

FINAL TERMS



PRUDENTIAL PLC

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

£5,000,000,000

Medium Term Note Programme

Series No: 26

Tranche No: 1

U.S.\$700,000,000 5.25 per cent Tier 1 Notes

Issued by

PRUDENTIAL PLC

Issue Price: 100%

The date of the Final Terms is 11 January 2013, as amended and restated with effect from 3 November 2015.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 19 December 2012 (the "Prospectus") which constitutes a base prospectus for the purposes of Directive 2003/71/EC (as amended) (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. A summary of the Notes (which comprises the summary in the Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Prospectus has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and copies may be obtained during normal business hours, free of charge, from the registered office of the Issuer and the specified office of the Issue and Paying Agent for the time being in London.

1. (i) Series Number: 26
- (ii) Tranche Number: 1
- (iii) Date on which the Notes will be consolidated and form a single Series: Not Applicable
2. Specified Currency: United States dollars ("U.S.\$")
3. Aggregate Nominal Amount of Notes
 - Tranche: U.S.\$700,000,000
 - Series: U.S.\$700,000,000
4. Issue Price of Tranche: 100 per cent of the Aggregate Nominal Amount
5. (i) Specified Denomination(s): U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof
- (ii) Calculation Amount: U.S.\$1,000
6. (i) Issue Date and Interest Commencement Date: 15 January 2013
7. Maturity Date: The Notes are perpetual securities and have no maturity date
8. Interest Basis: 5.25 per cent Fixed Rate
9. Redemption/Payment Basis: Redemption at par
10. Change of Interest Basis or Redemption/Payment Basis: Not Applicable
11. Put/Call Options: Issuer Call

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|-----|------|--|--|
| 12. | (i) | Status of the Notes: | Tier 1 Notes |
| | (ii) | Date of Board and Committee approval for issuance of Notes obtained: | 1 November 2012 and 20 November 2012, respectively |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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|-----|--------------------------------|-----------------------------------|---|
| 13. | Fixed Rate Note Provisions | Applicable | |
| | (i) | Rate(s) of Interest: | 5.25 per cent per annum payable quarterly in arrear on each Interest Payment Date |
| | (ii) | Interest Payment Date(s): | 23 March, 23 June, 23 September and 23 December in each year, commencing on 23 March 2013.

There will be a short first coupon in respect of the period from, and including, the Interest Commencement Date to, but excluding, 23 March 2013. |
| | (iii) | Fixed Coupon Amount(s): | U.S.\$13.13 per Calculation Amount |
| | (iv) | Broken Amount(s): | U.S.\$9.92 per Calculation Amount, payable on the Interest Payment Date falling on 23 March 2013 |
| | (v) | Day Count Fraction: | 30/360 |
| | (vi) | Determination Date(s): | Not Applicable |
| | (vii) | Deferral of Interest: | Option B Notes |
| | (viii) | ACSM: | Applicable, at any time prior to the Solvency II Implementation Date.

At any time on or after the Solvency II Implementation Date, Not Applicable. |
| | (ix) | Dividend and Capital Restriction: | Applicable, at any time prior to the Solvency II Implementation Date.

At any time on or after the Solvency II Implementation Date, Not Applicable. |
| 14. | Reset Note Provisions: | Not Applicable | |
| 15. | Floating Rate Note Provisions: | Not Applicable | |
| 16. | Zero Coupon Notes Provisions | Not Applicable | |
| 17. | Step-Up Rate of Interest | Not Applicable | |

PROVISIONS RELATING TO REDEMPTION

18.	(a)	Issuer Call:	Applicable
	(i)	Optional Redemption Date(s):	23 March 2018 or any Interest Payment Date thereafter
	(ii)	Optional Redemption Amount(s):	U.S.\$1,000 per Calculation Amount
	(iii)	If redeemable in part:	Not Applicable – redeemable in whole only
	(b)	Regulatory Event Redemption:	Not Applicable
	(c)	Regulatory Event Redemption and Regulatory Event Refinancing Option:	Applicable
	(d)	Solvency II Regulatory Event Redemption:	Not Applicable
	(e)	Issuer Call due to a Tax Event:	Applicable
	(f)	Issuer Call due to a Tax Call Event:	Applicable
	(g)	Issuer Exchange Option:	Applicable
19.		Investor Put:	Not Applicable
20.		Final Redemption Amount:	Not Applicable
21.		Early Redemption Amount(s) payable on redemption for taxation reasons (where applicable) or on event of default:	Not Applicable
22.		Make Whole Redemption Price:	Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.		Form of Notes:	
	(i)	Form:	Registered Notes: Regulation S Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event.
	(ii)	New Global Note:	No
24.		Additional Financial Centre(s):	Not Applicable
25.		Talons for future Coupons to be attached to Definitive Notes:	Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange

into definitive form, more than 27 coupon payments are still to be made.

Signed on behalf of the Issuer:

By:

Duly Authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market with effect from the Issue Date.
- (ii) Estimate of total expenses relating to admission to trading: GBP3,600

2. RATINGS

The Notes to be issued are expected to be assigned the following ratings:

A- by Standard & Poor's Credit Market Services Europe Limited
Baa1 by Moody's Investors Service Ltd
BBB+ by Fitch Ratings Limited

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the managers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

4. YIELD

Indication of yield: 5.25 per cent

5. OPERATIONAL INFORMATION

ISIN Code: XS0873630742

Common Code: 087363074

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme (together with the address of each such clearing system) and the relevant identification number(s): Not Applicable

Names and addresses of additional Paying Agent(s) (if any): Not Applicable

6. THIRD PARTY INFORMATION

Not Applicable

7. GENERAL

Applicable TEFRA exemption: Not Applicable

144A Eligible: Not 144A Eligible

TERMS AND CONDITIONS OF TIER 1 NOTES

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 19 December, 2012 and made between Prudential, Citibank, N.A., London Office as issuing and principal paying agent and agent bank (the "Issue and Paying Agent", which expression shall include any successor agent), Citibank, N.A., London Office as registrar in respect of Notes in registered form and as paying agent (the "Registrar", which expression shall include any successor registrar and together with the Issue and Paying Agent, unless the context otherwise requires, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and complete these Terms and Conditions (these "Conditions") for the purposes of this Note. References to the "Final Terms" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Copies of the Trust Deed and the Agency Agreement are available for inspection on weekdays during normal business hours at the registered office of the Issuer, the registered office for the time being of the Trustee (being at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of the Issue and Paying Agent. Subject as provided below, copies of the Final Terms are available for viewing on weekdays during normal business hours at the registered office of the Issuer, the registered office of the Trustee and the specified office of the Issue and Paying Agent. In addition, copies of each Final Terms relating to Notes which are either admitted to trading on the London Stock Exchange's regulated market or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will be published on the website of the London Stock Exchange through a regulatory information service. Copies of each Final Terms relating to Notes which are admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be published in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Notes will only be available for viewing by a holder of such Notes upon production of evidence satisfactory to the Issuer, the Trustee or the Issue and Paying Agent as to the identity of such holder. The Holders are deemed to have notice of, are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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

1. FORM AND DENOMINATION

1.1 Form

Notes are issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes"), as specified in the Final Terms, serially numbered and in the currency (the "Specified Currency") and the denomination(s) (the "Specified Denomination(s)") specified in the Final Terms provided that in the case of Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (Directive 2003/71/EC) (as amended), the minimum Specified Denomination shall be €1,000 (or its equivalent in any other currency as at the date of issue of the relevant Note). Registered Notes are not exchangeable for Bearer Notes or *vice versa*. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

1.2 Coupons and Talons

Interest-bearing definitive Bearer Notes have attached thereto, at the time of their initial delivery, coupons ("Coupons"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, such Notes may have attached thereto, at the time of their initial delivery, a talon ("Talon") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.

1.3 Interest Basis

This Note may be a Fixed Rate Note, a Floating Rate Note (which term shall include an EONIA Linked Interest Note, a SONIA Linked Interest Note, a Federal Funds Rate Linked Interest Note or a CMS Linked Interest Note if this Note is specified as such in the Final Terms), a Reset Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.

1.4 Denomination of Bearer Notes

Bearer Notes are in the Specified Denomination or Denominations specified in the Final Terms.

1.5 Denomination of Registered Notes

Registered Notes are in the minimum Specified Denomination or Denominations specified in the Final Terms or integral multiples thereof.

1.6 Currency of Notes

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

2. TITLE AND TRANSFER

2.1 *Title to Bearer Notes*

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

2.2 *Title to Registered Notes*

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

2.3 *Holder as Owner*

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

2.4 *Transfer of Registered Notes*

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

2.5 *New Registered Notes*

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

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

2.6 *No Charges upon Transfer*

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

2.7 144A Legend

Upon the transfer or replacement of Definitive Registered Notes or Rule 144A Global Notes bearing the 144A legend (the "144A Legend") set forth in the relevant form of Registered Note scheduled to the Trust Deed, or upon specific request for removal of the 144A Legend, the Registrar shall deliver only Registered Notes that also bear such legend unless there is delivered to the Issuer and the Registrar such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States, that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws.

The Issuer covenants and agrees that it will not acquire any beneficial interest, and will cause its affiliates not to acquire any beneficial interest, in any Registered Note bearing the 144A Legend unless it notifies the Registrar of such acquisition. Each Paying Agent, the Registrar, the Trustee and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).

2.8 Information to Holders

For so long as any of the Registered Notes bearing the 144A Legend remains outstanding and is a "restricted security" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the "Securities Act"), the Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Holder at the specified office of each of the Paying Agents and the Registrar in connection with any sale thereof and any prospective purchaser of such Notes from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) in relation to it, under the Securities Act.

3. STATUS OF THE NOTES

3.1 Status

The Notes and any relative Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

3.2 Subordination

The rights of Holders of the Notes and any relative Coupons against the Issuer to payment of any amounts under or arising from the Notes, any relative Coupons and the Trust Deed relating to them or arising therefrom are, in the event of the winding-up of the Issuer, subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors, but shall rank at least *pari passu* with all other obligations of the Issuer which constitute or would, but for any applicable limitation on the amount of such capital, constitute Tier 1 Capital and, subject to Condition 3.5, in priority to the claims of holders of all classes of share capital of the Issuer.

3.3 Solvency Condition

All payments under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, other than payments to the Trustee made in accordance with the Trust Deed in respect of, *inter alia*, the Trustee's fees, and remuneration and expenses and liabilities incurred by it in carrying out its duties under the Trust Deed, shall be conditional upon the Issuer

satisfying the Solvency Condition at the time of and immediately after any such payment, and the Issuer will not make any payment and any such payment shall not be payable under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, and neither the Issuer nor any Subsidiary will redeem or purchase any of the Notes unless the Issuer satisfies the Solvency Condition both at the time of and immediately after any such payment, redemption or purchase. For this purpose, the Issuer shall satisfy the Solvency Condition if it is able to pay its debts to all Senior Creditors as they fall due and the total Assets exceed total Liabilities, other than Liabilities to persons that are not Senior Creditors, by at least 4% or such other percentage specified by the PRA from time to time as the Regulatory Capital Requirement.

A report as to the solvency of the Issuer by two Directors of the Issuer or, in certain circumstances as provided in the Trust Deed, the Auditors, or, if there is a winding-up of the Issuer in England and Wales, the liquidator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and the Holders of the Notes and any relative Coupons as correct and sufficient evidence thereof. If the Issuer fails to make any interest payment as a result of failure to satisfy the Solvency Condition, that payment will constitute Deferred Interest until paid. In a winding-up, the amount payable on the Notes will be determined in accordance with the provisions described below.

3.4 *Solvency Claims*

Without prejudice to the rest of these Conditions, amounts representing payments of any amount under or arising from the Notes, any relative Coupons and the Trust Deed relating to them in respect of which the Solvency Condition and/or the Solvency Capital Requirement is or are not satisfied on the date upon which the same would otherwise be due and payable ("Solvency Claims") will be payable by the Issuer in a winding-up of the Issuer as provided in Condition 3.5. A Solvency Claim shall not bear interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.8 and 7.9.

3.5 *Winding-up*

If at any time an order is made, or an effective resolution is passed, for the winding-up in England and Wales of the Issuer, no amount will be payable on the Notes until all claims of the Senior Creditors admitted in such winding-up have been satisfied in full. On a winding-up of the Issuer (except in any such case, a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Notes shall thereby become payable), there shall be payable by the Issuer in respect of each of the Notes (in lieu of any other payment by the Issuer), such amount, if any, that would have been payable in respect thereof if on the day prior to the commencement of the winding-up and thereafter, the Holders were the holders of preference shares (as at the date thereof) in the capital of the Issuer having a preferential right to a return of assets in the winding-up over the holders of all issued shares for the time being in the capital of the Issuer (but, *pari passu* with the holders of the most senior class of preference shares in the capital of the Issuer, if any, except to the extent such preference shares represent claims of Senior Creditors) on the assumption that such preference shares were entitled (to the exclusion of all other rights and privileges) to receive as a return of capital in such winding-up an amount equal to the principal amount of the Notes then outstanding and any other amounts which are outstanding thereon including the aggregate amount of any accrued interest and any Deferred Interest, together with, to the extent not included within the foregoing, its *pro rata* share of any Solvency Claims attributable to the Notes.

3.6 *Solvency Capital Requirement*

All payments under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, other than payments to the Trustee made in accordance with the Trust Deed in respect of, *inter alia*, the Trustee's fees, and remuneration and expenses and liabilities incurred by it in carrying out its duties under the Trust Deed, shall, unless otherwise permitted by the PRA, be conditional upon the Issuer satisfying the Solvency Capital Requirement at the time of and immediately after any such payment, and, unless otherwise permitted by the PRA, the Issuer will not make any payment and any such payment shall not be payable under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom and neither the Issuer nor any Subsidiary will redeem or purchase any of the Notes unless the Issuer satisfies the Solvency Capital Requirement both at the time of and immediately after any such payment, redemption or purchase.

For the purposes of these Conditions, references to the Solvency Capital Requirement shall be read as references to the Minimum Capital Requirement where non-compliance with the Minimum Capital Requirement occurs before non-compliance with the Solvency Capital Requirement.

A report as to the Issuer's compliance with the Solvency Capital Requirement signed by two Directors of the Issuer or, if there is a winding-up of the Issuer in England and Wales, the liquidator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and the Holders of the Notes and any relative Coupons as correct and sufficient evidence thereof. If the Issuer fails to make any interest payment as a result of failure to satisfy the Solvency Capital Requirement, that payment will constitute Deferred Interest until paid. In a winding-up, the amount payable on the Notes will be determined in accordance with the provisions of Condition 3.5.

3.7 *Set-off*

By acceptance of the Notes, each Holder of the Notes and the Trustee, on behalf of such Holders, will be deemed to have waived any right of set-off or counterclaim that such Holders might otherwise have against the Issuer whether prior to or in bankruptcy or winding-up. Notwithstanding the preceding sentence, if any of the rights and claims of any Holder of the Notes are discharged by set-off, such Holder will immediately pay an amount equal to the amount of such discharge to the Issuer or, if applicable, the liquidator or the Trustee and, until payment is made, will hold a sum equal to such amount in trust for the Issuer or, if applicable, the liquidator or the Trustee in the Issuer's winding-up. Accordingly, such discharge will be deemed not to have taken place.

4. **DEFERRAL OF PAYMENTS**

This Note may be an Option A Note or an Option B Note, as specified in the Final Terms.

4.1A *Deferral of Interest – Option A Notes*

This Condition 4.1A shall apply to Option A Notes only.

- (a) Payments of interest on the Option A Notes will be mandatory on each Compulsory Interest Payment Date.
- (b) The Issuer may, by giving notice thereof to the Trustee and to the Holders of the Option A Notes in accordance with Condition 14 not more than 15 nor less than 2 Business

Days prior to the relevant Interest Payment Date, elect to defer interest payments on any Interest Payment Date (an "Optional Interest Payment Date") where it determines (by reference to the Issuer's then current financial condition) at its sole discretion, on or after the 20th Business Day, but not later than the fifth Business Day, prior to such Interest Payment Date that:

- (i) the Capital Adequacy Condition will not be met on such date; or
 - (ii) it is required under the terms of any Parity Security not to pay the relevant interest payment.
- (c) Any interest payments that the Issuer does not make in respect of the Option A Notes on an Optional Interest Payment Date, together with any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met on the relevant Interest Payment Date, and any other interest not paid on any earlier Interest Payment Date by virtue of this Condition 4, shall, so long as they remain unpaid, constitute Deferred Interest. No interest will accrue on Deferred Interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.8 and 7.9.

Deferred Interest will become payable only on the redemption of the Option A Notes or purchase of the Option A Notes by or on behalf of the Issuer or, subject to the provisions of Condition 3.2, upon the commencement of the winding-up of the Issuer and not in any other circumstances, but so that, in the case of payment of only part of the Deferred Interest, the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period.

Subject to Condition 7.10, the Issuer will satisfy its obligation to pay Deferred Interest only in accordance with the Alternative Coupon Satisfaction Mechanism, except in the case of the winding-up of the Issuer, in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking as the principal on the Notes.

4.1B Deferral of Interest – Option B Notes

This Condition 4.1B shall apply to Option B Notes only.

- (a) The Issuer may, by giving notice thereof to the Trustee and to the Holders of the Option B Notes in accordance with Condition 14 not more than 15 nor less than 2 Business Days prior to the relevant Interest Payment Date, elect to defer interest payments on any Interest Payment Date which is not a Compulsory Interest Payment Date.
- (b) Any interest payments that the Issuer does not make in respect of the Option B Notes on an Interest Payment Date, together with any interest payments that the Issuer does not make because the Solvency Condition and/or the Solvency Capital Requirement is not met on the relevant Interest Payment Date, and any other interest not paid on any earlier Interest Payment Date by virtue of this Condition 4, shall, so long as they remain unpaid, constitute Deferred Interest. No interest will accrue on Deferred Interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.8 and 7.9.

Other than at the sole discretion of the Issuer as described below, Deferred Interest will become payable only on the redemption of the Option B Notes or purchase of the Option B Notes by or on behalf of the Issuer or, subject to the provisions of Condition 3.2, upon the commencement

of the winding-up of the Issuer and not in any other circumstances, but so that, in the case of payment of only part of the Deferred Interest, the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period.

Prior to the Solvency II Implementation Date, and subject to Condition 7.10, the Issuer will satisfy its obligation to pay Deferred Interest only in accordance with the Alternative Coupon Satisfaction Mechanism, except in the case of the winding-up of the Issuer in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking as the principal on the Notes.

Following the Solvency II Implementation Date, subject to satisfying the Solvency Condition and the Solvency Capital Requirement at the time of such payment and immediately thereafter, Deferred Interest may be paid in whole or in part (as specified in the notice given by the Issuer) at any time upon the Issuer giving not less than 7 days' notice to the Trustee and the Holders in accordance with Condition 14.

4.2 Dividend and Capital Restriction

This Condition 4.2 shall cease to apply on and from the Solvency II Implementation Date.

In relation to Notes in respect of which Dividend and Capital Restriction is specified in the Final Terms, from and including an Interest Payment Date on which the Issuer does not make payment in full of all interest payments to be paid on such date or any Interest Payment Date on which the Solvency Condition and/or the Solvency Capital Requirement is not met, the Issuer shall not: (i) declare or pay a dividend or distribution or make any other payment on, and will procure that no dividend or distribution or other payment is made on, any Parity Securities or on any Junior Securities (other than (A) a final dividend declared by the Issuer with respect to Ordinary Shares prior to the date that the decision to defer such interest payment is made; or (B) a payment made by a wholly-owned Subsidiary of the Issuer to another wholly-owned Subsidiary or directly to the Issuer); or (ii) redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case, unless or until the interest (but excluding Deferred Interest, if any) otherwise due and payable on the Notes during the next 12 months is duly set aside and provided for.

Following a Redemption Date on which the Issuer is unable to issue sufficient Ordinary Shares to make payment in full of all Deferred Interest to be paid on such date, as described below in Condition 4.3(b), the Issuer shall not: (i) declare or pay a dividend or distribution or make any other payment on, and will procure that no dividend or distribution or other payment is made on, any Parity Securities or on any Junior Securities (other than (A) a final dividend declared by the Issuer with respect to the Ordinary Shares prior to the date the notice to redeem is given in accordance with Condition 7.10; or (B) a payment made by a wholly-owned Subsidiary of the Issuer to another wholly-owned Subsidiary or directly to the Issuer); or (ii) redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case until such corporate authorisations as are required to issue the necessary Ordinary Shares are obtained and all Deferred Interest to be satisfied has been paid in full or duly set aside or provided for.

The restrictions set out above do not apply to payments made by the Issuer to policyholders or other customers, or transfers to or from the fund for future appropriations, in each case in the ordinary course of business consistent with past practice.

For the purposes of this provision, the payment (or declaration of payment) of a dividend or distribution on Parity Securities and Junior Securities shall be deemed to include the making of any interest, coupon or dividend payment (or payment under any guarantee in respect thereof)

and the redemption, purchase or other acquisition of such securities (save where the funds used to redeem, purchase or acquire those securities are derived from an issue of Parity Securities or Junior Securities: (i) made at any time within the six-month period prior to the time of such redemption, purchase or acquisition; and (ii) with the same or junior ranking on a return of assets on a winding-up or in respect of a distribution or payment of interest, coupons or dividends and/or any other amounts thereunder to those securities being redeemed, purchased or acquired). The Trustee shall be entitled to rely on a certificate signed by two Directors of the Issuer as to whether the redemption, purchase or acquisition falls within the exception set out above and, if the Trustee does so rely, such certificate shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Holders.

4.3 *Alternative Coupon Satisfaction Mechanism*

This Condition 4.3 shall be applicable only if, and to the extent, specified in the Final Terms.

(a) General

The Issuer must satisfy its obligation to pay any Deferred Interest on redemption of the Notes or on purchase of the Notes by or on behalf of the Issuer only in accordance with the procedures described below, and may, in its absolute discretion, elect (an "ACSM Election") to satisfy its obligation under any Note to pay Current Interest payable on any Interest Payment Date falling prior to the Solvency II Implementation Date in accordance with the procedures described below.

The obligation of the Issuer to pay any Deferred Interest or, upon an ACSM Election, its obligation to pay Current Interest due on any Interest Payment Date falling prior to the Solvency II Implementation Date, in accordance with the Alternative Coupon Satisfaction Mechanism will be satisfied as follows:

- (i) with respect to the satisfaction of its obligation to pay any Deferred Interest, the Issuer shall, in accordance with Condition 14, give a redemption notice to the Holders, in accordance with Condition 7.6, of the forthcoming Redemption Date. In order to effect an ACSM Election, the Issuer shall give notice to the Holders in accordance with Condition 14, of its intention to pay interest in accordance with the Alternative Coupon Satisfaction Mechanism not later than 20 Business Days prior to an Interest Payment Date;
- (ii) not later than 14 Business Days prior to the Redemption Date or, upon an ACSM Election, not later than 14 Business Days prior to the relevant Interest Payment Date, the ACSM Calculation Agent shall determine the number of Ordinary Shares which, in the opinion of the ACSM Calculation Agent, have an aggregate fair market value of not less than the aggregate amount of Deferred Interest or, upon an ACSM Election, the Current Interest (after payment of any taxes, duties, costs and expenses payable by the Issuer in connection with the issue and placement of the Ordinary Shares);
- (iii) not later than ten Business Days prior to the Redemption Date or, upon an ACSM Election, no later than ten Business Days prior to the relevant Interest Payment Date, the ACSM Calculation Agent, or an appointed intermediary, shall place such number of Ordinary Shares in the market;
- (iv) not later than the close of business on the seventh Business Day prior to the Redemption Date or, upon an ACSM Election, the seventh Business Day prior to the relevant Interest Payment Date, the ACSM Calculation Agent, or an appointed

intermediary, shall notify the Issuer of the number of Ordinary Shares for which it has procured purchasers;

- (v) as soon as reasonably practicable following such notification but not later than the sixth Business Day prior to the Redemption Date or, upon an ACSM Election, the sixth Business Day prior to the relevant Interest Payment Date, the Issuer shall, subject to having necessary corporate authorisations in place, issue and allot such Ordinary Shares to the purchasers who have agreed to purchase them;
- (vi) if, after the operation of the above procedures there would, in the opinion of the ACSM Calculation Agent, be a shortfall of proceeds towards the satisfaction of the aggregate amount of Deferred Interest payable on the Redemption Date or, upon an ACSM Election, the Current Interest due on the relevant Interest Payment Date, the ACSM Calculation Agent shall use its reasonable endeavours to find purchasers for further Ordinary Shares and the Issuer shall, subject to having the necessary corporate authorisations in place, issue and allot such further Ordinary Shares to the purchasers who have agreed to purchase them in accordance with these provisions to try to ensure that a sum (after the Issuer has paid any taxes, duties, costs and expenses payable by it in connection with the issue of the Ordinary Shares) at least equal to the aggregate amount of Deferred Interest or Current Interest due on the relevant Interest Payment Date is available on the Business Day prior to the Redemption Date to make the Deferred Interest payments in full on the Redemption Date or, in the case of an ACSM Election, the Current Interest due on the relevant Interest Payment Date; *provided* that if, despite the operation of the above provisions, such a shortfall exists on the Business Day preceding the Redemption Date or, on an ACSM Election, the relevant Interest Payment Date, the Issuer may, subject to having the necessary corporate authorisations in place, continue to issue and allot Ordinary Shares until the Trustee or its agent (or the Issue and Paying Agent) shall have received funds on behalf of the Issuer equal to the full amount of such shortfall and *provided further* that no Deferred Interest or Current Interest payment in respect of which an ACSM Election has been made shall be made to a Holder and no Note shall be redeemed until the Issuer is able to pay a sum at least equal to the aggregate amount of Deferred Interest in full in accordance with the Alternative Coupon Satisfaction Mechanism on the Redemption Date or, in the case of an ACSM Election, the full amount of Current Interest falling due for payment on the relevant Interest Payment Date. For the avoidance of doubt, the Redemption Date as set out in the redemption notice shall be deferred until the date the payment of Deferred Interest or (in the case of an ACSM Election) the Current Interest due on any Interest Payment Date can be so made in full;
- (vii) the Issuer shall transfer or arrange for the transfer of the issue proceeds raised from the operation of the provisions set out in Condition 4.3(a)(iii)-(vi) to satisfy the aggregate amount of Deferred Interest to the Trustee or its agent (or the Issue and Paying Agent) on the Business Day preceding the Redemption Date or, on an ACSM Election, on the Business Day preceding the relevant Interest Payment Date for payment by the Trustee or its agent (or the Issue and Paying Agent), on the Redemption Date or such Interest Payment Date, towards the satisfaction on behalf of the Issuer of the aggregate amount of Deferred Interest or, in the case of an ACSM Election, Current Interest; and
- (viii) if, pursuant to the Alternative Coupon Satisfaction Mechanism, proceeds are raised in excess of the amount required to pay the applicable Deferred Interest or Current Interest plus the claims for the fees, costs and expenses to be borne by the Issuer in connection with using the Alternative Coupon Satisfaction Mechanism, any remaining proceeds shall be paid to the Issuer.

If the Issuer is required to make any payments of Deferred Interest or elects to make payment of Current Interest in accordance with the Alternative Coupon Satisfaction Mechanism, the proceeds from the sale of Ordinary Shares pursuant to the Alternative Coupon Satisfaction Mechanism will be paid to the Holders by the Trustee or its agent or the Issue and Paying Agent in respect of the relevant Deferred Interest or Current Interest, as the case may be.

Deferred Interest payable upon purchases of Notes by or on behalf of the Issuer will be settled in accordance, *mutatis mutandis*, with the provisions described above, subject to such changes as agreed between the Issuer and the Trustee.

(b) Sufficiency and Availability of Ordinary Shares

The obligation or, as the case may be, the ability of the Issuer to use the Alternative Coupon Satisfaction Mechanism to satisfy its payment of either Deferred Interest on a Redemption Date or prior to the purchase of the Notes by or on behalf of the Issuer, or Current Interest on any Interest Payment Date, is subject to the following conditions:

- (i) the procedure will only be activated if: (A) the Issuer has given a redemption notice and at that time there are Deferred Interest payments to be satisfied; or (B) the Issuer elects to make a Current Interest payment in such manner by giving the applicable notice as set out in Condition 4.3(a)(i);
- (ii) the Issuer shall not be required to issue or sell any Ordinary Shares, or cause them to be sold, at a price below the nominal value of its Ordinary Shares (*which is, as at 19 December, 2012, five pence per share*); and
- (iii) the Directors of the Issuer must have all the necessary authority under English law to allot and issue a sufficient number of Ordinary Shares in accordance with Condition 4.3(a)(v).

The Issuer will, for so long as any Notes remain outstanding, review its Ordinary Share price prior to each annual general meeting of its shareholders. If the Issuer determines as a result of any such review that the Directors of the Issuer do not have the necessary authority to allot and issue at that date a number of Ordinary Shares the purchase proceeds of which will be at least equal to the amount of Deferred Interest, if any, outstanding together with the estimated scheduled interest payments for the next 12 months on the Notes, then at the next annual general meeting, the Issuer shall propose resolutions to increase the Directors' authority to allot and issue Ordinary Shares to the level that would enable the Issuer to issue at that date a sufficient number of Ordinary Shares to enable payment of Deferred Interest, if any, outstanding together with the estimated scheduled interest payments for the next 12 months on the Notes pursuant to the Alternative Coupon Satisfaction Mechanism.

The Issuer may not redeem any Notes 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 the Issuer does not have the necessary authority for the Directors of the Issuer to issue a sufficient number of Ordinary Shares to implement the Alternative Coupon Satisfaction Mechanism, then the Redemption Date (as applicable) shall be deferred until such time, subject as provided in Condition 7.6, as the Directors of the Issuer shall have the necessary authority to issue sufficient Ordinary Shares and the issue proceeds of such shares are sufficient to pay the Deferred Interest in full. Such deferral shall not constitute a Default.

In addition, if the Issuer is unable to make payment in full of either all Deferred Interest due to be paid on a Redemption Date or Current Interest on the applicable Interest Payment Date because it does not have the necessary authority for the Directors of the Issuer to issue a sufficient number of Ordinary Shares or for any other reason, interest will accrue on such Deferred Interest or Current Interest from (and including) the initial Redemption Date or applicable Interest Payment Date, as the case may be, to (but excluding) the date such Deferred Interest or Current Interest, as the case may be, is paid at the same rate of interest specified in Condition 5. The obligation to pay any such interest shall be satisfied by applying, *mutatis mutandis*, the foregoing provisions of this Condition 4.

(c) Market Disruption Event

If a Market Disruption Event exists during the 14 Business Days preceding any Redemption Date, the related payment of Deferred Interest and the Redemption Date may, subject to certain conditions, be deferred until such Market Disruption Event no longer exists. A market disruption deferral will not constitute a Default; *provided* that if any Deferred Interest has not been paid, or an amount set aside for payment, within 14 days after the date on which any such Market Disruption Event is no longer continuing, such failure will, from the end of such 14 day period, constitute a Default under the Trust Deed. Interest will not accrue on Deferred Interest during a Market Disruption Event; *provided, however*, that if a Market Disruption Event exists and is continuing for more than 14 days after the initial Redemption Date, interest will accrue on such Deferred Interest from (and including) the 14th day following the initial Redemption Date to (but excluding) the date such Deferred Interest is paid at the same rate of interest specified in Condition 5. The obligation to pay any such interest shall be satisfied by applying, *mutatis mutandis*, the foregoing provisions of this Condition 4.

5. INTEREST

5A Interest on Fixed Rate Notes

Subject to Conditions 3.2, 3.3 and 4, each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) (as specified in the Final Terms).

If the Notes are in definitive form, except as provided in the Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will, subject to Condition 4, amount to the Fixed Coupon Amount. Payment of any Broken Amount will, subject to Condition 4, be made on the Interest Payment Date so specified in the Final Terms.

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

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note;
- or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

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

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

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

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

5B Interest on Reset Notes

5B.1 Rates of interest

Subject to Conditions 3.2, 3.3 and 4, each Reset Note bears interest:

- (A) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and
- (B) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Issue and Paying Agent on the relevant Reset Determination Date in accordance with this Condition 5B,

payable, in each case, in arrear on the Interest Payment Dates(s) (as specified in the Final Terms).

As used in these Conditions:

"Mid Swap Benchmark Rate" means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro.

"Mid Swap Rate" means for any Reset Period the arithmetic mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Issue and Paying Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (a) has a term of equal to the relevant Reset Period and commencing on the relevant Reset Date, (b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (c) has a floating leg based on the Mid Swap Benchmark Rate for the Mid Swap Maturity as specified in the Final Terms (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Issue and Paying Agent).

"Reference Bond" means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the relevant Reset Period.

"Reference Bond Price" means, with respect to any Reset Determination Date, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond

Dealer Quotations, or (B) if the Issue and Paying Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

"Reference Government Bond Dealer" means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues.

"Reference Government Bond Dealer Quotations" means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Issue and

Paying Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of its nominal amount) at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Issue and Paying Agent by such Reference Government Bond Dealer.

"Reset Determination Date" means for each Reset Period the date as specified in the Final Terms falling on or before the commencement of such Reset Period on which the rate of interest applying during such Reset Period will be determined.

"Reset Period" means the period from (and including) the first Reset Date to (but excluding) the Maturity Date (if any) if there is only one Reset Period or, if there is more than one Reset Period, each period from (and including) one Reset Date (or the first Reset Date) to (but excluding) the next Reset Date up to (but excluding) the Maturity Date (if any).

"Subsequent Reset Rate" for any Reset Period means the sum of (i) the applicable Subsequent Reset Reference Rate and (ii) the applicable Reset Margin (rounded down to four decimal places, with 0.00005 being rounded down).

"Subsequent Reset Reference Rate" means either:

- (a) if "Mid Swaps" is specified in the Final Terms, the Mid Swap Rate displayed on the Subsequent Reset Rate Screen Page at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date for such Reset Period; or
- (b) if "Reference Bond" is specified in the Final Terms, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price.

The Issue and Paying Agent will calculate the amount of interest (the "Interest Amount") payable on the Reset Notes for the relevant period by applying the Initial Rate of Interest or the applicable Subsequent Reset Rate (as the case may be) to:

- (A) in the case of Reset Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Reset Notes represented by such Global Note; or
- (B) in the case of Reset Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-

unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Reset Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Reset Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

"Day Count Fraction" and related definitions have the meanings given in Condition 5A.

5B.2 Subsequent Reset Rate Screen Page

If the Subsequent Reset Rate Screen Page is not available, the Issue and Paying Agent shall request each of the Reference Banks (as defined below) to provide the Issue and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Subsequent Reset Reference Rate at approximately the

Subsequent Reset Rate Time on the Reset Determination Date in question. If two or more of the Reference Banks provide the Issue and Paying Agent with offered quotations, the Subsequent Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the applicable Reset Margin (if any), all as determined by the Issue and Paying Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Issue and Paying Agent with an offered quotation as provided in the foregoing provisions of this paragraph, the Subsequent Reset Rate shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Subsequent Reset Rate shall be the Initial Rate of Interest.

For the purposes of this Condition 5B.2 "Reference Banks" means the principal office in the Relevant Financial Centre of four major banks in the swap, money, securities or other market most closely connected with the Subsequent Reset Reference Rate as selected by the Issuer on the advice of an investment bank of international repute.

5B.3 Notification of Subsequent Reset Rate and Interest Amounts

The Issue and Paying Agent will cause the Subsequent Reset Rate and each Interest Amount for each Reset Period to be notified to the Issuer and the Trustee and any stock exchange or other relevant authority on which the relevant Reset Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

5B.4 Determination or Calculation by Trustee

If for any reason at any relevant time, the Issue and Paying Agent defaults in its obligation to determine the Subsequent Reset Rate or to calculate any Interest Amount in accordance with Condition 5B.1 or 5B.2, the Trustee shall determine the Subsequent Reset Rate at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5B), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may (at the expense of the Issuer) appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international

repute). Each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent.

5B.5 Certificates to be final

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

5C Interest on Floating Rate Notes

5C.1 Interest Payment Dates

Subject to Conditions 3.2, 3.3 and 4, each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

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

postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the Final Terms; and
- (B) either: (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto (the "TARGET2 System") is open.

5C.2 Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the Final Terms.

5C.3 ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this Condition 5C.3, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issue and Paying Agent under an interest rate swap transaction if the Issue and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "ISDA Definitions") and under which:

- (1) the Floating Rate Option is as specified in the Final Terms;
- (2) the Designated Maturity is a period specified in the Final Terms; and
- (3) the relevant Reset Date is the day specified in the Final Terms.

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

5C.4 Screen Rate Determination for Floating Rate Notes

A. Floating Rate Notes other than EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes

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

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

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

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

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

If on any Interest Determination Date one only or none of the Reference Banks provides the Issue and Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Issue and Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Issue and Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or if the Reference Rate is other than LIBOR or EURIBOR, the inter-bank market of the Relevant Financial Centre plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issue and Paying Agent with offered rates, the offered

rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Issue and Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or if the Reference Rate is other than LIBOR or EURIBOR, the inter-bank market of the Relevant Financial Centre plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of this Condition 5C.4A:

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market; in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market; and, in the case of a determination of a Reference Rate other than LIBOR or EURIBOR, the principal office in the Relevant Financial Centre of four major banks in the interbank market of the Relevant Financial Centre, in each case selected by the Issue and Paying Agent.

"Reference Rate" means, as specified in the Final Terms, (i) the London interbank offered rate ("LIBOR"), (ii) the Euro-zone interbank offered rate ("EURIBOR"), (iii) the Singapore interbank offered rate ("SIBOR"), (iv) the Tokyo interbank offered rate ("TIBOR"), (v) the Hong Kong interbank offered rate ("HIBOR") or (vi) the bank rate of the Bank of England (the "Bank of England Base Rate"), in each case for the relevant currency and for the relevant period (if applicable), as specified for each in the Final Terms.

"Relevant Financial Centre" means the financial centre specified as such in the Final Terms or if none is so specified: (i) in the case of a determination of LIBOR, London, (ii) in the case of a determination of EURIBOR, Brussels, (iii) in the case of a determination of SIBOR, Singapore, (iv) in the case of a determination of TIBOR, Tokyo, (v) in the case of a determination of HIBOR, Hong Kong or (vi) in the case of a determination of the Bank of England Base Rate, London.

"Relevant Time" means the time specified as such in the Final Terms or if none is so specified: (i) in the case of a determination of LIBOR, 11.00 a.m., (ii) in the case of a determination of EURIBOR, 11.00 a.m., (iii) in

the case of a determination of SIBOR, 11.00 a.m., (iv) in the case of a determination of TIBOR, 11.00 a.m. (v) in the case of a determination of HIBOR, 11.00 a.m. or (vi) in the case of a determination of the Bank of England Base Rate, 11.00 a.m., in each case in the Relevant Financial Centre.

B. Floating Rate Notes which are EONIA Linked Interest Notes

Where the Reference Rate is specified as being EONIA, the Rate of Interest for each Interest Period will be the rate (expressed as a percentage per annum rounded to the nearest ten-thousandths of a percentage point, with 0.00005 being rounded upwards) which will be

calculated by the Calculation Agent in accordance with provisions set out below and the following formula:

Capitalised EONIA + Margin

As used above:

"Capitalised EONIA" means the resultant figure of the following formula:

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{EONIA_1 \times n_1}{360} \right) - 1 \right] \times \frac{360}{d}$$

" d_0 " means, for the relevant Interest Period, the number of TARGET Business Days in such Interest Period.

" i " means a series of whole numbers from one to d_0 , each representing the relevant TARGET Business Days in chronological order from, and including, the first TARGET Business Day in the relevant Interest Period.

" $EONIA_1$ " means, for any day " i " in the relevant Interest Period, a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Relevant Screen Page on the first TARGET Business Day following that day.

" n_1 " means the number of calendar days in the relevant Interest Period.

" d " means the number of calendar days in the relevant Interest Period.

"Margin" has the meaning specified in the Final Terms.

"Relevant Screen Page" means the screen page specified in the Final Terms or, if none is so specified, Reuters Screen EONIA Page or any successor.

"TARGET Business Day" means a day on which the TARGET2 System is open.

If the Calculation Agent determines that either the Relevant Screen Page is not available or no such overnight rate as referred to in $EONIA_1$ appears for any reason for any day " i " on the TARGET Business Day following that day as provided above, the Calculation Agent shall determine $EONIA_1$ for such day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

C. Floating Rate Notes which are SONIA Linked Interest Notes

Where the Reference Rate is specified as being SONIA, the Rate of Interest for each Interest Period will be the rate (expressed as a percentage per annum rounded to the nearest one ten-

thousandth of a percentage point, with 0.00005 being rounded upwards) which will be calculated by the Calculation Agent in accordance with the provisions set out below and the following formula:

$$(\text{SONIA} + \text{Margin})_{\text{compounded}}$$

where:

$$(\text{SONIA} + \text{Margin})_{\text{compounded}} = \frac{365}{D} \times \left[\prod_{i=1}^{D_0} \left(1 + \frac{(r_i) \times d_i}{365} \right) - 1 \right]$$

As used above:

"D" means the number of calendar days in the relevant Observation Period.

"D₀" means the number of London Business Days in the relevant Observation Period.

"i" means a series of whole numbers from one to D₀, each representing the relevant London Business Days in chronological order from, and including, the first London Business Day in the relevant Observation Period.

"r_i" means, for any London Business Day *i* in the relevant Observation Period, the SONIA rate in respect of such London Business Day plus the Margin.

"d_i" means the number of calendar days in the relevant Observation Period for which the SONIA rate is applicable. The SONIA rate determined for each London Business Day applies for and including such London Business Day and also for all immediately following days that are not London Business Days until but excluding the succeeding London Business Day.

"London Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

"Margin" has the meaning specified in the Final Terms.

"Observation Period" means, in respect of an Interest Period, the period from, and including, 5 London Business Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending, but excluding, 5 London Business Days prior to the Interest Payment Date for such Interest Period.

"Relevant Screen Page" means the screen page specified in the Final Terms or, if none is so specified, Reuters page SONIA 1 or any successor.

"SONIA rate" means, in respect of a London Business Day, the effective reference rate equal to the overnight interest rate (published as a percentage to four decimal places) calculated by the Wholesale Market Bankers' Association as a weighted average of all overnight unsecured lending transactions in Sterling in the interbank market, initiated within London by the contributing panel banks which appears on the Relevant Screen Page as of 7.00 p.m. (Central European time) on such London Business Day, all as determined by the Calculation Agent.

If, at any such time, the Calculation Agent determines that either the Relevant Screen Page is not available or that no such quotation appears, the Calculation Agent will determine the SONIA rate for such time and London Business Day in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

D. Floating Rate Notes which are Federal Funds Rate Linked Interest Notes

Where the Reference Rate is specified as being the Federal Funds Rate, the Rate of Interest for each Interest Period will be calculated by the Calculation Agent in accordance with the provisions set out below as the Weighted Average of the U.S. Federal Funds Rate.

As used above:

"Weighted Average of the U.S. Federal Funds Rate" means D1/D2.

Where:

"D1" means, in respect of an Interest Period, the sum of the Relevant Rates for each calendar day in such Interest Period. For any calendar day in the relevant Interest Period that is an Interest Determination Date, the "Relevant Rate" is the U.S. Federal Funds Rate on such Interest Determination Date. For any calendar day in such Interest Period that is not an Interest Determination Date, the Relevant Rate for such calendar day shall be the Relevant Rate on the immediately preceding Interest Determination Date.

"D2" shall mean the number of calendar days in the Interest Period.

"Interest Determination Date" means, in respect of an Interest Reset Date, the first New York City Banking Day prior to such Interest Reset Date.

"Interest Rate Cut Off Date" means, in respect of an Interest Period, the fourth New York City Banking Day prior to the Interest Payment Date on which such Interest Period ends.

"Interest Reset Date" means, in respect of an Interest Period, each New York City Banking Day in such Interest Period up to and including the Interest Rate Cut Off Date.

"New York City Banking Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City.

"U.S. Federal Funds Rate" means, in respect of an Interest Determination Date, the rate for U.S. dollar federal funds on such Interest Determination Date as published in H.15(519) under the caption "Federal Funds (effective)" and displayed on Reuters (or any successor service) on page FEDFUNDS1 under the caption "EFFECT" (or any other page as may replace the specified page on that service) ("FEDFUNDS1 Page").

If the U.S. Federal Funds Rate for an Interest Determination Date does not so appear on the FEDFUNDS1 Page or is not so published by 5.00 p.m. (New York City time) on the Interest Reset Date, in respect of such Interest Determination Date, the U.S. Federal Funds Rate for such Interest Determination Date shall be as published in H.15 Daily Update, or such other recognised electronic source used for the purpose of displaying the applicable rate, under the caption "Federal funds (effective)". If the U.S. Federal Funds Rate is not so published by 5.00 p.m. (New York City time) on the Interest Reset Date, the U.S. Federal Funds Rate with respect to such Interest Determination Date shall be the U.S. Federal Funds Rate for the first preceding day for which the U.S. Federal Funds Rate is set forth in H.15(519) opposite the caption "Federal funds (effective)", as the U.S. Federal Funds Rate is displayed on the FEDFUNDS1 Page.

E. Floating Rate Notes which are CMS Linked Interest Notes

Where the Reference Rate is specified as being the CMS Reference Rate, the Rate of Interest for each Interest Period will be calculated by the Calculation Agent in accordance with the provisions set out below and the following formula:

CMS Rate + Margin

As used above:

"CMS Rate" shall mean the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question, all as determined by the Calculation Agent.

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent such quotations, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

For this purpose:

"Margin" has the meaning specified in the Final Terms.

"Reference Banks" means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) in the case of any other Reference

Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Calculation Agent.

"Relevant Screen Page" has the meaning specified in the Final Terms.

"Relevant Swap Rate" means:

- (i) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;
- (iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (iv) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

"Relevant Time" has the meaning specified in the Final Terms.

"Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

5C.5 Minimum Rate of Interest and/or Maximum Rate of Interest

If the Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5C above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5C above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

5C.6 Determination of Rate of Interest and calculation of Interest Amounts

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

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent, will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

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

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (ii) if "Actual/365 (Fixed)" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (vii) if "30E/360 (ISDA)" is specified in the Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

5C.7 Notification of Rate of Interest and Interest Amounts

The Issue and Paying Agent or, in the case of Floating Rate Notes which are EONIA Linked Interest Notes, SONIA Linked Interest Notes, Federal Funds Rate Linked Interest Notes or CMS Linked Interest Notes, the Calculation Agent, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they

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

5C.8 Determination or Calculation by Trustee

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

5C.9 Certificates to be final

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

5D Accrual of interest

Subject to the provisions of Condition 4, each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and which, in the case of a payment on a Note in bearer form for U.S. federal income tax purposes, shall be an account outside the United States, except as may be permitted by United States federal income tax law) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (in no event, however, shall payment in respect of a Note in bearer form for U.S. federal income tax purposes be made by cheque mailed to an address in the United States); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8. For the purposes of the preceding sentence, the phrase "fiscal or other laws or regulations" shall include any obligation of the Issuer to withhold or deduct from a payment pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

6.2 *Presentation of Bearer Notes and Coupons*

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

Upon the date on which any Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

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

Payments of principal and interest (if any) in respect of Notes represented by any Temporary or Permanent Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Temporary or Permanent Global Note in bearer form, where applicable, against presentation or surrender, as the case may be, of such Temporary or Permanent Global Note in bearer form at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of

interest, will be made either on such Temporary or Permanent Global Note in bearer form by the Paying Agent to which it was presented or in the records of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), as applicable.

The Holder of a Temporary or Permanent Global Note in bearer form shall be the only person entitled to receive payments in respect of Notes represented by such Temporary or Permanent Global Note in bearer form and the Issuer will be discharged by payment to, or to the order of, the Holder of such Temporary or Permanent Global Note in bearer form in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg or any other clearing system as the beneficial holder of a particular nominal amount of Notes represented by such Temporary or Permanent Global Note in bearer form must look solely to Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the Holder of such Temporary or Permanent Global Note in bearer form.

6.3 *U.S. Paying Agent*

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

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

6.4 *Registered Notes*

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

Designated Bank and identified as such in the register and "Designated Bank" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the Holder (or the first named of joint Holders) of the Registered Note appearing in the register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "Record Date") at his address shown in the register on the Record Date and at his risk. Upon application of the Holder to the specified office of the Registrar not less

than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the Holder who has made the initial application until the Registrar is notified in writing to the contrary by such Holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

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

6.5 *Payment Day*

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation (in the case of Notes in definitive form only), London and each Additional Financial Centre specified in the Final Terms; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.6 *Interpretation of principal and interest*

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

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Make Whole Redemption Price;
- (d) the Optional Redemption Amount(s) (if any) of the Notes; and
- (e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

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

7. REDEMPTION, VARIATION, SUBSTITUTION, CONVERSION, PURCHASE AND EXCHANGE

7.1 No Redemption Date

The Notes are perpetual securities in respect of which there is no maturity date. The Notes are not redeemable at the option of the Holders at any time.

7.2 Conditions to redemption, variation, substitution, conversion, purchase and exchange

Except as otherwise indicated to the Issuer by the PRA, the Issuer may not redeem, vary, substitute, convert, purchase or exchange any Notes, as described below under any of Condition 7.3, 7.4, 7.5A or 7.5B or 7.5C, 7.7, 7.8, 7.9, 7.10 or 7.11 unless the Issuer has given prior notice to the PRA and the PRA has given its prior approval or consented in the form of a waiver or otherwise to such redemption, variation, substitution, conversion, purchase or exchange, in each case in accordance with, and to the extent required under, the Capital Regulations or Solvency II Regulations applicable in relation to, at any time prior to the Solvency II Implementation Date, Tier 1 Capital and, on and from the Solvency II Implementation Date, Tier 2 Own Funds, at the time of such redemption, variation, substitution, purchase or exchange.

Redemption may only be effected if on, and immediately following, the relevant Redemption Date:

- (a) the Issuer is in compliance with the Regulatory Capital Requirement;
- (b) the Solvency Condition is met and the Solvency Capital Requirement is met; and

(c) no Insolvent Insurer Winding-up has occurred and is continuing,

or, in each case, as otherwise permitted by the PRA.

The Trustee shall be entitled to rely on a certificate signed by two Directors of the Issuer as to whether or not an Insolvent Insurer Winding-up has occurred and is continuing and, if the Trustee does so rely, such certificate shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Holders.

The PRA may impose other conditions on any redemption or purchase at the relevant time.

If and to the extent required by the Capital Regulations or Solvency II Regulations applicable in relation to, at any time prior to the Solvency II Implementation Date, Tier 1 Capital and, on and from the Solvency II Implementation Date, Tier 2 Own Funds, at the time of a redemption or purchase of the Notes by the Issuer within five years of the Issue Date of such Notes, such redemption or purchase shall be funded out of the proceeds of a new issuance of capital of the same or higher quality as the relevant Notes, except as otherwise indicated to the Issuer by the PRA.

7.3 Issuer's Call Option

Subject as provided in these Conditions, the Issuer may redeem the Notes in whole (but not in part) at its option, if specified in the Final Terms, on any Optional Redemption Date.

7.4 Tax Call Event Redemption or Tax Event Conversion

Subject as provided in these Conditions, the Issuer may redeem the Notes in whole (but not in part) at any time upon the occurrence of a Tax Call Event.

Upon the occurrence of a Tax Event, the Issuer may, at its sole discretion, subject in each case to compliance with applicable regulatory requirements and Condition 7.2, at any time after giving not less than 30 nor more than 60 days' notice to the Trustee, the Issuer and Paying Agent and the Holders in accordance with Condition 14, convert the Notes in whole (but not in part) into another series of notes constituting Qualifying Tier 1 Capital.

On any conversion in accordance with this Condition 7.4, the Issuer undertakes to pay any taxes, duties, costs and expenses, if any, which may arise in connection therewith.

The Trustee shall use its reasonable endeavours to assist the Issuer in the conversion of the Notes in accordance with this Condition 7.4, provided that the Trustee shall not be obliged to participate or assist in any such conversion if the terms of the Qualifying Tier 1 Capital into which the Notes are to be converted impose, in the Trustee's opinion, more onerous obligations upon it.

If the Trustee does not so participate or assist as provided above or the Issuer is unable, after using its reasonable efforts, to obtain a listing on a Recognised Stock Exchange for the Qualifying Tier 1 Capital into which the Notes are to be converted, the Issuer may elect to redeem the Notes as provided in this Condition 7.4.

If, following a Tax Event set out in clause (b) or (c) of the definition of Tax Event, the Issuer gives notice to the PRA and the PRA, if its consent or approval is required by the Capital Regulations or the Solvency II Regulations in relation to Tier 1 Capital at the time, fails to give such consent or approval to the proposal to convert the Notes into another series of notes constituting

Qualifying Tier 1 Capital, then the Tax Event giving rise to such proposal will become a Tax Call Event.

Except as otherwise indicated to the Issuer by the PRA, the Issuer may not redeem the Notes upon the occurrence of a Tax Call Event prior to any Optional Redemption Date unless such Tax Call Event is also a Par Tax Event.

If and to the extent required by the Capital Regulations or Solvency II Regulations applicable in relation to, at any time prior to the Solvency II Implementation Date, Tier 1 Capital and, on and from the Solvency II Implementation Date, Tier 2 Own Funds, as at the proposed date of redemption, and except as otherwise indicated to the Issuer by the PRA, the Issuer may not redeem the Notes upon the occurrence of a Tax Call Event prior to the fifth anniversary of the Issue Date of the Notes unless such redemption is funded out of the proceeds of a new issuance of capital of the same or higher quality as the relevant Notes.

7.5A Regulatory Event Redemption

This Condition 7.5A shall apply to the Notes only if Regulatory Event Redemption is specified as being applicable in the Final Terms.

Subject as provided in these Conditions, the Issuer may redeem the Notes in whole (but not in part) at any time upon the occurrence of a Regulatory Event.

If and to the extent required by the Capital Regulations or Solvency II Regulations applicable in relation to, at any time prior to the Solvency II Implementation Date, Tier 1 Capital and, on and from the Solvency II Implementation Date, Tier 2 Own Funds, as at the proposed date of redemption, and except as otherwise indicated to the Issuer by the PRA, the Issuer may not redeem the Notes upon the occurrence of a Regulatory Event prior to the fifth anniversary of the Issue Date of the Notes unless such redemption is funded out of the proceeds of a new issuance of capital of the same or higher quality as the relevant Notes.

7.5B Regulatory Event Redemption and Regulatory Event Refinancing Option

This Condition 7.5B shall apply to the Notes only if Regulatory Event Redemption and Regulatory Event Refinancing Option is specified as being applicable in the Final Terms.

Subject as provided in these Conditions, the Issuer may, at any time upon the occurrence of a Regulatory Event, at its sole discretion:

- (a) redeem the Notes in whole (but not in part); or
- (b) substitute the Notes, in whole (but not in part) for, or vary these Conditions and/or the terms of the Trust Deed such that they are treated as, an issue of Qualifying Tier 1 Capital.

The Trustee shall use its reasonable endeavours to assist the Issuer in substitution or variation of the Notes in accordance with this Condition 7.5B, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the notes into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it.

If and to the extent required by the Capital Regulations or Solvency II Regulations applicable in relation to, at any time prior to the Solvency II Implementation Date, Tier 1 Capital and, on and from the Solvency II Implementation Date, Tier 2 Own Funds, as at the proposed date of redemption, and except as otherwise indicated to the Issuer by the PRA, the Issuer may not redeem the Notes upon the occurrence of a Regulatory Event prior to the fifth anniversary of the Issue Date of the Notes unless such redemption is funded out of the proceeds of a new issuance of capital of the same or higher quality as the relevant Notes.

7.5C Solvency II Regulatory Event Redemption

This Condition 7.5C shall apply to the Notes only if Solvency II Regulatory Event Redemption is specified as being applicable in the Final Terms.

The Issuer shall, subject to compliance with applicable regulatory requirements and Condition 7.2, at any time after giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, redeem the Notes in whole (but not in part) within 6 months following the occurrence of a Solvency II Regulatory Event, except as otherwise indicated to the Issuer by the PRA, provided that the Issuer must satisfy its obligation to redeem the Notes (including payment of any accrued interest) in accordance with this Condition 7.5C only out of the proceeds of the issuance of instruments which are Tier 2 Own Funds or Tier 1 Own Funds.

The Issuer is obliged to satisfy its obligation to pay any Deferred Interest due upon a redemption in accordance with this Condition 7.5C only in accordance with the Alternative Coupon Satisfaction Mechanism.

7.6 Redemption and Conversion Procedures

Any redemption under Condition 7.3, 7.4, 7.5A or 7.5B or substitution or variation under Condition 7.5B above may be made on not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14.

If the Notes are redeemed at the Issuer's option pursuant to Condition 7.3, such Notes shall be redeemed on any Optional Redemption Date at their Optional Redemption Amount together with accrued interest to the Redemption Date and, if applicable, the aggregate amount of any Deferred Interest, as provided in these Conditions.

If the Notes are to be redeemed pursuant to Condition 7.4, 7.5A, 7.5B or 7.5C on the occurrence of a Par Tax Event, a Regulatory Event or a Solvency II Regulatory Event, the Notes may be redeemed at any time (if and so long as such Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as such Note is a Floating Rate Note) at (i) in the case of a Par Tax Event at any time or a Regulatory Event or a Solvency II Regulatory Event occurring on or after the Optional Redemption Date, at the outstanding principal amount of the Notes, and (ii) in the case of a Regulatory Event or a Solvency II Regulatory Event occurring prior to the Optional Redemption Date, at the outstanding principal amount of the Notes or at their Make Whole Redemption Price as specified in the Final Terms, together, in each case, with accrued interest (including, if applicable, any interest not paid on a Compulsory Interest Payment Date) to the Redemption Date and, if applicable, the aggregate amount of any Deferred Interest, as provided in these Conditions.

If the Notes are to be redeemed pursuant to Condition 7.4 on the occurrence of an Other Tax Event, the Notes may be redeemed on or after the Optional Redemption Date at any time (if and so long as such Note is not a Floating Rate Note) or on any Interest Payment Date (if and so

long as such Note is a Floating Rate Note) at the outstanding principal amount of the Notes or at their Make Whole Redemption Price, as specified in the Final Terms, together, in each case, with accrued interest (including any interest not paid on a Compulsory Interest Payment Date) to the Redemption Date and the aggregate amount of any Deferred Interest, as provided in these Conditions.

In respect of a Redemption Date falling prior to the Solvency II Implementation Date, the Issuer is obliged to satisfy its obligation to pay any Deferred Interest due upon redemption only in accordance with the Alternative Coupon Satisfaction Mechanism.

In respect of a Redemption Date falling on or after the Solvency II Implementation Date, the Issuer is obliged to satisfy its obligation to pay any Deferred Interest due upon redemption in accordance with Condition 4.1B.

Prior to the giving of any notice of redemption or conversion following the occurrence of a Tax Event or a Tax Call Event or any notice of redemption or substitution or variation following the occurrence of a Regulatory Event or a Solvency II Regulatory Event, the Issuer shall deliver to the Trustee: (i) a certificate signed by two Directors of the Issuer, stating that the Issuer is entitled to effect such redemption or conversion substitution or variation and setting forth a statement of facts showing that the conditions precedent to the right to redeem, convert or, as the case may be, substitute or vary have occurred and, in the case of the event described in paragraph (a) of the definition of Tax Event, that the payment of such additional amounts cannot be avoided by using reasonable measures available to it; and (ii) in the case of a Tax Event or a Tax Call Event, an opinion of independent legal advisers of recognised standing to the effect that the Issuer is entitled to exercise its right of redemption or conversion. The Trustee shall be entitled to accept such certificate and, where applicable, such opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Holders and the Couponholders.

Any notice of redemption will be irrevocable, subject to the Redemption Date postponement requirements set out below. Failure to pay or set aside for payment the principal amount of the Notes to be redeemed, any accrued but unpaid interest, or any Deferred Interest, as provided in these Conditions within 14 days of the Redemption Date, as postponed, if applicable, will constitute a Default.

If Spens Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the principal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Determination Agent, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Determination Agent.

If Make Whole Redemption Amount is specified in the Final Terms, the Make Whole Redemption Price shall be an amount calculated by the Determination Agent equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 7.6:

"Determination Agent" means an investment bank or financial institution of international standing selected by the Issuer after consultation with the Trustee.

"FA Selected Bond" means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term to the first Optional Redemption Date of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term to the first Optional Redemption Date of the Notes.

"Gross Redemption Yield" means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 4, Section One: Price/Yield Formulae "Conventional Gilts"; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve.

"Redemption Margin" shall be as set out in the Final Terms.

"Reference Bond" shall be as set out in the Final Terms or the FA Selected Bond.

"Reference Bond Price" means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

"Reference Bond Rate" means, with respect to any Redemption Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant

day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Redemption Date.

"Reference Date" will be set out in the relevant notice of redemption.

"Reference Government Bond Dealer" means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues.

"Reference Government Bond Dealer Quotations" means, with respect to each Reference Government Bond Dealer and any Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the Final Terms on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer.

"Remaining Term Interest" means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest (assuming each such scheduled interest payment to be due in full) on such Note for the remaining term until the first Optional Redemption Date of such Note determined on the basis of the rate of interest applicable to such Note from and including the Redemption Date.

7.7 Issuer Exchange Option

This Condition 7.7 shall apply only to Notes in respect of which the Issuer Exchange Option is specified as being applicable in the Final Terms ("Exchangeable Notes").

Subject as provided in these Conditions, the Issuer may at any time, at its sole discretion, exchange the Exchangeable Notes, in whole or in part, into Preference Shares credited as fully paid and having the terms specified below on any Interest Payment Date.

Any date on which Exchangeable Notes are exchanged for Preference Shares shall be an "Exchange Date".

The terms of the Preference Shares shall provide that:

- (1) the Preference Shares contain terms which comply with then current requirements of the PRA in relation to, prior to the Solvency II Implementation Date, Tier 1 Capital or, on and from the Solvency II Implementation Date, Tier 2 Own Funds;
- (2) the Preference Shares shall rank at least *pari passu* with the Exchangeable Notes;
- (3) the Preference Shares shall bear a dividend thereon at the same rate as the Rate of Interest as from time to time applies to the Exchangeable Notes and such dividend, if declared, shall be payable on dividend payment dates the same as the Interest Payment Dates;
- (4) the Issuer has the right (in its absolute discretion) to choose whether or not to pay any dividend and any dividend payable shall be non-cumulative (and accordingly there shall be no provision analogous to Condition 4.3 incorporated in the terms of the Preference Shares) and, if the Issuer does not pay a dividend payable thereon, the holders thereof shall have the benefit of provisions analogous to the dividend and capital restrictions described in Condition 4.2 (if applicable) of the Exchangeable Notes;
- (5) contain terms providing for mandatory deferral of payments of dividends and/or principal only if such terms are not materially less favourable to a holder thereof than the mandatory deferral provisions applicable to the Exchangeable Notes;
- (6) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Exchangeable Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption, but provide that such Preference Shares may not be redeemed by the Issuer prior to the first Optional Redemption Date (if any) (save for redemption, substitution or variation on terms analogous with the terms of Condition 7.4, Condition 7.5A, Condition 7.5B or Condition 7.5C and subject to the same conditions as those set out in Condition 7.2);
- (7) the Issuer shall not be required or entitled to effect, nor shall the Preference Shares contain any term providing for, any loss absorption through a write-down of the nominal

or paid-up amount of such Preference Shares or conversion of such Preference Shares into Ordinary Shares; and

- (8) on the winding-up of the Issuer, each Preference Share shall entitle the holder thereof to a return of capital equal to its aggregate paid up amount (as to its nominal value and any premium on it),

and otherwise shall provide that the Preference Shares are not materially less favourable to a holder thereof than the terms of the Exchangeable Notes and the Coupons taken together, such other terms to be determined by the Issuer in consultation with an independent investment bank of international standing, as certified by two Directors of the Issuer to the Trustee.

Prior to the Solvency II Implementation Date, the Issuer is obliged to satisfy its obligation to pay any Deferred Interest due upon exchange of any Exchangeable Notes only in accordance with the Alternative Coupon Satisfaction Mechanism.

On and from the Solvency II Implementation Date, the Issuer is obliged to satisfy its obligation to pay any Deferred Interest due upon exchange of any Exchangeable Notes in accordance with Condition 4.1B.

Any Preference Shares issued in connection with a partial exchange of any Exchangeable Notes will contain the same terms and provisions as those issued in connection with any other partial exchange, except that the different issue dates will mean that certain Preference Shares may be redeemed earlier or later than others. Preference Shares issued on one partial exchange will constitute a separate series of Preference Shares from Preference Shares issued upon a different partial exchange and will therefore not be fungible.

In the case of a partial exchange of any Series of Exchangeable Notes, the Issuer may only elect to exchange an aggregate principal amount of Exchangeable Notes of at least £50,000,000 (or multiples of £10,000,000 above £50,000,000) (or the equivalent in any other currency as at the Exchange Date). The Exchangeable Notes to be exchanged in any partial exchange will be selected in a manner deemed fair and appropriate by the Trustee.

Notwithstanding the foregoing, the Issuer shall not exchange any Exchangeable Notes unless:

- (a) there is no accrued but unpaid interest on such Exchangeable Notes (other than any Current Interest due on the Exchange Date);
- (b) any Deferred Interest due on such Exchangeable Notes has been paid:
 - (i) where the Exchange Date falls prior to the Solvency II Implementation Date, in accordance with the Alternative Coupon Satisfaction Mechanism; and
 - (ii) where the Exchange Date falls on or after the Solvency II Implementation Date, in accordance with Condition 4.1B;
- (c) no Default has occurred and is continuing;
- (d) the Directors of the Issuer have all the necessary authority under English law to allot and issue a sufficient number of Preference Shares arising on exchange; and
- (e) the Issuer is in compliance with certain other conditions set forth in the Trust Deed.

Prior to the exchange of any Exchangeable Notes, the Issuer shall deliver to the Trustee a certificate in form and substance satisfactory to the Trustee duly executed by two Directors of the Issuer stating that all conditions precedent to such exchange have been complied with in accordance with the terms of the Exchangeable Notes.

On or immediately prior to an Exchange Date, the Issuer will redeem each Exchangeable Note to be exchanged at its principal amount, the obligation to pay the redemption proceeds to each Holder thereof being satisfied by the issuance to such Holder of such number of Preference Shares as have an aggregate paid-up amount (as to its nominal value and any premium on it) equal to the principal amount of the Exchangeable Note to be exchanged. The redemption of the Exchangeable Notes and subscription for and issuance of the Preference Shares will constitute a single transaction initiated and effected solely at the option of the Issuer.

Holders of Exchangeable Notes will not be entitled under any circumstances to the redemption amounts payable in connection with the exchange as described above. Such Holders will receive only the Preference Shares issued by the Issuer on the Exchange Date or delivered by the Issuer and Paying Agent or any other party nominated by the Issuer to be its agent in relation to the exchange (the "Preference Share Exchange Agent") in accordance with this Condition in respect of which the redemption amounts will have been applied. Following an exchange in accordance with these Conditions, the Exchangeable Notes will cease to exist for any purpose on the Exchange Date.

The Issuer shall give not less than 30 nor more than 60 days' notice (an "Exchange Notice") to the Trustee, the Issuer and Paying Agent, the Preference Share Exchange Agent and the Holders in accordance with Condition 14 of its election to exchange the Notes in accordance with this Condition 7.7. An Exchange Notice will specify:

- (i) the Exchange Date;
- (ii) that on the Exchange Date, the Exchangeable Notes will cease to exist for any purpose on or after the Exchange Date;
- (iii) if fewer than all of the Exchangeable Notes are being exchanged, the Exchangeable Notes to be exchanged;
- (iv) the place or places where the Exchangeable Notes are to be exchanged; and
- (v) whether there is any Deferred Interest outstanding on the Exchangeable Notes and, if so, the amount of such Deferred Interest.

As a pre-condition to the exchange of any Exchangeable Notes, each Holder shall surrender such Exchangeable Notes (together with any unmatured Coupons) at the specified office of the Preference Share Exchange Agent by no later than 10 Business Days prior to the relevant Exchange Date.

Preference Shares to be issued on exchange of Exchangeable Notes will be issued in uncertificated form through the dematerialised securities settlement system operated by Euroclear UK & Ireland Limited (formerly CRESTCo Limited), known as CREST, to the account in CREST of a nominee of Euroclear, Clearstream, Luxembourg or DTC (as the case may be), unless a Holder delivers to the Preference Share Exchange Agent, together with its Exchangeable Notes, notice of its election to receive Preference Shares credited directly to its account in CREST or Preference Shares in definitive registered form.

In the case of a Holder's election to receive Preference Shares credited directly to its account in CREST, the Holder shall notify the Preference Share Exchange Agent of the name in which the relevant CREST account is held, its CREST participant identification number and its CREST member account identification number. In the case of a Holder's election to receive Preference Shares in definitive registered form, the Holder shall notify the Preference Share Exchange Agent of the name(s) and address(es) of the holder(s) thereof to be entered on the register of Preference Shares and to which the certificate in respect thereof will be delivered in accordance with these Conditions.

Where Preference Shares are to be issued through CREST, they will be delivered to the account specified by the relevant Holder of the Exchangeable Note to be exchanged by no later than 10 Business Days following the relevant Exchange Date. Where Preference Shares are to be issued in definitive registered form, a certificate in respect thereof will be dispatched by registered courier free of charge to the relevant Holder of the Exchangeable Notes to be exchanged (or as he may direct) within 28 days of the relevant Exchange Date. Preference Shares to be issued on exchange of the Exchangeable Notes will be deemed to be issued on or as of the relevant Exchange Date.

If a Holder fails either (x) to surrender such Exchangeable Notes to the Preference Share Exchange Agent in accordance with this Condition or (y) to provide all details necessary to enable the Issuer to deliver the Preference Shares issued on the relevant Exchange Date directly to such Holder's account in CREST or to such Holder in definitive registered form (as the case may be), such Preference Shares (the "Unclaimed Preference Shares") shall be delivered to a custodian appointed by the Issuer (the "Custodian") which shall hold such Unclaimed Preference Shares on and from the Exchange Date for and on behalf of the Holder entitled thereto (a "Claimant Holder"). Such Claimant Holder may only claim such Unclaimed Preference Shares on surrender of the Exchangeable Notes (together with any unmatured Coupons) to the Preference Share Exchange Agent, together with, if applicable, all information required to enable the Custodian to transfer the Unclaimed Preference Shares directly to the Claimant Holder's account in CREST or to such Claimant Holder in definitive registered form.

Where a Holder fails to surrender an Exchangeable Note to the Preference Share Exchange Agent before the tenth Business Day prior to the Exchange Date in accordance with this Condition, all rights and obligations of the Holder under such Exchangeable Note and any unmatured Coupons shall be extinguished on the relevant Exchange Date, except that such Exchangeable Note shall entitle the Holder thereof to surrender it to the Preference Share Exchange Agent as evidence of its entitlement to Unclaimed Preference Shares. Unclaimed Preference Shares delivered by the Custodian to the relevant Holder shall be so delivered against the delivery to it of the Claimant Holder's Exchangeable Note, whereupon such Exchangeable Note shall be cancelled forthwith (or, in the case of a partial exchange of an Exchangeable Note, so endorsed), and the Holder shall have no further claim against the Issuer, the Trustee, the Paying Agent, the Custodian or the Preference Share Exchange Agent in respect thereof.

The Issuer shall pay any capital, stamp, issue, registration and transfer taxes and duties payable in the United Kingdom in connection with the allotment and issue of any Preference Shares, the transfer of the Preference Shares by the Custodian to the account of the relevant Holder in CREST, the delivery of the Preference Shares by the Custodian to a nominee for Euroclear, Clearstream, Luxembourg and/or DTC to be held in the account specified by the relevant Holder and the transfer or delivery of the Preference Shares by the Custodian to the Holders in definitive registered form. Notwithstanding any other Condition contained herein, this obligation shall survive any cancellation, termination or redemption of the Exchangeable Notes.

The Issuer shall use its reasonable endeavours to ensure that any Preference Shares issued on an exchange in accordance with this Condition 7.7 will be admitted to listing on a stock exchange in Hong Kong, Singapore or a country which is a member of the Organisation for Economic Cooperation and Development in accordance with applicable rules and will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems by which the Preference Shares are then (following application by or on behalf of the Issuer) admitted to listing, trading and/or quotation in accordance with their respective rules.

7.8 Postponement of Redemption Date – Solvency Capital Requirement

If redemption of the Notes does not occur on the Redemption Date as a result of the Issuer not being in compliance with the Solvency Capital Requirement on, and immediately following, the relevant Redemption Date, the Notes shall be redeemed at their principal amount or, if applicable, the Make Whole Redemption Price upon the earlier of:

- (a) the date falling 10 Business Days after the date on which the PRA has notified the Issuer of its waiver of the suspension of or agreement to the repayment or redemption of the Notes (which notification by the PRA shall be notified to the Holders not less than 7 days prior to the new Redemption Date); and
- (b) the date on which an order is made, or an effective resolution is passed, for the winding-up in England and Wales of the Issuer (except a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Notes shall thereby become payable).

No interest will accrue on any amounts not paid on the Notes due to the Issuer not being in compliance with the Solvency Capital Requirement, *provided*, however, that interest will accrue at the rate of interest specified in Condition 5 in accordance with their terms on such amounts from (and including) the 14th day following the date on which such amounts become due and payable as set out in paragraph (a) or (b) above to (but excluding) the date on which such amounts are paid. Any postponement of the Redemption Date as a result of the Issuer not being in compliance with the Solvency Capital Requirement shall not constitute a Default.

7.9 Postponement of Redemption Date – Market Disruption Event

If, following the giving of a notice of redemption with respect to a Redemption Date on which any payments of Deferred Interest are due to be satisfied in accordance with the Alternative Coupon Satisfaction Mechanism, a Market Disruption Event occurs, or the Issuer is otherwise not able to raise sufficient funds through the Alternative Coupon Satisfaction Mechanism to satisfy the payment of all Deferred Interest payable on such Redemption Date, the Issuer shall be required to postpone the Redemption Date. In such event, the Notes will continue to accrue and pay interest in accordance with their terms and such postponement will not constitute a Default. In addition, if the Redemption Date is postponed, interest will accrue on outstanding Deferred Interest as described above under Condition 4.3.

A determination to postpone the Redemption Date will be made not later than the Business Day prior to the initially scheduled Redemption Date, and notice thereof will be given to the Holders. Notice of a new Redemption Date will be given to Holders, not less than 7 days prior to the newly selected Redemption Date.

7.10 Suspension

Following any takeover offer made under the City Code on Takeovers and Mergers or any reorganisation, restructuring or scheme of arrangement in which the company, which immediately prior to such event, was the Ultimate Owner ceases to be the Ultimate Owner, then the Issuer shall as soon as practicable give notice to the Holders in accordance with Condition 14, the Trustee, the Issue and Paying Agent and the ACSM Calculation Agent whereupon the operation of the Alternative Coupon Satisfaction Mechanism shall be suspended (such event being a "Suspension"). In such event, the Issuer may, following a Permitted Restructuring, request the Trustee to agree to a Permitted Restructuring Arrangement and the Trustee shall, if the conditions to such Permitted Restructuring Arrangement are satisfied, agree to give effect to such Permitted Restructuring Arrangement (provided that the Trustee is satisfied that the Permitted Restructuring Arrangement does not impose, in the Trustee's opinion, more onerous obligations upon it or require the Trustee to incur any liability for which it is not indemnified and/or secured to its satisfaction). Unless such event is a Permitted Restructuring and a Permitted Restructuring Arrangement is or will be put into place within six months of the occurrence of a Permitted Restructuring (in which case the Suspension shall cease upon such Permitted Restructuring Arrangement being put in place), an independent investment bank or financial institution appointed by the Issuer (at the expense of the Issuer) and approved by the Trustee will determine what amendments (if any) to these Conditions, the Trust Deed and any other relevant documents are appropriate or necessary in order (i) to replicate the Alternative Coupon Satisfaction Mechanism in the context of the capital structure of the new Ultimate Owner and (ii) to preserve substantially the financial and economic effect for the Holders of a holding in the Notes. Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank or financial institution, the Trustee and the Issuer shall, without the consent of the Holders but subject to the consent of the new Ultimate Owner, effect such amendments and any necessary consequential changes to these Conditions, the Trust Deed and any other relevant documents. Any such amendments shall be subject to the requirements that:

- (a) the Issuer shall not be obliged to reduce its net assets;
- (b) no amendment may be proposed or made which would alter the treatment of the Notes as cover for any Capital Regulatory Requirement without prior written notice being given to the PRA and the PRA giving its prior approval or consent (if required) to such amendment; and
- (c) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on it without its consent.

If, after using all reasonable endeavours, the Issuer is unable to appoint an investment bank willing and able to make such determination, the Issuer shall notify the previous Ultimate Owner (if not the Issuer), the new Ultimate Owner, the Trustee, the Issue and Paying Agent and the ACSM Calculation Agent of that result. If, after using all reasonable endeavours, the appointed investment bank or financial institution is unable to formulate such amendments or the new Ultimate Owner does not consent to such amendments, such investment bank or financial institution shall notify the Issuer, the previous Ultimate Owner (if not the Issuer), the new Ultimate Owner, the Trustee, the Issue and Paying Agent and the ACSM Calculation Agent of that result. Reference to the giving of such a notice by the Issuer or by such investment bank or financial institution is defined as a "Definitive Suspension" of the Alternative Coupon Satisfaction Mechanism.

Upon the occurrence of a Definitive Suspension, the Issuer may, at its sole discretion, subject in each case to compliance with applicable regulatory requirements and Condition 7.2, at any time after giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, convert the Notes in whole (but not in part) to another series of notes constituting Qualifying Tier 1 Capital.

On any conversion in accordance with this Condition 7.10, the Issuer undertakes to pay any taxes, duties, costs and expenses, if any, which may arise in connection therewith.

The Trustee shall use its reasonable endeavours to assist the Issuer in conversion of the Notes in accordance with this Condition 7.10, provided that the Trustee shall not be obliged to participate or assist in any such conversion if the terms of the notes into which the Notes are to be converted impose, in the Trustee's opinion, more onerous obligations upon it.

If the Trustee does not so participate or assist as provided above or the Issuer is unable, after using its reasonable efforts, to obtain a listing on a Recognised Stock Exchange for the Qualifying Tier 1 Capital into which the Notes are to be converted, the Issuer may elect to redeem the Notes as provided in this Condition 7.10.

If, following a Definitive Suspension, the PRA (to the extent required) fails to give its consent or approval to the proposal by the Issuer to convert the Notes into another series of notes constituting Qualifying Tier 1 Capital or the Trustee does not participate or assist as provided above or the Issuer having used its reasonable endeavours is unable to obtain a listing on a Recognised Stock Exchange for the Qualifying Tier 1 Capital into which the Notes are to be converted as provided above or to obtain such listing is unduly onerous or if the Issuer for any other reason does not convert the Notes into Qualifying Tier 1 Capital, then, subject, in each case, to compliance with applicable regulatory requirements and Condition 7.2, and giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, the Issuer shall have the option to redeem the Notes in whole (but not in part) at a redemption price equal to, in respect of any redemption on any date (if and so long as this Note is not a Floating Rate Note) or on any Interest Payment Date (if and so long as this Note is a Floating Rate Note) occurring on or after the Optional Redemption Date, their principal amount and, in respect of any redemption occurring prior to the Optional Redemption Date, at their Make Whole Redemption Price, together, in each case, with accrued and unpaid interest and the aggregate amount of any Deferred Interest in cash without utilising the Alternative Coupon Satisfaction Mechanism.

7.11 Purchases

The Issuer and any of its Subsidiaries may, subject to Condition 7.2, at any time purchase Notes (provided that, in the case of definitive Bearer Notes, any unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

7.12 Cancellation

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

8. TAXATION

All payments of principal and interest (including all payments satisfied by the operation of the Alternative Coupon Satisfaction Mechanism) in respect of the Notes and Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom, or any political sub-division of, or any authority of, or in, the United Kingdom having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of any requirement to make such withholding or deduction; except that no such additional amounts shall be payable in relation to any Note or Coupon:

- (a) presented for payment by, or on behalf of, a Holder who is liable for such taxes, duties or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (b) presented for payment by, or on behalf of, a Holder who would be able to avoid such withholding or deduction by satisfying any statutory requirements (including, but not limited to, obtaining and/or presenting any form of certificate) or by making a declaration or any other statement or claim for exemption (including, but not limited to, a declaration of nonresidence), but fails to do so; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.5); or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, the European Council Directive 2003/48/EC (the "Directive") or any agreement between the European Union and any other jurisdiction providing for equivalent measures; or
- (e) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

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

9. PRESCRIPTION

Claims in respect of principal and interest or other sums payable hereunder will be prescribed unless made within 10 years (in the case of principal) or five years (in the case of interest) from the Relevant Date (as defined in Condition 8) in relation thereto, subject to the provisions of Condition 6.2.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 3.3 and Condition 3.6, no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition or the Solvency Capital Requirement is not satisfied, at the time of and immediately after any such payment. Also, in the case of any payment of interest in respect of any Notes, such payment will not be due if the Issuer has elected to defer that payment pursuant to Condition 4 or in the circumstances referred to in Condition 4.3(b) and (c) where a payment is deferred and such deferral is stipulated as not a Default.

The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, *inter alia*, its fees and remuneration and the expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The provisions as to subordination and the restrictions on commencing proceedings described below will not apply to any such claim.

10.2 If a Default occurs and is continuing, the Trustee may, notwithstanding the provisions of Condition 10.3, institute proceedings for the winding-up in England and Wales (but not elsewhere) of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment.

10.3 Without prejudice to Condition 10.2, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer relating to or arising from the Notes, the Coupons or the Trust Deed relating to them or arising there from) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 10.3 shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from or under the Notes, the Coupons or the Trust Deed (including any damages awarded for breach of any obligations).

10.4 The Trustee shall not be bound to take any of the actions referred to in Condition 10.2 or 10.3 above against the Issuer to enforce the terms of the Trust Deed, the relevant Notes or the relevant Coupons or to take any other action under the Trust Deed unless: (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding; and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction in accordance with Clause 10 of the Trust Deed.

10.5 No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up in England and Wales of the Issuer or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such

liquidation, fails to do so within a reasonable period and such failure is continuing, in which case a Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

- 10.6 No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or any Holder, whether for the recovery of amounts owing in respect of the Notes, the Coupons or under the Trust Deed relating to them or arising therefrom or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes, the Coupons or under the Trust Deed relating to them or arising therefrom.

11. REPLACEMENT OF NOTES, COUPONS AND TALONS

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

12. PAYING AGENTS

The names of the initial Paying Agents and their specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the Final Terms.

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

- (a) there will at all times be an Issue and Paying Agent and, in respect of Registered Notes, a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) the Issuer undertakes that it will ensure (so long as there is such a Member State) that to the extent practicable it maintains a Paying Agent in a Member State of the European Union in which there is no obligation to withhold or deduct tax from payments pursuant to any law implementing or complying with, or introduced in order to conform to, the Directive (as defined in Condition 8); and
- (d) the Issuer undertakes that it will ensure that to the extent practicable it will maintain a Paying Agent in a jurisdiction which has entered into an agreement with the European Union providing for equivalent measures to the Directive if the appointment of such Paying Agent will allow a Holder to avoid any withholding or deduction for or on account of tax from payments in respect of the Notes and Coupons and, in the event that the appointment of such Paying Agent will not allow a Holder to avoid such withholding or deduction for or on account of tax from payments in respect of the Notes and Coupons the Issuer undertakes to appoint a Paying Agent in a jurisdiction outside the European Union in which there is no obligation to withhold or deduct tax from payments in respect

of the Notes and Coupons (so long as there is such a jurisdiction).

In addition, the Issuer shall appoint a Paying Agent approved in writing by the Trustee having a specified office in New York City in the circumstances described in Condition 6.3. Notice of any variation, termination, appointment or change in Paying Agents will be given to Holders promptly by the Issuer in accordance with Condition 14.

Further, pursuant to the ACSM Calculation Agency Agreement, the Issuer has appointed the ACSM Calculation Agent for the purposes specified in Condition 4.3. The Issuer undertakes there will at all times be an ACSM Calculation Agent which will be an independent bank or financial institution approved by the Trustee and the Issuer.

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

13. EXCHANGE OF TALONS

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

14. NOTICES

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

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

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

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

15.1 Conditions to Modification, Amendment, Waiver and Substitution

No modifications or amendments may be made to, nor any waiver granted in respect of, these Conditions or any of the provisions of the Trust Deed pursuant to Condition 15.2 or Condition 15.3, nor may the Issuer be substituted as principal debtor under the Trust Deed, the Notes and the Coupons pursuant to Condition 15.4, unless the Issuer has given prior notice to the PRA, and the PRA has given its prior approval or consented to such modification, amendment, waiver or substitution, in each case in accordance with, and to the extent required under, the Capital Regulations and the Solvency II Regulations applicable in relation to, at any time prior to the Solvency II Implementation Date, Tier 1 Capital and, on and from the Solvency II Implementation Date, Tier 2 Own Funds, at the time of such modification, amendment, waiver or substitution.

15.2 Meetings

The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes and the Coupons relating to them or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request of Holders holding not less than 5% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting and on all Holders of Coupons.

The Trust Deed contains provisions for an Extraordinary Resolution to take the form of an instrument or instruments signed by the Holder or the Holders of not less than three-quarters in nominal amount of the Notes for the time being outstanding.

15.3 Modifications

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

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

15.4 *Substitution*

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

Any substitution in accordance with the provision of this Condition 15.3 shall be binding on the Holders and, unless the Trustee agrees otherwise, any such substitution shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 14.

15.5 *Reinstatement of Original Conditions*

If a Relevant Solvency II Change occurs, the Issuer shall consult with the PRA to determine whether an Original Condition Reinstatement Event has occurred.

Upon the occurrence of an Original Condition Reinstatement Event, the Issuer shall deliver a certificate to the Trustee, signed by two Directors of the Issuer, stating which of the Amended Conditions are affected by the Original Condition Reinstatement Event. On and from the date of that certificate, the Amended Conditions shall cease to be effective and shall be replaced in their entirety by the corresponding Original Conditions.

Any modification in accordance with the provisions of this Condition 15.5 shall be binding on the Holders and, unless the Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 14.

15.6 *Exercise of Trustee's powers and discretions*

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders, except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

16. FURTHER ISSUES

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

Deed contains provisions for convening a single meeting of the Holders and the holders of the notes of other series in circumstances where the Trustee so decides.

17. DEFINITIONS

In these Conditions:

"Amended Condition" means any provision of the Original Conditions and Original Final Terms that was modified by the by the Thirteenth Supplemental Trust Deed dated 3 November 2015;

"Amendment Date" means 3 November 2015;

"ACSM Calculation Agency Agreement" means the amended and restated calculation agency agreement dated 3 December, 2008 between the Issuer, the ACSM Calculation Agent and the Trustee, under which the ACSM Calculation Agent agrees to perform the duties required of it under these Conditions, as amended and/or supplemented and/or restated and/or novated from time to time;

"ACSM Calculation Agent" means UBS Limited as calculation agent or its successor or successors for the time being appointed under the ACSM Calculation Agency Agreement;

"Alternative Coupon Satisfaction Mechanism" means the alternative coupon satisfaction mechanism described in Condition 4;

"Assets" means the total amount of the Issuer's non-consolidated gross assets as shown by the then latest published balance sheet, but adjusted for contingencies and for subsequent events, and to such extent as such person or persons giving the Solvency Condition report may determine;

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

"Capital Adequacy Condition" means:

- (a) in relation to The Prudential Assurance Company Limited, the Issuer's wholly-owned subsidiary ("Prudential Assurance"), the ratio of its Regulatory Assets to its Regulatory Capital Requirement is at least 125%; or
- (b) if there is a Regulatory Capital Requirement applicable to the Issuer either directly or in relation to it and its Subsidiaries as a group, the Issuer exceeds such Regulatory Capital Requirement by a factor of at least 25% of such Regulatory Capital Requirement; or
- (c) if there is no Regulatory Capital Requirement applicable to the Issuer, its total Assets exceed its total Liabilities, other than liabilities to persons that are not Senior Creditors, by at least 125% or such percentage specified by the PRA as the Regulatory Capital Requirement applicable to Prudential Assurance (*as at 31 December, 2011, approximately 13%*); or
- (d) in relation to the Issuer's EEA Insurance Subsidiaries, each EEA Insurance Subsidiary complies with the Capital Regulations applicable to it;

"Capital Regulations" means the rules and regulations of the PRA that require the Issuer or any of the Issuer's EEA Insurance Subsidiaries to meet a Regulatory Capital Requirement including, without limitation, pursuant to Directive 98/78/EC and Directive 2002/87/EC of the European

Union (the "Directives") or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area (which includes the European Union together with Norway, Liechtenstein and Iceland) implementing the Directives;

"Compulsory Interest Payment Date" means:

- (a) in respect of Option A Notes, each Interest Payment Date:
 - (i) on which the Issuer satisfies the Solvency Condition and the Solvency Capital Requirement and would not as a result of the payment of interest on that Interest Payment Date fail to do so; and
 - (ii) that is not an Optional Interest Payment Date; and
- (b) in respect of Option B Notes, each Interest Payment Date falling on or after the Solvency II Implementation Date on which:
 - (i) the Issuer satisfies the Solvency Condition and the Solvency Capital Requirement and would not as a result of the payment of interest on the Interest Payment Date fail to do so; and
 - (ii) the Issuer has, in the immediately preceding six calendar months:
 - (x) declared, paid or made any Relevant Payment;
 - (y) redeemed, purchased or otherwise acquired any Parity Securities or any Junior Securities in circumstances constituting a Relevant Redemption; and
 - (iii) the Issuer is not prohibited under the terms of any Parity Securities or Senior Securities from making any payment of interest on the Notes;

"Current Interest" means interest that has not been deferred pursuant to these Conditions;

A "Default" in respect of the Notes shall occur if:

- (a) the Issuer fails to pay the amount due to satisfy any interest payment which has not been deferred, and such failure continues for 14 days; or
- (b) the Issuer fails to pay the principal amount of the Notes, any accrued but unpaid interest and, if applicable, any Deferred Interest on a Redemption Date, as may be postponed from time to time pursuant to these Conditions, and such failure continues for 14 days.

"Deferred Interest" means any interest payment in respect of the Notes which the Issuer has elected to defer on an Interest Payment Date in accordance with Condition 4.1, together with any interest accrued thereon in the limited circumstances referred to in Conditions 4.3(b) and (c), 7.8 and 7.9 and any interest payments that the Issuer does not make because the Solvency Condition or the Solvency Capital Requirement is not met, and which has not been satisfied;

"EEA Insurance Subsidiary" means any Subsidiary of the Issuer engaged in the insurance business and regulated as such by a member of the European Economic Area;

"Eligible Company" means a company incorporated in a country which is a member of the Organisation for Economic Co-operation and Development by or on behalf of the Issuer whose ordinary shares are listed: (a) on the Official List of the Financial Conduct Authority (or any successor body thereto) in its capacity as competent authority under the FSMA and are admitted to trading on the market for listed securities of the London Stock Exchange plc's regulated market; or (b) on such other Recognised Stock Exchange as the Trustee may approve;

"Exchangeable Notes" means any Notes to which the Issuer Exchange Option applies as specified in the Final Terms;

"FSMA" means the Financial Services and Markets Act 2000;

"Group" means the Issuer and its Subsidiaries;

"Group Insurance Undertaking" means an insurance undertaking whose data is included for the purposes of the calculation of the Solvency Capital Requirement of the Group pursuant to the Solvency II Regulations;

"Holding Company Shares" means the ordinary shares of the New Holding Company;

"Initial Rate of Interest" has the meaning specified in the Final Terms;

"Insolvent Insurer Winding-up" means:

- (a) the winding-up of any Group Insurance Undertaking; or
- (b) the appointment of an administrator of any Group Insurance Undertaking,

in each case where the Issuer has determined, acting reasonably, all Policyholder Claims of the policyholders of that Group Insurance Undertaking may or will not be met;

"insurance undertaking" has the meaning given to such term in the Solvency II Directive;

"Junior Securities" means the Ordinary Shares of the Issuer and any other securities issued by the Issuer together with any securities issued by a Subsidiary where such securities benefit from a guarantee or support agreement from the Issuer, the claims of the holders of which rank, as regards distribution on a return of assets on a winding-up of the Issuer or in respect of distributions or payments of dividends or any other payments thereon, after the Notes;

"Liabilities" means the total amount of the Issuer's non-consolidated gross liabilities as shown by the then latest published balance sheet, but adjusted, for contingencies and subsequent events and to such extent as the person or persons giving the Solvency Condition report may determine;

"Make Whole Redemption Price" means, as specified in the Final Terms, (i) the Spens Amount, calculated in accordance with Condition 7.6, (ii) the Make Whole Redemption Amount, calculated in accordance with Condition 7.6, or (iii) the amount per Calculation Amount specified in the Final Terms;

"Market Disruption Event" means: (a) the occurrence or existence of any material suspension of or limitation imposed on trading or on settlement procedures for transactions in Ordinary Shares through the London Stock Exchange plc (or other national securities exchange or designated offshore securities market constituting the principal trading market for the Ordinary Shares); (b) in the reasonable opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the 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 (c) 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, in each case as certified to the Trustee in a certificate signed by two Directors of the Issuer;

"Mid Swap Maturity" has the meaning specified in the Final Terms;

"Minimum Capital Requirement" means the Minimum Capital Requirement of the Issuer, the Minimum Capital Requirement of the Group or the group Minimum Solvency Capital Requirement (as applicable) referred to in the Solvency II Directive or the Solvency II Regulations;

"Optional Interest Payment Date" has the meaning given to that term in Condition 4.1A;

"Optional Redemption Amount" means the amount so specified in the Final Terms;

"Optional Redemption Date" means the date so specified in the Final Terms;

"Option A Notes" means any Notes so specified in the Final Terms;

"Option B Notes" means any Notes so specified in the Final Terms;

"Ordinary Shares" means the ordinary shares of the Issuer, having at the date hereof, a par value of five pence each;

"Original Conditions" means the terms and conditions and final terms applicable to the Notes on and from the Issue Date to but excluding the Amendment Date;

"Original Condition Reinstatement Event" means that, following the occurrence of a Relevant Solvency II Change, the Issuer determines (acting reasonably and following consultation with the PRA) that the Notes would have been capable of counting as Tier 2 Own Funds under the Solvency II Regulations in force following such Relevant Solvency II Change notwithstanding the inclusion of an Amended Condition in its original, unmodified, form as set out in the Original Conditions;

"Original Final Terms" means the Final Terms applicable to the Notes on and from the Issue Date to but excluding the Amendment Date;

"Other Tax Event" means an event of the type described in the definition of Tax Event occurring other than as a result of a Tax Law Change;

"Parity Securities" means perpetual capital instruments of the Issuer (including the Notes), preferred or preference shares or other securities issued by the Issuer together with any securities issued by a Subsidiary where such securities benefit from a guarantee or support agreement from the Issuer, the claims of the holders of which rank *pari passu* with the Notes as to participation in the Issuer's assets in the event of its winding-up;

"Par Tax Event" means an event of the type described in the definition of Tax Event occurring as a result of a Tax Law Change;

"Permitted Restructuring" means the completion of: (a) an offer made by, or on behalf of, an Eligible Company to all (or as nearly as may be practicable all) of the shareholders of the Issuer (or, if the Issuer is not then the Ultimate Owner, to the shareholders of the then Ultimate Owner) to acquire the whole (or as nearly as may be practicable the whole) of the issued ordinary share capital of the Issuer (or, if the Issuer is not then the Ultimate Owner, the then Ultimate Owner's issued ordinary share capital) other than those already held by or on behalf of such Eligible Company; or (b) a reorganisation or restructuring whether by way of a scheme of arrangement

or otherwise pursuant to which an Eligible Company acquires all (or as nearly as may be practicable all) of the issued ordinary share capital of the Issuer (or, if the Issuer is not then the Ultimate Owner, the then Ultimate Owner's issued share capital) other than those already held by such Eligible Company or pursuant to which all (or as nearly as may be practicable all) of the issued ordinary share capital of the Issuer (or if the Issuer is not then the Ultimate Owner, the then Ultimate Owner's issued capital) not held by the New Holding Company is cancelled;

"Permitted Restructuring Arrangement" means, in relation to a Permitted Restructuring, an arrangement whereby the following conditions are satisfied: (a) the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that the Alternative Coupon Satisfaction Mechanism, the Trust Deed and certain other agreements operate so that the Ordinary Shares may be exchanged for Holding Company Shares in such a manner that ensures that following the exchange for such Holding Company Shares the Holder of each Note then outstanding will receive, in the event of a payment to be satisfied pursuant to the Alternative Coupon Satisfaction Mechanism, an amount not less than that which would have been receivable had such a Permitted Restructuring not taken place; and (b) the Trustee is satisfied that the credit ratings that would be assigned to the Notes by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and by Moody's Investors Service, Inc. following any such Permitted Restructuring, shall not be less than those assigned to the Notes immediately prior to such Permitted Restructuring taking place as confirmed by each such rating agency in writing;

"Policyholder Claims" means claims of policyholders in a winding-up, liquidation or administration of a Group Insurance Undertaking to the extent that those claims relate to any debt to which the Group Insurance Undertaking is, or may become, liable to a policyholder pursuant to a contract of insurance, including all amounts to which policyholders are entitled under applicable legislation or rules relating to the winding-up or administration of insurance companies to reflect any right to receive, or expectation of receiving, benefits which such policyholders may have;

"Preference Shares" means preference shares of the Issuer having terms in accordance with the provisions of Condition 7.7;

"PRA" means the Prudential Regulation Authority or any successor regulatory body or such other governmental authority in the UK having primary supervisory authority with respect to the Group;

"Qualifying Tier 1 Capital" means notes that:

- (a) have terms not materially less favourable to a holder than the terms of the Notes, including those relating to dividend and capital restrictions as described in Condition 4.2 (if applicable), as reasonably determined by the Issuer in consultation with an independent investment bank of international standing and certified by two Directors of the Issuer to the Trustee, provided that they shall:
 - (i) contain terms which comply with then current requirements of the PRA in relation to, prior to the Solvency II Implementation Date, Tier 1 Capital or, on and from the Solvency II Implementation Date, Tier 2 Own Funds;
 - (ii) bear the same rate of interest from time to time applying to the Notes but not necessarily having provisions analogous to the provisions of Condition 4.3 and preserve the Interest Payment Dates;
 - (iii) contain terms providing for mandatory deferral of payments of interest and/or principal only if such terms are not materially less favourable to a holder thereof than the mandatory deferral provisions applying to the Notes;
 - (iv) rank at least *pari passu* with the Notes;

- (v) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption, but provide that such Qualifying Tier 1 Capital may not be redeemed by the Issuer prior to the first Optional Redemption Date (if any) (save for redemption, substitution or variation on terms analogous with the terms of Condition 7.4, Condition 7.5A or Condition 7.5B and subject to the same conditions as those set out in Condition 7.2);
 - (vi) do not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption through a write-down of the nominal amount of Qualifying Tier 1 Capital or conversion of such Qualifying Tier 1 Capital into Ordinary Shares; and
 - (vii) preserve any existing rights under these Conditions to any Deferred Interest and any other amounts payable under the Notes which, in each case, has accrued to Holders and not been paid; and
- (b) are listed or admitted to trading on a Recognised Stock Exchange;

"Recognised Stock Exchange" means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provisions, statute or statutory instrument replacing the same from time to time;

"Redemption Date" means any date fixed for redemption in accordance with Condition 7;

"Regulatory Assets" means the assets eligible to satisfy the Regulatory Capital Requirement;

"Regulatory Capital Requirement" means any minimum or notional margin of solvency or minimum regulatory capital or capital ratios required for insurance companies or insurance holding companies or financial groups by the PRA;

A "Regulatory Event" is deemed to have occurred if:

- (a) the Notes would not be capable of counting (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as cover for the minimum or notional margin of solvency or minimum capital or capital ratios required of the Issuer or the Group by any Regulatory Capital Requirement as a result of any change to the Capital Regulations or any change in the application or official interpretation thereof at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes; or
- (b)
 - (i) prior to the Solvency II Implementation Date, at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer or the Group is required under any Regulatory Capital Requirement to have Tier 1 Capital, the Notes would no longer be eligible to qualify (save as aforesaid) for inclusion in the Tier 1 Capital of the Issuer on a solo and/or consolidated basis; or
 - (ii) on or after the Solvency II Implementation Date, at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Notes would no longer be capable of counting as Tier 2 Own Funds or as Tier 2 Capital for the purposes of the Issuer, the Group or any insurance undertaking within the Group whether on a solo, group or consolidated basis;

"Relevant Payment" means any dividend, distribution or other payment on any Parity Securities or on any Junior Securities, other than:

- (a) a dividend, distribution or payment which was required to be declared, paid or made under, or in accordance with, the terms of such Parity Securities or Junior Securities;
- (b) a final dividend declared by the Issuer with respect to Ordinary Shares more than six months prior to the relevant Interest Payment Date;
- (c) a payment made by a wholly-owned Subsidiary of the Issuer to another wholly-owned Subsidiary or directly to the Issuer);
- (d) payments made by the Issuer to policyholders or other customers, or transfers to or from the fund for future appropriations, in each case in the ordinary course of business consistent with past practice,

and, for these purposes, the payment (or declaration of payment) of a dividend or distribution on Parity Securities and Junior Securities shall be deemed to include the making of any interest, coupon or dividend payment (or payment under any guarantee in respect thereof);

"Relevant Redemption" means the redemption, purchase or other acquisition of any Parity Securities or any Junior Securities by the Issuer, except where:

- (a) such purchase is made in the ordinary course of business of the Issuer in connection with any share option scheme or share ownership scheme for management employees of the Issuer or affiliates of the Issuer; or
- (b) the funds used to redeem, purchase or acquire those securities are derived from an issue of Parity Securities or Junior Securities:
 - (i) made at any time within the six-month period prior to the time of such redemption, purchase or acquisition; and
 - (ii) with the same or junior ranking on a return of assets on a winding-up or in respect of a distribution or payment of interest, coupons or dividends and/or any other amounts thereunder to those securities being redeemed, purchased or acquired.

The Trustee shall be entitled to rely on a certificate signed by two Directors of the Issuer as to whether the redemption, purchase or acquisition falls within the exception set out above and, if the Trustee does so rely, such certificate shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Holders;

"Relevant Solvency II Change" means any change to the Solvency II Regulations, or any change in the application or official interpretation thereof, which occurs on or after the Amendment Date and prior to the Solvency II Implementation Date and which relates, directly or indirectly, to an Amended Condition;

"Reset Date(s)" means the date(s) specified in the Final Terms;

"Reset Determination Date(s)" means the date(s) so specified in the Final Terms;

"Reset Margin" means the margin so specified in the Final Terms;

"Reset Period" has the meaning set out in Condition 5B.1;

"Senior Creditors" means:

- (a) any creditors of the Issuer who are unsubordinated creditors including all policyholders

(and including, for the avoidance of doubt, all Policyholder Claims);

- (b) any creditors having claims in respect of liabilities that rank, or are expressed to rank, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of such capital, constitute Tier 1 Capital or whose claims rank, or are expressed to rank *pari passu* with, or junior to, the claims of the Holders in respect of such Notes);
- (c) any creditor of the Issuer whose claims are in respect of the Issuer's outstanding debt securities which constitute Tier 2 Capital (and such other securities outstanding from time to time which rank *pari passu* with, or senior to, any such Tier 2 Capital); and
- (d) all other creditors having claims, including other such creditors holding subordinated debt securities, except those that rank, or are expressed to rank, equally with (including the holders of Parity Securities) or junior to (including holders of Junior Securities) the claims of the Holders in respect of the Notes;

"Senior Securities" means any subordinated capital instruments of the Issuer or other subordinated securities issued by the Issuer together with any subordinated securities issued by a Subsidiary where such securities benefit from a guarantee or support agreement from the Issuer, the claims of the holders of which rank senior to the Notes as to participation in the Issuer's assets in the event of its winding-up;

"Solvency Capital Requirement" means the Solvency Capital Requirement of the Issuer or the Solvency Capital Requirement of the Group referred to in the Solvency II Directive or the Solvency II Regulations;

"Solvency Condition" has the meaning set forth in Condition 3.3;

"Solvency II Directive" means Directive 2009/138/EC of the European Union of 25 November, 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (as amended);

"Solvency II Implementation Date" means the date as determined by the Issuer, acting reasonably, and following consultation with the PRA, of entry into force in full of the Solvency II Directive and the Solvency II Regulations;

"Solvency II Implementation Trigger Date" means the date falling six months before the Solvency II Implementation Date or, if later, the date on which the Issuer becomes aware of the Solvency II Implementation Date;

"Solvency II Regulations" means the rules and regulations of the PRA implementing the Solvency II Directive that require the Issuer or any of the Issuer's EEA Insurance Subsidiaries to meet a Solvency Capital Requirement including, without limitation, pursuant to the Solvency II Directive, any directly effective regulations implementing the Solvency II Directive, or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area (which includes the European Union together with Norway, Liechtenstein and Iceland) implementing the Solvency II Directive;

A "Solvency II Regulatory Event" is deemed to have occurred on the Solvency II Implementation Trigger Date if, on the Solvency II Implementation Trigger Date, the Issuer, acting reasonably (and following consultation with the PRA), expects that the Notes will not, on the Solvency II Implementation Date, by reason of the application of the Solvency II Directive or the Solvency II Regulations, be capable of counting as Tier 2 Own Funds, except where such non-qualification is as a result of any applicable limitation on the amount of such capital;

"Subsequent Reset Rate" has the meaning set out in Condition 5B.1;

"Subsequent Reset Rate Screen Page" has the meaning specified in the Final Terms;

"Subsequent Reset Rate Time" has the meaning specified in the Final Terms;

"Subsequent Reset Reference Rate(s)" has the meaning(s) specified in the Final Terms;

"Subsidiary" means a subsidiary undertaking within the meaning set out in section 1162 of the Companies Act 2006;

"Tax Call Event" refers to the occurrence of the circumstances described:

- (a) in clause (a) of the definition of Tax Event; or
- (b) in clause (b) or (c) of such definition either: (i) following the giving of notice to the PRA of the Issuer's proposal to convert the Notes into another series of notes constituting undated cumulative subordinated notes and the PRA objecting to such proposal; or (ii) if the Issuer determines that a Tax Event applies, or would apply, to such undated cumulative subordinated notes;

"Tax Event" means an event where the Issuer determines that: (a) in making any interest payments or Deferred Interest payments on the Notes, it has paid, or will or would on the next Interest Payment Date be required to pay, additional amounts as provided in Condition 8 and the same cannot be avoided by using reasonable measures available to it; (b) payments, including payment of Deferred Interest, on the next Interest Payment Date in respect of any Notes would be treated as "distributions" within the meaning of section 1000 of the Corporation Tax Act 2010 (as amended, re-enacted or replaced); or (c) the Issuer would not be entitled to obtain a deduction in computing its UK tax liabilities in respect of any interest payment (including payment of any Deferred Interest) on the Notes as a class, or the value of the deduction to the Issuer would be materially reduced;

"Tax Law Change" means a change in or amendment to the laws or regulations of the United Kingdom or any political sub-division or any authority thereof or therein having power to tax (including any treaty to which the United Kingdom is a party), or any change in the application of official or generally published interpretation of those laws or regulations (including a change or amendment resulting from a holding by a court or tribunal or competent jurisdiction) which change or amendment becomes effective or, in the case of a change in law, is enacted on or after the date on which agreement is reached to issue the first Tranche of the Notes;

"Tier 1 Capital" has the meaning given to that term from time to time by the PRA;

"Tier 1 Own Funds" means subordinated notes which are capable of counting as cover for capital requirements or treated as tier 1 "own funds" (howsoever described in the Solvency II Directive or the Solvency II Regulations) applicable to the Issuer, the Group or any insurance undertaking within the group, whether on a solo, group or consolidated basis;

"Tier 2 Capital" has the meaning given to that term from time to time by the PRA;

"Tier 2 Own Funds" means subordinated notes which are capable of counting as cover for capital requirements or treated as tier 2 "own funds" (howsoever described in the Solvency II Directive or the Solvency II Regulations) applicable to the Issuer, the Group or any insurance undertaking within the group, whether on a solo, group or consolidated basis; and

"Ultimate Owner" means, at any given time, the ultimate holding company of the Group at that time.

18. GOVERNING LAW

The Trust Deed, the Notes and the Coupons (and any non-contractual obligations arising therefrom or in connection therewith) shall be governed by, and construed in accordance with, English law.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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