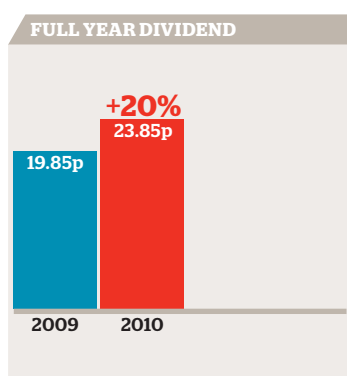


CHAIRMAN'S STATEMENT

HARVEY McGRATH
CHAIRMAN



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

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.

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.

