PRUDENTIAL

Prudential plc

英國保誠有限公司*

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

(Stock code: 2378)

WAIVER IN RESPECT OF SPECIFIC MANDATE TO ISSUE MANDATORY CONVERTIBLE SECURITIES

Prudential plc (the "**Company**" and, together with its subsidiaries, the "**Group**") has applied for, and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granted on 26 February 2019, a waiver from strict compliance with the requirements of Rule 13.36(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") pursuant to which the Company is permitted to seek (and, if approved, to utilise) a specific mandate (the "**Mandate**") to issue Mandatory Convertible Securities ("**MCS**") (and to allot ordinary shares into which they may be converted or exchanged) alongside the limit on the general mandate to issue up to 20 per cent of the Company's issued share capital on a non pre-emptive basis (the "**Waiver**").

Background to the Waiver

The Company typically seeks at each annual general meeting ("**AGM**") a general mandate to allot shares both on a pre-emptive and a non pre-emptive basis. The general mandate to be sought at the Company's 2019 AGM (the "**General Mandate**") will be set out in Resolutions 18 and 21 of the notice of the AGM of the Company to be held on Thursday 16 May 2019, together with the accompanying circular, which will be published on or about Wednesday 10 April 2019 (the "**Notice of AGM**"). Such authority complies both with institutional guidelines issued by The Investment Association, and with the relevant requirements of the Hong Kong Listing Rules including Rule 13.36(2) which limits the general mandate to issue shares on a non pre-emptive basis to a maximum of 20 per cent of the Company's issued share capital.

In addition to the General Mandate referred to above, the Company intends at its 2019 AGM and at future AGMs to seek shareholders' approval for the Mandate, which will allow the directors of the Company (the "**Directors**") to create and issue MCS that automatically convert into, or are exchanged for, ordinary shares in the Company in prescribed circumstances, such as the Group's capital ratios falling below a certain level. The Mandate to be sought at the Company's 2019 AGM will be set out in Resolutions 22 and 23 of the Notice of AGM.

The aggregate nominal amount of ordinary shares that can be allotted under the General Mandate and the Mandate shall not exceed 33.3 per cent of the Company's issued share capital. While the Company acknowledges that this may restrict its flexibility, it believes that the aggregate 33.3 per cent limit best protects shareholders' interests. This will be further explained in the explanatory notes to Resolutions 18 and 22 of the Notice of AGM.

Description of MCS

Together with other European insurers, the Group is subject to the Solvency II regulatory framework which entered into force on 1 January 2016. Under Solvency II, at least half of the Company's overall capital requirements may only be met with certain types of high quality capital (referred to as "**Tier 1 Capital**"), including share capital, retained profits and, for up to 20 per cent of Tier 1 Capital, by other items including bonds that are written-down, or, in the case of MCS, bonds that are converted into ordinary shares in the event that the Group's capital position falls below defined levels.

Further details on MCS will be set out in Appendix 2 of the Notice of AGM.

Potential benefits of issuing MCS

Satisfying the Group's Tier 1 Capital requirements in part through the issue of MCS is expected to be a cost effective means of raising capital and therefore enable the Group to reduce its overall cost of capital. This is, in turn, expected to be more beneficial for existing ordinary shareholders than if the Group were to satisfy its Tier 1 Capital requirements through the issue of ordinary shares or the retention of profits alone. This is consistent with the Group's aim to ensure capital efficient profits and cash generation for the Group.

Conversion of MCS into ordinary shares

Any MCS issued by the Group will automatically convert into new ordinary shares in the Company upon the occurrence of pre-defined trigger events. The holders of MCS will have no right to require the conversion of the MCS into ordinary shares in any other circumstances.

Under Solvency II, the terms of any MCS must provide for automatic conversion to occur if, broadly, the amount of capital held by the Group falls below 75 per cent of its capital requirements, if the Group fails to comply with its capital requirements for a continuous period of three months or more or if the Group fails to comply with other minimum capital requirements applicable to it. If thought appropriate, the Directors may also issue MCS that include terms providing for automatic conversion to occur in other defined circumstances.

The terms and conditions of any MCS issued will specify a conversion price or a mechanism for setting a conversion price, which is the rate at which the MCS will be exchanged into ordinary shares in the Company.

The resolutions enable the Directors to set the specific terms and conditions of the MCS (including the conversion price or mechanism for setting a conversion price) after considering market conditions at the time of issuance. This conversion price (or the conversion price set through the application of a pre-determined mechanism) may be at a significant discount to the prevailing market price of the shares at the time of issue of the MCS, to reflect the fact that the MCS would only be expected to be converted into ordinary shares in the Company in stressed scenarios. The extent of the discount will be determined in consultation with the UK Prudential Regulation Authority (the "**PRA**") and taking into account prevailing market convention.

The Group may, if permitted by law and regulation and if considered appropriate at the relevant time, issue MCS that include in their terms and conditions a mechanism through which the Group may elect to give existing ordinary shareholders the opportunity to purchase the ordinary shares issued on conversion of the MCS in proportion to their existing shareholdings in the Company (subject to legal, regulatory or practical restrictions).

Options available to the Group prior to the occurrence of a trigger event under the MCS

If the Group's capital position were to deteriorate, a number of steps are available to the Group to improve its capital position before the occurrence of trigger event resulting in conversion of any MCS issued into ordinary shares in the Company. The Directors can be expected to take such steps in accordance with the Group Recovery Plan, which could include reducing the Group's liabilities or raising extra share capital from investors by way of a rights issue. If the Company were, in future, to launch a rights issue, the Company's existing ordinary shareholders would be offered the opportunity to acquire new ordinary shares in proportion to their existing shareholding.

Reasons for seeking the Waiver

The Company is seeking the Mandate to enable the issuance of MCS (and to authorise ordinary shares to be issued on conversion of MCS) to provide flexibility to the Group to maintain an appropriate and efficient capital structure under Solvency II. The flexibility to issue MCS will enable the Group to issue the full range of Solvency II capital instruments, with a view to ensuring that the Group is strongly capitalised, with sufficient capital available to both fund new growth opportunities and absorb the effects of unexpected market shocks. The Mandate may only be used for the purposes of issuing MCS (for example, the Company could not rely on the Mandate to issue ordinary shares or securities convertible into ordinary shares which are not intended to qualify as regulatory capital under Solvency II).

Through seeking the Mandate, the Company intends to provide greater certainty for shareholders as to the purposes for which the Company may seek to issue MCS, whilst preserving flexibility for the Company by retaining a general mandate for other purposes (for example, to offer shares as consideration for an acquisition).

For these reasons, the Company would not seek to rely on the General Mandate in connection with the issue of MCS. Accordingly, shareholders' approval for the Mandate is to be sought at the Company's 2019 AGM and is expected to be sought at future AGMs. The Waiver permits the Company to seek the Mandate without complying with the strict requirements of Rule 13.36(1) of the Hong Kong Listing Rules, which would otherwise require the Company to seek the further approval of shareholders each time the Company proposes to issue MCS.

The Company believes it would not be practical to obtain a specific mandate from shareholders to issue MCS only when the need arises, primarily due to the time it would take to prepare the relevant circular to shareholders, obtain pre-clearance for the circular from the authorities, and then print and despatch the relevant circular to shareholders convening the general meeting to seek shareholders' approval. For the reasons set out above, the Company believes that the ability to issue MCS offers a number of benefits, and having a pre-approved mandate will enable the Company to act on a timely basis to issue MCS when market conditions are conducive to launching the issue.

Basis on which the size of the specific mandate to issue MCS has been calculated

The size of the specific mandate to issue MCS has been calculated based on the Group's anticipated capital requirements to provide flexibility to the Group to maintain an appropriate and efficient capital structure under Solvency II. In particular, the size of the Mandate has been calculated based on internal modelling to provide flexibility to the Group to issue MCS up to the maximum amount eligible to meet the Company's Tier 1 Capital requirements under Solvency II. For this purpose, the Company has assumed that the maximum discount applicable to the MCS would be 60 per cent of the Company's prevailing share price at the time of issuance.

As noted above, the resolutions enable the Directors to set the specific terms and conditions of the MCS, including the conversion price, after considering market conditions at the time of issuance. The extent to which the conversion price of the MCS is set at a discount to the Company's prevailing share price will be determined in consultation with the PRA and taking into account prevailing market convention.

Terms of the Waiver

The Waiver has been granted on terms that permit the Mandate, if approved, to continue in force until:

(i) the earlier of (a) 30 June 2020; and (b) the conclusion of the first AGM of the Company following the date on which the Mandate is approved, at which time the Mandate shall lapse unless it is renewed; or

(ii) such time as it is revoked or varied by ordinary resolution of the shareholders in general meeting.

The Mandate, to be sought annually, will permit the Directors to determine the terms of the MCS at the time of their issue within the terms of the approval granted by shareholders. Each Mandate will grant authority to allot MCS which are convertible into a specified maximum amount of share capital. The terms of the MCS will specify a fixed conversion price or a mechanism for setting a conversion price which will determine how many ordinary shares are issued on conversion or exchange of the MCS if an event triggering conversion occurred. The Company will only issue MCS pursuant to the authority granted under the Mandate and not under the General Mandate.

By order of the Board
Prudential plc
Alan F. Porter
Group General Counsel and Company Secretary

9 April 2019, Hong Kong

As at the date of this announcement, the Board of Directors of Prudential plc comprises:

Chairman
Paul Victor Falzon Sant Manduca

Executive Directors
Michael Andrew Wells *(Group Chief Executive)*, Mark Thomas FitzPatrick CA, Stuart James Turner FCA, Michael Irving Falcon, John William Foley and Nicolaos Andreas Nicandrou ACA

Independent Non-executive Directors
Sir Howard John Davies, David John Alexander Law ACA, Kaikhushru Shiavax Nargolwala FCA, Anthony John Liddell Nightingale CMG SBS JP, The Hon. Philip John Remnant CBE FCA, Alice Davey Schroeder, Jonathan Adair Lord Turner FRS, Thomas Ros Watjen and Jane Fields Wicker-Miurin OBE

** For identification purposes*