

Date: 24 July 2002

**PRUDENTIAL PLC**

**2002 Unaudited Interim Results**

**Supplementary information**

Schedule

**Achieved Profits basis results**

Earnings per share

2002	1.1
2001 - restated for the implementation of FRS 19	1.2

Economic assumptions and sensitivities	2
--	---

Operating profit

New business	3
Business in force	4

Short-term fluctuations in investment returns	5
---	---

Tax charge	6
------------	---

Shareholders' funds

Summary	7
Reconciliation of movement	8

**Statutory basis results**

Earnings per share

2002	9.1
2001 - restated for the implementation of FRS 19	9.2

US Operations

Operating result	10
Reconciliation from US to UK GAAP	11

Short-term fluctuations in investment returns	12
---	----

Tax charge	13
------------	----

**Funds under management**

Summary	14
Analysis by business area	15

**New business**

Summary	16
Analysis of UK and Asian operations	17

Date : 24 July 2002

Schedule 1.1

**2002 Unaudited Interim results**

**Achieved Profits basis results**

**Half Year ended 30 June 2002**

<b><u>Basic earnings per share (note 1.1a)</u></b>	Pre-tax £m	Tax £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	Earnings per share (pence)
Based on operating profit after tax and related minority interests before amortisation of goodwill and exceptional items (note 1.1b)	543	(178)	365	0	365	18.4
Adjustment for amortisation of goodwill	(49)	-	(49)	-	(49)	(2.5)
Adjustment from post-tax long-term investment returns to post-tax actual investment returns (after related minority interests, note 1.1c)	(661)	218	(443)	1	(442)	(22.2)
Adjustment for post-tax effect of change in economic assumptions	(22)	5	(17)	-	(17)	(0.9)
Adjustment for post-tax profit on sale of UK general business operations	355	(11)	344	-	344	17.3
Based on profit for the period after minority interests	<u>166</u>	<u>34</u>	<u>200</u>	<u>1</u>	<u>201</u>	<u>10.1</u>

**Notes**

1.1a The weighted average number of shares for the Half Year ended 30 June 2002 is 1,986m.

1.1b The minority interests in the post-tax operating result relate to Egg and are less than £0.5m for the Half Year ended 30 June 2002.

1.1c The adjustment from post-tax long-term investment returns to post-tax actual investment returns includes investment return that is attributable to external equity investors in two investment funds managed by PPM America. These two funds are consolidated as quasi-subsiidiaries but have no net impact on pre-tax or post-tax operating profit. Total profit, before and after tax, incorporating the adjustment from long-term returns to actual investment returns, includes losses of £1m attributable to these minority interests.

Date : 24 July 2002

Schedule 1.2

**2002 Unaudited Interim results**

**Achieved Profits basis results**

**Half Year ended 30 June 2001**

	Pre-tax	Tax	Post-tax	Minority interests	Post-tax and minority interests	Earnings per share	Earnings per share
	As previously published £m	Restated £m	Restated £m	As previously published £m	Restated £m	Restated (pence)	Previously published (pence)
Based on operating profit after tax and related minority interests before amortisation of goodwill and exceptional items (note 1.2b)	653	(202)	451	10	461	23.4	23.4
Adjustment for amortisation of goodwill	(47)	-	(47)	-	(47)	(2.4)	(2.4)
Adjustment from post-tax long-term investment returns to post-tax actual investment returns (after related minority interests, note 1.2c)	(580)	173	(407)	9	(398)	(20.1)	(20.4)
Adjustment for post-tax merger break fee (net of related expenses)	338	(98)	240	-	240	12.1	12.1
Based on profit for the period after minority interests	<u>364</u>	<u>(127)</u>	<u>237</u>	<u>19</u>	<u>256</u>	<u>13.0</u>	<u>12.7</u>

Notes

1.2a The weighted average number of shares for the Half Year ended 30 June 2001 was 1,976m.

1.2b The minority interests in the post-tax operating result relate to Egg.

1.2c The adjustment from post-tax long-term investment returns to post-tax actual investment returns includes investment return that is attributable to external equity investors in two investment funds managed by PPM America. These two funds are consolidated as quasi-subsiidiaries but have no net impact on pre-tax or post-tax operating profit. Total profit, before and after tax, incorporating the adjustment from long-term returns to actual investment returns, includes losses of £9m attributable to these minority interests.

**2002 Unaudited Interim results****Achieved Profits basis results****Economic assumptions and sensitivities****(1) Economic assumptions**

The following rates have been used in calculating the achieved profits basis results for the Half Year 2002, the amended results for the Half Year 2001 and the Full Year results for 2001 :

	Half Year 2002	Half Year 2001	Full Year 2001
<b>UK Operations</b>			
Pre-tax expected long-term nominal rates of investment return:			
UK equities	7.5%	8.0%	7.5%
Overseas equities	7.5% to 7.8%	8.0%	7.5% to 7.8%
Property	7.5%	8.0%	7.5%
Gilts	5.0%	6.0%	5.0%
Corporate bonds	6.0%	7.0%	6.0%
PAC with-profit fund assets (applying the rates listed above to the investments held by the fund)	7.1%	8.0%	7.1%
Expected long-term rate of inflation	2.6%	2.5%	2.6%
Post-tax expected long-term nominal rate of return:			
Pension business (where no tax applies)	7.1%	8.0%	7.1%
Life business	6.3%	7.4%	6.3%
Risk discount rate	7.7%	8.5%	7.7%
<b>Prudential Europe</b>			
Risk discount rate	7.7%	8.5%	7.7%
<b>US Operations (Jackson National Life)</b>			
Expected long-term spread between earned rate and rate credited to policyholders	1.75%	1.9%	1.75%
Risk discount rate	7.5%	8.5%	7.7%
<b>Prudential Asia</b>			
Weighted pre-tax expected long-term nominal rates of investment return	7.2%	8.0%	7.3%
Weighted expected long-term rate of inflation	3.0%	3.2%	3.0%
Weighted risk discount rate	9.9%	10.4%	10.1%

The Prudential Asia economic returns have been determined by weighting each country's economic assumptions by reference to the Achieved Profits basis operating results for new business written in the relevant period.

**Economic assumptions and sensitivities (continued)****(2) Half Year 2002 Results: Effect of altered economic assumptions**

Pre-tax profits (losses) on changes in economic assumptions included within the profit (loss) on ordinary activities before tax arise as follows:

	Half Year ended 30 June		Full Year
	2002	2001	2001
UK long-term business operations	-	-	(426)
Jackson National Life (including altered spread assumption)	30	-	1
Prudential Asia	(52)	-	(57)
Total	(22)	-	(482)

**(3) Half Year 2002 Results: Sensitivities**

The estimated increase (decrease) in the Half Year 2002 Group results that would arise from the following changes in economic assumptions are:

<u>Half Year 2002 Pre-tax operating profit from new business</u>	Group Total £m
Pre-tax expected long-term nominal rates of investment return	
Increase in rates of 1 %	43
Decrease in rates of 1%	(39)
Risk discount rates	
Increase in rates of 1 %	(41)
Decrease in rates of 1%	46
<u>30 June 2002 Shareholders' Funds</u>	
Pre-tax expected long-term nominal rates of investment return	
Increase in rates of 1 %	779
Decrease in rates of 1%	(732)
Risk discount rates	
Increase in rates of 1 %	(469)
Decrease in rates of 1%	562

## 2002 Unaudited Interim results

**Achieved Profits basis results.**

Operating profit from new long-term insurance business	Half Year ended 30 June 2002			Half Year ended 30 June 2001			Full Year 2001		
	Pre-tax £m	Tax £m	Post-tax £m	Pre-tax £m	Tax £m	Post-tax £m	Pre-tax £m	Tax £m	Post-tax £m
UK Operations	142	(43)	99	140	(42)	98	243	(73)	170
US Operations (Jackson National Life) (note 3a)	117	(56)	61	93	(45)	48	167	(94)	73
Prudential Asia	135	(40)	95	106	(29)	77	255	(74)	181
Prudential Europe	3	(1)	2	3	(1)	2	8	(2)	6
	<u>397</u>	<u>(140)</u>	<u>257</u>	<u>342</u>	<u>(117)</u>	<u>225</u>	<u>673</u>	<u>(243)</u>	<u>430</u>

**Note**

3a Jackson National Life net of tax profits

Pre capital charge		79		71		108
Capital charge		<u>(18)</u>		<u>(23)</u>		<u>(35)</u>
Post capital charge		<u>61</u>		<u>48</u>		<u>73</u>

**MEMORANDUM ONLY**

Estimated results applying same economic assumptions as for Half Year 2002 results	Half Year ended 30 June 2001			Full Year 2001		
	Pre-tax £m	Tax £m	Post-tax £m	Pre-tax £m	Tax £m	Post-tax £m
UK Operations	125	(37)	88	243	(73)	170
US Operations (Jackson National Life) (note)	104	(50)	54	172	(97)	75
Prudential Asia	107	(29)	78	248	(72)	176
Prudential Europe	3	(1)	2	8	(2)	6
	<u>339</u>	<u>(117)</u>	<u>222</u>	<u>671</u>	<u>(244)</u>	<u>427</u>

**Note**

Jackson National Life net of tax profits

Pre capital charge		80		111
Capital charge		<u>(26)</u>		<u>(36)</u>
Post capital charge		<u>54</u>		<u>75</u>

**2002 Unaudited Interim results****Achieved Profits basis results**

<b>Operating profit from business in force</b>	Half Year ended 30 June 2002 £m	2001 £m	Full Year 2001 £m
<b>UK Operations</b>			
Unwind of discount (note 4a)	200	225	384
Change of renewal expense assumption resulting from closure of direct sales force	-	15	15
Cost of strengthened assumption for required capital for shareholder backed business	-	-	(16)
Experience variances and other items	(10)	(3)	(6)
<b>Total</b>	<b>190</b>	<b>237</b>	<b>377</b>
<b>Jackson National Life</b>			
Unwind of discount	100	110	200
Return on surplus assets (over target surplus)	12	17	44
Averaged realised losses and gains on bonds (See schedule 5)	(71)	(8)	(74)
Experience variances :			
Spread (note 4b)	(15)	7	(12)
Persistency	5	1	(7)
Mortality and morbidity	(6)	(3)	(2)
Expenses	1	(1)	(16)
Other	7	11	16
Loss from strengthening operating assumptions	(56)	-	(13)
<b>Total</b>	<b>(23)</b>	<b>134</b>	<b>136</b>
<b>Prudential Asia</b>			
Unwind of discount	52	38	78
Change in operating assumptions	(5)	-	66
Experience variances and other items	(13)	(10)	16
<b>Total</b>	<b>34</b>	<b>28</b>	<b>160</b>
<b>Prudential Europe</b>			
Unwind of discount	6	5	9
Experience variances and other items	(4)	(3)	(9)
	2	2	0
<b>Total</b>	<b>203</b>	<b>401</b>	<b>673</b>

**Notes**

4a The unwind of discount for UK long-term business operations represents the unwind of discount on the value of in-force business at the beginning of the year (adjusted for the effect of current year assumption changes); the expected return on smoothed surplus assets retained within the PAC with-profits fund (see schedule 7), and the expected return on shareholders' assets held in other UK long-term business operations. Surplus assets retained within the PAC with-profits fund are smoothed for this purpose to remove the effects of short-term investment volatility.

4b Spread experience variance is determined after taking account of longer-term returns on equity based investments. Half Year 2001 comparative results have been reanalysed from those previously published, to reflect this treatment.

4c

**MEMORANDUM ONLY**

Estimated unwind of discount applying the same economic assumptions as for the Half Year 2002 results.

	Half Year ended 30 June 2001	Full Year 2001
UK Operations	188	384
Jackson National Life	97	196
Prudential Asia	37	76
Prudential Europe	4	9
	<u>326</u>	<u>665</u>

## 2002 Unaudited Interim results

Achieved Profits basis results.

Short-term fluctuations in investment returns	Half Year ended 30 June		Full Year
	2002 £m	2001 £m	2001 £m
Long-term business			
UK Operations (note 5a)	(447)	(399)	(764)
Jackson National Life (note 5b)	(202)	(116)	(521)
Prudential Asia	(7)	(20)	(9)
Prudential Europe	-	-	-
Share of investment return of US managed investment funds consolidated into Group results that is attributable to external investors	(1)	(9)	(13)
General insurance and shareholders (See schedule 12)	(4)	(36)	(95)
Total	<u>(661)</u>	<u>(580)</u>	<u>(1,402)</u>

Notes.

5a Short-term fluctuations in investment returns represent the difference between actual investment returns attributable to shareholders on the achieved profits basis and the return included within operating profit as described on schedule 4.

5b Short-term fluctuations comprise:	Half Year ended 30 June		Full Year
	2002 £m	2001 £m	2001 £m
Actual investment return on investments less long-term returns included within operating profit (note 5c)	(169)	(60)	(413)
Actual return on Separate Account business less return based on long-term rate	(33)	(33)	(85)
Transition write-down on implementation of EITF 99-20 for interests in securitised financial assets	-	(23)	(23)
	<u>(202)</u>	<u>(116)</u>	<u>(521)</u>

5c Actual investment return on investments less long-term returns for the Half Year ended 30 June 2002	£m
This comprises:	
Actual less averaged realised gains and losses (including impairments) for fixed maturity securities (note 5d)	(87)
Actual less longer-term return on equity based investments	(72)
Gains on preference shares	(10)
	<u>(169)</u>

5d Jackson National Life - actual less averaged realised gains and losses (including impairments for fixed maturity securities)

	Half Year ended 30 June 2002	
	US\$m	£m
Full Year		
1998	54	37
1999	3	2
2000	(90)	(62)
2001	(532)	(368)
Total	<u>(565)</u>	<u>(391)</u>
Half of full years 1998 to 2001	(282)	(195)
Half year 2002	(228)	(158)
Five year total	<u>(510)</u>	<u>(353)</u>
Five year average Included in operating result (See schedule 4)	(102)	(71)
Actual less average	(126)	(87)

Date : 24 July 2002

Schedule 6

**2002 Unaudited Interim results**

**Achieved Profits basis results**

<b>Tax charge</b>	Restated (note 6d)		Full Year 2001 £m
	Half Year ended 30 June 2002 £m	2001 £m	
<u>Tax charge on operating profit (note 6a)</u>			
Long-term business:			
UK Operations	100	111	173
Jackson National Life (note 6b)	53	84	127
Prudential Asia (note 6c)	48	42	133
Prudential Europe (note 6c)	0	(1)	(2)
	<u>201</u>	<u>236</u>	<u>431</u>
General insurance and shareholders	(23)	(34)	(61)
Total tax on operating profit	<u>178</u>	<u>202</u>	<u>370</u>
<u>Tax on items not included in operating profit</u>			
Tax on short-term fluctuations in investment returns	(218)	(173)	(422)
Tax on loss from changes in economic assumptions	(5)	-	(167)
Tax on profit of sale of UK general business operations (after utilisation of available capital losses)	11	-	-
Tax on merger break fee, net of expenses (after utilisation of available capital losses)	-	98	6
Total tax on items not included in operating profit	<u>(212)</u>	<u>(75)</u>	<u>(583)</u>
Tax (credit) / charge on profit (loss) on ordinary activities (including tax on actual investment returns)	<u>(34)</u>	<u>127</u>	<u>(213)</u>

Notes

- 6a Tax on operating profit based on long-term investment returns, excluding exceptional items.
- 6b Excluding tax charge on broker dealer and fund management result.
- 6c Including tax relief on development expenses.
- 6d Comparatives for the Half Year ended 30 June 2001 have been restated for the implementation of FRS 19 on deferred tax.

**2002 Unaudited Interim results****Achieved Profits basis results**

<b>Shareholders' funds summary</b>	Restated (note 7e)		Full Year 2001 £m
	Half Year ended 30 June 2002 £m	2001 £m	
UK Operations			
Long-term business operations			
Smoothed assets (note 7a)	3,700	3,920	3,775
Actual assets less smoothed assets	(254)	175	(119)
	3,446	4,095	3,656
General business solvency capital	-	130	-
M&G	354	350	329
Egg	382	390	380
	<u>4,182</u>	<u>4,965</u>	<u>4,365</u>
US Operations (note 7d)			
Jackson National Life (net of surplus note borrowings of £164m (Half Year 2001 £178m, Full Year 2001 £172m))			
Before capital charge			
Excluding assets in excess of target surplus	2,354	2,507	2,442
Assets in excess of target surplus	346	659	463
	2,700	3,166	2,905
Capital charge (note 7b)	(197)	(260)	(222)
After capital charge	2,503	2,906	2,683
Other US operations (note 7c)	134	96	134
	<u>2,637</u>	<u>3,002</u>	<u>2,817</u>
Prudential Asia	1,153	901	1,089
Prudential Europe	92	90	90
Other operations			
Goodwill (note 7d)	1,576	1,643	1,624
Holding company net borrowings	(1,603)	(1,578)	(1,961)
Other assets	16	30	126
	<u>(11)</u>	<u>95</u>	<u>(211)</u>
Total	<u>8,053</u>	<u>9,053</u>	<u>8,150</u>

**Notes**

7a UK long-term business smoothed assets represent asset values adjusted to remove the effects of short-term volatility.

7b In determining the cost of capital of Jackson National Life it has been assumed that an amount equal to 200 per cent of the risk based capital required by the US Supervisory authorities must be retained. The impact of the related capital charge is to reduce Jackson National Life's shareholders' funds by £197m (30 June 2001 £260m, 31 December 2001 £222m).

7c Relates to broker dealer and fund management operations.

7d Total goodwill at 30 June 2002 comprises :	£m
Held within US Operations relating to broker dealer and banking businesses	61
Other operations relating to M&G and acquired Asian businesses	<u>1,576</u>
	<u>1,637</u>

- 7e Comparatives for the Half Year ended 30 June 2001 have been restated for the implementation of FRS 19 on deferred tax.
- 7f If the economic assumptions applied for Half Year 2002 had been in place at 31 December 2001, the achieved profits basis shareholders' funds at that date would have been lower by £17m. This represents a pre-tax loss of £22m less related tax credit of £5m. These figures are analysed by business operation in schedule 8.

## 2002 Unaudited Interim results

Achieved Profits basis results

Reconciliation of movement in shareholders funds	Long-term business operations				Total Long-term business operations	Other operations	Group total
	Jackson		Prudential Asia	Prudential Europe			
	UK	National Life					
	£m	£m	£m	£m	£m	£m	
<b>Operating profit (including investment return based on long-term rates of returns)</b>							
Long-term business							
New business	142	117	135	3	397		397
Business in force	190	(23)	34	2	203		203
	332	94	169	5	600		600
Asia and Europe development expenses			(11)	(5)	(16)		(16)
M&G						34	34
Egg						1	1
US broker dealer and fund management						10	10
Other income and expenditure						(86)	(86)
<b>Operating profit before amortisation of goodwill</b>	332	94	158	0	584	(41)	543
Amortisation of goodwill		(1)			(1)	(48)	(49)
Short-term fluctuations in investment returns	(447)	(202)	(7)		(656)	(5)	(661)
Effect of changes in economic assumptions		30	(52)		(22)		(22)
Profit on sale of UK general business operations						355	355
<b>Profit on ordinary activities before tax</b>	(115)	(79)	99	0	(95)	261	166
Tax on operating profit	(100)	(53)	(48)		(201)	23	(178)
Tax on short-term fluctuations in investment returns	134	78	4		216	2	218
Tax on effect of changes in economic assumptions		(7)	12		5		5
Tax on profit on sale of general business operations						(11)	(11)
Total tax charge	34	18	(32)	0	20	14	34
Minority interests						1	1
<b>Profit for the period</b>	(81)	(61)	67	0	(75)	276	201
Exchange movements		(119)	(27)		(146)	7	(139)
Development costs included above (net of tax) borne centrally			2	1	3	(3)	
Intragroup dividends (including statutory transfer)	(155)		(16)	1	(170)	170	
External dividends						(178)	(178)
Investment in operations	26		38		64	(64)	
Proceeds from issues of share capital by parent company						19	19
<b>Net decrease in shareholders' capital and reserves</b>	(210)	(180)	64	2	(324)	227	(97)
Shareholders' capital and reserves at 1 January 2002	3,656	2,683	1,089	90	7,518	632	8,150
Shareholders' capital and reserves at 30 June 2002	3,446	2,503	1,153	92	7,194	859	8,053
Analysed as:							
Statutory Basis shareholders' funds	522	2,256	413	58	3,249	859	4,108
Additional shareholders' interest on Achieved Profits basis	2,924	247	740	34	3,945		3,945
Achieved Profits basis shareholders' funds	3,446	2,503	1,153	92	7,194	859	8,053

**2002 Unaudited Interim results****Statutory basis results****Half Year ended 30 June 2002**

	Pre-tax £m	Tax £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	Earnings per share (pence)
<b>Basic earnings per share (note 9.1a)</b>						
Based on operating profit after tax and related minority interests before amortisation of goodwill and exceptional items (note 9.1b)	317	(90)	227	0	227	11.4
Adjustment for amortisation of goodwill	(49)	-	(49)	-	(49)	(2.5)
Adjustment from post-tax long-term investment returns to post-tax actual investment returns (after related minority interests, note 9.1c)	(152)	51	(101)	1	(100)	(5.0)
Adjustment for post-tax profit on sale of UK general business operations	355	(11)	344	-	344	17.3
Based on profit for the period after minority interests	471	(50)	421	1	422	21.2

**Notes**

9.1a The weighted average number of shares for the Half Year ended 30 June 2002 is 1,986m.

9.1b The minority interests in the post-tax operating result relate to Egg and are less than £0.5m for the Half Year ended 30 June 2002.

9.1c The adjustment from post-tax long-term investment returns to post-tax actual investment returns includes investment return that is attributable to external equity investors in two investment funds managed by PPM America.

These two funds are consolidated as quasi-subsidiaries but have no net impact on pre-tax or post-tax operating profit.

Total profit, before and after tax, incorporating the adjustment from long-term returns to actual investment returns includes losses of £1m attributable to these minority interests.

**2002 Unaudited Interim results****Statutory basis results****Half Year ended 30 June 2001**

	Pre-tax	Tax	Post-tax	Minority interests	Post-tax and minority interests	Earnings per share	Earnings per share
	As previously published	Restated	Restated	As previously published	Restated	Restated	Previously Published
<b>Basic earnings per share (note 9.2a) restated for implementation of FRS 19 on deferred tax</b>	£m	£m	£m	£m	£m	(pence)	(pence)
Based on operating profit after tax and related minority interests before amortisation of goodwill and exceptional items (note 9.2b)	362	(114)	248	10	258	13.1	13.4
Adjustment for amortisation of goodwill	(47)	-	(47)	-	(47)	(2.4)	(2.4)
Adjustment from post-tax long-term investment returns to post-tax actual investment returns (after related minority interests, note 9.2c)	(105)	29	(76)	9	(67)	(3.4)	(3.7)
Adjustment for post-tax merger break fee (net of related expenses)	338	(98)	240	-	240	12.1	12.1
Based on profit for the period after minority interests	548	(183)	365	19	384	19.4	19.4

**Notes**

9.2a The weighted average number of shares for the Half Year ended 30 June 2001 was 1,976m.

9.2b The minority interests in the post-tax operating result relate to Egg.

9.2c The adjustment from post-tax long-term investment returns to post-tax actual investment returns includes investment return that is attributable to external equity investors in two investment funds managed by PPM America. These two funds are consolidated as quasi-subsidiaries but have no net impact on pre-tax or post-tax operating profit. Total profit, before and after tax, incorporating the adjustment from long-term returns to actual investment returns includes losses of £9m attributable to these minority interests.

**2002 Unaudited Interim results****Statutory basis results**

	Half Year ended 30 June		Full Year	Half Year ended 30 June		Full Year
	2002	2001	2001	2002	2001	2001
<b>US Operations</b>	US\$m	US\$m	US\$m	£m	£m	£m
UK basis operating result						
Jackson National Life (note 10a)	202	301	406	140	209	282
Broker dealer and fund management result	14	16	23	10	11	16
Operating result for UK reporting purposes	<u>216</u>	<u>317</u>	<u>429</u>	<u>150</u>	<u>220</u>	<u>298</u>
Exchange rate				1.44	1.44	1.44

**Notes****10a Longer-term investment returns included in UK basis operating profit**

UK basis operating profit for the Half Year ended 30 June 2002 includes longer term investment returns (net of related change to amortisation of acquisition costs) on fixed maturity securities and equity based investments. In determining longer-term returns for fixed interest securities realised gains and losses have been included in operating results on a five year averaged basis. Longer-term returns on equity based investments have been determined by applying a longer-term rate of return of 7.75%.

**10b Averaged realised gains on fixed maturity securities**

Realised gains (losses) arising in period (net of related change to amortisation of acquisition expenses).

		Half Year ended 30 June 2002	
		US\$m	£m
Full Year	1998	34	24
	1999	(1)	(1)
	2000	(69)	(48)
	2001	<u>(477)</u>	<u>(330)</u>
	Total	<u>(513)</u>	<u>(355)</u>
Half of full years 1998 to 2001		(256)	(178)
Half year 2002		(198)	(137)
Five year total		<u>(454)</u>	<u>(315)</u>
Five year average Included in operating result		(91)	(63)
Actual less average (See schedule 12)		(107)	(74)

Date : 24 July 2002

Schedule 11

2002 Unaudited Interim results

Statutory basis results

Half Year ended 30 June 2002

Jackson National Life result - reconciliation of US GAAP basis result to UK GAAP result	US GAAP (note 11a) US \$m	Adjustments to UK GAAP US \$m	Segmental result for UK Modified Statutory Basis GAAP purposes US \$m	£m
Operating profit before amortisation of goodwill (note11a)	229	(27)	202	140
Realised gains and losses (net of related change to amortisation of acquisition costs)				
Fixed maturities	(198)	198	-	-
Equities and preference shares	(5)	5	-	-
Short-term fluctuations in investment returns (See schedule 12)	-	(198)	(198)	(138)
Amortisation of goodwill	(2)	-	(2)	(1)
Profit before tax after minority interest	<u>24</u>	<u>(22)</u>	<u>2</u>	<u>1</u>
Tax (charge) credit				
On operating profit	(80)	9	(71)	(49)
On realised gains and losses	71	(71)	-	-
On short-term-fluctuations in investment returns	-	70	70	48
Total tax charge	<u>(9)</u>	<u>8</u>	<u>(1)</u>	<u>(1)</u>
Net income (note11b)	<u>15</u>	<u>(14)</u>	<u>1</u>	<u>(0)</u>
Exchange rate				1.44

Notes

- 11a The US GAAP results are shown after excluding minority interests and the impact of FAS133 on accounting for derivatives. For UK reporting purposes the segmental result of Jackson National Life reflects its proportionate interests in the results of two investment funds that are consolidated as quasi subsidiaries.  
The impact of profits and losses that are recognised under US GAAP as a result of the application of FAS133 for accounting for derivative instruments are excluded from the US GAAP results shown above as such gains and losses are not generally recognised for UK GAAP purposes.
- 11b Except for impaired assets, fixed maturity securities are normally carried in the UK GAAP balance sheet at amortised cost rather than market value. Accordingly, movements on unrealised appreciation for these securities, which are accounted for under US GAAP within Other Comprehensive Income, do not feature as a reconciling item in the table shown above.

**2002 Unaudited Interim results****Statutory basis results**

Short-term fluctuations in investment returns - summary	Half Year ended 30 June 2002 £m	30 June 2001 £m	Full Year 2001 £m
Long-term business			
Jackson National Life (note 12a)	(138)	(56)	(368)
Other	(9)	(4)	(4)
Share of investment return of US managed investment funds consolidated into Group results that is attributable to external investors	(1)	(9)	(13)
General business and shareholders (note 12c)	(4)	(36)	(95)
Total	(152)	(105)	(480)

**Notes**

## 12a Jackson National Life

Short-term fluctuations, net of related changes to amortisation of acquisition costs comprise:

Actual investment return on investments less longer-term returns included within operating profit (note 12b)	(138)	(36)	(348)
Transition write-down on implementation of EITF 99-20 for interests in securitised financial assets	-	(20)	(20)
	(138)	(56)	(368)

## 12b Actual investment return on investments less longer-term returns (net of related changes to amortisation of acquisition costs) for the Half Year ended 30 June 2002

This comprises:	£m
Actual less averaged realised gains and losses for fixed maturities (see schedule 10)	(74)
Actual less longer-term return on equity based investments	(56)
Realised and unrealised gains on preference shares	(8)
	(138)

12c Other general business and shareholders investment gains	Half Year ended 30 June 2002 £m	30 June 2001 £m	Full Year 2001 £m
Current period realised and unrealised gains	2	(24)	(71)
Longer-term gains credited to operating result	6	12	24
Shortfall of current year gains over long-term gains excluded from operating result but included in profit before tax	(4)	(36)	(95)

**2002 Unaudited Interim results****Statutory basis results**

<b>Tax charge</b>	Restated (note 13d)		Full Year 2001 £m
	Half Year ended 30 June 2002 £m	2001 £m	
<b><u>Tax charge on operating profit (note 13a)</u></b>			
Long-term business			
UK Operations	56	68	120
Jackson National Life (note 13b)	49	73	99
Prudential Asia (note 13c)	8	7	17
Prudential Europe (note 13c)	0	0	(1)
	<u>113</u>	<u>148</u>	<u>235</u>
General insurance and shareholders	(23)	(34)	(61)
Total tax on operating profit	<u>90</u>	<u>114</u>	<u>174</u>
<b><u>Tax on items not included in operating profit</u></b>			
Tax on short-term fluctuations in investment returns	(51)	(29)	(159)
Tax on profit on sale of UK general business operations (after utilisation of available capital losses)	11	-	-
Tax on merger break fee, net of expenses (after utilisation of available capital losses)	-	98	6
Total tax on items not included in operating profit	<u>(40)</u>	<u>69</u>	<u>(153)</u>
Tax on profit on ordinary activities (including tax on actual investment returns)	<u>50</u>	<u>183</u>	<u>21</u>

**Notes**

13a Tax on operating profit based on long-term investment returns, excluding exceptional items.

13b Excluding tax charge on broker dealer and fund management result.

13c Including tax relief on development expenses.

13d Comparatives for the Half Year ended 30 June 2001 have been restated for the implementation of FRS 19 on deferred tax.

Date : 24 July 2002

Schedule 14

**2002 Unaudited Interim results**

	Half Year ended 30 June		Full Year
	2002	2001	2001
<b>Funds under management - summary</b>	£bn	£bn	£bn
Business Area			
UK Operations	98.3	102.6	101.1
US Operations	30.6	30.5	30.3
Prudential Asia	5.4	4.6	5.0
Prudential Europe	0.7	0.6	0.6
Retained centrally	0.2	0.3	0.2
Internal insurance and investment under management (note 14a)	135.2	138.6	137.2
External funds	24.3	29.5	25.6
Total insurance and investment funds under management	159.5	168.1	162.8

Note

14a As included in the consolidated balance sheet.

## 2002 Unaudited Interim results

Funds under management - analysis by business area

	Equities		Fixed Income Securities		Land and Buildings		Other Investments		Investments held to cover linked liabilities		Total	
	Half Year	Full Year	Half Year	Full Year	Half Year	Full Year	Half Year	Full Year	Half Year	Full Year	Half Year	Full Year
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
UK Operations	35.6	39.9	36.4	34.9	10.2	10.3	4.0	3.7	12.1	12.3	98.3	101.1
US Operations (note 15a)	0.2	0.2	22.0	21.9	0.1	0.1	5.2	4.6	3.1	3.5	30.6	30.3
Prudential Asia	0.9	0.8	2.8	2.4	0.1	0.1	0.6	0.8	1.0	0.9	5.4	5.0
Prudential Europe	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.6	0.6	0.7	0.6
Retained centrally	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.2	0.2
Group Total	36.7	40.9	61.2	59.2	10.4	10.5	10.1	9.3	16.8	17.3	135.2	137.2

Note

15a The fixed income securities of US Operations are valued at amortised cost.

## PRUDENTIAL PLC - NEW BUSINESS - HALF YEAR 2002

## TOTAL INSURANCE AND INVESTMENT NEW BUSINESS

	UK & Europe			US			Asia			Total		
	2002 HY	2001 HY	+/- (%)	2002 HY	2001 HY	+/- (%)	2002 HY	2001 HY	+/- (%)	2002 HY	2001 HY	+/- (%)
	£m	£m		£m	£m		£m	£m		£m	£m	
Total Insurance Products	3,142	2,787	13%	2,869	2,616	10%	407	642	(37%)	6,418	6,045	6%
Total Investment Products - Gross Inflows <sup>(1)</sup>	620	579	7%	-	-	-	6,669	3,423	95%	7,289	4,002	82%
<b>Group Total</b>	<b>3,762</b>	<b>3,366</b>	<b>12%</b>	<b>2,869</b>	<b>2,616</b>	<b>10%</b>	<b>7,076</b>	<b>4,065</b>	<b>74%</b>	<b>13,707</b>	<b>10,047</b>	<b>36%</b>

## INSURANCE OPERATIONS

	Single			Regular			Total			Annual Equivalent <sup>(2)</sup>		
	2002 HY	2001 HY	+/- (%)	2002 HY	2001 HY	+/- (%)	2002 HY	2001 HY	+/- (%)	2002 HY	2001 HY	+/- (%)
	£m	£m		£m	£m		£m	£m		£m	£m	
<b>UK Insurance Operations :</b>												
<i>Direct Distribution <sup>(3)</sup> :</i>												
Individual Pensions	10	9	11%	7	10	(30%)	17	19	(11%)	8	11	(27%)
Corporate Pensions	395	248	59%	54	72	(25%)	449	320	40%	93	97	(4%)
Life	37	18	106%	2	1	100%	39	19	105%	6	3	100%
Individual Annuities	391	327	20%	-	-	-	391	327	20%	39	33	18%
<b>Sub-Total</b>	<b>833</b>	<b>602</b>	<b>38%</b>	<b>63</b>	<b>83</b>	<b>(24%)</b>	<b>896</b>	<b>685</b>	<b>31%</b>	<b>145</b>	<b>143</b>	<b>2%</b>
DSS Rebates	195	175	11%	-	-	-	195	175	11%	20	17	18%
<b>Total</b>	<b>1,028</b>	<b>777</b>	<b>32%</b>	<b>63</b>	<b>83</b>	<b>(24%)</b>	<b>1,091</b>	<b>860</b>	<b>27%</b>	<b>166</b>	<b>161</b>	<b>3%</b>
<i>Intermediated Distribution <sup>(3)</sup> :</i>												
Individual Pensions	57	130	(56%)	18	33	(45%)	75	163	(54%)	24	46	(48%)
Corporate Pensions	52	33	58%	9	8	13%	61	41	49%	14	11	27%
Life	1,350	834	62%	8	16	(50%)	1,358	850	60%	143	99	44%
Individual Annuities	312	249	25%	-	-	-	312	249	25%	31	25	24%
Bulk Annuities	163	352	(54%)	-	-	-	163	352	(54%)	16	35	(54%)
<b>Sub-Total</b>	<b>1,934</b>	<b>1,598</b>	<b>21%</b>	<b>35</b>	<b>57</b>	<b>(39%)</b>	<b>1,969</b>	<b>1,655</b>	<b>19%</b>	<b>228</b>	<b>216</b>	<b>6%</b>
DSS Rebates	45	55	(18%)	-	-	-	45	55	(18%)	5	6	(17%)
<b>Total</b>	<b>1,979</b>	<b>1,653</b>	<b>20%</b>	<b>35</b>	<b>57</b>	<b>(39%)</b>	<b>2,014</b>	<b>1,710</b>	<b>18%</b>	<b>233</b>	<b>222</b>	<b>5%</b>
<b>Total <sup>(4)</sup> :</b>												
Individual Pensions	67	139	(52%)	25	43	(42%)	92	182	(49%)	32	57	(44%)
Corporate Pensions	447	281	59%	63	80	(21%)	510	361	41%	108	108	0%
Life	1,387	852	63%	10	17	(41%)	1,397	869	61%	149	102	46%
Individual Annuities	703	576	22%	-	-	-	703	576	22%	70	58	21%
Bulk Annuities	163	352	(54%)	-	-	-	163	352	(54%)	16	35	(54%)
<b>Sub-Total</b>	<b>2,767</b>	<b>2,200</b>	<b>26%</b>	<b>98</b>	<b>140</b>	<b>(30%)</b>	<b>2,865</b>	<b>2,340</b>	<b>22%</b>	<b>375</b>	<b>360</b>	<b>4%</b>
DSS Rebates	240	230	4%	-	-	-	240	230	4%	24	23	4%
<b>Total</b>	<b>3,007</b>	<b>2,430</b>	<b>24%</b>	<b>98</b>	<b>140</b>	<b>(30%)</b>	<b>3,105</b>	<b>2,570</b>	<b>21%</b>	<b>399</b>	<b>383</b>	<b>4%</b>
Closed distribution channel <sup>(5)</sup>	-	164	-	-	17	-	-	181	-	-	33	-
<b>Total UK Insurance Operations</b>	<b>3,007</b>	<b>2,594</b>	<b>16%</b>	<b>98</b>	<b>157</b>	<b>(38%)</b>	<b>3,105</b>	<b>2,751</b>	<b>13%</b>	<b>399</b>	<b>416</b>	<b>(4%)</b>
<b>European Insurance Operations:</b>												
Insurance Products	27	27	0%	10	9	11%	37	36	3%	13	12	8%
<b>Total European Insurance Operations</b>	<b>27</b>	<b>27</b>	<b>0%</b>	<b>10</b>	<b>9</b>	<b>11%</b>	<b>37</b>	<b>36</b>	<b>3%</b>	<b>13</b>	<b>12</b>	<b>8%</b>
<b>Total UK &amp; European Insurance Operations</b>	<b>3,034</b>	<b>2,621</b>	<b>16%</b>	<b>108</b>	<b>166</b>	<b>(35%)</b>	<b>3,142</b>	<b>2,787</b>	<b>13%</b>	<b>411</b>	<b>428</b>	<b>(4%)</b>
<b>US Insurance Operations:</b>												
Fixed Annuities	1,053	814	29%	-	-	-	1,053	814	29%	105	81	30%
Equity Linked Indexed Annuities	129	139	(7%)	-	-	-	129	139	(7%)	13	14	(7%)
Variable Annuities	484	447	8%	-	-	-	484	447	8%	49	45	9%
<b>Sub-total/Annuities</b>	<b>1,666</b>	<b>1,400</b>	<b>19%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,666</b>	<b>1,400</b>	<b>19%</b>	<b>167</b>	<b>140</b>	<b>19%</b>
Guaranteed Investment Contracts	282	150	88%	-	-	-	282	150	88%	28	15	87%
GIC - Medium Term Note	909	1,055	(14%)	-	-	-	909	1,055	(14%)	91	105	(13%)
Life	-	-	-	12	11	9%	12	11	9%	12	11	9%
<b>Total US Insurance Operations</b>	<b>2,857</b>	<b>2,605</b>	<b>10%</b>	<b>12</b>	<b>11</b>	<b>9%</b>	<b>2,869</b>	<b>2,616</b>	<b>10%</b>	<b>288</b>	<b>271</b>	<b>10%</b>
<b>Asian Insurance Operations:</b>												
Insurance Products <sup>(6)</sup>	211	479	(56%)	196	163	20%	407	642	(37%)	217	211	3%
<b>Total Asian Insurance Operations</b>	<b>211</b>	<b>479</b>	<b>(56%)</b>	<b>196</b>	<b>163</b>	<b>20%</b>	<b>407</b>	<b>642</b>	<b>(37%)</b>	<b>217</b>	<b>211</b>	<b>3%</b>
<b>Group Total</b>	<b>6,102</b>	<b>5,705</b>	<b>7%</b>	<b>316</b>	<b>340</b>	<b>(7%)</b>	<b>6,418</b>	<b>6,045</b>	<b>6%</b>	<b>926</b>	<b>910</b>	<b>2%</b>

## Notes to Schedules:

<sup>(1)</sup> Represents cash received from sale of investment products.<sup>(2)</sup> Excluding sales through closed distribution channel.<sup>(3)</sup> Closed distribution channel relates to the Direct Sales Force.<sup>(4)</sup> Annual Equivalents (AE), calculated as regular new business contributions + 10% single new business contributions, are subject to roundings.<sup>(5)</sup> The Central Provident Fund in Singapore was further liberalised in 2001 resulting in exceptional sales volume in the first half of 2001.<sup>(6)</sup> Sales for overseas operations have been calculated using average exchange rates. The applicable rate for Jackson National Life is 1.44 (2001 - 1.44).

## PRUDENTIAL PLC - NEW BUSINESS - HALF YEAR 2002

## INVESTMENT OPERATIONS

	M&G & UK Operations			Asia Mutual Funds			Hong Kong MPF Products <sup>(7)</sup>			Total Investment Products		
	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)
Opening FUM (as at 31/12/01)	10,328	11,652	(11%)	3,206	1,649	94%	90	-	-	13,624	13,301	2%
Gross inflows	620	579	7%	6,629	3,373	97%	40	50	(20%)	7,289	4,002	82%
Less redemptions	(483)	(521)	7%	(5,974)	(2,930)	(104%)	(6)	(1)	(500%)	(6,463)	(3,452)	(87%)
Net flows	137	58	136%	655	443	48%	34	49	(31%)	826	550	50%
Other movements	(108)	-	-	(19)	(13)	(46%)	-	-	-	(127)	(13)	(877%)
Market and currency movements	(1,119)	(461)	(143%)	(61)	108	(156%)	(7)	6	(217%)	(1,187)	(347)	(242%)
Net movement in FUM	(1,090)	(403)	(170%)	575	538	7%	27	55	(51%)	(488)	190	(357%)
Closing FUM	9,238	11,249	(18%)	3,781	2,187	73%	117	55	113%	13,136	13,491	(3%)

## INVESTMENT OPERATIONS - ANALYSIS

M&G Retail & UK Operations Investment Products				UK Operations <sup>(8)</sup>			M&G			M&G & UK Operations					
	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)			
Opening FUM (as at 31/12/01)				1,546	1,775	(13%)	8,782	9,877	(11%)	10,328	11,652	(11%)			
Gross inflows				71	67	6%	549	512	7%	620	579	7%			
Less redemptions				(144)	(141)	(2%)	(339)	(380)	11%	(483)	(521)	7%			
Net flows				(73)	(74)	1%	210	132	59%	137	58	136%			
Other movements				-	-	-	(108)	-	-	(108)	-	-			
Market and currency movements				(349)	8	(4463%)	(770)	(469)	(64%)	(1,119)	(461)	(143%)			
Net movement in FUM				(422)	(66)	(539%)	(668)	(337)	(98%)	(1,090)	(403)	(170%)			
Closing FUM				1,124	1,709	(34%)	8,114	9,540	(15%)	9,238	11,249	(18%)			
<b>Asia Mutual Funds</b>				<b>India</b>			<b>Taiwan <sup>(9)</sup></b>			<b>Other</b>			<b>Asia Mutual Funds</b>		
	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)
Opening FUM (as at 31/12/01)	1,072	695	54%	2,076	934	122%	57	20	185%	3,206	1,649	94%	3,206	1,649	94%
Gross inflows	1,611	882	83%	4,888	2,484	97%	130	7	1757%	6,629	3,373	97%	6,629	3,373	97%
Less redemptions	(1,634)	(712)	(129%)	(4,338)	(2,212)	(96%)	(2)	(6)	67%	(5,974)	(2,930)	(104%)	(5,974)	(2,930)	(104%)
Net flows	(23)	170	(114%)	550	272	102%	128	1	12700%	655	443	48%	655	443	48%
Other movements	(19)	(13)	(46%)	-	-	-	-	-	-	(19)	(13)	(46%)	(19)	(13)	(46%)
Market and currency movements	(5)	56	(109%)	(55)	54	(202%)	(1)	(2)	50%	(61)	108	(156%)	(61)	108	(156%)
Net movement in FUM	(47)	213	(122%)	495	326	52%	127	(1)	12800%	575	538	7%	575	538	7%
Closing FUM	1,025	908	13%	2,571	1,260	104%	185	19	874%	3,781	2,187	73%	3,781	2,187	73%

## INSURANCE OPERATIONS - ANALYSIS

Asian Insurance Operations	Single			Regular			Total			Annual Equivalent		
	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)	2002 HY £m	2001 HY £m	+/- (%)
<b>Insurance Products:</b>												
Singapore	138	406	(66%)	21	15	40%	159	421	(62%)	35	55	(36%)
Hong Kong	44	53	(17%)	43	30	43%	87	83	5%	47	36	31%
Malaysia	7	6	17%	24	17	41%	31	23	35%	25	18	39%
Taiwan	9	1	800%	50	65	(23%)	59	66	(11%)	51	65	(22%)
Japan <sup>(10)</sup>	5	8	(38%)	18	11	64%	23	19	21%	19	12	58%
Other <sup>(11)</sup>	8	5	60%	40	24	67%	48	29	66%	40	24	67%
<b>Total Asian Insurance Premiums</b>	<b>211</b>	<b>479</b>	<b>(56%)</b>	<b>196</b>	<b>163</b>	<b>20%</b>	<b>407</b>	<b>642</b>	<b>(37%)</b>	<b>217</b>	<b>211</b>	<b>3%</b>

## BANKING PRODUCTS

	2002 HY £m	2001 HY £m	+/- (%)
<b>UK Banking Products</b>			
Egg	7,411	6,014	23%
Prudential Banking	256	342	(25%)
<b>Total Deposit Liabilities</b>	<b>7,667</b>	<b>6,356</b>	<b>21%</b>
Mortgage Book	2,388	2,468	(3%)
Personal Loans Book	666	542	23%
Credit Card Receivables	2,121	1,564	36%
<b>Total Retail Assets</b>	<b>5,175</b>	<b>4,574</b>	<b>13%</b>
<b>US Banking Products</b>			
Total Deposit Liabilities	668	535	25%
Retail Assets	685	732	(6%)

## Notes to Schedules:

<sup>(7)</sup> Mandatory Provident Fund product sales in Hong Kong are included at Prudential's 36% interest of the Hong Kong MPF operation.

<sup>(8)</sup> Scottish Amicable and Prudential branded Investment Products.

<sup>(9)</sup> Opening FUM restated to incorporate Discretionary Asset Management Business in Taiwan and Portfolio Management Services in India.

<sup>(10)</sup> Insurance sales for Japan are included from 13 February 2001, the date of acquisition of Orico Life Insurance Company Limited.

<sup>(11)</sup> In Asia, 'Other' Insurance Products include Thailand, Indonesia, The Philippines, Vietnam, India (26% interest), China and Korea.

<sup>(12)</sup> Balance sheet figures have been calculated at closing exchange rates.