



Prudential plc

US business: reinsurance transaction and anchor equity investment

18th June 2020

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US business: reinsurance transaction and anchor equity investment

Summary

- Fully reinsured \$27.6 billion¹ of in-force FA and FIA liabilities to Athene
- Anchor equity investment by Athene in US business of \$500m for an 11.1%² economic interest in the enlarged common equity

Key benefits

- Important step consistent with intention to introduce third party capital to support Jackson's strategic development
- Transactions estimated to increase Jackson's RBC cover ratio by ~80%p³ to c420-445%, pro-forma as at 31 March 2020
- Reduces credit exposure⁴
- Preparations for a minority IPO of Jackson continue, alongside the active evaluation of other options, with Prudential retaining full strategic flexibility in relation to the business

1. Valued under IFRS as at 31 March 2020.

2. For which the voting interest is 9.9%.

3. The pro-forma estimates assume that the reinsurance of the Jackson fixed and fixed indexed annuity portfolio and the capital investment by Athene had both been completed as at 31 March 2020. Actual impacts could differ materially depending on the value of assets (including those to be transferred), liabilities and shareholders' equity at the date the transactions are recorded in the financial statements and, in respect of the reinsurance contract, on any closing balance sheet pricing adjustments.

4. Under the terms of the agreement, Jackson National Life Insurance Company has fully reinsured \$27.6 billion of liabilities to Athene Life Re Ltd, as at 31 March 2020, in return for \$28.2 billion of assets (principally bonds). Valued under IFRS as at 31 March 2020.

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Jackson: a leading provider of US retirement income solutions

- Substantial and growing opportunity to provide solutions to help address the concerns of the millions of Americans currently transitioning to and through retirement
- Leading provider of individual annuities, with proven and retained capabilities across the annuity spectrum
- Long record of pricing discipline, effective risk management and product innovation
- Highly efficient, single IT operating platform, with a record of successfully sourcing and integrating value adding bolt-on transactions
- Jackson will continue to explore opportunities to diversify its business over time, subject to returns criteria

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US business: reinsurance transaction

US statutory

Jackson

- Cedes in-force FA and FIA liabilities
- Assets transferred at cost

- Ceding commission transferred to Jackson

Athene¹

IFRS

Jackson

- Cedes \$27.6bn in-force FA and FIA liabilities
- \$28.2bn assets transferred largely at market value

Athene¹

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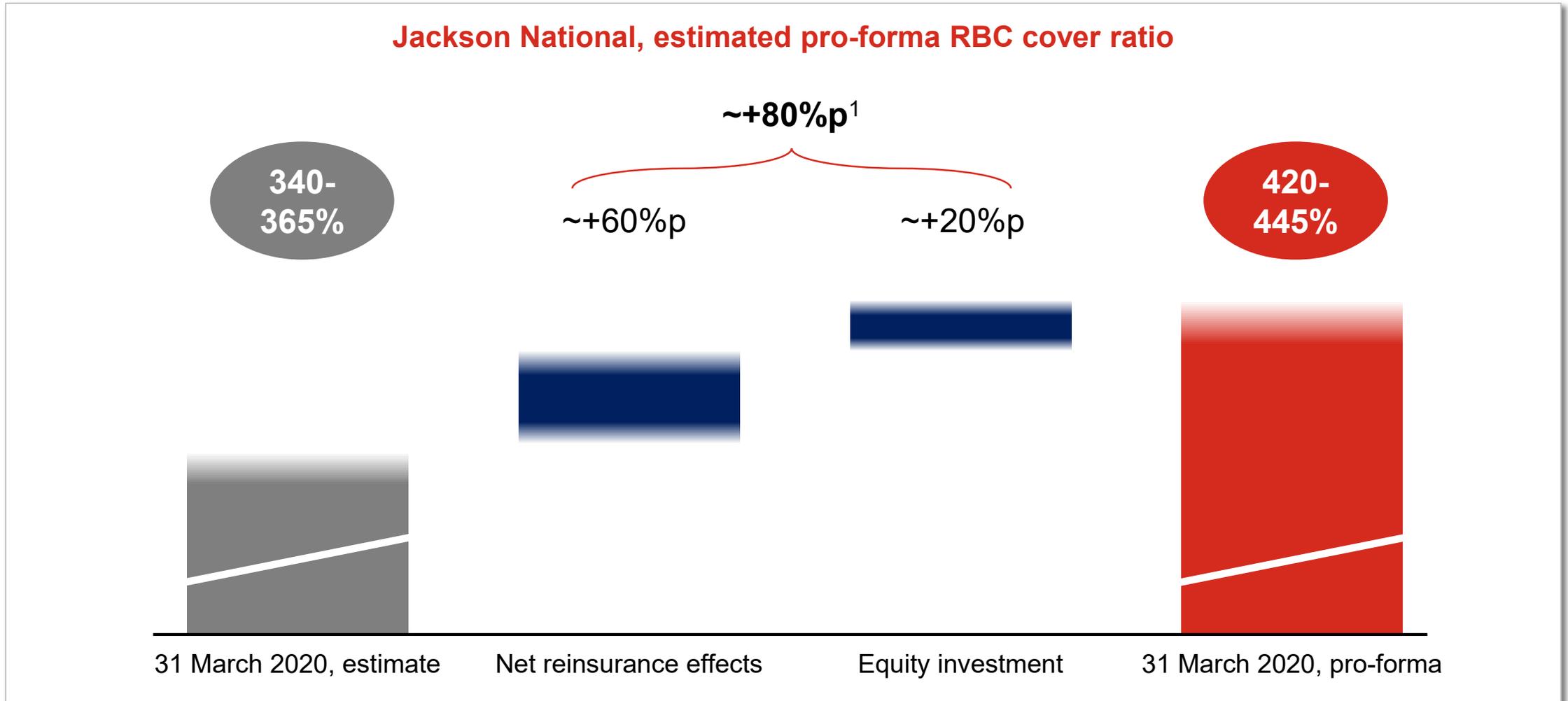
US business: anchor equity investment

- \$500m investment from Athene¹ to hold a 11.1% economic interest² in the enlarged common equity of Prudential's US business³
- Consistent with intention to introduce third party capital to support Jackson's strategic development
- The new capital invested will be deployed in Jackson, strengthening its capital base
- Anchor equity investment represents a long-term commitment to Jackson and its development

1. Athene Life Re.
2. Athene has no right to appoint Board members in respect of its shareholding and its shareholding voting rights will be limited to 9.9% following completion of the investment.
3. Investment into Brooke (Holdco 1) Inc.

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~80% point increase in Jackson's RBC capital cover ratio



1. The pro-forma estimates assume that the reinsurance of the Jackson fixed and fixed indexed annuity portfolio and the capital investment by Athene had both been completed as at 31 March 2020. Actual impacts could differ materially depending on the value of assets (including those to be transferred), liabilities and shareholders' equity at the date the transactions are recorded in the financial statements and, in respect of the reinsurance contract, on any closing balance sheet pricing adjustments.

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Prudential plc: pro-forma financial effects (IFRS)¹

\$ billions	IFRS income	IFRS equity
Reinsurance		
Reinsurance transaction effect	1.2 pre tax	(0.7) post tax, net UCGs ² transferred
Equity investment³		
Equity investment		0.5
PLC holding reduces to 88.9%, transfer to non-controlled interests		(1.2)
Total equity investment effect		(0.7)
Combined effect		(1.4)

1. The pro-forma estimates assume that the reinsurance of the Jackson fixed and fixed indexed annuity portfolio and the capital investment by Athene had both been completed as at 31 March 2020. Actual impacts could differ materially depending on the value of assets (including those to be transferred), liabilities and shareholders' equity at the date the transactions are recorded in the financial statements and, in respect of the reinsurance contract, on any closing balance sheet pricing adjustments.

2. Unrealised capital gains.

3. The investment is expected to complete in July 2020 and the financial effects will correspondingly be updated using asset and liability values at the completion date.

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Higher capital, lower credit exposure



1. The pro-forma estimates assume that the reinsurance of the Jackson fixed and fixed-index annuity portfolio and the capital investment by Athene had both been completed as at 31 March 2020. Actual impacts could differ materially depending on the value of assets (including those to be transferred), liabilities and shareholders' equity at the date the transactions are recorded in the financial statements and, in respect of the reinsurance contract, on any closing balance sheet pricing adjustments. The estimated pro-forma impact on the Jackson RBC cover ratio, that the reinsurance of the Jackson fixed and fixed-index annuity portfolio and the capital investment by Athene had both been as at 31 March 2020, is an estimated increase of 80 percentage points. On the same basis, the Group shareholder LCSM cover ratio is estimated to increase by 27 percentage points.
2. Based on coverage of available capital over Group minimum capital requirement. Shareholder business excludes the available capital and minimum capital requirement of participating business in Hong Kong, Singapore and Malaysia.
3. Under the terms of the agreement, Jackson National Life Insurance Company has fully reinsured \$27.6 billion of liabilities to Athene Life Re Ltd, as at 31 March 2020, in return for \$28.2 billion of assets (principally bonds). Valued under IFRS as at 31 March 2020.

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US business: reinsurance transaction and anchor equity investment

- Transactions with Athene are an important step supporting Jackson's strategic development
- Deliver ~80% point¹ increase in Jackson's RBC cover ratio
- Jackson maintains its market leading annuity capabilities
- Preparations for a minority IPO continue, alongside the active evaluation of other options
- A further update will be provided at HY20 results (August 11th)