



Prudential plc

Senior Bondholder Consent Solicitation

25 July 2018

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Any forward-looking statements contained in this document speak only as of the date on which they are made. Prudential expressly disclaims any obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to the UK Prospectus Rules, the UK Listing Rules, the UK Disclosure and Transparency Rules, the Hong Kong Listing Rules, the SGX-ST listing rules or other applicable laws and regulations.

Agenda

- **Transaction Background & Rationale**
- Prudential plc
- Consent Solicitation

Transaction Background & Rationale

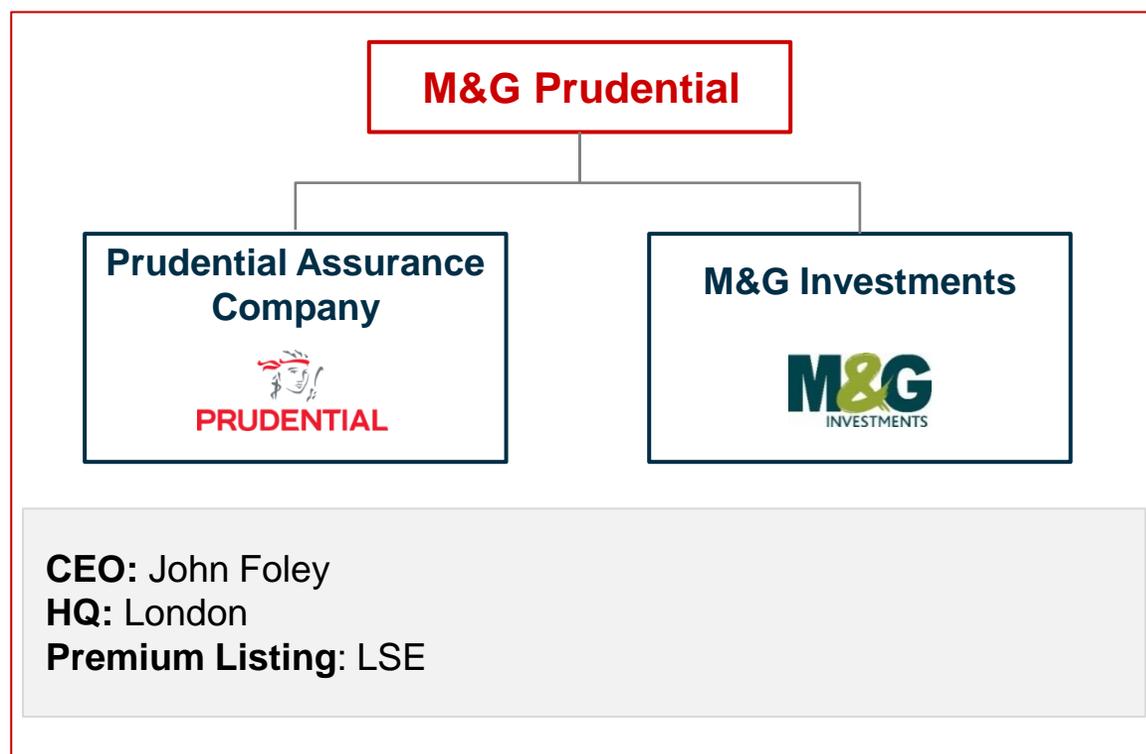
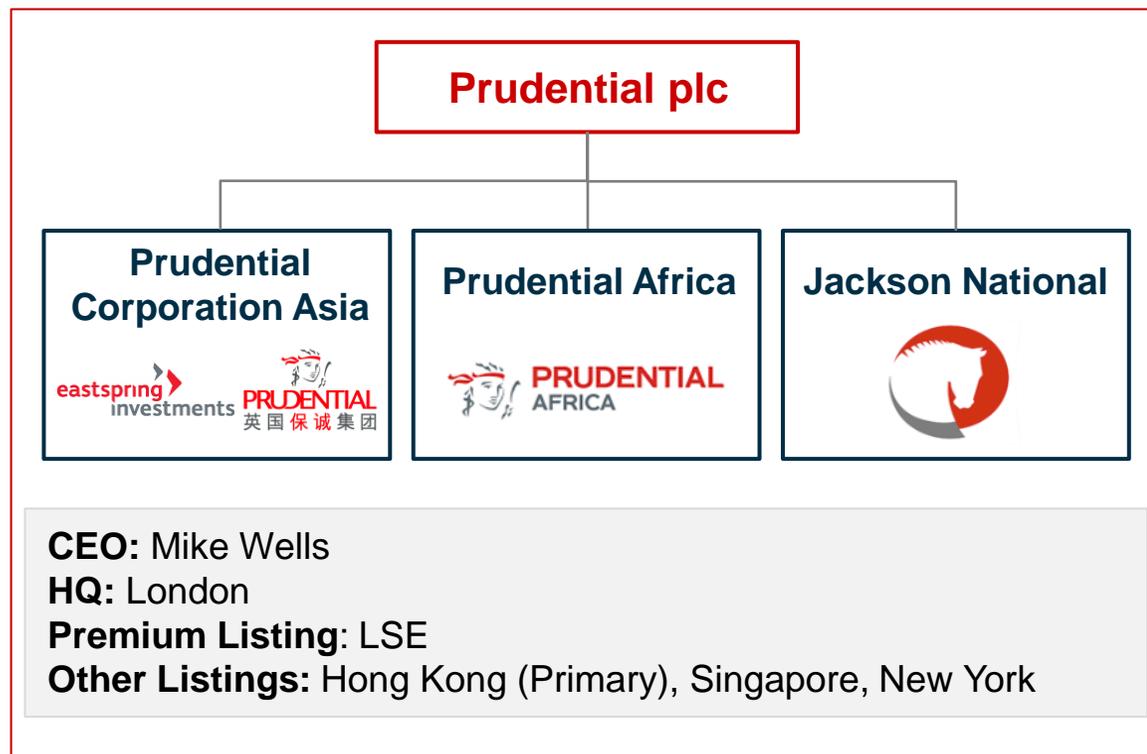
- On 14 March 2018, Prudential plc announced its intention to demerge M&G Prudential, its UK and Europe business, resulting in two separately-listed companies (the “Demerger”)
- The Demerger will enable the businesses to pursue distinct strategies aligned to their respective opportunities in order to maximise value for all stakeholders
- Prudential plc will be a leading international insurance group focused on high-growth opportunities in Asia, the US and Africa and will be led by its current Group Chief Executive Mike Wells
 - The Asia pan-regional life and asset management business is well-positioned to meet the savings and protection needs of a growing and increasingly wealthy population, through top three positions in nine out of twelve life markets, and through Eastspring's established presence in ten Asian countries
 - Jackson is one of the largest providers of retirement solutions in the US, delivering income security to increasing numbers of retirees
 - In Africa, Prudential has established operations in five countries since 2014, with a substantial opportunity to serve the rapidly expanding customer demand for long term financial solutions
 - **These businesses represent a leading international insurance and asset management group focused on the markets that offer the most attractive growth opportunities globally. They will be better able to develop their existing market leadership positions, with the strategic benefits of collective scale, shared capabilities and complementary products and customers**

Transaction Background & Rationale

- In summary, the rationale for the Demerger of M&G Prudential from Prudential plc is to deliver:
 - Better alignment: Different characteristics and opportunities
 - Enhanced execution: Greater agility and increased speed in execution
 - Value creation: Enhancing long-term value
- If the Demerger is completed, The Prudential Assurance Company Limited (“PAC”) will cease to be a subsidiary of Prudential plc
- Pursuant to the terms and conditions currently applicable to the 6.875% bonds due 2023 (“2023 Bonds”) and the 5.875% bonds due 2029 (“2029 Bonds”, together the “Bonds” and each a “Series”) issued by Prudential plc, this would constitute an Event of Default if certain other conditions were also met
- The proposed consent solicitation is therefore intended to enable an amendment to the terms and conditions currently applicable to the Bonds in order to avoid an Event of Default should the Demerger proceed

Transaction Background & Rationale

Target structure after Demerger: two separately listed companies

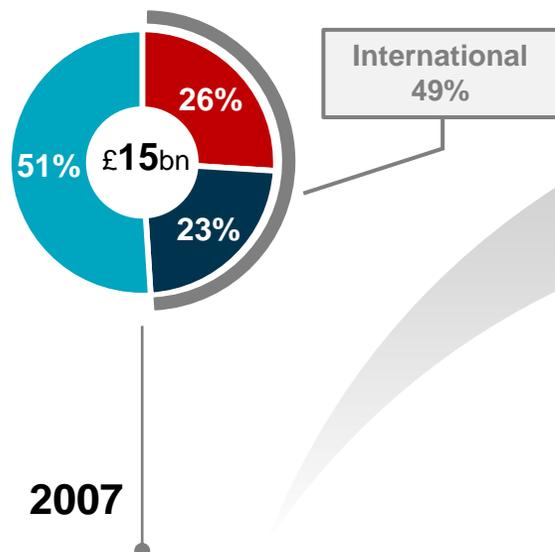


Transaction Background & Rationale

Transformation of Group portfolio from UK centric to international focus

Evolution of mix

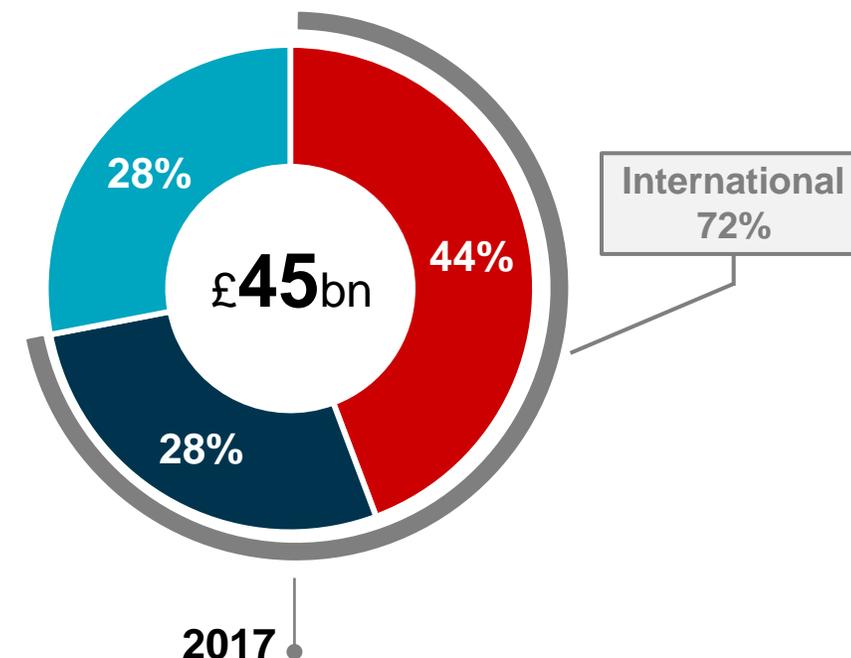
EEV shareholders' funds¹,
%



UK centric

- Emerging Asia business reliant on Group funding
- US business yet to define a strategic focus
- Pru UK wrote 1 in 4 of the country's individual annuities

■ Asia ■ US ■ UK&E



International focus

- Leading Pan-regional Asia business delivering expansive growth with 15m Life customers
- Market leading US retirement business
- Integrated UK savings platform generating significant cash flows
- UK annuity sale accelerates capital efficient transition

1. Mix percentages exclude Other operations and are based on reported numbers.

Source: Prudential plc, 2017 Full Year Results Presentation (14-Mar-2018): http://www.prudential.co.uk/~/_media/Files/P/Prudential-V2/presentations/2018/fy2017-results-presentation.pdf

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Prudential plc

A pre-eminent global insurer, capturing structural growth

Asian growth

+1 million

People entering the working population every month^{1,2}

US wealth

More than

\$15 trillion³

Total advisor distributed assets

Better alignment

Enhanced execution

Value creation



Complementary operating markets, with ability to leverage experience and expertise



Diversification across risk characteristics - mortality, spread, longevity, investment, credit

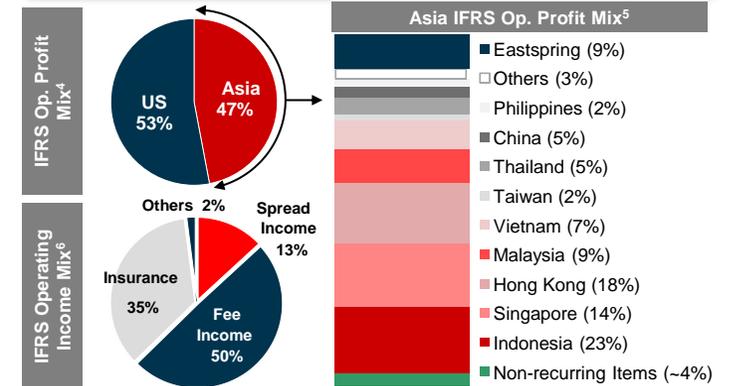


Global operating profile and partner of choice, giving scale to invest in tech and R&D



Capability to deliver differentiated products at each stage of a customer's savings and investment journey

Diversified and High Quality Earnings



Long-Term Opportunity

Asia

Insurance Penetration⁸

Penetration: 2.4%

Mutual Fund Penetration⁹

Penetration: 12%

Significant protection gap / investment needs of middle class

United States

Total Adviser Distributed Assets¹⁰

\$6tn Core Opportunity

\$15.2tn

Transition of 'baby boomers' into retirement

¹ United Nations, Department of Economic and Social Affairs, Population Division (2015). World Population Prospects: The 2015 Revision, DVD Edition.15; ² Working age population: 15-64 years; ³ The 2017 Cerulli reports, IRI Fact Book, Federal Reserve – 2016 Survey of Consumer Finances; ⁴ 2017 IFRS operating profit from US and Asia segments; Source: Prudential Plc 2017 Full Year Results ⁵ 2017 Asia IFRS Operating profit; Source: Prudential Plc 2017 Full Year Results ⁶ FY 2017 Asia and US IFRS Operating profit mix; Source: Prudential Plc 2017 Full Year Results ⁷ Other includes with-profits and expected return on shareholder assets; ⁸ Insurance penetration. Source Swiss Re Sigma 2015. Insurance penetration calculated as premiums as % of GDP. Asia penetration calculated on a weighted population basis; ⁹ Mutual fund penetration: FUM as % of GDP. Source: Investment Company Institute, industry associations and Lipper as of 1Q'16. Datastream as of June 2016; ¹⁰ Source: The 2017 Cerulli reports . IRI Fact Book, Federal Reserve – 2016 Survey of Consumer Finances

Group IFRS

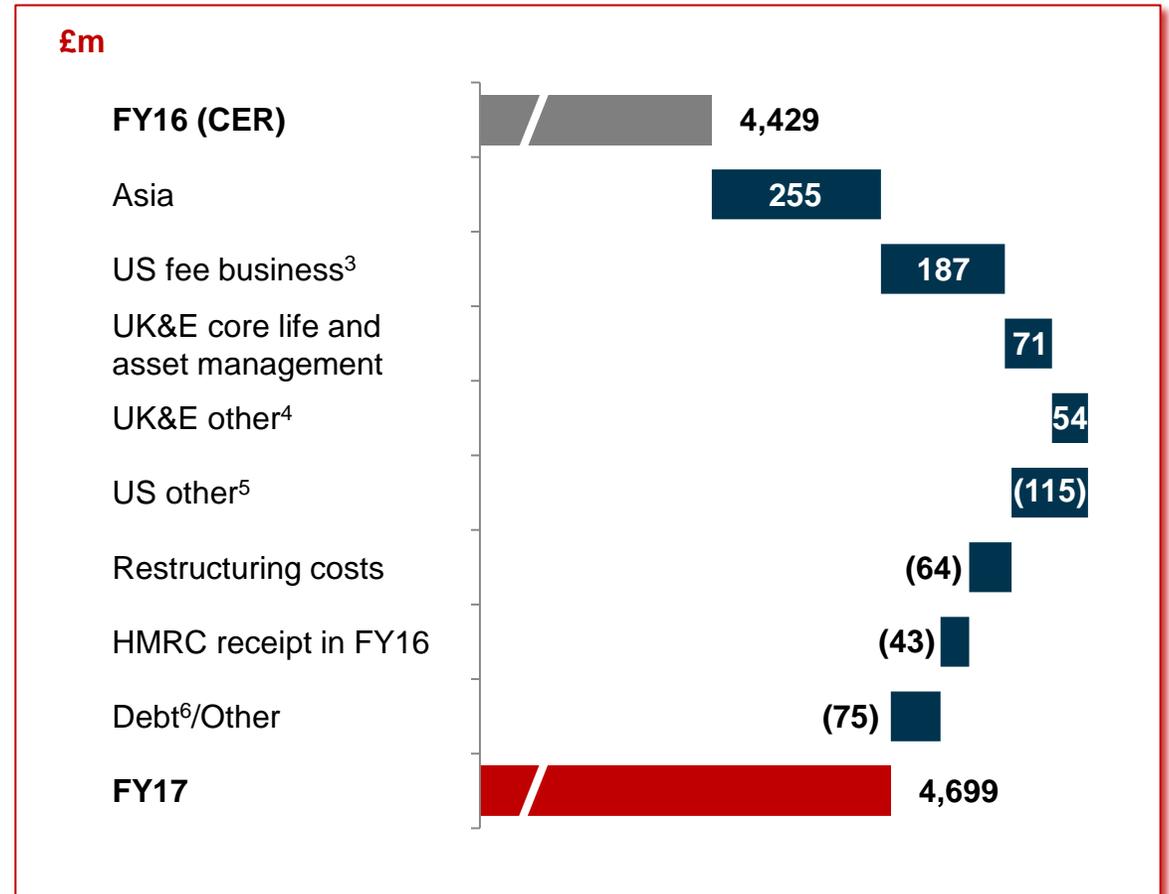
Key drivers of earnings momentum

Group IFRS operating profit

£m	FY16 ¹	FY17	Change (CER)
Asia	1,644	1,975	+15%
US	2,048	2,224	+3%
UK&E	1,253	1,378	+10%
Central	(694)	(775)	+11%
Other ²	5	(103)	n/a
Total	4,256	4,699	+6%

1. On an actual exchange rate basis
2. Other includes restructuring costs of £(103)m in 2017 and £(38)m in 2016. 2016 also includes £43m of interest received from an HMRC tax settlement
3. Fee business represents profits from variable annuity products. As well as fee income, revenue for this product line includes spread income from investments directed to the general account and other variable annuity fees included in insurance margin

Group IFRS operating profit



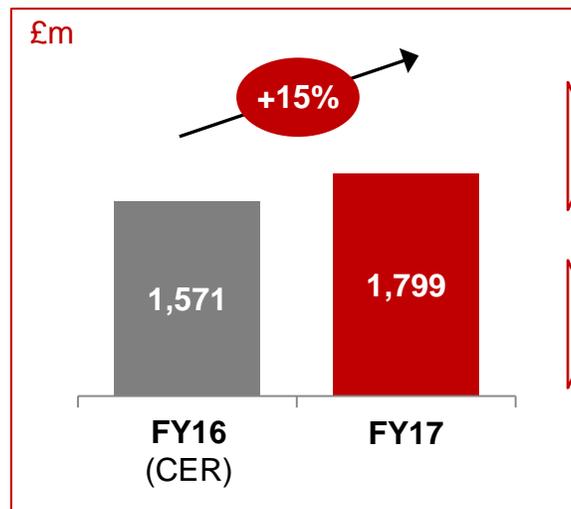
4. Includes amounts relating to UK & Europe management actions relating to shareholder-backed annuity new business of £9m (2016: £41m), GI commission of £17m (2016: £29m), longevity reinsurance of £31m (2016: £197m), other optimisation actions of £245m (2016: £135m), changes in longevity assumptions £204m (2016: £nil) and provision for the cost of undertaking a review of past non-advised annuity sales practices and related potential redress of £(225)m (2016: £(175)m)
5. Includes spread business operating profit for fixed annuity, fixed indexed annuity and Guaranteed Investment Contracts and largely comprises spread income less costs, and life and other business.
6. Includes increase in debt costs of £65m from £360m in FY16 to £425m in FY17

Source: Prudential plc, 2017 Full Year Results Presentation (14-Mar-2018): <http://www.prudential.co.uk/-/media/Files/P/Prudential-V2/presentations/2018/fy2017-results-presentation.pdf>

Asia IFRS

Strong and consistent growth

Life IFRS operating profit



Renewal premiums

£11.6bn

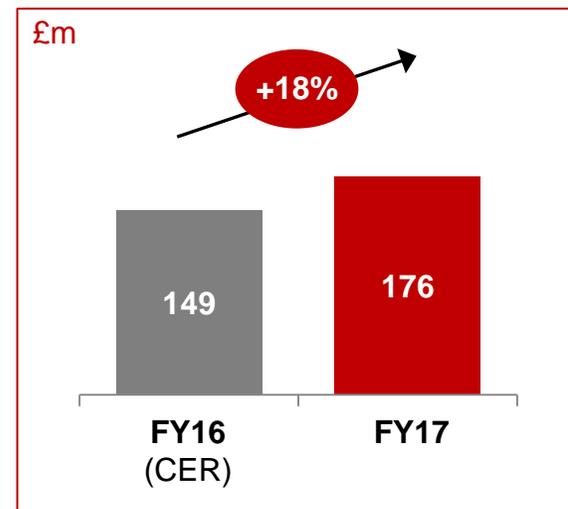
+22%

Insurance income

£1.3bn

+21%

Asset management IFRS operating profit



Average AUM¹

£128bn

+20%

External net inflows

vs £1.8bn
2016

£3.1bn

➤ Improved result in all countries, with 8 growing by more than 10%

➤ IFRS operating profit up 15%, driven by:

- Hong Kong +38%
- Singapore +10%
- China +38%
- Malaysia +15%
- Vietnam +15%

➤ Underlying profits² +12%

- Revenue +13%; revenue margin 33bp (FY16 35bp)
- Cost / income ratio 56% (FY16 56%)

➤ Closing AUM³ +18% to £139bn

- External AUM^{3,4} +22% to £47bn

¹ Percentage change shown on a constant exchange rate basis

² Excludes performance-related fees of £17m (2016: £7m)

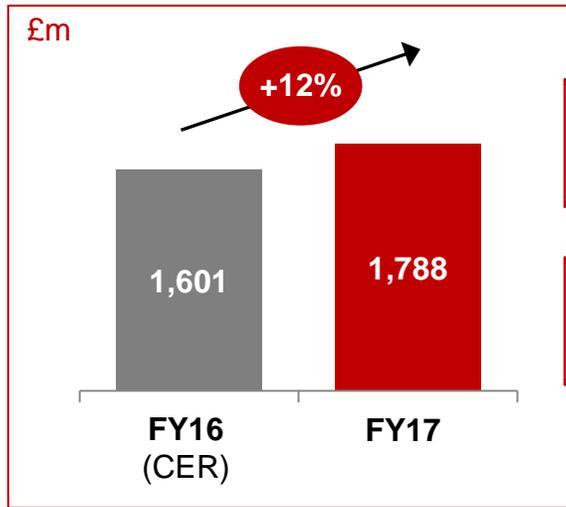
³ Percentage change shown on an actual exchange rate basis

⁴ Excludes Money Market Funds of £9.3bn (2016: £7.7bn)

US IFRS

Driven by fee earnings from VA business

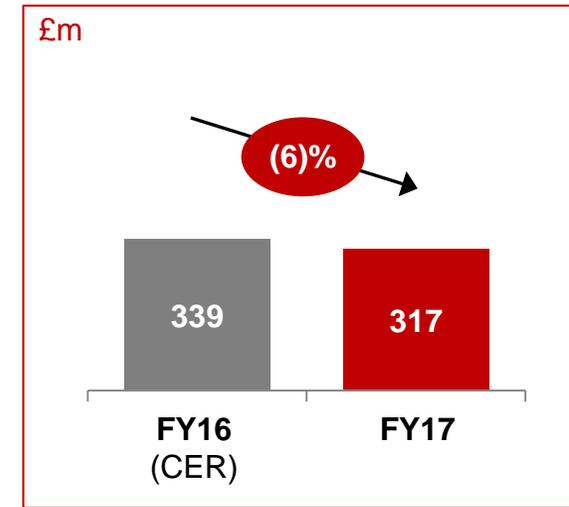
Fee-based¹ IFRS operating profit



Av. separate
account AUM **+17%**
£125bn

Fee
margin **(3)bp**
187bp

Spread-based² IFRS operating profit³



Spread
margin **(24)bp**
193bp

- Higher separate account assets driving revenue growth
 - Net flows remain strongly positive
 - Favourable market movements
- Stable fee margins
- Higher levels of asset-based trail commission

- Ongoing decline in spread margin
 - Lower reinvestment yields
 - Reducing contribution from swaps
- Fixed annuity portfolio 23% of total av. liabilities (2016: 25%)

¹ Fee business represents profits from variable annuity products. As well as fee income, revenue for this product line includes spread income from investments directed to the general account and other variable annuity fees included in insurance margin

² Spread business is the net operating profit for fixed annuity, fixed indexed annuity and Guaranteed Investment Contracts and largely comprises spread income less costs

³ Total US IFRS operating profit of £2,224m includes £109m of Life and Other and £10m of Asset Management and Broker Dealer profit

Prudential plc

Key credit strengths

- Market leading businesses, in world's largest insurance and savings markets
- Sustainable competitive advantages in markets with long-term structural growth drivers
- Long-term track record of profitable growth
- High quality diversified earnings and cash generation
- Robust capital adequacy and conservative investment profile
- Strong liquidity position
- High quality, proven management team delivering superior execution

Extremely strong ERM¹ and culture of disciplined execution to remain unchanged

¹ ERM: Enterprise Risk Management

Prudential plc

Very strong credit and financial strength maintained

	S&P Global	MOODY'S	FitchRatings
Prudential plc			
<u>Operating subsidiary financial strength</u>	AA- ¹	A1 ²	AA- ²
<u>Senior unsecured credit:</u>			
Long-term	A	A2	A-
Short-term	A-1	P-1	F1

****All ratings on stable outlook****

1. Refers to rated operating subsidiaries of Prudential plc: Jackson National Life Insurance Co, Jackson National Life Insurance Co of New York and Prudential Assurance Co. Singapore (Pte.) Ltd.
2. Refers to rated operating subsidiaries of Prudential plc: Jackson National Life Insurance Co, Jackson National Life Insurance Co of New York

Prudential plc

Rating agencies' summary view & key rating drivers¹

S&P Global

- “On March 14, 2018, U.K.-based global multiline insurance group Prudential PLC (the group) announced its intention to demerge its U.K. operations from the rest of the group. We note that the demerger is subject to shareholder and regulatory approval.”
- “In light of this, we now regard the group's U.K. operating subsidiary Prudential Assurance Co. Ltd. (PAC U.K. and Europe) as nonstrategic to the group, compared with core previously, and are lowering our rating on PAC U.K. and Europe to 'A+' from 'AA', based on our view of the company's merits as a stand-alone entity.”
- “The demerger will result in the group's operations being less diversified, which we believe slightly weakens its creditworthiness. We are therefore lowering our ratings on the group's core operating entities to 'AA-' from 'AA'.”
- “The stable outlook on Prudential PLC and its international subsidiaries reflects our expectation that the group is still very well diversified into markets that are growing and profitable, and that the demerger doesn't alter the group's conservative capital adequacy management”

MOODY'S

- “The ratings of Prudential plc ("Prudential" or "Group", senior debt rated A2, stable) reflect the Group's brand name recognition, excellent product profile, and very strong profitability which we expect the Group will maintain post the demerger of M&G Prudential”
- “We also expect the Group's financial flexibility to remain very strong, with relatively low adjusted financial leverage and strong earnings coverage, aided by re-balancing the debt capital positions across Prudential plc and M&G Prudential.”
- “These strengths are tempered by the negative impacts from the loss of the UK and European businesses, which have been stable earnings and capital providers, post the demerger which will also reduce the Group's geographical diversity. The Group has high exposure to credit risk, and equity market related products particularly in its US operation which has seen strong growth in variable annuities for a number of years. Furthermore, the Group has increasing exposure to operations in less developed Asian countries whose sovereign ratings are relatively weak.”
- “We view the increasing contribution from Asia as a key strength, through further strengthening of franchise in various markets, continued growth in Annual Premium Equivalent (APE) sales, new business and IFRS operating profits, and increasing cash remittances to the Group. Prudential's global geographic diversification, which will reduce post the demerger, has enabled it to achieve particularly strong profit and cash growth over the last few years.”
- “In 2017 the Group's new business profit, and EEV and IFRS operating profit increased on a constant exchange basis (...)”
- “in 2017, was consistently strong for all these metrics, and the US remained the largest contributor in terms of IFRS operating profit, representing 40% of group's total in 2017. Moody's expects the Group's return on capital (Moody's metric, ROC) to continue to compare well with peers.”

FitchRatings

- “(...) Fitch has concluded that PAC, the main insurance operating subsidiary of M&G Prudential, will no longer be treated as "Core" to the Prudential group under the agency's group rating methodology (...)”
- “The one-notch downgrade of Prudential's holding company ratings is primarily driven by the one-notch downgrade of the IFS rating. These holding company ratings reflect Fitch's expectation that financial leverage will be managed at levels consistent with the current ratings. Fitch expects financial leverage to remain in line with the 'AA' rating category upon completion of the demerger.”
- “Fitch's view of Prudential's business profile following the demerger reflects its overall geographic diversification and leading positions in the US and Asian markets (...)”
- “Fitch believes that Jackson's exposure to variable annuity products with embedded options and guarantees gives rise to risks that are complex, long-tailed and difficult to price, hedge and reserve for. While Prudential has been effectively managing these risks, continued growth in the group's relative exposure to the VA business could negatively affect Fitch's assessment of the group's business profile and overall ratings.”
- “On a consolidated group basis, we expect Prudential's Prism FBM score, (...) to be "Very Strong", in line with 'AA' rating expectations, and regulatory capital ratios are expected to remain strong. (...)”
- “Prudential has significant exposures to risky assets mainly through equity and below-investment-grade bond holdings in Asia. This largely reflects the range of credit assets available in the various Asian markets in which the group operates, but is a negative factor for the ratings nevertheless.”



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Consent Solicitation Request

- **Request to support the proposal allowing Prudential plc to amend existing terms & conditions of the Bonds in order to avoid a potential Event of Default**
 - Specifically, condition 8(viii) of the terms & conditions of the 2023 and 2029 Bonds restricts Prudential plc from the disposal of a Principal Subsidiary under certain conditions
 - Principal Subsidiary defined as *The Prudential Assurance Company Limited*
 - When the bonds were issued (in 1998 and 1999), UK Insurance operations represented c66% of the Group's statutory operating profit¹ and therefore a substantial proportion of the Group's total operations
 - Today, this proportion is substantially reduced to c19%² of the Group's IFRS operating profit (FY 2017) given the strong growth of the international business
- **Under the proposed amendment, condition 8(viii) would be removed from the terms & conditions in order to avoid an Event of Default**
 - This would also align the Event of Default provision of the 2023 and 2029 Bonds with the terms and conditions of the senior bonds set out in Prudential's current MTN Programme
 - For the avoidance of doubt, the Proposal is only made in relation to the 2023 and 2029 Bonds. There are no similar provisions in Prudential's outstanding subordinated instruments

¹ UK and Europe Insurance operations as a proportion of 1999 Group Operating profit before amortisation of goodwill as reported on a Modified Statutory Basis

² UK and Europe Insurance operations as a proportion of 2017 Group IFRS Operating profit

Voting Fee

- **Upfront voting fee**

- 2.0pts and 11.0pts for the 2023 and 2029 Bonds, respectively
 - Step down to 0.5pts and 3.5pts respectively post the Early Voting Deadline
- The upfront fee has been agreed with a Special Committee (the “Special Committee”) of The Investment Association (“IA”). The members of the Special Committee hold in aggregate approximately 42.90% of the aggregate nominal amount of the Bonds currently outstanding

- **Upfront voting fee of 2.0pts and 11.0pts for 2023 and 2029 Bonds, respectively**

- If the relevant votes are passed, and the amendment subsequently implemented in respect of both Series of Bonds, the voting fee will be paid to all holders participating in the vote
- To be paid shortly after the meetings of bondholders

Voting Requirements & Indicative Timetable

Voting requirements

	First meeting	Adjourned meeting
Quorum Requirements: Extraordinary Resolutions	<u>Two or more persons</u> holding or representing <u>a clear majority</u> in principal amount of the Bonds for the time being outstanding	<u>Two or more persons</u> holding or representing Bondholders <u>whatever the principal amount</u> being outstanding or represented
Voting Requirements: Extraordinary Resolutions	<ul style="list-style-type: none"> 75%+ of votes present / represented 	<ul style="list-style-type: none"> 75%+ of votes present / represented
<p>Each Extraordinary Resolution is conditional on the passing of the Extraordinary Resolution in respect of the other Series. Accordingly, the amendment will not be implemented in respect of either Series if the Extraordinary Resolution in respect of the other Series is not passed.</p>		

Indicative timetable

Commencement of the Proposal	25 July 2018	Meeting in respect of the 2023 Bonds	10.00am, 16 August 2018
Early Voting Deadline	5.00pm, 8 August 2018	Meeting in respect of the 2029 Bonds	10.15am, 16 August 2018
Final Voting Deadline	10.00am, 14 August 2018	Announcement of results of Meetings	As soon as reasonably practicable after conclusion of both Meetings
Payment Date	No later than the fifth business day following implementation of the amendment		

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Requests for copies of the Consent Solicitation Memorandum and information in relation to the procedures for submission of an Instruction should be directed to the Tabulation Agent:

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Tankerton Works

12 Argyle Walk

London WC1H 8HA

Tel: +44 20 7704 0880

Attention: David Shilson / Alexander Yangaev

Email: prudential@lucid-is.com

Appendix

Proposed Amendment

Extract from Consent Solicitation Memorandum

Amendment of the 2023 Bonds and the 2029 Bonds

If:

- a) the 2023 Extraordinary Resolution is passed and the Amendment is subsequently implemented in respect of the 2023 Bonds, the 2023 Bond Conditions will be modified by:
 - i. the deletion of paragraph (viii) of Condition 8; and
 - ii. the replacement of the reference to paragraph (viii) in the opening sentence of Condition 8 with a reference to paragraph (vii),with no other amendments being made to the 2023 Bond Conditions; and
- b) the 2029 Extraordinary Resolution is passed and the Amendment is subsequently implemented in respect of the 2029 Bonds, the 2029 Bond Conditions will be modified by:
 - i. the deletion of paragraph (viii) of Condition 8; and
 - ii. the replacement of the reference to paragraph (viii) in the opening sentence of Condition 8 with a reference to paragraph (vii),with no other amendments being made to the 2029 Bond Conditions.

These modifications are consistent with the terms and conditions of the senior notes currently set out in the Company's £10,000,000,000 Medium Term Note Programme, which do not contain an event of default equivalent to Condition 8(viii) of the 2023 Bond Conditions or Condition 8(viii) of the 2029 Bond Conditions.

For ease of reference, the following extract shows (in red) the amendments that will be made to Condition 8 of the 2023 Bond Conditions and Condition 8 of the 2029 Bond Conditions if the Amendment is implemented:

"8. REPAYMENT IN EVENT OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall, (but, in the case of the happening of any of the events mentioned in paragraphs (ii), (v), (vi) and (vii) below in relation to the Issuer and (iii) to (viii) below (inclusive) in relation to the Principal Subsidiary, only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Bondholders) give notice to the Issuer that the Bonds are, and they shall accordingly immediately become, due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, if any of the following events shall occur and be continuing:

[...]

(iv) if the Issuer or the Principal Subsidiary stops or threatens to stop payment to its creditors generally or the Issuer or the Principal Subsidiary ceases or threatens to cease to carry on its business or substantially the whole of its business (except for the purposes of, or in connection with, a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or an Extraordinary Resolution or, in the case of the Principal Subsidiary, such a winding-up as is referred to in (iii)(b) above); or

[...]

(vii) if indebtedness for moneys borrowed (as defined below) which indebtedness has an outstanding aggregate principal amount of at least £30,000,000 (or its equivalent in any other currency or currencies) of the Issuer or the Principal Subsidiary is not paid on its due date (or by the expiry of any applicable grace period) or becomes due and payable prior to its stated maturity by reason of default, or if any guarantee or indemnity in respect of indebtedness for moneys borrowed (having an outstanding aggregate principal amount as aforesaid) of any third party given by the Issuer or the Principal Subsidiary is not honoured when due and called upon and, in any such case, the liability of the Issuer or the Principal Subsidiary to make payment is not being contested in good faith; or

(viii) ~~if the Principal Subsidiary shall cease to be a subsidiary of the Issuer, except pursuant to such an amalgamation, reconstruction or winding-up as is referred to in paragraph (iv) above.~~

For ease of reference, for the purposes of each of the 2023 Bond Conditions and the 2029 Bond Conditions, "Principal Subsidiary" (as defined in Condition 3 of the 2023 Bond Conditions or the 2029 Bond Conditions, as applicable) means:

"The Prudential Assurance Company Limited but, in the case of this Condition and paragraphs (iii) to (vii) (inclusive) of Condition 8, only for so long as it remains a Subsidiary of the Issuer."

Each Extraordinary Resolution is conditional on the passing of the Extraordinary Resolution in respect of the other Series. Accordingly, the Amendment will not be implemented in respect of either Series if the Extraordinary Resolution in respect of the other Series is not passed.