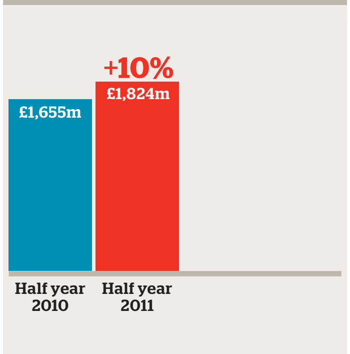
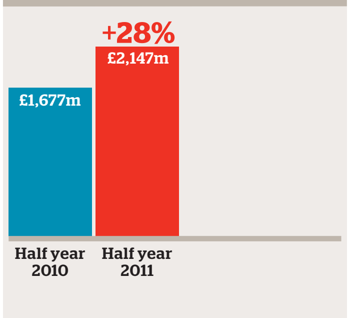
HIGHLIGHTS

KEY PERFORMANCE INDICATORS

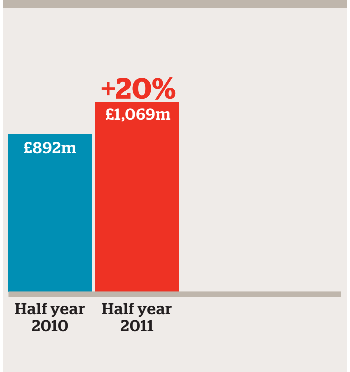
ANNUAL PREMIUM EQUIVALENT NEW BUSINESS SALES[1]



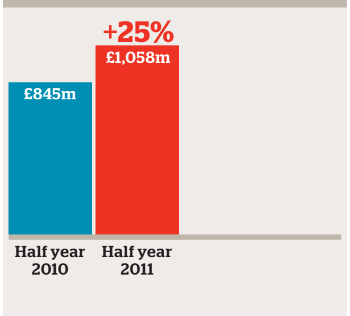
EUROPEAN EMBEDDED VALUE OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS



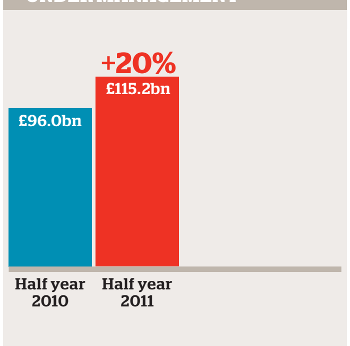
EUROPEAN EMBEDDED VALUE NEW BUSINESS PROFIT[1]



INTERNATIONAL FINANCIAL REPORTING STANDARDS OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS[2]



EXTERNAL FUNDS UNDER MANAGEMENT



2010 comparatives are at Actual Exchange Rates (AER).

1 2010 comparative APE new business sales and new business profit exclude the Japanese insurance operations which ceased writing new business from 15 February 2010.

2 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.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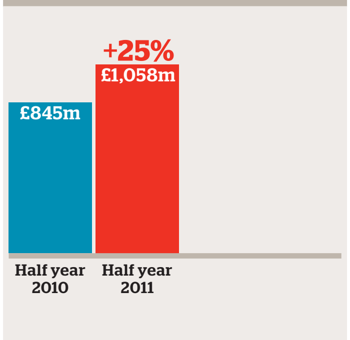
GROUP CHIEF EXECUTIVE'S REPORT

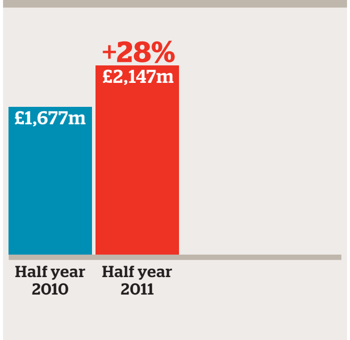
TIDJANE THIAM
GROUP CHIEF EXECUTIVE

"We continue to deliver high returns on capital invested for our shareholders and remain on course to meet the 2013 financial objectives outlined at our investor day in December 2010, which was headlined 'Growth and Cash'."

IFRS OPERATING PROFIT BEFORE TAX



TOTAL EEV OPERATING PROFIT BEFORE TAX



I am pleased to report a strong performance in the first half of 2011. We have continued to grow profitability across our business units, implementing with discipline our strategy of focusing on high growth and high margin markets. EEV new business profit of £1,069 million in the first half is 20 per cent higher than the same period last year (2010: £892 million[1]).

The Group's strategy continues to deliver higher sales and higher profits while consuming less capital in absolute terms. In the first half of 2011, new business profit increased 20 per cent while investment in new business reduced by 12 per cent compared to the first half of 2010. Since the first half of 2008, new business profit has increased 90 per cent while investment in new business has fallen 12 per cent over the same period.

We continue to deliver high returns on capital invested for our shareholders and remain on course to meet the 2013 financial objectives outlined at our investor day in December 2010, which was headlined 'Growth and Cash'. These objectives – centred on new business profit and IFRS profit growth for Asia, and cash remittances for Asia, the US and the UK – reflect our confidence in the potential of our chosen markets and in our strategy.

Group performance

APE sales were up 10 per cent in life insurance in the first half of 2011 to £1,824 million (2010: £1,655 million[1]) and new business profit exceeded £1 billion in the first half for the first time. It has increased by 20 per cent to £1,069 million (2010: £892 million[1]) as our new business margins increased to 59 per cent (2010: 54 per cent).

On the statutory IFRS basis, our operating profit before tax from continuing operations increased by 25 per cent in the first half of 2011 to £1,058 million (2010: £845 million). This has also exceeded £1 billion in the first half for the first time. IFRS shareholders' funds increased in the first half of 2011 to £8.5 billion, up six per cent compared to £8.0 billion as at 31 December 2010 and 19 per cent in the same period in 2010 (£7.2 billion).

On the EEV basis, Group operating profit before tax increased by 28 per cent in the first half of 2011 to £2,147 million (2010: £1,677 million).

Our total investment in new business in the first half of 2011 was £297 million (2010: £337 million[1]), a reduction of 12 per cent. Our focus on capital allocation has allowed us to deliver higher profits – new business profit is up 20 per cent with less capital used.

In line with our strategy, asset management's contribution to profits continues to grow, underpinned by strong inflows. In the first half of 2011, it contributed £259 million, up 34 per cent (2010: £194 million). Net inflows in our asset management businesses were £3.3 billion (2010: £4.4 billion). After two years of very high net sales at M&G, as expected, net fund flows have slowed as we had previously indicated.

Since 2008, we have been using free surplus as the primary indicator of our ability to generate cash and capital. In the first half of 2011, free surplus increased seven per cent to £3.6 billion, up from £3.3 billion at the end of 2010 (30 June 2010: £3.2 billion).

As these results show, we have continued to deliver strong growth on our three key metrics of EEV, IFRS and cash simultaneously, which gives us a unique position among insurance companies.

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

The Group's strategy continues to deliver higher sales and higher profits while consuming less capital in absolute terms. In the first half of 2011, new business profit increased 20 per cent while investment in new business reduced by 12 per cent compared to the first half of 2010.

GROUP CHIEF EXECUTIVE'S REPORT

Our operating performance by business unit

We have maintained our focus on our customers across all our businesses, marketing a suite of products that deliver good value. We work to design products that meet our customers' needs and are profitable for our shareholders.

Prudential Corporation Asia

"In line with our strategy, we have continued to prioritise our investment in the fast growing and highly profitable markets of South-East Asia."

In line with our strategy, we have continued to prioritise our investment in the fast growing and highly profitable markets of South-East Asia – Indonesia, Malaysia, Vietnam, Philippines, Thailand – and of Hong Kong and Singapore. The positive momentum of 2010 has continued into the first half of this year. The key markets of Indonesia, Singapore, Hong Kong and Malaysia all reported strong double-digit growth in the first half. Indonesia, with more than 100,000 agents, was for the first time our largest business in Asia in terms of sales. Our strategy in the region allows us to grow profitability and generate cash at the same time. Cash remittances to the Group from the region are positive and growing.

As previously highlighted, the market in India has been challenging since Q4 2010. However, we believe that we will begin to see the first signs of improvement by the end of 2011 as we are able to train our extensive agency force to sell a new product suite. We remain confident about the long-term prospects in India.

Overall, we remain on track to meet our 2013 objectives to double our 2009 new business and IFRS profits.

Distribution, as ever, remains critical to our business in Asia; our unique combination of proprietary agency distribution and bank partnerships continues to deliver excellent results. Agency will remain the dominant and most profitable channel in Asia for many years to come. We believe that Prudential's agency distribution platform compares favourably to those of our peer group, whether in terms of scale, training or productivity. In parallel to our agency force, we will continue developing our presence in the bancassurance channel where we have been enjoying growing success in a number of markets, particularly Hong Kong, Indonesia and Singapore. The bancassurance channel now represents 30 per cent of total APE (excluding India) across the region.

Jackson

"Strong growth has been achieved while preserving at all times our financial discipline."

In the US, we have maintained our focus on value over sales volume growth; ensuring sales are delivered at highly profitable margins. We have maintained our pricing discipline and have been consistent in our approach of not chasing market share for its own sake. Strong growth has been achieved while preserving at all times our financial discipline.

We continue to benefit from a competitive environment which favours companies with strong financial ratings and a relatively consistent product set. Jackson has also benefited from its relationships with the independent broker dealer network. Jackson's success has allowed it to make a remittance of £320 million to Group in the first half of 2011. This is the most tangible evidence that the strategy we have been following at Jackson is working well as the progress made has translated into profits and more importantly, over time, into cash.

We had expected that, at this point in the variable annuity cycle, increased competition would progressively dampen our growth and/or reduce the extremely high margins we have been capturing. This has not happened yet. On the contrary, the strength of our competitive position has allowed us to continue to take proactive steps to optimise the balance between growth, capital and profitability at Jackson. We expect the impact of these initiatives to become visible towards the end of 2011.

"We have continued to balance the writing of new business with the generation of cash and capital."

Prudential UK

Our business in the UK is focused and streamlined. Therefore, it generates differentiated returns relative to the market. We continue to be a market leader in both individual annuities and with-profits. The strength of the with-profits fund underpins our ongoing ability to deliver strong IFRS profits and cash. We have continued to balance the writing of new business with the generation of cash and capital, successfully delivering attractive returns on capital employed.

Our emphasis on value and returns saw the UK business continue to prioritise the retail market, while very selectively participating in the wholesale market. Wholesale market opportunities have only been pursued when they meet our strict financial criteria and deliver an appropriate return on the capital invested both in terms of quantum but also, and equally important, of payback period.

"Our asset management businesses have increased their contribution to our profits and to our cash generation."

Asset management

Our asset management businesses have increased their contribution to our profits and to our cash generation, reflecting their high capital efficiency and their 'cash rich' nature. This is in addition to the value they generate for the Group by achieving attractive returns on the funds they manage on behalf of our customers.

M&G continues to focus on achieving superior investment performance over the longer term for its customers. Building on its track record of success in the retail investment market, M&G is expanding in Europe. It has continued to deliver strong sales in the first half of 2011 after two exceptional years. M&G's retail business in the UK has been number one for gross and net retail sales over 10 consecutive quarters. Importantly, we have been able to grow not only assets but also IFRS profits.

In Asia, our asset management business had a strong first half. Funds under management continue to grow, primarily driven by internal funds during the first half. Net inflows remain volatile, in part driven by the tragic events that affected Japan earlier this year. IFRS profit continues to grow strongly.

The priorities for our asset management business in Asia are:

(i) to develop institutional relationships, securing pan-Asia discretionary mandates;

(ii) to increase our focus on Japan and China, as the region's largest and fastest growing markets respectively; and, finally,

(iii) to grow our offshore funds business.

"A strong capital position and balance sheet are at the heart of our strategy and are key buying factors for our customers, who have a long-term relationship with us in all our key markets."

Capital and risk management

A strong capital position and balance sheet are at the heart of our strategy and are key buying factors for our customers, who have a long-term relationship with us in all our key markets. That strength gives confidence to our customers that we will be there to serve them in the long-term, and allows us to grow strongly and write large amounts of new business without putting our customers at risk. Strict and proactive management and allocation of capital remain a core focus for our Group.

Using the regulatory measure of the Insurance Groups Directive (IGD) before allowing for the interim dividend, our Group capital surplus at 30 June 2011 was estimated at £4.1 billion (30 June 2010: £3.4 billion; 31 December 2010: £4.3 billion[1]). The Group's required capital is covered 2.9 times. This ratio means we continue to be very strongly capitalised.

Note
1 Before allowing for the final dividend.

GROUP CHIEF EXECUTIVE'S REPORT

Dividend

In view of the progress that the Group had made in improving IFRS operating profitability and free surplus generation, the Board decided to rebase the 2010 full-year dividend upwards by 4 pence per share, equivalent to an increase of 20 per cent. This increase was reflected in full in the 2010 final dividend. As in previous years the interim dividend has been calculated formulaically as one third of the prior year's full year dividend. Therefore, the Board has approved an interim dividend of 7.95 pence per share, which translates into an increase of 20 per cent. The Group's dividend policy, which is to grow the dividend at a sustainable rate from the new higher base established at year end 2010, remains unchanged.

Outlook

Our strong first-half performance is evidence that we have continued to optimise the opportunities available to us for profitable growth. Our financial strength and focus on cash and capital underpin our financial performance. We remain on course to deliver our 2013 objectives both in terms of profit growth and cash generation.

"Our strong first-half performance is evidence that we have continued to optimise the opportunities available to us for profitable growth."

There are clear macroeconomic concerns today in the Western world. The issues around sovereign debt, both in the USA and in the Eurozone, as well as the associated fiscal difficulties, mean that we remain cautious about the outlook in these regions. While these issues may have some temporary adverse effects across the globe, we continue to believe that our substantial presence in growing and developing markets across Asia put us in a position to continue to deliver relative outperformance in the medium term.