THIRD POINT

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The Board of Directors
Prudential plc
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Dear Members of the Board:

Third Point LLC is a $14 billion asset management firm that takes stakes in companies and seeks to work constructively with boards and management teams to increase growth, improve margins, and optimize capital allocation to promote the success of the companies in which we invest and drive long-term value for all stakeholders. While we applaud Prudential plc (the "Company") for taking the initial step of separating its European operations into M&G plc, we believe that a more significant opportunity exists: separate the Company's Asian and United States operations to increase investment in both businesses, optimize growth, and drive higher valuation.

Accordingly, certain entities managed by Third Point (including funds, managed accounts, and a Special Purpose Vehicle raised to invest in Prudential plc) have collectively acquired shares directly and via derivative transactions representing an economic stake of just under 5%, making us the Company's second largest shareholder. We hope to collaborate with you to effectuate these important changes as we are confident that the majority of Prudential plc's holders will share our view on the structural and strategic initiatives outlined below.

Background

Prudential plc's two separately managed franchises, Prudential Corporation Asia ("PruAsia") and Jackson National Life ("Jackson"), have distinct strengths but share no discernable benefit from being operated under the same corporate umbrella. PruAsia is a leading Pan-Asian insurance franchise with decades of structural growth potential driven by rising middle-class wealth in Asia and low penetration levels in health and protection insurance. Its financial track-record is also impressive, with operating profits compounding at 20% over the past 10 years, and ROEs consistently above 25% (despite under-investment in the business relative to its main peer, AIA). Jackson is a leading US-focused annuity writer with best-in-class distribution, high diversification by vintage, and its own impressive track record; a conservative hedging policy protected Jackson in 2008 and allowed the business to take significant market share following the financial crisis.

Despite the strengths of these unique businesses in Asia and the US, Prudential plc trades for less than 10x consensus 2020 earnings, and has returned <0% on a cumulative basis over the past 5 years – underperforming the stock of its only true Asian peer, AIA, by ~80%.[1] We see three primary reasons for this disappointing performance:

1. **Current portfolio deters natural holders from owning PruAsia**: PruAsia is materially undervalued by investors simply because it is coupled with Jackson, which accounts for a small portion of Prudential plc's value but is extremely complex to analyze and carries a different risk and reward profile from PruAsia.

2. **Management has prioritized dividend growth over reinvestment:** Management's "progressive dividend" policy has been short-sighted, stunted growth, and led it to forego new business investment, especially in Asia. This dividend policy is particularly illogical considering management's assertions about the attractive rates of return in both PruAsia and Jackson.

3. **Corporate structure inconsistent with "Asia-Led" strategy**: Prudential plc's stated strategy of "prioritizing" Asia is inconsistent with the makeup of the current executive management team, which has limited experience in Asia, and the group structure, which carries a redundant cost base some 6,000 miles away from PruAsia's local headquarters in Hong Kong. This structure has also made it difficult to attract and retain local top-quality managerial talent.

Over the past several months, we have conducted a thorough analysis of Prudential plc's businesses and opportunities to create value. Both PruAsia and Jackson are strong franchises, but their combination in one entity has no strategic rationale.

[1] Bloomberg data as of February 24th, 2020. Total shareholder returns in USD, including dividends.

PruAsia

PruAsia is a unique asset that has earned its independence and deserves a singular focus on Asia, managed from headquarters in Asia. The business has taken decades to build, particularly its huge moat in agency distribution with the #1 agent force in markets like Indonesia, Malaysia, the Philippines, and Hong Kong; the largest private-sector agency force in India; and the largest agency force of foreign players in China. This agent-led model drives a higher mix of regular-premium (i.e. recurring payment) policies (~93%), higher retention rates (~95%), a higher mix of sales to repeat customers (~40%), and a larger proportion of high-margin products.

Asia saw its most expansive growth under former CEO Mark Tucker, who was the founding CEO of PruAsia from 1994 to 2003, and later became CEO of Prudential plc from 2005 to 2009. Under Tucker's leadership, PruAsia expanded its geographic footprint from three to 12 markets, invested aggressively through the Asia Crisis of 1997-1999, and initiated joint ventures in China (CITIC-Prudential Life, in 2000) and India (ICICI Prudential Life, in 2000), which remain key tailwinds for growth to this day. This commitment to heavy-reinvestment waned under Tucker's successors, Tidjane Thiam and current CEO Mike Wells, both of whom have favored a sleepy, Euro-centric focus on "progressive dividends" – an ill-conceived strategy given the discounted valuation of Prudential plc and plentiful opportunities for reinvesting capital at high-IRRs in Asia. Prudential plc may be listed in the UK, but it certainly should not take strategic direction from mature, slow-growing UK and European life companies.

Jackson

Management has also failed to articulate a clear strategic path for Jackson. Last year's "Strategic Review" simply concluded that Prudential plc should seek expensive third-party capital or reinsurance in order to further its generic "progressive dividend" policy. With a proper standalone capital allocation policy, we believe Jackson could thrive, driven by its solid distribution franchise, a younger than average variable annuity book, strong cash flow potential, and the ability to pivot across products – a trait best displayed by the move from ranking 24th to top five in fixed-index annuity sales from 2018 to the Third Quarter of 2019.

A Path Forward

In order to address these issues and close the yawning gap between the current share price and intrinsic value, we urge the Board to immediately consider the following actions:

1. **Create two standalone focused companies:** Separate Jackson from PruAsia – a move that we believe will be met with overwhelming approval by shareholders and markets. Create two publicly listed companies that each has its own long-term strategy. Identify listing venues where the standalone businesses will receive the attention they deserve, and which provide the optimal shareholder base to support necessary reinvestment and the future growth strategy of each company. Having analyzed the group's corporate and capital structures and mechanics of separation using publicly-available information, we believe that splitting PruAsia and Jackson can be done efficiently without material tax or other costs.

2. **Bespoke capital allocation policies:** Once the companies have been separated, pivot from dividend growth to long-term value creation as the central priority. In Asia, focus on reinvestment of cash at high ROEs, and consider options to increase the stake in the 50%-owned China JV. At Jackson, manage capital to build a strong balance sheet, which will enhance strategic optionality and increase valuation certainty.

3. **Eliminate central costs:** Eliminate duplicative "Group Head Office" costs, which we estimate to be nearly £200 million per annum, creating significant upside to earnings. Eliminate the redundant UK footprint (which should have been completely absorbed by the recently spun-off M&G) and move the primary headquarters for PruAsia to Hong Kong, and for Jackson to Michigan. It goes without saying that the carbon footprint generated by this existing odd arrangement is far larger than it would be if each unit's headquarters were appropriately located. Management should articulate specific amounts and the timing of savings, as opposed to the current vague disclosure.

4. **Recruit best-in-class management teams and boards:** Equip PruAsia with local leadership at the management and board levels. Introduce an incentive scheme at Jackson that rewards long-term value creation as an independent entity.

Ensure each board has intellectual diversity, local market knowledge, and relevant industry expertise.

This plan shares similar reasoning to the Company's stated rationale for separating M&G. In the circular pertaining to the M&G demerger, Prudential plc wrote that the spin of M&G had strategic merit because: "*the Post-Demerger Prudential Business and the M&G business are distinct businesses, with divergent market opportunities and strategies, offering different profiles of risk and reward. The Demerger will create two separate groups, each with its own experienced management team better able to focus on its distinct strategic priorities, with more closely aligned incentives.*"

The very persuasive logic behind this explanation makes us wonder what drove the Board's decision to keep Jackson and PruAsia together, when it made an equally compelling case to separate them along with M&G plc.

The Case for Action

Using appropriate trading multiples on embedded value and earnings[2], we think a standalone PruAsia would be worth well in excess of Prudential plc's current market capitalization, implying that the market is assigning a deeply negative value for Jackson. Both PruAsia and Jackson have incredible strategic value, but not while combined. Asia players interested in gaining scale have no interest in Jackson, and the burgeoning M&A market in the U.S. variable annuity space has no use for Asia. **If PruAsia and Jackson were separated, resulting in a greater focus on reinvesting capital in each unit and streamlining central costs at the group level, our analysis indicates that the interests represented by Prudential plc shares can double within three years.**

In addition, there are numerous other tactical opportunities to drive long-term value such as the chance to increase Prudential plc's share of their JV with CITIC in China; the opportunity to rationalize certain non-economic hedging at Jackson; and the ability to capture synergies with players in the emerging tech-led health space to name a few. But the most important and critical first step is separation of the two businesses.

[2] 1.5x 2020 Asia embedded value and 18x 2020 Asia earnings. Third Point estimates.

Given current fears of Covid-19 in China and the rest of Asia, one might wonder whether this is the right timing for this strategic plan. However, a viral outbreak reminds us of the need for health and protection products in Asia, a region with 3.6 billion consumers and little existing coverage. Prudential plc takes pride in being an ESG leader and providing the highest-quality products and services, taking care of its employees, and being a strong local partner. It is a trusted brand that can introduce the benefits of insurance to many more Asian consumers with the appropriate level of re-investment in the business that this plan proposes. Standing alone, PruAsia can focus 100% of its efforts and investment on supporting customers and its talented network of agents.

Over the past five years, shareholders have experienced very little return from their investment in Prudential plc. If properly executed, we believe this plan will unlock significant value for shareholders, and better position the two companies for sustainable, long-term success. Prudential plc must refocus on localizing its strategy, capital, and leadership, which starts with the separation of PruAsia and Jackson. We look forward to sharing the details of our work at your earliest convenience and are confident you will see merit in our suggestions.

Sincerely,

Daniel S. Loeb