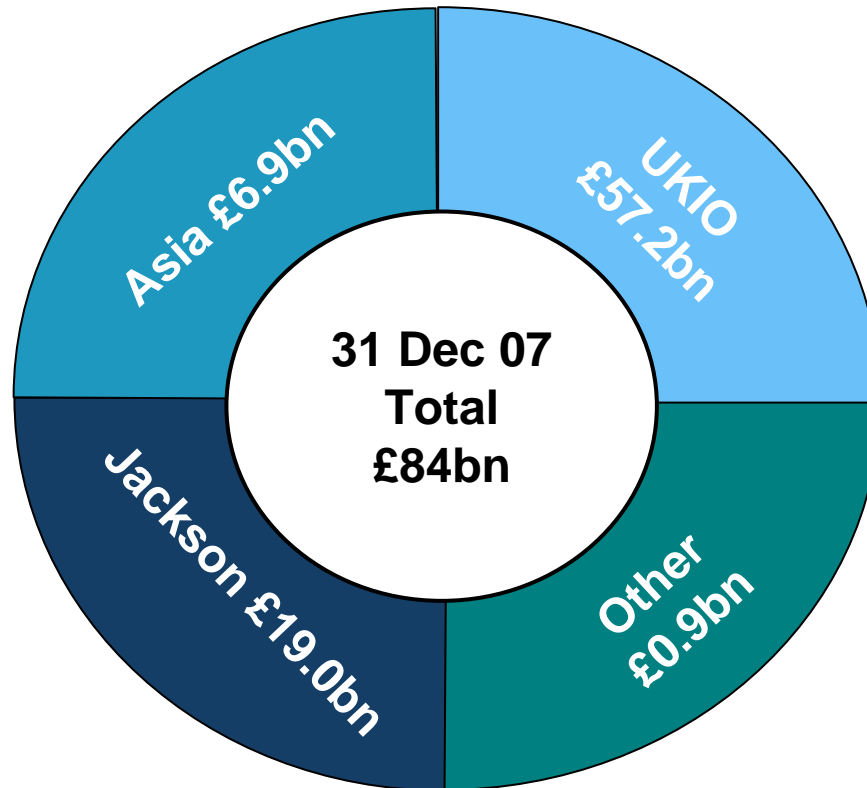
Asia – Indonesia

Growth of profits and delivery of remittances to Group



Debt securities portfolio

Portfolio has high average quality



Debt securities portfolio

- All assets are carried at fair value; change in fair value of assets backing shareholder liability reflected in shareholder funds in statutory accounts
- 92% of debt securities valued using market bid prices
- 85% of Jackson's debt securities valued using market bid prices with use of market calibrated data applied for internal valuations
- No securities in the portfolio defaulted in 2007
- Jackson net credit losses of £78m

Jackson debt securities portfolio

IFRS Accounting on credit related value changes for available for sale investments

Income statement

	£m
Bond writedowns	(35)
Losses on sale of impaired and deteriorating bonds	(51)
Recoveries/reversals	8
	<u>(78)</u>
	<div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> <p>Operating profit £(48)m long-term default charge</p> </div> <div style="text-align: center;"> <p>£(30)m short-term fluctuations in investment returns</p> </div> </div>

Balance sheet

	31 Dec 07	31 Dec 06
Unrealised losses in balance sheet on unimpaired securities	<u>£(439)m</u>	<u>£(256)m</u>
Movement in unrealised losses	(183)	
Other value movements	(61)	
Unrealised value movement to reserves	<u>(244)</u>	

The total unrealised value movement reflects the impact of widened credit spreads partially offset by the impact of reduced US interest rates

Debt securities portfolio

Shareholder interest in sub-prime, Alt A, monolines and CDO Funds

Sub-prime and Alt A

Jackson sub-prime (AAA)	£237m
Alt A (77% AAA; 17% AA)	£660m
Taiwan and Japan	£15m
Total	£912m

Direct monoline

Jackson	£23m
Asia	£4m
Total	£27m

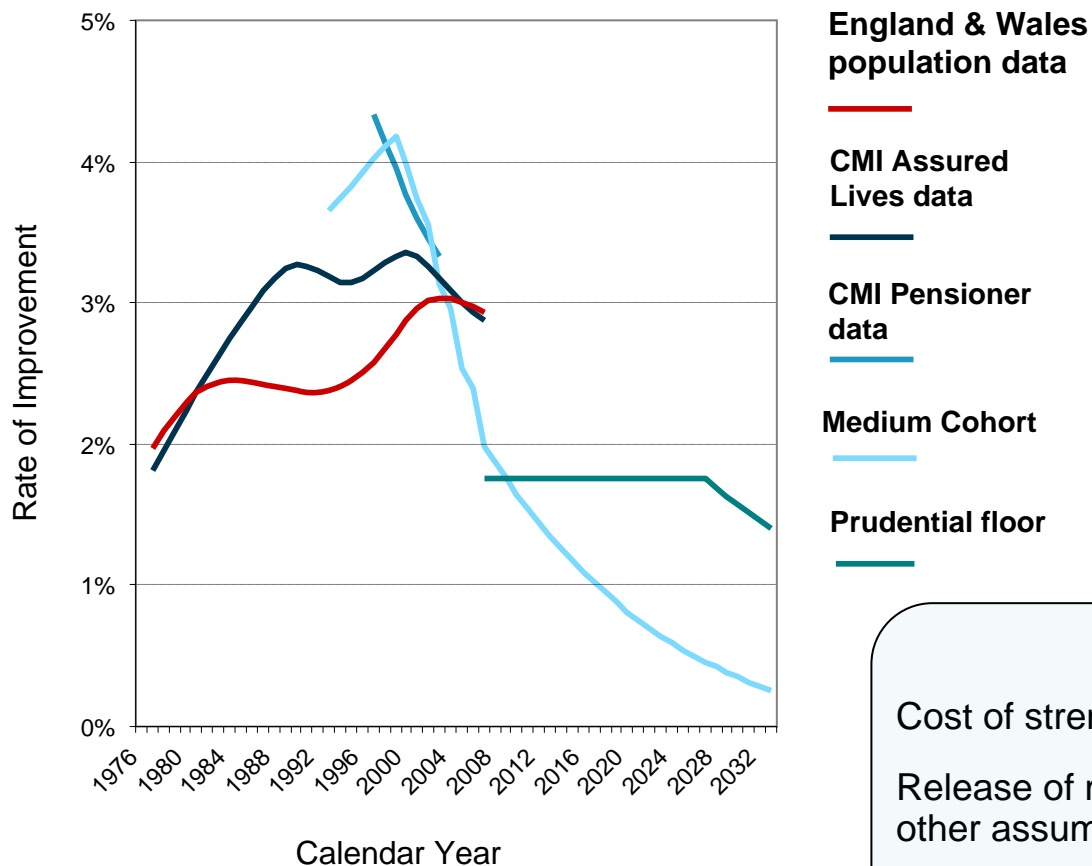
CDO Funds

Jackson (65% AAA, 8% AA)	£260m
Taiwan (72% AAA, 28% AA-)	£62m
PRIL (AAA)	£36m
Other (AAA)	£19m
Total	£377m

UK longevity

Reflecting cautious view of longevity improvement

Male aged 70 in 2007 (age cohort view)

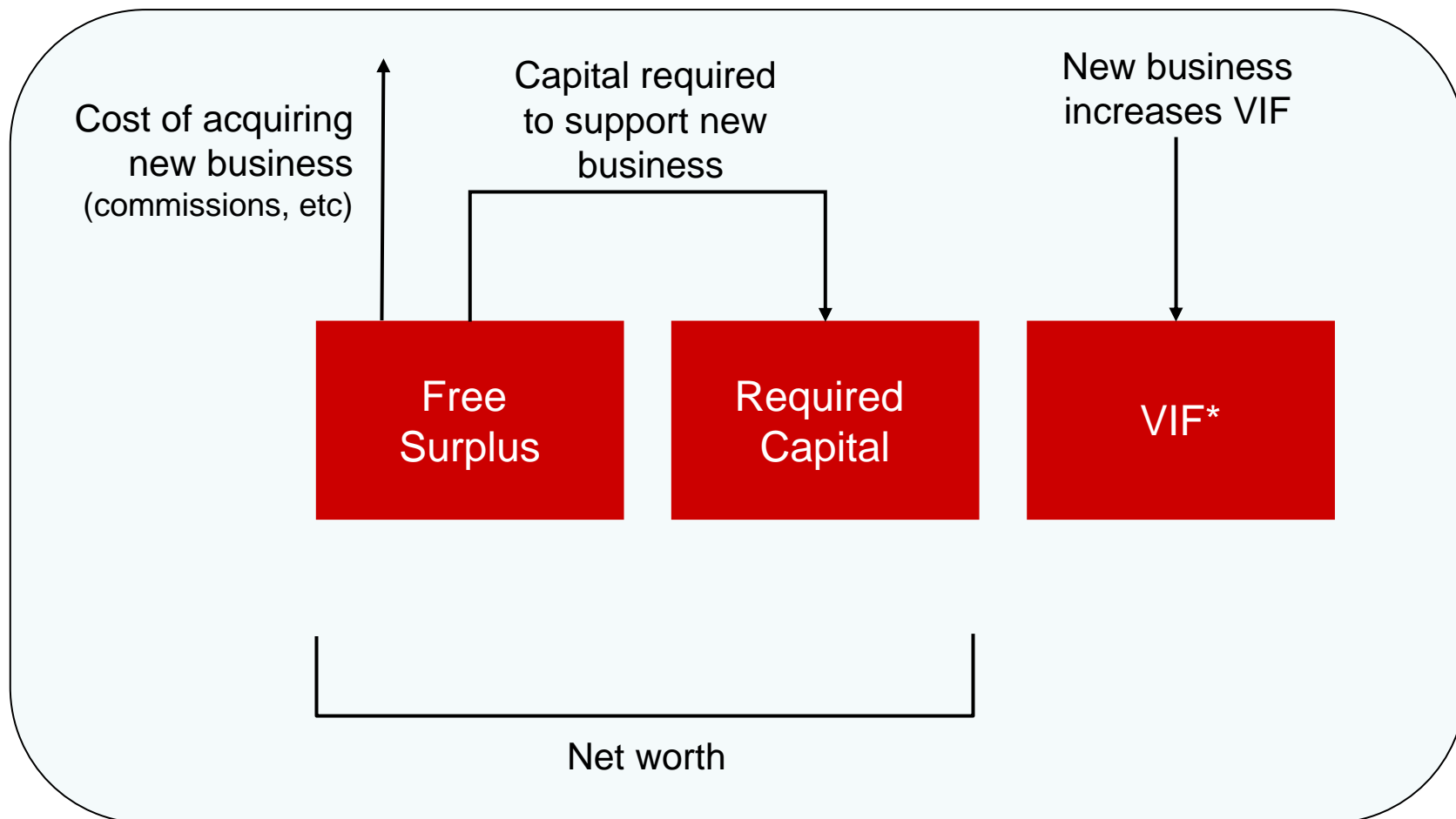


- Longevity assumption strengthened by including 1.75% floor (EEV) in male longevity to age 90; then tapering to zero at age 120
- This strengthening from our previous basis is equivalent to an additional 1.5 years longevity for a male aged 60 (life expectancy 26.7 years) and an additional 0.8 years for a male aged 70 (life expectancy 17.1 years)

	EEV	IFRS
Cost of strengthening longevity	£(312)m	£(276)m
Release of margins held in other assumptions	£312m	£310m
Net	NIL	£34m

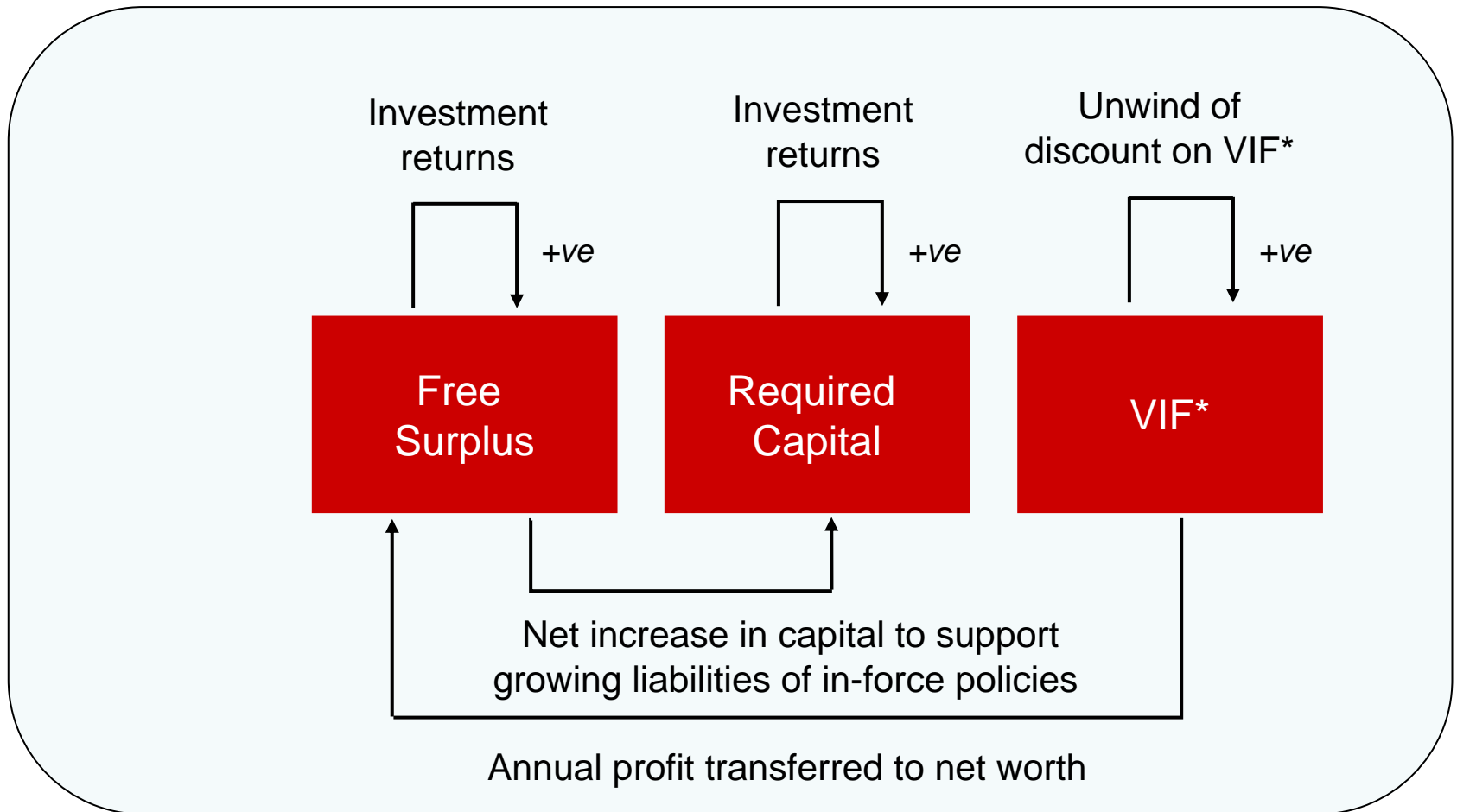
Capital cycle

Capital flows for new business



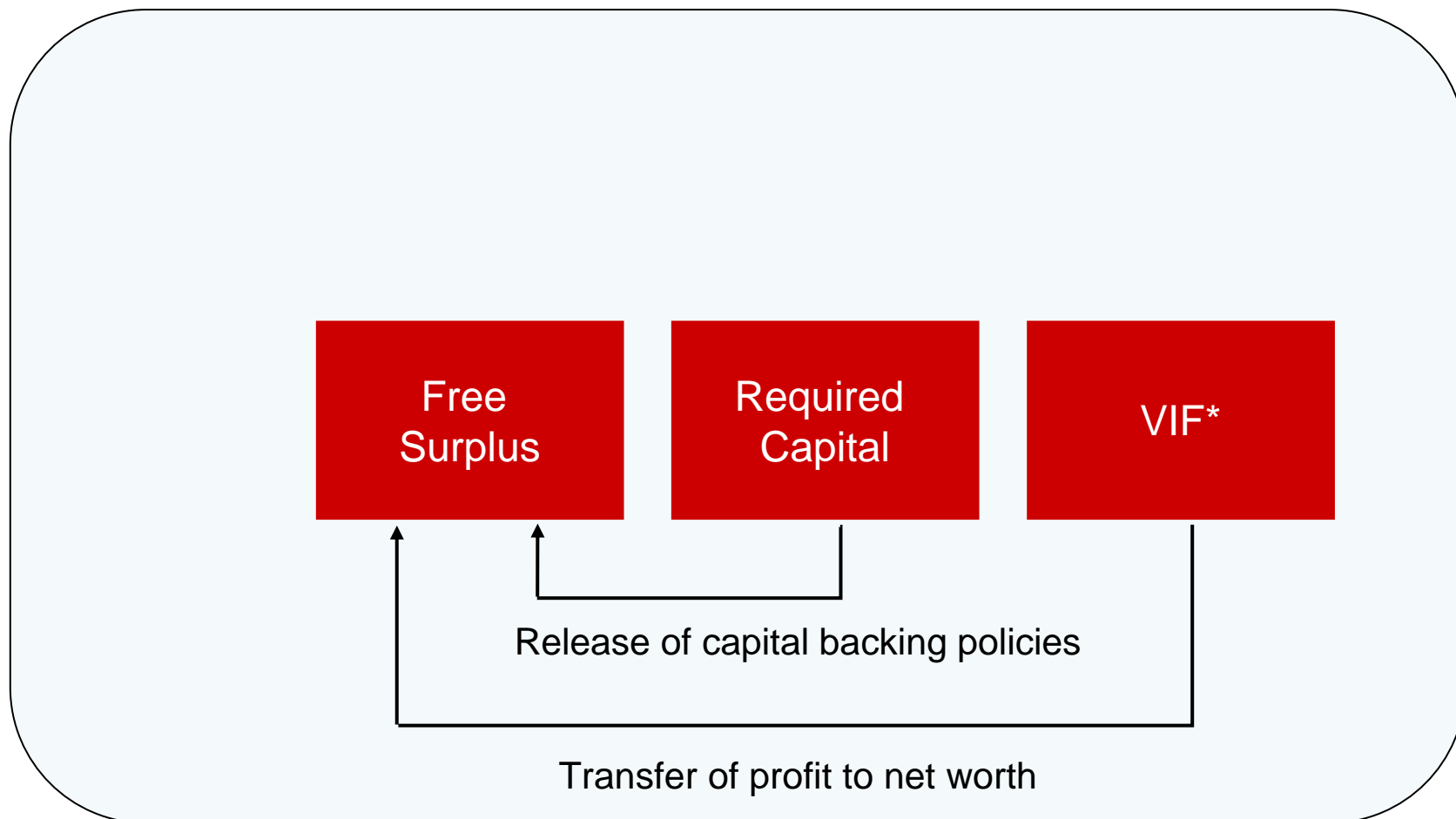
Capital cycle

Capital flows for in-force policies



Capital cycle

Capital flows for expected claims and surrenders



Capital summary

Movements in free surplus in 2007

	Column A = B+C	Column B	Column C	Column D = E+F	Column E	Column F	Column G	Column H = D-A+G
£m	Total cost of acquiring new business	Capital required to support new business	New Business commission and other costs	Total in- force transfer to free surplus	Profit transferred from in-force	Required capital released from in-force	Other Movements	Increase in free surplus*
Asia	194	21	173	216	189	27	50	72
US	200	183	17	326	148	178	260	386
UK	150	104	46	421	401	20	14	285
Total	544	308	236	963	738	225	324	743

- £865m of post-tax new business profit from investment of £544m
- Increase in free surplus of £743m



Outlook

Group Outlook

Prospects for the Group remain positive

Asia expected to deliver doubling of 2005 NBP a year early

Record of out-performance in the **US** to continue

**FULLY EXPLOIT THE GROUP'S
RETIREMENT-LED STRATEGY**

Value driven strategy in the **UK** delivering strong returns

Asset management well placed to capitalise on strong positions and track record of investment performance



Questions