



A good first half result across the group

- **Strong growth in total sales of 44%**
- **Delivering effective change in the UK**
- **Egg continues to deliver growth**
- **Impressive, sustainable, expansion in Asia**
- **Diversification pays off at Jackson National Life**

- A good first half result across the group

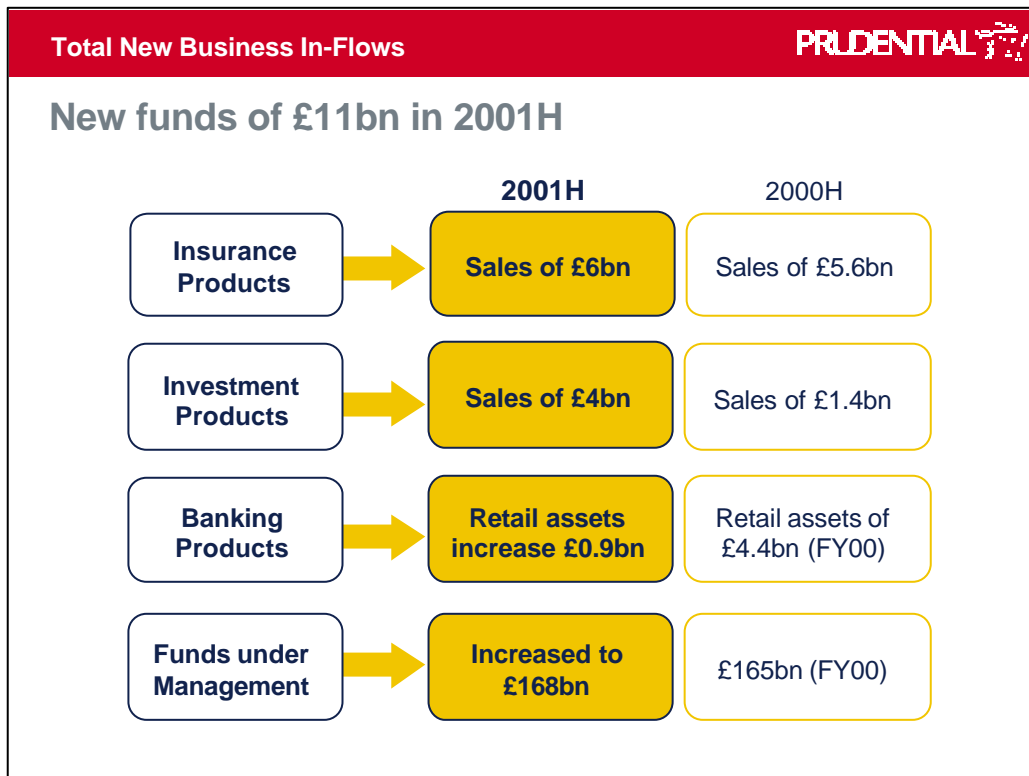
American General

- **Focus on growth and long-term shareholder value**
- **Significant advancement of US strategic goals**
- **Leadership in the US market**
- **Scale and resources for future development internationally**
- **Partnership with a quality scale player**

- Strategy to develop as a truly international retail financial services company by
 - broadening our geographic presence,
 - distribution channels,
 - diversifying range of products
- American General acquisition was in line with this strategy
- The US is the world's largest life insurance and retirement savings market and we intend to be a significant player in it.

Strategy going forward

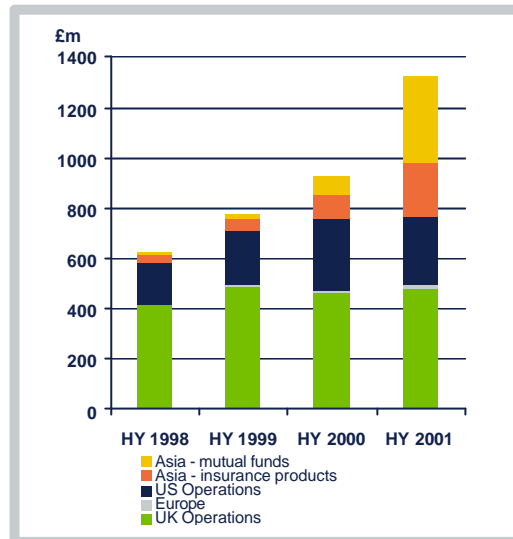
- **A leading international retail financial services player**
 - **A market leader in our chosen territories:**
 - Asia
 - UK/Europe
 - US
 - **Our ambition for US expansion remains**
 - **Balancing short-term and long-term strategies to deliver value to our shareholders**
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- A leading international retail financial services player
 - Our ambition for expansion in the US remains
 - Geographical and product diversity continues to pay off
 - Continue to explore value-enhancing acquisitions across the Group



- Total new business inflows in the first half of 2001 of £11bn
- Total insurance and investment sales of £10bn were 44% ahead of first half 2000
- On a like for like basis, excluding Taiwanese mutual funds, and Japanese insurance sales, total sales were £7.5bn

APE sales increase 43%

New Insurance and Investment Funds - APE



CAGR = 29%

- Sales compound growth of 29%
- APE sales for 2001 of £1,319m, 43% ahead of 2000
- Total Asian sales of £4,065m
- Total JNL sales of £2,616m
- Total UK sales (excluding M&G) of £2,816
- M&G sales of £499m were 24% below 2000

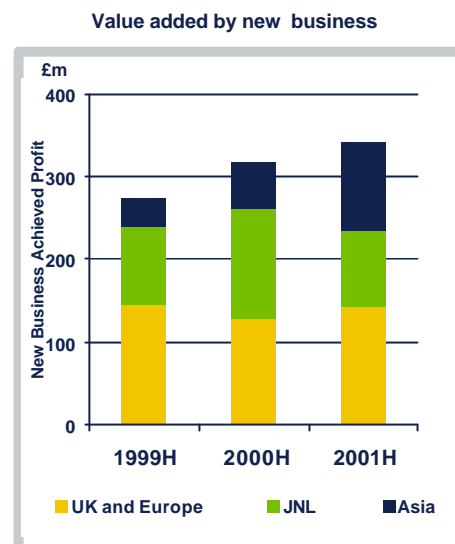
Total achieved profits

	2001H £m	2000H £m	
Operating profit (based on longer-term investment returns)			
New business	342	317	
Business in force	401	304	
Total long-term business	743	621	20%
Development costs for long-term business	(33)	(11)	
General business	35	35	
M&G	40	69	
Egg	(63)	(81)	
Broker dealer/PPMA	11	2	
Other income and expenditure	(56)	(49)	
Operating profit before exceptionals and amortisation	677	586	16%
DSF restructuring charge	(24)	0	
Operating profit	653	586	11%

- Total long term profits of £743m are up 20% on prior year
- New business profits up 8% to £342m
- Business in-force profits up 32% to £401m

New business profits up 8% on prior year

	2001H	2000H	
	£m	£m	%
UK Operations	140	123	14%
Jackson National Life	93	134	(31%)
Prudential Asia	106	56	89%
Prudential Europe	3	4	(25%)
Total	342	317	8%



- Increase driven by growth in Asia and the UK operations
- 14% improvement in UK due to a strong performance in pensions and annuities
- Jackson new business fell 31% due to a combination of sales mix and assumption changes for 2000, announced in February of this year
- Strong sales growth in Asia

Group margins*

Territory	NBAP £m	APE £m	% margin 2001H	% FY margin 2000
UK	140	416	33%	31%
US	93	272	34%	44%
Asia	106	211	50%	60%
Europe	3	12	25%	39%
Group	342	911	37%	40%

*Insurance sales only

- UK margins improved to 33%, reflecting the growth in bulk annuities, the efficiency of our corporate pensions distribution, and lower acquisition costs
- US fixed annuity market very competitive
- Increased proportion of US stable value sales in the first half
- Lower margin in Asia entirely due to mix effects given the significant changes in the profile of business written, including first half one off in Singapore CPF
- Margins in Europe decreased to 25% mainly due to higher acquisition expenses in Germany

In-force result

	UK £m	US £m	Asia £m	Europe £m	Total £m
Unwind of discount*	225	127	38	5	395
Jackson spread	0	(5)	0	0	(5)
Persistency	2	1	(2)	0	1
Change in renewal exp assumptions	15	0	0	0	15
Other	(5)	7	(8)	(3)	(9)
Long term investment gains	0	4	0	0	4
Total in-force	237	134	28	2	401
Long term business AP shareholders' funds	4.1	2.9	0.9	0.1	8.0
Other operations					1.1
Total AP shareholders' funds					9.1

- Total in-force profits broadly in line with the expected result
- US in-force profits £134m, up from £72m in 2000

Achieved profits basis results

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Egg	(63)	(81)	
Broker dealer/PPMA	11	2	
Other income and expenditure	(56)	(49)	
Underlying total operating profit	677	586	16%
DSF restructuring charge	(24)	0	
Operating profit before amortisation of goodwill	653	586	11%

- Development costs of £33m include investment in long term businesses in Asia (£22m) and Europe (£11m)
- Profits in M&G down on 2000 reflecting the impact of the transfer of M&G life and pensions business to Scottish Amicable, the sale of the institutional equity business, and reducing fee income due to lower equity markets
- Egg on target to break even during Q4
- Full costs for DSF restructuring reflected in the first half

10% increase in achieved EPS

	2001H £m	2000H £m
Operating profit before amortisation of goodwill	653	586
Receipt of break fee from American General*	338	0
Profit on business disposals	0	223
Amortisation of goodwill	(47)	(41)
Short-term fluctuation in investment returns	(580)	(223)
Profit before tax	364	545
Effective rate of tax on operating profit	31%	28%
Operating earnings per share (p)		
Achieved profits basis	23.4p	21.3p
Statutory basis	13.4p	15.7p
Dividend per share	8.7p	8.2p

*net of expenses

- £338m break fee is pre-tax, net of £85m expenses
- Interim dividend of 8.7p - an increase of 6.1% on 2000
- £580m primarily reflects fall in equity markets

MSB operating profit

	2001H £m	2000H £m
UK - long term insurance	208	218
UK - general insurance	35	35
M&G	40	69
Egg	<u>(63)</u>	<u>(81)</u>
UK operations	220	241
US operations	220	230
Asian operations (pre development costs)	22	16
European operations (pre development costs)	2	4
Other	<u>(56)</u>	<u>(55)</u>
Underlying profit	408	436
DSF restructuring charge	(13)	0
Development costs for long term business	<u>(33)</u>	<u>(11)</u>
	<u>362</u>	<u>425</u>

- Group profits before development expenses and exceptional charge are down 6% at £408m
- Principally reflects:
 - lower bonuses in UK
 - lower profits from US (economic conditions and reduction in VA fees)
 - lower M&G profits

Investing to grow the business

	2001H £m	2000H £m
Group operating PAT & minority interests	264	306
American General Corporation merger break fee	240	0
Proceeds from disposals	0	193
New share capital subscribed	26	28
	530	527
New investment in businesses	(210)	(60)
Reinvested in businesses to finance growth	(96)	(161)
Timing differences and other items	(77)	(170)
	147	136
Dividends declared	(172)	(162)
Holding company net funds movement	(25)	(26)

- New investment in business incorporates £134m for Orico Life, £16m for other Asian business, £10m for Europe and £50m working capital for shareholder backed UK businesses
- Achieved profits shareholders funds at 30th June 2001 were £9.1bn, 3% ahead of the 2000 year end position
- Net borrowings at 30th June this year were £1573m versus £1697m at the full year

Summary

- **Total group sales of over £10bn, up 44%**
- **New business achieved profit of £342m, up 8%**
- **Achieved operating profit of £677m (before exceptional), up 16%**
- **Total group funds under management of £168bn**
- **6.1% increase in dividend to 8.7p per share**

- Strong result in both new business sales and in total achieved profits

International retail financial services group of scale

- **Leading positions in established markets**
 - **Rapid expansion in high growth markets**
 - **Innovative and diversified product portfolios**
 - **Breadth and scale of distribution**
 - **Strong customer base**
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- Focus to be one of the leading financial services companies in the world
 - We continue to diversify our products and distribution channels

Maintaining a leading UK presence

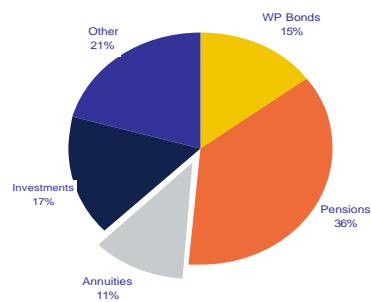
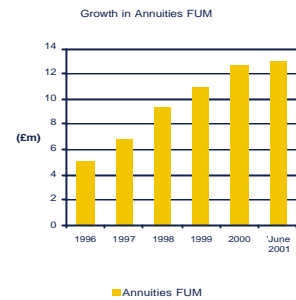
Product	Traditional DSF	Traditional intermediary	IFA Extranet	Worksite	Direct	Internet
Individual pensions		●	●		●	
Corporate pensions		●		●		●
Stakeholder		●		●		
Non-linked life	●		●		●	●
Linked life	●		●		●	
Annuities						
- Individual non-profit	●				●	
- Individual with-profit	●				●	
- Bulks		●				
Investment products	●				●	●
General insurance					●	●
Third party products						●
Deposit accounts						●
Credit cards					●	●
Mortgages/loans						●

KEY: ● Present in 1996 and 2001 ● Present in 2001

- Some of the biggest financial services brands and customer bases in the UK
- Domestic business has undergone a transformation since 1996
- Five years ago operated under one brand, no bank channel, no internet capability, no substantial retail asset management base. Intermediary distribution generated only a third of total UK sales
- Now a broadly based multi-brand, multi-product, multi-distribution model
- Continuing to change, innovate and evolve across our UK business, diversifying both products and distribution

Annuities

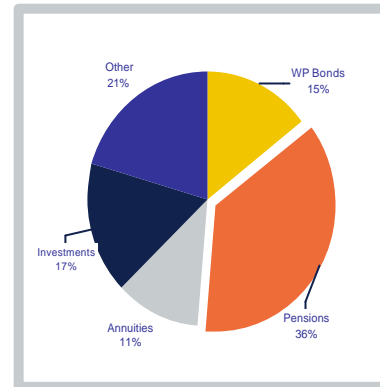
- No 1 player in UK annuity market, with 22% market share
- Funds under management of £13bn
- Industry-leading product innovation: FRIA
- Bulks: fully established business
- Shareholders to participate directly in future growth



- Leading market position in the UK annuities market
- Launched innovative, flexible annuity products
- New bulk annuity business written within a shareholder-financed operation

Pensions

- **£44bn funds under management**
- **Provide DC schemes to >20% of employees who are members of occupational schemes**
- **Provide to 1 in 4 individual personal pension holders**
- **Actively pursuing large DC and stakeholder schemes**
- **Strength of brand attractive to SMEs**

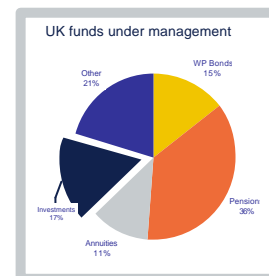
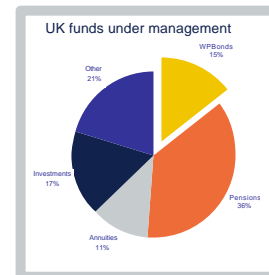


- Focus on schemes with access to large number of employees where premium income will materialise quickly
- DC provider to companies or authorities which employ over 20% of members of an occupational pension scheme
- Provider to 23% of 7m people in the UK who have started individual pensions in the UK
- Stakeholder pensions present a further opportunity
- Over 9,000 SMEs have directly registered with us

With profit bonds and investment products

- **With profit bonds**
 - over ½m WP bond customers
 - 25% of total WP Bond market*
 - No 1 player with £15bn FUM
- **Investment products**
 - 2nd largest UK unit trust manager
 - >£16bn FUM
 - stakes in 2 leading fund supermarkets

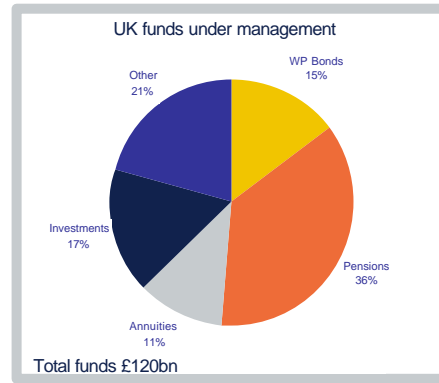
* estimate, based on FUM



- £15bn of funds for over ½m WP Bond customers, 25% of the market by funds under management. Prudence Bond sales improved by 5% in 2Q over 1Q
- Second largest unit trust manager in the UK, £16bn retail unit trust FUM - market share of over 6%.
- Egg and Cofunds already captured more than £220m of funds

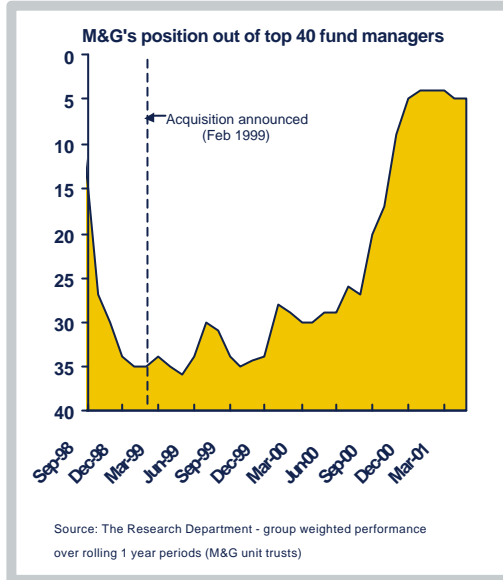
UK insurance operations

- **A scale player**
- **Efficient manufacturing**
- **Building new distribution**
- **A platform for the future**



- Focus on bringing costs down
- Building up our service related sales proposition. Nearly 60% of individual pension top-up sales in the first half were through remote channels
- Improved platform for future growth

M&G: maintaining strong fund performance



- Revitalised research process
- Diversification of investment style

- Strong performance in a number of its equity and fixed interest funds
- Life fund has continued to outperform its benchmark during 2001
- Ranked in the top five fund managers based on performance over one year

M&G: focused on delivery

- **Building on strategic strengths:**
 - broad product range and distribution reach
 - pan-group product initiatives
 - focused business model
- **UK Retail performing well in difficult conditions**
- **Approach to internal funds delivering competitive advantage**
- **Investing in natural extensions to business model**

- Integration of M&G with PPM complete
- Continues to invest in new areas: Europe and Cofunds
- Investing in technology to further improve service levels and lower unit costs
- Good sales of fixed interest products
- Market share has increased by 15%

Egg: first half highlights

- **Customer numbers top 1.7m (H12001: 370k acquired)**
 - **Customer acquisition costs falling**
 - **Retail assets grew by 21% in six months to £4.5bn - card balances now exceed £1.5bn**
 - **Widening net interest margins (H12001: 169 bps; H1 2000: 73 bps)**
 - **Total revenue up 130% to £76.2 million (H12000: £33.2 m)**
 - **Loss before tax on plan at £63.4m (H12000: £80.7m)**
 - **Remain on track for breakeven during Q4 2001**
 - **Strategic alliance with Microsoft**
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- Continue to recruit new customers at a rate of more than 60k per month
 - Clear path to breaking even in Q4 01
 - European commercial alliance with Microsoft

Investment in Europe

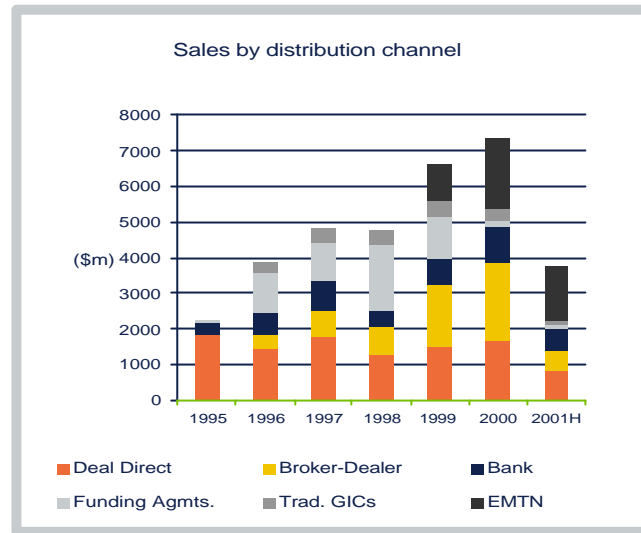
- **Multi-brand opportunities**
 - **Building partnerships**
 - **Further investment in pan-European infrastructure**
 - **New French operations well ahead of plan**
 - **Vorsorge plan re-launched in Germany**
 - **Launch of second generation internet business in Germany**
- Continuing to increase range of products, services and distribution channels

JNL will continue to grow from a position of strength

- **Top 20 US life insurance company**
- **Since acquisition***
 - 19% year-on-year compound growth in value
 - 33% year-on-year compound growth in profits
 - 23% year-on-year compound growth in sales
 - \$34bn compound growth in FUM
- **Positioned to reap rewards of demographics offered in world's richest economy**

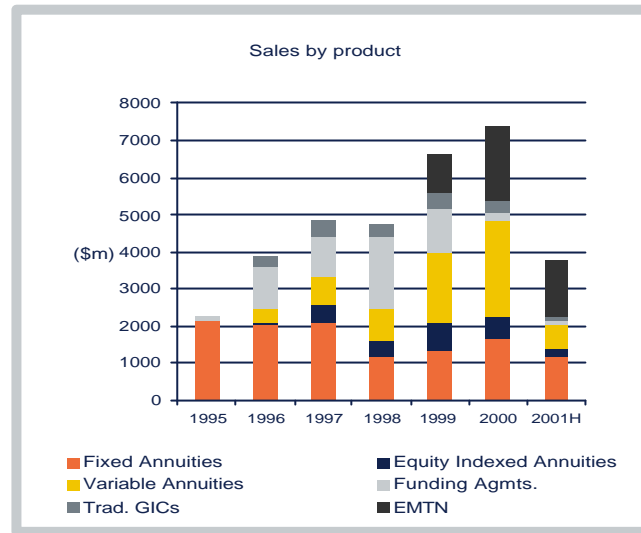
*From 1986 to year end 2000

- Benefits of Jackson's product and channel diversification are evident in a tough market
- Broadened distribution channels
- Increased profitability
- Significant increases in sales, profits and value

62% of 2000 sales via channels established since 1995

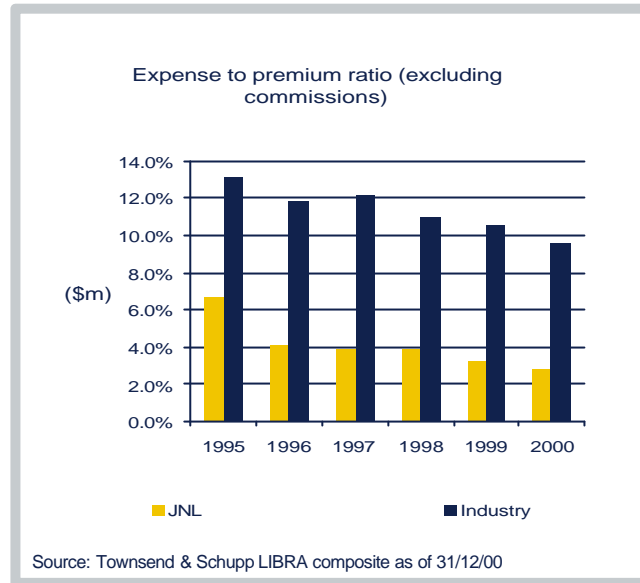
- 62% of sales last year achieved through channels established since 1995
- Created 5th largest and fastest growing independent broker dealer in the US

27% year-on-year growth in sales since 1995



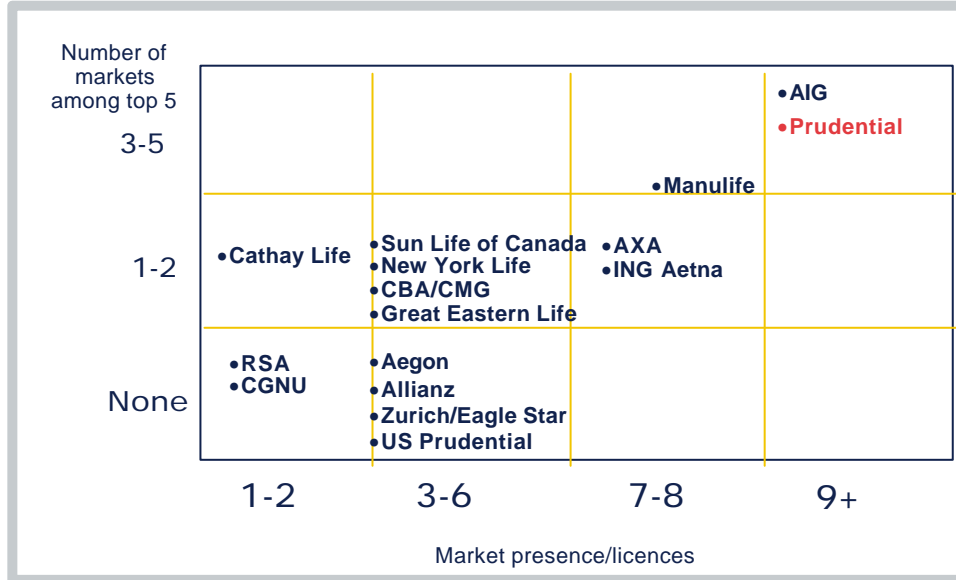
- Enhanced product portfolio helps to insulate against different economic environments
- We will continue to expand our product portfolio

Industry-leading operational efficiency



- Operational efficiency well ahead of the market and continues to improve

A regional life insurance leader



- 20 operations across 11 countries
- Growth markets, with combined population of 2.5bn
- Only 2 major regional players, in top right hand box

Country	HK	Sin	Mal	Thai	Indo	Phil	Vietnam	India	Taiwan	China	Japan
Products											
Life: traditional	●	●	●	●	●	●	●	●	●	●	●
unit-linked	●	●	●		●			●		●	●
Mutual funds	●	●	●					●	●		●
General	●		●								
Distribution											
Agency	●	●	●	●	●	●	●	●	●	●	●
Bank	●	●	●	●	●			●	●	●	●
Broker	●	●						●	●		●
Direct	●	●						●	●		●
	● 1994	→ 1995	→ 1996	→ 1997	→ 1998	→ 1999	→ 2000	→ 2001	●		

- **PCA established as a regional leader with exceptional breadth of operations**
- **Consistently outperforming industry growth rates**

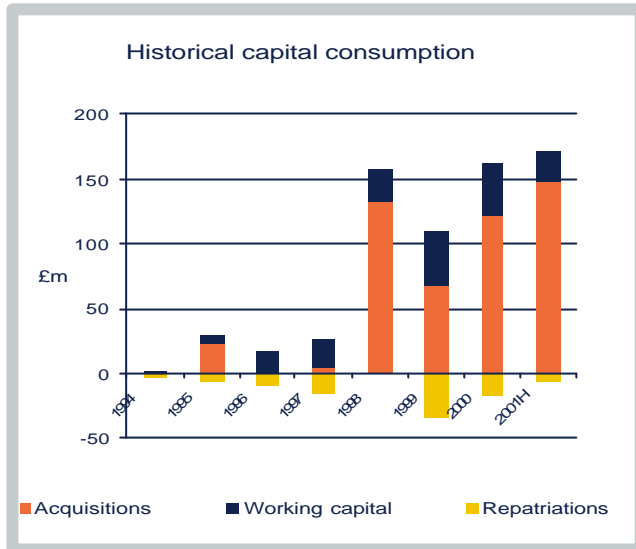
- Scope of businesses has grown significantly
- Although agency continues as primary channel, bancassurance is becoming increasingly important
- Number of customers increased from 150k in 1994 to 2.2m today

Significant opportunities in Japan

- **Good time to enter the Japanese market**
 - one of the largest retail financial services markets in the world
- **Orico Life gives a financially and operationally sound platform for growth**
- **Relaunched as PCA Life on 2 July 2001**
- **Business is being reconfigured to maximise value creation in this rapidly-changing market**
- **Initial priorities:**
 - building infrastructure to support quantum increase in scale
 - upgrading distribution
 - establishing brand
 - introducing new, profitable products

- Average household savings of US\$140,000
- Very attractive demographics in liberalising market
- Orico offers multi-channel distribution and a broad product portfolio
- Japan will become an increasingly significant part of our Asian presence

Capital invested in Asia since 1994



Summary (1994 to HY 2001)

	£m
Acquisitions	449
Working capital	226
Repatriations	(94)
Net capital	581

- No transforming deals, but we will make acquisitions wherever they add value
- Reviewing market entry opportunities in Korea

Driving the business forward

- **Strong first half performance**
 - **Focus on value**
 - **Broad, international business**
 - **Sound financial position**
 - **Strategy for growth is clearly in place**
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- Ambitious long-term plans for growth internationally
 - Strong platform and clear strategy

