ASIA

BARRY STOWE
CHIEF EXECUTIVE
PRUDENTIAL CORPORATION ASIA

"The industry has continued to grow strongly across the region and within that context, Prudential has maintained its position as a regional leader."

Market overview

The prospects for the life insurance sector in Asia remain very positive as they are supported by strong economic fundamentals, relatively low penetration and the increasing size of the middle class with their growing demand for savings and protection orientated financial products. The industry has continued to grow strongly across the region and within that context, Prudential has maintained its position as a regional leader.

During the first half of 2011 there have been no major changes in the competitive environment. The regulatory environment continues to evolve in ways that we believe are consistent with the sound and sustained development of the industry in the region.

Business and financial performance

Prudential Asia remains on track to deliver its 2013 targets. Its overarching strategy continues to be the further expansion of its highly productive distribution channels and increased sales of capital efficient, regular premium savings and protection products with specific initiatives tailored to each individual market.

New business APE[1] of £743 million is up four per cent with strong performance across all markets being offset by India where the impacts of the regulatory change in September last year continue to depress the market. Average new business profit margins[1] increased to 63 per cent up from 56 per cent this time last year, principally due to a shift in country mix with lower contributions to total APE from the lower margin markets of India and Taiwan and improvements in product mix offset by operating assumption changes. Consequently new business profits grew at a faster rate than APE and, at £465 million, increased by 17 per cent over 2010.

Excluding India, as the market continues to work through the regulation change, new business APE[1] grew by 17 per cent and the proportion of regular premium within this APE remains high at 91 per cent and the product mix remains broadly in line with prior year with protection accounting for 31 per cent of total APE.

Agency management remains one of Prudential's core competencies. We continue to focus on the selection and training of high-quality, productive sales professionals. Our agency force (excluding India) has grown to 176,000, up from 153,000 last year. Equally important and underscoring our focus on quality is agency activity rates, which improved 10 per cent this half compared to last, and also productivity in terms of APE per agent, higher by eight per cent. As a result of these improvements, overall agency sales increased by 16 per cent in the first half of 2011.

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

£326m
Total IFRS operating profit*

FINANCIAL PERFORMANCE

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales[1]					
Asia (excluding India)	**696**	594	17	587	19
India	**47**	119	(61)	114	(59)
Total APE sales	**743**	713	4	701	6
NBP[1]	**465**	396	17	393	18
NBP[1] margin (% APE)	**63%**	56%		56%	
Total EEV operating profit*	**774**	636	22	631	23
Total IFRS operating profit*	**326**	262	24	259	26

Prudential also has a very successful track record of delivering profitable growth from a range of distribution partners. New business from the bank channel (excluding India) grew 27 per cent during the first half and now generates 30 per cent of total APE supported by the performance of our existing partners and the success of our new relationship with UOB, particularly in Singapore. This agreement was signed last year, originally covering Singapore, Thailand and Indonesia and was extended in 2011 to cover Malaysia.

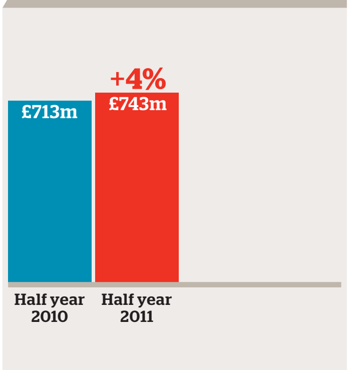
Operating EEV profits of £774 million have increased by 22 per cent over prior half year driven by higher new business profits and an increasing unwind from a larger in-force book. In total, adverse experience variances and negative assumption changes of £24 million (2010: £59 million adverse) are substantially lower than prior year. For first half 2011, small adverse persistency and expense variances are largely offset by positive claims experience.

IFRS operating profit of £326 million represents growth of 24 per cent over prior year, reflecting higher in-force profits from our maturing book of business and lower new business strain of four per cent of APE[1] compared to six per cent last year. All operations, aside from Taiwan, made a positive contribution to IFRS profit in the first half.

Shareholder-backed business policyholder liabilities have increased by £1.0 billion to £18.7 billion in the first six months of 2011. Net insurance inflows account for £0.8 billion of this increase with the balance representing market value movements and foreign exchange. As expected, outflows including those from partial withdrawals are at a lower run rate than both the half year and the full year 2010 when expressed as a percentage of opening policyholder liabilities. There have been improvements in both Malaysia and Indonesia where we had experienced increased withdrawals in the second half of last year, as policyholders took the opportunity to realise some profits from the increased value of their unit-linked policies as markets recovered.

Underlying free surplus generation (net of investment in new business) has improved to £187 million compared to £153 million in the same period last year. This improvement reflects both the size and the strong profitability of the in-force book and underpins higher overall net remittances of £105 million, up 57 per cent on the £67 million remitted in the first half of 2010.

APE SALES



£465m
New business profit[1]

*Operating profit from long-term operations excluding asset management operations, development costs and Asia regional head office costs.

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

ASIA

Looking at individual countries:

CHINA

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales	35	27	30	27	30

In **China**, CITIC-Prudential remains one of the leading foreign joint ventures and we continue to pursue our strategy of quality sales and sustainable value creation rather than trying to achieve short-term sales volume growth. Average agency numbers increased by seven per cent relative to the same period last year and APE productivity per agent was also higher by 19 per cent. Sales through our bank partnerships also grew strongly by 29 per cent and account for 50 per cent of APE, broadly in line with prior year.

HONG KONG

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales	151	130	16	122	24

Prudential **Hong Kong** continues to deliver excellent new business APE growth with an increase of 16 per cent over prior year. Agency APE increased by 14 per cent reflecting both an increase in average agent numbers (up nine per cent for the first half over prior year) principally through organic growth and average agent productivity (also higher by 11 per cent).

Bancassurance sales through SCB grew at a faster pace than agency at 27 per cent mainly attributed to higher productivity from the in-branch Financial Services Consultants. Bancassurance now accounts for 43 per cent of total sales up from 40 per cent last year.

INDIA

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales	47	119	(61)	114	(59)

The **India** market has been through a significant period of change during 2010, particularly with the regulatory driven refocus on savings and protection products, which came into effect on 1 September. In the first half of 2011, the proportion of regular premium linked business has reduced with correspondingly higher proportions of non-par products and single premium linked.

INDONESIA

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales	158	129	22	126	25

Prudential's business in **Indonesia** continues to be a clear market leader. The strong new business APE growth over the first half of 2010 has been driven by expansion of the agency force by 23 per cent to an average of 101,000 for the first half of 2011. Although still small, the volume of new business from the bank channel increased by over 90 per cent and has high potential for the future.

The business mix continues to be predominantly unit-linked regular premium savings with protection business with hospital and surgical riders being the most popular. Sharia linked products remain a significant contributor at 17 per cent of new business mix.

KOREA

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales	55	45	22	44	25

In **Korea** we continue to balance growth and profitability and remain determined not to compete in the low margin, capital-intensive guaranteed return segment of the market. Work undertaken over the past 24 months to refocus the business is now showing good results and our own agency force is generating the majority of new business. Encouragingly new business APE is up 22 per cent over the same period last year.

MALAYSIA

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales	91	77	18	79	15

Prudential **Malaysia** delivered a record year in 2010 and has continued this momentum into 2011 with new business APE higher by 18 per cent. The business remains focused on growing its agency force and average numbers have increased by 11 per cent to 14,000 compared to the same period last year.

While bancassurance remains a relatively small proportion of sales at nine per cent (2010: four per cent), it is growing quickly and is up 160 per cent relative to the same period last year.

ASIA

SINGAPORE

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales	103	75	37	79	30

Singapore recorded a very strong first half with new business APE growth of 37 per cent. As a result of actions to boost productivity, agency activity rates increased so that average APE per agent grew by 24 per cent.

The principal driver of growth was the partnership channel where we have a unique cross section of partners enabling us to access a broad customer range. In the first six months of 2011, new business APE from partnerships was 121 per cent higher at £43 million. Of particular note is the ongoing success with UOB which had its highest sales month so far in June. Sales from the larger established partnership with SCB, Maybank and Singpost also grew strongly by 77 per cent, 83 per cent and 24 per cent respectively.

TAIWAN

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales	59	70	(16)	72	(18)

Following our exit of the agency channel in 2009, **Taiwan** is now focused on bank distribution with partners E.Sun and SCB. During the first half we have been revamping our product range to improve margins. Although new business volumes declined, our overall EEV new business profit margin increased to 26 per cent compared to 19 per cent for the prior period.

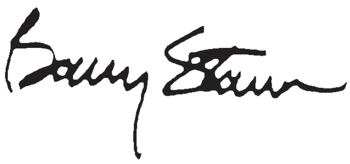
OTHERS – PHILIPPINES, THAILAND AND VIETNAM

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales	44	41	7	38	16

In **Vietnam** the depreciation of the local currency relative to sterling has depressed a strong underlying performance where new business APE in local currency is up 27 per cent driven by an increase in agent numbers (35,000) and higher productivity. In **Thailand**, where we remain a small player with market share of two per cent, volumes of new business were 15 per cent lower as we manage the product mix with UOB and also adjust to new regulations for telemarketing. **Philippines** delivered an excellent growth of 40 per cent driven by successes with partnership distribution and increased agency activity and productivity.

JAPAN

As previously announced, PCA Life Japan ceased writing new business with effect from 15 February 2010. Sales for Japan in 2010 amounted to £7 million.



UNITED STATES

MIKE WELLS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
JACKSON NATIONAL LIFE INSURANCE COMPANY

"Jackson's strategy continues to focus on balancing value, volume, capital consumption, capital generation and strict pricing discipline for both variable and fixed annuities."

Market overview

The United States is the world's largest retirement savings market. Each year, many of the 78 million baby boomers[1] reach retirement age, triggering a shift from savings accumulation to retirement income generation for more than US$10 trillion of accumulated wealth over the next decade[2].

The US equity markets rose during the first quarter of 2011, following the rebound experienced over the last months of 2010, but then declined during the second quarter. At half year, the S&P 500 index was up five per cent and volatility declined slightly from year-end 2010 levels. Rates on 10-year Treasuries rose during the first quarter and then declined during the second quarter, while AA corporate spreads increased from year-end 2010 levels.

We believe the competitive environment continues to provide an advantage to companies with good financial strength ratings and a relatively consistent product set and behaviour. Companies that were hardest hit by the market disruptions over the last few years still have to work hard to regain market share as customers and distributors continue to seek product providers that offer consistency, stability and financial strength. Jackson continues to benefit significantly from this flight to quality and heightened risk aversion.

Thanks to its financial stability and innovative products, Jackson continues to enhance its reputation as a high-quality and reliable business partner, with sales increasing as more advisers have recognised the benefits of working with Jackson. A significant part of Jackson's growth continues to come from an increase in its distribution penetration with sales through distributors who either did not previously sell Jackson's products or simply did not sell variable annuities.

Jackson's strategy continues to focus on balancing value, volume, capital consumption, capital generation and strict pricing discipline for both variable and fixed annuities. Fixed annuity sales have slowed as a result of the current interest rate environment and following capital directed to support higher-margin variable annuity sales.

Business and financial performance

IFRS pre-tax operating profit was £368 million during the first half of 2011, up 13 per cent over £327 million during the same period in 2010. This increase was primarily driven by higher separate account fee income due to substantial positive net flows over a period of time now and also higher spread income, somewhat offset by related higher DAC amortisation and higher expenses, net of deferrals.

At 30 June 2011, Jackson had £36 billion in separate account assets, averaging £10 billion higher than during the same period of 2010. The increase in separate account assets reflects the impact of net sales and the higher average market levels. This growth resulted in variable annuity separate account fee income of £327 million during the first half of 2011, up 36 per cent over the £240 million achieved during the first half of 2010.

Notes
1 Source: US Census Bureau
2 Source: McKinsey

£368m

Total IFRS operating profit*†

FINANCIAL PERFORMANCE

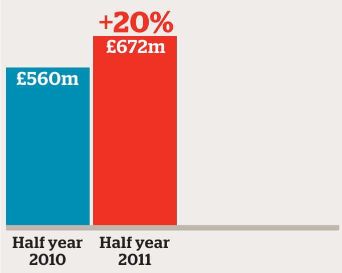
	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales	672	560	20	528	27
NBP	458	361	27	341	34
NBP margin (% APE)	68%	64%		64%	
Total IFRS operating profit*†	368	327	13	308	19
Total EEV operating profit*	831	667	25	630	32

Total spread income, including the expected return on shareholders' assets, was £416 million during the first half of 2011, compared to £402 million during the same period in 2010. This increase was primarily due to the interest rate swap transactions entered into during 2010 to more closely match the overall asset and liability duration, benefiting spread income in the first half of 2011 by £53 million, compared to £44 million for the same period in 2010. In addition, spread income also benefited from decreased crediting rates on fixed annuities.

Acquisition costs have increased in absolute terms compared to half year 2010 due to the significant increase in sales. However, acquisition costs as a percentage of APE is broadly flat at 72 per cent for the first half of 2011.

DAC amortisation of £293 million increased during the first half of 2011, compared to £266 million during the same period in 2010. This increase primarily reflects increased core amortisation associated with higher gross profits, as the acceleration of DAC amortisation was broadly similar between periods, albeit for different reasons.

APE SALES



Administration expenses totalling £195 million during the first half of 2011 compared to £167 million in the same period of 2010, with the increase due primarily to higher asset based commissions paid on the larger 2011 separate account balance. These asset based commissions paid upon policy anniversary dates are treated as an administration expense as opposed to a cost of acquisition.

Jackson continues to actively manage its investment portfolio to mitigate investment risk. Jackson had net realised gains on debt securities of £79 million in the first half of 2011 compared to £8 million in the first half of 2010. Jackson realised gains, including recoveries and reversals, on credit related sales of bonds of £1 million (2010: £97 million net losses). Write downs were £14 million (2010: £64 million). More than offsetting the losses were interest related gains of £92 million (2010: £169 million), primarily due to sales of government and corporate debt. In addition, Jackson had additional write downs of £15 million on commercial mortgage and other loans.

£458m

New business profit

The net unrealised gain position has also improved, from £1,210 million at 31 December 2010 to £1,419 million at 30 June 2011 due primarily to the continued decline in the US Treasury rates. Gross unrealised losses improved from £370 million at 31 December 2010 to £266 million at 30 June 2011.

*Based on longer-term investment returns and excluding broker-dealer, fund management and Curian.
†In the second half of 2010, the Company 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. Accordingly, the half year 2010 operating profit has been amended to remove the positive £123 million effect.

UNITED STATES

"Given the strength of Jackson's competitive position in the variable annuity markets, we are able to take various product initiatives to optimise the balance between growth, capital and profitability."

Jackson delivered strong APE retail sales of £665 million in the first half of 2011, representing a 19 per cent increase over the same period of 2010. With the addition of modest institutional sales in 2011, total APE sales were £672 million. Jackson has achieved these sales levels, while maintaining its pricing discipline, as it continued to write new business at aggregate internal rates of return (IRR) in excess of 20 per cent.

Variable annuity (VA) APE sales of £589 million through 30 June 2011 were 32 per cent higher than the same period in 2010, with second quarter APE sales of £305 million, up seven per cent on the first quarter. This growth reflects customers' and distributors' continued flight to quality, the continued improvement in the equity markets, the relative consistency of Jackson's product offering, continued disruptions among some of our major competitors and increased distribution capacity. Although we do not target volume or market share, these unique market conditions resulted in Jackson ranking third in variable annuity sales with a market share of new business sales of 11.8 per cent in the first quarter of 2011, up from fourth and a market share of 10.0 per cent in the first quarter of 2010[1].

Given the strength of Jackson's competitive position in the variable annuity markets, we are able to take various product initiatives to optimise the balance between growth, capital and profitability. These changes which are intended to improve margins and manage risks, are a continuation of Jackson's product strategy over the past few years and are scheduled to be implemented in the third quarter.

Jackson's strategy of proactively managing fixed annuity (FA) volumes resulted in APE sales of £23 million, 45 per cent lower than the same period in 2010. Jackson ranked tenth in sales of traditional deferred fixed annuities through the first quarter of 2011, with a market share of 2.1 per cent, compared to ninth with a 2.7 per cent market share in the first quarter of 2010[2].

Fixed index annuity (FIA) APE sales of £42 million in the first half of 2011 were down 30 per cent from the same period of 2010 as Jackson continued to focus its marketing efforts on higher margin VA products. Jackson ranked eighth in sales of fixed index annuities during the first quarter of 2011, with a market share of 4.6 per cent, down from fourth and a market share of 6.9 per cent in the first quarter of 2010[3].

Total retail annuity net flows of £4 billion, increased 21 per cent from the same period in 2010, reflecting the impact of increased sales and continued low levels of surrender activity. Jackson was the third largest seller of individual annuities in the first quarter of 2011, with a market share of 8.5 per cent, compared to third and a market share of 7.6 per cent in the first quarter of 2010.

EEV basis new business profit of £458 million, was up 27 per cent on 2010, reflecting a 20 per cent increase in APE sales in addition to higher new business margins. Total new business margin was 68 per cent, compared to 64 per cent achieved in 2010.

Notes
1 Source: Morningstar Annuity Research Center ('MARC')
2 Source: LIMRA
3 Source: AnnuitySpecs

The variable annuity new business margin of 73 per cent in 2011 increased from 71 per cent in 2010, reflecting the benefits of pricing changes implemented in the second half of 2010. The fixed index annuity new business margin decreased from 45 per cent in 2010 to 37 per cent in 2011 due primarily to lower projected reinvestment rates. This same reinvestment rate factor, combined with the effect of slightly lower assumed target spreads and partially offset by a benefit from reductions in credited rate bonuses, caused the fixed annuity new business margin to decrease from 31 per cent to 25 per cent.

Total EEV basis operating profit for the long-term business in 2011 was £831 million, compared to £667 million in 2010. During 2011 and 2010, EEV basis operating profit benefited as a result of the interest rate swap transactions noted earlier.

In 2011, Jackson invested £135 million of free surplus to write £672 million of new business APE (2010: £179 million and £560 million, respectively). The reduction in capital consumption year-on-year was caused predominantly by the differing business mix in 2011, when Jackson wrote a higher proportion of variable annuity business, which consumes lower levels of initial capital, while maintaining a disciplined approach to fixed and fixed index annuity pricing.

At the end of 2010 Jackson's RBC level was 483 per cent. In the first six months of 2011 capital formation has been positive reflecting both the strong operating performance and the modest level of impairments and other market value related gains and losses. As a result of the progress made in successfully rebuilding its capital base, Jackson was able to remit £320 million in the first half of 2011. After this remittance, Jackson's RBC ratio remains at an appropriate level, a testament to the strength of Jackson's balance sheet.

UNITED KINGDOM

ROB DEVEY
CHIEF EXECUTIVE
PRUDENTIAL UK AND EUROPE

"The business remains focused on balancing the writing of profitable new business with capital preservation to secure sustainable cash generation."

Market overview

The UK has a mature Life & Pensions Market, characterised by an ageing population and a concentration of wealth in the 45 to 74 age group. Prudential UK's longevity experience, multi-asset investment capabilities, strong brand and financial strength mean that it is well positioned to help consumers translate their accumulated wealth into the provision of dependable retirement income. Prudential UK achieves this through its range of market leading with-profits and annuity products and services.

Prudential UK competes selectively in the UK's retirement savings and income market. The business remains focused on balancing the writing of profitable new business with capital preservation to secure sustainable cash generation, which is key for the Group's overall strategy. The UK business continues to succeed in this objective, despite the competitive UK market conditions, by deploying capital to opportunities that play to its core strengths and which generate the best returns.

Business and financial performance

Total APE sales of £409 million were up seven per cent on the first half of 2010, including a bulk annuity of APE £28 million. The total margin was 36 per cent for the period, one per cent higher than in the first half of 2010.

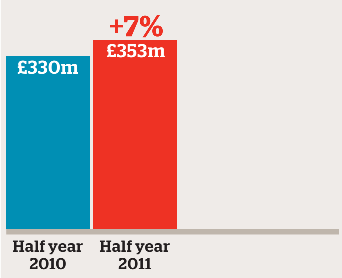
Retail sales of APE £381 million were unchanged from the same period last year, a reflection of Prudential's strategy to allocate capital to opportunities that play to the core strengths of the business rather than pursuing top-line sales growth. In the same period, the Retail new business margin reduced to 32 per cent, three per cent down on the first half of 2010. This was primarily driven by a changing business mix of lower shareholder-backed annuity sales and higher sales of corporate pensions partly offset by the higher margin on non-profit annuity business due to strong investment performance in the first half of the year.

Sales of individual annuities of APE £86 million were 23 per cent lower than for the first half of 2010 as Prudential UK continues to proactively manage the flow of external conventional new business to control capital consumption. Sales of external annuities of APE £30 million were down 38 per cent on the same period last year, mainly due to the end of a partnership agreement in the second half of 2010. Internal vestings sales of APE £56 million, were 13 per cent lower than 2010 which was principally due to the effects of the change in the minimum retirement age from 50 to 55 in April 2010. This resulted in a temporary increase in sales from the 50 to 55 age group immediately prior to the change in 2010 (creating therefore an unusually high comparative for half year 2010) and fewer early retirees in the first half of 2011. The proportion of with-profits annuity sales continues to increase, from 22 per cent in the first half of 2010 to 26 per cent over the same period in 2011.

£353m

Total IFRS operating profit

TOTAL IFRS OPERATING PROFIT



£146m

New business profit

FINANCIAL PERFORMANCE

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
APE sales	409	382	7	382	7
NBP	146	135	8	135	8
NBP margin (% APE)	36%	35%		35%	
Total IFRS operating profit	353	330	7	330	7
Total EEV basis operating profit	558	472	18	472	18

Sales of onshore bonds of APE £84 million were 22 per cent up on the first half of 2010, including with-profits bonds sales of APE £73 million, which increased by 22 per cent. PruFund comprised 72 per cent of with-profits bond sales, driven by customer demand for products offering smoothed investment returns and capital guarantees. Prudential UK launched an enhanced range of guarantee options on its PruFund Growth and PruFund Cautious funds in June 2011.

Unit-linked bond sales of APE £11 million were 29 per cent up on the first half of 2010, helped by the success of PruDynamic, Prudential's risk-graded portfolio funds. Sales into the PruDynamic Funds have totalled over £130 million in 2011, including collectives, and at 30 June 2011 total funds under management were in excess of £280 million.

Corporate pensions sales of APE £147 million were 20 per cent higher than the same period last year. Prudential UK continues to focus on securing new members and incremental business from the substantial number of existing schemes, as well as working with private sector customers to support the transition from defined benefit to defined contribution. Sales to new members of existing private sector corporate pension schemes of APE £65 million, were exceptionally high at 123 per cent up on the first half of 2010 due in part to an existing customer transferring members from their defined benefit scheme to the defined contribution scheme. Prudential UK also continues to write profitable sales through the provision of Additional Voluntary Contribution (AVC) arrangements within the public sector, having secured a further scheme in the first half of 2011, making it the AVC provider for 67 of the 99 public authority schemes in the UK.

Sales of other products of APE £64 million were 18 per cent below the first half of 2010. Individual pensions sales (including income drawdown) of APE £40 million were three per cent below the same period last year. PruHealth's sales of APE £4 million were 28 per cent below the same period last year, reflecting Prudential UK's reduced share, from 50 per cent to 25 per cent, of the expanded business following PruHealth's acquisition of Standard Life Healthcare. PruProtect's sales were up 20 per cent compared with 2010 on a like-for-like basis.

Wholesale APE included £28 million from a bulk annuity buy-in insurance agreement. This transaction generated EEV new business profit of £24 million and IFRS operating profit of £18 million.

BUSINESS REVIEW

UNITED KINGDOM

EEV new business profit increased by eight per cent to £146 million. This improvement included the impact of the bulk annuity transaction. Retail EEV new business profits at £123 million were eight per cent below 2010 (£134 million), primarily driven by a changing business mix of lower shareholder-backed annuity sales and higher sales of corporate pensions.

IFRS total operating profits were up seven per cent at £353 million, with £154 million from with-profits and the balance from shareholder-backed business. Commission received on Prudential-branded General Insurance products contributed £21 million to IFRS operating profits in 2011, £2 million lower than in the first half of 2010 as the book of business originally transferred to Churchill in 2004 is decreasing as expected.

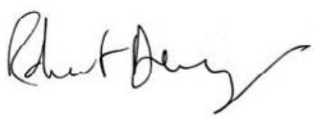
At half year 2010 we announced that the business had achieved its cost savings target of £195 million per annum. At the end of 2010, the business announced a number of cost saving initiatives to reduce costs by a further £75 million per annum by the end of 2013. The business has made good progress towards this objective and remains on track to deliver these savings by the end of 2013.

EEV total operating profit of £558 million was up 18 per cent, including £46 million from the change in the long-term tax rate assumption from 27 per cent to 26 per cent.

Prudential UK writes with-profits annuity, with-profits bond and with-profits corporate and individual pensions business in its Life Fund, with other products backed by shareholder capital. The weighted average post-tax IRR on the shareholder capital allocated to new business in the UK was in excess of 20 per cent and the undiscounted payback period on that new business was five years.

Underlying free surplus generated from the long-term in-force business in the UK amounted to £339 million (2010: £369 million). Of this total, £33 million (2010: £35 million) was reinvested in writing shareholder-backed business at attractive average IRRs.

During the first half of 2011 Prudential UK remitted cash of £265 million to the Group, comprising £223 million from the annual with-profits transfer to shareholders and £42 million from the shareholder-backed business. The business expects to generate £350 million per annum of sustainable cash remittances by 2013, supported by the strength of the with-profits business and surpluses arising from the large book of shareholder-backed annuities, maintained into the future by the pipeline of maturing individual and corporate pensions.



ASSET MANAGEMENT
M&G

MICHAEL McLINTOCK
CHIEF EXECUTIVE
M&G

"Our ability to maintain a strong sales performance over the first half of the year, against a backdrop of continued economic uncertainty, demonstrates M&G's ongoing strength in depth across all the main asset classes and distribution channels."

Market overview

M&G is the UK and European fund manager of the Prudential Group with responsibility for £203 billion of investments as at 30 June 2011 on behalf of both internal and external clients. M&G is an investment-led business whose aim is to generate superior long-term returns for its third party investors and the internal funds of the Prudential Group.

This aim is achieved by creating an environment that is attractive to investment talent. The core focus on long-term investment performance for all clients, combined with a well-diversified business mix and established distribution capabilities, has helped M&G achieve strong net sales performance, growth in funds under management and increased profitability.

In the retail market, M&G's aim is to operate a single fund range and to diversify the distribution base by accessing a wide variety of channels and geographies. In recent years, this has resulted in significant increased sales of UK-based funds in European and other international markets.

In the institutional marketplace, M&G's approach centres on leveraging capabilities developed primarily for the Prudential internal funds to create higher margin external business opportunities. This has allowed M&G to offer third-party clients, such as pension funds, an innovative range of specialist fixed income and related strategies, including leveraged finance and infrastructure investment.

Business and financial performance

After two successive years of extremely high net sales, it is our expectation that net fund flows will revert to somewhat lower levels in 2011. However, it is pleasing to announce that, whilst net sales are indeed lower, they remain strong in aggregate with total net new business of £2.9 billion. Our ability to maintain a strong sales performance over the first half of the year, against a backdrop of continued economic uncertainty, demonstrates M&G's ongoing strength in depth across all the main asset classes and distribution channels.

ASSET MANAGEMENT
M&G

£203bn
Funds under management

£199m
Total IFRS operating profit

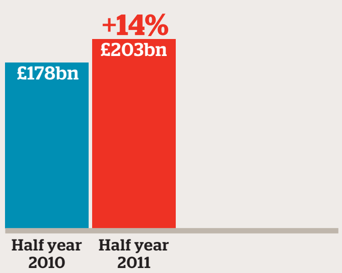
M&G

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
Gross investment inflows	13,390	13,372	–	13,372	–
Net investment flows					
Retail business	2,796	3,376	(17)	3,376	(17)
Institutional business	126	1,298	(90)	1,298	(90)
Total	2,922	4,674	(37)	4,674	(37)
Revenue	350	298	17	298	17
Other income	1	1	–	1	–
Staff costs	(133)	(122)	9	(122)	9
Other costs	(61)	(58)	5	(58)	5
Underlying profit before performance-related fees	157	119	32	119	32
Performance-related fees	15	3	400	3	400
Operating profit from asset management operations	172	122	41	122	41
Operating profit from Prudential Capital	27	21	29	21	29
Total IFRS operating profit	199	143	39	143	39
Funds under management	203bn	178bn	14	178bn	14

The Retail Business, which is predominantly in the UK and Europe, has achieved net inflows of £2.8 billion, a decrease of 17 per cent compared with the position in 2010. Gross sales are 20 per cent higher at £10.4 billion over the same period. Key to M&G's performance is its ability to benefit from changing investor preferences with a diversified product offering. Fourth quarter retail fund sales in 2010 were concentrated in equity funds with 70 per cent of net flows. However, as levels of risk aversion amongst investors has increased, this trend has reversed over the first half of 2011 with M&G's fixed income fund range accounting for 62 per cent of the net retail flows with the balance spread across equities and property. One of M&G's flagship investment funds, the M&G Optimal Income Fund, has proved especially popular over the first half of the year. Despite a general shift away from equity-based investments, M&G's key equity funds such as M&G Global Basics, M&G Recovery and M&G Global Dividend, have continued to enjoy healthy levels of net inflows.

M&G's Retail business in the UK has been number one for gross and net retail sales over ten consecutive quarters based on data to the end of March 2011[1]. Complementing this domestic success is the improved diversification of distribution across Europe. M&G's European business was responsible for 32 per cent of the net flows achieved with M&G now ranking 7th out of 46 key cross-border fund groups over the year to 31 May 2011[2]. M&G-managed retail funds under management sourced outside of the UK now account for a record £10.1 billion at the end of June 2011, equivalent to 22 per cent of the total retail external funds managed by M&G.

FUNDS UNDER MANAGEMENT



Notes
1 Source: Fundscape Pridham Report
2 Source: Lipper FMI SalesWatch

"M&G continues to provide capital-efficient profits and cash generation for the Prudential Group, as well as strong investment returns on the internally managed funds."

Gross first-half inflows of £3.0 billion into M&G's Institutional Business were offset by outflows of £2.9 billion, leading to a total net figure of £126 million. As expected, a number of segregated clients withdrew money from public debt funds due to asset allocation decisions. However, fee rates on some of the inflows are higher than on the outflows. M&G also returned £268 million in capital to investors in mature closed-ended debt structures which had reached their expiry date.

The Institutional Business continues to benefit from its innovative approach to investment. The market-leading M&G UK Companies Financing Fund, which provides financing for UK quoted companies as an alternative to bank lending, has raised commitments of £1.5 billion since its launch in 2009. It has since advanced loans to seven companies for a total of £630 million, including four advances made over the year-to-date.

The Institutional Business also closed its Real Estate Debt Fund to new investors after raising €343 million. The final composition of the seven-year fund includes UK, continental European and US investors. Moreover, in co-operation with M&G's property investment arm, the business invested commitments of £232 million for the M&G Secured Property Income Fund during the half year. The Fund offers investors an alternative means of managing their inflation liabilities. Since its inception in 2007, the Fund has attracted commitments of more than £1 billion in total.

M&G's total funds under management at 30 June 2011 stand at a record level of £203 billion, up 14 per cent on the same point in 2010. External funds under management, also at record levels, are £93.4 billion. This is 23 per cent higher than the end of June 2010 with external funds now representing 46 per cent of M&G's total funds under management.

M&G's IFRS operating profit at the half year rose to £172 million, a record level of interim profits. This is an increase of 41 per cent compared with the 2010 position of £122 million, a year itself of record full year profits. The 2011 result is notable given that the full year profit achieved by the business, as recently as 2009, was £177 million, a year when M&G generated record net investment flows.

Equity market levels have undoubtedly boosted business results, with the FTSE All Share averaging 11 per cent higher over the first half of 2011 compared with the same period in 2010. However, it is also the exceptionally strong net inflows that the business has experienced since the beginning of 2009, particularly from the Retail business, that have contributed to the increased profit levels.

M&G remains focused on cost control with the cost/income ratio[1] at 55 per cent over the half year, an improvement on the 2010 result of 60 per cent. The increased scale of the business due to the strong rise in funds under management has generated operational efficiencies.

M&G continues to provide capital-efficient profits and cash generation for the Prudential Group, as well as strong investment returns on the internally managed funds. M&G remits a substantial proportion of its post-tax profits to the Group, which in 2011 will be paid in the second half of the year.

Note

1 Excluding performance related fees and carried interest on private equity investments.

ASSET MANAGEMENT
M&G

PRUDENTIAL CAPITAL

Prudential Capital manages Prudential Group's balance sheet for profit by leveraging Prudential Group's market position. This business has three strategic objectives: to provide professional treasury services to the Prudential Group; to operate a first-class wholesale and capital markets interface; and to realise profitable proprietary opportunities within a tightly controlled risk framework. Prudential Capital generates revenue by providing bridging finance, managing investments and operating a securities lending and cash management business for the Prudential Group and its clients.

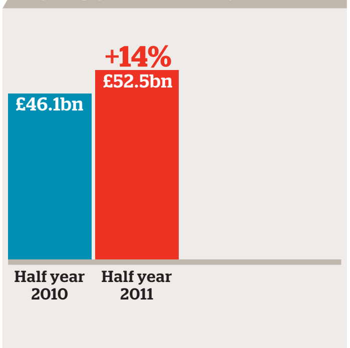
The business has consolidated its position in a period of difficult and volatile markets, focusing on liquidity across the Prudential Group, management of one existing asset portfolio and conservative levels of new investment. Development of new product and infrastructure has continued, helping to maintain the dynamism and flexibility necessary to identify and realise opportunities for profit within acceptable risk parameters. Prudential Capital is committed to working closely with other business units across the Prudential Group to exploit opportunities and increase value creation for Prudential as a whole. In particular, Prudential Capital offers to the Prudential Group a holistic view on hedging strategy, liquidity and capital management.

Prudential Capital has a diversified earnings base derived from its portfolio of secured loans, debt investments and the provision of wholesale markets services. Despite the continued difficult market conditions, when compared to the first half of 2010 IFRS operating profits increased by 29 per cent to £27 million.

ASSET MANAGEMENT
ASIA

£43m
Total IFRS operating profit

FUNDS UNDER MANAGEMENT



ASIA ASSET MANAGEMENT

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
Gross investment inflows (excluding MMF)	4,278	5,276	(19)	5,274	(19)
Net investment (outflows)/inflows (excluding MMF)	(12)	1,327	(101)	1,332	(101)
Money Market Funds net inflows/(outflows) (MMF)	383	(1,625)	124	(1,577)	124
Funds under management	52.5bn	46.1bn	14	47.4bn	11
Total IFRS operating profit	43	36	19	36	19

Market overview

Prudential's asset management business in Asia manages investments for UKIO and the Asian life companies and has also successfully leveraged these investment capabilities to build a strategically significant and market leading third party funds management business.

Markets remained challenging in the first half of 2011, with overall net outflows seen in the Asia excluding Japan onshore funds market. Equity markets struggled to gain traction driven by poor investor sentiment in the face of weak macroeconomic signals. Japan was also impacted by the natural disaster which occurred earlier this year. In the fixed income market, rising domestic interest rates to address inflationary pressures resulted in net outflows in large domestic bond fund markets such as India and Korea. Japan saw positive net flows towards high-yield funds. However, these were directed primarily to domestic Japanese fund houses.

Business and financial performance

Total funds under management of £52.5 billion were up 14 per cent over the same period last year mainly driven by positive net flows from the Asian Life Business and by market movements. This is important as funds under management are a significant driver of our profitability.

Net flows from third parties were negative £12 million compared to net inflows of £1,327 million during the first half 2010. This is attributed to lower bond fund returns and to Japan, where significant inflows of £728 million resulting from the launch of our Asia Oceania equity fund in 2010 were not repeated in 2011. Clearly the environment in Japan was not conducive to product launches in the first half of 2011. This situation was partially mitigated by net inflows from corporates and institutional clients in Korea, together with new institutional mandates.

IFRS profits of £43 million were up 19 per cent on prior year as a result of higher average funds under management, higher performance related fees and disciplined management of costs. The cost/income ratio[1] was 59 per cent in the first half of the year (2010: 62 per cent).

Note
1 Excluding performance-related fees.

ASSET MANAGEMENT
UNITED STATES

PPM AMERICA

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
Total IFRS operating profit	3	8	(63)	7	(57)

Market overview

PPM America (PPMA) manages assets for Prudential's US, UK and Asian affiliates. PPMA also provides other affiliated and unaffiliated institutional clients with investment services including collateralised debt obligations (CDOs), private equity funds, institutional accounts and mutual funds. PPMA's strategy is focused on managing existing assets effectively, maximising the benefits derived from synergies with our international asset management affiliates and leveraging investment management capabilities across the Prudential Group. PPMA also pursues third-party mandates on an opportunistic basis.

Business and financial performance

IFRS operating profit in the first half of 2011 was £3 million, compared to £8 million in the same period in 2010.

At 30 June 2011, funds under management of £53 billion were as follows:

	AER							
	Half year 2011				Half year 2010			
	US £bn	UK £bn	Asia £bn	Total £bn	US £bn	UK £bn	Asia £bn	Total £bn
Insurance	31	15	–	46	33	15	–	48
Unitised	1	1	5	7	–	1	4	5
CDOs	–	–	–	–	1	–	–	1
Total funds under management	32	16	5	53	34	16	4	54

CURIAN

	AER			CER	
	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
Gross investment flows	863	669	29	632	37
Revenue	26	20	30	19	37
Costs	(21)	(18)	17	(18)	17
Total IFRS operating profit	5	2	150	2	150
Total funds under management	4.3bn	2.8bn	54	2.6bn	65

Market overview

Curian Capital, Jackson's registered investment advisor, provides innovative fee-based managed accounts and investment products to advisers through a sophisticated technology platform. Curian expands Jackson's access to advisers while also complementing Jackson's core annuity product lines with Curian's retail asset management products.

Business and financial performance

At 30 June 2011, Curian had total assets under management of £4.3 billion, compared to £3.5 billion at the end of 2010 and £2.8 billion at 30 June 2010. Curian generated record deposits of £863 million through June 2011, up 29 per cent over the same period in 2010. Curian continues to benefit from its prior investment platform expansions and has recently announced a significant expansion of the firm's wholesaling team and new distribution territories.

Curian reported an IFRS basis operating profit of £5 million during the first half of 2011 compared to £2 million in the same period last year.

US BROKER DEALER

	AER			CER	
NATIONAL PLANNING HOLDINGS, INC.	Half year 2011 £m	Half year 2010 £m	Change %	Half year 2010 £m	Change %
Revenue	250	224	12	212	18
Costs	(241)	(219)	10	(207)	16
Total IFRS operating profit	9	5	80	5	80

Market overview

National Planning Holdings, Inc. (NPH) is Jackson's affiliated independent broker-dealer network. The business is comprised of four broker-dealer firms, including INVEST Financial Corporation, Investment Centers of America, National Planning Corporation and SII Investments.

NPH continues to grow the business and revenue per representative. By utilising high-quality, state-of-the-art technology, we provide NPH's advisers with the tools they need to operate their practices more efficiently. At the same time, through its relationship with NPH, Jackson continues to benefit from an important retail distribution outlet, as well as receive valuable insights into the needs of financial advisers and their clients.

Business and financial performance

NPH generated revenues of £250 million during the first half of the year, up from £224 million in the same period of 2010, on gross product sales of £4 billion. The network continues to achieve profitable results, with IFRS operating profit through 30 June 2011 of £9 million, an 80 per cent increase from £5 million in the first half of 2010. At 30 June 2011, the NPH network had 3,611 registered advisers, up slightly from 3,461 at year-end 2010.