



Prudential plc acquisition of AIA

March 2010

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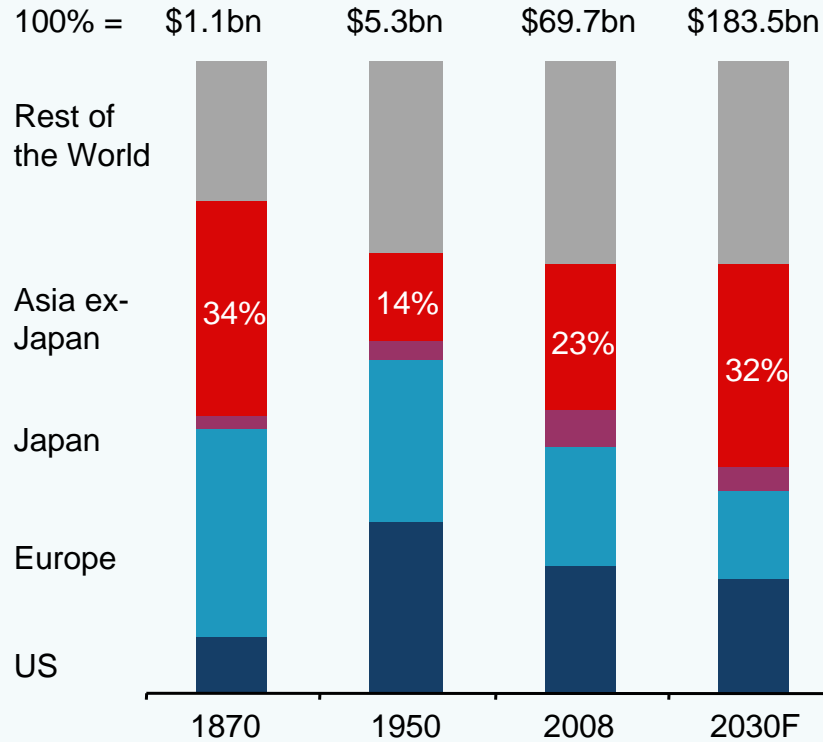
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Acquisition of AIA

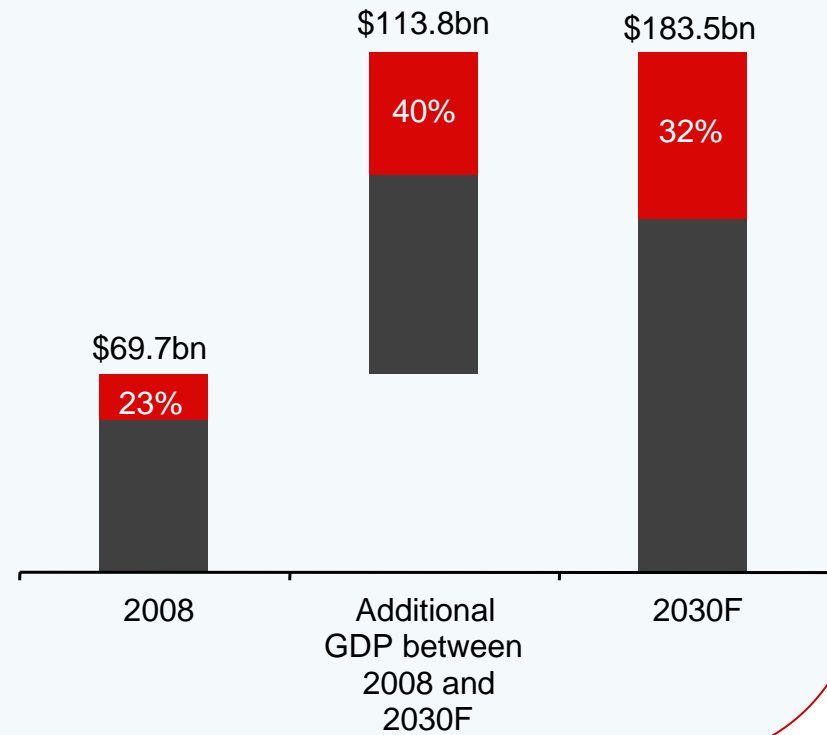
A macro perspective of the future: GDP

South East Asia provides the highest growth of all the Asia regions

Share of global GDP at PPP

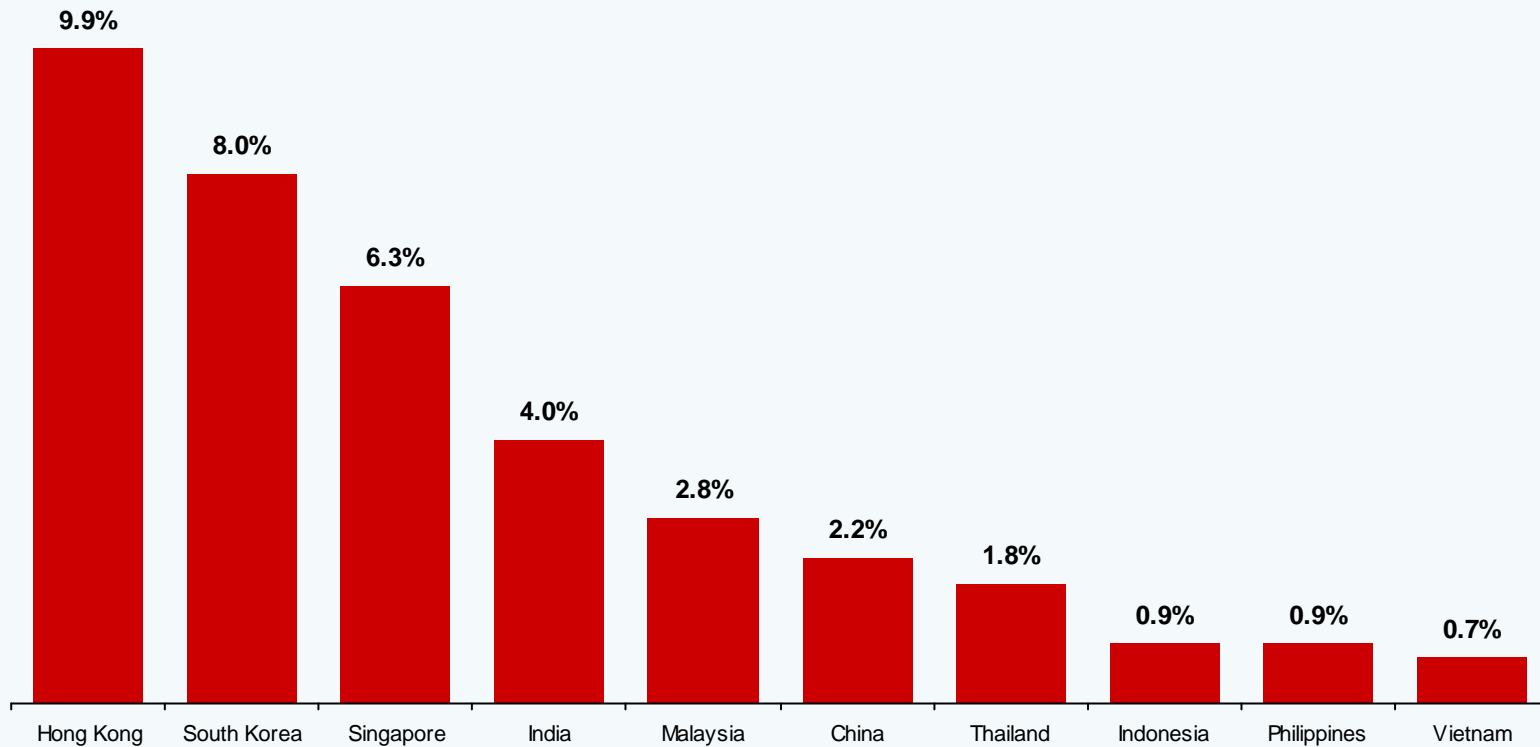


Asia ex-Japan contribution to the 2008-2030 forecast GDP growth \$bn



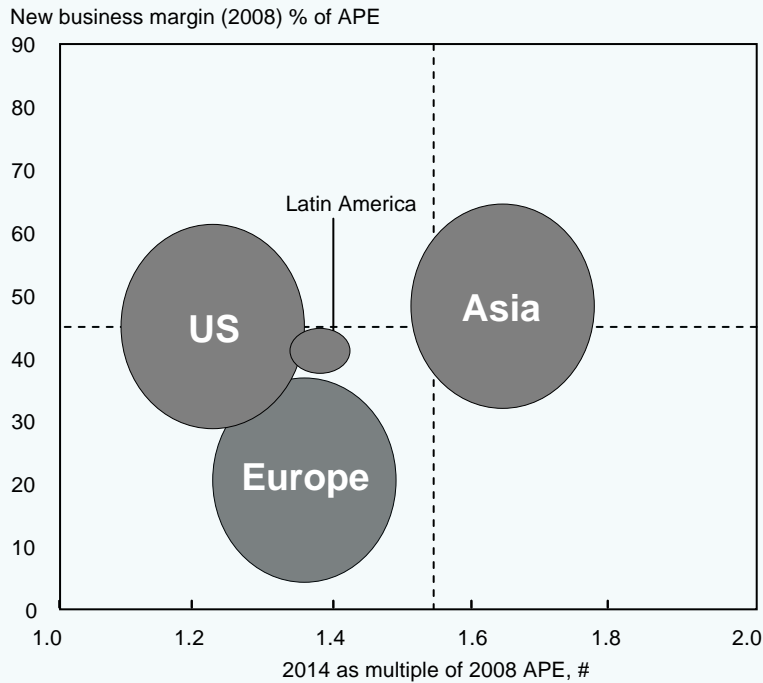
Exposure to Under-penetrated Markets with High Growth Prospects

Life penetration ratio *(Life premiums as % of GDP)*



Potential profit pools at the macro level

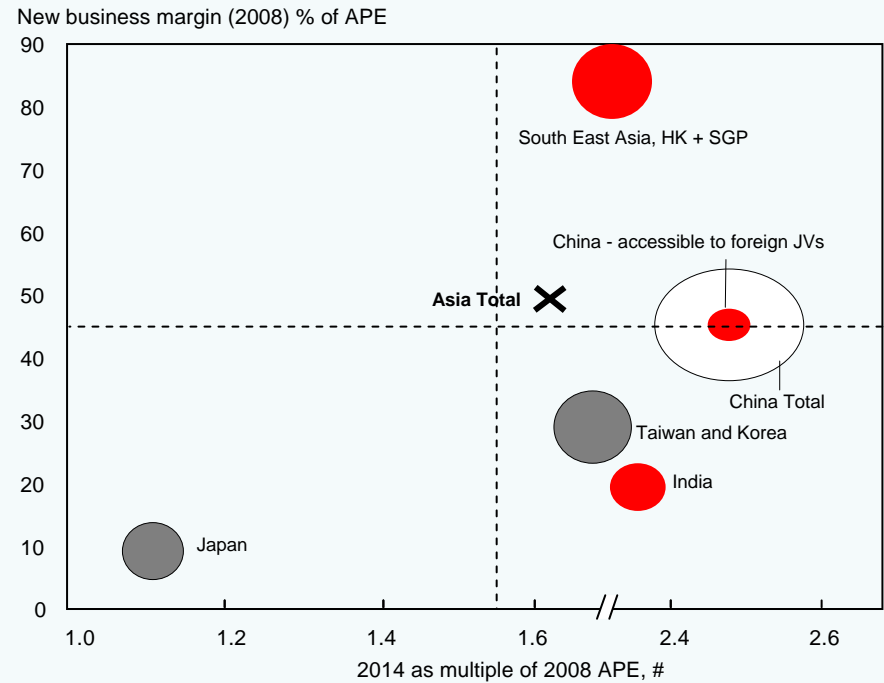
2014 global profit pools for life insurance



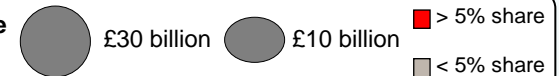
Estimated value pool, 2014



Granular view of Asia



Estimated value pool, 2014



Overview of AIA

AIA

Latest ranking (% market share)



- **Extensive geographical presence in the Life segment**
 - 7 top 5 positions by market share
- **Strong multi-channel platform, with Agency as the main distribution channel:**
 - strong agency franchise with c.300,000 agents (excl. India)
 - c.130 banking relationships giving access to c.11,000 branches
 - currently developing in direct marketing and e-commerce
- **Over 20m customers and 23,500 staff**
- **Life insurance and Accident & Health** – with a leading position in the latter segment
- **Expertise in customer database marketing**
- **Rated A+ by S&P**

(£ in millions)

	Year ending 30 November		
	2007	2008	2009
TWPI	5,686	6,431	7,485
Operating expenses	482	574	631
Operating profit after tax	636	837	925
Operating margin	11.2%	13.0%	12.4%
Regulatory solvency margin	188%	209%	311%

Source: AIA, Prudential and industry data

Note: Australia and New Zealand excluded. AIA has a #14 (1.4%) ranking in Australia and New Zealand data is not available

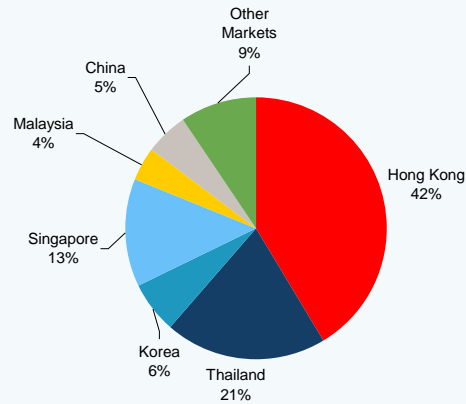
Note: China based on JV and foreign insurers only; Indonesia based on official Q3 YTD data; Malaysia includes 100% Takaful; India includes private insurers' retail sales only for ranking and retail shares for market share; Philippines based on official 2008 FY data

Note: Converted to GBP at yearly average (using 30 Nov year end) GBP/USD exchange rates (2007: 1.9974; 2008: 1.8976; 2009: 1.5540)

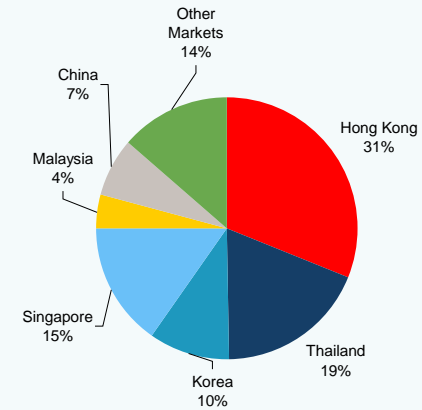
Note: Rankings based on total weighted new business based on data available for the latest period for each market

AIA 2009 financial highlights

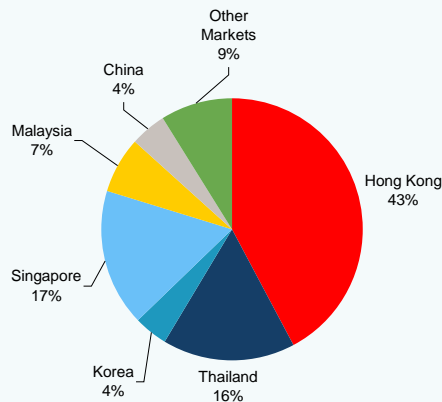
EV: £12.8bn



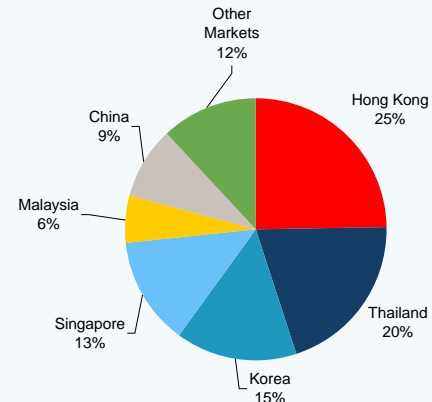
New business profit after tax: £367m



IFRS Operating profit after tax: £925m



TWPI⁽¹⁾: £7.5bn



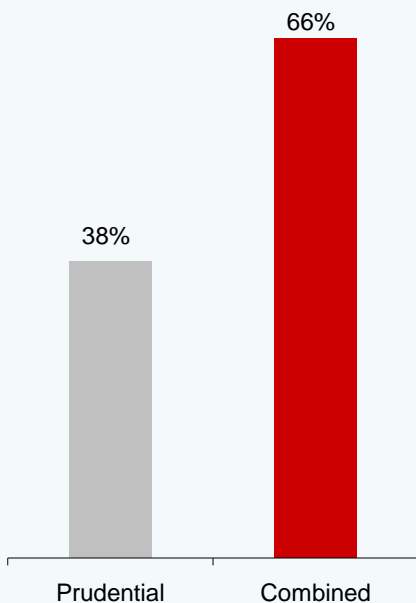
Note: AIA figures converted in GBP using average 2009 GBP/USD exchange rate of 1.5540. EV converted into GBP at financial year end 2009 (30 November) GBP/USD exchange rate of 1.6397

(1) Total weighted premium income consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums

Transformation into leading Asian insurer

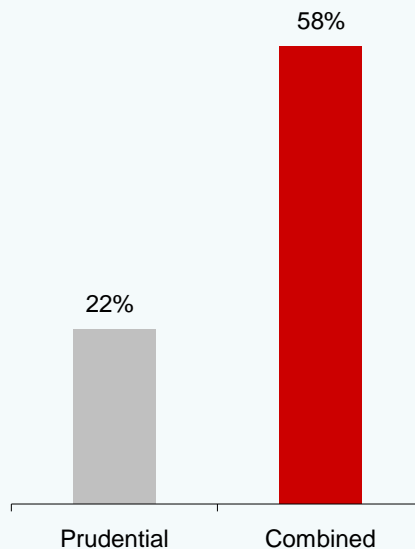
Asia as % of Group

2009 embedded value



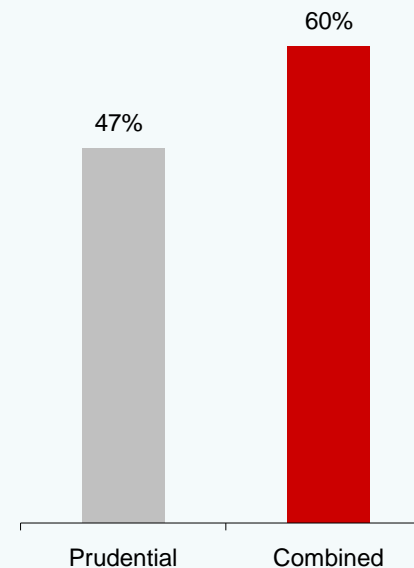
£23.5bn⁽¹⁾

2009 IFRS operating earnings (pre-tax)



£2.6bn

2009 new business profit (post tax)



£1.5bn

(1) Assumes Prudential EV plus AIA EV less senior debt and preferred securities

Note: New business profit and IFRS operating profit converted into GBP using average 2009 GBP/USD exchange rate of 1.5540. EV converted into GBP at financial year end 2009 (30 November) GBP/USD exchange rate of 1.6397

No 1 in every major South East Asian market



Source: Prudential and industry data

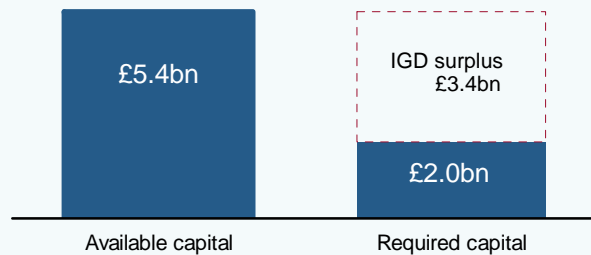
Note: Based on the latest reported period for each market on the basis of total weighted new business. China based on JV and foreign insurers only; Indonesia based on official Q3 YTD data; Malaysia includes 100% Takaful; India includes private insurers retail sales only for ranking; Philippines based on official 2008 FY data

Note: Rankings based on total weighted new business based on data available for the latest period for each market

Capital position, Rating and Dividend policy of the enlarged group

Capital

Pre acquisition



Post acquisition⁽¹⁾

- Surplus c.£2.6bn

Rating

- Key rating agencies leverage ratios expected to be maintained within “A” range or better
 - progressively moving towards a level in a higher band of the “A” rating

Dividend

- It is intended that dividend policy remains unchanged
- AIA earnings support consistent payout ratio across the enlarged group
- New shares to be issued will be entitled to 2010 dividend, adjusted for bonus factor

Synergies

Expected cost synergies

- Cost advantage arising from significant synergy benefits
- Only assessed management related expenses at this stage
- Anticipated fully phased cost synergies (pre tax) of c.\$340m per annum
 - c.\$200m from head office
 - c.\$140m from countries
- Nature of overlap means that most of the synergies can be realised rapidly
- Limited dis-synergies: Prudential's strong scale and presence in Asia represent an attractive proposition to AIA's staff and distribution

Potential for revenue synergies

Agency Distribution

- Driving improvement in AIA sales force productivity to best in class, leveraging Prudential's agency management capabilities

Partnerships

- Extract more value from AIA's current partnerships by utilising Prudential's unique staff-embedded model

Products

- Institutionalise Prudential's sales skills across AIA's unit-linked and rider businesses

Customers

- Apply AIA's tools in warehousing and data mining across combined customer base

Asset Management

- Integrate life businesses' AM activities and build capabilities from increased scale

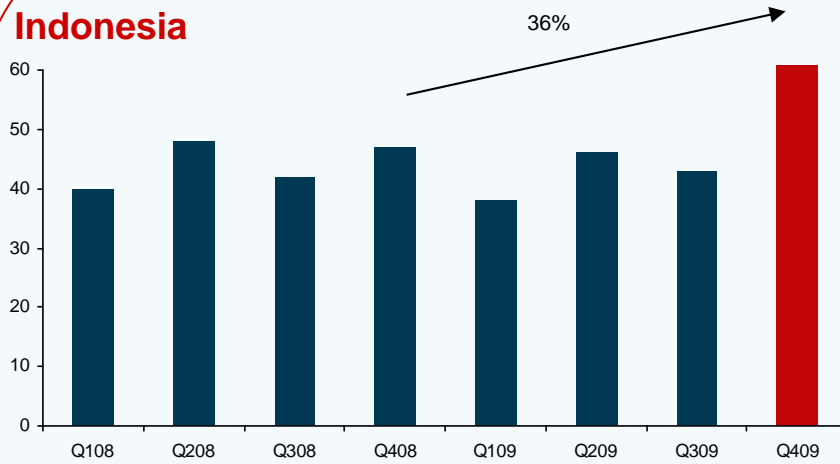
Capability to deliver quickly

Bancassurance Partnership with UOB

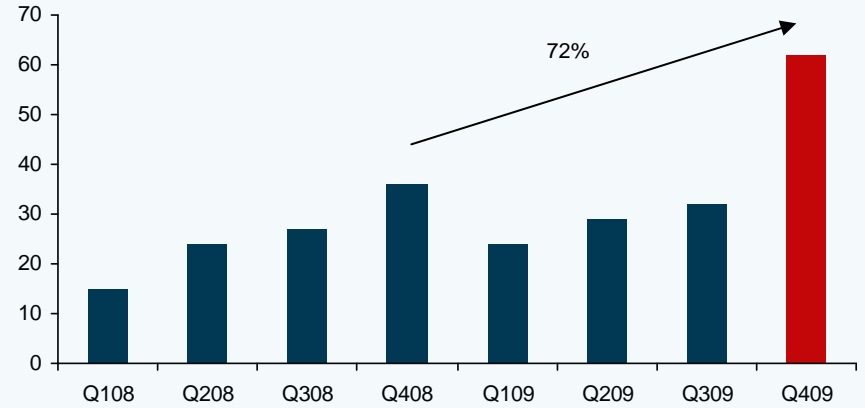
- Partnership with 2nd bank in Singapore, with strong presence in South-East Asia
- Involved the acquisition of UOB Life in Singapore and the signing of exclusive distribution agreements in Singapore, Thailand and Indonesia
- **Overview of the process:**
 - **6 January 2010:** Signing of the SPA for UOB Life Singapore & of the Bancassurance agreements
 - **31 January 2010:** Regulatory approval obtained and transaction completed, including the bancassurance agreements for Singapore, Thailand and Indonesia
 - **1 February 2010:** Launch of bancassurance in all 3 markets
 - Strong performance already achieved in February 2010

Record New Business Volumes in Asia (£m APE)

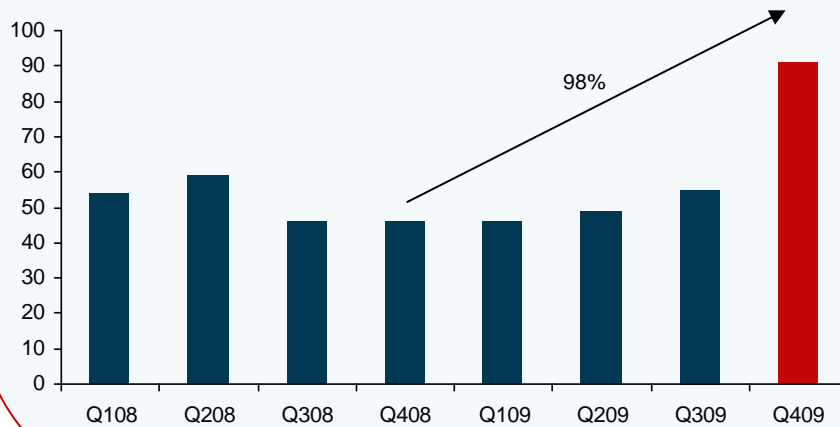
Indonesia



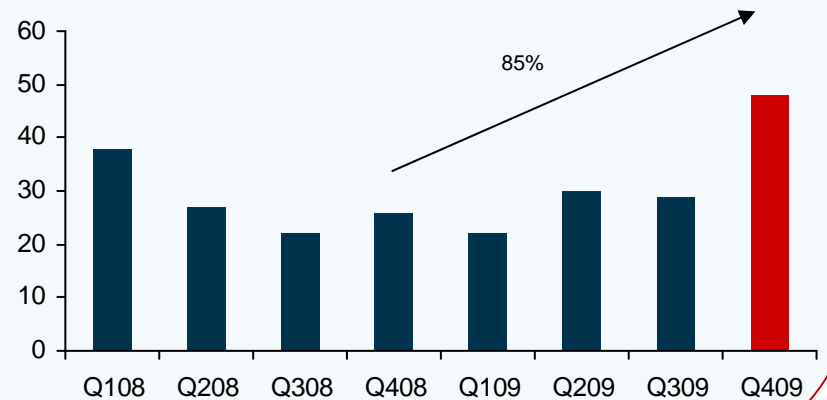
Malaysia



Hong Kong



Singapore



Integration

The integration will focus on maintaining business momentum

**Maintaining
business
momentum**

**Retaining and
motivating
salesforce**

**Maintaining
customer
relationships**

**Aligning
cultures**

Four structural and geographical variants

1

Hong Kong headquarters

- Capture quick wins from consolidation of both HQs, without compromising longer-term people model

2

'Mergers of Equals'

- Merge Prudential and AIA businesses in countries (e.g., Malaysia, Singapore, Hong Kong) where neither is dominant

3

'Natural mergers'

- Use a merger model where either Prudential or AIA is leader (e.g., Thailand, Vietnam)

4

'Special cases'

- Tailor the approach on a case-by-case basis in countries characterised by JVs (i.e., China, India)

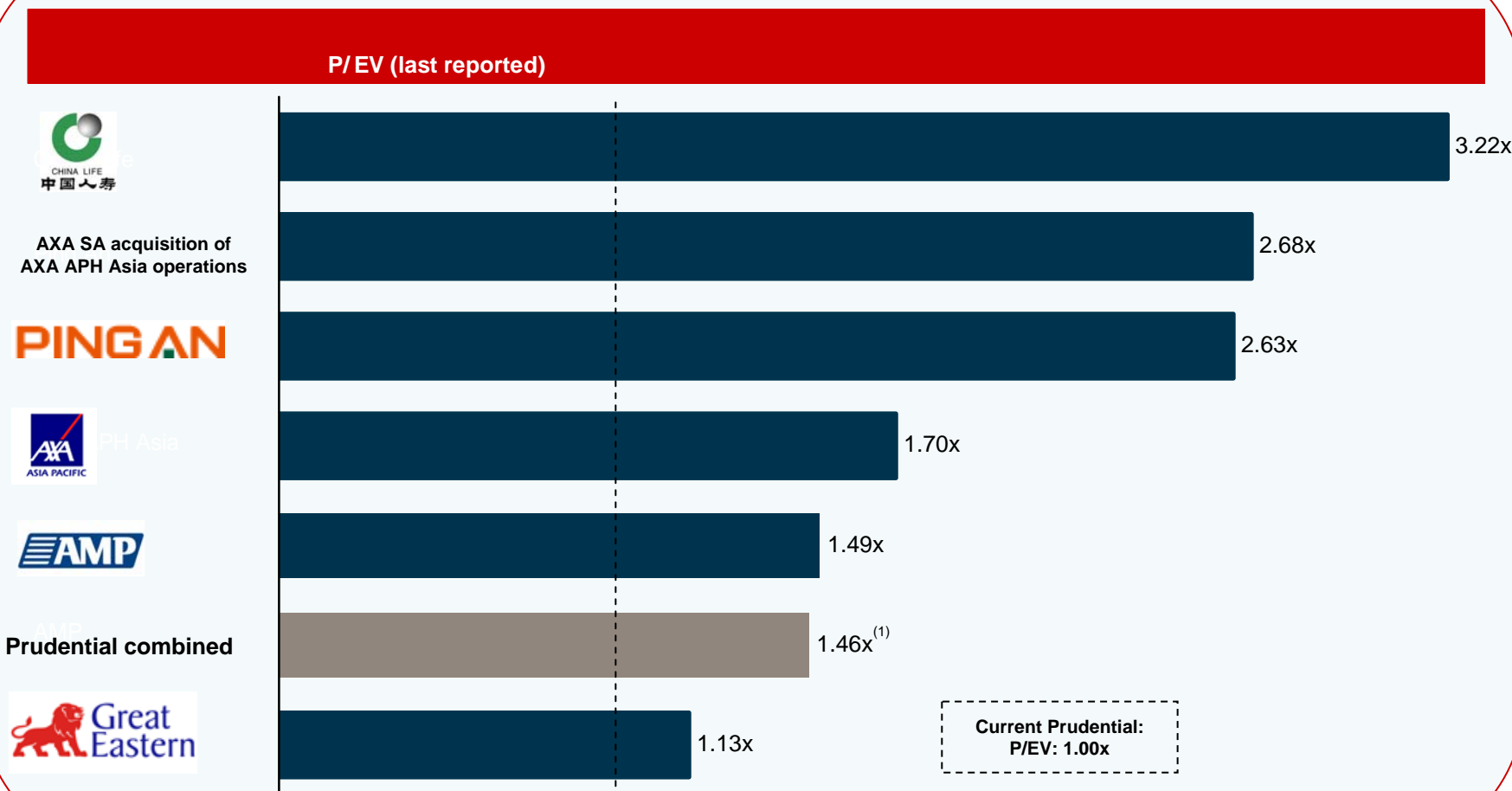
Regulatory and competition considerations

- Performed in depth review on both regulatory consent and anti-trust filings
- Advice obtained on regulatory consent by Slaughter and May and from local legal counsel makes us confident we should be able to obtain approvals as required
- Review of anti-trust filings makes us confident we will obtain the necessary consents
- Strong relationships with regulators across the region and ongoing dialogue will continue prior to completion

Valuation

Indicative valuation metrics

Combined indicative valuation based on current market valuation and transaction multiple



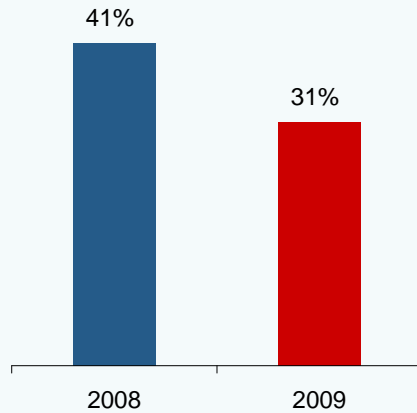
Note: Assuming rights issue priced at a 40% discount to the theoretical ex-rights price based on closing share price of £6.03 as at 26 February 2010 and partially phased synergies.

(1) Based on combined EV of £23.5bn

Source: FactSet as of 26 February 2010

Scope for AIA new business profit improvement

Post tax NBP Margin

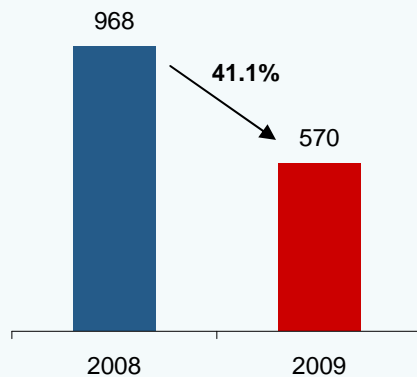


2010 scope for recovery

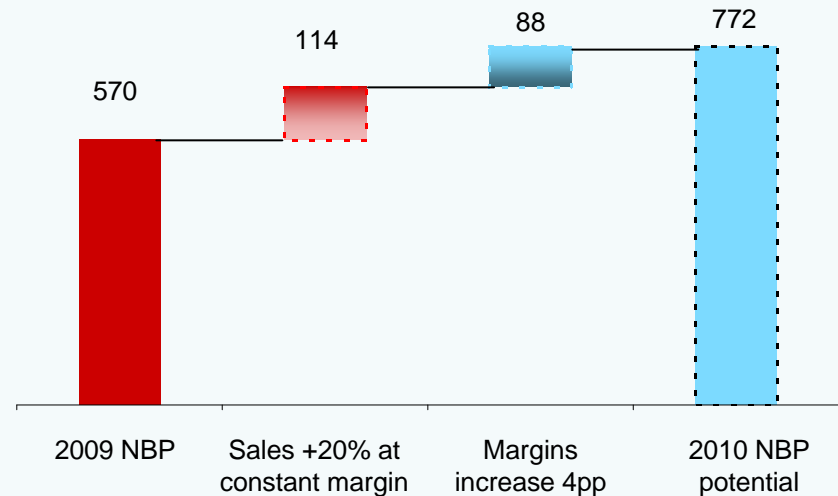
- Q1 sales growing well
- Margins expanding
- Scope for good growth if these trends continue



Post tax NBP (\$m)



Illustrative recovery potential (\$m)



Summary valuation multiples paid

Price: \$35.5bn

**Implied
Multiples**

- P/EV: 1.69x
- 2009A P/E (excl. cost synergies): 24.7x
- 2009A P/E (incl. fully phased cost synergies): 21.1x
- Implied 2009A NBP multiple: 25.4x

Transaction structure / funding

- New TopCo structure (“New Prudential”), will be the holding company for both Prudential and AIA
- \$35.5bn / (£23.3bn) acquisition price

Rights issue

\$20.0bn

- \$20.0bn / (£13.1bn) rights issue (net, \$20.7bn / (£13.6bn) gross) fully underwritten by Credit Suisse, JP Morgan Cazenove and HSBC
 - 89% of Prudential market capitalisation of c.\$23.2bn / £15.3bn
 - final terms expected to be set at the time of publication of the prospectuses

Equity consideration

\$5.5bn

- AIG receive an equity consideration of \$5.5bn / (£3.6bn), resulting in a c.11% stake post transaction
 - priced by reference to the closing price of 602.5p on 26 February 2010 adjusted for the estimated full-year dividend and rights issue size
- Lock up: 50% sellable after 12 months and the other 50% sellable after 24 months

Mandatory convertibles

\$3.0bn

- \$3.0bn / (£2.0bn)
 - priced by reference to the closing price of 602.5p on 26 February 2010 adjusted for the estimated full-year dividend and rights issue size
 - 3.75% coupon, lower strike 100% of reference price, upper strike 125% of reference price, 3 year maturity
 - No resale rights, effective 2 year lock-up

Preferred securities

\$2.0bn

- \$2.0bn / (£1.3bn)
 - paying 6.25% coupon, tax deductible
 - perpetual, non-call, 10 year with 1% coupon step up in year 10
 - Marketable after 12 months

Senior debt

\$5.0bn

- \$5.0bn / (£3.3bn) (net, \$5.4bn / (£3.5bn) gross) fully underwritten by Credit Suisse, JP Morgan Cazenove and HSBC
 - 5-10 years bond issuance

Conditions

- Shareholder approval
- Regulatory and anti-trust approvals

Expected timetable to completion

Event	Timing
Publication of the Prospectuses and Circular	April / May
Prudential Shareholder meetings to approve Rights Issue, and Transaction	May
Rights Issue trading period commences	May
Rights Issue trading period ends	Early June
Regulatory approval and acquisition closes, with proceeds and vendor consideration released to AIG. Prudential delisted and New Prudential listed and admitted to trading on the LSE	Q3(estimated)

Acquisition of AIA

- Rare opportunity to bring together two outstanding companies
- Ideally positioned to capture future Asian growth
- Number one life insurer in Hong Kong, Singapore, Malaysia, Thailand, Indonesia, Philippines and Vietnam⁽¹⁾
- Acceleration of our stated strategy to deliver value to our shareholders
- Access to Asian capital markets through Hong Kong listing

Appendix

AIA 2009 audited results highlights

Key financials for AIA – IFRS income statement

(US\$ in millions)

	2007	2008	2009
Premiums and fee income	9,573	10,674	10,433
Premiums ceded to reinsurers	(833)	(392)	(331)
Net premiums and fee income	8,740	10,282	10,102
Investment return	6,409	(6,998)	8,843
Other operating revenue	77	526	71
Total revenue	15,226	3,810	19,016
Net insurance and investment contract benefits	(10,363)	(1,209)	(13,563)
<i>o/w insurance and investment contract benefits</i>	(11,016)	(1,457)	(13,814)
<i>o/w insurance and investment contract benefits ceded</i>	653	248	251
Acquisition and operating expenses	(1,909)	(2,652)	(2,629)
Finance cost and investment mgt. expenses	(295)	(262)	(139)
Change in third party interests in consolidated investment funds	(80)	309	(253)
Total expenses	(12,647)	(3,814)	(16,584)
Profit before share of loss from associates and joint ventures	2,579	(4)	2,432
Profit/ (loss) before tax	2,579	(32)	2,411
Income tax (expenses) / credit attributable to policyholders' returns	(70)	90	(137)
Profit before tax attributable to shareholders' profits	2,509	58	2,274
Tax (expense)/credit	(651)	445	(654)
Less: tax attributable to policyholders' returns	70	(90)	137
Net profit	1,928	413	1,757
<i>Net profit attributable to:</i>			
Shareholders of the parent company	1,914	408	1,754
Non-controlling interests	14	5	3
Earnings per share (US\$):			
Basic and diluted	0.16	0.03	0.15

Source: AIA FY 2009 report.

Key financials for AIA – IFRS balance sheet

(US\$ in millions)

	November 2007	November 2008	November 2009
Assets			
Intangible assets	200	232	228
Investments in associates and joint ventures	63	47	53
Property, plant and equipment	352	332	326
Reinsurance assets	2,668	147	284
Deferred acquisition and origination costs	10,044	10,047	10,976
Financial investments	70,637	55,324	73,480
Other assets	1,462	1,499	1,605
Cash and cash equivalents	2,583	4,164	3,405
Total assets	88,199	72,009	90,659
Liabilities			
Insurance contract liabilities	57,161	52,158	63,255
Investment contract liabilities	6,505	4,898	7,780
Borrowings	1,461	661	688
Obligations under securities lending and repurchase agreements ⁽¹⁾	5,395	2,718	284
Derivative financial instruments	47	138	71
Other liabilities	2,294	1,587	2,025
Total liabilities	74,701	63,091	75,670
Equity			
Issued share capital	12,000	12,000	12,044
Share premium	1,914	1,914	1,914
Other reserves	(13,214)	(12,479)	(12,080)
Retained earnings	9,435	9,498	11,220
Amounts reflected in other comprehensive income	3,304	(2,039)	1,848
Total equity	13,498	8,918	14,989
Total liabilities and equity	88,199	72,009	90,659

Source: 2009 Financial Statements.

Note: Other assets comprise of prepayments, accrued investment income and pension scheme assets; Borrowings comprise of mainly bank loans/overdrafts.

(1) Comprises securities loaned to third parties and a related party and repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase securities at a specified date.

One-year Value of New Business as at 30 November 2009

(\$ in millions)

	RDR
Hong Kong	206
Thailand	124
Korea	65
Singapore (incl. Brunei)	101
Malaysia	29
China	47
Other Markets	90
After-tax value of group office expenses	-40
Adjustment to reflect Hong Kong reserving and capital requirements	-52
Total	570

Source: Embedded value report as at 30 November 2009.