

Market overview

Capturing the global retirement opportunity

The retail financial services industry is undergoing a fundamental transformation as one of the biggest demographic waves in history transitions out of the workforce and into active retirement. Some estimates suggest that, in the US and the UK alone, some £7 trillion of assets could move into the retirement market over the next five years, and there is also a significant and growing retirement opportunity in Asia.

Not only are these people likely to live longer than previous generations, but their needs are fundamentally different from their predecessors. In particular, many are looking for a more active lifestyle in retirement, but often underestimate the savings required for this. In addition,

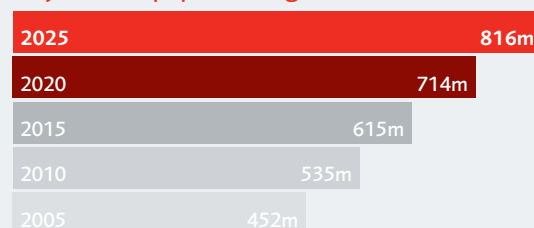
there is a move towards greater self-provision as a result of declining state support. The increased cost of long-term care is also a significant factor, as is the need to protect the value of assets against inflation over longer periods of time.

We believe that this global retirement opportunity will be a significant driver of growth and profitability over the coming years, and that we have a set of assets and capabilities which position us extremely well to capture a disproportionately large share of that opportunity in our chosen markets. These include our brands, our investment and risk management skills, our product innovation and our powerful distribution networks.

Asia

Asian households are changing rapidly: they are becoming wealthier, smaller and older, with a growing need for financial solutions.

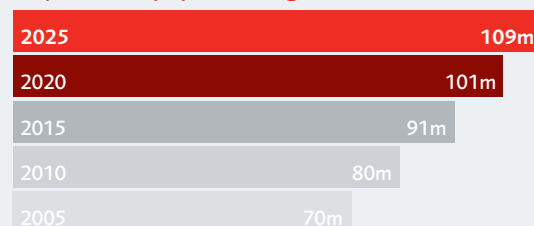
Projection of population aged 55+



United States

As 78 million baby boomers move into retirement age, their assets will shift from asset accumulation to income distribution.

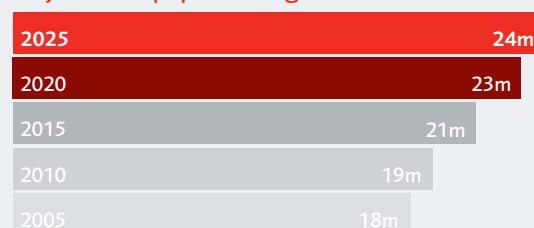
Projection of population aged 55+



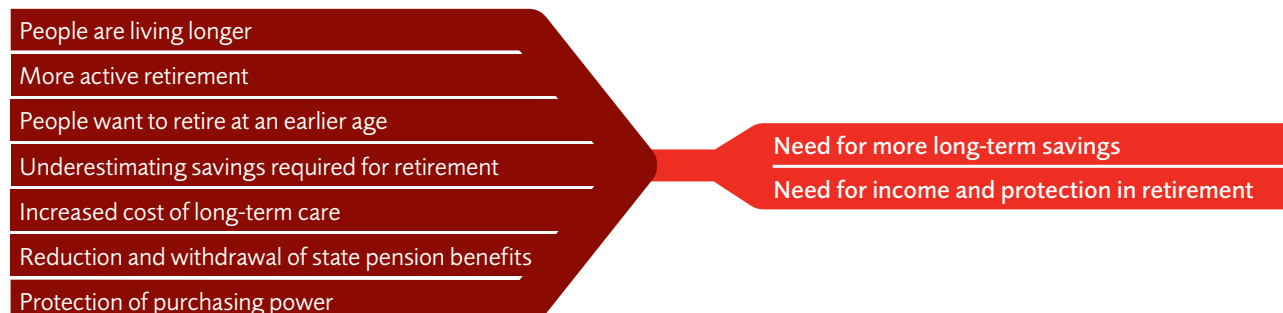
United Kingdom

The retirement and near-retirement population will represent the fastest-growing segments of the market over the next 10 years.

Projection of population aged 55+



Changing dynamics



Asia remains a very attractive region for growth opportunities due to its high levels of economic activity translating into higher levels of personal wealth, greater disposable incomes, a comparatively higher propensity to save and a growing appetite for good quality protection and savings products. Traditionally, older people have relied on their children to provide for them, but within just one generation this will be far less common. Within this environment, ageing demographics are also beginning to drive increased household savings rates and an emerging need for healthcare and retirement solutions.

Asian governments have little appetite to increase the provision of state-funded retirement benefits and healthcare, and are actively encouraging the development of a strong, dynamic private sector to meet people's growing need for financial solutions.

The US is the largest retirement savings market in the world and is expected to continue to grow significantly over the next 10 years as the post-war generation reaches retirement.

The combination of increasing life expectancy and decreasing retirement age in the US is leading to an increase in the average time individuals will spend in retirement. At the same time, the responsibility for providing income during retirement continues to shift away from institutions such as government and employers, towards individuals. As a result, consumers have a growing need for independent financial advice and increasingly seek guarantees and longevity protections from the financial products they purchase.

The US life insurance industry remains highly fragmented and competition for market share is intensifying through aggressive pricing. Life insurers find themselves competing with other financial services providers, particularly mutual fund companies and banks, for a share of retirement savings assets in the US.

Prudential is focusing on the retirement savings and income market in the UK. The accumulation market is huge, with over 50 per cent of total assets including pensions, housing equity and liquid assets, held by those approaching, or in, retirement. In addition, wealth is concentrated in the mass affluent and high net worth individuals. With an ageing population and wealth concentration, the retirement and near-retirement population will represent the fastest-growing segments of the market over the next 10 years.

Additionally, the responsibility for providing income during retirement is continuing to shift away from the government and employers towards the individual. This coupled with low savings and high indebtedness in the UK, increases the risk

that individuals will be inadequately provided for during increasingly long periods of retirement. Consequently, there is a growing demand for financial advice and financial products including guarantees and longevity protection.