Chairman's statement

The business today is in robust health, and faces exciting prospects in each of our chosen markets

Sir David Clementi
Chairman

Full year dividend per share

+5%

2006 17.14p
2005 16.32p

2006 was another good year for Prudential around the world, with strong performances in both the insurance and asset management businesses.

We made excellent progress against all our key financial measures, with EEV operating profits strongly ahead, average margins across the Group up, and record performances in terms of assets under management in both M&G and Asia.

The one exception to this pleasing performance was Egg, where deteriorating conditions in the UK personal loans market resulted in larger than expected losses for the year. In January, we announced that we had reached agreement to sell Egg to Citi, having concluded that the offer made to us would realise greater value for our shareholders than we could achieve in the foreseeable future by retaining it.

Throughout the year, we paid careful attention to the Group's cash flow and capital position. We are well placed to fund our current organic growth plans; and the strength of our capital position has allowed us to look again at our dividend policy. This is set out in the Group Chief Executive's review. The full year dividend per share for 2006 has increased by five per cent to 17.14 pence per share.

Turning to our individual businesses, our UK business had a strong 2006 with good growth in profitability. We saw both new business margins and internal rates of return improve and these remain towards the top end of the market. We are taking a disciplined approach to our participation in the market, focusing on those areas where we can use our core strengths to achieve an attractive return. We feel confident that there are opportunities for profitable growth, particularly in retirement savings and income, and that we are well placed to capture them.

Our US business saw another year of excellent progress, as we continued to use our strengths in product innovation, relationship-led distribution and IT, to capture a profitable share of the growing retirement market. In the last five years, Jackson new business sales have more than doubled and, as the first wave of the country's large body of baby-boomers move into retirement over the next two decades, we see plenty of scope for continued growth in this market.

In Asia, we maintained our strong track record of growth, while meeting our commitment to go cash positive during the year. The opportunities in the region are as clear and significant as ever, with high economic growth rates, high savings rates, and increasing personal wealth. We remain confident that our business in the region will continue to prosper.

In Asset Management, our businesses around the world go from strength to strength, and are significant and increasing contributors to our Group. Not only are they critical to the performance of our traditional insurance products, they are also an increasingly powerful source of non-capital intensive profits. In addition, they do, of course, further enhance our overall product range, enabling us to accommodate the needs of the vast majority of retail investors.

Across all our businesses, in addition to managing our capital position on a Group-wide basis, we continue to find new ways to leverage and share resources and knowledge in areas such as risk management, IT and product development, for the benefit of Prudential as a whole. We believe that there remains significant further scope for collaboration of this kind in future.

Towards the end of 2006, we appointed Barry Stowe as Chief Executive of Prudential Corporation Asia and as a member of the Board. His broad knowledge of the Asian insurance markets will be a tremendous asset to us as we continue to drive forward our aggressive growth plans for the region. Following the Annual General Meeting, Roberto Mendoza will step down as a director and I would like to thank him for his significant contribution since he joined in 2000.

As we continue to grow our business in many different countries, we are committed to contributing to the social and economic well-being of the communities in which we operate, and we encourage our employees to participate in initiatives that strengthen those communities. In 2005 we launched the Chairman's Award, an international volunteering programme which gives all employees the opportunity to become involved with a local charitable project, and which provides financial support alongside the investment of our employees' time. The first awards under this programme were made in 2006 and I had the opportunity to spend time with one of the winning projects, and see at first hand the positive impact such initiatives can have, when the Board recently visited India. Alongside these community projects we also continue to invest heavily in financial capability as a core part of our corporate responsibility programme, since we recognise the important part we can play in enabling consumers to make informed financial decisions.

As one of the UK's leading property investors, we take our responsibility to the environment seriously. Our property arm, PRUPIM, has established a strong reputation for its thought leadership in the area of sustainability and continues to be the only real estate investment manager accredited to internationally-recognised environmental standard ISO14001. More details of our corporate responsibility programmes can be found later in this report.

Looking at the Group as a whole, we believe that the business today is in robust health, and faces exciting prospects in each of our chosen markets. The opportunities for growth, particularly in the retirement savings and income arena, are significant, and we feel confident that we have the skills and capabilities needed to take full advantage of them. As ever, the talents and commitment of our people around the world will remain critical to our success, and I would like to thank them for their vital contributions in 2006.