410,

The scale and reach of our Asian franchise is unparalleled, with top five market share positions in seven of our 12 insurance markets. At the heart of our success lies our multi-distribution platform, which includes a tied agency force of over 410,000 people as well as a significant network of bank and other partnerships, and an emerging direct channel.

There's more to Prudential.

Business unit review
Insurance operations
Asia

Barry Stowe
Chief Executive, Prudential Corporation Asia

'In 2007 Prudential delivered new business APE of £1,306 million from Asia, representing very strong growth that averaged 44 per cent over 2006, with all operations delivering double-digit growth.'

Prudential's strategy in Asia is to build quality, multi-channel distribution that delivers customer-centric and profitable products in segments with the potential for sustained growth. By necessity, the approach to each market varies, but all operations are unified under the Prudence icon and common brand values and Prudential has the proven ability to leverage learning and expertise from within the region and the wider Group to accelerate the development of unique opportunities as they arise in each market.

The ability to execute the strategy is highly dependent on the strength and depth of the management talent pool in the region and consequently Prudential invests in continually strengthening and developing its teams. The operating model empowers local management teams with a regional team overseeing control functions such as risk management and providing strategic guidance and technical support in areas such as distribution optimisation and product design.

Prudential has a market-leading platform with top five market share positions, in terms of new business APE, in seven of its 12 markets. Prudential has the leading private sector life insurance joint ventures in China and India.

Current year initiatives

The core business priorities were outlined as:

— Building on existing strengths in agency channel.
— Improving and extending partnership distribution.
— Continuing product innovation.
— Strengthening and deepening customer relationships.
— Developing retirement solutions.
— Starting work on direct distribution.
— Re-examining approach to health products.

'Prudential has already begun positioning itself as a provider of retirement solutions through the roll-out of the successful 'What's your number?' campaigns in six countries.'

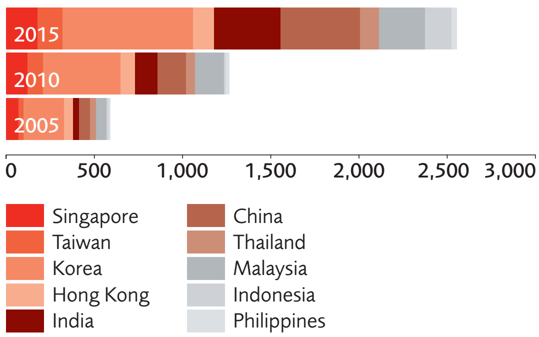
Agency is the predominant distribution channel in Asia and for Prudential, the agency force again generated 70 per cent of new business volumes in 2007. Success in agency distribution requires building and maintaining meaningful scale in terms of agent numbers whilst also providing the infrastructure to manage agent training and skills development to drive agency productivity. Prudential's agency priority depends on the stage of development of each individual market and Prudential's operation within it. For example in India, Prudential's joint venture with ICICI has been rapidly expanding, with the addition of 593 new branches during the year to give a total 1,065 and correspondingly average agent numbers in 2007 increased by 123 per cent and at 31 December there were 277,000 agents.

Similarly in China, although the rate of geographic expansion is slower as each new city requires separate regulatory approvals, the emphasis is also on expanding the agency channel; average numbers were up 38 per cent and at 31 December there were 20,500 agents. In markets where we have sufficient agency scale, the emphasis is on helping those agents become more productive through intensified training and sales management support. Agent productivity, in terms of average APE per agent, increased by 67 per cent in Vietnam and 21 per cent in Singapore during 2007.

Prudential has a large partnership distribution network in Asia. During 2007, Prudential extended its agreements with Standard Chartered Bank to include Taiwan where it will exclusively provide bancassurance products in their newly acquired HsinChu International Bank with its 83 branches and 2.4 million customers. In Korea regulation states that a bank can only source a maximum of 25 per cent of its total insurance sales from any one insurer, and with Prudential's existing bank partners regularly reaching their maximum shares, adding new banks is a priority. In 2007 Prudential secured two major new banks, Industrial Bank of Korea and Kookmin Bank. Prudential's regional bancassurance relationship with Citibank also grew strongly, with new business APE generated of £23 million being 12 per cent of total bank distribution for 2007.

In 2007 Prudential continued to broaden its range of linked products. These included the new Global Property Fund in Singapore and a new Takaful range in Indonesia, launched in September 2007. In Taiwan, a new variable annuity product and an agency incentive programme contributed to the growth in new business of 71 per cent for the year.

Projected Asia pensions market (excluding Japan) US$bn



Source: IMF

Asia	2007 £m	CER 2006 £m	CER Change %	RER 2006 £m	RER Change %
APE sales	1,306	909	44	956	37
NBP	653	487	34	514	27
NBP margin (% APE)	50%	54%		54%	
NBP margin (% PVNBP)	9.3%	10.0%		10.0%	
Total EEV basis operating profit*	1,046	779	34	829	26
Total IFRS operating profit*	189	177	7	189	0

* Based on longer-term investment returns excluding fund management operations, development and regional head office expenses.

Good results were attained from systematic cross-sell campaigns across the region, contacting more than two million of our existing customers. These included the initiation of a regular up-sell in Hong Kong through the indexation of policy benefits and initiatives to capture maturity proceeds in Singapore as well as a targeted offer of guaranteed increases in protection benefits in Malaysia.

Although still small, new business from direct marketing grew by 65 per cent over 2006 with Thailand performing well and recording growth of 52 per cent. The regional Direct Marketing team has been strengthened and work is now under way on exploring further opportunities.

In Asia, there are very material opportunities arising in the provision of healthcare solutions. Prudential successfully piloted new supplemental health products in Singapore, India and Hong Kong during the year, selling over 125,000 new policies.

Helping people address their financial needs for retirement is also a major growth opportunity and whilst Prudential already has a number of products designed to support the accumulation phase of a retirement fund, work is now under way on drawdown options and supporting related protection and health products. Prudential has already begun positioning itself as a provider of retirement solutions through the roll-out of the successful 'What's your number?' campaigns in six countries that encourage people to think about what resources they are likely to need to finance their retirement aspirations.

Prudential has a unique position in Vietnam with its market-leading life insurance business and well-respected brand. To further leverage this platform, Prudential launched a consumer finance company in September 2007.

Financial performance

In 2007 Prudential delivered new business APE of £1,306 million from Asia, representing very strong growth that averaged 44 per cent over 2006 and with all operations delivering double-digit growth including Taiwan, India and Indonesia, up 71 per cent, 67 per cent and 75 per cent respectively.

'What's your number?' retirement campaign
Prudential's 'What's your number?' campaign encourages individuals to identify and save toward a retirement goal that will support their lifestyle. Since 2005, the campaign has been launched in Korea, Hong Kong, Taiwan, Malaysia, Singapore and India.

'Asia expects to deliver doubling of 2005 EEV NBP a year early by 2008.'

New business profit increased by 34 per cent as the average profit margin reduced from 54 per cent to 50 per cent mainly due to a change in the country mix of the sales. China, Hong Kong, Korea and Taiwan all reported increases in new business profit margins compared to 2006. In India, the branch expansion programme has led to an increase in policy acquisition and maintenance costs and therefore a rebasing of the expense assumptions. The reduction in average margin for the other countries was due to a change in country mix.

In-force embedded value profits of £393 million are driven principally by the unwind of discount, with net assumption changes of £54 million and net experience variances of £(1) million. Assumption changes were principally due to favourable changes in corporation tax and positive mortality assumption changes. Negative persistency assumption changes are offset by positive expense assumption changes. Experience variances mainly reflected positive mortality across all operations partially offset by expense overruns in the newer operations of China, India and Vietnam.

IFRS profits

	CER		
	2007 £m	2006 £m	Change %
Established markets (Hong Kong, Singapore, Malaysia)	153	134	15
North Asia (Taiwan, Korea, Japan)	16	20	(20)
Joint venture markets (China, India)	(49)	(20)	(146)
Other SE Asian markets (Indonesia, Vietnam, Thailand, the Philippines)	68	43	58
Total Life IFRS profits	189	177	7

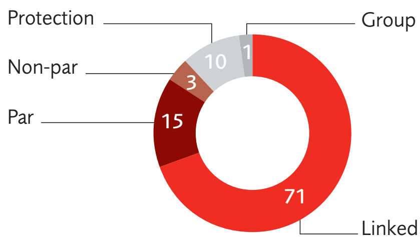
The total IFRS Operating profit of £189 million was up seven per cent on 2006. Within this, the Established markets (Singapore, Hong Kong and Malaysia) generated £153 million, up 15 per cent from 2006. The North Asia markets (Taiwan, Japan and Korea) generated £16 million, down 20 per cent from last year reflecting increased losses in Japan of £16 million. Excluding Japan, profits from North Asia almost doubled reflecting a strong increase in Taiwan of 47 per cent due to in-force profits, especially from long-term health products and favourable other experience. Losses from the joint ventures in India increased to £43 million, reflecting the fast pace of new business growth and investment in growing the branch networks. Losses from the joint venture in China reduced to £6 million. In the other markets (Vietnam, Thailand, Indonesia and the Philippines), profits grew by 58 per cent to £68 million reflecting the expected emergence of IFRS profits and a one-off £16 million favourable item in Vietnam.

In 2007 the Asian Life operations were again net remitters of cash to the Group of £56 million. Remittances totalling £148 million were from Hong Kong, Indonesia, Malaysia, Singapore and included the first remittance from Vietnam. The Life operations received injections of £92 million, of which £49 million was injected into India to support branch expansion with the balance primarily injected into China and Korea to support solvency requirements as a result of new business growth.

IRR for Asia was in excess of 20 per cent for 2007. In Asia, Prudential targets IRRs on new business to be at least 10 percentage points over the country risk discount rate, where these vary from five per cent to 17 per cent. During 2007 all markets except India and Japan met this target.

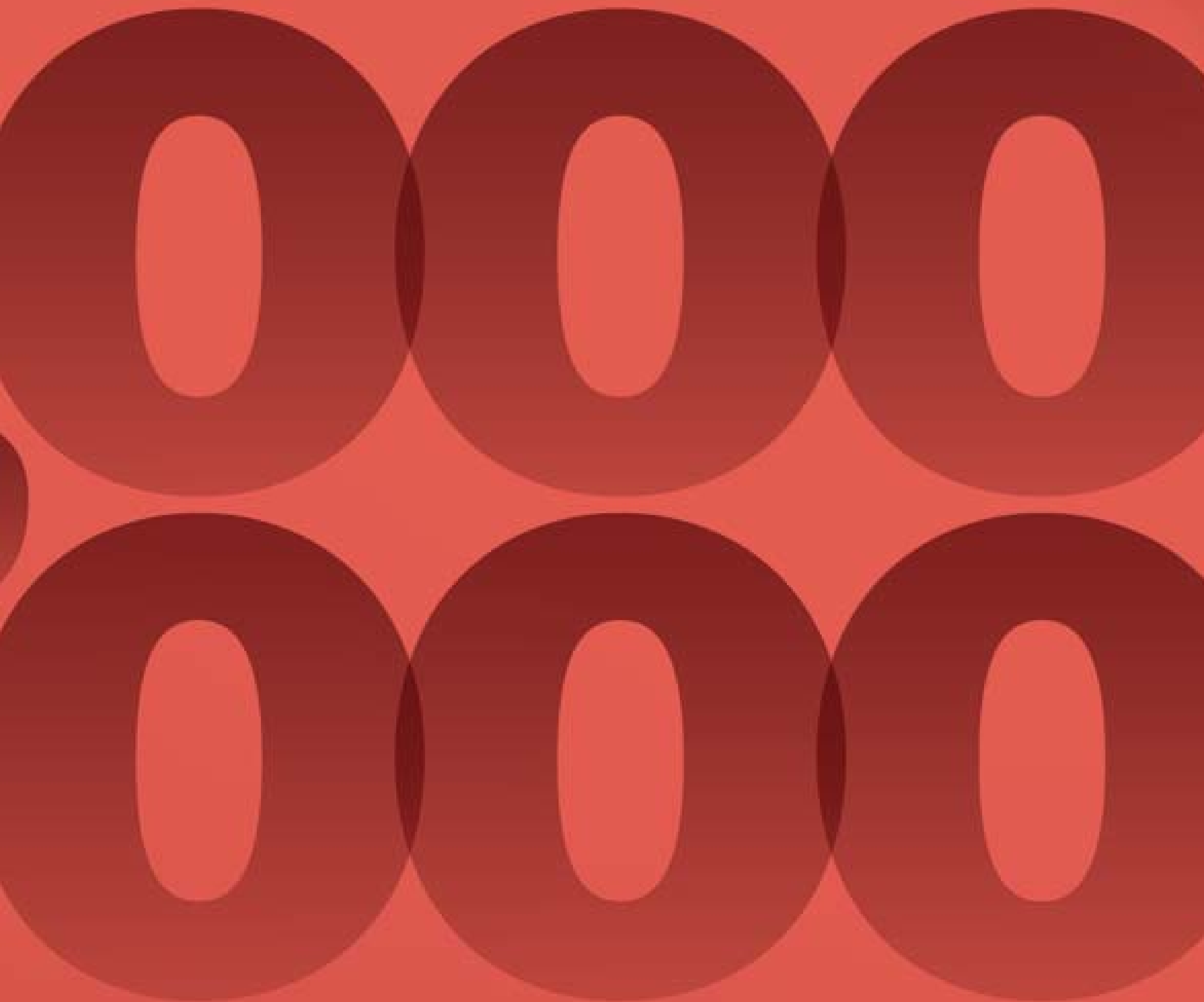
Having achieved compound growth of 26 per cent since 2005, Asia expects to deliver doubling of 2005 EEV NBP a year early by 2008.

Increasing proportion of APE sales from unit-linked business %



The United States is the largest retirement market in the world, with some 78 million baby boomers, the first of whom are now reaching retirement age. As the fastest growing variable annuity provider in the US for the past six years, Jackson is well positioned to meet the needs of this generation as it retires over the next decade and beyond.

There's more to Prudential.



Business unit review
Insurance operations
United States

Clark Manning
President and Chief Executive Officer of
Jackson National Life Insurance Company

'Jackson achieved record APE sales of £671 million in 2007, representing a 19 per cent increase on 2006. This growth was led by a continued increase in variable annuity sales.'

The US is the largest retirement savings market in the world and continues to grow rapidly. By mid-2007, total retirement assets in the US exceeded US$17.4 trillion, up from US$16.5 trillion at the end of 2006 (Source: Investment Company Institute). As 78 million baby boomers (Source: US Census Bureau) move into retirement age, these assets will shift from asset accumulation to income distribution. Currently, US$1.6 trillion of assets are generating retirement income. This amount is estimated to grow to US$7.3 trillion by 2017 (Source: Financial Research Corporation).

Despite these favourable demographics, US life insurers face challenges from both within and outside the industry. The industry remains highly fragmented, with the top 15 annuity companies sharing only 74 per cent of the total market share in 2007 (source: LIMRA). Competition is intensifying through aggressive price competition. Life insurers also find themselves competing with other financial services providers, particularly mutual fund companies and banks, for a share of US retirement savings assets.

During 2007, the Standard & Poor's (S&P) index increased 3.5 per cent (2006: 13.6 per cent), and the US equity markets experienced significant volatility during the second half of the year. The S&P index increased six per cent through June 2007, yet ended the year 2.5 per cent lower than in June and 5.7 per cent lower than at the end of October. This volatility and concerns about the US economy are expected to increase investors' interest in guarantees on products with equity-based returns.

In addition, for much of 2007, the yield curve was flat and credit spreads were relatively low, resulting in a difficult environment for the sale of properly priced fixed annuities. During the second half of 2007, the yield began to normalise and credit spreads began to widen, ending closer to normalised historical levels. The market for fixed annuities was further complicated during the year by artificially high deposit rates offered by banks to attract assets.

Jackson National Life Insurance Company's (Jackson) primary focus is manufacturing profitable, capital-efficient products, such as variable annuities, and marketing these products to advice-based channels through its relationship-based distribution model. In developing new product offerings, Jackson leverages a low-cost, flexible technology platform to manufacture innovative, customisable products that can be brought to the market quickly.

Jackson markets its retail products primarily through advice-based distribution channels, including independent agents, independent broker-dealer firms, regional broker-dealers, banks and registered investment advisers. Jackson also markets life insurance and fixed annuity products through its captive insurance agency, which is concentrated in the south-eastern US.

Current year initiatives

The core business priorities were outlined as:

- Continue enhancement and expansion of the existing product offering.
- Continue to take profitable share of variable annuities market.
- Increase penetration of existing distribution channels.
- Increase share of the US retail asset management market.

Jackson continues to base its success in the evolving US market on industry-leading distribution and product innovation coupled with sound evaluation of product economics. Jackson's long-term goals include the continued expansion of its share of the US annuities and retail asset management markets, which it plans to achieve by leveraging its relationship-based distribution advantage in the advice-based channels. Growth in Jackson's share of the US annuities market will be largely contingent upon continued enhancement and expansion of the existing product offering, increased penetration of existing distribution channels and entry into new distribution channels, as well as opportunistic acquisition activity.

'Jackson continues to base its success in the evolving US market on industry-leading distribution and product innovation coupled with sound evaluation of product economics.'

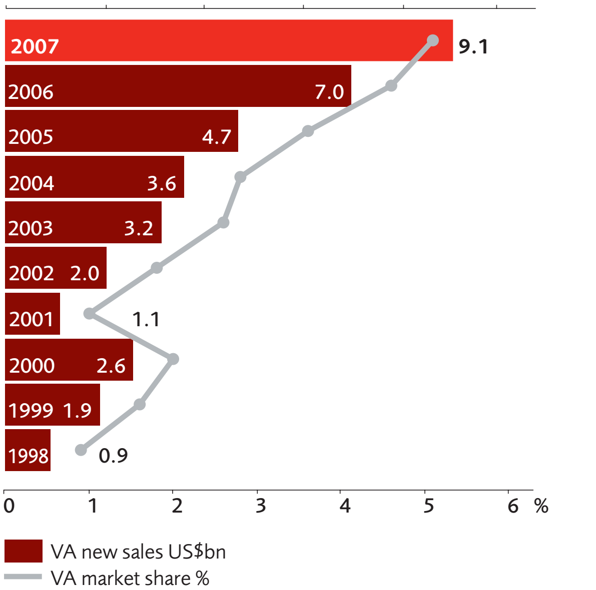
Innovation in product design and speed to market continue to be key drivers of Jackson's competitiveness in the variable annuity market. High-quality, cost-effective technology has allowed Jackson to offer a comprehensive product portfolio that can be customised to meet the needs of individual customers. Products are offered on an unbundled basis, allowing customers to select those benefits that meet their unique financial needs and pay only for those benefits that they truly need. This advantage, coupled with distribution through advice-based channels, allows Jackson to effectively meet individuals' long-term retirement savings and income needs. Jackson believes that leveraging this advantage is a more sustainable long-term strategy than price competition and, as a result, will not sacrifice product economics for a short-term increase in market share.

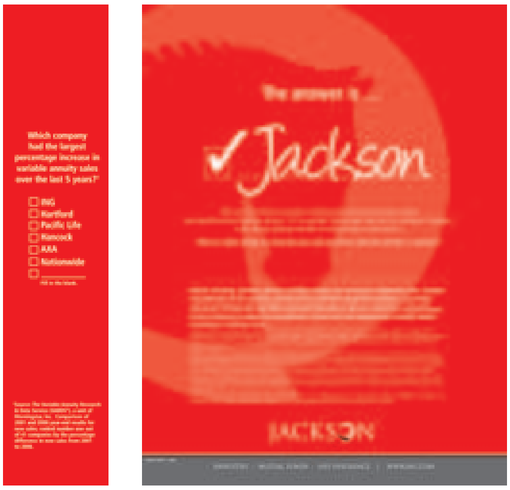
		CER		RER	
United States	2007 £m	2006 £m	Change %	2006 £m	Change %
APE sales	**671**	565	19	614	9
NBP	**285**	239	19	259	10
NBP margin (% APE)	**42%**	42%		42%	
NBP margin (% PVNBP)	**4.3%**	4.2%		4.2%	
Total EEV basis operating profit*	**627**	652	(4)	708	(11)
Total IFRS operating profit*	**444**	367	21	398	12

* Based on longer-term investment returns excludes broker dealer, fund management and Curian.

Business unit review
Insurance operations
United States continued

Jackson VA new sales and market share





Jackson's advertising campaign, emphasising its leading position in VA sales

Jackson supports its network of independent agents and advisers with award-winning customer service and marketing support. In 2007, the Service Quality Measurement Group rewarded Jackson with its third World Class Customer Satisfaction Award. Jackson's marketing campaigns continue to win awards for achievement in graphic design, editorial content and overall communications excellence.

Through organisational flexibility and excellence in execution, coupled with product innovation, a successful distribution model and a strong service offering, Jackson increased its share of the US variable annuity market to 5.1 per cent for full-year 2007 (source: Morningstar Annuity Research Center), up from 4.6 per cent for the full-year 2006.

Jackson continues to expand its product portfolio, adding a variety of new features during 2007. The company enhanced its variable annuity portfolio by adding 20 new underlying investment options, four new guaranteed minimum withdrawal benefits (GMWBs), one new guaranteed minimum income benefit (GMIB) and its first guaranteed minimum accumulation benefit (GMAB).

In 2007, Jackson also introduced a line of retail mutual funds and launched two new fixed index annuity products that offer new index options and multiple crediting methods. These additions provide even more product choices to advisers and create more opportunities to capture a larger portion of the US retirement market.

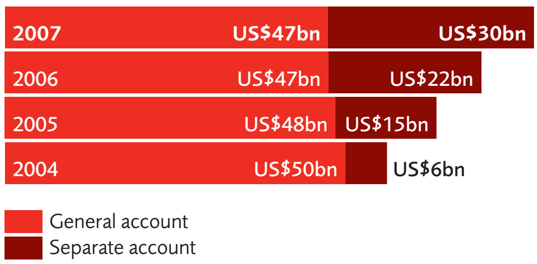
Jackson continues to seek bolt-on acquisitions that will complement its long-term organic growth strategy. Transactions will need to meet or exceed Jackson's targeted rate of return and will likely be in the life insurance channel, which provides stable future cash flows. Depending on the opportunities that become available, Jackson may consider utilising securitisation financing for these bolt-on transactions.

Financial performance

Jackson achieved record APE sales of £671 million in 2007, representing a 19 per cent increase on 2006. This growth was led by a continued increase in variable annuity sales. On a PVNBP basis, new business sales were £6.7 billion. Retail APE sales in 2007 of £577 million were up 19 per cent over 2006.

Jackson delivered record variable annuity APE sales of £455 million in 2007, up 29 per cent over 2006. In 2007, Jackson maintained its ranking of 12th in gross variable annuity sales (Source: Morningstar Annuity Research Center).

US statutory admitted assets US$bn



'Jackson delivered record variable annuity APE sales of £455 million in 2007, up 29 per cent over 2006.'

Fixed annuity APE sales of £57 million were 10 per cent down on 2006, while industry sales of traditional individual deferred fixed annuities were 13 per cent lower in 2007 compared to 2006 (Source: LIMRA).

Fixed index annuity sales continued to be affected by the uncertain regulatory environment in the US and the impact of low interest rates on caps and participation rates that are offered. As a result, industry sales were nearly one per cent lower in 2007 compared to 2006 (Source: Advantage Group

Associates). Jackson's APE sales of £45 million were 12 per cent down on 2006. In the third quarter of 2007, Jackson ranked first in fixed index annuity sales through banks for the ninth consecutive quarter (Source: The Kehrer-LIMRA Report). Jackson continues to pursue profitable growth and hence has been unwilling to compromise target margins in this market.

Institutional APE sales of £94 million were up 15 per cent on 2006. Jackson continues to participate in this market on an opportunistic basis when margins are attractive.

EEV basis new business profits of £285 million were 19 per cent above the prior year, reflecting a 19 per cent increase in APE sales with a shift in the mix of business toward variable annuities as well as increased sales of institutional business with longer duration. Total new business margin was 42 per cent, in line with 2006.

The variable annuity new business margin decreased from 49 per cent in 2006 to 42 per cent in 2007, primarily due to a 70 basis point decrease in the risk-free rate from 2006 to 2007. The lower risk-free rate resulted in a decrease in the assumed separate account return that was partially offset by a decrease in the risk discount rate. In addition, Jackson reviewed its experience assumptions during the year and revised certain partial withdrawal and expense assumptions, which also decreased the new business margin.

The fixed index annuity new business margin decreased from 31 per cent in 2006 to 26 per cent in 2007, primarily as a result of a change in expected future surrender charges.

The fixed annuity new business margin increased significantly from 16 per cent to 28 per cent, primarily as a result of a decrease in the risk discount rate for the year.

The new business margin on institutional business improved significantly, from 39 per cent in 2006 to 58 per cent in 2007 due to the much longer average duration contracts written during 2007 and a lower risk discount rate.

Total EEV basis operating profit for the long-term business for 2007 was £627 million compared to £652 million in the prior year at CER. In-force EEV profits of £342 million were 17 per cent below prior year profit of £413 million at CER. Experience variances were £58 million lower in 2007 due to lower spread income and the impact of persistency adjustments. Operating assumption changes were less favourable than the prior year by £17 million including the impact of updated persistency and lapse rates during 2007. One-off items favourably affected the spread income variance by £40 million during 2007.

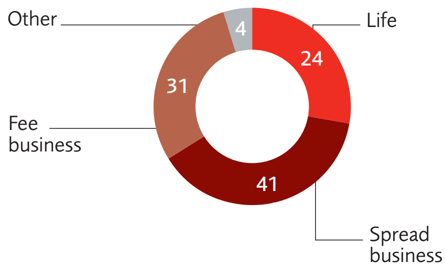
IFRS operating profit for the long-term business was £444 million, up 21 per cent on the prior year of £367 million at CER, primarily reflecting an increase in fee income and continued low mortality rates during 2007. Higher fee income was driven primarily by higher separate account assets given the growth in variable annuity sales, and an improvement in the average fees generated from those assets given the increase in election of guaranteed optional benefits. In 2007, IFRS spread income included a number of non-recurring items, totalling £26 million net of DAC amortisation (2006: £31 million at CER).

At 31 December 2007, Jackson had more than £41 billion in US GAAP assets. Of this total, £15 billion were separate account assets, an increase of £4 billion from year-end 2006, further increasing Jackson's earnings from fee-based products.

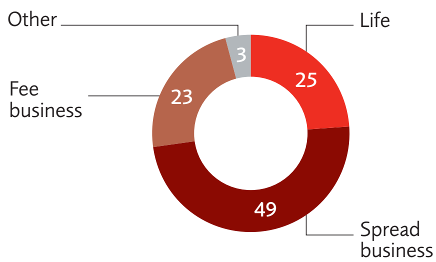
During the second half of 2007, equity market volatility increased materially primarily due to liquidity concerns and valuation issues in the US sub-prime mortgage market. Much of the market movement was due to concerns regarding the risk in this market that resulted in a tightening in the level of credit available. While the financial services industry was hardest hit by these events, losses were generally limited to those companies with significant levels of sub-prime or Alt-A mortgage exposure. Jackson's exposure to the sub-prime mortgage market is limited at only £237 million at the end of 2007. Most of this exposure is in fixed rate, residential mortgage-backed securities that are AAA rated and hold first liens on the underlying collateral. Exposure to Alt-A was £660 million and direct exposure to monoline insurers was £23 million.

The average IRR on new business was up slightly to 19 per cent, primarily due to a larger proportion of variable annuity sales in 2007.

Jackson IFRS operating profit 2007 %



Jackson IFRS operating profit 2006 %



Operating and financial review

In the United Kingdom, we focus on those segments of the retirement income and savings markets where we can generate attractive returns. In 2007 we retained our leadership position in individual annuities, writing one in four of the contracts sold during the year. This success was achieved without compromising overall margins and returns which were among the highest in the UK insurance sector.

There's more to Prudential.

Business unit review
Insurance operations
United Kingdom

'A strong Retail performance saw a four per cent increase in sales and a 17 per cent increase in new business profit to £223 million, demonstrating the continuing benefits of selectively participating in product lines that can deliver attractive returns.'

In 2007, Prudential UK continued its strategy of selectively competing in areas of the retirement savings and income markets where it can generate attractive returns.

The UK business remains focused on maximising value from the opportunity afforded by the fast growing need for retirement solutions. With an ageing population and the concentration of UK wealth in the mass affluent and high net worth sectors, the retirement and near-retirement population will represent the fastest growing segments of the market over the next 10 years. Low savings rates and high levels of consumer debt, combined with a shift in responsibility for providing income during retirement from Government and employers towards individuals, have resulted in individuals being inadequately provided for during increasingly long periods of retirement. These consumers will have a need for high-quality financial advice and service and are increasingly seeking guarantees and longevity protection from their financial products.

Prudential UK has a unique combination of competitive advantages including its significant longevity experience, multi-asset management capabilities and its brand and financial strength. These put it in a strong position to pursue its value-driven strategy in its two principal businesses: Retail and Wholesale.

Prudential UK's Retail business is focusing on savings and income for those customers nearing or in retirement. Its retirement income business aims to continue to drive profitable growth in its core annuities operation and grow its presence in the equity release market. The significant 25-year pipeline of internal vestings annuity business from maturing individual and corporate pensions policies is enhanced by strategic partnerships with third parties, where Prudential UK is the recommended annuity provider for customers vesting their pension at retirement. This scale enables our selective value-based participation in the external vestings market. Annuities remain core drivers of the sales and profit derived by Prudential UK, which now has approximately 1.5 million annuities in payment.

Prudential UK remains a market leader in the with-profits market. These products offer a medium to long-term, medium-risk investment with exposure to a diverse range of assets that is particularly important to many customers against the backdrop of market uncertainty.

In the Retail accumulation business, Prudential UK continues to be a market leader in the corporate pensions market where it is a provider of over 20 per cent of FTSE 350 companies and the largest provider of pension schemes to the UK public sector. Prudential now administers corporate pensions for over 600,000 members.

In addition, the Retail business has used its brand and strength with Discovery to build branded distribution in Health and Protection, further using the joint venture to access Discovery's Vitality concept and lifestyle protection capabilities.

Prudential UK's strategy in the Wholesale market is to participate selectively in bulk annuity and back-book buy-outs, where Prudential UK is able to win business based on its financial strength, superior track record, market-leading investment capability as well as its extensive annuitant mortality risk assessment capabilities. The Wholesale business, which has been in operation for over 10 years and has already written more than 400 bulk buy-outs, has a strong track record in the risk management of pension schemes for corporate clients and insurers wishing to reduce or eliminate their investment or longevity liabilities. Prudential UK will maintain a strict focus on value, only participating in transactions that generate an acceptable rate of return.

Current year initiatives

Prudential UK's key priorities in 2007 were:

— Maintaining leadership position in individual annuities.
— Building share of the equity release market.
— Growing the volume of products that utilise Prudential's multi-asset management expertise.
— Deepening relationships with chosen distributors including the introduction of customer-agreed remuneration across some product lines.
— Realigning cost base to the selective business strategy.
— Delivering wholesale transactions with attractive rates of return.

'Prudential UK has a unique combination of competitive advantages including its significant longevity experience, multi-asset management capabilities and its brand and financial strength.'

During 2007, Prudential UK maintained its market leadership in individual annuities, where it has continued to create value by maintaining high retention rates. This has been augmented by partnership deals with insurers such as Zurich, Royal London and Save and Prosper. We also announced a new partnership with Barclays, where Prudential will be the preferred supplier of conventional annuity products to their retail customers in the UK.

	CER			RER	
United Kingdom	2007 £m	2006 £m	Change %	2006 £m	Change %
APE sales	**897**	900	0	900	0
NBP	**277**	266	4	266	4
NBP margin (% APE)	**31%**	30%		30%	
NBP margin (% PVNBP)	**3.6%**	3.4%		3.4%	
Total EEV basis operating profit*	**859**	686	25	686	25
Total IFRS operating profit*	**528**	500	6	500	6

* Based on longer-term investment returns.

Capitalising on the need for inflation protection in retirement, Prudential remains the market leader in the growing with-profits annuity market, with over 75 per cent market share. Early in 2007 Prudential made a number of product enhancements including the facility to accept Protected Rights monies, which was a first in the with-profit annuity market.

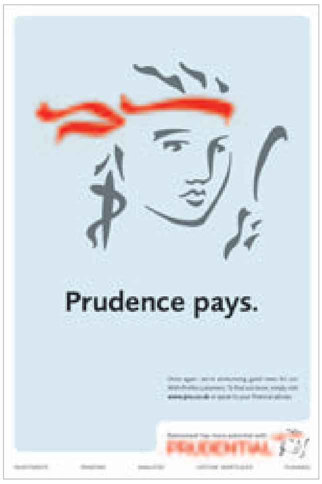
In the fourth quarter, Prudential UK launched an income drawdown product. This product helps customers manage their pension through the various stages of retirement, and offers flexibility whilst providing potential for growth through investment. Together with the Flexible Lifetime Annuity this gives Prudential a full range of retirement income solutions.

Investing in property has been an increasingly important component for many people saving for their retirement. However, this has left many retirees income poor but asset rich. Prudential UK's lifetime mortgage business grew its share of the lifetime mortgage market to 14 per cent through its distinctive drawdown product and strong brand. In the third quarter a number of product enhancements were introduced, including an inheritance guarantee and a new lump sum product. Prudential expects both its market share and the overall market size to grow.

In a relatively volatile investment market there has been a marked increase in demand for cautious managed solutions providing enhanced returns. In February 2007, Prudential UK launched the Cautious Managed Growth Fund and the Managed Defensive Fund, using Prudential's strengths in investment expertise and in disciplined approach to asset allocation. These funds have the potential to offer a better longer-term return than a bank or building society account and allow the customer to access real returns with lower volatility. These funds are available across the full tax wrapper suite, including onshore and offshore bonds, individual pensions and mutual funds.

During 2007, Prudential UK introduced customer-agreed remuneration across some of its product lines. Under this model, financial advisors agree their remuneration directly with the customer and not with the product provider, and in doing so make commission structures far more transparent. This is in line with Prudential UK's focus on building strong long-term relationships with advisers as well as offering market-leading retirement solutions.

The agreement announced in 2007 with Capita to outsource a large proportion of its in-force and new business policy administration is another important milestone for the UK business. This agreement will deliver £60 million per annum of savings to Prudential UK, and is an important element in achieving its total cost-saving target of £195 million. The contract will result in approximately 3,000 employees transferring to Capita and helps the UK deliver its long-term cost savings strategy by removing fixed costs from the business and achieving significant operating efficiencies. This provides a significant reduction in long-term expense risk by providing certainty on per-policy costs as the number of policies in the mature life and pensions book decreases over the coming years. Unit costs per policy are expected to reduce by over 30 per cent by 2011.



Prudential's advertising campaign in the UK, focusing on its market-leading Life Fund investment returns and related bonus declaration

By the end of 2007 £115 million of the cost-saving target had been delivered. The remaining £80 million, including the £60 million generated from the Capita contract, will be delivered by the end of 2010.

In December, Prudential completed the transfer of Equitable Life's portfolio of in-force with-profits annuities. This book covers approximately 62,000 policies with assets of approximately £1.74 billion. This deal grows Prudential's with-profits business and creates value for both Equitable policyholders and Prudential's shareholders and policyholders.

Financial performance

Total APE sales of £897 million were in line with 2006 and there was a four per cent increase in new business profit to £277 million, reflecting an improved new business margin of 31 per cent in an increasingly competitive market. The 2006 comparator included credit life sales of £63 million and associated new business profit of £20 million written under a single contract that was not renewed in 2007.

A strong Retail performance saw a four per cent increase in sales and a 17 per cent increase in new business profit to £223 million, demonstrating the continuing benefits of selectively participating in product lines that can deliver attractive returns. Retail sales growth was driven by strong performances in individual annuities, corporate pensions, with-profits bonds and lifetime mortgages.

'A strong Retail performance saw a four per cent increase in sales and a 17 per cent increase in new business profit.'

In the wholesale bulk annuity and insurer back-book market, Prudential UK achieved a 26 per cent year-on-year increase with sales in 2007 of £180 million. In the fourth quarter Prudential completed the transfer of Equitable Life's portfolio of in-force with-profit annuities. In the previous year, Prudential UK completed two back-book insurer deals with a total volume of £143 million. New business profits relating to the Wholesale business were £54 million in 2007.

EEV basis operating profit based on longer-term investment returns of £859 million, before restructuring costs of £8 million, were up 25 per cent on 2006. The in-force operating profit of £582 million was up 39 per cent on 2006, due to the increase in profits arising from the unwind of the in-force book (reflecting an increased opening embedded value) and a £67 million positive operating assumption change in 2007 reflecting the change in the long-term tax rate assumption from 30 per cent to 28 per cent. A charge in respect of a mortality operating assumption change on annuity and deferred annuity pension business of £312 million was fully offset by the release of excess margins previously held.

Other charges of £77 million include £36 million of costs associated with product and distribution development; £13 million for an annual fee paid by the shareholder business to the Prudential Assurance Company's (PAC) with-profits sub-fund for the use of the Prudential and Scottish Amicable trademarks; £14 million in respect of the tariff arrangement with Scottish Amicable Insurance Finance (SAIF), which terminates at the end of 2007 and £14 million in relation to other items.

Prudential continues to manage actively the retention of the in-force book. During 2007, experience at an aggregate level has been in line with our long-term assumptions as evidenced by the small positive experience variance.

IFRS operating profit increased six per cent to £528 million before restructuring costs of £7 million. This reflects a seven per cent increase in profits attributable to the with-profits business which contributed £394 million, reflecting strong investment performance and its impact on terminal bonuses. The net impact of the mortality strengthening and release of margins held in other assumptions under the IFRS basis was a positive net £34 million.

In 2007, Prudential received a £4 million net commission payment from Winterthur relating to general insurance sales under the Prudential brand in the UK. From early 2008, on settlement of an advance payment made by Winterthur in 2002, the business expects to receive approximately £30 million a year in commission payments, although this will depend on the new business volumes and persistency rates.

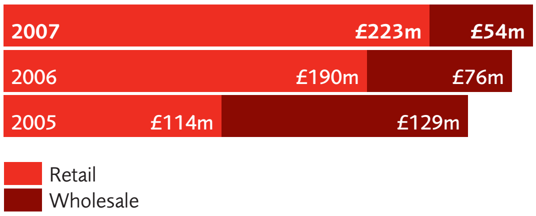
Prudential UK writes with-profit annuity, with-profits bond and with-profits corporate pension business in its life fund with other products backed by shareholder capital. The weighted average post-tax IRR on the shareholder capital allocated to new business growth in the UK was 14 per cent, excluding the Equitable Life deal (18 per cent including this business).

APE new business premiums £m

+0%

EEV new business profit £m

+4%



Total EEV basis operating profits £m

+25%

£267b

Around the world, Prudential manages over £267 billion of assets. These include the underlying funds for our insurance businesses, as well as nearly £70 billion of external funds. The growth in our funds under management is underpinned by our strong track record of investment performance, which is also a key driver of success for our insurance businesses.

There's more to Prudential.

Business unit review
Asset management
M&G

Michael McLintock
Chief Executive, M&G

'M&G recorded another year of record profits in 2007 with an operating result of £203 million.'

M&G is comprised of the M&G asset management business and Prudential Capital.

M&G asset management

M&G is an investment-led business with a demonstrable focus on performance delivery and aims to offer attractive products in a variety of macro-economic environments. M&G aims to

Global

The Prudential Group's asset management businesses provide value to the insurance businesses within the Group by delivering sustained superior performance. They are also important profit generators in their own right, having low capital requirements and generating significant cash flow for the Group.

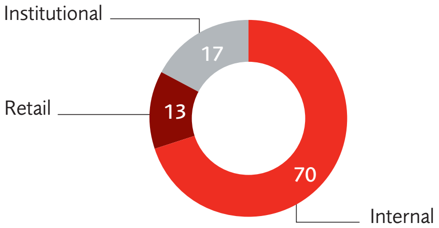
The asset management businesses are well placed to capitalise on their leading market positions and strong track records in investment performance to deliver net flows and profit growth as well as strategically diversifying the Group's investment propositions in retail financial services (RFS) markets that are increasingly favouring greater product transparency, greater cross-border opportunities and more open-architecture investment platforms. Wholesale profit streams are also growing.

The Group's asset management businesses operate different models and under different brands tailored to their markets and strengths, however they continue to work together by managing money for each other with clear regional specialism, distribute each others' products and share knowledge and expertise, such as credit research.

Each business and its performance in 2007 is summarised in this and the following pages.

deliver superior investment performance and maximise risk-adjusted returns for our retail, wholesale and internal clients. External funds under management account for nearly a third of M&G's total funds under management and it is this higher-margin external business that drives profitability and cash generation for the Group.

Funds under management by client %
Total £167bn



M&G's retail strategy is based on obtaining maximum value from a single manufacturing function through a multi-channel, multi-geography distribution approach. Over the last five years, M&G's retail business has expanded beyond the UK into the major European markets, the Middle East, South America and Asia. By operating through multiple channels, M&G's retail business is well placed to profit from current trends away from direct selling towards intermediation, and the growth of online fund platforms and third-party product wrappers.

M&G's wholesale strategy centres on leveraging the skills developed primarily for internal funds to create higher-margin products for external clients. In recent years, this strategy has consolidated M&G's position at the forefront of the leveraged finance, structured credit and infrastructure investment markets. The same strategy is now being applied to develop the more traditional pooled and segregated fixed income areas of M&G's wholesale business.

M&G has significant scale in all major asset classes: it is believed to be one of the largest active managers in the UK stock market, one of the largest bond investors in the UK and one of the UK's largest property investors. In addition, M&G has profitable businesses in a number of specialist areas such as leveraged loans, structured credit, infrastructure finance and macro investment.

Current year initiatives

Delivering fund performance remains critical and is the key determinant of success for an asset management business. M&G has continued to deliver market-leading investment performance in 2007 with impressive results. M&G's retail funds have performed exceptionally well, with 45 per cent delivering top-quartile performance[1]. In addition, 86 per cent of M&G's segregated institutional funds have met or exceeded their benchmark performance[1].

Returns[1] on Prudential's Life Fund assets were 66 basis points ahead of benchmark and 143 basis points better than peer group.

Overall, the demand for asset management products in M&G's distribution markets continued to grow strongly in 2007 driven, in part, by the same retirement-related demographic trends that are creating opportunities for the Group as a whole.

With a diversified business across different asset classes and across retail and wholesale markets, both in the UK and internationally, M&G remains well positioned for a variety of macro-economic and market conditions.

The way that clients purchase asset management products continued to evolve during 2007. The retail asset management sector benefited from the increasing shift by retail investors towards more transparent investment products, such as unit trusts, and M&G's range of market-leading funds has positioned it well to benefit from this trend. M&G extended its range of innovative new funds during 2007 with the launch of the M&G Cautious Multi Asset Fund and M&G Global Convertibles Fund.

1 Over three years.

		CER		RER	
M&G	2007 £m	2006 £m	Change %	2006 £m	Change %
Net investment flows	**4,958**	6,101	(19)	6,101	(19)
Revenue*	**482**	429	12	429	12
Other income	**30**	27	11	27	11
Staff costs	**(224)**	(216)	(4)	(216)	(4)
Other costs	**(113)**	(106)	(7)	(106)	(7)
Underlying profit before performance-related fees	**175**	134	31	134	31
Performance-related fees	**28**	27	4	27	4
Operating profit from asset management operations	**203**	161	26	161	26
Operating profit from Prudential Capital	**51**	43	19	43	19
Total IFRS operating profit†	**254**	204	25	204	25

* Revenue excludes income earned by Prudential Capital and by investment funds controlled by the asset management operations.
† Based on longer-term investment returns.

European cross-border distribution of retail funds has accelerated and the trend in favour of 'Open Architecture' in both the UK and Europe continues to open up significant bank and life company distribution opportunities. Parallel to this, distribution of mutual funds has become increasingly intermediated and has been accompanied by the rise of professional buyers who demand higher levels of service and investment information, areas in which M&G has considerable expertise. M&G has continued to expand its geographic coverage in Europe with the first full year of operations in Spain and the launch of M&G's funds in France in October 2007, which has given M&G access to Europe's largest mutual fund market.

'In order to support its retail and wholesale strategy, M&G places a high priority on the recruitment, development and retention of top-quality staff.'

Wholesale markets are demanding increasingly sophisticated and tailored products and there is a continued shift from balanced to specialist mandates. These trends, plus the increased role of fixed income within portfolios, continue to play to the strength and scale of M&G's wholesale business. In 2007, M&G launched three new funds aimed at the institutional and pensions markets – the M&G Alpha Opportunities Fund, M&G Secured Property Income Fund and the M&G Secured Debt Fund. All of these funds offer innovative alternatives to traditional fixed income assets and leverage off M&G's expertise and scale in both property and private finance.

M&G's infrastructure investment business has grown from inception in 2005 to manage £471 million (2007 year end fair value) in its principal fund, Infracapital. The business contributed £7.1 million to M&G profits in 2007.

M&G's global macro investment business was established in 2005 and has grown to £1.5 billion in external funds under management as at the end of 2007. It contributed £11.2 million in profits to M&G in 2007, including performance-related fees.

In order to support its retail and wholesale strategy, M&G places a high priority on the recruitment, development and retention of top-quality staff. In a highly competitive market for the best talent, this entails providing an inclusive and supportive environment as well as offering appropriate levels of compensation. At the same time, M&G has a policy of prudent cost control, ensuring that top-line growth is translated into enhanced operational gearing. During 2007 turnover of staff remained in line with industry averages at 10 per cent and the company spent £2.1 million on training and development programmes.

Financial performance

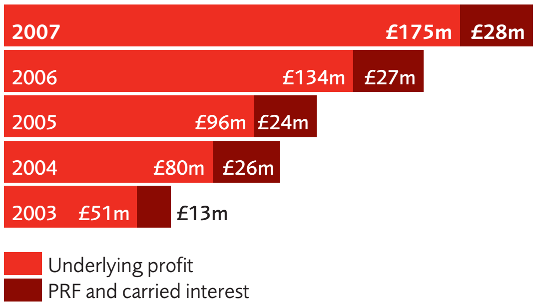
M&G recorded another year of record profits in 2007 with an operating result of £203 million (2006: £161 million), representing profit compound annual growth rate (CAGR) of 34 per cent since 2003. Underlying profit growth, which excludes volatile performance related fees (PRFs) and carried interest earned on private equity investments, has grown at 36 per cent CAGR over the same period to £175 million (2006: £134 million).

M&G continues to target increased diversity in profit-generating activities. In 2007, 80 per cent of underlying profits were generated as a result of managing external funds, compared to 23 per cent in 2003.

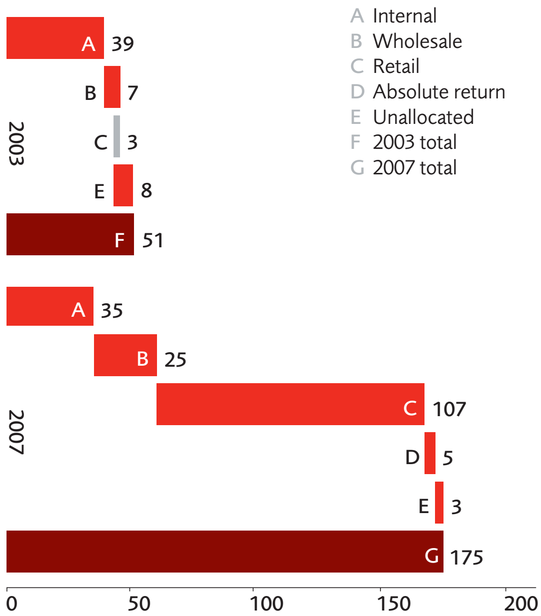
Profit growth is driven by four key factors: appreciation of underlying assets, positive net sales, increasing mix of higher-margin business and decreasing cost/income ratio.

The underlying growth in M&G's principal investment markets over recent years has been strongly supportive of its performance. While this growth is beyond the company's control, M&G has been successful at increasing diversity in terms of both asset class and distribution channel in order to reduce exposure to cyclical downturns in individual markets.

Underlying and total operating profit 2003-2007 £m



Underlying operating profit contribution by business area £m



M&G has performed strongly against the other three measures. Net sales for 2007 of £5.0 billion (2006: £6.1 billion) were driven by both the retail £2.7 billion (2006: £3.1 billion) and wholesale £2.3 billion (2006: £3.0 billion) businesses. Gross inflows of £14.7 billion were the highest on record, offset to some extent by higher gross redemptions, particularly in the more volatile international retail marketplace.

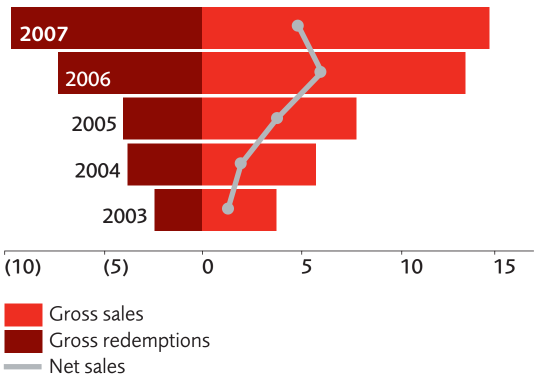
The continued strong growth in external funds under management, coupled with a small decline in the value of funds managed for Prudential, has resulted in an increasing mix of higher-yielding business for M&G. This has supported an increase in gross margin (revenue as a proportion of FUM) from 28.0 basis points in 2003 to 30.8 in 2007.

'M&G continues to provide capital efficient profits and cash generation for the Prudential group, as well as strong investment returns on its long-term business funds.'

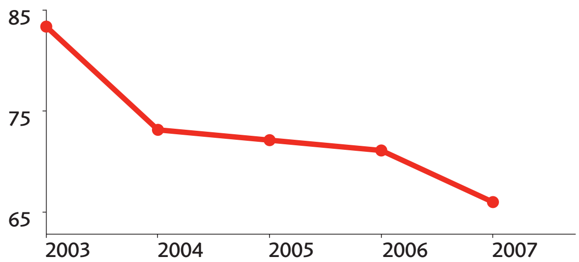
During 2007, M&G has exercised continued cost discipline to ensure that top-line growth feeds through to profitability and cash generation. M&G's cost/income ratio for 2007 was 66 per cent (2006: 71 per cent), having fallen from 83 per cent in 2003.

M&G continues to provide capital efficient profits and cash generation for the Prudential group, as well as strong investment returns on its long-term business funds. Cash remittances were £99 million in 2007.

External sales and redemptions 2003-2007 £bn

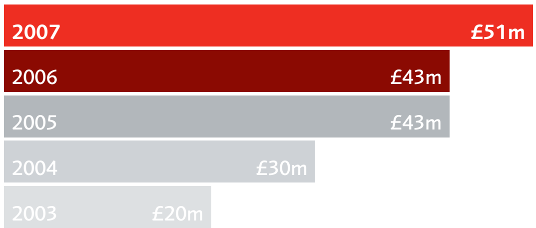


Cost/income ratio 2003-2007 %



Prudential Capital

Prudential Capital operating profit 2003-2007 £m



Prudential Capital (re-branded from Prudential Finance in 2007) manages Prudential's balance sheet for profit through leveraging Prudential's market position. The business has three strategic objectives: to operate a first class wholesale and capital markets interface; to realise profitable proprietary opportunities within a tightly controlled risk framework; and to provide professional treasury services to Prudential. Prudential Capital generates revenue by structuring transactions, providing bridging finance, and operating a securities lending and cash management business for Prudential and its clients.

The business has continued to grow in terms of investment, infrastructure and personnel in a controlled way while maintaining the dynamism and flexibility that it requires to identify and realise opportunities for profit. Prudential Capital is committed to working closer with other Group business units to deliver opportunities and to improve value creation for the Group. Prudential Capital is also taking a more holistic view on hedging strategy, liquidity and capital management for the Group.

Prudential Capital has a diversified earnings base derived from bridging, structured finance and wholesale markets. Prudential Capital delivered a good financial result in 2007, driven by increased investment activity and strong securities lending performance. As a result of increased revenue and maintaining a low cost/income ratio, operating profits increased by 19 per cent to £51 million, resulting in a cash remittance to the holding company of £40 million.

Business unit review
Asset management
Asia

Prudential's asset management business in Asia supports the Life Business, and has established itself as an increasingly material retail business in its own right. Today it has retail operations in 10 markets and is the only foreign fund manager with a top five market share position in more than one Asian country.

The mutual fund industry continues to diversify its investments; expectations are for a significant increase in net flows over the coming years. Bank distribution continues to dominate in most markets in Asia, and Prudential has established strong relationships with both regional and local banks and places great emphasis on providing good service.

Current initiatives

Fund innovation is essential in maintaining sales levels and distribution agreements, and during 2007 Prudential's operations launched 71 new funds. The largest of which include two India funds for Japan; the India Equity Fund and the India Infrastructure Fund. The China Dragon A Share Equity Fund in Korea reached its regulatory cap in two weeks and the Asia Pacific REIT in Taiwan also reached its regulatory cap.

A key achievement in 2007 was the expansion of regional distribution relationships with Citi and HSBC. The Asian asset management business also signed a global partnership agreement with HSBC Private Banking and is now part of the Credit Suisse Fundslab platform.

Greater deregulation and higher allocations by sovereign wealth and other institutional investors in foreign investments is driving the growth of offshore funds in the market and Prudential is also developing its institutional asset management business in Asia, winning mandates of £0.5 billion during 2007.

Prudential launched a retail mutual fund business in Hong Kong in October 2007. Since launch six distribution relationships have been signed, including banks, financial advisers and an online portal.

The United Arab Emirates operation also made good progress with 13 distribution agreements signed since launch a year ago and with funds under management of £397 million.

In August 2007, Prudential increased its stake in CITIC Prudential Fund Management, its joint venture with CITIC Group in China, from 33 per cent to 49 per cent, following approval from regulators. This joint venture launched its first Qualified Foreign Institutional Investor fund in Korea in May 2007 and hit its £100 million quota.

Financial performance

Prudential's asset management business achieved record net inflows for 2007 of £3 billion, up 23 per cent on 2006. The growth in net flows was primarily driven by strong performance in India, Taiwan and Japan. Funds under management in these three countries increased by 65 per cent, 49 per cent and 46 per cent respectively. In total during 2007, retail funds under management grew by 39 per cent to £17.4 billion.

IFRS profits from asset management operations were £72 million, up 53 per cent on 2006. Operating profits in terms of basis points on funds under management increased from 18 basis points in 2006 to 21 in 2007. The asset management business requires very little capital to support its growth and in 2007 it remitted a net £31 million to the Group.

	CER			RER	
Asia	2007 £m	2006 £m	Change %	2006 £m	Change %
Net investment flows	**2,961**	2,410	23	2,532	17
Total IFRS operating profit*	**72**	47	53	50	44

* Based on longer-term investment returns.

Business unit review
Asset management
United States

US asset management

PPM America (PPMA) manages assets for Prudential's US, UK and Asian affiliates. PPMA also provides investment services to other affiliated and unaffiliated institutional clients including collateralised debt obligations (CDOs), private equity funds, institutional accounts and mutual funds. PPMA's strategy is focused on effectively managing existing assets, maximising synergies with international asset management affiliates and leveraging investment management capabilities across the Prudential Group. PPMA also opportunistically pursues third-party mandates.

Current year initiatives
During 2007, PPMA successfully leveraged its investment management capabilities as evidenced by:

- Obtaining over £329 million of funds under management in the Jackson variable annuity programme.
- Assuming management of over £194 million of funds under management from Curian.
- Assuming additional responsibilities for the UK life fund, growing assets by £2 billion.
- Launching three new products offered by Prudential Corporation Asia.
- Raising over £638 million of third-party funds under management.

Financial performance
IFRS operating profit in 2007 was £4 million, down from £10 million in 2006, primarily due to lower investment income and performance-related fees, partially offset by asset-driven fee growth.

Year-end 2007 funds under management of £39 billion were as follows:

PPMA funds under management £bn

	Asia	US	UK	Total
Insurance	0	23	10	33
Unitised	3	0	1	4
Institutional	0	0	0	0
CDOs	0	2	0	2
Total	**3**	**25**	**11**	**39**

US broker-dealer

National Planning Holdings (NPH), Jackson's affiliated independent broker-dealer network, is comprised of four broker-dealer firms, including INVEST Financial Corporation, Investment Centers of America, National Planning Corporation and SII Investments.

NPH continues to grow through significant recruiting efforts. By leveraging its high-quality, state-of-the-art technology, NPH provides its advisers with the tools they need to operate their practices more efficiently. Through its relationship with NPH, Jackson continues to benefit from an important retail distribution outlet, in addition to receiving valuable insight into the needs of financial advisers and their clients.

Current year initiatives
NPH increased sales of Jackson's enhanced product offering and the overall distribution of the network during the year. NPH also introduced several operational enhancements, which increased the efficiency of its production processes. In addition, NPH executed a focused recruitment initiative to expand the total assets under management and the representative base of INVEST Financial Corporation.

Financial performance
NPH had a very successful year in 2007, generating record revenues of £300 million versus £246 million in 2006 on gross product sales of £7.1 billion. The network continues to generate profitable growth with 2007 IFRS operating profit of £9 million, a 50 per cent increase at CER from £6 million in 2006. NPH also increased the number of registered advisers in its network to 3,000 at year-end.

PPM America		CER		RER	
	2007 £m	2006 £m	Change %	2006 £m	Change %
Total IFRS operating profit*	4	10	(60)	12	(67)

Broker-dealer		CER		RER	
	2007 £m	2006 £m	Change %	2006 £m	Change %
Revenue	300	246	22	267	12
Costs	(291)	(240)	21	(261)	11
Total IFRS operating profit*	9	6	50	6	50

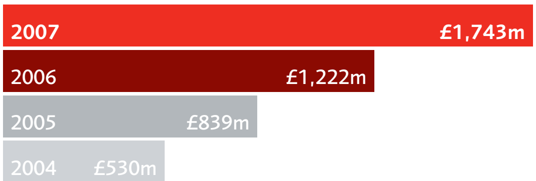
* Based on longer-term investment returns.

Curian

Curian Capital (Curian), Jackson's registered investment adviser, provides innovative fee-based separately managed accounts and investment products to advisers through a sophisticated technology platform. Curian expands Jackson's access to advisers and provides a complement to Jackson's core annuity product lines.

Current year initiatives
During 2007, Curian implemented its Simplified Proposal Process, which allows financial professionals to generate proposals in a matter of minutes, while maintaining the flexibility and customisation that make separately managed accounts an attractive alternative to traditional investment vehicles. Curian also expanded its wholesaling force during the year in an effort to accelerate growth.

Curian funds under administration £m



Financial performance
As a result of these initiatives, Curian continued to build its position in the US retail asset management market with total assets under management at the end of December 2007 of £1.7 billion, up from £1.2 billion at the end of December 2006. Curian also generated record deposits in 2007 of £663 million, up 57 per cent over 2006. Curian's IFRS operating loss declined to £5 million in 2007 (2006: £7 million at CER).

Curian	2007 £m	CER 2006 £m	CER Change %	RER 2006 £m	RER Change %
Gross investment flows	**663**	422	57	459	44
Revenue	**20**	15	33	16	25
Costs	**(25)**	(22)	14	(24)	4
Total IFRS operating profit*	**(5)**	(7)	(29)	(8)	(38)

* Based on longer-term investment returns.