

## PRUDENTIAL PLC THIRD QUARTER 2004 NEW BUSINESS RESULTS

### **Strong performances across all businesses\***

- Total Group Insurance sales of £8.2 billion for the first nine months of this year, up 24 per cent.
- Total Group Insurance APE sales of £1.3 billion for the first nine months of this year, up 16 per cent.
- Prudential UK and Europe APE sales of £521 million in the first nine months of this year, up 19 per cent.
- Jackson National Life's (JNL) APE sales of £355 million in the first nine months of this year, up 18 per cent.
- APE sales at Prudential Corporation Asia of £394 million in the first nine months of this year, up 12 per cent with third quarter sales up 20 per cent on the second quarter.

Prudential's Group Chief Executive, Jonathan Bloomer, commented: "All our businesses continue to show a healthy momentum, building on the strong performance we delivered in the first half of the year.

With its broad product range and diversified distribution channels, the UK insurance business is building on its strengths and is well positioned to win customers as the market concentrates towards financially strong companies.

Jackson National Life's 18 per cent increase in APE sales demonstrates that it has the products and distribution channels to succeed in the US market.

Prudential Corporation Asia's sales momentum continues its upward trend with sales in the third quarter up 20 per cent on the second quarter and increasing month by month.

All our businesses are well positioned to take advantage of the clear opportunities in their respective markets."

\* The narrative is on constant exchange rates throughout. See Notes to Editors for further details.

### **UK and Europe Insurance Operations**

Prudential UK and Europe has continued to deliver strong results. Sales for the first nine months of 2004 of £521 million on an annual premium equivalent (APE) basis were up 19 per cent on the corresponding period in 2003. This principally reflects strong sales of corporate pensions (up 13 per cent), individual annuities (up 20 per cent) and unit-linked and international with-profits bonds (up 108 per cent).

APE sales in the third quarter of 2004 of £161 million were up 29 per cent on the third quarter of 2003.

#### Intermediaries

APE sales for the nine month period through the intermediaries channel were £207 million, 20 per cent higher than the equivalent period in 2003. This reflects the sustained growth in sales of unit-linked and international with-profits bonds where APE sales of £52 million were up 108 per cent. APE sales of individual annuities were 42 per cent higher reflecting Prudential's position as one of the market leaders in this area.

#### Partnerships

APE sales through our partnerships channel were £67 million, up 168 per cent on the same period last year. Sales during the third quarter of £29 million were up 222 per cent on the third quarter of 2003. This result reflects the strong growth in sales of credit life protection products through our agreements with Lloyds TSB and Alliance & Leicester, and annuities through our partnership with Zurich. APE sales of credit life protection products during the third quarter of 2004 were up 26 per cent on the second quarter. APE individual annuity sales in the third quarter of 2004 increased 33 per cent on the second quarter. Annuity sales from the partnership agreement with Pearl, which was launched in September 2004, will be reflected in the fourth quarter's results.

#### Business to business

APE sales through the business to business channel for the nine month period were £155 million, 6 per cent higher than the same period last year. APE sales of corporate pensions were £114 million, 4 per cent higher than the corresponding period of 2003. APE sales of bulk annuities of £25 million increased by 32 per cent over the same period last year and comprised 51 scheme wins.

#### Direct to customer

APE sales through the direct to customer channel for the nine month period were down 9 per cent to £83 million, but sales during the third quarter of £18 million were in line with the third quarter of 2003. The focus of this channel has been primarily on selling annuities to vesting individual pension customers, an increasing proportion of which are now being transacted through IFAs. PruFund and PruHealth campaigns have recently been launched into this channel.

#### Product launches

Prudential UK recently launched PruFund, a more transparent smoothed investment product. Illustrations were available from the end of August and the product opened for new business in mid-September. Early signs of interest have been encouraging although it is too early to predict how sales will develop. In October, we launched PruHealth, an innovative UK health insurance product linking health and fitness to the cost of premiums. The product has been developed through our joint venture with Discovery of South Africa.

## Persistency

In the interim results we reported a £15 million adverse persistency experience variance which arose from higher than expected surrenders of personal pension policies previously sold through the now closed direct sales force and also from Prudence Bond. Although Prudential is taking active steps to manage and improve the conservation of the in-force book, it is still seeing adverse experience on these policies and continues to monitor the position. In accordance with ABI guidelines for achieved profits accounting, the Board will review the success of the action taken and consider actual experience in setting assumptions for future experience at the year end.

## Summary

In the UK, we believe we will be a clear beneficiary as the market concentrates towards those financially strong companies with a broad product range and diversified distribution strategy.

## **M&G**

M&G recorded gross retail fund inflows of £1.2 billion in the first nine months of 2004, an increase of 36 per cent on the same period last year. Net retail fund inflows were £154 million. In the UK, M&G has continued to maintain solid fund inflows as a result of its strong retail brand, good fund performance and diversified product offering in fixed income, equities and, most recently, property. The success of M&G's focused expansion into European markets has been reflected in good sales in this area during the year.

Gross institutional fund inflows were £2.2 billion in the first nine months of the year, 5 per cent ahead of 2003. Net fund inflows were £463 million, a significant turnaround from the end of the first quarter when a single large redemption by a segregated fixed income client contributed to net outflows of £879 million. During the third quarter, M&G continued to progress its successful Collateralised Debt Obligation (CDO) programme with the launch of Ocelot, its first synthetic CDO. This reflects M&G's broadening expertise in this market and contributed £199 million to sales.

## **Jackson National Life**

Total APE sales for the first nine months of £355 million were up 18 per cent on the same period in 2003. Total retail sales for the nine months of £2.6 billion were up 6 per cent on 2003, as a result of strong variable and equity-linked indexed annuity sales, partially offset by lower fixed annuity sales. Retail sales in the third quarter were £902 million up 22 per cent on the same period in 2003, the result of increased sales of fixed and equity-linked indexed annuities.

## Variable annuities

Variable annuity sales of £1.5 billion were up 14 per cent on the first nine months of last year, reflecting consumers' confidence in the equity markets and JNL's strong product offering. JNL improved its market position to fourth at the end of the second quarter (in terms of net flow). Among the top 25 providers in the first six months of the year JNL's unbundled annuity product "Perspective II" was the best selling product (in terms of net flow) and its variable annuity net assets grew the fastest (Source

VARDS). The rate of take up of the fixed account option remained low, with 28 per cent of the variable annuity premium going into fixed accounts compared with 53 per cent in 2003. Jackson continues to develop its product range: in October, it added several new investment and benefit options to its unbundled Perspective II product, which customers can actively select and pay for.

#### Fixed annuities

Fixed annuity sales of £848 million were down 17 per cent on the first nine months of last year, due to the continued low interest rate environment in the US and the resulting lower crediting rates that limit demand for this product. However, recent interest rate moves have generated more interest in fixed and equity-linked indexed annuity products. In the third quarter, fixed annuity sales were up 15 per cent on the previous quarter and up 55 per cent on third quarter 2003.

#### Equity-linked indexed annuities

Equity-linked indexed annuity sales for the first nine months of £293 million were up 80 per cent on last year, reflecting the attractiveness of the products and customers' increasing preference for fixed products with the potential for higher returns linked to equity index performance.

#### Life

Regular premium life sales of £19 million for the first nine months were up 90 per cent on last year. This is the result of JNL's increased focus on its life business, including the introduction of several new products, such as variable universal life and the creation last year of a dedicated distribution team to focus on building relationships with life insurance agents.

#### Curian Capital

Curian Capital continues to build a strong position in the managed accounts market, with total assets under management at the end of the period of £432 million up from £147 million at the year end.

#### Institutional

Institutional sales for the first nine months of £730 million were up 66 per cent on 2003. As we reported in our half year results JNL took advantage of several attractive opportunities in the first half of 2004 but intends to focus on retail sales for the rest of the year. Consistent with this, institutional sales in the third quarter were £129 million, down 55 per cent on the previous quarter. JNL remains on track to deliver institutional sales of around £225 million for the second half of the year.

#### Summary

JNL is well positioned to maintain its strong growth and as reported in our half year results we expect it to return \$120 million cash to the Group this year and in future years.

#### **Prudential Corporation Asia**

Prudential's Asian operations showed strong momentum during the third quarter, with sales improving month on month. Overall APE sales of £145 million represented

growth of 20 per cent over the second quarter. APE sales of £394 million for the nine months are up 12 per cent on last year, up 21 per cent excluding discontinued sales in Japan.

Single premium products continue to be popular and while our primary focus remains on more profitable regular premium business, the proportion of single premium sales in the APE mix has increased to 12 per cent for the first nine months compared with 8 per cent for the full year 2003.

Following slower starts to 2004, both Malaysia and Taiwan have seen strong growth during the third quarter relative to the second, with increases of 36 per cent and 45 per cent respectively, driven principally by planned sales incentives and the successful launch of an innovative unit-linked product in Taiwan. Singapore recorded its strongest quarter of 2004 so far with a 20 per cent increase over the second quarter. Single premium unit-linked sales were particularly strong.

In Hong Kong, APE sales growth remains strong, increasing by 16 per cent for the first nine months of the year. However, the third quarter was slightly lower than the second due to the market's current preference for short-term traditional endowment policies and our strategy to manage our exposure to these less profitable products. Nevertheless, sales of single premium products, principally through bancassurance, grew 36 per cent for the first nine months, compared with the same period last year.

The life operation in Korea continued to show very strong growth in the first nine months of the year. However, this growth rate eased slightly in the third quarter with increasing volumes from the financial consultant and general agent channels offset by slower bancassurance sales as one of our partners recovers from the effects of industrial action. Korea also experienced increased competition in the direct channel.

In India, where we have a joint venture with ICICI Bank, growth in APE sales continues to be strong, increasing 140 per cent on 2003 for the first nine months. The growth rate did slow in the third quarter with a 17 per cent increase on the second quarter. Recently the industry has seen a slow down in new business growth, in part due to the introduction of the Senior Citizen Savings Scheme announced in the budget having a temporary impact.

Sales in China for the first nine months of the year are up 71 per cent compared with last year. We have been operating in Guangzhou for four years, and have a 14 per cent share of new business sales through the agency channel on an APE basis. We launched in Beijing in August 2003, and in Suzhou this September.

Sales in Indonesia in the third quarter were 33 per cent ahead of the previous quarter. Our business in Indonesia recovered from the effects of a court imposed administration period resulting from attempts to put the company into bankruptcy despite the business clearly being solvent. The bankruptcy decision has been overturned by the Indonesian Supreme Court. A bill to amend the bankruptcy law in Indonesia to prevent similar attempts has now been passed by the parliament and is awaiting Presidential notification.

In the third quarter of 2003, we implemented our new strategy in Japan to focus on more profitable product lines such as variable universal life and to improve our distribution. New business volumes this year have been slow, but we are starting to see some progress, which we continue to monitor. The third quarter 2004 was up 38 per cent compared with the second quarter.

Growth in Prudential's "Other" Asian operations slowed over the first nine months, mainly due to the impact of the Vietnamese market, which has seen a significant slowdown in growth rate after four years of strong sales following liberalisation of the market.

The Asian retail investment management business had £6.8 billion of funds under management at 30 September, with net inflows of £0.3 billion for the first nine months of the year. The net inflows were depressed by £767 million of net outflows in Taiwan in the third quarter following market concern about the liquidity of bond funds across the industry. The balance of the retail investment operations of Prudential Corporation Asia continue to record strong net inflows, with particularly strong growth in Korea and Japan.

### Summary

The sales momentum seen in the third quarter positions our Asian business well for a strong fourth quarter, in line with market expectations. We remain confident that the profitable growth being delivered in Asia is sustainable over the long-term and the business remains on track to begin remitting surplus capital to the group in 2006.

Prudential is hosting an analyst and investor visit to Kuala Lumpur and Ho Chi Minh City in the first week of November, when we will talk in more detail about our strategy, operations, products and distribution channels across the region.

### **Egg**

Egg has separately announced its third quarter results today.

**-ENDS-**

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### **Notes to Editors:**

1. There will be a conference call today for wire services hosted by Jonathan Bloomer, Group Chief Executive, and Philip Broadley, Group Finance Director at 7.30am. Dial-in telephone number: +44 (0) 20 8288 4530. Callers to quote "Prudential" for access to the call.

2. Sales for overseas operations have been reported using average exchange rates as shown in the attached schedules. Commentary is given on the results on a constant exchange rate basis. The two bases are compared in the table below.

	<b>Annual Premium Equivalent Sales</b>					
	<b>Actual exchange rates</b>			<b>Constant exchange rates</b>		
	<b>2004</b>	<b>2003</b>	<b>+/- (%)</b>	<b>2004</b>	<b>2003</b>	<b>+/- (%)</b>
	<b>YTD £m</b>	<b>YTD £m</b>		<b>YTD £m</b>	<b>YTD £m</b>	
<b>UK and Europe</b>	521	438	19%	521	438	19%
<b>US</b>	355	342	4%	355	302	18%
<b>Asia</b>	394	391	1%	394	353	12%
<b>Total</b>	1,270	1,170	9%	1,270	1,093	16%

	<b>Gross Inflows</b>					
	<b>Actual exchange rates</b>			<b>Constant exchange rates</b>		
	<b>2004</b>	<b>2003</b>	<b>+/- (%)</b>	<b>2004</b>	<b>2003</b>	<b>+/- (%)</b>
	<b>YTD £m</b>	<b>YTD £m</b>		<b>YTD £m</b>	<b>YTD £m</b>	
<b>M&amp;G</b>	3,451	3,024	14%	3,451	3,024	14%
<b>Asia</b>	13,776	13,309	4%	13,776	12,185	13%
<b>Total</b>	17,227	16,333	5%	17,227	15,209	13%

	<b>Total Insurance and Investment New Business</b>					
	<b>Actual exchange rates</b>			<b>Constant exchange rates</b>		
	<b>2004</b>	<b>2003</b>	<b>+/- (%)</b>	<b>2004</b>	<b>2003</b>	<b>+/- (%)</b>
	<b>YTD £m</b>	<b>YTD £m</b>		<b>YTD £m</b>	<b>YTD £m</b>	
<b>Insurance</b>	8,150	7,005	16%	8,150	6,553	24%
<b>Investment</b>	17,227	16,333	5%	17,227	15,209	13%
<b>Total</b>	25,377	23,338	9%	25,377	21,762	17%

3. Annual premium equivalent (APE) sales comprise regular premium sales plus one-tenth of single premium insurance sales.
4. Certain investment mandates previously reported as UK corporate pensions are now reported as M&G institutional investment flows. The impact is to reduce UK corporate pensions APE sales by £32 million for the full-year 2003 (£26 million for the first nine months of 2003).
5. US institutional products (previously referred to as "stable value products") consist of guaranteed investment contracts (GICs), funding agreements and medium-term notes backed by funding agreements.

\*Prudential plc, a company incorporated and with its principal place of business in the United Kingdom, and its affiliated companies constitute one of the world's leading financial services groups. It provides insurance and financial services directly and through its subsidiaries and affiliates throughout the world. It has been in existence for over 150 years and has £170 billion in assets under management, as at 30 June 2004. Prudential plc is not affiliated in any manner with Prudential Financial, Inc, a company whose principal place of business is in the United States of America.

#### **Forward-Looking Statements**

This statement may contain certain "forward-looking statements" with respect to certain of Prudential's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words "believes", "intends", "expects", "plans", "seeks" and "anticipates", and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances

which are beyond Prudential's control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate. This may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Prudential's actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in Prudential's forward-looking statements. Prudential undertakes no obligation to update the forward-looking statements contained in this statement or any other forward-looking statements it may make.