

Embargo: 07.00 hrs Thursday 17 April 2003

## **PRUDENTIAL PLC FIRST QUARTER 2003 NEW BUSINESS RESULTS**

- **Total Group insurance and investment sales of £7.7 billion, in line with first quarter 2002.**
- **Group APE (annual premium equivalent) insurance sales of £424 million, down 7 per cent on first quarter 2002.**
- **UK insurance APE sales of £213 million, down 4 per cent on first quarter 2002, on the previously reported basis. Following a change in presentation, UK insurance APE sales were £185 million, down 14 per cent.**
- **Jackson National Life APE retail insurance sales of £105 million, up 46 per cent on first quarter 2002.**
- **Prudential Corporation Asia APE insurance sales of £133 million, up 39 per cent on first quarter 2002.**
- **Total retail and institutional funds under management of investment operations of £25.1 billion (£19.9 billion in the UK and £5.2 billion in Asia), up from £23.8 billion in first quarter 2002.**

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

"These strong sales figures were achieved in extremely difficult market conditions which we expect to remain challenging for many areas of our business throughout 2003. However, our international diversification and focus on running the business for value positions us well to deliver sustainable profitable growth over the longer-term."

### **Prudential UK**

Overall Prudential's UK insurance operations recorded a positive result given the testing market conditions that the insurance sector continues to face. In particular the with-profit bond market contracted by over 50 per cent during 2002, and remains challenging.

Individual annuity sales continue to be strong, with sales increasing by 65 per cent from the same period last year to £51 million (APE). Prudential UK believes it is the market leader in the provision of annuities and has increased its share of the market over each of the last five quarters to the end of 2002.

Corporate pension sales were down 11 per cent on the comparable period in 2002 to £47 million (APE). We have expanded the disclosure on our investment businesses in 2003 to include the M&G institutional fund management business for the first time. Reflecting this, certain investment fund mandates previously classified as UK corporate pensions sales are now reported as inflows to M&G's institutional funds under management. The impact of this

reclassification is to reduce first quarter 2003 UK corporate pension APE sales by £28 million and increase M&G institutional funds gross inflows by £281 million. 2002 comparatives now reflect this change in presentation with £6 million of UK corporate pensions APE sales in the first quarter of 2002 now reported as M&G investment inflows. This reclassification is not expected to have a material impact on UK corporate pension profits in 2003.

As expected, life product sales in the quarter were down on the same period in 2002 with APE sales down 58 per cent to £36 million. The partnership agreement with Abbey National has contributed total sales of £43 million since launch on 11 December 2002, £32 million of which have been in the first quarter of 2003. Total sales of unit-linked bonds and offshore with-profit bonds continue to increase with £72 million recorded in the quarter. The results for the first three months of 2003 include an exceptional volume of protection business as a result of very competitive pricing during this period.

Following the Financial Services Authority's initiative to bring forward the implementation of realistic solvency, Prudential UK, along with a number of other insurers, has received waivers from the FSA allowing it to move towards this new basis. Prudential UK has managed its long-term fund on the realistic basis for a number of years and, as a result, does not expect any significant changes to the operation or investment strategy of the fund. Under the realistic basis the fund remains among the strongest and comfortably within statutory limits.

Prudential UK expects the remainder of 2003 to be as difficult as the first quarter, with market conditions continuing to adversely affect consumers' appetite for long-term savings.

## **M&G**

Gross fund inflows into M&G and Prudential branded funds during the first quarter of 2003 were £293 million, 5 per cent lower than the comparable period last year, reflecting the significant deterioration in market conditions. Net fund inflows were up 17 per cent to £54 million.

Gross fund inflows from ISA sales and PEP transfers into M&G and Prudential branded funds during the first quarter were £74 million, down 39 per cent on the same period last year. However, the strength of M&G's increasingly diversified distribution base has meant that while ISA sales may have fallen during the first quarter, non-ISA sales have grown significantly.

M&G has also increased its market share for M&G branded funds in both the total retail and the ISA/PEP markets. The latest Investment Management Association (IMA) figures to the end of February show that, in the first two months of 2003, M&G grew its retail market share by 29 per cent. Strong fund inflows into the Prudential North American fund led to an increase in market share for Prudential branded funds over the same time period.

M&G's institutional business made a strong start to the year, winning gross fund inflows of £890 million during the first quarter. New institutional mandates for segregated and pooled funds contributed gross fund inflows of £480 million (including £281 million of corporate pensions business referred to above), with a further £217 million received via PPM South Africa. The Private Finance Group's successful initiatives in securitised vehicles contributed a further £193 million. Net institutional fund inflows for the first quarter of 2003 were £586 million.

## **Egg**

Egg will be announcing its first quarter results on Thursday 24 April 2003.

## **Prudential Europe**

Prudential Europe's total new business sales of £12 million in the first quarter were 37 per cent lower than the £19 million recorded in the same period last year. However, excluding 2002 sales through the German life business, whose disposal was completed in January 2003, sales are equal to those recorded in the first quarter of 2002.

## **Jackson National Life**

Jackson National Life (JNL) recorded total retail sales in the first quarter of 2003 of £1.0 billion, 52 per cent higher than the same period of 2002, driven by strong sales of fixed and variable annuities. Total sales were down 22 per cent on prior year, with no stable value new business recorded in the first quarter of 2003, reflecting JNL's primary focus on retail sales, consistent with our comments at the full year results.

Despite the continued difficult market conditions, JNL recorded excellent variable annuity sales. Total sales of £442 million were up 142 per cent on the first quarter of 2002, although they were down 14 per cent on fourth quarter 2002 sales. As expected in volatile equity markets, a significant proportion of variable annuity investors continue to elect the fixed account option, with 61 per cent of variable annuity sales going into fixed accounts during the first quarter of 2003, compared to 58 per cent during the full year 2002.

Fixed annuity sales of £532 million were 24 per cent up on prior year, reflecting continued consumer preference for guaranteed returns, with JNL benefiting from its strong position in bank and independent agent distribution channels. Compared to the fourth quarter of 2002, fixed annuity sales were down 27 per cent.

Sales of equity linked indexed (ELI) annuities of £44 million were 23 per cent down on prior year. Regular premium life sales of £3 million compared with £5 million for the same period of 2002.

JNL will continue to focus on retail markets, in market conditions that we expect to remain testing throughout 2003.

## **Prudential Corporation Asia**

In 2003 Prudential Corporation Asia (PCA) had its highest ever first quarter for life business new premiums despite the continuing challenges in the economic environment, weakening of local currencies relative to sterling and the recent SARS outbreak in the region. Total APE insurance sales were £133 million, an increase of 39 per cent compared to the corresponding quarter in 2002.

For the life businesses the first quarter of each year is usually the slowest quarter in terms of new business sales. However the results for this quarter were encouraging. In Singapore the focus on more profitable regular premium business continues and compared to the first quarter 2002 regular premium sales of £12 million were up 33 per cent. Hong Kong has been more affected by the economic downturn and adverse exchange rates. New business APE in Hong Kong was £17 million, 19 per cent lower than first quarter 2002.

Malaysia Life continued its excellent track record and is up 18 per cent for new business APE compared to the first quarter of 2002. Taiwan Life's first quarter new business APE of £47 million compares favourably to the same quarter last year when sales were slower due to agency training for unit-linked products. Japan Life continues to deliver solid increases in new business APE with £12m for first quarter 2003 an increase of 33 per cent compared to the same quarter last year. PCA's Other Life businesses (China, India, Indonesia, Korea, Philippines, Thailand, Vietnam) continue to grow strongly as these newer operations build scale.

For the first quarter of 2003 the economic environment has meant unit-linked products are less popular and hence their proportion of the total new business APE has decreased.

As would be expected in current market conditions, mutual fund flows continue to be volatile with high gross inflows being offset by corresponding redemptions. In India there was the seasonal net outflow of funds during the first quarter of 2003 due to tax planning associated with the end of the Indian fiscal year. In total for the first quarter 2003 PCA had a small net outflow of £0.1 billion and mutual funds under management at the end of the quarter were £5.0 billion.

The outlook for 2003 remains uncertain with the general economic climate expected to be challenging and the impact of the SARS outbreak as yet unknown.

The net impact of the SARS outbreak in the affected countries remains unclear, even in Hong Kong where SARS has had the greatest effect on business activities over the past month. Here it is possible that any initial reluctance to have face-to-face meetings may be offset by a heightened awareness of the need for insurance coverage. To date we have not seen any unusual impact on claims or the well being of our agents and staff.

Overall PCA has a well-diversified portfolio of businesses covering 12 countries and therefore is in a good position to continue delivering sustainable, profitable growth over the long term.

**-ENDS-**

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**Notes to Editors:**

1. There will be a conference call today for wire services at 7.45am on 020 8288 4530 hosted by Jonathan Bloomer, Group Chief Executive, and Philip Broadley, Group Finance Director.
2. There will be a conference call for investors and analysts at 2.30pm (dial in telephone number: +44 (0) 20 7162 0181, US callers +1 334 323 6203). Callers to quote "Prudential new business" for access to the call.

A recording of this call will be available for five working days by dialling:  
UK: 020 8288 4459, US: +1 334 323 6222, access code 214082.

3. Sales for overseas operations have been calculated using average exchange rates. At constant 2002 exchange rates Group insurance sales on an APE basis would have been down only 1 per cent on prior year.
4. Annual premium equivalent (APE) sales comprise regular premium sales plus one-tenth of single premium insurance sales.
5. Certain investment mandates previously reported as UK corporate pensions are now reported as M&G institutional investment flows. The impact is to reduce 2002 UK corporate pensions APE sales by £6 million in the first quarter of 2002, £4m in the second quarter of 2002, £6 million in the third quarter of 2002, and £15 million in the fourth quarter of 2002.

**6. Financial Calendar:**

2003 Annual General Meeting	Thursday 8 May 2003
Payment of 2002 final dividend	Wednesday 28 May 2003
2003 Interim Results/Second quarter New Business Figures	Tuesday 29 July 2003
Third-quarter New Business Figures	Thursday 16 October 2003
Payment of interim dividend	Thursday 27 November 2003

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 and results. 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, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Prudential and its affiliates operate. 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 we may make.