

IMPORTANT NOTICE

NOT FOR DISTRIBUTION OR TRANSMISSION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES.

IMPORTANT: You must read the following notice before continuing. The following notice applies to the attached final terms (the "Final Terms"), whether received by email, accessed from an internet page or otherwise received as a result of electronic communication and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Final Terms. In reading, accessing or making any other use of the Final Terms, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Final Terms, including any modifications made to them from time to time, each time you receive any information from us as a result of such access.

ANY OFFER OR SALE OF THE NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC (THE "PROSPECTUS DIRECTIVE") MUST BE FOR A MINIMUM PURCHASE PRICE OR MINIMUM CONSIDERATION OF AT LEAST US\$100,000 OR ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE).

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES DESCRIBED IN THE FINAL TERMS IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("REGULATION S")). THE NOTES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S. FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE "ADDITIONAL SELLING RESTRICTIONS" IN THE FINAL TERMS. THE FINAL TERMS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE FINAL TERMS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

To be eligible to view the Final Terms or make an investment decision with respect to or in connection with the Notes, (1) each prospective investor in respect of the Notes being offered outside of the United States in an offshore transaction pursuant to Regulation S must be a person other than a U.S. person and (2) in respect of any offer or sale of the Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive, each prospective investor must be a qualified investor (as defined in the Prospectus Directive) or the offer or sale of Notes to such prospective investor must be for a minimum purchase price or minimum consideration of at least US\$100,000 (a "Relevant Person"). By accepting the email and accessing, reading or making any other use of the attached Final Terms, you shall be deemed to have represented to BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc and The Royal Bank of Scotland plc (together, the "Managers"), being the sender of the attached, that (1) you are (or the person you represent is) a person other than a U.S. person, and that the electronic mail (or email) address to which, pursuant to your request, the Final Terms has been delivered by electronic transmission is utilised by a person other than a U.S. person, and (2) you are a Relevant Person and/or a person to whom the Final Terms may be delivered in accordance with the restrictions set out in the section of the Final Terms entitled "Additional Selling Restrictions".

The Final Terms has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Managers, Prudential plc (the "Issuer") as issuer of the Notes, any person who controls or is a director, officer, employee or agent of any Manager or the Issuer or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Final Terms distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You are reminded that the Final Terms has been delivered to you on the basis that you are a person into whose possession the Final Terms may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the Final Terms to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with any offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the bookrunners or any affiliate of the bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the bookrunners or such affiliate on behalf of the issuer in such jurisdiction.

Under no circumstances shall the Final Terms constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Notes, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Final Terms may only be communicated or caused to be communicated, in the United Kingdom to a person in the circumstances specified in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

The distribution of the Final Terms in certain jurisdictions may be restricted by law. Persons into whose possession the Final Terms comes are required by the Managers and the Issuer to inform themselves about, and to observe, any such restrictions.

FINAL TERMS



PRUDENTIAL

PRUDENTIAL PLC

(incorporated with limited liability in England and Wales under the Companies Act 1985 with registered number 139169)

Issue of USD750,000,000 Tier 1 Notes
under its

£5,000,000,000

Medium Term Note Programme

Series No: 16

Tranche No: 1

Issue Price: 100 per cent.

First Call Date: 23 December 2014

Joint Bookrunners

BNP PARIBAS

HSBC

Citi

The Royal Bank of Scotland

The date of this Final Terms is 2 July 2009

The Prospectus referred to below (as completed by this Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented Directive 2003/71/EC (the "Prospectus Directive") (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Manager has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Consolidated Terms and Conditions of the Notes set out in the Annex hereto (the "Conditions"), which are a consolidation of the further terms set out herein on pages 1 to 21 (the "Further Terms") and the terms and conditions set forth in the Terms and Conditions of Tier 1 Notes (the "Programme Conditions") set out in the prospectus (the "Prospectus") dated 3 December 2008 and the supplemental Prospectus (the "Supplemental Prospectus") dated 20 May 2009, which together constitute a base prospectus for the purposes of 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 Prospectus as so supplemented. This Final Terms shall be endorsed on Bearer Notes in accordance with the provisions of the Trust Deed. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Final Terms and the Prospectus and the Supplemental Prospectus. The Prospectus and the Supplemental Prospectus are available during normal business hours for viewing at, and copies may be obtained free of charge from, the registered office of the Issuer and the specified office of the Issue and Paying Agent for the time being in London. The Prospectus and the Supplemental Prospectus are also available on the London Stock Exchange's website at www.londonstockexchange.com.

An investor intending to acquire or acquiring any Notes from an offeror will do so, and offers and sales of the Notes to an investor by an offeror will be made, in accordance with any terms and other arrangements in place between such offeror and such investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with investors (other than Managers) in connection with the offer or sale of the Notes and, accordingly, the Final Terms will not contain such information and an investor must obtain such information from the offeror.

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| 1. | Issuer: | Prudential plc |
| 2. | (i) Series Number: | 16 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | US dollars (USD) |
| 4. | Aggregate Nominal Amount of Notes | |
| | – Tranche: | USD750,000,000 |
| | – Series: | USD750,000,000 |
| 5. | Issue Price of Tranche: | 100 per cent. of the Aggregate Nominal Amount |
| 6. | (i) Specified Denomination(s): | USD1,000 |

- (ii) Calculation Amount: USD1,000
7. Issue Date and Interest Commencement Date: 9 July 2009
8. Maturity Date: The Notes are perpetual securities and have no maturity date
9. (i) Interest Basis:
- (a) In respect of the period from (and including) the Issue Date to (but excluding) 23 December 2014 (the **First Period**), 11.75 per cent. Fixed Rate. The Rate of Interest is such rate per annum as is equal to the quarterly equivalent yield of the gross redemption yield on 2.625 per cent. US Treasury securities due June 2014 plus a margin of 9.23 per cent. per annum (the **Margin**); and
 - (b) in respect of each successive five-year period, the first such period commencing on (and including) 23 December 2014 and ending on (but excluding) the fifth anniversary of that date (the **Relevant Five-Year Period**), the Rate of Interest will be determined on each Coupon Determination Date as such rate per annum as is equal to the quarterly equivalent yield of the gross redemption yield as at or around 3 p.m. (London time) on such Coupon Determination Date on United States government securities with a five-year term as would be utilised at the time of selection in accordance with customary financial practice in pricing issues of corporate debt securities (the **US Treasury Benchmark Rate**) plus: (i) up to (but excluding) 23 December 2019, the Margin; and (ii) from (and including) 23 December 2019, the Step-Up Margin, where **Coupon Determination Date** means, in respect of a Relevant Five-Year Period, the fifth Business Day prior to 23 December 2014 and each fifth Business Day prior to the first day of the Relevant Five-Year Period thereafter,

all as further described below.

The gross redemption yield will be determined by the Issue and Paying Agent in accordance with customary financial practice.

- (ii) Settlement Basis of Current Tier 1 Notes Interest:

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| 10. | Redemption/Payment Basis: | Redemption at par, except on the occurrence of the event described in paragraph (b) of the definition of "Regulatory Event" prior to the First Call Date, in which case each USD1,000 in nominal amount of the Notes shall be redeemed at the Make Whole Redemption Price, in each case together with accrued interest to the Redemption Date and the aggregate amount of any Deferred Interest – see paragraph 23(b) below |
| 11. | Change of Interest Basis or Redemption/Payment Basis: | Not Applicable |
| 12. | Put/Call Options: | Issuer Call (further particulars specified below) |
| 13. | (i) Status of the Notes: | Tier 1 Notes |
| | (ii) Date of Board and Committee approval for issuance of Notes obtained | 10 June 2009 and 29 June 2009, respectively |
| 14. | Method of distribution: | Syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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| 15. | Fixed Rate Note Provisions: | Applicable in respect of the First Period and thereafter as set out in Condition 5 |
| | (i) Rate(s) of Interest: | 11.75 per cent. per annum payable quarterly in arrear |
| | (ii) Interest Payment Date(s): | 23 March, 23 June, 23 September and 23 December in each year from, and including, 23 September 2009 |
| | (iii) Fixed Coupon Amount(s): <i>(Applicable to Notes in definitive form)</i> | In respect of the First Period, USD29.38 per Calculation Amount |
| | (iv) Broken Amount(s): <i>(Applicable to Notes in definitive form)</i> | USD24.15 per Calculation Amount, payable on the Interest Payment Date falling on 23 September 2009 |
| | (v) Day Count Fraction: | 30/360 |
| | (vi) Determination Date(s): | Not Applicable |
| | (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: | Applicable in respect of each Relevant Five-Year Period – see paragraph 9(i)(b) above and more fully set out in Condition 5 of the Conditions |
| 16. | Floating Rate Note Provisions: | Not Applicable |
| 17. | Zero Coupon Notes Provisions: | Not Applicable |

(Senior Notes only)

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| 18. | Index Linked Interest Note Provisions/other variable-linked interest Note Provisions: | Not Applicable |
| 19. | Dual Currency Note Provisions: | Not Applicable |
| 20. | Step-Up Rate of Interest: | Applicable |
| | (i) Step-Up Margin: | 12.23 per cent. per annum |
| | (ii) Method of determination of Rate of Interest: | See paragraph 9(i)(b) above and Condition 5 of the Conditions |
| | (iii) Date from which Step-Up Rate of Interest is applicable: | From (and including) 23 December 2019 |
| 21. | Deferral of Payments: | Applicable |
| 22. | Interest Deferral Option: | Applicable, and amended as set out in Condition 4 |

PROVISIONS RELATING TO REDEMPTION

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| 23. | (a) Issuer Call: | Applicable |
| | (i) Optional Redemption Date(s): | Any Interest Payment Date on or after 23 December 2014 |
| | (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): | Par |
| | (iii) If redeemable in part: | Not Applicable – redeemable in whole only |
| | (iv) Notice period (if other than as set out in the Conditions): | As set out in Condition 7 |
| | (b) Issuer Call due to Regulatory Event: | Applicable |
- Clause (b) of the definition of Regulatory Event applies and, for the purposes of Condition 7.6, in the case of a Regulatory Event occurring prior to the First Call Date, the redemption shall be (i) at par if an event as set out in paragraph (a) of the definition of Regulatory Event has occurred and (ii) at a Make Whole Redemption Price if an event as set out in paragraph (b) of the definition of Regulatory Event has occurred, in each case, together with accrued interest to the Redemption Date and the aggregate amount of any outstanding Deferred Interest

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| | Notice period (if other than as set out in the Conditions): | As set out in Condition 7 |
| (c) | Issuer Call due to a Tax Event: | Applicable |
| | Notice period (if other than as set out in the Conditions): | As set out in Condition 7 |
| (d) | Issuer Call due to a Tax Call Event: | Applicable |
| | Notice period (if other than as set out in the Conditions): | As set out in Condition 7 |
| 24. | Investor Put: | Not Applicable |
| 25. | Final Redemption Amount: | Not Applicable |
| 26. | Early Redemption Amount(s) payable on redemption for taxation reasons (where applicable) or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): | Not Applicable |
| 27. | Make Whole Redemption Price: | See definition in Condition 17 of the Conditions |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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| 28. | Form of Notes: | |
| | (i) Form: | Bearer Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event |
| | (ii) New Global Note: | No |
| 29. | Additional Financial Centre(s) or other special provisions relating to Payment Days: | Not Applicable |
| 30. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | Yes |
| 31. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and the consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not Applicable |

32. Details relating to Instalment Notes: Not Applicable
33. Redenomination applicable: Redenomination not applicable
34. Other final terms: Not Applicable

DISTRIBUTION

35. (i) If syndicated, names and addresses of Managers and underwriting commitments:
- BNP Paribas – USD187,500,000**
10 Harewood Avenue
London NW1 6AA
- Citigroup Global Markets Limited – USD187,500,000**
Citigroup Centre, Canada Square
Canary Wharf, London E14 5LB
- HSBC Bank plc – USD187,500,000**
8 Canada Square
London E14 5HQ
- The Royal Bank of Scotland plc – USD187,500,000**
135 Bishopsgate
London EC2M 3UR
- (ii) Date of Subscription Agreement: 2 July 2009
- (iii) Stabilising Manager(s) (if any): Not Applicable
36. If non-syndicated, name of relevant Dealer: Not Applicable
37. Total commission and concession: 2 per cent. of the Aggregate Nominal Amount
38. Non-exempt Offer: Not Applicable
39. Additional selling restrictions: **Bahrain**
- Each of the Managers has represented and agreed that no public offer, private placement or other offer will be made in the Kingdom of Bahrain to subscribe for the Notes and this Final Terms may not be issued, passed, or made available to any person in the Kingdom of Bahrain.
- EEA**
- Each of the Managers has represented and agreed that it will not, directly or indirectly, offer and/or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction relating to the Notes, otherwise than in compliance with

the exceptions set out in:

- (i) Article 3(2)(a) (an offer addressed solely to qualified investors), and/or
- (ii) an offer of securities to investors for a consideration of at least US dollars 100,000 per investor, which thereby complies with Article 3(2)(c),

in each case of the Prospectus Directive as implemented in any relevant member state of the EEA, and all other applicable laws and regulations, and in circumstances which shall not result in a requirement for the publication by any person of a prospectus pursuant to Article 3 of Directive 2003/71/EC (the "Prospectus Directive") or a supplementary prospectus pursuant to Article 16 of the Prospectus Directive in relation to such offer of such Notes.

Hong Kong

Each of the Managers has represented and warranted that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, the Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere) any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Kuwait

Each of the Managers has represented and agreed that the Notes have not been and will not be offered, sold or promoted or advertised by it in the State of Kuwait other than in compliance with the Decree Law No. 31 of 1990, as amended, and various Ministerial Orders issued pursuant thereto.

No private or public offering of the Notes is being made in Kuwait, and no agreement relating to the sale of the Notes will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in Kuwait.

Lebanon

The Law n. 234 dated June 10, 2000 restricts marketing or promoting or offering or selling the Notes from being carried out by entities in Lebanon other than banks, financial institutions and financial intermediation institutions that are regulated by the Central Bank of Lebanon. Each of the Managers has represented and agreed that it is not a bank, financial institution or financial intermediation company which is regulated by the Central Bank of Lebanon.

Saudi Arabia

This Final Terms may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Saudi Arabian Capital Markets Authority. The Saudi Arabian Capital Markets Authority does not make any representation as to the accuracy or completeness of this document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial adviser.

Singapore (for Offers to Institutional Investors and other "relevant persons")

The offer of the Notes which is the subject of this Final Terms is not allowed to be made to the retail public in Singapore. Moreover, this Final Terms is not a prospectus as defined in the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, statutory liability under the SFA in relation to the

content of this Final Terms will not apply. You should consider carefully whether the investment is suitable for you.

As this Final Terms has not been and will not be lodged with or registered as a prospectus by the Monetary Authority of Singapore, this Final Terms and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

- (i) to an institutional investor pursuant to Section 274 of the SFA;
- (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or
- (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person who is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes under Section 275 of the SFA except:

- (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or

such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

- (2) where no consideration is given for the transfer; or
- (3) by operation of law.

By accepting this Final Terms, the recipient hereof represents and warrants that he is entitled to receive such document in accordance with the restrictions set forth above and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

Switzerland

Each Manager has represented and agreed that it shall ensure that any offer or on-selling into Switzerland is made on the basis of the Swiss Prospectus dated 2 July 2009.

UAE

Each Manager has confirmed and agreed that that this Final Terms, the Programme and the Notes have not been approved or licensed by the UAE Central Bank, the Dubai Financial Services Authority ("DFSA") or any other relevant authority in the United Arab Emirates, and do not constitute a public offer of securities in the United Arab Emirates in accordance with the Federal Law No. 8 of 1984 concerning Commercial Companies (as amended), the Dubai International Financial Centre ("DIFC") Markets Law 2004 or otherwise. For the purposes of the issuance and offering of the Notes, none of the Issuer, any Manager or the Trustee or any Noteholder has received any authorisation or licensing from the UAE Central Bank, the DFSA, the Securities and Commodities Authority ("SCA") or any other authority in the United Arab Emirates to market, offer or sell any securities within the United Arab Emirates.

This Final Terms is not intended to constitute an offer, sale or delivery of securities under the laws of the United Arab Emirates. The Programme and the Notes have not been and will not be registered under the Federal Law No. 4 of 2000 concerning the Emirates

Securities and Commodities Authority with the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market, the NASDAQ Dubai or with any other UAE exchange. No marketing of any financial products or services has been or will be made from within the United Arab Emirates and no subscription to any services, products or financial services may or will be consummated within the United Arab Emirates. Neither the Issuer nor the Managers or the Trustee is a licensed broker or dealer or investment adviser under the laws applicable in the United Arab Emirates, and does not advise individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or transacting in other financial products. Nothing contained in this Final Terms is intended to constitute United Arab Emirates investment, legal, tax, accounting or other professional advice. This Final Terms is for information only and nothing in this Final Terms is intended to endorse or recommend a particular course of action. Prospective investors should consult with an appropriate professional for specific advice in relation to their circumstances.

United States of America

1. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (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 accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager has represented and agreed that it has offered and sold any Notes, and will offer and sell any Notes (a) as part of their distribution at any time and (b) otherwise until 40 days after the completion of the distribution of all Notes, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Manager has further represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Manager who has purchased Notes hereunder shall

determine and certify to Citibank, N.A., in its capacity as issue and paying agent (the "Agent") the completion of the distribution of the Notes. On the basis of such notification or notifications, the Agent has agreed to notify such Manager of the end of the distribution compliance period with respect to the Notes. Each Manager also agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Manager or the Lead Manager, as the case may be, except in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in this paragraph 1 have the meanings given to them by Regulation S.

2. The Issuer and each Manager agree that bearer Notes with an initial maturity of more than one year will be issued in accordance with U.S. Treas. Reg. Section 1.163-5(c)(2)(I)(D) or U.S. Treas. Reg. Section 1.163-5(c)(2)(I)(C).
3. In addition, in respect of the Notes, which shall be in bearer form:
 - (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the "D Rules"), each Manager (i) represents that it has not offered or sold, and agrees that during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) represents that it has not delivered and agrees that it will not deliver within the United States or its

possessions definitive Notes in bearer form that are sold during the restricted period;

- (b) each Manager represents that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if it is a United States person, each Manager represents that it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6);
- (d) with respect to each affiliate that acquires Notes from a Manager for the purpose of offering or selling such Notes during the restricted period, such Manager repeats and confirms the representations and agreements contained in sub-paragraphs (a), (b) and (c) on such affiliate's behalf; and
- (e) each Manager agrees that it will obtain from any distributor (within the meaning of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(4)(ii)) that purchases any Notes from it pursuant to a written contract with such Manager (except a distributor that is one of its affiliates or is another Manager), for the benefit of the Issuer and any other relevant Manager, the representations contained in, and such distributor's agreement to comply with, the provisions of sub-clauses (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Manager hereunder.

Terms used in this paragraph 3 have the

meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

United Kingdom

Each Manager has represented and agreed that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

France

Each of the Managers and the Issuer has represented and agreed that:

- (a) it has only made and will only make an offer of Notes to the public (*appel public à l'épargne*) in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* (AMF), on the date of its publication or (ii) when a prospectus has been approved by

the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of the approval of the prospectus, all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or

- (b) otherwise it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the applicable Final Terms or any other offering material relating to the Notes, and such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended, the “FIEL”) and each Manager agrees that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (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 resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Prospectus and/or this Final Terms and, where applicable, the Swiss Prospectus, and will obtain any

consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer and any other Manager shall have any responsibility therefor.

None of the Issuer and any of the Managers has represented that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange's regulated market and admission to the Official List of the UK Listing Authority of the Notes described herein pursuant to the £5,000,000,000 Medium Term Note Programme of Prudential plc.

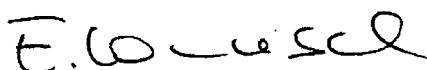
RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Final Terms.

Signed on behalf of the Issuer:

By:

Duly Authorised



Elisabeth Wenusch

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 the London Stock Exchange's regulated market and, if relevant, admission to the Official List of the UK Listing Authority with effect from 9 July 2009.

2. RATINGS

The Notes to be issued are expected to be rated:

| | |
|----------|------|
| S&P: | A- |
| Moody's: | Baa1 |
| Fitch: | A |

A rating, if specified, is not a recommendation to buy, sell or hold Notes and may be subject to suspension, modification or withdrawal at any time by the assigning rating agency.

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

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

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- | | |
|---------------------------------|---|
| (i) Reasons for the offer: | The proceeds will be used for general corporate purposes, including the repayment of existing indebtedness, whilst also counting towards the Issuer's Regulatory Capital Requirements |
| (ii) Estimated net proceeds: | USD750,000,000 |
| (iii) Estimated total expenses: | GBP4,140 |

5. YIELD

Indication of yield: Not Applicable

6. HISTORICAL INTEREST RATES

Not Applicable

7. ALTERNATIVE COUPON SATISFACTION MECHANISM

At the date of these Final Terms, given the current market price of the Ordinary Shares, the Issuer has a sufficient number of authorised but unissued Ordinary Shares and the Directors of the Issuer have the necessary authority to issue such Ordinary Shares to raise sufficient funds to make the interest payments required to be made in respect of the Notes during the next 12-month period, assuming the Alternative Coupon Satisfaction Mechanism were to be used for each interest payment during such 12-month period.

8. OPERATIONAL INFORMATION

ISIN Code: XS0439094524

Common Code: 043909452

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

Delivery: Delivery against payment

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

Intended to be held in a manner which would allow Eurosystem eligibility: No

9. **GENERAL**

Applicable TEFRA exemption: D Rules

144A Eligible: Not 144A Eligible

10. **TERMS AND CONDITIONS OF THE OFFER**

Not Applicable

ANNEX

CONSOLIDATED TERMS AND CONDITIONS

The following are the Consolidated Terms and Conditions of the Notes (the "Conditions") which are a consolidation of the further terms set out on pages 1 to 21 of this Final Terms (the "Further Terms") and the "Terms and Conditions of Tier 1 Notes" (the "Programme Conditions") set out in the prospectus dated 3 December, 2008 relating to Prudential plc's Medium Term Note Programme, as supplemented by the supplemental prospectus dated 20 May 2009. The numbered paragraphs set out below follow the sequence of the numbered paragraphs in the Programme Conditions as supplemented in places by further numbered paragraphs reflecting the Further Terms. The abbreviation "N/A" has been applied to any such numbered paragraph which is not applicable to the Notes.

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 3 December, 2008 and made between Prudential, Citibank, N.A., London Office as issuing and principal paying agent and agent bank (the "Issue and Paying Agent", which expression shall include any successor agent), Citibank, N.A., London Office as registrar in respect of Notes in registered form and as paying agent (the "Registrar", which expression shall include any successor registrar and together with the Issue and Paying Agent, unless the context otherwise requires, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

The Final Terms for the Notes (or the relevant provisions thereof) are attached to or endorsed on each Note and include the Conditions. References to the "Final Terms" are to this Final Terms (or the relevant provisions thereof) attached to or endorsed on each Note.

Copies of the Trust Deed and the Agency Agreement are available for inspection on weekdays during normal business hours at the registered office of the Issuer and at the registered office for the time being of the Trustee (being at 3 December, 2008 at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of the Issue and Paying Agent. Subject as provided below, copies of the Final Terms are available for viewing on weekdays during normal business hours at the registered office of the Issuer, the registered office of the Trustee and the specified office of the Issue and Paying Agent. In addition, copies of the Final Terms will be available on the website of the London Stock Exchange. The Holders are deemed to have notice of, are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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

1. FORM AND DENOMINATION

1.1 Form

The Notes are issued in bearer form in US dollars (“USD”) in the aggregate nominal amount of USD750,000,000 and having a Specified Denomination of USD1,000.

1.2 Coupons and Talons

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

1.3 Interest Basis

See Condition 5A below.

1.4 Redemption/Payment Basis

Redemption at par, except on the occurrence of the event described in paragraph (b) of the definition of “Regulatory Event” prior to the First Call Date, in which case each USD1,000 in nominal amount of the Notes shall be redeemed at the Make Whole Redemption Price, in each case together with accrued interest to the Redemption Date and the aggregate amount of any Deferred Interest.

1.5 Denomination of the Notes

See Condition 1.1 above.

1.6 N/A

1.7 Currency of the Notes

See Condition 1.1 above.

2. TITLE AND TRANSFER

2.1 Title to the Notes

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

2.2 N/A

2.3 Holder as Owner

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

2.4 N/A

2.5 N/A

2.6 N/A

2.7 N/A

2.8 N/A

3. STATUS OF THE NOTES

3.1 Status

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

3.2 Subordination

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

3.3 Solvency Condition

All payments under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom, other than payment to the Trustee made in accordance with the Trust Deed in respect of, *inter alia*, the Trustee's fees, and remuneration and expenses and liabilities incurred by it in carrying out its duties under the Trust Deed, shall be conditional upon the Issuer satisfying the Solvency Condition at the time of and immediately after any such payment, and the Issuer will not make any payment and any such payment shall not be payable under or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom and neither the Issuer nor any Subsidiary will redeem or purchase any of the Notes unless the Issuer satisfies the Solvency Condition both at the time of and immediately after any such payment, redemption or purchase. For this purpose, the Issuer shall satisfy the Solvency Condition if it is able to pay its debts to Senior Creditors as they fall due and the total Assets exceed total Liabilities, other than Liabilities to persons that are not Senior Creditors, by at least 4% or such other percentage specified by the FSA as the Regulatory Capital Requirement.

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

If the Solvency Condition is not satisfied, the amount of any payments which would otherwise have been payable in respect of the Notes, but are not paid by reason of the Solvency Condition not being satisfied, will be available to meet losses of the Issuer.

3.4 Solvency Claims

Without prejudice to the rest of these Conditions, amounts representing payments of any amount under or arising from the Notes, any relative Coupons and the Trust Deed relating to them in respect of which the conditions referred to in the first paragraph of Condition 3.3 are not satisfied on the date upon which the

same would otherwise be due and payable (“Solvency Claims”) will be payable by the Issuer in a winding-up of the Issuer as provided in Condition 3.5. A Solvency Claim shall not bear interest.

3.5 *Winding-up*

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

As a consequence of the subordination conditions, the Holders of the Notes may recover less rateably than the holders of the Issuer's unsubordinated Liabilities and the holders of certain of the Issuer's other subordinated Liabilities. If, in any winding-up, the amount payable on any claims ranking equally with the Notes is not paid in full, the Holders of the Notes and other claims ranking equally will share rateably in any such distribution of assets of the Issuer in proportion to the respective amounts to which they are entitled.

3.6 *Set-off*

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

4. DEFERRAL OF PAYMENTS

4.1 *Deferred Interest*

- (a) Payments of interest on the Notes will be mandatory on each Compulsory Interest Payment Date.
- (b) The Issuer may, by giving notice thereof to the Trustee and to the holders of the Notes in accordance with Condition 14 not more than 15 nor less than 2 Business Days prior to the relevant Interest Payment Date, elect to defer interest payments on any Interest Payment Date (an “Optional Interest Payment Date”) where it determines (by reference to the Issuer's then current financial condition) at its sole discretion, on or after the 20th Business Day, but not later than the fifth Business Day, prior to such Interest Payment Date that:
 - (i) the Capital Adequacy Condition will not be met on such date; or
 - (ii) it is required under the terms of any Parity Security not to pay the relevant interest payment.

- (c) Any interest payments that the Issuer does not make in respect of the Notes on an Optional Interest Payment Date, together with any interest payments that the Issuer does not make because the Solvency Condition is not met on a relevant Interest Payment Date, and any other interest not paid on any earlier Interest Payment Date by virtue of this Condition 4, shall, so long as they remain unpaid, constitute Deferred Interest. No interest will accrue on Deferred Interest, except in the limited circumstances referred to in Conditions 4.3(b) and (c) and 7.7.

Deferred Interest will become payable only (i) on the redemption of the Notes or purchase of the Notes by or on behalf of the Issuer, (ii) on any Interest Payment Date prior to the redemption of the Notes or purchase of the Notes by or on behalf of the Issuer, in the absolute discretion of the Issuer, or (iii) (subject to the provisions of Condition 3.2) upon the commencement of the winding-up of the Issuer, and not in any other circumstances, but so that in the case of payment of only part of the Deferred Interest the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period. The Issuer may satisfy its obligation to pay Deferred Interest only in accordance with the Alternative Coupon Satisfaction Mechanism, subject to Condition 7.8, except in the case of the winding-up of the Issuer in which case any Deferred Interest will be payable by the liquidator in the same manner and with the same ranking as the principal on the Notes.

In addition, if the Issuer elects under a Deferred Interest Mechanism to pay any Subordinated Security Deferred Interest (excluding, for the avoidance of doubt, any Subordinated Security Deferred Interest which is mandatorily due for payment under the terms of such Parity Security or Junior Security), the Issuer will be required to make an ACSM Election (as defined in Condition 4.3) to settle outstanding Deferred Interest on the Notes:

- (i) if such payment of Subordinated Security Deferred Interest is made on a Junior Security, in full; or
- (ii) if such payment of Subordinated Security Deferred Interest is made on a Parity Security, in the same proportion as the amount of such Subordinated Security Deferred Interest bears to the total amount outstanding of Subordinated Security Deferred Interest on such Parity Security,

in each case, on the Interest Payment Date following the date on which such Subordinated Security Deferred Interest is paid by the Issuer.

For the purposes of this Condition 4.1:

“Subordinated Security Deferred Interest” means, in respect of a Parity Security or Junior Security, any interest payment which the Issuer has elected to defer or which has been deferred to a date following the first date on which such interest payment would have, but for such deferral, become due for payment under the terms of such Parity Security or Junior Security.

“Deferred Interest Mechanism” means a term of a Parity Security or Junior Security which permits the Issuer to elect in its discretion to pay outstanding Subordinated Security Deferred Interest under such Parity Security or Junior Security prior to the redemption or purchase of such Parity Security or Junior Security.

4.2 Dividend and Capital Restriction

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

Following a Redemption Date on which the Issuer is unable to issue sufficient Ordinary Shares to make payment in full of all Deferred Interest to be paid on such date, as described below in Condition 4.3(b), the

Issuer shall not: (i) declare or pay a dividend or distribution or make any other payment on, and will procure that no dividend or distribution or other payment is made on, any Parity Securities or on any Junior Securities (other than (A) a final dividend declared by the Issuer with respect to the Ordinary Shares prior to the date the notice to redeem is given in accordance with Condition 7.8; or (B) a payment made by a wholly-owned Subsidiary of the Issuer to another wholly-owned Subsidiary or directly to the Issuer); or (ii) redeem, purchase or otherwise acquire any Parity Securities or any Junior Securities, in each case until such corporate authorisations as are required to issue the necessary Ordinary Shares are obtained and all Deferred Interest to be satisfied has been paid in full or duly set aside or provided for.

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

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

4.3. *Alternative Coupon Satisfaction Mechanism*

(a) General

The Issuer must satisfy its obligation to pay any Deferred Interest on redemption of the Notes or on purchase of the Notes by or on behalf of the Issuer only in accordance with the procedures described below, and must satisfy its obligation to pay any Deferred Interest if it elects (an “ACSM Election”), in its absolute discretion, prior to the redemption of the Notes or purchase of the Notes by or on behalf of the Issuer to do so only in accordance with the procedures described below, and may, in its absolute discretion, elect (an “ACSM Election”) to satisfy its obligation to pay Current Interest payable on any Interest Payment Date in accordance with the procedures described below.

The obligation of the Issuer to pay (i) any Deferred Interest either upon redemption or purchase of the Notes, or upon an ACSM Election, or (ii) Current Interest due on any Interest Payment Date upon an ACSM Election in accordance with the Alternative Coupon Satisfaction Mechanism will be satisfied as follows:

- (i) with respect to the satisfaction of its obligation to pay any Deferred Interest, the Issuer shall, in accordance with Condition 14, give a redemption notice to the Holders, in accordance with Condition 7.6, of the forthcoming Redemption Date. To effect an ACSM Election, the Issuer shall give notice to the Holders in accordance with Condition 14, of its intention to pay interest in accordance with the Alternative Coupon Satisfaction Mechanism and such notice shall specify whether it is Deferred Interest and/or Current Interest to be paid, and, if Deferred Interest, the amount of such interest, not later than 20 Business Days prior to an Interest Payment Date;
- (ii) not later than 14 Business Days prior to the Redemption Date or, upon an ACSM Election, not later than 14 Business Days prior to the relevant Interest Payment Date, the Calculation Agent shall determine the number of Ordinary Shares which, in the opinion of the Calculation Agent, have an aggregate fair market value of not less than the aggregate amount of Deferred Interest and/or, as the case may be, the Current Interest (after payment of any taxes, duties, costs and expenses payable by the Issuer in connection with the issue and placement of the Ordinary Shares);

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

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

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

(b) Sufficiency and Availability of Ordinary Shares

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

- (i) the procedure will only be activated if: (A) the Issuer has given a redemption notice and at that time there are Deferred Interest payments to be satisfied; or (B) the Issuer elects to make a payment of Deferred Interest and at that time there are Deferred Interest payments to be satisfied and/or, as the case may be, a payment of Current Interest in such manner by giving the applicable notice as set out in Condition 4.3(a)(i);
- (ii) the Issuer shall not be required to issue or sell any Ordinary Shares, or cause them to be sold, at a price below the nominal value of its Ordinary Shares, which is, as at 3 December, 2008, five pence per share;
- (iii) the Issuer must have a sufficient number of authorised but unissued Ordinary Shares immediately prior to the issue of the Ordinary Shares in accordance with Condition 4.3(a)(v); and
- (iv) the Directors of the Issuer must have all the necessary authority under English law to allot and issue a sufficient number of Ordinary Shares in accordance with Condition 4.3(a)(v).

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

The Issuer may not redeem any Notes unless all accrued but unpaid interest and other payments thereon (other than any Deferred Interest payments) and the aggregate amount of Deferred Interest payments, if any, are satisfied at the same time. In the event that the Issuer does not have a sufficient number of Ordinary Shares available, and authorised to be issued and allotted, to implement the Alternative Coupon Satisfaction Mechanism, then the Redemption Date (as applicable) shall be deferred until such time (subject as provided in Condition 7.6) as the Issuer has available, and authorised to be issued and allotted, sufficient Ordinary Shares and the issue proceeds of such shares are sufficient to pay the Deferred Interest in full. Such deferral shall not constitute a Default.

In addition, if the Issuer is unable to make payment in full of all Deferred Interest due to be paid on a Redemption Date, or Deferred Interest and/or, as the case may be, Current Interest on the applicable Interest Payment Date because it does not have a sufficient number of Ordinary Shares authorised to be issued and the necessary authority for the Directors of the Issuer to issue such Ordinary Shares or for any other reason,

interest will accrue on such Deferred Interest and/or (as the case may be) Current Interest from (and including) the initial Redemption Date or applicable Interest Payment Date, as the case may be, to (but excluding) the date such Deferred Interest and/or, as the case may be, Current Interest is paid at the same rate of interest specified in Condition 5. The obligation to pay any such interest shall be satisfied by applying, *mutatis mutandis*, the foregoing provisions of this Condition 4.

(c) Market Disruption Event

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

5. INTEREST

5A Interest on the Notes

Subject to Conditions 3.2, 3.3 and 4, in respect of the period from (and including) the Issue Date (the "Interest Commencement Date") to (but excluding) 23 December 2014 (the "First Period"), the Notes bear interest at the rate of 11.75 per cent. per annum (the "Rate of Interest" in respect of the First Period, being equal to the quarterly equivalent of the gross redemption yield on 2.625 per cent. US Treasury securities due June 2014 plus a margin of 9.23 per cent. per annum. (the "Margin")). Interest will be payable quarterly in arrear on 23 March, 23 June, 23 September and 23 December in each year, from and including 23 September 2009 (each, an "Interest Payment Date"). In respect of the First Period, if the Notes are in definitive form, the amount of interest payable on each Interest Payment Date in respect of each Interest Period will, subject to Condition 4, amount to USD29.38 per Calculation Amount. Payment of the Broken Amount of USD24.15 per Calculation Amount will, subject to Condition 4, be made on the Interest Payment Date falling on 23 September 2009.

For the purposes of these Conditions, "Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

In the case of Notes which are represented by a Global Note, the amount of interest (the "Interest Amount") shall be calculated in respect of any period by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest cent, half a cent being rounded upwards.

For these purposes, "Day Count Fraction" means 30/360, being the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next Interest Payment Date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In respect of each successive five-year period, the first such period commencing on (and including) 23 December 2014 and ending on (but excluding) the fifth anniversary of that date (the "Relevant Five-Year Period"), the Rate of Interest will be determined on each Coupon Determination Date as such rate per annum as is equal to the sum of: (A) the quarterly equivalent yield of the gross redemption yield as at or around 3 p.m. (London time) on such Coupon Determination Date on United States government securities with a five-year term as would be utilised at the time of selection in accordance with customary financial practice in pricing issues of corporate debt securities (the "US Treasury Benchmark Rate") and (B) (i) up to (but

excluding) 23 December 2019, the Margin and (ii) from (and including) 23 December 2019, 12.23 per cent. per annum (the "Step-Up Margin"). The gross redemption yield will be determined by the Issue and Paying Agent in accordance with customary financial practice. For each Relevant Five-Year Period, the Issue and Paying Agent will determine the Interest Amount as provided above for each Interest Period in such Relevant Five-Year Period.

In respect of each Relevant Five-Year Period, the Issue and Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

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

If for any reason at any relevant time the Issue and Paying Agent defaults in its obligation to determine the Rate of Interest in accordance with this Condition 5A, the Issuer shall, in consultation with the Trustee, appoint a calculation agent (which shall be an investment bank or other suitable entity of international repute) to determine or calculate the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5A), it shall deem fair and reasonable in all the circumstances. Each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent.

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

5B *N/A*

5C *N/A*

5D *Accrual of interest*

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

6. PAYMENTS

6.1 Method of payment

Subject as provided below, payments will be made by credit or transfer to a USD account outside the United States, except as may be permitted by United States federal income tax law, maintained by the payee with, or, at the option of the payee, by a USD cheque drawn on a bank in New York City (in no event, however, shall payment in respect of a Note be made by cheque mailed to an address in the United States), subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

6.2 Presentation of Notes and Coupons

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

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

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

Payments of principal and interest (if any) in respect of Notes represented by any Temporary or Permanent Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Temporary or Permanent Global Note against presentation or surrender, as the case may be, of such Temporary or Permanent Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Temporary or Permanent Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Temporary or Permanent Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

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

6.3 U.S. Paying Agent

Notwithstanding the foregoing provisions of this Condition 6, if any amount of principal and/or interest in respect of Notes is payable in US dollars, such US dollar payments of principal and/or interest will be made at the specified office of a Paying Agent in the United States if:

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

6.4 N/A

6.5 *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the Holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation, London and New York City.

6.6 *Interpretation of principal and interest*

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

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

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

7. REDEMPTION AND PURCHASE

7.1 *No Redemption Date*

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

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

7.2 *FSA Notification*

Except as otherwise indicated to the Issuer by the FSA, the Issuer may not redeem, vary, substitute or purchase any Notes, as described below under any of Condition 7.3, 7.4, 7.5 or 7.8, unless the Issuer has given at least one month's prior notice to the FSA (or such other period of notice as the FSA may from time to time require or accept) and the FSA has raised no objection prior to the applicable Redemption Date, so long as the Issuer is required by the FSA to make such notification. Redemption may only be effected if on, and immediately following, the relevant Redemption Date, the Issuer is in compliance with the Regulatory Capital Requirement and the Solvency Condition is met. The FSA may impose conditions on any redemption or purchase at the relevant time.

7.3 *Issuer's Call Option*

Subject as provided in these Conditions, the Issuer may redeem the Notes in whole (but not in part) at its option on any Interest Payment Date from, and including, 23 December 2014, (the "First Call Date").

7.4 Tax Call Event Redemption or Tax Event Conversion

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

Upon the occurrence of a Tax Event, the Issuer may, at its sole discretion, subject in each case to compliance with applicable regulatory requirements, including giving prior written notice to the FSA and the FSA raising no objection, at any time after giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, convert the Notes in whole (but not in part) into another series of notes constituting undated cumulative subordinated notes, having the same material terms as the Notes (including terms not materially less favourable to an investor than the terms of the Notes) as certified by two directors of the Issuer to the Trustee; *except* that such undated cumulative subordinated notes will:

- (a) be a perpetual capital security issued by the Issuer with cumulative interest payments;
- (b) rank at least equal with all other obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital;
- (c) not necessarily have provisions analogous to the provision of this Condition 7.4 or Condition 7.5 provided that any such provisions must not be materially less favourable to an investor than the terms of the Notes;
- (d) not be subject to the Alternative Coupon Satisfaction Mechanism. Any Deferred Interest outstanding at the time of conversion will be carried over and become outstanding missed cumulative interest payments for purposes of the undated cumulative subordinated notes; and
- (e) be listed on a Recognised Stock Exchange.

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

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

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

If, following a Tax Event set out in clause (b) or (c) of the definition of Tax Event, the Issuer gives notice to the FSA of, and the FSA objects to, the proposal to convert the Notes into another series of notes constituting undated cumulative subordinated notes, then the Tax Event giving rise to such proposal will become a Tax Call Event.

Except as otherwise indicated to the Issuer by the FSA, the Issuer may not redeem the Notes upon the occurrence of a Tax Call Event prior to any Optional Redemption Date unless: (i) such Tax Call Event is also a Par Tax Event; and (ii) (to the extent that it is required at the relevant time) the FSA's consent to such redemption (in the form of a waiver or otherwise) is obtained.

7.5 Regulatory Event Redemption

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

Except as otherwise indicated to the Issuer by the FSA, the Issuer may not redeem the Notes upon the occurrence of a Regulatory Event prior to any Optional Redemption Date unless (to the extent that it is required at the relevant time) the FSA's consent to such redemption (in the form of a waiver or otherwise) is obtained.

7.6 Redemption and Conversion Procedures

Any redemption under Condition 7.3, 7.4 or 7.5 above may be made on not less than 30 nor more than 60 days' notice to the Holders.

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

If the Notes are to be redeemed pursuant to Condition 7.4 or 7.5 on the occurrence of a Par Tax Event or a Regulatory Event, the Notes may be redeemed (i) in the case of a Par Tax Event at any time or in the case of a Regulatory Event occurring on or after the First Call Date, at the outstanding principal amount of the Notes, and (ii) in the case of a Regulatory Event occurring prior to the First Call Date, (i) at the outstanding principal amount of the Notes on the occurrence of the event specified in paragraph (a) of the definition of "Regulatory Event" and (ii) at the Make Whole Redemption Price in respect of each USD1,000 in nominal amount of the Notes on the occurrence of the event specified in paragraph (b) of the definition of "Regulatory Event", together, in each case, with accrued interest (including any interest not paid on a Compulsory Interest Payment Date) to the Redemption Date and the aggregate amount of any Deferred Interest, as provided in these Conditions.

If the Notes are to be redeemed pursuant to Condition 7.4 on the occurrence of an Other Tax Event, the Notes may be redeemed on or after the First Call Date at any time at the outstanding principal amount of the Notes, together with accrued interest (including any interest not paid on a Compulsory Interest Payment Date) to the Redemption Date and the aggregate amount of any Deferred Interest, as provided in these Conditions.

The Issuer is obliged to satisfy its obligation to pay any Deferred Interest due upon redemption or purchase only in accordance with the Alternative Coupon Satisfaction Mechanism.

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

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

7.7 Postponement of Redemption Date

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

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

7.8 Suspension

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

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

If, after using all reasonable endeavours, the Issuer is unable to appoint an investment bank willing and able to make such determination, the Issuer shall notify the previous Ultimate Owner (if not the Issuer), the new Ultimate Owner, the Trustee, the Issue and Paying Agent and the Calculation Agent of that result.

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

Upon the occurrence of a Definitive Suspension, the Issuer may, at its sole discretion, subject in each case to compliance with applicable regulatory requirements, including giving prior written notice to the FSA and the FSA not objecting, at any time after giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, convert the Notes in whole (but not in part) to another series of notes constituting undated cumulative subordinated notes, having the same material terms as the Notes (including terms not materially less favourable to an investor than the terms of the Notes) as certified by two directors of the Issuer to the Trustee; *except* that such undated cumulative subordinated notes will:

- (a) be a perpetual capital security issued by the Issuer with cumulative interest payments;
- (b) rank at least equal with all other obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute Tier 1 Capital;

- (c) not necessarily have provisions analogous to the provisions of Condition 7.4 or 7.5 provided that any such provisions must not be materially less favourable to an investor than the terms of the Notes;
- (d) not be subject to the Alternative Coupon Satisfaction Mechanism. Any Deferred Interest outstanding at the time of conversion will be carried over and become outstanding missed cumulative interest payments for the purposes of the undated cumulative subordinated notes; and
- (e) be listed on a Recognised Stock Exchange.

On any conversion in accordance with this Condition 7.8, the Issuer undertakes to pay any taxes, duties, costs and expenses, if any, which may arise in connection therewith.

The Trustee shall use its reasonable endeavours to assist the Issuer in conversion of the Notes in accordance with this Condition 7.8, provided that the Trustee shall not be obliged to participate or assist in any such conversion if the terms of the notes into which the Notes are to be converted impose, in the Trustee's opinion, more onerous obligations upon it.

If the Trustee does not so participate or assist as provided above or the Issuer is unable, after using its reasonable efforts, to obtain a listing on a Recognised Stock Exchange for the notes into which the Notes are to be converted, the Issuer may elect to redeem the Notes as provided in this Condition 7.8.

If, following a Definitive Suspension, the FSA objects to the proposal by the Issuer to convert the Notes into another series of notes constituting undated cumulative subordinated notes or the Trustee does not participate or assist as provided above or the Issuer having used its reasonable endeavours is unable to obtain a listing on a Recognised Stock Exchange for the notes into which the Notes are to be converted as provided above or to obtain such listing is unduly onerous or if the Issuer for any other reason does not convert the Notes into new notes, then, subject to giving notice to, and receiving a statement of no objection from, the FSA, and giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and the Holders in accordance with Condition 14, the Issuer shall have the option to redeem the Notes in whole (but not in part) at a redemption price equal to, in respect of any redemption on any date occurring on or after the First Call Date, their principal amount and, in respect of any redemption occurring prior to the First Call Date, at their Make Whole Redemption Price, together, in each case, with accrued and unpaid interest and the aggregate amount of any Deferred Interest in cash without utilising the Alternative Coupon Satisfaction Mechanism.

7.9 Purchases

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

7.10 Cancellation

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

8. TAXATION

All payments of principal and interest and all payments satisfied by the operation of the Alternative Coupon Satisfaction Mechanism in respect of the Notes and Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom, or any political sub-division of, or any authority of, or in, the United Kingdom having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of any requirement to make

such withholding or deduction; except that no such additional amounts shall be payable in relation to any Note or Coupon:

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

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

9. PRESCRIPTION

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

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

10. EVENTS OF DEFAULT AND ENFORCEMENT

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

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

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

and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment.

- 10.3 Without prejudice to Condition 10.2, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer relating to or arising from the Notes, the Coupons or the Trust Deed relating to them or arising therefrom) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 10.3 shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from or under the Notes, the Coupons or the Trust Deed (including any damages awarded for breach of any obligations).
- 10.4 The Trustee shall not be bound to take any of the actions referred to in Condition 10.2 or 10.3 above against the Issuer to enforce the terms of the Trust Deed, the relevant Notes or the relevant Coupons or to take any other action under the Trust Deed unless: (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding; and (ii) it shall have been indemnified and/or secured to its satisfaction.
- 10.5 No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up in England and Wales of the Issuer or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure is continuing, in which case a Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.
- 10.6 No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or any Holder, whether for the recovery of amounts owing in respect of the Notes, the Coupons or under the Trust Deed relating to them or arising therefrom or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes, the Coupons or under the Trust Deed relating to them or arising therefrom.

11. REPLACEMENT OF NOTES, COUPONS AND TALONS

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

12. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions.

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

- (a) there will at all times be an Issue and Paying Agent;
- (b) so long as the Notes are listed on the London Stock Exchange plc, there will at all times be a Paying Agent with a specified office in London;
- (c) the Issuer undertakes that it will ensure (so long as there is such a Member State) that to the extent practicable it maintains a Paying Agent in a Member State of the European Union in which there is no

obligation to withhold or deduct tax from payments pursuant to any law implementing or complying with, or introduced to conform to, the Directive (as defined in Condition 8); and

- (d) the Issuer undertakes that it will ensure that to the extent practicable it will maintain a Paying Agent in a jurisdiction which has entered into an agreement with the European Union providing for equivalent measures to the Directive if the appointment of such Paying Agent will allow a Holder to avoid any withholding or deduction for or on account of tax from payments in respect of the Notes, Receipts and Coupons and, in the event that the appointment of such Paying Agent will not allow a Holder to avoid such withholding or deduction for or on account of tax from payments in respect of the Notes, Receipts and Coupons, the Issuer undertakes to appoint a Paying Agent in a jurisdiction outside the European Union in which there is no obligation to withhold or deduct tax from payments in respect of the Notes, Receipts and Coupons.

In addition, the Issuer shall appoint a Paying Agent approved in writing by the Trustee having a specified office in New York City in the circumstances described in Condition 6.3. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to Holders in accordance with Condition 14.

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

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

13. EXCHANGE OF TALONS

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

14. NOTICES

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

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

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

15.1 Meetings

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

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

15.2 Modifications

The Trustee may agree, without the consent of the Holders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or determine that any Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven provided that, in the case of a modification, the Issuer has given one month's prior notice to the FSA and the FSA has issued a statement of no objection.

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

15.3 Substitution

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

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

15.4 Exercise of Trustee's powers and discretions

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

16. FURTHER ISSUES

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

17. DEFINITIONS

In these Conditions:

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

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

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

“Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and New York City.

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

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

“Calculation Amount” means USD1,000;

“Capital Adequacy Condition” means:

- (a) in relation to The Prudential Assurance Company Limited, the Issuer's wholly-owned subsidiary ("Prudential Assurance"), the ratio of its Regulatory Assets to its Regulatory Capital Requirement is at least 125%; or
- (b) if there is a Regulatory Capital Requirement applicable to the Issuer either directly or in relation to it and its Subsidiaries as a group, the Issuer exceeds such Regulatory Capital Requirement by a factor of at least 25% of such Regulatory Capital Requirement; or
- (c) if there is no Regulatory Capital Requirement applicable to the Issuer, its total Assets exceed its total Liabilities, other than liabilities to persons that are not Senior Creditors, by at least 125% of such percentage specified by the FSA as the Regulatory Capital Requirement applicable to Prudential Assurance (*as at 31 December, 2007 approximately 4%*); or
- (d) in relation to the Issuer's EEA Insurance Subsidiaries, each EEA Insurance Subsidiary complies with the Capital Regulations applicable to it;

"Capital Regulations" means the rules and regulations of the FSA that require the Issuer or any of the Issuer's EEA Insurance Subsidiaries to meet a Regulatory Capital Requirement including, without limitation, pursuant to Directive 98/78/EC and Directive 2002/87/EC of the European Union (the "Directives") or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area (which includes the European Union together with Norway, Liechtenstein and Iceland) implementing the Directives;

"Compulsory Interest Payment Date" means each Interest Payment Date: (a) on which the Issuer satisfies the Solvency Condition; and (b) that is not an Optional Interest Payment Date;

"Coupon Determination Date" means, in respect of a Relevant Five-Year Period, the fifth Business Day prior to 23 December 2014 and each fifth Business Day prior to the first day of such Relevant Five-Year Period thereafter;

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

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

- (a) the Issuer fails to pay the amount due to satisfy any interest payment on a Compulsory Interest Payment Date, and such failure continues for 14 days; or
- (b) the Issuer fails to pay the principal amount of the Notes, any accrued but unpaid interest and any Deferred Interest on a Redemption Date, as may be postponed from time to time pursuant to these Conditions, and such failure continues for 14 days.

"Deferred Interest" means any interest payment in respect of the Notes which the Issuer has elected to defer on an Interest Payment Date in accordance with Condition 4.1, together with any interest accrued thereon in the limited circumstances referred to in Conditions 4.3(b) or 4.3(c) and 7.6 together with any interest payments that the Issuer does not make because the Solvency Condition is not met, and which has not been satisfied;

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

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

"FSA" means the Financial Services Authority or any successor regulatory body or such other governmental authority in the UK having primary supervisory authority with respect to the Group;

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

"Group" means the Issuer and its Subsidiaries;

"Holding Company" is as defined in section 1159 of the Companies Act 2006;

“Holding Company Shares” means the ordinary shares of the New Holding Company;

“Interest Payment Date” is as defined in Condition 5A;

“Issue Date” means 9 July 2009;

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

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

“Make Whole Redemption Price” means, in respect of each USD1,000 in nominal amount of the Notes:

- (a) USD1,000; or, if greater:
- (b) the sum of (i) the present value of USD1,000, calculated on the basis that the maturity of the Notes is the First Call Date, and (ii) the present value of each remaining scheduled quarterly interest payment on each USD1,000 in nominal amount of the Notes (assuming each such scheduled interest payment to be due in full) from, but excluding, the Redemption Date to, and including, the First Call Date.

The present values of interest and principal payments referred to in paragraphs (b)(i) and (ii) above will be determined in accordance with the provisions of this Condition and customary financial practice. Such present values will be calculated by discounting the amount of each payment of interest or principal from, and including, the date that each such payment would have been payable, but for the redemption of the Notes on the Redemption Date, to, and including, the First Call Date (calculated on the basis that the maturity of the Notes is the First Call Date) on a quarterly basis (assuming a 360-day year consisting of 12 30-day months or, in the case of an incomplete month, the number of days elapsed) at a discount rate equal to the Treasury Rate (as defined below) plus 312.5 basis points.

The Make Whole Redemption Price shall be calculated by the Premium Calculation Agent.

For the purposes hereof:

“Comparable Treasury Issue” means the United States Treasury security or securities selected by the Premium Calculation Agent as having an actual or interpolated maturity comparable to the remaining term of the Notes (selected on the basis that the maturity of the Notes is the First Call Date) that would be utilised at the time of selection in accordance with customary financial practice in pricing issues of corporate debt securities.

“Comparable Treasury Price” means (A) the average of five Reference Treasury Dealer Quotations for the Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Premium Calculation Agent obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

“Premium Calculation Agent” means an investment banking institution of national standing, appointed by the Issuer after consultation with the Trustee.

“Reference Treasury Dealer” means each of five investment banking institutions of national standing, in each case which are primary U.S. Government securities dealers at the time at which the Premium Calculation Agent is making the calculations described herein, selected by the Premium Calculation Agent after consultation with the Issuer, and their respective successors.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and the Redemption Date, the average as determined by the Premium Calculation Agent of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its nominal amount) quoted in writing to the Premium Calculation Agent by the Reference Treasury Dealer at 3:00 p.m. (London time) on the third Business Day preceding such Redemption Date.

“Treasury Rate” means, with respect to the Redemption Date, the rate per annum equal to the quarterly equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its nominal amount) equal to the Comparable Treasury Price for the Redemption Date. The Treasury Rate will be calculated on the third Business Day preceding the Redemption Date.

“Market Disruption Event” means: (a) the occurrence or existence of any material suspension of or limitation imposed on trading or on settlement procedures for transactions in Ordinary Shares through the London Stock Exchange plc (or other national securities exchange or designated offshore securities market constituting the principal trading market for the Ordinary Shares); (b) in the reasonable opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the Ordinary Shares or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the Ordinary Shares to be issued in accordance with the Alternative Coupon Satisfaction Mechanism; or (c) where moneys are required to be converted from one currency upon sale of Ordinary Shares into another currency for payment of Deferred Interest, the occurrence of any event that makes it impracticable to effect such conversion, in each case as certified to the Trustee in a certificate signed by two directors of the Issuer;

“New Holding Company” means an Eligible Company that becomes the Ultimate Owner following a Permitted Restructuring;

“Optional Interest Payment Date” is as defined in Condition 4.1;

“Optional Redemption Amount” means USD1,000 per Calculation Amount;

“Optional Redemption Date” means the First Call Date (as defined in Condition 7.3) and any Interest Payment Date thereafter;

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

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

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

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

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

“Permitted Restructuring Arrangement” means, in relation to a Permitted Restructuring, an arrangement whereby the following conditions are satisfied: (a) the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that the Alternative Coupon Satisfaction Mechanism, the Trust Deed and certain other agreements operate so that the Ordinary Shares may be exchanged for Holding Company Shares in such a manner that ensures that following the exchange for such Holding Company Shares the Holder of each Note then outstanding will receive, in the event of a

payment to be satisfied pursuant to the Alternative Coupon Satisfaction Mechanism, an amount not less than that which would have been receivable had such a Permitted Restructuring not taken place; and (b) the Trustee is satisfied that the credit ratings that would be assigned to the Notes by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and by Moody's Investors Service, Inc. following any such Permitted Restructuring, shall not be less than those assigned to the Notes immediately prior to such Permitted Restructuring taking place as confirmed by each such rating agency in writing;

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

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

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

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

A "Regulatory Event" is deemed to have occurred if: (a) the Notes would not be capable of counting (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as cover for the minimum or notional margin of solvency or minimum capital or capital ratios required of the Issuer or the Group by any Regulatory Capital Requirement as a result of any change to the Capital Regulations or any change in the application or official interpretation thereof at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes; or (b) if, at any time on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer or the Group being required under any Regulatory Capital Requirement to have Tier 1 Capital, the Notes would no longer be eligible to qualify (save as aforesaid) for inclusion in the Tier 1 Capital of the Issuer on a solo and/or consolidated basis;

"Senior Creditors" means:

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

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

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

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

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

“Tax Event” means an event where the Issuer determines that: (a) in making any interest payments or Deferred Interest payments on the Notes, it has paid, or will or would on the next Interest Payment Date be required to pay, additional amounts as provided in Condition 8 and the same cannot be avoided by using reasonable measures available to it; (b) payments, including payment of Deferred Interest, on the next Interest Payment Date in respect of any Notes would be treated as “distributions” within the meaning of Section 209 of the Income and Corporation Taxes Act 1988 (as amended, re-enacted or replaced); or (c) the Issuer would not be entitled to obtain a deduction in computing its UK tax liabilities in respect of any interest payment (including payment of any Deferred Interest) on the Notes as a class, or the value of the deduction to the Issuer would be materially reduced;

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

“Tier 1 Capital” has the meaning given to that term from time to time by the FSA;

“Tier 2 Capital” has the meaning given to that term from time to time by the FSA; and

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

18. GOVERNING LAW

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

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

ISSUE AND PAYING AGENT

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