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## Prudential plc

(incorporated with limited liability in England and Wales  
under the Companies Act 1985 with registered number 1397169)  
as Issuer and Guarantor

and

## Prudential Finance (UK) plc

(incorporated with limited liability in England and Wales  
under the Companies Act 1985 with registered number 2313262)  
as Issuer

£5,000,000,000

### Medium Term Note Programme

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Applications have been made to the Financial Services Authority in its capacity as UK Listing Authority (the "UK Listing Authority") for notes (the "Notes") issued under the programme (the "Programme") described in this Information Memorandum during the period of twelve months after the date of this Information Memorandum to be admitted to the official list maintained by the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. This Information Memorandum comprises listing particulars (the "Listing Particulars") approved by the UK Listing Authority issued in compliance with the listing rules made under Section 142 of the Financial Services Act 1986 (the "FSA") for the purpose of giving information with regard to issues of Notes during the period of twelve months after the date of this Information Memorandum. Copies of the Listing Particulars have been delivered for registration to the Registrar of Companies in England and Wales in accordance with Section 149 of the FSA. Notes may also be issued which are not listed on any stock exchange.

Notes may be issued by either Prudential plc or Prudential Finance (UK) plc. Notes issued by Prudential Finance (UK) plc will be guaranteed by Prudential plc.

Application may also be made to have certain series of Notes accepted for trading in the Private Offerings, Resales and Trading through Automated Linkages System ("PORTAL") of the National Association of Securities Dealers, Inc.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. Notes issued by Prudential Finance (UK) plc will not be offered or sold in the United States or to or for the account or benefit of U.S. persons as defined for the purposes of Regulations under the Securities Act. See "Provisions relating to the Notes while in global form" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale".

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Arranger for the Programme

**Barclays Capital**

Dealers

Barclays Capital  
Goldman Sachs International

Deutsche Bank  
Schroder Salomon Smith Barney

UBS Warburg

22nd November, 2001

Each of Prudential plc ("Prudential") and Prudential Finance (UK) plc ("Prudential Finance" and, together with Prudential, the "Obligors" and each an "Obligor") accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of the Obligors, each having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Copies of each Pricing Supplement (in the case of Notes to be admitted to the Official List) will be available from FT Business Research Centre, operated by FT Electronic Publishing at Fitzroy House, 13-15 Epworth Street, London EC2A 4DL, and from the specified office set out below of each of the Paying Agents (as defined below). Any reference in this Information Memorandum to Listing Particulars means this Information Memorandum excluding all information incorporated by reference. The Obligors confirm that any information incorporated by reference, including any such information to which readers of this Information Memorandum are expressly referred, has not been and does not need to be included in the Listing Particulars to satisfy the requirements of the FSA or the listing rules of the UK Listing Authority. The Obligors believe that none of the information incorporated in this Information Memorandum by reference conflicts in any material respect with the information included in the Listing Particulars.

This Information Memorandum should be read and construed with any amendment or supplement hereto and with any other documents incorporated herein by reference (see "Documents Incorporated by Reference" below) (provided, however, that such incorporated documents do not form part of the Listing Particulars). This Information Memorandum shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Information Memorandum but not part of the Listing Particulars. Further, in relation to any Series (as defined herein) of Notes, this Information Memorandum should be read and construed together with the relevant Pricing Supplement(s) (as defined herein).

The Obligors have confirmed to the dealers (the "Dealers") named under "Subscription and Sale" below, in the context of the Programme and the issue of any Notes, that, having regard to the matters set out in section 146(3) of the FSA (which shall be deemed to be included in this paragraph as if set out herein), this Information Memorandum contains all such information as investors and their professional advisers would reasonably require, and reasonably expect to find here, for the purpose of making an informed assessment of (a) the assets and liabilities, financial position, profits and losses and prospects of the Issuer and, where the Issuer is Prudential Finance, Prudential and (b) the rights attaching to the relevant Notes, that this Information Memorandum is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions and that there are no other facts in relation thereto the omission of which would, in the context of the Programme or the issue of the relevant Notes, make any statement in this Information Memorandum or the opinions or intentions expressed herein misleading in any material respect, and all reasonable enquiries have been made to verify the foregoing;

No person has been authorised by either Obligor, any Dealer or The Law Debenture Trust Corporation p.l.c. (the "Trustee") to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other document entered into in relation to the Programme or any information supplied by either Obligor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by either Obligor, any Dealer or the Trustee.

No representation or warranty is made or implied by the Dealers or the Trustee or any of their respective affiliates, and neither the Dealers nor the Trustee nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Information Memorandum. Neither the delivery of this Information Memorandum or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Information Memorandum is accurate subsequent to the date hereof or that there has been no adverse change in the financial situation of either Obligor since the date hereof or, if later, the date upon which this Information Memorandum has been most recently amended or supplemented

or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

The distribution of this Information Memorandum and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum or any Pricing Supplement comes are required by the Obligors, the Dealers and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Information Memorandum or any Pricing Supplement and other offering material relating to the Notes, see "Subscription and Sale". In particular, Notes have not been and will not be registered under the Securities Act and may include Notes in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. In addition, neither Obligor has authorised any offer of Notes to the public in the United Kingdom within the meaning of the FSA or the Public Offers of Securities Regulations 1995 as amended (the "Regulations"). Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

Neither this Information Memorandum nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by either Obligor, the Dealers, the Trustee or any of them that any recipient of this Information Memorandum or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Information Memorandum or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the relevant Issuer, and, where the relevant Issuer is Prudential Finance, Prudential.

#### U.S. INFORMATION

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS INFORMATION MEMORANDUM OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS INFORMATION MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

This Information Memorandum is being submitted on a confidential basis in the United States to a limited number of QIBs (as defined herein) for informational use solely in connection with the consideration of the purchase of the Notes of Prudential being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Notes issued by Prudential Finance (UK) plc are not being offered hereby in the United States or to or for the account or benefit of U.S. persons (as defined for purposes of Regulation S under the Securities Act).

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("Rule 144A").

Each purchaser or holder of Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together "Legended Notes") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "Subscription and Sale". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "Provisions relating to the Notes while in global form".

#### NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

#### AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, each Obligor has undertaken in the Trust Deed dated 22nd November, 2001 (the "Trust Deed") between the Obligors and the Trustee, to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the relevant Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

#### SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Each Obligor is a company organised under the laws of England and Wales. All of the officers and directors thereof named herein reside outside the United States and all or a substantial portion of the assets of each Obligor and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside England and Wales upon such Obligor or such persons, or to enforce judgments against them obtained in courts outside England and Wales predicated upon civil liabilities of such Obligor or such directors and officers under laws other than England and Wales, including any judgment predicated upon United States federal securities laws. Each Obligor acknowledges that there is doubt as to the enforceability in England and Wales in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

All references in this document to "U.S.\$" and "\$" are to United States dollars, those to "Sterling" and "£" are to pounds sterling and those to "euro", "Euro" and "EUR" are to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities, as amended.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (1) the most recently published audited consolidated annual financial statements and audited non-consolidated annual financial statements of Prudential and Prudential Finance and, if published later, any unaudited consolidated interim semi-annual financial statements and unaudited non-consolidated interim semi-annual financial statements of Prudential;
- (2) all amendments and supplements to this Information Memorandum prepared by either or both Obligors from time to time,

save that (i) any statement contained in this Information Memorandum or in any of the documents incorporated by reference in, and forming part of, this Information Memorandum shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement provided that any modifying or superseding statement does not form part of the Listing Particulars and (ii) any documents incorporated by reference do not form part of the Listing Particulars. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE (AS DEFINED HEREIN) OF NOTES LAUNCHED ON OR PRIOR TO 30th NOVEMBER, 2001, THE DEALER (IF ANY) WHO IS SPECIFIED IN THE RELEVANT PRICING SUPPLEMENT AS THE STABILISING MANAGER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE INSTRUMENTS OF THE SERIES OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

IN CONNECTION WITH THE ISSUE AND DISTRIBUTION OF ANY TRANCHE OF NOTES LAUNCHED AFTER 30th NOVEMBER, 2001, THE DEALER (IF ANY) DISCLOSED AS THE STABILISING MANAGER IN THE APPLICABLE PRICING SUPPLEMENT OR ANY PERSON ACTING FOR HIM MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF THE SERIES OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE OF SUCH TRANCHE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILISING MANAGER OR ANY AGENT OF HIS TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

## SUMMARY OF THE PROGRAMME

*The following is a brief summary only and should be read in conjunction with the rest of this Information Memorandum and, in relation to any Notes, in conjunction with the relevant Pricing Supplement and, to the extent applicable, the Terms and Conditions of the Senior and Subordinated Notes set out herein.*

<b>Issuers</b> . . . . .	Prudential and Prudential Finance
<b>Guarantor</b> . . . . .	Prudential
<b>Arranger</b> . . . . .	Barclays Bank PLC
<b>Dealers</b> . . . . .	Barclays Bank PLC Deutsche Bank AG London Goldman Sachs International Salomon Brothers International Limited* UBS AG, acting through its business group UBS Warburg ("UBS Warburg")  and any other dealer appointed from time to time in accordance with the Dealership Agreement (as defined under "Subscription and Sale").
<b>Trustee</b> . . . . .	The Law Debenture Trust Corporation p.l.c.
<b>Issue and Paying Agent and Exchange Agent</b> . . . . .	Citibank, N.A., London Office
<b>Registrar</b> . . . . .	Citibank, N.A. London Office
<b>London Listing Agent</b> . . . . .	Barclays Bank PLC
<b>Initial Programme Amount</b> . . . . .	£5,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into Sterling at the date of the agreement to issue such Notes using the spot rate of exchange for the purchase of such currency against payment of Sterling being quoted by the Issue and Paying Agent on the date on which the relevant agreement in respect of the relevant Tranche was made or such other rate as the relevant Issuer and the relevant Dealer may agree) in aggregate nominal amount of Notes outstanding at any one time. The maximum aggregate nominal amount of Notes which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement.
<b>Issuance in Series</b> . . . . .	Notes will be issued in series (each, a "Series"). Each Series may comprise one or more tranches ("Tranches" and each, a "Tranche") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date, the interest commencement date and/or the issue price may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.  Notes may be issued on a syndicated or non-syndicated basis.
<b>Form of Notes</b> . . . . .	Notes may be issued in bearer form or, in the case of Notes issued by Prudential, in registered form. Notes in bearer form will not be exchangeable for Notes in registered form or vice versa.

\* Schroder is a trademark of Schroders Holdings plc and is used under licence by Salomon Brothers International Limited.

In respect of each Tranche of Notes issued in bearer form, the relevant Issuer will deliver either a temporary global Note (a "Temporary Global Note") or, if so specified in the relevant Pricing Supplement, a permanent global Note (a "Permanent Global Note" and, together with a Temporary Global Note, the "Bearer Global Notes").

Each Bearer Global Note will be deposited on or before the relevant issue date therefor with a depository or a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Notes in definitive bearer form ("Definitive Bearer Notes") upon certification as to non-U.S. beneficial ownership as required by United States Treasury regulations. Each Permanent Global Note will be exchangeable for Definitive Bearer Notes in accordance with its terms. (See further under "Provisions relating to the Notes while in global form"). Definitive Bearer Notes will, if interest-bearing, have interest coupons ("Coupons") attached and, if appropriate, a talon ("Talon") for further Coupons and will, if the principal thereof is repayable by instalments, have payment receipts ("Receipts") attached.

Each Tranche of Notes in registered form offered and sold in reliance on Regulation S under the Securities Act ("Regulation S"), which will be sold to non-U.S. persons outside the United States, will be represented by a global Note in registered form (a "Regulation S Global Note") which will be deposited with a custodian for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg.

Each Tranche of Notes in registered form offered and sold to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("QIBs") will be represented by a global Note in registered form (a "Rule 144A Global Note" and, together with a Regulation S Global Note, the "Registered Global Notes") which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC").

Each Registered Global Note will only be exchangeable for Notes in definitive registered form ("Definitive Registered Notes") in accordance with its terms. (See further under "Provisions relating to the Notes while in global form" below.)

**Currencies** . . . . . Notes may be denominated in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

**Status of the Notes** . . . . . Under the Programme, Prudential Finance may issue unsubordinated Notes ("Senior Notes") in bearer form only and Prudential may issue either Senior Notes, dated subordinated Notes ("Dated Subordinated Notes") or undated subordinated



Notes ("Undated Subordinated Notes and, together with Dated Subordinated Notes, "Subordinated Notes") in either bearer or registered form as specified in the relevant Pricing Supplement.

Senior Notes will constitute direct and (subject to the provisions of the negative pledge in Condition 4) unsecured obligations of the relevant Issuer, as all more particularly described in "Terms and Conditions of Senior and Subordinated Notes, Condition 3".

Dated Subordinated Notes will constitute direct, unsecured and subordinated obligations of Prudential and the rights of the holders thereof against Prudential will, in the event of the winding-up of Prudential, be subordinated to the claims of all unsubordinated creditors of Prudential and will rank at least *pari passu* with all other Subordinated Indebtedness (as defined in Condition 3) of Prudential and payments of principal and interest by Prudential will, on the winding up of Prudential, be conditional on Prudential being solvent, all as more particularly described in "Terms and Conditions of Senior and Subordinated Notes, Condition 3".

Undated Subordinated Notes will constitute direct, unsecured and subordinated obligations of Prudential and the obligations of Prudential in respect of Undated Subordinated Notes will be subordinated to the claims of all Creditors (as defined in Condition 3) and payments of principal and interest by Prudential will, on the winding up of Prudential, be conditional on Prudential being solvent, all as more particularly described in "Terms and Conditions of Senior and Subordinated Notes, Condition 3".

**Guarantee** . . . . . Senior Notes issued by Prudential Finance will be guaranteed by Prudential on an unsubordinated basis in accordance with the Trust Deed (the "Guarantee"). The obligations of Prudential under the Guarantee will be direct and (subject to the provisions of the negative pledge in Condition 4) unsecured obligations of Prudential, all as more particularly described in "Terms and Conditions of Senior and Subordinated Notes, Condition 3".

**Issue Price** . . . . . Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Pricing Supplement.

**Maturities** . . . . . Any maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements, except for Undated Subordinated Notes which will not have a stated maturity.

**Redemption** . . . . . Senior Notes may be redeemable at par or at such other amount (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement.

Dated Subordinated Notes will be redeemed at such amount (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement provided that the prior approval of the FSA is obtained. In the event that the prior approval of the FSA is not obtained, the Maturity Date (as defined in the applicable Pricing Supplement) of the Notes will be deferred as further described in "Terms and Conditions of Senior and Subordinated Notes, Condition 7.2".

	Undated Subordinated Notes have no final Maturity Date and are redeemable or repayable in accordance with the provisions of Condition 7 and Condition 10.3.
<b>Early Redemption</b> . . . . .	Early redemption of Senior Notes and Subordinated Notes will be permitted for taxation reasons as described in "Terms and Conditions of Senior and Subordinated Notes, Condition 7.4", but will otherwise be permitted only to the extent specified in the relevant Pricing Supplement and subject to all relevant legal and regulatory requirements.
<b>Interest</b> . . . . .	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.
<b>Denominations</b> . . . . .	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
<b>Taxation</b> . . . . .	Payments in respect of Notes will be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United Kingdom or any political sub-division of or any authority of, or in, the United Kingdom having power to tax, unless the withholding or deduction of such taxes or duties is required by law. In that event, such additional amounts will be paid as will result in the holders of Notes or Coupons receiving such amounts as they would have received in respect of such Notes or Coupons had no such withholding or deduction been required, subject to the exceptions set out in "Terms and Conditions of Senior and Subordinated Notes, Condition 8".
<b>Governing Law</b> . . . . .	The Notes will be governed by, and construed in accordance with, English law.
<b>Listing</b> . . . . .	Applications have been made to admit Notes to be issued under the Programme to the Official List and to admit them to trading on the London Stock Exchange's market for listed securities. Notes may also be listed, traded and/or quoted on such other or further listing authority or authorities, stock exchange or exchanges and/or quotation system or systems as may be agreed between the relevant Issuer and the relevant Dealer and specified in the relevant Pricing Supplement or may be unlisted.
<b>Terms and Conditions</b> . . . . .	A Pricing Supplement will be prepared in respect of each Tranche of Notes a copy of which will, in the case of Notes to be admitted to the Official List and admitted to trading on the London Stock Exchange's market for listed securities, be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of such Notes. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of Senior and Subordinated Notes" as supplemented, modified or replaced by the relevant Pricing Supplement.
<b>Clearing Systems</b> . . . . .	Euroclear, Clearstream, Luxembourg, DTC (in relation to Notes issued by Prudential) and/or, in relation to any Notes, such other clearing system as may be specified in the relevant Pricing Supplement or as may otherwise be approved by the relevant Issuer, the Issue and Paying Agent and the Trustee.

**Selling Restrictions** . . . . . For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, Japan, France, Germany and Switzerland and elsewhere – see under “Subscription and Sale”.

**Negative Pledge** . . . . . Senior Notes will have the benefit of a negative pledge as described in Condition 4.

**Cross Acceleration** . . . . . Senior Notes will have the benefit of a cross acceleration provision as described in Condition 10.

## TERMS AND CONDITIONS OF SENIOR AND SUBORDINATED NOTES

*The following are the Terms and Conditions of Senior and Subordinated Notes which, as supplemented, modified and/or replaced in relation to any Notes by the relevant Pricing Supplement, will be applicable to each Tranche of Senior Notes or Subordinated Notes. Certain provisions relating to such Notes while in global form, and certain modifications of these Terms and Conditions applicable to such Notes while in global form, are described in the section entitled "Provisions relating to the Notes while in global form".*

This Note is issued by whichever of Prudential plc ("Prudential") or Prudential Finance (UK) plc ("Prudential Finance") is specified as the "Issuer" in the Pricing Supplement (as defined below) and references to "Issuer" shall be construed accordingly. This Note is one of a Series (as defined below) of Notes constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated 22nd November, 2001 and made between Prudential, Prudential Finance and The Law Debenture Trust Corporation p.l.c. as trustee (the "Trustee", which expression shall include any successor trustee) for the Holders (as defined below) of such Notes. References herein to the "Notes" shall be references to the Notes of this Series. As used herein, "Tranche" means Notes which are identical in all respects (including as to listing) and "Series" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 22nd November, 2001 and made between Prudential, Prudential Finance, Citibank, N.A., London Office as issuing and principal paying agent and agent bank (the "Issue and Paying Agent", which expression shall include any successor agent), Citibank, N.A., London Office as registrar in respect of Notes in registered form and as paying agent (the "Registrar", which expression shall include any successor registrar), Citibank, N.A., London Office as Exchange Agent (the "Exchange Agent", which expression shall include any successor exchange agent) (together with the Issue and Paying Agent, the Exchange Agent and the Registrar, unless the context otherwise requires, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

Notes issued by Prudential Finance are unconditionally and irrevocably guaranteed by Prudential pursuant to the terms of the guarantee (the "Guarantee") set out in the Trust Deed.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions (these "Conditions") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the "Pricing Supplement" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal London office for the time being of the Trustee (being at 22nd November, 2001 at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of each of the Paying Agents. Copies of the Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the Pricing Supplement will only be obtainable by a Holder holding one or more unlisted Notes of that Series and such Holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Holders are deemed to have notice of, are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the Pricing Supplement, the Pricing Supplement will prevail.

## 1. FORM AND DENOMINATION

### 1.1 *Form*

Notes are issued in bearer form ("Bearer Notes") and/or, in the case of Notes issued by Prudential, in registered form ("Registered Notes"), as specified in the Pricing Supplement, serially numbered and in the Specified Currency and the Specified Denomination(s). Registered Notes are not exchangeable for Bearer Notes or *vice versa*. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

### 1.2 *Coupons and Talons*

Interest-bearing definitive Bearer Notes (unless otherwise indicated in the Pricing Supplement) have attached thereto, at the time of their initial delivery, coupons ("Coupons"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, if so specified in the Pricing Supplement, such Notes have attached thereto, at the time of their initial delivery, a talon ("Talon") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons. If this Note is a Zero Coupon Note, references to Coupons and Couponholders in these Conditions are not applicable.

### 1.3 *Interest Basis*

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the Pricing Supplement.

### 1.4 *Redemption/Payment Basis*

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the Pricing Supplement.

### 1.5 *Instalment Notes*

Definitive Bearer Notes, the principal amount of which is repayable by instalments ("Instalment Notes") have attached thereto, at the time of their initial delivery, payment receipts ("Receipts") in respect of the instalments of principal (other than the final instalment).

### 1.6 *Denomination of Bearer Notes*

Bearer Notes are in the Specified Denomination or Denominations specified in the Pricing Supplement. Bearer Notes of one denomination may not be exchanged for Bearer Notes of any other denomination.

### 1.7 *Denomination of Registered Notes*

Registered Notes are in the minimum Specified Denomination specified in the Pricing Supplement or integral multiples thereof.

### 1.8 *Currency of Notes*

The Notes are denominated in the Specified Currency specified in the Pricing Supplement. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

### 1.9 *Status of Notes*

This Note may be a Senior Note, a Dated Subordinated Note or an Undated Subordinated Note, as indicated in the Pricing Supplement.

## 2. TITLE AND TRANSFER

### 2.1 *Title to Bearer Notes*

Title to Bearer Notes, Receipts and Coupons passes by delivery. References herein to the "Holders" of Bearer Notes or of Receipts or Coupons are to the bearers of such Bearer Notes or such Receipts or Coupons.

### 2.2 *Title to Registered Notes*

Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the "Holders" of Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant register.

### 2.3 *Holder as Owner*

The Holder of any Bearer Note, Receipt, Coupon or Registered Note will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon or any theft or loss thereof) and no person shall be liable for so treating such Holder.

### 2.4 *Transfer of Registered Notes*

A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum Specified Denomination specified in the Pricing Supplement) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

### 2.5 *New Registered Notes*

Each new Registered Note to be issued upon the transfer of a Registered Note will, within five Relevant Banking Days of the transfer date, be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such transfer, be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address as may be specified by such Holder. For these purposes, a form of transfer received by the Registrar or a Paying Agent after the Record Date (as defined in Condition 6.4) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar or such Paying Agent (as the case may be) until the day following the due date for such payment. For the purposes of these Conditions:

- (a) "Relevant Banking Day" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located; and
- (b) the "transfer date" shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 2.4.

### 2.6 *No Charges upon Transfer*

The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer, any Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, such Paying Agent or the Registrar may require in respect of) any tax, duty or other governmental charge of whatsoever nature which may be levied or imposed in relation thereto.

### 2.7 *Private Placement Legend*

Upon the transfer or replacement of Registered Notes bearing the private placement legend (the "Private Placement Legend") set forth in the relevant form of Registered Note scheduled to the Trust Deed, the Registrar shall deliver only Registered Notes that also bear such legend unless

either: (a) such transfer or replacement occurs two or more years after the later of (i) the original issue date of such Notes, or (ii) the last date on which the Issuer or any affiliate (as such term is defined in paragraph (a)(1) of Rule 144 under the United States Securities Act of 1933 (the "Securities Act")) of the Issuer as notified to the Registrar by the Issuer as provided in the following sentence, was the beneficial owner of such Notes (or any predecessor of such Note); or (b) there is delivered to the Registrar an opinion satisfactory to the Issuer of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws. The Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its affiliates not to acquire any beneficial interest, in any Registered Note bearing the Private Placement Legend unless it notifies the Registrar of such acquisition. Each Paying Agent, the Registrar, the Trustee and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).

### 2.8 Information to Holders

For so long as any of the Registered Notes bearing the Private Placement Legend remains outstanding and is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act 1934, as amended (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Holder at the specified office of each of the Paying Agents in connection with any sale thereof and any prospective purchaser of such Notes from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) in relation to it, under the Securities Act.

## 3. STATUS OF THE NOTES

*Conditions 3.2, 3.3 and 3.4 shall only apply to Subordinated Notes issued by Prudential and references to "Notes" and "Issuer" shall be construed accordingly.*

### 3.1 Status of Senior Notes

The Senior Notes (being those Notes in respect of which the Pricing Supplement specifies their Status as Senior) and any relative Receipts and Coupons are direct and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank and will 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.

### Status of Guarantee

Under the Guarantee, the obligations of Prudential in respect of Senior Notes issued by Prudential Finance are direct and (subject to the provisions of Condition 4) unsecured obligations of Prudential and rank and will rank without any preference among themselves and (subject as aforesaid and to such exceptions as from time to time are applicable under the laws of the United Kingdom) *pari passu* with all other outstanding, unsecured and unsubordinated obligations of Prudential.

### 3.2 Status of Dated Subordinated Notes

The Dated Subordinated Notes (being those Notes in respect of which the Pricing Supplement specifies their Status as Dated Subordinated) and any relative Receipts and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

The rights of Holders of Dated Subordinated Notes and any relative Receipts and Coupons against the Issuer to payment of principal and interest in respect of the Dated Subordinated Notes are, in the event of the winding-up of the Issuer, subordinated in right of payment in the manner provided in the Trust Deed to the claims of all unsubordinated creditors of the Issuer and will rank,

in the event of the winding up of the Issuer, at least *pari passu* with all other Subordinated Indebtedness, present and future, of the Issuer. Accordingly, amounts due and payable in respect of such principal and interest shall be due and payable in such winding-up only if and to the extent that the Issuer could be considered solvent at the time of payment thereof and still be considered solvent immediately thereafter. For this purpose, the Issuer shall be considered solvent if both (i) it is able to pay its debts to unsubordinated creditors as they fall due and (ii) its Assets exceed its Liabilities to unsubordinated creditors.

A report as to the solvency of the Issuer by two Directors of the Issuer or, in certain circumstances as provided in the Trust Deed, the Auditors (as defined below) or, if the Issuer is being wound up, its liquidator shall, in the absence of proven error, be treated and accepted by the Issuer, the Trustee and the Holders of the Dated Subordinated Notes and any relative Receipts and Coupons as correct and sufficient evidence thereof.

### 3.3. Status of Undated Subordinated Notes

The Undated Subordinated Notes (being those Notes in respect of which the Pricing Supplement specifies their Status as Undated Subordinated) (together with the Dated Subordinated Notes, the "Subordinated Notes") and any relative Coupons are direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

The rights of Holders of Undated Subordinated Notes and any relative Coupons against the Issuer to payment of principal and interest in respect of the Undated Subordinated Notes are, in the event of the winding-up of the Issuer, subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Creditors (as defined below) of the Issuer. Accordingly, amounts due and payable in respect of such principal and interest shall be due and payable in such winding-up only if and to the extent that the Issuer could be considered solvent at the time of payment thereof and still be considered solvent immediately thereafter. For this purpose, the Issuer shall be considered solvent if both (i) it is able to pay its debts to Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Creditors).

A report as to the solvency of the Issuer by two Directors of the Issuer or, in certain circumstances as provided in the Trust Deed, the Auditors or, if the Issuer is being wound up, its liquidator shall, in the absence of proven error, be treated and accepted by the Issuer, the Trustee and the Holders of the Undated Subordinated Notes and any relative Coupons as correct and sufficient evidence thereof.

For the purposes of Conditions 3.2 and 3.3:

"Assets" means the non-consolidated gross assets of the Issuer as shown by the then latest published balance sheet of the Issuer but adjusted for contingencies and for subsequent events and to such extent as two Directors of the Issuer, the Auditors or the liquidator of the Issuer (as the case may be) may determine to be appropriate;

"Auditors" means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling promptly to carry out any action requested of them pursuant to the provisions of these Conditions or the Trust Deed, such other firm of accountants as may be nominated or approved by the Trustee after consultation with the Issuer;

"Creditor" means any creditor of the Issuer (i) who is an unsubordinated creditor of the Issuer or (ii) whose claim is or is expressed to be subordinated to the claim of any unsubordinated creditor of the Issuer but not further or otherwise or (iii) who is a subordinated creditor of the Issuer other than any whose claim ranks or is expressed to rank *pari passu* with or junior to the claims of the Holders of any Undated Subordinated Notes;

"Liabilities" means the non-consolidated gross liabilities of the Issuer as shown and adjusted in like manner as for Assets; and

"Subordinated Indebtedness" means all indebtedness of the Issuer which is subordinated, in the event of the winding-up of the Issuer, in right of payment to the claims of unsubordinated creditors of the Issuer and so that indebtedness shall include all liabilities, whether actual or contingent.



*The obligations of the Issuer in respect of the Undated Subordinated Notes are, on the winding up of the Issuer, conditional on the Issuer being solvent, within the meaning described in Condition 3.3, at the time of, and immediately after, payment by the Issuer. If the Issuer would not be so solvent, any amounts which might otherwise have been allocated in or towards payment of principal and interest in respect of the Undated Subordinated Notes may be used to absorb losses.*

#### **3.4 Set-off**

Subject to applicable law, no Holder of any Subordinated Note or any relative Receipt or Coupon may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Dated or Undated Subordinated Notes or any relative Receipts or Coupons and each Holder shall, by virtue of being the holder of any Dated or Undated Subordinated Note or, as the case may be, relative Receipt or Coupon, be deemed to have waived all such rights of such set-off, counter-claim or retention.

### **4. NEGATIVE PLEDGE**

*This Condition 4 is applicable only to Senior Notes.*

So long as any of the Notes remains outstanding (as defined in the Trust Deed) neither the Issuer nor, where the Issuer is Prudential Finance, Prudential will, and each will procure, so far as the Issuer or Prudential, as the case may be, by the proper exercise of voting and other rights or powers of control exercisable by the Issuer or Prudential, as the case may be, 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, Prudential, or as the case may be, 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, Prudential or any Subsidiary thereof or to secure any guarantee or indemnity in respect thereof, without at the same time according to the Notes, the Receipts, the Coupons and all amounts payable under the Trust Deed in respect thereof 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 Holders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

"Principal Subsidiary" means The Prudential Assurance Company Limited but, in the case of this Condition and paragraphs (iii) to (vii) (inclusive) of Condition 10, only for so long as it remains a Subsidiary of Prudential.

"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, Prudential or any Subsidiary thereof, as the case may be, 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) excluding any indebtedness for borrowed money incurred to acquire an asset from outside the Prudential Group in respect of which the person to whom such indebtedness is owed has no recourse whatsoever to the Issuer or, where the Issuer is Prudential Finance, Prudential, or the Principal Subsidiary, as the case may be, for repayment other than recourse for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset.

### **5. INTEREST**

#### **5A Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest

Payment Date(s) in each year up to (and including) the Maturity Date Provided that (i) interest on Subordinated Notes shall be payable only at the option of the issuer unless such Interest Payment Date is a Compulsory Interest Payment Date (as defined in Condition 5F) and (ii) interest on Dated Subordinated Notes shall be payable on the Maturity Date only with the prior approval of the Financial Services Authority (the "FSA"). In the absence of such approval such interest shall be payable at the same time as redemption of the Dated Subordinated Notes takes place (or such earlier date as may be approved by the FSA) but such amount of interest shall not in the meantime itself bear interest.

Except as provided in the Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payment of any Broken Amount will be made on the Interest Payment Date so specified in the Pricing Supplement.

As used in these Conditions, "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 5A:

- (i) if "Actual/Actual (ISMA)" is specified in the Pricing Supplement:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the Pricing Supplement) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Pricing Supplement) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

"Determination Period" means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on, the Determination Date falling after, such date); and

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

5B Interest on Floating Rate Notes and Index Linked Interest Notes

5B.1 Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) (each an "Interest Payment Date") in each year specified in the Pricing Supplement; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the Pricing Supplement, each date (each an "Interest Payment Date") which falls the number of months or other period specified as the Specified Period in the Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date,

Provided that (i) interest on Subordinated Notes shall be payable only at the option of the Issuer unless such Interest Payment Date is a Compulsory Interest Payment Date and (ii) interest on Dated Subordinated Notes shall be payable on the Maturity Date only with the prior approval of the FSA. In the absence of such approval such interest shall be payable at the same time as redemption of the Dated Subordinated Notes takes place (or such earlier date as may be approved by the FSA) but such amount of interest shall not in the meantime itself bear interest.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5B.1(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "Business Day" means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the Pricing Supplement; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New

Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the "TARGET System") is open.

#### 5B.2 Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the Pricing Supplement.

#### 5B.3 ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Pricing Supplement) the Margin (if any). For the purposes of this Condition 5B.3, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issue and Paying Agent under an interest rate swap transaction if the Issue and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "ISDA Definitions") and under which:

- (1) the Floating Rate Option is as specified in the Pricing Supplement;
- (2) the Designated Maturity is a period specified in the Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the Pricing Supplement.

For the purposes of this Condition 5B.3 "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

#### 5B.4 Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR, in each case the "Specified Time") on the Interest Determination Date in question plus or minus (as indicated in the Pricing Supplement) the Margin (if any), all as determined by the Issue and Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Issue and Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (i) above, no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Issue and Paying Agent shall request each of the Reference Banks (as defined below) to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the

arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Issue and Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issue and Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Issue and Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Issue and Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issue and Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Issue and Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the Pricing Supplement.

For the purposes of this Condition 5B.4, "Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issue and Paying Agent or as specified in the applicable Pricing Supplement.

#### 5B.5 Minimum Rate of Interest and/or Maximum Rate of Interest

If the Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

#### 5B.6 Determination of Rate of Interest and calculation of Interest Amounts

The Issue and Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Issue and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Issue and Paying Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if "Actual/365" or "Actual/Actual" is specified in the Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if "30E/360" or "Eurobond Basis" is specified in the Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

#### 5B.7 Notification of Rate of Interest and Interest Amounts

The Issue and Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Holders in accordance with Condition 14. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

#### 5B.8 Determination or Calculation by Trustee

If for any reason at any relevant time the Issue and Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Issue and Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with Condition 5B.3 or 5B.4 or as otherwise specified in the Pricing Supplement, as the case may be, and in each case in accordance with 5B.6, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5B, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent or the Calculation Agent, as applicable.

#### 5B.9 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5B, whether by the Issue and Paying Agent or, if applicable, the Exchange Agent, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, where Prudential Finance is the Issuer, Prudential, the Issue and Paying Agent, the Exchange Agent, the Calculation Agent (if applicable), the other Paying Agents and all Holders and (in the absence as aforesaid) no liability to the Issuer or the Holders shall attach to the Issue and Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### 5C Interest on Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the Pricing Supplement.

#### 5D Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the Pricing Supplement.

#### 5E Accrual of interest

If any redemption of the Notes is not made on the Maturity Date by virtue of the provisions of Condition 7.2 interest shall continue to accrue and shall be payable as provided in these Conditions up to (but excluding) the Deferred Maturity Date (as defined in Condition 7.2) or such earlier date on which payment of such principal is made.

Each Note (or, in the case of the redemption of part only of an Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption (being the Maturity Date, the Deferred Maturity Date or any other date for redemption pursuant to these Conditions) unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

#### 5F Interest on Dated Subordinated Notes

In these Conditions:

“Compulsory Interest Payment Date” means, in the case of Dated Subordinated Notes, any Interest Payment Date if, in the immediately preceding six calendar months, any dividend has been declared or paid on any class of share capital of the Issuer; and

"Optional Interest Payment Date" means, in the case of Dated Subordinated Notes, any Interest Payment Date other than a Compulsory Interest Payment Date.

Subject to the provisions of Conditions 5A and 5B relating to interest payable on the Maturity Date, interest on Dated Subordinated Notes shall be payable on each Compulsory Interest Payment Date in respect of the Interest Period which ends on that Compulsory Interest Payment Date. On any Optional Interest Payment Date, there may be paid (if the Issuer so decides and gives notice of such decision to the Holders) the interest accrued in the Interest Period which ends on that Optional Interest Payment Date, but the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose. Any interest not so paid on an Interest Payment Date shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may, at the option of the Issuer, be paid in whole or in part (any such part being the whole of the interest accrued during any Interest Period or Periods) at any time upon the expiration of not less than seven days' notice to such effect given to the Holders of the Dated Subordinated Notes in accordance with Condition 14 but so that in the case of payment of only part of the Arrears of Interest the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period. All Arrears of Interest in respect of the Dated Subordinated Notes outstanding shall become due in full on the earlier of (i) the date upon which a dividend is next declared or paid on any class of share capital of the Issuer, (ii) the due date for any redemption of the Notes (including, for the avoidance of doubt, any Deferred Maturity Date pursuant to Condition 7.2) and (iii) the commencement of the winding up of the Issuer (except for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved in writing by the Trustee). Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged to do so upon the expiry of such notice. Arrears of Interest shall not bear interest. All references in these Conditions to interest on Dated Subordinated Notes shall, unless the context otherwise requires, include Arrears of Interest.

For the purposes of this provision the declaration or payment of a dividend shall be deemed to include the making of any payment on any subordinated debt (or under any guarantee in respect thereof) and the redemption, purchase or other acquisition of any shares or subordinated debt (save where the funds used to redeem, purchase or acquire those shares or that subordinated debt are derived from an issue of shares or subordinated debt (i) made at any time within the six month period prior to the time of such redemption, purchase or acquisition, and (ii) with the same or junior ranking on a return of assets on a winding up or in respect of a distribution or payment of dividends and/or any other amounts thereunder to those shares or that subordinated debt being redeemed, purchased or acquired). The Trustee shall be entitled to rely on a certificate signed by two directors of the Issuer as to whether the redemption, purchase or acquisition falls within the exception set out above and, if the Trustee does so rely, such certificate shall, in the absence of manifest error, be conclusive and binding on the Issuer and the Holders.

#### *5G Interest on Undated Subordinated Notes*

In these Conditions:

"Compulsory Interest Payment Date" means, in the case of Undated Subordinated Notes, any Interest Payment Date if, in the immediately preceding six calendar months, any dividend has been declared or paid on any class of share capital of the Issuer; and

"Optional Interest Payment Date" means, in the case of Undated Subordinated Notes, any Interest Payment Date other than a Compulsory Interest Payment Date.

Interest on Undated Subordinated Notes shall be payable on each Compulsory Interest Payment Date in respect of the Interest Period which ends on that Compulsory Interest Payment Date. On any Optional Interest Payment Date there may be paid (if the Issuer so decides and gives notice of such decision to the Holders) the interest accrued in the Interest Period which ends on that Optional Interest Payment Date, but the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose. Any interest not so paid on an Interest Payment Date shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may, at the option of the Issuer, be paid in whole or in part (any



such part being the whole of the interest accrued during any Interest Period or Periods) at any time upon the expiration of not less than seven days' notice to such effect given to the Holders of the Undated Subordinated Notes in accordance with Condition 14 but so that in the case of payment of only part of the Arrears of Interest the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period. All Arrears of Interest in respect of the Undated Subordinated Notes outstanding shall become due in full on the earliest of (i) the date upon which a dividend is next declared or paid on any class of share capital of the Issuer, (ii) the date set for any redemption pursuant to Condition 7.4 or 7.5 and (iii) the commencement of the winding up of the Issuer (except for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved in writing by the Trustee). Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged to do so upon the expiry of such notice. Arrears of Interest shall not bear interest. All references in these Conditions to interest on Undated Subordinated Notes shall, unless the context otherwise requires, include Arrears of Interest.

For the purposes of this provision the declaration or payment of a dividend shall be deemed to include the making of any payment on any undated subordinated debt (or under any guarantee in respect thereof) and the redemption, purchase or other acquisition of any shares or undated subordinated debt (save where the funds used to redeem, purchase or acquire those shares or that undated subordinated debt are derived from an issue of shares or undated subordinated debt (i) made at any time within the six month period prior to the time of such redemption, purchase or acquisition, and (ii) with the same or junior ranking on a return of assets on a winding up or in respect of a distribution or payment of dividends and/or any other amounts thereunder to those shares or that undated subordinated debt being redeemed, purchased or acquired. The Trustee shall be entitled to rely on a certificate signed by two directors of the Issuer as to whether the redemption, purchase or acquisition falls within the exception set out above and, if the Trustee does so rely, such certificate shall, in the absence of manifest error, be conclusive and binding on the Issuer and the Holders.

## 6. PAYMENTS

### 6.1 *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

### 6.2 *Presentation of Bearer Notes, Receipts and Coupons*

Payments of principal in respect of Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Bearer Notes, and payments of interest in respect of Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

Payments of principal and interest (if any) in respect of Notes represented by any Temporary or Permanent Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Temporary or Permanent Global Note in bearer form against presentation or surrender, as the case may be, of such Temporary or Permanent Global Note in bearer form at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Temporary or Permanent Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Temporary or Permanent Global Note in bearer form by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

The Holder of a Temporary or Permanent Global Note in bearer form shall be the only person entitled to receive payments in respect of Notes represented by such Temporary or Permanent Global Note in bearer form and the Issuer or, where the Issuer is Prudential Finance, Prudential will

be discharged by payment to, or to the order of, the Holder of such Temporary or Permanent Global Note in bearer form in respect of each amount so paid. Each of the persons shown in the records of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") or any other clearing system as the beneficial holder of a particular nominal amount of Notes represented by such Temporary or Permanent Global Note in bearer form must look solely to Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, Prudential (where the Issuer is Prudential Finance) to, or to the order of, the Holder of such Temporary or Permanent Global Note in bearer form.

### 6.3 U.S. Paying Agent

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer or, where the Issuer is Prudential Finance, Prudential.

### 6.4 Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the Holder (or the first named of joint Holders) of the Registered Note appearing in the register at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date (the "Record Date"). Notwithstanding the previous sentence, if (i) a Holder does not have a Designated Account or (ii) the nominal amount of the Registered Notes held by a Holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency) payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "Designated Account" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a Holder with a Designated Bank and identified as such in the register and "Designated Bank" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the Holder (or the first named of joint Holders) of the Registered Note appearing in the register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "Record Date") at his address shown in the register on the Record Date and at his risk. Upon application of the Holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the

payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the Holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such Holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such Holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

#### *6.5 Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the Holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation, London and any Additional Financial Centre specified in the Pricing Supplement; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

#### *6.6 Interpretation of principal and interest*

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.8); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## 7. REDEMPTION AND PURCHASE

### 7.1 *Redemption of Senior Notes at Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Senior Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Pricing Supplement in the relevant Specified Currency on the Maturity Date.

### 7.2 *Redemption of Dated Subordinated Notes at Maturity and Deferral of Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Dated Subordinated Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Pricing Supplement in the relevant Specified Currency on the Maturity Date provided that the Issuer shall have obtained the prior approval of the FSA for such redemption. In the absence of such approval, each Dated Subordinated Note will, unless previously redeemed or purchased and cancelled, be redeemed at its Final Redemption Amount on the Deferred Maturity Date. As used in these Conditions, "Deferred Maturity Date" means the day following the second anniversary of the Maturity Date or such earlier date for redemption as may be approved by the FSA pursuant to the provisions set out below.

In the event that the Maturity Date is deferred pursuant to this Condition the Issuer will on the last business day of each three month period, the first such period commencing with the date on which a payment in respect of any Dated Subordinated Notes is so deferred, make application in writing (with a copy to the Trustee of such application and the response thereto) to the FSA for approval for the repayment of all amounts so deferred. If the Maturity Date of more than one Series of Dated Subordinated Notes (which for this purpose shall include any other dated subordinated obligations of the Issuer constituted otherwise than by the Trust Deed) has been deferred pursuant to this Condition (or a corresponding provision in any other such obligations) then the Issuer shall in its application seek approval for redemption of such Dated Subordinated Notes in the order in which they were deferred, commencing with the Series which was first so deferred.

If the FSA shall approve the redemption of any Subordinated Notes pursuant to such application the Issuer shall within seven days thereof give notice to the Trustee and to the Holders in accordance with Condition 14 which notice shall specify the Deferred Maturity Date (which shall be not more than 30 or less than 15 days after the date of such notice).

The Issuer shall be bound on the Deferred Maturity Date to redeem each Dated Subordinated Note at its Final Redemption Amount together with interest accrued to (but excluding) the Deferred Maturity Date, any Arrears of Interest and any amount of interest deferred pursuant to Condition 5A or 5B.

Whilst the redemption of any Dated Subordinated Note is deferred pursuant to this Condition 7.2 the Issuer shall not declare or pay any dividend on any class of its share capital, make any payment on any subordinated debt or under any guarantee in respect thereof (unless the Issuer is contractually obliged to make such payment pursuant to the terms of the relevant subordinated debt), redeem, purchase or otherwise acquire any shares or subordinated debt (save where the funds used to redeem, purchase or acquire those shares or that subordinated debt are derived from an issue of shares or subordinated debt (i) made at any time within the six month period prior to the time of such redemption, purchase or acquisition, and (ii) with the same or junior ranking on a return of assets on a winding up or in respect of a distribution or payment of dividends and/or any other amounts thereunder to those shares or that subordinated debt being redeemed, purchased or acquired). The Trustee shall be entitled to rely on a certificate signed by two directors of the Issuer as to whether the redemption, purchase or acquisition falls within the exception set out above and, if the Trustee does so rely, such certificate shall, in the absence of manifest error, be conclusive and binding on the Issuer and the Holders.

### 7.3 *Redemption of Undated Subordinated Notes*

Each Undated Subordinated Note has no final maturity date and is only redeemable or repayable in accordance with the following provisions of this Condition and Condition 10.3.

#### *7.4 Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer (but subject, in the case of Subordinated Notes, to the prior approval of the FSA, such approval to be obtained not more than three months prior to such redemption) in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 14 (which notice shall be irrevocable), if (A) immediately prior to the giving of such notice the Issuer or, where the Issuer is Prudential Finance, Prudential, as the case may be, satisfies the Trustee that the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or, where the Issuer is Prudential Finance, Prudential would be unable for reasons outside its control to procure payment by Prudential Finance and in making payment itself would be required to pay such additional amounts, as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and such obligation cannot be avoided by the Issuer or, where the Issuer is Prudential Finance, Prudential, as the case may be, taking reasonable measures available to it; provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, where the Issuer is Prudential Finance, Prudential, as the case may be, would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (B) on the next Interest Payment Date the payment of interest in respect of any Dated Subordinated Notes or Undated Subordinated Notes would be treated, for reasons outside the control of the Issuer and which cannot be avoided by the Issuer, taking reasonable measures available to it, as a "distribution" within the meaning of the Income and Corporation Taxes Act 1988 (as amended, re-enacted or replaced) provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the payment of interest would be treated as a "distribution" as aforesaid if a payment of interest in respect of the Notes were then due.

The Issuer or, where the Issuer is Prudential Finance, Prudential, as the case may be, shall be deemed to have satisfied the Trustee as referred to in the preceding paragraph if prior to the publication of any notice of redemption pursuant to this Condition 7.4, the Issuer or, where the Issuer is Prudential Finance, Prudential, as the case may be, shall have delivered to the Trustee (1) a certificate signed by two Directors of the Issuer or, where the Issuer is Prudential Finance, Prudential, as the case may be, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment or, as the case may be, the payment of interest would be treated as a "distribution" as aforesaid. Upon the expiry of any such notice as is referred to in this Condition 7.4, the Issuer shall be bound to redeem the Notes in accordance with this Condition 7.4.

Notes redeemed pursuant to this Condition 7.4 will be redeemed at their Early Redemption Amount referred to in Condition 7.8 below together, if appropriate, with interest accrued to (but excluding) the date of redemption.

#### *7.5 Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified in the Pricing Supplement, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Holders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Issue and Paying Agent and the Trustee;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Pricing

Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Higher Redemption Amount. In the case of a partial redemption of Notes in definitive form, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). A list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

Subordinated Notes may not be redeemed pursuant to this Condition 7.5 without the prior approval of the FSA, such approval to be obtained not more than three months prior to such redemption.

*7.6 Redemption at the option of the Issuer due to Capital Disqualification Event*

*This Condition 7.6 is applicable only to Subordinated Notes.*

If Issuer Call due to Capital Disqualification Event is specified in the Pricing Supplement and the Issuer satisfies the Trustee prior to the giving of the notice referred to below that a Capital Disqualification Event has occurred, the Issuer may, at its option, having obtained the approval of the FSA and having given not less than 15 nor more than 30 days' notice to the Trustee and to the Holders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) all, but not some only, of the Subordinated Notes at the Special Redemption Amount(s) specified in or determined in the manner specified in, the Pricing Supplement together, in each case, with interest accrued to, but excluding, the date of redemption and all Arrears of Interest.

A "Capital Disqualification Event" is deemed to have occurred if solvency calculations in respect of the Issuer are required by the FSA, including, without limitation pursuant to Directive 98/78/EC of the European Union (the "Directive") or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area (being the European Union together with Norway, Liechtenstein and Iceland) implementing the Directive (the "Relevant Rules") and:

- (i) under the Directive or the Relevant Rules or the application or official interpretation thereof, at the time, the Subordinated Notes would not be capable of counting as cover for the minimum or notional margin of solvency required of the Issuer under the Directive or the Relevant Rules; or
- (ii) as a result of any change to the Directive or the Relevant Rules or the application or official interpretation thereof any Subordinated Notes would not be capable of counting as cover for the minimum or notional margin of solvency of the Issuer under the Directive or the Relevant Rules.

*7.7 Redemption at the option of the Holders of Senior Notes (Investor Put)*

*This Condition 7.7 is applicable only to Senior Notes.*

If Investor Put is specified in the Pricing Supplement, upon the Holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the Pricing Supplement, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note the Holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent and in which the Holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition.

### *7.8 Early Redemption Amount*

For the purpose of Condition 7.4 above and Condition 10, each Note will be redeemed at the Early Redemption Amount calculated as follows:

- (i) at the amount specified in, or determined in the manner specified in, the Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at its nominal amount; or
- (ii) in the case of a Zero Coupon Note, at an amount (the "Amortised Face Amount") equal to the sum of the Reference Price and the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each or on such other calculation basis as may be specified in the Pricing Supplement.

### *7.9 Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.8 above.

### *7.10 Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the Pricing Supplement.

### *7.11 Purchases*

The Issuer and, where the Issuer is Prudential Finance, Prudential and any of their respective Subsidiaries may (but subject, in the case of Subordinated Notes, to the prior approval of the FSA) at any time purchase Notes (provided that, in the case of definitive Bearer Notes, any unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Holders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer or, where the Issuer is Prudential Finance, Prudential or any of their respective Subsidiaries, as the case may be, surrendered to any Paying Agent for cancellation.

### *7.12 Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to Condition 7.11 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Issue and Paying Agent and cannot be reissued or resold.

### *7.13 Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.4, 7.5 or 7.7 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.8(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Issue and Paying Agent, the Registrar or the Trustee, as the case may be, and notice to that effect has been given to the Holders in accordance with Condition 14.



## 8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons will be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United Kingdom, or any political subdivision of, or any authority of, or in, the United Kingdom having power to tax, unless the withholding or deduction is required by law. In such event, the Issuer or, where the Issuer is Prudential Finance, Prudential will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of the withholding or deduction; except that no such additional amounts shall be payable in relation to any Note, Receipt or Coupon:

- (i) presented for payment by, or on behalf of, a Holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note, Receipt or Coupon; or
- (ii) presented for payment by, or on behalf of, a Holder who would be able to avoid such withholding or deduction by satisfying any requirement to provide such evidence as is required by statute or making a declaration or any other statement or claim, including, but not limited to, a declaration of non-residence but fails to do so; or
- (iii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day; or
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 (the "Directive") or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issue and Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Holders in accordance with Condition 14.

## 9. PRESCRIPTION

Claims in respect of principal and interest or other sums payable hereunder will be prescribed unless made within 10 years (in the case of principal) or five years (in the case of interest) from the Relevant Date (as defined in Condition 8) in relation thereto.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

## 10. EVENTS OF DEFAULT AND ENFORCEMENT

### *10.1 This Condition 10.1 is applicable only to Senior Notes*

The Trustee at its discretion may, and if so requested in writing by the Holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Holders shall (subject to each case to being indemnified to its satisfaction), (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 or, where the Issuer is Prudential Finance, Prudential 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 Holders) give notice to the Issuer and, where the Issuer is Prudential Finance, Prudential that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount (as referred to in Condition 7.8), 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 Notes or any of them; or
- (ii) if default is made by the Issuer or, where the Issuer is Prudential Finance, Prudential in the performance or observance of any obligation, condition or provision binding upon it under the Notes or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Notes) 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 or, where the Issue is Prudential Finance, Prudential, as the case may be, 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, where the Issuer is Prudential Finance, Prudential, or the Principal Subsidiary (save, in the case of the Principal Subsidiary, (a) with the prior written consent of the Trustee or the prior sanction of an Extraordinary Resolution of the Holders 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, where the Issuer is Prudential Finance, Prudential, or the Principal Subsidiary stops or threatens to stop payment to its creditors generally or the Issuer or, where the Issuer is Prudential Finance, Prudential, 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 of the Holders 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, where the Issuer is Prudential Finance, Prudential, 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, where the Issuer is Prudential Finance, Prudential, 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, where the Issuer is Prudential Finance, Prudential, 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 any indebtedness for moneys borrowed (as defined below) of the Issuer or, where the Issuer is Prudential Finance, Prudential or (regardless of the Issuer) the Principal Subsidiary (which indebtedness in respect of any single company has an outstanding aggregate principal amount of at least £30,000,000 (or its equivalent in any other currency or currencies)) is not paid on its due date as extended by any applicable grace period and following a demand therefor or is declared to be or automatically 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 of any third party given by the Issuer or, where the Issuer is Prudential Finance, Prudential or (regardless of the Issuer) the Principal Subsidiary (having in respect of any single company an outstanding aggregate principal amount as aforesaid) is not honoured when due and called upon and, in any such case, the liability of the Issuer, Prudential or the Principal Subsidiary, as the case may be, to make payment is not being contested in good faith; or
- (viii) if the Principal Subsidiary or, where it is the Issuer, Prudential Finance shall cease to be a Subsidiary of Prudential, 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 Prudential or any of its Subsidiaries.

The Trustee may at its discretion institute such proceedings as it may think fit to enforce the obligations of the Issuer and/or, where the Issuer is Prudential Finance, Prudential under the Trust Deed, the Notes, the Receipts and the Coupons 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 Holders or so requested in writing by the Holders of at least one-quarter in nominal amount of the Notes then outstanding and (b) it shall have been indemnified to its satisfaction. No Holder shall be entitled to institute proceedings directly against the Issuer or, where the Issuer is Prudential Finance, Prudential unless the Trustee having become bound so to proceed fails to do so within a reasonable time and such failure is continuing.

*10.2 This Condition 10.2 is applicable only to Dated Subordinated Notes*

10.2.1 If default is made in the payment of any principal or interest due in respect of the Notes or any of them and such default continues for a period of 14 days or more in any case after the due date, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings in England (but not elsewhere) for the winding-up of the Issuer, provided that the Issuer shall not be in default, however, if, during the relevant 14 days grace period referred to above, it satisfies the Trustee that the relevant sum was not paid in order to comply with the order of any United Kingdom court of competent jurisdiction provided always that the relevant grace period shall automatically start to run again upon any such order being discharged or revoked but may take no further action in respect of such default.

10.2.2 If an order is made by any competent court or resolution passed for the winding-up or dissolution of the Issuer, save for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Holders the Trustee may, subject as provided below, give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount (as referred to in Condition 7.8), together with accrued interest as provided in the Trust Deed.

*10.3 This Condition 10.3 is applicable only to Undated Subordinated Notes*

10.3.1 If default is made in the payment of any principal or interest due in respect of the Notes or any of them and such default continues for a period of 14 days or more in any case after the due date, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings in England (but not elsewhere) for the winding-up of the Issuer provided that the Issuer shall not be in default, however, if, during the 14 days grace period referred to above, it satisfies the Trustee that the relevant sum was not paid in order to comply with the order of any United Kingdom court of competent jurisdiction provided always that the relevant grace period shall automatically start to run again upon any such order being discharged or revoked but may take no further action in respect of such default.

10.3.2 If an order is made by any competent court or resolution passed for the winding-up or dissolution of the Issuer, save for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Holders the Trustee may, subject as provided below, give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount (as referred to in Condition 7.8), together with accrued interest as provided in the Trust Deed.

*10.4 This Condition 10.4 is applicable only to Dated Subordinated Notes and Undated Subordinated Notes*

10.4.1 Without prejudice to Conditions 10.2 and 10.3, if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to such Notes binding on it under these Conditions or the Trust Deed (other than any obligation of the Issuer for the payment of any

principal or interest in respect of the Notes), the Trustee may, subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce such obligation, condition or provision provided that the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest in respect of such Notes sooner than the same would otherwise have been payable by it.

- 10.4.2 Subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 10.2 (in the case of Dated Subordinated Notes only) and Condition 10.3 (in the case of Undated Subordinated Notes only) and, in either case, Condition 10.4.1 above or submitting a claim in the winding-up of the Issuer will be available to the Trustee or the Holders.
- 10.4.3 The Trustee shall be bound to take action as referred to in Conditions 10.2, 10.3 and 10.4.1 if, but only if, (i) it shall have been so requested in writing by Holders holding at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Holders and (ii) it shall have been indemnified to its satisfaction.
- 10.4.4 No Holder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. No Holder shall be entitled either to institute proceedings for the winding up of the Issuer or to submit a claim in such winding-up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such winding-up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding-up of the Issuer and/or submit a claim in such winding-up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

## 11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issue and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 12. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Issue and Paying Agent and, in respect of Registered Notes, a Registrar and an Exchange Agent; and
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer shall appoint a Paying Agent approved in writing by the Trustee having a specified office in New York City in the circumstances described in Condition 6.3. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to Holders in accordance with Condition 14.

The Issuer undertakes that, if the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 are implemented, it will ensure that to the extent practicable it maintains a Paying Agent in a Member State of the European Union (other than the United Kingdom) that will not be obliged to withhold or deduct tax pursuant to the Directive.

In acting under the Agency Agreement, the Paying Agents, the Registrar and the Exchange Agent act solely as agents of the Issuer and, in certain limited circumstances, the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Holders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent, the Registrar or the Exchange Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent, registrar or Exchange Agent, as the case may be.

### 13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issue and Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

### 14. NOTICES

All notices regarding Bearer Notes shall be published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of publication in the last of such newspapers.

Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.

Notices to be given by any Holder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Issue and Paying Agent.

### 15. MEETINGS OF HOLDERS, MODIFICATION, WAIVER, DETERMINATION AND SUBSTITUTION ETC. 15.1 Meetings

The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes and the Receipts and Coupons relating to them or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request of Holders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the

currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting and on all Holders of Receipts and Coupons.

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 nominal amount of the Notes for the time being outstanding.

### *15.2 Modifications*

The Trustee may agree, without the consent of the Holders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or to any modification which is of a formal, minor or technical nature or to correct a manifest or proven error.

Any modification, waiver, authorisation or determination shall be binding on the Holders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 14.

### *15.3 Substitution*

#### *15.3.1 Where the Issuer is Prudential Finance*

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Holders, may agree with the Issuer, without the consent of the Holders to the substitution (a) in place of the Issuer as the principal debtor under the Trust Deed, the Notes, the Receipts and the Coupons of (i) any Subsidiary of the Issuer, (ii) any successor in business (as defined in the Trust Deed) of the Issuer, (iii) Prudential or any Holding Company (as defined in the Trust Deed) of Prudential or (iv) any other Subsidiary of Prudential or its Holding Company provided that, except where the new principal debtor is Prudential or its Holding Company, the obligations of such new principal debtor under the Trust Deed, the Notes, the Receipts and the Coupons shall be unconditionally and irrevocably guaranteed by Prudential or its Holding Company to the satisfaction of the Trustee, or (b) in place of Prudential as guarantor of (i) its successor in business or (ii) its Holding Company.

#### *15.3.2 Where the Issuer is Prudential*

Subject as provided in the Trust Deed (and, in the case of Dated or Undated Subordinated Notes, with the prior approval of the FSA), the Trustee, if it is satisfied that to do so would not be materially prejudicial to the interests of the Holders, may agree with the Issuer, without the consent of the Holders, to the substitution in place of the Issuer as principal debtor under the Trust Deed, the Notes, the Receipts and the Coupons of (i) any Subsidiary of the Issuer, (ii) any successor in business of the Issuer, (iii) any Holding Company of the Issuer or (iv) any other Subsidiary of such Holding Company provided that except where the new principal debtor is the successor in business or Holding Company of the Issuer the obligations of such new principal debtor under the Trust Deed, the Notes, the Receipts and the Coupons shall be unconditionally and irrevocably guaranteed by the Issuer or its Holding Company and provided further that (in the case of Subordinated Notes) the obligations of the Issuer or, as the case may be, its Holding Company under such guarantee shall be subordinated on a basis considered by the Trustee to be equivalent to that described in Condition 3.

15.3.3 Any substitution in accordance with Condition 15.3.1 or 15.3.2 above shall be binding on the Holders and, unless the Trustee agrees otherwise, any such substitution shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 14.

#### *15.4 Exercise of Trustee's powers and discretions*

In connection with the exercise by it of any of its trusts, powers or discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Holders (whatever their number) 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 Holder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders, except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

#### **16. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of the notes of other series in circumstances where the Trustee so decides.

#### **17. GOVERNING LAW**

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

#### **18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

#### USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for the general corporate purposes.



## PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.

### 1. Form of Global Notes

#### (A) Registered Notes

Unless otherwise provided with respect to a particular Series of Registered Notes, each Tranche of Registered Notes offered and sold in reliance on Regulation S under the Securities Act, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Regulation S Global Note which will be registered in the name of Cede & Co. as nominee for, and will be deposited with Citibank, N.A. as common depositary for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg for the accounts of their respective participants. Prior to expiry of the distribution compliance period applicable to each Tranche of Notes, interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

Registered Notes of each Tranche of a particular Series may only be offered and sold in the United States or to U.S. persons in private transactions to QIBs. The Registered Notes of each Tranche sold to QIBs in reliance on Rule 144A under the Securities Act will be represented by a Rule 144A Global Note which will be deposited with Citibank, N.A. as custodian for, and registered in the name of Cede & Co. as nominee for, DTC.

Registered Notes will not be exchangeable for Bearer Notes.

Interests in the Regulation S Global Note and the Rule 144A Global Note will be exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event. For these purposes "Exchange Event" means (i) (in the case of both the Regulation S Global Note and the Rule 144A Global Note) an Event of Default (as defined in Condition 10) or an event that constitutes a default under Condition 10.2 or Condition 10.3 has occurred and is continuing, (ii) (in the case of a Regulation S Global Note) Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and, in any such case, no alternative clearing system satisfactory to the Trustee is available, (iii) (in the case of the Rule 144A Global Note), DTC has notified Prudential that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note or has ceased to be a "Clearing Agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and Prudential is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary, (iv) (in the case of both the Regulation S Global Note or the Rule 144A Global Note), Prudential has or will become subject to adverse tax consequences which would not be suffered were the Registered Notes represented by the relevant Registered Global Note in definitive form and a certificate to such effect signed by two directors of Prudential is given to the Trustee. The relevant Issuer will promptly give notice to the Holders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or, as the case may be, DTC (acting on the instructions of any holder of an interest in the relevant Registered Global Note) or the Trustee may give notice to the Issue and Paying Agent requesting exchange and, in the case of (iv) above, Prudential may also give notice to the Issue and Paying Agent requesting exchange. Any such exchange shall take place not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Definitive Registered Notes may also be sold outside the United States in reliance on Regulation S under the Securities Act.

Payments of the principal of, and interest (if any) on, the Registered Global Notes will be made to the nominee of DTC and/or of Euroclear and/or Clearstream, Luxembourg as the registered holder(s) of the Registered Global Notes. None of Prudential, the Trustee, any Paying Agent and the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal (other than instalments of principal prior to the final instalment) on the Registered Global Notes will be made to the persons shown on the Register at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Payments of interest and payments of instalments of principal (other than the final instalment) on the Registered Global Notes will be made on the relevant payment date to the person in whose name such Notes are registered on the Record Date (as defined in Condition 6.4) immediately preceding such payment date.

*(B) Bearer Notes*

Each Tranche of Bearer Notes will initially be represented by either (i) a Temporary Global Note or (ii) a Permanent Global Note, in each case without receipts, interest coupons or talons, which will be delivered to a common depository for Euroclear and Clearstream, Luxembourg. Whilst any Bearer Note is represented by a Temporary Global Note and subject to TEFRA D selling restrictions, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Issue and Paying Agent.

On and after the date (the "Exchange Date") which is 40 days after the date on which any Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a Permanent Global Note without receipts, interest coupons or talons or for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached (as indicated in the relevant Pricing Statement) in each case (if the Bearer Notes are subject to TEFRA D selling restrictions) against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless upon due certification exchange of the Temporary Global Note is improperly withheld or refused.

Payments of principal and interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification. The relevant Pricing Supplement will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached either (i) upon not less than 30 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Issue and Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes "Exchange Event" means that (i) an Event of Default (as defined in Condition 10) or an event that constitutes a default under Condition 10.2 or Condition 10.3 has occurred and is continuing,; (ii) Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and, in any such case, no alternative clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Notes represented by the Permanent Global Note in definitive form and a

certificate to such effect signed by two directors of the relevant Issuer is given to the Trustee. The relevant Issuer will promptly give notice to the Holders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Issue and Paying Agent requesting exchange and, in the case of (iii) above, the relevant Issuer may also give notice to the Issue and Paying Agent requesting exchange. Any such exchange shall take place not later than 45 days after the date of receipt of the first relevant notice by the Issuer and Paying Agent.

Bearer Notes will not be exchangeable for Registered Notes.

### *(C) General*

Pursuant to the Agency Agreement (as defined under "Terms and Conditions of Senior and Subordinated Notes"), the Issue and Paying Agent shall arrange that, where a further Tranche of Notes is issued and represented by a Temporary Global Note, the Notes of such Tranche shall be assigned (where applicable) a common code and ISIN by Euroclear and Clearstream, Luxembourg or CUSIP number which are different from the common code and ISIN or CUSIP number assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Issue and Paying Agent to the relevant Dealer or, in the case of a syndicated issue, the lead manager) after the completion of the distribution of the Notes of such Tranche.

Notes which are represented by a Global Note will be transferable only in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case, to the extent applicable.

## **2. Notices**

For so long as all of the Notes of a Series are represented by either (i) a Temporary Global Note and/or a Permanent Global Note or (ii) one or more Registered Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, notices to Holders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by Condition 14 provided that, so long as such Notes are listed on a stock exchange or admitted to listing by another relevant authority, such stock exchange or other relevant authority so agrees. Any such notice shall be deemed to have been given to the Holders on the seventh day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC (as the case may be) as aforesaid.

## **3. Accountholders**

For so long as all of the Notes of a Series are represented by either (i) a Temporary Global Note and/or a Permanent Global Note or (ii) one or more Registered Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg or DTC as the holder of a particular nominal amount of such Notes (each an "Accountholder") (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg and/or DTC (as the case may be) as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such nominal amount of such Notes for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Holders) other than with respect to the payment of principal and interest on such nominal amount of such Notes and, in the case of DTC or its nominee, voting, giving consents and making requests, the rights to which shall be vested, as against the relevant Issuer, where the relevant Issuer is Prudential Finance, Prudential, and the Trustee, solely in the bearer of the relevant Temporary Global Note or, as the case may be, Permanent Global Note or, as the case may be, the registered holder of the Registered Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg or DTC, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

#### **4. Prescription**

Claims against the relevant Issuer and, where the relevant Issuer is Prudential Finance, Prudential, in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8).

#### **5. Cancellation**

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Issue and Paying Agent of the reduction in the nominal amount of the relevant Global Note on the relevant schedule thereto.

#### **6. Investor Put**

For so long as all of the Notes are represented by either (i) a Temporary Global Note and/or a Permanent Global Note or (ii) one or more Registered Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, the option of the Holders provided for in Condition 7.7 may be exercised by the Accountholders giving a duly completed redemption notice in the form obtainable from any of the Paying Agents to the Issue and Paying Agent of the nominal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Issue and Paying Agent for notation accordingly within the time limits set forth in that Condition. Such redemption notices shall be given in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg and/or DTC (as the case may be).

#### **7. Issuer Call**

For so long as all of the Notes are represented by either (i) a Temporary Global Note and/or a Permanent Global Note or (ii) one or more Registered Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, no drawing (if applicable) of Notes will be required under Condition 7.5 in the event that the relevant Issuer exercises its call option pursuant to Condition 7.5 in respect of less than the aggregate nominal amount of the Notes outstanding at such time. In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg and/or DTC shall operate to determine which interests in the Global Note(s) are to be subject to such option.

#### **8. Euroclear, Clearstream, Luxembourg and DTC**

References herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall be deemed to include references to any other clearing system specified in the relevant Pricing Supplement or as may otherwise be approved by the relevant Issuer, the Issue and Paying Agent and the Trustee.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that Prudential and Prudential Finance believe to be reliable, but none of Prudential and Prudential Finance nor any Dealer takes any responsibility for the accuracy thereof. Holders wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of Prudential and Prudential Finance nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### Book-entry System

Registered Notes sold in reliance on Rule 144A under the Securities Act, whether as part of the initial distribution of the Investments or in the secondary market, are eligible to be held in book-entry form in DTC. DTC has advised Prudential and Prudential Finance that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry charges in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules") DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("DTC Notes") as described below and receives and transmits distributions of principal and interest on DTC Notes. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("Owners") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an omnibus proxy to the relevant Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the relevant Issuer or where the relevant Issuer is Prudential Finance, Prudential, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the relevant Issuer, the disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "Subscription and Sale".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

#### **Book-entry Ownership of Notes represented by a Registered Global Note**

Prudential will apply to DTC in order to have each Tranche of Notes represented by Registered Global Notes accepted in DTC's book-entry settlement system. Upon the issue of any Registered Global Notes, DTC or its customers will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in a Registered Global Note will be limited to Direct Participants or Indirect Participants including the respective depositaries of Euroclear and Clearstream, Luxembourg, ownership of beneficial interests in a Registered Global Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

The custodian with whom a Registered Global Note is deposited (the "Custodian") and DTC will electronically record the nominal amount of Notes represented by a Registered Global Note held within the DTC system. Prior to the expiration of the Distribution Compliance Period applicable to each Tranche of Notes, investors may hold Regulation S Notes represented by a Registered Global Note only through Clearstream, Luxembourg or Euroclear. Thereafter, investors may hold such Notes through Direct Participants and Indirect Participants. Clearstream, Luxembourg and Euroclear will hold Notes represented by a Registered Global Note on behalf of their respective accountholders through customers' securities accounts in the name of their respective depositaries, which in turn will hold such interests in the Registered Global Notes in customers' securities accounts in the depositaries' names, as shown in the records of DTC. Investors may hold Notes represented by a Rule 144A Global Note through Direct Participants and Indirect Participants.

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC's nominees and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Notes in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

DTC customarily credits accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants to beneficial owners of Notes are customarily governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or Prudential. Payments of principal, premium, if any, and interest, if any on Notes to DTC are the responsibility of the relevant Issuer.

Application will be made to Euroclear and Clearstream, Luxembourg on behalf of Prudential in order to have Tranches of Notes represented by Registered Global Notes accepted in their respective book-entry settlement systems.

#### **Transfers of Notes Represented by Registered Global Notes**

Transfers of any interests in Notes represented by a Registered Global Note will be effected in accordance with the customary rules and operating procedures of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Note through a direct or indirect participant in the DTC system.

#### **Secondary Trading, Same-Day Settlement and Payment**

All payments made by Prudential with respect to Registered Notes registered in the name of Cede & Co. as nominee of DTC, will be passed through to DTC in same-day funds. In relation to any secondary market trading, since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## **Trading Within Same Clearing System**

### *Trading within DTC*

If neither the seller nor the purchaser of Notes represented by a Registered Global Note holds or will receive, as the case may be, such Notes through a participant in the DTC system acting on behalf of Euroclear or Clearstream, Luxembourg, the trade will settle in same-day funds and in accordance with the rules, regulations and procedures of DTC.

### *Trading within Euroclear or Clearstream, Luxembourg*

Transfers between accountholders in Euroclear and Clearstream, Luxembourg will be effected in accordance with their respective rules and customary operating procedures.

## **Trading between Clearing Systems**

### *Trading between a Euroclear or Clearstream, Luxembourg seller and a DTC purchaser*

Due to time zone differences in their favour, Euroclear and Clearstream, Luxembourg accountholders may employ customary procedures for transactions in which Notes represented by a Registered Global Note are to be transferred by Euroclear or Clearstream, Luxembourg to a participant in the DTC system. The Seller will send instructions to Euroclear or Clearstream, Luxembourg through a Euroclear or Clearstream, Luxembourg accountholder at least one business day prior to settlement. In these cases, Euroclear or Clearstream, Luxembourg will instruct its respective depository to deliver interests in a Registered Global Note to a participant's account against payment. Payment will include interest (if any) accrued on such Notes from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. Such payment will then be reflected in the account of the Euroclear or Clearstream, Luxembourg accountholder the following business day, and receipt of cash proceeds in the Euroclear or Clearstream, Luxembourg accountholders' account will be back-valued to the value date (which would be the preceding business day on which settlement occurred in New York). Should the Euroclear or Clearstream, Luxembourg accountholder have a line of credit for its account, the back-valuation will extinguish any overdraft charges incurred during such one-day period. If settlement is not completed on the intended value date (i.e. the trade fails), receipt of cash proceeds in the Euroclear or Clearstream, Luxembourg accountholders' account would be valued instead as of the actual settlement date.

### *Trading between a DTC seller and a Euroclear or Clearstream, Luxembourg purchaser*

When interests in a Registered Global Note are to be transferred from the account of a participant to the account of a Euroclear or Clearstream, Luxembourg accountholder, the purchaser will send instructions to Euroclear or Clearstream, Luxembourg through a Euroclear or Clearstream, Luxembourg accountholder, as the case may be, at least one business day prior to settlement. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct its respective depository to receive such Notes against payment. Payment will include interest (if any) accrued on such interests in the Note from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. Payment will then be made by the depository to the participant's account against delivery of the interests in such Notes. After settlement has been completed, the interests in such Notes will be credited to and by Euroclear or Clearstream, Luxembourg, as the case may be, in accordance with their respective customary procedures, to the appropriate accountholders' account. Such Notes will be credited the next day (Central European Time), and the cash debit will be back-valued to, and any interest on such Notes will accrue from (and including) the value date (which would be the preceding day on which settlement occurred in New York). If settlement is not completed on the intended value date (i.e. the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will instead be valued as of the actual settlement date.

Day traders that use Euroclear or Clearstream, Luxembourg to purchase interests in a Regulation S Global Note from participants for delivery to Euroclear or Clearstream, Luxembourg accountholders should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:



- (i) borrowing through Euroclear or Clearstream, Luxembourg for one day (until the purchase side of the day trade is reflected in their Euroclear or Clearstream, Luxembourg accounts) in accordance with the customary procedures of Euroclear or Clearstream, Luxembourg;
- (ii) borrowing such Notes in the United States from a participant no later than one day prior to settlement, which would give such Notes sufficient time to be reflected in their Euroclear or Clearstream, Luxembourg accounts in order to settle the sell side of the trade; or
- (iii) staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the participant occurs at least one day prior to the value date for the sale to the Euroclear or Clearstream, Luxembourg accountholder.

Euroclear or Clearstream, Luxembourg accountholders will need to make available to Euroclear or Clearstream, Luxembourg as the case may be, the funds necessary to process the same-day funds settlement, either from cash on-hand or existing lines of credit, as Euroclear or Clearstream, Luxembourg participants would for any settlement occurring within the Euroclear or Clearstream, Luxembourg system. Under this approach, Euroclear or Clearstream, Luxembourg participants may take on credit exposure to Euroclear or Clearstream, Luxembourg, as the case may be, until the Notes are credited to their accounts one day later.

Alternatively, if Euroclear or Clearstream, Luxembourg has extended a line of credit to a Euroclear or Clearstream, Luxembourg accountholder, as the case may be, such accountholder may elect not to pre-position funds and allow such credit line to be drawn upon to finance settlement. Under this procedure, Euroclear or Clearstream, Luxembourg accountholders purchasing interests in a Registered Global Note held in the DTC system would incur overdraft charges for one day, assuming that they have cleared such overdraft when such interests have been credited to their accounts. However, any interest on such Notes would accrue from the value date. In many cases, the investment income on the Notes held in the DTC system earned during such one-day period may substantially reduce or offset the amount of such overdraft charges.

Since settlement takes place during New York business hours, participants can employ their customary procedures for transferring Notes represented by a Registered Global Note to respective depositories of Euroclear or Clearstream, Luxembourg for the benefit of Euroclear or Clearstream, Luxembourg accountholders. The sale proceeds will be available to the DTC seller on the settlement date. To the participants, a cross-market transaction will settle no differently from a trade between participants.

Secondary trading in long-term notes and debentures of corporate issuers is generally settled using clearing-house or next-day funds. In contrast, Notes represented by a Registered Global Note held through direct or indirect participants will trade through DTC's Same-Day Funds Settlement System until the earliest to occur of the maturity date or the redemption date, and secondary market trading activity in such Notes will therefore settle in immediately available funds. No assurance can be given as to the effect, if any, of settlements in immediately available funds on trading activities in respect of such Notes.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of Prudential, the Agents and any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

While Registered Global Notes are lodged with DTC or its custodian, Notes evidenced by certificates in definitive form will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear system.

## FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

Issue of

**[Aggregate Nominal Amount of Tranche]  
[Title of Notes]**

[Guaranteed by Prudential plc]<sup>(1)</sup>

**under the Prudential plc and Prudential Finance (UK) plc  
£5,000,000,000 Medium Term Note Programme**

[The Notes constitute [commercial paper/shorter term debt securities/longer term debt securities]<sup>(2)</sup> issued in accordance with regulations made under section 4 of the Banking Act 1987. The Issuer of the Notes is not an authorised institution or a European authorised institution (as such terms are defined in the Banking Act 1987 (Exempt Transactions) Regulations 1997). Repayment of the principal and payment of any interest or premium in connection with the Notes has [not been guaranteed]<sup>(3)</sup> [been guaranteed by Prudential plc, which is not an authorised institution or a European authorised institution].<sup>(1)</sup><sup>(4)</sup>

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated 22nd November, 2001. This Pricing Supplement is supplemental to and must be read in conjunction with such Information Memorandum.

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]*

- |    |  |   |
|----|--|---|
| 1. | [(i)] Issuer:<br>[(ii)] Guarantor:   | [Prudential plc/Prudential Finance (UK) plc]<br>Prudential plc]   |
| 2. | (i) Series Number:<br>(ii) Tranche Number:   | [ ]<br>[ ]<br><i>[If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible]</i> |
| 3. | Specified Currency or Currencies:  | [ ]   |
| 4. | Aggregate Nominal Amount:<br>– Tranche:<br>– Series:   | [ ]<br>[ ]<br>[ ]   |
| 5. | (i) Issue Price of Tranche:<br>(ii) Net proceeds:  | [ ] per cent. of the Aggregate Nominal Amount<br>[plus accrued interest from [ ]]<br>[ ] <i>(Required only for listed issues)</i>         |
| 6. | Specified Denominations:<br>(i) Issue Date [and Interest Commencement Date]:<br>[(ii) Interest Commencement Date (if different from the Issue Date): | [ ]<br>[ ]<br>[ ]   |

- (1) Delete where Prudential is the Issuer.  
 (2) Include "commercial paper" if Notes must be redeemed before their first anniversary. Include "shorter term debt securities" if Notes may not be redeemed before their first anniversary but must be redeemed before their third anniversary. Include "longer term debt securities" if Notes may not be redeemed before their third anniversary.  
 (3) Delete where Prudential Finance is the Issuer.  
 (4) Unless otherwise permitted, text to be included for all Notes, (including Notes denominated in Sterling) in respect of which the issue proceeds are accepted on or prior to 30th November, 2001 by the Issuer in the United Kingdom.

7. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]
8. Interest Basis: [[ ] per cent. Fixed Rate]  
[[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[specify other]  
(further particulars specified below)
9. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[specify other]
10. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
11. Put/Call Options: [Investor Put]  
[Issuer Call]  
(further particulars specified below)]
12. [(i)] Status of the Notes: [Senior Notes/Dated Subordinated Notes/Undated Subordinated Notes]  
(NB: Only Prudential may issue Subordinated Notes)
- [(ii)] Status of Guarantee: Senior Guarantee]
13. Listing: [London/specify other/None]
14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. Fixed Rate Note Provisions [Applicable/Not Applicable]  
(if not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate[(s)] of Interest: [ ] per cent. per annum  
[ ] payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Fixed Coupon Amount(s): [ ] per [ ] in nominal amount
- (iv) Broken Amount(s): [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]
- (v) Day Count Fraction: [30/360 or Actual/Actual (ISMA) or specify other]
- (vi) Determination Date(s): [ ] in each year  
[Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates]  
(NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA))

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]

16. Floating Rate Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Specified Period(s)/ Specified Interest Payment Dates: [ ]
  - (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/  
[specify other]]
  - (iii) Additional Business Centre(s): [Not Applicable/give details]
  - (iv) Manner in which the Rates of Interest and Interest Amount is/are to be determined: [Screen Rate Determination/ISDA Determination/ specify other]
  - (v) Party responsible for calculating the Rates of Interest and Interest Amounts (if not the Issue and Paying Agent): [ ]
  - (vi) Screen Rate Determination:
    - Reference Rate: [ ]  
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions)
    - Interest Determination Date(s): [ ]  
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
    - Relevant Screen Page: [ ] (In the case of EURIBOR, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
  - (vii) ISDA Determination:
    - Floating Rate Option [ ]
    - Designated Maturity: [ ]
    - Reset Date: [ ]
  - (viii) Margin(s): [+/-] [ ] per cent. per annum
  - (ix) Minimum Rate of Interest: [ ] per cent. per annum
  - (x) Maximum Rate of Interest: [ ] per cent. per annum
  - (xi) Day Count Fraction: [Actual/365 or Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
Other]

- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
17. Zero Coupon Notes Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]  
(Consider applicable day count fraction if euro denominated)
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.8 and 7.13 apply [specify other]]
18. Index Linked Interest Notes Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the principal and/or interest due: [ ]
- (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ]
- (iv) Specified Period(s)/ Specified Interest Payment Dates: [ ]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vi) Additional Business Centre(s): [ ]
- (vii) Minimum Rate of Interest: [ ] per cent. per annum
- (viii) Maximum Rate of Interest: [ ] per cent. per annum
- (ix) Day Count Fraction: [ ]
19. Dual Currency Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

20. (a) Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
- (iii) If redeemable in part: [ ]
- (a) Minimum Redemption Amount: [ ]
- (b) Higher Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ]
- (b) Issuer Call due to Capital Disqualification Event: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*(This can only apply for Subordinated Notes)*
- (i) Special Redemption Amount(s) and method (if any) of calculation of such amount(s): [ ]
- (ii) Notice Period (if other than as set out in the Conditions): [ ]
21. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
- (iii) Notice period (if other than as set out in the Conditions): [ ]
22. Final Redemption Amount: [Par/specify other/see Appendix]
23. Early Redemption Amount(s) payable on redemption for taxation reasons (where applicable) or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [ ]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

24. Form of Notes: [Bearer Notes:  
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 30 days' notice given at any time/ only upon an Exchange Event]  
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]  
[Permanent Global Note exchangeable for Definitive Notes on 30 days' notice given at any time/only upon an Exchange Event]]  
[Registered Notes:

Regulation S Global Note held by common depository for Euroclear and Clearstream, Luxembourg/Rule 144A Global Note held by a custodian for DTC (specify nominal amounts) in each case exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event]

*(Registered Notes may only be issued by Prudential)*

25. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details]  
*(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(iii) and 18(vi) relate)*
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and if different from those specified in the Temporary Global Notes the consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
28. Details relating to Instalment Notes:  
Instalment Amount(s): [Not Applicable/give details]  
Instalment Date(s): [Not Applicable/give details]
29. Redenomination applicable: Redenomination [not] applicable  
*(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Pricing Supplement)*
30. Other terms or special conditions: [Not Applicable/give details]

**DISTRIBUTION**

31. (i) If syndicated, names of Managers: [Not Applicable/give names]  
(ii) Stabilising Manager (if any): [Not Applicable/give name]
32. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
33. Whether 144A eligible/TEFRA D or TEFRA C Rules applicable or TEFRA not applicable: [144A eligible/TEFRA D/TEFRA C/TEFRA not applicable]
34. Additional selling restrictions: [Not Applicable/give details]

**OPERATIONAL INFORMATION**

35. Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
36. Delivery: Delivery [against/free of] payment
37. Additional Paying Agent(s) (if any): [ ]  
[ISIN\CUSIP]: [ ]  
Common Code: [ ]

38. U.S. Taxation:

[Not Applicable/give details]

(NB: appropriate U.S. taxation disclosure should be provided in the event of an issue of Notes of which all or a portion thereof will be offered or sold to, or for the account or benefit of, a U.S. person)

[39. [Notes issued before Section 19 of the Financial Services and Markets Acts 2000 is brought into force and in respect of which the issue proceeds are accepted by the Issuer in the United Kingdom and which are to be listed. The text set out below may be deleted if the Issuer is relying on any of Regulation 13(4)(c) to (g)]

The Issuer confirms that it:

- (a) has complied with its obligations under the relevant rules (as defined in the Banking Act 1987 (Exempt Transactions) Regulations 1997) in relation to the admission to and continuing listing of the Programme and of any previous issues made under it and listed on the same exchange as the Programme;
- (b) will have complied with its obligations under the relevant rules in relation to the admission to listing of such notes by the time such Notes are so admitted; and
- (c) has not, since the last publication, if any, in compliance with the relevant rules of information about the Programme, any previous issues made under it and listed on the same exchange as the Programme, or the Notes, having made all reasonable enquiries, become aware of any change in circumstances which could reasonably be regarded as significantly and adversely affecting its ability to meet its obligations as Issuer in respect of the Notes as they fall due.]

#### [LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the £5,000,000,000 Medium Term Note Programme of Prudential plc and Prudential Finance (UK) plc]

#### RESPONSIBILITY

The Issuer [and Guarantor]\* accept(s) responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

[Signed on behalf of the Guarantor

By:.....

*Duly authorised*

By:.....

*Duly authorised]\**

\* Delete where the Issuer is Prudential plc.



## PRUDENTIAL plc

### Introduction

Prudential plc is the parent company of the Prudential group ("Prudential"). Prudential is a leading international financial services group, providing retail financial services and fund management in its chosen markets of the United Kingdom, the United States, Asia and continental Europe. At 31st December, 2000, Prudential was one of the 20 largest public companies in the United Kingdom in terms of market capitalisation on the London Stock Exchange. Prudential is not affiliated with Prudential Insurance Company of America.

Prudential continues to pursue its strategy of concentrating on the provision of retail financial services and fund management in its chosen markets. 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 operation.

In 1986, Prudential acquired Jackson National Life Insurance Company, a US insurance company. The acquisition of Scottish Amicable in 1997 increased Prudential's UK distribution capability through the intermediary channel. In 1998, Prudential launched Egg, a leading e-commerce retail financial services provider, and in 1999, Prudential acquired M&G Group PLC ("M&G"), a leading UK fund manager. In recent years, Prudential has also expanded its operations in Asia and continental Europe. In June 2000, Prudential was listed on the New York Stock Exchange and completed an initial public offering of 21% of its holding in Egg plc on the London Stock Exchange.

Key financial data for the year ended 31st December, 2000 (with comparatives for the half year ended 30th June, 2001), for the Prudential group include the following:

Gross premiums written from long-term insurance products and investment products of £14.2 (£7.8) billion and £3.6 (£4.0) billion respectively.

Insurance and investment funds under management at 31st December, 2000 of £165 (£168) billion. These funds are managed by M&G in the UK, Prudential Portfolio Managers America, and Prudential Portfolio Managers Asia.

Operating profit before amortisation of goodwill and merger break fee, net of related expenses, was £840 (£362) million on the statutory basis of reporting and £1,029 (£653) million on the achieved profits basis provided by listed UK insurers as supplementary information.

In March 2001 Prudential entered into a merger agreement with American General Corporation, a US investment, life insurance, and consumer finance group. On 11th May, following the termination of the merger and in accordance with the terms of the agreement, a fee of \$600 (£423) million was paid to Prudential by American General. After deducting employment costs incurred as a consequence of the proposed merger for Prudential's US operations, advisor costs and other directly related expenses of £85 million, an exceptional item of £338 million has been accounted for in the Prudential group's total profit before tax for the six months to 30th June, 2001.

Shareholders' funds at 31st December, 2000 were £4,020 (£4,386) million on the statutory basis and £8,833 (£9,104) million on the achieved profits basis.

### United Kingdom

At 31st December, 2000 Prudential was the proprietor of the largest UK long-term fund of investment assets supporting long-term insurance products. This fund was rated AAA by Standard & Poor's in terms of financial strength. Prudential was also a top three manager of unit trust, PEP and ISA business in terms of funds under management and a leading e-commerce retail financial services provider.

In 2000, total revenue premiums from long-term insurance business in the UK were £7,708 million whilst investment products and general home and motor business contributed a further £1,328 million and £333 million respectively. M&G had £130 billion of funds under management at 31st December, 2000. These funds represent £106 billion of internal funds (of which £90 billion relates to the Prudential Assurance long-term fund), £6 billion of institutional funds, and £18 billion of retail funds. Egg had £7.4 billion of banking business liabilities.

In February 2001 Prudential announced changes to its UK direct sales and customer service operations. These changes included the closure of the direct sales force, and an expanded service offering through remote channels such as the telephone, the internet and the workplace.

On 2nd November, 2001 Prudential announced the disposal of its general home and motor business and further changes to its UK long-term business operations. These changes included greater focus on high growth products and strong distribution channels and a simplification of the organisational structure.

### **United States of America**

As at 31st December, 2000, Prudential's life insurance subsidiary in the USA, Jackson National Life ("JNL") was the 20th largest life insurance company in the United States in terms of total assets, and the fifth largest provider of individual fixed annuities, the third largest provider of equity indexed annuities, and the 20th largest provider of variable annuities. JNL was also at 31st December, 2000 a top ten provider of stable value products in terms of in force liabilities and rated AAA by Standard & Poor's and A+ by A.M. Best Co in terms of financial strength rating.

In 2000, total revenue premiums in the USA were £5,223 million.

### **Asia**

In Asia, Prudential now has operations in twelve countries. The savings, protection and investment products it offers in Asia are tailored to the local markets in which it operates. Prudential is the largest UK based life insurer in Asia. Prudential distributes its products primarily through its agency sales forces and through bancassurance arrangements, including Standard Chartered Bank, and through banks and brokers for investment products in India.

At 31st December, 2000 Prudential was, in terms of new regular premium business, the second largest life insurance company in Malaysia and the fourth largest life insurance company in Hong Kong. Prudential was also the second largest life insurance company in Singapore in terms of new weighted premium business.

In 2000 total revenue premiums from long-term insurance business and investment products were £1,076 million and £2,259 million respectively.

In February 2001 Prudential acquired Orico Life Insurance Company of Japan for £139 million. In October 2001 Prudential announced the acquisition of YoungPoong Life of Korea for £20 million.

### **Europe**

In Europe, Prudential currently offers life insurance and pension products in Germany and a single premium savings product in France. Prudential has also entered into non-exclusive strategic distribution agreements with leading local distributors in both France and Germany.

In 2000 total revenue premiums from European business were £166 million.

### **Contingencies**

#### *Litigation*

Proceedings have been issued against Prudential Assurance by a policyholder. These proceedings relate to the surplus assets in Prudential Assurance's long-term fund and they essentially ask the Court to decide whether and, if so, to what extent the surplus assets should be paid out to or applied for the benefit of policyholders and/or shareholders.

Jackson National Life has been named in civil proceedings, which appear to be substantially similar to other class litigation brought against many life insurers alleging misconduct in the sale of insurance products. In addition, Jackson National Life is a defendant in several individual actions that involve similar issues. At this time, it is not possible to make a meaningful estimate of the amount or range of loss, if any, that could result from an unfavourable outcome in such actions.

The Company and its subsidiaries are involved in other litigation arising in the normal course of business. Whilst the outcome of such matters cannot be predicted with certainty, management believe that the ultimate outcome of such litigation will not have a material adverse effect on the Group's financial condition, results of operations or cash flows.

#### *Pension Mis-selling*

The costs associated with the review of pension mis-selling in the UK have been met from the free assets of the long-term fund of Prudential Assurance. Given the strength of the long-term fund, management are of the opinion that charging the costs to the free assets of the fund will not have an adverse effect on the level of bonuses paid to policyholders or on their reasonable expectations. In the unlikely event of this proving not to be the case, management's intention would be that an appropriate contribution to the long-term fund would be made from shareholders' funds. In view of the uncertainty, it is not practicable to estimate the level of the potential contribution. At 31st December, 2000 the pension mis-selling liability held within the long-term fund was £1,475 million.

#### *Guarantees*

Guarantee funds in both the UK and US provide for payments to be made to policyholders on behalf of insolvent life insurance companies. These guarantee funds are financed by payments assessed on solvent insurance companies based on location, volume and types of business. The Group has estimated its reserve for future guarantee fund assessments for Jackson National Life to be £38 million at 31st December, 2000. Similar assessments for the UK and Asian businesses were not significant.

Jackson National Life offers synthetic guaranteed investment contracts to group customers including pension funds and other institutional organisations. These contracts represent an off-balance sheet fee-based product where the customer retains ownership of the assets related to these contracts and Jackson National Life guarantees each contractholder's obligations to its own members in respect of these assets. The values of these guarantees were £24 million at 30th September, 2000.

The Group has provided other guarantees and commitments to third parties entered into in the normal course of business but management do not consider that the amounts involved are significant.

#### **Directors**

The Directors of Prudential, each of whose address is Laurence Pountney Hill, London, EC4R 0HH, their functions within Prudential and their principal outside activities of significance are as follows:

#### **Executive Directors**

Jonathan Bloomer FCA

Director and Group Chief Executive. Non-Executive Director of Egg plc. Non-Executive Director of Railtrack Group plc. Member of the Urgent Issues Task Force Committee of the Accounting Standards Board.

Philip Broadley FCA

Group Finance Director.

Keith Bedell-Pearce

Director and E-Commerce Director.

Michael McLintock

Director. Chief Executive of M&G.

Mark Tucker

Director. Chief Executive of Prudential Corporation Asia.

Mark Wood

Director. Chief Executive of UK and European insurance operations.

## Non-Executive Directors

Sir Roger Hurn	Chairman, Deputy Chairman of GlaxoSmithKline plc. Non-Executive Director of Imperial Chemical Industries PLC. Chairman of the Court of Governors at the Henley Management College.
Sir David Barnes CBE	Director. Deputy Chairman of AstraZeneca plc. Non-Executive Deputy Chairman of Syngenta AG. Non-Executive Chairman of Imperial Cancer Research Technology Ltd. Member of the Board of Trustees, British Red Cross Society.
Ann Burdus	Director. Non-Executive Director of Next plc. Council Member of the Institute of Directors.
Roberto Mendoza	Director. Non-Executive Chairman of Egg plc. Non-Executive Director of ACE Limited, Reuters Group PLC and Vitro SA. A managing director of Goldman Sachs.
Rob Rowley	Director. Director of Reuters Group Plc and Chief Executive of Reuterspace division.
Sandy Stewart	Director. Chairman of Murray Extra Return Investment Trust Plc and of Scottish Amicable (supervisory) Board.

## CAPITALISATION OF PRUDENTIAL plc

The following table sets out Prudential's consolidated shareholders' equity and indebtedness at 31st December, 2000 and at 30th June, 2001. The figures at 30th June, 2001 were prepared using the same accounting policies as were used in the 2000 statutory accounts. The auditors' report on those accounts was not qualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

	<i>31st December, 2000 (audited) £m</i>	<i>30th June, 2001 (unaudited) £m</i>
<b>Capital</b>		
Called up Share Capital <sup>(1)</sup>	99	100
Total Shareholders' Equity	4,020	4,386
<b>Indebtedness</b>		
Financing borrowings – falling due within one year	397	243
Financing borrowings – due after more than one year	1,338	1,354
Total financing borrowings <sup>(2)</sup>	1,735	1,597
Operating borrowings <sup>(2)</sup>	246	864
Total indebtedness	1,981	2,461

### Notes

- (1) The authorised share capital of Prudential plc consists of 2,400 million ordinary shares of 5p each. At 30th June, 2001 1,991,352,052 shares were issued and fully paid.
- (2) Financing borrowings relate to borrowings which the Group considers form part of either the parent company's or its subsidiary company's capital structure while operating borrowings relate to borrowings that arise in the normal course of business.
- (3) The borrowings referred to in note 2 above are secured, unsecured, guaranteed or unguaranteed as detailed and set out in the notes to the Consolidated Borrowings table on pages 62 to 64.
- (4) At 30th June, 2001 Prudential plc had contingent liabilities in respect of insurance and other agreements entered into in the normal course of business and in respect of litigation arising therefrom but the directors do not expect the outcome from these issues to have a material adverse effect on the Group's financial position.
- (5) Total shareholders' equity at 30th September, 2001 is estimated to be £4,327m. The reduction from 30th June, 2001 is due to the fact that operating profit after tax is more than offset by adverse foreign exchange and investment gain movements.
- (6) At 30th September, 2001 total financing borrowings were £1,716m and operating borrowings were £1,722m. The increase in financing borrowings is principally due to funding business operations. There are two main reasons for the increase in operating borrowings. Firstly, Prudential plc had issued short-term commercial paper and on-lent the proceeds to Prudential Finance (UK) plc to purchase higher yielding short-term investments. Secondly, certain long-term business funds had bank overdrafts at the Group's main UK banker arising from normal daily pooling arrangements. On 31st October, 2001, Prudential plc issued US\$300m short-term commercial paper to finance the repayment of the 8.25% Bonds that matured on the same day.
- (7) The Group's direct exposure to the events in the United States of 11th September, 2001 is not expected to exceed US\$1m (£0.7m).
- (8) On 2nd November, 2001 the Group announced the disposal of its general home and motor business for £353m and further changes to its UK long-term business operations. The disposal of the general home and motor business is expected to take place in the first quarter of 2002. The UK long-term business changes are estimated to result in a cost of £55m against statutory basis pre-tax profit of which £35m will be charged in 2001 and £10m in both 2002 and 2003.
- (9) Other than as set out above and on pages 62 to 64, there has been no material change in the indebtedness, capitalisation or contingent liabilities of the Group since 30th June, 2001.

CONSOLIDATED BORROWINGS OF PRUDENTIAL plc

	<i>Central borrowings (£ million)</i>	<i>Long-term business operations (£ million)</i>	<i>Investment subsidiaries (£ million)</i>	<i>Total (£ million)</i>
<b>31st December, 2000 (audited)</b>				
Financing borrowings				
US\$300 million 8.25% Guaranteed Bonds 2001	201			201
US\$250 million 7.125% Bonds 2005	167			167
£150 million 9.375% Guaranteed Bonds 2007	150			150
£250m 5.5% Bonds 2009	250			250
£300 million 6.875% Bonds 2023	300			300
US\$250 million 8.15% Surplus Notes 2027		167		167
£250m 5.875% Bonds 2029	250			250
Bank loans and overdrafts repayable on demand	20			20
Commercial paper 2001	176			176
Floating Rate Guaranteed Unsecured Loan Notes 2004	54			54
<b>Total financing borrowings</b>	<b>1,568</b>	<b>167</b>	<b>0</b>	<b>1,735</b>
Operating borrowings				
Secured senior and subordinated debt issued by investment subsidiaries			126	126
£100 million 8.5% undated subordinated Guaranteed Bonds		100		100
Bank loans and overdrafts repayable on demand	20			20
<b>Total operating borrowings</b>	<b>20</b>	<b>100</b>	<b>126</b>	<b>246</b>
<b>Total borrowings</b>	<b>1,588</b>	<b>267</b>	<b>126</b>	<b>1,981</b>
<b>30th June, 2001 (unaudited)</b>				
Financing borrowings				
US\$300 million 8.25% Guaranteed Bonds 2001	213			213
US\$250 million 7.125% Bonds 2005	177			177
£150 million 9.375% Guaranteed Bonds 2007	150			150
£250m 5.5% Bonds 2009	250			250
£300 million 6.875% Bonds 2023	300			300
US\$250 million 8.15% Surplus Notes 2027		178		178
£250m 5.875% Bonds 2029	250			250
Bank loans and overdrafts repayable on demand				0
Commercial paper 2001	30			30
Floating Rate Guaranteed Unsecured Loan Notes 2004	49			49
<b>Total financing borrowings</b>	<b>1,419</b>	<b>178</b>	<b>0</b>	<b>1,597</b>
Operating borrowings				
Secured senior and subordinated debt issued by investment subsidiaries			97	97
£100 million 8.5% undated subordinated Guaranteed Bonds		100		100
£125 million 6.875% subordinated Notes 2021		125		125
Bank loans and overdrafts repayable on demand	31			31
Commercial paper 2001	511			511
<b>Total operating borrowings</b>	<b>542</b>	<b>225</b>	<b>97</b>	<b>864</b>
<b>Total borrowings</b>	<b>1,961</b>	<b>403</b>	<b>97</b>	<b>2,461</b>

	<i>Central borrowings (£ million)</i>	<i>Long-term business operations (£ million)</i>	<i>Investment subsidiaries (£ million)</i>	<i>Total (£ million)</i>
<b>30th September, 2001 (unaudited)</b>				
<b>Financing borrowings</b>				
US\$300 million 8.25% Guaranteed Bonds 2001	204			204
US\$250 million 7.125% Bonds 2005	170			170
£150 million 9.375% Guaranteed Bonds 2007	150			150
£250m 5.5% Bonds 2009	250			250
£300 million 6.875% Bonds 2023	300			300
US\$250 million 8.15% Surplus Notes 2027		170		170
£250m 5.875% Bonds 2029	250			250
Bank loans and overdrafts repayable on demand	15			15
Commercial paper 2001	137			137
Commercial paper 2002	24			24
Floating Rate Guaranteed Unsecured Loan Notes 2004	46			46
<b>Total financing borrowings</b>	<b>1,546</b>	<b>170</b>	<b>0</b>	<b>1,716</b>
<b>Operating borrowings</b>				
Secured senior and subordinated debt issued by investment subsidiaries			130	130
£100 million 8.5% undated subordinated Guaranteed Bonds		100		100
£125 million 6.875% subordinated Notes 2021		125		125
Bank loans and overdrafts repayable on demand	39	353		392
Commercial paper 2001	659			659
Commercial paper 2002	316			316
<b>Total operating borrowings</b>	<b>1,014</b>	<b>578</b>	<b>130</b>	<b>1,722</b>
<b>Total borrowings</b>	<b>2,560</b>	<b>748</b>	<b>130</b>	<b>3,438</b>

Notes:

1. Financing borrowings are borrowings which the Group considers form 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.
2. All borrowings are unsecured with the exception of certain senior and subordinated debt issued by investment subsidiaries which is secured as described in note 7 below.
3. The 8.25% Bonds 2001, the 9.375% Bonds 2007 and the Floating Rate Loan Notes 2004 have been issued by financing subsidiaries of the Group and are guaranteed by Prudential plc. The 8.5% undated Bonds have been issued by Scottish Amicable Finance plc, a subsidiary of the Scottish Amicable Insurance Fund of The Prudential Assurance Company Limited, and are guaranteed by that Fund.
4. References to "US\$" are to the currency of the United States of America. Borrowings denominated in US\$ have been translated at US\$1.4938, US\$ 1.4064 and US\$1.4697 to £1, being the exchange rates ruling at 31st December, 2000, 30th June, 2001 and 30th September, 2001 respectively.
5. The US \$300 million 8.25% Guaranteed Bonds 2001 were repaid on maturity on 31st October, 2001. The repayment was financed by the issue of additional Commercial Paper.
6. The Floating Rate Guaranteed Unsecured Loan Notes 2004 were issued in 1999 as part of the acquisition consideration for M&G Group.
7. The senior debt issued by investment subsidiaries is secured on the investments held by those subsidiaries. The interests of the holders of the subordinated debt issued by the subsidiaries are subordinate to the entitlements of the holders of the senior debt. In addition the Group manages investment companies with liabilities of £1,030m, £1,302m and £1,245m at 31st December, 2000, 30th June, 2001 and 30th September, 2001 respectively relating to debt instruments issued to external parties. In all cases the holders of the instruments do not have recourse beyond the assets of the subsidiaries.
8. 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.

9. The interests of the holders of the £125 million 6.875% subordinated Notes 2021 issued by Egg plc, are subordinate to the entitlements of Egg's other creditors.
10. At 30th September, 2001 certain long-term business funds within the Group's UK Insurance Operations had overdrafts at the Group's main UK banker of £353m. These overdrafts arose from the normal daily pooling arrangements with the banker whereby the net balance of all bank accounts participating in these arrangements are managed to zero and the surplus placed on deposit on behalf of the long-term funds. Those funds with overdrafts at 30th September had bank deposits totalling £1,250m on the same day.
11. At 30th September, 2001 Jackson National Life had obligations under sale and repurchase agreements of £390m. Corresponding figures at 30th June, 2001 and at 31st December, 2000 respectively were £501m and £733m.
12. Jackson National Life has entered into a programme of funding arrangements under contracts, which, in substance, are almost identical to Guaranteed Investment Contracts. At 30th September, 2001 the liabilities under these arrangements were £2,903m. Corresponding figures at 30th June, 2001 and at 31st December, 2000 respectively were £2,730m and £1,920m.
13. At 30th September, 2001 Jackson National Life, through its subsidiary Jackson Federal Savings Bank, had customer deposits of £564m and bank borrowings of £231m secured by mortgage loans and mortgage backed securities. Corresponding figures at 30th June, 2001 and at 31st December, 2000 respectively were £535m and £242m; and £490m and £157m.
14. At 30th September, 2001 Egg had customer deposits of £6,061m and wholesale borrowings of £915m. Corresponding figures at 30th June, 2001 and at 31st December, 2000 respectively were £6,356m and £652m; and £7,128m and £6m.
15. At 30th September, 2001 the Group's UK and European insurance operations had obligations under financial reinsurance agreements of £154m. Corresponding figures at 30th June, 2001 and at 31st December, 2000 respectively were £176m and £201m.
16. At 30th September, 2001 the Group had obligations under external finance leases of £7m. Corresponding figures at 30th June, 2001 and at 31st December, 2000 respectively were £9m and £10m.



## PRUDENTIAL FINANCE (UK) plc

Prudential Finance (UK) plc ("Prudential Finance"), which was incorporated on 4th November, 1988 under the Companies Act 1985 with limited liability, is 100% owned by Prudential Corporation Holdings Limited which in turn is 100% owned by Prudential plc. As at 31st December, 2000, Prudential Finance had assets of £17.4 million, liabilities of £17.3 million and equity of £0.1 million. Its main activities are derivatives transactions, loans to group and other companies and a variety of investments guaranteed by Prudential plc.

### Directors:

Prudential Finance's current directors, each of whose address is Laurence Pountney Hill, London EC4R 0HH, are as follows:

Philip Broadley FCA	Director Group Finance Director of Prudential plc
John Foley	Director
Charles Lowe	Director

## CAPITALISATION OF PRUDENTIAL FINANCE (UK) plc

The following table sets out Prudential Finance (UK) plc's shareholders' equity and indebtedness at 31st December, 2000 and at 30th June, 2001. The figures at 30th June, 2001 were prepared using the same accounting policies as were used in the 2000 statutory accounts. The auditors' report on those accounts was not qualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

	31st December, 2000 (audited) £000	30th June, 2001 (unaudited) £000
<b>Capital</b>		
Called up Share Capital <sup>(1)</sup>	50	50
Total Shareholders' Equity	90	111
<b>Indebtedness</b>		
Financing borrowings – falling due within one year <sup>(2)</sup>	16,450	0
Financing borrowings – due after more than one year	0	0
Total indebtedness	16,450	0

### Notes

- (1) The authorised share capital of Prudential Finance (UK) plc consists of 10,000,000 ordinary shares of £1 each, of which 50,000 have been issued and fully paid.
- (2) The financing borrowings at 31st December, 2000 were not secured but were guaranteed by Prudential plc.
- (3) At 30th June, 2001 Prudential Finance (UK) plc had no outstanding indebtedness, contingent liabilities or guarantees.
- (4) There has been no material change in the capitalisation, contingent liabilities or guarantees of Prudential Finance (UK) plc since 30th June, 2001.
- (5) At 30th September, 2001 total shareholders' equity is estimated to be £194,000. The increase from 30th June, 2001 is due to retained profit after tax.
- (6) At 30th September, 2001 Prudential Finance (UK) plc held short-term investments with a value of £975m. These investments were financed through a loan from Prudential plc.
- (7) Other than as set out above, there has been no material change in indebtedness of Prudential Finance (UK) plc since 30th June, 2001.

FINANCIAL INFORMATION ON PRUDENTIAL FINANCE (UK) plc

PRUDENTIAL FINANCE (UK) plc

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2000

	<i>Note</i>	<i>2000</i> £	<i>1999</i> £
Interest receivable	2	18,294,515	15,989,695
Interest payable	3	(17,505,494)	(15,049,443)
Net interest income		789,021	940,252
Exchange gains		9,767	1,694
Net operating income from continuing activities		798,788	941,946
Administrative expenses	4	(10,739)	(70,512)
Profit on ordinary activities before taxation		788,049	871,434
Tax on profit on ordinary activities	6	(235,645)	(263,609)
Profit for the financial year		552,404	607,825
Dividends		(650,000)	(1,150,000)
Retained loss for the financial year		(97,596)	(542,175)

The Company has no recognised gains or losses other than the result for the year disclosed above.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31ST DECEMBER, 2000

	<i>2000</i> £	<i>1999</i> £
Retained loss for the financial year	(97,596)	(542,175)
Shareholders' funds at beginning of year	187,133	729,308
Shareholders' funds at end of year	89,537	187,133

PRUDENTIAL FINANCE (UK) PLC

BALANCE SHEET AS AT 31ST DECEMBER, 2000

	Note	2000 £	1999 £
<i>CURRENT ASSETS</i>			
Debtors	7	16,216,113	300,720,913
Cash at bank	8	1,210,074	880,751
		<u>17,426,187</u>	<u>301,601,664</u>
<i>CREDITORS</i>			
Amounts falling due within one year	9	(17,336,650)	(301,414,531)
		<u>89,537</u>	<u>187,133</u>
<i>CAPITAL AND RESERVES</i>			
Share capital	10	50,000	50,000
Profit and loss account	11	39,537	137,133
		<u>89,537</u>	<u>187,133</u>

The accounts on pages 67 to 71 were approved by the board of directors on 2nd July, 2001.

C R Lowe

Director

PRUDENTIAL FINANCE (UK) PLC

NOTES ON THE ACCOUNTS

1. Accounting policies

- (a) The accounts are prepared on the historical cost basis of accounting and in accordance with accounting standards applicable in the United Kingdom. The Company has taken advantage of the exemption under FRS1 (Revised) from preparing a cash flow statement.
- (b) Foreign currency revenue transactions are translated at rates of exchange ruling at the dates of the respective transactions. Foreign currency assets and liabilities are translated at rates of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account.
- (c) Amounts accrued under interest rate swap agreements, and the amortisation of premiums or discounts on forward foreign currency contracts are included within interest payable and receivable. The net difference between the valuation of the principal amounts under forward foreign currency contracts and the principal amounts translated at year end exchange rates, together with the unamortised premium or discount, are taken to a deferred exchange difference account.
- (d) Tax is charged on all taxable profits arising in the accounting period.
- (e) Commercial paper is recorded in the balance sheet at its nominal value. Interest prepaid on the issue of the paper is recorded separately in the balance sheet as deferred expenditure and is charged to the profit and loss account on a straight line basis over the term of the paper.

2. Interest receivable

	2000	1999
	£	£
Interest from group undertakings	18,212,709	15,686,420
Interest from bank deposits	81,806	303,275
	<u>18,294,515</u>	<u>15,989,695</u>

3. Interest payable

	2000	1999
	£	£
Interest on short-term Euro-commercial paper issues	<u>17,505,494</u>	<u>15,049,443</u>

4. Administrative expenses

	2000	1999
	£	£
Auditors' remuneration included in administrative expenses	<u>2,938</u>	<u>2,938</u>

5. Directors' emoluments

The aggregate emoluments of persons who were directors of the Company during the year ended 31 December 2000 including pension contributions, was £nil (1999 £nil).

6. Taxation

	2000 £	1999 £
Corporation tax	235,645	263,609

7. Debtors

	2000 £	1999 £
Amount owed by group undertakings	16,047,430	298,343,029
Deferred expenditure	167,989	2,296,824
Due from swap counterparty	0	77,373
Other debtors	694	3,687
	<u>16,216,113</u>	<u>300,720,913</u>

Deferred expenditure relates to prepaid interest on commercial paper borrowings.

8. Bank current accounts

Under the terms of the Company's arrangements with the Prudential group's main United Kingdom banker, the bank has a right of set-off between credit balances and all overdrawn balances of those group companies with similar arrangements.

9. Creditors: amounts falling due within one year

	2000 £	1999 £
Commercial paper	16,450,351	300,602,314
Amounts owed to group undertakings	650,000	548,608
Tax payable	236,299	263,609
	<u>17,336,650</u>	<u>301,414,531</u>

10. Share capital

The authorised share capital of the Company is 10,000,000 ordinary shares of £1 each of which 50,000 have been issued and fully paid.

11. Profit and loss account

	2000 £	1999 £
Balance at beginning of year	137,133	679,308
Retained loss for the financial year	(97,596)	(542,175)
Balance at end of year	<u>39,537</u>	<u>137,133</u>

12. Employees

The Company had no employees in the year.

**13. Related party transactions**

The Company has taken advantage of the exemption under Paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the Prudential group.

**14. Ultimate parent company**

The ultimate parent company is Prudential plc, which is the only parent company which prepares group accounts, copies of which can be obtained from the Company Secretary, Laurence Pountney Hill, London EC4R 0HH.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

C R Lowe

*Director*

2nd July, 2001



## REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF PRUDENTIAL FINANCE (UK) PLC

We have audited the financial statements on pages 67 to 71.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 72, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

### *Basis of audit opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st December, 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**

Chartered Accountants  
Registered Auditor  
London

2nd July, 2001

## TAXATION

### United Kingdom Taxation

The comments below, which are of a general nature and are based on the Obligors' understanding of current law and Inland Revenue practice in the United Kingdom regarding the withholding tax treatment of interest on the Notes. They only apply to persons who are the beneficial owners of the Notes and do not address any other United Kingdom taxation implications of acquiring, holding, or disposing of the Notes. Some aspects do not apply to certain classes of person (such as dealers) to whom special rules may apply. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers.

The references to "interest" in the comments below mean "interest" as understood in United Kingdom tax law. The comments below do not take any account of any different definitions of "interest" which may be created by the terms and conditions of the Notes or any relevant documentation.

### Interest on Notes

1. Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are listed on a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the London Stock Exchange is a recognised stock exchange for these purposes).
2. Where interest is payable on Notes which have a maturity of less than one year (and which are not issued under arrangements, the effect of which is to render such Notes part of a borrowing with a total term of a year or more), interest will not be "yearly interest" for the purposes of section 349 of the Taxes Act and accordingly payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In other cases, income tax may have to be withheld at the lower rate (currently 20%) from payments of interest on the Notes, subject to any relief available under any applicable double taxation convention.

However, Noteholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual, or who, after 5th April, 2002, either pays amounts payable on the redemption of Notes which constitute relevant discounted securities for the purposes of the Finance Act 1996 to or receives such amounts for the benefit of an individual. Such information may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of other jurisdictions.

### U.S. Taxation

The applicable Pricing Supplement relating to any Tranche of Notes, all or a portion of which are to be offered or sold to, or for the account or benefit of, a U.S. person will set forth information regarding the United States Federal income tax treatment of any such Notes. U.S. persons considering the purchase of Notes should consult their own tax advisers concerning the application of United States Federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of Notes arising under the laws of any other taxing jurisdictions.

### Proposed European Directive on the Taxation of Savings

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details

of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by either Issuer to any one or more of Barclays Bank PLC, Deutsche Bank AG London, Goldman Sachs International, Salomon Brothers International Limited and UBS Warburg (the "Dealers"). The arrangements under which Notes may from time to time be agreed to be sold by the relevant Issuer to, and purchased by, Dealers are set out in a dealership agreement dated, 22nd November, 2001 (the "Dealership Agreement") and made between the Issuers and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

### United States of America

Each Dealer has acknowledged, and each further Dealer appointed under the Dealership Agreement will be required to acknowledge, that the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Dealership Agreement will be required to agree, that except as permitted by the Dealership Agreement, it has offered, sold or delivered Notes and it will offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the closing date of the sale of the relevant Tranche only in accordance with Rule 903 of Regulation S or, if applicable, Rule 144A under the Securities Act and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it or through it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Notes within the United States or to or for the account or benefit of U.S. persons.

The Notes are being offered and sold only (A) outside the United States to persons other than U.S. persons ("foreign purchasers", which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) in reliance upon Regulation S and (B) in the case of Notes issued by Prudential only, to a limited number of QIBs in compliance with Rule 144A.

Terms used in this section of "Subscription and Sale" have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

- (1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a QIB and is aware that the sale to it is being made in reliance on Rule 144A, or (B) a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above).

12th December, 2001

Issue of

**£435,000,000**

**Subordinated Notes due 2031**

**under the Prudential plc and Prudential Finance (UK) plc**

**£5,000,000,000 Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated 22nd November, 2001. This Pricing Supplement is supplemental to and must be read in conjunction with such Information Memorandum.

- |     |   |   |
|-----|---|---|
| 1.  | Issuer:   | Prudential plc  |
| 2.  | (i) Series Number:                                    | 1   |
|     | (ii) Tranche Number:                                  | 1   |
| 3.  | Specified Currency or Currencies:                     | Sterling  |
| 4.  | Aggregate Nominal Amount:                             |   |
|     | - Tranche:  | £435,000,000  |
|     | - Series:   | £435,000,000  |
| 5.  | (i) Issue Price of Tranche:                           | 98.356 per cent. of the Aggregate Nominal Amount                                    |
|     | (ii) Net Proceeds:                                    | £425,129,850.00   |
| 6.  | Specified Denominations:                              | £1,000, £10,000, £100,000   |
|     | Issue Date and Interest Commencement Date:            | 19th December, 2001   |
| 7.  | Maturity Date:  | 19th December, 2031. Redemption is subject to deferral as provided in Condition 7.2 |
| 8.  | Interest Basis:                                       | 6.125 per cent. Fixed Rate  |
| 9.  | Redemption/Payment Basis:                             | Redemption at par, subject as provided in paragraph 20 below                        |
| 10. | Change of Interest Basis or Redemption/Payment Basis: | Not Applicable  |
| 11. | Put/Call Options:                                     | Issuer Call due to Capital Disqualification Event:                                  |

See paragraph 20

12. Status of the Notes: Dated Subordinated Notes
13. Listing: Listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's market for listed securities
14. Method of distribution: Syndicated

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. Fixed Rate Note Provisions Applicable
- (i) Rate of Interest: 6.125 per cent. per annum
- (ii) Interest Payment Date(s): 19th December in each year
- (iii) Fixed Coupon Amount(s): £61.25 per £1,000 in nominal amount
- (iv) Broken Amount(s): Not Applicable
- (v) Day Count Fraction: Actual/Actual (ISMA)
- (vi) Determination Date(s): 19th December in each year
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: None
16. Floating Rate Note Provisions: Not Applicable
17. Zero Coupon Note Provisions: Not Applicable
18. Index Linked Interest Note Provisions: Not Applicable
19. Dual Currency Note Provisions: Not Applicable

**PROVISIONS RELATING TO REDEMPTION**

20. (a) Issuer Call: Not Applicable
- (i) Optional Redemption Date(s): Not Applicable
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): Not Applicable

- |       |  |  |
|-------|--|--|
| (iii) | If redeemable in part:   | Not Applicable   |
|       | (a) Minimum Redemption Amount:   | Not Applicable   |
|       | (b) Higher Redemption Amount:  | Not Applicable   |
| (iv)  | Notice period (if other than as set out in the Conditions):                            | Not Applicable   |
| (b)   | Issuer Call due to Capital Disqualification Event:                                     | Applicable   |
|       | (i) Special Redemption Amount(s) and method (if any) of calculation of such amount(s): | <p>The Special Redemption Amount means in respect of each Note a price equal to:</p> <p>(i) its principal amount; or, if higher</p> <p>(ii) that price (as reported in writing to the Issuer and the Trustee by a financial adviser approved by the Trustee) at which the Gross Redemption Yield on the Notes on the Relevant Record Date is equal to the Gross Redemption Yield at 3.00 p.m. (London time) on that date of 4.25 per cent. Treasury Stock due 7th June, 2032 (while that stock is in issue, and thereafter such government stock as the Trustee, with the advice of three brokers and/or gilt-edged market makers or such other three persons operating in the gilt-edged market as the Trustee may approve, may agree to be appropriate) plus 75 basis points</p> <p>"Relevant Record Date" means the third business day in London prior to the due date of redemption and "Gross Redemption Yield" means a yield calculated on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 4, Section One: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8/6/1998)</p> |
|       | (ii) Notice Period (if other than as set out in the Conditions):                       | Not Applicable   |
| 21.   | Investor Put:  | Not Applicable   |
| 22.   | Final Redemption Amount:   | Par  |

23. Early Redemption Amount(s) payable on redemption for taxation reasons (where applicable) or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): Par

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: Bearer Notes:  
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event
25. Additional Financial Centre(s) or other special provisions relating to Payment Days: Not Applicable
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): Not Applicable
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and if different from those specified in the Temporary Global Notes the consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: Not Applicable
28. Details relating to Instalment Notes:  
Instalment Amount(s): Not Applicable  
Instalment Date(s): Not Applicable
29. Redenomination applicable: Redenomination not applicable
30. Other terms or special conditions: Not Applicable
- Distribution**
31. (i) If syndicated, names of Managers: Goldman Sachs International, UBS AG acting through its business group UBS Warburg, Barclays Bank PLC and Cazenove & Co. Ltd
- (ii) Stabilising Manager (if any): UBS AG, acting through its business group UBS Warburg



32. If non-syndicated, name of relevant Dealer: Not Applicable
33. Whether 144A eligible/TEFRA D or TEFRA C Rules applicable or TEFRA not applicable: TEFRA D
34. Additional selling restrictions: None

#### OPERATIONAL INFORMATION

35. Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable
36. Delivery: Delivery against payment
37. Additional Paying Agent(s) (if any): None
- ISIN: XS0140198044
- Common Code: 014019804

#### LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the £5,000,000,000 Medium Term Note Programme of Prudential plc and Prudential Finance (UK) plc.

#### RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: **P.A.J. BROADLEY**                      **A. CROSSLEY**  
*Duly authorised*                              *Duly authorised*