Certain information and statistics set forth in this section have been extracted or derived from various publicly available sources, including government publications. The Company believes that the sources of this information are appropriate sources for such information. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. No independent verification has been carried out on the information and statistics contained in such publicly available sources. While the Company, their respective directors, agents, employees and advisers and each other party involved in this listing document have exercised reasonable care in extracting and reproducing such information and statistics, none of them makes any representation as to the accuracy of such information and statistics, which may not be consistent with each other or with other information, nor that more updated information or statistics have not been prepared or released. You should not place undue reliance on any such information and statistics contained in this section.

There are other significant participants in each of the financial services markets in which the Enlarged Group operates. Its competitors include both mutual and stock financial companies. In addition, regulatory and other developments in many of the Enlarged Group's markets have blurred traditional financial service industry lines and opened the market to new competitors and increased competition. In some of the Enlarged Group's markets, other companies may have greater financial resources, allowing them to benefit from economies of scale, and may have stronger brands than the Enlarged Group does in that market.

The principal competitive factors affecting the sale of the Enlarged Group's products in its chosen markets are:

- price and yields offered,
- financial strength and ratings,
- commission levels, charges and other expenses,
- range of product lines and product quality,
- brand strength, including reputation and quality of service,
- distribution channels,
- investment management performance and
- historical bonus levels.

An important competitive factor is the ratings the Enlarged Group receives in some of its target markets, most notably in the United States, from recognised rating organisations. The intermediaries with whom the Group works, including financial advisers, tied agents, brokers, wholesalers and financial institutions consider ratings as one factor in determining which provider to purchase financial products from.

As at 31 March 2010:

Prudential's long-term senior debt is rated as A2 (negative outlook) by Moody's, A+ (negative watch) by Standard & Poor's and A+ (negative watch) by Fitch;

Prudential's short-term debt is rated as P-1 by Moody's, A-1 by Standard & Poor's and F1+ (negative watch) by Fitch;

The Prudential Assurance Company Limited long-term fund is rated Aa2 (negative outlook) by Moody's, AA (negative watch) by Standard & Poor's and AA+ (negative watch) by Fitch;

Jackson's financial strength is rated AA (negative watch) by Standard & Poor's and Fitch, A1 (negative outlook) by Moody's, and A+ (under review – negative) by AM Best; and

AIA Co is rated A+ (developing) by Standard & Poor's.

The Enlarged Group has not yet been rated.

The Enlarged Group will offer different products in its different markets in Asia, the UK and the US and, accordingly, will face different competitors and different types of competition in these markets. In all of the markets in which the Enlarged Group will operate its products are not unique and, accordingly, it will face competition from market participants who offer a varying range of similar and identical products.

The information and statistics provided for the Asia Pacific life insurance market in this section include Hong Kong, Korea, Thailand, Singapore, China, Malaysia, the Philippines, Indonesia, Vietnam, Taiwan, India, Australia, and New Zealand but excluding Japan.

For the purpose of this section, data on "life insurance premiums" indicated as derived from *Sigma* reports ("World insurance in 2008: life premiums fall in the industrialised countries – strong growth in the emerging economies" published by Swiss Re) is primarily based on the following metrics from *Sigma* reports: "premium income", "premium volume", "premiums", "life insurance premium" and "life premiums". Market share data based on "life insurance premiums" or "total premiums" is generally based on data published by the industry source indicated.

Described below are some of the key sources and methodologies used in calculating certain information and statistics provided in this section. Please note that the description below is not an exhaustive list of the sources and methodologies used to present the information and statistics set out in this section.

Sigma reports present life insurance premium data on a local currency basis converted to US dollars using the average local currency to US dollar exchange rate for the year indicated. The figures are presented on a nominal basis and are not inflation-adjusted. For the purposes of this document, simple and compound average growth rates for life insurance premiums have been calculated using the as-converted US dollar figures published in the *Sigma* reports. Since the data is converted at the average yearly exchange rate for each year and is presented in nominal terms, exchange rate and inflation fluctuations may impact the growth rates described in this document.

Sigma reports present GDP data on a local currency basis converted to US dollars using the average local currency to US dollar exchange rate for the year indicated. GDP data from the *Sigma* reports is presented on a nominal basis and are not inflation-adjusted. For the purposes of this document, simple and compound average growth rates for GDP have been calculated using the as-converted US dollar figures published in the *Sigma* reports. Since the data are converted at the average yearly exchange rate for each year and is presented in nominal terms, exchange rate and inflation fluctuations may impact the growth rates described in this document.

The *Sigma* reports referred to above are publicly available and not prepared for the purposes of this document.

This section also includes penetration rate, density rate, savings rate and total population data from the *Sigma* reports. Penetration rate is a market's life insurance premium as a percentage of its GDP. Density rate is a market's life insurance premium per capita. Savings rate is savings as a percentage of disposable income.

Household savings rate data is based on data published in Euromonitor International.

Data on the population above the age of 65 is based on data published in Euromonitor International.

LIFE INSURANCE MARKET

The life insurance markets in Asia Pacific, the US and the UK generated US$1,279 billion of life insurance premiums in 2008. Prudential operates in these three key regions: Asia (in the following 12 countries, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Vietnam), UK and US.

The Asia Pacific life insurance market generated US$358.3 billion of life insurance premiums in 2008, comprising 14.4% of aggregate global life insurance premiums. Although the Asia Pacific region was affected by the global financial turmoil in 2008, it recorded GDP growth of 15.4%. Life insurance premiums in the Asia Pacific region grew at a CAGR of 17.5% from 2003 to 2008, primarily driven by strong regional economic growth, favourable demographic changes, social welfare reforms, healthcare demand and insurance market reforms. This compared to a GDP CAGR of 17.1% over the same period.

The UK is the world's third largest life insurance market and the largest in Europe, with total premium volume in 2008 of £185 billion (US$343 billion). Life insurance premiums in the UK grew at a CAGR from 2003 to 2008 of 17.2%. This compared to a GDP CAGR of 8.3% over the same period.

The US life insurance market generated US$578 billion of life insurance premiums in 2008, comprising approximately 23% of aggregate global life insurance premiums, representing the world's largest life insurance market. Life insurance premiums in the US grew at a CAGR from 2003 to 2008 of 3.8%. This increase compared to a GDP CAGR of 5.4% over the same period.

The following table sets forth certain life insurance premium and macroeconomic data for the Asia Pacific region, Japan, the US and the UK for the periods indicated:

	Life insurance premiums						
	2008 (US$bn)	2008 Share of world market in%	CAGR 2003-2008 (%)	GDP 2008 (US$bn)	Penetration rate 2008 (%)	Density rate 2008 (US$)	Savings rate 2008 (%)
Hong Kong	21.3	0.86	16.1	216	9.9	2,930	31.4
Korea(1)	66.4	2.67	9.6	826	8.0	1,348	18.4
Thailand	5.0	0.20	9.0	273	1.8	77	10.9
Singapore	11.4	0.46	15.5	182	6.3	2,549	34.3
China	95.8	3.85	24.2	4,324	2.2	72	36.5
Malaysia(1)	6.1	0.25	12.1	219	2.8	226	23.4
Philippines	1.4	0.06	15.6	169	0.9	16	7.9
Indonesia	4.7	0.19	27.9	514	0.9	20	12.6
Vietnam	0.7	0.03	14.8	90	0.7	8	5.7
Taiwan	52.7	2.12	17.3	396	13.3	2,288	10.0
India	48.9	1.96	29.2	1,218	4.0	41	32.2
Australia	42.7	1.71	13.8	968	4.4	2,038	14.8
New Zealand	1.1	0.04	0.2	127	0.8	253	(8.8)
Japan	367.1	14.74	(0.8)	4,845	7.6	2,870	10.0
US	578.2	23.22	3.8	14,265	4.1	1,901	5.8
UK	342.8	13.76	17.2	2,677	12.8	5,582	-1.1

Source: Swiss Reinsurance Company Sigma Reports No. 3/2004 and No. 3/2009; Euromonitor International for savings rates

(1) Life insurance industry data is for the 12 months ended 31 March of the year subsequent to the year indicated

ASIA

Industry overview and trends

Strong economic growth

The Asia Pacific region has recently experienced strong economic growth and increases in income per capita. GDP in the Asia Pacific region grew at a CAGR of 17.1% from 2003 to 2008, with GDP growth of 15.4% in 2008. This growth is significantly higher than the growth experienced by UK and US (CAGR of 8.3% and 5.4% from 2003 to 2008, and GDP growth of (3.5%) and 3.0% in 2008, respectively).

The following table sets forth key macroeconomic data for the Asia Pacific region for the periods indicated.

	2003	2004	2005	2006	2007	2008	CAGR 2003-8
GDP (US$bn)	4,325	4,953	6,111	6,861	8,251	9,522	17.1%
Nominal GDP growth (%)	17.3	14.5	23.4	12.3	20.3	15.4	
GDP per capita (US$)	1,483	1,677	2,047	2,259	2,660	3,038	

Source: Swiss Reinsurance Company Sigma Reports No. 3/2004, No. 2/2005, No. 5/2006, No. 4/2007, No. 3/2008 and No. 3/2009

High historical life insurance premium growth rates

Asia Pacific life insurance premiums increased significantly in recent years, growing at a CAGR of 17.5% from 2003 to 2008 (life insurance premiums grew from US$159.9 billion in 2003 to US$358.3 billion in 2008). Emerging economies within the Asia Pacific region such as China, India and Indonesia each achieved life insurance premium CAGRs of over 20.0% from 2003 to 2008. Relatively more developed economies within the Asia Pacific region such as Hong Kong, Taiwan and Singapore recorded life insurance premium CAGRs of 16.1%, 17.3% and 15.5%, respectively, during the same period.

Continued low penetration and density rates

Markets such as China, Thailand, the Philippines, Indonesia, Vietnam and India all have reported density rates under US$100. Prudential believes that if these economies grow and standards of living improve, the low density and penetration rates in these markets indicate significant growth potential for the Asia Pacific insurance industry.

Favourable demographic changes

The Asia Pacific region had a population of approximately 3.1 billion people, or approximately 47% of the total world population as of 31 December 2008. The Asia Pacific region has experienced high population growth rates historically, and the region's population is expected to increase by more than 300 million people by 2020. Moreover, from 2003 to 2008, the population in the region above the age of 65 grew at a CAGR of 2.9% (compared to 0.8% and 1.6% for the UK and North America, respectively). In particular, the percentage of the population above the age of 65 in Korea and Singapore has grown significantly from 2003 to 2008, with CAGRs of 4.8% and 5.1%, respectively. The Directors believe that the increasing size of the Asia Pacific region's population and certain ageing trends and demographic mixes within the region is likely to result in increasing demand for insurance products in the future.

The following table sets forth certain demographic data for the Asia Pacific region for the periods indicated:

	Population (mm)		Population aged 65 and above	
	2008	CAGR 2003-2008	% population 2008	CAGR 2003-2008
Asia Pacific	3,134.3	1.4%	7.0	2.9%

Source: Euromonitor International for population above the age of 65; Swiss Reinsurance Company Sigma Reports No. 3/2004 and No. 3/2009 for total population

High household savings rates

Households in China (36.5% in 2008), Hong Kong (31.4% in 2008), Singapore (34.3% in 2008), Korea (18.4% in 2008) and Malaysia (23.4% in 2008) have recorded savings rates above 15% from 2003 to 2008, compared to lower household savings rates in the United States (5.8% in 2008) and the United Kingdom ((1.1)% in 2008). Prudential believes that the high household savings rates in many markets within the Asia Pacific region represent an opportunity for the insurance industry as customers benefiting from these high levels of savings may diversify such savings across a spectrum of financial products, including those offered by insurance companies.

Growing middle class, significant high net worth populations and increasing financial sophistication

The Asia Pacific region has a growing middle class and a significant high net worth population. In particular, markets such as Hong Kong and Singapore already have an established middle class, and many other markets in the Asia Pacific region have an emerging middle class. In 2008, the region (including Kazakhstan, Myanmar and Sri Lanka) had approximately 1 million high net worth individuals, which represents an aggregate of approximately US$4.2 trillion in wealth, or approximately 13.0% of total worldwide wealth. In addition, the high net worth population in China is currently the fourth largest in the world after the United States, Japan and Germany.

Gaps in health and protection coverage driving growth for health and protection insurance products

There is a wide spectrum of public and private healthcare schemes across the Asia Pacific region. While many markets have government-provided healthcare, such healthcare is often subject to limitations, including with respect to the extent and quality of coverage. Moreover, individual out-of-pocket costs for healthcare are a significant percentage of healthcare expenditures in the Asia Pacific region, based on data published by the Organization for Economic Co-operation and Development. Even in markets such as Hong Kong and Korea, which provide broad healthcare coverage for residents, individual out-of-pocket healthcare expenditures account for over 30% of total healthcare expenditures, based on data published by the World Health Organization (compared with 15% for Japan and 13% for the US). Individual out-of-pocket costs for healthcare are projected to continue to be a significant percentage of healthcare expenditures in many Asia Pacific markets: by 2014, a projected 66% in Singapore, 60% in Hong Kong, 55% in Malaysia, 54% in China, 45% in Korea and 25% in Thailand. This compares to 55% in the United States, 26% in Europe and 14% in Japan. Per capita health expenditures of retirees in East Asia (as classified by the World Health Organization) are projected to triple by 2015. Many markets in the region have been receptive to private sector solutions that address health and protection coverage gaps and reduce individual out-of-pocket healthcare expenditures.

There is a growing gap in health and protection coverage in the Asia Pacific region and there is growing customer awareness of health and protection needs and insurance products. Prudential believes that these trends present an opportunity in both the group health insurance segment (serving employers who provide health and protection insurance benefits to their employees) and in the individual segment (in particular, to high net worth individuals who seek more comprehensive healthcare coverage).

Developing pension markets

In 2008, the Asia Pacific region accounted for approximately 47% of the world's population but only a small portion of global pension assets. In particular in 2007, China, Korea, India, Hong Kong and Singapore had an aggregate of approximately 38% of the world's population, but only had private pension assets to the value of US$280 billion, 2.7% of the equivalent value of private pension assets held in the US (US$10 trillion). In addition, government sponsored pension programmes in developed economies like Singapore and Hong Kong have created an opportunity for the private sector and benefited insurance companies in the region. For example, a significant portion of Singapore's pension assets are held by the Central Provident Fund and insurance products credited for approximately 67% of the Central Provident Fund's pension assets in the first half of 2008. Prudential believes the relatively low percentage of pension assets represent a growth opportunity for the Asia Pacific insurance industry.

Shift to multi-channel distribution

While life insurance companies in the Asia Pacific region have historically focused on traditional agency distribution, many life insurance companies have expanded their distribution network to include other channels such as bancassurance, direct marketing and brokers. In certain markets within the Asia Pacific region, bancassurance has become a significant distribution channel and has enabled life insurance companies to reach a broad customer base, in part as a result of certain markets' extensive banking networks. Prudential believes that there is potential for a shift from traditional agency to multi-channel distribution in many Asia Pacific markets.

Country market overview

Hong Kong

The Hong Kong life insurance market was the sixth largest in the Asia Pacific region, with approximately US$21.3 billion in life insurance premiums in 2008. Prudential considers Hong Kong to be a sophisticated and developed insurance market within the Asia Pacific region. The Hong Kong life insurance industry has experienced double digit life insurance premium growth, with a CAGR of approximately 16.1% between 2003 and 2008. The Directors believe this recent premium growth and Hong Kong's recent economic growth (GDP grew at a CAGR of approximately 6.3% from 2003 to 2008), coupled with its penetration rate (9.9% in 2008) and density rate (over US$2,900 in 2008), suggest a developed life insurance market within the Asia Pacific region with a demonstrated customer demand for insurance products.

The Hong Kong life insurance market had approximately 46 life insurance companies and 19 composite insurance companies as of 30 June 2009. The following table sets forth the top five life insurance companies in Hong Kong by market share of life insurance APE in 2009 based on data published by the OCI:

Company	Rank by Market Share(2)
HSBC Insurance	1
Prudential Group	2
AIA Group	3
BOC Life	4
Hang Seng Insurance	5

(2) Market share data excludes retirement scheme-related group business classes G and H, as categorised by the OCI

Thailand

Thailand's life insurance market was the ninth largest in the Asia Pacific region in 2008, with approximately US$5.0 billion of life insurance premiums. Life insurance premiums grew at a 9.0% CAGR between 2003 and 2008. The Directors believe the relatively small size of the life insurance market and the relatively low penetration rate (1.8% in 2008) and density rate (approximately US$77 in 2008) suggest a developing life insurance market within the region with significant growth opportunities.

The following table shows ranking by market share of the top five life insurance companies and the Prudential Group for 2009, ranked by weighted first-year premium, based on data from the Thailand Life Assurance Association:

Company	Rank by Market Share
AIA Group	1
Thai Life	2
SC New York Life	3
Muang Thai	4
Bangkok Life	5
Prudential Group	12

Singapore

Singapore's life insurance market is the seventh largest in the Asia Pacific region, with approximately US$11.4 billion of life insurance premiums in 2008. Life insurance premiums grew at a 15.5% CAGR between 2003 and 2008. Prudential believes Singapore is an attractive and developed life insurance market within the Asia Pacific region because of its status as a regional financial centre, its compulsory social security savings scheme (the Central Provident Fund), penetration rate (6.3% in 2008) and density rate (over US$2,500 in 2008). The Directors believe that the country's small population and significant wealth have created a market that presents unique growth opportunities for insurance companies.

There were approximately 16 life insurance companies in the Singapore life insurance market as of 30 June 2009. The following table sets forth the top five life insurance companies in Singapore by market share of life insurance premiums in the first half of 2009 on a weighted new business basis:

Company	Rank by Market Share
Prudential Group	1
NTUC Income	2
GE Life	3
AIA Group	4
ManuLife	5

Source: Watson Wyatt Asian Life insurance market update, September 2009.

Malaysia

With life insurance premiums of approximately US$6.1 billion in the 12 months ended 31 March 2009, Malaysia's life insurance market is the eighth largest in the Asia Pacific region. Life insurance premiums grew at a CAGR of 12.1% between 31 March 2003 and 31 March 2009. The Directors believe that Malaysia's recent economic growth (GDP grew at a CAGR of approximately 15.8% from 2003 to 2008) and penetration rate (2.8% in the 12 months ended 31 March 2009) suggest a developing life insurance market within the Asia Pacific region with strong growth opportunities.

There were approximately 16 registered life insurers in Malaysia's life insurance market as of 31 December 2008. The following table sets forth the top five life insurance companies in Malaysia by market share of life insurance premiums on APE basis in 2009 based on data published by the Life Insurance Association of Malaysia and Insurance Services Malaysia:

Company	Rank by Market Share(1)
Prudential Group	1
GE Life	2
ING	3
AIA Group	4
Allianz	5

(1) Market share data includes Takaful business

India

India's life insurance market was the tenth largest in the world and fourth largest in the Asia Pacific region in 2008, with approximately US$48.9 billion of life insurance premiums. Life insurance premiums grew at a 29.2% CAGR between 2003 and 2008. The US$48.9 billion in premiums written by the Indian life insurance sector in 2008 implied a global market share of 2.0% and 13.6% in an Asian Pacific context. India's exceptionally strong growth in industry premiums, which is the highest in the region, is primarily due to new entrants ramping up their franchise expansion. Prudential believes that India's long-term life insurance market growth prospects remain exceptional in view of the ongoing rapid development of the Indian economy.

There were approximately 23 life insurance companies in the Indian life insurance market as of 31 March 2009. The following table sets forth the top four private life insurance companies in India by market share of weighted first-year premium in 2009 based on data published by the Insurance Regulatory and Development Authority:

Company	Rank by Market Share
ICICI Prudential	1
SBI Life	2
Bajaj Allianz Life	3
Reliance Life	4

China

With life insurance premiums of approximately US$95.8 billion in 2008, the Chinese life insurance market is the largest in the Asia Pacific region and the sixth largest in the world. China's life insurance market has recorded significant growth in recent years, with total premiums increasing at a CAGR of 24.2% between 2003 and 2008. Prudential believes that China's large economy (the third largest in the world in terms of GDP), recent economic growth (GDP grew at a CAGR of approximately 25.1% from 2003 to 2008) and large population (19.8% of the world's total as of 31 December 2008) combined with the life insurance market's recent premium growth and penetration rate (2.2% in 2008), suggest a large life insurance market with significant growth opportunities.

China's life insurance market is currently dominated by five domestic Chinese life insurance companies that collectively held an aggregate market share of almost 79% of life insurance premiums in 2009. Foreign life insurance companies held an aggregate market share of approximately 5% of life insurance premiums in 2009 according to data published by the China Insurance Regulatory Commission. The following table sets forth the top five foreign life insurance companies by market share of weighted first-year premiums in 2009 based on data published by the National Insurance Industry Communication Club of China:

Company	Rank by Market Share
AIA Group	1
Aviva COFCO	2
Hua Tai	3
CITIC-Prudential	4
Metlife	5

Korea

With approximately US$66.4 billion in life insurance premiums in the 12 months ended 31 March 2009, the Korean life insurance market is the eighth largest in the world and the second largest in the Asia Pacific region. Life insurance premiums grew at a CAGR of approximately 9.6% between 31 March 2003 and 31 March 2009. Prudential believes that the size of the market, together with its penetration rate (8.0% in the 12 months ended 31 March 2009) and density rate (over US$1,300 in the 12 months ended 31 March 2009), suggest a developed life insurance market within the region with a demonstrated customer demand for insurance products.

There were approximately 22 life insurance companies in the Korean life insurance market as of 31 December 2008.

The Philippines

With life insurance premiums of approximately US$1.4 billion in 2008, the Philippines' life insurance market is the eleventh largest in the Asia Pacific region. Life insurance premiums grew at a CAGR of 15.6% from 2003 to 2008. Prudential believes that the market's low penetration rate (0.9% in 2008) and density rate (approximately US$16 in 2008) suggest a life insurance market in the early stages of development with significant growth opportunities.

The following table sets forth the top five life insurance companies in 2008 in the Philippines for weighted first year premiums:

Company	Rank by Market Share
Philamlife	1
Sunlife	2
Pru Life	3
Insular Life	4
AXA	5

Source: These ratings have been derived internally by Prudential from publicly available results released by the companies listed above.

Indonesia

Indonesia's life insurance market is the tenth largest in the Asia Pacific region, with approximately US$4.7 billion of life insurance premiums in 2008. Indonesia's life insurance market has recorded significant growth in recent years, with life insurance premiums increasing at a CAGR of 27.9% between 2003 and 2008. Prudential believes that this recent premium growth coupled with the country's large population (fourth largest in the world) and low penetration rate (0.9% in 2008) and density rate (approximately US$20 in 2008) suggest a developing life insurance market with strong growth opportunities.

The following table sets forth the ranking of the top five life insurance companies in Indonesia and AIA based on weighted first year premiums in 2009 based on data published by the Life Insurance Association of Indonesia:

Company	Rank by Market Share
Prudential Group	1
Bumputera 1912	2
Mega Life	3
Allianz Life Indonesia	4
AXA Group	5
AIA	7

Taiwan

With approximately US$52.7 billion of life insurance premiums in 2008, Taiwan's life insurance market is the third largest in the Asia Pacific region and the ninth largest in the world. Life insurance premiums grew at a CAGR of 17.3% from 2003 to 2008. Prudential believes that the market's penetration rate (13.3% in 2008) and density rate (over US$2,200 in 2008) suggest that it is a developed market within the Asia Pacific region with a demonstrated customer demand for life insurance products.

Vietnam

Vietnam's life insurance market had approximately US$0.7 billion of life insurance premiums in 2008. Life insurance premiums grew at a CAGR of 14.8% from 2003 to 2008. Prudential believes that the country's growing economy (GDP grew at a CAGR of approximately 18.8% from 2003 to 2008) and a population that is largely uninsured (0.7% penetration rate in 2008) suggest strong growth opportunities in the life insurance market despite the challenges of distributing insurance products in a market in which only 28% of the population is urbanised.

The following table sets forth the top five life insurance companies in Vietnam based on weighted first year premiums for 2009 based on data published by the Association of Vietnam Insurers:

Company	Rank by Market share
Prudential Group	1
Bào Viêt Life	2
Manulife	3
ACE Life	4
AIA Group	5

Australia

Australia's life insurance market is the fifth largest in the Asia Pacific region, with approximately US$42.7 billion of life insurance premiums in 2008. Life insurance premiums grew at a CAGR of 13.8% from 2003 to 2008. AIA Australia focuses on the life risk insurance segment. This segment, which consists primarily of protection products (as opposed to wealth, investment and superannuation products), had total premiums of approximately US$6.8 billion in 2008. Prudential believes that the Australian life insurance market is a developed market within the Asia Pacific region supported by a robust economic and regulatory framework, compulsory employer contributions to Australia's superannuation system (a pension system) and favourable tax treatment for individuals purchasing life insurance products through the superannuation system (group insurance).

New Zealand

New Zealand's life insurance market had approximately US$1.1 billion of life insurance premiums in 2008. Prudential believes that the market is supported by a relatively developed economic framework and that it has a low penetration rate (0.8% in 2008).

External competition

The competitive landscape across the Asia Pacific region differs widely by geographical market, reflecting differing levels of market maturity and regulation. Prudential's competitors include both the subsidiaries of global life insurers and local domestic (including state-owned) entities. Subsidiaries of global life insurance groups that operate in the Asia Pacific region tend to operate in multiple markets in the region, and some currently have top five market shares in a small number of markets. The majority of local domestic life insurers in the Asia Pacific region remain focused on their core home markets. The developed and liberalised markets of Hong Kong and Singapore are dominated by subsidiaries and branches of global life insurance groups. The developing markets in South East Asia such as Indonesia, Vietnam and the Philippines also see a high level of participation by global life insurance groups. The large and relatively mature markets of Korea and Taiwan are dominated by local domestic insurers. In certain countries with continued foreign ownership restrictions (such as China and India), the life insurance markets are dominated by local domestic insurers or by joint venture entities between global insurance groups and local companies.

The global life insurers that are Prudential's competitors in the Asia Pacific region include Allianz, Aviva, AXA Asia Pacific, ING and Manulife. Other competitors relevant in one or two of Prudential's key markets include HSBC Life in Hong Kong, Korea Life, Kyobo Life and Samsung Life in Korea, Thai Life in Thailand, Great Eastern in Singapore and Malaysia, and China Life, China Pacific and Ping An in China.

US

The US experienced relatively strong GDP growth throughout the period, with GDP in 2008 totalling US$14,265 billion with a CAGR from 2003 to 2008 of 5.4%.

The following table sets forth key macroeconomic data for the US for the periods indicated.

	2003	2004	2005	2006	2007	2008	CAGR 2003-8
GDP (US$bn)	10,988	11,735	12,487	13,247	13,844	14,265	5.4%
Nominal GDP growth (%)	4.8	6.8	6.4	6.1	4.5	3.0	
GDP per capita (US$)	37,864	40,133	42,343	44,423	46,009	46,893	

Sources: Swiss Reinsurance Company: Sigma Reports No. 3/2004, No. 2/2005, No. 5/2006, No. 4/2007, No. 3/2008 and No. 3/2009;

Following the recent downturn in 2007, 2008 and the first half of 2009, the US economic growth solidified and broadened in the second half of 2009. However, overall prospects remain uncertain. The US economic recovery is expected to remain sluggish by past standards, as the forces driving it are to a certain extent temporary in nature, notably the exceptional fiscal stimuli put in place and the additional liquidity provided by the Federal Reserve to support credit markets.

Strong growth prospects

Despite the uncertain economic situation, Prudential believes that the fundamentals of the US life and retirement market remain strong.

The US retirement market is the largest in the world and is expected to grow significantly over the next 5 to 10 years, underpinned by favourable demographic and socio-economic trends, as 78 million baby boomers (source: US Census Bureau) are expected to reach retirement over the next 20 years and their retirement assets will shift from asset accumulation to the phase of income distribution. There are already US$2 trillion of assets generating retirement income in the US — and this amount is forecast to rise to some US$7 trillion by 2029 (source: Tiburon Strategic Advisers, LLC).

The following table sets forth certain life insurance premium and macroeconomic data for the United States for the periods indicated.

	Life insurance premiums			GDP	Penetration rate	Density rate	Savings rate
	2008 (US$bn)	2008 Share of world market in%	CAGR 2003-2008(%)	2008 (US$bn)	2008 (%)	2008 (US$)	2008 (%)
US	578.2	23.2	3.8	14,265	4.1	1,901	5.8

Sources: Swiss Reinsurance Company: Sigma Reports No. 3/2004 and No. 3/2009 and Euromonitor International for savings rates

Life insurance premiums in the United States increased in recent years, growing at a CAGR of 3.8% from 2003 to 2008 (from US$481 billion in 2003 to US$578 billion in 2008). Including group pension 401(k) business, life insurance penetration was 4.1% in 2008.

Market growth underpinned by demographic and socio-economic factors

The following table sets forth certain demographic data for the United States for the periods indicated.

	Population (mm)		Population aged 65 and above	
	2008	CAGR 2003-2008	% population 2008	CAGR 2003-2008
US	304.2	0.9	12.8	1.6

Sources: Euromonitor International for population above the age of 65; Swiss Reinsurance Company: Sigma Reports No. 3/2004 and No. 3/2009 for total population

Market growth in the US is expected to be driven by the concentration of wealth in the older segments of the population. Life expectancy has been increasing materially over the past decades, while at the same time average retirement ages have fallen significantly. These trends led to a large increase in the average time individuals spend in retirement, and, consequently, have increased the risk that individuals' finances will be insufficient to cover the costs of living in retirement.

Consumer sentiment shifting back to equity-linked products

The typical retail product offering in the US life insurance market consists of life and annuity products. Annuity products are long-term individual retirement products, which offer tax-deferred accumulation on the funds invested until proceeds are withdrawn from the policy. Annuities include fixed annuities (FA), fixed-index annuities (FIA) and variable annuities (VA).

VA are tax-advantaged, deferred annuities where the rate of return depends upon the performance of the underlying portfolio. They are used for asset accumulation in retirement planning and to provide income in retirement. VA products are typically sold with guaranteed benefit options, which customers can elect and pay for.

There was a consumer shift from VA to FA and FIA products in 2008 and the first half of 2009 but this trend began to reverse in the second half of 2009, and is expected to continue to reverse in 2010 and into the near future as equity market sentiment gradually recovers.

Quality and independent advice key to consumer choice

US life insurance companies typically market their retail products through independent agents, independent broker-dealer firms, regional broker-dealers, wirehouses and banks, registered investment advisers as well as career agencies.

In the US insurance market, over the past decades, independent distribution channels have significantly outpaced traditional career agents and are expected to continue to grow in the future. In general, independent channels can provide a broader range of products, although they typically sell products from only a handful of firms. While they are not controlled by one firm and insurers tend to lose control over what they sell, independent channels are viewed as more objective by consumers. This channel is less costly to insurers than a career channel due to the lower level of support provided.

Recent economic turmoil caused disruption to annuity market

The recent economic turmoil has impacted on the competitive environment in the US life and retirement market. Specifically, in the VA market, product supplier concentration has occurred as a result of the recent economic events. What used to be a variable annuity market with around 15 major providers has contracted to a market with currently only about five major providers. The combined VA market share of the top five VA providers increased from 42.9% in full-year 2008 to 49.9% in full-year 2009 (Source: Morningstar Annuity Research Center).

Weaker and financially distressed competitors have been trying to restructure their business models by disposing of assets and books of business as well as downsizing their cost bases.

Over the medium term, the perception of financial strength coupled with access to quality, advice-based distribution and cost-effective technology, will continue to be key drivers of competitiveness in the US retirement market, along with continued innovation in product design and speed to market.

Increasing regulatory scrutiny

The US market is facing increased regulatory scrutiny, and regulatory actions are expected to lead to increased distribution costs due to the need for advisers to obtain securities licences, and decreasing adviser commissions across the various channels.

Competition

The Prudential Group's insurance operations in the US operate under the Jackson brand. Prudential is not affiliated with Prudential Financial, Inc. or its subsidiary, The Prudential Insurance Company of America.

Jackson's competitors in the United States include major stock and mutual insurance companies, mutual fund organisations, banks and other financial services companies. National banks, in particular, may become more significant competitors in the future for insurers who sell annuities, as a result of recent legislation, court decisions and regulatory actions. Jackson's principal life insurance company competitors in the United States include AXA Financial Inc., Hartford Life Inc., Lincoln National, AIG, ING, MetLife, Prudential Financial and TIAA-CREF.

Jackson does not have a significant career agency sales force to distribute its annuity products in the United States and, consequently, competes for distributors such as banks, broker-dealers and independent agents.

The following table sets forth the top five variable annuities providers in the US by market share in 2009 based on data published by Morningstar (formerly VARDS):

Company	Rank by Market Share
Prudential Financial	1
MetLife	2
TIAA-CREF	3
Jackson	**4**
Lincoln	5

The following table sets forth the top five fixed annuities providers in the US by market share in 2009 based on data published by the Life Insurance and Market Research Association ("LIMRA"):

Company	Rank by Market Share
NY Life	1
AIG	2
MetLife	3
AEGON	4
Pacific Life	5
Jackson	**13**

The following table sets forth the top five fixed index annuities providers in the US by market share in 2009 based on data published by AnnuitySpecs.com:

Company	Rank by Market Share
Allianz	1
Aviva	2
American Equity	3
Jackson	4
Lincoln	5

UK

The UK life insurance market is characterised by an ageing population with a concentration of wealth in the mass affluent and high net worth sectors. Distribution is currently dominated by intermediaries, though the implementation of the FSA's Retail Distribution Review may result in some realignment of the distribution landscape. The EU Solvency II Directive, which sets out new principles of insurance regulation, may also have an impact on the insurance industry in Europe.

Industry overview and trends

Significant life insurance market

The UK life insurance market generated US$342.8 billion of life insurance premiums in 2008, comprising 13.8% of aggregate global life insurance premiums and making the UK the world's third largest life insurance market. Life insurance premiums in the UK grew at a CAGR of 17.2% from 2003 to 2008 while penetration increased from 8.9% in 2003 to 12.8% in 2008.

The following table sets forth the key macroeconomic and life insurance market data for the UK for the periods indicated.

	Life insurance premiums			GDP	Penetration rate	Density rate	Savings rate
	2008 (US$bn)	2008 Share of world market (%)	CAGR 2003-2008(%)	2008 (US$bn)	2008 (%)	2008 (US$)	2008 (%)
UK	342.8	13.8	17.2	2,677	12.8	5,582	-1.1

Sources: Swiss Reinsurance Company: Sigma Reports No. 3/2004 and No. 3/2009 and Euromonitor International for savings rate

Ageing population

Based on Office of National Statistics data on life expectancies and current population sizes, it is projected that there will be a 16% increase in the number of people aged 60 and over by the end of 2018. This demographic trend affects the cost of health care and pensions and there are likely to be growing changes in the concept of work and retirement in the future, with people working longer and phased or partial retirement becoming more commonplace.

Prudential believes that this trend towards an ageing population may result in increased demand for retirement products, notably annuities.

The following table sets forth certain demographic data for the United Kingdom for the periods indicated.

	Population (mm)				
Age Group	2008	2018	2028	% Change 2008-2018	% Change 2008-2028
0-14	10.8	11.5	11.9	6%	10%
15-29	12.3	12.3	12.3	0%	0%
30-44	13.0	12.8	14.2	-2%	9%
45-59	11.8	13.2	12.2	12%	3%
60-74	8.8	10.0	11.4	14%	30%
75+	4.8	5.8	7.9	21%	65%
All ages	61.4	65.6	69.8	7%	14%

Source: UK Office of National Statistics: National Population Projections 2008-based

Low savings rates and high levels of consumer debt

In January 2010, average household debt was £8,939 excluding mortgage debt, and £58,040 including mortgage debt. The following table shows the household savings rates in the UK for the periods indicated.

	2003	2004	2005	2006	2007	2008
Household savings ratio (%)	3	0.7	1.2	0.9	−1.7	−1.1

The household savings ratio is households' saving as a percentage of total available households' resources.

Source: Euromonitor International

Shift in responsibility for retirement provision towards individuals

As pension benefits offered by the state and companies become increasingly less generous, responsibility for saving and retirement has shifted towards individuals. The level of the state pension has increased in line with inflation rather than earnings and the age for pension entitlement will increase from 65 to 68 in 2024. Companies have generally replaced defined benefit pension schemes with less generous defined contribution pension schemes, whereby the individual bears investment risk. These developments, coupled with low personal savings rates, have contributed to a significant 'savings gap'.

Distribution trends

Intermediaries remain the dominant distribution channel in the life and pension market, with around 70% of the market currently distributed through this channel. Financial advisers have tended to move upmarket to target the high net worth and mass affluent segments of the market. The FSA's Retail Distribution Review, which is expected to be fully implemented in 2012, may prompt a realignment of the distribution landscape. It is still too early to predict the full impact of the RDR but it is anticipated that it will result in a shake-up of the advisory sector with many older IFAs, operating in smaller firms and focusing on a transactional 'sales' based approach, being forced from the industry by a combination of the loss of commission, the requirement to undertake training and higher capital requirements. Prudential has been preparing for the introduction of RDR for some time and is continuing to work with the regulator, industry bodies and distributors on ways to help advisers make the transition to the new environment.

Competition

Prudential's principal competitors include many of the major stock and mutual retail financial services and fund management companies operating in the United Kingdom. These companies include Aviva, Legal & General, Standard Life, Resolution, Lloyds Banking Group, Aegon, AXA, Zurich Financial Services, Fidelity, Invesco, Jupiter, Threadneedle and Schroders. The Enlarged Group will compete with other providers of financial products to be included on financial advisers' panels of preferred providers.

In the United Kingdom, the level of bonuses on the Prudential Group's with-profits products is an important competitive measure for attracting new business through financial advisers. The ability to declare competitive bonuses depends, in part, on a company's financial strength, which enables it to adopt an investment approach with a higher weighting in equities and real estate and allows it to smooth the fluctuations in investment performance upon which bonuses are based.

Asset Management

The average profit margin in the asset management industry across 32 major markets representing more than 95% of the global asset management market, fell from 38% of net revenues at the end of 2007 to 34% at the end of 2008—the lowest in 4 years. The economic environment has improved in the second half of 2009 and Prudential believes there are grounds for cautious optimism.

UK and European asset management market and trends

According to McKinsey Asset Management Survey 2009, the Western European asset management market is the second largest in the world, and in 'normal' markets is expected to grow at 4% per annum on average to 2014.

According to The Boston Consulting Group (BCG) Asset Management Survey 2009, the industry is polarised, with growth expected only for:

- passively managed products, including Exchange Traded Funds (ETFs), where it is a game of scale because of the minute (and shrinking) margins;

- active long-only houses that can demonstrate a track record of sustained out-performance in the long-term; and
- innovative products, like guaranteed products and hedge funds.

On the other hand, traditional actively managed funds with average performance have the lowest growth prospects over the period 2008-2012 and will be under margin pressure.

In both the UK and Europe, changes are expected in the asset management market. In the UK the Retail Distribution Review is expected to foster transparency of fees leading to an impartial advice model. In Europe, the trend appears to be for banks to open their fund architecture. This presents a major opportunity for managers with well-performing funds in the right classes (e.g. M&G) who are able to obtain approval from the fund selectors of the banks. Another key development is the Undertakings for Collective Investments in Transferable Securities ("UCITS") IV regulations. UCITS funds were very robust during the crisis and are becoming the default financial services product, exportable across geographies.

M&G's principal competitors are the main fund management companies operating in the United Kingdom and Europe. These companies include Fidelity, Invesco Perpetual, Jupiter, Threadneedle, Schroders, Legal and General Investment Management, Standard Life Investments and BlackRock.

Asian asset management and market trends

The total asset management market in Asia ex-Japan is £800 billion with retail accounting for 54% of assets under management and 70% of pre-tax profit at the end of 2008. The retail and high net worth investors markets are expected to grow at 10-20% per year in Asia ex-Japan as a whole, driven by favourable socio-economic trends. Specifically, high economic growth and savings rates coupled with low penetration of mutual funds as a share of household financial assets compared to Europe. Margins in Asia are expected to continue to be higher than the rest of the world.

Across the region, banks currently dominate fund distribution and it is expected that they will continue to remain the largest channel for the foreseeable future. Overall, the market distribution mix in 2010 is expected to remain largely the same as 2009, with banks accounting for the majority of sales in most markets (e.g. 75% in China, 75% in Hong Kong, 56% in Thailand (in 2008), 62% in Singapore, 52% in Japan), brokers keeping a large share in Korea (50%), Japan (46%) and India (40%) and IFAs and other channels strong in Taiwan (58%), India (29%) and to a lesser extent in Singapore (13%).

Asia was traditionally an actively managed funds environment, but over the last 2-3 years ETFs have had strong growth, in excess of 20% per year, and this growth trend may continue.