

## NEWS RELEASE



# PRUDENTIAL

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### PRUDENTIAL PLC FULL YEAR 2007 NEW BUSINESS RESULTS

All figures in the table below are for the 12 months to 31 December 2007, with comparisons to 2006 at constant exchange rates.

	<b>APE</b>	<b>Growth</b>
<b>Total Group Insurance</b>	£2,874 million	21%
<b>Total Group Retail Insurance</b>	£2,598 million	25%
<b>Asia</b>	£1,306 million	44%
<b>US</b>	£671 million	19%
<b>UK Retail</b>	£715 million	4%
<b>UK Total</b>	£897 million	0%
<b>Asia Fund Management</b>	Net inflows of £3 billion up 23%	
<b>M&amp;G</b>	Net inflows of £5 billion down 19%	

Mark Tucker, Group Chief Executive said:

"2007 has been another very strong year for the Group. These extremely positive new business results demonstrate continued growth across Prudential. The combination of our geographic diversification, world class product innovation, strength in distribution and the power of our brands continues to deliver excellent broad based growth.

"These results demonstrate the fundamental attractiveness of Asia as the fastest growing region of the world's life assurance markets and Prudential's proven ability to capture a material and growing share of the market.

"As we look ahead into 2008 the general economic outlook is uncertain and it remains to be seen how far this will impact upon the appetite to save. In the US and the UK our primary focus is on the retirement market, where demand is less sensitive to a general economic downturn than in other sectors. We therefore expect to see further profitable growth in both these markets, and to maintain our long term sector out-performance in the US. In Asia, the fundamentals underpinning economic growth remain powerful and our businesses are very well placed to benefit, although we do not currently expect growth in 2008 to reach the very high levels achieved in 2007. The outlook for the Group therefore remains positive."

## Highlights

- Prudential Corporation Asia sales were up 44 per cent, with particularly impressive performance in India and Indonesia, two of the region's largest markets.
- Jackson, the Group's US insurance business, recorded new business growth of 19 per cent.
- Prudential UK continued its solid performance based on delivering value in the retirement market where it can generate attractive returns. In the fourth quarter, it completed the transfer of Equitable Life's portfolio of in-force with-profits annuities the largest transfer of its kind in the UK.
- In asset management, Asian net fund inflows of £3 billion were up 23 per cent. M&G experienced net inflows of £5 billion which, while 19 per cent lower than 2006, still represent the second highest year on record in very challenging markets.

## Commentary on Full Year 2007 New Business Results

### Asia insurance operations

Prudential Corporation Asia 2007 APE sales were £1,306 million, up 44 per cent compared to 2006. Prudential's Asian insurance operations' fourth quarter new business of £367 million saw growth of 35 per cent over a strong fourth quarter in 2006. On the PVNBP basis, 2007 sales were £7.0 billion, 44 per cent higher than 2006.

The strong growth reflects success in implementing our core regional priorities:

- Expanding the scale and increasing the productivity of our agency operations across the region.
- Further enhancement of partnership distribution.
- Introduction and roll out of healthcare products.
- Development of a holistic approach to promotion of retirement savings.

Prudential's success continues to be driven by the unique combination of a powerful regional brand, multi-channel distribution, the strength and depth of the local experience of our regional management team and our ability to deploy technical and product expertise from around the Group into Asia.

Prudential's product portfolio in Asia continues to reflect its success in developing an increasingly broad range of unit-linked products that provide customers with the flexibility to match the investment funds with their life stage needs and risk appetites. In 2007, the proportion of unit-linked business in terms of APE increased to 71 per cent from 65 per cent in 2006.

The proportion of regular premium business sold remains high at 86 per cent, on an APE basis, reflecting the long term commitment of customers to their Prudential products. Non tied agency distribution continues to generate 30 per cent of Prudential's APE premiums.

During 2007, Prudential has continued to expand and strengthen its distribution capabilities. Excluding India, average agent numbers were up 10 per cent to 112,000 and, significantly, average agent productivity, in terms of APE per agent, was up 31 per cent.

In **India**, the ICICI-Prudential Life joint venture has seen continuing significant investment in the rapid expansion of the agency force across the country with average agent numbers increasing to 238,000, up 123 per cent. This has driven an increase in 2007 APE of 67 per cent which equates to £180 million for Prudential's 26 per cent stake in the joint venture. India's fourth quarter sales of £54 million showed an increase of 78 per cent over 2006.

Prudential is rapidly establishing itself as a leader in the retirement savings space with its highly appealing 'What's your number?' campaign that has now been launched in six markets. As previously reported, the launch was particularly successful in **Taiwan** where, when combined with a new retirement orientated variable annuity product and sales incentives in the second quarter, it invigorated the operation and was a major contributor to the 71 per cent growth in APE to £231 million recorded during the year. Fourth quarter sales of £39 million represented an increase of 15 per cent over 2006.

**Indonesia** was a significant contributor to Prudential's APE growth during 2007 at £121 million up 75 per cent on 2006. Prudential continues to leverage its market leading position to expand the Indonesian agency force with the agency activity rate increasing by 34 per cent and the average agent productivity up 30 per cent. Fourth quarter sales of £43 million is a doubling of APE compared with 2006 and included the Takaful product launch in September 2007.

In **Korea**, 2007 APE of £259 million was up 25 per cent on 2006, significantly ahead of the market growth. As previously reported the caps on bank distribution restrict growth in the bancassurance channel, but this has been offset to some extent by the addition of Industrial Bank of Korea as a partner in April 2007. Fourth quarter sales of £67 million were up 27 per cent compared to 2006 aided by the launch of a new retirement campaign, a new universal life product and a variable annuity product.

**Hong Kong's** 2007 APE of £167 million was up 30 per cent on 2006, reaffirming its position as a successful multi-channel distributor in a competitive market with both agency and bank distribution growing strongly. The retirement campaign launched in the first quarter showed good momentum throughout 2007. Fourth quarter sales of £53 million were up 17 per cent compared to 2006.

In **Singapore**, 2007 APE of £126 million was up 20 per cent on 2006, with the main driver of growth being the agency channel. The emphasis in this market is on agent productivity where Prudential delivered an increase of 21 per cent. Fourth quarter sales of £38 million were up 14 per cent compared to 2006. Singapore also launched a very successful new health product in August 2007, PruShield, with 63,000 policies issued, by 31 December 2007.

In **China**, 2007 APE sales of £47 million were up 24 per cent on 2006. Fourth quarter sales have been incorporated in Group results at 50 per cent of APE to reflect the change in the right to appoint the CEO in accordance with the original agreement with CITIC. Fourth quarter sales of £9 million were up 19 per cent on a comparable basis.

Prudential's other Asian operations all remain well placed and delivered good growth. **Malaysia's** 2007 APE of £82 million was up 15 per cent compared to 2006 and still exceeded the market rate of growth. Encouragingly, **Vietnam** returned to growth with 2007 APE of £24 million up 44 per cent compared with 2006 after the recent post liberalisation market slowdown. After a change in regulations and receiving the final regulatory approvals, Prudential launched unit-linked products in Vietnam on 19 January 2008. **Japan's** new business APE of £34 million for 2007 is up 183 per cent compared to 2006 driven mainly by Term Life products where the tax benefits are expected to be withdrawn in the first quarter 2008.

## **US insurance operations**

Jackson, Prudential's US insurance business, delivered APE sales of £671 million in 2007, representing a 19 per cent increase on 2006. This was primarily driven by continued growth in sales of variable annuities. APE sales in the fourth quarter of 2007 were £160 million, up 15 per cent over the same period in 2006. On a PVNBP basis, new business sales for 2007 were £6.7 billion.

Jackson delivered record **variable annuity APE** sales of £455 million in 2007, up 29 per cent on 2006. Variable annuity APE sales for the fourth quarter of 2007 were £114 million, up 20 per cent over the same period in 2006. At the end of September 2007, Jackson had increased its variable annuity market share to 5.1 per cent, up from 4.6 per cent for full year 2006, and maintained its ranking of 12th in gross variable annuity sales (Source: Morningstar Annuity Research Centre). Jackson also ranked second in variable annuity net flows in both the second and third quarters of 2007 (Source: Morningstar Annuity Research Centre). This significant growth in variable annuity sales was driven by Jackson's distinct competitive advantages of an innovative product offering, a relationship-driven distribution model and award winning customer service.

Throughout 2007 Jackson maintained its track record for product innovation by enhancing its variable annuity offering. Specifically, in December Jackson launched a new guaranteed minimum withdrawal benefit (GMWB), a new guaranteed minimum income benefit (GMIB) and five new portfolio investment options.

**Fixed annuity** APE sales of £57 million were 10 per cent down on 2006. APE sales in the fourth quarter of 2007 were £15 million, six per cent down on 2006. Industry sales of traditional fixed annuities were 20 per cent lower for the first nine months of 2007 compared to the same period of 2006 (Source: LIMRA). Entry spreads for fixed annuities continued to be challenging in the second half of 2007 as the interest rate environment limited the crediting rates that could be offered on the products.

**Fixed index annuity** sales continued to be affected by the uncertain regulatory environment in the US, and industry sales were three per cent lower in the first nine months of 2007 compared to the same period last year. Jackson's APE sales of £45 million were 12 per cent down on 2006. APE sales in the fourth quarter of 2007 were £10 million, six per cent down on 2006. In the third quarter of 2007, Jackson ranked first in fixed index annuity sales through banks for the ninth consecutive quarter (Source: The Kehrler-LIMRA Report). Jackson continues to pursue profitable growth and hence has been unwilling to compromise target margins in this market.

**Institutional** APE sales of £94 million were up 15 per cent on 2006. Jackson continues to participate in this market on an opportunistic basis where margins are attractive.

**Curian Capital**, a specialised asset management company that provides innovative fee-based separately managed accounts, continues to build its position in the US retail asset management market with total assets under management at the end of December 2007 of £1.7 billion, up from £1.2 billion at the end of December 2006. Curian generated record deposits in 2007 of £663 million, up 57 per cent on 2006.

### **UK insurance operations**

In 2007, Prudential UK continued its strategy of selectively competing in those areas of the retirement savings and income market where it can generate attractive returns. In a market where pricing has become increasingly competitive, retail APE sales of £715 million were up four per cent on 2006, driven principally by strong performances in individual annuities, corporate pensions, with-profit bonds and lifetime mortgages.

Total APE sales for the year of £897 million were in line with those achieved in 2006, however the 2006 figure included £63 million of wholesale credit life sales under a contract that was not renewed in 2007. Total sales on a PVNBP basis were in line with 2006 at £7.6 billion.

APE sales in the fourth quarter of £368 million were 55 per cent higher than the same period of 2006 and included the completion on 31 December 2007 of the transfer of Equitable Life's portfolio of in-force with-profit annuities.

**Individual annuity** sales for the year of £283 million were up four per cent on 2006, with growth driven by the continued strength of the UK's internal vesting pipeline and increasing sales emerging through its partnership arrangements. The market for annuity sales through intermediaries became more competitive in the fourth quarter, with sales 26 per cent below the same period last year as Prudential focused on maintaining margins rather than pursuing volume.

Given increasing longevity in the UK, the effects of inflation are becoming more important for consumers. Prudential remains the market leader in the growing with-profits annuity market with sales of £48 million in 2007, up 30 per cent on the previous year. An income drawdown product was launched in the fourth quarter of 2007, adding to Prudential's range of retirement solutions and providing customers with additional options to manage their retirement income. Prudential now has approximately 1.5 million annuities in payment.

**Corporate pensions** sales increased 10 per cent year-on-year to £247 million. This strong growth was due to a combination of new schemes, increasing scheme membership and incremental contributions to existing schemes.

Prudential UK's total **retail with-profits** business performed very strongly across a range of products with total sales of £231 million up 21 per cent on 2006. With-profits bond sales of £41 million were up 59 per cent year-on-year, including an 89 per cent increase in sales during the fourth quarter of 2007 compared with 2006. Sales of PruFund were particularly strong during 2007 at APE £19 million on the back of investment out-performance. Prudential's with-profits products offer a medium to long-term, medium risk investment with exposure to a diverse range of assets that is particularly important to many customers against the backdrop of market uncertainty.

In 2007, Prudential's **lifetime mortgage** business again increased its share of the lifetime mortgage market and benefited from its distinctive drawdown product and strong brand. Sales grew sharply during the year with mortgage advances in 2007 of £156 million up 75 per cent on 2006, including increased draw-downs from our growing number of existing customers.

Sales of **PruHealth** are not included in the total APE sale numbers. During 2007, PruHealth continued to grow strongly with gross written premiums of £64 million up 80 per cent on 2006. This business now covers 142,000 lives, reflecting an emphasis on individual and SME business, success in introducing new

distribution deals, a focus on high quality corporate schemes and a strong renewal rate among individual customers.

In the **Wholesale bulk annuity and insurer back-book** market, Prudential UK achieved a 26 per cent year-on-year increase with sales in 2007 of £180 million. In the fourth quarter, it completed the transfer of Equitable Life's portfolio of in-force with-profits annuities the largest transfer of its kind in the UK in 2007. The transfer represented APE new business premium of £174 million with approximately 62,000 new policies. In the previous year Prudential completed two back-book insurer deals with a total volume of £143 million.

Prevailing pricing levels for bulk annuities were insufficient to meet Prudential's return on capital requirements, based on its view of future longevity improvements, and Prudential UK chose not to write business at those un-economic levels in 2007.

## **Asset Management**

### **M&G**

Strong investment performance led to M&G delivering gross fund inflows of £14.7 billion during 2007, an increase of nine per cent on the previous year, reflecting M&G's leading positions in retail funds management, institutional fixed income, pooled life and pension funds, property and private finance. Net fund inflows of £5.0 billion, while 19 per cent down on last year, were the second highest on record.

M&G saw significant strong growth in its external funds under management, reaching £51.2 billion at the end of 2007, an increase of 14 per cent during the year. M&G's external funds under management have more than doubled over the past five years as M&G has continued to diversify its business across retail and wholesale markets, both in the UK and internationally.

M&G's **retail** business performed well in 2007, with gross fund inflows up 29 per cent to £8.7 billion compared to the previous year. Net fund inflows of £2.7 billion were down 12 per cent relative to 2006, but represent a solid result in light of the more challenging sales environment that was seen in the second half of 2007. Fourth quarter retail net inflows remained healthy at £0.3 billion against this backdrop. While increased volatility and uncertainty in markets have had an effect on retail investor confidence, M&G remains well positioned in its retail markets with outstanding fund performance, a strong brand and an excellent UK and international distribution network.

Gross fund inflows into M&G's **wholesale** businesses, were £6.1 billion in 2007, a decrease of 10 per cent on last year. Net fund inflows of £2.2 billion were down 25 per cent compared to 2006, in the main due to reorganisation of mandates in the third quarter by some large segregated fixed income clients. Higher margin product lines, such as infrastructure finance, leveraged loans, collateralised debt obligations (CDOs) and M&G Absolute Return Business, grew strongly in 2007 with gross fund inflows up 30 per cent and net inflows up 38 per cent during the year. These higher margin wholesale business lines boosted fourth quarter net inflows to over £1 billion, producing a more profitable sales mix for M&G's third party business.

### **Asian Fund Management Business**

The Asian Fund Management business has continued to perform well in 2007 with net flows of £3 billion, up 23 per cent compared to 2006. This is primarily driven by strong performance in India, Japan and Taiwan. Of the £3 billion in net flows, 69 per cent were in longer-term equity and fixed income products with 31 per cent in shorter-term money market funds. Although down from 2006, the fourth quarter of 2007 has been encouraging with net flows of £587 million.

Total third party funds under management were £17.4 billion, up 39 per cent on 31 December 2006. India, Taiwan and Japan were the main contributors to this growth with funds under management increasing by 65 per cent, 49 per cent and 46 per cent respectively.

Growth of funds under management continued to be driven by innovative products launched in different countries across the region. In **Japan**, the growth in funds under management (net flows of £1.2 billion) was due to the PCA Growing Asia Equity Open, India Infrastructure Equity and Asia Oceania Equity funds. **Taiwan's** growth was driven by the successful launch of the Asian Infrastructure Fund in May that raised £230 million, its regulatory cap, as well as a discretionary mandate from The Public Service Pension Fund and institutional clients that contributed £100 million supported by positive market movements. This resulted in our domestic mutual funds market ranking rising to fourth as of 30 November 2007 compared with a ranking of 10th a year previously.

Asia Fund Management launched a retail mutual fund business in **Hong Kong** in October 2007. Since launch, six distribution relationships have been signed, including banks, financial advisers and an online portal. Sixteen International Opportunities Funds have been approved by the Hong Kong regulator.

The **United Arab Emirates** operation also made good progress, with 13 distribution agreements signed since its launch a year ago and with funds under management of £397 million.

In **Singapore**, Asia Fund Management's Dragon Peacock Fund is now the largest equity fund in Singapore with funds under management of £500 million. As a result, our Singapore retail unit trust business has risen to number three market ranking, making us the largest foreign player in Singapore.

**Korea** saw net outflows of £379 million, £123 million of which was from short term MMF funds. The remaining outflow of £256 million in 2007 was partly as a result of a number of our derivatives funds terminating early as the targeted rate of return had been achieved.

On 12 August 2007, Prudential increased its stake in CITIC Prudential Fund Management, its joint venture with CITIC Group in **China** from 33 per cent to 49 per cent, following approval from the regulators. Prudential and CITIC remain primary shareholders, each with 49 per cent share with the balance of two per cent being held by China-Singapore Suzhou Industrial Park Venture Company.

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#### **Notes to Editor:**

1. Annual premium equivalent (APE) sales comprise regular premium sales plus one-tenth of single premium insurance sales and are subject to rounding.
2. Present Value of New Business Premiums (PVNBP) are calculated as equalling single premiums plus the present value of expected new business premiums of regular premium business, allowing for lapses and other assumptions made in determining the EEV new business contribution.
3. UK Retail sales include all products except bulk annuities and credit life sales.
4. There will be a conference call today for wire services at 07.30am (GMT) hosted by Mark Tucker, Group Chief Executive, and Philip Broadley, Group Finance Director. Dial in telephone number: +44 (0)20 8609 0793. Passcode: 155439#
5. There will be a conference call for investors and analysts at 09:30am (GMT) hosted by Mark Tucker, Group Chief Executive, and Philip Broadley, Group Finance Director. From the UK please call +44 (0)20 8609 0793 and from the US 1866 793 4279. Pin number 487687#. A recording of this call will be available for replay for one week by dialling: +44 (0)20 8609 0289 from the UK or 1 866 676 5865 from the US. The conference reference number is 200642#.
6. High resolution photographs are available to the media free of charge at [www.newscast.co.uk](http://www.newscast.co.uk) (+44 (0) 207 608 1000).

7. 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		
	2007 Q4	2006 Q4	+/- (%)	2007 Q4	2006 Q4	+/- (%)
	YTD	YTD		YTD	YTD	
	£m	£m		£m	£m	
UK	897	900	(0%)	897	900	(0%)
US	671	613	9%	671	565	19%
Asia	1,306	956	37%	1,306	909	44%
Total	<u>2,874</u>	<u>2,470</u>	<u>16%</u>	<u>2,874</u>	<u>2,374</u>	<u>21%</u>

	Gross Inflows					
	Actual Exchange Rates			Constant Exchange Rates		
	2007 Q4	2006 Q4	+/- (%)	2007 Q4	2006 Q4	+/- (%)
	YTD	YTD		YTD	YTD	
	£m	£m		£m	£m	
M&G	14,745	13,486	9%	14,745	13,486	9%
US	60	-	-	60	-	-
Asia	38,954	20,408	91%	38,954	19,816	97%
Total	<u>53,759</u>	<u>33,894</u>	<u>59%</u>	<u>53,759</u>	<u>33,302</u>	<u>61%</u>

	Total Insurance and Investment New Business					
	Actual Exchange Rates			Constant Exchange Rates		
	2007 Q4	2006 Q4	+/- (%)	2007 Q4	2006 Q4	+/- (%)
	YTD	YTD		YTD	YTD	
	£m	£m		£m	£m	
Insurance	16,344	15,094	8%	16,344	14,515	13%
Investment	53,759	33,894	59%	53,759	33,302	61%
Total	<u>70,103</u>	<u>48,988</u>	<u>43%</u>	<u>70,103</u>	<u>47,817</u>	<u>47%</u>

8. For Jackson, market share data is provided for year to September 2007, being the latest available. Variable annuity data is sourced from Morningstar Annuity Research Centre, fixed annuity data is sourced from LIMRA and fixed index annuities data is sourced from LIMRA and The Kehrler-LIMRA Report.

9. **Financial Calendar:**

Full Year Results 2007	14 March 2008
First Quarter 2008 New Business Results	17 April 2008
Annual General Meeting	15 May 2008
Interim Results 2008	31 July 2008
Third Quarter 2008 New Business Results	21 October 2008

\*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 £256 billion in assets under management, (as at 30 June 2007) 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.