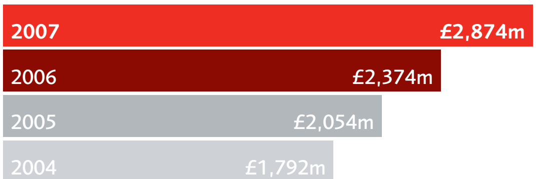
Key performance indicators

New business premiums and new business profit
Prudential's focus remains on growing sales in areas that deliver the most profitable returns. In 2007, the Group increased weighted insurance sales, calculated on an APE basis, by 21 per cent and new business profits grew by 22 per cent compared with 2006 on a constant exchange rate (CER) basis. Sales on a PVNBP basis increased by 17 per cent to £21.3 billion compared to 2006.

In line with the Group's strategy to continue to deliver strong sustainable profitable sales growth, Prudential is well positioned in markets that offer highly attractive opportunities for strong organic growth over the next 10 years, and it is broadening its customer proposition and product range.

APE new business premiums £m

+21%



New business premiums reflect premiums attaching to covered business and premiums for contracts classified as investment products or other financial instruments under IFRS.

New business premiums, on an APE basis, are calculated as the aggregate of regular new business contributions (shown on an annualised basis) plus 10 per cent of single new business contributions.

The comparatives are shown on a constant exchange rate (CER) basis.

PVNBP new business premiums £m

+17%

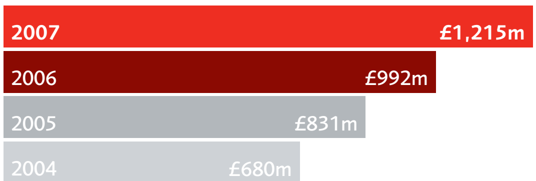
PVNBP only calculated from 2005 onwards.

New business premiums, on a PVNBP basis, are calculated as equalling single premiums plus the present value of expected new business premiums of regular premium business, allowing for lapses and other assumptions made in determining the EEV new business profit.

The comparatives are shown on a CER basis.

EEV new business profit £m

+22%



The present pre-tax value of future shareholder cash flows from new business, less a deduction for the cost of locked-in (encumbered) capital and the impact of the time value of options and guarantees.

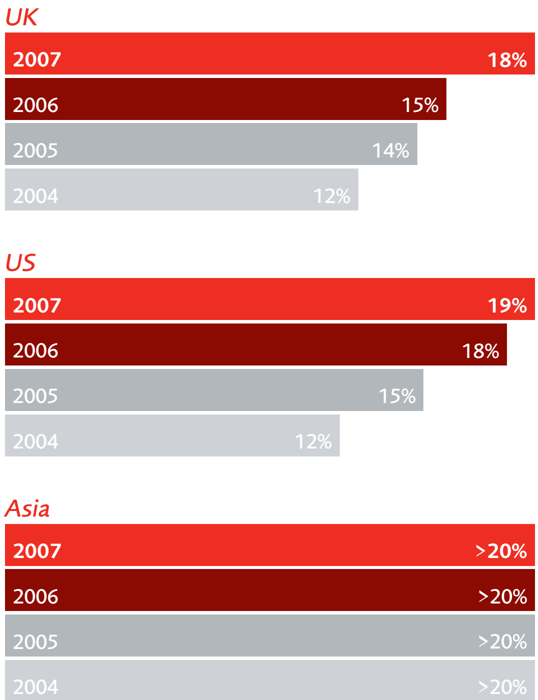
The comparatives are shown on a CER basis.

Key performance indicators
continued

Internal rate of return (IRR) on new business
Improving capital efficiency is at the heart of Prudential's commitment to deliver superior growth in value for its shareholders.

Prudential continually works to enhance the effectiveness of its capital management processes, to ensure that investment and capital allocation decisions are focused on those areas of activity that will generate the best returns to shareholders.

IRR on new business %



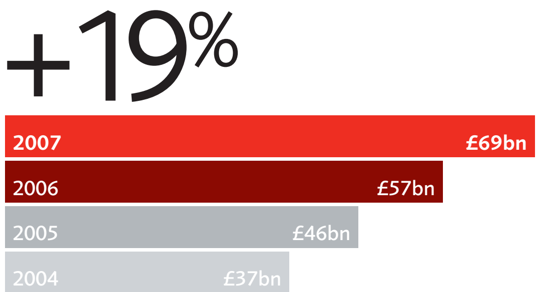
The internal rate of return is equivalent to the discount rate at which the present value of the post-tax cash flows expected to be earned over the lifetime of the business written in shareholder-backed life funds is equal to the total invested capital to support the writing of the business. The capital included in the calculation of the IRR is equal to the amount required to pay acquisition costs and set up statutory reserves less premiums received, plus encumbered capital. The impact of the time value of options and guarantees is included in the calculation.

External funds under management
Prudential's focus in external asset management is to increase external funds under management and deliver sustained profitable growth from its asset management businesses.

At 31 December 2007, external FUM was £69 billion compared with £57 billion at 31 December 2006 (CER basis).

This growth has been achieved through expanding into new markets and broadening the Group's product range, and leveraging cross regional collaboration all underpinned by excellent investment performance. The fundamentals are in place to sustain this growth in the future.

External funds under management £bn



External funds under management represent principally the value of the total investment products managed by the M&G, Asia and the US asset management businesses. Jackson's US Retail Mutual Funds were launched in 2007.

The comparatives are shown on a CER basis.

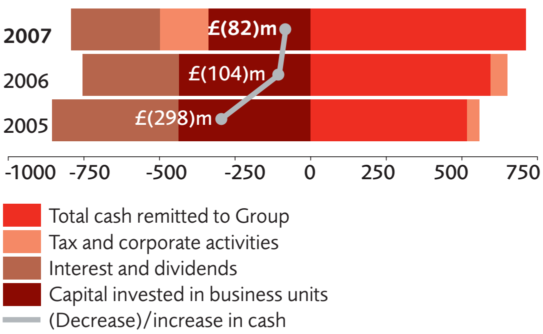
Holding company cash flow

Prudential aims to generate cash for the Group without constraining the allocation of capital to optimise return from value-creating opportunities in its businesses. The holding company had a net cash outflow of £82 million in 2007, an improvement of £22 million on 2006 primarily as a result of the increased remittances from business units in 2007, partially offset by lower group relief on taxable losses. Additionally, the holding company received £527 million from the disposal of Egg (net of expenses).

The Group is confident that it has the capital and cash resources to fund its planned future organic growth.

Holding company operating cash flow £m

+21%



The increase or decrease in holding company cash and short-term investments during the reporting period.

EEV operating profit from long-term business based on longer-term investment returns and IFRS operating profit from continuing operations based on longer-term investment returns

Prudential's objective is to achieve superior growth in value for its shareholders. This is shown by sustainable growth in operating profit, both on an EEV and IFRS basis.

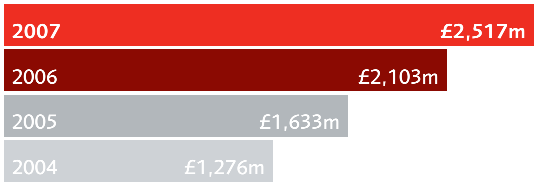
In 2007 the Group delivered a 20 per cent increase on the same period in 2006 (CER basis) in EEV operating profit on its long-term business.

Prudential's objective is to focus on its strengths and exploit opportunities in the local markets in which it operates. Prudential's strategy of leveraging its knowledge and expertise across product development, distribution and administration, is designed to allow it to continue to deliver operating profit growth in the future.

Total IFRS operating profit based on longer-term investment returns on continuing operations was 20 per cent higher in 2007 than in 2006 (CER basis) reflecting the strong performance of the Group's UK and US insurance businesses. Prior year comparatives have been restated to exclude the performance of Egg, the sale of which was completed in May 2007.

EEV operating profit based on longer-term investment returns from long-term business £m

+20%

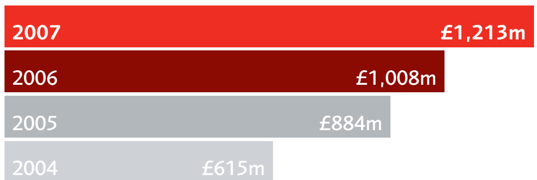


The change in pre-tax value of EEV as a result of new business, expected investment returns and the unwind of the discount rate, the effect of changes in operating assumptions and any operating experience variances. It excludes the effect of short-term fluctuations in investment returns against the long-term assumptions, the effect of changes in economic assumptions, the effect of the change in time value of the cost of options and guarantees, shareholders' share of actuarial gains and losses on defined benefit pension schemes and the mark to market value movements on borrowings.

The comparatives are shown on a CER basis.

IFRS operating profit based on longer-term investment returns from continuing operations £m

+20%



These profits exclude short-term fluctuations in investment returns and the shareholders' share of actuarial gains and losses on defined benefit pension schemes.

The comparatives are shown on a CER basis.

Life insurance products are, by their nature, long term and the profit on this business is generated over a significant number of years. Accounting under IFRS does not, in Prudential's opinion, properly reflect the inherent value of these future profit streams.

Prudential believes that embedded value reporting provides investors with a better measure of underlying profitability of the Group's long-term businesses and is a valuable supplement to statutory accounts.