

# 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 on a risk-adjusted basis. In the first half of 2008, the Group increased weighted insurance sales, calculated on an APE basis, by 12 per cent and new business profits grew by 11 per cent compared with the first half of 2007 on a CER basis. Sales on a PVNBP basis increased by 12 per cent to £11 billion compared to the first half of 2007.

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

# +12%

Half year 2008	£1,513m
Half year 2007	£1,353m
Half year 2006	£1,204m

### Definition: APE new business premiums

APE new business premiums reflect premiums attaching to covered business for which EEV basis results are prepared, including 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

# +12%

Half year 2008	£10,986m
Half year 2007	£9,785m
Half year 2006	£9,362m

### Definition: PVNBP new business premiums

New business premiums, on a PVNBP basis, are calculated as the aggregate of 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 basis new business profit £m

# +11%

Half year 2008	£602m
Half year 2007	£543m
Half year 2006	£482m

### Definition: EEV basis new business profit

EEV basis new business profit represents 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.

## 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 risk-adjusted returns to shareholders.

## IRR on new business %

### Asia

Half year 2008	>20%
Half year 2007	>20%
Half year 2006	>20%

### US

Half year 2008	18%
Half year 2007	18%
Half year 2006	17%

### UK

Half year 2008	15%
Half year 2007	15%
Half year 2006	13%

### Definition: 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

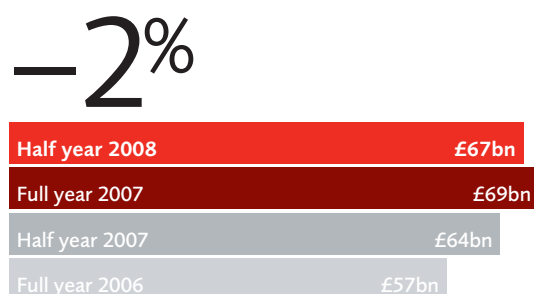
capital to support the writing of the business. The capital included in the calculation of the IRR is equal to the amount required to pay acquisition costs and set up statutory reserves less premiums received, plus encumbered capital. The impact of the time value of options and guarantees is included 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.

As at 30 June 2008 external FUM was £67 billion compared with £69 billion at 31 December 2007 (CER basis), reflecting the net inflows of funds of £4.1 billion and the fall in markets of c. £6 billion.

#### External funds under management £bn



#### Definition: External funds under management

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.

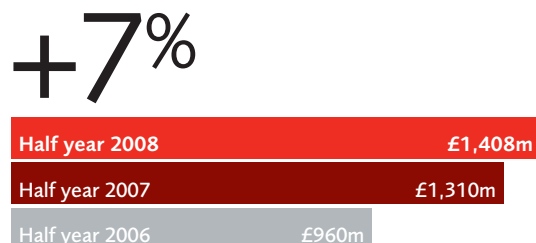
### EEV basis operating profit from long-term business based on longer-term investment returns

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 the first half of 2008 the Group delivered a seven per cent increase on the same period in 2007 (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.

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



#### Definition: EEV basis operating profit from long-term business based on longer-term investment returns

EEV basis operating profit is 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, the shareholders' share of actuarial gains and losses on defined benefit pension schemes and the mark to market value movements on core borrowings. It includes Asia development costs.

The comparatives are shown on a CER basis.

# Key performance indicators continued

## IFRS basis operating profit based on longer-term investment returns

Total IFRS basis operating profit based on longer-term investment returns on continuing operations was 13 per cent higher in the first half of 2008 than in the same period in 2007 (CER basis) reflecting the strong performance of the Group's UK and Asia insurance businesses.

## IFRS basis operating profit based on longer-term investment returns £m

# +13%



### Definition: IFRS basis operating profit based on longer-term investment returns

This profit excludes 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.

## 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 flow of £86 million in the first half of 2008, an improvement of £52 million on the same period in 2007, as a result of the increased remittances from business units and tax receipts in the first half of 2008, partially offset by increases in capital invested in business units and corporate activities.

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

# +153%



### Definition: Holding company cash flow

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

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, fully reflect the value of future profit streams.

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