



**OLD MUTUAL** | plc

## Old Mutual plc

(incorporated with limited liability in England and Wales, under the Companies Act 1985 with registered number 3591559)

**£3,500,000,000**

### **Euro Note Programme**

On 31 August 2000 Old Mutual plc and Old Mutual International Finance Limited (as an issuer) established a £1,000,000,000 Global Medium Term Note Programme. On 31 March 2003 the aggregate nominal amount of the Programme (as defined below) was increased to £1,500,000,000 and on 11 September 2003 the aggregate nominal amount of the Programme was increased to £2,500,000,000. On 31 March 2004, Old Mutual International Finance Limited ceased to be an issuer under the Programme. On 12 October 2005 the aggregate nominal amount of the Programme was increased to £3,500,000,000. This Prospectus replaces and supersedes any previous offering circular or prospectus issued in respect of the Programme. Any Notes (as defined below) issued under the Programme on or after the date hereof are issued subject to the provisions set out herein, unless otherwise specified in the applicable Final Terms (as defined below). This does not affect any Notes already in issue.

Under this £3,500,000,000 Euro Note Programme (the "Programme"), Old Mutual plc (the "Issuer") may from time to time issue notes (the "Notes", which expression shall include Senior Notes, Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes (each as defined herein)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively, "Bearer Notes" and "Registered Notes"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £3,500,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "Dealer" and together, the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 ("FSMA") (the "UK Listing Authority") for Notes issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the London Stock Exchange's Regulated Market. The London Stock Exchange's Regulated Market is a regulated market for the purpose of Directive 2004/39/EC (the Markets in Financial Instruments Directive).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a final terms supplement (the "Final Terms") which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, the rating assigned to the Notes and details of the relevant rating agency will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

See also "Documents Incorporated by Reference".

The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws and may not be offered or sold within the United States or to, or for the benefit of, US persons except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Notes will be offered and sold outside the United States to persons that are not US persons in reliance on Regulation S under the Securities Act ("Regulation S").

Bearer Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes (as set out herein), in which event a supplemental prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

### **Arranger**

**Citi**

### **Dealers**

**Barclays Capital**  
**BofA Merrill Lynch**  
**Commerzbank**  
**J.P. Morgan**

**BNP PARIBAS**  
**Citi**  
**Deutsche Bank**  
**The Royal Bank of Scotland**

The date of this Prospectus is 10 September 2010.

*This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”).*

*The Issuer (the “Responsible Person”) accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*This Prospectus has been prepared on the basis that, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer 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 Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.*

*Copies of each Final Terms will be available from the specified office set out below of each of the Paying Agents (as defined below).*

*This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference”). This Prospectus shall be read and construed on the basis that such documents are so incorporated in and form part of this Prospectus.*

*To the fullest extent permitted by law, none of the Dealers or the Trustee accepts any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Trustee or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Trustee and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Programme.*

*No person is or has been authorised by the Issuer, the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.*

*Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.*

*Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct as of any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements of the Issuer when deciding whether or not to purchase any Notes.*

*This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any*

*such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and France) and Japan (see “Subscription and Sale”).*

*In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.*

*None of the Issuer, the Dealers and the Trustee makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws.*

*The Notes have not been and will not be registered under the Securities Act. Notes may not be offered or sold within the United States or to, or for the benefit of, US persons except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities law.*

*Bearer Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.*

#### **Presentation of Financial and other Information**

*All references in this Prospectus to “US dollars”, “US\$” or “\$” refer to the currency of the United States of America; references to “South African Rand”, “Rand” or “R” refer to the currency of the Republic of South Africa; references to “Sterling” or “£” refer to the currency of the United Kingdom; and references to “euro” or “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.*

#### **Stabilisation**

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

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## SUMMARY

*This summary must be read as an introduction to the Prospectus and any decision to invest in any Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference into the Prospectus. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Responsible Person (as defined in the Prospectus) in any such Member State solely on the basis of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus. Where a claim relating to the information contained in the Prospectus is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.*

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

### 1. The Issuer

**Issuer:** Old Mutual plc (the “Issuer” and, together with its subsidiaries, “Old Mutual” or the “Group”).

Old Mutual is an international savings and wealth management group focusing on long-term savings with valuable asset management and banking assets. Headquartered in the UK and primarily listed on the London Stock Exchange (“LSE”), it also has listings on the Johannesburg Stock Exchange Limited (“JSE”) and on the Malawi, Namibian and Zimbabwe Stock Exchanges. As at 3 September 2010 it had a market capitalisation of £7.5 billion. Old Mutual’s principal businesses comprise life assurance, asset management, banking and general insurance in North America, Europe and Latin America, southern Africa and Asia. In South Africa, Old Mutual’s banking business is conducted principally through Nedbank Group Limited, a JSE-listed company in which Old Mutual has a 59 per cent. interest as at 30 June 2010, while its general insurance business is conducted through Mutual & Federal, in which Old Mutual had a 100 per cent. interest as at 30 June 2010.

Based on the Issuer’s published audited consolidated financial statements for the financial year ended 31 December 2009, the Issuer’s adjusted operating profit on an IFRS basis (including minority interests) for the year to 31 December 2009 was £1,170 million. Based on the Issuer’s unaudited financial statements as at 30 June 2010, the Issuer’s adjusted operating profit on an IFRS basis (including minority interests) for the six months ended 30 June 2010 was £735 million (compared to £513 million (restated) for the six months ended 30 June 2009). As at 30 June 2010, the Group had funds under management of £292 billion, of which over £241 billion were managed outside South Africa (compared to £247 billion and £206 billion, respectively, for the six months ended 30 June 2009).

KPMG Audit Plc, Chartered Accountants (members of the Institute of Chartered Accountants in England and Wales) have audited and rendered an unqualified audit report on the audited annual financial statements of the company for the financial years ended 31 December 2006, 2007, 2008 and 2009.

## 2. Programme Summary

### **Programme Details:**

Up to £3,500,000,000 (or the equivalent in other currencies at the date of issue) in nominal amount of Notes may be outstanding at any one time.

### **The Notes:**

Notes will be issued on a syndicated or non-syndicated basis. Notes may be issued in various forms, whether in bearer or registered form, and will be represented by global notes or certificates. Notes will be offered outside the United States only in reliance upon Regulation S.

Notes will be cleared through Clearstream, Luxembourg and Euroclear and/or such other clearing system as may be agreed between Issuer, Principal Paying Agent and the relevant Dealer.

The terms of the Notes will be governed by English law and in accordance with any laws, guidelines, regulations, or reporting requirements applicable to the currency denomination of the Notes.

### **Terms of the Notes:**

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Notes may be issued in any agreed currency, denomination and with any agreed maturity, subject to compliance with relevant laws and regulations and with any requirements of the relevant central bank (or equivalent).

The terms of the Notes will be specified in the applicable Final Terms. The following types of Notes may be issued: (i) Fixed Rate Notes; (ii) Floating Rate Notes; (iii) Index Linked Notes; (iv) Credit Linked Notes; (v) Equity Linked Notes\*; (vi) other structured Notes; (vii) Dual Currency Notes; and (viii) Zero Coupon Notes.

Interest periods, rates of interest and the terms of and/or amounts payable on redemption may differ depending on the Notes being issued and such terms will be specified in the applicable Final Terms.

The applicable Final Terms will indicate whether Notes can be redeemed prior to their stated maturity or in instalments and the terms on which such provisions apply. Certain events of default will cause the Notes to become due and payable immediately, although there are limitations in respect of available remedies in the case of Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes.

### **Status of the Notes:**

The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, and the Dated Tier 2, Undated Tier 2 and Tier 1 Notes will constitute subordinated obligations of the Issuer.

The Issuer will give a negative pledge in relation to Senior Notes.

Subject to the provisions relating to Perpetual Preferred Securities (as defined below), in the event of the winding-up of the Issuer, claims relating to payments in respect of the Notes, Receipts and Coupons or the Trust Deed will be satisfied in accordance with the following order of subordination:

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\* "Equity Linked Notes" are intended to be Notes the terms and conditions of which provide that interest and redemption amounts will be determined by reference to an underlying equity security or securities. A supplemental prospectus will be published if Physically-Settled Notes (as defined herein) are intended to be issued.



- (i) Senior Notes and all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding and claims of Senior Creditors;
- (ii) Dated Tier 2 Notes and other subordinated obligations of the Issuer that are not owed to Senior Creditors;
- (iii) Undated Tier 2 Notes and other undated or perpetual obligations of the Issuer that are not expressed by their terms to rank junior thereto;
- (iv) Tier 1 Notes and other obligations of the Issuer ranking *pari passu* therewith; and
- (v) holders of all classes of issued share capital.

Other than in certain specified circumstances set out in the relevant Terms and Conditions, all such payments in relation to Undated Tier 2 Notes and Tier 1 Notes are conditional upon the Issuer being solvent at the time of payment and the requirement that such payment if made would not result in the Issuer becoming insolvent. The amount payable in the event of a winding-up of the Issuer in respect of an Undated Tier 2 Note or a Tier 1 Note shall be determined in accordance with the Terms and Conditions thereof.

**Perpetual Preferred Securities:**

In the event of winding-up of Issuer whilst the U.S.\$750,000,000 8 per cent. Guaranteed Cumulative Perpetual Preferred Securities issued by Old Mutual Capital Funding L.P. on 22 May 2003 (the “Perpetual Preferred Securities”) are outstanding and the terms of such Perpetual Preferred Securities (or the guarantee issued by the Issuer in respect thereof) prevent Dated Tier 2 Notes and Undated Tier 2 Notes ranking senior to Perpetual Preferred Securities (or such guarantee) from being issued without changes being made to the terms of such Perpetual Preferred Securities (or such guarantee), Dated Tier 2 Notes and Undated Tier 2 Notes, notwithstanding any other provision in the Conditions, shall rank *pari passu* with the Perpetual Preferred Securities.

Tier 1 Notes will, in the event of a winding-up of the Issuer, rank *pari passu* with Perpetual Preferred Securities.

**Deferral of Interest:**

The Issuer may in certain circumstances defer payment in respect of interest under Option B Dated Tier 2 Notes, the Undated Tier 2 Notes and the Tier 1 Notes. There are no interest deferral provisions with respect to Senior Notes or Option A Dated Tier 2 Notes.

Option B Dated Tier 2 Notes: Interest may be deferred in respect of an Interest Payment Date in respect of which (a) (i) a Regulatory Intervention has occurred and is continuing and (ii) no interest payment in respect of junior or *pari passu* ranking securities have been made and no dividend or other distribution has been irrevocably declared on any class of the Issuer’s share capital since the date the regulatory intervention commenced; or (b) no payment in respect of junior or *pari passu* ranking securities in respect of interest has been made in the immediately preceding 12 months and no dividend or other distribution on any class of the Issuer’s share capital was declared at the immediately preceding annual general meeting. Reference to “junior or *pari passu* ranking securities” does

not include securities or any class of its share capital the terms of which do not enable the Issuer to defer, pass on, eliminate or to continue to defer, pass on, or eliminate an interest payment, dividend or distribution.

Option A Undated Tier 2 Notes and Option A Tier 1 Notes: The Issuer may elect to defer interest only in respect of an Interest Payment Date in respect of which (i) no Capital Disqualification Event has occurred and is continuing or (ii) the Issuer is in breach of its Applicable Regulatory Capital Requirements.

Option B Undated Tier 2 Notes and Option B Tier 1 Notes: Interest in respect of any Interest Payment Date may be deferred at the Issuer's discretion.

The Terms and Conditions of the Notes set out the notice provisions in respect of such deferral of interest and provisions relating to payment or settlement of arrears of interest or deferrals of interest.

**Redemption, Substitution or Variation at the option of the Issuer on a Regulatory Redemption Event:**

If a Regulatory Redemption Event occurs and is specified as applicable in the applicable Final Terms in respect of any Dated Tier 2 Notes, Undated Tier 2 Notes or Tier 1 Notes, having given the requisite notice to the Financial Services Authority (if then required) and no notice of objection having been received or, in the case of any Dated or Undated Tier 2 Notes to be redeemed prior to the fifth anniversary of the Issue Date of the Notes, a waiver having been received, the Issuer may redeem all but not some only of the Notes at the Regulatory Redemption Event Price, together with interest accrued to but excluding the date of redemption and, if applicable, all Deferred Interest Payments or Arrears of Interest (as the case may be) specified in the applicable Final Terms or substitute all but not some only of the Notes or vary the terms of the Notes so that they become Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities (in the case of Tier 1 Notes) or Qualifying Upper Tier 2 Securities (in the case of Undated Tier 2 Notes) or Qualifying Lower Tier 2 Securities (in the case of Dated Tier 2 Notes).

**Redemption, Substitution or Variation for tax reasons:**

If a Par Tax Event or Other Tax Event occurs in respect of any Dated Tier 2 Notes, Undated Tier 2 Notes or Tier 1 Notes, having given the requisite notice to the Financial Services Authority (if then required) and no notice of objection having been received or, in the case of any Dated or Undated Tier 2 Notes to be redeemed prior to the fifth anniversary of the Issue Date of the Notes, a waiver having been received, the Issuer may redeem all but not some only of the Notes at their nominal amount (in the case of a Par Tax Event) or at their Other Tax Event Redemption Price specified in the applicable Final Terms (in the case of an Other Tax Event), together with interest accrued to but excluding the date of redemption and, if applicable, all Deferred Interest Payments or Arrears of Interest (as the case may be) or substitute all the Notes or vary the terms of the Notes so that they become Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities (in the case of Tier 1 Notes), Qualifying Upper Tier 2 Securities (in the case of Undated Tier 2 Notes) or Qualifying Lower Tier 2 Securities (in the case of Dated Tier 2 Notes).



<b>Tax Redemption:</b>	In respect of Senior Notes, if the Issuer is required to pay any additional amounts for tax reasons, such Notes may be redeemed at the option of the Issuer at their nominal amount or other amount as specified in the applicable Final Terms.
<b>Tax:</b>	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction unless required by law, subject to the Terms and Conditions of the Notes. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in the Terms and Conditions, be required to pay additional amounts in respect of the amounts so deducted.
<b>Substitution Event:</b>	Upon the occurrence and continuation of a Substitution Event, the Issuer may substitute Tier 1 Notes by Substituted Preference Shares.
<b>Selling Restrictions:</b>	Certain restrictions apply in relation to sales of the Notes in the United States, the European Economic Area (including the UK and France) and Japan.
<b>Listing:</b>	Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the LSE for such Notes to be admitted to trading on the LSE's Regulated Market. The Notes may also be listed or admitted to trading on such other or further stock exchanges or markets as may be agreed between Issuer and relevant Dealer in relation to each Series. Notes which are neither listed nor admitted to trading on any market may also be issued.
<b>Documents on Display:</b>	Copies of documents incorporated by reference in this Prospectus, among other documents can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent in London for the time being.

### **3. Use of Proceeds**

The Issuer will use the net proceeds of each issue of Notes for the Group's general corporate purposes, which include making a profit. If any issue has a particular identified use of proceeds, this will be stated in the applicable Final Terms.

### **4. Risk Factors**

Certain factors may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme, including:

- economic and market risks;
- regulatory risks;
- operational risk;
- credit-related risk;
- the Group's financial strength and credit ratings;
- liquidity risk;
- industry risks (mortality experience, HIV/AIDS);

- catastrophic events;
- the structure of a particular issue of Notes (they may be subject to early redemption at the Issuer's option or for tax reasons, the yield to maturity of the Notes may be adversely affected by redemptions by the Issuer and there are particular risks associated with index-linked Notes, dual currency Notes, credit-linked, equity-linked and other structured Notes, partly-paid Notes, variable rate Notes with a multiplier or other leverage factor, inverse floating rate Notes, fixed/floating rate Notes and Notes issued at a substantial discount or premium);
- particular risks associated with Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes (the Issuer's obligations thereunder are subordinated, subordination may not protect Senior Notes from all risks of loss, Dated and Undated Tier 2 Notes are subordinated whilst the Perpetual Preferred Securities are outstanding, they have no maturity date, they are subject to redemption, variation or substitution on the occurrence of certain tax and regulatory events, payments on Tier 1 Notes can be satisfied by operation of the "Alternative Interest Satisfaction Mechanism" and interest payments on the Option B Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes may be deferred by the Issuer); and
- general risks associated with all types of Notes.

## RISK FACTORS

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

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

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

### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme**

#### ***Economic and Market Risks***

##### *Fluctuations in the Capital Markets*

Market levels and investment returns are an important part of the Group's overall profitability and fluctuations in the financial markets such as the fixed income or equity markets can have a material effect on the Group's consolidated financial condition, results of operations and cash flows.

In addition to the general insurance and shareholder investment portfolios, the Issuer has substantial exposure to both fixed income securities and equities within its life assurance investment portfolios worldwide. The investment risk on life assurance portfolios is often shared, in whole or in part, with policyholders, depending on the product sold. Fluctuations in the fixed income and equity markets will directly or indirectly affect the financial results of the life assurance operations by impacting on the levels of charges made on investment policies, which in most cases are related to the value of the assets backing the policy liabilities, or as a result of changes to the capital requirements of the life assurance businesses or changes in the value of assets backing liabilities.

The revenues of the Issuer's asset management businesses around the world are derived primarily from investment management fees, which are based primarily on the market value of funds under management. Consequently, the financial results of the asset management businesses are highly dependent on changes in the economic conditions and financial markets in which the funds under management are invested.

The South African based earnings of the Issuer are particularly affected by the performance of the JSE. Trading volumes and liquidity of shares listed and traded on the JSE have historically been low in comparison to those of some other major markets.

##### *Fluctuations in Interest Rates*

The level of, and changes in, interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) can affect the Group's life assurance, banking and asset management results and interest payable on debt. In particular, interest rates can affect the availability of disposable income for investment in life assurance and other savings products, asset values, levels of bad debts, levels of investment income and gains and losses on investments, funding costs and interest margins. Whilst rising interest rates increase the margin spread potential for the banking business, they are also likely to result in a decrease in fixed income asset values for the life insurance companies and this increases the risk of policyholder disintermediation. The impact of rising interest rates on the asset management business is driven by the change in value of funds under management.

A mismatch with respect to the repricing of interest-earning assets and interest-bearing liabilities in any given period can have a material adverse effect on the net interest margin and net interest spread of the Issuer's banking business. In addition, Nedbank has a significant amount of capital invested in assets that are sensitive to fluctuations in interest rates. As a result, any fluctuation in interest rates could have a material adverse effect on Nedbank's and, accordingly, the Group's results of operations.

#### *Fluctuations in Exchange Rates*

The Group currently presents its consolidated financial statements in Sterling. A substantial proportion of the Group's operations are accounted for in currencies other than Sterling, principally Rand, Swedish Kronor and US dollars. As a result, fluctuations in the relative value of Sterling to the Rand, Swedish Kronor, the US dollar and other currencies could be significant to the Issuer because, amongst other things, these fluctuations affect the translation of the results of the Issuer Group's non-UK operations into Sterling. There can be no assurance that the Issuer's Sterling reported financial results will not fluctuate significantly from year to year as a result of changes in exchange rates.

#### *Inflation*

Significant changes in inflation could materially and adversely affect the Issuer's business and financial performance through, amongst other things, affecting the spending and savings patterns of consumers. Additionally operating costs across the Group are influenced by inflation.

The Issuer is particularly exposed to significant changes in inflation in South Africa, given the size of its business in that country. The South African Government and South African Reserve Bank have sought to control inflation in South Africa by pursuing a policy of fiscal and monetary discipline, which has been successful in delivering a structural reduction in inflation, inflationary expectations and government bond yields in the period since 1994. Although it is not possible to guarantee that this will be preserved in future, all indications (for instance the current government bond yield curve) are that there is confidence amongst market participants that fiscal and monetary policy will continue along the same track in the foreseeable future in South Africa.

#### *Competitive Landscape*

The financial services industry is highly competitive on the basis of both price and service. There are many companies competing for the same customers in the geographic areas in which the Group operates and the performance of its various businesses is dependent on a continuing ability to attract new customers.

Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in the Issuer's competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity.

#### *Economic environment*

It is possible that the demand for banking and related financial products could be adversely affected by a continuation or worsening of the recent depressed economic environment, which could lead to higher unemployment, lower household income, lower corporate earnings, higher corporate and private debt defaults and lower business investment and consumer spending compared to long-term trends. In such circumstances it would be expected that the Issuer's reserve requirements and provisions would be likely to increase, resulting in lower earnings. In addition, increased terminations of life products due to adverse economic circumstances can depress the net client cash flow position, earnings and embedded value.

Additionally, a sustained decline in equity markets may:

- (i) result in impairment charges to equity securities that the Issuer holds in its investment portfolios and reduced levels of unrealised capital gains available to it which would adversely affect its financial performance and negatively impact its solvency position;

- (ii) negatively impact performance, future sales and surrenders of the Issuer's unit-linked products where underlying investments are often allocated to equity funds; and
- (iii) negatively impact the ability of its asset management operations to retain and attract assets under management, as well as the value of assets they do manage, which may further impact their financial performance as a consequence of lower fees earned.

#### *Exchange Controls*

Exchange controls in South Africa have been relaxed to a limited extent since 1995. Although the South African Government has committed itself to a gradual relaxation of the remaining foreign exchange controls, the pace or extent of this relaxation cannot be predicted with certainty. Further relaxation, or abolition, of exchange controls may precipitate a change in the capital flows to and from South Africa. If the net result of this were to cause large capital outflows, this could adversely affect the Issuer's South African businesses, which could have an adverse effect on the financial condition of the Issuer as a whole.

As a result of the non-resident status of the Issuer in terms of exchange control, the Issuer is subject to certain exchange controls in respect of its dealings with its South African subsidiaries. For example, dividends declared by its South African subsidiaries are only freely transferable on production of an auditors report confirming that the amount to be transferred arises from realised or earned profits.

As part of the Issuer's demutualisation in 1999, the South African Reserve Bank required, *inter alia*, that the Issuer's South African operations be controlled via a South African holding company, that its South African businesses and assets remain in South Africa and that its assets may not be exported from South Africa without the specific approval of the South African Reserve Bank. These exchange controls could adversely affect the Issuer's ability to make foreign investments or procure foreign-denominated financing.

#### *Insurance Risks*

The Group assumes insurance risk where the expected benefit payments under underwritten insurance policies are dependent on the occurrence of future insured events. Actual experience could differ from expected experience assumed when pricing and reserving for these policies, resulting in underwriting losses which in turn lead to volatility in earnings.

Notwithstanding the insurance risks set out in the above paragraph:

- The insurance businesses also retain financial exposures to the extent that the benefits payable to policyholders are not linked to the performance of the underlying assets, or the financial options and guarantees embedded in the policyholders' contracts that may not be fully matched or hedged.
- Living and/or death benefits embedded within certain of the Issuer's products, and which are designed to pay out certain minimum benefits, may decrease the Issuer's earnings or increase the volatility of the Issuer's results if the hedging or risk management strategies employed by the Issuer are not fully effective, or the cost of hedging proves to be higher than expected.
- The Issuer's estimate of the expected liability cash flow profile may be different to the realised actual liability cash flow, and the Issuer may be forced to realise investments prior to their maturity. Such realisation may occur at times when the market value of assets to be realised is less than the historic cost or book value, leading to realised investment losses and an adverse impact on the Issuer's reported earnings and financial position.
- Policy holder behaviour, including policy lapse risk, is an additional risk, particularly where policy holders terminate policies forcing the sale of assets at inopportune times. This creates the risk of capital losses and/or reinvestment risk if market yields have decreased.

#### *Regulatory Environment*

The Issuer's insurance, asset management and banking subsidiaries are subject to government regulation in each of the jurisdictions in which they conduct business. Regulatory agencies have broad mandates over

many aspects of these businesses, which may include capital adequacy requirements, premium rate setting, marketing and selling practices, advertising, licensing of agents, policy forms, terms and conditions of contracts issued and permitted investments.

In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. Most of the principal markets where the Group conducts its businesses have adopted, or are currently considering, major legislative and/or regulatory initiatives in response to the financial crisis.

The Issuer is subject to regulatory capital requirements both in the UK and also within other regulatory regimes within which the group operates, and changes to capital requirements could adversely impact the group. Insurance regulation in the UK is largely based upon the requirements of EU directives and the EU is currently implementing a new solvency framework, known as 'Solvency II'. The proposal is intended to introduce more sophisticated requirements for insurers in order to ensure sufficient capital is held to protect policy holders from adverse events, market risk, credit risk and operational risk. The target date for implementation is final quarter 2012 and although it is not possible to be certain what effect Solvency II will have on the solvency requirements for insurance groups, it is possible that its implementation will increase the amount of capital which the group is required to hold, which may adversely affect the Issuer's ability to make payments in respect of the notes.

Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Issuer operates may adversely affect the Issuer's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements.

All financial services groups face the risk that regulators may find that they have failed to comply with applicable regulations or have not undertaken corrective action as required. Regulatory proceedings could result in adverse publicity for, or negative perceptions regarding, the Group, as well as diverting management's attention away from the day-to-day management of the business. A significant regulatory action against a member of the Group could have a material adverse effect on the business of the Group, its results of operations and/or financial condition.

Further, changes in the interpretation of existing tax laws, amendments to existing tax rates, or the introduction of new tax legislation may adversely affect the business, results of operations and financial condition of the group.

### ***Operational Risk***

Operational risks are present in all of the Group's businesses, including the risk of direct, or indirect, loss resulting from inadequate or failed internal and external processes, systems and human error, or from external events such as business fraud.

The Issuer's business is particularly dependent on processing a large number of complex transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes. The Issuer's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled, but a weakness in the systems could have a negative impact on its results of operations.

The Group is dependent on the efficient and uninterrupted operations of its information technology and computer systems, which are vulnerable to damage or interruption from power loss, telecommunications failure, virus attack, negligence or similar misconduct or events beyond its control. Any such damage or interruption could have a material adverse effect on the Issuer's business.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.



### ***Key Employee Risk***

Operational and Financial performance could be adversely impacted should the Group's businesses be unable to attract and retain employees with sufficient expertise, skills and ability (e.g. investment professionals or key management staff), or if the costs to attract and retain such employees rise due to competition for their services. Current market conditions, and required restructuring in certain of the Group's subsidiaries, serve to increase uncertainty for staff and may lead to an increased risk of being unable to attract and retain key staff.

### ***Credit-Related Risk***

The Group has counterparty risk in relation to third parties. A failure by the Issuer's counterparties to meet their obligations could have a material impact on the Issuer's financial position. The Group is exposed to credit, default, downgrade and impairment risk, *inter alia*, through its holdings of fixed income instruments and loan advances.

Where the credit rating of the issuer of a debt security drops, the value of the security may also decline. Should the credit rating of an issuer drop to a level such that regulatory guidelines prohibit the holding of such securities to back insurance liabilities, the resulting disposal may lead to the realisation of a significant loss on the Issuer's investment.

The Group could also be exposed to concentration risk, through concentration of exposures to single issuers, sectors or investment types. The two main sectoral exposures in the Group stem from Nedbank's banking book and include exposures to other South African banks and exposure to a substantial amount of South African government debt, which Nedbank holds in respect of its reserve requirements.

The Issuer is exposed to systemic risk whereby concerns as to the credit worthiness of, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions since the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Group interacts on a daily basis and therefore could adversely affect the Group.

Changes in the general creditworthiness of the issuers of debt securities and equity securities held in the Issuer's portfolios could also impact investment returns.

Nedbank provides for the risks of losses inherent in loans and advances through its impairment of bad and doubtful advances. Through a regular review and consideration of its advances, Nedbank determines the impairment of bad and doubtful loans by considering, among other factors, general market conditions, credit quality of loans, the collateral supporting the loans and performance of its customers relative to their financial obligations with it. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond Nedbank's control and these losses may exceed its current estimates. Although Nedbank believes the impairment of bad and doubtful loans is a reasonable estimate of known and inherent losses in its portfolio of loans, it cannot fully predict such losses or give assurances that its impairments will be adequate in the future. Excessive loan losses could have a material impact on Nedbank's financial performance and, accordingly, that of the Issuer. The Group is also exposed to credit risks arising from the lending activity of Skandiabanken, although this is at a far lower level of exposure given the smaller scope of these operations.

Finally, the Group's life assurance and general insurance businesses have substantial exposure to reinsurers through reinsurance arrangements. When reinsurance is obtained, the Group remains liable for those transferred risks if the reinsurer does not meet its obligations. Therefore, the inability or failure of reinsurers to meet their financial obligations could materially affect the Group's operations and financial condition.

The Issuer could also be exposed to credit risk arising from joint ventures, as there is a risk of financial or other exposure in the event that any of the joint venture partners fails to meet its obligations under the joint venture agreement or encounters financial difficulty.

### ***The Group's Financial Strength and Credit Ratings***

Ratings are an important factor in the Group's competitive position in some of the markets in which it operates. Rating agencies periodically review the financial performance and condition of companies, including the Issuer and its subsidiaries, and assign ratings based upon a number of factors, including some that relate to general economic conditions and circumstances outside the rated company's control. Any significant lowering of the Issuer's ratings could have a material adverse effect on its ability to market products and retain current policyholders, and may affect market penetration and sales volumes. As a result, a lowering of any of the Issuer's ratings could have a material adverse effect on liquidity and, under certain circumstances, net income.

The terms on which the Issuer can raise capital from the capital markets may be adversely affected by a reduction in the credit ratings of the Issuer's businesses.

### ***Liquidity risk***

Liquidity risk is the risk that the Group may not be able to pay obligations when due, or provide capital to its subsidiaries when required. The Group manages liquidity through the diversification of its funding sources and by maintaining adequate committed facilities to meet expected cash requirements.

In the event that the available liquid financial resources do not satisfy the Issuer's needs at a point in time, the Issuer may have to seek additional financing. Credit and capital markets can be volatile and subject to disruption and consequently the Issuer may not be able to successfully obtain the required additional financing as required or the financing might not be on favourable terms.

### ***Reputation Risk***

Should the business fail, or appear to fail, to deal properly with various issues that could potentially harm its reputation, the business could experience adverse effects to its business operations and financial results. Presence in some countries (e.g. Zimbabwe, Columbia) may lead to significant reputation damage through association.

### ***Exposure to Certain Industry Risks***

#### ***Mortality Experience***

The life assurance business includes annuities and other products that are sensitive to future mortality experience. Annuities are subject to the risk that annuitants live longer than was projected at the time their policies were issued with the result that the insurer has to continue paying out to the annuitants for longer. Conversely, increased mortality will increase death claims on life assurance products. In calculating actuarial liabilities, certain assumptions have historically been made for mortality, including an allowance for improvements in annuitant mortality, although no assurance can be given that these assumptions will be adequate.

#### ***HIV/AIDS***

The incidence of HIV/AIDS infection in some of the jurisdictions in which the Group companies operate, in particular in southern Africa, is high. As payment under a policy will not necessarily be precluded where HIV/AIDS has been a contributory factor in death, the Issuer has taken a number of steps to seek to mitigate the potential adverse effect of HIV/AIDS on its business. For instance, where appropriate, OMLAC(SA) sells products that allow it to adjust premiums for in-force business on a regular basis, or are priced with an allowance for expected escalations in mortality due to HIV/AIDS. In addition, larger policies are not issued at standard rates without a negative HIV test.

The Issuer believes that its existing reserves are sufficient for two main reasons: (i) it has a broad base among the socio-economic classes, which means that it does not have excessive exposure to those who are primarily at risk, and (ii) its products take into account the HIV/AIDS risk through underwriting and pricing. Although the Issuer does not believe that increased levels of HIV/AIDS infection will have a material adverse effect on the Group's financial position, significant increases in the incidence of HIV/AIDS infection amongst the Issuer's policyholders could adversely affect the Issuer's life assurance businesses' earnings in future

periods. Recent experience across the South African life insurance market has provisionally indicated that the impact of HIV/AIDS on the mortality rates experienced by life insurers has been lower than was initially anticipated.

#### *Pandemic Risk*

Assumptions about mortality relate to the Issuer's best estimates, however a global pandemic such as bird flu or swine flu, may produce an increase in mortality in excess of Old Mutual's assumptions, potentially leading to a higher number of claims being paid.

#### *Catastrophic Events*

Mutual & Federal has purchased reinsurance cover against losses arising from catastrophe events such as hurricanes, earthquakes, tornadoes, severe hail, floods and fires, while losses from terrorist attacks are underwritten by the South African Government.

The severity of these catastrophes is unpredictable and should the total value of the catastrophe loss exceed the limit of the reinsurance programme, Mutual & Federal shareholder funds are totally exposed to the cost of these excess losses. This could threaten the solvency of the business, ultimately leading to liquidation in the extreme case.

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

#### *Risks Related to the Suitability of the Notes*

*The Notes may not be a suitable investment for all investors*

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

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

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### *Legal considerations may restrict certain investments*

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### *Risks Related to the Structure of a Particular Issue of Notes*

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

#### *Notes may be subject to early redemption*

If the applicable Final Terms specifies that the Notes are redeemable at the option of the Issuer, or are otherwise subject to mandatory redemption, the Notes may be redeemed at times when prevailing interest rates are relatively low. Accordingly, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

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

#### *Redemption for tax reasons*

The Issuer may (subject to the requisite notice being given to the FSA in the case of Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes) upon the occurrence of a Par Tax Event or Other Tax Event redeem the Notes in the case of a Par Tax Event, at their nominal amount or (unless otherwise specified in the applicable Final Terms), in the case of an Other Tax Event, at their Other Tax Event Redemption Price specified in the applicable Final Terms, together, in each case, with interest accrued to but excluding the date of redemption and all Arrears of Interest or as the case may be, Deferred Interest Payments (if any), all as more particularly described in “Terms and Conditions of the Notes — Redemption and Purchase — Redemption for tax reasons”.

#### *The yield to maturity of the Notes may be adversely affected by redemptions by the Issuer*

The yield to maturity of the Notes of each class will depend mostly on: (i) the amount and timing of the repayment of principal on the Notes; and (ii) the price paid by the holders of each class of Notes. The yield to maturity of the Notes of each Tranche may be adversely affected by a higher or lower than anticipated rate of redemption of the Notes, which will in turn be influenced by a wide variety of economic and other factors, including prevailing interest rates, the availability of alternative financing programmes and economic conditions.

#### *Index Linked Notes and Dual Currency Notes*

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a “Relevant Factor”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;

- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, it is likely that the effect of changes in the Relevant Factor on principal or interest payable will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### *Credit Linked, Equity Linked and other structured Notes*

The Issuer may issue Credit Linked, Equity Linked<sup>1</sup> or other structured Notes under the Programme, including where the amount of principal and/or interest payable in respect of such Notes is based on the price, value, performance or some other factor relating to an asset or other property (a “Reference Asset”) and/or the creditworthiness of, performance of obligations by or some other factor relating to another entity (a “Reference Entity”), each as indicated in the applicable Final Terms and, if necessary, supplement to this Prospectus and a supplemental trust deed. In addition, the Issuer may (as indicated in the applicable Final Terms and, if necessary, supplement to this Prospectus and provided in a supplemental trust deed) be entitled to redeem such Notes either by payment of a cash amount (“Cash-Settled Notes”) and/or physical delivery of all or part of the Reference Asset or of some other asset or property (“Physically-Settled Notes”).

In certain circumstances (as indicated in the applicable Final Terms and, if necessary, supplement to this Prospectus and provided in a supplemental trust deed), the cash amount payable on Cash-Settled Notes, or the value of the assets or property deliverable on Physically-Settled Notes, on redemption of such Notes (whether at maturity or otherwise) may be less than the principal amount of the Notes together with any accrued interest and may in certain circumstances be zero. Moreover, each interest bearing Note may cease to bear interest from the Interest Payment Date immediately preceding the date of occurrence of the event giving rise to early redemption of the Notes.

Purchasers of such Notes are deemed to have sufficient knowledge, experience and professional advice to make their own investment decision including their own legal, financial, tax, accounting and other business evaluation of the risk and merits of investment in such Notes and should ensure that they fully understand the risks associated with investments of this nature which are intended to be sold only to sophisticated investors. Purchasers of Notes are solely responsible for making their own independent appraisal of and investigation into the business, financial condition, prospects, creditworthiness, status and affairs of any Reference Entity or Reference Asset.

#### *Partly-paid Notes*

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

#### *Variable Rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

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<sup>1</sup> “Equity Linked Notes” are intended to be Notes the terms and conditions of which provide that interest and redemption amounts will be determined by reference to an underlying equity security or securities. A supplemental prospectus will be published if Physically-Settled Notes (as defined herein) are intended to be issued.

### *Inverse Floating Rate Notes*

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

### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable debt securities tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its other debt securities. Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

### *Notes issued at a substantial discount or premium*

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

### ***Risks Related to the Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes***

#### *The Issuer's obligations under Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes are subordinated*

The obligations of the Issuer under Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes will be unsecured and subordinated and will rank junior in priority of payment to the claims of Senior Creditors (as defined in the relevant Conditions) in the manner provided in the relevant Conditions.

Although such Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes will lose some or all of his investment should the Issuer become insolvent.

#### *Subordination may not protect Senior Notes from all risks of loss*

Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes are subordinated in right of payment to Senior Notes. Undated Tier 2 Notes are subordinated in right of payment to Dated Tier 2 Notes, and Tier 1 Notes are subordinated in right of payment to Dated Tier 2 Notes and Undated Tier 2 Notes. However, Dated Tier 2 Notes may be issued with repayment periods of any length and Undated Tier 2 Notes and Tier 1 Notes may, subject to the requirements of the FSA, contain issuer call options of any length, including repayment periods that require payment in full prior to the repayment in full of certain Senior Notes. In such circumstances, there is no assurance that subordination rules will protect the holders of any such Senior Notes whose maturity date falls later than the maturity dates of Dated Tier 2 Notes or after any call date in respect of Undated Tier 2 Notes or Tier 1 Notes from risk of loss.

#### *Subordination of Dated and Undated Tier 2 Notes whilst the Perpetual Preferred Securities are outstanding*

In the event of the winding-up of the Issuer whilst the Perpetual Preferred Securities are outstanding and the terms of such Perpetual Preferred Securities (or the guarantee issued by the Issuer in respect thereof) prevent Dated Tier 2 Notes and Undated Tier 2 Notes ranking senior to Perpetual Preferred Securities (or such



guarantee) from being issued without changes being made to the terms of such Perpetual Preferred Securities (or such guarantee), Dated Tier 2 Notes and Undated Tier 2 Notes, notwithstanding any other provisions in the relevant Conditions, shall rank *pari passu* with the Perpetual Preferred Securities.

#### *Perpetual Securities*

The Issuer is under no obligation to redeem Undated Tier 2 Notes or Tier 1 Notes at any time. The holders of Undated Tier 2 Notes or Tier 1 Notes have no right to call for their redemption.

#### *Occurrence of a Regulatory Redemption Event*

Upon the occurrence of a Regulatory Redemption Event the Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes may subject to the requisite notice being given to the FSA (i) be redeemed at the Regulatory Redemption Event Price specified in the applicable Final Terms, together with interest accrued to but excluding the date of redemption and all Arrears of Interest or, as the case may be, Deferred Interest Payments (if any) or, (ii) be substituted for, or have their terms varied so that they become, Qualifying Tier 1 Securities (in the case of the Tier 1 Notes) or Qualifying Tier 2 Securities (in all cases), all as more particularly described in “Terms and Conditions of the Notes — Redemption and Purchase — Redemption, Substitution or Variation at the option of the Issuer on a Regulatory Redemption Event”.

Furthermore, upon the occurrence and continuation of a Substitution Event (as defined in the Conditions of the Tier 1 Notes), the Issuer may, subject as provided in Condition 7 of the Tier 1 Notes, substitute the Tier 1 Notes by Substituted Preference Shares. The tax consequences of holding preference shares following a substitution could be different for some categories of holder from the tax consequences for them of holding Tier 1 Notes.

#### *Alternative Interest Satisfaction Mechanism (“AISM”)*

If the Issuer does not have available a sufficient number of Eligible Securities which may be allotted free from pre-emption rights, then the Issuer will not be able to operate the AISM and therefore will not be able to redeem, substitute or vary the Tier 1 Notes, all as more particularly described in “Terms and Conditions of the Tier 1 Notes — 5. Interest — (h) Alternative Interest Satisfaction Mechanism — (iv) Insufficiency”.

#### *Interest payments under Option B Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes may be deferred*

The Issuer may in the case of Option B Dated Tier 2 Notes (on Optional Interest Payment dates) and, Option B Undated Tier 2 Notes and Option B Tier 1 Notes (on any Interest Payment Date) and, in certain circumstances, in the case of Option A Undated Tier 2 Notes and Option A Tier 1 Notes (on Interest Payment Dates) defer the payment of interest on such Notes. Holders of such Notes will not have any right to compel payment of such deferred payments of interest, and such deferred payments will not themselves bear interest.

Any deferral of interest payments is likely to have an adverse effect on the market price of the relevant Notes. In addition, as a result of the interest deferral provision of such Notes, the market price of such Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer’s financial condition.

#### ***Risks Related to the Notes Generally***

##### *Modification and waiver*

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

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders but, in certain cases following the prior consent of the FSA being given, agree to (i) any

modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or the Trust Deed or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in the Terms and Conditions of the Notes.

*The Issuer cannot assure a trading market for the Notes will ever develop or be maintained*

The Issuer cannot assure a trading market for any particular tranche of Notes will develop or be maintained. Many factors independent of the creditworthiness of the Issuer affect the trading market, including the terms and conditions of the Notes and general economic and market conditions. In addition, certain Notes have a more limited trading market and experience more price volatility because they were designed for specific investment objectives or strategies. This may affect the price an investor receives for such Notes or the ability of an investor to sell Notes in the future. Consequently, Noteholders must be able to bear the economic risk of an investment in such Notes for an indefinite period of time in the case of Undated Tier 2 Notes or Tier 1 Notes or up to maturity in the case of Dated Tier 2 Notes.

*Liquidity*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

*The Notes are subject to selling restrictions*

The Notes are subject to certain restrictions on the resale thereof as set out under “Subscription and Sale”. As a result of such restrictions, the Issuer cannot be certain of the existence of a secondary market for the Notes or the liquidity of such market if one develops. Consequently, Noteholders must be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

*Noteholders may be adversely affected if any third party upon whom the Issuer relies fails to perform its obligations*

The Issuer may be a party to contracts with a number of other third parties that have agreed to perform services (such as payment and calculation services) in relation to the Notes. In the event that any such third party was to fail to perform its obligations under the respective agreements to which it is a party, Noteholders’ interests may be adversely affected.

*Credit ratings may not reflect all risks*

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

*Change of law*

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

*Noteholders' interests may be adversely affected by a change of law in relation to UK tax*

In the event that amounts due under the Notes are subject to UK withholding tax, the Issuer may not be obliged to pay additional amounts in relation thereto if Noteholders fall within certain exceptions to the obligation to pay such additional amounts. In addition, the Issuer may, in certain circumstances, redeem the Notes if certain tax related events occur (as described in Condition 7 of the Notes). The applicability of UK withholding tax under current English law is discussed under "Taxation".

*The European Union Directive on the Taxation of Savings Income may prevent some Noteholders from receiving interest on the Notes in full*

The European Union has adopted a Directive (2003/48/EC) regarding the taxation of savings income. Subject to a number of important conditions being met, Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise. A number of non-EU countries and dependant territories have adopted similar measures to the Directive. The UK has implemented the Directive such that UK authorities are required to provide such information to the tax authorities of other Member States.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State (other than the United Kingdom in circumstances where a withholding tax is imposed in the United Kingdom) that is not obliged to withhold or deduct tax pursuant to the Directive.

*The United Kingdom may join the European Monetary Union prior to the maturity of the Notes*

It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State in the European economic and monetary union and the euro may become the lawful currency of the United Kingdom. In that event: (i) all amounts payable in respect of any Notes denominated in Sterling may become payable in euro; (ii) applicable provisions of law may allow or require the Issuer to re-denominate such Notes into euro and take additional measures in respect of such Notes; and (iii) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in Sterling used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom would have on investors in the Notes.

*Investments in the Notes may be negatively affected by changes in exchange rates and exchange controls*

With respect to an investment in Dual Currency Notes that are denominated and/or payable in a Specified Currency, there will be significant risks associated with such an investment, including the possibility of material changes in the exchange controls by the applicable governments. The Issuer has no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for the applicable currencies. Moreover, if payments on Dual Currency Notes are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been approved by the Financial Services Authority or filed with it shall be incorporated in, and form part of, this Prospectus:

- (i) the audited consolidated and non-consolidated annual financial statements of the Issuer for the financial years ended 31 December 2008 and 31 December 2009 (including the audit reports issued in respect thereof);
- (ii) the unaudited consolidated financial statements for the six months ended 30 June 2010 (including the review report issued in respect thereof) (as set out in pages 33 to 123 of the News Release dated 6 August 2010);
- (iii) the sections entitled “Terms and Conditions of the Senior Notes”, “Terms and Conditions of the Dated Tier 2 Notes”, “Terms and Conditions of the Undated Tier 2 Notes” and “Terms and Conditions of the Tier 1 Notes” on pages 47–175 of the Prospectus dated 11 June 2009 relating to the Old Mutual £3,500,000,000 Euro Note Programme;
- (iv) the sections entitled “Terms and Conditions of the Senior Notes”, “Terms and Conditions of the Dated Tier 2 Notes”, “Terms and Conditions of the Undated Tier 2 Notes” and “Terms and Conditions of the Tier 1 Notes” on pages 46–173 of the Prospectus dated 11 April 2008 relating to the Old Mutual plc £3,500,000,000 Euro Note Programme;
- (v) the section entitled “Terms and Conditions of the Senior Notes”, “Terms and Conditions of the Dated Tier 2 Notes”, “Terms and Conditions of the Undated Tier 2 Notes” and “Terms and Conditions of the Tier 1 Notes” on pages 28–140 of the Prospectus dated 19 December 2006 relating to the Old Mutual plc £3,500,000,000 Euro Note Programme; and
- (vi) the section entitled “Terms and Conditions of the Notes” on pages 38–71 of the Prospectus dated 12 October 2005 relating to the Old Mutual plc £3,500,000,000 Euro Note Programme,

save that any statement contained herein or in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein or in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in the Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer at 5th Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG and from the specified office of the Paying Agent for the time being in London which, as at the date of this Prospectus, is at 21st Floor Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

The Issuer has undertaken to the Dealers in the Programme Agreement (as defined in “Subscription and Sale”) that it will comply with section 87G of FSMA.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons (“Coupons”) attached, or registered form, without Coupons attached. Notes will be issued outside the United States in reliance on Regulation S.

### **Bearer Notes**

Each Tranche of Bearer Notes will initially be represented by either a temporary global note (each a “Temporary Global Note”) or a permanent global note (each a “Permanent Global Note” and, together with each Temporary Global Note, the “Bearer Global Notes”) as indicated in the applicable Final Terms, which, in either case, will:

- (a) if the Bearer Global Notes are intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the issue date of the relevant Tranche to the Common Safekeeper; and
- (b) if the Bearer Global Notes are not intended to be issued in NGN form, be delivered on or prior to the issue date of the relevant Tranche to the Common Depository.

Whilst any Bearer Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of such Bearer Note due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note (if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not US persons or persons who have purchased for resale to any US person (as required by US Treasury Regulations) has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg (as applicable) has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the “Exchange Date”) which, in respect of each Tranche for which a Temporary Global Note is issued, is (i) 40 days after the Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for Definitive Bearer Notes of the same Series with, where applicable, receipts, Coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of non-US beneficial ownership as described above unless such certification has already been given, provided that Definitive Bearer Notes may not be delivered into the United States or its possessions. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg outside the United States and its possessions against presentation or surrender (as the case may be) of the Permanent Global Note (if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify whether a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, receipts, Coupons and talons attached upon either (a) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that (i) an event described in Condition 10 of the relevant Terms and Conditions has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer



has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect is given by two Authorised Signatories (as defined under “Terms and Conditions of the Notes”) of the Issuer (one of which shall be a Director or the Company Secretary) to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 of the relevant Terms and Conditions if an Exchange Event occurs.

In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Registered Notes**

Each Tranche of Registered Notes will be represented by a global note in registered form, without Receipts or Coupons (a “Registered Global Note”). If a Registered Global Note is held under the New Safekeeping Structure (the “NSS”) the Registered Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. Registered Global Notes which are not held under the NSS will be deposited with a common depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Registered Notes.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 2) as the registered holder of the Registered Global Notes. None of the Issuer, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments or deliveries made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Payments of principal, interest or any other amount in respect of Definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6 of the relevant Terms and Conditions) immediately preceding the due date for payment in the manner provided in Condition 6 of the relevant Terms and Conditions.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that (i) an event described in Condition 10 of the relevant Terms and Conditions has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available, or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 of the relevant Terms and Conditions if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, as applicable, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.



## **General**

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes” herein), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN, assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche save that, if the further issue of Notes is issued less than 40 days after the issue date of the prior series then, at the Issuer’s discretion, the distribution compliance period may be extended to include the period of 40 days from the issue date of the further Tranche of Notes rather than assigned a different common code and ISIN.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Paying Agents, the Registrar, the Transfer Agents and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee, the Paying Agents, the Registrar, the Transfer Agents and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or otherwise approved by the Issuer, the Principal Paying Agent, the Registrar and the Trustee.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the Summary and the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only, if appropriate, a supplement to the Prospectus will be published.*

*Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this overview.*

<b>Issuer:</b>	Old Mutual plc
<b>Description:</b>	Euro Note Programme
<b>Arranger:</b>	Citigroup Global Markets Limited
<b>Dealers:</b>	Barclays Bank PLC, BNP PARIBAS, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, J.P. Morgan Securities Ltd., Merrill Lynch International, The Royal Bank of Scotland plc and any other Dealers appointed in accordance with the Programme Agreement.
<b>Certain Restrictions:</b>	<p>Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale”) including the following restrictions applicable at the date of this Prospectus.</p> <p>Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see “Subscription and Sale”).</p>
<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A.
<b>Trustee:</b>	Citicorp Trustee Company Limited
<b>Registrar:</b>	Citibank, N.A.
<b>Programme Size:</b>	Up to £3,500,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed outside the United States only in reliance upon Regulation S, and on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.

<b>Redenomination:</b>	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination will be contained in the applicable Final Terms.
<b>Maturities:</b>	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Undated Tier 2 Notes and Tier 1 Notes will have no maturity date.
<b>Issue Price:</b>	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	<p>The Notes may be issued in bearer form (“Bearer Notes”) or in registered form (“Registered Notes”) as described in “Form of the Notes”. Registered Notes will not be exchangeable for Bearer Notes or <i>vice versa</i>.</p> <p>Each Series of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note, in either case in bearer form without interest coupons. If the Global Notes are stated in the applicable Final Terms to be issued in new global note (“NGN”) form the Global Notes will be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper (the “Common Safekeeper”) for Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”). Global Notes which are not issued in NGN form (“Classic Global Notes” or “CGNs”) will be deposited on their issue date with a common depositary (the “Common Depositary”) on behalf of Euroclear and Clearstream, Luxembourg or such other clearing system as may be set forth in the applicable Final Terms.</p> <p>Each Series of Registered Notes will be represented by interests in a permanent global note in registered form (a “Registered Global Note”), without interest coupons, which will (i) if the registered Global Note is held under the NSS, be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg, or (ii) if the Registered Global Note is not held under the NSS, be registered in the name of a nominee for, and shall be deposited on its issue date with, a common depositary on behalf of Euroclear and Clearstream, Luxembourg.</p> <p>Beneficial interests in a Global Note will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear or Clearstream, Luxembourg, as the case may be, and their respective participants, and in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg from time to time.</p>
<b>Fixed Rate Notes:</b>	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day

Count Fraction as may be agreed between the Issuer and the relevant Dealer.

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

**Index Linked Notes:**

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree, in each case subject to certain regulatory restrictions.

**Credit Linked, Equity Linked and other Structured Notes:**

Subject to certain regulatory restrictions, the Issuer may issue Credit Linked, Equity Linked\* and other structured Notes where payments of principal and/or interest will be calculated by reference to the price, value, performance or some other factor relating to one or more Reference Assets and/or the creditworthiness of, performance of obligations by or some other factor relating to one or more Reference Entities, as indicated in the applicable Final Terms and, if necessary, supplement to this Prospectus and provided in a supplemental trust deed. Credit Linked, Equity Linked and other structured Notes of the Issuer may be issued as Cash-Settled Notes or Physically-Settled Notes or a combination of both, as indicated in the applicable Final Terms and, if necessary, supplement to this Prospectus and provided in a supplemental trust deed.

**Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:**

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

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\* "Equity Linked Notes" are intended to be Notes the terms and conditions of which provide that interest and redemption amounts will be determined by reference to an underlying equity security or securities. A supplemental prospectus will be published if Physically-Settled Notes (as defined herein) are intended to be issued.

<b>Dual Currency Notes:</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
<b>Zero Coupon Notes:</b>	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
<b>Redemption:</b>	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>The applicable Final Terms may provide that Notes are or may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.</p> <p>Notes issued on terms that they must be redeemed before their first anniversary may be subject to restrictions on their redemption value and distribution (see “Certain Restrictions”).</p>
<b>Denomination of Notes:</b>	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see “Certain Restrictions”).
<b>Taxation:</b>	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction unless required by law, subject to the Terms and Conditions of the Notes. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in the Terms and Conditions, be required to pay additional amounts in respect of the amounts so deducted.
<b>Negative Pledge:</b>	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4 of the Terms and Conditions relating to the Senior Notes.
<b>Cross Default:</b>	The terms of the Senior Notes will contain a cross default provision as further described in Condition 10 of the Terms and Conditions relating to the Senior Notes.
<b>Status of the Notes:</b>	As described in the Summary.
<b>Deferral of Interest:</b>	As described in the Summary.
<b>Rating:</b>	The rating (if any) of the Notes will be specified in the applicable Final Terms. A rating is not a recommendation to

buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

**Listing:**

Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List, and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer in relation to each Series.

Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**Governing Law:**

The Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and France) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see "Subscription and Sale").

**Senior Notes:**

Certain of the features described in this Overview of the Programme will not apply to Tier 1 Notes or Undated Tier 2 Notes. For example Tier 1 Notes and Undated Tier 2 Notes will not be issued as Zero Coupon Notes or be redeemable in instalments.



## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.*

Final Terms dated [Date]

### **Old Mutual plc**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the  
£3,500,000,000  
Euro Note Programme

The Prospectus referred to below (as completed by these 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 the Prospectus Directive (2003/71/EC) (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 Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer 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 Terms and Conditions (the “Conditions”) set forth in the Prospectus dated 10 September 2010 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at the registered office of the Issuer at 5th Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG, United Kingdom and copies may be obtained from the specified office of the Principal Paying Agent at 21st Floor Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

*[The following alternative language applies if the first Tranche of an issue which is being increased was issued under an offering circular with an earlier date.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “Conditions”) set forth in the Prospectus dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated 10 September 2010 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus dated [original date] and the Prospectus dated 10 September 2010. Copies of such documents are available for viewing at the registered office of the Issuer at 5th Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG, United Kingdom and copies may be obtained from the specified office of the Principal Paying Agent at 21st Floor Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1	Issuer:	Old Mutual plc
2	(a) Series Number:	[•]
	(b) Tranche Number:	[•]
		<i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)</i>
3	Specified Currency or Currencies:	[•]
4	Aggregate Nominal Amount:	
	(a) Series:	[•]
	(b) Tranche:	[•]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6	(i) Specified Denominations:	[•] [•]
		<i>(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)</i>
		<i>(N.B. where multiple denominations above [€50,000] or equivalent are being issued the following sample wording should be followed:</i>
		<i>“€50,000 and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. [No Notes in definitive form will be issued with a denomination above [€99,000]]”</i>
	(ii) Calculation Amount:	[•]
7	(a) Issue Date:	[•]
	(b) Interest Commencement Date:	[•]
		<i>(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)</i>
8	Maturity Date:	[Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month]]
9	Interest Basis:	[[•] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [•] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [Credit Linked Interest] [Equity Linked Interest]*

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\* “Equity Linked Notes” are intended to be Notes the terms and conditions of which provide that interest and redemption amounts will be determined by reference to an underlying equity security or securities. A supplemental prospectus will be published if Physically-Settled Notes are intended to be issued.

- [specify other]  
(further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Credit Linked Redemption]  
[Equity Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[specify other]  
*(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*
- 11 Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
- 12 Put/Call Options: [Investor Put]  
[Issuer Call]  
(further particulars specified below)]
- 13 (a) Status of the Notes: [Senior]/[Option [A/B] [Dated Tier 2/Undated Tier 2/Tier 1]]
- (b) [Date [Board/specify other] approval for issuance of Notes obtained]: [•] [and [•], respectively] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes) (N.B. A separate Board resolution will be required for most issues. However, the Board has reserved some powers to the Group Finance Director for raising external debt of less than two years maturity)*
- (c) Contingent Debt Obligation: [Yes] [No]
- 14 Method of distribution: [Syndicated/Non-syndicated]
- Provisions relating to Interest (if any) Payable**
- 15 Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Rate(s) of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]  
*(If payable other than annually, consider amending Condition 5)*
- (b) Interest Payment Date(s): [[•] in each year up to and including the Maturity Date]/[specify other]  
*(N.B. This will need to be amended in the case of long or short Coupons)*
- (c) Fixed Coupon Amount(s): [•] per Calculation Amount  
*(Applicable to Notes in definitive form)*

- (d) Broken Amount(s):  
*(Applicable to Notes in definitive form)* [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or *[specify other]*]
- (f) Determination Date(s): [•] in each year  
*(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last Coupon)*  
*(N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration)*  
*(N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes:]; [None/Give details]
- 16 Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [•]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*[specify other]*]
- (c) Additional Business Centre(s): [•]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [•]
- (f) Screen Rate Determination:
- (i) Reference Rate: [•]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
- (ii) Interest Determination Date(s): [•]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- (iii) Relevant Screen Page: [•]

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*

- (g) ISDA Determination:
- (i) Floating Rate Option: [•]
  - (ii) Designated Maturity: [•]
  - (iii) Reset Date: [•]
- (h) Margin(s): [+/-] [•] per cent. per annum
- (i) Minimum Rate of Interest: [•] per cent. per annum
- (j) Maximum Rate of Interest: [•] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA)]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360]  
[30E/360]  
30E/360 (ISDA)  
[Other]  
*(See Condition 5 for alternatives)*
- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
- 17 Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Accrual Yield: [•] per cent. per annum
  - (b) Reference Price: [•]
  - (c) Any other formula/basis of determining amount payable: [•]
  - (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(f)(iii) and 7(k) apply/specify other]  
*(Consider applicable day count fraction if not US dollar denominated)*
- 18 Index Linked Interest Note/Equity Linked Interest Note/Credit Linked Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Index/Formula/Underlying Equit(y)/(ies)/Credit Event(s): [Give or annex details – including details of the exercise price or final reference price of the underlying]
  - (b) Calculation Agent [give name (and if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies address)]

- (c) Party responsible for calculating the rate of interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [•]
- (d) Interest Determination Date(s): [•]
- (e) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or Underlying Equit(y)(ies) and/or Credit Event(s) is impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (f) Interest Calculation Period(s): [•]
- (g) Specified Period(s)/Specified Interest Payment Dates: [•]
- (h) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify]
- (i) Additional Business Centre(s): [•]
- (j) Minimum Rate of Interest: [•] per cent. per annum
- (k) Maximum Rate of Interest: [•] per cent. per annum
- (l) Day Count Fraction: [•]
- 19 Dual Currency Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph) (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: [Give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [•]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: [•]



## Provisions relating to Redemption

- 20 Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Optional Redemption Date(s): [•]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [•] per Calculation Amount  
[Formula in Condition 7(d) applies (*sterling fixed rate issues only*) (*specify Reference Stock*)/specify other]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [•] per Calculation Amount
- (ii) Maximum Redemption Amount: [•] per Calculation Amount
- (d) Notice period (if other than as set out in the Conditions): [•]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee)*
- 21 Investor Put: [Applicable/Not Applicable] *(Not applicable for Subordinated Notes)*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Optional Redemption Date(s): [•]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (c) Notice period (if other than as set out in the Conditions): [•]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee)*
- 22 Final Redemption Amount: [•] per Calculation Amount/specify other/see Appendix  
*(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*

In cases where the Final Redemption Amount is Index Linked or Equity Linked or Credit Linked:

- (a) Index/Formula/Underlying Equit(y)(ies)/Credit Event(s): [•]
  - (b) Calculation Agent responsible for calculating the Final Redemption Amount: [•]
  - (c) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or Underlying Equit(y)(ies) and/or Credit Event(s): [give or annex details]
  - (d) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or Underlying Equit(y)(ies) and/or Credit Event(s) is impossible or impracticable or otherwise disputed: [•]
- 23 (i) Early Redemption Amount payable on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)/(f)) (*Senior Notes and Dated Tier 2 Notes only*): [•] per Calculation Amount
- (ii) Amount of each Note payable if a Par Tax Event occurs (Condition 7(b)) (*Dated Tier 2, Undated Tier 2 and Tier 1 Notes only*): [Nominal Amount][specify if other]
- (iii) Other Tax Event Redemption Price of each Note payable if an Other Tax Event occurs (Condition 7(b)) (*Dated Tier 2, Undated Tier 2 and Tier 1 Notes only*): Other Tax Event Redemption Price: In respect of and for the period from (and including) the Issue Date to (but excluding) [•], [•] and for any period thereafter [•].  
[Not Applicable]  
(Note that this item relates to Dated or Undated Tier 2 and Tier 1 Notes only)
- (iv) Regulatory Redemption Event: [Applicable – Regulatory Redemption Event Price: [•]  
[Not Applicable]]  
(Note that this item relates to Dated or Undated Tier 2 and Tier 1 Notes only)
- (v) Substitution Preference Share Early Redemption Date: [•]  
(Note that this item relates to Tier 1 Notes only)
- (vi) Suspension Redemption Price: [•]  
(Note that this item relates to Tier 1 Notes only)

**General Provisions applicable to the Notes**

- 24 New Global Note: [Yes] [No]  
(Note, only Bearer Notes may be issued in NGN form)

25	Form of Notes:	<p>[Bearer Notes:</p> <p>Temporary Global Note exchangeable for a Permanent Global Note on and after the Exchange Date <i>which</i> is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]</p> <p>[Temporary Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]</p> <p>[Permanent Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event] (<i>Note that this option will mean TEFRA C is applicable – see paragraph 35 below</i>)]</p> <p><i>(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000].” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)</i></p> <p>[Registered Notes: Global Note]</p>
26	Additional Financial Centre(s) or other special provisions relating to Payment Days:)	<p>[Not Applicable/give details] <i>(Note that this item relates to the place of payment and not Interest Period end dates to which paragraphs 16(c) and 18(f) relate)</i></p>
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	<p>[Yes/No. If yes, give details]</p>
28	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 consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	<p>[Not Applicable/give details. <i>(N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)</i>]</p>
29	Details relating to Instalment Notes:	<p>(a) Instalment Amount(s): [Not Applicable/give details]</p> <p>(b) Instalment Date(s): [Not Applicable/give details]</p>
30	Redenomination provisions:	<p>[Not Applicable/give details] <i>(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))</i></p>

- 31 Consolidation provisions: [Not Applicable/give details]
- 32 Other final terms: [Not Applicable/give details]  
*(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)*

**Distribution**

- 33 If syndicated, names [and addresses]\*\* of Managers [and underwriting commitments]\*\*: [Not Applicable/give names [and addresses and underwriting commitments]\*\*]  
*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers)\*\**
- (a) Date of [Subscription] Agreement:\*\* [•]\*\*
- (b) Stabilising Manager(s) (if any): [Not Applicable/give name]
- 34 If non-syndicated, name [and address]\*\* of relevant Dealer: [Name [and address]\*\*•]
- 35 Total commission and concession:\*\* [•] per cent. of the Aggregate Nominal Amount\*\*
- 36 U.S. Selling Restrictions: [Reg. S. Compliance category: TEFRA D/TEFRA C/TEFRA not applicable]  
*(N.B. Ensure compliance with paragraph 24 above)*
- 37 Additional selling restrictions: [Not Applicable/give details]

**[Listing and Admission to Trading Application**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the £[•] Euro Note Programme of the Issuer.]

**Responsibility**

The Issuer accepts responsibility for the information contained in these Final Terms. [[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....  
*Duly authorised*

## Part B – Other Information

### 1. Listing and Admission to trading

- (a) Listing: [London/(specify other)/None]
- (b) Admission to trading: [Application has been made for the Notes to be admitted to trading on [•] with effect from [•].]/[Not Applicable]  
*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading)\*\**
- [(c) Estimate of total expenses related to admission to trading:]\* [•]\*\*

### 2. Ratings

- Ratings: The Notes to be issued have been rated:  
[S&P: [•]]  
[Moody's: [•]]  
[[Other]: [•]]
- (Need to include here a brief explanation of the meaning of the ratings if this has previously been published by the rating provider)*
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*

### 3. [Notification

The Financial Services Authority [has been requested to provide/has provided – *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

### 4. Interests of Natural and Legal Persons involved in the Issue

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

### 5. Reasons for the Offer, Estimated Net Proceeds and Total Expenses\*

- [(a)] Reasons for the Offer: [•]
- (See “Use of Proceeds” wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here)*

[(b)] Estimated net proceeds: [•]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)*

[(c)] Estimated total expenses: [Include breakdown of expenses]  
*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (b) and (c) above where disclosure is included at (2) above)*

## 6. Yield (Fixed Rate Notes only)

Indication of yield: [•]  
[Calculated as *[include details of method of calculation in summary form]* on the Issue Date]\*\*  
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield

## 7. Historic Interest Rates (Floating Rate Notes only)\*\*

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

## 8. [Index-linked or Credit-linked or Equity-linked Notes or other structured Notes only – Performance of Index/Formula/Underlying Equity/Credit Event, Explanation of Effect on Value of Investment and Associated Risks and Other Information Concerning the underlying]

*[Need to include details of where past and future performance and volatility of the index/formula/underlying equity/Credit Event can be obtained] [If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]\*\**

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer does not intend to provide post-issuance information

## 9. Performance of Rate[s] of Exchange and Explanation of Effect on Value of Investment (Dual Currency Notes only)

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained]*

*[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]\*\**



*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

## 10. Operational Information

- (a) ISIN Code: [•]
- (b) Common Code: [•]
- (c) Other Securities Codes: [Not Applicable/(insert here any other relevant codes)]
- (d) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (e) Delivery: Delivery [against/free of] payment
- (f) Names and addresses of additional Paying Agent(s) (if any): [•]
- (g) In the case of Registered Notes, specify the location of the Registrar if other than Jersey: [Jersey/[Specify]]
- (h) Name and address of Calculation Agent: [Specify] [Not Applicable]
- (i) Name and address of AISM Calculation Agent (Tier 1 Notes only): [Specify] [Not Applicable]
- (j) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]  
 [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs\*\*\* as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][include this text for registered notes] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][Include this text if “yes” selected in which case the Notes must be issued in NGN or NSS form (as applicable)]

\* Delete if the minimum denomination is less than €50,000 (or its equivalent in any other currency).

\*\* Delete if the minimum denomination is greater than or equal to €50,000 (or its equivalent in any other currency) or more.

\*\*\* The International Central Securities Depositories (i.e. Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme).

## 11. TERMS AND CONDITIONS OF THE OFFER

Offer Price:	[Issue Price][ <i>specify</i> ]
[Conditions to which the offer is subject:]	[Not Applicable/ <i>give details</i> ]
[Description of the application process:]	[Not Applicable/ <i>give details</i> ]
[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:]	[Not Applicable/ <i>give details</i> ]
[Details of the minimum and/or maximum amount of application:]	[Not Applicable/ <i>give details</i> ]
[Details of the method and time limits for paying up and delivering the Notes:]	[Not Applicable/ <i>give details</i> ]
[Manner in and date on which results of the offer are to be made public:]	[Not Applicable/ <i>give details</i> ]
[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]	[Not Applicable/ <i>give details</i> ]
[Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:]	[Not Applicable/ <i>give details</i> ]
[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:]	[Not Applicable/ <i>give details</i> ]
[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:]	[Not Applicable/ <i>give details</i> ]
[Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.]	[None/ <i>give details</i> ]

## TERMS AND CONDITIONS OF THE SENIOR NOTES

*The following are the Terms and Conditions of the Senior Notes which will be incorporated by reference into each Global Note (as defined below) representing Senior Notes (as defined below) and each definitive Senior Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Senior Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Senior Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Senior Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note representing Senior Notes and definitive Senior Note. Reference should be made to “Form of the Notes” for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Old Mutual plc (the “Issuer”) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “Trust Deed”) dated 31 August 2000 and deemed made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited as trustee (the “Trustee”, which expression shall include any successor trustee) for the holders of the Notes (the “Noteholders” or “holders” which expression shall mean, in relation to Notes in definitive bearer form, the bearers thereof, and, in relation to Notes in definitive registered form, the persons in whose name such Notes are registered and shall, in relation to Notes represented by a Global Note, be construed as provided below).

References in these Terms and Conditions to the “Notes” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “Global Note”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) definitive Notes in bearer form (“Bearer Notes”) issued in exchange for a Global Note in bearer form (a “Bearer Global Note”); and
- (iv) definitive Notes in registered form (“Registered Notes”) (whether or not issued in exchange for a Global Note in registered form (a “Registered Global Note”).

The Notes, the Receipts (as defined below) 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 31 August 2000 and deemed made between, *inter alios*, the Issuer, Citibank, N.A. as issuing and principal paying agent and agent bank (the “Principal Paying Agent”, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents) and Citibank, N.A. as registrar (the “Registrar”, which expression shall include any successor registrar) and as a transfer agent, the other transfer agents named therein (together with the Registrar, in its capacity as a transfer agent, the “Transfer Agents”, which expression shall include any additional or successor transfer agents) and the Trustee.

Interest bearing definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“Coupons”) and, if indicated in the applicable Final Terms, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (“Receipts”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify the Conditions for the purposes of this Note. References to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference herein to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

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.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the London office of the Principal Paying Agent (being at 21st Floor Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified office of each of the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the “Agents”). Copies of the applicable Final Terms are available for viewing during normal business hours at the registered office of the Issuer at 5th Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG and copies may be obtained from the specified office of the Principal Paying Agent for the time being in London save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (Directive 2003/71/EC), the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed or in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and 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 or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. Form, Denomination and Title**

The Notes are in bearer form or in registered form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination, Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note, a Credit Linked Interest Note, an Equity Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, a Credit Linked Redemption Note, an Equity Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

In the case of definitive Bearer Notes which are Zero Coupon Notes, references to Coupons and Couponholders in these Terms and Conditions are not applicable. References in these Terms and Conditions

to Receipts, Coupons and Talons do not apply to any Notes represented by a Global Note or in registered form.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraphs.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Interests in a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or otherwise approved by the Issuer, the Principal Paying Agent, the Registrar and the Trustee.

## **2. Transfers of Registered Notes**

### *(a) Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

### *(b) Transfers of Registered Notes in definitive form*

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer, the transferor must surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer

Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 7, neither the Issuer nor the Registrar will be required to register the transfer of any Registered Note (or part of a Registered Note) called for partial redemption.

(d) *Costs of registration*

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Register*

The Issuer will cause to be kept at the specified office of the Registrar outside the United Kingdom for the time being a register (the “Register”) on which shall be entered the names and addresses of the holders from time to time of the Registered Notes, together with the particulars of the Registered Notes held by them respectively and of all transfers of Registered Notes. The Issuer will procure that, as soon as practicable after the Issue Date, the Register is duly made up in respect of the subscribers of the Registered Notes.

### 3. Status of the Notes

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) with all other unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.

### 4. Negative Pledge

(a) So long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a “Security Interest”) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined in Condition 4(b)) or any guarantee of any Relevant Indebtedness, unless the Issuer shall, in the case of the creation of a Security Interest, prior thereto or at the same time, and in any other case, promptly, take any and all action necessary to ensure that all amounts payable by it under the Notes, the Receipts, the Coupons and the Trust Deed are secured equally and rateably with the Relevant Indebtedness or guarantee, as the case may be, by the Security Interest to the satisfaction of the Trustee or such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either as the Trustee shall, in its absolute discretion, deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution of the Noteholders.

(b) For the purposes of this Condition 4, “Relevant Indebtedness” means any Indebtedness for Borrowed Money (as defined in Condition 10(b)) in the form of or represented by notes, bonds, debentures,



debenture stock, loan stock or other securities which are or are to be quoted, listed or ordinarily dealt in or traded on any stock exchange, over the counter or other securities market (whether or not initially distributed by way of public offer, private placing, acquisition consideration or otherwise) and whether issued for cash or in whole or in part for a consideration other than cash.

## 5. Interest

### (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

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

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

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (of, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

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

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as

specified in the applicable Final Terms) that would occur in one calendar year; and

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360:

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

“Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

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

(b) *Interest on Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes*

(i) Interest Payment Dates

Each Floating Rate Note, Index Linked Interest Note, Credit Linked Interest Note and Equity Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from and including the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

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

Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

“Business Day” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 (the “TARGET System”) is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(a) *ISDA Determination for Floating Rate Notes*

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

- (i) the Floating Rate Option is as specified in the applicable Final Terms;
- (ii) the Designated Maturity is a period specified in the applicable Final Terms; and
- (iii) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank

offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

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

(b) *Screen Rate Determination for Floating Rate Notes*

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

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or Index Linked Interest Note, Credit Linked Interest Note or Equity Linked Interest Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

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

- (i) if “Actual/Actual” or “Actual/Actual(ISDA)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 calculated on a formula basis as follows;

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30; and

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and



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“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(v) Notification of Rate of Interest and Interest Amounts

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

(vi) Determination or Calculation by Trustee

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

(vii) Certificates to be final

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

(c) *Interest on Dual Currency Interest Notes*

In the case of Dual Currency Interest Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of interest*

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 date for its redemption unless, upon due presentation thereof, payment and performance of all amounts and obligations due in respect of the Notes is not properly and duly made. In such event, interest will continue to accrue as provided in the Trust Deed.

**6. Payments**(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

Any reference in these Terms and Conditions to payment of any sums in respect of the Notes (including, in respect of Credit Linked, Equity Linked and other structured Notes, Physically-Settled Notes) shall be deemed to include, as applicable, delivery of any relevant Reference Asset (as defined in Condition 7(k)) if so provided in the applicable Final Terms and a supplemental trust deed and references to paid and payable shall be construed accordingly.

(b) *Presentation of Definitive Bearer Notes, Receipts and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used in this Condition 6, 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)).

No payments of principal, interest or other amounts due in respect of a definitive Bearer Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant definitive Bearer Note in accordance with the preceding paragraphs. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes, Credit Linked Notes, Equity Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note, Credit Linked Notes, Equity Linked Notes or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

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

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by a Bearer Global Note in CGN form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Bearer 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 Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer 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.

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No payments of principal, interest or other amounts due in respect of a Bearer Global Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

(d) *Payments in respect of Registered Notes*

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be (i) in respect of Registered Notes in definitive form, made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date or (ii) in respect of Notes represented by a Registered Global Note, made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January (such due date or Clearing System Business Day, as the case may be, being the “Record Date”). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the nominal amount of the Notes held by a holder is less than US\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “Designated Account” means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “Designated Bank” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

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

None of the Issuer, the Trustee and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the

Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, 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 Global Note.

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

- (i) 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 Bearer Notes in the manner provided above when due;
- (ii) 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
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) *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:

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

Save that, for the purpose of any payments made in respect of a Global Note, Conditions 6(f)(i)(a) and 6(f)(i)(b) shall be disregarded for the purpose of the definition of "Payment Day".



(g) *Interpretation of principal and interest*

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

- (i) 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 thereof or pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e));
- (vii) the nominal amount of the Notes; and
- (viii) 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 Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking given in addition thereto or in substitution thereof or pursuant to the Trust Deed.

**7. Redemption and Purchase**(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, this Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Notes are not Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes) or on any Interest Payment Date (if the Notes are Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided in Condition 8 as a result of any Tax Law Change and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and, where applicable, that the relevant obligation, the relevant event or, as the case may be, the relevant consequences as described above, cannot be avoided by the Issuer taking reasonable measures available to it.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the



Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7(b) will, unless otherwise specified in the applicable Final Terms, be redeemed at their nominal amount, together with interest accrued to but excluding the date of redemption.

As used in these Terms and Conditions:

“Tax Law Change” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment (x) (subject to (y)) becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes (or, if a Subsidiary has been substituted for the Issuer (pursuant to Condition 16) which is subject to one or more additional Tax Jurisdictions, then, in relation to such additional Tax Jurisdictions only, after the date of such substitution) (the “Tax Law Change Date”), or (y) in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Tax Law Change Date.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If “Issuer Call” is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days’ notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the

period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (d) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

Unless otherwise specified in the applicable Final Terms, the Optional Redemption Amount in respect of Fixed Rate Notes denominated in Sterling shall be the higher of the following:

- (i) the nominal amount of the Notes to be redeemed; and
- (ii) that price per Note (the “Redemption Price”), expressed as a percentage (rounded to three decimal places, 0.0005 being rounded down), at which the Gross Redemption Yield on the Notes, if they were to be purchased at such price on the third dealing day prior to the date of publication of the notice of redemption, would be equal to the Gross Redemption Yield on such dealing day of the Reference Stock (or, if such stock is no longer in issue, of such other United Kingdom government stock as the Trustee, with the advice of three leading brokers operating in the gilt-edged market and/or gilt-edged market makers or such other three persons operating in the gilt-edged market as the Trustee may approve, shall determine to be appropriate (the “Alternative Reference Stock”)) on the basis of the middle market price of the Reference Stock or the Alternative Reference Stock, as the case may be, prevailing at 11.00 a.m. on such dealing day as determined by Citibank, N.A. (or such other person as the Trustee may approve).

References in the Trust Deed and in these Terms and Conditions to principal shall, unless the context otherwise requires, be deemed to include a reference to the Redemption Price.

The “Gross Redemption Yield” on the Notes and on the Reference Stock or the Alternative Reference Stock, as the case may be, will be expressed as a percentage and will be calculated on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields” page 4, Section One: Price/Yield Formulae “Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998 and updated on 15 January 2002 and as further updated or amended from time to time) or on such other basis as the Trustee may approve.

(d) *Redemption at the option of the Noteholders (Investor Put)*

If “Investor Put” is specified in the applicable Final Terms, upon the holder of any Note giving notice to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days’ notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not, in the case of a Bearer Note in definitive form, in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7(d) in any multiple of their lowest Specified Denomination.

If this Note is in definitive form, to exercise the right to require redemption of this Note, the holder of this Note must deliver such Note at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a “Put Notice”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b).

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable.

(e) *Early Redemption Amounts*

For the purpose of Condition 10 and if specified in respect of any other Condition of the Notes in the applicable Final Terms, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the “Amortised Face Amount”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} (1 + \text{AY})_y$$

Where:

“RP” means the Reference Price;

“AY” means the Accrual Yield expressed as a decimal; and

“y” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(f) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) *Purchases*

The Issuer or any of its Subsidiaries (as defined in Condition 10(d)) or Subsidiary Undertakings (as defined in the Trust Deed) may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(j) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

(k) *Credit Linked, Equity Linked or other structured Notes*

The Issuer may, as indicated in the applicable Final Terms and provided in a supplemental trust deed, be entitled to redeem Notes which are Credit Linked, Equity Linked or other structured Notes, including where the amount of principal and/or interest in respect of such Notes is based on the price, value, performance or some other factor relating to an asset or other property (“Reference Asset”), by physical delivery of all or part of the Reference Asset or of some other asset or property (“Physically-Settled Notes”).

**8. Taxation**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such 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, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such requirement to make such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) to, or to a third party on behalf of, a holder (or beneficial owner) who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (b) to, or to a third party on behalf of, a holder (or beneficial owner) who could lawfully avoid (but has not so avoided) such withholding or deduction by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption or relief to any tax authority in a place where the relevant Note, Receipt or Coupon is presented for payment; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or
- (d) presented for payment in the United Kingdom; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; or

- (f) 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, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (g) for any combination of the items listed in paragraphs (a) to (f) above.

As used in these Terms and Conditions:

“Tax Jurisdiction” means the United Kingdom (or, if a Subsidiary has been substituted for the Issuer (pursuant to Condition 16), such Subsidiary’s jurisdiction of incorporation) or any political subdivision or authority therein or thereof having the power to tax; and

“Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent, as the case may be, 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 Noteholders in accordance with Condition 14.

## **9. Prescription**

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

## **10. Events of Default**

- (a) The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly thereupon become, immediately due and repayable at their Early Redemption Amount, together with accrued interest as provided in the Trust Deed, if any of the following events (each an “Event of Default”) shall occur and be continuing:
  - (i) if default is made in the payment of any principal, premium or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or premium and 14 days in the case of interest; or
  - (ii) if the Issuer fails to perform or observe any of its other obligations under these Terms and Conditions or the Trust Deed and (except where the Trustee considers the failure to be incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
  - (iii) if any Indebtedness for Borrowed Money of the Issuer or any Principal Subsidiary (as defined in Condition 10(b)) becomes due and repayable prematurely by reason of any default on the part of the Issuer or any Principal Subsidiary or the Issuer or any Principal Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (as extended by any originally applicable grace period) or any security given by the Issuer or any Principal Subsidiary for any Indebtedness for Borrowed Money becomes enforceable, or if default is made by the Issuer or any Principal Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person PROVIDED THAT no such event shall constitute an Event of Default unless the relevant Indebtedness for Borrowed Money either alone or when aggregated with other Indebtedness for Borrowed Money (if any) in respect of which other



such events have occurred shall equal or exceed whichever is the greater of £25,000,000 (or the equivalent thereof in any other currency) and 0.5 per cent. of Adjusted Capital and Reserves (as defined in Condition 10(b)); or

- (iv) if an administrator is appointed, an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up of, or an administration order is made in relation to, the Issuer or any Principal Subsidiary, or if the Issuer or any Principal Subsidiary stops payment or threatens to stop payment to its creditors generally or ceases or threatens to cease to carry on business, except (A) for a winding-up or a stopping of payment or a cessation of business for the purposes of a reconstruction, amalgamation, merger, consolidation, reorganisation, or other similar arrangement (i) the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or (ii) in the case of a Principal Subsidiary, whereby the undertaking or assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries (as defined in Condition 10(b)) or (B) (in the case of a Principal Subsidiary) where such cessation of business is as a result of or in connection with any transfer, sale or disposal on arms' length terms of any or all of its undertaking or assets; or an encumbrancer takes possession, or an administrative or other receiver or an administrator is appointed over, the whole or any substantial part, in the opinion of the Trustee, of the undertaking or assets of the Issuer or any Principal Subsidiary, or if a distress or execution is levied or enforced upon or made out against any material part, in the opinion of the Trustee, of the chattels and property of the Issuer or any Principal Subsidiary following upon a decree or judgment of a court of competent jurisdiction and in any such case is not removed, discharged, settled or paid out within 60 days or such longer period as the Trustee may permit; or
- (v) the Issuer or any Principal Subsidiary is unable to pay its debts within the meaning of section 123(1)(e) of the Insolvency Act 1986 or makes a general assignment for the benefit of its creditors,

and, in the case of the happening of any of the Events of Default referred to in paragraphs (ii) to (vii) (both inclusive) (other than paragraph (iv) in relation to the Issuer), the same has been certified in writing by the Trustee to be in its opinion materially prejudicial to the interests of the Noteholders.

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

(b) *Definitions*

As used in these Terms and Conditions:

“Adjusted Capital and Reserves” means the aggregate of:

- (i) the amount paid up or credited as paid up on the share capital of the Issuer; and
- (ii) the total of the capital and revenue reserves of the Issuer and its Subsidiaries, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to minority interests and deducting any debit balance on the profit and loss account,



all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Issuer prepared in accordance with generally accepted accounting principles in the United Kingdom, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account of the Issuer since the date of that balance sheet and further adjusted as may be necessary to reflect any change since the date of that balance sheet in the Subsidiaries and/or as the Issuer may consider appropriate. A certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) as to the amount of the Adjusted Capital and Reserves at any given time shall, in the absence of manifest error, be conclusive and binding on all parties whether or not addressed to each such party;

“Indebtedness for Borrowed Money” means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (A) money borrowed, (B) liabilities under or in respect of any acceptance or acceptance credit or (C) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;

“Principal Subsidiary” means, at any time, a Subsidiary of the Issuer:

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest relevant audited consolidated balance sheet of the Issuer and its Subsidiaries relate, are equal to) 15 per cent. or more of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited balance sheet (consolidated or, as the case may be, non-consolidated) of such Subsidiary and the then latest audited consolidated balance sheet of the Issuer and its Subsidiaries, provided that:
  - (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest relevant audited consolidated balance sheet relates, the reference to the then latest audited consolidated balance sheet for the purposes of the calculation above shall, until a consolidated balance sheet for the financial period in which the acquisition is made has been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned balance sheet as if such Subsidiary had been shown in such balance sheet by reference to its then latest relevant audited balance sheet, adjusted as deemed appropriate by the Issuer; and
  - (ii) if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated balance sheet is prepared and audited, the consolidated total assets of such Subsidiary and its Subsidiaries shall be determined on the basis of a pro forma consolidated balance sheet of such Subsidiary and its Subsidiaries prepared for this purpose by the Issuer; or
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this paragraph (b) on the date on which the consolidated balance sheet of the Issuer and its Subsidiaries for the financial period current at the date of such transfer has been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated balance sheet has been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or before, on or at any time after such date by virtue of the provisions of this paragraph (b); and

“Subsidiary” means any Company which is for the time being a subsidiary (within the meaning of section 1159 of the Companies Act 2006 or section 736 of the Companies Act 1985).

For the purposes of the definition of Principal Subsidiary, if there shall at any time not be a relevant consolidated balance sheet of the Issuer and its Subsidiaries, references thereto herein shall be deemed to refer to a consolidation by the Issuer of the relevant balance sheets of the Issuer and its Subsidiaries.

A certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

#### **11. Replacement of Notes, Receipts, Coupons and Talons**

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

#### **12. Agents**

The names of the initial Agents and their initial specified offices are set out below.

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

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or have been admitted to listing and/or trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Paying Agent and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) there will at all times be a Paying Agent in a place approved by the Trustee (such approval not to be unreasonably withheld or delayed) in continental Europe, for the avoidance of doubt excluding the UK; and
- (d) there will at all times be a Paying Agent in a Member State of the European Union (other than the United Kingdom in circumstances where a withholding tax is imposed in the United Kingdom) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC.

In addition, the Issuer shall with the prior written approval of the Trustee immediately appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). 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 the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances described therein, the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders.

#### **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 Principal 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 the Bearer Notes will be deemed to be validly given if 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* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to listing and/or trading. 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 the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or have been admitted to listing and/or trading by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notices will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. It is expected that such publication will be made in the *Financial Times* in London.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or have been admitted to listing and/or trading by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and Clearstream, Luxembourg, in such manner as the Principal Paying Agent, the Registrar and Euroclear and Clearstream, Luxembourg, may approve for this purpose.

#### **15. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer at the request of Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (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, or the amount payable on redemption of, the Notes or altering the currency of payment of the Notes, the Receipts 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 Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receipholders or Couponholders, to:

- (a) any modification of any of the provisions of these Terms and Conditions, the Notes, the Receipts, the Coupons or the Trust Deed which is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders; or
- (b) any modification of any of the provisions of these Terms and Conditions, the Notes, the Receipts, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

The Trustee may also agree, without the consent of the Noteholders, Receipholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of 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 Noteholders.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receipholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receipholders or Couponholders (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 and the Trustee shall not be entitled to require, nor shall any Noteholder, Receipholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receipholders or Couponholders except, in the case of the Issuer, to the extent provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, the Receipholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

## **16. Substitution**

The Trustee may agree, without the consent of the Noteholders, the Receipholders or the Couponholders, to the substitution at any time or times of any Subsidiary of the Issuer in place of the Issuer as principal debtor, subject to the irrevocable and unconditional guarantee of the Issuer.

Any such substitution shall also be subject to the relevant provisions of the Trust Deed, including a provision to the effect that the Trustee shall have received confirmation in writing from any rating agency which, at the request of the Issuer, shall have assigned a credit rating to the Notes that such substitution by itself and the circumstances pertaining to the substitution will not result in a downgrading of the then current credit rating assigned to the Notes by such rating agency.

## **17. Further Issues**

The Issuer shall be at liberty from time to time, without the consent of the Noteholders, the Receipholders or the Couponholders, 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 (a "Further Issue").

## **18. 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, Receipts, Coupons or Talons, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

## **19. Governing Law and Submission to Jurisdiction**

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

The Issuer irrevocably agrees, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts, the Talons, the Coupons and any non-contractual obligations arising out of or in connection with them and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders, the Receiptholders and the Couponholders, may take any suit, action or proceedings arising out of or in connection with the Trust Deed, the Notes, the Receipts, the Talons, the Coupons and any non-contractual obligations arising out of or in connection with them, against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

## TERMS AND CONDITIONS OF THE DATED TIER 2 NOTES

*The following are the Terms and Conditions of the Dated Tier 2 Notes which will be incorporated by reference into each Global Note (as defined below) representing Dated Tier 2 Notes and each definitive Dated Tier 2 Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Dated Tier 2 Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Dated Tier 2 Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Dated Tier 2 Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note representing Dated Tier 2 Notes and definitive Dated Tier 2 Note. Reference should be made to "Form of the Notes" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Old Mutual plc (the "Issuer") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated 31 August 2000 and deemed made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited as trustee (the "Trustee", which expression shall include any successor trustee) for the holders of the Notes (the "Noteholders" or "holders" which expression shall mean, in relation to Notes in definitive bearer form, the bearers thereof, and, in relation to Notes in definitive registered form, the persons in whose name such Notes are registered and shall, in relation to Notes represented by a Global Note, be construed as provided below).

References in these Terms and Conditions to the "Notes" shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a "Global Note"), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) definitive Notes in bearer form ("Bearer Notes") issued in exchange for a Global Note in bearer form (a "Bearer Global Note"); and
- (iv) definitive Notes in registered form ("Registered Notes") (whether or not issued in exchange for a Global Note in registered form (a "Registered Global Note")).

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 31 August 2000 and deemed made between, *inter alios*, the Issuer, Citibank, N.A. as issuing and principal paying agent and agent bank (the "Principal Paying Agent", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "Paying Agents", which expression shall include any additional or successor paying agents) and Citibank, N.A. as registrar (the "Registrar", which expression shall include any successor registrar) and as a transfer agent, the other transfer agents named therein (together with the Registrar, in its capacity as a transfer agent, the "Transfer Agents", which expression shall include any additional or successor transfer agents) and the Trustee.

Interest-bearing definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("Coupons") and, if indicated in the applicable Final Terms, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions and may specify other



terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify the Conditions for the purposes of this Note. References to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

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.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the London office of the Principal Paying Agent (being at 21st Floor Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified office of each of the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the “Agents”). Copies of the applicable Final Terms are available for viewing during normal business hours at the registered office of the Issuer at 5th Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG and copies may be obtained from the specified office of the Principal Paying Agent for the time being in London save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (Directive 2003/71/EC), the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed or in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and 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 or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. Form, Denomination and Title**

The Notes are in bearer form or in registered form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination, Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note, a Credit Linked Interest Note, an Equity Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, a Credit Linked Redemption Note, an Equity Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

In the case of definitive Bearer Notes which are Zero Coupon Notes, references to Coupons and Couponholders in these Terms and Conditions are not applicable. References in these Terms and Conditions to Receipts, Coupons and Talons do not apply to any Notes represented by a Global Note or in registered form.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraphs.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Interests in a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or otherwise approved by the Issuer, the Principal Paying Agent, the Registrar and the Trustee.

## **2. Transfers of Registered Notes**

### *(a) Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

### *(b) Transfers of Registered Notes in definitive form*

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer, the transferor must surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant

Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 7, neither the Issuer nor the Registrar will be required to register the transfer of any Registered Note (or part of a Registered Note) called for partial redemption.

(d) *Costs of registration*

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Register*

The Issuer will cause to be kept at the specified office of the Registrar outside the United Kingdom for the time being a register (the "Register") on which shall be entered the names and addresses of the holders from time to time of the Registered Notes, together with the particulars of the Registered Notes held by them respectively and of all transfers of Registered Notes. The Issuer will procure that, as soon as practicable after the Issue Date, the Register is duly made up in respect of the subscribers of the Registered Notes.

### **3. Status of the Notes and Subordination**

(a) *Status*

The Notes and any relative Receipts and Coupons are direct, unsecured and (save as to subordination) unconditional obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up of the Issuer or the appointment of an administrator of the Issuer where the administrator has given notice that the administrator intends to declare and distribute a dividend, the rights and claims of the Noteholders, the Receiptholders and the Couponholders against the Issuer in respect of or arising under the Notes and the relative Receipts and Coupons and the Trust Deed, including any damages awarded for breach of obligation of the Issuer which have not been satisfied, will be subordinated in the manner provided in this Condition 3(a) and in the Trust Deed to the claims of all Senior Creditors of the Issuer but shall, subject as provided in Condition 3(b), rank at least *pari passu* with all other subordinated obligations (including guarantee obligations) of the Issuer that are not owed to Senior Creditors and in priority to all undated or perpetual subordinated obligations (including guarantee obligations) of the Issuer and to the claims of holders of all classes of share capital of the Issuer.

(b) *Perpetual Preferred Securities*

If the Issuer is wound up whilst any Perpetual Preferred Securities are outstanding and the terms of such Perpetual Preferred Securities (or the guarantee issued by the Issuer in respect thereof) prevent the Notes ranking senior to Perpetual Preferred Securities (or the guarantee issued by the Issuer in respect thereof) from being issued without changes being made to the terms of such Perpetual Preferred Securities (or such guarantee), then the Notes shall (notwithstanding the provisions of Condition 3(a)) rank *pari passu* with the Perpetual Preferred Securities and accordingly there shall be payable by the Issuer in respect of each such Note (in lieu of any other payment by the Issuer, but

subject as provided in this Condition 3(b)) such amount, if any, as would have been payable to the holder of each such Note if, on the day immediately prior to the commencement of the winding-up and thereafter, such holder were the holder of a directly issued preference share of the Issuer with equivalent rights of participation in the capital of the Issuer (whether or not the Issuer could in fact have issued such securities) and ranking *pari passu* with the Perpetual Preferred Securities on the assumption that the amount that such holder was entitled to receive in respect of such preference share on a return of assets in such winding-up were an amount equal to the principal amount of such Note together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to but excluding the date of repayment (as provided in the Trust Deed) in respect thereof and any other amount in respect of or arising under such Notes and the Trust Deed, including any damages awarded for breach of any obligations of the Issuer which have not been satisfied.

#### 4. Set-off, etc.

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

#### 5. Interest

*In respect of Option B Dated Tier 2 Notes (being those Notes in respect of which the relevant Final Terms specify the Notes to be Option B Dated Tier 2 Notes), payments of interest are subject to the right of the Issuer to defer payment in accordance with Condition 5(f). The Issuer is not entitled to defer payments of interest in respect of Option A Dated Tier 2 Notes (being those Notes in respect of which the relevant Final Terms specify the Notes to be Option A Dated Tier 2 Notes).*

##### (a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

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

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

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

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

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

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

(i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30- day months) divided by 360;

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

“Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

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



(b) *Interest on Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes*

(i) Interest Payment Dates

Each Floating Rate Note, Index Linked Interest Note, Credit Linked Interest Note and Equity Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from and including the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

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

“Business Day” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified



Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 System (the "TARGET System") is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(a) *ISDA Determination for Floating Rate Notes*

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

- (i) the Floating Rate Option is as specified in the applicable Final Terms;
- (ii) the Designated Maturity is a period specified in the applicable Final Terms; and
- (iii) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

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

(b) *Screen Rate Determination for Floating Rate Notes*

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

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such

quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) Minimum and/or Maximum Rate of Interest

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or Index Linked Interest Note, Credit Linked Interest Note or Equity Linked Interest Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

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

- (i) if “Actual/Actual” or “Actual/Actual (ISDA)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

- (v) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the

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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.

(vi) Determination or Calculation by Trustee

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

(vii) Certificates to be final

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

(c) *Interest on Dual Currency Interest Notes*

In the case of Dual Currency Interest Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of interest*

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 date for its redemption (or, as the case may be, substitution or variation pursuant to Condition 7(c)) unless, upon due presentation thereof, payment and performance of all amounts and obligations due in respect of the Notes is not properly and duly made or is not made by reason of Condition 3. In such event, interest will continue to accrue as provided in the Trust Deed.

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(f) *Deferral of interest*

(i) Option B Dated Tier 2 Notes

In the case of Option B Dated Tier 2 Notes the Issuer may elect to defer any payment of interest that is otherwise payable on any Optional Interest Payment Date. The deferral of any such interest shall not constitute a default by the Issuer for any purpose. If the Issuer elects not to pay interest on an Optional Interest Payment Date, it shall notify the Trustee in a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) and the Noteholders (in accordance with Condition 14) of that election as soon as practicable (and, in any event, within 14 days) after any Optional Interest Payment Date in respect of which payment is deferred of the amount of such payment otherwise due on that date and the grounds on which such deferral has been made. Subject to Condition 5(f)(ii), the Issuer may defer paying interest on each Optional Interest Payment Date until the Maturity Date or any earlier date on which the Option B Dated Tier 2 Notes are redeemed in full. Any such certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) as to the occurrence of an Optional Interest Payment Date and the grounds therefor shall be conclusive and binding on all parties.

(ii) Arrears of Interest

Any interest not paid on an Interest Payment Date together with any other interest not paid on any other Interest Payment Date shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest and any other amount in respect of or arising under the Option B Dated Tier 2 Notes and the Trust Deed, including any damages awarded for breach of any obligations of the Issuer which have not been satisfied, may, at the election of the Issuer, be paid in whole or in part at any time upon the expiration of not less than 14 days' notice to such effect (which notice shall be irrevocable) given to the Trustee and to the Noteholders (in accordance with Condition 14), but all Arrears of Interest on all Notes outstanding shall become due in full on whichever is the earliest of:

- (a) the date on which the Issuer declares a dividend or other distribution or payment in respect of any class of its share capital or pays interest on any junior or *pari passu* ranking securities, save in any such case where the terms of which do not enable the Issuer to defer, pass on or eliminate or to continue to defer, pass on or eliminate a dividend or other distribution or payment;
- (b) the next date which, if it was an Interest Payment Date, would not be an Optional Interest Payment Date;
- (c) the date on which the Issuer redeems, purchases or acquires any of its ordinary shares or any junior or *pari passu* ranking securities;
- (d) the date on which an order is made or a resolution passed for the winding-up in England and Wales of the Issuer (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders); or
- (e) the date for any redemption, substitution or variation or purchase of the Notes by or on behalf of the Issuer pursuant to Condition 7.

Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest and any other amount in respect of or arising under such Option B Dated Tier 2 Notes and the Trust Deed, including any damages awarded for breach of any obligations of the Issuer which have not been satisfied, the Issuer shall be obliged to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be applied in payment of the Arrears of Interest accrued due in respect of the relative Interest Payment Date (or consecutive Interest Payment Dates) furthest from the date of payment. Arrears of Interest shall not themselves bear interest.



(iii) Option A Dated Tier 2 Notes

The Issuer may not defer any payment of interest with respect to the Option A Dated Tier 2 Notes.

**6. Payments**

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

Any reference in these Terms and Conditions to payment of any sums in respect of the Notes (including, in respect of Credit Linked, Equity Linked and other structured Notes, Physically-Settled Notes) shall be deemed to include, as applicable, delivery of any relevant Reference Asset (as defined in Condition 7(1)) if so provided in the applicable Final Terms and a supplemental trust deed and references to paid and payable shall be construed accordingly.

(b) *Presentation of Definitive Bearer Notes, Receipts and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used in this Condition 6, 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)).

No payments of principal, interest or other amounts due in respect of a definitive Bearer Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant definitive Bearer Note in accordance with the preceding paragraphs. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes, Credit Linked Notes, Equity Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note, Credit Linked Note, Equity Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

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

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by a Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Bearer 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 Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer 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.

No payments of principal, interest or other amounts due in respect of a Bearer Global Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

(d) *Payments in respect of Registered Notes*

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be (i) in respect of Registered Notes in definitive form, made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date or (ii) in respect of Notes represented by a Registered Global Note, made to, or to the order of, the person

whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January (such due date or Clearing System Business Day, as the case may be, being the “Record Date”). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the nominal amount of the Notes held by a holder is less than US\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “Designated Account” means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “Designated Bank” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the 15th day (whether or not such fifteenth day is a business day) before the relevant Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition 6(d) arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Trustee and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, 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 Global Note.

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

- (i) 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 Bearer Notes in the manner provided above when due;
- (ii) 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
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) *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:

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

Save that, for the purpose of any payments made in respect of a Global Note, Conditions 6(f)(i)(a) and 6(f)(i)(b) shall be disregarded for the purpose of the definition of "Payment Day".

(g) *Interpretation of principal and interest*

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

- (i) 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 thereof or pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(f));
- (vii) the nominal amount of the Notes;
- (viii) the Other Tax Event Redemption Price of the Notes;

- (ix) the Regulatory Redemption Event Price of the Notes; and
- (x) 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 Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking given in addition thereto or in substitution thereof or pursuant to the Trust Deed.

## 7. Redemption and Purchase

### (a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, this Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

### (b) *Redemption, substitution or variation for tax reasons*

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

- (i) (x) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided in Condition 8 as a result of any Tax Law Change; and
  - (y) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) as a result of a Tax Law Change, in respect of the Issuer's obligation to make payment in respect of interest on the next Interest Payment Date, (x) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced, or (y) the Issuer would not to any material extent be entitled to have such deduction set against the profits of the companies with which it is grouped for applicable United Kingdom tax purposes (under the applicable relief or similar system in operation at the relevant time) or (z) the Issuer would otherwise suffer adverse tax consequences and, in each case, such consequences cannot be avoided by the Issuer taking reasonable measures available to it; or
- (iii) other than as a result of a Tax Law Change, in respect of the Issuer's obligation to make payment in respect of interest on the next Interest Payment Date, (w) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom or such entitlement is materially reduced, or (x) the Issuer would not to any material extent be entitled to have such deduction set against the profits of the companies with which it is grouped for applicable United Kingdom tax purposes (under the applicable relief or similar system in operation at the relevant time) and in either case the above cannot be avoided by the Issuer taking reasonable measures available to it, or (y) the Issuer would otherwise suffer adverse tax consequences, or (z) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts pursuant to Condition 8, and in each case such consequences cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer may (subject (i) to giving prior notice to the FSA within the period required by FSA (so long as such notice is required to be given) and no notice of objection having been given by, or in the case of any redemption of the Notes prior to the fifth anniversary of the Issue Date of the Notes, a waiver (for so long as such waiver is required) being received from, the FSA, (ii) to the Issuer (both at the time of, and immediately following, the redemption, substitution, variation or purchase) being in compliance with the capital resources requirements applicable to it from time to time (and a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the



Company Secretary) confirming such compliance shall be conclusive evidence of such compliance) and (iii) as provided in this Condition 7(b)), having given not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which Notice shall be irrevocable):

- (I) redeem all but not some only of the Notes then outstanding at any time (if the Notes are not Floating Rate Notes, Index Linked Notes, Credit Linked Interest Notes or Equity Linked Interest Notes) or on any Interest Payment Date (if the Notes are Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes); provided that no such notice of redemption shall be given earlier than 90 days prior to (in the case of paragraph (b)(i) above) the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due or (in the case of paragraph (b)(ii) or (iii) above) the next Interest Payment Date; or
- (II) substitute (without any requirement for the consent or approval of the Noteholders or Couponholders) at any time all but not some only of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Lower Tier 2 Securities, and the Trustee shall (subject to the following provisions of this Condition 7(b)(II) and subject to the receipt by it of the certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) referred to below and in the definition of Qualifying Lower Tier 2 Securities) agree to such substitution or variation. In connection therewith and at the time of any such substitution or variation, in the case of Option B Dated Tier 2 Notes, all Arrears of Interest (if any) must be paid in full. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Lower Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) stating that the Issuer is entitled to effect such redemption, substitution or variation and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and, where applicable, that the relevant obligation, the relevant event or, as the case may be, the relevant consequences as described above, cannot be avoided by the Issuer taking reasonable measures available to it.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

The Issuer may redeem the Notes pursuant to this Condition 7(b) prior to the fifth anniversary of the Issue Date of the Notes only as a result of a Tax Law Change.

In connection with any substitution or variation in accordance with this Condition 7(b), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

Notes redeemed pursuant to this Condition 7(b) will, unless otherwise specified in the applicable Final Terms, be redeemed, in the case of a Par Tax Event, at their nominal amount and, in the case of an Other Tax Event, at their Other Tax Event Redemption Price specified in the applicable Final Terms, together, in each case, with interest accrued to but excluding the date of redemption and (in the case of Option B Dated Tier 2 Notes) all Arrears of Interest (if any) as provided in Condition 5(f).



(c) *Redemption, Substitution or Variation on a Regulatory Redemption Event*

If “Regulatory Redemption Event” is specified in the applicable Final Terms in respect of the Notes, and immediately prior to the giving of the notice referred to below a Regulatory Redemption Event has occurred and is continuing, the Issuer may (subject (i) to giving prior notice to the FSA within the period required by the FSA (so long as such notice is required to be given) and no notice of objection being given by, or in the case of any redemption of the Notes prior to the fifth anniversary of the Issue Date of the Notes, a waiver (for so long as such waiver is required) being received from, the FSA (ii) to the Issuer (both at the time of, and immediately following, the redemption, substitution, variation or purchase) being in compliance with the capital resources requirements applicable to it from time to time (and a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) confirming such compliance shall be conclusive evidence of such compliance) and (ii) as provided in this Condition 7(c), having given:

- (i) not less than 15 nor more than 30 days notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the Notice referred to in (i), notice to the Trustee and the Principal Paying Agent and, in the case of a redemption, substitution or variation of Registered Notes, the Registrar

(which notice shall be irrevocable and shall specify the date fixed for redemption, substitution or variation):

- (I) redeem all but not some only of the Notes then outstanding at any time (if the Notes are not Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes) or on any Interest Payment Date (if the Notes are Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes), at the Regulatory Redemption Event Price specified in the applicable Final Terms, together with interest accrued to but excluding the date of redemption and (in the case of Option B Dated Tier 2 Notes) all Arrears of Interest (if any) as provided in Condition 5(f); or
- (II) substitute (without any requirement for the consent or approval of the Noteholders, Receiptholders or Couponholders) at any time all but not some only of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Lower Tier 2 Securities, and the Trustee shall (subject to the following provisions of this Condition 7(c)(II) and subject to the receipt by it of the certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) referred to below and in the definition of Qualifying Lower Tier 2 Securities) agree to such substitution or variation. In connection therewith and at the time of any such substitution or variation, in the case of Option B Dated Tier 2 Notes, all Arrears of Interest (if any) must be paid in full. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Lower Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee’s opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 7(c) the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) stating that a Regulatory Redemption Event has occurred and is continuing as at the date of the certificate, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence and continuation of a Regulatory Redemption Event in which event it shall be conclusive and binding on

the Noteholders, the Receiptholders and the Couponholders. Upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

The Issuer may not redeem the Notes pursuant to this Condition 7(c) prior to the fifth anniversary of the Issue Date of the Notes unless the relevant Regulatory Redemption Event arises as a result of any change in law or regulation or Applicable Regulatory Capital Requirements, or in the interpretation thereof, applicable to the Notes.

In connection with any substitution or variation in accordance with this Condition 7(c), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(d) *Redemption at the option of the Issuer (Issuer Call)*

If “Issuer Call” is specified in the applicable Final Terms, the Issuer may (subject to giving prior notice to the FSA within the period required by the FSA (so long as such notice is required to be given) and no notice of objection being given by the FSA) having given:

- (i) not less than 15 nor more than 30 days’ notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date and (in the case of Option B Dated Tier 2 Notes) all Arrears of Interest (if any) as provided in Condition 5(f). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7(d) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

Unless otherwise specified in the applicable Final Terms, the Optional Redemption Amount in respect of Fixed Rate Notes denominated in Sterling shall be the higher of the following:

- (i) the nominal amount of the Notes to be redeemed; and
- (ii) that price per Note (the “Redemption Price”), expressed as a percentage (rounded to three decimal places, 0.0005 being rounded down), at which the Gross Redemption Yield on the Notes, if they were to be purchased at such price on the third dealing day prior to the date of

publication of the notice of redemption, would be equal to the Gross Redemption Yield on such dealing day of the Reference Stock (or, if such stock is no longer in issue, of such other United Kingdom government stock as the Trustee, with the advice of three leading brokers operating in the gilt-edged market and/or gilt-edged market makers or such other three persons operating in the gilt-edged market as the Trustee may approve, shall determine to be appropriate (the “Alternative Reference Stock”)) on the basis of the middle market price of the Reference Stock or the Alternative Reference Stock, as the case may be, prevailing at 11.00 a.m. on such dealing day as determined by Citibank, N.A. (or such other person as the Trustee may approve).

References in the Trust Deed and in these Terms and Conditions to principal shall, unless the context otherwise requires, be deemed to include a reference to the Redemption Price.

The “Gross Redemption Yield” on the Notes and on the Reference Stock or the Alternative Reference Stock, as the case may be, will be expressed as a percentage and will be calculated on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields” page 4, Section One: Price/Yield Formulae “Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998 and updated on 15 January 2002 and as further updated or amended from time to time) or on such other basis as the Trustee may approve.

(e) *Redemption at the option of the Noteholders (Investor Put)*

If “Investor Put” is specified in the applicable Final Terms, upon the holder of any Note giving notice to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days’ notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not, in the case of a Bearer Note in definitive form, in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date and (in the case of Option B Dated Tier 2 Notes) all Arrears of Interest (if any) as provided in Condition 5(f). Registered Notes may be redeemed under this Condition 7(e) in any multiple of their lowest Specified Denomination.

If this Note is in definitive form, to exercise the right to require redemption of this Note, the holder of this Note must deliver such Note at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a “Put Notice”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 7(e) and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b).

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable.

(f) *Early Redemption Amounts*

For the purpose of Condition 10 and if specified in respect of any other Condition of the Notes in the applicable Final Terms, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the “Amortised Face Amount”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} (1 + \text{AY})_y$$

Where:

“RP” means the Reference Price;

“AY” means the Accrual Yield expressed as a decimal; and

“y” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(g) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (f) above.

(h) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 7(h) and the applicable Final Terms.

(i) *Purchases*

The Issuer or any of its Subsidiaries or Subsidiary Undertakings (as defined in the Trust Deed) may (subject to giving prior notice to the FSA within the period required by the FSA (so long as such notice is required to be given) and no notice of objection being given by the FSA) at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

(j) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7(i) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(k) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (f)(iii) above as

though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

(l) *Credit Linked, Equity Linked or other structured Notes*

The Issuer may, as indicated in the applicable Final Terms and provided in a supplemental trust deed, be entitled to redeem Notes which are Credit Linked, Equity Linked or other structured Notes, including where the amount of principal and/or interest in respect of such Notes is based on the price, value, performance or some other factor relating to an asset or other property (“Reference Asset”), by physical delivery of all or part of the Reference Asset or of some other asset or property (“Physically-Settled Notes”).

## 8. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such 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, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such requirement to make such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) to, or to a third party on behalf of, a holder (or beneficial owner) who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (b) to, or to a third party on behalf of, a holder (or beneficial owner) who could lawfully avoid (but has not so avoided) such withholding or deduction by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption or relief to any tax authority in a place where the relevant Note, Receipt or Coupon is presented for payment; or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or
- (d) presented for payment in the United Kingdom; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; or
- (f) 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, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (g) for any combination of the items listed in paragraphs (a) to (f) above.



## **9. Prescription**

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

## **10. Events of Default**

(a) If:

- (i) the Issuer shall fail to make any payment in respect of the Notes for a period of seven days or more after the due date for the same or (in the case of any payment of interest) shall fail to make payment for a period of 14 days or more after the date on which such payment is due; or
- (ii) otherwise than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, an order is made or an effective resolution is passed for the winding-up of the Issuer,

the Trustee may give notice to the Issuer that the Notes are, and they shall accordingly thereupon become, immediately due and repayable at their Early Redemption Amount together with accrued interest and, in the case of Option B Dated Tier 2 Notes, all Arrears of Interest and any other amounts in respect of or arising under the Notes or the relative Receipts or Coupons or the Trust Deed, including any damages awarded for breach of any obligation of the Issuer.

- (b) If the Notes become due and repayable pursuant to Condition 10(a), the Trustee may, notwithstanding the provisions of Condition 10(c), institute proceedings for the winding-up of the Issuer in England and Wales and/or prove in any winding-up of the Issuer.
- (c) Without prejudice to Conditions 10(a) and 10(b), 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 relative Receipts or Coupons (other than for the payment of any amount in respect of or arising under the Notes or the relative Receipts or Coupons or the Trust Deed, including any damages awarded for breach of any obligations of the Issuer) if the Issuer is in default of such term or condition and fails to remedy such default within 14 days after notice of the same has been given to the Issuer 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(c) shall however prevent the Trustee instituting proceedings for the winding-up of the Issuer and/or proving in any winding-up of the Issuer in respect of any payment due from the Issuer in respect of or arising under the Notes or the relative Receipts or Coupons or the Trust Deed (including damages awarded for the breach of any obligations of the Issuer).
- (d) The Trustee shall not be bound to take any of the actions referred to in Condition 10(a), (b) or (c) against the Issuer to enforce the terms of the Trust Deed, the Notes or the relative Receipts or Coupons, or to take any other action under these Terms and Conditions or the Trust Deed, unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (e) No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer in England and Wales or to prove in any winding-up of the Issuer unless the Trustee, having become bound so to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder, Receiptholder or Couponholder shall only have such rights against the Issuer as those which the Trustee is entitled to exercise.



- (f) No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or any Noteholder, Receiptholder or Couponholder (i) for the recovery of amounts owing in respect of or arising under the Notes or the relative Receipts or Coupons or the Trust Deed or (ii) for the breach of any other term or condition binding on the Issuer under the Trust Deed, the Notes or the relative Receipts or Coupons or in respect of any breach by the Issuer of any of its obligations under or in respect of the Notes or the relative Receipts or Coupons or the Trust Deed, provided that nothing in this Condition 10 shall affect or prejudice the payment of costs, charges, expenses, liabilities or remuneration of the Trustee or rights and remedies of the Trustee in respect thereof.

In these Terms and Conditions, the failure to make a payment (as described in Condition 10(a)(i)) and the winding-up of the Issuer (as described in Condition 10(a)(ii)) shall constitute “Events of Default” but, for the avoidance of doubt, non-payment of any interest in accordance with the provisions of Condition 5(f) shall not constitute a failure to make such payment.

## **11. Replacement of Notes, Receipts, Coupons and Talons**

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

## **12. Agents**

The names of the initial Agents and their initial specified offices are set out below.

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

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or have been admitted to listing and/or trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Paying Agent and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) there will at all times be a Paying Agent in a place approved by the Trustee (such approval not to be unreasonably withheld or delayed) in continental Europe, for the avoidance of doubt excluding the UK; and
- (d) there will at all times be a Paying Agent in a Member State of the European Union (other than the United Kingdom in circumstances where a withholding tax is imposed in the United Kingdom) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC.

In addition, the Issuer shall with the prior written approval of the Trustee immediately appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). 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 the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances described therein, the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders.

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**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 Principal 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 the Bearer Notes will be deemed to be validly given if 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* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to listing and/or trading. 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 the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or have been admitted to listing and/or trading by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notices will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. It is expected that such publication will be made in the *Financial Times* in London.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or have been admitted to listing and/or trading by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and Clearstream, Luxembourg in such manner as the Principal Paying Agent, the Registrar and Euroclear and Clearstream, Luxembourg, may approve for this purpose.

**15. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer at the request of Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (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, or the amount payable on redemption of, the Notes or altering the currency of payment of the Notes, the Receipts 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 Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders. The agreement or approval of the Noteholders shall not be required in the case of any variation of these Terms and Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7(c) in connection with the substitution or variation of the Notes so that they become Qualifying Lower Tier 2 Securities and to which the Trustee has agreed pursuant to the relevant provisions of Condition 7(c).

The Trustee may (subject as provided below) agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification of any of the provisions of these Terms and Conditions, the Notes, the Receipts, the Coupons or the Trust Deed which is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders; or
- (b) any modification of any of the provisions of these Terms and Conditions, the Notes, the Receipts, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

The Trustee may also agree, without the consent of the Noteholders, Receiptholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of 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 Noteholders.

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

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders (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 and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except, in the case of the Issuer, to the extent provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

## **16. Substitution**

The Trustee may agree, without the consent of the Noteholders, the Receiptholders or the Couponholders, to the substitution at any time or times of any Subsidiary of the Issuer in place of the Issuer as principal debtor, subject to the irrevocable and unconditional guarantee of the Issuer.

Any such substitution shall also be subject to the relevant provisions of the Trust Deed, including a provision to the effect that the Trustee shall have received confirmation in writing from any rating agency which, at the request of the Issuer, shall have assigned a credit rating to the Notes that such substitution by itself and the circumstances pertaining to the substitution will not result in a downgrading of the then current credit rating assigned to the Notes by such rating agency.

#### **17. Further Issues**

The Issuer shall be at liberty from time to time, without the consent of the Noteholders, the Receiptholders or the Couponholders, 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 (a “Further Issue”).

#### **18. 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, Receipts, Coupons or Talons, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

#### **19. Definitions**

“Capital Regulations” means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the FSA;

“Companies Act” means the Companies Act 2006 (as amended);

“EEA Regulated Subsidiary” means any entity engaged in a regulated business and registered as such by a Member State of the European Economic Area in which the Issuer, directly or indirectly, holds 20 per cent. or more of the voting rights or capital;

“European Economic Area” or “EEA” means the Member States comprising the European Union together with Norway, Liechtenstein and Iceland;

“FSA” means the Financial Services Authority or such other governmental authority in the United Kingdom (or, if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary supervisory authority with respect to the Issuer;

“Lower Tier 2 Capital” has the meaning given to such term in the Capital Regulations;

“Optional Interest Payment Date” means, in the case of Option B Dated Tier 2 Notes, any Interest Payment Date where:

- (a) (i) a Regulatory Intervention has occurred prior to such Interest Payment Date and is continuing on such Interest Payment Date or is reasonably likely to occur as a result of making the payments due on such Interest Payment Date; and
- (ii) no interest payments have been made on any junior or *pari passu* ranking securities of the Issuer (other than the Notes) and no dividend or other distribution has been irrevocably declared on any class of the Issuer’s share capital since the date of the commencement of that Regulatory Intervention (save in any such case where the terms of which do not enable the Issuer to defer, pass on or eliminate or to continue to defer, pass on or eliminate an interest payment, dividend or other distribution); or
- (b) no interest payments have been made on any junior or *pari passu* ranking securities of the Issuer (other than the Notes) during the financial year of the Issuer in which such Interest Payment Date falls, and no dividend or other distribution on any class of the Issuer’s share capital was irrevocably declared at or since the annual general meeting of shareholders immediately prior to that Interest Payment Date (save in any such case where the terms of which do not enable the Issuer to defer, pass

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on or eliminate or to continue to defer, pass on or eliminate an interest payment, dividend or other distribution);

“Other Tax Event” means an event of the type described in Condition 7(b)(iii);

“Par Tax Event” means an event of the type described in Condition 7(b)(i) and/or 7(b)(ii);

“Perpetual Preferred Securities” means the US\$750,000,000 8 per cent. Guaranteed Cumulative Perpetual Preferred Securities issued by Old Mutual Capital Funding L.P.;

“Qualifying Lower Tier 2 Securities” means securities issued directly or indirectly by the Issuer that:

- (i) have terms not materially less favourable to an investor (as reasonably determined by the Issuer and conclusively evidenced by a certificate to such effect of two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) delivered to the Trustee prior to the issue of the relevant securities) than the terms of the Notes provided that (1) they shall contain terms which comply with the then current requirements of the FSA in relation to Lower Tier 2 Capital, (2) they shall provide for the same rate of interest as from time to time applying to the Notes and (3) such securities preserve any existing rights under these Terms and Conditions to any accrued interest (other than Arrears of Interest) which has not been paid; and
- (ii) are listed or admitted to trading on the London Stock Exchange’s Regulated Market, the Luxembourg Stock Exchange or such other stock exchange as is a Recognised Stock Exchange (as defined in section 1005 of the Income Tax Act 2007, as amended from time to time, and any provision, statute or statutory instrument replacing the same from time to time) at that time as selected by the Issuer and approved by the Trustee;

“Regulatory Intervention” means (a) with respect to the Issuer, a request from any Relevant Supervisory Authority to restore or improve any applicable solvency margins or capital adequacy levels of the Issuer, (b) in respect of any of the Issuer’s EEA Regulated Subsidiaries, a request to that EEA Regulated Subsidiary by its Relevant Supervisory Authority to restore either its applicable minimum solvency margins or capital adequacy levels or the FSA is notified by a Relevant Supervisory Authority that such Relevant Supervisory Authority has made such request to the applicable EEA Regulated Subsidiary or (c) if, on any date on which a payment is respect of principal, premium or interest in respect of the Notes is due, the Issuer or any one of the EEA Regulatory Subsidiaries has failed (or is reasonably likely to fail immediately after such payment) to meet its applicable minimum solvency margins or capital adequacy levels as at the date of the most recent audited accounts of the Issuer or, as the case may be, that EEA Regulated Subsidiary or, if later, the date such margins or levels were most recently tested for regulatory purposes or, if later, any date selected by the Board of Directors (or other management body) of the Issuer or, as the case may be, that EEA Regulated Subsidiary falling on or prior to the date such payment is, or otherwise would be, due. A Regulatory Intervention shall be deemed to be continuing until such date as, in the case of (a) or (b), the relevant margins of solvency or capital adequacy levels have been restored or improved to the satisfaction of the Relevant Supervisory Authority or, in the case of (c), the first date on which the Issuer or relevant EEA Regulated Subsidiary, as applicable, meets its applicable minimum solvency margins or, as the case may be, capital adequacy levels, as determined and so certified to the Trustee by the Board of Directors (or other management body) thereof; and

a “Regulatory Redemption Event” is deemed to have occurred:

- (i) if under Applicable Regulatory Capital Requirements, the Notes would cease to be eligible to qualify (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as regulatory capital for the Issuer and/or the Group under Applicable Regulatory Capital Requirements; or
- (ii) if, at any time, the Issuer or the Group is required under Applicable Regulatory Capital Requirements to have Lower Tier 2 Capital, the Notes would no longer be eligible to qualify (save as aforesaid) for inclusion in the Lower Tier 2 Capital of the Issuer or the Group on a solo and/or consolidated basis;



“Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent, as the case may be, 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 Noteholders in accordance with Condition 14;

“Relevant Supervisory Authority” means any regulator having jurisdiction over the Issuer or any of its EEA Regulated Subsidiaries;

“Senior Creditors” means all creditors of the Issuer who are (i) unsubordinated creditors of the Issuer or (ii) subordinated creditors of the Issuer other than (x) holders of undated or perpetual subordinated indebtedness of the Issuer or undated or perpetual indebtedness of any other person guaranteed on a subordinated basis by the Issuer, including, without limitation, holders of the Issuer’s outstanding debt securities that constitute (or which upon issue constituted) Upper Tier 2 Capital or Tier 1 Capital and (y) those creditors whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the holders of the Notes;

“Subsidiary” means any Company which is for the time being a subsidiary (within the meaning of section 1159 of the Companies Act 2006 or section 736 of the Companies Act 1985);

“Tax Jurisdiction” means the United Kingdom (or, if a Subsidiary has been substituted for the Issuer (pursuant to Condition 16), such Subsidiary’s jurisdiction of incorporation) or any political subdivision or authority therein or thereof having the power to tax; and

“Tax Law Change” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Lower Tier 2 Capital) or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment (x) (subject to (y)) becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes (or, if a Subsidiary has been substituted for the Issuer (pursuant to Condition 16 or otherwise) which is subject to one or more additional Tax Jurisdictions, then, in relation to such additional Tax Jurisdictions only, after the date of such substitution) (the “Tax Law Change Date”), or (y) in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Tax Law Change Date.

## **20. Governing Law and Submission to Jurisdiction**

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

The Issuer irrevocably agrees, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts, the Talons, the Coupons and any non-contractual obligations arising out of or in connection with them and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders, the Receiptholders and the Couponholders, may take any suit, action or proceedings arising out of or in connection with the Trust Deed, the Notes, the Receipts, the Talons, the Coupons and any non-contractual obligations arising out of or in connection with them, against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.



## TERMS AND CONDITIONS OF THE UNDATED TIER 2 NOTES

*The following are the Terms and Conditions of the Undated Tier 2 Notes which will be incorporated by reference into each Global Note (as defined below) representing Undated Tier 2 Notes (as defined below) and each definitive Undated Tier 2 Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Undated Tier 2 Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Undated Tier 2 Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note representing Undated Tier 2 Notes and definitive Undated Tier 2 Note. Reference should be made to “Form of the Notes” for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Old Mutual plc (the “Issuer”) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “Trust Deed”) dated 31 August 2000 and deemed made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited as trustee (the “Trustee”, which expression shall include any successor trustee) for the holders of the Notes (the “Noteholders” or “holders” which expression shall mean, in relation to Notes in definitive bearer form, the bearers thereof, and, in relation to Notes in definitive registered form, the persons in whose name such Notes are registered and shall, in relation to Notes represented by a Global Note, be construed as provided below).

References in these Terms and Conditions to the “Notes” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “Global Note”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) definitive Notes in bearer form (“Bearer Notes”) issued in exchange for a Global Note in bearer form (a “Bearer Global Note”); and
- (iv) definitive Notes in registered form (“Registered Notes”) (whether or not issued in exchange for a Global Note in registered form (a “Registered Global Note”)).

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 31 August 2000 and deemed made between, *inter alios*, the Issuer, Citibank, N.A. as issuing and principal paying agent and agent bank (the “Principal Paying Agent”, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents) and Citibank, N.A. as registrar (the “Registrar”, which expression shall include any successor registrar) and as a transfer agent, the other transfer agents named therein (together with the Registrar, in its capacity as a transfer agent, the “Transfer Agents”, which expression shall include any additional or successor transfer agents) and the Trustee.

Interest-bearing definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“Coupons”) and, if indicated in the applicable Final Terms, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions and may specify other

terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify the Conditions for the purposes of this Note. References to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

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.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the London office of the Principal Paying Agent (being at 21st Floor Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified office of each of the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the “Agents”). Copies of the applicable Final Terms are available for viewing during normal business hours at the registered office of the Issuer at 5th Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG and copies may be obtained from the specified office of the Principal Paying Agent for the time being in London save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (Directive 2003/71/EC), the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed or in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and 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 or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. Form, Denomination and Title**

The Notes are in bearer form or in registered form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination, Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, an Index Linked Interest Note, a Dual Currency Interest Note, a Credit Linked Interest Note, an Equity Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, a Credit Linked Redemption Note, an Equity Linked Redemption Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

References in these Terms and Conditions to Coupons and Talons do not apply to any Notes represented by a Global Note or in registered form.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute

owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraphs.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Interests in a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or otherwise approved by the Issuer, the Principal Paying Agent, the Registrar and the Trustee.

## **2. Transfers of Registered Notes**

### *(a) Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

### *(b) Transfers of Registered Notes in definitive form*

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer, the transferor must surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Registered Note in

definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 7, neither the Issuer nor the Registrar will be required to register the transfer of any Registered Note (or part of a Registered Note) called for partial redemption.

(d) *Costs of registration*

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Register*

The Issuer will cause to be kept at the specified office of the Registrar outside the United Kingdom for the time being a register (the "Register") on which shall be entered the names and addresses of the holders from time to time of the Registered Notes, together with the particulars of the Registered Notes held by them respectively and of all transfers of Registered Notes. The Issuer will procure that, as soon as practicable after the Issue Date, the Register is duly made up in respect of the subscribers of the Registered Notes.

### 3. Status of the Notes and Subordination

(a) *Status*

(i) *General*

The Notes and the relative Coupons are direct, unsecured and (save as to subordination) unconditional obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders and the Couponholders in respect of or arising under the Notes and the relative Coupons and the Trust Deed are subordinated in the manner provided in this Condition 3(a) and in the Trust Deed to the claims of all Senior Creditors of the Issuer but shall, subject as provided in Condition 3(b), rank at least *pari passu* with all other undated or perpetual obligations (including guarantee obligations) of the Issuer that are not expressed by their terms to rank junior to the Notes and in priority to the claims of holders of all classes of share capital of the Issuer.

Other than in the circumstances referred to in Condition 3(a)(ii), all payments in respect of or arising under the Notes and relative Coupons and the Trust Deed are, in addition to the right of the Issuer to defer payment of interest in accordance with Condition 5(f), conditional upon the Issuer being solvent at the time of payment by the Issuer, and no amount shall be due and payable in respect of or arising under the Notes and the relative Coupons and the Trust Deed except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 3(a)(i), the Issuer shall be considered to be solvent if (x) to the extent that any determination of solvency falls to be made prior to the commencement of winding-up or administration of the Issuer, it is able to pay its debts owed to Senior Creditors as they fall due and (y) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). A certificate as to the solvency of the Issuer signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer (one of which shall be a Director or the Company Secretary) or, if the Issuer is in winding-up or administration in England and Wales, its liquidator or administrator, as the case may be, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the

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Noteholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof.

(ii) Amounts payable on winding-up

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders and (B) do not provide that the Notes shall thereby become redeemable or repayable), or an administrator of the Issuer is appointed and the administrator has given notice that it intends to distribute a dividend, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer, but subject as provided in this Condition 3) such amount, if any, as would have been payable to the holder of such Note if, on the day immediately prior to the commencement of the winding-up, or, as appropriate, notice and thereafter, such holder were the holder of one of a class of preference shares (“Notional Preference Shares”) 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 and any notional class of shares in the capital of the Issuer by reference to which the claims of any person in a winding-up of the Issuer are to be determined (other than any notional class of shares of equal seniority with the Notional Preference Shares), on the assumption that the amount that such holder was entitled to receive in respect of such Notional Preference Share on a return of assets in such winding-up were an amount equal to the principal amount of such Note, together with Arrears of Interest (as defined in Condition 5(f)), if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment (as provided in the Trust Deed) in respect thereof and any other amount in respect of or arising under such Notes and the Trust Deed, including any damages awarded for breach of any obligations in respect of which the conditions referred to in Condition 3(a)(i) are not satisfied on the date upon which the same would otherwise be due and payable.

(b) *Perpetual Preferred Securities*

If the Issuer is wound up whilst any Perpetual Preferred Securities are outstanding and the terms of such Perpetual Preferred Securities (or the guarantee issued by the Issuer in respect thereof) prevent the Notes ranking senior to Perpetual Preferred Securities (or the guarantee issued by the Issuer in respect thereof) from being issued without changes being made to the terms of such Perpetual Preferred Securities (or such guarantee), then the Notes shall (notwithstanding the provisions of Condition 3(a)) rank *pari passu* with the Perpetual Preferred Securities and accordingly there shall be payable by the Issuer in respect of each such Note (in lieu of any other payment by the Issuer, but subject as provided in this Condition 3(b)) such amount, if any, as would have been payable to the holder of each such Note if, on the day immediately prior to the commencement of the winding-up and thereafter, such holder were the holder of a directly issued preference share of the Issuer with equivalent rights of participation in the capital of the Issuer (whether or not the Issuer could in fact have issued such securities) and ranking *pari passu* with the Perpetual Preferred Securities on the assumption that the amount that such holder was entitled to receive in respect of such preference share on a return of assets in such winding-up were an amount equal to the principal amount of such Note together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to but excluding the date of repayment (as provided in the Trust Deed) in respect thereof and any other amount in respect of or arising under such Notes and the Trust Deed, including any damages awarded for breach of any obligations of the Issuer in respect of which the conditions referred to in Condition 3(a)(i) are not satisfied on the date upon which the same would otherwise be due and payable or, in any other case, which have not been satisfied.



#### 4. Set-off, etc.

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

#### 5. Interest

*Payments of interest in respect of the Notes are subject to the right of the Issuer to defer payment in accordance with Conditions 5(f) and Condition 3(a).*

##### (a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date. If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

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

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

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

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period (as defined below) during



which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

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

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

“Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

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

(b) *Interest on Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes*

(i) **Interest Payment Dates**

Each Floating Rate Note, Index Linked Interest Note, Credit Linked Interest Note and Equity Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from and including the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

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

“Business Day” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 System (the “TARGET System”) is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(a) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (a), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal

Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “ISDA Definitions”) and under which:

- (i) the Floating Rate Option is as specified in the applicable Final Terms;
- (ii) the Designated Maturity is a period specified in the applicable Final Terms; and
- (iii) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

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

(b) *Screen Rate Determination for Floating Rate Notes*

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

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of

LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or Index Linked Interest Note, Credit Linked Interest Note or Equity Linked Interest Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

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

- (i) if “Actual/Actual” or “Actual/Actual (ISDA)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30

- (v) Notification of Rate of Interest and Interest Amounts

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

- (vi) Determination or Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and



reasonable in all the circumstances. In making any such determination or calculation, the Trustee may appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(vii) *Certificates to be final*

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

(c) *Interest on Dual Currency Interest Notes*

In the case of Dual Currency Interest Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes, interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of interest*

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 date for its redemption (or, as the case may be, substitution or variation pursuant to Condition 7(c)) unless, upon due presentation thereof, payment and performance of all amounts and obligations due in respect of the Notes is not properly and duly made or is not made by reason of Condition 3. In such event, interest will continue to accrue as provided in the Trust Deed.

(f) *Deferral of interest*

(i) *Option A Undated Tier 2 Notes*

In the case of Option A Undated Tier 2 Notes:

- (a) on any Interest Payment Date with respect to which either (i) no Capital Disqualification Event has occurred and is continuing or (ii) the Issuer is in breach of its Applicable Regulatory Capital Requirements, there shall be paid (subject to Condition 3(a)(i)) the interest accrued in the Interest Period ending on (but excluding) such date, but the Issuer may elect not to make such payment in which event any such non-payment shall not constitute a default by the Issuer for any purpose; and
- (b) on any Interest Payment Date with respect to which (i) a Capital Disqualification Event has occurred and is continuing and (ii) the Issuer is in compliance with its Applicable Regulatory Capital Requirements, the Issuer shall (subject to Condition 3(a)(i)) be obliged to pay the interest accrued in the Interest Period ending on (but excluding) such date.

If in the circumstances set out in (a) above the Issuer wishes to elect not to pay interest on an Interest Payment Date, it shall give not less than 20 Business Days' notice (which notice shall be irrevocable) prior to the relevant Interest Payment Date of such election to the Trustee and

the Noteholders (in accordance with Condition 14) stating the amount of such payment otherwise due and the grounds on which such deferral has been made.

(ii) Option B Undated Tier 2 Notes

In the case of Option B Undated Tier 2 Notes, on any Interest Payment Date there shall be paid (subject to Condition 3(a)(ii)) the interest accrued in respect of the Interest Period ending on (but excluding) such date, but the Issuer may elect not to make such payment in which event any such non-payment shall not constitute a default by the Issuer for any purpose. If the Issuer wishes to elect not to pay interest on an Interest Payment Date, it shall give not less than 20 Business Days' notice (which notice shall be irrevocable) prior to the relevant Interest Payment Date of such election to the Trustee and the Noteholders (in accordance with Condition 14).

(iii) Arrears of Interest

Any interest not paid on an Interest Payment Date pursuant to this Condition 5(f) or as a result of Condition 3(a)(i) together with any other interest not paid on any other Interest Payment Date as aforesaid shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest and any other amount in respect of or arising under the Notes and the Trust Deed, including any damages awarded for breach of any obligations of the Issuer in respect of which the conditions referred to in Condition 3(a)(i) are not satisfied on the date upon which the same would otherwise be due and payable, may, at the election of the Issuer (subject to Condition 3(a)), be paid in whole or in part at any time upon the expiration of not less than 14 days' notice to such effect (which notice shall be irrevocable) given to the Trustee and to the Noteholders (in accordance with Condition 14), but all Arrears of Interest on all Notes outstanding shall (subject to Condition 3(a)(i)) become due in full on whichever is the earliest of:

- (a) in the case of Option A Undated Tier 2 Notes only, the date on which (i) a Capital Disqualification Event has occurred and is continuing and (ii) the Issuer is in compliance with its Applicable Regulatory Capital Requirements;
- (b) the date on which an order is made or a resolution passed for the winding-up in England and Wales of the Issuer (other than a winding-up which has been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend); or
- (c) the date for any redemption, substitution or variation or purchase of the Notes by or on behalf of the Issuer pursuant to Condition 7.

Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest and any other amount in respect of or arising under the Notes and the Trust Deed, including any damages awarded for breach of any obligations of the Issuer in respect of which the conditions referred to in Condition 3(a)(i) are not satisfied on the date upon which the same would otherwise be due and payable, the Issuer shall be obliged (subject to Condition 3(a)(i)) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be applied in payment of the Arrears of Interest accrued due in respect of the relative Interest Payment Date (or consecutive Interest Payment Dates) furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

(g) *Restrictions following Deferral of Interest*

If, on any Interest Payment Date, interest in respect of any Notes shall not have been paid in full as a result of the exercise by the Issuer of its discretion pursuant to Condition 5(f), then, from such Interest Payment Date until such time as the full amount of interest has been paid in full and no other Arrears of Interest remain unsatisfied and no other amounts in respect of or arising under the Notes and the Trust Deed, including any damages awarded for breach of any obligations of the Issuer, remain

unsatisfied, the Issuer shall not (i) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, any class of its share capital other than a dividend (other than a dividend which is, or is expressed to be, an extraordinary or special dividend) which has been declared by the Issuer on the ordinary shares prior to the date on which the decision to defer the relevant interest payment is notified to the Noteholders (in accordance with Condition 14) or pay interest on any other junior or *pari passu* ranking perpetual securities (excluding in any such case any perpetual securities the terms of which do not enable the Issuer to defer, pass on or eliminate or continue to defer, pass on or eliminate such dividend, distribution, payment or interest); or (ii) redeem, purchase, cancel, reduce or otherwise acquire any of its ordinary shares or any junior or *pari passu* ranking perpetual securities.

## 6. Payments

### (a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

Any reference in these Terms and Conditions to payment of any sums in respect of the Notes (including, in respect of Credit Linked, Equity Linked and other structured Notes, Physically-Settled Notes) shall be deemed to include, as applicable, delivery of any relevant Reference Asset (as defined in Condition 7(h)) if so provided in the applicable Final Terms and a supplemental trust deed and references to paid and payable shall be construed accordingly.

### (b) *Presentation of Definitive Bearer Notes and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used in this Condition 6, 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)).

No payments of principal, interest or other amounts due in respect of a definitive Bearer Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes, Credit Linked Notes, Equity Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in

full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note, Credit Linked Notes, Equity Linked Notes or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “Long Maturity Note” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

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

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by a Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Bearer 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 Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer 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.

No payments of principal, interest or other amounts due in respect of a Bearer Global Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

(d) *Payments in respect of Registered Notes*

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be (i) in respect of Registered Notes in definitive form, made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date or (ii) in respect of Notes represented by a Registered Global Note will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January (such due date or Clearing System Business Day, as the case may be, being the “Record Date”). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the nominal amount of the Notes held by a holder is less than US\$250,000 (or its approximate

equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “Designated Account” means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “Designated Bank” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

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

None of the Issuer, the Trustee and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, 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 Global Note.

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

- (i) 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 Bearer Notes in the manner provided above when due;



- (ii) 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
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) *Payment Day*

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

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

Save that, for the purpose of any payments made in respect of a Global Note, Conditions 6(f)(i)(a) and 6(f)(i)(b) shall be disregarded for the purpose of the definition of "Payment Day".

(g) *Interpretation of principal and interest*

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

- (i) 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 thereof or pursuant to the Trust Deed;
- (ii) the Optional Redemption Amount(s) (if any) of the Notes;
- (iii) the nominal amount of the Notes;
- (iv) the Other Tax Event Redemption Price of the Notes;
- (v) the Regulatory Redemption Event Price of the Notes; and
- (vi) 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 Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking given in addition thereto or in substitution thereof or pursuant to the Trust Deed.



## 7. Redemption and Purchase

### (a) *No fixed maturity*

The Notes have no final maturity date and are only redeemable in accordance with the following provisions of this Condition 7 or Condition 10.

### (b) *Redemption, substitution or variation for tax reasons*

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

- (i)
  - (x) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided in Condition 8 as a result of any Tax Law Change; and
  - (y) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) as a result of a Tax Law Change, in respect of the Issuer's obligation to make payment in respect of interest on the next Interest Payment Date, (x) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced, or (y) the Issuer would not to any material extent be entitled to have such deduction set against the profits of the companies with which it is grouped for applicable United Kingdom tax purposes (under the applicable relief or similar system in operation at the relevant time) or (z) the Issuer would otherwise suffer adverse tax consequences and, in each case, such consequences cannot be avoided by the Issuer taking reasonable measures available to it; or
- (iii) other than as a result of a Tax Law Change, in respect of the Issuer's obligation to make payment in respect of interest on the next Interest Payment Date, (w) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom or such entitlement is materially reduced or (x) the Issuer would not to any material extent be entitled to have such deduction set against the profits of the companies with which it is grouped for applicable United Kingdom tax purposes (under the applicable relief or similar system in operation at the relevant time) and in either case the above cannot be avoided by the Issuer taking reasonable measures available to it, (y) the Issuer would otherwise suffer adverse tax consequences, or (z) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts pursuant to Condition 8, and in each case such consequences cannot be avoided by the Issuer taking reasonable measures available to it, then the Issuer may (subject (i) to giving prior notice to the FSA within the period required by the FSA (so long as such notice is required to be given) and no notice of objection having been given by, or in the case of any redemption of the Notes prior to the fifth anniversary of the Issue Date of the Notes, a waiver (for so long as such waiver is required) being received from, the FSA, (ii) to the Issuer (both at the time of, and immediately following, the redemption, substitution, variation or purchase) being in compliance with the capital resources requirements applicable to it from time to time (and a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) confirming such compliance shall be conclusive evidence of such compliance) and (iii) as provided in Condition 3(a)(i) and this Condition 7(b)), having given not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which Notice shall be irrevocable):
  - (I) redeem all but not some only of the Notes then outstanding at any time (if the Notes are not Floating Rate Notes, Index Linked Notes, Credit Linked Interest Notes or Equity Linked Interest Notes) or on any Interest Payment Date (if the Notes are Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes); provided that no such notice of redemption shall be given earlier than 90 days prior to (in the case of paragraph (b)(i) above) the earliest date on which the

Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due or (in the case of paragraph (b)(ii) or (iii) above) the next Interest Payment Date; or

- (II) substitute (without any requirement for the consent or approval of the Noteholders or Couponholders) at any time all but not some only of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this Condition 7(b)(II) and subject to the receipt by it of the certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) referred to below and in the definition of Qualifying Upper Tier 2 Securities) agree to such substitution or variation. In connection therewith and at the time of any such substitution or variation, all Arrears of Interest (if any) must be paid in full. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Upper Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) stating that the Issuer is entitled to effect such redemption, substitution or variation and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and, where applicable, that the relevant obligation, the relevant event or, as the case may be, the relevant consequences as described above, cannot be avoided by the Issuer taking reasonable measures available to it.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

The Issuer may redeem the Notes pursuant to this Condition 7(b) prior to the fifth anniversary of the Issue Date of the Notes only as a result of a Tax Law Change.

In connection with any substitution or variation in accordance with this Condition 7(b), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

Notes redeemed pursuant to this Condition 7(b) will, unless otherwise specified in the applicable Final Terms, be redeemed, in the case of a Par Tax Event, at their nominal amount and, in the case of an Other Tax Event, at their Other Tax Event Redemption Price specified in the applicable Final Terms, together, in each case, with interest accrued to but excluding the date of redemption and all Arrears of Interest (if any) as provided in Conditions 5(f).

(c) *Redemption, Substitution or Variation on a Regulatory Redemption Event*

If "Regulatory Redemption Event" is specified in the applicable Final Terms in respect of the Notes, and immediately prior to the giving of the notice referred to below a Regulatory Redemption Event has occurred and is continuing, the Issuer may (subject (i) to giving prior notice to the FSA within the period required by the FSA (so long as such notice is required to be given) and no notice of objection being given by, or in the case of any redemption of the Notes or any substitution of the Notes for, or variation of the terms of the Notes so that they become Qualifying Upper Tier 2 Securities prior to the fifth anniversary of the Issue Date of the Notes, a waiver (for so long as such waiver is required) being received from, the FSA (ii) to the Issuer (both at the time of, and immediately following, the redemption, substitution, variation or purchase) being in compliance with the capital resources requirements applicable to it from time to time (and a certificate signed by two Authorised Signatories

of the Issuer (one of which shall be a Director or the Company Secretary) confirming such compliance shall be conclusive evidence of such compliance) and (iii) as provided in Condition 3(a)(i) and this Condition 7(c)), having given:

- (i) not less than 15 nor more than 30 days notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the Notice referred to in (i), notice to the Trustee and the Principal Paying Agent and, in the case of a redemption, substitution or variation of Registered Notes, the Registrar

(which notice shall be irrevocable and shall specify the date fixed for redemption, substitution or variation):

- (I) redeem all but not some only of the Notes then outstanding at any time (if the Notes are not Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes) or on any Interest Payment Date (if the Notes are Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes), at the Regulatory Redemption Event Price specified in the applicable Final Terms, together with interest accrued to but excluding the date of redemption and all Arrears of Interest (if any) as provided in Condition 5(f); or
- (II) substitute (without any requirement for the consent or approval of the Noteholders or Couponholders) at any time all but not some only of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this Condition 7(c)(II) and subject to the receipt by it of the certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) referred to below and in the definition of Qualifying Upper Tier 2 Securities) agree to such substitution or variation. In connection therewith and at the time of any such substitution or variation, all Arrears of Interest (if any) must be paid in full. The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Upper Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 7(c) the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) stating that a Regulatory Redemption Event has occurred and is continuing as at the date of the certificate, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence and continuation of a Regulatory Redemption Event in which event it shall be conclusive and binding on the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

The Issuer may not redeem the Notes pursuant to this Condition 7(c) prior to the fifth anniversary of the Issue Date of the Notes unless the relevant Regulatory Redemption Event arises as a result of any change in law or regulation or Applicable Regulatory Capital Requirements, or in the interpretation thereof, applicable to the Notes.

In connection with any substitution or variation in accordance with this Condition 7(c), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(d) *Redemption at the option of the Issuer (Issuer Call)*

If “Issuer Call” is specified in the applicable Final Terms, the Issuer may (subject to giving prior notice to the FSA within the period required by the FSA (so long as such notice is required to be given) and no notice of objection being given by the FSA and subject to Condition 3(a)(i)), having given:

- (i) not less than 15 nor more than 30 days’ notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date and all Arrears of Interest (if any) as provided in Conditions 5(f). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (d) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

Unless otherwise specified in the applicable Final Terms, the Optional Redemption Amount in respect of Fixed Rate Notes denominated in Sterling shall be the higher of the following:

- (i) the nominal amount of the Notes to be redeemed; and
- (ii) that price per Note (the “Redemption Price”), expressed as a percentage (rounded to three decimal places, 0.0005 being rounded down), at which the Gross Redemption Yield on the Notes, if they were to be purchased at such price on the third dealing day prior to the date of publication of the notice of redemption, would be equal to the Gross Redemption Yield on such dealing day of the Reference Stock (or, if such stock is no longer in issue, of such other United Kingdom government stock as the Trustee, with the advice of three leading brokers operating in the gilt-edged market and/or gilt-edged market makers or such other three persons operating in the gilt-edged market as the Trustee may approve, shall determine to be appropriate (the “Alternative Reference Stock”)) on the basis of the middle market price of the Reference Stock or the Alternative Reference Stock, as the case may be, prevailing at 11.00 a.m. on such dealing day as determined by Citibank, N.A. (or such other person as the Trustee may approve).

References in the Trust Deed and in these Terms and Conditions to principal shall, unless the context otherwise requires, be deemed to include a reference to the Redemption Price.

The “Gross Redemption Yield” on the Notes and on the Reference Stock or the Alternative Reference Stock, as the case may be, will be expressed as a percentage and will be calculated on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields” page 4, Section One: Price/Yield Formulae “Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998 and updated on 15 January 2002 and as further updated or amended from time to time) or on such other basis as the Trustee may approve.

(e) *Partly Paid Notes*

Partly Paid Notes will be redeemed, in accordance with the provisions of this Condition and the applicable Final Terms.

(f) *Purchases*

The Issuer or any of its Subsidiaries or Subsidiary Undertakings (as defined in the Trust Deed) may (subject to giving prior notice to the FSA within the period required by the FSA (so long as such notice is required to be given) and no notice of objection being given by the FSA and Condition 3(a)(i)), at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

(g) *Cancellation*

All Notes which are redeemed 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 and any Notes purchased and cancelled pursuant to paragraph (i) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(h) *Credit Linked, Equity Linked or other structured Notes*

The Issuer may, as indicated in the applicable Final Terms and provided in a supplemental trust deed, be entitled to redeem Notes which are Credit Linked, Equity Linked or other structured Notes, including where the amount of principal and/or interest in respect of such Notes is based on the price, value, performance or some other factor relating to an asset or other property (“Reference Asset”), by physical delivery of all or part of the Reference Asset or of some other asset or property (“Physically-Settled Notes”).

## 8. Taxation

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such 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 of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such requirement to make such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) to, or to a third party on behalf of, a holder (or beneficial owner) who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (b) to, or to a third party on behalf of, a holder (or beneficial owner) who could lawfully avoid (but has not so avoided) such withholding or deduction by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption or relief to any tax authority in a place where the relevant Note or Coupon is presented for payment; or



- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or
- (d) presented for payment in the United Kingdom; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; or
- (f) 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; or
- (g) for any combination of the items listed in paragraphs (a) to (f) above.

### **9. Prescription**

The Notes (whether in bearer or registered form), and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

### **10. Non-Payment when Due**

*Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings in England and Wales is limited to circumstances where payment has become due. No amount will be due and payable in respect of the Notes and the relative Coupons unless the condition to payment set out in Condition 3(a)(i) is satisfied. Also, in the case of any interest payment, such interest payment will not be due if the Issuer has elected to defer that interest payment pursuant to Condition 5(f).*

- (a) If the Issuer shall fail to make any payment in respect of the Undated Subordinated Notes for a period of seven days or more after the due date for the same or (in the case of any payment of interest) shall fail to make payment for a period of 14 days or more after the date on which such payment is due, the Trustee may, notwithstanding the provisions of Condition 10(b), institute proceedings for the winding-up of the Issuer in England and Wales and/or prove in any winding-up of the Issuer.
- (b) Without prejudice to Condition 10(a), 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 relative Coupons (other than for the payment of any amount in respect of or arising under the Notes or the relative Coupons or the Trust Deed, including any damages awarded for breach of any obligations of the Issuer) if the Issuer is in breach of such term or condition and fails to remedy such breach within 14 days after notice of the same has been given to the Issuer 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(b) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer and/or proving in any winding-up of the Issuer in respect of any payment due from the Issuer in respect of or arising under the Notes or the relative Coupons or the Trust Deed (including damages awarded for the breach of any obligations of the Issuer).
- (c) The Trustee shall not be bound to take any of the actions referred to in Condition 10(a) or 10(b) against the Issuer to enforce the terms of the Trust Deed, the Notes or the relative Coupons, or to take any action under these Terms and Conditions or the Trust Deed, unless (i) it shall have been so



directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction.

- (d) No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer in England and Wales or to prove in any winding-up of the Issuer unless the Trustee, having become bound so to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall only have such rights against the Issuer as those which the Trustee is entitled to exercise.
- (e) No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or any Noteholder or Couponholder (i) for the recovery of amounts owing in respect of or arising under the Notes or the relative Coupons or the Trust Deed or (ii) for the breach of any other term or condition binding on the Issuer under the Trust Deed, the Notes or the relative Coupons or in respect of any breach by the Issuer of any of its obligations under or in respect of the Notes or the relative Coupons or the Trust Deed, provided that nothing in this Condition 10 shall affect or prejudice the payment of costs, charges, expenses, liabilities or remuneration of the Trustee or rights and remedies of the Trustee in respect thereof.

In these Terms and Conditions, the failure to make a payment (as described in Condition 10(a)) shall constitute, in respect of the Notes, an “Event of Default” but, for the avoidance of doubt, non-payment of any interest in accordance with the provisions of Condition 5(f) or as a result of Condition 3(a)(i) shall not constitute a failure to make such payment.

#### **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 Principal Paying Agent (in the case of Bearer Notes, Coupons or Talons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

#### **12. Agents**

The names of the initial Agents and their initial specified offices are set out below.

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

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or have been admitted to listing and/or trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Paying Agent and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) there will at all times be a Paying Agent in a place approved by the Trustee (such approval not to be unreasonably withheld or delayed) in continental Europe, for the avoidance of doubt excluding the UK; and
- (d) there will at all times be a Paying Agent in a Member State of the European Union (other than the United Kingdom in circumstances where a withholding tax is imposed in the United Kingdom) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC.

In addition, the Issuer shall with the prior written approval of the Trustee immediately appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). 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 the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances described therein, the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, or Couponholders.

### **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 Principal 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 the Bearer Notes will be deemed to be validly given if 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* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to listing and/or trading. 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 the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or have been admitted to listing and/or trading by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notices will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. It is expected that such publication will be made in the *Financial Times* in London.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or have been admitted to listing and/or trading by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg in such manner as the Principal Paying Agent, the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

**15. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer at the request of Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes 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 (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, or the amount payable on redemption 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 Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders. The agreement or approval of the Noteholders shall not be required in the case of any variation of these Terms and Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7(c) in connection with the substitution or variation of the Notes so that they become Qualifying Upper Tier 2 Securities and to which the Trustee has agreed pursuant to the relevant provisions of Condition 7(c).

The Trustee may (subject as provided below) agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification of any of the provisions of these Terms and Conditions, the Notes, the Coupons or the Trust Deed which is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders; or
- (b) any modification of any of the provisions of these Terms and Conditions, the Notes, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

The Trustee may also agree, without the consent of the Noteholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of 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 Noteholders.

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

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders (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 and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except, in the case of the Issuer, to the extent

provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

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

## **16. Substitution**

The Trustee may agree, without the consent of the Noteholders or the Couponholders, to the substitution at any time or times of any Subsidiary of the Issuer in place of the Issuer as principal debtor, subject to the irrevocable and unconditional guarantee of the Issuer.

Any such substitution shall also be subject to the relevant provisions of the Trust Deed, including a provision to the effect that the Trustee shall have received confirmation in writing from any rating agency which, at the request of the Issuer, shall have assigned a credit rating to the Notes that such substitution by itself and the circumstances pertaining to the substitution will not result in a downgrading of the then current credit rating assigned to the Notes by such rating agency.

## **17. Further Issues**

The Issuer shall be at liberty from time to time, without the consent of the Noteholders or the Couponholders, 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 (a "Further Issue").

## **18. 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, Coupons or Talons, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

## **19. Definitions**

"Applicable Regulatory Capital Requirements" means any requirements contained in Capital Regulations from time to time applicable to the Issuer or the Group;

"Assets" means the unconsolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events in such manner as the Directors of the Issuer or, if the Issuer is in a winding-up in England and Wales, its liquidator may determine;

a "Capital Disqualification Event" shall be deemed to have occurred if the Option A Notes would cease to be eligible to qualify (save where such non-qualification is only due to any applicable limitation on the amount of such capital) as regulatory capital for the Issuer or the Group on a solo and/or consolidated basis under Applicable Regulatory Capital Requirements;

"Capital Regulations" means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the FSA;

"Companies Act" means the Companies Act 2006 (as amended);

"FSA" means the Financial Services Authority or such other governmental authority in the United Kingdom (or, if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary supervisory authority with respect to the Issuer;

"Group" means the Issuer and its Subsidiaries;

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

as the Directors of the Issuer or, if the Issuer is in a winding-up in England and Wales, its liquidator may determine;

“Other Tax Event” means an event of the type described in Condition 7(b)(iii);

“Par Tax Event” means an event of the type described in Condition 7(b)(i) and/or 7(b)(ii);

“Perpetual Preferred Securities” means the US\$750,000,000 8 per cent. Guaranteed Cumulative Perpetual Preferred Securities issued by Old Mutual Capital Funding L.P.;

“Qualifying Upper Tier 2 Securities” means securities issued directly or indirectly by the Issuer that:

- (i) have terms not materially less favourable to an investor (as reasonably determined by the Issuer and conclusively evidenced by a certificate to such effect of two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) delivered to the Trustee prior to the issue of the relevant securities) than the terms of the Notes provided that (1) they shall contain terms which comply with the then current requirements of the FSA in relation to Upper Tier 2 Capital, (2) they shall provide for the same rate of interest as from time to time applying to the Notes and (3) such securities preserve any existing rights under these Terms and Conditions to any accrued interest (other than Arrears of Interest) which has not been paid; and
- (ii) are listed or admitted to trading on the London Stock Exchange’s Regulated Market, the Luxembourg Stock Exchange or such other stock exchange as is a Recognised Stock Exchange (as defined in section 1005 of the Income Tax Act 2007, as amended from time to time, and any provision, statute or statutory instrument replacing the same from time to time) at that time as selected by the Issuer and approved by the Trustee,

a “Regulatory Redemption Event” is deemed to have occurred:

- (i) if under Applicable Regulatory Capital Requirements the Notes would cease to be eligible to qualify (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as regulatory capital for the Issuer and/or the Group under Applicable Regulatory Capital Requirements; or
- (ii) if, at any time, the Issuer or the Group is permitted under Applicable Regulatory Capital Requirements to have Upper Tier 2 Capital, the Notes would no longer be eligible to qualify (save as aforesaid) for inclusion in the Upper Tier 2 Capital of the Issuer or the Group on a solo and/or consolidated basis,

“Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent, as the case may be, 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 Noteholders in accordance with Condition 14;

“Senior Creditors” means all creditors of the Issuer who are (i) unsubordinated creditors of the Issuer or (ii) subordinated creditors of the Issuer other than (x) holders of undated or perpetual subordinated indebtedness of the Issuer or undated or perpetual subordinated indebtedness of any other person guaranteed on a subordinated basis by the Issuer that constitute (or which upon issue constituted) Tier 1 Capital of the Issuer and (y) those creditors whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the holders of the Notes;

“Subsidiary” means any Company which is for the time being a subsidiary (within the meaning of section 1159 of the Companies Act 2006 or section 736 of the Companies Act 1985);

“Tax Jurisdiction” means the United Kingdom (or, if a Subsidiary has been substituted for the Issuer (pursuant to Condition 16), such Subsidiary’s jurisdiction of incorporation) or any political subdivision or authority therein or thereof having the power to tax;

“Tax Law Change” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Upper Tier 2 Capital or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment (x) (subject to (y)) becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes (or, if a Subsidiary has been substituted for the Issuer (pursuant to Condition 16 or otherwise) which is subject to one or more additional Tax Jurisdictions, then, in relation to such additional Tax Jurisdictions only, after the date of such substitution) (the “Tax Law Change Date”), or (y) in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Tax Law Change Date;

“Tier 2 Capital” has the meaning given to such term in the successor Capital Regulations; and

“Upper Tier 2 Capital” has the meaning given to such term in the Capital Regulations.

## **20. Governing Law and Submission to Jurisdiction**

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

The Issuer irrevocably agrees, for the benefit of the Trustee, the Noteholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Talons the Coupons and any non-contractual obligations arising out of or in connection with them and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders and the Couponholders, may take any suit, action or proceedings arising out of or in connection with the Trust Deed, the Notes, the Talons, the Coupons and any non-contractual obligations arising out of or in connection with them, against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.



## TERMS AND CONDITIONS OF THE TIER 1 NOTES

*The following are the Terms and Conditions of the Tier 1 Notes which will be incorporated by reference into each Global Note (as defined below) representing Tier 1 Notes (as defined below) and each definitive Tier 1 Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Tier 1 Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Tier 1 Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note representing Tier 1 Notes and definitive Tier 1 Note. Reference should be made to “Form of the Notes” for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Old Mutual plc (the “Issuer”) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “Trust Deed”) dated 31 August 2000 and deemed made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited as trustee (the “Trustee”, which expression shall include any successor trustee) for the holders of the Notes (the “Noteholders” or “holders” which expression shall mean, in relation to Notes in definitive bearer form, the bearers thereof, and, in relation to Notes in definitive registered form, the persons in whose name such Notes are registered and shall, in relation to Notes represented by a Global Note, be construed as provided below).

References in these Terms and Conditions to the “Notes” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “Global Note”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) definitive Notes in bearer form (“Bearer Notes”) issued in exchange for a Global Note in bearer form (a “Bearer Global Note”); and
- (iv) definitive Notes in registered form (“Registered Notes”) (whether or not issued in exchange for a Global Note in registered form (a “Registered Global Note”)).

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 31 August 2000 and deemed made between, *inter alios*, the Issuer, Citibank, N.A. as issuing and principal paying agent and agent bank (the “Principal Paying Agent”, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents) and Citibank, N.A. as registrar (the “Registrar”, which expression shall include any successor registrar) and as a transfer agent, the other transfer agents named therein (together with the Registrar, in its capacity as a transfer agent, the “Transfer Agents”, which expression shall include any additional or successor transfer agents) and the Trustee.

An AISM calculation agency agreement dated on or before the date of issue of the Notes has been entered into between the Issuer, the Trustee and the AISM Calculation Agent named therein (the “AISM Calculation Agency Agreement”).

Interest bearing definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“Coupons”) and, if indicated in the applicable Final Terms, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise

requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify the Conditions for the purposes of this Note. References to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

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.

Copies of the Trust Deed, the Agency Agreement and the AISM Calculation Agency Agreement are available for inspection during normal business hours at the London office of the Principal Paying Agent (being at 21st Floor Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified office of each of the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the “Agents”). Copies of the applicable Final Terms are available for viewing during normal business hours at the registered office of the Issuer at 5th Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG and copies may be obtained from the specified office of the Principal Paying Agent for the time being in London save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (Directive 2003/71/EC), the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the AISM Calculation Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed or in the Agency Agreement or in the AISM Calculation Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and 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 or the AISM Calculation Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement or the AISM Calculation Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. Form, Denomination and Title**

The Notes are in bearer form or in registered form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination, Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, an Index Linked Interest Note, a Dual Currency Interest Note, a Credit Linked Interest Note, an Equity Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, a Credit Linked Redemption Note, an Equity Linked Redemption Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

References in these Terms and Conditions to Coupons and Talons do not apply to any Notes represented by a Global Note or in registered form.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraphs.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Interests in a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or otherwise approved by the Issuer, the Principal Paying Agent, the Registrar and the Trustee.

## **2. Transfers of Registered Notes**

### **(a) *Transfers of interests in Registered Global Notes***

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

### **(b) *Transfers of Registered Notes in definitive form***

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer, the transferor must surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer

Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 7, neither the Issuer nor the Registrar will be required to register the transfer of any Registered Note (or part of a Registered Note) called for partial redemption.

(d) *Costs of registration*

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Register*

The Issuer will cause to be kept at the specified office of the Registrar outside the United Kingdom for the time being a register (the "Register") on which shall be entered the names and addresses of the holders from time to time of the Registered Notes, together with the particulars of the Registered Notes held by them respectively and of all transfers of Registered Notes. The Issuer will procure that, as soon as practicable after the Issue Date, the Register is duly made up in respect of the subscribers of the Registered Notes.

### 3. Status of the Notes and Subordination

(a) *Status*

(i) *General*

The Notes and the relative Coupons are direct, unsecured and (save as to subordination) unconditional obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders and the Couponholders in respect of or arising under the Notes and the relative Coupons and the Trust Deed are subordinated in the manner provided in this Condition 3(a) and in the Trust Deed.

Other than in the circumstances referred to in Condition 3(a)(ii), all payments in respect of or arising under the Notes and relative Coupons and the Trust Deed (including Coupons payable in cash or by way of the issue of Eligible Securities in accordance with Condition 5(h)) are, in addition to the right of the Issuer to defer payment of interest in accordance with Condition 5(f), conditional upon the Issuer being solvent at the time of payment by the Issuer (or at the time of the issue of such Eligible Securities), and no amount shall be due and payable in respect of or arising under the Notes and the relative Coupons and the Trust Deed (including Coupons payable in cash or by way of the issue of Eligible Securities in accordance with Condition 5(h)) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 3(a)(i), the Issuer shall be considered to be solvent if (x) to the extent that any determination of solvency falls to be made prior to the commencement of winding-up or administration of the Issuer, it is able to pay its debts owed to Senior Creditors and to holders of Priority Preference Shares as they fall due and (y) its

Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors or holders of Priority Preference Shares). A certificate as to the solvency of the Issuer signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer (one of which shall be a Director or the Company Secretary) or, if the Issuer is in winding-up or administration in England and Wales, its liquidator or, as the case may be, its administrator shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof.

(ii) Amounts payable on winding-up

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (A) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders and (B) do not provide that the Notes shall thereby become redeemable or repayable) or an administrator of the Issuer is appointed and the administrator has given notice that it intends to declare and distribute a dividend, there shall be payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer, but subject as provided in this Condition 3) such amount, if any, as would have been payable to the holder of such Note if, on the day immediately prior to the commencement of the winding-up or, as appropriate, notice, and thereafter, such holder were the holder of shares in the capital of the Issuer as follows:

- (i) for each £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit hereon) otherwise payable in respect of any Interest Payment, Deferred Interest Payment (which includes any Deferred Interest Payment which has not been settled in accordance with the AISM as a result of the Ordinary Shares Threshold, PIK Securities Threshold or Preferred Parity Securities Threshold, insufficiency or otherwise) or other amount payable in respect of, or arising from, each Note (including any damages awarded for breach of any obligations) in respect of which the conditions specified in Condition 3(a)(i) are not satisfied on the date on which the same would otherwise be due and payable or which otherwise have not been satisfied, apart from principal: one preference share of £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified hereon) each in the capital of the Issuer ranking equally with the Notional Preference Shares;
- (ii) subject to (iii) below, for each £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified hereon) otherwise payable in respect of the principal amount of each Note: such number of Ordinary Shares of the Issuer then in issue whose nominal value aggregates to £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified hereon) ranking equally with the issued Ordinary Shares; and
- (iii) if and to the extent that the principal amount of each Note exceeds the amount of Deferred Interest Payments attributable to such Note (the “excess amount”), for each £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified hereon) of excess amount otherwise payable in respect of, or arising from, such Note: one preference share of £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified hereon) each in the capital of the Issuer ranking equally with the Notional Preference Shares.

#### 4. Set-off, etc.

Subject to applicable law, no Noteholder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection



with the Notes or Coupons and each Noteholder or Couponholder shall, by virtue of being the holder of any Note or related Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

Notwithstanding the preceding sentence, if any of the amounts owing to any Noteholder or Couponholder by the Issuer under or in connection with the Notes or the relative Coupons is discharged by set-off, such Noteholder or Couponholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or, as appropriate, administrator of the Issuer (as the case may be), and accordingly any such discharge shall be deemed not to have taken place.

## 5. Interest

Payments of interest in respect of the Notes are subject to the right of the Issuer to defer payment in accordance with Condition 5(f) and Condition 3(a).

### (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

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

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

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

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

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number



of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

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

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

“Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

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

(b) *Interest on Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes*

(i) Interest Payment Dates

Each Floating Rate Note, Index Linked Interest Note, Credit Linked Interest Note and Equity Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from and including the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date

should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), then, if the Business Day Convention specified is:

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

“Business Day” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 (the “TARGET System”) is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(a) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (a), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, published by the

International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “ISDA Definitions”) and under which:

- (i) the Floating Rate Option is as specified in the applicable Final Terms;
- (ii) the Designated Maturity is a period specified in the applicable Final Terms; and
- (iii) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

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

(b) *Screen Rate Determination for Floating Rate Notes*

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

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance

with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, Credit Linked Interest Notes and Equity Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or Index Linked Interest Note, Credit Linked Interest Note or Equity Linked Interest Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

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

- (i) if “Actual/Actual” or “Actual/Actual(ISDA)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(v) Notification of Rate of Interest and Interest Amounts

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

(vi) Determination or Calculation by Trustee

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



(vii) *Certificates to be final*

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

(c) *Interest on Dual Currency Interest Notes*

In the case of Dual Currency Interest Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes, interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of interest*

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 date for its redemption (or, as the case may be, substitution or variation pursuant to Condition 7(c)) unless, upon due presentation thereof, payment and performance of all amounts and obligations due in respect of the Notes is not properly and duly made or is not made by reason of Condition 3. In such event, interest will continue to accrue as provided in the Trust Deed.

(f) *Deferral of interest*(i) *Option A Tier 1 Notes*

In the case of Option A Tier 1 Notes:

- (a) on any Interest Payment Date with respect to which either (i) no Capital Disqualification Event has occurred and is continuing or (ii) the Issuer is in breach of its Applicable Regulatory Capital Requirements, there shall be paid (subject to Condition 3(a)(i)) the interest accrued in the Interest Period ending on (but excluding) such date, but the Issuer may elect not to make such payment in which event any such non-payment shall not constitute a default by the Issuer for any purpose; and
- (b) on any Interest Payment Date with respect to which (i) a Capital Disqualification Event has occurred and is continuing and (ii) the Issuer is in compliance with its Applicable Regulatory Capital Requirements, the Issuer shall (subject to Condition 3(a)(i)) be obliged to pay the interest accrued in the Interest Period ending on (but excluding) such date.

If in the circumstances set out in (a) above the Issuer wishes to elect not to pay interest on an Interest Payment Date, it shall give not less than 20 Business Days' notice (which notice shall be irrevocable) prior to the relevant Interest Payment Date of such election to the Trustee and the Noteholders (in accordance with Condition 14) stating the amount of such payment otherwise due and the grounds on which such deferral has been made.

## (ii) Option B Tier 1 Notes

In the case of Option B Tier 1 Notes, on any Interest Payment Date there shall be paid (subject to Condition 3(a)(i)) the interest accrued in respect of the Interest Period ending on (but excluding) such date, but the Issuer may elect not to make such payment in which event any such non-payment shall not constitute a default by the Issuer for any purpose. If the Issuer wishes to elect not to pay interest on an Interest Payment Date, it shall give not less than 20 Business Days' notice (which notice shall be irrevocable) prior to the relevant Interest Payment Date of such election to the Trustee and the Noteholders (in accordance with Condition 14).

## (iii) Deferred Interest Payments

Any interest not paid on an Interest Payment Date pursuant to this Condition 5(f) or as a result of Condition 3(a)(i) together with any other interest not paid on any other Interest Payment Date as aforesaid shall, so long as the same remains unsatisfied, constitute "Deferred Interest Payments".

The Issuer shall (except where Condition 3(a)(ii) applies) satisfy any such Deferred Interest Payment only by operation of the procedures set out in Condition 5(h). Subject to Condition 5(h)(viii), the Issuer (x) may satisfy such Deferred Interest Payment at any time by giving not less than 14 days' notice to Noteholders and the Trustee and (y) shall satisfy such Deferred Interest Payment upon the first of the following to occur: (i) redemption of the Notes in accordance with Condition 7(d); (ii) redemption, substitution or variation of the Notes in accordance with Condition 7(b) or (c); or (iii) substitution of the Notes by Substituted Preference Shares pursuant to Condition 7(j) (the date on which any such redemption, substitution or variation referred to in (i) to (iii) above occurs being the "Termination Date").

Deferred Interest Payments shall not (except in the circumstances provided in Condition 5(h)(vi)) themselves bear interest.

(g) *Restrictions following Deferral of Interest*

If, on any Interest Payment Date, interest in respect of any Notes shall not have been paid in full as a result of the exercise by the Issuer of its discretion pursuant to Condition 5(f), the Issuer shall not (i) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, any class of its share capital other than a dividend (other than a dividend which is, or is expressed to be, an extraordinary or special dividend) which has been declared by the Issuer on the Ordinary Shares prior to the date on which the decision to defer the relevant interest payment is notified to the Noteholders (in accordance with Condition 14) or pay interest on any other junior ranking perpetual securities (excluding in any such case any perpetual securities the terms of which do not enable the Issuer to defer, pass on or eliminate or continue to defer, pass on or eliminate such dividend, distribution, payment or interest); or (ii) redeem, purchase, cancel, reduce or otherwise acquire any of its Ordinary Shares or any junior or *pari passu* ranking perpetual securities, in each case unless or until (i) the Interest Payments due and payable on all Interest Payment Dates falling in any 12 month calendar period after such Interest Payment Date on all outstanding Notes have been paid in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Noteholders and in a manner satisfactory to the Trustee) or, if earlier, (ii) the date upon which the Issuer has satisfied in full all Deferred Interest Payments.

(h) *Alternative Interest Satisfaction Mechanism*

## (i) Alternative Interest Satisfaction Mechanism (AISM)

Each AISM Payment, when due to be satisfied in accordance with these Conditions, will (except as provided in Condition 5(h)(viii)) be satisfied by the Issuer in full only through the issue of Eligible Securities of one or more classes to the Trustee or its agent and/or, in the case of Eligible Securities in the form of PIK Securities, by the issue of PIK Securities to Noteholders with a Market Value at least equal to the relevant AISM Payment in each case in

accordance with this Condition 5(h). The Issuer shall notify the Trustee, the Principal Paying Agent and the AISM Calculation Agent not less than 16 Business Days prior to the relevant AISM Payment Date that an AISM Payment is to be satisfied on such AISM Payment Date and whether any PIK Securities are intended to be issued directly to Noteholders. All other payments due must, subject to Conditions 3(a)(i) and 5(h), be satisfied in accordance with Condition 6.

Any relevant Deferred Interest Payment will only be made by operation of the AISM to the extent that the number of such Payment Eligible Securities (as defined below) of each class does not exceed, in the case of Ordinary Shares, the Ordinary Shares Threshold, in the case of PIK Securities, the PIK Securities Threshold and, in the case of Preferred Parity Securities, the Preferred Parity Securities Threshold and in each case only to the extent that the proceeds raised from the issuance or sale of Payment Eligible Securities is received by the Issuer no more than six months before the relevant AISM Payment Date. The Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) confirming compliance by it with the provisions of this paragraph.

(ii) Issue of PIK Securities

If any AISM Payment is to be made through the issue of PIK Securities to Noteholders as required by the provisions of this Condition 5(h) then, in lieu of a payment of cash and subject to Condition 5(h)(v) and (vi), the Issuer may (subject to the PIK Securities Threshold not being breached) issue PIK Securities in a number and with terms as determined by the AISM Calculation Agent in accordance with this Condition 5(h)(ii). The AISM Calculation Agent shall allocate to each Noteholder that number of PIK Securities which is necessary to cover that Noteholder's claim in respect of the relevant AISM Payment to be satisfied as aforesaid. The record date for the determination of the number of PIK Securities to be allocated to each Noteholder shall be the relevant AISM Payment Date. For this purpose, the value of each PIK Security is to be determined by its Market Value. If the allocation of PIK Securities to a Noteholder leads to any relevant AISM Payment on the AISM Payment Date being left unsatisfied, then the Noteholder will be entitled to receipt of further PIK Securities with a Market Value equal to such unsatisfied payment, and this process shall be repeated until the relevant AISM Payment shall have been satisfied in full. The Noteholder may collect its PIK Security allocation by presentation and annotation of its Note at the office of the Issuing and Paying Agent or, if at the relevant time, the Notes are held through the facilities of a clearing system, the relevant PIK Securities will be delivered to the account of the relevant Noteholder with that clearing system.

The "Market Value" of the PIK Securities shall be determined by the AISM Calculation Agent as follows:

- (A) it shall (four Business Days prior to the record date) request three international investment banks of repute which are active in the international fixed income markets to provide (by the second Business Day prior to the record date) a bid price for a representative amount of PIK Securities;
- (B) if two or three bid prices are received, it shall calculate the arithmetic mean of the bid prices, which shall be the Market Value for the PIK Securities;
- (C) if one bid price is received, that bid price shall be the Market Value for the PIK Securities; and
- (D) if no bid prices are received, the market price for the PIK Securities shall be the price determined by the AISM Calculation Agent in its discretion acting reasonably.

## (iii) Issue of Eligible Securities

If any AISM Payment is to be satisfied through the issue of Eligible Securities to the Trustee or its agent as required by the provisions of this Condition 5(h) then, subject to Conditions 5(h)(v) and (vi):

- (aa) by close of business on or before the seventh Business Day prior to the relevant AISM Payment Date, the Issuer will issue to the Trustee (or, if so agreed between the Issuer and the Trustee, to an agent of the Trustee) such number of Eligible Securities (the “Payment Eligible Securities”) as, in the determination of the AISM Calculation Agent, will have a market value as near as practicable to, but not less than, the relevant AISM Payment to be satisfied in accordance with this Condition 5(h) together with any duties or costs that are payable by the Trustee or its agent in connection with the issue and sale of the Payment Eligible Securities pursuant to this Condition 5(h) (“Associated Costs”). The Trustee shall hold such Payment Eligible Securities and such proceeds of the sale of the Payment Eligible Securities, in each case: (i) as have a value equal to the applicable AISM Payment as certified by the AISM Calculation Agent, on trust for the Noteholders; and (ii) as have a value equal to any Associated Costs as certified by the AISM Calculation Agent, on trust for itself or its agent. The remainder (if any) of the Payment Eligible Securities or the proceeds of the sale of the Payment Eligible Securities shall, in each case, be held on trust for the Issuer by the Trustee. Following the sale of the Payment Eligible Securities in accordance with this Condition 5(h) and the discharge of any Associated Costs and satisfaction of the relevant AISM Payment as provided below, the Trustee or its agent shall pay the remainder (if any) of the proceeds of the sale of the Payment Eligible Securities as certified by the AISM Calculation Agent to the Issuer; and
- (bb) the Trustee has agreed to use reasonable endeavours to effect the transfer or instruct its agent to effect the transfer of such Payment Eligible Securities to or to the order of the AISM Calculation Agent (subject to any necessary consents being obtained) as soon as practicable and in any case not later than by close of business on the sixth Business Day prior to the relevant AISM Payment Date and the AISM Calculation Agent has agreed in the AISM Calculation Agency Agreement to use reasonable endeavours to procure purchasers for such Payment Eligible Securities. The AISM Calculation Agent has further agreed in the AISM Calculation Agency Agreement to deliver such proceeds of such sale to, or hold such proceeds of such sale to the order of, the Trustee, who shall pay or procure that its agent pays such proceeds as it holds in respect of the relevant AISM Payment on its due date to the Principal Paying Agent for application in accordance with Condition 5(h)(iv).

The Trustee shall not be liable to anyone for any loss occasioned by the transfer or sale of the Payment Eligible Securities, in each case by or on behalf of the Trustee, or any delay or failure in effecting such transfer or sale of the Payment Eligible Securities under these Conditions or be responsible for the performance or otherwise by the AISM Calculation Agent of its obligations hereunder.

If the proceeds of the sale of the Payment Eligible Securities will not, in the opinion of the AISM Calculation Agent, subject to 5(h)(v) and (vi) but despite the arrangements contained in (bb) above, result in a sum at least equal to the relevant AISM Payment being available to make the necessary AISM Payment in full on its due date, the Issuer, the Trustee and the AISM Calculation Agent have agreed to take such steps as are reasonably necessary to ensure, so far as practicable, that through issuing additional Eligible Securities (also “Payment Eligible Securities”) and following, *mutatis mutandis*, the procedures contained in (aa) and (bb) above, a sum as near as practicable to, and at least equal to, the relevant AISM Payment and any Associated Costs will be available to make the relevant AISM Payment in full on its due date and any Associated Costs. If, despite the operation of the above provisions, a shortfall exists on the Business Day preceding the intended AISM Payment Date, the Issuer shall, for a period

of five years from such date, use all reasonable endeavours to settle any AISM Payment in accordance with this Condition 5, and subject to having the relevant corporate authorisations in place, continue to issue and allot the relevant number of Payment Eligible Securities until the Trustee shall have received funds on behalf of the Issuer equal to the full amount of such shortfall. The foregoing is subject to the proviso that if a shortfall exists on the Business Day preceding the intended Termination Date, no part of the AISM Payment shall be due until such time as the Issuer is able to pay a sum at least equal to the AISM Payment in full in accordance with the procedures set out in this Condition 5 on the Termination Date.

(iv) Issue Satisfies Payment

Where the Issuer is required to make an AISM Payment hereunder by issuing Payment Eligible Securities to the Trustee or to Noteholders in the case of PIK Securities and issues such Payment Eligible Securities, such issue shall satisfy the relevant AISM Payment or, as the case may be, in the circumstances referred to in Condition 5(h)(v) below, the relevant part of such AISM Payment, if made in accordance with this Condition 5(h). The proceeds of sale of Payment Eligible Securities which are issued to the Trustee or its agent shall be paid by the Principal Paying Agent to the Noteholders in respect of the relevant AISM Payment.

(v) Insufficiency

The Issuer shall not be entitled to exercise its option pursuant to any of Conditions 7(b), 7(c), 7(d) or 7(j) to redeem, substitute or vary any of the Notes until such time as the Issuer has available for, and the Directors have the corresponding authority to issue a sufficient number of Eligible Securities of one or more classes as is required to be issued in accordance with this Condition 5(h) for the purposes of satisfying in full in accordance with this Condition 5(h) any AISM Payment required to be satisfied in connection with any such redemption, substitution or variation of the Notes.

(vi) Market Disruption

Notwithstanding the provisions of Conditions 5(h) and (iii), if there exists, in the opinion of the Issuer, a Market Disruption Event on or after the 15th Business Day preceding any AISM Payment Date, then the Issuer may give a notice to the Trustee, the Principal Paying Agent, the AISM Calculation Agent and (in accordance with Condition 14) the Noteholders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant AISM Payment may be deferred until such time as the Market Disruption Event no longer exists.

Any such deferred AISM Payment will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such deferred AISM Payment unless, as a consequence of the existence of a Market Disruption Event, the Issuer does not make the relevant AISM Payment for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred AISM Payment from (and including) the date on which the relevant AISM Payment was due to be made to (but excluding) the date on which such AISM Payment is made. Any such interest shall accrue at a rate determined in accordance with Condition 5 and shall be satisfied only in accordance with this Condition 5(h), as soon as reasonably practicable after the relevant deferred AISM Payment is made. No liability shall attach to the Trustee or its agents if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or its agent, the Trustee or its agent is unable to comply with the provisions of Condition 5(h)(iii).

(vii) Listing

The Issuer shall ensure (to the extent possible) that, at the time when any Ordinary Shares are issued pursuant to this Condition 5(h), such Ordinary Shares are admitted to the Official List of the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000 and are admitted to trading on the London Stock Exchange's EEA Regulated Market (or,



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if the London Stock Exchange is not a Recognised Stock Exchange at that time, such other stock exchange as is a Recognised Stock Exchange at that time).

(viii) Suspension

If, following any take-over offer made under the City Code on Take-overs and Mergers or any reorganisation, restructuring or scheme of arrangement 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 Noteholders in accordance with Condition 14, the Trustee, the Principal Paying Agent and the AISM Calculation Agent, whereupon the operation of the AISM using Ordinary Shares shall be suspended (such event being a "Suspension"). In such event, unless a Permitted Restructuring Arrangement shall be put in 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 of international repute appointed by the Issuer (at the Issuer's expense) and approved by the Trustee (such approval not to be unreasonably withheld) shall determine, subject to the requirements that (i) the Issuer shall not be obliged to reduce its net assets; (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the Notes for insurance regulatory capital and solvency purposes unless the Issuer has given prior written notice to the FSA within the period required by the FSA and receiving no objection from the FSA (so long as such notice is required to be given); and (iii) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on it without its consent, what amendments (if any) to these Conditions, the Trust Deed and any other relevant documents are appropriate (if any) to these Conditions, the Trust Deed and any other relevant documents are appropriate in order to (aa) preserve substantially the economic effect, for the Noteholders, of a holding of the Notes prior to the Suspension and (bb) to replicate the AISM in the context of the capital structure of the new Ultimate Owner. Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank, the Trustee and the Issuer shall, pursuant to the terms of the Trust Deed and without any requirement for the consent or the approval of the Noteholders or Couponholders, effect any necessary consequential changes to these Conditions and the Trust Deed any other relevant documents, whereupon the Issuer's right to satisfy an AISM Payment using Ordinary Shares by the method contemplated in Condition 5(h) shall no longer be subject to the Suspension.

If, after using all reasonable endeavours, such investment bank is unable to formulate such amendments, it shall so notify the Issuer, the previous Ultimate Owner (if not the Issuer), the new Ultimate Owner, the Trustee, the Principal Paying Agent and the AISM Calculation Agent and the Notes may (subject in each case to the Issuer giving prior written notice to the FSA within the period required by the FSA and receiving no objection from the FSA (in any event, provided that such notice is required to be given)) and with the prior agreement of the new Ultimate Owner) at the option of the Issuer either be substituted for, or varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or shall be redeemed, in each case as described below.

If the Notes are substituted for, or varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, the Issuer shall give not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the AISM Calculation Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable) and all (but not some only) of the Notes will be substituted for, or the terms varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph and subject to the receipt by it of the certificate of the Directors referred to in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities and subject further to the receipt by it of the notification of the relevant investment bank referred to above) agree to such substitution or variation. In connection therewith, all Deferred Interest Payments (if any) will either (at the



option of the Issuer) (x) be carried over such that the rights thereto are preserved for the purposes of the Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or (y) be satisfied (unless otherwise agreed by the Issuer and the Trustee) by the issue of Eligible Securities to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue its ordinary shares (or capital of an equivalent class) so as to enable it to pay the amount of such Deferred Interest Payments in accordance, *mutatis mutandis*, with Condition 5(h)(iii), (iv), (v) and (vi) (with references to the Payment Eligible Securities being construed as references to such ordinary shares or equivalent capital of the new Ultimate Owner which, when sold, provide a net cash amount of not less than the amount of such Deferred Interest Payments so payable by the Issuer). The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, or the FSA does not consent to such substitution or variation, or it is otherwise not practicable for the Notes to be substituted or varied as described above, the Issuer may, subject as provided above, elect to redeem the Notes as provided in this Condition 5(h)(viii). In connection with any substitution or variation in accordance with this Condition 5(h)(viii), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading, and (for so long as the Notes are admitted to the Official List of the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange's EEA Regulated Market and the rules of such exchange require) shall publish a supplement in connection therewith.

If the Notes are to be redeemed by the Issuer, the Issuer shall give notice thereof to the Trustee, the Principal Paying Agent, the AISM Calculation Agent, and in accordance with Condition 14, the Noteholders (which notice shall be irrevocable and which shall expire as soon as practicable after confirmation of no objection from the FSA) and all (but not some only) of the Notes will be redeemed at the Suspension Redemption Price specified hereon, together in each case with any Outstanding Payments, not later than the 60th Business Day following the giving of such notice by the Issuer to the Noteholders. Such redemption will, unless otherwise agreed by the Issuer and the Trustee, be effected by the issue of Ordinary Shares to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue its ordinary shares (or capital of an equivalent class) so as to enable it to pay such redemption amount in accordance, *mutatis mutandis*, with Conditions 5(h)(iii), (iv), (v) and (vi) (with references to the Payment Ordinary Shares being construed as references to such ordinary shares or equivalent capital of the new Ultimate Owner which, when sold, provide a net cash amount of not less than the redemption amount so payable by the Issuer).

(ix) Authorisations

The Issuer shall, subject to compliance with the requirements of the Companies Act, use all reasonable endeavours to obtain and maintain at all times all corporate authorisations and take other corporate actions required for the issue and allotment of such number of Eligible Securities as it reasonably considers would be prudent and would be required to be issued in order to enable the Issuer to make a payment satisfying the aggregate amount of Deferred Interest Payments (if any) and the aggregate of Interest Payments due on the Interest Payment Date(s) falling in the succeeding 12 month calendar period, provided that such reasonable endeavours shall be satisfied where the relevant corporate authorisation required is the passing of a resolution of the shareholders of the Issuer if the board of directors of the Issuer proposes the relevant resolution to its shareholders for approval at any general meeting and, if such proposal is rejected, the relevant resolution is proposed again at the next general meeting.

No damages will be payable for breach of this covenant but, in the event of breach by the Issuer of this Condition 5(h)(ix), the Trustee may only require the Issuer to put before the next general meeting of the holders of the Issuer a resolution to remedy the breach.

The Trustee shall not be obliged to monitor compliance by the Issuer with this Condition and shall be entitled to assume, unless it has actual knowledge to the contrary, that the Issuer is complying with its obligations under this Condition.

*The Trustee is a company incorporated under English law and is acting in its capacity as Trustee on behalf of the Noteholders. It does not hold itself out as engaging in the business of buying or selling investments (including Eligible Securities) and will accept such Eligible Securities only in its capacity as Trustee for the Noteholders. For the avoidance of doubt, the Trustee is not remunerated separately for accepting any investments on behalf of the Noteholders in addition to any remuneration it receives as trustee.*

For the avoidance of doubt, any Eligible Security which the Issuer is required to keep available for issue other than in connection with the Notes shall be discounted in determining whether the Issuer is complying with its obligations under this Condition 5(h)(ix).

## 6. Payments

### (a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

Any reference in these Terms and Conditions to payment of any sums in respect of the Notes (including, in respect of Credit Linked, Equity Linked and other structured Notes, Physically-Settled Notes (as defined in Condition 7(i)) shall be deemed to include, as applicable, delivery of any relevant Reference Asset (as defined in Condition 7(i)) if so provided in the applicable Final Terms and a supplemental trust deed and references to paid and payable shall be construed accordingly.

### (b) *Presentation of Definitive Bearer Notes and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used in this Condition 6, 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)).

No payments of principal, interest or other amounts due in respect of a definitive Bearer Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes, Credit Linked Notes, Equity Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note, Credit Linked Notes, Equity Linked Notes or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

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

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by a Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Bearer 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 Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer 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.

No payments of principal, interest or other amounts due in respect of a Bearer Global Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

(d) *Payments in respect of Registered Notes*

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be (i) in respect of Registered Notes in definitive form, made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date or (ii) in respect of Notes represented by a Registered Global Note, made to, or to the order of, the person whose name is entered on the Register at the close

of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January (such due date or Clearing System Business Day, as the case may be, being the “Record Date”). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the nominal amount of the Notes held by a holder is less than US\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “Designated Account” means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “Designated Bank” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

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

None of the Issuer, the Trustee and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg 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 Global Note.

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

- (i) 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 Bearer Notes in the manner provided above when due;

- (ii) 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
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) *Payment Day*

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

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

Save that, for the purpose of any payments made in respect of a Global Note, Conditions 6(f)(i)(a) and 6(f)(i)(b) shall be disregarded for the purpose of the definition of "Payment Day".

(g) *Interpretation of principal and interest*

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

- (i) 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 thereof or pursuant to the Trust Deed;
- (ii) the Optional Redemption Amount(s) (if any) of the Notes;
- (iii) the nominal amount of the Notes;
- (iv) the Other Tax Event Redemption Price of the Notes;
- (v) the Regulatory Redemption Event Price of the Notes; and
- (vi) 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 Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking given in addition thereto or in substitution thereof or pursuant to the Trust Deed.



## 7. Redemption and Purchase

### (a) *No final maturity*

Unless previously redeemed or purchased and cancelled as specified below the Notes have no final maturity date and are only redeemable in accordance with the following provisions of this Condition 7 or Condition 10 or in the circumstances provided in Condition 5(h)(viii).

### (b) *Redemption, Substitution or Variation for tax reasons*

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

- (i) (x) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided in Condition 8 as a result of any Tax Law Change; and
  - (y) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) as a result of a Tax Law Change, in respect of the Issuer's obligation to make payment in respect of interest on the next Interest Payment Date, (x) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced, or (y) the Issuer would not to any material extent be entitled to have such deduction set against the profits of the companies with which it is grouped for applicable United Kingdom tax purposes (under the applicable relief or similar system in operation at the relevant time) or (z) the Issuer would otherwise suffer adverse tax consequences and, in each case, such consequences cannot be avoided by the Issuer taking reasonable measures available to it; or
- (iii) other than as a result of a Tax Law Change, in respect of the Issuer's obligation to make payment in respect of interest on the next Interest Payment Date, (w) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom or such entitlement is materially reduced or (x) the Issuer would not to any material extent be entitled to have such deduction set against the profits of the companies with which it is grouped for applicable United Kingdom tax purposes (under the applicable relief or similar system in operation at the relevant time) and in either case the above cannot be avoided by the Issuer taking reasonable measures available to it, (y) the Issuer would otherwise suffer adverse tax consequences, or (z) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts pursuant to Condition 8, and in each case such consequences cannot be avoided by the Issuer taking reasonable measures available to it, then the Issuer may (subject (i) to giving prior notice to the FSA within the period required by the FSA (so long as such notice is required to be given) and no notice of objection having been given by or in the case of any redemption of the Notes or any substitution of the Notes for, or variation of the terms of the Notes so that they become, Qualifying Upper Tier 2 Securities, prior to the Specified Date, a waiver (for so long as such waiver is required) being received from, the FSA, (ii) to the Issuer (both at the time of, and immediately following, the redemption, substitution, variation or purchase) being in compliance with the capital resources requirements applicable to it from time to time (and a certificate signed by any two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) confirming such compliance shall be conclusive evidence as such compliance) and (iii) as provided in this Condition 7(b)), having given not less than 30 nor more than 60 days notice to the Trustee, the Principal Paying Agent and the AISM Calculation Agent and, in accordance with Condition 14, the Noteholders (which Notice shall be irrevocable):
  - (I) redeem all but not some only of the Notes then outstanding at any time (if the Notes are not Floating Rate Notes, Index Linked Notes, Credit Linked Interest Notes or Equity Linked Interest Notes) or on any Interest Payment Date (if the Notes are Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity-Linked



Interest Notes); provided that no such notice of redemption shall be given earlier than 90 days prior to (in the case of paragraph (b)(i) above) the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due or (in the case of paragraph (b)(ii) or (iii) above) the next Interest Payment Date.

or

- (II) substitute (without any requirement for the consent or approval of the Noteholders or Couponholders) at any time all but not some only of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Tier 1 Securities or (in the case only where the substitution or variation occurs on or after the Specified Date or as a result of an Other Tax Event) Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this Condition 7(b)(II) and subject to the receipt by it of the certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) referred to below and in the definition of Qualifying Tier 1 Securities or Qualifying Tier 2 Securities, as the case may be) agree to such substitution or variation. In connection therewith, all Deferred Interest Payments (if any) will be satisfied by the operation of Condition 5(f)(iii). The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, as the case may be provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) stating that the Issuer is entitled to effect such substitution, variation or redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and, where applicable, that the relevant obligation, the relevant event or, as the case may be, the relevant consequences as described above, cannot be avoided by the Issuer taking reasonable measures available to it.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

The Issuer may redeem the Notes or substitute the Notes for, or vary the terms of the Notes so that they become, Qualifying Upper Tier 2 Securities pursuant to this Condition 7(b) prior to the Specified Date only as a result of a Tax Law Change.

In connection with any substitution or variation in accordance with this Condition 7(b), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

Notes redeemed pursuant to this Condition 7(b) will, unless otherwise specified in the applicable Final Terms, be redeemed, in the case of a Par Tax Event, at their nominal amount and, in the case of an Other Tax Event, at their Other Tax Event Redemption Price specified in the applicable Final Terms, together, in each case, with interest accrued to but excluding the date of redemption and all Deferred Interest Payments (all such amount so payable being payable in cash, save for any Deferred Interest Payments which shall be satisfied only by the operation of Condition 5(h)).

(c) *Redemption, Substitution or Variation on a Regulatory Redemption Event*

If “Regulatory Redemption Event” is specified in the applicable Final Terms, and immediately prior to the giving of the notice referred to below a Regulatory Redemption Event has occurred and is continuing, the Issuer may (subject (i) to giving notice to the FSA within the period required by the FSA (so long as such notice is required to be given) and no notice of objection being given by, or in the case of any redemption of the Notes or any substitution of the Notes for, or variation of the terms of the Notes so that they become, Qualifying Upper Tier 2 Securities, prior to the Specified Date, a waiver (for so long as such waiver is required) being received from, the FSA, (ii) to the Issuer (both at the time of, and immediately following, the redemption, substitution, variation or purchase) being in compliance with the capital resources requirements applicable to it from time to time (and a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) confirming such compliance shall be conclusive evidence as such compliance) and (iii) as provided in this Condition 7(c)), having given:

- (i) not less than 15 nor more than 30 days notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the Notice referred to in (i), notice to the Trustee and the Principal Paying Agent and the AISM Calculation Agent and, in the case of a redemption, substitution or variation of Registered Notes, the Registrar

(which notice shall be irrevocable and shall specify the date fixed for redemption, substitution or variation):

- (I) redeem all but not some only of the Notes then outstanding at any time (if the Notes are not Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes) or on any Interest Payment Date (if the Notes are Floating Rate Notes, Index Linked Interest Notes, Credit Linked Interest Notes or Equity Linked Interest Notes), at the Regulatory Redemption Event Price specified in the applicable Final Terms, together with interest accrued to but excluding the date of redemption and all Deferred Interest Payments (all such amounts so being payable being payable in cash, save for any Deferred Interest Payments which shall be satisfied only by the operation of Condition 5(h); or
- (II) substitute (without any requirement for the consent or approval of the Noteholders or Couponholders) at any time all but not some only of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Tier 1 Securities or (in the case only where the substitution or variation occurs on or after the Specified Date or as a result of a Change Regulatory Redemption Event) Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this Condition 7(c)(II) and subject to the receipt by it of the certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) referred to below and in the definition of Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, as the case may be) agree to such substitution or variation. In connection therewith, all Deferred Interest Payments (if any) will be satisfied by the operation of Condition 5(f)(iii). The Trustee shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, as the case may be provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation if the terms of the securities into which the Notes are to be substituted or are to be varied impose, in the Trustee’s opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 7(c) the Issuer shall deliver to the Trustee a certificate signed by two Authorised

Signatories of the Issuer (one of which shall be a Director or the Company Secretary) stating that a Regulatory Redemption Event has occurred and is continuing as at the date of the certificate, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence and continuation of a Regulatory Redemption Event in which event it shall be conclusive and binding on the Noteholders and the Couponholders. Upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

The Issuer may not redeem the Notes or substitute the Notes for, or vary the terms of the Notes so that they become, Qualifying Upper Tier 2 Securities pursuant to this Condition 7(c) prior to the Specified Date unless the relevant Regulatory Redemption Event arises as a result of any change in law or regulation or applicable Regulatory Capital Requirements, or in the interpretation thereof, applicable to the Notes (a “Change Regulatory Redemption Event”).

In connection with any substitution or variation in accordance with this Condition 7(c), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(d) *Redemption at the option of the Issuer (Issuer Call)*

If “Issuer Call” is specified in the applicable Final Terms, the Issuer may (subject to giving prior notice to the FSA within the period required by the FSA (so long as such notice is required to be given) and no notice of objection being given by the FSA and subject to Condition 3(a)(i)), having given:

- (i) not less than 15 nor more than 30 days’ notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee, the Principal Paying Agent and the AISM Calculation Agent and, in the case of a redemption of Registered Notes, the Registrar

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date and all Deferred Interest Payments (all such amounts so payable being payable in cash save for any Deferred Interest Payments which shall be satisfied only by the operation of Condition 5(h)). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (d) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

Unless otherwise specified in the applicable Final Terms, the Optional Redemption Amount in respect of Fixed Rate Notes denominated in Sterling shall be the higher of the following:

- (i) the nominal amount of the Notes to be redeemed; and
- (ii) that price per Note (the “Redemption Price”), expressed as a percentage (rounded to three decimal places, 0.0005 being rounded down), at which the Gross Redemption Yield on the Notes, if they were to be purchased at such price on the third dealing day prior to the date of publication of the notice of redemption, would be equal to the Gross Redemption Yield on such dealing day of the Reference Stock (or, if such stock is no longer in issue, of such other United Kingdom government stock as the Trustee, with the advice of three leading brokers operating in the gilt-edged market and/or gilt-edged market makers or such other three persons operating in the gilt-edged market as the Trustee may approve, shall determine to be appropriate (the “Alternative Reference Stock”)) on the basis of the middle market price of the Reference Stock or the Alternative Reference Stock, as the case may be, prevailing at 11.00 a.m. on such dealing day as determined by Citibank, N.A. (or such other person as the Trustee may approve).

References in the Trust Deed and in these Terms and Conditions to principal shall, unless the context otherwise requires, be deemed to include a reference to the Redemption Price.

The “Gross Redemption Yield” on the Notes and on the Reference Stock or the Alternative Reference Stock, as the case may be, will be expressed as a percentage and will be calculated on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields” page 4, Section One: Price/Yield Formulae “Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998 and updated on 15 January 2002 and as further updated or amended from time to time) or on such other basis as the Trustee may approve.

(e) *Conditions to Redemption, Substitution, Variation and Purchase*

In addition, any redemption, substitution, variation or purchase of the Notes is conditional on the terms of Condition 5(h)(v) being satisfied prior thereto and all Deferred Interest Payments (if any) and (in the case of Condition 7(j) only) Accrued Interest Payments (if any) being satisfied in full by the operation of Condition 5(h) and the Trust Deed on or prior to the date thereof.

(f) *Partly Paid Notes*

Partly Paid Notes will be redeemed in accordance with the provisions of this Condition and the applicable Final Terms.

(g) *Purchases*

The Issuer or any of its Subsidiaries or Subsidiary Undertakings (as defined in the Trust Deed) may (subject to giving prior notice to the FSA within the period required by the FSA (so long as such notice is required to be given) and no notice of objection being given by the FSA and Condition 3(a)(i)), at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

(h) *Cancellation*

All Notes which are redeemed 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 and any Notes purchased and cancelled pursuant to paragraph (g) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

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(i) *Credit Linked, Equity Linked or other structured Notes*

The Issuer may, as indicated in the applicable Final Terms and provided in a supplemental trust deed, be entitled to redeem Notes which are Credit Linked, Equity Linked or other structured Notes, including where the amount of principal and/or interest in respect of such Notes is based on the price, value, performance or some other factor relating to an asset or other property (“Reference Asset”), by physical delivery of all or part of the Reference Asset or of some other asset or property (“Physically-Settled Notes”).

(j) *Substitution for Substituted Preference Shares*

- (i) At any time a Substitution Event has occurred and is continuing, the Issuer may (subject to the provisions of this Condition 7(j)) give not less than 30 nor more than 60 days’ notice thereof and of its intention to effect a Preference Share Substitution (“Substitution Notice”) to the Noteholders in accordance with Condition 14, the Trustee, the Principal Paying Agent and the AISM Calculation Agent (which notice shall be irrevocable), and shall on the expiry of such notice (the “Substitution Date”) cause the substitution in accordance with this Condition of all (but not some only) of the Notes for fully paid non-cumulative preference shares issued directly by the Issuer (the “Substituted Preference Shares”) (such substitution being referred to herein as a “Preference Share Substitution”). The Issuer may only effect a Preference Share Substitution if prior to the delivery of the relevant Substitution Notice, it has created (and is maintaining) a sufficient number of authorised (but unissued) Substituted Preference Shares to effect the Preference Share Substitution in accordance with this Condition 7(j) and has obtained (and is maintaining) the corporate authorisations necessary to effect the substitution of the Notes for the Substituted Preference Shares (including, but not limited to, the necessary resolutions of the Issuer to authorise the Directors to issue and allot the Substituted Preference Shares). The terms of the Substituted Preference Shares shall provide that (x) the Substituted Preference Shares may only be redeemed on the Substitution Preference Shares Early Redemption Date specified in the Final Terms or any dividend payment date thereafter (save for redemption, substitution or variation on terms analogous with the terms of Condition 7(b) and (c) and subject to the same conditions as those set out in Condition 7(e); (y) that the Issuer has the right to choose whether or not to pay any dividend; and (z) that any dividend payable shall be non-cumulative (and accordingly there shall be no provision analogous to the AISM incorporated in the terms of the Substituted Preference Shares), and otherwise shall in all material commercial respects provide the holders thereof with at least the same economic rights and benefits (including those relating to non-cumulative (except as aforesaid) distributions and ranking) as are attached to the Notes and the Coupons taken together (save that it will be specified hereon whether or not the terms of any Substituted Preference Shares will contain a step-up in the dividend rate) (such terms to be as reasonably determined by the Issuer, and in connection therewith a certificate signed by two Directors of the Issuer to the effect that the terms of the substituted Preference Shares comply with the foregoing shall be delivered to the Trustee prior to the Issuer being able to effect such Preference Shares Substitution).
- (ii) In connection with any Preference Shares Substitution in accordance with this Condition 7(j), all Deferred Interest Payments and Accrued Interest Payments (if any) will be satisfied on the Substitution Date by the operation of Condition 5(h).
- (iii) The Issuer shall enclose with the Substitution Notice a substitution confirmation (the “Substitution Confirmation”) which each Noteholder will be required to complete, and which shall require each Noteholder to provide to the Issuer such information as the Issuer may reasonably require to be able to effect a Preference Share Substitution in accordance with this Condition 7(j). The form of such Substitution confirmation shall also be made available at the offices of each Paying Agent. To receive Substituted Preference Shares in respect of its holding of Notes, each Noteholder must deliver to a Paying Agent a duly completed Substitution confirmation together with all relevant Notes held by it. Any such Preference Share Substitution shall be effected subject in each case to any applicable fiscal laws or other laws or



regulations. Certificates (if any) for Substituted Preference Share issued on a Preference Share Substitution will be despatched by or on behalf of the Issuer by mail free of charge (but uninsured and at the risk of the person entitled thereto) within one month of the later of the Substitution Date and receipt of a duly completed Substitution Confirmation. Noteholders will continue to be entitled to receive payments in respect of the Notes until the Substitution Date (provided that the Substituted Preference Shares are available for issue as aforesaid from the Substitution Date and the Issuer makes the payment referred to in this Condition 7(j)) and thereafter Noteholders will have no further rights, title or interest in or to their Notes except to have them substituted in the manner described in this Condition 7(j). Each Substituted Preference Share allotted will rank for any dividend from the Substitution Date and will, without prejudice to Condition 7(j)(ii), have no entitlement to any Accrued Interest Payment or any other payment on the Notes.

- (iv) The Issuer will pay any stamp duty reserve taxes or capital duties or stamp duties or similar taxes payable in the United Kingdom arising on the allotment and issue of the Substituted Preference Shares. The Issuer will not be obliged to pay, and each Noteholder delivering Notes and a duly completed Substitution confirmation to a Paying Agent must pay, any other taxes, stamp duty reserve taxes and capital, stamp, issue and registration duties arising on the relevant Preference Share Substitution. The Issuer will not be obliged to pay, and each Noteholder must pay, all, if any, taxes arising by reference to any disposal or deemed disposal of a Note in connection with such Preference Shares substitution. If it would have an adverse effect on the stamp duty, stamp duty reserve tax or other documentary or registration tax or duty position of the Noteholders or the Couponholders (or of any purchaser of the Substituted Preference Shares in respect of the purchase from the person to whom the Substituted Preference Shares are originally allotted) for the Substituted Preference Shares not to be deposited on issue with a common depository on behalf of Euroclear or Clearstream, Luxembourg, the Issuer shall use all reasonable endeavours to procure that the Substituted Preference Shares are so deposited and that no election is made in respect of the Substituted Preference Shares in accordance with section 97A of the Finance Act 1986.
- (v) Prior to the publication of a Substitution Notice, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that a Substitution Event has occurred and is continuing as at the date of the certificate, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence and continuation of such Substitution Event in which event it shall be conclusive and binding on the Noteholders.
- (vi) Following delivery by the Issuer of a Substitution Notice, the Issuer shall use all reasonable endeavours to obtain and maintain a listing of the Substituted Preference Shares on a Recognised Stock Exchange.
- (vii) In connection with any Preference Share Substitution in accordance with this Condition 7(j), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading, and (for so long as the Notes are listed on the London Stock Exchange and the rules of such exchange require) shall publish a supplement in connection therewith.
- (viii) The provisions of this Condition 7(j) (except for Condition 7(j)(ii) as regards satisfaction of Accrued Interest Payments (if any)) will apply *mutatis mutandis* to Conditions 7(b) and 7(c) in the event that the Qualifying Tier 1 Securities for which the Notes may be substituted in accordance with either of Conditions 7(b) and 7(c) comprise Substituted Preference Shares.
- (ix) Notwithstanding any other provision of this Condition 7(j), the Issuer shall be entitled to take such steps as it may determine to be necessary or desirable to avoid or mitigate any stamp duty, stamp duty reserve tax or other tax consequences arising in relation to the issue of Substituted Preference Shares, and its obligations under this Condition 7(j) in respect of a Preference Share Substitution shall be satisfied if there shall be issued and delivered to the Noteholders perpetual non-cumulative securities issued by another entity and secured on Substituted Preference



Shares and representing and/or passing through to Noteholders the economic effect of such Substituted Preference Shares and in particular with provisions relating to payments which match those in relation to the Substituted Preference Shares (as to timing and amount, and as to deferral and subordination) and provided that:

- (i) if at the relevant time the Substituted Preference Shares are rated by one or more Rating Agency, each such Rating Agency shall assign the same rating to such perpetual noncumulative securities as it has assigned to the Substituted Preference Shares; or
- (ii) if at the relevant time the Substituted Preference Shares are not rated by any Rating Agency, an independent investment bank of international repute, selected by the Issuer and approved by the Trustee, shall have confirmed to the Issuer that in its opinion, if a rating was to be given to the Substituted Preference Shares at such time by a Rating Agency, such Rating Agency would be likely to assign at least the same rating to such perpetual non-cumulative securities.

In these Conditions “Rating Agency” means Moody’s Investors Service, Inc. (“Moody’s”) or Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies Inc, (“S&P”) or Fitch Ratings Ltd (“Fitch”), or their respective successors.

(k) *Replacement Capital Covenant*

The Issuer may from time to time, in connection with an issue of Notes, enter into a replacement capital covenant for the benefit of one or more series of the Issuer’s debt securities by specifying hereon that a replacement capital covenant is applicable (thereby indicating the Issuer’s intention to enter into a replacement capital covenant in connection with such issue of Notes). A replacement capital covenant will generally provide that the Issuer will not redeem or repurchase any Notes, and will not permit any subsidiary to purchase any Notes, unless and to the extent the aggregate redemption, repurchase or purchase price is equal to or less than the net proceeds (or in certain circumstances a percentage of such net proceeds specified hereon) received by the Issuer or its subsidiaries, during the six months prior to such redemption, repurchase or purchase date (or such other period as may be specified in the terms of the replacement capital covenant and hereon), from one or more new issues of qualifying securities as specified in the terms of the replacement capital covenant, unless the replacement capital covenant is terminated prior to redemption, repurchase or purchase in accordance with its terms. If not terminated sooner, the replacement capital covenant will terminate on the redemption, repurchase or purchase of the Notes. If applicable, the replacement capital covenant will continue to be effective following any substitution or variation of the Notes in accordance with these Conditions.

## 8. Taxation

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such 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 of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such requirement to make such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) to, or to a third party on behalf of, a holder (or beneficial owner) who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (b) to, or to a third party on behalf of, a holder (or beneficial owner) who could lawfully avoid (but has not so avoided) such withholding or deduction by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption or relief to any tax authority in a place where the relevant Note or Coupon is presented for payment; or

- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or
- (d) presented for payment in the United Kingdom; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000; or
- (f) 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; or
- (g) for any combination of the items listed in paragraphs (a) to (f) above.

### **9. Prescription**

The Notes (whether in bearer or registered form) and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

### **10. Non Payment when Due**

*Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings in England and Wales is limited to circumstances where payment has become due. No amount will be due and payable in respect of the Notes and the relative Coupons unless the condition to payment set out in Condition 3(a)(i) is satisfied. Also, in the case of any interest payment, such interest payment will not be due if the Issuer has elected to defer that interest payment pursuant to Condition 5(f).*

- (a) If the Issuer shall fail to make any payment in respect of the Notes for a period of seven days or more after the due date for the same or (in the case of any payment of interest) shall fail to make payment for a period of 14 days or more after the date on which such payment is due, the Trustee may, notwithstanding the provisions of Condition 10(b), institute proceedings for the winding-up of the Issuer in England and Wales and/or prove in any winding-up of the Issuer.
- (b) Without prejudice to Condition 10(a) and subject as provided in Condition 5(h)(ix), 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 relative Coupons (other than for the payment of any amount in respect of or arising under the Notes or the relative Coupons or the Trust Deed, including any damages awarded for breach of any obligations of the Issuer) if the Issuer is in breach of such term or condition and fails to remedy such breach within 14 days after notice of the same has been given to the Issuer 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(b) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer and/or proving in any winding-up of the Issuer in respect of any payment due from the Issuer in respect of or arising under the Notes or the relative Coupons or the Trust Deed (including damages awarded for the breach of any obligations of the Issuer).
- (c) The Trustee shall not be bound to take any of the actions referred to in Condition 10(a) or 10(b) against the Issuer to enforce the terms of the Trust Deed, the Notes or the relative Coupons, or to take any action under these Terms and Conditions or the Trust Deed, unless (i) it shall have been so

directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction.

- (d) No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer in England and Wales or to prove in any winding-up of the Issuer unless the Trustee, having become bound so to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall only have such rights against the Issuer as those which the Trustee is entitled to exercise.
- (e) No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or any Noteholder or Couponholder (i) for the recovery of amounts owing in respect of or arising under the Notes or the relative Coupons or the Trust Deed or (ii) for the breach of any other term or condition binding on the Issuer under the Trust Deed, the Notes or the relative Coupons or in respect of any breach by the Issuer of any of its obligations under or in respect of the Notes or the relative Coupons or the Trust Deed, provided that nothing in this Condition 10 shall affect or prejudice the payment of costs, charges, expenses, liabilities or remuneration of the Trustee or rights and remedies of the Trustee in respect thereof.

In these Terms and Conditions, the failure to make a payment (as described in Condition 10(a)) shall constitute, in respect of the Notes, an “Event of Default” but, for the avoidance of doubt, non-payment of any interest in accordance with the provisions of Condition 5(f) or as a result of Condition 3(a)(i) shall not constitute a failure to make such payment.

## **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 Principal Paying Agent (in the case of Bearer Notes, Coupons or Talons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **12. Agents**

The names of the initial Agents and of the AISM Calculation Agent, and their initial specified offices are set out below.

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

- (a) there will at all times be a Principal Paying Agent, a Registrar and an AISM Calculation Agent;
- (b) so long as the Notes are listed on any stock exchange or have been admitted to listing and/or trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Paying Agent and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) there will at all times be a Paying Agent in a place approved by the Trustee (such approval not to be unreasonably withheld or delayed) in continental Europe, for the avoidance of doubt excluding the UK; and
- (d) there will at all times be a Paying Agent in a Member State of the European Union (other than the United Kingdom in circumstances where a withholding tax is imposed in the United Kingdom) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC.

In addition, the Issuer shall with the prior written approval of the Trustee immediately appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). 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 the Noteholders in accordance with Condition 14.

If the AISM Calculation Agent is unable or unwilling to act as such or if it fails to make a determination of calculation or otherwise fails to perform its duties under these Terms and Conditions or the AISM Calculation Agency Agreement, the Issuer shall appoint, on terms acceptable to the Trustee, an independent investment bank of international repute acceptable to the Trustee to act as such in its place. All calculations and determinations made by the AISM Calculation Agent shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Agents, the Noteholders and the Couponholders.

None of the Issuer, the Trustee or the other Agents shall have any responsibility to any person for any errors or omissions in any calculation, or any sale of Ordinary Shares made pursuant to Condition 5(h) or otherwise, by the AISM Calculation Agent.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances described therein, the Trustee and in acting under the AISM Calculation Agency Agreement the AISM Calculation Agent acts solely on the agent or the Issuer, and none of the Agents or the AISM Calculation Agent assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders.

### **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 Principal 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 the Bearer Notes will be deemed to be validly given if 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* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to listing and/or trading. 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 the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or have been admitted to listing and/or trading by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notices will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. It is expected that such publication will be made in the *Financial Times* in London.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or have been admitted to listing and/or trading by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange

or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and Clearstream, Luxembourg, in such manner as the Principal Paying Agent, the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

#### **15. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer at the request of Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes 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 (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, or the amount payable on redemption 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 Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders. The agreement or approval of the Noteholders shall not be required in the case of any variation of these Terms and Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7(c) in connection with the substitution or variation of the Notes so that they become Qualifying Tier 1 Securities or Qualifying Tier 2 Securities and to which the Trustee has agreed pursuant to the relevant provisions of Condition 7(c).

The Trustee may (subject as provided below) agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification of any of the provisions of these Terms and Conditions, the Notes, the Coupons or the Trust Deed which is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders; or
- (b) any modification of any of the provisions of these Terms and Conditions, the Notes, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

The Trustee may also agree, without the consent of the Noteholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of 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 Noteholders.

No modification to these Terms and Conditions or any other provisions of the Trust Deed appertaining to Notes (other than a modification which is of a formal, minor or technical nature or to correct a manifest error) shall become effective unless the Issuer shall have given at least one month's prior written notice to,



and received no objection from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that there is a requirement to give such notice).

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, or Couponholders (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 and the Trustee shall not be entitled to require, nor shall any Noteholder, or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, or Couponholders except, in the case of the Issuer, to the extent provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

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

#### **16. Substitution**

The Trustee may agree, without the consent of the Noteholders or the Couponholders, to the substitution at any time or times of any Subsidiary of the Issuer in place of the Issuer as principal debtor, subject to the irrevocable and unconditional guarantee of the Issuer.

Any such substitution shall also be subject to the relevant provisions of the Trust Deed, including a provision to the effect that the Trustee shall have received confirmation in writing from any rating agency which, at the request of the Issuer, shall have assigned a credit rating to the Notes that such substitution by itself and the circumstances pertaining to the substitution will not result in a downgrading of the then current credit rating assigned to the Notes by such rating agency.

#### **17. Further Issues**

The Issuer shall be at liberty from time to time, without the consent of the Noteholders or the Couponholders, 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 (a "Further Issue").

#### **18. 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, Coupons or Talons, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

#### **19. Definitions**

"Accrued Interest Payment" means, as at any time, in respect of a Note, the amount of interest accrued thereon in accordance with Condition 5(h)(vi);

"AISM Payment" means any Deferred Interest Payment and/or any Substitution Accrued Amount and/or any accrued Interest Payment pursuant to Condition 5(h);

"AISM Payment Date" means the date on which an AISM Payment is to be satisfied pursuant to these Conditions;

"Alternative Interest Satisfaction Mechanism" or "AISM" means the mechanism described in Condition 5(h);



“Applicable Regulatory Capital Requirements” means any requirements contained in Capital Regulations from time to time applicable to the Issuer or the Group;

“Assets” means the unconsolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events in such manner as the Directors of the Issuer or, if the Issuer is in a winding-up in England and Wales, its liquidator may determine;

“Associated Costs” has the meaning provided in Condition 5(h)(ii);

“Business Day” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London;

a “Capital Disqualification Event” shall be deemed to have occurred if the Option A Tier 1 Notes would cease to be eligible to qualify (save where such non-qualification is only due to any applicable limitation on the amount of such capital) as regulatory capital for the Issuer or the Group on a solo and/or consolidated basis under Applicable Regulatory Capital Requirements;

“Capital Regulations” means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the FSA;

“Change Regulatory Redemption Event” has the meaning provided in Condition 7(c);

“Companies Act” means the Companies Act 2006 (as amended);

“Deferred Interest Payment” has the meaning provided in Condition 5(f)(iii);

“Eligible Company” means a company incorporated a member state of the European Union by or on behalf of the Issuer whose ordinary shares are listed (i) on the official list of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and are admitted to trading on the London Stock Exchange’s EEA Regulated Market or (ii) on such other internationally Recognised Stock Exchange as the Trustee may approve;

“Eligible Securities” means Ordinary Shares, PIK Securities or other Preferred Parity Securities;

“FSA” means the Financial Services Authority or such other governmental authority in the United Kingdom (or, if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary supervisory authority with respect to the Issuer;

“Group” means the Issuer and its Subsidiaries;

“Intent-Based Replacement Disclosure” means, in relation to any non-cumulative perpetual preference share of the type referred to in the definition of Preferred Parity Securities, that the Issuer has publicly stated its intention, in the prospectus or other offering document under which such securities were initially offered for sale, that the Issuer and its subsidiaries will repay, redeem, repurchase or purchase such securities only with the proceeds of replacement capital securities that have terms and provisions at the time of repayment, redemption, repurchase or purchase that are as, or more, equity-like than the securities then being repaid, redeemed, repurchased or purchased, raised within 180 days prior to the delivery of the relevant notice of repayment or redemption or the date of such repurchase or purchase;

“Interest Payment” means, in respect of an Interest Payment Date, the aggregate Interest Amounts for the Interest Period ending on such Interest Payment Date;

“Liabilities” means the unconsolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events in such manner as the Directors of the Issuer or, if the Issuer is in a winding-up in England and Wales, its liquidator may determine;

“Lower Tier 2 Capital” has the meaning given to such term in the Capital Regulations;

“Market Disruption Event” means, with respect to any class of Payment Eligible Securities, (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in

price exceeding limits permitted by the London Stock Exchange or otherwise) or on settlement procedures for transactions in such class of Payment Eligible Securities on the London Stock Exchange if, in any such case, that suspension or limitation is in the determination of the AISM Calculation Agent, material in the context of the sale of such class of Payment Eligible Securities; or (ii) in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the such class of Payment Eligible Securities or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the relevant Payment Eligible Securities, as the case may be;

“New Holding Company” means an Eligible Company that becomes the ultimate holding company of the Group following a Permitted Restructuring;

“Notional Preference Shares” means preference shares in the capital of the Issuer having an equal right to a return of assets in the winding up to, and so ranking *pari passu* with, the holders of (a) the obligations of the Issuer then outstanding under the guarantee given by it in respect of the Perpetual Preferred Securities; and (b) the most senior class or classes of issued preference shares in the capital of the Issuer from time to time which have a preferential right to a return of assets in the winding up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer (other than Priority Preference Shares) and any notional class of shares in the capital of the Issuer by reference to which the claims of any person in a winding up of the Issuer are to be determined (other than any notional class of shares of equal seniority with the Notional Preference Shares) but ranking junior to the claims of any Priority Preference Shares and any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any Upper Tier 2 Capital in a winding up of the Issuer is determined;

“Ordinary Shares” means ordinary shares of the Issuer;

“Ordinary Shares Threshold” means, in connection with any Deferred Interest Payment, the aggregate number of Ordinary Shares issued and/or sold by the Issuer in any rolling 12-month period shall not exceed 2 per cent. of the aggregate number of the Ordinary Shares in issue at the start of such period (including those held in issue and held in treasury);

“Other Parity Securities” means securities issued by the Issuer the substantive terms of which are the same in all material respects as those of the Notes save for the pricing terms thereof (including interest rate, currency, denomination, and payment dates) which are issued pursuant to Condition 5(h) and which comply with the then current requirements of the FSA in relation to Tier 1 Capital all as certified to the Trustee in a certificate signed by two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary);

“Other Tax Event” means an event of the type described in Condition 7(b)(iii);

“Outstanding”, in relation to any Payment, means that such payment (a) has either become due and payable or would have become due and payable except for the non-satisfaction on the relevant date of the conditions referred to in Condition 3(a)(i) or the deferral, postponement or suspension of such payment in accordance with Condition 5; and (b) in any such case has not been satisfied and, in respect of any Accrued Interest Payment, means any amount thereof which has not been satisfied whether or not payment has become due;

“Par Tax Event” means an event of the type described in Condition 7(b)(i) and/or 7(b)(ii);

“Payment” means any Interest Payment, Deferred Interest Payment, Accrued Interest Payment or Interest Amount not falling within the definition of Interest Payment;

“Payment Eligible Securities” has the meaning given to it in Condition 5(h)(iii)(aa);

“Permitted Restructuring” means the completion of (i) an offer made by or on behalf of, an Eligible Company to all (or as nearly as may be practicable all) shareholders of the Issuer (or if the Issuer is not the Ultimate Owner, 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 Ultimate Owner, the then Ultimate Owner) other than those already held by or on behalf of such Eligible Company or (ii) 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 Ultimate Owner, the then Ultimate Owner) other than those already held by such Eligible Company or pursuant to which all (or as nearly as may be practicable all) of the issued ordinary share capital of the Issuer (or, if the Issuer is not then the Ultimate Owner, the then Ultimate Owner) not held by the New Holding Company are cancelled;

“Permitted Restructuring Arrangement” means 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 (i) the alternative interest satisfaction mechanism as described in Condition 5(c), the Trust Deed and the AISM Calculation Agency Agreement operates so that Ordinary Shares may be exchanged for Holding Company Shares in such a manner that ensures that upon sale of such Holding Company Shares the Noteholder of each Note then outstanding will receive, in the event of a payment to be satisfied pursuant to Condition 5(h), an amount not less than that which would have been receivable had such a Permitted Restructuring is substantially preserved; and (b) the Trustee is satisfied that the credit ratings that would be assigned to the Notes by Standard & Poor’s, 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;

“Perpetual Preferred Securities” means the US\$750,000,000 8 per cent. Guaranteed Cumulative Perpetual Preferred Securities issued by Old Mutual Capital Funding L.P.;

“PIK Securities” means further Notes which are issued pursuant to Condition 5(h) and which comply with the then current requirements of the FSA in relation to Tier 1 Capital;

“PIK Securities Threshold” means the principal amount of PIK Securities and Other Parity Securities issued and/or sold by the Issuer on one or more occasions in respect of the satisfaction of Deferred Interest Payments in respect of the Notes should not in aggregate exceed 15 per cent. of the aggregate principal amount of the Notes issued on the Issue Date (as increased by any further Notes (other than PIK Securities) issued pursuant to Condition 17 and consolidated and forming a single series with the outstanding Notes);

“Preference Share Substitution” has the meaning given to it in Condition 7(j);

“Preferred Parity Securities” means (i) PIK Securities; (ii) Other Parity Securities; and (iii) non-cumulative perpetual preference shares which contain terms which comply with the then current requirements of the FSA in relation to Tier 1 Capital of the Issuer (all as certified to the Trustee in a certificate signed by two Authorised Signatories of the Issuer, one of which shall be a Director or the Company Secretary).and either (a) which contain a provision for mandatory deferral of periodic dividends or distributions upon a failure to satisfy one or more financial tests set forth in the terms of the Preferred Parity Securities and in respect of which the Issuer has made Intent-Based Replacement Disclosure or (b) in respect of which the Issuer has entered into a replacement capital covenant for the benefit of one or more designated series of the Issuer’s debt securities;

“Preferred Parity Securities Threshold” means the principal amount of Preferred Parity Securities (including PIK Securities and other Parity Securities) issued and/or sold by the Issuer on one or more occasions in respect of the satisfaction of Deferred Interest Payments in respect of the Notes shall not in aggregate exceed 25 per cent. of the aggregate principal amount of the Notes issued on the Issue Date (as increased by any further Notes (other than PIK Securities) issued pursuant to Condition 17 and consolidated and forming a single series with the outstanding Notes);

“Priority Preference Shares” means any cumulative preference shares in the capital of the Issuer which rank with respect to payments in respect thereof in a winding-up senior to the claims of the holders of the Notes and any other obligations ranking or expressed to rank *pari passu* therewith;

“Qualifying Upper Tier 2 Securities” means securities issued directly or indirectly by the Issuer that:

- (i) have terms not materially less favourable to an investor (as reasonably determined by the Issuer and conclusively evidenced by a certificate to such effect of two Authorised Signatories of the Issuer (one

of which shall be a Director or the Company Secretary) delivered to the Trustee prior to the issue of the relevant securities) than the terms of the Notes provided that (1) they shall contain terms which comply with the then current requirements of the FSA in relation to Upper Tier 2 Capital, (2) they shall provide for the same rate of interest as from time to time applying to the Notes and (3) such securities preserve any existing rights under these Terms and Conditions to any accrued interest (other than Deferred Interest Payments) which has not been paid; and

- (ii) are listed or admitted to trading on the London Stock Exchange's Regulated Market, the Luxembourg Stock Exchange or such other stock exchange as is a Recognised Stock Exchange,

“Qualifying Tier 1 Securities” means securities issued directly or indirectly by the Issuer that:

- (i) have terms not materially less favourable to an investor (as reasonably determined by the Issuer and conclusively evidenced by a certificate to such effect of two Authorised Signatories of the Issuer (one of which shall be a Director or the Company Secretary) delivered to the Trustee prior to the issue of the relevant securities) than the terms of the Notes provided that (1) they shall contain terms which comply with the then current requirements of the FSA in relation to Tier 1 Capital, (2) they shall provide for the same rate of interest as from time to time applying to the Notes and (3) such securities preserve any existing rights under these Terms and Conditions to any accrued interest (other than Deferred Interest Payments) which has not been paid; and
- (ii) are listed or admitted to trading on the London Stock Exchange's Regulated Market, the Luxembourg Stock Exchange or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee.

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

a “Regulatory Redemption Event” is deemed to have occurred:

- (i) if under Applicable Regulatory Capital Requirements the Notes would cease to be eligible to qualify (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as regulatory capital for the Issuer and/or the Group under Applicable Regulatory Capital Requirements; or
- (ii) if, at any time, the Issuer or the Group is required under Applicable Regulatory Capital Requirements 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 or the Group on a solo and/or consolidated basis; or
- (iii) if at any time the Issuer or the group is required under the Applicable Regulatory Capital Requirements to have Tier 1 Capital and the Issuer would be entitled pursuant to Condition 6(1) to substitute the Notes by Substituted Preference Shares, such Substituted Preference Shares 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,

“Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent, as the case may be, 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 Noteholders in accordance with Condition 14;

“Senior Creditors” means (i) creditors of the Issuer who are unsubordinated creditors of the Issuer; (ii) creditors of the Issuer whose claims are in respect of the Issuer's outstanding debt securities which constitute (or which upon issue constituted) or would, but for any applicable limitation on the amount of such capital constitute Tier 2 Capital (and such other securities outstanding from time to time which rank *pari passu* with, or senior to, any of such Tier 2 Capital), but excluding creditors with claims in respect of the Perpetual Preferred Securities; and (iii) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would but for any

applicable limitation on the amount of such capital, constitute (or which upon issue constituted) Tier 1 Capital or whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the holders of the Notes);

“Subsidiary” means any company which is for the time being a subsidiary (within the meaning of section 1159 of the Companies Act 2006 or section 736 of the Companies Act 1985);

“Substituted Preference Shares” has the meaning given to it in Condition 7(j);

“Substitution Accrued Amount” means any Accrued Interest Payment which is to be satisfied on substitution of the Notes for Substituted Preference Shares in accordance with Condition 7(j);

“Substitution Date” has the meaning given to it in Condition 7(j);

“Substitution Event” means the occurrence of a breach by the Issuer or the Group or any member of the Group of the United Kingdom capital adequacy requirements, guidelines or measures or any other regulatory capital requirements, guidelines or measures applicable to the Issuer or the Group or any member of the Group, as the case may be (whether or not such requirements, guidelines or measures have the force of law and whether they are applied generally or specifically to the issuer or the Group or any member of the Group, as the case may be);

“Substitution Note” has the meaning give in Condition 7(j);

“Suspension” has the meaning given to it in Condition 5(h)(viii);

“Tax Event” means an event of the type described in Condition 7(b)(i), (ii) and (iii);

“Tax Jurisdiction” means the United Kingdom (or, if a Subsidiary has been substituted for the Issuer (pursuant to Condition 16), such Subsidiary’s jurisdiction of incorporation) or any political subdivision or authority therein or thereof having the power to tax;

“Tax Law Change” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Tier 1 Capital or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment (x) (subject to (y)) becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes (or, if a Subsidiary has been substituted for the Issuer (pursuant to Condition 16 or otherwise) which is subject to one or more additional Tax Jurisdictions, then, in relation to such additional Tax Jurisdictions only, after the date of such substitution) (the “Tax Law Change Date”), or (y) in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after the Tax Law Change Date;

“Tier 1 Capital” has the meaning given to such term in the Capital Regulations;

“Tier 2 Capital” has the meaning given to such term in the Capital Regulations;

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

“Upper Tier 2 Capital” has the meaning given to such term in the Capital Regulations.

## **20. Governing Law and Submission to Jurisdiction**

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

## **USE OF PROCEEDS**

The net proceeds of each issue of Notes will be used by the Issuer for general corporate purposes, which include making a profit, of the Issuer and its Subsidiaries. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.



## **FINANCIAL INFORMATION RELATING TO THE OLD MUTUAL GROUP**

Consolidated and non-consolidated financial information, together with summaries extracted therefrom, relating to the Issuer can be found in the audited consolidated and non-consolidated annual financial statements of the Issuer for the financial years ended 31 December 2008 and 31 December 2009 (including the audit reports issued in respect thereof) and the unaudited consolidated financial statements for the six months ended 30 June 2010 (including the review report issued in respect thereof) (as set out in pages 33 to 123 inclusive of the News Release dated 6 August 2010) which have previously been published and have been approved by the FSA or filed with it, shall be incorporated in, and form part of, this Prospectus (see “Documents Incorporated by Reference”).

## THE OLD MUTUAL GROUP

The Issuer was incorporated and registered in England and Wales on 26 June 1998 as a private company limited by shares under the Companies Act 1985 with the name Laudum (No. 1) Limited. Its name changed to Old Mutual Group Limited on 3 November 1998 and to Old Mutual Group plc on 6 November 1998 when it was re-registered as a public limited company. It changed to Old Mutual plc on 19 November 1998.

The Issuer is the parent company of Old Mutual which is an international savings and wealth management group focusing on long-term savings with valuable asset management and banking assets. It is headquartered in the United Kingdom and the Issuer is primarily listed on the London Stock Exchange. It also has its shares listed on the Malawi, Namibian and Zimbabwe Stock Exchanges and on the JSE Limited. As at 31 December 2009 it had a market capitalisation of £5.8 billion and as at 3 September 2010 this has increased to £7.5 billion.

Based on the Issuer's published audited consolidated financial statements for the financial year ended 31 December 2009, the Issuer's adjusted operating profit on an IFRS basis (including minority interests) was £1,170 million. As at 31 December 2009, the Group had funds under management of £285 billion, of which over £236 billion were managed outside South Africa. Based on the Issuer's unaudited financial statements as at 30 June 2010, the Issuer's adjusted operating profit on an IFRS basis (including minority interests) for the six months ended 30 June 2010 was £735 million (compared to £513 million (restated) for the six months ended 30 June 2009). As at 30 June 2010, the Group had funds under management of £292 billion (compared to £247 billion for the six months ended 30 June 2009), of which over £241 billion were managed outside South Africa (compared to £206 billion for the six months ended 30 June 2009).

Old Mutual's principal businesses comprise life assurance, asset management, banking and general insurance in North America, Europe and Latin America, southern Africa and Asia.

### **Long-Term Savings (LTS)**

LTS is Old Mutual's long-term savings business. This includes life and non-life investment products, providing help to its customers to improve their financial health or manage their personal finances. LTS has a competitive advantage across its various businesses for the following reasons: Access to customers through a range of different distribution channels, which are founded on well-established relationships; Customer solutions designed to meet customer needs; Scale – the scale of LTS' business allows significant economies, including process and IT efficiencies, which permits delivery of customer service at a lower cost; Delivering returns consistent with customer needs. Customer focus is the hallmark of the LTS business as it builds trust amongst customers and can be related back to their specific needs and risk profiles.

LTS is balanced in terms of its financial characteristics, having a mix of high return, cash-generative businesses (OMSA, Namibia and Columbia), high profit growth business (Wealth Management and Nordic), and high embedded value growth businesses (European Retail, Africa, Asia and Mexico). The overall result of managing these businesses together is to generate a cash return coupled with a profit and embedded value growth over the long-term. As part of the strategy to create more value for customers and shareholders from combining the LTS businesses, Old Mutual exited Australia, Chile, Portugal, Hungary and the Czech Republic. Old Mutual also sold Bankhall in the UK and closed the Asia Pacific regional office and ELAM head office.

### **Emerging Markets**

LTS Emerging Markets provides innovative financial solutions addressing both protection and savings needs in 10 countries with a combined population of over 2.6 billion in Africa, Asia and Latin America. Old Mutual's largest business is in South Africa; however, LTS Emerging Markets also serves other African countries through its operations in Namibia, Zimbabwe, Malawi, Kenya and Swaziland. Under New Markets Old Mutual provides financial services to Latin America through Skandia Columbia and Mexico and in Asia through joint ventures with Old Mutual Kotak Mahindra in India and Skandia: BSAM in China.

In South Africa Old Mutual provides asset management services through Old Mutual Investment Group South Africa (OMIGSA). OMIGSA's investment boutiques collectively span all key asset classes and employ strategies that meet the different needs and risk profiles of their customers. The investment boutiques include: a number of specialist equity businesses; a fixed income capability in Futuregrowth; a number of businesses which blend multiple asset classes to create risk profiled solutions for investors; an index-tracker capability in Dibanisa Fund Managers; a property asset management and property management capability in Old Mutual Investment Group Property Investments (OMIGPI); a multi-manager capability through SYmmETRY, which creates portfolios for institutional investors; a private equity and infrastructure investment capability; and Old Mutual Specialised Finance (OMSFIN), which is active in corporate lending, securities lending and structured products.

LTS Emerging Markets offers life insurance services in South Africa through Old Mutual Life Assurance Company (South Africa) (OMLACSA). OMLACSA has three distinctive business units: Retail Affluent business – provides life, disability, retirement annuities, savings and investment products to individuals earning more than R12,000 per month; Retail Mass business – meets the financial services needs of the mass market, which is defined as all those individuals who earn a monthly personal income of less than R12,000; Corporate segment – provides investment, retirement, insurance, structured products and advisory services to corporate institutional and parastatal customers. Investment products are customised depending on the investor's requirements.

In the rest of Africa most of Old Mutual's life products are distributed by tied agents.

In Zimbabwe short-term insurance is offered through RM Insurance Company and a range of banking services are offered through Central African Building society (CABS).

In Latin America, Old Mutual serves a mix of retail affluent, retail mass and corporate customers with an open-architecture of international and domestic unit trust funds.

In China Skandia BSAM mainly serves the affluent market and in India Old Mutual Kotak Mahindra mainly serves retail mass.

LTS Emerging Markets' current business is designed to maximise assets under management and margin while minimising expenses. Expenses are managed tightly. Customer service, technology and policy administration service for the Retail Affluent, Retail Mass and Corporate business in OMSA and some of the other African businesses are provided by Old Mutual Service Technology and Administration (OMSTA). OMSTA services all Old Mutual's customers, intermediaries and retirement fund members across the full product range through an extensive network of service centres, call centres and internet.

## **Nordic**

Old Mutual's Nordic business operates under the Skandia brand in Sweden, Denmark and Norway. Skandia provides retail and corporate customers with a wide range of products including traditional life, unit linked, healthcare insurance, banking, financial advisory and mutual funds. Operations are organized into four business areas focused on sales to specific customer groups: Private Sweden, Corporate Sweden, Corporate Denmark and Private Norway (banking only).

Traditional life products are offered through Skandia Liv, which is a traditional life assurance company serving customers in Sweden and Denmark. It is a wholly owned subsidiary of Skandia but run on a mutual basis. It operates within a strict local legal framework and the benefits usually associated with share ownership accrue to Skandia Liv's policyholders rather than to the holding company. Consequently, Skandia Liv is not consolidated into the Group's accounts.

Skandiabanken is an online retail bank offering a full banking service and serves customers in Sweden and Norway.

## **Retail Europe**

Retail Europe consists of four local businesses: Skandia Austria, Skandia Germany, Skandia Poland and Skandia Switzerland. They serve the savings and investment needs of similar retail customer segments and operate on related platforms. The core product range covers regular and single-premium unit-linked products, supported by pure investment solutions and disability solutions. The business is seen as one of the leading unit-linked suppliers, with innovative and flexible products and strong investment knowledge. While the focus in the past has not been on guarantees, guarantee features are added when sensible.

## **Wealth Management**

Old Mutual Wealth Management provides advice-driven, predominantly single-premium unit-linked propositions to affluent and high-net worth customers across the UK, continental Europe and a number of international markets:

Skandia UK is a provider of long-term investments including protection, investment bonds and pension products, with solutions for wealth building and wealth management. This is offered through the independent adviser channel. A large portion of the UK business portfolio has been transferred onto Old Mutual's open-architecture platform where its customers have access to a wider choice of products, funds and investment proportions.

In Skandia Wealth Management Continental Europe, the business consists predominantly of unit-linked business in a life assurance wrapper to the targeted affluent segment, mainly in Italy and France. It offers service through multiple distribution channels, with a broad product offering to meet affluent customers' investment needs through the various phases of their lives.

Through Skandia International, Old Mutual's offshore market offering includes a portfolio bond, which enables customers to invest in virtually any tradable assets and a variety of currency denominations. The main markets served are Asia, the UK, South Africa, the Middle East, Europe and South America.

Skandia Investment Group (SIG) brings together all Skandia's investment research, analysis, portfolio management, open-architecture and investment product expertise. SIG works closely with the LTS business units to deliver investment management solutions.

## **US Life**

US Life primarily consists of OM Financial Life Insurance Company and its subsidiary, OM Financial Life Insurance Company of New York. It covers all 50 US states as well as the District of Columbia. The business transformation programme in early 2009 reduced workforce by 50% and consolidated it into one site in Baltimore, Maryland. The products offered by US Life are designed to deliver high profitability while providing customers with transparency and value-driven benefits. US Life's products include Fixed indexed annuities (FIAs), Fixed annuities and Protection products through its fixed indexed universal life (FIUL) products. In 2009 US Life engaged with Goldman Sachs Asset Management (GSAM) as advisers to provide oversight and additional analysis on the structured securities in the US Life investment portfolio. Business was scaled in order to achieve profitable growth. The core products' strategy reduced the annuity portfolio from over 50 products to 23 and the life portfolio from nine products to two. The aim of this streamlined approach was to continue providing agents who distribute the products with sustainable solutions in uncertain times.

On 6 August 2010, Old Mutual announced that it has agreed terms to sell the US Life operations to Harbinger Capital Partners LLC for a consideration of \$350 million (£220 million at a \$1.59:£ exchange rate). Completion is anticipated on or after 31 December 2010 and is subject, *inter alia*, to relevant regulatory approvals. The transaction results in a significant reduction in the Old Mutual Group's exposure to US credit markets, and a corresponding reduction in economic capital at risk.

## **Banking: Nedbank**

Old Mutual's banking business is conducted primarily through Nedbank Group Limited (Nedbank), a JSE-listed company. Nedbank is South Africa's fourth largest banking group measured by assets and it offers a

wide range of banking, bancassurance, asset management and wealth management services through five main divisions: Nedbank Corporate, Nedbank Capital, Nedbank Retail, Nedbank Business Banking (which separated from Nedbank Corporate in January 2009) and Nedbank Wealth. During 2009 the group structure was further simplified through Nedbank's acquisition of Old Mutual's minority stake in Nedbank Wealth joint ventures, and the outstanding 49.9% share in Imperial Bank, which became effective in February 2010 (subject to certain regulatory approvals) and resulted in Nedbank having the second largest share of the vehicle financing market. Nedbank Retail concentrates on ensuring that its processes and systems are streamlined and best suited to customers' needs. Nedbank Business Banking operates in a decentralised way, allowing quicker customer decisions with tailored credit assessment using local knowledge. Nedbank Corporate also focus on initiatives towards improving the level of non-interest revenue. Nedbank Capital focuses on high quality larger stocks in equity trading activities and it continues to grow its annuity based income. Nedbank Bancassurance & Wealth delivered various new products in 2009, primarily simple savings and risk products, enabling customers to reduce risks associated with the current economic cycle.

On 23 August 2010 Old Mutual announced that it has received a proposal from HSBC Holdings plc (HSBC) to acquire a controlling shareholding in Nedbank Group Limited. The proposed transaction, if and when it proceeds, would be implemented by way of a partial offer to all Nedbank Group shareholders to acquire up to 70% of the Nedbank Group shares. The making of a binding offer by HSBC is subject to a number of pre-conditions. In order to satisfy these pre-conditions, a period of exclusivity has been granted by Old Mutual Group to HSBC. Any acceptance by Old Mutual of any offer that may be made would be subject, *inter alia*, to approval by Old Mutual's shareholders. There can be no certainty that the proposal which Old Mutual has received from HSBC will lead to a transaction.

#### **Short-Term insurance: Mutual & Federal**

Wholly-owned Mutual & Federal (M & F) is a short-term, general insurer in southern Africa, with offices in South Africa, Namibia and Botswana. It provides a full range of insurance products to commercial and domestic customers, principally in four major portfolios: Commercial, Personal, Risk Finance and Credit. M & F has strong relationships with intermediaries, which range from small and medium-sized operations to large national corporate brokers who provide specialised services and manage large portfolios. Management of the investment portfolio is subcontracted to Old Mutual Investment Group South Africa.

#### **US Asset Management**

US Asset management is based in Boston and consists of 18 distinct boutique investment firms, managing assets across all major investment strategies for institutional customers, high-net worth individuals and retail investors around the world. Collectively US Asset management offers over 140 distinct investment strategies. Most of the boutiques have profit-sharing arrangements in which they earn a percentage of operating profit. Most also have long-term equity plans. This ensures that each boutique's interests are closely aligned with Old Mutual's shareholders and customers.

Old Mutual is preparing for a partial IPO of the US Asset management business by the end of 2012.

#### **Bermuda**

Bermuda was closed to new business in March 2009. Bermuda maintains high levels of customer service, delivers operational efficiencies and tightly manages risk. In 2009 management implemented a soft-close strategy to restrict fund choices and continued to improve hedge effectiveness by reducing basis fund mismatches. Further changes were made during the half year to 30 June 2010, adjusting hedge protection across a number of core components. The business has been transformed with a significantly improved understanding of liabilities and associated management information systems developed, with robust financial metrics. As Bermuda is in run-off, it is treated as a non-core entity.

#### **Directors of Old Mutual plc**

At the date of this Prospectus, the Directors of Old Mutual plc, their functions and their outside activities (if any) are as follows:

<i>Name</i>	<i>Function within Old Mutual plc</i>	<i>Outside Activities</i>
Patrick O'Sullivan	Non-executive Chairman and Chairman of the Nomination Committee	COO Retail, Asia and Latin America, of COFRA Group in Switzerland and a non-executive director of Man Group plc and Bank of Ireland.
Julian Victor Frow Roberts	Group Chief Executive	Non-executive Director of Nedbank Group Limited, Nedbank Limited, Old Mutual Life Holdings (South Africa) Limited and Old Mutual Life Assurance Company (South Africa) Limited. Director of OM Group (UK) Limited and Skandia UK Limited.
Philip Arthur John Broadley	Group Finance Director	Director of Old Mutual (US) Holdings Inc., OM Group (UK) Limited, Old Mutual Business Services Limited and Eastbourne College (Incorporated). A member of the Code Committee of the Takeover Panel.
Nigel Derek Tracy Andrews	Non-executive Director	Non-executive Chairman of Old Mutual (US) Holdings, Inc. He is a non-executive director of Chemtura Corporation, Trustee of the Victory Funds and a governor of the London Business School.
Michael Arnold	Non-executive Director and Chairman of the Board Risk Committee	Non-executive director of Marine and General Mutual Life Assurance Society, Financial Information Technology Limited and the Scottish Equitable Policyholders Trust.
Rudi Bogni	Non-executive Director and Chairman of the Remuneration Committee	Chairman of Medinvest International SCA, Luxembourg. Member of the boards of the LGT Group Foundation, Common Purpose CT, Steadfast Advisory Services Limited, Prospect Publishing Limited, The Governing Council of the Centre for the Study of Financial Innovation, The International Council for Capital Formation and The Advisory Board of Oxford Analytica.
Russell Philip Edey	Non-executive Director	Deputy Chairman of N.M. Rothschild Corporate Finance Limited, Director of Rothschild Australia Limited, N.M. Rothschild China Holdings AG, N.M. Rothschild & Sons (South Africa) (Pty) Limited, Rothschilds Continuation Limited, Shield Trust Limited, Shield MBCA Limited and Southern Arrows Limited (Pty). Non-executive Director and Chairman elect of Avocet Mining Plc. A Supervisory Board Member of Conseil de Surveillance of Paris-Orléans SA.



<i>Name</i>	<i>Function within Old Mutual plc</i>	<i>Outside Activities</i>
Reuel Jethro Khoza	Non-executive Director	Chairman of Nedbank Limited, Nedbank Group Limited, the NEPAD Business Foundation, Corobrick (Pty) Limited, Murray & Roberts Cementation (Pty) Limited and Aka Capital, which is 25 per cent. owned by Old Mutual (South Africa) and is the single largest participant in Nedbank's Corporate Client Scheme established as part of its BEE ownership arrangements. He is also a director of AKA Capital Holdings (Pty) Limited, AKA Liquid Fuels, AKA Packaging, Nampak Limited, Protea Hospitality Holdings, RDI Devco One (Pty) Limited, Hoyohoyo Hotels and Resorts, Wheatfields Investments No. 230 (Pty) Limited, Tshwarisano LFB Investment, Sasol Oil Limited, Main Street 57 (Pty) Limited and ERA Stene (Pty) Limited. Currently Fellow and President of the Institute of Directors in South Africa and a member of the Presidential Economic Advisory Panel.
Roger Michael James Marshall	Non-executive Director and Chairman of the Group Audit Committee	Member of the Financial Reporting Council's Public Oversight Board.
Bongani Nqwababa	Non-executive Director	Chief Financial Officer of Anglo Platinum Limited and Chairman of the South Africa Revenue Services (Receiver of Revenue) Audit Committee.
Lars Henrik Otterbeck	Non-executive Director	Chairman of Skandia Insurance Company Limited, Hakon Invest AB, The Free Enterprise Foundation and N�ringseivets B�rskommitt� (Industry and Commerce Stock Exchange Committee). Vice Chairman of the Swedish Corporate Governance Board and a Director of Skandia Liv.

The business address of the Directors is 5th Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG.

The Issuer believes there is an existing or potential conflict of interest between any duties owed by Mr Khoza to the Issuer and Mr Khoza's private interests and other duties, due to (i) his being Chairman of Nedbank Group Limited and (ii) through AKA Capital which is a significant banking client of Nedbank Group Limited and which has investments in Nedbank's BEE transaction. Apart from Mr. Khoza's position as Chairman of Nedbank Group Limited and his indirect interests, as described above, in its share capital, there are no existing or potential conflicts of interest between any duties to the Issuer of the Directors and their private interests and other duties.

## TAXATION

*The comments below, which are of a general nature and are based on the Issuer's understanding of current United Kingdom law and HM Revenue and Customs practice, describe only the United Kingdom withholding tax and certain limited income tax implications of acquiring, holding or disposing of Notes and do not address the consequences following any substitution under the terms of the Notes. The comments are not intended to be exhaustive. The comments relate only to persons who are the beneficial owners of Notes. Certain aspects do not apply to certain classes of person (such as Dealers) to whom special rules may apply. Prospective purchasers of Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers.*

Interest payable on Notes which are listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 may be paid without withholding or deduction for or on account of United Kingdom income tax provided that the Notes remain so listed. The London Stock Exchange is such a recognised exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange.

Persons in the United Kingdom who pay interest to or receive interest on behalf of an individual or who either pay amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 to, or receive such amounts for the benefit of, an individual may be required to provide certain information to HM Revenue and Customs regarding the identity of the payee or person entitled to the payment (including the name and address of the beneficial owner of such payment) and, in certain circumstances, such information may be provided to tax authorities in other countries. However, HM Revenue and Customs published practice indicates that HM Revenue and Customs will not exercise its power to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid or received on or before 5 April 2011.

If the Notes are not or cease to be listed on a recognised stock exchange, interest will generally be paid by the Issuer under deduction of United Kingdom income tax at the basic rate, which is 20 per cent., subject to the availability of other reliefs or any direction to the contrary from HM Revenue and Customs in respect of any relief that may be available pursuant to the provisions of any applicable double taxation treaty.

Interest on Notes having a maturity of less than one year may also be paid without deduction for or on account of United Kingdom income tax provided that the relevant Notes are not issued as part of an arrangement to obtain funding from the same person or persons for a longer period.

If the Notes are issued at a discount or redeemable at a premium, no United Kingdom withholding tax should apply to any premium or discount unless any element of the premium or discount were to be treated for tax purposes as yearly interest, in which case payments thereof would be subject to United Kingdom withholding tax as outlined above.

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

The interest, premium and any discount on Notes has a United Kingdom source and accordingly may be chargeable to United Kingdom income tax by direct assessment. However, neither the interest, premium nor any discount is chargeable to United Kingdom income tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a

trade, profession or vocation in the United Kingdom through a branch, agency or a permanent establishment in the United Kingdom in connection with which the interest, premium or discount is received or to which those Notes are attributable. There are certain exemptions for interest, premiums and discounts received by certain specified categories of agent (such as some brokers and investment managers). Noteholders should note that the provisions relating to additional amounts referred to in “Terms and Conditions of the Notes – Taxation” above would not apply if HM Revenue and Customs sought to assess directly the person entitled to the relevant interest, premium or discount to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

Directive 2003/48/EC provides for the tax authorities of the Member States to provide each other with details of payments of interest and similar income made by a person to an individual or to certain other persons in another Member State but permits Austria and Luxembourg instead to impose a withholding tax on the payments concerned for a “transitional period”, the ending of such “transitional period” being dependant upon the conclusion of certain other agreements relating to information exchange with certain other countries (although it also provides that no such withholding tax should be levied where the beneficial owner of the payment authorises an exchange of information and/or where the beneficial owner presents a certificate from the tax authority of the Member State in which the beneficial owner is resident). A number of non-EU countries and dependant territories have adopted similar measures to the Directive. The Directive does not preclude Member States from levying other types of withholding tax.

## SUBSCRIPTION AND SALE

The Dealers have in a programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the “Programme Agreement”) dated 19 December 2006 agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### **Selling Restrictions**

#### *United States of America*

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

The Notes in bearer form are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, US persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional US selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

#### *Public Offer Selling Restriction Under the Prospectus Directive*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as contemplated by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “Non-exempt Offer”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member

State provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time no fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### *United Kingdom*

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

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

#### *Japan*

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (“Financial Instruments and Exchange Act”) and each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and 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 or for the benefit of any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

#### *France*

Each of the Dealers has represented and agreed that and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) Offer to the public in France: it has only made and will only make an offer of Notes to the public in France (i) in the case of a prospectus in relation to those Notes having been approved by the *Autorité des Marchés financiers* (“AMF”), on or after the date of its publication or, (ii) in the case of a prospectus having been approved by the competent authority of another Member State of the European Economic Area which has implemented the Prospectus Directive, in the period beginning on the date of notification of such approval to the AMF, 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 and ending at the latest on the date which is 12 months after the date of the approval of prospectus; or
- (b) it has only made and will only make an offer of Notes to the public in France and/or it has only required and will only require the admission to trading on Euronext Paris in circumstances which do not require the publication by the offeror of a prospectus pursuant to articles L.411-2 and L.412-1 of the French *Code monétaire et financier*; and
- (c) Private placement in France: it has not offered or sold and will not offer or sell, directly or indirectly, any 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 relevant 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 (a) providers of investment services relating to portfolio management for the account of third parties and/or (b) 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*.

#### *General*

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree 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 this 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 neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents 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 such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.



## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 25 November 1999, 7 March 2000 and 5 July 2000 and by resolutions of the Executive Committee (now known as the Approvals Committee) of the Board of Directors of the Issuer dated 11 July 2000.

This update of the Programme has been duly authorised by resolutions of the Board of Directors of the Issuer dated 22 January 2010 and by resolutions of the Approvals Committee of the Board of Directors of the Issuer dated 2 September 2010.

### Listing of Notes

Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The admission of Notes to the Official List (in the case of Notes to be listed on the London Stock Exchange) will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. The listing of the Programme is expected to be granted on or around 15 September 2010.

### Documents Available

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection at the registered office of the Issuer and at the specified office of the Paying Agent for the time being in London, during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays):

- (i) the memorandum and articles of association of the Issuer;
- (ii) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2008 and 31 December 2009;
- (iii) the Agency Agreement, the Trust Deed, any AISM Calculation Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (iv) a copy of this Prospectus;
- (v) any future offering circulars, prospectuses, information memoranda and supplements, including any Final Terms (save that the Final Terms relating to Notes which are neither admitted to trading on a regulated market (as defined in the Markets in Financial Instruments Directive (Directive 2004/39/EEC)) in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Prospectus and any other documents incorporated herein or therein by reference; and
- (vi) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream,

Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-855 Luxembourg.

### **Share Capital**

At 31 December 2009, the authorised share capital of the Issuer was £750 million, divided into 7,500,000,000 Ordinary Shares of £0.10 each. Following changes approved at the Annual General Meeting on 13 May 2010 and in line with the UK Companies Act 2006, the Issuer no longer has an authorised share capital, but is able to issue additional shares as and when required, subject to its shareholders having granted authority to allot. Such an allotment authority is currently in force for shares up to a total nominal value of £27,136,000 during the period up to the date of the AGM in 2011. At 31 December 2009, 5,518,252,950 shares were issued and fully paid up. The total number of voting rights in the Issuer's issued share capital at 31 December 2009 (excluding 239,434,888 shares held in treasury) was 5,278,818,062.

Authorities from the shareholders for the Issuer to make market purchases of, and/or to purchase pursuant to contingent purchase contracts relating to each of the overseas exchanges on which the Issuer's shares are listed, up to an aggregate of 527,670,000 of its own shares were in force at 31 December 2009. These authorities were renewed at the Annual General Meeting of the Issuer held on 13 May 2010 and now relate to up to an aggregate of 542,733,000 shares.

In the period 1 January 2010 to the date of this document, 165,251,164 shares have been issued by the Issuer and none have been bought back. At 3 September 2010, 5,683,504,114 shares were issued and fully paid up. The total number of voting rights in the Issuer's issued share capital at 3 September 2010 (excluding 239,434,888 shares held in treasury) was 5,444,069,226.

### **Major Shareholders**

At 30 June 2010, the following substantial interests in voting rights had been declared to the Issuer in accordance with the Disclosure and Transparency Rules: Alliance Bernstein (8.15 per cent), Public Investment Corporation of the Republic of South Africa (5.66 per cent.), Cevian Capital (5.57 per cent), BlackRock Inc. (5.13 per cent.), Sanlam Investment Management (Pty) Limited (3.85 per cent), Legal & General Group Plc (3.76 per cent.) and Old Mutual Life Assurance Company (South Africa) Limited (3.54 per cent.).

### **Material Contracts**

The following are the material contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Issuer and its Subsidiaries which are or may be, material to the Issuer's ability to meet its obligations to Noteholders:

- The Group has a £1,232 million five-year multi-currency revolving Facility, which had an original maturity date of September 2010. On 18 August 2007 syndicate banks agreed to extend the maturity date of the then outstanding £1,250 million (now outstanding £1,232 million) of the facility until September 2012, to be used as a backstop for the Issuer's euro commercial paper programme and/or for the general corporate purposes of the Issuer and its Subsidiaries and/or towards refinancing the Issuer's existing facility.
- Trust deed dated 24 March 2005 between Old Mutual and HSBC Corporate Trustee Company (UK) Limited constituting £350 million Perpetual Preferred Callable Securities.
- Old Mutual Capital Funding L.P. \$750 million 8 per cent. Guaranteed Cumulative Perpetual Preferred Securities guaranteed on a subordinated basis by the Company.

## **Corporate Governance**

The Issuer's Group Audit Committee consists of five independent non-executive directors: R M J Marshall (Chairman), M Arnold, R Bogni, R P Edey and B Nqwababa. The Group Audit Committee's duties include monitoring the integrity of the financial statements, reviewing the Issuer's internal financial controls, monitoring and reviewing the independence and effectiveness of the Issuer's internal audit function and its activities, compliance with the annual audit plan, the audit process and external auditors and reviewing the Group's "whistleblowing" arrangements.

From April 2010, the Issuer has established a separate Board Risk Committee, whose members are M Arnold (Chairman), N D T Andrews, R J Khoza, R M J Marshall, L H Otterbeck and the Group Finance Director, P A J Broadley.

As at the date of this document, the Issuer is in full compliance with the provisions of the UK Code of Corporate Governance issued by the Financial Reporting Council in June 2008.

## **Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2010 and, other than in relation to the announcement on 6 August 2010 regarding the sale of US Life and the announcement on 23 August 2010 regarding the proposal from HSBC to acquire a controlling shareholding in Nedbank Group Limited (as described in further detail in the section "*Old Mutual Group – US Life*" and "*Banking: Nedbank*"), there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2009.

## **Legal and Arbitration Proceedings**

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

## **Auditors**

The auditors of the Issuer are KPMG Audit Plc (the "Auditors"), Chartered Accountants (and members of the Institute of Chartered Accountants in England and Wales), of 8 Salisbury Square, London EC4Y 8BB.

KPMG Audit Plc has audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for each of the financial years ended 31 December 2007, 2008 and 2009. The Auditors of the Issuer have no material interest in the Issuer or the Group.

## **Trustee's reliance on certificates**

The Trust Deed provides that any certificate of any person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of such person in respect thereof.

## **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

## **Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and its affiliates in the ordinary course of business.

**ISSUER**

**Old Mutual plc**  
Registered Office  
5th Floor, Old Mutual Place  
2 Lambeth Hill  
London EC4V 4GG  
Tel: +44 (0)20 7002 7000

**TRUSTEE**

**Citicorp Trustee Company Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**PRINCIPAL PAYING, EXCHANGE AND TRANSFER AGENT**

**Citibank, N.A.**  
21st Floor Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**REGISTRAR**

**Citibank, N.A.**  
21st Floor Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**PAYING AND TRANSFER AGENT**

**Dexia Banque Internationale à Luxembourg société anonyme**  
69 route d'Esch  
L-2953 Luxembourg

**LEGAL ADVISERS**

*To the Issuer as to English law*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ

*To the Dealers and the Trustee as to English law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD

**ARRANGER**

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**AUDITORS**

**KPMG Audit Plc**  
8 Salisbury Square  
London EC4Y 8BB

## DEALERS

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ

**BNP PARIBAS**  
10 Harewood Avenue  
London NW1 6AA

**Commerzbank Aktiengesellschaft**  
Kaiserstrasse 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

**J.P. Morgan Securities Ltd.**  
125 London Wall  
London EC2Y 5AJ

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR