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# **PRUDENTIAL**

## **Prudential plc**

*(Incorporated and registered in England and Wales under the number 01397169)*

**(Stock code: 2378)**

For immediate release

2 June 2010

### **PROPOSED TERMINATION OF AGREEMENT TO COMBINE WITH AIA GROUP LIMITED**

Further to its announcement yesterday, Prudential plc (“Prudential”) announces that it is in negotiations with American International Group, Inc. (“AIG”) for the termination of the agreement (the “SPA”) for the combination of Prudential with AIA Group Limited (“AIA”).

If, as expected, the agreement with AIG is terminated, the Board of Prudential will not put any resolutions to the court and shareholder meetings convened for 7 June 2010 and it will not be proceeding with the rights issue or other financing relating to the Transaction. The reconvened Annual General Meeting will go ahead as planned on 7 June 2010.

The Group strategy, to allocate capital in priority to the most profitable geographies and products, with a particular focus on Asia, remains unchanged and the recent performance of the Group has demonstrated success through the record profit growth in 2009 and the first quarter in 2010.

Under the proposed termination agreement, Prudential will pay to AIG the break fee referred to below in full and final satisfaction of all its liabilities pursuant to the SPA and to release and waive any claims it may have against AIG.

Total costs incurred by Prudential in connection with the Transaction are estimated to be approximately £450 million. These include the break fee of £152.569 million (including VAT, if any) and arrangement and underwriting fees of approximately £81 million. The balance relates to advisory and other fees, including the estimated net cost of the derivative hedging instruments entered into to hedge the foreign exchange risk of using pound sterling proceeds from the rights issue to fund part of the US dollar cash consideration. These derivative hedging instruments fluctuate in value and the effect of re-measurement on the income statement and shareholders' equity will depend upon market conditions at the time they are settled or reported.

Harvey McGrath, Chairman, Prudential said:

“While AIA was an excellent opportunity, since we announced the potential transaction we have seen significant falls in the markets. We listened carefully to shareholders over the price and initiated a renegotiation of the terms with AIG. Unfortunately, it has not been possible to reach agreement so we feel it is in the best interest of our shareholders not to pursue this opportunity. We are therefore withdrawing from the transaction.”

Tidjane Thiam, Group Chief Executive, Prudential said:

“We entered into this potential transaction from a position of strength in Asia and we view the region as offering excellent growth opportunities for Prudential. We agreed with shareholders that a renegotiation of the terms was necessary given market movements but it has not proved possible to reach agreement. Our existing business in Asia has delivered another record performance in the first quarter of this year and we will continue to focus on generating sustainable shareholder value across our portfolio.”

This announcement is made pursuant to Rule 13.09(1) of the Hong Kong Listing Rules.

By order of the board of directors of  
**Prudential plc**

**Margaret Ann Coltman**  
*Company Secretary*

Hong Kong, 2 June 2010

*As at the date of this announcement, the executive directors of Prudential plc are Mr. Cheick Tidjane Thiam, Mr. Nicolaos Andreas Nicandrou ACA, Mr. Robert Alan Devey, Mr. Clark Preston Manning Jr. FSA MAAA, Mr. Michael George Alexander McLintock, Mr. Barry Lee Stowe; and the independent non-executive directors of Prudential plc are Mr. Harvey Andrew McGrath, Mr. Keki Bomi Dadiseth FCA, Mr. Michael William Oliver Garrett, Ms. Ann Frances Godbehere FCGA, Ms. Bridget Ann Macaskill, Ms. Kathleen Anne O'Donovan ACA, Mr. James Hood Ross and Lord Andrew Turnbull KCB CVO.*

## **ENDS**

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### **Notes to Editors:**

#### **About Prudential plc**

Prudential plc is a company incorporated and with its principal place of business in England, and its affiliated companies constitute one of the world's leading financial services groups. It provides insurance and financial services through its subsidiaries and affiliates throughout the world. It has been in existence for over 160 years and has £290 billion in assets under management (as at 31 December 2009). Prudential plc is not affiliated in any manner with Prudential Financial, Inc, a company whose principal place of business is in the United States of America.

## **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.

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