Prudential plc AGM 18 May 2006 – Speech by Group Chief Executive, Mark Tucker

Thank you Chairman.

Good morning to you and let me add my welcome.

For me it's been an exciting and eventful first year back at Prudential.

This is a great time to be leading the Group a time when we have a strong base and good opportunities for growth. It is our job to maximise shareholder value and that's at the heart of everything that we do.

First though, I need to put this into context. As you know the Group has developed significantly over the past decade. We've gone from being a predominantly UK operation with international investments to the internationally diversified operation that Prudential is today.

But that 'diversified operation' is carefully focused. Our international expansion has been targeted on Asia and the United States, the two largest and most rewarding retail financial services markets in the world.

Our aim over the last 10 years has been to develop high quality/high return businesses. The best measure of our success in that regard is in the overall growth of new business profits of our insurance operations in that period and also in the significant percentage increase in the contribution from Asia.

On the asset management side we've developed in both the US and in Asia and in the UK, the acquisition of M&G in 1999 was a significant and important milestone.

Also in the UK, the Group has also successfully repositioned the Prudential life insurance business to capture leadership in the highly profitable annuities sector. And we've built from scratch a significant retail banking operation, under the Egg brand - a business that now has 3.7 million customers.

As you know, the Group's operations span insurance, asset management and retail banking, and we are not only delivering high growth and high returns, but we are also seeing strong momentum.

When I came back to Prudential last year, we undertook a strategy review looking at the development of retail financial services across all the major geographies in the world.

Our conclusion was that we are very well placed in the markets that show the greatest opportunities for profitable growth over the next 10 years.

It was also clear that we can gain additional value by getting our businesses to work more closely together both within each territory and increasingly across regional boundaries.

As you can see here, the results for 2005 at Group level were strong with embedded value operating profit ahead 33% and statutory profits up 36%.

The insurance businesses grew sales by 15%. And with a continuing focus on value, the average margin across the Group held steady. All good news.

Asset management also saw strong growth in all of its key measures. In particular, external funds under management were up 23% and that was underpinned by excellent investment performance. Profits from asset management increased a healthy 16% to almost £200m.

Retail banking profits were down, although we did make good progress on net interest margin and costs. Conditions in the unsecured lending market remained difficult in the first quarter of 2006.

However, the strong momentum built up in 2005 in both the insurance and asset management businesses has continued in the first quarter of 2006.

So that's the facts in a nutshell. Strong performance overall with good momentum.

I'd like to take a closer look now at how the insurance and asset management businesses have performed around the world starting first with Asia.

The Group has an unrivalled exposure to the high growth, high return Asian markets.

Sales and new business profits grew strongly and margins and returns remain high. In fact since 1994 we have seen compound growth of 24% per annum in new business across Asia.

And we have a powerful and growing presence across the region.

We've got top 5 market positions in 8 out of the 12 life insurance markets in which we operate. And on the distribution side, we've got more than 170,000 agents in the region and over 40 banking relationships.

This extensive agency force along with our distribution partnerships give us enormous competitive and scale advantages in the region.

Our product focus has been on developing the unit linked market wherever possible and Prudential has indeed led the introduction of unit linked products in the majority of the Asian markets. These products give us higher returns and they are more capital efficient.

We're also looking at economies of scale. We are, for example combining the processing activities into regional customer service centre 'hubs' and the first of these opened in Malaysia in 2005 with a second one opening in China in a few months time.

So, a very good story in Asia and with Q1 sales this year 47% ahead of last year. You can see that there's no sign of the momentum slowing!

In the US, the figures again speak for themselves. Sales were up 13% and new business profits were up 45% in 2005.

That success was driven by a number of factors, the most important of which being significant growth in higher margin variable annuities.

We are exceptionally well placed in the US market. We've got strong positions across all of the annuity products and also in the advice based distribution channels. Product innovation is crucial in the US and our flexible low cost infrastructure puts us in an ideal position to bring products to market quickly and efficiently.

In fact, 70% of our US retail sales in 2005 came from products and features that we'd introduced since the start of 2004.

Jackson's unbundled variable annuity product was the Number 2 selling VA product in the US in 2005 by net sales.

Our colleagues in the US are also very efficient consolidators. They succeeded in integrating 1.6 million policies from the Life Insurance Company of Georgia in a period of just 8 months and at the same time beat their targeted returns on the transaction.

And of course this business is in an excellent position to take further profitable market share as the 'baby boomer' generation moves into retirement over the next decade.

Finally, sales in the first quarter of 2006 were again strong and variable annuity sales increased by 51% compared to the same quarter in 2005.

In the UK in 2005 we grew new business by 10%, but even more importantly we retained good margins and I'm pleased to say that we reached our 2007 target internal rate of return of 14% and that's two years early.

We achieved this target in spite of intensified competition in some segments of the market. In individual annuities for instance, our strong partnership distribution allowed us to stand back from the more competitive IFA sector. Indeed, in Protection insurance we took the decision not to compete on price as we could not see the returns we required being generated.

We continue to use our advantaged position in the annuity market as we build the shareholder backed book but we need to do more to improve the returns on our significant corporate pensions business.

Our positioning in unit-linked bonds strengthened and we entered the equity release market at the end of 2005.

Nick Prettejohn joined us a few months ago as CEO of our UK insurance business and following the buyout of the minority shareholding in Egg we've also put this business under Nick's reporting control. We see tremendous scope for both cost savings and revenue growth from these businesses by them working much more closely together.

We've seen a solid start in the UK in the first quarter of 2006 with sales ahead 17%.
Performance on the asset management side in 2005 - as I said earlier - was very strong with net inflows increasing significantly in the UK through M&G and in Asia particularly from Japan and Korea.

You can appreciate the quality and diversity of these businesses when you consider that they have doubled profits between 2001 and 2005. That's an excellent performance by any standard.

The asset management operations also add significant value to the Group's insurance business. They do that through their superior investment performance. Indeed, investment performance across all asset classes was exceptional in 2005.

You can see we've developed businesses with compelling positions in the world's leading Retail Financial Services markets.

We have both the capital and cash resources to fund our organic growth plans.

And through these businesses we've got significant scope to increase value to shareholders.

Finally, I want to turn to the future. With our aim of delivering increasing value to you our shareholders we've set out very clear priorities for each of our businesses and for the Group as a whole.

In Asia we'll continue to develop our distribution capability to meet our challenging growth targets. As we've said before the region as a whole will be cash positive in 2006 while continuing its strong growth.

The US business will maintain its clear focus on the pre and post retirement markets where it has developed an excellent position. We'll also look to develop the business through bolt-on acquisitions where they meet our required returns.

In the UK we'll continue to be selective. We'll compete where we feel that we can achieve our targeted returns and we'll compete in areas where we have, or can develop, competitive advantage. We'll also benefit from bringing Egg back fully into the Group.

In asset management investment performance remains critical both to develop our mutual fund business and to support the insurance business.

We'll continue to embed our performance culture within the Group. And that will support our focus on the delivery of our plans for profitable growth.

In summary, Prudential is a high growth, high return business and you can see that we've got strong momentum behind us. We've got the capital and cash to fund our growth plans and I see significant scope for increasing value for shareholders.

I remain very excited about the future.

Thank you.