Prudential plc

Consent Solicitation Proposal

May 2019

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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.

Transaction Background & Rationale

- On 14 March 2018, Prudential plc announced its intention to demerge M&GPrudential, its UK and Europe business, from Prudential plc 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
- In summary, the Demerger is aimed to deliver:
  - Better alignment: Different characteristics and opportunities
  - Enhanced execution: Greater agility and increased speed in execution
  - Value creation: Enhancing long-term value
- As part of the Demerger process, it was announced that there will be a debt rebalancing between Prudential plc and M&GPrudential, and a reduction of the existing Prudential plc debt in the medium term
  - In April 2019, Prudential plc gave notice of its intention to redeem the £400m 11.375% Tier 2 Notes at the first call date (being 29 May 2019)
  - Prudential plc already issued c. £1.6bn eq. of Tier 2 in September 2018, which included an Issuer Optional Substitution provision
  - In July 2018, Prudential plc successfully completed a consent solicitation in regards to the £300m 6.875% Notes due 2023 and £250m 5.875% Notes due 2029 (the "**2023 and 2029 Senior Notes**") to remove an Event of Default which would have been triggered upon the Demerger
  - The proposed consent solicitation is intended to enable Prudential plc to include an Issuer Optional Substitution provision in the £600m 5.00% Tier 2 Notes due 2055 (callable 2035) (the "**2055 Note**") and £700m 5.70% Tier 2 Notes due 2063 (callable 2043) (the "**2063 Note**") (together "**the Notes**") to enable the substitution of these notes to M&GPrudential on or prior to the Demerger becoming effective
  - Amendments to the 2063 Note include changes to ensure such Notes remain Solvency II compliant

Transaction Fee Summary

- If implemented, Prudential plc will compensate investors by paying:

a) In respect of the 2055 Note, total consideration of 130bps running (equivalent to an indicative total of 14.5% upfront, split into two components):

   i. A fee of 8.500% (which includes an Early Voting Amount of 6.375% for votes submitted by the Early Voting Deadline); and

   ii. A coupon increase of 0.560%, thereby increasing the coupon to 5.560% up to the first optional call date with a corresponding increase of 0.560% to the reset margin

b) in respect of the 2063 Note, total consideration of 150bps running (equivalent to an indicative total of 22.0% upfront, split into two components):

   i. A fee of 13.250% (which includes an Early Voting Amount of 10.000% for votes submitted by the Early Voting Deadline); and

   ii. A coupon increase of 0.640%, thereby increasing the coupon to 6.340% up to the first optional call date with a corresponding increase of 0.640% to the reset margin

- The consideration will be paid to all Eligible Holders voting (whether in favour or against) in respect of the insertion of the Issuer Optional Substitution clause facilitating the migration of the Notes upon Demerger (in the case of the 2063 Notes, among other amendments)[1]

- Ineligible Holders (as outlined in the Consent Solicitation Memorandum dated 16 May 2019) are entitled to fees commensurate with those summarised above to the extent they submit an Ineligible Holder Confirmation by the relevant deadlines in connection with these proposals

1 Note that provided the Consent Conditions in respect of the relevant Note have been met, the corresponding increase in coupon / reset margin will apply to the entirety of such Note (*i.e.* to all Holders)

M&GPrudential Update

Demerger of M&GPrudential

Target structure: distinct investment prospects

Prudential plc

- Prudential Corporation Asia (eastspring investments; PRUDENTIAL 英国保诚集团)
- Prudential Africa (PRUDENTIAL AFRICA)
- Jackson National

CEO: Mike Wells
HQ: London
Premium Listing: LSE
Other Listings: Hong Kong (Primary), Singapore, New York

M&GPrudential

- Prudential Assurance Company (PRUDENTIAL)
- M&G Investments (M&G INVESTMENTS)

CEO: John Foley
HQ: London
Premium Listing: LSE

M&GPrudential
Background

M&G INVESTMENTS

Established
1931

Acquired
1999

- International asset manager with more than 85 years' experience
- Offer funds across diverse geographies, asset classes and investment strategies
- Provides investment strategies to meet Institutional clients' long-term needs

M&GPrudential

PRUDENTIAL

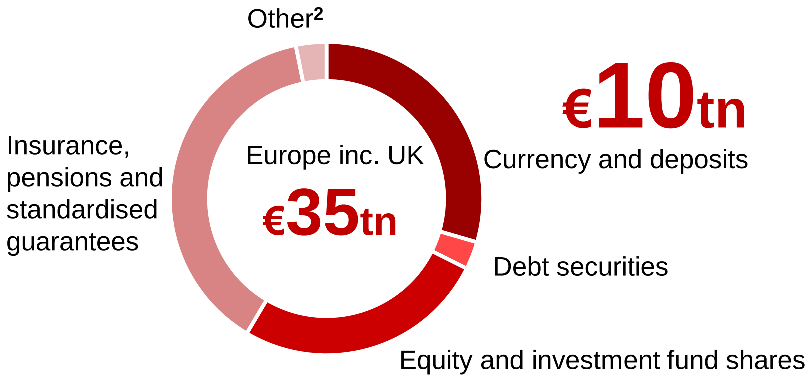
Established
1848

- Leading provider of savings and retirement income products
- Core strengths in with-profits and retirement
- Expertise in areas such as longevity, risk management and multi-asset investment

Market trends

- Self-reliance for savings, investment and retirement
- Substantial household assets still held in cash
- Convergent insurance and asset management business models
- Customer demand for one stop shop solutions from trusted, scale players

Market context[1]



1. Source: www.Europa.eu- Eurostat financial balance sheets: household sector, 2017.
2. Other includes loans, financial derivatives and employee stock options.

M&GPrudential
Competitive advantages unrivalled in our peer group

M&GPRUDENTIAL

1

Differentiated investment capability

Strength in less commoditisable segments

£59bn of private assets under management

Valued propositions driving fees and persistency

M&GPRUDENTIAL

2

Customer solutions focus

With-profits, multi-asset, institutional

PruFund: a leading retail investment solution in the UK with **£43bn** AUM

With-profits fund with **£131bn** AUM

M&GPRUDENTIAL

3

Strong distribution with international growth

Retail, wholesale and institutional

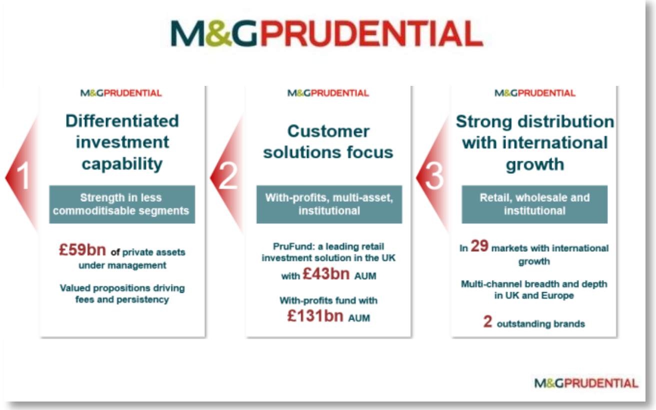
In **29** markets with international growth

Multi-channel breadth and depth in UK and Europe

2 outstanding brands

M&GPrudential

Combination of global trends and competitive advantages create an immense opportunity for M&GPrudential



Global Opportunities

Retirement Opportunity

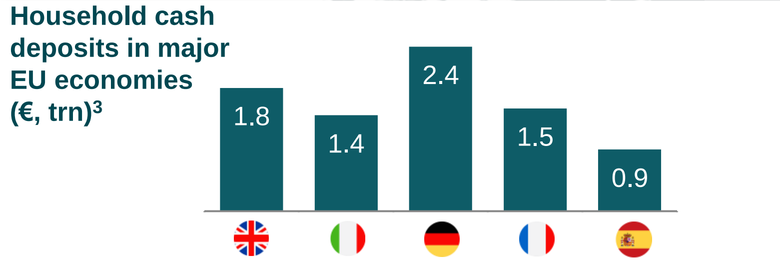
Retirement assets outside US and Asia (US$)[1]

$11.5trn

DB and DC pension assets

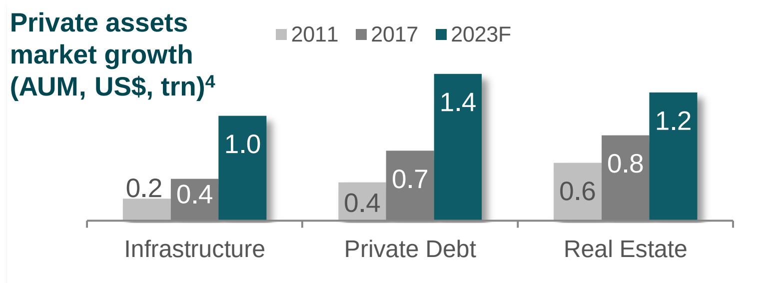
62% fall in UK annuities market since pensions freedoms[2]

"One Step out of Cash"



€10trn+ EU household cash deposits

Private Assets



+89% growth in private assets AUM 2017-2023

1 Thinking Ahead Institute, Willis Towers Watson, Global Pension Assets Study 2018
2. 2013-2017, individual annuities only, ABI
3. Household deposit data from Eurostat
4. Preqin, Future of Alternatives Report 2018

M&GPrudential

Leveraging a broad range of capabilities to deliver outstanding solutions

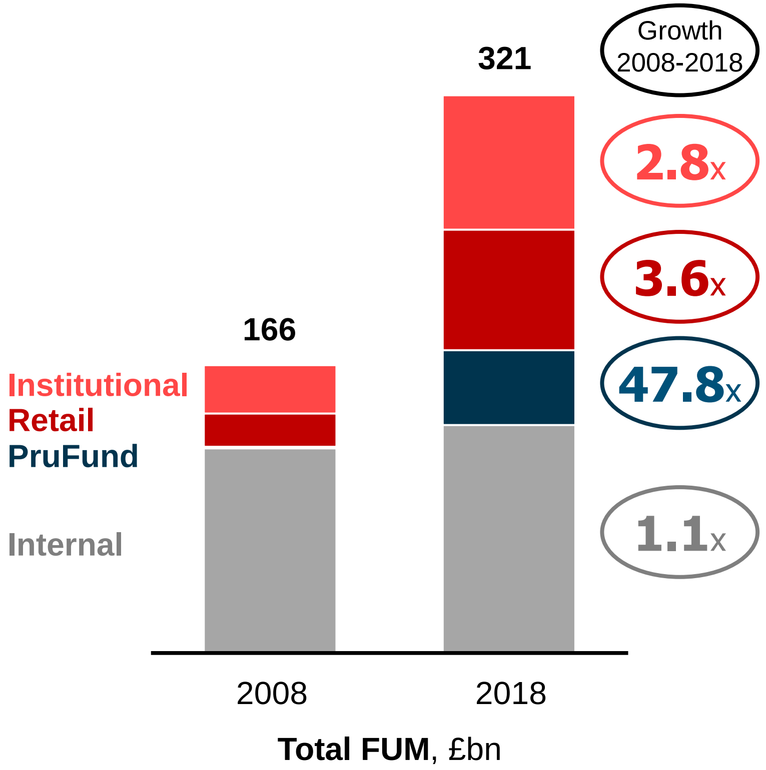
Delivering superior investment performance

88%
PruFund performance[1] (ABI comparator +45%)

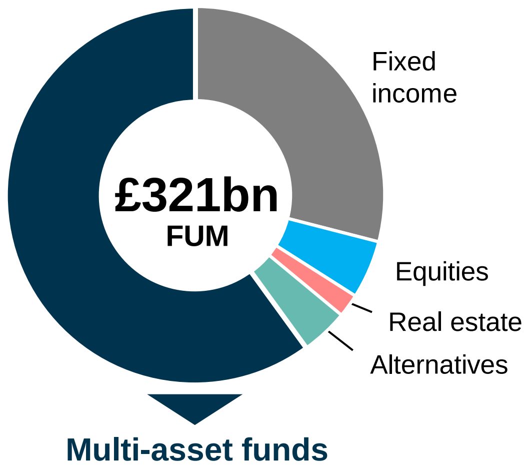
74%
of M&G retail funds above median[2]

93%
of M&G institutional funds outperforming benchmark[3]

Successfully diversified



Broad range of established investment capabilities



- Differentiated investment capabilities in hard to replicate segments
- Track record of seeding asset management capabilities
- Transformation will further enhance and broaden existing capabilities

Multi-asset funds

With-profits fund

- Unique asset delivering long-term performance
- FUM of £131bn, including a 20% YoY rise in PruFund FUM to £43bn

Dynamic and Conservative Allocation funds

- FY2018 net inflows of £1.6bn
- FUM has grown 3.8x in last 3 years to £9.1bn

1 Performance of PruFund Growth from September 2006 to 31 December 2018. ABI Mixed Investment 20 per cent – 60 per cent shares (performance is net of charge). PruFund returns are also net of charge (0.65 per cent)
2 On a 3 year view to December 2018. Quartile ranking based on ranking of the funds' representative share class, net of fees, within their respective Investment Association (IA) or Morningstar sectors. Closed funds excluded. M&G total wholesale and direct FUM was £69.5bn as at 31 December 2018, representing 22 per cent of the total M&GPrudential FUM. Three year figures represent £67.5bn FUM. Performance figures in GBP, bid to bid, net income reinvested. Source: M&GPrudential, December 2018. IA and Morningstar Inc. combined UK and Pan-European peer groups as at end December 2018
3 Institutional mandates actively managed against a benchmark, on a gross of fees basis. Represents £41bn (21%) of total institutional FUM, including internal FUM, as at end of December 2018

Group

Progress towards demerger

PRUDENTIAL

- ✓ Completed the legal transfer of the HK business
- ✓ Completed reinsurance of £12bn UK annuity book to Rothesay Life
- ✓ Good progress with Part VII transfer
- ✓ HKIA announced as future Group-wide supervisor
- ✓ Raised £1.6bn of new subordinated debt[1]

M&GPRUDENTIAL

- ✓ Established new holding company & Group
- ✓ Appointed Mike Evans as Chairman
- ✓ Appointed 4 independent NEDs[2]
- ✓ Integrating support services
- ✓ Merger and transformation on track

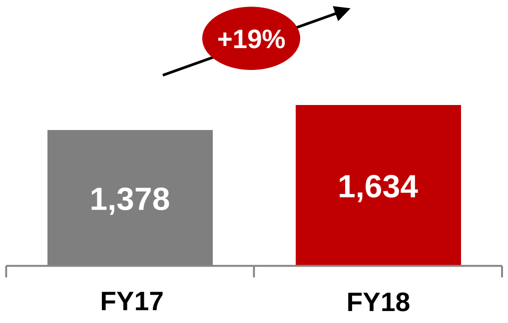
1. Contains an issuer optional substitution provision permitting the Notes to be transferred to new M&Gprudential on or prior to the demerger.
2. Caroline Silver joins as the Senior Independent Non-Executive Director, Clare Thompson joins as Non-Executive Director and Chair of the Audit Committee, Clive Adamson becomes a Non-Executive Director and Chair of the Risk Committee, and Robin Lawther joins as a Non-Executive Director and Chair of the Remuneration Committee.

M&GPrudential

FY18 financial highlights

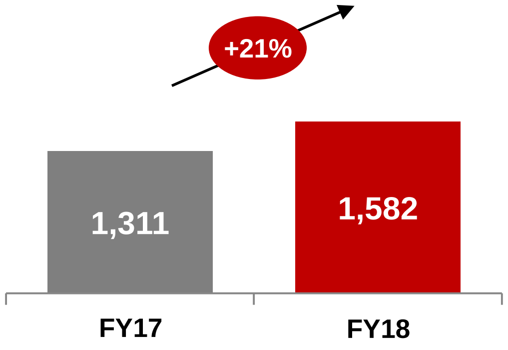
IFRS operating profit

IFRS operating profit, £m



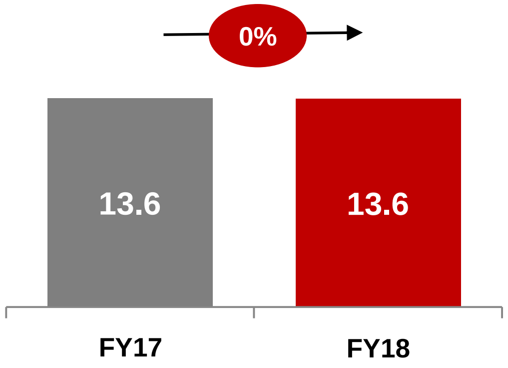
Cash generation

Operating free surplus generation, £m



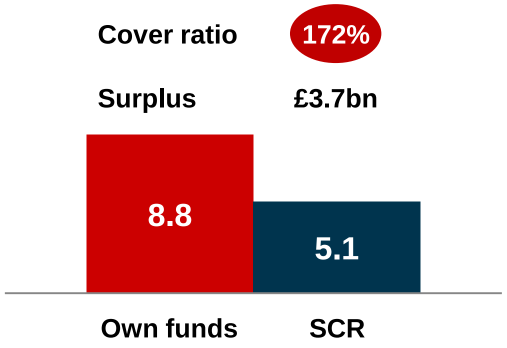
Embedded value

Embedded value, £bn



Solvency capital

Local solvency capital position
PAC shareholder Solvency II surplus[1], £bn, %

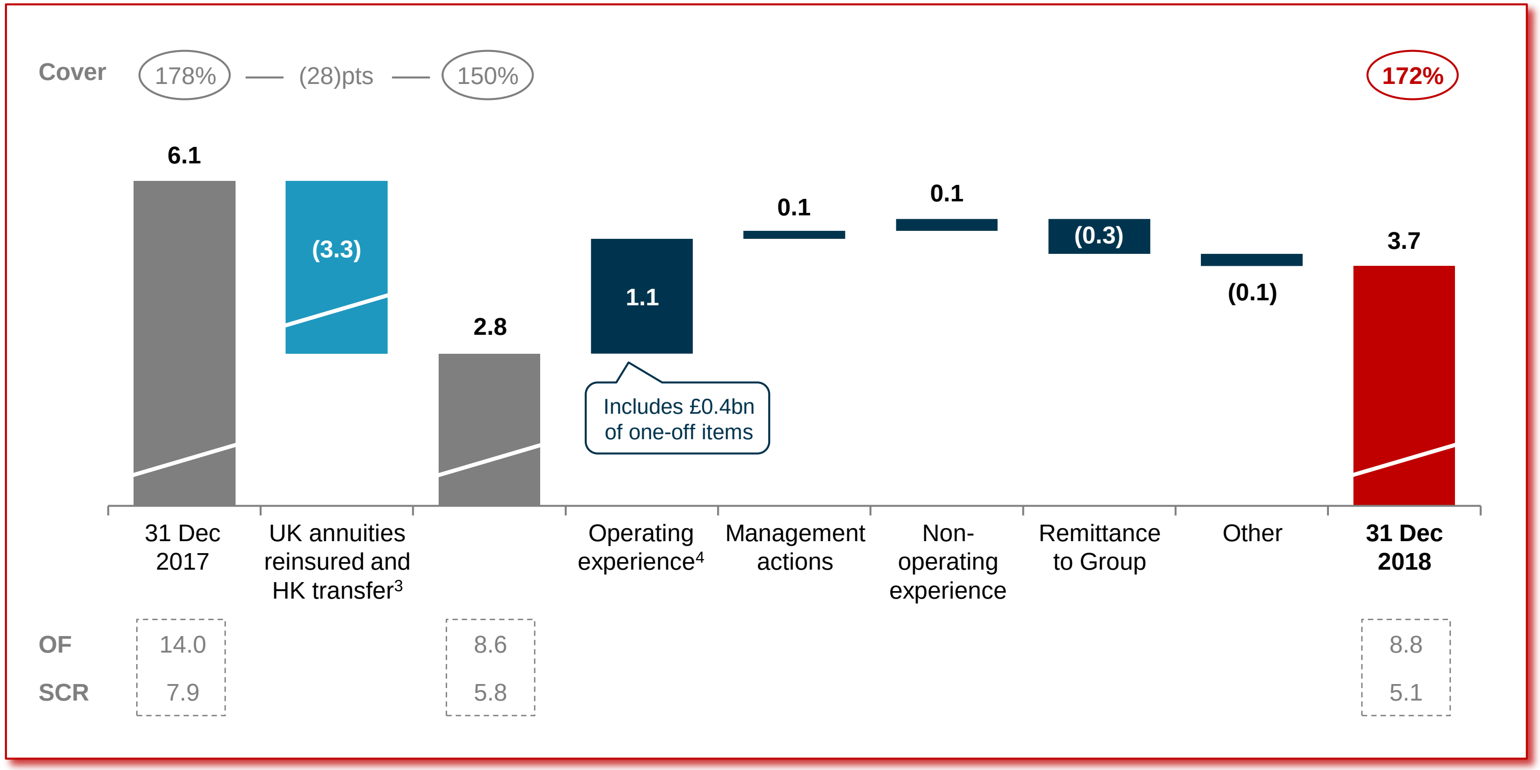


1 The PAC shareholder position excludes the contribution to the Own Funds and the Solvency Capital Requirement of ring-fenced with-profit funds and staff pension schemes in surplus. The solvency positions include management's calculation of UK transitional measures reflecting operating and market conditions at each valuation date, for which both 2018 and 2017 reflects the approved regulatory position.

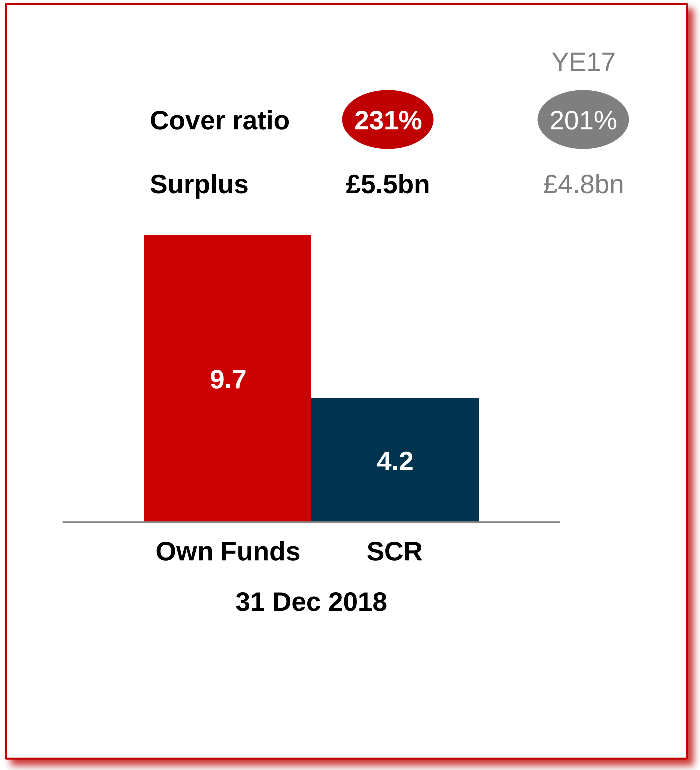
M&GPrudential

Solvency II capital surplus

Shareholder Solvency II capital surplus[1,2], £bn



Policyholder Solvency II capital[2], £bn



1 Shareholder Solvency II capital position for Prudential Assurance Company Limited. The UK shareholder capital position excludes the contribution to Own Funds and the Solvency Capital Requirement from ring-fenced with-profit funds and staff pension schemes in surplus.
2 The solvency positions include management's calculation of UK transitional measures reflecting operating and market conditions at each valuation date, for which both 2018 and 2017 reflects the approved regulatory position.
3 In March 2018, the Group announced the intention to demerge M&GPrudential from the rest of the Group. In preparation for the demerger, the Group completed the transfer of the legal ownership of its Hong Kong insurance subsidiaries from Prudential Assurance Company Limited to Prudential Corporation Asia Limited in December 2018. In addition, in March 2018, M&GPrudential reinsured £12.0 billion (as at 31 December 2017) of its shareholder-backed annuity portfolio to Rothesay Life.
4 Operating experience includes one-off contributions totalling £0.4 billion, comprising longevity assumption changes of £0.4 billion and insurance recoveries of £0.1 billion, partially offset by a provision for guaranteed minimum pension equalisation of £0.1 billion.

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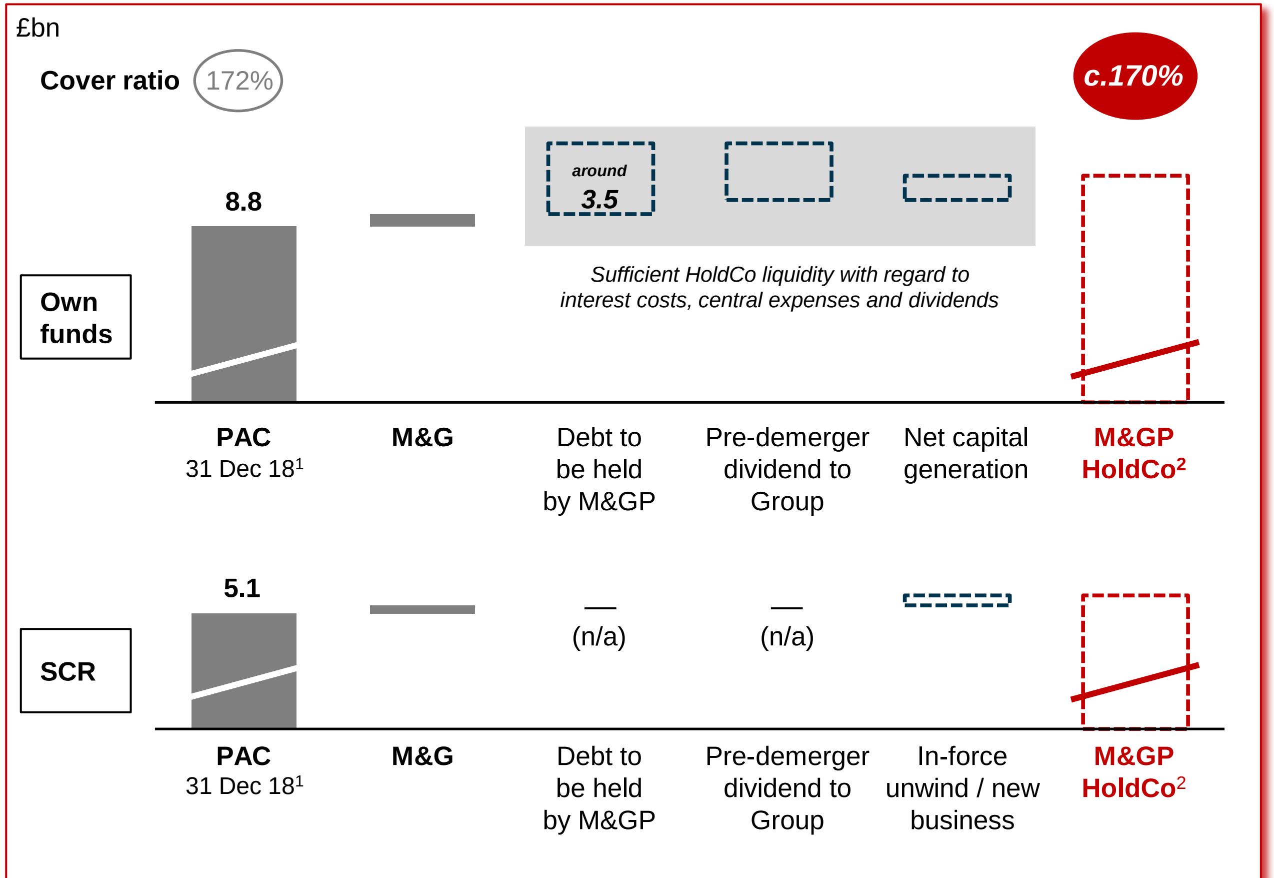
M&GPrudential

Expected capital position at demerger

M&GPrudential Solvency II capital position, pro-forma at demerger



NB: Assuming current market conditions and assumptions

- M&GPrudential expected to hold c£3.5bn of sub-debt
- M&GPrudential SII cover expected to be c170% at demerger
- M&GPrudential Group ratings all on Stable outlook

M&GPrudential Group ratings

Very strong insurance financial strength rating			
	Moody's	S&P	Fitch
PAC	Aa3	A+	AA-
Comments on capitalisation	"excellent capitalisation"[3]	"very well capitalized"[4]	"very strong capitalisation"[5]
Strongly rated credit			
	Moody's	S&P	Fitch
M&GPrudential	A2[6]	A-[6]	N/A[7]

1. Includes the impact of reinsuring £12 billion of annuity liabilities and the transfer of Prudential plc's Hong Kong subsidiaries to Asia.
2. At the time of the demerger, Prudential expects the shareholder Solvency II ratio of M&GPrudential to be around 170 per cent, with M&GPrudential holding around £3.5 billion of subordinated debt. This expectation is subject to the M&GPrudential capital risk appetite being approved by the Board of the ultimate holding company of M&GPrudential, once fully constituted to include independent non-executive directors, and reflects the current operating environment and economic conditions, material changes in which may lead to a different outcome.
3. Moody's Credit Opinion Prudential Assurance Company 20 March 2018.
4. S&P report on Prudential Assurance Company 25 September 2018.
5. Fitch Prudential Assurance Company Ratings Affirmation 5 November 2018.
6. Indicative long-term senior credit rating of M&GPrudential holding company disclosed in S&P and Moody's published rating actions in respect of Prudential plc's 3 substitutable hybrid debt instruments issued in October 2018.
7. Fitch rated Prudential plc substitutable hybrids applying standard notching methodology for such instruments to Prudential plc credit, although Fitch note these substitutable hybrids "would be upgraded if the new M&GPrudential holding company becomes the sole obligor in respect of these substitutable notes" Prudential plc ratings update 8 November 2018.

Proposal

Proposal Overview

- Prudential plc has made good progress with the proposed Demerger:
  - c. £1.6bn (£ eq.) of Tier 2 issued in September 2018, which included an Issuer Optional Substitution provision to facilitate the substitution of these notes to M&GPrudential on or prior to the Demerger
  - Successfully completed a consent solicitation regarding the 2023 and 2029 Senior Notes to remove an Event of Default which would have been triggered upon the Demerger
  - Prudential plc is now proposing to introduce the Issuer Optional Substitution provision into the terms and conditions of the 2055 Note and 2063 Note
  - This substitution is expected to ensure that the Notes can support the Solvency II capital requirements of M&GPrudential
  - The modifications to the Conditions are consistent with the terms and conditions of the Tier 2 notes currently set out in Prudential plc's £10,000,000,000 Medium Term Note Programme (dated 12 June 2018)
  - No decision has been taken with respect to other outstanding public debt issuance
- In addition to the above changes Prudential is proposing certain modifications solely in relation to the 2063 Note (details for which are set out on page 21) in order to be Solvency II compliant. This would eliminate any uncertainty in respect of the regulatory redemption provisions that exist in the current terms and conditions of the 2063 Note
- The Proposals have been considered by a special committee (the "Special Committee") of The Investment Association ("IA"), who have informed us they find the Proposals acceptable and that, subject to client and other approvals, they intend to vote in favour of the Proposals in respect of their holdings of the Notes. The members of the Special Committee hold in aggregate c. 27.37% of the aggregate nominal amount of the 2055 Notes currently outstanding and c. 45.25% of the aggregate nominal amount of the 2063 Notes currently outstanding

Voting Fee

Compensation

Prudential plc is proposing to compensate investors for their agreement to this Proposal:

Upfront Fee

- Eligible Holders who submit an Instruction in relation to the Notes will be eligible to receive a total early voting consideration of 8.50% (in respect of the 2055 Notes) and 13.25% (in respect of the 2063 Notes) of the nominal amount of the relevant Notes, subject to the Tabulation Agent receiving the Instruction prior to the Early Voting Deadline and Consent Conditions being met
  - Fees will step down post the Early Voting Deadline
- Ineligible Holders can realise commensurate economics by responding to the notice issued to Ineligible Holders in relation to this proposal
- In line with IA best practices, the total early voting consideration will be paid to all Eligible Holders and Ineligible Holders of the relevant Note (where the Consent Conditions in respect of that Note have been met) irrespective of whether they voted in favour or against the relevant Extraordinary Resolution

Coupon / Reset Margin Increase

- Provided the Consent Conditions in respect of the relevant Note have been met, all Holders will also benefit from an increase in coupon / reset margin (as further detailed on slide 4)

Consent Conditions

- Payment of the fee (and implementation of the increase in coupon / reset margin) for each Note is subject to, amongst other conditions, the relevant Extraordinary Resolution being passed and the relevant Amendment subsequently being implemented
- Condition to the implementation of the Amendments being that if the relevant Extraordinary Resolution is passed, the proposal not having been terminated (in the limited circumstances in which revocation is permitted), the quorum required for, and requisite majority votes cast at, the relevant Meeting are satisfied by Eligible Holders

Voting Requirements & Indicative Timeline

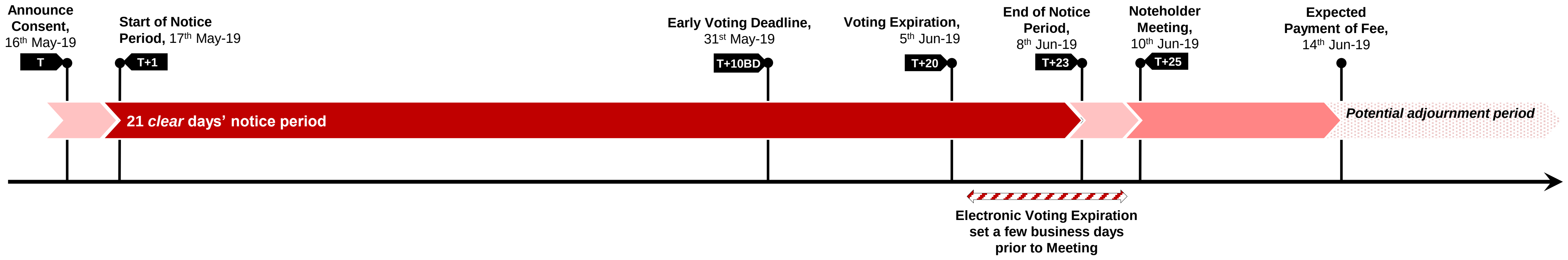
Voting requirements (Extraordinary Resolutions)

	First Meeting		Adjourned Meeting	
Quorum Requirements *One or more Eligible Holders holding or representing…*	**2055 Notes**	A clear majority of the nominal amount outstanding	**2055 Notes**	Whatever the nominal amount held / represented
	2063 Notes	Two-thirds of the nominal amount outstanding	**2063 Notes**	One-third of the nominal amount outstanding
Voting Requirements	For both Notes: ≥ 75% of votes present / represented		For both Notes: ≥ 75% of votes present / represented	

Note that the 2055 Note Amendment is not conditional on the satisfaction of the 2063 Consent Conditions and the 2063 Note Amendment is not conditional on the satisfaction of the 2055 Consent Conditions

Indicative Consent Timeline

- Meaningful response period of at least 15 clear calendar days for Eligible Holders to review and respond to the Proposals



PRUDENTIAL

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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.

Appendix

Proposed Substitution Amendments for the Notes
Extract from the Consent Solicitation Memorandum

- For ease of reference, the following extract shows the additions that will be made to Condition 15.4 if the Amendment is implemented:

(b) Subject as provided in the Trust Deed, the Trustee shall, at the request of the Issuer and without the consent of the Holders, agree to effect the substitution of any Subsidiary of the Issuer (a "New M&GPrudential HoldCo") in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Coupons, provided that:

(i) New M&GPrudential HoldCo shall be:

(A) a Holding Company of M&GPrudential; and

(B) incorporated, domiciled or resident in, or subject generally to the taxing jurisdiction of, the United Kingdom;

(ii) two directors of New M&GPrudential HoldCo (or other officers acceptable to the Trustee) shall certify to the Trustee (upon which certificate the Trustee shall be entitled to rely absolutely and without enquiry or liability) that New M&GPrudential HoldCo is solvent at the time at which the substitution is effected and will be solvent immediately thereafter;

(iii) two directors of the Issuer (or other officers acceptable to the Trustee) shall certify to the Trustee (upon which certificate the Trustee shall be entitled to rely absolutely and without enquiry or liability) that no Default has occurred and is continuing at the time at which the substitution is effected;

(iv) all authorisations, consents, approvals, filings, notifications and registrations required in connection with the substitution have been obtained or effected; and

(v) the Issuer or New M&GPrudential HoldCo shall give or procure to be given to the Trustee such customary legal opinions as the Trustee shall properly require and in such form as the Trustee shall properly require for the purpose of the discharge or exercise of the Trustee's duties in connection with the substitution.

(c) If and to the extent that a substitution effected in accordance with the provisions of Condition 15.4(b) directly results in the occurrence of a Tax Event or a Regulatory Event, the Issuer shall not be entitled to exercise any rights arising as a result of such Tax Event or Regulatory Event (as applicable). This Condition 15.4(c) shall not, however, prevent or otherwise affect a Tax Event or Regulatory Event occurring after completion of a substitution and which does not occur as a direct result of such substitution.

(d) Following the exercise by the Issuer of the right under Condition 15.4(b) and the subsequent completion of the substitution of New M&GPrudential HoldCo in place of Prudential as principal debtor under the Trust Deed, Notes and Coupons, Condition 15.4(b) shall cease to apply and shall be of no further effect in respect of the Notes.

2063 Note – Solvency II Modifications

- In order to ensure that the 2063 Note is capable of recognition and valuation as Tier 2 basic own funds of New M&GPrudential HoldCo under Solvency II following any such Substitution, it is also intended that (subject to the approval by the Holders of the Amendment and the subsequent implementation of the Amendment) the terms and conditions of the Notes will be modified in order to be Solvency II compliant without reliance on the Solvency II transitional provisions (the "**Solvency II Modifications**")

- The Solvency II Modifications are consistent with the terms and conditions of the Tier 2 notes currently set out in the Company's £10,000,000,000 Medium Term Note Programme

- For ease of reference, these modifications can be summarised as follows:

    a) The inclusion of a specific reference to a Minimum Capital Requirement (as defined in the 2063 Note Conditions) in all circumstances in which the 2063 Note Conditions currently refer to the Solvency Capital Requirement (as defined in the 2063 Note Conditions), including, without limitation, in respect of Condition 3.2 of the 2063 Note Conditions (which, if the 2063 Note Amendment is implemented, will additionally specify that all payments under or arising from the 2063 Notes will be conditional upon the Company satisfying the Minimum Capital Requirement (as defined in the 2063 Note Conditions));

    b) The inclusion of a proviso that the Company may only redeem or purchase the 2063 Notes if on, and immediately following, the relevant date of redemption or purchase, no Insolvent Insurer Winding-up (as defined in the 2063 Note Conditions) has occurred and is continuing (unless otherwise permitted by the PRA); and

    c) Updates to certain definitions, the removal of redundant references and the alignment of certain conditions to those found in the terms and conditions of the tier 2 notes currently set out in the Company's £10,000,000,000 Medium Term Note Programme