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## **PRUDENTIAL PLC FIRST QUARTER 2004 NEW BUSINESS RESULTS**

- Total Group insurance and investment sales of £8.6 billion, up 22 per cent on the first quarter of 2003.
- Group APE (annual premium equivalent) insurance sales of £433 million, up 13 per cent.
- UK and Europe APE insurance sales of £186 million, up 9 per cent.
- Prudential wins membership of Sesame multi-tie panel.
- Jackson National Life's (JNL) total sales of £1.2 billion, up 33 per cent.
- APE sales at Prudential Corporation Asia (PCA) of £125 million up 4 per cent.

\* All comparisons above and the narrative below are quoted at constant exchange rates. See Notes to Editors for further details.

Prudential's Group Chief Executive, Jonathan Bloomer, commented:

"This is a very positive set of results, reflecting the healthy position in which the Group ended 2003.

"The UK sales are particularly pleasing given the low level of consumer confidence in medium and long-term savings.

"The US results are excellent following two years of record retail sales at JNL and the successful management of JNL's capital last year.

"In Asia, PCA continues to show good growth - some of our newer markets such as Korea and India performed particularly well, while in Taiwan and Japan our focus has been on improving the overall profitability of the products we sell. We were delighted to secure a third life licence in China in the first quarter of this year.

"The success of Prudential's international diversification was recognised today when we received the Queen's Award for Enterprise in the International Trade category, reflecting the outstanding growth in our overseas operations in recent years."

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

Prudential UK and Europe had a good start to the year delivering the highest APE sales for five quarters. Total sales in the first quarter of £1,482 million were 12 per cent higher than the same period in 2003. APE sales were £186 million, up 9 per cent.

APE sales of corporate pensions through the business-to-business channel were up 21 per cent on the comparable period in 2003 to £35 million. This performance reflects continued success in winning new scheme mandates (up 167 per cent) and in adding new members to existing schemes (up 23 per cent). An encouraging number of employers have signed partnership agreements with Prudential UK to improve financial education for employees in the workplace and we believe this will deliver significant sales growth in the future.

The continued interest in Prudential's bulk annuities resulted in excellent sales in the first quarter of this year. Single premium sales of £139 million were almost double that achieved over the same period in 2003. Individual annuity APE sales of £45 million were 12 per cent

lower than the comparable period in 2003. This reflects the decision not to chase unprofitable business, due to the significant increase in price competition over the last six months, but sales were in line with those achieved in the fourth quarter of 2003.

APE sales of unit-linked and international with-profit bonds of £14 million were twice the level recorded in the comparable quarter in 2003. This reflects sustained growth in the sales of these products by intermediaries which were up on the fourth quarter of 2003 by 13 and 53 per cent respectively. General market conditions for with-profit bonds remain challenging - IFA sales of with-profit products contracted by 80 per cent in 2003. APE sales in the first quarter were 57 per cent lower than in the same period last year.

Partnership APE sales, principally protection contracts through high street bank branches of £19 million, were more than double the comparable period in 2003.

Prudential has been appointed to continue work with Sesame on the detailed design and delivery of its multi-tie proposition and has secured a place on its multi-tie panel. Prudential is the first appointed provider and subsequent appointments will be announced later in the year as a consequence of the work being undertaken with Sesame. Sesame has over 6,500 IFAs representing approximately 25 per cent of the UK IFA marketplace. As a result of its appointment, Prudential is very well positioned to increase its market share.

While this will continue to be a challenging year for the life insurance industry in the UK, Prudential is cautiously optimistic about its own prospects due to its competitive advantage as a result of its scale, brand recognition, financial strength and low cost base.

## **M&G**

Gross fund inflows into M&G and Prudential branded retail products during the first quarter of 2004 were £357 million, a 22 per cent increase on the same period last year. Gross ISA fund inflows increased during the quarter, up 4 per cent to £50 million. While gross sales remain strong, net sales reduced because of a shift in the retail market away from fixed income, resulting in a net fund outflow of £7 million over the quarter.

In its institutional business, M&G's first quarter net fund flows were significantly affected by a single large redemption by a segregated fixed income client. Institutional fund flows are by their nature volatile and this redemption reflects a change in strategy by the client. As a result, gross fund inflows were £365 million during the quarter, with net fund outflows of £879 million. M&G's private finance business continued to develop strongly with the successful launch of its second leveraged loan Collateralised Debt Obligation, for which inflows of €375 million will be reported in the second quarter's new business figures.

## **Jackson National Life**

JNL recorded total sales in the first quarter of 2004 of £1.2 billion, 33 per cent higher than the same period of 2003, driven by strong sales of variable annuities and institutional products. Total retail sales of £879 million were down 2 per cent on the same period of 2003, but 23 per cent ahead of the fourth quarter of 2003.

Variable annuity sales of £473 million were up 23 per cent on the first quarter of 2003, reflecting the recovery in equity markets in the second half of 2003 and JNL's strength in product design and distribution. As indicated at the full-year, the rate of election of the fixed account option within variable annuities reduced in 2003 and for the first quarter of 2004, 25 per cent of variable annuity sales went into fixed accounts compared with 48 per cent during the full-year 2003.

Fixed annuity sales of £332 million were 29 per cent down on the first quarter of 2003, reflecting the continued low interest rate environment in the US limiting demand for this product.

Sales of equity-linked indexed (ELI) annuities of £71 million were 83 per cent higher than the same period of 2003. Regular premium life sales of £3 million were in line with those recorded in the first quarter of 2003.

Institutional sales for the first quarter of 2004 were £311 million. There were no institutional product sales recorded in the first quarter of 2003, reflecting JNL's focus on retail markets, and the active management of its capital position during last year. Institutional sales are made opportunistically, based on capital availability and return expectation. The tight spread environment currently constrains the opportunities for sales of institutional products. However, JNL took advantage of several attractive issuance opportunities in the first quarter. Should those opportunities continue to present themselves, JNL will participate in the market.

At 31 March 2004, funds under management for Curian Capital LLC, JNL's registered investment advisor channel, had grown to £244 million (US\$448 million), up from £148 million (US\$266 million) at the 2003 year-end.

JNL has made a strong start to the year. It has actively and successfully managed its capital position and is well placed as markets in the US continue to recover.

### **Prudential Corporation Asia**

PCA's insurance new business APE sales for the first quarter of 2004 of £125 million were up 4 per cent on the same quarter in 2003. Excluding Japan, where the business strategy has been refocused, sales were up 13 per cent.

The improving economic environment and recent growth in Asian stock markets has also helped increase sales of more profitable unit-linked products. In Taiwan while absolute volumes of new business were 28 per cent lower than last year, unit-linked product volumes have more than doubled. Traditional products have also been re-priced in Taiwan and consequently the average new business margin has increased significantly.

Both Hong Kong and Singapore grew strongly, with Hong Kong experiencing an exceptionally strong first quarter APE growth of 41 per cent over last year with increases in both regular and single premium sales. In Singapore sales of single premium unit-linked products benefited from improved stock market sentiment combined with a continued low interest environment. In Malaysia sales were 27 per cent lower than last year but we anticipate a strong second quarter based on monthly sales trends.

PCA Life Korea continues to demonstrate impressive growth with APE sales in the first quarter of 2004 of £15 million, up 270 per cent compared with the same period last year driven by the implementation of its successful multi-channel distribution model where financial advisers, general agents, direct marketing and bancassurance all contribute approximately equally to new business.

In the remaining six markets sales were collectively up 45 per cent with India growing by 164 per cent, China by 57 per cent and Indonesia by 98 per cent offset by a 26 per cent decline in PCA's "Other" markets.

PCA's fund management business also benefited from the improved environment with total investment product funds under management in Asia as at 31 March 2004 of £6.7 billion up 7 per cent on 31 December 2003 with net inflows of £0.3 billion for the quarter, improved from net redemptions of £ 0.1 billion for the same period last year.

In the first quarter 2004, growth in new business achieved profits outpaced sales growth as PCA focused on higher margin products, particularly in Japan and Taiwan rather than pure sales volume. With positive political, economic and investment market factors for the region and PCA's proven strategy of focusing on sustained profitable growth, we anticipate strong sales growth for the remainder of 2004.

## Egg

Egg has separately announced its first quarter 2004 results today. On 26 January, Prudential announced that it had begun a process that would give a number of potential purchasers an opportunity to make a proposal which may or may not lead to a transaction relating to its approximately 79 per cent shareholding in Egg. This process is continuing.

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### Notes to Editors:

1. There will be a conference call today for wire services at 8:00am hosted by Jonathan Bloomer, Group Chief Executive and Philip Broadley, Group Finance Director. Dial in telephone number: +44 (0) 20 8288 4700. Callers to quote "Prudential" for access to the call.
2. There will be a conference call for investors and analysts at 2:30pm hosted by Jonathan Bloomer, Group Chief Executive. Dial in telephone number: UK callers: +44 (0) 20 7162 0183, US callers: +1 334 420 4950. 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 8288 4459, US: +1 334 323 6222, Passcode 700762.

3. High resolution photographs are available to the media free of charge at [www.newscast.co.uk](http://www.newscast.co.uk) (+44 (0) 20 7608 1000).
4. Sales for overseas operations have been reported using average exchange rates as shown in the attached schedules. Commentary is given on the results at constant exchange rates. The two bases are compared in the table below.

	Annual premium equivalent sales					
	Actual exchange rates			Constant exchange rates		
	2004 £'m	2003 £'m	+/- (%)	2004 £'m	2003 £'m	+/- (%)
UK & Europe	186	171	9%	186	171	9%
US	122	105	16%	122	92	33%
Asia	125	133	(6%)	125	120	4%
Total	433	409	6%	433	383	13%

	Gross inflows					
	Actual exchange rates			Constant exchange rates		
	2004 £'m	2003 £'m	+/- (%)	2004 £'m	2003 £'m	+/- (%)
<b>M&amp;G</b>	722	1,184	(39%)	722	1,184	(39%)
<b>Asia</b>	4,909	3,790	30%	4,909	3,452	42%
<b>Total</b>	<b>5,631</b>	<b>4,974</b>	<b>13%</b>	<b>5,631</b>	<b>4,636</b>	<b>21%</b>

	Total insurance and investment flows					
	Actual exchange rates			Constant exchange rates		
	2004 £'m	2003 £'m	+/- (%)	2004 £'m	2003 £'m	+/- (%)
<b>Insurance</b>	2,936	2,546	15%	2,936	2,396	23%
<b>Investment</b>	5,631	4,974	13%	5,631	4,636	21%
<b>Total</b>	<b>8,567</b>	<b>7,520</b>	<b>14%</b>	<b>8,567</b>	<b>7,032</b>	<b>22%</b>

5. Annual premium equivalent (APE) sales comprise regular premium sales plus one-tenth of single premium insurance sales.
6. Investment mandates previously reported as UK corporate pensions in 2003 are reported as M&G institutional funds under management. The impact of this is to reduce UK corporate pensions APE sales by £15 million for the first quarter of 2003 and by £32 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.
8. Prudential's Queen's Award for Enterprise win has been announced in a separate press release today. This can be found on Prudential's website at [www.prudential.co.uk](http://www.prudential.co.uk)
9. **2004 Financial Calendar:**

Annual General Meeting	Thursday 6 May
Payment of 2003 final dividend	Wednesday 26 May
2004 Interim Results/ Second quarter New Business Figures	Tuesday 27 July
Ex-dividend date	Wednesday 18 August
Record date	Friday 20 August
Third quarter New Business Figures	Tuesday 19 October
Payment of interim dividend	Thursday 29 October

### 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.