



Prudential plc 2009 Half Year Results

13 August 2009

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.

Prudential plc 2009 Half Year Results

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Introduction

Mark Tucker

Financial Review

Tidjane Thiam

US Life

Clark Manning

Asia

Barry Stowe

Summary and Outlook

Mark Tucker

Questions

HY 2009 Financial Headlines

Embedded Value

- Group new business sales down 8% to £1.3 billion
- Group new business profit up 25% to £691 million; margins 52% (2008: 38%)
- Asset management net-inflows £10.1 billion (2008: £4.1 billion)
- EEV operating profit down 8% to £1.2 billion
- Embedded value shareholders' funds £13.7 billion (2008: £15.0 billion)

IFRS

- IFRS operating profit up 6% to £688 million
- IFRS shareholders' funds £4.7 billion (2008: £5.1 billion)

Capital and Cash

- IGD surplus £2.5 billion at HY 2009, rising to £3.0 billion post hybrid issue in July
- Free surplus increased by £0.9 billion to £1.8 billion*
- Holding company cash flow at HY 2009 £22m
- Interim dividend up 5% to 6.29p

Power of our franchise

Asia Life



Breadth and strength of our footprint

- Significant participation in 12 markets
- Proprietary agency and strong bank partnerships
- Highly trusted brand

Resilient business model

- Focus on insurance margin as a source of profit
- Protection and health provide hedge against economic cycle in MLTS
- Quality of book reinforced by high proportion of agency-based regular premium

Flexibility and focus of distribution and product mix

- Largest and highly productive agency sales force
- Well positioned to benefit from any recovery in unit-linked

Power of our franchise

US Life

Strong and efficient platform

- Advantage of relationship driven advice-based distribution
- Excellence in product development
- Award winning operations with clear experience in delivering efficient service

The logo for JACKSON SM features the word "JACKSON" in a serif font. The letter "O" is replaced by a circular emblem containing a stylized profile of a person's head, possibly representing a historical figure or a symbol of wisdom. A small "SM" trademark symbol is positioned to the upper right of the "N".

Emerging as one of the clear winners after the recent market dislocation

- Q2 2009 record quarter for retail sales
- Significant gains in VA market share

High quality capital management, achieving profitable growth

- Strength of the VA hedging programme
- Disciplined approach driving high returns

Power of our franchise

UK Life

Successfully refocused

- Focused product range with leading position in annuities and with-profits
- Highly disciplined approach to growth
- Improving margin of 32% and returns on new business of >15%

Retirement has more potential with

PRUDENTIAL



Improving efficiency

- On track for overall £195m p.a. savings by end 2010 (£115m achieved by end 2008)
- Outsourcing agreement with Capita caps unit costs

Significant cash and capital generation

- Strength of with-profits fund
- Shareholder backed business on track for cash breakeven 2010

Power of our franchise

Asset Management



Significant presence in all asset classes

- One of largest active managers of UK equities
- No. 1 provider in UK Fixed Income retail market*
- One of UK's largest commercial property managers**

Culture focused on superior investment performance

- 69% of retail FUM in top-quartile funds
- 71% Fixed Income segregated mandates at or above benchmark

Significant gains in market share

- Net inflows of £8.6 billion (£4.1 billion in retail)
- No. 1 in retail net flows to May 2009*



- Multi-asset approach tailored to market needs
- Top-5 market positions in 5 major markets
- Increased share in all major markets other than Taiwan

Strategy and operating principles

Consistent strategy and rigorous operating principles

- 1 Focus on the retirement opportunity
- 2 Attractive geographic spread
- 3 Profitable product lines
- 4 Options in terms of capital allocation
- 5 Value driven approach to delivering growth
- 6 Financial conservatism

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Financial Review

- **Performance on key financial metrics**

- EEV
- IFRS
- Cash and Free Surplus

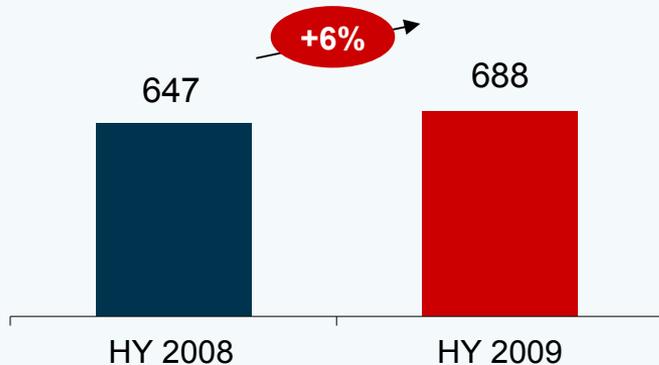
- Management of risk and capital

- Solvency and capital position
- Profile of asset portfolio

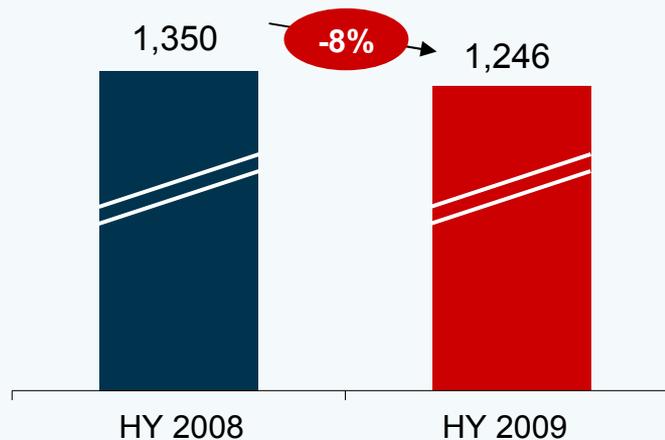
Group KPIs – Overview

Balanced approach: EEV, IFRS and Cash

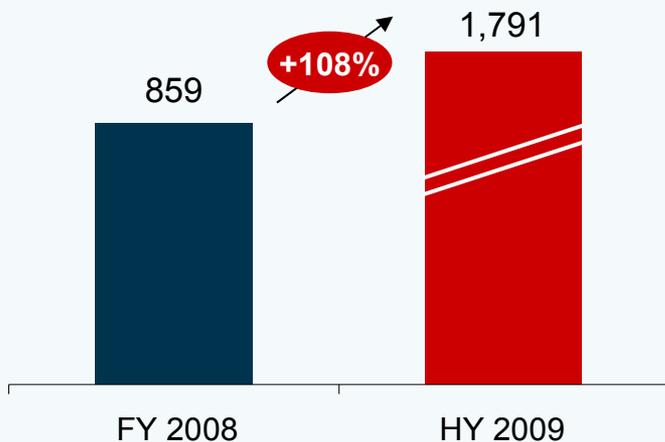
IFRS Operating Profit - at AER, £m



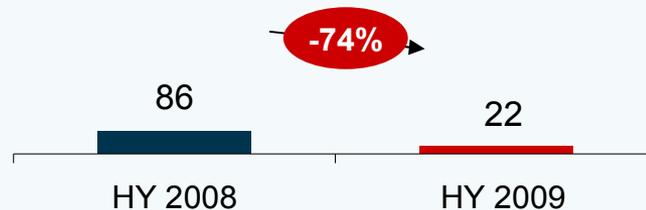
EEV Operating Profit - at AER, £m



Free surplus* - at AER, £m

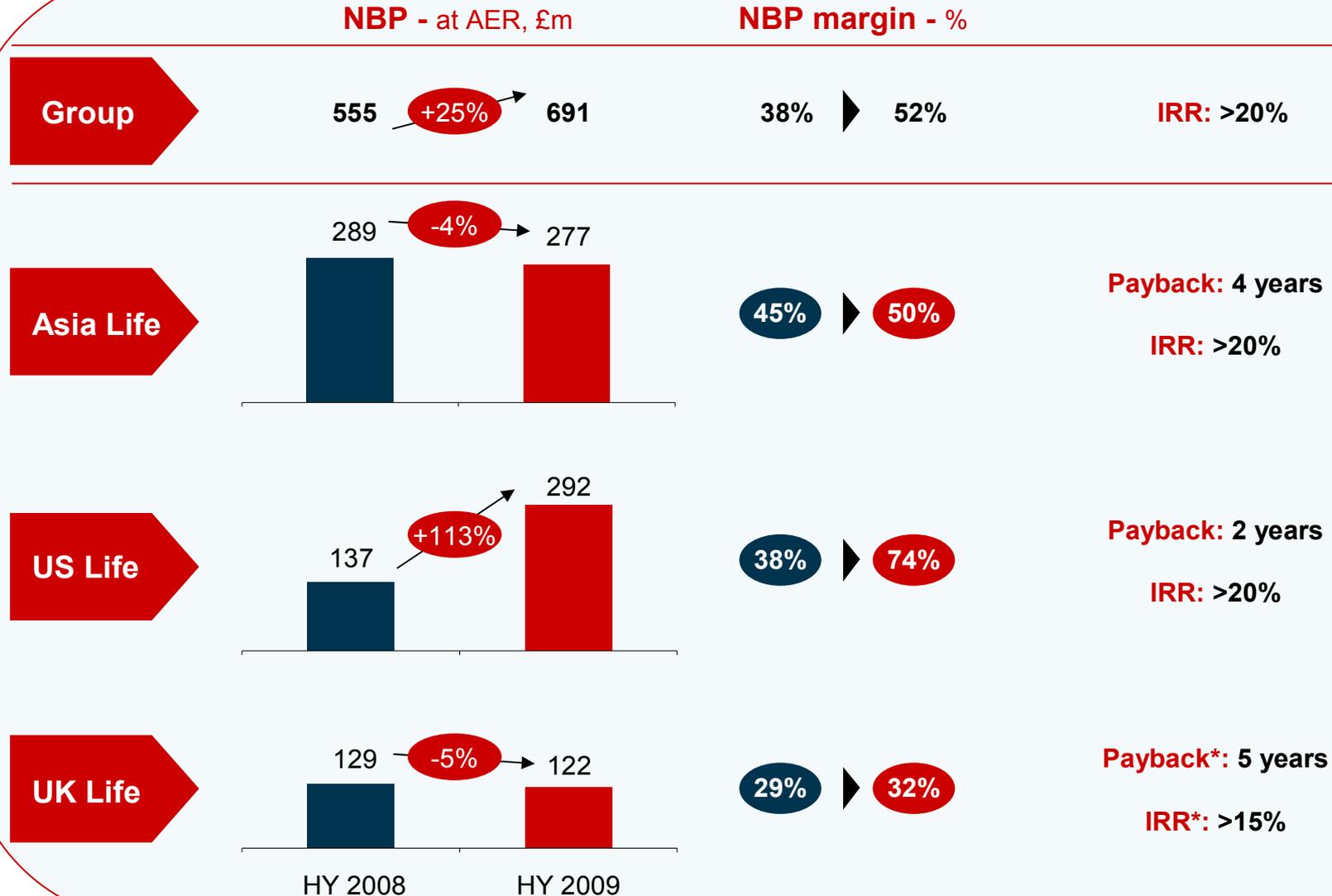


Holding company cash flow - at AER, £m



Focusing on value over volume (1/2)

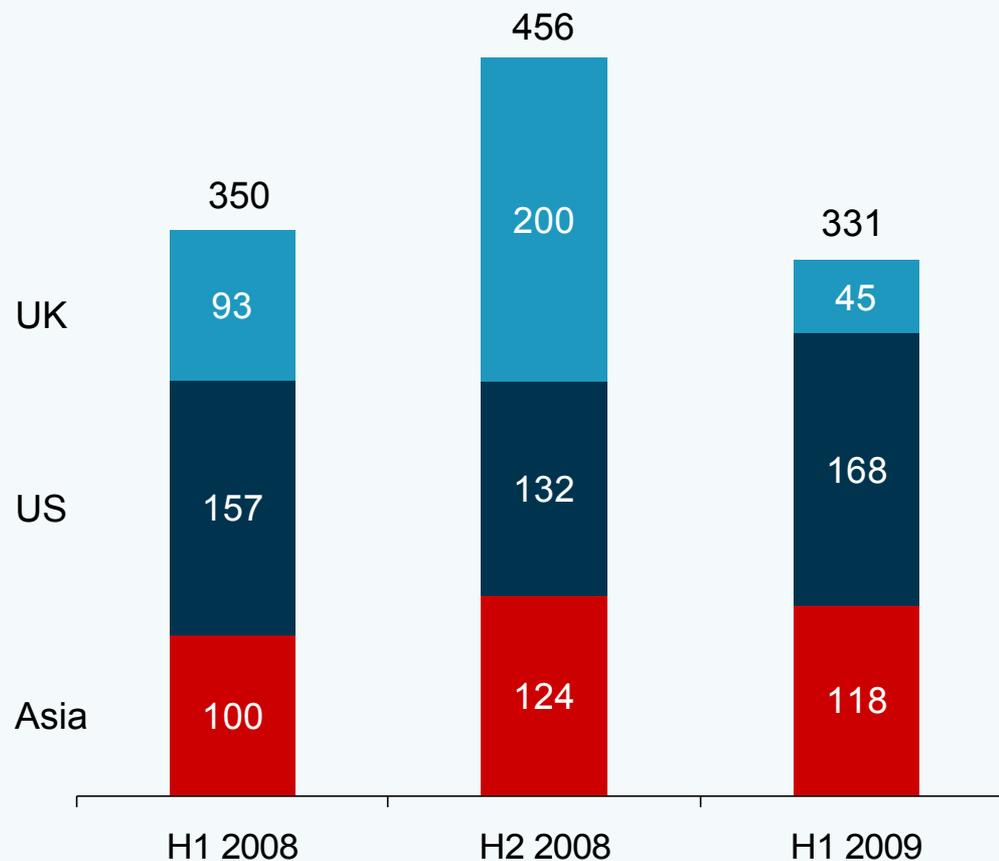
EEV New Business Profit



Focusing on value over volume (2/2)

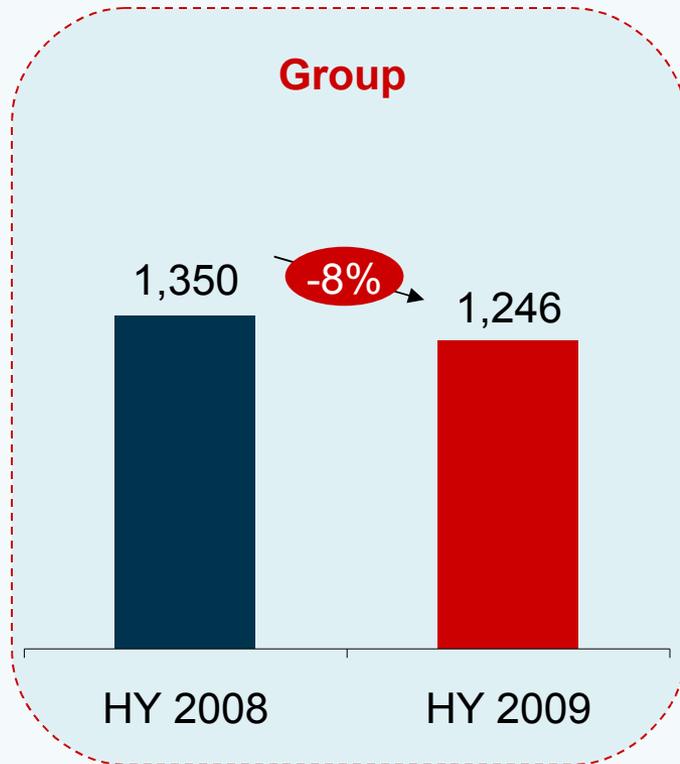
Controlling investment in new business

EEV New business investment* – at AER, £m



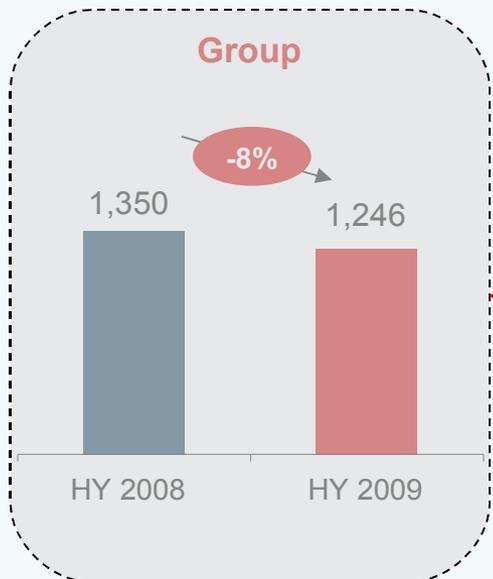
EEV Operating Profit – Group

EEV Operating Profit – at AER, £m

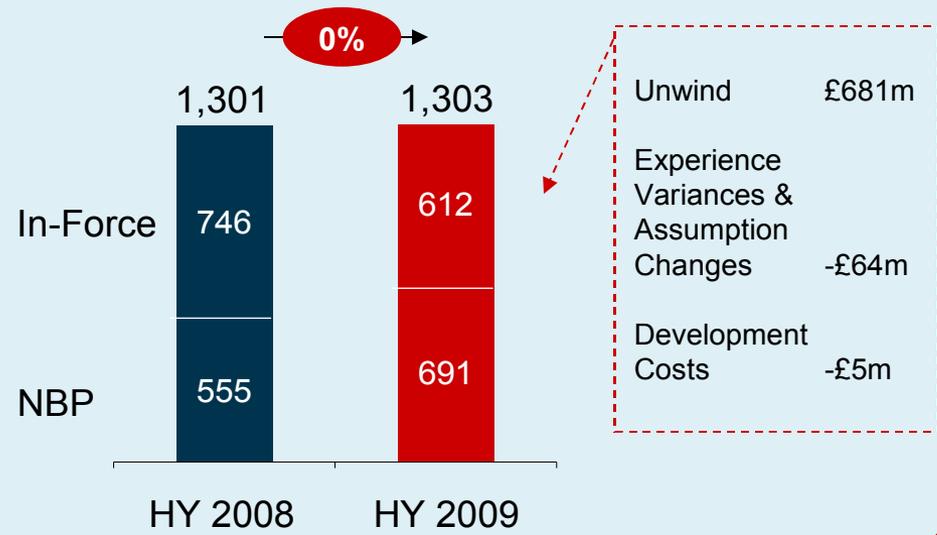


EEV Operating Profit – Group

EEV Operating Profit – at AER, £m



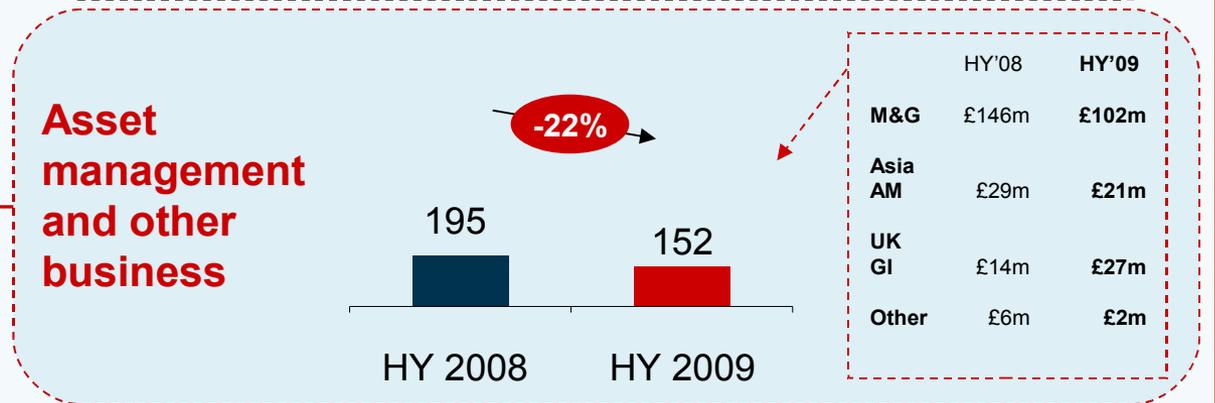
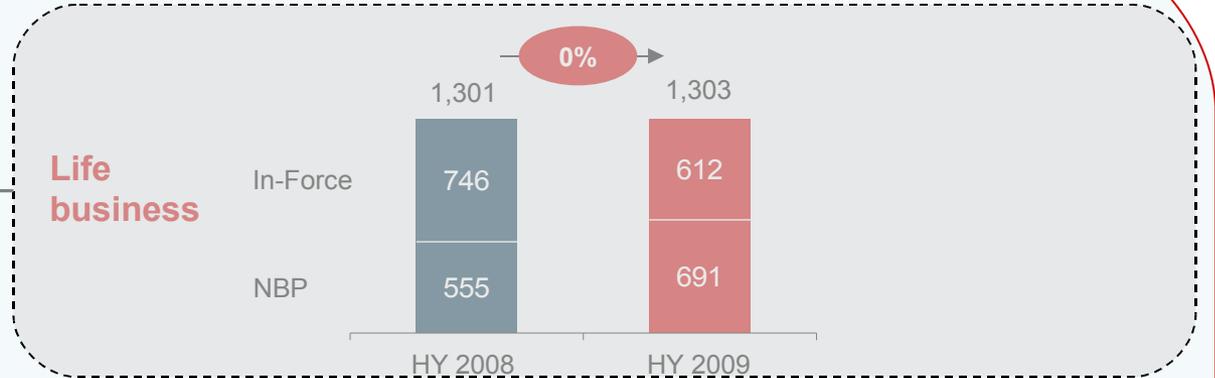
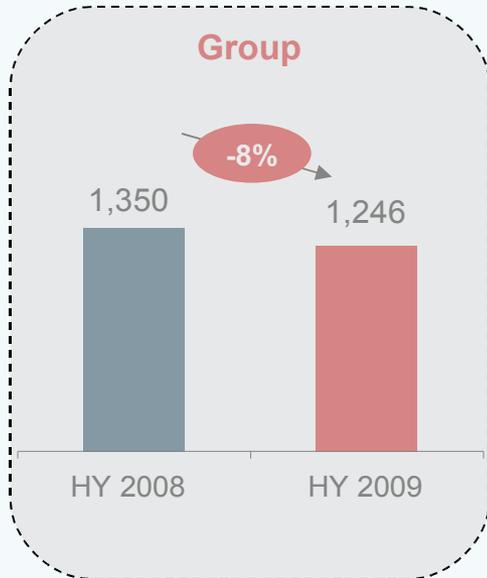
Life business



Unwind	£681m
Experience Variances & Assumption Changes	-£64m
Development Costs	-£5m

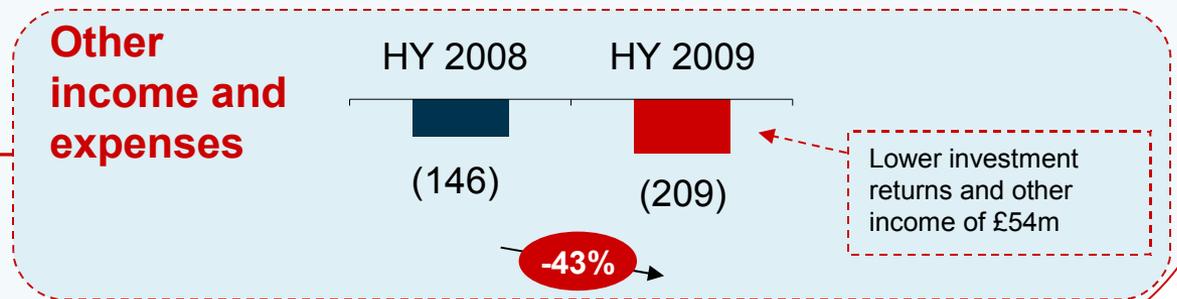
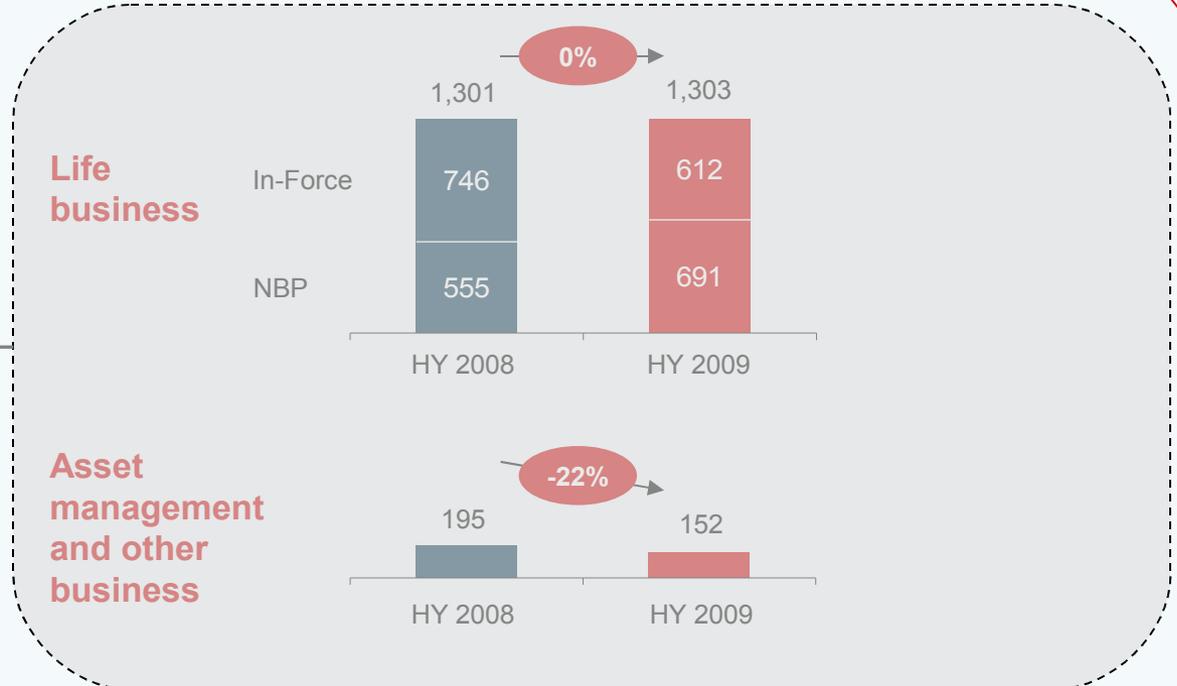
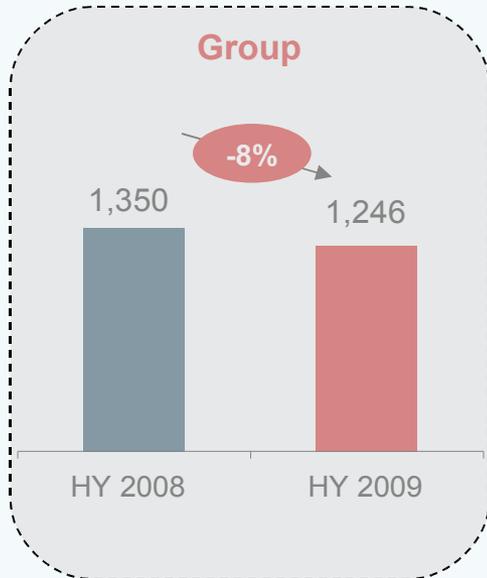
EEV Operating Profit – Group

EEV Operating Profit – at AER, £m



EEV Operating Profit – Group

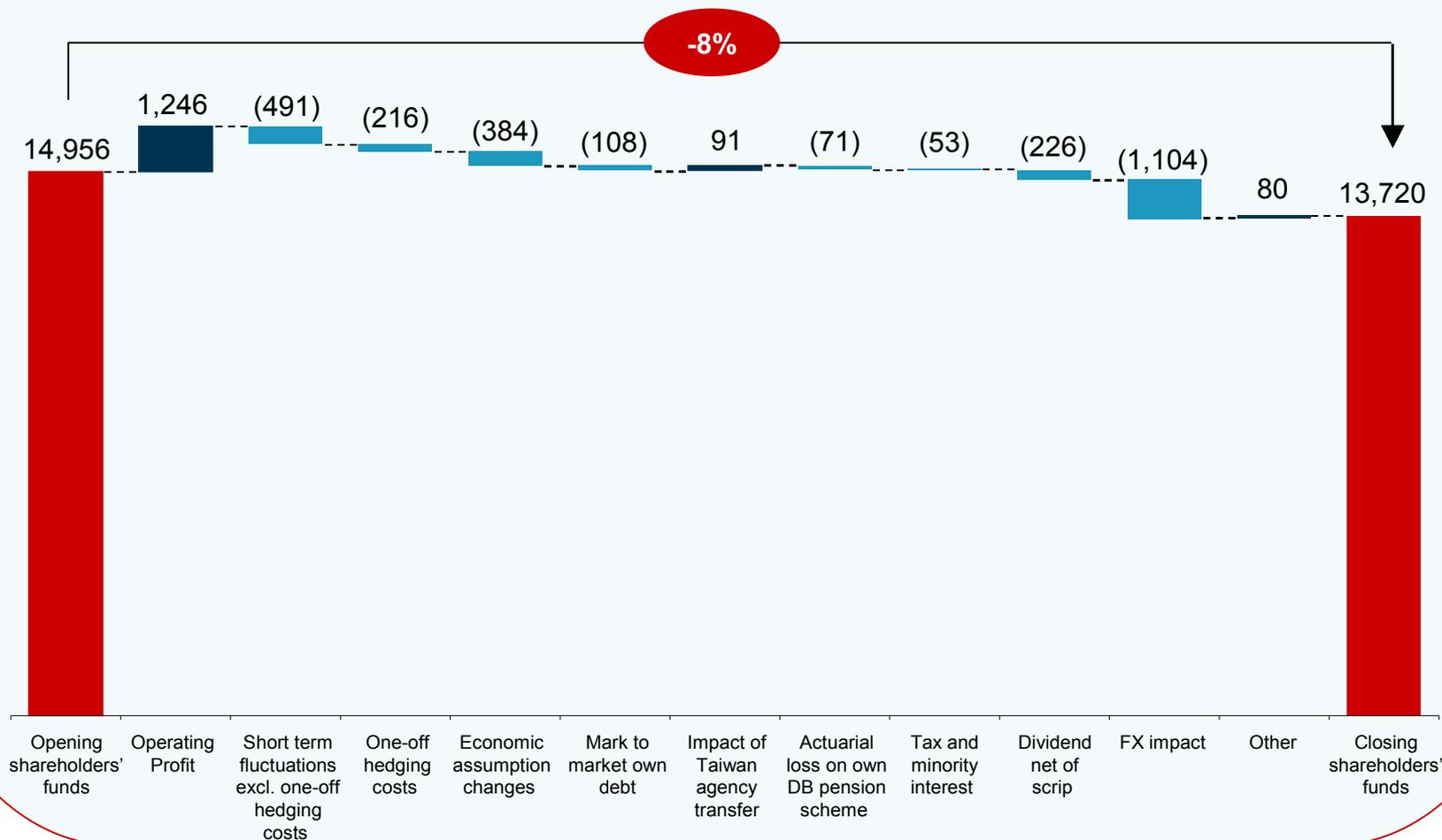
EEV Operating Profit – at AER, £m



Analysis of Movement in EEV shareholders' funds – FY 2008 to HY 2009, £m

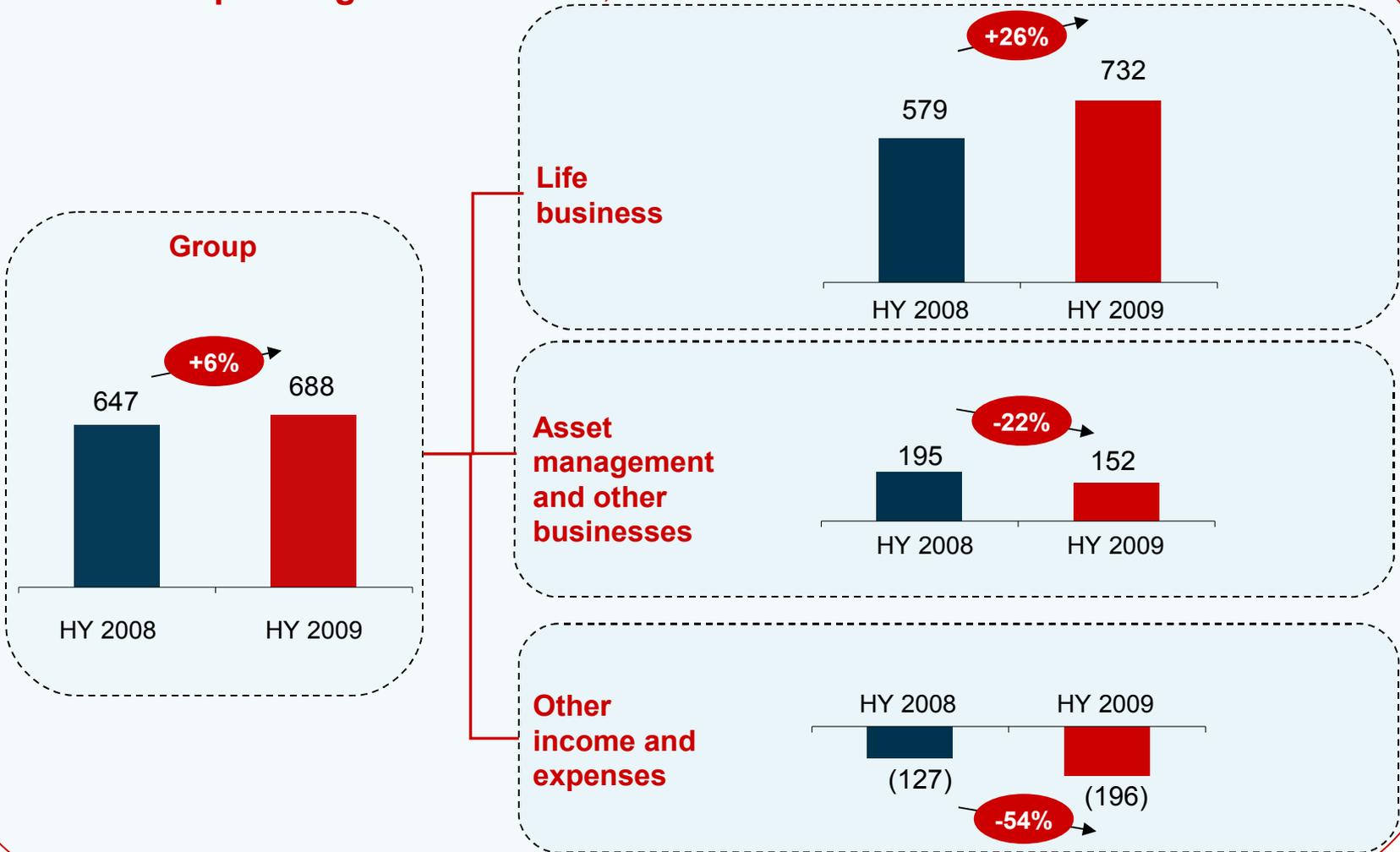
EEV Per Share = £5.99

EEV Per Share = £5.44



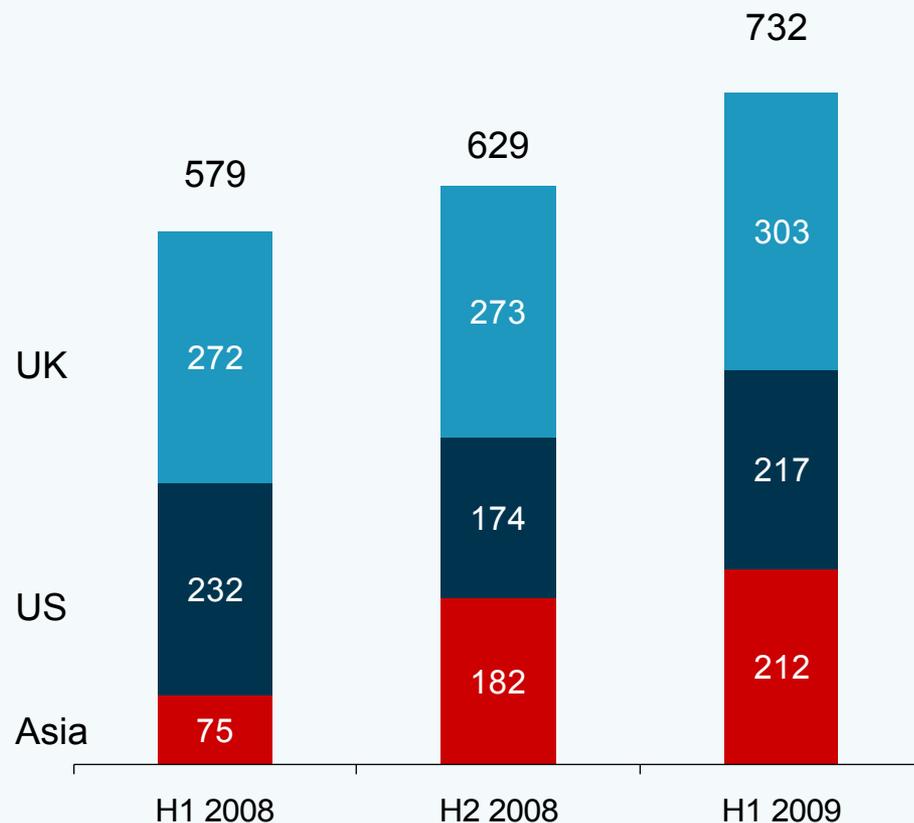
IFRS Operating Profit - Group

IFRS Operating Profit – at AER, £m



IFRS Life Operating Profit

IFRS operating profits – at AER, £m



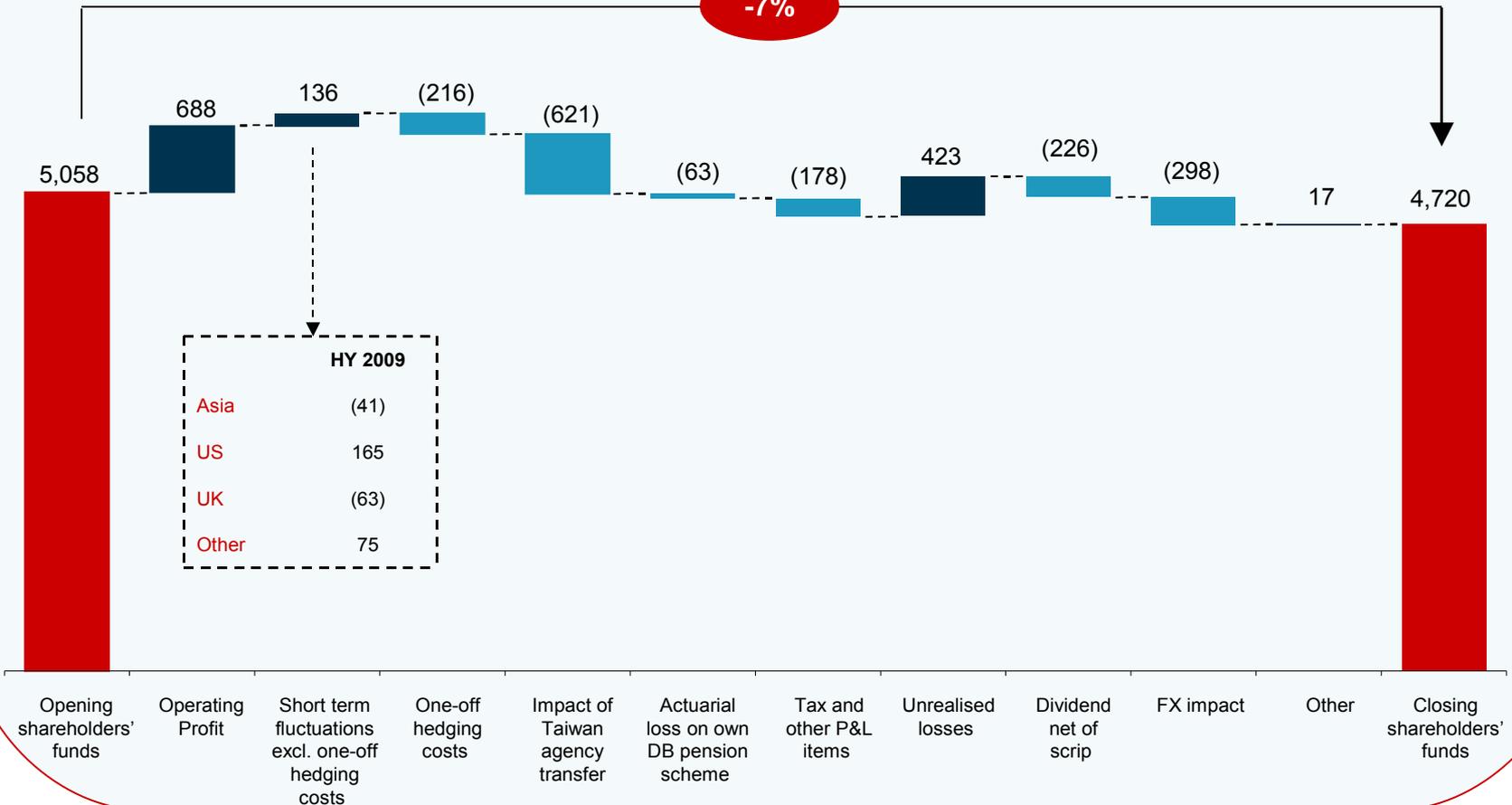
- UK increased by 11% H108 to H109
- US down 6% H108 to H109
- Asia increased by 183% H108 to H109*

Analysis of Movement in IFRS shareholders' funds – FY 2008 to HY 2009, £m

Per Share = £2.03

Per Share = £1.87

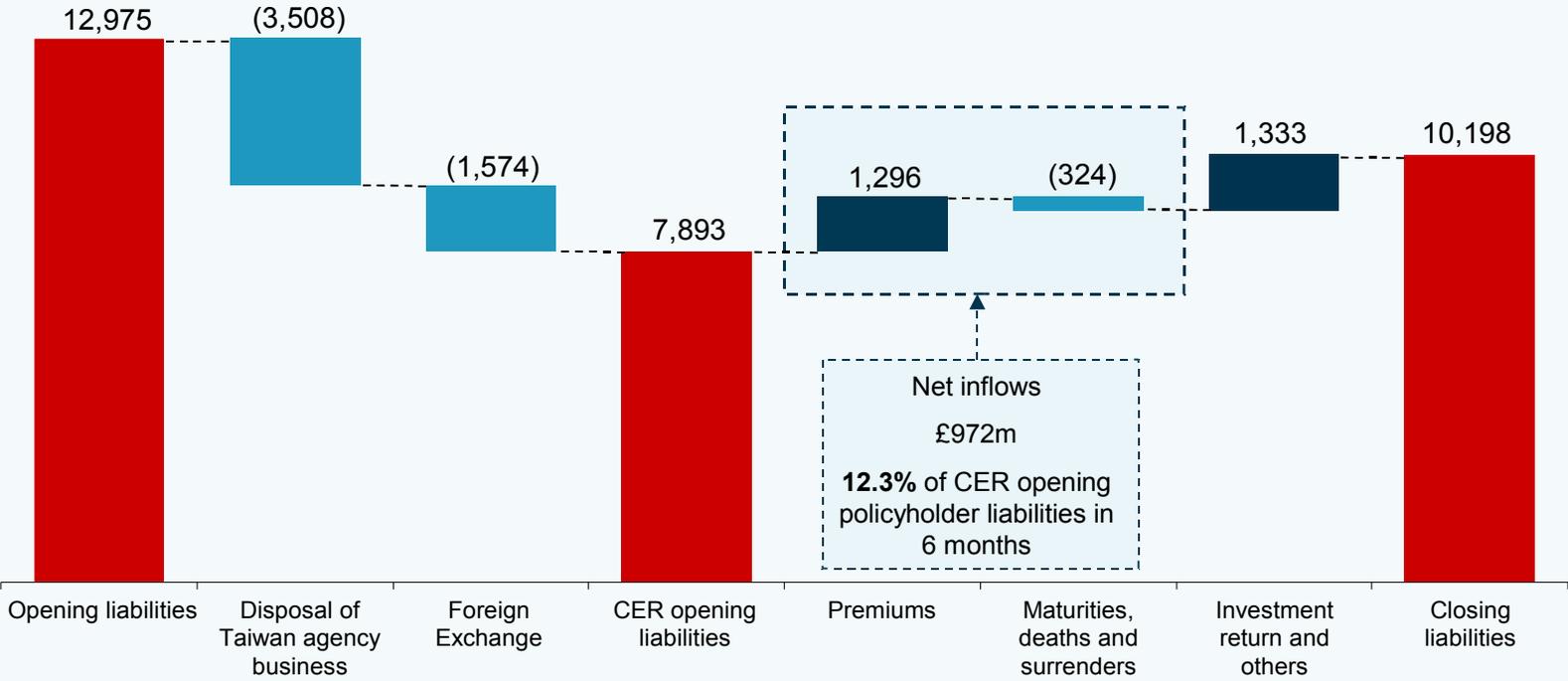
-7%



Policyholder liabilities – Shareholder-backed business

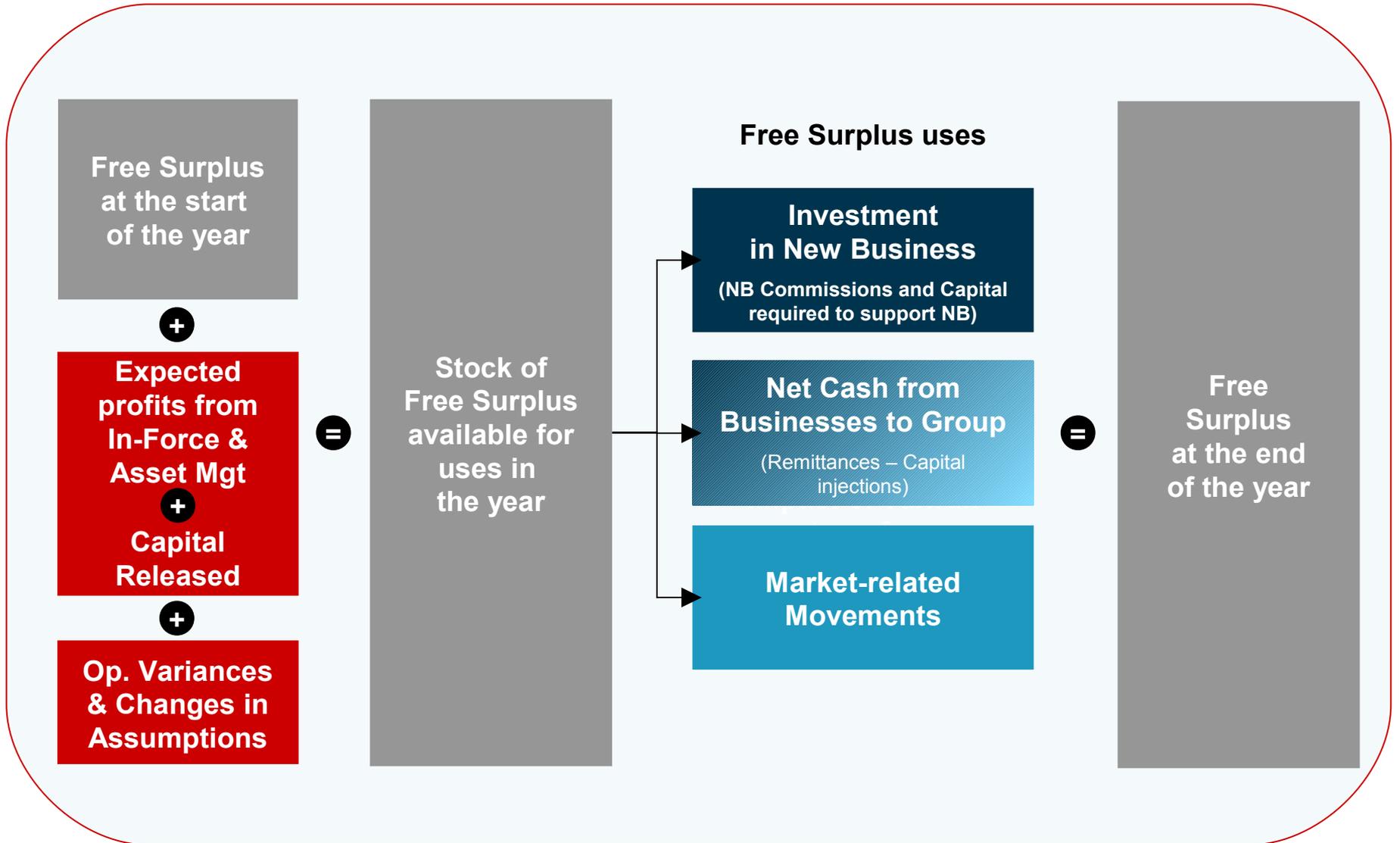
Asia Life

Policyholder liabilities roll-forward – FY 2008 to HY 2009, at AER, £m

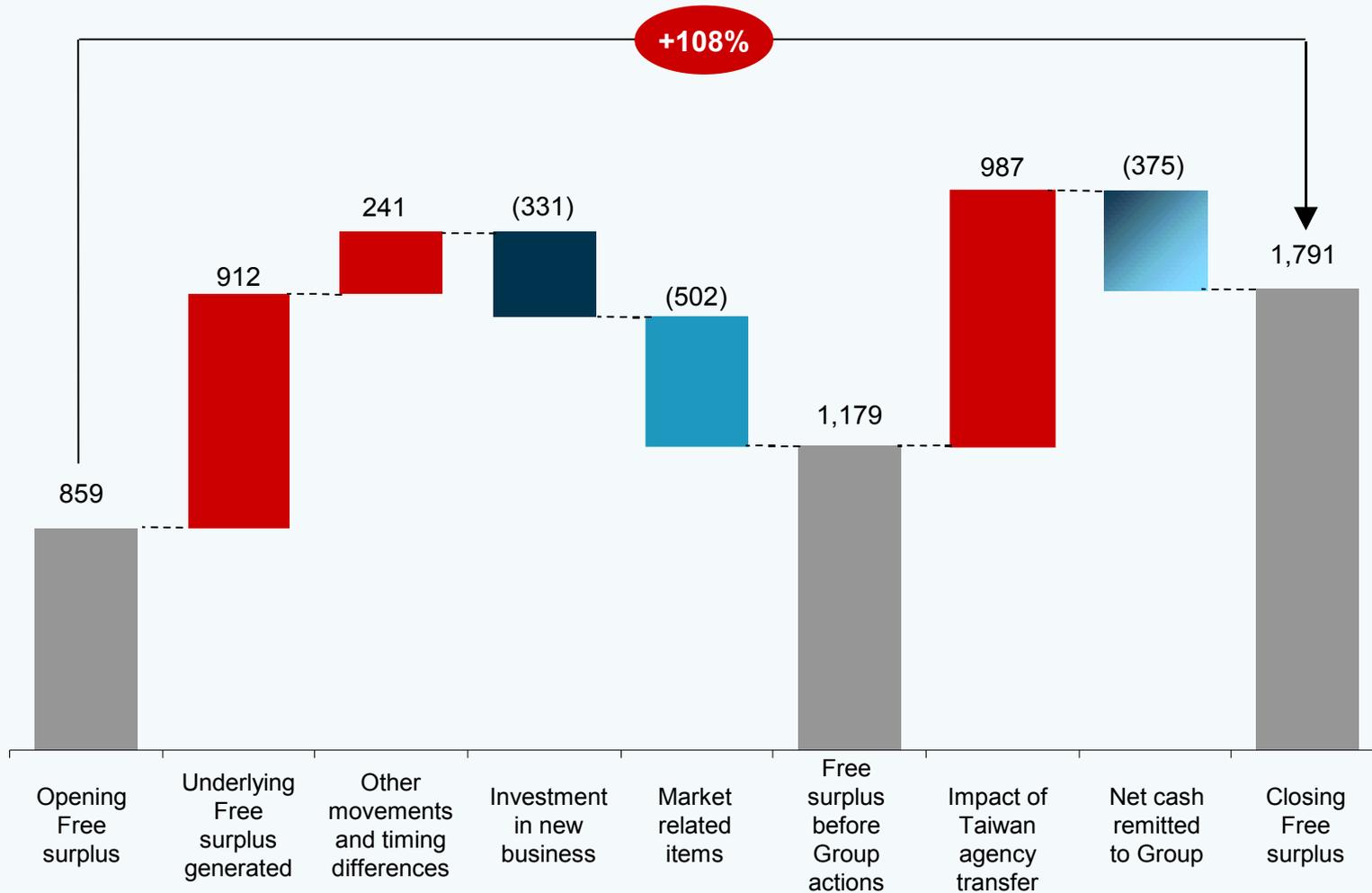


Free Surplus – Overview

Free Surplus, a key area of management focus



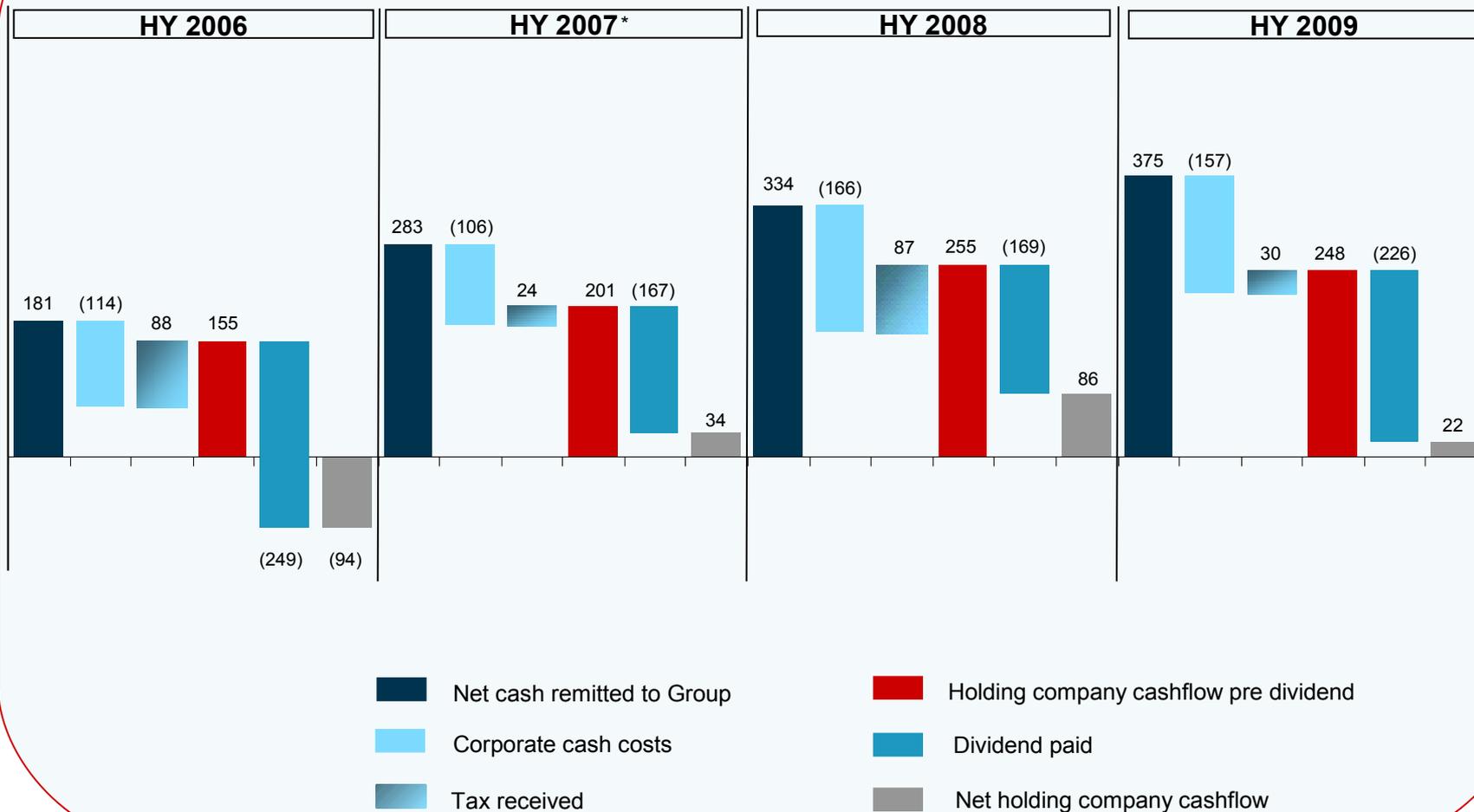
Evolution of Free surplus – FY 2008 to HY 2009 at AER, £m



Holding Company Cash Flows

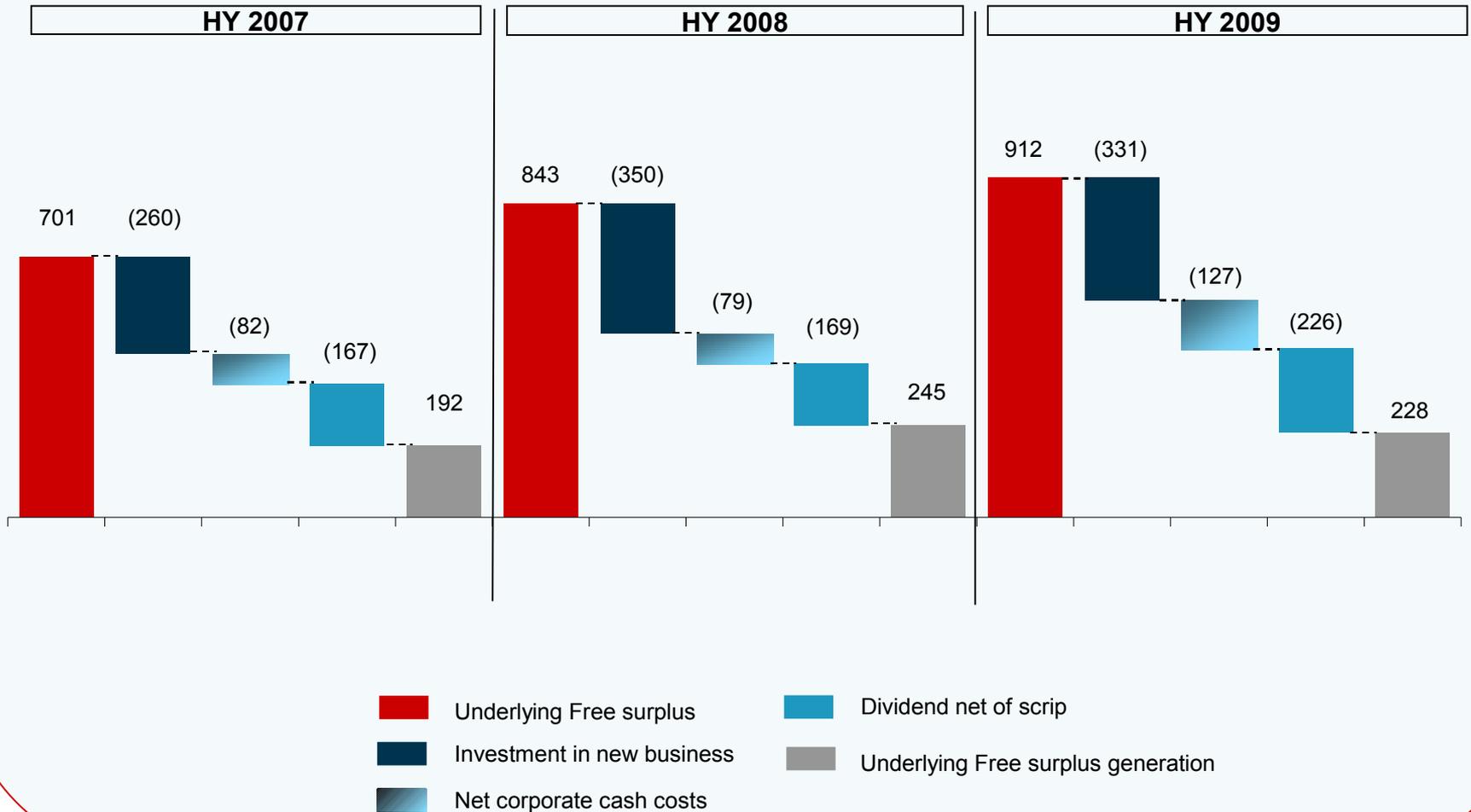
Increased cash generation to support the dividend

Holding company cash flow – at AER, £m



Underlying cash generation covers dividend

Underlying Free surplus generation – at AER, £m



Financial performance - Summary

- Strong new business profitability and returns
- Controlled new business strain
- Strong life IFRS result
- Dividend supported by underlying cash flow growth

Financial Review

- Performance on key financial metrics
 - EEV
 - IFRS
 - Cash and Free Surplus

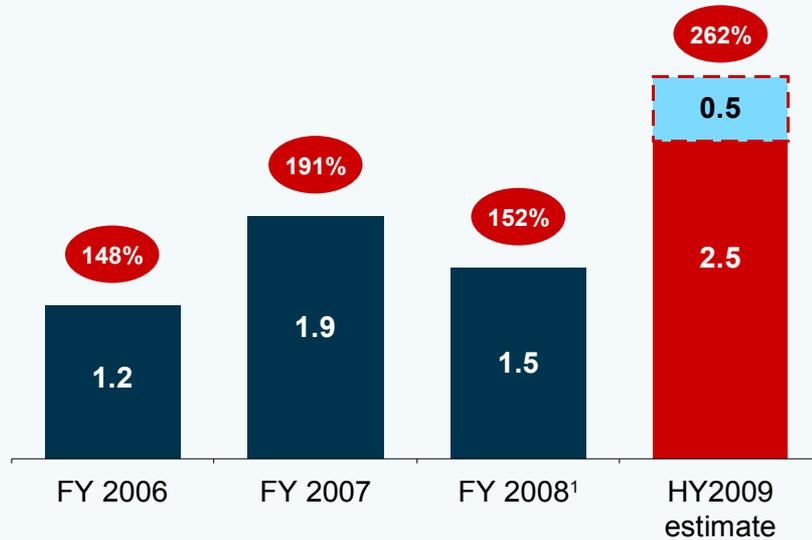
• Management of risk and capital

- Solvency and capital position
- Profile of asset portfolio

IGD Capital

IGD surplus now £3bn

Evolution of IGD – £ bn



 Solvency Ratio

 Hybrid issue July 2009

IGD sensitivity analysis*

40% fall in equity markets **£(200)m**

150bps fall in interest rates **£(300)m**

10x expected defaults **£(650)m**

* All sensitivities measured as at June 30th, 2009. The 40% fall in equity markets assumes a 20% immediate fall followed by a 20% fall over the next 20-trading days

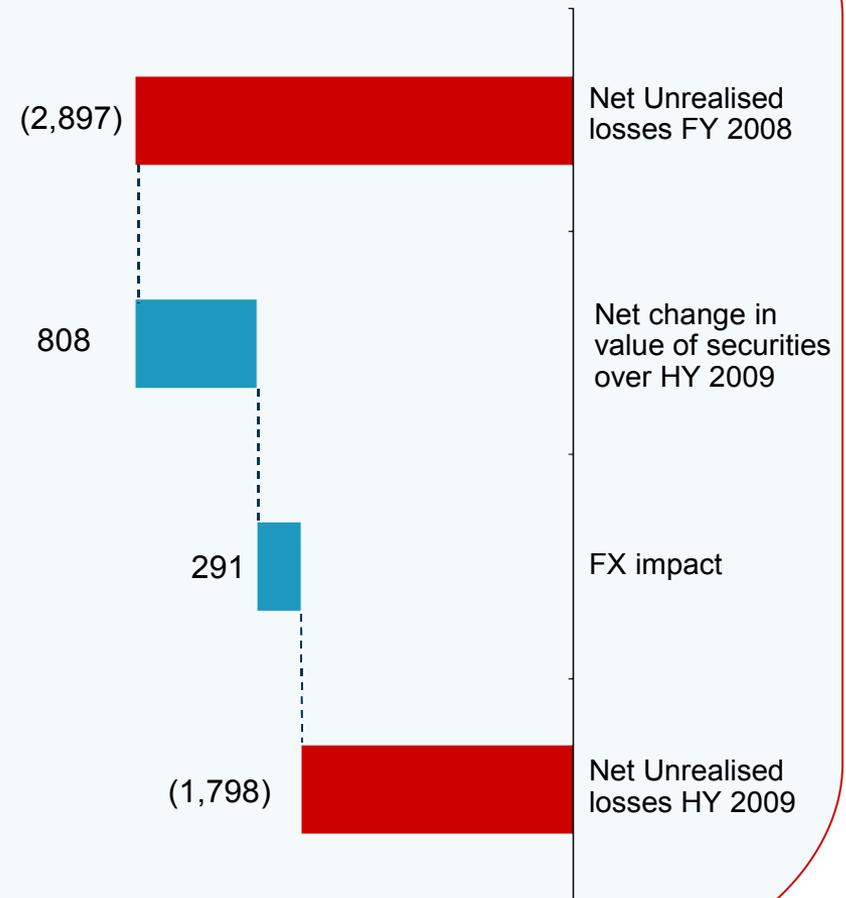
Credit charges and unrealised losses

Unrealised losses decreased by over £1bn in HY09

Breakdown of IFRS losses – HY2009, at AER, £m

	Asia	US	UK	Total
Defaults	0	0	11	11
Realised losses	0	42	0	42
Impairments	0	324	0	324
Total	0	366	11	377

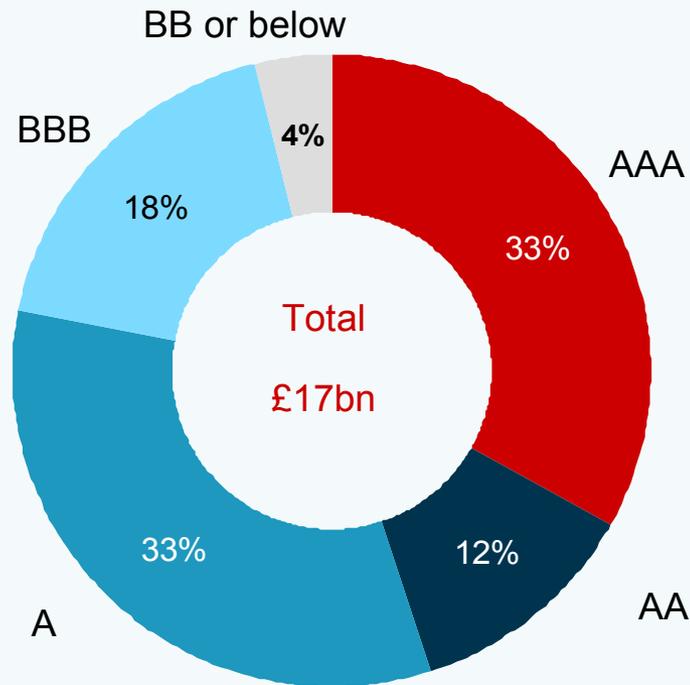
US net unrealised losses – at AER, £m



UK Asset Quality – Credit Reserve

Enough to withstand significant default and downgrade risk

UK Shareholder Debt Securities Portfolio by rating* – HY2009, %



78% A or above

Strength of the £1.4bn Credit reserve

- £11m of defaults and no net realised losses
- Downgrades of £3.4bn, 85% in financials
- Rolled over unused default provision in HY, New provisions
 - Pillar 1 (IGD) 80 → 85bps
 - IFRS 55 57bps
- Pillar 1 and EEV assumptions now 31% of spread widening vs 25% at end 2008

In summary

- Continued strong operating performance
- Delivering on cash and capital
- Strong IGD position

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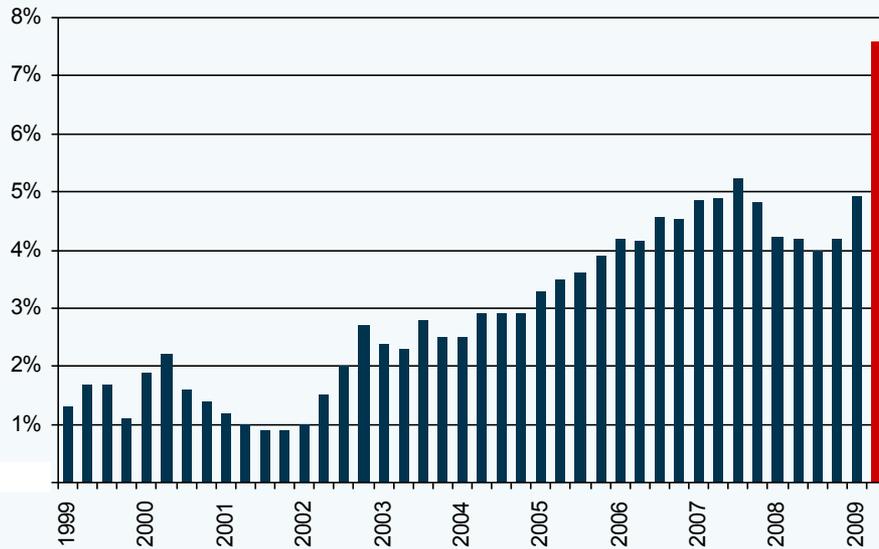
Mark Tucker

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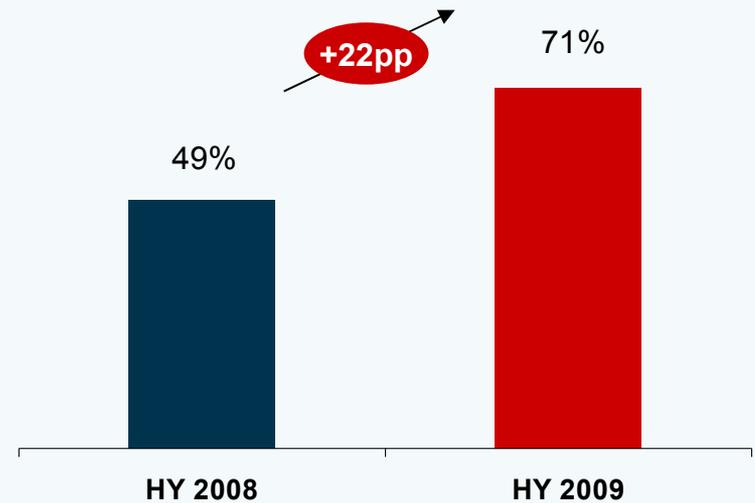
US Annuity Market – Variable Annuities

Market share gains at increased margins

Jackson VA market share – in %*



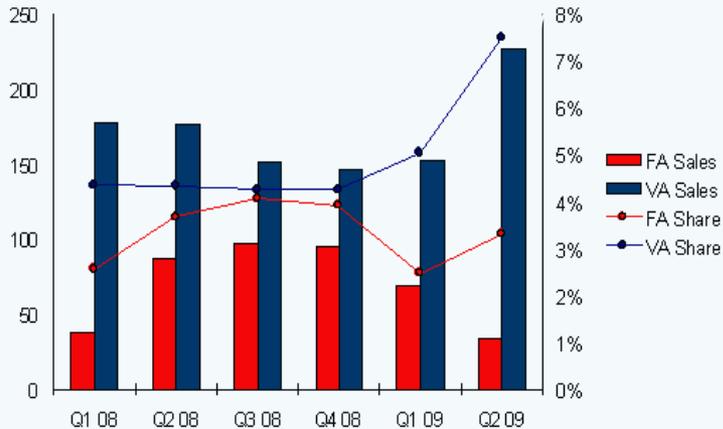
Jackson VA APE margin – in %



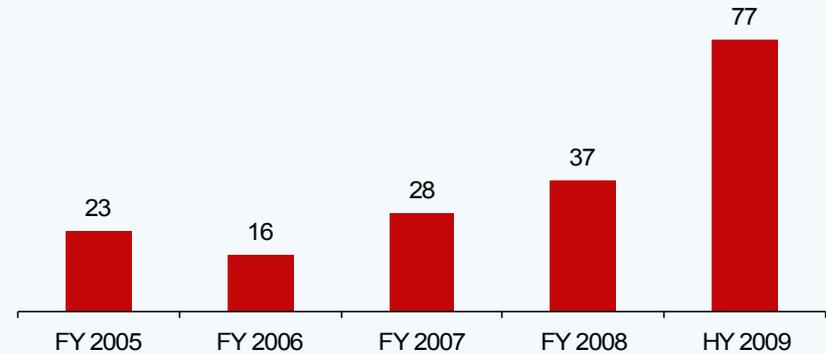
US Annuity Market – Fixed Annuities

Managing for value

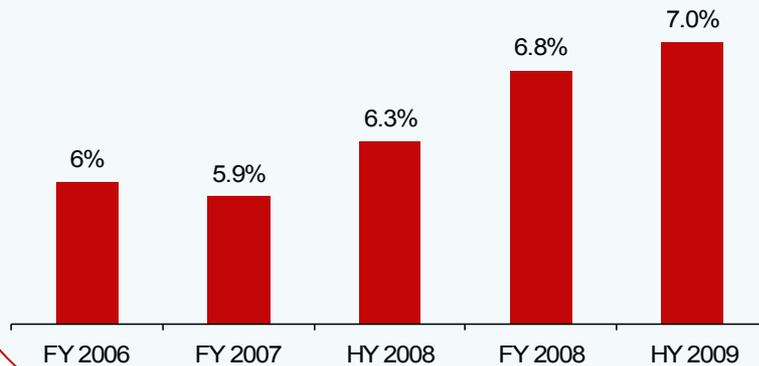
Jackson annuity sales (\$m APE) and market share*



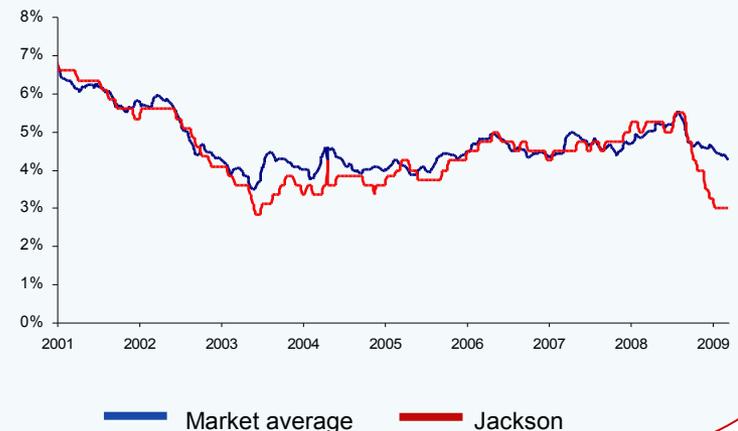
Jackson FA APE margin – in %



Jackson net annualised yield on new assets – in %

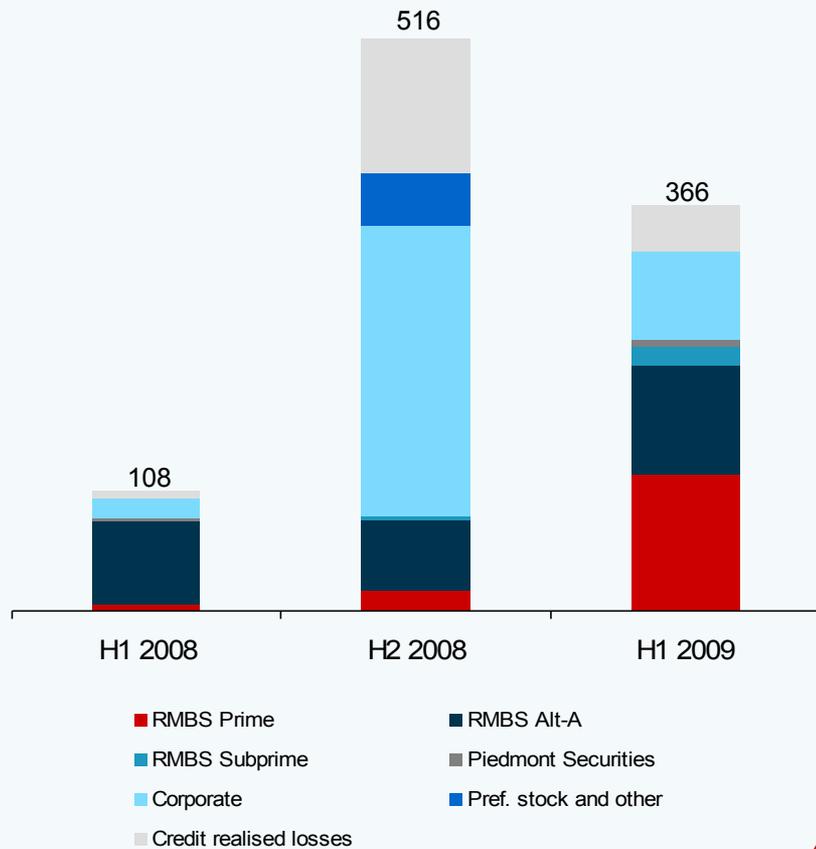


Average FA crediting rates – in %

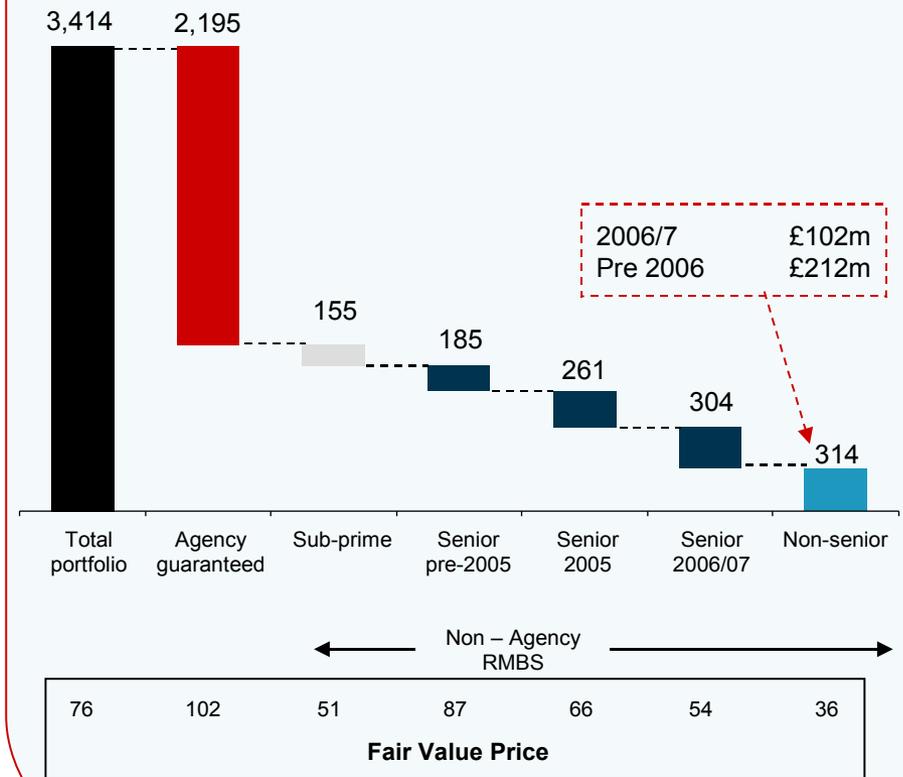


US Asset Quality – Impairments and RMBS portfolio

Pre-tax impairments and other credit losses – at AER, £m



Breakdown of the RMBS portfolio – at AER, £m

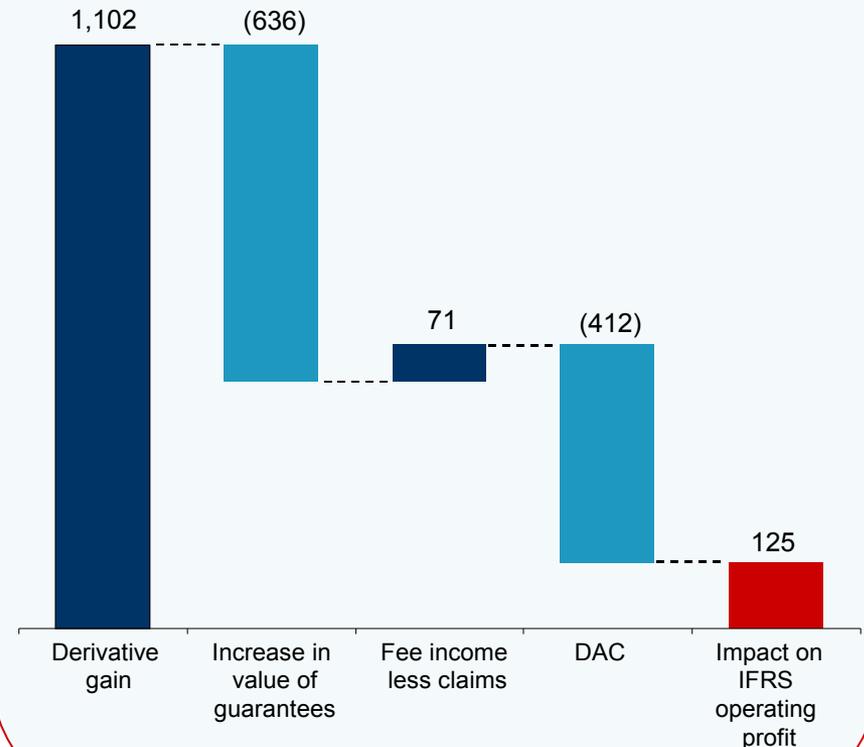


Hedging – Operational approach to VA hedging

Has generated an IFRS profit during the 18-month cycle

- Hedging program is done on ‘macro’ basis taking account of natural offsets in the book
- All internal risk limits are set using economic values and incorporate severe shocks
 - Consideration is given to capital impact in cases where statutory requirements are higher than economic
- Strong preference for option-based strategy
 - Appropriate charging allows for use of options in most environments
 - Flexibility to use more dynamic hedging when implied volatility at historically high levels
- VA hedging incorporates all embedded guarantees as well as related fees

Jackson VA embedded derivative gains and losses affecting IFRS operating profit – January 2008 to June 2009, \$m



US – Priorities for future

Industry trends playing to Jackson's strengths

- Continue to grow VA book profitably
- Manage FAs for value
- Continue to explore bolt-on opportunities

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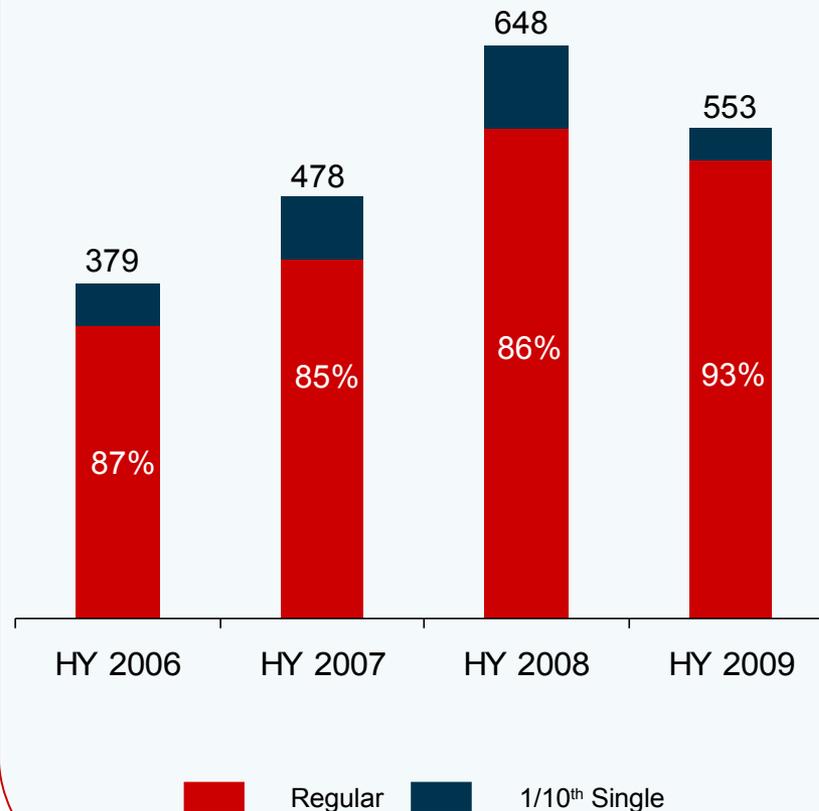
Asia – Overview

Sustaining market positions and maintaining financial discipline

Market position in terms of Life New Business*

Country	Rank
Indonesia	1 st
Singapore	1 st
Vietnam	1 st
Malaysia	1 st /2 nd
India (private players only)	1 st
China (foreign players only)	3 rd
Hong Kong	3 rd
Philippines	3 rd
Thailand	11 th
Taiwan	13 th
Korea	15 th

New Business APE – at AER, £m

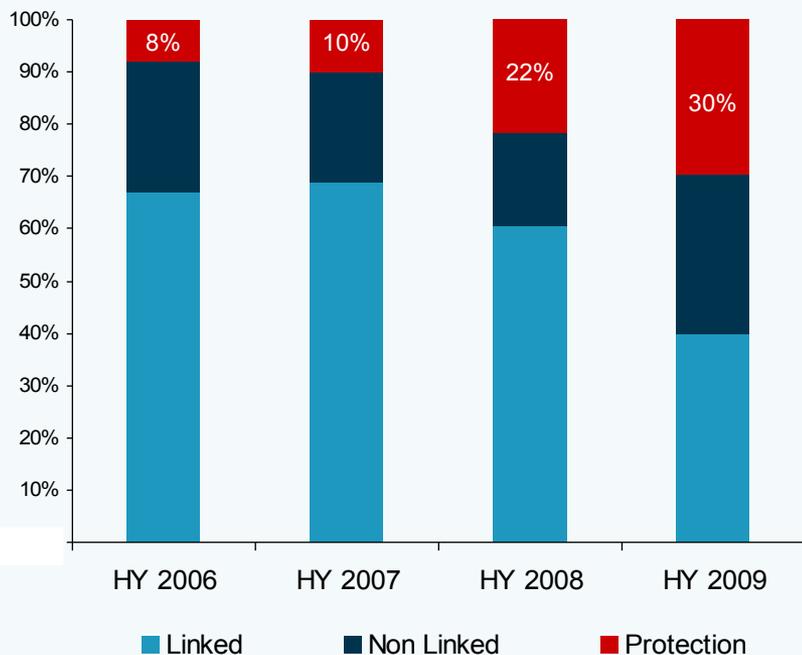


* Based on latest information from Country Insurance Associations and Regulators

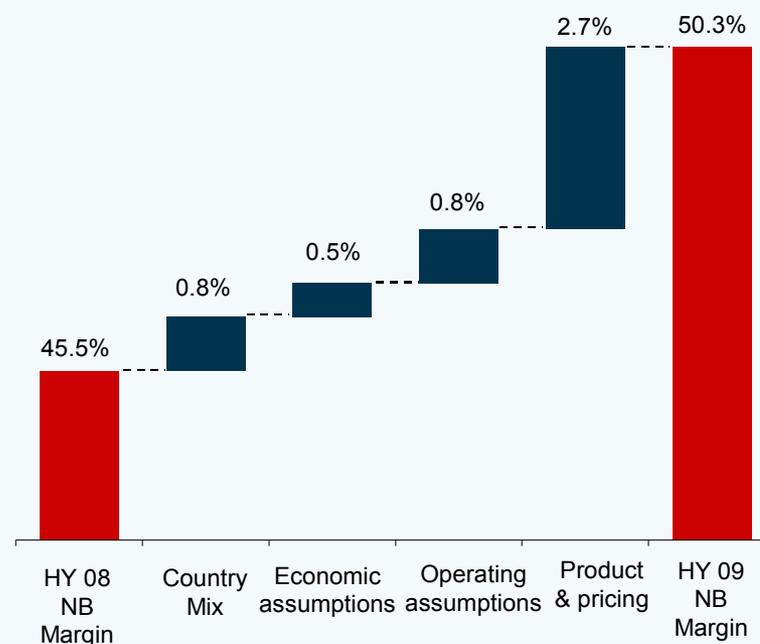
Asia – New Business Margins

Higher proportion of protection business driving increased margins

Product mix – % of APE



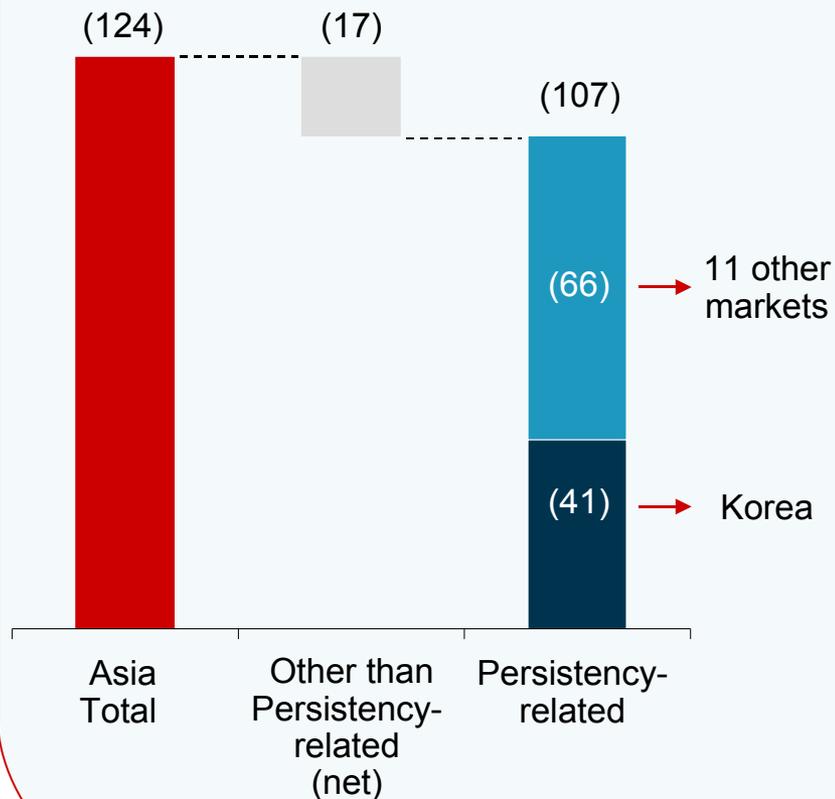
Movement in NBP Margin – % of APE



Asia – EEV In-force profit

Market challenges in Korea causing disproportionate operating variances

Breakdown of Asia Operating Variances & Changes in Assumptions – HY09, at AER, £m



- **Korea is main source of persistency variances & changes of assumption in Asia**
 - Unfavourable market dynamics
 - Customers' savings behaviour changing as a result of market conditions
 - Historical core product offering in investment-related products
 - Conservative approach to EEV changes in assumption – No recovery assumed
 - Persistency program underway
- **Other markets also affected by change in customers' behaviours but to a much lesser extent**
 - Only a few specific adverse cases closely monitored
- **Total Asia assumption changes and variances still small relative to EV at 2.0%**

Asia – Economic Outlook

Outlook for Asia remains compelling

Asia looks to be emerging from crisis more quickly than West:

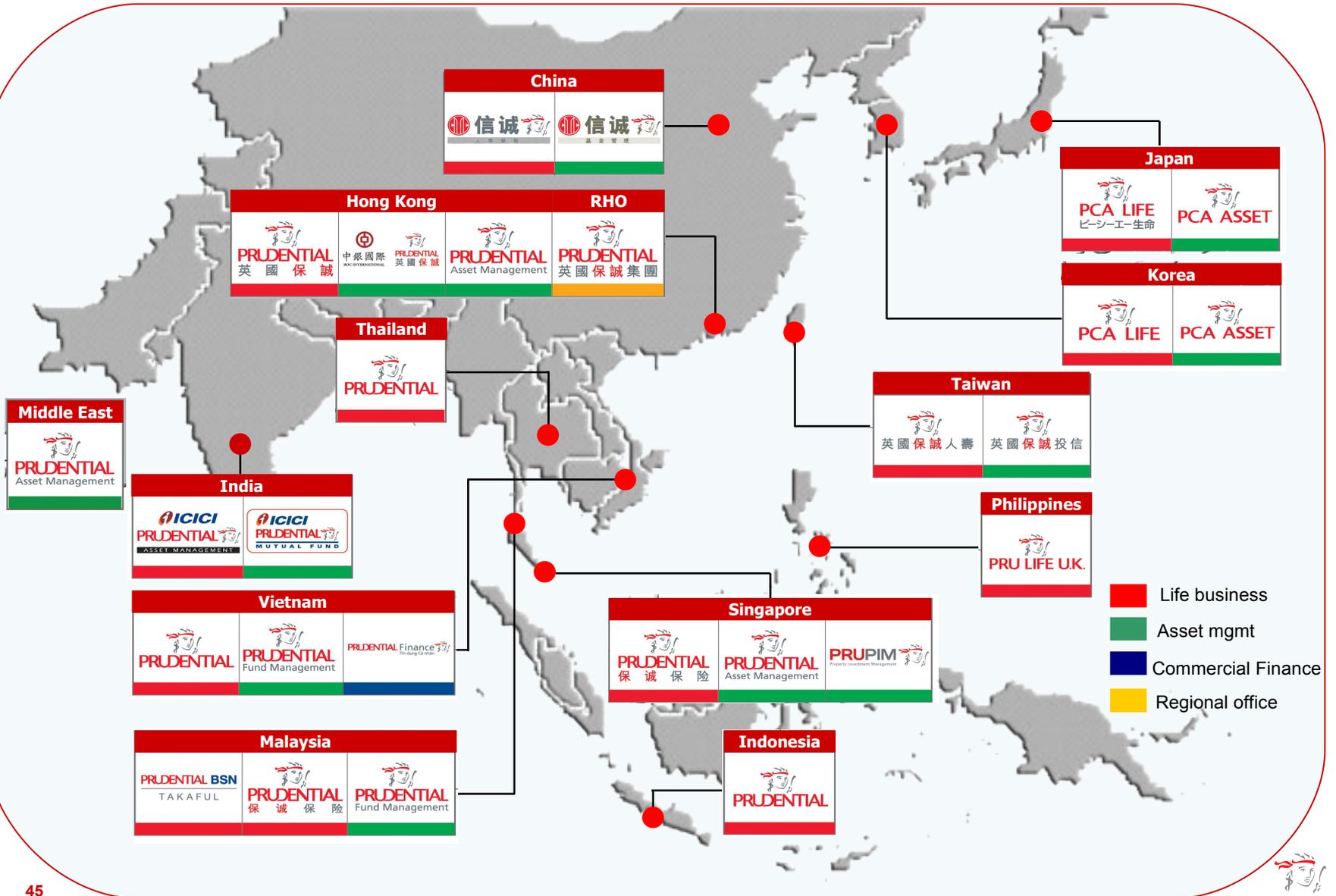
- GDP growth recovering
- Equity markets outperforming
- Growth in intra Asia trade

Demographic trends will continue to drive demand for Life insurance:

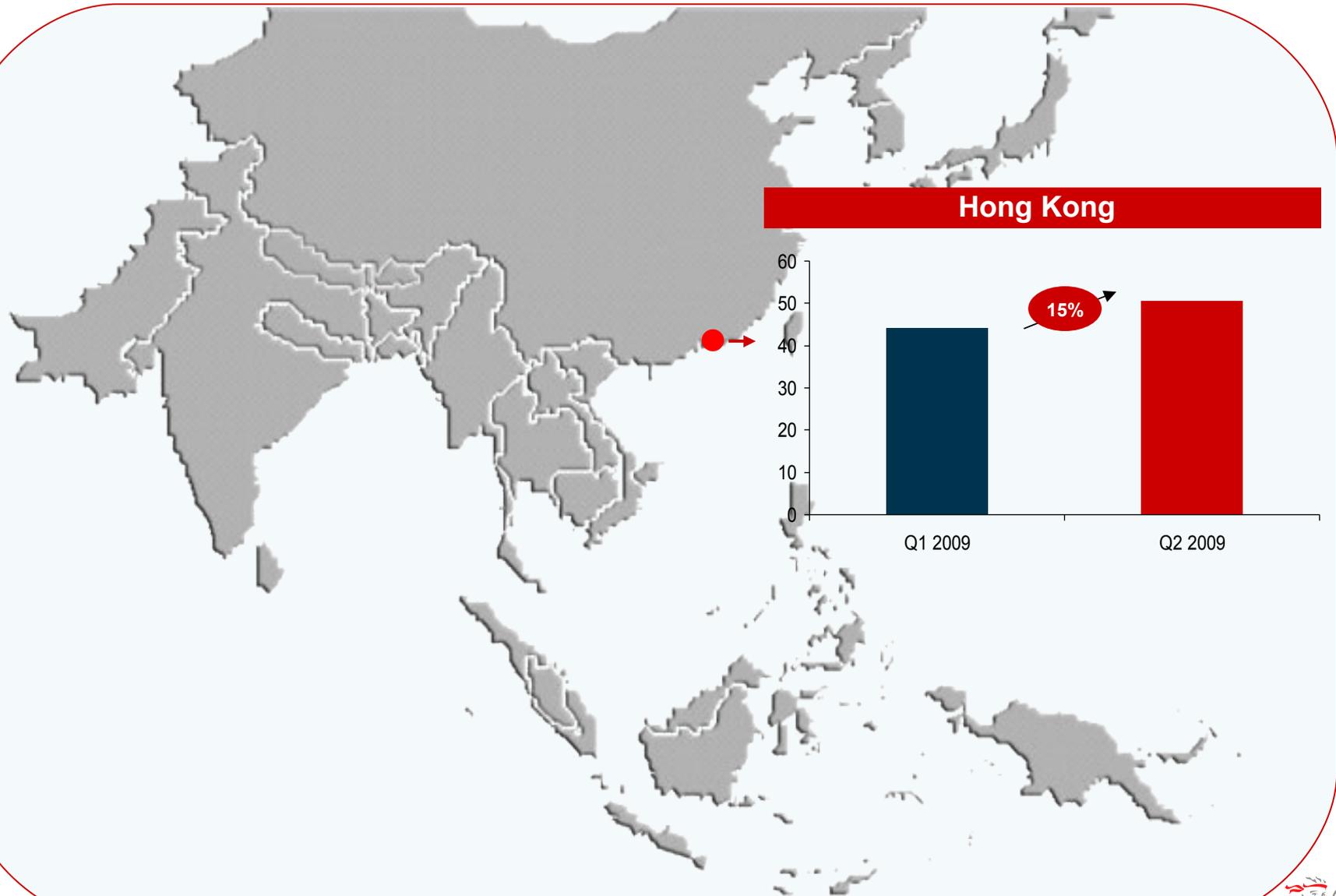
- Increasing wealth
- Low levels of household indebtedness
- Low penetration rates
- Limited welfare provision by state

Asia – Prudential is exceptionally well placed

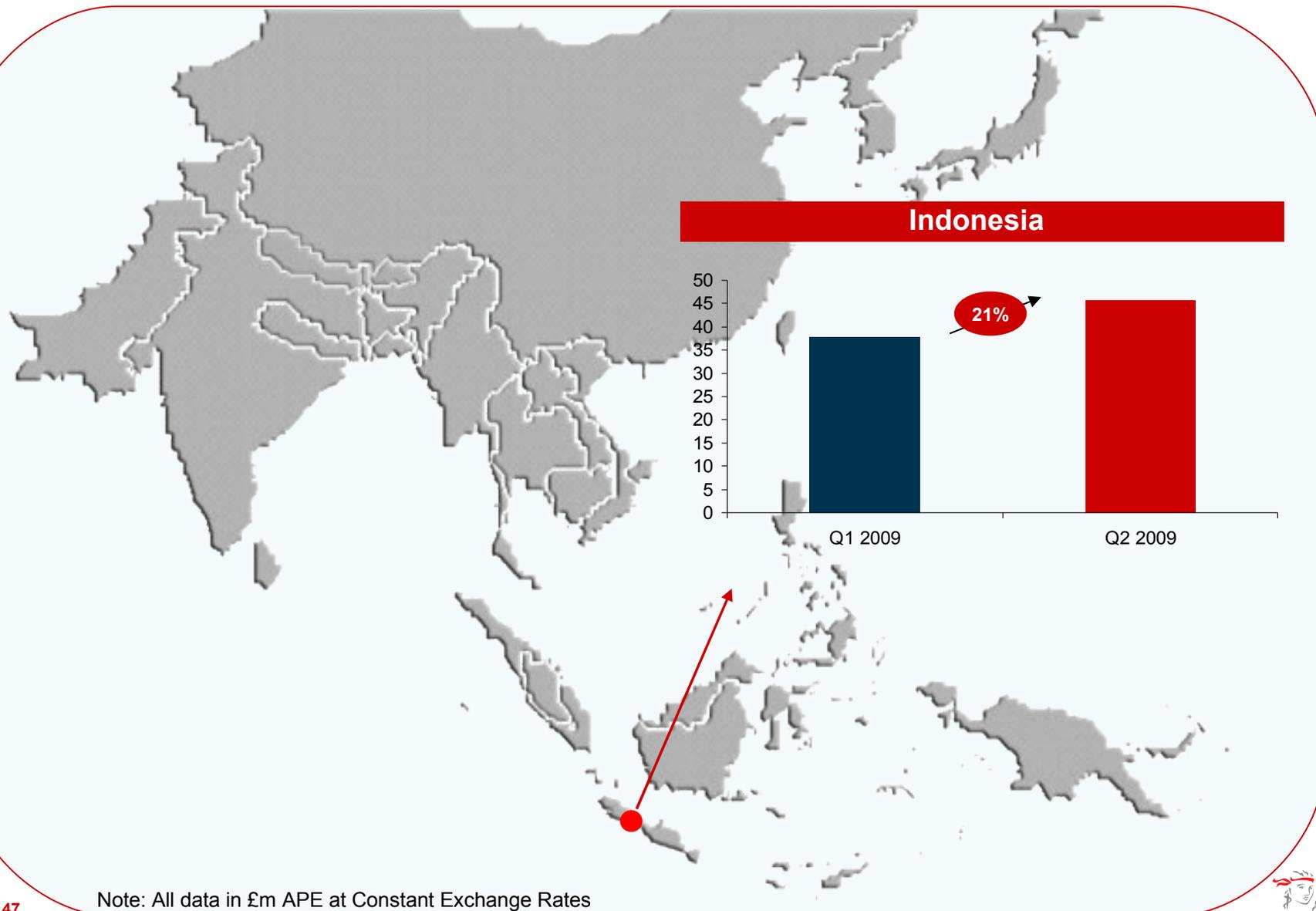
Leading positions in all the high growth markets



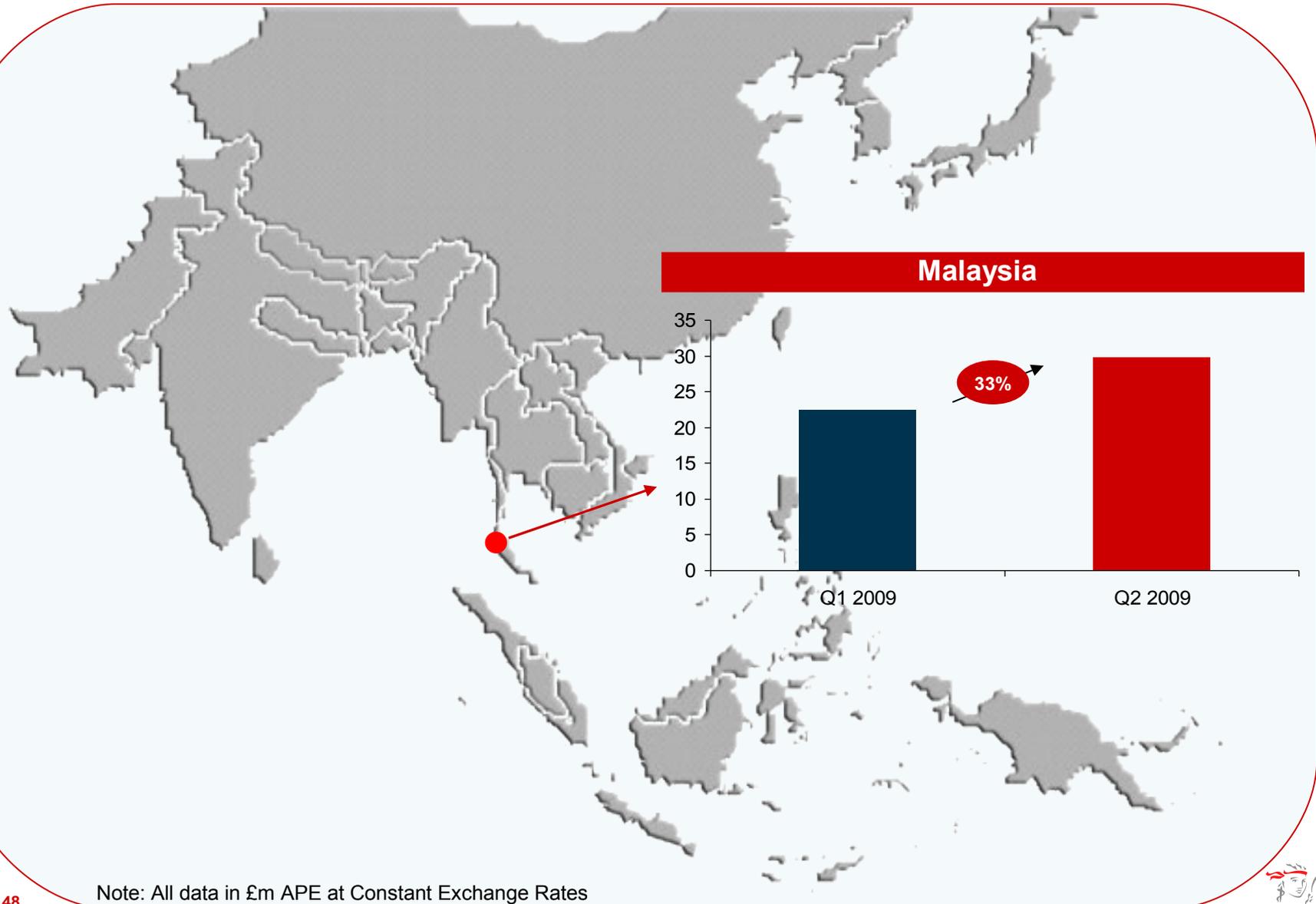
Seeing signs of improvement in sales



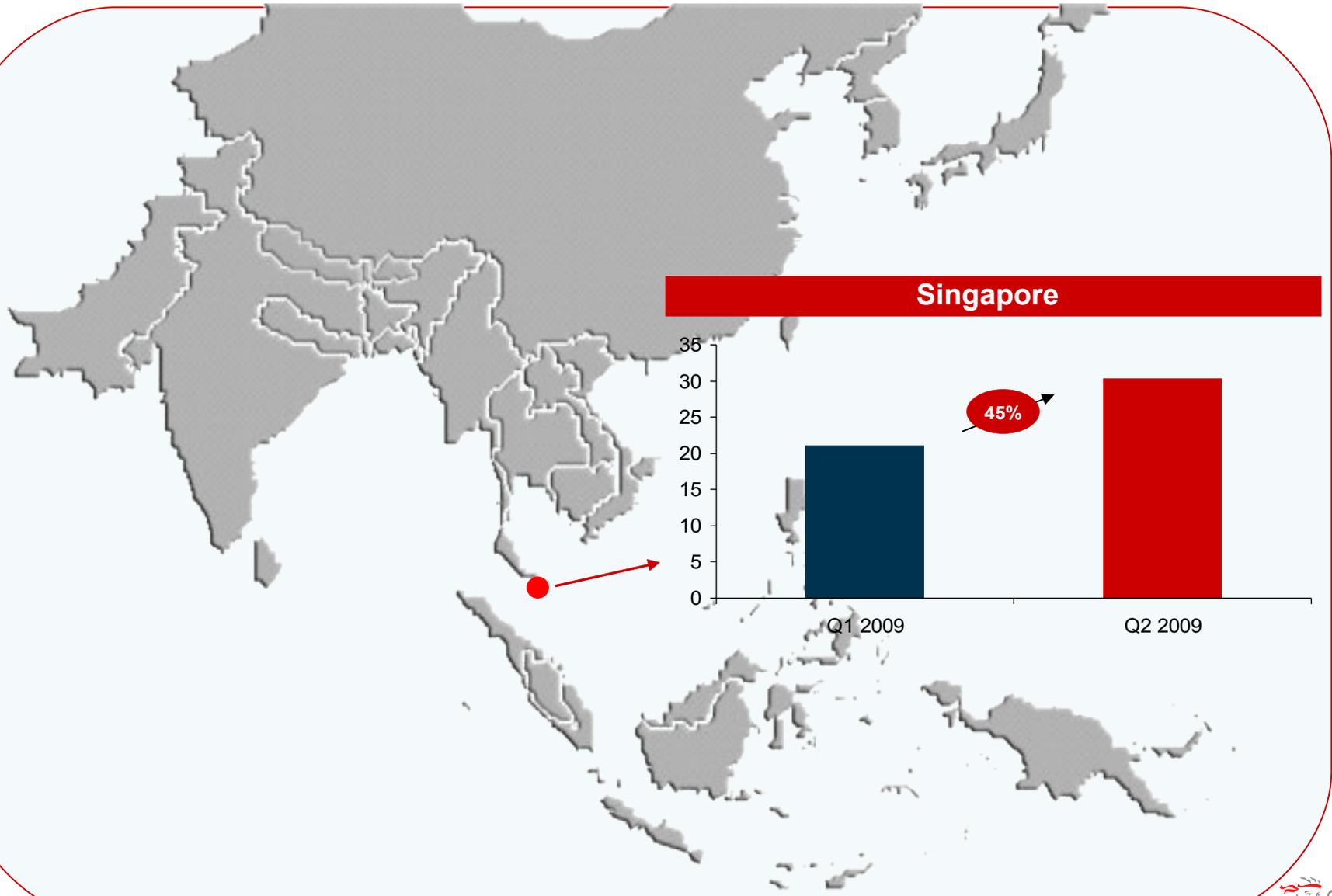
Seeing signs of improvement in sales



Seeing signs of improvement in sales

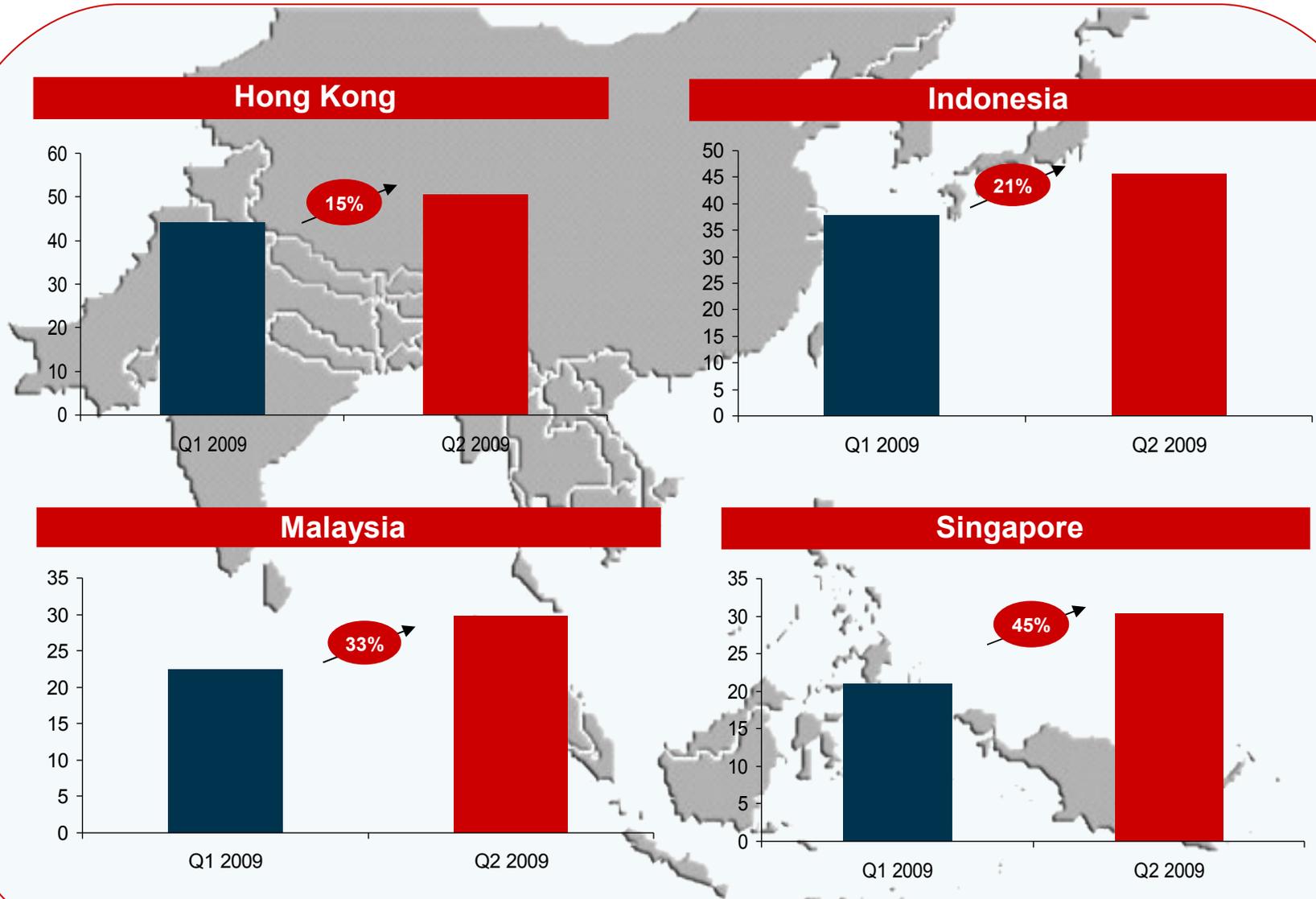


Seeing signs of improvement in sales



Note: All data in £m APE at Constant Exchange Rates

Seeing signs of improvement in sales



Note: All data in £m APE at Constant Exchange Rates

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Summary and outlook

- Business environment expected to remain difficult
- Consistent and compelling strategy
- Very well positioned to benefit from any market upturn
- Concentrating on the most profitable opportunities
- Focused management team

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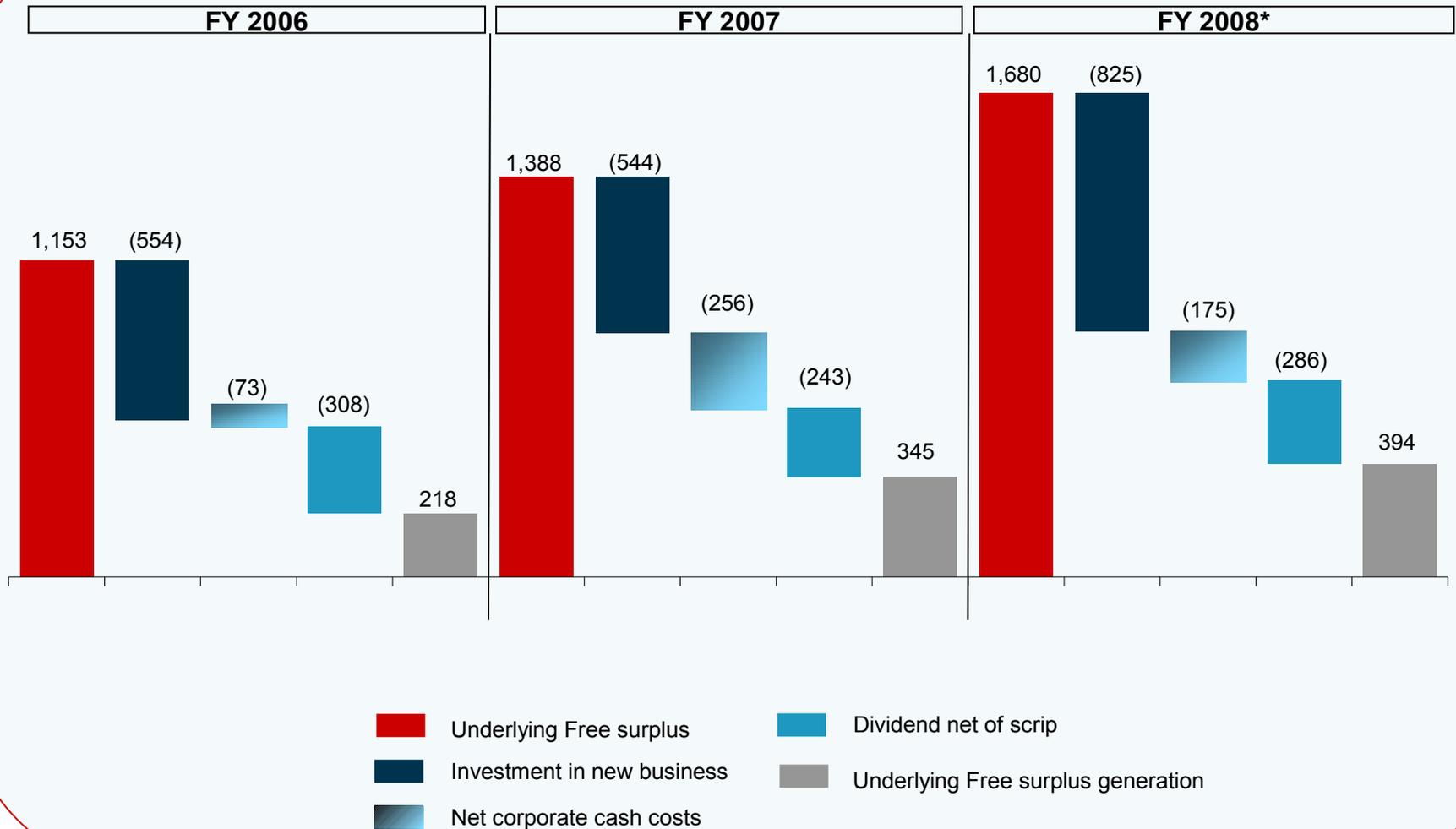


Appendix



Underlying cash generation covers dividend

Underlying Free surplus generation – at AER, £m



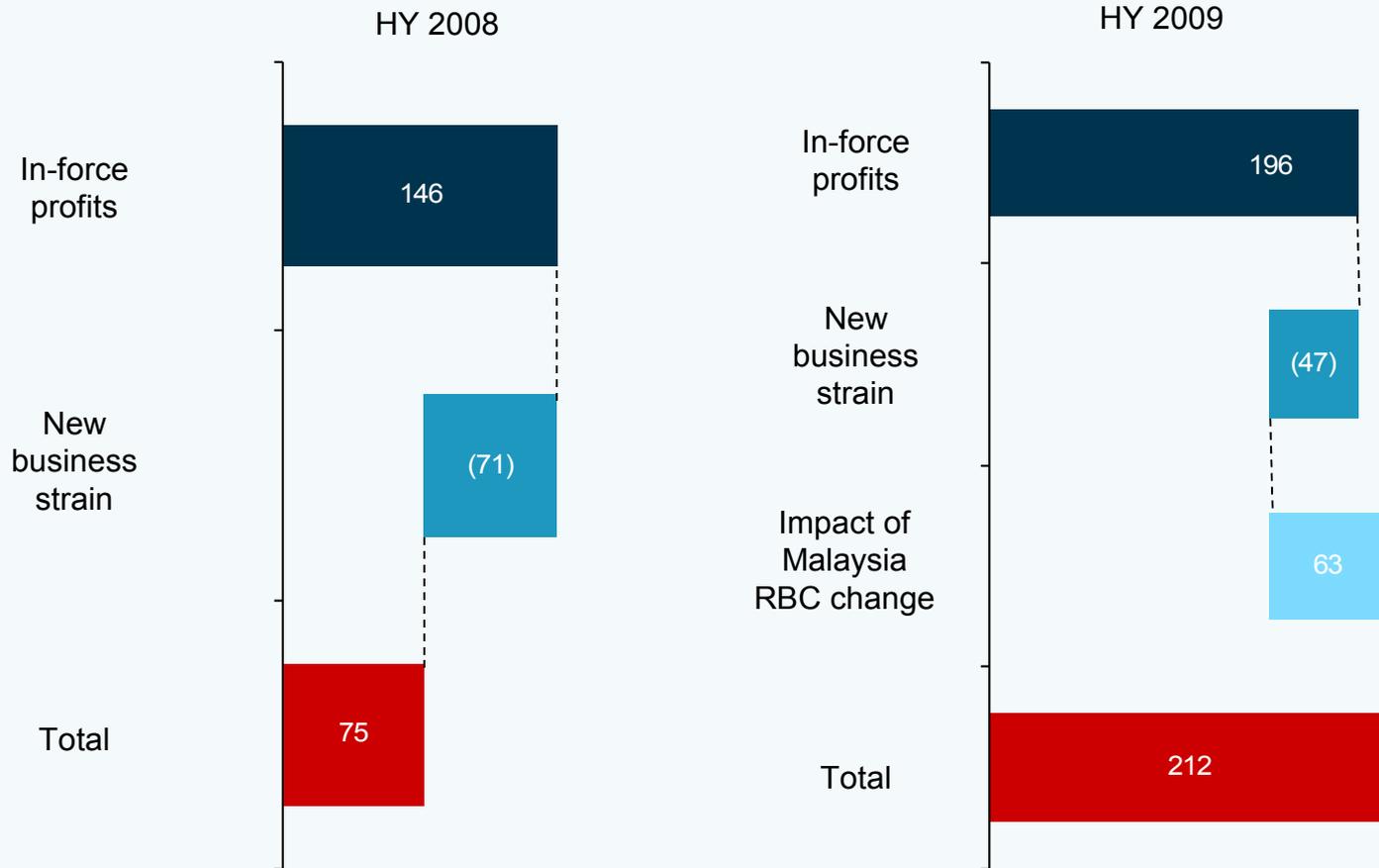
New business profitability – Asia Life

APE Margin per country - %

	<u>HY 2008</u>	<u>HY 2009</u>
Hong Kong	66%	76%
Taiwan	15%	15%
Indonesia	51%	61%
China	51%	45%
Korea	33%	36%
India	16%	19%
Others	60%	62%
Total Asia Life	45%	50%

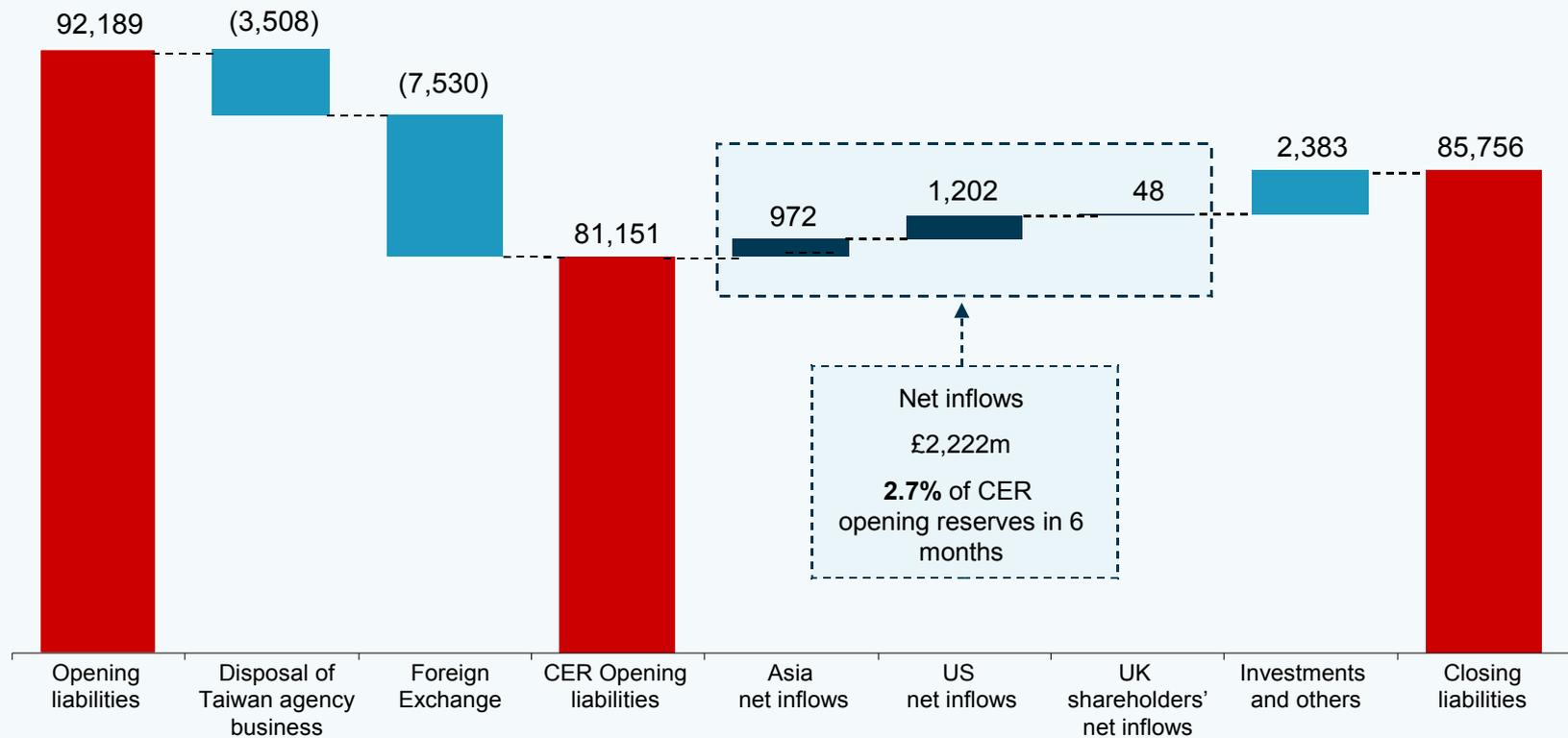
IFRS Operating Profit – Asia Life

Breakdown of Asia Life IFRS operating profit – at AER, £m



Policyholder liabilities – Shareholder-backed business Group

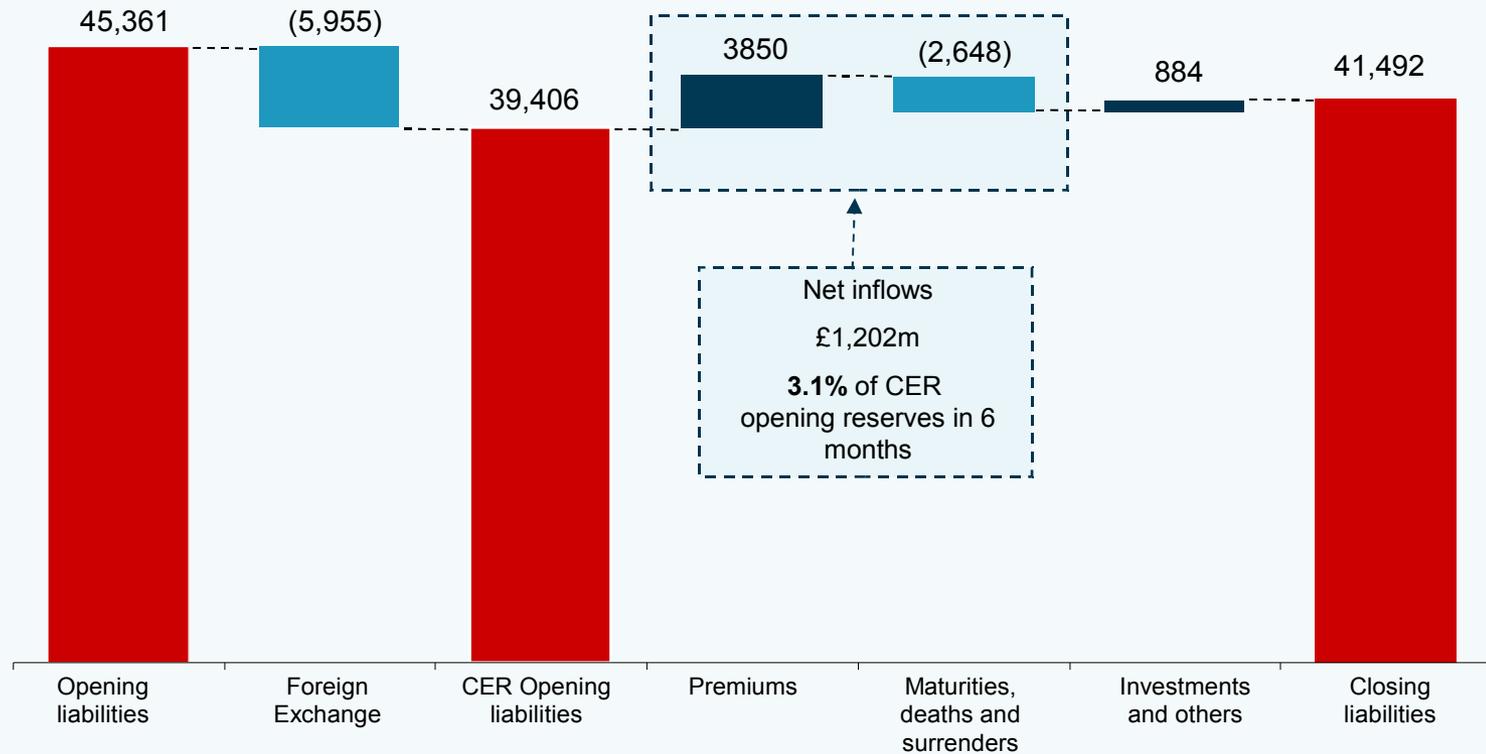
Policyholder liabilities roll-forward – FY 2008 to HY 2009, at AER, £m



Policyholder liabilities – Shareholder-backed business

US

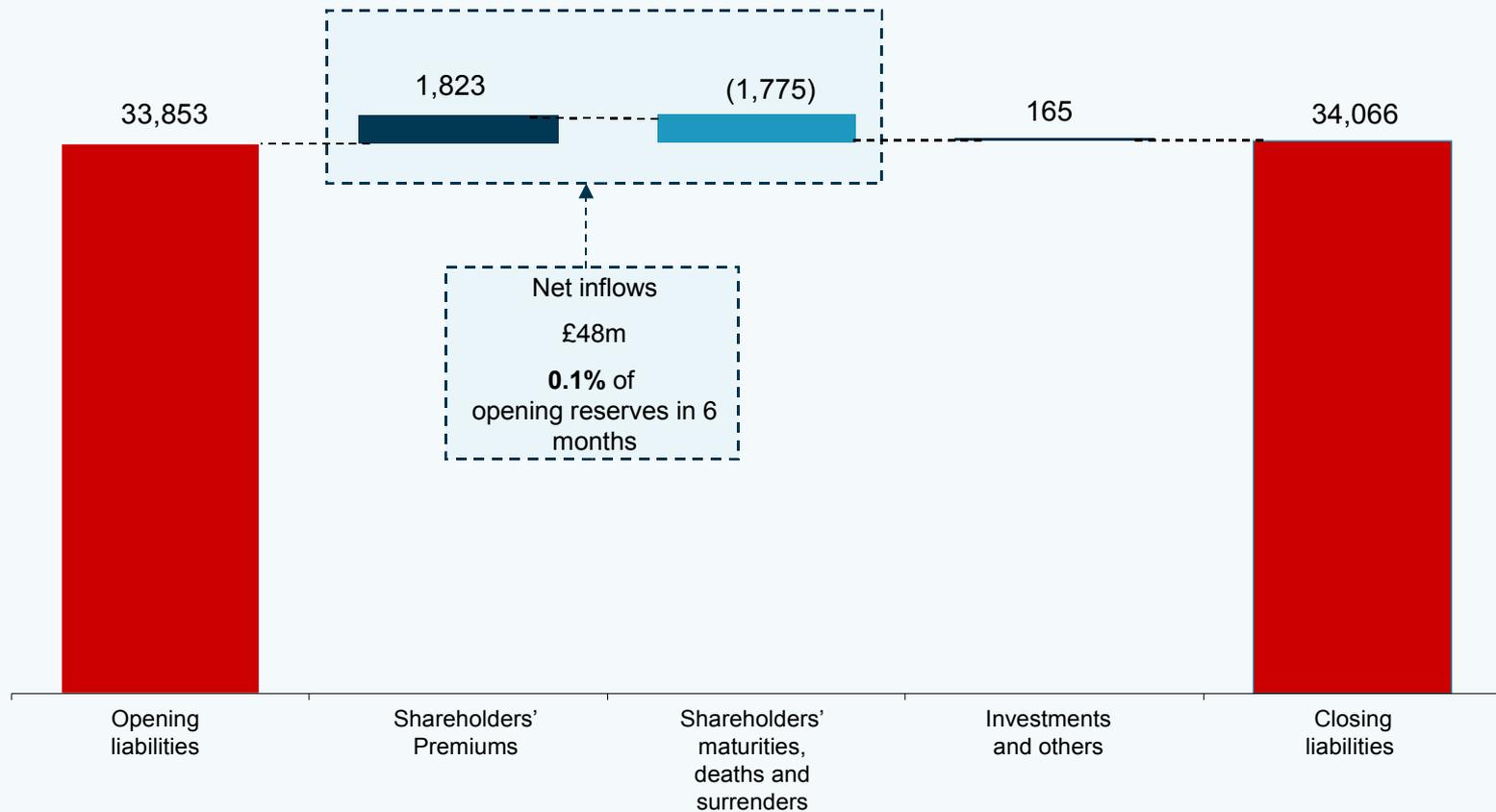
Policyholder liabilities roll-forward – FY 2008 to HY 2009, at AER, £m



Policyholder liabilities – Shareholder-backed business

UK

Policyholder liabilities roll-forward – FY 2008 to HY 2009, at AER, £m



Invested assets – Group Overview

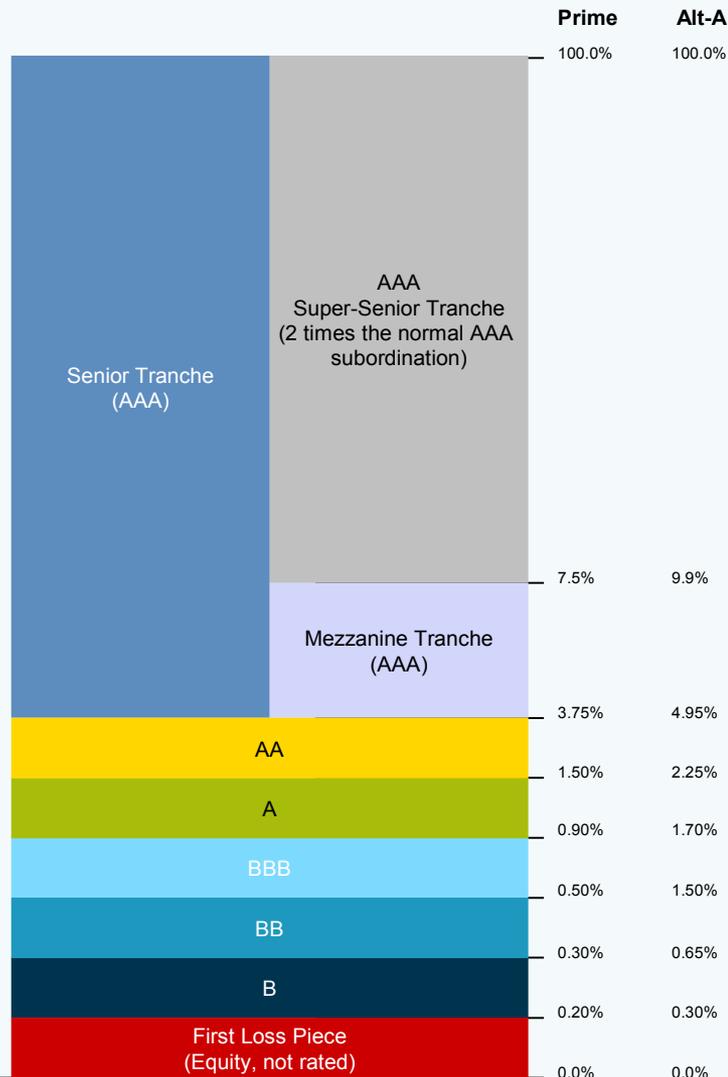
Shareholder assets 30% of total group assets

Breakdown of Invested Assets – HY2009, £bn

	Total Group	PAR Funds	Unit-Linked	Shareholders					Total
				Asia Life	US Life	UK Life	Other		
Debt securities	89.4	41.8	6.7	2.0	20.9	17.0	1.0	40.9	
Equity	56.1	26.1	29.3	0.1	0.5	0.0	0.1	0.7	
Property Investments	10.5	8.5	0.6	0.0	0.0	1.4	0.0	1.4	
Commercial mortgage loans	4.5	0.1	0.0	0.0	3.8	0.6	0.0	4.4	
Other loans	4.1	1.7	0.0	0.3	0.5	0.0	1.6	2.4	
Deposits	8.8	6.3	0.8	0.3	0.6	0.8	0.0	1.7	
Other Investments	6.1	3.9	0.3	0.1	1.1	0.2	0.5	1.9	
Total	179.5	88.4	37.7	2.8	27.4	20.0	3.2	53.4	

US asset quality – Overview of RMBS tranching

Senior vs Subordinated

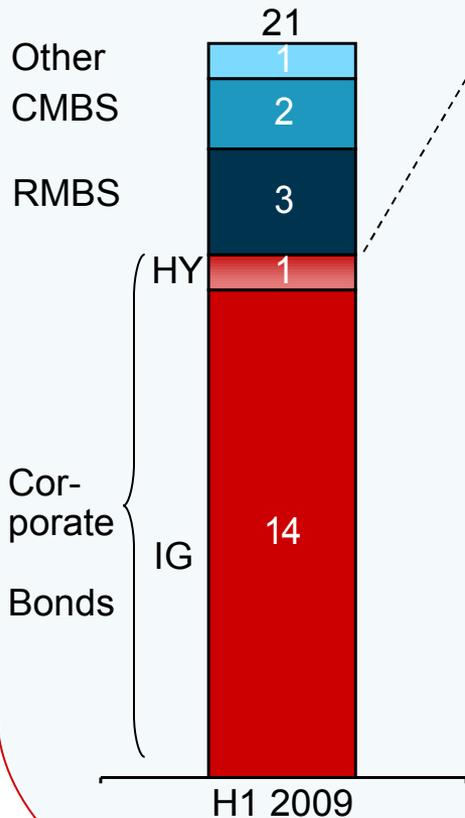


INDICATIVE EXAMPLE

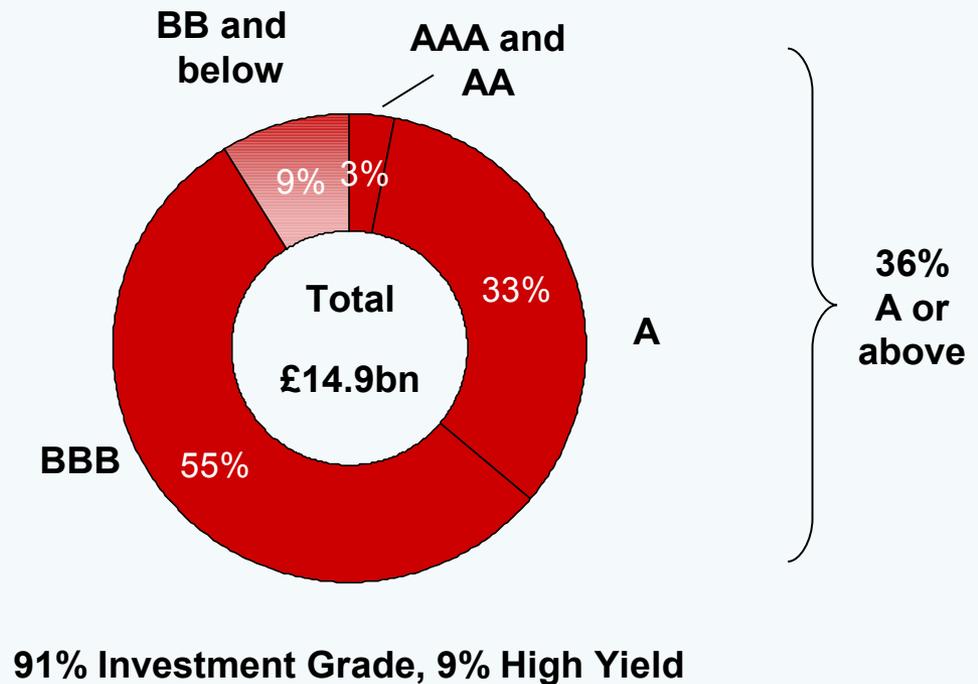
- Senior tranches only experience 'dollar for dollar' losses
- Non-senior tranches experience losses which are leveraged on underlying losses

US Asset Quality – Corporate Debt Portfolio (1/3)

US Shareholder Debt Securities Portfolio – Market value, £bn

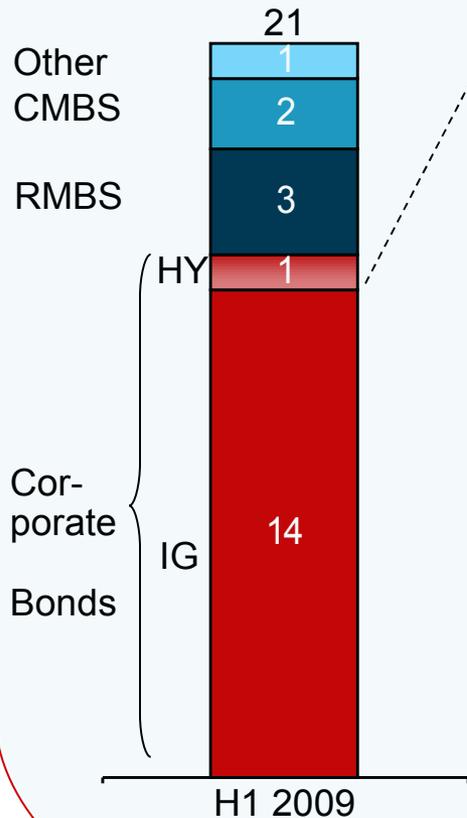


Corporate Bond Portfolio, % by rating

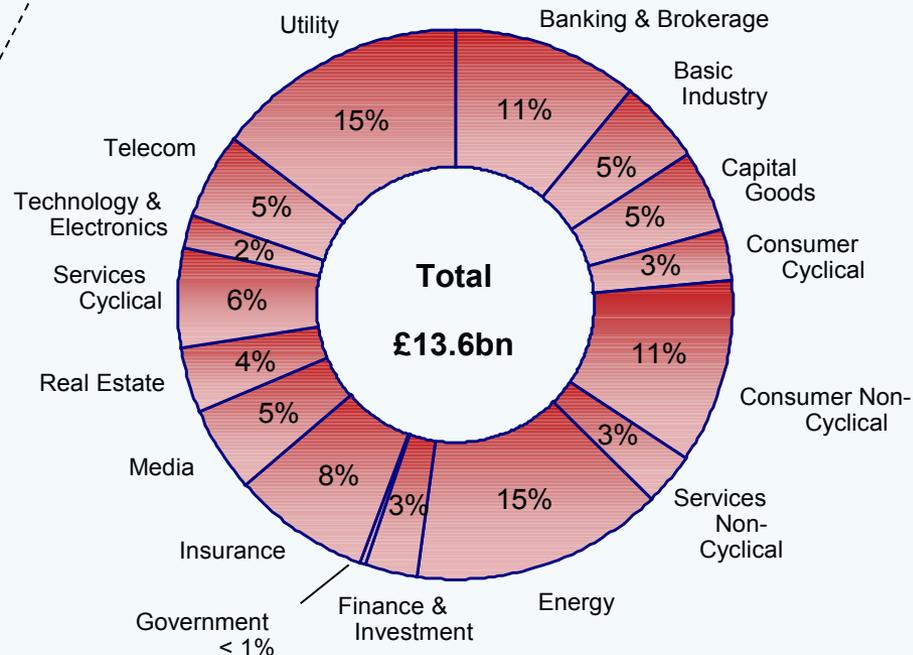


US Asset Quality – Corporate Debt Portfolio (2/3)

US Shareholder Debt Securities Portfolio – Market value, £bn



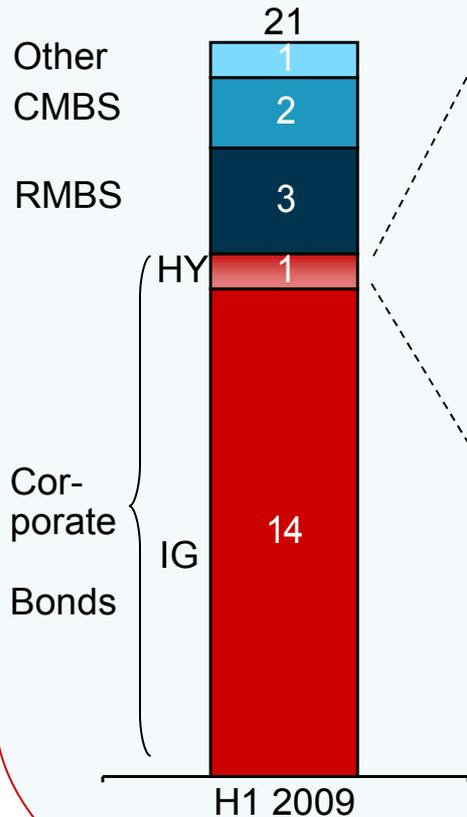
Investment Grade Corporate Bond Portfolio, % by sector



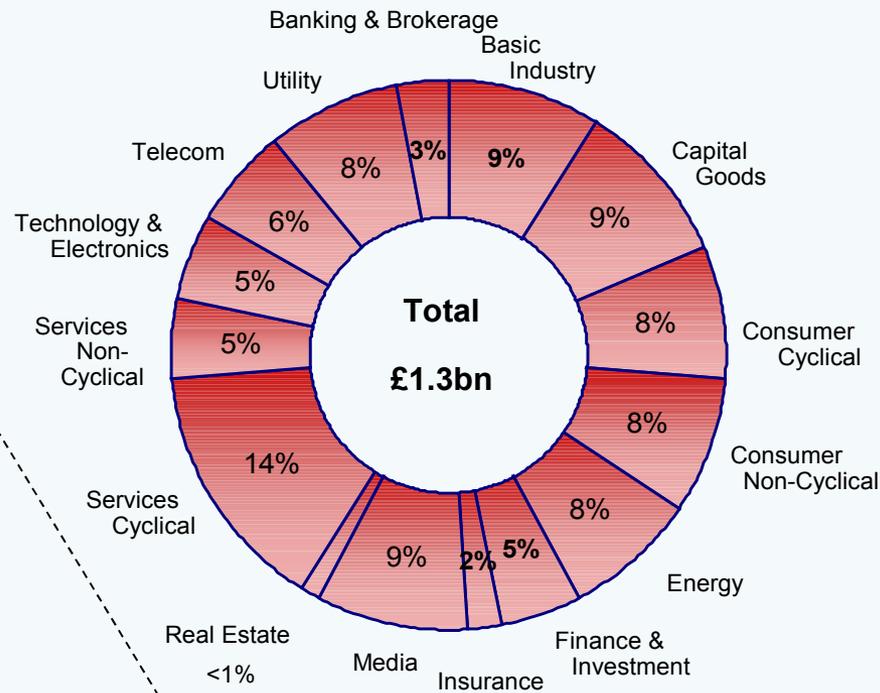
- Portfolio spread over 481 issuers, with an average holding of £28m

US Asset Quality – Corporate Debt Portfolio (3/3)

US Shareholder Debt Securities Portfolio – Market value, £bn



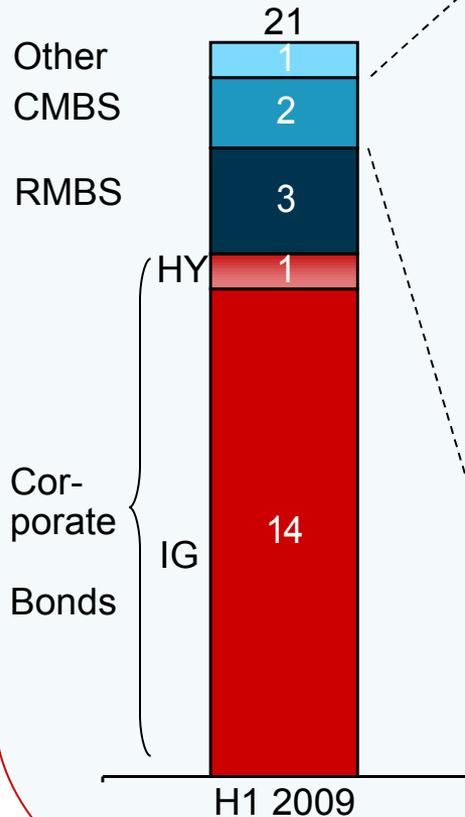
High Yield Corporate Bond Portfolio, % by sector



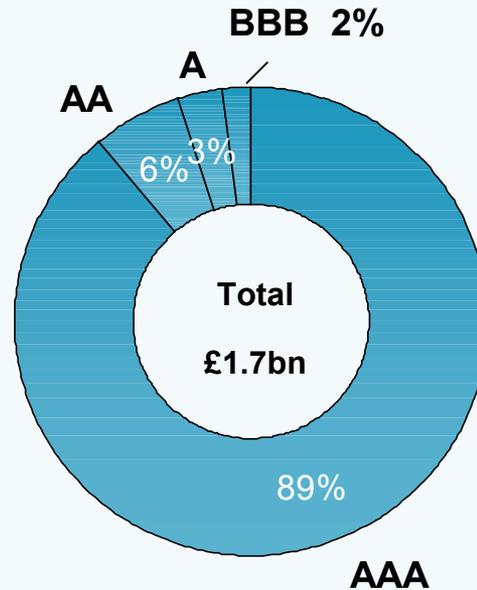
- Portfolio spread across 146 issuers, with an average holding of £9m

US Asset Quality – CMBS Portfolio

US Shareholder Debt Securities Portfolio – Market value, £bn



CMBS portfolio, % by rating

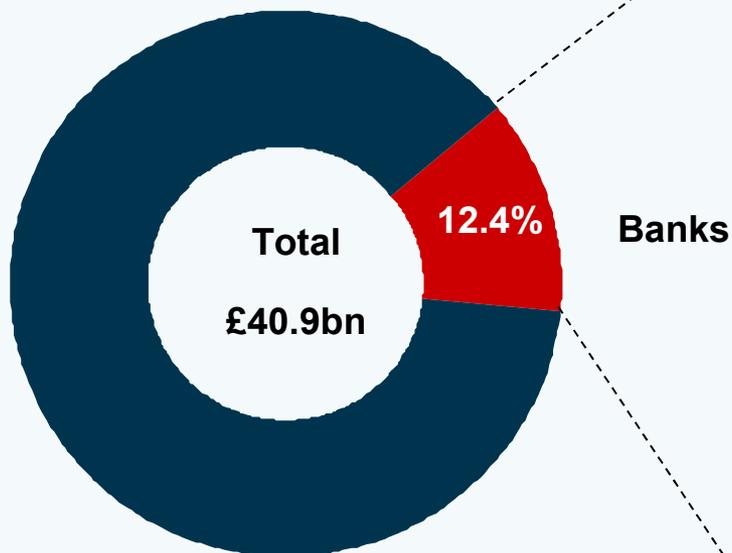


- Average credit enhancement of the portfolio is 30%
- 86% of the portfolio has credit enhancement of at least 20%
- 99% of 2005 and later bonds rated AAA
- 84% of the total AAA bonds are in Senior AAA tranche

Exposure to the Banking sector

Limited exposure to Tier 1 and Tier 2 Hybrid

Breakdown of the Debt Securities Portfolio – at 30 June 2009, %



Exposure to Tier 1 and Tier 2 Hybrid debt of banks

– £m

	UK	US	Other	Total
Tier 1	278	181	310	769
Tier 2	1,003	900	1,063	2,965

Less than 2% of the Debt Securities portfolio

Key Tier 1 and Tier 2 exposures to UK Banks

– £m

	Lloyds Group	Barclays	RBS	HSBC	Other	Total
Tier 1	74	68	4	42	90	278
Tier 2	206	209	158	191	239	1,003

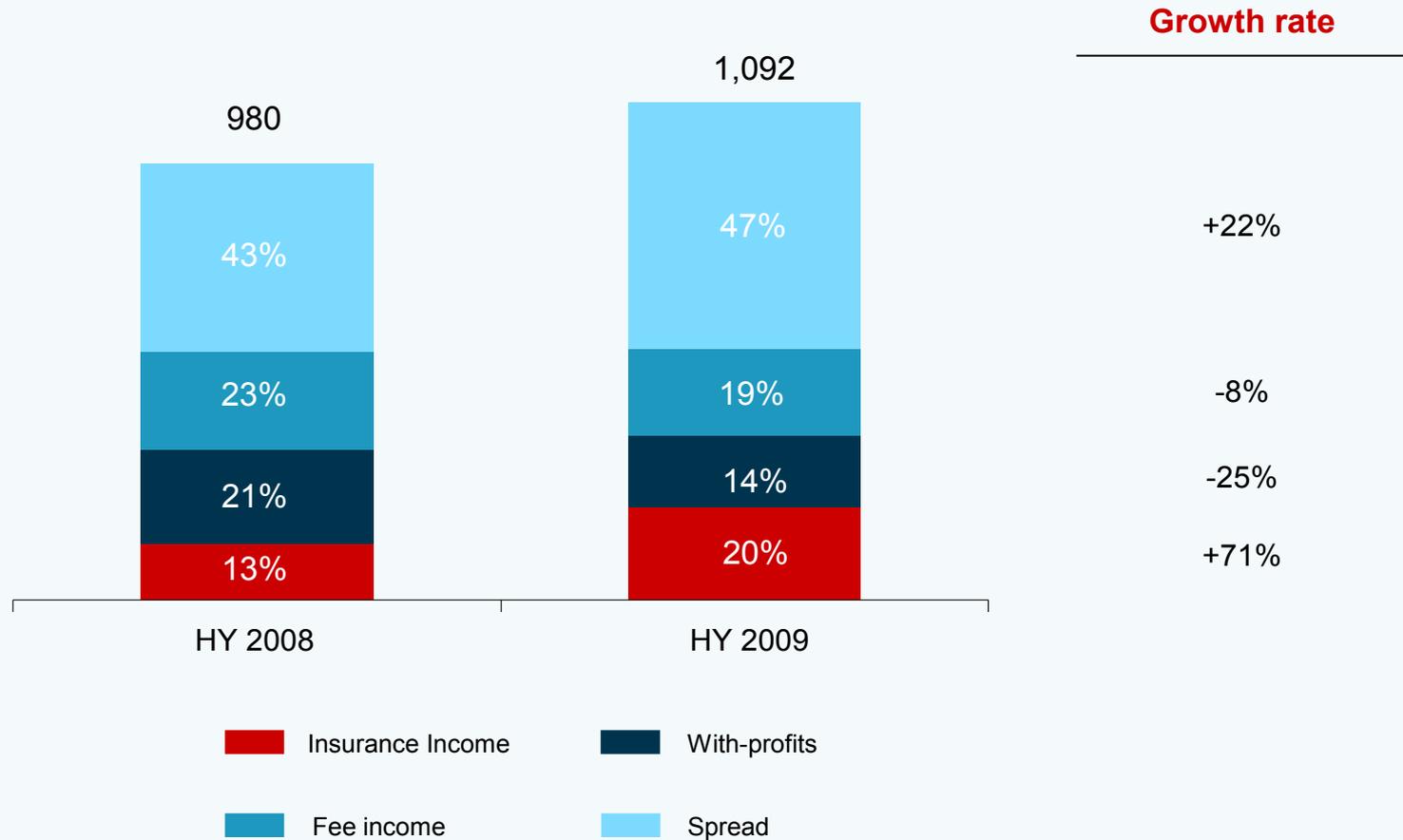
IGD Capital Movement since FY 2008

Movement from FY 2008 to date, £ billion

FY 2008	1.5
Dividends (net of scrip)	(0.2)
Internal capital generation	0.3
Taiwan sale impact	0.8
Hybrid debt (May 09)	0.4
Recognition of part of future with-profit transfers	0.4
US Credit	(0.3)
Other market related impact	(0.2)
F/X impacts and other	(0.2)
<hr/>	
HY 2009	2.5
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Hybrid Debt (July 2009)	0.5
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13 August 2009	3.0

Sources of IFRS Operating Profit – Total long-term business

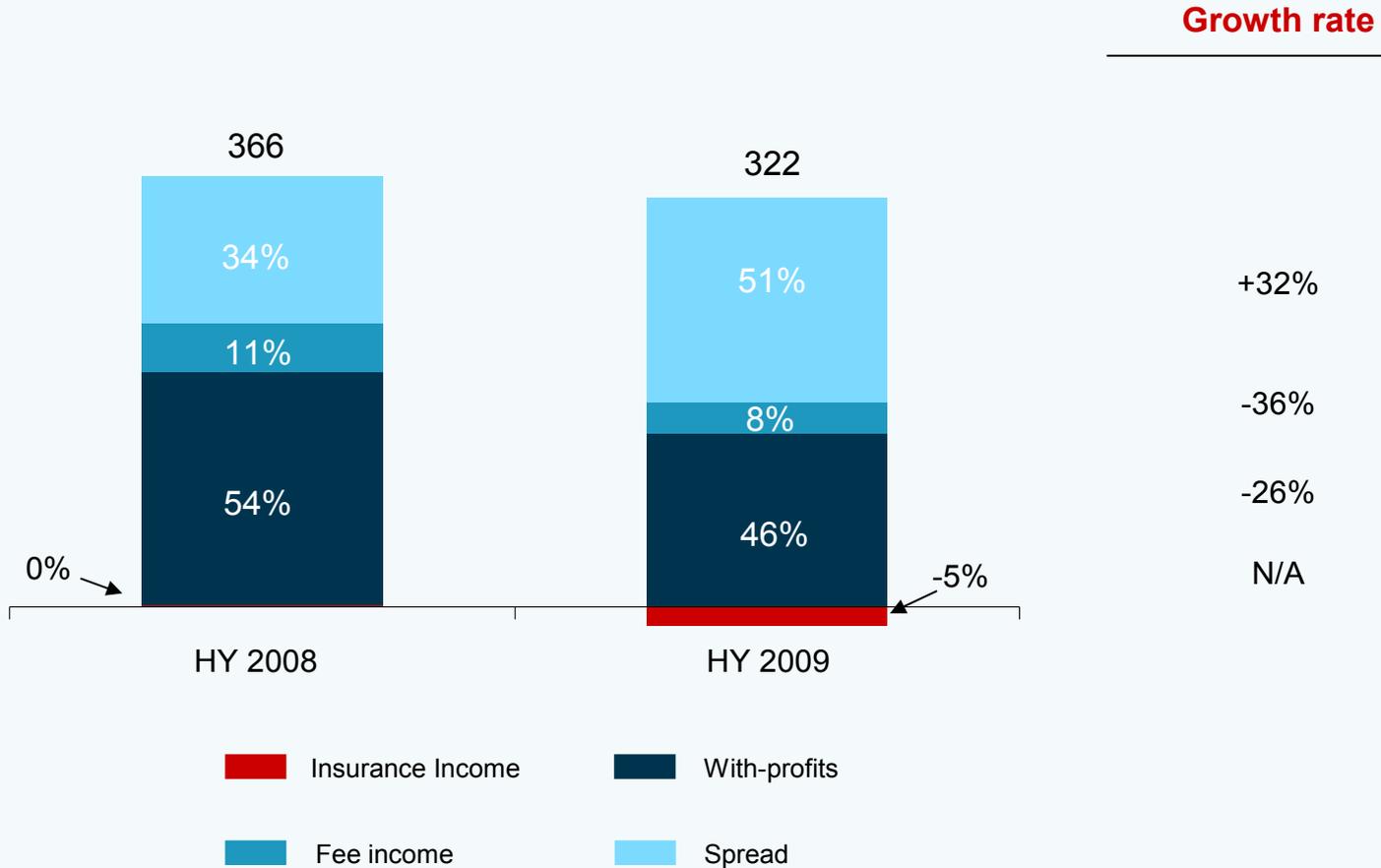
IFRS Operating Profit* – at AER, £m



* Excluding net expense margin, DAC amortization, and other items

Sources of IFRS Operating Profit – UK

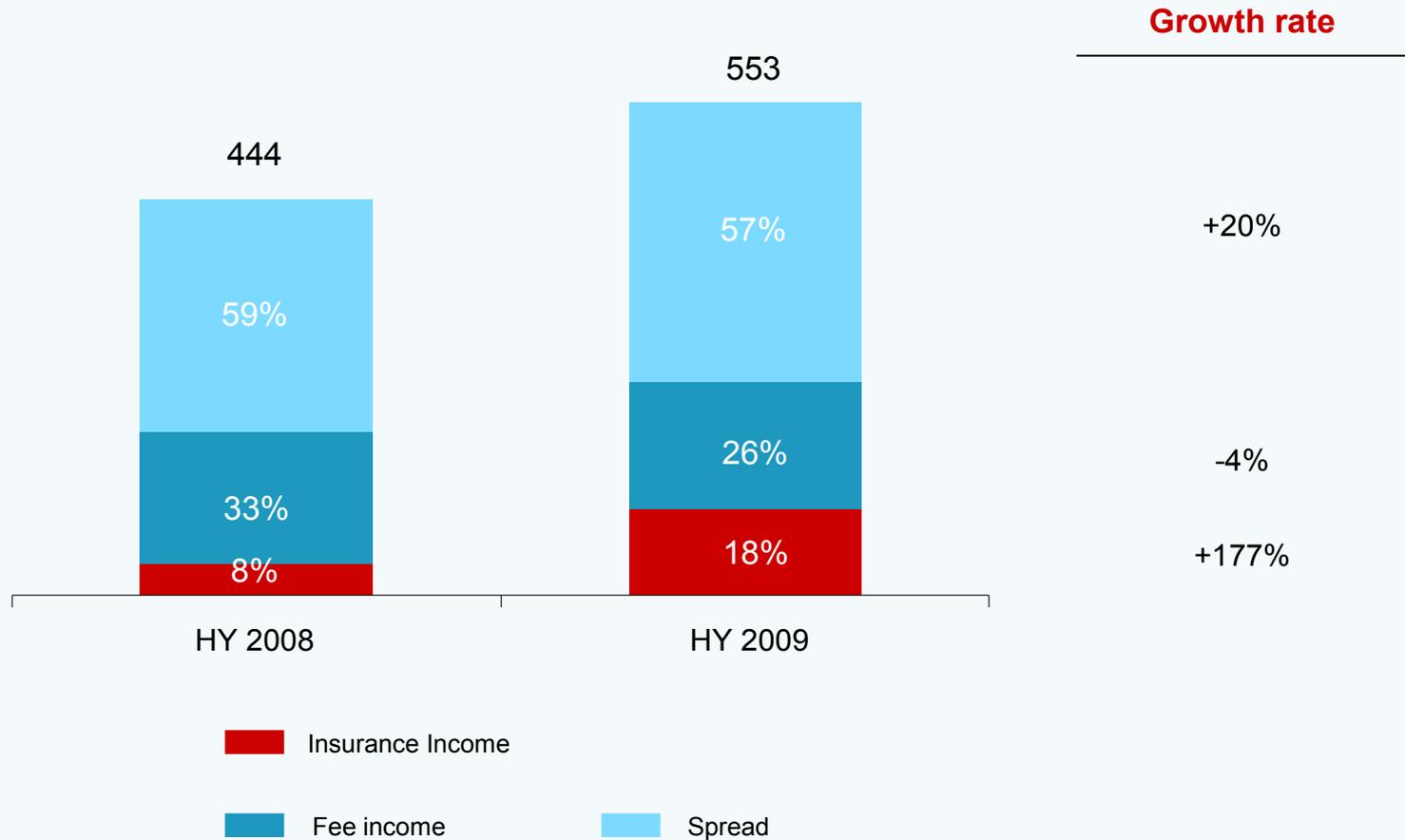
IFRS Operating Profit* – at AER, £m



* Excluding net expense margin and other items

Sources of IFRS Operating Profit – US

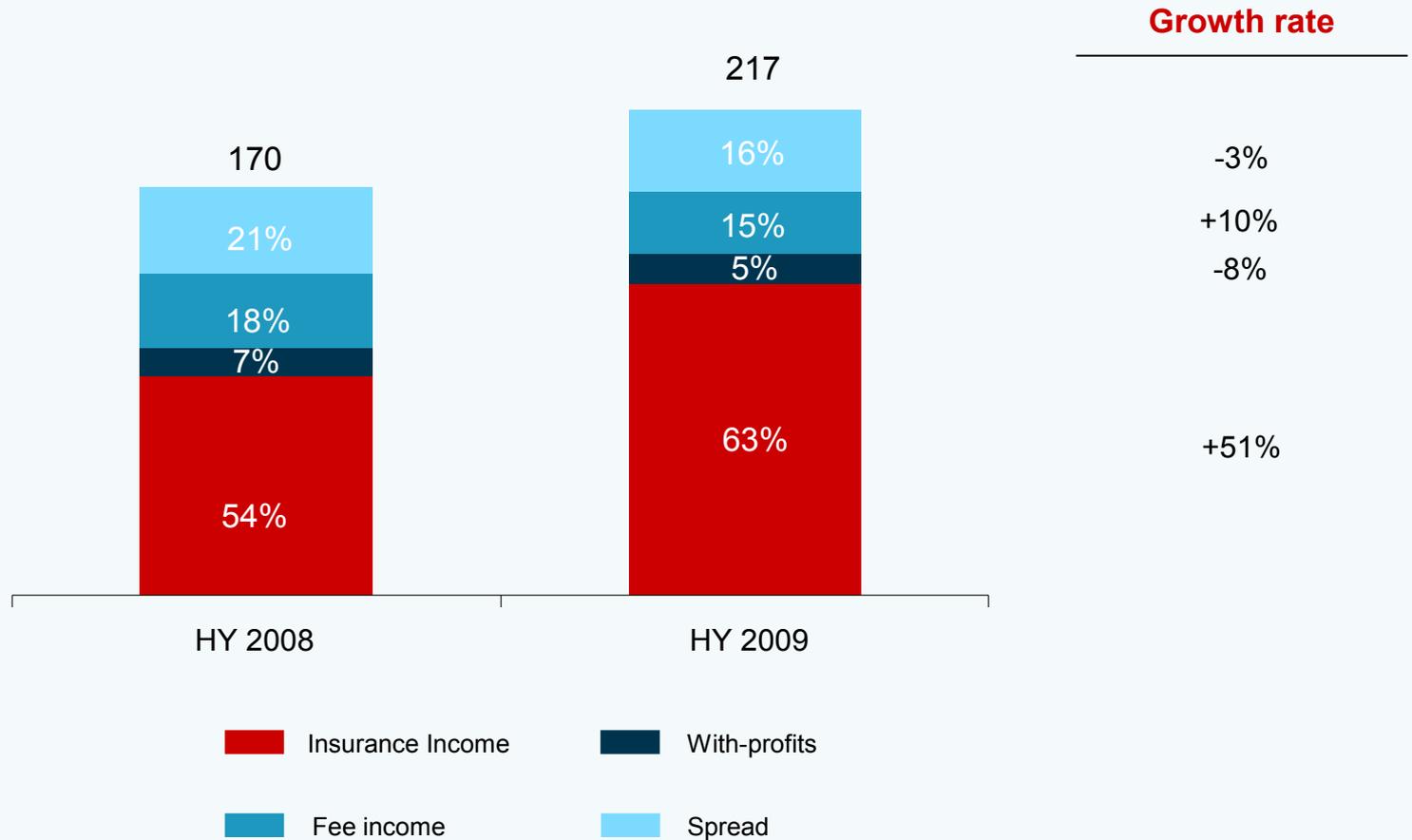
IFRS Operating Profit* – at AER, £m



* Excluding net expense margin, DAC amortization, and other items

Sources of IFRS Operating Profit – Asia

IFRS Operating Profit* – at AER, £m



* Excluding net expense margin and other items