

PRICING SUPPLEMENT

9th July, 2003

Issue of

EUR 20,000,000

Index Linked Notes due July 2023

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 17th April, 2003. This Pricing Supplement is supplemental to and must be read in conjunction with such Information Memorandum.

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|-----|--|---|
| 1. | (i) Issuer: | Prudential plc |
| | (ii) Guarantor: | Not Applicable |
| 2. | (i) Series Number: | 7 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency of Currencies | Euro "EUR" |
| 4. | Aggregate Nominal Amount | |
| | — Tranche: | EUR 20,000,000 |
| | — Series: | EUR 20,000,000 |
| 5. | (i) Issue Price of Tranche: | 97.00 per cent. of the Aggregate Nominal Amount |
| | (ii) Net proceeds: | EUR 19,230,000 |
| 6. | Specified Denominations: | EUR 100,000 |
| 7. | (i) Issue Date: | 10 th July, 2003 |
| | (ii) Interest Commencement Date (if different from the Issue Date: | Not Applicable |
| 8. | Maturity Date: | 10 th July, 2023 |
| 9. | Interest Basis: | Indexed Linked Interest |
| 10. | Redemption/Payment Basis: | Redemption at par |

- | | | |
|-----|---|--------------------------|
| 11. | Change of Interest Basis or Redemption/Payment Basis: | Not Applicable |
| 12. | Put/Call Options: | Not Applicable |
| 13. | (i) Status of the Notes: | Dated Subordinated Notes |
| | (ii) Status of Guarantee: | Not Applicable |
| 14. | Listing: | London |
| 15. | Method of distribution: | Non-syndicated |

Provision Relating to Interest (if any) Payable

- | | | |
|-----|-----------------------------|----------------|
| 16. | Fixed Rate Note Provisions: | Not Applicable |
|-----|-----------------------------|----------------|

17. Floating Rate Note Provisions Not Applicable

18. Zero Coupon Notes Provisions: Not Applicable

19. Index Linked Interest Notes Provisions Applicable

(i) Index/Formula

For the period from and including 10th July, 2003 to but excluding 10th July, 2023, the Interest Amount shall be determined by the Calculation Agent, on the second Business Day prior to the Issue Date and on the second Business Day prior to the beginning of each Interest Period in accordance with the following formula:

Rate of Interest = 20 year EUR CMS rate

**Interest Amount = Aggregate Nominal Amount
x Rate of Interest**

Where:

"20 year EUR CMS Rate" (the **"Reference Index"**) means the mid-market 20-year EUR fixed swap interest rate, as expressed as a percentage and quoted on an annual, 30/360 day count basis at 11:00 on each Business Day with reference to Reuters page ISDA Fix 2, Euribor basis.

The Interest Amount shall be payable annually in arrears.

(ii) Calculation Agent responsible for calculating the principal and/or Interest due:

Goldman Sachs International

(iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable:

If the Reference Index does not appear on the relevant Reuters pages or any successor pages on the relevant Business Day, then the Calculation Agent will determine the Reference Index in its sole discretion acting in a fair and commercially reasonable manner.

If, for any reason the Reference Index is no longer published, the Calculation Agent, in its absolute discretion shall have the right to name a replacement Reference Index (the **"New Reference Index"**). If the New Reference Index becomes unavailable, the Calculation Agent shall determine the Reference Rate using five dealers' offered quotations. The highest and lowest shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.00005 being rounded upwards) of the such offered quotations.

(iv) Specified Period(s)/Specified Interest Payment Dates:

Interest will be payable annually in arrears on 10th July in each year, from and including 10th July, 2004 up to and including the Maturity Date.

(v) Business Day Convention:	Modified Following Business Day Convention
(vi) Additional Business Centre(s):	TARGET and London
(vii) Minimum Rate of Interest:	0.00 per cent. per annum
(viii) Maximum Rate of Interest:	6.50 per cent. per annum
(ix) Day Count Fraction	30/360; unadjusted
20. Dual Currency Note Provisions	Not Applicable
21. Issuer Call:	Not Applicable
22. Investor Put:	Not Applicable
23. Final Redemption Amount:	Par
24. 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 of if different from that set out in the Conditions):	Applicable
General Provisions Applicable to the Notes	
25. 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
26. Additional Financial Centre(s) or other special provisions relating to Payment Days:	TARGET and London
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
28. 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
29. Details relating to Instalment Notes:	
Instalment Amount(s):	Not Applicable
Instalment Date(s):	Not Applicable
30. Redenomination applicable:	Redenomination not applicable
31. Other terms or special conditions:	Not Applicable

Distribution

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

Operational Information

36. Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable
37. Delivery: Delivery against payment
38. Additional Payment Agent(s) (if any): Not Applicable
- ISIN: XS0171435497
- Common Code: 017143549
39. US Taxation: Not Applicable

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 accept(s) responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

Duly authorised



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

On 22nd November, 2001, Prudential plc ("Prudential") and Prudential Finance (UK) plc ("Prudential Finance" and together with Prudential, the "Obligors" and each, an "Obligor") entered into a £5,000,000,000 Medium Term Note Programme (the "Programme").

Application has been made to the Financial Services Authority (the "FSA") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "FSMA") (the "UK Listing Authority") for notes (the "Notes") issued under 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 of 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 74 of the FSMA 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. This Information Memorandum supersedes the previous information memorandum. Any Notes issued under the Programme after the date hereof are issued subject to the provisions set out herein. This does not affect any Notes issued under the Programme prior to the date hereof. Copies of the Listing Particulars have been delivered for registration to the Registrar of Companies in England and Wales in accordance with Section 83 of the FSMA. Notes may also be issued which are not listed on any stock exchange.

Notes may be issued under the Programme by either Prudential or Prudential Finance. Notes issued by Prudential Finance will be guaranteed by Prudential.

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 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".

Arranger for the Programme

Barclays Capital

Dealers

Barclays Capital
Deutsche Bank

UBS Warburg

Citigroup
Goldman Sachs International

17th April, 2003

Each of Prudential and Prudential Finance 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 FSMA 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 80(4) of the FSMA (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 relevant 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 FSMA 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 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 as modified and/or supplemented and/or restated from time to time (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 AND DISTRIBUTION OF ANY TRANCHE OF NOTES, 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.

Issuers	Prudential and Prudential Finance
Guarantor	Prudential
Arranger	Barclays Bank PLC
Dealers	Barclays Bank PLC Citigroup Global Markets Limited Deutsche Bank AG London Goldman Sachs International UBS Limited and any other dealer appointed from time to time in accordance with the Dealership Agreement (as defined under "Subscription and Sale").
Trustee	The Law Debenture Trust Corporation p.l.c.
Issue and Paying Agent and Exchange Agent	Citibank, N.A., London Office
Registrar	Citibank, N.A., London Office
London Listing Agent	Barclays Bank PLC
Initial Programme Amount	£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.
Issuance in Series	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.
Form of Notes	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.

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 depositary or a common depositary 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.

Notes having a maturity of less than one year. Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in any other currency, see "Subscription and Sale".

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.

Early Redemption	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.
Interest	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.
Denominations	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.
Taxation	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".
Governing Law	The Notes will be governed by, and construed in accordance with, English law.
Listing	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.
Terms and Conditions	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.

Clearing Systems.	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 17th April, 2003 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 18th March, 2003 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)(I) 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 Financial Services and Markets Act 2000)), 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 Notes) 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 sub-division 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 Issuer 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 depositary 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 depositaries 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]⁽¹⁾

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 17th April, 2003. 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.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.]

1. [(i)] Issuer: [Prudential plc/Prudential Finance (UK) plc]
[(ii)] Guarantor: Prudential plc
2. (i) Series Number: []
(ii) Tranche Number: []
[(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount: []
– Tranche: []
– Series: []
5. (i) Issue Price of Tranche: [] per cent. of the Aggregate Nominal Amount
[plus accrued interest from []]
(ii) Net proceeds: [] *(Required only for listed issues)*
6. Specified Denominations: []
7. (i) Issue Date [and Interest Commencement Date]: []
[(ii) Interest Commencement Date (if different from the Issue Date): []]
8. Maturity Date: *[Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]*

(1) Delete where Prudential is the Issuer.

9. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent.
Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[specify other]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[specify other]
11. 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]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. [(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]
14. Listing: [London/specify other/None]
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions [Applicable/Not Applicable]
(if not applicable, delete the remaining sub-
paragraphs 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 regular interest payment dates, ignoring
issue date or maturity date in the case of a long or
short first or last coupon. NB: This will need to be
amended in the case of regular interest payment
dates which are not of equal duration.]
(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]

17. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs 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: []
18. Zero Coupon Notes Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs 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]*]
19. Index Linked Interest Note Provisions ☐ [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs 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: ☐
20. Dual Currency Note Provisions ☐ [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs 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

21. (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]
(This can only apply for Subordinated Notes)
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (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): []
22. 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): []
23. Final Redemption Amount: [Par/specify other/see Appendix]
24. 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

25. 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)

26. 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)

27. 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]

28. 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]

29. Details relating to Instalment Notes:

Instalment Amount(s):

[Not Applicable/give details]

Instalment Date(s):

[Not Applicable/give details]

30. Redenomination applicable:

Redenomination [not] applicable

(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Pricing Supplement)

31. Other terms or special conditions:

[Not Applicable/give details]

DISTRIBUTION

32. (i) If syndicated, names of Managers:

[Not Applicable/give names]

(ii) Stabilising Manager (if any):

[Not Applicable/give name]

33. If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
34. Whether 144A eligible/TEFRA D or TEFRA C Rules applicable or TEFRA not applicable: [144A eligible/TEFRA D/TEFRA C/TEFRA not applicable]
35. Additional selling restrictions: [Not Applicable/*give details*]

OPERATIONAL INFORMATION

36. 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)*]
37. Delivery: Delivery [against/free of] payment
38. Additional Paying Agent(s) (if any): []
[ISIN\CUSIP]: []
Common Code: []
39. 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*)

[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 the 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.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except 7.4), 11, 12, 13, 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 16, they will not necessitate the preparation of a supplement to this Information Memorandum/supplementary Listing Particulars. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Information Memorandum/supplementary Listing Particulars will be prepared, if appropriate.

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, 2002 Prudential was one of the 25 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 2000, Prudential was listed on the New York Stock Exchange and completed an initial public offering of 21 per cent of its holding in Egg plc on the London Stock Exchange. In recent years, Prudential has also expanded its operations in Asia.

Key financial data for the year ended 31st December, 2002 (with comparatives ended 31st December, 2001) for Prudential include the following:

Gross premiums written from long-term insurance products and contributions from investment products were £16.7 (£15.2) billion and £14.8 (£10.1) billion respectively.

Insurance and investment funds under management at 31st December, 2002 were £155 (£163) billion. These funds are managed by M&G in the UK, Prudential Portfolio Managers America in the US and Prudential Portfolio Managers Asia in Asia.

Operating profit before amortisation of goodwill and exceptional items, was £432 (£622) million based on the statutory basis of reporting and £1,133 (£1,186) million on the achieved profits basis provided by listed UK insurers as supplementary information.

Shareholders' funds at 31st December, 2002 were £3,668 (£3,950) million on the statutory basis and £7,196 (£8,150) million on the achieved profits basis.

United Kingdom

At 31st December, 2002, Prudential operated one of the largest UK with-profits funds in the UK, with assets under management of £65 billion. As at the date of this Information Memorandum, this fund is rated AA+ by Standard & Poor's and Aa1 by Moody's in terms of financial strength. As at 31st December 2001, it had a rating of AAA from Standard & Poor's and Aaa from Moody's. M&G was one of the UK's top three retail fund managers in terms of assets under management. Through Egg, Prudential is also a leading e-commerce retail financial services provider.

For the year ending 31st December, 2002, total revenue premiums from long-term insurance business in the UK were £8,435 million whilst investment products contributed a further £1,157 million. M&G had £112 billion of funds under management at 31st December, 2002. These funds comprised £94 billion of internal funds (of which £71 billion related to the Prudential Assurance and Scottish Amicable long-term funds), £9 billion of institutional funds and £9 billion of retail funds. Egg had £9.9 billion of banking business liabilities.

Prudential transferred its UK home and motor general insurance operations to Winterthur Insurance, in terms of an alliance with its subsidiary, Churchill, to continue offering Prudential-branded general insurance products in the UK. The transaction was completed in January 2002 and the profit on sale was £355 million before tax.

In November 2001 the UK Insurance Operations announced that its focus would be in four key product areas of pensions, annuities, with-profit bonds and ISAs. Distribution would be through IFAs, Direct, through Banks and Affinities; and via the Business-to-Business channel. In 2002 the company ceased to use the Scottish Amicable name. At the same time, a programme of cost savings was announced, which will now total £216m per annum by 2006.

M&G International's German business commenced distribution in 2002 and is selling a range of funds in Germany and Austria.

Egg's acquisition of Zebank, the first digital online bank in France, was completed in May 2002 and was launched under the Egg brand in November 2002.

United States of America

Prudential's life insurance subsidiary in the USA, Jackson National Life ("JNL") was the 17th largest life insurance company in the United States in terms of total assets for the period ending 30th September, 2002. In fixed annuity sales, JNL ranked seventh in total individual fixed annuity sales for the year to date 30th September, 2002. Since 1995, the company has continually diversified its product portfolio and now also has a leading position in variable annuity sales, ranking fourth in variable annuity net flows and 17th in variable annuity sales for the full year 2002. JNL also has a leading position in equity-indexed annuity (EIA) sales, ranking sixth for sales of EIAs for the year to date 30th September, 2002.

As at 31st December, 2002, it received a top four position in the Medium Term Note funding agreement market. As at the date of this Information Memorandum, JNL has a financial strength rating of AA from Standards & Poor's, A1 from Moody's and A+ from A.M. Best Co. As at 31st December 2001, it had a financial strength rating of AAA from Standard & Poor's, a Aa3 from Moody's and A+ from A.M. Best.

For the year ending 31st December, 2002, total revenue premiums in the USA were £6,098 million.

Asia

In Asia, Prudential has 22 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 distributes its products primarily through its agency sales force and through bancassurance agreements, including Standard Chartered Bank, and through banks and brokers for investment products in India.

Prudential is the largest European based life insurer in Asia in terms of the number of markets it is operating in combined with top five market positions. At 31st December, 2002 Prudential had top five market share in eight Asian life insurance markets, two mutual fund markets and Hong Kong's mandatory Provident Fund market. For the year to 30th September, 2002, Prudential was second in the regular premium market in Singapore and achieved the highest total weighted insurance sales in Malaysia.

For the year ending 31st December, 2002, total revenue premiums from long term insurance business and contributions from investment products were £1,896 million and £13,661 million respectively.

The acquisitions of YoungPoong Life in Korea and Orico Life in Japan were completed in 2001 and have been integrated into the Asian business. In June 2002, Prudential acquired ING's life insurance operation in the Philippines and in October 2002 Prudential acquired Good Morning Investment Trust Management Company in Korea.

Europe

A strategic review of the Prudential and Scottish Amicable branded long-term business in continental Europe concluded that investment in the German and French markets would be unlikely to meet return on capital targets.

Consequently, in November 2002 Prudential agreed to sell its German life business to Canada Life Financial Corporation (Canada Life) for €129 (£82) million. The sale was completed on 1st January, 2003. Irish Court approval for the transfer of the relevant life assurance policies to Canada Life is expected early in the second half of 2003.

Prudential will continue to run its existing operations in France for value. For the year ending 31st December, 2002, total revenue premiums from European business were £240 million.

Contingencies and Related Obligations

Consistent with FRS 12, "Provisions, contingent liabilities and contingent assets", appropriate provision has been made in the financial statements where Prudential has an obligation arising from the events or activities described below but not for contingent liabilities.

Litigation

Jackson National Life has been named in civil proceedings, which appear to be substantially similar to other class action litigation brought against many life insurers, alleging misconduct in the sale of insurance products. 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. In addition, Jackson National Life is a defendant in individual actions that involve similar issues. Several cases, including one which was on appeal to the Supreme Court in the State of Mississippi, were settled in January 2002 for a sum of £7 million.

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

Pension Mis-selling Review

In 1988, the UK government introduced new pensions legislation intended to encourage more individuals to make their own arrangements for their pensions. During the period from April 1988 to June 1994, many individuals were advised by insurance companies, Independent Financial Advisers and other intermediaries to not join, to transfer from or to opt out of their occupational pension schemes in favour of private pension products introduced under UK Income and Corporation Taxes Act 1988. The UK insurance regulator (previously the Personal Investment Authority, now the Financial Services Authority, "FSA") subsequently determined that many individuals were incorrectly advised and would have been better off not purchasing the private pension products sold to them. Industry participants are responsible for compensating the persons to whom private pensions were mis-sold. As a result, the UK regulator required that all UK life insurance companies review their potential cases of pension mis-selling and pay compensation to policyholders where necessary and, as a consequence, record a provision for the estimated costs. The Group has met the requirement of the FSA to issue offers to all Phase 1 (priority) cases and Phase 2 (non-priority) cases by 30th June, 2002.

Provisions in respect of the costs associated with the review have been included in the change in the long-term technical provision in Prudential's profit and loss account. Within the long-term technical provisions, the transfer from the FFA has been determined accordingly. The following is a summary of the changes in the pension mis-selling liability, including internal and external legal and administrative costs, for the years ended 31st December, 2002 and 31st December, 2001:

	Year ended 31st December, 2002 (In £ Millions)	Year ended 31st December, 2001
Balance at start of the year	1,065	1,475
Changes to actuarial assumptions and method of calculation	(50)	(89)
Discount unwind	53	89
Redress to policyholders	(292)	(273)
Payments of administrative costs	(46)	(137)
Balance at end of the year	<u>730</u>	<u>1,065</u>

Every three months the FSA updates the actuarial assumptions, to be used in calculating the provision, including interest rates and mortality assumptions. The pension mis-selling liability represents the discounted value of future expected payments, including benefit payments and all internal and external legal and administrative costs of adjudicating, processing and settling those claims. To the extent that amounts have not been paid, the provision increases each year reflecting the shorter period of discount.

Management believes that, based on current information, the pension mis-selling provision, together with future investment return on the assets backing the provision, will be adequate to cover the costs of pension mis-selling as well as the costs and expenses of Prudential's pension review unit established to identify and settle such cases. Such provision presents the best estimate of probable costs and expenses. However, there can be no assurance that the current provision level will not need to be increased.

The calculation of the pension mis-selling provision is dependent upon a number of assumptions and requirements provided by the FSA. The costs associated with the pension mis-selling review have been met from Prudential Assurance's inherited estate. Given the strength of Prudential Assurance's with-profits fund, management believes that charging the costs to the inherited estate 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, an appropriate contribution to the with-profits fund would be made from the shareholders' funds. In view of the uncertainty, it is not practicable to estimate the level of any potential contribution.

Free Standing Additional Voluntary Contribution Business Review

In February 2000, the UK regulator ordered a review of Free Standing Additional Voluntary Contribution (FSAVC) business, which constitutes sales of personal pensions to members of company pension schemes. Individuals who have purchased these pensions instead of the Additional Voluntary Contributions (AVC) scheme connected to their company's pension scheme may have been in a better financial position investing their money, and any matching contributions from their employers, in their company's AVC scheme. The UK regulator's review is to ensure that any employees disadvantaged due to not being properly informed of the benefits foregone from not investing in their AVC scheme are compensated.

The review requires companies to identify relevant investors and contact them with an offer to review their individual case. Prudential met an interim deadline set by the FSA of 90% of cases completed by 30th June, 2002 and also the deadline for 100% completion by 31st December, 2002. As a result of the review, Prudential held a provision of £3 million at 31st December, 2002.

Mortgage Endowment Products Review

The Group's main exposure to mortgage endowment products is through Scottish Amicable. The FSA issued a report in March 2001 raising concerns regarding Scottish Amicable's conduct of sales of these products by its tied agents and in March 2003 it fined Scottish Amicable £750,000 in respect of cases where advisers did not place appropriate emphasis on identifying whether a customer was prepared to take the risk that their mortgage might not be repaid at the end of the term. A provision of £25 million was made in 2001 in the shareholders' fund for cases that may require redress, which the directors are satisfied continues to be adequate. Scottish Amicable withdrew from the mortgage endowment product market in April 2001 and disbanded its network of tied agents in October 2001.

Guaranteed Annuities

In common with several other insurance companies, Prudential Assurance used to sell guaranteed annuity products in the UK and held a provision of £46 million at 31st December, 2002 within the main with-profits fund to honour guarantees on these products. The Group's main exposure to guaranteed annuities in the UK is through the Scottish Amicable Insurance Fund ("SAIF") and a provision of £744 million was held in SAIF at 31st December, 2002 to honour the guarantees. SAIF is a separate sub-fund of the Prudential Assurance long-term business fund. Accordingly, this provision has no impact on shareholders.

Guarantees and Commitments

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. Prudential estimated its reserve for future guarantee fund assessments for Jackson National Life to be £25 million at 31st December, 2002. Similar assessments for the UK businesses were not significant. Management believes the reserves are adequate for all anticipated payments for known insolvencies.

Jackson National Life has commitments for future payments related to equity index call options totalling £21 million, which are accounted for on a deferred basis and therefore were off-balance sheet at 31st December, 2002. These commitments were entered into in the normal course of business to hedge obligations associated with the issuance of equity index-linked immediate and deferred annuities. The commitments are due over the next five years.

Jackson National Life has unfunded commitments related to its investments in limited partnerships totalling £300 million at 31st December, 2002. These commitments were entered into in the ordinary course of business and management does not expect a material adverse impact on the operations to arise from them.

Prudential has provided, from time to time, certain guarantees and commitments to third parties. These arrangements include commitments and guarantees to fund the purchase or development of land and buildings and other commitments related to investments in land and buildings. At 31st December, 2002, the aggregate amount of commitments and guarantees in respect of land and buildings was approximately £27 million.

Prudential has provided, from time to time, other guarantees and commitments to third parties entered into in the normal course of business but management does not consider that the amounts involved are significant.

Other Matters

Prudential Assurance's Inherited Estate

The inherited estate is the assets of the main with-profits fund within the long-term fund of Prudential Assurance, less non-participating liabilities, the policyholder asset shares aggregated across with-profits policies and any additional amounts expected at the valuation date to be paid

to in force policyholders in the future in respect of smoothing costs and guarantees. The inherited estate is thus the assets in the main with-profits fund in excess of what Prudential Assurance expects to pay to policyholders.

Prudential believes that it would be beneficial if there were to be greater clarity as to the status of the inherited estate. With that in mind, it has been considering the principles that would apply to any re-attribution of the inherited estate to either policyholders or shareholders. Discussions have been held with the Financial Services Authority to this end. Prudential has not considered or discussed any actual distribution as its current expectation is that, for the foreseeable future, the entire inherited estate will need to be retained within the long-term fund to provide working capital. However, in the light of current market conditions, the amount and timing of any re-attribution of the estate remains very uncertain.

Shareholder Support of Long-term Business Funds

As a proprietary insurance company, Prudential is liable to meet its obligations to policyholders even if the assets of the long-term funds are insufficient to do so. The assets, represented by the Fund for Future Appropriations, in excess of amounts expected to be paid for future terminal bonuses and related shareholder transfers ("excess assets") in the long-term funds could be materially depleted over time, by, for example, a significant or sustained equity market downturn, significant fundamental strategic change costs, or material increases in the pension mis-selling provision. In the unlikely circumstance that the depletion of the excess assets within the long-term fund was such that Prudential's ability to satisfy policyholders' reasonable expectations was adversely affected, it might become necessary to restrict the annual distribution to shareholders or to contribute shareholders' funds to the long-term funds to provide financial support.

Should the assets of SAIF be inadequate to meet the guaranteed benefit obligations to the policyholders of SAIF, the Prudential Assurance long-term fund would be liable to cover any such deficiency. At 31st December, 2002, the excess of SAIF assets over guaranteed benefits was £437 million. Due to the quality and diversity of the assets in SAIF, the aforementioned amount of the excess of assets over guaranteed benefits and the ability of Prudential to revise guaranteed benefits in case of an asset shortfall, Prudential believes that the probability of either the Prudential Assurance long-term fund or Prudential shareholders' funds having to contribute to SAIF is very remote.

Directors

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

Chairman

David Clementi

Chairman. Non-executive director of Rio Tinto plc. From September 1997 to August 2002 he was Deputy Governor of the Bank of England. During this time, he served as a member of the Monetary Policy Committee and as a non-executive director of the Financial Services Authority.

Executive Directors

Jonathan Bloomer FCA

Director and Group Chief Executive. Non-Executive Director of Egg plc. Deputy Chairman of the Practitioner Panel of the Financial Services Authority. Board Member of the Association of British Insurers.

Philip Broadley FCA

Director and Group Finance Director.

Clark Manning

Director. President and Chief Executive Officer of Jackson National Life.

Michael McLintock

Mark Tucker

Mark Wood

Director. Chief Executive of M&G.

Director. Chief Executive of Prudential Corporation Asia.

Director. Chief Executive Prudential Assurance, UK and Europe.

Non-Executive Directors

Sir David Barnes CBE

Bart Becht

Ann Burdus CBE

Roberto Mendoza

Director. Non-Executive Deputy Chairman of Syngenta AG.

Director. Chief Executive of Reckitt Benckiser plc.

Director. Non-Executive Director of Next plc.

Director. Non-Executive Chairman of Egg plc. Non-Executive Director of Reuters Group plc, The BOC Group plc and Vitro SA. Founder member of Integrated Finance Limited. Member of the World Bank – IFC Bank Advisory Group.

Rob Rowley

Director. Deputy Chairman of Cable & Wireless plc. Non-Executive Director of Taylor Nelson Sofres plc and UK eUniversities Worldwide.

Sandy Stewart

Director. Chairman of Murray Extra Return Investment Trust plc and of the Scottish Amicable (supervisory) Board.

CAPITALISATION OF PRUDENTIAL plc

The following table sets out Prudential's modified statutory basis consolidated shareholders' equity and indebtedness at 31st December, 2001 and at 31st December, 2002. The figures at 31st December, 2002 were prepared using the same accounting policies as were used in the 2001 statutory accounts. The auditors' reports on the accounts were not qualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

	<i>31st December, 2001 (audited) £m</i>	<i>31st December 2002 (audited) £m</i>
Capital		
Called up Share Capital ⁽¹⁾	100	100
Total Shareholders' Equity	<u>3,950</u>	<u>3,668</u>
Indebtedness		
Financing borrowings – falling due within one year	87	420
Financing borrowings – due after more than one year	<u>2,065</u>	<u>2,032</u>
Total financing borrowings ⁽²⁾	2,152	2,452
Operating borrowings ⁽²⁾	<u>2,687</u>	<u>1,921</u>
Total indebtedness	<u><u>4,839</u></u>	<u><u>4,373</u></u>

Notes

- The authorised share capital of Prudential plc consists of 2,400 million ordinary shares of 5p each. At 31st December, 2002, 2,001,662,348 shares were issued and fully paid.
- Financing borrowings are borrowings which the Group considers form part of its core capital structure whilst operating borrowings are borrowings that arise in the normal course of business.
- 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 page 66.
- Total indebtedness at 31st December, 2002 includes amounts owed under finance leases and amounts owed by Jackson National Life under sale and repurchase arrangements. Comparative figures at 31st December, 2001 have been restated accordingly.
- At 31st December, 2002, 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, as set out on page 59, but the directors do not expect the outcome from these issues to have a material effect on the Group's financial position.
- During the period from 1st January, 2003 to 31st March, 2003, total indebtedness increased by approximately £340 million. Total financing borrowings increased by some £440 million. Operating borrowings decreased by some £100 million due to movements in the short-term fixed income securities reinvestment programme.
- Other than disclosed above, there has been no material change in the capitalisation, indebtedness or contingent liabilities of the Group since 31st December, 2002. However, modified statutory basis operating profit for the two months ended 28th February, 2003 was £54 million compared to £114 million for the same period in 2002. The decrease largely relates to the US, due to the timing of the recognition of investment losses in 2002 and the effect of falls in US equity markets on net income from variable annuities; together with UK bonus reductions in the second half of 2002, the timing of investment in Egg France and higher funding costs.
- Out of the £440 million increase in financing borrowings referred to in note 6, £333 million was held as cash on deposit at 31st March, 2003. Transactions in the normal course of business, mainly capital invested in business units, accounted for £100 million with the balance due to foreign exchange movements.

CONSOLIDATED BORROWINGS OF PRUDENTIAL plc

	Central borrowings (£ million)	Business operations (£ million)	Investment subsidiaries (£ million)	Total (£ million)
31st December, 2001 (audited)				
Financing borrowings				
US\$250 million 7.125% Bonds 2005	172			172
£150 million 9.375% Guaranteed Bonds 2007	150			150
£250 million 5.5% Bonds 2009	250			250
€500 million 5.75% Subordinated Notes 2021	301			301
£300 million 6.875% Bonds 2023	300			300
US\$250 million 8.15% Surplus Notes 2027		172		172
£250 million 5.875% Bonds 2029	250			250
£435 million 6.125% Subordinated Notes 2031	425			425
Commercial paper 2002	87			87
Floating Rate Guaranteed Unsecured Loan Notes 2004	45			45
Total financing borrowings	1,980	172	0	2,152
Operating borrowings				
Non-recourse borrowings issued by investment subsidiaries managed by PPM America			530	530
Obligations of Jackson National Life under sale and repurchase arrangements		577		577
£125 million 6.875% Subordinated Notes 2021		124		124
£100 million 8.5% undated subordinated Guaranteed Bonds		100		100
Commercial paper 2002		1,330		1,330
Obligations under finance leases		5		5
Bank loans and overdrafts repayable on demand		21		21
Total operating borrowings		2,157	530	2,687
Total borrowings	1,980	2,329	530	4,839
31st December, 2002 (audited)				
Financing borrowings				
US\$250 million 7.125% Bonds 2005	155			155
£150 million 9.375% Guaranteed Bonds 2007	150			150
£250 million 5.5% Bonds 2009	250			250
€500 million 5.75% Subordinated Notes 2021	322			322
£300 million 6.875% Bonds 2023	300			300
US\$250 million 8.15% Surplus Notes 2027		155		155
£250 million 5.875% Bonds 2029	250			250
£435 million 6.125% Subordinated Notes 2031	426			426
Commercial paper 2003	420			420
Floating Rate Guaranteed Unsecured Loan Notes 2004	41			41
Currency translation net asset on swap transaction	(17)			(17)
Total financing borrowings	2,297	155	0	2,452
Operating borrowings				
Non-recourse borrowings issued by investment subsidiaries managed by PPM America			365	365
£200 million 6.875% Subordinated Notes 2021		202		202
£100 million 8.5% undated subordinated Guaranteed Bonds		100		100
Commercial paper 2003		1,212		1,212
Medium Term Notes 2003		25		25
Bank loans and overdrafts repayable on demand		1		1
Obligations under finance leases		3		3
Currency translation net liability on swap transactions		13		13
Total operating borrowings	0	1,556	365	1,921
Total borrowings	2,297	1,711	365	4,373

Notes:

1. Financing borrowings are borrowings which the Group considers form part of its core capital structure whilst operating borrowings are borrowings that arise in the normal course of business.
2. All borrowings shown in the tables on page 65 are unsecured with the exception of certain non-recourse borrowings issued by investment subsidiaries managed by PPM America which are secured as described in note 8 below.
3. References to "US\$" and "€" are to the currency of the United States of America and the Euro respectively. Borrowings denominated in US\$ and € have been translated at US\$1.4554 and €1.6346 and US\$1.6099 and €1.5342 to £1, being the exchange rates ruling at 31st December, 2001 and at 31st December, 2002 respectively.
4. 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 Notes were issued in 1999 as part of the acquisition consideration for the M&G Group.
5. The 5.75% Subordinated Notes 2021 and the 6.125% Subordinated Notes 2031 have been issued by Prudential plc and the interests of the holders of these notes are subordinate to the entitlements of Prudential plc's other creditors.
6. At 31st December, 2002, the €500m borrowing had effectively been swapped into borrowings of £309m with interest payable at 6 month Sterling LIBOR plus 1.03%.
7. The Surplus Notes 2027 have been issued by Jackson National Life and the interests of the holders of these notes are subordinate to the present and future borrowings, policyholder claims and other creditor claims of Jackson National Life.
8. Non-recourse borrowings issued by investment subsidiaries managed by PPM America include secured senior and subordinated debt and a revolving credit facility. The senior debt is secured on the investments held by the relevant subsidiaries. The interests of the holders of the subordinated debt issued by these subsidiaries are subordinate to the entitlements of the holders of the senior debt. The terms of the revolving credit facility include a cross default provision with the subordinated notes. In addition to the debt of these subsidiaries, PPM America manages investment companies with liabilities of £1,353m and £1,048m at 31st December, 2001 and at 31st December, 2002 respectively, pertaining to debt instruments issued to external parties. In all instances the holders of the debt instruments issued by these subsidiaries and other companies do not have recourse beyond the assets of those subsidiaries.
9. The 6.875% Subordinated Notes 2021 have been issued by Egg plc as structured debt capital and the interests of the holders of these notes are subordinate to the entitlements of Egg plc's other creditors. In addition, Egg had issued unsubordinated debt securities totalling £915m and £1,015m and sold securities under agreements to repurchase of £384m and £nil at 31st December, 2001 and at 31st December, 2002 respectively, as part of its trading activities.
10. The 8.5% undated subordinated Guaranteed 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. In addition, the interests of the holders of these bonds are subordinate to the entitlements of the policyholders of the Fund.
11. The commercial paper borrowings and Medium Term Notes included within operating borrowings support a short-term fixed income securities reinvestment programme.
12. Jackson National Life has entered into a programme of funding arrangements under contracts, which, in substance, are almost identical to Guaranteed Investment Contracts. Liabilities under these arrangements were £3,144m and £3,554m at 31st December, 2001 and at 31st December, 2002 respectively. In addition, it has entered into obligations under stocklending agreements of £559m and £1,544m at 31st December, 2001 and at 31st December, 2002 respectively.
13. Jackson Federal Savings Bank, a subsidiary of Jackson National Life, had bank borrowings of £244m and £239m at 31st December, 2001 and at 31st December, 2002 respectively, secured by mortgage loans and mortgage backed securities.
14. The Group's UK and European insurance operations had obligations under financial reinsurance agreements of £189m and £186m at 31st December, 2001 and at 31st December, 2002 respectively.

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 per cent owned by Prudential Corporation Holdings Limited which in turn is 100 per cent owned by the Prudential Group.

As at 31st December, 2002 Prudential Finance had assets of £1,209 million, liabilities of £1,205 million and equity of £4 million.

The principal activity of Prudential Finance is investing in debt securities and commercial paper. It also acts as the market-facing entity of the Prudential Group for derivative transactions.

Directors:

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

John Foley	Managing Director
Philip Broadley FCA	Director Group Finance Director of Prudential plc
Elisabeth Wenusch	Director
Jonathan Daniels	Director

CAPITALISATION OF PRUDENTIAL FINANCE (UK) plc

The following table sets out Prudential Finance (UK) plc's shareholders' equity and indebtedness at 31st December, 2001 and at 31st December, 2002. The figures at 31st December, 2002 were prepared using the same accounting policies as were used in the 2001 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, 2001</i> <i>(audited)</i> <i>£000</i>	<i>31st December, 2002</i> <i>(unaudited)</i> <i>£000</i>
Capital		
Called up Share Capital ⁽¹⁾	50	50
Total Shareholders' Equity	<u>810</u>	<u>3,763</u>
Indebtedness		
Financing borrowings – falling due within one year ⁽²⁾	0	6,529
Financing borrowings – due after more than one year	<u>0</u>	<u>0</u>
Total Indebtedness	<u><u>0</u></u>	<u><u>6,529</u></u>

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, 2001 and 31st December, 2002 were not secured but were guaranteed by Prudential plc. These borrowings are external to the Prudential group and so exclude loans with Prudential plc.
- (3) The indebtedness of Prudential Finance (UK) plc had increased to £6,903,217 at 31st March 2003 due to foreign exchange movements in its Euro borrowings.
- (4) At 31st December, 2002 Prudential Finance (UK) plc had no contingent liabilities or guarantees.
- (5) Other than as disclosed above, there has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees since 31st December, 2002.

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 Taxes Act") the London Stock Exchange is a recognised stock exchange for these purposes. Under an Inland Revenue published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the United Kingdom Listing Authority and admitted to trading by the London Stock Exchange.
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.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom and the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest at the time the payment is made, provided that the Inland Revenue has not given a direction that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20%), 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. The Inland Revenue also has power to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are 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 include the name and address of the beneficial owner of the amount payable on redemption. However, in relation to amounts payable on redemption of Notes, Inland Revenue published practice indicates that the Inland Revenue will not exercise its power to obtain information where such amounts are paid or received on or before 5th April, 2003. Any information obtained 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 EU Savings Directive

On 21st January, 2003, the European Council of Economics and Finance Ministers (ECOFIN) agreed on proposals under which, with effect from 1st January, 2004, Member States will be required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Additionally, it was agreed by ECOFIN that the adoption of the proposals by the European Union would require certain other non-Member State countries to adopt a similar withholding system in relation to such payments. It is expected that the final text of a Directive to implement the proposals will be decided at the ECOFIN meeting in March 2003.

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 Limited (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 an amended and restated dealership agreement dated, 18th March, 2003 (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).

- (2) It acknowledges that the Notes have not been registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.
- (3) It agrees that the relevant Issuer and, where the relevant Issuer is Prudential Finance, Prudential, have no obligation to register the Notes, under the Securities Act.
- (4) It will not resell or otherwise transfer any Notes within two years after the original issuance of the Notes except (A) to the relevant Issuer, (B) inside the United States to a person whom the seller reasonably believes is a QIB purchasing in a transaction complying with Rule 144A, (C) outside the United States in compliance with Rule 904 under the Securities Act, (D) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (E) pursuant to an effective registration statement under the Securities Act.
- (5) It will give to each person to whom it transfers Notes notice of any restrictions on transfer of those Notes.
- (6) It understands that the Notes offered in reliance on Rule 144A or Regulation S will be represented by Registered Global Notes or Bearer Global Notes. Before any interest in a Regulation S Global Note or in a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who is not a QIB or a foreign purchaser, the transferee will be required to provide the Issue and Paying Agent with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restrictions referred to above.
- (7) It understands that each of the Notes will bear a legend substantially to the following effect unless otherwise agreed by the relevant Issuer and the holder of particular Notes:

Any Notes that are offered, sold or transferred in the United States or to or for the account or benefit of a U.S. person (as defined in Regulation S) will either be issued in the form of Definitive Registered Notes, registered in the name of the registered holder thereof, or be represented by a Rule 144A Global Note which will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

Each Definitive Registered Note will bear a legend to the following effect:

"THE NOTES REPRESENTED BY THIS DEFINITIVE REGISTERED NOTE AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE ORIGINAL ISSUE DATE HEREOF, MAY BE TRANSFERRED ONLY PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AS SET FORTH BELOW.

THE REGISTERED OWNER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS DEFINITIVE REGISTERED NOTE IS ISSUED, (1) REPRESENTS FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT IS THE SOLE BENEFICIAL OWNER OF THE NOTES REPRESENTED HEREBY OR IS PURCHASING SUCH NOTES FOR ONE OR MORE ACCOUNTS MAINTAINED BY IT OR OVER WHICH IT EXERCISES SOLE INVESTMENT DISCRETION AND THAT EITHER (A) IT AND ANY SUCH ACCOUNT ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) AND ARE NOT PURCHASING SUCH NOTES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, OR (B) IT AND ANY SUCH ACCOUNT ARE (OR ARE HOLDING SUCH NOTES FOR THE BENEFIT OF) QUALIFIED INSTITUTIONAL BUYERS ("QIBS") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, (2) ACKNOWLEDGES THAT THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, RESOLD OR DELIVERED IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH ACT IN ACCORDANCE WITH THE TERMS HEREOF, AND (3) AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH NOTES MAY ONLY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED (A) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO A PERSON WHO THE SELLER REASONABLY BELIEVES TO BE A QIB WHO IS AWARE THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER

THE SECURITIES ACT AND WHO HAS DULY COMPLETED AN INVESTMENT LETTER (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND CAN BE OBTAINED FROM THE REGISTRAR).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH HOLDER OF THIS DEFINITIVE REGISTERED NOTE AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEFINITIVE REGISTERED NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND".

FOR THE PURPOSES HEREOF, "OFFSHORE TRANSACTION" AND "U.S. PERSON" SHALL HAVE THE MEANINGS GIVEN TO THEM IN RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

Each Rule 144A Global Note will bear a legend to the following effect:

"THE NOTES REPRESENTED BY THIS GLOBAL NOTE AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE ORIGINAL ISSUE DATE HEREOF, MAY BE TRANSFERRED ONLY PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AS SET FORTH BELOW.

THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS GLOBAL NOTE IS ISSUED (OR ANY BENEFICIAL INTEREST OR PARTICIPATION HEREIN) ON ITS OWN BEHALF AND ON BEHALF OF ANY ACCOUNT FOR WHICH IT IS PURCHASING THIS GLOBAL NOTE OR ANY BENEFICIAL INTEREST OR PARTICIPATION HEREIN, (1) REPRESENTS FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO SUCH NOTES THAT IT IS THE SOLE BENEFICIAL OWNER OF THE NOTES REPRESENTED HEREBY OR IS PURCHASING SUCH NOTES FOR ONE OR MORE ACCOUNTS MAINTAINED BY IT OR OVER WHICH IT EXERCISES SOLE INVESTMENT DISCRETION AND THAT EITHER (A) IT AND ANY SUCH ACCOUNT ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) AND ARE NOT PURCHASING SUCH NOTES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, OR (B) IT AND ANY SUCH ACCOUNT ARE (OR ARE HOLDING SUCH NOTES FOR THE BENEFIT OF) QUALIFIED INSTITUTIONAL BUYERS ("QIBS") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, (2) ACKNOWLEDGES THAT SUCH NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, RESOLD OR DELIVERED IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH ACT IN ACCORDANCE WITH THE TERMS HEREOF, (3) AGREES TO NOTIFY ANY SUBSEQUENT TRANSFEREE OF THE TRANSFER RESTRICTIONS SET OUT HEREIN AND THAT IT WILL BE A CONDITION TO SUCH TRANSFER THAT THE TRANSFEREE WILL BE DEEMED TO MAKE THE REPRESENTATIONS SET OUT HEREIN, AND (4) AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH NOTES MAY ONLY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED (A) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO A PERSON WHO THE SELLER REASONABLY BELIEVES TO BE A QIB THAT IS AWARE THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH HOLDER OF THIS GLOBAL NOTE OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND."

FOR THE PURPOSES HEREOF, "OFFSHORE TRANSACTION" AND "U.S. PERSON" SHALL HAVE THE MEANINGS GIVEN TO THEM IN RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

Each Regulation S Global Note will bear a legend to the following effect:

"THE NOTES REPRESENTED BY THIS GLOBAL NOTE AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. BY PURCHASING OR OTHERWISE ACQUIRING THE NOTES REPRESENTED BY THIS GLOBAL NOTE, THE HOLDER THEREOF ACKNOWLEDGES THAT THE NOTES REPRESENTED BY THIS GLOBAL NOTE ARE "RESTRICTED SECURITIES" THAT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT. THE HOLDER AGREES FOR THE BENEFIT OF THE ISSUER THAT, IF IT SHOULD DECIDE TO DISPOSE OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE, THE NOTES REPRESENTED BY THIS GLOBAL NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND ONLY (A) IN THE CASE OF NOTES ISSUED BY PRUDENTIAL ONLY, TO PERSONS WHOM THE SELLER REASONABLY BELIEVES TO BE QUALIFIED INSTITUTIONAL BUYERS ("QIBS"), AS DEFINED IN RULE 144A ("RULE 144A") UNDER THE SECURITIES ACT, OR (B) OTHERWISE TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT; PROVIDED THAT, IN THE CASE OF A TRANSFER PURSUANT TO CLAUSE (A), A TRANSFEROR OF THE NOTES WILL BE REQUIRED (1) TO EXECUTE AND DELIVER TO THE ISSUER AND THE REGISTRAR A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND CAN BE OBTAINED FROM THE REGISTRAR) AND (2) TO EXCHANGE THE PORTION OF THIS GLOBAL NOTE TO BE SO TRANSFERRED FOR AN INTEREST IN A RULE 144A GLOBAL NOTE OR A DEFINITIVE REGISTERED NOTE (AS SET OUT IN THE APPLICABLE PRICING SUPPLEMENT) TO BE REGISTERED IN THE NAME OF THE TRANSFEREE.

EACH HOLDER OF THIS NOTE OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, "OFFSHORE TRANSACTION" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Dealership Agreement will be required to represent and agree, that:

- (1) *Admission to Official List*: in relation to Notes which have a maturity of one year or more and which are to be admitted to the Official List, it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part VI of the Financial Services and Markets Act 2000 (the "FSMA") except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the FSMA;
- (2) *No offer to public*: in relation to Notes with a maturity of one year or more and which are not to be admitted to the Official List, it has not offered or sold and will not offer or sell any such Notes to persons in the United Kingdom prior to the expiry of a period of six months from the issue date of such Notes except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (3) *Investment Business*: in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold

and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

- (4) *Investment advertisements*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (5) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan.

France

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Information Memorandum or any other offering material relating to Notes, and that such offers, sales and distributions have been and shall be made in France only to qualified investors (*investisseurs qualifiés*) in accordance with articles L-411.1 and L-411.2 of the *Code Monétaire et Financier* and décret no. 98-880 dated 1 October, 1998.

Germany

Each Dealer represents and agrees that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the Federal Republic of Germany other than in compliance with the German Securities Selling Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of 13th December, 1990, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

Switzerland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to agree, that any issue of Notes denominated in Swiss Francs will be issued in compliance with the guidelines of the Swiss National Bank regarding issues of Swiss Franc denominated debt securities.

General

Other than with respect to the listing of the Notes on such stock exchange as may be specified in the Pricing Supplement, no action has been or will be taken in any country or jurisdiction by the Obligors or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Information Memorandum or any Pricing Supplement comes are required by the Obligors and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date thereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the relevant Issuer. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Instruments) or (in any other case) in a supplement to this document.

GENERAL INFORMATION

1. Upon admission of the Notes to the Official List, their listing will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that the admission of the Programme in respect of the Notes to the Official List and to trading on the London Stock Exchange's market for listed securities will be granted on or about 23rd April, 2003. Any Tranche of Notes intended to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities will be so admitted upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Pricing Supplement and any other information required by the UK Listing Authority and the London Stock Exchange, subject to the issue of the Notes. Prior to official listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. However, Notes may be issued which will not be admitted to the Official list and to trading on the London Stock Exchange's market for listed securities or any other exchange.
2. The establishment of the Programme and the updates of the Programme were authorised by a resolution of the Board of Directors of Prudential at a meeting held on 6th September, 2001, 7th November, 2002 and on 20th March, 2003, respectively and the giving of the Guarantee by Prudential in respect of Notes issued by Prudential Finance was authorised by a resolution of the Committee of the Board of Directors of Prudential at a meeting held on 13th March, 2003. The establishment of the Programme and the updates of the Programme were authorised by a resolution of the Board of Directors of Prudential Finance at a meeting held on 15th November, 2001 and on 19th November, 2002, respectively. Each Obligor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of Notes issued by it.
3. The Bearer Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number ("ISIN") in relation to the Bearer Notes of each Series will be specified in the applicable Pricing Supplement. In addition, the relevant Issuer may make an application for any Registered Notes to be accepted for trading in book-entry form by DTC. The CUSIP numbers for each Series of Registered Notes, together with the relevant common code and ISIN, if applicable, will be specified in the applicable Pricing Supplement.
4. Bearer Notes with an original maturity of more than one year and any Receipt, Coupon or Talon appertaining thereto will bear a legend substantially to the following effect: *"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."*

The sections referred to in such legend provide that a United States person who holds a Bearer Note, Receipt, Coupon or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note, Receipt, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

5. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available during normal business hours from the specified office of the Issue and Paying Agent for the time being in London:
 - (i) the constitutional documents of each Obligor;
 - (ii) the consolidated and non consolidated audited financial statements of each Obligor in respect of the financial years ended 31st December, 2001 and 31st December, 2002;
 - (iii) the most recently published audited consolidated annual financial statements and audited non-consolidated annual financial statements of each Obligor and the most recently published unaudited interim semi-annual consolidated financial statements and unaudited interim semi-annual non-consolidated financial statements of Prudential;
 - (iv) the Dealership Agreement, the Agency Agreement, the Trust Deed and the forms of the Notes, the Receipts, the Coupons and the Talons;

- (v) a copy of this Information Memorandum;
 - (vi) any future information memoranda, prospectuses, offering circulars and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Paying Agent, as the case may be, as to its holding of Notes and identity) to this Information Memorandum and any other documents incorporated herein or therein by reference;
 - (vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document); and
 - (viii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to (including the report of KMPG Audit Plc, referred to in paragraph 8 below) in this Information Memorandum.
6. Save as disclosed in this Information Memorandum, there has been no significant change in the financial or trading position of either Obligor or Prudential and its subsidiaries as a whole since 31st December, 2002, and there has been no material adverse change in the financial position or prospects of either Obligor or Prudential and its subsidiaries as a whole since 31st December, 2002.
 7. Save as disclosed in this Information Memorandum on pages 59 to 62, neither Obligor is, nor has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which either Obligor is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of either Obligor or Prudential and its subsidiaries as a whole.
 8. The auditors of both Obligors are KPMG Audit Plc, Chartered Accountants & Registered Auditors of 1 Canada Square, Canary Wharf, London E14 5AG, who have audited the Obligors' accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial years ended on 31st December, 1999, 2000, 2001 and 31st December, 2002.

The Trust Deed provides that any certificate or report called for by, or provided by, the Auditors (as defined in the Trust Deed) or any other expert in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that any such certificate or report and/or any engagement letter or other document entered into by the Trustee and the Auditors or such other expert in connection therewith contains a monetary or other limit on the liability of the Auditors or such other expert.

9. The third stage of European economic and monetary union commenced on 1st January, 1999 when the value of the euro as against the currencies of the member states participating in the third stage was irrevocably fixed and the euro became a currency in its own right. Each euro is denominated into 100 cents and, for a transitional period of three years, into participating member currencies at fixed exchange rates. With effect from 1st January, 2002 the participating member currencies ceased to exist.

THE REGISTERED AND HEAD OFFICE OF THE OBLIGORS

Prudential plc
Laurence Pountney Hill
London EC4R 0HH

Prudential Finance (UK) plc
Laurence Pountney Hill
London EC4R 0HH

ISSUE AND PAYING AGENT, REGISTRAR AND EXCHANGE AGENT

Citibank, N.A.
5 Carmelite Street
London EC4Y 0PA

TRUSTEE

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London EC2V 7EX

LEGAL ADVISERS

To the Dealers and the Trustee
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One New Change
London EC4M 9QQ

To the Obligors
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AUDITORS

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DEALERS

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Citigroup Global Markets Limited
Citigroup Centre
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