

Embargo 07.00am, Thursday 18 October 2001

PRUDENTIAL PLC THIRD QUARTER 2001 NEW BUSINESS RESULTS

- **Record group total insurance and investment sales of £15.1 billion for the nine month period, up 54 per cent (£2 billion on APE basis, up 50 per cent).**
- **International sales account for 68 per cent of total sales, up from 53 per cent in 2000.**
- **Total UK insurance sales £4.2 billion in the nine month period (£627 million on an APE basis) up 12 per cent on same period in 2000.**
- **Total Asia insurance and investment sales of £6.4 billion, nearly five times greater than the first nine months of 2000 (£888 million APE, up 250 per cent).**
- **Jackson National Life strong sales of fixed annuities and stable value products.**

Prudential plc reported record insurance and investment sales of £2 billion, on an annual premium equivalent basis, in the first nine months of 2001, with growth of 50 per cent over the same period in the prior year. Total group insurance and investment premiums were £15.1 billion, over the nine months.

Prudential group chief executive, Jonathan Bloomer, comments:

"I am pleased to report strong growth in sales in the first nine months of 2001, achieved against a background of difficult markets and an uncertain economic climate. These figures reflect the benefits of a financially strong company which is growing internationally, broadening its distribution reach and diversifying its product range.

"Following the attacks on the US in September, our thoughts go out to those who lost their lives or have been injured and, of course, to their families and friends. Our direct exposure following these events is extremely limited. Additionally, our UK long-term fund remains strong. Over two years ago we began reducing our investment allocation away from equities, and therefore, following the market falls after 11 September, we have not needed to make any change to the life fund's asset mix. Furthermore, the strength of our overall capital position and life fund has meant that we have not been inhibited from writing new business during this uncertain period."

United Kingdom Insurance Operations

The UK insurance business recorded sales of £627 million in the first nine months of 2001 on an APE basis, an improvement of 12 per cent on last year. Total sales for the period were £4.2 billion. Single premium sales were up 12 per cent and regular premium sales were up 11 per cent, on the same period in 2000.

Strong sales via our intermediary channels were £360 million in the nine months of 2001 on an APE basis, a 28 per cent improvement on 2000, with particularly strong sales in bulk annuities and individual pensions. Excluding bulk annuity sales, intermediary weighted sales were £312 million, a 16 per cent improvement on the same period last year.

Sales through our direct channels, in the first nine months of 2001, on an APE basis, were £268 million, down 5 per cent on the prior year period. This result is due to a fall in life and individual pension sales following the closure of the direct sales force in the second quarter of 2001. However, this was offset in part by a switch towards sales of regular premiums from single premiums in corporate pensions.

Our service related sales (SRS) proposition was introduced following the closure of the direct sales force. There are early signs of success in attracting pension top-up business through this channel and we are planning to expand the range of products we market through SRS. Since April 2001, over 30,000

remote pension top-ups have been sold, twice the volume sold via face to face advice in the same period last year

We continue to lead the annuity market. Total sales of annuities for the first nine months of this year of £1.4 billion (APE £136 million), an improvement of 51 per cent on the same period in 2000. From 1 September 2001, in addition to bulk annuities, all externally sold non-profit individual pension annuities are being written in a shareholder financed company.

The single premium with-profit bond market has remained strong in the third quarter of 2001. Intermediary distributed with-profit bonds in the third quarter are £534 million, a 51 per cent improvement on sales achieved in the second quarter of 2001. Market share is being regained because of the strength of our product offering and brand.

Sales of corporate pensions, on an APE basis, have increased by 22 per cent on the nine-month period. Our concentration has been on securing schemes with access to a large number of employees and where premium income will materialise quickly. We now have corporate and stakeholder designations that give us access to around 3.5 million lives, including the joint management of the NHS stakeholder and AVC schemes, giving us access to up to 1.1 million customers.

M&G

Total investment sales in the first nine months of 2001 were £704 million, 19 per cent lower than the same period in 2000, which included an exceptional loan note rollover of £105 million. Excluding this, sales were 8 per cent lower than the same period of 2000. This compares favourably with industry data (AUTIF) which shows gross retail industry sales in the period January to August 2001 were 17 per cent lower than January to August 2000.

Sales of fixed income products were £400 million, 15 per cent up on the first nine months of 2000. Fixed income sales account for 57 per cent of total sales, demonstrating the strategic importance of a wide range of product offerings, particularly given the current difficulties of equity markets.

Egg

Egg reported its third quarter results on 17 October, highlights are:-

Net interest income increased by £43.7 million to £98.3 million for the first nine months of 2001, reflecting an increase in net interest margin to 1.85 per cent.

The number of Egg customers increased by 453,000 during 2001 to over 1.8 million, with 83,000 acquired during the third quarter of 2001. The cross sales ratio has grown to 1.4 with 112,000 products sold to existing customers in the third quarter of 2001.

Egg announced a strategic alliance with Microsoft in July. Subject to regulatory clearance, Egg has now concluded deals with Microsoft's consumer portal, MSN, which will make Egg Invest available in France and Germany.

Egg remains on track to breakeven at some point during the fourth quarter of 2001. With operating income growing strongly quarter on quarter and costs remaining flat, Egg is moving confidently towards profitability.

Europe

Total sales through Pru Europe in the first nine months of 2001 were £54 million, double that for the same period last year of £27 million. This positive result was primarily due to strong sales of Pru Vie. On an APE basis, sales were £18 million, an improvement of 6 per cent on the same period last year.

Jackson National Life, USA

Total Jackson National Life (JNL) sales of single premium business in the first nine months of 2001 were £3.8 billion, 2 per cent lower than the same period of 2000. Strong sales of fixed annuities and stable value products were offset by weaker sales of variable annuities and equity-linked annuities. Sales of equity-based products have been affected by the ongoing turmoil in the equity markets and fierce competition from companies chasing top line growth at the expense of product profitability.

Total sales of fixed annuities have increased to £1.38 billion, up 74 per cent. This reflects the successful execution of JNL's strategy to provide diversified products, which are responsive to changing market conditions, through multiple distribution channels and especially reflects the success of the bank distribution channel. In the third quarter of 2001, JNL's retail sales increased more than 6 per cent over the third quarter 2000, an impressive result considering the current environment. In fact, third quarter 2001 was JNL's best quarter in five years for net sales flow of fixed and indexed annuities.

Stable Value products sales have increased by 20 per cent to £1.6 billion, principally reflecting the success of the recently launched Global MTN programme.

Variable annuity sales continue to be adversely affected by the on-going volatility in the US equity markets with total sales of £613 million recorded, some 56 per cent lower than the same period in 2000. JNL has maintained its market position, being ranked 9th in this market, on a net sales basis in the first half of 2001 (source: Financial Research Corporation).

JNL's direct exposure to the events in the United States of 11 September is limited to our term assurance business and, on our current estimates, our liability from this business is unlikely to exceed US\$1 million.

Asia

Total insurance and investment sales in Asia at the end of the third quarter 2001 were £6.4 billion, an improvement of nearly 400 per cent on the corresponding period last year.

Total funds under management in the Asian mutual fund business, at £2.5 billion, grew 50 per cent in the first nine months of 2001.

Sales of insurance products for the first nine months of 2001 were £333 million, on an annual premium equivalent basis, up 109 per cent on the same period last year. Alternative distribution channels generated 15 per cent of year-to-date new APE life sales, up significantly compared to last year. Sales for regular premium insurance of £277 million were up 98 per cent on the same period last year. Single premium insurance sales of £556 million were up 196 per cent and net mutual fund sales of £896 million were up 186 per cent. Prudential's 36 per cent share of BOCI Prudential MPF sales in Hong Kong were £71 million.

This strong growth reflects PCA's successful strategy of entering new markets, strengthening and diversifying distribution channels and launching customer-centric products. All operations have recorded excellent year-to-date growth on last year. We also have contributions from our new life operations in Japan, China and India, plus our 36 per cent share of BOCI Prudential MPF in Hong Kong. As expected, single premium sales in Singapore have slowed during this quarter following the exceptional first half of the year attributed to the liberalisation of the Central Provident Fund.

The global economic slowdown is starting to have an impact on the region and is visible in the economies of countries such as Taiwan and Singapore. While the third quarter 2001 new business numbers have been strong across all of our operations throughout the Asian region, we do see the possibility for growth rates easing in the fourth quarter as a result of the global economic slowdown. However, the long term growth potential of our Asian businesses remains excellent.

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NOTES TO EDITORS:

Newswires Conference Call at 7.30am

Dial in number: 020 8401 1043

Chair: Geraldine Davies

Investor Conference Call at 2.30pm:

Dial in number: 020 8240 8248

Participants quote Prudential

Replay will be available until 25 October 2001

The dial in number for replay: 020 8288 4459

Pass code 631392

1. Annual premium equivalent sales comprise regular premium sales plus one tenth of single premium sales.

2. **Financial Calendar:**

Payment of 2001 interim dividend

Full-year new business figures 2001

Announcement of 2001 full-year results

Ex-dividend date for 2001 final dividend

First quarter new business figures 2002

Annual General Meeting

Payment of final dividend

Interim Results 2002

Thursday 29 November 2001

Wednesday 16 January 2002

Tuesday 26 February 2002

Wednesday 20 March 2002

Thursday 18 April 2002

Thursday 9 May 2002

Wednesday 29 May 2002

Wednesday 24 July 2002