



PENSION INSURANCE
CORPORATION

Pension Insurance Corporation plc

(incorporated with limited liability in England and Wales with registered no. 05706720)

£3,000,000,000

Euro Medium Term Note Programme

Under the £3,000,000,000 Euro Medium Term Note Programme (the “**Programme**”), Pension Insurance Corporation plc (“**PIC**” or the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”). Notes may be issued as dated or undated subordinated obligations with terms capable of qualifying as Tier 2 Capital (as defined herein) (any such dated subordinated obligations “**Dated Tier 2 Notes**”, any such undated subordinated obligations, “**Undated Tier 2 Notes**” and Dated Tier 2 Notes and Undated Tier 2 Notes together, “**Tier 2 Notes**”), or as dated or undated subordinated obligations with terms capable of qualifying as Tier 3 Capital (as defined herein) (any such dated subordinated obligations “**Dated Tier 3 Notes**”, any such undated subordinated obligations, “**Undated Tier 3 Notes**” and Dated Tier 3 Notes and Undated Tier 3 Notes together, “**Tier 3 Notes**”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £3,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase at any time.

This Prospectus has been approved as a base prospectus by the United Kingdom Financial Conduct Authority (the “**FCA**”), as competent authority under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the FCA should not be considered as an endorsement of the Issuer or of the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for Notes issued under the Programme (other than Exempt Notes (as defined below)) described in this Prospectus during the period of twelve months from the date of this Prospectus to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the Main Market of the London Stock Exchange (the “**Market**”). The Market is a regulated market for the purposes of European Council Directive 2014/65/EU (as amended, “**MiFID II**”). References in this Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The relevant Final Terms (as defined herein) or Pricing Supplement (as defined below) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other exchange). References in this Prospectus to “**Exempt Notes**” are to Notes for which no prospectus is required to be published pursuant to the Prospectus Regulation. In the case of Exempt Notes, notice of the aforesaid information which is applicable to each Tranche (as defined herein) will be set out in a pricing supplement document (“**Pricing Supplement**”). Accordingly, in the case of Exempt Notes, each reference in this Prospectus to information being specified or identified in the applicable Final Terms shall be read and construed as a reference to such information being specified or identified in the applicable Pricing Supplement, unless the context requires otherwise. **Information contained in this Prospectus regarding Exempt Notes shall not be deemed to form part of this Prospectus and the FCA has neither approved nor reviewed information contained in this Prospectus in connection with the offering and sale of Exempt Notes.**

Notice of the aggregate nominal amount of Notes, interest payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to such Notes will be set out in the applicable Final Terms (the “**Final Terms**”) which, with respect to Notes to be listed, will be delivered to the FCA and to the London Stock Exchange. Final Terms in respect of any issuance of Notes under the Programme will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

As at the date of this Prospectus, the Issuer has a long-term debt rating of A by Fitch Ratings Limited (“**Fitch**”). The Programme has been rated BBB+ (Tier 2 Notes) and BBB+ (Tier 3 Notes) by Fitch. Fitch is established in the European Union (which is deemed to include the UK as at the date of this Prospectus) and is registered under Regulation (EC) No. 1060/2009, as amended (the “**CRA Regulation**”). Fitch appears on the latest update of the list of registered credit rating agencies (as of 9 March 2020) on the

European Securities and Markets Authority (“ESMA”) website <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>.

Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, its rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security 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. Where a Series of Notes is rated, its rating will be specified in the applicable Final Terms.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or the securities laws of any state of the United States and the Notes may not be offered, sold or delivered in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act and applicable state securities laws is available. Accordingly, the Notes are being offered and sold to certain persons outside the United States who are not U.S. persons in accordance with Regulation S under the Securities Act. See “*Provisions Relating to the Notes while in Global Form*” for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see “*Subscription and Sale*”.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus.

Arranger

J.P. Morgan Cazenove

Dealers

Barclays	BNP PARIBAS	BofA Securities
Citigroup	Credit Suisse	Deutsche Bank
HSBC	J.P. Morgan Cazenove	Morgan Stanley
NatWest Markets	Nomura	RBC Capital Markets

Important Information

This Prospectus constitutes a base prospectus for the purposes of Article 8 of the Prospectus Regulation.

This Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the “EEA”) or the United Kingdom (the “UK”) and/or offered to the public in the EEA or the UK other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation. The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of any Notes, prepare a supplement to this Prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes in compliance with section 87G of the Financial Services and Markets Act 2000 (as amended, “FSMA”). The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Prospectus is no longer valid.

This Prospectus is to be read in conjunction with any amendment or supplement hereto and with all documents (or sections of documents) which are incorporated herein by reference (see “*Documents Incorporated by Reference*” below) and shall be read and construed on the basis that such documents (or sections of documents) are incorporated in and form part of this Prospectus. Further, in relation to any Series of Notes, this Prospectus should be read and construed together with the applicable Final Terms.

No person is or has been authorised to give any information or to make any representation other than those contained in or consistent with this Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, any Dealer (as named and defined in “*Subscription and Sale*” below) or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Dealers and the Trustee have not separately verified the information contained in this Prospectus. None of the Dealers nor the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or as to any act or omission of the Issuer or any other person in connection with the offering of any Notes. None of the Dealers nor the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of any Notes or their distribution. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, the Dealers or the Trustee that any recipient of this

Prospectus or any other information supplied in connection with the offering of any Notes should purchase such Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. None of the Dealers nor the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in any Notes of any information coming to their attention.

Responsibility Statement

The Issuer accepts responsibility for the information contained in this Prospectus and the Final Terms relating to any Series of Notes. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and the Prospectus does not omit anything likely to affect the import of such information.

No Incorporation of Websites

Other than in relation to the documents which are deemed to be incorporated in this Prospectus by reference, the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

Important Information Relating to the Use of this Prospectus and Offers of Notes Generally

The distribution of this Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms come are required by the Issuer, the Dealers and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*".

Neither this Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers, the Trustee or any of them that any recipient of this Prospectus or any Final Terms should subscribe for or purchase any Notes (see "*Subscription and Sale*" below). Each recipient of this Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, this Prospectus has been prepared on the basis that any offer of Notes in any Member State of the EEA or the UK will be made pursuant to an exemption under the Prospectus Regulation from the

requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in a Member State or the UK of Notes which are the subject of an offering contemplated in this Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the U.S., the UK and the EEA. Persons in receipt of this Prospectus are required by the Issuer, the Dealers and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Prospectus, see “*Subscription and Sale*” below.

Restrictions on Marketing and Sales

The Notes may not be a suitable investment for all investors. Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (d) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

MiFID product governance/target market – The applicable Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes will include a legend entitled “*MiFID II product governance*” which may outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Important – EEA and UK retail investors – If the Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA and UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “**PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIPs Regulation.

Product Classification pursuant to Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”) – Unless otherwise stated in the applicable Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes, all Notes issued or to be issued under the Programme shall be “prescribed capital market products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the “**MAS**”) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Benchmarks Regulation

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (as amended, the “**Benchmarks Regulation**”). If any such reference rate does constitute such a benchmark, the applicable Final Terms (or Pricing Supplement, as the case may be) will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation.

Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the applicable Final Terms (or Pricing Supplement, as the case may be). The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the applicable Final Terms (or Pricing Supplement, as the case may be) to reflect any change in the registration status of the administrator.

U.S. Information

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES APPROVED THIS PROSPECTUS OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the U.S. or to U.S. persons, as defined in Regulation S under the Securities Act. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "*Subscription and Sale*" below. Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Sources

Where third party information has been used in this Prospectus, the source of such information has been identified. The Issuer confirms that such information has been accurately reproduced and, so far as the Issuer is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Presentation of Financial and Other Information

In this Prospectus, unless otherwise specified, all references to "**pounds**", "**sterling**", "**£**", "**p**" or "**pence**" are to the lawful currency of the UK and all references to "**euros**", "**€**" or "**EUR**" are to the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended.

The financial information presented in a number of tables in this Prospectus has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Forward-Looking Statements

This Prospectus includes certain “forward-looking statements”. Statements that are not historical facts, including statements about the beliefs and expectations of the Issuer, Pension Insurance Corporation Group Limited (“**PICG**”) and PICG and its subsidiaries (the “**PICG Group**”) and their respective directors or management, are forward-looking statements. Words such as “believes”, “anticipates”, “estimates”, “expects”, “intends”, “plans”, “aims”, “potential”, “will”, “would”, “could”, “considered”, “likely”, “estimate” and variations of these words and similar future or conditional expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond the control of the Issuer, PICG or the PICG Group and all of which are based on their current beliefs and expectations about future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Issuer, PICG or the PICG Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer, PICG and the PICG Group and the environment in which the Issuer and the PICG Group will operate in the future. These forward-looking statements speak only as at the date of this Prospectus.

To the extent required by applicable law or regulation (including as may be required by the Companies Act 2006 (as amended, the “**Companies Act**”), the Prospectus Regulation Rules of the FCA made under section 73A of the FSMA, the listing rules of the FCA made under section 73A of the FSMA, Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA (as set out in the FCA’s Handbook of Rules and Guidance) and the FSMA), the Issuer will update or revise the information in this Prospectus. Otherwise, the Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Alternative Performance Measures

To supplement its consolidated financial statements presented in accordance with IFRS (as defined below), the PICG Group uses certain ratios and measures included or referred to in this Prospectus that would be considered Alternative Performance Measures (“**APMs**”) as defined in the ESMA Guidelines. These measures are considered useful to investors to enhance their understanding of the PICG Group’s financial performance. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Where applicable, an explanation of an APM’s components and calculation method can be found in this Prospectus and the documents incorporated by reference herein.

Stabilisation

In connection with the offering of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (or persons acting on behalf of the Stabilisation Manager(s)) in the relevant Final Terms or Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

Table of Contents

Important Information	3
General Description of the Programme	11
Risk Factors	19
Documents Incorporated by Reference	57
Terms and Conditions of the Tier 3 Notes	58
Terms and Conditions of the Tier 2 Notes	124
Provisions Relating to the Notes while in Global Form	189
Use of Proceeds	196
Description of the Issuer	197
Regulatory Overview	232
Taxation	243
Subscription and Sale	244
Form of Final Terms for Tier 3 Notes	248
Form of Final Terms for Tier 2 Notes	258
Form of Pricing Supplement for Tier 3 Notes	268
Form of Pricing Supplement for Tier 2 Notes	278
General Information	289

General Description of the Programme

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or Pricing Supplement, as the case may be). Any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) 2019/980.

Words and expressions defined in “Terms and Conditions of the Tier 3 Notes” and “Terms and Conditions of the Tier 2 Notes” below shall have the same meanings in this overview.

Issuer	Pension Insurance Corporation plc
LEI	M31AVDIX8NY21MAUQF46.
Description	Euro Medium Term Note Programme.
Size	£3,000,000,000 (or its equivalent in other currencies calculated as described herein) from time to time, subject to increase at any time.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. See “ <i>Risk Factors</i> ” below.
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Currencies	Subject to compliance with all applicable laws and regulations, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer at the time of issue.
Maturity	<p>The Maturity Date (if applicable) will be agreed between the Issuer and the relevant Dealer(s) at the time of issue of the relevant Notes.</p> <p>The Undated Tier 2 Notes and the Undated Tier 3 Notes are perpetual securities in respect of which there is no maturity date.</p>
Interest Provisions	Notes will either bear interest payable at a fixed rate, a floating rate or at a rate which may be reset periodically during the life of the Note.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Reset Notes or a combination of the foregoing.

The margin applicable to the Notes (if any) will be agreed between the Issuer and the relevant Dealer(s) at the time of issue of the relevant Notes and specified in the relevant Final Terms or Pricing Supplement.

The length of all interest periods for all Notes and the applicable Rate of Interest or its method of calculation may differ from time to time or be constant for any Series.

Fixed Rate Notes

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms or Pricing Supplement and will be calculated on the basis of such Day Count Fraction as specified in the relevant Final Terms or Pricing Supplement.

Floating Rate Notes

Unless a Benchmark Event has occurred, Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series; or
- (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms or Pricing Supplement. Notes may have a Maximum Rate of Interest, a Minimum Rate of Interest or both.

Fixed Rate Reset Notes

Fixed interest will be payable at the Initial Rate of Interest in arrear on the Interest Payment Date(s) in each year for an initial period as specified in the relevant Final Terms or Pricing Supplement. Thereafter, unless a Benchmark Event has occurred, the interest rate may be recalculated on certain dates specified by reference to a Benchmark Gilt Rate, CMT Rate or Mid-Market Swap Rate for the relevant currency, and for a

period equal to the Reset Period, as adjusted for any applicable margin, in each case as specified in the relevant Final Terms or Pricing Supplement.

Fixed to Floating Rate Notes

Interest on the Fixed to Floating Rate Notes will bear a fixed rate of interest during the period from (and including) the Interest Commencement Date to (but excluding) the Fixed Period End Date specified in the relevant Final Terms or Pricing Supplement and from (and including) the Fixed Period End Date will bear interest on the same basis as Floating Rate Notes.

Benchmark Discontinuation

If a Benchmark Event occurs, such that any Rate of Interest (or any component part thereof) cannot be determined by reference to the Original Reference Rate, then the Issuer may (subject to certain conditions) be permitted to substitute such Original Reference Rate with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of the relevant Series of Notes and the application of an adjustment spread (which could be positive, negative or zero)).

Status and Subordination of Tier 3 Notes

The Tier 3 Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* without preference among themselves. The rights of the holders of the Tier 3 Notes against the Issuer to payment of any amounts under or arising from the Notes will, in the event of the winding-up of the Issuer, be subordinated to the claims of all Senior Creditors (as defined in “*Terms and Conditions of the Tier 3 Notes*”).

Status and Subordination of Tier 2 Notes

The Tier 2 Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* without preference among themselves. The rights of the holders of the Tier 2 Notes against the Issuer to payment of any amounts under or arising from the Notes will, in the event of the winding-up of the Issuer, be subordinated to the claims of all Senior Creditors (including holders of any Tier 3 Notes) (as defined in “*Terms and Conditions of the Tier 2 Notes*”).

Solvency Condition

Except in a winding-up, all payments in respect of the Notes (including, without limitation, payments of interest and principal) will be conditional upon the Issuer satisfying the Solvency Condition (as defined in “*Terms and Conditions of the Tier 3 Notes*” and “*Terms and Conditions of the Tier 2 Notes*”, respectively), and no amount will be payable in respect of the Notes until such time as the same can be paid in compliance with the Solvency Condition.

Interest Deferral

Subject to certain conditions, where “Optional Interest Deferral” is specified as applicable in the relevant Final Terms or Pricing Supplement, the Issuer may elect in certain scenarios to defer interest payments on the Notes. Where “Dividend and Capital Restriction” is specified as applicable in the relevant Final Terms or Pricing Supplement, the Issuer may only make such election on an Optional Interest Payment Date.

The Issuer will also be required to defer interest payments on any Interest Payment Date if (i) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if the relevant payment of interest were made or (ii) the relevant payment of interest cannot be made in compliance with the Solvency Condition, in each case as more fully described in the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable.

Any interest which is deferred in accordance with the Solvency Condition or mandatory or optional deferral provisions contained in the Terms and Conditions of the Tier 3 Notes or the Terms and Conditions of the Tier 2 Notes, as applicable, will, for so long as it remains unpaid, constitute Arrears of Interest. Arrears of Interest will not themselves bear interest, and will be payable by the Issuer as provided in Condition 5(e) in respect of the Tier 2 Notes and Condition 5(d) in respect of the Tier 3 Notes.

Redemption Deferral

The Issuer is required to defer any scheduled redemption of Notes (whether at maturity (if any) or if it has given notice of early redemption) if (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the relevant Series of Notes were redeemed, (ii) the relevant Series of Notes cannot be redeemed in compliance with the Solvency Condition, or (iii) the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or the Relevant Regulator objects to the redemption or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date.

Redemption

The terms under which Notes may be redeemed (including, in the case of Dated Tier 3 Notes and Dated Tier 2 Notes, the Maturity Date and the price at which they will be redeemed on the Maturity Date as well as any provisions relating to early redemption of the Notes) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Notes.

The Undated Tier 3 Notes and the Undated Tier 2 Notes are perpetual securities in respect of which there is no maturity date.

Optional Redemption

The Final Terms or Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed at the option of the Issuer (in whole, but not in part) and, if so, the terms applicable to such redemption.

As set out more fully in the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable, Notes may also be redeemed at the option of the Issuer following the occurrence of one or more of a tax-related event (as described in each Condition 6(d) in respect of each of the Tier 2 Notes and Tier 3 Notes), Capital Disqualification Event and/or Rating Methodology Event. In addition, where "Issuer Residual Call" is specified as applicable in the relevant Final Terms or Pricing Supplement, Notes may also be redeemed at the option of the Issuer if at any time after the Issue Date 80 per cent. or more of the aggregate principal amount of the relevant Series originally issued has been purchased by the Issuer or any of its Subsidiaries and cancelled, as set out more fully in the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable.

No Notes may be redeemed at the option of the Noteholders.

Variation or Substitution for Taxation Reasons, Capital Disqualification Event and/or Rating Methodology Event

In addition to the optional redemption rights described above, and as set out more fully in the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable, Notes may be substituted for, or their terms varied so that they become, Qualifying Tier 3 Securities, Qualifying Tier 2 Securities or Rating Agency Compliant Securities, as applicable, following the occurrence of one or more of a tax-related event (as described in each Condition 6(d) in respect of each of the Tier 2 Notes and Tier 3 Notes), Capital Disqualification Event and/or Rating Methodology Event.

Set-off

By acceptance of the Notes, subject to applicable law, each Noteholder will be deemed to have waived and to have directed and authorised the Trustee on its behalf to have waived any right of set-off, compensation or retention that such Noteholder might otherwise have against the Issuer in respect of or arising under the Notes or the Trust Deed whether prior to or in winding-up or administration.

Purchases

Subject to certain limited exceptions as more fully described in the Conditions, the Issuer or any of the Issuer's Subsidiaries may at any time purchase Notes in any manner and at any price.

Enforcement Rights

In respect of each Series of Notes, the right to institute winding-up proceedings is limited to circumstances where payment has become due and is not duly paid.

In respect of each Series of Notes, if default is made by the Issuer for a period of 14 days or more in the payment of any amount due under the Notes, the Trustee at its discretion may, and if so directed by Noteholders of at least one quarter in principal amount of the relevant Series of Notes then outstanding or if so directed by an Extraordinary Resolution shall (having been indemnified and/or secured and/or pre-funded to its satisfaction), institute proceedings for the winding-up of the Issuer but may take no further or other action to enforce, prove or claim for any such payment.

In respect of each Series of Notes, if an order or resolution is made for the winding-up of the Issuer (other than an Approved Winding-up) or an administrator of the Issuer gives notice of its intention to declare a distribution, the Trustee at its discretion may, and if so directed by Noteholders of at least one quarter in principal amount of the relevant Series of Notes then outstanding or if so directed by an Extraordinary Resolution shall (having been indemnified and/or secured and/or pre-funded to its satisfaction), prove in the winding-up or administration of the Issuer and/or claim in the liquidation of Issuer, but (in either case) may take no further or other action to enforce, prove or claim for any payment by Issuer in respect of such Notes, the Coupons or the Trust Deed.

Substitution of the Issuer The Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes each permit the Trustee, subject to certain conditions, to agree to the substitution in place of the Issuer without the consent of the Noteholders.

Method of Issue The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the applicable Final Terms.

Form and Denomination The Notes will be issued in either bearer or registered form and may be issued in New Global Note (“**NGN**”) or held under the New Safekeeping Structure (“**NSS**”) form as described in “*Provisions Relating to the Notes while in Global Form*”.

Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Specified Denominations Notes will be in such denominations as may be specified in the applicable Final Terms, save that in the case of any Notes which are to be admitted to trading on a regulated market within the EEA or the UK or offered to the public in an EEA Member State or the UK in circumstances which would otherwise require the publication of a prospectus under the Prospectus Regulation, the minimum specified denomination shall be EUR 100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

Selling Restrictions United States, EEA, UK, Japan, Singapore and Belgium. See "*Subscription and Sale*".

Listing Application has been made to the FCA for Notes (other than Exempt Notes) issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

Exempt Notes may be unlisted and/or may be admitted to trading on another market or stock exchange, as set out in the applicable Pricing Supplement.

Clearing System(s) Clearstream, Luxembourg and Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer.

Ratings As at the date of this Prospectus, the Issuer has a long term debt rating of A by Fitch. The Programme has been rated BBB+ (Tier 2 Notes) and BBB+ (Tier 3 Notes) by Fitch. Fitch is established in the European Union (which is deemed to include the UK as at the date of this Prospectus) and is registered under the CRA Regulation.

Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, its rating will be specified in the applicable Final Terms or Pricing Supplement. Where a Series of Notes is rated, its rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency.

A security 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.

Taxation	Payments by or on behalf of the Issuer in respect of the Notes and Coupons shall be made without deduction or withholding for or on account of any taxes, duties, assessments or governmental charges or whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the UK or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is required by law, the Issuer shall pay such additional amounts in respect of interest payments (including Arrears of Interest), but not in respect of principal, as shall result in receipt by the Noteholders and Couponholders of such net amounts as would have been receivable by them in respect of the Notes and Coupons, as the case may be, had no such withholding or deduction been required by law to be made, subject to certain exceptions.
Governing Law	English law.
Trustee (Representation of Noteholders)	Citicorp Trustee Company Limited
Issuing and Paying Agent	Citibank, N.A., London Branch
Registrar	Citigroup Global Markets Europe AG
Arranger	J.P. Morgan Securities plc
Dealers	Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch HSBC Bank plc J.P. Morgan Securities plc Merrill Lynch International Morgan Stanley & Co. International plc NatWest Markets Plc Nomura International plc RBC Europe Limited

Risk Factors

The Issuer believes that the following factors, which are specific to the Issuer, may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur.

In addition, risk factors which are specific to the Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme as at the date of this Prospectus. If any or a combination of these risks actually occurs, the business, results of operations, financial condition and/or prospects of the Issuer could be materially and adversely affected, which could result in the Issuer being unable to pay interest, principal or other amounts on or in connection with any Notes or materially and adversely affect the trading price of any Notes. The Issuer may, however, be unable to pay interest, principal or other amounts, as applicable, on or in connection with Notes issued under the Programme for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in “Terms and Conditions of the Tier 3 Notes” and “Terms and Conditions of the Tier 2 Notes” below shall have the same meanings in this section.

RISKS RELATED TO THE ISSUER

1. Risks relating to the business of the Issuer

1.1 The Issuer enters into reinsurance treaties, agreements and hedging contracts with a range of counterparties. Any failure by those counterparties to meet their obligations to the Issuer could have a material adverse effect on the Issuer’s financial condition

Credit risk arises from the risk of loss due to the default in another party performing its financial obligations to the Issuer.

The Issuer enters into both quota share and longevity swap reinsurance arrangements in respect of its longevity related liabilities with a range of counterparties. In the event of default or other failure by any reinsurance counterparty to meet its obligations to the Issuer, the Issuer’s ability to meet its own obligations to the policyholder may be affected. As well as potentially adversely impacting the reputation of the Issuer, this could have a material adverse effect on the Issuer’s business, results of operations and/or financial condition.

The Issuer has reinsurance contracts in place with a range of external reinsurers. These reinsurers include the following (being the reinsurers to which the Issuer has its largest reinsurance exposures as at the date of this Prospectus): the Prudential Insurance Company of America, Canada Life, Hannover Re, SCOR, RGA, Pacific Life and Berkshire Hathaway Life Insurance Company of Nebraska. As such, a failure of a reinsurance counterparty could have a material adverse effect on the Issuer’s business, results of operations and/or financial condition.

The Issuer is exposed to counterparty risk in relation to the interest rate and inflation hedging contracts to which it is a party. These hedging contracts are fully collateralised on a daily basis. In the normal course of business, the Issuer expects to be able to replace the contracts of any defaulting counterparty. However, the Issuer is exposed to overnight collateral risk and a default by a hedging counterparty could have an adverse effect on the Issuer's business, results of operations and/or financial condition.

Counterparty risk also arises by virtue of the Issuer's relationships with its third party service providers and its outsourcing arrangements. A default by such a third party service provider or a failure by such a service provider to perform its obligations to the Issuer could have a material impact on the Issuer's business, results of operations and/or financial condition.

See the risk factor entitled "*The Issuer has exposure to default and downgrade risk in relation to its investments*" below for discussion of default risk in the context of the Issuer's investments.

1.2 *The Issuer only writes one line of insurance business and therefore currently faces concentration risk and may in future face risks relating to expansion*

The Issuer's insurance business is currently limited to insuring the liabilities of defined benefit pension funds, in-payment annuities and deferred annuities for which the benefit amounts are well defined either in real or nominal terms, and where sufficient data are available to enable assessment of the value of those liabilities. If the data on which the Issuer relies in order to assess the liabilities are incorrect or unreliable, or the cost of such liabilities becomes subject to a sudden, unexpected or unprotected increase, in the absence of sufficient reinsurance arrangements and other reserves, the Issuer may not be prepared or able to cover the increased cost of such liabilities. As the Issuer does not write diversified lines of business, this could have an adverse impact on the Issuer's business, results of operations and/or financial condition.

There can also be no assurance that the Issuer will continue to write a single line of insurance business and any decision by the Issuer to change its business strategy or to write new types of insurance business could result in the Issuer being subject to different solvency or other regulatory requirements. Future diversification of the Issuer's business could also subject it to risk which could affect its existing business, including increased conduct risks should the Issuer begin to issue individual annuity policies. Conduct risk could arise as a result of the Issuer's interaction with policyholders and represents the risk that the Issuer achieves outcomes which are, or could be expected to become, detrimental to policyholders. This in turn could result in regulatory censure and fines, the suspension or revocation of regulatory permissions and/or approvals, additional costs incurred, policyholders redress and/or reputational damage. See also the risk factor entitled "*The Issuer may be subject to litigation, legal proceedings and/or regulatory investigations in the future (including investigation and intervention by the FCA and/or PRA), which could have a material adverse effect on its business and results of operations*" below.

In addition, future diversification of the Issuer's business or the commencement of other lines of business by members of the Issuer could have an adverse impact on the Issuer's business, results of operations and/or financial condition.

1.3 *The Issuer's capital position may be impacted by sudden increases in longevity expectations*

The Issuer has a specific risk appetite, with its primary insurance-related risk being longevity risk. To mitigate longevity risk, the Issuer aims to reinsure the majority of longevity risk by entering into reinsurance treaties after a buy-in or buyout pension insurance transaction is executed. However, the Issuer is subject to limitations in respect of the liabilities for which it can obtain reinsurance cover. In any event, the Issuer will only obtain reinsurance cover where it is economical to do so; the proportion of longevity risk that is retained by the Issuer will depend on the availability and cost of suitable reinsurance cover, as well as the nature of the underlying risks. Reinsurance arrangements are managed subject to the Issuer's defined counterparty risk limits.

There are additional uncertainties associated with longevity risk as a result of the length of the period for which the risk persists and difficulties in predicting future drivers of longevity improvements. There is a risk that the Issuer's assumptions regarding longevity are incorrect or inaccurate, such that policyholders live longer than was originally assumed when pricing new business (e.g., following a step change in cancer diagnostics or Alzheimer's treatment). Within this, the Issuer is exposed to longevity "basis risk" and "measurement lag risk". Basis risk occurs where patterns detected are not commensurate with the subgroups that are relevant to the Issuer (for example national trends may not be relevant to the membership of UK defined benefit schemes). Measurement lag risk applies where well-defined improvement patterns do not become apparent in the data until a period of time has first elapsed. See also the risk factor entitled "*Inaccurate data, incorrect projections or incorrect assumptions may result in the Issuer holding insufficient reserves to support its liabilities*" below.

Changes in longevity expectations may result in the Issuer having to hold a higher level of reserves and/or capital and/or may impact the Issuer's profitability, which could have an adverse impact on the Issuer's business, results of operations and/or financial condition.

1.4 *Inaccurate data, incorrect projections or incorrect assumptions may result in the Issuer holding insufficient reserves to support its liabilities*

The Issuer makes assumptions relating to the proportion of policyholders who are married, the age of a policyholder's spouse and the proportion of benefits that will be taken as a lump sum compared to those taken as regular payments. There may be instances in which the proportion of policyholders who are married is higher than expected and a greater number of spouses than anticipated are eligible to receive benefits following the deaths of policyholders, requiring the Issuer to pay a greater than expected amount of contingent spouse benefits. Similarly, the Issuer may be required to pay out more than expected where a deceased policyholder's spouse, who is eligible to receive benefits following the death of a policyholder, is younger than assumed, leading to a longer than expected stream of benefit payments. In the event that a greater proportion of benefits across the policyholder base is drawn down as a lump sum than is anticipated, the Issuer could be required to meet more upfront payments than expected, although in this instance the Issuer is released from the obligation to pay the regular annuity benefits that are being settled via the lump sum payment, with a corresponding release of reserve margins and capital.

The Issuer holds reserves to ensure that it has sufficient funds available to pay its insurance liabilities when they fall due. The reserves are based on, among other things, the assumptions reflecting the Issuer's best estimate of such liabilities at the time, allowing a margin for risk and adverse deviation, and the reserves include allowance for expenses. The Issuer monitors actual experience as compared with the actuarial assumptions used and it refines its assumptions on the basis of experience. While the Issuer currently believes that the reserves established in respect of the Issuer's business are sufficiently conservative to meet its obligations to policyholders, and include reserving for the expenses associated with servicing these obligations, the Issuer's assumptions may prove to be incorrect or inaccurate (whether as a result of miscalculation by the Issuer, changes in factors such as longevity which are outside the Issuer's control, or inaccuracies in the data held by the Issuer), and as such the amount the Issuer is required to pay policyholders, and the expenses and outgoings incurred by the Issuer, may be greater than the Issuer's reserves and the Issuer could be required to establish additional reserves which would have a material impact on the Issuer's business, results of operations and/or financial condition.

Inaccuracies in data held by the Issuer or in projections or assumptions made by the Issuer may result in the Issuer having to hold a higher level of reserves and/or capital which could have an adverse impact on the Issuer's business, results of operations and/or financial condition.

1.5 The unavailability of adequate reinsurance coverage may adversely impact the Issuer

The Issuer enters into longevity reinsurance arrangements with third party reinsurers in order to cover a proportion of its risk. The availability and cost of reinsurance depends upon market conditions, and reinsurers' own financial condition. Changes to the legislation and regulation applicable to the Issuer or its reinsurers could have material impacts on the Issuer's ability to obtain reinsurance coverage, particularly where such changes give rise to an increase in the cost of reinsurance cover or reluctance of reinsurers to reinsure the risks applicable to the Issuer. In any event, the Issuer will only obtain reinsurance cover where it is economical to do so and in line with the Issuer's risk appetite.

It is possible that the Issuer could enter into a buy-in or buyout transaction and subsequently be unable to obtain a level of reinsurance in respect of the liabilities assumed in line with the Issuer's risk appetite. If the Issuer is unable to obtain reinsurance, either due to a lack of reinsurance coverage available (whether as a result of conditions in the reinsurance market or otherwise), or reinsurance cover is available but only on terms the Issuer is not willing or able to meet, the Issuer would be required to retain a portion of risk in excess of the Issuer's risk appetite and would be subject to higher capital requirements as a result. This could have a material adverse effect on the Issuer's business, results of operations and/or financial condition.

1.6 Failure by the Issuer appropriately to hedge its liabilities in relation to a buy-in or buyout transaction or for the purposes of portfolio management could adversely impact the Issuer

The Issuer uses derivatives to manage aspects of its investment activities, asset allocation and risk management, which can include cross currency swaps, forward exchange contracts, credit default swaps, interest rate swaps, inflation swaps and futures.

Interest and inflation swaps are used for the purpose of matching assets and liabilities, and credit default swaps are used to manage credit risk. The Issuer often provides pricing quotes for buy-in or buyout transactions which include assumptions about the hedging arrangements that may be put in place following the completion of the transaction. There is a risk that the Issuer may not be able to enter into appropriate hedging arrangements, or a risk that it would be unable to do so at a reasonable cost, following the execution of the relevant buy-in or buyout transaction.

The Issuer is further exposed more generally to execution risk in respect of hedging transactions entered into after the completion of buy-in and buyout transactions and in respect of future replacements or renewals of such hedging arrangements. Failure by the Issuer adequately to hedge its liabilities, whether as a result of execution risk or otherwise, could have a material impact on the Issuer's business, results of operations and/or financial condition.

1.7 The Issuer operates in a sector in which results of operations and in particular the volume of new business can vary from year to year

The volume of pension fund buy-ins and buyouts will fluctuate over time and from year to year as a result of, among other things, changes in the affordability of pension fund buy-in and buyout transactions.

Past performance is not an indicator of future performance and there can be no assurance that the Issuer will write the same volume of business as in previous years or that there will be linear transaction growth in the pension fund buy-in/buyout sector. Similarly, there can be no assurance that the Issuer's business will not be affected by any adverse publicity arising from any difference between the Issuer's results of operations in any financial year and commentators' expectations for such results.

1.8 Circumstances may arise which result in the Issuer ceasing to write new business in the future

There is a variety of factors which could result in the Issuer being unable to write new business in the future including, but not limited to, the actions of key personnel, regulatory intervention and/or adverse market conditions.

Changes in pensions regulation and legislation in particular may have an adverse effect on the volume of new business written by the Issuer. The Pensions Act 2004 (as amended, the "**Pensions Act**") introduced changes to the way in which pension fund liabilities are managed by increasing the regulatory requirements for defined benefit occupational pension funds. These included, among other things, introducing a requirement for the pension fund sponsor to meet any deficit in the pension fund on the funding basis agreed between the trustees and the sponsor. This means that the sponsor must meet the cost of insuring the pension fund liabilities on a buyout basis (and the pension fund must then enter into an insurance buy-in in respect of all such liabilities) in order to remove the obligation to make any further deficit contributions. See also the risk factors entitled "*Competition in the UK market could affect the profitability of the Issuer and the long-term viability of its business model*" and "*The structure of the financial regulatory authorities in the UK and the UK regulatory framework that applies to insurers, including the Issuer, may be the subject of further reform and reorganisation*" below.

Following these events, there has been a growth in the volume of pension buyouts and buy-ins. However, any future changes to pensions legislation and/or the regulation of pension funds could have a negative impact on the volume of policies underwritten by the Issuer or increase the Issuer's cost of doing so, which could adversely affect the Issuer's business, results of operations and/or financial condition.

Failure to continue writing new business would have an adverse effect on the financial position of the Issuer in circumstances where the Issuer fails to scale back its cost base to correspond with the reduction in new business volumes.

1.9 *Competition in the UK market could affect the profitability of the Issuer and the long-term viability of its business model*

The UK pension insurance industry has experienced significant change in the last decade. Increased competition could displace smaller and weaker companies from the market and companies may merge, cease to write business and go into run-off or otherwise withdraw from major lines of business. In line with other participants in the UK pension insurance industry, the Issuer faces strong competition in its business, and its continuing profitability, and the long-term viability of its product range depends upon an adequate response to such competition.

Competition from other business models may also impact the future and continued level of demand for the Issuer's services. Consolidation options, which involve bringing defined benefit schemes within larger bodies to benefit from shared functions and shared governance, are an emerging source of competition. Examples of consolidation options include shared administration services, asset pooling, fiduciary management, defined benefit master trusts or pension scheme based "Superfund" vehicles, as proposed by the Pension and Lifetime Savings Association ("**PLSA**"). There is uncertainty regarding the outcome of the Department for Work and Pensions' ("**DWP**") public consultation, launched in December 2018, on consolidation of defined benefit pension funds, which set out proposals for the structure, governance, regulation, financial management and other aspects of trust-based pension consolidation vehicles and invited comments on these proposals. It is not yet clear what impact these and other developments relevant to the pension risk transfer sector may have on the Issuer's business, results of operations and/or financial condition.

The Issuer's ability to generate an appropriate return depends upon its capacity to anticipate and respond appropriately to these competitive pressures, and a failure to do so may have a material adverse effect on the Issuer's business, results of operations and/or financial condition.

See also the risk factor entitled "*The Issuer's brand and reputation are of significant importance to the Issuer's ability to attract clients and any damage to that brand could have a material impact on the Issuer's business and profitability*" below regarding the heightened importance of the Issuer's brand in the competitive environment in which the Issuer operates.

1.10 *The Issuer's business is concentrated in the UK and is currently exposed to events affecting the UK and the Issuer may, in future, face additional risks resulting from any attempts to diversify its geographical market*

The Issuer writes all its business in the UK and is therefore exposed to the economic, market, fiscal, regulatory, legislative, political and social conditions in the UK. Adverse events affecting the economy of the UK and its citizens could have a material adverse effect on the Issuer's business. While the UK has now withdrawn from the EU, the long-term impact of its withdrawal remains unclear. The UK also remains exposed to wider political uncertainty, including in relation to calls for a second referendum on Scotland's independence from the UK and the negotiation of trade deals with the US, EU, China and other significant jurisdictions. The Issuer is particularly sensitive to UK market and economic conditions in respect of its investment portfolio and any events which have an adverse impact on the UK economy could have a significant impact on the Issuer's business, results of operations and/or financial condition. See the risk factors entitled "A deterioration in the UK and global economic and financial market conditions could have a material adverse impact on the Issuer's operations and its financial position" and "Uncertainty surrounding the UK's future relationship with the EU" below for discussion of the sources of potential risk arising out of the Issuer's exposure to the UK.

There can also be no assurance that the Issuer's business will continue to be concentrated in the UK, whether in response to heightened UK risk or otherwise. Although the Issuer does not currently intend to do so, the Issuer may in future seek to carry out business overseas. As a result, the Issuer could become subject to additional risks which could affect its business, including by exposing the Issuer to additional, local regulatory regimes and requirements. This in turn could have an adverse impact on the Issuer's business, results of operations and/or financial condition.

1.11 *Uncertainty surrounding the UK's future relationship with the EU*

The UK withdrew from the European Union on 31 January 2020. Under the terms of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the "**Withdrawal Agreement**"), the UK and EU have entered an implementation period (the "**Implementation Period**"), ending on 31 December 2020 (extendable once for a one- or two- year period by agreement between the UK and EU27), and during which the UK and EU27 will negotiate the UK's future relationship with the EU. For the duration of the Implementation Period the effect of the European Communities Act 1972 (as amended) (the "**ECA**") in UK law is preserved. However, it remains uncertain whether: (i) a formal agreement will be reached on the future relationship between the UK and the EU by the end of the Implementation Period ("**IP Completion Day**"); and (ii) if an agreement is reached, what the arrangements will entail, including in relation to the UK's continued access to the EU single market in relation to trade in goods and services after IP Completion Day.

The impact of the UK's withdrawal from the EU on the operations and investment assets of the Issuer, both during the remainder of, and after, the Implementation Period, remains uncertain. The outcome of the continuing negotiations regarding the future relationship between the UK and the EU could adversely affect the Issuer's business, results of operations and/or financial position. It is also anticipated that the UK's departure from the

EU may result in significant changes to the UK and EU's respective regulatory systems. Such changes may require the Issuer to take mitigating actions or to change parts of its business, which may have a material impact on its business, results of operations and/or financial position. See "*Regulatory Overview*" for further discussion of the implications of the UK's anticipated departure from the EU. See the risk factors entitled "*The Issuer's business is concentrated in the UK and is exposed to events affecting the UK*" and "*A deterioration in the UK and global economic and financial market conditions could have a material adverse impact on the Issuer's operations and its financial position*" below for discussion of the sources of potential risk arising out of the Issuer's exposure to the UK and the potential consequences of the UK's withdrawal from the EU.

1.12 *The Issuer may be exposed to market movements adversely impacting the premium paid for new business transactions when certain premium roll-forward calculation methods are applied*

During the origination of new business it is routine for the Issuer to provide what is referred to as a "Gilt Roll Forward" or "Asset Lock" for a period of exclusivity (usually no more than three months) ahead of the risk transfer date for the new business transaction. This requires the Issuer to set its premium by reference to the value of a defined portfolio of assets (usually gilts) that the Issuer will receive on the risk transfer date. As a result, the Issuer is exposed to the risk that there is a mismatch between the movement in the market value of the assets into which the Issuer intends to invest the premium and the movement in the market value of the gilts to be received by the Issuer as the premium. The Issuer is exposed to losses when credit spreads versus gilts narrow. To mitigate this risk the Issuer may choose to pre-fund asset purchases during the exclusivity period by selling gilts. This exposes the Issuer to a secondary risk that, should the deal not complete, the Issuer would be exposed to losses were credit spreads to widen versus gilts. Such exposure, and any resulting losses, may have a material adverse effect on the Issuer's business, results of operations and/or financial condition

1.13 *Neither the Issuer nor PICG has listed equity in issue and therefore each has no ready access to the public equity capital markets*

As a wholly-owned subsidiary within the PICG Group, the Issuer does not have equity securities listed on a market or exchange. Similarly, PICG does not have equity securities listed on a market or exchange. Neither the Issuer nor PICG therefore has ready access to the public equity capital markets. The shareholders of PICG are under no obligation to contribute further equity to support the Issuer in the ordinary course or in the event of solvency stress. All things being equal, this, therefore, reduces the PICG Group's ability to respond to or avoid a solvency stress scenario, as compared to other issuers with more ready access to equity capital markets. Such scenarios may have material adverse effect on the Issuer's business, results of operations and/or financial condition and specifically impact the ability of the Issuer to meet its debt service obligations or may reduce such obligations (on which, see the risk factors entitled "*Payments of interest on the Notes may, under certain circumstances, be deferred either at the option of the Issuer or mandatorily*" and "*Payments of principal on the Notes must, under certain circumstances, be deferred*" below).

1.14 *Downgrades or the revocation of the Issuer's ratings could affect its standing in the market and result in a loss of business and/or reduced earnings*

The Issuer's financial strength and credit ratings, which are used by the market to measure its ability to meet policyholder obligations, are an important factor affecting public confidence in its products and as a result, its competitiveness. The Issuer has been assigned an insurer financial strength rating of A+ by Fitch and a credit rating of A by Fitch. There is a risk that the ratings may not reflect all of the risks in the business of the Issuer. The ratings are subject to a periodic review by, and may be revised downward or revoked at the sole discretion of, Fitch. In addition, changes in methodologies and criteria used by Fitch could result in downgrades that do not reflect changes in the general economic conditions or the Issuer's financial condition.

Any downgrade in the Issuer's ratings could have an adverse effect on the Issuer's business, results of operations and/or financial condition. In particular, the interest rates the Issuer pays on its borrowings are affected by its ratings, with a downgrade potentially resulting in increased debt service obligations for the Issuer. Noteholders should also note that, in certain circumstances, the Issuer would be entitled to redeem any Notes, or vary their terms at its option, following the occurrence of certain ratings-related events, without a requirement for the consent of Noteholders.

See further the risk factor entitled "*The terms of the Notes may be modified with the consent of specified majorities of the Noteholders at a duly convened meeting, and the Trustee may consent to certain modifications to the Notes, or substitution of the Issuer, without the consent of the Noteholders*" below.

1.15 *The Issuer relies on the contributions of key individuals for the continued success of its business, and its ability to attract, train, motivate and retain such individuals, the loss of which could have an impact on the Issuer's operations and profitability*

The Issuer's future success depends on the continued services and performance of key personnel and on its ability to attract, train, motivate and retain high quality and highly skilled personnel. The Issuer is substantially dependent upon the continued services and performance of its board of directors and other members of the senior management team. While the Issuer has entered into employment contracts or letters of appointment with these key personnel, and the board of directors of PIC (the "**PIC Board**") and PICG periodically reviews succession planning, no assurance can be given that they will continue to be employed by, and provide services to the Issuer. The loss of their services, whether through retirement or otherwise, could have a material adverse effect on the Issuer's business, financial condition and/or operating or financial results.

The Issuer's success also requires it to continue to attract, train, motivate and retain a growing team of employees of suitable skill and experience for all areas of the Issuer's business. The Issuer may in the future be unable to attract, motivate and retain such people. The Issuer's continued success and profitability depends on its ability not only to attract and retain increasing numbers of staff, but also to dedicate sufficient resources to their training and professional development.

Under the Senior Managers and Certification Regime of the Prudential Regulation Authority ("**PRA**") and FCA ("**SMCR**") senior managers of the Issuer require approval of

the FCA and PRA. In order for a person to be approved under the SMCR, the regulators must be satisfied that the individual has the appropriate qualifications, knowledge, training and experience to perform the function they are responsible for, and that they are a fit and proper person for the role. Even if a person is approved, the regulators may withdraw their approval if they deem that the individual is no longer fit and proper for the relevant senior management function. If an individual is denied approval, or loses their approval at a later date, the Issuer's business could be adversely impacted. Additional unexpected costs could arise due to the need to recruit and train new staff, and the sudden and public departure of some senior personnel could have adverse reputational, business and financial effects.

Personnel risk is also faced by the Issuer in its dependence upon its sister company Pension Services Corporation Limited ("**PSC**") for the provision of services from employees, directors and consultants. Any significant event affecting PSC or any other failure by PSC to continue to provide services to the rest of the Issuer could have an adverse effect on the Issuer's business, results of operations and/or financial condition.

See also the risk factor entitled "*The Issuer relies on various third party service providers to which it outsources key functions and services. Any loss of, or any negative financial consequences arising in connection with, the provision of these functions or services could have a material impact on the Issuer's business*" regarding the Issuer's reliance on third parties.

1.16 *The Issuer's brand and reputation are of significant importance to the Issuer's ability to attract clients and any damage to that brand could have a material impact on the Issuer's business and profitability*

The Issuer's success and results are, to a large extent, dependent upon the Issuer's brand as well as the reputation of the boards of directors and senior management team within the PICG Group. The Issuer's brand has become increasingly recognisable as the Issuer has expanded and grown its business.

Integrity, customer trust and confidence are paramount to the Issuer's brand and reputation. Any adverse publicity (whether well-founded or not) associated with the Issuer and potentially other specialist insurers of defined benefit pension funds could result in a loss of business. A material operational loss, any adverse regulatory or legal actions impairing the Issuer's brand or any adverse publicity or fines could damage the public image of the Issuer and its brand and negatively affect customer confidence in the Issuer, resulting in a loss of current business in respect of that portion of the Issuer's business which can be surrendered by the policyholder, and a downturn in new business volumes and sales.

Reputational damage may not necessarily be caused by the actions or inactions of the Issuer and may be beyond the Issuer's control. The Issuer's reputation is, for example, influenced by the perception and confidence of wholesale investors in relation to the UK financial services sector as a whole and the bulk purchase annuity sub-sector in particular. Factors impacting these perceptions include the adverse performance of investment markets, actions by regulators against organisations operating in the sector, the conduct of other market participants and shock events such as significant market

failures. A negative change in outlook towards the sector may specifically and adversely impact the public and market perception of the Issuer.

Any damage to the Issuer's brand or reputation or a decline in policyholder, trustee, client or counterparty confidence in the Issuer or its products could have a material adverse effect on the Issuer's business, results of operations and/or financial position.

See the risk factors entitled "*Competition in the UK market could affect the profitability of the Issuer and the long term viability of its business model*" above and "*The Issuer may be subject to litigation, legal proceedings and/or regulatory investigations in the future (including investigation and intervention by the FCA and/or PRA), which could have a material adverse effect on its business and results of operations*" below for further details of the risks faced by the Issuer based on the highly competitive and highly regulated environment in which it operates.

- 1.17 *The Issuer is reliant on its internal and external systems, processes and controls (including information technology) and any failure of such systems, processes and controls (including as a result of a targeted attack) could have a material adverse effect on the Issuer's business*

Operational risk is inherent within the Issuer's business, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes and controls, systems, human error, negligence, fraud, external events and failure to attract, motivate and retain skilled personnel.

The Issuer is heavily reliant on its operational systems, business resilience systems and IT capabilities to conduct its business. IT is key to a number of the functions within the Issuer's business including calculating and measuring its capital requirements, taking into account its liabilities, assessing risk exposure, producing financial and management reports, processing and retaining data relating to the pension funds and members which it has underwritten and maintaining accurate data and records. In the event of any damage, failure, harm to or interruption in the IT deployed in respect of these functions, whether as a result of human error, unauthorised usage, natural disasters or other matters outside the Issuer's control, the Issuer's operations may be severely disrupted and/or the Issuer may be subject to customer and/or counterparty complaints or litigation or regulatory action and could incur significant costs which in turn could have a material adverse effect on the Issuer's profitability, results of operations and/or financial condition.

Although the Issuer has disaster recovery and business continuity plans in place, there is no guarantee that these will be sufficient in the event of a particular issue or disaster which the Issuer's systems, processes and controls are not equipped to deal with. Any material loss or damage to the information or data stored in the Issuer's systems could significantly impair the Issuer's ability to conduct its business and may have an adverse effect on the Issuer's results of operations and/or financial condition.

The cyber-security threat continues to evolve globally in sophistication and potential significance. As a result of the Issuer's market profile, there is a possibility of the Issuer being considered as a target by cyber criminals. The threat from untargeted but sophisticated and automated attacks also exists. The threat of a targeted attack on the

Issuer's data, systems, processes and controls is regularly monitored for any increase in exposure.

Any successful attack could have a material adverse effect on the Issuer's profitability, results of operations and/or financial condition, including in harming the reputation of, and trust in, the Issuer.

See the risk factors entitled "*The Issuer collects, retains and maintains policyholder and pension fund information and data and any failure to protect such information could have a material adverse effect on the Issuer*" and "*The Issuer is subject to conduct risk from a range of sources, including being judged not to comply with the FCA's "Treating Customers Fairly" or "TCF" principles, which are central to the FCA's regulatory approach*" below for further details of the regulatory environment within which the Issuer operates and which imposes certain requirements on the Issuer to manage operational and conduct risk.

1.18 The Issuer collects, retains and maintains policyholder and pension fund information and data and any failure to protect such information could have a material adverse effect on the Issuer

The Issuer is required to process, collect and maintain certain information and data, including personal data. The processing, collection and retention of such data is subject to the EU General Data Protection Regulation ("**GDPR**"), supplemented by the UK's Data Protection Act 2018 ("**DPA 2018**") that came into effect on 25 May 2018. The DPA 2018 exercises certain national derogations permitted under the GDPR and deals with certain issues that are not covered by the GDPR. The GDPR introduces substantial changes to the EU data protection regime, and there is uncertainty over how compliance with the regulation will be applied and interpreted by the UK's Information Commissioner's Office ("**ICO**") and by the courts in the event of customer litigation. See "*Regulatory Overview*" below for further information on the data protection regime.

Large organisations that have access to large amounts of personal information, such as the Issuer, are increasingly becoming targets for cyber-crime. The Issuer is exposed to the risk that the personal data it controls could be wrongfully accessed and/or used, whether by employees or other third parties, or otherwise lost or disclosed or processed in breach of data protection laws. Failure by the Issuer or any of its third party service providers to comply with the GDPR or the DPA 2018 could result in significant fines or other action by the ICO, which could have a material impact on the Issuer's financial condition. Any loss or unauthorised use or sharing of data held by the Issuer could also result in adverse publicity, which could affect the Issuer's business and results of operations.

1.19 The Issuer relies on various third-party service providers to which it outsources key functions and services. Any loss of, or any negative financial consequences arising in connection with, the provision of these functions or services could have a material impact on the Issuer's business

The Issuer outsources certain activities to outsourcing partners. These partners include: Barnett Waddingham and XPS Pensions Group, which provides liability pricing services; Janus Henderson Investors, Schroders, JPMorgan Asset Management and 24AM, which

provide asset management services; Capita, which provides services relating to the administration and servicing of policies; JPMorgan, which provides services relating to investment accounting, custody, investment fund and performance reporting; and Northern Trust, which provides custody and transaction services. Regulatory risk in respect of this outsourcing, as with other outsourcing arrangements put in place by the Issuer, rests with the Issuer. The outsourced nature of the services provided means that there remains a risk that customer outcomes or service standards may fall below required levels. In the event that an outsourcing partner fails to adhere to adequate contractual or regulatory standards, particularly in a customer facing element of the business, the Issuer is exposed to the material risk of regulatory action and reputational harm, and such failure may have a material adverse effect on the Issuer's financial condition.

See further the risk factors entitled "*The Issuer's brand and reputation are of significant importance to the Issuer's ability to attract clients and any damage to that brand could have a material impact on the Issuer's business and profitability*" above and "*The Issuer is subject to conduct risk from a range of sources, including being judged not to comply with the FCA's "Treating Customers Fairly" or "TCF" principles, which are central to the FCA's regulatory approach*" below.

2. Risks relating to the Issuer's financial condition and investments

2.1 The Issuer has exposure to default and downgrade risk in relation to its investments

The majority of the Issuer's investment assets comprise corporate bonds, gilts and collateralised derivative assets, pursuant to which the Issuer is entitled to receive payments of interest and repayment of principal from the issuers of such instruments. The Issuer is therefore exposed to the risk of a default in payment by the issuers of the instruments held in the Issuer's investment portfolio. The loss of all or part of the cash flow generated by the Issuer's investment assets could have a direct, immediate and materially adverse impact on the value of the Issuer's investment portfolio and on the income and returns which the Issuer expects to realise on such investments. In addition, the Issuer's investment assets are often the subject of ratings by one or more credit rating agencies, a downgrade in which may negatively impact the value of the Issuer's investments.

If the investments held by the Issuer are subject to defaults or rating downgrades, this may have a material adverse impact on the Issuer's business, results of operations and/or financial condition.

See also the risk factor entitled "*The Issuer enters into reinsurance treaties, agreements and hedging contracts with a range of counterparties. Any failure by those counterparties to meet their obligations to the Issuer could have a material adverse effect on the Issuer's financial condition*" above for discussion of the counterparty risk faced by the Issuer.

2.2 The Issuer has exposure to various investment assets and any changes in the value of the Issuer's investments may have a material adverse impact on the Issuer's financial position

The Issuer's primary investment classes comprise corporate bonds, gilts and collateralised derivative assets, with other investments which include property and

infrastructure, covered bonds, asset backed securities, insurance linked securities, hedge funds, private equity funds, equity release mortgages (“ERM”) and collateralised loan obligations. The Issuer holds investments in order to meet its liabilities, and its profitability depends to a large extent on the returns achieved on its investment portfolio.

The value of investment assets fluctuates, which can have a sudden and unexpected impact on the Issuer’s capital levels. In the event of a change in the fixed income and/or other investment markets, there is a risk that the Issuer’s liabilities will exceed the value of its assets. This would have an adverse impact on the Issuer’s financial position.

See also the risk factor entitled “*Challenging conditions in the capital and credit markets may significantly impact the Issuer’s ability to meet its liquidity needs*” below.

2.3 *A deterioration in the UK and global economic and financial market conditions could have a material adverse impact on the Issuer’s operations and its financial position*

Like other insurance companies, the Issuer is affected by changes in the general economic and financial market conditions. This can cause its results to fluctuate and potentially adversely affect its financial condition and its ability to meet its solvency obligations. Adverse economic conditions can also influence the counterparty credit risks to which the Issuer is exposed.

The current economic climate, following the global financial crisis and the subsequent Eurozone sovereign debt crisis, is characterised by a higher number of economic risks than expected in a normal economic cycle. Issues arising out of a re-emergence of a sovereign debt crisis in highly-indebted European countries could cause investors to lose confidence in the safety and soundness of European financial institutions and the stability of European economies. The recent imposition of unilateral tariffs by the U.S. has caused certain governments to impose or to consider imposing trade sanctions on certain U.S. goods, which could lead to a global reduction of trade and/or increase in prices. Due to the nature of some of the Issuer’s investments, it is also exposed to economic volatility in emerging markets. These, and other, macroeconomic events and shocks, could negatively affect the value of the Issuer’s investment assets and the cash flows deriving from them.

2.4 *Credit spread volatility may adversely affect the net unrealised value of the Issuer’s investment portfolio*

Credit spreads are sensitive to many factors including governmental policies, changes in tax policy or legislation, default on fixed income securities, domestic and international economic and political considerations, inflationary factors, regulatory requirements, fiscal deficits and other factors beyond the Issuer’s control. Any widening of credit spreads will generally reduce the value of fixed income securities, which could have a material adverse effect on the Issuer’s regulatory capital position and may result in the Issuer being required to sell its investments in order to meet its liabilities. Credit spread tightening will generally increase the value of fixed income securities.

In the event that credit spreads widen in anticipation of a default, the fall in the value of the Issuer’s assets may not be matched by an equivalent fall in the value of the Issuer’s

liabilities, which may have a material adverse impact on the Issuer's business, results of operations and/or financial condition.

2.5 *Changes in interest rates, inflation and foreign exchange rates may adversely affect the value of the Issuer's assets and liabilities*

The Issuer seeks to hedge its liability cash flows to interest rates, inflation rates and exposure to changes in foreign exchange rates, but there can be no assurance that such hedging will be effective in protecting the Issuer from such risk. In the event that such hedging fails, the Issuer would be exposed to risk of changes in interest rates, inflation and foreign exchange rates.

As is the case for credit spreads, interest rates are sensitive to many factors. Fluctuations in interest rates in particular affect the returns the Issuer may earn on fixed interest investments or other interest rate sensitive investments. Changes in interest rates affect the market values of the fixed interest securities that the Issuer holds. Interest rate risk arises primarily where assets and liabilities are structurally mismatched in relation to the Issuer's rate curve exposure.

The Issuer seeks to meet the cash outflows with respect to its liabilities with the cash flows and proceeds of its assets. Although the Bank of England made its first increase to the UK base rate in over a decade in November 2017 and made a further increase in August 2018, there is risk that the low interest rate environment will persist. As the prolonged low interest rate environment continues, and investments held by the Issuer reach maturity, the Issuer may be required to reinvest the proceeds of these matured investments at lower yields, which could adversely impact the Issuer's capital position.

In addition to interest rate risk arising out of general market conditions, the sustainability of LIBOR and other interbank rates as benchmarks has been questioned in light of the absence of relevant active underlying markets and the possible disincentives for market participants (such as panel banks) to continue contributing to those benchmarks (as further described in the risk factor entitled "*The regulation and reform of "benchmarks" may adversely affect the value of notes linked to or referencing such benchmarks*" below).

Whilst the transition away from LIBOR is progressing, and it is becoming clearer which alternative reference rates will substitute LIBOR in existing instruments, uncertainty still remains. Uncertainty persists around the impact of this change on LIBOR-based instruments, including as to which alternative reference rates will substitute LIBOR in existing instruments or apply from the outset in new instruments, which increases the interest rate risk faced by the Issuer.

Inflation, as measured by reference to consumer and retail price indices, is a continuing risk for the Issuer. Although some of the Issuer's liabilities are protected from inflation rises, inflation risk typically arises where the Issuer's assets and liabilities are structurally mismatched in relation to the inflation rate expectation curve. Fluctuations in inflation affect the value of the Issuer's liabilities, as they are typically index-linked. They may also impact the returns the Issuer earns on its index-linked investments as well as the market values of those investments. In particular, a sustained fall in inflation and move to a deflationary environment may have a material adverse impact on the valuation of certain of the Issuer's assets and liabilities.

The future of the RPI Index published by the Office for National Statistics is subject to uncertainty in light of the House of Lords Economic Affairs Committee report “Measuring Inflation” in January 2019. This may in turn result in the publication of the RPI being stopped in the future and replaced by an alternate index. This may change the valuation of the Issuer’s liabilities and inflation linked assets and impact the Issuer’s financial position. The Government and the UK Statistics Authority (UKSA) are due to launch a consultation on 11 March 2020 to address the shortcomings of RPI.

The Issuer’s assets and liabilities are primarily denominated in sterling but the Issuer also holds some investments which are denominated in other currencies. Exchange rate fluctuations could affect the value of the Issuer’s investment assets and the cash flows deriving from them.

The exposure of the Issuer to interest rates, inflation and foreign exchange rates, if unmanaged, could have a material adverse impact on the Issuer’s business, results of operations and/or financial condition.

2.6 *Challenging conditions in the capital and credit markets may significantly impact the Issuer’s ability to meet its liquidity needs*

The Issuer needs liquidity in order to fund its insurance operations, and to meet claims and operating expenses. The Issuer depends on its holdings of liquid assets, investment income and premiums to meet its liquidity requirements. Difficult market conditions may reduce the availability of such liquidity sources which, in extreme circumstances, could have an impact on the Issuer’s ability to meet its obligations to policyholders and third parties as they arise.

In the event of an illiquid market, the Issuer may need to seek additional financing in order to meet its short-term cash flow requirements as they fall due. Depending on the availability of credit and/or ease with which the Issuer can access other forms of financing (such as the debt capital markets), the Issuer may have difficulty in obtaining the necessary capital required to operate its business and may have to realise investments at a depressed value.

If the Issuer is forced to sell assets at significantly lower prices than the price at which they were recorded and/or suspend policyholder and third party payments, this could adversely affect the Issuer’s reputation and, consequently, its business, results of operations and/or financial condition.

In addition, large short-term cash flow requirements may arise from the collateral calls generated by the Issuer’s portfolio of hedging instruments such as interest rate swaps, inflation swaps and foreign exchange contracts. Although the Issuer seeks to ensure that it has adequate collateral arrangements in place to support such transactions, there can be no assurance that these arrangements will always be sufficient, particularly in times of severe market volatility.

LEGAL AND REGULATORY RISKS

3. Risks relating to the regulatory and legislative environment, including those relating to accounting standards and taxation

3.1 *The Issuer is required to comply with capital adequacy requirements and failure to do so could have a material adverse effect on the Issuer's business*

The Issuer is required, on a solo and group-wide basis, to maintain a minimum margin of capital in excess of the value of its liabilities in order to comply with certain regulatory requirements. These requirements relating to solvency are set out in more detail in “*Regulatory Overview*” below.

The solvency regime applicable to the EU insurance sector, known as Solvency II, has applied since on 1 January 2016 and replaced the previous regime known as Solvency I. The main aim of the Solvency II regime is to ensure the financial stability of the insurance industry across the EU and protect policyholders through establishing solvency requirements better matched to the true risks of the business. Solvency II continues to apply to the Issuer and the PICG Group during the Implementation Period, and will continue to apply (as retained and re-enacted, as applicable, by The European Union (Withdrawal) Act 2018 (as amended) (the “**Withdrawal Act**”) and relevant secondary legislation) to the Issuer and the PICG Group immediately following IP Completion Day.

One key feature of Solvency II is that insurers and reinsurers are able to make use of internal models to calculate capital requirements if the model has been approved by the appropriate regulator. The Issuer has received approval from the PRA to use a full internal model to calculate its regulatory capital requirements and to apply the matching adjustment, volatility adjustment and transitional measures on technical provisions to the valuation of its technical provisions (i.e., the amount required to cover the Issuer's (re)insurance liabilities). There is a risk that these approvals could be withdrawn, or that the Issuer is otherwise unable to use these approvals, which would have a negative impact on the Issuer's capital position. This is particularly the case for the matching adjustment.

While the Issuer is currently able to meet its regulatory capital requirements, changes in legislation, regulation, regulatory requirements or market conditions, or the imposition of capital add-ons by the PRA, may result in the Issuer being unable to do so in the future. In particular, there is a risk that in the future changes are required to be made to the approved internal model or other approvals, which could have a material impact on the Issuer's Solvency II capital position. Where internal model changes are subject to regulatory approval, there is a risk that the approval is delayed or not given. In such circumstances, changes in the Issuer's risk profile would not be able to be appropriately reflected in the Issuer's internal model, which could have a material impact on the Issuer's Solvency II capital position.

The uncertainty about the UK's future relationship with the EU in relation to financial services also creates uncertainty about the regulatory regime that may apply following the end of the Implementation Period. See further the risk factor entitled “*Uncertainty surrounding the UK's future relationship with the EU*” above.

In relation to those pension funds which the Issuer has insured by way of buy-in transactions only, an adverse event which results in a deterioration in the Issuer's solvency could result in the recapture of the relevant assets and an unwinding of the transaction by the fund's trustees, releasing the Issuer's obligations, if such a recapture is a right of the trustee under the relevant buy-in insurance policy. There is currently one such buy-in insurance policy with recapture rights. However, the Issuer may in the future enter into new buy-in insurance policies where a trustee recapture right is a feature of the policy. Such recapture could have an adverse effect on the Issuer's business, results of operations and/or financial condition.

Following the introduction of the Solvency II regime, the PRA has published and continues to publish consultations and supervisory statements that set out its expectations relating to elements of the Solvency II regime. As a result of these consultations, a number of Supervisory Statements have been issued or updated.

The PRA has recently consulted on adjustments for the reduction of loss absorbency where own fund instruments are taxed on write down (CP26/19). The changes proposed by CP26/19 would, if implemented, require insurers to deduct from their tier 1 own funds the maximum tax charge generated on the conversion of external restricted tier 1 ("**RT1**") instruments that convert to ordinary shares on the occurrence of a trigger event, where those instruments contain a conversion shares offer ("**CSO**") mechanism. This would apply in relation to instruments issued after the publication of the final policy. CP26/19 indicates that existing issuances with CSO mechanisms would be assessed by firms' supervisory teams on a case-by-case basis. The Issuer has issued external contingent convertible RT1 instruments that contain a CSO mechanism. Should the PRA determine that a deduction should be applied to the Issuer's tier 1 own funds in respect of any tax charge arising on the conversion those instruments, this could have a material impact on the Issuer's Solvency II capital position.

The PRA has also recently introduced changes to the notification procedure for longevity risk transfers and consulted, in CP16/19, on amendments to Supervisory Statement 9/15 ('Solvency II: Group own fund availability') that would introduce new requirements in relation to preference shares and subordinated liabilities intended to qualify as own funds eligible to cover the group Solvency Capital Requirement ("**SCR**"). At an EU level, amendments to the Solvency II Directive that took effect on 1 January 2020 have affected the treatment of deferred tax assets in the calculation of an insurer's SCR. The Solvency II Delegated Regulation has also been amended recently, resulting in changes to the eligibility criteria for own funds instruments and the treatment of investments in collective investment undertakings, amongst other things. The European Insurance and Occupational Pensions Authority ("**EIOPA**") is also undertaking a review of the Solvency II framework, and is expected to publish an Opinion setting out technical advice to the European Commission in June 2020.

There is a risk that the developments referred to above, or other changes to the regulatory framework within which the Issuer operates, could have a material impact on the Issuer's Solvency II capital position. This could in turn have a material adverse effect on the business, results of operations and financial condition of the Issuer, as well as its ability to remain in compliance with its regulatory obligations.

3.2 *The structure of the financial regulatory authorities in the UK and the UK regulatory framework that applies to insurers, including the Issuer, may be the subject of further reform and reorganisation*

The Issuer is authorised by the PRA and is regulated by both the FCA and the PRA. The PRA has responsibility for the prudential regulation of insurers and the FCA has responsibility for the regulation of conduct of business.

As the regulatory approach of the FCA and the PRA advances, there may be future changes to the nature of, or policies for, prudential regulation and conduct of business supervision, and this could lead to a period of uncertainty for the Issuer. In particular, the UK's withdrawal from the EU may catalyse reform of the UK's regulatory framework. No assurance can be given about the likelihood or timing of these, or any other, changes to the regulatory regime. Any such changes may have a material adverse effect on the business of the Issuer and its strategy and profitability, and therefore on its financial condition, results of operations and/or future prospects.

In addition, the Issuer is required to obtain and maintain certain permissions from the PRA and to comply with various rules and regulations in order to conduct its insurance business lawfully in the UK. For more details about the regulatory environment within which the Issuer operates, please see "*Regulatory Overview*" below. Failure to comply with any regulatory requirements may result in the PRA and/or the FCA taking action against the Issuer, which could include imposing fines or sanctions or limiting or revoking the necessary permissions, as well as resulting in adverse publicity for the Issuer. This could ultimately result in the Issuer being unable to carry on its insurance business.

3.3 *A change of law or regulation or changes in the interpretation or operation of existing legislation or regulation may adversely affect the Issuer's business, results of operations and/or financial condition*

The Issuer will not always be able to predict the impact of future legislation or regulation or changes in the interpretation or operation of existing legislation or regulation on its business, results, operations and/or financial condition. Changes in government policy, legislation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which the Issuer operates, which may be applied retrospectively, may adversely affect its capital requirements, its ability to meet its obligations in respect of the Notes and, consequently, results and financing requirements. This uncertainty is particularly acute following the UK's withdrawal from the EU. The mechanical process of incorporation of existing EU law, such as Solvency II, into UK domestic law under the Withdrawal Act may result in unintended consequences, aside from any impact of intentional changes, the impact of which is unpredictable at this stage. It is also unclear to what extent retained EU law will be updated in line with changes in EU law and/or repealed. The Issuer operates in an industry where its ability to respond to its regulatory environment is a key part of its ability to be successful. Uncertainty in this environment may therefore have a material impact on the Issuer's business, results of operations and/or financial condition.

The Issuer may also face increased compliance costs due to the need to set up additional compliance controls because of changes to financial services legislation or regulation.

See also the risk factor entitled “*The Issuer is required to comply with capital adequacy requirements and failure to do so could have a material adverse effect on the Issuer’s business*” above.

3.4 *The Issuer is subject to conduct risk from a range of sources, including being judged not to comply with the FCA’s “Treating Customers Fairly” or “TCF” principles, which are central to the FCA’s regulatory approach*

The Issuer operates in a heavily regulated environment, with the FCA and the ICO each regulating aspects of the Issuer’s conduct, including market conduct (FCA), business conduct (FCA) and data protection (ICO). EIOPA also issues guidelines and binding technical standards with which the Issuer is required to comply. The Bank of England, the PRA and the FCA have stated that guidance issued by EIOPA will remain relevant after the UK leaves the EU, as explained in more detail in the “Regulatory Overview” section below.

The FCA regulates business conduct. Any behaviour or practice that harms customers, causes the firm reputational damage, undermines the integrity of the financial markets or contributes to the financial markets failing to work well can be considered a “conduct risk”. In particular, the TCF regime that is enforced by the FCA requires the Issuer to have due regard to the interests of its customers in the conduct of its business, with an overriding requirement to treat them fairly. As a result, conduct risk is far reaching. A firm’s policies, procedures, business practices or behaviour of individuals or groups in an organisation can present conduct risk at any point during the policyholder or business life cycle.

Any determination by the FCA, ICO or EIOPA that the Issuer is failing to respect and pay due regard to the requirements those bodies impose could lead to enforcement action against the Issuer, which could have a material adverse effect on the Issuer’s reputation and its business, results of operations and/or financial condition.

See also the risk factor entitled “*The Issuer’s brand and reputation are of significant importance to the Issuer’s ability to attract clients and any damage to that brand could have a material impact on the Issuer’s business and profitability*” below regarding the importance of the Issuer’s brand and reputation to its business, results of operations and/or financial condition.

3.5 *Changes to tax legislation could materially impact the Issuer’s business and/or decisions of customers*

Corporate and individual tax rules are subject to change and any changes could have both a prospective and retrospective impact on the Issuer’s business, financial condition and/or results of operations. The introduction of new tax legislation, or amendments to existing tax rules or rates (individual or corporate) could materially impact the Issuer’s business and the choices policyholders make with respect to the nature of their relationship with the Issuer and/or the Issuer’s policies. Although the implications of any future changes in tax legislation or rules for the Issuer and policyholders cannot be predicted, specific changes to the taxation of insurance companies could have a material adverse effect on the Issuer’s financial condition and/or future prospects.

3.6 *Changes to IFRS generally or specifically for insurance companies may have an adverse impact on the Issuer's business*

The Issuer's financial statements conform to the International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"), as adopted by the EU.

On 18 May 2017 the IASB issued IFRS 17 Insurance Contracts which will replace IFRS 4, the current accounting standard used to report insurance contracts. This standard has a mandatory effective date for accounting periods beginning on or after 1 January 2021.

The IASB released a new exposure draft in June 2019 delaying the effective date by one year to 1 January 2022. A final standard is expected to be released in mid-2020. Implementation of the standard within the EU is subject to endorsement by the European Commission.

The Issuer intends to adopt IFRS 17 for the financial year beginning on 1 January 2022. The adoption of the standard is expected to have a significant impact on the Issuer's financial statements as it will transform the way the Issuer measures, presents and discloses the insurance and reinsurance assets and liabilities in the statement of comprehensive income, statement of financial position and notes to the financial accounts. Under IFRS 17, new business profits at inception are recognised as Contractual Service Margin ("**CSM**"), which is released into the Statement of Comprehensive Income over time. In addition to the CSM, an explicit margin called the Risk Adjustment ("**RA**") is required to be held for non-financial risks. More quantitative and qualitative information will be disclosed, including the reconciliations of CSM, RA and present value of future cashflows. The Statement of Comprehensive Income will no longer include premium and claim volumes, and instead will focus on new measures, such as insurance contract revenue and insurance service expense. In addition, IFRS 17 is expected to introduce significant operational changes, including new models and significant updates to current systems and processes to account for new requirements for the collection, aggregation and analysis of data.

The impact of the adoption of IFRS 17 on the Issuer's financial statements remains subject to a significant degree of uncertainty and could have a material adverse effect on the Issuer's financial condition and/or future prospects.

3.7 *The Issuer could be exposed to fines, additional regulatory scrutiny and reputational harm if it fails to detect or prevent money laundering and other financial crime activities. The Issuer could also face these risks if a regulator considers that it has not taken sufficient steps to mitigate the risks of money laundering and other financial crime activities.*

The Issuer is subject to anti-money laundering, counter-terrorist financing, anti-bribery, sanctions and other anti-corruption regulations (collectively referred to as "**Financial Crime Regulations**"). It is also expected to introduce policies and procedures internally to address its obligations under Financial Crime Regulations.

The obligations which the Issuer are subject to under Financial Crime Regulations are complex and are becoming an increasing area of regulatory focus. This places greater pressures on the Issuer to train its staff, employ competent compliance personnel and

monitor its compliance with Financial Crime Regulations. As this area continues to develop, the Issuer faces greater risks of failing to meet the expectations of regulators. These risks are also exacerbated by the reliance it places on its employees, partners, agents and external administrators to identify and report such activities.

In the event that the Issuer fails to comply with applicable Financial Crime Regulations, regulators and other law enforcement bodies are able to impose significant penalties on the Issuer. If the Issuer was subject to any such penalty it could have a material adverse effect on its financial position and/ or reputation.

There is a risk that the policies and procedures which the Issuer maintains in this area these will not be able to prevent breaches of the Financial Crime Regulations to which the Issuer is subject. Any breach could have severe consequences on the Issuer's business, financial condition, results and prospects, whether because of financial sanctions imposed or reputational damage.

3.8 *The Issuer may be subject to litigation, legal proceedings and/or regulatory investigations in the future (including investigation and intervention by the FCA and/or PRA), which could have a material adverse effect on its business and results of operations*

There is a risk that one or more regulators could find that the Issuer has failed to fully comply with all relevant regulatory requirements, or has not undertaken any corrective action as required.

Following the financial crisis, the PRA and the FCA have adopted a more direct style of regulation, which means that PRA and/or FCA-authorized firms, including the Issuer, face increasing supervisory scrutiny. The PRA and the FCA have the power to take a range of investigative, disciplinary and enforcement actions, penalties for which can include public censure, restitution, fines and sanctions. The regulators may also make enquiries of the firms which they regulate and require the provision of particular information or documents. The regulators may take such action or make such enquiries in relation to aspects of the Issuer's business and operations, including its systems and controls, IT systems, capital requirements, capital adequacy and permitted investments. Regulatory action may be specific to the Issuer or part of more general action in respect of firms that operate in the Issuer's sector. There are currently no issues of material regulatory concern under discussion between the Issuer and its regulators.

More generally, it is possible that the Issuer may be subject to legal and/or regulatory action from time to time, including through claims brought to the Financial Ombudsman Service by private individuals. This may or may not arise during the ordinary course of business and could potentially have a significant impact on the Issuer's business. It is not possible to predict the significance of any proceedings that may be brought against, or any investigations that may be conducted into, the Issuer nor is it possible to predict the financial and/ or reputational impact of a successful claim, fine or penalty to which the Issuer may become subject. The Issuer is also exposed to the risk of regulatory review of types of business sold under past market practices, such as the requirement in the UK to provide redress to certain past purchasers of pensions, changes to the tax regime affecting products, and regulatory reviews of products sold and industry practices, including, in the latter case, lines of business it has closed.

Any investigation or proceedings involving the Issuer, particularly if adversely determined, could have a material impact on the Issuer's reputation, business, results of operations and/or financial condition.

See further the risk factor entitled "*The Issuer's brand and reputation are of significant importance to the Issuer's ability to attract clients and any damage to that brand could have a material impact on the Issuer's business and profitability*" above regarding the importance of the Issuer's brand and reputation to its business, results of operations and/or financial condition.

3.9 *The Issuer may in future become subject to regimes governing the recovery, resolution or restructuring of insurance companies and, as the scope and implications of these regimes are still evolving, it is unclear what the consequences could be for the Issuer*

As part of the global regulatory response to the risk that systemically important financial institutions could fail, banks, and more recently insurance companies, have been the focus of new recovery and resolution planning requirements developed by regulators and policy makers nationally and internationally.

Recovery and resolution reforms for banks in the EEA and in the UK now provide resolution authorities with the power to write down indebtedness or to convert that indebtedness to capital (known as "bail-in"), as well as other resolution powers. While organisations such as the FSB have previously considered introducing recovery and resolution regimes for insurers (in particular those that are systemically important), there is still a lack of consensus in the area, and, it remains unclear whether, and in what form, the regimes currently applicable to banks could be extended to insurance companies. It therefore remains unclear what recovery and resolution regime could apply to the Issuer in the future and, consequently, what the implications could be for the Issuer and its creditors.

There is a risk that any such recovery or resolution regime may have the result that an investor's recovery in a default scenario would not be as expected at the time of investing.

RISKS RELATED TO THE NOTES

4. Risks relating to Notes generally

Set out below is a description of the material risk relating to the Notes generally.

4.1 *The Notes are unsecured and subordinated obligations of the Issuer. On a winding-up of the Issuer, investors in the Notes may lose their entire investment in the Notes*

The Issuer's obligations under the Tier 3 Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves. The claims of holders of Tier 3 Notes will rank in priority to the claims of holders of the Tier 2 Notes and will rank junior to the claims of Senior Creditors (as defined in the Terms and Conditions of the Tier 3 Notes) in a winding-up of the Issuer and otherwise as set out in the Terms and Conditions of the Tier 3 Notes.

The Issuer's obligations under the Tier 2 Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves. The claims of holders of Tier 2 Notes will rank junior to the claims of Senior Creditors (as defined in the Terms and Conditions of the Tier 2 Notes, and including holders of Tier 3 Notes) in a winding-up of the Issuer and otherwise as set out in the Terms and Conditions of the Tier 2 Notes.

If the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound-up or enter into administration, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes, whether or not the Issuer is wound up or enters into administration.

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

4.2 *The Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes contain very limited covenants*

There is no negative pledge in respect of the Notes. The Issuer is generally permitted to sell or otherwise dispose of any or substantially all of its assets to another corporation or other entity under the terms of the Notes. If the Issuer decides to dispose of a large amount of its assets, investors in the Notes will not be entitled to declare an acceleration of the Notes, and those assets will no longer be available to support the Notes or, subject to certain exceptions, for distribution in the event of a winding-up of the Issuer. In addition, the Notes do not require the Issuer to comply with financial ratios or otherwise limit its ability or that of its subsidiaries to incur additional debt, nor do they limit the Issuer's ability to use cash to make investments or acquisitions, or the ability of the Issuer to pay dividends, repurchase shares or otherwise distribute cash. Such actions could potentially affect the Issuer's ability to service its debt obligations, including those of the Notes. Such actions could also potentially affect the compliance by the Issuer and/or the PICG Group with certain regulatory capital requirements, which may in turn lead to a requirement for the Issuer to defer payments in respect of the Notes.

See also the risk factors entitled "*Payments of interest on the Notes may, under certain circumstances, be deferred either at the option of the Issuer or mandatorily*" and "*Payments of principal on the Notes must, under certain circumstances, be deferred*" below.

4.3 *Payments of interest on the Notes may, under certain circumstances, be deferred either at the option of the Issuer or mandatorily*

If "Optional Interest Deferral" is specified as being applicable in the relevant Final Terms or Pricing Supplement, the Issuer may on any Optional Interest Payment Date elect to defer paying interest on such date. Furthermore, where "Dividend and Capital Restriction" is specified as not applicable in the relevant Final Terms or Pricing

Supplement, such deferral may be made on any Interest Payment Date, rather than only on an Optional Interest Payment Date.

All payments by the Issuer under or arising from any Series of Notes are conditional upon the Solvency Condition being satisfied at the time of such payment and immediately thereafter. The Solvency Condition provides that all payments under or arising from the Notes, the Coupons relating to them and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Notes, the Coupons relating to them and the Trust Deed (including any damages awarded for breach of obligations thereunder) unless and until such time as the Issuer could make such payment and still be solvent (as that term is described in Condition 3(c) of the relevant Terms and Conditions) immediately after such payment (the “**Solvency Condition**”).

The Issuer is also required to defer any payment of interest on any Series of Notes on each Mandatory Interest Deferral Date (being an Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or would occur if payment of interest were made on such Interest Payment Date). If “Insolvent Insurer Winding-Up Interest Deferral” is specified as applicable in the relevant Final Terms or Pricing Supplement, the definition of Regulatory Deficiency Interest Deferral Event includes not only circumstances relating to the Issuer, but also circumstances where a Group Insurance Undertaking is wound-up or an administrator is appointed in respect thereof.

The deferral of interest as described above will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate repayment of the relevant Series of Notes or take any enforcement action under such Notes or the Trust Deed for any purpose. Any interest so deferred shall, for so long as the same remains unpaid, constitute Arrears of Interest. Arrears of Interest do not themselves bear interest. There can be no assurance that Arrears of Interest will be paid to Noteholders except in the limited circumstances described in Condition 5(d) (in respect of Tier 3 Notes) or Condition 5(e) (in respect of Tier 2 Notes).

Any actual or perceived likelihood of deferral of any payment can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes. In addition, as a result of the deferral provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other securities or instruments that do not permit or require deferral of payments, and may be more sensitive generally to adverse changes in the Issuer's financial condition.

See also the risk factor entitled “*Restricted remedy for non-payment when due*” below.

4.4 *Payments of principal on the Notes must, under certain circumstances, be deferred*

The Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes each set out certain conditions to the redemption and purchase of the Notes, including requiring that no Regulatory Deficiency Redemption Deferral Event has

occurred and is continuing or would occur as a result of such payment, that the Solvency Condition is satisfied at the time of such payment and no breach occurring as a result of such payment, that the Relevant Regulator has approved or consented, or indicated that it has no objection to, to such redemption or purchase and the other pre-conditions to redemption, substitution, variation and purchase described in Condition 6(j) of the relevant Conditions (any such conditions being the “**Redemption and Purchase Conditions**”). If the Redemption and Purchase Conditions are not met, the Issuer may not redeem any Notes and the redemption of the Notes shall instead be deferred, as provided in the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable.

The deferral of redemption as described above will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate repayment of the relevant Series of Notes or take any enforcement action under such Notes or the Trust Deed for any purpose.

Any actual or perceived likelihood of deferral of any payment can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such a sale, investors may lose some or substantially all of their investment in the Notes. In addition, as a result of the deferral provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other securities or instruments that do not permit or require deferral of payments, and may be more sensitive generally to adverse changes in the Issuer's financial condition.

See also the risk factor entitled “*Restricted remedy for non-payment when due*” below.

4.5 *Restricted remedy for non-payment when due*

In accordance with the current requirements for eligible Tier 3 Capital and Tier 2 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 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable) any Noteholder for recovery of amounts which have become due in respect of the Notes 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. In particular, a deferral of payments in accordance with the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable, shall not constitute a default under the Notes or the Trust Deed for any purpose, including enforcement action against the Issuer.

See also the risk factors entitled “*Payments of interest on the Notes may, under certain circumstances, be deferred either at the option of the Issuer or mandatorily*” and “*Payments of principal on the Notes must, under certain circumstances, be deferred*” above.

4.6 *Limitation on gross-up obligation under the Notes*

The Issuer's obligation, if any, to pay Additional Amounts in respect of any deduction or withholding in respect of taxes imposed in the UK under the terms of the Notes applies only to interest payments and not to payments of principal.

The Issuer would not be required to pay any Additional Amounts under the terms of the Notes to the extent any deduction or withholding in respect of taxes imposed in the UK applied to payments of principal thereunder. Accordingly, if any such deduction or withholding were to apply to any payments of principal under the Notes, Noteholders would receive less than the full amount that would otherwise be due to them under the Notes, and the market value of the Notes may be adversely affected as a result.

4.7 *Credit ratings assigned to the Issuer or the Notes may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks relating to the structure of the Notes, the market, additional factors discussed in this section and any other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in the credit rating assigned to the Notes by any credit rating agency or the assignment of an unfavourable rating (whether solicited or unsolicited) may adversely affect the market value of the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to certain exceptions. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). If the status of a rating agency rating the Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and Notes may have a different regulatory treatment. This may result in European regulated investors selling the Notes which may have an impact on the Notes and any secondary market. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Certain information with respect to the credit rating agencies and ratings is set out on the front page and page 17 of this Prospectus and will, if applicable, be disclosed in the relevant Final Terms or Pricing Supplement.

4.8 *The terms of the Notes may be modified with the consent of specified majorities of the Noteholders at a duly convened meeting, and the Trustee may consent to certain*

modifications to the Notes, or substitution of the Issuer, without the consent of the Noteholders

The Trust Deed constituting the Notes contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Trust Deed constituting the Notes also provides that, subject to the prior consent of the Relevant Regulator being obtained (to the extent that such consent is required), the Trustee may (except as set out in the Trust Deed), without the consent of Noteholders, agree to certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or to the substitution of another company as principal debtor or guarantor under the Notes in place of the Issuer (in the circumstances described in Condition 12 of the Terms and Conditions of the relevant Notes which include such Substitute Obligor agreeing to be bound by the terms of the Trust Deed, the Notes and the Coupons, with any consequential amendments which the Trustee may deem appropriate (including, but not limited to, a change of governing law of the Trust Deed and/or the Notes and/or the Coupons)).

In addition, subject as provided in Condition 6 of the Terms and Conditions of the relevant Notes, the Issuer may (subject to certain conditions) at its option and without the consent of the Noteholders, at any time substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become (as applicable), in the event of certain specified events resulting from a Tax Law Change or if a Capital Disqualification Event has occurred and is continuing or will occur within a period of six months, Qualifying Tier 3 Securities or Qualifying Tier 2 Securities (together, “**Qualifying Securities**”) (as applicable), or if a Rating Methodology Event has occurred and is continuing or will occur within a period of six months, Rating Agency Compliant Securities (which securities shall also be required to constitute Qualifying Securities).

Qualifying Securities and Rating Agency Compliant Securities must (among other things) have terms not materially less favourable to holders than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank of international standing. Rating Agency Compliant Securities must also be assigned substantially the same or higher “equity credit” or, at the absolute discretion of the Issuer, a lower “equity credit” (provided such “equity credit” is still higher than the “equity credit” assigned to the Notes immediately after the occurrence of the relevant Rating Methodology Event) as that which was assigned to the Notes (i) in the case of “equity credit” assigned by Fitch, on or around the Relevant Issue Date or (ii) in the case of “equity credit” assigned by any Subsequent Rating Agency, on the date that such “equity credit” was first assigned by the relevant Subsequent Rating Agency.

However, there can be no assurance that, due to the particular circumstances of individual investors, such Qualifying Securities or Rating Agency Compliant Securities will be as favourable to each investor in all respects or that, if it were entitled to do so, a particular investor would make the same determination as the Issuer as to whether the terms of the Qualifying Securities or Rating Agency Compliant Securities are not materially less favourable to holders than the terms of the Notes.

4.9 *Changes to Solvency II may increase the risk of deferral of payments or the occurrence of a Capital Disqualification Event*

Solvency II requirements may change, whether as a result of further changes to Solvency II (including as a result of any changes, if any, made to the UK regulatory regime following IP Completion Day, the nature and extent of which changes in particular remain uncertain as at the date of this Prospectus) or changes to the way in which the PRA interprets and applies these requirements to the UK insurance industry. Any such changes, either individually and/or in aggregate, may lead to further unexpected requirements in relation to the calculation of the Issuer's or the PICG Group's SCR, and such changes may make the Issuer's or the PICG Group's capital adequacy requirements more onerous. Such changes that may occur subsequent to the date of this Prospectus and/or any subsequent changes to such rules and other variables may individually and/or in aggregate negatively affect the calculation of the Issuer's or the PICG Group's SCR and thus increase the risk of deferral of payments of interest and/or principal or the occurrence of a Capital Disqualification Event and subsequent redemption of the Notes by the Issuer.

See also the risk factors entitled "*The Issuer is required to comply with capital adequacy requirements and failure to do so could have a material adverse effect on the Issuer's business*" and "*A change of law or regulation or changes in the interpretation or operation of existing legislation or regulation may adversely affect the Issuer's business, results of operations and/or financial condition*" above.

4.10 *The value of the Notes could be adversely affected by a change of law*

The Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes are each based on English law in effect as at the Relevant Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the Relevant Issue Date and any such change could materially adversely impact the value of any Notes affected by it.

See also "*Changes to Solvency II may increase the risk of deferral of payments or the occurrence of a Capital Disqualification Event*" above.

4.11 *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 rank senior to, or *pari passu* with, the Notes and, accordingly, the Issuer may at any time incur further obligations (including by issue of further debt securities) which rank senior to, or *pari passu* with, the Notes. Consequently, there can be no assurance that the current level of senior or *pari passu* debt of the Issuer will not change. The issue of any such securities may reduce the amount (if any) recoverable by Noteholders on a winding-up of the Issuer and/or may increase the likelihood of a deferral of payments under the Notes. Regarding deferrals, see also the risk factors entitled "*The Notes are unsecured and subordinated obligations of the Issuer. On a winding-up of the Issuer, investors in the Notes may lose their entire investment in the Notes*", "*Payments of interest on the Notes may, under certain circumstances, be deferred either at the option of the Issuer or mandatorily*" and "*Payments of principal on the Notes must, under certain circumstances, be deferred*" above.

4.12 *An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Notes*

The Notes may have no established trading market when issued, and one may never develop (for example, Notes may be allocated to a limited pool of investors). If a market for the Notes does develop it may not be liquid. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a materially adverse effect on the market value of the Notes. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors.

In addition, publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them, and such volatility may be increased in an illiquid market, including in circumstances where a significant proportion of the Notes are held by a limited number of initial investors.

4.13 *Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a Noteholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive note in respect of such holding (should definitive notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

4.14 *If an investor holds Notes which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition or modification of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes*

The Issuer will pay principal and interest on Notes in their Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **"Investor's Currency"**)

other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would, all else being constant, decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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

5. Risks relating to the Structure of a Particular Issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors, in addition to those set out above which apply to the Notes generally. Set out below is a description of certain such features.

5.1 *If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*

An optional or early redemption feature is likely to limit the market value of the Notes. The cash paid to investors upon such a redemption may be less than the then current market value of the Notes or the price at which investors purchased the Notes, and any actual or perceived possibility of redemption by the Issuer could also impact the market value of the Notes. Subject to the contractual and regulatory restrictions on doing so (including those set out in the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable), the Issuer might be expected to redeem the Notes when its cost of borrowing for an instrument with a comparable regulatory capital treatment at the time is lower than the interest payable on them. 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 payable on the Notes being redeemed and may only be able to do so at a significantly lower rate.

If any Notes are redeemed at the Issuer's option, such Notes shall be redeemed on any Optional Redemption Date at their Optional Redemption Amount together with any accrued interest to the date fixed for redemption and the aggregate amount of any Arrears of Interest. If "Issuer Residual Call" is specified as applicable in the relevant Final Terms or Pricing Supplement, Notes may also be redeemed at the option of the Issuer if at any time after the Issue Date 80 per cent. or more of the aggregate principal amount of the relevant Series originally issued has been purchased by the Issuer or any of its Subsidiaries and cancelled, as set out more fully in the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable.

Early redemption of the Notes will also be permitted in respect of certain specified events resulting from a Tax Law Change, following a Capital Disqualification Event or following a Rating Methodology Event, in each case, as described in the Terms and Conditions of

the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable, at their Special Redemption Price, as specified in the applicable Final Terms or Pricing Supplement, together, in each case, with accrued interest to the date fixed for redemption and the aggregate amount of any Arrears of Interest.

Potential investors should consider reinvestment risk in light of other investments available at that time.

5.2 Undated Notes have no scheduled maturity and Noteholders have only a limited ability to exit their investment in such Notes

Undated Notes are perpetual securities and have no fixed maturity date or fixed redemption date and are not redeemable at the option or election of the Noteholders. Although the Issuer may, under certain circumstances, redeem the Notes, the Issuer is under no obligation to do so and Noteholders have no right to call for the Issuer to exercise any right it may have to redeem the Notes.

Therefore, Noteholders have no ability to exit their investment, except (i) in the event of the Issuer exercising its right to redeem the Notes in accordance with the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable, (ii) by selling their Notes or (iii) upon a winding-up of the Issuer, in which limited circumstances the Noteholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors (which, in the case of Undated Tier 2 Notes will include holders of Tier 3 Notes). The proceeds, if any, realised as a result of any of the actions described in (i) to (iii) may be substantially less than the principal amount of the Notes or the price paid by an investor for the Notes.

See also the risk factor entitled “*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Notes*” above.

5.3 Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

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

5.4 The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the market value of the Fixed Rate Notes.

5.5 *If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate this may affect the secondary market and the market value of the Notes concerned*

Fixed to Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed to Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes, which could adversely affect the market value of an investment in the Fixed to Floating Notes.

See also the risk factors entitled “*The value of Fixed Rate Notes may be adversely affected by movements in market interest rates*” above and “*The regulation and reform of “benchmarks” may adversely affect the value of notes linked to or referencing such benchmarks*” below.

5.6 *The interest rate on Fixed Rate Reset Notes will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Fixed Rate Reset Notes and could affect the market value of Fixed Rate Reset Notes*

Reset Notes will initially earn interest at the Initial Rate of Interest until (but excluding) the First Reset Note Reset Date. On the First Reset Note Reset Date, however, and on each subsequent Anniversary Date thereafter, the interest rate will be reset to the sum of the applicable Reset Rate and the applicable Reset Margin as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a “**Subsequent Reset Rate**”). The Subsequent Reset Rate for any Reset Period could be less than Initial Rate of Interest or the Subsequent Reset Rate for prior Reset Periods, which could adversely affect the market value of an investment in the Reset Notes.

See also the risk factor entitled “*The regulation and reform of “benchmarks” may adversely affect the value of notes linked to or referencing such benchmarks*” below.

5.7 *The regulation and reform of “benchmarks” may adversely affect the value of notes linked to or referencing such benchmarks*

As a result of ongoing regulation and reform of “benchmarks” (including the London interbank offered rate (“**LIBOR**”)), it is not possible to predict with certainty whether, and to what extent, LIBOR and other “benchmarks” will continue to be supported going forwards. This may cause LIBOR, for example, to perform differently than it has done in the past, and may have other consequences which cannot be predicted. The potential transition from LIBOR to the sterling overnight index average (“**SONIA**”) or the elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could also require an adjustment to the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable, or result in other consequences in respect of any Notes referencing such benchmark. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii)

leading to the disappearance of the benchmark. Any of the foregoing changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark. These changes are described in more detail below.

Investors should consider all of these matters when making their investment decision with respect to the relevant Floating Rate Notes, Fixed to Floating Rate Notes or Fixed Rate Reset Notes.

- *Benchmarks Regulation and reform*

Interest rates and indices which are deemed to be “benchmarks” are the subject of recent and ongoing reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any notes linked to such a benchmark.

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and has applied, subject to certain transitional provisions, since 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

In addition, the UK's prospective departure from the EU may also impact the use of benchmarks. There is a risk that LIBOR may lose its status as an authorised benchmark in the EU, for example, if the EU does not recognise, endorse or grant equivalence to the use of UK benchmarks following the expiry of the transitional period for third country benchmarks. This would restrict the ability of supervised entities in the EU to use LIBOR as a benchmark, subject to transitional provisions which would permit use until 31 December 2020. On 25 February 2019, the European Commission and the European Council published a press release announcing a provisional political agreement on a proposal to extend the Benchmarks Regulation transitional provisions for critical and third country benchmarks by two years until the end of 2021. See the risk factor entitled “*Uncertainty surrounding the UK's future relationship with the EU*” above for the potential consequences of the UK's withdrawal from the EU.

Separate workstreams are also underway in Europe to reform the Eurozone interbank offered rate (“**EURIBOR**”) using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by

a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate as the new risk free rate, which was published by the European Central Bank for the first time on 2 October 2019.

Such reforms and events may adversely impact the availability of certain benchmarks utilised in the calculations of interest and other values under the Notes which, in turn, could have a material adverse effect on the value of and return on such Notes.

- *Future unavailability, discontinuance or unrepresentativeness of certain benchmark rates (for example, LIBOR or EURIBOR) may adversely affect the value of and return on Floating Rate Notes and/or Fixed Rate Reset Notes which are linked to or which reference any such benchmark rate*

The sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and the possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The FCA has publicly announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. The Bank of England, the FCA and the UK Working Group on Sterling Risk-Free Rates jointly published a set of priorities for LIBOR transition on 16 January 2020 which stated that it is a “top level priority” that firms cease issuing sterling LIBOR-based cash products maturing beyond 2021 by the end of the third-quarter of 2020. Accordingly, the continuation of LIBOR on the current basis will not be guaranteed after 2021.

The Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes each provide for certain fallback arrangements in the event that a Benchmark Event occurs in respect of the Original Reference Rate for the relevant Series of Notes, including (without limitation) if an interbank offered rate (such as LIBOR or EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate) ceases to be published, is the subject of a public announcement by the supervisor of the relevant administrator as no longer being representative of an underlying market, or if any of the Issuer, the Calculation Agent or any Paying Agent is no longer lawfully permitted to calculate interest on any Notes by reference to such benchmark.

Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Terms and Conditions), with (in either case) application of an Adjustment Spread (which could be positive, negative or zero), and may include amendments to the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable, to ensure the proper operation of the Successor Rate or Alternative Rate, as applicable, and (in either case) the applicable Adjustment Spread, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser). An Adjustment Spread could be positive, negative or zero and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of an Original Reference Rate. However, the use of a Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) may still result in any Notes linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

If (i) following the occurrence of a Benchmark Event, no Successor Rate, Alternative Rate and corresponding Adjustment Spread is determined (or the Issuer determines that there is neither a Successor Rate nor an Alternative Rate), (ii) the Issuer fails to appoint an Independent Advisor, or (iii) in the Issuer's determination, the determination or implementation of a Successor Rate, an Alternative Rate, the applicable Adjustment Spread or any consequential amendments could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital or Tier 3 Capital (as applicable) of the Issuer and/or the Group, then the ultimate fallback provisions for the purposes of calculation of the Rate of Interest for a particular Interest Period will apply. Such fallback provisions may result in (i) in respect of Floating Rate Notes, the Rate of Interest for the last preceding Interest Period being used, (ii) in respect of Fixed Rate Reset Notes linked to a Benchmark Gilt Rate, the application of the Reset Rate in respect of the immediately preceding Reset Period or (in respect of the First Reset Note Reset Date) an amount specified in the applicable Final Terms or Pricing Supplement as the "First Reset Period Fallback" or (iii) in respect of any other Fixed Rate Reset Notes, the last observable relevant Mid-Swap Rate or CMT Rate (as applicable) which appears on the Screen Page or the CMT Rate Screen Page (as applicable). This may result in the effective application of a fixed rate for Floating Rate Notes and Fixed Rate Reset Notes.

Due to the uncertainty concerning the availability of Successor Rates, Alternative Rates and Adjustment Spreads, the involvement of an Independent Adviser, the potential for further regulatory developments and the fact that the provisions of Condition 6(l) of each of the Tier 2 Notes and Tier 3 Notes will not be applied if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the relevant Series of Notes as Tier 2 Notes or Tier 3 Notes (as applicable), there is a risk that the relevant fallback provisions may not operate as expected or as intended at the relevant time, which could increase uncertainty and negatively impact the market value of the Notes.

5.8 *In respect of any Notes issued as ESG Bonds, there can be no assurance that the use of an amount equal to such proceeds will be suitable for the investment criteria of an investor*

Notes may be issued as ESG Bonds (as defined in "Use of Proceeds" below). The Final Terms or Pricing Supplement relating to any specific Tranche of Notes may provide that it is the Issuer's intention to apply an amount equal to the proceeds from an offer of those Notes specifically for Eligible Activities (as defined below). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular, no assurance is given by the Issuer or any of the Dealers that the use of an amount equal to such proceeds for any Eligible Activities will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Activities.

Furthermore, it should be noted that there is currently no single definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, an "environmental", "social", "sustainable", "governance" or "green" (together, "ESG") or an equivalently-

labelled project, activity or asset or as to what precise attributes are required for a particular project, activity or asset to be defined as ESG or such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects, activities or assets or uses the subject of, or related to, any Eligible Activities will meet any or all investor expectations regarding such ESG or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or assets or uses the subject of, or related to, any Eligible Activities.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Notes and in particular with any Eligible Activities to fulfil any ESG and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, any of the Dealers or any other person to buy, sell or hold any such Notes or that any Eligible Activities fulfil any ESG and/or other criteria. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated ESG or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, any of the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or assets or uses, the subject of or related to, any Eligible Activities. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, any of the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply an amount equal to the proceeds of any Notes so specified for Eligible Activities in, or substantially in, the manner described in the applicable Final Terms or Pricing Supplement, there can be no assurance that the relevant project or asset(s) or use(s) the subject of, or related to, any Eligible Activities will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such amount equal to such proceeds will be totally or partially disbursed for or towards such Eligible Activities. Nor can there be any assurance that such Eligible Activities will be completed within any

specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an event of default under the Notes.

Any such event or failure to apply an amount equal to the proceeds of any issue of Notes for or towards any Eligible Activities as aforesaid and/or the withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance or re-finance Eligible Activities and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for or towards a particular purpose.

None of the Dealers will verify or monitor the proposed use of proceeds of Notes issued under the Programme.

Documents Incorporated by Reference

This Prospectus should be read and construed in conjunction with the following documents (or sections of documents):

- (1) the audited annual financial statements of the Issuer for the financial year ended 31 December 2018 together with the audit report thereon (accessible at: <https://www.pensioncorporation.com/media/154661/pic-2018-annual-report-and-accounts-final.pdf>);
- (2) the audited annual financial statements of the Issuer for the financial year ended 31 December 2019 together with the audit report thereon (accessible at: https://www.pensioncorporation.com/media/163221/pic_c_ara2019_web_final.pdf); and
- (3) pages 2 to 4 (Report of the Independent External Auditor), pages 5 to 8 (Summary), pages 27 to 37 (Valuation for Solvency Purposes), and pages 38 to 43 (Capital Management) of the solvency and financial condition report of the Issuer for the financial year ended 31 December 2018 (accessible at: https://www.pensioncorporation.com/media/159945/22121_pic_sfc_r_2018_1905301-final.pdf),

each of which has been previously published or is published simultaneously with this Prospectus.

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

Following the publication of this Prospectus one or more supplements may be prepared by the Issuer. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

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

Terms and Conditions of the Tier 3 Notes

The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms or, in the case of Exempt Notes, the relevant Pricing Supplement and except for the paragraphs in italics, shall be applicable to the Tier 3 Notes in definitive form (if any) issued in exchange for the Global Note(s) or Certificates representing each Series of Tier 3 Notes. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or Pricing Supplement (as applicable) shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Accordingly, references in these terms and conditions to provisions "specified hereon" or "specified as such hereon" shall be to the provisions endorsed on the face of the relevant Note or Certificate or set out in the relevant Final Terms or Pricing Supplement (as applicable). The relevant Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these terms and conditions, replace or modify these terms and conditions for the purposes of the relevant Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms or Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. These Conditions shall be applicable to those Notes which are specified to be "Tier 3 Notes" in the relevant Final Terms or Pricing Supplement. References in the Conditions to "Notes" are to the Tier 3 Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a trust deed dated 10 March 2020 (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**")) (the "**Trust Deed**") between Pension Insurance Corporation plc (the "**Issuer**") and Citicorp Trustee Company Limited (the "**Trustee**"), which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions 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 10 March 2020 (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent, Citigroup Global Markets Europe AG as registrar and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and (unless otherwise set out herein or hereon) the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the 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. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any

further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

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 in the United Kingdom or within the European Economic Area or offered to the public in a Member State in circumstances which require the publication of a Prospectus under the Prospectus Regulation (Regulation (EU) 2017/1129), the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Fixed to Floating Rate Note, a Fixed Rate Reset Note or a Floating Rate Note or a combination of the foregoing, depending upon the Interest Basis 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 7 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 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. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In addition, in the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(c) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Condition 2(a) or (b) shall be available for delivery within three Business Days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer 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 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 Note (or part thereof) to be registered during the period of 15 days ending on the due date for any payment of principal or interest or during the period following delivery of a notice of a voluntary payment of Arrears of Interest in accordance with Condition 5(d) and Condition 16 and ending on the date referred to in such notice as having been fixed for such payment of Arrears of Interest.

3. Status of the Notes

(a) Status

The Notes and the Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders in any winding-up of the Issuer are as described in the Trust Deed, this Condition 3 and Condition 10.

(b) Issuer Winding-Up

In the event of the winding-up of the Issuer (other than an Approved Winding-up) or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend, the payment obligations of the Issuer under or arising from the Notes and the Coupons relating to them and the Trust Deed, including any Arrears of Interest and any damages awarded for breach of any obligations in respect of the Notes and the Coupons, shall be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors, but shall rank:

- (i) at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 3 Capital and all obligations of the Issuer which rank or are expressed to rank *pari passu* therewith (together, the "**Pari Passu Securities**"); and
- (ii) in priority to (i) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital or Tier 2 Capital and all obligations of the Issuer which rank or are expressed to rank *pari passu* therewith (including, without limitation, by virtue of the

operation of any grandfathering provisions under any Relevant Rules) and (ii) all classes of share capital of the Issuer (together, the "**Junior Securities**").

(c) Solvency Condition

Without prejudice to Condition 3(b) above, all payments under or arising from the Notes, the Coupons relating to them and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Notes, the Coupons relating to them and the Trust Deed (including any damages awarded for breach of obligations thereunder) unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**").

For the purposes of this Condition 3(c), the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors and Pari Passu Creditors as they fall due and (ii) its Assets exceed its Liabilities.

A certificate as to the solvency of the Issuer or lack thereof signed by two Directors (or other officers acceptable to the Trustee) or, if there is a winding-up or administration of the Issuer, the liquidator or, as the case may be, the administrator of the Issuer shall (in the absence of manifest error) be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders 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 and without any obligation to verify or investigate the accuracy thereof.

(d) Set-off, etc.

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

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 this Condition 3) have been satisfied.

(e) No Prejudice to Trustee Remuneration

Nothing in the Trust Deed or these Conditions shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

4. Interest and other Calculations

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

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

(b) Interest on Fixed Rate Reset Notes

Each Fixed Rate Reset Note bears interest on its outstanding principal amount:

- (i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Note Reset Date at the Initial Rate of Interest;
- (ii) from (and including) the First Reset Note Reset Date until (but excluding) the first Anniversary Date at the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

and such interest shall (subject to Conditions 3(c) and 5) be payable, in each case, in arrear on the Interest Payment Dates specified hereon. The amount of interest payable shall be determined in accordance with Condition 4(e).

Save as otherwise provided herein, the provisions applicable to Fixed Rate Notes shall apply to Fixed Rate Reset Notes.

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

- (i) Interest Payment Dates

Each Floating Rate Note and each Fixed to Floating Rate Note bears interest on its outstanding principal amount from (and including), in the case of a Floating Rate Note, the Interest Commencement Date and, in the case of a Fixed to Floating Rate Note, the Fixed Rate End Date specified hereon at the rate per annum (expressed as a percentage)

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

(ii) Business Day Convention

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

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

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

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each relevant Interest Accrual Period shall be

determined by the Calculation Agent, subject to Condition 4(l), as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified as such hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

Unless otherwise specified hereon, the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject to Condition 4(l) and subject as provided below, be either:
 - (1) the offered quotation; or
 - (2) the arithmetic mean of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR), on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (y) subject to Condition 4(l), if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the rate of interest shall be the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at

approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

Unless otherwise specified hereon, the Minimum Rate of Interest shall be deemed to be zero.

(d) *Margin, Maximum/Minimum Rates of Interest and Rounding*

- (i) If any Margin is specified hereon (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, such that the Rate of Interest shall be deemed to be the sum of such rate as is calculated in accordance with Condition 4(c) above and the Margin subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest is specified hereon, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount

of such currency that is available as legal tender in the country or countries of such currency.

(e) Calculations

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

(f) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate.

"Applicable Maturity" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(g) Determination and Publication of Rates of Interest and Interest Amounts

The Calculation Agent shall as soon as practicable on each Interest Determination Date or Reset Determination Date (as applicable), or such other time on such date as the Calculation Agent may be required to calculate any rate

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

(h) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Calculation Agent or an Independent Adviser shall (in the absence of manifest error) be binding on the Issuer, the Trustee, the Issuing and Paying Agent, the Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer, the Trustee, the Issuing and Paying Agent, the Paying Agents, the Noteholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by the Calculation Agent or Independent Adviser (as applicable) of its powers, duties and discretions pursuant to such provisions.

(i) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and

- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Issuing and Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16.

(j) Definitions

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

"Anniversary Date" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Applicable Maturity" has the meaning given to it in Condition 4(f).

"Benchmark Frequency" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Benchmark Gilt" means such United Kingdom government security having an actual or interpolated maturity date on or about the last day of such Reset Period as the Issuer after consultation with the Calculation Agent, on the advice of an investment bank of international repute, may determine would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issuances of corporate debt securities denominated in sterling and of a comparable tenor to the relevant Reset Period.

"Benchmark Gilt Rate" means, in respect of a Reset Period, the gross redemption yield (as calculated by the Calculation Agent in accordance with generally accepted market practice at such time) on a semi-annual compounding basis (rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reset Reference Banks at 3.00 p.m. (London time) on the relevant Reset Determination Date on a dealing basis for settlement on the next following dealing day (as defined below). If at least four quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Benchmark Gilt Rate will be the rounded quotation provided. If no quotations are provided, the Benchmark Gilt Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Note Reset Date, the Reset Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Note Reset Date, an amount specified hereon as the "First Reset Period Fallback".

"Broken Amount" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Business Day" means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a **"TARGET Business Day"**); and/or
- (iii) in the case of a currency and/or one or more Additional Business Centres specified hereon, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

"Business Day Convention" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Calculation Amount" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"CMT Designated Maturity" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"CMT Rate" means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate determined by the Calculation Agent, and expressed as a percentage, equal to:

- (i) the yield for United States Treasury Securities at "constant maturity" for the CMT Designated Maturity, as published in the H.15(519) under the caption "treasury constant maturities (nominal)", as that yield is displayed on the CMT Rate Screen Page on such Reset Determination Date; or
- (ii) if the yield referred to in paragraph (i) above is not published by 4:00 p.m. (New York City time) on the CMT Rate Screen Page on such Reset Determination Date, the yield for the United States Treasury Securities at "constant maturity" for the CMT Designated Maturity as published in the H.15(519) under the caption "treasury constant maturities (nominal)" on such Reset Determination Date; or
- (iii) if the yield referred to in paragraph (ii) above is not published by 4:30 p.m. (New York City time) on such Reset Determination Date, the Reset Reference Bank Rate on such Reset Determination Date.

"CMT Rate Screen Page" has the meaning given to it in the relevant Final Terms or Pricing Supplement or any successor service or such other page as may

replace that page on that service for the purpose of displaying "treasury constant maturities" as reported in H.15(519).

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

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

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

where:

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

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

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

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

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

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

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

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

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

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

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

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

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

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

where:

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

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

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

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

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30; and

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

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

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

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

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

where:

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

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

"**dealing day**" means a day, other than a Saturday or Sunday, on which the London Stock Exchange (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities.

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

"First Reset Note Reset Date" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

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

"First Reset Period Fallback" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"First Reset Rate of Interest" means the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the Reset Margin (with such sum converted (if necessary) from a basis equivalent to the Benchmark Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes during the First Reset Period (such calculation to be made by the Calculation Agent)), in each case subject to Condition 4(l).

"Fixed Leg" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Fixed Rate End Date" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Floating Leg" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Floating Rate Business Day Convention" has the meaning given to it in Condition 4(c).

"Following Business Day Convention" has the meaning given to it in Condition 4(c).

"H.15(519)" means the weekly statistical release designated as H.15(519), or any successor publication, published by the board of governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15> or any successor site or publication.

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

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

each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

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

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

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified: (i) the first day of such Interest Accrual Period if the Specified Currency is sterling or (ii) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the Specified Currency is neither sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"Interest Payment Date" has the meaning given to it in Condition 4(c).

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

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

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

"ISDA Determination" has the meaning given to it in Condition 4(c).

"ISDA Rate" has the meaning given to it in Condition 4(c).

"Margin" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Mid-Swap Quotations" means the arithmetic mean of the bid and offered rates:

- (i) if the Specified Currency is sterling, for a semi-annual fixed leg (calculated on an Actual/365 day count basis) of a fixed for floating interest rate swap transaction in sterling which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month LIBOR rate (calculated on an Actual/365 day count basis), unless as otherwise specified hereon;
- (ii) if the Specified Currency is euro, for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in euro which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis), unless as otherwise specified hereon;
- (iii) if the Specified Currency is US dollars, for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in US dollars which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 3-month LIBOR rate (calculated on an Actual/360 day count basis), unless as otherwise specified hereon; and
- (iv) if the Specified Currency is not sterling, euro or US dollars, for the Fixed Leg (as set out hereon) of a fixed for floating interest rate swap transaction in that Specified Currency which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a Floating Leg (as set out hereon).

"Mid-Swap Rate" means in respect of a Reset Period, (i) the applicable semi-annual or annual (as specified hereon) mid-swap rate for swap

transactions in the Specified Currency (with a maturity equal to that of the relevant Swap Rate Period specified hereon) as displayed on the Screen Page at 11.00 a.m. (in the principal financial centre of the Specified Currency) on the relevant Reset Determination Date or (ii) if such rate is not displayed on the Screen Page at such time and date, the relevant Reset Reference Bank Rate.

"Modified Following Business Day Convention" has the meaning given to it in Condition 4(c).

"Preceding Business Day Convention" has the meaning given to it in Condition 4(c).

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon, in each case subject to Condition 4(l).

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

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

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

"Reset Determination Date" means, in respect of a Reset Period, (a) each date specified as such hereon or, if none is so specified, (b) (i) if the Specified Currency is sterling, the first Business Day of such Reset Period, (ii) if the Specified Currency is euro, the day falling two TARGET Business Days prior to the first day of such Reset Period, (iii) if the Specified Currency is US dollars, the day falling two U.S. Government Securities Business Days prior to the first day of such Reset Period (iv) for any other Specified Currency, the day falling two Business Days in the principal financial centre for such Specified Currency prior to the first day of such Reset Period.

"Reset Margin" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

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

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

"Reset Rate" means, in each case subject to Condition 4(l), (a) if "Mid-Swap Rate" is specified hereon, the relevant Mid-Swap Rate, (b) if "Benchmark Gilt Rate" is specified hereon, the relevant Benchmark Gilt Rate or (c) if "CMT Rate" is specified hereon, the relevant CMT Rate.

"Reset Reference Bank Rate" means the percentage rate determined on the basis of (a) if "Mid-Swap Rate" is specified hereon, the Mid-Swap Quotations provided by the Reset Reference Banks to the Calculation Agent at or around 11:00 a.m. in the principal financial centre of the Specified Currency on the relevant Reset Determination Date or (b) if "CMT Rate" is specified hereon, the Reset United States Treasury Securities Quotations provided by the Reset Reference Banks to the Calculation Agent at or around 4:30 p.m. (New York City time) on the relevant Reset Determination Date and, in either case, rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be the last observable relevant Mid-Swap Rate or CMT Rate (as applicable) which appears on the Screen Page or the CMT Rate Screen Page (as applicable), as determined by the Calculation Agent.

"Reset Reference Banks" means (i) in the case of the calculation of a Reset Reference Bank Rate where "Mid-Swap Rate" is specified hereon, five leading swap dealers in the principal interbank market relating to the Specified Currency, (ii) in the case of the calculation of a Reset Reference Bank Rate where "CMT Rate" is specified hereon, five banks which are primary U.S. Treasury securities dealers or market makers in pricing corporate bond issues denominated in U.S. dollars in New York or (iii) in the case of a Benchmark Gilt Rate, five brokers of gilts and/or gilt-edged market makers, in each case, as selected by the Issuer in consultation with the Calculation Agent.

"Reset United States Treasury Securities Quotations" means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate determined by the Calculation Agent as being a yield-to-maturity based on the arithmetic mean of the secondary market bid prices of the Reset Reference Banks for Reset United States Treasury Securities at approximately 4:30 p.m. (New York City time) on such Reset Determination Date.

"Reset United States Treasury Securities" means, on the relevant Reset Determination Date, United States Treasury Securities with an original maturity equal to the CMT Designated Maturity, a remaining term

to maturity of no more than one year shorter than the CMT Designated Maturity and in a principal amount equal to an amount that is representative for a single transaction in such United States Treasury Securities in the New York City market. If two or more United States Treasury Securities have remaining terms to maturity of no less than one year shorter than the CMT Designated Maturity, the United States Treasury Security with the longer remaining term to maturity will be used and if two or more United States Treasury Securities have remaining terms to maturity equally close to the duration of the CMT Designated Maturity, the United States Treasury Security with the largest nominal amount outstanding will be used.

"Screen Page" means Reuters screen page "ICESWAP1", "ICESWAP2", "ICESWAP3", "ICESWAP4", "ICESWAP5" or "ICESWAP6" as specified hereon or such other page on Thomson Reuters as is specified hereon, or such other screen page as may replace it on Thomson Reuters or, as the case may be, on such other information service that may replace Thomson Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates.

"Screen Rate Determination" has the meaning given to it in Condition 4(c).

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

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

"Subsequent Reset Rate of Interest" means, in respect of any Subsequent Reset Period, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the Reset Margin (with such sum converted (if necessary) from a basis equivalent to the Benchmark Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes during the relevant Subsequent Reset Period (such calculation to be made by the Calculation Agent)), in each case subject to Condition 4(l).

"Swap Rate Period" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

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

"United States Treasury Securities" means securities that are direct obligations of the United States Treasury, issued other than on a discount rate basis.

"U.S. Government Securities Business Day" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(k) Calculation Agent

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

(l) Benchmark Discontinuation

(i) Independent Adviser

If the Issuer determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to advise the Issuer in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(l)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 4(l)(iv)) for the purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods and Interest Accrual Periods (subject to the subsequent operation of this Condition 4(l)). In making such determination, the Issuer shall act in good faith. In the absence of bad faith or fraud, the Issuer shall have no liability whatsoever to the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it, pursuant to this Condition 4(l).

If (i) the Issuer is unable to appoint an Independent Adviser, (ii) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate, in each case together with an Adjustment Spread, in accordance with this Condition 4(l)(i) or Condition 4(l)(ii) prior to the relevant Interest Determination Date or Reset Determination Date (as applicable) or (iii) the Issuer determines that there is neither a Successor Rate nor an Alternative Rate, in each case the Rate of Interest applicable to the next succeeding Interest Period or Interest Accrual Period shall be determined in accordance with Condition 4(c) or the definitions of Benchmark Gilt Rate, Mid-Swap Rate and/or Reset Reference Bank Rate (as the case may be) and Condition 4(d) (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period or Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period or Interest Accrual Period in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period or Interest Accrual Period). For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period or Interest Accrual Period only and any subsequent Interest Periods or Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4(l)(i).

(ii) Successor Rate or Alternative Rate

If the Issuer, following consultation with the Independent Adviser, determines that:

- (a) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the subsequent operation of this Condition 4(l)); or
- (b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the subsequent operation of this Condition 4(l)).

(iii) Adjustment Spread

The applicable Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iv) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4(l) and the Issuer, following consultation with the Independent Adviser, determines (i) that amendments to these Conditions, the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread or to follow established market practice in respect of such Successor Rate, Alternative Rate and/or Adjustment Spread (any such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall use all reasonable endeavours, subject to giving notice thereof in accordance with Condition 4(l)(v), without any requirement for the consent or approval of Noteholders or Couponholders, to vary these Conditions, the Agency Agreement and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee and the Issuing and Paying Agent of a certificate signed by two Directors (or other officers acceptable to the Trustee) pursuant to Condition 4(l)(v), the Trustee and the Issuing and Paying Agent shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Noteholders or Couponholders, be obliged to concur with the Issuer in using their reasonable endeavours to effect any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed and/or the Agency Agreement) and the Trustee shall not be liable for any consequence thereof. Notwithstanding the above, none of the Trustee, the Issuing and Paying Agent and the Calculation Agent shall be obliged to agree to any amendments which, in the sole opinion of the Trustee, the Issuing and Paying Agent and/or the Calculation Agent (as applicable), would have the effect of imposing more onerous obligations upon it or exposing it to any additional duties, responsibilities or liabilities against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or reducing or amending the rights and/or the protective provisions afforded to the Trustee the Issuing and Paying Agent and/or Calculation Agent (as applicable) in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way.

In connection with any such variation in accordance with this Condition 4(l)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 4(l), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the

same could reasonably be expected to prejudice the qualification of the Notes as Tier 3 Capital of the Issuer and/or the Group.

(v) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4(l) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee and the Issuing and Paying Agent of the same, the Issuer shall deliver to the Trustee and the Issuing and Paying Agent a certificate signed by two Directors (or other officers acceptable to the Trustee):

- (a) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 4(l); and
- (b) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread or to follow established market practice in respect of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Trustee and the Issuing and Paying Agent shall be entitled to rely on such certificate (without liability to any person and without any obligation to verify or investigate the accuracy thereof) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any)) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents, the Noteholders and the Couponholders.

(vi) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 4(l) (i), (ii), (iii) and (iv), the Original Reference Rate and (where relevant) the provisions of Condition 4(c) or the definitions of Benchmark Gilt Rate, Mid-Swap Rate and/or Reset Reference Bank Rate (as the case may be) and Condition 4(d) will continue to apply (i) unless and until a Benchmark Event has occurred and (ii) if a Benchmark Event has occurred, unless

and until the Trustee, the Calculation Agent, the Paying Agents and (in accordance with Condition 16) the Noteholders have been notified of the Successor Rate or Alternative Rate (as applicable), the applicable Adjustment Spread and any Benchmark Amendments determined pursuant to this Condition 4(l).

(vii) Calculation Agent Instruction Request

Notwithstanding any other provision of this Condition 4(l), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or any specific terms of any Benchmark Amendments, in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 4, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

(viii) Definitions:

As used in this Condition 4(l):

"Adjustment Spread" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (b) the Issuer, following consultation with the Independent Adviser, determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate or (if the Issuer determines that no such spread is customarily applied);
- (c) the Issuer, following consultation with the Independent Adviser, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the

case may be) or (if the Issuer determines that no such industry standard is recognised or acknowledged); or

- (d) the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate.

"Alternative Rate" means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser determines in accordance with Condition 4(l)(ii) is customarily applied in debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes or, if the Issuer determines that there is no such rate, such other rate as the Issuer determines following consultation with the Independent Adviser in its discretion is most comparable to the Original Reference Rate.

"Benchmark Amendments" has the meaning given to it in Condition 4(l)(iv).

"Benchmark Event" means:

- (A) the Original Reference Rate ceasing to be published for a period of at least five consecutive Business Days or ceasing to exist or be administered; or
- (B) the later of (i) the making of a public statement by the administrator of the Original Reference Rate that it has ceased or that it will (on or before a specified date) cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to the date specified in (i); or
- (C) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be (on or before a specified date) permanently or indefinitely discontinued and (ii) the date falling six months prior to the date specified in (i); or
- (D) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be (on or before a specified date) prohibited from being used either generally, or in respect of the Notes and (ii) the date falling six months prior to the date specified in (i); or
- (E) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original

Reference Rate is no longer representative of an underlying market; or

- (F) it has become unlawful, or will become unlawful prior to the next Interest Determination Date or Reset Determination Date (as applicable) for any Paying Agent, the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

"Independent Adviser" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4(l)(i).

"Original Reference Rate" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes or any Successor Rate or Alternative Rate (or component part thereof) determined pursuant to this Condition 4(l).

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"Successor Rate" means a successor to or replacement of the Original Reference Rate which is formally published, endorsed, approved, recognised or recommended by any Relevant Nominating Body.

5. Deferral of Payments

(a) *Optional Deferral of Interest*

If "Optional Interest Deferral" is specified as being applicable hereon, the Issuer may elect in respect of (i) where Dividend and Capital Restriction is specified as not applicable hereon, any Interest Payment Date, or (ii) otherwise, any Optional Interest Payment Date, in each case, by notifying the Trustee in writing and notifying the Noteholders in accordance with Condition 16 no later than five Business Days prior to an Interest Payment Date, to defer payment of all (but not

some only) of the interest accrued to that date and the Issuer shall not have any obligation to make such payment on that date.

Notwithstanding any other provision in these Conditions or the Trust Deed, the deferral of any payment of interest on, where Dividend and Capital Restriction is specified as not applicable hereon, an Interest Payment Date, or otherwise an Optional Interest Payment Date in accordance with this Condition 5(a) will not constitute a default by the Issuer and will not give the Noteholders, the Couponholders or the Trustee any right to accelerate repayment of the Notes.

(b) *Mandatory Deferral of Interest*

Payment of interest on the Notes by the Issuer will be mandatorily deferred on each Mandatory Interest Deferral Date. The Issuer shall notify the Trustee in writing and notify the Noteholders in accordance with Condition 16 no later than five Business Days prior to an Interest Payment Date (or as soon as reasonably practicable if a Regulatory Deficiency Interest Deferral Event occurs less than five Business Days prior to an Interest Payment Date) if a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or if a Regulatory Deficiency Interest Deferral Event would occur on the Interest Payment Date if payment of interest was made (provided that, for the avoidance of doubt, any delay in giving such notice shall not result in such interest becoming due and payable on the relevant Mandatory Interest Deferral Date).

A certificate signed by two Directors (or other officers acceptable to the Trustee) of the Issuer confirming that (a) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (b) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders 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 and without any obligation to verify or investigate the accuracy thereof.

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

(c) *Arrears of Interest*

Any interest in respect of the Notes not paid on an Interest Payment Date as a result of (i) the exercise by the Issuer of its discretion pursuant to Condition 5(a) (if applicable), (ii) the obligation on the Issuer to defer pursuant to Condition 5(b) or (iii) the operation of the Solvency Condition contained in Condition 3(c), together with any other interest in respect thereof not paid on an earlier Interest

Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**".

Arrears of Interest shall not themselves bear interest.

(d) Payment of Arrears of Interest by the Issuer

Any Arrears of Interest may (subject to Condition 3(c) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to the Relevant Regulator having approved or consented to, or indicated it has no objection to, such payment), be paid in whole or in part at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest was made) upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Trustee and the Paying Agents in writing and to the Noteholders in accordance with Condition 16, and in any event will become due and payable (subject, in the case of (i) and (iii) below, to Condition 3(c) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to the Relevant Regulator having approved or consented to, or indicated it has no objection to, such payment)) in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date (as evidenced by delivery of the certificate referred to in Condition 5(b)) and on which a scheduled payment of interest in respect of the Notes (or any part thereof) is made or required to be made pursuant to these Conditions (other than a voluntary payment of Arrears of Interest); or
- (ii) (where Dividend and Capital Restriction is specified as not applicable hereon) the next Interest Payment Date which is a Compulsory Interest Payment Date; or
- (iii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or
- (iv) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer or any of its Subsidiaries pursuant to Condition 6 (subject to any deferral of such redemption date pursuant to the Solvency Condition or Condition 6(b)) or Condition 10.

If either of the events set out in Condition 5(d)(i) or (iv) occurs, the Issuer shall promptly give notice to the Trustee, the Issuing and Paying Agent and the Noteholders in accordance with Condition 16.

(e) Notice of Deferral Following Failure to Satisfy the Solvency Condition

The Issuer shall notify the Trustee, the Paying Agents and the Noteholders in writing in accordance with Condition 16 not less than five Business Days prior to

an Interest Payment Date if payment of any interest will not become due on such Interest Payment Date as a result of a failure to satisfy the Solvency Condition, provided that if the circumstances resulting in non-satisfaction of the Solvency Condition occur, or are determined to occur, less than five 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 (and in either case such notice shall specify that interest will not be paid as a result of non-satisfaction of the Solvency Condition). For the avoidance of doubt, any delay in giving such notice shall not result in such interest becoming due and payable on the relevant Interest Payment Date.

6. Redemption, Substitution, Variation, Purchase and Options

(a) *Redemption at Maturity*

Subject to Conditions 3(c), 6(b) and 6(j), unless previously redeemed or purchased and cancelled as provided below, if a Maturity Date is specified hereon, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount), together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest.

(b) *Deferral of redemption date*

- (i) No Notes shall be redeemed on the Maturity Date (if any) pursuant to Condition 6(a) or redeemed prior to the Maturity Date (if any) pursuant to Condition 6(c), 6(d), 6(e), 6(f) or 6(h) or purchased pursuant to Condition 6(g) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption or purchase were made on, if Condition 6(a) applies, the Maturity Date or, if Condition 6(c), 6(d), 6(e), 6(f) or 6(h) applies, any date specified for redemption in accordance with such Conditions or, if Condition 6(g) applies, the date of such purchase.
- (ii) If the Notes are not to be redeemed on the Maturity Date (if any) pursuant to Condition 6(a) or on any scheduled redemption date pursuant to Condition 6(c), 6(d), 6(e), 6(f) or 6(h) (as applicable) as a result of circumstances where:
 - (a) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed on such date;
 - (b) the Solvency Condition would not be satisfied on such date and immediately after the redemption; or
 - (c) the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or the Relevant Regulator

objects to the redemption or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

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

Failure to make any such notification shall not cause the Notes to become due and payable on such date and the Issuer shall not have any obligation to redeem the Notes (or make any redemption payment in respect of the Notes) on that date.

- (iii) If redemption of the Notes does not occur on the Maturity Date (if any) or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), 6(d), 6(e), 6(f) or 6(h) as a result of Condition 6(b)(i) above or Condition 6(j) below, or the Relevant Regulator objects to the redemption or such redemption cannot otherwise be effected in compliance with the Relevant Rules on such date, subject (in the case of (A) and (B) only) to Condition 3(c) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to the Relevant Regulator having approved or consented to, or indicated it has no objection to, such redemption, such Notes shall be redeemed at their Final Redemption Amount (which, unless otherwise provided hereon, shall be their principal amount) or, as applicable, the relevant price specified in Condition 6(c), (d), (e), (f) or (h) together Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption, upon the earliest of:
- (a) in the case of a failure to redeem due to the operation of Condition 6(b)(i) only, the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such tenth Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of this Condition 6(b) shall apply *mutatis mutandis* to determine the due date for redemption of the Notes); or
 - (b) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes; or
 - (c) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.

- (iv) Notwithstanding Condition 6(b)(i) above and Condition 6(j) below, the Issuer shall be entitled to redeem or purchase Notes (to the extent permitted by the Relevant Rules) where:
- (a) redemption pursuant to Condition 6(a), 6(c), 6(d), 6(e), 6(f) or 6(h) or purchase pursuant to Condition 6(g) would otherwise be permitted were it not for the Solvency Capital Requirement not being met immediately prior to the redemption or purchase of the Notes (as applicable) or the redemption or purchase (as applicable) causing the Solvency Capital Requirement to be breached;
 - (b) the Relevant Regulator has exceptionally waived the suspension or cancellation of redemption or, as the case may be, purchase of the Notes;
 - (c) all (but not some only) of the Notes being redeemed or purchased at such time are exchanged for a new issue of Tier 1 Capital, Tier 2 Capital or Tier 3 Capital of at least the same quality as the Notes; and
 - (d) the Minimum Capital Requirement will be complied with immediately following such redemption or purchase, if made.

A certificate signed by two Directors (or other officers acceptable to the Trustee) delivered to the Trustee confirming that the conditions set out in this Condition 6(b)(iv) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without obligation to verify or investigate the accuracy thereof.

- (v) If on any date Condition 6(b)(i) does not apply, but redemption of the Notes does not occur on the Maturity Date (if any) or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), (d), (e), (f) or (h) as a result of the Solvency Condition not being satisfied at such time and immediately after such payment, subject to (to the extent required by the Relevant Regulator or the Relevant Rules) to the Relevant Regulator having approved or consented to, or indicated it has no objection to, such redemption, such Notes shall be redeemed at their Final Redemption Amount (which, unless otherwise provided hereon, shall be their principal amount) or, as applicable, the relevant price specified in Condition 6(c), (d), (e), (f) or (h) together with accrued but unpaid interest and any Arrears of Interest on the tenth Business Day immediately following the day that (A) the Issuer is solvent for the purposes of Condition 3(c) and (B) that redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 3(c), provided that if on such Business Day specified for redemption a

Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed, or the Solvency Condition would not be satisfied on such date and immediately after such redemption, then the Notes shall not be redeemed on such date and Conditions 3(c) and 6(b)(iii) shall apply, *mutatis mutandis*, to determine the date of the redemption of the Notes.

- (vi) In addition to any certificate given pursuant to Condition 3(c) in relation to the satisfaction or otherwise of the Solvency Condition, a certificate signed by two Directors (or other officers acceptable to the Trustee) delivered to the Trustee 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 Noteholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely absolutely on such certificate without liability to any person without any obligation to verify or investigate the accuracy thereof.
- (vii) In circumstances where redemption of the Notes has been deferred, the Issuer shall, as soon as reasonably practicable following its determination of the new scheduled redemption date in accordance with this Condition 6(b), give notice to the Trustee, the Paying Agents and to the Noteholders in accordance with Condition 16 of the new scheduled redemption date (but this shall be without prejudice to further deferral of redemption on such date in the circumstances required by these Conditions).
- (viii) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(c) or this Condition 6(b) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or take any enforcement action under the Notes or the Trust Deed.

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(d), 6(e), 6(f) or 6(h) 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(c), 6(b) and 6(j) and having given not less than 30 nor more than 60 days' notice (or such other notice period as may be specified hereon) to the Trustee, the Issuing and Paying Agent, the Registrar and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and shall, subject as aforesaid, be irrevocable) redeem all (but not some only) of the Notes on any Optional Redemption Date specified hereon.

Any such redemption of Notes shall be at their Optional Redemption Amount (as may be provided for hereon) together with any accrued and unpaid interest to (but excluding) the date fixed for redemption in accordance with these Conditions and any Arrears of Interest.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(c).

(d) *Redemption, Substitution or Variation at the Option of the Issuer 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 UK or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the UK is a party, or any change in the application or official interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Tier 3 Capital under the rules applicable at issuance) or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by UK Act of Parliament or by Statutory Instrument, on or after the Relevant Issue Date (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 on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change, in respect of the Issuer's obligation to make any payment of interest on the next following Interest Payment Date, (a) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the UK, or such entitlement would be materially reduced; or (b) the Issuer would not to any material extent be entitled to have any consequential loss or non-trading deficit set against the profits of companies with which it is grouped for applicable UK 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) and, in each such case, the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it,

then the Issuer may:

- (a) subject to Conditions 3(c), 6(b) and 6(j), and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the Registrar and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions; provided that, in the case of a Tax Law Change which is a proposed amendment or a proposed change only, no such notice of redemption shall be given earlier than 90 days prior to: (i) the earliest date on which the Issuer would be required to pay such Additional Amounts (in the case of a redemption pursuant to Condition 6(d)(i)); or (ii) the first Interest Payment Date on which the eventuality set out in Condition 6(d)(ii)(a) or Condition 6(d)(ii)(b), as applicable, would materialise (in the case of a redemption pursuant to Condition 6(d)(ii)), as applicable; or
- (b) subject to Condition 6(j) (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 Registrar and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Tier 3 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 (or officers) referred to below and in the definition of Qualifying Tier 3 Securities) agree to such substitution or variation. Subject as aforesaid, the Trustee shall (at the Issuer's expense) use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 3 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 or expose it to liabilities or reduce or amend its protections and/or rights. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6(d) the Issuer shall deliver to the Trustee (A) a certificate signed by two Directors (or other officers acceptable to the Trustee) stating that the relevant requirement or circumstance referred to in Condition 6(d)(i) or Condition 6(d)(ii) applies and confirming the Issuer's compliance with Condition 6(j) and (B) an opinion from a nationally recognised law firm or other tax adviser in the UK experienced in such matters to the effect that the relevant

requirement or circumstance referred to in Condition 6(d)(i) or Condition 6(d)(ii) applies, save that such opinion need not provide any confirmation as to whether the Issuer could avoid the occurrence of the relevant requirement or circumstance by taking measures reasonably available to it. Such certificate and opinion shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate and opinion without liability to any person and without any obligation to verify or investigate the accuracy thereof. Upon expiry of such notice the Issuer shall (subject to Condition 6(j) and, in the case of a redemption, to Condition 3(c), Condition 6(b)(i), Condition 6(b)(ii) and Condition 6(b)(iii)) either redeem, vary or substitute the Notes, as the case may be.

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

Subject to Conditions 3(c), 6(b) and 6(j), if immediately prior to the giving of the notice referred to below a Capital Disqualification Event has occurred and is continuing, then the Issuer may at its option, 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 Registrar, which notice shall specify the date set for redemption and shall (subject as aforesaid) be irrevocable, either:

- (i) redeem all (but not some only) of the Notes, at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date, at their Special Redemption Price (which, unless otherwise specified hereon, shall be their principal amount) together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) (without any requirement for the consent or approval of the Noteholders or the Couponholders) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Qualifying Tier 3 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 (or officers) referred to below and in the definition of Qualifying Tier 3 Securities) agree to such substitution or variation. Subject as aforesaid, the Trustee (at the Issuer's expense) shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 3 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 or expose it to liabilities or reduce or amend its protections and/or rights. 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.

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6(e) the Issuer shall deliver to the Trustee a certificate signed by two Directors (or other officers acceptable to the Trustee) stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate and confirming the Issuer's compliance with Condition 6(j). Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof. Upon expiry of such notice the Issuer shall (subject to Condition 6(j) and, in the case of a redemption, to Condition 3(c), Condition 6(b)(i), Condition 6(b)(ii) and Condition 6(b)(iii)) either redeem, vary or substitute the Notes, as the case may be.

(f) *Redemption, Substitution or Variation at the Option of the Issuer for Rating Reasons*

Subject to Conditions 3(c), 6(b) and 6(j), if "Rating Methodology Call" is specified as being applicable hereon and a Rating Methodology Event has occurred and is continuing, or will occur within a period of six months from the date of the certificate referred to below, then the Issuer may at its option, 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 Registrar, which notice shall specify the date set for redemption and shall (subject as aforesaid) be irrevocable, either:

- (i) redeem all (but not some only) of the Notes, at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date, at their Special Redemption Price (which, unless otherwise specified hereon, shall be their principal amount), together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) (without any requirement for the consent or approval of the Noteholders or the Couponholders) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Rating Agency Compliant Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to receipt by it of the certificates of the Directors (or officers) referred below and in the definition of **Rating Agency Compliant Securities**) agree to such substitution or variation. Subject as aforesaid, the Trustee (at the Issuer's expense) shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Rating Agency Compliant Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation 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 or expose it to liabilities or reduce or amend its protections and/or rights. 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.

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6(f) the Issuer shall deliver to the Trustee a certificate signed by two Directors (or other officers acceptable to the Trustee) stating that a Rating Methodology Event has occurred and is continuing as at the date of the certificate or will occur within a period of six months from the date of the certificate and confirming the Issuer's compliance with Condition 6(j). Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof. Upon expiry of such notice the Issuer shall (subject to Condition 6(j) and, in the case of a redemption, to Condition 3(c), Condition 6(b)(i), Condition 6(b)(ii) and Condition 6(b)(iii)) either redeem, vary or substitute the Notes, as the case may be.

(g) Purchases

Subject to Conditions 3(c), 6(b) and 6(j), the Issuer and any of its Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in any manner and at any price.

(h) Clean-up call

Subject to Condition 3(c), Condition 6(b) and Condition 6(j), if "Issuer Residual Call" is specified hereon and if at any time after the Issue Date 80 per cent. or more of the aggregate principal amount of any Series of Notes originally issued (and, for these purposes, any further securities issued pursuant to Condition 15 so as to be consolidated and form a single series with the Notes will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled pursuant to these Conditions, then the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the Registrar and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and be irrevocable), redeem all (but not some only) of the Notes at any time at Residual Early Redemption Amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions.

Prior to the publication of any notice of redemption pursuant to this Condition 6(h) the Issuer shall deliver to the Trustee a certificate signed by two Directors (or other officers acceptable to the Trustee) stating that, as at the date of the

certificate, 80 per cent. or more of the aggregate principal amount of the Series of Notes originally issued has been purchased by the Issuer or any of its Subsidiaries and cancelled and confirming the Issuer's compliance with Condition 6(j). Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof. Upon expiry of such notice the Issuer shall (subject to Condition 6(j) and, in the case of a redemption, to Condition 3(c), Condition 6(b)(i), Condition 6(b)(ii) and Condition 6(b)(iii)) either redeem, vary or substitute the Notes, as the case may be.

(i) Cancellation

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

(j) Pre-conditions to Redemption, Substitution, Variation or Purchase

Any redemption, substitution, variation or purchase of the Notes is subject to the Issuer having complied with relevant legal or regulatory requirements including (to the extent then required by the Relevant Regulator or the Relevant Rules) the Relevant Regulator having approved or consented to, or indicated it has no objection to, such redemption, substitution, variation or purchase, and the Issuer being in continued compliance with the Regulatory Capital Requirements applicable to it at the relevant time and, in the case of a redemption or purchase that is within five years of the Relevant Issue Date, either:

- (i) such redemption or purchase being funded out of the proceeds of a new issuance of capital of at least the same quality as the Notes, or
- (ii) in the case of any redemption pursuant to Conditions 6(d) or 6(e) only, the Relevant Regulator being satisfied that the Solvency Capital Requirement of the Issuer or all or any part of the Group (which part includes the Issuer and at least one other member of the Group), whether on a solo, group or consolidated basis is exceeded by an appropriate margin immediately after such redemption or purchase (taking into account the solvency position of the Issuer and the Group, including by reference to the Issuer's and the Group's medium-term capital management plan), and:

- a. in the case of any such redemption pursuant to Condition 6(d), the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Relevant Issue Date; or
- b. in the case of any such redemption pursuant to Condition 6(e), the Relevant Regulator considering that the relevant change in the regulatory classification of the Notes was sufficiently certain and the Issuer having demonstrated to the satisfaction of the Relevant Regulator that such change was not reasonably foreseeable as at the Relevant Issue Date,

and in each case and being otherwise permitted under the Relevant Rules.

A certificate signed by two Directors (or other officers acceptable to the Trustee) confirming such compliance shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

In the case of a redemption (other than pursuant to Condition 6(h)) that is within five years of the Relevant Issue Date, the Issuer shall deliver to the Trustee a certificate signed by two Directors (or other officers acceptable to the Trustee) stating that it would have been reasonable for the Issuer to conclude, judged at the time of the issue of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption was unlikely to occur. Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(k) *Trustee role; Trustee not obliged to monitor*

Subject to the receipt by it of the certificates referred to in Condition 6(j) and the definition of Qualifying Tier 3 Securities, the Trustee shall (at the expense of the Issuer) use its use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds as may be necessary) to give effect to the substitution or variation of the Notes provided that the Trustee shall not be obliged to co-operate in any such substitution or variation if the securities resulting from such substitution or variation, or the co-operation in such substitution or variation, imposes, in the Trustee's opinion, more onerous obligations upon it or exposes it to liabilities or reduces or amends its protections, in each case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes. If the Trustee does not so co-operate as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in this Condition 6.

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists for the purposes of this Condition 6 and will not be responsible to Noteholders or the Couponholders for any loss arising from any failure by it to do so. Unless and until the Trustee has written notice pursuant to these Conditions or the Trust Deed of the occurrence of any event or circumstance to which this Condition 6 relates, it shall be entitled to assume that no such event or circumstance exists and that (in the case of the events or circumstances to which Condition 6(d) relates) the effect of the same cannot be avoided by the Issuer taking measures reasonably available to it.

(l) Compliance with stock exchange rules

In connection with any substitution or variation of the Notes in accordance with this Condition 6, 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.

7. Payments and Talons

(a) Bearer Notes

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the U.S. by transfer to an account denominated in such currency with, 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 Condition 7(b)(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 Euroclear and/or Clearstream, Luxembourg, as applicable, are open for business) before the due date for payment thereof, and (ii) where none of the Registered Notes is represented by a Global Certificate at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency and to the holder (or to the first named of joint holders) of such Note by transfer to an account in the relevant currency maintained by the payee with a bank.

(c) *Payments in the U.S.*

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 U.S. 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 U.S. law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) *Payments subject to Fiscal Laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**"), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (each, a "**FATCA Withholding Tax**").

(e) *Appointment of Agents*

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer (for all purposes other than ISDA Determination for Floating Rate Notes, where the Calculation Agent will be specified in the Final Terms or Pricing Supplement, as applicable) and their respective specified offices are listed above. Subject as provided in the Agency Agreement, the Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Calculation 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, and (v) a Paying Agent having specified offices in London so long as the Notes are admitted to the Official List of the UK Financial Conduct Authority and admitted to trading on the London Stock Exchange's regulated market.

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

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 16. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified hereon.

(f) *Unmatured Coupons and unexchanged Talons*

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than any Fixed Rate Notes where the total value of the unmatured coupons appertaining thereto exceeds the nominal amount of such Note) such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Optional Redemption Amount, Residual Early Redemption Amount or Special Redemption Price as the case may be and as may be provided for hereon, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Fixed to Floating Rate Note, a Fixed Rate Reset Note or a Floating Rate Note or (where the total value of the unmatured coupons exceeds the nominal amount of such Note) a Fixed Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the

relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date (if one is specified hereon) shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

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

(h) Non-Business Days

If any date for payment in respect of any Note or Coupon is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "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 (including, without limitation, Arrears of 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 ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the UK 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 in respect of interest payments (including Arrears of Interest), but not in respect of any payments of principal, as shall result in receipt by the Noteholders and Couponholders of such net amounts as would have been received by them had no such withholding or deduction been required by law to be made ("**Additional Amounts**"), 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 in respect of such Note or Coupon by reason of his having

some connection with the UK 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 person who is associated or connected with the holder for the purposes of any Taxes complies with any statutory requirements or by making or procuring that any such person 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 (assuming that day to have been a Business Day); or
- (D) **Combination:** where such withholding or deduction arises out of any combination of paragraphs (a) to (c) above.

Notwithstanding the above or any other provision of these Conditions, any amounts to be paid by the Issuer on the Notes will be paid net of any deduction or withholding imposed or required pursuant to any FATCA Withholding Tax and the Issuer will not be required to pay any Additional Amounts on account of any FATCA Withholding Tax.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amount, Optional Redemption Amount, Residual Early Redemption Amount or Special Redemption Price and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, and (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and any Additional Amounts that may be payable under this Condition 8 or under any undertakings given in addition to, or in substitution for, it pursuant to the Trust Deed.

9. Prescription

Claims against the Issuer for payment in respect of principal, interest and Arrears of Interest payable on 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 or Arrears of Interest) from the appropriate Relevant Date in respect of them.

10. Enforcement

(a) *Rights to institute and/or prove in a winding-up*

Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due and is not duly paid. Pursuant to Condition 3(c), no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition is not satisfied, at the time of and immediately after any such payment. In the case of any payment of interest in respect of the Notes, such payment will be deferred and will not be due if Condition 5(a) or 5(b) applies and in the case of payment of principal, such payment will be deferred and will not be due if Condition 6(b)(i) applies or the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules), the Relevant Regulator objects to the redemption or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date.

If default is made for a period of 14 days or more in the payment of any interest (including, without limitation, Arrears of Interest) or principal due in respect of the Notes or any of them, the Trustee in its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 10(d)) institute proceedings for the winding-up of the Issuer. In any winding-up or administration or liquidation of the Issuer, the Trustee may prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes, the Coupons or the Trust Deed may be made by the Issuer pursuant to this Condition 10(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to the Relevant Regulator and the Relevant Regulator has approved or consented to, or indicated it has no objection to, such payment, which the Issuer shall confirm in writing to the Trustee.

(b) *Amount payable on winding-up or administration*

If an order is made by the competent court or resolution passed for the winding-up of the Issuer (other than an Approved Winding-up), or an administrator of the Issuer gives notice that it intends to declare and distribute a dividend, the Trustee at its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 10(d)), give notice to the Issuer (or, as applicable, the administrator or liquidator) that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at the amount equal to their principal amount together with Arrears of

Interest, if any, and any other accrued and unpaid interest, and the claim in respect thereof will be subject to the subordination provided for in Condition 3(b).

In addition, any other amounts in respect of the Notes or the Coupons (including any damages awarded for breach of any obligations under these Conditions or the Trust Deed) in respect of which the Solvency Condition was not satisfied on the date upon which the same would otherwise have become due and payable ("**Solvency Claim**") will be payable by the Issuer in a winding-up of the Issuer, and the claim in respect thereof will be subject to the subordination provided for in Condition 3(c). A Solvency Claim shall not bear interest.

(c) Enforcement

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

(d) Entitlement of the Trustee

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

(e) Right of Noteholders and Couponholders

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 liquidation or claim in such

winding-up, fails or is unable to do so within a reasonable period and such failure or inability 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.

(f) *Extent of Noteholders and Couponholders' remedies*

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

Nothing in the Trust Deed or these Conditions shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

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 sanctioning the modification or abrogation by Extraordinary Resolution (as defined in the Trust Deed) of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum at 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 present holding or representing Noteholders whatever the principal amount of the Notes held or represented, except that, at any meeting the business of which falls within the proviso to paragraph 2.1(j) of Schedule 11 to the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed also provides that a written resolution executed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding or consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 75 per cent. in principal amount of the Notes outstanding who would have been entitled to vote upon it if it had been proposed at a meeting at which they were present shall take effect as if it were an Extraordinary Resolution.

A resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

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 connection with the substitution or variation of the Notes pursuant to Condition 6(d), 6(e) or 6(f) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer pursuant to Condition 12.

The agreement or approval of the Noteholders shall not be required in the case of any Benchmark Amendments required by the Issuer pursuant to Condition 4(l).

(b) *Modification of the Trust Deed or the Agency Agreement*

In addition to the requirements of Conditions 6(d), 6(e), 6(f) and 12, the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement: (i) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error. For the avoidance of doubt, such power shall not extend to any such modification as mentioned in the proviso to paragraph 2.1(j) of Schedule 11 to the Trust Deed unless required for the substitution or variation of the Notes pursuant to Condition 6(d), 6(e), 6(f) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer pursuant to Condition 12.

The agreement or approval of the Noteholders shall not be required in the case of any Benchmark Amendments required by the Issuer pursuant to Condition 4(l).

(c) *Trustee to have regard to interests of Noteholders as a class*

In connection with any exercise of its functions (including but not limited to those referred to in this Condition 11), 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 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 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.

(d) Notification to the Noteholders

Any modification, abrogation, waiver, authorisation or determination pursuant to this Condition 11 shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

(e) Notice to the Relevant Regulator

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless (to the extent then required by the Relevant Regulator or the Relevant Rules) the Issuer shall have given at least one month's prior written notice to the Relevant Regulator (or such other period of notice as the Relevant Regulator may from time to time require or accept) and the Relevant Regulator having approved or consented to, or indicated it has no objection to, such modification.

12. Substitution

The Trustee may agree with the Issuer, without the consent of the Noteholders or the Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 3 of any person or persons incorporated in any country in the world (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 and the Coupons, with any consequential amendments which the Trustee may deem appropriate (including, but not limited to, a change of governing law of the Trust Deed and/or the Notes and/or the Coupons), as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes and the Coupons, 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 (as defined in the Trust Deed) of the Issuer is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed, the Notes and the Coupons 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, and provided further that the obligations of such guarantor shall be subject to a solvency condition equivalent to that set out in Condition 3(c), such guarantor shall not exercise rights of subrogation or contribution against the Substitute Obligor without the consent of the Trustee and the only event of default applying to such guarantor shall be an event of default equivalent to that set out in Condition 10(a);

- (iii) two directors (or other officers acceptable to the Trustee) of the Substitute Obligor certifies to the Trustee that (i) it has obtained all necessary governmental and regulatory approvals and consents necessary for its assumption of the duties and liabilities as Substitute Obligor under the Trust Deed and the Notes in place of the Issuer or, as the case may be, any previous Substitute Obligor and (ii) such approvals and consents are at the time of substitution in full force and effect (it being declared that the Trustee may rely absolutely on such certification without liability to any person);
- (iv) two directors (or other officers acceptable to the Trustee) of the Substitute Obligor certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected and immediately thereafter (and the Trustee may rely absolutely on such certification without liability to any person 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 or (as the case may be) any previous Substitute Obligor);
- (v) (without prejudice to the rights of reliance of the Trustee under Conditions 12(iii) and 12(iv) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders; and
- (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 or any such authority to the taxing jurisdiction of 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 and the Coupons will be read accordingly.

Any substitution pursuant to this Condition 12 shall be subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to the Relevant Regulator having approved or consented to, or indicated it has no objection to, such substitution.

Any such substitution shall be binding on the Noteholders and the Couponholders and shall be notified to the Noteholders and the Couponholders as soon as practicable thereafter in accordance with Condition 16.

13. Indemnification of the Trustee and its Contracting with the Issuer

(a) *Indemnification of the Trustee*

The Trust Deed contains provisions for the provision of indemnification, security and prefunding to the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

(b) *Limitation on Trustee Actions*

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

(c) *Reliance by Trustee on Reports, Confirmations, Certificates and Advice*

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

(d) *Trustee Contracting with the Issuer*

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(e) *Regulatory Compliance*

Wherever in these Conditions and/or the Trust Deed there is a requirement for the Issuer to have complied with regulatory requirements including (to the extent then required by the Relevant Regulator or the Relevant Rules) the Relevant Regulator, the Trustee shall be entitled to assume without enquiry that such requirements have been satisfied unless notified in writing to the contrary by the Issuer.

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 amount and date of the first payment of interest on them and the date from which interest starts to accrue) 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 (such securities being "**Further Notes**"). Unless otherwise specified, references in these Conditions to the Issue Date shall be to the Issue Date of the first Tranche of Notes of any Series. References in these Conditions to the Notes include (unless the context requires otherwise) any Further Notes. Any Further Notes 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 valid if mailed to them at their respective addresses in the Register and deemed to be given on the London Business Day 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*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Notes are for the time being listed. 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 16.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes).

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

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

18. **Definitions**

As used herein:

"Additional Amounts" has the meaning given to it in Condition 8;

"Additional Financial Centres" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"Agency Agreement" has the meaning given in the preamble to these Conditions;

"Approved Winding-up" means a solvent winding-up of the Issuer 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 (A) the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (ii) do not provide that the Notes shall thereby become payable; or (B) in the case of a substitution, takes effect in accordance with Condition 12 and Clause 17.2 of the Trust Deed;

"Arrears of Interest" has the meaning given to it 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, all in such manner as the Directors may determine;

"Bearer Notes" has the meaning given to it in Condition 1;

"Calculation Agent(s)" has the meaning given in the preamble to the Conditions or, in the case of Condition 4(c)(iii)(A), as defined therein;

"Call Option" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

a **"Capital Disqualification Event"** is deemed to have occurred if, since the Relevant Issue Date, as a result of any replacement of or change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules the whole or any part of

the principal amount of the Notes is excluded from counting as Tier 3 Capital for the purposes of the Issuer or all or any part of the Group (which part includes the Issuer and at least one other member of the Group), (whether on a solo, group or consolidated basis), except (in either case) where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

"Certificates" has the meaning given in Condition 1;

"Compulsory Interest Payment Date" means any Interest Payment Date (i) in respect of which during the immediately preceding six month period a Compulsory Interest Payment Event has occurred; (ii) on which the relevant interest payment can be made in compliance with the Solvency Condition; and (iii) which is not a Mandatory Interest Deferral Date;

"Compulsory Interest Payment Event" means:

- (A) any declaration, payment or making of a dividend or distribution by the Issuer to its ordinary shareholders; or
- (B) any declaration, payment or making of a dividend, distribution or coupon on any other Junior Securities, except where such dividend, distribution or coupon was required to be declared, paid or made under, or in accordance with, their terms; or
- (C) any repurchase by the Issuer of any of its ordinary shares for cash, provided such repurchase is not made in the ordinary course of business of the Issuer in connection with any share option scheme or share ownership scheme for management or employees of the Issuer or management or employees of affiliates of the Issuer; or
- (D) any redemption or purchase by the Issuer or any Subsidiary of the Issuer of any other Junior Securities for cash, except (i) a redemption required to be effected under, or in accordance with, their terms and/or (ii) any purchase by a Subsidiary of the Issuer where neither the Issuer nor the Group Holding Company has operational control over the investment activities thereof and where such purchase is not made at the direction of, or for the benefit of, the Issuer;

"Couponholders" has the meaning given in the preamble to these Conditions;

"Coupons" has the meaning given in the preamble to these Conditions;

"Directors" means the directors of the Issuer from time to time;

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

"Extraordinary Resolution" has the meaning given in the Trust Deed;

"FATCA Withholding Tax" has the meaning given in Condition 7(d);

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

"**Fitch**" means Fitch Ratings Limited or any affiliate thereof or successor thereto;

"**Further Notes**" has the meaning given to it in Condition 15;

"**Group**" means, at any time, the Group Holding Company and its Subsidiaries at such time;

"**Group Holding Company**" means the ultimate insurance holding company of the Issuer that is subject to consolidated supervision by the Relevant Regulator for the purposes of the Relevant Rules (howsoever described) (such ultimate insurance holding company being, as at the Issue Date, Pension Insurance Corporation Group Limited);

"**Group Insurance Undertaking**" means an insurance undertaking within the meaning of the Relevant Rules (howsoever described) whose data is included for the purposes of the calculation of the Solvency Capital Requirement of the Group pursuant to the Relevant Rules;

"**holder**" has the meaning given to it in Condition 1;

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

- (a) the winding-up of any Group Insurance Undertaking; or
- (b) the appointment of an administrator of any Group Insurance Undertaking,

in each case where the Issuer has determined, acting reasonably, that the Policyholder Claims of that Group Insurance Undertaking may or will not all be met in full;

"**insurance holding company**" has the meaning given to it in the Relevant Rules;

"**insurance undertaking**" has the meaning given to it in the Relevant Rules;

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

"**Interest Commencement Date**" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"**Issue Date**" has the meaning given in the preamble of these Conditions;

"**Issuer**" has the meaning given in the preamble to these Conditions;

"**Issuing and Paying Agent**" has the meaning given in the preamble to these Conditions;

"**Junior Securities**" has the meaning given to it in Condition 3(b);

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

"London Business Day" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business in London;

"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 or would occur if payment of interest, including any Arrears of Interest, was made on such Interest Payment Date;

"Maturity Date" has the meaning given to it in the relevant Final Terms or Pricing Supplement (to the extent required by the Relevant Rules, such date being specified as being no earlier than the fifth anniversary of the Relevant Issue Date);

"Maximum Rate of Interest" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"Member State" means the United Kingdom or a member of the EEA;

"Minimum Capital Requirement" means the Minimum Capital Requirement as applicable to the Issuer or the Group (whether on a solo, group or consolidated basis) or the minimum Solvency Capital Requirement as applicable to the Issuer or the Group (whether on a solo, group or consolidated basis) referred to in, or any other minimum capital requirement howsoever described in, the Relevant Rules;

"Minimum Rate of Interest" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"Noteholder" has the meaning given to it in Condition 1;

"Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date;

"Optional Redemption Amount" has the meaning given to it in the relevant Final Terms or Pricing Supplement (such Optional Redemption Amount being an amount per Note at least equal to the principal amount of the relevant Note);

"Optional Redemption Date" has the meaning given to it in the relevant Final Terms or Pricing Supplement (such Optional Redemption Date being at least five years after the Issue Date);

"Pari Passu Creditors" means the creditors of the Issuer whose claims rank, or are expressed to rank, *pari passu* with the claims of the Noteholders, including (without limitation) holders of Pari Passu Securities;

"Pari Passu Securities" has the meaning given in Condition 3(b);

"Paying Agents" has the meaning given in the preamble to these Conditions;

"Policyholder Claims" means, in respect of a Group Insurance Undertaking, claims of the policyholders of that Group Insurance Undertaking in a winding-up, liquidation or administration of that Group Insurance Undertaking to the extent that those claims relate to any debt to which that Group Insurance Undertaking is, or may become, liable to a policyholder pursuant to a contract of insurance, including all amounts to which policyholders or such beneficiaries are entitled under applicable legislation or rules relating to the winding-up or administration of insurance companies to reflect any right to receive, or expectation of receiving, benefits which such policyholders or such beneficiaries may have;

"Proceedings" has the meaning given to it in Condition 19(b);

"Qualifying Tier 3 Securities" means securities issued directly by the Issuer or indirectly and guaranteed by the Issuer (such guarantee to rank on a subordinated basis equivalent to that referred to in Condition 3 and in the Trust Deed) that:

- (a) have terms not materially less favourable to a holder than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank of international standing and provided that a certification to such effect (including as to the consultation with the independent investment bank and in respect of the matters specified in (b) below) signed by two Directors (or other officers acceptable to the Trustee) shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof) prior to the issue of the relevant securities. For the avoidance of doubt, the Trustee shall not be entitled to receive or be shown any correspondence between the Issuer and the relevant investment bank;
- (b) (subject to (a) above), (1) contain terms which comply with the then current Relevant Rules (on the basis that the Notes are intended to qualify as Tier 3 Capital); (2) carry the same rate of interest as that applying to the Notes; (3) rank or, if issued other than by the Issuer, benefit from a guarantee from the Issuer which ranks, *pari passu* with the ranking of the Notes; (4) preserve any existing rights under these Conditions to any accrued interest and any Arrears of Interest which have not been paid, (5) preserve the obligations (including obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to the timing of, and amounts payable upon, such redemption of the Notes; (6) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares and (7) 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 the terms of the Notes; and
- (c) are listed or admitted to trading on the London Stock Exchange's regulated market (for the purposes of Directive 2014/65/EU as transposed into United Kingdom law or any successor or re-enacted legislation) or such other stock

exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

"Rating Agency Compliant Securities" means securities which are (i) Qualifying Tier 3 Securities and (ii) assigned substantially the same or a higher "equity credit" (or such other nomenclature as may be used by Fitch and any Subsequent Rating Agency (if applicable) from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital) or, at the absolute discretion of the Issuer, a lower "equity credit" (provided such "equity credit" is still higher than the "equity credit" assigned to the Notes immediately after the occurrence of the Rating Methodology Event) as that which was assigned to the Notes (A) in the case of "equity credit" assigned by Fitch, on or around the Relevant Issue Date; or (B) in the case of "equity credit" assigned by a Subsequent Rating Agency, on the date that such "equity credit" was first assigned by the relevant Subsequent Rating Agency or (if later) assigned by such Subsequent Rating Agency on the issue date of the last Tranche of the Notes; and provided that a certification to the effect of (i) and (ii) above, signed by two Directors (or other officers acceptable to the Trustee), shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person and without any obligation to verify or investigate the accuracy thereof) prior to the issue of the relevant securities;

a **"Rating Methodology Event"** will be deemed to occur if at any time there occurs a change in (or clarification to) the methodology of Fitch or a Subsequent Rating Agency (if applicable) (or in the interpretation of such methodology) as a result of which the "equity credit" (or such other nomenclature as may be used by Fitch or the relevant Subsequent Rating Agency (as applicable) from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital) assigned by Fitch or the relevant Subsequent Rating Agency (as applicable) to the Notes is, as notified by Fitch or the relevant Subsequent Rating Agency (as applicable) to the Issuer or as published by Fitch or the relevant Subsequent Rating Agency (as applicable), reduced when compared to (A) in the case of Fitch, the "equity credit" assigned by Fitch to the Notes on or around the Relevant Issue Date; and (B) in the case of any Subsequent Rating Agency, the "equity credit" first assigned by such Subsequent Rating Agency to the Notes or (if later) assigned by such Subsequent Rating Agency on the issue date of the last Tranche of the Notes;

"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;

"Record Date" has the meaning given to it in Condition 7(b);

"Register" has the meaning given in Condition 1;

"Registered Notes" has the meaning given to it in Condition 1;

"Registrar" has the meaning given in the preamble to these Conditions;

"Regulatory Capital Requirements" means any applicable capital resources requirement or applicable overall financial adequacy rule (or equivalent) required by the

Relevant Regulator pursuant to the Relevant Rules, as any such requirement or rule is in force from time to time;

"Regulatory Deficiency Interest Deferral Event" means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing (where Insolvent Insurer Winding-Up Interest Deferral is specified as applicable hereon) and any event which causes any Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached and the continuation of such Insolvent Insurer Winding-up is, or as the case may be, such breach is an event) which under the Relevant Rules means that the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes (on the basis that the Notes are intended to qualify as Tier 3 Capital under the Relevant Rules);

"Regulatory Deficiency Redemption Deferral Event" means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached and the continuation of such Insolvent Insurer Winding-up is, or as the case may be, such breach is an event) which under the Relevant Rules means that the Issuer must defer or suspend repayment or redemption of the Notes (on the basis that the Notes are intended to qualify as Tier 3 Capital under the Relevant Rules);

"Relevant Date" has the meaning given in Condition 8;

"Relevant Issue Date" means the later of (i) the Issue Date and (ii) the latest issue date of any Further Notes;

"Relevant Regulator" means the UK Prudential Regulation Authority or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Issuer and/or the Group;

"Relevant Rules" means, at any time, any legislation, rules or regulations (whether having the force of law or otherwise) then applying to the Issuer or the Group relating to own funds, capital resources, capital requirements, financial adequacy requirements or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) Solvency II and any legislation, rules or regulations of the Relevant Regulator relating to such matters;

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

"Senior Creditors" means:

- (a) creditors of the Issuer who are unsubordinated creditors of the Issuer including all policyholders of the Issuer (for the avoidance of doubt, the claims of policyholders shall include all amounts to which policyholders are entitled under applicable legislation or rules relating to the winding-up of insurance companies

to reflect any right to receive or expectation of receiving benefits which policyholders may have); and

- (b) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims are in respect of instruments or obligations which constitute, or would but for any applicable limitation on the amount of any such capital, constitute (i) Tier 1 Capital, (ii) Tier 2 Capital, or (iii) Tier 3 Capital or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders).

"Series" has the meaning given in the preamble to these Conditions;

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

"Solvency II Directive" means Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (as amended);

"Solvency II Regulation" means Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II) (as amended);

"Solvency Capital Requirement" means the Solvency Capital Requirement as applicable to the Issuer or the Group (whether on a solo, group or consolidated basis) referred to in, or any other equivalent capital requirement (other than the Minimum Capital Requirement) howsoever described in, the Relevant Rules;

"Solvency Condition" has the meaning given in Condition 3(c);

"Solvency Claim" has the meaning given in Condition 10(b);

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

"Specified Denomination" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"Subsequent Rating Agency" means Moody's Investors Service Ltd or S&P Global Ratings Europe Limited or any affiliate thereof or successor thereto that assigns "equity credit" (or such other nomenclature as may be used by such rating agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital) to the Notes after the Issue Date;

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

"**successor in business**" has the meaning given in the Trust Deed;

"**Tax Law Change**" has the meaning given in Condition 6(d)(i);

"**Taxes**" has the meaning given in Condition 8;

"**Tier 1 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules);

"**Tier 2 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules);

"**Tier 3 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules);

"**Tranche**" has the meaning given in the preamble to these Conditions;

"**Transfer Agents**" has the meaning given in the preamble to these Conditions;

"**Trust Deed**" has the meaning given in the preamble to these Conditions;

"**Trustee**" has the meaning given in the preamble to these Conditions; and

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

19. **Governing Law and Jurisdiction**

(a) Governing law

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

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Notes ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings (but this is without prejudice to the rights of the Trustee or the Noteholders to commence Proceedings in any jurisdiction and/or

concurrent Proceedings in one or more jurisdictions to the extent permitted by law).

Terms and Conditions of the Tier 2 Notes

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

The Notes are constituted by a trust deed dated 10 March 2020 (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**")) (the "**Trust Deed**") between Pension Insurance Corporation plc (the "**Issuer**") and Citicorp Trustee Company Limited (the "**Trustee**"), which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions 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 10 March 2020 (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent, Citigroup Global Markets Europe AG as registrar and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and (unless otherwise set out herein or hereon) the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours and upon reasonable notice at the 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. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any

further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

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 in the United Kingdom or within the European Economic Area or offered to the public in a Member State in circumstances which require the publication of a Prospectus under the Prospectus Regulation (Regulation (EU) 2017/1129), the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Fixed to Floating Rate Note, a Fixed Rate Reset Note or a Floating Rate Note or a combination of the foregoing, depending upon the Interest Basis 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 7 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 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. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In addition, in the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(c) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Condition 2(a) or (b) shall be available for delivery within three Business Days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer 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 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 Note (or part thereof) to be registered during the period of 15 days ending on the due date for any payment of principal or interest or during the period following delivery of a notice of a voluntary payment of Arrears of Interest in accordance with Condition 5(e) and Condition 16 and ending on the date referred to in such notice as having been fixed for such payment of Arrears of Interest.

3. Status of the Notes

(a) Status

The Notes and the Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders in any winding-up of the Issuer are as described in the Trust Deed, this Condition 3 and Condition 10.

(b) Issuer Winding-Up

In the event of the winding-up of the Issuer (other than an Approved Winding-up) or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend, the payment obligations of the Issuer under or arising from the Notes and the Coupons relating to them and the Trust Deed, including any Arrears of Interest and any damages awarded for breach of any obligations in respect of the Notes and the Coupons, shall be subordinated in the manner provided in the Trust Deed to the claims of all Senior Creditors, but shall rank:

- (i) at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations of the Issuer which rank or are expressed to rank *pari passu* therewith (together, the "**Pari Passu Securities**"); and
- (ii) in priority to (i) all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations of the Issuer which rank or are expressed to rank *pari passu* therewith (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules) and (ii) all classes of share capital of the Issuer (together, the "**Junior Securities**").

(c) Solvency Condition

Without prejudice to Condition 3(b) above, all payments under or arising from the Notes, the Coupons relating to them and the Trust Deed shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Notes, the Coupons relating to them and the Trust Deed (including any damages awarded for breach of obligations thereunder) unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**").

For the purposes of this Condition 3(c), the Issuer will be solvent if (i) it is able to pay its debts owed to Senior Creditors and Pari Passu Creditors as they fall due and (ii) its Assets exceed its Liabilities.

A certificate as to the solvency of the Issuer or lack thereof signed by two Directors (or other officers acceptable to the Trustee) or, if there is a winding-up or administration of the Issuer, the liquidator or, as the case may be, the administrator of the Issuer shall (in the absence of manifest error) be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders 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 and without any obligation to verify or investigate the accuracy thereof.

(d) Set-off, etc.

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

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 this Condition 3) have been satisfied.

(e) No Prejudice to Trustee Remuneration

Nothing in the Trust Deed or these Conditions shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

4. Interest and other Calculations

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

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

(b) Interest on Fixed Rate Reset Notes

Each Fixed Rate Reset Note bears interest on its outstanding principal amount:

- (i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Note Reset Date at the Initial Rate of Interest;
- (ii) from (and including) the First Reset Note Reset Date until (but excluding) the first Anniversary Date at the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

and such interest shall (subject to Conditions 3(c) and 5) be payable, in each case, in arrear on the Interest Payment Dates specified hereon. The amount of interest payable shall be determined in accordance with Condition 4(e).

Save as otherwise provided herein, the provisions applicable to Fixed Rate Notes shall apply to Fixed Rate Reset Notes.

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

- (i) Interest Payment Dates

Each Floating Rate Note and each Fixed to Floating Rate Note bears interest on its outstanding principal amount from (and including), in the case of a Floating Rate Note, the Interest Commencement Date and, in the case of a Fixed to Floating Rate Note, the Fixed Rate End Date specified hereon at the rate per annum (expressed as a percentage) equal to the Rate of Interest such interest shall (subject to Conditions 3(c) and 5) be payable in arrear on each Interest Payment Date in the case

of a Floating Rate Note and on each Interest Payment Date commencing after the Fixed Rate End Date specified hereon in the case of a Fixed to Floating Rate Note. The amount of interest payable shall be determined in accordance with Condition 4(e). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first such Interest Payment Date, after the Interest Commencement Date, in the case of a Floating Rate Note, or after the Fixed Rate End Date, in the case of a Fixed to Floating Rate Note.

(ii) Business Day Convention

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

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

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

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each relevant Interest Accrual Period shall be determined by the Calculation Agent, subject to Condition 4(l), as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period

means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified as such hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

Unless otherwise specified hereon, the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject to Condition 4(l) and subject as provided below, be either:
 - (1) the offered quotation; or
 - (2) the arithmetic mean of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR), on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (y) subject to Condition 4(l), if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the rate of interest shall be the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at

approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

Unless otherwise specified hereon, the Minimum Rate of Interest shall be deemed to be zero.

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

- (i) If any Margin is specified hereon (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, such that the Rate of Interest shall be deemed to be the sum of such rate as is calculated in accordance with Condition 4(c) above and the Margin subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest is specified hereon, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount

of such currency that is available as legal tender in the country or countries of such currency.

(e) Calculations

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

(f) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate.

"Applicable Maturity" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(g) Determination and Publication of Rates of Interest and Interest Amounts

The Calculation Agent shall as soon as practicable on each Interest Determination Date or Reset Determination Date (as applicable), or such other time on such date as the Calculation Agent may be required to calculate any rate

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

(h) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Calculation Agent or an Independent Adviser shall (in the absence of manifest error) be binding on the Issuer, the Trustee, the Issuing and Paying Agent, the Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer, the Trustee, the Issuing and Paying Agent, the Paying Agents, the Noteholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by the Calculation Agent or Independent Adviser (as applicable) of its powers, duties and discretions pursuant to such provisions.

(i) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and

- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Issuing and Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16.

(j) **Definitions**

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

"Anniversary Date" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Applicable Maturity" has the meaning given to it in Condition 4(f).

"Benchmark Frequency" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Benchmark Gilt" means such United Kingdom government security having an actual or interpolated maturity date on or about the last day of such Reset Period as the Issuer after consultation with the Calculation Agent, on the advice of an investment bank of international repute, may determine would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issuances of corporate debt securities denominated in sterling and of a comparable tenor to the relevant Reset Period.

"Benchmark Gilt Rate" means, in respect of a Reset Period, the gross redemption yield (as calculated by the Calculation Agent in accordance with generally accepted market practice at such time) on a semi-annual compounding basis (rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reset Reference Banks at 3.00 p.m. (London time) on the relevant Reset Determination Date on a dealing basis for settlement on the next following dealing day (as defined below). If at least four quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Benchmark Gilt Rate will be the rounded quotation provided. If no quotations are provided, the Benchmark Gilt Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Note Reset Date, the Reset Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Note Reset Date, an amount specified hereon as the "First Reset Period Fallback".

"Broken Amount" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Business Day" means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a **"TARGET Business Day"**); and/or
- (iii) in the case of a currency and/or one or more Additional Business Centres specified hereon, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

"Business Day Convention" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Calculation Amount" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"CMT Designated Maturity" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"CMT Rate" means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate determined by the Calculation Agent, and expressed as a percentage, equal to:

- (i) the yield for United States Treasury Securities at "constant maturity" for the CMT Designated Maturity, as published in the H.15(519) under the caption "treasury constant maturities (nominal)", as that yield is displayed on the CMT Rate Screen Page on such Reset Determination Date; or
- (ii) if the yield referred to in paragraph (i) above is not published by 4:00 p.m. (New York City time) on the CMT Rate Screen Page on such Reset Determination Date, the yield for the United States Treasury Securities at "constant maturity" for the CMT Designated Maturity as published in the H.15(519) under the caption "treasury constant maturities (nominal)" on such Reset Determination Date; or
- (iii) if the yield referred to in paragraph (ii) above is not published by 4:30 p.m. (New York City time) on such Reset Determination Date, the Reset Reference Bank Rate on such Reset Determination Date.

"CMT Rate Screen Page" has the meaning given to it in the relevant Final Terms or Pricing Supplement or any successor service or such other page as may

replace that page on that service for the purpose of displaying "treasury constant maturities" as reported in H.15(519).

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

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

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

where:

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

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

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

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

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

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

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

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

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

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

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

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

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

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

where:

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

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

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

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

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30; and

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

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

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

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

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

where:

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

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

"**dealing day**" means a day, other than a Saturday or Sunday, on which the London Stock Exchange (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities.

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

"First Reset Note Reset Date" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

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

"First Reset Period Fallback" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"First Reset Rate of Interest" means the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the Reset Margin (with such sum converted (if necessary) from a basis equivalent to the Benchmark Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes during the First Reset Period (such calculation to be made by the Calculation Agent)), in each case subject to Condition 4(l).

"Fixed Leg" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Fixed Rate End Date" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Floating Leg" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Floating Rate Business Day Convention" has the meaning given to it in Condition 4(c).

"Following Business Day Convention" has the meaning given to it in Condition 4(c).

"H.15(519)" means the weekly statistical release designated as H.15(519), or any successor publication, published by the board of governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15> or any successor site or publication.

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

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

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

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

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified: (i) the first day of such Interest Accrual Period if the Specified Currency is sterling or (ii) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the Specified Currency is neither sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"Interest Payment Date" has the meaning given to it in Condition 4(c).

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

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

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

"ISDA Determination" has the meaning given to it in Condition 4(c).

"ISDA Rate" has the meaning given to it in Condition 4(c).

"Margin" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

"Mid-Swap Quotations" means the arithmetic mean of the bid and offered rates:

- (i) if the Specified Currency is sterling, for a semi-annual fixed leg (calculated on an Actual/365 day count basis) of a fixed for floating interest rate swap transaction in sterling which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a

single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month LIBOR rate (calculated on an Actual/365 day count basis), unless as otherwise specified hereon;

- (ii) if the Specified Currency is euro, for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in euro which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis), unless as otherwise specified hereon;
- (iii) if the Specified Currency is US dollars, for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in US dollars which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 3-month LIBOR rate (calculated on an Actual/360 day count basis), unless as otherwise specified hereon; and
- (iv) if the Specified Currency is not sterling, euro or US dollars, for the Fixed Leg (as set out hereon) of a fixed for floating interest rate swap transaction in that Specified Currency which (i) has a term commencing on the relevant Reset Note Reset Date which is equal to that of the relevant Swap Rate Period; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a Floating Leg (as set out hereon).

"Mid-Swap Rate" means in respect of a Reset Period, (i) the applicable semi-annual or annual (as specified hereon) mid-swap rate for swap transactions in the Specified Currency (with a maturity equal to that of the relevant Swap Rate Period specified hereon) as displayed on the Screen Page at 11.00 a.m. (in the principal financial centre of the Specified Currency) on the relevant Reset Determination Date or (ii) if such rate is not displayed on the Screen Page at such time and date, the relevant Reset Reference Bank Rate.

"Modified Following Business Day Convention" has the meaning given to it in Condition 4(c).

"Preceding Business Day Convention" has the meaning given to it in Condition 4(c).

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon, in each case subject to Condition 4(l).

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

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

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

"Reset Determination Date" means, in respect of a Reset Period, (a) each date specified as such hereon or, if none is so specified, (b) (i) if the Specified Currency is sterling, the first Business Day of such Reset Period, (ii) if the Specified Currency is euro, the day falling two TARGET Business Days prior to the first day of such Reset Period, (iii) if the Specified Currency is US dollars, the day falling two U.S. Government Securities Business Days prior to the first day of such Reset Period (iv) for any other Specified Currency, the day falling two Business Days in the principal financial centre for such Specified Currency prior to the first day of such Reset Period.

"Reset Margin" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

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

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

"Reset Rate" means, in each case subject to Condition 4(l), (a) if "Mid-Swap Rate" is specified hereon, the relevant Mid-Swap Rate, (b) if "Benchmark Gilt Rate" is specified hereon, the relevant Benchmark Gilt Rate or (c) if "CMT Rate" is specified hereon, the relevant CMT Rate.

"Reset Reference Bank Rate" means the percentage rate determined on the basis of (a) if "Mid-Swap Rate" is specified hereon, the Mid-Swap Quotations provided by the Reset Reference Banks to the Calculation Agent at or around 11:00 a.m. in the principal financial centre of the Specified Currency on the relevant Reset Determination Date or (b) if "CMT Rate" is specified hereon, the Reset United States Treasury Securities Quotations provided by the Reset Reference Banks to the Calculation Agent at or around 4:30 p.m. (New York City time) on the relevant Reset Determination Date and, in either case, rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the

highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be the last observable relevant Mid-Swap Rate or CMT Rate (as applicable) which appears on the Screen Page or the CMT Rate Screen Page (as applicable), as determined by the Calculation Agent.

"Reset Reference Banks" means (i) in the case of the calculation of a Reset Reference Bank Rate where "Mid-Swap Rate" is specified hereon, five leading swap dealers in the principal interbank market relating to the Specified Currency, (ii) in the case of the calculation of a Reset Reference Bank Rate where "CMT Rate" is specified hereon, five banks which are primary U.S. Treasury securities dealers or market makers in pricing corporate bond issues denominated in U.S. dollars in New York or (iii) in the case of a Benchmark Gilt Rate, five brokers of gilts and/or gilt-edged market makers, in each case, as selected by the Issuer in consultation with the Calculation Agent.

"Reset United States Treasury Securities Quotations" means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate determined by the Calculation Agent as being a yield-to-maturity based on the arithmetic mean of the secondary market bid prices of the Reset Reference Banks for Reset United States Treasury Securities at approximately 4:30 p.m. (New York City time) on such Reset Determination Date.

"Reset United States Treasury Securities" means, on the relevant Reset Determination Date, United States Treasury Securities with an original maturity equal to the CMT Designated Maturity, a remaining term to maturity of no more than one year shorter than the CMT Designated Maturity and in a principal amount equal to an amount that is representative for a single transaction in such United States Treasury Securities in the New York City market. If two or more United States Treasury Securities have remaining terms to maturity of no less than one year shorter than the CMT Designated Maturity, the United States Treasury Security with the longer remaining term to maturity will be used and if two or more United States Treasury Securities have remaining terms to maturity equally close to the duration of the CMT Designated Maturity, the United States Treasury Security with the largest nominal amount outstanding will be used.

"Screen Page" means Reuters screen page "ICESWAP1", "ICESWAP2", "ICESWAP3", "ICESWAP4", "ICESWAP5" or "ICESWAP6" as specified hereon or such other page on Thomson Reuters as is specified hereon, or such other screen page as may replace it on Thomson Reuters or, as the case may be, on such other information service that may replace Thomson Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates.

"Screen Rate Determination" has the meaning given to it in Condition 4(c).

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

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

"Subsequent Reset Rate of Interest" means, in respect of any Subsequent Reset Period, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate plus the Reset Margin (with such sum converted (if necessary) from a basis equivalent to the Benchmark Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Notes during the relevant Subsequent Reset Period (such calculation to be made by the Calculation Agent)), in each case subject to Condition 4(l).

"Swap Rate Period" has the meaning given to it in the relevant Final Terms or Pricing Supplement.

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

"United States Treasury Securities" means securities that are direct obligations of the United States Treasury, issued other than on a discount rate basis.

"U.S. Government Securities Business Day" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(k) Calculation Agent

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

(I) Benchmark Discontinuation

(i) Independent Adviser

If the Issuer determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to advise the Issuer in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(l)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 4(l)(iv)) for the purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods and Interest Accrual Periods (subject to the subsequent operation of this Condition 4(l)). In making such determination, the Issuer shall act in good faith. In the absence of bad faith or fraud, the Issuer shall have no liability whatsoever to the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it, pursuant to this Condition 4(l).

If (i) the Issuer is unable to appoint an Independent Adviser, (ii) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate, in each case together with an Adjustment Spread, in accordance with this Condition 4(l)(i) or Condition 4(l)(ii) prior to the relevant Interest Determination Date or Reset Determination Date (as applicable) or (iii) the Issuer determines that there is neither a Successor Rate nor an Alternative Rate, in each case the Rate of Interest applicable to the next succeeding Interest Period or Interest Accrual Period shall be determined in accordance with Condition 4(c) or the definitions of Benchmark Gilt Rate, Mid-Swap Rate and/or Reset Reference Bank Rate (as the case may be) and Condition 4(d) (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period or Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period or Interest Accrual Period in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period or Interest Accrual Period). For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period or Interest Accrual Period only and any subsequent Interest Periods or Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4(l)(i).

(ii) Successor Rate or Alternative Rate

If the Issuer, following consultation with the Independent Adviser, determines that:

- (a) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the subsequent operation of this Condition 4(l)); or
 - (b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the subsequent operation of this Condition 4(l)).
- (iii) Adjustment Spread

The applicable Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

- (iv) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4(l) and the Issuer, following consultation with the Independent Adviser, determines (i) that amendments to these Conditions, the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread or to follow established market practice in respect of such Successor Rate, Alternative Rate and/or Adjustment Spread (any such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall use all reasonable endeavours, subject to giving notice thereof in accordance with Condition 4(l)(v), without any requirement for the consent or approval of Noteholders or Couponholders, to vary these Conditions, the Agency Agreement and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee and the Issuing and Paying Agent of a certificate signed by two Directors (or other officers acceptable to the Trustee) pursuant to Condition 4(l)(v), the Trustee and the Issuing and Paying Agent shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Noteholders or Couponholders, be obliged to concur with the Issuer in using their reasonable endeavours to effect any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed and/or the Agency Agreement) and the Trustee shall not be liable for any consequence thereof. Notwithstanding the above, none of the Trustee, the Issuing and

Paying Agent and the Calculation Agent shall be obliged to agree to any amendments which, in the sole opinion of the Trustee, the Issuing and Paying Agent and/or the Calculation Agent (as applicable), would have the effect of imposing more onerous obligations upon it or exposing it to any additional duties, responsibilities or liabilities against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or reducing or amending the rights and/or the protective provisions afforded to the Trustee the Issuing and Paying Agent and/or Calculation Agent (as applicable) in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way.

In connection with any such variation in accordance with this Condition 4(l)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 4(l), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital of the Issuer and/or the Group.

(v) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4(l) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee and the Issuing and Paying Agent of the same, the Issuer shall deliver to the Trustee and the Issuing and Paying Agent a certificate signed by two Directors (or other officers acceptable to the Trustee):

- (a) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 4(l); and
- (b) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread or to follow established market practice in respect of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Trustee and the Issuing and Paying Agent shall be entitled to rely on such certificate (without liability to any person and without any obligation to verify or investigate the accuracy thereof) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any)) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents, the Noteholders and the Couponholders.

(vi) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 4(l) (i), (ii), (iii) and (iv), the Original Reference Rate and (where relevant) the provisions of Condition 4(c) or the definitions of Benchmark Gilt Rate, Mid-Swap Rate and/or Reset Reference Bank Rate (as the case may be) and Condition 4(d) will continue to apply (i) unless and until a Benchmark Event has occurred and (ii) if a Benchmark Event has occurred, unless and until the Trustee, the Calculation Agent, the Paying Agents and (in accordance with Condition 16) the Noteholders have been notified of the Successor Rate or Alternative Rate (as applicable), the applicable Adjustment Spread and any Benchmark Amendments determined pursuant to this Condition 4(l).

(vii) Calculation Agent Instruction Request

Notwithstanding any other provision of this Condition 4(l), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or any specific terms of any Benchmark Amendments, in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 4, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

(viii) Definitions:

As used in this Condition 4(l):

"Adjustment Spread" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (b) the Issuer, following consultation with the Independent Adviser, determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate or (if the Issuer determines that no such spread is customarily applied);
- (c) the Issuer, following consultation with the Independent Adviser, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be) or (if the Issuer determines that no such industry standard is recognised or acknowledged); or
- (d) the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate.

"Alternative Rate" means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser determines in accordance with Condition 4(l)(ii) is customarily applied in debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes or, if the Issuer determines that there is no such rate, such other rate as the Issuer determines following consultation with the Independent Adviser in its discretion is most comparable to the Original Reference Rate.

"Benchmark Amendments" has the meaning given to it in Condition 4(l)(iv).

"Benchmark Event" means:

- (A) the Original Reference Rate ceasing to be published for a period of at least five consecutive Business Days or ceasing to exist or be administered; or
- (B) the later of (i) the making of a public statement by the administrator of the Original Reference Rate that it has ceased or that it will (on or before a specified date) cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original

Reference Rate) and (ii) the date falling six months prior to the date specified in (i); or

- (C) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be (on or before a specified date) permanently or indefinitely discontinued and (ii) the date falling six months prior to the date specified in (i); or
- (D) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be (on or before a specified date) prohibited from being used either generally, or in respect of the Notes and (ii) the date falling six months prior to the date specified in (i); or
- (E) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is no longer representative of an underlying market; or
- (F) it has become unlawful, or will become unlawful prior to the next Interest Determination Date or Reset Determination Date (as applicable) for any Paying Agent, the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

"Independent Adviser" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4(l)(i).

"Original Reference Rate" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes or any Successor Rate or Alternative Rate (or component part thereof) determined pursuant to this Condition 4(l).

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of

the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"Successor Rate" means a successor to or replacement of the Original Reference Rate which is formally published, endorsed, approved, recognised or recommended by any Relevant Nominating Body.

5. Deferral of Payments

(a) *Optional Deferral of Interest*

If "Optional Interest Deferral" is specified as being applicable hereon, the Issuer may elect in respect of (i) where Dividend and Capital Restriction is specified as not applicable hereon, any Interest Payment Date, or (ii) otherwise, any Optional Interest Payment Date, in each case, by notifying the Trustee in writing and notifying the Noteholders in accordance with Condition 16 no later than five Business Days prior to an Interest Payment Date, to defer payment of all (but not some only) of the interest accrued to that date and the Issuer shall not have any obligation to make such payment on that date.

Notwithstanding any other provision in these Conditions or the Trust Deed, the deferral of any payment of interest on, where Dividend and Capital Restriction is specified as not applicable hereon, an Interest Payment Date, or otherwise an Optional Interest Payment Date in accordance with this Condition 5(a) will not constitute a default by the Issuer and will not give the Noteholders, the Couponholders or the Trustee any right to accelerate repayment of the Notes.

(b) *Mandatory Deferral of Interest*

Payment of interest on the Notes by the Issuer will be mandatorily deferred on each Mandatory Interest Deferral Date. The Issuer shall notify the Trustee in writing and notify the Noteholders in accordance with Condition 16 no later than five Business Days prior to an Interest Payment Date (or as soon as reasonably practicable if a Regulatory Deficiency Interest Deferral Event occurs less than five Business Days prior to an Interest Payment Date) if a Regulatory Deficiency Interest Deferral Event has occurred and is continuing or if a Regulatory Deficiency Interest Deferral Event would occur on the Interest Payment Date if payment of interest was made (provided that, for the avoidance of doubt, any delay in giving such notice shall not result in such interest becoming due and payable on the relevant Mandatory Interest Deferral Date).

A certificate signed by two Directors (or other officers acceptable to the Trustee) of the Issuer confirming that (a) a Regulatory Deficiency Interest Deferral Event has occurred and is continuing, or would occur if payment of interest on the Notes were to be made or (b) a Regulatory Deficiency Interest Deferral Event has ceased to occur and/or payment of interest on the Notes would not result in a Regulatory Deficiency Interest Deferral Event occurring, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders 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 and without any obligation to verify or investigate the accuracy thereof.

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

(c) Waiver of Deferral of Interest Payments by the Relevant Regulator

Notwithstanding Condition 5(b), the Issuer shall not be required to mandatorily defer payment of interest on a Mandatory Interest Deferral Date (to the extent permitted by the Relevant Rules) where:

- (i) the Regulatory Deficiency Interest Deferral Event is caused by non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement immediately following, and as a result of making, such Interest Payment, only;
- (ii) the Relevant Regulator has exceptionally waived the deferral of the Interest Payment;
- (iii) payment of the Interest Payment would not further weaken the solvency position of the Issuer or the Group; and
- (iv) the Minimum Capital Requirement will be complied with immediately following such Interest Payment if made.

A certificate signed by two Directors (or other officers acceptable to the Trustee) confirming that the conditions set out in this Condition 5(c) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(d) Arrears of Interest

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

Arrears of Interest shall not themselves bear interest.

(e) Payment of Arrears of Interest by the Issuer

Any Arrears of Interest may (subject to Condition 3(c) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to the Relevant Regulator having approved or consented to, or indicated it has no objection to, such payment), be paid in whole or in part at any time (provided that at such time a Regulatory Deficiency Interest Deferral Event is not subsisting and would not occur if payment of such Arrears of Interest was made) upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Trustee and the Paying Agents in writing and to the Noteholders in accordance with Condition 16, and in any event will become due and payable (subject, in the case of (i) and (iii) below, to Condition 3(c) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to the Relevant Regulator having approved or consented to, or indicated it has no objection to, such payment)) in whole (and not in part) upon the earliest of the following dates:

- (i) the next Interest Payment Date which is not a Mandatory Interest Deferral Date (as evidenced by delivery of the certificate referred to in Condition 5(b)) and on which a scheduled payment of interest in respect of the Notes (or any part thereof) is made or required to be made pursuant to these Conditions (other than a voluntary payment of Arrears of Interest); or
- (ii) (where Dividend and Capital Restriction is specified as not applicable hereon) the next Interest Payment Date which is a Compulsory Interest Payment Date; or
- (iii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend; or
- (iv) the date fixed for any redemption or purchase of Notes by or on behalf of the Issuer or any of its Subsidiaries pursuant to Condition 6 (subject to any deferral of such redemption date pursuant to the Solvency Condition or Condition 6(b)) or Condition 10.

If either of the events set out in Condition 5(e)(i) or (iv) occurs, the Issuer shall promptly give notice to the Trustee, the Issuing and Paying Agent and the Noteholders in accordance with Condition 16.

(f) Notice of Deferral Following Failure to Satisfy the Solvency Condition

The Issuer shall notify the Trustee, the Paying Agents and the Noteholders in writing in accordance with Condition 16 not less than five Business Days prior to an Interest Payment Date if payment of any interest will not become due on such Interest Payment Date as a result of a failure to satisfy the Solvency Condition, provided that if the circumstances resulting in non-satisfaction of the Solvency Condition occur, or are determined to occur, less than five 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 (and in either case such notice shall specify that interest will not be paid as a result of non-satisfaction of the Solvency Condition). For the avoidance of doubt, any delay in giving such notice shall not result in such interest becoming due and payable on the relevant Interest Payment Date.

6. Redemption, Substitution, Variation, Purchase and Options

(a) *Redemption at Maturity*

Subject to Conditions 3(c), 6(b) and 6(j), unless previously redeemed or purchased and cancelled as provided below, if a Maturity Date is specified hereon, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount), together with any interest accrued to (but excluding) the date of redemption in accordance with these Conditions and any Arrears of Interest.

(b) *Deferral of redemption date*

- (i) No Notes shall be redeemed on the Maturity Date (if any) pursuant to Condition 6(a) or redeemed prior to the Maturity Date (if any) pursuant to Condition 6(c), 6(d), 6(e), 6(f) or 6(h) or purchased pursuant to Condition 6(g) if a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if redemption or purchase were made on, if Condition 6(a) applies, the Maturity Date or, if Condition 6(c), 6(d), 6(e), 6(f) or 6(h) applies, any date specified for redemption in accordance with such Conditions or, if Condition 6(g) applies, the date of such purchase.
- (ii) If the Notes are not to be redeemed on the Maturity Date (if any) pursuant to Condition 6(a) or on any scheduled redemption date pursuant to Condition 6(c), 6(d), 6(e), 6(f) or 6(h) (as applicable) as a result of circumstances where:
 - (a) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were redeemed on such date;
 - (b) the Solvency Condition would not be satisfied on such date and immediately after the redemption; or
 - (c) the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules) or the Relevant Regulator objects to the redemption or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date,

the Issuer shall notify the Trustee and the Issuing and Paying Agent in writing and notify the Noteholders in accordance with Condition 16 no

later than five Business Days prior to the Maturity Date (if any) or the date specified for redemption in accordance with Condition 6(c), 6(d), 6(e), 6(f) or 6(h), as applicable, (or as soon as reasonably practicable if the relevant circumstance requiring redemption to be deferred arises, or is determined, less than five Business Days prior to the relevant redemption date).

Failure to make any such notification shall not cause the Notes to become due and payable on such date and the Issuer shall not have any obligation to redeem the Notes (or make any redemption payment in respect of the Notes) on that date.

- (iii) If redemption of the Notes does not occur on the Maturity Date (if any) or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), 6(d), 6(e), 6(f) or 6(h) as a result of Condition 6(b)(i) above or Condition 6(j) below, or the Relevant Regulator objects to the redemption or such redemption cannot otherwise be effected in compliance with the Relevant Rules on such date, subject (in the case of (A) and (B) only) to Condition 3(c) and (to the extent then required by the Relevant Regulator or the Relevant Rules) to the Relevant Regulator having approved or consented to, or indicated it has no objection to, such redemption, such Notes shall be redeemed at their Final Redemption Amount (which, unless otherwise provided hereon, shall be their principal amount) or, as applicable, the relevant price specified in Condition 6(c), (d), (e), (f) or (h) together Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption, upon the earliest of:
- (a) in the case of a failure to redeem due to the operation of Condition 6(b)(i) only, the date falling 10 Business Days after the date the Regulatory Deficiency Redemption Deferral Event has ceased (unless, on such tenth Business Day, a further Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or redemption of the Notes on such date would result in a Regulatory Deficiency Redemption Deferral Event occurring, in which case the provisions of this Condition 6(b) shall apply *mutatis mutandis* to determine the due date for redemption of the Notes); or
 - (b) the date falling 10 Business Days after the Relevant Regulator has agreed to the repayment or redemption of the Notes; or
 - (c) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than an Approved Winding-up) or the date on which any administrator of the Issuer gives notice that it intends to declare and distribute a dividend.
- (iv) Notwithstanding Condition 6(b)(i) above and Condition 6(j) below, the Issuer shall be entitled to redeem or purchase Notes (to the extent permitted by the Relevant Rules) where:

- (a) redemption pursuant to Condition 6(a), 6(c), 6(d), 6(e), 6(f) or 6(h) or purchase pursuant to Condition 6(g) would otherwise be permitted were it not for the Solvency Capital Requirement not being met immediately prior to the redemption or purchase of the Notes (as applicable) or the redemption or purchase (as applicable) causing the Solvency Capital Requirement to be breached;
- (b) the Relevant Regulator has exceptionally waived the suspension or cancellation of redemption or, as the case may be, purchase of the Notes;
- (c) all (but not some only) of the Notes being redeemed or purchased at such time are exchanged for a new issue of Tier 1 Capital or Tier 2 Capital of at least the same quality as the Notes; and
- (d) the Minimum Capital Requirement will be complied with immediately following such redemption or purchase, if made.

A certificate signed by two Directors (or other officers acceptable to the Trustee) delivered to the Trustee confirming that the conditions set out in this Condition 6(b)(iv) are met, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof and shall be binding on all such persons. The Trustee shall be entitled to rely absolutely on such certificate without liability to any person and without obligation to verify or investigate the accuracy thereof.

- (v) If on any date Condition 6(b)(i) does not apply, but redemption of the Notes does not occur on the Maturity Date (if any) or, as appropriate, the date specified in the notice of redemption by the Issuer under Condition 6(c), (d), (e), (f) or (h) as a result of the Solvency Condition not being satisfied at such time and immediately after such payment, subject to (to the extent required by the Relevant Regulator or the Relevant Rules) to the Relevant Regulator having approved or consented to, or indicated it has no objection to, such redemption, such Notes shall be redeemed at their Final Redemption Amount (which, unless otherwise provided hereon, shall be their principal amount) or, as applicable, the relevant price specified in Condition 6(c), (d), (e), (f) or (h) together with accrued but unpaid interest and any Arrears of Interest on the tenth Business Day immediately following the day that (A) the Issuer is solvent for the purposes of Condition 3(c) and (B) that redemption of the Notes would not result in the Issuer ceasing to be solvent for the purposes of Condition 3(c), provided that if on such Business Day specified for redemption a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing, or would occur if the Notes were to be redeemed, or the Solvency Condition would not be satisfied on such date and immediately after such redemption, then the Notes shall not be redeemed on such

date and Conditions 3(c) and 6(b)(iii) shall apply, *mutatis mutandis*, to determine the date of the redemption of the Notes.

- (vi) In addition to any certificate given pursuant to Condition 3(c) in relation to the satisfaction or otherwise of the Solvency Condition, a certificate signed by two Directors (or other officers acceptable to the Trustee) delivered to the Trustee 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 Noteholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely absolutely on such certificate without liability to any person without any obligation to verify or investigate the accuracy thereof.
- (vii) In circumstances where redemption of the Notes has been deferred, the Issuer shall, as soon as reasonably practicable following its determination of the new scheduled redemption date in accordance with this Condition 6(b), give notice to the Trustee, the Paying Agents and to the Noteholders in accordance with Condition 16 of the new scheduled redemption date (but this shall be without prejudice to further deferral of redemption on such date in the circumstances required by these Conditions).
- (viii) Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of redemption of the Notes in accordance with Condition 3(c) or this Condition 6(b) will not constitute a default by the Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or take any enforcement action under the Notes or the Trust Deed.

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

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(d), 6(e), 6(f) or 6(h) 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(c), 6(b) and 6(j) and having given not less than 30 nor more than 60 days' notice (or such other notice period as may be specified hereon) to the Trustee, the Issuing and Paying Agent, the Registrar and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and shall, subject as aforesaid, be irrevocable) redeem all (but not some only) of the Notes on any Optional Redemption Date specified hereon.

Any such redemption of Notes shall be at their Optional Redemption Amount (as may be provided for hereon) together with any accrued and unpaid interest to (but excluding) the date fixed for redemption in accordance with these Conditions and any Arrears of Interest.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(c).

(d) *Redemption, Substitution or Variation at the Option of the Issuer 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 UK or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the UK is a party, or any change in the application or official interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions (in respect of securities similar to the Notes and which are capable of constituting Tier 2 Capital under the rules applicable at issuance) or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by UK Act of Parliament or by Statutory Instrument, on or after the Relevant Issue Date (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 on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it; or
- (ii) as a result of a Tax Law Change, in respect of the Issuer's obligation to make any payment of interest on the next following Interest Payment Date, (a) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the UK, or such entitlement would be materially reduced; or (b) the Issuer would not to any material extent be entitled to have any consequential loss or non-trading deficit set against the profits of companies with which it is grouped for applicable UK 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) and, in each such case, the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it,

then the Issuer may:

- (a) subject to Conditions 3(c), 6(b) and 6(j), and having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the Registrar and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and be irrevocable), redeem in accordance

with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions; provided that, in the case of a Tax Law Change which is a proposed amendment or a proposed change only, no such notice of redemption shall be given earlier than 90 days prior to: (i) the earliest date on which the Issuer would be required to pay such Additional Amounts (in the case of a redemption pursuant to Condition 6(d)(i)); or (ii) the first Interest Payment Date on which the eventuality set out in Condition 6(d)(ii)(a) or Condition 6(d)(ii)(b), as applicable, would materialise (in the case of a redemption pursuant to Condition 6(d)(ii)), as applicable; or

- (b) subject to Condition 6(j) (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 Registrar and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or become, Qualifying Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (B) and subject to the receipt by it of the certificates of the Directors (or officers) referred to below and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. Subject as aforesaid, the Trustee shall (at the Issuer's expense) use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation 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 or expose it to liabilities or reduce or amend its protections and/or rights. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Notes as provided above.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6(d) the Issuer shall deliver to the Trustee (A) a certificate signed by two Directors (or other officers acceptable to the Trustee) stating that the relevant requirement or circumstance referred to in Condition 6(d)(i) or Condition 6(d)(ii) applies and confirming the Issuer's compliance with Condition 6(j) and (B) an opinion from a nationally recognised law firm or other tax adviser in the UK experienced in such matters to the effect that the relevant requirement or circumstance referred to in Condition 6(d)(i) or Condition 6(d)(ii) applies, save that such opinion need not provide any confirmation as to whether the Issuer could avoid the occurrence of the relevant requirement or circumstance by taking measures reasonably available to it. Such certificate and opinion shall, in the absence of manifest error, be treated and accepted by the Issuer, the

Trustee, the Noteholders, the Couponholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate and opinion without liability to any person and without any obligation to verify or investigate the accuracy thereof. Upon expiry of such notice the Issuer shall (subject to Condition 6(j) and, in the case of a redemption, to Condition 3(c), Condition 6(b)(i), Condition 6(b)(ii) and Condition 6(b)(iii)) either redeem, vary or substitute the Notes, as the case may be.

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

Subject to Conditions 3(c), 6(b) and 6(j), if immediately prior to the giving of the notice referred to below a Capital Disqualification Event has occurred and is continuing, then the Issuer may at its option, 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 Registrar, which notice shall specify the date set for redemption and shall (subject as aforesaid) be irrevocable, either:

- (i) redeem all (but not some only) of the Notes, at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date, at their Special Redemption Price (which, unless otherwise specified hereon, shall be their principal amount) together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) (without any requirement for the consent of approval of the Noteholders or the Couponholders) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Qualifying Tier 2 Securities and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificates of the Directors (or officers) referred to below and in the definition of Qualifying Tier 2 Securities) agree to such substitution or variation. Subject as aforesaid, the Trustee (at the Issuer's expense) shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Qualifying Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation 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 or expose it to liabilities or reduce or amend its protections and/or rights. 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.

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

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

a Capital Disqualification Event has occurred and is continuing as at the date of the certificate and confirming the Issuer's compliance with Condition 6(j). Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof. Upon expiry of such notice the Issuer shall (subject to Condition 6(j) and, in the case of a redemption, to Condition 3(c), Condition 6(b)(i), Condition 6(b)(ii) and Condition 6(b)(iii)) either redeem, vary or substitute the Notes, as the case may be.

(f) *Redemption, Substitution or Variation at the Option of the Issuer for Rating Reasons*

Subject to Conditions 3(c), 6(b) and 6(j), if "Rating Methodology Call" is specified as being applicable hereon and a Rating Methodology Event has occurred and is continuing, or will occur within a period of six months from the date of the certificate referred to below, then the Issuer may at its option, 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 Registrar, which notice shall specify the date set for redemption and shall (subject as aforesaid) be irrevocable, either:

- (i) redeem all (but not some only) of the Notes, at any time or, if and for so long as the Note is a Floating Rate Note, on any Interest Payment Date, at their Special Redemption Price (which, unless otherwise specified hereon, shall be their principal amount), together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption; or
- (ii) (without any requirement for the consent or approval of the Noteholders or the Couponholders) substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they become or remain Rating Agency Compliant Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to receipt by it of the certificates of the Directors (or officers) referred below and in the definition of **Rating Agency Compliant Securities**) agree to such substitution or variation. Subject as aforesaid, the Trustee (at the Issuer's expense) shall use its reasonable endeavours to assist the Issuer in the substitution or variation of the Notes for or into Rating Agency Compliant Securities provided that the Trustee shall not be obliged to participate or assist in any such substitution or variation 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 or expose it to liabilities or reduce or amend its protections and/or rights. 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.

Subject as aforesaid, upon expiry of such notice the Issuer shall either redeem, vary or substitute the Notes, as the case may be.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 6(f) the Issuer shall deliver to the Trustee a certificate signed by two Directors (or other officers acceptable to the Trustee) stating that a Rating Methodology Event has occurred and is continuing as at the date of the certificate or will occur within a period of six months from the date of the certificate and confirming the Issuer's compliance with Condition 6(j). Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof. Upon expiry of such notice the Issuer shall (subject to Condition 6(j) and, in the case of a redemption, to Condition 3(c), Condition 6(b)(i), Condition 6(b)(ii) and Condition 6(b)(iii)) either redeem, vary or substitute the Notes, as the case may be.

(g) Purchases

Subject to Conditions 3(c), 6(b) and 6(j), the Issuer and any of its Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in any manner and at any price.

(h) Clean-up call

Subject to Condition 3(c), Condition 6(b) and Condition 6(j), if "Issuer Residual Call" is specified hereon and if at any time after the Issue Date 80 per cent. or more of the aggregate principal amount of any Series of Notes originally issued (and, for these purposes, any further securities issued pursuant to Condition 15 so as to be consolidated and form a single series with the Notes will be deemed to have been originally issued) has been purchased by the Issuer or any of its Subsidiaries and cancelled pursuant to these Conditions, then the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent, the Registrar and, in accordance with Condition 16, the Noteholders (which notice shall specify the date set for redemption and be irrevocable), redeem all (but not some only) of the Notes at any time at Residual Early Redemption Amount, together with Arrears of Interest, if any, and any other interest accrued to (but excluding) the date of redemption in accordance with these Conditions.

Prior to the publication of any notice of redemption pursuant to this Condition 6(h) the Issuer shall deliver to the Trustee a certificate signed by two Directors (or other officers acceptable to the Trustee) stating that, as at the date of the certificate, 80 per cent. or more of the aggregate principal amount of the Series of Notes originally issued has been purchased by the Issuer or any of its Subsidiaries and cancelled and confirming the Issuer's compliance with Condition 6(j). Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all

other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof. Upon expiry of such notice the Issuer shall (subject to Condition 6(j) and, in the case of a redemption, to Condition 3(c), Condition 6(b)(i), Condition 6(b)(ii) and Condition 6(b)(iii)) either redeem, vary or substitute the Notes, as the case may be.

(i) Cancellation

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

(j) Pre-conditions to Redemption, Substitution, Variation or Purchase

Any redemption, substitution, variation or purchase of the Notes is subject to the Issuer having complied with relevant legal or regulatory requirements including (to the extent then required by the Relevant Regulator or the Relevant Rules) the Relevant Regulator having approved or consented to, or indicated it has no objection to, such redemption, substitution, variation or purchase, and the Issuer being in continued compliance with the Regulatory Capital Requirements applicable to it at the relevant time and, in the case of a redemption or purchase that is within five years of the Relevant Issue Date, either:

- (i) such redemption or purchase being funded out of the proceeds of a new issuance of capital of at least the same quality as the Notes, or
- (ii) in the case of any redemption pursuant to Conditions 6(d) or 6(e) only, the Relevant Regulator being satisfied that the Solvency Capital Requirement of the Issuer or all or any part of the Group (which part includes the Issuer and at least one other member of the Group), whether on a solo, group or consolidated basis is exceeded by an appropriate margin immediately after such redemption or purchase (taking into account the solvency position of the Issuer and the Group, including by reference to the Issuer's and the Group's medium-term capital management plan), and:
 - a. in the case of any such redemption pursuant to Condition 6(d), the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the applicable change in tax treatment is

material and was not reasonably foreseeable as at the Relevant Issue Date; or

- b. in the case of any such redemption pursuant to Condition 6(e), the Relevant Regulator considering that the relevant change in the regulatory classification of the Notes was sufficiently certain and the Issuer having demonstrated to the satisfaction of the Relevant Regulator that such change was not reasonably foreseeable as at the Relevant Issue Date,

and in each case and being otherwise permitted under the Relevant Rules.

A certificate signed by two Directors (or other officers acceptable to the Trustee) confirming such compliance shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate without liability to any person and without any obligation to verify or investigate the accuracy thereof.

In the case of a redemption (other than pursuant to Condition 6(h)) that is within five years of the Relevant Issue Date, the Issuer shall deliver to the Trustee a certificate signed by two Directors (or other officers acceptable to the Trustee) stating that it would have been reasonable for the Issuer to conclude, judged at the time of the issue of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption was unlikely to occur. Such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Noteholders, the Couponholders and all other interested parties as correct, conclusive and sufficient evidence thereof and the Trustee shall be entitled to rely on such certificate absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof.

(k) *Trustee role; Trustee not obliged to monitor*

Subject to the receipt by it of the certificates referred to in Condition 6(j) and the definition of Qualifying Tier 2 Securities, the Trustee shall (at the expense of the Issuer) use its use its reasonable endeavours to co-operate with the Issuer (including, but not limited to, entering into such documents or deeds as may be necessary) to give effect to the substitution or variation of the Notes provided that the Trustee shall not be obliged to co-operate in any such substitution or variation if the securities resulting from such substitution or variation, or the co-operation in such substitution or variation, imposes, in the Trustee's opinion, more onerous obligations upon it or exposes it to liabilities or reduces or amends its protections, in each case as compared with the corresponding obligations, liabilities or, as appropriate, protections under the Notes. If the Trustee does not so co-operate as provided above, the Issuer may, subject as provided above, redeem the Notes as provided in this Condition 6.

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists for the purposes of this Condition 6 and will not be responsible to Noteholders or the Couponholders for any loss arising from

any failure by it to do so. Unless and until the Trustee has written notice pursuant to these Conditions or the Trust Deed of the occurrence of any event or circumstance to which this Condition 6 relates, it shall be entitled to assume that no such event or circumstance exists and that (in the case of the events or circumstances to which Condition 6(d) relates) the effect of the same cannot be avoided by the Issuer taking measures reasonably available to it.

(l) Compliance with stock exchange rules

In connection with any substitution or variation of the Notes in accordance with this Condition 6, 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.

7. Payments and Talons

(a) Bearer Notes

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the U.S. by transfer to an account denominated in such currency with, 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 Condition 7(b)(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 Euroclear and/or Clearstream, Luxembourg, as applicable, are open for business) before the due date for payment thereof, and (ii) where none of the Registered Notes is represented by a Global Certificate at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency and to the holder (or to the first named of joint holders) of such Note by transfer to an account in the relevant currency maintained by the payee with a bank.

(c) Payments in the U.S.

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 U.S. 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 U.S. law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) *Payments subject to Fiscal Laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**"), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (each, a "**FATCA Withholding Tax**").

(e) *Appointment of Agents*

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer (for all purposes other than ISDA Determination for Floating Rate Notes, where the Calculation Agent will be specified in the Final Terms or Pricing Supplement, as applicable) and their respective specified offices are listed above. Subject as provided in the Agency Agreement, the Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Calculation 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, and (v) a Paying Agent having specified offices in London so long as the Notes are admitted to the Official List of the UK Financial Conduct Authority and admitted to trading on the London Stock Exchange's regulated market.

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

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 16. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified hereon.

(f) *Unmatured Coupons and unexchanged Talons*

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than any Fixed Rate Notes where the total value of the unmatured coupons appertaining thereto exceeds the nominal amount of such Note) such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Optional Redemption Amount, Residual Early Redemption Amount or Special Redemption Price as the case may be and as may be provided for hereon, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Fixed to Floating Rate Note, a Fixed Rate Reset Note or a Floating Rate Note or (where the total value of the unmatured coupons exceeds the nominal amount of such Note) a Fixed Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date (if one is specified hereon) shall be payable on redemption of such Note

against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

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

(h) Non-Business Days

If any date for payment in respect of any Note or Coupon is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "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 (including, without limitation, Arrears of 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 ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the UK 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 in respect of interest payments (including Arrears of Interest), but not in respect of any payments of principal, as shall result in receipt by the Noteholders and Couponholders of such net amounts as would have been received by them had no such withholding or deduction been required by law to be made ("**Additional Amounts**"), 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 in respect of such Note or Coupon by reason of his having some connection with the UK 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 person who is associated or connected with the holder for the purposes of any Taxes complies with any statutory requirements or by making or procuring that any such person 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 (assuming that day to have been a Business Day); or
- (D) **Combination:** where such withholding or deduction arises out of any combination of paragraphs (a) to (c) above.

Notwithstanding the above or any other provision of these Conditions, any amounts to be paid by the Issuer on the Notes will be paid net of any deduction or withholding imposed or required pursuant to any FATCA Withholding Tax and the Issuer will not be required to pay any Additional Amounts on account of any FATCA Withholding Tax.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amount, Optional Redemption Amount, Residual Early Redemption Amount or Special Redemption Price and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, and (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and any Additional Amounts that may be payable under this Condition 8 or under any undertakings given in addition to, or in substitution for, it pursuant to the Trust Deed.

9. Prescription

Claims against the Issuer for payment in respect of principal, interest and Arrears of Interest payable on 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 or Arrears of Interest) from the appropriate Relevant Date in respect of them.

10. Enforcement

(a) *Rights to institute and/or prove in a winding-up*

Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due and is not duly paid. Pursuant to Condition 3(c), no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition is not satisfied, at the time of and immediately after any such payment. In the case of any payment of interest in respect of the Notes, such payment will be deferred and will not be due if Condition 5(a) or 5(b) applies and in the case of payment of principal, such payment will be deferred and will not be due if Condition 6(b)(i) applies or the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules), the Relevant Regulator objects to the redemption or such redemption otherwise cannot be effected in compliance with the Relevant Rules on such date.

If default is made for a period of 14 days or more in the payment of any interest (including, without limitation, Arrears of Interest) or principal due in respect of the Notes or any of them, the Trustee in its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 10(d)) institute proceedings for the winding-up of the Issuer. In any winding-up or administration or liquidation of the Issuer, the Trustee may prove in the winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer, but may take no further or other action to enforce, prove or claim for any such payment. No payment in respect of the Notes, the Coupons or the Trust Deed may be made by the Issuer pursuant to this Condition 10(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer or after an administrator of the Issuer has given notice that it intends to declare and distribute a dividend, unless the Issuer has given prior written notice (with a copy to the Trustee) to the Relevant Regulator and the Relevant Regulator has approved or consented to, or indicated it has no objection to, such payment, which the Issuer shall confirm in writing to the Trustee.

(b) *Amount payable on winding-up or administration*

If an order is made by the competent court or resolution passed for the winding-up of the Issuer (other than an Approved Winding-up), or an administrator of the Issuer gives notice that it intends to declare and distribute a dividend, the Trustee at its discretion may, and if so requested by Noteholders of at least one quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to Condition 10(d)), give notice to the Issuer (or, as applicable, the administrator or liquidator) that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at the amount equal to their principal amount together with Arrears of Interest, if any, and any other accrued and unpaid interest, and the claim in respect thereof will be subject to the subordination provided for in Condition 3(b).

In addition, any other amounts in respect of the Notes or the Coupons (including any damages awarded for breach of any obligations under these Conditions or the Trust Deed) in respect of which the Solvency Condition was not satisfied on the date upon which the same would otherwise have become due and payable ("**Solvency Claim**") will be payable by the Issuer in a winding-up of the Issuer, and the claim in respect thereof will be subject to the subordination provided for in Condition 3(c). A Solvency Claim shall not bear interest.

(c) *Enforcement*

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

(d) *Entitlement of the Trustee*

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

(e) *Right of Noteholders and Couponholders*

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 liquidation or claim in such winding-up, fails or is unable to do so within a reasonable period and such failure or inability 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.

(f) *Extent of Noteholders and Couponholders' remedies*

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

Nothing in the Trust Deed or these Conditions shall affect or prejudice the payment of the costs, fees, charges, expenses, liabilities or remuneration of the Trustee under the Trust Deed or the rights and remedies of the Trustee in respect thereof.

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 sanctioning the modification or abrogation by Extraordinary Resolution (as defined in the Trust Deed) of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum at 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 present holding or representing Noteholders whatever the principal amount of the Notes held or represented, except that, at any meeting the business of which falls within the proviso to paragraph 2.1(j) of Schedule 11 to the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed also provides that a written resolution executed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding or consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 75 per cent. in principal amount of the Notes outstanding who would have been entitled to vote upon it if it had been proposed at a meeting at which they were present shall take effect as if it were an Extraordinary Resolution. A resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

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 connection with the substitution or variation of the Notes pursuant to Condition 6(d), 6(e) or 6(f) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer pursuant to Condition 12.

The agreement or approval of the Noteholders shall not be required in the case of any Benchmark Amendments required by the Issuer pursuant to Condition 4(l).

(b) *Modification of the Trust Deed or the Agency Agreement*

In addition to the requirements of Conditions 6(d), 6(e), 6(f) and 12, the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement: (i) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error. For the avoidance of doubt, such power shall not extend to any such modification as mentioned in the proviso to paragraph 2.1(j) of Schedule 11 to the Trust Deed unless required for the substitution or variation of the Notes pursuant to Condition 6(d), 6(e), 6(f) or any consequential amendments to these Conditions and/or the Trust Deed approved by the Trustee in connection with a substitution of the Issuer pursuant to Condition 12.

The agreement or approval of the Noteholders shall not be required in the case of any Benchmark Amendments required by the Issuer pursuant to Condition 4(l).

(c) *Trustee to have regard to interests of Noteholders as a class*

In connection with any exercise of its functions (including but not limited to those referred to in this Condition 11), 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 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 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.

(d) *Notification to the Noteholders*

Any modification, abrogation, waiver, authorisation or determination pursuant to this Condition 11 shall be binding on the Noteholders and the Couponholders

and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

(e) Notice to the Relevant Regulator

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless (to the extent then required by the Relevant Regulator or the Relevant Rules) the Issuer shall have given at least one month's prior written notice to the Relevant Regulator (or such other period of notice as the Relevant Regulator may from time to time require or accept) and the Relevant Regulator having approved or consented to, or indicated it has no objection to, such modification.

12. Substitution

The Trustee may agree with the Issuer, without the consent of the Noteholders or the Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Condition 3 of any person or persons incorporated in any country in the world (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 and the Coupons, with any consequential amendments which the Trustee may deem appropriate (including, but not limited to, a change of governing law of the Trust Deed and/or the Notes and/or the Coupons), as fully as if the Substitute Obligor had been named in the Trust Deed and on the Notes and the Coupons, 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 (as defined in the Trust Deed) of the Issuer is the Substitute Obligor) the obligations of the Substitute Obligor under the Trust Deed, the Notes and the Coupons 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, and provided further that the obligations of such guarantor shall be subject to a solvency condition equivalent to that set out in Condition 3(c), such guarantor shall not exercise rights of subrogation or contribution against the Substitute Obligor without the consent of the Trustee and the only event of default applying to such guarantor shall be an event of default equivalent to that set out in Condition 10(a);
- (iii) two directors (or other officers acceptable to the Trustee) of the Substitute Obligor certifies to the Trustee that (i) it has obtained all necessary governmental and regulatory approvals and consents necessary for its assumption of the duties and liabilities as Substitute Obligor under the Trust Deed and the Notes in place of the Issuer or, as the case may be, any previous Substitute Obligor and (ii) such approvals and consents are at the time of substitution in full force and effect (it

being declared that the Trustee may rely absolutely on such certification without liability to any person);

- (iv) two directors (or other officers acceptable to the Trustee) of the Substitute Obligor certify that the Substitute Obligor is solvent at the time at which the said substitution is proposed to be effected and immediately thereafter (and the Trustee may rely absolutely on such certification without liability to any person 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 or (as the case may be) any previous Substitute Obligor);
- (v) (without prejudice to the rights of reliance of the Trustee under Conditions 12(iii) and 12(iv) above) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders; and
- (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 or any such authority to the taxing jurisdiction of 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 and the Coupons will be read accordingly.

Any substitution pursuant to this Condition 12 shall be subject (to the extent then required by the Relevant Regulator or the Relevant Rules) to the Relevant Regulator having approved or consented to, or indicated it has no objection to, such substitution.

Any such substitution shall be binding on the Noteholders and the Couponholders and shall be notified to the Noteholders and the Couponholders as soon as practicable thereafter in accordance with Condition 16.

13. Indemnification of the Trustee and its Contracting with the Issuer

(a) *Indemnification of the Trustee*

The Trust Deed contains provisions for the provision of indemnification, security and prefunding to the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and

an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

(b) *Limitation on Trustee Actions*

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

(c) *Reliance by Trustee on Reports, Confirmations, Certificates and Advice*

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

(d) *Trustee Contracting with the Issuer*

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

(e) *Regulatory Compliance*

Wherever in these Conditions and/or the Trust Deed there is a requirement for the Issuer to have complied with regulatory requirements including (to the extent then required by the Relevant Regulator or the Relevant Rules) the Relevant Regulator, the Trustee shall be entitled to assume without enquiry that such requirements have been satisfied unless notified in writing to the contrary by the Issuer.

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 amount and date of the first payment of interest on them and the date from which interest starts to accrue) 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 (such securities being "**Further Notes**"). Unless otherwise specified, references in these Conditions to the Issue Date shall be to the Issue Date of the first Tranche of Notes of any Series. References in these Conditions to the Notes include (unless the context requires otherwise) any Further Notes. Any Further Notes 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 valid if mailed to them at their respective addresses in the Register and deemed to be given on the London Business Day 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*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Notes are for the time being listed. 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 16.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes).

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

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

18. **Definitions**

As used herein:

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

"**Additional Financial Centres**" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"**Agency Agreement**" has the meaning given in the preamble to these Conditions;

"**Approved Winding-up**" means a solvent winding-up of the Issuer 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 (A) the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (ii) do not provide that the Notes shall thereby become payable; or (B) in the case of a substitution, takes effect in accordance with Condition 12 and Clause 17.2 of the Trust Deed;

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

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

"**Bearer Notes**" has the meaning given to it in Condition 1;

"**Calculation Agent(s)**" has the meaning given in the preamble to the Conditions or, in the case of Condition 4(c)(iii)(A), as defined therein;

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

a "**Capital Disqualification Event**" is deemed to have occurred if, since the Relevant Issue Date, as a result of any replacement of or change to (or change to the interpretation by any court or authority entitled to do so of) the Relevant Rules the whole or any part of the principal amount of the Notes is excluded from counting as Tier 2 Capital for the purposes of the Issuer or all or any part of the Group (which part includes the Issuer and at least one other member of the Group), (whether on a solo, group or consolidated basis), except (in either case) where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

"**Certificates**" has the meaning given in Condition 1;

"Compulsory Interest Payment Date" means any Interest Payment Date (i) in respect of which during the immediately preceding six month period a Compulsory Interest Payment Event has occurred; (ii) on which the relevant interest payment can be made in compliance with the Solvency Condition; and (iii) which is not a Mandatory Interest Deferral Date or which is a Mandatory Interest Deferral Date in respect of which the Relevant Regulator has exceptionally waived deferral as described in Condition 5(c);

"Compulsory Interest Payment Event" means:

- (a) any declaration, payment or making of a dividend or distribution by the Issuer to its ordinary shareholders; or
- (b) any declaration, payment or making of a dividend, distribution or coupon on any other Junior Securities, except where such dividend, distribution or coupon was required to be declared, paid or made under, or in accordance with, their terms; or
- (c) any repurchase by the Issuer of any of its ordinary shares for cash, provided such repurchase is not made in the ordinary course of business of the Issuer in connection with any share option scheme or share ownership scheme for management or employees of the Issuer or management or employees of affiliates of the Issuer; or
- (d) any redemption or purchase by the Issuer or any Subsidiary of the Issuer of any other Junior Securities for cash, except (i) a redemption required to be effected under, or in accordance with, their terms and/or (ii) any purchase by a Subsidiary of the Issuer where neither the Issuer nor the Group Holding Company has operational control over the investment activities thereof and where such purchase is not made at the direction of, or for the benefit of, the Issuer;

"Couponholders" has the meaning given in the preamble to these Conditions;

"Coupons" has the meaning given in the preamble to these Conditions;

"Directors" means the directors of the Issuer from time to time;

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

"Extraordinary Resolution" has the meaning given in the Trust Deed;

"FATCA Withholding Tax" has the meaning given in Condition 7(d);

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

"Fitch" means Fitch Ratings Limited or any affiliate thereof or successor thereto;

"Further Notes" has the meaning given to it in Condition 15;

"Group" means, at any time, the Group Holding Company and its Subsidiaries at such time;

"Group Holding Company" means the ultimate insurance holding company of the Issuer that is subject to consolidated supervision by the Relevant Regulator for the purposes of the Relevant Rules (howsoever described) (such ultimate insurance holding company being, as at the Issue Date, Pension Insurance Corporation Group Limited);

"Group Insurance Undertaking" means an insurance undertaking within the meaning of the Relevant Rules (howsoever described) whose data is included for the purposes of the calculation of the Solvency Capital Requirement of the Group pursuant to the Relevant Rules;

"holder" has the meaning given to it in Condition 1;

"Insolvent Insurer Winding-up" means:

- (a) the winding-up of any Group Insurance Undertaking; or
- (b) the appointment of an administrator of any Group Insurance Undertaking,

in each case where the Issuer has determined, acting reasonably, that the Policyholder Claims of that Group Insurance Undertaking may or will not all be met in full;

"insurance holding company" has the meaning given to it in the Relevant Rules;

"insurance undertaking" has the meaning given to it in the Relevant Rules;

"Interest Basis" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"Interest Commencement Date" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"Issue Date" has the meaning given in the preamble of these Conditions;

"Issuer" has the meaning given in the preamble to these Conditions;

"Issuing and Paying Agent" has the meaning given in the preamble to these Conditions;

"Junior Securities" has the meaning given to it in Condition 3(b);

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

"London Business Day" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business in London;

"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 or would occur if payment of interest, including any Arrears of Interest, was made on such Interest Payment Date;

"Maturity Date" has the meaning given to it in the relevant Final Terms or Pricing Supplement (to the extent required by the Relevant Rules, such date being specified as being no earlier than the tenth anniversary of the Relevant Issue Date);

"Maximum Rate of Interest" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"Member State" means the United Kingdom or a member of the EEA;

"Minimum Capital Requirement" means the Minimum Capital Requirement as applicable to the Issuer or the Group (whether on a solo, group or consolidated basis) or the minimum Solvency Capital Requirement as applicable to the Issuer or the Group (whether on a solo, group or consolidated basis) referred to in, or any other minimum capital requirement howsoever described in, the Relevant Rules;

"Minimum Rate of Interest" has the meaning given to it in the relevant Final Terms or Pricing Supplement;

"Noteholder" has the meaning given to it in Condition 1;

"Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date;

"Optional Redemption Amount" has the meaning given to it in the relevant Final Terms or Pricing Supplement (such Optional Redemption Amount being an amount per Note at least equal to the principal amount of the relevant Note);

"Optional Redemption Date" has the meaning given to it in the relevant Final Terms or Pricing Supplement (such Optional Redemption Date being at least five years after the Issue Date);

"Pari Passu Creditors" means the creditors of the Issuer whose claims rank, or are expressed to rank, *pari passu* with the claims of the Noteholders, including (without limitation) holders of Pari Passu Securities;

"Pari Passu Securities" has the meaning given in Condition 3(b);

"Paying Agents" has the meaning given in the preamble to these Conditions;

"Policyholder Claims" means, in respect of a Group Insurance Undertaking, claims of the policyholders of that Group Insurance Undertaking in a winding-up, liquidation or administration of that Group Insurance Undertaking to the extent that those claims relate to any debt to which that Group Insurance Undertaking is, or may become, liable to a

policyholder pursuant to a contract of insurance, including all amounts to which policyholders or such beneficiaries are entitled under applicable legislation or rules relating to the winding-up or administration of insurance companies to reflect any right to receive, or expectation of receiving, benefits which such policyholders or such beneficiaries may have;

"Proceedings" has the meaning given to it in Condition 19(b);

"Qualifying Tier 2 Securities" means securities issued directly by the Issuer or indirectly and guaranteed by the Issuer (such guarantee to rank on a subordinated basis equivalent to that referred to in Condition 3 and in the Trust Deed) that:

- (a) have terms not materially less favourable to a holder than the terms of the Notes, as reasonably determined by the Issuer in consultation with an independent investment bank of international standing and provided that a certification to such effect (including as to the consultation with the independent investment bank and in respect of the matters specified in (b) below) signed by two Directors (or other officers acceptable to the Trustee) shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely absolutely without liability to any person and without any obligation to verify or investigate the accuracy thereof) prior to the issue of the relevant securities. For the avoidance of doubt, the Trustee shall not be entitled to receive or be shown any correspondence between the Issuer and the relevant investment bank;
- (b) (subject to (a) above), (1) contain terms which comply with the then current Relevant Rules (on the basis that the Notes are intended to qualify as Tier 2 Capital); (2) carry the same rate of interest as that applying to the Notes; (3) rank or, if issued other than by the Issuer, benefit from a guarantee from the Issuer which ranks, *pari passu* with the ranking of the Notes; (4) preserve any existing rights under these Conditions to any accrued interest and any Arrears of Interest which have not been paid, (5) preserve the obligations (including obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to the timing of, and amounts payable upon, such redemption of the Notes; (6) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares and (7) 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 the terms of the Notes; and
- (c) are listed or admitted to trading on the London Stock Exchange's regulated market (for the purposes of Directive 2014/65/EU as transposed into United Kingdom law or any successor or re-enacted legislation) or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

"Rating Agency Compliant Securities" means securities which are (i) Qualifying Tier 2 Securities and (ii) assigned substantially the same or a higher "equity credit" (or such other nomenclature as may be used by Fitch and any Subsequent Rating Agency (if applicable) from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital)

or, at the absolute discretion of the Issuer, a lower "equity credit" (provided such "equity credit" is still higher than the "equity credit" assigned to the Notes immediately after the occurrence of the Rating Methodology Event) as that which was assigned to the Notes (A) in the case of "equity credit" assigned by Fitch, on or around the Relevant Issue Date; or (B) in the case of "equity credit" assigned by a Subsequent Rating Agency, on the date that such "equity credit" was first assigned by the relevant Subsequent Rating Agency or (if later) assigned by such Subsequent Rating Agency on the issue date of the last Tranche of the Notes; and provided that a certification to the effect of (i) and (ii) above, signed by two Directors (or other officers acceptable to the Trustee), shall have been delivered to the Trustee (upon which the Trustee shall be entitled to rely without liability to any person and without any obligation to verify or investigate the accuracy thereof) prior to the issue of the relevant securities;

a **"Rating Methodology Event"** will be deemed to occur if at any time there occurs a change in (or clarification to) the methodology of Fitch or a Subsequent Rating Agency (if applicable) (or in the interpretation of such methodology) as a result of which the "equity credit" (or such other nomenclature as may be used by Fitch or the relevant Subsequent Rating Agency (as applicable) from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital) assigned by Fitch or the relevant Subsequent Rating Agency (as applicable) to the Notes is, as notified by Fitch or the relevant Subsequent Rating Agency (as applicable) to the Issuer or as published by Fitch or the relevant Subsequent Rating Agency (as applicable), reduced when compared to (A) in the case of Fitch, the "equity credit" assigned by Fitch to the Notes on or around the Relevant Issue Date; and (B) in the case of any Subsequent Rating Agency, the "equity credit" first assigned by such Subsequent Rating Agency to the Notes or (if later) assigned by such Subsequent Rating Agency on the issue date of the last Tranche of the Notes;

"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;

"Record Date" has the meaning given to it in Condition 7(b);

"Register" has the meaning given in Condition 1;

"Registered Notes" has the meaning given to it in Condition 1;

"Registrar" has the meaning given in the preamble to these Conditions;

"Regulatory Capital Requirements" means any applicable capital resources requirement or applicable overall financial adequacy rule (or equivalent) required by the Relevant Regulator pursuant to the Relevant Rules, as any such requirement or rule is in force from time to time;

"Regulatory Deficiency Interest Deferral Event" means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing (where Insolvent Insurer Winding-Up Interest Deferral is specified as applicable hereon) and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at

least one other member of the Group) or any insurance undertaking within the Group to be breached and the continuation of such Insolvent Insurer Winding-up is, or as the case may be, such breach is an event) which under the Relevant Rules means that the Issuer must defer payment of interest (or, if applicable, Arrears of Interest) in respect of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules);

"Regulatory Deficiency Redemption Deferral Event" means any event (including, without limitation, where an Insolvent Insurer Winding-up has occurred and is continuing and any event which causes any Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, all or part of the Group (which part includes the Issuer and at least one other member of the Group) or any insurance undertaking within the Group to be breached and the continuation of such Insolvent Insurer Winding-up is, or as the case may be, such breach is an event) which under the Relevant Rules means that the Issuer must defer or suspend repayment or redemption of the Notes (on the basis that the Notes are intended to qualify as Tier 2 Capital under the Relevant Rules);

"Relevant Date" has the meaning given in Condition 8;

"Relevant Issue Date" means the later of (i) the Issue Date and (ii) the latest issue date of any Further Notes;

"Relevant Regulator" means the UK Prudential Regulation Authority or such successor or other authority having primary supervisory authority with respect to prudential matters in relation to the Issuer and/or the Group;

"Relevant Rules" means, at any time, any legislation, rules or regulations (whether having the force of law or otherwise) then applying to the Issuer or the Group relating to own funds, capital resources, capital requirements, financial adequacy requirements or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) Solvency II and any legislation, rules or regulations of the Relevant Regulator relating to such matters;

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

"Senior Creditors" means:

- (a) creditors of the Issuer who are unsubordinated creditors of the Issuer including all policyholders of the Issuer (for the avoidance of doubt, the claims of policyholders shall include all amounts to which policyholders are entitled under applicable legislation or rules relating to the winding-up of insurance companies to reflect any right to receive or expectation of receiving benefits which policyholders may have); and
- (b) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims are in respect of instruments or obligations which constitute, or would but for any applicable limitation on the amount of any such capital, constitute (i) Tier

1 Capital, or (ii) Tier 2 Capital, or whose claims otherwise rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders),

for the avoidance of doubt, creditors of the Issuer whose claims are in respect of instruments or obligations which constitute, or would but for an applicable limitation or the amount of such capital, constitute Tier 3 Capital shall be Senior Creditors.

"**Series**" has the meaning given in the preamble to these Conditions;

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

"**Solvency II Directive**" means Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (as amended);

"**Solvency II Regulation**" means Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II) (as amended);

"**Solvency Capital Requirement**" means the Solvency Capital Requirement as applicable to the Issuer or the Group (whether on a solo, group or consolidated basis) referred to in, or any other equivalent capital requirement (other than the Minimum Capital Requirement) howsoever described in, the Relevant Rules;

"**Solvency Condition**" has the meaning given in Condition 3(c);

"**Solvency Claim**" has the meaning given in Condition 10(b);

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

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

"**Subsequent Rating Agency**" means Moody's Investors Service Ltd or S&P Global Ratings Europe Limited or any affiliate thereof or successor thereto that assigns "equity credit" (or such other nomenclature as may be used by such rating agency from time to time to describe the degree to which the terms of an instrument are supportive of an issuer's senior obligations in terms of either leverage or total capital) to the Notes after the Issue Date;

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

"**successor in business**" has the meaning given in the Trust Deed;

"**Tax Law Change**" has the meaning given in Condition 6(d)(i);

"**Taxes**" has the meaning given in Condition 8;

"**Tier 1 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules);

"**Tier 2 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules);

"**Tier 3 Capital**" has the meaning given to it for the purposes of the Relevant Rules from time to time (including, without limitation, by virtue of the operation of any grandfathering provisions under any Relevant Rules);

"**Tranche**" has the meaning given in the preamble to these Conditions;

"**Transfer Agents**" has the meaning given in the preamble to these Conditions;

"**Trust Deed**" has the meaning given in the preamble to these Conditions;

"**Trustee**" has the meaning given in the preamble to these Conditions; and

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

19. **Governing Law and Jurisdiction**

(a) *Governing law*

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

(b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Notes ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings (but this is without prejudice to the rights of the Trustee or the Noteholders to commence Proceedings in any jurisdiction and/or concurrent Proceedings in one or more jurisdictions to the extent permitted by law).

Provisions Relating to the Notes while in Global Form

1. Initial Issue of Notes

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

Global Notes which are not issued in NGN form (“**Classic Global Notes**” or “**CGNs**”) and registered certificates (“**Certificates**”) may be delivered on or prior to the original Issue Date of the Tranche to a Common Depository (as defined below) (other than Global Certificates in NSS form, which shall be delivered to a Common Safekeeper).

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

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

2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note or a Global

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

3. Exchange

3.1 Temporary Global Notes

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

- (a) if the relevant Final Terms or Pricing Supplement indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Subscription and Sale*"), in whole, but not in part, for the Definitive Notes defined and described below; and
- (b) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms or Pricing Supplement, for Definitive Notes.

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

3.2 Permanent Global Notes

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

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

3.3 Permanent Global Certificates

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

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

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

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

3.4 Delivery of Notes

If the Global Note is in CGN form, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be, or if the Global Note is in NGN form, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system.

In this Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.5 Exchange Date

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

4. Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Tier 3 Notes and the Terms and Conditions of the Tier 2 Notes, as applicable, set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Conditions 7(f)(v) and 7(g) in the case of the relevant Notes will apply to the Definitive Notes only. If the Global Note is in NGN form, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “**Business Day**” set out in Condition 7(h) of the relevant Notes.

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

4.2 Calculation of Interest

All payments of interest in respect of a Series of Notes represented by a Global Note or Global Certificate shall be calculated in respect of the total aggregate amount of the Notes represented by the relevant Global Note or Global Certificate.

4.3 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or Arrears of Interest) from the appropriate Relevant Date (as defined in Condition 8 of the relevant Notes).

4.4 Issuer's Options

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and, accordingly, no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of account holders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other clearing system (as the case may be).

4.5 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

4.6 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.7 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest (if any) thereon.

4.8 NGN nominal amount

Where the Global Note is in NGN form, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of

the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

4.9 Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, any nominee or any common nominee, as the case may be, for a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate and, in the case of Registered Notes only, the Trustee may have regard to any other letter of confirmation, form of record, information and/or certification as the Trustee shall, in its absolute discretion, think fit as evidence that at any particular time or throughout any particular period any particular person should be regarded as having an interest in a particular nominal amount of Registered Notes and if the Trustee does so rely on such evidence, such letter of confirmation, form of record, information and/or certification shall be conclusive and binding on all concerned.

4.10 Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate.

4.11 Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an “**Electronic Consent**” as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or

instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global Note or Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is ultimately beneficially held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

5. Euroclear and Clearstream, Luxembourg

References herein to Euroclear and/or Clearstream, Luxembourg shall (except in relation to Notes issued in NGN form or held under the NSS) be deemed to include reference to any other clearing system specified in the applicable Final Terms or Pricing Supplement as any otherwise be approved by the Issuer, the Issuing and Paying Agent and the Trustee.

Use of Proceeds

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes or, if specified in the relevant Final Terms or Pricing Supplement (as applicable), an amount equal to the net proceeds from each issue of Notes will be applied by the Issuer to finance or re-finance certain projects and activities that promote environmental, social, governance, sustainable or green purposes (such activities being “**Eligible Activities**” and Notes related thereto being “**ESG Bonds**”).

If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms or Pricing Supplement (as applicable).

Description of the Issuer

1. Overview of the Issuer

PIC was incorporated and registered as a private limited company in England and Wales on 13 February 2006 under the Companies Act 1985, with registered number 05706720. On 9 June 2014, PIC was re-registered as a public limited company. PIC is authorised by the PRA and regulated by the FCA and the PRA (reference number 454345). PIC's principal activity is providing wholesale insurance annuity products to UK defined benefit occupational pension funds and their members, commonly referred to as "pension insurance".

The principal legislation under which PIC operates is the Companies Act 2006 and regulations made thereunder.

The financial year end of PIC is 31 December.

The registered office of PIC and the business address of each of its directors for matters concerning PIC's business is 14 Cornhill, London EC3V 3ND. The telephone number of the registered office is +44 (0)20 7105 2000.

2. Overview of PICG

PIC is the primary operating subsidiary of the PICG Group, of which PICG is the ultimate holding company.

PICG was incorporated and registered as a private limited company in England and Wales on 19 August 2015 under the Companies Act 2006, with registered number 09740110. On 2 December 2015, PICG changed its name to its current name, Pension Insurance Corporation Group Limited (having previously been named Lockward Limited). PICG's principal activity is to act as the holding company for the other companies within the PICG Group, including PIC. PICG does not have operations independent of its subsidiaries.

PICG has no material operations or assets other than as arise in connection with its position as a holding company.

3. History, Ownership and Management of the PICG Group

PIC is a wholly-owned subsidiary of PIC Holdings Limited. PIC Holdings Limited is a wholly-owned subsidiary of PICG. PIC was incorporated in 2006, at which time it was authorised and regulated by the Financial Services Authority. PIC wrote its first insurance business in 2008.

Until 9 October 2012, PIC was a wholly owned subsidiary of Cornhill Corporation Holdings LLP (formerly Pension Insurance Corporation Holdings LLP). On 9 October 2012, a reorganisation took place, which resulted in PIC becoming a wholly owned subsidiary of Pension Corporation Group Limited, which was incorporated in Guernsey in 2012. In late 2015 a restructuring took place, in which the then dormant companies which no longer

served a corporate purpose were put into liquidation and PICG became the ultimate holding company of PIC.

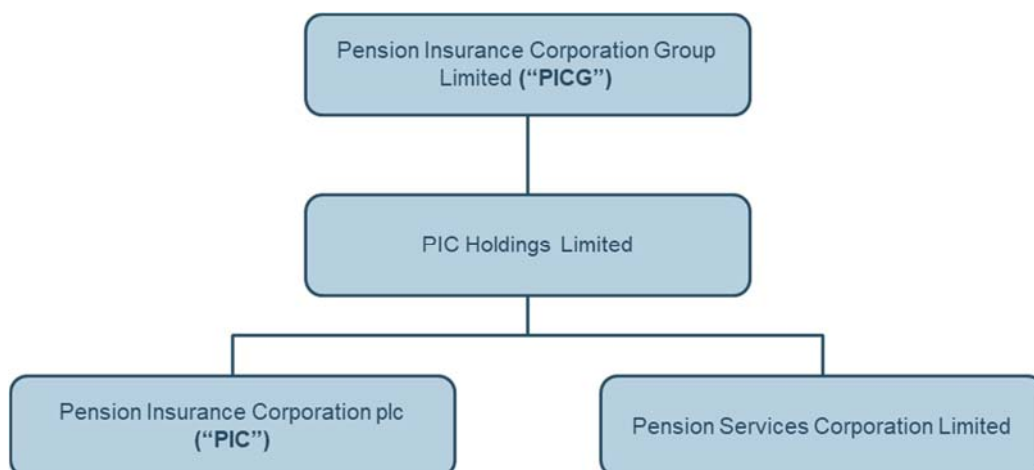
The three principal shareholders of PICG are Reinet Fund SCA FIS (“**Reinet**”), Luxinva, a wholly owned subsidiary of Abu Dhabi Investment Authority (“**ADIA**”), and CVC Strategic Opportunities I (“**CVC**”) which had a 46.4 per cent., a 18.2 per cent. and a 17.4 per cent. shareholding (measured on a voting basis), respectively, as at 13 February 2020. As at 13 February 2020, the other institutional shareholders of PICG included Legend Holdings Corporation (“**Legend**”) (4.3 per cent.), Istithmar World (3.8 per cent.) and Swiss Re (3.5 per cent.) (each such shareholding measured on a voting basis). PICG also has a number of private individual shareholders.

Under the arrangements agreed by the principal shareholders of PICG, there are certain reserved matters in relation to PIC that require the prior approval of Reinet (the “**Reserved Matters**”). The Reserved Matters include, but are not limited to, the entry into any significant transaction by PIC, any changes to the capital structure of PIC and certain material amendments to the articles of association of PIC.

PIC is managed by the PIC Board, ten of whom are also directors of PICG. Refer to “*Board of Directors*” below for further information about PIC’s board and governance structure.

4. Organisational Structure of the PICG Group

4.1 PICG Group Structure Chart



Pension Services Corporation Limited is the PICG Group’s services company, employing all employees within the PICG Group. PIC is dependent upon Pension Services Corporation Limited for the provision of services from its employees, directors and consultants. The PICG Group had an average 221 employees over 2019 excluding Non-Executive Board members.

4.2 PICG Group companies

Name of Company	Percentage owned by PICG ⁽¹⁾	Country of Incorporation	Nature of Business
Pension Insurance Corporation Group Limited	N/A	England and Wales	Holding company
PIC Holdings Limited	100%	England and Wales	Holding company
Pensions Insurance Corporation PLC	100%	England and Wales	Pension insurance
Pension Services Corporation Limited	100%	England and Wales	Service company

⁽¹⁾ Each subsidiary has only one class of ordinary shares. PICG has both ordinary shares each of £0.00161678179673884 nominal value and C shares each of £0.00161678179673884 nominal value in issue

5. Pension Insurance Sector Overview

Pension insurance comprises the provision of wholesale insurance annuity products to UK defined benefit occupational pension funds and their members.

Funding comparisons for the UK defined benefit occupational pension funds that are eligible for entry into the UK's Pension Protection Fund (the "PPF") are estimated to be as follows:

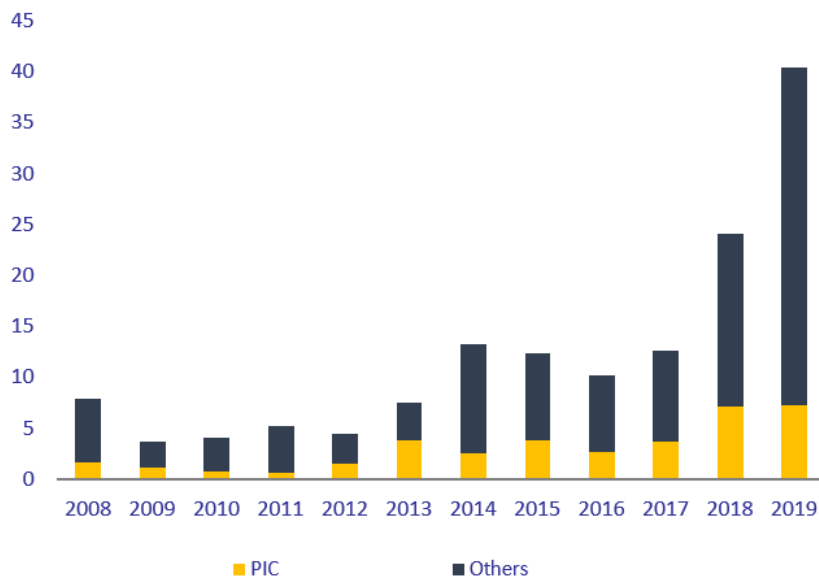
	Dec 2019	Dec 2018
Aggregate funding position	-£35.4bn	-£31.9bn
Funding ratio	98.0%	98.0%
Aggregate assets	£1,740.3bn	£1,571.3bn
Aggregate liabilities	£1,775.7bn	£1,603.2bn

(Source: PPF website: <https://ppf.co.uk/ppf-7800-index>)

The PPF was established as a statutory fund under the provisions of the Pensions Act 2004 to pay compensation to members of eligible defined benefit occupational pension funds, when there is a qualifying insolvency event in relation to the sponsoring employer and where there are insufficient assets in the pension fund to cover PPF levels of compensation.

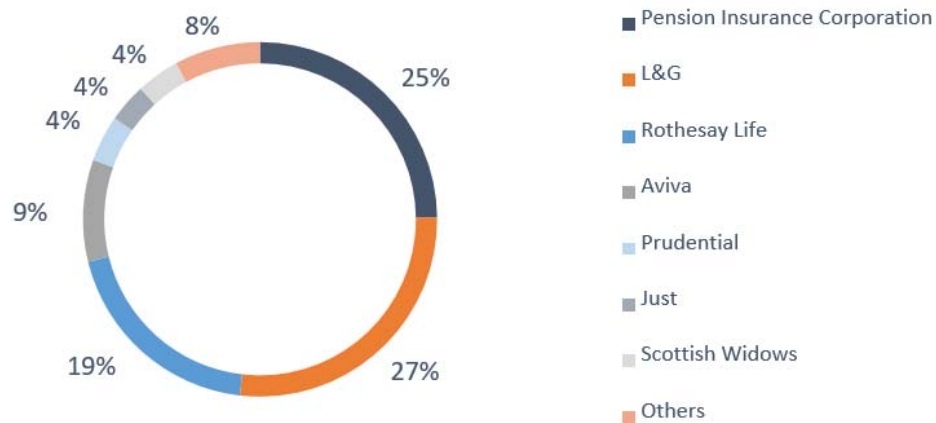
The aggregate market value of the assets in such funds was estimated to be £1.6tn as at 31 December 2019 (Source: PPF Purple Book 2019). The pension insurance sector has grown over the last eleven years, but still only a small proportion of the liabilities of UK defined benefit occupational pension funds are insured.

The following graph shows the total value of insurance buy-in and buyout transactions in each year between 2008 and 2019:



(Source: Aon, LCP, Willis Towers Watson, Professional Pensions and company estimate, refers to buy-in and buyout only.)

The following graph shows the UK pension risk transfer cumulative market share between 2008 and 2019:



(Source: LCP, Willis Towers Watson, Professional Pensions and company estimate)

Key changes and trends which have influenced the buy-in and buyout sector have included:

- (A) the introduction of the Pensions Act 2004, which significantly increased the regulatory requirements for defined benefit occupational pension funds, and in particular introduced a requirement that the pension fund sponsoring employer

must meet any deficit in the pension fund on the funding basis agreed between the trustees and the sponsoring employer. This means that the sponsoring employer must meet the cost of insuring the pension fund liabilities on a buyout basis (and the pension fund must then enter into an insurance buy-in in respect of all such liabilities) if it wishes to remove the obligation to make any further deficit contributions;

- (B) changes to the UK accounting rules for pension fund liabilities, which increased the visibility of pension fund deficits and the costs to sponsoring employers as set out in their financial statements;
- (C) that most defined benefit occupational pension funds have been closed to new entrants and a significant proportion of closed funds have subsequently been frozen to the accrual of future benefits for existing fund members; and
- (D) an increased industry focus on de-risking in pension fund asset and liability management. This is evidenced by the increasing proportion of pension fund assets held in gilts and fixed interest securities and the reducing proportion held in equities: in 2006, 28.3 per cent. of pension fund assets were invested in bonds, and by 2019 this percentage had increased to 62.8 per cent. By contrast, the proportion of pension fund assets held in equities reduced from 61.1 per cent. in 2006 to 24.0 per cent. in 2019 (Source: PPF Purple Book 2019). De-risking strategies such as these more accurately match the profile of the assets of the pension fund with its liabilities and may then facilitate subsequent buy-in insurance transactions (with the ultimate aim of insuring all of the fund's liabilities in a subsequent buyout transaction).

The main participants in the pension buy-in and buyout sector include PIC, Aviva, Just Group, Legal & General, Rothesay Life, Canada Life, Phoenix and Scottish Widows.

6. Business of the Issuer

6.1 Business, Services and Products

PIC's principal activity is the provision of pension buy-in and buyout contracts to corporate pension schemes ("**pension insurance**" or "**bulk annuities**"). Pension insurance products are used by pension funds to transfer to an insurance company the risks and liabilities arising from the benefit promises made to pension fund members. Pension insurance is also used as a means by which ultimate responsibility to pay the benefits promised is transferred to the insurance company through the issuance of an individual annuity insurance policy to the pension fund member.

PIC's strategy is to use its capital resources and expertise to provide long-term security for its policyholders and to generate target returns for its shareholders by writing pension insurance for UK defined benefit pension funds.

PIC aims to deliver these objectives through:

- **a strong and sustainable pipeline of new business:** PIC provides tailored products to meet the specific requirements of each of its clients, dealing with

complexity through innovation and flexibility, and offering price certainty where this is a requirement;

- **risk-adjusted asset performance:** PIC aims to source and acquire long-dated assets which provide investment returns over and above those needed to meet the liabilities assumed, whilst optimising the impact of those assets on capital requirements and reserve calculations;
- **hedging out unwanted risks:** PIC seeks to pass on inflation, interest rate and currency risk through hedging strategies, and to manage its longevity risk through the use of reinsurance;
- **a focus on administration efficiency and customer service levels:** PIC aims to provide policyholders with a high-quality service, adhering to the requirements and principles of the FCA's "Treating Customers Fairly" principles, whilst building on its reputation in this key area; and
- **focused use of skills and resources:** PIC aims to be efficient in deploying resources to manage and operate its business, and uses services from outsourcing partners where it is efficient and cost effective to do so.

PIC originates new business through active engagement with, and marketing to, pension fund trustees and their advisers, as well as to the corporate sponsors of such funds. Specialist advisers in this field, appointed by trustees and sponsoring employers, play a key role in any evaluation or execution of a pension insurance solution and include advisers such as Aon, Barnett Waddingham, Capita, Hymans Robertson, KPMG, Lane Clark & Peacock, Mercer, PwC, Willis Towers Watson and XPS Pensions Group.

Services and Products

A summary of PIC's principal product categories is set out below.

Insurance Buyout: This is an insurance annuity policy purchased by the trustees of a pension fund in the name of the pension fund member. If a pension fund member has died and his, or her, beneficiaries, including spouse, children or other dependants, have a right to benefits from the pension fund ("**dependent beneficiaries**") then an annuity policy may also be purchased for such individuals. The members of the pension fund and dependent beneficiaries for whom insurance annuity policies have been purchased then become direct policyholders of the insurance company. The pension fund is then relieved of the obligations in respect of which annuity policies have been purchased. Where insurance annuity policies are purchased in respect of all of the members and dependent beneficiaries in respect of all of their benefit entitlements, known as a "full buyout", the pension fund can be wound up.

Operationally, an insurance buyout is typically preceded by an insurance buy-in, pending detailed verification of benefits due to the pension fund members and the data held in respect of them.

Insurance Buy-In: This is an insurance annuity policy purchased by the trustees of a pension fund in respect of some or all of its members and dependent beneficiaries in

respect of some or all of their benefit entitlements under the pension fund. A single annuity policy (the buy-in policy, often referred to as a bulk annuity) will be issued to the trustees of the pension fund in respect of all of the members and dependent beneficiaries covered. The buy-in policy is then held by the trustees alongside the other pension fund assets. The buy-in of a subset of the pension funds liabilities (e.g., covering in-payment pensioners only) is usually entered into as part of a phased strategy of the pension fund to reduce risk.

In this situation, the pension fund trust continues to exist and the trustees continue to be responsible for the payment of the pensions. The insurance company will pay the insured benefits to the pension fund which will then pay them to the pension fund members and dependent beneficiaries (although the trustees of the pension fund may ask the insurance company to make payments direct to the members and dependent beneficiaries on their behalf).

Summary of PIC buyout and buy-in transactions of £300m and over

Date	Size⁽¹⁾	Transaction Type
December 2008	£1,100m	Full buyout
November 2009	£476m	Pensioner buy-in
May 2010	£300m	Full buyout
July 2012	£300m	Pensioner buy-in
July 2013	£1,500m	Full buyout
November 2013	£670m	Full buyout
June 2014	£1,600m	Pensioner buy-in
November 2015	£2,400m	Full buyout
April 2016	£300m	Pensioner buy-in
May 2016	£900m	Pensioner buy-in
October 2017	£600m	Pensioner buy-in
November 2017	£725m	Pensioner buy-in
July 2018	£850m	Full buyout
July 2018	£1.3bn	Pensioner buy-in
August 2018	£800m	Full Buyout
December 2018	£1.5bn	Pensioner buy-in
January 2019	£425m	Pensioner buy-in
April 2019	£1.2bn	Pensioner buy-in
May 2019	£900m	Pensioner buy-in
August 2019	£3.4bn	Pensioner buy-in
November 2019	£750m	Pensioner buy-in
February 2020	£1.6bn	Pensioner buy-in
February 2020	£1.0bn	Pensioner buy-in

⁽¹⁾ As stated in the transaction announcement.

Although insurance buyout and buy-in transactions currently constitute its principal product categories, PIC remains open to the possibility of entering new product markets in the future.

On occasion, a pension insurer will sell some or all of its annuity back-book to another pension insurer. These secondary transactions typically occur when the seller wishes to exit the pension insurance market. PIC has yet to acquire another insurer's annuity

back-book, but the PIC Board considers such opportunities when they arise and PIC may make such an acquisition in the future if the PIC Board considers it to be appropriate.

6.2 Summary of Business Written by PIC

The tables below show the new business that PIC has written, the total number of pension funds insured by PIC since its inception and the level of PIC's financial investments between 2008 and 2019.

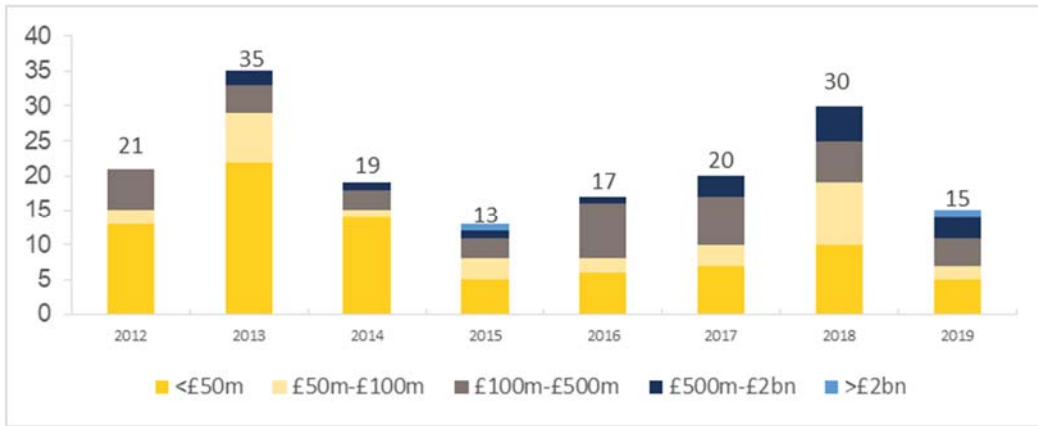
	2008	2009	2010	2011	2012	2013
New business premiums in period (£m)	1,572	1,089	718	615	1,512	3,663
Number of pension funds insured since inception	5	15	20	31	52	87
Financial investments (£m)	1,855	2,748	3,376	3,928	5,366	8,936

	2014	2015	2016	2017	2018	2019
New business premiums in period (£m)	2,646	3,755	2,598	3,704	7,150	7,186
Number of pension funds insured since inception	106	119	136	156	186	201
Financial investments (£m)	13,316	16,613	22,594	25,671	31,371	40,886

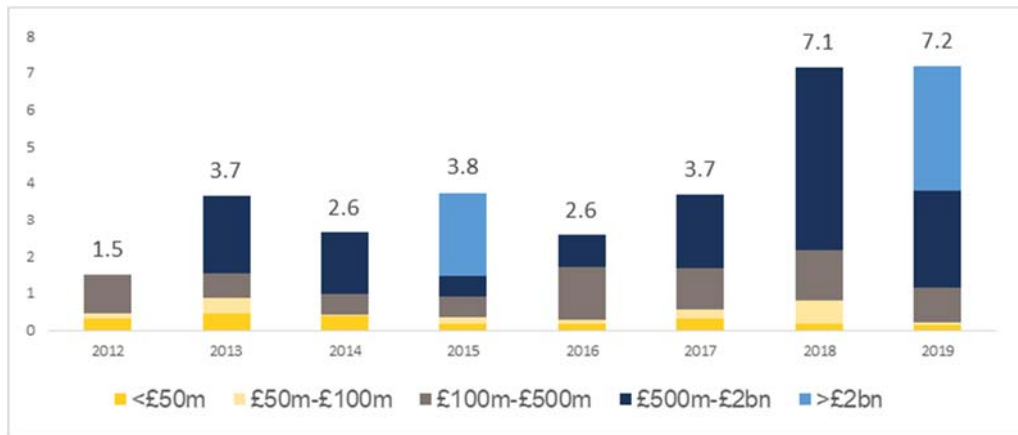
The table below additionally shows, for more recent years, the number of pension funds insured in each year, total assets and changes in PIC's expenses as a percentage of its financial instruments.

	2017	2018	2019
New business premiums in year (£m)	3,704	7,150	7,186
Number of pension funds insured	20	30	15
Number of pension funds insured since inception	156	186	201
Total assets (£m)	37,387	43,479	58,635
Financial investments (£m)	25,671	31,371	40,886
Expenses % of financial investments (annualised)	0.36%	0.35%	0.37%

PIC transactions by premium size and number of transactions:



PIC new business by premium size and annual premiums:



Over 2019, PIC has written new business premiums of approximately £7.2bn in aggregate for 15 pension funds.

6.3 Market position

PIC has established a significant presence in the buy-in and buyout sector since it commenced writing business in the second quarter of 2008, with a share of this sector between the second quarter of 2008 and the end of 2019 of 25 per cent. In 2019, PIC's share of this sector was 18 per cent. (Source: Aon, LCP, Willis Towers Watson, Professional Pensions and PIC data). In addition, PIC has received numerous industry awards reflecting its success in product service and provision, including over the past five years:

Provider	Award	Year
European Pensions Awards	Insurance Company of the Year	2015
CIO European Innovation Awards	Strategy & Tactics: Swaps/Buy-in	2015
Professional Pensions Awards	Risk Reduction Provider of the Year	2015
Pensions Age Awards	Risk Management Provider of the Year	2015
Director of Finance Awards	Pension Solution of the Year	2015
European Pensions Awards	Insurance Company of the Year	2016
PIPA (FT Pensions Awards)	Derisking Provider (Buyout, Buy-in, Longevity Swaps)	2016

Pensions Age Awards	Risk Management Provider of the Year	2017
The Institute of Customer Service	ICS Quality Service Provider	2017
The Institute of Customer Service	Service Mark with Distinction (accredited from Oct '17 to Jun '20)	2017
Korn Ferry	Outstanding Employer Award	2018
The Institute of Customer Service	ICS Quality Service Provider	2018
Pensions Age Awards	Risk Management Provider of the Year	2018
The Institute of Customer Service	Customer Commitment Award	2019
European Pensions Awards	Risk Management Firm of the Year – 2019	2019
Investors in People	Standard	2019
Risk Awards	Insurer of the Year – 2020 Winner	2019
The Institute of Customer Service	UK Customer Satisfaction Winner	2019

6.4 Approach to Pricing

PIC seeks to generate profit by charging a premium for the liabilities and risks it assumes. The premium charged is greater than the value of assets which are expected to be needed to meet the projected claims and expenses. The balance equates to the profit margin in the premium that is expected to accrue to PIC over time. Therefore, each new business transaction increases the amount of profits expected in the future.

New business transactions typically require additional capital resources to be held in addition to the premium received. These capital resources are then expected to be released over time.

When pricing new business, PIC calculates the premium required such that the profit margin in that premium is expected to result in its target internal rate of return on capital employed being met.

6.5 Underwriting of New Business

PIC undertakes a full programme of both assessing and underwriting the risks associated with new business transactions and then managing these risks once they are on PIC's balance sheet. All new business transactions are reviewed and approved typically on a weekly basis by PIC's management pricing committee, under the supervision of the PIC Board Investment and Origination Committee and, ultimately, the PIC Board. The approach is designed to ensure that:

- (A) the nature and profile of the business written meets management's criteria and objectives and is in line with PIC's business model;
- (B) the liabilities and risks of the business written are fully understood and appropriately priced; and
- (C) the profits anticipated when a transaction is priced are delivered within an acceptable range, which will depend on how the actual experienced outcomes of the risks insured differ over the duration of the transaction from those assumed for pricing purposes.

Market risk (i.e., the risk that asset markets will not perform in line with expectations) for a new insurance transaction is assessed according to the assets in which the premium will be invested. The assets into which new business premiums are to be invested are kept under regular review by PIC's management investment committee (which meets typically weekly or more frequently depending on market movements). In determining the appropriate asset mix, PIC considers, among other things, the yield, risk, hedging and dealing costs, capital efficiency and duration for which the assets will be held.

Underwriting of longevity risk and other demographic risks (such as the existence and age of an eligible spouse) is carried out by a specialist team within PIC. This team makes an assessment of the insurance risk based on a number of sources, including pension fund-specific experience data and information supplied from bodies such as the Office for National Statistics ("**ONS**") and the Continuous Mortality Investigation ("**CMI**"). The CMI is a subsidiary body of the Institute and Faculty of Actuaries.

This underwriting is supplemented by an annual review of PIC's longevity and expense experience as a further check on the assumptions made.

6.6 Reserving

PIC holds Solvency II technical provisions calculated on actuarial bases to ensure it has sufficient funds available to pay its technical liabilities when they fall due and to compensate potential acquirers of these liabilities for holding capital against those risks that are not considered hedgeable. These technical provisions comprise a best-estimate liability ("**BEL**") and a risk margin ("**RM**").

The BEL is calculated as the discounted value of the expected future liability cash flows, using a risk-free rate, increased by a matching adjustment which reflects the risk-adjusted yield on the assets backing the liabilities for those liabilities that are backed by PIC's fund for assets eligible for the matching adjustment (the "**Matching Adjustment Fund**"). The cash flows of the liabilities backed by the Matching Adjustment Fund and the backing assets in that fund are closely matched by time and amount in order for the company to be eligible to apply the matching adjustment. Where liabilities are not backed by assets within the Matching Adjustment Fund (which typically would only apply to a very small proportion of the company's overall liabilities), the BEL is calculated as the discounted value of the expected future liability cash flows, using a risk-free rate increased where appropriate by a Volatility Adjustment. The Volatility Adjustment is prescribed by EIOPA as the risk adjusted yield on a reference portfolio of assets.

The RM calculation, which is defined under the Solvency II regulations, is determined by considering the amount that a notional third party would require in order to take over the liabilities and have sufficient capital to support them over their lifetime. It is calculated as the estimated cost of solvency capital for the reference undertaking in each future year, valued at a prescribed rate of 6.0 per cent. per annum and discounted at the risk free rate.

PIC also applies a Solvency II transitional measures adjustment on these technical provisions, which provides capital relief on transitioning from the old Solvency I regime to the Solvency II regime which came into force on 1 January 2016.

Longevity assumptions, including both the current base level of longevity and the assumptions for future longevity improvements, are based on standard industry tables, scheme specific factors and PIC's own longevity experience.

The assumptions used for investment returns are based on the risk-adjusted current market yields of the assets held to back the liabilities. The assumptions used for expenses reflect PIC's budget and expected future experience.

The methodology and assumptions used to calculate these technical reserves are proposed by the Actuarial Function Holder, and are reviewed and approved by the PIC Board.

During 2019, PIC revised its assumptions to reflect identified reductions in both internal and external per policy maintenance costs, to refine the expense modelling approach and to revise the inflation assumptions applied to expenses and members' pension payments. In addition, PIC carried out an annual update of the market data used to value the allowance for credit risk within the IFRS insurance liabilities. The impact of these assumption changes over 2019 is to reduce Solvency II BEL net of reinsurance by £78m and IFRS Reserves net of reinsurance by £338m.

6.7 Asset and Liability Management

The PIC Board reviews and sets key parameters for the investment of PIC's assets. These parameters include inflation risk, interest rate risk and currency risk exposures and various asset class limits. Actions to manage the investment portfolio and strategy are taken by PIC's management investment committee which typically meets weekly, under the review of the PIC Board's Investment and Origination Committee, which meets quarterly for scheduled meetings and as and when business needs require. Exceptions to policy or limits are escalated from the management investment committee to the PIC Board's Investment and Origination Committee and, ultimately, to the PIC Board.

The asset strategy focuses on sourcing and acquiring assets which provide investment returns that meet or exceed those assumed for pricing purposes. The majority of PIC's assets are long-dated fixed income investments which are eligible to be used in the Matching Adjustment Fund. PIC utilises the services of external asset managers such as Janus Henderson Investors, Schroders, JPMorgan Asset Management and 24AM, as appropriate, who together managed 48 per cent. of PIC's financial investments as at 31 December 2019. PIC directly manages its portfolio of UK gilts, supranational bonds and hedging instruments. In addition, PIC sources and directly manages a portfolio of direct debt instruments.

PIC has a comprehensive framework to manage its counterparty exposure. As at 31 December 2019, no single counterparty (excluding the UK Government (which is deemed to include Network Rail) exceeded 2.3 per cent. of total investment assets.

PIC is exposed to inflation, interest rate and currency risk through its holdings of fixed interest securities and other investments, and through its liabilities. PIC seeks to hedge these risks as far as practicable in order to protect its balance sheet against adverse movements. The hedging programme uses a range of instruments comprising gilts (including index-linked gilts) and inflation rate, interest rate and currency derivatives. PIC

reviews its hedging profiles on a frequent basis and rebalances its hedging arrangements accordingly.

PIC's bond strategy is to focus on avoiding downgrades and defaults rather than spread volatility. The discount rate for PIC's liabilities is the yield on the assets it holds to match them. This provides a hedge against spread movements. PIC's managers work on a "buy and hold" basis with an emphasis on divesting deteriorating credits to maintain asset quality.

PIC's Solvency II liabilities had an average duration of 14.1 years, net of reinsurance as at 31 December 2019.

Asset portfolio mix

PIC's investment assets as at 31 December 2019 and 31 December 2018 are set out in the tables below:

Investment Assets

31 December 2019	AAA	AA	A	BBB ³	BB	Unrated	Total
	£m	£m	£m	£m	£m	£m	£m
<i>Loans and debt securities</i>							
Debt securities – Government	709	12,804	726	713	-	11	14,963
Debt securities – Corporate ¹	1,518	2,829	8,889	8,023	156	253	21,668
Mortgage backed and other asset backed securities ¹	-	19	297	50	-	432	798
	2,227	15,652	9,912	8,786	156	696	37,429
<i>Other assets</i>							
Derivative assets	-	3,704	9,535	1,387	-	-	14,626
Participation in investment schemes ²	1,125	-	-	-	-	879	2,004
Deposits with credit institutions	-	310	1,143	-	-	-	1,453
Receivables and other financial assets	22	42	83	103	1	26	277
Cash and cash equivalents	-	-	-	76	-	-	76
	1,147	4,056	10,761	1,566	1	905	18,436

¹ Within the above, there are £261m AAA rated, £2,062m AA rated, £2,002m A rated, £693m BBB rated and £146m BB rated corporate debt securities, and £4m A rated mortgage and asset backed securities, which have been rated using internally assessed credit ratings. Within the Asset Backed Securities £414m related to Equity Release Mortgages.

² The participation in investment schemes represents £1,125m in Aviva, Northern Trust and Royal London liquidity funds, £764m in alternative investments and £115m in fixed income funds.

³ Of the BBB assets held within the Issuer's Matching Adjustment Fund £601m are rated BBB-.

31 December 2018	AAA	AA	A	BBB ³	BB	Unrated	Total
	£m	£m	£m	£m	£m	£m	£m
<i>Loans and debt securities</i>							
Debt securities – Government	347	10,020	619	732	-	38	11,756
Debt securities – Corporate ¹	1,060	2,015	6,315	6,776	244	122	16,532
Mortgage backed and other asset backed securities ¹	-	17	290	21	-	322	650
	1,407	12,052	7,224	7,529	244	482	28,938

Other assets							
Derivative assets	-	2,823	4,786	2,148	-	-	9,757
Participation in investment schemes ²	538	-	-	-	-	800	1,338
Deposits with credit institutions	-	290	805	-	-	-	1,095
Receivables and other financial assets	18	34	66	103	2	53	276
Cash and cash equivalents	-	-	-	67	-	-	67
	556	3,147	5,657	2,318	2	853	12,533

- ¹ Within the above, there are £69m AAA rated, £848m AA rated and £1,288m A rated, £747m BBB rated and £121m BB rated debt securities, and £4m A rated mortgage and assets backed securities, which have been rated using internally assessed credit ratings. Within the Asset Backed Securities £294m related to Equity Release Mortgages.
- ² The participation in investment schemes represents £538m in Aviva and Northern Trust liquidity funds £731m in alternative investments and £69m in fixed income funds.
- ³ Of the BBB assets held within the Issuer's Matching Adjustment Fund £756m are rated BBB-.

PIC has a long-term track record of investing in secure, long-term assets that are sourced privately alongside those invested in the listed debt markets. In 2019, PIC invested £1.9bn (2018: £2.5bn) in direct investments across 25 different transactions. The breakdown by sector of direct investments over 2019 was:

31 December 2019	
Sector breakdown	
Social housing	19%
Financials	17%
Student accommodation	13%
Utilities	11%
Education	11%
Not for profit	10%
Project Finance	7%
Asset Backed Securities	3%
Government guaranteed	3%
Transport	3%
Commercial property	2%
Industrial	1%
Total	100%

PIC's Direct Investments at 31 December 2019 are rated: £396m AAA rated, £2,339m AA rated and £3,848m A rated, £1,385m BBB rated and £156m BB rated debt securities.

PIC sources corporate debt securities across a wide range of geographic areas. The table below shows PIC's corporate debt exposures split by country / region of issuance at 31 December 2019:

31 December 2019	£m	%
UK	10,990	50.7%
US	6,884	31.8%
Europe (ex. UK)	2,349	10.8%
Rest of the World	1,445	6.7%
Total	21,668	100.0%

As at 31 December 2019, PIC's assets comprised £15bn of sovereign exposures, the largest exposures were:

31 December 2019	£m
UK	11,878
USA	534
Japan	275
Qatar	261
France	253

Investment Operations

The Investment Operations team is separately managed and works with the Investment team to execute investment decisions, and manage, monitor and report on the asset portfolio. The Investment Operations team is also responsible for managing PIC's relationship with, and service delivery from, its two outsourcing partners for custody and investment services, JPMorgan and Northern Trust.

Default Experience

Since 2013 PIC has experienced no defaults.

The assumed annual default rate as defined by EIOPA under Solvency II at 31 December 2019 and included within the Solvency II Best Estimate Liabilities was 0.19 per cent.

Equity Release Mortgages

In 2017, PIC started funding ERM originated by third parties and, as at 31 December 2019, PIC held £414m of ERM (constituting 1.0 per cent. of PIC's financial investments). PIC allocates only a small proportion of this asset class to its new business pricing assumptions.

PIC currently holds these mortgages on a direct unstructured basis and therefore is not deriving any matching adjustment in respect of them (i.e., the yield on ERM is not being allocated towards the valuation of PIC's Solvency II liabilities). In addition, PIC applies a conservative stress in assessing the contribution of this asset to its internal model solvency capital requirements.

PIC is seeking to apply for Solvency II internal model capital treatment to allow the ERM portfolio to be internally structured so that part of the ERM can be allocated to PIC's Solvency II matching fund and thereby enable some matching adjustment to be derived from this asset. See also the risk factor entitled "*The Issuer is required to comply with capital adequacy requirements and failure to do so could have a material adverse effect on the Issuer's business*" above for a description of the implications of SS3/17 on PIC's ERM portfolio.

6.8 Reinsurance

In order to reduce its exposure to certain demographic and other insurance related risks, PIC enters into reinsurance contracts with third party reinsurance companies, where it is

considered appropriate and economic to do so. Given the additional risk margin capital required to be held for longevity risk under Solvency II, there is greater demand for simultaneous reinsurance to be negotiated and executed on the completion of writing of new pension insurance business.

Currently, PIC aims to reinsure greater than 60 per cent. of its longevity risk exposure, although the actual level of reinsurance varies from time to time. As at 31 December 2019, PIC had reinsured 81 per cent. of its total longevity exposure, with further reinsurance coverage the subject of negotiation with a range of counterparties.

The reinsurance that PIC has arranged to date takes two forms: longevity swap reinsurance and quota share reinsurance. Under the former, PIC has entered into a number of reinsurance contracts under which it has committed to pay the reinsurer a schedule of fixed payments based on the expected survivorship at the outset of the relevant underlying policyholders. In return, the reinsurer undertakes to reimburse the corresponding payments based on actual, realised survivorship. Importantly, these payments are not subject to a monetary cap and are payable for an unlimited term. The net effect is to eliminate the impact of uncertainty in future longevity experience in respect of the benefits insured. As part of these arrangements, a separate reinsurance fee is payable by PIC to the reinsurer.

The reinsurers with which PIC currently has longevity swap reinsurance contracts are Hannover Re, Munich Re, Pacific Life, the Prudential Insurance Company of America, Canada Life, RGA, SCOR, Swiss Re, Challenger, and PartnerRe.

In addition, PIC has entered into a number of quota share arrangements with Berkshire Hathaway Life Insurance Company of Nebraska, a US-regulated insurer and Risicom Rueckversicherung AG, a subsidiary of Siemens.

Each of the reinsurance arrangements referred to above is subject to the periodic posting of collateral or other security arrangements and in certain cases rating triggers apply before the posting of collateral is required. This is structured so as to reduce PIC's exposure to default by the reinsurer. All new reinsurance transactions are reviewed and approved by PIC's management pricing committee, and exceptions to policy or limits are escalated to the PIC Board's Investment and Origination Committee and, ultimately, to the PIC Board as required.

6.9 Risk Management

PIC has a comprehensive risk management framework overseen by the PIC Board and by the PIC Board's Risk Committee. The risk management framework is reinforced through the Risk Appetite and Tolerance Framework which is overseen by the management risk committee, the Chief Risk Officer and the Risk Function that reports to him.

Under Solvency II, PIC uses an internal model to set its SCR. This evaluates market risk, insurance risk, operational risk, expense risk and counterparty risk. In addition, PIC produces an Own Risk and Solvency Assessment ("ORSA").

PIC manages its business according to the risk strategy, risk appetites and tolerances set out in its risk policies. Specifically, PIC's solvency risk appetite defines a target level of capital that it wishes to maintain, which is regularly monitored and reported against. Capital volatility is managed through risk management techniques, including the use of inflation rate, interest rate, credit default and currency hedging instruments to reduce exposure to potential adverse market movements. PIC is also able to manage its capital position through the level of new business it writes and its broader investment and reinsurance strategies.

PIC focuses on hedging its best estimate liabilities and Solvency II SCR to interest rates and inflation rates. This provides a proxy to IFRS and embedded value sensitivities, although some basis risk remains. PIC aims to remove all foreign exchange risk through cross-currency hedging. Longevity risk is managed through reinsurance, where the majority of risk is transferred.

6.10 Administration

The administration of the issuance of new insurance policies and servicing of existing policyholders is an important function within PIC's operations. PIC has an experienced in-house administration team. This team is currently supported by the services of Capita, an administration outsourcing partner based in the UK.

As at 31 December 2019, PIC was responsible for paying the pensions of approximately 225,100 individuals and had approximately 99,600 current individual policies in issue, in respect of 109 pension funds (31 December 2018: 192,100; 88,500;103). The remaining pension funds that are insured are either in the transition process, which includes the verification of scheme data and finalisation of liabilities prior to individual policies being issued by PIC, or are buy-ins under which the policy is issued to the fund trustee, rather than to individuals.

PIC aims to have effective and high-quality communication with its policyholders and has established a dedicated UK-based helpline for its customers, which includes a free call-back facility if requested by the customer. PIC also maintains a dedicated section of its website for the provision of online services to its policyholders. In addition, PIC holds regular forums around the UK to which policyholders are invited to learn more about PIC and to discuss relevant issues.

The service quality which PIC provides to its policyholders is closely managed and monitored by PIC and its outsourcing partners to ensure that it not only fulfils its regulatory obligation to treat its customers fairly, but also to verify its service levels. PIC has attained the Institute of Customer Service's ServiceMark for outstanding customer service. PIC has also been awarded Platinum status by the Plain English Campaign, in recognition of the clarity of its customer documentation.

7. Financial Information for the years ended 31 December 2018 and 31 December 2019

7.1 Statement of Comprehensive Income (IFRS) (PIC) (£m)

	2018	2019
	(PIC)	(PIC)
Revenue		
Gross Premiums Written	7,150	7,186
Outward Reinsurance Premiums	(29)	(50)
Net Premium Revenue Earned	7,121	7,136
Investment Return	(978)	3,062
Commissions Earned	1	1
Total Revenue (net of Reinsurance Premiums)	6,144	10,199
Expenses		
Claims Paid – Gross	(1,248)	(1,430)
Reinsurers' share of claims paid	74	42
	(1,174)	(1,388)
Increase in insurance liabilities - gross	(3,727)	(8,943)
Change in reinsurers' share of insurance liabilities	(596)	744
	(4,323)	(8,199)
Acquisition Expenses	(52)	(66)
Other Operating expenses	(95)	(91)
Finance costs	(46)	(61)
	(193)	(218)
Total Claims and Expenses	(5,690)	(9,805)
Profit before taxation	454	394
Income tax charge	(86)	(75)
Profit for the year	368	319
Other comprehensive income	-	-
Total Comprehensive Income	368	319

Profit before taxation was £394m in 2019, compared to £454m in 2018. The profits reflect the record level of new business activity; significantly higher reinsurance activity than in the prior year; and ongoing work in transitioning new business premiums received fully into target asset allocations. PIC expects that as assets are fully invested and reinsurance

in respect of new business written in 2019 is completed, these activities will lead to prudency margins being released and translated into actual earned profits.

During 2019, PIC reinsured a record amount of longevity exposure, covering £8.3bn of reserves, and at 31 December 2019 81 per cent. of PIC's total longevity exposure had been reinsured (2018: 74 per cent.). Claims paid during the year were £1,430m (2018: £1,248m), an increase of 15 per cent. mainly due to the growth in the insurance book during 2019.

The assets in which PIC invests are carefully chosen in order to match the policyholder obligations that they are designed to pay. PIC's investment strategy is to select assets that generate cash flows that match its future claims payments in both timing and amount. This means that the value of PIC's assets and its liabilities should move broadly in tandem as factors such as interest rates and inflation rates change. Whilst PIC's overall investment return (which comprises both investment income received, and changes in market value of assets) in 2019 was positive, this was offset by increases in PIC's corresponding liability valuations.

Expenses and finance costs increased from £193m for 2018 to £218m for 2019, reflecting the growth in the business during 2019.

At 31 December 2019, PIC had total financial investments of £40.9bn, compared with £31.4bn at the end of 2018. The increase of £9.5bn in 2019 was principally due to the record level of new business written, increases in the market value of assets and the proceeds from the issue of Restricted Tier 1 capital in 2019, partially offset by claim payments made to policyholders during the period.

Gross derivative assets and derivative liabilities have both increased since 31 December 2019, as PIC implements hedges on the assets and liabilities associated with new business written in 2019 and rebalancing hedges on existing liabilities.

The IFRS insurance liabilities, which have increased significantly due to the new business in 2019 and economic factors, include certain prudent margins which are expected to be translated into actual earned future profits as they are released over the run-off of the underlying insurance contracts. As at 31 December 2019, these prudent margins were approximately £2.5bn (31 December 2018: £2.5bn).

7.2 Balance Sheet (IFRS) (PIC) (£m)

	2018 (PIC)	2019 (PIC)
Assets		
Investment properties	96	81
Reinsurers' share of insurance liabilities	1,854	2,598
Receivables and other financial assets	276	277
Deferred Tax Asset	-	-
Prepayments	58	91
Financial investments	31,371	40,886
Derivative assets	9,757	14,626

Cash and cash equivalents	67	76
Total Assets	43,479	58,635
Total Equity	2,434	3,198
Liabilities		
Gross insurance liabilities	28,720	37,663
Borrowings	891	892
Deferred tax liability	3	3
Derivative liabilities	11,303	16,731
Insurance and other payables	72	88
Current taxation	37	43
Accruals	19	17
Total Liabilities	41,045	55,437
Total Equity and Liabilities	43,479	58,635

7.3 Statement of Adjusted Operating Profit (IFRS) for the years ended 31 December 2018 and 2019 (PIC) (£m)

	2018 (PIC)	2019 (PIC)
Adjusted Operating Profit		
Return from operations	238	301
New business and reinsurance surplus	59	245
Net release from operations	297	546
Changes in valuation assumptions	400	358
Experience variances ¹	(7)	12
Finance and project costs	(64)	(92)
Adjusted operating profit before tax	626	824
Investment variances¹	(172)	(430)
IFRS profit before tax	454	394

Adjusted operating profit before tax has been defined to reflect the activities which are core to PIC's business, and to reflect the management choices and decisions around those activities. These encompass the writing and management of pension insurance contracts, the management of risk through reinsurance, and the day-to-day investment and management of the insurance assets and liabilities. Within this, management have defined a measure of "return from operations" which captures the returns made from the in-force book of insurance liabilities and expected long-term returns from surplus assets.

The adjusted operating profit basis is aligned to the way management view the business, and the decisions which management make around PIC's core activities. An explanation of the main components of PIC's Adjusted Operating Profit is set out below.

The item "net release from operations" comprises the returns arising from the management of PIC's assets and liabilities. This is derived by using assumptions about long-term returns on the underlying investment portfolio backing liabilities, and on the

¹ This item was previously referred to as Investment Volatility.

surplus assets of PIC. It also includes the impact on profit, on a pricing basis, from writing new buy-in and buyout insurance contracts and entering into contracts of reinsurance. At £546m for 2019, this is £249m greater than the 2018 figure of £297m, principally reflecting the new insurance business and accompanying reinsurance deals concluded in 2019, along with the growth in financial investments during the year.

“Changes in Valuation Assumptions” gave rise to a positive £358m in 2019, mainly due to the reductions in per-policy expense assumptions, and improvements in expense modelling, which increased the profits before tax by £253m. A reduction in the default allowance on corporate bonds had a further £78m positive impact. There were a number of smaller assumption changes made during the course of the year, which in total provided a net £27m gain.

Experience variances, which reflect both the actual claims experience compared to the expected amounts, and the impacts of data updates on underlying policyholder information, were positive in 2019, totalling £12m (2018: £(7)m).

The interest costs of the subordinated debt capital issued by PIC rose to £61m in 2019 from £46m the previous year, reflecting the first full year of interest expense on the £350m of debt raised in September 2018. Project costs in 2019 were £31m (2018: £18m), reflecting increased expenditure on the implementation of IFRS 17 and other business-wide projects.

To reconcile from adjusted operating profit before tax to the IFRS profit before tax figure, PIC adjusts differences between its longer term assumptions about investment return and the returns experienced during the year.

Profit before tax includes actual investment returns earned on the surplus assets and the assets backing insurance liabilities, whereas the adjusted operating profit is based on the expected returns which are calculated using the management assumption of long-term returns on the assets backing shareholder and policyholder funds over the reporting period, with allowance for the corresponding expected movements on liabilities. The long-term rates of return earned on excess assets are derived with reference to longer term swap rates with additional spreads added to take into account the risk associated with the underlying type of asset. The difference between the actual and the expected long-term returns, the impact of changes in economic assumptions on liabilities and the difference between the short-term actual asset mix and the expected long-term asset mix on new business transactions during the year are included within Investment volatility, outside of Adjusted Operating Profit.

The long-term expected rate of return on surplus assets (i.e., those assets not backing liabilities, which consist mainly of UK government securities, cash and liquidity funds) and which represent 10 per cent. of total assets (2018: 11 per cent.), is weighted based on the asset classes held at the beginning of the year. For 2019, the rate was 3.01 per cent. (2018: 2.26 per cent.) for the surplus assets, which comprised government securities of 30 per cent. (2018: 31 per cent.), cash and liquidity funds of 27 per cent. (2018: 40 per cent.) and other asset classes (including corporate bonds, hedge funds, asset backed securities and mortgage backed securities) of 43 per cent. (2018: 29 per cent.).

The impact of investment variances on the Group's assets and liabilities was a loss of £430m in 2019 (2018: £172m loss). The Group wrote significant volumes of new business in 2019 and, having received the premiums largely in cash and gilts, was unable to fully invest in line with the long-term target portfolios immediately. At 31 December 2019, there was a loss of £138m due to timing differences in asset purchases assumed in the pricing of new business compared to that actually achieved in 2019.

PIC carefully manages its exposures to factors such as interest rates, inflation, credit spreads and foreign exchange rates, and enters into derivative hedging contracts to manage these exposures in accordance with its risk appetite. PIC's hedging basis is designed around its solvency balance sheet, and accordingly there is a small degree of mismatch between the hedging basis and the IFRS balance sheet, meaning that some degree of volatility flows through into the annual IFRS results. Over the long term PIC would expect mismatches to be broadly neutral, but for 2019 this resulted in losses due to the impact of falling overseas interest rates (£194m), reductions in GBP interest rates (£73m), inflation movements (£15m) and other economic variances (£10m).

7.4 Embedded Value

With effect from 1 January 2017, PIC adopted the European Insurance CFO Forum market consistent embedded values principles (Stichting CFO Forum Foundation 2008 ©) issued in April 2016 ("**MCEV principles**") for its market consistent embedded value ("**MCEV**") measurement and reporting. The MCEV principles are based on Solvency II, rather than the IFRS statement of financial position.

The MCEV results are prepared in accordance with the MCEV principles. MCEV breaks down the solvency balance sheet sufficiently to demonstrate the present value of shareholders' interest in the expected distributable profits of the business over the long-term, after making sufficient allowance for residual risks.

A reconciliation of the PIC Solvency II figures to MCEV is shown below for the financial years ended 31 December 2019 and 31 December 2018.

31 December 2019 (£m)	Solvency II balance sheet	Allow for differences between SII and EV and sub-debt	Recognise the frictional cost of required capital	Release RM DTL net of transitional, recognise cost of non-hedge able risk	Release MA margins	Tax on future profits	MCEV
Assets	39,008	12					
BEL	(33,057)						
Risk margin and deferred tax liability (DTL), net of transitional relief	(1,107)						
Solvency II own funds (Adjusted net worth)	4,844	12					4,856
PVFP				1,107	685	(305)	1,487
CRNHR				(668)			(668)
FCoC			(208)				(208)
Subordinated debt		(1,603)					(1,603)

MCEV							3,864
31 December 2018 (£m)	Solvency II balance sheet	Allow for sub-debt	Recognise the frictional cost of required capital	Release RM DTL net of transitional, recognise cost of non-hedgeable risk	Release MA margins	Tax on future profits	MCEV
Assets	30,197						
BEL	(24,957)						
Risk margin and deferred tax liability (DTL), net of transitional relief	(1,323)						
Solvency II own funds (Adjusted net worth)	3,917						3,917
PVFP				1,323	579	(413)	1,489
CRNHR				(622)			(622)
FCoC			(207)				(207)
Subordinated debt		(962)					(962)
MCEV							3,615

Methodology overview:

Adjusted net worth

This is equal to the unadjusted own funds under Solvency II.

Present value of future profits ("PVFP")

There are certain regulatory margins within the Solvency II own funds which, in a "best estimate" scenario, are expected to be released to shareholders as free capital over time. These regulatory margins principally relate to prudence within the liability discount rate (also known as the fundamental spread), and the risk margin (net of any adjustment for the impact of transitional measures on the own funds). The present value, after tax, of the future release of these regulatory margins is equal to the "present value of future profits".

Cost of residual non-hedgeable risks ("CRNHR")

Under the MCEV principles allowance is made for the cost of holding capital in respect of non-hedgeable risks. Market risks are assumed to be hedgeable and so no cost is allowed for any capital that might be held under the regulatory solvency regime. Longevity risk is treated as hedgeable but only in respect of pensioner (individuals who have retired) business, whether this risk is reinsured or not, and reinsured deferred business.

Frictional cost of required capital ("FCoC")

There is a minimum amount of regulatory capital PIC expects to hold (the required capital) and for the purposes of the MCEV calculation this is modelled as 130 per cent. of its SCR. There is a cost associated with the assets used to support this, principally in respect of

investment management fees and tax on investment income. This cost is captured as the “frictional cost of required capital”.

Subordinated debt

As at the date of this Prospectus, PIC has issued a total of £900m of subordinated debt, which counts as Tier 2 regulatory capital and £450m of Restricted Tier 1 Notes. The fair value of the debt is recognised for MCEV purposes. The table below summarises the classification and valuation of these debts under IFRS, Solvency II and MCEV bases:

Instrument type (Notes)	IFRS		Solvency II		MCEV	
	Classification	Valuation	Classification	Valuation	Classification	Valuation
£300m 2024; £250m 2026; £350m 2030	Borrowings (liability)	Amortised cost (interest is accrued till paid)	Tier 2 Own Funds	Solvency II fair value (no accrual of interest, recognised when paid)	Borrowings (liability)	MCEV clean market value (interest is accrued separately)
£450m Perpetual	Equity	Cost (interest is recognised as dividend when paid)	RT1 Own Funds	Solvency II fair value (interest is accrued and classified as foreseeable dividend)	Borrowings (liability)	MCEV dirty market value

PIC manages its leverage in line with two separate limits based on:

- the Fitch definition of leverage, which treats the RT1 capital as equity. Under this limit, the leverage reduced to 22.0 per cent. (2018: 27.0 per cent.); and
- an internal measure (defined as debt / (debt + equity), where debt includes the RT1 at its notional value similar to the other subordinated debts and equity is the IFRS net asset value (“NAV”) excluding the RT1) where leverage increased to 33.0 per cent. (2018: 27.0 per cent.)

Both leverage ratios remain below the Group’s relevant risk appetite and are expected to reduce further as the Group continues generating profits in future years.

The fixed charge cover of the Issuer, defined as IFRS earnings before finance costs and tax divided by finance costs and RT1 dividend was 10.8x FY17, 8.7x FY18 and 7.7x FY19.

Key MCEV assumptions:

The key MCEV assumptions are:

- economic matching adjustment (“MA”) is similar to the Solvency II matching adjustment but with a more realistic view on the cost of default and downgrade. It is set at 15.4 basis points (“bps”) above the MA used for Solvency II at 31 December 2019. This assumption is driven by the actual asset spread, net of the expected cost of default and downgrade; and
- cost of residual non-hedgeable risks is an allowance for the cost of the risks which cannot be readily hedged in a liquid market. In MCEV calculations the following categorisations are made for the risks:

- PIC has assumed that longevity reinsurance is not a readily available hedge for unreinsured deferred pensioner insurance risk, hence this is included within CRNHR calculation;
- PIC treats all market-related risks as hedgeable or having symmetric impact on shareholder value; and
- PIC assumes unreinsured deferred longevity risk as non-hedgeable.

Other differences between Solvency II and MCEV assumptions relate to:

- subordinated Tier 2 debt and RT1 notes, which are treated as Tier 2 and Tier 1 capital, respectively, under Solvency II, and which are recognised at fair value for the purposes of embedded value;
- SCR, which is released over time and is replaced with FCoC for MCEV; and
- risk margin, which is released over time and replaced with CRNHR, with a cost of capital rate of 3.2 per cent. per annum.

The key economic assumptions used in the production of the embedded value are summarised below.

Embedded Value – Key Assumptions	2018	2019
Economic MA	172 bps	131 bps
Reference rate	Solvency II risk free rate + Economic MA	Solvency II risk free rate + Economic MA
Cost of capital	3.20%	3.20%
Required capital	130% of Solvency II SCR	130% of Solvency II SCR

Under the MCEV principles, the reference rate is set based on an economic MA, which is derived based on the spread between the weighted average asset spread and the risk free rate plus adjustments for cost of default and downgrades.

Embedded Value (£m)	2018	2019
Free Surplus	879	1,015
Required Capital	3,038	3,841
Adjusted Net Worth	3,917	4,856
Value of in-force business after tax	1,489	1,487
Less Subordinated debt	(962)	(1,603)
EV before cost of capital	4,444	4,740
Frictional Cost of Capital	(207)	(208)
Cost of residual non-hedgeable risk	(622)	(668)
EV Net of Cost of Capital	3,615	3,864

The PIC embedded value (“EV”) increased from £3,615m as at 31 December 2018 to £3,864m as at 31 December 2019. This was primarily due to:

- new business after tax and cost of capital of £513m in 2018 and £417m in 2019; and
- other variations reflecting changes to PIC’s existing business, the value of PIC’s subordinated debt, investment variances, assumptions and the cost of capital.

7.5 Solvency and Capital position

PIC is authorised by the PRA and regulated by the FCA and the PRA. Its capital requirements are prescribed by PRA rules which implement certain EU insurance directives and provide additional standards applicable to the UK. These rules are explained in detail in “Regulatory Overview” below.

The PRA prescribes regulatory capital requirements in accordance with the SCR and minimum capital requirement (“MCR”) of the Solvency II regime. PIC has obtained approval from the PRA to use an internal model to calculate its:

- SCR, which requires the entity to define the capital required in addition to its technical provisions such that it will be able to meet its obligations to policyholders over the following 12 months with a 99.5 per cent. probability; and
- MCR, which is calculated as a defined formula, but subject to a minimum of 25 per cent. and a maximum of 45 per cent. of the SCR and an absolute floor of €3,700,000.

PIC has obtained approval from the PRA to make use of the matching adjustment and volatility adjustment and to utilise transitional measures on its technical provisions under Solvency II.

PIC’s solvency capital ratio on the Solvency II basis for the years ended 31 December 2018 and 2019 is set out below:

PIC’s Solvency II Surplus Capital and Solvency <i>(£m unless otherwise stated)</i>	2018	2019
Own funds “(a)”	3,917	4,844
Solvency Capital Requirements “(b)”	2,343	2,954
Solvency II Surplus funds ((a) - (b))	1,574	1,890
Solvency Capital Ratio ((a) / (b))	167%	164%
Solvency Capital Ratio excluding Transitionals	136%	134%

PIC's solvency capital ratio by type of risk on the Solvency II basis for the year ended 31 December 2019 is set out below:

Risk Category (£m)	Solvency II Capital
Insurance Risk	1,164
Counterparty Credit Risk	151
Expense Risk	221
Market Risk	2,646
Operational Risk	301
Total before diversification	4,483

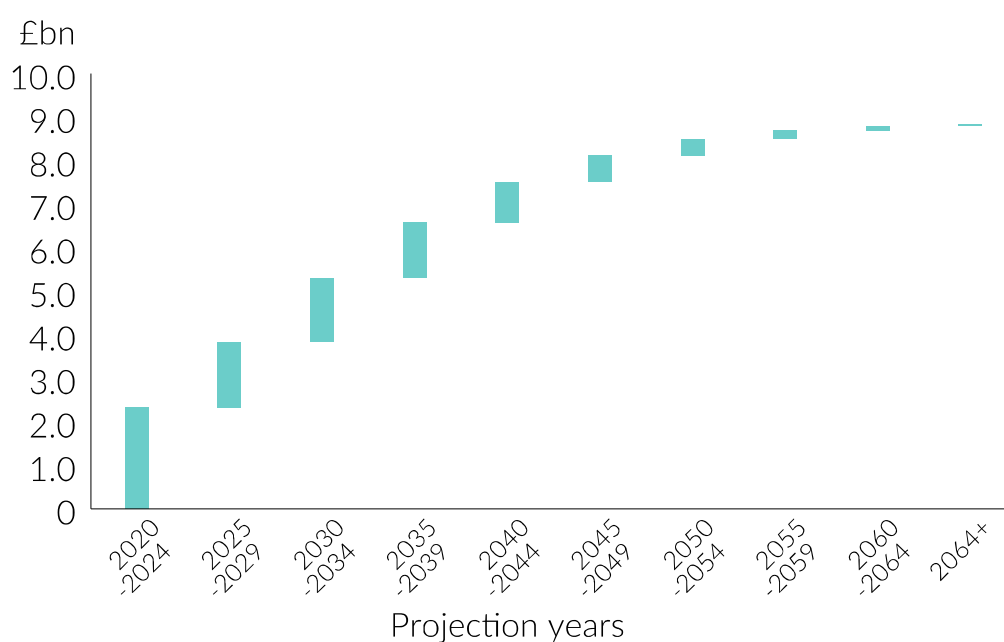
PIC's tiering of regulatory capital on the Solvency II basis for the year ended 31 December 2019 is set out below:

Tiering of regulatory capital (£m)	Tier 1	Tier 2	Tier 3	Total
Ordinary share capital	1,000	-	-	1,000
Reconciliation reserve	2,398	-	-	2,398
Subordinated loan notes	475	962	-	1,437
Deferred tax asset	-	-	9	9
Total	3,873	962	9	4,844

8. Illustrative Solvency II Cash Generation and Balance Sheets Comparison

The graph below illustrates PIC's expected Solvency II surplus cash generation after tax prior to debt coupon and principal payments from its in-force business as at 31 December 2019.

Illustrative profile of future cash generation from current in-force business after tax prior to debt coupon and principal payments



In accordance with regulatory requirements, PIC publishes an annual solvency and financial condition report, certain sections of which are incorporated in and form part of this Prospectus.

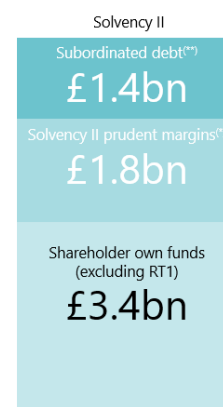
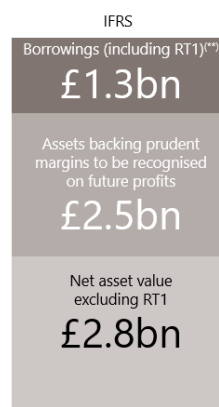
The illustration below compares the IFRS and Solvency II (“SII”) balance sheets as at 31 December 2019 and the level of prudent margins recognised on each basis.

Comparison of IFRS and Solvency II balance sheets

EXCESS ASSETS ON IFRS AND SII BASES



PIC ASSET BREAKDOWN AT FY2019



* Solvency II Prudent Margins and risk margins net of transitional measures on technical provisions, Solvency II and IFRS valuation differences including deferred tax.

** IFRS Borrowings and Solvency II Subordinated debt both include RT1.

9. Key Sensitivities – IFRS, Embedded Value and Solvency Position

The table below sets out estimates of the sensitivity of PIC’s results and metrics to changes in underlying economic conditions. All impacts are as at 31 December 2019.

IFRS:

31 December 2019	Assets	Liabilities	Tax	Profit after tax
	£m	£m	£m	£m
25 bps increase in interest rates	(1,232)	(1,145)	17	(70)
25 bps decrease in interest rates	1,304	1,216	(17)	71
50 bps increase in inflation rates	1,789	1,679	(21)	89
50 bps decrease in inflation rates	(1,587)	(1,583)	1	(3)
5% decrease in base mortality rates ¹	-	144	27	(117)
0.1% improvement in mortality rates ²	-	75	14	(61)
15% increase in renewal expenses	-	112	21	(91)
1% weakening of USD and Euro against sterling	17	21	1	(3)
25 bps increase in credit spreads	(747)	(782)	(7)	28

¹ 5% decrease in base mortality rates is equivalent to 0.4 year increase in life expectancy from 22.8 years to 23.2 years for a typical male aged 65.

² 0.1% increase in annual mortality improvement rates is equivalent to a 0.1 year increase in life expectancy from 22.8 years to 22.9 years for a typical male aged 65.

EV:

PIC Sensitivity of MCEV to changes in assumptions (£m)	Net worth ¹	Value of in-force after tax	Cost of capital ²	MCEV
At 31 December 2019				
MCEV				
<i>Impact of economic assumption changes:-</i>				
- 25 bps increase in interest rates	63	(203)	(65)	(75)
- 25 bps decrease in interest rates	(84)	230	75	71
- 10 bps increase in CoC (to 3.3%)	-	-	21	(21)
- 10 bps increase in economic MA	-	383	-	383
- 10 bps decrease in economic MA	-	(383)	-	(383)
<i>Impact of demographic assumption changes:-</i>				
- 5% decrease in base mortality rates ³	(174)	90	42	(126)

¹ Net of subordinated debt

² Cost of capital is a FCoC and CRNHR

³ 5% decrease in base mortality rates is equivalent to 0.4 year increase in life expectancy from 22.8 years to 23.2 years for a typical male aged 65.

Solvency II:

	Regulatory solvency: impact on	
	Own funds (£m)	Solvency ratio (%)
As at 31 December 2019		
Interest rates		
25bps decrease in interest rates ¹	4,802	(6)%
25bps increase in interest rates ¹	4,873	6%
£1bn credit assets downgrade ²	4,764	(5)%
£100m credit default (no recovery)	4,761	(4)%
5% decrease in base mortality ³	4,670	(9)%

¹ Assumes recalculation of transitional deduction measures on technical provisions as appropriate, with interest rate sensitivities allowing for hedge rebalancing.

² £1bn credit assets are downgraded by one Credit Quality Step (CQS). E.g., AAA rated assets fall to AA.

³ 5% decrease in base mortality rates is equivalent to 0.4 year increase in life expectancy from 22.8 years to 23.2 years for a typical male aged 65.

10. Equity Capital Raise

On 27 January 2020, PICG announced that it planned to raise £750m of new equity from existing shareholders to support the continued growth of the business in the pension risk transfer market.

The offered shares were issued on a partly paid basis, with 60 per cent. paid initially in February 2020 and the remaining 40 per cent. to be paid at the request of PICG, with the current intention being to call the unpaid amounts by 26 January 2021.

As of February 2020, £450m had been injected as equity into PIC.

On a pro forma FY19 basis, allowing for the £450m of equity capital injected as equity into PIC in February 2020, PIC's Solvency Ratio increases from 164 per cent. to 179 per cent., Fitch Leverage Ratio decreases from 22.0 per cent. to 19.8 per cent. and PIC's Internal Leverage Ratio decreases from 33.0 per cent. to 29.7 per cent.

11. Board of Directors

11.1 PIC Board

The PIC Board is composed as follows:

Jon Aisbitt, Chairman, Non-Executive Director

Jon has over 20 years' experience in international corporate finance and was a partner of the Investment Banking division at Goldman Sachs. He has significant technical knowledge of capital markets and the complex regulatory backdrop in which they operate. He has significant change management experience. Jon was Chairman of Man Group plc until he stepped down in May 2016. He was also previously Deputy Chairman of Ocean Rig plc and Honorary Treasurer of the NSPCC. He is a Fellow of the Institute of Chartered Accountants of England and Wales. Jon is Chairman of New Forests Company Holdings Limited (African sustainable forestry and timber processing) and Chairman of Ascension Healthcare plc (biotechnology). At PIC, Jon is Chairman of the Board, Chairman of the Nomination Committee and a member of the Remuneration Committee and Investment and Origination Committee. He attends Audit and Risk Committee meetings by invitation.

Tracy Blackwell, Chief Executive Officer, Executive Director

Tracy has more than 30 years' experience of investment markets, including matching pension assets to liabilities and risk hedging strategies. She has a strong knowledge and understanding of the regulatory landscape. Tracy joined PIC at its founding in 2006 as Chief Investment Officer. Prior to PIC, she held senior roles in Goldman Sachs, including as Head of Risk Management, EMEA at Goldman Sachs Asset Management, and an executive director in Goldman Sachs International's Pension Services Group, which involved advising large European and UK pension funds and insurance companies. Tracy served as Non-Executive Director of United Trust Bank from 2013 to 2019. She is also the Treasurer of the Elton John AIDS Foundation and a member of the Wellcome Trust Investment Committee. At PIC, Tracy is Chief Executive Officer and an Executive member of the Board. She attends all PIC Board Committee meetings by invitation.

Rob Sewell, Chief Financial Officer, Executive Director

Rob has extensive managerial, financial and accounting experience in the insurance and regulatory markets. In a professional career of over 30 years, Rob's previous roles have included being UK Finance Director for Legal & General Group plc, and CEO of National Westminster Life Assurance. He is a Fellow of the Institute of Chartered Accountants in England and Wales. Rob serves as a Non-Executive Director of HCT Group and Chair of its Audit Committee. At PIC, Rob is Chief Financial Officer and an Executive member of the Board. He attends Investment and Origination, Audit and Risk Committee meetings by invitation.

Judith Eden, Non-Executive Director

Judith has over 25 years' experience in the financial services gained from both executive and non-executive roles, in particular in investment management. Most of Judith's corporate career was spent at Morgan Stanley in operational, financial and strategic management roles, across both Institutional securities and Investment Management divisions. In 2009, she was appointed a Director and Chief Administrative Officer of MSIM Ltd, where she oversaw a period of significant change. In 2013, she additionally became Chief Executive Officer of MSIM's international cross-border fund management company. From 2015, Judith moved to focus on her non-executive career. Judith is an alumnus of Price Waterhouse (Fellow ICAEW) and INSEAD (Corporate Governance Certificate IDP-C). Judith is a Non-Executive Director and Audit Committee Chair of Invesco UK and ICBC Standard Bank plc. She is also a Non-Executive Director of Flood Re and a Council member at the University of Surrey. Judith joined PIC as an independent Non-Executive-Director in August 2019 and is a member of the Risk, Nomination and Remuneration Committees.

Stuart King, Non-Executive Director

Stuart has over 25 years' experience working in the UK financial regulation industry as both regulator and at regulated firms and led the enhanced supervision approach of major insurance groups following the financial crisis in 2007. Stuart has previously worked at the Bank of England before moving to become Head of UK Banks Regulation and then Head of Major Insurance Groups Regulation at the Financial Services Authority ("FSA") (predecessor of the FCA). After his time at the FSA, Stuart became Managing Director at advisory firm Promontory Financial Group and after that Group Compliance Director at Aviva plc. Stuart remains an external advisor for financial services firms. At PIC, Stuart is an independent Non-Executive Director and a member of the Audit and Risk Committees.

Arno Kitts, Non-Executive Director

Arno has been involved in investment management since 1989. Arno's previous roles include Managing Director of BlackRock, Head of the Henderson Global Investors (now Janus Henderson Investors) global distribution and Managing Director at JPMorgan responsible for institutional and defined contribution business and he was the Chief Executive Officer of JPMorgan Life. He has been responsible for institutional investment business with clients worldwide, encompassing strategy, sales and marketing, product development, and client and consultant relationship management and service. He has served as a director of many investment funds and was a former board member of the PLSA. Arno was a Member of the Council and Finance & Investment Board of the Actuarial Profession. He is a Fellow of the Institute of Actuaries and holds a PhD from Southampton University. Arno is the founder of Perspective Investments, an investment management firm, and is also a Non-Executive Director of Wake Trade Technologies. At PIC, Arno is an independent Non-Executive Director and Chairman of the Investment and Origination Committee and a member of the Risk Committee.

Roger Marshall, Senior Independent Director

Roger has gained substantial financial services expertise through his career at PricewaterhouseCoopers LLP (“**PwC**”) and subsequent non-executive roles. Roger held senior roles at PwC, including the Chairmanship of PwC’s Global Audit Policy Board and its global Corporate Reporting Task Force. Roger is a Fellow of the Institute of Chartered Accountants in England and Wales. Roger was a member of the Financial Reporting Council (“**FRC**”) FRC Board, the FRC Codes and Standards Committee and the FRC Corporate Reporting Council and director of Old Mutual plc. Roger also serves on the board of the European Financial Reporting Advisory Group. At PIC, Roger is a Senior Independent Director, Chairman of the Audit Committee and a member of the Risk Committee.

Eloy Michotte, Non-Executive Director

Eloy has extensive experience in international business and finance, having worked with Ford, McKinsey & Co and Bankers Trust Company prior to joining Richemont at the time of its formation in 1988. He graduated in engineering and applied mathematics from the University of Louvain in Belgium and holds an MBA from the University of Chicago. At PIC, Eloy is a Non-Executive Director and member of the Investment and Origination, Nomination and Remuneration Committees.

Jérôme Mourgue D’Algue, Non-Executive Director

Jérôme has spent 25 years working in the financial services industry with a strong background in asset management. Jérôme was previously an Associate at McKinsey & Company and Vice President of Morgan Stanley Capital Partners in London. Jérôme was a Partner at private equity firm Englefield Capital LLP. Jérôme has been an employee of ADIA since 2012, joining as Senior Portfolio Manager, Principal Investments before becoming Head of Financial Services, Private Equities in 2017 and Head of EMEA, Private Equities in 2018. Jérôme is currently Head of EMEA, Private Equities at ADIA and represents ADIA on the boards of various entities ADIA has invested in. Jérôme holds an MBA from the Wharton School and a BA from ESSEC. At PIC, Jérôme is member of the Nomination and Remuneration Committee and Investment and Origination Committee.

Peter Rutland, Non-Executive Director

Peter has over 20 years’ experience in the banking, investment and insurance industries as well as experience as a director of both private and listed companies. Peter is a partner and Co-Head of CVC’s Financial Services Group and is based in London. He is a director of Domestic & General, Newday, Paysafe and TMF. Peter is also an independent director of DXCTechnology. Prior to joining CVC, he worked for Advent International since 2002. Prior to working at Advent, Peter worked for Goldman Sachs in the Investment Banking Division. Peter holds an MA Degree from the University of Cambridge and an MBA from INSEAD. At PIC, Peter is a Non-Executive Director, Chairman of the Remuneration Committee, and a member of the Nomination, and Investment and Origination Committee.

Steve Sarjant, Non-Executive Director

Steve has over 30 years' experience in the financial services industry. Steve spent 20 years at Towers Watson (previously R Watson & Sons and Watson Wyatt, and currently Willis Towers Watson) where he was a Managing Director in its Risk and Financial Services segment and Global Leader, Mergers and Acquisitions. Prior to this Steve held roles at Criterion Assurance Group and National Provident Institution in a variety of roles. Steve has a BSc in Mathematics from the University of Bristol. He is a Fellow of the Institute and Faculty of Actuaries. Steve is a Non-Executive Director and Chairman of the Actuarial Committee for Vitality Health and Vitality Life, and an independent member of the With Profits Committee of Liverpool Victoria Friendly Society. At PIC, Steve is an independent Non-Executive Director, Chair of the Risk Committee and member of the Audit Committee.

Mark Stephen, Non-Executive Director

Mark has over 30 years' experience of advising and working with insurance company boards on many aspects of business, including how they adapt to the changing regulatory and business landscape. Mark was previously a partner at PwC. He is a member of the Institute of Chartered Accountants in England and Wales. He is a Director of TransRe London Limited and Hyperion Insurance Group Limited. At PIC, Mark is an independent Non-Executive Director and member of the Nomination and Remuneration, and Audit Committees.

Wilhelm Van Zyl, Non-Executive Director

Wilhelm has a strong background in the international financial services sector, including investment strategy. Wilhelm is the Chief Executive of Reinet Investments Manager S.A. and Reinet Fund Manager S.A. Prior to this Wilhelm held senior roles in a long career at Metropolitan Holdings and MMI Holdings. Wilhelm holds a BCom degree from the University of Stellenbosch and is a Fellow of the Institute and Faculty of Actuaries (UK) and Fellow of the Actuarial Society of South Africa. He serves on the boards of a number of companies in which Reinet holds interests. At PIC, Wilhelm is a Non-Executive Director and member of the Risk Committee and attends Audit Committee meetings by invitation.

11.2 PIC Board Committees

Audit Committee

The Audit Committee has primary responsibility for the appointment and management of the external auditors and the annual audit, the appointment and overview of the internal audit function, systems of governance and compliance, systems of internal controls including those financial and information technology, and review of financial statements and related accounting policies and judgements.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the PIC Board and makes recommendations to the PIC Board with regard to any changes. It also

determines and agrees with the PIC Board the framework or broad policy for the remuneration and recruitment of the company's chairman, non-executive directors, chief executive, the executive directors and such other members of the executive management as it is designated to consider.

Investment and Origination Committee

The Investment and Origination Committee oversees the management of all aspects of PIC's new business and reinsurance origination within established strategy and risk frameworks. The Committee also oversees the management of all aspects of investment policy and strategy for PIC and provides oversight of the operation of PIC's investment portfolios within an established strategy and risk framework.

Risk Committee

The Risk Committee provides oversight and advice to the PIC Board with regard to PIC's current and likely risk exposures, risk tolerances and appetite, risk measurement; risk management performance and its risk policies and procedures and risk controls. The Risk Committee recommends the risk policy to the PIC Board and reports to the PIC Board on the effectiveness of the risk controls.

12. Conflicts of Interest

The directors below are also shareholders, or shareholder representatives, in respect of the PICG Group:

- Jon Aisbitt;
- Tracy Blackwell;
- Stuart King;
- Roger Marshall;
- Eloy Michotte;
- Jérôme Mourgue D'Algue;
- Peter Rutland;
- Rob Sewell;
- Mark Stephen; and
- Wilhelm van Zyl.

Jérôme was appointed to this directorship as the representative for Luxinva SA, Eloy and Wilhelm were appointed to this directorship as a representative of Reinet PC Investments (Jersey) Limited and Peter as the representative for Blue Grass Holdings Limited. These companies are affiliated with ADIA, Reinet and CVC (respectively), each of which are

significant shareholders in PICG. From time to time, circumstances may arise in which the duties of Jérôme, Eloy, Wilhelm and/or Peter as directors of PIC may conflict with their respective interests as the representatives of shareholders in PICG. Jérôme, Peter and Wilhelm are also directors of PICG.

Jon Aisbitt, Tracy Blackwell, Judith Eden, Stuart King, Arno Kitts Roger Marshall, Rob Sewell and Mark Stephen are directors of PIC as well as shareholders of PICG. From time to time circumstances may arise in which the duties of these persons as directors of PIC may conflict with their interests as shareholders of PICG.

Save for any conflicts which may arise by virtue of the foregoing, there are no other conflicts of interest between the duties of the PIC directors to PIC and their private interests or other duties. PIC has appropriate procedures in place to identify and manage any conflicts of interest should they arise.

Regulatory Overview

1. Introduction

The Issuer is an insurer authorised by the PRA and regulated by both the PRA (as regards prudential requirements) and the FCA (as regards conduct of business requirements).

As a company carrying on insurance business in the UK, the Issuer is subject to detailed regulatory requirements, including the requirements to be authorised to carry on insurance business and to comply with comprehensive prudential and conduct of business rules. This section provides an overview of the key features of the regulatory regime for companies carrying on insurance business in the UK, as it applies to the Issuer. This regime is derived, to a large extent, from EU legislation.

2. Dual regulation by the PRA and the FCA

Insurance companies in the UK are dual-regulated, which means that they are authorised, prudentially regulated and supervised by the PRA, and regulated for conduct of business purposes by the FCA.

The PRA is responsible for the authorisation and micro-prudential regulation of insurance companies, banks and certain large investment firms. The PRA's primary objectives are to: promote the safety and soundness of PRA-authorised persons; and, in relation to insurance, to contribute to securing an appropriate degree of protection for those who are or may become policyholders of PRA-authorised insurers. The PRA's secondary objective is to act in a way that facilitates effective competition in the market for services offered by PRA-authorised firms.

The FCA regulates the conduct of every authorised firm. Its "operational objectives" are to: secure an appropriate degree of protection for consumers; protect and enhance the integrity of the UK financial system; and promote effective competition in the interests of consumers in the markets for regulated financial services and services provided by recognised investment exchanges. The FCA also has a "strategic objective" of ensuring that relevant markets function well.

The Financial Policy Committee, a committee of the Bank of England's governing body, is responsible for the macro-prudential regulation of the entire financial services sector.

3. Permission to Carry on Insurance Business in the UK

Under section 19 of FSMA, it is unlawful to effect or carry out contracts of insurance in the UK (i.e., carry on the business of an insurer) without permission to do so from the PRA under Part 4A of FSMA (a "**Part 4A Permission**"). The FCA must also consent to the granting of the permission.

In order to grant a Part 4A Permission, the PRA, with input from the FCA where appropriate, must determine that the applicant meets the requirements of FSMA, including certain "threshold conditions". The threshold conditions are the minimum conditions which must be satisfied (both at the time of authorisation, and on an ongoing basis) in order for a firm to gain and continue to have permission to carry on the relevant

regulated activities under FSMA. Dual-regulated firms must meet both the PRA and the FCA threshold conditions. These relate to matters including the applicant's legal form, whether the applicant has adequate resources (both financial and non-financial) to carry on its business and whether, having regard to all the circumstances (including whether the applicant's affairs are conducted soundly and prudently), the applicant is a fit and proper person to conduct the relevant regulated activities.

The Part 4A Permission contains a description of the activities that an authorised firm is permitted to carry on. When granting a Part 4A Permission, the PRA may impose such limitations and requirements as it considers appropriate.

Once authorised, in addition to continuing to meet the threshold conditions, firms must comply with the provisions of FSMA, related secondary legislation and the rules made by the PRA and the FCA under FSMA. These rules are set out in the PRA Rulebook and the FCA Handbook, respectively.

4. Brexit and the EU Regulatory Framework

The regulatory framework that applies to insurers in the UK is derived to a large extent from EU legislation. Prior to 31 January 2020 ("**Exit Day**"), the European Communities Act 1972 (as amended) (the "**ECA**"): (i) required the UK to implement the requirements of EU Directives in domestic law; and (ii) provided for EU Regulations and other directly applicable EU law to apply in UK domestic law without the need for further implementing measures.

The Withdrawal Act repealed the ECA with effect from 31 January 2020. This is subject to an implementation period agreed between the UK and EU27 under the Withdrawal Agreement and implemented in domestic law by the European Union (Withdrawal Agreement) Act 2020 (the "**Withdrawal Agreement Act**").

The Withdrawal Agreement Act preserves the effects of the ECA until the end of the Implementation Period ("**IP Completion Day**"), during which the supremacy of EU law continues and the UK continues to be required to implement or apply EU legislation. The Withdrawal Agreement and Withdrawal Agreement Act provide for an Implementation Period to 31 December 2020, although this can be extended by agreement between the UK and EU27.

From IP Completion Day, the Withdrawal Act will:

- (A) preserve UK domestic legislation that has implemented non-directly applicable EU law (such as EU directives);
- (B) convert directly applicable legislation (such as EU regulations, decisions and certain tertiary legislation) into UK domestic legislation; and
- (C) preserve as UK domestic law any EU rights (such as directly effective EU treaty rights) that are not otherwise captured by the provisions referred to in paragraphs (A) or (B) above.

The Withdrawal Act also gives HM Treasury the power to remedy (by subordinate legislation) deficiencies in retained EU law arising from its domestication under the Withdrawal Act. HM Treasury has exercised this power in numerous statutory instruments which will come into force on IP Completion Day. Subordinate legislation made under the Withdrawal Act also gives the PRA, the FCA and the Bank of England (amongst other UK regulators) the power to make instruments (which must be approved by HM Treasury) correcting deficiencies in domesticated EU implementing technical standards and regulatory technical standards. The PRA and the FCA have also made or proposed a number of changes to their rules and guidance to reflect the UK's withdrawal from the EU and the legislative changes referred to above.

The Bank of England, the PRA and the FCA have also issued guidance clarifying their approach to guidance and other non-binding materials issued by the three European Supervisory Authorities (“**ESAs**”), including EIOPA. That guidance, which was issued before the Implementation Period was agreed between the UK and EU27, provided that ESA materials would continue to be relevant following Exit Day unless, prior to Exit Day, the relevant regulator had notified the relevant ESA that it did not intend to comply with them. That guidance has not been updated to reflect the conclusion of the Withdrawal Agreement or passing of the Withdrawal Agreement Act, but it follows that UK firms will be expected to continue to apply ESA materials during the Implementation Period and beyond, as they did prior to IP Completion Day. The UK regulators, for their part, will continue to have regard to ESA materials as appropriate.

Following IP Completion Day, the UK Government may decide to amend or disapply retained EU law, and the extent to which there will be regulatory alignment between the UK and the EU after this point remains uncertain. There is therefore a risk that, following IP Completion Day, the legal and regulatory framework applicable to the Group could materially change.

5. Solvency II

Solvency II sets out the framework for the solvency and supervisory regime for EU insurance firms. The main aim of the prudential framework under Solvency II is to ensure the financial stability of the insurance industry across the EU and protect policyholders through establishing solvency requirements better matched to the true risks of the business.

Solvency II adopts a three pillar approach to prudential regulation:

- (i) Pillar 1 relates to minimum capital requirements, covering technical provisions, the SCR and the MCR, rules on market consistent valuation, investment of assets and the use of internal models to calculate the SCR;
- (ii) Pillar 2 covers risk management, governance requirements, supervisory review and the Own Risk and Solvency Assessment (“**ORSA**”) of an insurer; and
- (iii) Pillar 3 covers public and supervisory reporting and disclosure.

The regime consists of a “Level 1” Directive (as amended), which has been implemented by means of both “Level 2” measures, including delegated acts and binding technical standards, and “Level 3” guidance, including non-binding supervisory standards, recommendations and guidelines. Solvency II has been fully implemented in the UK since 1 January 2016, largely through changes and additions to the PRA Rulebook.

EIOPA is the ESA charged with producing draft technical standards and guidelines under Solvency II. Guidelines are non-binding, although supervisory authorities and firms to whom they are addressed are expected to apply them on a “comply or explain” basis.

6. The PRA Rulebook and the FCA Handbook

The PRA Rulebook sets out the PRA’s rules, which focus on prudential matters and are the core ongoing requirements for PRA-authorized firms. It is supplemented by PRA Supervisory Statements, which set out guidance on the application of the rules. The FCA Handbook sets out the FCA’s approach to regulation and the standards it requires firms to maintain.

The PRA Rulebook comprises a number of Parts and is divided according to the different types of firm regulated by the PRA. The Issuer must comply with the rules set out in those Parts of the Rulebook that apply to Solvency II firms. The FCA Handbook comprises a number of sourcebooks which also contain rules and guidance that apply to dual-regulated firms.

6.1 The Fundamental Rules and Principles for Business

PRA-authorized insurance companies are subject to certain overarching rules issued by the PRA, the so-called “Fundamental Rules”. These rules are core to the PRA’s supervisory approach and underpin the PRA Rulebook. The Fundamental Rules require firms, among other things, to: conduct their business with integrity; maintain adequate financial resources; and organise and control their affairs responsibly and effectively.

In addition to this, all firms must comply with the overarching principles set out by the FCA in its “Principles for Business”. These principles are intended to ensure fairness and integrity in the provision of financial services in the UK.

The FCA has also established six key outcomes that it expects firms to focus on in order to ensure that they are treating customers fairly in accordance with the Principles. These include ensuring that: (i) consumers can be confident they are dealing with firms where the fair treatment of customers is central to the firm’s corporate culture; and (ii) products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

The FCA has wide-ranging powers to take enforcement action against both firms and individuals (for example, against those approved as Senior Managers under the Senior Managers and Certification Regime (see below) if it considers that they have failed in their responsibilities) for failing to treat customers fairly, including where it finds that a firm’s systems or actions cause actual or potential consumer detriment.

6.2 Prudential standards

The PRA Rulebook implements the prudential standards established under Solvency II. The fundamental requirement of the PRA's prudential rules is that firms maintain adequate financial resources to meet their capital requirements.

Under Solvency II, firms must hold eligible own funds covering both the SCR and the MCR. The 'Own Funds' Part of the PRA Rulebook, supplemented by the Solvency II Regulation, sets out the capital resources that are deemed to be eligible for these purposes, while provisions relating to the MCR and the SCR are set out in the 'Minimum Capital Requirement' and the relevant 'Solvency Capital Requirement' Parts of the PRA Rulebook, respectively.

The 'Technical Provisions' Part of the PRA Rulebook requires firms to establish adequate technical provisions with respect to all of their insurance and reinsurance liabilities. The 'Investments' Part sets out the risk-management requirements that insurers must follow when investing their assets, including those held to cover technical provisions, while the 'Valuation' Part sets out overriding standards with which firms must comply when valuing assets and liabilities.

6.3 Senior Management, Systems and Controls

Solvency II requires insurers to ensure that all persons who effectively run a firm, or otherwise hold key functions, to: have adequate professional qualifications; have the requisite knowledge and experience to enable sound and prudent management; and be of good repute and integrity. The Senior Managers and Certification Regime ("**SMCR**"), which was extended to apply to insurers in December 2018, implements these requirements in the UK.

The SMCR has three main components.

First, the SMCR contains a senior managers regime, which requires individuals performing senior management functions ("**SMFs**") to be pre-approved by regulators before they start their role. The PRA and the FCA both produce lists of SMFs, which include the chief executive function, the chief financial function, the chief risk function and the chief actuary function. Individuals who hold SMFs have a duty in relation to their prescribed responsibilities. The FCA and the PRA can take action against individuals who hold SMFs if there is a regulatory breach within their area of responsibility and they do not take reasonable steps to avoid the breach.

Second, the SMCR contains a certification regime for staff employed in roles that do not entail the performance of SMFs but could nonetheless pose a significant risk of harm to their firm or its customers ("**certification roles**"). A firm is responsible for ensuring that no employee performs certification roles without having been certified as fit and proper by the firm (on recruitment and then on an annual basis). Since 10 December 2019, all employees performing certification roles in relation to insurers have required certification.

Third, the SMCR contains a conduct regime for senior managers and other employees. There are two tiers of conduct rules, contained in both the PRA Rulebook and the FCA Handbook. Some of these rules apply only to senior managers; some apply to senior

managers and non-executive directors; and others apply to the majority of employees within the firm.

The FCA's Senior Management Arrangements, Systems and Controls Sourcebook also contains rules on the apportionment of significant responsibilities among an insurer's directors and other senior managers and, more generally, the systems and controls that insurers are required to have in place. In particular, firms must take reasonable care to establish and maintain effective systems and controls for compliance with applicable regulatory requirements and for countering the risk that they might be used to further financial crime.

6.4 Reporting requirements

The Issuer is subject to certain ongoing reporting requirements set out in the 'Reporting' Part of the PRA Rulebook, which implements Pillar 3 of Solvency II. Firms are under a general requirement to submit to the PRA information necessary for the PRA's supervision of the firm.

The Solvency II Regulation sets out more prescriptive reporting requirements:

- (A) the submission of a full regular supervisory report ("**RSR**") at least once every three years (with a summary submitted at the end of each financial year). This is submitted to the PRA, but is not made public;
- (B) the annual submission and publication of a report on a firm's solvency and financial condition, known as a solvency and financial condition report ("**SFCR**"). The required content of this report is prescribed by the 'Reporting' Part of the PRA Rulebook and includes details of the firm's SCR and MCR;
- (C) the annual submission of a firm's ORSA. This is submitted to the PRA but is not made public; and
- (D) annual and quarterly reporting of quantitative data that supplement the RSR and the SFCR.

These requirements apply on both a solo and consolidated basis. UK insurers within the scope of Solvency II must also disclose on an ongoing basis the nature and effects of any major developments that significantly affect its prior disclosures.

6.5 Conduct of Business requirements

The FCA regulates, through its Conduct of Business Sourcebook ("**COBS**") and its Insurance Conduct of Business Sourcebook ("**ICOBS**"), the distribution and sale of insurance products. COBS applies where such insurance products have an investment element, such as pension policies, and ICOBS applies to non-investment insurance products.

The scope and range of the obligations imposed on an authorised firm under COBS and ICOBS vary according to the scope of the firm's business and the nature of its clients. Many of the provisions only apply to insurers that deal directly with retail customers or to

transactions with retail customers. Broadly, the rules in COBS and ICOBS require firms to provide clients with information about the firm, meet certain standards of product disclosure, assess suitability when advising on certain products, report appropriately to clients and provide certain protections in relation to client assets.

These sourcebooks implement the Insurance Distribution Directive (“IDD”). The IDD, which member states were obliged to apply to relevant firms by 1 October 2018, covers all participants in the sale of insurance products. The IDD was intended to strengthen policyholder protection and make it easier for firms to trade cross-border.

7. Change of Control of Insurance Companies

Section 178 of FSMA requires any person who intends to acquire or increase its “control” over a UK authorised insurance company to notify the PRA of its decision and to receive approval from the PRA before becoming a “controller” or increasing its interest in such a firm to or above certain thresholds.

The PRA must, within 60 working days from the date on which it acknowledges receipt of a notification (provided it has received all the necessary information), either: approve the acquisition or increase in control unconditionally; propose to approve it subject to conditions; or propose to object to it entirely. In reaching its decision, the PRA is required to consult with the FCA. The FCA may require the PRA to reject the application or impose conditions on the approval of the application in certain circumstances.

The PRA must also be notified when the transaction that results in the change of control takes place. No prior approval for reducing control below one of the thresholds referred to below is needed, although notification must still be given to the PRA of the relevant transaction.

A proposed “controller” for the purposes of the controller regime is any natural or legal person or such persons “acting in concert” who has or have taken a decision to acquire or increase, directly or indirectly, a holding above a certain level in, broadly, a UK authorised firm (including a UK insurance company).

Broadly, “control” over a UK authorised insurer is acquired if the acquirer:

- (i) acquires 10 per cent. or more of the shares or voting rights in that insurer or in its parent undertaking; or
- (ii) otherwise becomes able to exercise significant influence over the management of the firm by virtue of the acquirer's shares or voting power in the company or its parent undertaking.

Increases in control of an insurance company require the prior consent of the PRA where they reach thresholds of 20, 30 and 50 per cent. of the shares or voting power in the regulated firm or its parent undertaking.

Breach of the requirements to notify the PRA of a decision to acquire or increase control or to obtain approval before effecting the transaction in question is a criminal offence

attracting potentially unlimited fines. Other offences exist for breaches of the provisions of the change of control regime described above.

8. Consumer Complaints and Compensation

Insurance companies, along with other regulated firms and certain other unregulated businesses, fall under the compulsory jurisdiction of the Financial Ombudsman Service (“FOS”), which is a body established under FSMA, in relation to regulated activities carried on from an establishment in the UK. Authorised firms are required to have adequate complaints handling procedures in place but, where these are exhausted and the complaint or dispute has not been resolved, the FOS provides for dispute resolution in respect of certain categories of customer complaints brought by individuals and small business customers. Insurance firms covered by the FOS are required to pay levies and case fees, which provide the funding for the FOS. Awards made by the FOS are binding on the firms to which they relate.

The Financial Services Compensation Scheme (“FSCS”), established under FSMA, seeks to protect policyholders when a UK authorised insurer is unable or unlikely to be able to meet its financial obligations to policyholders. The FSCS provides compensation to certain categories of customer who suffer loss as a consequence of the failure by a regulated firm to meet its liabilities arising from claims made in connection with regulated activities. The FSCS is funded by way of levies imposed on all of its participating financial services firms, including the Issuer. These levies may change over time.

9. Own Funds and Technical Provisions

Rules in force in the UK (in large part implementing Solvency II) require insurance companies to maintain capital resources to meet their capital requirements, on both an entity-level (solo) and group-wide basis. A key purpose of these capital requirements is to protect the insurer’s solvency against variations in claim expectations (i.e., the liability profile of the business) and the value of assets held in support of such liabilities. Detailed rules in the PRA Rulebook and the Solvency II delegated regulation (Regulation (EU) 2015/35) set out the way in which firms must calculate their capital requirements, as well as setting out what constitutes eligible capital for these purposes.

Firms must hold eligible own funds covering the SCR, which is calculated using either the standard formula set out in the Solvency II Regulation or an approved internal model. The SCR must be calibrated to ensure that all quantifiable risks to which the firm is exposed are taken into account. It must cover at least the following risks: non-life underwriting risk; life underwriting risk; health underwriting risk; market risk; credit risk; and operational risk. The level of a firm’s SCR corresponds to the value-at-risk of its basic own funds subject to a confidence level of 99.5 per cent. over a one-year period. Breach of the SCR leads to supervisory intervention but will not lead to a firm’s authorisation being withdrawn unless the position of the firm weakens further. There are, however, other consequences if the SCR is breached such as the need to cancel or defer distributions on capital instruments.

In addition to the SCR requirement, a firm must hold eligible own funds to cover its MCR. The MCR corresponds to the value-at-risk of the basic own funds of the firm subject to a confidence level of 85 per cent. over a one-year period. The MCR has an absolute floor

expressed in numbers of euros. For long-term insurers such as the Issuer, this is currently set at EUR 3,700,000. In addition to this, a firm's MCR must be no less than 25 per cent., and no higher than 45 per cent., of the firm's SCR.

The own fund items that firms may hold against their capital requirements are classified as Tier 1, Tier 2 or Tier 3 own funds. Tier 1 own funds have the highest level of permanence and loss absorbency and are treated as high-quality capital, while Tier 3 own funds are deemed to have the lowest level of permanence and loss absorbency. In broad terms, Tier 1 items correspond to a firm's paid-in shares and related share premium, "surplus funds" (calculated according to the 'Surplus Funds' Part of the PRA Rulebook), reconciliation reserve and certain subordinated liabilities. Tier 2 own funds will be classified as such provided that they substantially possess the characteristic of subordination and may include non-paid-in shares and related share premium and certain subordinated liabilities. Tier 3 funds must be deeply subordinated with an original maturity of at least five years and must also provide for the suspension of repayment or redemption where there is a breach of the SCR and for the deferral of distributions where there is a breach of the MCR.

Firms are expected to complete a range of stress and scenario tests across their business to ensure that they remain resilient, regardless of the sensitivities of their liabilities and other capital components.

Insurers must also establish technical provisions in respect of their insurance obligations towards policyholders. Technical provisions must be equal to the sum of (i) BEL, being the expected present value of future cash flows on the in-force business projected using probability-weighted average assumptions, and (ii) the RM, an amount intended to represent the sum that a third-party taking on the liabilities would require in excess of the BEL such that it would hold eligible own funds sufficient to cover its SCR (on the assumption that any hedgeable risks were eliminated) and thereby be able to support the insurance obligations taken on over their remaining life time. The risk margin in respect of pre-2016 business may be reduced by a transitional measures adjustment designed to ensure that companies would not have needed to hold more in technical provisions at 31 December 2015 than was the case under the previous regulatory regime. Firms must ensure that assets held to cover technical provisions are invested in a manner appropriate to the nature and duration of the firm's insurance liabilities and in the best interests of all policyholders, taking into account any disclosed policy objectives.

10. Supervision and Enforcement

10.1 Supervision

The PRA and the FCA have extensive powers to supervise and intervene in the affairs of the firms they are responsible for regulating, for example, if they consider it appropriate in order to protect policyholders against the risk that the firm may be unable to meet its liabilities as they fall due, that the threshold conditions may cease to be met, that the firm or its parent has failed to comply with obligations under the relevant legislation or rules, that the firm has furnished them with misleading or inaccurate information or that there has been substantial departure from any proposal or forecast submitted to the relevant regulator. The PRA can, for instance, require firms to provide particular information or

documents to it, require the production of a report by a “skilled person” appointed by the PRA or formally investigate a firm.

The nature and extent of the PRA’s supervisory relationship with a firm depends on how much of a risk the PRA considers it could pose to its statutory objectives. The PRA assigns firms to one of five “impact categories”, based on its overall assessment of a firms’ systemic importance, its proximity to failure and the context in which the firm operates.

The FCA’s supervisory approach involves: (i) identifying harm (including through sectoral analyses and working with whistleblowers); (ii) acting on intelligence (including by mandating firms to provide it with information); (iii) remedying breaches quickly and proportionately; and (iv) evaluating its own supervisory activities.

10.2 Enforcement

The PRA and the FCA have powers to take a range of enforcement action, including the ability to sanction companies and individuals under the SMCR. Most notably, enforcement action may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation of permission to carry on regulated activities or of an approved person’s status. The PRA (and, where relevant, the FCA) can also vary or revoke the permissions of an authorised firm that has not engaged in regulated activities for 12 months, or that fails to meet the threshold conditions.

In addition to the above, the FCA has the power to impose sanctions on an authorised person who is found to have committed market abuse and it has the power to institute criminal proceedings for offences under: (i) FSMA or any statutory instruments made under it (with the exception of certain provisions for which the PRA is the relevant regulator); (ii) the Financial Services Act 2012; (iii) the insider dealing provisions of the Criminal Justice Act 1993; and (iv) certain provisions contained in anti-money laundering and counter-terrorist financing legislation.

11. Money Laundering and Financial Crime

The FCA has a duty to consider the importance of minimising the risk of the firms it regulates being used for financial crime. It therefore looks at measures a firm takes to monitor, detect, and prevent financial crime. This includes measures in respect of money laundering, terrorist financing, data security, bribery and corruption, fraud and sanctions breaches.

12. Data Protection

The GDPR came into effect across the EU on 25 May 2018 and in the three non-EU EEA states (Iceland, Liechtenstein and Norway) on 20 July 2018. The GDPR regulates the processing of the personal data of living individuals (“**data subjects**”) by, among others: (i) companies that collect or receive personal data and control the use of that data (“**data controllers**”); and (ii) companies that process personal data that are either data controllers themselves or do so on behalf of a data controller (“**data processors**”).

In the UK, the Data Protection Act 2018 repeals the Data Protection Act 1998 (which set out the pre-GDPR data protection regime in the UK), exercises on the part of the UK the limited discretions accorded to member states under the GDPR and deals with certain data processing issues that are not covered by the GDPR. It also seeks to ensure that UK and EU data protection regimes are aligned post-Brexit, and that the UK will be able to freely exchange personal data with the EU post-Brexit (although the UK's ability to do so ultimately depends on a determination of the European Commission (see further below)).

Personal data includes any information relating to data subjects who can be identified from that information (with or without other information already held, or likely to be held, by the data controller). It can therefore include: personal details such as name, address, email address, telephone number and date of birth; information relating to the individual, whether in their personal, family or professional life; and any expression of opinion about an individual or indications of a company's (or any other person's) intentions in respect of that individual.

The processing of personal data covers any activity done to or in relation to the personal data, including obtaining, organising, adapting, altering, retrieving, storing, consulting, using, disclosing, disseminating, aligning, combining, blocking, erasing or destroying personal data.

The GDPR obliges data controllers (and, to a lesser extent, data processors) to comply with various data protection principles. Personal data must be: (i) processed fairly, lawfully and transparently (in some cases, only with explicit consent); (ii) collected for specified, explicit and legitimate purposes and only processed in line with those purposes; (iii) adequate, relevant and limited to what is necessary in relation to the purposes for which it is processed; (iv) accurate and, where necessary, up to date; stored only for as long as necessary; and (v) processed securely.

The GDPR also grants data subjects various rights over their personal data, such as the right to erasure and the right to request information.

The territorial scope of the GDPR extends outside the EU. For example, it applies where non-EU companies process personal data in relation to the offering of goods or services to individuals in the EU or the monitoring of the behaviour of individuals within the EU.

Data controllers and data processors should not transfer personal data outside the EEA without putting in place appropriate safeguards and on the condition that enforceable rights and remedies are available for data subjects, unless the transfer is to a jurisdiction officially declared by the European Commission to be 'adequate'.

For breaches of the GDPR, national supervisory authorities can impose fines of up to 4 per cent. of annual turnover, or 20m euro, whichever is greater. In the UK, the national supervisory authority is the Information Commissioner's Office.

Taxation

The comments below, which are of a general nature and are based on the Issuer's understanding of current United Kingdom tax law and HM Revenue & Customs published practice, describe only the UK withholding tax treatment of payments of interest (as that term is understood for UK tax purposes) in respect of the Notes. They are not exhaustive. They do not deal with any other UK taxation implications of acquiring, holding or disposing of Notes. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly advised to consult their own professional advisers.

The Notes issued will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange, within the meaning of section 1005 of the Income Tax Act 2007. The securities are "listed on a recognised stock exchange" if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the UK in which there is a recognised stock exchange. The London Stock Exchange is a recognised stock exchange for these purposes. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Market will be regarded as "listed on a recognised stock exchange" for these purposes. While the Notes are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Notes may be made without withholding or deduction for or on account of UK income tax.

In other cases, absent any other relief or exemption (such as a direction by HM Revenue & Customs that interest may be paid without withholding or deduction for or on account of UK tax to a specified Noteholder following an application by that Noteholder under an applicable double tax treaty), an amount must generally be withheld on account of UK income tax at the basic rate (currently 20 per cent.) from payments of interest on the Notes.

Where Notes are issued at a discount (i.e., at an issue price of less than 100 per cent. of their principal amount), any payments in respect of the accrued discount element of such Notes should not generally be subject to any withholding or deduction for or on account of UK income tax.

Where Notes are issued on terms that a premium is or may be payable on redemption, it is possible that any such element of premium may constitute a payment of interest. If that element does so constitute a payment of interest, the comments in the paragraphs above will be relevant.

Subscription and Sale

Notes may be sold from time to time by the Issuer to any one or more of J.P. Morgan Securities plc, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, Merrill Lynch International, Morgan Stanley & Co. International plc, NatWest Markets Plc, Nomura International plc and RBC Europe Limited (the “**Dealers**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Programme Agreement dated 10 March 2020 (as amended, restated, supplemented or otherwise modified from time to time, the “**Programme Agreement**”) and made between the Issuer and the Dealers. Any such agreement will, among other things, make provision for the form and the Terms and Conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States

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

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms or Pricing Supplement (as applicable) will identify whether TEFRA C rules or TEFRA D rules apply, or whether TEFRA is not applicable.

Each Dealer has agreed, and each further Dealer appointed under the Programme Agreement will be required to agree, that it has not offered, sold or (in the case of Bearer Notes) delivered Notes and it will not offer, sell or (in the case of Bearer Notes) deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the relevant Tranche within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the distribution of all Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme Agreement will be required to represent and agree, that:

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

Prohibition of Sales to EEA and UK Retail Investors

Unless the Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes specifies “Prohibition of Sales to EEA and UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the EEA or the UK. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;
 - (ii) a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms (or Pricing Supplement, as the case may be) in respect of any Notes specifies “Prohibition of Sales to EEA and UK Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA and the UK (each a “**Relevant State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Member State or the UK except that it may make an offer of such Notes to the public in that Relevant State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Japan

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

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the MAS. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme Agreement will be required to represent, warrant and agree, that it has not circulated or distributed, nor will it circulate or distribute, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, and has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person 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 or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, 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;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms (or Pricing Supplement, as the case may be), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme Agreement will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee and any other Dealer shall have any responsibility therefor.

Neither the Issuer nor the Dealers represent that any Notes may at any time lawfully be sold in or from any jurisdiction in compliance with any applicable registration requirements or pursuant to an exemption available thereunder or assumes any responsibility for facilitating such sales.

Form of Final Terms for Tier 3 Notes

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [•]

Pension Insurance Corporation plc

Legal entity identifier (LEI): M31AVDIX8NY21MAUQF46

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £3,000,000,000 Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS FOR TIER 3 NOTES

[MiFID II product governance / Professional investors and ECPs only target market: Solely for the purposes of [the/each] manufacturer[’s/s’] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS: The Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA" or in the United Kingdom (the "**UK**")). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU, as amended, "**MiFID II**" / MiFID II]; [or] (ii) a customer within the meaning of Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; [or] (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, the "**Prospectus Regulation**". Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPS Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.]²

²Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "*Applicable*".

[Notification under Section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")]: To insert notice of classification of the Notes if not "prescribed capital markets products" or Excluded Investment Products³

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 3 Notes (the "**Conditions**") set forth in the Prospectus dated [•] 2020 [and the supplemental Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation [(Regulation (EU) 2017/1129) (the "**Prospectus Regulation**")]. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such Prospectus [as so supplemented] in order to obtain all relevant information. The Prospectus has been published on the Issuer's website [https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/.](https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/)]

[OR]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 3 Notes (the "**Conditions**") contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation [(Regulation (EU) 2017/1129) (the "**Prospectus Regulation**")]] and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation. The Prospectus has been published on the Issuer's website [https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/.](https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/)]

1	Issuer:	Pension Insurance Corporation plc
2	(i) Series Number:	[•]
	(ii) Tranche Number:	[•]
3	Specified Currency or Currencies:	[•]
4	Aggregate Nominal Amount of Notes admitted to trading:	
	(i) Series:	[•]
	(ii) Tranche:	[•]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6	(i) Specified Denominations:	[[•] [and integral multiples of [•] in excess thereof up to and including [•]. No Notes in definitive form will be issued with a denomination above[•]]
	(ii) Calculation Amount (Definitive Notes only):	[•]
7	(i) Issue Date:	[•]

³Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

	(ii) Interest Commencement Date	[Issue Date/[•]]
8	Maturity Date:	[[•]/The Interest Payment Date falling in or nearest to [•]]/[Not Applicable]
9	Interest Basis:	[[•] per cent. Fixed Rate]/ [•] month [LIBOR/EURIBOR] +/-[•] per cent. Floating Rate]/ [Fixed Rate Reset Notes]/ [Fixed to Floating Rate Notes]
10	Redemption Basis:	[Redemption at par]/[Not Applicable]
11	Change of Interest Basis:	[•]/[Fixed Rate Reset Notes]/[Fixed to Floating Rate Notes]
12	Call Options:	[Issuer Call] [Issuer Residual Call] [Not Applicable]
13	(i) Status of the Notes:	Tier 3 Notes
	(ii) [Date [Board/Committee] approval for issuance of Notes obtained:	[[•] [and [•]respectively]/Not Applicable, save as discussed in [Paragraph [•]] of the " <i>General Information</i> " section in the Prospectus]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including [•] to, but excluding, [•] (the " Fixed Rate End Date ")]
	(i) Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi- annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[•] in each year [adjusted in accordance with paragraph 14(vii)/not subject to adjustment]/[commencing on [•] to and including [•]]
	(iii) Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv) Broken Amount(s):	[[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]]/[•]
	(v) Day Count Fraction:	["Actual/Actual"/ "Actual/Actual - ISDA"/ "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual/360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
	(vi) Determination Dates:	[[•] in each year/Not Applicable]
	(vii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day

		Convention/Preceding Business Day Convention/Not Applicable]
15	Fixed Rate Reset Note Provisions:	[Applicable/Not Applicable]
	(i) Initial Rate of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]
	(ii) Reset Margin:	[+/-][•] per cent. per annum
	(iii) Interest Payment Date(s):	[•] in each year
	(iv) Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Note Reset Date:	[•] per Calculation Amount
	(v) Broken Amount(s):	[[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•] / Not Applicable]
	(vi) First Reset Note Reset Date:	[•]
	(vii) Anniversary Date(s):	[•] [and each corresponding day and month falling [•] years thereafter]
	(viii) Reset Determination Dates:	[•]
	(ix) Reset Rate:	[[semi-annual][annualised]Mid-Swap Rate] / [Benchmark Gilt Rate]/[CMT Rate]
	(x) First Reset Period Fallback;	[•]
	(xi) Benchmark Gilt[s]:	[•]/[•]/[Not Applicable]
	(xii) Benchmark Frequency:	[•]
	(xiii) CMT Designated Maturity:	[•]
	(xiv) CMT Rate Screen Page:	[•]
	(xv) Swap Rate Period:	[[•]/Not Applicable]
	(xvi) Screen Page:	["ICESWAP1"] / ["ICESWAP2"] / ["ICESWAP3"] / ["ICESWAP4"] / ["ICESWAP5"] / ["ICESWAP6"] / [•] / [Not Applicable]
	(xvii) Fixed Leg:	[[semi-annual]/[annual] calculated on a[n Actual/365]/[30/360]/[•] day count basis]/[Not Applicable]
	(xviii) Floating Leg:	[[3]/[6]/[•]-month [LIBOR]/[EURIBOR]/[•] rate calculated on an [Actual/365]/[Actual/360]/[•] day count basis]/[Not Applicable]
	(xix) Day Count Fraction:	["Actual/Actual"/"Actual/Actual- ISDA"/ "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual 360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]

	(xx) Determination Dates:	[[•] in each year/Not Applicable]
16	Floating Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [•]]
	(i) Specified Interest Period(s):	[•]
	(ii) Specified Interest Payment Dates:	[•]
	(iii) Interest Period Date:	[Not Applicable]/[•] in each year[, subject to adjustment in accordance with the Business Day Convention set out below]/[, not subject to adjustment]
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
	(v) Additional Business Centre(s):	[•]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[•] (the " Calculation Agent ")
	(viii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
	Reference Rate:	[•] month [LIBOR/EURIBOR]
	Interest Determination Date(s):	[•]
	Relevant Screen Page:	[•]
	(ix) ISDA Determination	
	– Floating Rate Option:	[•]
	– Designated Maturity:	[•]
	– Reset Date:	[•]
	(x) Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
	(xi) Margin(s):	[+/-][•] per cent. per annum
	(xii) Minimum Rate of Interest:	[•] per cent. per annum
	(xiii) Maximum Rate of Interest:	[•] per cent. per annum

(xiv)	Day Count Fraction:	["Actual/Actual" / "Actual/Actual - ISDA" / "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual 360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
17	Optional Interest Deferral:	[Applicable/Not Applicable]
	Dividend and Capital Restriction:	[Applicable/Not Applicable]
18	Insolvent Insurer Winding-Up Interest Deferral:	[Applicable/Not Applicable]

PROVISIONS RELATING TO REDEMPTION

19	Call Option:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note:	[•] per Calculation Amount
	(iii) Notice period:	[•]
20	Issuer Residual Call:	[Applicable/Not Applicable]
	Residual Early Redemption Amount:	[•] per Calculation Amount
21	Rating Methodology Call:	[Applicable/Not Applicable.]
22	Final Redemption Amount of each Note:	[[•] per Calculation Amount]/[Not Applicable]
23	Special Redemption Price:	
	(i) in respect of a Capital Disqualification Event redemption:	[•] per Calculation Amount
	(ii) in respect of a redemption for taxation reasons	[•] per Calculation Amount
	(iii) in respect of a Rating Methodology Event redemption:	[•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Relevant Benchmark[s]	[[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the Benchmarks Regulation]/[Not Applicable]
----	------------------------------	---

25 **Form of Notes:**

(i) [Form:]

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•]days' notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Registered Notes:

[Regulation S Global Note (U.S.\$/€• nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]

(ii) [New Global Note:

[Yes] [No]]

(iii) [New Safekeeping Structure:

[Yes] [No]]

26 **Global Certificates (Registered Notes):**

[Yes] [No]

27 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:**

[Not Applicable/[•]]

28 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):**

[Yes] [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

29 **U.S. selling restrictions:**

[Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA Not Applicable]

30 **Additional selling restrictions:**

[Not Applicable]

31 **Other special terms or conditions:**

[Not Applicable/[•]]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B - OTHER INFORMATION

1 LISTING

- (i) Listing: [London]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [the London Stock Exchange] with effect from [•].]
- (iii) Estimate of total expenses related to admission to trading: [•]

2 RATINGS

Ratings: The Notes to be issued have been rated:
[Fitch Ratings: [•]]
[[•] [is/is not] established in the [European Economic Area/United Kingdom] and [is/is not] registered under Regulation (EU) No 1060/2009, as amended]

3 [ESTIMATED TOTAL EXPENSES]

Estimated total expenses: [•]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[[•]/ "Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: [See ["Use of Proceeds"] in the Prospectus/The Issuer intends to apply an amount equal to the net proceeds from this issue of Notes to finance or re-finance certain projects and activities that promote environmental, social, governance, sustainable or green purposes ("Eligible Activities")]/*Give details*]
- (ii) Estimated net proceeds: [•]

6 [Fixed Rate Notes only - YIELD

Indication of yield: [•]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7 OPERATIONAL INFORMATION

ISIN: [•]
Common Code: [•]
CFI Code: [See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies ("**ANNA**") or alternatively sourced from the responsible

	National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
FISN:	[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (" ANNA ") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s):	[Not Applicable/[•]]
Names and addresses of additional Paying Agent(s) (if any):	[•] (the " Paying Agent ")
Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] <i>(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)</i>
Prohibition of Sales to Belgian Consumers:	[Applicable/Not Applicable] <i>(Advice should be taken from Belgian counsel before disapplying this selling restriction)</i>
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [include this text for Registered Notes which are to be held under the NSS] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common

safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper][include this text for Registered Notes]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

Form of Final Terms for Tier 2 Notes

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [•]

Pension Insurance Corporation plc

Legal entity identifier (LEI): M31AVDIX8NY21MAUQF46

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £3,000,000,000 Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS FOR TIER 2 NOTES

[MiFID II product governance / Professional investors and ECPs only target market: Solely for the purposes of [the/each] manufacturer[’s/s’] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS: The Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA" or in the United Kingdom (the "**UK**")). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU, as amended, "**MiFID II**" / MiFID II]; [or] (ii) a customer within the meaning of Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; [or] (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, the "**Prospectus Regulation**". Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPS Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.]⁴

⁴Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "*Applicable*".

[Notification under Section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")]: To insert notice of classification of the Notes if not "prescribed capital markets products" or Excluded Investment Products⁵

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 2 Notes (the "**Conditions**") set forth in the Prospectus dated [•] 2020 [and the supplemental Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation [(Regulation (EU) 2017/1129) (the "**Prospectus Regulation**")]. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such Prospectus [as so supplemented] in order to obtain all relevant information. The Prospectus has been published on the Issuer's website [https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/.](https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/)]

[OR]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 2 Notes (the "**Conditions**") contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation [(Regulation (EU) 2017/1129) (the "**Prospectus Regulation**")]] and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation. The Prospectus has been published on the Issuer's website [https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/.](https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/)]

1	Issuer:	Pension Insurance Corporation plc
2	(i) Series Number:	[•]
	(ii) Tranche Number:	[•]
3	Specified Currency or Currencies:	[•]
4	Aggregate Nominal Amount of Notes admitted to trading:	
	(i) Series:	[•]
	(ii) Tranche:	[•]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6	(i) Specified Denominations:	[[•] [and integral multiples of [•] in excess thereof up to and including [•]. No Notes in definitive form will be issued with a denomination above[•]]
	(ii) Calculation Amount (Definitive Notes only):	[•]
7	(i) Issue Date:	[•]

⁵Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

	(ii) Interest Date	Commencement	[Issue Date/[•]]
8	Maturity Date:		[[•]/The Interest Payment Date falling in or nearest to [•]]/[Not Applicable]
9	Interest Basis:		[[•] per cent. Fixed Rate]/ [•] month [LIBOR/EURIBOR] +/-[•] per cent. Floating Rate]/ [Fixed Rate Reset Notes]/ [Fixed to Floating Rate Notes]
10	Redemption Basis:		[Redemption at par]/[Not Applicable]
11	Change of Interest Basis:		[•]/[Fixed Rate Reset Notes]/[Fixed to Floating Rate Notes]
12	Call Options:		[Issuer Call] [Issuer Residual Call] [Not Applicable]
13	(i) Status of the Notes:		Tier 2 Notes
	(ii) [Date [Board/Committee] approval for issuance of Notes obtained:		[[•] [and [•]respectively]/Not Applicable, save as discussed in [Paragraph [•]] of the " <i>General Information</i> " section in the Prospectus]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note and Fixed to Floating Rate Note Provisions:		[Applicable/Not Applicable/Applicable for the period from and including [•] to, but excluding, [•] (the " Fixed Rate End Date ")]
	(i) Rate[(s)] of Interest:		[•] per cent. per annum [payable [annually/semi- annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):		[•] in each year [adjusted in accordance with paragraph 14(vii)/not subject to adjustment]/[commencing on [•] to and including [•]]
	(iii) Fixed Coupon Amount[(s)]:		[•] per Calculation Amount
	(iv) Broken Amount(s):		[[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]]/[•]
	(v) Day Count Fraction:		["Actual/Actual"/ "Actual/Actual - ISDA"/ "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual/360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
	(vi) Determination Dates:		[[•] in each year/Not Applicable]
	(vii) Business Day Convention:		[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day

		Convention/Preceding Business Day Convention/Not Applicable]
15	Fixed Rate Reset Note Provisions:	[Applicable/Not Applicable]
	(i) Initial Rate of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]
	(ii) Reset Margin:	[+/-][•] per cent. per annum
	(iii) Interest Payment Date(s):	[•] in each year
	(iv) Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Note Reset Date:	[•] per Calculation Amount
	(v) Broken Amount(s):	[[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•] / Not Applicable]
	(vi) First Reset Note Reset Date:	[•]
	(vii) Anniversary Date(s):	[•] [and each corresponding day and month falling [•] years thereafter]
	(viii) Reset Determination Dates:	[•]
	(ix) Reset Rate:	[[semi-annual][annualised]Mid-Swap Rate] / [Benchmark Gilt Rate]/[CMT Rate]
	(x) First Reset Period Fallback:	[•]
	(xi) Benchmark Gilt[s]:	[•]/[•]/[Not Applicable]
	(xii) Benchmark Frequency:	[•]
	(xiii) CMT Designated Maturity:	[•]
	(xiv) CMT Rate Screen Page:	[•]
	(xv) Swap Rate Period:	[[•]/Not Applicable]
	(xvi) Screen Page:	["ICESWAP1"] / ["ICESWAP 2"] / ["ICESWAP3"] / ["ICESWAP4"] / ["ICESWAP 5"] / ["ICESWAP6"] / [•] / [Not Applicable]
	(xvii) Fixed Leg:	[[semi-annual]/[annual] calculated on a[n Actual/365]/[30/360]/[•] day count basis]/[Not Applicable]
	(xviii) Floating Leg:	[[3]/[6]/[•]-month [LIBOR]/[EURIBOR]/[•] rate calculated on an [Actual/365]/[Actual/360]/[•] day count basis]/[Not Applicable]
	(xix) Day Count Fraction:	["Actual/Actual"/"Actual/Actual- ISDA"/ "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual 360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]

- (xx) Determination Dates: [[•] in each year/Not Applicable]
- 16 **Floating Rate Note and Fixed to Floating Rate Note Provisions:** [Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [•]]
- (i) Specified Interest Period(s): [•]
- (ii) Specified Interest Payment Dates: [•]
- (iii) Interest Period Date: [Not Applicable]/[•] in each year[, subject to adjustment in accordance with the Business Day Convention set out below]/[, not subject to adjustment]
- (iv) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (v) Additional Business Centre(s): [•]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent): [•] (the "**Calculation Agent**")
- (viii) Screen Rate Determination: [Offered quotation/Arithmetic mean of offered quotations]
- Reference Rate: [•] month [LIBOR/EURIBOR]
- Interest Determination Date(s): [•]
- Relevant Screen Page: [•]
- (ix) ISDA Determination
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (x) Linear Interpolation: Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum

- (xiv) Day Count Fraction: ["Actual/Actual" / "Actual/Actual - ISDA" / "Actual/365 (Fixed)" / "Actual/365 (Sterling)" / "Actual 360" / "30/360" / "360/ 360" / "Bond Basis" / "30E/360" / "Eurobond Basis" / "30E/360 (ISDA)" / "Actual/Actual - ICMA"]
- 17 **Optional Interest Deferral:** [Applicable/Not Applicable]
 Dividend and Capital Restriction: [Applicable/Not Applicable]
- 18 **Insolvent Insurer Winding-Up Interest Deferral:** [Applicable/Not Applicable]

PROVISIONS RELATING TO REDEMPTION

- 19 **Call Option:** [Applicable/Not Applicable]
 (i) Optional Redemption Date(s): [•]
 (ii) Optional Redemption Amount(s) of each Note: [•] per Calculation Amount
 (iii) Notice period: [•]
- 20 **Issuer Residual Call:** [Applicable/Not Applicable]
 Residual Early Redemption Amount: [•] per Calculation Amount
- 21 **Rating Methodology Call:** [Applicable/Not Applicable.]
- 22 **Final Redemption Amount of each Note:** [[•] per Calculation Amount]/[Not Applicable]
- 23 **Special Redemption Price:**
 (i) in respect of a Capital Disqualification Event redemption: [•] per Calculation Amount
 (ii) in respect of a redemption for taxation reasons [•] per Calculation Amount
 (iii) in respect of a Rating Methodology Event redemption: [•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24 **Relevant Benchmark[s]** [[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the Benchmarks Regulation]/[Not Applicable]

25 **Form of Notes:**

(i) [Form:]

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•]days' notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]

[Registered Notes:

[Regulation S Global Note (U.S.\$/€[•] nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]

(ii) [New Global Note: [Yes] [No]]

(iii) [New Safekeeping Structure: [Yes] [No]]

26 **Global Certificates (Registered Notes):**

[Yes] [No]

27 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:**

[Not Applicable/[•]]

28 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):**

[Yes] [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

29 **U.S. selling restrictions:**

[Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA Not Applicable]

30 **Additional selling restrictions:**

[Not Applicable]

31 **Other special terms or conditions:**

[Not Applicable/[•]]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B - OTHER INFORMATION

1 LISTING

- (i) Listing: [London]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [the London Stock Exchange] with effect from [•].]
- (iii) Estimate of total expenses related to admission to trading: [•]

2 RATINGS

Ratings: The Notes to be issued have been rated:
[Fitch Ratings: [•]]
[[•] [is/is not] established in the [European Economic Area/United Kingdom] and [is/is not] registered under Regulation (EU) No 1060/2009, as amended]

3 [ESTIMATED TOTAL EXPENSES]

Estimated total expenses: [•]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[[•]/ "Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: [See ["Use of Proceeds"] in the Prospectus/The Issuer intends to apply an amount equal to the net proceeds from this issue of Notes to finance or re-finance certain projects and activities that promote environmental, social, governance, sustainable or green purposes ("Eligible Activities")]/Give details]
- (ii) Estimated net proceeds: [•]

6 [Fixed Rate Notes only - YIELD

Indication of yield: [•]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7 OPERATIONAL INFORMATION

ISIN: [•]
Common Code: [•]
CFI Code: [See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies ("ANNA") or alternatively sourced from the responsible

	National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
FISN:	[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (" ANNA ") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s):	[Not Applicable/[•]]
Names and addresses of additional Paying Agent(s) (if any):	[•] (the " Paying Agent ")
Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] <i>(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)</i>
Prohibition of Sales to Belgian Consumers:	[Applicable/Not Applicable] <i>(Advice should be taken from Belgian counsel before disapplying this selling restriction)</i>
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [include this text for Registered Notes which are to be held under the NSS] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common

safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper][include this text for Registered Notes]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

Form of Pricing Supplement for Tier 3 Notes

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

No prospectus is required in accordance with Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") for the issue of Notes described herein. The FCA has neither approved nor reviewed information contained in this Pricing Supplement.

Pricing Supplement dated [•]

Pension Insurance Corporation plc

Legal entity identifier (LEI): M31AVDIX8NY21MAUQF46

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £3,000,000,000 Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS FOR TIER 3 NOTES

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.

[MiFID II product governance / Professional investors and ECPs only target market: Solely for the purposes of [the/each] manufacturer[’s/s’] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS: The Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA" or in the United Kingdom (the "**UK**")). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU, as amended, "**MiFID II**" / MiFID II]; [or] (ii) a customer within the meaning of Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; [or] (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, the "**Prospectus Regulation**". Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPS Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore

offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.]⁶

[Notification under Section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**"): To insert notice of classification of the Notes if not "prescribed capital markets products" or Excluded Investment Products]⁷

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 3 Notes (the "**Conditions**") set forth in the Prospectus dated [•] 2020 [and the supplemental Prospectus dated [•]] (the "**Prospectus**"). Any reference in the Conditions to "*Final Terms*" shall be deemed to include "*Pricing Supplement*", where applicable. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with such Prospectus [as so supplemented] in order to obtain all relevant information. The Prospectus has been published on the Issuer's website <https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/>.]

[OR]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 3 Notes (the "**Conditions**") contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. Any reference in the Conditions to "*Final Terms*" shall be deemed to include "*Pricing Supplement*", where applicable. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [•]]. The Prospectus has been published on the Issuer's website <https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/>.]

1	Issuer:	Pension Insurance Corporation plc
2	(i) Series Number:	[•]
	(ii) Tranche Number:	[•]
3	Specified Currency or Currencies:	[•]
4	Aggregate Nominal Amount of Notes admitted to trading:	
	(i) Series:	[•]
	(ii) Tranche:	[•]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6	(i) Specified Denominations:	[[•] [and integral multiples of [•] in excess thereof up to and including [•]. No Notes in

⁶Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "*Applicable*".

⁷Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

		definitive form will be issued with a denomination above[•]
	(ii) Calculation Amount (Definitive Notes only):	[•]
7	(i) Issue Date:	[•]
	(ii) Interest Commencement Date	[Issue Date/[•]]
8	Maturity Date:	[[•]/The Interest Payment Date falling in or nearest to [•]]/[Not Applicable]
9	Interest Basis:	[[•] per cent. Fixed Rate]/ [•] month [LIBOR/EURIBOR] +/-[•] per cent. Floating Rate]/ [Fixed Rate Reset Notes]/ [Fixed to Floating Rate Notes]
10	Redemption Basis:	[Redemption at par]/[Not Applicable]
11	Change of Interest Basis:	[•]/[Fixed Rate Reset Notes]/[Fixed to Floating Rate Notes]
12	Call Options:	[Issuer Call] [Issuer Residual Call] [Not Applicable]
13	(i) Status of the Notes:	Tier 3 Notes
	(ii) [Date [Board/Committee] approval for issuance of Notes obtained:	[[•] [and [•]]respectively]/Not Applicable, save as discussed in [Paragraph [•]] of the " <i>General Information</i> " section in the Prospectus]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including [•] to, but excluding, [•] (the " Fixed Rate End Date ")]
	(i) Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi- annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[•] in each year [adjusted in accordance with paragraph 14(vii)/not subject to adjustment]/[commencing on [•] to and including [•]]
	(iii) Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv) Broken Amount(s):	[[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]]/[•]
	(v) Day Count Fraction:	["Actual/Actual"/ "Actual/Actual - ISDA"/ "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual/360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]

- (vi) Determination Dates: [[•] in each year/Not Applicable]
 - (vii) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- 15 **Fixed Rate Reset Note Provisions:** [Applicable/Not Applicable]
- (i) Initial Rate of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
 - (ii) Reset Margin: [+/-][•] per cent. per annum
 - (iii) Interest Payment Date(s): [•] in each year
 - (iv) Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Note Reset Date: [•] per Calculation Amount
 - (v) Broken Amount(s): [[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•] / Not Applicable]
 - (vi) First Reset Note Reset Date: [•]
 - (vii) Anniversary Date(s): [•] [and each corresponding day and month falling [•] years thereafter]
 - (viii) Reset Determination Dates: [•]
 - (ix) Reset Rate: [[semi-annual][annualised]Mid-Swap Rate] / [Benchmark Gilt Rate]/[CMT Rate]
 - (x) First Reset Period Fallback; [•]
 - (xi) Benchmark Gilt[s]: [•]/[•]/[Not Applicable]
 - (xii) Benchmark Frequency: [•]
 - (xiii) CMT Designated Maturity: [•]
 - (xiv) CMT Rate Screen Page: [•]
 - (xv) Swap Rate Period: [[•]/Not Applicable]
 - (xvi) Screen Page: ["ICESWAP1"] / ["ICESWAP 2"] / ["ICESWAP3"] / ["ICESWAP4"] / ["ICESWAP 5"] / ["ICESWAP6"] / [•] / [Not Applicable]
 - (xvii) Fixed Leg: [[semi-annual]/[annual] calculated on a[n Actual/365]/[30/360]/[•] day count basis]/[Not Applicable]
 - (xviii) Floating Leg: [[3]/[6]/[•]-month [LIBOR]/[EURIBOR]/[•] rate calculated on an [Actual/365]/[Actual/360]/[•] day count basis]/[Not Applicable]

	(xix) Day Count Fraction:	["Actual/Actual"/"Actual/Actual- ISDA"/ "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual 360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
	(xx) Determination Dates:	[[•] in each year/Not Applicable]
16	Floating Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [•]]
	(i) Specified Interest Period(s):	[•]
	(ii) Specified Interest Payment Dates:	[•]
	(iii) Interest Period Date:	[Not Applicable]/[•] in each year[, subject to adjustment in accordance with the Business Day Convention set out below]/[, not subject to adjustment]
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
	(v) Additional Business Centre(s):	[•]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[•] (the " Calculation Agent ")
	(viii) Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
	Reference Rate:	[•] month [LIBOR/EURIBOR]
	Interest Determination Date(s):	[•]
	Relevant Screen Page:	[•]
	(ix) ISDA Determination	
	– Floating Rate Option:	[•]
	– Designated Maturity:	[•]
	– Reset Date:	[•]
	(x) Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear

		Interpolation (specify for each short or long interest period)]
	(xi) Margin(s):	[+/-][•] per cent. per annum
	(xii) Minimum Rate of Interest:	[•] per cent. per annum
	(xiii) Maximum Rate of Interest:	[•] per cent. per annum
	(xiv) Day Count Fraction:	["Actual/Actual" / "Actual/Actual - ISDA" / "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual 360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
17	Optional Interest Deferral:	[Applicable/Not Applicable]
	Dividend and Capital Restriction:	[Applicable/Not Applicable]
18	Insolvent Insurer Winding-Up Interest Deferral:	[Applicable/Not Applicable]

PROVISIONS RELATING TO REDEMPTION

19	Call Option:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note:	[•] per Calculation Amount
	(iii) Notice period:	[•]
20	Issuer Residual Call:	[Applicable/Not Applicable]
	Residual Early Redemption Amount:	[•] per Calculation Amount
21	Rating Methodology Call:	[Applicable/Not Applicable.]
22	Final Redemption Amount of each Note:	[[•] per Calculation Amount]/[Not Applicable]
23	Special Redemption Price:	
	(i) in respect of a Capital Disqualification Event redemption:	[•] per Calculation Amount
	(ii) in respect of a redemption for taxation reasons	[•] per Calculation Amount
	(iii) in respect of a Rating Methodology Event redemption:	[•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Relevant Benchmark[s]	[[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article
----	------------------------------	---

36 (Register of administrators and benchmarks) of the Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the Benchmarks Regulation]/[Not Applicable]

25 **Form of Notes:**

(i) [Form:]

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•]days' notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]

[Registered Notes:

[Regulation S Global Note (U.S.\$/€• nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]

(ii) [New Global Note:

[Yes] [No]]

(iii) [New Safekeeping Structure:

[Yes] [No]]

26 **Global Certificates (Registered Notes):**

[Yes] [No]

27 **Additional Financial Centre(s) or other special provisions relating to Payment Dates:**

[Not Applicable/[•]]

28 **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):**

[Yes] [No] [As the Notes have more than 27 Coupons, Talons will be attached.]

DISTRIBUTION

29 **U.S. selling restrictions:**

[Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA Not Applicable]

30 **Additional selling restrictions:**

[Not Applicable]

31 **Other special terms or conditions:**

[Not Applicable/[•]]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B - OTHER INFORMATION

1 LISTING

- (i) Listing: [London]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [the London Stock Exchange] with effect from [•].]
- (iii) Estimate of total expenses related to admission to trading: [•]

2 RATINGS

Ratings: The Notes to be issued have been rated:
[Fitch Ratings: [•]]
[[•] [is/is not] established in the [European Economic Area/United Kingdom] and [is/is not] registered under Regulation (EU) No 1060/2009, as amended]

3 [ESTIMATED TOTAL EXPENSES]

Estimated total expenses: [•]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[[•]/ "Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: [See ["Use of Proceeds"] in the Prospectus/The Issuer intends to apply an amount equal to the net proceeds from this issue of Notes to finance or re-finance certain projects and activities that promote environmental, social, governance, sustainable or green purposes ("Eligible Activities")]/*Give details*]
- (ii) Estimated net proceeds: [•]

6 [Fixed Rate Notes only - YIELD

Indication of yield: [•]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7 OPERATIONAL INFORMATION

ISIN: [•]
Common Code: [•]
CFI Code: [See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies ("**ANNA**") or alternatively sourced from the responsible

	National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
FISN:	[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (" ANNA ") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s):	[Not Applicable/[•]]
Names and addresses of additional Paying Agent(s) (if any):	[•] (the " Paying Agent ")
Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] <i>(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)</i>
Prohibition of Sales to Belgian Consumers:	[Applicable/Not Applicable] <i>(Advice should be taken from Belgian counsel before disapplying this selling restriction)</i>
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [include this text for Registered Notes which are to be held under the NSS] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common

safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper][include this text for Registered Notes]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

Form of Pricing Supplement for Tier 2 Notes

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

No prospectus is required in accordance with Regulation (EU) 2017/1129 for the issue of Notes described herein. The FCA has neither approved nor reviewed information contained in this Pricing Supplement.

Pricing Supplement dated [•]

Pension Insurance Corporation plc

Legal entity identifier (LEI): M31AVDIX8NY21MAUQF46

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £3,000,000,000 Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS FOR TIER 2 NOTES

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.

[MiFID II product governance / Professional investors and ECPs only target market: Solely for the purposes of [the/each] manufacturer[’s/s’] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS: The Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA" or in the United Kingdom (the "**UK**")). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU, as amended, "**MiFID II**" / MiFID II]; [or] (ii) a customer within the meaning of Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; [or] (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, the "**Prospectus Regulation**". Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPS Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore

offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.]⁸

[Notification under Section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**"): To insert notice of classification of the Notes if not "prescribed capital markets products" or Excluded Investment Products]⁹

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 2 Notes (the "**Conditions**") set forth in the Prospectus dated [•] 2020 [and the supplemental Prospectus dated [•]] (the "**Prospectus**"). Any reference in the Conditions to "*Final Terms*" shall be deemed to include "*Pricing Supplement*", where applicable. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with such Prospectus [as so supplemented] in order to obtain all relevant information. The Prospectus has been published on the Issuer's website <https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/>.]

[OR]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 2 Notes (the "**Conditions**") contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. Any reference in the Conditions to "*Final Terms*" shall be deemed to include "*Pricing Supplement*", where applicable. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [•]]. The Prospectus has been published on the Issuer's website <https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/>.]

1	Issuer:	Pension Insurance Corporation plc
2	(i) Series Number:	[•]
	(ii) Tranche Number:	[•]
3	Specified Currency or Currencies:	[•]
4	Aggregate Nominal Amount of Notes admitted to trading:	
	(i) Series:	[•]
	(ii) Tranche:	[•]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]

⁸Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "*Applicable*".

⁹Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

6	(i) Specified Denominations:	[[•] [and integral multiples of [•] in excess thereof up to and including [•]. No Notes in definitive form will be issued with a denomination above[•]]
	(ii) Calculation Amount (Definitive Notes only):	[•]
7	(i) Issue Date:	[•]
	(ii) Interest Commencement Date	[Issue Date/[•]]
8	Maturity Date:	[[•]/The Interest Payment Date falling in or nearest to [•]]/[Not Applicable]
9	Interest Basis:	[[•] per cent. Fixed Rate]/ [•] month [LIBOR/EURIBOR] +/-[•] per cent. Floating Rate]/ [Fixed Rate Reset Notes]/ [Fixed to Floating Rate Notes]
10	Redemption Basis:	[Redemption at par]/[Not Applicable]
11	Change of Interest Basis:	[•]/[Fixed Rate Reset Notes]/[Fixed to Floating Rate Notes]
12	Call Options:	[Issuer Call] [Issuer Residual Call] [Not Applicable]
13	(i) Status of the Notes:	Tier 2 Notes
	(ii) [Date [Board/Committee] approval for issuance of Notes obtained:	[[•] [and [•]respectively]/Not Applicable, save as discussed in [Paragraph [•]] of the "General Information" section in the Prospectus]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including [•] to, but excluding, [•] (the "Fixed Rate End Date")]
	(i) Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi- annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[•] in each year [adjusted in accordance with paragraph 14(vii)/not subject to adjustment]/[commencing on [•] to and including [•]]
	(iii) Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv) Broken Amount(s):	[[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]]/[•]
	(v) Day Count Fraction:	["Actual/Actual"/ "Actual/Actual - ISDA"/ "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual/360"/ "30/360"/ "360/ 360"/ "Bond

		Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
	(vi) Determination Dates:	[[•] in each year/Not Applicable]
	(vii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
15	Fixed Rate Reset Note Provisions:	[Applicable/Not Applicable]
	(i) Initial Rate of Interest:	[•] per cent. per annum [payable [annually/semi- annually/quarterly/monthly] in arrear]
	(ii) Reset Margin:	[+/-][•] per cent. per annum
	(iii) Interest Payment Date(s):	[•] in each year
	(iv) Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Note Reset Date:	[•] per Calculation Amount
	(v) Broken Amount(s):	[[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•] / Not Applicable]
	(vi) First Reset Note Reset Date:	[•]
	(vii) Anniversary Date(s):	[•] [and each corresponding day and month falling [•] years thereafter]
	(viii) Reset Determination Dates:	[•]
	(ix) Reset Rate:	[[semi-annual][annualised]Mid-Swap Rate] / [Benchmark Gilt Rate]/[CMT Rate]
	(x) First Reset Period Fallback;	[•]
	(xi) Benchmark Gilt[s]:	[•]/[•]/[Not Applicable]
	(xii) Benchmark Frequency:	[•]
	(xiii) CMT Designated Maturity:	[•]
	(xiv) CMT Rate Screen Page:	[•]
	(xv) Swap Rate Period:	[[•]/Not Applicable]
	(xvi) Screen Page:	["ICESWAP1"] / ["ICESWAP 2"] / ["ICESWAP3"] / ["ICESWAP4"] / ["ICESWAP 5"] / ["ICESWAP6"] / [•] / [Not Applicable]
	(xvii) Fixed Leg:	[[semi-annual]/[annual] calculated on a[n Actual/365]/[30/360]/[•] day count basis]/[Not Applicable]

	(xviii)	Floating Leg:	[[3]/[6]/[•]-month [LIBOR]/[EURIBOR]/[•] rate calculated on an [Actual/365]/[Actual/360]/[•] day count basis]/[Not Applicable]
	(xix)	Day Count Fraction:	["Actual/Actual"/"Actual/Actual- ISDA"/ "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual 360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
	(xx)	Determination Dates:	[[•] in each year/Not Applicable]
16		Floating Rate Note and Fixed to Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period from and including the Fixed Rate End Date to, but excluding, [•]]
	(i)	Specified Interest Period(s):	[•]
	(ii)	Specified Interest Payment Dates:	[•]
	(iii)	Interest Period Date:	[Not Applicable]/[•] in each year[, subject to adjustment in accordance with the Business Day Convention set out below]/[, not subject to adjustment]
	(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
	(v)	Additional Business Centre(s):	[•]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[•] (the " Calculation Agent ")
	(viii)	Screen Rate Determination:	[Offered quotation/Arithmetic mean of offered quotations]
		Reference Rate:	[•] month [LIBOR/EURIBOR]
		Interest Determination Date(s):	[•]
		Relevant Screen Page:	[•]
	(ix)	ISDA Determination	
		– Floating Rate Option:	[•]
		– Designated Maturity:	[•]
		– Reset Date:	[•]

- (x) Linear Interpolation: Not Applicable/Applicable – the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
 - (xi) Margin(s): [+/-][•] per cent. per annum
 - (xii) Minimum Rate of Interest: [•] per cent. per annum
 - (xiii) Maximum Rate of Interest: [•] per cent. per annum
 - (xiv) Day Count Fraction: ["Actual/Actual" / "Actual/Actual - ISDA" / "Actual/365 (Fixed)"/ "Actual/365 (Sterling)"/ "Actual 360"/ "30/360"/ "360/ 360"/ "Bond Basis"/ "30E/360"/ "Eurobond Basis"/ "30E/360 (ISDA)"/ "Actual/Actual - ICMA"]
- 17 **Optional Interest Deferral:** [Applicable/Not Applicable]
Dividend and Capital Restriction: [Applicable/Not Applicable]
- 18 **Insolvent Insurer Winding-Up Interest Deferral:** [Applicable/Not Applicable]

PROVISIONS RELATING TO REDEMPTION

- 19 **Call Option:** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
 - (ii) Optional Redemption Amount(s) of each Note: [•] per Calculation Amount
 - (iii) Notice period: [•]
- 20 **Issuer Residual Call:** [Applicable/Not Applicable]
Residual Early Redemption Amount: [•] per Calculation Amount
- 21 **Rating Methodology Call:** [Applicable/Not Applicable.]
- 22 **Final Redemption Amount of each Note:** [[•] per Calculation Amount]/[Not Applicable]
- 23 **Special Redemption Price:**
- (i) in respect of a Capital Disqualification Event redemption: [•] per Calculation Amount
 - (ii) in respect of a redemption for taxation reasons [•] per Calculation Amount
 - (iii) in respect of a Rating Methodology Event redemption: [•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24 **Relevant Benchmark[s]** [[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof,

		[[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the Benchmarks Regulation]/[Not Applicable]
25	Form of Notes:	
	(i) [Form:]	[Bearer Notes:
		[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
		[Temporary Global Note exchangeable for Definitive Notes on [*]days' notice]
		[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]
		[Registered Notes:
		[Regulation S Global Note (U.S.\$/€[*] nominal amount) registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]
	(ii) [New Global Note:	[Yes] [No]]
	(iii) [New Safekeeping Structure:	[Yes] [No]]
26	Global Certificates (Registered Notes):	[Yes] [No]
27	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/[*]]
28	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes] [No] [As the Notes have more than 27 Coupons, Talons will be attached.]
	DISTRIBUTION	
29	U.S. selling restrictions:	[Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA Not Applicable]
30	Additional selling restrictions:	[Not Applicable]

31 **Other special terms or conditions:**

[Not Applicable/[•]]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B - OTHER INFORMATION

1 LISTING

- (i) Listing: [London]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [the London Stock Exchange] with effect from [•].]
- (iii) Estimate of total expenses related to admission to trading: [•]

2 RATINGS

Ratings: The Notes to be issued have been rated:
[Fitch Ratings: [•]]
[[•] [is/is not] established in the [European Economic Area/United Kingdom] and [is/is not] registered under Regulation (EU) No 1060/2009, as amended]

3 [ESTIMATED TOTAL EXPENSES]

Estimated total expenses: [•]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[[•]/ "Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: [See ["Use of Proceeds"] in the Prospectus/The Issuer intends to apply an amount equal to the net proceeds from this issue of Notes to finance or re-finance certain projects and activities that promote environmental, social, governance, sustainable or green purposes ("Eligible Activities")]/*Give details*]
- (ii) Estimated net proceeds: [•]

6 [Fixed Rate Notes only - YIELD

Indication of yield: [•]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7 OPERATIONAL INFORMATION

ISIN: [•]
Common Code: [•]
CFI Code: [See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies ("ANNA") or alternatively sourced from the responsible

	National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
FISN:	[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (" ANNA ") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s):	[Not Applicable/[•]]
Names and addresses of additional Paying Agent(s) (if any):	[•] (the " Paying Agent ")
Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] <i>(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)</i>
Prohibition of Sales to Belgian Consumers:	[Applicable/Not Applicable] <i>(Advice should be taken from Belgian counsel before disapplying this selling restriction)</i>
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [include this text for Registered Notes which are to be held under the NSS] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common

safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper][include this text for Registered Notes]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

General Information

Except where otherwise defined in this General Information section, terms which are defined in “*Terms and Conditions of the Tier 3 Notes*” and “*Terms and Conditions of the Tier 2 Notes*” above have the same meaning when used in this section.

- (1) It is expected that the admission of the Programme in respect of the Notes to the Official List and to trading on the Market will be granted on or about 12 March 2020. Any Tranche of Notes intended to be admitted to the Official List and to trading on the Market will be so admitted upon submission to the FCA and the London Stock Exchange of the applicable Final Terms and any other information required by the FCA and the London Stock Exchange, subject to the issue of the Notes. Prior to listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. However, Notes may be issued which will not be admitted to the Official List and to trading on the Market or any other exchange.
- (2) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and ISIN and the identification number for any other relevant clearing systems and, if applicable, the FISN and CFI Code will be set out in the applicable Final Terms (or the applicable Pricing Supplement as the case may be) for any Tranche of Notes. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B 1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg.
- (3) The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.
- (4) The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the PIC Board passed on 5 March 2020 and by a resolution of a committee of the PIC Board passed on 9 March 2020.
- (5) The Trust Deed provides that the Trustee may rely on certificates or reports from any auditors or other parties in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document in connection therewith contains any limit on the liability of such auditors or such other party.
- (6) Each Bearer Note, Coupon and Talon will bear the following legend: “*Any United States person who holds this obligation will be subject to limitations under United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code*”.
- (7) There has been no significant change in the financial position or financial performance of the Issuer since 31 December 2019.
- (8) There has been no material adverse change in the prospects of the Issuer since 31 December 2019.

- (9) There are no, nor have there been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period of 12 months prior to the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer.
- (10) There are no material contracts entered into other than in the ordinary course of the Issuer's business which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes.
- (11) For the period of 12 months following the date of this document, the following documents will be available for inspection at <https://www.pensioncorporation.com/financials/bondholder-information/bondholder-documentation/>:
- (i) the up-to-date memorandum and articles of association of the Issuer;
 - (ii) this Prospectus, together with any supplement thereto, including any document incorporated by reference herein or therein;
 - (iii) the Trust Deed, the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (12) KPMG LLP, Registered Auditors with the Institute of Chartered Accountants in England and Wales, have audited, and rendered an unqualified audit report on, in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and International Financial Reporting Standards, the consolidated financial statements of the Issuer and of PICG for the two years ended 31 December 2018 and 31 December 2019. KPMG LLP has no material interest in the Issuer.
- (13) The Issuer does not intend to provide any post-issuance information in relation to the Notes.
- (14) The Dealers and their respective affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer and/or routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express

independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

PRINCIPAL OFFICE OF THE ISSUER

Pension Insurance Corporation plc
14 Cornhill
London EC3V 3ND

TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

ISSUING AND PAYING AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

REGISTRAR

Citigroup Global Markets Europe AG
Reuterweg 16
60323
Frankfurt
Germany

DEALERS

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

BNP Paribas
10 Harewood Avenue
London NW1 6AA

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
London E14 5LB

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

HSBC Bank plc
8 Canada Square
London E14 5HQ

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA

Nomura International plc
1 Angel Lane
London EC2M 7AD

RBC Europe Limited
Riverbank House
2 Swan Lane
London EC4R 3BF

AUDITOR OF THE ISSUER

KPMG LLP
15 Canada Square
London E14 5GL

LEGAL ADVISERS

To the Issuer
Slaughter and May
One Bunhill Row
London EC1Y 8YY

To the Dealers and the Trustee
Allen & Overy LLP
One Bishops Square
London E1 6AD

