



BEAZLEY PLC

(incorporated with limited liability in Jersey with registered number 102680)

£250,000,000

Euro Medium Term Note Programme

This document (the “**Prospectus**”) comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended to the extent that such amendments have been implemented in the relevant member state of the European Economic Area (the “**Prospectus Directive**”).

Under this £250,000,000 Euro Medium Term Note Programme (the “**Programme**”), Beazley plc (the “**Issuer**” or “**Beazley**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £250,000,000 (or its equivalent in other currencies), subject to increase as described herein.

Applications have been made (i) to the Financial Services Authority (the “**FSA**”) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) for Notes issued under the Programme during 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 (ii) to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market for listed securities (the “**Regulated Market**”). The Regulated Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on Markets in Financial Instruments (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 the Official List and have been admitted to trading on the Regulated Market. The Issuer may issue unlisted Notes and/or Notes not admitted to trading on any market.

Each Series (as defined in “Summary of the Programme”) 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 the temporary Global Note, the “**Global Notes**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Global Notes and Certificates may be deposited on the issue date with a Common Depositary on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) (the “**Common Depositary**”). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “Summary of Provisions Relating to the Notes while in Global Form”. In certain circumstances, investors may also hold interests in the Notes through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) (“**CREST**”) through the issuance of dematerialised depository interests issued, held, settled and transferred through CREST (“**CDIs**”), representing interests in the relevant Notes underlying the CDIs (the “**Underlying Notes**”). CDIs are constituted under English law and transferred through CREST and will be issued by CREST Depository Limited (the “**CREST Depository**”) pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) (“**CREST Deed Poll**”). Neither the Notes nor any rights attached thereto will be issued, settled, held or transferred within the CREST system other than through the issue, settlement holding or transfer of CDIs. CDI holders will not be entitled to deal directly in the Notes and, accordingly, all dealings in the Notes will be effected through CREST in relation to the holding of CDIs.

The Issuer has been rated BBB+ by Standard & Poor’s Financial Services LLC (“**Standard & Poor’s**”). The Managed Syndicates (as defined herein) have each been rated A by AM Best Europe Rating Services Ltd. (“**AM Best**”) and A+ by Standard & Poor’s and Beazley Insurance Company, Inc. has been rated A by AM Best. AM Best is established in the European Union and is registered under Regulation (EU) No. 1060/2009 (as amended) (the “**CRA Regulation**”). Standard & Poor’s is established outside the European Union and is not registered under the CRA Regulation. Moody’s Investor Services Limited and Fitch Ratings Limited are each established in the European Union and are each registered under the CRA Regulation. A Series of Notes issued under the Programme may also be rated or unrated. Where a Series of Notes is rated, any such rating will be specified in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Issuer. 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.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see “**Risk Factors**”.

Joint Arrangers

LLOYDS BANK

NUMIS SECURITIES

Dealers

LLOYDS BANK

NUMIS SECURITIES

The date of this Prospectus is 31 August 2012.

This Prospectus comprises a base prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries and affiliates taken as a whole (the “**Group**”) and the Notes 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, financial position, profit and losses and prospects of the Issuer.

The Issuer (the “**Responsible Person**”) accepts responsibility for the information contained in this Prospectus and any applicable Final Terms. 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.

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

In the context of any offer of Notes in the United Kingdom that is not within an exemption from the requirement to publish a prospectus under the Prospectus Directive (a “**Public Offer**”), the Issuer accepts responsibility, in the United Kingdom, for the content of the Prospectus in relation to any person (an “**Investor**”) in the United Kingdom to whom an offer of any Notes is made by any financial intermediary to whom it has given its consent to use the Prospectus (an “**Authorised Offeror**”), where the offer is made during the period for which that consent is given and where the offer is made in the United Kingdom for which that consent was given and is in compliance with all other conditions attached to the giving of the consent, all as mentioned in the Prospectus. However, neither the Issuer nor any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

The Issuer consents to the use of the Prospectus in connection with a Public Offer of any relevant Notes during the Offer Period specified in the relevant Final Terms (the “**Offer Period**”) in the United Kingdom (1) either by any financial intermediary which satisfies the following conditions: (a) is authorised to make such offers under the Markets in Financial Instruments Directive (b) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “**Rules**”), including the Rules published by the FSA (including its guidance for distributors in “The Responsibilities of Providers and Distributors for the Fair Treatment of Customers”) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential investor; (c) complies with the restrictions set out under “Subscription and Sale” in this Prospectus which would apply as if it were a Dealer; (d) ensures that any fee (and any commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and is fully and clearly disclosed to investors or potential investors; (e) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the Financial Services and Markets Act 2000; (f) complies with applicable anti-money laundering, anti-bribery and “know your client” Rules, and does not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies; (g) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the relevant Dealer(s) and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer(s) in order to enable the Issuer and/or the relevant Dealer(s) to comply with anti-money laundering, anti-bribery and “know your client” Rules applying to the Issuer and/or the relevant Dealer(s); and (h) does not, directly or indirectly, cause the Issuer or the relevant Dealer(s) to breach any Rule or subject the Issuer or the relevant Dealer(s) to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction, and any further conditions specified in the relevant Final Terms or (2) by the financial intermediaries in the United Kingdom and subject to the relevant conditions specified in the relevant Final Terms, for so long as they are authorised to make such offers under the Markets in Financial Instruments Directive. The Issuer may give consent to additional financial intermediaries after the date of the relevant Final Terms and, if it does so, it will publish any new information in relation to such financial intermediaries who are unknown at the time of the approval of this Prospectus or the filing of the relevant Final Terms at www.beazley.com. **Any financial intermediary using the Prospectus has to state on its website that it uses the Prospectus in accordance with the consent given in (1) above and the conditions set out above.**

The consent referred to above relates to Offer Periods (if any) occurring within 12 months from the date of this Prospectus.

Any Authorised Offeror who wishes to use this Prospectus in connection with a Public Offer as set out in (1) above is required, for the duration of the relevant Offer Period, to publish on its website that it is using this Prospectus for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto.

To the extent specified in the relevant Final Terms, a Public Offer may be made during the relevant Offer Period by any of the Issuer, the Joint Arrangers, the Dealers or any relevant Authorised Offeror in any relevant Member State and subject to any relevant conditions, in each case all as specified in the relevant Final Terms. **In the event of any Public Offer being made by an Authorised Offeror, the Authorised Offeror will provide information to investors on the terms and conditions of the Public Offer at the time the Public Offer is made.**

Other than as set out above, none of the Issuer, the Joint Arrangers or any of the Dealers has authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this Prospectus in connection with its offer of any Notes. Any such offers are not made on behalf of the Issuer or by any of the Joint Arrangers, the Dealers or Authorised Offerors and none of the Issuer or any of the Joint Arrangers, the Dealers or Authorised Offerors has any responsibility or liability for the actions of any person making such offers.

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 Joint Arrangers. Neither the delivery of this Prospectus nor any sale 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 Joint Arrangers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (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”.

A copy of this Prospectus has been delivered to the Jersey Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the Jersey Registrar of Companies has given, and has not withdrawn, consent to its circulation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of Notes by the Issuer. It must be distinctly understood that, in giving these consents, neither the Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against any liability arising from the discharge of its functions under that law. It should be remembered that the price of Notes and the income from them can go down as well as up.

Nothing in this Prospectus or anything communicated to the holders or potential holders of Notes by or on behalf of the Issuer is intended to constitute, or should be construed as, advice on the merits of the subscription for or purchase of Notes or the exercise of any rights attached thereto for the purposes of the Financial Services (Jersey) Law 1998.

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

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

To the fullest extent permitted by law, none of the Dealers or the Joint Arrangers accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Joint Arrangers or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Arranger and each Dealer accordingly disclaims all and any liability 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 financial statements are 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 Joint Arrangers or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Joint Arrangers 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 Joint Arrangers.

In connection with the issue of any Tranche of Notes (as defined in “Terms and Conditions of the Notes”), 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)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes 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) 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 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 and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) or person(s) acting on behalf of any Stabilising Manager(s) in accordance with all applicable laws and rules.

Currencies

All references in this Prospectus to “**sterling**” and “**£**” refer to pounds sterling. In addition, all references to “**US dollars**” and “**US\$**” refer to United States dollars and all references to “**euro**” and “**€**” refer to the lawful currency of the states of the European Union which are from time to time participating in Economic and Monetary Union.

Definitions

Reference is made to the “Index of Terms” for the location of the definitions of certain terms defined herein.

Lloyd's

In this Prospectus, “**Lloyd's**” means the Society and Corporation of Lloyd's created and governed by the Lloyd's Acts 1871-1982, including the Council of Lloyd's and its delegates and other persons through whom the Council may act, as the context may require. For further information on Lloyd's,

see “Description of Beazley plc and the Group – Industry and regulatory environment – Regulation of the Group at Lloyd’s”.

CONTENTS

Part	Page
SUMMARY OF THE PROGRAMME.....	1
RISK FACTORS	18
FORWARD-LOOKING STATEMENTS	33
DOCUMENTS INCORPORATED BY REFERENCE.....	34
SUPPLEMENTS AND NEW OFFERING CIRCULARS.....	35
TERMS AND CONDITIONS OF THE NOTES.....	36
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM	55
USE OF PROCEEDS	59
SELECTED FINANCIAL INFORMATION	60
DESCRIPTION OF BEAZLEY PLC AND THE GROUP.....	63
TAXATION	81
CLEARING AND SETTLEMENT	87
FORM OF FINAL TERMS.....	89
SUBSCRIPTION AND SALE	103
GENERAL INFORMATION.....	106
INDEX OF TERMS	110

SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A – Introduction and warnings

- A.1 This summary must be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.

A.2 *Issue specific summary*

[An offer of the Notes may be made by the Managers [and ●] other than pursuant to Article 3(2) of the Prospectus Directive in ● (“**Public Offer Jurisdictions**”) during the period from ● until ● (“**Offer Period**”).

[In respect of this Tranche of Notes, the Issuer consents to the use of this Prospectus in connection with a Public Offer of any relevant Notes during ● (the “**Offer Period**”) [in ● by ●, ● and ●.]

[In respect of this Tranche of Notes, the Issuer consents to the use of this Prospectus in connection with a Public Offer of any relevant Notes during ● (the “**Offer Period**”) [in ● by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive and which satisfies the following conditions: ●] [or] [by the financial intermediaries, in ● and subject to ● for so long as they are authorised to make such offers under the Markets in Financial Instruments Directive.] The Issuer may give consent to additional financial intermediaries after the date of these Final Terms.]

Section B – Issuer

- B.1 **Legal and Commercial Name.** The Issuer’s legal and commercial name is Beazley plc.
- B.2 **The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation.** The Issuer is a public limited company incorporated in Jersey under the Companies (Jersey) Law 1991 with registered number 102680. The Issuer is tax domiciled in Ireland.
- B.4b **A description of any known trends affecting the issuer and the industries in which it operates.** During the six months to 30 June 2012, rates (premiums expressed as a percentage of the sum insured or limit of indemnity) rose by an average of three per cent. across the Group’s portfolio. Rate rises were highest on the Group’s catastrophe exposed lines of business, averaging an increase of five per cent. This rise was due to the heavy catastrophe losses during 2012. For the first time since 2006, rates rose by three per cent. on the Specialty Lines division’s professional and management liability book. Beazley expects the remainder of 2012 to show a continuation of the modestly rising premium rates across the Group’s portfolio. However, Beazley expects that there will be a reduction in rate rises relating to catastrophe-exposed lines of business.

Claims during the first half of 2012 has been relatively benign, with claims notifications lower than normal and loss development in line with the Group's expectations.

Due to the ongoing eurozone crisis, the Group's investment strategy has sought to avoid risks arising from the banking sector and has focused the Group's sovereign holdings in the most strongly rated countries.

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|-------------|---|---|
| B.5 | If the issuer is part of a group, a description of the group and the issuer's position within the group. | <p>The Issuer is the parent company of the group of which it is a member.</p> <p>The Group's principal business is conducted through Lloyd's syndicates 2623, 3622, 3623, 623 and 6107 in the United Kingdom and Beazley Insurance Company, Inc., an admitted carrier in all 50 states, in the United States. Beazley's FSA-regulated subsidiary, Beazley Furlonge Limited, acts as the managing agent for the Managed Syndicates, with the Beazley Syndicates being fully backed by the Group (through the capital of Beazley Underwriting Limited) and Syndicate 623 and Syndicate 6107 being backed by third party Lloyd's names. The Group also operates through Beazley Re Limited, which writes reinsurance business for the Group.</p> |
| B.9 | Where a profit forecast or estimate is made, state the figure. | <p>Not applicable; Beazley has not made any public profit forecast or profit estimate.</p> |
| B.10 | A description of the nature of any qualifications in the audit report on the historical financial information. | <p>Not applicable; none of the audit reports on the Issuer's audited consolidated financial statements for the years ended 31 December 2010 and 2011 included any qualifications.</p> |

B.12 Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year end balance sheet information.

A statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements or a description of any material adverse change.

A description of significant changes in the financial or trading position subsequent to the period covered by the historical financial information.

The following summary financial data as of, and for each of the years ended, 31 December 2010 and 2011 and as of, and for the six month periods ended 31 March 2011 and 2012 has been extracted, without any adjustment, from the Issuer's consolidated financial statements in respect of those dates and periods.

There has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2012 and there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2011.

Income Statement

	Six months ended 30 June 2012 <i>Unaudited</i> US\$m	Six months ended 30 June 2011 <i>Unaudited</i> US\$m	Year ended 31 December 2011 <i>Audited</i> US\$m	Year ended 31 December 2010 <i>Audited</i> US\$m
Net premiums written.....	650.8	635.5	1,374.0	1,402.1
Net earned premiums	703.3	670.5	1,385.0	1,405.2
Revenue	750.5	707.0	1,452.4	1,470.8
Net insurance claims.....	377.2	477.3	850.5	738.2
Operating expenses	262.6	245.6	521.4	466.0
Expenses.....	639.8	722.9	1,371.9	1,204.2
Results of operating activities.....	110.4	(16.3)	79.5	265.7
Profit/(loss) before income tax.....	112.9	(24.2)	62.7	250.8
Profit/(loss) for the year attributable to equity shareholders	100.1	(14.1)	65.8	217.0
Earnings/(loss) per share (cents per share):				
Basic.....	19.8	(2.8)	13.0	42.1
Diluted	18.7	(2.8)	12.4	40.2
Earnings/(loss) per share (pence per share):				
Basic.....	12.5	(1.7)	8.1	27.4
Diluted	11.8	(1.7)	7.7	26.1

Statement of changes in equity

	As at 30 June 2012 <i>Unaudited</i> US\$m	As at 31 December 2011 <i>Audited</i> US\$m	As at 31 December 2010 <i>Audited</i> US\$m
Intangible assets	127.6	130.7	117.0
Deferred acquisition costs.....	172.5	159.7	164.0
Reinsurance assets.....	1,411.4	1,197.9	1,034.9
Financial investments.....	3,420.8	3,356.8	3,097.3
Insurance receivables	553.0	558.7	527.1
Cash and cash equivalents.....	596.5	650.1	745.0
Total assets.....	6,354.5	6,118.7	5,774.3
Share capital	41.5	42.8	42.7
Share premium.....	1.2	1.1	0.7
Foreign currency translation reserve	(88.1)	(88.5)	(91.0)
Other reserves	(19.2)	(50.1)	(52.2)
Retained earnings.....	1,193.8	1,165.7	1,182.7
Total equity	1,129.2	1,071.0	1,082.9
Insurance liabilities	4,493.3	4,334.6	4,046.8
Borrowings.....	217.6	266.9	268.2
Other payables	431.7	366.0	285.4
Deferred tax liabilities.....	77.3	80.2	91.0
Total liabilities.....	5,225.3	5,047.7	4,691.4
Total equity and liabilities	6,354.5	6,118.7	5,774.3

Statement of cash flows

	Six months ended 30 June 2012 <i>Unaudited</i> US\$m	Six months ended 30 June 2011 <i>Unaudited</i> US\$m	Year ended 31 December 2011 <i>Audited</i> US\$m	Year ended 31 December 2010 <i>Audited</i> US\$m
Profit/(loss) before tax.....	112.9	(24.2)	62.7	250.8
Adjustments for:				
Increase in insurance and other liabilities	227.7	657.3	367.1	19.2
(Decrease)/increase in insurance, reinsurance and other receivables	(223.3)	(433.9)	(182.6)	83.8
(Decrease)/increase in deferred acquisition costs	(12.8)	7.7	4.3	(8.5)
Financial income.....	(33.7)	(29.7)	(64.8)	(60.2)
Net cash from operating activities	71.0	196.8	226.7	284.1
Purchase of investments	(2,159.1)	(2,721.5)	(3,912.4)	(5,042.7)
Proceeds from sale of investments.....	2,104.3	2,617.6	3,649.2	4,799.9
Interest and dividends received.....	33.7	29.7	64.8	60.2
Net cash used in investing activities.....	(27.5)	(84.5)	(214.1)	(198.7)
Repayment of borrowings	(41.9)	—	—	—
Dividends paid.....	(43.3)	(62.1)	(82.8)	(55.5)
Net cash used in financing activities	(97.0)	(73.6)	(106.3)	(105.5)
Net increase in cash and cash equivalents.....	(53.5)	38.7	(93.7)	(20.1)
Cash and cash equivalents at end of period	596.5	786.4	650.1	745.0

B.13 A description of any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency.

Not applicable; there have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.

B.14 If the issuer is part of a group, a description of the group and the issuer's position within the group. If the issuer is dependent upon other entities within the group, this must be clearly stated.

Please see Element B.5 above. As the Group's business is conducted through the members of the Group referenced in that Element, the Issuer is, accordingly, dependent upon those members of the Group.

B.15 A description of the issuer's principal activities.

Beazley is the parent company of a global specialist insurance and reinsurance group, with underwriting platforms in Lloyd's and in the United States. It also operates out of an international network of offices in France, Germany, Singapore, Hong Kong, Norway and Australia. The Group's underwriters in the United States focus on writing a range of specialist insurance products. In the admitted market, coverage is provided by Beazley Insurance Company, Inc., a carrier licensed in all 50 states. In the surplus lines market, coverage is provided by the Managed Syndicates at Lloyd's.

The Group currently operates across six insurance and reinsurance divisions:

- The Specialty Lines division comprises professional liability and management liability risks underwritten for clients on both a primary and excess basis in North America, Europe and around the world.
- The Property division's business focuses on commercial property, jewellers, construction risks, and select homeowners business.
- The Marine division writes business in all major marine classes.
- The Reinsurance division specialises in writing property catastrophe and per risk excess of loss and *pro rata* business.

- The Political Risks & Contingency division focuses on performance, payment, terrorism and political risks, together with event cancellations and other loss triggers.
- The Life, Accident & Health division specialises in life, sports and personal accident insurance.

B.16 To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.

Beazley is not directly or indirectly owned or controlled.

B.17 Credit ratings assigned to an issuer or its debt securities at the request or with the co-operation of the issuer in the rating process.

The Issuer has been rated BBB+ by Standard & Poor's. The Issuer's Fixed/Floating Rate Subordinated Notes due 17 October 2026 have been rated BBB- by Standard & Poor's and bbb by AM Best. The Issuer's Junior Subordinated Floating Rate Notes due 26 November 2034 have been rated bbb by AM Best. The Managed Syndicates (as defined herein) have each been rated A by AM Best and A+ by Standard & Poor's and Beazley Insurance Company, Inc. has been rated A by AM Best. Standard and Poor's and AM Best are each established in the European Union and are registered under the CRA Regulation.

A Series of Notes issued under the Programme may also be rated or unrated. Such ratings will not necessarily be the same as the rating assigned to the Issuer. 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.

Issue specific summary:

[[The Notes to be issued [are not/have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:

[Standard & Poor's: ●]

[Moody's Investor Services Limited: ●]

[Fitch Ratings Limited: ●]

[AM Best: ●]

Section C – Securities

C.1 A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.

Up to £250,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time pursuant to the Euro Medium Term Note Programme arranged by Lloyds TSB Bank plc and Numis Securities Limited.

The Dealers are:

Lloyds TSB Bank plc, 10 Gresham Street, London EC2V 7AE

Numis Securities Limited, 10 Paternoster Square London EC4M 7LT

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.

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 the relevant 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 final terms (the “**Final Terms**”).

The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) only. 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, 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 for one or more clearing systems are referred to as “**Global Certificates**”.

Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) 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. 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 relevant Final Terms.

On or before the issue date for each Tranche, the 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.

Issue specific summary:

Series Number:	●
Tranche Number:	●
Aggregate Nominal Amount:	●
[(i) Series:	●]
[(ii) Tranche:	●]
[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:]

[Global Certificate exchangeable for definitive Certificate only upon an Exchange Event.]

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/give name(s) and number(s)]

C.2 Currency of the securities issue.

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.

Issue specific summary:

The Specified Currency or Currencies of the Notes [is/are] ●.

C.5 A description of any restrictions on the free transferability of the securities.

The United States, the Public Offer Selling Restriction under the Prospectus Directive, the United Kingdom, Jersey, Guernsey, Japan and Isle of Man.

The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended.

The Notes will be issued in compliance with U.S. Treasury Regulations §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 Regulations §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.

Issue specific summary:

Regulation S Compliance Category [2]; [TEFRA C/TEFRA D/TEFRA not applicable.]

C.8, C.9 A description of the rights attached to the securities including:

- ranking
- limitations to those rights
- the nominal interest rate
- the date from which interest becomes payable and the due dates for interest
- where the rate is not fixed, description of the underlying on which it is based
- maturity date and arrangements for the amortisation of the loan, including the repayment procedures
- an indication of yield
- name of representative of debt security holders

Issue Price

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The issue price will be determined by the Issuer prior to the offering of each Tranche after taking into account certain factors including market conditions.

Issue specific summary:

● per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]

Specified Denomination

Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) the minimum denomination of each Note admitted to trading on a European Economic Area exchange and/or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and (ii) unless otherwise permitted by then current laws and regulations, Notes (including

Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Issue specific summary:

Specified Denomination: ●

Ranking

The Notes will constitute unsubordinated and unsecured obligations of the Issuer.

Negative pledge

The Notes contain a negative pledge provision pursuant to which neither the Issuer nor any of its subsidiaries may create or have outstanding any security interest over its present or future undertaking, assets or revenues to secure any guarantee or indemnity in respect of certain types of indebtedness without securing the Notes equally and rateably, subject to certain exceptions.

Interest rates and interest periods

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. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Fixed Rate Notes

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Issue specific summary:

[Fixed Rate Notes are not being issued pursuant to these Final Terms.]

[Rate(s)] of Interest: ● per cent. per annum payable ● in arrear on each Interest Payment Date

Interest Payment Date(s): ● in each year

Fixed Coupon Amount[(s)]: ● per Calculation Amount]

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.

Issue specific summary:

[Floating Rate Notes are not being issued pursuant to these Final Terms.]

[Interest Period(s): ●

Specified Interest Payment Dates: [● in each year, subject to adjustment in accordance with the Business Day Convention set out below]

First Interest Payment Date: ●

Interest Period Date: ●

(Not applicable unless different from Interest Payment Date)

Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]]

Zero Coupon Notes

Zero Coupon Notes (as defined in “Terms and Conditions of the Notes”) may be issued at their nominal amount or at a discount to it and will not bear interest.

Issue specific summary:

[Zero Coupon Notes are not being issued pursuant to these Final Terms.]

[Amortisation Yield: ● per cent. per annum]

Maturities

Subject to compliance with all relevant laws, regulations and directives, each Series of Notes may have a maturity between one month and 30 years.

Issue specific summary:

[Specify/Interest Payment Date falling in or nearest to ●.]

Redemption

The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Issue specific summary:

[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date (see above) at 100 per cent. of their nominal amount.]

Optional Redemption

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.

Issue specific summary:

Call Option [Applicable/Not Applicable]

Optional Redemption Date(s): ●

Optional Redemption ● per Calculation Amount

Amount(s) of each Note: ●

If redeemable in part:

(a) Minimum Redemption Amount: ● per Calculation Amount

(b) Maximum Redemption Amount: ● per Calculation Amount
 Notice period: ●
Put Option [Applicable/Not Applicable]
 Optional Redemption Date(s): ●
 Optional Redemption Amount(s) of each Note: ● per Calculation Amount
 Notice period: ●
 Final Redemption Amount of Each Note: ● per Calculation Amount

Early Redemption

Except as provided in “– Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons.

Issue specific summary:

Early Redemption Amount: [[Par] per Calculation Amount]

Indication of yield

The yield in respect of each issue of Fixed Rate Notes will be calculated on the basis of the Issue Price using the following formula:

$$P = \frac{C}{r} (1 - (1 + r)^{-n}) + A(1 + r)^{-n}$$

Where:

P is the Issue Price of the Notes;

C is the Interest Amount;

A is the principal amount of Notes due on redemption;

n is time to maturity in years; and

r is the yield.

Yield is not an indication of future price.

Issue specific summary:

Yield: ●

Events of Default

Events of default under the Notes include non-payment of interest for 14 days, non-payment of principal for seven days, breach of other obligations under the Notes or Trust Deed (which breach is not remedied within 30 days), cross-default relating to indebtedness for borrowed money of the Issuer or any subsidiary of the Issuer subject to an aggregate threshold of £20,000,000, enforcement proceeding against the Issuer or any of its subsidiaries and certain events related to insolvency or winding up of the Issuer or any of its subsidiaries.

Withholding tax

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the United Kingdom, Jersey or the Republic of Ireland, as the case may be, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions (including the ICMA standard EU tax exemption tax language), pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required.

Trustee

U.S. Bank Trustees Limited.

Governing law

English law.

- C.10 If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident.
- Not applicable; there is no derivative component in the interest payments made in respect of any Notes issued under the Programme.
- C.11 An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question.
- Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on London Stock Exchange plc's Regulated Market. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
- Issue specific summary:*
- [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on London Stock Exchange plc's Regulated Market with effect from ●.] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on London Stock Exchange plc's Regulated Market with effect from ●.] [Not Applicable.]

Section D – Risks

- D.2 Key information on the key risks that are specific to the issuer.
- The underwriting of insurance risks to which the Group is exposed is, by its very nature, a high-risk business. Underwriting risk comprises four elements that apply to all insurance products offered by the Group: event risk, cycle risk, pricing risk and expense risk.
 - Through the underwriting of specific catastrophic and political risk, the Group is exposed to the adverse impact of catastrophic and political events. The incidence and severity of such events are inherently unpredictable and the losses incurred by the Group from such events could be substantial. The occurrence of large claims from such events could result in substantial volatility in the Group's financial results and could impact on its ability to write new business.
 - Following the terror attacks on the United States on 11 September 2001, the implementation of legislation in jurisdictions such as the United Kingdom, Australia and the United States provides for a governmental backstop by way of reinsurance protection for certain insured risks. There is no guarantee, however, that this protection will be extended to provide the Group with coverage for any exposure to such events.
 - The Group is exposed to losses that could accumulate from different insureds arising from a generic or catastrophic event. It is possible that the accumulated claims could exceed the expected claims activity.
 - Claims management risk may arise within the Group in the event of

inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Group's reputation and undermine its ability to win and retain business. These risks may also lead to the Group being exposed to putative damages claims.

- Certain members of the Group have established provisions for unpaid claims and related expenses to cover its underwriting liability in respect of both reported claims and incurred but unreported claims. However, there can be no assurance that ultimate losses will not differ materially from the provisions established by the Group. In particular, the Group's Specialty Lines business, by its nature, is susceptible to the potential mismatch between ultimate losses and provisions due to the longer tail-risks involved, which make accurate provisioning more difficult.
- Members of the Group have entered into a significant number of reinsurance contracts to seek to limit their exposure to particular risks. While reinsurance counterparties are chosen carefully by reference to, *inter alia*, size, rating, trading performance and reputation, the relevant members of the Group are exposed to credit risk with respect to such reinsurers. As such, the Group makes provisions for the potential failure of such reinsurers to cover their share of the Group's anticipated reinsurance liability, but there can be no guarantee that such provisions will be adequate to cover the future failure of a reinsurer. If a reinsurer were to fail to make payment, whether through an insolvency, dispute or otherwise, the relevant members of the Group would retain the primary liability to the insured party. The Group purchases different reinsurance cover for different classes of business and for each Group carrier. Such cover will normally contain a retention of risk provision that the relevant Group entity must pay before the reinsurers become liable and would have a limit of indemnity for a single event or series of losses. As such, it is possible that, in a complex loss scenario, more than one retention may be payable by the relevant members of the Group. Additionally, there can be no assurance that appropriate levels of reinsurance cover will be available in the future or at acceptable rates.
- The Group is subject to credit risk. There can be no assurance that the Group's brokers and coverholders will pass on premiums or claims collected or paid on behalf of the Group. In addition, the Group is exposed to credit risk on its investments such that an issuer default may lead to the Group losing all or part of the value of a financial instrument and/or derivative financial instrument.
- The ability of the Group's insurance operations to write certain classes of business, including reinsurance business, may be affected by a change in the rating issued by an accredited rating agency to the Group's rated carrier Beazley Insurance Company, Inc., to the Managed Syndicates (as defined herein) and to Lloyd's.
- The Group holds significant investments to support its liabilities and the profits of the Group depend in part upon the returns achieved on its investment portfolio. Therefore, changes in interest rates, equity returns and other economic variables may substantially affect the Group's financial performance. A fall in the capital value of the Group's investments may result in a reduction in the capital of the Group, which would reduce the amount of business that the Group's insurance operations are able to underwrite.
- The insurance market is highly competitive and fragmented. Increased competition could result in lower premium rates or less favourable

policy terms and conditions which could materially adversely affect the Group's growth and profitability. Premium levels may be adversely affected by increases in insurance industry capacity, increases in reinsurance capacity, reduction of prices in response to favourable loss experience, the pricing of underlying direct coverages and other adverse factors.

- There can be no assurance that provisions such as limitations on, or exclusions from coverage contained within, insurance policies and reinsurance contracts held by the Group will be enforceable in the manner intended. Disputes relating to coverage and the choice of legal forum can be expected to arise, as a result of which the Group may become exposed to losses beyond the expectations of the Group at the time of underwriting a particular insurance policy or reinsurance contract. In such circumstances, insurance may not cover or be adequate to cover liabilities incurred by a Group member. In addition, the Group may be subject to liability for events against which it does not insure or which it may elect not to insure against because of unacceptable commercial rates or other reasons.
- In each of the jurisdictions in which the Group operates, the insurance industry is highly regulated. 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 shareholders or creditors. In particular, the Council of Lloyd's and the FSA each have wide regulatory powers. In addition, the relevant members of the Group may not be able to comply fully with, or obtain appropriate exemptions from, any amendments to a regulatory regime. Failure to comply with or to obtain appropriate exemptions under any applicable laws could result in restrictions on the Group's ability to conduct business in one or more of the jurisdictions in which it operates and could result in the imposition of fines and other sanctions.
- Changes in government policy, legislation, regulatory frameworks 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 Group's product range, distribution channels, capital requirements and, consequently, operating results and financing requirements. In addition, the Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance as a result of changes to financial services legislation or regulation.
- Each member of Lloyd's must submit its annual business plan for each year of account (and any subsequent changes to such plan) to the Franchise Board of Lloyd's for approval. In the event that the Franchise Board determines that changes are required to such business plan prior to its approval, any such changes could lead to a significant change in the Group's stated business strategy and objectives.
- The Group's ability to underwrite business at Lloyd's is, in part, dependent upon its relationships with intermediaries.
- Since 1 January 2006, Lloyd's managing agents, such as those within the Group, have been required to comply with the FSA's prudential rules for individual capital assessment. The process and the method by which the solvency ratio is calculated may alter from year to year

and the Group's future underwriting capacity may be reduced as a result of any change. In addition, there can be no assurance that the implementation of Solvency II will not result in the Group having to hold an increased amount of capital than it is presently required to hold.

- The Lloyd's market is subject to the solvency and capital adequacy requirements of the FSA. However, the FSA may impose more stringent requirements on Lloyd's which may result in higher capital requirements or a restriction on trading activities for its members, including entities within the Group. If Lloyd's fails to satisfy this solvency test in any year, the FSA may require Lloyd's to cease trading and/or its members to cease or reduce their underwriting exposure.
- As a member of Lloyd's, relevant members of the Group are committed to certain financial and operational obligations, including the annual fees and levies imposed by Lloyd's on its membership syndicates for operating on its platform. To the extent that Lloyd's suffers a material exposure in its asset base when compared with its liabilities, whether as a result of unexpected events, non-claims litigation, the increased costs of compliance in overseas jurisdictions for insurance and reinsurance business, increased fees and levies, currency devaluation, stamp capacity, cash calls or otherwise, members may at any such time as required by Lloyd's be called upon to invest further capital into Lloyd's portfolio of funds, including both the funds at Lloyd's and the Central Fund. Lloyd's also has the power to reduce the underwriting capacity of a syndicate and/or to prohibit a corporate member from underwriting if at any time the value of the funds at Lloyd's portfolio for that syndicate falls by more than 10 per cent. of the last annual valuation.
- The ability of the Syndicate 623, Syndicate 6107 and the Beazley Syndicates to trade in certain classes of business at current levels may be dependent on the maintenance by Lloyd's of a satisfactory credit rating issued by an accredited rating agency.
- The Managed Syndicates may be placed into a year-end run-off by the Council of Lloyd's resulting in members' funds, including those of relevant members of the Group, being blocked.
- The Group is reliant upon Lloyd's maintenance of its local jurisdictional licences and approvals, as well as its own compliance with local regulation, especially in the United States where regulators have the power to increase the level of funding required, or impose requirements as to the nature of funding in certain circumstances.
- The Notes are subject to optional redemption by the Issuer. 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.
- 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 did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.
- The Terms and Conditions of the Notes provide that the Trustee may, without the consent of Noteholders, agree to (i) any

D.3 Key information on the key risks that are specific to the securities.

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.

- The EU Directive on the taxation of savings income may result in the imposition of withholding taxes in certain jurisdictions.
- The implementation of U.S. Foreign Account Tax Compliance Act may lead to the imposition of U.S. withholding taxes at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Notes issued or materially modified on or after 1 January 2013 (and (ii) any Notes which are treated as equity for U.S. federal tax purposes, whenever issued) pursuant to the foreign account provisions of the Hiring Incentives to Restore Employment Act of 2010.
- Holders of CREST depository interests will hold or have an interest in a separate legal instrument and will not be the legal owners of the Underlying Notes.
- 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 to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors.
- 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.

Issue specific summary:

- [Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.]
- [The Issuer will pay principal and interest on the Notes in ●. 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.]
- [If definitive Notes are issued, such Notes may be illiquid and difficult to trade.]
- [The market price of Notes issued at a substantial discount or premium may experience greater fluctuations in certain circumstances.]
- [Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms).]
- [If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then

- E.4 A description of any interest that is material to the issue/offer including conflicting interests. *Issuer specific summary:*
 Save for ●, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer, including conflicting interests.
- E.7 Estimated expenses charged to the investor by the issuer or the offeror. *Issue specific summary:*
 [Not applicable; there are no expenses charged to the investor by the [Issuer/offeror] / Expenses to be charged to the investor by the [Issuer/offeror]:
 ●.]

RISK FACTORS

Potential investors in the Notes should carefully consider the risks described below and all other information contained in this Prospectus and reach their own view before making an investment decision. The Issuer believes that the factors described below represent the principal risks and uncertainties which may affect its ability to fulfil its obligations under Notes issued under the Programme, but the Group may face other risks that may not be considered significant risks by the Issuer based upon information available to it at the date of this Prospectus or that it may not be able to anticipate. 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. If any of the following risks, as well as other risks and uncertainties that are not yet identified or that the Issuer thinks are immaterial at the date of this Prospectus, actually occur, then these could have a material adverse effect on the Issuer's ability to fulfil its obligations under Notes issued under the Programme.

Risks related to the Group

The underwriting of insurance risks to which the Group is exposed is, by its very nature, a high-risk business

The underwriting of insurance risks is, by its very nature, a high-risk business. Underwriting risk comprises four elements that apply to all insurance products offered by the Group:

- (i) Event risk – the risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- (ii) Cycle risk – the risk that business is written without full knowledge as to the (in)adequacy of rates, terms and conditions;
- (iii) Pricing risk – the risk that the level of expected loss is understated in the pricing process; and
- (iv) Expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

If any of these risks were to crystallise, these could have a material adverse effect on the Group's reputation, financial condition and/or operating results and the Issuer's ability to fulfil its obligations under Notes.

Through the underwriting of specific catastrophic and political risk, the Group is exposed to the adverse impact of catastrophic and political events

A significant portion of the Group's underwriting business is exposed to losses resulting from natural disasters and other catastrophic events as well as socio-political risks. These may include natural and man-made disasters, acts of war, terrorism, piracy and political instability, the emergence of latent risks, changes in law and the interpretation of law or precedent (including in relation to the measurement of damages), as well as social and political changes, and fluctuations in the global investment markets and the capacity of the global insurance market.

The incidence and severity of such events are inherently unpredictable and the losses incurred by the Group from such events could be substantial. The occurrence of large claims from such events could result in substantial volatility in the Group's financial results and could impact on its ability to write new business. Although the Group attempts to manage its exposure to such events, a single event could affect multiple geographic zones or the frequency or severity of such events could exceed the Group's estimates, which could result in a material adverse effect on its reputation, financial condition and/or operating results.

The Group is exposed to the impact of terrorist activity on certain of its businesses and cannot rely upon local government regimes to underwrite its exposure

Following the terror attacks on the United States on 11 September 2001, the implementation of legislation in jurisdictions such as the United Kingdom, Australia and the United States provides for a governmental backstop by way of reinsurance protection for certain insured risks. There is no guarantee, however, that this protection will be extended to provide the Group with coverage for any exposure to such events. Given current global tensions, future terrorist activity leading to insurance losses is possible and any such losses could have a material adverse effect on the Group's financial condition and/or operating results.

The Group is exposed to losses that could accumulate from different insureds arising from a generic or catastrophic event

Each of the classes of business underwritten by the Group are exposed to the accumulation of losses from a catastrophic or generic event. For example, the professional lines class, such as errors or omissions and directors' or officers' liability could be exposed to losses from many insureds that arise from a generic event such as a recession. It is possible that the accumulated claims could exceed the expected claims activity and could have a material adverse effect on the Group's financial position and/or operating results.

Claims management risk may arise within the Group in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs

Claims management risk may arise within the Group in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Group's reputation and undermine its ability to win and retain business. These risks may also lead to the Group being exposed to putative damages claims. These risks can occur at any stage of the claims life cycle.

The provisions made by the Group to cover the Group's exposure to underwritten liability may not be satisfactory in all circumstances

Certain members of the Group have established provisions for unpaid claims and related expenses to cover its underwriting liability in respect of both reported claims and incurred but unreported claims. Such provisions take into account both the Group's and the industry's experience of similar businesses, historical trends and patterns for similar claims and awards and customary payments for the types of loss covered, together with pending levels of unpaid claims and awards. Estimates are reviewed at prudent intervals and adjustments made to take into account the view of the Group's management team on the probable ultimate liability of the Group based on the claims made and data available. However, there can be no assurance that ultimate losses will not differ materially from the provisions established by the Group, resulting in a material adverse effect on the Group's reputation, financial condition and/or operating results. In particular, the Group's Specialty Lines business, by its nature, is susceptible to the potential mismatch between ultimate losses and provisions due to the longer tail-risks involved, which make accurate provisioning more difficult.

Members of the Group have entered into a significant number of reinsurance contracts to seek to limit their exposure to particular risks, but there can be no guarantee that counterparties will be able to cover such exposure adequately

Members of the Group have entered into a significant number of reinsurance contracts designed to limit their exposure to particular lines of business or particular risks. While reinsurance counterparties are chosen carefully by reference to, *inter alia*, size, rating, trading performance and reputation, the relevant members of the Group are exposed to credit risk with respect to such reinsurers. As such, the Group makes provisions for the potential failure of such reinsurers to cover their share of the Group's anticipated reinsurance liability, but there can be no guarantee that such provisions will be adequate to cover the future failure of a reinsurer. If a reinsurer were to fail to make payment, whether through an insolvency, dispute or otherwise, the relevant members of the Group would retain the primary liability to the insured party and such exposure could have a material adverse effect on the Group's reputation, financial condition and/or operating results.

The Group purchases different reinsurance cover for different classes of business and for each Group carrier. Such cover will normally contain a retention of risk provision that the relevant Group entity must pay before the reinsurers become liable and would have a limit of indemnity for a single event or series of losses. As such, it is possible that, in a complex loss scenario, more than one retention may be payable by the relevant members of the Group and that this aggregation of retentions could have a material adverse effect on the financial condition of the Group. Additionally, there can be no assurance that appropriate levels of reinsurance cover will be available in the future or at acceptable rates.

The Group is subject to credit risk

The Group is exposed to credit risk in a number of aspects of its business. There can be no assurance that the Group's brokers and coverholders will pass on premiums or claims collected or paid on behalf of the Group. In addition, the Group is exposed to credit risk on its investments such that an issuer default may lead to the Group losing all or part of the value of a financial instrument

and/or derivative financial instrument. Any crystallisation of a credit risk may have a material adverse effect on the Group's reputation, financial condition and/or operating results.

The ability of the Group to underwrite risk depends on its credit rating

The ability of the Group's insurance operations to write certain classes of business, including reinsurance business, may be affected by a change in the rating issued by an accredited rating agency to the Group's rated carrier Beazley Insurance Company, Inc. ("BICI"), to the Managed Syndicates (as defined herein) and to Lloyd's. If BICI or Lloyd's were to suffer a credit rating downgrade in the future, there could be a number of material adverse effects on the Group's ability to write business, resulting in the potential loss of new business and increase in policy cancellations and non-renewals.

The Group holds significant investments to support its liabilities, the value of which is exposed to fluctuations in the financial markets and economic conditions

The Group holds significant investments to support its liabilities and the profits of the Group depend in part upon the returns achieved on its investment portfolio. Therefore, changes in interest rates, equity returns and other economic variables may substantially affect the Group's financial performance. A fall in the capital value of the Group's investments may result in a reduction in the capital of the Group, which would reduce the amount of business that the Group's insurance operations are able to underwrite and could result in a material adverse effect on the Group's reputation, financial condition and/or operating results.

The Group competes for clients in a highly competitive industry, which may reduce its market share and decrease its profitability

The insurance market is highly competitive and fragmented. Increased competition could result in lower premium rates or less favourable policy terms and conditions which could materially adversely affect the Group's growth and profitability. Premium levels may be adversely affected by increases in insurance industry capacity, increases in reinsurance capacity, reduction of prices in response to favourable loss experience, the pricing of underlying direct coverages and other adverse factors, any of which could develop during a relatively short period and all of which could have a material adverse effect on the Group's reputation, financial condition and/or operating results.

The Group is dependent on certain key individuals to maintain its financial performance

The Group's future success is dependent on the continued services and continuing contributions of its directors, senior management, underwriters and other key personnel and its ability to continue to recruit, motivate and retain the services of such personnel. The loss of the services of any of the Group's key personnel could have a material adverse effect on the Group's reputation, financial condition and/or operating results. Whilst the relevant members of the Group have entered into employment contracts or letters of appointment with such key personnel, there can be no assurance that the Group will be able to retain their services.

Currency exchange rate fluctuations could adversely affect the Group's consolidated results

The reporting currency of the Issuer is US dollars. However, a substantial proportion the Group's business is written in currencies other than US dollars, in particular in sterling. The Group's business is exposed, therefore, to fluctuations in currency exchange rates and the impact that such fluctuations may have on the amount of capital that the Group is required to maintain deposited (in sterling) with Lloyd's, in order to maintain its underwriting coverage.

There is no guarantee that hedging arrangements or other initiatives in respect of foreign exchange risk mitigation will be successful in preventing any losses due to such changes in exchange rates or the potential opportunity cost for the maintenance of additional capital at Lloyd's. The Lloyd's syndicates 2623, 3622 and 3623 are fully backed by the Group and a member of the Group is the managing agent (the "**Beazley Syndicates**"). The investment income of the Group forms an important part of the backing provided to the Beazley Syndicates and this investment income may also be affected by adverse fluctuations in exchange rates, interest rates, taxation changes and other economic events beyond the Group's control. Accordingly, any investment losses incurred by the Group could have a material adverse effect on the Group's reputation, financial condition and/or operating results.

There can be no certainty that the funding of Lloyd's syndicates 623 and 6107 will continue with the same members

Lloyd's syndicates 623 and 6107 are annual underwriting ventures between a number of underwriting members at Lloyd's ("Syndicate 623" and "Syndicate 6107", respectively). A member of the Group is currently the managing agent of Syndicate 623 and Syndicate 6107. Unlike the other Lloyd's syndicates in which the Group participates (where a member of the Group is the sole member of the syndicate), the members of Syndicate 623 and Syndicate 6107 also comprise non-Group members. As each Lloyd's syndicate is a stand-alone annual venture, for which new members are sought for each year in which the syndicate is to operate, there is no certainty that, in any given year, the syndicate will comprise the same members as the previous (or any other) underwriting year of account. As each member provides underwriting capacity to the syndicate, the final makeup of the membership of the syndicate for any given underwriting year of account may have a material impact on the syndicate's ability to underwrite particular risks and the scale of that underwriting. Any such limitations on the underwriting capacity of Syndicate 623 and/or Syndicate 6107 or the ability of either of such syndicates to underwrite risks of a particular type may have an adverse effect on the Group's reputation, financial condition and/or operating results.

The Issuer uses fair value accounting methods and the use of estimates in the preparation of its financial statements

Certain of the financial instruments held in the Group, which are carried at fair value through the Issuer's consolidated income statement as being held for trading, are designated by management under the fair value option and non-cash flow hedging derivatives accounting methods. To establish the fair value of these instruments, the Issuer relies on quoted market prices in active markets or, where the market for a financial instrument is not sufficiently active, valuation techniques that utilise, wherever possible, observable market inputs. However, as a result of the lack of liquidity in the financial markets in recent months, observable market inputs for such valuation models may no longer be available for certain instruments.

To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined by the Issuer's management on the best information available, for example by reference to similar assets, similar maturities, appropriate proxies, or other analytical techniques. The effect of changing the assumptions for those financial instruments for which the fair values are measured, using valuation techniques that are determined in full or in part on assumptions that are not supported by observable inputs, could have a material adverse effect on the Group's earnings.

Investors should note that in determining the fair value of financial instruments, different financial institutions may use different valuation techniques, assumptions, judgements and estimates, which may result in lower or higher fair values for such financial instruments, depending on the underlying intentions of the financial institutions for those assets.

The Group is subject to litigation exposure, coverage disputes and uninsured risks in the operation of its business

There can be no assurance that provisions such as limitations on, or exclusions from coverage contained within, insurance policies and reinsurance contracts held by the Group will be enforceable in the manner intended. Disputes relating to coverage and the choice of legal forum can be expected to arise, as a result of which the Group may become exposed to losses beyond the expectations of the Group at the time of underwriting a particular insurance policy or reinsurance contract. In such circumstances, insurance may not cover or be adequate to cover liabilities incurred by a Group member. In addition, the Group may be subject to liability for events against which it does not insure or which it may elect not to insure against because of unacceptable commercial rates or other reasons. The occurrence of an event that is not covered or not fully covered by insurance could have a material adverse effect on the Group's business, financial condition and results of operation. Moreover, there can be no assurance that the Group will be able to maintain adequate insurance in the future at rates it considers reasonable or appropriate.

The Group is also exposed to the risk of litigation in the normal course of its business, relating to insurance and reinsurance policies it has written or otherwise. An assessment of all such claims and proceedings is taken into account by the Group's management team (following any necessary legal advice) before making an informed decision on the likely outcome of such events. However, if the

ultimate outcome of proceedings is not in accordance with the Group's expectations, this could have a material adverse effect on its reputation, financial condition and/or operating results.

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, system and human error or from external events

The Group's business involves the processing a large number of complex transactions across numerous and diverse products. For example, the Group's underwriting activities utilise information technology, including specialist software, to seek to price risk accurately.

Furthermore, the long-term nature of the majority of the Group's business means that accurate records have to be maintained for significant periods. In addition, there are a number of business activities for which the Group uses the services of a third-party company, such as investment management, data entry and credit control services.

The systems and processes on which the Group is dependent to liaise with market counterparties, price risk and serve customers are designed to ensure that the operational risks associated with the Group's activities are appropriately identified and addressed. However, they may nonetheless fail due to IT malfunctions, human error, business interruptions, non-performance by third parties or other external events. The occurrence of any of these events may have a material adverse effect on the Group's reputation, financial condition and/or operating results. Although appropriate steps have been taken to upgrade systems and processes to reduce these operational risks, the specifics or timing of all possible operational and systems failures which may adversely impact the Group's reputation, financial condition and/or operating results cannot be anticipated.

This risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List, or as a supervised firm regulated by the FSA.

Risk management policies and procedures may leave the Group exposed to unidentified or unanticipated risk, which could negatively affect the business

Management of risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events. The Group has devoted significant resources to developing risk management policies and procedures and expects to continue to do so in the future. Nonetheless, these policies and procedures may not be comprehensive. Many of the methods for managing risk and exposures are based upon the use of observed historical market behaviour or statistics based on historical models. As a result, these methods may not fully predict future exposures, which can be significantly greater than the historical measures indicate, particularly in unusual markets and environments. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that is publicly available or otherwise accessible to the Group. This information may not always be accurate, complete, up to date or properly evaluated. Any failure by the Group to fully predict future exposures could have a material adverse effect on the Group's reputation, financial condition and/or operating results.

The Group may not be able to obtain additional financing on favourable terms, or at all

The Group needs liquidity to pay operating expenses, interest on debt and dividends, and to meet its liabilities. In addition, the Group has a number of requirements for capital at a Group and subsidiary level. Capital is primarily required to support underwriting at Lloyd's and in the United States and is subject to prudential regulation by local regulators (the FSA, Lloyd's, Central Bank of Ireland, and United States state level supervisors). Further capital requirements come from rating agencies on a groupwide basis and for Beazley Insurance Company Inc. and the Lloyd's syndicates on a standalone basis. Certain members of the Group, such as Beazley Re Limited, underwrite reinsurance business and such underwriting activities may require significant liquidity in the event that claims are made against them under reinsurance business which they have underwritten.

The Group's principal sources of liquidity are premiums received and cash flow from its investment portfolio and assets. In the event that its current sources of liquidity do not satisfy the Group's needs, it may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the Group's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of the Group's long- or short-term financial prospects if it incurs large investment

losses or if the level of business activity decreased due to a market downturn. Similarly, access to funds may be impaired if regulatory authorities or rating agencies take negative actions against the Group. Internal sources of liquidity may prove to be insufficient, and, in such case, the Group may not be able to successfully obtain additional financing on favourable terms, or at all. Any failure by the Group to obtain required financing successfully may have a material adverse effect on the Group's reputation, financial condition and/or operating results.

The Group may be exposed to the underperformance of the Group's pension scheme

The Group currently operates a defined benefit pension plan, the Beazley Furlonge Limited Pension Scheme, which is now closed to future service accruals. The pension scheme is generally funded by payments from two participating employers, Beazley Management Limited and Beazley Furlonge Limited, taking account of the recommendations of an independent qualified actuary.

The Group did not have a pension deficit on an accounting basis as at 31 December 2011 (31 December 2010: nil). However, the value of the Group's pension liabilities will differ depending on the valuation basis used and from time to time. Any deficit in the Group's defined benefit pension plan may increase or fall depending on market conditions (e.g. by reason of poor investment returns, movements in the market values of scheme assets, interest rates and the requirements of pension regulation from time to time) and the actuarial assumptions made (e.g. actuarially assessed increases in the life expectancy of members). Accordingly, the contributions required in relation to the Group's defined benefit pension plan may increase or fall. Any increase in its cash contributions could materially adversely affect the financial condition of the Group in the future.

Liabilities may also arise upon the happening of an event, such as the cessation of participation of a participating employer in the defined benefit pension plan or the defined benefit pension plan being wound up. The liability triggered in these circumstances will be the value of the relevant employer's share of the deficit at the time calculated on the most conservative basis (namely the cost of buying out benefits on the annuity market).

The Issuer's operations are generally conducted through direct and indirect subsidiaries (applicable to the Issuer only)

The Issuer's operations are generally conducted through direct and indirect subsidiaries. As a holding company, the Issuer's principal sources of funding are dividends from subsidiaries and any amounts which may be raised through the issuance of equity, debt and commercial paper. Certain of the Issuer's subsidiaries may be restricted by applicable insurance, foreign exchange and tax laws, rules and regulations which can limit the payment of dividends, and which in some circumstances could limit the ability to pay dividends to shareholders or to make available funds held in certain subsidiaries to cover operating expenses of other members of the Group.

In addition, if any of the Issuer's subsidiaries' cash flows are applied to meeting their respective obligations (for example, coupon or redemption payments under Beazley Group Limited's Fixed/Floating Rate Subordinated Notes due 17 October 2026 and Beazley Group Limited's Junior Subordinated Floating Rate Notes due 26 November 2034) this may limit such subsidiaries' ability to pay dividends, or otherwise make available funds, to other members of the Group, including the Issuer.

Risks related to the Lloyd's insurance market and other regulatory matters

As a business operating in the insurance industry and as a member of the Lloyd's insurance market, members of the Group are exposed to a number of risks that could adversely impact the Group's reputation, financial condition and/or operational results. Set out below is a description of such risks:

The Group's regulated business is subject to extensive regulatory supervision in the jurisdictions in which it operates

In each of the jurisdictions in which the Group operates, the insurance industry is highly regulated. 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 shareholders or creditors.

In the United Kingdom, the Group is subject to the regulation of the Council of Lloyd's and the FSA, whilst in the United States, the Group is subject to the regulations of each of the 50 states in which it is admitted. Each of these regulatory authorities has substantial powers of intervention in

relation to the companies and the markets which they regulate, with the ability to remove the authorisations and licences required by carriers and markets such as Lloyd's to conduct insurance business. Such authorisations and licences are fundamental to the Group's business.

In particular, the Council of Lloyd's has wide discretionary powers to regulate members' underwriting at Lloyd's. It may, for instance, vary the method by which the solvency ratio of Lloyd's and that of its members is calculated, or the investment criteria applicable to funds at Lloyd's. Either action could affect the amount of the Group's underwriting capacity and, consequently, the return on an investment in a given year of account.

Similarly, the FSA has wide regulatory powers under FSMA, including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation, to investigate marketing and sales practices and to require the maintenance of adequate financial resources. The FSA has the power to take a range of investigative, disciplinary or enforcement actions, including public censure, restitution, fines or sanctions and to award compensation. The FSA may make enquiries of the companies which it regulates regarding compliance with regulations governing the operation of business and, like all UK-regulated financial service companies, the Group faces the risk that the FSA could find that the Group has failed to comply with applicable regulations or has not undertaken corrective action as required.

In addition, the relevant members of the Group may not be able to comply fully with, or obtain appropriate exemptions from, any amendments to a regulatory regime. Failure to comply with or to obtain appropriate exemptions under any applicable laws could result in restrictions on the Group's ability to conduct business in one or more of the jurisdictions in which it operates and could result in the imposition of fines and other sanctions, each of which could have a material adverse effect on its reputation, financial condition and/or operating results.

The Group's businesses are subject to regulatory risk, including adverse changes in the laws, regulations, policies and interpretations in the markets in which it operates

The regulation of financial services, including insurance, in the United Kingdom is currently undergoing significant reform. Three new regulatory bodies have been proposed by HM Government: the Financial Policy Committee, the Prudential Regulatory Authority (the "PRA") and the Financial Conduct Authority (the "FCA"). The Financial Policy Committee is expected to have responsibility for macro-prudential regulation and issues concerning economic and financial stability. The PRA, which will be a subsidiary of the Governor and Company of the Bank of England, is expected to undertake, amongst other things, the prudential regulation and supervision of insurers. The responsibility for the supervision of the conduct of insurers will pass to the new Financial Conduct Authority, which is also expected to have responsibility for securing an appropriate degree of protection for consumers, promoting efficiency and choice in the market for financial services and protecting and enhancing the integrity of the United Kingdom's financial system. As at the date of this Prospectus, it is expected that the transfer of powers to the new authorities will be completed in the first half of 2013.

The PRA will have two, complementary, objectives for insurance supervision. It will seek both to secure an appropriate degree of protection for policyholders and, as needed, to minimise the adverse impact that the failure of an insurer or the way it carries out its business could have on the stability of the system. The PRA's role will be to ensure there is a reasonably high probability that an insurer is able to meet claims from, and material obligations to, policyholders as they fall due and to make sure that where an insurer is unable to meet such claims and obligations, the adverse consequences for policyholders are minimised by ensuring that the insurer fails in an orderly manner. At the heart of this will be ensuring that an insurer is likely to have sufficient financial resources to meet its obligations to policyholders as they fall due. This will include assessing an insurer's governance processes and whether these involve management making informed, forward-looking assessments of the firm's financial strength, including risks both to the assets and liabilities on its balance sheet. The PRA will use a combination of regulatory standards, arrangements for dealing with failing insurers (resolution arrangements) and supervisory interventions to deliver these elements. The PRA's role will not be to guarantee that policyholders are protected in all circumstances. Nor will the PRA seek to ensure that no insurer fails.

The FCA's role as conduct regulator will be to ensure that consumers are treated fairly in all engagements with insurance firms. This will involve reviewing a firm's sales and advice processes, as well as the appropriateness of new insurance products entering the market.

However, notwithstanding the above, there can be no assurance as to the approach that the PRA and/or the FCA will take with regards to the supervision of insurers.

Changes in government policy, legislation, regulatory frameworks 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 Group's product range, distribution channels, capital requirements and, consequently, operating results and financing requirements. In addition, the Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance as a result of changes to financial services legislation or regulation.

In the event that regulatory requirements are changed, the Group's insurance carriers and markets such as Lloyd's may not be able to obtain or maintain necessary licences, permits, authorisations or accreditations, or may be able to do so only at commercially unacceptable costs.

The Group is bound by the Lloyd's franchise principles

Following the introduction of proposals made by the Chairman of Lloyd's Strategy Group, the Lloyd's Franchise Board was formed in January 2003. The Franchise Board's primary role is to protect the Lloyd's franchise. Those members of the Group which are members of Lloyd's must comply with Lloyd's "franchise principles" which include, amongst others, ensuring that there is outstanding risk management capability throughout the franchise and that Lloyd's provides a competitive international trading platform. Each such member must also submit its annual business plan for each year of account to the Franchise Board (and any subsequent changes to such plan) for approval. In the event that the Franchise Board determines that changes are required to such business plan prior to its approval, any such changes could lead to a significant change in the Group's stated business strategy and objectives, which could result in a material adverse effect on the Group's reputation, financial condition and/or operating results.

The Group's ability to underwrite business at Lloyd's is, in part, dependent upon its relationships with intermediaries

Lloyd's underwriters, including members of the Group, do not generally deal directly with policyholders. Instead, business is normally accepted by Lloyd's underwriters through intermediaries, including registered brokers, coverholders and registered open market correspondents. Accordingly, the ability of each of the Lloyd's syndicates in which the Group has an interest to underwrite business is, in part, dependent upon those syndicates' ability to maintain strong relationships with such intermediaries. Any failure to maintain such relationships may have a material adverse impact on the Group's reputation, financial condition and/or operating results.

The Group is subject to a risk-based capital regime

Since 1 January 2006, Lloyd's managing agents, such as those within the Group, have been required to comply with the FSA's prudential rules for individual capital assessment. As such, managing agents are required to assess the financial resources needed to support the risks of the insurance business that they manage, determined by a risk-based capital assessment taking into account the type, volume and diversification of the business underwritten and applying various stress tests and scenario analyses to allow for market, operational, insurance and other risks. The process and the method by which the solvency ratio is calculated may alter from year to year and the Group's future underwriting capacity may be reduced as a result of any change. Any reduction in such underwriting capacity could have a material adverse effect on the Group's reputation, financial condition and/or operating results. Furthermore, any failure by the Group to comply with the FSA's requirements could result in sanctions being imposed by the FSA on the Group and its business processes.

Current European Union directives, including the EU Insurance Groups Directive (Directive 98/78/EC), require European financial services groups to demonstrate net aggregate surplus capital in excess of solvency requirements at the group level in respect of shareholder-owned entities. The test is a continuous requirement, so the Group needs to maintain a somewhat higher amount of regulatory capital at the group level than otherwise necessary in respect of some of its individual businesses to accommodate, for example, short-term movements in global foreign exchange rates, interest rates, deterioration in credit quality and equity markets.

The Group anticipates that firms will be required to comply with the provisions of Directive 2009/138/EC ("Solvency II") from 1 January 2014, with Member States required to have transposed Solvency II into national legislation by 30 June 2013. Solvency II will provide for the prudential

supervision of insurance and reinsurance businesses domiciled in the European Economic Area. A key aspect of Solvency II is that the assessment of risks and capital requirements will be aligned more closely with economic capital methodologies and may allow the Group to make use of its internal economic capital model, after consultation with the FSA and any other relevant supervisory authority. However detailed implementing measures in relation to Solvency II still need to be agreed. Accordingly, there can be no assurance that the implementation of Solvency II will not result in the Group having to hold an increased amount of capital than it is presently required to hold and place a limitation on the amount of business that the Group is able to underwrite.

Inconsistent application of directives by regulators in different European Union member states may place the Group's business at a competitive disadvantage to other European financial services groups

Insurance regulation in the United Kingdom is largely based on the requirements of European Union directives. Inconsistent application of directives by regulators in different Member States may place the Group's business 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 Lloyd's market is subject to the solvency and capital adequacy requirements of the FSA, as a result of which members of Lloyd's, including respective entities within the Group, may be adversely affected

Lloyd's is required by the FSA to establish and maintain appropriate controls over the risks affecting the funds of members which it holds centrally and to assess the capital needs of each member operating on its market, in order to satisfy an annual solvency test for the FSA. The criteria used by the FSA to determine the solvency requirement is, in essence, the aggregate funds comprising syndicate level assets and members' funds at Lloyd's (each being held in trust for the benefit of policyholders) to meet all outstanding liabilities of Lloyd's members (including both current liabilities and the liabilities of membership syndicates subject to run-off), together with a capital buffer maintained from a combination of cash calls, subordinated loans and capital of syndicate members which is deposited into a central Lloyd's fund to serve as the Lloyd's fund of last resort if a Lloyd's member fails to meet its insurance liabilities in full and has insufficient assets to meet those liabilities (the "Central Fund"). However, the FSA may impose more stringent requirements on Lloyd's which may result in higher capital requirements or a restriction on trading activities for its members, including entities within the Group. If Lloyd's fails to satisfy this solvency test in any year, the FSA may require Lloyd's to cease trading and/or its members to cease or reduce their underwriting exposure.

In the event of Lloyd's failing to meet any regulatory solvency requirement, either Lloyd's or the FSA may apply to the High Court of England and Wales for a "Lloyd's Market Reorganisation Order" to appoint a "reorganisation controller" for Lloyd's. For the duration of the reorganisation controller's appointment, a moratorium will be imposed preventing any proceedings or legal process from being commenced or continued against any party against whom the order has been made. It is intended that such an order, if made, would apply to the market as a whole, including current and former members of Lloyd's, their agents and managing agents, Lloyd's brokers, approved run-off companies and cover-holders, unless individual parties are specifically excluded. The making of such an order could have a material impact on the ability of the Group to write business on the Lloyd's market and elsewhere, resulting in a material adverse effect to the Group's reputation, financial condition and/or operating results.

As a member of Lloyd's, relevant members of the Group is committed to certain financial and operational obligations

As a member of Lloyd's, relevant members of the Group are committed to certain financial and operational obligations, including the annual fees and levies imposed by Lloyd's on its membership syndicates for operating on its platform. One such commitment is the requirement from time to time as required by Lloyd's to contribute funds of an approved form that are lodged and held in trust at Lloyd's as security for a member's underwriting activities, known as "funds at Lloyd's". In addition, the Group is also required to contribute funds to the Central Fund. To the extent that Lloyd's suffers a material exposure in its asset base when compared with its liabilities, whether as a result of unexpected events, non-claims litigation, the increased costs of compliance in overseas jurisdictions for insurance and reinsurance business, increased fees and levies, currency devaluation, stamp capacity, cash calls or otherwise, members may at any such time as required by Lloyd's be called upon to invest further capital into Lloyd's portfolio of funds, including both the funds at Lloyd's and the

Central Fund which, as a result, may cause the Group to incur a material increase in its operating expenses and, as a result, a material adverse impact on its financial results.

Lloyd's also has the power to reduce the underwriting capacity of a syndicate and/or to prohibit a corporate member from underwriting if at any time the value of the funds at Lloyd's portfolio for that syndicate falls by more than 10 per cent. of the last annual valuation. A fall in the equity or fixed interest markets or a devaluation in the currency compromising the funds at Lloyd's could trigger such an event.

Any such event is likely to have a material adverse effect on the Group's reputation, financial condition and/or operating results.

The ability of the Syndicate 623, Syndicate 6107 and the Beazley Syndicates to trade in certain classes of business at current levels may be dependent on the maintenance by Lloyd's of a satisfactory credit rating issued by an accredited rating agency

The ability of the Syndicate 623, Syndicate 6107 and the Beazley Syndicates to trade in certain classes of business, at current levels, is dependent on the maintenance by Lloyd's of a satisfactory credit rating. At present, the financial security of Lloyd's is regularly assessed by three independent rating agencies, AM Best, Standard & Poor's Credit Market Services Europe Limited and Fitch Ratings Ltd. If these credit ratings are downgraded, this could have an adverse effect on these syndicates and could result in a material adverse effect to the Group's reputation, financial condition and/or operating results.

The Managed Syndicates may be placed into a year-end "run-off" by the Council of Lloyd's resulting in members' funds, including those of relevant members of the Group, being blocked

If a Lloyd's managing agent determines that funds are required to meet a cash deficiency prior to the closure of a relevant year of account, it may call on the members of a syndicate for further funds. This is known as a "cash call".

In the event that a managing agent, such as a relevant member of the Group, concludes, in respect of a particular year of account of a syndicate, that an equitable reinsurance to close premium cannot be established, it must determine that the year of account will remain open and be placed into "run-off". During a run-off, there can be no release of a member's funds at Lloyd's in respect of that syndicate without the consent of the Council of Lloyd's. There can be no assurance that any year of account of the syndicates managed by members of the Group will not go into run-off at some future time, resulting in a material adverse effect to the Group's reputation, financial condition and/or operating results.

The Group is reliant upon Lloyd's maintenance of its local jurisdictional licences and approvals, as well as its own compliance with local regulation, especially in the United States

Lloyd's worldwide insurance and reinsurance business is subject to local regulation. Changes in such regulation, such as requirements for increased financial deposits to support underwriting exposure, could have an adverse effect on members of Lloyd's, including relevant members of the Group.

The Group is obliged to maintain satisfactory levels of capital adequacy and funding, invested in trusts established in the United States. Such trusts are established for the protection of United States policyholders and represent the Group's estimates of unpaid claims liability (less premium receivable) relating to its United States business, adjusted by provisions for potential bad debt on premium earned but not received and for any anticipated profit on unearned premium. No credit is allowed for potential reinsurance recoveries but the United States regulatory authorities currently require funding for 30 per cent. of gross liabilities relating to business classified as "Surplus Lines". The funds contained within the deposits are not ordinarily available to meet trading expenses. A similar fund exists for reinsurance business. The "Credit for Reinsurance" trust fund is required to be funded at 100 per cent. of gross liabilities. United States regulators have the power to increase the level of funding required, or impose requirements as to the nature of funding in certain circumstances which could have an adverse effect on the Group's business. Accordingly, in the event of a major claim arising in the United States, for example, from a major catastrophe, syndicates participating in such United States business, including those of the Group may be required to make cash calls to meet claims payment and deposit funding obligations. There will be a limited ability for the Group to withdraw funds from such United States trust funds other than at the normal quarterly revision periods, provided that the amount to be withdrawn is in respect of a specified loss event and represents funds for liabilities previously reserved in respect of policyholders claiming for such event.

There is a risk, therefore, that the Group may have capital locked up in United States trust funds to meet its United States capital adequacy requirements, when at the same time it needs to divert such capital to meet cash calls or capital adequacy requirements of Lloyd's. Any such scenario could have a material impact on the Group's ability to write future business and have a material adverse effect on its reputation, financial condition and/or operating results.

Lloyd's market risks relating to 1992 and prior business

No corporate members, including members of the Group, participated in Lloyd's in 1992 and prior years' business. Equitas was established to reinsure and run-off the 1992 and prior years' non-life liabilities of Lloyd's "Names" or Lloyd's underwriters. National Indemnity Company, a member of the Berkshire Hathaway group of companies, has reinsured Equitas Insurance Limited's liabilities and another member of the Berkshire Hathaway group, Resolute Management Services Limited, has taken over responsibility for the run-off. However, in the event that Equitas Insurance Limited and National Indemnity Company were to fail or were to meet their respective liabilities by a proportionate cover plan and then pay claims at the appropriate reduced rate, the Group, and other insurance businesses which the Group may acquire in the future, could still be adversely affected. This is because, in those circumstances, Lloyd's would be required to consider whether it wished to make good any shortfall or replenish the regulatory deposits that may have been used to meet policyholder claims. This could require the use of the Central Fund following prior approval of Lloyd's members in an extraordinary general meeting. If the Central Fund is used for these purposes, an additional Central Fund levy could be imposed, subject to approval by vote, on all Lloyd's members underwriting on the relevant years of account.

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, financial condition and/or operating results

The Group operates in several tax jurisdictions around the world. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of 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. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular 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 will be unable accurately to predict the impact of future changes in tax law on the taxation of insurance 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 could have a material adverse effect on the Group's business, financial condition and/or operating results.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Risks related to the structure of a particular issue of Notes

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

The Notes are 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.

The market value of Inverse Floating Rate Notes can be particularly volatile

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate 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

Fixed/Floating Rate 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 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 Notes may be less favourable than then 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 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 Notes.

The market price of Notes issued at a substantial discount or premium may experience greater fluctuations in certain circumstances

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 to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

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

Defined voting majorities bind all Noteholders

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 did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Trustee may agree to certain modifications, waivers and substitutions without the consent of Noteholders

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) 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 the circumstances described in Condition 11 of the Terms and Conditions of the Notes.

The EU Directive on the taxation of savings income may result in the imposition of withholding taxes in certain jurisdictions

EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons in that other Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (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) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment to an individual were to be made or collected through an Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with

respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent with a specified office in an Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

The implementation of U.S. Foreign Account Tax Compliance Act may lead to the imposition of U.S. withholding taxes

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 (i) any Notes issued or materially modified on or after 1 January 2013 (and (ii) any Notes which are treated as equity for U.S. federal tax purposes, whenever issued) pursuant to the foreign account provisions (“**FATCA**”) of the Hiring Incentives to Restore Employment Act of 2010. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution (“**FFI**”) (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide certain information on its account holders (making the Issuer a “**Participating FFI**”), (ii) the Issuer has a positive “passthru percentage” (as defined in FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, or (b) any FFI through which payment on such Notes is made is not a Participating FFI or otherwise exempt from FATCA withholding. The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. 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, none of the Issuer, any paying agent or any other person would, pursuant to the terms and conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of the Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE NOTEHOLDERS IS UNCERTAIN AT THIS TIME. EACH NOTEHOLDER SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH NOTEHOLDER IN ITS PARTICULAR CIRCUMSTANCE.

English law may change after the date of this Prospectus

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

If definitive Notes are issued, such Notes may be illiquid and difficult to trade

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller 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 Conditions). 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.

Holding CREST Depository Interests

Investors may hold interests in the Notes through CREST through the issuance of dematerialised depository interests (“**CDIs**”) issued, held, settled and transferred through CREST, representing interests in the Notes underlying the CDIs (the “**Underlying Notes**”). Holders of CDIs (the “**CDI Holders**”) will hold or have an interest in a separate legal instrument and not be the legal owners of the Underlying Notes. The rights of CDI Holders to the Underlying Notes are represented by the relevant entitlements against the CREST Depository which (through CREST International Nominees

Limited (the “**CREST Nominee**”) holds interests in the Underlying Notes. Accordingly, rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians. The enforcement of rights under the Underlying Notes will be subject to the local law of the relevant intermediaries. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of any of the relevant intermediaries, in particular where the Underlying Notes held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer, including the CREST Deed Poll. Potential investors should note that the provisions of the CREST Deed Poll, the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the “**CREST Manual**”) and the CREST Rules contained in the CREST Manual applicable to the CREST International Settlement Links Service (the “**CREST Rules**”) contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the CREST Depository. CDI Holders are bound by such provisions and may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the amounts originally invested by them. As a result, the rights of and returns received by CDI Holders may differ from those of holders of Notes which are not represented by CDIs.

In addition, CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service (the “**CREST International Settlement Links Service**”). These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Notes through the CREST International Settlement Links Service.

Potential investors should note that none of the Issuer, the Joint Arrangers, the Dealers, the Trustee or the Issuing and Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations. The CDIs are not the subject of this Prospectus.

Risks related to the market generally

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

There may not be a liquid secondary market for the Notes and their market price may be volatile

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 to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate fluctuations and exchange controls may adversely affect investors' return on their investments in the Notes and/or the market value of the Notes

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.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in interest rates may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate 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.

FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, ‘forward-looking statements’. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms ‘believes’, ‘estimates’, ‘anticipates’, ‘expects’, ‘intends’, ‘may’, ‘will’, or ‘should’ or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, the following: statements regarding the intentions, beliefs or current expectations of the Issuer and the Issuer and the Group concerning, amongst other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Group operates.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group’s operations, financial condition and liquidity, and the development of the countries and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the results of operations, financial condition and liquidity, and the development of the countries and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. These and other factors are discussed in more detail under “Risk Factors” and “Description of Beazley plc and the Group”. Many of these factors are beyond the control of the Issuer and the Group. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated or expected. Except to the extent required by laws and regulations, the Issuer does not intend, and does not assume any obligation, to update any forward-looking statements set out in this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the FSA shall be incorporated in, and form part of, this Prospectus:

- (a) the auditors' review and unaudited consolidated financial statements of the Issuer for the six month period ended 30 June 2012 set out on pages 10 to 28 of the Issuer's Interim Report 2012;
- (b) the auditors' report and audited consolidated financial statements of the Issuer for the year ended 31 December 2011 set out on pages 77 to 134 of the Issuer's Annual Report and Accounts 2011; and
- (c) the auditors' report and audited consolidated financial statements of the Issuer for the year ended 31 December 2010 set out on pages 78 to 129 of the Issuer's Annual Report and Accounts 2010.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall 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, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained without charge from the registered office of the Issuer.

SUPPLEMENTS AND NEW OFFERING CIRCULARS

In the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes and whose inclusion or removal from this Prospectus is necessary for the purpose of allowing an investor to make an informal assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer will prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with such Notes and any subsequent issue of Notes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. 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. 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 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 31 August 2012 between the Issuer and U.S. Bank Trustees Limited (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 (the “**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 (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 31 August 2012 has been entered into in relation to the Notes between the Issuer, the Trustee, Elavon Financial Services Limited, UK Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the other 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 at the principal office of the Trustee (presently at Fifth Floor, 125 Old Broad Street, London EC2N 1AR) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders and the holders of the interest coupons (“**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (“**Talons**”) (“**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.

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 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(c), 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, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. No exchange of Notes and transfers of Registered Notes

- (a) **No exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **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 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.
- (c) **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, 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.
- (d) **Delivery of new Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) 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(d), “**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).

- (e) **Transfers free of charge:** Transfers 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 that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) 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), (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date.

3. Status

The Notes and the Coupons 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 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 Note or Coupon remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Subsidiaries will create, or have outstanding, any Encumbrance (other than a Permitted Encumbrance) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

In this Condition:

- (i) “Encumbrance” means any mortgage, charge, lien, pledge or other security interest;
- (ii) “Permitted Encumbrance” means:
 - (a) any Encumbrance over or affecting any asset forming part of a trust fund (or whose proceeds will form part of a trust fund) which is held subject to the provision of any deed or agreement of the kind referred to in paragraph (b) below, where such Encumbrance is created to secure obligations arising under a Lloyd’s syndicate arrangement;
 - (b) any Encumbrance granted or subsisting under any deed or agreement required by Lloyd’s to be executed or entered into by or on behalf of an underwriting member of a managed syndicate in connection with its insurance business at Lloyd’s; or
 - (c) any Encumbrance (x) to secure insurance statutory or regulatory obligations of Beazley Insurance Company, Inc. or Beazley Re Limited including without limitation Encumbrances on assets deposited to secure policyholder obligations of Beazley Insurance Company, Inc. or Beazley Re Limited as required by such entities, insurance regulator or applicable state insurance departments, or (y) on assets placed in trust or escrow by Beazley Insurance Company, Inc. or Beazley Re Limited in respect of liabilities assumed in connection with reinsurance provided by Beazley Insurance Company, Inc. or Beazley Re Limited; and
- (iii) “**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and
- (iv) “**Subsidiary**” means 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. 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 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:* 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**

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

(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 Euro-zone 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.

(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 Euro-zone 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 Euro-zone 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 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 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 (both before and after 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, 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 or countries, as the case may be, 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.

- (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, 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 (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 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) but in each case without liability to any person for doing 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 Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the 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 an 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/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) 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:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” 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

“**D₂**” 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 D₁ is greater than 29, in which case D₂ will be 30;

- (vi) 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:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” 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

“**D₂**” 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 D₂ will be 30;

- (vii) 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:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” 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 D₁ will be 30; and

“**D₂**” 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 D₂ will be 30;

- (viii) if “**Actual/Actual-ICMA**” is specified hereon;

- (j) 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
- (k) if the Calculation Period is longer than one Determination Period, the sum of:
- (i) 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
 - (ii) 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(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date;

“**Euro-zone**” 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:

- (A) 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

(B) 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 for the Specified Currency 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;

“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 Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon;

“Reference Rate” means the rate specified as such 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; and

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

- (l) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents 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 appoint a leading bank or financial institution 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, 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, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) 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) 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) 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 (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, Jersey or the Republic of Ireland or any political subdivision, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. 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 obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.
- (d) **Redemption at the option of the Issuer:** If 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. Any such redemption of Notes shall be at their Optional Redemption Amount 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 shall be fair and reasonable in the circumstances, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the option of Noteholders:** If 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 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 its Subsidiaries may 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 at any price.
- (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 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 surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

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 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 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 transfer to the account denominated in such currency, with a Bank of 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 another 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 for any taxes or duties of whatever nature imposed or levied by 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.
- (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. 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 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) Paying Agents having specified offices in at least two major European cities, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

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.

- (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 unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired 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, 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 Bearer Notes which comprise Floating Rate Notes, unmatured Coupons relating to such Notes (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 relative 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, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom, Jersey or the Republic of Ireland 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, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) **Other connection:** to, or to a third party 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, Jersey or the Republic of Ireland other than the mere holding of the Note or Coupon; or

- (b) **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 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
- (c) **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 or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) **Payment by another Paying Agent:** (except in the case 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 in a Member State of the European Union.

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 relative 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, all 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.

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 and is continuing, 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, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

- (a) **Non-payment:** default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or
- (b) **Breach of other obligations:** the Issuer does not perform or comply with any one or more of its other obligations (other than referred to in paragraph 10(a) above) in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Cross-default:** (A) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Subsidiaries fails to pay when due or, as the case may be, within any originally applicable grace period, any amount payable by it

under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds £20,000,000 or its equivalent; or

- (d) **Enforcement proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 30 days; or
- (e) **Security enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person) and is not discharged or stayed within 30 days; or
- (f) **Insolvency:** the Issuer or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or, in the opinion of the Trustee, a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or
- (g) **Winding-up:** an administrator is appointed an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Subsidiaries, or the Issuer or any of its Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or a substantial part (in the opinion of the Trustee) of its business or operations, in each case except (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries or (B) in the case of Subsidiaries only, for the purpose of a *bona fide* disposal for full value on an arm's length basis of all or substantially all of the business or operations (including the disposal of shares in a Subsidiary of the Issuer) of a Subsidiary; or
- (h) **Analogous events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs, provided that in the case of any event as is specified in any of paragraphs (b), (d), (f) (in relation to a Subsidiary only), (g) (in relation to a Subsidiary only) and (h) (insofar as it relates to any of the events mentioned in relation to paragraphs (b), (d), and (f) and (g) (in relation to a Subsidiary only)) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

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 provision 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 two 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 two 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 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 two 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.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

- (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:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer or its successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.
- (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 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, the Trustee may, at its discretion and without further notice, institute such steps, actions or 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 steps, actions or 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

and/or prefunded 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.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely without liability to any person for so doing on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

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 London (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 and jurisdiction

- (a) **Governing law:** The Trust Deed, the Notes, the Coupons and the Talons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.
- (c) **Service of process:** The Issuer has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial issue of Notes

Global Notes and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream, Luxembourg.

Upon the initial deposit of a Global Note with a Common Depositary or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative global Certificate (the “**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.

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 (an “**Alternative 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 any such Alternative 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 Alternative 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 “Subscription and Sale – Selling Restrictions”), in whole, but not in part, for the Definitive Notes (as 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 relevant Final Terms indicates that the temporary Global Note may be exchanged for Definitive Notes, trading of such Notes in Euroclear and Clearstream, Luxembourg will only be permitted in amounts which are an integral multiple of the minimum Specified Denomination.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below) in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or 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. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and

would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

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(b) 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 either paragraph (i) or (ii) under “Temporary Global Notes” 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

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, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. 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 and a Talon). Definitive Notes will be security 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, 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.

Amendments 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 is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with U.S. Treasury Regulation section 1.163-5(c)(2)(i)D 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 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. 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(e)(vii) and Condition 8(d) will apply to the Definitive Notes only. 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 record date which shall be 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 five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

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 integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder’s holding, whether or not represented by a Global Certificate.)

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 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 or an Alternative 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 presenting the permanent Global Note to a Paying Agent for notation.

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 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.

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 from each issue of Notes will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

SELECTED FINANCIAL INFORMATION

The following tables set out in summary form the consolidated Group income statement, statements of financial position and statement of cash flows of the Issuer for the years as at and ended 31 December 2010 and 2011 and the six month periods ended 30 June 2011 and 30 June 2012. Such information is extracted (without material adjustment) from, and is qualified by reference to and should be read in conjunction with, the audited consolidated annual financial statements of the Issuer for the years ended 31 December 2010 and 2011 and the unaudited consolidated financial statements of the Issuer for the six month periods ended 30 June 2011 and 30 June 2012, each of which is incorporated by reference in this Prospectus:

Income Statement

	Six months ended 30 June 2012 <i>Unaudited</i> US\$m	Six months ended 30 June 2011 <i>Unaudited</i> US\$m	Year ended 31 December 2011 <i>Audited</i> US\$m	Year ended 31 December 2010 <i>Audited</i> US\$m
Gross premiums written	1,013.1	924.8	1,712.5	1,741.6
Written premiums ceded to reinsurers.....	(362.3)	(289.3)	(338.5)	(339.5)
Net premiums written	650.8	635.5	1,374.0	1,402.1
Change in gross provision for unearned premiums	(144.9)	(88.0)	20.6	38.4
Reinsurer's share of change in the provision for unearned premiums	197.4	123.0	(9.6)	(35.3)
Change in net provision for unearned premiums ...	52.5	35.0	11.0	3.1
Net earned premiums.....	703.3	670.5	1,385.0	1,405.2
Net investment income	36.1	22.5	39.3	37.5
Other income	11.1	14.0	28.1	28.1
Revenue	750.5	707.0	1,452.4	1,470.8
Insurance claims	469.5	708.8	1,168.9	860.6
Insurance claims recoverable from reinsurers	(92.3)	(231.5)	(318.4)	(122.4)
Net insurance claims.....	377.2	477.3	850.5	738.2
Expenses for the acquisition of insurance contracts	190.7	190.2	390.7	381.4
Administrative expenses	74.5	60.6	126.6	119.2
Foreign exchange(gain)/ loss	(2.6)	(5.2)	4.1	(34.6)
Operating expenses.....	262.6	245.6	521.4	466.0
Expenses.....	639.8	722.9	1,371.9	1,204.2
Share of loss of associate.....	(0.3)	(0.4)	(1.0)	(0.9)
Results of operating activities.....	110.4	(16.3)	79.5	265.7
Finance costs	2.5	(7.9)	(16.8)	(14.9)
Profit/(loss) before income tax.....	112.9	(24.2)	62.7	250.8
Income tax (expense)/credit	(12.8)	10.1	3.1	(33.8)
Profit/(loss) for the year attributable to equity shareholders.....	100.1	(14.1)	65.8	217.0
Earnings/(loss) per share (cents per share):				
Basic.....	19.8	(2.8)	13.0	42.1
Diluted	18.7	(2.8)	12.4	40.2
Earnings/(loss) per share (pence per share):				
Basic.....	12.5	(1.7)	8.1	27.4
Diluted	11.8	(1.7)	7.7	26.1

Statements of Financial Position

	As at 30 June 2012 <i>Unaudited</i>	As at 31 December 2011 <i>Audited</i>		As at 31 December 2010 <i>Audited</i>	
	Group US\$m	Group US\$m	Issuer US\$m	Group US\$m	Issuer US\$m
Assets					
Intangible assets	127.6	130.7	—	117.0	—
Plant and equipment	7.4	7.1	1.4	9.6	1.7
Investment in subsidiaries	—	—	747.2	—	747.2
Investment in associates	10.2	8.9	1.4	6.5	1.4
Deferred acquisition costs	172.5	159.7	—	164.0	—
Deferred tax asset	11.4	12.5	—	9.5	—
Retirement benefit asset	6.3	4.6	—	3.1	—
Current income tax asset	—	9.8	—	26.4	—
Reinsurance assets	1,411.4	1,197.9	—	1,034.9	—
Financial investments	3,420.8	3,356.8	—	3,097.3	—
Insurance receivables	553.0	558.7	—	527.1	—
Other receivables	37.4	21.9	—	33.9	0.5
Cash and cash equivalents	596.5	650.1	2.5	745.0	4.0
Total assets	6,354.5	6,118.7	752.5	5,774.3	754.8
Equity					
Share capital	41.5	42.8	42.8	42.7	42.7
Share premium	1.2	1.1	1.1	0.7	0.7
Foreign currency translation reserve	(88.1)	(88.5)	(35.9)	(91.0)	(35.9)
Other reserves	(19.2)	(50.1)	(59.3)	(52.2)	(61.4)
Retained earnings	1,193.8	1,165.7	775.3	1,182.7	781.9
Total equity	1,129.2	1,071.0	724.0	1,082.9	728.0
Liabilities					
Insurance liabilities	4,493.3	4,334.6	—	4,046.8	—
Borrowings	217.6	266.9	—	268.2	—
Other payables	431.7	366.0	28.5	285.4	26.8
Deferred tax liabilities	77.3	80.2	—	91.0	—
Current income tax liabilities ..	5.4	—	—	—	—
Total liabilities	5,225.3	5,047.7	28.5	4,691.4	26.8
Total equity and liabilities	6,354.5	6,118.7	752.5	5,774.3	754.8

Statements of Cash Flows

	Six months ended 30 June 2012 <i>Unaudited</i> Group US\$m	Six months ended 30 June 2011 <i>Unaudited</i> Group US\$m	Year ended 31 December 2011 <i>Audited</i> Group US\$m		Year ended 31 December 2010 <i>Audited</i> Group US\$m	
			Group US\$m	Issuer US\$m	Group US\$m	Issuer US\$m
Cash flow from operating activities						
Profit/(loss) before tax	112.9	(24.2)	62.7	76.2	250.8	59.6
Adjustments for:						
Amortisation of intangibles	7.0	3.8	11.1	—	3.5	—
Equity settled share based compensation	5.1	4.6	9.3	9.3	9.1	9.1
Net fair value losses/(gains) on financial assets	(8.8)	(13.6)	(6.3)	—	(6.2)	—
Loss on disposal of plant and equipment	—	0.4	—	—	0.3	—
Loss in associate	0.3	1.9	1.0	—	0.9	—
Depreciation of plant & equipment	1.2	657.3	3.8	0.3	4.2	0.4
Increase in insurance and other liabilities	227.7	(433.9)	367.1	1.7	19.2	26.8
(Decrease)/increase in insurance, reinsurance and other receivables	(223.3)	7.7	(182.6)	0.5	83.8	0.3
(Decrease)/increase in deferred acquisition costs	(12.8)	(29.7)	4.3	—	(8.5)	—
Financial income	(33.7)	7.9	(64.8)	—	(60.2)	—
Financial expense	7.7	—	16.8	—	14.9	—
Income tax (paid)/received	(0.5)	16.2	5.9	—	(26.2)	—
Contribution to pension fund	(1.6)	(1.6)	(1.6)	—	(1.5)	—
Net cash from operating activities	71.0	196.8	226.7	88.0	284.1	96.2
Cash flow from investing activities						
Purchase of plant and equipment	(1.5)	(1.2)	(1.0)	—	(2.0)	(1.6)
Purchase of syndicate capacity	—	—	(1.4)	—	(0.2)	—
Acquisition of subsidiary (net of cash acquired)	—	(7.1)	(3.8)	—	—	—
Sale of business unit	—	5.0	5.0	—	—	—
Expenditure on software development	(3.3)	(7.0)	(11.1)	—	(7.9)	—
Purchase of investments	(2,159.1)	(2,721.5)	(3,912.4)	—	(5,042.7)	—
Proceeds from sale of investments	2,104.3	2,617.6	3,649.2	—	4,799.9	—
Investment in associate	(1.6)	—	(3.4)	—	(6.0)	—
Interest and dividends received	33.7	29.7	64.8	—	60.2	—
Net cash used in investing activities	(27.5)	(84.5)	(214.1)	—	(198.7)	(1.6)
Cash flow from financing activities						
Proceeds from issue of shares	0.2	—	0.5	0.5	0.3	0.3
Purchase of treasury shares	—	(1.2)	(1.2)	(1.2)	(28.9)	(28.9)
Acquisition of own shares in trust	(4.3)	(2.4)	(6.0)	(6.0)	(6.5)	(6.5)
Repayment of borrowings	(41.9)	—	—	—	—	—
Interest paid	(7.7)	(7.9)	(16.8)	—	(14.9)	—
Dividends paid	(43.3)	(62.1)	(82.8)	(82.8)	(55.5)	(55.5)
Net cash used in financing activities	(97.0)	(73.6)	(106.3)	(89.5)	(105.5)	(90.6)
Net increase in cash and cash equivalents	(53.5)	38.7	(93.7)	(1.5)	(20.1)	4.0
Cash and cash equivalents at beginning of period	650.1	745.0	745.0	4.0	813.4	—
Effect of exchange rate changes on cash and cash equivalents	(0.1)	2.7	(1.2)	—	(48.3)	—
Cash and cash equivalents at end of period	596.5	786.4	650.1	2.5	745.0	4.0

DESCRIPTION OF BEAZLEY PLC AND THE GROUP

Introduction

Beazley is the parent company of the Group, a global specialist insurance and reinsurance group with underwriting platforms in Lloyd's and in the United States. The Group also operates out of an international network of offices in France, Germany, Singapore, Hong Kong, Norway and Australia. At 31 December 2011, the Group employed approximately 805 staff across its operations. Beazley's shares are listed on the UK Listing Authority's Official List and are admitted to trading on the London Stock Exchange's main market for listed securities.

The Group's principal business is conducted through Lloyd's syndicates 2623, 3622, 3623, 623 and 6107 (together, the "**Managed Syndicates**") in the United Kingdom and Beazley Insurance Company, Inc., an admitted carrier in all 50 states, in the United States. Beazley's FSA-regulated subsidiary, Beazley Furlonge Limited, acts as the managing agent for the Managed Syndicates, with the Beazley Syndicates being fully backed by the Group (through the capital of Beazley Underwriting Limited) and Syndicate 623 and Syndicate 6107 being backed by third party Lloyd's names. The Group also operates through Beazley Re Limited, which writes reinsurance business for the Group. These businesses are integrated onto a single operating platform and managed on a product-line basis across six divisions: Specialty Lines, Property, Marine, Reinsurance, Political Risks & Contingency, and Life Accident & Health. The Group's gross premiums written in 2011 totalled US\$1,712.5 million and during the six months to 30 June 2012 (unaudited) totalled US\$1,013 million.

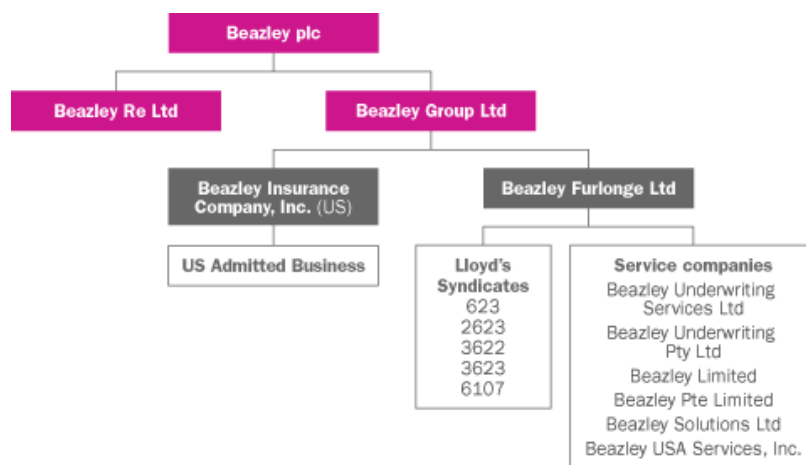
The Group's operations in the United States have grown strongly over recent years as the Group's national presence has provided greater access to business in its areas of speciality. During 2011, 57 per cent. of the Group's gross written premiums relate to risks in the United States (with 16 per cent. relating to risks in Europe and 27 per cent. in other territories).

The Group's objective is to become and be recognised as the highest performing specialist insurer. In order to realise this objective, the Group's strategy focuses on three key areas: prudent capital allocation to achieve diversified profitability across the Group, the nurturing and enhancement of the Group's skills base and the scaling of the Group's operations to ensure that, as the Group grows, it can continue to provide the level of service that the Group's brokers and clients expect.

The Group's business diversity, both by class of business and geography, is considered by Beazley to provide a balanced exposure to risk. Underwriting some 40 specialist classes, the Group has the ability to vary its mix of business with a view to optimising risk-based returns, according to specific market conditions for each class. The Group's portfolio comprises both large and small risks, with a geographical spread, and a balance between short- and medium-tail business.

Group corporate structure

The diagram below sets out Beazley's group structure as at the date of this Prospectus:



Beazley has a 100 per cent. interest in each of the principal operating subsidiaries shown above.

History and development of Beazley and the Group

Since its establishment in 1986, the Group has developed from a small London market managing agent to a global specialist insurance and reinsurance business with dual underwriting platforms at Lloyd's and in the United States.

Beazley Furlonge & Hiscox Limited commenced trading in 1986 as a joint venture between the Hiscox Group, Andrew Beazley and Nicholas Furlonge, to act as the managing agent of Syndicate 623. In 1993, Beazley Furlonge Holdings Limited, purchased the Hiscox Group's stake. Following completion of the buy-out, the managing agent was renamed Beazley Furlonge Limited.

In 1997, Aon acquired a 49.9 per cent. interest in Beazley Furlonge Holdings Limited. This company, together with Aon, formed Beazley Dedicated, a corporate member of Lloyd's, for the purpose of committing capital to Syndicate 623. In March 2001, management, employees and associates bought out Aon's interest in Beazley Furlonge Holdings Limited.

In 2002, the Beazley Group established a new syndicate, Syndicate 2623, increasing the managed capacity of the Group by £78 million to £403 million.

In 2005, the Group expanded into the United States through the acquisition of the Omaha Property and Casualty Insurance Company, which was subsequently renamed Beazley Insurance Company, Inc., for US\$20.5 million. The Group now operates in the United States across all 50 states, through BICI and a managing general agent, Beazley USA Services, which writes business on behalf of both BICI and the Managed Syndicates.

In November 2008, Beazley acquired Momentum Underwriting Management Limited and established Syndicates 3623 and 3622. Syndicate 3623 focuses on personal accident business and also insures sports business through its leadership of consortium 9476, whilst Syndicate 3622 is a dedicated life syndicate.

Following a review of the Group's organisational, operating and capital structure, Beazley was incorporated and registered in Jersey under the Companies (Jersey) Law 1991 with registered number 102680 on 20 February 2009 and became the new holding company of the Group on 21 May 2009. Also on 21 May 2009, Beazley's shares were admitted to the UK Listing Authority's Official List and to trading on the London Stock Exchange plc's main market for listed securities. Beazley's shares are, as at the date of this Prospectus, listed on the premium segment of that market. Beazley is tax domiciled in Ireland.

In 2009, Beazley's subsidiary, Beazley Re Limited, was established to underwrite insurance business from Dublin. In April 2009, the Group raised £150 million by way of a rights issue, with the proceeds being used to develop its business. Also in 2009, the Group completed the acquisition of First State Management Group, Inc., a U.S. underwriting manager focusing on surplus lines commercial property business.

In 2010, Syndicate 6107, a sidecar syndicate, was formed to grow the Group's reinsurance business.

In April 2011, the Group expanded its presence in the Australian group disability market through the purchase of two managing general agencies, Australian Income Protection and Blue-GUM Special Risks.

Over each of the last five financial years, Beazley has increased its ordinary dividends. In 2007 and 2010, Beazley distributed special dividends to its shareholders.

Capacity structure

Capacity is the maximum amount of premiums that can be accepted by a syndicate. The following table shows the growth in the underwriting capacity of the Managed Syndicates and the Group through the Beazley Syndicates for the 1999 to 2011 years of account:

	As at 31 December												
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Managed capacity (£m)	95	125	215	403	660	741	741	830	860	814	1,207	1,308	1,320
Growth (%)	—	32	72	87	64	12	—	12	4	(5)	48	8	1
Group capacity (£m)	—	—	4	16	330	397	522	647	697	659	904	1,092	1,105
Growth (%)	—	—	—	300	1963	20	31	24	8	(5)	37	21	1

Underwriting capacity across the Managed Syndicates is managed by Beazley Furlonge Limited. Between 2001 and 2007, managed capacity increased in response to improving market conditions. The growth was mainly achieved in existing areas of expertise rather than by entering new classes of business. In 2008, the Group reduced capacity in anticipation of a less attractive rating environment. However, there were significant increases in capacity during 2009 and 2010, which were principally due to additional businesses acquired during these years (as described above). The Group's capacity remained relatively stable during 2011.

Recent underwriting performance

The table below sets out the Group's claims ratio, expense ratio and combined ratio over the last five years relative to the combined ratio of the Lloyd's market as a whole, as reported by Lloyd's.

	2007	2008	2009	2010	2011	Five year average ⁽¹⁾
Expense ratio	39.0%	34.0%	35.0%	36.0%	37.0%	36.20%
Claims ratio	51.0%	56.0%	55.0%	52.0%	62.0%	55.20%
Combined ratio.....	90.0%	90.0%	90.0%	88.0%	99.0%	91.40%
Lloyd's market combined ratio.....	83.3%	93.3%	86.2%	94.3%	108.2%	93.1%

(1) Five year average based on 2007 to 2011 reporting periods.

Source: Lloyd's

The combined ratio is a measure of an insurer's underwriting profitability based on the ratio of net incurred claims plus net operating expenses to net earned premiums. For example, a combined ratio of 100 per cent. indicates that the insurer is paying out the same amount on claims as it is receiving in premiums (before taking into account any investment return), while a combined ratio less than 100 per cent. indicates that the insurer is paying out less on claims than it is receiving premiums, giving rise to an underwriting profit. The combined ratio can be further broken down into its constituent parts, being the claims ratio and the expense ratio. The claims ratio is the ratio of net insurance claims to net earned premiums. The calculation is performed excluding the impact of foreign exchange on non-monetary items. The expense ratio is the ratio of the sum of expenses for the acquisition of insurance contracts and administrative expenses to net earned premiums. The calculation is performed excluding the impact of foreign exchange on non-monetary items.

As part of its strategy of providing a balanced exposure to risk through its diversified portfolio of business, Beazley targets an overall combined ratio of 90 per cent. across different classes of business across different cycles. The table above shows that over the last five years this has been achieved, other than in 2011 which was a year of significant catastrophe losses. Beazley's combined ratio of 99 per cent. compares to a combined ratio for 2011 of 108 per cent. for the broader Lloyd's market.

Divisions

The Group currently operates across six insurance and reinsurance divisions. The following table provides a breakdown of gross written premiums by division during 2011. Gross premiums written in 2011 totalled US\$1,712.5 million. Through monitoring a diversified underwriting portfolio, the Group seeks to achieve a consistent combined ratio through market cycles.

Division	Principal classes of business	Proportion of gross premiums written in 2011
Specialty Lines	Professional lines, employment practices liability, specialty liability, directors' and officers' liability and healthcare	41.53%
Property	Commercial, high-value homeowners' and engineering	20.99%
Marine	Hull and miscellaneous, energy, cargo, war and marine liability	16.01%
Reinsurance	Property catastrophe, property per risk, aggregate excess of loss and <i>pro rata</i> business	10.41%
Political Risks & Contingency	Terrorism, political violence, expropriation, credit risks as well as contingency and risks associated with contract frustration	5.99%
Life, Accident & Health	Life, personal accident and sports risks	5.07%

Specialty Lines

The Specialty Lines division comprises professional liability and management liability risks underwritten for clients on both a primary and excess basis in North America, Europe and around the world. The Specialty Lines division generated gross written premiums of approximately US\$711.2 million in 2011 (2010: US\$744.0 million). Established in 1986, Specialty Lines is a market leader in many of its lines of business. The division is split into three classes of business: professional indemnity; management liability; and specialty treaty. It is organised by size into large and small risk teams (the latter of which is known as "Private Enterprise"). The specialty treaty team provides specific product reinsurance cover to small- and medium-sized carriers. In 2011, the Specialty Lines division led on approximately 95 per cent. of risks written and had a combined ratio of 94 per cent. (2010: 93 per cent.).

The Specialty Lines division includes the following classes of business:

Class	Description	Proportion of Specialty Lines 2011 gross written premiums
Professions	Professional negligence and malpractice with US focus, targeting architects and engineers, lawyers, healthcare and technology, media and business services	24%
Small Business	Professional liability, errors and omissions, privacy and data breaches, and network security liability	19%
Management Liability	Public company D&O, employment practices, private company, non-profit organisations, fiduciary and crime liability, with US private enterprise and middle market focus	19%
Technology Media and Business	Errors and omissions, privacy and data breaches and network security liability	19%
Healthcare.....	Medical malpractice, management liability, network security and privacy, commercial property and terrorism coverage	14%
Specialty Treaty	Specific product <i>pro rata</i> and excess of loss	5%

Property

The Property division generated gross written premiums of approximately US\$359.4 million in 2011 (2010: US\$382.5 million). Established in 1992, the team's underwriters underwrite this business through three geographic platforms: Lloyd's, the United States, and Singapore. The division's business focuses on commercial property, jewellers, construction risks, and select homeowners business. In 2011, the Property division led on approximately 74 per cent. of risks written, contributed approximately US\$(9.5) million to Group underwriting profit before tax (2010: US\$23.3 million) and had a combined ratio of 109 per cent. (2010: 97 per cent.).

The Property division includes the following classes of business:

Class	Description	Proportion of Property 2011 gross written premiums
Commercial Property.....	Risk-managed and surplus lines property business, written on a worldwide basis	67%
Jewellers and Homeowners.....	Homeowners' business in the UK and bespoke policies to the jewellery trade	13%
Small Property Business	Commercial fire and personal lines business written via binding authorities granted to experienced agents	12%
Engineering.....	Construction and engineering business written on a worldwide basis	8%

Marine

The Marine division generated gross written premiums of approximately US\$274.2 million in 2011 (2010: US\$261.7 million). Established in 1998, the division has a lead capability and has established a strong profile in the oceangoing vessels sector. Since inception, the account has been expanded with teams providing leading capacity in both the energy and cargo sectors. In 2011, the Marine division

led on approximately 52 per cent. of risks written, contributed approximately US\$69.3 million to Group underwriting profit before tax (2010: US\$74.6 million) and had a combined ratio of 72 per cent. (2010: 71 per cent.).

The Marine division includes the following classes of business:

Class	Description	Proportion of Marine 2011 gross written premiums
Hull and Miscellaneous	Builders' risk, hull and machinery, increased value, mortgagee's interest and voyage and towage	27%
Energy.....	Risks relevant to energy supply generation and delivery, including upstream energy, midstream energy, downstream energy and renewables	43%
Cargo	Cargo physical damage and associated liabilities	13%
War	Marine and aviation war and terrorism and associated perils	11%
Marine Liability.....	Legal liabilities associated with the maritime industry, specifically pollution, charterers' liability, protection and indemnity, Mortgagees Additional Perils (MAP), overspill, excess pollution and other associated risk	6%

Reinsurance

The Reinsurance division generated gross written premiums of approximately US\$178.3 million in 2011 (2010: US\$174.4 million). Established in 1986, the team provides capacity predominantly to cedents operating in the major non-life insurance markets. The division specialises in writing property catastrophe and per risk excess of loss and *pro rata* business. The main exposures outside of the United States emanate from the United Kingdom, Europe, Japan, Canada and Australasia. In 2011, the Reinsurance division led on 41 per cent. of risks written, contributed approximately US\$(71.3) million to Group underwriting profit before tax (2010: US\$18.8 million) and had a combined ratio of 157 per cent. (2010: 90 per cent.).

The Reinsurance division includes the following classes of business:

Class	Description	Proportion of Reinsurance 2011 gross written premiums
Property Catastrophe	Excess of loss reinsurance covering reinsurers for the accumulation of losses resulting from a catastrophic event	80%
Property Risk Excess/ <i>Pro rata</i>	Excess of loss reinsurance covering reinsurer for a loss in excess of a specified retention risk. <i>Pro rata</i> covers quota share and surplus share reinsurance	16%
Miscellaneous.....	Engineering, motor and nuclear business	3%
Casualty Clash.....	Auto and worker compensation accounts	1%

Political Risks & Contingency

The Political Risks & Contingency division generated gross written premiums of approximately US\$102.5 million in 2011 (2010: US\$100.9 million). The division was separated from the Specialty

Lines insurance division with effect from 1 January 2008. The division writes business from the United Kingdom and Singapore. In 2011, the Political Risks & Contingency division led on approximately 67 per cent. of risks written, contributed approximately US\$20.7 million to Group underwriting profit before tax (2010: US\$34.4 million) and had a combined ratio of 79 per cent. (2010: 65 per cent.).

The Political Risks & Contingency division includes the following classes of business:

Class	Description	Proportion of Political Risks & Contingency 2011 gross written premiums
Contingency	Event cancellation, non-appearance, weather, film production, prize indemnity, event liability	24%
Terrorism	Terrorism (property damage/business interruption), RSCCT (riots, strikes, civil commotion and terrorism), war perils (mutiny, insurrection, rebellion, <i>coup d'état</i> , war on land)	42%
Political	Political risks, contract frustration, trade credit and political violence	34%

Life, Accident & Health

The Life, Accident & Health division generated gross written premiums of approximately US\$86.9 million in 2011 (2010: US\$78.1 million). Established in 2000, the division became part of the Group in November 2008 through the acquisition of the specialist agency Momentum Underwriting Management Limited. With offices in the United Kingdom, United States and Australia, the Life, Accident & Health division specialises in life, sports and personal accident insurance. In 2011, the Life, Accident & Health division led on approximately 68 per cent. of risks written, contributed approximately US\$6.5 million to Group underwriting profit before tax (2010: US\$4.5 million) and had a combined ratio of 95 per cent. (2010: 97 per cent.).

The Life, Accident & Health division includes the following classes of business:

Class	Description	Proportion of Life, Accident & Health 2011 gross written premiums
Personal Accident Direct	Key man, sports, entertainment, aviation, ships crew, credit card, common carrier, pension fund protection, excess catastrophe cover, travel, accident medical, war risks, terrorism risks	48%
Personal Accident Reinsurance	Reinsurance of personal accident liability (see above)	30%
Life Direct	Group life, credit life, sports life, ships crew life, aviation life, specialist cover for persons employed in hazardous occupations and/or hot zones	16%
Life Reinsurance	Reinsurance of life (see above)	4%
Sports Disability	Accidental death, permanent total disablement, temporary total disablement, accidents and sickness	2%

Product development

The Group is continually seeking to refine the products it offers, as well as launch new products aimed at targeted niche markets. During 2012 to the date of this Prospectus, key product launches included:

- the introduction in July 2012 of a combined war risks and piracy cover with limits of up to \$75m, which Beazley believes is the first dedicated product of its kind in the Lloyd's market;
- the offering in June 2012 of fidelity insurance in the United States admitted market with limits of up to \$25 million for financial institutions;
- the launch in April 2012 of a new crime insurance policy in the United States admitted market, offering coverage limits of up to \$25 million for non-financial organisations;
- the development in April 2012 of Beazley Breach Response, an insurance, loss control and risk mitigation service designed to help businesses respond effectively to data breaches involving personally identifiable information;
- the introduction in March 2012 of a new healthcare regulatory liability policy in the United States to protect US healthcare policyholders against errors and omissions claims; and
- the introduction in February 2012 of Beazley Bridge, a policy providing international protection to executives of U.S.-based multinational corporations through Side A "Difference in Conditions" coverage.

Together with the development and introduction of new products, the Group also seeks to strengthen its business through the recruitment of specialist underwriters. During 2012, the Group has made a number of such hires, including the recruitment of underwriters specialising in management liability, small business professional liability, aviation and in kidnap and ransom.

Funding and liquidity

The Group has a number of requirements for capital at a Group and subsidiary level. Capital is primarily required to support underwriting at Lloyd's and in the United States and is subject to prudential regulation by local regulators (the FSA, Lloyd's, Central Bank of Ireland, and United States state level supervisors).

Further capital requirements come from rating agencies on a groupwide basis and for Beazley Insurance Company Inc. and the Lloyd's syndicates on a standalone basis.

The Group holds a level of capital over and above its regulatory requirements and targets a level of surplus capital that would enable it to take advantage of new underwriting opportunities such as the acquisition of insurance companies or managing general agents whose strategic goals are aligned with those of the Group.

The Group adopts a conservative approach to setting its claims reserves by seeking to maintain claims reserves of between five per cent. and 10 per cent. above the actuarial valuation of claims. Claims reserves are set to reflect the liabilities arising from claims that are both reported but not yet due to be settled and also an estimate of claims that have been incurred but not yet reported.

The Group actively seeks to manage its capital base to target capital levels. The Group's preferred use of capital is to deploy it on opportunities to underwrite profitably. However, there may be times in the cycle when Beazley will generate excess capital and not have the opportunity to deploy it. If such a point were reached the board would consider returning capital to shareholders.

The Group's funding comes from a mixture of shareholders' equity (2011: US\$1,071.0 million) alongside £150 million of tier 2 subordinated debt and US\$18 million subordinated long-term debt and an undrawn banking facility of US\$225 million. This facility was renewed in July 2011 to cover the 2012 and 2013 underwriting years. See "General Information – Material Contracts".

In May 2012, Beazley Group Limited conducted a tender offer in respect of its £150,000,000 Fixed/Floating Rate Notes due 2026. Beazley Group Limited accepted for purchase an aggregate principal amount of notes of £30,007,000. The principal amount outstanding under such notes is £119,993,000.

The Group's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event. This means that the Group seeks to maintain sufficient liquid assets, or assets that can be translated into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly

monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return.

Beazley intends to use the proceeds from issuances of Notes under the Programme to improve Beazley's return on equity and issuances are expected to be linked to the Group's growth. As stated in "Use of proceeds", Beazley will use the proceeds from each issue of Notes for general corporate purposes, including potentially for the purposes of posting funds at Lloyd's against the Group's business plans.

Competition

The international insurance and reinsurance markets are very competitive, encompassing a range of niche and multi-product insurance and reinsurance underwriters. The Group has a number of principal competitors which fall into three categories: (i) those that it competes with directly at Lloyd's, where key participants include syndicates managed by Amlin, Catlin, Chaucer and Hiscox, and those insurers based in the London company market; (ii) those that it competes with directly in the United States property and specialty market such as AIG, XL, Chubb, The Travelers and CNA; and (iii) those in Bermuda who are competing for business directly with the Lloyd's and the United States property and specialty markets, together with the United States and London operations of many leading international insurers and reinsurers such as Munich Re, Swiss Re, Hannover Re and units of AIG, Berkshire Hathaway and The Travelers.

Strategy

Beazley seeks to differentiate from its competitors by seeking to:

- achieve diversified profitability across the Group through capital allocation;
- diversify its insurance and reinsurance portfolio through geography, class of business, size of risk, mix of short-tail/long-tail business;
- be less exposed to natural catastrophes than other listed insurers;
- attract and retain high quality underwriters and claims specialists in the market;
- nurture and enhance its skill base with talented underwriters to lead the growth of its business;
- grow through innovation and development of new products to meet clients' needs;
- focus on maintaining high level of service to both brokers and clients; and
- structure its approach to broker relationships with dedicated teams.

Recent developments

During the six months to 30 June 2012, rates (premiums expressed as a percentage of the sum insured or limit of indemnity) rose by an average of three per cent. across the Group's portfolio. Rate rises were highest on the Group's catastrophe exposed lines of business, averaging an increase of five per cent. This rise was due to the heavy catastrophe losses during 2012. For the first time since 2006, rates rose by three per cent. on the Specialty Lines division's professional and management liability book. Beazley expects the remainder of 2012 to show a continuation of the modestly rising premium rates across the Group's portfolio. However, Beazley expects that there will be a reduction in rate rises relating to catastrophe-exposed lines of business.

Claims during the first half of 2012 have been relatively benign, with claim notifications lower than normal and loss development in line with the Group's expectations.

Due to the ongoing eurozone crisis, the Group's investment strategy has sought to avoid risks arising from the banking sector and has focused the Group's sovereign holdings in the most strongly rated countries.

Administrative, management and supervisory bodies

Board of Directors of Beazley

As at the date of this Prospectus, the Directors of Beazley, the business address of each of whom is 2 Northwood Avenue, Northwood Park, Santry Demesne, Santry, Dublin 9, Ireland and their functions and principal activities outside Beazley and the Group, where these are significant with respect to Beazley, are as follows:

Name and position	Principal activities outside Beazley and the Group
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Dennis Holt	Chairman of Liverpool Victoria Friendly Society Limited
<i>Chairman</i>	Chairman of Bank of Ireland (UK) plc
Andrew Horton	Director of Falcon Money Management Holdings Limited
<i>Chief Executive Officer</i>	Director of Tasman Corporate Limited
	Director of Beyond Group Holdings Pty Limited
Martin Bride	Director of Tasman Corporate Limited
<i>Group Finance Director</i>	Director of Beyond Group Holdings Pty Limited
Clive Washbourn	Chairman of the Lloyd's Market Association Joint War Committee
<i>Director of Marine</i>	Member of the Lloyd's Market Association Marine Committee
Jonathan Gray	None
<i>Head of Property Group</i>	
Neil Maidment	Member of the Board of the Lloyd's Market Association
<i>Chief Underwriting Officer</i>	
Adrian Cox	None
<i>Head of Specialty Lines</i>	
George Blunden	Chairman of Charity Bank
<i>Senior Independent Non-Executive Director</i>	Chairman of Reglan Housing Association Limited
Gordon Hamilton	Director of Fairbairn Private Bank (IOM) Limited
<i>Independent Non-Executive Director</i>	Director of Fairbairn Trust Limited
	Director of Fairbairn Trust Company Limited
	Director of Nedgroup Investments (IOM) Limited
	Director of Barloworld Limited
	Director of Barloworld Holdings plc
	Director of Northamber plc
	Director of Petra Diamonds Limited
	Director of Chelsea Square Garden Limited
Padraic O'Connor	Director of Irish Stock Exchange Limited
<i>Independent Non-Executive Director</i>	Director of Rabobank Ireland plc
	Director of J.P. Morgan Bank (Dublin) plc.
	Director of Quintillion Holdings plc
	Director of Venn Life Sciences
	Director of Fideuram Asset Management Ireland Ltd
	Director of Jones Oil Limited
	Director of ACC Bank Plc
	Director of IMPAX Funds (Ireland) Plc
	Director of Acuity Plus Limited
	Director of Shepherd's Hill Capital Partners
	Director of Adept Investment Management Plc

Name and position**Vincent Sheridan***Independent Non-Executive Director***Principal activities outside Beazley and the Group**

Director of FBD Holdings Limited
 Director of FBD Insurance Limited
 Director of Augura Life Ireland Limited
 Director of Mercer Ireland Limited
 Director of Trulife Group Limited
 Director of Meningitis Trust Ireland
 Director of Nazareth Care Ireland
 Director of Template Street Childrens Hospital Fundraising Trust D
 Director of Oaklee Housing Trust E
 Director of St. Conleths School Limited
 Director of The Children's Fund For Health Limited
 Director of Canada Life Ireland Limited
 Director of Canada Life Europe Limited
 Director of London Life & General Reinsurance Co Limited

Ken Sroka*Independent Non-Executive Director*

Board Adviser to Breckenridge Insurance Services

Rolf Tolle*Independent Non-Executive Director*

Director of Protector Forsikring

There are no potential conflicts of interest between the duties to Beazley of the Directors listed above and their private interests or other duties.

Committees

The Board is currently assisted in fulfilling its responsibilities by three principal committees, being the audit and risk, remuneration and nomination committees.

Audit and Risk Committee

The Audit and Risk Committee currently comprises Gordon Hamilton, Vincent Sheridan, George Blunden and Rolf Tolle. The committee holds regular meetings with the head of internal audit, and with the external auditor. The committee's main objectives are, *inter alia*, to:

- monitor the integrity of Beazley's financial statements and any other formal announcements relating to the company's financial performance;
- review significant financial reporting judgements contained in the financial statements, before submission to and approval by, the board, and before clearance by the external auditors;
- review Beazley's internal financial controls and the Beazley's internal control and risk management systems;
- approve the appointment or termination of appointment, of the head of internal audit and monitor and review the effectiveness of Beazley's internal audit function; and
- review the arrangements by which employees of Beazley may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The committee also reviews any matters raised by the external auditors and internal audit. Beazley's Chief Executive, the Finance Director and the Chief Risk Officer are invited to attend part of each meeting of this committee. The Audit Committee receives a number of presentations on operational and underwriting activities. The external auditors are invited to attend meetings regularly. The meetings are used as a forum for discussion and communication between compliance, internal audit, the external auditors and the board. The committee receives regular updates and monitors the status of actions taken by management to address issues raised by both external and internal audit. The Audit and Risk Committee is provided with reports on the risk assessment and the self-certification from risk owners of the operating effectiveness of internal controls. The Audit and Risk Committee undertakes regular appraisal of its performance in relation to best practice. Findings of this review are formally reported to Beazley's Board of Directors.

In respect of any firm of external auditors and consulting actuaries which may be appointed by any Group company, the Audit and Risk Committee is also responsible for recommending their appointment and termination; recommending their terms of reference; receiving regular reports,

independent of management where necessary; determining their independence; monitoring their performance; and approving their fees.

Nomination Committee

The Nomination Committee consists of Dennis Holt as the chairman, together with George Blunden, Gordon Hamilton and Andrew Horton. It meets as required and makes recommendations to the board of directors on all board appointments, including the selection of non-executive directors.

The Nomination Committee reviews the structure, size and composition of the board of directors, oversees the recruitment of directors, both executive and non-executive, reviews the responsibilities and performance of non-executive directors and monitors the effectiveness of the Audit and Remuneration Committees.

Remuneration Committee

The Remuneration Committee comprises Padraic O'Connor (chairman), George Blunden, Dennis Holt and Ken Sroka. The Remuneration Committee is responsible for formulating and recommending policy on executive remuneration. Within the terms of the agreed policy, the Remuneration Committee approves the specific components of remuneration packages of all executive directors and the chairman of Beazley. It also reviews the general remuneration framework for senior executives and makes awards under Beazley's share plans.

Corporate governance

As of the date of this Prospectus, Beazley is in compliance with the requirements of the UK Corporate Governance Code and the corporate governance requirements of applicable Jersey law.

Risk management

Effective risk management is integral to the Group's operations, and involves:

- limiting and monitoring processes – to ensure that all risks in the business are clearly understood, measured and controlled;
- establishing organisational structure and accountabilities – to ensure that all risks in the business are clearly owned by individuals who are responsible for managing risk; and
- regularly evaluating the risk versus reward equation for making decisions – to ensure that every decision taken by management is based upon its contribution to the overall performance of the Group.

Within these parameters, the Group continues to develop its risk management practices to meet new challenges as the business grows. Set out below are certain of the Group's risk management practices. Further details of such practices can be found in note 2 to Beazley's consolidated financial statements for the financial year ended 31 December 2011, which are incorporated into this Prospectus by reference.

Managing the insurance cycle

Focusing on management of the insurance cycle during projected downturns in the industry in the short to medium term, the Group calls upon its experience and market position to seek to:

- maintain expertise – attracting and retaining top talent across the business to strengthen performance on underwriting, claims management, marketing, distribution and risk management;
- unlock value through claims – focusing upon superior claims management so that the business can attract and retain the best business and respond effectively to new claims trends in underwriting;
- create diversity – deliberately reducing the reliance of the business on, and the impact of, any one portfolio by spreading risks across products, geography and size;
- focus on long-term objectives – identifying products and classes of business where the Group should specialise to ensure that at the top of the next cycle its plans, tactics and infrastructure are ready to meet those goals;
- consolidate barriers to entry – as the Group specialises in classes of business which have barriers to entry, this allows the future development of well-established infrastructure, service, stability and relationship management in its core markets; and

- apply technical skills – by supporting the business’ underwriters and claims managers with the tools they need to exercise their respective skills in pricing, market segmentation, risk selection, data analysis, reinsurance buying and management control.

Underwriting risk management

The Group’s business is based upon a combination of catastrophe and non-catastrophe insurance portfolios. To manage these exposures, the Group models and stress tests its risks to understand the expected financial impact of extreme events which result in significant policyholder claims. The annual business plans for each underwriting team reflect the group’s underwriting strategy, and set out the classes of business, the territories and the industry sectors in which business is to be written. These plans are approved by the Board and monitored by the monthly underwriting committee.

The Group’s underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include but are not limited to the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses.

The Group uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models. The range of scenarios considered include natural catastrophes, marine, liability, political, terrorism and war events.

For classes of business where accumulations of losses can result from a single event, such as property, marine energy, terrorism and war, the Group sets insurance risk appetite limits. These risk tolerances are based upon the extremity of potential events, the impact they could have upon the Group’s forecast earnings and capital, and the potential opportunities that may exist to write high-margin business afterwards. The largest catastrophe risk appetite of the Group relates to a modelled probabilistic one in 250 year United States natural catastrophe event, such as wind storm or earthquake, of US\$510 million net of reinsurance.

Investment risk management

The Group adopts a conservative approach to investment risk arising from uncertain movements in financial markets, interest rates and foreign exchange rates. Through setting comprehensive investment guidelines, regularly monitoring the performance of the underlying investment managers and stress testing the investment portfolio of the business, the Group can assess if its overall risk and return targets are being met and analyse the impact of adverse financial markets on its funds. As a result, investment exposures are monitored constantly in areas such as asset duration, type, maturity profile, rating, economic sector, individual counterparty and issuer.

To seek to avoid volatile returns from changes to interest rates, the Group’s investment approach does not specifically require the asset portfolios to match the duration of the Group’s liabilities. However, the Group closely monitors the asset-liability duration mismatch as part of its regular risk assessment and, in order to manage income, the Group’s investment managers are tasked with delivering returns from a balanced portfolio with low risk of loss.

In order to take steps to minimise the risk of an event impacting both the Group’s claims liabilities and investment portfolios, the Group carefully limits investments in areas which correlate with its insurance portfolios. For example, the Group’s policy is to avoid emerging market investments which could potentially clash with its political risk exposures.

Credit risk management

The Group’s management team is responsible for thoroughly vetting all of the Group’s counterparties, such as reinsurers and brokers, before trading with them. The Group also monitors their performance on a regular basis.

Emerging risk identification

The Group employs specialist teams to support its underwriters in identifying external trends and issues. Using this research contributes to the improvement of underwriting risk selection, allowing the Group to seek to avoid markets in decline and improve the Group’s claims management capabilities.

Assessing risk versus reward

By allocating capital to each investment and underwriting segment and regularly reviewing returns, the Group manages its business in a way that supports its core markets and targets growth on the best opportunities as they arise. To optimise use of the Group’s capacity, allocation between classes

of business and types of risk is reviewed regularly through stress and scenario analysis. Stochastic modelling techniques are also used to assess the capital requirements of the Group's business plans through the individual capital assessment process.

Risk assurance framework

The Group's risk assurance framework encourages all business areas to focus upon achieving the Group's strategic objectives. Beazley's directors have ultimate responsibility for defining the Group's risk tolerance, with key individuals and committees made accountable for day-to-day management of risks and controls which arise from their activity.

Risk management team

The purpose of the Group's risk management team is to facilitate and strengthen effective risk management in all of the Group's activities. Their primary goal is to help the business to achieve a consistent approach to the identification, measurement and mitigation of risk across the Group.

Active participation of this team in all board meetings and senior management committees ensures that risks are monitored and managed as they arise. The team also works closely with the Group's internal audit and compliance teams.

The risk management team uses a system called the Beazley Risk Register to support its work. This online risk management tool allows the emerging risk profile of the Group to be captured and analysed in real time using information input directly by risk and control managers across the Group's worldwide locations.

Industry and regulatory environment

This section should be read in conjunction with the section of this Prospectus entitled "Risks related to the Lloyd's insurance market and other regulatory matters" contained in the section entitled "Risk Factors".

Traditional primary insurers insure individuals and corporate entities who wish to protect themselves against specific risks. The insurer and the insured enter into an insurance agreement under which the insured agrees to pay a premium to the insurer. In return, the insurer will agree to reimburse the insured for its losses if the risk insured against occurs, subject to the terms of the insurance agreement.

Insurers in turn look to pass on part of the risk it is exposed to under the insurance agreement by entering into reinsurance agreements with other insurers (or reinsurers); the insurers will often transfer portfolios of similar risks or large individual risks to reduce their overall risk exposure. Insurers tend to enter into reinsurance agreements for a number of purposes, including:

- (a) to reduce claims volatility by guarding against extreme events, such as natural catastrophic risks, thus reducing the severity of an associated claim; this in turn is intended to help to reduce the volatility of the insurer's income; and
- (b) to reduce the capital requirements for the insurer on a specific portfolio of risk, thus freeing up the capital held on the insurer's balance sheet to write further insurance business.

A reinsurer will manage the overall risk it is exposed to by diversifying its portfolio of risks by both geography and by type of risk. In addition, a reinsurer can transfer the risk associated with specific elements of the portfolio by entering into retrocessional reinsurance agreements with other reinsurers. The purpose of these agreements is to protect reinsurers in the same way that reinsurance protects insurers, although the level of coverage tends to relate to more significant losses and more extreme events.

Regulation of the Group at Lloyd's

For over 300 years, Lloyd's has been a market place at which members underwrite insurance business for their own account. The underwriting members of Lloyd's (referred to collectively as the "Lloyd's market") write business through syndicates and together form one of the world's largest specialist commercial insurers and reinsurers.

The Lloyd's market writes a broad portfolio of general insurance and reinsurance business and is authorised to underwrite business in over 75 jurisdictions, giving syndicates access to insurance markets all over the world.

Insurance is underwritten at Lloyd's by members of Lloyd's (comprising corporate members and individual members (the latter of which are often referred to as "Names")). No new individual members have been permitted to join Lloyd's since 2003. Accordingly, individuals who wish to begin underwriting at Lloyd's must now do so by participating through corporate members. In 2011, corporate members represented approximately 88 per cent. of total capacity.

The FSA regulates insurance business in the United Kingdom and prohibits firms from carrying on a regulated activity within the United Kingdom without being authorised and having permissions relevant to the activity from the FSA. The core activities of the Group are regulated activities. However, the FSA exempts members of Lloyd's from the requirement to obtain authorisation and the task of regulating members of Lloyd's is principally vested in Lloyd's itself, subject to powers of prudential review and intervention by the FSA.

The Group's activities are principally conducted through the Managed Syndicates. As such, the Group's core activities are regulated by Lloyd's. Lloyd's has broad powers over managing agents and members, including the power to revoke membership.

Prudential requirements

As a result of provisions contained in the FSA's Prudential Sourcebook for Insurers, the prudential regulation by Lloyd's of the Managed Syndicates is analogous to the regulation by the FSA of insurers who are not members of Lloyd's. Consequently, the Managed Syndicates are required to hold a certain amount of capital in excess of their liabilities. Those companies within the Group who are members of the Managed Syndicates will be required to contribute capital for this purpose. Those companies within the Group which act as managing agents are required to carry out a risk-based assessment of the capital required by the Managed Syndicates they manage, known as an individual capital assessment. This assessment is subject to agreement by Lloyd's.

Restrictions on release of syndicate assets

Prior to each year of account, members of Lloyd's syndicates are required to contribute funds of an approved form that are lodged and held in trust at Lloyd's as security for a member's underwriting activities. These funds are known as "funds at Lloyd's". In addition, funds received from policyholders as premium are required to be placed in a premium trust fund.

The earliest a syndicate's particular year of account is able to be closed is 36 months after the inception of that underwriting year of account. During this time, members are not entitled to receive a full distribution of any profit (in the event that a profit is realised), although some interim distribution may be permitted. There are strict rules which relate to the release of funds from the trust. In the event of a cash deficiency prior to the closure of a particular year of account, a managing agent may call on members to contribute additional funds. In addition, it should be noted that, owing to outstanding liabilities or uncertainty of future liabilities to policyholders, it may not be possible to close a particular underwriting year of account even after the minimum period of 36 months has elapsed.

General conduct of business

Lloyd's is empowered to create by-laws which apply to members and managing agents concerning a broad spectrum of matters relevant to the conduct of business at Lloyd's. For example, such by-laws impose obligations on managing agents to meet certain reporting requirements in respect of the Lloyd's syndicates and require the consent of Lloyd's to be obtained prior to any change of control over a managing agent or corporate member. Lloyd's by-laws also require a managing agent to submit a business plan to the Franchise Board, which may require changes to it. Lloyd's is empowered to levy contributions from members to the Central Fund.

Regulation of the Group by the FSA

Certain members of the Group, such as the Group's managing agent, Beazley Furlonge Limited, are authorised and regulated by the FSA, and certain other members of the Group may be regulated by the FSA and Lloyd's concurrently. Those authorisations held by companies within the Group do not relate to the carrying on or effecting of contracts of insurance, but rather to certain insurance mediation activities (such as being a managing agent at Lloyd's).

Members of the Group which are regulated by the FSA are subject to the FSA requirements for authorisation, control and the approved persons regime, and additionally are required to comply with rules on communication with clients, financial promotion, claims handling and advising on the sale and cancellation of products.

The regulation of financial services, including insurance, in the United Kingdom is currently undergoing significant reform. Three new regulatory bodies have been proposed by HM Government: the Financial Policy Committee, the Prudential Regulatory Authority and the Financial Conduct Authority. The Financial Policy Committee is expected to have responsibility for macro-prudential regulation and issues concerning economic and financial stability. The PRA, which will be a subsidiary of the Governor and Company of the Bank of England, is expected to undertake, amongst other things, the prudential regulation and supervision of insurers. The responsibility for the supervision of the conduct of insurers will pass to the new Financial Conduct Authority. As at the date of this Prospectus, it is expected that the transfer of powers to the new authorities will be completed in the first half of 2013.

It is expected that the PRA will have two, complementary, objectives for insurance supervision. It is expected that it will seek both to secure an appropriate degree of protection for policyholders and, as needed, to minimise the adverse impact that the failure of an insurer or the way it carries out its business could have on the stability of the system. It is further anticipated that the PRA's role will be to ensure there is a reasonably high probability that insurers are able to meet claims from, and material obligations to, policyholders as they fall due and to make sure that where an insurer is unable to meet such claims and obligations, the adverse consequences for policyholders are minimised by ensuring that the insurer fails in an orderly manner. At the heart of this will be ensuring that an insurer is likely to have sufficient financial resources to meet its obligations to policyholders as they fall due. This will include assessing an insurer's governance processes and whether these involve management making informed, forward-looking assessments of the firm's financial strength, including risks both to the assets and liabilities on its balance sheet. The PRA is expected to use a combination of regulatory standards, arrangements for dealing with failing insurers (resolution arrangements) and supervisory interventions to deliver these elements. It is expected that the PRA's style of supervision will be judgement-based. The PRA's role will neither guarantee that policyholders are protected in all circumstances nor ensure that no insurer fails.

It is expected that the FCA's role as conduct regulator will be to ensure that consumers are treated fairly in all engagements with insurance firms. This will involve reviewing a firm's sales and advice processes, as well as the appropriateness of new insurance products entering the market.

There can be no assurance that the PRA and/or the FCA will take the approach outlined above with respect to their regulatory roles. See "The Group's businesses are subject to regulatory risk, including adverse changes in the laws, regulations, policies and interpretations in the markets in which it operates" in "Risk Factors".

Regulation of the Group in the United States

General

Insurers conducting business in the United States are bound generally by the state insurance laws and related regulations. Such an insurer is also regulated on a more immediate basis by the state insurance departments where the insurer is domiciled or conducts business. The business of insurance is exempted from federal regulation except to the extent that a federal law is addressed specifically to insurance regulation. To date, federal insurance regulation has been limited, but momentum is increasing for a larger role by federal regulators.

The National Association of Insurance Commissioners ("NAIC"), while lacking any regulatory power, participates in the regulatory environment by drafting model laws and regulations that are typically promulgated in substantially similar form by state legislatures and state insurance departments. The NAIC also determines the reporting format for the financial statements that an insurer is required to submit. The chief benefit of the NAIC's efforts is the harmonisation of insurance regulation across all of the states.

The Managed Syndicates

Those Managed Syndicates conducting the business of insurance in the US do so on a surplus lines basis. Each Managed Syndicate may only write such business through a surplus lines broker, which is subject to licensing and regulation in the home state of the insured. Among other requirements, the surplus lines broker must ensure that, under the laws of the insured's home state, the business is eligible to be written on a surplus lines basis and the Managed Syndicate is eligible for surplus line placements. State laws generally require a surplus lines broker to determine that the business cannot be placed on an admitted basis in order to be eligible for surplus line placement. However, since the federal Nonadmitted and Reinsurance Reform Act of 2010 ("NRRA") took effect on 21 July 2011,

such state law requirements do not apply to insurance procured for insureds that satisfy the definition of “exempt commercial purchasers” in the NRRA. Additionally, as a result of the provisions of the NRRA, the eligibility of surplus line insurers organised outside the United States is now determined by inclusion on the Quarterly Listing of Alien Insurers (the so-called “white list”) maintained by the NAIC’s International Insurers Department, and no additional state eligibility requirements may be imposed before a surplus line broker can make placements with non-US insurers such as the Managed Syndicates. Nonetheless, a few states still request surplus lines insurers to report certain of their business activities to regulators through surplus lines associations established in each state.

Due to the more lenient regulatory requirements for surplus lines business, those Managed Syndicates writing surplus lines insurance in the United States must provide security for their United States insureds. A Managed Syndicate is required to place in trust a percentage, as determined by volume, of the gross liabilities of such business written. The beneficiaries of the trust are the Managed Syndicate’s policyholders and third party claimants in respect of claims covered by the policies issued to such policyholders.

There is little United States regulation of a Managed Syndicate in respect of reinsurance business it assumes. United States state regulators impose capital charges on a cedant that places reinsurance with a non-US reinsurer unless such reinsurer provides security in the form of a trust, letter of credit or cash. The amount of required security is typically 100 per cent. of the gross liabilities of such business. The Group provides this security through the Lloyd’s American credit for reinsurance trust fund. Some states have recently adopted reduced reinsurance security requirements for non-US reinsurers that meet certain requirements.

The Group’s United States-admitted insurer

The Group owns a United States-admitted insurer (the “**US Insurer**”).

As a Connecticut-domiciled insurer, the US Insurer is regulated in the first instance by the Connecticut Insurance Department (“**CID**”). The CID monitors the US Insurer’s financial status through, among other things, discussions with the US Insurer’s representatives, triennial examinations, a review of financial statements that the US Insurer is required to file quarterly, and a review of the annual independent auditor’s and actuary’s certifications. The US Insurer is required to maintain a certain capital minimum in respect of the lines of business it is authorised to write, but further capital is required due to the volume of business it writes and risk-based capital formulas that consider inherent risks in the US Insurer’s operations.

The US Insurer is also required to file with the CID information in respect of entities that control the US Insurer and certain types of transactions it conducts with affiliates. The CID has broad regulatory authority to require the US Insurer to produce information and to sanction the US Insurer for misconduct. The US Insurer is typically entitled to an administrative hearing on a regulatory ruling by the CID and further judicial review. The CID requires the US Insurer to maintain its books and records and its assets in Connecticut. The CID would also administrate the primary insolvency proceeding for the US Insurer should it become insolvent.

The US Insurer is also licensed in the District of Columbia and all other states in the United States, which results in more limited ancillary state regulation pertaining to the business the US Insurer writes in each such state. Such ancillary regulation pertains principally to interactions with policyholders, in relation to matters such as policy forms, rates, claim settlement practices and market conduct. As the US Insurer is a licensed insurer in all states, there is no regulatory requirement that the US Insurer provide security for reinsurance it assumes in any state. The US Insurer may be required to provide a deposit in a state other than Connecticut in order to write primary business there.

Credit rating agencies

Rating agencies, which are not strictly regulators, play a significant role in the evaluation of an insurer’s credit and its claim-paying resources. An insurer will typically discuss fully its financial details with a rating agency in its rating processes. An insurer’s rating is a critical component of an insurance producer’s analysis whether to place a policy with that insurer; it is even more significant in the surplus lines market. The criteria of a rating agency’s analysis include capital adequacy, historical earnings, reinsurance ceded by the insurer, management capability, and investment performance. Recently, rating agencies have become more conservative in their analysis and ratings.

Registered office, principal place of business and telephone number

Beazley's registered office is 22 Grenville Street, St Helier, JE4 8PX, Jersey, its principal place of business is Plantation Place South, 60 Great Tower Street, London EC3R 5AD United Kingdom and its telephone number is +44 (0)20 7667 0623.

Share capital

The authorised share capital of Beazley comprises 700,000,000 ordinary shares of five pence each. Beazley has in issue 519,491,375 ordinary shares of five pence each, each of which are fully paid.

Corporate capacity

The corporate capacity of Beazley is unrestricted.

TAXATION

Ireland taxation

The following general summary describes the material Irish tax consequences of ownership of the Notes. It is based on the Irish tax law and published practice of the Revenue Commissioners as in effect on the date of this Prospectus and both are subject to change, possibly with retroactive effect. The following summary does not purport to be a complete analysis of all Irish tax considerations relating to the Notes. It relates to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of persons such as financial institutions, dealers and certain tax exempt bodies. Noteholders are advised to consult their own tax advisers regarding the taxation implications of acquiring, owning and disposing of the Notes.

Withholding tax on interest

In general, withholding tax at the standard rate of tax (currently 20 per cent.) must be deducted from Irish source interest payments. Interest paid on the Notes may have an Irish source. However, for so long as the Notes are listed on a recognised stock exchange (which would include the London Stock Exchange) and the Notes carry a right to interest, the Notes will constitute “quoted Eurobonds” under section 64 of the Irish Taxes Consolidation Act 1997 (as amended) (the “TCA”).

Interest paid on such quoted Eurobonds can be paid free of withholding tax, provided the following criteria are satisfied:

- (i) the interest is paid by or through a person who is not in Ireland (a “**non-Irish paying agent**”); or
- (ii) the interest is paid by or through a person in Ireland, and either:
 - (a) the quoted Eurobond is held in a clearing system recognised by the Revenue Commissioners (which would include Euroclear and Clearstream), or
 - (b) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made all necessary declarations in the prescribed form.

Therefore, so long as the Notes are quoted Eurobonds and held in Euroclear or Clearstream, there will be no requirement to withhold Irish tax on the interest arising on the Notes regardless of the status of the recipient.

If the quoted Eurobond exemption referred to above does not (or ceases to) apply, there are other exemptions from the obligation to withhold Irish tax that may apply to the interest payments. For example, interest payments made by the Issuer in the ordinary course of a business carried on by it can still be paid free from withholding tax to a company where:

- (i) the company is resident in a Relevant Territory and that Relevant Territory imposes a tax that generally applies to interest receivable from foreign sources (a “**Relevant Territory**” is a member state of the European Union (other than Ireland) or a country with which Ireland has a double taxation agreement), or
- (ii) the interest is exempted from Irish income tax under a double taxation agreement,

provided the interest is not received in the course of a trade or business carried on by that company through a branch or agency in Ireland.

Charge to Irish tax on interest

A Noteholder may be liable to Irish tax on interest on the Notes even where there is no Irish withholding tax. Persons (individuals and companies) tax resident in Ireland are generally liable to Irish tax on their worldwide income, including any income from the Notes.

In the case of individuals, interest will be liable to income tax at the marginal rate (up to 41 per cent.). Such income will also be liable to the Universal Social Charge at rates of up to 10 per cent. depending on the individual’s circumstances. Irish social security contributions may also be payable. In the case of corporate entities, the rate of corporation tax applying to the interest income is 25 per cent. (unless the income constitutes trading income).

Interest paid on the Notes may have an Irish source and therefore be within the charge to Irish tax for persons who are neither resident nor ordinarily resident in Ireland.

However, there are certain exemptions for interest on quoted Eurobonds:

- (i) interest paid to persons resident outside Ireland and who are resident in a Relevant Territory is exempt from Irish income tax provided the Notes are quoted Eurobonds;
- (ii) a company (wherever resident) under the control of persons who are resident in a Relevant Territory and not under the control of Irish residents is not liable to Irish tax on interest arising on quoted Eurobonds; and
- (iii) a company (wherever resident) whose principal class of shares are quoted on a recognised stock exchange is also not taxable on interest arising on quoted Eurobonds.

Interest on the Notes which does not fall within the above exemptions may be within the charge to Irish income tax. Ireland operates a self-assessment system in respect of income taxes, corporation taxes, social insurance and the universal social charge. Any person with Irish source income which is chargeable to Irish tax comes within the scope of that system and may have to file a return.

Encashment tax

If the Paying Agent is not in Ireland, there is no obligation to deduct encashment tax. If a person in Ireland were to pay the interest or receive the interest on behalf of a third party, then Irish encashment tax (at the standard rate – currently 20 per cent.) would apply to amounts belonging to Irish resident holders of the Notes, or non-Irish residents who hold Notes and who had not completed the requisite non-resident declaration forms.

Deposit Interest Retention Tax

The interest on the Notes will not be liable to Deposit Interest Retention Tax.

Capital gains tax

In the case of a person who is either tax resident or ordinarily tax resident in Ireland, the disposal or redemption of the Notes may be liable to Irish capital gains tax at a rate of 30 per cent. If the person is neither resident nor ordinarily resident in Ireland, such person will not be liable to Irish capital gains tax on the disposal or redemption unless the Notes are situated in Ireland and have been used for the purposes of a trade carried on by such person in Ireland through a branch or agency. Registered instruments will be deemed to be situated in Ireland if the register is located in Ireland at the time of the disposal or redemption.

Capital acquisitions tax

A gift or inheritance of the Notes will be within the charge to capital acquisitions tax where the donor or the beneficiary in relation to the gift/inheritance is tax resident or ordinarily tax resident in Ireland on the date of the gift or inheritance, or if the Notes are regarded as property situated in Ireland. Special rules with regard to tax residence apply where an individual is not domiciled in Ireland. Capital acquisitions tax is charged at a rate of 30 per cent. on the taxable value of the gift or inheritance above a tax-free threshold.

Value Added Tax

There is no Irish Value Added Tax payable in respect of payments in consideration of the issue of the Notes or for the transfer of a Note.

Stamp duty

Issuance of Notes

No stamp duty arises on the issuance of the Notes.

Transfer of Notes

No stamp duty is chargeable on a transfer of the Notes if they meet the following conditions for exemption under Irish tax legislation:

- (i) they do not carry a right of conversion into stocks or marketable securities (other than loan capital) of a company having a register in Ireland or into loan capital having such a right;
- (ii) they do not carry rights of the same kind as shares in the capital of the company, including rights such as voting rights, a share in the profits or a share in the surplus upon liquidations;
- (iii) they are issued for a price which is not less than 90 per cent. of the nominal value; and

- (iv) they do not carry a right to a sum in respect of repayment or interest which is related to certain movements in an index or indices specified in any instrument or other document relating to such loan capital.

United Kingdom taxation

The following comments are a general summary of the Issuer's understanding of current law and HM Revenue & Customs ("HMRC") published practice in the United Kingdom relating only to United Kingdom withholding tax on payments of principal and interest in respect of Notes as at the date of this Prospectus. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The comments apply only to persons who are the beneficial owners of Notes and may not apply to certain classes of persons such as dealers or certain professional investors. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders should be aware that the particular terms of issue of any Series of Notes may affect the tax treatment.

The following is a general guide and is not intend to be exhaustive. Any prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be 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 listed on the UK Listing Authority's Official List and admitted to trading on the London Stock Exchange. Notes to be traded on a recognised stock exchange outside the United Kingdom will be treated as listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange and they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. Provided, therefore, that the Notes are and remain listed on a recognised stock exchange, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing intended to be capable of remaining outstanding for more than 364 days. HMRC issued a consultation document on 27 March 2012 entitled "Possible changes to income tax rules on interest", in which HM Government has invited views on repealing this exemption from the obligation to withhold or deduct for or on account of United Kingdom income tax.

If Notes are issued at a discount to their principal amount, any such discount element should not constitute interest and so should not be subject to any United Kingdom withholding tax. If Notes are redeemed at a premium to their principal amount (as opposed to being issued at a discount) then, depending on the circumstances, such a premium may constitute a payment of interest for United Kingdom tax purposes and hence, subject to the exemptions described above, be subject to United Kingdom withholding tax. In these circumstances, an amount must generally be withheld on account of United Kingdom income tax at the basic rate (currently 20 per cent.) from payments of interest on the Notes.

In other cases, an amount must generally be withheld from any payments of United Kingdom source interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to

pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Other rules relating to United Kingdom withholding tax

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to “**interest**” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

The above description of the United Kingdom withholding tax position does not consider the tax consequences of any substitution of the relevant Issuer as provided by Condition 11(c).

Provision of information

In certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who is an individual who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 or receives such amounts for the benefit of another person who is an individual, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2013. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

European Union Savings Tax Directive

The Savings Directive requires Member States to provide to the tax authorities of other Member State details of payments of interest and other similar income paid by a person established within its jurisdiction (or for the benefit of) an individual or certain other persons in that other Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (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) unless during such period they elect otherwise.

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. See “EU Directive on the taxation of savings income” in “Risk Factors”.

Jersey taxation

The following summary of the anticipated tax treatment in Jersey of the Issuer and holders of Notes (other than residents of Jersey) is based on Jersey taxation law as it is understood to apply at the date of this Prospectus. It does not constitute legal or tax advice. Prospective Noteholders should consult their professional advisers on the implications of acquiring, buying, holding, selling or otherwise disposing of Notes under the laws of the jurisdictions in which they may be liable to taxation. Noteholders should be aware that tax rules and practice and their interpretation may change.

Income tax

The Issuer

Under the Income Tax (Jersey) Law 1961, as amended (the “**Jersey Income Tax Law**”), the Issuer will be regarded as either:

- (i) not resident in Jersey under article 123(1) of the Jersey Income Tax Law provided that (and for so long as) it satisfies the conditions set out in that provision, in which case the Issuer will not (except as noted below) be liable to Jersey income tax; or

- (ii) resident in Jersey under article 123C of the Jersey Income Tax Law, in which case the Issuer (being neither a financial services company nor a specified utility company under the Jersey Income Tax Law at the date hereof) will (except as noted below) be subject to Jersey income tax at a rate of 0 per cent.

The Issuer conducts its affairs so as to fall within paragraph (i) above.

If the Issuer derives any income from: (i) the ownership, exploitation or disposal of land in Jersey; or (ii) the importation and supply of hydrocarbon oil into Jersey, such income will be subject to tax at the rate of 20 per cent. It is not expected that the Issuer will derive any such income.

Holders of Notes

Noteholders (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of Notes. Save as described below, the Issuer will be entitled to pay interest on Notes without any withholding or deduction for or on account of Jersey tax.

As part of an agreement reached in connection with the Savings Directive, and in line with steps taken by other relevant third countries, Jersey has introduced a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in a Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in a Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Department of the States of Jersey (being the predecessor to the Chief Minister's Department of the States of Jersey).

Based on these provisions and what is understood to be the current practice of the Jersey tax authorities, the Issuer would not be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

Goods and services tax

The Issuer is an "international services entity" for the purposes of the Goods and Services Tax (Jersey) Law 2007 (the "GST Law"). Consequently, the Issuer is not required to:

- (i) register as a taxable person pursuant to the GST Law;
- (ii) charge goods and services tax in Jersey in respect of any supply made by it; or
- (iii) subject to limited exceptions that are not expected to apply to the Issuer, pay goods and services tax in Jersey in respect of any supply made to it.

Stamp duty

No stamp duty is payable in Jersey on the issue or *inter vivos* transfer of Notes.

Upon the death of a Noteholder a grant of probate or letters of administration will generally be required to transfer the Notes held by a deceased person, except that where the deceased person was domiciled outside of Jersey at the time of death, the Issuer may (at its discretion) dispense with this requirement where the value of the deceased's movable estate in Jersey does not exceed £10,000.

Upon the death of a Noteholder, Jersey stamp duty will be payable on the registration in Jersey of a grant of probate or letters of administration, which will be required in order to transfer or otherwise deal with:

- (i) (where the deceased person was domiciled in Jersey at the time of death) the deceased person's personal estate wherever situated (including any Notes) if the net value of such personal estate exceeds £10,000; or
- (ii) (where the deceased person was domiciled outside of Jersey at the time of death) the deceased person's personal estate situated in Jersey (including any Notes) if the net value of such personal estate exceeds £10,000.

The rate of stamp duty payable is:

- (i) (where the net value of the deceased person's relevant personal estate does not exceed £100,000) 0.50 per cent. of the net value of the deceased person's relevant personal estate; or
- (ii) (where the net value of the deceased person's relevant personal estate exceeds £100,000) £500 for the first £100,000 plus 0.75 per cent. of the net value of the deceased person's relevant personal estate which exceeds £100,000.

In addition, application and other fees may be payable.

CLEARING AND SETTLEMENT

Following their delivery into a clearing system, interests in Notes may be delivered, held and settled in CREST by means of the creation of CDIs representing the interests in the relevant Underlying Notes. The CDIs will be issued by the CREST Depository to CDI Holders and will be governed by English law.

The CDIs will represent indirect interests in the interest of the CREST Nominee in the Underlying Notes. Pursuant to the CREST Manual (as defined below), Notes held in global form by the Common Depositary may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities, constituted under English law which may be held and transferred through CREST.

Interests in the Underlying Notes will be credited to the CREST Nominee's account with Euroclear and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated by the CREST Depository as if it were one Underlying Note, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to CDI Holders any interest or other amounts received by it as holder of the Underlying Notes on trust for such CDI Holder. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Notes and other relevant notices issued by the Issuer.

Transfers of interests in Underlying Notes by a CREST participant to a participant of Euroclear or Clearstream, Luxembourg will be effected by cancellation of the CDIs and transfer of an interest in such Underlying Notes to the account of the relevant participant with Euroclear or Clearstream, Luxembourg.

The CDIs will have the same ISIN as the ISIN of the Underlying Notes and will not require a separate listing on the Official List.

Prospective subscribers for Notes represented by CDIs are referred to Chapter 3 of the CREST Manual which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer including the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual)) executed by the CREST Depository. These rights may be different from those of holders of Notes which are not represented by CDIs.

If issued, CDIs will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service. The settlement of the CDIs by means of the CREST International Settlement Links Service has the following consequences for CDI Holders:

- (i) CDI Holders will not be the legal owners of the Underlying Notes. The CDIs are separate legal instruments from the Underlying Notes to which they relate and represent an indirect interest in such Underlying Notes.
- (ii) The Underlying Notes themselves (as distinct from the CDIs representing indirect interests in such Underlying Notes) will be held in an account with a custodian. The custodian will hold the Underlying Notes through a clearing system. Rights in the Underlying Notes will be held through custodial and depository links through the appropriate clearing systems. The legal title to the Underlying Notes or to interests in the Underlying Notes will depend on the rules of the clearing system in or through which the Underlying Notes are held.
- (iii) Rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositories and custodians described above. The enforcement of rights under the Underlying Notes will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Notes are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Notes. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Notes held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

- (iv) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST Manual and the CREST Rules and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (v) Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.
- (vi) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of potential investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from CREST at 33 Cannon Street, London EC4M 5SB or by calling +44 (0) 207 849 0000 or from the CREST website at www.euroclear.com/site/public/EUI.
- (vii) Potential investors should note CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the CDI's through the CREST International Settlement Links Service.
- (viii) Potential investors should note that none of the Issuer, the Joint Arrangers, the Dealers, the Trustee, the Issuing and Paying Agent or their respective advisers will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.
- (ix) Potential investors should note that Notes issued in temporary global form exchangeable for a permanent Global Note will not be eligible for CREST settlement as CDIs. As such, investors investing in the Underlying Notes through CDIs will only receive the CDIs after such temporary Global Note is exchanged for a permanent Global Note, which could take up to 40 days after the issue of the Notes.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than €100,000 (or its equivalent in another currency):

Final Terms dated ●
Beazley plc
Issue of ●
under the £250,000,000
Euro Medium Term Note Programme

Part A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated ● 2012 [and the supplement(s) to it dated ●] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Base Prospectus**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. However, a summary of the issue of the Notes is annexed to these Final Terms. The Base Prospectus has been published [on the Issuer’s website].

- | | | |
|-----|--|---|
| 1. | Issuer: | Beazley plc |
| 2. | [(i)] Series Number: | ●] |
| | [(ii)] Tranche Number: | ●] |
| 3. | Specified Currency or Currencies: | ● |
| 4. | Aggregate Nominal Amount: | |
| | [(i)] Series: | ●] |
| | [(ii)] Tranche: | ●] |
| 5. | Issue Price: | ● per cent. of the Aggregate Nominal Amount [plus accrued interest from ●] |
| 6. | (i) Specified Denominations: | ● |
| | (ii) Calculation Amount: | ● |
| 7. | (i) Issue Date: | ● |
| | (ii) Interest Commencement Date: | [●/Issue Date/Not Applicable] |
| 8. | Maturity Date: | [●/Interest Payment Date falling in or nearest to ●] |
| 9. | Interest Basis: | [● per cent. Fixed Rate]
[● +/- ● per cent. Floating Rate]
[Zero Coupon]
[(further particulars specified in ● and ● below)] |
| 10. | Redemption Basis: | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount. |
| 11. | Change of Interest Basis: | [Applicable/Not Applicable] |
| 12. | Put/call options: | [Investor Put]
[Issuer Call]
[(further particulars specified in ● and ● below)] |
| 13. | Date of [Board] approval for issuance of Notes obtained: | ● [and ●, respectively] |

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 in arrear on each Interest Payment Date
- [(ii) Interest Payment Date(s): ● in each year
- [(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 in relation to Early Redemption:]] [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]

15. Floating Rate Note Provisions

[Applicable/Not Applicable]

- [(i) Interest Period(s): ●
- [(ii) Specified Interest Payment Dates: [● in each year, subject to adjustment in accordance with the Business Day Convention set out in (v) below]
- [(iii) First Interest Payment Date: ●
- [(iv) Interest Period Date: ●
- [(v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
- [(vi) Business Centre(s): ●
- [(vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- [(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Issuing and Paying Agent): ●
- [(ix) Screen Rate Determination:
 - Reference Rate: ●
 - Interest Determination Date(s): ●
 - Relevant Screen Page: ●
- [(x) ISDA Determination:
 - Floating Rate Option: ●
 - Designated Maturity: ●
 - Reset Date: ●
 - ISDA Definitions: 2006
- [(xi) Margin(s): [+/-]● per cent. per annum
- [(xii) Minimum Rate of Interest: ● per cent. per annum
- [(xiii) Maximum Rate of Interest: ● per cent. per annum
- [(xiv) Day Count Fraction: ●]

- 16. Zero Coupon Note Provisions** [Applicable/Not Applicable]
- [(i) Amortisation Yield: ● per cent. per annum
- (ii) Day Count Fraction in relation to Early Redemption: [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
- (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: ● per Calculation Amount
- (iii) Notice period: ●]

- 19. Final Redemption Amount of each Note** ● per Calculation Amount

- 20. 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
[[Par] per Calculation Amount]

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:**
Global Certificate exchangeable for definitive Certificate only upon an Exchange Event.
- 22. Financial Centre(s):** [Not Applicable/●]

**23. Talons for future Coupons to be [No/Yes]
attached to Definitive Notes (and
dates on which such Talons mature):**

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 Beazley plc:

By:

Duly authorised

Part B – OTHER INFORMATION

1. **Listing and admission to trading** [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on London Stock Exchange plc's Regulated Market with effect from ●.] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on London Stock Exchange plc's Regulated Market with effect from ●.] [Not Applicable.]

2. **Ratings**
Ratings: [[The Notes to be issued [are not/have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:
[Standard & Poor's: ●]
[Moody's Investor Services Limited: ●]
[Fitch Ratings Limited: ●]
[AM Best: ●]

3. **[Interests of natural and legal persons involved in the issue/offer]**
[Save as discussed in "Subscription and Sale" in relation to the commission to be paid to the Dealers,] so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue/offer, including conflicting interests. / So far as the Issuer is aware, the following persons have an interest material to the issue/offer: ●]

4. **Reasons for the offer, estimated net proceeds and total expenses**
Reasons for the offer: ●
Estimated net proceeds: ●
Estimated total expenses: ●

5. **[Fixed Rate Notes only – yield]**
Indication of yield: [The yield in respect of this issue of Fixed Rate Notes is calculated on the basis of the Issue Price using the following formula:
$$= \frac{C}{r} (1 - (1 + r)^{-n}) + A(1 + r)^{-n}$$

where:
P is the Issue Price of the Notes;
C is the Interest Amount;
A is the principal amount of Notes due on redemption;
n is time to maturity in years; and
r is the yield.
Calculated as ● on the Issue Date. Yield is not an indication of future price.]

6. **[Floating Rate Notes only – Historic interest rates]**
Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]

7. **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/●]

Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	●
8. Distribution	
(i) Names and addresses of underwriters and underwriting commitments:	[Not Applicable/●]
(ii) Date of underwriting agreement:	●
(iii) Material features of underwriting agreement, including quotas:	●
(iv) Portion of issue/offer not covered by underwriting commitments:	●
(v) Stabilising Manager(s) if any:	[Not Applicable/●]
(vi) Indication of the overall amount of the underwriting commission and of the placing commission:	● per cent. of the Aggregate Nominal Amount
(vii) US Selling Restrictions (Categories of potential investors to which the Notes are offered):	[Reg. S Compliance Category [2]; [TEFRA C/TEFRA D/TEFRA not applicable]]
(viii) Public Offer:	[Not Applicable] [An offer of the Notes may be made by the Managers [and ●] other than pursuant to Article 3(2) of the Prospectus Directive in ● (“ Public Offer Jurisdictions ”) during the period from ● until ● (“ Offer Period ”). ●
9. Terms and conditions of the offer	
Offer Price:	[Issue Price] ●]
Conditions to which the offer is subject:	[Not Applicable/●]
Description of the application process:	[Not Applicable/●]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/●]
Details of the minimum and/or maximum amount of application:	[Not Applicable/●]
Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/●]
Manner in and date on which results of the offer are to be made public:	[Not Applicable/●]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/●]
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/●]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:

[Not Applicable/●]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser:

[Not Applicable/●]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:

[None/●]

Annex – Form of Issue Specific Summary

(Issuer to annex form of issue specific summary to the Final Terms)

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least €100,000 (or its equivalent in another currency):

**Final Terms dated ●
Beazley plc
Issue of ●
under the £250,000,000
Euro Medium Term Note Programme**

Part A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated ● 2012 [and the supplement(s) to it dated ●] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. However, a summary of the issue of the Notes is annexed to these Final Terms. The Base Prospectus has been published [on the Issuer’s website].

- | | | |
|-----|--|---|
| 1. | Issuer: | Beazley plc |
| 2. | [(i)] Series Number: | ● |
| | [(ii)] Tranche Number: | ● |
| 3. | Specified Currency or Currencies: | ● |
| 4. | Aggregate Nominal Amount of Notes: | |
| | [(i)] Series: | ●] |
| | [(ii)] Tranche: | ●] |
| 5. | Issue Price: | ● per cent. of the Aggregate Nominal Amount [plus accrued interest from ●] |
| 6. | (i) Specified Denominations: | ● |
| | (ii) Calculation Amount: | ● |
| 7. | (i) Issue Date: | ● |
| | (ii) Interest Commencement Date | [●/Issue Date/Not Applicable] |
| 8. | Maturity Date: | [●/Interest Payment Date falling on or nearest to ●] |
| 9. | Interest Basis: | [● per cent. Fixed Rate]
[● +/- ● per cent. Floating Rate]
[Zero Coupon]
[(further particulars specified in ● and ● below)] |
| 10. | Redemption/Payment Basis: | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount. |
| 11. | Change of Interest Basis: | [Applicable/Not Applicable] |
| 12. | Put/Call Options: | [Investor Put]
[Issuer Call]
[(further particulars specified in ● and ● below)] |
| 13. | Date of [Board] approval for issuance of Notes obtained: | ● [and ●, respectively] |

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 in arrear on each Interest Payment Date]
 - [(ii) Interest Payment Date(s): ● in each year]
 - [(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: [30/360 / Actual/Actual (ICMA) / include any other option from the Conditions]
 - [(vi) [Determination Dates: ● in each year]]
- 15. Floating Rate Note Provisions** [Applicable/Not Applicable]
- [(i) Interest Period(s): ●]
 - [(ii) Specified Interest Payment Dates: [● in each year, subject to adjustment in accordance with the Business Day Convention set out in (v) below]
 - [(iii) First Interest Payment Date: ●]
 - [(iv) Interest Period Date: ●]
 - [(v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention]
 - [(vi) Business Centre(s): ●]
 - [(vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
 - [(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Issuing and Paying Agent): ●]
 - [(ix) Screen Rate Determination:
 - Reference Rate: ●
 - Interest Determination Date(s): ●
 - Relevant Screen Page: ●
 - [(x) ISDA Determination:
 - Floating Rate Option: ●
 - Designated Maturity: ●
 - Reset Date: ●
 - ISDA Definitions 2006
 - [(xi) Margin(s): [+/-] ● per cent. per annum
 - [(xii) Minimum Rate of Interest: ● per cent. per annum
 - [(xiii) Maximum Rate of Interest: ● per cent. per annum
 - [(xiv) Day Count Fraction: ●]
- 16. Zero Coupon Note Provisions** [Applicable/Not Applicable]
- [(i) Amortisation Yield: ● per cent. per annum]
 - [(ii) Day Count Fraction in relation to Early Redemption: [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
 - (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: ● per Calculation Amount
 - (iii) Notice period: ●
- 19. Final Redemption Amount of each Note** [Par] per Calculation Amount
- 20. Early Redemption Amount** [● per Calculation Amount]
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:

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:**
 Global Certificate exchangeable for definitive Certificate only upon an Exchange Event
- 22. Financial Centre(s):** [Not Applicable/●]
- 23. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [No/Yes]

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 Beazley plc:

By:

Duly authorised

Part B – OTHER INFORMATION

1. Listing and admission to trading

(i) Admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on London Stock Exchange plc's Regulated Market with effect from ●.]
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on London Stock Exchange plc's Regulated Market with effect from ●.] [Not Applicable.]

2. Ratings

Ratings:

[[The Notes to be issued [are not/have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:

[Standard & Poor's: ●]
[Moody's Investor Services Limited: ●]
[Fitch Ratings Limited: ●]
[AM Best: ●]

3. [Interests of natural and legal persons involved in the issue/offer]

[Save as discussed in "Subscription and Sale" in relation to the commission to be paid to the Dealers,] so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue/offer, including conflicting interests. / So far as the Issuer is aware, the following persons have an interest material to the issue/offer: ●]

4. Reasons for the offer, estimated net proceeds and total expenses

Reasons for the offer: ●
Estimated net proceeds: ●
Estimated total expenses: ●

5. [Fixed Rate Notes- yield

Indication of yield:

[The yield in respect of this issue of Fixed Rate Notes is calculated on the basis of the Issue Price using the following formula:

$$= \frac{C}{r} (1 - (1 + r)^{-n}) + A(1 + r)^{-n}$$

where:

P is the Issue Price of the Notes;

C is the Interest Amount;

A is the principal amount of Notes due on redemption;

n is time to maturity in years; and

r is the yield.

Calculated as ● on the Issue Date. Yield is not an indication of future price.]

6. [Floating Rate Notes – *Historic interest rates*

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]

7. 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/●]

Annex – Form of Issue Specific Summary

(Issuer to annex form of issue specific summary to the Final Terms)

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 31 August 2012 (the “**Dealer Agreement**”) between the Issuer, the Permanent Dealers and the Joint Arrangers, 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 Joint Arrangers for their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

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

Notes may be offered by the Issuer or the Dealers to any investors, subject to the restrictions described below.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year 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 and regulations thereunder.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Issuing and Paying Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, 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.

In addition, until 40 days after the commencement of the offering, 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.

United Kingdom

Each Dealer has represented and agreed that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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 FSMA by the Issuer;

- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA would not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Jersey

Each Dealer has represented and agreed that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as contemplated by the final terms in relation thereto in Jersey, save to the extent that such Dealer is authorised, or otherwise permitted, to do so pursuant to the Financial Services (Jersey) Law 1998.

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 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:

- (i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (iii) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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
- (iv) 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 (ii) to (iv) 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.

In this provision and in this Prospectus generally, 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 Relevant Member State by any measure implementing the Prospectus Directive in that Member State; 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 each Relevant Member State; and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

Guernsey

Each Dealer has represented and agreed that:

- (i) the Notes cannot be marketed, offered or sold in or to persons resident in Guernsey other than in compliance with the licensing requirements of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended, and the regulations enacted thereunder, or any exemption therefrom;
- (ii) this Prospectus has not been approved or authorised by the Guernsey Financial Services Commission for circulation in Guernsey; and
- (iii) this Prospectus may not be distributed or circulated, directly or indirectly, to any persons in the Bailiwick of Guernsey other than:
 - (a) by a person licensed to do so under the terms of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended; or
 - (b) to those persons regulated by the Guernsey Financial Services Commission as licensees under the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended, the Banking Supervision (Bailiwick of Guernsey) Law 1994, the Insurance Business (Bailiwick of Guernsey) Law 2002 or the Regulation of Fiduciaries, Administration Business and Company Directors etc. (Bailiwick of Guernsey) Law 2000.

Isle of Man

Each Dealer has represented and agreed that the Notes cannot be marketed, offered or sold in, or to persons resident in, the Isle of Man, other than in compliance with the licensing requirements of the Isle of Man Financial Services Act 2008 and the Regulated Activities Order 2011 or any exemption therefrom.

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.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms therefore in all cases at its own expense.

GENERAL INFORMATION

Listing of the Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Note or one or more Certificates in respect of each Tranche. The listing of the Programme in respect of Notes is expected to be granted on or about 5 September 2012, although there can be no assurance that the application for listing will be accepted. 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 Regulated Market will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Notes may be issued pursuant to the Programme.

Authorisation

The establishment of the Programme has been duly authorised by resolutions of the Board of Directors of the Issuer dated 12 July 2012 and resolutions of a duly constituted committee of the Board of Directors of the Issuer dated 30 August 2012.

Significant or material change

There has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2012 and there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2011.

Litigation

Neither the Issuer nor or any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have had, or has had in the recent past, a significant effect on the financial position or profitability of the Issuer or the Group.

Bearer Notes having a maturity of more than one year

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".

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). Interests in the Notes may also be held through CREST through the issuance of CDIs representing the Underlying Notes. The appropriate Common Code and International Securities Identification Number (ISIN) for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking *société anonyme*, 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB. The address of any alternative clearing system will be specified in the applicable Final Terms.

Documents available for inspection

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer:

- (a) the Memorandum and Articles of Association of the Issuer;

- (b) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2010 and 2011, in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;
- (c) the most recently published interim financial statements (if any) of the Issuer, together with any audit or review reports prepared in connection therewith. The Issuer currently prepares consolidated interim accounts on a six monthly basis;
- (d) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons) and the Agency Agreement;
- (e) a copy of this Prospectus;
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Prospectus and any other documents incorporated herein or therein by reference; and
- (g) in the case of each issue of Notes admitted to trading on the Regulated Market subscribed for pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Auditors

The financial statements of the Issuer have been audited without qualification for the financial periods ended 31 December 2010 and 31 December 2011 by KPMG, Chartered Accountants and Registered Auditors and a member of the Institute of Chartered Accountants in Ireland, of 1 Harbourmaster Place, International Financial Services Centre, Dublin 1, Ireland.

Dealers transacting with the Issuer

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 for, the Issuer and its affiliates in the ordinary course of business.

Conditions for determining price

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions. The issue price for each Tranche will be specified in the applicable Final Terms.

Yield

The yield in respect of this issue of any Fixed Rate Notes will be calculated on the basis of the Issue Price using the following formula:

$$= \frac{C}{r} (1 - (1+r)^{-n}) + A(1+r)^{-n}$$

where:

P is the Issue Price of the Notes;

C is the Interest Amount;

A is the principal amount of Notes due on redemption;

n is time to maturity in years; and

r is the yield.

As an example, if an investor knows that the redemption amount is 100 per cent. and the Interest Amount is five per cent. and wishes to calculate the yield on a Note with an Issue Price of 99.81 per cent. and a time to maturity of three years, i.e. as per the following:

$$99.81 = \frac{5}{r} (1 - (1+r)^{-3}) + 100 (1+r)^{-3}$$

then a first estimate of $r = 5.05$ would show an issue price of 99.864 as per the following:

$$\frac{5}{0.0505} (1 - (1+0.0505)^{-3}) + 100(1+0.0505)^{-3} = 99.864$$

A second estimate of $r = 5.07$ would show that the right amount had been found as follows:

$$\frac{5}{0.0507} (1 - (1+0.0507)^{-3}) + 100(1+0.0507)^{-3} = 99.81$$

Material contracts

The following is a summary of each contract (not being a contract entered into in the ordinary course of the Issuer's business) that has been entered into by the Issuer or any member of the Group which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to security holders in respect of the Notes:

Amended and restated stand-by letter of credit facility and multi-currency revolving credit facility

On 11 October 2010, Beazley plc as parent and original borrower, Beazley Underwriting Limited and Beazley Staff Underwriting Limited as account parties and Beazley plc, Beazley Group Limited, Beazley Furlonge Holdings Limited, Beazley Holdings, Inc., Beazley Management Limited and Beazley Re Limited as original guarantors entered into an agreement for a standby letter of credit and revolving credit facility agreement arranged by Barclays Bank plc, Commerzbank Aktiengesellschaft, Lloyds TSB Bank plc and The Royal Bank of Scotland plc as arrangers, with Lloyds TSB Bank plc as bookrunner and agent and Lloyds TSB Bank plc, Commerzbank Aktiengesellschaft, Filiale Luxemburg and National Westminster Bank plc as original lenders (as amended pursuant to an amendment agreement dated 21 July 2011).

The total commitments under the facility were originally US\$150 million. Pursuant to the amendment agreement dated 21 July 2011, the total commitments were increased to US\$225 million.

The facility is granted for:

- i) in respect of each revolving advance only, the general corporate purposes of the Group and not for enabling funds at Lloyd's to be provided for the account parties or any other member of the Group;
- ii) refinancing a £100 million standby letter of credit and multicurrency revolving credit facilities agreement dated 26 November 2007; and
- iii) in respect of each letter of credit only, enabling funds at Lloyd's to be provided for the account parties for the 2011, 2012, 2013 and, in some circumstances, 2014 underwriting years of account.

The facility is available for drawing by way of multiple drawings on a revolving basis and in multiple currencies. There is the option for letters or credit to be issued under the facility. Letters of credit are available for issue until 31 December 2012 and, in some circumstances, 31 December 2013 and each letter of credit shall terminate no later than 31 December 2016. Revolving advances are available until one month prior to the revolving termination date, which is 11 October 2014.

The rate of interest, in relation to revolving advances, is 1.75 per cent. per annum above LIBOR and any mandatory regulatory costs. In respect of each letter of credit requested under the facility, a letter of credit commission in sterling is payable at the rate of 0.40 per cent. per annum in relation to any part of a letter of credit that has been cash collateralised and 1.75 per cent. per annum in relation to any part of a letter of credit that has not been cash collateralised, on the maximum actual and contingent liabilities of the banks under the relevant letter of credit.

The facility is currently unutilised.

US\$18 million subordinated loan notes

In November 2004, Beazley Group Limited issued US\$18 million in subordinated loan notes pursuant to a trust deed with JPMorgan Chase Bank, N.A. The notes are unsecured and interest is payable quarterly in arrear on 26 February, 26 May, 26 August and 26 November in each year. The notes are to be redeemed by Beazley Group Limited at their principal amount on 26 November 2034. The subordinated notes may be redeemed at the option of Beazley Group Limited in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the noteholders, provided that there are certain tax reasons. Beazley Group Limited may on giving no less than 30 nor more than 60 days' irrevocable notice to the noteholders, redeem the subordinated notes in whole or in part, from time to time, on any Interest Payment Date falling on or after 26 November 2009 at a price equal to 100 per cent. of the original principal amount of the subordinated notes to be redeemed together with accrued interest. The notes have been rated bbb by AM Best.

£150 million subordinated loan notes

On 17 October 2006, Beazley Group Limited issued £150 million in subordinated loan notes pursuant to a trust deed with HSBC Trustee (C.I.) Limited. The notes bear interest at the rate of 7.25 per cent. per annum, payable annually in arrear, in respect of each year from 17 October 2006 to the first call date (17 October 2016) and thereafter at a rate of 3.28 per cent. above LIBOR, payable quarterly in arrear. The maturity date is the interest payment date falling on or nearest to 17 October 2026. In May 2012, Beazley Group Limited conducted a tender offer in respect of the notes and accepted for purchase an aggregate principal amount of notes of £30,007,000. The principal amount outstanding under such notes is £119,993,000. The notes been rated BBB- by Standard & Poor's and bbb by AM Best.

INDEX OF TERMS

€	iv
£	iv
2010 PD Amending Directive	105
Agency Agreement	36
Alternative Clearing System	55
AM Best.....	i
Authorised Offeror	ii
Bank	47
Base Prospectus.....	89, 97
Bearer Notes	6, 36
Beazley	i
Beazley Syndicates	20
BICI	20
business day	37, 42, 49
C Rules	7
Calculation Agent	39
Calculation Agent(s)	36
Calculation Period	42
CDI Holders	31
CDIs.....	i, 30
Central Fund.....	26
Certificate	i
Certificates	36
CID	80
Clearing System Business Day.....	57
Clearstream, Luxembourg	i
Common Depositary.....	i
Conditions.....	36
Couponholders.....	36
Coupons.....	36
CRA Regulation	i
CREST.....	i
CREST Deed Poll.....	i
CREST Depository	i
CREST International Settlement Links Service	31
CREST Manual	31
CREST Nominee	31
CREST Rules.....	31
D Rules	7
Day Count Fraction	42
Dealer Agreement	103
Dealers	5
Definitive Notes	56
Designated Maturity	39
Determination Date	44
Determination Period	44
euro	iv
Euro-zone.....	44
Euroclear.....	i
Events of Default.....	50
Exchange Date.....	56
Exercise Notice	47
FATCA.....	30
FCA	24
FFI.....	30
Final Terms.....	6
Financial Centres	49

Financial Instruments and Exchange Act.....	104
Floating Rate.....	39
Floating Rate Option.....	39
FSA.....	i
funds at Lloyd's.....	26
Global Certificate.....	55
Global Certificates.....	6
Global Notes.....	i
GST Law.....	85
HMRC.....	83
holder.....	37
interest.....	50
Interest Accrual Period.....	44
Interest Amount.....	44
Interest Commencement Date.....	45
Interest Determination Date.....	45
Interest Period.....	45
Interest Period Date.....	45
Investor.....	ii
Investor's Currency.....	16, 31
IRS.....	30
ISDA Definitions.....	45
ISDA Rate.....	39
ISIN.....	6
Issue Date.....	36
Issuer.....	i
Jersey Income Tax Law.....	84
Lloyd's.....	iv
London Stock Exchange.....	i
Managed Syndicates.....	64
Markets in Financial Instruments Directive.....	i
NAIC.....	79
Noteholder.....	37
Notes.....	i
NRRA.....	79
offer of Notes to the public.....	105
Offer Period.....	1, 94
Official List.....	i
Participating FFI.....	30
Paying Agents.....	36
Permanent Dealers.....	5
permanent Global Note.....	i
PRA.....	24
principal.....	50
Proceedings.....	54
Programme.....	i
Prospectus.....	i
Prospectus Directive.....	i, 97
Public Offer.....	ii, 104
Public Offer Jurisdictions.....	1
Rate of Interest.....	45
Record Date.....	48
Reference Banks.....	45
Reference Rate.....	45
Register.....	36
Registered Notes.....	6, 36
Registrar.....	36
Regulated Market.....	i
Relevant Date.....	50

Relevant Implementation Date.....	104
Relevant Indebtedness	38
Relevant Member State	104
Relevant Screen Page.....	45
Relevant Territory	81
Reset Date	39
Responsible Person	ii
Rules	ii
Savings Directive.....	29
Securities Act	iii
Series	6
Solvency II	26
Specified Currency	45
Stabilising Manager(s)	iv
Standard & Poor's	i
sterling.....	iv
Subsidiary	38
Swap Transaction	39
Syndicate 6107	21
Syndicate 623	21
Talons	36
TARGET Business Day	42
TARGET System.....	45
TEFRA	7
temporary Global Note	i
Tranche	6, 36
Transfer Agents	36
Trust Deed	36
Trustee	36
UK Listing Authority	i
Underlying Notes.....	i, 30
unit.....	41
US dollars	iv
US Insurer	80
US\$	iv

THE ISSUER

Beazley plc

Head office:
2 Northwood Avenue
Northwood Park
Santry Demesne
Santry, Dublin 9
Ireland

Registered office:
22 Grenville Street
St Helier JE4 8PX
Jersey

JOINT ARRANGERS

Lloyds TSB Bank plc
10 Gresham Street
London EC2V 7AE
United Kingdom

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
United Kingdom

DEALERS

Lloyds TSB Bank plc
10 Gresham Street
London EC2V 7AE
United Kingdom

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
United Kingdom

TRUSTEE

U.S. Bank Trustees Limited
Fifth Floor
125 Old Broad Street
London EC2N 1AR
United Kingdom

ISSUING AND PAYING AGENT

Elavon Financial Services Limited, UK Branch
Fifth Floor
125 Old Broad Street
London EC2N 1AR
United Kingdom

REGISTRAR, PAYING AGENT AND TRANSFER AGENT

Elavon Financial Services Limited, Ireland Branch
Block E
Cherrywood Business Park
Loughlinstown
Dublin
Ireland

LEGAL ADVISERS

To the Issuer as to English law
Mayer Brown International LLP
201 Bishopsgate
London EC2M 3AF
United Kingdom

To the Dealers and the Trustee as to English law
Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

To the Issuer as to Jersey law

Mourant Ozannes
22 Grenville Street
St Helier JE4 8PX
Jersey

To the Issuer as to Irish law

William Fry
Fitzwilton House
Wilton Place
Dublin 2
Ireland

AUDITORS

KPMG
1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland