



**AVIVA plc**

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

## **US\$650,000,000 8.25 per cent. Fixed Rate Tier 1 Notes**

### **issued pursuant to the £5,000,000,000 Euro Note Programme**

This document (including all documents which are deemed to be incorporated herein by reference) constitutes a prospectus (the “**Prospectus**”) in respect of the US\$650,000,000 8.25 per cent. Fixed Rate Tier 1 Notes (the “**Tier 1 Notes**”) to be issued by Aviva plc (the “**Issuer**”) for the purposes of Article 5 of Directive 2003/71/EC (the “**Prospectus Directive**”) and the relevant implementing measures in the United Kingdom.

This Prospectus has been approved by the United Kingdom Financial Services Authority (the “**FSA**”), which is the United Kingdom competent authority under the Financial Services and Markets Act 2000 (in such capacity, the “**UK Listing Authority**”) and provides information with regard to the Issuer and its subsidiaries (each a “**Subsidiary**”) and, the Issuer together with its Subsidiaries, the “**Group**”) and the Tier 1 Notes which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Tier 1 Notes.

Applications have been made to the UK Listing Authority for the Tier 1 Notes 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 the Tier 1 Notes to be admitted to trading on the London Stock Exchange’s Regulated Market (the “**Market**”). The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and Council on markets in financial instruments.

The Tier 1 Notes will be issued pursuant to the Issuer’s £5,000,000,000 Euro Note Programme (the “**Programme**”) and will be constituted by a supplemental trust deed dated 2 May 2012 (the “**Supplemental Trust Deed**”) to the trust deed dated 7 November 2011 relating to the Programme (the “**Trust Deed**”).

The Tier 1 Notes will initially be represented by a temporary global note (the “**Temporary Global Note**”), without interest coupons, and will be deposited on or about 3 May 2012 with a common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). The Temporary Global Note will be exchangeable for interests recorded in the records of Euroclear and Clearstream, Luxembourg in a permanent global note (the “**Permanent Global Note**”), without interest coupons, on or after a date which is expected to be 12 June 2012 upon certification as to non-US beneficial ownership. The Permanent Global Note will be exchangeable for definitive Tier 1 Notes in bearer form in the denominations of US\$200,000 and higher integral multiples of US\$1,000 up to and including US\$399,000 not less than 60 days following the request of the Issuer or the holder in the limited circumstances set out in it. See “Summary of Provisions relating to the Notes while in Global Form” in the Base Prospectus (as defined herein) which is incorporated by reference into this Prospectus.

The Tier 1 Notes are expected to be assigned a rating of Baa1 by Moody’s Investors Service Ltd. (“**Moody’s**”) and BBB+ by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”). This Prospectus also contains other credit ratings and financial strength ratings from Moody’s, S&P and A.M. Best Europe Rating Services Limited (“**AM Best**”). Each of Moody’s, S&P and AM Best is established in the European Union and registered under Regulation 1060/2009/EC of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the section headed “**Risk Factors**” on page 11 of this Prospectus for a discussion of factors which may affect the Issuer’s ability to fulfil its obligations in respect of the Tier 1 Notes, factors which are material for the purpose of assessing the rights attaching to the Tier 1 Notes and the market risks associated with the Tier 1 Notes.

The Tier 1 Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) or with any securities regulatory authority of any State or other jurisdiction of the United States and the Tier 1 Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Tier 1 Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder).

*Sole Structuring Advisor*

**HSBC**

*Joint Lead Managers*

**Barclays**

**Citigroup**

**Goldman Sachs  
International**

**HSBC**

**J.P. Morgan  
Cazenove**

*Co-Manager*

**DBS Bank Ltd.**

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

**This Prospectus has been prepared on the basis that the offer of Tier 1 Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Tier 1 Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Tier 1 Notes may only do so in circumstances in which no obligation arises for the Issuer, the Sole Structuring Advisor or any of the Managers (as defined in “Overview of the Tier 1 Notes”) 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, the Sole Structuring Advisor nor any of the Managers have authorised, nor do they authorise, the making of any offer of Tier 1 Notes in circumstances in which an obligation arises for the Issuer, the Sole Structuring Advisor or any of the Managers to publish or supplement a prospectus for such offer. The expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in the Relevant Member State.**

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

**No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Tier 1 Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Sole Structuring Advisor or any of the Managers. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Tier 1 Notes made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof, or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented, or that any other information supplied in connection with the Tier 1 Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.**

**The distribution of this Prospectus and the offering or sale of the Tier 1 Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Sole Structuring Advisor and the Managers to inform themselves about and to observe any such restriction. The Tier 1 Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Tier 1 Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Tier 1 Notes and on distribution of this Prospectus, see the section headed “Subscription and Sale” incorporated by reference herein and as so supplemented by this Prospectus.**

**This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Sole Structuring Advisor or any of the Managers to subscribe for, or purchase, any Tier 1 Notes.**

**To the fullest extent permitted by law, neither the Sole Structuring Advisor nor any of the Managers accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Sole Structuring Advisor or any of the Managers or on its behalf in connection with the Issuer or the issue and offering of the Tier 1 Notes. Each of the Sole Structuring Advisor and each Manager accordingly disclaims all and any liability to any investor whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other information supplied in connection with the Tier 1 Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Sole Structuring Advisor or any of the Managers that any recipient of this Prospectus or any other information supplied in connection with the Tier 1 Notes should purchase the Tier 1 Notes. Each potential purchaser of Tier 1 Notes should determine for itself the relevance of the information contained in this Prospectus or any other information supplied in connection with the Tier 1 Notes and its purchase of Tier 1 Notes should be based upon such investigation as it deems necessary. Neither the Sole Structuring Advisor nor any of the Managers undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Tier 1 Notes of any information coming to the attention of any of the Sole Structuring Advisor or any of the Managers.**

**The Manager(s) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or any person acting on behalf of any Stabilising Manager(s)) in the Final Terms of the Tier 1 Notes may over-allot Tier 1 Notes or effect transactions with a view to supporting the market price of the Tier 1 Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the Final Terms of the Tier 1 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 (as defined in the Final Terms of the Tier 1 Notes) and 60 days after the date of the allotment of the Tier 1 Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

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

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (1) the audited consolidated financial statements of the Issuer for the year ended 31 December 2010 (together with the audit report prepared in connection therewith), which appear on pages 167 to 314 of the Issuer's Annual Report and Accounts for the year ended 31 December 2010;
- (2) the audited consolidated financial statements of the Issuer for the year ended 31 December 2011 (together with the audit report prepared in connection therewith), which appear on pages 166 to 320 of the Issuer's Annual Report and Accounts for the year ended 31 December 2011;
- (3) the following sections of the base prospectus approved by the UK Listing Authority on 7 November 2011 relating to the Issuer's £5,000,000,000 Euro Note Programme (the "**Base Prospectus**"):
  - (a) the section entitled "Factors that may affect the Issuer's and the Guarantor's ability to fulfil their obligations (as appropriate) under the Notes issued under the Programme and the Guarantee" as set out in the "Risk Factors" on pages 14 to 32 thereof;
  - (b) the section headed "Risks related to the market generally" as set out in the "Risk Factors" on page 39 thereof;
  - (c) the section headed "Summary of provisions relating to the Notes while in Global Form" as set out on pages 153 to 157 thereof;
  - (d) the section headed "Description of the Group" as set out on pages 158 to 165 thereof;
  - (e) paragraphs (a) to (h) (inclusive) of the section headed "United Kingdom Taxation" as set out on pages 167 to 168 thereof; and
  - (f) the section headed "Subscription and Sale" as set out on pages 169 to 171 thereof;
- (4) the following sections of the Issuer's Annual Report and Accounts for the year ended 31 December 2011:
  - (a) the section entitled "Market developments and government actions regarding the sovereign debt crisis in Europe, particularly in Greece, Ireland, Italy, Portugal and Spain, could have a material adverse effect on our results of operations, financial condition and liquidity" as set out on page 155 thereof; and
  - (b) the section entitled "We may not be able to protect our intellectual property and may be subject to infringement claims by a third party" as set out on page 161 thereof;
- (5) paragraph 3 headed "Credit Ratings of the Issuer and the Issuer's core operating Subsidiaries" as set out on page 2 of the supplemental prospectus approved by the UK Listing Authority on 11 April 2012 to the Base Prospectus (the "**First Supplemental Prospectus**");
- (6) the announcement made by the Issuer via the RNS on 28 November 2011 entitled "*Appointment of Trevor Matthews to the Board of Aviva plc – Confirmation*" concerning the appointment of Trevor Matthews as an executive director on the board of directors of the Issuer with effect from 2 December 2011; and
- (7) the announcement made by the Issuer via the RNS on 19 April 2012 entitled "*Reshaping Aviva to Simplify and Grow*" concerning the reorganisation and simplification of the Group's organisational structure to facilitate shorter and more direct reporting lines into the Group Executive Committee and announcing the resignation of Igal Mayer from the board of directors of the Issuer with effect from 19 April 2012.

Such documents shall be deemed to be incorporated in, and form part of, this Prospectus, approved by the FSA for the purpose of the Prospectus Directive, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any information contained in a document incorporated by reference in this Prospectus which is not incorporated in, and does not form part of, this Prospectus is not relevant for investors or is contained elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not constitute part of this Prospectus. Items (1) and (2) listed above were prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

Copies of documents deemed to be incorporated by reference in this Prospectus may be obtained from the specified offices of each of the Paying Agents.

## TABLE OF CONTENTS

	<u>Page</u>
OVERVIEW OF THE TIER 1 NOTES .....	7
RISK FACTORS .....	12
TERMS AND CONDITIONS OF THE TIER 1 NOTES .....	18
FINAL TERMS OF THE TIER 1 NOTES .....	48
UNITED KINGDOM TAXATION .....	52
SUBSCRIPTION AND SALE .....	53
GENERAL INFORMATION .....	55

## OVERVIEW OF THE TIER 1 NOTES

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and the Final Terms of the Tier 1 Notes. Words and expressions defined in “Terms and Conditions of the Tier 1 Notes” below shall, as appropriate, have the same meanings in this overview.*

<b>Issuer:</b>	Aviva plc
<b>Tier 1 Notes:</b>	US\$650,000,000 8.25 per cent. Fixed Rate Tier 1 Notes
<b>Sole Structuring Advisor:</b>	HSBC Bank plc
<b>Joint Lead Managers:</b>	Barclays Bank PLC Citibank International Plc Goldman Sachs International HSBC Bank plc J.P. Morgan Securities Ltd.
<b>Co-Manager:</b>	DBS Bank Ltd. (together with the Joint Lead Managers, the “ <b>Managers</b> ”)
<b>Trustee:</b>	The Law Debenture Trust Corporation p.l.c.
<b>Issuing and Paying Agent:</b>	HSBC Bank plc
<b>Method of Issue:</b>	Syndicated basis
<b>Issue Price:</b>	100 per cent.
<b>Form of Tier 1 Notes:</b>	Bearer Notes, represented on issue by a Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.
<b>Clearing Systems:</b>	Euroclear and Clearstream, Luxembourg
<b>Initial Delivery of Tier 1 Notes:</b>	On or before the Issue Date, the Temporary Global Note will be deposited with a common depository for Euroclear and Clearstream, Luxembourg.
<b>Currency:</b>	US Dollars
<b>Specified Denomination:</b>	The Tier 1 Notes will be issued in denominations of US\$200,000 each and integral multiples of US\$1,000 in excess thereof up to (and including) US\$399,000.
<b>Interest:</b>	The Tier 1 Notes will bear interest from (and including) the Issue Date at the rate of 8.25 per cent. per annum, payable semi-annually in arrear on 3 May and 3 November of each year, all as more particularly described in Condition 4 of the “Terms and Conditions of the Tier 1 Notes.”
<b>Interest Deferral:</b>	<p>The Issuer may elect to defer any payment of interest on the Tier 1 Notes which would otherwise be payable on any Interest Payment Date.</p> <p>The Issuer is required to defer any payment of interest on the Tier 1 Notes on each Mandatory Interest Deferral Date, provided that such mandatory deferral shall only apply in the circumstances described in Condition 5(b) of the “Terms and Conditions of the Tier 1 Notes”.</p> <p>A “<b>Mandatory Interest Deferral Date</b>” is each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, and a “<b>Regulatory Deficiency Interest Deferral Event</b>” is any event which under Solvency II and/or under the Relevant Rules (each as defined in Condition 18 of the “Terms and Conditions of the Tier 1 Notes”) requires the Issuer to defer payment of interest in respect of the Tier 1 Notes (on the basis that the Tier 1 Notes could qualify as at least Tier 2 Capital under Solvency II without the</p>

operation of any transitional or grandfathering provisions).

The Issuer shall (except where Condition 3(c) of the “Terms and Conditions of the Tier 1 Notes” applies) satisfy any Deferred Interest Payment which arises as a result of an election by the Issuer to defer any Interest Payment or as a result of the occurrence of a Mandatory Interest Deferral Date or the failure to satisfy the condition to payment set out in Condition 3(b)(i) of the “Terms and Conditions of the Tier 1 Notes” (see “Solvency Condition” below), only by operation of the Alternative Interest Satisfaction Mechanism set out in Condition 5(c) of the “Terms and Conditions of the Tier 1 Notes”. Subject to certain conditions as described in Condition 5(bb) of the “Terms and Conditions of the Tier 1 Notes”, the Issuer (x) may satisfy such Deferred Interest Payments at any time and (y) shall satisfy such Deferred Interest Payments upon the first of the following to occur: (i) redemption of the Tier 1 Notes in accordance with Condition 6(c) of the “Terms and Conditions of the Tier 1 Notes”; (ii) redemption of the Tier 1 Notes in accordance with Condition 6(d) of the “Terms and Conditions of the Tier 1 Notes”; (iii) redemption of the Tier 1 Notes in accordance with Condition 6(e) of the “Terms and Conditions of the Tier 1 Notes”; (iv) substitution of the Tier 1 Notes by Substituted Preference Shares pursuant to Condition 6(i) of the “Terms and Conditions of the Tier 1 Notes”; or (v) mandatory settlement of the Tier 1 Notes in accordance with Condition 6(j) of the “Terms and Conditions of the Tier 1 Notes”. The substitution, variation and mandatory settlement provisions of Conditions 6(c), 6(e), 6(i) and 6(j) of the “Terms and Conditions of the Tier 1 Notes” provide for the satisfaction of any Deferred Interest Payments, as more particularly described in such Conditions.

If, on any Interest Payment Date, payment of all Interest Payments scheduled to be paid on such date is not made in full, the Issuer shall not declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or other payment is made on, any Junior Securities or redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities or any Parity Securities, as more particularly described in Condition 5(bb) of the “Terms and Conditions of the Tier 1 Notes”.

**Optional Redemption:**

The Tier 1 Notes may, subject as provided in Condition 6 of the “Terms and Conditions of the Tier 1 Notes”, be redeemed in whole but not in part at their Optional Redemption Amount together with any Payments which are Outstanding thereon (all such amounts payable in cash, save for any Deferred Interest Payments which will only be satisfied by the operation of the Alternative Interest Satisfaction Mechanism) at the option of the Issuer on 3 November 2017 and on each Interest Payment Date thereafter (each, an “**Optional Redemption Date**”).

The Tier 1 Notes may not be redeemed at the option of the holders.

**Early Redemption, Variation or Substitution for Taxation Reasons or a Capital Disqualification Event:**

Upon the occurrence of a Tax Event or a Capital Disqualification Event, all but not some only of the Tier 1 Notes may, subject as provided in Condition 6 of the “Terms and Conditions of the Tier 1 Notes”, be (i) substituted with, or their terms varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities; or (ii) redeemed in the case of (x) a Tax Event, at the Tax Redemption Price or (y) a Capital Disqualification Event, at the Capital Disqualification Redemption Price, together, in each case, with any Payments which are Outstanding thereon (all such amounts payable in cash, save for any Deferred Interest Payments which will only be satisfied by the operation of the Alternative Interest Satisfaction Mechanism), all as more particularly described in Condition 6 of the “Terms and Conditions of the Tier 1 Notes”.

**Conditions to Redemption, Variation or Substitution:**

Any redemption of the Tier 1 Notes is subject to the proviso that no Regulatory Deficiency Redemption Deferral Event has occurred which is



continuing, or would occur as a result of any such redemption. Any redemption, substitution, variation or purchase of the Tier 1 Notes is subject to the Issuer having complied with regulatory rules on notification to or consent from (in each case, if and to the extent applicable) the FSA and other conditions, as more particularly described in Condition 6(b) of the “Terms and Conditions of the Tier 1 Notes”.

**Status of the Tier 1 Notes:**

The Tier 1 Notes constitute direct, unsecured and subordinated securities of the Issuer and rank, and will rank, *pari passu* without any preference among themselves. The rights and claims of the holders of Tier 1 Notes and related Coupons are subordinated to the claims of all Senior Creditors of the Issuer, as more fully set out under Condition 3 of the “Terms and Conditions of the Tier 1 Notes”.

“**Senior Creditors**” means (i) creditors of the Issuer who are unsubordinated creditors of the Issuer; (ii) 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, Tier 1 Capital or whose claims rank, or are expressed to rank *pari passu* with, or junior to, the claims of Noteholders); (iii) creditors of the Issuer whose claims are in respect of the Issuer’s outstanding debt securities which constitute Tier 2 Capital (and such other securities outstanding from time to time which rank *pari passu* with, or senior to, any such Tier 2 Capital) (other than those whose claims would, but for any applicable limitation on the amount of such capital or disqualification of such outstanding debt securities from Tier 1 Capital due to a change in law or regulation, constitute Tier 1 Capital); and (iv) holders of Priority Preference Shares.

**Solvency Condition:**

Except as provided in Condition 3(c) of the “Terms and Conditions of the Tier 1 Notes”, all payments in respect of the Tier 1 Notes shall be conditional upon the Issuer being solvent as contemplated by Condition 3 of the “Terms and Conditions of the Tier 1 Notes” at the time of payment by the Issuer, and no amount shall be due and payable in respect of the Tier 1 Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter, as more particularly described in Condition 3 of the “Terms and Conditions of the Tier 1 Notes”.

**Preference Share Substitution:**

The Issuer may, at any time, but subject as provided in Condition 6 of the “Terms and Conditions of the Tier 1 Notes”, substitute all (but not some only) of the Tier 1 Notes with Substituted Preference Shares and so that each Noteholder shall be issued and allotted Substituted Preference Shares with an aggregate nominal value equal to the aggregate nominal value of the Notes held by such Noteholder, all as more particularly described in Condition 6(i) of the “Terms and Conditions of the Tier 1 Notes.”

The Substituted Preference Shares will, if so issued, be directly-issued non-cumulative preference shares of the Issuer and have terms that provide that:

- (i) the Substituted Preference Shares shall rank in a winding-up of the Issuer *pari passu* with the Parity Securities;
- (ii) the Substituted Preference Shares shall bear the same rate of dividend thereon as from time to time applies to the Tier 1 Notes and such dividend, if declared, shall be payable on dividend payment dates the same as the Interest Payment Dates;
- (iii) the Issuer has the right (in its absolute discretion) to choose whether or not to pay any dividend and any dividend payable shall be non-cumulative (and accordingly there shall be no provision analogous to the Alternative Interest Satisfaction Mechanism set out in Condition 5(c) of the “Terms and Conditions of the Tier 1 Notes” incorporated in

the terms of the Substituted Preference Shares) and, if the Issuer does not pay a dividend payable thereon, the holders thereof shall have the benefit of provisions analogous to the dividend and capital restrictions described in Condition 5(bb) of the “Terms and Conditions of the Tier 1 Notes”;

- (iv) the Issuer shall only be required not to pay any dividend if an event analogous to a Regulatory Deficiency Interest Deferral Event has occurred and is continuing (or would occur as a result of making such dividend payment) and provided that the application of any such term would not prejudice the qualification of the Substituted Preference Shares as Tier 1 Capital;
- (v) the Issuer shall only be required not to redeem or purchase such Substituted Preference Shares if an event analogous to a Regulatory Redemption Deferral Event has occurred and is continuing (or would occur as a result of making such redemption or purchase);
- (vi) the Substituted Preference Shares may only be redeemed on the Substitution Preference Share Early Redemption Date or any dividend payment date thereafter (save for redemption, substitution or variation on terms analogous with the terms of Condition 6(e) of the “Terms and Conditions of the Tier 1 Notes” and subject to the same conditions as those set out in Condition 6(b) of the “Terms and Conditions of the Tier 1 Notes”);
- (vii) the Issuer shall not be required or entitled to effect, nor shall the Substituted Preference Shares contain any term providing for, any loss absorption through a write-down of the nominal or paid-up amount of such Substituted Preference Shares or conversion of such Substituted Preference Shares into Ordinary Shares;
- (viii) on the winding up of the Issuer, each Substituted Preference Share shall entitle the holder thereof to a return of capital equal to its nominal amount; and
- (ix) otherwise shall provide that the Substituted Preference Shares are not materially less favourable to a holder thereof than the terms of the Tier 1 Notes and the Coupons taken together, as more particularly described in Condition 6(i) of the “Terms and Conditions of the Tier 1 Notes”.

**Mandatory Settlement:**

In respect of any Notes which are outstanding on the Mandatory Settlement Date, the Issuer shall, on the basis set out in Condition 6(j) of the “Terms and Conditions of the Tier 1 Notes”, issue Substituted Preference Shares in satisfaction of all of its obligations under the Notes other than Deferred Interest Payments (if any).

On any mandatory settlement of the Notes by issue of Substituted Preference Shares, the Issuer is obliged to use its best endeavours to satisfy Deferred Interest Payments (if any) in full through the operation of the AISM. If such operation is not sufficient to satisfy any Deferred Interest Payments, the Issuer shall continue to owe that part of the Deferred Interest Payments which remain outstanding and shall use its best endeavours to satisfy such part remaining outstanding through the issue of Ordinary Shares and/or Other Tier 1 Securities as soon as reasonably practicable.

**Withholding Tax:**

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom unless required by law, in which case, subject to the exceptions set out in Condition 8 of the “Terms

and Conditions of the Tier 1 Notes”, such additional amounts will also be paid as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no withholding or deduction been required, as more particularly described in Condition 8 of the “Terms and Conditions of the Tier 1 Notes”.

<b>Governing Law of the Tier 1 Notes:</b>	English
<b>Listing:</b>	Applications have been made to list the Tier 1 Notes on the Official List and to admit them to trading on the Market.
<b>Ratings:</b>	The Tier 1 Notes are expected to be assigned ratings of BBB+ by Standard & Poor’s, and Baa1 by Moody’s. 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.
<b>Selling Restrictions:</b>	<p>United States, EEA, United Kingdom, Hong Kong, Japan, Singapore and Switzerland. See the section of the Base Prospectus headed “Subscription and Sale” incorporated by reference herein as so supplemented by this Prospectus.</p> <p>The Issuer is Category 2 for the purposes of Regulation S under the Securities Act.</p> <p>The Tier 1 Notes will be issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the “<b>D Rules</b>”).</p>
<b>Use of proceeds:</b>	The net proceeds of the issue of the Tier 1 Notes will be used for the general corporate purposes of the Group, and to strengthen further its capital base.
<b>Regulatory treatment of the Tier 1 Notes:</b>	As of the Issue Date, the Tier 1 Notes are intended to qualify (but for any applicable limitation on the amount of such capital) as Tier 1 Capital pursuant to the Relevant Rules applicable to the Issuer. For more information on the expected regulatory treatment of the Tier 1 Notes, see the risk factor entitled “ <i>Redemption, Exchange Risk and Substitution</i> ”.
<b>ISIN Code:</b>	XS0778476340.
<b>Common Code:</b>	077847634.

## RISK FACTORS

*The Issuer believes that the following factors (including those incorporated by reference below) may affect its ability to fulfil its obligations under Notes issued under the Tier 1 Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the rights attaching to the Tier 1 Notes and the market risks associated with Tier 1 Notes are also described, or as referred to, below.*

*The Issuer believes that the factors described below represent the material risks inherent in investing in Tier 1 Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Tier 1 Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Tier 1 Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

The “Risk Factors” section incorporated by reference from pages 14 to 32 and page 39 of the Base Prospectus, as updated by the information incorporated by reference herein from page 155 and page 161 of the Issuer’s Annual Report and Accounts for the year ended 31 December 2011 and paragraph 3 headed “Credit Ratings of the Issuer and the Issuer’s core operating Subsidiaries” of the First Supplemental Prospectus, shall be read together with the following:

### ***Risks relating to the Tier 1 Notes***

*The Issuer’s obligations under the Tier 1 Notes are subordinated*

The rights and claims of the holders of the Notes will be subordinated to the claims of all Senior Creditors (as defined in Condition 18 of the “Terms and Conditions of the Tier 1 Notes”), in that payments in respect thereof will be conditional upon the Issuer being solvent at the time of payment by the Issuer and in that no principal, premium or interest or any other amount shall be due and payable in respect of the Notes, except to the extent that the Issuer could make such payment and still be solvent as contemplated by the “Terms and Conditions of the Tier 1 Notes” immediately thereafter, in each case, except in the winding-up of the Issuer.

If, at any time, an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in the circumstances described in Condition 3(c) of the “Terms and Conditions of the Tier 1 Notes”), or an administrator of the Issuer has been appointed and given notice that it intends to declare and distribute a dividend, there shall be payable by the Issuer in respect of each Tier 1 Note such amount, if any, as would have been payable to the holder of such Tier 1 Note if, on the day prior to the commencement of the winding-up or, as the case may be, the administration and thereafter, such holder were the holder of a Notional Preference Share on the assumption that the amount that such holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up were an amount equal to the principal amount of the relevant Note and any other Payments which are Outstanding thereon, together with, to the extent not otherwise included within the foregoing, its pro rata share of any Solvency Claims attributable to the Note (and, for such purposes, capitalised terms used herein shall have the meanings given to them in Condition 18 of the “Terms and Conditions of the Tier 1 Notes”).

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

### ***Deferral of Interest Payments***

The Issuer may, on any Interest Payment Date, defer any Interest Payment on the Tier 1 Notes. Payment of interest on the Tier 1 Notes will be mandatorily deferred on each Interest Payment Date if any event has occurred which under Solvency II and/or under the Relevant Rules requires the Issuer to defer payment of interest in respect of the Tier 1 Notes in order that the Tier 1 Notes could qualify as at least Tier 2 Capital under Solvency II and/or the Relevant Rules without the operation of any transitional or grandfathering provisions, provided that such mandatory deferral shall only apply in the circumstances described in Condition 5(b) of the “Terms and Conditions of the Tier 1 Notes”.

If the Issuer does defer an Interest Payment (whether as a result of (i) an election by the Issuer to defer any Interest Payment on the relevant Interest Payment Date pursuant to Condition 5(a) of the “Terms and Conditions of the Tier 1 Notes”, (ii) the relevant Interest Payment Date being a Mandatory Interest Deferral Date or (iii) by virtue of failing to satisfy the condition to payment set out in Condition 3(b)(i) of the “Terms and Conditions of the Tier 1 Notes”) and subject to certain conditions, including, if applicable, pursuant to Condition 5(b) of the “Terms and Conditions of the Tier 1 Notes”, subject to the proviso that no Regulatory Deficiency Interest Deferral Event has occurred which is continuing, or would occur as a result of any such payment, such Deferred Interest Payment may be satisfied at any time by the Issuer giving 14 days’ notice to the holders of the Tier 1 Notes and the Issuer shall only be required to satisfy such Deferred Interest Payment upon the first of the following to occur: (i) redemption of the Tier 1 Notes in accordance with Condition 6(c); (ii) redemption of the Tier 1 Notes in accordance with Condition 6(d); (iii) redemption of the Tier 1 Notes in accordance with Condition 6(e); (iv) substitution of the Tier 1 Notes for Substituted Preference Shares pursuant to Condition 6(i); or (v) a mandatory settlement of the Tier 1 Notes in accordance with Condition 6(j). Deferred Interest Payments may only (except following a Suspension and in the circumstances otherwise provided in Condition 5(c)(vii) of the “Terms and Conditions of the Tier 1 Notes”) be satisfied by means of the Alternative Interest Satisfaction Mechanism and the operation of such mechanism is subject to certain conditions (more particularly described in the “Terms and Conditions of the Tier 1 Notes”). Conditions 6(c), 6(d), 6(e), 6(i) and 6(j) provide for satisfaction of any Deferred Interest Payments on the redemption, substitution or mandatory settlement of the Tier 1 Notes in accordance with such Conditions, as more particularly described in the “Terms and Conditions of the Tier 1 Notes”. See “Use of the AISM to satisfy Deferred Interest Payments” below in respect of the treatment of any Deferred Interest Payments.

Except in the limited circumstances provided in Condition 5(c)(v) of the “Terms and Conditions of the Tier 1 Notes”, no Deferred Interest Payment will bear interest.

#### *Settlement of principal amount of the Tier 1 Notes*

The Issuer is under no obligation to redeem the Tier 1 Notes at any time and the holders of Tier 1 Notes have no right to call for their redemption. In respect of any Notes which are outstanding on the 99<sup>th</sup> anniversary of the Issue Date, the Issuer shall, on the basis set out in Condition 6(j) of the “Terms and Conditions of the Tier 1 Notes”, issue Substituted Preference Shares in satisfaction of all of its obligations under the Notes other than Deferred Interest Payments (if any). See “Use of the AISM to satisfy Deferred Interest Payments” below in respect of the treatment of any Deferred Interest Payments and “Redemption, Exchange Risk and Substitution” below for a description of the Issuer’s right to redeem the Tier 1 Notes prior to settlement on the Mandatory Settlement Date.

The tax consequences of holding Substituted Preference Shares following settlement of the principal amount of the Tier 1 Notes could be different for some categories of holder from the tax consequences for them of holding Tier 1 Notes.

#### *Redemption, Exchange Risk and Substitution*

The Tier 1 Notes may, subject as provided in Condition 6 of the “Terms and Conditions of the Tier 1 Notes”, be redeemed at their Optional Redemption Amount, together with any Payments which are Outstanding thereon, at the option of the Issuer on any Optional Redemption Date. In addition, upon the occurrence of a Tax Event or a Capital Disqualification Event, the Tier 1 Notes may be (i) substituted for, or their terms varied so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities; or (ii) redeemed in the case of (x) a Tax Event, at their Tax Redemption Price or (y) a Capital Disqualification Event, at the Capital Disqualification Redemption Price, together, in each case, with any Payments which are Outstanding thereon, all as more particularly described in Condition 6 of the “Terms and Conditions of the Tier 1 Notes”.

The Issuer currently expects the Tier 1 Notes, upon the implementation of Solvency II, to qualify (but for any applicable limitation on the amount of such capital) as Tier 1 Capital under transitional or grandfathering provisions under Solvency II or the Relevant Rules relating thereto. Only if the Tier 1 Notes would not be capable of qualifying as Tier 1 Capital under transitional or grandfathering provisions under Solvency II or the Relevant Rules relating thereto, the Issuer expects the Notes to qualify as Tier 2 Capital without reliance on any such transitional or grandfathering provisions. The Issuer’s expectation is based on its review of available information relating to the implementation of Solvency II. However, such information has not been finalised and is subject to change prior to its implementation of Solvency II. Accordingly, there is a risk that, after the issue of the Tier 1 Notes, a Capital Disqualification Event may occur which would entitle the Issuer to redeem the Tier 1 Notes early at the Capital Disqualification Redemption Price, together with any Payments which are Outstanding thereon.

As discussed in the risk factor in the Base Prospectus entitled “*The Group’s regulated business is subject to extensive regulatory supervision both in the UK and internationally*” which is incorporated by reference herein, there continue to be material uncertainties around the impact of the more detailed technical requirements of Solvency II. The new framework will, among other things, cover the definition of “own funds” capital and, accordingly, will set out the features which any capital must have in order to qualify as regulatory capital. These features are not expected to be settled until, at the earliest, ‘level two’ implementation measures relating to Solvency II are finalised in 2012 or 2013 and there can be no assurance that, following their initial publication, the ‘level two’ implementation measures will not be amended. Moreover, there is considerable uncertainty as to how regulators, including the FSA, will interpret the ‘level two’ implementation measures and apply them to the Group. Accordingly, there is a risk that, after the issue of the Tier 1 Notes, a Capital Disqualification Event may occur which would entitle the Issuer to redeem the Tier 1 Notes early at the Capital Disqualification Redemption Price, together with any Payments which are Outstanding thereon.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Tier 1 Notes being redeemed and may only be able to reinvest at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Tax treatment of the Tier 1 Notes*

The tax treatment of the Tier 1 Notes for the Issuer and/or the holders is subject to change in the event of a change in tax law or practice.

It was announced in March 2012 that legislation will be introduced in the United Kingdom Finance Act 2012 to create a power to determine the United Kingdom tax treatment of regulatory capital instruments issued in accordance with the package of reforms to the regulatory capital framework published by the Basel Committee on Banking Supervision in December 2010 and January 2011 (known as “Basel III”) and the legislative package of proposals (known as “CRD 4”) published by the European Commission on 20 July 2011, and that regulations will be made under this power and will take effect from the commencement of the CRD 4 provisions. It is not foreseeable what changes in law may be made pursuant to such regulations, whether such changes could impact on the United Kingdom tax treatment of regulatory capital instruments issued by insurance companies such as the Issuer, nor whether they could affect the Tier 1 Notes. It is possible that the review by H.M. Revenue and Customs (“HMRC”) of the United Kingdom tax treatment of regulatory capital instruments in this context might also lead to a clarification of or change in HMRC’s interpretation in relation to certain aspects of the tax treatment of such instruments under current law. To the extent that any such change in interpretation relates to the treatment of “perpetual” notes as “debt” for the purpose of the UK rules relating to deductibility of interest, the Issuer expects that any such change in interpretation would not adversely affect the Notes in light of the mandatory settlement mechanism (as set out in Condition 6(j) of the “Terms and Conditions of the Tier 1 Notes”), given that section 303 Corporation Tax Act 2009 expressly provides for an issue of shares as a means of settling a debt.

If, as a result of any such change in law or interpretation which affects the Tier 1 Notes and takes effect after the Issue Date, the Issuer would be required to pay Additional Amounts (as defined in Condition 8 of the “Terms and Conditions of the Tier 1 Notes”) on the Tier 1 Notes or would not be entitled to claim deductions in computing its United Kingdom tax liabilities for interest on the Tier 1 Notes (or such entitlement is materially reduced) or would not be entitled to a material extent to have such deductions set off against profits of companies with which it is grouped for United Kingdom tax purposes or would otherwise suffer adverse tax consequences, the Issuer may, subject to certain requirements, be entitled to redeem the Notes at their principal amount (together with any Payments which are Outstanding thereon) in accordance with Condition 6(c) of the “Terms and Conditions of the Tier 1 Notes”.

#### *Optional Preference Share Substitution*

Furthermore, the Issuer may, at any time but subject as provided in Condition 6 of the “Terms and Conditions of the Tier 1 Notes”, substitute the Tier 1 Notes with Substituted Preference Shares, all as more particularly described in Condition 6(i) of the “Terms and Conditions of the Tier 1 Notes”.

The Substituted Preference Shares will, if so issued, be directly-issued non-cumulative preference shares of the Issuer and have terms that provide that (i) the Substituted Preference Shares shall rank in a winding-up of the Issuer *pari passu* with the Notes; (ii) the Substituted Preference Shares shall bear the same rate of dividend thereon as from time to time applies to the Notes and such dividend, if declared, shall be payable on dividend payment dates the same as the Interest Payment Dates; (iii) the Issuer has the right (in its absolute discretion) to choose whether or not to pay any dividend and any dividend payable shall be non-cumulative (and accordingly there shall be no provision analogous to the AISM incorporated in the

terms of the Substituted Preference Shares) and, if the Issuer does not pay a dividend payable thereon, the holders thereof shall have the benefit of provisions analogous to the dividend and capital restrictions described in Condition 5(bb) of the “Terms and Conditions of the Tier 1 Notes”; (iv) the Issuer shall only be required not to pay any dividend if an event analogous to a Regulatory Deficiency Interest Deferral Event has occurred and is continuing (or would occur as a result of making such dividend payment) and provided that the application of any such term would not prejudice the qualification of the Substituted Preference Shares as Tier 1 Capital; (v) the Issuer shall only be required not to redeem or purchase such Substituted Preference Shares if an event analogous to a Regulatory Redemption Deferral Event has occurred and is continuing (or would occur as a result of making such redemption or purchase); (vi) the Substituted Preference Shares may only be redeemed on the Substitution Preference Share Early Redemption Date or any dividend payment date thereafter (save for redemption, substitution or variation on terms analogous with the terms of Condition 6(e) of the “Terms and Conditions of the Tier 1 Notes” and subject to the same conditions as those set out in Condition 6(b) of the “Terms and Conditions of the Tier 1 Notes”); (vii) the Issuer shall not be required or entitled to effect, nor shall the Substituted Preference Shares contain any term providing for, any loss absorption through a write-down of the nominal or paid-up amount of such Substituted Preference Shares or conversion of such Substituted Preference Shares into Ordinary Shares; (viii) on the winding up of the Issuer, each Substituted Preference Share shall entitle the holder thereof to a return of capital equal to its nominal amount and (ix) otherwise shall provide that the Substituted Preference Shares are not materially less favourable to a holder thereof than the terms of the Tier 1 Notes and the Coupons taken together, as more particularly described in Condition 6(i) of the “Terms and Conditions of the Tier 1 Notes”.

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.

#### *No limitation on issuing senior or pari passu securities*

There is no restriction on the amount of securities which the Issuer may issue and which may rank senior to, or pari passu with, the Tier 1 Notes. The issue of any such securities may reduce the amount recoverable by holders of Tier 1 Notes on a winding-up of the Issuer and/or may increase the likelihood of a deferral of payments under the Tier 1 Notes.

#### *Use of the AISM to satisfy Deferred Interest Payments*

The Issuer may satisfy AISM Payments only by means of issuing Ordinary Shares and/or Other Tier 1 Securities in accordance with “Terms and Conditions of the Tier 1 Notes – Deferral of Payments”. The Tier 1 Notes may not be redeemed, substituted or varied unless and until all Deferred Interest Payments (if any) are satisfied in full through the operation of the AISM, on or prior to the date set for the relevant redemption or substitution. The operation of such mechanism is subject to certain conditions (as more particularly described in the “Terms and Conditions of the Tier 1 Notes”).

On any mandatory settlement of the Notes by the issue of Substituted Preference Shares, the Issuer is obliged to use its best endeavours to satisfy Deferred Interest Payments (if any) in full through the operation of the AISM. However, if such operation is not sufficient to satisfy any Deferred Interest Payments, the Issuer shall continue to owe that part of the Deferred Interest Payments which remain outstanding and shall use its best endeavours to satisfy such part remaining outstanding through the issue of Ordinary Shares and/or Other Tier 1 Securities as soon as reasonably practicable.

#### *Availability of Ordinary Shares and Other Tier 1 Securities*

The Issuer will undertake to use all reasonable endeavours to obtain and maintain certain corporate authorisations required for the operation of the AISM, as more particularly described in “Terms and Conditions of the Tier 1 Notes — Deferral of Payments”. However, if, at the time when any AISM Payments fall to be satisfied, the Issuer does not have available and/or the Directors do not have the necessary authority under English law to allot (free from any pre-emption rights) a sufficient number of Ordinary Shares or to issue Other Tier 1 Securities to satisfy the relevant AISM Payments, then the Issuer will not be able to operate the AISM.

The Issuer may not exercise its right to redeem or substitute the Tier 1 Notes unless the Issuer has available, and the Directors have the corresponding authority to allot, such number of Eligible Securities as may be required to be issued for the purposes of satisfying in full any AISM Payments which are required to be satisfied in connection with such redemption, substitution or variation (all as more particularly described in “Terms and Conditions of the Tier 1 Notes — Deferral of Payments”).

## ***Risks relating to the Tier 1 Notes generally***

### *Modification, waivers and substitution*

The Terms and Conditions of the Tier 1 Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who do not attend and vote at the relevant meeting and Noteholders who vote in a manner contrary to the majority. The Terms and Conditions of the Tier 1 Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) subject to receiving no objection from the FSA, any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes; or (ii) the substitution of another company as principal debtor under the Tier 1 Notes in place of the Issuer in the circumstances described in the Condition 11 of the “Terms and Conditions of the Notes”.

### *EU Savings Tax Directive*

Under measures implemented in order to comply with EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria will instead be required (unless during that period they elect otherwise and subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). It should be noted that the Directive does not preclude any Member State which is a party to the Directive from levying other types of withholding tax or from imposing withholding tax in other circumstances.

### *U.S. Foreign Account Tax Compliance Withholding*

The U.S. has issued proposed regulations under the Foreign Account Tax Compliance (“FATCA”) provisions of the Hiring Incentives to Restore Employment Act of 2010. In some circumstances these regulations require withholding of U.S. tax at a rate of 30 per cent. on all, or a portion of, certain payments on debt or equity securities or the proceeds of sale of such securities.

If the Tier 1 Notes are treated as debt for U.S. federal tax purposes, they will be “grandfathered” and FATCA withholding will not be required with respect to interest, principal or other payments on the Tier 1 Notes or the proceeds of sale of the Tier 1 Notes.

If the Tier 1 Notes are treated as equity for U.S. federal tax purposes, it is possible that U.S. tax regulations that might be issued in the future might require the Issuer and other non-U.S. financial institutions through which payments on the Tier 1 Notes are made to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made in respect of them after 31 December 2016. It is not clear if or when such regulations might be issued nor the requirements that might be set out in such regulations. If such future regulations require U.S. tax to be withheld from payments on the Tier 1 Notes, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Tier 1 Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax and holders of the Tier 1 Notes might receive less interest or principal than expected.

**FATCA is particularly complex and its application to the Issuer, the Tier 1 Notes and the holders thereof is uncertain at this time. Each potential holder of Tier 1 Notes should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how this legislation might affect it in its particular circumstance.**

### *Specified denominations of the Tier 1 Notes*

Although the Tier 1 Notes will have denominations of US\$200,000 and higher integral multiples of US\$1,000 up to and including US\$399,000 (the “**Specified Denominations**”), it is possible that the Tier 1 Notes may be traded in amounts that are not integral multiples of the Specified Denominations. In such a case a Noteholder, who as a result of trading such amounts, holds a principal amount of less than the Specified Denominations in his account with the relevant clearing system at the relevant time will not receive a definitive Tier 1 Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of the Tier 1 Notes such that it holds an amount equal to one or such Specified Denominations.



If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of US\$1,000 (being the minimum Specified Denomination) may be illiquid and difficult to trade.

*Notes subject to optional redemption by the Issuer*

The Issuer may elect to redeem the Tier 1 Notes pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) of the “Terms and Conditions of the Tier 1 Notes.” If the Issuer were to elect to redeem the Tier 1 Notes pursuant to any of these Conditions, it is likely to limit the market value of Tier 1 Notes. During any period when the Issuer may elect to redeem Tier 1 Notes, the market value of those Tier 1 Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Tier 1 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 Tier 1 Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*Restricted remedy for non-payment*

In accordance with FSA requirements for subordinated capital, the sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Terms and Conditions of the Tier 1 Notes) any holder of Tier 1 Notes for recovery of amounts owing in respect of the Tier 1 Notes and Coupons will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up or administration and/or claiming in the liquidation of the Issuer for such amounts.

## TERMS AND CONDITIONS OF THE TIER 1 NOTES

*The following is the text of the terms and conditions that, together with and subject to completion and amendment by, and as supplemented or varied in accordance with, the provisions of Part A of the Final Terms of the Tier 1 Notes shall be applicable to the Tier 1 Notes in definitive form (if any) issued in exchange for the Global Note. The full text of these terms and conditions together with the provisions of Part A of the Final Terms of the Tier 1 Notes shall be endorsed on such Bearer Notes. Accordingly, references in these terms and conditions to provisions specified hereon shall be to provisions endorsed on the face of the relevant Tier 1 Note or set out in Part A of the Final Terms of the Tier 1 Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the Final Terms of the Tier 1 Notes. Those definitions will be endorsed on the definitive Notes. For the avoidance of doubt, the form of terms and conditions contained in the Base Prospectus is not applicable to the Tier 1 Notes.*

The US\$650,000,000 8.25 per cent. Fixed Rate Tier 1 Notes (in these Terms and Conditions of the Tier 1 Notes, the “**Notes**”) are constituted by a trust deed (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), the “**Principal Trust Deed**”) dated 7 November 2011 as supplemented, amended or modified by a supplemental trust deed dated 2 May 2012 between Aviva plc (the “**Issuer**”), Aviva Insurance Limited and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below) (the “**Supplemental Trust Deed**”). The Principal Trust Deed, as so amended and supplemented by the Supplemental Trust Deed is referred to as the “**Trust Deed**”. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement dated 7 November 2011 (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) has been entered into in relation to notes issued under the Programme between the Issuer, Aviva Insurance Limited, the Trustee, HSBC Bank plc as initial issuing and paying agent and the other agents named therein. The issuing and paying agent, the paying agents, the registrar, the transfer agents, the calculation agent(s) and the AISM calculation agent for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar), the “**Calculation Agent(s)**” and the “**AISM Calculation Agent**”. An AISM calculation agency agreement dated on or before the Issue Date has been entered into between the Issuer, the Trustee and the AISM Calculation Agent (the “**AISM Calculation Agency Agreement**”). Copies of the Principal Trust Deed, the Supplemental Trust Deed, the Agency Agreement and the AISM Calculation Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

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

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

### 1. Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive (Directive 2003/71/EC), the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Floating Rate Note or a combination of the foregoing or any other kind of Note, depending upon the Interest Basis shown hereon.

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

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

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

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

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

### **(a) Transfer of Registered Notes**

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

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

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

### **(c) Delivery of New Certificates**

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

**(d) Transfer Free of Charge**

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

**(e) Closed Periods**

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

**3. Status**

**(a) Status**

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

**(b) Subordination**

**(i) Condition to Payment**

The rights and claims of the holders of the Notes and the Coupons relating to them are subordinated to the claims of all Senior Creditors, in that payments in respect thereof or arising therefrom (including Coupons payable in cash or by way of the issue of Eligible Securities in accordance with Condition 5(c)) are conditional upon the Issuer being solvent at the time of payment by the Issuer (or at the time of issue of such Eligible Securities) and in that no principal, premium, or interest or any other amount shall be due and payable in respect of the Notes (including Coupons payable in cash or by way of the issue of Eligible Securities in accordance with Condition 5(c)) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter, in each case except in the case where Condition 3(c) applies.

The Issuer will be solvent if (x) it is able to pay its debts owed to its Senior Creditors and Pari Passu Creditors as they fall due and (y) its Assets exceed its Liabilities (other than its Liabilities to persons who are Junior Creditors). If requested in writing by the Trustee, a certificate as to the solvency of the Issuer by two Directors (or, if there is a winding up or administration of the Issuer, the liquidator or, as the case may be, administrator of the Issuer) shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without any liability to any person.

The Issuer shall (except where Condition 3(c) applies) satisfy any Deferred Interest Payment which applies as a result of this Condition 3(b)(i) in the manner, and at the time, referred to in Condition 5.

**(ii) Solvency Claims**

Without prejudice to any other provisions in these Conditions, amounts representing any payments of principal, premium or interest or any other amount including any damages awarded for breach of any obligations in respect of which the conditions referred to in Condition 3(b)(i) are not satisfied on the date upon which the same would otherwise be due and payable (“**Solvency Claims**”) will be payable by the Issuer in a winding-up of the Issuer or in an administration of the Issuer if the administrator has given notice of his intention to declare and distribute a dividend as provided in Condition 3(c). A Solvency Claim shall not bear interest.

**(iii) Set-off**

Subject to applicable law, no holder of the Notes or the Coupons relating to them may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or

in connection with the Notes or the Coupons relating to them and each of the holders of the Notes or the Coupons relating to them shall, by virtue of his holding of any Notes or the Coupons relating to them, 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 holders of the Notes or the Coupons relating to them by the Issuer is discharged by set-off, such holder shall, unless such payment is prohibited by 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 for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or, as appropriate, administrator of the Issuer (as the case may be), for payment to the Senior Creditors in respect of amounts owing to them by the Issuer, and accordingly any such discharge shall be deemed not to have taken place.

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

*For the avoidance of doubt, if the Issuer would otherwise not be solvent for the purposes of the above Condition 3(b), any sums which would otherwise be payable in respect of the Notes will be available to meet the losses of the Issuer.*

**(c) 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 reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (ii) do not provide that the Notes shall thereby become payable) or 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), such amount, if any, as would have been payable to the holder of such Note if, on the day prior to the commencement of the winding-up or, as appropriate, giving of the notice and (in each case) thereafter, such holder were the holder of a Notional Preference Share on the assumption that the amount that such holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up were an amount equal to the principal amount of the relevant Note which has not been satisfied and any other Payments which are Outstanding thereon, together with, to the extent not otherwise included within the foregoing, its *pro rata* share of any Solvency Claims attributable to the Note.

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

**4. Interest and other Calculations**

**(a) Interest on the Notes**

Subject to Conditions 3(b)(i), 3(b)(ii) and 5, each Note bears interest on its outstanding principal amount from the Interest Commencement Date at a rate per annum (expressed as a percentage) equal to the Rate of Interest specified hereon, such interest payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(c).

For the purposes of this Condition:

“**Interest Accrual Period**” means the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and, thereafter, the period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date; and

“**Interest Amount**” means, in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending in such Interest Accrual Period and, in respect of any other period, the amount of interest payable per Calculation Amount for that period.

**(b) *Determination or Calculation by Trustee***

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

**(c) *Calculations***

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

**(d) *Payments***

Payments of interest shall be made when due in accordance with these Conditions in cash save that AISM Payments shall only be made by operation of the Alternative Interest Satisfaction Mechanism set out in Condition 5(c).

**5. *Deferral of Payments***

**(a) *Optional Deferral of Interest***

The Issuer may, subject to Condition 5(b), elect to defer any Interest Payment on the Notes which is otherwise scheduled to be paid on an Interest Payment Date by giving notice to the Noteholders, the Trustee, the Issuing and Paying Agent, the Calculation Agent and the AISM Calculation Agent pursuant to Condition 5(d) below to defer payment of all (but not some only) of the interest accrued to that date and the Issuer shall not have any obligation to make such payment on that date.

**(b) *Mandatory Deferral of Interest***

If the Issuer has notified the Noteholders and the Trustee in accordance with Condition 16 that a Capital Disqualification Event has occurred, payment of interest on the Notes will be mandatorily deferred on each Mandatory Interest Deferral Date. The Issuer shall notify to the Noteholders, the Trustee, the Issuing and Paying Agent, the Calculation Agent and the AISM Calculation Agent of any Mandatory Interest Deferral Date in accordance with Condition 5(d).

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

**(bb) *Deferred Interest***

The Issuer shall (except where Condition 3(c) applies) satisfy any Deferred Interest Payment which arises as a result of the deferral of any Interest Payment in accordance with Condition 5(a), Condition 5(b) or the failure to satisfy the

condition to payment set out in Condition 3(b)(i), only by operation of the procedures set out in Condition 5(c). Subject to Condition 5(c)(vii) and, if mandatory deferral of interest is applicable pursuant to Condition 5(b), subject to the proviso that no Regulatory Deficiency Interest Deferral Event has occurred which is continuing, or would occur as a result of any such payment, the Issuer (x) may satisfy such Deferred Interest Payments at any time by giving not less than 14 days' notice and (y) shall satisfy such Deferred Interest Payment in accordance with Condition 6(b)(i)(E) upon the first of the following to occur: (i) redemption of the Notes in accordance with Condition 6(c); (ii) redemption of the Notes in accordance with Condition 6(d); (iii) redemption of the Notes in accordance with Condition 6(e) (the date on which any such redemption referred to in (i) to (iii) above occurs being the "**Termination Date**"); or (iv) substitution of the Notes by Substituted Preference Shares pursuant to Condition 6(i).

If, on any Interest Payment Date, payment of all Interest Payments scheduled to be paid on such date is not made in full, the Issuer shall not (except where such relevant declaration, payment, redemption, purchase, cancellation, reduction or acquisition is mandatory under the terms and conditions of such securities or by mandatory operation of law) (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or other payment is made on, any Junior Securities or (b) redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities or any Parity Securities, in each case, unless or until (i) the Issuer next pays in full the Interest Payment due and payable on an Interest Payment Date in respect of the outstanding Notes (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 Issuer has satisfied in full all Deferred Interest Payments.

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any payment of interest on an Interest Payment Date in accordance with Condition 5(a) or (b), or as a result of the Issuer's failure to satisfy the condition to payment set out in Condition 3(b)(i), will not constitute a default by the Issuer (including, without limitation, Condition 10(a)) and will not give Noteholders or the Trustee any right to accelerate the Notes. Any Interest Payment so deferred shall not, except in the circumstances provided in Condition 5(c)(v), bear interest.

**(c) Alternative Interest Satisfaction Mechanism**

*(i) Alternative Interest Satisfaction Mechanism*

Each AISM Payment, when due to be satisfied in accordance with these Conditions, will (except as provided in Condition 5(c)(vii) and the Trust Deed) 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 in accordance with this Condition 5(c). The Issuer shall notify the Trustee, the Issuing and 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.

All other Payments due must, subject to Condition 3, Condition 5(a) and, if applicable, Condition 5(b), be satisfied, when due, in accordance with Condition 7.

*(ii) 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(c), then, subject to Conditions 5(c)(iv) and (v):

- (A) by close of business on or before the seventh Business Day prior to the relevant AISM Payment Date, the Issuer will issue to the AISM Calculation Agent as agent of the Trustee (or to such other person as the Trustee may direct) 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(c); and
- (B) if the Trustee has instructed the Issuer to issue Payment Eligible Securities to any person other than the AISM Calculation Agent, 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 net proceeds of such sale to, or hold such net proceeds of such sale to the order of, the Trustee, who shall pay or procure that its agent pays such net proceeds as it holds in respect of the relevant AISM Payment on its due date to the Issuing and Paying Agent for application in accordance with Condition 5(c)(iii).

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.

If the net proceeds of the sale of the Payment Eligible Securities will not, in the opinion of the AISM Calculation Agent, subject to Conditions 5(c)(iv) and (v) but despite the arrangements contained in (B) 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 (A) and (B) above, a sum as near as practicable to, and at least equal to, the relevant AISM Payment will be available to make the relevant AISM Payment in full on its due date. If, despite the operation of the above provisions, a shortfall exists on the Business Day preceding the intended AISM Payment Date, the Issuer may, in accordance with the provisions of any Calculation Agency Agreement, 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.

*(iii) Issue Satisfies Payment*

Where the Issuer is required to make an AISM Payment hereunder by issuing Payment Eligible Securities to the Trustee or its agent 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(c)(ii) above and Condition 5(c)(iv) below, the relevant part of such AISM Payment, if made in accordance with this Condition 5(c). The proceeds of sale of Payment Eligible Securities which are issued to the Trustee or its agent shall be paid by the Issuing and Paying Agent to the Noteholders in respect of the relevant AISM Payment. Any Excess (as defined in the Trust Deed) shall be paid by the Issuing and Paying Agent to the Noteholders.

*(iv) Insufficiency*

The Issuer shall not be entitled to exercise its option pursuant to any of Conditions 6(c), 6(d), 6(e) or 6(i) 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 Payment Eligible Securities of one or more classes as is required to be issued in accordance with this Condition 5(c) for the purposes of satisfying in full in accordance with this Condition 5(c) any AISM Payment required to be satisfied in connection with any such redemption, substitution or variation of the Notes.

*(v) Market Disruption*

Notwithstanding the provisions of Conditions 5(c)(ii) and (iii) and Condition 6(b)(i)(E), 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 Issuing and Paying Agent, the AISM Calculation Agent and (in accordance with Condition 16) 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 4 and shall be satisfied only in accordance with Condition 5(c), 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(c)(ii).

(vi) *Listing*

The Issuer shall ensure (to the extent possible) that, at the time when any Ordinary Shares are issued pursuant to this Condition 5(c), 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, 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).

(vii) *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 of 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 16, the Trustee, the Issuing and Paying Agent and the 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), the Issuer may (and, if the AISM cannot be operated by the issue of Eligible Securities other than Ordinary Shares or, if so operated, would result in the Notes ceasing to constitute either Tier 1 Capital or Tier 2 Capital, the Issuer shall) appoint an independent investment bank (at the Issuer's expense) and approved by the Trustee to determine, subject to the requirements that (A) the Issuer shall not be obliged to reduce its net assets; (B) no amendment may be proposed or made which would alter the regulatory capital treatment of the Notes for insurance regulatory capital and solvency purposes, unless the Issuer has complied with regulatory rules on notification to or consent from (in each case, if and to the extent possible) the FSA; and (C) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on it without its consent, what amendments (the "**AISM Amendments**") (if any) to these Conditions, the Trust Deed and any other relevant documents are appropriate in order to (x) preserve substantially the economic effect, for the Noteholders, of a holding of the Notes prior to the Suspension and (y) 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 and any other relevant documents, whereupon the Issuer's right to satisfy an AISM Payment using Ordinary Shares by the method contemplated in Condition 5(c) shall no longer be subject to the Suspension.

If an investment bank is so appointed in accordance with this Condition 5(c) and, after using all reasonable endeavours, such investment bank is unable to formulate the AISM Amendments, it shall so notify the Issuer, the previous Ultimate Owner (if not the Issuer), the new Ultimate Owner, the Trustee, the Issuing and Paying Agent and the AISM Calculation Agent and the Notes shall (subject to Condition 6(b)(i) 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 provided that any such substitution or variation does not give rise to, or cause to occur, a Capital Disqualification Event or a Tax Event under the Notes or an event analogous to a Capital Disqualification Event or a Tax Event under such substituted Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities or shall, subject to the following sentence, be redeemed, in each case as described below. The Issuer shall not redeem the Notes pursuant to this Condition 5(c)(vii) prior to the date falling five years after the Issue Date.

If the Notes are to be 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 Issuing and Paying Agent, the AISM Calculation Agent and, in accordance with Condition 16, 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) (A) 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 (B) 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 Conditions 5(c)(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) and any Accrued Interest Payment to (but excluding) the date fixed for such substitution or variation will 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. 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, 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(c)(vii). In connection with any substitution or variation in accordance with this Condition 5(c)(vii), 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 Issuing and Paying Agent, the AISM Calculation Agent and, in accordance with Condition 16, 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 Payments which are Outstanding thereon, 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(c)(ii), (iii), (iv) and (v) (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 redemption amount so payable by the Issuer).

*(viii) Authorisations*

The Issuer shall, subject to compliance with the requirements of the Companies Act 2006, 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(c)(viii), 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 5(c)(viii).

For the avoidance of doubt, any Eligible Securities 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(c)(viii).

**(d) Notice of Deferral**

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

- (i) if it has elected to defer any payment of interest on the Notes on that Interest Payment Date as provided in Condition 5(a) above; or
- (ii) where interest would be mandatorily deferred pursuant to Condition 5(b), if that Interest Payment Date is a Mandatory Interest Deferral Date and specifying that interest will not be paid on the relevant Interest Payment Date, provided that if a Regulatory Deficiency Interest Deferral Event occurs less than 5 Business Days prior to an Interest Payment Date, the Issuer shall give notice of the interest deferral in accordance with Condition 16 as soon as reasonably practicable following the occurrence of such event.

**6. Redemption, Substitution, Variation, Purchase, Settlement and Options**

**(a) No Fixed Redemption Date**

The Notes have no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3 and without prejudice to the provisions of Condition 9) only have the right to redeem, substitute, vary or purchase them in accordance with the following provisions of this Condition 6 or in the circumstances provided for in Condition 5(c)(vii).

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

- (i) Any redemption, substitution, variation or purchase of the Notes (which, for the avoidance of doubt, shall not include settlement of their principal amount in accordance with Condition 6(j)) is (A) subject to the Issuer having complied with regulatory rules on notification to or consent from (in each case, if and to the extent applicable) the FSA; (B) in the case of redemption or purchase only, subject to Condition 3(b); (C) in the case of redemption or purchase only, subject to the Issuer, both at the time of and immediately following the redemption or purchase, being in compliance with the Regulatory Capital Requirements applicable to it from time to time (and a certificate from any two Directors confirming such compliance shall be conclusive evidence of such compliance); (D) in the case of a redemption only, subject to the proviso that no Regulatory Deficiency Redemption Deferral Event has occurred which is continuing, or would occur as a result of any such redemption and, if mandatory deferral of interest is applicable pursuant to Condition 5(b) and there is any Deferred Interest Payment which is Outstanding thereon, subject to the proviso that no Regulatory Deficiency Interest Deferral Event has occurred which is continuing, or would occur as a result of any such redemption or payment of Deferred Interest; and (E) in the case of a redemption, or substitution in accordance with Condition 6(i), conditional on the terms of Condition 5(c)(iv) being satisfied prior thereto and all Accrued Interest Payments (if any) being satisfied in full in cash on or prior to the date of such redemption or substitution and all Deferred Interest Payments (if any) being satisfied in full by the operation of Condition 5(c) on or prior to the date of such redemption or substitution.
- (ii) If redemption of the Notes does not occur on the date specified in the notice of redemption by the Issuer under Conditions 6(c), 6(d) or 6(e) (as applicable) as a result of Condition 6(b)(i)(D), subject to Condition 3(b) (in the case of (A) and (B) of this Condition 6(b)(ii) only) and to any notifications to or consent from (in each case, if and to the extent applicable) the FSA, such Notes shall be redeemed at the relevant price specified in Conditions 6(c), (d) or (e), as appropriate, together with any Payments which are Outstanding thereon (all such amounts so payable being payable in cash, save for any Deferred Interest Payments which will be satisfied by operation of Condition 5(c) in the case of (A) or (B) of this Condition 6(b)(ii) only) upon the earliest of:

- (A) the date falling 20 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased provided that redemption of the Notes on such date would not result in a Regulatory Deficiency Redemption Deferral Event occurring; or
  - (B) the date falling 20 Business Days after the FSA has agreed to the repayment or redemption of the Notes; or
  - (C) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the Notes shall thereby become payable) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.
- (iii) If Condition 6(b)(i)(D) does not apply, but redemption of the Notes does not occur on the date specified in the notice of redemption by the Issuer under Condition 6(c), 6(d) or 6(e) (as applicable) as a result of Condition 3(b)(i) not being satisfied at such time and immediately after such payment, subject to any notifications to, or consent from (in each case, if and to the extent applicable) the FSA, such Notes shall be redeemed at the relevant price specified in Condition 6(c), 6(d) or 6(e) (as applicable), together with any Payments which are Outstanding thereon (all such amounts so payable being payable in cash, save for any Deferred Interest Payments which will be satisfied in accordance with Condition 6(b)(i)(E)) on the 20th Business Day immediately following the day on which the Issuer is solvent and would still be solvent after such payment for the purposes of Condition 3(b), provided that if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were to be redeemed, then the Notes shall not be redeemed and Condition 6(b)(ii) shall apply *mutatis mutandis* to determine the date of the redemption of the Notes.
- (iv) If requested in writing by the Trustee, a certificate signed by two Directors confirming that (A) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption of the Notes were to be made or (B) a Regulatory Deficiency Redemption Deferral Event has ceased to occur and/or redemption of the Notes would not result in a Regulatory Deficiency Redemption Deferral Event occurring shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the holders of the Notes and the Coupons relating to them and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person.
- (v) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(b) or this Condition 6 will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes.

**(c) Redemption, Substitution or Variation Due to Taxation**

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

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

- (ii) as a result of a Tax Law Change in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, (x) the Issuer would not be entitled to claim a deduction in respect of interest on the Notes in computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; (y) the Issuer would not to any material extent be entitled to have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of the Tax Law Change or any similar system or systems having like effect as may from time to time exist); or (z) the Issuer would otherwise suffer adverse tax consequences and, in each such case, the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it, then:
- (A) the Issuer may, subject to Condition 6(b) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the AISM Calculation Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), redeem in accordance with these Conditions (unless otherwise specified hereon) at any time all, but not some only, of the Notes at their Tax Redemption Price, together with any Payments which are Outstanding thereon (with interest accrued to, but excluding, the date fixed for redemption and all such Payments which are Outstanding shall be payable in cash, save for any Deferred Interest Payments which will be satisfied in accordance with Condition 6(b)(i)(E)); or
- (B) the Issuer may, subject to Condition 6(b)(i)(A) (without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the AISM Calculation Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes with, or vary the terms of the Notes so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities provided that any such substitution or variation does not itself give rise to, or cause to occur, a Capital Disqualification Event or a Tax Event under the Notes or an event analogous to a Capital Disqualification Event or a Tax Event under such substituted Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (B) and subject to the receipt by it of the certificates of the Directors referred to below and in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities) agree to such substitution or variation. In connection therewith, all Deferred Interest Payments (if any) will be satisfied by the operation of Condition 5(c) at the time of such substitution or variation or, if the Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities contain provisions analogous to the provisions of Condition 6(b)(i)(E), in accordance with such analogous provisions. 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, the Issuer may, subject as provided above, redeem the Notes as provided above.

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

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

**(d) *Redemption at the Option of the Issuer***

Unless the Issuer shall have given notice to redeem the Notes under Conditions 6(c) or 6(e) or substitute the Notes under Condition 6(i) on or prior to the expiration of the notice referred to below, and if Call Option is specified hereon, the Issuer may at its option, subject to Conditions 3(b) and 6(b)(i), and having given not less than 30 nor more than

60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all (but not some only) of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with any Payments which are Outstanding thereon (with interest accrued to (but excluding) the date fixed for redemption and all such Payments which are Outstanding shall be payable in cash, save for any Deferred Interest Payments which will be satisfied in accordance with Condition 6(b)(i)(E)).

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

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

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

If Capital Disqualification Call is specified hereon and (x) where limb (i)(a) of the definition of Capital Disqualification Event applies, within the period from and including the date of the occurrence of a Capital Disqualification Event to and including the date which is the first anniversary of such occurrence; or (y) where limb (i)(b) of the definition of Capital Disqualification Event applies, within the period from and including the date which is no more than six months prior to and including the date on which the Tier 1 Notes would cease to be counted as Tier 1 Capital, the Issuer gives the notice referred to below and if on the date of such notice a Capital Disqualification Event is continuing, and, in the case of a redemption before the fifth anniversary of the Issue Date, it would have been reasonable for the Issuer to conclude, judged at the time of issue of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption was unlikely to occur, then:

- (i) the Issuer may, subject to Conditions 3(b) and 6(b)(i) and having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, the Trustee, the Issuing and Paying Agent and the AISM Calculation Agent (which notice shall be irrevocable), at any time redeem in accordance with these Conditions all (but not some only) of the Notes (unless otherwise specified hereon). The Notes will be redeemed at their Capital Disqualification Redemption Price in accordance with these Conditions and any Payments which are Outstanding thereon (with interest accrued to (but excluding) the date fixed for redemption and all such Payments which are Outstanding shall be payable in cash, save for any Deferred Interest Payments which will be satisfied in accordance with Condition 6(b)(i)(E)); or
- (ii) the Issuer may, subject to Condition 6(b) (without any requirement for the consent or approval of the Noteholders or the Couponholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the AISM Calculation Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), at any time substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they become, Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities provided that any such substitution or variation does not itself give rise to, or cause to occur, a Tax Event or a Capital Disqualification Event under the Notes or an event analogous to a Tax Event or a Capital Disqualification Event under such substituted Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Directors 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(c) at the time of such substitution or variation or, if the Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities contain provisions analogous to the provisions of Condition 6(b)(i)(E), in accordance with such analogous provisions. 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, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6(e), the Issuer shall deliver to the Trustee a certificate signed by two Directors stating that a Capital Disqualification Event has

occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Capital Disqualification Event (without liability to any person) in which event it shall be conclusive and binding on the Trustee, 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.

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

**(f) *Trustee Not Obligated to Monitor***

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 or whether a Suspension under Condition 5(c)(vii) has occurred and will not be responsible to Noteholders for any loss arising from any failure to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 6 or the occurrence of a Suspension under Condition 5(c)(vii), it shall be entitled to assume that no such event or circumstance exists.

**(g) *Purchases***

The Issuer and any of its Subsidiaries for the time being may, subject to Conditions 3(b) and 6(b)(i) and having given prior written notice to, and received no objection from, the FSA (so long as such notice is required to be given), at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

**(h) *Cancellation***

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

**(i) *Substitution with Substituted Preference Shares***

(i) The Issuer may, at any time (subject to Condition 6(b) and the provisions of this Condition 6(i)), give not less than 30 nor more than 60 days' notice of its intention to effect a Preference Share Substitution (as defined below) ("**Substitution Notice**") to the Noteholders in accordance with Condition 16, the Trustee, the Issuing and 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 with fully paid non-cumulative preference shares issued directly by the Issuer having the terms provided for below (the "**Substituted Preference Shares**") and so that each Noteholder shall be issued and allotted Substituted Preference Shares with an aggregate nominal value equal to the aggregate nominal value of the Notes held by such Noteholder (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 unissued Substituted Preference Shares to effect the Preference Share Substitution in accordance with this Condition 6(i) 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 (the "**Preference Shares Required Terms**") shall provide that:

(A) the Substituted Preference Shares shall rank in a winding-up of the Issuer as described in Condition 3(c) *pari passu* with the Parity Securities;

- (B) the Substituted Preference Shares shall bear the same rate of dividend thereon as from time to time applies to the Notes and such dividend, if declared, shall be payable on dividend payment dates the same as the Interest Payment Dates;
- (C) the Issuer has the right (in its absolute discretion) to choose whether or not to pay any dividend and any dividend payable shall be non-cumulative (and accordingly there shall be no provision analogous to the AISM incorporated in the terms of the Substituted Preference Shares) and, if the Issuer does not pay a dividend payable thereon, the holders thereof shall have the benefit of provisions analogous to the dividend and capital restrictions described in Condition 5(bb);
- (D) the Issuer shall only be required not to pay any dividend if an event analogous to a Regulatory Deficiency Interest Deferral Event has occurred and is continuing (or would occur as a result of making such dividend payment) and provided that the application of any such term would not prejudice the qualification of the Substituted Preference Shares as Tier 1 Capital;
- (E) the Issuer shall only be required not to redeem or purchase such Substituted Preference Shares if an event analogous to a Regulatory Redemption Deferral Event has occurred and is continuing (or would occur as a result of making such redemption or purchase);
- (F) the Substituted Preference Shares may only be redeemed on the Substitution Preference Share Early Redemption Date specified hereon or any dividend payment date thereafter (save for redemption, substitution or variation on terms analogous with the terms of Condition 6(e) and subject to the same conditions as those set out in Condition 6(b));
- (G) the Issuer shall not be required or entitled to effect, nor shall the Substituted Preference Shares contain any term providing for, any loss absorption through a write-down of the nominal or paid-up amount of such Substituted Preference Shares or conversion of such Substituted Preference Shares into Ordinary Shares; and
- (H) on the winding up of the Issuer, each Substituted Preference Share shall entitle the holder thereof to a return of capital equal to its nominal amount,

and otherwise shall provide that the Substituted Preference Shares are not materially less favourable to a holder thereof than the terms of the Notes and the Coupons taken together, such other terms to be determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank in relation thereto) signed by two Directors shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person) prior to the issue of the Substituted Preference Shares. Such certificate shall also include certification that the Substituted Preference Shares will, when issued, contain the terms specified in sub-paragraphs (A) to (H) above.

- (ii) In connection with any Preference Share Substitution in accordance with this Condition 6(i), all Deferred Interest Payments and Accrued Interest Payments (if any) will be satisfied in accordance with Condition 6(b)(i)(E).
- (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 6(i). 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 Shares 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 Condition 6(i)(ii)) 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 6(i). Each Substituted Preference Share allotted will rank for any dividend from the Substitution Date and will, without prejudice to Condition 6(i)(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 Share 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 or common safekeeper (as the case may be) on behalf of Euroclear or Clearstream, Luxembourg, the Issuer shall use its 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) 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.
- (vi) In connection with any Preference Share Substitution in accordance with this Condition 6(i), 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 if the Issuer is required to do so in order to comply with Section 87 of the FSMA.
- (vii) The provisions of this Condition 6(i) (except for Condition 6(i)(ii) as regards satisfaction of Accrued Interest Payments (if any)) will apply mutatis mutandis to Conditions 6(c) and 6(e) in the event that the Qualifying Tier 1 Securities for which the Notes may be substituted in accordance with either of Conditions 6(c) and 6(e) comprise Substituted Preference Shares, and the provisions of Conditions 6(i)(iv), (v) and (vi) will apply mutatis mutandis to Condition 6(j) in the event Substituted Preference Shares are issued pursuant thereto.
- (viii) Notwithstanding any other provision of this Condition 6(i), 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 Substituted Preference Shares, and its obligations under this Condition 6(i) 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 waiver and subordination) and provided that if at the relevant time the Substituted Preference Shares are rated by one or more rating agencies, each such rating agency shall assign the same rating to such perpetual non-cumulative securities as it has assigned to the Substituted Preference Shares.

**(j) Settlement of the Principal Amount**

- (i) On the Mandatory Settlement Date, but subject to satisfaction of the requirements set out below (the “**Relevant Requirements**”), the Issuer shall in respect of any Notes then outstanding (the “**Outstanding Notes**”) settle any Accrued Interest Payments in cash and issue and allot to each Noteholder Substituted Preference Shares (which have the Preference Shares Required Terms) with an aggregate nominal value equal to the aggregate nominal value of the Notes held by such Noteholder. Issue and allotment of such shares under this Condition 6(j) shall satisfy any obligations of the Issuer under the Outstanding Notes other than its obligation to pay any Remaining Deferred Interest Payment, as defined below (and so shall in particular constitute repayment of the principal amount of the Outstanding Notes and prevent any further accrual of interest under them). The Relevant Requirements are that the Issuer must:

- (A) have complied (and used its best endeavours to comply) with the regulatory rules on notification to or consent from (in each case, if and to the extent applicable) the FSA; and
  - (B) have used its best endeavours to satisfy all Deferred Interest Payments (if any) in full by the operation of Condition 5(c) on or prior to the Mandatory Settlement Date.
- (ii) If the operation of Condition 5(c) is not sufficient to satisfy any Deferred Interest Payments in full on or before the Mandatory Settlement Date, the Issuer shall continue to owe that part of the Deferred Interest Payments which remains outstanding (the “**Remaining Deferred Interest Payment**”).
  - (iii) Subject to Condition 3(b), the Issuer shall use its best endeavours to satisfy the Remaining Deferred Interest Payment as soon as reasonably practicable through the issue of Payment Eligible Securities to the Trustee, or as it directs, until such time as the Remaining Deferred Interest Payment is satisfied in full.
  - (iv) The Issuer shall, not later than 21 days prior to the Mandatory Settlement Date, notify the Noteholders in accordance with Condition 16, the Trustee, the Issuing and Paying Agent and the AISM Calculation Agent, that the Issuer shall issue Substituted Preference Shares in accordance with Condition 6(j) and enclose with such notice 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 settlement in accordance with this Condition 6(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 settlement pursuant to this Condition 6(j) shall be effected subject in each case to any applicable fiscal laws or other laws or regulations. Certificates (if any) for Substituted Preference Shares 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 Mandatory Settlement Date and receipt of a duly completed Substitution Confirmation. Each Substituted Preference Share allotted will rank for any dividend from the Mandatory Settlement Date and will, without prejudice to Condition 6(j)(i), have no entitlement to any Accrued Interest Payment or any other payment on the Notes.

## 7. Payments and Talons

### (a) *Bearer Notes*

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

### (b) *Registered Notes*

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register (i) where all or any of the Registered Notes are represented by a Global Certificate, at the close of the business day (being for this purpose a day on which DTC, Euroclear and/or Clearstream, Luxembourg, as applicable, are open for business) before the due date for payment thereof and (ii) where none of the Registered Notes are represented by a Global Certificate at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the

Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

**(c) *Payments in the United States***

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

**(d) *Payments subject to Fiscal Laws***

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or its agents) and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by or pursuant to such laws, regulations, directives or agreements), but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

**(e) *Appointment of Agents***

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents, the AISM Calculation Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. Subject as provided in the Agency Agreement, the Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents, the AISM Calculation Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent, the AISM Calculation Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in a European Union Member State (so long as there is such a member state) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive and (vi) a Paying Agent having specified offices in London 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.

If the AISM Calculation Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the AISM Calculation Agency Agreement, the Issuer shall appoint, on terms acceptable to the Trustee, an independent investment bank 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 or error proven to the satisfaction of the Trustee) 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(c) or otherwise, by the AISM Calculation Agent.

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

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

**(f) *Unmatured Coupons and unexchanged Talons***

- (i) Upon the due date for redemption of any Bearer Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (ii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iii) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iv) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be.

**(g) *Talons***

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

**(h) *Non-Business Days***

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

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

**8. *Taxation***

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

**(a) *Other connection***

presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or

**(b) Lawful avoidance of withholding**

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

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

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

**(d) Payment to individuals**

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

**(e) Payment by another Paying Agent**

(except in the case of the payment of interest in respect of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent (or, in the case of the payment of principal in respect of Registered Notes, another Transfer Agent or, if applicable, the Registrar) in a Member State of the European Union.

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

## **9. Prescription**

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

## **10. Non-Payment when Due**

*Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 3(b), no principal, interest or any other amount will be due on the relevant payment date if the Issuer is not solvent for the purposes of Condition 3(b)(i), at the time of and immediately after any such payment. In the case of any payment of interest in respect of the Notes, such payment may be deferred pursuant to Condition 5(a) and will be deferred pursuant to Condition 5(b) (if Condition 5(b) applies) and, in each case, if so deferred will not be due on the relevant payment date and, in the case of payment of principal, such payment is subject to the conditions set out in Condition 6(b)(i) being met and if these conditions are not met will not be due on such payment date.*

**(a) *Proceedings for Winding-up***

If the Issuer shall not make payment in respect of the Notes (in the case of payment of principal and/or premium) for a period of seven days or more after the due date for the same or (in the case of any Interest Amount, Deferred Interest Payment or Accrued Interest Payment) shall not make payment for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed, the Notes and the Coupons and the Trustee may, notwithstanding the provisions of Condition 10(b), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment.

**(b) *Enforcement***

Without prejudice to Condition 10(a) and subject as provided in Condition 5(c)(viii), the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any payment obligation of the Issuer under or arising from the Notes, the Coupons or the Trust Deed, including, without limitation, payment of any principal or premium or satisfaction of any Payments in respect of the Notes or the Coupons, including any damages awarded for breach of any obligations) and in no event shall the Issuer by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. Nothing in this Condition 10(b) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from the Notes, the Coupons or the Trust Deed (including any damages awarded for breach of any obligations).

**(c) *Entitlement of Trustee***

The Trustee shall not be bound to take any of the actions referred to in Condition 10(a) or (b) above against the Issuer to enforce the terms of the Trust Deed, the Notes or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

**(d) *Right of Noteholders***

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

**(e) *Extent of Noteholders' remedy***

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

**11. Meetings of Noteholders, Modification, Waiver and Substitution**

**(a) *Meetings of Noteholders***

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts or Deferred Interest Payment on the

Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest or Deferred Interest Payment in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest is shown hereon, to reduce any such Minimum and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Nominal Redemption Amount, the Capital Disqualification Redemption Price, the Suspension Redemption Price, the Tax Redemption Price or the Optional Redemption Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (ix) to modify Condition 3, in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. The agreement or approval of the Noteholders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Conditions 6(c), 6(e) and 5(c)(vii) in connection with the substitution or variation of the Notes so that they become Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities (as the case may be), and to which the Trustee has agreed pursuant to the relevant provisions of Conditions 6(c), 6(e) or 5(c)(vii), as the case may be. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

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

**(b) *Modification of the Trust Deed***

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

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

**(c) *Notice to FSA***

No modification to these Conditions or any other provisions of the Trust Deed (other than a modification which is in the opinion of the Trustee 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).

**(d) *Substitution***

The Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders or Couponholders, may agree with the Issuer, without the consent of the Noteholders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 2 of any person or persons incorporated in any country in the world (other than the United States) (the "**Substitute Obligor**") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed, the Notes and the Coupons provided that:

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

business of the Issuer) on a subordinated basis equivalent to that referred to in Condition 3 and in the Trust Deed and in a form and manner satisfactory to the Trustee;

- (iii) if the directors of the Substitute Obligor or other officers acceptable to the Trustee shall certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected, the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer;
- (iv) (without prejudice to the rights of reliance of the Trustee under sub-paragraph (iii) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (v) (without prejudice to the generality of sub-paragraph (i) above) the Trustee may in the event of such substitution agree, without the consent of the Noteholders or Couponholders, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons and/or the Talons, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;
- (vi) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “**Substituted Territory**”) other than the territory of the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the “**Issuer’s Territory**”), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 8 with the substitution for the references in that Condition and in Condition 6(c) to the Issuer’s Territory of references to the Substituted Territory whereupon the Trust Deed, the Notes, the Coupons and the Talons, will be read accordingly; and
- (vii) the Issuer and the Substitute Obligor comply with such other requirements as are reasonable in the interests of the Noteholders, as the Trustee may direct.

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

## **12. Entitlement of the Trustee**

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

## **13. Indemnification of the Trustee**

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

## **14. Replacement of Notes, Certificates, Coupons and Talons**

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter



alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

## 15. Further Issues

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

## 16. Notices

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

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

## 17. Contracts (Rights of Third Parties) Act 1999

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

## 18. Definitions

“**Accrued Interest Payment**” means, as at any time, where these Conditions provide that interest shall continue to accrue after an Interest Payment Date in respect of a Note, the amount of interest accrued thereon in accordance with Condition 4 or 5(c)(v);

“**AISM Payment**” means any Deferred Interest Payment and/or any Substitution Accrued Amount and/or any Accrued Interest Payment pursuant to Condition 5(c)(v);

“**AISM Payment Date**” means the date on which an AISM Payment is to be satisfied pursuant to these Conditions;

“**Additional Amounts**” has the meaning given to it in Condition 8;

“**Alternative Interest Satisfaction Mechanism**” or “**AISM**” means the mechanism described in Condition 5(c);

“**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 may determine;

“**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;

“**Capital Disqualification Event**” is deemed to have occurred if as a result of any change to (or change to the interpretation by any court or authority entitled to do so) of the Directive or its Relevant Rules, the implementation of (or the interpretation by any court or authority entitled to do so of) Solvency II or its Relevant Rules, or any change to (or a change to the interpretation by any court or authority entitled to do so) of Solvency II or its Relevant Rules following their implementation:

- (i) the Notes are (a) not capable of counting or (b) would no longer be capable of counting; or
- (ii) in the circumstances where such capability derives only from transitional or grandfathering provisions under the Directive, Solvency II or the Relevant Rules, as appropriate, less than 100 per cent. of the principal amount of either (a) the Notes outstanding at such time or (b) any indebtedness outstanding at such time and classified in the same category as the Notes by the Supplementary Supervisor or the Group Supervisor, as appropriate, for the purposes of any transitional or grandfathering provisions under the Directive, Solvency II or the Relevant Rules, as appropriate, are capable, or would be capable, of counting,

as Tier 1 Capital for the purposes of the Issuer, the Group, or any insurance undertaking within the Group whether on a solo, group or consolidated basis, except where such non qualification is only as a result of any applicable limitation on the amount of such capital (other than the limitation set out in (ii) above);

“**Capital Disqualification Redemption Price**” has the meaning given to it in the relevant Final Terms;

“**Deferred Interest Payment**” means (i) any Interest Payment which, pursuant to Condition 5, the Issuer has elected or is required to defer and which has not been satisfied and (ii) any Interest Payment which, by reason of the condition to payment set out in Condition 3(b)(i), has not been satisfied;

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

“**Directors**” means directors of the Issuer;

“**Eligible Company**” means a company incorporated in 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 or Other Tier 1 Securities;

“**European Economic Area**” means the countries comprising the European Union together with Norway, Liechtenstein and Iceland;

“**FSA**” or the “**Financial Services Authority**” means the Financial Services Authority and any of its successor regulatory authorities or authority as applicable having primary supervisory authority with respect to the Issuer and/or the Group;

“**FSMA**” has the meaning given to it in Condition 6(c);

“**Group**” means the Issuer and its Subsidiaries;

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

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

“**holding company**” has the meaning given to it under Section 1159 of the Companies Act 2006 (as amended from time to time);

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

“**interest**” shall, where appropriate, include Interest Amounts, Deferred Interest Payments and Accrued Interest Payments;

“**Interest Payment**” means, in respect of an Interest Payment Date, the aggregate Interest Amounts for the Interest Accrual Period ending on such Interest Payment Date;

“**Junior Creditors**” means creditors of the Issuer whose claims rank, or are expressed to rank, junior to the claims of Noteholders, including the holders of Junior Securities;

“**Junior Securities**” means the Ordinary Shares, together with any other securities of any member of the Group ranking or expressed to rank junior to the Notes (either issued directly by the Issuer or by a subsidiary undertaking and the terms of which securities benefit from a guarantee or support agreement ranking or expressed to rank junior to the Notes);

“**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, other liabilities which are required to be taken into account for the purpose of section 123(2) of the Insolvency Act 1986 (as amended) and for subsequent events, in each case, in such manner as the Directors may determine;

“**London Stock Exchange**” means the London Stock Exchange plc;

“**Mandatory Interest Deferral Date**” means each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing;

“**Mandatory Settlement Date**” means the date which falls on the 99<sup>th</sup> anniversary of the Issue Date;

“**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 relevant 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;

A “**Notional Preference Share**” mean a preference share of a class of 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 most senior class or classes of preference shares with non-cumulative dividends in the capital of the Issuer from time to time and which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, all other classes of issued shares for the time being in the capital of the Issuer other than the Priority Preference Shares, but ranking junior to the claims of Senior Creditors and junior to 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 Securities in a winding-up of the Issuer is determined;

“**Optional Redemption Amount**” has the meaning given to it in the relevant Final Terms;

“**Ordinary Shares**” means ordinary shares of the Issuer, having on the Issue Date a par value of 25 pence each;

“**Other Tier 1 Securities**” means any securities (other than Ordinary Shares) which contain terms which comply with the then current requirements of the FSA in relation to Tier 1 Capital of the Issuer;

“**Outstanding**”, in relation to any Interest Payment, Deferred Interest Payment or Interest Amount not falling within the definition of Interest Payment, means that such payment (i) 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(b)(i) or the deferral, postponement or suspension of such payment in accordance with any of Condition 5, 5(c)(v), (vi) or (vii); and (ii) 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;

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

**“Parity Securities”** means the most senior ranking class or classes of preference shares in the capital of the Issuer from time to time (save for the Priority Preference Shares) and any other securities ranking or expressed to rank pari passu with the Notes and such preference shares whether issued directly by the Issuer or by a subsidiary undertaking and benefiting from a guarantee or support agreement ranking, or expressed to rank, pari passu with the Notes, including the Issuer’s €700,000,000 4.7291 per cent. Fixed/Floating Rate Direct Capital Instruments and £500,000,000 5.9021 per cent. Fixed/Floating Rate Direct Capital Instruments;

**“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(c)(ii)(A);

**“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 re-organisation 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(c), an amount not less than that which would have been receivable had such a Permitted Restructuring not taken place and (ii) the economic effect, for the Noteholders, of a holding of the Notes prior to the 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;

**“Preference Shares Required Terms”** has the meaning given to it in Condition 6(i);

**“Preference Share Substitution”** has the meaning given to it in Condition 6(i);

**“Priority Preference Shares”** means the 100,000,000 8.375 per cent. cumulative irredeemable preference shares of £1 each and 100,000,000 8.75 per cent. cumulative irredeemable preference shares of £1 each, in each case issued by the Issuer;

**“Qualifying Tier 1 Securities”** means securities issued directly or indirectly by the Issuer that:

- (i) have terms not materially less favourable to a holder than the terms of the Notes, including those relating to dividend and capital restrictions as described in Condition 5(bb), as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank and in respect of the matters specified in (1) to (7) below) signed by two Directors shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person) prior to the issue of the relevant securities, provided that they shall (1) contain terms which comply with then current requirements of the FSA in relation to Tier 1 Capital; (2) bear the same rate of interest from time to time applying to the Notes but not necessarily having provisions analogous to the provisions of Condition 5(c) and preserve the Interest Payment Dates; (3) contain terms providing for mandatory deferral of payments of interest and/or principal only if such terms are not materially less favourable to a holder thereof than the mandatory deferral provisions contained in these Conditions; (4) rank senior to, or pari passu with, the Notes; (5) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the

Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption, but provide that such Qualifying Tier 1 Securities may not be redeemed by the Issuer prior to the first Optional Redemption Date specified hereon (save for redemption, substitution or variation on terms analogous with the terms of Condition 6(c) or Condition 6(e) and subject to the same conditions as those set out in Condition 6(b)); (6) do not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption through a write-down of the nominal amount of Qualifying Tier 1 Securities or conversion of such Qualifying Tier 1 Securities into Ordinary Shares; and (7) preserve any existing rights under these Conditions to any Accrued Interest Payment, any Deferred Interest Payment and any other amounts payable under the Notes which, in each case, has accrued to Noteholders and not been paid; and

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

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

- (i) have terms not materially less favourable to a holder than the terms of the Notes, including those relating to dividend and capital restrictions as described in Condition 5(bb), as reasonably determined by the Issuer in consultation with an independent investment bank of international standing, and provided that a certification to such effect (including as to the consultation with the independent investment bank and in respect of the matters specified in (1) to (7) below) signed by two Directors shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person) prior to the issue of the relevant securities, provided that they shall (1) contain terms which comply with then current requirements of the FSA in relation to Upper Tier 2 Capital; (2) bear the same rate of interest from time to time applying to the Notes and preserve the Interest Payment Dates; (3) contain terms providing for mandatory deferral of payments of interest and/or principal only if such terms are not materially less favourable to a holder thereof than the mandatory deferral provisions contained in these Conditions; (4) rank senior to, or pari passu with, the Notes; (5) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption, but provide that such Qualifying Upper Tier 2 Securities may not be redeemed by the Issuer prior to the first Optional Redemption Date specified hereon (save for redemption, substitution or variation on terms analogous with the terms of Condition 6(c) or Condition 6(e) and subject to the same conditions as those set out in Condition 6(b)); (6) do not contain any term which provides for, requires or entitles the Issuer to effect any loss absorption through the a write-down of the nominal amount of Qualifying Upper Tier 2 Securities or conversion of such Qualifying Upper Tier 2 Securities into Ordinary Shares; and (7) preserve any existing rights under these Conditions to any Accrued Interest Payment, any Deferred Interest Payment and any other amounts payable under the Notes which, in each case, has accrued to Noteholders and not been paid but provided that such securities need not include provisions analogous to the provisions of Condition 5(c); and
- (ii) are listed or admitted to trading on the London Stock Exchange, the Luxembourg Stock Exchange or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

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

**“Regulatory Capital Requirements”** means any applicable capital resources requirement or applicable overall financial adequacy rule required by the FSA, as such requirements or rules are in force from time to time;

**“Regulatory Deficiency Interest Deferral Event”** means any event which under Solvency II and/or under the Relevant Rules requires the Issuer to defer payment of interest in respect of the Notes in order that the Notes could qualify as at least Tier 2 Capital under Solvency II and/or the Relevant Rules without the operation of any transitional or grandfathering provisions;

**“Regulatory Deficiency Redemption Deferral Event”** means any event which under Solvency II and/or under the Relevant Rules requires the Issuer to defer or suspend repayment or redemption of the Notes in order that the Notes could qualify as at least Tier 2 Capital under Solvency II and/or the Relevant Rules without the operation of any transitional or grandfathering provisions;

**“Relevant Date”** means (i) in respect of any payment other than a Solvency Claim to be paid by the Issuer in a winding-up of the Issuer, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Issuing and Paying Agent or the Trustee on or prior to such date, the “Relevant Date” means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Noteholders in accordance with Condition 16, and (ii) in respect of a Solvency Claim to be paid by the Issuer in a winding-up of the Issuer, the date which is one day prior to the commencement of the winding-up;

**“Relevant Rules”** means any legislation, rules or regulations (whether having the force of law or otherwise) in the UK, or if the FSA ceases to be the Supplementary Supervisor or ceases to be the Group Supervisor, in the jurisdiction of the Supplementary Supervisor or of the Group Supervisor, implementing the Directive or, as applicable, the Solvency II Directive and includes the FSA Handbook and any amendment, supplement or replacement thereof from time to time relating to the characteristics, features or criteria of own funds or capital resources;

**“Senior Creditors”** means (i) creditors of the Issuer who are unsubordinated creditors of the Issuer; (ii) 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, Tier 1 Capital or whose claims rank, or are expressed to rank *pari passu* with, or junior to, the claims of Noteholders); (iii) creditors of the Issuer whose claims constitute Tier 2 Capital (and such other securities outstanding from time to time which rank *pari passu* with, or senior to, any such Tier 2 Capital) (other than those whose claims would, but for any applicable limitation on the amount of such capital or disqualification of such outstanding debt securities from being Tier 1 Capital due to a change in law or regulation, constitute Tier 1 Capital); and (iv) holders of Priority Preference Shares;

**“Solvency Capital Requirement”** means the Solvency Capital Requirement or the group Solvency Capital Requirement referred to in, or any other capital requirement howsoever described in, the Solvency II Directive or the Relevant Rules;

**“Solvency Claim”** has the meaning given to it in Condition 3(b)(ii);

**“Solvency II”** means the Solvency II Directive and any implementing measures adopted pursuant to the Solvency II Directive (for the avoidance of doubt, whether implemented by way of regulation or by further directives or otherwise);

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

**“Subsidiary”** means each subsidiary for the time being of the Issuer;

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

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

**“Substitute Obligor”** has the meaning given to it in Condition 11(d);

**“Substituted Preference Shares”** has the meaning given to it in Condition 6(i)(i);

**“Substitution Preference Share Early Redemption Date”** has the meaning given to it in the relevant Final Terms;

**“Substituted Territory”** has the meaning given to it in Condition 11(d);

**“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 6(i)(ii);

**“Substitution Date”** has the meaning given to it in Condition 6(i)(i);

**“Substitution Notice”** has the meaning given in Condition 6(i)(i);

**“Supplementary Supervisor”** means the competent authority exercising supplementary supervision over the solvency of the Group in accordance with the Directive;

“**Suspension**” has the meaning given to it in Condition 5(c)(vii);

“**Suspension Redemption Price**” has the meaning given to it in the relevant Final Terms;

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

“**Tax Law Change**” has the meaning given to it in Condition 6(c)(i);

“**Tax Redemption Price**” has the meaning given to it in the relevant Final Terms;

“**Tier 1 Capital**” and “**Tier 2 Capital**” have the respective meanings given to them from time to time by the FSA;

“**Treaty**” means the Treaty establishing the European Communities (signed in Rome on 25 March 1957), as amended;

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

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland;

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

“**Upper Tier 2 Securities**” means the Issuer’s outstanding debt securities which constitute Upper Tier 2 Capital and such other securities outstanding from time to time which rank pari passu with such securities.

## **19. Governing Law**

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

## FINAL TERMS OF THE TIER 1 NOTES

Final Terms dated 2 May 2012

**Aviva plc**

Issue of US\$650,000,000 8.25 per cent. Fixed Rate Tier 1 Notes  
(the “**Tier 1 Notes**”)

under the £5,000,000,000

Euro Note Programme

### PART A – CONTRACTUAL TERMS FOR TIER 1 NOTES

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 1 Notes (the “**Conditions**”) set forth in the prospectus dated 2 May 2012 relating to the Tier 1 Notes. References in the Conditions to the “**Final Terms**” shall be deemed to refer to the final terms set out below.

1	<b>Issuer:</b>	Aviva plc
2	(i) Series Number:	7
	(ii) Tranche Number:	1
3	<b>Specified Currency or Currencies:</b>	US dollars (US\$)
4	<b>Aggregate Nominal Amount of Notes admitted to trading:</b>	
	(i) Series:	US\$650,000,000
	(ii) Tranche:	US\$650,000,000
5	<b>Issue Price:</b>	100 per cent. of the Aggregate Nominal Amount
6	(i) Specified Denominations:	US\$200,000 and integral multiples of US\$1,000 in excess thereof up to and including US\$399,000. No Notes in definitive form will be issued with a denomination above US\$399,000.
	(ii) Calculation Amount (Definitive Notes only):	US\$1,000
7	(i) Issue Date:	3 May 2012
	(ii) Interest Commencement Date:	Issue Date
8	<b>Interest Basis:</b>	8.25 per cent. Fixed Rate
9	<b>Change of Interest Basis:</b>	Not Applicable
10	<b>Put/Call Options:</b>	Issuer Call – see Condition 6(d) No Put Option
11	(i) Status of the Notes:	Tier 1 Notes
	(ii) Date of Board and committee of the Board approvals for issuance of Notes obtained:	7 March 2012 and 18 April 2012
12	<b>Method of distribution:</b>	Syndicated
<b>PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE</b>		
13	<b>Fixed Rate Note Provisions:</b>	Applicable
	(i) Rate(s) of Interest:	8.25 per cent. Fixed Rate per annum payable semi-annually in arrear on the Interest Payment Dates
	(ii) Interest Payment Date(s):	3 May and 3 November in each year, commencing on 3 November 2012
	(iii) Fixed Coupon Amount(s):	US\$41.25 per Calculation Amount



- (iv) Broken Amount(s): Not Applicable
- (v) Day Count Fraction: 30/360, being the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next Interest Payment Date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360
- (vi) Determination Dates: Not Applicable
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable

14 **Floating Rate Note Provisions:** Not Applicable

#### **PROVISIONS RELATING TO REDEMPTION**

- 15 **Call Option** Applicable
  - (i) Optional Redemption Date(s): 3 November 2017 and each Interest Payment Date thereafter
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): US\$1,000 per Calculation Amount
  - (iii) Notice period: As specified in Condition 6(d)
- 16 **Suspension Redemption Price:** US\$1,000 per Calculation Amount
- 17 **Tax Redemption Price:** US\$1,000 per Calculation Amount
- 18 **Capital Disqualification Call:** Applicable
- 19 **Capital Disqualification Redemption Price:** US\$1,000 per Calculation Amount
- 20 **Substitution Preference Share Early Redemption Date:** The first Optional Redemption Date or such other later date, as specified by the Issuer at the time of the substitution of the Notes with Substituted Preference Shares

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 21 **Form of Notes:** **Bearer Notes:**  
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
- 22 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:** London, New York
- 23 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** Yes
- 24 **Redenomination, renominalisation and reconventioning provisions:** Not Applicable
- 25 **Consolidation provisions:** Not Applicable
- 26 **Other final terms:** Not Applicable
- 27 **AISM Calculation Agent (if any) appointed on date of issue:** HSBC Bank plc

#### **DISTRIBUTION**

- 28 (i) **If syndicated, names of Joint Lead Managers:** Barclays Bank PLC  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom  
  
Citibank International Plc  
Citigroup Centre

Canada Square  
London E14 5LB  
United Kingdom

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

HSBC Bank plc  
8 Canada Square  
London E14 5HQ  
United Kingdom

J.P. Morgan Securities Ltd.  
125 London Wall  
London EC2Y 5AJ  
United Kingdom

**(ii) If syndicated, names of Co-Managers:**

DBS Bank Ltd.  
6 Shenton Way, #35-00  
DBS Building Tower One  
Singapore 068809

**(iii) Stabilising Manager(s) (if any):**

Not Applicable

**29 If non-syndicated, name of Dealer:**

Not Applicable

**30 Total commission:**

An underwriting commission of 1.50 per cent. of the Aggregate Nominal Amount of the Notes payable to the Managers and a placing commission of 0.50 per cent. of US\$607,000,000 payable to certain third parties

**31 U.S. Selling Restrictions:**

Reg. S Compliance Category 2; TEFRA D

**32 Additional selling restrictions:**

See section headed "Subscription and Sale" in this Prospectus

## **PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the £5,000,000,000 Euro Note Programme of Aviva plc.

## **RESPONSIBILITY**

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

Signed on behalf of the Issuer:

By: Susan Sharrock-Yates  
Duly authorised

## PART B – OTHER INFORMATION

### 1 LISTING

- (i) Listing: Application has been made for the Tier 1 Notes to be admitted to the official list of the UK Listing Authority Official with effect from the Issue Date
- (ii) Admission to trading: Application has been made for the Notes to be admitted to trading on London Stock Exchange's EEA Regulated Market with effect from the Issue Date
- (iii) Estimate of total expenses related to admission to trading: £5,205

### 2 RATINGS

- Ratings: The Notes are expected to be assigned the following ratings:
- Standard & Poor's Credit Market Services Europe Limited ("S&P"): BBB+
- S&P is established in the European Union and registered under Regulation (EC) No 1060/2009
- Moody's Investors Service Ltd. ("Moody's"): Baa1
- Moody's is established in the European Union and registered under Regulation (EC) No 1060/2009

### 3 ESTIMATED NET PROCEEDS

US\$637,215,000

### 4 YIELD

- Indication of yield: 8.25 per cent.
- The yield is calculated at the Issue Date on the basis of the Issue Price, it is not an indication of future yield.

### 5 OPERATIONAL INFORMATION

- ISIN Code: XS0778476340
- Common Code: 077847634
- Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): Not Applicable
- Delivery: Delivery against payment
- Names and addresses of additional Paying Agent(s) (if any): As set out in the section headed "Terms and Conditions of the Tier 1 Notes" herein

## UNITED KINGDOM TAXATION

*The comments below are of a general nature and are based on the Issuer's understanding of current United Kingdom law and practice relating to certain aspects of United Kingdom taxation of interest on the Tier 1 Notes and dividends on any Substituted Preference Shares and certain United Kingdom stamp duty and stamp duty reserve tax aspects relating to Substituted Preference Shares; they are subject to changes in law and practice, possibly with retrospective effect. The comments below deal only with the questions of whether payments of interest under the Tier 1 Notes and Coupons or dividends on Substituted Preference Shares may be made without withholding or deducting for or on account of United Kingdom income tax and with reporting requirements and some additional points regarding the potential impact of residence on taxation by direct assessment and certain limited points relating to United Kingdom stamp duty and stamp duty reserve tax. They do not deal with other United Kingdom tax consequences which might arise from holding Tier 1 Notes or Coupons or Substituted Preference Shares. They are not exhaustive and do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes or Coupons or Substituted Preference Shares and may not apply to certain classes of persons such as dealers, persons connected with the Issuer or certain professional investors, to whom special rules may apply. These comments do not purport to constitute legal or tax advice. Any holders of Tier 1 Notes or Coupons or Substituted Preference Shares who may be subject to tax in a jurisdiction other than the United Kingdom or are in any doubt as to their own tax position should consult their professional advisers.*

*Paragraphs (a) to (h) (inclusive) of the "United Kingdom Taxation" section incorporated by reference from the Base Prospectus shall be read together with the following:*

- (i) Payments of dividends on the Substituted Preference Shares may be made without deduction of, or withholding on account of, United Kingdom income tax.
- (j) No United Kingdom stamp duty or stamp duty reserve tax should be payable by Noteholders if the Issuer elects to substitute the Substituted Preference Shares for the Tier 1 Notes.
- (k) A United Kingdom stamp duty or stamp duty reserve tax charge will arise if the Substituted Preference Shares are transferred for consideration (currently at the rate of 0.5 per cent. of the consideration paid, with a rounding up to the nearest £5). In the ordinary course of events, liability to pay stamp duty or stamp duty reserve tax is that of the transferee or purchaser.

## SUBSCRIPTION AND SALE

The “Subscription and Sale” section incorporated by reference from the Base Prospectus shall be read together with the following:

### **Additional Selling Restrictions**

#### ***Hong Kong***

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Tier 1 Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Tier 1 Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Tier 1 Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance.

#### ***Japan***

The Tier 1 Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended (the FIEA)) and each Manager has represented and agreed that it will not offer or sell any Tier 1 Notes directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, a resident of Japan except pursuant to an exemption from registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### ***Singapore***

Each Manager has acknowledged that the Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”).

Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Tier 1 Notes may not be circulated or distributed, nor may Tier 1 Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

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

Where Tier 1 Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

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

of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Tier 1 Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law or as specified in Section 276(7) of the SFA.

### ***Switzerland***

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Tier 1 Notes described herein. The Tier 1 Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Tier 1 Notes constitutes a prospectus, as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this Prospectus nor any other offering or marketing material relating to the Tier 1 Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this or any other offering or marketing material relating to the offering, the Issuer or the Tier 1 Notes has been or will be filed with or approved by any Swiss regulatory authority. The Tier 1 Notes are not subject to the supervision by any Swiss regulatory authority, such as the Swiss Financial Markets Supervisory Authority, and investors in the Tier 1 Notes will not benefit from protection or supervision by any such authority.

*No Manager has been authorised to make any representation or use any information in connection with the issue, offering and sale of the Tier 1 Notes other than as contained in, or which is consistent with, this Prospectus.*

## GENERAL INFORMATION

- (1) The listing of the Tier 1 Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that the Tier 1 Notes will be admitted to listing on the Official List and to trading on the Market, subject only to the issue of the Global Note initially representing the Tier 1 Notes. The listing of the Programme on the Official List was granted on or about 7 November 2011. Prior to official listing and admission to trading of the Tier 1 Notes, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the London Stock Exchange will normally be effected for delivery on the third working day after the day of the transaction.
- (2) The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the establishment of the Programme and the issue of the Tier 1 Notes. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 9 November 2005 and the update of the Programme was authorised by a resolution of a committee of the Board of Directors of the Issuer passed on 24 October 2011, such committee of the Board of Directors, having been constituted in accordance with a meeting of the Board of Directors of the Issuer held on 7 November 2007. The issue of the Tier 1 Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 7 March 2012 and by a resolution of a committee of the Board of Directors of the Issuer passed on 18 April 2012.
- (3) Trevor Matthews was appointed as an executive director on the Board of Directors of the Issuer with effect from 2 December 2011. His business address is at St Helen's, 1 Undershaft, London EC3P 3DQ. Trevor Matthews is chairman of the Financial Skills Partnership and a commissioner for the UK Commission for Employment and Skills. There are no potential conflicts of interest between Trevor Matthews' duties to the Issuer and his private interests or duties.
- (4) There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2011, being the date of the last financial period for which either audited or interim financial information of the Issuer has been published, and no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2011, being the date to which the last published audited financial statements of the Issuer were made up.
- (5) Neither the Issuer, nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
- (6) The Tier 1 Notes, related Coupons and Talons will bear the following legend: *"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code"*.
- (7) The Tier 1 Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system is set out in the Final Terms of the Tier 1 Notes. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.
- (8) The Issuer does not intend to provide any post-issuance information in relation to the Tier 1 Notes.
- (9) For so long as any of the Tier 1 Notes are outstanding, the following documents will be available, during usual business hours and upon reasonable notice on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of each of the Paying Agents:
  - (i) the Supplemental Trust Deed relating to the Tier 1 Notes and the Trust Deed relating to the Programme;
  - (ii) the Agency Agreement relating to the Programme;
  - (iii) any AISM Calculation Agency Agreement relating to the Programme;

- (iv) the Memorandum and Articles of Association of the Issuer;
  - (v) the published Annual Report and Accounts of the Issuer in respect of each of the financial years ended 31 December 2010 and 31 December 2011; and
  - (vi) a copy of this Prospectus, together with all documents deemed to be incorporated by reference herein.
- (10) The annual accounts of the Issuer for the last two financial years have been audited. The consolidated accounts of the Issuer for the years ended 31 December 2010 and 31 December 2011 were audited by Ernst & Young LLP, Registered Auditor (authorised and regulated by the FSA for designated investment business), in accordance with auditing standards and have been reported on without qualification. The reports of the Issuer's auditors for the years ended 31 December 2010 and 31 December 2011 contained a statement that to the fullest extent permitted by law, the Issuer's auditors do not accept or assume responsibility to anyone other than the Issuer and the Issuer's members as a body for their audit work, for their report, or for the opinions they have formed. The address of Ernst & Young LLP is 1 More London Place, London SE1 2AF, United Kingdom.
- (11) The consolidated accounts of the Issuer for the years ended 31 December 2010 and 31 December 2011 which are incorporated into this Prospectus by reference do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the "Act"). Statutory accounts for such years have been delivered to the Registrar of Companies in England and Wales. The Issuer's auditors have made a report under Section 495 of the Act on the last statutory accounts that was not qualified within the meaning of Section 539 of the Act and did not contain a statement made under Section 498(2) or Section 498(3) of the Act.
- (12) The annual accounts of the Issuer for each financial year ending after 31 December 2011 will be audited by PricewaterhouseCoopers LLP (authorised and regulated by the FSA for designated investment business). The address of PricewaterhouseCoopers LLP is 7 More London Riverside, London SE1 2RT, United Kingdom.
- (13) The Sole Structuring Advisor and certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and/or its affiliates in the ordinary course of business.



**REGISTERED AND HEAD OFFICE OF THE ISSUER**

**Aviva plc**  
St Helen's  
1 Undershaft  
London EC3P 3DQ  
United Kingdom

**SOLE STRUCTURING ADVISOR**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**JOINT LEAD MANAGERS**

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

**Citibank International Plc**  
Citigroup Centre  
33 Canada Square  
London E14 5LB  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**J.P. Morgan Securities Ltd.**  
125 London Wall  
London EC2Y 5AJ  
United Kingdom

**CO-MANAGER**

**DBS Bank Ltd.**  
6 Shenton Way, #35-00  
DBS Building Tower One  
Singapore 068809

**TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.**  
Fifth Floor  
100 Wood Street  
London EC2V 7EX  
United Kingdom

## ISSUING AND PAYING AGENT AND PAYING AGENT

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

## AUDITORS

*Until 22 March 2012*  
**Ernst & Young LLP**  
1 More London Place  
London SE1 2AF  
United Kingdom

*Since 22 March 2012*  
**PricewaterhouseCoopers LLP**  
7 More London Riverside  
London SE1 2RT  
United Kingdom

## LEGAL ADVISERS

*to the Issuer*  
**Slaughter and May**  
One Bunhill Row  
London EC1Y 8YY  
United Kingdom

*to the Managers and the Trustee*  
**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom



**AVIVA**