

PRUDENTIAL PLC
Form 424B5
July 11, 2005

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The information contained in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated July 11, 2005

Prospectus Supplement
(To Prospectus dated July 30, 2004)

Filed pursuant to rule 424(b)(5)
Registration No. 333-117208

Prudential plc

\$

% Perpetual Subordinated Capital Securities Exchangeable at the Issuer's Option into Non-Cumulative Dollar Denominated Preference Shares

We are offering \$ _____ aggregate principal amount of _____ % Perpetual Subordinated Capital Securities, or Capital Securities. The Capital Securities will be issued pursuant to the subordinated indenture as supplemented by a supplemental indenture, each as described herein.

The Capital Securities will bear interest from the date of original issuance at a rate of _____ % per annum on their outstanding principal amount, payable in U.S. dollars quarterly in arrear on March 23, June 23, September 23 and December 23 of each year, beginning on September 23, 2005. Interest payable on September 23, 2005 for the interest period will equal \$ _____ per Capital Security. Interest payments on the Capital Securities may be deferred as described under "*Certain Terms of the Capital Securities - Deferred Interest*" in this prospectus supplement. At our option, we may elect to pay interest that is not deferred through the alternative coupon satisfaction mechanism described herein. Deferred interest will be satisfied only upon a redemption or exchange of the Capital Securities only in accordance with the alternative coupon satisfaction mechanism or upon our winding up. We may, at our option, and subject to certain conditions described herein, exchange the Capital Securities in whole or in part on any interest payment date falling on or after March 23, 2011 into one or more series of our preference shares.

The Capital Securities have no maturity date. At our option, however, we may redeem the Capital Securities on any interest payment date falling on or after September 23, 2010 at their principal amount together with any accrued and unpaid interest, including deferred interest, subject to our obligation to make payment of any deferred interest only through the alternative coupon satisfaction mechanism. We may also redeem the Capital Securities at any time in the event of a change in certain U.K. regulatory requirements applicable to us or for certain tax reasons as described under "*Certain Terms of the Capital Securities - Redemption*".

The preference shares that we may issue upon exchange of the Capital Securities will be dollar denominated preference shares with a liquidation preference equal to \$25 per share paying non-cumulative preferential dividends quarterly in arrears, if declared, of _____ % of the liquidation preference per annum. Dividends on our non-cumulative preference shares will be payable on any dividend payment date only (a) if we have distributable profits, (b) we are not prohibited from paying a dividend under the terms of a Parity Security, (c) we meet certain other conditions described herein and (d) our board of directors elects, in its sole discretion, to declare dividends. If we do not pay a dividend on our preference shares on a dividend payment date, we will be restricted in our ability to make payments on or redeem certain parity and junior securities. The preference shares will be represented by American depository shares and evidenced by American depository receipts.

We will apply to list the Capital Securities on the New York Stock Exchange and, if the Capital Securities are exchanged for preference shares, we will use our reasonable efforts to list the American depository shares representing the preference shares on the New York Stock Exchange. Trading of the Capital Securities on the New York Stock Exchange is expected to begin within 30 days after the initial delivery of the securities.

Investing in the Capital Securities and Preference Shares involves certain risks. See "*Risk Factors*" beginning on page S-13 and the risk factors beginning on page 6 of our annual report on Form 20-F for the year ended December 31, 2004.

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We are not affiliated with Prudential Financial, Inc., or its subsidiary, the Prudential Insurance Company of America.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

PRICE: \$25 PER SECURITY

	Price to Public ¹	Underwriting Commissions	Proceeds to Prudential plc ^{2,3}
Per security	100%	%	%
Total	\$	\$	\$

1 Plus accrued interest, if any, from July , 2005

2 Before deducting expenses.

3 We have granted to the underwriters a 30-day option to purchase up to an additional \$ principal amount of Capital Securities to cover over-allotments, if any. The purchase price is \$. If the option is exercised in full, the total Price to Public, Underwriting Commissions, and Proceeds to Prudential plc will be \$, \$ and \$, respectively. Any Capital Securities issued or sold under the option will have the same terms and conditions as the Capital Securities.

The underwriters expect that the securities will be ready for delivery on or about July , 2005.

Citigroup	<i>Joint bookrunning managers</i>	Merrill Lynch & Co.
	<i>Senior Co-managers</i>	
Morgan Stanley	UBS Investment Bank	Wachovia Securities
	<i>Junior Co-managers</i>	
A.G. Edwards		RBC Dain Rauscher

Prospectus Supplement dated July , 2005

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We have not authorized any dealer, salesman or any other person to give any information or to make any representations not contained in this prospectus supplement or the prospectus in connection with the offer contained in this prospectus supplement and prospectus. If such information or representation is given or made, you must not rely on it. This prospectus supplement and the prospectus is not an offer to sell, or a solicitation of an offer to buy, any of the Capital Securities in any jurisdiction or to any person to whom that offer or solicitation would be illegal. The offer or sale of the Capital Securities may be restricted by law in certain jurisdictions and you should inform yourself about, and observe, any such restrictions. The delivery of this prospectus supplement and the prospectus or any sale of securities using this prospectus supplement or the prospectus does not mean that the information contained herein is correct at any time after the date of those documents.

There are certain restrictions on the distribution of this prospectus supplement as described under "Underwriting".

In connection with the issue of the Capital Securities, Citigroup Global Markets Inc., or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there will be no obligation on Citigroup Global Markets Inc. or any agent of it to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

INFORMATION REGARDING PRUDENTIAL PLC

Certain information, including:

our annual report on Form 20-F for the fiscal year ended December 31, 2004 (SEC File No.1-15040);

our report on Form 6-K, with respect to our first quarter 2005 new business results furnished to the Securities and Exchange Commission on July 11, 2005;

our report on Form 6-K, with respect to our our acquisition of Phoenix Life & Pensions Limited's annuities book furnished to the Securities and Exchange Commission on July 11, 2005;

our report on Form 6-K, with respect to the computation of the ratio of earnings to fixed charges furnished to the Securities and Exchange Commission on July 11, 2005; and

certain of our future reports on Form 6-K (to the extent therein indicated)

are hereby, or in the future may be, incorporated by reference into this prospectus supplement and the accompanying prospectus. We refer you to the important information contained in those documents. See "*Where You Can Find More Information About Us*" in the accompanying prospectus.

For further information regarding the way in which we are regulated, including the details of how our regulatory capital is calculated for purposes of the U.K. Financial Services Authority (the "FSA"), please refer to the FSA's website (www.fsa.gov.uk).

FORWARD-LOOKING STATEMENTS

Some statements in this prospectus supplement are, and some statements contained in the accompanying prospectus may be, forward-looking. All statements regarding our future financial condition, results of operations and businesses, strategy, plans and objectives are forward-looking. Statements containing the words "believes," "intends," "expects" and words of similar meaning are also forward-looking. Such statements involve unknown risks, uncertainties and other factors that may cause our results, performance or achievements or conditions in the markets in which we operate to differ from those expressed or implied in those statements. These factors include regulatory changes, technological developments, globalization, levels of spending in major economies, the levels of marketing and promotional expenditures, actions of competitors, employee costs, future exchange and interest rates, changes in tax rates and future business combinations or dispositions, together with other factors discussed in "Risk Factors" in our annual report on Form 20-F and in this prospectus supplement. We may also make or disclose written and/or oral forward-looking statements in reports filed with or furnished to the SEC, our annual report and accounts to shareholders, proxy statements, offering circulars, registration statements, prospectuses, prospectus supplements, press releases and other written materials and in oral statements made by our directors, officers or employees to third parties, including financial analysts. We undertake no obligation to, and do not expect to, update any of our forward-looking statements.

SUMMARY OF THE OFFERING

The following summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that may be important to you. You should read the entire prospectus supplement and prospectus, including the financial statements and related notes incorporated by reference herein, before making an investment decision. Unless the content requires otherwise, references to "we," "us" and "our" means Prudential plc. Terms which are defined in "Certain Terms of the Capital Securities" and "Certain Terms of the Preference Shares" included in this prospectus supplement have the same meaning when used in this summary.

Issuer Prudential plc

Securities Offered % Perpetual Subordinated Capital Securities in an aggregate principal amount of \$, which we refer to as the **Capital Securities**. At our option, we may exchange the Capital Securities in whole or in part on any interest payment date on or after March 23, 2011 into one or more series of our preference shares. See "*Certain Terms of the Capital Securities Exchange Option*".

The Capital Securities will be issued under a subordinated indenture between us and Citibank, N.A., as subordinated trustee as supplemented by the second supplemental indenture thereto between us and Citibank, N.A. as subordinated trustee.

Interest The Capital Securities will bear interest from the date of issuance at a fixed rate equal to % per annum on their outstanding principal amount.

Interest Payment Dates Unless we defer payment as described under "Deferred Interest" below, interest payments on the Capital Securities will be payable quarterly in arrear on March 23, June 23, September 23 and December 23 of each year, beginning on September 23, 2005.

Additional Amounts Subject to certain exceptions and limitations set forth in this prospectus supplement and the accompanying prospectus, if at any time a U.K. taxing authority requires us to deduct or withhold taxes, we will pay the additional amounts on the Capital Securities that are necessary to ensure that the net amount received by each Capital Securities holder, after the deduction or withholding, will not be less than the amount the holder would have received in respect of the Capital Securities in the absence of the deduction or withholding.

Subordination The Capital Securities will constitute our unsecured obligations and will rank equally and ratably without any preference among themselves. The rights and claims of the Capital Securities holders are subordinated to the claims of **Senior Creditors** (as defined herein). See "*Certain Terms of the Capital Securities Subordination*".

As a result of the subordination provisions of the Capital Securities, upon our winding up, the Capital Securities holders will rank as if they were holders of our preference shares, *pari passu* with the holders of our most senior ranking class of issued preference shares if any, except to the extent such preference shares represent claims of Senior Creditors, and any other **Parity Securities** (as defined herein under "*Certain Terms of the Capital Securities Dividend and Capital Restriction*") then outstanding, junior to Senior Creditors and in priority to all holders of **Junior Securities** (as defined herein under "*Certain Terms of the Capital Securities Dividend and Capital Restriction*").

Solvency Condition

Except in a winding up, all interest and other payments on the Capital Securities will be conditional upon our meeting the Solvency Condition (as further defined herein) at the time of payment, and we will not make any payment unless we will continue to meet the Solvency Condition immediately afterwards. See "*Certain Terms of the Capital Securities The Solvency Condition*".

Deferred Interest

Payments of interest on the Capital Securities will be mandatory on a Compulsory Interest Payment Date, which is defined to include each interest payment date other than an Optional Interest Payment Date, on which:

we satisfy the Solvency Condition and

we are not prohibited from making interest payments pursuant to the terms of any Parity Security.

An **Optional Interest Payment Date** will be any interest payment date on which we determine, on or after the 20th Business Day (as defined herein), but not later than the fifth Business Day preceding such date (and by reference to our then current financial condition), that:

the Capital Adequacy Condition (as defined herein) will not be met on such date; or

we or any of our **EEA Insurance Subsidiaries** (as defined herein), are not in compliance with, or that the payment of interest on such interest payment date would cause us or any such EEA Insurance Subsidiary to breach, any **Capital Regulations** (as defined herein).

Any interest payments that we elect not to make in respect of the Capital Securities on an Optional Interest Payment Date, together with any interest payments we do not make because the Solvency Condition is not met or because we are prohibited from making such interest payment pursuant to the terms of any Parity Security, will, so long as they remain unpaid, constitute **Deferred Interest**. Deferred Interest will become payable only upon the redemption or exchange of the Capital Securities and only in accordance with the Alternative Coupon Satisfaction Mechanism (as described herein) or upon our winding up but not in any other circumstances. No interest will accrue on Deferred Interest, except in the limited circumstances described under "*Certain Terms of the Capital Securities Interest*," "*Certain Terms of the Capital Securities Redemption Postponement of Capital Security Redemption Date*" and "*Certain Terms of the Capital Securities Alternative Coupon Satisfaction Mechanism*" below.

Dividend and Capital Restriction

Following an Optional Interest Payment Date on which we do not make payment in full of all interest payments otherwise payable on such date, or we are prohibited from making such interest payment by the terms of any Parity Security or any interest payment date on which the Solvency Condition is not met, we will not, and we will not permit any entity that we control, directly or indirectly, (a) to declare or pay a dividend or distribution or make any other payment on any Parity Securities or on any Junior Securities (other than a final dividend declared by us with respect to our ordinary shares prior to the date that the decision to defer such interest payment is made or a payment made by one of our wholly-owned subsidiaries to another wholly-owned subsidiary or directly to us), or (b) to redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case until the next succeeding interest payment date for the Capital Securities on which the interest otherwise due and payable on all outstanding Capital Securities on such date (but excluding Deferred Interest, if any) is duly set aside and provided for or is paid in full.

Optional Redemption

The Capital Securities are perpetual securities and have no maturity date and are not redeemable at the option of the holders at any time. We may redeem the Capital Securities, however, in whole or in part at our option, on any interest payment date falling on or after September 23, 2010 at their principal amount together with interest for the then-current interest period to the date fixed for redemption (referred to as the "*Capital Security Redemption Date*") and the aggregate amount of any Deferred Interest, subject to our obligation to make payment of Deferred Interest only through the Alternative Coupon Satisfaction Mechanism (as defined below under "*Alternative Coupon Satisfaction Mechanism*").

In addition, we may redeem the Capital Securities in whole (but not in part) at our option at any time upon the occurrence of a **Tax Call Event** (as defined herein) or a **Regulatory Event** (as defined herein), in either case at their principal amount together with interest for the then-current interest period to the Capital Security Redemption Date and the aggregate amount of any Deferred Interest, subject to our obligation to make payment of Deferred Interest only through the Alternative Coupon Satisfaction Mechanism.

Except as otherwise indicated to us by the FSA, we may not redeem any Capital Securities upon the occurrence of a Tax Call Event or a Regulatory Event or otherwise after September 23, 2010 unless we have given at least six months' prior notice to the FSA and the FSA has issued a statement of no objections prior to such Capital Security Redemption Date, and redemption may only be effected if on, and immediately following, the Capital Security Redemption Date we are in compliance with any applicable regulatory capital requirements or capital ratios required to be maintained for insurance companies, parent companies in insurance groups or financial groups generally by the FSA. See "*Certain Terms of the Capital Securities Redemption*".

Alternative Coupon Satisfaction Mechanism

Any Deferred Interest to be satisfied on a Capital Security Redemption Date or upon exchange of the Capital Securities into Preference Shares must be satisfied by our issuing ordinary shares to our calculation agent which, when sold, will provide a cash amount sufficient to make the payments due. At our option, we may elect to pay any interest that has not been deferred (which we will refer to as **Current Interest**) in the same manner. We refer to this as the **Alternative Coupon Satisfaction Mechanism** (as further described herein). In any such case, the calculation agent will calculate in advance the number of our ordinary shares to be issued in order to enable us to raise the full amount of Deferred Interest or Current Interest to be satisfied on the relevant Capital Security Redemption Date, Exchange Date (as herein defined) or interest payment date, as the case may be. You will receive all payments in respect of the Capital Securities in cash. See "*Certain Terms of the Capital Securities Alternative Coupon Satisfaction Mechanism*".

Sufficiency and Availability of Ordinary Shares

While the Capital Securities are outstanding, we will be required to review the sufficiency of our authorized but unissued ordinary shares and the authority of our directors to issue such shares at the time of each annual shareholders' meeting and, if necessary, propose resolutions to increase the number so that we have available for issue enough ordinary shares as we reasonably consider would be required to satisfy the payment of Deferred Interest, if any, together with scheduled interest payments on the Capital Securities for the next 12 months using the Alternative Coupon Satisfaction Mechanism.

Market Disruption Event

If a **Market Disruption Event** (as defined herein) exists during the 14 Business Days preceding any Capital Security Redemption Date or Exchange Date, the Capital Security Redemption Date or Exchange Date and the related payment of Deferred Interest may be deferred until such Market Disruption Event no longer exists. A **Market Disruption Event** means (i) the occurrence or existence of any material suspension of or limitation imposed on trading or on settlement procedures for transactions in our ordinary shares through the London Stock Exchange (or other national securities exchange or designated offshore securities market constituting the principal trading market for our ordinary shares), or (ii) in our reasonable opinion, there has been a substantial deterioration in the price and/or value of our ordinary shares or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the ordinary shares to be issued in accordance with the Alternative Coupon Satisfaction Mechanism or (iii) where monies are required to be converted from one currency upon sale of ordinary shares into another currency for payment of Deferred Interest, the occurrence of any event that makes it impracticable to effect such conversion.

Exchange Option

We may elect to exchange the Capital Securities in whole or in part on any interest payment date falling on or after March 23, 2011 into our **Preference Shares** (which we describe further below), with each Capital Security being exchanged for one Preference Share with a liquidation preference of \$25. Upon exchange, any Deferred Interest outstanding on the Capital Securities being exchanged shall be paid by us but only in accordance with the Alternative Coupon Satisfaction Mechanism.

If we elect to exchange some or all of our Capital Securities, we will effect any such exchange by redeeming the Capital Securities being exchanged for their principal amount and immediately applying such principal amount to subscribe for the applicable number Preference Shares being issued to the holders.

We may also exchange the Capital Securities in whole (but not in part) on any interest payment date upon the occurrence of a Tax Event or a Regulatory Event, subject to the Solvency Condition being met.

Except as otherwise indicated to us by the FSA, we may not exchange any Capital Securities for Preference Shares upon the occurrence of a Tax Event or a Regulatory Event or otherwise after March 23, 2011 unless we have given at least six months' prior notice to the FSA and the FSA has issued a statement of no objections prior to the applicable Exchange Date, and exchange may only be effected if on, and immediately following, the Exchange Date we are in compliance with any applicable regulatory capital requirements or capital ratios required to be maintained for insurance companies, parent companies in insurance groups or financial groups generally by the FSA. See "*Certain Terms of the Capital Securities Exchange Option*".

On the date of any exchange, we will deliver or procure delivery to the ADR Depository a single share warrant to bearer evidencing all of the Preference Shares in respect of the Capital Securities so exchanged.

We will not exchange any Capital Securities for our Preference Shares unless:

there is no accrued but unpaid interest on such Capital Securities;

any Deferred Interest related to such Capital Securities has been paid in accordance with the Alternative Coupon Satisfaction Mechanism;

no Capital Security Default, Payment Event or Event of Default (each, as further defined herein) has occurred and is continuing;

we have a sufficient number of authorized but unissued Preference Shares immediately prior to the exchange;

our directors have all the necessary authority under English law to allot and issue the Preference Shares arising on exchange; and

we comply with certain other conditions set forth in the subordinated indenture.

Preference Shares

Each series of Perpetual Non-Cumulative Preference Shares (our "**Preference Shares**") issued upon exchange of Capital Securities will constitute a separate series of our non-cumulative dollar denominated preference shares.

If we do not declare a dividend on any dividend payment date, holders of the Preference Shares will have no claim in respect of non-payment and we will have no obligation to pay such dividend or part thereof or interest thereon.

Our Preference Shares will be represented by American Depositary Shares, or **ADSs**, evidenced by American Depositary Receipts, or **ADRs**. Each ADR will represent a specified number of Preference Shares.

Our Preference Shares shall rank *pari passu* as to return of assets on a winding up with Capital Securities that we issue in accordance with the terms of this prospectus supplement. The Preference Shares are subject to the dividend and redemption restrictions described below in "*Certain Terms of the Capital Securities Dividend and Capital Restriction*".

Non-cumulative preferential dividends on each series of Preference Shares will be payable if declared by our board of directors in accordance with the procedures described below. If so declared, any such dividend will be % of the liquidation preference per annum, payable quarterly in arrears on March 23, June 23, September 23 and December 23 of each year, beginning on the first such date occurring after the applicable issue date.

On any dividend payment date on which:

we satisfy the Solvency Condition;

we are not prohibited from paying a dividend under the terms of a Parity Security; and

our distributable profits are sufficient to cover the payment in full of, or the setting aside and providing for, the dividend on that series of Preference Shares and dividends on any of our other preference shares stated to be payable on the same date and ranking equally as to dividends with the Preference Shares;

then, our board of directors, in its sole discretion, may elect to declare and pay dividends or not to declare and pay dividends on the Preference Shares.

No Additional Amounts

If at any time a U.K. taxing authority requires us to deduct or withhold taxes from payments made by us with respect to our Preference Shares, we will not pay any additional amounts. As a result, the net amount received from us by each Preference Share holder, after the deduction or withholding, will be less than the amount the holder would have received in the absence of the deduction or withholding.

Dividend and Capital Restriction

Following a dividend payment date on which we do not declare and pay in full all dividend payments on the Preference Shares, for whatever reason, we will not, and we will not permit any entity that we control, directly or indirectly, (a) to declare or pay a dividend or distribution or make any other payment on any preference shares or on any Junior Securities (other than a final dividend declared by us with respect to our ordinary shares prior to the date that the decision not to pay such dividend on our Preference Shares is made or a payment made by one of our wholly-owned subsidiaries to another wholly-owned subsidiary or directly to us), or (b) to redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case unless or until we set aside and provide for or pay in full the dividends on the Preference Shares for the next four succeeding dividend payment dates.

Optional Redemption

Once issued, we can redeem our Preference Shares, in whole or in part, on any dividend payment date later than five years after they are issued. However, except as otherwise indicated to us by the FSA, we may not redeem any Preference Shares unless we have given at least six months' notice to the FSA and the FSA has issued a statement of no objections prior to such Preference Share Redemption Date, and redemption may only be effected if on, and immediately following, the Preference Share Redemption Date we are in compliance with any applicable regulatory capital requirements or capital ratios required to be maintained for insurance companies, parent companies in insurance groups or financial groups generally by the FSA.

Issuance Restriction

We may not issue any shares that rank senior to the Preference Shares of any series, in regard to rights to participate in our profits or assets, without the prior written consent of the holders of at least three-quarters in nominal value of such series.

We have agreed that for so long as any Capital Securities remain outstanding, we will not issue any preference shares or any other non-cumulative perpetual instruments (including cumulative perpetual instruments where coupon payments may be satisfied through a mechanism similar to the Alternative Coupon Satisfaction Mechanism) of a kind capable of counting as cover for the minimum or notional amount of solvency or minimum capital pursuant to the Capital Regulations, if such instruments would rank senior to the Capital Securities or give any guarantee or support undertaking in respect of any such qualifying instruments ranking senior to the Capital Securities, unless we alter the terms of the Capital Securities such that the Capital Securities rank equally with any such preference shares, such other qualifying instruments, or such guarantee or support undertaking.

Book-entry System; Delivery and Form

The Capital Securities will be issued only in fully registered form, without coupons, in the form of beneficial interests in one or more global securities. The Capital Securities will be issued only in denominations of \$25 and integral multiples of \$25. We will issue Capital Securities as global Capital Securities registered in the name of Cede & Co., as nominee for The Depository Trust Company, which we refer to as **DTC**.

We anticipate that the Capital Securities will be accepted for clearance by DTC. Beneficial interests in the global Capital Securities will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg. Owners of beneficial interests in the Capital Securities will receive payments relating to their Capital Securities in U.S. dollars.

The Capital Securities will not be issued in definitive form except under certain limited circumstances described herein. See "*Certain Terms of the Capital Securities Book-entry System; Delivery and Form*".

Listing

We will apply to list the Capital Securities on the New York Stock Exchange and, upon our giving notice of exchange of the Capital Securities for Preference Shares, we will use our reasonable efforts to list the ADSs representing the Preference Shares on the New York Stock Exchange. Trading of the Capital Securities on the New York Stock Exchange is expected to begin within 30 days after the initial delivery of the Capital Securities.

Governing Law

The Capital Securities and the subordinated indenture and the second supplemental indenture will be governed by, and construed in accordance with, the laws of the State of New York, except that the subordination provisions will be governed by and construed in accordance with the laws of England and Wales. The terms of the Preference Shares will also be governed by and construed in accordance with the laws of England and Wales.

Use of Proceeds

The net proceeds from the sale of the Capital Securities will be used to refinance existing indebtedness, while also counting towards our regulatory capital requirements.

Over-allotment Option

We have granted to the underwriters an option to purchase up to \$ _____ principal amount of additional Capital Securities on the terms and at the underwriters commission set forth on the cover page of this prospectus supplement. The option may be exercised at any time up to 30 calendar days after the date of the prospectus supplement, solely to cover over-allotments, if any, made in connection with the sale of the Capital Securities offered hereby.

RISK FACTORS

Prospective investors should carefully consider the following information in conjunction with the other information contained or incorporated by reference in this prospectus supplement, including our annual report on Form 20-F for the year ended December 31, 2004 and the risk factors described therein, beginning on page six thereof.

Interest payments on the Capital Securities may be deferred if we do not meet certain solvency and capital adequacy requirements on the relevant interest payment date and any interest that is deferred will be paid only upon redemption or exchange (which may only occur in limited circumstances) or upon our winding up.

Any interest payment on the Capital Securities will be deferred if we do not satisfy the Solvency Condition at the time of payment or will not satisfy the Solvency Condition immediately afterwards. Interest payments will also be deferred if we are prohibited from making interest payments pursuant to the terms of any Parity Security. We may also defer payment of interest on the Capital Securities on any interest payment date if in our sole discretion, we determine on or after the 20th Business Day, but not later than the fifth Business Day, prior to such interest payment date (and by reference to our then current financial condition), that the Capital Adequacy Condition will not be met on such date or, we, or any of our EEA Insurance Subsidiaries, are not in compliance with, or that the payment of interest on such date would cause us or any such EEA Insurance Subsidiary to breach, any Capital Regulations applicable to us, as described herein under "*Certain Terms of the Capital Securities Deferred Interest*".

Any payment of Deferred Interest on the Capital Securities will be paid only upon redemption or exchange of the Capital Securities (which may only occur in limited circumstances) or upon our winding up, and not in any other circumstances. We are required to satisfy our obligation to pay Deferred Interest on a Capital Security Redemption Date or Exchange Date only in accordance with the Alternative Coupon Satisfaction Mechanism described herein.

Interest payments that are not deferred may nonetheless be delayed if we decide to make payments using the Alternative Coupon Satisfaction Mechanism.

On any interest payment date, we may decide to pay any interest not otherwise deferred in accordance with the Alternative Coupon Satisfaction Mechanism. In accordance with these procedures, we will sell our ordinary shares in the market in order to raise an amount equal to the interest then payable. If we are unable to issue sufficient ordinary shares to make a payment in full of all interest due to be paid on the interest payment date such interest payment may be delayed.

If we have elected to use the Alternative Coupon Satisfaction Mechanism but do not make payment in full of all interest due to be paid on an interest payment date, because we do not have a sufficient number of ordinary shares authorized to be issued or for any other reason, interest will accrue on such delayed interest from such initial interest payment date at a rate per annum equal to the rate per annum payable on the Capital Securities but any such interest shall be payable by us only in accordance with the Alternative Coupon Satisfaction Mechanism.

Dividends on our Preference Shares are non-cumulative and are fully discretionary. Also, dividends may not be declared and paid in full if certain solvency and capital adequacy requirements and other conditions are not met.

Our board of directors or its committee at its sole discretion may elect not to pay dividends on our Preference Shares. Also, our board of directors or its committee cannot declare and pay in full dividends on a series of Preference Shares if our board of directors determines that we do not have sufficient distributable profits or if we fail to meet certain solvency or other requirements prescribed by the FSA on such dividend payment date (or, owing to our failure to meet such requirements on an earlier date,

we have not made payment in full of or set aside and provided for all interest payments payable on our then outstanding Capital Securities on our most recent interest payment date). If, for any such reason, our board of directors or its committee does not pay a dividend when due on a dividend payment date in respect of the Preference Shares, then holders of such shares will have no claim in respect of the non-payment and we will have no obligation to pay the dividend accrued for the dividend period or to pay any interest on the dividend, whether or not dividends on the Preference Shares are declared for any future dividend period.

The Capital Securities are, and the Preference Shares will be, perpetual securities and need not be redeemed by us.

We are under no obligation to redeem the Capital Securities or Preference Shares at any time and the holders of the Capital Securities and Preference Shares have no right to call for their redemption.

The Capital Securities and the Preference Shares differ in certain material respects.

The Capital Securities and the Preference Shares differ in certain material respects including, among others (i) the Preference Shares and the Capital Securities are not *pari passu* as to payment; (ii) the Preference Shares do not benefit from any gross-up for taxes associated with dividend payments; (iii) dividends on Preference Shares are fully discretionary; and (iv) the Preference Shares may only be redeemed from distributable profits or the proceeds of a new issue of equity securities. As a result of these differences, there may be circumstances in which payments will be made on Capital Securities but not on the Preference Shares.

We may redeem the Capital Securities at any time for certain tax or regulatory reasons and, more generally, may redeem them at our option on or after September 23, 2010. We may redeem any Preference Shares at any time following the fifth anniversary of their issuance.

Although the Capital Securities have no maturity date, we may redeem the Capital Securities in whole or in part on any interest payment date falling on or after September 23, 2010 at par plus accrued interest, including any Deferred Interest, subject to satisfaction of certain conditions and our obligation to make payment of any outstanding Deferred Interest through the Alternative Coupon Satisfaction Mechanism. We may also redeem the Capital Securities at any time in whole but not in part upon the occurrence of a Tax Call Event or a Regulatory Event, as more particularly described under "Certain Terms of the Capital Securities Redemption". Certain of such tax or regulatory events may occur at any time after the issue date and it is therefore possible that we would be able to redeem the Capital Securities at any time after the issue date.

If your Capital Securities are exchanged for Preference Shares, the earliest date that we can redeem your investment will be extended. We may redeem Preference Shares on any date later than five years after the date they are issued.

We are not required to pay you under the Capital Securities or any Preference Shares unless we first make other required payments.

Our obligations under the Capital Securities and the Preference Shares will rank junior as to payments to all our liabilities to the Senior Creditors. In a winding up or dissolution, our assets would be available to pay obligations under the Capital Securities or any Preference Shares only after we have made all payments on liabilities to our Senior Creditors.

We may issue securities senior to or *pari passu* with the Capital Securities.

There is no restriction on the amount of securities that we may issue which rank senior to or *pari passu* with the Capital Securities being offered hereby. The issue of any such securities may reduce the

amount recoverable by Capital Securities holders in the event we are wound up and /or may increase the likelihood of a deferral of interest payments under the Capital Securities.

The Capital Securities and the Preference Shares into which they may be exchanged do not limit our ability to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Capital Securities.

Our holding company structure may mean that our rights to participate in assets of any of our subsidiaries upon its liquidation may be subject to prior claims of some of its creditors.

Because we are a holding company, our rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors, except to the extent that we may be a creditor with recognized claims ranking ahead of or *pari passu* with such prior claims against the subsidiary.

We may postpone any planned redemption of Capital Securities if we have insufficient ordinary shares authorized and available for issuance or if we are otherwise unable to raise sufficient proceeds by employing the Alternative Coupon Satisfaction Mechanism.

We may not redeem any Capital Securities unless all accrued but unpaid interest and other payments thereon (other than any Deferred Interest payments) and the aggregate amount of Deferred Interest payments, if any, are satisfied at the same time. In the event that we do not have a sufficient number of ordinary shares available and authorized to be issued to implement the Alternative Coupon Satisfaction Mechanism, then the Capital Security Redemption Date shall be postponed until such time as we have available, and authorized to be issued, sufficient ordinary shares and the issue proceeds of such shares are sufficient to pay the Deferred Interest in full. Even if we have authorized sufficient ordinary shares to be issued, we cannot be certain that the public market for our ordinary shares at any given time will enable us to raise sufficient proceeds to pay such redemption amount and Deferred Interest.

Our payment of Deferred Interest, when due on redemption, may be delayed in the event of certain disruptions in the market for our ordinary shares or in applicable currency markets.

If, shortly before or during the operation of the Alternative Coupon Satisfaction Mechanism to satisfy a payment of all amounts of Deferred Interest owing, a Market Disruption Event exists, the payment of all such amounts owing may be deferred until the cessation of such market disruption and such deferral will not constitute a Capital Security Default, as more particularly described under "*Certain Terms of the Capital Securities Alternative Coupon Satisfaction Mechanism Market Disruption Event*". Any such deferred payments shall bear interest at the rate per annum applicable to the Capital Securities commencing on the date which but for the Market Disruption Event would have been the date for payment.

Holders of Capital Securities have limited remedies for non-payment of amounts owed thereon.

In accordance with current FSA requirements for subordinated capital, in most circumstances the sole remedy against us available to the subordinated trustee to recover any amounts owing in respect of the principal of or interest on the Capital Securities will be to institute proceedings for the collection of sums due and unpaid or to institute proceedings in England and Wales (but not elsewhere) for our winding up, but the subordinated trustee may not declare the principal amount of any outstanding Capital Securities to be due and payable in order to recover such amount. See "*Certain Terms of the Capital Securities Defaults; Limitation of Remedies*".

The securities that we are offering constitute new issues of securities by us and we cannot guarantee that an active public market for the securities will develop or be sustained.

The Capital Securities being offered hereby and the Preference Shares into which they may be exchanged at our option will constitute new issues of securities by us. Prior to our present issuance of Capital Securities and future issuances, if any, of our Preference Shares, there will have been no public market for the Capital Securities or the Preference Shares. Although we will apply for the Capital Securities to be listed on the New York Stock Exchange and, upon issuance of our Preference Shares on exchange of the Capital Securities, we will use our reasonable efforts to list the Preference Shares (in the form of ADSs represented by ADRs) on the New York Stock Exchange, there can be no assurance that we will be able to list the Preference Shares (in the form of ADSs represented by ADRs) on the New York Stock Exchange or that an active public market for the Capital Securities or Preference Shares will develop and, if such a market were to develop, the underwriters are under no obligation to maintain such a market. The liquidity and the market prices for the Capital Securities and the Preference Shares can be expected to vary with changes in market and economic conditions and our financial condition and prospects and other factors that generally influence the market prices of securities.

The declaration of a Capital Security Default upon our failure to make certain payments may be deferred.

On our failure to make a payment on a Compulsory Interest Payment Date or on a Capital Security Redemption Date, the occurrence of a Capital Security Default will be deferred until (i) in the case of a missed interest payment, the date we pay a dividend on our ordinary shares or on debt securities ranking junior to or *pari passu* with the Capital Securities or (ii) in the case of a missed payment of principal (or premium thereon), any accrued but unpaid interest or any Deferred Interest payable on redemption, the first Business Day after the date that falls six months after the applicable Capital Security Redemption Date. Thus, your ability to pursue potential remedies in connection with such missed payments will be deferred until a Capital Security Default is declared.

You may not be entitled to receive U.S. dollars in a winding up.

If any holder is entitled to any recovery with respect to the Capital Securities or Preference Shares in any winding up, the holder might not be entitled in those proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in pounds sterling or any other lawful currency of the United Kingdom. In addition, under current English law, our liability to holders of the Capital Securities or Preference Shares, would have to be converted into pounds sterling or any other lawful currency of the United Kingdom at a date close to the commencement of proceedings against us and holders of the Capital Securities or Preference Shares would be exposed to currency fluctuations between that date and the date they receive proceeds pursuant to such proceedings, if any.

PRUDENTIAL PLC

We are an international financial services group, providing retail financial services and fund management in our chosen markets of the United Kingdom, the United States and Asia. At December 31, 2004, we were one of the 24 largest public companies in the United Kingdom in terms of market capitalization on the London Stock Exchange. We are also listed on the New York Stock Exchange. Prudential is not affiliated with Prudential Financial, Inc. or its subsidiary, Prudential Insurance Company of America.

United Kingdom and Europe

As at December 31, 2004, we operated one of the largest U.K. long-term funds of investment assets, which supports long-term insurance products of the Prudential Assurance Company Limited. This fund is rated AA+ (stable outlook) by Standard & Poor's, Aa1 (stable outlook) by Moody's and AA+ (stable outlook) by Fitch in terms of financial strength. Our U.K. insurance operations are focused on a number of key product areas including corporate pensions, annuities, unit-linked and with-profits bonds.

M&G is our fund management business in the U.K. and continental Europe and comprises retail, institutional and internal fund management activities. As at December 31, 2004, M&G was the third largest U.K. retail fund manager in terms of funds under management. It has commenced distributing a range of funds in Germany, Austria and Italy.

Our on-line banking subsidiary, Egg plc, was launched in 1998. It provides a range of banking and financial services products through the Internet. Its principal business includes credit cards, deposits, general insurance and mortgages. In June 2000, we completed an initial public offering of 21% of our holding in Egg plc on the London Stock Exchange.

United States

Our U.S. life insurance subsidiary, Jackson National Life, was the 14th largest life insurance company in the United States in terms of general account assets for the period ended December 31, 2004. It offers a range of products including fixed, equity-linked and variable annuities, life insurance, guaranteed investment contracts and funding agreements.

Asia

In Asia, we have life insurance operations in 12 countries and fund management operations in 7 countries. The savings, protection and investment products we offer in Asia are tailored to the local markets in which we operate. We distribute our products primarily through our agency sales force and through bancassurance agreements.

USE OF PROCEEDS

The net proceeds from the sale of the Capital Securities will be used to refinance existing indebtedness, while also counting towards our regulatory capital requirements.

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RATIOS OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges for the periods indicated, using financial information calculated in accordance with U.K. GAAP, are:

	Year ended December 31,				
	2000	2001	2002	2003	2004
Historical Ratio of Earnings ¹ to Fixed Charges ²	3.7	1.8	2.3	2.1	2.8
Supplemental ³ Ratio of Earnings to Fixed Charges	7.4	3.0	3.9	3.2	4.2

On a U.S. GAAP basis, the ratios of earnings to fixed charges are as follows:

	Year ended December 31,				
	2000	2001 ⁴	2002 ⁴	2003	2004
Historical Ratio of Earnings ¹ to Fixed Charges ²	1.2			1.4	1.3
Supplemental ³ Ratio of Earnings to Fixed Charges	4.9			5.3	5.3

- On a U.K. GAAP basis, earnings represent profit on ordinary activities (excluding discontinued operations) before shareholder tax. On a U.S. GAAP basis, earnings represent net income from continuing operations before income taxes, minority interests and cumulative effects of changes in accounting principles. Accordingly, under U.K. and U.S. GAAP prior periods have been restated for business disposals and closures during 2004.
- Fixed charges consist of all interest expensed in the profit and loss account under U.K. GAAP and interest payments on lease obligations for land and buildings. Due to the complexity of determining the interest portion of lease payments on land and buildings, one-third of the Prudential group's lease payments on land and buildings has been included in fixed charges to represent a reasonable approximation of interest payments on these obligations. Under U.S. GAAP, fixed charges also include interest credited to policyholders in respect of account values for investment-type policies.
- Management believes that the supplemental ratios are more indicative of the Group's ability to cover its fixed charges than the historical ratios. The supplemental ratios include fixed charges incurred for shareholder-financed business but exclude product-related fixed charges and, to the extent appropriate, fixed charges that are borne by with-profits funds. Product-related fixed charges consist of interest credited to policyholders on insurance product liabilities, including account values of investment-type policies and wholesale funding arrangements entered into by Jackson National Life. Product-related fixed charges generally are not included in traditional measures of interest coverage ratios for life insurance companies and other financial institutions. As discussed in detail below, the exclusion of appropriate fixed charges borne by with-profits funds reflects the regulatory structures and accounting bases of profit recognition that attach to these types of with-profits business. Presentation of the supplemental ratios is neither required nor encouraged by the SEC.

On a supplemental U.K. GAAP basis, fixed charges consist of interest arising on borrowings of Prudential plc (and related finance subsidiaries) required to support the Prudential group's shareholder-financed business, as well as other borrowings of a trading nature. These other borrowings consist of commercial paper borrowings that support a short-term fixed income securities reinvestment program. Fixed charges on certain other borrowings arising from trading activities are excluded. These consist of trading borrowings of U.K. banking operations and non-recourse borrowings issued by investment subsidiaries managed by PPM America. In addition, fixed charges arising on debt in respect of with-profits funds are excluded, as these fixed charges do not directly affect the earnings of the Prudential group. The Prudential group's earnings in respect of with-profits funds reflects up to one-ninth of the value of bonuses paid to policyholders, which is not directly affected by the amount of fixed charges incurred by the funds. Further details concerning the adjustment for with-profits business are described below. Lastly, interest credited on insurance products liabilities, including wholesale funding arrangements entered into by Jackson National Life, has been excluded. This presentation is consistent with the capitalization and indebtedness table below.

On a supplemental U.S. GAAP basis, fixed charges consist of interest arising on borrowings of Prudential plc (and related finance subsidiaries) required to support the Prudential group's shareholder-financed business, as well as other borrowings of a trading nature. No fixed charges relating to borrowings from trading activities have been excluded. Fixed charges arising on debt in respect of with-profits funds has been included at the shareholders' 10% interest only, as the policyholders' 90% share of the charges has no impact on income from continuing operations. Interest relating to the Scottish Amicable Insurance Fund ("SAIF"), however, within the with-profits funds, has been excluded in its entirety as shareholders are not entitled to any of the profits from this fund. In addition, interest credited on insurance product liabilities, including account values of investment-type policies and wholesale funding arrangements entered into by Jackson National Life, has been excluded.

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Net losses meant that earnings were insufficient to cover fixed charges on a U.S. GAAP basis for the year ended December 31, 2002 by £1,011 million and for the year ended December 31, 2001 by £735 million.

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Exclusion of the appropriate fixed charges borne by with-profits funds reflects the regulatory structures and accounting bases of profit recognition that attach to these particular types of with-profits business. The nature and operation of the profit sharing arrangement between policyholders and shareholders regarding results of the with-profits funds business is distinctive to the United Kingdom and certain Asian operations. Separate statutory funds are maintained for shareholders in the Prudential group companies having with-profits business and shareholder funds are only entitled to receive profit distributions from the with-profits funds as a function of profit participation bonuses distributed or credited to policyholders. In the case of SAIF, shareholders are not entitled to any profit from the fund. Under U.K. GAAP, earnings from with-profits business are recognized only when with-profits bonuses are declared and the shareholders' share of bonuses is transferred to the shareholders' fund. As bonuses are smoothed over time, fixed charges incurred by with-profits funds do not directly impact the level of bonuses, and therefore do not directly impact earnings. To reflect these arrangements, on the U.K. GAAP basis, the supplementary ratios have been determined after exclusion of all interest payable by with-profits funds. Under U.S. GAAP, earnings from with-profits business are recognized only after establishing a liability for the policyholders' share of earnings. Consequently, fixed charges incurred by with-profits funds affect earnings only to the extent of the shareholders' proportional interest in the earnings of the with-profits funds. Accordingly, on the U.S. GAAP basis, the supplementary ratios have been determined after exclusion of all interest payable by SAIF and, in addition to all product interest, 90% of other interest payable by the Prudential Assurance Company with-profits fund (and similar funds in certain Asian subsidiaries). An explanation of the basis of profits under U.K. GAAP for with-profits business is included in Item 5, "Operating and Financial Review and Prospects Factors Affecting Results of Operations UK GAAP Critical Accounting Policies Long-term Business Provision" and " Analysis by Geographic Region United Kingdom Basis of Profits" and " With-profits Products" in our annual report on Form 20-F for the year ended December 31, 2004. An explanation of the basis of profits under US GAAP for with-profits business is included in Item 5, "Operating and Financial Review and Prospects US GAAP Analysis US GAAP Critical Accounting Policies" in our annual report on Form 20-F for the year ended December 31, 2004.

The U.S. GAAP supplemental ratios illustrate a greater variation in the ratio of earnings to fixed charges than the U.K. GAAP counterpart. Under U.K. GAAP, profit attributable to shareholders in respect of our with-profits business reflects up to one-ninth of the value of bonuses paid to policyholders. To the extent that earnings from the with-profits funds do (or do not) exceed bonuses and related shareholder distributions, there is a transfer to (or from) the liability for the fund for future appropriations. Under U.S. GAAP, however, the shareholders' 10% interest in the pre-bonus operating results from with-profits funds is reflected in net income. The shareholder result from these funds is strongly influenced by investment returns and is subject to considerable volatility.

We have not presented a table of combined fixed charges and preference share dividends to earnings ratios because, to date, the Prudential group has not issued preference shares and consequently has not paid any preference share dividends.

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our capitalization as of December 31, 2004. You should read this table in conjunction with the consolidated financial statements and the notes related thereto.

	As of December 31, 2004	
	Actual	Actual
	(In £ Millions)	(In \$ Millions) ¹
Short-term debt	1,269	2,436
Long-term debt	3,077	5,908
Total debt²	4,346	8,344
Ordinary share capital ³	119	228
Share premium	1,558	2,991
Retained profit and loss reserve	2,604	5,000
Total shareholders' funds	4,281	8,219
Total capitalization	8,627	16,563

	As of December 31, 2004	
	Actual	Actual
	(In £ Millions)	(In \$ Millions) ¹
Core structural borrowings:		
Parent company and finance subsidiaries	2,496	4,792
Jackson National life surplus notes	130	250
Structural borrowings of U.K. banking operations	451	866
Global commercial paper program ⁴	1,241	2,383
Medium term notes	9	17
Other borrowings	19	36
Total debt	4,346	8,344

1. Amounts stated in U.S. dollars have been translated from pounds sterling at the rate of \$1.92 per £1.00 (the noon buying rate in New York City on December 31, 2004).

2. Total debt comprises the items set forth in the table above. All of this debt is unsecured. Of this debt, £150 million has been issued by finance subsidiaries of the Group and has been guaranteed by Prudential plc. The remainder of the debt is not guaranteed. Debt arising from long-term business operations and trading debt items, such as Egg debt securities, Jackson National Life funding arrangements and non-recourse borrowings issued by investment subsidiaries managed by PPM America, have been excluded.

3. At May 31, 2005, the authorized and unissued preference share capital of Prudential plc was 2,000,000,000 sterling preference shares of £0.01 each, \$20,000,000 divided into dollar preference shares of \$0.01 each and €20,000,000 divided into euro preference shares of €0.01 each.

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The commercial paper borrowings are issued by Prudential plc. £1,070 million of these support a short-term fixed income securities reinvestment program.

Long-term debt at May 31, 2005 is £3,119 million compared with £3,077 million at December 31, 2004. This increase is due to exchange rate movements.

The aggregate amount of outstanding Prudential plc debt (excluding subsidiary debt) as at May 31, 2005, the most recent practicable date prior to the date of this prospectus supplement, was £3,564 million. Of this amount, (i) no debt was secured, (ii) senior debt ranking equally with any Senior Debt Securities, as defined in the accompanying prospectus, that may be issued pursuant to the

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accompanying prospectus totaled £2,115 million, (iii) debt ranking senior to any Dated Subordinated Debt Securities, as defined in the accompanying prospectus, that may be issued pursuant to this prospectus totaled £2,115 million and (iv) debt ranking senior to any Perpetual Subordinated Debt Securities, as defined in the accompanying prospectus, or Perpetual Subordinated Capital Securities that may be issued pursuant to the accompanying prospectus totaled £2,891 million.

Debt of our subsidiaries that would at May 31, 2005 effectively rank senior to any Senior Debt Securities and Subordinated Debt Securities that may be issued pursuant to this prospectus totaled £767 million. The equivalent amount including debt issued by long-term business operations and trading debt items such as Egg debt securities and Jackson National Life funding arrangements at May 31, 2005 was £6,742 million.

The figures set out in the table above were extracted from our audited financial statements for the year ended December 31, 2004, which were prepared in accordance with U.K. GAAP. We will prepare our consolidated financial statements for reporting under U.K. listing authority requirements for periods subsequent to December 31, 2004 in accordance with policies that reflect the requirements of International Financial Reporting Standards ("IFRS").

We published selected financial information of results attributable to shareholders on an IFRS basis for 2004 on June 2, 2005. At that time we noted, and now reiterate, that due to the continuing work of the International Accounting Standards Board and possible amendments to the interpretative guidance, our accounting policies, and consequently the information presented, may change prior to the publication of interim results in July 2005 and/or the 2005 full year results to be published in mid March 2006.

Upon application of IFRS in our 2005 financial statements, we will be required to change certain accounting policies from those previously applied under U.K. GAAP. These include the consolidation of investment, property, and venture fund subsidiaries that hitherto has not been required. These subsidiaries are primarily investments of the Prudential Assurance Company with-profit fund, U.S. investment funds and other special purpose vehicles.

The consolidation of these subsidiaries will have a material effect on particular line items relating to income and expenditure, such as investment income and interest payable included in our income statement, and assets and liabilities, such as investments, goodwill, and non-recourse borrowings included in our balance sheet. However, we anticipate the effect of these changes on our net profit and shareholders' equity to be immaterial.

CERTAIN TERMS OF THE CAPITAL SECURITIES

General

The following summary description of the material terms and provisions of the Capital Securities supplements the description of certain terms and provisions of Capital Securities of any series set forth in the accompanying prospectus under the heading "Description of the Debt Securities". Reference is hereby made to such description for additional information relating to the Capital Securities. The terms described here, together with the terms of Capital Securities of any series contained in the accompanying prospectus, constitute a description of the material terms of the Capital Securities. In cases of inconsistency between the terms described here and the relevant terms of the prospectus, the terms presented here will apply and replace those described in th