Prospectus

1 May 2015

AVIVA plc

(incorporated in England with limited liability, registered number 2468686)

£5,000,000,000
Euro Note Programme

Under the Euro Note Programme described in this Prospectus (the "**Programme**"), Aviva plc (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**"). The Notes may be issued as dated unsubordinated notes ("**Senior Notes**") or as dated subordinated notes with terms capable of qualifying as Tier 2 Capital (as defined in "Terms and Conditions of the Tier 2 Notes") ("**Dated Tier 2 Notes**") or as undated subordinated notes with terms capable of qualifying as Tier 2 Capital (as defined in "Terms and Conditions of the Tier 2 Notes") ("**Undated Tier 2 Notes**" and, together with the Dated Tier 2 Notes, the "**Tier 2 Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed £5,000,000,000 (or the equivalent in other currencies).

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority (in such capacity, the "**UK Listing Authority**"), for the purposes of the Prospectus Directive (as defined below) and relevant implementing measures in the United Kingdom as a base prospectus (the "**Prospectus**") for the purposes of Article 5.4 of the Prospectus Directive and provides information with regard to the Issuer and its subsidiaries (each a "**Subsidiary**" and, together with the Issuer, the "**Group**" (for the purposes of this Prospectus, the Group means (a) in respect of periods prior to completion of the Acquisition (as defined herein), the group comprising the Issuer, its subsidiaries and its subsidiary undertakings from time to time ("**Aviva**") and (b) in respect of periods following completion of the Acquisition, the combined group comprising Aviva and Friends Life Group Limited, its subsidiaries and its subsidiary undertakings from time to time ("**Friends Life**")) which, according to the particular nature of the Issuer and the Notes is necessary to enable investors to make an informed assessment of the assets and liabilities, profits and losses and prospects of the Issuer.

Applications have been made to the UK Listing Authority for Notes issued under the Programme (other than PD Exempt Notes (as defined below)) for the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's EEA Regulated Market (the "**Market**"). The Market is a regulated market for the purposes of European Council Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). References in this Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the Market (or any other stock exchange) and have been admitted to the Official List. The relevant Final Terms (as defined herein) or Pricing Supplement (as defined herein) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange). References in this Prospectus to "**PD Exempt Notes**" are to Notes for which no prospectus is required to be published pursuant to the Prospectus Directive (as defined below). Information contained in this Prospectus regarding PD Exempt Notes shall not be deemed to form part of this Prospectus and the UK Listing Authority has neither approved nor reviewed information contained in this Prospectus in connection with the offering and sale of PD Exempt Notes. In the case of PD Exempt Notes, notice of the aforesaid information which is applicable to each Tranche will be set out in a pricing supplement document ("**Pricing Supplement**"). Accordingly, in the case of PD Exempt Notes, each reference in this Prospectus to information being specified or identified in the applicable Final Terms shall be read and construed as a reference to such information being specified or identified in the applicable Pricing Supplement, unless the context requires otherwise.

Each Series (as defined herein) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" and, together with a temporary Global Note, a "**Global Note**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's (as defined herein) entire holding of Registered Notes (as defined herein) of one Series. Certificates representing Registered Notes that are registered in the name of a nominee or a common nominee, as the case may be, for one or more clearing systems are referred to as "**Global Certificates**". In the case of Senior Notes, if the relevant Global Note is stated in the applicable Final Terms to be issued in New Global Note ("**NGN**") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche (as defined herein) to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Certificates will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"). In the case of Senior Notes, if the relevant Global Certificates are stated in the applicable Final Terms to be issued under the New Safekeeping Structure ("**NSS form**"), the Global Certificates will be delivered on or prior to the original issue date of the relevant Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Overview of Provisions Relating to the Notes while in Global Form".

Series of Notes to be issued under the Programme will be rated or unrated. Where a Series of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme or Notes already issued. Where a Series of Notes is rated, the applicable rating(s) will be specified in the applicable Final Terms. The credit ratings and financial strength ratings which are included in this Prospectus have been provided by A.M. Best Europe Rating Services Limited ("**AM Best**"), Moody's Investors Service Ltd. ("**Moody's**") and Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). Each of AM Best, Moody's and S&P is established in the European Union and registered under Regulation 1060/2009/EC of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area (the "**EEA**") or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

Prospective investors should have regard to the section headed "**Risk Factors**" on page 13 of this Prospectus for a discussion of factors which may affect the Issuer's ability to fulfil its obligations in respect of Notes issued under the Programme and factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any State or other jurisdiction of the United States and the Notes may include bearer notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder).

Interests in a temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership.

Arranger

Citigroup

Dealers

Barclays
Citigroup
Deutsche Bank
Goldman Sachs International
HSBC
Morgan Stanley
Société Générale Corporate & Investment Banking
The Royal Bank of Scotland

The Issuer accepts responsibility for the information contained in this Prospectus and the Final Terms relating to any Series of Notes. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Relevant third party information has been extracted from sources as specified in this Prospectus. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer (as defined in "Overview of the Programme") to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer, the Arranger (as defined in "Overview of the Programme") nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, the Arranger or any Dealer to publish or supplement a prospectus for such offer. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below).

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented, or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the Securities Act and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "Subscription and Sale".

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arranger accepts any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability to any investor whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other information supplied in connection with the Programme or the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme or the Notes should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus or any other

information supplied in connection with the Programme or the Notes and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes of the Series of which such Tranche forms part at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the Final Terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to "pounds sterling", "sterling" and "£" are to the currency of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom" or "UK") and all references to "€" and "euro" are to the single currency which was introduced at the start of the third stage of European Economic and Monetary Union, pursuant to the Treaty establishing the European Community (as amended from time to time).

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents which have been previously published or are published simultaneously with this Prospectus and which have been approved by the FCA or filed with it:

(1) the audited consolidated financial statements of the Issuer for the year ended 31 December 2013 (together with the audit report prepared in connection therewith), which appear on pages 105 to 283 of the Issuer's Annual Report and Accounts for the year ended 31 December 2013;

(2) the audited consolidated financial statements of the Issuer for the year ended 31 December 2014 (together with the audit report prepared in connection therewith), which appear on pages 111 to 246 of the Issuer's Annual Report and Accounts for the year ended 31 December 2014;

(3) the audited consolidated financial statements of Friends Life (formerly Resolution Limited) for the year ended 31 December 2013 (together with the audit report prepared in connection therewith), which appear on pages 126 to 236 of Friends Life's Annual Report and Accounts for the year ended 31 December 2013;

(4) the audited consolidated financial statements of Friends Life for the year ended 31 December 2014 (together with the audit report prepared in connection therewith), which appear on pages 72 to 188 of Friends Life's Annual Report and Accounts for the year ended 31 December 2014;

(5) the Terms and Conditions of the Dated Tier 2 Notes contained in the Prospectus dated 29 October 2010;

(6) the Terms and Conditions of the U.S. $650,000,000 8.25 per cent. Fixed Rate Tier 1 Notes contained in the Drawdown Prospectus dated 2 May 2012;

(7) the Terms and Conditions of the €650,000,000 Dated Tier 2 Reset Notes contained in the Prospectus dated 4 July 2013; and

(8) the Terms and Conditions of the Dated Tier 2 Notes contained in the Prospectus dated 17 April 2014.

Such documents shall be deemed to be incorporated in, and form part of, this Prospectus, approved by the FCA for the purpose of the Prospectus Directive, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Where a document listed above has been extracted from another document, the remainder of the document from which it is extracted is not relevant for the purposes of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not constitute part of this Prospectus. Items (1) to (4) listed above were prepared in accordance with applicable law and International Financial Reporting Standards ("**IFRS**") as adopted by the European Union.

Copies of documents deemed to be incorporated by reference in this Prospectus may be obtained from the specified offices of each of the Paying Agents or without charge from the website of the Regulatory News Service operated by the London Stock Exchange at: http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.

SUPPLEMENTAL PROSPECTUS

If at any time the Issuer shall be required to prepare a supplemental prospectus pursuant to Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**"), the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental prospectus as required by the UK Listing Authority and Section 87G of the FSMA.

The Issuer has given an undertaking to the Dealers in the Dealer Agreement (as defined in "Subscription and Sale" herein) that it will comply with Section 87 of the FSMA and, if required by law, the Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

TABLE OF CONTENTS

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms or Pricing Supplement. Words and expressions defined in ''Terms and Conditions of the Senior Notes'' or ''Terms and Conditions of the Tier 2 Notes'' below shall, as appropriate, have the same meanings in this overview.

Issuer:	Aviva plc.
Description:	Euro Note Programme.
Size:	Up to £5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	Citigroup Global Markets Limited.
Dealers:	Barclays Bank PLC Citigroup Global Markets Limited Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc Morgan Stanley & Co. International plc Société Générale The Royal Bank of Scotland plc
	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to ''Permanent Dealers'' are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to ''Dealers'' are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Issuing and Paying Agent:	HSBC Bank plc
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a ''Series'') having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a ''Tranche'') on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the applicable final terms document (the ''Final Terms'') or Pricing Supplement.
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes may be issued in bearer form (''Bearer Notes'') or in registered form (''Registered Notes'').
	Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as

	defined in "Overview of the Programme – Selling Restrictions"); otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee or a common nominee, as the case may be, for one or more clearing systems are referred to as "Global Certificates". Global Certificates may be issued in NSS form.
Clearing Systems:	Clearstream, Luxembourg and Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche of Senior Notes, if the relevant Global Note represents Bearer Notes and is in NGN form, the relevant Global Note will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche of Senior Notes, if the relevant Global Certificates represent Registered Notes and are in NSS form, the relevant Global Certificates will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche of Tier 2 Notes or Senior Notes (if the relevant Global Note is in CGN form), the relevant Global Note representing Bearer Notes or the Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturities:	Subject to compliance with all relevant laws, regulations, directives and requirements of the FCA, Dated Tier 2 Notes may have any maturity and Undated Tier 2 Notes will be perpetual and will not have a stated maturity. Subject to compliance with all relevant laws, regulations and directives, Senior Notes may be issued with any maturity between one month and 30 years.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that in the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Fixed Rate Reset Notes (Tier 2 Notes only):	Fixed interest will be payable at the Initial Rate of Interest in arrear on the Interest Payment Date in each year for an initial period as specified in the Final Terms of the Tier 2 Notes. Thereafter, the

	interest rate may be recalculated on certain dates specified by reference to a Mid-Market Swap Rate for euros, and for a period equal to the Reset Period, of the Tier 2 Notes, as adjusted for any applicable margin, in each case as specified in the Final Terms of the Tier 2 Notes.
Fixed to Floating Rate Notes: (Tier 2 Notes only):	Interest on the Fixed to Floating Rate Notes will bear a fixed rate of interest during the period from the Issue Date to but excluding the Fixed Period End Date specified in the relevant Final Terms and from the Fixed Period End Date will bear interest as if they were Floating Rate Notes.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes (Senior Notes only):	Zero Coupon Notes (as defined in "Terms and Conditions of the Senior Notes") may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies). Redemption of Dated Tier 2 Notes prior to their stated maturity is subject to prior written notice to, and the absence of objection from, the Relevant Regulator as more fully described in "Terms and Conditions of the Tier 2 Notes – Redemption, Substitution, Variation, Purchase and Options". Undated Tier 2 Notes have no Final Maturity Date and are only redeemable or repayable in accordance with "Terms and Conditions of the Tier 2 Notes – Redemption, Substitution, Variation, Purchase and Options".
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed at the option of the Issuer and/or (in the case of Senior Notes only) the holders (either in whole or in part) and, if so, the terms applicable to such redemption. No Tier 2 Notes may be redeemed at the option of the holders of such Notes.
Status of Senior Notes:	The Senior Notes constitute direct, unsecured and unsubordinated obligations of the Issuer.
Status of Dated Tier 2 Notes:	The Dated Tier 2 Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up or administration of the Issuer, the payment obligations of the Issuer under the Dated Tier 2 Notes shall be subordinated to the claims of all Senior Creditors (as defined in "Terms and Conditions of the Tier 2 Notes") of the Issuer but shall

	rank at least *pari passu* with all other subordinated obligations of the Issuer which constitute Lower Tier 2 Capital (issued prior to Solvency II Implementation (as defined in "Terms and Conditions of the Tier 2 Notes")) or Tier 2 Capital (issued on or after Solvency II Implementation (as defined in "Terms and Conditions of the Tier 2 Notes")) and shall rank in priority to: (i) Existing Undated Tier 2 Securities (as defined in "Terms and Conditions of the Tier 2 Notes"); (ii) all obligations of the Issuer which constitute Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions under the Relevant Rules (as defined in "Terms and Conditions of the Tier 2 Notes")); and (iii) all classes of share capital of the Issuer. Except as provided in Condition 3(b) of the Terms and Conditions of the Tier 2 Notes, all payments in respect of the Dated Tier 2 Notes shall be conditional upon the Issuer being solvent as contemplated under "Terms and Conditions of the Tier 2 Notes – Status" at the time for payment by the Issuer, and no amount shall be payable in respect of the Dated Tier 2 Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter.
Status of Undated Tier 2 Notes:	The Undated Tier 2 Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up or administration of the Issuer, the payment obligations of the Issuer under the Undated Tier 2 Notes shall be subordinated to the claims of all Senior Creditors (as defined in "Terms and Conditions of the Tier 2 Notes") of the Issuer but shall rank at least *pari passu* with all other subordinated obligations of the Issuer which constitute Existing Undated Tier 2 Securities (as defined in "Terms and Conditions of the Tier 2 Notes") if the Undated Tier 2 Notes are issued prior to Solvency II Implementation or Tier 2 Capital (issued on or after Solvency II Implementation (as defined in "Terms and Conditions of the Tier 2 Notes") if the Undated Tier 2 Notes are issued on or after Solvency II Implementation and in priority to: (i) the holders of Existing Undated Tier 2 Securities if the Undated Tier 2 Notes are issued on or after Solvency II Implementation; (ii) those whose claims constitute Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules (as defined in "Terms and Conditions of the Tier 2 Notes")); and (iii) the claims of holders of all classes of share capital of the Issuer. Except as provided in Condition 3(b) of the Terms and Conditions of the Tier 2 Notes, all payments in respect of the Undated Tier 2 Notes shall be conditional upon the Issuer being solvent as contemplated under "Terms and Conditions of the Tier 2 Notes – Status" at the time for payment by the Issuer, and no amount shall be payable in respect of the Undated Tier 2 Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter.
Interest Deferral – Tier 2 Notes:	The Issuer may on any Optional Interest Payment Date defer payments of interest on Tier 2 Notes. The Issuer is required to defer any payment of interest on Tier 2 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing).

Redemption Deferral – Tier 2 Notes:	The Issuer is required to defer any scheduled redemption of Tier 2 Notes (whether at maturity (if any) or if it has given notice of early redemption in the circumstances described below in Conditions 6(c), 6(d), 6(e) and 6(f)) if (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Tier 2 Notes were redeemed, (ii) the Tier 2 Notes cannot be redeemed in compliance with the Solvency Condition, or (iii) (if then required) regulatory consent has not been obtained or redemption cannot be made in compliance with the Relevant Rules at such time.
Negative Pledge – Senior Notes only:	Applicable to Senior Notes only. See "Terms and Conditions of the Senior Notes – Negative Pledge".
Early Redemption, Variation or Substitution for Taxation Reasons, Capital Disqualification Event and Rating Methodology Event:	The Tier 2 Notes may, subject as provided in Condition 6 of the relevant Terms and Conditions, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Outstanding Payments/Arrears of Interest at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event, a Capital Disqualification Event, or a Rating Methodology Event (if Rating Methodology Call is specified) the Tier 2 Notes may be (i) substituted for, or their terms varied so that they become, Qualifying Tier 2 Securities or Rating Agency Compliant Securities, whichever is relevant; or (ii) redeemed in the case of (x) a Tax Event, at their outstanding principal amount, (y) a Capital Disqualification Event, at the Special Redemption Price or (z) a Rating Methodology Event, at the Special Redemption Price, together in each case with any Outstanding Payments/Arrears of Interest, all as more particularly described in "Terms and Conditions of the Tier 2 Notes – Redemption, Substitution, Variation, Purchase and Options". The Senior Notes may, subject as provided in Condition 6(c) of the Senior Notes, be redeemed at their Early Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption at the option of the Issuer if the Issuer becomes obliged to pay additional amounts in respect of withholding tax.
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding, or deduction for or on account of, taxes of the United Kingdom unless required by law, in which case, subject to customary exceptions (including the standard exceptions recommended by the International Capital Market Association), such additional amounts will also be paid as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no withholding or deduction been required – see Terms and Conditions of the Senior Notes and the Tier 2 Notes.
Governing Law:	English.
Listing:	Applications have been made to list Notes (other than PD Exempt Notes) issued under the Programme for the period of 12 months from the date of this Prospectus on the Official List and to admit them to trading on the Market. PD Exempt Notes may be unlisted and/or may be admitted to trading on another market or stock exchange, as set out in the applicable Pricing Supplement.
Ratings:	Tranches of Senior Notes, Dated Tier 2 Notes and Undated Tier 2 Notes may be rated or unrated. As at the date of this Prospectus, S&P has assigned a rating of A- to the Senior Notes, of BBB to the Dated Tier 2 Notes and of BBB to the Undated Tier 2 Notes. In addition, Moody's has assigned a rating of A3 to the Senior Notes,

	of Baa1 to the Dated Tier 2 Notes and of Baa1 to the Undated Tier 2 Notes. However, the ratings assigned by any ratings agency may change from time to time. Any rating applicable to any Tranche of Notes issued will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	United States, EEA, United Kingdom, Republic of Italy, Hong Kong, Japan, Singapore, Switzerland and Australia. See "Subscription and Sale". The Issuer is Category 2 for the purposes of Regulation S under the Securities Act. The Notes will be issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the "D Rules") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the "C Rules") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the material risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations (as appropriate) under Notes issued under the Programme include:

Ongoing difficult conditions in the global financial markets and the economy generally may adversely affect the Group's business and results of operations, and these conditions may continue.

The Group's results of operations are materially affected by uncertainty in the worldwide financial markets and macro-economic conditions generally. A wide variety of factors, including concerns over slowing growth, high sovereign debt within, and to a lesser degree outside, the eurozone, the stability and solvency of financial institutions, longer-term low interest rates in developed markets, inflationary threats as well as geopolitical issues in, and emanating from, the Middle East, Russia, Ukraine and North Africa, have contributed to increased volatility in the financial markets in recent years and have diminished growth expectations for the global economy going forward. Global fixed income markets continue to experience periods of both volatility and limited market liquidity, which have affected a broad range of asset classes and sectors.

Factors relating to general economic conditions such as consumer spending, business investment, government spending, exchange rates and commodity prices, uncertainty over the United Kingdom's ("UK") continued membership of and influence in the European Union ("EU"), the volatility and strength of both debt and equity markets, and inflation, all affect the profitability of the Group's business. In a sustained economic phase of low growth and high public debt, characterised by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial and insurance products could be adversely affected. In addition, the Group may experience an elevated incidence of claims or surrenders of policies or claims of mis-selling. Any potential material adverse effect will also be dependent upon customer behaviour and confidence.

As a result of these market exposures, the Group's financial position and results of operations may be subject to significant volatility, and there can be no assurance as to the effects of this volatility, particularly if it is prolonged, on the Group's financial position or results of operations. Such effects may include, *inter alia*: (i) a general reduction in business activity and market volumes which affects fees, commissions and margins from customer driven transactions and revenues, and from sales of insurance products; (ii) market downturns which are likely to reduce the volume and valuations of assets managed on behalf of clients, thereby reducing asset based and performance based fees; (iii) reduced market liquidity, limiting trading and arbitrage opportunities and presenting impediments for managing risks, impacting both trading income and performance based fees; (iv) a reduced value in assets held for the Group's own account as trading positions could continue to fall in value; (v) increased impairments and defaults on credit exposures and on trading and investment positions, which losses may be exacerbated by falling collateral values; (vi) increased collateral requirements under derivative and other financial instruments; (vii) increased costs of hedging against market risks such as equity or interest rate exposure; (viii) pressure to reduce equity and/or debt investments or maintain additional capital in respect of such holdings; (ix) an increase in technical provisions and capital requirements in response to market related stress tests; and (x) a requirement to hold a larger proportion of liquid assets in order to offset the impact of a reduction in market liquidity on a company's ability to meet payment obligations.

The interdependence of global financial institutions means that the failure of a sufficiently large and influential financial institution could materially disrupt global securities markets or clearance and settlement systems in the markets. This could cause severe market decline or volatility. Such a failure could also lead to a chain of defaults by counterparties that could materially adversely affect the Group. This risk, known as "systemic risk", could adversely impact the Group's future product sales as a result of reduced confidence in the financial services industry. It could also adversely impact the Group's results because of market declines and write-downs of assets.

As a global business, the Group is exposed to various local political, regulatory and economic conditions, business risks and challenges which may affect the demand for the Group's products and services, the value of its investment portfolios and the credit quality of local counterparties.

The Group offers its products and services in Europe (including the UK), North America and the Asia Pacific region through wholly owned and majority owned subsidiaries, joint ventures, companies in which the Group holds non-controlling equity stakes, agents and independent contractors. The Group's international operations expose it to different local political, regulatory, business and financial risks and challenges which may affect the demand for the Group's products and services, the value of its investment portfolio, the required levels of capital and surplus, and the credit quality of local counterparties. These risks include, for example, political, social or economic instability in countries in which the Group operates, discriminatory regulation, credit risks of the Group's counterparties, lack of local business experience in certain markets, risks associated with exposure to insurance industry insolvencies through policyholder guarantee funds or similar mechanisms set up in markets in which the Group is present and, in certain cases, risks associated with the potential incompatibility with foreign partners, especially in countries in which the Group is conducting business through entities which it does not control. Some of the Group's international insurance operations are, and are likely to continue to be, in emerging markets where these risks are heightened. The Group's overall success as a global business depends, in part, upon its ability to succeed in different economic, social and political conditions.

Credit risks relating to the Group's business

Market developments and government actions regarding the sovereign debt crisis in Europe, particularly in Greece, Cyprus, Ireland, Italy, Portugal and Spain, could have a material adverse effect on the Group's results of operations, financial condition and liquidity.

The continued uncertainty over the outcome of various EU and international financial support programmes, and the possibility that other EU member states may experience similar financial pressures, could further disrupt global markets. In particular, this crisis has disrupted, and could further disrupt, equity and fixed income markets, and has resulted in volatile bond yields on the sovereign debt of EU members.

The issues arising out of the current sovereign debt crisis may transcend Europe, cause investors to lose confidence in the safety and soundness of European financial institutions and the stability of European member economies, and likewise affect UK and United States ("U.S.") based financial institutions, the stability of the global financial markets and any economic recovery. The Group holds investments in both UK and non-UK securities.

If an EU member state were to default on its obligations or to seek to leave the eurozone, or if the eurozone were broken up entirely, the impact on the financial and currency markets would be significant and could impact materially all financial institutions, including the Group. Past political negotiations in the U.S. over raising the U.S. debt ceiling indicate that a risk of sovereign debt default and the potential adverse impact on global markets which could result from this is not limited to the eurozone. Such events could adversely affect the Group's business and results of operations, financial condition and liquidity.

Credit spread volatility may adversely affect the net unrealised value of the Group's investment portfolio and the results of its operations.

The Group's exposure to credit spreads primarily relates to market price variability associated with changes in credit spreads in its investment portfolio, which is largely held to maturity. Credit spread moves may be caused by changes in the perception of the creditworthiness of a company, or from market factors such as the market's risk appetite and liquidity. A widening of credit spreads will generally reduce the value of fixed income securities the Group holds. Conversely, credit spread tightening will generally increase the value of fixed income securities the Group holds. It can be difficult to value certain of the Group's securities if trading becomes less liquid. Accordingly, valuations of investments may include assumptions or estimates that may have significant period to period changes that could have a material adverse effect on the Group's consolidated results of operations or financial condition. Downturns in the net unrealised value of the Group's investment portfolio may also have a material adverse effect on its regulatory capital surplus based on the EU Insurance Groups Directive and under the Individual Capital Assessment required by the Prudential Regulation Authority ("PRA") in the UK. Although the Group's financial statements reflect the market value of assets, its priority remains the management of assets and liabilities over the longer term.

Losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, could adversely affect the value of the Group's investments and reduce the Group's profitability and shareholders' equity.

The Group chooses to take and manage credit risk through investment assets partly to increase returns to policyholders whose policies the assets back, and partly to optimise the return for shareholders.

The Group has a significant exposure to third parties that owe it money, securities or other assets who may not perform under their payment obligations. These parties include private sector and government (or government-backed) issuers whose debt securities the Group holds in its investment portfolios (including mortgage-backed, asset-backed, government bonds and other types of securities), borrowers under residential and commercial mortgages and other loans, reinsurers to which the Group has ceded insurance risks, customers, trading counterparties, and counterparties under swap and other derivative contracts. The Group also executes transactions with other counterparties in the financial services industry, including brokers and dealers, commercial and investment banks, hedge funds and other investment funds, insurance groups and institutions. Many of these transactions expose the Group to credit risk in the event of default of its counterparty.

In addition, with respect to secured transactions, the Group's credit risk may be increased when the collateral held by it cannot be realised or is liquidated at prices insufficient to recover the full amount of the loan or other value due. The Group also has exposure to financial institutions in the form of unsecured debt instruments and derivative transactions. Such losses or impairments to the carrying value of these assets could materially and adversely affect the Group's financial condition and results of operations.

The Group uses reinsurance and hedging programmes to hedge various risks, including certain guaranteed minimum benefits contained in many of its long-term insurance and fund management products. These programmes cannot eliminate all the risks and no assurance can be given as to the extent to which such programmes will be effective in reducing such risks. The Group enters into a variety of derivative instruments, including options, forwards, interest rate and currency swaps, with a number of counterparties. The Group's obligations under its fund management and life products are not changed by its hedging activities and the Group is liable for its obligations even if its derivative counterparties do not pay. Defaults by such counterparties could have a material adverse effect on the Group's financial condition and results of operations.

The Group is also susceptible to an adverse financial outcome from a change in third-party credit standing. As well as having a potential impact on asset values and, as a result, the Group's financial condition and results of operations, credit rating movements can also impact its solvency position where regulatory capital requirements are linked to the credit rating of the investments held. Such movements could impact on the Group's solvency, profitability and shareholders' equity.

Market risks relating to the Group's business

Changes in interest rates may cause policyholders to surrender their contracts, reduce the value of the Group's investment portfolio and may have an adverse impact on its asset and liability matching, which could adversely affect the Group's results of operations and financial condition.

Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, inflationary factors, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the Group's control.

The Group's exposure to interest rate risk relates primarily to the market price and cash flow variability of assets and liabilities associated with changes in interest rates.

Some of the Group's products, principally traditional participating products, universal life insurance and annuities expose it to the risk that changes in interest rates will reduce the Group's 'spread', or the difference between the amounts that the Group is required to pay under the contracts and the rate of return it is able to earn on investments intended to support obligations under the contracts. The Group's spread is a key component of its net income.

As interest rates decrease or remain at low levels, the Group may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing the Group's investment return. Moreover, borrowers may prepay or redeem the fixed-income securities, commercial mortgages and mortgage-backed securities in the Group's investment portfolio with greater frequency in order to borrow at lower market rates which increases this risk. Lowering interest crediting or policyholder bonus rates can help offset decreases in investment margins on some products. However, the Group's ability to lower these rates could be limited by competition or by contractually guaranteed minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, the Group's spread could decrease or potentially become negative. The Group's expectation for future spreads is an important component in the amortisation of policy acquisition costs and significantly lower spreads may cause it to accelerate amortisation, thereby reducing net income in the affected reporting period. In addition, during periods of declining interest rates, the guarantees within existing life insurance and annuity products may be more attractive to consumers, resulting in increased premium payments on products with flexible premium features, and a higher percentage of insurance policies remaining in force from year to year, during a period when the Group's new investments carry lower returns. Accordingly, during periods of declining interest rates, profitability may suffer as the result of a decrease in the spread between interest rates credited to policyholders and returns on the Group's investment portfolio.

Increases in market interest rates could also negatively affect the Group's profitability. This could arise as the accommodative monetary policies of central banks, in particular the U.S. Federal Reserve and the Bank of England, are wound down or stopped. Surrenders of life insurance policies and fixed annuity contracts may increase as policyholders seek higher returns and higher guaranteed minimum returns. Obtaining cash to satisfy these surrenders may require the Group to liquidate fixed maturity investments at a time when market prices for those assets are depressed which may result in realised investment losses. Regardless of whether the Group realises an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease the Group's net income. Premature withdrawals may also cause the Group to accelerate amortisation of policy acquisition costs, which would also reduce the Group's net income.

The Group's mitigation efforts with respect to interest rate risk are primarily focused on maintaining an investment portfolio with diversified maturities that has a weighted average duration approximately equal to the duration of the Group's estimated liability cash flow profile. However, it may not be possible to hold assets that will provide cash flows to exactly match those relating to policyholder liabilities, in particular in jurisdictions with less developed bond markets and in certain markets where regulated surrender value or maturity values are set with reference to the interest rate environment prevailing at the time of policy issue. This is due to the duration and uncertainty of the liability cash flows and the lack of sufficient assets of suitable duration. This results in a residual asset/liability mismatch risk that can be managed but not eliminated. In addition, the Group's estimate of the liability cash flow profile may be inaccurate for other reasons, such as varying mortality, morbidity or general insurance claims, and the Group may be forced to liquidate investments prior to maturity at a loss in order to cover the liability. Such a loss could have a material adverse effect on the Group's results of operations and financial condition.

Changes in short or long-term inflation may cause policyholders to surrender their contracts, increase the size of the Group's claims payments and expenses and reduce the value of its investments, which could adversely affect the Group's results of operations and financial condition.

The Group is subject to inflation risk through its holdings of fixed interest and other investments and as a result of the potential for the cost of claims and expenses to rise faster than anticipated in the

Group's pricing or reserving. Changes in inflation could also affect the value perceived to be offered by the Group's policies and so adversely affect persistency levels.

Falls in equity or property prices could have an adverse impact on the Group's investment portfolio and impact on its results of operations and shareholders' equity.

The Group is subject to equity and property price risk due to holdings of equities and investment properties in a variety of locations worldwide. Downturns in equity markets will depress equity prices and have a negative impact on the Group's capital position in that unrealised losses in its net investment portfolio will increase, and the Group's defined benefit pension scheme surplus/deficit will reduce/increase as the market value of scheme assets invested in equities decreases.

Downturns and volatility in equity markets can have a material adverse effect on the revenues and returns from the Group's unit-linked, participating and fund management business. The unit-linked and fund management business depends on fees related primarily to the value of assets under management and would therefore be reduced by declines in equity and property markets. Profit could also be reduced as a result of current investors withdrawing funds or reducing their rates of ongoing investment with the Group's fund management companies, or switching to lower risk funds generating lower income, or as a result of the Group's fund management companies failing to attract funds from new investors. Similarly, bonuses credited to participating policyholders will reduce following declines in equity and property markets and this will generally also lead to reductions in transfers to shareholders.

Downturns in equity markets may also have a material adverse effect on the Group's regulatory capital surplus as measured under the EU Insurance Groups Directive and under the Individual Capital Assessment required by the PRA in the UK. The Group provides certain guarantees within some of its products that protect policyholders against significant downturns in the equity markets. In volatile or declining equity market conditions, the Group may need to increase liabilities for future policy benefits and policyholder account balances, negatively affecting net income.

For property investment, the Group is subject to counterparty, valuation and liquidity risks. These investments may be adversely affected by weakness in property markets and increased mortgage delinquencies. The Group is also subject to property risk indirectly in its investments in residential mortgage-backed securities and commercial mortgage-backed securities and covered bonds. There is the risk that the underlying collateral may fall in value causing the investment in securities to fall in value. The markets for these property investments and instruments can become illiquid, and issues relating to counterparty credit ratings and other factors may increase pricing and valuation uncertainties. The Group is indirectly exposed to property risk through its UK commercial finance lending.

Fluctuations in currency exchange rates may adversely affect the Group's results of operations and financial condition.

The Group operates internationally and is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. The Group's premium income from continuing operations and its net assets are denominated in a variety of currencies, of which the largest are the euro, sterling and Canadian dollar. In managing the Group's foreign currency exposures, it does not hedge revenues as these are substantially retained locally to support the growth of the business and meet local regulatory and market requirements. Nevertheless, the effect of exchange rate fluctuations on local operating results could lead to significant fluctuations in the Group's consolidated financial statements upon translation of the results into sterling. Although the Group takes certain actions to address this risk, foreign currency exchange rate fluctuation could materially adversely affect the Group's reported results due to unhedged positions or the failure of hedges to effectively offset the impact of the foreign currency exchange rate fluctuation. Any adverse foreign currency exchange fluctuation may also have a material adverse effect on the Group's regulatory capital surplus based on the EU Insurance Groups Directive and under the Individual Capital Assessment required by the PRA in the UK.

Market fluctuations may cause the value of options and guarantees embedded in some of the Group's life insurance products to exceed the value of the assets backing their reserves, which could adversely affect the Group's results of operations or financial condition.

As a normal part of their operating activities, various Group companies have given guarantees and options, including interest rate and investment return guarantees, in respect of certain long-term insurance and fund management products. In providing these guarantees and options, the Group's capital position is sensitive to fluctuations in financial variables, including foreign currency exchange rates, interest rates, property values and equity prices.

Interest rate guaranteed returns, such as those available on guaranteed annuity options ("GAOs"), are sensitive to interest rates falling below the guaranteed level. Other guarantees, such as maturity value guarantees and guarantees in relation to minimum rates of return, are sensitive to fluctuations in the investment return below the level assumed when the guarantee was made.

Periods of significant and sustained downturns in equity markets, increased equity volatility or reduced interest rates could result in an increase in the valuation of the future policy benefit or policyholder account balance liabilities associated with such products, resulting in a reduction to net income. The Group uses reinsurance in combination with derivative instruments to mitigate some of the liability exposure and the volatility of net income associated with these liabilities, and while the Group believes that these and other actions mitigate the risks related to these benefits, it remains liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay.

The Group is also subject to the risk that the cost of hedging these guaranteed minimum benefits increases, resulting in a reduction to net income. In addition, the Group is subject to the risk that unanticipated policyholder behaviour or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed. These, individually or collectively, may have a material adverse effect on the Group's results of operations, financial condition or liquidity.

Asset management risks relating to the Group's business

The Group's fund management business may be affected by the poor investment performance of the funds it manages.

Poor investment returns in the Group's investment management business, due to either general market conditions or underperformance (relative to competitors or to benchmarks) by funds or accounts that the Group manages, may adversely affect its ability to retain existing assets and to attract new clients or additional assets from existing clients. The ability of the Group's investment team to deliver strong investment performance depends in large part on the team's ability to identify appropriate investment opportunities in which to invest client assets. If the investment team for any of the Group's strategies is unable to identify sufficient appropriate investment opportunities for existing and new client assets on a timely basis, the investment performance of the strategy could be adversely affected. The risk that sufficient appropriate investment opportunities may be unavailable is influenced by a number of factors, including general market conditions. This could adversely affect the management and incentive fees that the Group earns on assets under management.

Failure to comply with client contractual requirements and/or guidelines could result in damage awards against the Group and its fund management operations and loss of revenues due to client terminations.

When clients retain the Group to manage assets on their behalf, the Group must comply with contractual obligations and guidelines agreed with such clients in the provision of its services. A failure to comply with these guidelines or contractual requirements could result in damage to the Group's reputation or in its clients seeking to recover losses, withdrawing their funds or terminating their contracts, any of which could cause the Group's revenues and earnings to decline.

Failure to manage risks in operating securities lending of Group and third party client assets could adversely affect the Group's results of operations and financial condition and for its fund management operations lead to a loss of clients and a decline in revenues and liquidity.

In operating securities lending of Group and third party client assets, the Group's fund management operations must manage risks associated with (i) ensuring that the value of the collateral held against the securities on loan does not decline in value or become illiquid and that the Group's nature and value complies with regulatory requirements and investment requirements; (ii) the potential that a borrower defaults or does not return a loaned security on a timely basis; and (iii) errors in the settlement of securities, daily mark-to-market valuations and collateral collection. The failure of the Group's fund management controls to mitigate these risks could result in financial losses for the Group and third party clients that participate in the Group's securities lending programmes.

Liquidity risks relating to the Group's business

Adverse capital and credit market conditions may adversely affect the Group's financial flexibility in addressing liquidity needs, as well as access to and the cost of capital which could adversely affect the Group's results of operations or financial condition.

At Group level, the Group needs some of its invested assets to be liquid to pay its operating expenses, taxes, interest on its debt, dividends on its capital stock and to repay maturing debt. At an operational level the Group also needs liquidity to meet insurance claims. Without sufficient liquidity, the Group could be forced to curtail its operations and its business would suffer. The principal sources of the Group's liquidity are insurance premiums, annuity considerations, deposit funds and cash flow from its investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. Sources of liquidity in normal markets also include a variety of short and long-term instruments, including repurchase agreements, commercial paper, medium and long-term debt, junior subordinated debt, securities, capital securities and stockholders' equity.

The Group holds certain investments that may lack liquidity such as privately placed fixed-maturity securities, and unlisted equities. The valuations of such assets are based on inputs which are not directly observable in the market. The inputs used reflect the assumptions that the Group considers market participants would normally use based on a combination of independent third party evidence and internally developed models, intended to be calibrated to market observable data where possible. These are known as Level 3 asset classes in the Group's fair value hierarchy. As has been the case across the industry, even some higher-quality assets have been more illiquid as a result of the recent challenging market conditions.

The reported value of the Group's relatively illiquid types of investments, its investments in the asset classes described in the paragraph above and, at times, the Group's higher-quality, generally liquid asset classes, do not necessarily reflect the lowest current market price for the asset. If the Group was forced to sell certain of its assets in the current market, there can be no certainty that the Group would be able to sell them for the prices at which it has recorded them and the Group may be forced to sell them at significantly lower prices.

The Group may refinance existing financing arrangements and may, in exceptional circumstances, need to seek additional financing to supplement liquidity available from internal resources. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to the financial services industry and the market's perception of the Group's financial condition. Disruptions and uncertainty or volatility in the capital and credit markets, as has been experienced in the last few years, in particular throughout the eurozone, may exert downward pressure on availability of liquidity and credit capacity for certain issuers and, if access to liquidity is constrained for a prolonged period of time, may limit the Group's access to capital required to operate and grow its business at a sustainable cost. Although the Group does not currently anticipate any severe disruptions to the capital and credit markets, there can be no assurance that any disruption will not arise. Such market conditions may limit the Group's ability to replace maturing debt in a timely manner, satisfy statutory capital requirements and generate fee income and market related revenue to meet liquidity needs.

As such, the Group may be forced to reduce its dividends, delay raising capital, issue shorter-term securities than the Group prefers, or bear an unattractive cost of capital which could decrease profitability and reduce financial flexibility. The Group's results of operations, financial condition and cash flows could be materially adversely affected.

As a holding company, the Issuer is dependent over the medium to long term on the Group's operating subsidiaries to cover operating expenses and dividend payments.

As a holding company, the Issuer has no substantial operations of its own. Its principal sources of funding are dividends from subsidiaries, shareholder-backed funds and any amounts that may be raised through the issuance of debt and commercial paper. The Group's insurance and fund management operations are generally conducted through direct and indirect subsidiaries. Certain subsidiaries have regulatory restrictions that may limit the payment of dividends and could prompt a decision to inject capital, which in some more adverse circumstances and over the longer term could limit the Group's ability to pay dividends to shareholders. This could have a material adverse impact on the Group's business.

A requirement to pay down intercompany indebtedness early could have negative consequences for the Group's business and results of operations.

An intercompany loan from the Group's UK general insurance company, Aviva Insurance Limited, to the Group's holding company, Aviva Group Holdings Limited, was established in February 2013 (the balance of which was £3.2 billion as at 31 December 2014). The Group has agreed with the board of Aviva Insurance Limited an appropriate target for the long-term level of this loan as part of Aviva Insurance Limited's capital structure. That level has been set such that Aviva Insurance Limited places no reliance on the loan to meet its stressed insurance liabilities, as assessed on a 1:200 basis. The Group's prudential regulator, the PRA, has agreed to this approach. This objective is not expected to change as a result of the Acquisition (as defined below) and plans to reduce the internal loan to approximately £2.2 billion by the end of 2015 currently satisfy this objective. However, a requirement to reduce the loan more rapidly or to a greater extent than planned, including accelerating the cash repayment of the loan, for example following a loss or deterioration in the capital position of Aviva Insurance Limited, could have negative consequences for the Group's business and results of operations and, in particular, could impact on the ability of Aviva Insurance Limited to remit dividends to the Group.

Insurance risks relating to the Group's business

The cyclical nature of the insurance industry may cause fluctuations in the Group's results.

Historically, the insurance industry has been cyclical and operating results of insurers have fluctuated because of volatile and sometimes unpredictable developments, many of which are beyond the direct control of any insurer. Although the Group has a geographically diverse group of businesses providing a wide range of products, it expects to experience the effects of this cyclical nature, including changes in sales and premium levels. The unpredictability and competitive nature of the general insurance business has contributed historically to significant quarter-to-quarter and year-to-year fluctuations in underwriting results and net earnings.

The use of inaccurate assumptions in pricing and reserving for insurance business may have an adverse effect on the Group's business profitability.

The Group's life insurance companies are required to make a number of assumptions in relation to the business written, including the mortality and morbidity rates of its customers (the proportion of customers dying or falling sick or recovering from illness), the development of interest rates, persistency rates (the proportion of customers retaining existing policies and continuing to pay premiums up to their maturity dates), the exercise by customers of options included within their policies and future levels of expenses. By their nature, these assumptions may prove to be incorrect.

When establishing their liabilities, the Group's life insurance companies allow for changes in the assumptions made, monitor their experience against the actuarial assumptions used and assess the information gathered to refine their long-term assumptions, together with taking actual claims experience into account. However, it is not possible to determine precisely the total amounts that will ultimately be paid under the policies written by the business as amounts may vary from estimates. Changes in assumptions may also lead to changes in the level of capital required to be maintained, meaning that the Group may need to increase the amount of its reserves. This could have a material adverse impact on the Group's value, the results of its operations and financial condition.

Additionally, the Group's management of the general insurance business requires the general insurance companies to make a number of assumptions in relation to the business written. These assumptions include the costs of writing the business and settling claims, and the frequency and severity of claims. The assumptions may turn out to be incorrect, thereby adversely impacting on the Group's profit. Additionally, man-made disasters, including accidents and intentional events, are particularly difficult to predict with a high degree of accuracy. These would also have an adverse impact on the Group's profit due to higher than expected claims.

Furthermore, outstanding claims provisions for the general insurance business are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with related claims handling costs. Any provisions for re-opened claims are also included. A range of methods, including stochastic projections, may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement pattern of claims.

If the assumptions underlying the reserving basis were to prove incorrect, the Group might have to increase the amount of the general insurance provisions, which would adversely impact its financial condition or results of operations.

The Group has a significant exposure to annuity business and a significant life insurance risk is associated with longevity.

Longevity statistics are monitored in detail, compared with emerging industry trends, and the results are used to inform both the reserving and pricing of annuities. It is likely that uncertainty will remain in the development of future longevity that cannot be mitigated.

A strengthening in the longevity assumption, either to reflect changes in the underlying life expectancy (for example, as a result of healthier lifestyles, improved screening programmes or increased availability or effectiveness of medical treatments) of the population or of the Group's particular portfolio used to calculate its long-term business liabilities, would result in an increase in these reserves and reduce shareholders' equity.

If the Group's business does not perform well or if actual experience versus management estimates used in valuing and amortising Deferred Acquisition Costs ("DAC") and Acquired value of in-force business ("AVIF") varies significantly, it may be required to accelerate the amortisation and/or impair the DAC and AVIF which could adversely affect the results of operations or financial condition.

The Group incurs significant costs in connection with acquiring new and renewal business. Those costs that vary with and are driven by the production of new and renewal business are deferred and referred to as DAC. The recovery of DAC is dependent upon the future profitability of the related business. The amount of future profit or margin is dependent principally on investment returns in excess of the amounts credited to policyholders, mortality, morbidity, persistency and expenses to administer the business. Of these factors, investment margins and general insurance underwriting profit are most likely to impact the rate of amortisation of such costs. The aforementioned factors enter into management's estimates of gross profit or margins, which generally are used to amortise such costs. If the estimates of gross profit or margins were overstated, then the amortisation of such costs would be accelerated in the period the actual amount is known and would result in a charge to income. Significant or sustained equity market declines could result in an acceleration of amortisation of the DAC related to unit-linked business, resulting in a charge to income. Such adjustments could have a material adverse effect on the results of operations or financial condition.

AVIF reflects the estimated present value of future profit that will emerge over the remaining life of certain in-force contracts in a life insurance company, acquired either directly or through the purchase of a subsidiary, and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the insurance and investment contracts in-force at the acquisition date. AVIF is based on actuarially determined projections. Actual experience may vary from the projections. Revisions to estimates result in changes to the amounts expensed in the reporting period in which the revisions are made and could result in impairment and a charge to income. Where AVIF is amortised, an acceleration of the amortisation of AVIF would occur if the estimates of gross profit or margins were overstated in the period in which the actual experience is known and would result in a charge to net income. Such adjustments could have an adverse effect on the Group's results of operations or financial condition.

Catastrophic events, which are often unpredictable by nature, could result in material losses and abruptly and significantly interrupt the Group's business activities.

The Group's business is exposed to volatile natural and man-made disasters such as pandemics, hurricanes, windstorms, earthquakes, terrorism, riots, fires and explosions. Such events may not only affect insurance claims, but could also adversely impact investment markets and cause declines in the value of the Group's investment portfolio. Over the past several years, changing weather patterns and climatic conditions have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposure.

The Group's life insurance operations are exposed to the risk of catastrophic mortality, such as a pandemic or other event that causes a large number of deaths. The effectiveness of external parties, including governmental and non-governmental organisations, in combating the spread and severity of such a pandemic could have a material impact on the losses experienced by the Group.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to small geographic areas; however, pandemics, hurricanes, earthquakes and man-made catastrophes may produce significant damage in larger areas, especially those that are heavily populated. Catastrophic events could also harm the financial condition of the Group's reinsurers and thereby increase the probability of default on reinsurance recoveries and could also reduce the Group's ability to write new business. Furthermore, pandemics, natural disasters, terrorism and fires could disrupt the Group's operations and result in significant loss of property, key personnel and information about the Group's clients and its business if the Group's business continuity plans fail to cope with the scale or nature of the catastrophe. Such events could adversely affect the Group's business, results of operations, corporate reputation and financial condition for a substantial period of time.

Furthermore, market conditions beyond the Group's control determine the availability and cost of the reinsurance protection it purchases. Accordingly, the Group may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect the Group's ability to write future business.

Operational risks relating to the Group's business

All of the Group's businesses are subject to operational risks, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events.

The Group's business is dependent on processing a large number of complex transactions across numerous and diverse products. Furthermore, the long-term nature of the majority of the Group's business means that accurate records have to be maintained for significant periods.

The Group's systems and processes on which it is dependent to serve its customers are designed to identify appropriately and address the operational risks associated with the Group's activities. However, they may nonetheless fail due to IT malfunctions, human error, intentional disruption or hacking of IT systems by third parties, business interruptions, non-performance by third parties or other external events. This could disrupt business operations resulting in material reputational damage and the loss of customers, and have a consequent material adverse effect on the Group's results of operations and financial condition. Although the Group has taken steps to upgrade systems and processes to reduce these operational risks, the Group cannot anticipate the details or timing of all possible operational and systems failures which may adversely impact its business, nor, can the Group anticipate the possible operational and systems failures that may arise in the context of Friends Life's equivalent systems and processes, including those which are outsourced by Friends Life.

The Group's businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of "rogue traders" or other employees. It is not always possible to deter employee misconduct, and the precautions the Group takes to prevent and detect this activity may not always be effective.

The Group's risk management methods may leave it exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities. In particular, the Group's risk mitigation strategies may prove less effective than anticipated, including in relation to the Group's reinsurance arrangements.

The Group has in place risk management policies, procedures and assessment methods to identify, assess and control risks to avoid or limit potential losses or liabilities. However, such policies, procedures and assessment methods may not be fully effective in identifying and mitigating the risk exposure of such businesses in all market environments or against all types of risk. Unanticipated or incorrectly quantified risk exposures and/or inadequate or incorrect responses to these risk exposures could result in a material adverse effect on the Group's business, results of operations and/or financial condition.

The Group employs a range of risk mitigation strategies including the use of equity, interest rate and credit derivatives and reinsurance arrangements to reduce market, credit and insurance risk. A range of different modelling approaches are used to derive and evaluate the strategies adopted. The breakdown of the assumptions used in these modelling approaches, which may occur during market dislocations, could cause these risk mitigation strategies to be less effective than anticipated and thereby adversely affect the Group's financial condition and results of operations.

The Group currently uses the reinsurance markets primarily to limit its risk, to support growth and to manage the Group's capital more efficiently. The Group is exposed to concentrations of risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The Group operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used and applying strict limits to each reinsurer. Reinsurance exposures are aggregated with other exposures to ensure that the overall counterparty risk is within the Group's risk appetite. The Group's asset and liability management and risk functions have an active monitoring role with escalation to the Chief Financial Officer, the Group's asset liability committee and the Board's risk committee as appropriate. The Group's largest reinsurance exposure is to BlackRock Life Ltd (including subsidiaries) in respect of a range of unit-linked pension funds. At 31 December 2014, Aviva plc and Friends Life held reinsurance assets recoverable, including debtor balances, from BlackRock Life Ltd of £2,048 million and £8,989 million respectively. Whilst the risk is remote due to the nature of the arrangement and the counterparty, the Group is currently considering alternative ways to structure the agreements with BlackRock to reduce or remove this exposure.

Reductions in risk appetite among reinsurers may result in changes in price or willingness to reinsure certain risks, which could have a material adverse effect on the Group's results of operations or financial condition. If reinsurers do not offer to renew their products and services, in whole or in part, for any reason, there is a risk that the Group may be unable to procure replacement cover for any reinsurance agreements terminated at rates equivalent to those of the terminated cover, or at all, and the Group may be exposed to un-reinsured losses during any interim period between termination of the existing agreements and the start of any replacement cover.

While reinsurance makes the assuming reinsurer liable to the Group to the extent of the risk ceded, it does not discharge the Group from its primary obligation to pay under an insurance policy for losses incurred. The Group is therefore subject to credit risk with respect to its current and future reinsurers. The insolvency of any reinsurers or their inability or refusal to pay claims under the terms of any of their agreements with the Group could therefore have a material adverse effect on the Group. Collectability of reinsurance is largely a function of the solvency of reinsurers. Significant reinsurance purchases are reviewed annually by the Group to verify that the levels of protection being bought reflect any developments in exposure and the Group's risk appetite.

There is a risk that customer data could be lost or misused.

As a financial services group, the Group maintains significant amounts of sensitive customer data. Despite the controls put in place, there remains a risk that this data could be lost and or misused as a result of an intentional or unintentional act by parties internal or external to the Group. This could result in fines, the need to compensate customers, the cost of remediation and a negative impact on the Group's reputation with the consequential impact on sales volumes, persistency levels, and third party managed funds, and hence adversely impact the Group's results of operations.

The Group operates in several markets through arrangements with third parties, and this may expose the Group to additional risks.

The Group's ability to exercise management control over its partnership operations, its joint ventures and its investment in them depends on the terms of the legal agreements. In particular, the relationships depend on the allocation of control among, and continued co-operation between, the participants.

The Group may also face financial or other exposure in the event that any of its partners fail to meet their obligations under the agreement or encounter financial difficulty. Partnership agreements may also be terminated on certain dates or subject to certain conditions and could be subject to renewal on less favourable terms. In addition, a significant proportion of the Group's product distribution, such as bancassurance, is carried out through arrangements with third parties not controlled by the Group and is dependent upon the continuation of these relationships. A temporary or permanent disruption to these distribution arrangements could affect the Group's financial condition. Some of these arrangements require the Group's third-party partners to participate in and provide capital to the Group's joint venture, associate and subsidiary undertakings. The Group's partners may change their strategic priorities or encounter financial difficulties preventing them from providing the necessary capital to promote future growth.

In addition, the Group outsources certain customer service, technology and legacy policy administration functions to third parties and may do so increasingly in the future. If the Group does not effectively develop, implement and maintain its outsourcing strategy, third-party providers do not perform as anticipated or the Group experiences technological or other problems with a transition to or between such providers, the Group may not realise the full extent of productivity improvements or administration and cost efficiencies and, as a result, may experience operational difficulties, increased costs and a loss of business. In particular, failings by the Group's outsource partners to perform outsourced functions, or to perform them to the required standards, may adversely affect the Group's reputation and lead to the loss of customers and operating profit or to regulatory fines.

The Group's fund management operation depends on a number of key vendors, in particular BlackRock and JP Morgan, for various fund administration, accounting, valuations, custody and transfer agent roles and other operational needs. The failure or inability to diversify sources for key services or the failure of any key vendors to fulfil their obligations could lead to operational issues for the Group and in certain products, which could result in financial losses for the Group and its clients.

The failure to attract or retain the necessary personnel could have a material adverse effect on the Group's results and/or financial condition.

As a global financial services organisation with a decentralised management structure, the Group relies to a considerable extent on the quality of local management in the countries in which it operates. The success of the Group operations is dependent, among other things, on its ability to attract and retain highly qualified professional employees. Competition for such key employees is intense. The Group's ability to attract and retain key employees is dependent on a number of factors, including prevailing market conditions, working environment and compensation packages offered by companies competing for the same talent.

There are inherent funding risks associated with the Group's participation in defined benefit staff pension schemes.

The Group operates both defined benefit and defined contribution staff pension schemes. In the UK, it operates three main pension schemes: the Aviva Staff Pension Scheme ("ASPS"), the Friends Provident Pension Scheme ("FPPS") and the RAC (2003) Pension Scheme. The defined benefit section of the ASPS was closed to new members in 2002 other than on an exceptional basis, and closed to future accruals for all existing members from 1 April 2011. The FPPS has been closed to new members since July 2007 and closed to active membership on 31 December 2012. The defined benefit section of the RAC (2003) Pension Scheme was also closed to new members and closed to future accrual in April 2011.

Closure of the defined benefit schemes removes some of the volatility associated with additional future accrual for active members.

There are still inherent funding risks associated with the defined benefit schemes. Events could result in a material reduction in the funding position of such schemes and may result in a materially increased deficit between the pension scheme's assets and liabilities. The factors that affect the scheme's position include: poor performance of pension fund investments; greater life expectancy than assumed; adverse changes in interest rates or inflation or discount rates; and other events occurring that increase the costs of past service benefits over the amounts predicted in the actuarial assumptions. In the short term, the funding position is inherently volatile due to movements in the market value of assets. Where a funding deficit or surplus arises, the position will be discussed with the scheme trustees to agree appropriate actions. This may include a plan to fund the deficit over a period of years. Any surplus or deficit in the defined benefit pension scheme will affect shareholders' equity, although the IFRS position may diverge from the scheme funding position.

The UK pension schemes are subject to statutory requirements with regards to funding and other matters relating to the administration of the schemes. Compliance with these requirements is subject to regular review. A determination that the Group has failed to comply with applicable regulations could have an adverse impact on the Group's results of operations or its relationship with current and potential contributors and employees, and adverse publicity.

The determination of the amount of allowances and impairments taken on the Group's investments is highly subjective. The Group's process for valuing investments may include methodologies, estimations and assumptions which require judgement and could result in changes to investment valuations. If the Group's business does not perform well, it may be required to recognise an impairment of the Group's goodwill or intangibles with indefinite and finite useful lives, which could adversely affect the Group's results of operations or financial condition.

The determination of the amount of allowances and impairments varies by investment type and is based upon the Group's periodic evaluation and assessment of known risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available and additional impairments may need to be taken or allowances provided for in the future. If the carrying value of an investment is greater than the recoverable amount, the carrying value is reduced through a charge to the income statement in the period of impairment. There can be no assurance that management has accurately assessed the level of impairments taken and allowances reflected in the Group's financial statements.

The Group values its Fair Value securities using designated methodologies, estimations and assumptions. These securities, which are reported at fair value on the consolidated statement of financial position, represent the majority of the Group's total cash and invested assets. The Group has categorised the measurement basis for assets carried at fair value into a 'fair value hierarchy' in accordance with the valuation inputs and consistent with IFRS 13: Fair Value Measurement. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1); the middle priority to fair values other than quoted prices based on observable market information (Level 2); and the lowest priority to unobservable inputs that reflect the assumptions that the Group considers market participants would normally use (Level 3). The majority of the Group's financial assets are valued based on quoted market information (Level 1) or observable market data (Level 2). At 31 December 2014, 17 per cent. of Aviva's total financial investments, loans and investment properties at fair value were classified as Level 3, amounting to £40,459 million. At the same time, Friends Life's total financial investments, loans and investment properties at fair value classified as Level 3 represented 6% of Friends Life's total financial investments, amounting to £6,014 million. Where estimates were used for inputs to Level 3 fair values, these were based on a combination of independent third-party evidence and internally developed models, intended to be calibrated to market observable data where possible.

An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to the Group's valuation.

Goodwill represents the excess of the amounts paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. The Group tests goodwill and intangible assets with indefinite useful lives at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. The Group tests intangibles with finite lives when circumstances or events indicate there may be uncertainty over this value. For impairment testing, goodwill and intangibles have been allocated to cash-generating units by geographical reporting unit and business segment.

The fair value of the reporting unit is impacted by the performance of the business. Goodwill, negative unallocated divisible surplus and indefinite life intangibles are written down for impairment where the recoverable amount is insufficient to support the Group's carrying value. Such write downs could have a material adverse effect on the Group's results of operations or financial condition.

Systems errors or regulatory changes may affect the calculation of unit prices or deduction of charges for unit-linked products which may require the Group to compensate customers retrospectively.

A significant proportion of the Group's product sales are unit-linked contracts, where product benefits are linked to the prices of underlying unit funds. While comprehensive controls are in place, there is a risk of error in the calculation of the prices of these funds due to human error in data entry, IT-related issues or other causes. Additionally, it is possible that policy charges which are deducted from these contracts are taken incorrectly, or the methodology is subsequently challenged by policyholders or regulators and changed retrospectively. Any of these can give rise to compensation payments to customers. Controls are in place to mitigate these risks, but errors could give rise to future liabilities. Payments due to errors or compensation may negatively impact the Group's results of operations or financial condition.

Moves to simplify the operating structure and activities of the Group increases the reliance placed on core businesses and is subject to execution risk.

As part of the Group's move to a more simplified structure, a number of business disposals and operational restructures have taken place, and may continue to occur in the future. This includes the potential sale of a number of non-core businesses. These changes are expected to reduce the operational costs of the Group and allow resources to be re-deployed in more capital efficient businesses. There is a risk that these expected benefits may not be realised. These changes may reduce operating profit in the short-term and will lead to changes in the geographical and product risk profile of the Group. The execution risk including the risks relating to securing the regulatory approvals necessary to complete the Group's planned business disposals, could result in the failure to achieve cost savings, the loss of key staff, and disruption to core business activities and governance structures which could have a material adverse effect on the Group's business, results of operations and financial condition.

Execution risk is inherent in the completion of all strategic transactions. Such risks include uncertainty in relation to obtaining the required regulatory approvals on satisfactory terms for the change of control envisaged by such transactions. Such execution risk gives rise to a corresponding potential impact on capital requirements and liquidity.

The Group is reliant on IT systems and there are risks that its current and legacy systems cannot be made to adapt to growth in the business or new styles of doing business.

Key IT initiatives may not deliver what is required either on time or within budget or provide the performance levels required to support the current and future needs of the business. Significant resources are devoted to maintaining and developing IT systems to keep pace with developments within the insurance and fund management industries and to maintain service levels and availability at acceptable levels. Failure to do so could result in the inability to gather information for pricing, underwriting and reserving, to attract and retain customers or meet regulatory requirements or only to do so at excessive cost.

Risk relating to the execution of the Group's strategy, and corporate disposals and acquisitions, including specifically the Acquisition

The Group's acquisitions, disposals and other corporate transactions may not realise expected benefits and may divert management attention and other resources and involve risks of undisclosed liabilities and integration or separation issues.

In past years, the Group has completed a number of acquisitions. On 13 April 2015 the Group announced the completion of the Acquisition, and the Group may undertake further acquisitions in the future. Growth by acquisition involves risks that could adversely affect the Group's operating results, including the substantial amount of management time and other resources that may be diverted from operations to pursue and complete acquisitions, or risks of undisclosed liabilities or integration or separation issues. The integration of any future acquisition may not be successful or in line with the Group's expectations and any acquired businesses may fail to achieve, in the near or long term, the financial results projected or the strategic objectives of the relevant acquisition (such as cost savings or synergies) and, once acquired, may continue to divert further management attention and resources or necessitate changes in group strategy. The inability to realise expected benefits from such transactions may adversely affect the Group's results of operations. In addition, the Group has in the past undertaken disposals of certain businesses.

The Group may also dispose of other businesses in the future. Any disposals are subject to execution risk and may fail to materialise, and the proceeds received from them may not reflect values that management believes are achievable and/or may cause substantial accounting losses (particularly if the disposals are done in difficult market conditions), each of which may result in the Group's failure to realise the anticipated benefits and gains from any such disposal. In addition, disposals of businesses, which may be cash generative and profitable, may adversely affect the Group's short term cash flows until the medium to long term strategic benefits of such disposals are realised, as well as gives rise to a corresponding potential impact on capital requirements and liquidity. Preparation of businesses for disposal, and the disposal process more generally, may divert management time and attention away from the operation of the business in the ordinary course and may be disruptive to the business. The Group retains a residual exposure in respect of disposed business as a result of any representations, warranties or indemnities provided.

The implementation of the Group's strategy may not proceed as expected.

The Group's strategy, which may be revised from time to time, may involve carrying on business in new markets, developing capabilities to carry out new business activities, expanding or reducing the scope of certain types of business activities or products and reorganising the Group in a manner which is appropriate for such business development changes, taking into account legal, regulatory, operational, capital and other requirements. The implementation of any strategy, changes in strategy, adoption of any new strategy and/or entry into new markets could entail significant changes in the Group's business which may entail higher levels of risk or could adversely affect the results of operations, the financial condition and/or the credit and financial strength ratings of the Group.

The Group may be unable to execute, or may encounter difficulties or delays in successfully executing, its business and strategic goals which are subject to the risks set out herein and other factors that are currently unforeseen and which may be beyond their control. Failure to achieve any or all strategic goals, or the encounter of undue delay or unforeseen costs in implementing such goals, could adversely affect the Group's results of operations and financial condition, as well as the Group's reputation and standing in the marketplace.

The Group's success will be dependent upon the Group's ability to integrate the business post-Acquisition; There will be numerous challenges associated with the integration and the synergies expected from the Acquisition may not be fully achieved.

The current operations of the Group and Friends Life are to be integrated to form the combined operations of the Group over a period of two to three years. To the extent that the Group is unable to efficiently integrate the operations, realise cost reductions, transfer existing Friends Life asset management contracts to Aviva Investors, retain qualified personnel or customers and avoid unforeseen costs or delay, there may be an adverse effect on the business, results of operations and/or the financial condition of the Group. While the Group believes that the costs and synergies expected to arise from the Acquisition have been reasonably estimated, unanticipated events or liabilities may arise which result in a delay or reduction in the benefits derived from the transaction, or in costs significantly in excess of those estimated. The integration of the Group and Friends Life will be supported by a strong management team with experience of large integration processes. However, no assurance can be given that the integration process will deliver all or substantially all of the expected benefits or realise such benefits in a timely manner.

The Group will encounter numerous integration challenges. In particular, following completion, the Group's management and resources may be diverted from its core business activity of administering the enlarged businesses due to personnel being required to assist in the integration process. The integration process may lead to an increase in the level of administrative errors. A decline in the service standards of the Group may result in an increase in customer complaints and customer and/or regulatory actions, which may lead to reputational damage and the loss of customers and/or distributors by the Group and have an adverse impact on financial performance and condition. Furthermore, whether as a result of a decision or action taken by a regulator with jurisdiction over the Group's business or otherwise, it may not prove possible to achieve the expected level of synergy benefits on integration of the businesses of the Group and Friends Life on time or at all and/or the cost of delivering such benefits may exceed the expected cost.

There will inevitably be a cost involved in revising the current systems and structures of the Group. There is a risk that these costs could exceed current estimates, which would adversely affect anticipated integration benefits.

During the integration period following admission to the Official List of the Group's new ordinary shares being issued in connection with the Acquisition, the Group may not be in a position to acquire other insurance and/or asset management related targets that it might otherwise have sought to acquire. In view of the demands the integration process may have on management time, it may also cause a delay in other projects currently contemplated by the Group.

Under any of these circumstances, the business growth opportunities, overhead functions consolidation benefits, purchasing and distribution benefits and other synergies anticipated by the Group and Friends Life to result from the Acquisition may not be achieved as expected, or at all, or may be delayed materially. To the extent that the Group incurs higher integration costs or achieves lower synergy benefits than expected, its results of operations, financial condition and/or prospects, and the price of new ordinary shares being issued in connection with the Acquisition, may be adversely affected.

Brand and reputation risks relating to the Group's business

The Group is rated by several rating agencies, and a decline in any of these ratings could affect its standing among customers, broker-dealers, agents, wholesalers and other distributors of the Group's products and services and cause the Group's sales and earnings to decrease.

A rating downgrade, or the perceived potential for such a downgrade, of the Issuer or any of its rated insurance subsidiaries may, among other things, materially increase the number of policy surrenders and withdrawals by policyholders of cash values from their policies. The outcome of such activities may be cash payments requiring the sale of invested assets, including illiquid assets, at a price that may result in realised investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a decrease in net income. Among other things, early withdrawals may also cause the Group to accelerate amortisation of policy acquisition costs, which would reduce net income. A rating downgrade may also impact sales volumes, particularly in Canada, where there is more focus by brokers on ratings when evaluating similar products. The ratings provided by AM Best and S&P are considered to be the most important for distribution in Canada, and a downgrade could lead to a significant loss of sales. A significant rating downgrade may also increase the Group's cost of borrowing or limit its access to some forms of financing.

Following completion of the Acquisition, S&P affirmed the Financial Strength Ratings of the pre-Acquisition Group and upgraded the Financial Strength Rating of Friends Life Limited from A- ("Creditwatch Positive") to A ("Positive"). Moody's upgraded the Financial Strength Rating of Friends Life Limited from A3 ("on review for upgrade") to A1 ("Negative") on completion of the Acquisition having affirmed the Financial Strength Ratings of the pre-Acquisition Group's main operating subsidiaries in December 2014. The Group is not aware of any specific possibility of a downgrade from any agency at present. Furthermore, neither the Group's issued debt instruments nor its revolving credit facilities contain restrictive covenants or other provisions that might be breached or triggered by rating downgrades. Accordingly, rating agency downgrades would not be expected to have a materially adverse impact on the Group's existing financing arrangements.

The Group is dependent on the strength of its brand, the brands of its partners and its reputation with customers and agents in the sale of the Group's products and services.

The Group's results are, to a certain extent, dependent on the strength of its brand and reputation. While the Group is well recognised, it is vulnerable to adverse market and customer perception. The Group operates in an industry where integrity, customer trust and confidence are paramount. The Group is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential client information, inadequate services, amongst others, whether true or not, could impact the Group's brand or reputation. The Group's brand and reputation could also be affected if products or services recommended by it (or any of its intermediaries) do not perform as expected (whether or not the expectations are founded) or in line with the customers' expectations for the product range. Such a change to the Group's brand strength could adversely affect its results of operations and financial condition.

The Group may not be able to protect its intellectual property and may be subject to infringement claims by a third party.

The Group's primary brand in the UK ("Aviva") is a registered trade mark in the UK and elsewhere. The Group owns other registered or pending trade marks in the UK, including Community trade marks having effect in the entire EU. The Group relies on a combination of contractual rights, copyright and trademark laws to establish and protect its intellectual property. Although the Group uses a broad range of measures to protect its intellectual property rights, third parties may infringe or misappropriate the Group's intellectual property. The loss of intellectual property protection or the inability to secure or enforce the protection of the Group's intellectual property assets could have a material adverse effect on the Group's business and its ability to compete.

Third parties may have, or may eventually be issued, patents or other protections that could be infringed by the Group's products, methods, processes or services or could limit its ability to offer certain product features. In recent years, there has been increasing intellectual property litigation in the financial services industry challenging, among other things, product designs and business processes. If a third party were to successfully assert an intellectual property infringement claim against the Group, or if the Group was otherwise precluded from offering certain features or designs, or utilising certain processes, it could have a material adverse effect on the Group's business, results of operation and financial condition.

The Group's businesses are conducted in highly competitive environments.

There are many factors which affect the Group's ability to sell its products, including fiscal incentives, price and yields offered, financial strength and ratings, range of product lines and product quality, brand strength and name recognition, service levels to customers, fund management performance and historical bonus levels. In some of the Group's markets, it faces competitors that are comparable in size, scope and brand recognition. In some markets, competitors have greater financial resources or greater market share, offer a broader range of products, benefit from more advantageous tax treatments, or have higher bonus rates or claims paying ratios. Further, heightened competition for talented and skilled employees with local experience, particularly in the emerging, high growth markets, may limit the Group's ability to grow businesses as quickly as planned. In certain non UK markets, the Group faces intense competition from local and international financial institutions, which may be more established in these markets and may have other competitive advantages, such as greater size and breadth, which may limit the Group's ability to be successful in these markets. In addition, local laws and regulations may be tailored to domestic providers, which may pose additional challenges to the Group's business.

The Group's principal competitors in the life market include many of the major financial services businesses including, in particular, Axa, Allianz, CNP, Generali, Prudential, Legal & General, Standard Life, Unum and Zurich. The Group's principal competitors in the general insurance market include Direct Line Insurance, Intact, RSA, Zurich, Axa and Allianz. The Group's principal competitors in the fund management market include BlackRock, State Street Global, Fidelity Investments, Schroders and Aberdeen, as well as the fund management divisions of the Group's principal competitors in the life market.

The Group also faces competitors who specialise in many of the niche markets in which it operates. The Group believes that competition will intensify across all regions in response to consumer demand, technological advances, the impact of consolidation, regulatory actions and other factors.

The Group's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures.

The Group may be adversely impacted by the trading performance and potential liabilities of Sesame Limited ("Sesame").

Sesame, a subsidiary of Sesame Bankhall Group Limited ("SBG"), made losses of approximately £10 million for the financial year ended 31 December 2014 and, in its current form, is expected to continue to make losses in the future. In addition, the Sesame business has potential liabilities arising from claims relating to advice or services provided to retail customers by appointed representatives of Sesame (or certain other entities whose businesses (including all liabilities) have broadly been assumed by Sesame). The amount of such potential liabilities cannot currently be quantified. Sesame is, therefore, reliant on the continued financial support of its indirect parent, Friends Life, to be able to continue to trade.

In February 2013, Friends Life commenced a strategic review of the businesses of SBG including the Sesame business, in order to address the current financial uncertainty of those businesses and to examine whether there are steps that can be taken to address the structural issues within the businesses so as to reduce or remove the need for financial support from Friends Life. That strategic review is ongoing with a number of potential options and outcomes for the Sesame business being considered but has to date resulted in the Sesame business moving to a restricted advice model and undertaking certain past business reviews. Aviva, SBG and Sesame are in discussions with the FCA in connection with elements of the strategic review and the various options under consideration. Certain of the options may only be capable of being implemented if they are supported by the FCA and there can be no certainty that such support will be obtained. Whilst the strategic review is ongoing, Sesame continues to rely on financial support from Friends Life.

There remains significant uncertainty regarding the outcome of the strategic review and the impact that any outcome may have on the Group and any such outcome could adversely affect the results of operations and the financial condition of the Group, as well as its brand or reputation.

If the Group were to withdraw financial support for Sesame, then unless the directors of Sesame are able to reach a solution that does not require continued reliance on such financial support, it is likely that the Sesame business will no longer be viable and will not be able to continue to trade. In those circumstances, there could be an adverse impact on the Group's brand or reputation. Such reputational damage or any resultant loss of customers or negative market perception could adversely affect the Group's results of operations and financial condition.

Regulatory and legislative risks relating to the Group's businesses

The Group may experience a decreased demand for individual annuities in the UK after proposed changes in UK law come into force.

The Group's sales of annuities in the UK are composed of individual annuities and bulk purchase annuities. It may experience a decreased demand for individual annuities in the UK due to proposed changes in UK law. Individual annuities have historically played a central role in most UK pensioners' post retirement financial arrangements due to the requirement for the benefits of defined contribution pensions to be converted to an individual annuity by the time the policyholder reached age 75 and such pension contracts offering a tax efficient method of saving for retirement.

On 19 March 2014, the UK Chancellor of the Exchequer announced in the 2014 Budget the intention to introduce new legislation that will give retirees more flexibility for accessing defined contribution pensions at retirement. Under the new system, *inter alia*, consumers approaching retirement would have the freedom to take their whole pension pot as cash (the first 25 per cent. remaining tax free, with the balance taxed at the individual's marginal rate), which will remove the compulsion for customers to buy an annuity. Although it is proposed that the main changes will not take effect until April 2015, sales of individual annuities in the UK have already been impacted. The initial impact of the announcement of the proposed legislative change was a reduction in UK individual annuity sales due to the relaxation of the income drawdown rules that has already occurred and as some customers deferred making retirement choices pending the new legislation coming into effect. Following the Chancellor's announcement, Aviva generated value of new business ("VNB") from individual annuities of £125 million for the year ending 31 December 2014 (representing 12 per cent. of Aviva's total VNB for the year ending 31 December 2014), decreasing from £223 million for the year to 31 December 2013 (representing 25 per cent. of Aviva's total VNB for the year to 31 December 2013); whereas Friends Life generated VNB from its Retirement Income division of £51 million for the year to 31 December 2014 (representing 39 per cent of Friends Life's total VNB from continuing operations for the year to 31 December 2014), decreasing from £83 million for the year to 31 December 2013. In response, the Group has refocused its retirement solutions business to use its existing broad product universe (for example, individual annuities, investment platform and equity release products) to help customers through their retirement journey and the Group also seeks to deliver profitable growth from its "Bulk Purchase Annuities" products. However, at this stage it remains too early to assess the full impact of these changes on the Group's adjusted operating profit and the extent to which these impacts can be mitigated by substitution of annuity sales with alternative products offered or being developed by the Group.

The Group's regulated business is subject to extensive regulatory supervision both in the UK and internationally.

The Group is subject to extensive laws and regulations that are administered and enforced by a number of different governmental authorities and non-governmental agencies, including the PRA, the FCA and other regulators. In light of wider financial and economic conditions, some of these authorities are considering, or may in the future consider, enhanced or new regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. All of these possibilities, if they occurred, could affect the way the Group conducts its business and manages its capital, and may require the Group to satisfy increased capital requirements.

Insurance regulation in the UK is largely based on the requirements of EU directives. Inconsistent application of directives by regulators in different EU member states may place the Group at a competitive disadvantage to other European financial services groups. In addition, changes in the local regulatory regimes of designated territories could affect the calculation of the Group's solvency position.

The Group's insurance subsidiaries and branches worldwide are subject to detailed and comprehensive government regulation in each of the jurisdictions in which the Group conducts business. Regulatory agencies have broad administrative power over many aspects of the insurance business, which may include premium rates, marketing and selling practices, advertising, licensing agents, policy forms, capital adequacy and permitted investments. Government regulators are concerned primarily with the protection of policyholders rather than the Group's shareholders or creditors.

The failure of any of the Group's subsidiaries to meet minimum capital and surplus requirements could subject it to further examination or corrective action imposed by insurance regulators, including limitations on the Group's ability to write additional business, increased supervision by regulators or the implementation of resolution plans. Any corrective action imposed could have a material adverse effect on the Group's business, results of operations and financial condition. A decline in minimum capital and surplus amounts may also limit the ability of an insurance subsidiary to make dividend payments or distributions and could be a factor in causing rating agencies to downgrade the Group's financial strength ratings, which could have a material adverse effect on its business, results of operations and financial condition.

In the UK, the Group's business is subject to regulation by both the PRA and the FCA, which have broad powers, including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation, to investigate marketing and sales practices, to make product intervention rules and to require the maintenance of adequate financial resources. The PRA and the FCA have the power to undertake a range of investigative, disciplinary or enforcement actions, including public censure, restitution, fines or sanctions and to require firms to pay compensation.

The PRA and the FCA may make enquiries of the companies which they regulate regarding compliance with regulations governing the operation of business and, similar to the other UK regulated financial services companies, the Group faces the risk that the PRA or the FCA could find that it has failed to comply with applicable regulations or have not undertaken corrective action as required.

Issues and disputes may arise from time to time from the way in which the insurance industry or fund management industry has sold or administered an insurance policy or other product or in the way in which they have treated policyholders or customers, either individually or collectively, which may result in investigative, disciplinary or enforcement actions by the FCA or PRA or require the making of redress to customers.

There has been an increased focus in the UK on the fair treatment of customers, in particular on the way in which the insurance industry or fund management industry sells and administers insurance policies or other products. This has included the implementation of the recommendations of the Retail Distribution Review ("RDR") from 31 December 2012. The RDR banned product providers from paying commission to advisers on new sales and also required certain changes to the way advisers describe their services to customers. The new distribution landscape has altered the way in which retail investment products are sold to customers and presents challenges to the Group's UK distribution and advisory activities in adapting to the new rules. The European Commission is currently in the process of reviewing the Insurance Mediation Directive 2002/92/EC (the "IMD") and has also been working on an initiative in relation to Packaged Retail and Insurance based Investment Products ("PRIIPs") with the aim of harmonising pre contractual disclosures and selling practices for such products. There is a risk that the rules implementing the RDR, any new rules required in due course to implement the revised IMD and any new rules relating to PRIIPs will lead to a decline in the number and/or size of distribution firms. Among other things, this is because financial advisers may decide to consolidate or to leave the sector in response to anticipated increased compliance costs that may be realised and the higher professional standards required by the RDR. In the lead up to the introduction to the RDR, the number of retail investment advisers in the UK reduced. If a reduction in the capacity of the intermediary distribution sector does occur, this may result in fewer opportunities for the Group's products to be distributed by intermediary firms, which could have a material adverse effect on the Group's results, operations, and/or costs or otherwise negatively impact on the Group's distribution arrangements.

Where larger groups or matters of public policy are concerned, the PRA and the FCA may intervene directly to provide redress to customers. There have been several industry-wide issues in recent years in which the PRA or the FCA (or previously the FSA) has intervened directly, including the sale of personal pensions, the sale of mortgage-related endowments and investments in split capital investment trusts and sale of payment protection insurance.

Outside of the UK, the Group's businesses are regulated by local regulators that often have similar powers to the PRA and the FCA and the exercise of these powers could therefore have a similar negative impact on perceptions of the Group's businesses or have a material adverse effect on the Group's business.

Furthermore, various jurisdictions in which the Group operates, including the UK, have created investor compensation schemes that require mandatory contributions from market participants in some instances in the event of a failure of another market participant. As a major participant in the majority of the Group's chosen markets, circumstances could arise where the Group, along with other companies, may be required to make such contributions. The Group (like all other groups in which an entity is PRA and/or FCA regulated) contributes to the Financial Services Compensation Scheme and the levels of contribution to the Financial Services Compensation Scheme may change over time.

A determination that the Group has failed to comply with applicable regulation could have a negative impact on its results of operations or on the Group's relations with current and potential customers. Regulatory action against a member of the Group could result in adverse publicity for, or negative perceptions regarding, the Group, or could have a material adverse effect on its business, its results of operations and financial condition and divert management's attention from the day-to-day management of the business.

The Group will not always be able to predict the impact of future legislation or regulation or changes in the interpretation or operation of existing legislation or regulation on the Group's business, results of operations and financial condition. Changes in government policy, legislation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which the Group operates, which may be applied retrospectively, may adversely affect the range of products offered, the terms and conditions applicable to these products (including retrospectively), distribution channels, capital requirements, dividends payable by subsidiaries and, consequently, results and financing requirements.

Similarly, the FCA has conducted a number of thematic reviews of the annuity market. Initially, a review was conducted by the FCA of annuity pricing data, which concluded in February 2014 that the market was not working well for most consumers. This pricing review looked at whether and to what extent prospective customers are not purchasing the best value annuities, or exercising the open market option (''OMO'') to buy their annuity from a firm other than the one providing the pension policy. The FCA conducted its own pricing research to determine which groups of consumers are most likely to be affected. This involved a pricing survey of major annuity providers, and compared the rates available through a range of distribution channels, including rates available through the OMO and those only available to existing pension policyholders.

This pricing review was followed up by the related Thematic Review of Annuity Sales Practices, which was published by the FCA on 11 December 2014. The Thematic Review of Annuity Sales Practices looked at four desired outcomes: (i) customers are actively encouraged to shop around; (ii) consumers are provided with relevant and timely information about the potential benefits of any guaranteed annuity rate or risks of a market value reduction that exists in their existing pension contract; (iii) consumers are provided with appropriate and timely information about (a) the benefits of enhanced annuities and their potential eligibility (b) an enhanced annuity being available on the open market and (c) the potential for variation between different providers' underwriting and its impact on the income offered; and (iv) consumers are provided with appropriate information about the different annuity options available to them (for example, joint as opposed to single life, level as opposed to escalating, guaranteed periods etc.) and the implications of selecting different annuity types. The FCA has highlighted that its work on this review has revealed that firms need to make improvements in relation to the way consumers are informed about shopping around for enhanced annuities. The FCA has asked the majority of firms in the review, including the Group, to do further work to determine if its findings in relation to enhanced annuities are indicative of a more widespread problem and/or have led to poor consumer outcomes. The consequences of the review are uncertain but could include requirements to pay redress to customers who could have obtained a more favourable annuity rate by exercising their OMO or purchasing an enhanced annuity and/or the imposition of greater obligations on annuity providers to treat customers fairly and provide increased levels of information on alternative options available to customers at retirement. Regulatory action of this type could have consequences for the Group and have a material adverse effect on its business, results of operations and/or financial condition.

The Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance because of changes to financial services legislation or regulation such as the Solvency II Directive (''Solvency II'').

Solvency II, an insurance industry regulation agreed by the European Parliament in 2009, will require European domiciled insurers to move to more risk based capital requirements. The implementation date for Solvency II is 1 January 2016. Solvency II represents a significant change in the prudential regulation of insurers and insurance groups and, as a result, generates a number of material risks including, in particular, the following: There continue to be material uncertainties around the impact of the more detailed technical requirements of Solvency II and around the approval of the Group's partial internal model, including that part or all of the intended scope of the internal model may not be approved, and there is a risk that this could lead to a significant increase in the capital required to support the Group's business. There is also a risk that certain of the financial instruments issued by the Group will no longer be viewed as capital by regulators resulting in either a lower regulatory capital position or the need to refinance those financial instruments. There are also uncertainties around the transitional measures that will apply on implementation of Solvency II and the impact these will have on the Group. In addition, there is the risk that part or all of the Group is found not to be compliant with the new regulations or that the implementation programmes absorb excessive amounts of management time and attention with the consequent risks for the rest of the businesses' operations.

In July 2013 the Group was designated by the Financial Stability Board ("FSB") as a global systemically important insurer ("G-SII"). The initial list of nine insurance groups that have been designated as G-SIIs also includes a number of the Group's competitors. The list will be updated annually and was reconfirmed in November 2014. For so long as it is designated as a G-SII, the Group is within the scope of policy requirements issued by the International Association of Insurance Supervision ("IAIS"), including: enhanced supervision requiring the maintenance of a "Systemic Risk Management Plan"; a liquidity risk management plan; a recovery plan; a resolution plan; and higher loss absorbency capital requirements, which will apply from January 2019 for those insurers still designated as G-SIIs in November 2017. Details of the higher loss absorbency capital requirements are still being developed by the IAIS leading to uncertainty over their impact. There is a risk that, if the Group continues to be designated as a G-SII, this could lead to a significant increase in capital required to support its business which may give rise to a need for the Group to delay deleveraging plans or to issue additional debt. Similarly the Group could be required to reduce or discontinue activities which contribute to systemic riskiness, restructure to facilitate resolvability and/or remove or reduce (or accelerate the planned reduction of) intercompany debts or guarantees within the Group. Such requirements could have negative consequences for the Group's business and results of operations and, in particular, could impact on the ability of subsidiaries to remit dividends to the Group, and, consequently on the Group's ability to remit dividends to shareholders.

The IAIS is also developing a common framework for the supervision of internationally active insurance groups ("ComFrame"). The framework is designed to develop common principles for supervision and so may result in more extensive regulation, particularly at group level, in those jurisdictions which do not currently employ group-wide supervision. In addition, it is not clear how ComFrame will interact with existing regimes of group-wide supervision. On 9 October 2013, the IAIS announced a commitment to develop a risk-based global insurance standard ("ICS") by 2016. The intention is that the ICS will ultimately form part of ComFrame. A revised draft ComFrame proposal was published in September 2014 and ComFrame, including the final ICS, is expected to be adopted in 2018.

The Group is involved in various legal proceedings, regulatory investigations and examinations and may be involved in more in the future.

The Group has been named as defendants in lawsuits, including class actions and individual lawsuits. The Group has been subject to regulatory investigations or examinations in the various jurisdictions in which it operates. These actions arise in various contexts, including in connection with the Group's activities as an insurer, securities issuer, employer, investment adviser, investment manager, investor and taxpayer.

Lawsuits and investigations may also arise which could seek significant or unspecified amounts of damages, including punitive damages, and certain of the regulatory authorities involved in these proceedings have substantial powers over the conduct and operations of the Group's business.

Due to the nature of certain of these lawsuits and investigations, the Group cannot make an estimate of loss or predict with any certainty the potential impact of these lawsuits or investigations.

In the course of conducting insurance business, the Group receives general insurance liability claims, and becomes involved in actual or threatened related litigation arising therefrom, including claims in respect of pollution and other environmental hazards. Given the significant delays that are experienced in the notification of these claims, the potential number of incidents that they cover and the uncertainties associated with establishing liability and the availability of reinsurance, the ultimate cost cannot be determined with certainty.

Additionally, it is possible that a regulator in one of the Group's major markets may conduct a review of products previously sold, either as part of an industry-wide review or specific to it. The result of this review may be to compensate customers for losses they have incurred as a result of the products they were sold.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. Examples of emerging claims and coverage issues include adverse changes in loss trends, judicial expansion of policy coverage and the impact of new theories of liability; growth of claims culture; legislative or judicial action that affects policy coverage or interpretation, claim quantification, or pricing; a growing trend of plaintiffs targeting property and casualty insurers in purported class action litigation relating to claims handling and other practices; new causes of liability or mass claims; claims in respect of directors' and officers' coverage, professional indemnity and other liability covers; and climate change related litigation.

All of the above could adversely impact the Group's results of operations or financial condition.

From time to time, changes in the interpretation of existing tax laws, amendments to existing tax rates or the introduction of new tax legislation may adversely impact the Group's business.

The Group operates in numerous tax jurisdictions around the world and faces risks associated with changes in tax law, interpretation of tax law, changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge or a financial penalty.

If, as a result of a particular tax risk materialising, the tax costs associated with certain transactions are greater than anticipated, it could affect the profitability of those transactions.

There are also specific rules governing the taxation of policyholders. The Group is unable to predict accurately the impact of future changes in tax law on the taxation of life insurance and pension policies in the hands of policyholders. Amendments to existing legislation, particularly if there is the withdrawal of any tax relief, or an increase in tax rates, or the introduction of new rules, may affect the future long-term business and the decisions of policyholders. The impact of such changes upon the Group might depend on the mix of business in-force at the time of such change.

The design of life insurance products by the Group's life insurance companies takes into account a number of factors, including risks and taxation. The design of long-term insurance products is based on the tax legislation in force at that time. Changes in tax legislation or in the interpretation of tax legislation may therefore, when applied to such products, have a material adverse effect on the financial condition of the relevant long-term business fund of the company in which the business was written.

The Group may face increased compliance costs as a result of legislation passed in the U.S.

Under sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), a non-U.S. financial institution is generally required to enter into an agreement to provide information on U.S. account holders. If this information is not provided in a form and with contents satisfactory to the U.S. tax authorities, a non-U.S. financial institution will have a 30 per cent. withholding tax applied to certain amounts derived from U.S. sources, amongst other types of income.

On 1 September 2013, regulations were introduced in the UK (the "Regulations") to give effect to the intergovernmental agreement entered into between the UK and the U.S. to improve tax compliance, dated 12 September 2012 (the "UK-US IGA"). Under the UK-US IGA, UK-based financial institutions should not be subject to a 30 per cent. withholding under FATCA, unless they fail to meet the requirements set out in the UK-US IGA and the Regulations. A number of other jurisdictions, in which the Group operates, have introduced or announced that they intend to introduce similar measures. There can be no assurance as to the nature of such measures, or extensions to existing measures, that may be introduced.

Changes to IFRS endorsed by the EU generally or specifically for insurance companies may materially adversely affect the reporting of the Group's financial results.

Changes to IFRS for insurance companies have been proposed in recent years and further changes may be proposed in the future. The International Accounting Standards Board published proposals that would introduce significant changes to the statutory reporting of insurance entities that prepare financial statements according to IFRS, subject to their endorsement by the EU. The accounting proposals, which are not expected to be finalised until later in 2016 at the earliest with an effective date of 1 January 2019 at the earliest, will change the presentation and measurement of insurance contracts, including the effect of technical reserves and reinsurance on the value of insurance contracts. It is uncertain whether and how the proposals may affect the Group should they become definitive standards. Current proposals may have an adverse effect on the manner in which the Group reports insurance provisions and, therefore, identify and report revenues, costs and distributable reserves. The changes could, therefore, have an adverse effect on the Group's financial performance and condition (including through changes affecting the calculation of taxation). These and any other changes to IFRS, if endorsed by the EU, that may be proposed in the future, whether or not specifically targeted at insurance companies, could materially adversely affect the Group's reported results of operations and their financial position.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who do not attend and vote at the relevant meeting and Noteholders who vote in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) subject (in the case of the Tier 2 Notes) to receiving no objection from the PRA, any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) the substitution of another company as principal debtor under any Notes in place of the Issuer in each case in the circumstances described in the Terms and Conditions of the Notes.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Directive") and amendments to the Directive adopted by the Council of the European Union on 24 March 2014, each member of the European Union (an "EU Member State") is required to provide to the tax authorities of other EU Member States details of payments of interest (or similar income) paid by a person, or by certain trusts and other legal arrangements, within its jurisdiction to (or for the direct or indirect benefit of) an individual resident, or certain other limited types of entity established, in another EU Member State. Many of these information exchange requirements are already in force, and EU Member States will have until 1 January 2016 to adopt national legislation, which legislation must apply from 1 January 2017, to implement the additional requirements which were adopted on 24 March 2014. However, for a transitional period, certain EU Member State(s) are required (unless during that period they elect otherwise and subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) to operate a withholding system in relation to such payments.

U.S. Foreign Account Tax Compliance Withholding

Under FATCA, the Issuer (and other non-U.S. financial institutions through which payments on the Notes are made) may be required to withhold U.S. tax at a rate of 30 per cent., on all, or a portion of, payments made after 31 December 2016 in respect of the Notes. The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear.

On 12 September 2012, the United Kingdom and the United States entered into an intergovernmental agreement to improve tax compliance and to implement FATCA (the "Agreement") and the United States agreed to amendments proposed by the United Kingdom on 7 June 2013. Regulations have been made to give effect to the Agreement under United Kingdom law. The full impact of the Agreement on the Issuer and its reporting and withholding responsibilities under FATCA is unclear. The Issuer may be required to report certain information in relation to its U.S. account holders to the government of the United Kingdom in order to (i) be treated as complying with and not subject to FATCA withholding and/or (ii) comply with any applicable U.K. law.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, neither the relevant Issuer nor any Paying Agent nor any other person would be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, if payments in respect of the Notes are subject to FATCA withholding, investors may receive less interest, principal or other payments (as the case may be) than expected.

Notes where denominations involve integral multiples

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another similar amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations (as defined in the applicable Final Terms). In such a case a Noteholder, who as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Restricted remedy for non-payment

In accordance with PRA requirements for subordinated capital, the sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Terms and Conditions of the Notes) any holder of Notes for recovery of amounts owing in respect of the Tier 2 Notes and Coupons will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up or administration and/or claiming in the liquidation of the Issuer for such amounts.

Risks relating to the Undated Tier 2 Notes

The Issuer's obligations under the Undated Tier 2 Notes are subordinated

The Undated Tier 2 Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up or administration of the Issuer, the payment obligations of the Issuer under or arising from the Undated Tier 2 Notes, the Coupons relating to them and the Trust Deed shall be subordinated to the claims of all Senior Creditors (as defined in Condition 18 of "Terms and Conditions of the Tier 2 Notes" (which shall include holders of the Dated Tier 2 Notes)) of the Issuer but shall rank at least *pari passu* with all other subordinated obligations of the Issuer which constitute , or would but for any applicable limitation on the amount of such capital constitute, Existing Undated Tier 2 Securities (as defined in Condition 18 of "Terms and Conditions of the Tier 2 Notes") if the Undated Tier 2 Notes are issued prior to Solvency II Implementation (as defined in Condition 18 of "Terms and Conditions of the Tier 2 Notes") or Tier 2 Capital (issued on or after Solvency II Implementation) if the Undated Tier 2 Notes are issued on or after Solvency II Implementation and shall rank in priority to the claims of holders of Existing Undated Tier 2 Securities if the Undated Tier 2 Notes are issued on or after Solvency II Implementation, Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules (as defined in Condition 18 of "Terms and Conditions of the Tier 2 Notes")) and all classes of share capital of the Issuer. Undated Tier 2 Notes issued before the implementation of Solvency II will rank junior to Tier 2 Capital issued on or after the implementation of Solvency II.

Without prejudice to Condition 3(a) of "Terms and Conditions of the Tier 2 Notes", all payments under or arising from the Undated Tier 2 Notes, the Coupons relating to them and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable in respect of the Undated Tier 2 Notes unless and until such time as the Issuer could make such payment and still be solvent as contemplated by the "Terms and Conditions of the Tier 2 Notes" immediately thereafter.

If at any time an order is made or an effective resolution is passed for the winding-up of the Issuer (except in the circumstances described in Condition 3(a) of "Terms and Conditions of the Tier 2 Notes") or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend, there shall be payable on each Undated Tier 2 Note an amount equal to the principal amount of such Undated Tier 2 Note, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment. Any such repayment will be subordinated as described above.

Although the Undated Tier 2 Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a significant risk that an investor in Undated Tier 2 Notes will lose all or some of its investment should the Issuer become insolvent.

Deferral of Interest Payments

The Issuer may on any Optional Interest Payment Date elect to defer paying interest on each Optional Interest Payment Date.

The Issuer is required to defer any payment of interest on Undated Tier 2 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing) and when the Issuer is in breach of the Solvency Condition (as defined in Condition 3(b) of "Terms and Conditions of the Tier 2 Notes").

Any interest in respect of the Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, may (subject to Condition 3(b), to any notifications to, or consent from (in either case if and to the extent applicable), the Relevant Regulator and to any other requirements under Solvency II and/or any other Relevant Rules) be paid in whole or in part at any time and in any event will automatically become immediately due and payable in whole upon the earlier of:

(i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest is made; or

(ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes 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 (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (B) do not provide that the Notes shall thereby become payable) or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend; or

(iii) the date for any redemption of Notes by the Issuer pursuant to Condition 6.

Arrears of Interest and any other amount, payment of which is so deferred, shall not themselves bear interest.

Deferral of Redemption

The Issuer is required to defer any redemption of Undated Tier 2 Notes (if it has given notice of early redemption in the circumstances described below in Conditions 6(c), 6(d), 6(e) and 6(f)) if (i) a Regulatory Deficiency Redemption Deferral Event (which may include an Insolvent Insurer Winding-Up) has occurred and is continuing or would occur if the Undated Tier 2 Notes were redeemed, (ii) the Undated Tier 2 Notes cannot be redeemed in compliance with the Solvency Condition, or (iii) (if then required) regulatory consent has not been obtained or redemption cannot be made in compliance with the Relevant Rules at such time.

If redemption of the Undated Tier 2 Notes is deferred, the Undated Tier 2 Notes will only become due for redemption in the circumstances described in Condition 6(a)(iv) and 6(a)(v).

Perpetual Securities

The Issuer is under no obligation to redeem the Undated Tier 2 Notes at any time and the holders of Undated Tier 2 Notes have no right to call for their redemption.

Redemption and Exchange Risk

The Undated Tier 2 Notes may, subject as provided in Condition 6, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event or a Rating Methodology Event (if Rating Methodology Call is specified), the Undated Tier 2 Notes may be (i) substituted for, or their terms varied so that they become, in the case of (x) a Tax Event, Qualifying Tier 2 Securities or (y) a Rating Methodology Event, Rating Agency Compliant Securities; or (ii) redeemed in the case of (x) a Tax Event, at their outstanding principal amount, or (y) a Rating Methodology Event, at the Special Redemption Price, together in each case with Arrears of Interest, all as more particularly described in ''Terms and Conditions of the Tier 2 Notes – Redemption, Substitution, Variation, Purchase and Options''.

The Issuer currently expects the Undated Tier 2 Notes, upon the implementation of Solvency II, to qualify (but for any applicable limitations on the amount of such capital) as Tier 2 Capital. Although the Solvency II delegated regulation containing, for example, the definition of ''own funds'' capital and the features which any capital must have in order to qualify as regulatory capital, entered into force on 18 January 2015, there remains uncertainty as to how regulators, including the PRA, will interpret the implementation measures and apply them to the Group. Accordingly, there is a risk that, after the issue of the Undated Tier 2 Notes, a Capital Disqualification Event may occur which would entitle the Issuer (i) to substitute the Undated Tier 2 Notes for, or vary their terms so that they become, Qualifying Tier 2 Securities; or (ii) to redeem the Undated Tier 2 Notes early at the Special Redemption Price together with any Arrears of Interest, as more particularly described in ''Terms and Conditions of the Tier 2 Notes – Redemption, Substitution, Variation, Purchase and Options''.

As discussed in the risk factor entitled ''*The Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance because of changes to financial services legislation or regulation*'', there continue to be material uncertainties around the impact of the more detailed technical requirements of Solvency II. Accordingly, there is a risk that, after the issue of Undated Tier 2 Notes, a Capital Disqualification Event may occur which would entitle the Issuer to redeem the Undated Tier 2 Notes early at the Special Redemption Price, together with any accrued interest and Arrears of Interest which are Outstanding thereon.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Undated Tier 2 Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

No limitation on issuing senior or pari passu securities

There is no restriction on the amount of securities which the Issuer may issue and which may rank senior to, or *pari passu* with, the Undated Tier 2 Notes. The issue of any such securities may reduce the amount recoverable by holders of Undated Tier 2 Notes on a winding-up of the Issuer and/or may increase the likelihood of a deferral of payments under the Undated Tier 2 Notes.

Rate of Interest reset for the Fixed Rate Reset Notes

If specified in the relevant Final Terms, on the First Reset Note Reset Date and each Reset Note Reset Date thereafter, the rate of interest on the Undated Tier 2 Notes will be reset by reference to the then prevailing Mid-Market Swap Rate for euros, and for a period equal to the Reset Period, as adjusted for any applicable margin, as more particularly described in ''Terms and Conditions of the Tier 2 Notes – 4. Interest and other Calculations''. The reset of the rate of interest in accordance with such provisions may affect the secondary market and the market value of such Undated Tier 2 Notes and, following any such reset of the rate of interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Undated Tier 2 Notes may be lower than the

Initial Rate of Interest, the First Reset Rate of Interest and/or the previous Subsequent Reset Rate of Interest, thereby reducing the amount of interest payable to Noteholders.

Fixed to Floating Rate Notes

Fixed to Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Undated Tier 2 Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed to Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Undated Tier 2 Notes.

Risks relating to the Dated Tier 2 Notes

The Issuer's obligations under the Dated Tier 2 Notes are subordinated

The Dated Tier 2 Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up or administration of the Issuer, the payment obligations of the Issuer under or arising from the Dated Tier 2 Notes, the Coupons relating to them and the Trust Deed shall be subordinated to the claims of all Senior Creditors (as defined in Condition 18 of "Terms and Conditions of the Tier 2 Notes") of the Issuer but shall rank at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Lower Tier 2 Capital (issued prior to Solvency II Implementation (as defined in Condition 18 of "Terms and Conditions of the Tier 2 Notes")) or Tier 2 Capital (issued on or after Solvency II Implementation) and in priority to those whose claims constitute, or would but for any applicable limitation on the amount of such capital constitute, Existing Undated Tier 2 Securities (as defined in Condition 18 of "Terms and Conditions of the Tier 2 Notes") or Tier 1 Capital (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules (as defined in Condition 18 of "Terms and Conditions of the Tier 2 Notes")) and to the claims of holders of all classes of share capital of the Issuer.

Without prejudice to Condition 3(a) of "Terms and Conditions of the Tier 2 Notes", all payments under or arising from the Dated Tier 2 Notes, the Coupons relating to them and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable in respect of the Dated Tier 2 Notes unless and until such time as the Issuer could make such payment and still be solvent as contemplated by the "Terms and Conditions of the Tier 2 Notes" immediately thereafter.

If at any time an order is made or an effective resolution is passed for the winding-up of the Issuer (except in the circumstances described in Condition 3(a) of "Terms and Conditions of the Tier 2 Notes") or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend, there shall be payable on each Dated Tier 2 Note an amount equal to the principal amount of such Dated Tier 2 Note, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment. Any such repayment will be subordinated as described above.

Although the Dated Tier 2 Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a significant risk that an investor in Dated Tier 2 Notes will lose all or some of its investment should the Issuer become insolvent.

Deferral of Interest Payments

The Issuer may on any Optional Interest Payment Date elect to defer paying interest on each Optional Interest Payment Date.

The Issuer is required to defer any payment of interest on Dated Tier 2 Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing) and when the Issuer is in breach of the Solvency Condition (as defined in Condition 3(b) of "Terms and Conditions of the Tier 2 Notes").

Any interest in respect of the Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, may (subject to Condition 3(b), to any notifications to, or consent from (in either case if and to the extent applicable), the Relevant Regulator and to any other requirements under Solvency II and/or any other Relevant Rules) be paid in whole or in part at any time and in any event will automatically become immediately due and payable in whole upon the earlier of:

(i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest is made; or

(ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes 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 (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (B) do not provide that the Notes shall thereby become payable) or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend; or

(iii) the date for any redemption of Notes by the Issuer pursuant to Condition 6.

Arrears of Interest and any other amount, payment of which is so deferred, shall not themselves bear interest.

Deferral of Redemption

The Issuer is required to defer any scheduled redemption of Dated Tier 2 Notes (whether at maturity or if it has given notice of early redemption in the circumstances described below in Conditions 6(c), 6(d), 6(e) and 6(f)) if (i) a Regulatory Deficiency Redemption Deferral Event (which may include an Insolvent Insurer Winding-Up) has occurred and is continuing or would occur if the Dated Tier 2 Notes were redeemed, (ii) the Dated Tier 2 Notes cannot be redeemed in compliance with the Solvency Condition, or (iii) (if then required) regulatory consent has not been obtained or redemption cannot be made in compliance with the Relevant Rules at such time.

If redemption of the Dated Tier 2 Notes is deferred, the Dated Tier 2 Notes will only become due for redemption in the circumstances described in Condition 6(a)(iv) and 6(a)(v).

Redemption and Exchange Risk

The Dated Tier 2 Notes may, subject as provided in Condition 6, be redeemed at their Optional Redemption Amount together with any interest accrued to (but excluding) the date fixed for redemption and any Arrears of Interest at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event or a Rating Methodology Event (if Rating Methodology Call is specified), the Dated Tier 2 Notes may be (i) substituted for, or their terms varied so that they become, in the case of (x) a Tax Event, Qualifying Tier 2 Securities or (y) a Rating Methodology Event, Rating Agency Compliant Securities; or (ii) redeemed in the case of (x) a Tax Event, at their outstanding principal amount, or (y) a Rating Methodology Event, at the Special Redemption Price, together in each case with Arrears of Interest, all as more particularly described in "Terms and Conditions of the Tier 2 Notes – Redemption, Substitution, Variation, Purchase and Options".

The Issuer currently expects the Dated Tier 2 Notes, upon the implementation of Solvency II, to qualify (but for any applicable limitations on the amount of such capital) as Tier 2 Capital. Although the Solvency II delegated regulation containing, for example, the definition of "own funds" capital and the features which any capital must have in order to qualify as regulatory capital, entered into force on 18 January 2015, there remains uncertainty as to how regulators, including the PRA, will interpret the implementation measures and apply them to the Group. Accordingly, there is a risk that, after the issue of the Dated Tier 2 Notes, a Capital Disqualification Event may occur which would entitle the Issuer (i) to substitute the Dated Tier 2 Notes for, or vary their terms so that they become, Qualifying Tier 2 Securities; or (ii) to redeem the Dated Tier 2 Notes early at the Special Redemption Price together with any Arrears of Interest, as more particularly described in "Terms and Conditions of the Tier 2 Notes – Redemption, Substitution, Variation, Purchase and Options".

As discussed in the risk factor entitled "*The Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance because of changes to financial services legislation or regulation*", there continue to be material uncertainties around the impact of the more detailed technical requirements of Solvency II. Accordingly, there is a risk that, after the issue of the Dated Tier 2 Notes, a Capital Disqualification Event may occur which would entitle the Issuer to redeem the Dated Tier 2 Notes early at the Special Redemption Price, together with any accrued interest and Arrears of Interest which are Outstanding thereon.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Dated Tier 2 Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

No limitation on issuing series or pari passu securities

There is no restriction on the amount of securities which the Issuer may issue and which may rank senior to, or *pari passu* with, the Dated Tier 2 Notes. The issue of any such securities may reduce the amount recoverable by holders of Dated Tier 2 Notes on a winding-up of the Issuer and/or may increase the likelihood of a deferral of payments under the Dated Tier 2 Notes.

Rate of Interest reset for the Fixed Rate Reset Notes

If specified in the relevant Final Terms, on the First Reset Note Reset Date and each Reset Note Reset Date thereafter, the rate of interest on the Dated Tier 2 Notes will be reset by reference to the then prevailing Mid-Market Swap Rate for euros, and for a period equal to the Reset Period, as adjusted for any applicable margin, as more particularly described in "Terms and Conditions of the Tier 2 Notes – 4. Interest and other Calculations". The reset of the rate of interest in accordance with such provisions may affect the secondary market and the market value of such Dated Tier 2 Notes and, following any such reset of the rate of interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Dated Tier 2 Notes may be lower than the Initial Rate of Interest, the First Reset Rate of Interest and/or the previous Subsequent Reset Rate of Interest, thereby reducing the amount of interest payable to Noteholders.

Fixed to Floating Rate Notes

Fixed to Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Dated Tier 2 Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed to Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Dated Tier 2 Notes.

Risks related to the structure of a particular Issue of Senior Notes

A range of Senior Notes may be issued under the Programme. A number of these Senior Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Fixed/Floating Rate Senior Notes

Fixed/Floating Rate Senior Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Senior Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Senior Notes may be less favourable than the prevailing spreads on comparable Floating Rate Senior Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Senior Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Senior Notes.

Senior Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared with conventional interest-bearing securities with comparable maturities.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable with similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Interest rate risks

Investments in Fixed Rate Notes and Fixed Rate Reset Notes involves the risk that changes in market interest rates after the issue date and, in the case of Fixed Rate Reset Notes only, after the First Reset Note Reset Date or each Reset Note Reset Date (as applicable), may adversely affect the value of Fixed Rate Notes and, as the case may be, Fixed Rate Reset Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

TERMS AND CONDITIONS OF THE SENIOR NOTES

The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms or Pricing Supplement shall be applicable to the Senior Notes in definitive form (if any) issued in exchange for the Global Note(s) or Certificates representing each Series of Senior Notes. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or Pricing Supplement shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Accordingly, references in these terms and conditions to provisions specified hereon shall be to the provisions endorsed on the face of the relevant Note or set out in the relevant Final Terms or Pricing Supplement. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms or Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Senior Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes) (the "**Issue Date**"), (the "**Trust Deed**") dated 1 May 2015 between Aviva plc (the "**Issuer**") and the Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement dated 1 May 2015 (as amended or supplemented as at the Issue Date) (the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Trustee, HSBC Bank plc as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders and the holders of the interest coupons (the "**Coupons**") relating to interest-bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1. Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon provided that in the case of any 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 €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis and Redemption Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(b), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon and in the Trust Deed.

2. Transfers of Registered Notes

(a) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer (as set out in Schedule 1 of the Trust Deed) endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer's or Noteholders' option in respect of a holding of Registered Notes represented by a single Certificate or a partial redemption of a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(c) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) or (b) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) Exchange Free of Charge

Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges by the person submitting such Notes or Certificates that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. Status of Notes

The Notes and the Coupons relating to them constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Trust Deed) the Issuer shall not create or have outstanding any mortgage, charge, pledge, lien or other encumbrance (other than any arising by operation of law) upon the whole or any part of its undertakings or assets (other than assets representing the fund or funds maintained by the Issuer in respect of long-term business (as defined in the Financial Services and Markets Act 2000)) present or future, to secure any Relevant Indebtedness (as defined below) or to secure any guarantee or indemnity in respect thereof, without simultaneously with, or prior to, the creation of such security, securing the Notes equally and rateably therewith to the satisfaction of the Trustee, or providing other security therefor which the Trustee in its absolute discretion shall deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

"**Relevant Indebtedness**" means any indebtedness for moneys borrowed (as defined in Condition 10) (other than (i) indebtedness which has a stated maturity not exceeding one year or (ii) any indebtedness which comprises non-recourse borrowings (as defined below) and which, in either case, is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which, with the agreement of the Issuer, are quoted, listed, dealt in or traded on a stock exchange or over-the-counter or other recognised securities market.

"**non-recourse borrowings**" means any indebtedness for moneys borrowed to finance the ownership, acquisition, development and/or operation of an asset in respect of which the person or persons to whom any such indebtedness for moneys borrowed is or may be owed by the relevant borrower has or have no recourse whatsoever to the Issuer or any of its Subsidiaries for the repayment thereof other than:

(i) recourse to such borrower for amounts limited to the cash flow or net cash flow from such asset; and/or

(ii) recourse to such borrower for the purpose only of enabling amounts to be claimed in respect of such indebtedness for borrowed money in an enforcement of any encumbrance given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure indebtedness for moneys borrowed, provided that (A) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on such enforcement, and (B) such person or persons are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness for moneys borrowed, to commence proceedings for the winding-up or dissolution of the borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the borrower or any of its assets (save for the assets the subject of such encumbrance); and/or

(iii) recourse to such borrower generally, or directly or indirectly to the Issuer or any of its Subsidiaries, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof) by the person against whom such recourse is available.

"**Subsidiary**" means any entity which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006).

5. Interest and other Calculations

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date specified hereon. The amount of interest payable shall be determined in accordance with Condition 5(f).

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates: Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) Business Day Convention: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified hereon is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean 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 either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation 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 Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels 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, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such 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 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, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, 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 or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date specified hereon and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note (as described in Condition 6(b)(i)). As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(e) Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding

(i) If any Margin is specified hereon (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country[ies] of such currency.

(f) Calculations

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated. Where the Specified Denomination comprises more than one Calculation Amount, the amount of interest 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 specified hereon.

(g) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount (as may be provided for hereon), obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (A) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (B) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) Determination or Calculation by Trustee

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(i) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Additional Business Centres specified hereon, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the "**Calculation Period**"):

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

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation 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 D_2 will be 30; and

(vii) if "**Actual/Actual-ICMA**" is specified hereon:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Date**" means the date specified as such hereon or, if none is so specified, the Interest Payment Date; and

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Eurozone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (A) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (B) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the

Specified Currency is neither Sterling nor euro or (C) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Eurozone office of four major banks in the Eurozone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means LIBOR or EURIBOR, in each case for the relevant period, as specified hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto.

(j) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agent(s) if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount).

(b) Early Redemption

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) Other Notes: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption) if immediately prior to the giving of the notice referred to above, as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the 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 such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions which change or amendment becomes, or would become, effective or in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Issue Date of the Notes, in making any payments on, or in connection with, the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in Condition 8) on, or in connection with the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the relevant requirement or circumstance referred to above applies and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above in which event it shall be conclusive and binding on the Trustee, the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall redeem the Notes as aforesaid.

(d) Redemption at the Option of the Issuer

If a Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date specified hereon. Any such redemption of Notes shall be at their Optional Redemption Amount (as may be provided for hereon) together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) Redemption at the Option of Noteholders

If a Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)) together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) Purchases

The Issuer and any of its Subsidiaries may at any time purchase Notes (provided that all Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

As used in this Condition 6(f), "**Subsidiary**" means any entity which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006).

(g) Cancellation

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(h) Multiple Notices

If more than one notice of redemption is given pursuant to this Condition 6, the first of such notices to be given shall prevail.

(i) Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and will not be responsible to Noteholders for any loss arising from any failure to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance exists.

7. Payments and Talons

(a) Bearer Notes

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) Registered Notes

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register (i) where all or any of the Registered Notes are represented by a Global Certificate, at the close of the business day (being for this purpose a day on which DTC, Euroclear, and/or Clearstream, Luxembourg, as applicable, are open for business) before the due date for payment thereof, and (ii) where none of the Registered Notes is represented by a Global Certificate at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) Payments in the United States

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed

Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or its agents and the Issuer will not be liable to pay any additional amount in respect of taxes or duties of whatever nature imposed or levied by or pursuant to such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments. For the purpose of this paragraph, the phrase "fiscal or other laws, regulations and directives" shall include any withholding or deduction imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any regulations thereunder, any law implementing an inter-governmental approach thereto, any agreement entered into pursuant to FATCA, or any official interpretation of FATCA.

(e) Appointment of Agents

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and its specified office are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having specified offices in London so long as the Notes are admitted to the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange's EEA Regulated Market and (vi) a Paying Agent with a specified office in a European Union member state (so long as there is such a member state) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such directive or any agreement between the European Union and any jurisdiction providing for equivalent measures.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders. 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 applicable Final Terms or Pricing Supplement.

(f) Unmatured Coupons and unexchanged Talons

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be and as may be provided for hereon, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) Non-Business Days

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the

Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required by law to be made, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) Other connection

presented for payment by or on behalf of, a holder who is liable to such taxes, duties, assessments 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 the Note or Coupon; or

(b) Lawful avoidance of withholding

presented for payment by or on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it) or Coupon is presented for payment; or

(c) Presentation more than 30 days after the Relevant Date

presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day; or

(d) Payment to individuals

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such directive or any agreement between the European Union and any jurisdiction providing for equivalent measures; or

(e) Payment by another Paying Agent

(except in the case of payment of interest in respect of Registered Notes) 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 (or, in the case of payment of principal in respect of Registered Notes, to the Transfer Agent or, if appropriate, the Registrar) in a Member State of the European Union; or

(f) Any combination

where such withholding or deduction arises out of any combination of paragraphs (a) to (e) above.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed ("**Additional Amounts**").

9. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction (but, in the case of the happening of any of the events mentioned in paragraphs (ii), (iv), (v) and (vii) below, only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest:

(i) if default is made for a period of 14 days or more in the payment of any interest or principal due in respect of the Notes or any of them; or

(ii) if default is made by the Issuer in the performance or observance of any obligation, condition or provision binding upon it under the Notes or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Notes) and, except where such default is, in the opinion of the Trustee, not capable of remedy when no such continuation or notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied; or

(iii) if an order is made or an effective resolution is passed for the winding-up of, or an administration order is made in relation to, the Issuer; or

(iv) if the Issuer stops or threatens to stop payment to its creditors generally or ceases or threatens through an official action of its board of directors to cease to carry on its business or substantially the whole of its business (except for the purposes of, or in connection with, a reconstruction, reorganisation or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution); or

(v) if an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the undertaking, property and assets of the Issuer or if a distress or execution is levied or enforced upon or sued out against the whole or any substantial part of the chattels or property of the Issuer and, in the case of any of the foregoing events, is not discharged within 60 days or such longer period as the Trustee may allow; or

(vi) if the Issuer is unable to pay its debts within the meaning of Section 123(2) of the Insolvency Act 1986; or

(vii) if any indebtedness for moneys borrowed (as defined below) other than any indebtedness which comprises non-recourse borrowings (as defined in Condition 4) of the Issuer is not paid on its due date (as extended by any applicable grace period and following a demand therefor) or is declared to be, or automatically becomes, due and payable prior to its stated maturity by reason of an event of default, or if any guarantee or indemnity in respect of indebtedness for moneys borrowed of any third party given by the Issuer is not honoured when due and called upon provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one of the events mentioned above in this paragraph (vii) has occurred, is at least the Specified Amount (or its equivalent in any other currency or currencies) and, in any such case, the liability of the Issuer to make payment is not being contested in good faith.

For the purposes of these Conditions:

"**Adjusted Capital and Reserves**" means the aggregate of:

(i) the amount paid up or credited as paid up on the share capital of the Issuer; and

(ii) the total of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to minority interests and deducting any debit balance on the profit and loss account, all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Issuer prepared in accordance with generally accepted accounting principles in the United Kingdom, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account of the Issuer since the date of that balance sheet and further adjusted as may be necessary to reflect any change since the date of that balance sheet in the Subsidiaries of the Issuer. A certificate signed by two Directors or other Authorised Signatories (as defined in the Trust Deed) of the Issuer as to the amount of the Adjusted Capital and Reserves at any given time shall, in the absence of manifest error, be conclusive and binding on all parties whether or not addressed to each such party;

"**Group**" means the Issuer and its Subsidiaries;

"**indebtedness for moneys borrowed**" means the principal amount of:

(i) all moneys borrowed; and

(ii) all debentures (together in each case with any fixed or minimum premium payable on final redemption or repayment),

which are not for the time being beneficially owned by the Issuer or any of its Subsidiaries; and

"**Specified Amount**" means the greater of: (i) £25,000,000 (or its equivalent in any other currency or currencies); and (ii) such amount in sterling as is equal to 0.5 per cent. of Adjusted Capital and Reserves.

11. Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) Substitution

If requested by the Issuer, the Trustee shall, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous Substitute Issuer under this Condition) as the principal debtor under the Trust Deed of (i) any subsidiary or any holding company (each as defined in Section 1159 of the Companies Act 2006) of the Issuer or (ii) a successor in business to the Issuer (each a "**Substitute Obligor**") in each case provided that:

(i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed and the Notes, the Coupons and the Talons, with any consequential amendments which the Trustee may deem appropriate, as fully as if the relevant Substitute Obligor had been named in the Trust Deed and on the Notes, the Coupons and the Talons, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);

(ii) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer;

(iii) (without prejudice to the generality of sub-paragraph (i) above) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons and/or the Talons, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;

(iv) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "**Issuer's Territory**") the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 8 with the substitution for the references in that Condition and in Condition 6(c) to the Issuer's Territory of references to the Substituted Territory, whereupon the Trust Deed, the Notes, the Coupons and the Talons will be read accordingly.

(d) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual

Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or any Substitute Obligor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes become due and payable pursuant to Condition 10, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

14. Replacement of Notes, Certificates, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law

The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

TERMS AND CONDITIONS OF THE TIER 2 NOTES

The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms or Pricing Supplement, shall be applicable to the Tier 2 Notes in definitive form (if any) issued in exchange for the Global Note(s) or Certificate(s) representing each Series of Tier 2 Notes. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or Pricing Supplement, shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Accordingly, references in these terms and conditions to provisions specified hereon shall be to the provisions endorsed on the face of the relevant Note or set out in Part A of the relevant Final Terms or Pricing Supplement. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms or Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Tier 2 Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a trust deed dated 1 May 2015 (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**")) (the "**Trust Deed**") between Aviva plc (the "**Issuer**") and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement dated 1 May 2015 (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Trustee, HSBC Bank plc as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders and the holders of the interest coupons (the "**Coupons**") relating to interest-bearing Notes in bearer form and, where applicable, in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "Tranche" means Notes which are identical in all respects.

1. Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon provided that in the case of any 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 €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Fixed to Floating Rate Note, a Fixed Rate Reset Note or a Floating Rate Note or a combination of the foregoing, depending upon the Interest Basis and Redemption Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(b), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass upon registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the

"**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Transfers of Registered Notes

(a) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer (as set out in Schedule 1 of the Trust Deed) endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer's or Noteholder's option in respect of a holding of Registered Notes represented by a single Certificate or a partial redemption of a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(c) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) or (b) shall be available for delivery within three Business Days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or relevant Transfer Agent (as applicable) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) ***Transfer Free of Charge***

Transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges by the person submitting such Notes or Certificates that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) ***Closed Periods***

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. Status

(a) ***General***

The Notes and the Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes 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) or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend, the payment obligations of the Issuer under or arising from the Notes and the Coupons relating to them and the Trust Deed, including any Arrears of Interest, shall be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined in Condition 18) of the Issuer, but shall rank:

(i) in the case of Notes issued with a Maturity Date specified hereon: (a) at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Lower Tier 2 Capital (issued prior to Solvency II Implementation) or Tier 2 Capital (issued on or after Solvency II Implementation) ("**Pari Passu Securities**"); and (b) shall rank in priority to the claims of holders of: (i) Existing Undated Tier 2 Securities; (ii) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules; and (iii) all classes of share capital of the Issuer (together, the "**Junior Securities**"); and

(ii) in the case of Notes issued without a Maturity Date specified hereon: (a) at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Existing Undated Tier 2 Securities if the Notes are issued prior to Solvency II Implementation or Tier 2 Capital (issued on or after Solvency II Implementation) if the Notes are issued on or after Solvency II Implementation ("**Pari Passu Securities**"); and (b) shall rank in priority to the claims of holders of: (i) Existing Undated Tier 2 Securities if the Notes are issued on or after Solvency II Implementation; (ii) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules; and (iii) all classes of share capital of the Issuer (together, the "**Junior Securities**").

(b) Solvency Condition

Without prejudice to Condition 3(a) above, all payments under or arising from the Notes, the Coupons relating to them and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Notes, the Coupons relating to them and the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**"). For the purposes of this Condition 3(b), the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors and Pari Passu Creditors as they fall due and (ii) its Assets exceed its Liabilities. A certificate as to the solvency of the Issuer signed by two Directors or, if there is a winding-up or administration of the Issuer, the liquidator or, as the case may be, the administrator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person. In a winding-up of the Issuer or in an administration of the Issuer if the administrator has given notice of his intention to declare and distribute a dividend, the amount payable in respect of the Notes and the Coupons relating to them shall be an amount equal to the principal amount of such Notes, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment and will be subordinated in the manner described in Condition 3(a) above.

Without prejudice to any other provision in these Conditions, amounts representing any payments of principal, premium or interest or any other amount, including any damages awarded for breach of any obligations in respect of which the conditions referred to in Condition 3(b) 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(a). A Solvency Claim shall not bear interest.

(c) Set-off, etc.

Subject to applicable law, no holder of the Notes and the Coupons relating to them may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and the Coupons relating to them and each holder of the Notes and the Coupons relating to them shall, by virtue of being the holder of any Note or Coupon, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of the Notes or Coupons relating to them by the Issuer is discharged by set-off, such holder shall, unless such payment is prohibited by applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or administrator, as appropriate, of the Issuer for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or administrator, as appropriate, of the Issuer (as the case may be), for payment to the Senior Creditors in respect of amounts owing to them by the Issuer and, accordingly, any such discharge shall be deemed not to have taken place.

As used in this Condition 3, the expression "**obligations**" includes any direct or indirect obligations of the Issuer and whether by way of guarantee, indemnity, other contractual support arrangement or otherwise and regardless of name or designation.

On a winding-up of the Issuer, there may be no surplus assets available to meet the claims of the Noteholders after the claims of the parties ranking senior to the Noteholders (as provided in Condition 3) have been satisfied.

4. Interest and other Calculations

(a) Interest on Fixed Rate Notes and Fixed to Floating Rate Notes

Subject to Condition 3(b) and Condition 5, each Fixed Rate Note or Fixed to Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest to (but excluding), in the case of Fixed to Floating Rate Notes, the Fixed Rate End Date specified hereon, such interest shall be payable in arrear on each Interest Payment Date specified hereon. The amount of interest payable shall be determined in accordance with Condition 4(e).

(b) Interest on Fixed Rate Reset Notes

Subject to Condition 3(b) and Condition 5, each Fixed Rate Reset Note bears interest on its outstanding principal amount:

(i) from (and including) the Issue Date until (but excluding) the First Reset Note Reset Date at the Initial Rate of Interest;

(ii) from (and including) the First Reset Note Reset Date until (but excluding) the first Anniversary Date at the First Reset Rate of Interest; and

(iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on the Interest Payment Dates specified hereon. The amount of interest payable shall be determined in accordance with Condition 4(e).

(c) Interest on Floating Rate Notes and Fixed to Floating Rate Notes

(i) Interest Payment Dates

Subject to Condition 3(b) and Condition 5, each Floating Rate Note and each Fixed to Floating Rate Note bears interest on its outstanding principal amount from, in the case of a Floating Rate Note, the Interest Commencement Date and, in the case of a Fixed to Floating Rate Note, the Fixed Rate End Date specified hereon at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest shall be payable in arrear on each Interest Payment Date in the case of a Floating Rate Note and on each Interest Payment Date commencing after the Fixed Rate End Date specified hereon in the case of a Fixed to Floating Rate Note. The amount of interest payable shall be determined in accordance with Condition 4(e). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first such Interest Payment Date, after the Interest Commencement Date, in the case of a Floating Rate Note, or after the Fixed Rate End Date, in the case of a Fixed to Floating Rate Note.

(ii) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified hereon is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each such subsequent date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) Rate of Interest for Floating Rate Notes and Fixed to Floating Rate Notes

The Rate of Interest in respect of Floating Rate Notes and, from and including the Fixed Rate End Date, Fixed to Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each relevant Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations, (expressed as a percentage rate per annum), for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation 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 Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) If the Relevant Screen Page is not available, or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or if sub- paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at, if the Reference Rate is

LIBOR, approximately 11.00 a.m. (London time), or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels 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, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the rate of interest shall be 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 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, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, 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 or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(d) Margin, Maximum/Minimum Rates of Interest and Final Redemption Amount and Rounding

(i) If any Margin is specified hereon (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Final Redemption Amount is specified hereon, then any Rate of Interest or Final Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country[ies] of such currency.

(e) Calculations

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated. Where the Specified Denomination comprises more than one Calculation Amount, the amount of interest 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 specified hereon.

(f) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amount, Optional Redemption Amount and Special Redemption Price

The Calculation Agent shall, as soon as practicable on each Interest Determination Date or Reset Determination Date (as applicable), or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Optional Redemption Amount or Special Redemption Price (as may be provided for hereon), obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Optional Redemption Amount or Special Redemption Price, to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in any event no later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(g) Determination or Calculation by Trustee

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Optional Redemption Amount or Special Redemption Price, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(h) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Anniversary Date**" means the date specified hereon;

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Additional Business Centres specified hereon, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the "Calculation Period"):

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

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation 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:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) if "**30E/360**" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation 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 D_2 will be 30; and

(vii) if "**Actual/Actual-ICMA**" is specified hereon:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Date**" means the date specified as such hereon or, if none is so specified, the Interest Payment Date; and

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Eurozone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**First Reset Note Reset Date**" means the date specified hereon.

"**First Reset Period**" means the period from (and including) the First Reset Note Reset Date until (but excluding) the first Anniversary Date.

"**First Reset Rate of Interest**" means the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the Mid-Swap Rate plus the Reset Margin.

"**Fixed Rate End Date**" means the date specified as such hereon.

"**Initial Rate of Interest**" means the initial rate of interest per annum specified hereon.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date, in respect of the Floating Rate Notes, and the Fixed Rate End Date, in respect of the Fixed to Floating Rate Notes, and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means, in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, Fixed Rate Reset Notes, and, prior to the Fixed Rate End Date, Fixed to Floating Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and, in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified: (i) the first day of such Interest Accrual Period if the Specified Currency is sterling or (ii) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the

Specified Currency is neither sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDAFIX Rate**" means "ISDAFIX1", "ISDAFIX2", "ISDAFIX3", "ISDAFIX4", "ISDAFIX5" or "ISDAFIX6" as may be specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions as amended or supplemented, as published by the International Swaps and Derivatives Association, Inc. unless otherwise specified hereon.

"**Mid-Market Swap Rate**" means the mid-market swap rate specified hereon.

"**Mid-Swap Rate**" means the Mid-Market Swap Rate for the Specified Currency calculated for a period equal to the relevant Reset Period at the Reuters Screen Page Rates at 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Eurozone office of four major banks in the Eurozone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means LIBOR or EURIBOR, in each case for the relevant period, as specified hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon.

"**Reset Determination Date**" means, in respect of the First Reset Period, the second Business Day prior to the First Reset Note Reset Date and, in respect of each Reset Period thereafter, the second Business Day prior to the first day of each such Reset Period.

"**Reset Margin**" means the margin specified as such hereon.

In setting the Reset Margin the Issuer shall have consideration to the limitations set out in any Relevant Rules.

"**Reset Note Reset Date**" means every date which falls on each Anniversary Date as may be specified hereon.

"**Reset Period**" means the First Reset Period or a Subsequent Reset Period.

"**Reuters Screen Page Rates**" means the relevant ISDAFIX Rate for the Specified Currency for transactions with a maturity equal to the relevant Reset Period which are displayed on the Reuters screen page (or such other page as may replace that page on Reuters, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**Subsequent Reset Period**" means each successive period other than the First Reset Period from (and including) a Reset Note Reset Date to (but excluding) the next succeeding Reset Note Reset Date.

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the Mid-Swap Rate plus the Reset Margin.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto.

(i) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agent(s) if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Optional Redemption Amount or Special Redemption Price, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

5. Deferral of Payments

(a) Optional Deferral of Interest

The Issuer may elect in respect of any Optional Interest Payment Date by notice to the Noteholders and the Trustee pursuant to Condition 5(d) below, to defer payment of all (but not some only) of the interest accrued to that date and the Issuer shall not have any obligation to make such payment on that date.

Notwithstanding any other provision in these Conditions or the Trust Deed, the deferral of any payment of interest on an Optional Interest Payment Date in accordance with this Condition 5(a) or in accordance with Condition 3(b) will not constitute a default by the Issuer and will not give the Noteholders or the Trustee any right to accelerate the Notes.

(b) Mandatory Deferral of Interest

Payment of interest on the Notes will be mandatorily deferred on each Mandatory Interest Deferral Date. The Issuer shall notify the Noteholders and the Trustee of any Mandatory Interest Deferral Date in accordance with Condition 5(d).

A certificate signed by two Directors confirming that (a) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (b) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any payment of interest on a Mandatory Interest Deferral Date in accordance with this Condition 5(b) or in accordance with Condition 3(b) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate repayment of the Notes.

(c) Arrears of Interest

Any interest in respect of the Notes not paid on an Interest Payment Date as a result of the exercise by the Issuer of its discretion pursuant to Condition 5(a) or the obligation on the Issuer to defer pursuant to Condition 5(b) or due to the operation of the Solvency Condition contained in Condition 3(b), together with any other interest in respect thereof not paid on an earlier Interest Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest shall not themselves bear interest.

Any Arrears of Interest and any other amount, payment of which is deferred in accordance with Conditions 5(a), 5(b) or 3(b), may (subject to Condition 3(b), to any notifications to, or consent from (in either case if and to the extent applicable), the Relevant Regulator and to any other requirements under Solvency II and/or any other Relevant Rules), be paid in whole or in part at any time upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Trustee and the Noteholders in accordance with Condition 16, and in any event will become due and payable (subject, in the case of (i) and (iii) below, to Condition 3(b) and any notifications to, or consent from (in either case if and to the extent applicable), the Relevant Regulator) in whole (and not in part) upon the earliest of the following dates:

(i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date on which payment of interest in respect of the Notes is made; or

(ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes 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 (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (B) do not provide that the Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or

(iii) the date for any redemption of Notes by the Issuer pursuant to Condition 6.

(d) Notice of Deferral

The Issuer shall notify the Trustee and the Noteholders in writing in accordance with Condition 16 not less than 5 Business Days prior to an Interest Payment Date:

(i) if that Interest Payment Date is an Optional Interest Payment Date in respect of which the Issuer elects to defer interest as provided in Condition 5(a) above; and

(ii) if that Interest Payment Date is a Mandatory Interest Deferral Date and specifying that interest will not be paid because a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date, provided that if a Regulatory Deficiency Interest Deferral Event occurs less than 5 Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 16 as soon as reasonably practicable following the occurrence of such event.

6. Redemption, Substitution, Variation, Purchase and Options

(a) Redemption

(i) Subject to Condition 3(b), Condition 6(a)(ii) below and to compliance by the Issuer with regulatory rules on notification to, or consent from (in either case if and to the extent applicable), the Relevant Regulator and provided that, in the case of redemption, such redemption is permitted under the Relevant Rules applicable from time to time to the Issuer (on the basis that the Notes are intended to qualify as Tier 2 Capital under Solvency II), unless previously redeemed or purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's option, if a Maturity Date is specified hereon, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount), together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest. If so specified hereon, the Issuer may give notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable) not less than 30 days prior to the Maturity Date of the Extended Maturity Date and thereafter all references herein to the Maturity Date shall be deemed to be to such Extended Maturity Date.

(ii) No Notes shall be redeemed on the Maturity Date (if any) pursuant to Condition 6(a)(i) or prior to the Maturity Date (if any) pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption is made on, if Condition 6(a)(i) applies, the Maturity Date or, if Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) applies, any date specified for redemption in accordance with such Conditions.

(iii) If the Notes are not to be redeemed on the Maturity Date (if any) pursuant to Condition 6(a)(i) or on any redemption date pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) (as applicable) as a result of circumstances where:

(A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed on such date;

(B) the Solvency Condition would not be satisfied on such date and immediately after the redemption; or

(C) the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

the Issuer shall notify the Trustee and the Issuing and Paying Agent in writing and notify the Noteholders in accordance with Condition 16 no later than five Business Days prior to the Maturity Date (if any) or the date specified for redemption in accordance with Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f), as applicable, (or as soon as reasonably practicable if the relevant circumstance requiring redemption to be deferred arises, or is determined, less than five Business Days prior to the relevant redemption date).

(iv) If redemption of the Notes does not occur on the Maturity Date (if any) or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) as a result of Condition 6(a)(ii) above or the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date, subject (in the case of (A) and (B) only) to Condition 3(b) and to any notifications to, or consent from (in each case if and to the extent applicable), the Relevant Regulator and to such redemption being otherwise permitted under the Relevant Rules, such Notes shall be redeemed at their principal amount or, as applicable, the relevant price specified in Condition 6(c), (d), (e) or (f) together with accrued interest and any Arrears of Interest, upon the earliest of:

(A) in the case of a failure to redeem due to the operation of Condition 6(a)(ii) only, the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such tenth Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of Condition 6(a)(ii), Condition 6(a)(iii) and this Condition 6(a)(iv) shall apply *mutatis mutandis* to determine the due date for redemption); or

(B) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes; or

(C) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes 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 (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.

(v) If Condition 6(a)(ii) does not apply, but redemption of the Notes does not occur on the Maturity Date or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) as a result of the Solvency Condition not being satisfied at such time and immediately after such payment, subject to any notifications to, or consent from (in each case if and to the extent applicable), the Relevant Regulator and to such redemption being otherwise permitted under the Relevant Rules, such Notes shall be redeemed at their principal amount or, as applicable, the relevant price specified in Condition 6(c), (d), (e) or (f) together with accrued interest and any Arrears of Interest on the 10th Business Day immediately following the day that (A) the Issuer is solvent for the purposes of Condition 3(b) and (B) that redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 3(b), provided that if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed, or if the Solvency Condition would not be satisfied on such date and immediately after the redemption, then the Notes shall not be redeemed on such date and Condition 3(b) and 6(a)(iv) shall apply, *mutatis mutandis*, to determine the date of the redemption of the Notes.

(vi) A certificate signed by two Directors confirming that (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if redemption of the Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring or (C) that any circumstance described in Condition 6(a)(iii)(B) or (C) apply, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.

(vii) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(b) or this Condition 6 will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes.

(vii) Any Notes with no Maturity Date specified hereon may be redeemed only in accordance with the provisions of this Condition 6 or as provided in Condition 10.

(b) Conditions to Redemption, Substitution, Variation or Purchase

Prior to any notice of redemption before the Maturity Date (if any) or any substitution, variation or purchase of the Notes, the Issuer will be required to have complied with regulatory rules on notification to, or consent from (in each case, if and to the extent applicable), the Relevant Regulator and such redemption, variation or purchase shall be otherwise permitted under the Relevant Rules applicable to it from time to time. A certificate from any two Directors confirming such compliance shall be conclusive evidence of such compliance.

In the case of a redemption or purchase that is within five years of the Issue Date of the Notes:

(i) the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that it would have been reasonable for the Issuer to conclude, judged at the time of the issue of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption was unlikely to occur. Such certificate shall be conclusive evidence of the matters stated herein and shall be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall rely on such certificate without liability to any person; and

(ii) such redemption or purchase shall be funded out of the proceeds of a new issuance of capital of at least the same quality as the Notes and shall be otherwise permitted under the Relevant Rules.

(c) Redemption, Substitution or Variation Due to Taxation

If immediately prior to the giving of the notice referred to below:

(i) as a result of a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the 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 such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Tier 2 Capital or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Issue Date of the Notes (each a "Tax Law Change"), in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in Condition 8) on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or

(ii) as a result of a Tax Law Change in respect of the Issuer's obligation to make any payment of Interest on the next following Interest Payment Date: (x) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; (y) the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist); or (z) the Issuer would otherwise suffer adverse tax consequences, and in each such case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it, then:

(A) the Issuer may, subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions (unless otherwise specified hereon) at any time (if and for so long as this Note is not a Floating Rate Note) or on any Interest Payment Date (if and for so long as this Note is a Floating Rate Note) all, but not some only, of the

Notes at their principal amount, together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or

(B) the Issuer may, subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become Qualifying Tier 2 Securities and the Trustee shall (subject to the following provisions of this paragraph (B) and subject to the receipt by it of the certificates of the Directors referred to below and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Notes are to be substituted or are to be varied if such substitution or variation imposes, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(c) the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the relevant requirement or circumstance referred to in sub-paragraph (i) or (ii) above applies and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs (without liability to any person) in which event it shall be conclusive and binding on the Trustee and the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall (subject to Condition 6(b) and, in the case of a redemption, to Condition 3(b), Condition 6(a)(ii), Condition 6(a)(iii), Condition 6(a)(iv) and Condition 6(a)(v)) either redeem, vary or substitute the Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 6(c), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading, and (for so long as the Notes are listed on the Official List of the UK Listing Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "FSMA") and admitted to trading on the London Stock Exchange's EEA Regulated Market) shall publish a supplement in connection therewith if the Issuer is required to do so in order to comply with Section 87 of the FSMA.

(d) Redemption at the Option of the Issuer

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(c) or Condition 6(e) or Condition 6(f) on or prior to the expiration of the notice referred to below, and if Call Option is specified hereon, the Issuer may at its option, subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b), and having given not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date specified hereon. Any such redemption of Notes shall be at their Optional Redemption Amount (as may be provided for hereon) together with any interest accrued to (but excluding) the date fixed for redemption in accordance with these Conditions and any Arrears of Interest. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) Redemption, Substitution or Variation at the Option of the Issuer due to Capital Disqualification Event

If Capital Disqualification Call is specified hereon and within the period from and including the date of the occurrence of a Capital Disqualification Event to and including the date which is the first anniversary of such occurrence (or such shorter period as may be set out hereon), the Issuer gives the notice referred to below and if on the date of such notice a Capital Disqualification Event is continuing, then:

(i) the Issuer may, subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b) and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee and the Issuing and Paying Agent (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes (unless otherwise specified hereon) at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date. The Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or

(ii) the Issuer may, subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they become Qualifying Tier 2 Securities and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Directors of the Issuer referred to below and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Notes are to be substituted or are to be varied if such substitution or variation imposes, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(e) the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Capital Disqualification Event (without liability to any person) in which event it shall be conclusive and binding on the Trustee and the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall (subject to Condition 6(b) and, in the case of a redemption, to Condition 3(b), Condition 6(a)(ii), Condition 6(a)(iii), Condition 6(a)(iv) and Condition 6(a)(v)) either redeem, vary or substitute the Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 6(e), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(f) Optional redemption for Rating Reasons

If a Rating Methodology Call is specified hereon, and if after a date (the "**Rating Methodology Event Commencement Date**") specified as such hereon a Rating Methodology Event occurs and within the period from and including the date of the occurrence of such Rating Methodology Event to and including the date which is the later of (i) the first anniversary of such occurrence and (ii) the fifth anniversary of the Issue Date, the Issuer gives the notice referred to below and if on the date of such notice the Rating Methodology Event is continuing, then:

(i) the Issuer may, subject to Condition 3(b), Condition 6(a)(ii) and Condition 6(b) and provided it is on or after the fifth anniversary of the Issue Date and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee and the Issuing and Paying Agent (which notice shall be irrevocable), redeem in accordance with these Conditions all, but not some only, of the Notes (unless otherwise specified hereon) at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date. The Notes will be redeemed at their Special Redemption Price, in each case together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest; or

(ii) the Issuer may, subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Notes for, or vary the terms of the Notes so that they become Rating Agency Compliant Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of certificates of Directors of the Issuer referred to below and in the definition of Qualifying Tier 2 Securities and Rating Agency Compliant Securities) agree to such substitution or variation. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Rating Agency Compliant Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation of the terms of the securities into which the Notes are to be substituted or are to be varied if such substitution or variation imposes, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(f) the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Rating Methodology Event has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Rating Methodology Event (without liability to any person) in which event it shall be conclusive and binding on the Trustee and the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall (subject to Condition 6(b) and, in the case of a redemption, to Condition 3(b), Condition 6(a)(ii), Condition 6(a)(iii), Condition 6(a)(iv) and Condition 6(a)(v)) either redeem, vary or substitute the Notes, as the case may be.

In connection with any substitution or variation in accordance with this Condition 6(f), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(g) Purchases

Subject to Conditions 3(b) and 6(b), the Issuer and any of its Subsidiaries for the time being may, subject to the Issuer having complied with regulatory rules on notification to, or consent from (in each case if and to the extent applicable), the Relevant Regulator, at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise and at any price.

(h) Cancellation

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may (at the option of the Issuer or the relevant Subsidiary) be held, reissued, resold or surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so redeemed or surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes and Coupons shall be discharged.

(i) Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and will not be responsible to Noteholders for any loss arising from any failure by the Trustee to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance exists.

7. Payments and Talons

(a) Bearer Notes

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) Registered Notes

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register (i) where all or any of the Registered Notes are represented by a Global Certificate, at the close of the business day (being for this purpose a day on which DTC, Euroclear and/or Clearstream, Luxembourg, as applicable, are open for business) before the due date for payment thereof, and (ii) where none of the Registered Notes is represented by a Global Certificate at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) Payments in the United States

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such Payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or its agents and the Issuer will not be liable to pay any additional amount in respect of taxes or duties of whatever nature imposed or levied by or pursuant to such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments. For the purpose of this paragraph, the phrase "fiscal or other laws, regulations and directives" shall include any withholding or deduction imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any regulations thereunder, any law implementing an inter-governmental approach thereto, any agreement entered into pursuant to FATCA, or any official interpretation of FATCA.

(e) Appointment of Agents

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. Subject as provided in the Agency Agreement, the Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in a European Union member state (so long as there is such a member state) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such directive or any agreement between the European Union and any jurisdiction providing for equivalent measures and (vi) a Paying Agent having specified offices in London so long as the Notes are admitted to the Official List of the UK Listing Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange's EEA Regulated Market.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c).

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders. 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 applicable Final Terms or Pricing Supplement.

(f) Unmatured Coupons and unexchanged Talons

(i) Unless the Notes provide that the relevant Coupons are to become void upon the due date for redemption of those Notes, Bearer Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Optional Redemption Amount or Special Redemption Price as the case may be and as may be provided for hereon, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) If the Notes so provide, upon the due date for redemption of any Bearer Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date (if one is specified hereon) shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) Non-Business Days

If any date for payment in respect of any Note or Coupon is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Additional Financial Centres" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required by law to be made, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) Other connection

presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments 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 the Note or Coupon; or

(b) Lawful avoidance of withholding

presented for payment by or on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it) or Coupon is presented for payment; or

(c) Presentation more than 30 days after the Relevant Date

presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day after the Relevant Date; or

(d) EU Savings Directive

where such withholding or deduction is imposed on a payment and is required to be made pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such directive or any agreement between the European Union and any jurisdiction providing for equivalent measures; or

(e) Payment by another Paying Agent

(except in the case of the payment of interest in respect of Registered Notes) 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 (or, in the case of the payment of principal in respect of Registered Notes, another Transfer Agent or, if applicable, the Registrar) in a Member State of the European Union; or

(f) Any combination

where such withholding or deduction arises out of any combination of paragraphs (a) to (e) above.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amount, Optional Redemption Amount or Special Redemption Price and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) "**principal**" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed ("Additional Amounts").

9. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default and Enforcement

(a) Rights to institute winding-up

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(b), no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition is not satisfied, at the time of and immediately after any such payment. In the case of any payment of interest in respect of the Notes, such payment may be deferred pursuant to Condition 5(a) and if so deferred will not be due and will be deferred and not be due if Condition 5(b) applies and, in the case of payment of principal, such payment will be deferred and will not be due if Condition 6(a)(ii) applies or the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules), or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date.

If:

(i) default is made for a period of seven days or more in the payment of any interest due in respect of the Notes or any of them; or

(ii) default is made for a period of seven days or more in payment of the principal due in respect of the Notes or any of them,

the Trustee may at its discretion institute proceedings for the winding-up of the Issuer and/or prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer for such payment, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes, the Coupons or the Trust Deed may be made by the Issuer pursuant to Condition 10(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent (if required) from, the Relevant Regulator which the Issuer shall confirm in writing to the Trustee.

(b) Amount payable on winding-up

If an order is made by the competent court or resolution passed for the winding-up of the Issuer (except, in any such case, a solvent winding-up, solely for the purpose of a reconstruction or amalgamation of the Issuer, the terms of which reconstruction or amalgamation (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (ii) do not provide that the Notes shall thereby become payable) or an administrator of the Issuer gives notice that it intends to declare and distribute a dividend, the Trustee at its discretion may, and if so requested by Noteholders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 10(d)), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at the amount equal to their principal amount together with accrued interest and any Arrears of Interest.

(c) Enforcement

Without prejudice to Condition 10(a) or (b) above, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer under or arising from the Notes, the Coupons or the Trust Deed including, without limitation, payment of any principal, premium or interest in respect of the Notes or the Coupons and any damages awarded for breach of any obligations) and in no event shall the Issuer, 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(c) shall, subject to Condition 10(a), 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 the Notes, the Coupons or the Trust Deed (including without limitation, payment of any principal, premiums, or interest in respect of the Notes or the Coupons and any damages awarded for any breach of any obligations).

(d) Entitlement of the Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 10(a), (b) or (c) above to enforce the obligations of the Issuer under the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested 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.

(e) Right of Noteholders

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up 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 winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10. Any such proceedings brought by any Noteholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder or Couponholder indemnifying the Trustee to its satisfaction.

(f) Extent of Noteholders' remedy

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

11. Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons holding or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts or Arrears of Interest on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest or Arrears of Interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Optional Redemption Amount or the Special Redemption Price, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (ix) to modify Condition 3, in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 6(c) or (e) in connection with the substitution or variation of the Notes so that they remain or become Qualifying Tier 2 Securities or in the circumstances described in Condition 6(f) in connection with the substitution or variation of the Notes so that they become Rating Agency Compliant Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 6(c), (e) or (f), as the case may be. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions and the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) Notice to Relevant Regulator

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer shall have given at least one month's prior written notice to, and received no objection from, the Relevant Regulator (or such other period of notice as the Relevant Regulator may from time to time require or accept and, in any event, provided that there is a requirement to give such notice).

(d) Substitution

The Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders or Couponholders, may agree with the Issuer, without the consent of the Noteholders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 3 of any person or persons incorporated in any country in the world (other than the United States) (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed, the Notes and the Coupons provided that:

(i) a trust deed is executed or some other form of undertaking is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Notes, the Coupons and the Talons, with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes, the Coupons and the Talons, as the principal debtor in place of the Issuer (or of any previous Substitute Obligor, as the case may be);

(ii) (unless the successor in business of the Issuer is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed, the Notes, the Coupons and the Talons are guaranteed by the Issuer (or the successor in business of the Issuer) on a subordinated basis equivalent to that referred to in Condition 3 and in the Trust Deed and in a form and manner satisfactory to the Trustee;

(iii) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer;

(iv) (without prejudice to the rights of reliance of the Trustee under sub-paragraph (iii) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;

(v) (without prejudice to the generality of sub-paragraph (i) above) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons and/or the Talons, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;

(vi) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "**Issuer's Territory**"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 8 with the substitution for the references in that Condition and in Condition 6(c) to the Issuer's Territory of references to the Substituted Territory whereupon the Trust Deed, the Notes, the Coupons and the Talons will be read accordingly; and

(vii) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

In connection with any proposed substitution as aforesaid, the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such substitution or such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with. or subject to the jurisdiction of, any particular territory. In connection with any substitution or such exercise as aforesaid, no Noteholder or Couponholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Noteholders or Couponholders except to the extent already provided in Condition 8 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any substitution pursuant to this Condition 11 shall be subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to any notifications to, or consent from, the Relevant Regulator.

12. Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

14. Replacement of Notes, Certificates, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent. as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. Definitions

As used herein:

"**Arrears of Interest**" has the meaning given to it in Condition 5;

"**Assets**" means the unconsolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events, all in such manner as the Directors may determine;

"**Capital Disqualification Event**" is deemed to have occurred if as a result of the implementation of Solvency II or any change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules, the Directive or (following its implementation) Solvency II, the Notes are no longer capable of counting as Tier 2 Capital for the purposes of the Issuer or the Group as a whole, whether on a solo, group or consolidated basis, except (in either case) where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

"**Compulsory Interest Payment Date**" means any Interest Payment Date in respect of which during the immediately preceding 6 months a Compulsory Interest Payment Event has occurred and is not a Mandatory Interest Deferral Date and on which the Solvency Condition is satisfied;

"**Compulsory Interest Payment Event**" means:

(i) any declaration, payment or making of a dividend or distribution by the Issuer to its ordinary shareholders; or

(ii) any repurchase by the Issuer of its ordinary shares for cash, provided such repurchase is not made in the ordinary course of business of the Issuer in connection with any share option scheme or share ownership scheme for management or employees of the Issuer or management or employees of affiliates of the Issuer;

"**Directive**" means Directive 98/78/EC of the European Union as amended (from time to time);

"**Directors**" means the directors of the Issuer;

"**EEA Regulated Subsidiaries**" means the subsidiaries of the Issuer which are regulated within the EEA by a Relevant Supervisory Authority;

"**European Economic Area**" or "EEA" means the countries comprising the European Union together with Norway, Liechtenstein and Iceland;

"**Existing Undated Tier 2 Securities**" means Upper Tier 2 Capital issued prior to the Solvency II Implementation;

"**Final Redemption Amount**" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"**Group**" means the Issuer and its Subsidiaries;

"**Group Supervisor**" means the regulatory authority exercising group supervision over the Group in accordance with the Solvency II Directive;

"**Insolvent Insurer Winding-up**" means:

(i) the winding-up of any insurance undertaking within the Group; or

(ii) the appointment of an administrator of any insurance undertaking within the Group, in each case, where the Issuer has been unable to demonstrate to the satisfaction of the Relevant Regulator that the assets of that insurance undertaking within the Group will be sufficient to meet all claims of the policyholders pursuant to a contract of insurance of that insurance undertaking which is in winding-up or administration (and for these purposes, the claims of policyholders pursuant to a contract of insurance shall include all amounts to which policyholders are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which policyholders may have);

"**insurance undertaking**" has the meaning given to it in the Solvency II Directive;

"**Junior Securities**" has the meaning given to it (in the case of Notes with a Maturity Date specified hereon) in Condition 3(a)(i) or (in the case of Notes without a Maturity Date specified hereon) in Condition 3(a)(ii), as the case may be;

"**Level 2 Regulations**" means the Commission Delegated Regulation (EU) No. 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II);

"**Liabilities**" means the unconsolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events, all in such manner as the Directors may determine;

"**Lower Tier 2 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time and shall following the implementation of Solvency II or any other change in law or any Relevant Rules such that Lower Tier 2 Capital ceases to be a separately recognised tier of capital resources, be deemed to be a reference to any Tier 2 Capital;

"**Mandatory Interest Deferral Date**" means each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest was made on such Interest Payment Date;

"**Maturity Date**" has the meaning given to it in the relevant Final Terms or Pricing Supplement and if specified hereon will be at least ten years from the Issue Date;

"**Minimum Capital Requirement**" means the Minimum Capital Requirement, the minimum group Solvency Capital Requirement or other minimum capital requirements (as applicable) referred to in Solvency II or the Relevant Rules;

"**Optional Interest Payment Date**" means any Interest Payment Date other than a Compulsory Interest Payment Date, if Compulsory Interest Payment Date is specified hereon, or a Mandatory Interest Deferral Date;

"**Optional Redemption Amount**" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"**Pari Passu Creditors**" means creditors of the Issuer whose claims rank, or are expressed to rank *pari passu* with, the claims of the Noteholders including holders of Pari Passu Securities;

"**Pari Passu Securities**" has the meaning given to it (in the case of Notes with a Maturity Date specified hereon) in Condition 3(a)(i) or (in the case of Notes without a Maturity Date specified hereon) in Condition 3(a)(ii), as the case may be;

"**Qualifying Tier 2 Securities**" means securities issued directly or indirectly by the Issuer that:

(i) have terms not materially less favourable to a holder than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank and in respect of the matters specified in (1) to (7) below) signed by two Directors shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person) prior to the issue of the relevant securities, provided that they shall (1) contain terms which comply with the then current requirements of the Relevant Regulator in relation to Tier 2 Capital; (2) bear the same rate of interest from time to time applying to the Notes and preserve the Interest Payment Dates; (3) 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 interest deferral provisions contained in these Conditions; (4) rank senior to, or *pari passu* with, the Notes; (5) provide for the same Maturity Date (if one is specified hereon) and 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 2 Securities may not be redeemed by the Issuer prior to the first Optional Redemption Date specified hereon (save for redemption, substitution or variation on terms analogous with the terms of Condition 6(c) or (e) and subject to the same conditions as those set out in Condition 6(b)); (6) do not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption through the write-down of the nominal amount of Qualifying Tier 2 Securities or conversion of such Qualifying Tier 2 Securities into Ordinary Shares; and (7) preserve any existing rights under these Conditions to any Arrears of Interest and any other amounts payable under the Notes which, in each case, has accrued to Noteholders and not been paid; and

(ii) are listed or admitted to trading on the London Stock Exchange, the Luxembourg Stock Exchange or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

"**Rating Agency**" means Standard & Poor's Rating Services or any successor;

"**Rating Agency Compliant Securities**" means securities issued directly or indirectly by the Issuer that are:

(i) Qualifying Tier 2 Securities; and

(ii) assigned substantially the same equity content or at the absolute discretion of the Issuer a lower equity content (provided such equity content is still higher than the equity content assigned to the Notes after the occurrence of the Rating Methodology Event) that was assigned by the Rating Agency to the Notes on or around the Issue Date and provided that a certification to such effect of two Directors shall have been delivered to the Trustee prior to the issue of the relevant securities;

"**Rating Methodology Event**" will be deemed to occur upon a change in methodology of the Rating Agency (or in the interpretation of such methodology) as a result of which the equity content assigned by the Rating Agency to the Notes is, in the reasonable opinion of the Issuer, materially reduced when compared with the equity content assigned by the Rating Agency to the Notes on or around the Issue Date;

"**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 provision. statute or statutory instrument replacing the same from time to time;

"**Regulatory Deficiency Interest Deferral Event**" means any event (including, without limitation, any event which causes any Solvency Capital Requirement or Minimum Capital Requirement to be breached and such breach is an event) which under Solvency II and/or under the Relevant Rules requires the Issuer to defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes (on the basis that the Notes qualify (or are intended to qualify) as Tier 2 Capital under Solvency II and any other Relevant Rules);

"**Regulatory Deficiency Redemption Deferral Event**" means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement to be breached and the continuation of such Insolvent Insurer Winding-up is, or as the case may be, such breach is, an event) which under Solvency II and/or under the Relevant Rules requires the Issuer to defer or suspend repayment or redemption of the Notes (on the basis that the Notes qualify (or are intended to qualify) as Tier 2 Capital under Solvency II and any other Relevant Rules);

"**Relevant Regulator**" means the UK Regulator or, if the UK Regulator at any time ceases to be the Group Supervisor or Supplementary Supervisor, such other regulator as becomes the Group Supervisor for the purposes of Solvency II or the Supplementary Supervisor for the purposes of the Directive (as applicable) or any other regulator which has prudential supervisory authority with respect to the Issuer from time to time;

"**Relevant Rules**" means any legislation, rules or regulations (whether having the force of law or otherwise) in the jurisdiction of the Relevant Regulator, implementing the Directive or, as applicable, Solvency II and any relevant prudential rules for insurers applied by the Relevant Regulator and any amendment, supplement or replacement of either thereof from time to time relating to the characteristics, features or criteria of own funds or capital resources;

"**Relevant Supervisory Authority**" means any regulator having jurisdiction over the Issuer or any of the EEA Regulated Subsidiaries;

"**Senior Creditors**" means:

(i) in the case of Notes issued with a Maturity Date specified hereon: (a) creditors of the Issuer who are unsubordinated creditors of the Issuer including all policyholders of the Issuer (for the avoidance of doubt, the claims of policyholders shall include all amounts to which policyholders are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which policyholders may have) and (b) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims are in respect of instruments or obligations which constitute, or would but for any applicable limitation on the amount of any such capital constitute, (i) Tier 1 Capital, (ii) Existing Undated Tier 2 Securities, or (iii) Lower Tier 2 Capital issued prior to the Solvency II Implementation or Tier 2 Capital issued on or after the Solvency II Implementation or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders); and

(ii) in the case of Notes issued without a Maturity Date specified hereon: (a) creditors of the Issuer who are unsubordinated creditors of the Issuer including all policyholders of the Issuer (for the avoidance of doubt, the claims of policyholders shall include all amounts to which policyholders are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which policyholders may have) and (b) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims are in respect of instruments or obligations which constitute, or would but for any applicable limitation on the amount of any such capital constitute, (i) Tier 1 Capital, (ii) Existing Undated Tier 2 Securities, or (iii) in relation to the Notes issued on or after Solvency II Implementation, Tier 2 Capital (issued on or after the Solvency II Implementation) or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders);

"**Solvency Capital Requirement**" means the Solvency Capital Requirement or the group Solvency Capital Requirement (as applicable) referred to in, or any other capital requirement howsoever described in, Solvency II or the Relevant Rules;

"**Solvency II**" means the Solvency II Directive and any additional measures adopted to give effect to the Solvency II Directive (for the avoidance of doubt, whether implemented by way of regulation (including, without limitation, the Level 2 Regulations), directives or otherwise);

"**Solvency II Directive**" means Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) and which must be transposed by member states of the European Economic Area pursuant to Article 309 of Directive 2009/138/EC;

"**Solvency II Implementation**" means the date from which legislation, rules or other measures implementing Solvency II in the UK (or, if the UK Regulator ceases to be the Supplementary Supervisor or ceases to be the Group Supervisor, in the jurisdiction of the replacement Supplementary Supervisor or of the replacement Group Supervisor, as applicable) are applied to the Issuer and/or the Group;

"**Special Redemption Price**" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"**Subsidiary**" has the meaning given to it under Section 1159 of the Companies Act 2006 (as amended from time to time);

"**subsidiary undertaking**" has the meaning given to subsidiary undertaking under Section 1162 of the Companies Act 2006 (as amended from time to time);

"**Supplementary Supervisor**" means the regulatory authority exercising supplementary supervision over the Group in accordance with the Directive;

"**Tax Event**" means an event of the type described in Condition 6(c)(i) or (ii);

"**Tier 1 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time;

"**Tier 2 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time;

"**UK Listing Authority**" means the UK Financial Conduct Authority in its capacity as UK listing authority for the purposes of the Financial Services and Markets Act 2000 (as amended) ("FSMA") or any successor authority or authorities appointed as the competent UK listing authority for the purposes of Part VI (Official Listing) of FSMA or otherwise;

"**UK Regulator**" means the UK Prudential Regulation Authority or any successor UK regulatory authority having prudential supervisory responsibilities with respect to the Issuer and/or the Group;

"**United Kingdom**" or "**UK**" means the United Kingdom of Great Britain and Northern Ireland; and

"**Upper Tier 2 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time and shall, following the implementation of Solvency II or any other change in law or any Relevant Rules such that Upper Tier 2 Capital ceases to be a separately recognised tier of capital resources, be deemed to be a reference to any Tier 2 Capital.

19. Governing Law

The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

If the Global Notes in respect of any series of Senior Notes in bearer form are stated in the applicable Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. If the Global Certificates in respect of any series of Senior Notes in registered form are stated in the applicable Final Terms to be issued in NSS form, the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Where the Global Notes issued in respect of any Tranche are in NGN form or are held under the NSS, Euroclear and Clearstream, Luxembourg will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Depositing the Global Notes or Global Certificates (as the case may be) with the Common Safekeeper does not necessarily mean that the relevant Senior Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary (other than Global Certificates in NSS form, which shall be delivered to a Common Safekeeper).

If the Global Note is in CGN form, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any common nominee for Euroclear and Clearstream, Luxembourg and delivery of the relevant Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is in NGN form, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Overview of the Programme-Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

If the temporary Global Note is exchangeable for Definitive Notes at the option of the holder and the relevant clearing system(s) so permit, the Notes shall be tradeable only in amounts of at least the Specified Denomination specified in the Final Terms (such as €100,000 (or its equivalent in another currency)) plus one or more higher integral multiples of another smaller amount (such as €1,000 (or its equivalent in another currency)).

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant Exchange Date, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

Permanent Global Certificates

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(a) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (i) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Delivery of Notes

If the Global Note is in CGN form, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be, or if the Global Note is in NGN form, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(f)(v) and Condition 8(e) will apply to the Definitive Notes only. If the Global Note is in NGN form, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each £1 of principal amount of the Notes.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest (if any) thereon.

Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and, accordingly, no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is in NGN form, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

NGN nominal amount

Where the Global Note is in NGN form, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Senior Notes represented by such Global Note shall be adjusted accordingly.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, any nominee or any common nominee, as the case may be, for a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate and, in the case of Registered Notes only, the Trustee may have regard to any other letter of confirmation, form of record, information and/or certification as the Trustee shall, in its absolute discretion, think fit as evidence that at any particular time or throughout any particular period any particular person should be regarded as having an interest in a particular nominal amount of Registered Notes and if the Trustee does so rely on such evidence, such letter of confirmation, form of record, information and/or certification shall be conclusive and binding on all concerned.

Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

USE OF PROCEEDS

The net proceeds of the issue of each Series or Tranche of Notes will be used to fund the general business and commercial activities of the Group, including the refinancing of Group borrowings, and to strengthen further its capital base.

DESCRIPTION OF THE GROUP

1. General

The Issuer, Aviva plc, is a public limited company incorporated under the laws of England and Wales with registered number 2468686, and is the holding company of the Group. The Group's main activities are the provision of long-term insurance and savings, general and health insurance and fund management products and services.

The issued share capital of the Issuer as at 29 April 2015 (being the latest practicable date prior to the publication of this Prospectus) comprised 4,045,476,038 ordinary shares of 25 pence each totalling £1,011,369,010 in nominal value, and 200,000,000 irredeemable preference shares of £1 each totalling £200,000,000 in nominal value, all of which are fully paid. This results in a total issued share capital of £1,211,369,010. The Issuer's registered office is St Helen's, 1 Undershaft, London EC3P 3DQ. The telephone number is +44 (0)20 7 283 2000.

2. Overview of the Group

The Group (for the purposes of this Prospectus and as also defined on page 1, the Group means (a) in respect of periods prior to completion of the Acquisition (as defined herein), the group comprising the Issuer, its subsidiaries and its subsidiary undertakings from time to time ("**Aviva**") and (b) in respect of periods following completion of the Acquisition, the combined group comprising Aviva and Friends Life Group Limited, its subsidiaries and its subsidiary undertakings from time to time ("**Friends Life**")) was formed by the merger of CGU plc and Norwich Union plc on 30 May 2000. CGU plc was renamed CGNU plc on completion of the merger, and subsequently renamed Aviva plc on 1 July 2002.

On 2 December 2014, the boards of the Issuer and Friends Life Group Limited announced that they had agreed the terms of a recommended all-share offer by the Issuer to acquire the entire issued and to be issued ordinary share capital of Friends Life Group Limited (the "**Acquisition**"). On 19 January 2015 the Issuer published a class 1 circular in relation to the Acquisition and a prospectus in relation to the New Aviva Shares to be allotted and issued to the shareholders of Friends Life pursuant to the Acquisition.

On 26 March 2015 the boards of the Issuer and Friends Life Group Limited announced that the Friends Life Shareholders had approved the Acquisition at a Court Meeting and passed a special resolution approving the Acquisition at its General Meeting, in order to implement the Acquisition by means of a Court-sanctioned scheme of arrangement of Friends Life under Part VIII of the Companies (Guernsey) Law, 2008 (as amended) (the "**Scheme**"), and that the Aviva Shareholders had approved the Acquisition and related matters at its General Meeting.

On 10 April 2015, the Issuer announced that the Acquisition had received the necessary regulatory clearances and Guernsey Court sanction of the Scheme, and that the Acquisition was now complete. On 13 April 2015, 1,086,326,606 New Aviva Shares were issued in connection with the Acquisition, and the Acquisition has resulted in Scheme Shareholders together owning approximately 27% of the ordinary share capital of the Group.

The Group's principal operating segments are the UK and Ireland; France; Canada; Poland; Italy, Spain and Other; Asia; and Aviva Investors (please see paragraph 7 ("**Geographical market analysis**") below for further information). Due to the size of the UK and Ireland segment, it is split into separate Life and General Insurance segments, which undertake long-term insurance and savings business and general insurance and health business, respectively. Aviva Investors operates across most markets providing fund management services to third-party investors and to the Group's long-term insurance business and general insurance and health operations.

3. Strategy of the Group

The Group has a focused, clear, simple and differentiated business strategy. Its long-term strategic anchor has three elements:

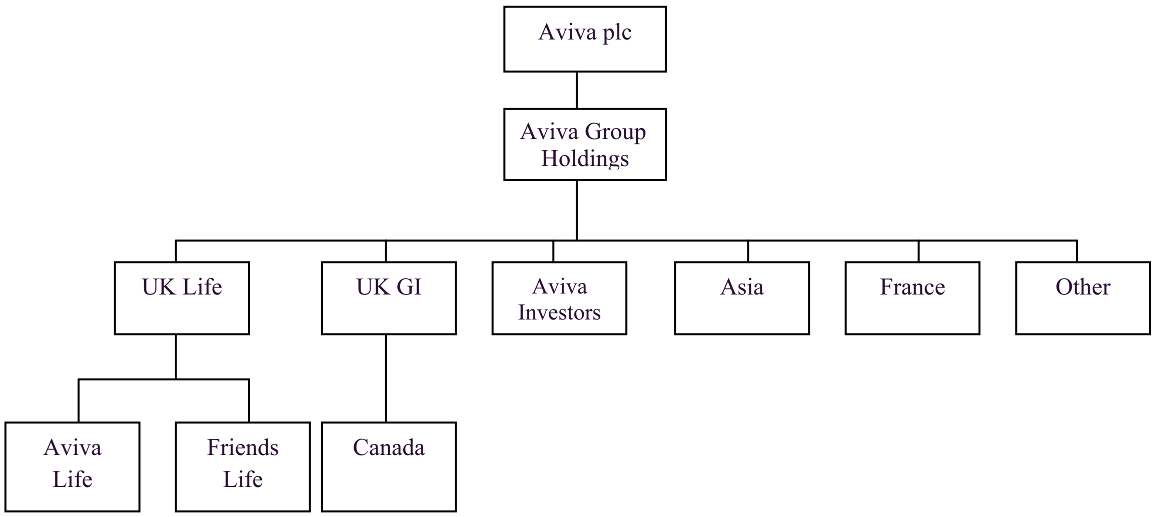
- **True Customer Composite**. The Group is the only composite of scale in the United Kingdom and one of the few in the world that can offer a full range of insurance and asset management products, underpinned by the most recognised insurance brand in the United Kingdom.
- **Digital First**. This is how the Group is capitalising on being a composite insurer. It is how customers increasingly want to do business with the Group. If there is a choice of where to invest, it will be in digital first across any channel.

- **Not Everywhere**. The Group is not interested in geographic regions but individual markets where it has scale and profitability or a distinct competitive advantage. It will focus on markets, like the United Kingdom, where it will win.

4. The Group post-Acquisition

Structure chart

The following chart shows, in simplified form, the organisational structure of the Group as at 1 May 2015:



Summary

The Issuer believes that the Acquisition is consistent with its strategy and reinforces its investment thesis and provides the opportunity for "accelerating cash flow plus growth". The key strategic and financial benefits of the Acquisition are outlined below.

Increasing the Quantum, Resilience and Diversification of Cash flows

The Acquisition is expected to leverage the complementary strengths of the Issuer and the business of Friends Life to create a stronger, more diversified and resilient business better positioned to serve customer needs, combining the "Aviva" brand, broad product range, scale and composite benefits with the strong cash flow, corporate pensions leadership, balance sheet strength and proven back book expertise of Friends Life.

Increased Scale in Attractive Segments of the UK Life Market

The Acquisition is expected to result in the Group having leadership positions across key product areas, with a total of approximately 12 million UK Life customers (prior to the deduction of overlapping customers), with combined UK Life assets under management of £215 billion[1], and provides a substantial opportunity to deliver improved customer proposition cross-selling through the Group's True Customer Composite and Digital First strategies.

The Group's UK Life platform is expected to result in:

- the United Kingdom's largest back book[2], with the scale to achieve improved efficiencies when coupled with Friends Life's leading management team with a track record of back book value creation;
- a leadership position in Corporate Pensions with assets under administration of £39 billion[3];

1 As at 31 December 2013.
2 Based on analysis of 2013 PRA returns of UK gross reserves. Back book defined as per Friends Life's methodology and includes with-profit products, unit-linked bonds and other legacy products.
3 As at 31 December 2013. Includes £5 billion of Friends Life workplace pensions assets under administration which are currently under the Heritage division.

- significant increase in Protection value of new business, with complementary product mix and distribution focus and potential efficiencies through the alignment of new business platforms; and
- an increased opportunity in the At-Retirement market, with the Group representing one in four retiring defined contribution pension customers and accessing £4 billion[4] of annual maturing pensions.

In addition, the Acquisition is expected to enable the Group to unlock further value and cash flow from the combined back books in UK Life through reduced unit costs, improved retention and capital actions in the near-term.

Customer Benefits

The Issuer believes customers of the Group stand to benefit from being part of a stronger and more diversified group with a wider product range.

In line with the Group's true customer composite strategy, the five million customers of Friends Life will be able to benefit from the Group's ability as a single provider to offer General Insurance, Health, and Asset Management as well as Life Insurance packaged to meet customer needs and its strategy to put digital at the heart of how it deals with customers. The Group's customers will be able to benefit from, *inter alia*, the scale and expertise of Friends Life in Corporate Pensions with its market leading administration platforms serving the employee benefits market.

The Issuer considers that the UK Life market is attractive, particularly in retirement, protection and workplace pensions, three segments in which the Group would have a leadership position[5] and is expected to be well placed to invest, innovate and serve. Specifically, the Acquisition is expected to lead to an increased opportunity to serve the 'At-Retirement' market, providing a broad range of retirement solutions to one in four retiring defined contribution pension customers. The Group believes it is well positioned to provide new products to customers as they seek to take advantage of the new pensions freedoms which came into effect in April 2015.

The Group also has a leadership position in Protection, providing a broad suite of products across Life, Critical Illness and Health Insurance. In workplace pensions, a market which is expected to grow by 3.5 times in the next ten years[6], the Group is well placed to serve both mid to large employers, where Friends Life has a leadership position, and small/medium enterprises, where Aviva has a leadership position.

Transaction Reinforces Wider Growth Agenda

The Acquisition is expected to provide greater financial flexibility to drive growth in the rest of the Group by accelerating the Group's balance sheet transformation as well as increasing cash flow generation and growth in UK Life. This enables the Group to access its broader growth objectives, including:

- Growth markets: organic growth plus potential distribution/ bancassurance opportunities in Poland, Turkey, Greater China and S.E. Asia;
- True Customer Composite: improve cross-sell ratio of 1.6 products to 36 million customers[7] (16 million in the United Kingdom, equivalent to accessing 1 in 4 households; prior to the deduction of overlapping customers), supported by enhanced digital offering and customer platforms (e.g. workplace);
- Asset management: new products to drive net external funds flow and increased scale supports investment to broaden capabilities (e.g. Aviva Investors Multi Strategy Fund);
- General insurance: opportunity to cross-sell non-life products to life customers, with particular focus on building out existing businesses (e.g. France, Italy and Poland);

4 For 2013 financial year.
5 Based on market research conducted on behalf of Aviva.
6 Market growth projections from 2013 are based on market research conducted on behalf of Friends Life.
7 Total number of Friends Life and Aviva customers as at 31 December 2013.

- Health: the Group writes £1.0 billion premiums[8], compared to market opportunity of £90 billion premiums in the Group's markets[9]; and
- Digital: increasing direct access to customers (e.g. MyAviva app).

Accelerates the Financial Transformation of the Group

The Acquisition helps achieve the Group's stated medium term objectives of external debt leverage below 40% on a TNAV (tangible net asset value) basis and AA equivalent on a S&P basis, with no expected requirement to further deleverage the Group and no impact on existing plans to reduce the internal loan to approximately £2.2 billion by the end of 2015 (this level has been set such that Aviva Insurance Limited places no reliance on the loan to meet its stressed insurance liabilities, as assessed on a 1:200 basis). Following the Acquisition, the Group's debt leverage focus is on the S&P Leverage metric, targeting a level that is consistent with an AA rating.

The Issuer believes that its capital and liquidity position is stronger and more resilient following the Acquisition. The Group's Economic Capital surplus of approximately £8.0 billion prior to completion of the Acquisition benefits from the addition of the Economic Capital surplus of Friends Life of approximately £3.7 billion[10], with the Group position expected to be further strengthened by additional capital synergies over time. In addition, the Acquisition is expected to reduce the relative sensitivity of the Group's Economic Capital to movements in credit and equity markets, as a result of Friends Life's lower market risk exposures relative to the rest of the Group. Following completion of the Acquisition, the Group's central liquidity position benefits from the central liquidity of Friends Life.

The stronger capital, cash flow and liquidity profile of the Group is expected to be further strengthened by balance sheet synergies over time and improve the foundation for future growth.

Substantial Value from Potential Synergies

The Group envisages achieving an annual synergy run-rate of approximately £225 million by the end of 2017, through *inter alia*, integrating life companies' operations, recapturing previously outsourced asset management contracts and the possible reduction of corporate and development costs across the two businesses. The Group has valued these potential cost synergies at approximately £1.8 billion[11], which reflects both the potential benefits of and the expected costs of achieving the potential synergies.

One-off integration costs of £350 million are expected to be incurred by mid-2017 to realise these potential synergy benefits, of which approximately £200 million are currently expected to be incurred in 2015, approximately £100 million in 2016 and the balance in 2017. In addition to the targeted operating efficiency synergies, the Directors believe there is likely to be significant additional value through the capital, financial and revenue synergies that are expected to be available to the Group over time.

The Directors of the Issuer believe the combined management team has the right experience and expertise to maximise the value from the Acquisition. Specifically, Friends Life's management team has a proven track record in successfully integrating acquisitions and delivering value from back books, rationalising seven legal entities into two and securing approximately £160 million of run-rate synergy benefits from 2011 to 2013. This complements the Aviva management team's track record in delivering cost savings and the successful turnaround of the Aviva business, having reduced Aviva's UK Life expenses by 27% from 2011 to FY2014 (on an annualised basis) and realising run-rate annual Aviva cost reductions of £571 million over the same period.

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8 As at 31 December 2013.

9 As at 31 December 2013.

10 Both calculated as at 31 December 2014 by reference to Aviva's and Friends Life's 2014 Annual Report and Accounts.

11 The synergy net present value is calculated using a discounted cash flow method (using a discount rate of 10%) based on the expected phased cost synergy benefits of £225 million calculated using a terminal growth rate of 2%, net of restructuring costs of £350 million and assuming a normalized tax rate of 20%.

Over time the Acquisition is expected to present the opportunity for Aviva Investors to manage up to approximately £70 billion of Friends Life's UK assets under administration[12], increasing Aviva Investors' assets under management by up to 29%, to up to approximately £314 billion[13]. The Acquisition also increases scale in core asset classes (based on the aforementioned increase of assets under management to up to approximately £314 billion), and is expected to enhance Aviva Investors' overall profit contribution and its relevance in the context of the Group. The Group currently estimates that the insourcing of these assets under administration could, over time, contribute approximately £40 million of profit per annum to the Group as part of the synergy benefits of the Acquisition. The Acquisition provides an opportunity to create a stronger platform from which to execute Aviva Investors' strategy and in doing so creating more cash flow for the Group.

Potential synergies and integration planning

The integration of the businesses will require combining Friends Life into Aviva, with selection of the optimal platforms and operating model. It is anticipated that, following a suitable transition period, the Group will operate under the ''Aviva'' brand for all UK Life new business. However, the selection of new business platforms will be on a ''best of breed'' basis. For example, the Group would anticipate using Friends Life's corporate pensions platform and the Aviva annuities platform. Other platform selection decisions will be made as part of the integration process.

As at the date of this Prospectus, integration planning continues to be undertaken and certain elements of the implementation of the integration process have commenced. As soon as practicable following completion of the Acquisition, the Group will aim to have fully validated its initial synergy assumptions, agreed the proposed target operating model of the Group and completed the proposed integration plan across the Group's business. The integration plan, once it is finalised, will set out the proposed scope of the integration process and quantified objectives, proposed organisation structures and processes to be reviewed and subsequently implemented, together with an overall proposed integration programme and stakeholder communication and consultation timetable. Finalisation of the integration plan will be subject to engagement with appropriate stakeholders, including employee representative bodies and unions.

Directors and management

Following completion of the Acquisition, Andy Briggs, the former Group Chief Executive Officer of Friends Life, has been appointed Chief Executive Officer of Aviva UK & Ireland Life and has joined the Board of Aviva as an Executive Director. Tim Tookey (former Chief Financial Officer of Friends Life) has agreed to remain with the Group for a transitional period.

Sir Malcolm Williamson, the former Chairman of Friends Life, joined the Board of the Issuer as Senior Independent Director . In addition, a number of the Non-Executive Directors of Friends Life have been appointed to the subsidiary boards of the Group.

The remaining Non-Executive Directors of Friends Life resigned as directors of Friends Life on completion of the Acquisition.

For further details see the section below entitled ''Management''.

5. Ratings

Prior to the Acquisition, Aviva's main operating subsidiaries were assigned a Financial Strength Rating of A+ with a ''Stable'' outlook by S&P, while Moody's had assigned a Financial Strength Rating of A1 with a ''Negative'' outlook to the Group's UK life business (Aviva Life and Pensions UK Limited) and a Financial Strength Rating of A1 with a ''Stable'' outlook to the Group's UK general insurance business (Aviva Insurance Limited), as well as to Aviva International Insurance Limited.

Following completion of the Acquisition, S&P affirmed the Financial Strength Ratings of the pre-Acquisition Group and upgraded the Financial Strength Rating of Friends Life Limited from A-

12 The Friends Life UK Life assets under administration opportunity breaks down into over £19 billion of directed in-house funds and over £49 billion of directed externally managed funds.

13 £314 billion / 29% increase combines approximately £70 billion of Friends Life assets that are non-customer directed funds for which the asset manager is pre-selected with approximately £246 billion of Aviva Investors' assets under management. Excludes £33 billion of Friends Life customer directed funds, which give customers the ability to choose their asset manager.

("Creditwatch Positive") to A ("Positive"), Moody's upgraded the Financial Strength Rating of Friends Life Limited from A3 ("on review for upgrade") to A1 ("Negative") on completion of the Acquisition having affirmed the Financial Strength Ratings of the pre-Acquisition Group's main operating subsidiaries in December 2014.

These ratings were valid at 29 April 2015 (being the latest practicable date prior to the publication of this Prospectus).

6. Business of the Group (excluding Friends Life)

The Group's principal business activity is the provision of financial products and services focussed on long-term insurance and savings, general insurance and health, and fund management products and services.

Long-term insurance and savings business

The Group's long term business generated £2.0 billion of pre-tax operating profit on an IFRS basis from continuing operations for the year ended 31 December 2014. This was based on net written premiums from long term business of £11.8 billion.

Market overview

The Group's life insurance operations are in the United Kingdom and Ireland, France, Italy, Spain, Poland, Turkey and Asia. Further details are set out below in paragraph 7 ("Geographical market analysis") of this section.

Brands and products

The Group has operated under the "Aviva" brand globally since June 2010. The Group's long-term insurance and savings businesses offer a broad range of life insurance and savings products which can broadly be split into the following categories:

- *Pensions* – a means of providing income in retirement for an individual and possibly his or her dependants. The Group's pension products include personal and group pensions, stakeholder pensions and income drawdown;
- *Annuities* – a type of policy that pays out regular amounts of benefit, either immediately and for the remainder of a person's lifetime, or deferred to commence from a future date. Immediate annuities may be purchased for an individual and his or her dependants or on a bulk purchase basis for groups of people. Deferred annuities are asset accumulation contracts, which may be used to provide benefits in retirement, and may be guaranteed, unit-linked or index-linked;
- *Protection* – an insurance contract that protects the policyholder or his or her dependants against financial loss on death or ill-health. The Group's product ranges include term assurance, mortgage life insurance, flexible whole life and critical illness cover;
- *Bonds and savings* – accumulation products with single or regular premiums and unit-linked or guaranteed investment returns. The Group's product ranges include single premium investment bonds and regular premium savings plans;
- *Investment sales* – comprise retail sales of mutual fund type products such as unit trusts, individual savings accounts and open ended investment companies; and
- *Other* – includes equity release.

Some of the Group's insurance and investment contracts contain a discretionary "participating" feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These are referred to as "participating" contracts.

General insurance and health insurance

The Group's general insurance and health insurance business together generated £0.8 billion of pre-tax operating profit on an IFRS basis from continuing operations for the year ended 31 December 2014. This was based on general and health insurance net written premiums from continuing operations of £8.3 billion.

Market position

The Group is a leading general insurer in the United Kingdom and Canada, based on gross written premiums for the year ended 31 December 2014,[14] and also has general insurance operations in France, Italy, Ireland and Poland. It sells health products in the United Kingdom, Ireland, France, Singapore and Indonesia.

Brands and Products

The Group's general insurance business operates under the "Aviva" brand globally and concentrates on the following products:

- *Personal lines* – motor, household, travel and creditor;
- *Commercial lines* – fleet, liability and commercial property insurance;
- *Health insurance* – private health insurance, income protection and personal accident insurance, as well as a range of corporate healthcare products; and
- *Corporate and speciality risks* – products for large clients or where the risk is specialist.

Distribution

Customers can buy the Group's products through a range of distribution channels, including:

- *Direct* – in many of the Group's markets, customers can buy products over the telephone or via the internet. This method of distribution is most commonly available for simple, low cost products which do not require advice;
- *Direct sales force* – in some of the Group's European and Asian markets the Group operates direct sales forces that only sell the Group's products and the sales forces receive commission on the products they sell;
- *Intermediaries* – the Group offers a range of long-term insurance, savings, retirement, general insurance and health insurance products which can be bought through an intermediary, such as an independent financial adviser or an insurance broker. Intermediaries typically receive a commission on sales of the Group's products; and
- *Corporate partnerships, bancassurance and joint ventures* – the Group is a corporate partner for many organisations, including banks and other financial institutions, who wish to offer their customers insurance products. The Group has various distribution agreements with bancassurance partners and joint ventures across the markets in which it operates. In return for offering the Group's products to their customers, the bank or joint venture partners receive a commission as a percentage of sales and in some cases achieve extra commission if agreed sales targets are met. Certain agreements have a profit sharing element based on predetermined percentages. In some cases, if the agreed targets are not met, certain terms of the contract can be renegotiated. Under the joint venture agreements, the cost of running the venture is often split between the partners.

Further details of the distribution channels specific to each market are included in the market analysis set out below in paragraph 7.

Fund management

Aviva Investors, the Group's fund management business, provides fund management services to Aviva's long-term insurance and savings, and general insurance operations as well as to third party investors.

Market Position

The fund management operations are in the United Kingdom, Europe, Asia and North America. The sale of the Group's U.S.-based boutique asset management company, River Road Asset Management LLC, was announced in March 2014 and completed on 30 June 2014. Aviva Investors was ranked 46th globally by assets under management.[15]

14 Source: Datamoniter UK Insurance Competitor Analytics 2014 and Market Security Analysis & Research Inc., 2013 online database (Canada).

15 Towers Watson World 500 largest asset managers study 2013.

Brands and Products

Aviva Investors operates under a single brand across the majority of the Group's markets. Its products cover a broad range of asset classes: in Europe, this includes open-ended collective investment schemes which are domiciled in France, Luxembourg and Poland; while in the United Kingdom, this includes segregated mandates and specialist funds for pension schemes, local authorities and insurance companies, as well as retail and wholesale products. Other offerings include specialist property funds and money market funds.

Aviva Investors, the Group's fund management business, provides fund management services to Aviva's long-term insurance and savings, and general insurance operations as well as to third party investors.

7. Geographical market analysis (excluding Friends Life)

UK & Ireland life

Business overview and strategy

The UK and Irish businesses are managed under a single management structure and work is progressing to leverage the scale and expertise that the Group believes exists in the United Kingdom to benefit the Irish business.

The UK business is a leading long-term insurance and savings provider with an overall market share of 9.6%, based on Annual Premium Equivalent ("**APE**") data[16] as at 30 September 2014. The Irish business is a large life and pensions provider in Ireland. The Group's strategy in the United Kingdom is to continue to improve cash generation and deliver profitable growth. The Group will exploit what it believes is its market leading expertise in specific areas of the market which include Retirement, Corporate Benefits for SME businesses and Protection and Health. In addition, Aviva manages its back book to deliver good service for customers and increased value for its shareholders.

The Group's Irish long-term business is now focused primarily on distribution through intermediaries. On the 1st January 2015, following approval from the High Court of Ireland in December 2014, the Irish business (previously within Aviva Life and Pensions Ireland Ltd) was transferred to Aviva Life and Pensions UK Ltd ("**UKLAP**") becoming a branch operation of UKLAP.

Products

In the United Kingdom, the Group provides a comprehensive product range focused on both the consumer and corporate markets. The pensions and 'at retirement' products the Group offers include personal pensions, equity release, annuities and income drawdown. The Group's annuity offerings include immediate life, enhanced, fixed-term annuities and with-profits pension annuities. The Group provides a number of traditional life insurance products, including level-term, decreasing-term (with or without critical illness), guaranteed whole life insurance, and guaranteed lifelong protection plans. Aviva's savings and investment products include ISAs, investment bonds, funds, base rate trackers, investments with guarantees and with-profits products.

In Ireland, the Group's long-term insurance and savings business offers a wide range of products with a focus on protection, annuities and a focused set of accumulation products. The Group's protection products include life insurance, mortgage protection, specified illness and guaranteed and whole life cover products. The pension range covers retirement and investment products including open market annuities, enhanced annuities and government personal retirement savings accounts schemes.

Distribution

The Group has a multi-distribution strategy, which means it sells its products through intermediaries, corporate partners, in the workplace, and directly to customers. The Group is a leading provider in the UK intermediary market with 10.7% share.[17] The direct to consumer platform is due to be launched in early 2015, offering new retirement propositions and investment products.

In the United Kingdom, the Group has exclusive distribution deals for the sale of protection products with Royal Bank of Scotland, Barclays, Santander, Tesco and the Post Office. The Group remains

16 Association of British Insurers (ABI) Stats published Q3 2014.

17 ABI Stats published Q3 2014.

committed to building on its existing relationships and distribution partnerships as well as to growing its workplace and direct channels.

UK & Ireland general insurance

Business overview and strategy

The UK and Irish businesses are managed under a single management structure and work is progressing to leverage the scale and expertise that Aviva believes exists in the United Kingdom to benefit the Irish business.

The Group is a leading general insurer in both the United Kingdom and Ireland with market shares of 10.5%[18] and 13.3%[19] respectively. The Group operates from a number of locations throughout the United Kingdom and Ireland, including Norwich, Perth, Glasgow, London and Dublin.

The Group focuses on personal and commercial insurance. In the United Kingdom, the Group holds the top three positions in the motor and property markets.[20] The Group believes its key strengths include underwriting and pricing sophistication, claims and cost management and excellent customer service. The Group's aim is to deliver cash and profitable growth by focussing on the fundamentals of the insurance business to maximise underwriting returns and the Group has a portfolio strategy to deliver greater stability of earnings.

Products

The Group provides a wide range of general insurance products both in the United Kingdom and Ireland. In the United Kingdom, the Group has a business mix of approximately 60% personal lines and 40% commercial lines. The Group's UK personal products include motor, home and travel insurance. The Group's UK commercial products include motor, property and liability insurance for small and medium size enterprises and the larger UK Corporate and Speciality Risks market.

In Ireland, the Group's products include property, motor, travel, agricultural and business insurance and the Group's health insurance business provides products for both the personal and commercial sector.

Distribution

The Group has a multi-distribution strategy. The Group's personal products are sold directly to customers over the phone and through the Group's websites, via brokers and through corporate partnerships. The Group's Quotemehappy and General Accident insurance products are also available through price comparison websites. For commercial insurance, the Group focuses on broker distribution and believes that independent brokers remain the best source of advice for business customers.

France

Business overview and strategy

Aviva France has a significant presence in the French Life insurance market in which it operates through two main companies: Aviva Vie and Antarius (JV structure with Crèdit Du Nord). On 25 February 2015, Credit du Nord exercised its call option to purchase Aviva France's 50% share of Antarius. In accordance with the shareholders agreement, the exercise of the call option starts a period of approximately two years to complete the disposal.

Aviva France is ranked tenth in general insurance as measured by gross written premiums, according to L'Argus de l'Assurance, as at 31 December 2013. Aviva France's strategy is to deliver sustainable dividends to the Group by increasing profitability in its life business and targeted growth in profitable general insurance segments.

Products

Aviva France provides a wide range of insurance solutions: life and long-term savings, general insurance and asset management through Aviva Investors France. The products sold through its life

18 Datamonitor UK Insurance Competitor Analytics 2014.
19 Irish Insurance Federation, 2013.
20 Datamonitor UK Insurance Competitor Analytics 2014.

channel are long-term savings, pensions and regular premium products, with a focus on the unit-linked market and a broad range of protection products, primarily for individuals.

The Group has a longstanding relationship with the Association Française d'Epargne et de Retraite ("**AFER**") which is the largest retirement savings association in France with over 700,000 members as at 31 December 2013, to manufacture and distribute the AFER savings product.

In the general insurance market Aviva France's product range includes household, motor, health and legal protection products and also a range of insurance products for small to medium sized entities, farms, craftsmen and tradesmen, and specific products for building firms and motor fleets.

Distribution

Aviva France has developed a multi-distribution model combining retail, direct and bancassurance networks through owned distribution channels, independent networks and partnerships. Aviva France's retail network sell through 900 tied agents, a direct sales force made up of approximately 1,100 Union Financière de France ("**UFF**") consultants and direct advisors (Aviva France also holds a majority stake in UFF), and through brokers in the life, health and construction markets. Direct distribution is managed through the Eurofil brand for personal general insurance, the Aviva Direct brand for protection and Epargne Actuelle for the AFER product. Aviva France operates in the bancassurance market through its partnership with Crédit du Nord, a subsidiary of Société Générale, selling life, savings and protection products.

Canada

Business overview and strategy

Aviva Canada is the country's second largest[21] general insurer. Through its distribution partners it provides a range of personal and commercial lines insurance products to nearly two million policyholders. It has an 8%[22] market share and a top five position[23] in all major provinces.

Aviva Canada believes that it is well placed for continued growth and that its success is underpinned by its strategic priorities:

- continuing to focus and deliver on the insurance fundamentals of pricing, risk selection, distribution, claims indemnity and expense management;
- broadening its distribution reach and strengthening the business mix;
- building a 'Digital First' mind-set across all aspects of its business; and
- better engaging all of its people in embedding the Group's culture and values.

Aviva Canada believes the transformation of its personal lines business over the last few years has ensured the business is highly competitive. Aviva Canada expects that continued refinement to its models will allow it to leverage this position to positively react to market opportunities. Aviva Canada will continue to address increasing customer demand for choice, simplicity and self-service by working with its broker partners on processes and technology solutions in order to help them compete with other channels.

Products

The general insurance products that the Group provides through its Canadian companies are personal, home and motor insurance; small and medium-size enterprise commercial insurance, including motor, property, liability, boiler and machinery, and surety; and niche personal insurance products including holiday and park model trailers, hobby farms, boats as well as antique, classic and custom cars.

Distribution

Aviva Canada operates in Canada through a distribution network focused on approximately 1,600 independent group and retail brokers who distribute its core personal and commercial line products. In addition, Aviva Canada works closely with both independent and wholly owned specialty brokers to distribute specialty personal line products.

21 MSA Research Inc., 2013 online database.
22 MSA Research Inc., 2013 online database.
23 MSA Research Inc., 2013 online database.

Poland[24]

Business overview and strategy

As at 30 September 2014, Aviva's Polish life operation is the fourth largest life insurer in Poland, with a market share of 7% based on gross written premium.[25] Aviva's general insurance business is the fourteenth largest with a market share of 1% on the same basis. Aviva's focus in Poland is to grow the value of new business and in general insurance Aviva aims to grow its portfolio while maintaining portfolio quality and combined operating ratio level.

Products

Aviva's life business in Poland provides a broad range of unit-linked, annuities, bonds and savings products and health insurance. For institutions Aviva offers group life insurance and employee pension programmes, which are both unit-linked products. Aviva offers a standard product as part of its privately managed Pillar II pensions business. Aviva offers general insurance products to both commercial entities and individuals. For individuals Aviva offers home, accident and travel insurance, which are primarily sold by tied agents, as well as motor insurance, which is sold primarily through the direct operation. For institutions Aviva offers selected commercial lines risks.

Distribution

The direct sales force and bancassurance are the main distribution channels for most of the Polish group and is made up of over 2,000 tied insurance agents. Aviva's biggest relationship is with Bank Zachodni WBK (a subsidiary of Banco Santander) that sells both life and general insurance products through the bank's network of over 800 branches[26]. Aviva also co-operate with independent insurance agencies and brokers. Aviva mutual funds are also sold in brokerage houses and Aviva's individual products are supported by call centre and website sales.

Italy, Spain and Other

- **Italy** – Aviva Italy is the country's tenth largest life insurer, with a market share of 3% based on 2013 premiums[27] and is the twelfth largest general insurance company with a market share of 1.37%.[28] The Group's long-term insurance and savings business offers a wide range of products covering protection, bonds and savings and pensions. The Group's general insurance business in Italy mainly provides motor and home insurance products to individuals, as well as commercial risk insurance to small businesses.

- **Spain** – Aviva Spain is the country's sixth largest long-term insurer by gross written premiums with a market share of 5% as at 30 September 2014.[29] Aviva Spain sells protection, long-term savings and pensions, health and accident insurance through a bancassurance network based on joint ventures with four banks. Aviva Spain also sells through Aviva Vida y Pensiones, the wholly-owned Aviva branded long-term insurance company and through Aviva Spain's Spanish mutual insurance company Pelayo.

- **Turkey** – The Group's business in Turkey sells life and savings products including unit-linked pensions through its life joint venture, Aviva SA, which is one of Turkey's largest private life and pensions providers. The general insurance operations in Turkey were sold on 18 December 2014.

Asia

In Asia, the Group is focused on growth in China and South East Asia. The Group's Asian businesses offer a wide range of protection, savings and pension products, including universal life, participating and non-participating endowments, unit-linked single and regular premium life insurance, other savings and pensions products and a range of accident and health insurance products.

24 Poland includes Lithuania.
25 Polish Financial Supervision Authority ("**KNF**").
26 BZ WBK Bank Zachodni 3Q14 results
27 Associazione Nazionale fra le Imprese Assicuratrici ("**ANIA**").
28 ANIA.
29 Investigación Co-operativa entre Entidades Asegurados y Fordos de Pensionies ("**ICEA**").

Distribution

Across Asia, the Group operates a multi-distribution strategy. In Singapore, the Group owns a majority interest in PIAS, a leading financial advisory firm. The Group also has a bancassurance relationship with DBS Bank which will conclude at the end of 2015. Following conclusion of the DBS agreement, the Group will retain the existing book of business, associated profits, and customer rights and relationships which were purchased in the original transaction with DBS in 2001. In China, the Group's products are sold mainly through telemarketing, bancassurance, and agents. In Hong Kong, the Group's wholly owned subsidiary operates through the bancassurance, IFA, and agency channels, with a focus on Bancassurance through its preferred relationship with DBS Bank. In Indonesia, the Group signed an agreement in January 2014 to form a 50% joint venture with PT Astra International Tbk which completed in May 2014. As part of this agreement, the Group entered into a bancassurance distribution arrangement with Permata Bank which was launched in December 2014. In Taiwan and Vietnam, bancassurance is the main distribution channel. The Group is also investing in other channels such as direct marketing and digital to differentiate itself from competitors.

Aviva Investors

Business overview and strategy

Aviva Investors offers a range of fund management services, operating in the United Kingdom, Europe, Asia and North America and had £246 billion in assets under management as at 31 December 2014. Aviva Investors' largest clients are the long-term insurance, savings, and general insurance businesses of Aviva, to whom Aviva Investors provides bespoke asset management services across a broad spectrum of asset classes. Aviva Investors provides external clients with bespoke segregated solutions or offers access to a variety of fund ranges. Aviva Investors' principal target clients for the larger segregated solutions tend to be large pension funds and financial institutions such as insurance companies and banks. Aviva Investors' strategy is to offer a range of investment propositions that deliver outcomes that the Group's clients value. Aviva Investors' key objectives are to significantly improve profitability by focusing on capabilities and propositions that build on its heritage in managing long-term savings.

Products and distribution

Aviva Investors' products cover a broad range of asset classes. In Europe, Aviva Investors has a range of open-ended collective investment schemes which are domiciled in France, Luxembourg and Poland. These funds have different share classes depending on the size and type of investor. Aviva Investors' traditional distribution model for these funds focuses on wholesale distributors, asset allocators and small to mid-size institutional investors.

In the United Kingdom, Aviva Investors largely sells segregated mandates and specialist funds to pension schemes, local authorities and insurance companies. Aviva Investors also supplies products to the retail and wholesale markets, principally through UK domiciled equity, bond and real estate funds. Aviva Investors' distribution model for open-ended collective investment schemes focuses on wholesale distributors, asset allocators and small to mid-size institutional investors. In the UK, Aviva Investors' retail products are promoted to investors via independent financial advisors, fund platforms, fund supermarkets and discretionary asset managers. In addition, Aviva Investors has a range of pooled pension funds which are aimed at the smaller pension fund market. These funds are normally defined benefit schemes and tend to be advised by investment consultants.

In 2014 Aviva Investors launched two funds in its Multi- Strategy range as part of a focus to deliver outcome oriented solutions that aim to meet the identified financial goals of investors.

Aviva Investors also has a range of specialist property funds. These funds are targeted at specialist real estate buyers and large institutions (mostly pension funds and local authorities). Aviva Investors has six money market funds, domiciled in Ireland and France. These funds are sold by a specialist sales team and target corporate treasury functions.

8. Organisational structure

The Group simplified its legal structure in 2013 to reduce the complexity of its balance sheet and to reduce internal leverage. Previously, Aviva Insurance Limited had acted as both the Group's principal

UK general insurance business and as the holding company for the majority of the Group's overseas businesses.

Prior to 2013, an inter-divisional loan balance was in place between the UK general insurance business and the Group-this was used over a number of years to purchase overseas subsidiaries and for other general corporate purposes.

A more straightforward structure was put in place on 1 January 2013 with two separate legal entities, Aviva Group Holdings (as the Group holding company) and Aviva Insurance Limited (as the general insurance company). The Group's overseas subsidiaries (except the Irish life and Canadian general insurance business) were transferred from Aviva Insurance Limited to Aviva Group Holdings and resulted in a formalised and interest-bearing loan from Aviva Insurance Limited to Aviva Group Holdings which the Group announced was approximately £5.8bn.[30]

In March 2014, the Group also announced that it had reached an agreement with the UK's Prudential Regulation Authority on the appropriate long-term level of the internal loan between Aviva Group Holdings and Aviva Insurance Limited and is targeting a balance of approximately £2.2 billion by the end of 2015. This level had been set such that Aviva Insurance Limited places no reliance on the loan to meet its stressed insurance liabilities assessed on a 1:200 basis. The Group has since taken actions to reduce the size of this loan, and announced that, as at 31 December 2014, the balance of the loan was £3.2 billion.

Following completion of the Acquisition, the Group has undertaken a corporate reorganisation to move a number of the acquired subsidiaries from Friends Life holding companies to an appropriate position within the Group's structure.

See paragraph 4 'Structure Chart' of this section.

9. Recent material business developments

The following summarises the recent material developments since the Issuer's announcement on 5 March 2015 of the year-end results for the Group for the 12 months ended 31 December 2014:

- On 8 April 2015, the Issuer announced that its bancassurance agreement with DBS Bank Ltd would conclude at the end of 2015. In the 12 months ending 31 December 2014, products sold through DBS represented approximately 20% of Aviva Singapore's VNB and less than 3% of the Issuer's total VNB in 2014.
- On 10 April 2015, the Issuer announced that the Acquisition had received the necessary regulatory clearances and Guernsey Court sanction of the Scheme, and that the Acquisition was now complete.

10. Friends Life

Overview

Friends Life is a leading insurance business which provides a range of pension, investment and insurance products and services for individual customers and commercial businesses. Friends Life, whose origins can be traced back to 1810, has over five million customers and, as at 31 December 2014, managed funds of over £103 billion on behalf of its customers. Friends Life operates from six markets around the world, namely the United Kingdom, Germany, the United Arab Emirates, Singapore, Hong Kong and the Isle of Man, and has over 3,500 employees. Friends Life was the fifth largest life and pensions company in the UK market as at 31 December 2013 based on total assets.[31]

Friends Life was formed by the integration of three businesses acquired under the banner of Friends Life's (formerly Resolution Limited's) acquisition project within the UK life and asset management sectors ("**UK Life Project**"): Friends Provident, the AXA UK Life Business and Bupa Health Assurance:

- Friends Life Holdings plc acquired Friends Provident on 4 November 2009 through the acquisition of Friends Life FPG Limited (formerly Friends Provident Group plc);

30 Balance following the implementation of the new structure on 1 January 2013. Source: Aviva's Annual Report 2013.

31 Source: 2013 PRA returns data via SynThesys (excludes Legal & General Assurance (Pensions Management) Limited as the assets of this entity are held in a long-term fund and are separate from other assets within Friends Life).

- on 15 September 2010, Friends Life Holdings plc purchased the entire issued share capital of Friends Life ASLH Limited (formerly AXA Sun Life Holdings Limited), as part of the acquisition of the AXA UK Life Business. Friends Life and AXA UK plc subsequently implemented a plan agreed at the time of the acquisition of the AXA UK Life Business, designed to re-allocate certain portfolios of insurance business between them and, on 30 November 2011, the final step was completed with the transfer of the entire issued share capital of Friends Life WL Limited ("**FLWL**"), to Friends Life Holdings plc and then on to Friends Life Limited; and
- the business and shares of Friends Life BHA Limited ("**BHA**", formerly known as Bupa Health Assurance Limited), were acquired by Friends Life Limited on 31 January 2011.

In March 2013, the Boards of Friends Life (at the time known as Resolution Limited) and Friends Life Holdings plc were consolidated as part of the simplification of governance structure described below.

Following the shareholder approval received at the Annual General Meeting of Resolution Limited held in May 2014, Resolution Limited changed its name to Friends Life.

On 13 April 2015, Friends Life was acquired by the Issuer and subsequently became a part of the Group. See paragraph 2 above for further details.

Operational structure

Friends Life operates in the United Kingdom and in a number of overseas markets and is managed in three distinct divisions. These are:

- the UK division ("**UK Division**"), comprising the Protection, Corporate Benefits and Retirement Income operations in the United Kingdom and the UK distribution business, Sesame Bankhall;
- the Heritage division ("**Heritage**" or "**Heritage Business**"), managing the requirements of customers with products that are no longer actively marketed, alongside those with legacy products which have previously been closed to new business. The Overseas Life Assurance Business ("**OLAB**") and fpb AG ("**fpb**"), which were previously part of the International division, are now part of the Heritage Business; and
- the International division ("**International**") comprises Friends Provident International Limited ("**FPIL**"). The International division previously included Lombard International Assurance S.A. and Insurance Development Holdings AG ("**Lombard**"). On 30 October 2014, Friends Life completed the disposal of Lombard (see "**International**" section below).

This operational structure is subject to review and change as part of the integration programme being implemented following completion of the Acquisition.

In total, across Friends Life, Annual Premium Equivalent ("**APE**") new business for 2014 amounted to £912 million, with £759 million attributable to the UK Division, £43 million attributable to Heritage and £110 million attributable to International.

For financial reporting purposes, the business is typically segmented into UK & Heritage (comprising the UK Division and Heritage) and FPI (historically, together with Lombard). Friends Life is in the process of being incorporated into the Group's financial reporting framework as part of the integration programme.

UK Division

Introduction

This operating division comprises the open businesses of the UK Life and Pensions Businesses brought together through the acquisition of Friends Provident, the AXA UK Life Business and BHA.

Friends Provident has its origins in a business founded by Quakers in 1832, and offers a range of protection, pensions and savings and investments products in the UK life and pensions markets. The AXA UK Life Business comprised the majority of the AXA UK Life and Savings Business, which was formed in 1997, but can trace its roots to the founding of the Sun Life Assurance Society in 1810. BHA was a provider of protection products in the United Kingdom. In March 2011, the Friends Life brand was launched in order to integrate and rebrand these acquired businesses under the Friends Life name.

New UK Life and Pensions Businesses activity is centred on the three business units of the UK Division: Protection, Corporate Benefits and Retirement Income.

Sesame Bankhall is the Friends Life UK distribution business. Sesame Bankhall has an active relationship with financial advisers throughout the United Kingdom, providing services including regulatory and compliance support, training, research and technology. Sesame Bankhall appointed representatives and member firms provide financial advice and distribute a wide range of investment, protection, mortgage and general insurance products.

Protection

Friends Life individual and group protection businesses (the "**Protection business**"), have a significant scale in the market. The protection business offers a comprehensive range of individual and group protection products. The individual protection business provides life, critical illness and income protection cover to individuals and businesses. The individual protection products are distributed through IFAs, banks, building societies, estate agents and other strategic partnerships. The group protection business provides group income protection, group life and group critical illness products which enable corporate clients to make provision for their employees. The group protection products are distributed through employee benefit consultants ("**EBCs**") and IFAs.

Corporate Benefits

The corporate benefits business offers both pension products and savings solutions for customers in the workplace savings market (the "**Corporate Benefits business**"). Pension products offered by the Corporate Benefits business include group personal pensions, group self-invested pension plans and group contracted-in money purchase pension plans. The new corporate wrap platform called "My Money" launched in 2012. Products are distributed through IFAs and EBCs.

The Corporate Benefits business is being built on the New Generation Pension ("**NGP**") platform and new corporate wrap platform. As at 31 December 2014, Corporate Benefits administered £22.0 billion of assets.

Retirement Income

Friends Life offers annuities, whereby policyholders pay a single initial premium and receive regular payments. Lifetime annuities are bought with the proceeds of a vesting pension policy on retirement.

On 19 March 2014, the Chancellor of the Exchequer announced in the 2014 Budget that consumers approaching retirement would have the freedom to take their whole pension pot as cash (the first 25% remaining tax-free, with the balance taxed at the individual's marginal rate), which removed the compulsion for customers to buy an annuity.

Retirement Income gross value of new business for 2014 was £51 million (2013: £83 million).

Sesame Bankhall

Sesame Bankhall was formed in 2009. It brings together one of the largest appointed representative networks in the United Kingdom, a leading support service provider in the United Kingdom and a mortgage club, to create one of the United Kingdom's largest distributors of retail financial advice. The Sesame Bankhall group operates three brands, Sesame, Bankhall and Premier Mortgage Service:

- Sesame offers an array of core regulatory services as well as business development, marketing and study support to IFAs;
- Bankhall is a support service provider for directly regulated IFAs; and
- Premier Mortgage Service is a mortgage club for directly regulated mortgage brokers in the United Kingdom.

Sesame Limited ("**Sesame**"), a subsidiary of Sesame Bankhall Group Limited ("**SBG**"), made losses of approximately £10 million for the financial year ended 31 December 2014 and is, in its current form, expected to continue to make losses in the future. In addition, the Sesame business has potential liabilities arising from claims relating to advice or services provided to retail customers by appointed representatives of Sesame (or certain other entities whose businesses (including all liabilities) have broadly been assumed by Sesame). The amount of such potential liabilities cannot currently be quantified. Sesame is, therefore, reliant on the continued financial support of its ultimate parent, Friends Life, to be able to continue to trade.

In February 2013, Friends Life commenced a strategic review of the businesses of the Sesame Bankhall Group, including Sesame Limited. This strategic review is still ongoing with a number of potential options and outcomes being considered. There remains the risk of further adverse financial and reputational impacts to the Group, due to the ongoing trading performance of Sesame Limited, the potential future liabilities of the Sesame business and the outcomes of the strategic review.

Heritage

In 2011, Friends Life created Heritage. This division manages the requirements of customers with products that are no longer being actively marketed and includes most of the customers, assets and embedded value of Friends Life.

The Heritage Business has around four million customers, a large set of products which are either closed to new business or not actively marketed, and complex legacy systems. As a result, the strategy of the Heritage Business is fundamentally different from that of the UK Division. The products within the scope of the Heritage Business include all with-profits business; some individual pensions business; savings products such as investment bonds; and certain legacy protection, corporate schemes and annuity products. The policies managed by the Heritage Business were sold over many years under a number of different brands, including Friends Provident, UK Provident, NM Financial Management, London & Manchester, Sun Life, AXA Equity & Law, Winterthur Life, PPP Lifetime Care and Provident Life. Modest new business continues to be written in the Heritage Business. This new business arises through IFAs, sales to existing customers, increments to existing policies and new entrants to existing corporate pension schemes.

International

The International division is comprised of FPIL, an Isle of Man-based company, and offers a range of products including single premium investment products, regular premium savings plans and individual assurance policies. FPIL's products are distributed worldwide by independent financial advisers, with a focus on affluent expatriate individuals, via distribution hubs in Hong Kong, Singapore and Dubai.

11. Management of the Issuer

Directors of the Issuer

The following is a list of directors of the Issuer and their principal directorships (if any) performed outside the Group which are, or may be, significant with respect to the Issuer, as at 1 May 2015. The business address of each of the directors referred to below is at St Helen's, 1 Undershaft, London EC3P 3DQ.

Name	**Responsibilities in relation to the Issuer**	**Other significant directorships**
Sir Adrian Alastair Montague	Chairman	3i Group plc (Chairman) Manchester Airport Group plc (Chairman) The Point of Care Foundation (Chairman) Cellmark Holdings AB (Non-Executive Director)
Mark Andrew Wilson	Group Chief Executive Officer	
Tom Stoddard	Chief Financial Officer	Trout Limited (Trustee)
Andy Briggs	Chief Executive Officer of Aviva UK & Ireland Life	Institute of Actuaries (Fellow) Association of British Insurers (Director)
Sir Malcolm Williamson	Senior Independent Non-Executive Director	Cass Business School (Chairman of the Strategy and Development Board) Youth Business International Limited

Name	Responsibilities in relation to the Issuer	Other significant directorships
		(Chairman of the Board of Trustees)
		Centre for the Study of Financial Innovation (Chairman of the Governing Council)
		Newday Group Limited (Chairman)
Glyn Anthony Barker	Non-Executive Director	Irwin Mitchell Holdings Limited (Chairman)
		Transocean Limited (Non-Executive Director)
		Berkeley Group Holdings plc (Non-executive Director)
		English National Opera (Trustee)
Patricia Anne Cross	Non-Executive Director	Macquarie Group Limited (Non-Executive Director)
		Macquarie Bank Limited (Non-Executive Director) Commonwealth Superannuation Corporation (Federal Government pension fund) (Chairman)
		Grattan Institute (Australian Public Policy Think Tank) (Director)
Michael John Hawker	Non-Executive Director	Macquarie Bank Limited (Non-executive Director)
		Macquarie Group Limited (Non-executive Director)
		Washington H. Soul Pattinson & Company Limited (Non-Executive Director)
		Australian Rugby Union (Chairman) SANZAR Pty Limited (Non-Executive Director)
		International Rugby Board (Non-Executive Director)
		The George Institute for Global Health (Chairman)
Michael Philip Mire	Non-Executive Director	Care Quality Commission (Senior Independent Director)
Robert William Stein	Non-Executive Director	Assurant, Inc (Non-Executive Director) Board of Trustees of the US Actuarial Foundation of (Trustee Emeritus)
Jonathan Scott Wheway	Non-Executive Director	Santander UK plc (Non-Executive Director)

Conflicts of interest

There are no potential conflicts of interest between the duties to the Issuer of the persons listed under "Directors of the Issuer" above and their private interests or other duties.

UNITED KINGDOM TAXATION

The comments below are of a general nature and are based on the Issuer's understanding of current United Kingdom law and practice relating to certain aspects of United Kingdom taxation of interest and are subject to changes therein or thereof, possibly with retrospective effect; they deal only with the questions of whether payments of interest under the Notes and Coupons may be made without withholding or deduction for or on account of United Kingdom income tax and with reporting requirements and some additional points regarding the potential impact of residence on taxation by direct assessment and do not deal with other United Kingdom tax consequences which might arise from holding Notes or Coupons. They are not exhaustive and do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons such as dealers, persons connected with the Issuer or certain professional investors, to whom special rules may apply. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms or Pricing Supplement may affect the United Kingdom tax treatment of that and any other series of Notes. These comments do not purport to constitute legal or tax advice. Any Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or are in any doubt as to their own tax position should consult their professional advisers.

(a) To the extent that it does not comprise a premium or discount, a payment of principal, not comprising interest, in respect of any Notes will be payable without withholding or deduction for or on account of United Kingdom income tax.

(b) Where Notes are issued at an issue price of less than 100 per cent. of their principal amount, any payments in respect of the accrued discount will not be made subject to any withholding or deduction for or on account of United Kingdom income tax as long as they do not constitute payments in respect of interest. They may, however, be subject to reporting requirements as outlined in paragraph (j) below.

(c) Where Notes are issued with a redemption premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest and, if so, paragraphs (d) to (h) below (as appropriate) will apply.

(d) Interest payable on Notes which have a maturity of less than one year and are not issued under arrangements the effect or intention of which is to render such Notes part of a borrowing with a total term of one year or more, can be paid without withholding or deduction for or on account of United Kingdom income tax.

(e) Interest on the Notes (which does not fall within paragraph (d) above) may be paid without withholding or deduction for or on account of United Kingdom income tax provided that the Notes are listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom income tax.

(f) In all other cases, interest will generally be paid after deduction of income tax at the basic rate (currently 20 per cent.) subject to any direction to the contrary from H.M. Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty or as to the availability of certain other reliefs.

(g) If interest were paid under deduction of United Kingdom income tax (for example if the Notes lost their listing), Noteholders who are not resident for tax purposes in the United Kingdom might be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

(h) Interest on the Notes generally has a United Kingdom source and, accordingly, should remain chargeable to United Kingdom tax by direct assessment even if the interest is paid without withholding or deduction. However, interest will not generally be assessed to United Kingdom tax by direct assessment in the hands of a holder of Notes who is not resident in the United Kingdom, except where such person, in the case of an individual, carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency or, in the case of a body corporate, carries on a trade or vocation in the United Kingdom through a permanent establishment, in connection with which the interest is received or to which the Notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent, such as brokers and investment managers) tax may be levied on the United Kingdom branch, agency or permanent establishment.

(i) Noteholders should note that the provisions relating to additional amounts referred to in the "Terms and Conditions of the Senior Notes – Taxation" and "Terms and Conditions of the Tier 2 Notes – Taxation" above would not apply if H.M. Revenue & Customs sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

(j) H.M. Revenue & Customs has powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information in connection with transactions relating to the Notes. Information obtained by H.M. Revenue & Customs may be provided to tax authorities in other countries.

(k) Under the Directive (as amended), each EU Member State is required to provide to the tax authorities of other EU Member States details of payments of interest (or similar income) paid by a person, or by certain trusts and other legal arrangements, within its jurisdiction to (or for the benefit of) an individual resident, or certain other limited types of entity established, in another EU Member State, except that certain EU Member State(s) may instead impose a withholding system for a transitional period unless during such period they elect otherwise (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld).

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a Dealer Agreement dated 1 May 2015 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

Each Dealer has acknowledged, and each further Dealer under the Dealer Agreement will be required to acknowledge that the Notes have not been and will not be registered under the Securities Act, and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed that, and each further Dealer appointed under the Dealer Agreement will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of any identifiable tranche of which such Notes are a part, as determined, and certified to the Issuer, by the relevant Dealer, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

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

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or distributed, and will not offer, sell or distribute any Notes or any copy of this Prospectus or any other document relating to the Notes in the Republic of Italy ("Italy") in an offer to the public of financial products under the meaning of Article 1, paragraph 1, letter t) of Legislative Decree no. 58 of 24 February 1998 (the "Consolidated Financial Services Act"), except:

(a) to qualified investors (investitori qualificati), pursuant to Article 100 of the Consolidated Financial Services Act and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "CONSOB Regulation"), all as amended, provided that such qualified investors will act in their capacity and not as depositaries or nominees for other shareholders; or

(b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under the Consolidated Financial Services Act or Regulation 11971. Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under (a) or (b) above must be:

   (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (the "Banking Act") and the relevant implementing instructions of the Bank of Italy (Instruzioni di Vigilanza per le Banche della Banca d'Italia), the Consolidated Financial Services Act and CONSOB Regulation No. 16190 of 29 October 2007, all as amended;

   (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and

   (iii) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by, *inter alia*, CONSOB or the Bank of Italy.

Any investor purchasing the Notes will be solely responsible for ensuring that any offer or resale of the Notes it purchased occurs in compliance with any applicable laws and regulations. This Prospectus and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this Prospectus may rely on it or its contents. In any event the Notes shall not be offered or sold to any individuals in Italy in either the primary or the secondary market.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia) ("**Corporations Act**") in relation to the Instruments has been, or will be, lodged with the Australian Securities and Investments Commission ("**ASIC**").

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

(a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any offering circular or any other offering material or advertisement relating to the Instruments in Australia,

unless:

(i) the aggregate consideration payable by each offeree or invitee is at least A$500,000 (or its equivalent in other currencies, in either case, disregarding moneys lent by the offeror or its associates) or the offeror invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act;

(ii) such action complies with all applicable laws, regulations and directives (including without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act);

(iii) such action does not require any document to be lodged with ASIC; and

(iv) the offer or invitation is not made to a person who is a "retail client" within the meaning of Section 761G of the Corporations Act.

Switzerland

Each Dealer has represented and agreed and each further Dealer under the Programme will be required to represent and agree that this Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, nor the Issuer nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, for example, the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

Hong Kong

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

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended (the "**FIEA**")) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, a resident of Japan except pursuant to an exemption from registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**").

Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

(a) to an institutional investor under Section 274 of the SFA;

(b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(A) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(B) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law or as specified in Section 276(7) of the SFA; or

(iv) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No action has been or will be taken in any country or any jurisdiction by the Dealers or the Issuer that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering or publicity material relating to any of the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed that it shall comply (to the best of its knowledge and belief, having made reasonable enquiries) with all applicable laws and regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers any of the Notes or has in its possession or distributes the Prospectus or any such other material relating to any of the Notes, in all cases at its own expense. Each Dealer has also undertaken to ensure that no obligations are imposed on the Issuer or any other Dealer in any such jurisdiction as a result of any of the foregoing actions. The Issuer and the other Dealers will have no responsibility for, and each Dealer has agreed to obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of any of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. No Dealer has been authorised to make any representation or use any information in connection with the issue, subscription and sale of any of the Notes other than as contained or incorporated by reference in this Prospectus or any amendment or supplement to it.

FORM OF FINAL TERMS FOR SENIOR NOTES

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

Aviva plc

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

under the £5,000,000,000

Euro Note Programme

PART A – CONTRACTUAL TERMS FOR SENIOR NOTES

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Senior Notes (the "**Conditions**") set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive2010/73/EU) (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 such Prospectus [as so supplemented]. 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 [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html and copies may be obtained from [address].]

1	**Issuer:**		Aviva plc
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
3	**Specified Currency or Currencies:**		[●]
4	**Aggregate Nominal Amount of Notes admitted to trading:**		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5	**Issue Price:**		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i)	Specified Denominations:	[[●] and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]]
	(ii)	Calculation Amount (Definitive Notes only):	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[●]
8	**Maturity Date:**		[[●]/The Interest Payment Date falling in or nearest to [●]]
9	**Interest Basis:**		[[●]% Fixed Rate/[●] month [LIBOR/EURIBOR] +/-[●]% Floating Rate/Zero Coupon]
10	**Change of Interest Basis**		[●]
11	**Redemption Basis**		[Redemption at par]
12	**Put/Call Options:**		[Investor Put] [Issuer Call]
13	(i)	Status of the Notes:	Senior

	(ii) [Date [Board] approval for issuance of Notes obtained:	[[●]/Not Applicable, save as discussed in Section 2 of the "General Information" section in the Base Prospectus]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	**Fixed Rate Note Provisions:**	[Applicable/Not Applicable]
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with paragraph 14(vii)/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	["Actual/Actual"/"Actual/Actual – ISDA"/ "Actual/365 (Fixed)"/"Actual/360"/"30/360"/"360/360"/"Bond Basis"/"30E/360"/"Eurobond Basis"/ "30E/360 (ISDA)"/"Actual/Actual – ICMA"]
	(vi) Determination Dates:	[●] in each year
	(vii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
15	**Floating Rate Note Provisions:**	[Applicable/Not Applicable]
	(i) Interest Period(s):	[●]
	(ii) Interest Payment Dates:	[●]
	(iii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv) Additional Business Centre(s):	[●]
	(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
	(vii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
	– Reference Rate:	[●] month [LIBOR/EURIBOR]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●]
	(viii) ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	(ix) Margin(s):	[+/-][●] per cent. per annum
	(x) Minimum Rate of Interest:	[●] per cent. per annum
	(xi) Maximum Rate of Interest:	[●] per cent. per annum

(xii) Day Count Fraction:	[“Actual/Actual”/“Actual/Actual – ISDA”/ “Actual/365 (Fixed)”/“Actual/360”/“30/360”/“360/ 360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/ “30E/360 (ISDA)”/“Actual/Actual – ICMA”]
16 **Zero Coupon Note Provisions:**	[Applicable/Not Applicable]
(i) Amortisation Yield:	[●] per cent. per annum
(ii) Day Count Fraction:	[“Actual/Actual”/“Actual/Actual – ISDA”/ “Actual/365 (Fixed)”/“Actual/ 360”/“30/360”/“360/ 360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/ “30E/360 (ISDA)”/“Actual/Actual – ICMA”]

PROVISIONS RELATING TO REDEMPTION

17 **Call Option:**	[Applicable/Not Applicable]
(i) Optional Redemption Date(s):	[●]
(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount [Condition 5(b) applies]
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	[●] per Calculation Amount
(b) Maximum Redemption Amount:	[●] per Calculation Amount
(iv) Notice period:	[●]
18 **Put Option:**	[Applicable/Not Applicable]
(i) Optional Redemption Date(s):	[●]
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii) Notice period:	[●]
19 **Early Redemption Amount**	
Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[●]
20 **Final Redemption Amount of each Note:**	[[●] per Calculation Amount]/[Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21 **Form of Notes:**	**[Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days’ notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] **[Registered Notes:** [Regulation S Global Note (U.S.$/€[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is,

		held under the NSS)]]. [Rule 144A Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]].
22	**New Global Note (Bearer Notes):**	[Yes] [No]
23	**Global Certificates (Registered Notes):**	[Yes] [No]
24	**New Safekeeping Structure (Registered Notes):**	[Yes] [No]
25	**Additional Financial Centre(s) or other special provisions relating to Payment Dates:**	[Not Applicable/[●]]
26	**Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):**	[Yes] [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

27	**U.S. selling restrictions:**	[Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]
28	**Additional selling restrictions:**	[Not Applicable]

[THIRD PARTY INFORMATION

[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ______________________________

Duly authorised

PART B – OTHER INFORMATION

1	**LISTING**	
	Listing:	[London]
	(i) Admission to trading:	[Application has been made for the Notes to be admitted to trading on [the London Stock Exchange] with effect from [●].]
	(ii) Estimate of total expenses related to admission to trading:	[●]
2	**RATINGS**	
	Ratings:	The Notes to be issued have been rated: [S&P: [●]] [Moody's: [●]]
3	**[ESTIMATED TOTAL EXPENSES]**	
	Estimated total expenses:	[●]

4 **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

[[●]/''Save as discussed in [''Subscription and Sale''], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.'']

5	**[Fixed Rate Notes only – YIELD**	
	Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]
6	**OPERATIONAL INFORMATION**	
	ISIN Code:	[●]
	Common Code:	[●]
	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s):	[Not Applicable/[●]]
	Names and addresses of additional Paying Agent(s) (if any):	[●]

FORM OF FINAL TERMS FOR TIER 2 NOTES

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

Aviva plc

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

under the £5,000,000,000

Euro Note Programme

PART A – CONTRACTUAL TERMS FOR TIER 2 NOTES

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 2 Notes (the "**Conditions**") set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (and amendments thereto, including Directive 2010/73/EU) (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 such Prospectus [as so supplemented]. 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 [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html and copies may be obtained from [address].]]

[OR]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 2 Notes (the "**Conditions**") contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Conditions, these Final Terms and the Prospectus dated [current date] [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing [at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html] [and] during normal business hours at [address] [and copies may be obtained from [address]].]

1	Issuer:	Aviva plc	[●]
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
3	**Specified Currency or Currencies:**		[●]
4	**Aggregate Nominal Amount of Notes admitted to trading:**		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5	**Issue Price:**		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i)	Specified Denominations:	[[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above[●]]
	(ii)	Calculation Amount (Definitive Notes only):	[●]

7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date	[●]
8	**Maturity Date:**		[[●]/The Interest Payment Date falling in or nearest to [●]]/[Not Applicable]
9	**Interest Basis:**		[[●]% Fixed Rate]/ [●] month [LIBOR/EURIBOR] +/-[●]% Floating Rate]/ [Fixed Rate Reset Notes]/ [Fixed to Floating Rate Notes]
10	**Redemption Basis:**		[Redemption at par]/[Not Applicable]
11	**Change of Interest Basis:**		[●]/[Fixed Rate Reset Notes]/[Fixed to Floating Rate Notes]
12	**Put/Call Options:**		[Issuer Call]
13	(i)	Status of the Notes:	Tier 2
	(ii)	[Date [Board] approval for issuance of Notes obtained:	[[●]/Not Applicable, save as discussed in Section 2 of the "General Information" section in the Base Prospectus]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	**Fixed Rate Note and Fixed to Floating Rate Note Provisions:**		[Applicable/Not Applicable/Applicable for the period from and including [●] to, but excluding, [●] (the "**Fixed Rate End Date**")]
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with paragraph 14(vii)/not adjusted]/[commencing on [●] to and including [●]]
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]]/[●]
	(v)	Day Count Fraction:	[["Actual/Actual"/"Actual/Actual – ISDA"/ "Actual/365 (Fixed)"/"Actual/360"/"30/360"/"360/ 360"/ "Bond Basis"/"30E/360"/"Eurobond Basis"/ "30E/360 (ISDA)"/"Actual/Actual – ICMA"]
	(vi)	Determination Dates:	[●] in each year
	(vii)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
15	**Fixed Rate Reset Note Provisions:**		[Applicable/Not Applicable]
	(i)	Initial Rate of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	Reset Margin:	[+/-][●] per cent. per annum
	(iii)	Interest Payment Date(s):	[●] in each year
	(iv)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(v)	Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
	(vi)	First Reset Note Reset Date:	[●]

	(vii) Anniversary Date(s):	[●] [and each corresponding day and month falling [●] years thereafter]
	(viii) Mid-Market Swap Rate:	[●]
	(ix) ISDAFIX Rate:	["ISDAFIX1"/ "ISDAFIX2"/ "ISDAFIX3"/ "ISDAFIX4"/ "ISDAFIX5"/ "ISDAFIX6"]
	(x) Day Count Fraction:	[["Actual/Actual"/"Actual/Actual – ISDA"/ "Actual/365 (Fixed)"/"Actual 360"/"30/360"/"360/ 360"/"Bond Basis"/"30E/360"/"Eurobond Basis"/ "30E/360 (ISDA)"/"Actual/Actual – ICMA"]
16	**Floating Rate Note and Fixed to Floating Rate Note Provisions:**	[Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [●]]
	(i) Interest Period(s):	[●]
	(ii) Interest Payment Dates:	[●]
	(iii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv) Additional Business Centre(s):	[●]
	(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
	(vii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
	Reference Rate:	[●] month [LIBOR/EURIBOR]
	Interest Determination Date(s):	[●]
	Relevant Screen Page:	[●]
	(viii) ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	(ix) Margin(s):	[+/-][●] per cent. per annum
	(x) Minimum Rate of Interest:	[●] per cent. per annum
	(xi) Maximum Rate of Interest:	[●] per cent. per annum
	(xii) Day Count Fraction:	["Actual/Actual"/"Actual/Actual – ISDA"/ "Actual/365 (Fixed)"/"Actual 360"/"30/360"/"360/ 360"/"Bond Basis"/"30E/360"/"Eurobond Basis"/ "30E/360 (ISDA)"/"Actual/Actual – ICMA"]
17	**Compulsory Interest Payment Date**	[Applicable/Not Applicable]

PROVISIONS RELATING TO REDEMPTION

18	**Right to Extend Maturity Date:**	[Applicable/Not Applicable] [This is without prejudice to the mandatory redemption deferral provisions and other provisions contained in Condition 6, which shall apply to this issue of Notes.] [The Extended Maturity Date is [●].]

19	**Call Option:**	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[[●] per Calculation Amount]/[Not Applicable]
	(b) Maximum Redemption Amount:	[[●] per Calculation Amount]/[Not Applicable]
	(iv) Notice period:	[●]
20	**Capital Disqualification Call:**	[Applicable/Not Applicable]
21	**Rating Methodology Call:**	[Applicable/Not Applicable/Applicable. The Rating Methodology Event Commencement Date is [●]]
22	**Final Redemption Amount of each Note:**	[[●] per Calculation Amount]/[Not Applicable]
23	**Special Redemption Price:**	
	(i) in respect of a Capital Disqualification Event redemption:	[●] per Calculation Amount
	(ii) in respect of a Rating Methodology Event redemption:	[●] per Calculation Amount
24	**Unmatured Coupons to become void upon Early Redemption:**	[Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25	**Form of Notes:**	**[Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●]days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] **[Registered Notes:** [Regulation S Global Note (U.S.$/€[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]] [Rule 144A Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]]
26	**Global Certificates (Registered Notes):**	[Yes] [No]
27	**Additional Financial Centre(s) or other special provisions relating to Payment Dates:**	[Not Applicable/[●]]
28	**Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):**	[[Yes] [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

29	**U.S. selling restrictions:**	[Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]
30	**Additional selling restrictions:**	[Not Applicable]

[THIRD PARTY INFORMATION

[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ______________________________

Duly authorised

PART B – OTHER INFORMATION

1 **LISTING**

(i) Listing:	[London]
(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on [the London Stock Exchange] with effect from [●].]
(iii) Estimate of total expenses related to admission to trading:	[●]

2 **RATINGS**

	Ratings: The Notes to be issued have been rated: [S&P: [●]] [Moody's: [●]]

3 **[ESTIMATED TOTAL EXPENSES]**

Estimated total expenses:	[●]

4 **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

	[[●]/ "Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 **[Fixed Rate Notes only – YIELD**

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 **OPERATIONAL INFORMATION**

ISIN Code:	[●]
Common Code:	[●]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s):	[Not Applicable/[●]]
Names and addresses of additional Paying Agent(s) (if any):	[●]

FORM OF PRICING SUPPLEMENT

No prospectus is required in accordance with Directive 2003/71/EC, as amended, for the issue of the PD Exempt Notes described herein. The UK Listing Authority has neither approved or reviewed information contained in this Pricing Supplement.

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [●]

Aviva plc

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

under the £5,000,000,000 Euro Note Programme

PART A – CONTRACTUAL TERMS FOR [[SENIOR] / [TIER 2]] NOTES

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the [[Senior] / [Tier 2]] Notes (the "**Conditions**") set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●]] (the "**Prospectus**"). Any reference in the Conditions to "relevant Final Terms" shall be deemed to include "relevant Pricing Supplement", where applicable.

This document constitutes the Pricing Supplement of the PD Exempt Notes described herein and must be read in conjunction with the Prospectus [as so supplemented]. Full information on the Issuer and the offer of the PD Exempt Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

1	**Issuer:**		Aviva plc
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
3	**Specified Currency or Currencies:**		[●]
4	Aggregate Nominal Amount of Notes admitted to trading:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5	**Issue Price:**		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	(i)	Specified Denominations:	[[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]]
	(ii)	Calculation Amount (Definitive Notes only):	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[●]
8	**Maturity Date:**		[[●] / The Interest Payment Date falling in or nearest to [●]]/[Not Applicable]
9	**Interest Basis:**		[[●]% Fixed Rate]/ [●] month [LIBOR/EURIBOR] +/-[●]% Floating Rate]/ [Fixed Rate Reset Notes]/ [Fixed to Floating Rate Notes]/ [Zero Coupon]] *(N.B. Zero coupon only relevant for Senior Notes; Fixed Rate Reset Notes and Fixed to Floating Rate Notes only relevant for Tier 2 Notes)*

10	Change of Interest Basis	[●] /[Fixed Rate Reset Notes]/ [Fixed to Floating Rate Notes] *(N.B. Fixed Rate Reset Notes only relevant for Tier 2 Notes)*
11	Redemption Basis	[Redemption at par] /[Not Applicable] *(N.B. Only relevant for Senior Notes and Tier 2 Notes with a Maturity Date specified hereon)*
12	Put/Call Options:	[Investor Put] *(N.B. Only relevant for Senior Notes)* [Issuer Call]
13	(i) Status of the Notes:	[[Senior] / [Tier 2]]
	(ii) [Date [Board] approval for issuance of Notes obtained:	[[●]/Not Applicable, save as discussed in Section 2 of the "General Information" section in the Base Prospectus]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	**Fixed Rate Note and Fixed to Floating Rate Note Provisions:**	[Applicable/Not Applicable/Applicable for the period from and including [●] to, but excluding, [●] (the "**Fixed Rate End Date**")]
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with paragraph 14(vii)/not adjusted]/[commencing on [●] to and including [●]]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]]/[●]
	(v) Day Count Fraction:	["Actual/Actual"/"Actual/Actual – ISDA"/ "Actual/365 (Fixed)"/"Actual/360"/"30/360"/"360/360"/"Bond Basis"/"30E/360"/"Eurobond Basis"/ "30E/360 (ISDA)"/"Actual/Actual – ICMA"]
	(vi) Determination Dates:	[●] in each year
	(vii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
15	**Fixed Rate Reset Note Provisions:**	*(N.B. Fixed Rate Reset Notes only relevant for Tier 2 Notes)*
	(i) Initial Rate of Interest	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Reset Margin:	[+/-][●] per cent. per annum
	(iii) Interest Payment Date(s):	[●] in each year
	(iv) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(v) Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
	(vi) First Reset Note Reset Date:	[●]
	(vii) Anniversary Date	[●] [and each corresponding day and month falling [●] years thereafter]
	(viii) Mid-Market Swap Rate:	[●]
	(ix) ISDAFIX Rate:	["ISDAFIX1"/ "ISDAFIX2"/ "ISDAFIX3"/ "ISDAFIX4"/ "ISDAFIX5"/ "ISDAFIX6"]

	(x) Day Count Fraction:	[“Actual/Actual”/“Actual/Actual – ISDA”/ “Actual/365 (Fixed)”/“Actual/360”/“30/360”/“360/ 360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/ “30E/360 (ISDA)”/“Actual/Actual – ICMA”]
16	**Floating Rate Note and Fixed to Floating Rate Note Provisions:**	[Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [●]]
	(i) Interest Period(s):	[●]
	(ii) Interest Payment Dates:	[●]
	(iii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv) Additional Business Centre(s):	[●]
	(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
	(vii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
	– Reference Rate:	[●] month [LIBOR/EURIBOR]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●]
	(viii) ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	(ix) Margin(s):	[+/-][●] per cent. per annum
	(x) Minimum Rate of Interest:	[●] per cent. per annum
	(xi) Maximum Rate of Interest:	[●] per cent. per annum
	(xii) Day Count Fraction:	[“Actual/Actual”/“Actual/Actual – ISDA”/ “Actual/365 (Fixed)”/“Actual/360”/“30/360”/“360/ 360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/ “30E/360 (ISDA)”/“Actual/Actual – ICMA”]
17	**Zero Coupon Note Provisions:**	[Applicable/Not Applicable] *(N.B. Only relevant for Senior Notes)*
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) Day Count Fraction:	[“Actual/Actual”/“Actual/Actual – ISDA”/ “Actual/365 (Fixed)”/“Actual/360”/“30/360”/“360/ 360”/“Bond Basis”/“30E/360”/“Eurobond Basis”/ “30E/360 (ISDA)”/“Actual/Actual – ICMA”]
18	**Compulsory Interest Payment Date**	[Applicable/Not Applicable]

PROVISIONS RELATING TO REDEMPTION

19	**Call Option:**	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]

	(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount [Condition 5(b) applies]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[[●] per Calculation Amount]/[Not Applicable]
	(b) Maximum Redemption Amount:	[[●] per Calculation Amount]/[Not Applicable]
	(iv) Notice period:	[●]
20	**Put Option:**	[Applicable/Not Applicable] *(N.B. Only relevant for Senior Notes)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●]
21	**Early Redemption Amount**	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[●] *(N.B. Only relevant for Senior Notes)*
22	**Right to Extend Maturity Date:**	[Applicable/Not Applicable] [This is without prejudice to the mandatory redemption deferral provisions and other provisions contained in Condition 6, which shall apply to this issue of Notes.] [The Extended Maturity Date is [●].] (N.B. Only relevant for Tier 2 Notes with a Maturity Date specified hereon)
23	Capital Disqualification Call:	[Applicable/Not Applicable] *(N.B. Only relevant for Tier 2 Notes)*
24	Rating Methodology Call:	[Applicable/Not Applicable/Applicable. The Rating Methodology Event Commencement Date is [●]]
25	Final Redemption Amount of each Note:	[[●] per Calculation Amount]/[Not Applicable] *(N.B. Only relevant for Senior Notes and for Tier 2 Notes with a Maturity Date specified hereon)*
26	Special Redemption Price:	
	(i) in respect of a Capital Disqualification Event redemption:	[●] per Calculation Amount *(N.B. Only relevant for Tier 2 Notes)*
	(ii) in respect of a Rating Methodology Event redemption:	[●] per Calculation Amount (N.B. Only relevant for Tier 2 Notes)
27	**Unmatured Coupons to become void upon Early Redemption:**	[Yes/No/Not Applicable] *(N.B. Only relevant for Tier 2 Notes with a Maturity Date specified hereon)*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

28	**Form of Notes:**	**[Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] **[Registered Notes:** [Regulation S Global Note (U.S.$/€ [●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]. [Rule 144A Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]].
29	**New Global Note (Bearer Notes):**	[Yes] [No] *(N.B. Only relevant for Senior Notes)*
30	**Global Certificates (Registered Notes):**	[Yes] [No]
31	New Safekeeping Structure (Registered Notes):	[Yes] [No] *(N.B. Only relevant for Senior Notes)*
32	**Additional Financial Centre(s) or other special provisions relating to Payment Dates:**	[Not Applicable/[●]]
33	**Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):**	[Yes] [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

34	**U.S. selling restrictions:**	[Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA Not Applicable]
35	**Additional selling restrictions:**	[Not Applicable]

[THIRD PARTY INFORMATION

[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ________________________________

Duly authorised

PART B – OTHER INFORMATION

1 **LISTING**

(i) Listing:	[London/[●]/None]
(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on [●] with effect from [●].] [Not Applicable]
(iii) Estimate of total expenses related to admission to trading:	[●]

2 **RATINGS**

Ratings:	The Notes to be issued have been rated: [S&P: [●]] [Moody's: [●]]

3 **[REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer and use of proceeds:	[●]
(ii) Estimated net proceeds:	[●]
(iii) Estimated total expenses:	[●]

4 **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

[[●]/ "Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 **[Fixed Rate Notes only – YIELD**

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 **OPERATIONAL INFORMATION**

ISIN Code:	[●]
Common Code:	[●]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s):	[Not Applicable/[●]]
Names and addresses of additional Paying Agent(s) (if any):	[●]

GENERAL INFORMATION

(1) The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of Notes which is to be admitted to listing on the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. The acceptance of the Programme on the Official List in respect of Notes issued under the Programme for a period of 12 months from the date of this Prospectus is expected to be granted on or around 7 May 2015. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the London Stock Exchange will normally be effected for delivery on the third working day after the day of the transaction. If a Series of Notes will be unlisted, or listed on another exchange, the specific terms relating to such Series of Notes will be contained in a Pricing Supplement.

(2) The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 9 November 2005 and the update of the Programme was authorised by a resolution of a committee of the Board of Directors of the Issuer passed on 27 April 2015, such committee of the Board of Directors having been constituted in accordance with a meeting of the Board of Directors of the Issuer held on 7 November 2007.

(3) Save for the Acquisition disclosed on pages 106-111 in the section titled "Description of the Group" of this Prospectus, there has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2014, being the date to which the last published audited financial statements of the Issuer were made up. There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2014, being the date to which the last published audited financial statements of the Issuer were made up.

(4) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

(5) Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: *"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code"*.

(6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number ("**ISIN**") and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

(7) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. Unless otherwise stated in the relevant Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(8) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours and upon reasonable notice on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of each of the Paying Agents:

(i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);

(ii) the Dealer Agreement;

(iii) the Agency Agreement;

(iv) the Issuer/ICSD Agreement dated 7 November 2011 in respect of the Programme;

(v) the Memorandum and Articles of Association of the Issuer;

(vi) the published Annual Report and Accounts of the Issuer in respect of each of the financial years ended 31 December 2013 and 31 December 2014;

(vii) the published Annual Report and Accounts of Friends Life in respect of each of the financial years ended 31 December 2013 and 31 December 2014;

(viii) each set of Final Terms for Notes that are listed on the Official List and admitted to trading on the Market;

(ix) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus and any documents incorporated by reference into this Prospectus or any Supplement to this Prospectus; and

(x) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request and any part of which is included or referred to in this Prospectus.

(9) The annual accounts of the Issuer for the last two financial years have been audited:

(i) the consolidated accounts of the Issuer for the year ended 31 December 2013 were audited by PricewaterhouseCoopers LLP, Registered Auditor (authorised and regulated by the FCA for designated investment business), the auditor appointed by the Issuer for the purposes of auditing its consolidated accounts, in accordance with auditing standards and have been reported on without qualification. The report prepared by PricewaterhouseCoopers LLP for the Issuer for the year ended 31 December 2013 contained the following statement: "*This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.*" The address of PricewaterhouseCoopers LLP is 7 More London Riverside, London SE1 2RT, United Kingdom.

(ii) the consolidated accounts of the Issuer for the year ended 31 December 2014 were audited by PricewaterhouseCoopers LLP, Registered Auditor (authorised and regulated by the FCA for designated investment business), the auditor appointed by the Issuer for the purposes of auditing its consolidated accounts, in accordance with auditing standards and have been reported on without qualification. The report prepared by PricewaterhouseCoopers LLP for the Issuer for the year ended 31 December 2014 contained the following statement: "*This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.*" The address of PricewaterhouseCoopers LLP is 7 More London Riverside, London SE1 2RT, United Kingdom.

(10) The consolidated accounts of the Issuer audited by PricewaterhouseCoopers LLP for the years ended 31 December 2013 and 31 December 2014 which are incorporated into this document by reference do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the "**Act**"). Statutory accounts for such years have been delivered to the Registrar of Companies in England and Wales. PricewaterhouseCoopers LLP have made a report under Section 495 of the Act on the last statutory accounts that was not qualified within the meaning of Section 539 of the Act and did not contain a statement made under Section 498(2) or Section 498(3) of the Act.

(11) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and/or its affiliates in the ordinary course of business.

REGISTERED AND HEAD OFFICE OF THE ISSUER

Aviva plc
St Helen's
1 Undershaft
London EC3P 3DQ
United Kingdom

ARRANGER

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

DEALERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Société Générale
29 boulevard Haussmann
75009 Paris
France

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR
United Kingdom

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX
United Kingdom

ISSUING AND PAYING AGENT, REGISTRAR AND PAYING AND TRANSFER AGENT

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

AUDITORS

PricewaterhouseCoopers LLP
7 More London Riverside
SE1 2RT
United Kingdom

LEGAL ADVISERS

to the Issuer

Slaughter and May
One Bunhill Row
London EC1Y 8YY
United Kingdom

to the Dealers and the Trustee

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

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