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

- Total Group insurance and investment sales of £23.6 billion, an increase of 12 per cent at constant exchange rates (CER) on the first nine months of 2002 (6 per cent on actual exchange rates). Group APE (Annual Premium Equivalent) insurance sales of £1.2 billion are down 10 per cent at CER (down 14 per cent on actual exchange rates).
- Total Group investment funds under management of £29.7 billion, up 16 per cent since the beginning of 2003.
- APE insurance sales in Prudential Corporation Asia (PCA) up 17 per cent, despite the impact of SARS earlier in the year (up 9 per cent on actual exchange rates).
- Jackson National Life's (JNL) retail sales of £2.8 billion at CER were 1 per cent higher than the comparable period in 2002, with particularly strong sales of variable annuities.
- UK insurance sales on an APE basis down 16 per cent, reflecting weakness in the with-profit bond market. Strong sales of corporate pensions and individual annuities.
- M&G total retail and institutional funds under management of £23.2 billion, up 14 per cent since the start of the year.

Prudential's Group Chief Executive, Jonathan Bloomer, commented: "The markets in which we operate have been difficult this year. In the UK, consumer confidence has not yet fully recovered, in the US, the low interest rate environment continues, and in Asia, SARS has affected several key territories. However, market conditions are beginning to stabilise and we are now seeing signs of improvement and the emergence of some positive trends including: increased sales of corporate pensions in the UK; good sales of variable annuities in the US; and a return to strong growth in Asia."

\* The narrative below is on constant exchange rates throughout. See Notes to Editors for further details.

### **Prudential Corporation Asia**

In the first nine months of the year PCA had APE sales of £391 million, up 17 per cent on the same period last year. This strong result demonstrates the benefits of PCA's diverse portfolio of businesses across Asia. Sales have recovered strongly post SARS and APE sales in the third quarter were £148 million, up 33 per cent on the second quarter of 2003.

In Singapore, PCA has continued to focus on more profitable regular premium life business and for the first nine months of the year sales were up 27 per cent compared with the same period last year. Strong growth continued in Malaysia where APE sales in the first nine months of the year were up 25 per cent and in Hong Kong, despite record high unemployment levels and concerns over SARS, sales of single premium products in the first nine months of 2003 were 61 per cent higher than the same period in 2002.

As announced on 1 September 2003, PCA Life Japan is now focusing on its financial adviser distribution channel and its bancassurance arrangements. While APE sales for the third quarter were up 44 per cent compared with the second quarter, PCA Life Japan anticipates some slowdown in the fourth quarter as the distribution model is refocused.

PCA's Taiwanese life business made a strong recovery in the third quarter with APE sales up 71 per cent on the second quarter. However, due to the impact of SARS earlier in the year, sales for the first nine months of the year were up 2 per cent relative to 2002.

PCA's seven smaller life operations (China, India, Indonesia, Korea, the Philippines, Thailand and Vietnam - collectively classified as 'Other' in the schedules) continue to build scale with APE sales increasing by 61 per cent compared with the same period last year. In China, PCA opened its second life operation with its partner CITIC. This was launched in August in Beijing. In Korea, bancassurance arrangements were launched with Koram Bank and Korea First Bank.

Total investment products funds under management in Asia as at 30 September 2003 were £6.5 billion, up 10 per cent from £5.9 billion at 30 June 2003. This reflects strong net inflows of £395 million during the quarter and the impact of positive market movements.

### **Jackson National Life**

JNL's retail sales of £2.8 billion were 1 per cent higher than the comparable period in 2002, which was a record year.

Total sales for the first nine months of the year were down 19 per cent on prior year, reflecting a 62 per cent reduction in sales of institutional products to £499 million as a result of JNL's focus on retail markets. JNL does not expect to sell any further institutional products before 2004, other than on an opportunistic basis.

JNL recorded excellent variable annuity sales during the first nine months of 2003. Total sales of £1.5 billion were up 88 per cent on the same period last year. As expected given the volatility of equity markets over the previous three years, a significant proportion of variable annuity investors continue to elect the fixed option, with 53 per cent of variable annuity sales going into this option during the first nine months of 2003. This compares to 58 per cent during the full year 2002 and 57 per cent for the first six months of 2003.

Due to the continued low interest rate environment in the US and the high rate of election of the fixed account option within variable annuities, fixed annuity sales in the first nine months of the year of £1.2 billion were 37 per cent below prior year. Prudential has previously indicated that JNL would self-fund its capital in the medium-term. Consistent with this objective, third quarter fixed annuity sales of £200 million were 52 per cent down on sales of £421 million during the second quarter, and were 76 per cent lower than the comparable period in 2002. While JNL's outlook for the financial markets remains cautious, it expects to sell £250-300 million of fixed annuities in the fourth quarter, reflecting its expected capital position.

Sales of equity-linked indexed annuities of £184 million were down 2 per cent on the first nine months of last year. Regular premium life sales of £11 million compared with sales of £17 million for the same period in 2002.

Curian Capital LLC, JNL's recently launched Registered Investment Advisor channel, continued to build on its strong start. At the end of September, funds under management had grown to £73 million, more than double the funds under management at the half year. Curian Capital provides innovative fee-based separately managed accounts and investment products.

In March 2003 JNL introduced a new equity-linked annuity product, and since June 2003 it has also launched new term and universal life products. These new developments reinforce JNL's track record of product innovation, with 92 per cent of sales in the first nine months of the year coming from products launched since the beginning of 2002.

JNL intends to continue its focus on retail sales for the remainder of the year.

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

Prudential UK and Europe's APE sales for the first nine months of the year were £464 million, 18 per cent down on the comparative period in 2002. Excluding with-profit bond sales, Prudential UK's APE sales were 6 per cent higher than the same period in 2002 benefiting from continuing strong corporate pension and individual annuity sales.

Sales through direct channels were £243 million, 15 per cent higher than the equivalent period in 2002, with strong sales of individual annuities and corporate pensions. Sales of individual annuities through direct channels were 11 per cent higher than in the same period in 2002 and in the first half of 2003 Prudential UK had a 22 per cent market share of the individual annuity market (source: ABI).

Sales of corporate pensions through direct channels were £136 million, 23 per cent higher than 2002, reflecting a significant contribution from new schemes. In the first half of 2003 Prudential UK had an 18 per cent market share of the defined contribution occupational pension scheme market (source: ABI).

IFA sales were down 38 per cent to £208 million. Despite the weak with-profit bond market Prudential achieved a strong performance with a 59 per cent increase in sales of with-profit bonds through IFAs in the third quarter over the second. This reflects a slow return to this market by high net worth investors. Prudential UK is seeking to improve confidence in with-profit bonds through a number of measures including product enhancement and improved transparency. In the first half of 2003 Prudential UK had a 26 per cent market share of with-profit bond sales distributed through IFAs (source: ABI), which it believes will have increased in the third quarter.

Partnership agreements with Abbey to sell with-profit bonds, and with Zurich to underwrite annuities, resulted in single premium sales of £81 million for the first nine months of 2003. Partnership sales in the third quarter of £36 million compare with £13 million achieved in the second. The Zurich agreement was launched during the second quarter of 2003.

Prudential UK expects conditions in the final quarter of the year to remain challenging, but believes its focus is appropriate. It is confident it is well positioned to take advantage of the recovery in the savings market. It continues to focus on products where it has competitive advantage as a result of its brand recognition, financial strength, diversified distribution capability and low cost base.

### **M&G**

M&G's gross fund inflows for the first nine months of 2003 were £3 billion, up 1 per cent on 2002, reflecting its strength and broad distribution in the areas of retail fund management, institutional fixed income, pooled life and pension funds, property and private finance.

Gross fund inflows into M&G branded retail products were £275 million in the third quarter, up 10 per cent on the same period last year. Net inflows rose in the quarter, up 8 per cent on the same period in 2002 to £64 million.

In its institutional business, M&G continued to benefit from its position as a leading innovator in fixed income and private finance. Gross institutional fund inflows during the third quarter were £702 million, bringing inflows in the first nine months to £2.1 billion, 5 per cent higher than the same period last year.

During the third quarter, M&G's segregated and pooled funds saw gross fund inflows of £317 million and the private finance division contributed a further £333 million as a result of its continuing success in winning project finance and securitised vehicle mandates.

M&G's net institutional fund inflows for the third quarter of 2003 were £284 million compared to £59 million in the same period in 2002.

**Egg**

Egg will announce its third quarter results on Wednesday 22 October 2003.

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**Notes to Editors:**

1. There will be a conference call today for wire services hosted by Jonathan Bloomer, Group Chief Executive, and Philip Broadley, Group Finance Director at 8.00am (dial-in telephone number: +44 (0) 20 8288 4500). Callers to quote "Prudential" for access to the call.
2. There will be a conference call for investors and analysts hosted by Jonathan Bloomer at 2.30pm (dial-in telephone number: +44 (0) 20 7162 0189, US callers +1 334 420 4951). Callers to quote "Prudential Q3 new business results" 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 817812.

3. 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.

	<b>Annual Premium Equivalent Sales</b>					
	<b>Actual exchange rates</b>			<b>Constant exchange rates</b>		
	<b>2003 YTD</b>	<b>2002 YTD</b>	<b>+/- (%)</b>	<b>2003 YTD</b>	<b>2002 YTD</b>	<b>+/- (%)</b>
	<b>£m</b>	<b>£m</b>		<b>£m</b>	<b>£m</b>	
<b>UK and Europe</b>	464	568	(18%)	464	568	(18%)
<b>US</b>	342	464	(26%)	342	426	(20%)
<b>Asia</b>	391	358	9%	391	334	17%
<b>Total</b>	1,197	1,390	(14%)	1,197	1,328	(10%)

	<b>Gross Inflows</b>					
	<b>Actual exchange rates</b>			<b>Constant exchange rates</b>		
	<b>2003 YTD</b>	<b>2002 YTD</b>	<b>+/- (%)</b>	<b>2003 YTD</b>	<b>2002 YTD</b>	<b>+/- (%)</b>
	<b>£m</b>	<b>£m</b>		<b>£m</b>	<b>£m</b>	
<b>M&amp;G</b>	3,024	2,981	1%	3,024	2,981	1%
<b>Asia</b>	13,309	9,832	35%	13,309	9,142	46%
<b>Total</b>	16,333	12,813	27%	16,333	12,123	35%

	<b>Total Insurance and Investment New Business</b>					
	<b>Actual exchange rates</b>			<b>Constant exchange rates</b>		
	<b>2003 YTD</b>	<b>2002 YTD</b>	<b>+/- (%)</b>	<b>2003 YTD</b>	<b>2002 YTD</b>	<b>+/- (%)</b>
	<b>£m</b>	<b>£m</b>		<b>£m</b>	<b>£m</b>	
<b>Insurance</b>	7,270	9,398	(23%)	7,270	8,992	(19%)
<b>Investment</b>	16,333	12,813	27%	16,333	12,123	35%
<b>Total</b>	23,603	22,211	6%	23,603	21,115	12%

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 UK corporate pensions APE sales by £31 million for the full-year 2002 (£16 million for the first nine months of 2002).
6. 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.

**7. Financial Calendar:**

**2003**

Payment of interim dividend	Friday 31 October 2003
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**2004**

2003 Full-year New Business Figures	Thursday 22 January 2004
2003 Full-year Results	Tuesday 24 February 2004
Ex-dividend date	Wednesday 17 March 2004
Record date	Friday 19 March 2004
First quarter New Business Figures	Friday 23 April 2004
Annual General Meeting	Thursday 6 May 2004
Payment of 2003 final dividend	Wednesday 26 May 2004
2004 Interim Results/Second quarter New Business Figures	Tuesday 27 July 2004

**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.