



PRUDENTIAL

PRUDENTIAL PLC 2004 NEW BUSINESS RESULTS

Record Group Insurance APE sales

- Record total Group Insurance APE sales of £1.85 billion, up 26 per cent on 2003
- UK & Europe APE sales up 40 per cent on 2003
- JNL total APE sales up 21 per cent on 2003
- Asia APE sales up 14 per cent on 2003
- M&G external funds under management of £28.7 billion up 19 per cent on 2003
- Prudential Corporation Asia investment operations' funds under management of £7.8 billion, up 19 per cent on 2003

Prudential's Group Chief Executive, Jonathan Bloomer, commented: "All our businesses are showing strong momentum, and we have delivered significant year-on-year sales growth in each of our markets.

Prudential UK's performance reflects its brand, financial strength and broad product range. The transition from direct sales force to multi-product, multi-channel distribution is nearing completion and we are well placed to continue to grow profitably in the UK market.

In the US, JNL's attractive product range, distribution proposition and service offering have combined to deliver its highest ever level of variable annuity sales, up 14 per cent on 2003.

New business growth in Asia reflects action we have taken in the region to focus on profitable and sustainable business. We have driven growth throughout the year, demonstrated by Q4 2004 APE sales up 25 per cent on Q3 2004 and full year APE sales up 14 per cent on 2003. Our joint venture with CITIC continues to develop in China, having been granted two new licences for Shanghai and Suzhou during 2004. It delivered growth of 70 per cent in new business APE sales on 2003. Our businesses in Asia are well positioned for further growth in 2005.

M&G's gross sales were up 54 per cent on 2003, reflecting significant growth in both retail and institutional business. 2004 marked a record year of retail business with gross inflows of £2 billion, up 61 per cent on the previous year.

News release

Corporate Relations
Prudential plc

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Prudential plc is a holding company, subsidiaries of which are authorised and regulated by the Financial Services Authority.

A strong contribution across each of our businesses helped to achieve record sales in 2004. With the presence we have established in our chosen markets we will continue to deliver profitable growth in 2005.”

*The narrative is on a Constant Exchange Rate (CER) throughout. For more details see Notes to Editors.

UK and Europe Insurance Operations

Prudential UK and Europe's APE sales were up 40 per cent on 2003 to £817 million. This included £111 million APE in relation to a substantial annuity transaction with Royal London which concluded in December¹. Excluding this transaction, Prudential UK and Europe reported year-on-year sales growth of 21 per cent.

APE sales in the fourth quarter of the year of £294 million were up 104 per cent on the fourth quarter of 2003 and 83 per cent up on the third quarter of 2004.

This increase in premium income has been achieved without any material change in commission rates and we expect the full year new business margin to be broadly in line with that achieved in the first half of 2004.

Partnerships

The Partnerships channel has had an outstanding year with APE sales of £206 million, an increase of 489 per cent on 2003 (including Royal London). Excluding the Royal London transaction, APE sales were £95 million, up 171 per cent on 2003. Fourth quarter sales of £27 million (excluding Royal London) were up 200 per cent on the fourth quarter of 2003. This result reflects the continued growth in credit life protection product sales through our partnership agreements with Lloyds TSB and Alliance and Leicester, up 224 per cent on 2003 APE sales to £81 million. It was also due to increased individual annuity sales through our agreements with Zurich and Pearl, the latter being launched in September 2004.

In the second half of 2005, the existing reinsurance agreement with Zurich will be replaced in terms of new business with a direct offer arrangement under which advisers of Openwork (formerly Zurich Advice Network) will sell Prudential's range of annuity products to their customers on an exclusive basis following the Openwork operational launch. In addition, we are announcing today a partnership agreement with St. James's Place (SJP) which will allow SJP Partners to sell on an exclusive basis Prudential's annuity products to their customers. This agreement becomes effective in May 2005 and will run for five years.

Intermediaries

APE sales through our intermediary channel were £267 million, a 17 per cent increase on 2003. This growth was achieved through increased sales of unit-linked bonds of £49 million (up 219 per cent), individual annuities of £118 million (up 42 per cent) and off-shore bonds of £27 million (up 32 per cent). Sales of unit-linked bonds in 2004 endorsed our commitment to developing our capability in this market. This included the recently-launched range of protected funds which were the first of a series of developments aimed at consolidating our position as a major unit-linked bond provider to IFAs.

Despite seeing reductions in sales of with-profit bonds during 2003, Prudential has the largest with-profits fund and believes there is still customer demand for products offering a smoothed investment return. To meet this demand we launched PruFund, our new transparent smoothed investment product in September. Savers invested £10 million (APE £1 million) in PruFund by the year-end.

We saw another very strong return on the Prudential With-Profits Fund in 2004, which delivered a pre-tax return of 13.4 per cent, compared with the FTSE All Share (Total Return) of 12.8 per cent. Over the last five years, the With-Profits Fund has delivered a pre-tax return of 20.8 per cent. Prudential's bonus declaration will be announced on 22 February 2005.

Business to Business

APE sales were up 14 per cent on 2003 to £223 million, with fourth quarter sales of £67 million up 60 per cent on third quarter 2004 sales. Corporate pension sales were £152 million, 6 per cent higher than in 2003. Our focus on the corporate market, differentiated service proposition and ability to work in partnership with Employee Benefit Consultancies provide us with a strong base for increasing our share of this market. APE sales of bulk annuities were £47 million, an increase of 62 per cent on 2003. Sales of bulks comprised 83 separate schemes, 32 of which were achieved in the fourth quarter. The pipeline of schemes considering buyout is strong with a high level of enquiries about our new Risk Management products launched in 2004, as well as our established bulk product.

Distribution

During the year, Prudential was appointed to the regulated multi-tie panels for Sesame, Millfield and THINC Destini (Prudential was also appointed as THINC Destini's single-tie annuity provider). In addition, earlier this week, Prudential was appointed to work with Tenet on the detailed design of Tenet's regulated multi-tie platform and was also appointed by Burns-Anderson to lead the design and formulation of its multi-tie proposition as well as securing a place on its regulated multi-tie panel. Prudential expects that a significant proportion of IFAs will add to their whole-of-market proposition with a panel approach, whereby they distribute the product range of a small number of life companies.

Depolarisation is also expected to have a significant impact on the bank distribution model in the UK, as banks are able to offer their customers products from a panel of different providers rather than from a single product provider. Any review by banks of existing single-tie relationships represents an opportunity for Prudential.

Summary

Prudential UK and Europe's performance in 2004 demonstrates our strength and breadth of distribution across a number of channels. We are well-placed to continue to benefit from the positive developments in the UK market.

Jackson National Life (JNL)

APE sales for the year of £453 million were up 21 per cent on 2003. Total retail sales of £368 million were up 12 per cent on 2003. Variable annuity sales growth in the first nine months (the latest period for which data is available) of 2004 was 14 per cent compared with 5 per cent market growth (Source: VARDS).

Retail APE sales in the fourth quarter were £95 million, up 30 per cent on the same period in 2003.

Variable annuities

JNL delivered record variable annuity sales during 2004, reflecting the benefits of its innovative product range, distribution proposition and service offering. Total APE sales of £198 million were up 14 per cent on last year. For the first nine months of the year, JNL had a top 10 market position in terms of variable annuity net flows and its unbundled annuity product "Perspective II" was the best selling variable annuity product in the US, in terms of net flows (Source VARDS). The rate of take up of the fixed account option continued at normal levels, with 29 per cent of the variable annuity premium going into the fixed accounts compared with 48 per cent in 2003.

Fixed annuities

Fixed annuity APE sales of £113 million were down 8 per cent on 2003, due to the continued low interest rate environment. The resulting lower crediting rates have limited demand for this product. However, recent interest rate moves have generated more interest in fixed and equity-linked indexed annuity products. In the fourth quarter, fixed annuity sales were up 5 per cent on the previous quarter.

Equity-linked indexed annuities

Equity-linked indexed annuity APE sales of £43 million were up 87 per cent on 2003, reflecting customers' increasing preference for fixed products with the potential for higher returns linked to equity index performance.

Life

JNL continues to focus on developing its life business to achieve a greater balance of fee, spread and underwriting income. A dedicated distribution team was created in 2003 to focus on building relationships with life agents and several new products have been introduced, such as variable universal life. Life APE sales of £14 million were 17 per cent up on 2003. An agreement to buy Life Insurance Company of Georgia was announced in November.

Curian Capital

In March 2003, JNL entered the Registered Investment Advisor channel with the launch of Curian Capital which provides innovative fee based separately managed accounts. It continues to build a strong position with total assets under management at the end of 2004 of £550 million compared with £139 million at the start of the year.

Institutional

Institutional APE sales of £85 million were up 98 per cent on 2003. JNL has taken advantage of attractive issuance opportunities as they have arisen during the year, and will continue to do so in 2005.

Summary

JNL is well positioned to grow faster than the market as current market conditions continue to favour companies which have a range of variable and fixed annuity product offerings, a relationship-based distribution model and award-winning service.

Prudential Corporation Asia

Insurance operations

Prudential's Asian operations continue to show good new business growth and reflect our focus on building a profitable and sustainable platform. Overall APE sales of £181 million in the fourth quarter of 2004 are up 25 per cent over the third quarter and reflect continued momentum across the region. APE sales of £576 million for the year are up 14 per cent on last year with underlying growth of 20 per cent excluding discontinued lines in Japan.

During 2004 we had great success in India in our life joint venture with ICICI (up 127 per cent at £34 million for our 26% stake) where our brand and ability to leverage product and distribution innovation has strengthened our position as the leading private sector life insurance provider. In Korea (up 113 per cent at £64 million), the large increase in APE sales has been driven by our successful multi-channel distribution and the launch of a variable universal life product.

New business APE for China at £17 million increased by 70 per cent over 2003 and the prospects for significant growth over the long term remain compelling. During 2004 we received licences for two more cities, launching our Suzhou operation in September and Shanghai's opening is planned for the first quarter of 2005. We expect our pace of expansion in China to increase during 2005 as more cities and provinces are opened up to foreign insurers.

Taiwan grew 23 per cent to £152 million with a continued focus on higher margin regular premium linked business in line with our strategic focus as discussed in the interim results. In the more established markets of Hong Kong, Singapore and Malaysia we continue actively to manage our business for sustainable and profitable growth. Average new business APE sales across these markets is 8 per cent higher than 2003.

The remaining 'other' operations continue to grow well and are building scale, but during 2004 we saw a softening of industry growth particularly in Vietnam after the initial explosive growth following liberalisation of the market.

Investment Business

Total investment product funds under management are £7.8 billion up 19 per cent on 2003. Net investment product inflows were £1.2 billion, down 22 per cent on 2003. Strong net inflows in Japan (£1.3 billion), and Korea (£0.4 billion) were partially offset by net outflows in Taiwan of £0.9 billion where industry-wide concerns over the liquidity of some bond funds unsettled the market during the second half of 2004. The Indian mutual fund market has seen a marked slowdown this year principally due to rising and volatile interest rates affecting the growth of fixed income funds. Despite a 90 per cent decrease in net inflows over 2003, we have maintained our number one position for funds under management in India's private sector with a market share at around 14%. In Malaysia, we have attained a top 5 position in the market, 3 years after launch.

Summary

Prudential Corporation Asia has a strong platform across the region with a well diversified portfolio of businesses clearly focused on delivering sustainable and profitable growth over the long term. We remain very positive on the outlook for 2005.

M&G

M&G enjoyed a significant increase in sales during 2004, with gross fund inflows up 54 per cent to £5.8 billion, reflecting its diversified product offering in the areas of retail fund management, institutional fixed income, pooled life and pension funds, property and private finance. Net fund inflows were up 48 per cent to £2 billion. External funds under management, which represent approximately one quarter of M&G's total funds under management, rose by 19 per cent during the year to £28.7 billion.

Gross retail fund inflows were a record £2 billion in 2004, up 61 per cent on the previous year, boosted by international sales and the success of the M&G Property Fund. Net retail fund inflows during 2004 were £417 million.

M&G's institutional business also had a successful year, especially in the areas of segregated fixed income and private finance, with gross fund inflows increasing 50 per cent to £3.9 billion. Net institutional fund inflows were £1.6 billion.

M&G believe that market conditions are now more positive for fund management companies and its businesses are well placed to capitalise on this due to their strong competitive positions in their chosen markets.

Egg

Egg will announce its full year results on 23 February 2005.

-ENDS-

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Notes to Editors:

- In December 2004, we reached an agreement with Royal London to reassure Scottish Life's approximately 60,000 in-force annuities, representing in excess of £1 billion of funds under management. Prudential is initially providing reassurance to Scottish Life (a division of Royal London) which will continue to make payments to annuitants, with Prudential reimbursing the annuity payments administered by Scottish Life. It is intended that the Scottish Life annuities will transfer to Prudential, subject to legal and regulatory approvals, by the end of 2005 when Prudential will take over responsibility for the administration and paying of all these annuitants.
- There will be conference call today for wire services hosted by Jonathan Bloomer, Group Chief Executive, and Philip Broadley, Group Finance Director at 7.45am (UK time). Dial-in telephone number: +44 (0) 20 8288 4530. Callers to quote "Prudential" for access to the call.
- There will be a conference call for investors and analysts at 2:30pm (UK time) hosted by Jonathan Bloomer, and Philip Broadley. Dial-in telephone number: UK callers: + 44 (0) 20 7162 0184, US callers: + 1 334 420 4951. Callers to quote "Prudential" for access to the call.
A recording of this call will be available for replay for one week by dialling:
UK: +44 (0) 20 7031 4064, US: +1 954 334 0342, Passcode 640410.
- 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.

Annual Premium Equivalent Sales

	Actual exchange rates			Constant exchange rates		
	2004 FY	2003 FY	+/- (%)	2004 FY	2003 FY	+/- (%)
	£m	£m		£m	£m	
UK and Europe	817	584	40%	817	584	40%
US	453	418	8%	453	374	21%
Asia	576	555	4%	576	506	14%
Total	1,846	1,557	19%	1,846	1,464	26%

Gross Inflows

	Actual exchange rates			Constant exchange rates		
	2004 FY	2003 FY	+/- (%)	2004 FY	2003 FY	+/- (%)
	£m	£m		£m	£m	
M&G	5,845	3,797	54%	5,845	3,797	54%
Asia	18,845	18,157	4%	18,845	16,864	12%
Total	24,690	21,954	12%	24,690	20,661	20%

Total Insurance and Investment New Business

	Actual exchange rates			Constant exchange rates		
	2004 FY	2003 FY	+/- (%)	2004 FY	2003 FY	+/- (%)
	£m	£m		£m	£m	
Insurance	12,130	9,183	32%	12,130	8,658	40%
Investment	24,690	21,954	12%	24,690	20,661	20%
Total	36,820	31,137	18%	36,820	29,316	26%

5. Annual premium equivalent (APE) sales comprise regular premium insurance sales plus one-tenth of single premium insurance sales.
6. 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 £31 million for the full-year 2003.
7. 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.