



Prudential plc 2010 Full Year Results

Delivering 'Growth and Cash'

9 March 2011

This statement may contain certain “forward-looking statements” with respect to certain of Prudential’s plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. By their nature, all forward-looking statements involve risk and uncertainty. A number of important factors could cause Prudential’s actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. Such factors include, but are not limited to, future market conditions, fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities including, for example, new government initiatives related to the financial crisis and the effect of the European Union’s “Solvency II” requirements on Prudential’s capital maintenance requirements; the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; the impact of changes in capital, solvency standards or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate; and the impact of legal actions and disputes. These and other important factors may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. Further discussion of these and other important factors that could cause Prudential’s actual future financial condition or performance or other indicated results to differ, possibly materially, from those anticipated in Prudential’s forward-looking statements can be found under the heading “Risk factors” in Prudential’s most recent Annual Report and in Item 3 “Risk Factors” of Prudential’s most recent annual report on Form 20-F filed with the U.S. Securities and Exchange Commission, as well as under the heading “Risk factors” in any subsequent Prudential Half Year Financial Report. Prudential’s most recent Annual Report and any subsequent Half Year Financial Report are available on its website at www.prudential.co.uk.

Any forward-looking statements contained in this statement are made only as of the date hereof. Prudential undertakes no obligation to update the forward-looking statements contained in this statement or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to the Prospectus Rules, the Listing Rules, the Disclosure and Transparency Rules, the Hong Kong Listing Rules or the SGX-ST listing rules.

Prudential plc 2010 full year results

Agenda

Business Review

Tidjane Thiam

Financial Review

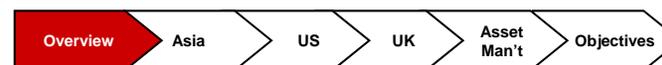
Nic Nicandrou

Outlook and Q&A

Tidjane Thiam

2010 financial highlights

A record year for our key metrics



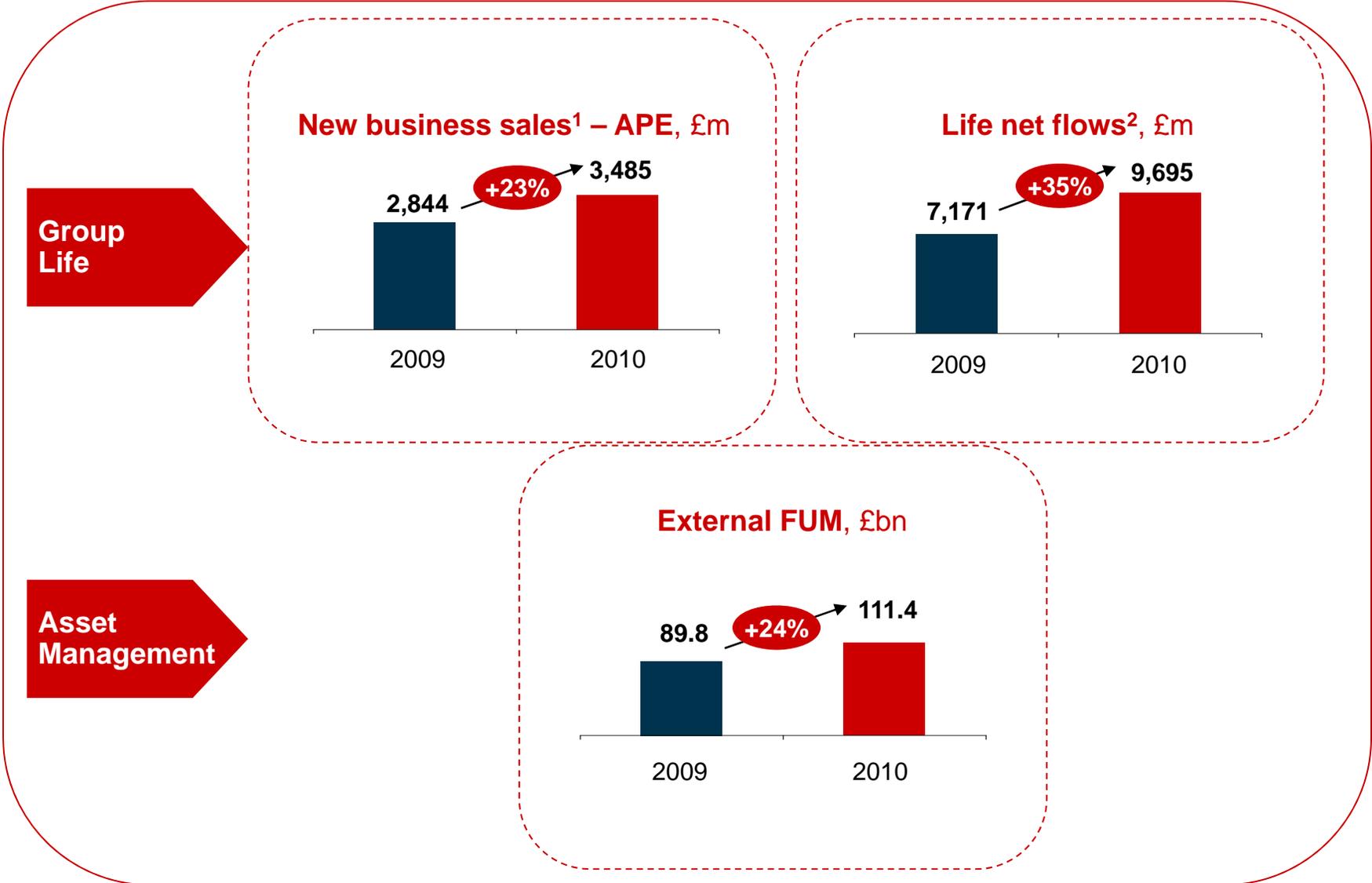
- **Delivering 'Growth and Cash'**
 - APE¹ up 23%
 - New business profit¹ up 25%
 - IFRS operating profit² up 24%
 - EEV operating profit up 20%
 - IFRS profit after tax up 112%
 - Net free surplus generation up 21%
 - Net remittances from business units up 36%
 - IGD surplus up 26%
 - IFRS basis shareholders' equity up 28%
 - EEV basis shareholders' equity up 19%
- **Full year dividend 23.85p (+20%)**

1 Excluding Japan

4 2 During 2010 the group amended its presentation of operating profit for its US insurance operations to remove the negative net equity hedge accounting effect of £367m and include it in short term fluctuations. In 2009 the equivalent effect was negative £159m

Delivering growth

Strong growth in Life and Asset Management

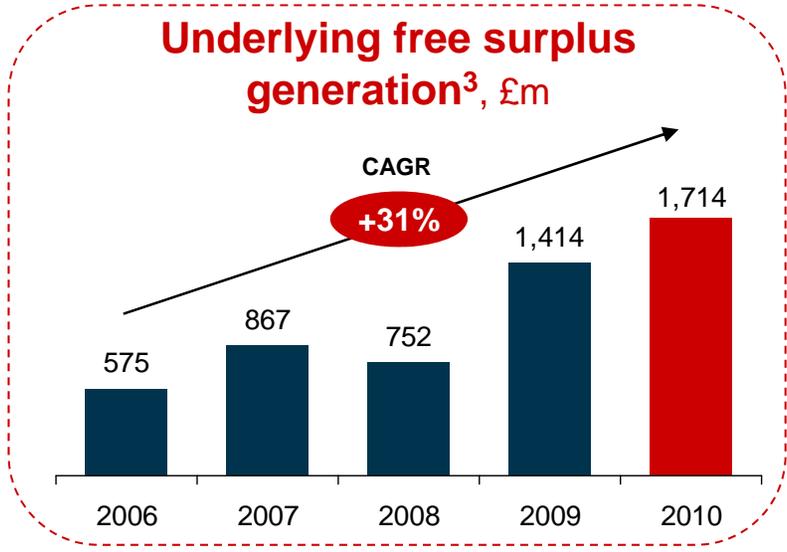
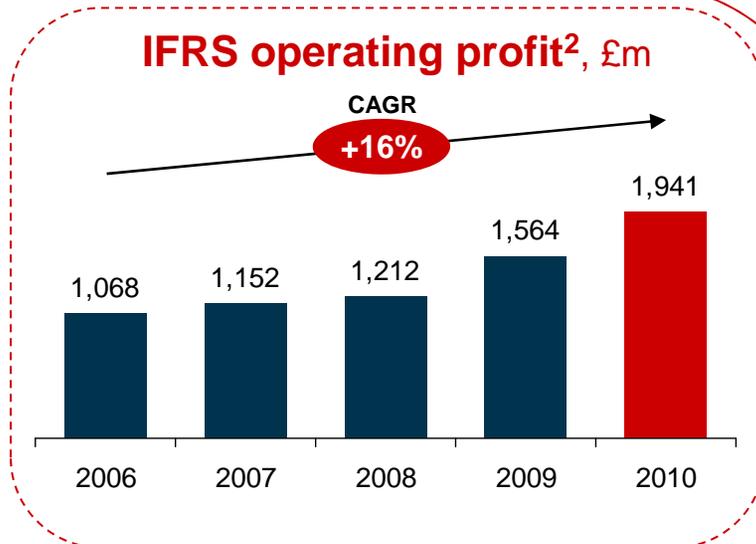
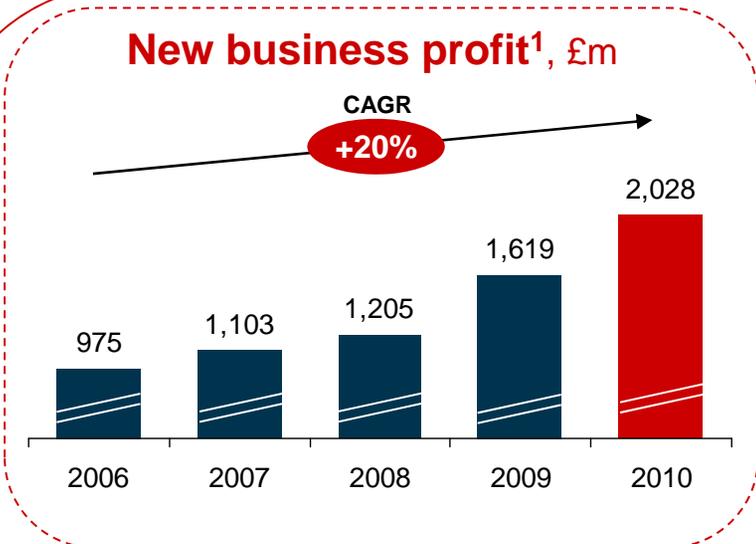


1 Excluding Japan

2 Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths

Group KPIs

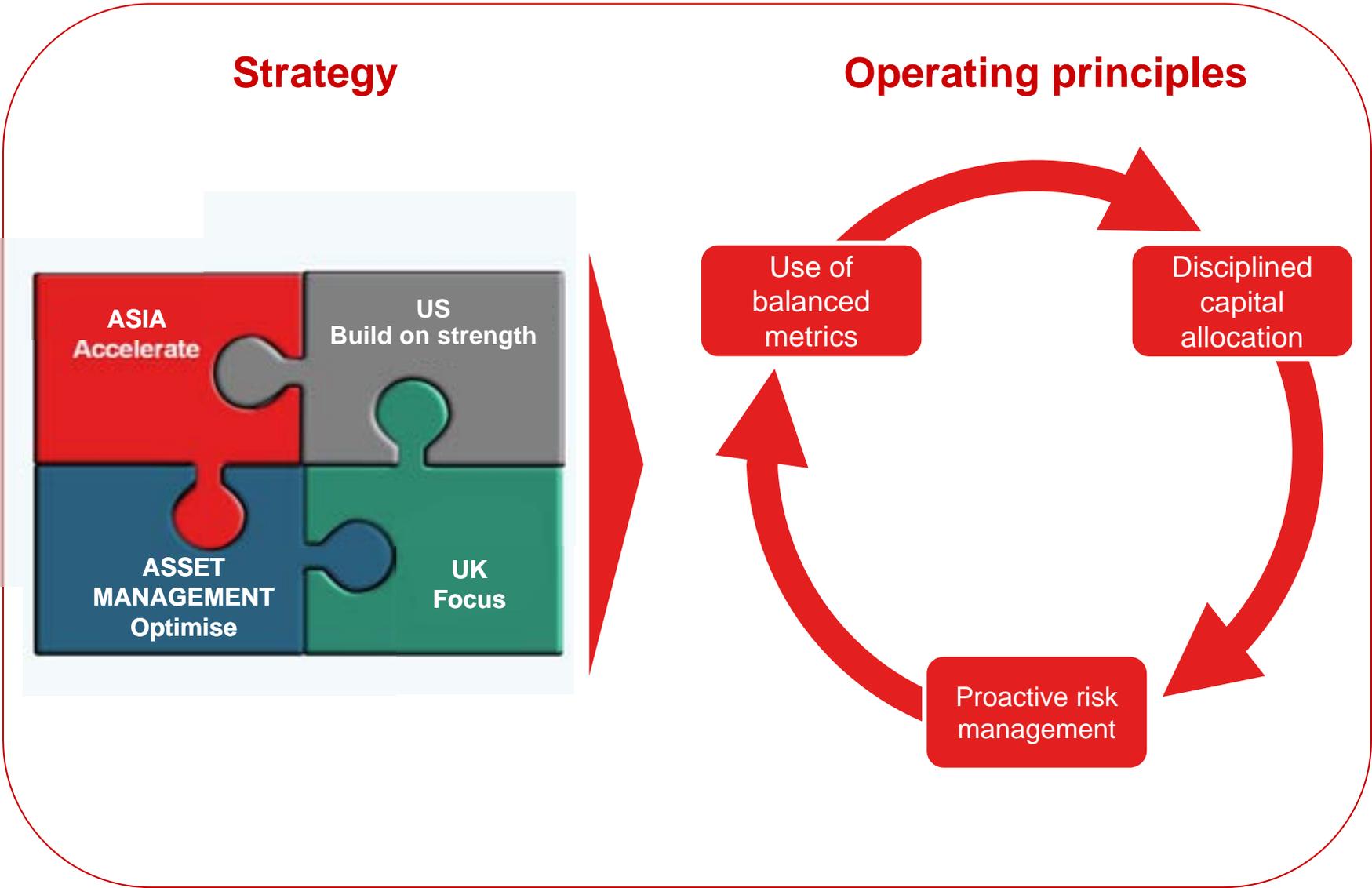
Strategy has delivered sustained strong performance



1 Excluding Japan and Taiwan
 2 In 2010, the Group 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 short-term fluctuations. The prior period comparatives for 2009 and 2008 have been amended accordingly. Excluding Taiwan agency
 3 Life and asset management businesses, net of new business strain. Excluding Taiwan business

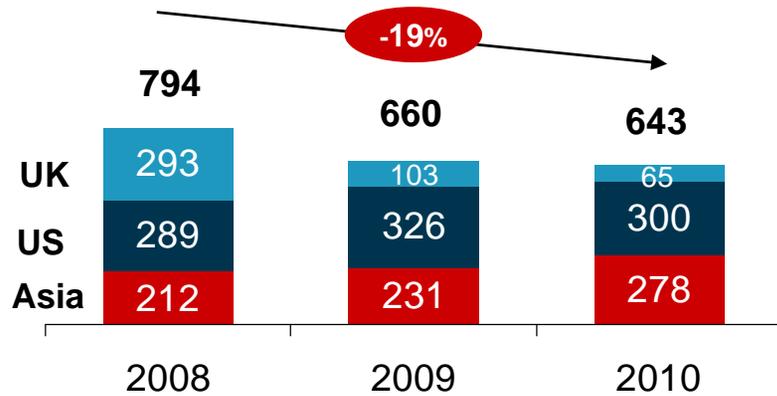
Strategy

Our strategy is working

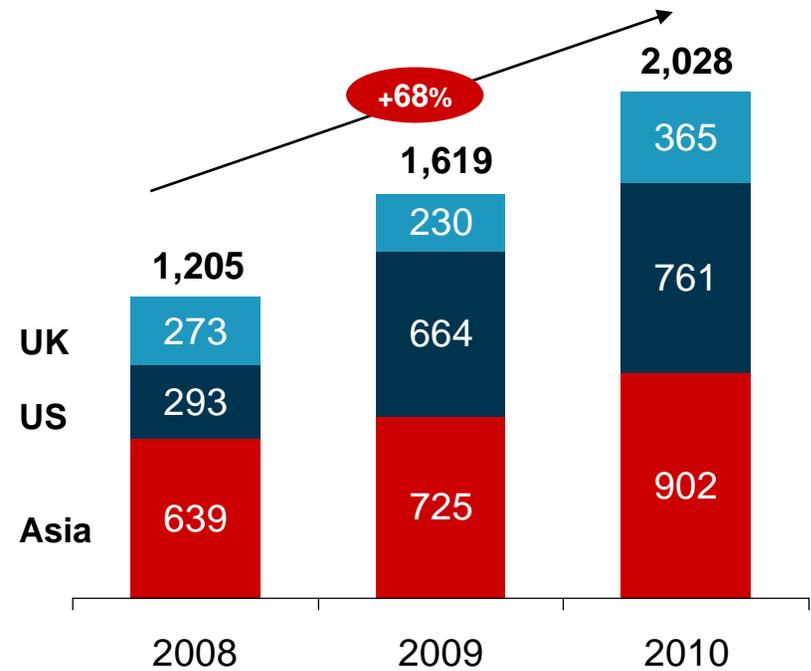


Improving efficiency of new business investment

New business strain^{1,2}, £m



New business profit², £m



1 Free surplus invested in new business
2 Excludes Japan



Asia

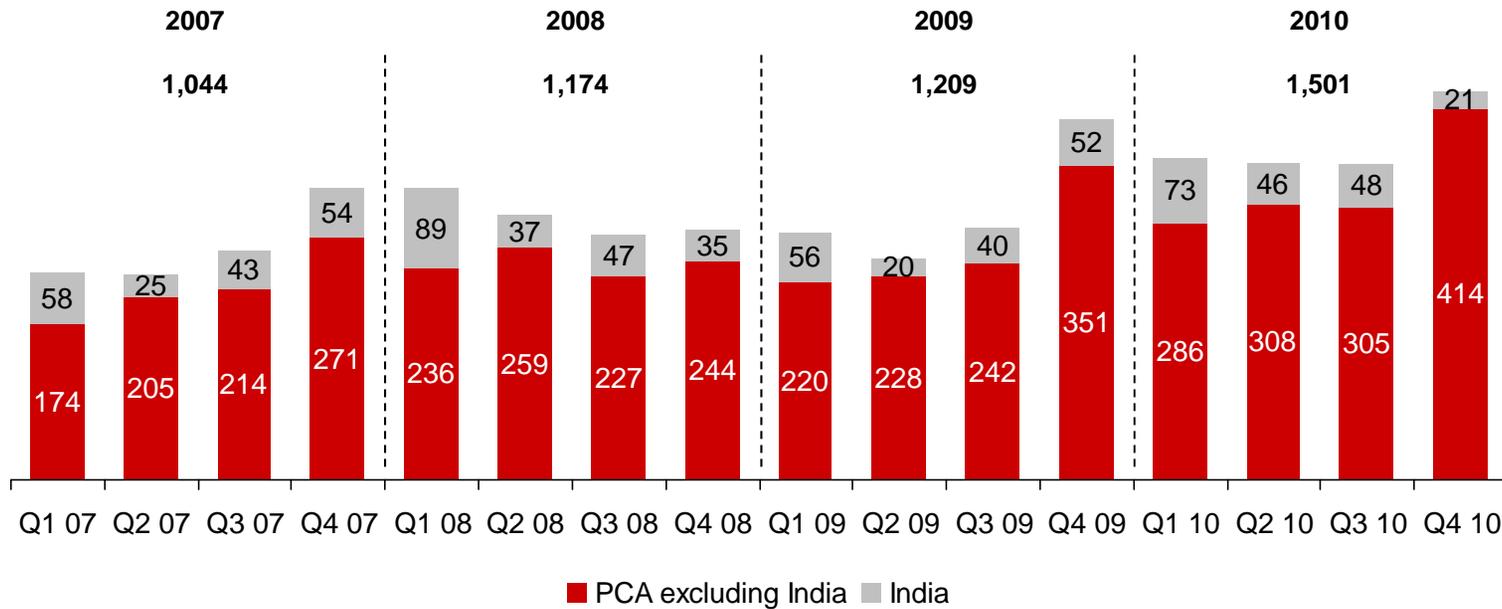
Doing the right things...

- Asian markets are supply constrained, not demand constrained
- Growing markets with increasing levels of 'new money' Around 60% of sales are to consumers purchasing their first policy
- Embedded growth from regular premium focus (93% of APE)
- Driving improvements in agency productivity
- Bancassurance performance exceeding expectations

Asia

...leading to six consecutive record-breaking quarters since Q3 2009

Asia APE¹ trend by quarter, £m

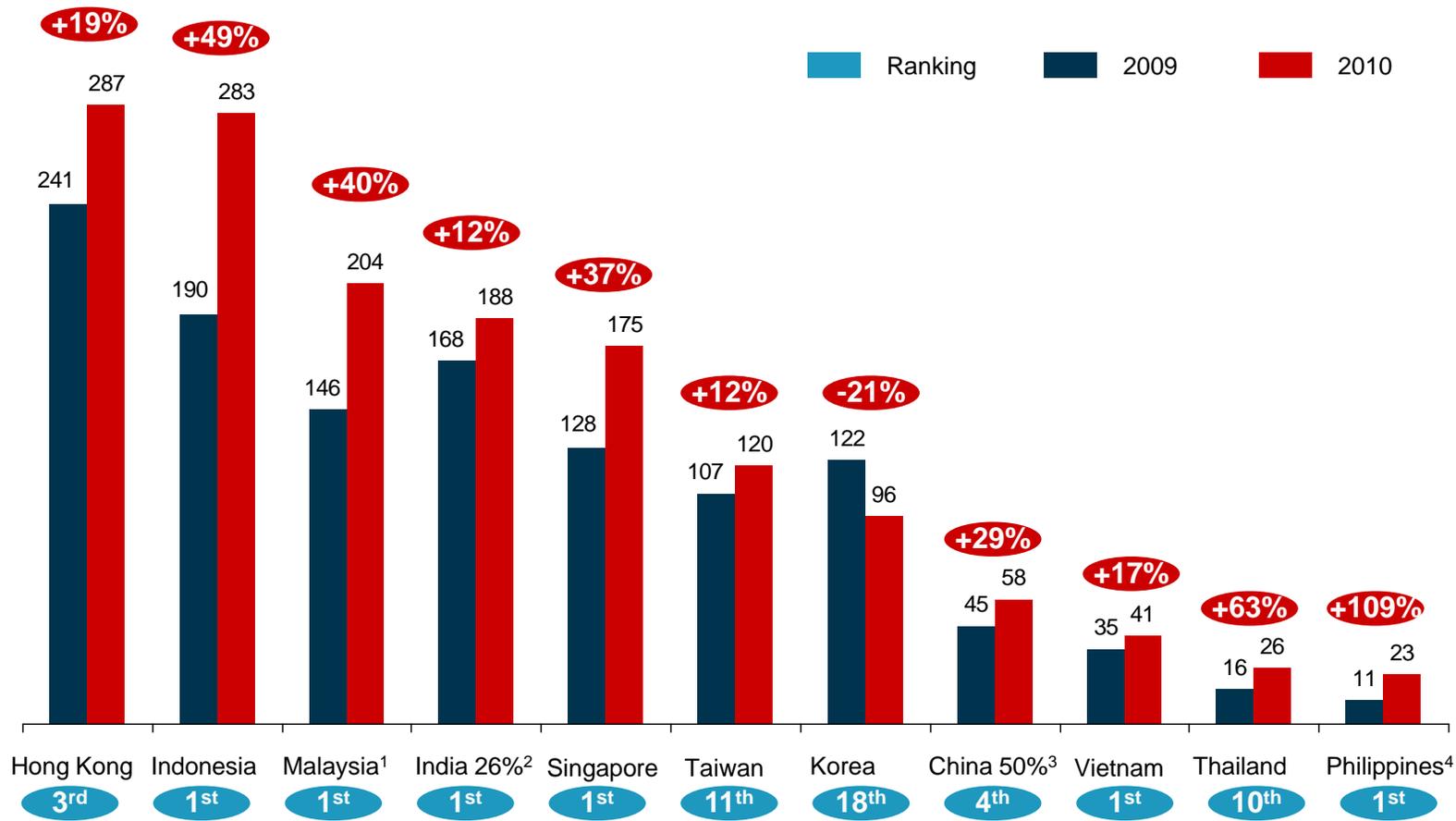


- Distribution reach continues to expand and all markets achieved productivity improvements
- First year to achieve more than £300m every quarter
- Recorded more than £100m in all but one month in 2010

Asia

Rational market leadership

Asia APE by market, £m



1 Includes Takaful sales @100%

2 Ranking amongst foreign JVs; market share amongst all insurers

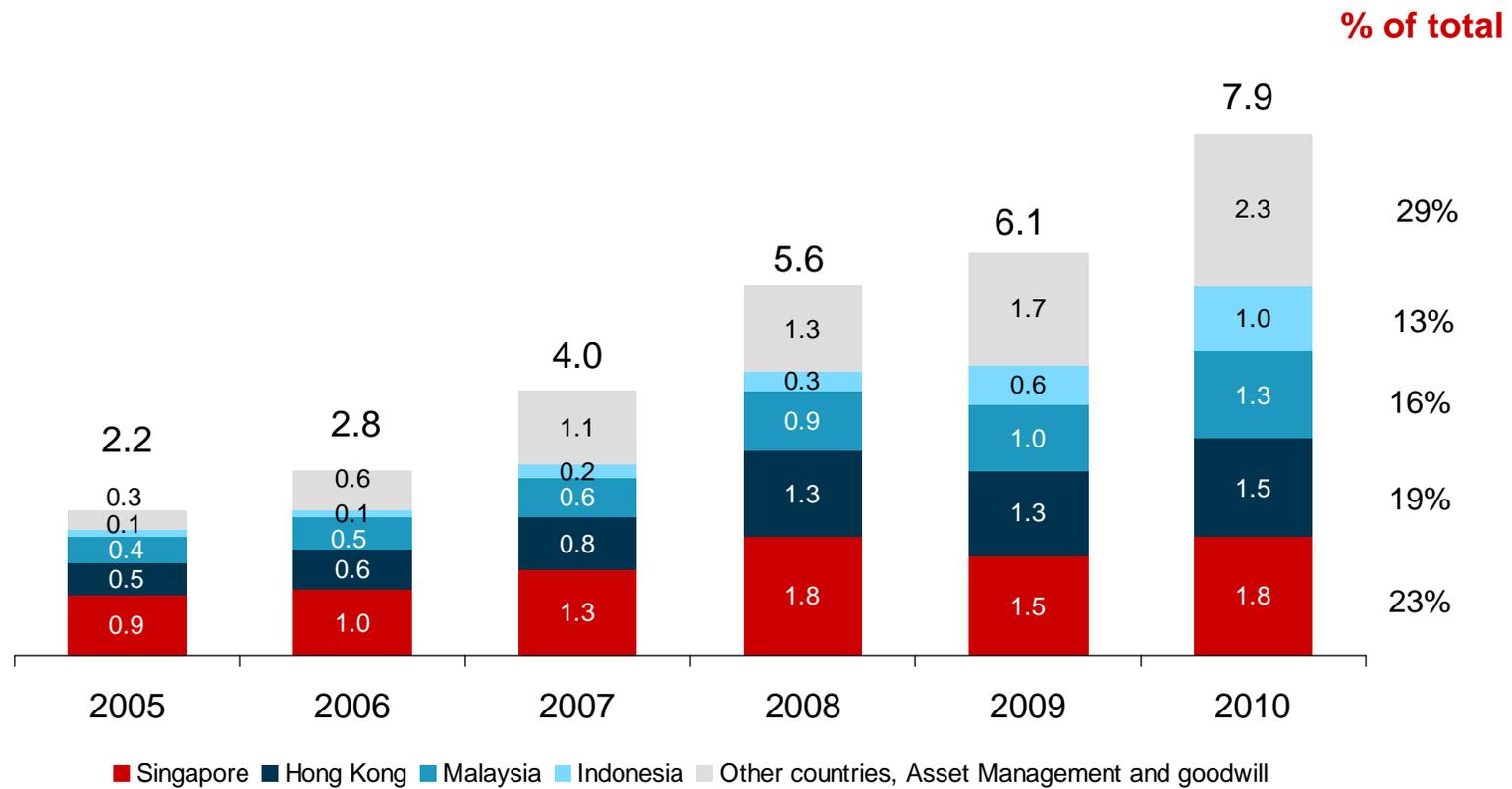
3 Ranking amongst foreign JVs, market share amongst all foreign and JVs

4 Ranking amongst foreign insurers

Asia

Delivering EEV

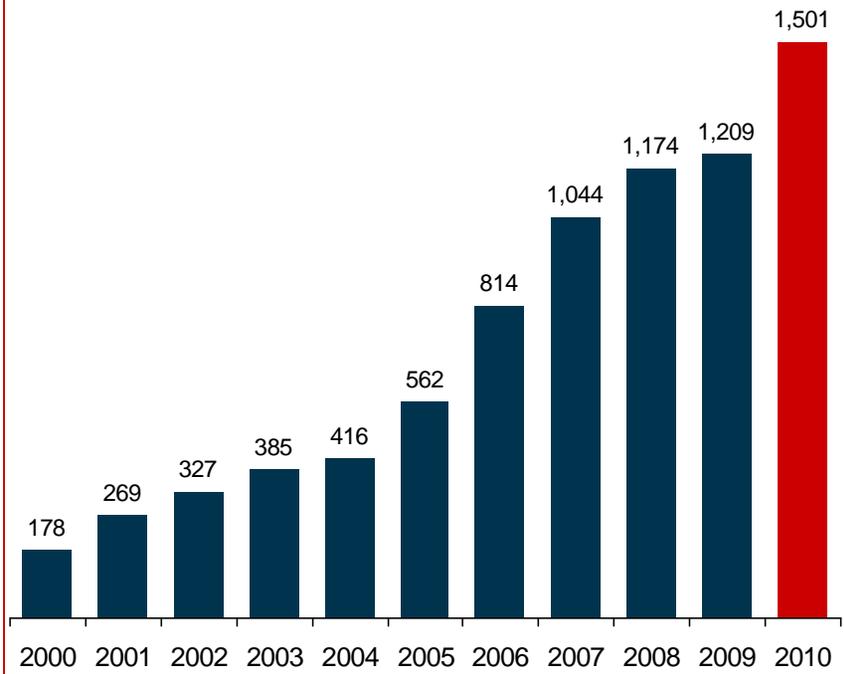
Total EEV in Asia, £bn



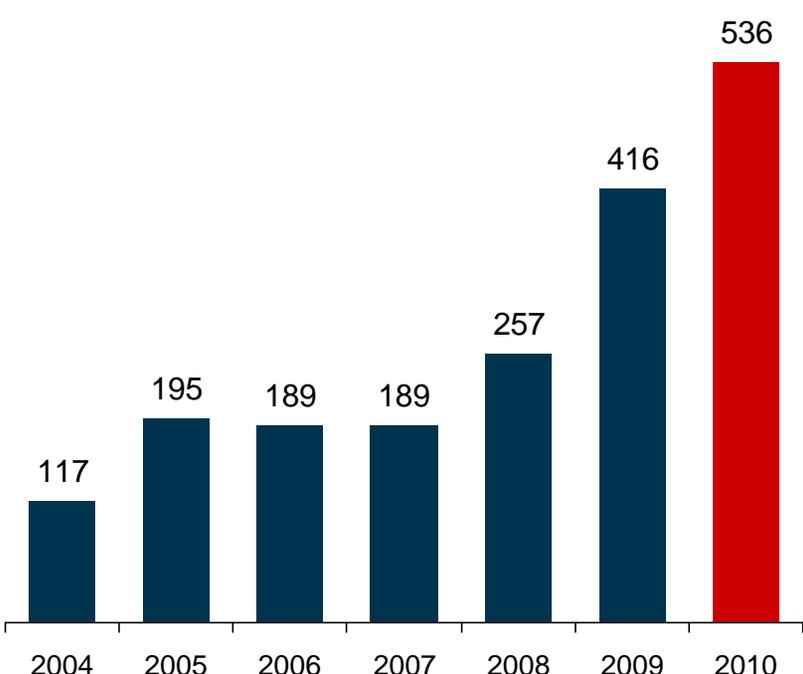
Asia

Sales and IFRS profits growing strongly

Prudential Asia APE¹, £m



Asia Life IFRS operating profit, £m

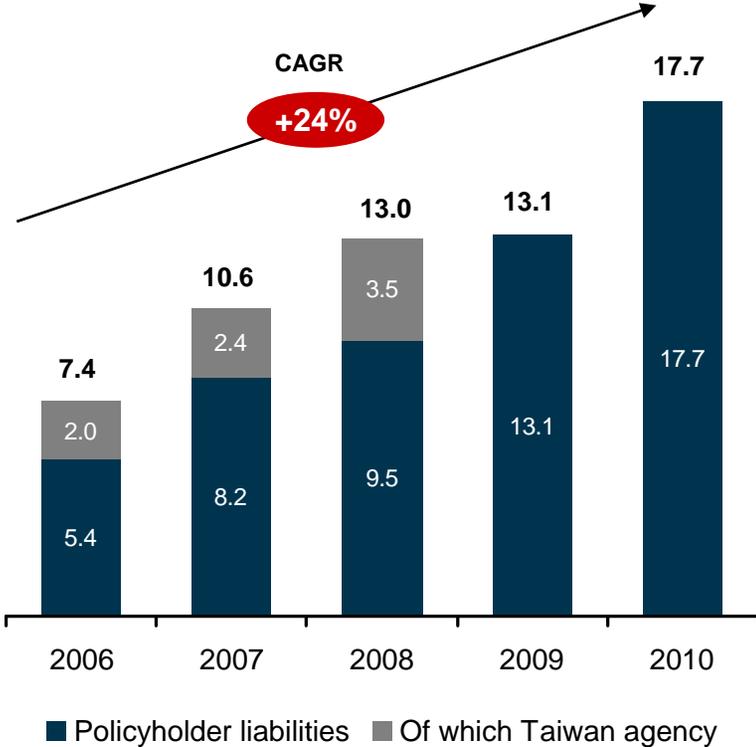


13 1 Excludes Japan and Taiwan

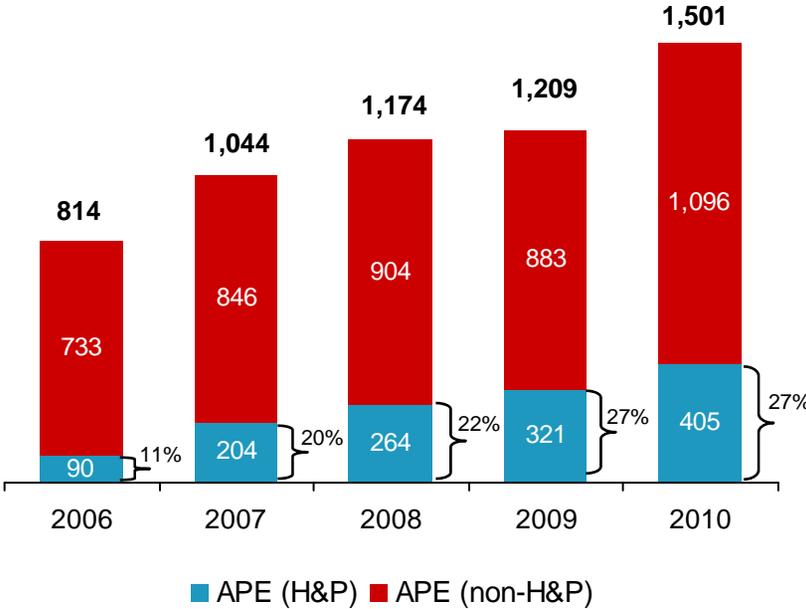
Asia

Growing reserves... helping customers save and protect

**Asia policyholder liabilities¹,
£bn**



**APE² and H&P³ share of premiums,
£m**



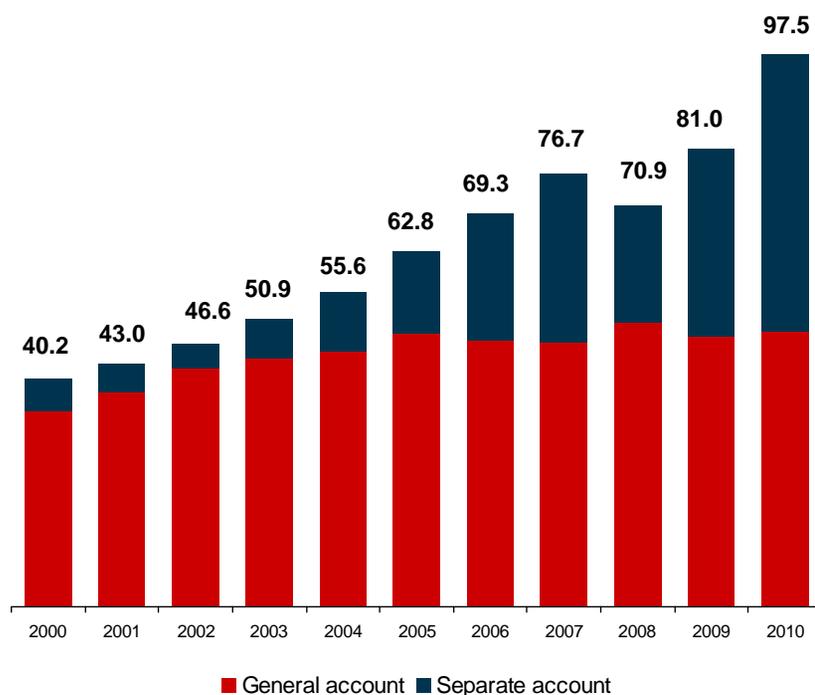
1 Taiwan numbers estimated in 2006 and 2007
 2 Excludes Japan
 3 H&P estimated in 2006 and 2007

US Life

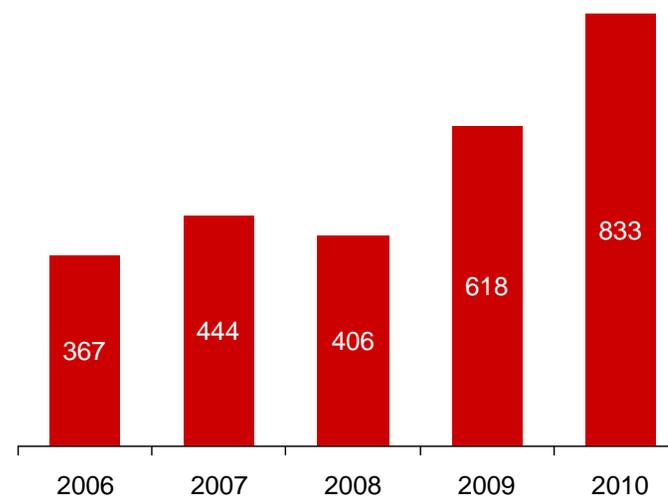
Variable annuities have driven US growth



Growth in statutory admitted assets, US\$bn



US Life IFRS operating profit¹, £m

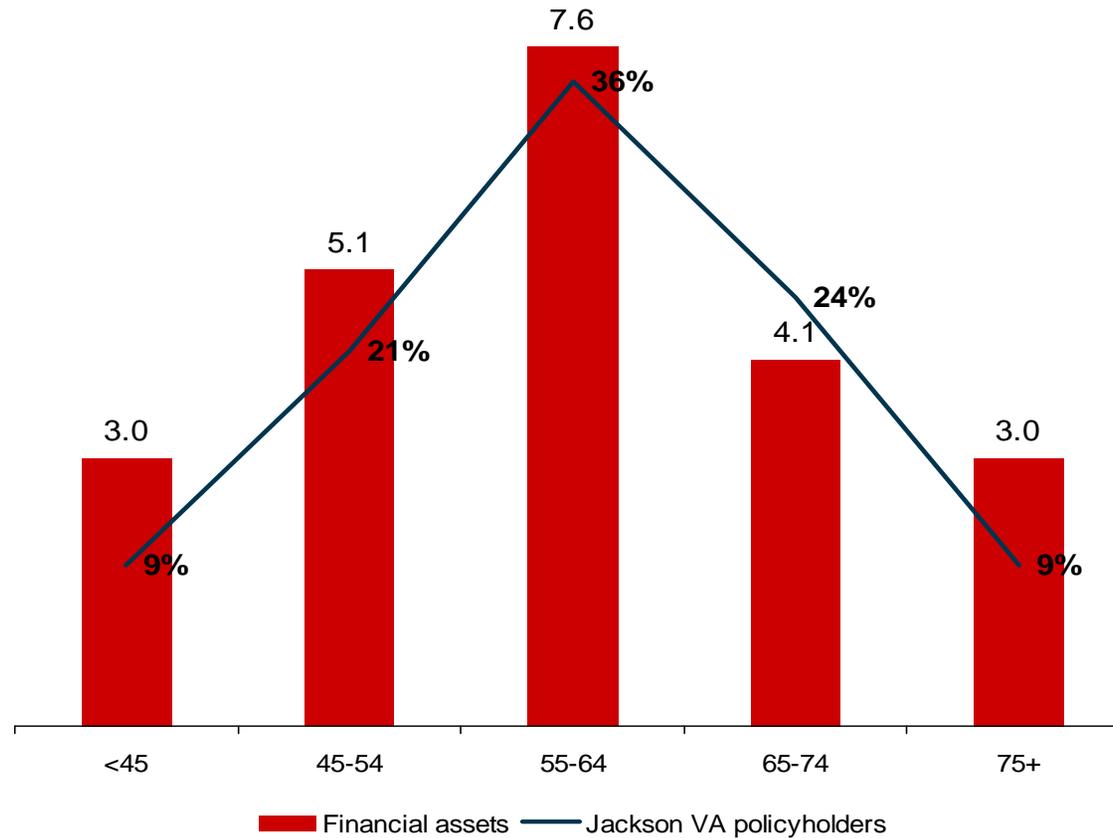


15 ¹ In 2010, the Group amended the presentation of IFRS operating profit for its US insurance operations to remove the net equity hedge accounting effect (incorporating related amortisation of deferred acquisition costs) and include it in short-term fluctuations. The prior period comparatives for 2009 and 2008 have been amended accordingly

US Life

The 'baby-boomers' opportunity

Total US financial assets and % of Jackson VA policies by age cohort¹, US\$trn

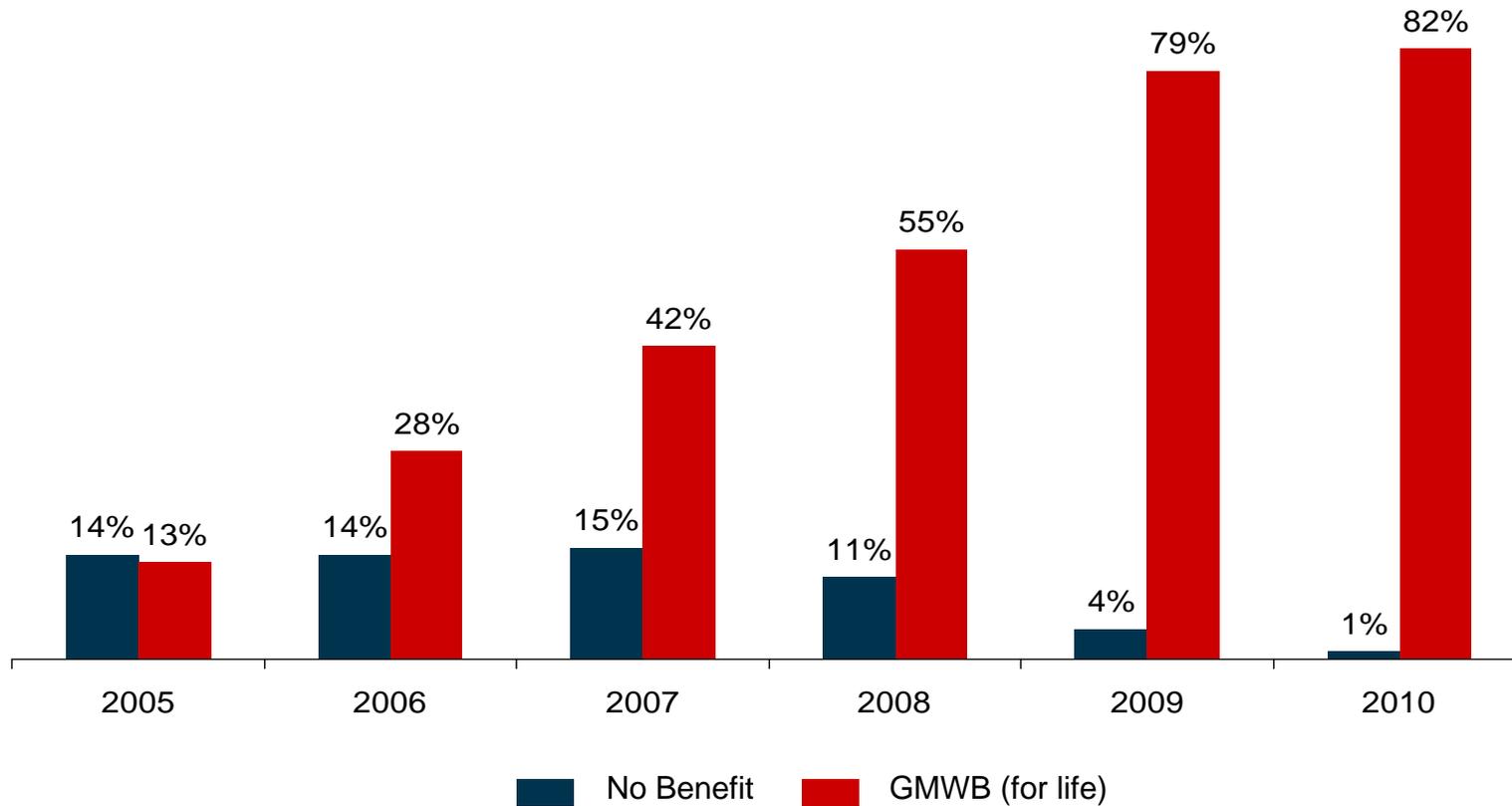


US Life

VA guarantees meeting customer demand

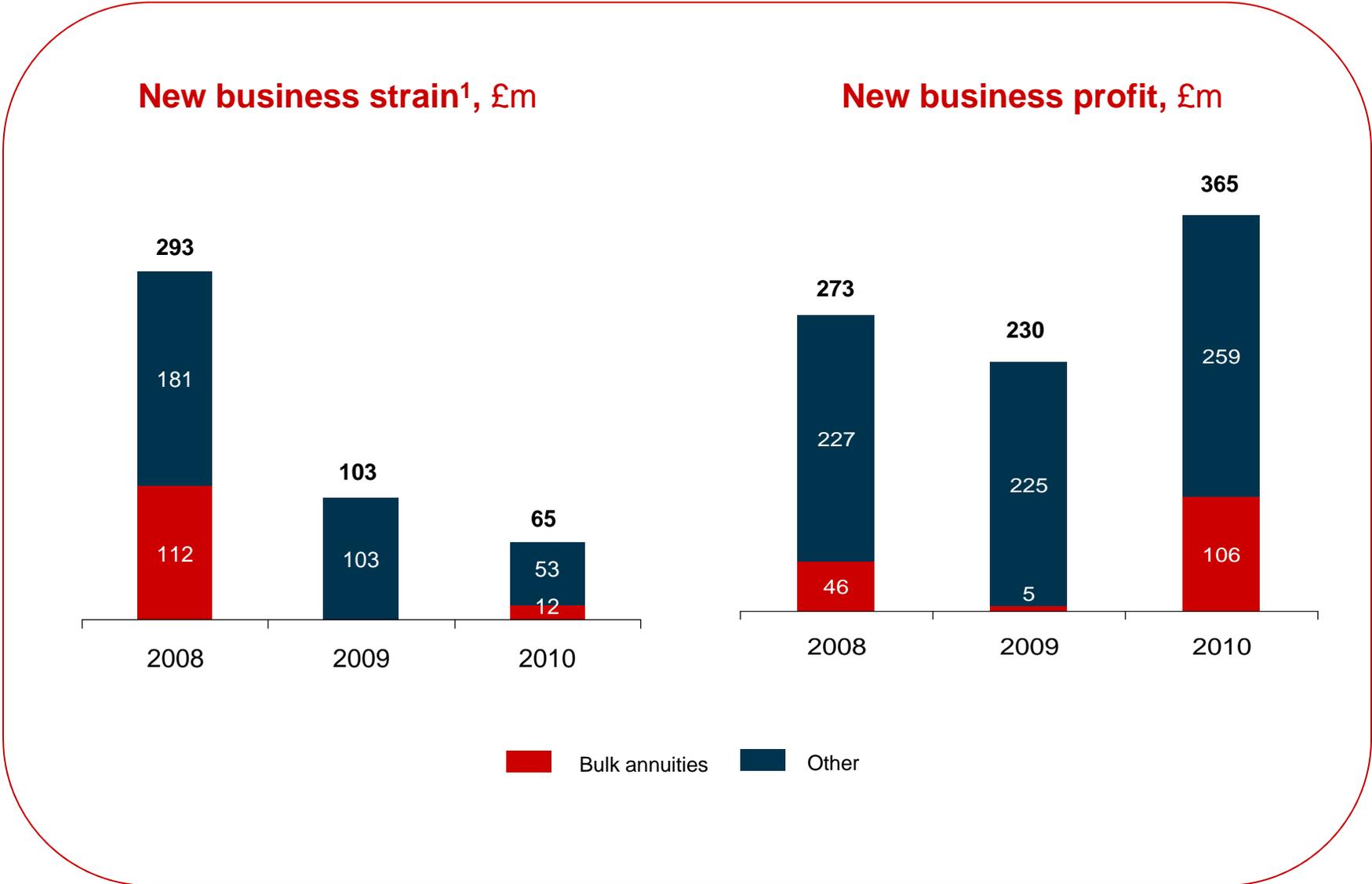


Optional benefits elected, % of initial benefits elected



UK Life

A significant improvement in capital efficiency



¹ Free surplus invested in new business

UK Life

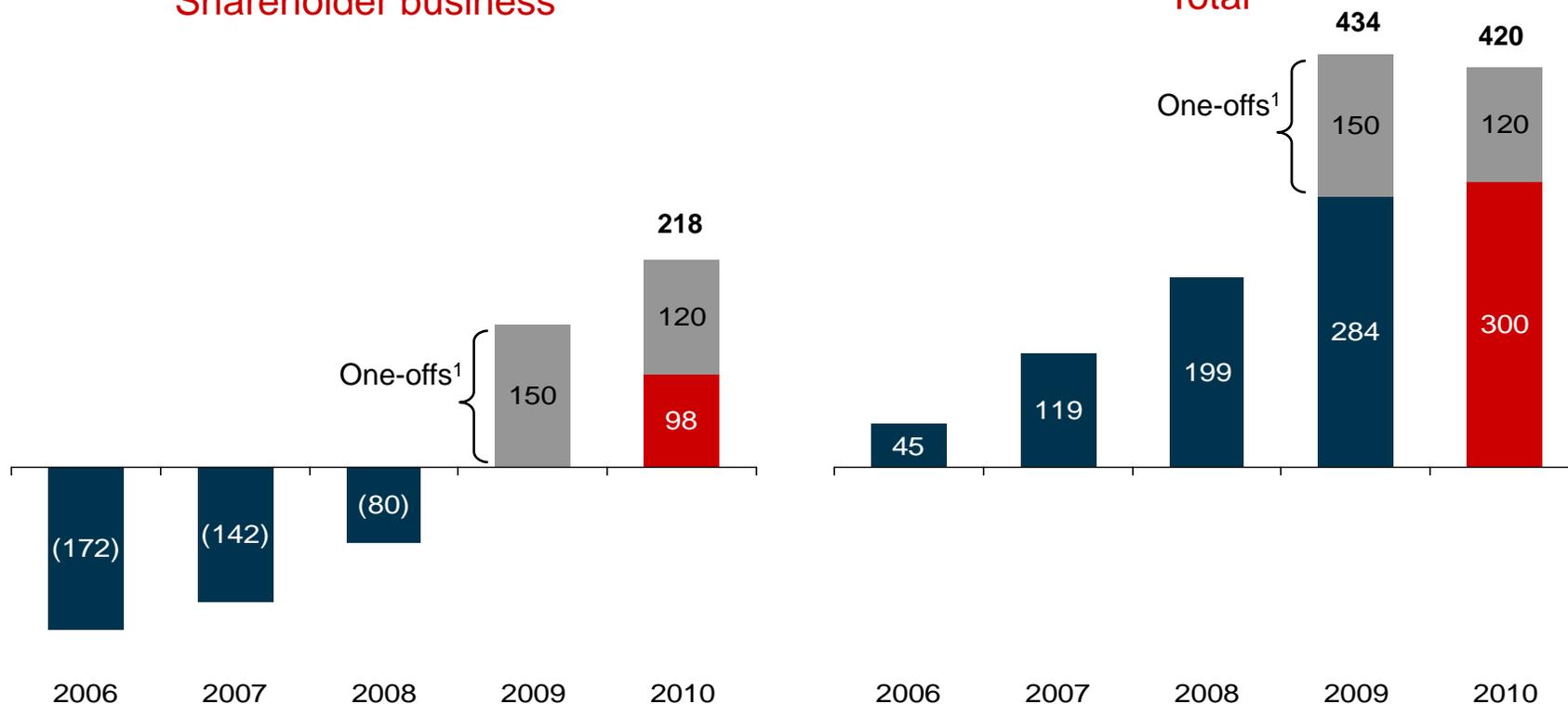
Focus on cash delivered to Group



Cash transfer to Group, £m

Shareholder business

Total



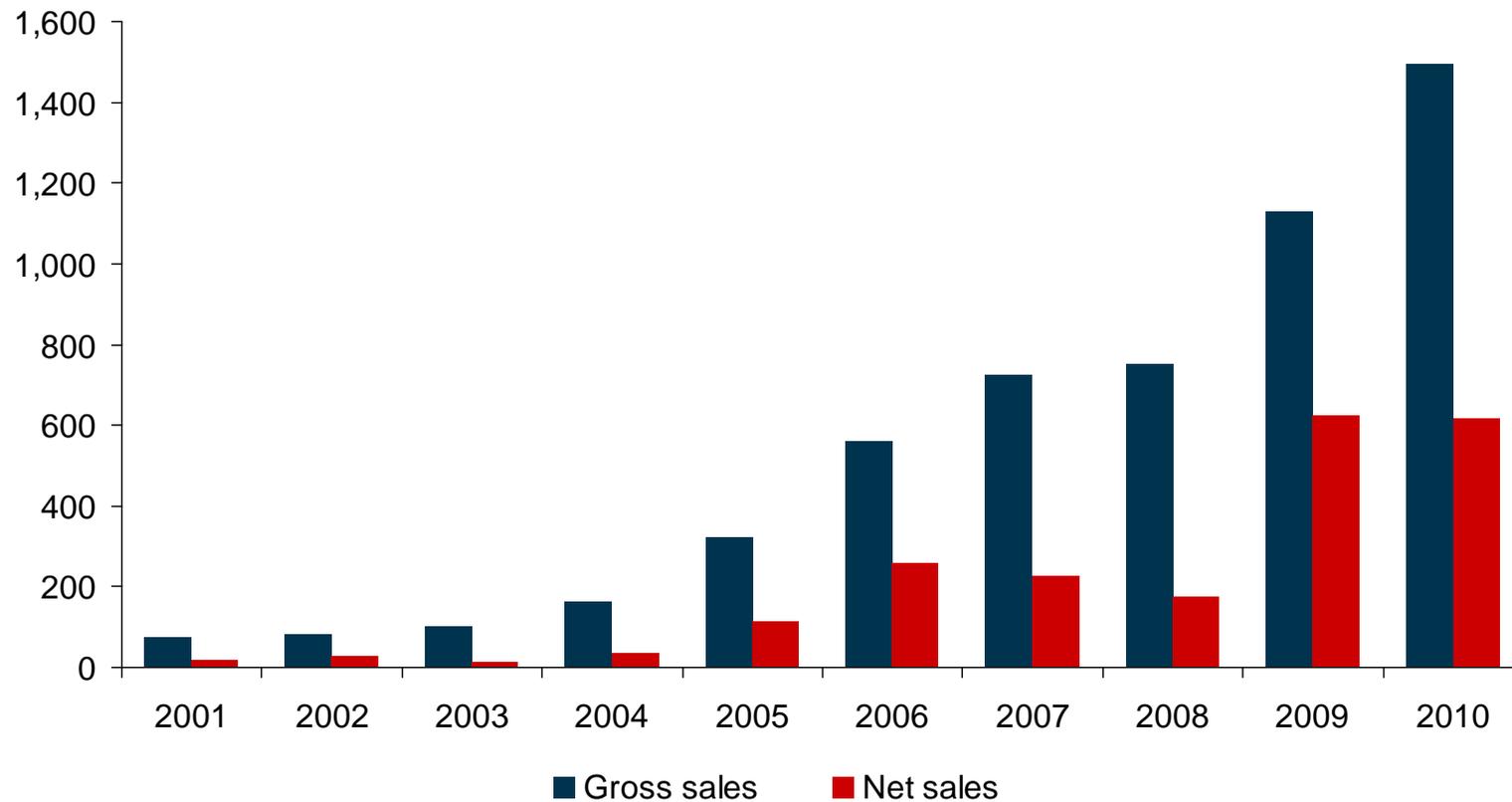
¹ In 2009, the net remittances from the UK include the £150m in 2009 arising from the pro-active financing techniques used to bring forward cash emergence of the in-force book during the financial crisis. The 2010 net remittances include an amount of £120m representing the release of surplus and net financing repayments

Asset Management - M&G

The market leader in UK retail net flows



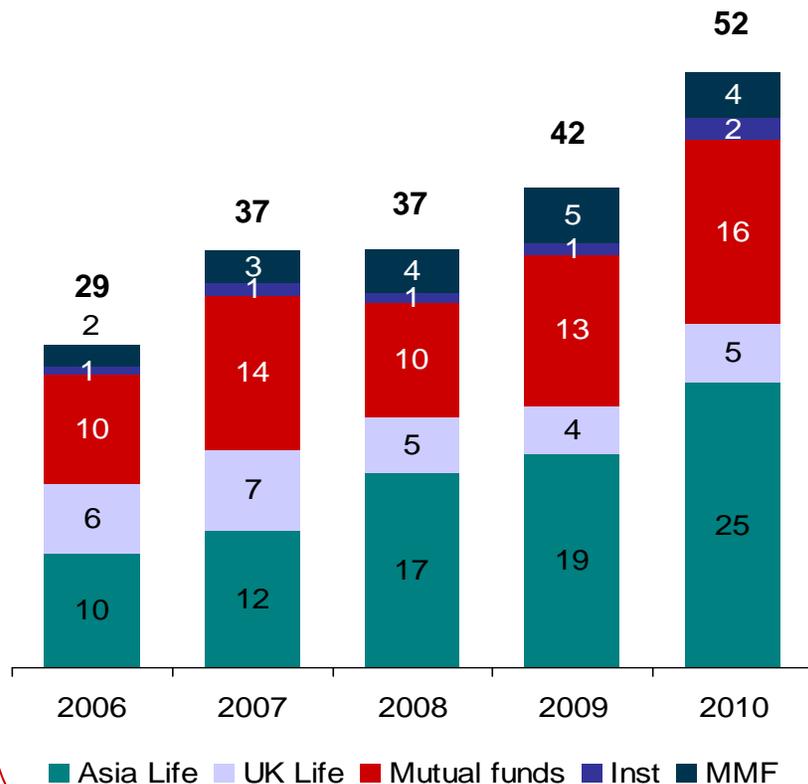
Average monthly gross and net retail sales, £m



Asset Management – Asia

A significant long-term opportunity

Funds under management, £bn



Over £50bn in FUM, £18bn of external FUM¹

Material growth opportunity

- Growing Asian middle class
- Leveraging distribution strengths
- Broad offering of asset classes

Strategic initiatives underway

- Institutional
- Japan
- China
- Offshore

Financial objectives



In 2013 PCA will aim to:

- Double 2009 Life and Asset Management IFRS Operating Profit
- Double 2009 Value of New Business
- Deliver £300m of Net Cash Remittances to the Group

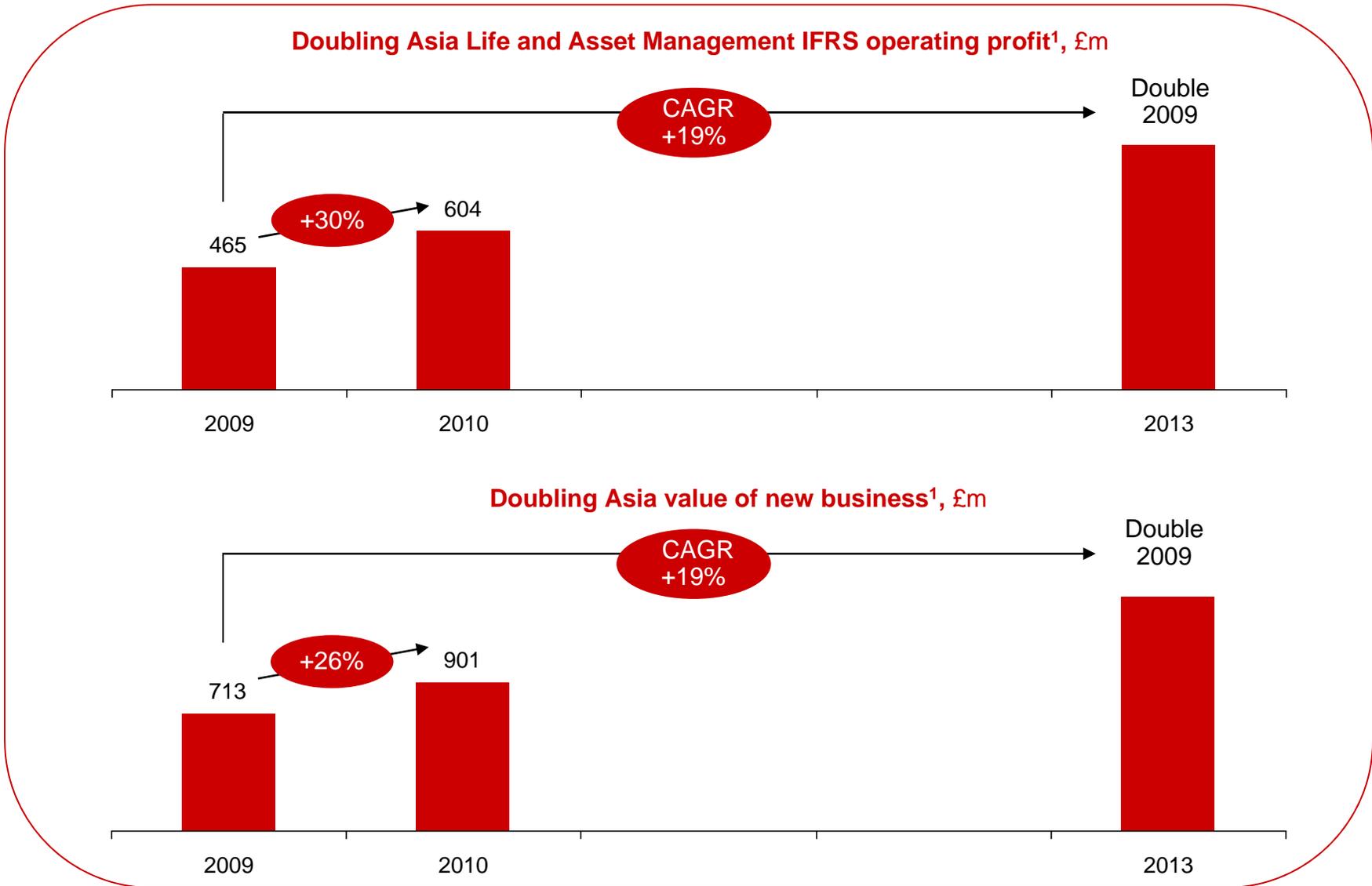
Objectives for net remittances:

- Asia to deliver £300m in 2013
- Jackson to deliver £200m in 2013
- UK to deliver £350m in 2013
- Cumulative net remittances to Group of at least £3.8bn over 2010-13

²² 1 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, is based on the current solvency regime and does not pre judge the outcome of Solvency II, which remains uncertain.

Objectives: 'Growth and Cash' on track

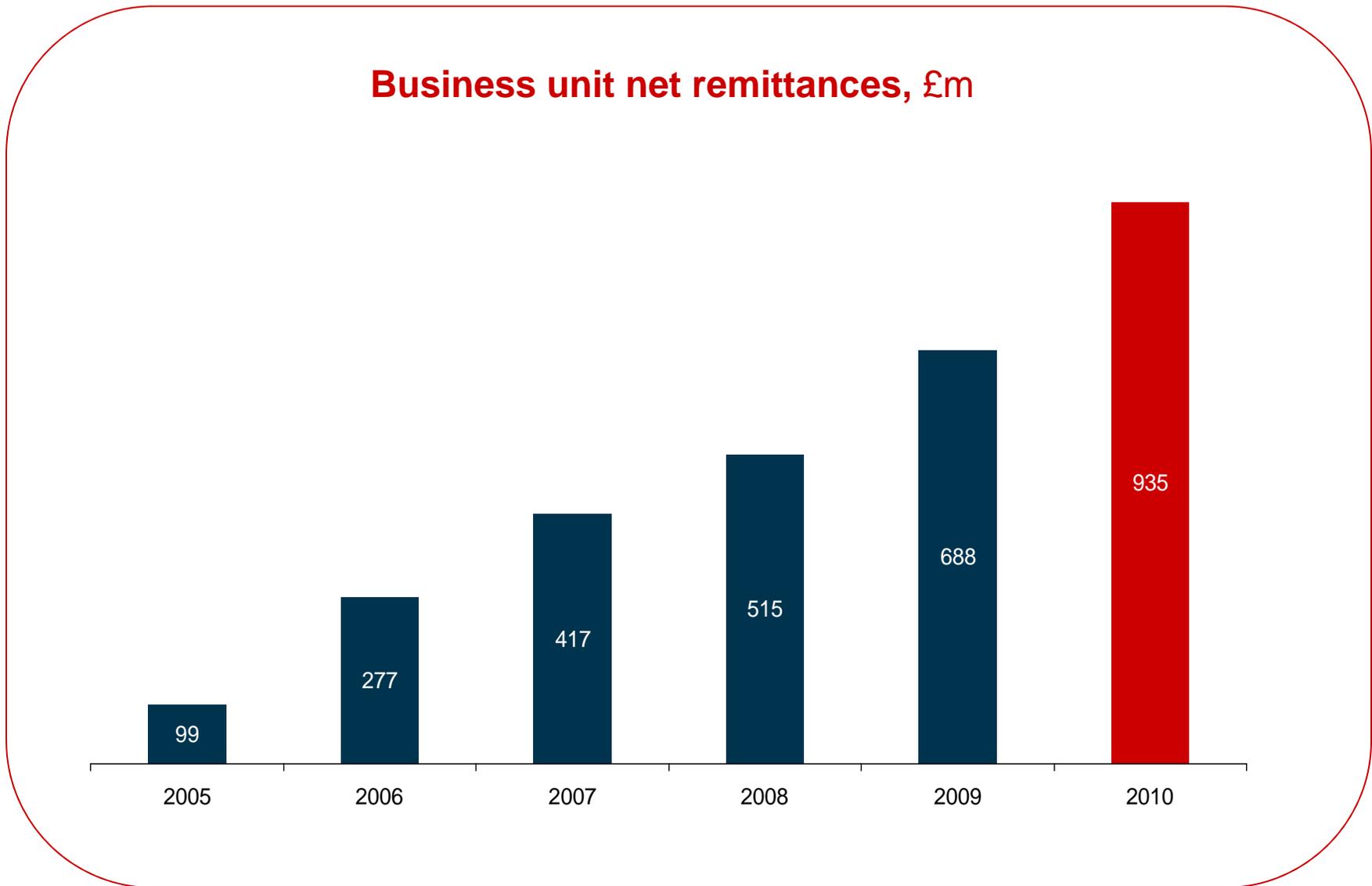
Doubling Asia



¹ 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, is based on the current solvency regime and does not pre judge the outcome of Solvency II, which remains uncertain.

Delivering 'Growth and Cash'

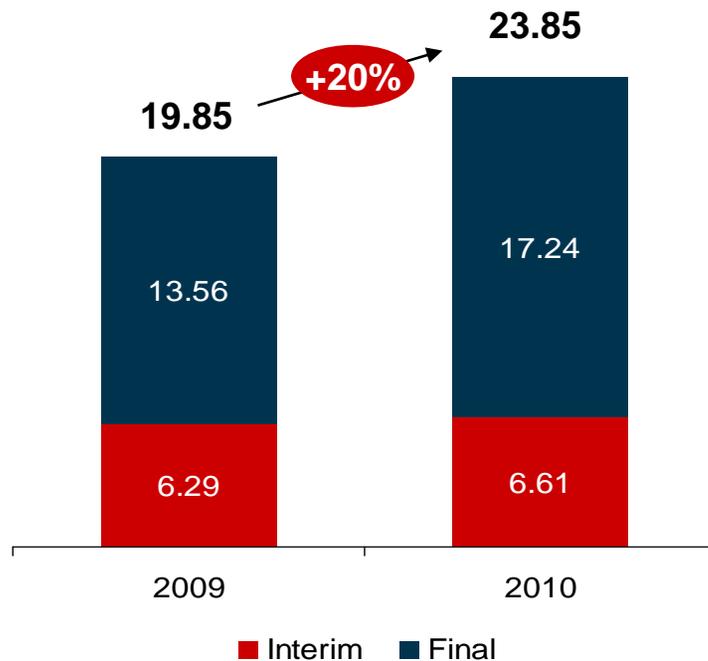
Cash remittances - up over 9 times since 2005



Rebasing the dividend

Raising the dividend to reflect underlying cash generation

Dividend, pence per share



Cancellation of the scrip dividend

- Scrip to be replaced by DRIP¹

4p rebasing of dividend

- Full rebasing effect declared as a final dividend
- 1/3 : 2/3 split will be maintained resulting in higher interim DPS and lower final DPS in 2011

Progressive dividend policy maintained

Prudential plc 2010 full year results

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2010 financial headlines



Growth

- Group Life new business sales¹ up 23% to £3.5 billion APE
- Group new business profit¹ up 25% to £2,028 million
- Group NBP margin¹ 58% (2009: 57%)
- Life IFRS net flows² £9.7 billion (2009: £7.2 billion)
- Asset Management net inflows £8.9 billion (2009: £15.4 billion)

Profitability

- IFRS operating profit³ up 24% to £1,941 million
- EEV operating profit up 20% to £3,696 million
- Operating RoEV 18% (2009: 15%)

Cash and capital

- EEV shareholders' funds £18.2 billion, £7.15 per share (2009: £15.3 billion)
- Net free surplus generated up 21% to £1,714 million (2009: £1,414 million)
- IGD surplus £4.3 billion (2009: £3.4 billion)
- Total dividend increased by 20% to 23.85 pence per share

¹ Excluding Japan

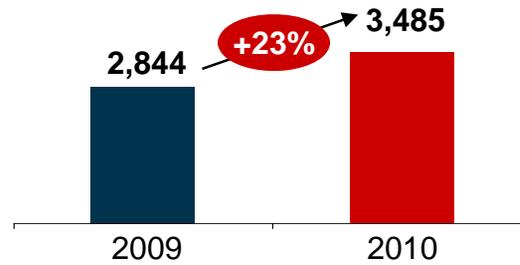
² Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths

³ During 2010 the group amended its presentation of operating profit for its US insurance operations to remove the negative net equity hedge accounting effect of £367m and include it in short term fluctuations. In 2009 the equivalent effect was negative £159m

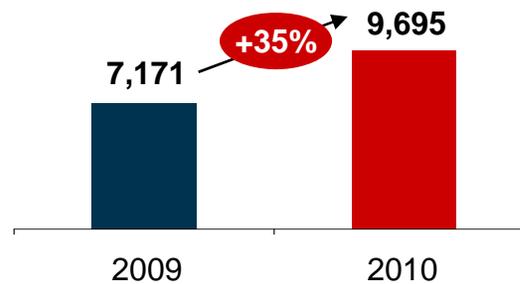
Delivering growth

Strong growth in Life

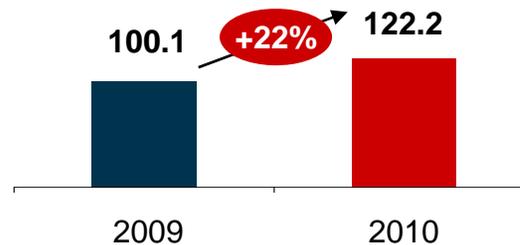
New business sales¹ – APE, £m



Net flows², £m



Policyholder liabilities³, £bn



Group Life

- Q4 APE sales up 18% to £1,021m
- Full year APE sales advanced to £3,485m
 - SE Asia (including HK) up 35%
 - VA sales up 48%
- Net flows equivalent to 9.4% of opening reserves (2009: 8.4%)
- Policyholder liabilities increased by 22% of which:
 - net flows 9.4% of opening reserves
 - investment markets (9%), foreign exchange and others

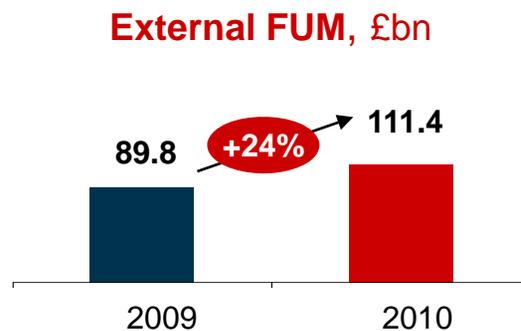
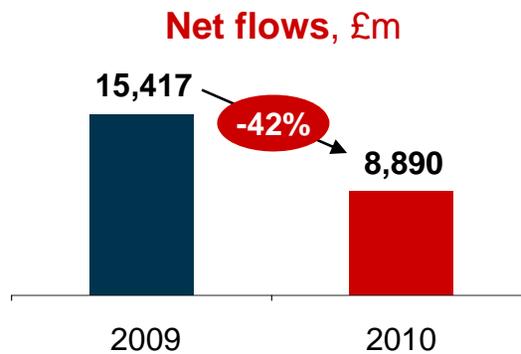
28

1 Excluding Japan
 2 Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths
 3 Shareholder-backed business

Delivering growth

Strong growth in Asset Management

Group Asset Management

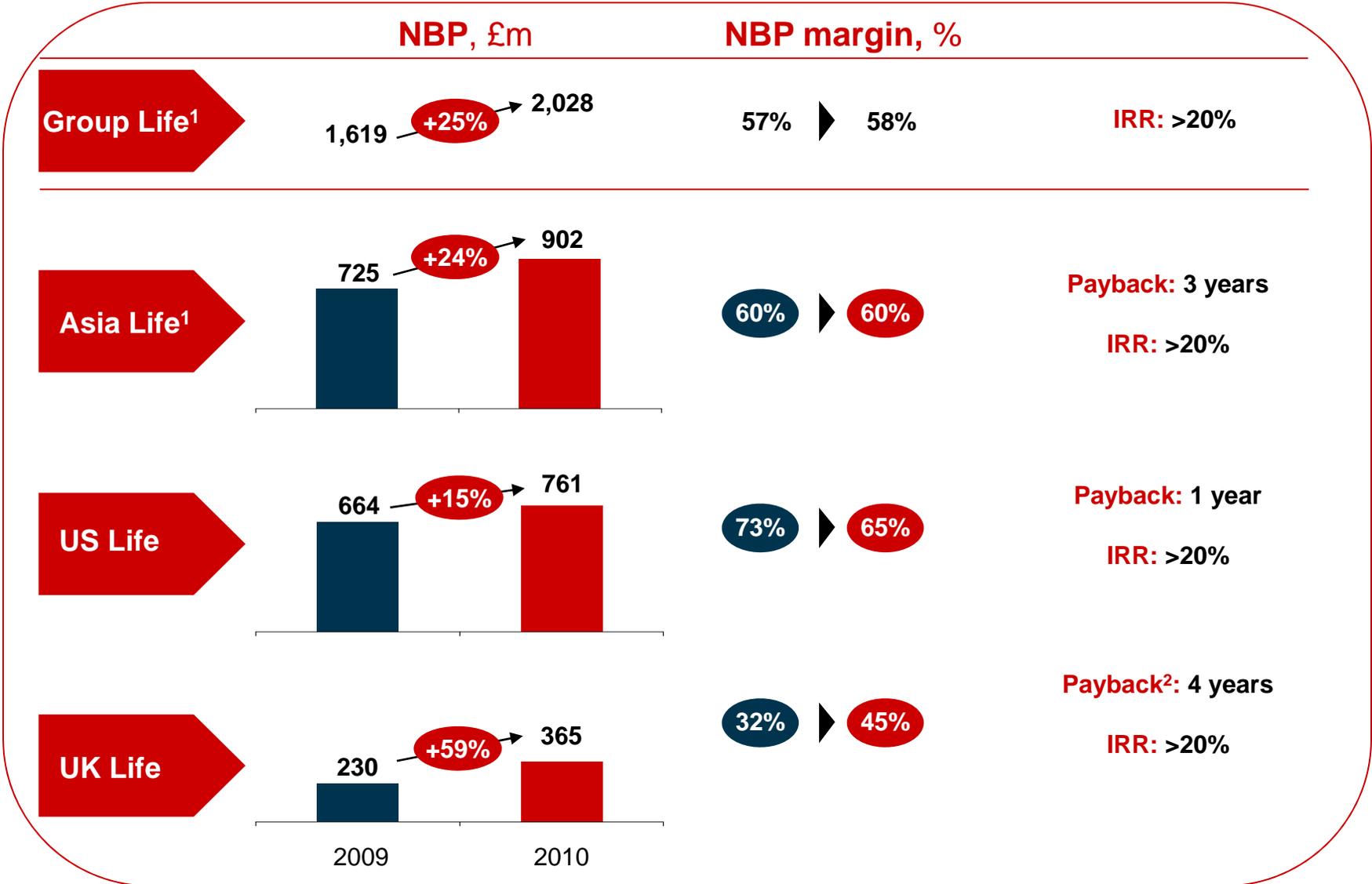


- M&G external net flows of £9,105m equivalent to 13% of opening external FUM (2009: 29%)
- Asia Asset Management¹ delivered retail and institutional net flows of £1,837m equivalent to 13% of opening retail and institutional FUM (2009: 5%)
- External FUM higher by 24% of which:
 - net flows 10% of opening FUM
 - market and other movements 12%
 - foreign exchange 2%

¹ Total net flows from Asia Asset Management of £(215)m (2009: net inflows £1,999m) comprise retail and institutional net inflows of £1,837m (2009: £556m) and money market net outflows of £(2,052)m (2009: net inflows £1,443m)

Delivering growth in value and volume

Balancing capital consumption and value optimisation

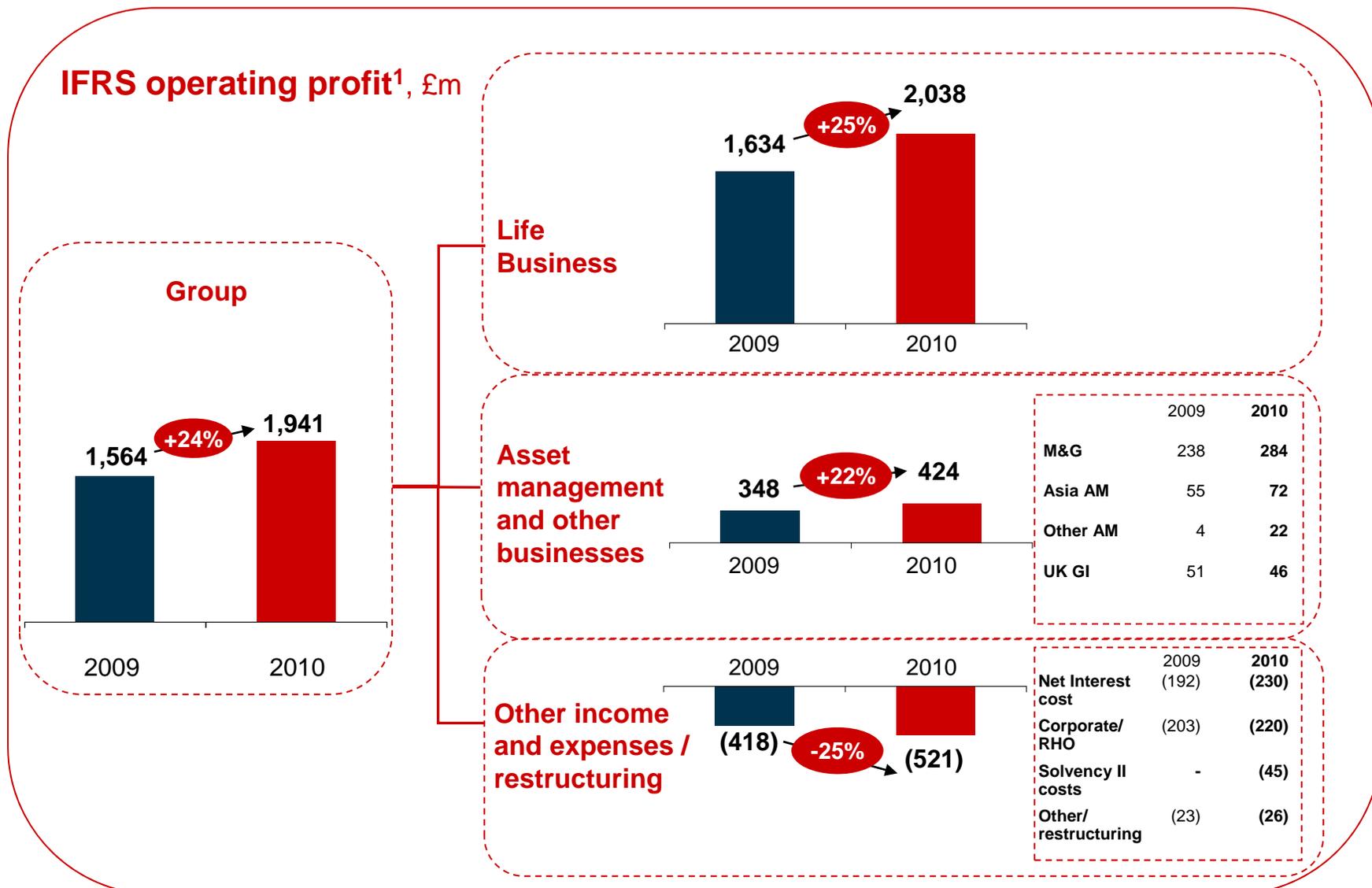


1 Excludes Japan Life

2 Shareholder-backed business

Payback: Expected period over which future undiscounted free surplus generation recoups initial new business investment

Delivering profitability – IFRS



31 ¹ During 2010 the group amended its presentation of operating profit for its US insurance operations to remove the negative net equity hedge accounting effect of £367m and include it in short term fluctuations. In 2009 the equivalent effect was negative £159m

Delivering profitability – IFRS

Change to Jackson accounting presentation

Jackson VA accounting effect of hedging programme, £m

	H1 2010	FY 2010
Increase/(decrease) in value of derivatives	440	(695)
Change in accounting value of guarantees	(108)	(76)
Related DAC	(209)	404
Net effect	123	(367)
S&P 500	-8%	+13%

- Jackson hedges product economics rather than accounting results
- Accounting not aligned with economics
- Accounting volatility arises on difference between:
 - fair value movement in derivative assets
 - movement in accounting value of guarantees
- Accounting mismatch to be reported as part of short-term investment variances
- Gains/losses variable in nature and unwind over time

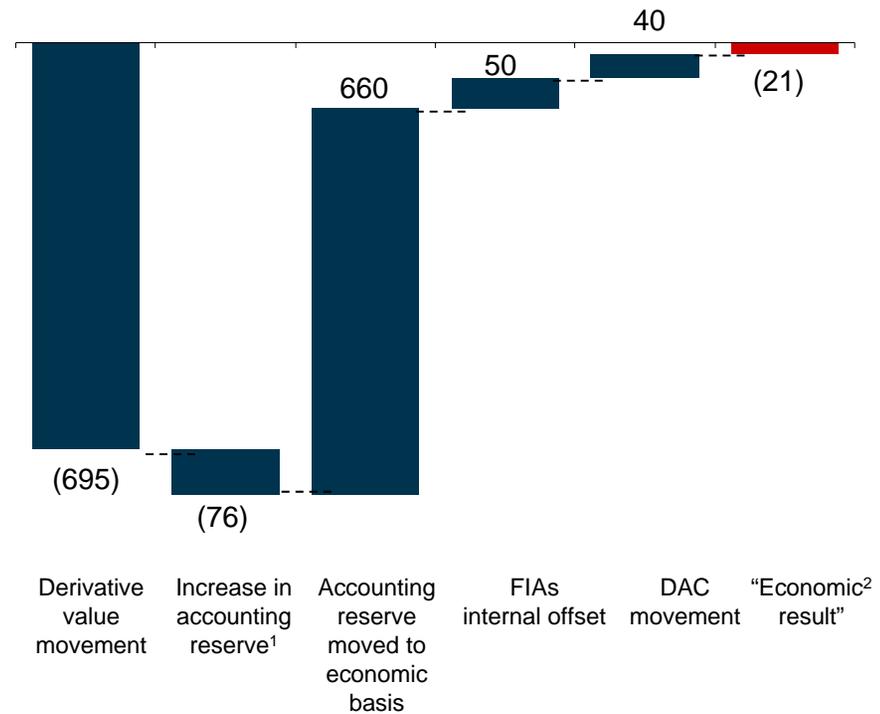
Jackson IFRS P&L reclassification

Accounting versus Economics

Balance sheet, £m

	SOP 03-01	FAS 157
GMWB for life	30	80
	Accounting	"Economic ² "
Total VA guarantee reserves	450	350

"Economic² P&L", £m



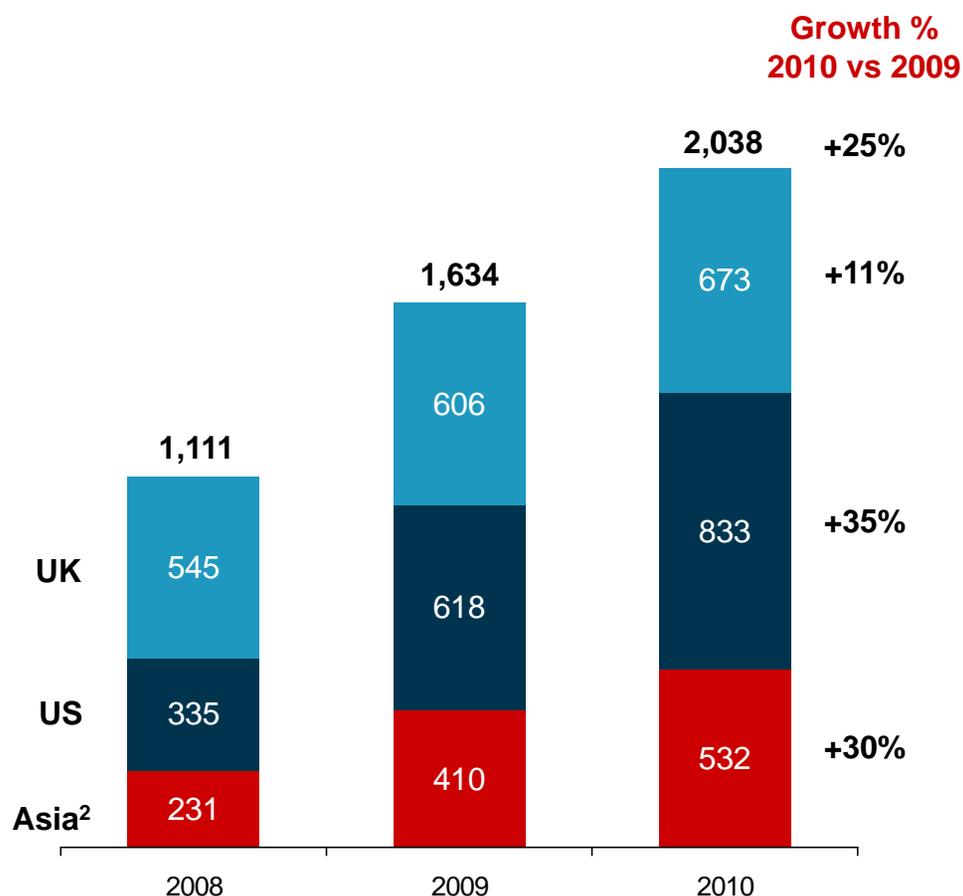
33 1 Includes unattributed guarantee fees less related claims paid during the year
 2 "Economic" basis for reserves uses FAS157 with uncapped fees.

Delivering profitability – IFRS

Life insurance



Life operating profit by region¹, £m



Improvement in all regions

- Asia benefiting from:
 - strong net flows
 - high penetration of H&P
 - elimination of negatives
- US benefiting from:
 - higher fee income on separate account assets
 - higher average spread margin
 - £108m of spread profits from portfolio duration lengthening
- UK benefiting from:
 - bulk annuity contract contributing £63m
 - impact of new CMI longevity tables neutral

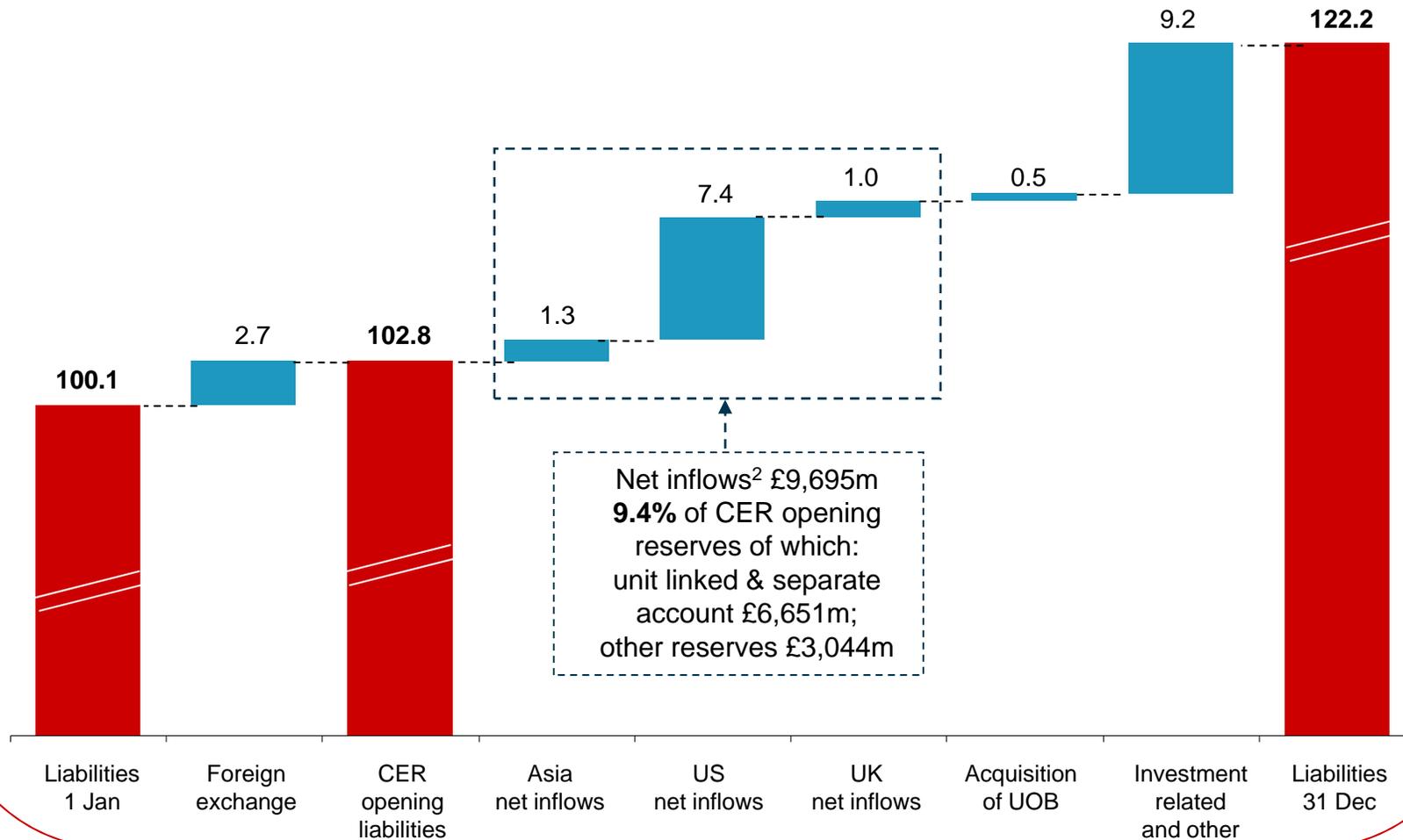
¹ During 2010 the group amended its presentation of operating profit for its US insurance operations to remove the negative net equity hedge accounting effect of £367m and include it in short term fluctuations. In 2009 the equivalent effect was negative £159m and in 2008 positive £71m

² Net of development costs of £(26)m in 2008, £(6)m in 2009 and £(4)m in 2010

Delivering profitability – IFRS

Growing reserves

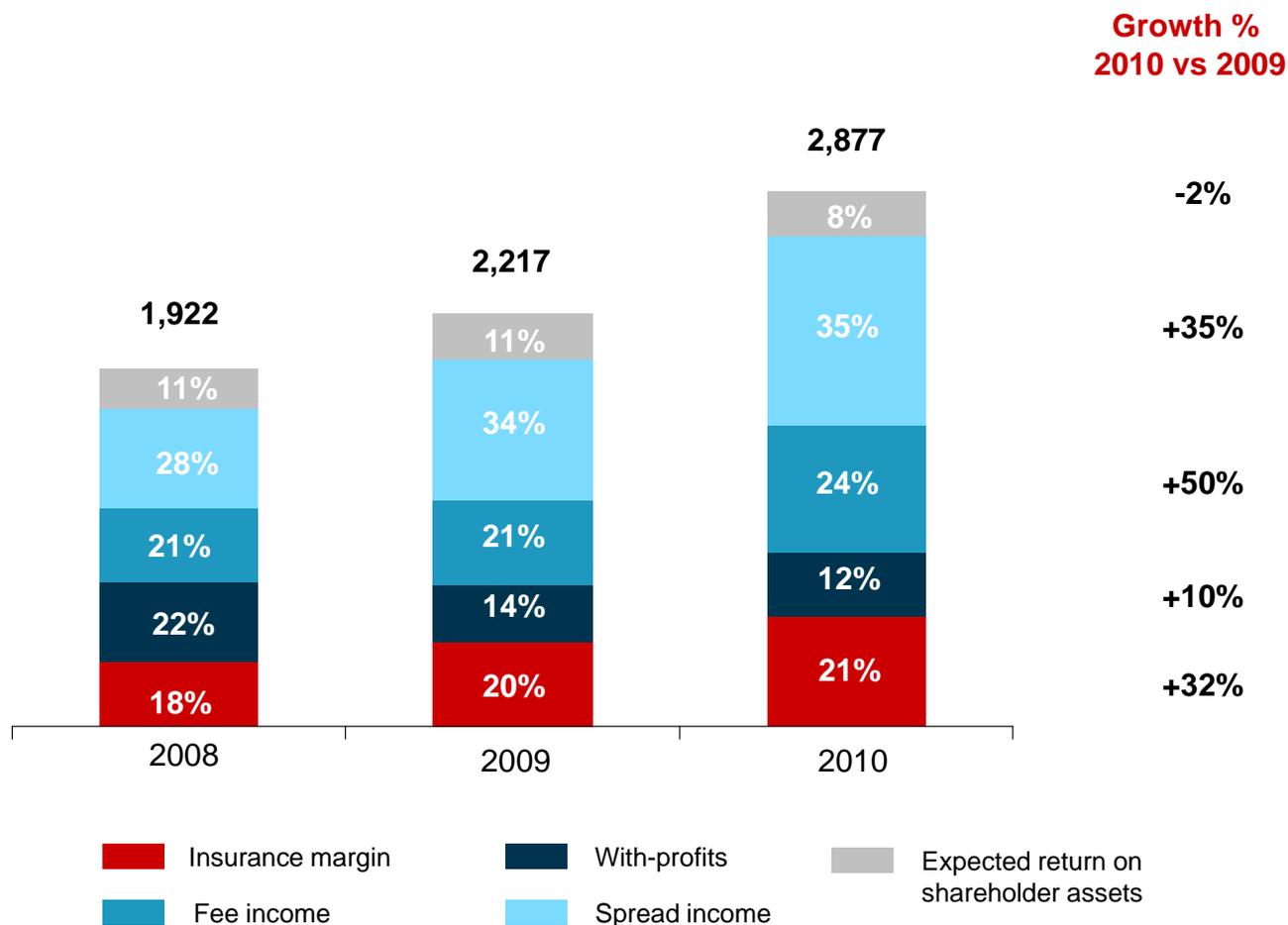
Policyholder liabilities¹ roll-forward, £bn



Delivering profitability – IFRS

Diverse and resilient Life earnings

IFRS operating profit^{1,2}, £m

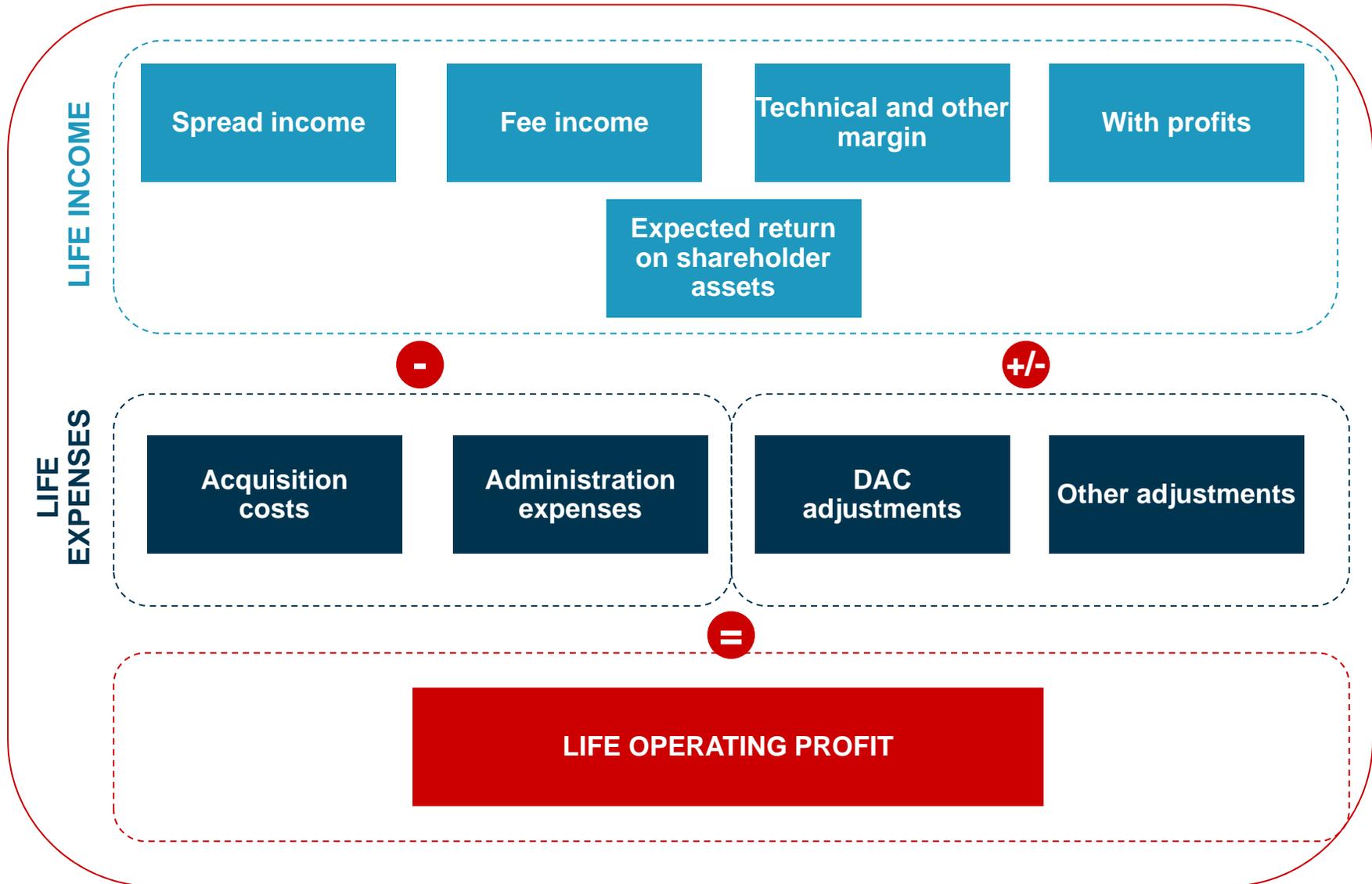


1 Excludes margin on revenues, acquisition and administration expenses, DAC amortisation and Malaysian RBC one-off gain in 2009

2 During 2010 the group amended its presentation of operating profit for its US insurance operations to remove the negative net equity hedge accounting effect of £367m and include it in short term fluctuations. In 2009 the equivalent effect was negative £159m

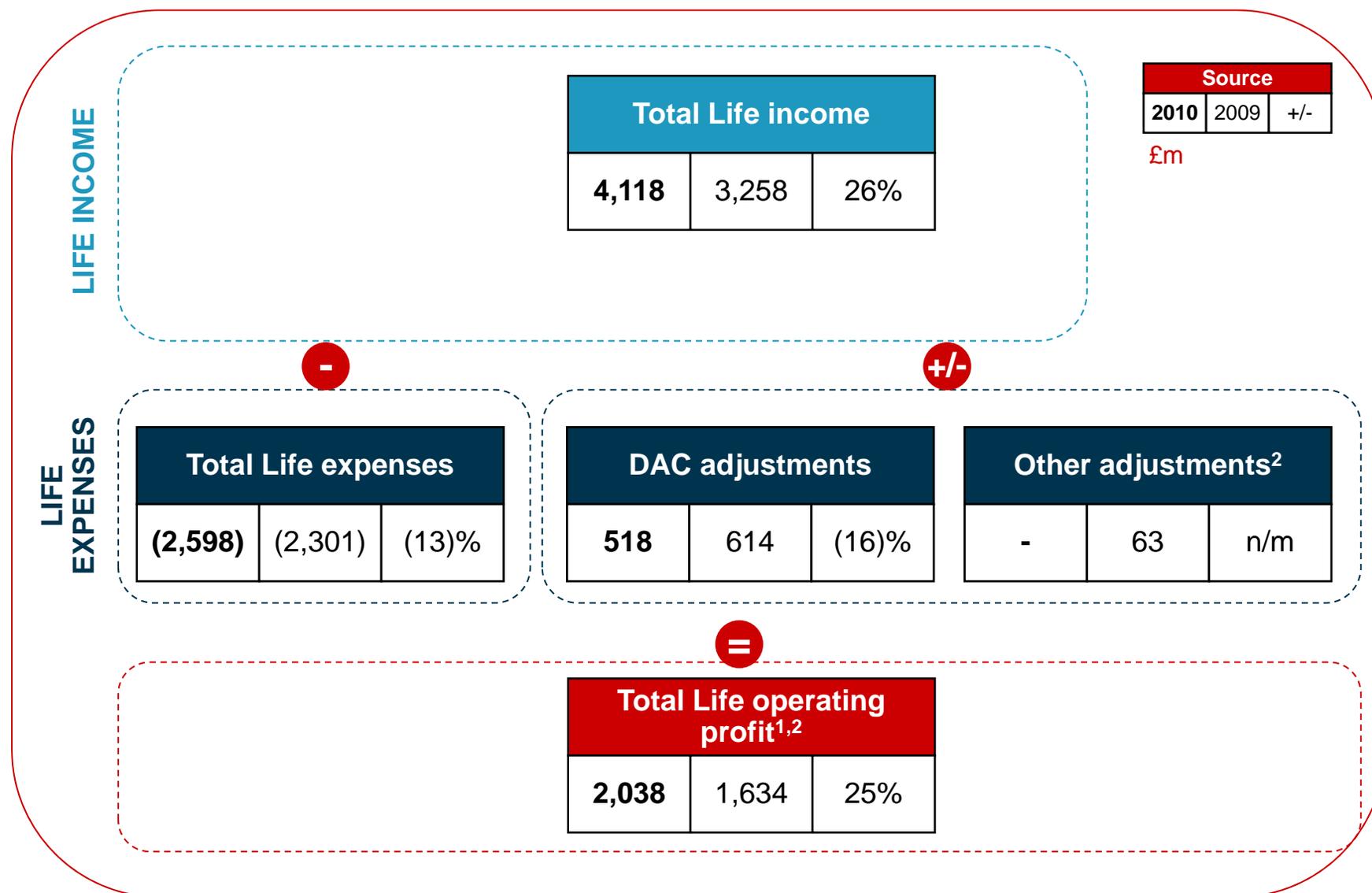
Delivering profitability – IFRS

Source of earnings - Life insurance



Delivering profitability – IFRS

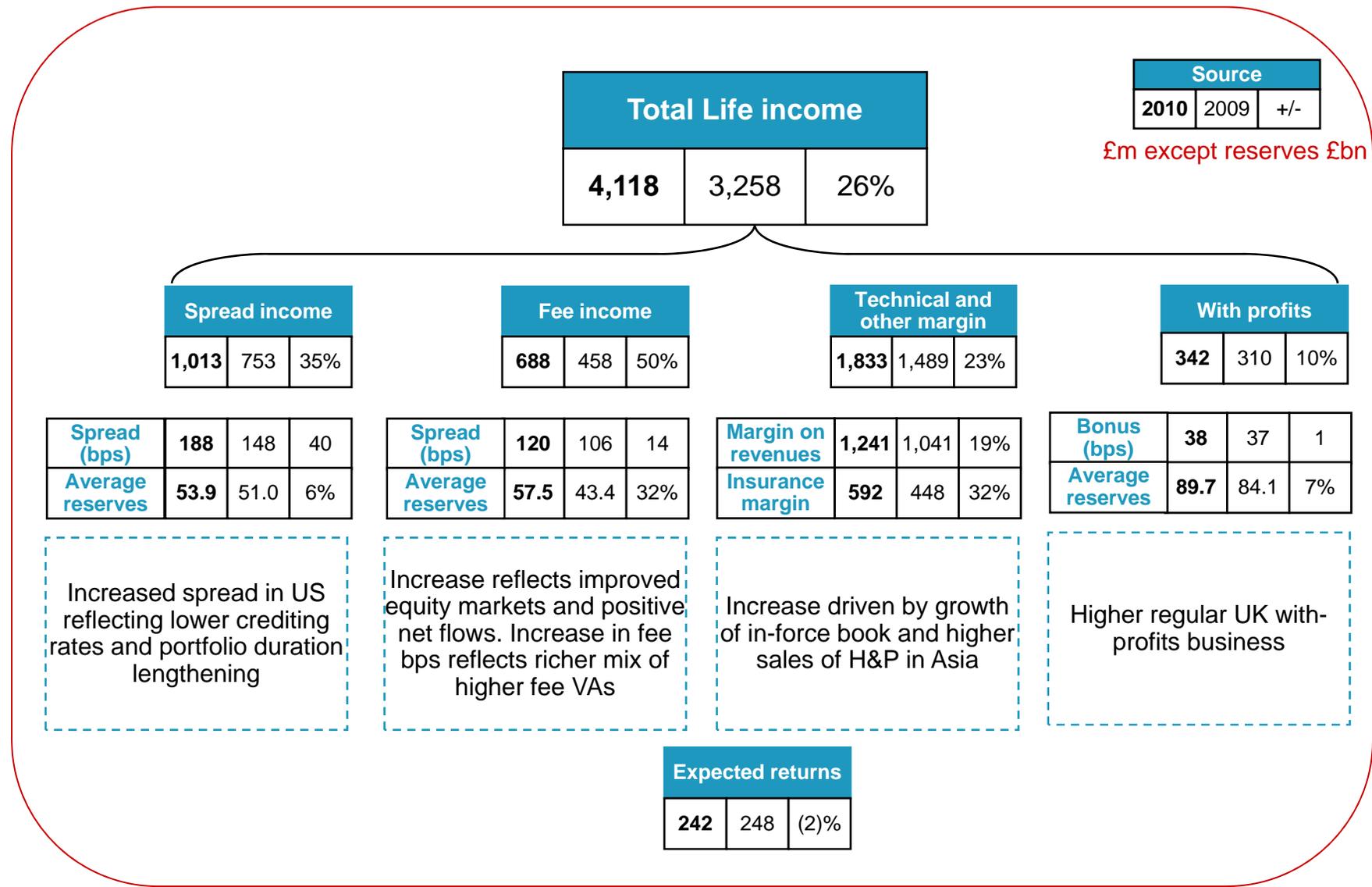
Life insurance



38 1 During 2010 the group amended its presentation of operating profit for its US insurance operations to remove the negative net equity hedge accounting effect of £367m and include it in short term fluctuations. In 2009 the equivalent effect was negative £159m
 2 2009 includes £63 million for a change of reserving basis in Malaysia

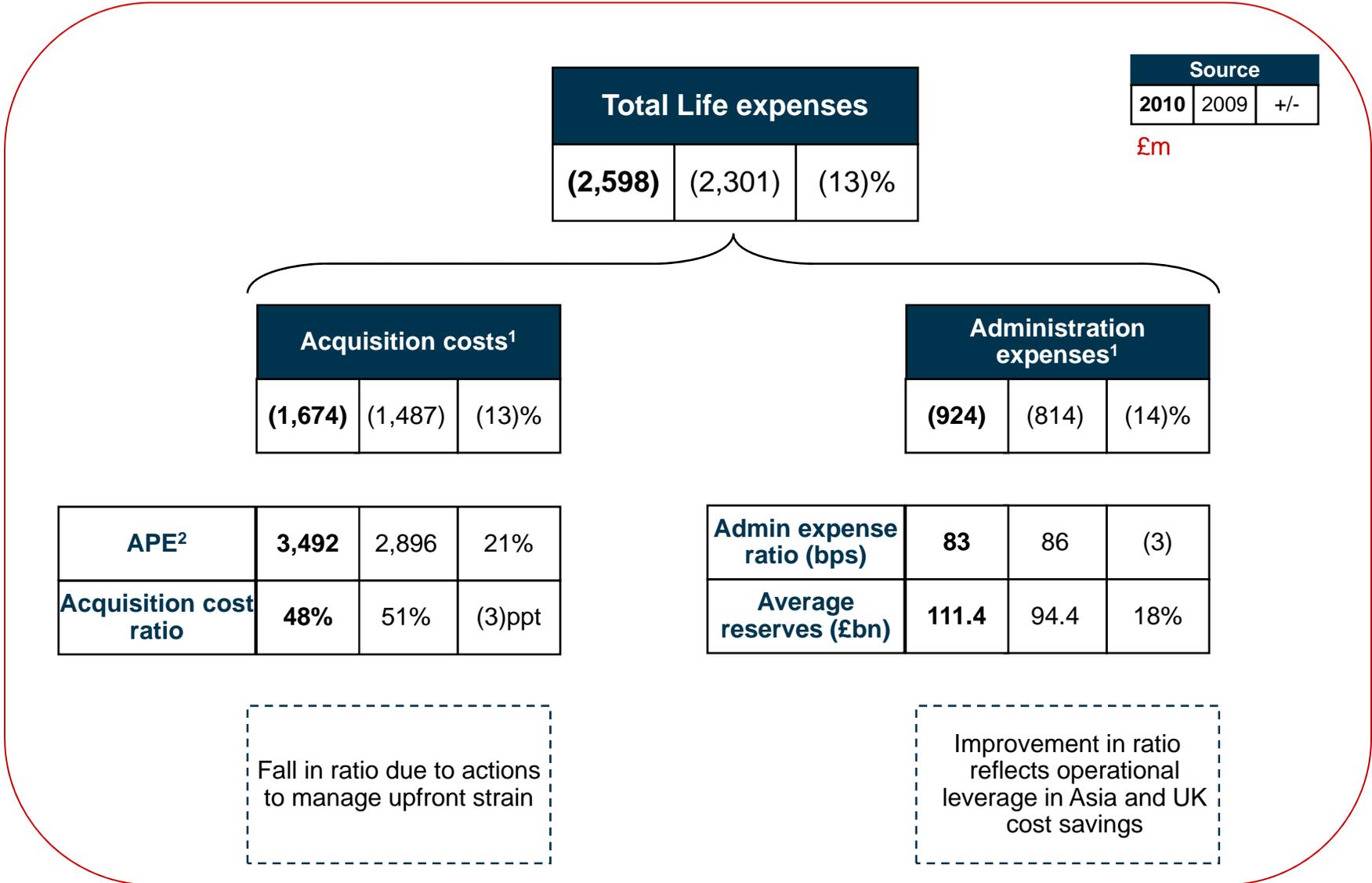
IFRS operating profit – source of earnings

Life insurance - income



IFRS operating profit – source of earnings

Life insurance - expenses



40 1 Relate to shareholder backed business only
 2 For shareholder-backed and with profits business, including Japan new business of £7m APE (2009: £52m of APE)

Delivering profitability – IFRS

Source of earnings - M&G

Source		
2010	2009	+/-

£m

M&G ¹ operating profit		
246	177	39%

Total income ²		
632	482	31%

Total expenses		
(386)	(305)	(27)%

Average fees (bps)	34	31	3
Average assets (£bn)	187	158	18%

Cost / income ratio ³		
63%	65%	(2)ppt

41 1 Excludes PruCap
 2 Includes performance-related fees
 3 Cost / income ratio calculated excluding performance-related fees

Delivering profitability – IFRS

Source of earnings – Asia Asset Management

Source		
2010	2009	+/-

£m

Asia Asset Management operating profit		
72	55	31%

Total income ¹		
191	160	19%

Total expenses		
(119)	(105)	(13)%

Average fees (bps)	40	40	-
Average assets (£bn)	47.2	39.6	19%

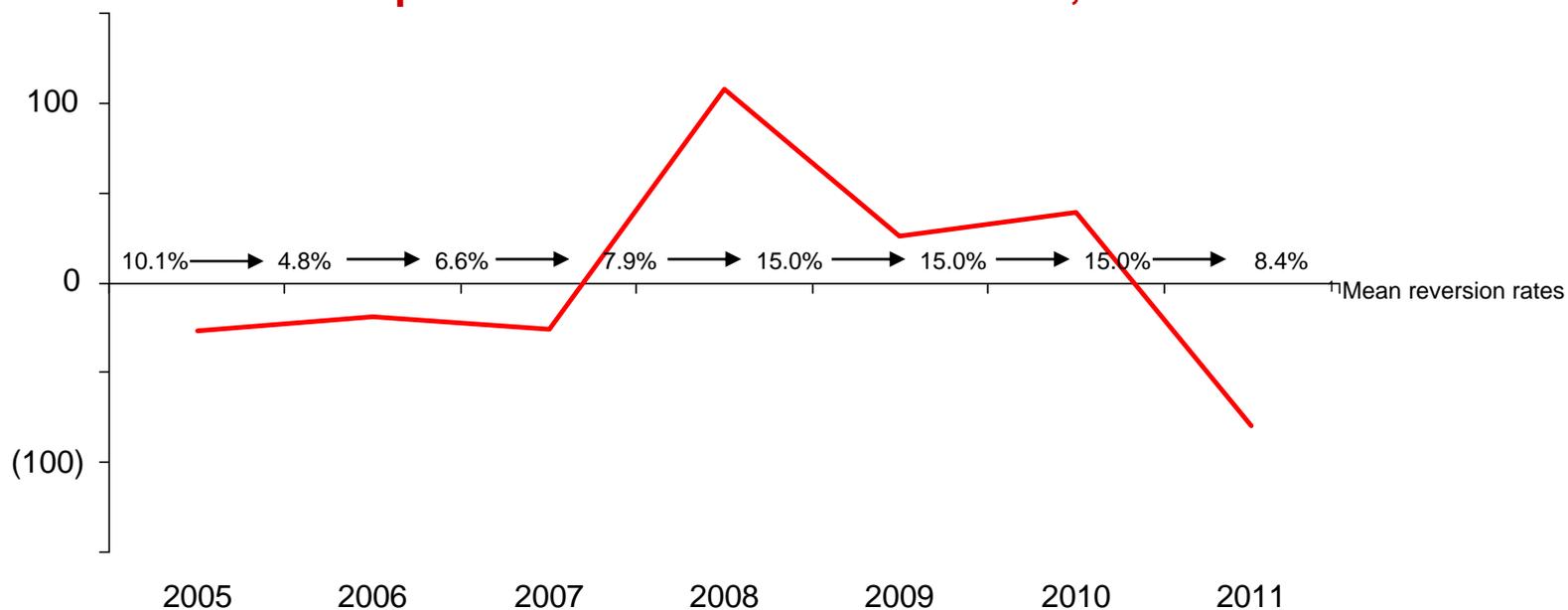
Cost / income ratio ²		
64%	67%	(3)ppt

42 1 Includes performance-related fees
2 Cost / income ratio calculated excluding performance-related fees

Delivering profitability – IFRS



Impact on results of mean reversion, £m



- Mean reversion accelerates amortisation when markets perform and decelerates amortisation when market performance is poor
- “Adjustments” are relatively modest
- 2008 is an exception due to the extreme nature of the market drop in that year
- Similarly 2011 will likely emerge as a more extreme case in the opposite direction
- Over multi-year periods, mean reversion acts as a damper but without long term distortion

Delivering profitability – IFRS

Taxation impact

	2010 ¹ , £m				eps	Effective tax rate	
	Before tax	Tax & MI	After tax & MI			2010	2009
Operating profit	1,941	(376)	1,565	62.0p	19%	24%	
Investment fluctuations and other items	(103)	95	(8)	(0.3)p			
AIA costs	(377)	93	(284)	(11.3)p			
Exceptional tax credit	-	158	158	6.3p			
Profit for the year	1,461	(30)	1,431	56.7p			
Profit for the year 2009	746	(56)	676²	27.0p			
	+96%		+112%				

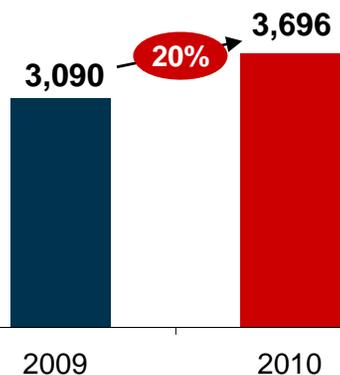
- Reduction due to
 - higher proportion of Asia profits at lower tax rates
 - credit for relief on previously unprovided tax losses (impact c.5 ppts)
 - one-off exceptional credit for closure of 2001-2008 tax returns
- Effective rate of mid-20s % going forward

44 1 In 2010, the Group 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 short-term fluctuations. The prior period comparatives for 2009 and 2008 have been amended accordingly
 2 After £(14)m of discontinued operations

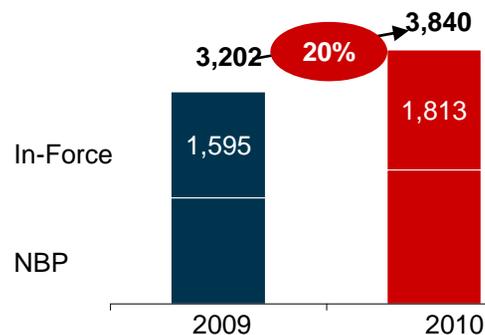
Delivering profitability – EEV

EEV operating profit, £m

Group

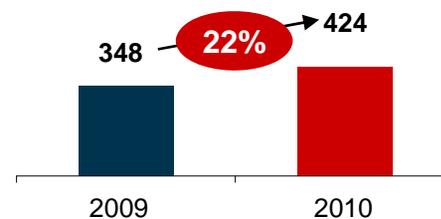


Life business

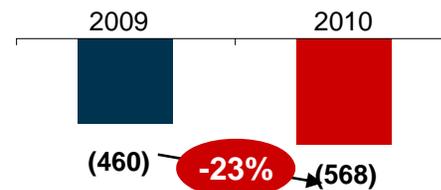


	2009	2010
Unwind	1,421	1,492
Experience	91	348
Assumptions	89	(23)
Development expenses	(6)	(4)

Asset management and other business



Other income and expenses



Asia embedded value

Adoption of active economic assumptions

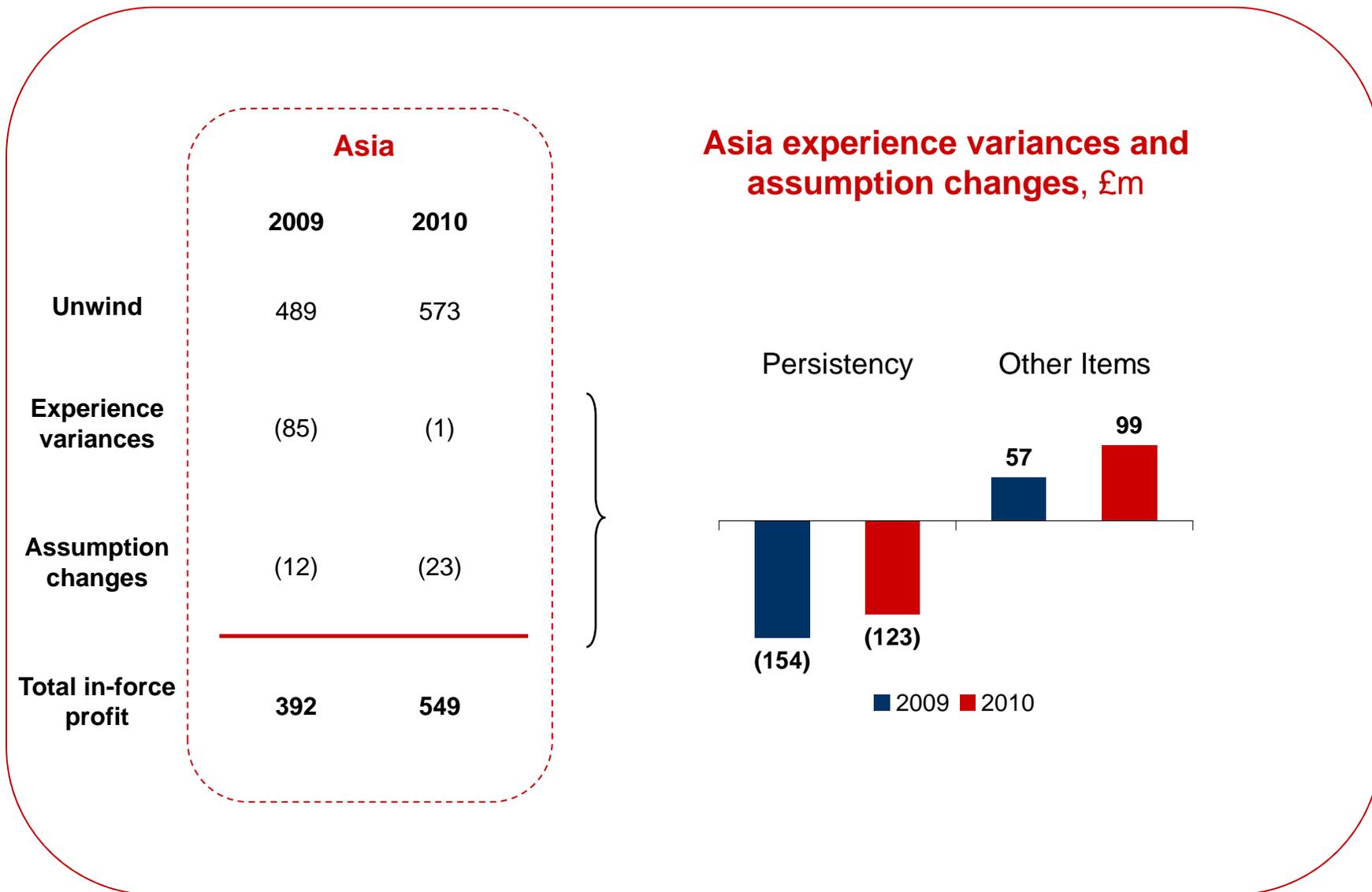
Impact on 2010 Asia financials¹, £m

	Previous basis	2010 basis	Difference	%
New business profit	896	901	5	0.6%
In-force profits	607	549	(58)	(9.6)%
EEV profit	1,503	1,450	(53)	(3.5)%
Life EEV	7,484	7,445	(39)	(0.5)%
Risk discount rate ²	8.9%	8.1%	(80) bps	
Risk free rate ²	5.7%	4.5%	(120) Bps	
Rate "gap"	▲320bp	▲360bp		

46 ¹ 2010 basis has been calculated using active economic assumptions. The previous basis used active economic assumptions for Korea, Japan and Hong Kong (US\$ business). All other territories were calculated using a passive basis. Includes Japan.
² Weighted by value of in-force

Delivering profitability – EEV

Asia Life business



Delivering profitability – EEV

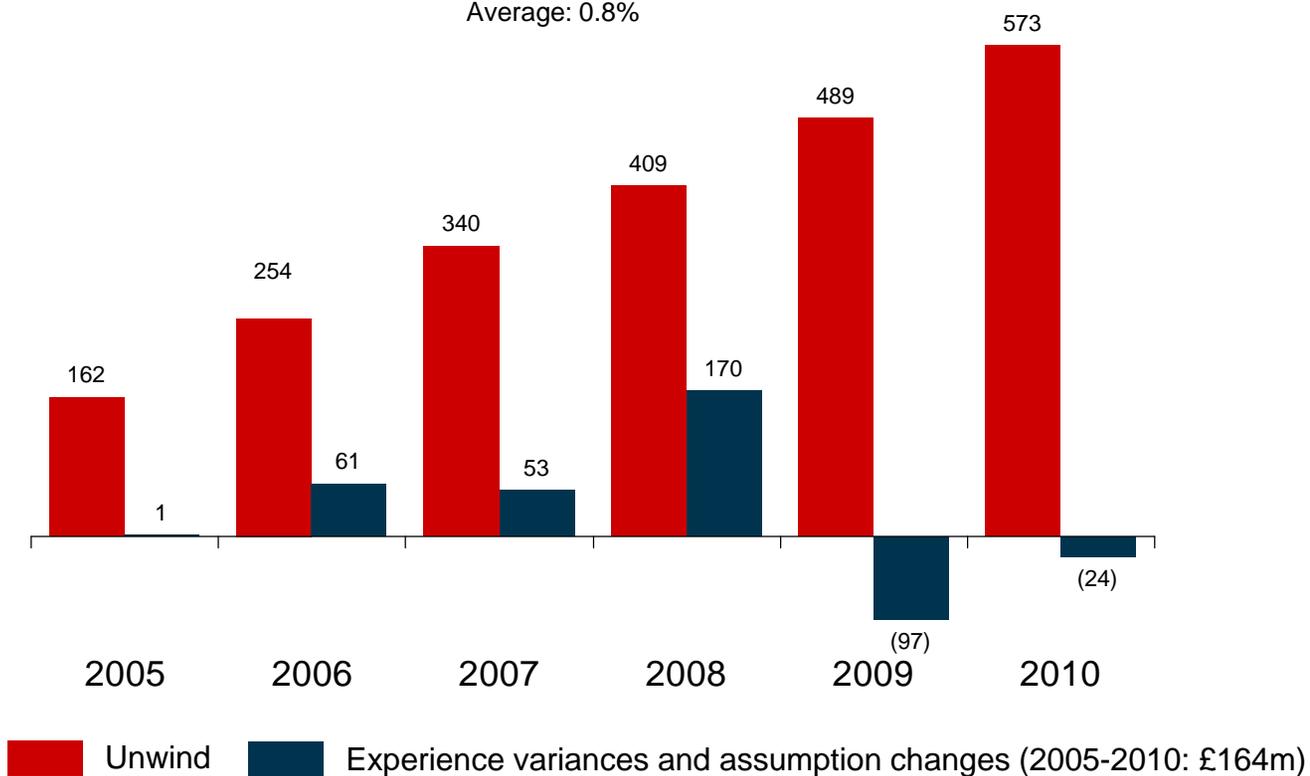
History of Life operating variances

Asia Life operating variances, £m

Experience variances and assumption changes as a % of opening EEV¹

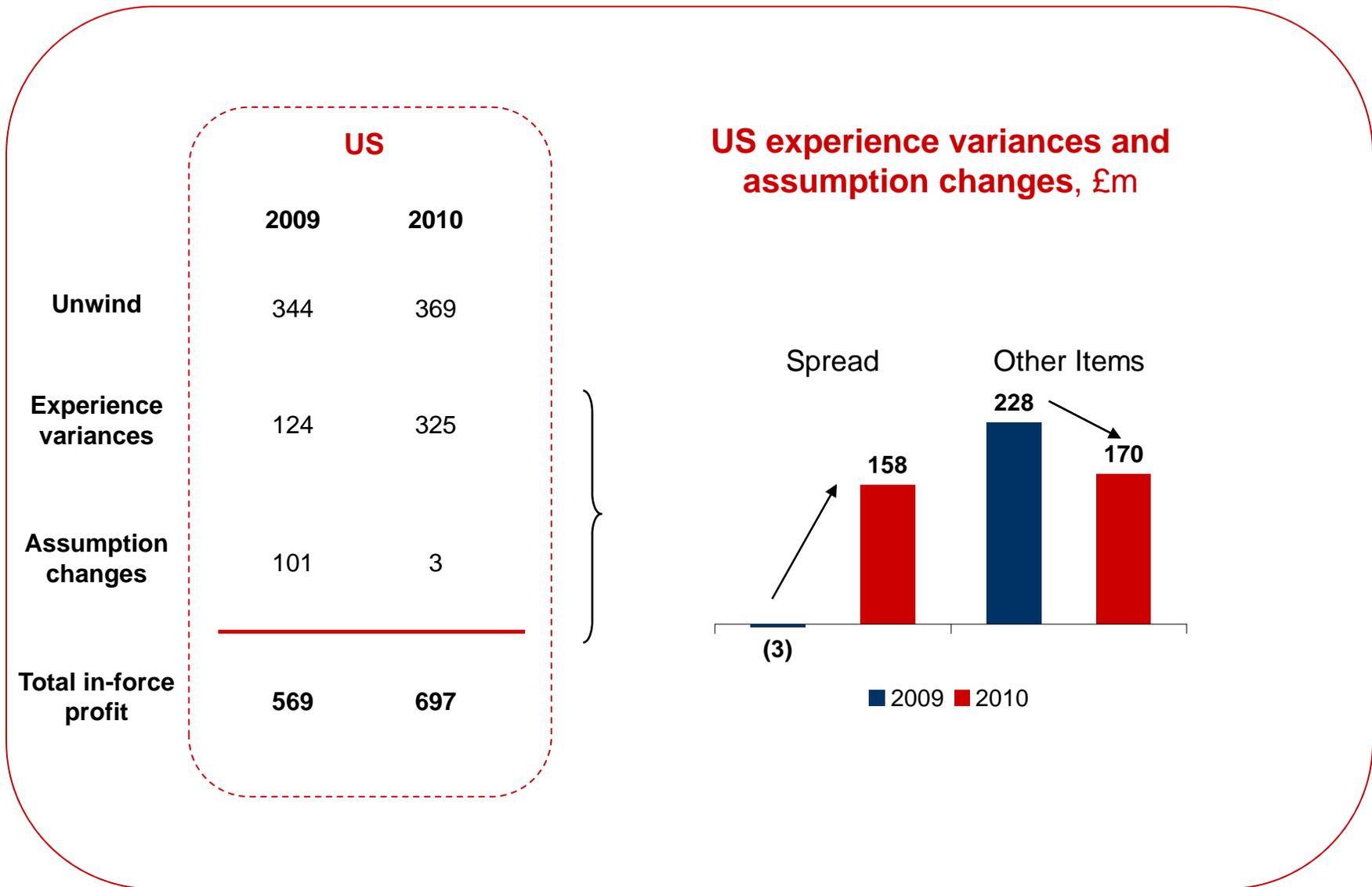
0.1%	3.1%	2.1%	4.6%	(1.8)%	(0.4)%
------	------	------	------	--------	--------

Average: 0.8%



Delivering profitability – EEV

Jackson

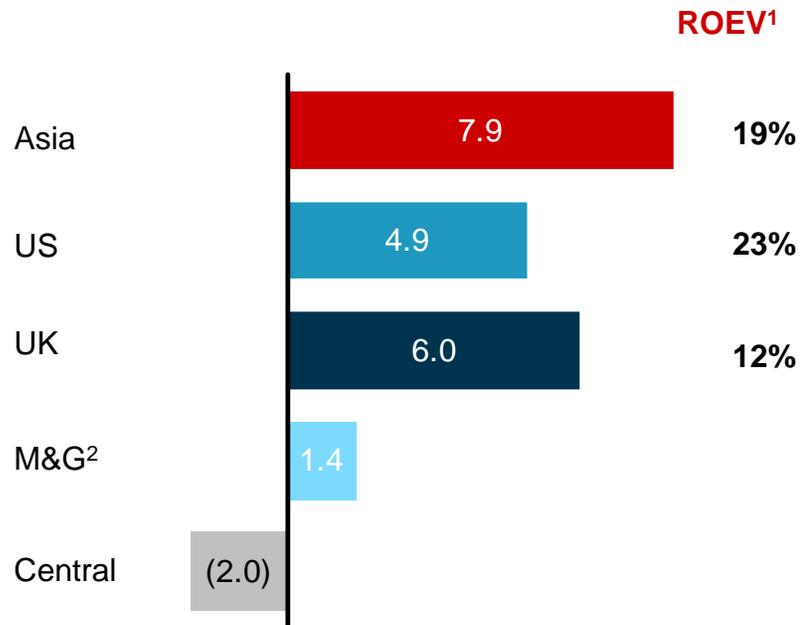


EEV shareholders' funds

Asia 43% of EEV and delivering high return

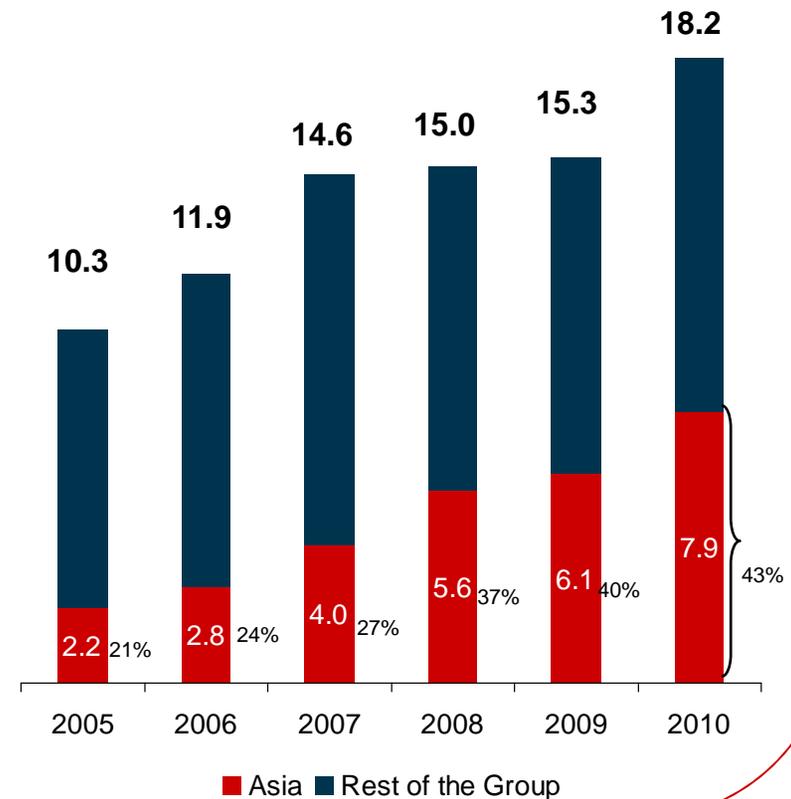
Geographical split Dec 2010, £bn

Total Group EEV = 18.2



EEV shareholders' funds, £bn

Group EEV growth : +12% CAGR
 Asia EEV growth : +29% CAGR



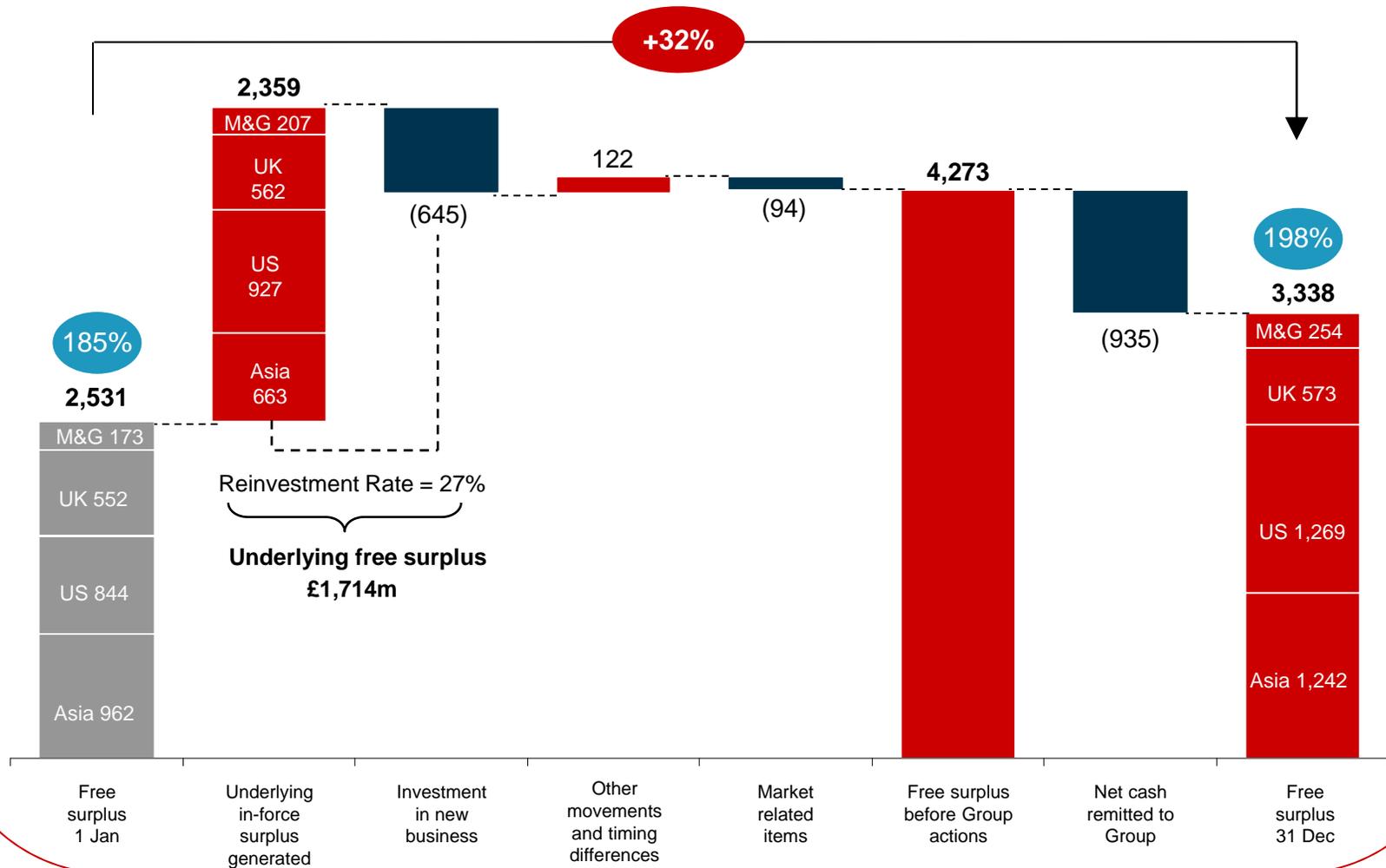
50 1 ROEV is based on opening shareholders' funds
 2 Including acquired goodwill

Delivering cash and capital generation

Free surplus stock

Evolution of free surplus, AER £m

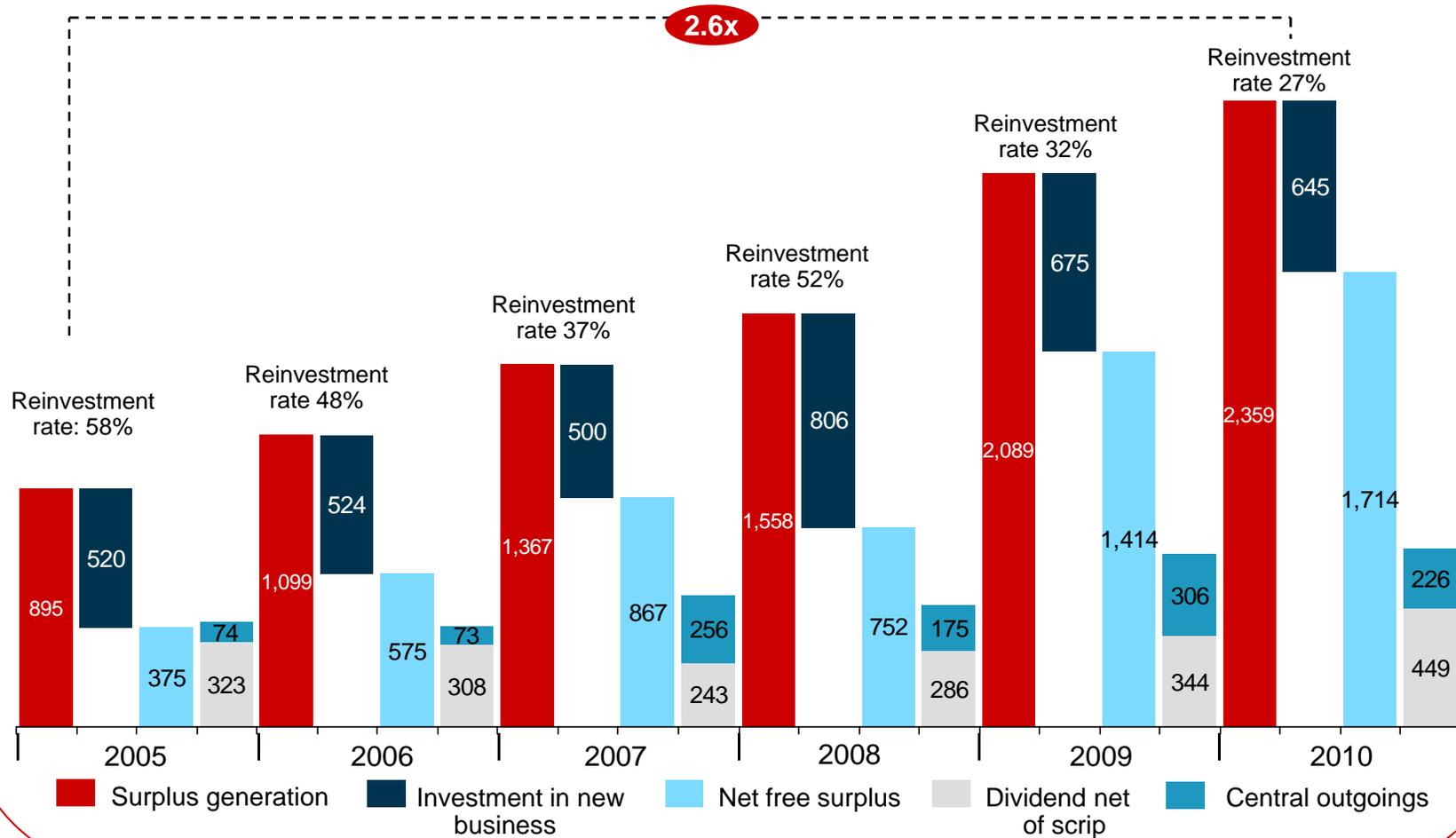
X% Free surplus cover



Delivering cash and capital generation

Available resources - a transformation of free surplus generation

Free surplus and dividend, £m



Delivering cash and capital generation

Fungibility of free surplus

Net free surplus and business unit remittances¹, £m

Remittance ratio:

26%

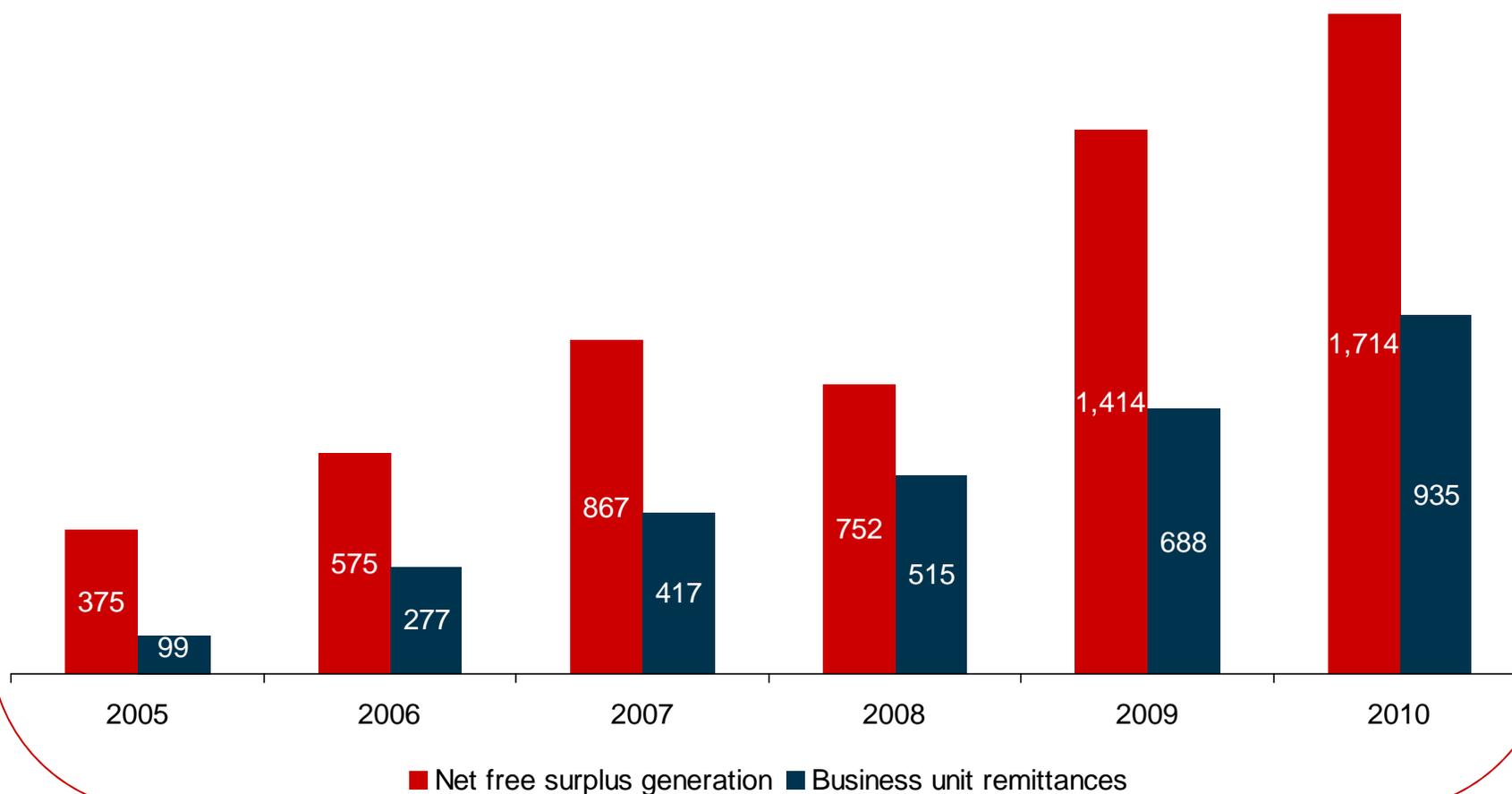
48%

48%

68%

49%

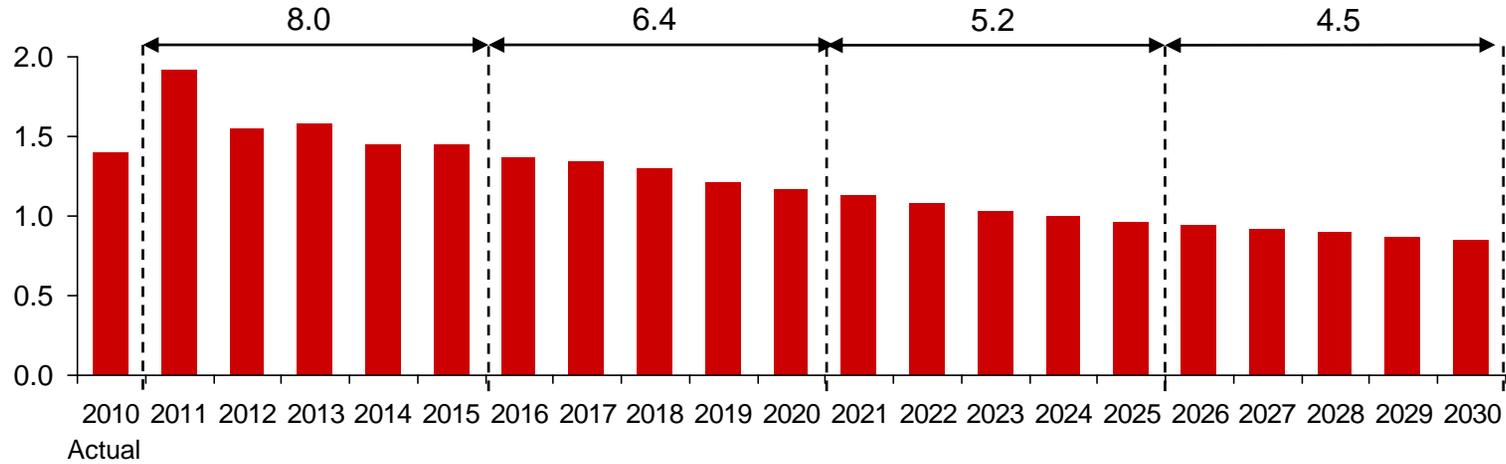
55%



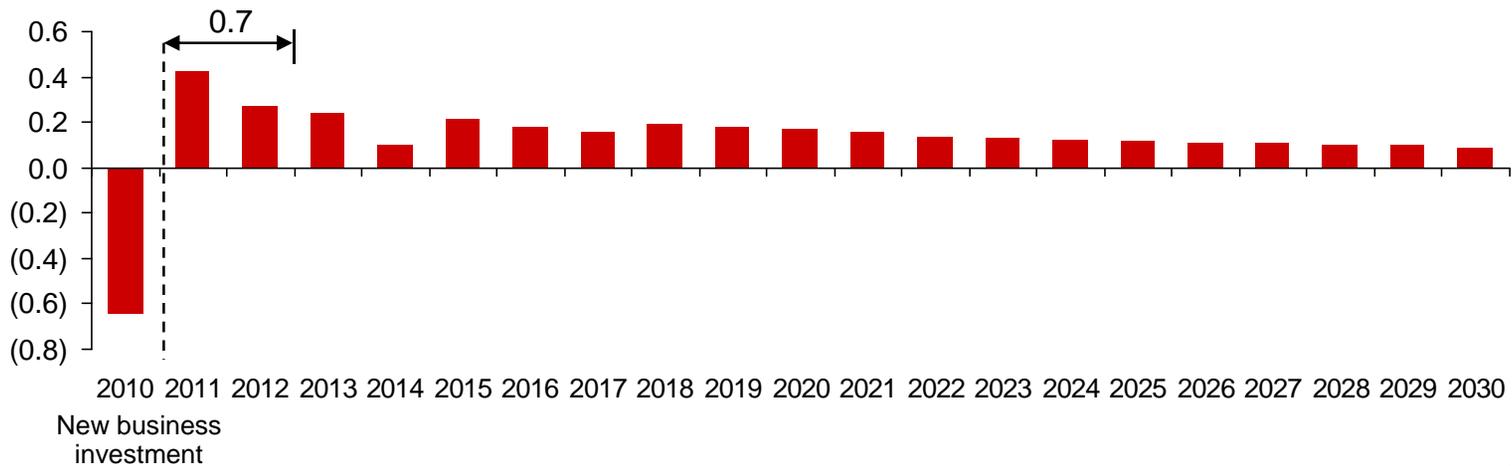
Delivering cash and capital generation

Future free surplus emergence

Expected undiscounted free surplus from 2010 Life in-force, £bn



Expected undiscounted cash flows from 2010 new business, £bn

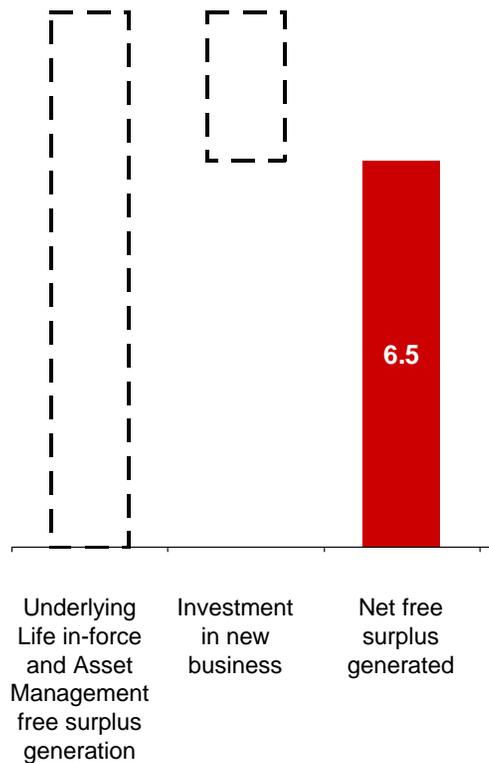


Delivering cash and capital generation

Free surplus and remittances

2010-2013 objectives

Free surplus and remittances to Group, £bn



Expected free surplus
2010 in-force

+/-

operating variances
(2010: £220m; 2009: £175m)

+

expected returns
on free assets

+

asset management earnings

+/-

future new business
net free surplus

=

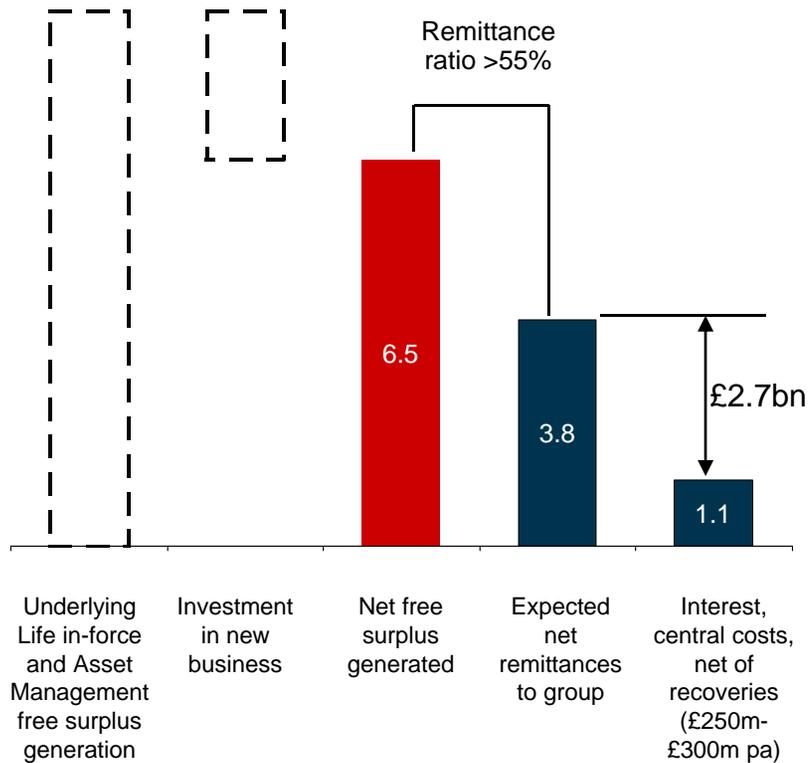
2010 to 2013
£6.5bn of net free surplus

Delivering cash and capital generation

Free surplus and remittances

2010-2013 objectives

Free surplus and remittances to Group, £bn



- Increased financial flexibility
- Increased payouts to shareholders

Resilient balance sheet



Maintained capital strength

- IGD surplus £4.3bn equivalent to a cover of 305%
- With-profits estate £6.8bn

Strong liquidity position

- Over £1 bn of capital cash resources
- £2.1bn of untapped liquidity facilities
- Jan 2011 Tier 1 issuance of \$550m to finance €500m call on Dec 2011

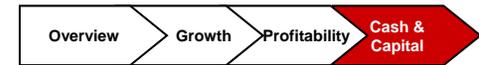
Continued balance sheet de-risking

- US / UK exposure to UK / EU bank hybrid debt reduces
- Quality of US corporate credit book improved: 5% below investment grade
- Minimal shareholder exposure to Southern European sovereign debt

Credit position improved

- Unrealised gains on US debt securities of £1.2bn (2009: £4m)
- US impairments slowed to 2007 levels
- No defaults in the UK: £1.8bn default provision remains

Conclusions



Growth

Maximising opportunities of our high quality franchises

Profitability

Optimising value and improving quality of earnings

Cash / capital

Accelerating cash generation and payout to shareholders

Prudential plc 2010 full year results

Agenda

Business Review

Tidjane Thiam

Financial Review

Nic Nicandrou

Outlook and Q&A

Tidjane Thiam



Delivering 'Growth and Cash'



Q&A

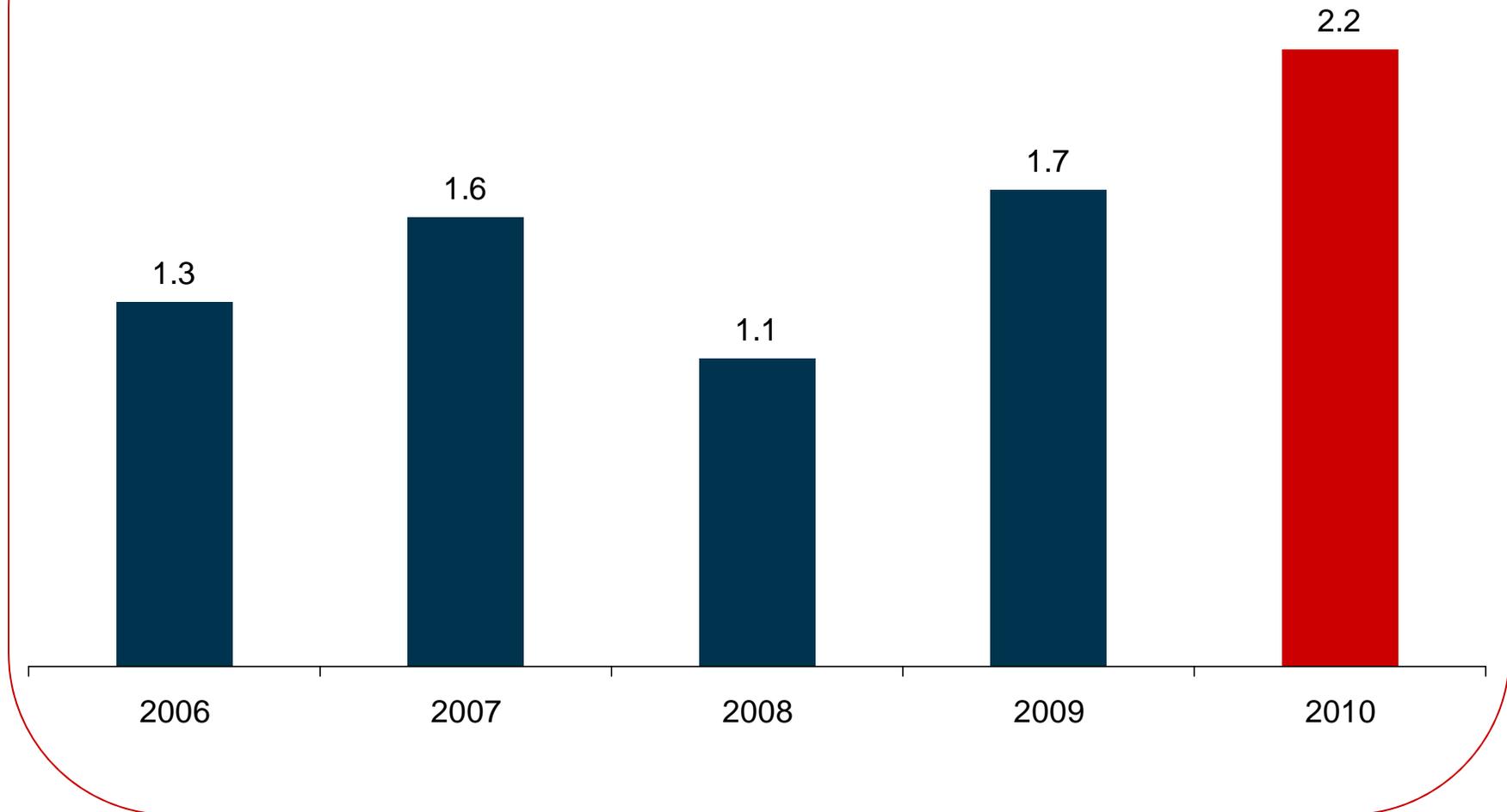


Appendix

Leading to increasing returns on new business investment

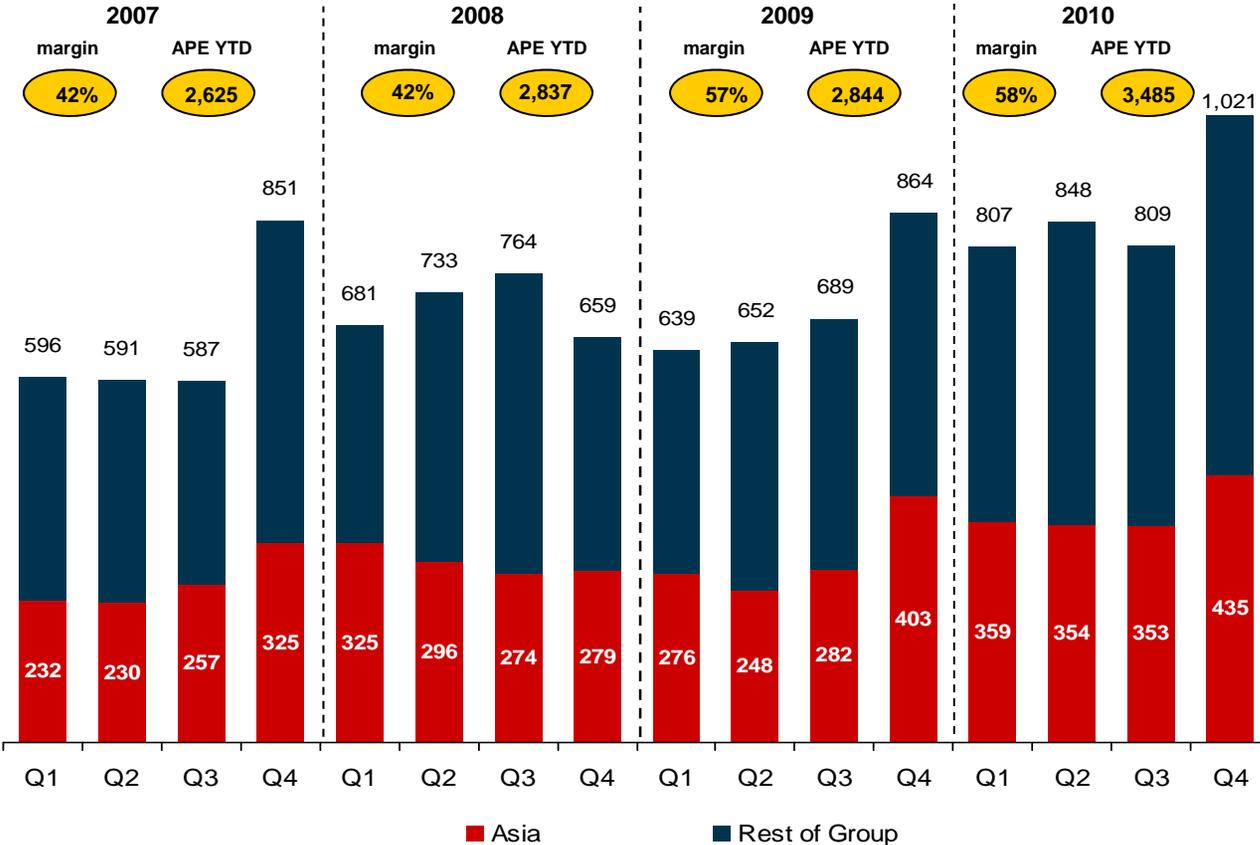
Controlling investment and focusing on the highest returns

Post-tax new business profit per £ of new business strain¹



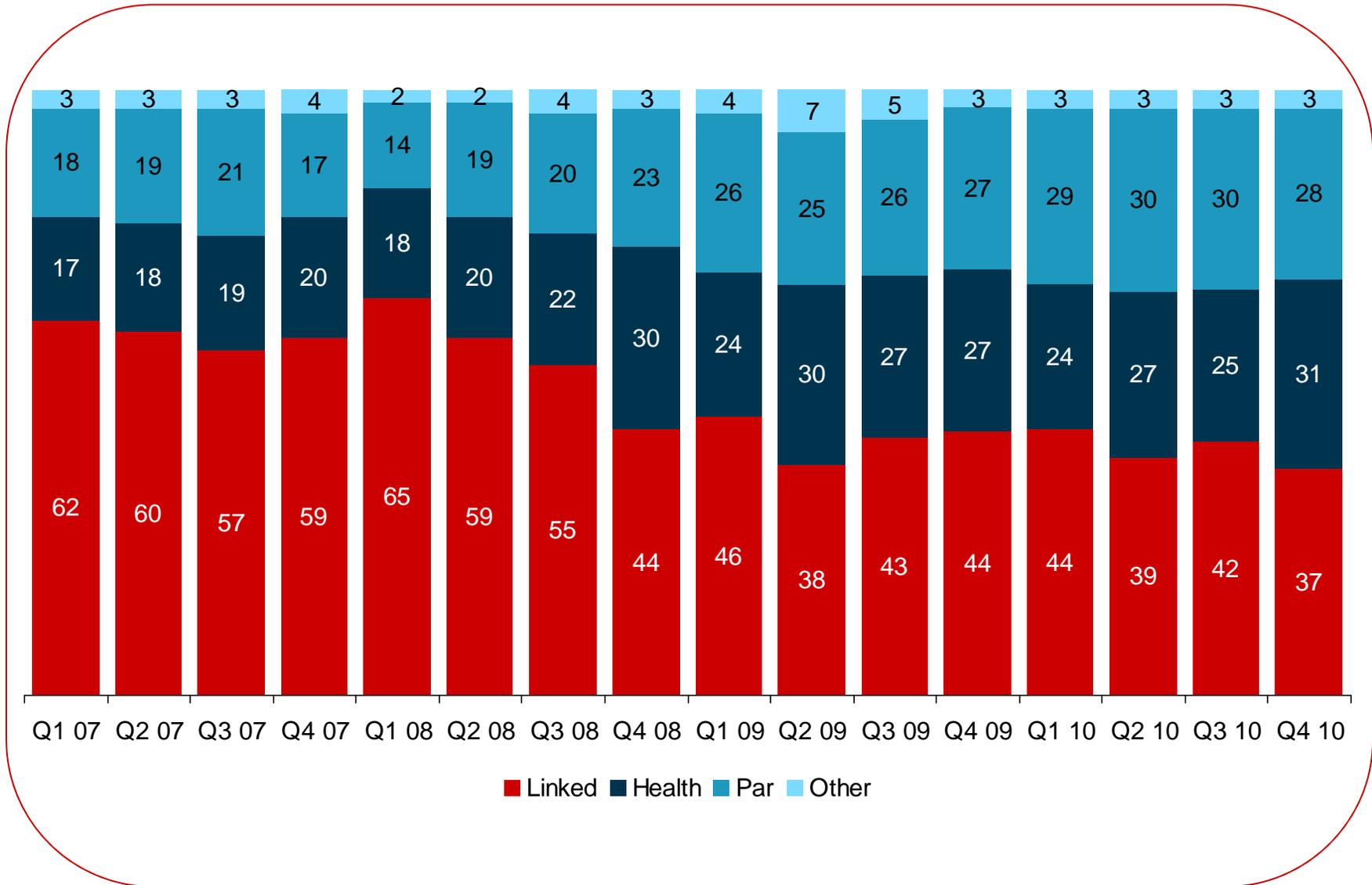
Discrete quarterly sales

APE¹, £m



PCA

Higher proportion of health products supports margins



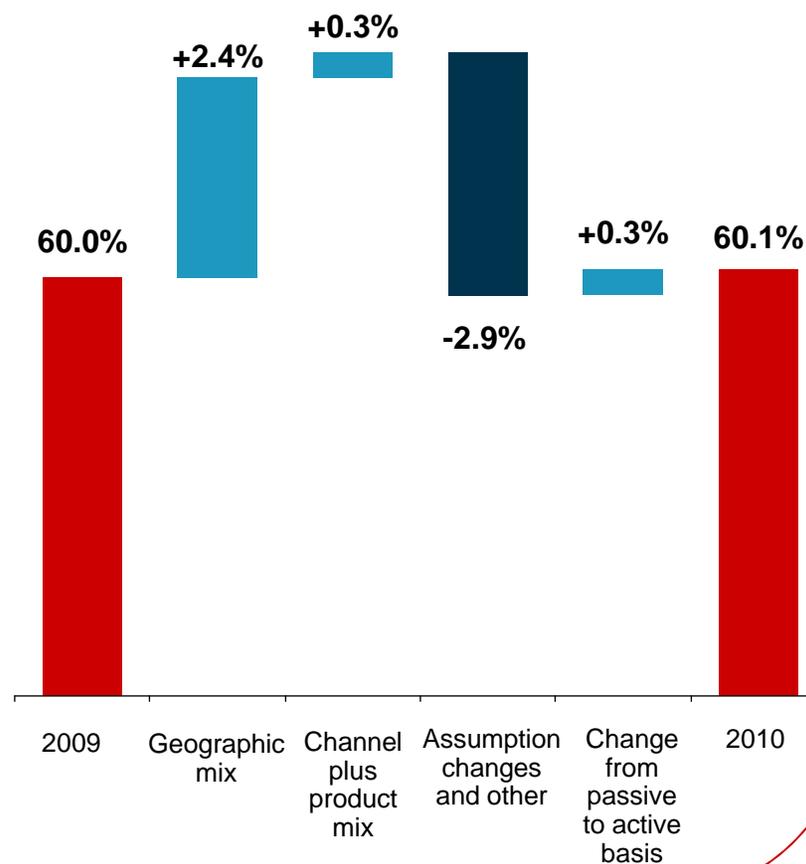
Asia

New business margins

**New business margin by country
as % of APE**

	2009	2010
China	50%	47%
Hong Kong	70%	74%
India	19%	20%
Indonesia	73%	75%
Korea	44%	31%
Taiwan	18%	13%
Others ¹	87%	79%
Total¹	60%	60%

**Analysis of movement in Asia
New business profit margin, %**



Asia Life

Strong sales growth in high profitability markets

APE 2010, £m

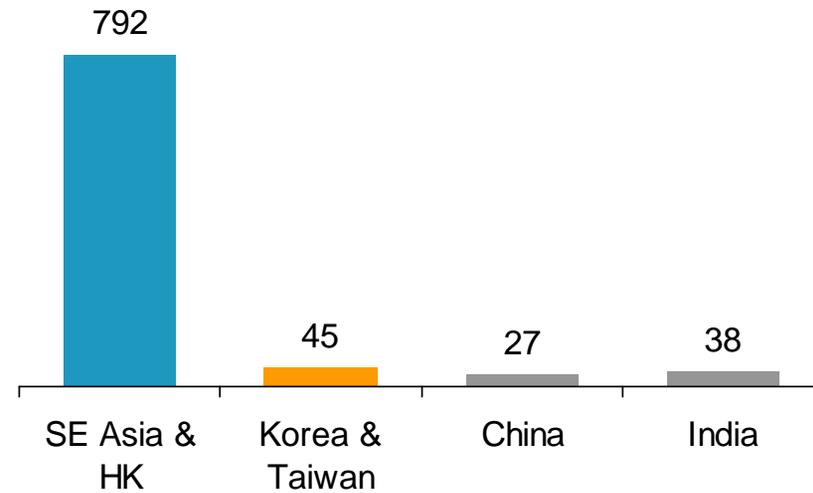
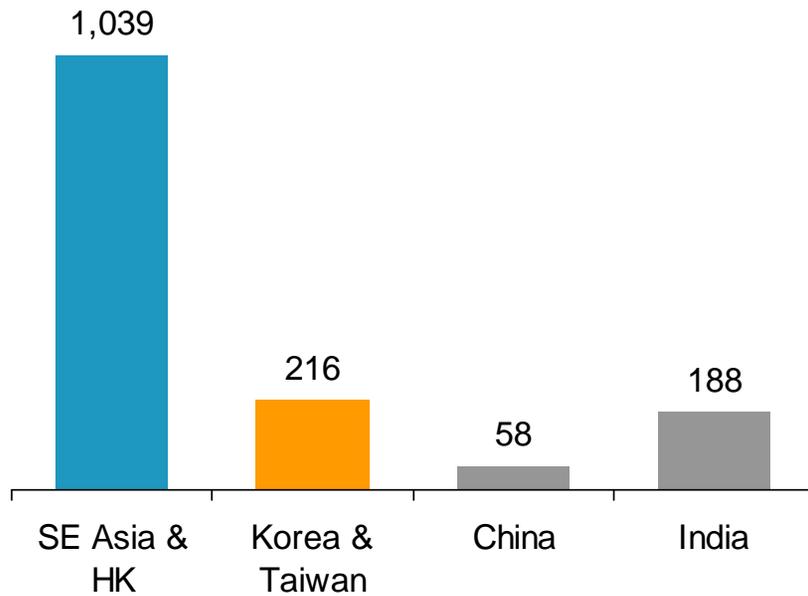
New business profit 2010, £m

APE growth, 2010 vs 2009

+35%	-6%	+29%	+12%
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NBP margin, % of APE

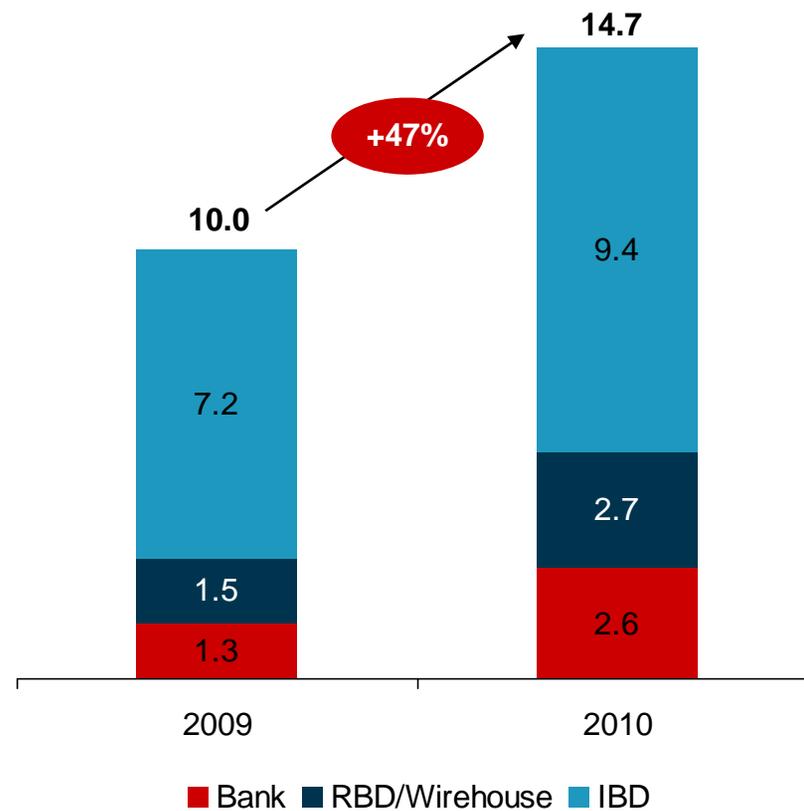
76%	21%	47%	20%
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US Life

Continued VA sales growth

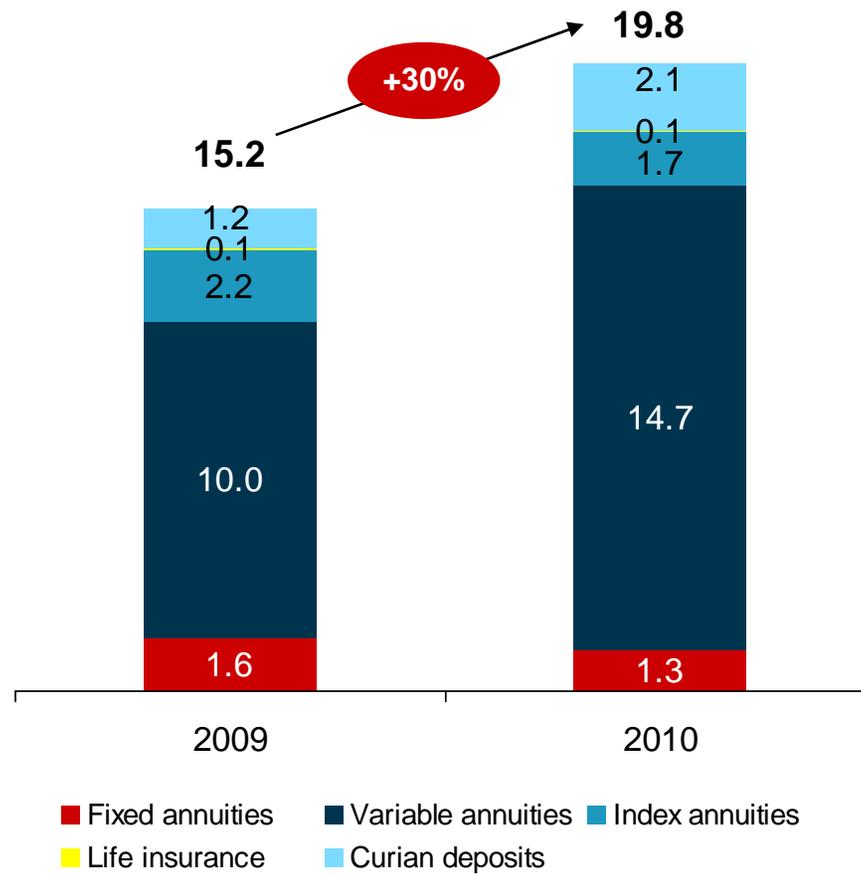
Variable annuity sales by distribution channel, US\$bn



US Life

Sales up 30%

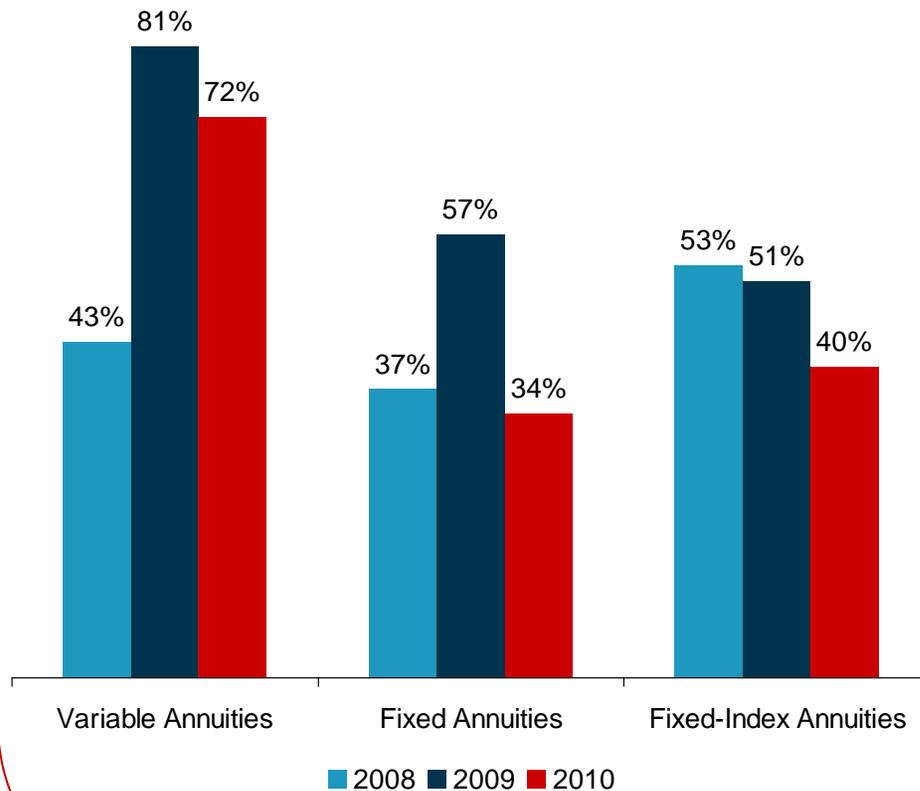
Total retail sales, US\$bn



US – New business margin

VA margins remain high, fixed margins normalising

New business margin – % APE



Variable annuities

- Highly attractive margins but lower than 2009 mainly due to:
 - Lower 10-year treasury yields
 - Narrower credit spreads
- GMWB (for life) rider penetration remains high at 82% for 2010 (2009: 79%).

Fixed and fixed-index annuities

- Margins impacted by narrower spread environment
- Products de-emphasised due to lack of consumer appeal

Jackson

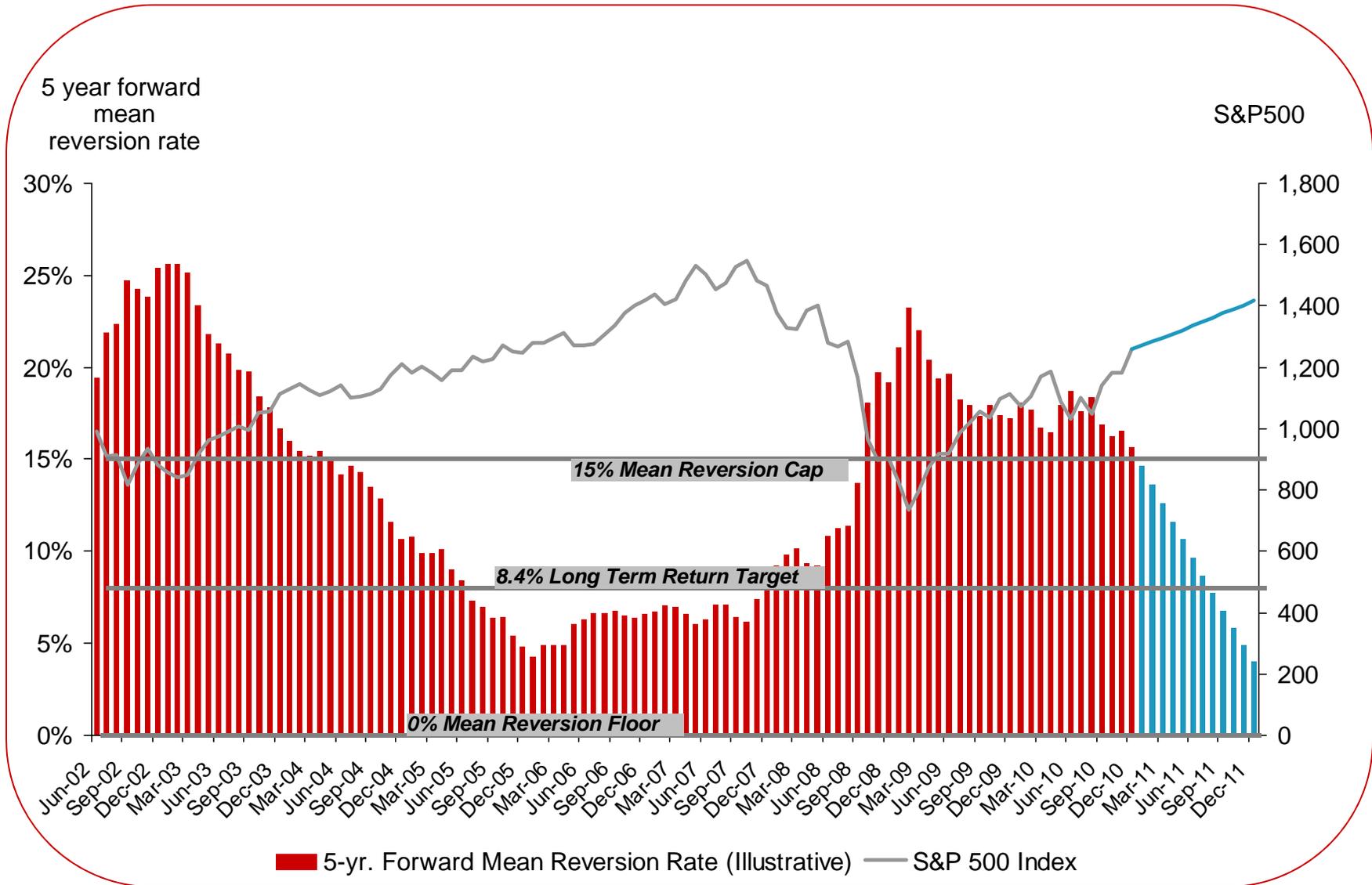
Simplified economic returns

Variable Annuity		Fixed Annuity	
Mortality and Expense Fees	1.25 %	Gross Yield	4.60 %
Fund Management Fees	0.54 %	Investment Expenses and Default Costs	(0.35)%
GM WB Fees	0.95%	Net Yield	<u>4.25 %</u>
Policy Fees	0.01 %	Crediting Rate	<u>(2.25)%</u>
Total Fees	<u>2.75%</u>	Gross Spread	<u>2.00 %</u>
Acquisition Costs:		Acquisition Costs:	
Commissions	7.50 %	Commissions	6.00 %
Marketing	1.80 %	Marketing	1.80 %
Issue Costs	0.22 %	Issue Costs	0.38 %
	<u>9.52 %</u>		<u>8.18 %</u>
Acquisition Costs Over 10 Years	(0.95)%	Acquisition Costs Over 10 Years	(0.82)%
Administrative Costs	(0.11)%	Administrative Costs	(0.11)%
GM WB Expense	(0.95)%		
Return of Premium Death Benefit	(0.05)%		
PROFIT MARGIN	<u>0.69 %</u>	PROFIT MARGIN	<u>1.07 %</u>
CAPITAL REQUIREMENT	2.00 %	CAPITAL REQUIREMENT	8.00 %
Profit Ratio	34.5 %	Profit Ratio	13.3 %
Investment Return on Capital	4.60 %	Investment Return on Capital	4.60 %
Pretax Return on Capital	<u>39.1 %</u>	Pretax Return on Capital	<u>17.9 %</u>
After-tax Return on Capital	<u>25.4 %</u>	After-tax Return on Capital	<u>11.7 %</u>

71 These simplified models illustrate the relative returns of base variable and fixed annuity contracts. A VA contract has a lower absolute profit margins, but a higher return on capital due to a lower capital requirement.

IFRS operating profit – Jackson DAC

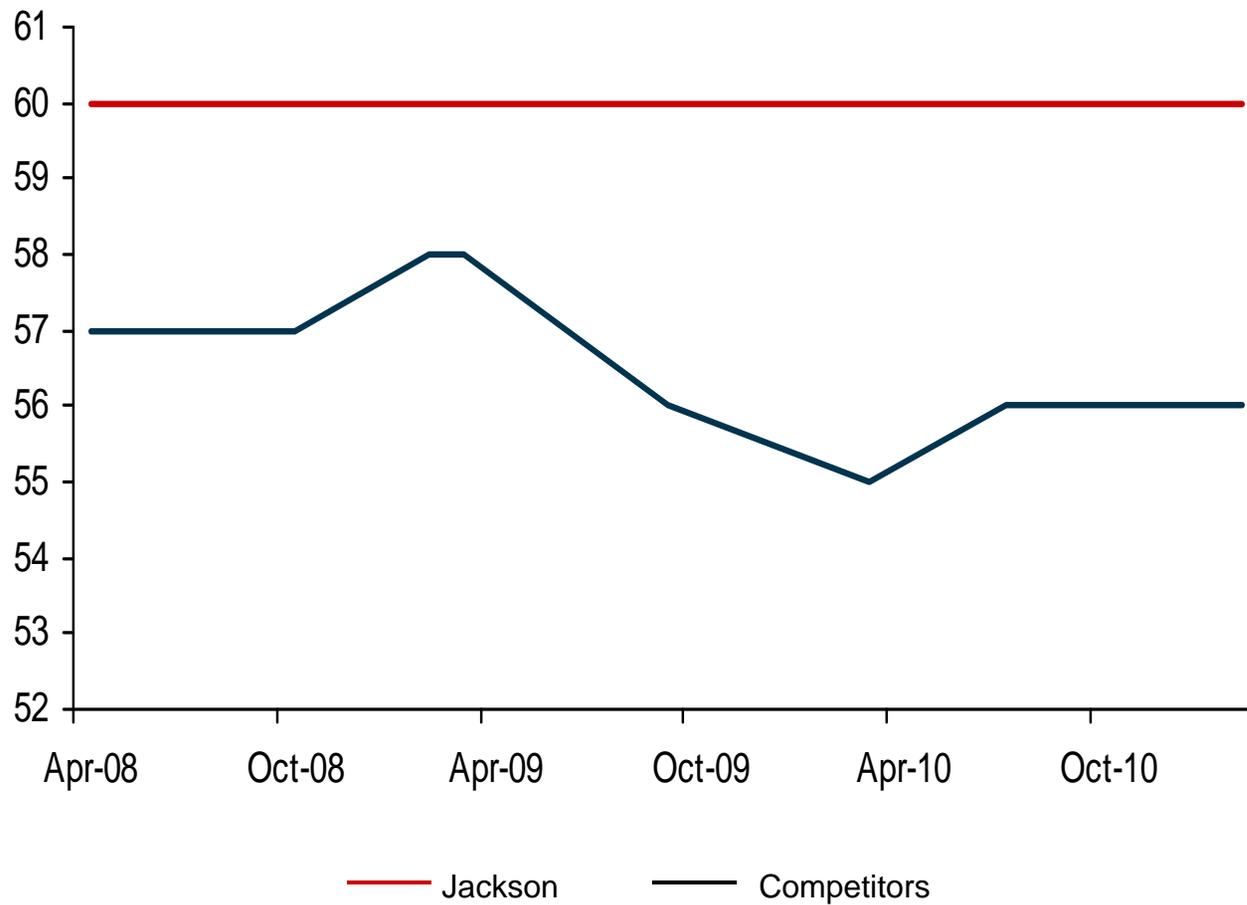
Variable annuity mean reversion rate history



US Life

Average lock-in age

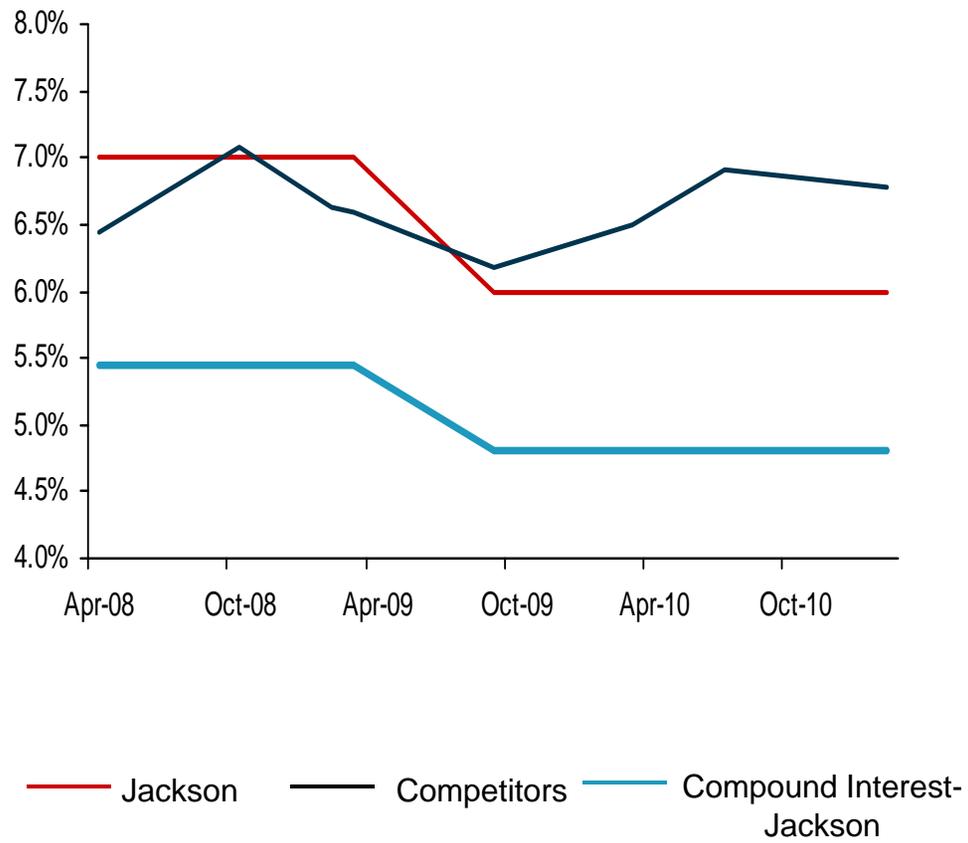
Average lock-in age for lifetime withdrawals



US Life

GMWB pricing

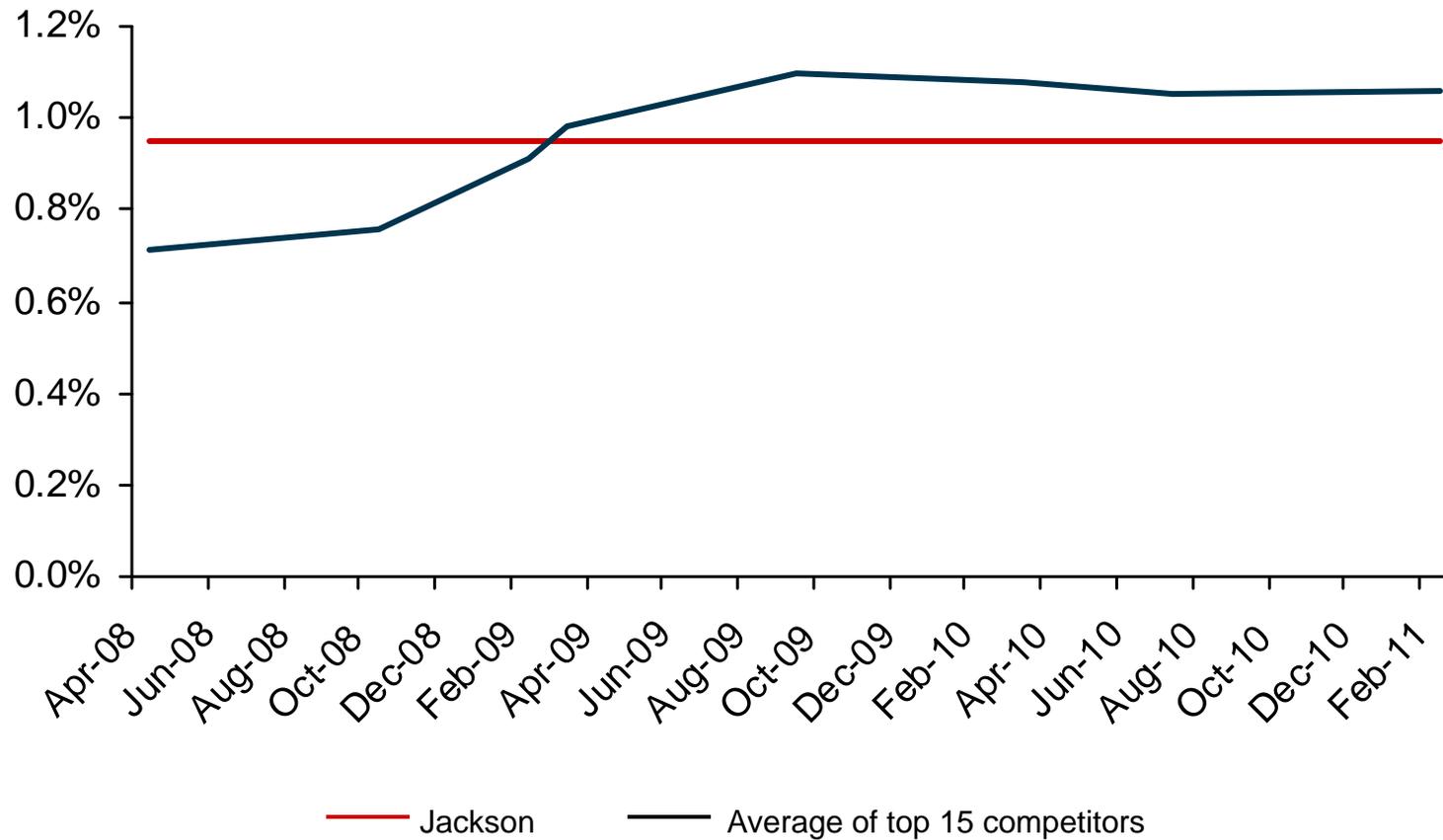
Average bonus



US Life

VA charging discipline maintained

Charge (single option) April 2008 – February 2011



Life IFRS operating profit

Source of earnings

Spread income

The investment return we make primarily on annuity and other spread based business

Fee income

The fees net of investment expenses charged on our linked and separate account business for managing the assets

Technical and other margin

Profits derived from the insurance risks of mortality, morbidity and persistency

With-profits

Our share of bonus declared by the with profits fund in the period

Expected return on shareholder assets

The operating return we make on shareholder net assets

Acquisition costs

Acquisition costs incurred on shareholder-backed new business including commission

Administration expense

Expenses and renewal commissions incurred by the shareholder in managing the in-force book

DAC and other adjustment

Costs deferred at inception net of costs amortised during life of contract and one off items

IFRS operating profit - source of earnings

Asia Life insurance - income

Source		
2010	2009	+/-

£m except reserves £bn

Total Life income		
1,653	1,184	40%

Expected returns		
19	25	(24)%

Spread income		
70	31	126%

Fee income		
122	80	53%

Technical and other margin		
1,410	1,019	38%

With profits		
32	29	10%

Spread (bps)	159	98	61
Average reserves	4.4	3.2	39%

AMF (bps)	109	99	10
Average reserves	11.2	8.1	38%

Margin on revenues	1,018	766	33%
Insurance margin	392	253	55%

Bonus (bps)	32	35	(3)
Average reserves	10.1	8.4	21%

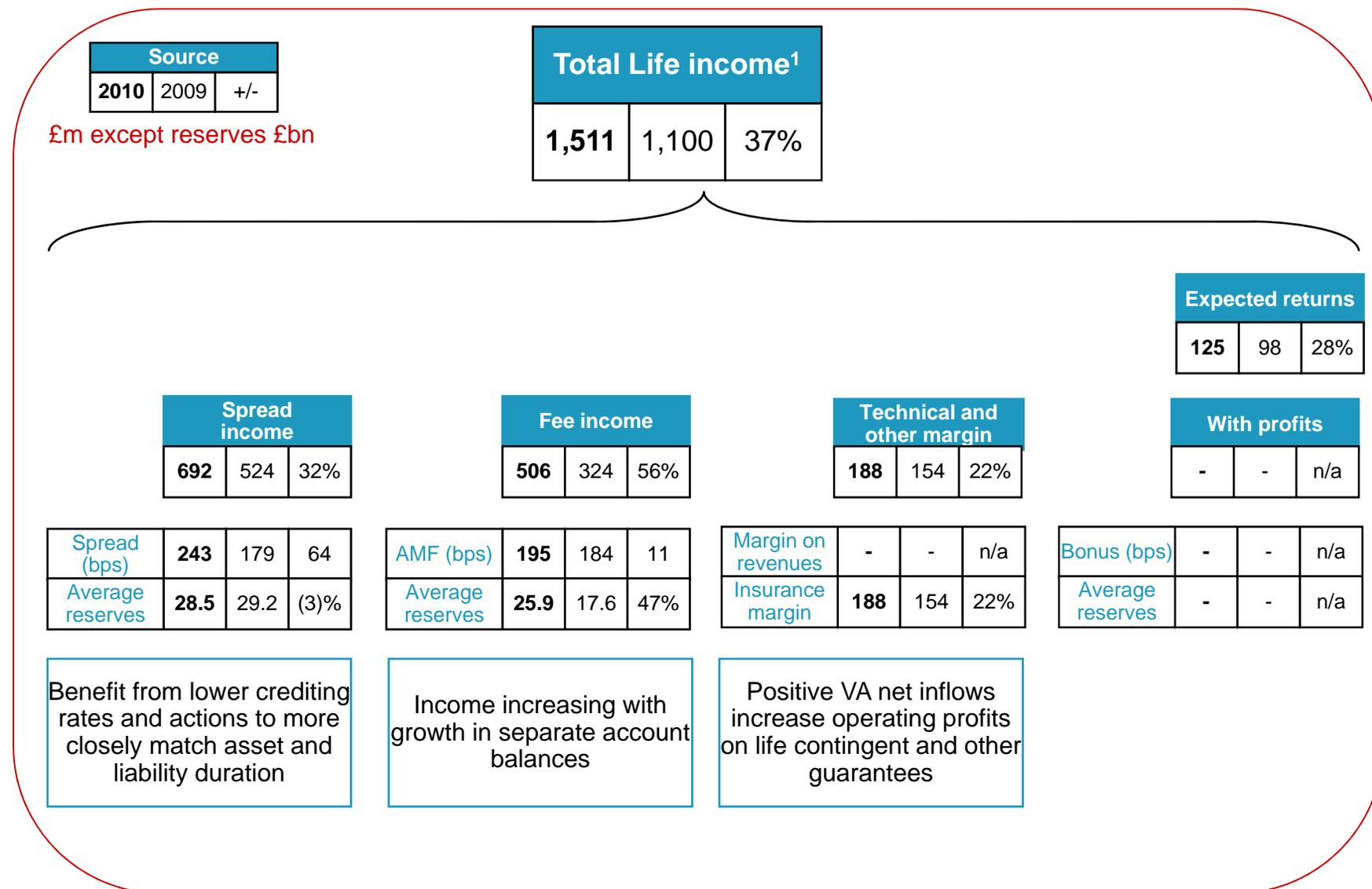
Improved investment returns

Increase in margin reflects change in country mix towards higher yielding businesses

Continued growth in the in-force book and higher H&P sales

IFRS operating profit - source of earnings

US Life insurance - income



78 ¹ During 2010 the group amended its presentation of operating profit for its US insurance operations to remove the negative net equity hedge accounting effect of £367m and include it in short term fluctuations. In 2009 the equivalent effect was negative £159m

IFRS operating profit - source of earnings

UK Life insurance - income

Source		
2010	2009	+/-

£m except reserves £bn

Total Life income		
954	974	(2)%

Expected returns		
98	125	(22)%

Spread income		
251	198	27%

Fee income		
60	54	11%

Technical and other margin		
235	316	(26)%

With profits		
310	281	10%

Spread (bps)	120	106	14
Average reserves	21.0	18.6	13%

AMF (bps)	29	31	(2)
Average reserves	20.4	17.7	15%

Margin on revenues	223	275	(19)%
Insurance margin	12	41	(71)%

Bonus (bps)	39	37	2
Average reserves	79.6	75.7	5%

Benefit of bulk annuity deal and improved retail annuity new business margins

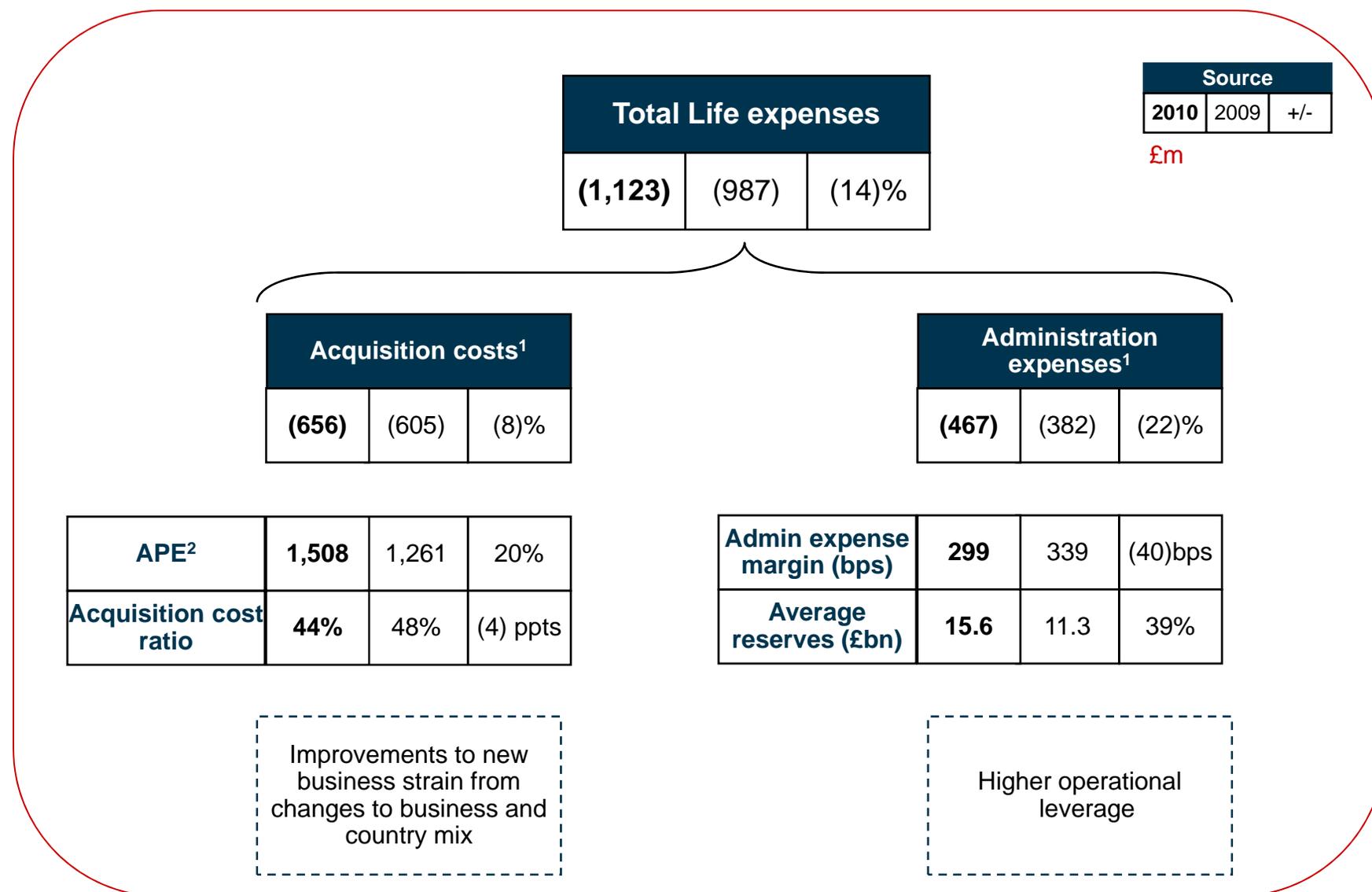
Income increasing with equity market driven growth in unit linked balances

Lower premiums from shareholder-backed retail business. 2009 insurance margin includes one-off benefit of £34m from longevity reinsurance

Shareholder transfers increased due to higher bonuses

IFRS operating profit – source of earnings

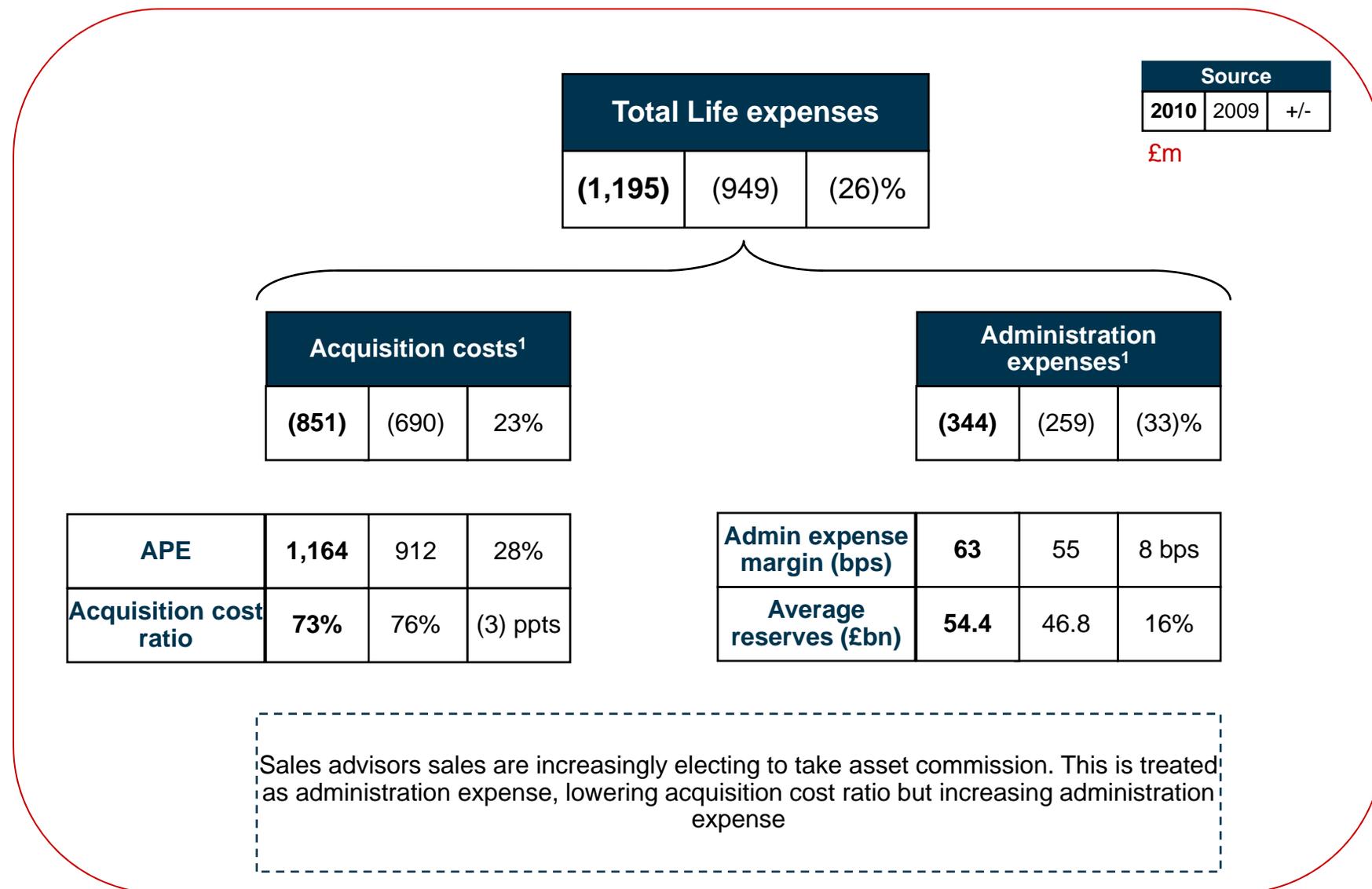
Asia Life insurance - expenses



80 1 Relate to shareholder-backed business only
 2 For shareholder-backed and with-profits business, including Japan new business of £7m APE (2009: £52m of APE)

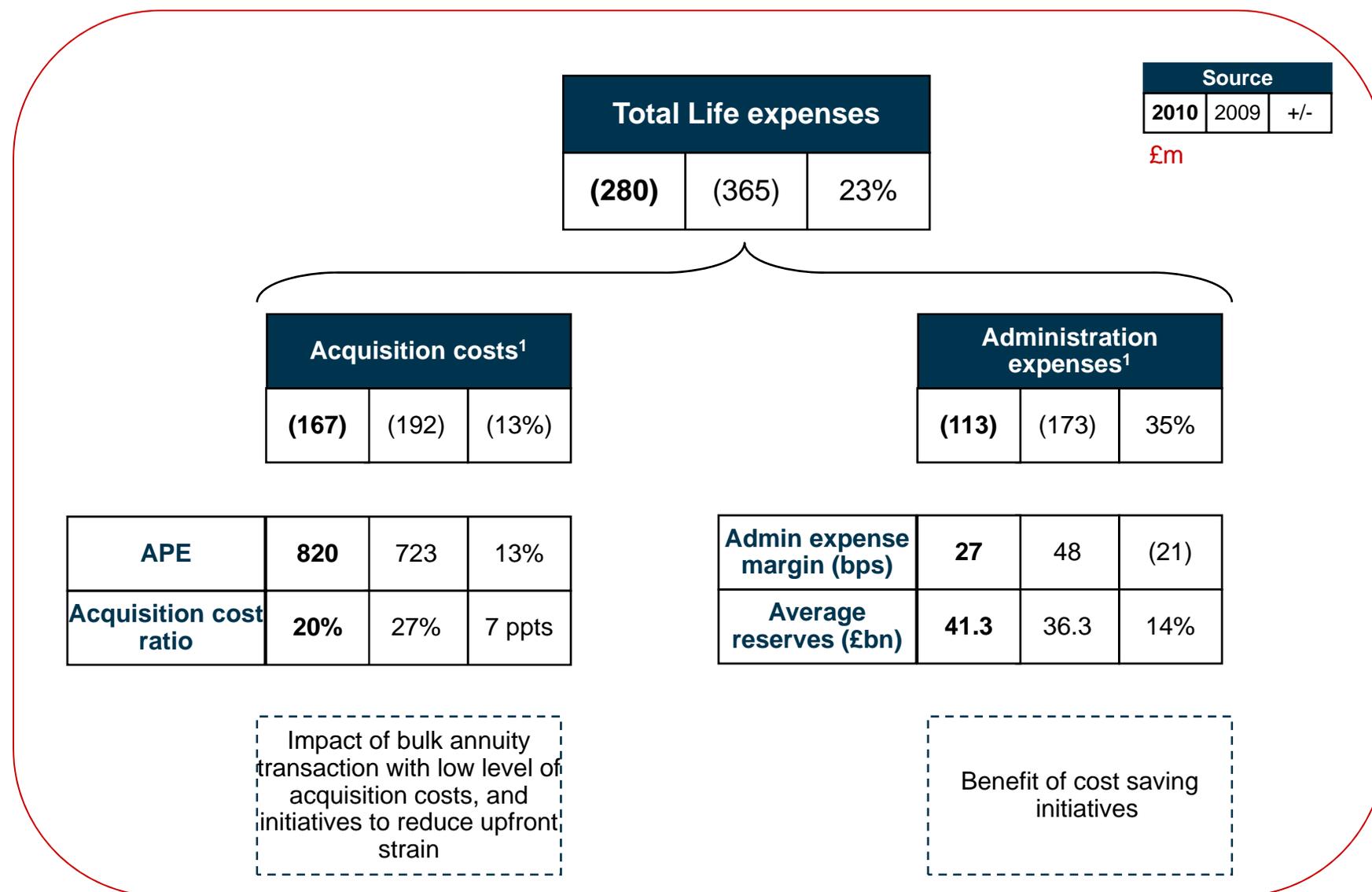
IFRS operating profit – source of earnings

US Life insurance - expenses



IFRS operating profit – source of earnings

UK Life insurance - expenses



Conservative allowance for risk in restated embedded value

Prudential Asia previous basis¹, %

RDR	Risk free rate		
5.1	3.3		Hong Kong
13.75	7.0		Thailand
7.3	4.75		Singapore
8.9	5.75		Malaysia
13.7	9.0		Indonesia
8.1	4.6		Korea
12.5	7.5		India
10.5	7.0		China
16.25	9.5		Vietnam

Prudential Asia current basis, %

RDR	Risk free rate
5.1	3.3
10.5	3.8
6.1	2.7
7.1	4.0
13.0	7.75
8.1	4.6
13.1	8.1
10.45	3.95
18.85	12.1

8.9

▲ 320bp

5.7

**Weighted
total Asia²**

8.1

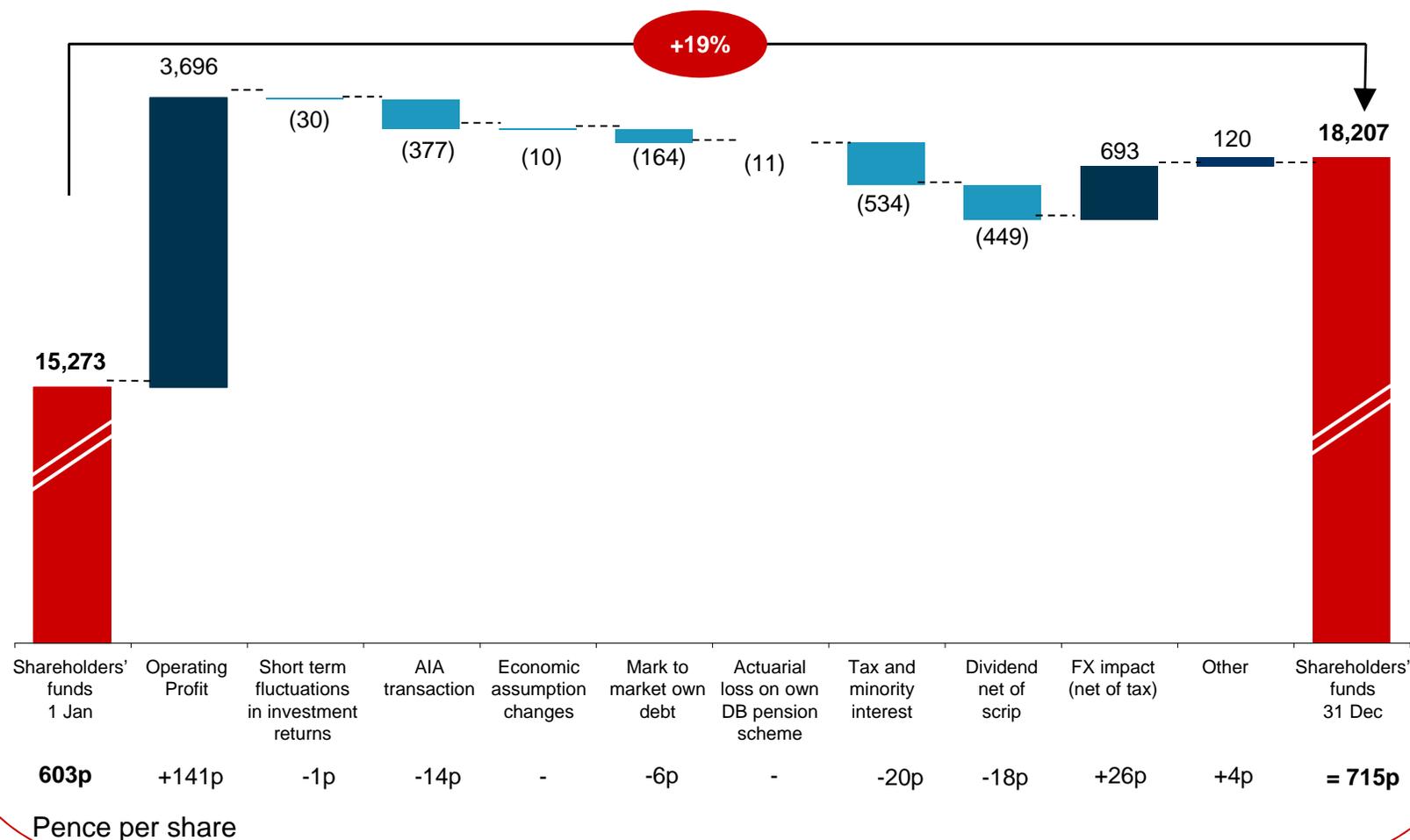
▲ 360bp

4.5

83 1 Hong Kong and Korea shown on an active basis consistent with past practice
2 Weighted by value of in-force net of cost of capital and time value of options and guarantees

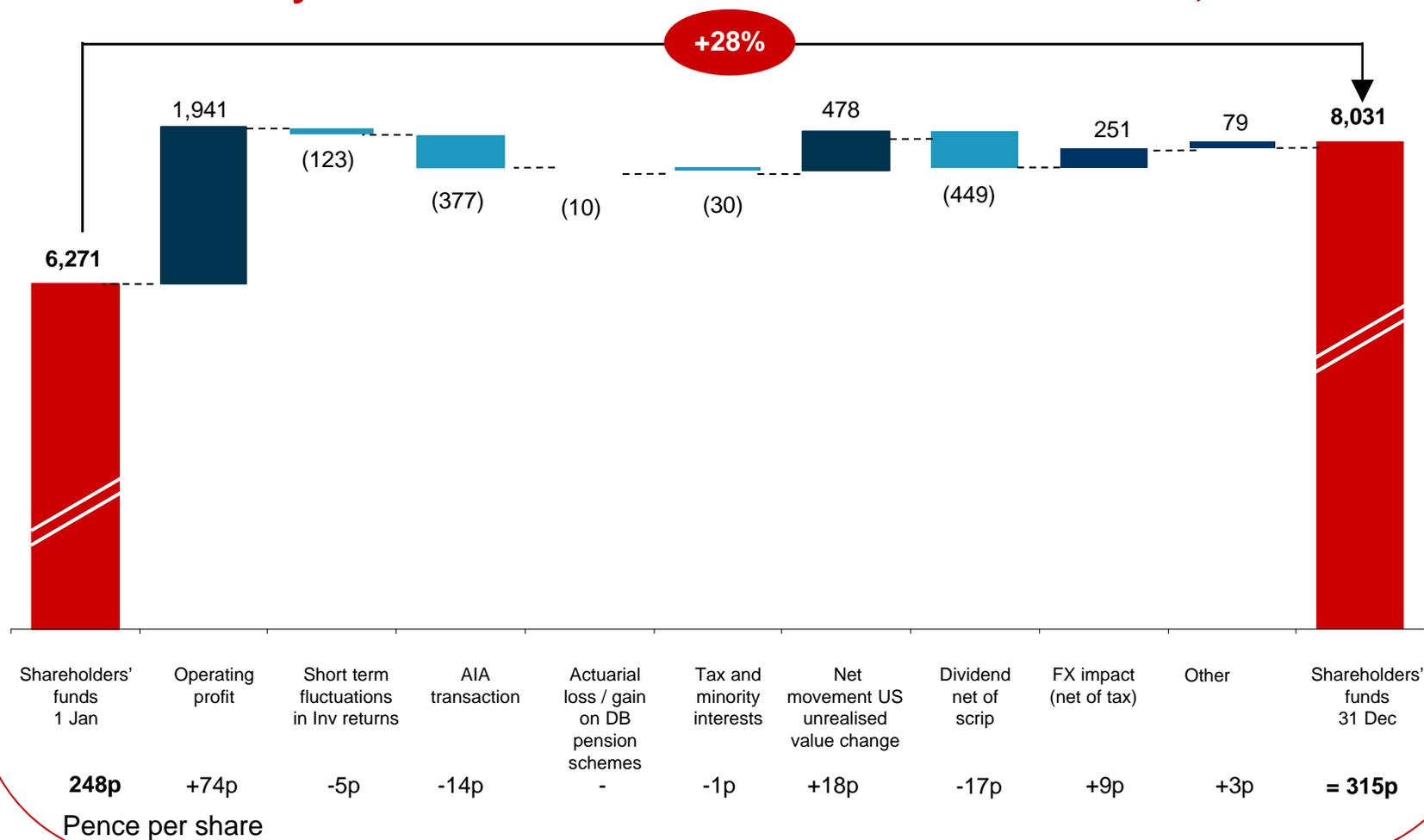
EEV shareholders' funds

Analysis of movement in EEV shareholders' funds, £m



IFRS shareholders' funds

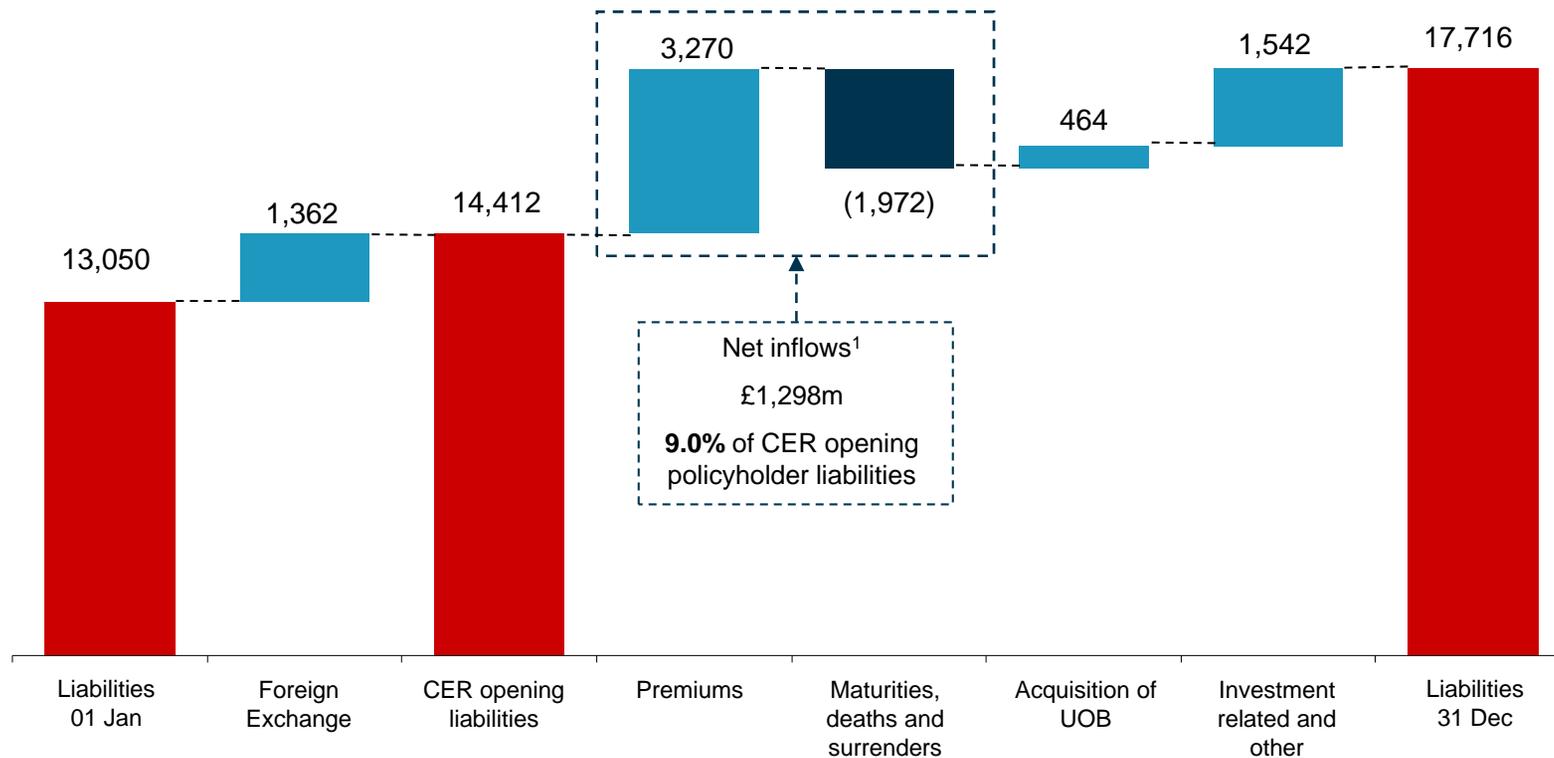
Analysis of movement in IFRS shareholders' funds, £m



Policyholder liabilities

Shareholder-backed business – Asia

Policyholder liabilities roll-forward, £bn

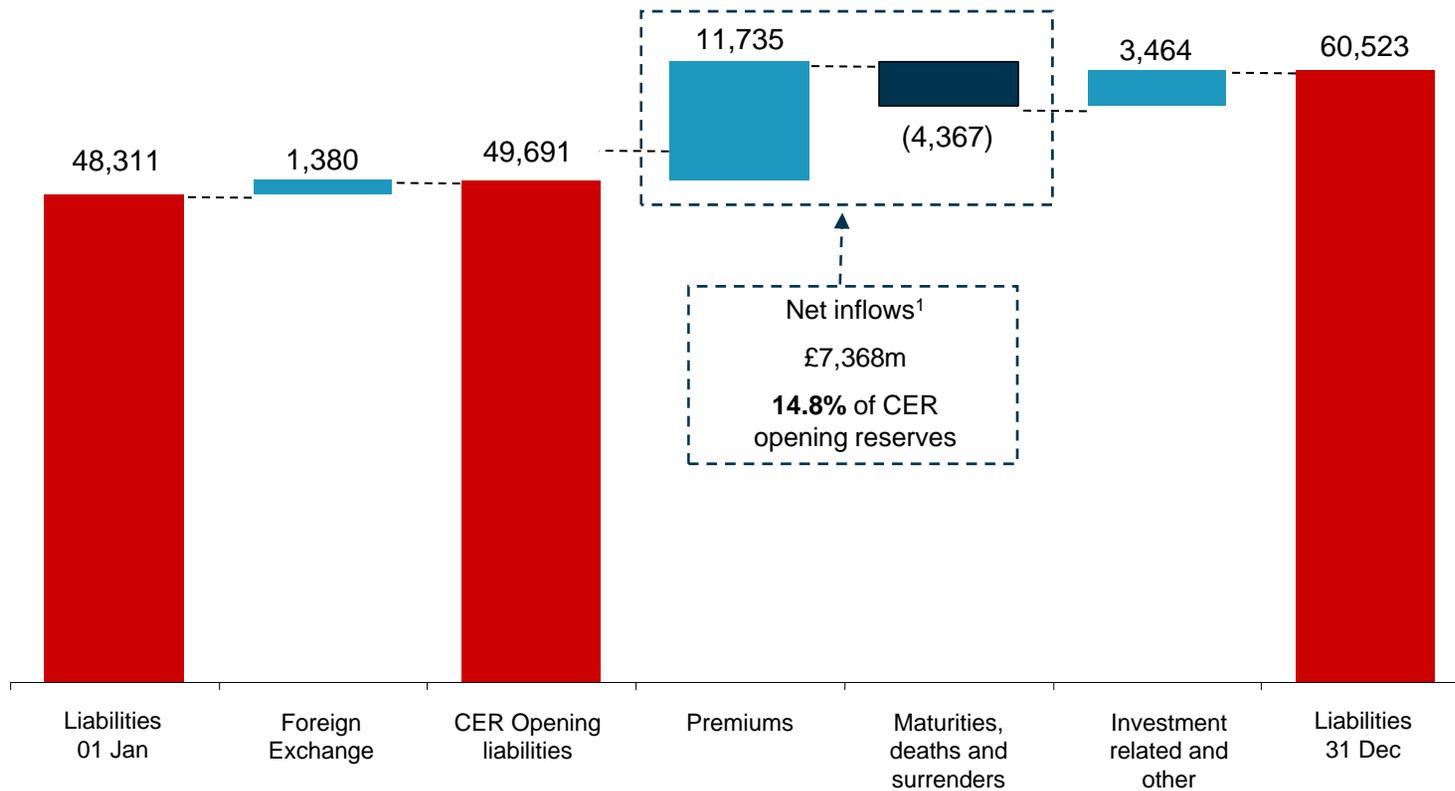


86 1 Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths

Policyholder liabilities

Shareholder-backed business – US

Policyholder liabilities roll-forward, £bn

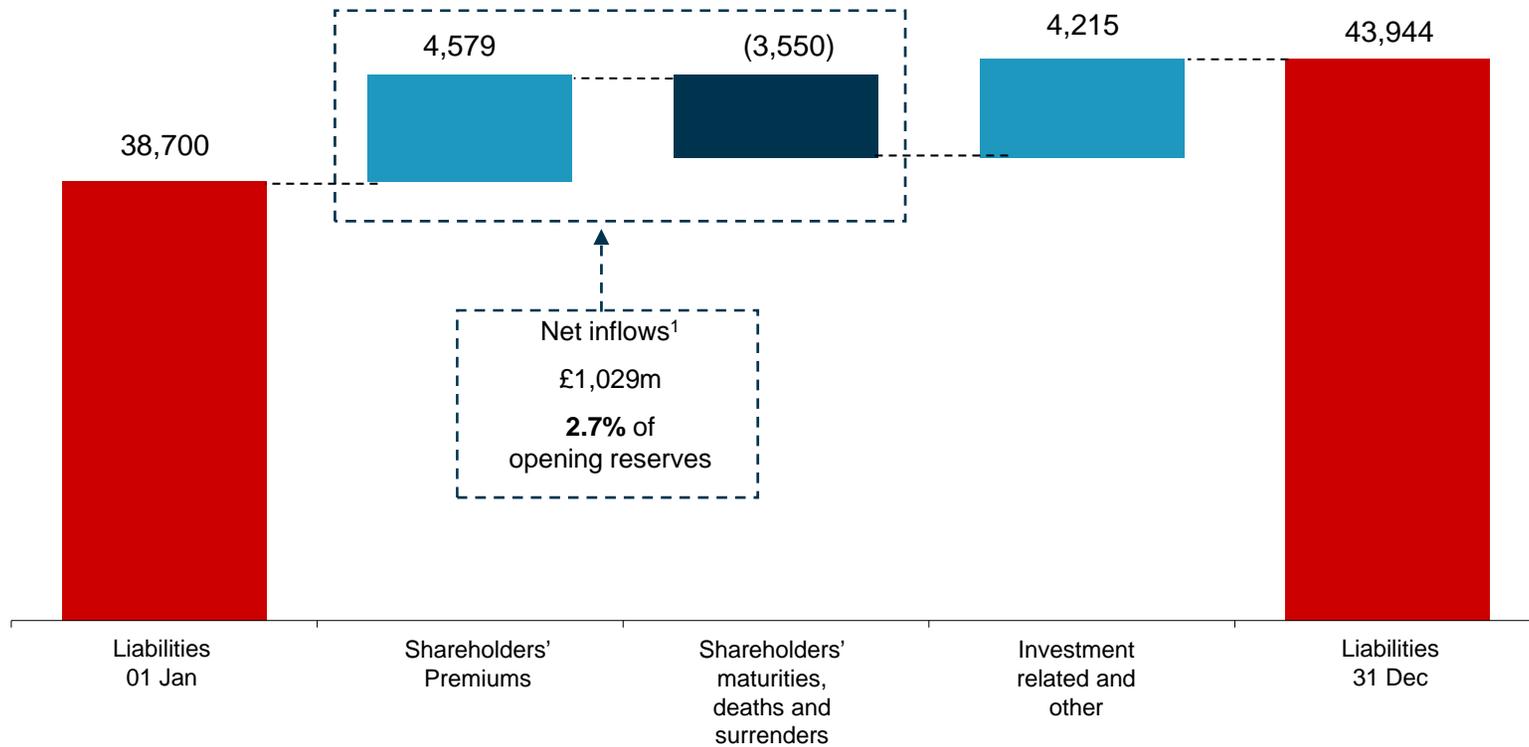


87 1 Defined as movements in shareholder-backed policyholder liabilities arising from premiums, surrenders, maturities and deaths

Policyholder liabilities

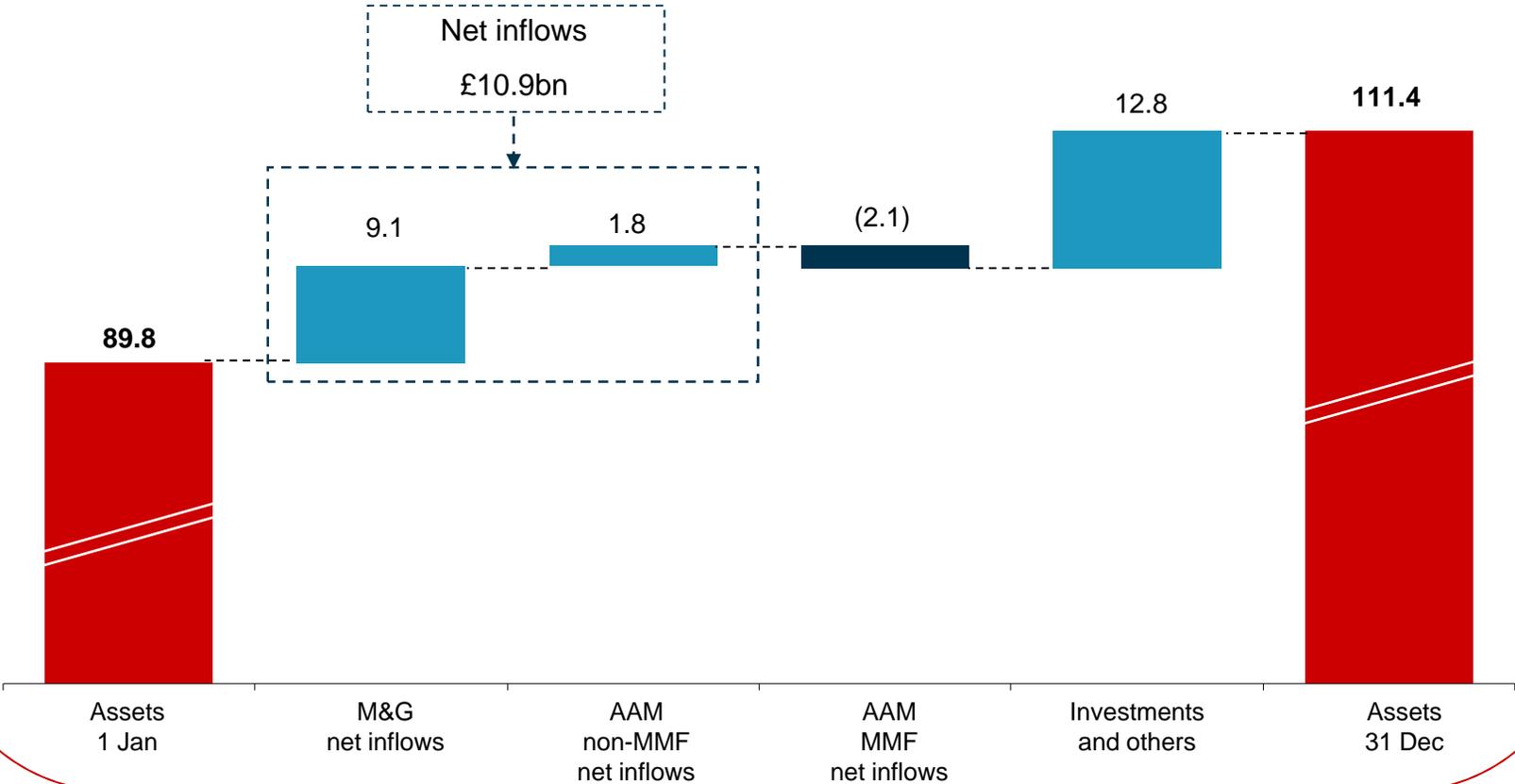
Shareholder-backed business – UK

Policyholder liabilities roll-forward, £bn



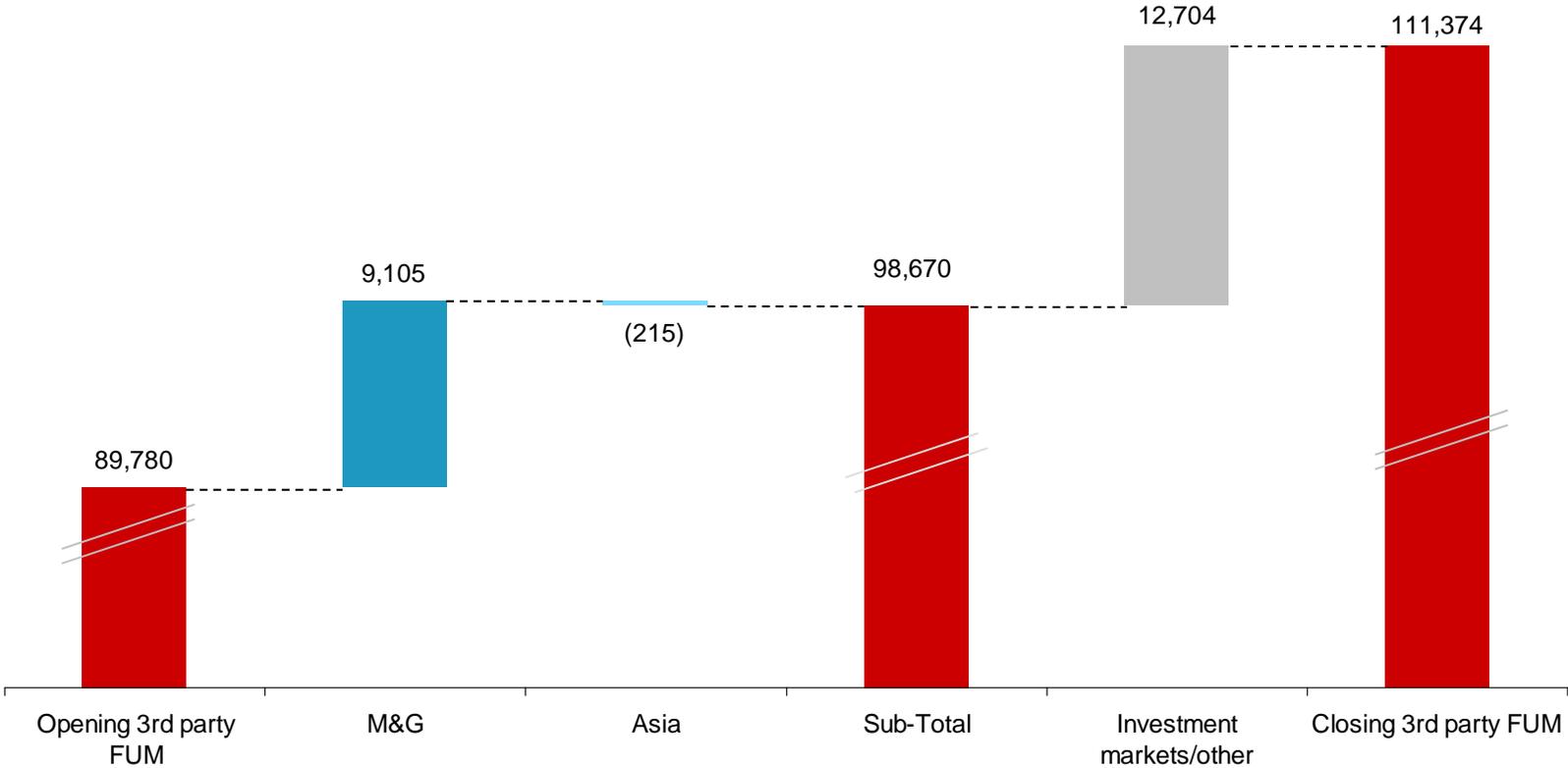
External assets under management

External assets under management roll-forward, £bn



Group net inflows 3rd party asset management

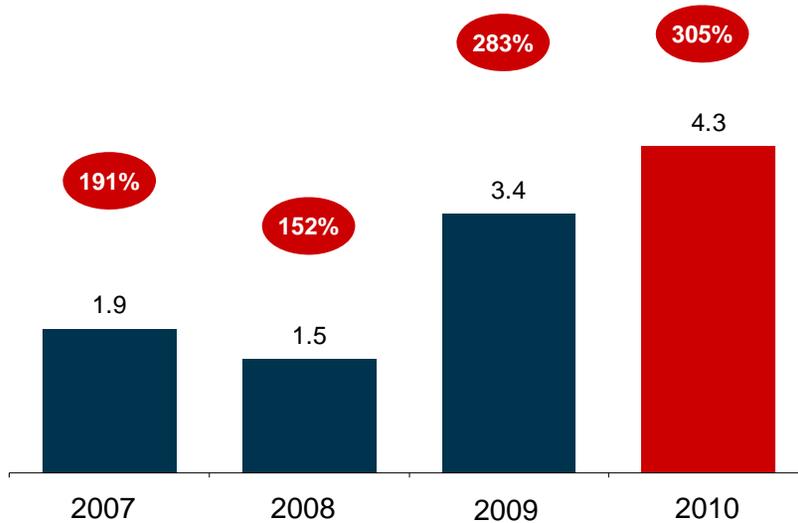
Asset Management movement in 3rd party FUM, £m



IGD capital

IGD surplus estimated at £4.3bn at 31 December

IGD surplus, £bn



 Solvency Ratio

IGD sensitivity analysis¹

40% fall in equity markets £(650)m

150bps fall in interest rates £(500)m

10x expected defaults £(550)m

¹ All sensitivities measured as at 31 Dec 2010. The 40% fall in equity markets assumes a 20% immediate fall followed by a 20% fall over the next 20-trading days

IGD capital

IGD surplus estimated at £4.3bn at 31 December 2010

IGD capital – movement in 2010 (£bn)

IGD surplus 1 January 2010	3.4
Capital generated	1.7
Dividends (net of scrip)	(0.4)
UOB Impact	(0.2)
AIA transaction costs	(0.3)
Corporate activity (incl. interest)	(0.2)
FX Impact	0.1
Release of tax provisions	0.2
IGD surplus 31 December 2010	4.3

Invested Assets – Group Overview

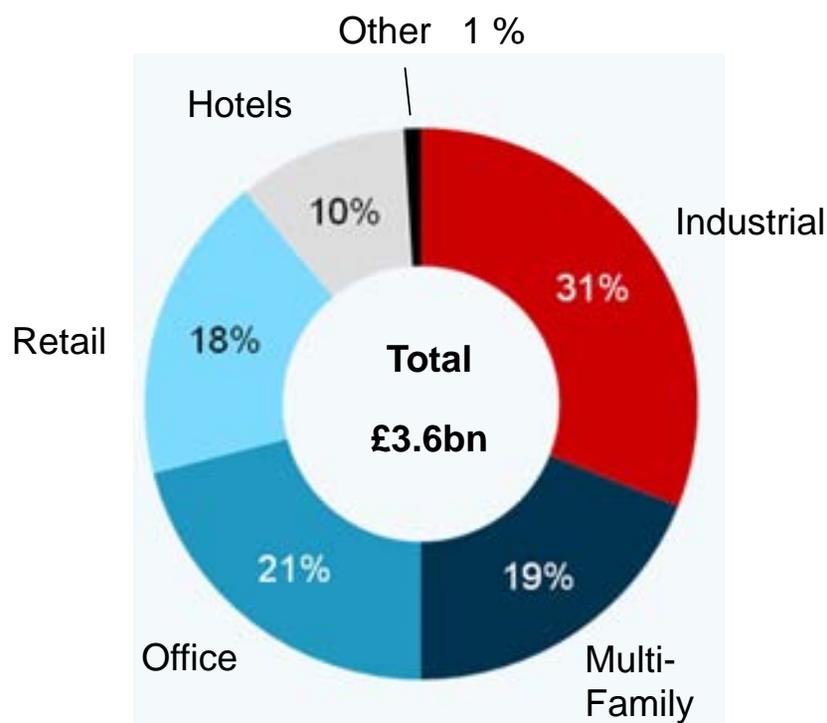
Shareholder assets 28% of total group assets

Breakdown of invested assets – 2010, £bn

	Total Group	PAR Funds	Unit-Linked	Shareholders					Total
				Asia Life	US Life	UK Life	Other		
Debt securities	116.4	53.2	9.1	4.3	26.4	21.8	1.6	54.1	
Equity	86.6	31.4	54.3	0.5	0.3	0.0	0.1	0.9	
Property Investments	11.2	9.0	0.7	0.0	0.0	1.5	0.0	1.5	
Commercial mortgage loans	5.0	0.4	0.0	0.0	3.6	1.0	0.0	4.6	
Other loans	4.3	1.8	0.0	0.5	0.6	0.0	1.4	2.5	
Deposits	10.0	7.3	0.7	0.4	0.2	1.3	0.1	2.0	
Other Investments	5.8	3.9	0.1	0.1	1.2	0.2	0.3	1.8	
Total	239.3	107.0	64.9	5.8	32.3	25.8	3.5	67.4	

US commercial mortgage loan portfolio

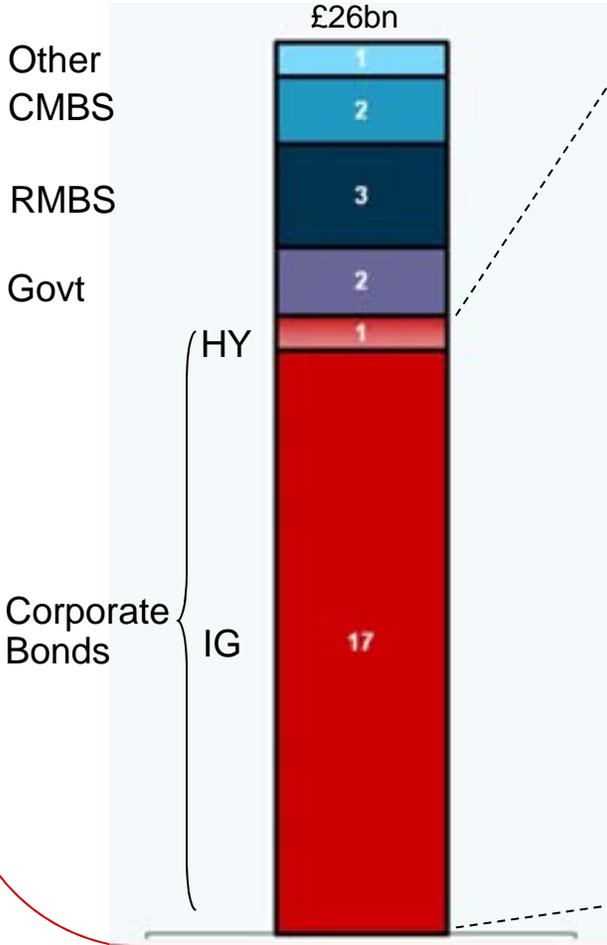
Breakdown by property type, %



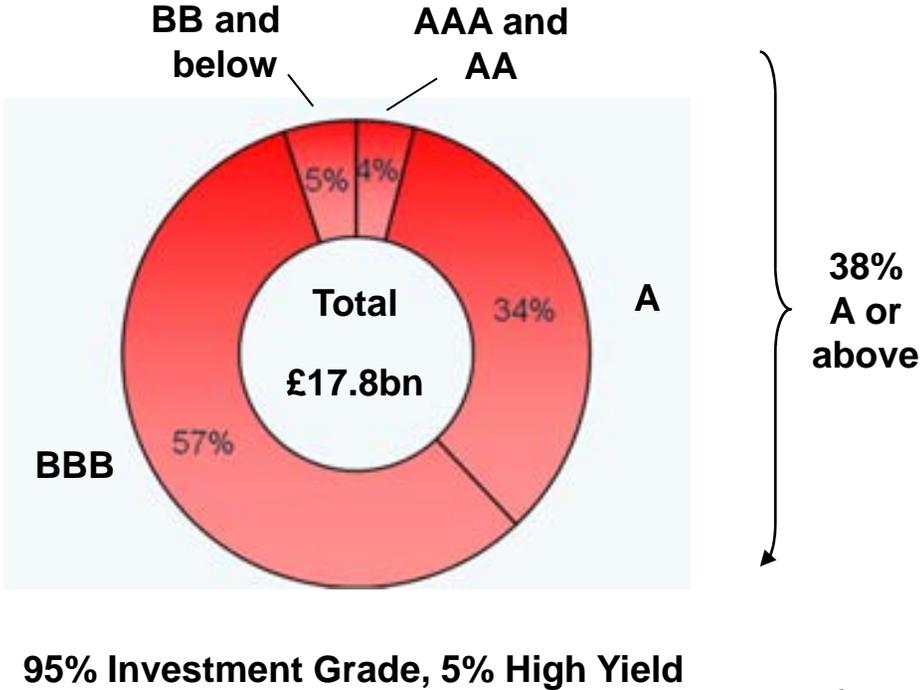
- **High level of diversification**
 - average loan size of £6.6m
 - spread across property type
 - geographic diversification
- **Strong underwriting discipline**
 - portfolio performing well in current environment
 - current average LTV of 73%
 - problem loan balances at 31 Dec 2010
 - Loans with restructured terms £97.9m
 - Loans 90+ days delinquent £8.6m
 - £11.5m of write-downs
 - £12.9m of specific reserves taken

US asset quality – corporate debt portfolio (1/3)

US Shareholder Debt Securities Portfolio – Market value, £bn

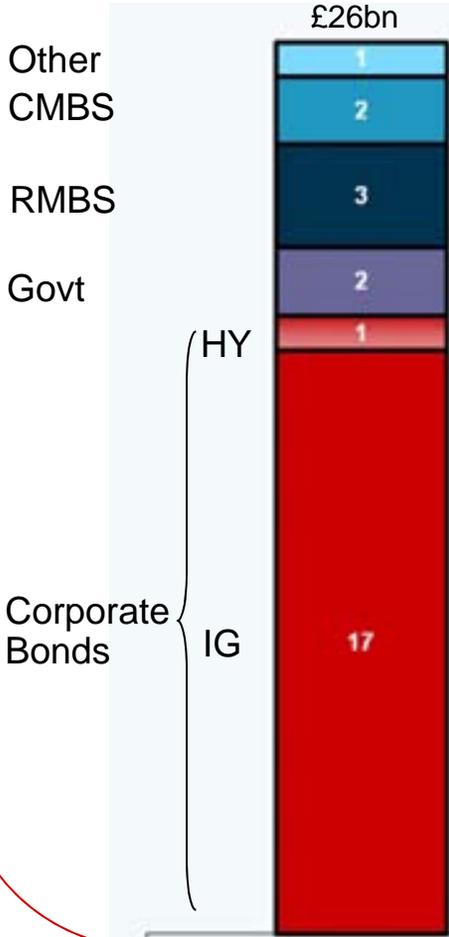


Corporate Bond Portfolio, % by rating

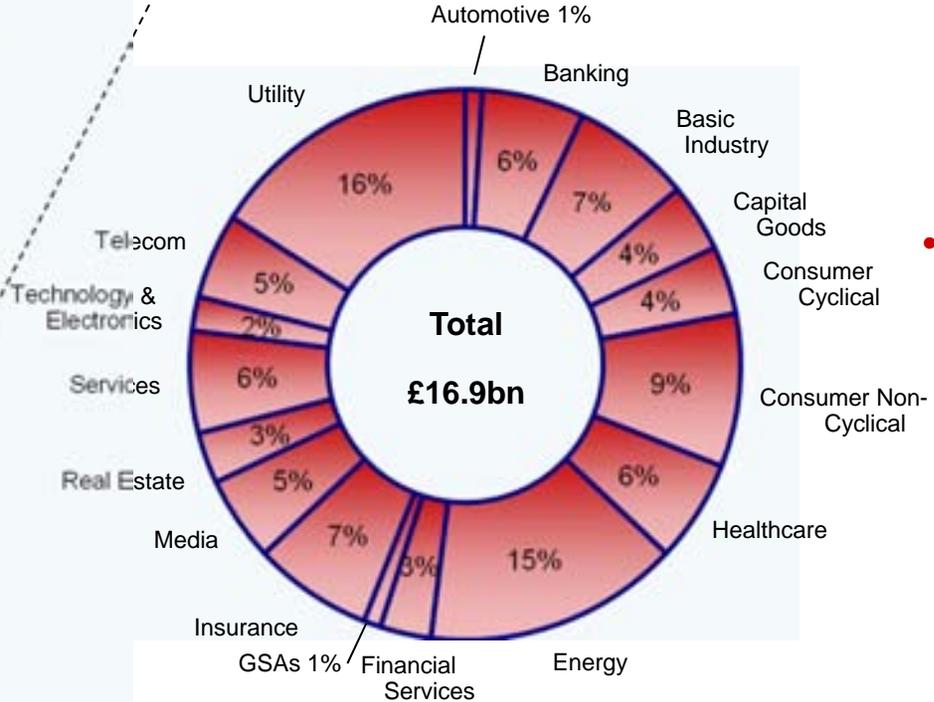


US asset quality – corporate debt portfolio (2/3)

US Shareholder Debt Securities Portfolio – Market value, £bn



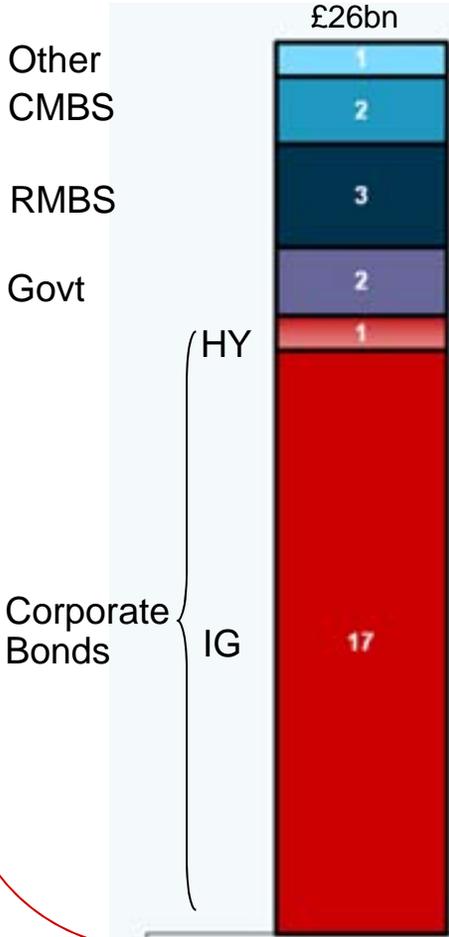
Investment Grade Corporate Bond Portfolio, % by sector



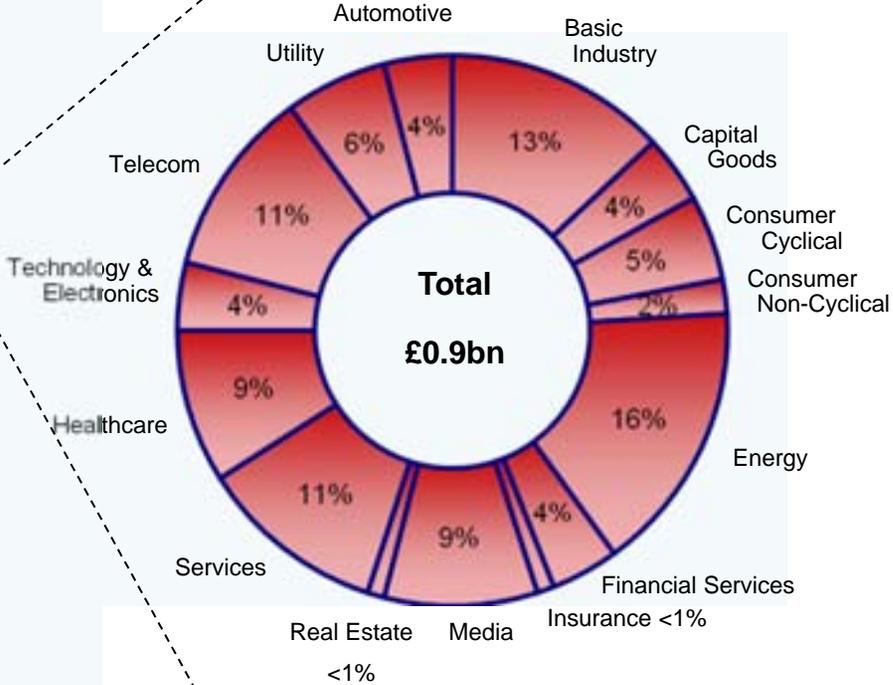
- Portfolio spread over 519 issuers, with an average holding of £32m

US asset quality – corporate debt portfolio (3/3)

US Shareholder Debt Securities Portfolio – Market value, £bn



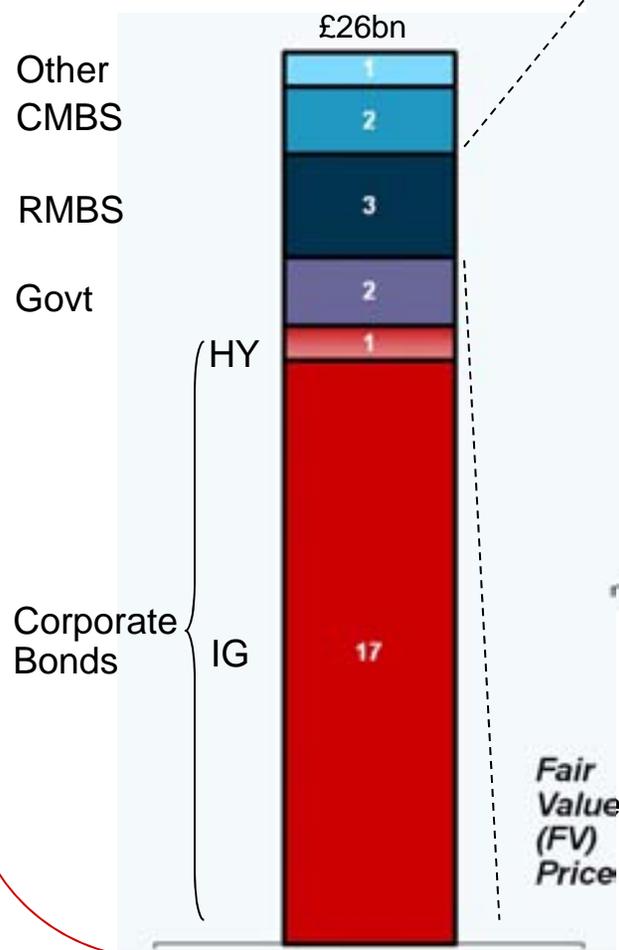
High Yield Corporate Bond Portfolio, % by sector



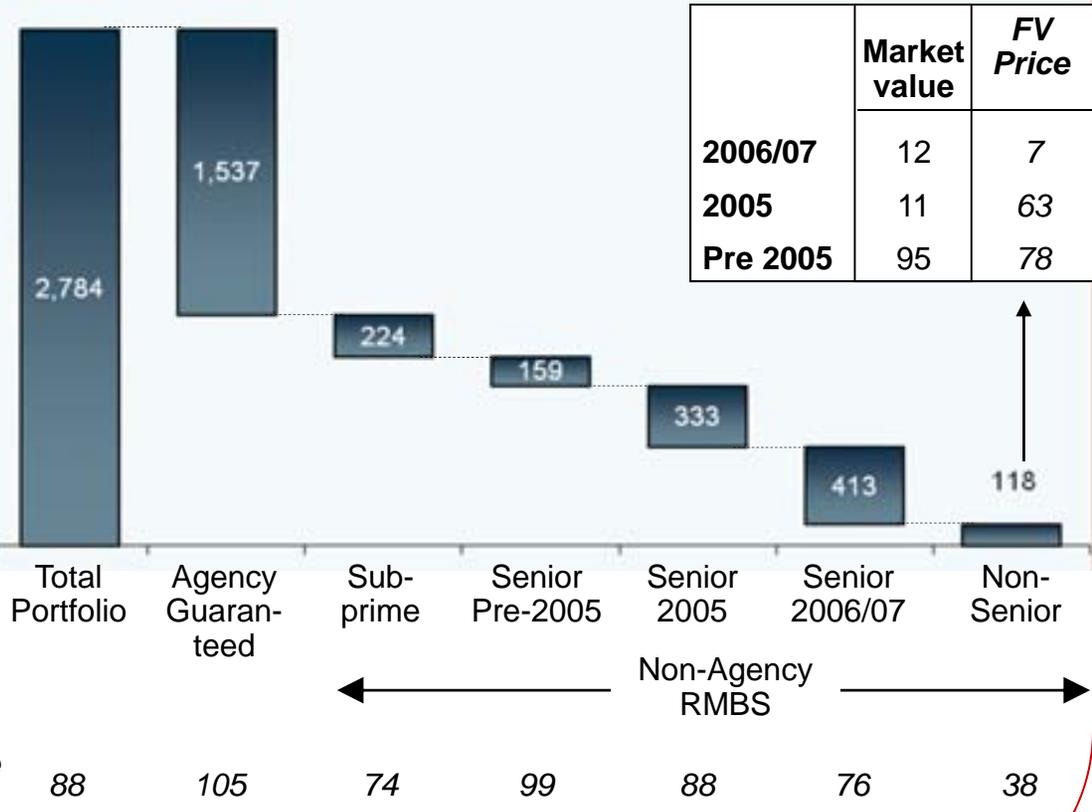
- Portfolio spread across 123 issuers, with an average holding of £7m

US asset quality – RMBS portfolio

US Shareholder Debt Securities Portfolio – Market value, £bn

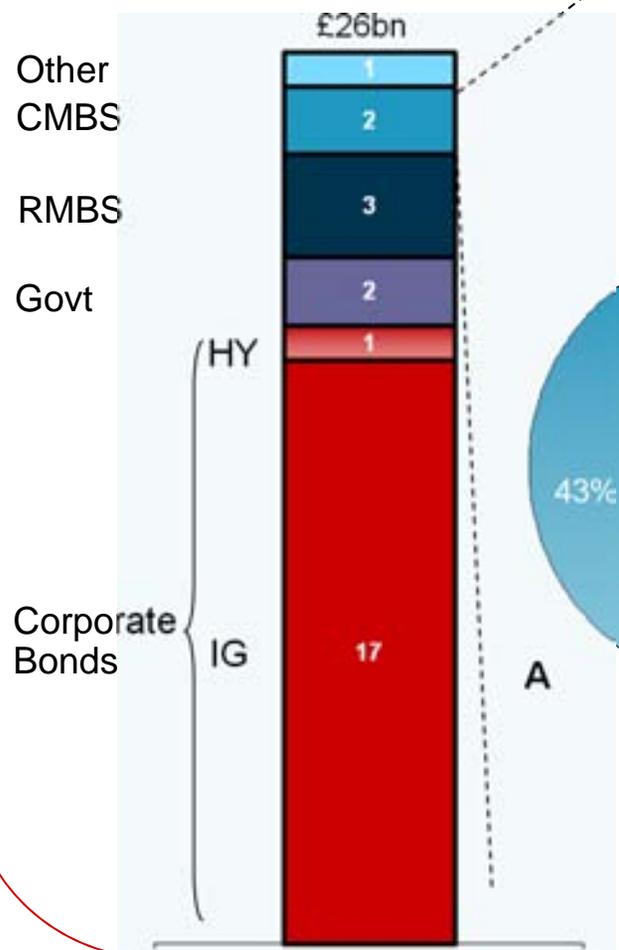


Breakdown of the RMBS portfolio, £m

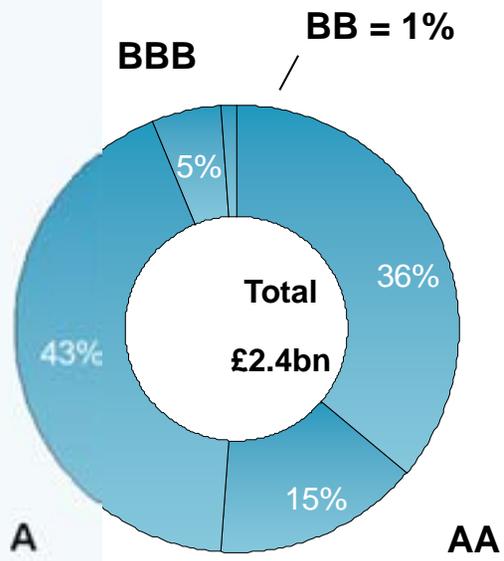


US asset quality – CMBS portfolio

US Shareholder Debt Securities Portfolio – Market value, £bn



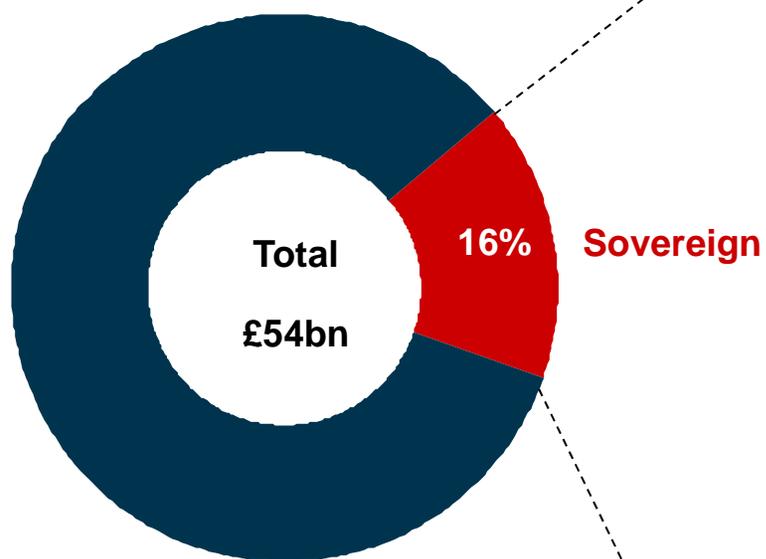
CMBS portfolio, % by rating



- Average credit enhancement of the portfolio is 30%
- 89% of the portfolio has credit enhancement of at least 20%
- 68% of the portfolio is super senior tranches
- 94% of the 2005-08 vintages is in super senior tranches with another 4% in senior tranches

Group shareholder sovereign exposures

Breakdown of the shareholder debt securities portfolio, %



SH Sovereign exposures by regions & ratings, £m

	US	Europe	Asia	Other	Total
AAA	2,613	3,541	260	1	6,415
AA-BBB	-	53	1,769	22	1,844
Below BBB	-	-	576	-	576
Total	2,613	3,594	2,605	23	8,835

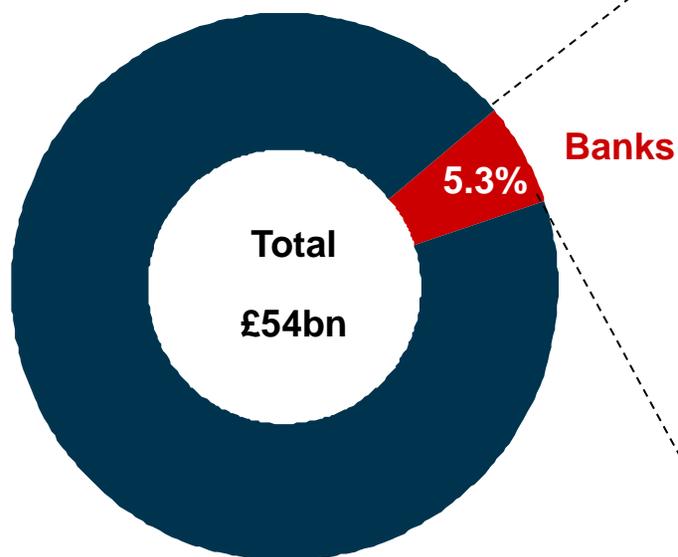
Europe by key countries, £m

	UK	Germany	Italy	Other	Total
Europe	2,743	760	52	39	3,594

Exposure to the banking sector

Limited exposure to Tier 1 and Tier 2 hybrid

Breakdown of the shareholder debt securities portfolio, %



Exposure to Tier 1 and Tier 2 Hybrid debt of banks, £m

	UK	US	Other	Total
Tier 1	114	23	246	383
Tier 2	804	369	1,289	2,462

Less than 1% (pointing to Tier 1 Total)

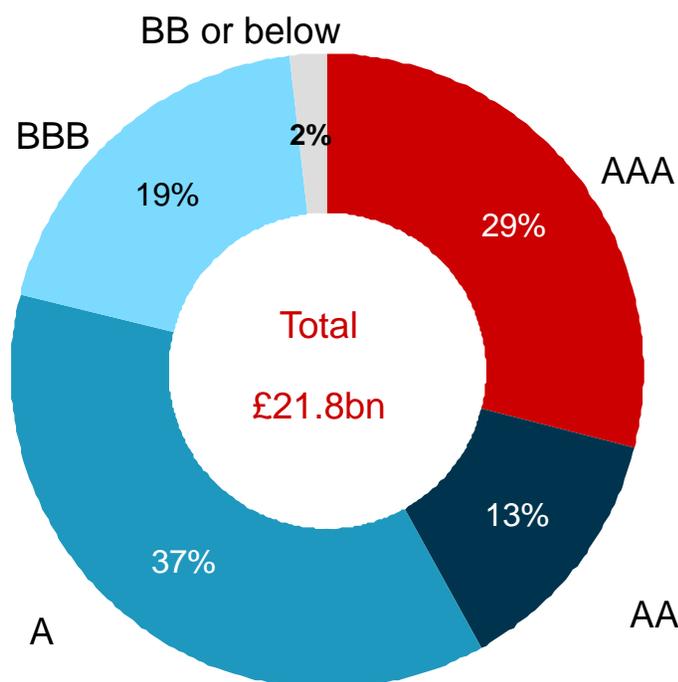
Key Tier 1 and Tier 2 exposures to UK banks, £m

	Lloyds Group	Barclays	RBS	HSBC	Other	Total
Tier 1	-	56	-	42	16	114
Tier 2	144	183	59	236	182	804

UK asset quality – credit reserve

Enough to withstand significant default and downgrade risk

UK shareholder debt securities portfolio by rating¹



79% A or above

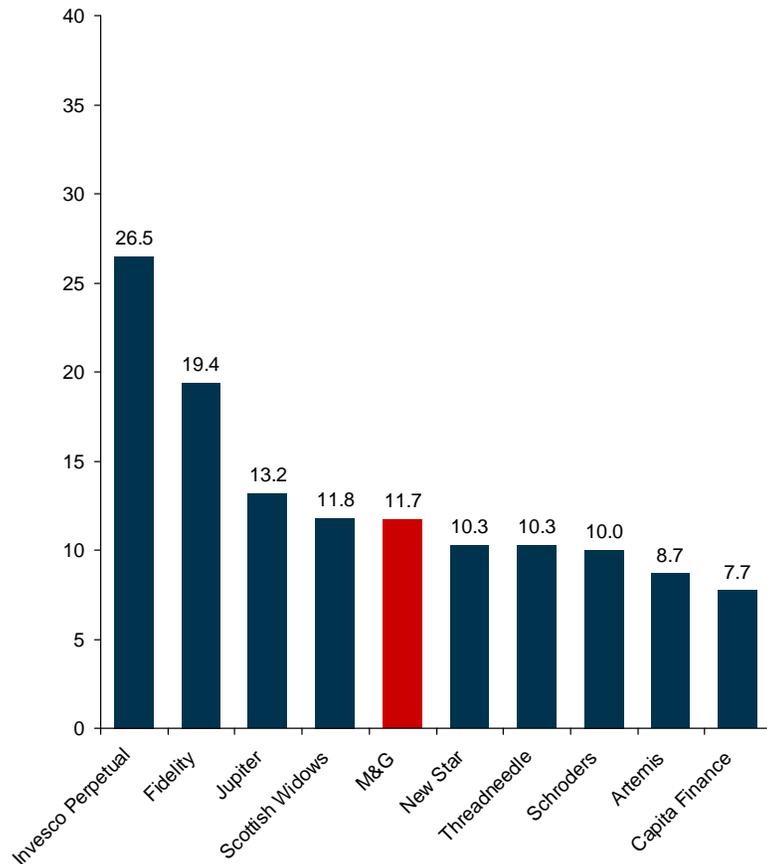
Strength of the £1.8bn credit reserve

- No defaults of shareholder backed debt securities
- Continued sale of financial subordinated debt holdings in 2010
- Rolled over unused default provision and higher average credit quality²
 - Pillar 1 (IGD) 68 bps (2009: 71 bps)
 - IFRS 42 bps (2009: 47 bps)
- Pillar 1 and EEV assumptions equivalent to 43% of current spread (2009: 41%)²

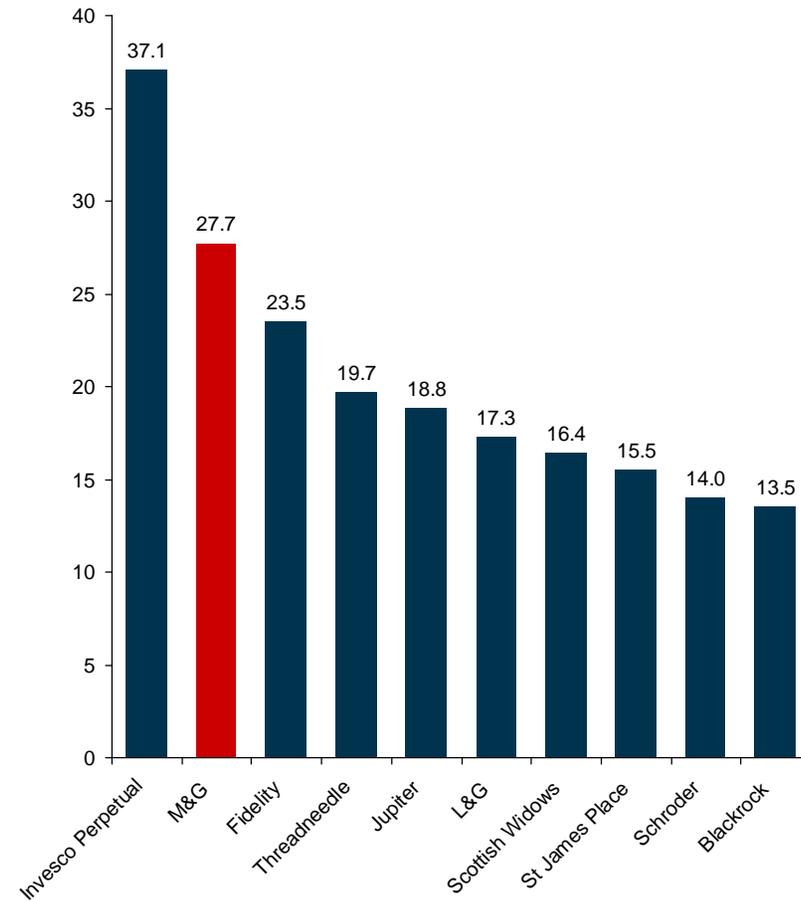
M&G assets under management

The 2nd largest UK retail fund manager

UK retail FUM Jan 2008, £bn



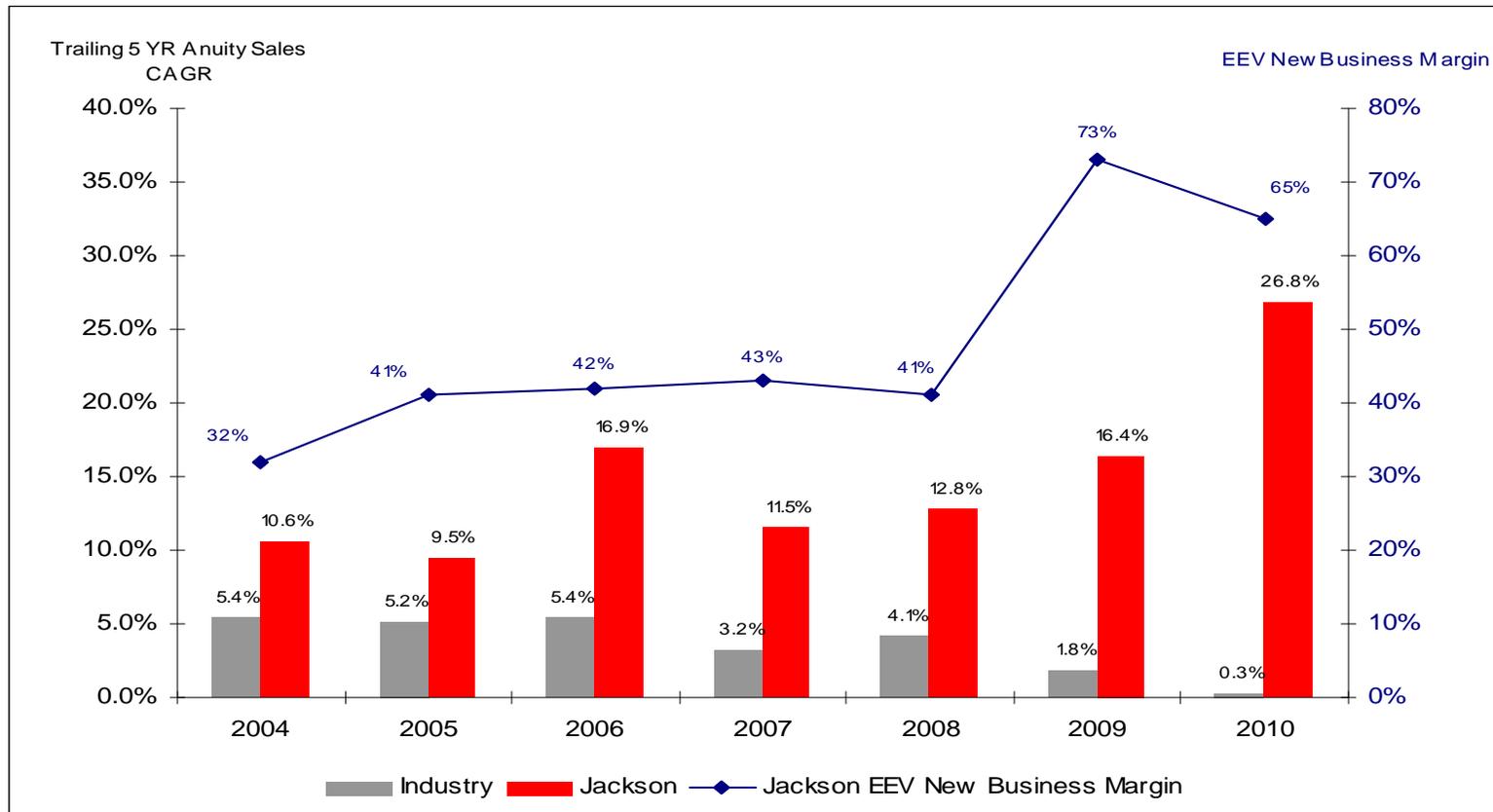
UK retail FUM Dec 2010, £bn



Jackson

Outperformed in annuity sales growth over the business cycle

2004-09 trailing 5 year CAGR for annuity sales and new business margins

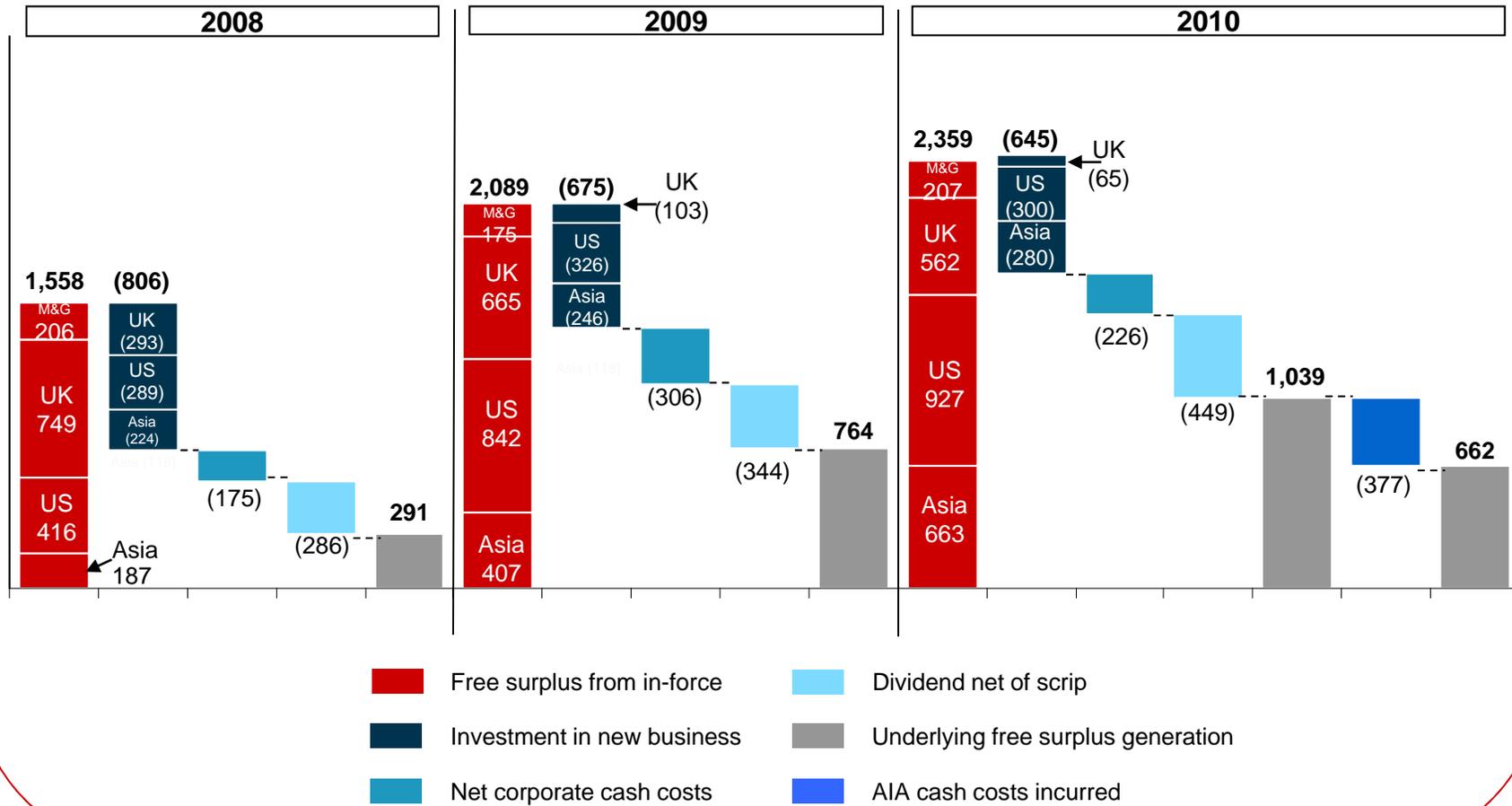


* Industry figure for 2010 is as of Q3 2010

Underlying free surplus

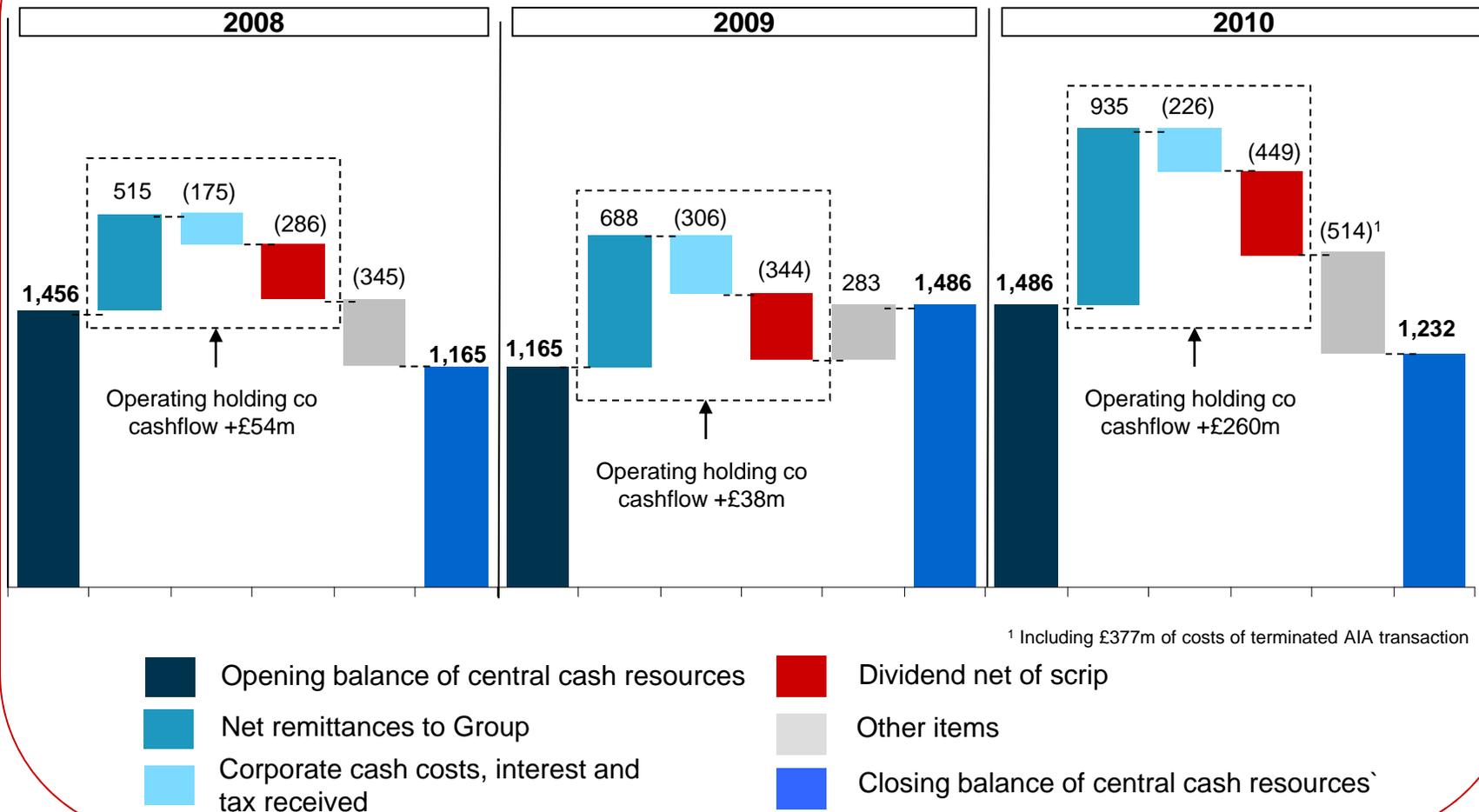
Free surplus generation covers dividend

Underlying free surplus generation, £bn



Robust central cash position

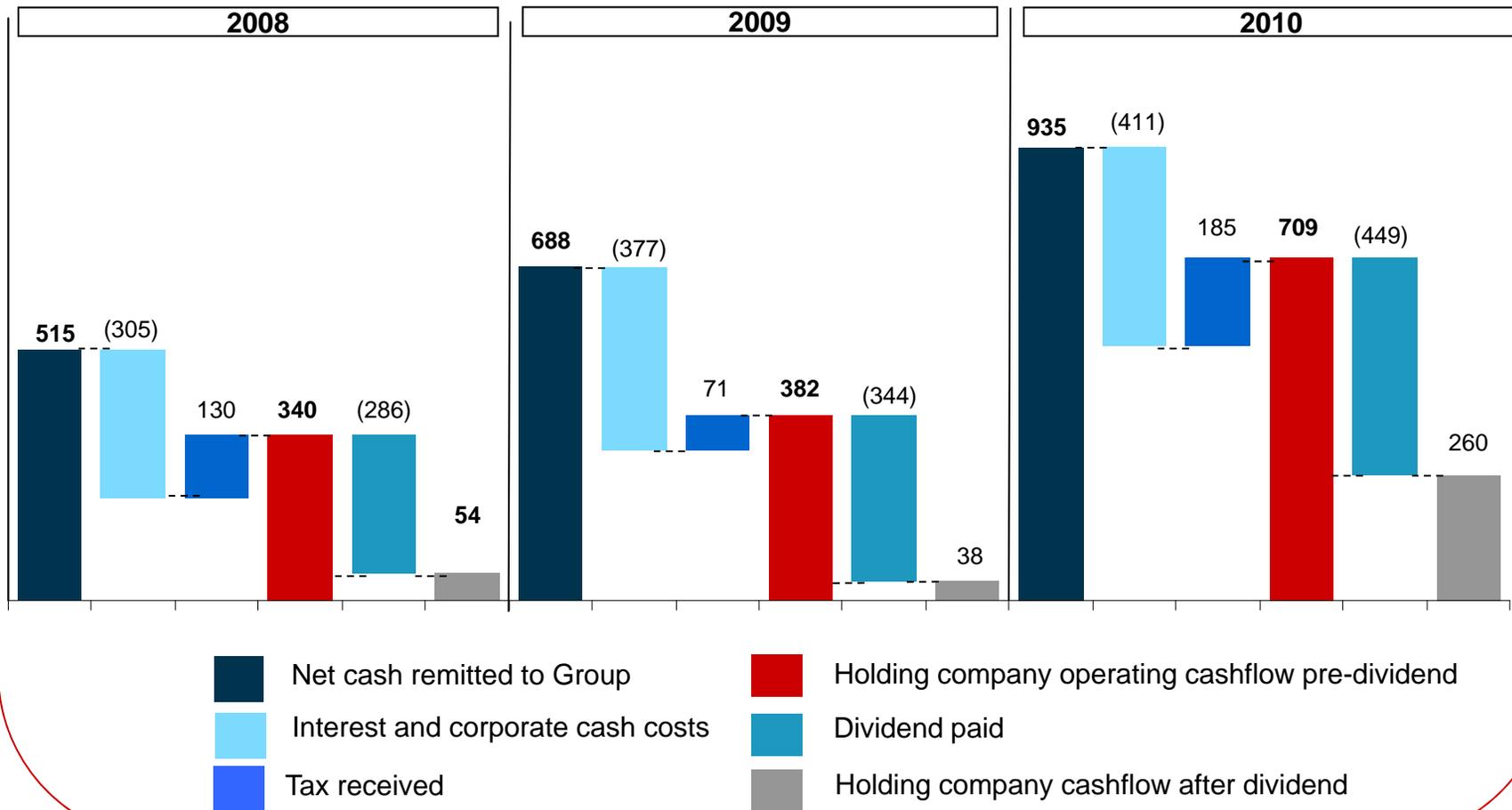
Development of central cash resources, £bn



Holding company operating cash flows

Increased cash generation to support the dividend

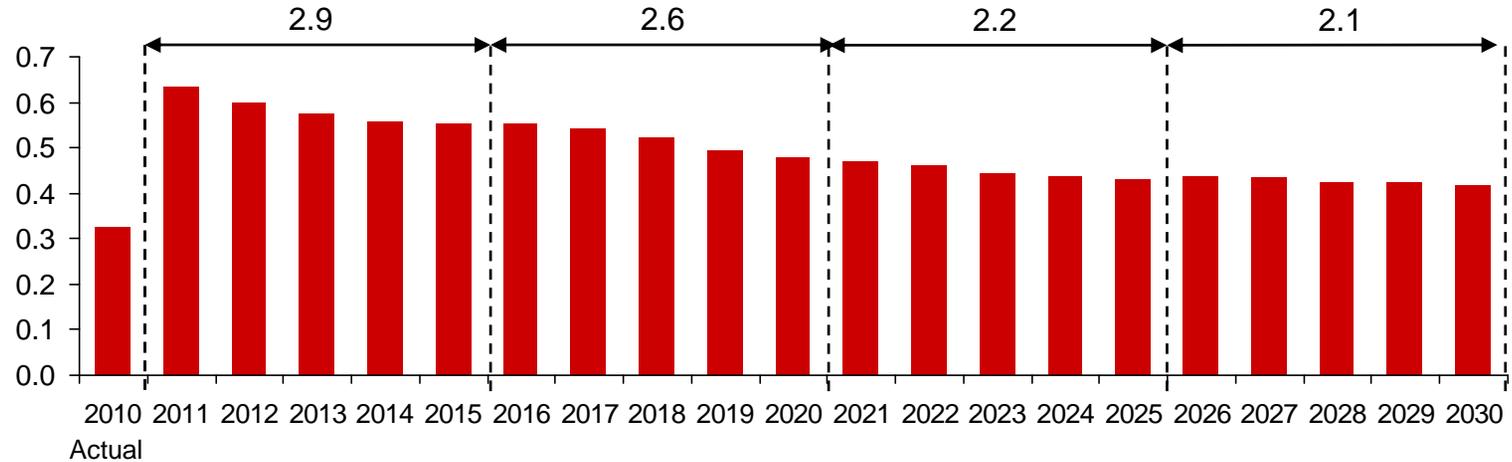
Holding company operating cash flow, £bn



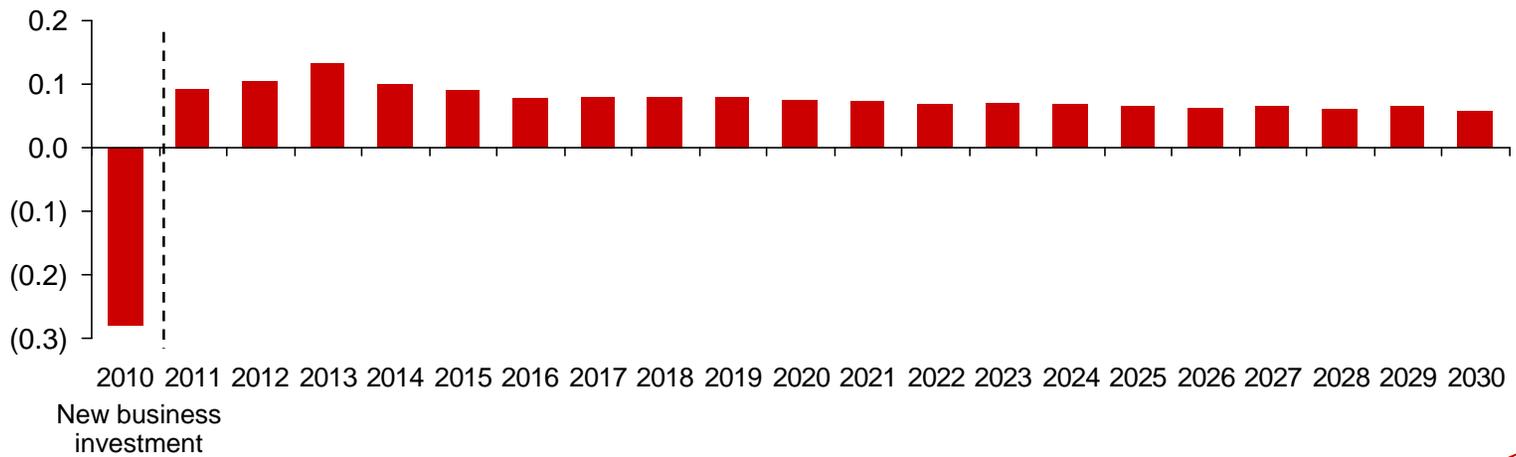
Future free surplus emergence

Asia

Expected undiscounted free surplus from 2010 Life in-force, £bn



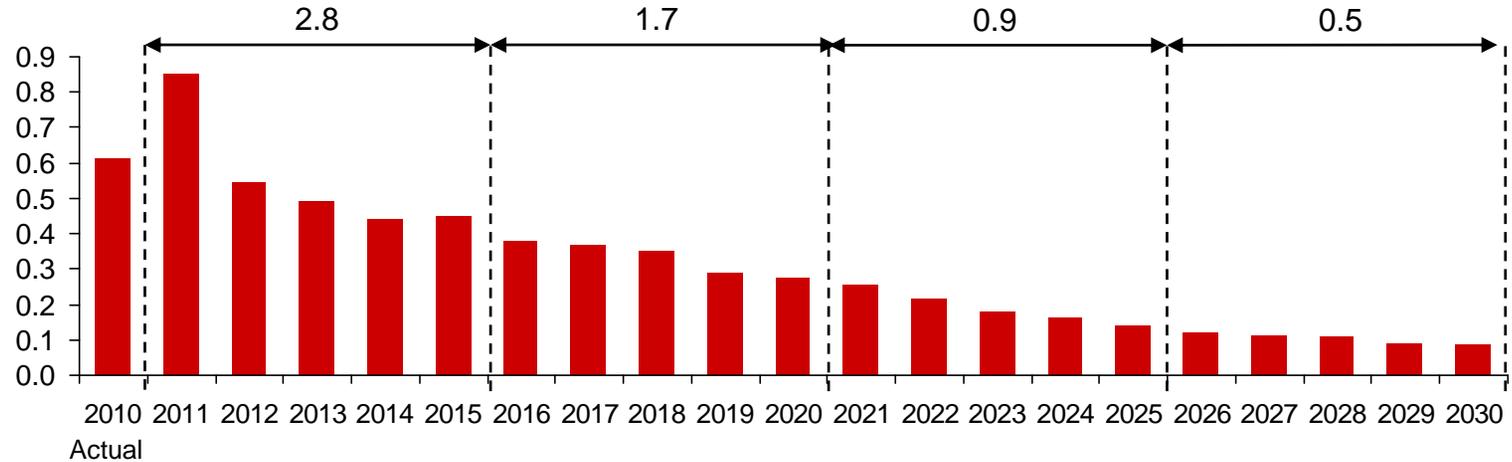
Expected undiscounted cash flows from 2010 new business, £bn



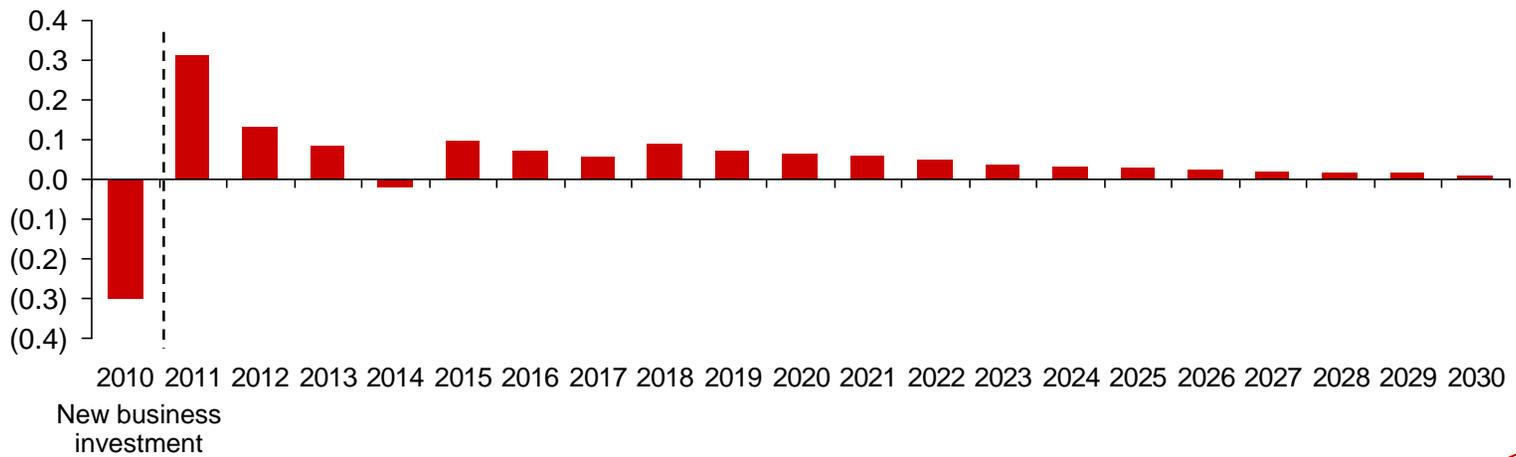
Future free surplus emergence

US

Expected undiscounted free surplus from 2010 Life in-force, £bn

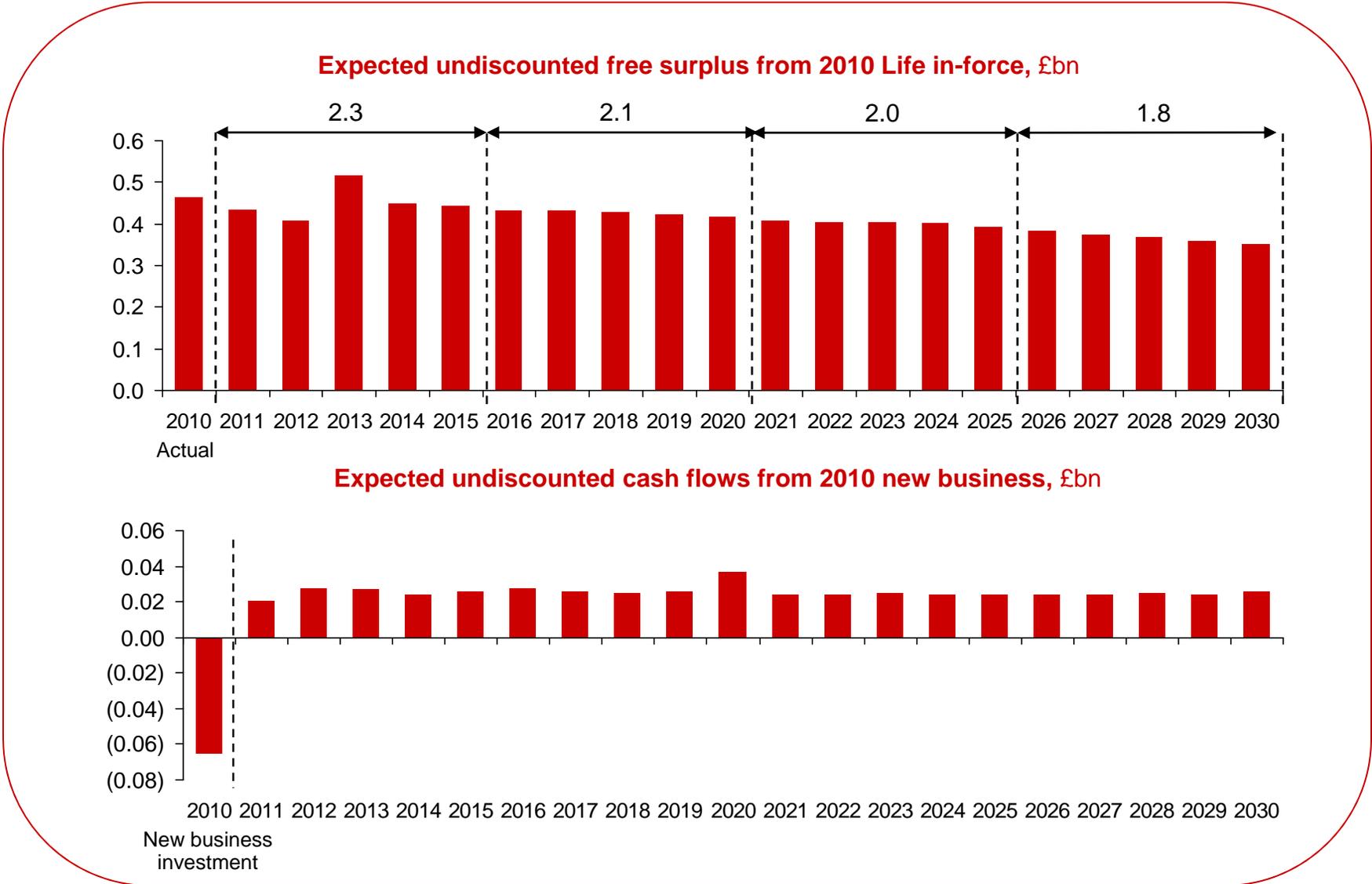


Expected undiscounted cash flows from 2010 new business, £bn



Future free surplus emergence

UK



EEV operating profits

History of Life operating variances

Group Life operating variances, £m

% of experience variances and assumption changes over opening EEV¹

0.9%	1.4%	1.2%	3.1%	1.2%	2.1%
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