

Chairman's statement

Value for customers and real returns for shareholders



'Our ability to generate strong financial performance despite adverse market conditions and the challenge of historically low long-term interest rates is testament to both the success of our strategy and the efforts of our management team.'

Paul Manduca
Chairman

29.19p

full-year dividend

+15.9%

increase on 2011

Welcome to Prudential's 2012 Annual Report, the first since I became Chairman in July 2012. I am pleased to report that the Group has delivered another excellent performance in 2012, providing products and services of real value to our 24 million insurance customers around the world and strong returns to our shareholders. Our leading presence in the fast-growing economies of Asia drives our long-term profitable growth while our focused businesses in the US and the UK continue to make solid contributions to the Group's overall performance.

The global economic outlook remains depressed and, although there were some signs of improvement in 2012, there is a debate about how sustainable the recovery may be. However, our ability to generate strong financial performance despite adverse market conditions and the challenge of historically low long-term interest rates is testament to both the success of our strategy and the efforts of our management team led by Group Chief Executive Tidjane Thiam. The Group remains on track to deliver the 2013 'Growth and Cash' objectives announced in December 2010. We have achieved two major ones regarding Asia – the IFRS operating profit and cash remittance targets – one year ahead of schedule.

As a Board, we must ensure that our results translate into real returns for our shareholders. The continued strength of our operations in Asia, the US and the UK gives us confidence that we will continue generating sustainable growth over the long term. So for the second time in three years, we have been able to announce the rebasing of our full-year dividend upwards by 4 pence. The Board has therefore recommended a final dividend of 20.79 pence per share, which brings the total dividend for the year to 29.19 pence per share, 4 pence or 15.9 per cent higher than the 2011 total dividend.

There have been some changes to the Board during the year. When I succeeded Harvey McGrath as Chairman in the middle of last year, I reflected that his tenure encompassed some of the most difficult economic conditions a business like ours could face. On behalf of the Board and the entire Company, I would like to thank him for his stewardship of Prudential during those difficult times.

A key part of my role is to ensure appropriate governance around the execution of the Group's strategy, and to engage with shareholders and other stakeholders on this matter. As Chairman, I need to make sure the Board is equipped with the right people to help me perform this role. We need directors with the appropriate skill sets to bring different perspectives to bear, as we face the complexities of a rapidly changing world.

In December 2012, we announced that Philip Remnant CBE would become Senior Independent Director from 1 January 2013, replacing myself in that position. He is currently a senior adviser at Credit Suisse, a Deputy Chairman of the Takeover Panel and a non-executive director of UK Financial Investments Limited. He has joined the Nomination, Audit and Remuneration Committees. Philip brings a wealth of experience of financial services at the highest level, a deep understanding of the needs of shareholders and a strong record of public service.

In March 2013, we announced that Anthony Nightingale, CMG, would be joining the Board on 1 June 2013 as a non-executive director and member of the Remuneration Committee. He has spent more than 40 years at Jardine Matheson Group, which is one of Asia's leading and most diverse business groups, including six years as Managing Director until he retired from executive office in March 2012. Anthony is a Hong Kong representative to the APEC Business Advisory Council and is a member of the Commission on Strategic Development in Hong Kong.

Anthony replaces Keki Dadiseth who announced he would be retiring from the Board on 1 May 2013 after eight years of service. He joined the Board in April 2005 and is a member of the Remuneration Committee. Keki was also a member of the Audit Committee from 2005 to 2007. I would like to thank him for his hard work and trusted advice during his time at Prudential.

Wherever we operate in the world, we strive to make a strong contribution to the communities we serve, not just through our business activities, but by helping to address the needs of the disadvantaged in those societies. Each of our businesses has a community investment programme in place which provides support to charitable organisations, both through long-term funding and the experience and expertise of our employees.

The diversity of our markets means that our programmes vary from region to region, but the shared focus for our community investment is education and life skills. These activities include financial education, support to improve social mobility and employee volunteering. Last year more than 7,350 employees across the Group gave up their time to help others in their communities, using their skills and knowledge to benefit those who most need our help.

Many volunteer as part of the Chairman's Challenge, our flagship volunteering programme. The Chairman's Challenge encourages employees from across the Group to volunteer on projects initiated by our global charity partners. I am extremely proud that so many colleagues from across our business are so dedicated and enthusiastic in helping others.

We continue to place great value on the UK, our home market, where we were born 165 years ago. In 2013, we have agreed to be the official title sponsor of Prudential RideLondon, a two-day cycling festival that will take place on 3 and 4 August 2013, which we hope will help build on the legacy of the 2012 London Olympics.

I would like to thank all our employees for contributing to what has been another very strong year. It is their commitment to supporting our customers, along with executing our successful strategy, which allows us to be confident that we can continue to provide shareholders with growing returns in the years to come.



Paul Manduca
Chairman