



## Prudential Corporation plc

(incorporated and registered in England and Wales, with limited liability, registered no. 1397169)

**£250,000,000**

**5 1/2 per cent. Bonds due 2009**

**Issue Price: 99.455 per cent**

**£250,000,000**

**5 7/8 per cent. Bonds due 2029**

**Issue Price: 99.974 per cent**

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**Warburg Dillon Read**

**Barclays Capital**

**Greenwich NatWest**

**J.P. Morgan Securities Ltd.**

**Cazenove & Co.**

**HSBC Markets**

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This Offering Circular comprises listing particulars given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986 by the London Stock Exchange Limited (the "London Stock Exchange") for the purpose of giving information with regard to the £250,000,000 5 1/2 per cent Bonds due 2009 (the "2009 Bonds") and the £250,000,000 5 7/8 per cent Bonds due 2029 (the "2029 Bonds" and together with the 2009 Bonds, the "Bonds") issued by Prudential Corporation plc (the "Issuer"), the Issuer and its subsidiaries (together, the "Group"). The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the London Stock Exchange for the Bonds to be admitted to the Official List. Copies of these listing particulars have been delivered to the Registrar of Companies in England and Wales as required by Section 149 of the Financial Services Act 1986.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers (as defined in "Subscription and Sale") to subscribe or purchase, any of the Bonds. No action has been taken under any regulatory or other requirements of any jurisdiction other than the United Kingdom or will be taken to permit a public offering of the Bonds or the distribution of this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions.

No person has been authorised to give any information or to make any representation in connection with the offering or sale of the Bonds other than those contained in this Offering Circular and other than information in the public domain at the date hereof and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Managers. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date hereof.

The Bonds have not been and will not be registered under the United States Securities Act of 1933 and are subject to United States tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to US persons. For a further description of certain restrictions on offering and sale of Bonds and on distribution of this Offering Circular, see "Subscription and Sale" below.

In this Offering Circular all references to "£" "pence" or "p" are to the currency of the United Kingdom.

In connection with this issue, UBS AG, acting through its division Warburg Dillon Read, may over-allot or effect transactions which stabilise or maintain the market price of the 2009 Bonds and/or the 2029 Bonds at levels which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

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## Terms and Conditions of the 2009 Bonds

*The following terms and conditions (subject to alteration in the Trust Deed (as defined below) and save for the paragraphs in italics) will be endorsed on the 2009 Bonds in definitive form, if issued:*

The £250,000,000 5 1/2 per cent Bonds due 2009 (the "Bonds", which expression shall, in these Conditions, unless the context otherwise requires, include any other bonds issued pursuant to Condition 12 and forming a single series therewith) of Prudential Corporation plc (the "Issuer") are constituted by a trust deed (the "Trust Deed") dated 11 May 1999 and made between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include its successors as trustee under the Trust Deed) as trustee for the holders of the Bonds (the "Bondholders"). The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer dated 8 April 1999 and a written resolution of a duly authorised committee thereof passed on 14 April 1999. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Payments in respect of the Bonds will be made pursuant to an agency agreement dated 11 May 1999 (the "Agency Agreement") between the Issuer, the Trustee, Citibank, N.A. London as principal paying agent (the "Principal Paying Agent") and the other paying agents (together with the Principal Paying Agent, the "Paying Agents---") referred to therein. Copies of the Trust Deed and the Agency Agreement are available for inspection at the registered office of the Trustee, being at the date hereof at Princes House, 95 Gresham Street, London EC2V 7LY, and at the specified offices of each of the Paying Agents. The Bondholders and the holders (the "Couponholders") of the interest coupons appertaining to the Bonds (the "Coupons") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those applicable to them of the Agency Agreement.

### 1. FORM, DENOMINATION AND TITLE

The Bonds are in bearer form, serially numbered, with Coupons attached, in denominations of £1,000, £10,000 and £100,000. Bonds of one denomination may not be exchanged for Bonds of another denomination.

Title to the Bonds will pass by delivery. The Issuer, the Trustee and the Paying Agents may deem and treat the holder of any Bond or Coupon as the absolute owner thereof (notwithstanding any notice to the contrary and whether or not such Bond or Coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment thereon or on account thereof and for all other purposes.

*The Bonds will be represented by a single Temporary Global Bond, without Coupons, which will be deposited with a common depositary for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Cedelbank on or about 11 May 1999 for credit against payment to the accounts designated by the relevant subscribers with Euroclear or Cedelbank. The Temporary Global Bond will be exchangeable on or after 21 June 1999 for a permanent Global Bond (the "Global Bond") upon certification of non-US beneficial ownership. The Global Bond will be exchangeable in the limited circumstances specified therein for definitive Bonds with Coupons attached.*

*Bonds and Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the United States Internal Revenue Code."*

### 2. STATUS

The Bonds and the Coupons are direct and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank without any preference among themselves and (subject as aforesaid and to such exceptions as are from time to time applicable under the laws of the United Kingdom) *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer.

### 3. NEGATIVE PLEDGE

So long as any of the Bonds remains outstanding (as defined in the Trust Deed) the Issuer will not, and will procure, so far as the Issuer by the proper exercise of voting and other rights or powers of control exercisable by the Issuer in relation to Subsidiaries (as defined in the Trust Deed) can procure, that the Principal Subsidiary (as defined below) shall not, create or permit to subsist any mortgage or charge upon the whole or any part of its undertaking or assets (other than assets representing the fund or funds maintained by the Issuer or the Principal Subsidiary in respect of long-term business (as defined in the Insurance Companies Act 1982)),

## **Terms and Conditions of the 2009 Bonds**

present or future, to secure payment of any present or future Relevant Indebtedness (as defined below) of the Issuer or any Subsidiary thereof or to secure any guarantee or indemnity in respect thereof, without at the same time according to the Bonds, to the satisfaction of the Trustee, the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or such other security as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

-Principal Subsidiary" 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.

"Relevant Indebtedness" means any indebtedness for borrowed money (other than indebtedness in the form of sterling debenture stock (as defined in the Trust Deed) or indebtedness which has a stated maturity not exceeding one year) which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which, with the agreement of the Issuer, are quoted, listed, dealt in or traded on a stock exchange, or over the counter or other recognised securities market (whether or not distributed by way of private placement).

### **4. INTEREST**

The Bonds bear interest as from 11 May 1999 at the rate of 5 1/2 per cent per annum payable annually in arrear on 11 May in each year. The first payment of interest (representing a full year's interest) will be made on 11 May 2000.

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the principal is improperly withheld or refused. In such event, interest will continue to accrue (after as well as before any judgment) up to but excluding the date on which, upon further presentation, payment in full of the principal thereof is made or (if earlier) the seventh day after notice is duly given to the holder of such Bond (either in accordance with Condition 15 or individually) that upon further presentation of such Bond being duly made such payment will be made, provided that upon further presentation thereof being duly made such payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of any Bond for a period of less than a full year, such interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

### **5. REDEMPTION AND PURCHASE (a)**

#### **Mandatory redemption**

Unless previously redeemed or purchased and cancelled as provided below, each of the Bonds shall be redeemed at its principal amount on 11 May 2009. The Bonds may not be redeemed at the option of the Issuer other than in accordance with Condition 5(b) or 5(c). A notice given by the Issuer under Condition 5(b) or 5(c) (a "Redemption Notice") shall specify the date (the "Redemption Date") when the relevant redemption will take place.

#### **(b) Redemption for tax reasons**

If the Issuer at any time satisfies the Trustee that, as a result of any actual or proposed change in, or amendment to, the laws, regulations or treaties of the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax, or in the application or interpretation of such laws, regulations or treaties, on the occasion of the next payment of principal or interest in respect of the Bonds, the Issuer would be unable to make such payment without having to pay additional amounts as provided or referred to in Condition 7, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), redeem all the Bonds, but not some only, at their respective principal amounts together with interest accrued to the date of such redemption.

It shall be sufficient to establish the existence of the circumstances required to be established pursuant to this paragraph if the Issuer shall deliver to the Trustee a certificate of an independent lawyer or accountant satisfactory to the Trustee in a form satisfactory to the Trustee to the effect either that such circumstances exist or that, upon a change in the laws, regulations or treaties of the United Kingdom or the application or interpretation thereof, which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment

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of principal or interest in respect of the Bonds would otherwise be made, becoming so effective, such circumstances would exist.

### **(c) Redemption at the option of the Issuer**

On giving not less than 30 nor more than 90 calendar days' notice to the Trustee and the Bondholders in accordance with Condition 15, the Issuer may at any time redeem all of the Bonds for the time being outstanding or (as the case may be) some of the Bonds in the principal amount of £5,000,000 or an integral multiple of £1,000,000 in excess thereof, together with interest accrued up to and including the Redemption Date, at a price which shall be the higher of the following:

- (a) par; and
- (b) that price expressed as a percentage (as reported in writing to the Issuer and the Trustee by a financial adviser selected by the Issuer and approved by the Trustee) at which the Gross Redemption Yield (as defined below) on the Bonds on the Reference Date (as defined below) is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 3.00 pm (London time) on that date of 5 3/4 per cent Treasury Stock 2009 while that stock is in issue, and thereafter such government stock as the Trustee and the Issuer shall be advised by two financial advisers selected by the Issuer and approved by the Trustee to be appropriate by way of substitution for the aforementioned Treasury Stock.

For the purposes of this Condition 5(c), "Reference Date" means the date which is three business days prior to the giving of the notice to the Bondholders referred to in this Condition 5(c), and "Gross Redemption Yield" means a yield calculated on the basis indicated by the joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries, Vol. 105, Part 1, 1978, page 18 or such other basis as the Trustee may approve.

### **(d) Drawings**

Bonds to be called for redemption will, where appropriate, be drawn in a place and manner chosen by the Issuer and approved by the Trustee and a notice containing a list of the serial numbers and denominations of the Bonds so called, the redemption price of such Bonds and specifying the date fixed for redemption thereof will be given by the Issuer to the Bondholders not less than 30 nor more than 90 calendar days before such date in accordance with Condition 15.

### **(e) Purchases**

The Issuer or any of its Subsidiaries may at any time purchase Bonds at any price, in the open market or by tender (available to all Bondholders alike) or by private treaty. The Issuer or the relevant Subsidiary may at its option retain such Bonds for its own account and/or resell or cancel or otherwise deal with such Bonds at its discretion. Bonds held by or on behalf of the Issuer or any of its Subsidiaries shall not entitle the holder to vote at any meetings of the Bondholders and such Bonds shall be deemed to be not outstanding for the purposes of calculating quorums at meetings of Bondholders.

### **(f) Cancellation**

All Bonds redeemed or purchased by the Issuer or any of its Subsidiaries and surrendered for cancellation shall be cancelled forthwith (together with all unmatured Coupons presented or purchased therewith) and such Bonds and Coupons may not be re-issued or re-sold.

## **6. PAYMENTS**

Payments of principal and interest in respect of Bonds will be made against presentation and surrender or (as the case may be) endorsement of Bonds, or in the case of payments of interest due on each 11 May against surrender of Coupons, at the specified office of any Paying Agent. All such payments shall be made at the option of the holder at any specified office of any Paying Agent by a sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in the City of London.

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

Upon the due date for redemption of any Bond, unmatured Coupons relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Bond is presented for

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redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may reasonably require.

if the date for redemption is not 11 May in any year, the interest accrued from the last preceding 11 May shall be payable only against presentation of the relevant Bond.

If the due date for payment of any Bond or Coupon or any later date upon which a Bond or Coupon is presented for payment is not a business day then the holder thereof shall not be entitled to payment of the amount due until the next following day which is a business day or to any further interest or other payment in respect of such delay.

In this Condition, "business day" shall mean, in relation to any Bond or Coupon, a day on which banks and foreign exchange markets are open for business in the place where such Bond or Coupon is presented for payment, and, in the case of payment by transfer to a sterling account, in the City of London.

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to terminate or to vary the appointment of any Paying Agent and may appoint additional or other Paying Agents, provided that it will at all times maintain at least two Paying Agents having specified offices in European cities approved by the Trustee, one of which, so long as the Bonds are listed on the London Stock Exchange, shall be in London and the other of which shall be in a country in continental Europe which is not a member of the European Community. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given by the Issuer to the Bondholders in accordance with Condition 15.

### 7. TAXATION

All payments of principal and interest in respect of the Bonds and Coupons shall be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature ("Taxes") imposed or levied by the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Bonds or, as the case may be, Coupons in the absence of such withholding or deduction except that no such additional amounts shall be payable in relation to any payment in respect of any Bond or Coupon:

- (i) to, or to a third party on behalf of, a holder who is liable for or subject to such Taxes in respect of such Bond or Coupon by reason of his having some connection with the United Kingdom or any political subdivision thereof or any authority therein or thereof other than the mere holding of the Bond or Coupon; or
- (ii) presented for payment in the United Kingdom; or
- (iii) to, or to a third party on behalf of, a holder who would not be liable for or subject to such withholding or deduction if such holder had made a declaration of non-residence or other similar claim for exemption to any authority; or
- (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used herein the "Relevant Date" means the date on which such payment first becomes due, but if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly published in accordance with Condition 15. Any reference herein to principal or interest shall be deemed also to refer to any additional amounts which may be payable under this provision or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

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### 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 (111) 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:

- (i) if default is made for a period of 14 days or more in the payment of any principal or interest due in respect of the Bonds or any of them; or
- (ii) if default is made by the Issuer in the performance or observance of any obligation, condition or provision binding upon it under the Bonds or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Bonds) and, except where such default is, in the opinion of the Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied; or
- (iii) if an order is made or an effective resolution is passed for the winding up of, or an administration order is made in relation to, the Issuer or the Principal Subsidiary (save, in the case of the Principal Subsidiary, (a) with the prior consent of the Trustee or the prior sanction of an Extraordinary Resolution for the purposes of or in connection with an amalgamation or reconstruction, or (b) a voluntary solvent winding-up where surplus assets are available for distribution); or
- (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
- (v) if an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the undertaking, property and assets of the Issuer or the Principal Subsidiary or if a distress or execution is levied or enforced upon or sued out against the whole or any substantial part of the chattels or property of the Issuer or the Principal Subsidiary and, in the case of any of the foregoing events, is not discharged within 60 days or such longer period as the Trustee may allow; or
- (vi) if the Issuer or the Principal Subsidiary is unable to pay its debts within the meaning of Section 123(2) of the Insolvency Act 1986; 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.

"Indebtedness for moneys borrowed" means the principal amount of (a) all moneys borrowed and (b) all debentures (together in each case with any fixed or minimum premium payable on final redemption or repayment) which are not for the time being beneficially owned by the Issuer or any of its Subsidiaries.

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### 9. ENFORCEMENT

The Trustee may at its discretion institute such proceedings as it may think fit to enforce the obligations of the Issuer under the Trust Deed, but it shall not be bound to institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding and (b) it shall have been indemnified to its satisfaction. No Bondholder or Couponholder shall be entitled to institute proceedings directly against the Issuer unless the Trustee having become bound so to proceed fails to do so within a reasonable time and such failure is continuing.

### 10. PRESCRIPTION

Bonds and Coupons will become void unless presented for payment within ten years and five years respectively from the Relevant Date (as defined in Condition 7) for payment thereof.

### 11. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds for the time being outstanding so held or represented, except that at any meeting the business of which includes the modification of certain of these Terms and Conditions and the provisions of the Trust Deed, the quorum shall be two or more persons holding or representing not less than two-thirds, or at any such adjourned meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed contains provisions for an Extraordinary Resolution to take the form of an instrument or instruments signed by the holder or the holders of not less than three-quarters in principal amount of the Bonds for the time being outstanding.

The Trust Deed provides that the Trustee may agree, without the consent of the Bondholders or Couponholders, to any modification (subject to certain exceptions) of or to the waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any of the provisions of the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or to any modification which is of a formal, minor or technical nature or which is made to correct a manifest error. In addition, the Trustee may agree, without the consent of the Bondholders or Couponholders, on or after the Specified Date (as defined below) to such modifications to the Bonds, the Coupons and the Trust Deed in order to facilitate payment of interest in euro and redemption at the euro-equivalent of the sterling principal amount of the Bonds (at the rate prevailing on the date of redemption) and associated reconventioning, renominatisation and related matters as may be proposed by the Company (and confirmed by an independent financial institution approved by the Trustee to be in conformity with then applicable market conventions). For these purposes, "Specified Date" means the date on which the United Kingdom participates in the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community or otherwise participates in European Economic and Monetary Union in a similar manner. The Trustee may also agree without consent as aforesaid (i), subject to the Bonds and the Coupons being unconditionally and irrevocably guaranteed by the Issuer, to the substitution of a Subsidiary of the Issuer in place of the Issuer as principal debtor under the Trust Deed, the Bonds and the Coupons or (ii) to the substitution of (a) a successor in business (as defined in the Trust Deed) to the Issuer (whether as Issuer or as guarantor pursuant to (i) above) in place of the Issuer or, where the Issuer is substituted pursuant to (i) above, a successor in business to any such substituted issuer in place of such substituted issuer or (b) a Subsidiary of the Issuer acceptable to the Trustee, as guarantor of the Bonds in place of the Issuer (where the Issuer has given a guarantee under (i) above), any such substitution as aforesaid being subject to the Trustee being satisfied that the interests of Bondholders will not be materially prejudiced thereby and to such other amendments to the Trust Deed and such other conditions as the Trustee may require, provided that in connection with any proposed substitution as aforesaid the Trustee shall not have regard to the tax consequences of such substitution for individual Bondholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the Jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon



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individual Bondholders or Couponholders except to the extent already provided for in Condition 7 (as from time to time amended).

Any such modification, waiver, authorisation or substitution shall be binding on the Bondholders and Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 15.

### **12. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Bondholders or the Couponholders to create and issue further notes or bonds either ranking *pari passu* in all respects (or in all respects save for the amount of and/or the date of the first payment of interest thereon) and (in the case of bonds) so that the same shall be consolidated and form a single series with the Bonds or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may at the time of issue thereof determine. Any such notes or bonds, if they are to form a single series with the Bonds, shall be constituted by a deed supplemental to the Trust Deed and in any other case if the Trustee so agrees may be so constituted. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes, or bonds of other series in certain circumstances where the Trustee so decides.

### **13. REPLACEMENT OF BONDS AND COUPONS**

Should any Bond or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent, upon payment by the claimant of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses incurred in connection therewith (Including the fees and expenses of the Principal Paying Agent and its designated agents) and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

### **14. INDEMNIFICATION**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce payment unless indemnified to its satisfaction.

### **15. NOTICES**

All notices regarding the Bonds shall be valid if published in the *Financial Times* or any other daily newspaper in London approved by the Trustee or, if this is not possible, in one other English language daily newspaper approved by the Trustee with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

### **16. GOVERNING LAW**

The Trust Deed, the Bonds and the Coupons are governed by, and shall be construed in accordance with, English law.

## Terms and Conditions of the 2029 Bonds

*The following terms and conditions (subject to alteration in the Trust Deed (as defined below) and save for the paragraphs in italics) will be endorsed on the 2029 Bonds in definitive form, if issued:*

The £250,000,000 5 7/8 per cent Bonds due 2029 (the "Bonds", which expression shall, in these Conditions, unless the context otherwise requires, include any other bonds issued pursuant to Condition 12 and forming a single series therewith) of Prudential Corporation plc (the "Issuer") are constituted by a trust deed (the "Trust Deed") dated 11 May 1999 and made between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include its successors as trustee under the Trust Deed) as trustee for the holders of the Bonds (the "Bondholders"). The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer dated 8 April 1999 and a written resolution of a duly authorised committee thereof passed on 14 April 1999. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Payments in respect of the Bonds will be made pursuant to an agency agreement dated 11 May 1999 (the "Agency Agreement") between the Issuer, the Trustee, Citibank, N.A. London as principal paying agent (the "Principal Paying Agent") and the other paying agents (together with the Principal Paying Agent, the "Paying Agents") referred to therein. Copies of the Trust Deed and the Agency Agreement are available for inspection at the registered office of the Trustee, being at the date hereof at Princes House, 95 Gresham Street, London EC2V 7LY, and at the specified offices of each of the Paying Agents. The Bondholders and the holders (the "Couponholders") of the interest coupons appertaining to the Bonds (the "Coupons") and the talons for further Coupons (the "Talons") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those applicable to them of the Agency Agreement. The expression Coupons shall, unless the context otherwise requires, include the Talons.

### 1. FORM, DENOMINATION AND TITLE

The Bonds are in bearer form, serially numbered, with 17 Coupons and one Talon attached, in denominations of £1,000, £10,000 and £100,000. Bonds of one denomination may not be exchanged for Bonds of another denomination.

Title to the Bonds will pass by delivery. The Issuer, the Trustee and the Paying Agents may deem and treat the holder of any Bond or Coupon as the absolute owner thereof (notwithstanding any notice to the contrary and whether or not such Bond or Coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment thereon or on account thereof and for all other purposes.

*The Bonds will be represented by a single Temporary Global Bond, without Coupons, which will be deposited with a common depositary for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Cedelbank on or about 11 May 1999 for credit against payment to the accounts designated by the relevant subscribers with Euroclear or Cedelbank. The Temporary Global Bond will be exchangeable on or after 21 June 1999 for a permanent Global Bond (the "Global Bond") upon certification of non-US beneficial ownership. The Global Bond will be exchangeable in the limited circumstances specified therein for definitive Bonds with Coupons attached.*

*Bonds and Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the United States Internal Revenue Code."*

### 2. STATUS

The Bonds and the Coupons are direct and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank without any preference among themselves and (subject as aforesaid and to such exceptions as are from time to time applicable under the laws of the United Kingdom) *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer.

### 3. NEGATIVE PLEDGE

So long as any of the Bonds remains outstanding (as defined in the Trust Deed) the Issuer will not, and will procure, so far as the Issuer by the proper exercise of voting and other rights or powers of control exercisable by the Issuer in relation to Subsidiaries (as defined in the Trust Deed) can procure, that the Principal Subsidiary

## Terms and Conditions of the 2029 Bonds

(as defined below) shall not, create or permit to subsist any mortgage or charge upon the whole or any part of its undertaking or assets (other than assets representing the fund or funds maintained by the Issuer or the Principal Subsidiary in respect of long-term business (as defined in the Insurance Companies Act 1982)), present or future, to secure payment of any present or future Relevant Indebtedness (as defined below) of the Issuer or any Subsidiary thereof or to secure any guarantee or indemnity in respect thereof, without at the same time according to the Bonds, to the satisfaction of the Trustee, the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or such other security as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

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

"Relevant Indebtedness" means any indebtedness for borrowed money (other than indebtedness in the form of sterling debenture stock (as defined in the Trust Deed) or indebtedness which has a stated maturity not exceeding one year) which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which, with the agreement of the Issuer, are quoted, listed, dealt in or traded on a stock exchange, or over the counter or other recognised securities market (whether or not distributed by way of private placement).

### 4. INTEREST

The Bonds bear interest as from 11 May 1999 at the rate of 5 7/8 per cent per annum payable annually in arrear on 11 May in each year. The first payment of interest (representing a full year's interest) will be made on 11 May 2000.

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the principal is improperly withheld or refused. In such event, interest will continue to accrue (after as well as before any judgment) up to but excluding the date on which, upon further presentation, payment in full of the principal thereof is made or (if earlier) the seventh day after notice is duly given to the holder of such Bond (either in accordance with Condition 15 or individually) that upon further presentation of such Bond being duly made such payment will be made, provided that upon further presentation thereof being duly made such payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of any Bond for a period of less than a full year, such interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

### 5. REDEMPTION AND PURCHASE (a)

#### Mandatory redemption

Unless previously redeemed or purchased and cancelled as provided below, each of the Bonds shall be redeemed at its principal amount on 11 May 2029. The Bonds may not be redeemed at the option of the Issuer other than in accordance with Condition 5(b) or 5(c). A notice given by the Issuer under Condition 5(b) or 5(c) (a "Redemption Notice") shall specify the date (the "Redemption Date") when the relevant redemption will take place.

#### (b) Redemption for tax reasons

If the Issuer at any time satisfies the Trustee that, as a result of any actual or proposed change in, or amendment to, the laws, regulations or treaties of the United Kingdom or any political sub-division thereof or any authority therein or thereof having power to tax, or in the application or interpretation of such laws, regulations or treaties, on the occasion of the next payment of principal or interest in respect of the Bonds, the Issuer would be unable to make such payment without having to pay additional amounts as provided or referred to in Condition 7, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), redeem all the Bonds, but not some only, at their respective principal amounts together with interest accrued to the date of such redemption.

It shall be sufficient to establish the existence of the circumstances required to be established pursuant to this paragraph if the Issuer shall deliver to the Trustee a certificate of an independent lawyer or accountant satisfactory to the Trustee in a form satisfactory to the Trustee to the effect either that such circumstances exist or that, upon a change in the laws, regulations or treaties of the United Kingdom or the application or

## Terms and Conditions of the 2029 Bonds

interpretation thereof, which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Bonds would otherwise be made, becoming so effective, such circumstances would exist.

### **(c) Redemption at the option of the Issuer**

On giving not less than 30 nor more than 90 calendar days' notice to the Trustee and the Bondholders in accordance with Condition 15, the Issuer may at any time redeem all of the Bonds for the time being outstanding or (as the case may be) some of the Bonds in the principal amount of £5,000,000 or an integral multiple of £1,000,000 in excess thereof, together with interest accrued up to and including the Redemption Date, at a price which shall be the higher of the following:

- (a) par; and
- (b) that price expressed as a percentage (as reported in writing to the Issuer and the Trustee by a financial adviser selected by the Issuer and approved by the Trustee) at which the Gross Redemption Yield (as defined below) on the Bonds on the Reference Date (as defined below) is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 3.00 pm (London time) on that date of 6 per cent Treasury Stock 2028 while that stock is in issue, and thereafter such government stock as the Trustee and the Issuer shall be advised by two financial advisers selected by the Issuer and approved by the Trustee to be appropriate by way of substitution for the aforementioned Treasury Stock.

For the purposes of this Condition 5(c), "Reference Date" means the date which is three business days prior to the giving of the notice to the Bondholders referred to in this Condition 5(c), and "Gross Redemption Yield" means a yield calculated on the basis indicated by the joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the journal of the Institute of Actuaries, Vol. 105, Part 1, 1978, page 18 or such other basis as the Trustee may approve.

### **(d) Drawings**

Bonds to be called for redemption will, where appropriate, be drawn in a place and manner chosen by the Issuer and approved by the Trustee and a notice containing a list of the serial numbers and denominations of the Bonds so called, the redemption price of such Bonds and specifying the date fixed for redemption thereof will be given by the Issuer to the Bondholders not less than 30 nor more than 90 calendar days before such date in accordance with Condition 15.

### **(e) Purchases**

The Issuer or any of its Subsidiaries may at any time purchase Bonds at any price, in the open market or by tender (available to all Bondholders alike) or by private treaty. The Issuer or the relevant Subsidiary may at its option retain such Bonds for its own account and/or resell or cancel or otherwise deal with such Bonds at its discretion. Bonds held by or on behalf of the Issuer or any of its Subsidiaries shall not entitle the holder to vote at any meetings of the Bondholders and such Bonds shall be deemed to be not outstanding for the purposes of calculating quorums at meetings of Bondholders.

### **(f) Cancellation**

All Bonds redeemed or purchased by the Issuer or any of its Subsidiaries and surrendered for cancellation shall be cancelled forthwith (together with all unmatured Coupons (which expression, for the avoidance of doubt, shall include Coupons falling to be issued on exchange of the matured Talon) presented or purchased therewith) and such Bonds and Coupons may not be re-issued or re-sold.

## **6. PAYMENTS AND EXCHANGE OF THE TALON**

Payments of principal and interest in respect of Bonds will be made against presentation and surrender or (as the case may be) endorsement of Bonds, or in the case of payments of interest due on each 11 May against surrender of Coupons, at the specified office of any Paying Agent. All such payments shall be made at the option of the holder at any specified office of any Paying Agent by a sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in the City of London.

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

## Terms and Conditions of the 2029 Bonds

Each Bond shall be presented for payment together with all relative unmatured Coupons (which expression, for the avoidance of doubt, shall include Coupons falling to be issued on exchange of the matured Talon), failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 10) or, if later, five years after the date on which the Coupon would have become due, but not thereafter. Upon any of the Bonds becoming due and repayable prior to 11 May 2029, the unmatured Talon appertaining thereto will become void for all purposes and no further Coupons will be issued in respect thereof.

For the purposes hereof and save as otherwise provided herein, "unmatured Coupons" means Coupons maturing after the Redemption Date of the Bonds to which they appertain.

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet subject to the provisions of Condition 10. The Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

If the date for redemption is not 11 May in any year, the interest accrued from the last preceding 11 May shall be payable only against presentation of the relevant Bond.

If the due date for payment of any Bond or Coupon or any later date upon which a Bond or Coupon is presented for payment is not a business day then the holder thereof shall not be entitled to payment of the amount due until the next following day which is a business day or to any further interest or other payment in respect of such delay.

In this Condition, "business day" shall mean, in relation to any Bond or Coupon, a day on which banks and foreign exchange markets are open for business in the place where such Bond or Coupon is presented for payment, and, in the case of payment by transfer to a sterling account, in the City of London.

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to terminate or to vary the appointment of any Paying Agent and may appoint additional or other Paying Agents, provided that it will at all times maintain at least two Paying Agents having specified offices in European cities approved by the Trustee, one of which, so long as the Bonds are listed on the London Stock Exchange, shall be in London and the other of which shall be in a country in continental Europe which is not a member of the European Community. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given by the Issuer to the Bondholders in accordance with Condition 15.

## 7. TAXATION

All payments of principal and interest in respect of the Bonds and Coupons shall be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature ("Taxes") imposed or levied by the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Bonds or, as the case may be, Coupons in the absence of such withholding or deduction except that no such additional amounts shall be payable in relation to any payment in respect of any Bond or Coupon:

- (i) to, or to a third party on behalf of, a holder who is liable for or subject to such Taxes in respect of such Bond or Coupon by reason of his having some connection with the United Kingdom or any political subdivision thereof or any authority therein or thereof other than the mere holding of the Bond or Coupon; or

## Terms and Conditions of the 2029 Bonds

- (ii) presented for payment in the United Kingdom; or
- (iii) to, or to a third party on behalf of, a holder who would not be liable for or subject to such withholding or deduction if such holder had made a declaration of non-residence or other similar claim for exemption to any authority; or
- (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used herein the "Relevant Date" means the date on which such payment first becomes due, but if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly published in accordance with Condition 15. Any reference herein to principal or interest shall be deemed also to refer to any additional amounts which may be payable under this provision or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

### 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 (11), (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:

- (i) if default is made for a period of 14 days or more in the payment of any principal or interest due in respect of the Bonds or any of them; or
- (ii) if default is made by the Issuer in the performance or observance of any obligation, condition or provision binding upon it under the Bonds or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Bonds) and, except where such default is, in the opinion of the Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied; or
- (iii) if an order is made or an effective resolution is passed for the winding up of, or an administration order is made in relation to, the Issuer or the Principal Subsidiary (save, in the case of the Principal Subsidiary, (a) with the prior consent of the Trustee or the prior sanction of an Extraordinary Resolution for the purposes of or in connection with an amalgamation or reconstruction, or (b) a voluntary solvent winding-up where surplus assets are available for distribution); or
- (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
- (v) if an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the undertaking, property and assets of the Issuer or the Principal Subsidiary or if a distress or execution is levied or enforced upon or sued out against the whole or any substantial part of the chattels or property of the Issuer or the Principal Subsidiary and, in the case of any of the foregoing events, is not discharged within 60 days or such longer period as the Trustee may allow; or
- (vi) if the Issuer or the Principal Subsidiary is unable to pay its debts within the meaning of Section 123(2) of the Insolvency Act 1986; or

## Terms and Conditions of the 2029 Bonds

- (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.

-Indebtedness for moneys borrowed" means the principal amount of (a) all moneys borrowed and (b) all debentures (together in each case with any fixed or minimum premium payable on final redemption or repayment) which are not for the time being beneficially owned by the Issuer or any of its Subsidiaries.

### 9. ENFORCEMENT

The Trustee may at its discretion institute such proceedings as it may think fit to enforce the obligations of the Issuer under the Trust Deed, but it shall not be bound to institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding and (b) it shall have been indemnified to its satisfaction. No Bondholder or Couponholder shall be entitled to institute proceedings directly against the Issuer unless the Trustee having become bound so to proceed falls to do so within a reasonable time and such failure is continuing.

### 10. PRESCRIPTION

Bonds and Coupons (which for this purpose shall not include the Talon) will become void unless presented for payment within ten years and five years respectively from the Relevant Date (as defined in Condition 7) for payment thereof. There shall not be included in any Coupon sheet issued upon exchange of the Talon any Coupon which would be void upon issue pursuant to the provisions of this Condition or Condition 6.

### 11. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds for the time being outstanding so held or represented, except that at any meeting the business of which includes the modification of certain of these Terms and Conditions and the provisions of the Trust Deed, the quorum shall be two or more persons holding or representing not less than two-thirds, or at any such adjourned meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed contains provisions for an Extraordinary Resolution to take the form of an instrument or instruments signed by the holder or the holders of not less than three-quarters in principal amount of the Bonds for the time being outstanding.

The Trust Deed provides that the Trustee may agree, without the consent of the Bondholders or Couponholders, to any modification (subject to certain exceptions) of or to the waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any of the provisions of the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or to any modification which is of a formal, minor or technical nature or which is made to correct a manifest error. In addition, the Trustee may agree, without the consent of the Bondholders or Couponholders, on or after the Specified Date (as defined below) to such modifications to the Bonds, the Coupons and the Trust Deed in order to facilitate payment of interest in euro and redemption at the euro-equivalent of the sterling principal amount of the Bonds (at the rate prevailing on the date of redemption) and associated reconventioning, renominalisation and related matters as may be proposed by the Issuer (and confirmed by an independent financial institution approved by the Trustee to be in conformity with then applicable market conventions). For

## **Terms and Conditions of the 2029 Bonds**

these purposes, "Specified Date" means the date on which the United Kingdom participates in the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community or otherwise participates in European Economic and Monetary Union in a similar manner. The Trustee may also agree without consent as aforesaid <sup>(1)</sup>, subject to the Bonds and the Coupons being unconditionally and irrevocably guaranteed by the Issuer, to the substitution of a Subsidiary of the Issuer in place of the Issuer as principal debtor under the Trust Deed, the Bonds and the Coupons or <sup>(11)</sup> to the substitution of (a) a successor in business (as defined in the Trust Deed) to the Issuer (whether as Issuer or as guarantor pursuant to (i) above) in place of the Issuer or, where the Issuer is substituted pursuant to <sup>(1)</sup> above, a successor in business to any such substituted issuer in place of such substituted issuer or (b) a Subsidiary of the Issuer acceptable to the Trustee, as guarantor of the Bonds in place of the Issuer (where the Issuer has given a guarantee under <sup>(1)</sup> above), any such substitution as aforesaid being subject to the Trustee being satisfied that the interests of Bondholders will not be materially prejudiced thereby and to such other amendments to the Trust Deed and such other conditions as the Trustee may require, provided that in connection with any proposed substitution as aforesaid the Trustee shall not have regard to the tax consequences of such substitution for individual Bondholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Bondholders or Couponholders except to the extent already provided for in Condition 7 (as from time to time amended).

Any such modification, waiver, authorisation or substitution shall be binding on the Bondholders and Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 15.

### **12. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Bondholders or the Couponholders to create and issue further notes or bonds either ranking *pari passu* in all respects (or in all respects save for the amount of and/or the date of the first payment of interest thereon) and (in the case of bonds) so that the same shall be consolidated and form a single series with the Bonds or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may at the time of issue thereof determine. Any such notes or bonds, if they are to form a single series with the Bonds, shall be constituted by a deed supplemental to the Trust Deed and in any other case if the Trustee so agrees may be so constituted. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

### **13. REPLACEMENT OF BONDS AND COUPONS**

Should any Bond or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent, upon payment by the claimant of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses incurred in connection therewith (including the fees and expenses of the Principal Paying Agent and its designated agents) and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

### **14. INDEMNIFICATION**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce payment unless indemnified to its satisfaction.

### **15. NOTICES**

All notices regarding the Bonds shall be valid if published in the *Financial Times* or any other daily newspaper in London approved by the Trustee or, if this is not possible, in one other English language daily newspaper approved by the Trustee with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

### **16. GOVERNING LAW**

The Trust Deed, the Bonds and the Coupons are governed by, and shall be construed in accordance with, English law.



## **Use of Proceeds**

The aggregate net proceeds of the issue of the Bonds, which are expected to amount to approximately £496,135,000, will be used for the general corporate purposes of the Group.

## Summary of Provisions Relating to the Bonds while in Global Form

The Temporary Global Bond and the Global Bond in respect of each of the 2009 Bonds and the 2029 Bonds respectively contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Circular. The following is a summary of those provisions:

### 1. EXCHANGE

The Temporary Global Bond is exchangeable in whole or in part for interests in the Global Bond on or after a date which is expected to be 21 June 1999 upon certification as to non-US beneficial ownership in the form set out in the Temporary Global Bond. The Global Bond is exchangeable in whole but not in part (free of charge to the holder) for the definitive Bonds described below (i) if the Global Bond is held on behalf of Euroclear or Cedelbank or the Alternative Clearing System (as defined under "Notices" below) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so by such holder giving notice to the Principal Paying Agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Bonds as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 which would not be suffered were the Bonds in definitive form and a certificate to such effect signed by any Director of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Principal Paying Agent and the Bondholders of its intention to exchange the Global Bond for definitive Bonds on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date the holder of the Global Bond may surrender the Global Bond to or to the order of the Principal Paying Agent. In exchange for the Global Bond the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Bonds (having attached to them all Coupons in respect of interest which has not already been paid on the Global Bond), security printed in accordance with all applicable stock exchange requirements substantially in the form set out in Schedule 1 to the Trust Deed. On exchange of the Global Bond, the Issuer will procure that it is cancelled and returned to the holder together with any relevant definitive Bonds.

"Exchange Date" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, in the case of exchange pursuant to (ii) above, in the cities in which Euroclear or Cedelbank or, if relevant, the Alternative Clearing System are located.

### 2. PAYMENTS

No payment will be made on the Temporary Global Bond unless exchange for an interest in the Global Bond is improperly withheld or refused. Principal and interest in respect of the Global Bond will be paid to its holder against presentation and (if no further payment falls to be made on it) surrender of it to or to the order of the Principal Paying Agent in respect of the Bonds (or to or to the order of such other Paying Agent as will have been notified to the Bondholders for this purpose) which will endorse such payment or cause such payment to be endorsed in the appropriate Schedule to the Global Bond (such endorsement being prima facie evidence that the payment in question has been made). References in the Conditions to Coupons and Couponholders will be construed accordingly. No person will however be entitled to receive any payment on the Global Bond falling due after the Exchange Date, unless exchange of the Global Bond for definitive Bonds is improperly withheld or refused by or on behalf of the Issuer.

### 3. NOTICES

So long as the Global Bond is held on behalf of Euroclear or Cedelbank or such other clearing system as shall have been approved by the Trustee (the "Alternative Clearing System"), notices required to be given to Bondholders may be given by their being delivered to Euroclear and Cedelbank or, as the case may be, the Alternative Clearing System, rather than by publication as required by the Conditions.

### 4. PRESCRIPTION

Claims in respect of principal and interest in respect of the Global Bond will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7).

## **Summary of Provisions Relating to the Bonds while in Global Form**

### **5. MEETINGS**

The holder of the Global Bond will (unless the Global Bond represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each £1.00 principal amount of Bonds for which the Global Bond may be exchanged.

### **6. PURCHASE AND CANCELLATION**

Cancellation of any Bond represented by the Global Bond which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Global Bond on its presentation to or to the order of the Principal Paying Agent for notation in Schedule A to the Global Bond. Bonds may only be purchased by the Issuer or any of its Subsidiaries if they are purchased together with the right to receive interest thereon.

### **7. TRUSTEE'S POWERS**

In considering the interests of Bondholders in circumstances where the Global Bond is held on behalf of any one or more of Euroclear, Cedelbank and the Alternative Clearing System, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (i) have regard to such information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Global Bond and <sup>(11)</sup> consider such interests on the basis that such accountholders were the holder of the Global Bond.

### **8. REDEMPTION AT THE OPTION OF THE ISSUER**

The option of the Issuer provided for in Condition 5(b) or 5(c) will be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by Condition 5 except that the notice will not be required to contain the serial numbers of Bonds drawn for redemption in the case of a partial redemption of Bonds and accordingly no drawing of Bonds for redemption will be required.

## Capitalisation and Indebtedness of the Group

The authorised share capital of the Issuer is £120,000,000 divided into 2,400,000,000 Ordinary Shares of 5 pence each, of which 1,949,069,982 were allotted and fully paid at 6 May 1999, the latest practicable date before the publication of this document.

The following tables set out the statutory basis capital and reserves of the Group at 31 December 1998, as extracted from the published audited consolidated accounts of the Group, and the unaudited consolidated borrowings of the Group at 31 March 1999. Save as disclosed herein, there has been no material change in total unaudited consolidated borrowings since 31 March 1999 and borrowings have not been adjusted to reflect the issue of the Bonds.

<b>Capital and reserves at 31 December 1998</b>	<b>£ million</b>
Share capital	98
Share premium	221
Profit and loss account	<u>2,930</u>
Shareholders' funds - equity interests	<u>3,249</u>

<b>Borrowings at 31 March 1999 (all unsecured except where stated)</b>	<b>Note</b>	<b>Central borrowings (£ million)</b>	<b>Long-term business operations (£ million)</b>	<b>Investment subsidiaries (£ million)</b>	<b>Total million)</b>
Financing borrowings	1				
US\$300 million 8.25% Guaranteed Bonds 2001	2	186			186
US\$250 million 7.125% Bonds 2005	2	155			155
£150 million 9.375% Guaranteed Bonds 2007		150			150
£300 million 6.875% Bonds 2023		300			300
US\$250 million 8.15% Surplus Notes 2027	2		155		155
£100 million 8.5% undated subordinated Guaranteed Bonds	3		100		100
Commercial Paper 1999		611			611
Bank loans and overdrafts repayable on demand		60			60
Total financing borrowings		1,462	255	0	1,717
Operating borrowings	1				
Secured senior and subordinated debt issued by investment subsidiaries managed by Prudential Portfolio Managers	4			81	81
Bank loans and overdrafts payable on demand			2		2
Total operating borrowings		0	2	81	83
Total borrowings		1,462	257	81	1,800

### Notes:

- Financing borrowings are borrowings which the Group considers forms a part of either the parent company's or its subsidiary company's capital structure whilst operating borrowings are borrowings that arise from the normal course of business.
- References to "US\$" are to the currency of the United States of America. Borrowings denominated in US\$ have been translated at US\$1.6164 to £1, the exchange rate ruling at 31 March 1999.
- The interests of the holders of the £100 million 8.5% undated subordinated Guaranteed bonds, issued by Scottish Amicable Finance plc, are subordinate to the entitlements of the policyholders of the Scottish Amicable Insurance Fund.
- The senior debt issued by investment subsidiaries managed by Prudential Portfolio Managers is secured on the investments held by the relevant subsidiaries. The interests of the holders of the subordinated debt issued by these subsidiaries are subordinate to the entitlements of the holders of the senior debt. For both classes of debt the holders do not have recourse beyond the assets of these subsidiaries. In addition to the £81 million disclosed in the table above, the long-term business operations of the Group also have an interest in a similar entity to the investment subsidiaries which had £164 million of senior and subordinated debt outstanding at 31 March 1999.
- As part of their ordinary business activities, at 31 March 1999 Prudential Banking had £5.1 billion of customer deposits and £8 million of wholesale borrowings whilst Jackson National Life had £928 million of obligations under sale and repurchase agreements. As at 4 May 1999 Prudential Banking's customer deposits had increased to £6.3 billion and Jackson National Life Funding, LLC had issued £213 million of trust instruments secured by funding agreements issued by Jackson National Life.

## Capitalisation and Indebtedness of the Group

6. *Save as disclosed above and except for obligations under external finance leases of £17 million and intra group borrowings, no member of the Group had outstanding at 31 March 1999 any loan capital (whether outstanding or created but unissued), term loans or other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments.*
7. *The Group has contingent liabilities in respect of insurance and other agreements entered into in the normal course of business and in respect of litigation arising therefrom. The provision of £1.1 billion associated with the review of pension mis-selling in the United Kingdom has been met from the free assets of the long-term fund of The Prudential Assurance Company Limited. Given the strength of the long-term fund, the directors are of the opinion that charging the provision to the free assets of the fund will not have an adverse effect on the levels of bonus paid to policyholders or their reasonable expectations. In the unlikely event of this proving not to be the case, the directors' intention would be that an appropriate contribution to the long-term fund be made from shareholders' funds. In view of the uncertainty, it is not practicable to estimate the level of this potential contribution. Save as disclosed above, the Group had no material guarantees nor material contingent liabilities at 31 March 1999.*
8. *As at 6 May 1999 the Group had received acceptances for approximately £147 million of variable rate loan notes 2004 to be issued as Part of the acquisition consideration for M&G Group P.L.C.*

# Prudential Corporation plc

## Introduction

The Issuer is the parent company of the Prudential Group ("Prudential"). Prudential is one of Europe's largest financial services companies and it includes the UK's largest life insurer and one of the UK's largest fund managers. In addition to its UK operations Prudential has significant international presence through its activities in the United States and Asia.

Prudential serves approximately 11 million customers world-wide. It provides personal and group life products, investment products, annuities, pension schemes and external fund management services.

Prudential continues to pursue its strategy of concentrating on the provision of retail financial services and fund management in its chosen markets. Over the past few years this strategy has led to the acquisition of new businesses, the launch of new initiatives and the disposal of businesses which were either not core activities or which did not attain critical mass in their operations.

## Retail Financial Services

### United Kingdom

In the United Kingdom, Prudential's retail financial services business has expanded both its product range and its number of distribution channels by acquisition and through organic initiatives. The acquisition of Scottish Amicable in 1997 increased the Group's life and pensions product range and increased distribution capability through Independent Financial Advisers. The launch of Prudential Banking in 1996 and Egg in 1998 added deposits, mortgages and personal loans to the product range and significantly enhanced distribution capability through both the telephone and over the internet.

In 1998 total revenue premiums from long-term insurance business in the United Kingdom rose by almost 20 per cent. to £7,550 million whilst premiums from home and motor business totalled £310 million. At the end of 1998, banking business liabilities totalled £2,271 million.

### United States of America

Prudential's life insurance subsidiary in the USA, Jackson National Life ("Jackson") was acquired by Prudential in 1986. It is among the top 20 American-based life insurance companies in terms of asset size, with US\$35 billion of funds under management at the end of 1998.

Diversification has been central to Jackson's strategy over the last few years and in 1998 some three quarters of single premium sales were generated by products not in existence four years ago. Whilst still a market leader in its traditional area of fixed annuities it now has significant presence in variable annuities, guaranteed investment contracts, funding agreements and index annuities.

Jackson attained record operating profit US\$679 million and near record sales of US\$4.7 billion in 1998.

### Asia

Prudential Corporation Asia has operations in Hong Kong, Singapore, Malaysia, Thailand, Indonesia, Philippines and India. It also has representative offices in five cities in China (where it has recently been invited to apply for a life assurance licence) and Hanoi and Ho Chi Minh City in Vietnam. Prudential continues to be the largest UK life insurer in the region and its total sales in 1998 were £532 million.

### PPM

Prudential Portfolio Managers ("PPM") manages funds worldwide for Prudential. It has operations based in four regional centres, seven investment offices worldwide and is one of the UK's largest investment managers with a total of £128 billion of funds under management at the end of 1998. PPM controls 4 per cent. of UK equities and is the UK's largest property investment manager.

### Acquisition of M&G Group P.L.C. ("M&G")

On 11 March 1999 Prudential announced the terms of a recommended cash offer for M&G which became wholly unconditional on 28 April 1998. The offer comprised £25 in cash for each M&G share, with a loan note alternative, and valued the share capital of M&G at approximately £1.9 billion.

## **Prudential Corporation plc**

M&G is one of the strongest UK fund management brand names and, being a leading force in unit trusts and Personal Equity Plans, is expected significantly to enhance Prudential's retail fund management capabilities. It is intended that M&G will operate as a separate business unit alongside PPM and will continue to operate under its existing name, building on the strength of its brand, its large existing customer base and its established franchise. For the year ended 30 September 1998, M&G reported total revenue of £164 million, profit before tax of £76 million and total equity shareholders' funds of £324 million.

### **Directors**

The directors of the Issuer, each of whose address is Laurence Pountney Hill, London EC4R 0EU their functions within the Issuer and their principal outside activities of significance are as follows:

#### **Executive Directors**

Sir Peter Davis

Group Chief Executive, Director of Boots plc.  
Chairman of New Deal Task Force and Business in  
the Community.

Keith Bedell-Pearce

Director, International Development.

Jonathan Bloomer FCA

Group Finance Director. Director of Railtrack  
Group plc. Member of the Urgent Issues Task  
Force Committee of the Accounting Standards  
Board.

Derek Higgs

Chairman of Prudential Portfolio Managers.

#### **Non-Executive Directors**

Sir Martin Jacomb

Chairman. Chairman of Delta plc. Director of Rio  
Tinto plc and Marks & Spencer plc.

Michael Abrahams CBE, DL

Deputy Chairman. Chairman of Prudential Staff  
Pensions, Kingston Communications (Hull) plc,  
Minorplanet Systems and the London Clinic.  
Director of John Waddington and Drummonds.  
Deputy Chairman of the Council of the Prince of  
Wales's Institute of Architecture.

Sir David Barnes CBE

Chief Executive of Zeneca plc.

Ann Burdus

Director of Safeway and Next. Committee member  
of the Automobile Association and the Council of  
the Institute of Directors.

Bridget Macaskill

President and Chief Executive Officer of  
OppenheimerFunds Inc.

Sandy Stewart

Chairman of Murray Extra Return Investment  
Trust plc.

## United Kingdom Taxation

The comments below are of a general nature, are based on the Issuer's understanding of current United Kingdom taxation law and Inland Revenue practice, are subject to changes therein and are not intended to be exhaustive. They relate only to the position of persons who are the absolute beneficial owners of their Bonds and Coupons and may not apply to certain classes of persons such as dealers. Any Bondholders or Couponholders who are in doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

### 1. INTEREST ON THE BONDS

While the Bonds continue to be in bearer form and listed on a recognised stock exchange within the meaning of Section 841 Income and Corporation Taxes Act 1988 ("ICTA"), the Bonds will constitute "quoted Eurobonds" within the meaning of Section 124 ICTA. Accordingly, payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax where they are:

- (a) made by or through a person outside the United Kingdom; or
- (b) made by or through a person who is in the United Kingdom and:
  - (i) the beneficial owner of the Bonds and the related Coupons is not resident in the United Kingdom; or
  - (ii) the Bonds and related Coupons are held in a "recognised clearing system" within the meaning of Section 841A ICTA (Euroclear and Cedelbank have each been designated as a recognised clearing system for this purpose),

and a declaration to that effect in the form required by law has been given to the person by or through whom the payment is made, or the Inland Revenue has issued a notice to that effect to the person by or through whom the payment is made. The exemption will then be available unless the Inland Revenue has issued a direction that it considers that neither of the conditions in (i) or (ii) is satisfied.

In all other cases, payments of interest will be made under deduction of United Kingdom income tax at the lower rate (currently 20 per cent) subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Where a person in the United Kingdom in the course of a trade or profession acts as a collecting agent, ie either:

- (a) acts as custodian of the Bonds and receives interest on the Bonds, or directs that interest on the Bonds be paid to another person, or consents to such payment; or
- (b) collects, receives or secures, or arranges to collect or secure payment of interest on the Bonds for another person except by means of clearing a cheque or arranging for the clearing of a cheque,

the collecting agent will be required to account for and will be entitled to withhold United Kingdom income tax at the lower rate (currently 20 per cent) unless, *inter alia*:

- (i) the relevant Bonds are held in a recognised clearing system for which the collecting agent is acting as depository; or
- (ii) the relevant Bonds are held in a recognised clearing system and the collecting agent pays or accounts for the interest directly or indirectly to the recognised clearing system; or
- (iii) the person beneficially entitled to the interest and the related Bonds is not resident in the United Kingdom; or
- (iv) the interest arises to trustees not resident in the United Kingdom of certain discretionary or accumulation trusts (where, *inter alia*, none of the beneficiaries of the trust is resident in the United Kingdom); or



## United Kingdom Taxation

- (v) the person beneficially entitled to the interest is eligible under specified provisions for relief from United Kingdom tax in respect of the interest (for example, charities or pension funds); or
- (vi) the interest falls to be treated as the income of, or of the government of, a sovereign power or of an international organisation.

For exceptions (ii) to (vi) to be available, a declaration in a specified form has to be provided (or a notice issued by the Inland Revenue) in all cases. The collecting agent is required to account for, and will be entitled to withhold, United Kingdom income tax at the lower rate, if the Inland Revenue issues a direction to that effect, having reason to believe that no exception applies or that the depositary or collecting agent has failed to comply with certain requirements.

The interest on the Bonds will have a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment. Bondholders may be liable to pay further United Kingdom tax on the interest received or be entitled to a refund of all or part of the tax deducted at source, depending on their individual circumstances. Where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of a Bondholder who is not resident for tax purposes in the United Kingdom throughout the relevant year, except where such person carries on a trade, profession or vocation in the United Kingdom through a branch or agency in connection with which the interest is received or to which the Bonds are attributable, in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the United Kingdom branch or agency.

Where interest has been received under deduction of United Kingdom income tax, a Bondholder who is not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Holders of Bonds should note that the provisions relating to additional amounts referred to in "Terms and Conditions of the 2009 Bonds - Taxation" and "Terms and Conditions of the 2029 Bonds - Taxation" above would not apply if the Inland Revenue sought to assess directly the person entitled to the relevant interest to United Kingdom tax on income. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

## 2. RETURNS ON THE BONDS

The Bonds are "qualifying corporate bonds" within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992 with the result that on a disposal (which includes a redemption or exchange) of the Bonds by a Bondholder, neither chargeable gains nor allowable losses will generally arise for the purposes of taxation of chargeable gains.

Bondholders within the charge to United Kingdom corporation tax will be subject to tax as income in each accounting period by reference to interest and all profits and gains arising from, and from fluctuations in the value of, the Bonds (whether of an income or capital nature) which in accordance with an authorised accruals or mark to market basis of accounting is applicable to that period.

Subject to the following paragraph, a transfer of a Bond by certain Bondholders which are not within the charge to United Kingdom corporation tax may, under current law, give rise to a charge to United Kingdom income tax (under the accrued income scheme) in respect of interest accrued since the preceding interest payment date if the transferor is resident or ordinarily resident in the United Kingdom or if he carried on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable.

*Bondholders who are individuals or are otherwise not within the charge to United Kingdom corporation tax in respect of the Bonds should note that the Finance Bill currently before Parliament contains proposed amendments to the law which, if enacted in their current form, would result in the Bonds being "relevant discounted securities" within the meaning of Schedule 13 of the Finance Act 1996. As a result, Bondholders subject to United Kingdom income tax may be liable to income tax on any profit (including in respect of accrued interest), and may be able to obtain relief against income tax for any loss, realised on disposal (including on sale or redemption) of the Bonds. As relevant discounted securities, the United Kingdom income tax rules known as the accrued income scheme would not apply to the Bonds.*

## **United Kingdom Taxation**

### **3. PROPOSED EU WITHHOLDING TAX DIRECTIVE**

In May 1998, the European Commission presented to the Council of Ministers of the European Union a proposal to oblige Member States to adopt either a "withholding tax system" or an "information reporting system" in relation to interest, discounts and premiums. It is unclear whether this proposal will be adopted, and if it is adopted, whether it will be adopted in its current form. The "withholding tax system" would require a paying agent established in a Member State to withhold tax at a minimum rate of 20 per cent from any interest, discount or premium paid to an individual resident in another Member State unless such an individual presents a certificate obtained from the tax authorities of the Member State in which he is resident confirming that those authorities are aware of the payment due to that individual. The "information reporting system" would require a Member State to supply, to other Member States, details of any payment of interest, discount or premium made by paying agents within its jurisdiction to an individual resident in another Member State. For these purposes, the term "paying agent" is widely defined and includes an agent who collects interest, discounts or premiums on behalf of an individual beneficially entitled thereto. If this proposal is adopted, it will not apply to payments of interest, discount and premiums made before 1 January 2001.

Bondholders who are individuals should note that, if this proposal is adopted in its current form, the provisions relating to additional amounts, referred to in Condition 7 of the Terms and Conditions of the 2009 Bonds and those of the 2029 Bonds above, would not apply in respect of any withholding tax imposed as a result thereof.

### **4. STAMP DUTY AND STAMP DUTY RESERVE TAX**

No United Kingdom stamp duty or stamp duty reserve tax will be payable on the issue of a Bond or on its transfer by delivery.

## Subscription and Sale

Pursuant to a Subscription Agreement dated 10 May 1999, UBS AG, acting through its division Warburg Dillon Read, Barclays Bank PLC, Cazenove & Co., Greenwich NatWest Limited (as agent for National Westminster Bank PLC), Midland Bank plc and J.P. Morgan Securities Ltd. (the "Managers") have jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the 2009 Bonds at the issue price of 99.455 per cent and the 2029 Bonds at the issue price of 99.974 per cent, in each case of their principal amount plus accrued interest, if any. The Issuer will pay to the Managers a combined management and underwriting commission and selling commission of 0.35 per cent, in respect of the 2009 Bonds and 0.625 per cent in respect of the 2029 Bonds, in each case of the principal amount of the Bonds. The Issuer has agreed to pay certain of the expenses of the Managers in connection with the issue of the Bonds. The Managers are entitled to terminate and to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment to the Issuer.

The Bonds have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bonds are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement), within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Each Manager has represented and agreed that (1) it has not offered or sold and will not offer or sell any Bonds to persons in the United Kingdom prior to admission of the Bonds to listing in accordance with Part IV of the Financial Services Act 1986 (the "Act") except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the Act, (2) it has complied and will comply with all applicable provisions of the Act with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom, and (3) it has only issued or passed on and will only issue or pass on to any person in the United Kingdom any document received by it in connection with the issue of the Bonds, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Act, if that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

Save for having obtained approval of this document by the London Stock Exchange pursuant to listing rules made under Part IV of the Act and for having delivered copies thereof to the Registrar of Companies in England and Wales, no action has been or will be taken by the Issuer or the Managers that would permit a public offering of the Bonds or possession or distribution of this document or other offering material relating to the Bonds in any jurisdiction where, or in any circumstances in which, action for these purposes is required. This document does not constitute an offer and may not be used for the purposes of any offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

**Subscription and Sale**

Neither the Issuer nor any of the Managers represent that the Bonds may at any time lawfully be sold in or from any jurisdiction (other than in or from Great Britain) in compliance with any applicable registration requirements or pursuant to an exemption available thereunder or assumes any responsibility for facilitating such sales.

## General Information

1. The listing of the Bonds on the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that listing of the Bonds on the London Stock Exchange will be granted on or before 11 May 1999 subject only to the issue of the relevant Temporary Global Bond. Prior to official listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the date of the transaction.
2. Neither the Issuer nor any of its subsidiaries is or has been engaged in legal or arbitration proceedings which may have or have had during the previous twelve months a significant effect on the Group's financial position, nor, so far as the Issuer is aware, are any such legal or arbitration proceedings threatened or pending.
3. Save as disclosed herein, since 31 December 1998, the date to which the latest published audited consolidated accounts of the Group were made up, there has been no significant change in the financial or trading position of the Group, taken as a whole, nor has there been any material adverse change in the prospects or financial position of the Group taken as a whole.
4. PricewaterhouseCoopers, Chartered Accountants, of Southwark Towers, 32 London Bridge Street, London SE1 9SY, have audited the Issuer's statutory and achieved profits basis results for each of the three financial years ended 31 December 1998.
5. Copies of the following documents will be available for inspection during business hours on any weekday (Saturdays and public holidays excepted) at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB up to and including 24 May 1999:
  - (i) the Memorandum and Articles of Association of the Issuer;
  - (ii) the published audited consolidated accounts of the Issuer for the two years ended 31 December 1998;
  - (iii) the Subscription Agreement; and
  - (iv) drafts, subject to modification, of the Trust Deed (including the forms of the Temporary Global Bond, the definitive Bonds, the Coupons and the Talons) and of the Agency Agreement.
6. Copies of the published audited consolidated accounts of the Issuer in respect of each financial year subsequent to 31 December 1998 will, so long as any Bond is outstanding, be available to Bondholders at the specified office of each Paying Agent for the time being.
7. The Bonds have been accepted for clearance through Euroclear and Cedel. The ISIN for the 2009 Bonds is XS0096874598 and the Common Code is 9687459. The ISIN for the 2029 Bonds is XS0096874671 and the Common Code is 9687467.

**REGISTERED OFFICE OF THE ISSUER**

Laurence Pountney Hill  
London EC4R 0EU

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