

PRUDENTIAL FINANCIAL INC
Form 424B2
April 29, 2005
Table of Contents

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PROSPECTUS SUPPLEMENT

(To Prospectus dated March 21, 2005)

**\$2,000,000,000 Prudential Financial
Retail Medium-Term Notes**

Prudential Financial, Inc.

We may offer to sell, from time to time, up to an aggregate principal amount of \$2,000,000,000 of our Prudential Financial Retail Medium-Term Notes, which may include Prudential Financial InterNotes[®], and which we refer to together as the Notes. The specific terms of the Notes will be set prior to the time of sale and described in a pricing supplement. You should read this prospectus supplement, the accompanying prospectus and the applicable pricing supplement carefully before you invest.

We may offer the Notes to or through agents for resale. If we sell all of the Notes to or through agents at a price of 100% of their principal amount, we expect to receive proceeds of between \$1,937,000,000 to \$1,996,000,000, after paying agent discounts and commissions of between \$4,000,000 and \$63,000,000 and before deducting expenses. The applicable pricing supplement will specify the purchase price for any particular Notes. We also may offer the Notes directly. We have not set a date for termination of our offering.

The agents have advised us that from time to time they may purchase and sell Notes in the secondary market, but they are not obligated to make a market in the Notes and may suspend or completely stop that activity without any notice at any time. Unless otherwise specified in the applicable pricing supplement, we will not list the Notes on any securities exchange or make them available for quotation on any quotation system.

Investing in the Notes involves certain risks, including those described in the Risk Factors section beginning on page S-6 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of the Notes or passed upon the accuracy or adequacy of this prospectus supplement, the accompanying prospectus or any pricing supplement. Any representation to the contrary is a criminal offense.

We may use this prospectus supplement and the accompanying prospectus in the initial sale of any Note. In addition, we or any of our affiliates may use this prospectus supplement in a remarketing or other resale transaction involving any Note after its initial sale. These transactions may be executed at negotiated prices that are related to market prices at the time of purchase or sale or at other prices.

Retail Medium-Term Notes Lead Manager and Lead Agent

Banc of America Securities LLC

Retail Medium-Term Notes Agents

A.G. Edwards & Sons, Inc.
Edward D. Jones & Co., L.P.
Morgan Stanley
RBC Dain Rauscher Inc.

Bear, Stearns & Co. Inc.
Fidelity Capital Markets
Muriel Siebert & Co., Inc.
UBS Financial Services, Inc.

Charles Schwab & Co., Inc.
Incapital LLC
Ramirez & Co., Inc.
Wachovia Securities

Citigroup
Merrill Lynch & Co.
Raymond James

InterNotes® Joint Lead Managers and Lead Agents

Banc of America Securities LLC

Incapital LLC

InterNotes® Agents

A.G. Edwards & Sons, Inc.
Edward D. Jones & Co., L.P.
Muriel Siebert & Co., Inc.

Bear, Stearns & Co. Inc.
Fidelity Capital Markets
Ramirez & Co., Inc.
UBS Financial Services, Inc.

Charles Schwab & Co., Inc.
Merrill Lynch & Co.
Raymond James
Wachovia Securities

Citigroup
Morgan Stanley
RBC Dain Rauscher Inc.

Prospectus Supplement dated April 29, 2005.

InterNotes® is a registered servicemark of Incapital Holdings LLC

Table of Contents

You should rely only on the information incorporated by reference or provided in this prospectus supplement, the accompanying prospectus and the pricing supplement. We and the agents have not authorized anyone else to provide you with different or additional information. We are not making an offer of these Notes in any jurisdiction where or under circumstances in which the offer is not permitted. You should not assume that the information provided by or incorporated by reference in this prospectus supplement, the accompanying prospectus or the pricing supplement is accurate as of any date other than the date of the document containing the information.

TABLE OF CONTENTS

Prospectus Supplement

	Page
<u>About This Prospectus Supplement and the Pricing Supplements</u>	S-1
<u>Incorporation by Reference</u>	S-2
<u>Summary Description of Notes</u>	S-3
<u>Risk Factors</u>	S-6
<u>Use of Proceeds</u>	S-8
<u>Description of Retail Medium-Term Notes</u>	S-9
<u>Description of InterNotes®</u>	S-26
<u>Registration and Settlement</u>	S-43
<u>Certain U.S. Federal Income Tax Considerations</u>	S-45
<u>Certain ERISA Considerations</u>	S-49
<u>Supplemental Plan of Distribution</u>	S-50
<u>Validity of the Notes</u>	S-52
<u>Other General Information</u>	S-52

Prospectus

About This Prospectus	2
Where You Can Find More Information	3
Note Regarding Forward-Looking Statements and Certain Risks	3
Prudential Financial, Inc.	5
Prudential Financial Capital Trusts	5
Ratios of Earnings to Fixed Charges	6
Use of Proceeds	7
Description of Debt Securities We May Offer	7
Description of Preferred Stock We May Offer	21
Description of Depositary Shares We May Offer	24
Description of Our Common Stock	27
Description of Warrants We May Offer	36
Description of Stock Purchase Contracts We May Offer	39
Description of Units We May Offer	39
Description of Preferred Securities That the Trusts May Offer	40
Description of Trust Guarantees	47
Plan of Distribution	50
Validity of Securities	53
Experts	53

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT AND THE PRICING SUPPLEMENTS

Except as the context otherwise requires or as otherwise specified in this prospectus supplement or the accompanying prospectus, as used in this prospectus supplement, dated April 29, 2005, and the prospectus, dated March 21, 2005, the terms the Company, Prudential Financial, Inc., Prudential, we, us and our refer to Prudential Financial, Inc. only and not to any of its consolidated subsidiaries. References in this prospectus supplement to U.S. dollars or U.S. \$ or \$ are to the currency of the United States of America.

We may use this prospectus supplement, together with the accompanying prospectus and a pricing supplement, to offer Notes from time to time. The total initial public offering price of Notes that may be offered by use of this prospectus supplement is \$2,000,000,000.

This prospectus supplement sets forth certain terms of the Notes that we may offer. It supplements the description of the Notes contained in the accompanying prospectus, where the Notes are included in the defined term debt securities. If information in this prospectus supplement is inconsistent with that in the accompanying prospectus, this prospectus supplement will apply and you should not rely on the information in the prospectus.

Each time we issue Notes, we will attach a pricing supplement to this prospectus supplement. The pricing supplement will contain the specific description of the Notes being offered and the terms of the offering. The pricing supplement may also add, update or change information in this prospectus supplement or the accompanying prospectus. Information in the pricing supplement will replace any inconsistent information in this prospectus supplement, including any changes in the method of calculating interest on any Note. The pricing supplement will apply in those circumstances and you should not rely on the information in this prospectus supplement or the accompanying prospectus.

When we refer to the prospectus, we mean the prospectus that accompanies this prospectus supplement. When we refer to a pricing supplement, we mean the pricing supplement we file with respect to a particular Note.

You should read and consider all information contained in this prospectus supplement, the accompanying prospectus and the applicable pricing supplement in making your investment decision.

Table of Contents

INCORPORATION BY REFERENCE

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, which we refer to as the SEC. Our SEC filings are available to the public over the Internet on the SEC's website at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our common stock is traded on the New York Stock Exchange under the symbol PRU. You may inspect the reports, proxy statements and other information concerning us at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005.

The SEC allows us to incorporate by reference the information in the documents we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement and accompanying prospectus, and information that we file later with the SEC will automatically update and supersede this information. Information furnished under Item 2.02 and Item 7.01 of our Current Reports on Form 8-K is not incorporated by reference in this prospectus supplement and accompanying prospectus. In addition to the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, as listed in the accompanying prospectus, we incorporate by reference the documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, until we sell all of the Notes that we are offering for sale under this prospectus supplement and the accompanying prospectus:

Annual Report on Form 10-K for the year ended December 31, 2004; and

Current Report on Form 8-K filed March 30, 2005.

You may request a copy of these filings at no cost, by writing or telephoning us at the following address:

Corporate Secretary

Prudential Financial, Inc.

751 Broad Street

Newark, New Jersey 07102

(973) 802-6000.

All references to websites in this prospectus supplement, the accompanying prospectus and any applicable pricing supplement are inserted as inactive textual references to the uniform resource locator, or URL, and are for your informational reference only. Information on those referenced websites is not incorporated by reference in this prospectus supplement, the accompanying prospectus or any applicable pricing supplement.

Table of Contents

SUMMARY DESCRIPTION OF NOTES

This section summarizes the legal and financial terms of the Prudential Financial Retail Medium-Term Notes and Prudential Financial InterNotes[®] that are described in more detail in Description of Retail Medium-Term Notes and Description of InterNotes[®]. Final terms of any particular Notes will be determined at the time of sale and will be contained in the pricing supplement relating to those Notes. The terms of the Notes appearing in that pricing supplement may vary from, and if they do vary, will supersede, the terms contained in this summary and in Description of Retail Medium-Term Notes and Description of InterNotes[®]. In addition, you should read the more detailed information appearing elsewhere in this prospectus supplement, the prospectus and in that pricing supplement.

Issuer	Prudential Financial, Inc., 751 Broad Street, Newark, New Jersey 07102; phone (973) 802-6000
Retail Medium-Term Notes Purchasing Agent	As specified in the applicable pricing supplement.
Retail Medium-Term Notes Lead Manager and Lead Agent	Banc of America Securities LLC
Retail Medium-Term Notes Agents	A.G. Edwards & Sons, Inc, Bear, Stearns & Co. Inc., Charles Schwab & Company, Incorporated, Citigroup Global Markets Inc., Edward D. Jones & Co., L.P., Fidelity Capital Markets, a division of National Financial Services, LLC, Incapital LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, Muriel Siebert & Co., Samuel A. Ramirez & Co., Inc, Raymond James & Associates, Inc., RBS Dain Rauscher Inc., UBS Financial Services, Inc., and Wachovia Capital Markets, LLC
InterNotes [®] Purchasing Agent	Incapital LLC. Incapital LLC and the Retail Medium-Term Notes Purchasing Agent are referred to together herein as the Purchasing Agents.
InterNotes [®] Joint Lead Managers and Lead Agents	Banc of America Securities LLC and Incapital LLC
InterNotes [®] Agents	A.G. Edwards & Sons, Inc, Bear, Stearns & Co. Inc., Charles Schwab & Company, Incorporated, Citigroup Global Markets Inc., Edward D. Jones & Co., L.P., Fidelity Capital Markets, a division of National Financial Services, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, Muriel Siebert & Co., Samuel A. Ramirez & Co., Inc, Raymond James & Associates, Inc., RBS Dain Rauscher Inc., UBS Financial Services, Inc., and Wachovia Securities, LLC
Titles of Notes	Prudential Financial Retail Medium-Term Notes and Prudential Financial InterNotes [®]
Amount	We may issue up to \$2,000,000,000 of Notes in connection with this program. Additional Notes may be issued in the future without obtaining the consent of or providing notice to Note holders. The Notes will not contain any limitations on our ability to issue additional Retail Medium-Term Notes, InterNotes [®] or any other indebtedness.
Denominations	The Notes will be issued and sold in denominations of \$1,000 and multiples of \$1,000, unless otherwise stated in the applicable pricing supplement.

Table of Contents

Status	The Notes will be our direct, unsecured, senior obligations and will rank equally with all of our other unsecured, senior indebtedness from time to time outstanding. The Notes will be junior to any existing and future indebtedness of any of our subsidiaries unless the terms of that indebtedness provide otherwise.
Maturities	Each Note will mature one year or more from its date of original issuance.
Interest	Except for zero coupon Notes, each Note will bear interest from its date of original issuance at a fixed or floating rate that may be determined by reference to one or more base interest rates or one or more indices, which in turn may be adjusted by a spread and/or a spread multiplier and may be subject to a maximum interest rate and/or a minimum interest rate, in each case as specified in the applicable pricing supplement. The base rates include:

the CD rate,

the commercial paper rate,

the CMT rate,

LIBOR,

the prime rate,

the treasury rate,

the eleventh district cost of funds rate,

the federal funds rate and

any other domestic or foreign interest rate as we may describe in the note and applicable pricing supplement.

Any indexed Notes may bear interest that is determined by reference to one or more commodities, securities, interest rates or any other financial, economic or other measures or instruments or indices or baskets of any of these items as may be

described in the Note and applicable pricing supplement.

Interest on each Note will be payable either monthly, quarterly, semi-annually or annually on each interest payment date and on the stated maturity date. Interest also will be paid on the date of redemption or repayment if a Note is redeemed or repurchased prior to its stated maturity in accordance with its terms. We may also issue amortizing Notes from time to time.

Principal

The principal amount of each Note will be payable on its stated maturity date or upon earlier redemption or repayment at the corporate trust office of the paying agent, which is initially the trustee, or at any other place we may designate.

Redemption and Repayment

Unless otherwise stated in the applicable pricing supplement, a Note will not be redeemable at our option or be repayable at the option of the holder prior to its stated maturity date. The Notes will not be subject to any sinking fund.

S-4

Table of Contents

Survivor's Option	Some Notes may contain a provision permitting the optional repayment of those Notes prior to stated maturity, if requested by the authorized representative of the beneficial owner of those Notes, following the death of the beneficial owner of the Notes, so long as the Notes were owned by the beneficial owner or his or her estate at least six months prior to the request. This feature is referred to as a Survivor's Option. Your Notes will not be repaid in this manner unless the pricing supplement for your Notes provides for the Survivor's Option. The right to exercise the Survivor's Option is subject to limits set by us on (1) the permitted dollar amount of total exercises by all holders of Notes in any calendar year, and (2) the permitted dollar amount of an individual exercise by a holder of a Note in any calendar year. Additional details on the Survivor's Option are described in the sections entitled Description of Retail Medium-Term Notes Survivor's Option and Description of InterNotes Survivor's Option .
Sale and Clearance	Notes will be issued in book-entry only form and will clear through The Depository Trust Company, unless otherwise specified in the applicable pricing supplement. We do not intend to issue Notes in certificated form except in the limited circumstances described in this prospectus supplement or the applicable pricing supplement.
Trustee and Paying Agent	The trustee for the Notes is Citibank, N.A. under an indenture, dated as of April 25, 2003 between us and JPMorgan Chase Bank N.A. (formerly known as JPMorgan Chase Bank), as amended by a supplemental indenture to designate Citibank, N.A. as trustee for the Notes, dated as of March 25, 2004. The trustee also will act as paying agent.
Selling Group	The Retail Medium-Term Notes and the InterNotes® agents and dealers comprising the selling groups are broker-dealers and securities firms. The agents, including the Purchasing Agents, of each respective selling group have entered into Selling Agent Agreements with us, each dated April 29, 2005, which we refer to together as the Selling Agent Agreements . Dealers who are members of the respective selling groups have executed a master selected dealer agreement with their respective Purchasing Agents.
	The agents and dealers have agreed to market and sell the Notes in accordance with the terms of those respective agreements and all other applicable laws and regulations. You may contact the Retail Notes Purchasing Agent at the e-mail address specified in the applicable pricing supplement, and the InterNotes® Purchasing Agent at info@incapital.com for a list of the respective selling group members.

Table of Contents

RISK FACTORS

You should carefully consider the following discussion of risks, and the other information, provided and incorporated by reference in this prospectus supplement and the accompanying prospectus. The Notes will not be an appropriate investment for you if you are not knowledgeable about significant features of the Notes, about our financial condition, operations and business or about financial matters in general. You should not purchase the Notes unless you understand, and know that you can bear, these risks.

An investment in the Notes involves risks related to the fact that we are a holding company. We summarize these risks under "Description of Debt Securities We May Offer - We Are a Holding Company" in the accompanying prospectus.

The market value of the Notes may be affected by factors in addition to credit ratings.

Any credit ratings that are assigned to the Notes may not reflect the potential impact of all risks on the market value of the Notes.

An investment in indexed Notes entails significant risks not associated with a similar investment in fixed or conventional floating rate debt securities.

An investment in Notes that are indexed, as to interest, to commodities, securities, baskets of securities or securities indices, interest rates, financial, economic or other measures or other indices, either directly or inversely, entails significant risks that are not associated with similar investments in a fixed rate or conventional floating rate debt security.

These risks include the possibility that an index or indices may be subject to significant changes and that the resulting interest rate will be less than that payable on a fixed or conventional floating rate debt security issued by us at the same time. These risks depend on a number of interrelated factors, including economic, financial and political events, over which we have no control.

Additionally, if the formula used to determine the amount of interest payable with respect to such Notes contains a multiplier or leverage factor, the effect of any change in the applicable index or indices will be magnified. In recent years, values of certain indices have been highly volatile, and such volatility may be expected to continue in the future. Fluctuations in the value of any particular index that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future.

The secondary market, if any, for indexed Notes will be affected by a number of factors independent of our creditworthiness and the value of the applicable index or indices, including the complexity and volatility of the index or indices, the method of calculating the interest in respect of indexed Notes, the time remaining to the maturity of such Notes, the outstanding amount of such Notes, any redemption features of such Notes, the amount of other debt securities linked to such index or indices and the level, direction and volatility of market interest rates generally. Such factors also will affect the market value of indexed Notes.

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In addition, certain Notes may be designed for specific investment objectives or strategies and, therefore, may have a more limited secondary market and experience more price volatility than conventional debt securities. Investors may not be able to sell such Notes readily or at prices that will enable them to realize their anticipated yield. You should not purchase such Notes unless you understand and are able to bear the risks that such Notes may not be readily saleable, that the value of such Notes will fluctuate over time and that such fluctuations may be significant.

Finally, our credit ratings may not reflect the potential impact of all risks related to structure and other factors on the market value of the Notes. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks an investment in the Notes may entail and the suitability of the Notes in light of their particular circumstances.

S-6

Table of Contents

We may choose to redeem Notes when prevailing interest rates are relatively low.

If your Notes will be redeemable at our option, we may choose to redeem your Notes from time to time, especially when prevailing interest rates are lower than the rate borne by the Notes. If prevailing rates are lower at the time of redemption, you would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed. Our redemption right also may adversely impact your ability to sell your Notes as the optional redemption date or period approaches.

Any Survivor's Option may be limited in amount.

We will have a discretionary right to limit the aggregate principal amount of Notes subject to any Survivor's Option that may be exercised in any calendar year to an amount equal to the greater of \$2,000,000 or 2% of the principal amount of all Notes outstanding as of the end of the most recent calendar year. We also have the discretionary right to limit to \$250,000 in any calendar year the aggregate principal amount of Notes subject to the Survivor's Option that may be exercised in such calendar year on behalf of any individual deceased beneficial owner of Notes. Accordingly, no assurance can be given that exercise of the Survivor's Option for a desired amount will be permitted in any single calendar year.

The Notes may have limited or no liquidity.

There is currently no secondary market for the Notes, and there can be no assurance that a secondary market will develop. If a secondary market does develop, there can be no assurance that it will continue or that it will be sufficiently liquid to allow you to resell your Notes when you want or at a price that you wish to receive for your Notes.

Table of Contents

USE OF PROCEEDS

We intend to use the net proceeds from the sales of Notes primarily for the purpose of purchasing funding agreements from our subsidiary, The Prudential Insurance Company of America, as well as for the purpose of making loans to our affiliates and for other general corporate purposes.

We will receive the net proceeds only from sales of the Notes made in connection with their original issuance. We have not received, and do not expect to receive, any proceeds from resales of the Notes by any of the agents named on the cover of this prospectus supplement or any of our affiliates in remarketing or other resale transactions.

S-8

Table of Contents

DESCRIPTION OF RETAIL MEDIUM-TERM NOTES

Investors should carefully read the description of the terms and provisions of our debt securities and our senior debt securities indenture under Description of Debt Securities We May Offer in the accompanying prospectus. That section, together with this prospectus supplement and the applicable pricing supplement, summarizes all the material terms of our senior debt securities indenture and the Prudential Financial Retail Medium-Term Notes. They do not, however, describe every aspect of our senior debt securities indenture and the Retail Medium-Term Notes. For example, in this section entitled Description of Retail Medium-Term Notes, the accompanying prospectus and the applicable pricing supplement, we use terms that have been given special meanings in our senior debt securities indenture, but we describe the meanings of only the more important of those terms. Unless otherwise specified in an applicable pricing supplement, the Retail Medium-Term Notes will have the terms described below. Capitalized terms used but not defined below have the meanings given to them in the prospectus and in the indenture relating to the Notes.

The Retail Medium-Term Notes being offered by this prospectus supplement, the prospectus and the applicable pricing supplement will be issued under an indenture, dated as of April 25, 2003, between us and JPMorgan Chase Bank N.A. (formerly known as JPMorgan Chase Bank), as amended by a supplemental indenture to designate Citibank, N.A. as trustee for the Notes, dated as of March 25, 2004. The indenture is more fully described in the prospectus. The indenture does not limit the aggregate amount of debt securities that may be issued under it and provides that the debt securities may be issued under it from time to time in one or more series. The following statements are summaries of the material provisions of the indenture and the Retail Medium-Term Notes. These summaries do not purport to be complete and are qualified in their entirety by reference to the indenture, including for the definitions of certain terms. The Retail Medium-Term Notes and the InterNotes[®] together constitute a single series of debt securities for purposes of the indenture and are limited to an aggregate principal amount of up to \$2,000,000,000. We may increase the foregoing limit, however, without the consent of any holders of the Notes, by appropriate corporate action if in the future we wish to sell additional Notes.

Retail Medium-Term Notes issued in accordance with this prospectus supplement, the prospectus and the applicable pricing supplement will have the following general characteristics:

the notes will be our direct, unsecured, senior obligations and will rank equally with all of our other unsecured, senior indebtedness from time to time outstanding;

the notes will be junior to any existing and future indebtedness of any of our subsidiaries unless the terms of that indebtedness provide otherwise;

the notes may be offered from time to time by us through the Purchasing Agent and each note will mature on a day that is at least one year from its date of original issuance;

each note will bear interest from its date of original issuance at a fixed or floating rate;

the notes will not be subject to any sinking fund; and

the minimum denomination of the notes will be \$1,000, unless otherwise stated in the applicable pricing supplement.

In addition, the pricing supplement relating to each offering of Retail Medium-Term Notes will describe specific terms of the notes, including:

the Purchasing Agent;

whether the note is a fixed rate note, a floating rate note or an indexed note;

whether the note is an amortizing note;

whether the note is an original issue discount note and the yield to maturity;

S-9

Table of Contents

the price, which may be expressed as a percentage of the aggregate initial public offering price of the notes, at which the notes will be issued to the public;

the date on which the notes will be issued to the public;

the stated maturity date of the notes;

if the note is a fixed rate note, the rate per year at which the notes will bear interest;

if the note is a floating rate note, the interest rate basis, the initial interest rate, the interest determination date, the interest reset dates, the interest payment dates, the index maturity, the maximum interest rate and the minimum interest rate, if any, and the spread and/or spread multiplier, if any, and any other terms relating to the particular method of calculating the interest rate for the note; see

Floating Rate Retail Medium-Term Notes for an explanation of the terms relating to floating rate notes;

if the note is an indexed note, the amount of interest, if any, we will pay the holder on an interest payment date or the formula used to calculate these amounts, if any;

the interest payment frequency;

the purchase price, Purchasing Agent's discount and net proceeds to us;

whether the authorized representative of the holder of a beneficial interest in the note will have the right to seek repayment upon the death of the holder as described under Survivor's Option;

if the notes may be redeemed at our option or repaid at the option of the holder prior to its stated maturity date, the provisions relating to any such redemption or repayment;

any special U.S. federal income tax consequences of the purchase, ownership and disposition of the notes; and

any other significant terms of the notes not inconsistent with the provisions of the indenture.

We may at any time purchase Retail Medium-Term Notes at any price or prices in the open market or otherwise. Notes so purchased by us may, at our discretion, be held, resold or surrendered to the trustee for cancellation.

Payment of Principal and Interest

Unless otherwise specified in the applicable pricing supplement, payments of principal of and interest on the Retail Medium-Term Notes will be made in accordance with the arrangements then in place between the paying agent and The Depository Trust Company, or the DTC, and its participants as described under Registration and Settlement The Depository Trust Company. Payments in respect of any notes in certificated form

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will be made as described under Registration and Settlement Registration, Transfer and Payment of Certificated Notes.

Interest on each Retail Medium-Term Note will be payable either monthly, quarterly, semi-annually or annually on each interest payment date and at the note's stated maturity or on the date of redemption or repayment if a note is redeemed or repaid prior to maturity. Interest is payable to the person in whose name a note is registered at the close of business on the regular record date before each interest payment date. Interest due at a note's stated maturity or on a date of redemption or repayment will be payable to the person to whom principal is payable.

We will pay any administrative costs imposed by banks in connection with making payments in immediately available funds, but any tax, assessment or governmental charge imposed upon any payments on a note, including, without limitation, any withholding tax, is the responsibility of the holders of beneficial interests in the note in respect of which such payments are made.

S-10

Table of Contents

Interest and Interest Rates

The Retail Medium-Term Notes may bear interest at:

a fixed rate; or

a floating rate, which may be based on one of the following rates; see [Floating Rate Retail Medium-Term Notes](#) for further description of each of these floating rates

the CD rate,

the commercial paper rate,

the CMT rate,

LIBOR,

the prime rate,

the treasury rate,

the eleventh district cost of funds rate,

the federal funds rate or

any other domestic or foreign interest rate that we may describe in the note and applicable pricing supplement.

Each Retail Medium-Term Note will accrue interest from its date of original issuance until its stated maturity or earlier redemption or repayment. The applicable pricing supplement will specify a fixed interest rate or a floating rate index or formula. Interest will be payable monthly, quarterly, semi-annually or annually. Interest payments on each note will include the amount of interest accrued from and including the last interest payment date to which interest has been paid, or from and including the date of original issuance if no interest has been paid with respect to the note, to, but excluding, the applicable interest payment date, stated maturity date or date of earlier redemption or repayment, as the case may be.

The interest rate on the Retail Medium-Term Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application. Under current New York law, the maximum rate of interest that may be charged is 25% per annum on a simple interest basis, but that limit does not apply to floating rate notes in which U.S. \$2,500,000 or more has been

invested.

Interest on a Retail Medium-Term Note will be payable beginning on the first interest payment date after its date of original issuance to holders of record on the corresponding regular record date.

Payment of Interest

Unless otherwise specified in the applicable pricing supplement, interest on the Retail Medium-Term Notes will be paid as follows:

<u><i>Interest Payment Frequency</i></u>	<u><i>Interest Payment Dates</i></u>
Monthly	Fifteenth day of each calendar month, beginning in the first calendar month following the month the note was issued.
Quarterly	Fifteenth day of every third month, beginning in the third calendar month following the month the note was issued.
Semi-annually	Fifteenth day of every sixth month, beginning in the sixth calendar month following the month the note was issued.
Annually	Fifteenth day of every twelfth month, beginning in the twelfth calendar month following the month the note was issued.

Table of Contents

The regular record date for any interest payment date will be the first day of the calendar month in which the interest payment date occurs, except that the regular record date for interest due on the note's stated maturity date or date of earlier redemption or repayment will be that particular date. If any interest payment date other than the maturity date for any floating rate note falls on a day that is not a business day, such interest payment date will be postponed to the next succeeding business day, except that, in the case of a LIBOR note or a floating rate note for which LIBOR is an applicable base rate, if that business day falls in the next succeeding calendar month, the interest payment date will be the immediately preceding business day. If the maturity date of any floating rate note falls on a day that is not a business day, the related payment of principal, premium, if any, and interest will be made on the next succeeding business day as if it were made on the date that payment was due, and no interest will accrue for the period from that maturity date to the date of payment.

As used herein, **business day** means any day that is (a) neither a Saturday or Sunday, nor a legal holiday nor a day on which banking institutions in The City of New York are authorized or obligated by law, regulation or executive order to close and, (b) with respect to any floating rate note for which LIBOR is an applicable Base Rate, a London Business Day. **London Business Day** means a day on which commercial banks are open for business, including for dealings in U.S. dollars, in London.

Fixed Rate Retail Medium-Term Notes

Each fixed rate Retail Medium-Term Note, other than zero-coupon notes, will bear interest from its date of original issuance, or from the last interest payment date to which interest has been paid or duly provided for, at the annual fixed interest rate stated in the applicable pricing supplement.

Unless the applicable pricing supplement specifies otherwise, interest on fixed rate notes will be computed on the basis of a 360-day year of twelve 30-day months and, in the case of an incomplete month, the number of days elapsed calculated on the basis of a 30-day month.

If the stated maturity date, date of earlier redemption or repayment or interest payment date for any fixed rate note is not a business day, principal and interest for that note will be paid on the next succeeding business day, and no interest will accrue on the amount payable from, and after, the stated maturity date, date of earlier redemption or repayment or interest payment date.

Floating Rate Retail Medium-Term Notes

Interest on floating rate Retail Medium-Term Notes will be determined by reference to one or more base rates specified in the applicable note and related pricing supplement, which will include:

the CD rate,

the commercial paper rate,

the CMT rate,

LIBOR,

the prime rate,

the treasury rate,

the eleventh district cost of funds rate,

the federal funds rate or

any other domestic or foreign interest rate that we may describe in the note and applicable pricing supplement.

The related base rate will be based upon the index maturity, as defined below under General Features, if applicable, and adjusted by a spread and/or spread multiplier, if any, as specified in the applicable pricing

S-12

Table of Contents

supplement. In addition, a floating rate note may bear interest that is calculated by reference to two or more base rates determined in the same manner as the base rates are determined for the types of floating rate notes described above. Each floating rate note will specify the base rate or rates applicable to it.

General Features

Base Rates, Spreads and Spread Multipliers. The interest rate on each floating rate Retail Medium-Term Note will be calculated by reference to one or more specified base rates, in either case plus or minus any applicable spread, and/or multiplied by any applicable spread multiplier. The *index maturity* is the period to maturity of the instrument or obligation from which the base rate or rates are calculated, if applicable, as specified in the applicable pricing supplement. The *spread* is the number of basis points to be added to or subtracted from the base rate or rates applicable to a floating rate note, and the *spread multiplier* is the percentage of the base rate or rates applicable to a floating rate note by which the base rate or rates are multiplied to determine the applicable interest rates on the floating rate note, as specified in the applicable pricing supplement. Each floating rate note will bear interest at the initial interest rate set forth, or otherwise described, in the applicable pricing supplement.

Reset of Rates. The interest rate on each floating rate Retail Medium-Term Note will be reset daily, weekly, monthly, quarterly, semi-annually, annually or otherwise. Each such *interest reset period* will be specified in the applicable pricing supplement. Unless otherwise specified in the applicable pricing supplement, the dates on which such an interest rate will be reset will be, in the case of floating rate notes which reset

daily, each business day;

weekly, the Wednesday of each week, except weekly reset treasury rate notes, which will be reset on the Tuesday of each week, except as provided below;

monthly, the third Wednesday of each month, with the exception of eleventh district cost of funds rate notes, which will be reset on the first calendar day of the month;

quarterly, the third Wednesday of March, June, September and December of each year;

semi-annually, the third Wednesday of the two months of each year as specified in the applicable pricing supplement; and

annually, the third Wednesday of the month of each year as specified in the applicable pricing supplement.

If any interest reset date for any floating rate note is not a business day, it will be postponed to the next succeeding business day, except that, in the case of a LIBOR note, or a floating rate note for which LIBOR is an applicable base rate, if that business day is in the next succeeding calendar month, that interest reset date will be the immediately preceding business day.

Maximum and Minimum Rates. A floating rate Retail Medium-Term Note may also have either or both of the following:

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a maximum limit, or ceiling, called the maximum interest rate, on the rate at which interest may accrue during any interest period with respect to that floating rate note from time to time and

a minimum limit, or floor, called the minimum interest rate, on the rate at which interest may accrue during any interest period with respect to that floating rate note from time to time. In addition to any maximum interest rate which may apply to any floating rate note, the interest rate on floating rate notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by federal law of general applicability. Under current New York law, the maximum rate of interest that may be charged is 25% per annum on a simple interest basis, but that limit does not apply to floating rate notes in which \$2,500,000 or more has been invested.

S-13

Table of Contents

Determination of Reset Interest Rates. The interest rate applicable to each interest reset period commencing on the respective interest reset date will be the rate determined as of the applicable interest determination date defined below, on or prior to the calculation date, as defined below under Calculation Agent.

Unless otherwise specified in the applicable pricing supplement, the interest determination date with respect to an interest reset date for

CD rate notes, commercial paper rate notes, CMT rate notes, prime rate notes and federal funds rate notes will be the second business day before the interest reset date;

eleventh district cost of funds rate notes will be the last working day of the month before each interest reset date on which the Federal Home Loan Bank of San Francisco, or the FHLB of San Francisco, publishes the Index, as defined below under Eleventh District Cost of Funds Rate ;

LIBOR notes will be the second London banking day before the interest reset date; and

treasury rate notes will be the day of the week in which that interest reset date falls on which treasury bills, as defined below under Treasury Rate , are normally auctioned; treasury bills are normally sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the immediately succeeding Tuesday, but is sometimes held on the preceding Friday.

If as a result of a legal holiday a treasury bill auction is held on the Friday of the week preceding an interest reset date, the related interest determination date will be the preceding Friday; and if an auction falls on any interest reset date, then the interest reset date instead will be the business day immediately succeeding the auction. The interest determination date pertaining to a floating rate note the interest rate of which is determined with reference to two or more base rates will be the first business day which is at least two business days prior to the interest reset date for that floating rate note on which each base rate is determined. Each base rate will be determined on that date and the applicable interest rate will take effect on the related interest reset date.

The interest rate in effect with respect to a floating rate note on each day that is not an interest reset date will be the interest rate determined as of the interest determination date for the immediately preceding interest reset date. The interest rate in effect on any day that is an interest reset date will be the interest rate determined as of the interest determination date for that interest reset date, subject in each case to any applicable law and maximum or minimum interest rate limitations. However, the interest rate in effect with respect to a floating rate note for the period from its original issue date to the first interest reset date, to which we refer as the initial interest rate, will be determined as specified in the applicable pricing supplement.

Accrued Interest. With respect to a floating rate note, accrued interest for any interest period will be calculated by multiplying the principal amount of such floating rate note by an accrued interest factor. That accrued interest factor will be computed by adding the interest factor calculated for each day in the applicable interest period. The interest factor for each day will be computed by dividing the interest rate applicable to that day by 360, or, in the case of CMT rate notes, treasury rate notes or a floating rate note for which the CMT rate or the treasury rate is an applicable base rate, by the actual number of days in the year.

Calculation Agent. Unless otherwise specified in the applicable pricing supplement, we will be the calculation agent and will calculate the interest rate applicable to a floating rate note on or before any calculation date. Upon the request of the holder of any floating rate note, the

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calculation agent will provide the interest rate then in effect and, if determined, the interest rate as determined for the then most recent interest reset date with respect to that floating rate note. Unless otherwise specified in the applicable pricing supplement, the calculation date pertaining to any interest determination date will be the earlier of

the tenth calendar day after that interest determination date or, if that day is not a business day, the next succeeding business day, or

S-14

Table of Contents