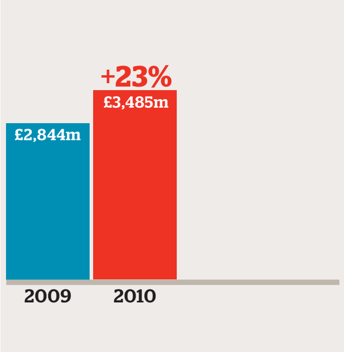
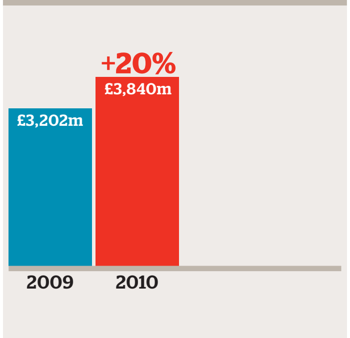
HIGHLIGHTS

KEY PERFORMANCE INDICATORS

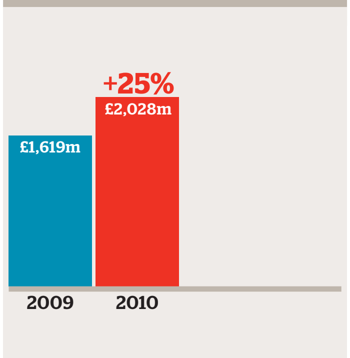
ANNUAL PREMIUM EQUIVALENT NEW BUSINESS PREMIUMS[1]



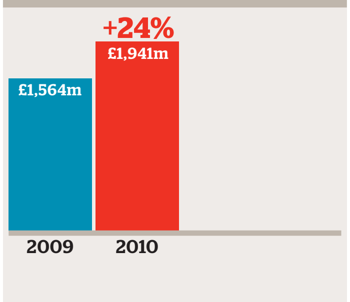
EUROPEAN EMBEDDED VALUE OPERATING PROFIT FROM LONG-TERM BUSINESS[2]



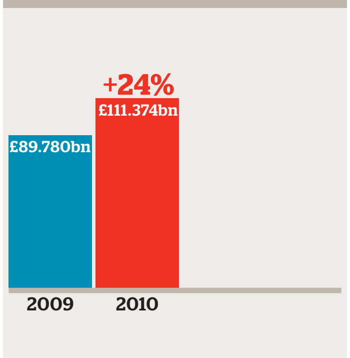
EUROPEAN EMBEDDED VALUE NEW BUSINESS PROFIT[1]



INTERNATIONAL FINANCIAL REPORTING STANDARDS OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS[3]



EXTERNAL FUNDS UNDER MANAGEMENT



1 Excludes Japan, which ceased writing new business in 2010.
2 Including Solvency II implementation, restructuring, Asia development and Asia Regional Head Office costs.
3 The Company has amended the presentation of IFRS operating profit for its US insurance operations to remove the net equity hedge accounting effect (incorporating related amortisation of deferred acquisition costs) and include it in the supplementary analysis of profit in short-term fluctuations in investment returns. 2009 amounts have been amended accordingly.

BUSINESS UNIT PERFORMANCE HIGHLIGHTS

PRUDENTIAL CORPORATION ASIA

- Regional leader with more market leading positions in the life insurance and asset management sectors than anyone else
- Well diversified platform as no one country, distribution channel or product drives performance
- APE sales up 24 per cent to £1,501 million
- New business profit up 24 per cent to £902 million
- IFRS operating profit up 29 per cent to £536 million

JACKSON

- Record total APE retail sales of £1,164 million – highest level in Jackson's history
- Top three provider of variable annuities in US
- Rated as a 'World Class' service provider for five successive years by Service Quality Measurement Group
- 'Highest Customer Satisfaction by Industry' award from Service Quality Measurement Group

PRUDENTIAL UK

- Strength and investment performance of With-Profits Fund allowed Prudential to deliver strong annualised returns for policyholders
- Retained 'Five Star' rating for excellent service in the Investment category at the Financial Adviser Service Awards
- IFRS total operating profits up nine per cent to £719 million
- Retail new business margin increased from 31 per cent to 35 per cent

M&G

- M&G's retail business was awarded the prestigious 2010 Global Group of the Year award at the 15th annual *Investment Week* Fund Manager of the Year Awards. This is the second time in three years that M&G has received this award
- M&G's institutional business was also recognised for its investment performance, winning the 2010 UK Asset Management Firm of the Year award at *Financial News'* Awards for Excellence in Institutional Asset Management
- Record full year profits of £246 million, 8 per cent higher than previous record achieved in 2008
- External net fund inflows of £9.1 billion

PRUDENTIAL AT A GLANCE

Prudential plc is an international financial services group with significant operations in Asia, the US and the UK. We serve over 25 million customers and have £340 billion of assets under management. The Group is structured around four main business units: Prudential Corporation Asia, Jackson National Life Insurance Company, Prudential UK and M&G.

OVERVIEW

PRUDENTIAL CORPORATION ASIA

Prudential is a leading life insurer in Asia operating in 12 markets. We are in the top three for market share of new business in Hong Kong, India, Indonesia, Malaysia, Singapore, the Philippines and Vietnam.

In Asia we provide a comprehensive range of savings, protection and investment products tailored to meet customers' needs in each market.

Prudential's Asian asset management business manages investments across a broad range of asset classes for internal, retail and institutional clients. We are one of the region's leaders of Asian sourced assets under management. We are also the largest onshore mutual fund manager in Asia.

JACKSON

Jackson is one of the largest life insurance companies in the US, providing retirement savings and income solutions to more than 2.8 million customers.

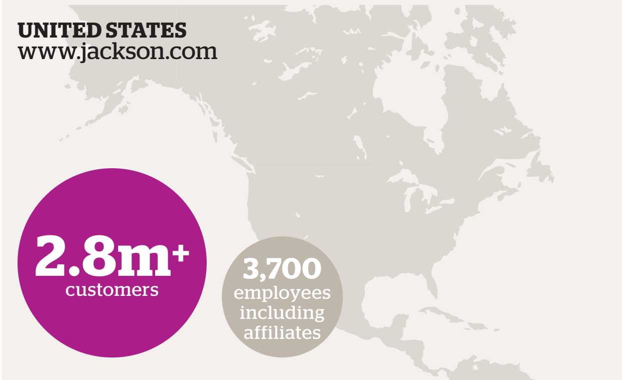
Jackson is also one of the top three providers of variable annuities in the US.

Founded 50 years ago, Jackson has a long and successful record of providing advisers with the products, tools and support to design effective retirement solutions for their clients.

KEY STATISTICS

ASIA
www.prudentialcorporation-asia.com

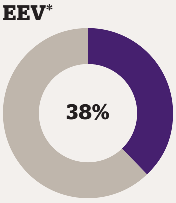
UNITED STATES
www.jackson.com



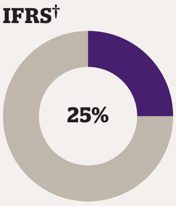
% OF GROUP OPERATING PROFITS

Asia

EEV*

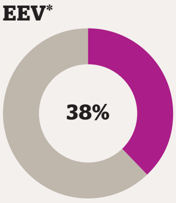


IFRS†

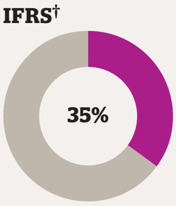


United States

EEV*



IFRS†



LIFE ASSURANCE

% of Group APE new business premiums[1]

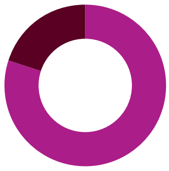
43% Asia
33% US
24% UK

% of Group new business profit[1]

44% Asia
38% US
18% UK

ASSET MANAGEMENT

% of Group external funds under management



80% M&G
20% Asia

PRUDENTIAL

PRUDENTIAL UK

Prudential UK is a leading life and pensions provider to approximately 7 million customers in the United Kingdom.

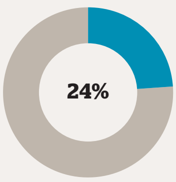
Our expertise in areas such as longevity, risk management and multi-asset investment, together with our financial strength and highly respected brand, means that the business is strongly positioned to continue pursuing a value-driven strategy built around our core strengths in with-profits and annuities.

UNITED KINGDOM
www.pru.co.uk

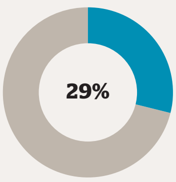
7m customers

2,700 employees

EEV*



IFRS†



M&G INVESTMENTS

M&G

M&G is Prudential's UK and European fund management business with total assets under management of £198 billion (at 31 December 2010).

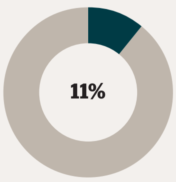
M&G has been investing money for individual and institutional clients for 80 years. Today it is one of Europe's largest active investment managers as well as being a powerhouse in fixed income.

UNITED KINGDOM & EUROPE
www.mandg.co.uk

335,000 customers through M&G Investments

1,400 employees

IFRS†

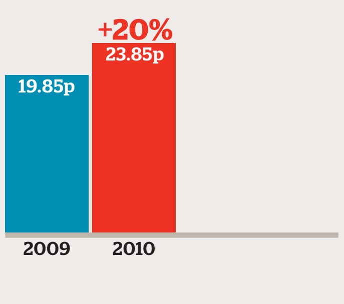


1 Excludes Japan, which ceased writing new business in 2010.
* % of Group EEV long-term operating profits.
† % of Group IFRS operating profits, based on longer-term investment returns before restructuring costs and other income and expenditure.

CHAIRMAN'S STATEMENT

HARVEY McGRATH
CHAIRMAN

FULL YEAR DIVIDEND



I am delighted to welcome you to Prudential's 2010 Annual Report. We have followed our excellent year in 2009 with another very strong performance.

In 2010, our proven strategy of focusing on the most attractive markets and products, together with the discipline with which the Group manages risk and capital, has again delivered outstanding results. The Board has therefore recommended a final dividend of 17.24 pence per share, which brings the total dividend for the reporting period to 23.85 pence per share, 4 pence (20 per cent) higher than the 2009 total dividend. The scrip dividend scheme is not being offered in respect of this dividend. In its place shareholders will be offered a Dividend Reinvestment Plan (DRIP).

As a company, our purpose has remained the same since our foundation in 1848. We meet our customers' changing needs for savings, income and protection wherever we do business. Prudential is uniquely positioned in the industry, delivering both rapid, profitable growth in emerging markets and generating strong cash flows.

Following Board approval, in December we announced new growth and profitability objectives for our Asia business and new cash remittance objectives for the Group. These are challenging but achievable given the Group's strategy and the potential of our businesses in our chosen markets. These objectives are clear evidence of the Group's commitment to provide both growth and cash to shareholders. The Board's recommendation for the final dividend is consistent with that commitment.

One of the key events in the first half of the year was our proposed transaction with AIA. This led to significant focus on Prudential. The decision to pursue this transaction was in line with our strategy, which is to concentrate our resources on the highest growth and highest return markets, many of which are in Asia. The Board spent considerable time reviewing, challenging, questioning and validating the deal, including months of due diligence. I would like to thank the non-executive directors for their extensive contribution to the process. As I said at the 2010 AGM, the whole Board strongly believed this was an opportunity worth pursuing as part of our wider strategy. We greatly regret that we were not successful in completing the deal, however while it would have accelerated our growth, the 2010 results show our ability to deliver a first-class performance without it.

"Prudential is uniquely positioned in the industry, delivering both rapid, profitable growth in emerging markets and generating strong cash flows."

There have been a number of changes to the Board during the year. In October, we announced the appointment of Howard Davies and Paul Manduca as non-executive directors. Paul has replaced James Ross as the Board's Senior Independent Director. James will retire from the Board at Prudential's AGM on 19 May 2011. Howard has become Chairman of the Group Risk Committee. Both have extensive experience in the financial sector.

We also announced the appointment of Mike Wells as President and Chief Executive Officer of Jackson National Life Insurance Company and as an executive director on the Board of Prudential with effect from 1 January 2011. Mike, who has been with Jackson for 15 years and was Vice Chairman and Chief Operating Officer, succeeds Clark Manning, who decided to step down after 15 years with Jackson.

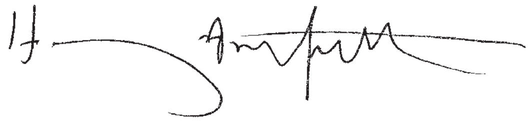
In December, John Foley was appointed Group Chief Risk Officer and he became an executive director on the Board of Prudential with effect from 1 January 2011. John was previously Chief Executive, Prudential Capital and Group Treasurer. The decision to make the position of Group Chief Risk Officer a Board role underlines the importance of risk management to the Group.

I am very pleased to welcome Mike, John, Howard and Paul to the Board of Prudential and I look forward to working with them. I would like to thank Clark and James for their invaluable service and significant contribution over their time on the Board.

I would also like to pay tribute to Mick Newmarch, who died in April 2010. Mick was instrumental in shaping the Group during his time as Chief Executive from 1990 to 1995. Mick refocused and re-energised our business in Asia, laying down the groundwork for our outstanding success in the region today.

Our performance should not only be judged by our financial return. Prudential is committed to being an active and supportive member of the community. We encourage our businesses to establish projects and partnerships around education (particularly financial education) and social welfare. Our approach to community investment is to support charitable organisations and appropriate NGOs, not only through funding, but also with the experience and expertise of our employees. In 2010, around one in four employees volunteered in their community, many of them through our Group-wide flagship volunteering programme, the Chairman's Challenge. Over the last five years, since the Chairman's Challenge was launched, more than 100 annual projects have been supported by our employees in partnership with charities including Help Age International, Plan International and Junior Achievement.

Looking at the performance of the Group around the world, our strategy, the quality of our people and the strength of our brands, I remain confident we will continue to deliver profitable growth and sustainable value for our shareholders. We have emerged from the economic turbulence of the past few years as one of the strongest insurers in the world and I would like to express my thanks to all our employees for their continued contribution to the Group's success.



GROUP CHIEF EXECUTIVE'S REPORT

TIDJANE THIAM
GROUP CHIEF EXECUTIVE

"At the centre of our strategy is the acceleration of our profitable growth in Asia, which offers many of the highest growth and return opportunities."

I am pleased to report a very strong performance in 2010, with results significantly ahead of 2009. We achieved this by remaining focused on rigorous capital allocation and effective management of our balance sheet.

These principles have served us well during the financial crisis allowing us to emerge from the 2008-2009 period with a stronger balance sheet, higher profits, higher cash flows and an increased dividend. Our 2010 results confirm that our strategy, underpinned by our operating principles, should increasingly allow us to differentiate ourselves through our ability to combine growth and cash generation, as we announced at our Investor Day on 1 December 2010.

Our strategy

At the centre of our strategy is the acceleration of our profitable growth in Asia, which offers many of the highest growth and return opportunities. The emerging markets of South-East Asia – such as Indonesia, Malaysia, Vietnam, the Philippines and Thailand, together with Hong Kong and Singapore – are particularly attractive. They remain the priority destination for our new capital investment. With our compelling platform of distribution, brand and product development capabilities in the high growth markets of Asia, we believe we are particularly well positioned to take advantage of the considerable opportunity that the region offers.

In the US, we continue to build on the strength of our operations to make them a more significant component of the Group in terms of IFRS earnings as well as cash generation. In the UK, we remain focused on generating cash and capital and providing resilience to the Group's balance sheet.

In asset management, our strong track record, both at M&G and in our asset management business in Asia, is enabling us to grow our funds under management. These businesses make an increasingly important contribution to our profits and cash generation.

"We have focused on allocating capital with total discipline to the highest return and shortest payback opportunities across the Group."

Each part of the Group plays a key role in our strategy. Our flexibility and diversification were instrumental in allowing us to navigate successfully the economic and market cycle in 2008 and 2009.

In executing this strategy, we are guided by three clearly defined Group-wide operating principles. The first of these is that from 2008, we decided to take a more balanced approach to performance management across the three key measures of Embedded Value (EEV), IFRS and cash, with an increased emphasis on IFRS and cash. When this operating principle was introduced, it was a clear break with how our industry, and our company, had operated previously. As a consequence of this new focus, we have been able in 2010, for the third year in a row, to report results that are in fast progression across all three key measures – EEV, IFRS and cash.

Second, we have focused on allocating capital with total discipline to the highest return and shortest payback opportunities across the Group. This means that we restrict new business to areas of the market where these stringent criteria are met. As a result, we have not hesitated to take and implement a number of challenging decisions.

GROUP CHIEF EXECUTIVE'S REPORT

"We have significantly more capital today than before the financial crisis."

Even in our preferred region of Asia, we acted decisively when necessary for the Group, as illustrated by our decision to sell our back book of business in Taiwan, to curtail writing new life business in Japan, or exchange short-term sales volume in Korea for long-term shareholder value. In the UK, we have closed down the equity release business and significantly increased our minimum return criteria for bulk purchase annuities. In the US, we have managed our sales of annuities, fixed and variable, with a clear focus on returns and payback periods, not hesitating to lose market share when necessary and putting value ahead of volume.

Finally, our third operating principle – of equal importance – is to take a proactive approach to managing risk across the cycle. We have transformed the capital position of the Group during the last three years, closing 2010 with more than £4 billion of Insurance Groups Directive (IGD) capital surplus against £1.5 billion at the end of 2008. We have significantly more capital today than before the financial crisis, and we have put in place a set of processes to hedge and manage the key risks to which we are exposed.

Our strategy and the disciplined implementation of our operating principles have produced excellent results.

Group performance

In 2010, APE sales[1] were up 23 per cent in life insurance to £3,485 million (2009: £2,844 million) and new business profit[1] has increased by 25 per cent to £2,028 million (2009: £1,619 million) as our new business margins increased to 58 per cent (2009: 57 per cent).

Net inflows in our asset management businesses were £8.9 billion, following an exceptional year in 2009 (2009: £15.4 billion). These continued strong inflows underpin the robust performance of our asset management operations during the year and are a direct driver of the growth in our profits.

On the statutory IFRS basis, our operating profit before tax from continuing operations increased by 24 per cent in 2010 to £1,941 million (2009: £1,564 million). IFRS profit for the year after tax increased by 112 per cent to £1,431 million (2009: £676 million). IFRS shareholder funds increased 28 per cent in 2010 to £8.0 billion (2009: £6.3 billion).

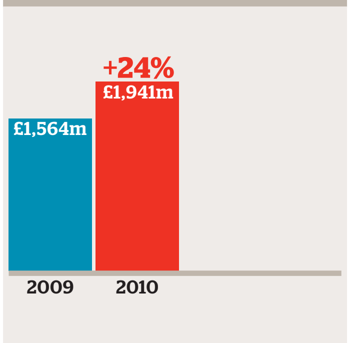
On the EEV basis, Group operating profit before tax increased by 20 per cent in 2010 to £3,696 million (2009: £3,090 million). New business profit[1] for the year was £2,028 million, an increase of 25 per cent (2009: £1,619 million), and we continued to deliver very strong margins of 58 per cent (2009: 57 per cent). Our total investment in new business[1] in 2010 was £643 million (2009: £660 million), a reduction of 3 per cent. As a result of our focus on rigorous capital allocation, we are delivering higher returns on capital invested for our shareholders, while managing to use less capital in absolute terms.

Since 2008, we have been using free surplus as the primary indicator of our ability to generate cash and capital. In 2010, free surplus increased 32 per cent to £3.3 billion, up from £2.5 billion at the end of 2009 and £0.9 billion at the end of 2008.

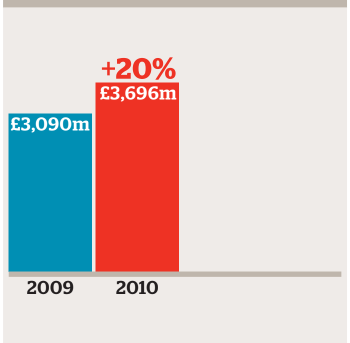
As these results show, we achieved strong growth on our three key metrics of EEV, IFRS and cash simultaneously. From 2009 to 2010, both our IFRS and EEV operating profits have grown by 20 per cent or more, while consuming less capital in absolute terms.

Our ability to generate significant growth while providing increasing cash returns to our shareholders – 'growth and cash' – is the result of our differentiated strategy. This strategy and the quality of our teams, both in our business units and our head office, allows us to provide value to our customers and shareholders. Each of our businesses is a clear leader in its market.

IFRS OPERATING PROFIT BEFORE TAX

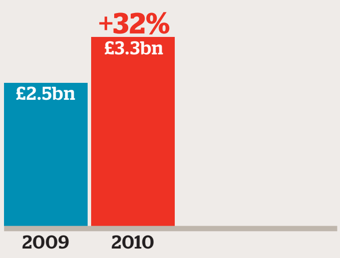


TOTAL EEV OPERATING PROFIT BEFORE TAX



Note
1 Excluding Japan, which ceased writing new business in 2010.

FREE SURPLUS



A year ago, we announced an agreement with AIG to acquire its Asia operations, AIA. The proposed acquisition was a unique opportunity to accelerate our strategy of focusing on the fast growing markets in Asia. We could not agree a purchase price that was acceptable to the AIG Board. The costs associated with the transaction were announced at our half year results and are detailed in the full year results statement.

Our operating performance by business unit

Our aim across all our businesses is to develop and market a suite of products that deliver good value solutions that meet our customers' needs, in a way that is profitable and capital efficient for the Group.

Prudential Corporation Asia

In 2010, in line with our strategy, our core investment was in the fast growing and highly profitable markets of South-East Asia and Hong Kong and Singapore. Due to the long-term structural changes taking place in these economies, we continue to believe they offer the most attractive opportunity in the global life insurance market today.

Distribution remains critical to our business in Asia, and our unique combination of proprietary agency distribution and bank partnerships continues to deliver excellent results. Agency will remain the dominant and most profitable channel in Asia for many years to come. It is clear that Prudential's agency distribution platform compares favourably to our peer group, whether in terms of scale, training or productivity. In addition, we will continue developing our presence in the bancassurance channel. The performance of our new partnership with UOB reinforces our view that the bancassurance channel will be increasingly important as Asian middle classes become wealthier and increasingly use banks and their services. This, together with our strategy of growing health and protection business, has been central to increasing our profitability and margins.

Our financial performance in Asia will continue to be based on three principal drivers. First, as a result of our strong new business growth, and its contribution to the increase in our in-force policies book, net inflows will be a major contributor to our IFRS earnings. Second, there will continue to be a contribution from investment returns, which will increase as the business grows. Third, as the scale of the business increases, our profitability will continue to benefit from the efficiency of our Asian platform, with revenues growing faster than our cost base. These three drivers support our confidence in our ability to double our 2009 IFRS profits by 2013.

"In the US, we have maintained our focus on value over sales volume growth, ensuring sales are delivered at highly profitable margin levels."

Jackson

In the US, we have maintained our focus on value over sales volume growth, ensuring sales are delivered at highly profitable margin levels. We have maintained our pricing discipline and have been consistent in our approach of not chasing market share for its own sake. In 2010 we continued to benefit from the market changes following the financial turmoil in 2008 and 2009. As part of a trend, mostly driven by distributors who guide their customers towards the companies that held firm through the crisis and never closed to business, Jackson has significantly improved its position in the key variable annuity market. This flight to quality has allowed the Jackson team to increase sales volumes and market share. Our consistent pricing approach, product flexibility and Jackson's strong credit rating, which has remained unchanged for eight years, have served us well.

We have continued to grow the number of advisers appointed to sell our products, increasing licensed agents and registered representatives in 2010 to more than 130,000.

GROUP CHIEF EXECUTIVE'S REPORT

"In the UK, we maintained our focus on balancing the writing of new business with the generation of cash and capital."

Prudential UK

Our business in the UK is highly disciplined and generates differentiated returns relative to the market. We continued to be a market leader in both individual annuities and with-profits business. We maintained our focus on balancing the writing of new business with the generation of cash and capital, successfully delivering attractive returns on capital employed. This strategy led the UK to deliver net cash of £420 million to the Group in 2010.

Our emphasis on value and generating strong returns saw the UK business continue to prioritise the retail market, while selectively participating in the wholesale market. Wholesale market opportunities have only been pursued when they meet our strict financial criteria and deliver an appropriate return on the capital invested both in terms of quantum but also, and equally important, of payback period. In 2010 we also continued to make good progress against our cost reduction plans, meeting our 2010 savings target of £195 million per annum six months early.

Asset management

M&G had a very good 2010, a performance which is all the more impressive as it comes after an exceptional year in 2009. M&G continues to focus on offering customers superior investment performance over the longer term, building on its proven track record of success in the retail investment market through ongoing expansion in Europe. M&G's retail business achieved net inflows of £7.4 billion. M&G's IFRS operating profit was £284 million, up 19 per cent compared to 2009.

In Asia, our asset management business also had a very successful year, with operating profits of £72 million, 31 per cent ahead of 2009. It is a key feature of our strategy that asset management profits are very capital efficient and are 'cash rich' profits. For the first time, funds under management passed the £50 billion mark, up from £42.4 billion in 2009, a trend that should also lead to continued profit growth.

These achievements underline the potential we see for asset management across Asia. We continue to believe that this is one of the most exciting opportunities for the Group today. In 2010, we appointed a new Chief Executive, and we are determined to continue to invest to capture a significant share of the growth and profits available in asset management in Asia. The priorities for our asset management business in Asia are: to build and develop institutional relationships, securing pan-Asia discretionary mandates; to increase our focus on Japan and China, as the region's largest and fastest growing markets respectively; and, finally, to grow our offshore funds business.

Capital and risk management

A strong capital position is key to our development. It gives confidence to our customers in what is a long-term business, and it allows us to write large amounts of new business. Strict management and allocation of capital remain a core focus for our Group. Using the regulatory measure of the IGD, our Group capital surplus at 31 December 2010 was estimated at £4.3 billion (31 December 2009: £3.4 billion). The Group's required capital is covered 3.0 times. This ratio means we continue to be one of the world's best-capitalised insurers.

We have strengthened our risk management practices by forming a Group Risk Committee headed by Howard Davies reporting directly to the Board. We also appointed a new Chief Risk Officer (CRO), John Foley, and have elevated the CRO position to board level.

“M&G continues to focus on offering customers superior investment performance over the longer term, building on its proven track record.”

Dividend

In view of the progress that the Group has made in recent years to improve IFRS operating profitability and free surplus generation, the Board has decided to rebase the full year dividend upwards by 4 pence per share, equivalent to an increase of 20 per cent. In line with this, the directors recommend a final dividend of 17.24 pence per share, which brings the total dividend for the year to 23.85 pence per share (2009: 19.85 pence per share).

The scrip dividend scheme is not being offered in respect of this dividend. In its place shareholders will be offered a Dividend Reinvestment Plan (DRIP).

The Board will maintain its focus on delivering a growing dividend from this new higher base, which will continue to be determined after taking into account the Group's financial flexibility and our assessment of opportunities to generate attractive returns by investing in specific areas of the business. The Board believes that in the medium term a dividend cover of around two times is appropriate.

Our financial objectives[1]

In December 2010, we announced new objectives for the Group that reflect our determination to accelerate growth in Asia and our belief that we can continue to deliver both growth and cash sustainably to our shareholders.

Our core objectives are:

(i) In Asia, to double the 2009 value of IFRS life and asset management pre-tax operating profit in 2013 (2009: £465 million) and to double the 2009 value of new business profits in 2013 (2009: £713 million).

(ii) For each business unit to remit net cash to the Group: Asia to deliver £300 million of net cash remittance to the Group in 2013 (2009: £40 million); Jackson to deliver £200 million of net cash remittance to the Group in 2013 (2009: £39 million); UK to deliver £350 million of net cash remittance to the Group in 2013 (2009: £284[2] million).

(iii) All business units in aggregate to deliver cumulative net cash remittances of at least £3.8 billion over the period 2010 to end-2013. These net remittances are to be underpinned by a targeted level of cumulative underlying free surplus generation of £6.5 billion over the same period.

These objectives are clear evidence of our determination to provide – through our strategy and disciplined execution – both growth and cash to our shareholders at a sustained pace.

Notes

1 The following discussion and the discussion under ‘Outlook’ below, contain forward-looking statements that involve inherent risks and uncertainties. Prudential’s actual future financial condition or performance or other indicated results may differ materially from those indicated in any such forward-looking statement due to a number of important factors (including those discussed under the heading ‘Risk factors’ in this report). See the discussion under the heading ‘Forward-looking statements’ at the end of this report. The objectives assume current exchange rates and a normalised economic environment consistent with the economic assumptions made by Prudential in calculating the EEV basis supplementary information for the half year ended 30 June 2010. They have been prepared using current solvency rules and do not pre-judge the outcome of Solvency II, which remains uncertain.

2 Representing the underlying remittances excluding the £150 million impact of pro-active financing techniques used to bring forward cash emergence of the in-force book during the financial crisis.

GROUP CHIEF EXECUTIVE'S REPORT

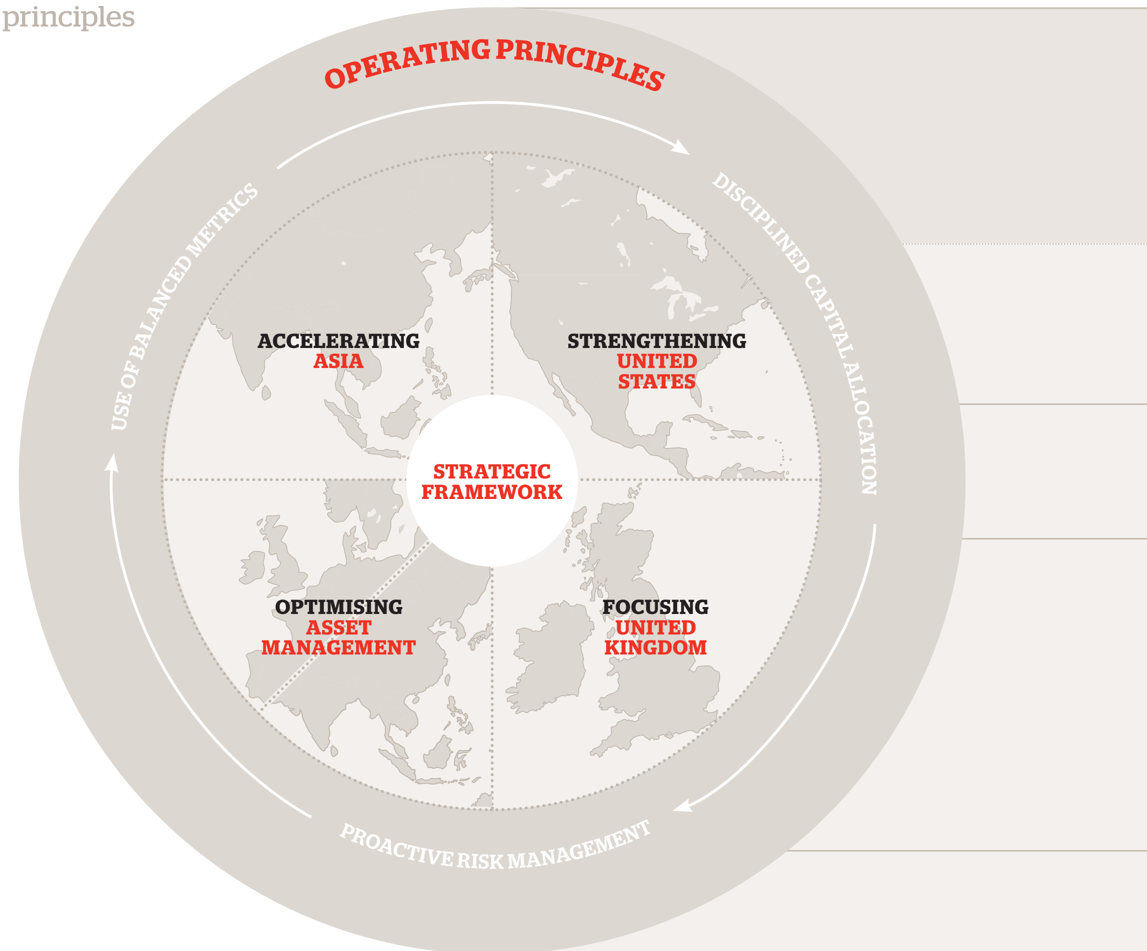
Outlook

By continuing to implement our strategy with discipline, allocating capital to the most attractive markets and products, and managing risk and capital prudently, but proactively, we have generated differentiated performance from our peers.

The outlook for economic growth in Asia, particularly in our preferred markets in South-East Asia, remains positive. The prospects for sustainably growing our leading platform in the region continue to be strong. Our confidence is reflected in the ambitious, yet achievable, objectives we have set for our business in Asia in December 2010.

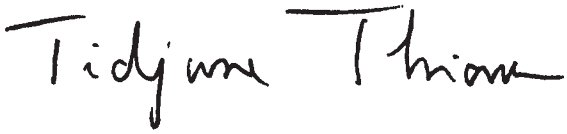
Regarding Western economies, we continue to be more cautious about the outlook, with some clear differences between the US and Europe. The US economy is recovering, and the combination of the transition of 78 million 'baby boomers' into retirement, and our skill base and products, creates a unique and exciting opportunity for us. The economic outlook in Europe is more challenging. However, having focused our UK business, and relying largely on our existing seven million customers, we believe that we will continue to achieve our objectives in terms of margins and capital and cash generation.

Strategy and operating principles



Our disciplined process of capital allocation will, I believe, enable us to continue to deliver improved cash returns to shareholders. Our diversification, combined with our flexibility to choose where to allocate our capital, have proved to be significant sources of competitive advantage. We successfully navigated the extreme economic and market cycle of the past two years and are confident we will continue to outperform in the markets where we compete in the future.

I believe that the quality of our strategic options, our discipline in putting value ahead of volume and our focus on execution will continue to allow us to grow profitably and to generate significant returns for our shareholders.



	2011 PRIORITIES	2013 FINANCIAL OBJECTIVES
GROUP	• Continue to implement strategy with discipline, allocating capital to the most attractive markets and products • Manage risk and capital prudently, but proactively • Focus on delivering a progressive dividend, determined after taking into account the Group's financial flexibility and opportunities to invest in areas of business offering attractive returns	• All business units in aggregate to deliver cumulative net cash remittances of at least £3.8 billion over the period 2010 to end-2013 • Net remittances underpinned by targeted level of cumulative underlying free surplus generation of £6.5 billion over the period 2010 to end-2013
ASIA	• Continue expanding multi-channel distribution platform and improving its productivity • Focus on regular premium products with comprehensive suite of protection riders • Drive value through operational efficiency	• Double 2009 value of IFRS life and asset management pre-tax operating profit • Double 2009 value of new business profits • Deliver £300 million of net cash remittance to the Group
UNITED STATES	• Continue to drive positive net retail flows • Innovate around our key variable annuity product • Further enhance operational efficiency	• Deliver £200 million of net cash remittance to the Group
UNITED KINGDOM	• Balance writing profitable new business at attractive returns on capital with sustainable cash generation and capital preservation • Continue to pursue a value-driven strategy built around our core strengths in with-profits and annuities • Deliver further improvements to operational performance and customer service while maintaining a strict focus on costs • Continue building complementary distribution channels	• Deliver £350 million of net cash remittance to the Group
M&G	• Maintain superior long-term investment performance for both internal and external funds • Continue growth in third-party retail and institutional businesses	